PARTIAL ASSET CONTRIBUTION AGREEMENT
SUBJECT TO THE “SPIN-OFF” REGIME
(“*régime juridique des scissions*”)[1]

SIEMENS MOBILITY HOLDING S.À R.L.
as Luxembourg Contributing Company

and

ALSTOM S.A.

as Beneficiary Company

May 17, 2018

[1] **[*NOTE*** *: Prevailing version to be the French version (Article 11.3.1 of the BCA).* **]**

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This contribution agreement, hereinafter referred to as the "**Contribution Agreement**", is entered into on May 17, 2018.

BETWEEN THE UNDERSIGNED

(1) **Siemens Mobility Holding S.à r.l.**, a *société à responsabilité limitée* incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 8-10 avenue de la Gare, L-1610 Luxembourg City, Luxembourg, registered with the Luxembourg Trade and Companies Register under number B 219459, duly represented for the purpose hereof,

(hereinafter the "**Luxembourg Contributing Company**")

ON THE ONE HAND,

AND

(2) **Alstom S.A.**, a French *société anonyme*, having its registered office at 48 rue Albert Dhalenne, 93400 Saint-Ouen, France, registered with the Trade and Companies Register under number 389 058 447 R.C.S. Bobigny, duly represented for the purpose hereof,

(hereinafter "**Alstom**" or the "**Beneficiary Company**")

ON THE OTHER HAND,

The Luxembourg Contributing Company and the Beneficiary Company are hereinafter referred to collectively as the "**Parties**" and individually as a "**Party**".

IN THE PRESENCE OF

(3) **Siemens AG**, a stock corporation (*Aktiengesellschaft*) organized under the laws of Germany, having its registered seat in Munich and Berlin, Germany, and registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich under number HRB 6684 and in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Berlin-Charlottenburg under HRB 12300, duly represented for the purposes hereof,

(hereinafter "**Siemens AG**"),

Siemens AG is acknowledging this Contribution Agreement solely to be informed of its existence and of its terms and conditions and not as a party.

RECITALS:

(A) Alstom and Siemens AG entered into a *Memorandum of Understanding* dated September 26, 2017 in connection with the possible combination of Siemens' mobility business including its rail traction drives business (the "**Siemens Target Business**") with Alstom (the "**Contemplated Transaction**"). A *Business Combination Agreement* setting out the terms and conditions of the Contemplated Transaction (the "**Business Combination Agreement**") has been executed on March 23, 2018 between Siemens AG and Alstom following completion of the information and consultation process of the relevant employee representative bodies of the relevant entities of the Siemens Group and of the Alstom Group.

(B) The Parties have agreed that the Contemplated Transaction will be structured as a contribution whereby two directly or indirectly wholly owned Siemens entities, the Luxembourg Contributing Company and Siemens France Holding SAS (the "**French Contributing Company**", and, together with the Luxembourg Contributing Company, the "**Contributing Companies**"), will indirectly contribute the Siemens Target Business to Alstom (the "**Contribution**").

(C) In consideration for the Contribution, the Contributing Companies will receive together in total (i) two hundred twenty seven million three hundred fourteen thousand six hundred fifty-eight (227,314,658) ordinary Alstom Shares representing fifty point sixty-seven percent (50.67%) of the issued share capital of Alstom as of the Determination Date and no less than fifty percent (50%) of the share capital of Alstom on a Fully Diluted basis upon Closing and, (ii) eighteen million nine hundred forty-two thousand eight hundred eighty-eight (18,942,888) warrants to be issued by Alstom, enabling Siemens Group entities, in the event of exercise of all such warrants, to subscribe to a number of Alstom Shares achieving a two (2) percentage points increase in Siemens Group's shareholding in Alstom on a Fully Diluted basis as of the Closing Date of fifty percent (50%) (including dilution resulting from the exercise of such warrants) at the time of the exercise of the warrants, in accordance with the terms and conditions of the Business Combination Agreement.

(D) The Contribution is structured as two contributions of shares, free and clear of any Encumbrance, subject to the spin-off regime (*régime juridique des scissions*): (i) the contribution by the "French Contributing Company of the part of the Siemens Target Business operated by Siemens entities in France (including through, as the case may be, any French and foreign subsidiaries and activities) to Alstom pursuant to the terms and conditions of the contribution agreement entered into on the date hereof between the French Contributing Company and Alstom (the "**French Contribution Agreement**") through the contribution of a number of ordinary shares representing 100% of the share capital and voting rights of Siemens Mobility SAS in consideration for eight million five hundred five thousand six hundred nineteen (8,505,619) ordinary Alstom Shares to be listed on Euronext Paris (the "**French Contribution**") and (ii) the contribution of the rest of the Siemens Target Business to Alstom pursuant to the terms and conditions of this Contribution Agreement through the contribution of (a) a number of ordinary shares representing 100% of the share capital and voting rights of Siemens Mobility Holding BV and (b) a number of ordinary shares representing 100% of the share capital and voting rights of Siemens Mobility GmbH in consideration for (x) two hundred eighteen million eight hundred nine thousand thirty-nine (218,809,039) ordinary Alstom Shares to be listed on Euronext Paris and (y) eighteen million nine hundred forty-two thousand eight hundred eighty-eight (18,942,888) warrants to be issued by Alstom (the "**Luxembourg Contribution**").

(E) The Contribution, while contemplated distinctly through both the French Contribution and the Luxembourg Contribution (subject respectively to the French Contribution Agreement and to this Contribution Agreement), shall be deemed one indivisible transaction, and none of the French Contribution or the Luxembourg Contribution shall occur without the simultaneous occurrence of the French Contribution and Luxembourg Contribution on Closing (*i.e.*, the Luxembourg Contribution will not occur in the event the French Contribution is not simultaneously completed, and *vice versa*, on Closing).

(F) On the date of this Contribution Agreement, the Siemens Target Business is not held by a separate sub-group within the Siemens Group. In order to allow the Contribution, Siemens AG and Alstom have agreed that Siemens AG shall, and shall cause its affiliates currently holding the Siemens Target Business to, separate the business activities of the Siemens Target Business from the other business activities carried out by the Siemens Group, through the implementation of the Siemens Target Business Carve-Out (as defined below) in accordance with and subject to the principles laid down in Schedule 4.2.1 to the Business Combination Agreement (the "**Separation Concept**") and described in Article 7 of this Contribution Agreement.

(G) For information purposes, it is acknowledged between the Parties that the assets and liabilities set forth in Schedule G and the "Excluded Arrangements" as defined in Schedule G are not part of the Siemens Target Business and are therefore not included in the scope of the Contribution.

(H) For the avoidance of doubt, the Parties acknowledge that the Business Combination Agreement contains "wrong pocket" stipulations which provide for the following:

(i) if, within a period ending on the first anniversary of Closing (or, for any deferred Siemens Target Business Carve-Out, on the first anniversary of the deferred transfer date) any property right or asset or liability not forming part of the Siemens Target Business is found to have been transferred to the Combined Business in error, *i.e.*, in deviation from what has been agreed in the Separation Concept, as implemented by the Local Asset Transfer Agreements, Alstom shall transfer or procure that the respective member of the Alstom Group shall transfer, at no cost, such property, right or asset or liability as soon as practicable to Siemens AG or any member of the Siemens Group nominated by Siemens AG which shall expressly accept such transfer; and

(ii) if, within a period ending on the first anniversary of Closing (or, for any deferred Siemens Target Business Carve-Out, on the first anniversary of the deferred transfer date) any property right or asset or liability forming part of the Siemens Target Business or the Combined Business is found to have been retained by a Current Owner in error, *i.e.*, in deviation from what has been agreed in the Separation Concept, as implemented by the Local Asset Transfer Agreements, Siemens AG shall transfer or procure that the respective member of the Siemens Group transfer, at no cost, such property, right or asset or liability as soon as practicable to Alstom or any member of the Alstom Group nominated by the latter which shall expressly accept such transfer.

(I) The Parties have agreed that the Luxembourg Contribution will be governed by (i) the *apport-scission regime* set out in Articles 1030-1 to 1033-1 (excluding Article 1031-16) of the Luxembourg Law on Commercial Companies dated August 10, 1915 (as amended, the "Law of 1915") in accordance with Articles 1040-2 of the Law of 1915 and (ii) Articles L. 236-1 to L. 236-6 and L. 236-16 to L. 236-21 of the French Commercial Code (*régime juridique des scissions*) in accordance with Articles L. 236-6-1 and L. 236-22 of the French Commercial Code.

WHEREAS:

1. PRESENTATION OF THE COMPANIES

1.1 THE LUXEMBOURG CONTRIBUTING COMPANY

(A) Siemens Mobility Holding S.à r.l. was incorporated on October 31, 2017 for an unlimited duration (unless dissolved), in the form a *société à responsabilité limitée*. Its fiscal year begins on January 1 and ends on December 31, and, as an exception, the first financial year, which began on October 31, 2017, terminated on December 31, 2017.

(B) The corporate purpose of Siemens Mobility Holding S.à r.l., as defined in Article 3 of its by-laws, is the following:

(i) *to take participations and interests in any form whatsoever, in any commercial, industrial, financial or other, Luxembourg or foreign companies or enterprises;*

(ii) *to acquire through participations, contributions, underwriting, purchases or options, negotiation or in any other way any securities rights, patents and licenses and other property, rights and interest property as the Company shall deem fit;*

(iii) *generally to hold, manage, develop, sell or dispose of the same, in whole or in part, for such consideration as the Company may think fit, and in particular for shares or securities of any company purchasing the same;*

(iv) *to enter into, assist or participate in financial, commercial and other transactions;*

(v) *to grant to any holding company, subsidiary, or fellow subsidiary, or any other company which belongs to the same group of companies as the Company (the "Affiliates") any assistance, loans, advances or guarantees (in the latter case, even in favor of a third-party lender of the Affiliates");*

(vi) *to borrow and raise money in any manner and to secure the repayment of any money borrowed; and*

(vii) *generally, to do all such other things as may appear to the Company to be incidental or conductive to the attainment of the above objects or any of them.*

1.2 THE BENEFICIARY COMPANY

(A) The Beneficiary Company is a French *société anonyme*, registered on November 19, 2015 with the Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number 389 058 447 R.C.S. Bobigny. The Beneficiary Company was incorporated for a term of ninety-nine (99) years as from its registration with the Trade and Companies Register (subject to early winding up or extension). Its financial year begins on April 1 and ends on March 31.

(B) The corporate purpose of the Beneficiary Company, as defined in Article 3 of its by-laws, is the following:

– *the conduct of all industrial, commercial, shipping, financial, real property and asset transactions in France and abroad, notably in the following fields: energy, transmission and distribution of energy, transport, industrial equipment, naval construction and repair work, engineering and consultancy, design and/or production studies and general contracting associated with public or private works and construction; and more generally activities related or incidental to the above:*

– *participation, by every means, directly or indirectly, in any operations which may be associated with its objects, by the creation of new companies, capital contributions, subscription or purchase of stocks or rights, merger with such companies or otherwise; the creation, acquisition, lease or takeover of business goodwill or businesses; the adoption, acquisition, operation or sale of any processes and patents concerning such activities; and*

– *generally undertaking all industrial, commercial, financial and civil operations and real property and asset transactions that may be directly or indirectly associated with the Company's objects or with any similar or related object.*

Furthermore, the Company can take an interest, of whatever form, in any French or foreign business or organization.

(C) In the context of the strategic combination referred to in paragraph (A) of the Recitals, Alstom's by-laws are expected to be amended on the Closing Date, in particular, to rename the company "Siemens Alstom", to change the financial year close of Alstom from March 31 to September 30 and to cancel double voting rights.

(D) As of March 31, 2018, the Beneficiary Company's share capital amounts to €1,555,473,297, divided into 222,210,471 ordinary shares with a par value of €7 each, fully paid-up and all of the same class.

(E) The shares issued by the Beneficiary Company are traded on the regulated market of Euronext Paris (Compartment A) (code ISIN FR0010220475). The Beneficiary Company's by-laws in effect as of the date of this Contribution Agreement confer a double voting right to all shares fully paid-up and held in registered form (*forme nominative*) for at least two years under the name of the same shareholder.

(F) The Beneficiary Company's outstanding share capital (issued and on a fully diluted basis) as of March 31, 2018 is as set out in Schedule 1.2(F).

(G) As of March 31, 2018, 37.29% of the Beneficiary Company's share capital was held by the public and 1.16% by current, former and retired employees of the Beneficiary Company. The Beneficiary Company did not hold, directly or indirectly, any shares representing its own share capital. Shares that may result from the exercise of existing stock options represent 0.60% of the Beneficiary Company's share capital as of March 31, 2018. Shares that may be issued on the basis of performance shares plans and of free shares plans represent 1.64% of the Beneficiary Company's share capital as of March 31, 2018. The Beneficiary Company's share capital may be subject to changes between the date of the Contribution and the Closing Date following the issuance of new shares pursuant to the above-mentioned stock options, performance shares and free shares plans.

(H) The Beneficiary Company has the following outstanding issuances: (i) the issuance of bonds redeemable in shares in December 2003, maturing in December 2008, 74,378 of which had not yet been redeemed as of March 31, 2018 (representing approximately 4,671 shares to be issued), (ii) EUR 500 million and EUR 250 million bond issuances maturing on March 18, 2020, at a rate of 4.50%, (iii) a EUR 500 million bond issuance maturing on October 5, 2018, at a rate of 3.625%, and (iv) a EMTN EUR 500 million bond issuance, maturing on July 8, 2019, at a rate of 3%.

1.3 COMPANIES THE SHARES OF WHICH ARE BEING CONTRIBUTED

(A) Siemens Mobility GmbH is incorporated under the Laws of Germany as a *Gesellschaft mit beschränkter Haftung* (limited liability company) and registered with the Trade Register of the Munich Local Court under number HRB 237219 and has its registered office located at Otto Hahn Ring 6, 81739 Munich (Germany). The main corporate purpose of Siemens Mobility GmbH is as follows: research, development, engineering, commercialization, distribution, production and maintenance of products, systems, equipment and solutions in the mobility sector, particularly in the electrification, automatization and digitalization sectors, including the provision of any and all related services.

(B) Siemens Mobility Holding BV is incorporated under the laws of the Netherlands and registered as a *Besloten Vennootschap* (private company with limited liability) with the Dutch Trade Register (Kamer van Koophandel) under number 70211965 / RSIN 858193966 and has its registered office located at Prinses Beatrixlaan 800, 2595BN 's-Gravenhage (the Netherlands).

The main corporate purpose of Siemens Mobility Holding BV is as follows: (i) to incorporate, to participate in and to finance companies or businesses, (ii) to collaborate with, to operate and to manage the affairs of and to provide advice and other services to companies and other businesses, (iii) to lend and to borrow funds, (iv) to provide collateral for the debts and other obligations of the company, of other companies and businesses that are affiliated with the company in a group and of third parties, (v) to provide guarantees, to grant sureties and to jointly and severally bind the company or its assets for debts and other obligations of itself, of companies and businesses that are affiliated with it in a group and of third parties, (vi) as well as to carry out all which is incidental or conducive to the above, in the broadest sense.

1.4 LINKS BETWEEN THE PARTIES

As of the date of the Contribution Agreement, the Luxembourg Contributing Company and the Beneficiary Company have no direct share capital ties (excluding, for the avoidance of doubt, any shares which may be held by pension funds or similar entities) and there are no common directors or executives.

2. REASONS AND PURPOSE OF THE CONTRIBUTION

The Contribution is part of the contemplated strategic combination between the Siemens Target Business and the Beneficiary Company's activities, as described in Paragraph (A) of the above Recitals. The Contribution is based on a compelling industrial logic and will result in the creation of a key global player in the transport industry (the "**Combined Business**"). Siemens Target Business and the Beneficiary Company will benefit from highly complementary strengths, both geographically and strategically, resulting in the Combined Business being well positioned to address the future needs of the transport industry. In particular, through the respective positioning of the Siemens Target Business and the Beneficiary Company, the Combined Business is expected to benefit from attractive worldwide growth prospects.

3. FINANCIAL STATEMENTS USED AS BASIS FOR ESTABLISHING THE TERMS AND CONDITIONS OF THE LUXEMBOURG CONTRIBUTION

3.1 FINANCIAL STATEMENTS OF THE LUXEMBOURG CONTRIBUTING COMPANY

The terms and conditions of the Luxembourg Contribution have been established by the Parties based on estimated combined accounts of the Siemens Target Business as of September 30, 2017 as if the transfers (contributions or acquisitions) to the Luxembourg Contributing Company to be implemented as part of the Siemens Target Business Carve-Out had been completed as of September 30, 2017, attached as Schedule 3.1(B) (the "**Estimated Accounts**").

The financial statements, accounts and reports referred to in Articles R. 236-3 of the French Commercial Code and 1040-2 and 1021-7 of the Law of 1915 (including, as the case may be, the approved annual accounts relating to the financial year ended December 31, 2017 of the Luxembourg Contributing Company) will be made available at the registered offices of the relevant Party at least thirty (30) calendar days prior to each Party's shareholders' meeting convened to approve the Luxembourg Contribution.

3.2 ALSTOM'S FINANCIAL STATEMENTS

The terms and conditions of the Luxembourg Contribution have been established on the basis of Alstom's financial statements as at March 31, 2017.

In accordance with Article R. 236-3 of the French Commercial Code and Articles 1040-2 and 1021-7 of the Law of 1915, the annual stated and certified (but not yet approved) accounts relating to the financial year ended March 31, 2018, the annual accounts approved by the shareholders and management reports of Alstom for the two previous financial years as well as, if relevant, the last half-year financial report provided for in Article L. 451-1-2 of the French Financial and Monetary Code will be made available at the registered offices of the Parties at least thirty (30) calendar days prior to each Party's shareholders' meeting convened to approve the Luxembourg Contribution.

4. APPOINTMENT OF THE APPRAISERS

4.1 By a court order ("*ordonnance"*) dated November 16, 2017, the President of the Commercial Court of Bobigny appointed Mr. Olivier Péronnet (Finexsi) as the appraiser of the spin-off ("*commissaire à la scission*").

4.2 Irrespective of the mandatory appointment under French law of the contribution appraiser for the purpose of the Luxembourg Contribution and the French Contribution, the Luxembourg Contributing Company's board of managers has appointed BDO Audit, independent auditor ("*réviseur d'entreprises agréé*"), as independent expert ("*expert indépendant*") in charge of examining this Contribution Agreement and preparing a written report for the shareholders, in accordance with Article 1031-6 of the Law of 1915.

NOW THEREFORE IT HAS BEEN AGREED AS FOLLOWS:

5. DEFINITIONS

5.1 Capitalized terms used herein have the meaning ascribed to them in Part I of Schedule 5.1.

5.2 The provisions relating to interpretation of this Contribution Agreement specified in Part II of Schedule 5.1 shall apply throughout this Contribution Agreement.

5.3 The Schedules form part of this Contribution Agreement and shall have the same force and effect as if expressly set out in the body of this Contribution Agreement.

6. LEGAL REGIME

6.1 The Parties have jointly agreed that the Luxembourg Contribution will be governed by (i) the *scission* regime set out in Articles 1030-1 to 1033-1 (excluding Article 1031-16) of the Law of 1915, in accordance with Articles 1040-2 of the Law of 1915 and (ii) the spin-off regime (*régime juridique des scissions*) set out in articles L. 236-1 to L. 236-6 and L. 236-16 to L. 236-21 of the French Commercial Code, in accordance with Articles L. 236-6-1 and L. 236-22 of the French Commercial Code.

6.2 The Luxembourg Contributing Company and the Beneficiary Company thereby exercise the option provided by Article L. 236-22 of the French Commercial Code.

6.3 The Parties expressly declare that the Luxembourg Contribution shall be subject to the provisions of Article L. 236-21 of the French Commercial Code and expressly agree to waive any joint and several liability between them.

7. DESCRIPTION OF THE CARVE-OUT

7.1 DESCRIPTION OF THE SIEMENS TARGET BUSINESS CARVE-OUT

(A) On the date of this Contribution Agreement, the Siemens Target Business is not held by a separate sub-group within the Siemens Group, but by Siemens AG and legal entities within the Siemens Group (the "**Current Owners**"). In order to allow the combination of the Siemens Target Business into the Combined Business, Siemens AG shall, and shall cause its affiliates to, separate the business activities of the Siemens Target Business (including the Siemens Target Business assets, the Siemens Target Business liabilities and the Siemens Target Business employees), from the other business activities carried out by the Siemens Group in accordance with the principles laid down in the Business Combination Agreement and in compliance with applicable Laws (the "**Siemens Target Business Carve-Out**"), provided however that, as far as the portion of the Siemens Target Business which is conducted in the Netherlands is concerned, the separation is subject to the satisfaction of a condition precedent relating to the compliance with provisions of the Social and Economic Council Merger Regulation for the protection of employees and Section 25 of the Dutch Works Council Act.

(B) For the purpose of the Siemens Target Business Carve-Out, the Luxembourg Contributing Company (for the purpose of Article 7, the "**Siemens Target Parent Shareholder**") has acquired or assumed or will acquire or assume all the shares of two companies incorporated respectively in Germany (Siemens Mobility GmbH or "**Siemens Target German NewCo**") and in the Netherlands (Siemens Mobility Holding BV or "**Siemens Target Parent**") prior to Closing. Siemens Target German NewCo and Siemens Target Parent shall, subject to and without prejudice to any Direct Asset Deals and/or deferred Siemens Target Business Carve-Out and to the adjustments set forth in <u>Schedule 8.2(A)</u> *bis*, acquire or assume (directly or indirectly through the Siemens Target NewCos, as defined below) the shares in the Existing Siemens Target Companies (as defined below) and/or subscribe, acquire or assume (directly or indirectly) the shares in the Siemens Target NewCos (the Existing Siemens Target Companies, the Siemens Target Parent and the Siemens Target NewCos together the "**Siemens Target Companies**") prior to Carve-Out Completion, except for (i) the shares in the Siemens Target NewCo incorporated in France for the purpose of the separation of the Siemens Target Business operated by Siemens entities in France (including through, as the case may be, any French and foreign Subsidiaries and activities) ("**Siemens Mobility SAS**") and (ii) as from Closing, any other shares in the Siemens Target Companies with regard to which Alstom and Siemens AG agree prior to Carve-Out Completion on a transfer to Alstom or a subsidiary of Alstom without such shares having been acquired by the Siemens Target Parent, such as the shares of the German real estate vehicle that was incorporated by Siemens for the purposes of the separation of certain real estate of the German Siemens Target Business to be transferred.

(C) In each respective country (save for the Siemens Target Business operated by Siemens entities in France (including through, as the case may be, any French and foreign Subsidiaries and activities), the separation of which will be specifically addressed in the French Contribution Agreement), the so separated Siemens Target Business:

(i) shall be (*x*) transferred to Siemens Target Companies or, in the case of certain intellectual property rights, licensed in accordance with the terms of the Business Combination Agreement, and (*y*) upon Closing, transferred to the Beneficiary Company through the contribution of all of the shares in the Siemens Target Parent and the Siemens Target German NewCo; and

(ii) shall, as the case may be, be kept separately from the other operational business activities within the respective Current Owner and subsequently transferred (effective after the Closing Date) to Alstom (or any member of the Alstom Group) by way of direct asset deals (the "**Direct Asset Deals**") (such direct asset transfers being agreed upon between the respective Current Owner and Alstom through a "**Direct Asset Transfer Agreement**").

(D) The Siemens Target Business Carve-Out shall be managed, directed and implemented by Siemens AG and its Subsidiaries on the basis of written agreements which shall govern (i) the separation of the Siemens Target Business and its transfer from the respective Current Owners into the Siemens Target Companies (the "**Local Asset Transfer Agreements**") and/or (ii) the acquisition of shares in the Siemens Target Companies (other than the shares in Siemens Target

Parent) by either the Siemens Target Parent, the Siemens Target Parent Shareholder or the Siemens Target German NewCo (the "**Local Share Transfer Agreements**").

(E) The date on which a Local Asset Transfer Agreement (or Deferred Local Asset Transfer Agreement as defined below) becomes effective (*i.e.*, unconditional, it being clarified that the fact that third parties consents to the transfer of particular business assets and/or business liabilities and, if required under applicable Laws consents of particular business employees, may still be pending at the time in accordance with Laws applicable to any given Local Asset Transfer Agreements, shall not prevent it from being unconditional) in each individual country – pursuant to the respective agreement(s) – is hereinafter referred to as a "**Local Carve-Out Date**".

(F) The Siemens Target Business is, on the date of this Contribution Agreement, already partially separated in and operated through several separate entities (the "**Existing Siemens Target Companies**").

(G) Siemens AG shall, and shall cause the respective Current Owners or the Siemens Target Parent to, as the case may be, incorporate or acquire newly established legal entities for the purposes of the Siemens Target Business Carve-Out (the "**Siemens Target NewCos**").

(H) The Siemens Target Business Carve-Out shall be implemented on a country level in accordance with the Business Combination Agreement meaning that the Siemens Target Business in a country is to be transferred either to one or more Siemens Target NewCos (irrespective whether these Siemens Target NewCos are incorporated in the same country or abroad), or to one or more Existing Siemens Target Companies (irrespective whether incorporated in the same country or abroad), to be notably transferred under a Local Asset Transfer Agreement (or Deferred Transfer Agreement) to Siemens Target Parent directly, or, be transferred under a Direct Asset Transfer Agreement.

(I) In the context of the Siemens Target Business Carve-Out, it is specified that (i) for HGB (*Handelsgesetzbuch*) accounting purposes, the contribution of the Siemens Target Business operated in Germany to Siemens Target German NewCo will be made at historical book value, and (ii) for Luxembourg and HGB accounting purposes, the contribution of the shares of Siemens Target German NewCo to the Luxembourg Contributing Company will be made at book value.

7.2 SIEMENS TARGET BUSINESS CARVE-OUT SIGNING

(A) The Siemens Target Business Carve-Out will entail the signing by the Siemens Target Companies and the relevant companies within the Siemens Group that are the owners as of the date hereof of the Siemens Target Business of the Local Asset Transfer Agreements and the Local Share Transfer Agreements (the "**Carve-Out Signing**").

(B) The Carve-Out Signing will have occurred once all the following events have taken place:

(i) The Local Asset Transfer Agreements for the Siemens Target Business carried out in Germany, the United-Kingdom, the United States, Austria, Switzerland, Spain and France have been validly signed.

(ii) Siemens Target Parent has entered into one or several Local Share Transfer Agreements with Siemens AG, or any member of the Siemens Group, under which Siemens Target Parent has, subject to paragraph (D) below, acquired a contractual right to obtain valid title, free of any lien and Encumbrance, in the shares of the Spanish Existing Siemens Target Company currently named "Siemens Rail Automation (Dimetronic)".

(iii) Siemens Target Parent Shareholder has entered into one or several Local Share Transfer Agreements with Siemens AG, or any member of the Siemens Group, under which Siemens Target Parent Shareholder has, subject to paragraph (D) below, acquired a contractual right to obtain valid title, free of any lien and Encumbrance, in the shares of Siemens Target Germany NewCo and Siemens Target Parent.

(iv) Siemens Target German NewCo has entered into one or several Local Share Transfer Agreements with Siemens AG, or any member of the Siemens Group, under which Siemens Target German NewCo has, subject to paragraph (D) below, acquired a contractual right to obtain valid title, free of any lien and Encumbrance, in the shares of Siemens Target NewCo in Switzerland, Siemens Target NewCo in Austria, Siemens Target NewCo in the United States and Siemens Target NewCo in the United-Kingdom.

(C) Each of the Local Asset Transfer Agreements referred to in paragraph (B)(i) above (i) may provide for a respective Local Carve-Out Date which shall be a later day than the day of signing of the respective Local Asset Transfer Agreement and (ii) shall have attached preliminary exhibits, the latter to be updated within sixty (60) calendar days following the respective Local Carve Out Date.

(D) The Local Share Transfer Agreements referred to in paragraph (B)(iii) above may (i) provide that the respective transfer of shares is subject to (A) the prior satisfaction of one or several conditions precedent and/or (B) the prior occurrence of the respective Local Carve-Out Dates and/or (ii) provide for Siemens AG’s right to effectuate the transfer of the respective shares either by way of a share purchase or any other means, such as contribution of the shares into the respective acquirer, it being understood that, in the case of a contribution of shares, it is not obligatory to have the specific corporate documentation required for such contribution of shares (including any documentation for the increase of Siemens Target Parent’s, Siemens Target Parent Shareholder’s or Siemens Target German NewCo’s registered capital) already prepared, executed or attached to the respective Local Share Transfer Agreement for the purposes of having the Carve-Out Signing occur.

7.3 SIEMENS TARGET BUSINESS CARVE-OUT COMPLETION

(A) In accordance with the Business Combination Agreement, Siemens AG shall procure that the Carve-Out Completion (as defined below) occurs as soon as practicable and in any event prior to the Closing Date.

(B) For the purposes of this Contribution Agreement, “**Carve-Out Completion**” shall mean the first day following the date on which all of the following events have taken place:

(i) The Local Carve-Out Date for the Local Asset Transfer Agreements referred to in paragraph 7.2(B)(i) has occurred and the respective acquirer has acquired legal title in the shares transferred under the Local Share Transfer Agreements referred to in paragraphs 7.2(B)(ii) and 7.2(B)(iv);

(ii) Other than with respect to the Direct Asset Deals, Local Share Transfer Agreements, if applicable, and Local Asset Transfer Agreements have been entered into for the Siemens Target Business referred to in the following countries: the Netherlands, Australia, Belgium, Slovakia, Denmark, Singapore, Norway, Canada, Czech Republic, Sweden, Malaysia, Italy, Portugal, Finland, Poland, Slovenia, Mexico, Serbia, Bulgaria, New Zealand, Ireland, Colombia, India, Hungary, Thailand and Romania;

(iii) Other than with respect to the Direct Asset Deals, the respective Local Carve-Out Date for each of the Local Asset Transfer Agreements referred to in paragraph (ii) above has occurred and the Siemens Target Parent, or Siemens Target German NewCo, as applicable, has acquired valid legal title in the shares transferred under the Local Share Transfer Agreements referred to in paragraph (ii) above;

(iv) Siemens AG has transferred an amount equaling to the Aggregated Deferred Purchase Price to Siemens Target Parent, it being understood that "**Aggregated Deferred Purchase Price**" shall mean the aggregate amount of all Deferred Purchase Prices (as defined in paragraph (D)(iii) below);

(v) Deferred Local Share Transfer Agreements (as defined below) have been entered into by and between the Siemens Target Parent and the respective Current Owners, or, if so required to address legal or contractual hurdles blocking the conclusion by the respective Current Owner, Siemens AG, procuring the conclusion and execution of a Deferred Local Share Transfer Agreement on behalf of the Current Owner, the respective agreement for the Deferred Siemens Target Companies (as defined in paragraph (D)(i) below); and

(vi) Deferred Transfer Agreements (as defined below) have been entered into by and between the Siemens Target Parent and the respective Current Owners, or, if required to address legal or contractual hurdles blocking the conclusion by the respective Current Owner, Siemens AG, procuring the conclusion and execution of a Deferred Local Asset Transfer Agreement on behalf of the Current Owner for the Deferred Siemens Target Countries (as defined in paragraph (E)(i) below).

