



FINEXSI

Free translation of the original « *Rapport du Commissaire à la scission sur la rémunération des apports devant être effectués par la société SIEMENS FRANCE HOLDING SAS au profit de la société ALSTOM SA* » issued by the appraiser of the spin-off, dated May 30, 2018.

In the event of any discrepancies in translation or in interpretation, the French version should prevail.

## **ALSTOM SA**

48 rue Albert Dhalenne  
93400 Saint-Ouen  
Bobigny RCS no. 389 058 447

## **SIEMENS FRANCE HOLDING SAS**

40 avenue des Fruitiers  
93527 Saint-Denis  
RCS Bobigny no. 388 548 091

**Contribution of SIEMENS MOBILITY SAS shares  
by SIEMENS FRANCE HOLDING SAS  
to ALSTOM SA**

**Appraiser of the spin-off's report (Rapport du Commissaire à la scission)  
on the consideration for the contribution**

*Order of the Presiding Judge of the  
Bobigny Commercial Court on November 16, 2017*



**Contribution of SIEMENS MOBILITY SAS shares  
by SIEMENS FRANCE HOLDING SAS to ALSTOM SA**

To the Shareholders,

Pursuant to the assignment entrusted to us by order of the Presiding Judge of the Bobigny Commercial Court on November 16, 2017 concerning the contribution of the SIEMENS MOBILITY SAS shares held by SIEMENS FRANCE HOLDING SAS to ALSTOM SA, we have prepared this report on the consideration as provided for under Article L. 236-10 of the French Commercial Code, it being specified that our assessment of the value of the contribution is covered by a separate report.

The consideration for the contribution was established in the draft partial asset contribution agreement entered into by representatives of the relevant companies dated 17 May 2018.

It is our responsibility to express an opinion on the fairness of the consideration proposed for the contribution. To this end, we carried out our procedures in accordance with the professional standards laid down by the Compagnie Nationale des Commissaires aux Comptes (French National Institute of Auditors) for this type of assignment. These professional standards require us to implement procedures both to verify that the relative valuations attributed to the shares making up the contribution and to the shares of the beneficiary company are relevant and also to analyze how the proposed consideration compares to the relative valuations deemed relevant.

Our report, a requirement pursuant to the French Commercial Code, is intended for the benefit of the persons referred to by French law. It meets the requirements of these regulations. In addition, our report does not dispense with the need to read all the public documentation already available or to be made available in connection with this contribution.

Since our assignment comes to end with the filing of the report, we are not required to update this report to reflect facts and circumstances arising after its signature date. At no time did we find ourselves in a situation that was incompatible, prohibited or should have disqualified us, as provided for in law.

Our observations and conclusions are presented hereinafter, in line with the following plan:

1. Presentation of the Transaction
2. Verification of the relevance of the relative values attributed to the shares subject of the contribution and to the shares of the beneficiary company
3. Opinion on the fairness of the proposed consideration
4. Summary – Key points
5. Conclusion



## 1. Presentation of the Transaction and description of the contribution

The Transaction requiring your approval is the contribution by SIEMENS FRANCE HOLDING SAS of all the SIEMENS MOBILITY SAS shares to ALSTOM SA.

### 1.1 Background to the Transaction

The **Alstom group** is a worldwide leader in the rail transport industry. It operates around the world and offers its customers a full range of solutions, including rolling stock, systems, services and signaling equipment for passenger and freight rail transport geared to cities, regions and the countries that it serves.

ALSTOM SA (hereinafter “ALSTOM”) shares are traded on the regulated market of Euronext Paris, and is the parent company of the ALSTOM group.

ALSTOM’s consolidated sales in the year ended March 31, 2018 came to €8 billion and its consolidated adjusted EBIT<sup>1</sup> totaled €514 million. At March 31, 2018, the ALSTOM group had around 34,500 employees worldwide, and its order backlog at the same date was €34.2 billion.

The **Siemens group** is an international group originally formed in Germany specialized in advanced technologies mainly for the industrial, energy, healthcare and transport sectors. SIEMENS AG (hereinafter “SIEMENS”) shares are traded on the regulated market of Deutsche Börse, and is the parent company of the SIEMENS group.

SIEMENS’ consolidated revenues in the year ended September 30, 2017 came to €83 billion and its consolidated operating income totaled €8.3 billion. At September 30, 2017, the SIEMENS group had around 372,000 employees worldwide.

The SIEMENS group’s Mobility division offers a full range of rail and road transport products and services around the world<sup>2</sup>.

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<sup>1</sup> In accordance with ALSTOM’s Registration Document for FY 2016-2017, adjusted operating profit or adjusted EBIT is calculated as: “*EBIT adjusted by the following items: net restructuring expenses (including rationalization costs); tangibles and intangibles impairment; capital gains or loss/revaluation on investments disposals or control changes of an entity; and any other non-recurring items, such as some costs incurred to realize business combinations and amortization of an asset exclusively valued in the context of business combination as well as litigation costs that have arisen outside the ordinary course of business*”.

<sup>2</sup> incorporating rolling stock for main lines and networks, driving automation and assistance systems, signalling, turnkey projects, network electrification and technologies for developing the related infrastructure.



The business contributed to ALSTOM is comprised of i) the rolling stock and signaling SIEMENS business (“MO Division”), (ii) the SIEMENS sub-segments Rail Systems and Railway Gears and Components, being both part of the SIEMENS Process Industries and Drives Division (“PD”) and (iii) the service business carried on by the SIEMENS sub-segment Traction Drives (“TD”), being organized within the SIEMENS Digital Factory Division (“DF”) and certain service activities provided by central functions and/or shared services functions. The business contributed is referred to hereinafter as the “SIEMENS Target Business” or the “Target Business”.

At September 30, 2017, the SIEMENS Target Business had 27 production facilities (85% of them in industrialized countries) and 30,453 employees. At the same date, its order backlog totaled €26.6 billion and its revenues came to €8.1 billion.

SIEMENS’ financial year-end is September 30, and it publishes consolidated financial statements prepared under IFRS as applicable in the European Union.

On **September 26, 2017**, ALSTOM and SIEMENS entered into a Memorandum of Understanding regarding the possible combination of ALSTOM and the SIEMENS Target Business (*i.e.*, the SIEMENS mobility business including the rail traction business). This business combination (hereinafter the “Transaction”) was announced publicly on September 26, 2017 in a press release stating that the combined entity’s name will be SIEMENS ALSTOM.

