English translation for information purposes only

Alstom

A French *société anonyme* (joint stock company) with a share capital of €1,555,913,730.00

48 Rue Albert Dhalenne – 93400 Saint-Ouen, France

Registered with the Trade and Companies Registry of Bobigny under no. 389 058 447

("**Alstom**")

INCREASE IN ALSTOM'S SHARE CAPITAL IN CONSIDERATION FOR THE CONTRIBUTION OF SHARES IN SIEMENS MOBILITY SAS, SIEMENS MOBILITY HOLDING B.V. AND SIEMENS MOBILITY GmbH

Appendix to the report of Alstom's Board of Directors to the general shareholders' meeting convened on July 17, 2018

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

In accordance with its General Regulation and in particular Article 212-34, the French financial markets authority (*Autorité des marchés financiers* – AMF) registered the French version of this document under number E.18-049 on June 6, 2018. The French version of this document was prepared by the issuer and is binding on its signatories.

In accordance with Article L. 621-8-1-I of the French Monetary and Financial Code (*Code monétaire et financier*), the registration number was granted after the AMF had verified that this document is complete and comprehensible and that the information it contains is consistent. It does not imply that the AMF approves the transactions or that it has verified the accounting and financial information presented therein.

It certifies that the information contained in this document is consistent with the regulatory requirements for the subsequent admission to trading on Euronext Paris of the shares which, subject to the approval of Alstom's general shareholders' meeting, will be issued as consideration for the contributions.

This document (the "**Document**") incorporates by reference Alstom's registration document for the financial year ended March 31st, 2018 filed with the AMF on May 29, 2018 under no. D.18-0517 (the "**2017/2018 Registration Document**").

This Document is available free of charge at Alstom's registered office (48 Rue Albert Dhalenne – 93400 Saint-Ouen, France) and on the websites of Alstom (www.alstom.com) and of the AMF (www.amf-france.org).

The notice of Alstom's general shareholders' meeting (the "**Extraordinary Shareholders' Meeting**") containing the draft resolutions to be put to the vote of Alstom's shareholders was published in the *Bulletin des Annonces Légales Obligatoires* (BALO) dated June 6, 2018.

In this Document:

- "**Alstom Group**" means Alstom and its consolidated subsidiaries;
- "**Alstom Shares**" means the shares issued by Alstom from time to time;
- "**Business Combination Agreement**" means the business combination agreement entered into between Alstom and Siemens on March 23, 2018, setting forth the terms of the proposed Transaction;
- "**Business Day**" means any day other than a Saturday, Sunday or bank or public holiday in Paris, France or in Munich, Federal Republic of Germany;
- "**Closing Date**" means the date on which the closing of the Transaction (the "**Closing**") will occur, as agreed between Alstom and Siemens and subject to the satisfaction or, as the case may be, waiver of all conditions precedent to the contemplated Transaction;
- "**Combination**" or "**Transaction**" means the combination between the Alstom Group and the mobility activities of the Siemens Group resulting from the completion of the Contributions;
- "**Combined Company**" or "**Siemens Alstom**" means the holding company of the Alstom Group at completion of the Contributions;
- "**Combined Group**" or "**Siemens Alstom Group**" means the Combined Company and its consolidated subsidiaries;
- **"Contributed Shares"** means 100% of the shares of the Siemens Contributed Companies;
- "**Contributions**" means the French Contribution and the Luxembourg Contribution;
- "**Determination Date**" means the last day of the quarter (*i.e*., December 31, March 31, June 30, September 30) immediately preceding the month in which the satisfaction or, as the case may be, waiver of the last conditions precedent to the contemplated Transaction will occur (other than the conditions precedent to occur on the Closing Date);
- "**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 which shall be provided to Siemens by Alstom five (5) Business Days prior to Closing either (i) certifying that on Closing, the Siemens Group will hold at least 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 50% of Alstom's share capital on a Fully Diluted basis on Closing;

(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.