(C) "**Deferred Transfer Agreements**" shall mean the Deferred Local Share Transfer Agreements and the Deferred Local Asset Transfer Agreements collectively (and each a "**Deferred Transfer Agreement**")

(D) "**Deferred Local Share Transfer Agreements**" shall mean the Local Share Transfer Agreements (other than Direct Asset Transfer Agreements) to be entered into by and between Siemens Target Parent, or any other acquirer of the shares as agreed between Alstom and Siemens AG pursuant to paragraph 7.1(D) on the one hand and the respective Current Owner, or Siemens AG, on the other hand for the transfer of shares in the Deferred Siemens Target Companies, it being understood that:

(i) "**Deferred Siemens Target Companies**" (and each a "**Deferred Siemens Target Company**") shall mean those Siemens Target Companies (other than Siemens Target Parent and irrespective whether or not duly incorporated at Carve-Out Completion) (i) having their respective corporate seat in a Deferred Siemens Target Country and (ii) with regard to which the conclusion of the Local Asset Transfer Agreement and/or the transfer of shares is either not legally permissible or legally or practically not feasible on or prior to Carve-Out Completion;

(ii) the transfer of the shares in the Deferred Siemens Target Companies shall be subject to (i) the prior execution of a Local Asset Transfer Agreement, if and to the extent (a) the Deferred Siemens Target Company is a Siemens Target NewCo and (b) the Local Asset Transfer Agreement has not been validly executed prior to or on Carve-Out Completion, and/or (ii) the prior fulfilment of conditions precedent reflecting the operational and/or legal reasons having deferred the transfer of the shares in the Deferred Siemens Target Companies to Siemens Target Parent or any other acquirer of the shares as agreed between Alstom and Siemens AG pursuant to paragraph 7.1(D) in each case prior to or on Carve-Out Completion;

(iii) each of the Deferred Local Share Transfer Agreements shall set out a specific amount to be paid by Siemens Target Parent (or any of its legal successors) as consideration for the transfer of the respective shares in the respective Deferred Siemens Target Company to the respective Current Owners (each such consideration a "**Deferred Purchase Price**") to be calculated in accordance with and subject to the stipulations set out in paragraph (E) below; and

(iv) each Deferred Purchase Price shall become due and payable by the Siemens Target Parent (or any of its legal successors) to the respective Current Owner once the Siemens Target Parent (or any of its legal successors) has acquired full title in the shares of the respective Deferred Siemens Target Company in accordance with and subject to paragraph (ii) above.

(E) "**Deferred Local Asset Transfer Agreements**" shall mean the Local Asset Transfer Agreements (other than Direct Asset Transfer Agreements) to be entered into by and between Siemens Target Parent, or any other acquirer of the respective Siemens Target Business as agreed between Alstom and Siemens AG in accordance with the Business Combination Agreement, on the one hand and the respective Current Owners, or Siemens AG, on the other hand for the transfer of the respective Current Owner's portion of the Siemens Target Business in the Deferred Siemens Target Countries, it being understood that:

(i) "**Deferred Siemens Target Countries**" (and each a "**Deferred Siemens Target Country**") shall notably mean the countries (i) with the registered seat of a Current Owner which operates a respective portion of the Siemens Target Business which shall be transferred to such a Siemens Target NewCo which shall be incorporated by Siemens Target Parent directly and where (ii) the unconditional conclusion of a Local Asset Transfer Agreement is either not legally permissible or legally or practically not feasible on or prior to the Carve-Out Completion; and

(ii) the transfer of the respective Current Owner's portion of the Siemens Target Business shall be subject to the prior fulfilment of conditions precedent reflecting the operational and/or legal reasons having deferred the transfer of the respective portion of the Siemens Target Business in the Deferred Siemens Target Country. Paragraphs (D)(iii) through (D)(iv) shall apply accordingly.

8. LUXEMBOURG CONTRIBUTION

8.1 DESCRIPTION OF THE LUXEMBOURG CONTRIBUTION

The Luxembourg Contribution consists in: 100% of the shares of Siemens Mobility GmbH, and 100% of the shares of Siemens Mobility Holding BV (the "**Contributed Shares**"), it being specified that (i) Siemens Mobility GmbH will, in particular, acquire or assume the German Siemens Target Business (including, the shares of Siemens Traction Gears GmbH, the shares of Hacon GmbH, and, directly or indirectly certain other shareholdings), 100% of the shares of Siemens Mobility AG (Switzerland), directly or indirectly 100% of Siemens Mobility GmbH (Austria), 100% of the shares of Siemens Mobility, Inc. (the United States), 100% of the shares of Siemens Rail Automation Holdings Ltd (the United-Kingdom), 100% of the shares in Siemens Mobility Ulasim Sistemleri A.S. (Turkey) and 99.99% of the shares in OOO Siemens Mobility (Russia); (ii) Siemens Mobility Holding BV will own (x) directly or indirectly the entirety of the Siemens Target Business other than such portion of the business that will be held by Siemens Mobility GmbH and Siemens Mobility SAS or (y) the cash value of portion of such business or shares referred to in (i) and (ii) (x) in case of transfers under a Deferred Transfer Agreement or a Direct Asset Deal; and (iii) Siemens Mobility GmbH or Siemens Mobility Holding BV will own a cash amount corresponding to the value of the shares of the German real estate vehicle. The Parties expressly agree that there is no Encumbrance related to the Contributed Shares to be transferred to the Beneficiary Company.

8.2 VALUATION OF THE CONTRIBUTED SHARES

(A) For accounting purposes with regard to the Luxembourg Contribution, the value of the Contributed Shares is based on their book value, in accordance with Regulation no. 2014-03 of June 5, 2014, concerning the general accounting plan (*plan comptable général*) of the French Accounting Standards Authority (*Autorité des normes comptables*), as updated on January 1, 2016 and completed by Regulation no. 2016-07 of November 4, 2016 (as the Luxembourg Contribution is a reverse transaction) and Regulation no. 2017-01 of May 5, 2017.

The Luxembourg Contribution will be completed and effective as of the Closing Date. In this respect, the Luxembourg Contributing Company has set up the estimated unaudited pro forma accounts of the Luxembourg Contributing Company as of September 30, 2017 set out in Schedule 8.2(A) (the "**Luxco Estimated Pro forma Accounts**"), assuming in particular that the Carve-Out Completion has occurred as of the Determination Date, in order to provide an estimate of the net book value of the Contributed Shares which will be contributed by the Luxembourg Contributing Company at the Closing Date.

Based on the Luxco Estimated Pro forma Accounts, the estimated valuation of the Luxembourg Contribution as of the date hereof is four billion four hundred ninety-six million four hundred ninety-eight thousand three hundred fifty-eight (4,496,498,358) euros, composed of (i) two billion one hundred fifty million two hundred thousand one hundred forty (2,150,200,140) euros corresponding to 100% of the shares of Siemens Mobility GmbH and (ii) two billion three hundred forty-six million two hundred ninety-eight thousand two hundred eighteen (2,346,298,218) euros corresponding to 100% of the shares of Siemens Mobility Holding BV (assuming the direct or indirect ownership of the entirety of the Siemens Target Business, other than such portion of the business that will be held by Siemens Mobility GmbH and Siemens Mobility SAS), in each case including as applicable, the cash value of portion of such business or shares referred to in (i) and (ii) in case of deferred transfers, Direct Asset Deals and amounts in relation with the transfer of the German real estate vehicle referred to in Article 7.1(B).

The difference between the net accounting value of the Luxembourg Contribution as of the Closing Date and the nominal amount of the share capital increase of the Beneficiary Company carried out in consideration of the Luxembourg Contribution (*i.e.*, one billion five hundred thirty-one million six hundred sixty-three thousand two hundred seventy-three (1,531,663,273) euros will represent a contribution premium, which will be credited to a "contribution premium" account. Based on the Luxco Estimated Pro forma Accounts, the estimated net asset value of the Luxembourg Contribution amounts to four billion four hundred ninety-six million four hundred ninety-eight thousand three hundred fifty-eight (4,496,498,358) and the estimated contribution premium to two billion nine hundred sixty-four million eight hundred thirty-five thousand eighty-five (2,964,835,085).

The Parties expressly agree that the final value of the Contributed Shares shall be the book value of the Contributed Shares as at the Closing Date, based notably on the accounts of the Luxembourg Contributing Company established as of the Determination Date, assuming in particular that the Carve-Out Completion has occurred as of the Determination Date and taking into account the adjustments set forth in Schedule 8.2(A) *bis*. The Parties agree to appoint an expert as at the Determination Date whose role will be to assist the Parties in confirming the appropriate accounting amount of the Contributed Shares to be recorded in the accounts of Alstom including the final amount of the issuance premium.

If the expert valuation of the Contributed Shares is less than their book value in the Luxembourg Contributing Company, the Contribution should be accounted for in the accounts of Alstom at the expert valuation. In such case, the difference between the expert valuation of the

Contributed Shares and their book value in Luxembourg Contributing Company will be accounted for as a charge in the accounts of the Luxembourg Contributing Company.

If the expert valuation of the Contributed Shares is more than their book value in the Luxembourg Contributing Company, the Luxembourg Contribution should be accounted for in the accounts of Alstom at the book value in the Luxembourg Contributing Company and not at the expert valuation.

For the avoidance of doubt, the assistance of such expert shall concern solely accounting recording matters and shall not in any case have any impact on the Consideration or on the financial terms of the Contribution irrevocably agreed by the Parties.

(B) The extraordinary shareholders' meeting of the Beneficiary Company called to vote on the Contribution will also be asked to authorize the board of directors of the Beneficiary Company to (i) adjust the contribution premium amount based on the net accounting value of the Luxembourg Contribution as of the Closing Date as determined by the expert in application of Section 8.2(A), (ii) proceed with any withdrawal from the contribution premium so as to offset all or part of the charges, expenses and rights resulting from the Luxembourg Contribution and reconstitute all necessary company reserves (the reconstitution of which would be necessary) and to fund the company statutory reserve.

8.3 CONSIDERATION FOR THE LUXEMBOURG CONTRIBUTION

(A) Subject to the satisfaction of all the Conditions Precedent set forth in Article 10 below, the Luxembourg Contribution is made by the Luxembourg Contributing Company and accepted by the Beneficiary Company, in consideration for (the "**Consideration**"):

i. the issuance on Closing, through a share capital increase, by the Beneficiary Company to the Luxembourg Contributing Company of a total number of two hundred eighteen million eight hundred nine thousand thirty-nine (218,809,039) Alstom Shares, free and clear of any Encumbrance together, as of the Closing Date, with all rights attaching thereto including the right to receive dividends (the "**Alstom Consideration Shares**"), and representing, following completion of the Contribution and based on Alstom's capital as of March 31, 2018, forty-eight point seventy-seven percent (48.77%) of the issued share capital of Alstom and no less than forty-eight point twenty-five percent (48.25%) of the share capital of Alstom on a Fully Diluted basis (before impact of the warrants issued in accordance with paragraph ii below) upon Closing; and

ii. the issuance on Closing by the Beneficiary Company to the Luxembourg Contributing Company of eighteen million nine hundred forty two thousand eight hundred eighty-eight (18,942,888) warrants (being calculated on the basis of bringing, following completion of the Contribution and based on Alstom's capital as of March 31, 2018, a forty-eight point twenty-five percent 48.25% shareholding on a Fully Diluted basis to no less than fifty point thirty-two percent 50.32% shareholding on a Fully Diluted basis (including dilution resulting from the exercise of such warrants)[2] as of the Closing Date, free and clear of any Encumbrance (the "**Warrants**"), each Warrant giving its holder the right to subscribe to one (1) Alstom Share. The Warrants may be exercised during a two-year period following expiry of a period of four years following the Closing Date.

[2] For the purpose of this section 8.3(A), the Fully Diluted basis has been calculated on a proforma basis as of March 31, 2018 and adjustments related to distribution A and B have been computed using Alstom 1-month average share price between March 1, 2018 and March 31, 2018.

(B) The Consideration has been contractually set by the Parties and determined consistently with the valuations used for the Beneficiary Company and the Siemens Target Business, which are based on the multi-criteria method described in Schedule 8.3(B).

(C) Details regarding the allocation of the Consideration are provided in Schedule 8.3(C).

(D) The Luxembourg Contributing Company waives its fractional share rights (*droits formant rompus*), if any. Accordingly, the Beneficiary Company will not compensate for fractional shares, if any, nor make any balancing payment.

(E) On the Closing Date, the Alstom Consideration Shares issued by the Beneficiary Company will be fully paid-up and assimilated to the existing ordinary shares. They will immediately confer the same rights and be subject to all the provisions of the Beneficiary Company's by-laws. The Alstom Consideration Shares will be issued with immediate dividend rights and will entitle their holders to all distributions paid as from their date of issuance, it being understood that (i) Alstom Consideration Shares will not give right to the Distribution A and/or Distribution B mentioned in Schedule 10.1(C) below, and (ii) the number of Warrants issued will not be subject to any adjustment in connection with the distributions of Distribution A and/or Distribution B. The Alstom Consideration Shares will be delivered as registered shares and would be registered in the Beneficiary Company books held at and managed by BNP Paribas Securities Services.

(F) Neither the shareholders of the Luxembourg Contributing Company, nor the holders of securities other than shares of the Beneficiary Company benefit from special rights. Certain shareholders of the Beneficiary Company hold double voting rights, but have no special rights in connection with the Contribution. As part of the Contemplated Transaction, it will be proposed to the shareholders' of Alstom to remove such double voting rights attached to the Alstom Shares.

(G) No special advantage will be conferred on (i) the members of the management bodies of the Parties and (ii) the contribution appraiser (*commissaire à la scission*) and independent expert (*expert indépendant*) mentioned respectively under Article 4.1 and Article 4.2 of this Contribution Agreement in the context of and in relation to the Luxembourg Contribution.

9. GENERAL COVENANTS AND CONDITIONS OF THE CONTRIBUTION

9.1 CREDITORS' OPPOSITION RIGHTS

(A) The Luxembourg Contributing Company and the Beneficiary Company expressly declare that the Luxembourg Contribution shall be subject to the provisions of Articles L. 236-14 to L. 236-21 of the French Commercial Code and expressly agree to waive any joint and several liability as between the Luxembourg Contributing Company and the Beneficiary Company, in accordance with Article L. 236-21 of the French Commercial Code.

(B) As a consequence, in accordance with the provisions of Articles L. 236-14 and L. 236-21 of the French Commercial Code, the creditors (other than bondholders) of the Luxembourg Contributing Company, whose receivable precede the date of publication of the minutes of the Luxembourg Contributing Company's general shareholders' meeting on the Luxembourg Electronic Registrar of Companies and Associations (RESA) and creditors (other than bondholders) of the Beneficiary Company whose receivable precede the publication of this Contribution Agreement may, as the case may be, (i) request the grant of guarantees for receivables within two months as from the said publication on the RESA, if they can credibly prove that the Luxembourg Contribution raises a risk for the exercise of their rights and that the Luxembourg Contributing Company has not provided adequate guarantees in accordance with

Article 1031-10 of the Law of 1915 or (ii) object (*former opposition*) within thirty (30) days as from the last public legal notice or as from the date on which the Contribution Agreement was made available to the public on the website of each of the Parties on an interrupted basis, pursuant to Article R. 236-2 of the French Commercial Code or, if applicable, to Article R. 236-2-1 of the French Commercial Code.

10. CONDITIONS PRECEDENT

10.1 CONDITIONS TO THE OBLIGATIONS OF THE PARTIES

The obligations of the Parties to effect Closing are subject to the satisfaction (or, to the extent permitted by Law, express written waiver by both Alstom and Siemens AG) of the Conditions Precedent set forth in Schedule 10.1.

10.2 CONDITIONS TO THE OBLIGATIONS OF THE LUXEMBOURG CONTRIBUTING COMPANY

The obligations of the Luxembourg Contributing Company to effect Closing are further subject to the satisfaction (or, to the extent permitted by Law, express written waiver by the Luxembourg Contributing Company) of the Conditions Precedent set forth in Schedule 10.2.

10.3 CONDITIONS TO THE OBLIGATIONS OF THE BENEFICIARY COMPANY

The obligations of the Beneficiary Company to effect Closing are further subject to the satisfaction (or, to the extent permitted by Law, express written waiver by the Beneficiary Company) of the Conditions Precedent set forth in Schedule 10.3.

10.4 SATISFACTION DATE

The date on which the last Condition Precedent (other than the Condition Precedent listed in paragraph (H) of Schedule 10.1) has been satisfied (or waived in accordance with the provisions herein) shall be referred to as the "**Satisfaction Date**". The Conditions Precedent listed in paragraph (H) of Schedule 10.1 shall occur on the Closing Date, prior to Closing.

11. CLOSING DATE AND EFFECTIVE DATE OF THE LUXEMBOURG CONTRIBUTION

(A) Subject to the terms and conditions of the Contribution Agreement and the simultaneous completion of the French Contribution, the Luxembourg Contribution and the issuance of the Alstom Consideration Shares and of the Warrants by the Beneficiary Company to the Luxembourg Contributing Company (the "**Closing**") shall take place at a place to be agreed between the Parties on the date defined below or on such other date agreed upon between the Parties (the "**Closing Date**"):

(i) on the first Business Day of the month which follows the month in which the Working Capital and Net Debt Statements Delivery Date falls, if the Working Capital and Net Debt Statements Delivery Date falls on or before the 14th day of such month; or

(ii) on the first Business Day of the second month which follows the month in which the Working Capital and Net Debt Statements Delivery Date falls, if the Working Capital and Net Debt Statements Delivery Date falls on or after the 15th day of such month.

(B) The "**Determination Date**" will be the last day of the quarter (*i.e.*, December 31, March 31, June 30, September 30), immediately preceding the month in which the Satisfaction Date has occurred. Notwithstanding the above, the Parties will make their best endeavors, as soon as they have visibility as to the possible date of the Satisfaction Date to jointly agree on a Determination Date (which shall always be the last day of a quarter) allowing to minimize the time period between the Satisfaction Date and the Closing Date and between the Determination Date and the Closing Date.

(C) As from the Closing Date, the Beneficiary Company will accordingly take ownership and possession of the Contributed Shares by virtue of the Luxembourg Contribution.

(D) It is specified that, from a tax and accounting perspective, the effective date will be the Closing Date.

12. TERMINATION

The provisions of this Contribution Agreement shall be deemed null and void, in case the Business Combination Agreement is terminated prior to Closing in accordance with its term.

13. TAX PROVISIONS – CONTRIBUTION OF THE GERMAN AND DUTCH CONTRIBUTED SHARES

13.1 Registration duties

The Luxembourg Contribution will trigger the payment of a fixed registration duty of €500, in accordance with Article 810-I of the French Tax Code.

13.2 Value Added Tax (VAT)

The Luxembourg Contribution shall not be subject to the Luxembourg VAT, in accordance with Luxembourg VAT Law dated February 12, 1979 (as amended).

13.3. Corporate income tax

Based on article 22*bis*, paragraph 2, sub 4, of the Luxembourg Income Tax Law dated December 4, 1967, for Luxembourg tax purposes, the Luxembourg Contributing Company will roll-over the acquisition date and acquisition price of Siemens Target German NewCo shares to the Alstom Shares issued by the Beneficiary Company in consideration for the contribution of the Siemens Target German NewCo shares.

14. MISCELLANEOUS

14.1 INDIVISIBILITY

In accordance with paragraph (E) of the Preamble, the Contribution, while contemplated distinctly through both the French Contribution and the Luxembourg Contribution (subject respectively to the French Contribution Agreement and to this Contribution Agreement), shall be deemed one indivisible transaction, and none of the French Contribution or the Luxembourg Contribution shall occur without the simultaneous occurrence of the French Contribution and Luxembourg Contribution on Closing (*i.e.*, the Contribution will not occur in the event the French Contribution is not simultaneously completed, and *vice versa*, on Closing).

14.2 AMENDMENT, WAIVER AND INCONSISTENCY

(A) Any provision of this Contribution Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by each of the Parties, or in the case of a waiver, by the Party or Parties against whom the waiver is to be effective. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

(B) If there is any inconsistency between any term of the Business Combination Agreement and the terms of this Contribution Agreement, those of the Business Combination Agreement shall prevail, subject to mandatory Law provisions.

14.3 EXPENSES

Unless otherwise specified herein, all costs and expenses incurred in connection with this Contribution Agreement and the transactions contemplated hereby shall be paid by the Party incurring such expenses, provided however that Transfer Taxes triggered by the Contribution or otherwise arising as a result of this Contribution Agreement or the transactions contemplated therein shall be borne equally by the Parties.

14.4 ASSIGNMENT

No Party may, without the prior written consent of the other Party, assign any of its rights or obligations under this Contribution Agreement nor grant any security interest over or otherwise transfer the benefit of the whole or any part of this Contribution Agreement.

14.5 DOMICILIATION

For the purpose of the signature hereof as well as for all acts, notifications or minutes which shall be the result or consequences thereof, the Parties hereby elect domicile at their respective registered office, as stated in the presentation of the Parties.

14.6 SEVERABILITY

If any clause hereof is deemed to be void, invalid or unenforceable against either of the Parties, it shall be replaced by mutual agreement of the Parties, inasmuch as possible, by a fully valid clause with the same economic consequences and a similar scope as the clause deemed to be void, invalid or unenforceable; in any event, the nullity, invalidity or unenforceability of such a clause shall not affect the validity of this Contribution Agreement and of the other provisions hereof.

14.7 NOTICES

(A) All notices or other communications hereunder shall be deemed to have been duly given and made if in writing and if served by personal delivery upon the Party for whom it is intended, if delivered by registered or certified mail, return receipt requested, or by an international courier service, or if sent by email (provided automatic confirmation of receipt of email is issued to the sender of the notice), provided that a hard copy of such email is also delivered by international courier service one Business Day after transmission, to the person at the address set forth below, or such other address as may be designated in writing hereafter, in the same manner, by such person:

if to Alstom, to:

Alstom SA
48 rue Albert Dhalenne, 94300 Saint-Ouen, France
Attention: General Counsel,
Email: pierrick.le-goff@alstomgroup.com
(cc:emmanuelle.petrovic@alstomgroup.com)

with a copy to:

Cleary Gottlieb Steen & Hamilton LLP
12, rue de Tilsitt
75008 Paris, France
Attention: Pierre-Yves Chabert and Charles Masson
Email: pchabert@cgsh.com; cmasson@cgsh.com

if to Siemens AG or the Luxembourg Contributing Company, to:

Siemens Aktiengesellschaft
CF MAP PCM
St.-Martin-Str. 76
81541 Munich/Germany
Attention: Roland Meinzer
Email: roland.meinzer@siemens.com

with a copy to:

Siemens Aktiengesellschaft
LC M&A
Werner-von-Siemens-Str. 50
91052 Erlangen
Attention: Dr. Christian Zentner
Email: christian.zentner@siemens.com

Latham & Watkins
45 Rue Saint-Dominique
75007 Paris, France
Attention: Patrick Laporte and Pierre-Louis Cléro
Email: patrick.laporte@lw.com; pierre-louis.clero@lw.com

(B) Any notice given by mail or international courier service shall be effective when delivered. Any notice given by email after 17:00 (in the place of receipt) on a Business Day or on a day that is not a Business Day shall be deemed received on the following Business Day.

15. GOVERNING LAW – DISPUTES

15.1 GOVERNING LAW

(A) This Contribution Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by, and interpreted in accordance with, the Laws of France, except for the necessary approvals and formalities incumbent on the Luxembourg Contributing Company, which will be governed by Luxembourg law.

(B) The Parties irrevocably waive (i) any right to terminate this Contribution Agreement under Article 1226 of the French Civil Code (*code civil*); (ii) any right they may have under Articles 1186 and 1187 of the French Civil Code (*code civil*) to claim that this Contribution Agreement has lapsed as a result of any other contract contributing to the completion of the Contemplated Transaction having terminated, lapsed or being ineffective for any reason whatsoever, (iii) any right they may have under Article 1195 of the French Civil Code (*code civil*) and fully assume any risk which may arise from any of the unforeseeable circumstances referred to under such article and (iv) any right to invoke the exception under Article 1221 of the French Civil Code (*code civil*) that provides that the remedy of specific performance shall not be available if there is an obvious disproportion between its cost for the debtor of the obligation and its interest for the creditor of the same obligation. For the avoidance of doubt, the Parties acknowledge that this Contribution Agreement does not constitute an *offre* governed by Article 1114 *et seq.* of the French Civil Code (*code civil*).

15.2 JURISDICTION

(A) All disputes arising out of or in connection with this Contribution Agreement including any question regarding the validity, termination or any subsequent amendment of the Contribution Agreement, shall be finally settled in accordance with the Rules of Arbitration ("**Rules**") of the International Chamber of Commerce ("**ICC**").

(B) The tribunal shall consist of three arbitrators. Each Party shall nominate one arbitrator for confirmation by the ICC. Both arbitrators shall agree on the third arbitrator, who shall be the chairman of the arbitration tribunal, within thirty (30) days after their appointment. Should the two arbitrators fail to reach agreement on the third arbitrator within the thirty-day period, the ICC shall select and appoint the third arbitrator. The chairman of the arbitration tribunal shall be a reputable expert in French Law.

(C) The seat of arbitration shall be Geneva, Switzerland. The language to be used in the arbitration proceeding shall be English.

(D) Any order for the production or disclosure of documents shall be limited to the documents on which each Party specifically relies in its submission(s).

(E) Consolidation of arbitrations pending under the Rules into a single arbitration shall only be possible if all Parties have agreed to consolidation.

(F) Upon request of a Party, the arbitral tribunal shall order any claiming or counterclaiming Party to provide security for the legal and other costs of any other Party related to that claim or counterclaim, by way of bank guarantee or in any other manner and upon such terms as the arbitral tribunal considers appropriate.

(G) An arbitration award rendered in accordance with this Article 15.2 shall be final and binding on the Parties, and each Party waives any right, which it may have to seek a preliminary ruling on any point of Law from a court of Law. However this paragraph (G) shall not prevent a Party from applying to any court of competent jurisdiction for: (x) interim or interlocutory relief; and (y) enforcement of an arbitration award.

16. PUBLICATION - POWERS

16.1 PUBLICATION

This Contribution Agreement shall be published in accordance with applicable Law in particular in order to allow the required time to run for any creditors before the general meetings called to decide on this Contribution Agreement, and, more generally, to comply with any legal formalities and serve any notices which may be necessary.

16.2 POWERS

All powers are hereby granted to the bearer of an original, a copy or an extract of this Contribution Agreement to carry out all filings, declarations or publications prescribed by Law, including the filing with the clerk's office of the competent Commercial Court.

Signed in Paris, France, on May 17, 2018,

In six (6) originals

The Luxembourg Contributing Company

____

Siemens Mobility Holding S.à r.l

by:

____

Siemens Mobility Holding S.à r.l

by:

The Beneficiary Company

____

Alstom

by:

In the presence of:

Siemens AG
duly represented by:

Siemens AG
duly represented by:

Schedule G
Excluded Assets and Liabilities

I. EXCLUDED ASSETS AND LIABILITIES

1. EXCLUDED ASSETS

"Excluded Assets" means all the property, title, undertaking, rights and assets of the Current Owners in:

(a) "**Excluded Contracts**" meaning all of the following contracts

contracts for, in connection with, or relating to,

- contracts dealing predominantly or exclusively with a license grant under IP, other than the Transferred Business Licensing-in Agreements and Transferred Business Licensing-out Agreements;

- overdraft facilities, deposits or loans with banks or financial institutions save for overdraft facilities, deposits or loans with banks or financial institutions held by the existing Siemens Target Companies or any entity in which business shares are held;

- accounts with banks or financial institutions other than the bank accounts held exclusively by any existing Siemens Target Company or any entity in which business shares are held*;*

- the external cash pooling arrangements;

- the "**Intragroup Financing**" meaning the intragroup financing of the Siemens Group based on contracts for, in connection with, or relating to, the Siemens Group cash management, the intercompany accounts, the cash pooling, term loans or term deposits (in particular the master loan agreements and all individual loan agreements concluded thereunder) but excluding the Business Hedges and the ICx Loan **(**"**ICx Loan**") meaning the Intracompany Arrangement dated December 21, 2016 between Siemens AG and Siemens' division "mobility" regarding a loan granted by Siemens AG to Siemens' division "mobility" in the maximum amount of EUR 1,100,000,000 in connection with the ICx contract dated May 6, 2011;

- the "**Credit Warehouse Arrangements**" meaning any contract under a receivables master purchase agreement between the respective Current Owner and Siemens AG or any member of the Siemens Group regarding the purchase and assignment on a revolving basis of such Current Owner's receivables against its debtors resulting from the supply of goods and services;

- "**Supply Chain Finance Arrangements**" meaning the contractually established systems under which a service provider provides for the settlement and financing of the payment obligations for the purchase of service and goods, in each case subject to the Separation Concept.

- any Group contract;

(b) "Excluded IP" meaning all IP other than business IP;

(c) all cash and cash equivalents (including cheques, securities, deposits with and financial receivables against banks and other financial institutions) save for cash and cash equivalents of the existing Siemens Target Companies, the companies in which business shares are held as well as cash equivalents of the Siemens Target NewCos and Siemens Target Parent;

(d) those Business Permits which cannot be legally transferred pursuant to their respective terms and conditions or applicable Laws;

(e) any "**Export Licenses**" meaning licenses granted by public authorities for (i) the export, transfer, transit or re-export of goods, technology and software, (ii) the performance of technical assistance or provision of other services (*e.g.*, brokering), or (iii) any other action or omission in connection with a cross-border business relationship or any other business relationship that by Law requires a license for export control reasons save for any Export Licenses of the existing Siemens Target Companies and Export Licenses where appropriate licenses are either already held by, or are readily available to be obtained before Closing by, Alstom;

(f) except as provided for in the Separation Concept (*i.e.*, Schedule 4.2.1 of the Business Combination Agreement), any "**Customs Authorizations**" meaning authorizations granted by customs authorities for the use of specific facilitations for imports and exports, temporary imports, customs proceedings with commercial relevance, utilization of preferences and payment of customs duties save for any Customs Authorizations of the existing Siemens Target Companies and customs licenses where appropriate licenses are either already held by, or are readily available to be obtained before Closing by, the existing Siemens Target Companies or Alstom;

(g) except as provided for in the Business Combination Agreement, any right in designation(s) including "Siemens", "Si", any similar reference to the designation "Siemens", any abbreviations thereof and/or any word or logo confusingly similar thereto;

(h) except for the existing Siemens Target Companies and the entities in which business shares are held, all Tax related prepayments and claims for the refund of any Tax, in each case, having accrued for any Tax period, or portion of a Tax period, prior to the respective Local Carve-Out Date (included);

(i) the "**Excluded Books and Records**" meaning, except for the existing Siemens Target Companies and the entities in which business shares are held, the organizational documents, company seals, minute books, Tax records not relating to the Siemens Target Business,

(j) If and to the extent Siemens AG, or any member of the Siemens Group (other than a Siemens Target Company), on the one hand, and any Siemens Target Company, on the other hand, will, in accordance with and subject to the Separation Concept, enter into a contract or transitional service agreement on or following the respective Local Carve-Out Date, which would constitute, if it was concluded prior to the Local Carve-Out Date, an Excluded Contract pursuant to Section 6.1 of the Business Combination Agreement, the respective receivables, claims, obligations and amounts arising under such contracts in the period following the respective Local Carve-Out Date and/or rights provided or licensed under such interim contracts shall, to the extent as existing on the Closing Date, not be considered as Excluded

Assets or Excluded Liabilities, but as business assets and business liabilities to the extent made on arm's length basis.