The aim of this Transaction is to create a “European champion in mobility” with combined pro forma revenues of €15.6 billion based on the information collected from the financial statements for the financial year ended September 30, 2017 for the SIEMENS Mobility Business and ALSTOM’S statement of income for the 12-month period ended September 30, 2017.

The Transaction will proceed in accordance with the Business Combination Agreement (“BCA”) entered into on March 23, 2018 via two contributions of shares in three SIEMENS group companies, indirectly holding together the SIEMENS Target Business made by two SIEMENS subsidiaries to ALSTOM:

- the contribution of SIEMENS MOBILITY SAS shares by SIEMENS FRANCE HOLDING SAS (hereinafter the “French Contribution”), which is the subject of this report as well as a separate report concerning our opinion on the value for this contribution;
- the contribution of SIEMENS MOBILITY GMBH and SIEMENS MOBILITY HOLDING BV shares by SIEMENS MOBILITY HOLDING SARL (hereinafter the “Luxembourg Contribution”), in respect of which Finexsi was also appointed as Appraiser of the spin-off (Commissaire à la scission) and on which we have issued separate reports.



These two share contributions (together referred to hereinafter as the “Contributions”) will take place concomitantly under the spin-off regime laid down in French law.

As part of the Transaction, ALSTOM shareholders will receive two extraordinary distributions of reserves and/or premiums (*distributions exceptionnelles de réserves et/ou primes*):

- a “Distribution A”, borne economically by SIEMENS of €4 per ALSTOM share (representing a total amount of approximately €0.9 billion) to be paid out on each ALSTOM share outstanding on the last business day preceding the closing date of the Transaction; and
- a “Distribution B” of a global maximum amount of €881 million (capped at €4 per share outstanding on the last business day preceding the Transaction closing date) in the context of the proceeds of ALSTOM’s put options under the General Electric joint ventures<sup>3</sup>.

## 1.2 Presentation of the companies involved in the Transaction

### 1.2.1 ALSTOM SA, the Beneficiary Company

ALSTOM is a public limited company (*société anonyme*) registered in France with €1,555,473,297 in share capital made up of 222,210,471 ordinary shares, as of March 31, 2018 each with a nominal value of €7 and all fully paid-up and belonging to the same class.

ALSTOM shares are traded on the regulated market of Euronext Paris (ISIN: FR0010220475).

The bylaws of ALSTOM in force at the date of the draft partial asset contribution agreement grant double voting rights to any shares fully paid-up and held in registered form for at least two years in the name of one and same shareholder. These double voting rights are to be removed upon closing of the Transaction.

According to Schedule 1.2(F) of the draft partial asset contribution agreement, ALSTOM’s share capital as of March 31, 2018, on a fully diluted basis, is 27.4% owned by Bouygues, 1.1% owned by the Group’s employees, 32.9% owned by institutional investors and a free float of 36.5%.

At the same date, the number of shares that may be issued following the exercise of dilutive instruments stands at 4.882.060 shares, making up to 2,1% of the fully diluted share capital. ALSTOM share capital is subject to change between the date of the Contributions and the closing date due to the issuance of new shares relating to stock-option plans, performance share plans, and free shares plans.

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<sup>3</sup> ALSTOM announced in a press release dated May 10, 2018, the signature of an agreement with General Electric concerning ALSTOM’s exit from the joint-ventures (JV renewables, JV Grid and JV Nuclear). The sale of the put options should occur October 2, 2018, for a total amount of 2,594 M€.



The Company's registered office is located at 48 rue Albert Dhalenne, Saint-Ouen (93400), France. The Company is registered on the Bobigny Trade and Companies Register (RCS) under no. 389 058 447.

Its corporate purpose, as stated in Article 3 of its bylaws, is as follows:

- *“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.”*

ALSTOM's financial year-end is March 31, and it publishes consolidated financial statements prepared under IFRS as applicable in the European Union.

### **1.2.2 SIEMENS FRANCE HOLDING SAS, the Contributing Company**

SIEMENS FRANCE HOLDING SAS was incorporated on September 14, 1992 in the form of a joint stock company (*société par actions simplifiée*). Its registered office is located at 40 avenue des Fruitiers, 93527 Saint Denis Cedex France. The Company is registered on Bobigny Trade and Companies Register (RCS) under no. 388 548 091.

Its financial year begins on October 1 and ends on September 30.



Its corporate purpose, as stated in Article 2 of its bylaws, is as follows:

- *“To hold interests in any company or entity with or without legal personality, whatever its corporate purpose, in particular to acquire or subscribe for any shares, bonds, quotas, interests, or any securities, as well as to dispose of or manage such securities;*
- *To carry out any financial, administrative and/or commercial transaction to the benefit of and/or in relation to these interests;*
- *To provide administrative, financial and commercial services and consulting services to the benefit of such companies or entities in which interests are held;*
- *And, more generally, to do all such other things as to allow the development and continuation of the above described corporate purpose.”*

### **1.2.3 SIEMENS MOBILITY SAS, the shares of which are being contributed by SIEMENS FRANCE HOLDING SAS**

**SIEMENS MOBILITY SAS** is a sole shareholder joint stock company (*société par actions simplifiée à associé unique*). Its registered office is located at 150 avenue de la République, 92323 Châtillon. The Company is registered on Nanterre Trade and Companies Register (RCS) under no. 833 751 431.

Its main corporate purpose is as follows: research, development, engineering, marketing, 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.

### **1.2.4 Relationship between the companies**

At the date of this report, there are no capital ties between ALSTOM (the beneficiary of the contribution), SIEMENS FRANCE HOLDING SAS (the company making the contribution), and SIEMENS MOBILITY SAS (the shares of which are being contributed).

## **1.3 Description of the French Contribution**

The arrangements for this Transaction (the French Contribution), which are presented in detail in the draft partial asset contribution agreement entered into by the parties on May 17, 2018, can be summarized as follows:



### **1.3.1 Legal framework**

From a legal standpoint, the contribution will be effected under the demerger regime laid down in the provisions of Articles L. 236-1 to L. 236-6 and L. 236-16 to L. 236-21 of the French Commercial Code, with no joint and several liability.

### **1.3.2 Tax regime**

Pursuant to Article 810-I of the French General Tax Code, the beneficiary of the contribution will have to pay a fixed registration fee of €500.