- "**French Contribution**" means the contribution by Siemens France Holding of 100% of the shares of Siemens Mobility SAS to Alstom in consideration for newly issued Alstom Shares;

- "**Luxembourg Contribution**" means the contribution by Siemens Mobility Holding S.à r.l. of (i) 100% of the shares of Siemens Mobility Holding B.V. and (ii) 100% of the shares of Siemens Mobility GmbH to Alstom in consideration for shares and warrants newly issued by Alstom;

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

- "**Siemens**" means Siemens Aktiengesellschaft, a stock corporation (*Aktiengesellschaft*) governed by German law, having its registered office at Werner-von-Siemens Straße 1 in Munich (80333), Germany, and registered in the commercial register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Berlin-Charlottenburg under number HRB 12300 and in the commercial register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Munich under number HRB 6684;

- **"Siemens Contributed Companies"** means Siemens Mobility Holding B.V., Siemens Mobility GmbH and Siemens Mobility SAS;

- "**Siemens Contributing Companies**" means Siemens France Holding and Siemens Mobility Holding S.à r.l.;

- "**Siemens France Holding**" means Siemens France Holding SAS, a French *société par actions simplifiée* having its registered office 40, avenue des Fruitiers 93527, Saint-Denis, France, and registered with the French Trade and Companies Register under number 388 548 091 RCS Bobigny;

- "**Siemens Group**" means Siemens and its consolidated subsidiaries;
- "**Siemens Mobility GmbH**" means Siemens Mobility GmbH, a German *Gesellschaft mit beschränkter Haftung* (limited liability company) with a share capital of €25,000, registered with the Trade Register of the Munich Local Court under number HRB 237219 and having its registered office located at Otto-Hahn-Ring 6, 81739 Munich, Germany;
- "**Siemens Mobility Holding B.V.**" means Siemens Mobility Holding B.V., a Dutch a *Besloten Vennootschap* (private company with limited liability) with a share capital of €1,000, registered with the Dutch Trade Register (*Kamer van Koophandel*) under number 70211965 / RSIN 858193966 and having its registered office is located at Prinses Beatrixlaan 800, 2595BN 's-Gravenhage, the Netherlands;
- "**Siemens Mobility Holding S.à r.l.**" means 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 8-10 avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg, and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) under number B 219459;
- "**Siemens Mobility SAS**" means Siemens Mobility SAS, a French *société par actions simplifiée* having its registered office 150, avenue de la République, 92323 Châtillon CEDEX, France, and registered with the French Trade and Companies Register under number 833 751 431 RCS Nanterre;
- "**Siemens Target Business**" means the Siemens "Mobility" business (including in particular the Siemens "Mobility" business assets, the Siemens "Mobility" business liabilities, the Siemens "Mobility" business employees, including pension arrangements relating to the Siemens "Mobility" business and sites and locations relating to the Siemens "Mobility" business, in each case in accordance with and unless contractually excluded or limited by the Business Combination Agreement and the services activities provided by central functions and/or shared services functions which are allocated to the business activities described above ("*centrally held items*") in accordance with the Business Combination Agreement) which comprises the following business activities:

  (i) the rolling stock and signaling business of the Siemens Group (comprising all the activities reflected and accounted for in Siemens' financial reporting as Siemens's division "*Mobility*");

  (ii) the business carried on by the business sub-segments "*Rail Systems*" and "*Railway Gears and Components*" (both being, as at the date of the Business Combination Agreement, part of the Siemens' business segment "*Traction and Series Drive*" within the business unit "*Large Drives*") being reflected and accounted for in Siemens' financial reporting as part of Siemens's division "*Process Industries and Drives*"; and

  (iii) the service business carried on by the sub-segment "*Traction Drives*" (the sub-segment being, as at the date of the Business Combination Agreement, reflected and accounted for in Siemens' financial reporting as part of Siemens's division "*Digital Factory*") to the extent the service business is pertaining to the business referred to under (ii) above and as reported as part of Siemens' division "*Process Industries and Drives*" in Siemens' internal segment reporting.

The Siemens Target Business corresponds to the “Siemens Mobility Business” referred to in the Combined Financial Statements and the Combined Interim Financial Statements.