2. EXCLUDED LIABILITIES

"Excluded Liabilities" means any of the following:

(i) certain business liabilities, as may be specifically agreed between Siemens AG and Alstom; and

(ii) any liability (a) to the extent (*i.e.*, in the portion) not relating to the Siemens Target Business or (b) relating to any Excluded Asset or any Excluded Tax Liability and (without prejudice to (a)), (c) any Excluded Pension Liabilities.

"**Excluded Tax Liabilities**" shall mean any liabilities for the payment of Tax (a) having accrued for any Tax period or portion of a Tax period prior to the respective Local Carve-Out Date (included) or (b) (x) to the extent (*i.e.*, in the portion) not relating to the Siemens Target Business or (y) relating to any Excluded Asset. It being provided that, with respect to the existing Target Companies and the entities in which business shares are held, only such liabilities which fall under (b) (x) or (y) shall be Excluded Tax Liabilities.

"**Excluded Pension Liabilities**" shall mean, retirement benefits or other liabilities in respect of any inactive beneficiary and related dependents which:

(i) cannot be attributed to any particular current Siemens business and / or;

(ii) relate to former employees of the Siemens Target Business in Germany, whether or not previously employed by an entity part of the Siemens Target Business, unless such liabilities arise out of a pension arrangement established by a Siemens Target Company.

For the purpose of the present Section I of this <u>Schedule G:</u>

- "**Business Hedges and Derivatives**" means, to the extent relating to the Siemens Target Business, (i) the foreign exchange (the "**FX**") derivative, interest rate derivative (the "**IRD**") and/or financially settled commodities, derivative arrangements or transactions with banks or financial institutions and, (ii) the FX, IRD and commodities arrangements or transactions based on contracts with Siemens AG or any member of the Siemens Group;

- "**Business Permits**" means, to the extent exclusively pertaining to the Siemens Target Business and held by the respective Current Owner, all permits, authorisations, entitlements, licences, approvals, registrations, orders and consents, and any replacement, substitute or renewal, issued by an authority pursuant to applicable Law, and necessary for the operation of the Siemens Target Business, in each case unless constituting, containing, or relating to IP;

- "**Transferred Business Licensing-in Agreements**" means agreements (i) which, on the respective Local Carve-Out Date, exclusively relate to the Siemens Target Business, (ii) which deal predominantly or exclusively with an IP license grant by an external third party to the respective Current Owner, and (iii) under which the only IP licensed-in are patents which are exclusively applicable in the Siemens Target Business or know-how, software or other IP which is exclusively used by the Siemens Target Business on the respective Local Carve-Out Date, including those listed in an annex;

- "**Transferred Business Licensing-out Agreements**" means agreements (i) which, on the respective Local Carve-Out Date, exclusively relate to the Siemens Target Business, (ii) which deal predominantly or exclusively with an IP license grant by the respective Current Owner to an external third party, and (iii) under which the only IP licensed-out is transferred IP or software licensed-in under a Transferred Licensing-in Agreement, including those listed in an annex.

II. <u>DEFINITION OF "EXCLUDED ARRANGEMENTS"</u>

"Excluded Arrangement" means any (i) termination benefit plan that does not pay out termination benefits at retirement or (ii) benefits to be provided to employees prior to the time of their actual retirement, including without limitation any Jubilee Benefits, any medical or dental benefits, any remuneration payable to employees during the active and passive phases of old age part time (*Altersteilzeit*), any benefits under ACP, and any benefits under arrangements qualifying as rabbi trusts.

For the purpose of the present Section II of this <u>Schedule G</u>:

- "**Jubilee Benefits**" means benefits payable on the service anniversary to active employees who are also active after such benefits are paid.

Schedule 1.2(F)
Beneficiary Company's share capital as of March 31, 2018*

* To the Beneficiary Company's knowledge based on notifications received by the Beneficiary Company, the table below shows the voting rights and the shares held by shareholders with more than 0.50% of the Beneficiary Company's share capital as of March 31, 2018.

	Number of shares	**%[1]**	**Number of voting rights**	**%**
Public	82 854 841	36.5	83 568 157	36.0
Bouygues S.A.	62 086 226	27.3	65 347 092	28.1
Institutional investors	74 700 014	32.9	74 518 620	32.1
Employees[2]	2 569 390	1.1	3 882 733	1.7
Treasury shares	-	-	-	-
Total	222,210,471	-	227,316,602	-
Impact of Alstom dilutive instruments[3]	4,882,060	2.1	4,882,060	2.1
Total diluted number of shares	227,092,531	100[3]	232,198,662	100

(1) % calculated based on the share capital as of March 31, 2018 and not based on the share capital on the date of declaration.

(2) Shares held by employees and former employees of the Alstom Group as of March 31, 2018, including approximatively 0.36% of the share capital and 0.35% of the voting rights held through an employee mutual fund.

(3) Alstom dilutive instruments taking into account for this chart include:
- All in-the-money stock options outstanding as of 31/03/2018 (based on 1-month average share price in March 2018 of €30.15 per share)
- ORA (*Obligations Remboursables en Actions*): bonds reimbursable in shares representing 4,671 shares as of 31/03/2018
- Performance shares and Free Shares plans as of 31/03/2018 that can be granted assuming performance conditions to be met at 100% target (*i.e.*, no over-performance)

These figures also include additional adjustments in connection with the Distribution A and Distribution B, based on (i) on Alstom 1-month average share price between 01/03/2018 and 31/03/2018 (*i.e.*, €30.15 per share), (ii) a Distribution A of €4 per share and a Distribution B of €881m (implying a Distribution B of €3.98 per share based on the number of issued and outstanding shares of Alstom as of 31/03/2018, post Repurchase Program, *i.e.*, 221,310,689 shares).

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[3] [The sum of the percentages included in the table may not equal to 100% as such percentages have been rounded up.]

Schedule 3.1(B)

Estimated accounts of Siemens Target Business as of September 30, 2017

Siemens Aktiengesellschaft
Berlin and Munich

Combined Financial Statements
Siemens Mobility Business
September 30, 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Building a better working world

We issue the audit opinion presented below in compliance with legal and professional requirements subject to the conditions described in the enclosed "Engagement Terms, Liability and Conditions of Use".

INDEPENDENT AUDITOR'S REPORT

To Siemens Aktiengesellschaft, Berlin and Munich, Germany

Opinion

We have audited the Combined Financial Statements of the Siemens Mobility Business, consisting of the combined statement of financial position as of September 30, 2017, the combined statement of income, the combined statement of comprehensive income, the combined statement of changes in invested equity (net assets) and the combined statement of cash flows for the fiscal year ended September 30, 2017 and the notes to the Combined Financial Statements including a description of the financial reporting framework applied in the preparation of the combined statements ("Basis of Preparation") (collectively "Combined Financial Statements").

In our opinion, the accompanying Combined Financial Statements of the Siemens Mobility Business as of and for the year ended September 30, 2017 are prepared, in all material respects, in accordance with the Basis of Preparation.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are independent of the entities constituting the Siemens Mobility Business in accordance with the ethical requirements that are relevant to our audit of the Combined Financial Statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Preparation of the Combined Financial Statements and Restriction on Distribution and Use

We draw attention to the Basis of Preparation of the Combined Financial Statements of the Siemens Mobility Business as of September 30, 2017, which describes the basis of preparation. The Combined Financial Statements are prepared for purposes of the approval of the contemplated transaction, referred to above, for which Alstom S.A. has to prepare a document (so-called "Document E"), which will be registered with the French financial markets authority (the Autorité des marchés financiers or "AMF"). As a result, the Combined Financial Statements may not be suitable for another purpose. Our report is intended solely for Siemens AG and should not be distributed to parties other than Siemens AG. However, we understand that our opinion together with the Combined Financial Statements is to be included in the Document E, filed by Alstom S.A., as general information to the public. Our opinion is not modified in respect of this matter.

Responsibilities of Management of the Mobility Division of Siemens AG and the member of the Siemens Managing Board with business responsibility for the Mobility Division for the Combined Financial Statements

Management of the Mobility Division of Siemens AG, comprised of the Mobility Division's CEOs and CFO, is responsible for the preparation of the Combined Financial Statements in accordance with the Basis of Preparation and for such internal control as management determines is necessary to enable the preparation of the Combined Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Combined Financial Statements, management is responsible for assessing the Siemens Mobility Business' ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Siemens Mobility Business or to cease operations, or has no realistic alternative but to do so.

The member of the Siemens Managing Board with business responsibility for the Mobility Division is responsible for overseeing the financial reporting process for the preparation of the Combined Financial Statements.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the Combined Financial Statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Combined Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Combined Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control relevant for the preparation of the Combined Financial Statements.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Siemens Mobility Business' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Combined Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

obtained up to the date of our auditor's report. However, future events or conditions may cause the Siemens Mobility Business to cease to continue as a going concern.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Siemens Mobility Business to express an opinion on the Combined Financial Statements. We are responsible for the direction, supervision and performance of the audit of the Combined Financial Statements. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ralf Bostedt.

Munich, Germany, March 12, 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bostedt	Süppel
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Combined Financial Statements
for the fiscal year ended
September 30, 2017

Based on the recognition and measurement principles of the International Financial Reporting Standards as endorsed by the EU ("IFRS")

Siemens Mobility Business

COMBINED STATEMENT OF INCOME
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

(in millions of €)	Note	**2017**
Revenue		8,146
Cost of sales		(6,221)
Gross profit		1,925
Research and development expenses		(373)
Selling and general administrative expenses		(846)
Other operating income	5	7
Other operating expenses	6	(9)
Income from investments accounted for using the equity method, net	4, 23	13
Interest income	23	1
Interest expenses	23	(9)
Income before income taxes		709
therein: personnel restructuring expenses		*(47)*
Income tax expenses	7A	(173)
Net income		**536**
Attributable to		
Non-controlling interests		2
Siemens Group		534

COMBINED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

(in millions of €)	**2017**
Net Income	536
Remeasurements of defined benefit plans	136
therein: Income tax effects	*(44)*
Items that will not be reclassified to profit or loss	136
Currency translation differences	(98)
Derivative financial instruments	27
therein: Income tax effects	*(11)*
Items that may be reclassified subsequently to profit or loss	(71)
Other comprehensive income, net of income taxes	65
Total comprehensive income	**601**
Attributable to	
Non-controlling interests	2
Siemens Group	599

COMBINED STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2017 AND OCTOBER 1, 2016

(in millions of €)	Note	**Sep 30, 2017**	**Oct 1, 2016**
Assets			
Cash and cash equivalents	25	70	27
Trade and other receivables	8	1,167	1,171
Other current financial assets	9	347	355
Receivables from Siemens Group	21	129	139
Inventories	10	3,755	3,429
Current income tax assets		11	31
Other current assets	24	180	199
Assets classified as held for sale		-	2
Total current assets		**5,659**	**5,353**
Goodwill	11	1,891	1,754
Other intangible assets		812	817
Internally generated technology		*81*	*58*
Acquired technology incl. patents ,licenses and sim. rights		*212*	*216*
Customer relationships and trade names		*519*	*543*
Property, plant and equipment		648	648
Land and building		*314*	*329*
Technical machinery and equipment		*218*	*198*
Furniture and office equipment		*56*	*58*
Equipment leased to others		*11*	*7*
Advances to suppliers and construction in progress		*49*	*56*
Investments accounted for using the equity method		127	110
Other financial assets	12	103	155
Deferred tax assets	7B	38	50
Other assets	24	24	10
Total non-current assets		**3,643**	**3,544**
Total assets		**9,302**	**8,897**

COMBINED STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2017 AND OCTOBER 1, 2016

(in millions of €)	Note	**Sep 30, 2017**	**Oct 1, 2016**
Liabilities and invested equity (net assets)			
Short-term debt and current maturities of long-term debt	14	622	2
Trade payables		765	655
Other current financial liabilities		137	259
Payables to Siemens Group	21	67	78
Current provisions	16	549	633
Current income tax liabilities		10	6
Other current liabilities	13	2,959	2,714
Liabilities associated with assets classified as held for sale		-	3
Total current liabilities		**5,109**	**4,350**
Long-term debt	14	431	740
Provisions for pensions and similar obligations	15	362	581
Deferred tax liabilities	7B	449	313
Provisions	16	416	439
Other financial liabilities		28	32
Other liabilities		214	162
Total non-current liabilities		**1,900**	**2,267**
Total liabilities		**7,009**	**6,617**
Invested equity (net assets) attributable to Siemens Group		2,170	2,094
Other components of invested equity (net assets)		93	164
Total invested equity (net assets) attributable to Siemens Group		2,263	2,258
Non-controlling interests		30	22
Total invested equity (net assets)		**2,293**	**2,280**
Total liabilities and invested equity (net assets)		**9,302**	**8,897**

COMBINED STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

(in millions of €)	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	536
Adjustments to reconcile net income to cash flows from operating activities	
Amortization, depreciation and impairments	150
Income tax expenses	173
Interest (income) expenses, net	8
Income related to investing activities	(11)
Other non-cash (income) expenses	22
Change in current assets and liabilities	
Inventories	(379)
Trade and other receivables	(17)
Trade payables	124
Additions to assets leased to others in operating leases	(7)
Change in other assets and liabilities	177
Income taxes paid	(128)
Dividends received	7
Interest received	5
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	**660**
CASH FLOWS FROM INVESTING ACTIVITIES	
Additions to intangible assets and property, plant and equipment	(132)
Acquisitions of businesses, net of cash acquired	(221)
Purchase of investments	(7)
Disposal of investments, intangibles and property, plant and equipment	24
Disposal of businesses, net of cash disposed	(4)
CASH FLOWS USED IN INVESTING ACTIVITIES	**(340)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Change in short-term debt and other financing activities	(6)
Interest paid	1
Other transactions with owners / other financing transaction with Siemens Group	(263)
Dividends attributable to non-controlling interests	(2)
CASH FLOWS USED IN FINANCING ACTIVITIES	**(270)**
EFFECT OF FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(7)
CHANGE IN CASH AND CASH EQUIVALENTS	**43**
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	27
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	70

V. COMBINED STATEMENT OF CHANGES IN INVESTED EQUITY (NET ASSETS)

(in millions of €)	Net assets attributable to Siemens Group	Currency translation differences Siemens	Derivative financial instruments	Total invested equity (net assets) attributable to Siemens Group	Non-controlling interests	Total invested equity (net assets)
Balance as of October 1, 2016	2,094	146	18	2,258	22	2,280
Net income	534	-	-	534	2	536
Other comprehensive income	136	(97)	26	65	-	65
Total comprehensive income	670	(97)	26	599	2	601
Other financing transactions with Siemens Group	(594)	-	-	(594)	7	(587)
Balance as of September 30, 2017	**2,170**	**49**	**44**	**2,263**	**30**	**2,294**

NOTE 1 Basis of preparation

A. General Principles

Background

On September 26, 2017, the publicly listed companies Siemens AG, Germany (“Siemens”, together with its subsidiaries, “Siemens Group”) and Alstom S.A., France (“Alstom”) signed a memorandum of understanding (which includes a draft business combination agreement) relating to the possible combination of their respective mobility businesses by way of a contribution by Siemens of its mobility business in exchange for newly created shares and warrants of Alstom (the “Contemplated Transaction”).

The Siemens mobility business is comprised of (i) the rolling stock and signaling business of Siemens (“MO Division”), (ii) the sub-segments Rail Systems and Railway Gears and Components (both part of the Siemens Process Industries and Drives Division) (“PD”) and (iii) the service business carried on by the sub-segment Traction Drives (being organized within the Siemens Digital Factory Division) (“DF”) (together the "SMO Business"). The completion of the Contemplated Transaction will be subject to certain conditions, inter alia, the Contemplated Transaction has to be approved by the general shareholders’ meeting of Alstom.

For purposes of the approval of the Contemplated Transaction by Alstom’s general shareholders' meeting, Alstom has to prepare a document (so-called “Document E”), which will be registered with the French financial markets authority (the Autorité des marches financiers or “AMF”). In this context, the management of the MO Division, comprised of the MO Division’s CEOs and CFO, prepared these Combined Financial Statements of the SMO Business. These Combined Financial Statements consist of a combined statement of financial position as of September 30, 2017 and as of October 1, 2016, a combined statement of income, a combined statement of comprehensive income, a combined statement of changes in invested equity (net assets) and a combined statement of cash flows for the fiscal year ended September 30, 2017 and selected notes (together the "Combined Financial Statements").

In the context of the Contemplated Transaction and prior to its completion, Siemens Group is performing an internal carve-out process, by way of legal reorganizations, as a result of which the SMO Business shall be held or carried out directly or indirectly by newly formed companies in Germany, the Netherlands and France, each wholly owned by subsidiaries of Siemens (together the "Contributed Entities"). This carve-out process may have an impact on invested equity (net asset) All shares in such Contributed Entities will be contributed to Alstom in exchange for newly created shares and warrants of Alstom. The Contemplated Transaction will be subject to clearance from relevant antitrust and regulatory authorities. Closing of the Contemplated Transaction is expected at the end of calendar year 2018.

Description of the SMO Business

The SMO Business combines all Siemens businesses in the area of passenger and freight transportation, including rail vehicles, rail automation systems, rail electrification systems, road traffic technology, digital solutions and related services. The SMO Business also provides its customers with consulting, planning, construction, service and operation of turnkey mobility systems, including the arrangement of financing solutions. Moreover, the SMO Business offers integrated mobility solutions for networking of different types of traffic systems. The principal customers of the SMO Business are public and state-owned companies in the transportation and logistics sectors. Markets served by the SMO Business are driven primarily by public spending. Customers usually have multi-year planning and implementation horizons and their contract tenders therefore tend to be independent of short-term economic trends.

B. Basis of preparation

Basis for Combined Financial Statements

The Combined Financial Statements were prepared based on the recognition and measurement principles of the International Financial Reporting Standards as endorsed by the EU ("IFRS"). The Combined Financial Statements do not include all information and disclosure required by IFRS, such as:

- Certain notes to the financial statements are omitted;
- The Combined Financial Statements do not contain comparative information, except for the combined statement of financial position; and
- Certain carve-out specific accounting policies as further described below were applied.

Following IAS 8.12 the predecessor accounting approach has been applied in the Combined Financial Statements of the SMO Business. The SMO Business used the same valuation methods and accounting policies with adapted materiality thresholds for the preparation of the Combined Financial Statements as those used by Siemens Group companies for the preparation of the financial information included in Siemens Group IFRS consolidated financial statements. Transactions between the SMO Business and Siemens Group companies were analyzed to appropriately present the SMO Business as a group of companies and operations independent of Siemens Group. As a result, transactions between the SMO Business and Siemens Group (that were eliminated in the Siemens Group Financials) are presented as related party transactions. Those transactions were accounted for based on the historical amounts as historically invoiced. The Combined Financial Statements were prepared on a going concern and a historical cost basis as included in the Siemens Group IFRS consolidated financial statements.

Since IFRS does not provide any specific guidance for the preparation of combined financial statements current practice under IFRS including IAS 8.10 and 8.12 were used for the preparation of the accompanying Combined Financial Statements. In the absence of IFRS specific guidance, IAS 8.10 requires management to use judgment in developing and applying accounting policies, which produce information that is relevant for users, reliable and free from bias, and complete in all material respects. In addition, IAS 8.12 permits management to consider the latest pronouncements of other standard setters, other accounting literature and accepted industry practice when developing accounting policies. These accounting policies and combination principles are described below.

The Combined Financial Statements may not be indicative of the SMO Business' future performance and do not necessarily reflect what the consolidated or combined results of operations, financial position and cash flows would have been, had the SMO Business operated as an independent group or business during the period presented. In addition to industry and market conditions including raw material costs, the future profitability and cash flows of the SMO Business depend on its ability to receive financing. Historically, financing has been made available to the SMO Business by the Siemens Group corporate treasury function or Siemens Financial Services (“SFS”).

The Combined Financial Statements were prepared and reported in Euros. Unless specified otherwise, all amounts are stated in millions of Euros (€ million). Due to calculation procedures, rounding differences may occur. The period for recognizing adjusting events in the Combined Financial Statements was identical to that of the Siemens Group IFRS consolidated financial statements as of September 30, 2017 and ended on November 27, 2017.

The Combined Financial Statements were authorized for issue by the management of the MO Division, comprised of the MO Division’s CEOs and CFO on March 12, 2018.

Scope of Combination

The SMO Business did not represent a separate group of legal entities, but combined operations comprised of the MO Division, a reportable segment within the Siemens Group IFRS consolidated financial statements and PD and DF, both reported within the Siemens Process Industries and Drives Division (however DF organized within the Siemens Digital Factory Division). All aforementioned operations were under common control of Siemens, the ultimate holding company, during the period presented.

The SMO Business was historically included (i) in legal entities that were only carrying out SMO Business-related activities (the “100% dedicated legal entities”) and (ii) in legal entities that comprised SMO Business activities as well as other Siemens activities (“Mixed Entities”).

The SMO Business has not prepared any separate consolidated financial statements for internal or external reporting purposes.

The Combined Financial Statements were prepared on a "carve-out" basis from the Siemens Group IFRS consolidated financial statements and include assets, liabilities, income and expenses that were

(i) directly attributable to the 100% dedicated legal entities;

(ii) attributed on a specific identification basis from the SMO Business operations within certain Siemens Mixed Entities; and

(iii) related to activities that were historically recorded at central segment consolidation units and which are expected to be transferred as part of the Contemplated Transaction (e.g. pensions and other employee benefits, real estate, income taxes).

Refer to Note 22, list of entities included in combination scope, for an overview of (a) the 100% dedicated legal entities, (b) the Mixed Entities that comprise portions of the SMO Business and (c) investments accounted for using the equity method and other investments that are included in the scope of the Combined Financial Statements.

Acquisitions and Disposals

Refer to Note 3, acquisitions, dispositions and discontinued operations, for further information on material acquisitions and disposals during the reporting period.

Combination principles

The financial information for the MO Division included in the Combined Financial Statements was derived from the segment reporting for the MO Division as presented in the Siemens Group IFRS consolidated financial statements and included certain cost allocation for centrally managed functions.

The financial information for PD and DF included in the Combined Financial Statements was derived from the sub-segment reporting and local ERP systems, which were also the basis for Siemens management reporting. For selected items of the combined statement of financial position and the combined statement of income, the financial information for PD and DF was derived from the sub-segment reporting and is based on specific identification and attribution or allocation of assets, liabilities, income and expenses. Assumptions and estimates made with regard to the allocations were appropriately and consistently applied.

Revenue and costs for services that were provided by PD to Siemens Group entities other than the SMO Business are not presented in the Combined Financial Statements as those activities are not expected to be transferred as part of the Contemplated Transaction. This revenue was eliminated based on the recorded transactions. As the related costs were not specifically identifiable, these costs were eliminated based on reasonable allocation keys.

Services provided and charged by centrally managed functions from Siemens Group to the SMO Business were included in the Combined Financial Statements based on historical service level agreements that existed and were executed in fiscal year 2017. These historical amounts may vary from amounts under future service level agreements and therefore do not necessarily indicate what the results of operations of the SMO Business would have been if it had existed as a separate group in the reporting period.

The financial information of 100% dedicated legal entities and activities included in Mixed Entities included in the scope of the Combined Financial Statements was prepared using uniform accounting policies.

Expenses and income, intra-group profits as well as receivables and payables between combined companies were eliminated. In addition, management used the following significant judgments in determining the combination principles:

Goodwill allocation

The goodwill included in the Combined Financial Statements is based on the goodwill attributable to the SMO Business. The goodwill amount reflected in the Combined Financial Statements comprises the goodwill attributable to the MO Division, as included in the Siemens Group segment reporting, as well as goodwill attributable to the PD business, which was allocated to the Combined Financial Statements based on a relative fair value approach. During the reporting period presented, goodwill was tested based on the cash-generating unit structure used at that time by Siemens Group to monitor goodwill as the SMO Business reporting structure did not exist in the past. *Refer to Note 11, goodwill, for further information*.

Real estate and leases

Real estate assets that were historically leased by the SMO Business from Siemens Group companies were included in the Combined Financial Statements as follows:

Real estate assets owned by Siemens Group companies and related liabilities that are expected to be transferred to the SMO Business in connection with the Contemplated Transaction are presented as owned property, plant and equipment in the Combined Financial Statements based on the historical costs less accumulated depreciation and impairment in the Siemens Group IFRS consolidated statements (predecessor values). The Combined Financial Statements also include all expenses related to that property, plant and equipment.

Real estate assets leased by Siemens Group companies from third parties where the external lease arrangement is expected to be transferred to the SMO Business in connection with the Contemplated Transaction are presented as operating or finance lease in the Combined Financial Statements, based on the classification in the Siemens Group IFRS consolidated financial statements (predecessor values). Dilapidation or other provisions and liabilities related to these real estate assets are presented in the combined statement of financial position.

Any other existing lease arrangements between Siemens Group companies as lessors and SMO Business as lessee which are expected to be continued after the execution of the Contemplated Transaction are presented as operating leases.

Assets other than real estate (e.g., IT equipment or vehicles) leased by the SMO Business from Siemens Group companies are presented as operating leases in the Combined Financial Statements.

Cash, Cash Pooling and Financing

Siemens Group uses a centralized approach for cash management and to finance its operations. Accordingly, aside from cash and cash equivalent balances held directly with third-party banks, the SMO Business' cash deposits and funding were pooled directly with SFS, acting on behalf of Siemens Group corporate treasury function, and treated as current receivables or payables from related parties.

For purposes of the Combined Financial Statements, cash and cash equivalents, available for sale financial assets and cash pooling receivables and payables were included in the Combined Financial Statements for all 100% dedicated legal entities of the SMO Business and were excluded for all Mixed Entities in scope of combination. An exemption of this approach was only applied for one 100% dedicated legal entity in the U.K.

For purposes of the Combined Financial Statements, loans with third parties or with SFS were included in the Combined Financial Statements for all 100% dedicated legal entities in scope of the SMO Business and were excluded for all Mixed Entities in scope of combination. Furthermore, as Siemens Group managed its refinancing on a group-wide basis, no Siemens Group debt was deemed directly attributable to the SMO Business and no Siemens Group debt and interest expense was allocated to the Combined Financial Statements.

The project-specific financing arrangement between the SMO Business and SFS for a major order is presented in the Combined Financial Statements as a loan from a related party (*refer to Note 14, debt, for further information*).

Derivative activities

Derivative activities related to the SMO Business were included in the Combined Financial Statements. In general, all hedging agreements were entered into with SFS. *Refer to Note 21, related party transactions*, *for further information*.

Pensions and similar obligations

The Combined Financial Statements include pension obligations and corresponding plan assets attributable to the SMO Business. The obligations were measured on the basis of actuarial valuations. The SMO designated employee population as of September 30, 2017 was used to determine the defined benefit obligation as well as related expenses for the reporting period. Active employees were included in the measurement of the obligations of the SMO Business, no longer active employees were only included in the measurement if the obligation is expected to legally transfer to the SMO Business in the course of the Contemplated Transaction. The obligations were determined on an individual employee basis. For India, the defined benefit obligation related to the SMO Business could not be identified on an employee basis due to legal restrictions. Therefore, the related defined benefit obligation and related expenses were allocated based on a country-specific average amount per employee for India.

Plan assets that were not directly attributable were allocated based on the proportion of the SMO Business' defined benefit obligation to the Siemens Group defined benefit obligation. The actual amounts of the plan assets to be transferred may differ from the plan assets presented in the Combined Financial Statements. The actuarial valuation parameters determined and applied in the Siemens Group IFRS consolidated financial statements were also used for the Combined Financial Statements of the SMO Business.

The Combined Financial Statements exclude pension obligations and plan assets relating to Siemens employees in corporate functions that, in part, historically supported the SMO Business. Some of these corporate employees may transfer as part of the Contemplated Transaction to the SMO Business. Pension costs for such employees are included in the Combined Financial Statements via cost allocation from centrally managed functions.

Refer to Note 15, post-employment benefits, for further information.

Share-based compensation

Employees and management of the SMO Business participate in share-based payment plans of Siemens. Such share-based payment plans were predominantly accounted for as equity-settled plans in the Siemens Group IFRS consolidated financial statements.

The Combined Financial Statements include the share-based payment-related awards and activities (incl. related expenses) attributable to SMO Business based on the SMO designated employees' population as of September 30, 2017. For plans that were accounted for as equity settled from a Siemens Group perspective, the presentation in the Combined Financial Statements is as follows:

Share-based compensation schemes in relation to employees of the SMO Business in Siemens schemes were accounted for as cash-settled if they were granted (i) to employees of the SMO Business by a 100% dedicated legal entity included in the SMO Business or (ii) by Mixed Entities from which the SMO Business related activities are expected to be carved out and the SMO Business employee as well as the related obligations are expected to be transferred to a newly established entity during the carve-out. Share-based compensation awards granted to SMO employees by a Siemens entity that does not include any SMO activities were accounted for as equity-settled plans.

Expenses for cash-settled plans (stock appreciation rights and phantom stock) were accrued by the SMO Business over the vesting period.

The Combined Financial Statements include jubilee share awards attributable to the SMO Business based on the SMO designated employees' population as of September 30, 2017. Those awards were accounted for as an equity-settled plan in the Siemens Group IFRS consolidated financial statements. For purposes of the Combined Financial Statements, those jubilee share awards were accounted for as cash-settled plans with carrying amounts as of September 30, 2017. The obligations were measured on the basis of actuarial valuations.

Refer to Note 20, share-based payments, for further information.

Income taxes

Income taxes were generally determined on a separate tax return basis as described below, assuming that the legal entities and operations of the Siemens Mixed Entities in scope of the SMO Business constitute separate taxable entities. Based on this assumption, the current and deferred taxes of all companies, operations and fiscal units within the SMO Business were calculated separately and the recoverability of deferred tax assets was assessed on this basis.