From a corporate income tax perspective, as the contributed shares represent more than 50% of the share capital of SIEMENS MOBILITY SAS, the French Contribution will be assimilated to the contribution of a complete branch of activity within the meaning of Article 210 B of the French Tax Code (Code général des impôts) and the French contributing company and beneficiary company elect for the application of the favorable merger tax regime provided for by these provisions.

### **1.3.3 Closing date of the Transaction**

ALSTOM, the beneficiary company, will own the shares contributed by SIEMENS FRANCE HOLDING SAS with effect from the date of full and final closing of the Transaction subject to the terms and conditions of the draft partial asset contribution agreement and the simultaneous completion of the French Contribution, the Luxembourg Contribution and the issuance, in consideration for the contributions, of the ALSTOM shares and warrants.

For accounting and tax purposes, the parties have agreed that the contribution of shares will be effective from the closing date of the Transaction. It will take place, as laid down in Article 11.(A) of the draft partial asset contribution agreement, provided that all the conditions precedent stated below have been met. The date will be:

- the first business day of the month which follows the month in which the working capital requirements and net debt statements delivery date falls, if the working capital and net debt statements delivery date falls on or before the 14<sup>th</sup> day of such month; or
- the first business day of the second month which follows the month in which the working capital requirements and net debt statements delivery date falls, if the working capital and net debt statements delivery date falls on or after the 15<sup>th</sup> day of such month.

The date on which the conditions precedent are satisfied (or waived, where permitted), other than those concerning ALSTOM's new governance framework, which will be satisfied on the date of completion (see conditions precedent presented below) is referred to as the "Satisfaction Date" of the conditions precedent.



The final day of the quarter preceding the month of the Satisfaction Date of the conditions precedent is referred to as the “Determination Date” and is the date on which the full and final value of the contribution is determined.

### **1.3.4 Conditions precedent**

In accordance with Article 10 and schedules 10.1 to 10.3 of the draft partial asset contribution agreement, this Transaction is subject to the satisfaction (or the waiver, where permitted) of the following conditions precedents:

- Authorization from the French Ministry for Economy, Industry and the Digital Sector concerning SIEMENS’ investment in France;
- Approval by the general meeting of ALSTOM’s shareholders of the draft partial asset contribution agreement and the issue of shares and warrants in consideration for the contributions, and the payment of the Distribution A and the Distribution B;
- Authorization granted by the general meeting of ALSTOM’s shareholders to its Board of Directors to issue ALSTOM shares and warrants in consideration for the shares contributions, and to pay out the Distribution A and the Distribution B;
- Delegation of powers by the general meeting of the shareholders to ALSTOM’s Board of Directors to formally record the satisfaction of the conditions precedent;
- Approval of the removal of the double voting rights by the special meeting called for holders of ALSTOM shares with double voting rights;
- Approval by the general meeting of ALSTOM’s shareholders of the amendment of its bylaws and of the appointment of new members to the Board of Directors;
- Decision by the French financial market authority (AMF) to grant an unconditional exemption (confirmation that SIEMENS’ shareholding and voting rights in ALSTOM upon closing of the Transaction will not give rise to any obligation for SIEMENS to file a public offer on the ALSTOM shares it does not already own). This decision must not have been challenged during the appeal period provided for or, if the decision has been appealed, the appeal must have been dismissed by means of a final decision not appealable to the Paris Court of Appeal (*Cour d’appel de Paris*);
- Receipt (including by means of the expiration of the applicable period) of regulatory clearance, including from the competition authorities in the European Union, the United States, China, Brazil, Canada, Russia, South Africa, Mexico, Israel, Switzerland, Chile, Australia, India and Taiwan;
- Receipt of all the regulatory clearances listed in Schedule 6.1.3 (i) (b) of the Business Combination Agreement (Foreign Investment Review Board in Australia, Foreign Strategic Investment Law in Russia, CFIUS in the United States);



- ALSTOM and SIEMENS must comply with the undertakings provided for in clauses 10.1 to 10.4 of the Business Combination Agreement concerning the governance of SIEMENS ALSTOM<sup>4</sup>;
- The customary representations and warranties by ALSTOM and SIEMENS listed respectively in paragraph 1.5 of Schedules 12.1 and 12.2 to the Business Combination Agreement are accurate and made in good faith;
- The ALSTOM shares issued in consideration for the French and Luxembourg Contributions must not make up less than 50% of ALSTOM's share capital upon closing of the Transaction (and 50.67% of the issued share capital of ALSTOM as of the Determination Date), and be admitted to trading on Euronext Paris;
- The carve-out of the SIEMENS Target Business will have been completed (further described in section 5.1.1 of the Document E).

### **1.3.5 Description and valuation of the contribution**

In the context of this French Contribution, the company SIEMENS FRANCE HOLDING SAS will contribute 100% of the shares of the companies SIEMENS MOBILITY SAS, to the beneficiary company, on the understanding that SIEMENS MOBILITY SAS will own the Target Business located in France.

Pursuant to the Accounting Standards Authority's Regulation no. 2017-01 relating to the accounting treatment of mergers and similar transactions, the parties should have valued the contribution in the draft partial asset contribution agreement at its estimated book value, given that the Transaction is a reverse acquisition<sup>5</sup>.

However, since the net book value of the French Contribution is lower than the par value of the capital increase issued for the consideration of said Contribution, the value of the contributed shares retained is based on their actual value in accordance with the exemption provided by said regulation in this situation.

Hence, the contribution value of SIEMENS MOBILITY SAS securities, representing 100% of its shares, amounts to €231,141,816.

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<sup>4</sup> Composition and *modus operandi* of the Board of Directors, Chairmanship, Board Committees and amendment of the bylaws.

<sup>5</sup> "A contribution as a result of which the contributing entity takes control of the entity the beneficiary of the contributions, or increases its control over that entity".



### **1.3.6 Computation of the contributed shares value and definitive amount of the contribution**

Generally, the contribution value of the shares contributed (for French and Luxembourg contribution) was determined based respectively on Schedule 8.2(A) *ter* and 8.3(C) of the draft partial asset contribution agreements, using an allocation of the total Siemens Target Business enterprise value agreed between the parties, and considering the average of the local adjusted EBIT of the Siemens Target Business as at September 30, 2017 (actual value) and September 30, 2018 (forecast). One major exception is the local business in Germany, in which such local business will be contributed at historical book value and according to local German GAAP.

Generally, in regards to the local businesses with the exception of Germany, the items used in the bridge from enterprise value to equity value as agreed between ALSTOM and SIEMENS as stated in aforementioned Schedules, were taken into account to obtain the value of each of the local businesses, using 30 September 2017 as the assumed Determination Date.