This is a free translation into English of the document registered with the French *Autorité des marchés financiers* under number E.18-049 on June 6, 2018 and is provided solely for the convenience of English speaking readers.

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SUMMARY OF THE DOCUMENT

Registration number E.18-049 dated June 6, 2018

This summary should be read as an introduction to this Document. Any decisions to invest in the financial instruments that are the subject of the transaction described herein should be based on a comprehensive review of the Document. Where a claim relating to the information contained in the Document is brought before a court, the plaintiff investor may, depending on the national legislation of the EU Member States or parties to the European Economic Area Agreement, have to bear the costs of translating the Document before the legal proceedings are initiated. Civil liability attaches only to those persons who have presented the summary, including any translation, and have asked to be notified thereof within the meaning of Article 212-41 of the AMF's General Regulation, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Document or when the Document does not provide key information helping investors when considering whether to invest in said financial instruments.

1. SUMMARY OF THE MAIN TERMS AND CONDITIONS OF THE TRANSACTION	
Presentation of the Transaction	Following the completion of the information-consultation process of relevant works councils, Alstom and Siemens entered into a Business Combination Agreement (the "**Business Combination Agreement**") on March 23, 2018, setting forth the terms of a strategic combination of Alstom and Siemens' mobility businesses by way of a contribution by Siemens to Alstom of the Siemens Target Business (the "**Transaction**"). In order to facilitate the completion of the contemplated Transaction, notably by involving jurisdictions where it may be subject to a legal regime allowing the beneficiary company of a cross-border contribution of business by way of asset transfer to be the universal legal successor of the transferring entity with respect to the contributed business, the contribution has been structured as two contributions carried out through a French entity regarding the part of the Siemens Target Business operated by the Siemens entities in France (along with their subsidiaries and activities) and through a Luxembourg entity regarding the part of the Siemens Target Business operated in countries other than France. Specifically, pursuant to the Business Combination Agreement, (i) Siemens France Holding shall contribute to Alstom 100% of the shares in Siemens Mobility SAS (the "**French Contribution**") and (ii) Siemens Mobility Holding S.à r.l. shall contribute to Alstom 100% of the shares in Siemens Mobility Holding B.V. and 100% of the shares in Siemens Mobility GmbH (the "**Luxembourg Contribution**", with French Contribution, the "**Contributions**"). In consideration for the Contributions, Siemens France Holding and Siemens Mobility Holding S.à r.l. will receive in total: - 227,314,658 new ordinary Alstom Shares with a par value of €7 each, representing no less than 50% of the share capital of Alstom on a Fully Diluted basis upon Closing (the "**New Alstom Shares**"); and - 18,942,888 warrants (being calculated on the basis of bringing a 50% shareholding on a Fully Diluted basis to a 52% shareholding on a Fully Diluted basis (including dilution resulting from the exercise of such