Income taxes for the 100% dedicated legal entities in scope of the SMO Business, which were historically separate taxable entities, were included in the Combined Financial Statements as they were historically recorded in the Siemens Group IFRS consolidated statements. Income taxes for 100% dedicated legal entities historically included in fiscal units for which the tax paying entity is outside the SMO Business were included in the Combined Financial Statements as they were historically recorded based on tax-recharge agreements, which were already calculated on separate tax return basis.

For the significant Mixed Entities in Austria, China, Germany, France, Spain, Switzerland, U.K. and the US that comprised the SMO Business, current and deferred taxes were calculated as if they were based on a simplified separate tax return basis, including the assessment for uncertain tax obligations. Any current tax receivables and liabilities determined by this separate return calculation were treated as contributions to or withdrawals from invested equity (net assets). Deferred taxes were determined applying appropriate assumptions.

For all other Mixed Entities comprising the SMO Business a simplified separate tax return approach was applied, determining current tax expenses by applying the statutory tax rate to earnings before taxes of the SMO Business of the respective Mixed Entities. Any current tax receivables and liabilities determined by this separate tax return calculation were treated as contributions or transfers from invested equity (net assets). No deferred tax assets or liabilities on temporary differences were recognized in the Combined Financial Statements for such Mixed Entities. Furthermore, no deferred tax assets on tax loss carry-forwards were recognized for these Mixed Entities.

Management considers the separate tax return approach to be reasonable, but not necessarily indicative of the tax income or expenses that would have been incurred if the entities and operations had indeed been separate taxable entities.

Refer to Note 7 taxes for further information.

Capital structure

The equity of the SMO Business consists of the invested equity (net assets) attributable to the SMO Business and non-controlling interests. The Combined Financial Statements do not present subscribed capital. During the reporting period presented, the SMO Business was financed by the Siemens Group. The capital structure of the SMO Business at the time of the Contemplated Transaction will differ from the capital structure presented in the Combined Financial Statements.

Any attribution or allocation of assets and liabilities to the SMO Business were directly recognized in invested equity (net assets) as contribution or withdrawal at the time of the allocation. Any current tax receivables and liabilities determined by the applied separate return calculation were treated as contributions to or withdrawals from invested equity (net asset). Furthermore, in case of mixed entities, any settlements of receivables and payables related to the SMO Business operations prior to the carve-out, were directly recognized in invested equity (net assets) as a result of the allocation approach of cash and cash equivalents for mixed entities.

Combined statement of cash flows

Operating transactions of the SMO Business with the Siemens Group were reported in the cash flows from operating activities. Financing transactions with the Siemens Group – including cash pooling – are presented in the cash flows from financing activities. The transactions with the Siemens Group also include cash inflows and outflows in connection with profit and loss transfer agreements between the SMO Business and Siemens Group companies as well as tax receivables and liabilities presented as contributions or withdrawals under the separate tax return approach.

The line item "income taxes paid" in the Combined Statement of Cash Flows comprises current income taxes to the extent that these are not related to prior periods as it is assumed that current income taxes are settled at the end of the reporting period, except for 100% dedicated legal entities for which the income taxes paid are reflected as effectively paid.

NOTE 2 Significant accounting policies and critical accounting estimates

Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on the SMO Business' results of operations, financial positions and cash flows. Critical accounting estimates could also involve estimates where the SMO Business reasonably could have used a different estimate in the current accounting period. The SMO Business cautions that future events often vary from forecasts and that estimates routinely require adjustment.

Basis of combination – The combination scope of the Combined Financial Statements is disclosed in *Note 1: Basis of preparation*.

Business combinations – Cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Non-controlling interests are measured at the proportional fair value of assets acquired and liabilities assumed (partial goodwill method). If there is no loss of control, transactions with non-controlling interests are accounted for as equity transactions not affecting profit and loss. At the date control is lost, any retained equity interests are remeasured to fair value.

Associates – Associates are companies over which the SMO Business has the ability to exercise significant influence over operating and financial policies (generally through direct or indirect ownership of 20% to 50% of the voting rights). These are recorded in the Combined Financial Statements using the equity method and are initially recognized at cost. The SMO Business' share of its associate's post-acquisition profits or losses is recognized in the Combined Statements of Income, and its share of post-acquisition changes in equity that have not been recognized in the associate's profit or loss is recognized directly in invested equity (net assets). The cumulative post-acquisition changes are adjusted against the carrying amount of the investment in the associate. When the SMO Business' share of losses in an associate equals or exceeds its interest in the associate, the SMO Business does not recognize further losses, unless it incurs obligations or makes payments on behalf of the associate. The interest in an associate is the carrying amount of the investment in the associate together with any long-term interests that, in substance, form part of the SMO Business' net investment in the associate.

Joint Ventures – Joint Ventures are entities over which the SMO Business and one or more parties have joint control. Joint control requires unanimous consent of the parties sharing control in decision making on relevant activities.

Foreign currency translation – Assets and liabilities of foreign subsidiaries, where the functional currency is other than the Euro, are translated using the spot exchange rate at the end of the reporting period, while the Combined Statement of Income are translated using average exchange rates during the period. Differences arising from such translations are recognized within invested equity (net assets) and reclassified to net income when the gain or loss on disposal of the foreign subsidiary is recognized. The Combined Statement of Cash Flow is translated at average exchange rates during the period, whereas cash and cash equivalents are translated at the spot exchange rate at the end of the reporting period.

Foreign currency transaction – Transactions that are denominated in a currency other than the functional currency of an entity are recorded at that functional currency applying the spot exchange rate at the date when the underlying transactions are initially recognized. At the end of the reporting period, foreign currency-denominated monetary assets and liabilities are revalued to functional currency applying the spot exchange rate prevailing at that date. Gains and losses arising from these foreign currency revaluations are recognized in net income. Those foreign currency-denominated transactions which are classified as non-monetary are remeasured using the historical spot exchange rate.

Revenue recognition – Under the condition that persuasive evidence of an arrangement exists, revenue is recognized to the extent that it is probable that the economic benefits will flow to the SMO Business and the revenue can be reliably measured, regardless of when the payment is being made. In cases where the inflow of economic benefits is not probable due to customer related credit risks, the revenue recognized is subject to the amount of payments irrevocably received.

Sale of goods: Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Sales from construction contracts: When the outcome of a construction contract can be estimated reliably, revenues from construction-type projects are recognized under the percentage-of-completion method, based on the percentage of costs incurred to date compared to the total estimated contract costs. An expected loss on the construction contract is recognized as an expense immediately. The SMO Business applies the requirements of IAS 11 regarding contract variations to contract terminations, since contract terminations are also changes to the agreed delivery and service scope.

The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These significant estimates include total contract costs, total contract revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, changes in estimates may lead to an increase or decrease of revenue. The creditworthiness of customers of the SMO Business is taken into account in estimating the probability that economic benefits associated with a contract will flow to the SMO Business. In addition, the SMO Business needs to assess whether the contract is expected to continue or to be terminated. In determining whether the continuation or termination of a contract is expected to be the most likely scenario, all relevant facts and circumstances relating to the contract are considered on an individual basis.

Rendering of services: For long-term service contracts, revenues are recognized on a straight-line basis over the term of the contract or, if the performance pattern is other than straight-line, as the services are provided, i.e. under the percentage-of-completion method as described above.

Sales from multiple element arrangements: Sales of goods and services sometimes involve the provision of multiple elements. In these cases, the SMO Business determines whether the contract or arrangement contains more than one unit of accounting. If certain criteria are met, foremost if the delivered element(s) has (have) value to the customer on a stand-alone basis, the arrangement is separated and the appropriate revenue recognition convention is then applied to each separate unit of accounting. Generally, the total arrangement consideration is allocated to the separate units of accounting based on their relative fair values. If the criteria for the separation of units of accounting are not met, revenue is deferred until such criteria are met or until the period in which the last undelivered element is delivered.

Income from interest: Interest is recognized using the effective interest method.

Income from royalties: Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement.

Income from operating leases: Operating lease income for equipment rentals is recognized on a straight-line basis over the lease term.

Functional costs – In general, operating expenses by types are assigned to the functions following the functional area of the corresponding profit and cost centers. Amortization, depreciation and impairment of intangible assets and property, plant and equipment are included in functional costs depending on the use of the assets.

Product-related expenses – Provisions for estimated costs related to product warranties are recorded in line item Cost of sales at the time the related sale is recognized.

Research and development costs – Costs of research activities are expensed as incurred. Costs of development activities are capitalized when the recognition criteria in IAS 38 are met. Capitalized development costs are stated at cost less accumulated amortization and impairment losses with an amortization period of generally five to 15 years.

Goodwill – Goodwill is not amortized, instead, goodwill is tested for impairment annually, as well as whenever there are events or changes in circumstances (triggering events) which suggest that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses. The goodwill impairment test is performed at the level of a cash-generating unit or a group of cash-generating units. This is the lowest level at which goodwill is monitored for internal management purposes.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit or the group of cash-generating units that is expected to benefit from the synergies of the business combination. If the carrying amount of the cash-generating unit or the group of cash-generating units to which the goodwill is allocated exceeds its recoverable amount, an impairment loss on goodwill allocated to this cash-generating unit or this group of cash-generating units is recognized. The recoverable amount is the higher of the cash-generating unit's or the group of cash-generating units' fair value less costs to sell and its value in use. If either of these values exceeds the carrying amount, it is not always necessary to determine both values. These values are generally determined based on discounted cash flow calculations. Impairment losses on goodwill are not reversed in future periods.

The determination of the recoverable amount of a cash-generating unit or a group of cash-generating units to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced e.g. by the successful integration of acquired entities, volatility of capital markets, interest rate developments, foreign exchange rate fluctuations and the outlook on economic trends. In determining recoverable amounts, discounted cash flow calculations use mid-term plan projections that are based on financial forecasts. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates and weighted average cost of capital. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment.

Other intangible assets – The SMO Business amortizes intangible assets with finite useful lives on a straight-line basis over their respective estimated useful lives. Estimated useful lives for patents, licenses and other similar rights generally range from three to five years, except for intangible assets with finite useful lives acquired in business combinations. Intangible assets acquired in business combinations primarily consist of customer relationships and technology. Useful lives in specific acquisitions ranged from five to 18 years for customer relationships as well as for technology.

Property, plant and equipment – Property, plant and equipment is valued at cost less accumulated depreciation and impairment losses. Depreciation expense is recognized using the straight-line method. The following useful lives are assumed:

Factory and office buildings	20 to 50 years
Other buildings	5 to 10 years
Technical machinery & equipment	5 to 10 years
Furniture & office equipment	generally 5 years
Equipment leased to others	generally 3 to 5 years

Impairment of property, plant and equipment and other intangible assets – The SMO Business reviews property, plant and equipment and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets not yet available for use are subject to an annual impairment test. Impairment testing of property, plant and equipment and other intangible assets involves the use of estimates in determining the assets' recoverable amount which can have a material impact on the respective values and ultimately the amount of any impairment.

Current assets held for sale – A current asset or a disposal group is held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Income taxes – Tax positions under respective local tax laws and tax authorities' views can be complex and subject to different interpretations of tax payers and local tax authorities. Different interpretations of tax laws may result in additional tax payments for prior years and are taken into account based on management's considerations. Under the liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognized if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and established tax planning opportunities. As of each period-end, the SMO Business evaluates the recoverability of deferred tax assets, based on projected future taxable profits. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the SMO Business believes it is probable the SMO Business will realize the benefits of these deductible differences. As future developments are uncertain and partly beyond the SMO Business' control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption. *For additional information refer to Note 1: Basis of preparation.*

Inventories – Inventories are valued at the lower of acquisition or production costs and net realizable value, costs being generally determined on the basis of an average or first-in, first-out method.

Defined benefit plans – The SMO Business measures the entitlements by applying the projected unit credit method. The approach reflects an actuarially calculated net present value of the future benefit entitlement for services already rendered. In determining the net present value of the future benefit entitlement for service already rendered (Defined Benefit Obligation ("DBO")), the expected rates of future salary increase and expected rates of future pension progression are considered. The assumptions used for the calculation of the DBO as of the period-end of the preceding fiscal year are used to determine the calculation of service cost and interest income and expense of the following year. The net interest income or expense for the fiscal year will be based on the discount rates for the respective year multiplied by the net defined benefit liability (asset) at the preceding fiscal year's period-end date. Service cost, past service cost and settlement gains (losses) for pensions and similar obligations as well as administration costs unrelated to the management of plan assets are allocated among functional costs. Past service cost and settlement gains (losses) are recognized immediately in profit or loss. For unfunded plans, the amount of the line item Provisions for pensions and similar obligations equals the DBO. For funded plans, the SMO Business offsets the fair value of the plan assets with the DBO. The SMO Business recognizes the net amount, after adjustments for effects relating to any asset ceiling. Remeasurements comprise actuarial gains and losses as well as the difference between the return on plan assets and the amounts included in net interest on the net defined benefit liability (asset). They are recognized in the combined other comprehensive income, net of income taxes. Actuarial valuations rely on key assumptions including discount rates, expected compensation increases, rate of pension progression and mortality rates. Discount rates used are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available, discount rates are based on government bond yields. Due to changing market, economic and social conditions, the underlying key assumptions may differ from actual developments. *Refer to Note 15, post-employment benefits, for further information.*

Provisions – A provision is recognized in the combined statement of financial position when it is probable that the SMO Business has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognized at present value by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money. When a contract becomes onerous, the present obligation under the contract is recognized as a provision. Significant estimates are involved in the determination of provisions related to onerous contracts, warranty costs, asset retirement obligations, legal and regulatory proceedings as well as governmental investigations (Legal proceedings). The SMO Business records a provision for onerous sales contracts when current estimates of total contract costs exceed expected contract revenue. Onerous sales contracts are identified by monitoring the progress of the project and updating the estimate of total contract costs which also requires significant judgment relating to achieving certain performance standards as well as estimates involving warranty costs and estimates regarding project delays including the assessment of responsibility splits between the contract partners for these delays. Uncertainties regarding asset retirement obligations include the estimated costs of decommissioning and final waste storage because of the long time frame over which future cash outflows are expected to occur including the respective interest accretion. The estimated cash outflows could be impacted significantly by changes of the regulatory environment.

Legal proceedings often involve complex legal issues and are subject to substantial uncertainties. Accordingly, considerable judgment is part of determining whether it is probable that there is a present obligation as a result of a past event at the end of the reporting period, whether it is probable that such a Legal proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. Internal and external counsels are generally part of the determination process. Due to new developments, it may be necessary to record a provision for an ongoing Legal proceeding or to adjust the amount of a previously recognized provision. Upon resolution of a Legal proceeding, the SMO Business may incur charges in excess of the recorded provisions for such matters. The outcome of Legal proceedings may have a material effect on the SMO Business' financial position, its results of operations and/or its cash flows.

Termination benefits – Termination benefits are provided as a result of an entity's offer made in order to encourage voluntary redundancy before the normal retirement date or from an entity's decision to terminate the employment. Termination benefits in accordance with IAS 19, Employee Benefits, are recognized as a liability and an expense when the entity can no longer withdraw the offer of those benefits.

Financial instruments – A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The SMO Business does not use the category held to maturity and does not use the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (Fair Value Option). Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortized cost and financial assets and financial liabilities measured at fair value and as receivables from finance leases. Regular way purchases or sales of financial assets are accounted for at the trade date. Initially, financial instruments are recognized at their fair value. Transaction costs are only included in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. Receivables from finance leases are recognized at an amount equal to the net investment in the lease. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned – cash and cash equivalents, available-for-sale financial assets, loans and receivables, financial liabilities measured at amortized cost or financial assets and liabilities classified as held for trading.

Cash and cash equivalents – The SMO Business considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost. *Refer to Note 25, cash and cash equivalents, for further information*

Loans and receivables – Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method less any impairment losses. Impairment losses on trade and other receivables are recognized using separate allowance accounts. The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio basis. For the determination of the country-specific component of the individual allowance, the SMO Business also considers country credit ratings, which are centrally determined based on information from external rating agencies. Regarding the determination of the valuation allowance derived from a portfolio-based analysis of historical bad debts, a decline of receivables in volume results in a corresponding reduction of such provisions and vice versa. As of September 30, 2017, the SMO Business recorded a valuation allowance for trade and other receivables (including leases) of € 82 million.

Financial liabilities – The SMO Business measures financial liabilities, except for derivative financial instruments, at amortized cost using the effective interest method.

Derivative financial instruments – Derivative financial instruments, such as foreign currency exchange contracts and interest rate swap contracts are measured at fair value and classified as held for trading unless they are designated as hedging instruments for which hedge accounting is applied. Changes in the fair value of derivative financial instruments are recognized either in net income or, in the case of a cash flow hedge, in line item other comprehensive income, net of income taxes (applicable deferred income tax). Certain derivative instruments embedded in host contracts are also accounted for separately as derivatives.

Fair value hedges: The carrying amount of the hedged item is adjusted by the gain or loss attributable to the hedged risk. Where an unrecognized firm commitment is designated as hedged item, the subsequent cumulative change in its fair value is recognized as a separate financial asset or liability with corresponding gain or loss recognized in net income. For hedged items carried at amortized cost, the adjustment is amortized until maturity of the hedged item. For hedged firm commitments the initial carrying amount of the assets or liabilities that result from meeting the firm commitments are adjusted to include the cumulative changes in the fair value that were previously recognized as separate financial assets or liabilities.

Cash flow hedges: The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges is recognized in line item Other comprehensive income, net of income taxes (applicable deferred income tax), and any ineffective portion is recognized immediately in net income. Amounts accumulated in invested equity (net assets) are reclassified into net income in the same periods in which the hedged item affects net income.

Share-based payment – Share-based payment awards at the SMO Business are designed as equity-settled or cash-settled. Fair value is measured at grant date and is expensed over the vesting period. Fair value is determined as the market price of Siemens shares, considering dividends during the vesting period the grantees are not entitled to and market conditions and non-vesting conditions, if applicable.

Recent accounting pronouncements, not yet adopted

The following pronouncements, issued by the IASB, are not yet effective and have not yet been adopted by the SMO Business:

In July 2014, the IASB issued IFRS 9, Financial Instruments. IFRS 9 introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. The new standard is effective for annual reporting periods beginning on or after January 1, 2018. The SMO Business will adopt IFRS 9 for the fiscal year beginning as of October 1, 2018 and will not adjust comparative figures for the preceding fiscal year, in accordance with IFRS 9 transitional provisions. The SMO Business is currently assessing the effects of the adoption of IFRS 9 and expects only limited impact on the Combined Financial Statements: Debt instruments that would not be eligible to be carried at amortized cost are expected to occur only to an insignificant extent. The impact of the new impairment model of IFRS 9 on the valuation allowances on debt instruments is currently under evaluation. Based on the analyses so far, the SMO Business does not expect the valuation allowances to change significantly. The SMO Business will adopt the IFRS 9 hedge accounting rules prospectively from October 1, 2018. It is expected that all existing hedge accounting relationships will also meet the hedge accounting requirements under IFRS 9.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. According to the new standard, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the SMO Business expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018; early application is permitted. The SMO Business will adopt the standard for the fiscal year beginning as of October 1, 2017 retrospectively. Assessments resulting from the implementation of IFRS 15 confirmed that there will be no significant impacts on the Combined Financial Statements. For fiscal year 2017, changes in the total amount of revenue to be recognized for a customer contract are very limited. The vast majority of construction-type contracts currently accounted for under the percentage-of-completion method fulfills the requirements for revenue recognition over time. Revenue and gross profit recognized in fiscal year 2017 will increase by € 6 million and € 2 million, respectively. Besides, there will be changes to the Combined Statement of Financial Position, e.g. separate line items for contract assets and contract liabilities are required, and quantitative and qualitative disclosures are added.

In January 2016, the IASB issued IFRS 16, Leases. IFRS 16 eliminates the current classification model for lessee's lease contracts as either operating or finance leases and, instead, introduces a single lessee accounting model requiring lessees to recognize right-of-use assets and lease liabilities for leases with a term of more than twelve months. This brings the previous off-balance leases on the balance sheet in a manner largely comparable to current finance lease accounting. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The SMO Business will adopt the standard for the fiscal year beginning as of October 1, 2019, presumably by applying the modified retrospective approach, i.e. comparative figures for the preceding year would not be adjusted. Currently, it is expected that the majority of the transition effect relates to real estate leased by the SMO Business. The SMO Business is currently assessing the impact of adopting IFRS 16 on the Combined Financial Statements.

In May 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments. The interpretation clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. In assessing the uncertainty, an entity shall consider whether it is probable that a taxation authority will accept the uncertain tax treatment. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019, while earlier application is permitted. The SMO Business is currently assessing the impacts of adopting the interpretation on the Combined Financial Statements.

NOTE 3 Acquisitions, dispositions and discontinued operations

Acquisitions

During the reporting period the SMO Business acquired HaCon Ingenieurgesellschaft mbH ("HaCon"), a company with its headquarter in Hanover, Germany. HaCon is a leading international provider of planning, scheduling and information systems for public transportation, mobility and logistics. The company has been a successful player in the mobility business for 30 years. Trip planning software from HaCon is used in more than 25 countries and comprises the centerpiece of travel information systems in operation at more than 100 transport companies and associations.

During the reporting period the SMO Business also acquired the MRX Technologies Group with its headquarter in Perth, Australia. With the acquisition the SMO Business aims to expand its offering in the field of predictive maintenance based on digitalization. MRX Technologies Group is comprised of JRB Engineering Pty Ltd. (Australia), MRX Technologies Ltd. (United Kingdom), MRX Rail Services Pty Ltd. (Australia) and MRX Rail Service U.K. Ltd. (United Kingdom).

In fiscal year 2017, the combined preliminary purchase price allocations of the SMO Business for all transactions as of acquisition dates, including but not limited to the transactions described above, resulted in intangible assets of € 56 million and deferred tax liabilities of € 13 million. Combined preliminary goodwill for all transactions amounts to € 177 million. The purchase price allocations for all transactions are preliminary as a detailed analysis of the assets and liabilities has not been finalized. Including earnings effects for all transactions from purchase price allocations and integration costs, the acquired businesses contributed revenue of € 14 million and a net income of € 0.3 million to the SMO Business for the period from acquisition to September 30, 2017. If the acquired businesses had been included for the entire fiscal year 2017, the impact on the revenue and net income of the SMO Business would have been € 47 million and € 1 million, respectively.

Dispositions and discontinued operations

There are no material dispositions and discontinued operations during the reporting period.

NOTE 4 Interests in other entities

Investments accounted for using the equity method

(in millions of €)	Fiscal year 2017
Share of profit	13
Income from investments accounted for using the equity method, net	**13**

Of the total net profit of € 13 million, € 10 million relates to Ural Locomotives Holding B.V. a significant Joint Venture of the SMO Business in which it holds a 50% stake. During fiscal year 2017 the SMO Business received a dividend of € 2 million from Ural Locomotives B.V. The remaining 50% stake in the Joint Venture is held by Sinara Locomotives Limited, Cyprus.

Ural Locomotives Holding B.V. is the exclusive shareholder of OOO Ural Locomotives, a railway equipment manufacturer. The Joint Ventures principal business activity is the design, manufacturing, commissioning, marketing, sales and service of electric locomotives and trains in the former Soviet Union countries with 1520 mm gauge. Its operations are primarily located in the Russian Federation. The following financial information is included in the financial statements of the Joint Venture and does not reflect the SMO Business share of those amounts.

The net asset position of Ural Locomotives Holding B.V. as of September 30, 2017 amounts to € 89 million and is composed as follows:

(in millions of €)	Sep 30, 2017
Current asset	186
Non-current assets	174
Total assets	**360**
Current liabilities	162
Non-current liabilities	109
Total liabilities	**271**
Net Assets	**89**

Total comprehensive income of Ural Locomotives Holding B.V for fiscal year 2017 amounts to € 24 million and is related to:

(in millions of €)	Fiscal year 2017
Income from continuing operations	19
Other comprehensive income, net of income taxes	5
Total Comprehensive income	**24**

As of September 30, 2017 the carrying amount of all individually not material Associates amounts to € 52 million. Summarized financial information for all individually not material Associates adjusted for the percentage of ownership held or attributed to the SMO Business, is presented below. Items included in the Statements of Comprehensive Income are presented for the twelve month period applied under the equity method.

(in millions of €)	Fiscal year **2017**
Income from continuing operations	3
Total Comprehensive income	**3**

Significant restrictions on the ability of an Associate to transfer funds to the SMO Business result from a loan agreement with a financial institution, whose approval is required for dividend distributions.

NOTE 5 Other operating income

In fiscal year 2017, the major components of other operating income amounting to € 7 million include personnel related income of € 2 million, the release of liability for indemnification taxes in Brazil and Malaysia, together amounting to € 1 million as well as gains on sales of property, plant and equipment of € 1 million.

NOTE 6 Other operating expenses

Other operating expenses amounting to € 9 million mainly include losses on disposal of businesses of € 3 million, expenses related to an asset value guarantee of € 2 million and losses on disposal of intangible assets and property plant and equipment of € 1 million.

NOTE 7 Taxes

A. Income taxes

Income tax expense consists of the following:

(in millions of €)	Fiscal year **2017**
Current tax	149
Deferred tax	24
Income tax expense	**173**

The current income tax expense in fiscal year 2017 includes adjustments recognized for current tax of prior years in the amount of € 25 million. The deferred tax expense in fiscal year 2017 includes tax effects of the origination and reversal of temporary differences of € 29 million.

In Germany, the calculation of current tax is based on a combined tax rate of 31%, consisting of a corporate tax rate of 15%, a solidarity surcharge thereon of 5.5% and an average trade tax rate of 15%. For foreign subsidiaries, current taxes are calculated based on the local tax laws and applicable tax rates in the individual foreign countries. Deferred tax assets and liabilities in Germany and abroad are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Income tax expense (current and deferred) differs from the amounts computed by applying a combined statutory German income tax rate of 31% as follows:

(in millions of €)	Fiscal year 2017
Expected income tax expenses	220
Increase (decrease) in income taxes resulting from:	
Non-deductible losses and expenses	5
Tax-free income	(10)
Taxes for prior years	20
Change in realisability of deferred tax assets and tax credits	(10)
Change in tax rates	(3)
Foreign tax rate differential	(46)
Tax effect of investments accounted for using the equity method	(3)
Other, net	-
Actual income tax expenses	**173**

B. Deferred income tax assets and liabilities

Deferred income tax assets and liabilities on a gross basis are summarized as follows:

(in millions of €)	Sep 30, 2017
Assets	
Non-current and current assets	47
Liabilities and Post-employment benefits	430
Other	4
Tax loss and credit carry forward	6
Deferred tax assets	**487**
Liabilities	
Non-current and current assets	867
Liabilities	28
Other	3
Deferred tax liabilities	**898**
Total deferred tax liabilities, net	**411**

Deferred tax assets have not been recognized with respect of the following items (gross amounts):

(in millions of €)	Sep 30, 2017
Tax loss carry forward	3

The SMO Business has not recognized deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of entities combined of € 160 million in fiscal year 2017, because the earnings are intended to be permanently reinvested in the entities combined.

Including items charged or credited directly to equity and the expense from continuing operations, the income tax expense consists of the following:

(in millions of €)	Fiscal year 2017
Income tax expenses	173
Expenses recognized directly in equity	55
Total Income tax expense	**228**

NOTE 8 Trade and other receivables

(in millions of €)	Sep 30, 2017
Trade receivables from the sale of goods and services against third parties	1,136
Trade receivables from the sale of goods and services against Associates and Joint Ventures (Note 21)	29
Receivables from finance leases	2
Total Trade and other receivables	**1,167**

In fiscal year 2017, the long-term portion of receivables from finance leases is reported in other financial assets and amounts to € 46 million. Changes to the valuation allowance of current and long-term receivables which belong to the class of financial assets measured at (amortized) cost are as follows:

(in millions of €)	Sep 30, 2017
Valuation allowance as of beginning of fiscal year	80
Increase in valuation allowances recorded in the Combined Statement of Income in the current period	31
Write-offs charged against the allowance	(1)
Recoveries of amounts previously written-off	(5)
Foreign exchange translation differences	(23)
Valuation allowance as of fiscal year-end	**82**

Minimum future lease payments from finance lease to be received are as follows:

(in millions of €)	Sep 30, 2017
Within one year	1
After one year but not more than five years	2
Total Minimum future lease payments from finance lease	**3**

The following table shows a reconciliation of minimum future lease payments to the gross and net investment in leases and to the present value of the minimum future lease payments receivable:

(in millions of €)	Sep 30, **2017**
Minimum future lease payments	3
Plus: Unguaranteed residual values	138
Gross investment in leases	**141**
Less: Unearned finance income	(93)
Net investment in leases	**48**
Less: Present value of unguaranteed residual value	(45)
Present value of minimum future lease payments receivable	**3**

The gross investment in leases results mainly from a Mobility depot contract for a project in the U.K.

The gross investment in leases and the present value of minimum future lease payments receivable are due as follows:

	Gross investment in leases	Present value of minimum future lease payments receivable
(in millions of €)	Sep 30, **2017**	Sep 30, **2017**
Within one year	1	1
After one year but not more than five years	2	2
More than five years	138	-
Total	**141**	**3**

NOTE 9 Other current financial assets

As of September 30, 2017, other current financial assets amounting to € 347 million mainly include derivative financial instruments of € 280 million. For details on derivative financial instruments used by the SMO Business, refer to section “Derivatives” within *Note 21 – related party transactions*.

NOTE 10 Inventories

(in millions of €)	Sep 30, 2017
Raw materials and supplies	279
Work in progress	472
Costs and earnings in excess of billings on uncompleted contracts	3,058
Finished goods and products held for resale	196
Advances to suppliers	142
	4,147
Advance payments received	(392)
Total Inventories	**3,755**

Cost of sales includes inventories recognized as expense amounting to € 6,121 million in fiscal year 2017. Write-downs increased in fiscal year 2017 by € 6 million. In contrast, due to a change in estimate for inventory reserves for the technical risk of spare parts, write-downs of € 12 million were reversed during fiscal 2017.

Construction contracts include service contracts accounted for under the percentage-of-completion method. The aggregate amount of costs incurred and recognized profits less recognized losses for construction contracts in progress, as of September 30, 2017 amounted to € 19,348 million. Revenue from construction contracts amounted to € 5,856 million for fiscal year 2017. Advance payments received on construction contracts in progress were € 1,715 million as of September 30, 2017. Retentions in connection with construction contracts were € 46 million in fiscal year 2017.