The final value of the contributed shares shall be their fair value as at the closing date of the Transaction, assuming in particular that the carve-out completion has occurred as of the Determination Date and taking into account the adjustment mechanism set forth in Schedule 8.2(A) *bis*, of the draft partial asset contribution agreement.

For the purpose of accounting for the shares contributed in ALSTOM's financial statements, it is provided a mechanism for adjusting the value of the contributions to factor in the date on which it takes effect for accounting and tax purposes, which will not occur until the as yet unknown completion date.

Article 8.2(A) of the draft partial asset contribution agreement states, in accordance with Article 11.3.iv of the BCA, that an expert appraiser should determine the amount of this adjustment at the closing date of the Transaction, thereby confirming the definitive value of the contribution, it being stipulated that if the amount determined by the expert appraiser is higher than the amount of the contributed shares as at the closing date of the Transaction, this last amount will be retained and not the one of the expert.

This mechanism aims to ensure that, at the closing date of the Transaction, the definitive relative equity values of ALSTOM and of the SIEMENS Target Business will be in line with the ownership of ALSTOM's capital on closing of the Transaction as agreed between the parties. This mechanism could potentially impact the aggregate amount of the Contributions showed in the draft partial asset contribution agreement, and the amount of the issue premium will be adjusted upwards or downwards, depending on the final amount of the contribution as at the closing date of the Transaction.



### 1.3.7 Consideration for the contribution

The method used to determine the value of ALSTOM and of the SIEMENS Target Business is presented in Schedule 8.3(B) of the draft partial asset contribution agreement.

The consideration for the contribution of the SIEMENS Target Business to ALSTOM was determined in negotiations between ALSTOM and SIEMENS groups to establish the relative weight of their shareholdings in the combined entity post-Transaction. For valuation purposes, the business plans for the ALSTOM group and for the SIEMENS Target Business were exchanged by the parties.

At the end of this process, the parties agreed on a 50.67% shareholding in the SIEMENS ALSTOM combined entity for the SIEMENS group, and a 49.33% shareholding for current ALSTOM group shareholders as at the Determination Date, plus the grant to SIEMENS of ALSTOM warrants which in the event of exercise of all warrants, represents a 2% increase in SIEMENS'S shareholding in ALSTOM on a fully diluted basis as of the closing date of the Transaction.

This allocation takes into account the results from the valuation methods used to determine the enterprise value of the SIEMENS Target Business and of ALSTOM, as well as the bridge from enterprise value to equity value validated by the parties, including the payment of two extraordinary distributions of reserves and/or premiums (Distributions A and B presented in section § 1.1).

The number of ALSTOM shares to be issued in consideration for the contribution of SIEMENS Target Business was determined by applying the target ratio of 50.67% to the number of ALSTOM shares that will be outstanding at the Determination Date, which was agreed at 221,310,689 shares<sup>6</sup>. On this basis, 227,314,658 new ALSTOM shares and 18,942,888 ALSTOM warrants will be allotted in consideration for the Contributions.

Given that two separate Contributions are taking place, this consideration was divided up between the French Contribution and the Luxembourg Contribution based on the weighting of the relative value of each of the local businesses (attached to the shares transferred in connection with each of the Contributions), to the aggregate relative value of the SIEMENS Target Business.

The arrangements for determining the value of said local businesses were based on the allocation of the consideration as outlined in schedule 8.2(A) *ter* of the draft partial asset contribution agreement. The value adopted for the purposes of this allocation of the consideration is based on the estimated fair value of each of the local businesses.

Lastly, the parties agreed that the warrants will be issued in consideration solely for SIEMENS MOBILITY HOLDING BV shares.

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<sup>6</sup> Were the number of ALSTOM shares outstanding at the Determination Date to exceed the number laid down by the parties, ALSTOM has undertaken to purchase in the market a sufficient number of its own shares and to cancel them such that the target ratio is met.



On this basis, the consideration for the Contributions will be as stated in Schedule 8.3(B) of the draft partial asset contribution agreement:

	Contributions	Consideration of the Contributions				
	Contribution value (€)	Number of ALSTOM shares	Nominal value (€)	Share capital increase (€)	ALSTOM's BSA	Contribution Premium
<b>Luxembourg Contribution (Net Book Value)</b>						
Siemens Mobility GmbH securities	2 150 200 140	135 710 432	7	949 973 024		1 200 227 116
Siemens Mobility Holding BV securities	2 346 298 218	83 098 607	7	581 690 249	18 942 888	1 764 607 969
	4 496 498 358	218 809 039	7	1 531 663 273	18 942 888	2 964 835 085
<b>French Contribution (Actual Value)</b>						
Siemens Mobility SAS securities	231 141 816	8 505 619	7	59 539 333		171 602 483
<b>Total Contributions</b>	<b>4 727 640 174</b>	<b>227 314 658</b>	<b>7</b>	<b>1 591 202 606</b>	<b>18 942 888</b>	<b>3 136 437 568</b>

The consideration for the French Contribution of the entirety of the SIEMENS MOBILITY SAS shares valued at €231,141,816 will thus take the form of the allotment to SIEMENS FRANCE HOLDING SAS of 8,505,619 new ordinary shares issued by ALSTOM each with a nominal value of €7.

On this basis, the contribution by SIEMENS FRANCE HOLDING SAS will give rise to a capital increase by ALSTOM of €59,539,333.

The difference between the value of the Contribution, that is €231,141,816, and the total amount of the capital increase, that is €59,539,333, will represent a contribution premium of €171,602,483.

In view of the adjustment mechanism presented above in section 1.3.6, should the definitive value of the contribution at the Transaction closing date be different than the value stated in the draft partial asset contribution agreement, the issuance premium will be duly adjusted by the difference.

The shares issued by ALSTOM will carry dividend rights, except for the Distributions A and B presented in section 1.1.



## **2. Verification of the relevance of the relative values attributed to the shares subject of the contribution and to the shares of the beneficiary company**

### **2.1 Procedures implemented**

Our mission, as provided by law, has been carried out within the conceptual framework of the professional guidelines of the French National Institute of Auditors (Compagnie Nationale des Commissaires aux Comptes).

Its purpose is to assist the shareholders of the company ALSTOM and of the SIEMENS Target Business in their assessment of the relevance of the relative values used by the parties to determine the consideration for the contribution, and to assess the fairness of the consideration resulting from those relative values.