	warrants) as of the Closing Date) to be issued by Alstom (the "**Warrants**"), each Warrant giving its holder the right to subscribe to one (1) Alstom Share. Siemens France Holding will receive 8,505,619 New Alstom Shares to be subscribed in consideration for the French Contribution and Siemens Mobility Holding S.à r.l. will receive 218,809,039 New Alstom Shares and 18,942,888 Warrants to be subscribed in consideration for the Luxembourg Contribution. The terms and conditions of the Contributions are set forth in (i) a contribution agreement related to the French Contribution entered into between Siemens France Holding and Alstom on May 17, 2018 (the "**French Contribution Agreement**") and (ii) a contribution agreement related to the Luxembourg Contribution entered into between Siemens Mobility Holding S.à r.l. and Alstom on May 17, 2018 (the "**Luxembourg Contribution Agreement**", and together with the French Contribution Agreement, the "**Contribution Agreements**"). In order to mitigate the risks that the shareholding of the Siemens Group falls below fifty per cent (50%) of the issued share capital of Siemens Alstom (given all options or rights that may dilute its shareholding): (a) Alstom shall take all necessary actions, including proposing to the Extraordinary Shareholders' Meeting an appropriate and sufficient repurchase program on Alstom Shares (the "**Repurchase Program**"), in order to enable Alstom to repurchase, prior to the Determination Date, on the stock exchange market such number of Alstom Shares (the "**Repurchased Alstom Shares**"), which are expected to be necessary to be cancelled so as to ensure a shareholding of the Siemens Group in Alstom representing 50.67% of Alstom's issued share capital as of the Determination Date, assuming solely for the purpose of this calculation that the Siemens Group would, as of such date, be a shareholder of Alstom (the "**Expected Shareholding**"). (b) On the Determination Date, Alstom shall implement the cancellation, by way of a share capital reduction, of such number of Repurchased Alstom Shares as is necessary to attain the Expected Shareholding (the "**Cancelled Alstom Shares**"). (c) The number of Repurchased Alstom Shares and the corresponding global price paid by Alstom to repurchase the Repurchased Alstom Shares plus the associated costs of the Repurchase Program (the "**Repurchase Global Price**") shall be notified by Alstom to Siemens five (5) Business Days following the Determination Date. The amount of the Repurchase Global Price shall be included in the valuation method in order to reduce Distribution B (as defined below) on a euro-for-euro basis. (d) In the event the Business Combination Agreement is terminated on or prior to Closing, Siemens and Alstom shall share the costs of the shortfall of the Repurchase Global Price and Siemens shall indemnify Alstom of the "Repurchase Global Price Indemnity" (defined as 50% of an amount equal to (i) the Repurchase Global Price, minus (ii) (a) the average closing listed price per Alstom Share as of the 10 listing days following the date of announcement that Closing will not occur multiplied by (b) the number of Cancelled Alstom Shares), if a positive number.

	(e) Alstom shall provide a certificate to Siemens five (5) Business Days prior to Closing either (i) certifying that on Closing, the Siemens Group will hold at least 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 50% of Alstom's share capital on a Fully Diluted basis on Closing (the "**Certificate**"). In the event where such percentage is expected to be below 50% of the share capital of Alstom on a Fully Diluted basis as of Closing, Alstom undertakes to pursue or launch a repurchase program prior to the Closing Date, in order to purchase and cancel such number of Alstom Shares, effective at the latest on the Closing Date, necessary to ensure that the Siemens Group will hold no less than 50% of the share capital of Alstom on a Fully Diluted basis as of Closing. If Alstom Shares are so repurchased by Alstom between the Determination Date and the Closing Date, in order to ensure that the Siemens Group holds at least 50% of Alstom's share capital on a Fully Diluted basis upon Closing, Alstom shall hold the Siemens Group harmless of an amount equal to the global price for repurchasing such amount of Alstom Shares plus the associated costs. Any cancellation of Alstom Shares pursuant to this repurchase program shall occur on or prior to Closing. Within thirty (30) days after Closing, Alstom shall contribute to Alstom Holdings, its directly and indirectly wholly-owned subsidiary, the shares in Siemens Mobility SAS, Siemens Mobility Holding B.V. and Siemens Mobility GmbH received from Siemens France Holding and Siemens Mobility Holding S.à r.l. under the Contributions (subject to the *apport-scission* regime) in exchange for newly issued shares of Alstom Holdings (the "**Alstom Contribution**"). The Business Combination Agreement provides for customary representations, warranties and covenants, including with respect to operating the parties' respective businesses in the ordinary and usual course of business and with respect to regular dividend distributions. The Business Combination Agreement also provides for a termination fee of €140,000,000 (the "**Termination Fee**"). The Termination Fee will be due by Alstom to Siemens under the following circumstances: 1. the Business Combination Agreement is terminated by Alstom or Siemens because the Extraordinary Shareholders' Meeting has not by July 31st, 2018 voted in favour of the Contributions, the issuance to the Siemens Contributing Companies of the New Alstom Shares and the Warrants, effective as of Closing, or the new by-laws or the board of directors composition, effective as of Closing, in accordance with the terms of the Business Combination Agreement; 2. the Business Combination Agreement is terminated by Alstom because Alstom has entered into a written alternate superior proposal agreement with a third party; or 3. the Business Combination Agreement is terminated by Siemens because (i) Alstom has failed to convene the Extraordinary Shareholders' Meeting or has failed to provide such Extraordinary Shareholders' Meeting with all relevant documentation and information, or the board of directors of Alstom (the "**Alstom Board of Directors**") has failed to meet on the