NOTE 11 Goodwill

(in millions of €)	Sep 30, 2017
Cost	
Balance at beginning of year	1,878
Translation differences and other	(44)
Acquisitions and purchase accounting adjustments	177
Balance at year-end	**2,011**
Accumulated impairment losses and other changes	
Balance at beginning of year	(124)
Translation differences and other	4
Balance at year-end	**(120)**
Carrying amount	
Balance at beginning of year	1,754
Balance at year-end	**1,891**

The goodwill included in the Combined Financial Statements is based on the goodwill attributable to the companies or businesses that are in scope of the SMO Business. It mainly relates to the MO Division. An amount of € 48 million is allocated to PD. The allocation was based on the ratio between the fair value of PD as derived from the purchase price and the total fair value of the division Process Industries and Drives.

Siemens Group performs the mandatory annual impairment test in the three months ended September 30. The recoverable amounts for the annual impairment test 2017 for Siemens Group' cash-generating units or groups of cash-generating units, including the MO Division, were estimated to be higher than the carrying amounts. Key assumptions on which Siemens Group based its determinations of the fair value less costs to sell for the MO division include terminal value growth rates up to 1.5% in fiscal year 2017, and after-tax discount rates of 6% in fiscal year 2017.

For the purpose of estimating the fair value less costs to sell of the cash-generating units or groups of cash generating units, cash flows were projected in the mid-term plan based on past experience, actual operating results and management's best estimate about future developments as well as market assumptions. The determined fair value of the cash-generating units or groups of cash-generating units is assigned to level 3 of the fair value hierarchy.

The fair value less costs to sell is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Both assumptions are determined specifically for the cash-generating units or groups of cash-generating units. Discount rates are based on the weighted average cost of capital ("WACC") for the cash-generating units or groups of cash-generating units. The discount rates are calculated based on a risk-free rate of interest and a market risk premium. In addition, the discount rates reflect the current market assessment of the risks specific to the cash-generating units or groups of cash-generating units by taking into account specific peer group information on beta factors, leverage and cost of debt. The parameters for calculating the discount rates are based on external sources of information. The peer group is subject to an annual review and adjusted, if necessary. Terminal value growth rates take into consideration external macroeconomic sources of data and industry specific trends.

The following key assumptions used to determine fair value less costs to sell for impairment test purposes of the MO Division are 1.5% for the terminal value growth rate and 6% for the after tax discount rate. Revenue figures in the mid-term plan of the MO Division include an average growth rate (excluding portfolio effects) of 4.4%. A sensitivity analysis for the cash-generating units or groups of cash-generating units was performed. Siemens Group concluded that no impairment loss would need to be recognized on goodwill in any of the cash-generating units or groups of cash-generating units.

NOTE 12 Other financial assets

(in millions of €)	Sep 30, **2017**
Loans receivable	6
Receivables from finance leases	46
Derivative financial instruments	33
Available-for-sale financial assets	13
Other	5
Total Other financial assets	**103**

The item receivables from finance leases relates to the long-term portion of receivables resulting from a Mobility depot contract for a project in the U.K.

The item derivative financial instruments exclusively relates to corresponding business executed with a related party. For additional information, refer to *Note 21 – related party transactions.*

NOTE 13 Other current liabilities

(in millions of €)	Sep 30, **2017**
Billings in excess of costs and estimated earnings on uncompleted contracts and related advances	2,073
Liabilities to personnel	465
Accruals for outstanding expenses	142
Others	279
Total Other current liabilities	**2,959**

NOTE 14 Debt

Total short-term debt, current maturity of long-term and long-term debt in the amount of € 1,053 million as of September 30, 2017 is mainly comprised of:

Loan from related parties

As of September 30, 2017, the SMO Business has a loan outstanding from a related party, which amounts to € 995 million and is related to the pre-financing of a construction contract. The facility matures in fiscal year 2021.

During fiscal year 2017 the loan balance increased by € 313 million.

Repayment obligation

In connection with a significant acquisition in prior years, the SMO Business as purchaser received a payment from the seller in the amount of GBP 51 million (equals € 61 million) for an acquired project in Venezuela as the foreign customer suffered from serious liquidity problems. In addition, the SMO Business and the seller agreed on a corresponding repayment obligation, i.e. any payment that will be received by the SMO Business in the future in respect of the project in Venezuela should be forwarded to the seller but limited to the amount initially received from the seller.

The repayment obligation has no expiration date and is non-interest bearing.

As of September 30, 2017, the debt has an ending balance of € 56 million.

NOTE 15 Post-employment benefits

The SMO Business provides post-employment defined benefit plans or defined contribution plans to almost all of its domestic employees and the majority of the its foreign employees in general participating in Siemens pension plans and trusts.

Defined benefit plans

The defined benefit plans open to new entrants are based predominantly on contributions made by the SMO Business. Only to a certain extent, those plans are affected by longevity, inflation and compensation increases and take into account country specific differences. The major plans are funded with assets in segregated entities. In accordance with local laws and bilateral agreements with benefit trusts (trust agreement) those plans are managed in the interest of the beneficiaries. The defined benefit plans cover 22,000 participants, including 20,000 active employees, 1,000 former employees with vested benefits and 1,000 retirees and surviving dependents in ca. 38 countries.

The SMO Business employees participate in Siemens Group's pension plans and the respective pension trusts. As the majority of the SMO Business' pension liabilities derive from three countries (ca. 93% in fiscal year 2017), the pension landscapes in these countries are described below.

Germany:

In Germany, the SMO Business provides pension benefits through the plan BSAV (Beitragsorientierte Siemens Altersversorgung), frozen legacy plans and deferred compensation plans. The majority of the SMO Business active employees participate in the BSAV. These benefits are predominantly based on contributions made by the SMO Business and returns earned on such contributions, subject to a minimum return guaranteed by the SMO Business. In connection with the implementation of the BSAV, benefits provided under the frozen legacy plans were modified to substantially eliminate the effects of compensation increases. However, these frozen plans still expose the SMO Business to investment risk, interest rate risk and longevity risk. The pension plans are funded via contractual trust arrangements ("CTA"). In Germany no legal or regulatory minimum funding requirements apply.

U.K.:

The SMO Business participates in the Siemens Benefits Scheme and in the Railways Pension Scheme. For both plans, until the start of retirement, certain inflation increases in respect of these plans are mandatory for the majority of accrued benefits, and technical funding valuations for each plan are legally required at least once every three years. Due to deviating guidelines for the determination of the discount rates, the technical funding deficit is usually larger than the IFRS funding deficit.

Switzerland:

Following the Swiss law of occupational benefits ("BVG") each employer has to grant post-employment benefits for qualifying employees. Accordingly, the SMO Business in Switzerland sponsors several cash balance plans. These plans are administered by external foundations. The board of the main foundation is composed of equally many employer and employee representatives. The board of the foundation is responsible for the investment policy and the asset management, as well as for any changes in the plan rules and the determination of contributions to finance the benefits. The SMO Business is required to make total contributions at least as high as the sum of the employee contributions set out in the plan rules. In case of an underfunded plan the participating companies together with the employees may be asked to pay supplementary contributions according to a well-defined framework of recovery measures.

Basis for allocation of the SMO Business' pension plans administrated by Siemens Group

During the period presented, the SMO Business employees in most countries participated in Siemens Group's pension plans and the respective pension trusts. For these plans, pension benefits are administrated by Siemens Group.

The defined benefit obligation and where possible corresponding plan asset values are calculated on an individual employee basis. In all other cases, the plan assets have been split between Siemens Group and the SMO Business based on the proportion of the SMO Business defined benefit obligation to the Siemens Group defined benefit obligation.

The service costs are based on the service of the employees under the respective plans. The interest costs and interest income are based on the allocated DBO and plan assets respectively.

The legal separation of the majority of the respective plan assets will take place after the respective carve-outs taking into account legal requirements and might be different to the allocation applied in the Combined Financial Statements.

Development of the defined benefit plans

	Defined benefit obligation (DBO) (I)	Fair value of plan assets (II)	Net defined benefit balance (I – II)
			Fiscal year
(in millions of €)			**2017**
Balance at begin of fiscal year	1,854	1,299	555
Current service cost	69	-	69
Interest expenses	26	-	26
Interest income	-	19	(19)
Other[1]	(11)	-	(11)
Components of defined benefit costs recognized in the Combined Statement of income	84	19	65
Return on plan assets excluding amounts included in net interest income and net interest expenses	-	(24)	24
Actuarial (gains) losses	(205)	-	(205)
Remeasurements recognized in the Combined Statement of comprehensive income	(205)	(24)	(181)
Employer contributions	-	69	(69)
Plan participants' contributions	12	12	-
Benefits paid	(35)	(34)	(1)
Business combinations, disposals and other	6	14	(8)
Foreign currency translation effects	(34)	(29)	(5)
Other reconciling items	(51)	32	(83)
Balance at fiscal year-end	1,682	1,326	356
Germany	*739*	*534*	*205*
U.K.	*472*	*428*	*44*
Switzerland	*352*	*321*	*31*
Other countries	*119*	*43*	*76*
Total	1,682	1,326	356
thereof provisions for pensions and similar obligations			*362*
thereof net defined benefit assets (presented in Other assets)			*6*

Net interest expenses related to provisions for pensions and similar obligations amounted to € 7 million in fiscal year 2017. The DBO is attributable to active employees 76%, to former employees with vested rights 5% and to retirees and surviving dependents 19% in fiscal year 2017.

Fiscal year 2017 includes a plan amendment gain of € 12 million in connection with adjusted benefit levels for plan participants in Switzerland.

1 Includes past service benefit/costs, settlement gains/losses and administration costs related to liabilities

The remeasurements comprise actuarial (gains) and losses resulting from:

(in millions of €)	Fiscal year **2017**
Changes in demographic assumptions	(4)
Changes in financial assumptions	(198)
Experience gains	(3)
Total	**(205)**

Actuarial assumptions

The weighted-average discount rate used for the actuarial valuation of the DBO at period-end was as follows:

	Fiscal year **2017**
Discount rate	2.11%
EUR	2.09%
GBP	2.82%
CHF	0.84%

Sensitivity analysis

A one-half-percentage-point change of the above assumptions would result in the following increase (decrease) of the DBO:

	Effect on DBO due to a one-half percentage-point	Sep 30, **2017**
(in millions of €)	Increase	Decrease
Discount rate	(130)	148
Rate of compensation increase	17	(16)
Rate of pension progression	88	(69)

The DBO effect of a 10% reduction in mortality rates for all beneficiaries would be an increase of € 36 million as of September 30, 2017.

During the period presented, sensitivity determinations apply the same methodology as applied for the determination of the post-employment benefit obligation. Sensitivities reflect changes in the DBO solely for the assumption changed.

Asset Liability Matching Strategies

As a significant risk, the SMO Business considers a decline in the plans' funded status due to adverse developments of plan assets and/or defined benefit obligations resulting from changing parameters. Accordingly, Siemens Group implemented a risk management concept aligned with the defined benefit obligations (Asset Liability Matching). Risk management is based on a worldwide defined risk threshold (value-at-risk). The concept, the value-at-risk and the asset development including the investment strategy are monitored and adjusted on an ongoing basis under consultation of senior external experts. Independent asset managers are selected based on quantitative and qualitative analysis, which includes their performance and risk evaluation. Derivatives are used to reduce risks as part of risk management.

Disaggregation of plan assets

(in millions of €)	Sep 30, **2017**
Equity securities	176
Fixed income securities	575
Government bonds	*283*
Corporate bonds	*292*
Alternative investments	228
Multi strategy funds	253
Derivatives	10
Cash and cash equivalents	39
Other assets	45
Total	**1,326**

As plan assets are not separately managed for participating entities, for each plan the respective plan assets have been allocated to the different asset classes proportionally to the plan assets allocation of Siemens Group.

Virtually all equity securities have quoted prices in active markets. The fair value of fixed income securities is based on prices provided by price service agencies. The fixed income securities are traded in highly liquid markets and almost all fixed income securities are investment grade. Alternative investments mostly include hedge funds; additionally, private equity and real estate investments are included. Multi strategy funds mainly comprise absolute return funds and diversified growth funds that invest in various asset classes within a single fund and aim to stabilize return and reduce volatility. Derivatives predominantly consist of financial instruments for hedging interest rate risk and inflation risk.

Future cash flows

Employer contributions expected to be paid to defined benefit plans in fiscal year 2018 are € 64 million. Over the next ten fiscal years, average annual benefit payments of € 55 million are expected as of September 30, 2017. The weighted average duration of the DBO for the SMO Business defined benefit plans was 17 years as of September 30, 2017.

Defined contribution plans and state plans

The amount recognized as expense for defined contribution plans amounts to € 130 million in fiscal year 2017. Contributions to state plans amount to € 43 million in fiscal year 2017.

NOTE 16 Provisions

(in millions of €)	Warranties	Order related losses and risks	Other	Sep 30, **2017** Total
Balance as of October 1, 2016	829	151	92	1,072
Thereof non-current	*373*	*41*	*25*	*439*
Additions	266	128	20	414
Usage	(147)	(32)	(6)	(185)
Reversals	(229)	(43)	(41)	(313)
Translation differences	(9)	(2)	(3)	(14)
Accretion expense and effect of changes in discount rates	1	-	-	1
Other changes	0	(12)	2	(10)
Balance as of September 30, 2017	**711**	**190**	**64**	**965**
Thereof non-current	*310*	*80*	*26*	*416*

The majority of the provisions of the SMO Business are generally expected to result in cash outflows during the next one to 15 years.

Warranties mainly relate to mobility projects already delivered. Order related losses and risks are provided for anticipated losses and risks on uncompleted construction contracts.

Other provisions include provisions for Legal proceedings, as far as the risks that are subject to such Legal proceedings are not already covered by project accounting. Provisions for Legal proceedings amounted to € 10 million as of September 30, 2017.

NOTE 17 Breakdown of revenue by segments

Description of reportable segments

For purposes of preparing these Combined Financial Statements and the segment reporting note, the SMO Business is comprised of the reportable segment Rolling Stock and the Signaling Business. For purposes of the segment reporting, PD and DF are reported and included in the reportable segment Rolling Stock.

Measurement – Segments

Accounting policies for segment information are generally the same as those used for the Combined Financial Statements.

(in millions of €)	Third-parties Revenue	Related Party Revenue	Fiscal year **2017** Total Revenue
Rolling Stock	4,177	7	4,184
Signalling Business	3,945	15	3,960
Total Segments	**8,122**	**22**	**8,144**
Reconciliation to Combined Financial Statements	1	1	2
Total Revenue by segments	**8,123**	**23**	**8,146**

NOTE 18 Commitments and other financial obligations

i. Guarantees and other contingent liabilities

For information regarding guarantees and other contingent liabilities, refer to *Note 21 – related party transactions.*

ii. Future payment obligations under non-cancellable operating leases are:

(in millions of €)	Sep 30, **2017**
Within 1 year	84
Between 1 and 5 years	141
After 5 years	31
Total Future payment obligations under non-cancellable operating leases	**256**

The future payment obligations include lease contracts with third parties amounting to € 40 million and lease agreements between the SMO Business and the Siemens Group amounting to € 216 million. The lease agreements between the SMO Business and Siemens Group relate mainly to real estate and car leasing.

Total operating rental expenses (including related service charges) for the year ended September 30, 2017 were € 174 million. The service charges are not considered in the calculation of the future payment obligations.

NOTE 19 Legal proceedings

Proceedings out of or in connection with alleged breaches of contract

In July 2015, Helsinki City Transport ("HKL") and Länsimetro Oy ("LOY") filed a lawsuit against Siemens SAS together with Siemens Oy before the Helsinki District Court in relation to the automation of the Helsinki metro and Länsimetro (western extension of Helsinki metro) projects. HKL and LOY brought damage claims of approximately € 186 million as well as interest. In 2015, HKL cancelled the contracts relying primarily on alleged breaches of the contracts by Siemens SAS and Siemens Oy as well as (past and future) delays. Siemens SAS and Siemens Oy brought counterclaims for damages of approximately € 160 million.

In December 2015, OSE SA (the Hellenic Railways Organisation) filed a lawsuit against a consortium composed of Siemens AG, Aktor SA and Terna SA, the latter being the consortium leader, before the Pireaus Court of Appeal. OSE claims the repayment of an amount of approximately € 23 million resulting from a negative correction of the consortium's final measurement, after termination of the contract by OSE AE in 2011. The consortium has equally sued OSE SA in front of the same court for payment for certain works that have been performed during the execution phase of the contract.

Disclaimer

In the course of its normal business operations, the SMO Business is involved in numerous court, administrative or arbitration proceedings in various jurisdictions. These legal proceedings could result, in particular, in entities of the Siemens Group operating the SMO Business being subject to payment of damages and punitive damages, equitable remedies or criminal or civil sanctions, fines or disgorgement of profit. In individual cases this may also lead to formal or informal exclusion from tenders or the revocation or loss of business licenses or permits. In addition, further Legal proceedings may be commenced or the scope of pending Legal proceedings may be expanded. Asserted claims are generally subject to interest rates.

Some of these Legal proceedings could result in adverse decisions for entities of the Siemens Group operating the SMO Business that may have material effects on their financial position, the results of its operations and/or its cash flows in the respective reporting period. At present, the SMO Business does not expect any matters not described in this Note to have material effects on its financial position, the results of its operations and/or its cash flows.

For Legal proceedings information required under IAS 37, provisions, contingent liabilities and contingent assets is not disclosed if the SMO Business concludes that disclosure can be expected to seriously prejudice the outcome of the matter.

NOTE 20 Share-based payments

Share-based payment awards may be settled in newly issued shares of capital stock of Siemens, in treasury shares or in cash. Share-based payment awards may forfeit if the employment of the beneficiary terminates prior to the expiration of the vesting period. At the Siemens Group level, these share-based payment plans are predominantly designed and accounted for as equity-settled plans and to a limited extent as cash-settled plans.

In the Combined Financial Statements of the SMO Business the classification of share-based payment plans has been adjusted to fulfill the specific requirements for share-based payment transactions among group entities. In the majority of the cases, the SMO Business will carry the contractual obligation against its employees to settle the share-based payment transactions at the end of the vesting period. Consequently, the SMO Business accounts for these share-based payment plans as cash settled plans.

The carrying amount of liabilities from share-based payment transactions, included in the line item Other liabilities and Other current liabilities in the Combined Financial Statements, is € 87 million as of September 30, 2017. Total pretax expense for share-based payment amounted to € 49 million for the year ended September 30, 2017.

Stock Awards

The SMO Business grants stock awards to members of the senior management, and other eligible employees. Stock awards are subject to a restriction period of about four years and entitle the beneficiary to receive Siemens shares without payment of consideration following the restriction period.

Stock awards are tied to performance criteria of Siemens. The annual target amount for stock awards can be bound to the average of earnings per share (EPS, basic) of the past three fiscal years and/or to the share price performance of Siemens relative to the share price performance of five important competitors (SPAC) during the four-year restriction period. The target attainment for the performance criteria SPAC ranges between 0% and 200%. If the target attainment of the prospective performance-based target of Siemens stock relative to five competitors exceeds 100%, an additional cash payment results corresponding to the outperformance. The vesting period is four years.

In fiscal year 2017, 111,592 stock awards were granted contingent upon attaining the prospective performance-based target of Siemens stock relative to five competitors. The fair value of these stock awards amounting to € 7 million in fiscal year 2017, was calculated by applying a valuation model. In fiscal year 2017 inputs to that model include an expected weighted volatility of Siemens shares of 22.79% and a market price of € 107.95 per Siemens share. Expected volatility was determined by reference to historic volatilities. The model applies a risk-free interest rate of up to 0.03% in fiscal year 2017 and an expected dividend yield of 3.33% in fiscal year 2017. Assumptions concerning share price correlations were determined by reference to historic correlations.

Furthermore during fiscal year 2017, 20,779 stock awards were granted to members of the senior management, and other eligible employees of the SMO business for extraordinary achievements based on a special allocation from the CEO of the Siemens Group. These stock awards are only subject to a restriction period of about four years. The fair value amounts to € 2 million in fiscal year 2017.

Changes in the number of stock awards held by members of the senior management and other eligible employees are:

	Fiscal year **2017**
Non-vested, beginning of period	347,496
Granted	132,371
Vested and fulfilled	(18,008)
Forfeited	(7,902)
Settled	(62,504)
Non-vested, end of period	**391,453**

Share Matching Program and its underlying plans

In fiscal year 2017, Siemens issued a new tranche under each of the plans of the Share Matching Program.

Share Matching Plan

Under the Share Matching Plan senior managers may invest a specified part of their variable compensation in Siemens shares (investment shares). The shares are purchased at the market price at a predetermined date in the second quarter. Plan participants receive the right to receive one Siemens share without payment of consideration (matching share) for every three investment shares continuously held over a period of about three years (vesting period) provided the plan participant has been continuously employed by Siemens Group including the SMO Business until the end of the vesting period.

Monthly Investment Plan

Under the Monthly Investment Plan employees other than senior managers may invest a specified part of their compensation in Siemens shares on a monthly basis over a period of twelve months. Shares are purchased at market price at a predetermined date once a month. If the Managing Board of Siemens decides that shares acquired under the Monthly Investment Plan are transferred to the Share Matching Plan, plan participants will receive the right to matching shares under the same conditions applying to the Share Matching Plan described above with a vesting period of about two years since fiscal year 2016 (previously about three years). The Managing Board of Siemens decided that shares acquired under the tranches issued in fiscal year 2016 are transferred to the Share Matching Plan as of February 2017.

Base Share Program

Under the Base Share Program employees of the participating SMO Business companies may invest a fixed amount of their compensation in Siemens shares. The shares are bought at market price at a predetermined date in the second quarter of each fiscal year and grant the right to receive matching shares under the same conditions applying to the Share Matching Plan described above. The fair value of the Base Share Program amounted to €4 million in fiscal year 2017.

Resulting Matching Shares

	Fiscal year **2017**
Outstanding, beginning of period	124,518
Granted	47,756
Vested and fulfilled	(33,029)
Forfeited	(5,055)
Settled	(1,602)
Outstanding, end of period	**132,588**

The weighted average fair value of matching shares granted in fiscal year 2017 amounting to € 92.69 per share was determined as the market price of Siemens shares less the present value of expected dividends taking into account non-vesting conditions.

Siemens Profit Sharing

The Managing Board of Siemens decides annually on the issuance of a new Siemens Profit Sharing tranche and determines the targets to be met for the current fiscal year. At fiscal year-end, based on the actual target achievement, the Managing Board of Siemens decides in its discretion on the amount to be transferred to the Profit-Sharing-Pool; this transfer is limited to a maximum of € 400 million annually. If the Pool amounts to a minimum of € 400 million after one or more fiscal years, it will be transferred to eligible employees below senior management in full or partially through the grant of free Siemens shares. As of September 30, 2017, € 300 million are in the Profit-Sharing-Pool, thereof € 29 million have been allocated to the SMO Business. Expense is recognized pro rata over the estimated vesting period.

In November 2017, € 100 million were transferred to the Profit-Sharing-Pool, thereof € 9 million allocated to the SMO Business; it was decided that the Pool amounting to € 400 million will be transferred to eligible Siemens Group' employees in March 2018.

Jubilee Share Program

For their 25th and 40th service anniversary, eligible employees receive jubilee shares. There were 469 thousand entitlements to jubilee shares outstanding for the SMO Business employees in Germany as of September 30, 2017.

NOTE 21 Related party transactions

The SMO Business maintains business relations with Siemens Group and with Associates and Joint Ventures of both the Siemens Group and the SMO Business. All entities of the Siemens Group are considered to be related parties as they are all controlled by Siemens which also controls the SMO Business.

The Associates and Joint Ventures of both the Siemens Group and the SMO Business are also considered to be related parties.

All significant balances between the combined entities and the effect of the transactions between them during the year were eliminated in consolidation. The breakdown of the transactions with related parties which were not eliminated in consolidation in fiscal year 2017 is as follows:

(in millions of €)	Receivables as of Sep 30, 2017	Liabilities and Debt as of Sep 30, 2017	Derivatives as of Sep 30, 2017	Changes in Inventories	Sales and services rendered	Purchases and services received
Siemens Group	129	1,064	61	111	23	820
Joint Ventures	35	9	-	(109)	1,068	68
Associates	21	-	-	-	3	-
Total	**185**	**1,073**	**61**	**2**	**1,094**	**888**

Transactions with Siemens Group

Receivables

The SMO Business participates in the factoring program called Siemens Credit Warehouse ("SCW"). The SMO Business transfers its current trade receivables to Siemens Group including all associated credit risks, but is still responsible for the service of the receivables, e.g. collection and administration of the trade receivables. In return for taking the credit risk, SCW charges a risk margin as well as an administration fee to the SMO Business. As of September 30, 2017, the receivables from SCW are € 114 million. During fiscal year 2017 the total net transaction volume resulted in a decrease of receivable balance of € 9 million.

Liabilities and Debt

As of September 30, 2017, the SMO Business has a loan outstanding from related parties, which amounts to € 995 million. For additional information, refer to *Note 14 - debt.*

Siemens Group also provides short-and long-term loans to 100% dedicated legal entities of the SMO Business. Further, the SMO Business has trade payables towards the Siemens Group.

Cash Pooling

The SMO Business is included in Siemens Group's cash pooling and cash management. The SMO Business invests excess short-term liquidity and is granted overdraft facilities for financing its operating activities. The cash pooling receivables as of September 30, 2017 amount to € 10 million and are reflected in the section 'Receivables' shown above. The cash pooling payables as of September 30, 2017 amount to € 41 million and are included in the section 'Liabilities and Debt' discussed above.

Derivatives

The SMO Business, whose hedging activities are performed mainly via Siemens Group corporate treasury function, uses derivative financial instruments to manage its risks associated with fluctuations in foreign currency denominated receivables, payables, debt, firm commitments and forecast transactions. In addition, derivative instruments are used to hedge commodity price risks (mainly for aluminum, copper and lead).

Pursuant to existing internal guidelines, foreign currency risks on the customer and supplier side in project business in general must be hedged by 100% at the latest when the underlying customer contract or the purchase order becomes effective. Entering into derivative financial instruments without an existing underlying transaction in foreign currency (= speculative deal) is prohibited. In cases where the underlying foreign currency risk ceases to exist, the related hedging transaction is closed or offset immediately.

Derivatives used as hedging instruments mainly comprise of forward contracts, in rare cases also standard options are used.

The consideration is based on the normal market rates. The related receivables and payables are disclosed in the lines Other financial assets and Other financial liabilities in the Combined Financial Statements. As of September 30, 2017 the positive fair values of Derivatives amount to € 170 million and the negative fair values of Derivatives amount to € 109 million.

Changes in Inventories

The change in Inventories includes all changes of Raw materials, Work in Progress and Finished goods.

Purchases and services received

Siemens Group provides the SMO Business with central corporate services, such as tax and legal, IT, corporate communications, HR, accounting, financial services and treasury. These services amounted to € 528 million in fiscal year 2017. These services are generally provided on an arm's length basis.

During the reporting period of the Combined Financial Statements, the SMO Business did not exist as a separate group and thus there were no key management personnel for this group. The SMO Business is however charged with certain allocated overhead costs for central corporate services that also includes key management remuneration for Siemens management.

Several arm's length operating lease agreements exist between the SMO Business and the Siemens Group, in particular with respect to real estate. During fiscal year 2017, the SMO Business paid operating rental expenses of € 112 million to the Siemens Group. For additional information, refer to *Note 18(ii) – future payment obligations under non-cancellable operating leases*.

Other items

In the following, other material relationships with Siemens Group are described:

Share-based payments

The SMO Business' employees participate in share-based payment awards implemented by Siemens. *For additional information, refer to Note 20 – share based payments.*

Insurances

The SMO Business is covered by the group insurance of the Siemens Group. Furthermore, there are additional contracts for individual insurance services between companies of the SMO Business and the Siemens Group, the costs for which are borne by the SMO Business.

Guarantees

Siemens Group issued guarantees amounting to € 16,064 million as of September 30, 2017 in favor of the SMO Business. Those guarantees are comprised of Performance Guarantees of € 15,516 million, Credit Guarantees of € 534 million and other guarantees of € 14 million.

The Performance Guarantees mainly include performance bonds and guarantees of advanced payments. In the event of non-fulfillment of contractual obligations by the debtor, Siemens Group will be required to pay up to an agreed-upon maximum amount. These agreements typically have terms of up to 10 years.

The Credit Guarantees are issued by a Siemens Group entity and generally provide that in the event of default or non-payment by the SMO Business the Siemens Group entity will be required to settle such financial obligation. The maximum amount of these guarantees is equal to the outstanding balance of the credit or, in case where a credit line is subject to variable utilization, the nominal amount of the credit line. These guarantees have terms of up to 8 years. The earliest fiscal year in which Siemens Group could be required to settle the maximum amount of the Credit Guarantees in the event of default is 2018.

An entity of Siemens Group has granted a loan to a customer of the SMO Business. In the event of the customer's default, the entity of Siemens Group has a right of recourse against the SMO Business, i.e. the SMO Business has effectively issued a credit guarantee. The maximum amount of this guarantee is USD 100 million (€ 85 million) and the residual term amounts to two years. The earliest fiscal year in which the SMO Business could be required to settle the maximum amount of this Credit Guarantee in the event of default is 2018.

Transactions with pension schemes and pension entities

In some countries the SMO Business participates in Siemens Group pension plans and trusts. *For additional information, refer to Note 15 – post-employment benefits.*

Transactions with Joint Ventures and Associates

During fiscal year 2017 sales to Joint Ventures primarily included € 984 million to Cross London Trains Ltd resulting from a large rolling stock contract in the U.K. and € 74 million to OOO Ural Locomotives.

The total Receivables from Joint Ventures and Associates of € 56 million include Trade receivables (net of allowances) of € 29 million.

NOTE 22 List of entities included in combination scope

The tables below contain a list of all 100% dedicated legal entities, Mixed Entities as well as entities considered as at equity or at cost investments, contributing to the Combined Financial Statements during fiscal year 2017.

Mixed Entities are legal entities that comprised SMO Business along with other Siemens Group activities. Their contribution to the Combined Financial Statements reflects their SMO related business activities taking into account the non-controlling interest of the legal entities, except in countries in which the non-controlling interest will not exist after the upcoming legal carveouts.