This mission is neither an audit nor a limited audit mission. Thus, its purpose is neither to enable us to formulate an opinion on the financial statements, nor to carry out specific operations concerning compliance with company law. It is not in the nature of a due diligence carried out for a lender or purchaser, and it does not include all the work necessary for that task. Our report cannot therefore be used in that context.

Our opinion is expressed as at the date of this report, which constitutes the end of our mission. We are not responsible for monitoring subsequent events potentially occurring between the date of the report and the General Meeting of Shareholders convened to approve the Transaction.

We have carried out the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Auditors (Compagnie Nationale des Commissaires aux Comptes), so as to assess the relevance of the relative values attributed to the Contribution and to the beneficiary shares, and the fairness of the proposed consideration.

In particular, we have performed the following work:

- we have held discussions with the representatives, and in particular the Financial Directors of the Mobility and Traction Drives businesses of SIEMENS, and the counsel of the companies concerned, at meetings held in Paris and Munich, both to acquaint ourselves with the envisaged contribution transaction and of the context of the Transaction of which it forms part, and to analyze the accounting, financial and legal procedures;
- we have held discussions with the Chairman and Chief Executive Officer of ALSTOM and the Vice-Chairman of ALSTOM in charge of the SIEMENS ALSTOM project;
- we have reviewed the legal framework of the Transaction, and in particular the Business Combination Agreement and its Schedules signed on March 23, 2018 by ALSTOM and SIEMENS, together with the legal documentation relating to SIEMENS FRANCE HOLDING SAS, SIEMENS MOBILITY SAS and ALSTOM;
- we have reviewed the draft of Document E to be submitted to the AMF;



- we have examined the draft partial asset contribution agreement and its schedules concerning the French Contribution, together with that concerning the Luxembourg Contribution;
- we have reviewed the public information concerning the ALSTOM Group and the SIEMENS Target Business (which is not listed separately from the SIEMENS Group), together with brokers' reports and market consensuses;
- we have reviewed the Combined Financial Statements relating to the SIEMENS Target Business prepared as at September 30, 2017 and as at March 31, 2018 Combined Interim Financial Statements and the audit report prepared by SIEMENS' auditor and the review opinion prepared by SIEMENS' auditor, respectively;
- we have reviewed ALSTOM's consolidated financial statements for the financial year ending March 31, 2018 and have been informed of the auditor's opinion on the consolidated financial statements as at March 31, 2018 which will be a certification without qualifications;
- we have reviewed the limited financial due diligence work carried out by ALSTOM's and SIEMENS' advisers;
- we have examined the budgets and forecasts of ALSTOM and of the SIEMENS Target Business and assessed the probability of the key assumptions involved;
- we have reviewed the main events that have occurred since September 26, 2017 and assessed their potential financial impact on the consideration for the contributions;
- we have analyzed the relevance of the valuation criteria used by the parties, reviewed the parameters governing their application, carried out various sensitivity analyses, and then performed our own valuation approaches of ALSTOM's and SIEMENS Target Business' equity values that we considered appropriate;
- we have reviewed a range of documents relating to the Transaction, concerning the process involving the local businesses of the Target Business in the carve-out operations, which have been made available to us in an electronic data room; we have reviewed the draft report prepared by the independent Luxembourg expert appointed by SIEMENS in the context of the Luxembourg Contribution;
- we have obtained representation letters from legal representatives of SIEMENS AG, SIEMENS FRANCE HOLDING SAS and ALSTOM, who have confirmed the significant information provided to us in the context of our mission;
- we have relied on the work that we have performed in order to assess the value of the contribution, on which we express an opinion in a separate report.



## **2.2 Specific features of the transaction**

Since the SIEMENS Target Business is not held by a separate sub-group within the SIEMENS Group, a carve-out is currently taking place to split the Target Business from other businesses, as stipulated in the Business Combination Agreement. This process requires the implementation of numerous internal reorganization and restructuring operations in order to isolate the companies, assets and liabilities corresponding to the Target Business as defined in the Business Combination Agreement.

These internal operations are not such as to call into question the profitability of the SIEMENS Target Business. Furthermore, we have been told that, independently of the Transaction, the running of this business on a standalone basis results in operating cost savings, which have been estimated by SIEMENS and taken into account in the preparation of its business plan. Those savings are set out in a document attached as Schedule 4.2.5 to the Business Combination Agreement.

We have obtained confirmation of the annual amounts applied by way of such savings. The draft partial asset contribution agreements concerning the French and Luxembourg Contributions provide that *“The Contribution, while contemplated distinctly through both the French Contribution and the Luxembourg Contribution (...) 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 French Contribution will not occur in the event the Luxembourg Contribution is not simultaneously completed, and vice versa, on Closing)”*.

In these circumstances, consideration for the contributions can only be assessed on a global basis at the level of the Transaction taken as a whole.

However, due to the structure of the Transaction, which provides for two distinct contributions, the global consideration has been allocated between the French Contribution and the Luxembourg Contribution.

## **2.3 Presentation and assessment of the parties’ retained valuation methods and criteria**

### **2.4 Values relating to ALSTOM as retained by the parties**

To determine the value of ALSTOM, the parties retained a multi-criteria valuation approach comprising:

- the discounting of forecast cash flows;
- the peers trading multiple approach;
- share price analysis;
- references to price targets published by brokers.



The parties also valued separately the warrants issued by ALSTOM as consideration for part of the Luxembourg Contribution.

The main valuation assumptions used by the parties are as follows:

#### Discounting of forecast cash flows

This approach is based on the business plan exchanged with SIEMENS during the negotiations, based on a 3-year period from April 1, 2017 to March 31, 2020. Since ALSTOM and SIEMENS Target Business do not have the same financial year-ends (March 31 and September 30 respectively), ALSTOM's business plan has been adjusted so that its financial years end on September 30, 2017 to ensure compatibility.

The discount rate adopted by the parties is between 8.0% and 9.0% and the perpetual growth rate is set at 1.5%.

#### The peers trading multiples approach

The sample used by the parties consists of 5 peers comprising 3 listed groups (Ansaldo, CAF, Talgo) and 2 sub-units of listed groups (Bombardier Transportation and Vossloh Rail Infrastructure). For the two sub-units, multiples were determined using a "sum-of-the-parts" approach.

The favoured aggregate was EBIT, and the sample showed an EBIT multiple of 10.7x for the year 2018 and 9.8x for the year 2019.