Closing Date to acknowledge the satisfaction or waiver of the conditions precedent to the Combination, (ii) there has been a material breach by Alstom in the performance or compliance of its material obligations under the Business Combination Agreement prior to Closing or a material inaccuracy of its representations and warranties, (iii) Alstom Board of Directors has issued a recommendation deviating from its undertaking to recommend that the Alstom shareholders approve the resolutions to be submitted to their vote during the Extraordinary Shareholders' Meeting pursuant to the Business Combination Agreement for the purpose of implementing the Combination, or (iv) Alstom has not complied with its exclusivity undertaking under the Business Combination Agreement.

Pursuant to the Business Combination Agreement, and subject to the occurrence of Closing, Alstom existing shareholders at the close of the Record Date will be entitled to share in two extraordinary distributions of reserves and/or premiums:

i. an exceptional distribution of reserves and/or premiums (*distribution exceptionnelle de réserves et/ou primes*) of a total amount of €4 per Alstom Share outstanding on the Record Date (ca. €0.9 billion in total) to be paid shortly after the Closing Date ("**Distribution A**"); and

ii. an exceptional distribution of reserves and/or premiums (*distribution exceptionnelle de réserves et/ou primes*) of a global maximum amount of €881 million (capped at €4 per Alstom Share outstanding on the Record Date) in the context of the proceeds of Alstom's put options under the General Electric joint ventures (to be reduced by the amount of (i) any shortfall on the proceeds received pursuant to such put options, (ii) any net cash shortfall of Alstom as of the Determination Date compared to a reference net cash position and (iii) the Repurchase Global Price) ("**Distribution B**").

It is specified that Distribution A will be economically borne by Siemens by including Distribution A as an additional deduction item within Contributions' enterprise value to equity value adjustments.

The main characteristics of Distribution A shall be as follows:

(a) Distribution A shall be paid on the eighth (8th) Business Day following the Closing Date subject to the Closing having occurred;

(b) there shall be no Distribution A in the event that the Business Combination Agreement is terminated without the Closing having occurred;

(c) the right to Distribution A shall lapse on the ninth (9th) Business Day after the Closing Date and no amount or liability shall be due by Alstom under Distribution A after such date; and

(d) the payment of any amount resulting from Distribution A shall be made after deduction of any withholding taxes which are, or may be, imposed upon the Distribution A right holders by law.

The main characteristics of Distribution B shall be as follows:

(a) in the event that the GE Proceeds (as such term is defined below) have been paid on or prior to the tenth (10th) Business Day before the Closing Date, Distribution B shall be paid on the eighth (8th) Business Day following the Closing Date subject to the Closing having occurred;

(b) in the event that the GE Proceeds have not been paid before the tenth (10th) Business Day before the Closing Date, Distribution B shall be paid on the thirtieth (30th) Business Day following the date on which the GE Proceeds will have been paid to Alstom;

(c) there shall be no Distribution B in the event that the Business Combination Agreement is terminated without the Closing having occurred;

(d) the right to Distribution B shall lapse on the Business Day following the payment date of Distribution B as set forth above and no amount or liability shall be due by Alstom under Distribution B after such date;

(e) the right to Distribution B shall lapse if the GE Proceeds have not been paid after ten (10) years following the Closing Date; and

(f) the payment of any amount resulting from Distribution B shall be made after deduction of any withholding taxes which are, or may be, imposed upon the Distribution B right holders by law.