The equity interest percentage provided refers to the direct shares from a Siemens Group perspective.

a) Fully consolidated (100% dedicated legal entities):

	Country	Equity interest as of Sep 30, 2017
Siemens Rail Automation Holdings Limited	United Kingdom	100,0%
Siemens Rail Automation S.A.U.	Spain	100,0%
SIEMENS RAIL AUTOMATION PTY. LTD.	Australia	100,0%
Siemens Signalling Co. Ltd., Xi'an	China	70,0%
HanseCom GmbH	Germany	n/a[2]
ESTEL Rail Automation SPA	Algeria	51,0%
Siemens Rail Automation Pvt. Ltd.	India	100,0%
VMZ Berlin Betreibergesellschaft mbH	Germany	100,0%
HanseCom PTTS GmbH	Germany	n/a[2]
systransis AG	Switzerland	100,0%
Siemens Rail Automation, C.A.	Venezuela	100,0%
Siemens Urban Rail Technologies Holding GmbH	Austria	75,0%[3]
Siemens Rail Automation Limited	United Kingdom	100,0%
Zenco Ltd., Frimley	United Kingdom	n/a[4]
Termotron Hldg. B.V., Den Haag	Netherlands	n/a[4]
HaCon Ingenieurgesellschaft mbH	Germany	100,0%
IBS GmbH	Germany	n/a[5]
MRX Technologies Limited	United Kingdom	100,0%
MRX Rail Services Pty Ltd	Australia	100,0%
J.R.B. Engineering Pty Ltd	Australia	100,0%
Siemens Rail Systems Project Holdings Limited	United Kingdom	100,0%
Siemens Rail Systems Project Limited	United Kingdom	100,0%

2 Sold during fiscal year 2017
3 Holding company, no transfer of the entity anticipated in the Contemplated Transaction
4 Liquidated during fiscal year 2017
5 Merged into HaCon Ingenieurgesellschaft mbH in fiscal year 2017

b) Fully consolidated (Mixed Entities):

	Country	Equity interest as of Sep 30, 2017
Siemens AG	Germany	n/a
Siemens Industry, Inc.	United States of America	100,0%
Siemens Schweiz AG	Switzerland	100,0%
Siemens plc	United Kingdom	100,0%
Siemens Aktiengesellschaft Österreich	Austria	100,0%
Siemens Proprietary Limited	South Africa	70,0%
Siemens S.A./N.V.	Belgium	100,0%
Siemens Ltd.	India	75,0%[6]
Siemens Ltda.	Brazil	100,0%
Siemens Nederland N.V.	Netherlands	100,0%
Siemens SAS	France	100,0%
Siemens Ltd., China	China	100,0%
Siemens S.A.	Spain	99,9%
Siemens s.r.o.	Slovakia	100,0%
Siemens Ltd.	Hong Kong	100,0%
Siemens A/S	Denmark	100,0%
Siemens Sanayi ve Ticaret Anonim Sirketi	Turkey	99,8%
Siemens S.A.	Argentina	100,0%
Siemens AB	Sweden	100,0%
Siemens Ltd.	Australia	100,0%
Siemens AS	Norway	100,0%
Siemens Zrt.	Hungary	100,0%
Siemens Limited	Thailand	99,0%
Siemens Ltd.	Saudi Arabia	51,0%
OOO Siemens	Russian Federation	100,0%
Siemens Pte. Ltd.	Singapore	100,0%
Siemens Malaysia Sdn. Bhd.	Malaysia	100,0%
Siemens W.L.L.	Qatar	40,0%[7]
Siemens Canada Limited	Canada	100,0%
Siemens S.A.	Portugal	100,0%
Siemens A.E., Elektrotechnische Projekte und Erzeugnisse	Greece	100,0%
Siemens Sp. z o.o.	Poland	100,0%
Siemens Osakeyhtiö	Finland	100,0%
Siemens S.p.A.	Italy	100,0%
Siemens S.A.	Colombia	100,0%
Siemens S.A.	Chile	100,0%
Siemens d.o.o.	Slovenia	100,0%
Siemens, S.R.L.	Dominican Republic	100,0%
Siemens Technologies S.A.E.	Egypt	90,0%
P.T. Siemens Indonesia	Indonesia	100,0%
Siemens d.o.o. Beograd	Serbia	100,0%
Siemens, S.A. de C.V.	Mexico	100,0%
Siemens S.R.L.	Romania	100,0%
Siemens (N.Z.) Limited	New Zealand	100,0%
Siemens, s.r.o.	Czech Republic	100,0%
Siemens Ltd.	Taiwan, Republic of China	100,0%
Siemens S.A.	Tunisia	100,0%
Siemens, Inc.	Philippines	100,0%

6 Transfer of 100% of the business via asset deal
7 Control due to rights to appoint, reassign or remove members of the key management personnel

	Country	Equity interest as of Sep 30, 2017
Siemens Ltd. Seoul	Korea (South)	100,0%
Siemens S.A.	Uruguay	100,0%
Siemens TOO	Kazakhstan	100,0%
Siemens Sherkate Sahami (Khass)	Iran, Islamic Republic of	96,6%
Siemens Innovaciones, Mexiko	Mexico	n/a[8]
Siemens d.o.o. Sarajevo	Bosnia and Herzegovina	100,0%
Siemens K.K.	Japan	100,0%
Siemens S.A.	Morocco	100,0%
Siemens Limited	Ireland	100,0%
Siemens Pakistan Engineering Co. Ltd.	Pakistan	74,7%
Siemens Ltd.	Vietnam	100,0%
Siemens d.d.	Croatia	100,0%
Siemens S.A.	Angola	51,0%
Siemens d.o.o.	Montenegro	100,0%
Siemens S.A.	Venezuela	100,0%
Siemens LLC	United Arab Emirates	49,0%[9]
Siemens Middle East Limited	United Arab Emirates	100,0%
Siemens Konzernbeteiligungen GmbH	Austria	100,0%[10]
Siemens Bangladesh Ltd.	Bangladesh	100,0%
Siemens Electrical Drives Ltd.	China	85,0%[11]
Siemens Industriegetriebe GmbH	Germany	100,0%
next47 Services GmbH	Germany	100,0%[10]
Siemens Spa	Algeria	100,0%
Siemens S.A.	Ecuador	100,0%
Siemens Limited for Trading	Egypt	100,0%
Siemens Holding S.L.	Spain	100,0%
Siemens France Holding SAS	France	100,0%[10]
Siemens Holdings plc	United Kingdom	100,0%[10]
Siemens Israel Ltd.	Israel	100,0%
Siemens Electrical & Electronic Services K.S.C.C.	Kuwait	49,0%[12]
Siemens Ltd.	Nigeria	100,0%
Siemens International Holding B.V.	Netherlands	100,0%[10]
Siemens L.L.C.	Oman	51,0%
OOO Siemens Elektroprivod	Russian Federation	100,0%
ISCOSA Industries and Maintenance Ltd.	Saudi Arabia	51,0%
Arabia Electric Ltd. (Equipment)	Saudi Arabia	51,0%
Siemens Corporation	United States of America	100,0%
Siemens Beteiligungen Inland GmbH	Germany	100,0%[10]
Siemens Government Technologies, Inc.	United States of America	100,0%
Siemens EOOD	Bulgaria	100,0%
Siemens International Trading Ltd., Shanghai	China	100,0%
Siemens S.A.C.	Peru	100,0%
Siemens Servicios S.A. de C.V.	Mexico	100,0%
Siemens Uruguay S.A.	Uruguay	100,0%

8 Merged into Siemens, S.A. de C.V. during fiscal year 2017
9 Control due to rights to appoint, reassign or remove members of the key management personnel
10 Holding company, no transfer of the entity anticipated in the Contemplated Transaction
11 Transfer of 100% of the business via asset deal
12 Control due to rights to appoint, reassign or remove members of the key management personnel

c) At equity:

	Country	Equity interest as of Sep 30, 2017
IFTEC GmbH & Co. KG	Germany	50,0%
TianJin ZongXi Traction Motor Ltd.	China	50,0%
Ural Locomotives Holding Besloten Vennootschap	Netherlands	50,0%
Bytemark Inc.	United States of America	45,9%[13]
Metropolitan Transportation Solutions Ltd.	Israel	20,0%[14]
Infraspeed Maintainance B.V.	Netherlands	50,0%
Siemens Traction Equipment Ltd., Zhuzhou	China	50,0%
Nertus Mantenimiento Ferroviario y Servicios S.A.	Spain	51,0%
Temir Zhol Electrification LLP	Kazakhstan	49,0%
EOS Uptrade GmbH	Germany	62,4%
Zhi Dao Railway Equipment Ltd.	China	50,0%

d) At cost:

	Country	Equity interest as of Sep 30, 2017
IFB Institut für Bahntechnik GmbH	Germany	6,7%
RTA Rail Tec Arsenal Fahrzeugversuchsanlage GmbH	Austria	14,8%
Transfima S.p.A.	Italy	49,0%
Centrum Parkolo Rendszer Kft.	Hungary	10,0%
Hubject GmbH	Germany	10,6%
DKS Dienstleistungsgesellschaft f. Kommunikationsanlagen des Stadt- und Regionalverkehrs mbH	Germany	49,0%
LIB Verwaltungs-GmbH	Germany	50,0%
Kompetenzzentrum - Das Virtuelle Fahrzeug Forschungsgesellschaft mbH	Austria	12,0%
Aerosat S.A.S.	France	15,0%
Consorcio Español Alta Velocidad Meca Medina S.A.	Spain	5,3%
InnoZ GmbH	Germany	16,8%[15]
BELLIS GmbH	Germany	49,0%
Transfima GEIE	Italy	42,0%
Sensys Networks, Inc.	United States of America	14,7%
Sternico GmbH	Germany	32,1%
Transrapid International Verwaltungsgesellschaft mbH i.L.	Germany	50,0%
VAL 208 Torino GEIE	Italy	86,0%
Saitong Railway Electrification (Nanjing) Co., Ltd.	China	50,0%[14]
Kaohsiung Rapid Transit Co. Ltd.	Taiwan, Republic of China	n/a[15]
OOO Transconverter	Russian Federation	35,0%
VIB Verkehrsinformationsagentur Bayern GmbH	Germany	51,0%[16]
Technologies of Rail Transport Limited Liability Company	Russian Federation	100,0%[17]
MRX Rail Services U.K. Limited	United Kingdom	100,0%[16]

13 Majority shareholding since November 2017
14 In liquidation, no transfer of the entity anticipated in the Contemplated Transaction
15 Sold during fiscal year 2017
16 Non-consolidated for reasons of materiality
17 Non-consolidated for reasons of materiality; in liquidation, no transfer of the entity anticipated in the Contemplated Transaction

NOTE 23 Financial income (expenses)

For fiscal year 2017, the total financial income net of expenses amounted to € 5 million.

The financial expenses of € (9) million primarily comprises provisions for pension expenses (net of income for pension assets) of € (7) million, interest cost accrued for provisions of € (1) million, other interest expense (net of income) of € (1) million.

The financial income comprises Investment income of € 14 million, of which € 13 million is attributable to income from equity consolidation of 'At equity' companies.

NOTE 24 Other current and non-current assets

(in millions of €)	Current	Sep 30, 2017 Non current
Other tax receivables	142	-
Prepaid expenses	12	9
Miscellaneous receivables (non financial assets)	26	15
Total Other current and non-current assets	**180**	**24**

Other tax receivables relate mainly to receivables for Sales tax of € 94 million and Value added tax of € 28 million.

NOTE 25 Cash and cash equivalents

(in millions of €)	Sep 30, 2017
Cash at Bank and in hand	70
Liquid assets, initial maturity in less than three months	-
Total Cash and cash equivalents	**70**

Cash and cash equivalents includes mainly the SMO Business cash and short-term bank deposits with an initial maturity of three months or less. Cash and cash equivalents accrue market interest rates. There are no restrictions on the use of these balances.

Munich, March 12, 2018

The SMO Business

CEO - Sabrina Soussan

CEO - Michael Peter

CFO - Karl Blaim

Schedule 5.1
Definitions and Interpretation

I. Definitions

"**Aggregated Deferred Purchase Price**" has the meaning set forth in Article 7.3(b)(iv);

"**Alstom**" has the meaning set forth in the presentation of the Parties;

"**Alstom Consideration Shares**" has the meaning set forth in Article 8.3(A)(i);

"**Alstom Group**" means Alstom and any companies pertaining to its group;

"**Alstom Shares**" means the shares issued by Alstom from time to time;

"**AMF MTO Waiver**" has the meaning set forth in Schedule 10.1;

"**Beneficiary Company**" has the meaning set forth in the presentation of the Parties;

"**Business Combination Agreement**" has the meaning set forth in paragraph (A) of the Recitals;

"**Business Day**" shall mean any day on which banking institutions are open for regular business both in Paris, France and Munich, Germany, which shall not be a Saturday, a Sunday, a public holiday or other day on which banking institutions are obligated by Law to close in Paris, France or in Munich, Germany;

"**Business Hedges and Derivatives**" has the meaning set forth in Schedule G;

"**Business Permits**" has the meaning set forth in Schedule G;

"**Carve-Out Completion**" has the meaning set forth in Article 7.3(b);

"**Carve-Out Signing**" has the meaning set forth in Article 7.2(a);

"**Certificate**" shall mean Alstom shall provide a certificate to Siemens AG five (5) Business Days prior to Closing either (i) certifying that on Closing, the Siemens Group will hold at least fifty percent (50%) of Alstom's share capital on a Fully Diluted basis, or (ii) indicating the minimum number of Alstom Shares (if any) that would need to be repurchased and cancelled in order to ensure that the Siemens Group holds at least fifty percent (50%) of Alstom's share capital on a Fully Diluted basis on Closing;

"**Closing**" has the meaning set forth in Article 11(A);

"**Closing Date**" has the meaning set forth in Article 11(a);

"**Combined Business**" has the meaning set forth in Article 2;

"**Conditions Precedent**" means the conditions to Closing set out in Article 10;

"**Consideration**" has the meaning set forth in Article 8.3(A);

"**Contemplated Transaction**" has the meaning set forth in paragraph (A) of the Recitals;

“**Contributed Shares**” has the meaning set forth in Article 8.1;

“**Contributing Companies**” has the meaning set forth in paragraph (B) of the Recitals;

“**Contribution**” has the meaning set forth in paragraph (B) of the Recitals;

“**Contribution Agreement**” has the meaning set forth in the preamble;

“**Credit Warehouse Arrangements**” has the meaning set forth in Schedule G;

“**Current Owner(s)**” has the meaning set forth in Article 7.1(a);

“**Customs Authorizations**” has the meaning set forth in Schedule G;

“**Deferred Local Asset Transfer Agreement(s)**” has the meaning set forth in Article 7.3(e);

“**Deferred Local Share Transfer Agreement(s)**” has the meaning set forth in Article 7.3(d);

“**Deferred Purchase price**” has the meaning set forth in Article 7.3(d)(iii);

“**Deferred Siemens Target Company(ies)**” has the meaning set forth in Article 7.3(d)(i);

“**Deferred Siemens Target Country(ies)**” has the meaning set forth in paragraph 7.3(e)(i);

“**Deferred Transfer Agreement(s)**” has the meaning set forth in paragraph 7.3(c);

“**Determination Date**” has the meaning set forth in Article 11(b);

“**Direct Asset Deals**” has the meaning set forth in Article 7.1(c)(ii);

“**Direct Asset Transfer Agreement**” has the meaning set forth in Article 7.1(c)(ii);

“**Distribution A**” means the exceptional distribution of reserves and/or premium (“*distribution exceptionnelle de réserves et/ou prime*”) of a total amount of €4 per Alstom Share outstanding on the Record Date to the benefit of Alstom shareholders as of such date, conditional upon the occurrence of the Closing;

“**Distribution B**” means the exceptional distribution of reserves and/or premium (“*distribution exceptionnelle de réserves et/ou prime*”) of a global maximum amount of €881 million (capped at €4 per Alstom Share outstanding on the Record Date) to the benefit of Alstom shareholders as of the Record Date, conditional upon the occurrence of the Closing, to be paid out of the proceeds of Alstom’s put options under the General Electric joint venture agreements, subject to the adjustments agreed by the Parties;

“**Encumbrance**” means any security interest, mortgage, charge, pledge, lien, assignment or *fiducie* by way of security, hypothecation, title retention, easement, burden, or other restriction or limitation of any kind to the rights of disposal, ownership or assignment of an asset (including any right to acquire, call option, tag along, drag along, preference or pre-emption right) whether created by Law, by contract or otherwise;

“**Estimated Accounts**” has the meaning set forth in Article 3.1;

“**Excluded Arrangement**” has the meaning set forth in Schedule G;

“**Excluded Assets**” has the meaning set forth in Schedule G;

“**Excluded Books and Records**” has the meaning set forth in Schedule G;

“**Excluded Contracts**” has the meaning set forth in Schedule G;

“**Excluded IP**” has the meaning set forth in Schedule G;

“**Excluded Liabilities**” has the meaning set forth in Schedule G;

“**Excluded Pension Liabilities**” has the meaning set forth in Schedule G;

“**Excluded Tax Liabilities**” has the meaning set forth in Schedule G;

“**Existing Siemens Target Companies**” has the meaning set forth in paragraph 7.1(f);

“**Export Licenses**” has the meaning set forth in Schedule G;

“**French Contributing Company**” has the meaning set forth in paragraph (B) of the Recitals;

“**French Contribution**” has the meaning set forth in paragraph (D) of the Recitals;

“**French Contribution Agreement**” has the meaning set forth in paragraph (D) of the Recitals;

“**Full Dilution**” and “**Fully Diluted**” basis shall be calculated as follows:

a) Number of Alstom Shares issued and outstanding at Closing, plus

b) Number of Alstom Shares that can be issued following exercise of all stock options outstanding as of Closing, for the avoidance of doubt excluding e) below, plus

c) Maximum possible number of performance shares and free shares that can be granted pursuant to plans outstanding as of Closing assuming:

    (i) performance conditions to be at 100% target (*i.e.*, no over-performance) as defined in such plan rules;

    (ii) except for any new performance shares or free shares plan decided after (and excluding) the 2018 LTI Plan dated March 2018, for which new plans such assumption shall not apply, *i.e.*, the maximum number of underlying shares to be taken into account shall be the number of shares assuming all performance conditions are met (i.e. situation of maximum over-performance),

    for the avoidance of doubt excluding e) below; plus

d) Number of shares that can be issued as a result of the exercise of any other outstanding rights giving directly or indirectly access to the share capital of Alstom as of Closing, for the avoidance of doubt excluding e) below, plus

e) Based on all such stock options and performance and free shares plans and other rights in b), c), and d) the additional instruments to be issued for purposes of adjustment thereof as a result of the Distribution A and of the Distribution B, calculated on the basis of:

    (i) The closing Alstom Share price as of the Business Day preceding the date of the Certificate;

(ii) Distribution A being EUR 4.00 per Alstom Share issued and outstanding on the Record Date; and

(iii) The amount of Distribution B (being equal to the maximum excess cash distribution minus the absolute value of the Alstom net cash shortfall) divided by the number of Alstom Shares issued and outstanding on the Record Date;

For the avoidance of doubt, for purposes of sub-paragraphs (b) and (c) above, if stock options can definitely not be exercised according to the terms of the relevant plan, or performance and free shares can definitely not be granted according to the terms of the relevant plan, prior to Closing (because, for instance, the performance criteria under the plan have definitely not been met or because the beneficiaries have definitely left the Alstom Group or the stock options have definitely lapsed), they will not be considered issued and outstanding as at Closing and will not be taken into account in the calculation of the Full Dilution as of Closing.

To the full extent possible under the relevant Alstom's performance and free share plans, any modifications to performance targets under such plans, including as a result of or in connection with the Contemplated Transaction, will be decided, and implemented, by the Alstom Board after the Closing Date;

"**FX**" has the meaning set forth in Schedule G;

"**Group**" means, in relation to any company, any direct or indirect Subsidiaries and/or parent companies, as well as any direct or indirect Subsidiaries of such parent companies;

"**ICC**" has the meaning set forth in Article 15.2(a);

"**ICx Loan**" has the meaning set forth in Schedule G;

"**Intragroup Financing**" has the meaning set forth in Schedule G;

"**IRD**" has the meaning set forth in Schedule G;

"**Jubilee Benefits**" has the meaning set forth in Schedule G;

"**Law**" means all applicable legislation, statutes, transposed directives, regulations, decrees, ordinances, instruments, codes and other legislative measures or decisions having the force of law, treaties, conventions and other agreements between states, or between states and the European Union or other supranational authorities, and all judgments, decisions, orders, directives, recommendations, circulars, standards of any authority, including any judicial or administrative interpretation thereof;

"**Local Asset Transfer Agreement(s)**" has the meaning set forth in Article 7.1(d);

"**Local Carve-Out Date**" has the meaning set forth in Article 7.1(e);

"**Local Share Transfer Agreement(s)**" has the meaning set forth in Article 7.1(d);

"**Luxco Estimated Pro forma Accounts**" has the meaning set forth in Article 8.2;

"**Luxembourg Contributing Company**" has the meaning set forth in the presentation of the Parties;

"**Luxembourg Contribution**" has the meaning set forth in paragraph (D) of the Recitals;

"**Negative Adjustment**" has the meaning set forth in Schedule 8.2(A) *bis*;

"**Party**" or "**Parties**" has the meaning set forth in the presentation of the Parties;

"**Positive Adjustment**" has the meaning set forth in Schedule 8.2(A) *bis*;

"**Preliminary Purchase Price**" has the meaning set forth in Schedule 8.3(C);

"**Purchase Price**" has the meaning set forth in Schedule 8.3(C);

"**Purchase Price Allocation**" has the meaning set forth in Schedule 8.3(C);

"**Record Date**" means the close of the Business Day immediately preceding the Closing Date;

"**Rules**" has the meaning set forth in Article 15.2(a);

"**Satisfaction Date**" has the meaning set forth in Article 10.4;

"**Separation Concept**" has the meaning set forth in paragraph (F) of the Recitals;

"**Siemens AG**" has the meaning set forth in the presentation of the Parties;

"**Siemens Group**" means Siemens AG and any Subsidiary of Siemens AG, including the Siemens Target Companies;

"**Siemens Mobility GmbH**" has the meaning set forth in Article 7.1(b);

"**Siemens Mobility Holding BV**" has the meaning set forth in Article 7.1(b);

"**Siemens Mobility SAS**" has the meaning set forth in Article 7.1(b);

"**Siemens Target Business**" has the meaning set forth in paragraph (A) of the Recitals;

"**Siemens Target Business Carve-Out**" has the meaning set forth in Article 7.1(a);

"**Siemens Target Companies**" has the meaning set forth in Article 7.1(b);

"**Siemens Target German NewCo**" has the meaning set forth in Article 7.1(b);

"**Siemens Target NewCos**" has the meaning set forth in Article 7.1(g);

"**Siemens Target Parent**" has the meaning set forth in Article 7.1(b);

"**Siemens Target Parent Shareholder**" has the meaning set forth in Article 7.1(b);

"**Subsidiaries**" means, with respect to any company, any other company, corporation, partnership, joint venture or other legal entity which is able to exercise control over the former, whether directly or indirectly;

"**Supply Chain Finance Arrangements**" has the meaning set forth in Schedule G;

"**Tax**" means (i) all taxes, including without limitation all direct or indirect taxes, withholdings, duties, levies, deductions, property taxes, business taxes, stamp duties, value added taxes, customs and excise tax, social security and other social contributions and all related fines, penalties, charges and interest imposed under applicable Laws whether directly or primarily chargeable against, recoverable from or attributable to any person and (ii) any liability for a payment on account of, or in respect of, any payment in the type described in Clause (i) as a result of being a member of a group for Tax purposes or Tax sharing agreement or similar arrangement (and "**Taxes**", "**Taxation**" and Taxable shall be construed accordingly);

"**Transfer Taxes**" means any stamp duty, registration duty, real property transfer, transaction duty or similar Tax (including interest, fines and penalties);

"**Transferred Business Licensing-in Agreements**" has the meaning set forth in Schedule G;

"**Transferred Business Licensing-out Agreements**" has the meaning set forth in Schedule G;

"**Warrants**" has the meaning given to such term in Article 8.3(a)(ii); and

"**Working Capital and Net Debt Statements Delivery Date**" means the date on which both the statement relating to Alstom Group's working capital and net debt and Siemens Target Business's working capital and net debt are delivered respectively to Siemens AG and to Alstom (such delivery occurring no later than sixty (60) Business Days after the Satisfaction Date).

II. Interpretation

(a) In the Contribution Agreement, unless the context otherwise requires:

(i) except if otherwise specified, references to clauses and schedules are references to Articles of and Schedules to the Contribution Agreement, references to paragraphs are references to paragraphs of the Articles and the Schedules in which the reference appears and references to the Contribution Agreement include the Schedules;

(ii) references to the singular shall include the plural and vice versa and references to one gender include any other gender;

(iii) references to a "Party" means a party to the Contribution Agreement and includes its successors in title, personal representatives and permitted assignees;

(iv) references to a "company" includes any company, corporation or other body corporate irrespective of its legal form, wherever and however incorporated or established;

(v) references to "EUR", "euros", or "€" are references to the lawful currency from time to time of France;

(vi) references to times of the day are to Paris time unless otherwise stated; and

(vii) general words shall not be given a restrictive meaning because they are followed by words which are particular examples of the acts, matters or things covered by the general words and the words "includes" and "including" shall be construed without limitation.

(b) The headings and sub-headings in the Contribution Agreement are inserted for convenience only and shall have no legal effect.

(c) References to the Contribution Agreement include the Contribution Agreement as amended or varied in accordance with its terms.

(d) The provisions of Articles 640 to 642 of the French Code of Civil Procedure shall be applied to calculate any period of time under the Contribution Agreement, provided that the references in article 642 to "*un jour férié ou chômé*" and "*premier jour ouvrable*" shall be interpreted by reference to the definition of "Business Day" provided herein.

Schedule 8.2(A)
Luxco Estimated Pro forma accounts

Siemens Mobility Holding S.a.r.l	Amount in EUR
Participation 100% in Siemens Mobility GmbH	**2,150,200,140**
Participation 100% in Siemens Mobility Holding B.V.	**2,346,298,218**
Total Book Value of Participations Held by Siemens Mobility Holding S.a.r.l	**4,496,498,358**

Schedule 8.2(A) *bis*
Calculation of Adjustments

(A) The Consideration has been calculated on the basis of a reference working capital and net debt amount for the Siemens Target Business and a reference working capital and net debt amount for Alstom.

(B) After the Determination Date, the Parties shall proceed with the calculation of an adjustment to the Contribution, as set forth below, to be made on a global basis (including both the French Contribution and the Luxembourg Contribution), based on the actual working capital and net debt amounts of the Siemens Target Business as of the Determination Date and the actual working capital and net debt amount of Alstom as of the Determination Date.

(C) To this end, as soon as possible after the Satisfaction Date, the Parties shall proceed with the preparation of the audited consolidated financial statements of Alstom and of the Siemens Target Business as at Determination Date.

(D) The adjustment shall be calculated on the basis of the amounts as at Determination Date, of actual net debt of Alstom, the actual net debt of Siemens Target Business, the Alstom working capital excess / shortfall, the Siemens working capital excess / shortfall, the absolute amount of Distribution A and the adjusted amount of Distribution B. The adjustment can be a positive number (a "**Positive Adjustment**") or a negative number (a "**Negative Adjustment**"), calculated as follows. Such adjustment will be allocated with a view to re-establishing the respective relative values of the French Contribution and the Luxembourg Contribution, to the extent possible (i.e., due to the amount of the adjustment), to the respective relative values used as at the date hereof (i.e., according to the relative proportion of (i) the number of Alstom Shares to be received by Siemens France Holding SAS in consideration for the contributed shares under the French Contribution and (ii) the number of Alstom Shares to be received by Siemens Mobility Holding S.à r.l in consideration for the contributed shares under the Luxembourg Contribution).

(E) In case of a Positive Adjustment, the French Contributing Company, the Luxembourg Contributing Company and/or any other relevant entity of the Siemens Group (other than any Siemens Target Company) shall, on or prior to the Closing Date (but, in any case prior to Closing), increase the amount of cash in the Siemens Target Companies to be directly or indirectly contributed to Alstom under the Contribution by an aggregate amount equal to the Positive Adjustment.

(F) In case of a Negative Adjustment, the French Contributing Company, the Luxembourg Contributing Company and/or any other relevant entity of the Siemens Group (other than any Siemens Target Company) shall, on or prior to the Closing Date (but, in any case prior to Closing), take actions by any legal means (*e.g.*, dividend distribution, share capital reduction, or otherwise) to (i) decrease the amount of cash in the Siemens Target Companies to the benefit of the French Contributing Company, the Luxembourg Contributing Company and/or any other relevant entity from the Siemens Group (other than any Siemens Target Companies) and/or (ii) increase the amount of financial liabilities owed to entities of the Siemens Group (other than any Siemens Target Company), by an aggregate amount equal (for all actions contemplated under (i) and (ii)) to the absolute value of the Negative Adjustment.

(G) Settlement of the Siemens Group intercompany liabilities

In case of a Positive Adjustment, Siemens AG may, if legally possible and reasonably practicable, set off any liability from any Siemens Target Company owed to any Siemens Group entity (other than a Siemens Target Company) to the extent that it does not create adverse Tax consequences for Siemens AG or the Siemens Group or Alstom or the Alstom Group.

Schedule 8.3(B)
Multi-Criteria method used in determining the value of the Contribution

Multi-Criteria method used in determining the value of the Contribution

For the purposes of this Schedule, "Contributions" shall mean the French Contribution and the Luxembourg Contribution.

1. Valuation of the Contributions

1.1 Financial assumptions retained in valuing the Contributions

As per the French Contribution Agreement and this Contribution Agreement, Siemens Group will contribute 100% of the shares of its Contributions to Alstom, in exchange for (i) 227,314,658 new ordinary Alstom Shares and (ii) 18,942,888 Warrants to be issued by Alstom.

The value of the assets being contributed has been determined based on a multi-criteria analysis (see paragraph 1.2 "Description of the criteria retained in determining the value of the Contributions" below).

The financial assumptions retained in determining the value of the Contributions are based on their business plans, exchanged as part of the negotiations and including two years of forecasts from September 30th, 2017 to September 30th, 2019.

1.2 Description of the criteria retained in determining the value of the Contributions

The information set out in this paragraph 1.2 comprises information which is required to be disclosed concerning the Contributions enterprise value, in order for (i) Alstom's shareholders to decide whether to approve the Contemplated Transaction by voting at the extraordinary general meeting of Alstom's shareholders and (ii) the appraiser of the spin off (*commissaire à la scission*) and the Luxembourg independent expert to substantiate and justify their opinion on such matters.

The information set out in this paragraph 1.2 solely serves the purpose of complying with the above requirements and nothing in this paragraph should be construed as a profit forecast.

a. <u>Valuation methods not retained</u>

The methods listed below have not been retained because they have been considered as not relevant in the context of the Contemplated Transaction:

- <u>Comparable transactions:</u>

This method consists in applying multiples implied by transactions involving a controlling stake on targets operating in similar sectors and geographic locations and that are comparable in terms of size, positioning and profitability. There are no recent transactions similar to Siemens businesses, product mix and geographical exposure. The disposal of Alstom energy activities to General Electric (closing in 2015) cannot be retained as a comparable transaction, due to the entirely different industry, the disposed activities operated in.

- <u>Net book value:</u>

This method relies on the accounting value of the share capital per share. It is not relevant to value a company with an approach of continuing operations, since it does not capture the profitability and the growth prospects of the company.

- <u>Restated NAV:</u>

This method considers the market value of the different assets and liabilities booked on the balance sheet, also factoring in any unrealised capital gains or losses on the asset side, and off-balance sheet items on the liabilities side.