#### Share price

The parties adopted ALSTOM's share price at September 20, 2017, i.e. before the first rumours of the deal emerged (on September 21, 2017) and before it was officially confirmed that discussions were taking place about a possible combination between ALSTOM and SIEMENS's Target Business, which happened on September 22, 2017. Average share prices<sup>7</sup> over short periods (1 month and 3 months) and longer periods (6 months and 1 year) were considered.

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<sup>7</sup> Volume weighted average prices (VWAP).



The value of ALSTOM's equity is based on its share price but after the deduction of the Distribution B that will be paid to ALSTOM shareholders before the Transaction is completed for a maximum amount of €881 million:

	Price (€)	ALSTOM implied Equity Value (m€)	Adjusted ALSTOM Equity Value (m€)
Spot price (09202017)	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

#### Brokers price targets

ALSTOM is regularly covered by around 20 brokers.

The parties examined brokers reports setting out price targets between July 13, 2017 (the date on which the ALSTOM group published results for the first half of 2017/18) and September 20, 2017.

The equity value was then calculated by taking the number of ALSTOM shares issued at August 31, 2017 (220.3 million) and deducting the Distribution B (capped at €881 million) from that value.

The 14 brokers reports used by the parties yield an equity value for ALSTOM of between €5,507 million and €6,829 million.

Warrants (issued in consideration for the contribution of SIEMENS MOBILITY HOLDING BV shares)

To value the warrants to be issued by ALSTOM, the parties used an option-based method with the following main assumptions:

- an ALSTOM reference stock price at September 20, 2017, adjusted for the Distribution B that will be paid before the Transaction is completed, i.e. €26.53;
- a 6-year maturity;
- an exercise price, for illustrative purposes, of €28.75 (the final price is to be determined on the Determination Date);
- an illiquidity discount of 20% because of their non-assignable nature.

On this basis, the warrants are valued at €88 million.



## Summary of values relating to ALSTOM determined by the parties

### Relatives values - ALSTOM

	DCF		Trading multiples		Stock price		Brokers	
	Min	Max	Min	Max	Min	Max	Min	Max
Equity value	7 399	8 359	7 523	7 760	5 214	5 867	5 507	6 829
Warrants	88	88	88	88	88	88	88	88
<b>Total</b>	<b>7 487</b>	<b>8 447</b>	<b>7 611</b>	<b>7 848</b>	<b>5 302</b>	<b>5 955</b>	<b>5 595</b>	<b>6 917</b>

## 2.5 Values relating to SIEMENS' Target Business as retained by the parties

To determine the value of SIEMENS' Target Business, the parties retained a multi-criteria valuation approach, distinguishing between the French Contribution and the Luxembourg Contribution, comprising:

- the discounting of forecast cash flows;
- the peers trading multiples approach;
- reference to the values estimated by brokers covering SIEMENS group, in the context of a valuation by the sum of the parts based on the Group's businesses.

The main valuation assumptions used by the parties are as follows:

### Discounting of forecast cash flows

This approach is based on the business plan exchanged with ALSTOM during the negotiations, covering a 3-year period from October 1, 2016 to September 30, 2019. This business plan takes into account cost savings estimated by SIEMENS in the context of the Target Business operating on a standalone basis, independently of the expected effects of the closing of the Transaction.

The discount rate adopted by the parties is between 8.0% and 9.0% and the perpetual growth rate is set at 1.5%.

### The peers trading multiples approach

The parties used the same sample as that previously used for ALSTOM.

Reference to the values estimated by brokers publishing sum-of-the-parts valuations of the SIEMENS group

The parties examined brokers reports publishing sum-of-the-parts valuations of the SIEMENS group showing an enterprise value and the resulting multiple for the Mobility



division. The reports referred to are those published after the announcement of results for the third quarter of 2016/17, i.e. from August 3, 2017 to September 20, 2017.

The parties also adjusted the values resulting from the brokers reports, including in it the value of the Traction Drives business (included in the scope of the Transaction but not included by brokers in the Mobility division) and the cost savings estimated by SIEMENS in the context of the Target Business operating on a standalone basis.

The brokers reports used yield an equity value for the Target Business of between €6,496 million and €8,441 million.

Summary of values relating to SIEMENS Target Business determined by the parties

#### **Relative values - SIEMENS Target Business**

<b>Equity value (m€)</b>	<b>French Contribution</b>		<b>Luxembourg Contribution</b>		<b>Contributions</b>	
	Min	Max	Min	Max	Min	Max
DCF	202	233	7 313	8 621	7 514	8 854
Trading multiples	218	266	7 982	8 318	8 201	8 584
Brokers - Sum of The Part	209	261	6 287	8 180	6 496	8 441
Alstom Stock Price	163	191	5 581	6 767	5 744	6 959
<b>Average of multi criteria approach</b>	<b>198</b>	<b>238</b>	<b>6 791</b>	<b>7 972</b>	<b>6 989</b>	<b>8 209</b>

## **2.6 Valuation approaches not used by the parties**

The parties did not use the following valuation methods:

- comparable transactions;
- net book value and net asset value;
- the discounting of future dividends.

## **2.7 Assessment of the relevance of the relative values assigned to the equity of ALSTOM and to SIEMENS' Target Business**

The assessment of the relative values retained by the parties calls for the following comments on our part.

In our view, the valuation methods used by the parties to value ALSTOM's equity are appropriate and relevant in the context.

Regarding SIEMENS, since the Target Business is not listed, the parties did not refer to share prices. The other valuation methods (intrinsic and comparative) used are appropriate and relevant in the context.

In accordance with the valuation date adopted by the parties, the bridge from enterprise value to equity value was based on data as at September 30, 2017, taking into account the adjustment mechanism agreed by the parties to achieve the target ownership ratio for the combined entity (49.33%/50.67%).



With regard to the discarded valuation methods, we have no observations to make on the fact that net book value, net asset value and discounted dividends method have not been used.

We also agree with the parties' decision not to use the comparable transactions criterion. We have examined this approach but have nevertheless decided not to use it due to the absence of sufficient public information on specific features of each of the transactions identified (possible earn-out clauses, historic context of the negotiations, premiums associated with control, expected synergies, etc.).

ALSTOM and SIEMENS' Target Business operate in the same sector. The assessment of the consideration assumes that identical valuation methods are applied to consistent sets of assumptions, it being emphasized that the relative value calculations do not include the synergies expected to arise from the Transaction.