"**GE Proceeds**" means an amount (zero or above) equal to the proceeds that have been paid to Alstom, unconditionally and without any encumbrances in any manner whatsoever, following the transfer by Alstom to General Electric or any third party of the renewable and grid joint-ventures either (x) as a result of the exercise of the options provided for in the related joint-venture agreements or (y) further to a negotiation after announcement of the Transaction or (z) as a result of a final non appealable litigation or arbitration sentence or decision against General Electric or otherwise.

Pursuant to the Business Combination Agreement, as from the Closing Date until the date of the annual general shareholders' meeting called to approve the annual accounts of Siemens Alstom taking place after the expiry of a period of four (4) years after the Closing Date (the "**Initial Term**"), the contemplated corporate governance structure of Siemens Alstom will be organized as follows:

i. Alstom's current Chief Executive Officer and Chairman of the Board of Directors, Mr. Henri Poupart-Lafarge, will be appointed for an undefined term as Chief Executive Officer of Siemens Alstom (*Directeur Général*) (the "**Siemens Alstom CEO**");

ii. the Siemens Alstom Board of Directors shall be chaired by a non-executive Chairman to be appointed by the majority of the Alstom Board of Directors among the directors designated by Siemens (Siemens' current Chief Technology Officer and member of the Managing Board, Mr. Roland Busch, will be designated to serve as non-executive Chairman as from Closing);

iii. the Siemens Alstom Board of Directors shall comprise a Vice-Chairman to be appointed among the four (4) Independent Directors (as defined below) at least for the Initial Term (Mr. Yann Delabrière will be designated to serve

	as Vice-Chairman as from Closing). Following the Initial Term, the Siemens Alstom Board may at any time decide, at simple majority, to remove the function of the Vice-Chairman; iv. the Siemens Alstom Board of Directors will consist of eleven (11) members and be comprised of: a. six (6) directors designated by Siemens; b. the Siemens Alstom CEO; and c. four (4) independent directors designated by Alstom and agreed by Siemens and who shall qualify as independent under the AFEP-MEDEF Code of Governance. These four (4) independent directors are defined as "**Independent Director**" for the purpose of certain provisions of the internal rules only of the Siemens Alstom Board of Directors; it being specified in this respect that, during the Initial Term: ▪ (x) any replacement or successor of a director proposed by Siemens shall be designated by Siemens and (y) any replacement or successor of an Independent Director shall be appointed by the Siemens Alstom Board of Directors at a two-third majority of directors present or represented (and comprising a positive vote of two (2) Independent Directors) out of two (2) individual candidates selected by the majority of the Independent Directors and who qualify as independent under the AFEP-MEDEF Code of Governance for recommendation by the Nominations and Remuneration Committee; and ▪ Siemens has undertaken to vote, at the next general meeting of Siemens Alstom shareholders, in favour of the resolution relating to the appointment, or confirmation of the appointment, as the case may be, of the Independent Director nominated by the Siemens Alstom Board of Directors; and v. the current Alstom *Président-Directeur Général* shall be renewed as a director of Siemens Alstom for the duration of his mandate as Siemens Alstom CEO. The contemplated Transaction received the support from the French State and from Bouygues S.A. ("**Bouygues**"), a major shareholder of Alstom holding 27.94% of the share capital and 28.75% of the voting rights of Alstom as of March 31, 2018. In a press release dated September 26, 2017, the French State indicated supporting the contemplated Transaction, which aims at creating a world leader in the railroad construction and railway signaling industry, with corporate headquarters located in France. In this respect, Siemens has given certain undertakings, including certain governance, organizational and employment protections and a standstill pursuant to which Siemens has undertaken not to hold, directly or indirectly, more than 50.5% of the share capital and voting rights of Siemens Alstom for a period of four (4) years as from the Closing Date (the "**Standstill Undertaking**"). The Business Combination Agreement provides that if the shareholding of the Siemens Group in Alstom exceeds the Standstill Undertaking on the Closing Date of the Transaction,