This method is especially relevant in the case of diversified holding companies or companies owning a lot of assets – notably real estate companies – that are likely to have a historical value recorded on the balance sheet that is materially lower than their immediate sale value.
Such method does not capture the future cash flow generation of the company, whose assets are not vowed to be disposed of.

- Dividend Discount Model (DDM):

This method consists in valuing a firm by discounting its future dividends. It is not retained as it is intrinsically linked to the dividend policy and the potential financing constraints.

b. Valuation methods retained

Valuation methods retained yield enterprise values. In order to obtain equity values, the following adjustments are considered: (i) Contributions financial net debt, (ii) Contributions other debt-like and cash-like adjustments and (iii) Contributions normative working capital adjustments, adding any working capital excess or subtracting any working capital shortfall between the normative level of working capital defined and the effective working capital position as of the Determination Date and (iv) Distribution A (as outlined further below).

Contributions net debt adjustments (sum of (i) to (iv) adjustments) definitions have been agreed and will be assessed at the Determination Date. Illustratively for the purpose of this analysis, these adjustments have been retained as of September 30th, 2017. Contributions net debt adjustments have been allocated between its French Contribution and its Luxembourg Contribution.

Potential synergies are expected to be materialized post-Closing. In light of these potential synergies, Alstom Group and Siemens AG have agreed on the payment of an extraordinary distribution to the existing shareholders of Alstom Group. This Distribution A, amounting to €4/share (illustrative amount used of €885m; however, the actual amount will be based on the number of issued and outstanding shares as of the Record Date), will be paid by Alstom Group but economically borne by Siemens by including Distribution A as an additional deduction item within Contributions' enterprise value to equity value adjustments. Distribution A is allocated between the enterprise value to equity value adjustments of French Contribution and Luxembourg Contribution based on the respective weight of EBIT of the two perimeters (respectively of €24m and €862m for French Contribution and Luxembourg Contribution). The intent of such payment is to underpin the attractiveness of the combination to Alstom Group's existing shareholders and to further facilitate the combination.

In addition and in order to reach the targeted 49.33%/50.67% equity value exchange ratio for Alstom Group's existing shareholders / Siemens Group, additional debt or cash will be contributed, in aggregate, via either the French Contribution or the Luxembourg Contribution or both on the basis of the actual enterprise value to equity value adjustments as of the Determination Date. For illustrative purposes, the calculation of the exchange ratios for the purposes of this Schedule has been done based on the assumption that the additional debt or cash contribution would be made via the Luxembourg Contribution. On that basis, enterprise value to equity value adjustments as of September 30th, 2017, stands at €(18)m and €(2,037)m respectively for French Contribution and Luxembourg Contribution, corresponding to a total of €(2,055)m.

In order to assess the standalone equity value of French Contribution and Luxembourg Contribution, Distribution A (€885m) must be added to the equity values of French Contribution and Luxembourg Contribution, for €24m and €862m, respectively (allocation based on the respective weight of EBIT of the two perimeters).

i. Discounted cash flows

The discounted cash flows method involves estimating cash flows over the medium term and extrapolating them to infinity. The cash flows are defined as "free" cash flows, *i.e.*, after tax, change in working capital and investment spending but excluding financial income and expenses. Net income from equity associates is separately valued based on Alstom Group's trading multiple. Future cash flows therefore represent the cash flows available for remunerating invested capital (equity and financial debt). This valuation method aims at calculating the enterprise value of a company based on the sum of future free cash flows generated by the company discounted as at September 30th, 2017 by the weighted average cost of capital (WACC). Contributions' DCF are based on their business plans, exchanged as part of the negotiations, for both perimeters, the French Contribution and the Luxembourg Contribution, including two years of forecasts, from September 30th, 2017 to September 30th, 2019, before computing a terminal value. It should be noted that based on the financial performance over the period from September 30th, 2017 to March 31st, 2018 of Alstom and the Contributions, there is no indication that such performance is materially different from the business plans.

The WACC was determined on the basis of financial parameters of the sector and the range of 8.0-9.0% has been retained for both French Contribution and Luxembourg Contribution.

In addition, the Perpetual Growth Rate retained for the calculation of the terminal value is 1.5%.

On the basis of these assumptions, the sensitivity of the valuation of Contributions to the main valuation parameters is as follows:

- +/-0.25% WACC leads to a -3%/+4% and a -4%/+4% delta in the equity value respectively for French Contribution and Luxembourg Contribution;
- +/-0.25% PGR leads to a +4%/-3% and a +4%/-4% delta in the equity value respectively for French Contribution and Luxembourg Contribution.

Based on the WACC (range of 8.0-9.0%) / PGR (1.5%) parameters and the business plans of Contributions, the DCF approach results in an enterprise value of €220m-€251m and €9,349m-€10,658m respectively for French Contribution and Luxembourg Contribution.

Hence, the equity value of Contributions stands at €202m-€233m and €7,313m-€8,621m respectively for its French Contribution and its Luxembourg Contribution.

ii. Trading multiples

The trading multiples method involves applying trading multiples observed for listed comparable companies (peers) to the estimated financial aggregates of the Contributions, in order to obtain the implicit value of the equity capital of the company being analysed.

A sample of international companies active in the design and manufacturing of rolling stock, system components and transport services sector was considered. The sample of peers selected consists of companies with similar business activities and a comparable operating footprint as Alstom Group and the Siemens Target Business: Bombardier Transportation through a sum-of-the-part approach, CAF, Talgo, Ansaldo STS and Vossloh Rail Infrastructure through a sum-of-the-part approach.

The retained trading multiples are applied to Contributions' EBIT figures before restructuring and one-off items, which include the contribution of net income from equity investments.

The Sales aggregate does not capture the product mix profitability, which evolves within a large range in this sector.

The EBITDA aggregate does not capture the capital intensity, which is one of the key components for further development in this sector. Thus, these aggregates have not been retained for the purpose of the trading multiples method. The net earnings aggregate has not been retained due to discrepancies hampering comparability of the financial structures of the peers.

The multiples of comparable companies have been calendarized as of September 30th, 2017, to ensure consistency with Alstom Group and Contributions financials retained.

Multiples of comparables companies (as of September 20th, 2017)		
Comparables	**EV/EBIT (x)**	
	30/09/2018e	**30/09/2019e**
Ansaldo STS	13.4x	12.9x
CAF	9.4x	8.3x
Talgo	11.3x	10.2x
Bombardier - Transportation	6.4x	5.8x
Vossloh - Rail Infrastructure	13.0x	11.7x
Average	**10.7x**	**9.8x**

Sources: Companies, Factset, Analysts

This method yields Contributions enterprise value range at €236m-€285m and €10,019m-€10,354m respectively for the French Contribution and its Luxembourg Contribution on the basis of financial estimates for the relevant fiscal years ending in September 2018 and in September 2019.

Hence, the equity value of Contributions stands at €218m-€266m and €7,982m-€8,318m respectively for the French Contribution and its Luxembourg Contribution.

iii. Brokers' SOTP valuation of Siemens Group

Several brokers covering Siemens Group perform sum-of-the-part analyses with reference valuation and valuation multiple for the Mobility Division of Siemens Group as disclosed in the financial statements of Siemens Group; hence the perimeter is not comparable with Contributions. The table below exhibits the latest broker notes published post Siemens Q3 2016/2017 financials release as of August 3rd, 2017, excluding the minimum and maximum values.

The Siemens Target Business enterprise value based on brokers' references has been allocated between the French Contribution and Luxembourg Contribution based on their estimated respective contributions to EBIT 2018. Brokers' enterprise values have been adjusted for the value of the additional EBIT from Traction Drives activities and standalone savings of the French Contribution and Luxembourg Contribution. Such adjustments have been valued based on the Siemens Target Business implied enterprise value / EBIT 2018e multiples from brokers' SOTP valuations.

It should be noted that the basis of these values are derived from an outside view of analysts and depends strongly on the individual assumptions made by each analyst, which may differ significantly from each other and from internal assumptions used by the parties in other methods.

Analyst	Date	EBIT Sep-18e (€m)	Enterprise Value of Siemens Mobility Group (€m)	Implied EV / EBIT Sep-18e (x)
Exane	11-Sep-17	750	6,753	9.0x
Barclays	18-Aug-17	701	7,700	11.0x
Jefferies	04-Aug-17	788	7,875	10.0x
Morgan Stanley	04-Aug-17	830	8,302	10.0x
Société Générale	04-Aug-17	750	7,496	10.0x
Average		**764**	**7,625**	**10.0x**
Min - Implied EV / EBIT Sep-18e (x)			***6,753***	***9.0x***
Max - Implied EV / EBIT Sep-18e (x)			***8,302***	***11.0x***

Source: Analysts

This method yields an enterprise value range of €227m-€279m and €8,324m-€10,217m respectively for the French Contribution and the Luxembourg Contribution on the basis of financial estimates for fiscal year ending in September 2018.

Hence, the equity value of Contributions stands at €209m-€261m and €6,287m-€8,180m respectively for the French Contribution and the Luxembourg Contribution.

c. Summary of the values obtained

The table below shows the summary of Contributions equity value based on the multi-criteria valuation approach.

Equity Value (€m)	French Contribution		Luxembourg Contribution		Sum of Contributions	
	Min	Max	Min	Max	Min	Max
DCF	202	233	7,313	8,621	7,514	8,854
Trading Multiples average	218	266	7,982	8,318	8,201	8,584
Brokers' SOTP valuation	209	261	6,287	8,180	6,496	8,441
Average of multi-criteria valuation	**210**	**253**	**7,194**	**8,373**	**7,404**	**8,627**

1.3 Amounts of the Contributions

The Luxembourg Contribution and the French Contribution being reverse transactions, such Contributions shall be based on the net book value, in accordance with the accounting Regulation n°2017-01 of May 5, 2017 of the French Accounting Standards Authority.

French Contribution

Since the net book value of the French Contribution is lower than the par value of the capital increase, the French Contribution is based on the fair market value of the shares, in application of the exemption provided in the above-mentioned accounting Regulation.
The fair market value of the French Contribution is 231,141,816 euros.

The Luxembourg Contribution

The Luxembourg Contribution is contributed based on the net book value, representative of its actual value, with the exception of the part of the Mobility activity of Siemens operated in Germany for which the historical net book value has been retained.
The contribution value of the Luxembourg Contribution is 4,496,498,358 euros.

2. Consideration for the Contributions

Alstom Group's and Contributions' respective business plans were exchanged as part of the negotiations. Financial forecasts retained for the purpose of this valuation exercise have been sourced from these business plans. Alstom's business plan was validated by the Board of Directors of Alstom. Siemens Contributions' business plans were validated by the Mobility Division management. Alstom Group's and Siemens Contributions' business plans do not reflect the conversion to IFRS 15 auditing standards. Siemens' Contributions' business plans include estimated standalone savings.

Since Alstom Group and Siemens Group use different fiscal years for their reporting, respectively March 31st for Alstom and September 30th for Siemens, Alstom's financials have been calendarized as of September 30th to ensure comparability. This calendarization has been achieved assuming a 50%/50% contribution from March N and March N+1 financials.

The normative working capital levels assumed for Alstom Group and Contributions have been derived through the average of the historical working capital of the six quarters until and including June 30th, 2017.

In addition, both companies have agreed on a definition of enterprise value to equity value adjustments which, for the purpose of this analysis, have been illustratively applied on the basis of September 30th, 2017 accounts.

2.1 Calculation of the relative valuations

The terms and conditions of the transaction are the result of the negotiations between Alstom Group and Siemens. The parties agreed that the Contributions will be paid for through the issue of 227,314,658 Combined Company ordinary shares, representing 50.67% of Alstom's issued share capital as of the Determination Date and no less than 50% of the share capital of Alstom on a Fully Diluted number of shares basis upon Closing, together with the issuance of 18,942,888 Warrants as part of the Luxembourg Contribution to acquire an additional 2.0% equity holding on a fully diluted number of shares basis for a period of two years, upon the fourth (4th) anniversary of the Alstom Board of Directors' decision to issue the Warrants.

The enterprise value to equity value adjustments considered are the following: (i) Alstom Group's and Contributions' financial net debt, (ii) Alstom Group's and Contributions' other debt-like and cash-like adjustments (iii) Alstom Group's and Contributions' normative working capital adjustments, adding any working capital excess or subtracting any working capital shortfall between the defined normative level of working capital and the effective working capital position as of the Determination Date and (iv) Distribution A for Contributions and Distribution B for Alstom Group (as outlined further below). The definition of Alstom Group's / Contributions' net debt adjustments (sum of (i) to (iv)) have been agreed and will be assessed at the Determination Date.

Potential synergies are expected to be materialized post-Closing. In light of these potential synergies, Alstom Group and Siemens have agreed on the payment of an extraordinary distribution to the existing shareholders of Alstom Group. This Distribution A, amounting to €885m and paid by Alstom Group, will be economically borne by Siemens by including Distribution A as an additional deduction item within Contributions' enterprise value to equity value adjustments. For this purpose, Distribution A has been allocated between the French Contribution and Luxembourg Contribution enterprise value to equity value adjustments based on the respective weight of EBIT of the two perimeters (€24m allocated to the French Contribution and €862m allocated to the Luxembourg Contribution). The intent of such payment is to underpin the attractiveness of the combination to Alstom Group's existing shareholders.

Another adjustment to be included in the enterprise value to equity value adjustments of Alstom Group is the Distribution B to be distributed by Alstom Group to Alstom Group's existing shareholders, capped at €881m. For illustrative purposes, the maximum amount has been retained at this stage and is based on Alstom's current forecast and assumptions made to date. The actual amount to be distributed will be subject to adjustments which will be known only as of Determination Date.

Based on these fixed parameters, *i.e.*, (i) Alstom Group and Contributions enterprise value contributions, (ii) Alstom Group and Contributions net debt adjustments, a mechanism has been agreed upon whereby additional debt or cash will be contributed to reach the targeted 49.33%/50.67% equity value exchange ratio as of the Determination Date, in aggregate, via either the French Contribution or the Luxembourg Contribution or both on the basis of the actual enterprise value to equity value adjustments as of the Determination Date. For illustrative purposes, the calculation of the exchange ratios for the purposes of this Schedule has been done based on the assumption that the additional debt or cash contribution would be made via the Luxembourg Contribution.

The total Alstom enterprise value to equity value adjustments amount to €698m as of September 30th, 2017.

Contributions enterprise value to equity value adjustments as of September 30th, 2017 amount to €(18)m and €(2,037)m respectively for the French Contribution and the Luxembourg Contribution, corresponding to a total of €(2,055)m.

In order to assess the standalone equity value of Alstom Group, Distribution B (€881m) must be added to the equity value of Alstom Group shown in this section.

In order to assess the standalone equity value of the Contributions, Distribution A (€885m) must be added to the equity value of the Contributions shown in this section.

a. Valuation methodology used to determine the enterprise value contribution

The information set out below in paragraphs b) to f) comprises information which is required to be disclosed concerning the Contributions enterprise value and the Alstom enterprise value, in order for (i) Alstom's shareholders to decide whether to approve the Contemplated Transaction by voting at the extraordinary general meeting of Alstom's shareholders and (ii) the appraiser of the spin-off (*commissaire à la scission*) and the Luxembourg independent expert to substantiate and justify their opinion on such matters.

The information set out below in paragraphs b) to f) solely serves the purpose of complying with the above requirements and nothing in this section should be construed as a profit forecast.

b. Valuation methods not retained

The methods listed below have not been retained to assess the exchange ratio because they have been considered as not relevant in the context of the Contemplated Transaction:

- Comparable transactions:

This method consists in applying multiples implied by transactions involving a controlling stake on targets operating in similar sectors and geographic locations and that are comparable in terms of size, positioning and profitability. There are no recent transactions similar to Alstom and Siemens businesses, product mix and geographical exposure. The disposal of Alstom energy activities to General Electric (closing in 2015) cannot be retained as a comparable transaction, due to the entirely different industry, the disposed activities operated in.

- Net book value:

This method relies on the accounting value of the share capital per share. It is not relevant to value a company with an approach of continuing operations, since it does not capture the profitability and the growth prospects of the company.

- Restated NAV:

This method considers the market value of the different assets and liabilities booked on the balance sheet, also factoring in any unrealised capital gains or losses on the asset side, and off-balance sheet items on the liabilities side.
This method is especially relevant in the case of diversified holding companies or companies owning a lot of assets – notably real estate companies – that are likely to have a historical value recorded on the balance sheet that is materially lower than their immediate sale value.

Such method does not capture the future cash flow generation of the company, whose assets are not vowed to be disposed of.

- Dividend Discount Model (DDM):

This method consists in valuing a firm by discounting its future dividends. It is not retained as it is intrinsically linked to the dividend policy and the potential financing constraints.

c. Valuation methods retained for Alstom and Siemens French Contribution

The exchange ratio has been assessed through a multi-criteria valuation approach including (i) discounted cash flows (ii) trading multiples or multiples of comparable divisions in the rail transportation equipment sector sourced from sum-of-the-parts analyses, (iii) Alstom stock price valuation using different reference dates and (iv) brokers' target prices for Alstom Group and SOTP valuation of Siemens Group.

i. Discounted cash flows

This discounted cash flows method involves estimating cash flows over the medium term and extrapolating them to infinity. The cash flows are defined as "free" cash flows, *i.e.*, after tax, change in working capital and investment spending but excluding financial income and expenses. Net income from equity associates is separately valued based on Alstom Group's trading multiple. Future cash flows therefore represent the cash flows available for remunerating invested capital (equity and financial debt). This valuation method aims at calculating the enterprise value of a company based on the sum of future free cash flows generated by the company discounted as of September 30th, 2017 by the weighted average cost of capital (WACC). French Contribution's DCF is based on its business plan exchanged as part of the negotiations including two years of forecasts, from September 30th, 2017 to September 30th, 2019, before computing a terminal value. Alstom Group's DCF is based on its business plan exchanged as part of the negotiations including three years of forecasts, from March 31st, 2018 to March 31st, 2020, before computing a terminal value. The cash flows retained for Alstom Group exclude M&A operations, separation costs related to discontinued activities and other non-recurring cash flow items. It should be noted that based on the financial performance over the period from September 30th, 2017 to March 31st, 2018 of Alstom and the Contributions, there is no indication that such performance is materially different from the business plans.

The WACC was determined on the basis of financial parameters of the sector and the range of 8.0-9.0% has been retained for Alstom Group and French Contribution.

In addition, the Perpetual Growth Rate retained for the calculation of the terminal value is 1.5%.

On the basis of these assumptions, the sensitivity of the valuation of Alstom Group and French Contribution to the main valuation parameters is as follows:

- +/-0.25% WACC leads to a -3%/+3% delta in the equity value of Alstom Group;
- +/-0.25% WACC leads to a -3%/+4% delta in the equity value of French Contribution;
- +/-0.25% PGR leads to a +3%/-3% delta in the equity value of Alstom Group;

- +/-0.25% PGR leads to a +4%/-3% delta in the equity value of French Contribution.

Based on the WACC (range of 8.0-9.0%) / PGR (1.5%) parameters and the business plans of Alstom Group and French Contribution, the DCF approach results in a respective equity value of €7,399m-€8,359m and €202m-€233m respectively.

ii. Trading multiples

The trading multiples method involves applying trading multiples observed for listed comparable companies (peers) to the estimated financial aggregates of Alstom Group and French Contribution, in order to obtain the implicit value of the equity capital of the company being analysed.

A sample of international companies active in the design and manufacturing of rolling stock, system components and transport services sector was considered. The sample of peers selected consists of companies with similar business activities and a comparable operating footprint as Alstom Group and the Siemens Target Business: Bombardier Transportation through a sum-of-the-part approach, CAF, Talgo, Ansaldo STS and Vossloh Rail Infrastructure through a sum-of-the-part approach.

The retained trading multiples are applied to Alstom Group's and French Contribution's EBIT figures before restructuring and one-off items, which include the contribution of net income from equity investments.

The sales aggregate does not capture the product mix profitability, which evolves within a large range in this sector. The EBITDA aggregate does not capture the capital intensity, which is one of the key components for further development in this sector. Thus, these aggregates have not been retained for the purpose of the trading multiples method. The net earnings aggregate has not been retained due to discrepancies hampering comparability of the financial structures of the peers.

The multiples of comparable companies have been calendarized as of September 30th to ensure comparability with Alstom Group and French Contribution financials retained.

Multiples of comparables companies (as of September 20th, 2017)		
Comparables	EV/EBIT (x)	
	30/09/2018e	30/09/2019e
Ansaldo STS	13.4x	12.9x
CAF	9.4x	8.3x
Talgo	11.3x	10.2x
Bombardier - Transportation	6.4x	5.8x
Vossloh - Rail Infrastructure	13.0x	11.7x
Average	**10.7x**	**9.8x**

Sources: Companies, Factset, Analysts

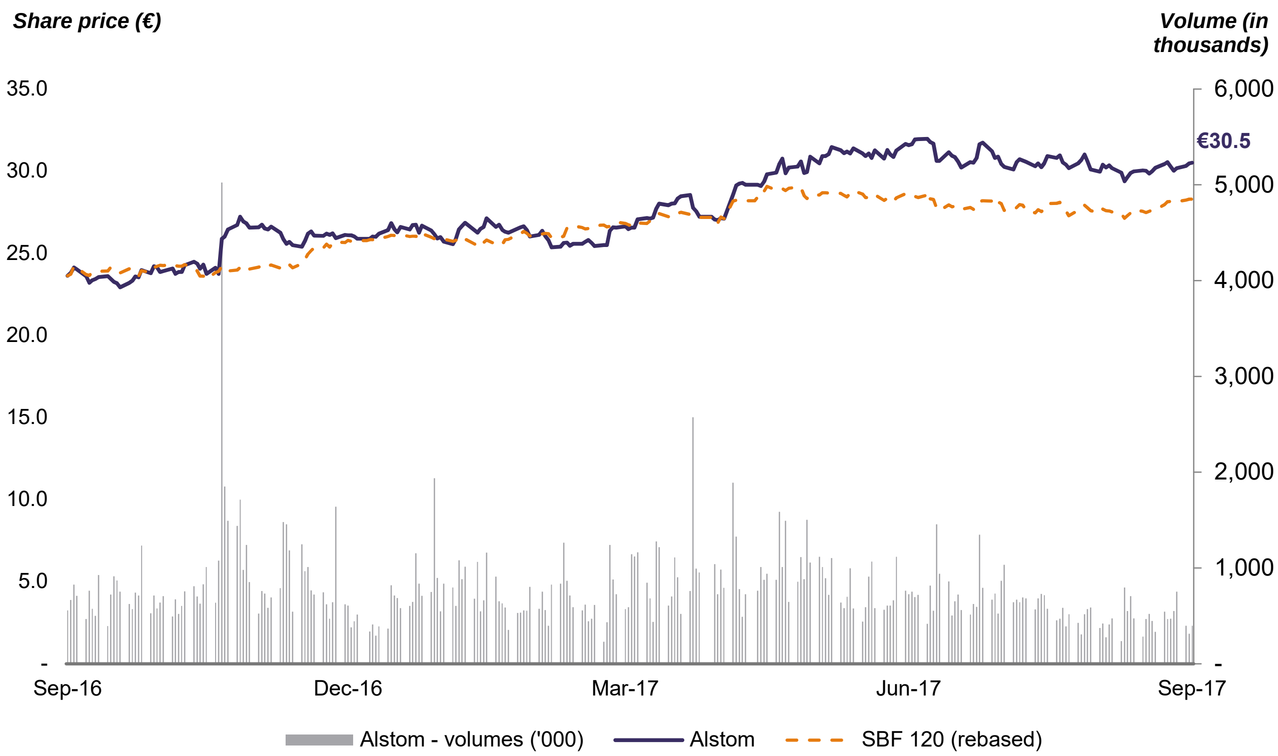
This method enables to obtain respective equity value ranges for the Alstom Group and French Contribution of €7,523m-€7,760m and €218m-€266m.

iii. Alstom Group stock price valuation using different reference dates

Due to the fact that Alstom represents the most comparable listed company to the Mobility Division of Siemens Group in terms of business activities, scale and geographic footprint, Alstom's valuation multiples implied by its market capitalisation are considered to be a relevant valuation metric for the Contributions. Consequently, the enterprise value / EBIT multiple implied by the share price of Alstom has been applied to the French Contribution in order to determine its enterprise value and implied equity value.

Alstom Group's shares are traded on Euronext Paris' Compartment A under the ISIN code FR0010220475.

Given the large free float size (71.98% of Alstom Group share capital as of September 20th, 2017, source: AMF) and the sufficient liquidity (free float rotation in 10 months, source: Bloomberg), the share price can be considered as a relevant indication of the value of Alstom Group share.



Source: Factset

The table below shows the average price weighted by volumes of the Alstom Group's share over the 12 months preceding the first rumours of the transaction on September 21st, 2017, and Alstom Group's official press release on September 22nd, 2017, confirming the discussion with Siemens. Alstom Group equity values are computed based on Alstom Group's outstanding and issued shares as of August 31st, 2017, i.e. 220.3m shares. Alstom Group equity values have been reduced by the Distribution B capped at €881m.

Share price	Share Price (€)	Alstom implied Equity Value (€m)	Adjusted Alstom Equity Value (€m)
Share price on the reference date (20/09/17)	**30.5**	**6,719**	**5,838**
1 month VWAP	30.1	6,625	5,744
3 month VWAP	30.6	6,748	5,867
6 month VWAP	29.8	6,573	5,692
12 month VWAP	27.7	6,095	5,214

Source: Factset

Alstom equity value range stands at €5,214m-€5,867m on the basis of the low-high volume-weighted average price observed over 1 month, 3 months, 6 months and 12 months.

The implied Alstom Group enterprise value/EBIT multiple as of September 30th, 2018 is applied to the French Contribution EBIT based on brokers consensus before restructuring and one-off items, and including the contribution of net income from equity investments. EBIT based on brokers consensus has been allocated to French Contribution and Luxembourg Contribution based on the EBIT weights of each contribution. Brokers' EBIT estimates have been adjusted for Traction Drives activities and standalone savings.

In the context of this methodology, as the valuation retained for Alstom Group corresponds to the market view, the enterprise value to equity value adjustments retained to compute Alstom Group enterprise value/EBIT multiples are based on a brokers notes' consensus. This consensus is computed based on 4 brokers' notes and stands at €1,905m as of March 31st, 2017.

This method arrives at the French Contribution equity value range of €163m-€191m on the basis of the low-high enterprise value/EBIT multiples observed over the last 1 month, 3 months, 6 months and 12 months.

iv. Brokers' target prices for Alstom Group and SOTP valuation of Siemens Group

The Alstom Group stock is followed on a regular basis by the research departments of reputable financial institutions. The analysts cover and provide target prices on Alstom Group. The average target price on Alstom Group share has been used to compute Alstom Group Equity Value, on the basis of Alstom Group outstanding and issued shares as of August 31st, 2017, i.e. 220.3m shares.

The following table sets out the target prices of analysts who published forecasts between July 13th, 2017, the date on which Alstom Group published its results for Q1 2017/18, and September 20th, 2017, the date of the last unaffected share price of Alstom before the first rumours of the transaction on September 21st, 2017, and Alstom official press release on September 22nd, 2017, which confirmed the discussions with Siemens. The table below excludes the minimum and maximum values reported by analysts.

It should be noted that the basis of these values are derived from an outside view of analysts and depends strongly on the individual assumptions made by each analyst, which may differ significantly from each other and from internal assumptions used by the parties in other methods.

Analyst	Date	Recommandation	Target price (€)	Alstom implied Equity Value (€m)	Adjusted Alstom implied Equity Value (€m)
Kepler Cheuvreux	15-Sep-17	Hold	31.0	6,829	5,948
AlphaValue	07-Sep-17	Add	33.4	7,357	6,476
Morgan Stanley	05-Sep-17	Equal-weight	31.1	6,851	5,970
Société Générale	31-Aug-17	Buy	35.0	7,710	6,829
Citi	15-Aug-17	Neutral	31.0	6,829	5,948
Goldman Sachs	17-Jul-17	Neutral	30.0	6,608	5,727
Invest Securities	17-Jul-17	Buy	35.0	7,710	6,829
Deutsche Bank	14-Jul-17	Hold	29.0	6,388	5,507
BoA Merrill Lynch	14-Jul-17	Neutral	32.5	7,159	6,278
InterMonte	14-Jul-17	Neutral	31.0	6,829	5,948
JP Morgan	13-Jul-17	Overweight	34.0	7,490	6,609
UBS	13-Jul-17	Buy	34.0	7,490	6,609
RedBurn	13-Jul-17	Buy	35.0	7,710	6,829
Barclays	13-Jul-17	Overweight	33.0	7,269	6,388
Average			**32.5**	**7,159**	**6,278**
Min			***29.0***	***6,388***	***5,507***
Max			***35.0***	***7,710***	***6,829***

Source: Analysts

The Alstom Group's shares which are listed on Euronext Paris, have a large free float and sufficient liquidity to be used as a valuation benchmark.

Analysts' target prices range between €29.0 and €35.0 per share, with an average of €32.5 per share.

Alstom Group equity values have been reduced by the Distribution B capped at €881m.

This method yields equity value of Alstom Group at €5,507m-€6,829m.

With regards to Siemens, several brokers covering Siemens Group perform sum-of-the-part analyses with reference valuation multiple for the Mobility Division of Siemens Group as disclosed in the financial statements of Siemens Group; hence the perimeter is not fully comparable to the Contributions. The table below exhibits the latest Broker notes published post Siemens Q3 2016/2017 financials release as of August 3rd, 2017 and before the date of signing the Memorandum of Understanding executed by and between Alstom and Siemens AG on September 26th, 2017, excluding the minimum and maximum values.

The Siemens Target Business enterprise value based on brokers' references has been allocated between the French Contribution and Luxembourg Contribution based on their estimated respective contributions to EBIT 2018. Enterprise value has been adjusted for the value of the additional EBIT from Traction Drives activities and standalone savings of the French Contribution. Such adjustments have been valued based on the Siemens Target Business implied enterprise value/EBIT 2018e multiples from brokers' SOTP valuations.

It should be noted that the basis of these values are derived from an outside view of analysts and depends strongly on the individual assumptions made by each analyst, which may differ significantly from each other and from internal assumptions used by the parties in other methods.

Analyst	Date	EBIT Sep-18e (€m)	Enterprise Value of Siemens Mobility Group (€m)	Implied EV / EBIT Sep-18e (x)
Exane	11-Sep-17	750	6,753	9.0x
Barclays	18-Aug-17	701	7,700	11.0x
Jefferies	04-Aug-17	788	7,875	10.0x
Morgan Stanley	04-Aug-17	830	8,302	10.0x
Société Générale	04-Aug-17	750	7,496	10.0x
Average		**764**	**7,625**	**10.0x**
Min - Implied EV / EBIT Sep-18e (x)			***6,753***	***9.0x***
Max - Implied EV / EBIT Sep-18e (x)			***8,302***	***11.0x***

Source: Analysts

This method yields a French Contribution enterprise value range of €227m-€279m on the basis of financial estimates for the fiscal year ending in September 2018.