As part of our assessment of the relative values of the ALSTOM group and SIEMENS' Target Business, we performed our own valuation work based on:

- discounted forecast cash flows, as shown in the business plans exchanged by the parties during the negotiation process, and additionally as shown in the latest business plans prepared by ALSTOM and SIEMENS;
- the multiples of comparable listed companies at April 30, 2018 (secondary reference).

As regards to the reference to brokers values, we used them as a secondary reference because reports relating to SIEMENS do not mention all the details of the calculations supporting the sum-of-the-parts used to value the Mobility division.

Since SIEMENS Mobility division is not listed, we did not use the share price method because it cannot be applied consistently across both entities.

Finally, we performed our own valuation of the warrants to be issued in consideration by ALSTOM for the contribution of SIEMENS MOBILITY HOLDING BV shares.

## **2.8 Bridge from enterprise value to equity value**

The information used in the bridge from enterprise value to equity value was determined at March 31, 2018 by applying the mechanism agreed by the parties to reach the target 49.33%/50.67% ownership ratio for the combined entity (see section 1.3.6).

## **2.9 Discounted cash flows (DCF)**

We used the intrinsic valuation method consisting of discounted cash flows of ALSTOM and SIEMENS' Target Business.



According to this method, the value of an enterprise or business is equal to the current value of the future cash flows that its operations are likely to generate, after deduction of the investments necessary for its business. The cash flows are discounted at a rate that reflects the market's profitability requirement taking into account a terminal value at the end of the forecast period. This terminal value is obtained by discounting a cash flow deemed to be normative at the end of the forecast period and taking account of a perpetual growth rate.

### Business plans

We have performed the discounted cash flow on the basis of the business plans exchanged between the Parties during the negotiations, in which the business plan for the SIEMENS Target Business covers a 3 years period from October 1, 2016 to September 30, 2019 and the business plan for Alstom covers a 3 years period from April 1, 2017 to March 31, 2020.

The business plan for the SIEMENS Target Business takes into account cost savings estimated by SIEMENS in the context of the Target Business operating on a standalone basis, independently of the expected effects of the closing of the Transaction.

Subsequent to the signing of the Memorandum of Understanding on September 26, 2017, updated projections were performed by SIEMENS and ALSTOM which have also been taken into account for the purposes of our discounted cash flow.

These projections have been approved respectively by the SIEMENS's Supervisory Board on November 8, 2017 (for the Mobility Division) and by ALSTOM's Board of Directors on March 13, 2018.

To allow a consistent comparison with ALSTOM, whose financial year-end is on March 31, we have adjusted the cash flow figures of the business plan of the Target Business plan so that each year begins on April 1 and ends on March 31 of the following year.

With regard to the terminal value, we have used the level of profitability equivalent to that adopted by the parties and their advising banks in the context of the negotiations.

### Discount rate

The discount rate was calculated on the basis of the market parameters of April 30, 2018, and reflects the level of risk assigned to cash flow forecasts. The rate used to discount the cash flows is therefore 8.3%, and lies within the range of rates adopted by the parties.

We have used a perpetual growth rate of 1% for both ALSTOM and SIEMENS's Target Business.

We carried out sensitivity analyses based on the discount rate and on the perpetual growth rate.



## **2.10 The peers trading multiples approach**

As a secondary reference, we used the comparative approach based on the observed multiples of comparable listed companies.

This approach involves determining the value of a company or business by applying multiples observed in a sample of listed companies operating in the same business sector to financial aggregates considered to be relevant.

Using this approach relies on having a sample of companies that are comparable in terms of business, operating characteristics, size and profitability.

We used the same peer-group sample for ALSTOM and SIEMENS Target Business, which consists of the following companies: CAF, Talgo and Vossloh.

We have not used the company Ansaldo due to the very limited number of brokers publishing forecasts on its shares<sup>8</sup>.

This sample yields an average EBIT multiple of 13.1x for 2018, 10.0x for 2019 and 9.2x for 2020.

The analysis was based on average EBIT multiples shown by the sample, applied to the business plans figures of ALSTOM and SIEMENS' Target Business.

## **2.11 Reference to the values shown by brokers**

In order to apply this method, we used broker reports presenting an enterprise value for ALSTOM and those presenting a value for SIEMENS' Mobility business<sup>9</sup> and we took account of the bridge from enterprise value to equity value used for the other methods referred to above.

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<sup>8</sup>According to the Capital IQ database, the consensus is limited to the forecasts of a single broker.

<sup>9</sup>The value of the Traction Drives business not taken into account in the brokers' reports has been added to the value of the Mobility Business on the basis of the average EBIT multiples used by the brokers.



## **2.12 Valuation of the warrants**

We valued the warrants using a binomial model, based on the following main assumptions:

- share price: weighted average price in the 20 trading sessions up to September 20, 2017, adjusted for the future payment of the “Distribution B”, i.e. €26.09;
- exercise price: for illustrative purposes and like the parties, we set this at €28.75, it being understood that it will be recalculated on the Determination Date on the basis of ALSTOM’s equity value and the number of shares issued on that date.
- maturity: 6 years, corresponding to the maximum maturity of the warrants;
- volatility: observed volatility of ALSTOM shares between November 4, 2015 (completion of General Electric’s acquisition of ALSTOM’s energy division) and September 20, 2017 (the day before market rumours started), i.e. 25%;
- 20% non-assignability discount applied to the results of our valuation.

## **2.13 Synthesis of relative values**

The relative values resulting from our valuation work, based on a multicriteria approach, are slightly above the values retained by the parties, due to the fact that we used more recent projections for ALSTOM and for SIEMENS Target Business.

It must be noted that the current trading as of 31 March 2018 of ALSTOM and SIEMENS target Business confirms the projections used to determine the relative values.

## **3. Opinion on the fairness of the proposed consideration**

### **3.1 Consideration agreed by the parties for the contribution**

Consideration for the contribution was based on negotiations between the parties.

As a result, the SIEMENS group will receive 227,314,658 ALSTOM shares and 18,942,888 warrants issued by ALSTOM as consideration for the Contributions, comprising 8,505,619 shares as consideration for the French Contribution and 218,809,039 shares and 18,942,888 warrants as consideration for the Luxembourg Contribution.