	neither Siemens nor any of its affiliates shall be obliged to sell any Alstom Shares to bring the shareholding of the Siemens Group below the Standstill Undertaking provided that such shareholding shall not exceed 50.67% of the issued share capital of Alstom. The contemplated Transaction has also the full support from Bouygues which will vote in favor of the contemplated Transaction at the meeting of Alstom Board of Directors and which will not transfer, directly or indirectly, any securities it holds in Alstom before the Extraordinary Shareholders' Meeting and will vote in favor of any resolutions which are proposed to the shareholders in relation to the approval of the contemplated Transaction with all its voting rights in Alstom, up to a maximum of 29.99%.
Purpose of the Contributions	The proposed Combination of Alstom and the Siemens Target Business will bring together two innovative players of the railway market with unique customer value and operational potential. The two businesses are largely complementary in terms of activities and geographies. The proposed Combination is to take place in a fast changing global market, which is notably characterized by (i) a rapid rise of Asian rail companies and the emergence of European low cost suppliers in an overcapacitating industry, (ii) increasing protectionism and localization requirements, (iii) pressure from the customers to reduce costs and (iv) major ongoing transformations (multimodality, digitalization,…). The Combined Company will offer a significantly increased range of diversified product and solution offerings to meet multi-facetted, customer-specific needs, from cost-efficient mass-market platforms to high-end technologies. The global footprint enables the Combined Company to access growth markets in various geographical areas such as the Middle East and Africa, India, Middle and South America, China, the United States and Russia. Customers will significantly benefit from a well-balanced larger geographic footprint, a comprehensive portfolio offering and significant investment into digital services. Such wider international presence and capabilities will allow the Combined Company to participate in a growing global market, largely driven by the growth of megacities outside Europe which creates increasing demand for intelligent transport solutions and to better respond to local manufacturing requirements. Last but not least, customers and populations will benefit from the contemplated Combination because of (i) a greater cost efficiency deriving from the expected synergies and optimization, (ii) significant complementary product offerings, (iii) a geographic complementarity responding to customer request for localization and (iv) a facilitated cross-border railway integration in Europe.
Terms and conditions of the Contributions	The Contributions are subject to the *apport-scission* regime as agreed by the parties in accordance with: (i) Articles L. 236-6-1 and L. 236-22 of the French Commercial Code (*code de commerce*); and, (ii) for the Luxembourg Contribution only, 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. In consideration for the Contributions, Alstom will issue: - 227,314,658 New Alstom Shares with a par value of €7 each, representing no less than 50% of the share capital of Alstom on a Fully Diluted basis, of which (i) 8,505,619 New Alstom Shares to be subscribed by Siemens France Holding in consideration for the French Contribution and (ii) 218,809,039 New Alstom Shares to be subscribed by Siemens Mobility Holding S.à r.l. in consideration for the Luxembourg Contribution; and - 18,942,888 Warrants, to be subscribed by Siemens Mobility Holding S.à r.l. with respect to the Luxembourg Contribution as part of the consideration for the contribution of the shares in Siemens Mobility Holding B.V. As a result of the Contributions, the total par value of Alstom's share capital increase will be €1,591,202,606. The difference between the value of the Contributions (*i.e.*, €4,727,640,174) and the par value of the capital increase (*i.e.*, €1,591,202,606) will represent a contribution premium of €3,136,437,568. This premium will be credited to additional paid-in capital in Alstom's (and, following the contemplated Contributions, Siemens Alstom's) statement of financial position (*compte "prime d'apport"*), to which all new and existing shareholders of Alstom (and, following the contemplated Contributions, Siemens Alstom) will have rights. ***New Alstom Shares*** The new ordinary shares issued by Alstom in consideration for the Contributions will carry dividend and voting rights as from the Closing Date, will rank *pari passu* with the existing shares comprising Alstom's share capital, will carry the same rights and privileges and will be subject to all of the provisions set out in Alstom's (and, following the contemplated Contributions, Siemens Alstom's) by-laws. The New Alstom Shares (and, following the contemplated Contributions, Siemens Alstom) will be traded under the same ISIN code (FR0010220475) as the existing ordinary shares of Alstom. ***Warrants*** The Warrants issued by Alstom shall be securities carrying rights to the share capital (*valeurs mobilières donnant accès au capital*) within the meaning of Articles L. 228-91 *et seq.* of the French Commercial Code. The Warrants shall be issued in registered form (*forme nominative*). In accordance with Article L. 211-3 of the French Monetary and Financial Code, the Warrants shall be registered in a securities account held by a qualified intermediary. The rights of the Warrant holder(s) shall therefore be represented by registered securities held in an account opened in their name in the books of BNP Paribas Securities Services. The Warrants shall be issued on the Closing Date.