Hence, French Contribution's equity value stands at €209m-€261m.

v. Summary of the values obtained

The table below shows the summary of Alstom Group and French Contribution Equity Value contributions based on multi-criteria valuation approach.

		DCF		Trading Multiples		Alstom Stock Price		Brokers' valuation	
		Min	Max	Min	Max	Min	Max	Min	Max
Alstom Group	**Equity Value contributed (€m)**	**7,399**	**8,359**	**7,523**	**7,760**	**5,214**	**5,867**	**5,507**	**6,829**
France Contribution Perimeter	**Equity Value contributed (m)**	202	233	218	266	163	191	209	261

d. Valuation methods retained for Alstom Group and Luxembourg Contribution

The exchange ratio has been assessed through a multi-criteria valuation approach including (i) discounted cash flows, (ii) trading multiples or multiples of comparable divisions in the rail transportation equipment sector sourced from sum-of-the-parts analyses, (iii) Alstom stock price valuation using different reference dates and (iv) brokers' target prices for Alstom and SOTP valuation of Siemens Group.

i. Discounted cash flows

This discounted cash flows method involves estimating cash flows over the medium term and extrapolating them to infinity. The cash flows are defined as "free" cash flows, *i.e.*, after tax, change in working capital and investment spending but excluding financial income and expenses. Net income from equity associates is separately valued based on Alstom Group's trading multiple. Future cash flows therefore represent the cash flows available for remunerating invested capital (equity and financial debt). This valuation method aims at calculating the enterprise value of a company based on the sum of future free cash flows generated by the company discounted as of September 30th, 2017 by the weighted average cost of capital (WACC). Luxembourg Contribution's DCF is based on its business plan exchanged as part of the negotiations including two years of forecasts, from September 30th, 2017 to September 30th, 2019, before computing a terminal value. Alstom's DCF is based on its business plan including three years of forecasts, from March 31st, 2018 to March 31st, 2020, before computing a terminal value. The cash flows retained for Alstom Group exclude M&A operations, separation costs related to discontinued activities and other non-recurring cash flow items. It should be noted that based on the financial performance over the period from September 30th, 2017 to March 31st, 2018 of Alstom and the Contributions, there is no indication that such performance is materially different from the business plans..

The WACC was determined on the basis of financial parameters of the sector and the range of 8.0-9.0% has been retained for Alstom Group and Luxembourg Contribution.

In addition, the Perpetual Growth Rate retained for the calculation of the terminal value is 1.5%.

On the basis of these assumptions, the sensitivity of the valuation of Alstom Group and Luxembourg Contribution to the main valuation parameters is as follows:

- +/-0.25% WACC leads to a -3%/+3% delta in the equity value of Alstom Group;
- +/-0.25% WACC leads to a -4%/+4% delta in the equity value of Luxembourg Contribution;
- +/-0.25% PGR leads to a +3%/-3% delta in the equity value of Alstom Group;
- +/-0.25% PGR leads to a +4%/-4% delta in the equity value of Luxembourg Contribution.

Based on the WACC (range of 8.0-9.0%) / PGR (1.5%) parameters and the business plans of Alstom Group and Luxembourg Contribution, the DCF approach results in a respective equity value of €7,399m-€8,359m and €7,313m-€8,621m.

ii. Trading multiples

The trading multiples method involves applying trading multiples observed for listed comparable companies (peers) to the estimated financial aggregates of Alstom Group and Luxembourg Contribution, in order to obtain the implicit value of the equity capital of the company being analysed.

A large sample of international companies active in the design and manufacturing of rolling stock, system components and transport services sector was considered. The sample of peers selected consists of companies with similar business activities and a comparable operating footprint as Alstom Group and the Siemens Target Business: Bombardier Transportation through a sum-of-the-part approach, CAF, Talgo, Ansaldo STS and Vossloh Rail Infrastructure through a sum-of-the-part approach.

The retained trading multiples are applied to Alstom's and Luxembourg Contribution's EBIT figures before restructuring and one-off items, which include the contribution of net income from equity investments.

The sales aggregate does not capture the product mix profitability, which evolves within a large range in this sector. The EBITDA aggregate does not capture the capital intensity, which is one of the key components for further development in this sector. Thus, these aggregates have not been retained for the purpose of the trading multiples method. The net earnings aggregate has not been retained due to discrepancies hampering comparability of the financial structures of the peers.

The multiples of comparable companies have been calendarized as of September 30th to ensure consistency with Alstom Group and Luxembourg Contribution financials retained.

Multiples of comparables companies (as of September 20th, 2017)

Comparables	EV/EBIT (x)	
	30/09/2018e	30/09/2019e
Ansaldo STS	13.4x	12.9x
CAF	9.4x	8.3x
Talgo	11.3x	10.2x
Bombardier - Transportation	6.4x	5.8x
Vossloh - Rail Infrastructure	13.0x	11.7x
Average	**10.7x**	**9.8x**

Sources: Companies, Factset, Analysts

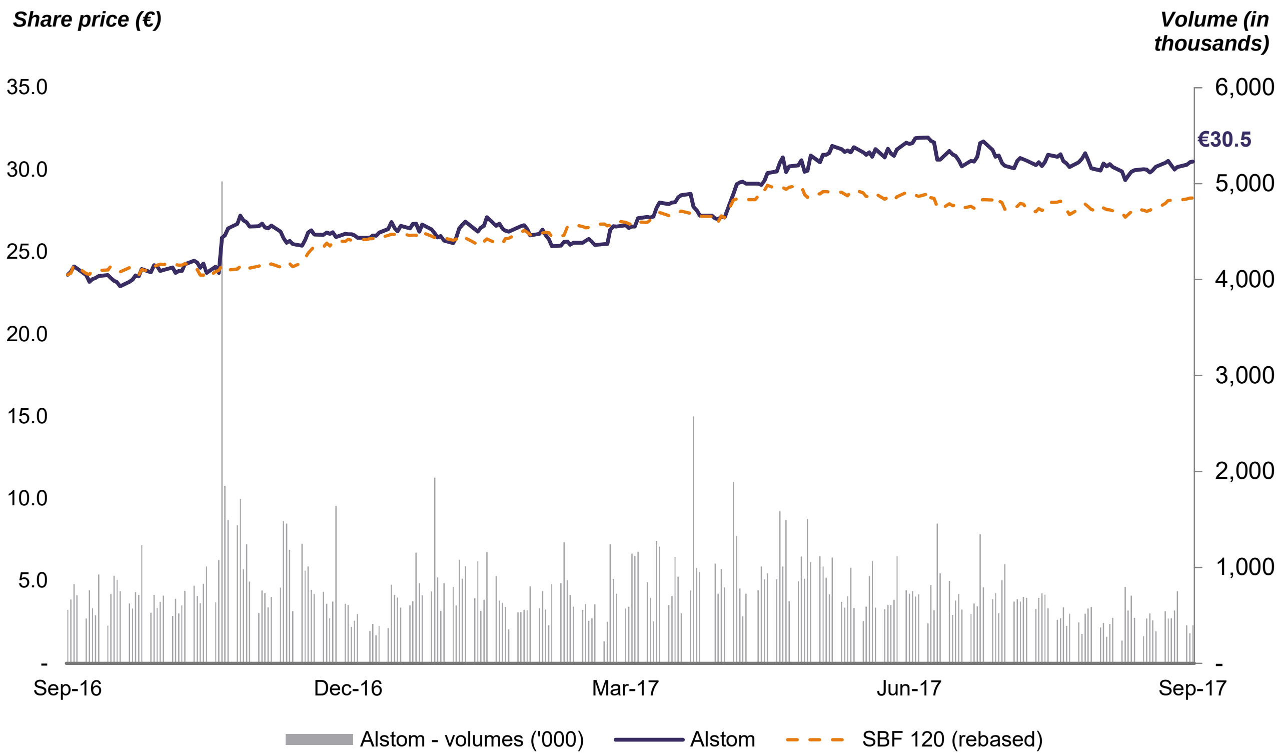
This method enables to obtain respective equity value ranges for Alstom Group and Luxembourg Contribution of €7,523m-€7,760m and €7,982m-€8,318m.

iii. Alstom stock price valuation using different reference dates

Due to the fact that Alstom represents the most comparable listed company to the Mobility Division of Siemens Group in terms of business activities, scale and geographic footprint, Alstom's valuation multiples implied by its market capitalisation are considered to be a relevant valuation metric for the Contributions. Consequently, the enterprise value / EBIT multiple implied by the share price of Alstom has been applied to the French Contribution in order to determine its enterprise value and implied equity value.

Alstom Group's shares are traded on Euronext Paris' Compartment A under the ISIN code FR0010220475.

Given the large free float size (71.98% of Alstom Group share capital as of September 20th, 2017, source: AMF) and the sufficient liquidity (free float rotation in 10 months, source: Bloomberg), the share price can be considered as a relevant indication of the value of Alstom Group share.



Source: Factset

The table below shows the average price weighted by volumes of the Alstom Group's share over the 12 months preceding the first rumours of the Contemplated Transaction on September 21st, 2017, and Alstom Group's official press release on September 22nd, 2017, confirming the discussion with Siemens. Alstom Group equity values are computed based on Alstom Group's outstanding and issued shares as of August 31st, 2017, *i.e.*, 220.3m shares. Alstom Group equity values have been reduced by the Distribution B capped at €881m.

Share price	Share Price (€)	Alstom implied Equity Value (€m)	Adjusted Alstom Equity Value (€m)
Share price on the reference date (20/09/17)	**30.5**	**6,719**	**5,838**
1 month VWAP	30.1	6,625	5,744
3 month VWAP	30.6	6,748	5,867
6 month VWAP	29.8	6,573	5,692
12 month VWAP	27.7	6,095	5,214

Source: Factset

Alstom Group equity value range stands at €5,214m-€5,867m on the basis of the low-high volume-weighted average price observed over 1 month, 3 months, 6 months and 12 months.

The implied Alstom enterprise value/EBIT multiple as of September 30th, 2018 is applied to Luxembourg Contribution EBIT based on brokers consensus before restructuring and one-off items, and including the contribution of net income from equity investments. EBIT based on brokers consensus has been allocated to French Contribution and Luxembourg Contribution based on the EBIT weights of each contribution. Brokers' EBIT estimates have been adjusted for Traction Drives activities and standalone savings.

In the context of this methodology, as the valuation retained for Alstom Group corresponds to the market view, the enterprise value to equity value adjustments retained to compute Alstom Group enterprise value/EBIT multiples are based on a brokers notes' consensus. This consensus is computed based on 4 brokers' notes and stands at €1,905m as of March 31st, 2017.

This method arrives at the Luxembourg Contribution equity value range of €5,581m-€6,767m on the basis of the low-high enterprise value/EBIT multiples observed over the last 1 month, 3 months, 6 months and 12 months.

iv. Brokers' target prices for Alstom Group and SOTP valuation of Siemens Group

The Alstom Group stock is followed on a regular basis by the research departments of reputable financial institutions. The analysts cover and provide target prices on Alstom Group. The average target price on Alstom Group share has been used to compute Alstom Group equity value, on the basis of Alstom Group outstanding and issued shares as of August 31st, 2017, *i.e.*, 220.3m shares.

The following table sets out the target prices of analysts who published forecasts between July 13th, 2017, the date on which Alstom Group published its results for Q1 2017/18, and September 20th, 2017, the date of the last unaffected share price of Alstom Group before the first rumours of the Contemplated Transaction on September 21st, 2017, and Alstom Group official press release on September 22nd, 2017, which confirmed the discussions with Siemens. The table below excludes the minimum and maximum values reported by analysts.

It should be noted that the basis of these values are derived from an outside view of analysts and depends strongly on the individual assumptions made by each analyst, which may differ significantly from each other and from internal assumptions used by the parties in other methods.

Analyst	Date	Recommandation	Target price (€)	Alstom implied Equity Value (€m)	Adjusted Alstom implied Equity Value (€m)
Kepler Cheuvreux	15-Sep-17	Hold	31.0	6,829	5,948
AlphaValue	07-Sep-17	Add	33.4	7,357	6,476
Morgan Stanley	05-Sep-17	Equal-weight	31.1	6,851	5,970
Société Générale	31-Aug-17	Buy	35.0	7,710	6,829
Citi	15-Aug-17	Neutral	31.0	6,829	5,948
Goldman Sachs	17-Jul-17	Neutral	30.0	6,608	5,727
Invest Securities	17-Jul-17	Buy	35.0	7,710	6,829
Deutsche Bank	14-Jul-17	Hold	29.0	6,388	5,507
BoA Merrill Lynch	14-Jul-17	Neutral	32.5	7,159	6,278
InterMonte	14-Jul-17	Neutral	31.0	6,829	5,948
JP Morgan	13-Jul-17	Overweight	34.0	7,490	6,609
UBS	13-Jul-17	Buy	34.0	7,490	6,609
RedBurn	13-Jul-17	Buy	35.0	7,710	6,829
Barclays	13-Jul-17	Overweight	33.0	7,269	6,388
Average			**32.5**	**7,159**	**6,278**
Min			***29.0***	***6,388***	***5,507***
Max			***35.0***	***7,710***	***6,829***

Source: Analysts

The Alstom Group share, which is listed on Euronext Paris, has a large free float and sufficient liquidity to be used as a valuation benchmark.

Analysts' target prices range between €29.0 and €35.0 per share, with an average of €32.5 per share.

Alstom Group equity values have been reduced by the Distribution B capped at €881m.

This method yields equity value of Alstom Group at €5,507m-€6,829m.

With regards to Siemens, several brokers covering Siemens Group perform sum-of-the-part analyses with reference valuation multiple for the Mobility Division of Siemens Group as disclosed in the financial statements of Siemens Group; hence the perimeter is not fully comparable to the Contributions. The table below exhibits the latest broker notes published post Siemens Q3 2016/2017 financials release as of August 3rd, 2017 and before the date of signing the Memorandum of Understanding, executed by and between Alstom and Siemens AG on September 26th, 2017, excluding the minimum and maximum values.

Siemens Mobility Group enterprise value based on brokers' references has been allocated between French Contribution and Luxembourg Contribution based on their estimated respective contributions to EBIT 2018. Enterprise value has been adjusted for the value of the additional EBIT from Traction Drives activities and standalone savings of the Luxembourg contribution. Such adjustments have been valued based on the Siemens Target Business enterprise value/EBIT 2018e multiples from brokers' SOTP valuations.

It should be noted that the basis of these values are derived from an outside view of analysts and depends strongly on the individual assumptions made by each analyst, which may differ significantly from each other and from internal assumptions used by the parties in other methods.

Analyst	Date	EBIT Sep-18e (€m)	Enterprise Value of Siemens Mobility Group (€m)	Implied EV / EBIT Sep-18e (x)
Exane	11-Sep-17	750	6,753	9.0x
Barclays	18-Aug-17	701	7,700	11.0x
Jefferies	04-Aug-17	788	7,875	10.0x
Morgan Stanley	04-Aug-17	830	8,302	10.0x
Société Générale	04-Aug-17	750	7,496	10.0x
Average		**764**	**7,625**	**10.0x**
Min - Implied EV / EBIT Sep-18e (x)			***6,753***	***9.0x***
Max - Implied EV / EBIT Sep-18e (x)			***8,302***	***11.0x***

Source: Analysts

This method yields a Luxembourg Contribution enterprise value range of €8,324m-€10,217m on the basis of financial estimates for the fiscal year ending in September 2018.

Hence, the Luxembourg Contribution's equity value stands at €6,287m-€8,180m.

v. Summary of the values obtained

The table below shows the summary of Alstom Group and Luxembourg Contribution equity value contributions based on multi-criteria valuation approach.

		DCF		Trading Multiples		Alstom Stock Price		Brokers' valuation	
		Min	Max	Min	Max	Min	Max	Min	Max
Alstom Group	Equity Value contributed (€m)	7,399	8,359	7,523	7,760	5,214	5,867	5,507	6,829
	Value of warrants to Siemens (€m)	88	88	88	88	88	88	88	88
Luxembourg Contribution Perimeter	Equity Value contributed (m)	7,313	8,621	7,982	8,318	5,581	6,767	6,287	8,180

e. Valuation of Warrants

Warrants will be granted in consideration for the Luxembourg Contribution pursuant to this Contribution Agreement, to acquire an additional 2.0% equity holding on a Fully Diluted basis. The 18,942,888 Warrants valuation relies on several parameters such as Alstom Group unaffected share price (September 20th, 2017), volatility, maturity date (6 years post-Closing of the envisaged transaction), strike price (to be determined on the basis of financials as of Determination Date), exercise period (during the 5th and 6th year post-Closing) and non-transferability (assumed illiquidity discount of 20%).
As the reference share price retained for Alstom Group is as of 20/09/2017, the share price is unaffected and does not reflect the share price impact of the Contemplated Transaction. Therefore, only the exceptional dividend (Distribution B of €881m), economically borne by Alstom Group, has been retained to compute the adjusted reference price.

The table below shows the illustrative valuation of the Warrants attributed in consideration for the Luxembourg Contribution pursuant to this Contribution Agreement:

Siemens warrant valuation - 2% equity holding	
Reference Price (20/09/17) (€)	**30.50**
- Exceptional dividend (€)	(3.97)
Adjusted Reference Price (€)	**26.53**
Strike Price (€)	28.75
Strike Price (%)	108%
Call option premium (€)	**4.6**
Illiquidity discount (%)	**20.0%**
Call option premium (%)	**17.5%**
Warrant (m)	**18.9**
Valuation of warrant (€m)	**88.1**

f. Summary of the values obtained

The table below shows the summary of Alstom Group and Contributions equity value based on multi-criteria valuation approach.

		DCF		Trading Multiples		Alstom Stock Price		Brokers' valuation	
		Min	Max	Min	Max	Min	Max	Min	Max
Alstom Group	Equity Value contributed (€m)	**7,399**	**8,359**	**7,523**	**7,760**	**5,214**	**5,867**	**5,507**	**6,829**
	Value of warrants to Siemens (€m)	**88**	**88**	**88**	**88**	**88**	**88**	**88**	**88**
Contributions	French Contribution Equity Value (€m)	202	233	218	266	163	191	209	261
	Luxembourg Contribution Equity Value (€m)	7,313	8,621	7,982	8,318	5,581	6,767	6,287	8,180
	Contributions Equity Value (€m)	**7,514**	**8,854**	**8,201**	**8,584**	**5,744**	**6,959**	**6,496**	**8,441**
	Contribution (%)	**50.1%**	**51.2%**	**51.9%**	**52.2%**	**52.0%**	**53.9%**	**53.7%**	**55.0%**

The multi-criteria valuation approach performed implies an exchange ratio range close to the agreed exchange ratio (i.e. 49.33% for Alstom Group's existing shareholders and 50.67% for Siemens Group).

The impact of potential synergies related to the combination has not been taken into account in the assessment of the exchange ratio. Siemens and Alstom expect to generate annual synergies of €470m latest in year four post-closing on an EBIT level. The upside from such synergies is shared by Alstom's existing shareholders and Siemens Group based on the agreed exchange ratio.

2.2 Consideration of the Contributions

Consideration of the Contributions is based on the terms agreed between the parties concerning the percentage of shareholding to be held by Siemens in Alstom post-Closing, *i.e.*, 50.67% (227,314,658 shares based on a total of 448,625,347 shares). On this basis, Alstom will issue in consideration for the Contributions, 227,314,658 new shares and 18,942,888 Warrants allocated as follows:

	Contribution	Consideration			
	Contribution value (euros)	Number of Alstom shares	Capital increase (euros)	Number of Alstom warrants	Issuance premium (euros)
Luxembourg Contribution (book value)					
Shares Siemens Mobility GmbH	2,150,200,140	135,710,432	949,973,024		1,200,227,116
Shares Siemens Mobility Holding BV	2,346,298,218	83,098,607	581,690,249	18,942,888	1,764,607,969
Total	4,496,498,358	218,809,039	1,531,663,273 (34.1%)	18,942,888	2,964,835,085 (65.9%)
French Contribution (fair market value)					
Shares Siemens Mobility SAS	231,141,816	8,505,619	59,539,333		171,602,483
Total of Contributions	**4,727,640,174**	**227,314,658**	**1,591,202,606**	**18,942,888**	**3,136,437,568**

Schedule 8.3(C)
Details relating to the Consideration

1. While the number of Alstom Consideration Shares to be attributed in consideration for the contribution of the Siemens Target German NewCo shares and of the Siemens Target Parent shares will be finally determined on or prior to Closing of the Contemplated Transaction, according to this Schedule, the contribution of Siemens Target German NewCo would be made for an estimated consideration of one hundred thirty-five million seven hundred ten thousand four hundred thirty-two (135,710,432) Alstom Consideration Shares (representing, following completion of the Contribution and based on Alstom's capital as of March 31, 2018 thirty point twenty-five percent (30.25%) of the issued share capital of Alstom) and the contribution of Siemens Target Parent would be made for an estimated consideration of eighty-three million, ninety-eight thousand six hundred seven (83,098,607) Alstom Consideration Shares (representing, following completion of the Contribution and based on Alstom's capital as of March 31, 2018, eighteen point fifty-two percent (18.52%) of the issued share capital of Alstom) and of the Warrants.

   For the avoidance of doubt, the calculation of the allocation of the number of Alstom Consideration Shares corresponding to the contribution of Siemens Target German NewCo, on the one side, and the number of Alstom Consideration Shares corresponding to the contribution of Siemens Target Parent, on the other side, shall factor in the fact that Warrants are being issued to the Luxembourg Contributing Company as part of the Consideration of the contribution of Siemens Target Parent, thereby reducing in terms of value the relative proportion of Alstom Consideration Shares issued in Consideration of the contribution of Siemens Target Parent compared to the number of Consideration Shares issued in Consideration of the contribution of Siemens Target German NewCo.

2. For the purpose of the Siemens Target Business Carve-Out, Alstom and Siemens AG agree to allocate a value to each of the local Siemens Target Business ("**Purchase Price Allocation**"). For the avoidance of doubt, such allocation shall not limit Siemens AG's discretion with respect to the Siemens Target Business Carve-Out (in particular Siemens AG's decision to accomplish the local Siemens Target Business Carve-Out at market value or book value).

   The value for each local Siemens Target Business ("**Purchase Price**") shall be calculated as at the Determination Date:

   a) Local enterprise value as described below

plus

   b) the local net debt

minus

   c) a shortfall of the local working capital, if any, against the local working capital targets (the local working capital targets to be the 6 quarter local working capital average for the period ending June 2017.

plus

   d) an excess of the local working capital against the local working capital targets.

   Siemens AG shall provide such allocation to Alstom as soon as it is available.

3. If and to the extent mandatory local Laws or external shareholders to a Current Owner require that the Purchase Price under a Local Asset Transfer Agreement or Local Share Transfer Agreement is

based on a different mechanism as described above in this Schedule 8.3(C) (*e.g.*, a valuation from an independent appraiser), such mandatory mechanism shall be applied and the value so derived shall supersede the Purchase Price Allocation above for the respective Local Asset Transfer Agreement or Local Share Transfer Agreement. Siemens AG shall bear the costs for obtaining an independent valuation, if required.

4. If and to the extent the respective Local Assets Transfer Agreements or Local Share Transfer Agreements are entered into prior to having the final amounts of the local net debt and the local working capital finally and binding determined in accordance with the Business Combination Agreement (or prior to having the external value obtained), the respective Local Asset Transfer Agreements or Local Share Transfer Agreement shall provide for a preliminary Purchase Price the latter being based on Siemens's good faith estimates of the amounts referred to in this Schedule 8.3(C) derived from Siemens's internal financial reporting system (the "**Preliminary Purchase Price**").

5. Any difference between the Preliminary Purchase Price and the Purchase Price shall be settled between the respective Current Owner and Siemens Target Company or Siemens Target Parent, once the Purchase Price has been determined in accordance with this Schedule 8.3(C).

6. The local enterprise value is derived from the enterprise value for Siemens Target Business as agreed between Alstom and Siemens AG considering the average of the local adjusted EBIT for:

   - FY 2017 (actual);

   - FY 2018 forecast.

7. The contribution of Siemens Target German NewCo made in consideration for a number and percentage of Alstom Consideration Shares and the contribution of Siemens Target Parent made in consideration for a number and percentage of Alstom Consideration Shares will be finally determined on or prior to Closing of the Contemplated Transaction. The mechanism in place to determine the split will be based on the aggregate Purchase Prices for each local Siemens Target Business held by the Siemens Target Parent, considering the fact that the Warrants are being issued as part of the Consideration of the contribution of Siemens Target Parent, and the aggregate Purchase Prices for each local Siemens Target Business held by Siemens Target German NewCo in which the values for each local Siemens Target Business is derived in accordance with paragraphs 2 to 6.

Schedule 10.1
Conditions to the obligations of the Parties

The obligations of the Parties to effect Closing are subject to the satisfaction of the following Conditions Precedent (or, to the extent permitted by Law, express written waiver by both Alstom and Siemens AG):

(A) the French Ministry for Economy, Industry and the Digital Sector shall have either (a) notified Siemens AG that it has approved the Contemplated Transaction under Articles L. 151-3 and R. 153-1 *et seq.* of the French Monetary and Financial Code or that its approval was not required or (b) had its approval deemed granted following notification pursuant to Articles L. 151-3 and R. 153-1 *et seq.* of the French Monetary and Financial Code;

(B) no governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Law which is in effect and prohibits or makes illegal the consummation of the entirety of the Contemplated Transaction (as such term is defined under the Business Combination Agreement);

(C) the Alstom shareholders shall:

i. approve the Contribution agreements and the issuance of the Alstom Consideration Shares and of the Warrants by a vote of the holders of at least two-thirds of the voting rights attached to the Alstom Shares at the extraordinary shareholders' meeting in which at least 25% of the Alstom Shares are represented, subject to the satisfaction or waiver of the Conditions Precedent in accordance with the terms of the Business Combination Agreement, effective as at the Closing Date;

ii. approve the Distribution A and the Distribution B (under the conditions of Section 11.5 of the Business Combination Agreement) by a vote of the holders of at least 50% of the voting rights attached to the Alstom Shares at the extraordinary shareholders' meeting in which at least 20% of the Alstom Shares are represented, subject to the satisfaction or waiver of the Conditions Precedent in accordance with the terms of the Business Combination Agreement, effective as of the Closing Date;

iii. authorize the Alstom Board to issue the Alstom Consideration Shares and the Warrants upon satisfaction of the last Conditions Precedent effective as at the Closing Date;

iv. authorize the Alstom Board to distribute the Distribution A and Distribution B upon satisfaction of the last Conditions Precedent and effective as at the Closing Date, immediately prior to Closing;

v. delegate to the Alstom Board the authority to formally acknowledge the satisfaction of all Conditions Precedents, in accordance with the Business Combination Agreement;

vi. approve the removal of the double voting rights attached to the Alstom Shares continuously held in registered form by the same shareholder for a minimum of two (2) years, subject to the positive vote of the special meeting of holders of such Alstom Shares carrying double voting rights (and the subsequent corresponding amendment of the Alstom by-laws) to become effective immediately after the Closing Date and issuance of the Alstom Consideration Shares;

vii. approve the other amendments to the by-laws of Alstom as set forth in Clause 10.4 of the Business Combination Agreement, to become effective immediately after the Closing and the issuance of the Alstom Consideration Shares; and

viii. approve the appointment of the initial directors as set forth in Clause 10.1.1 of the Business Combination Agreement to become effective immediately after the Closing and the issuance of the Alstom Consideration Shares;

(D) the holders of Alstom Shares carrying double voting rights attached to the Alstom Shares continuously held in registered form by the same shareholder for a minimum of two (2) years shall, at a special meeting to be held on the date of the extraordinary shareholders' meeting (but immediately before the extraordinary shareholders' meeting), approve the removal of such double voting rights (and the subsequent corresponding amendment of the Alstom by-laws) to become effective immediately after Closing and issuance of the Alstom Consideration Shares;

(E) the French financial markets authority shall have granted Siemens AG an unconditional exemption from the mandatory filing of a tender offer pursuant to applicable regulations and in connection with the Contemplated Transaction (the "**AMF MTO Waiver**") and no claim shall be susceptible of being brought before the Paris Court of Appeal against the AMF MTO Waiver as a result of the expiry of the relevant period for such claims (or, if a claim has been brought, such claim shall have been dismissed or settled in a manner allowing for the waiver to have become definitive).

(F) in relation to the jurisdictions referred to in Schedule 6.1.3(i)(A) of the Business Combination Agreement, any prior clearance from the relevant governmental authority in such jurisdictions having been obtained or deemed to be obtained, *e.g.*, because any waiting period applicable to the Contribution under applicable merger control Laws in such jurisdictions has terminated or expired, or any other condition permitting a legal consummation of the Contribution in such jurisdiction being met;

(G) all prior regulatory clearances (including foreign investment clearances) listed in Schedule 6.1.3(i)(B) of the Business Combination Agreement relating to the Contemplated Transaction; and

(H) each of Alstom and Siemens AG shall have complied with its obligations and covenants under Clauses 10.1, 10.2, 10.3 and 10.4 of the Business Combination Agreement, on Closing and effective as of Closing.

Schedule 10.2
Conditions to the obligations of the Luxembourg Contributing Company

The obligations of Siemens AG to effect Closing are subject to the satisfaction (or, to the extent permitted by Law, express written waiver by Siemens AG) of the following Conditions Precedent:

(A) the representations and warranties of Alstom set forth in Schedule 12.2, paragraphs 1 through 5 of the Business Combination Agreement, shall be true and correct in all material respects on and as of the date of the Business Combination Agreement and on and as of Closing, as though such representations and warranties were made on and as of such date (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date), except where any inaccuracy in said representations and warranties has not had and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect (as such term is defined under the Business Combination Agreement);and

(B) the Alstom Consideration Shares shall, when issued, on Closing, represent no less than fifty percent (50%) of the share capital of Alstom and the Alstom Consideration Shares shall have been authorized for listing on the regulated market of Euronext Paris in accordance with the Business Combination Agreement.

Schedule 10.3
Conditions to the obligations of the Beneficiary Company

The obligations of Alstom to effect Closing are subject to the satisfaction (or, to the extent permitted by Law, express written waiver by Alstom) of the following Conditions Precedent:

(A) the representations and warranties of Siemens AG in Schedule 12.1, paragraphs 1 through 5 of the Business Combination Agreement, shall be true and correct in all material respects on and as of the date of the Business Combination Agreement and on and as of Closing (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date), except where any inaccuracy in said representations and warranties has not had and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect (as such term is defined under the Business Combination Agreement); and

(B) Carve-Out Completion shall have occurred.