That consideration is supported by the parties' multi-criteria valuation of ALSTOM and SIEMENS' Target Business, the results of which can be summarised as follows<sup>10</sup>:

#### Relative values and ownership ratio determined by the parties

M€	DCF		Trading Multiples		Alstom Stock Price		Brokers' valuation	
	Min	Max	Min	Max	Min	Max	Min	Max
ALSTOM	7 488	8 447	7 611	7 848	5 302	5 955	5 595	6 917
<b>Poids relatif ALSTOM</b>	<b>49,91%</b>	<b>48,82%</b>	<b>48,14%</b>	<b>47,76%</b>	<b>48,00%</b>	<b>46,11%</b>	<b>46,28%</b>	<b>45,04%</b>
French Contribution	202	233	218	266	163	191	209	261
Luxembourg Contribution	7 313	8 621	7 982	8 318	5 581	6 767	6 287	8 180
SIEMENS	7 514	8 854	8 201	8 584	5 744	6 959	6 496	8 441
<b>Poids relatif SIEMENS</b>	<b>50,09%</b>	<b>51,18%</b>	<b>51,86%</b>	<b>52,24%</b>	<b>52,00%</b>	<b>53,89%</b>	<b>53,72%</b>	<b>54,96%</b>

### 3.2 Work performed by the Appraiser of the spin-off

We have carried out the procedures that we considered necessary with reference to the professional guidelines of the French National Institute of Auditors (Compagnie Nationale des Commissaires aux Comptes), so as to assess, from a financial point of view, whether the consideration for the contribution is fair.

In particular, we relied on the work described above (see section 2.5) that we carried out to check the relevance of relative values assigned to the ALSTOM shares and the French Contribution.

On that basis, we assessed whether the proposed consideration is fair.

### 3.3 Assessment and position of the consideration for the contribution

To assess the consideration for the whole Contribution (French and Luxembourg), we determined the relative weightings of ALSTOM and the Contribution for each of the valuation methods used.

On that basis, we note that there is little difference between the results of our work and those presented by the parties, which only show one relative weighting for SIEMENS that is lower than the target figure of 50.67%, i.e. the minimum value of the DCF approach, which produces a figure of 50.1%.

<sup>10</sup> ALSTOM value includes the value of the warrants



The Transaction can be analysed as SIEMENS taking control of ALSTOM, since after the contribution of SIEMENS' Target Business, SIEMENS will have control over the combined entity.

For SIEMENS, this situation implies that a control premium of €4 per share (Distribution A economically borne by SIEMENS) is incorporated in the target ratio computation agreed between the parties.

As regards to ALSTOM's shareholders, comparatively to the ratios determined in the parties' approaches and in our work, the target ratio underpins a favourable consideration, being reminded that ALSTOM's shareholders will benefit from the payment of two prior Distributions (each of a maximum amount of €4 per share).

Extending this analysis for each group of shareholders, all shareholders should benefit from significant synergies, which should be factored in the assessment of the combined entity future profits evolution.

### **3.4 Impact of the transaction for the various groups of shareholders**

The parties have announced that the combination should generate operational synergies estimated at €470 million per year, i.e. around 3% of the combined entity's revenue, expected to be achieved latest four years after closing of the Transaction. The synergies will be achieved gradually after closing of the Transaction. At this stage, any revenue synergies that could result from the combination have not been estimated by the parties. We also understand that because of the good fit between the companies in terms of business lines and geographical footprint, there should not be any significant dissynergies.

These synergies have not been factored into our assessment of the relative values of ALSTOM and the French Contribution (see section 2.5) and they will benefit all groups of shareholders.

Given the progress made in consultations with the various competition authorities concerned, the parties have told us that they are not aware, as of the date of this report, of any decisions that could materially affect the estimated level of potential synergies.

We have simulated the impact of these synergies on net operating profit after tax (NOPAT) per share in 2021 and 2022, assuming that the normative level of synergies is achieved.

The number of shares retained for the calculation takes into account the exercise of warrants to be issued by ALSTOM as consideration for the contribution of SIEMENS MOBILITY HOLDING BV shares.

The analysis shows substantial accretion of NOPAT per share for ALSTOM shareholders and limited accretion for SIEMENS.



#### 4. Summary – Key points

The French Contribution must be assessed in the context of the whole Combination between ALSTOM and the SIEMENS's Target Business. It is indivisible of and simultaneous to the Luxembourg Contribution. Also note that our report on the consideration of the Luxembourg contribution concludes that the Luxembourg consideration is fair.

Summarising our assessments of the Transaction taken as a whole, we wish to draw your attention to the following points:

- the Transaction aims to create a “European champion” in the mobility field, by combining two major players whose combined revenue will exceed €15 billion, and whose global businesses are an excellent geographical fit.
- the two parties have negotiated independently the financial terms of the combination and the new group's governance, and reached an agreement announced on September 26, 2017, which will result in the SIEMENS group owning 50.67% (on a non-diluted basis) of the combined entity known as SIEMENS-ALSTOM, with the ability of increasing that stake by 2% by exercising the warrants that will be allotted to it.
- the Transaction will proceed as stipulated in the Business Contribution Agreement entered into on March 23, 2018 via two contributions of shares (the French Contribution and the Luxembourg Contribution), representing the Target Business of the SIEMENS group, to ALSTOM.
- the Transaction involves SIEMENS taking control of ALSTOM, a group listed in Paris, by contributing to ALSTOM its Target Business through a complex carve-out process that is in progress at the date of this report.
- more generally, the Transaction is subject to a large number of conditions precedent, including approval by the competition authorities.
- we have reviewed the valuation work presented to us and featuring in Document E and considered it as an appropriate basis for determining the enterprise value of SIEMENS' Target Business and ALSTOM. The bridge between enterprise value and equity value agreed by the parties has been taken into account, and particularly the payment of two extraordinary distributions to ALSTOM shareholders, with SIEMENS bearing the economic cost of one of them (Distribution A of €4 per ALSTOM outstanding share at closing date), which can be analysed as a control premium. We also carried out our own valuation work, the results of which do not call into question the relative values adopted by the parties.
- for SIEMENS, the Transaction provides the control of ALSTOM. The ownership percentages of the two groups of shareholders after the Transaction, and the terms benefiting ALSTOM shareholders, reflect this change in control.
- for both groups of shareholders, the Transaction should have an accretive effect on future earnings, assuming that the operational synergies expected from the combination are achieved, although the accretion is limited for SIEMENS.



## **5. Conclusion**

On the basis of our work and at the date of this report, our opinion is that the proposed consideration for the French Contribution, leading to the issuance of 8,505,619 ALSTOM shares, agreed by the parties, is fair.