	The Warrants shall not be listed or admitted to trading on a regulated market. The Warrants may be exercised at any time from midnight (Paris time) on the fourth (4th) anniversary of the Alstom Board's decision to issue the Warrants (the "**Issue Date**") until midnight (Paris time) on the sixth (6th) anniversary of the Issue Date, after which time any unexercised Warrants shall lapse and shall have no further value (the "**Exercise Period**"). The Warrants may be exercised in whole or in part during the Exercise Period. Such exercise would be publicly disclosed according to applicable laws and regulations.
Value of the Contributions and assessment of the Exchange Ratio/consideration for the Contributions	In establishing the "Exchange Ratios", the history of Alstom and Siemens were carefully considered, including analyses of historical financial information derived from their financial statements, market reports and press releases and the possible long-term developments in profitability, cash flows, and the balance sheet. The historical market valuation of both companies' shares was also taken into account, as set out below. ***French Contribution*** The proposed Exchange Ratio for the French Contribution was determined according to the following multi-criteria analysis: • Discounted cash flows • Trading multiples • Alstom Group stock price valuation using different reference dates • Brokers' target prices for Alstom Group and sum-of-the-part valuation of Siemens Group Siemens France Holding will receive as consideration for the French Contribution 8,505,619 of New Alstom Shares. ***Luxembourg Contribution*** The proposed consideration for the Luxembourg Contribution was determined according to the following multi-criteria analysis: • Discounted cash flows • Trading multiples • Alstom Group stock price valuation using different reference dates • Brokers' target prices for Alstom Group and sum-of-the-part valuation of Siemens Group Siemens Mobility Holding S.à r.l. will receive as consideration for the Luxembourg Contribution 218,809,039 New Alstom Shares and 18,942,888 Warrants, it being specified that the Warrants will be issued solely in respect of the contribution of the shares in Siemens Mobility Holding B.V.

Summary of information retained in assessing the Exchange Ratio

Siemens France Holding will receive as consideration for the French Contribution 8,505,619 New Alstom Shares.

Siemens Mobility Holding S.à r.l. will receive as consideration for the Luxembourg Contribution 218,809,039 New Alstom Shares and 18,942,888 Warrants.

The table below shows the summary of Alstom Group and Contributions equity value based on the 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%

Findings of the Contribution Appraiser and of the Luxembourg Independent Expert

<u>Regarding the contribution of Siemens Mobility SAS</u>

Contribution Appraiser

<u>Regarding the value of the French Contribution</u>

"On the basis of our work and as at the date of this report, we are of the opinion that the value of the contribution amounting to €231,141,816 is not over-valued, and, consequently, that it is at least equal to the amount of the share capital increase of the company that is the beneficiary of the contributions, plus the contribution premium.

Paris, May 30, 2018
The contribution appraiser
Olivier Péronnet"

Such findings are a free translation from the original "*Rapport du Commissaire à la scission sur la valeur de l'apport*" regarding the "*Apport des titres de la société*

	SIEMENS MOBILITY SAS consenti 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. <u>Regarding the consideration for the French Contribution</u> *"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.* *Paris, May 30, 2018* *The contribution appraiser* *Olivier Péronnet"* Such findings are a free translation from the original "*Rapport du Commissaire à la scission sur la rémunération de l'apport*" regarding the "*Apport des titres de la société SIEMENS MOBILITY SAS consenti 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. **<u>Regarding the contribution of Siemens Mobility Holding B.V. and Siemens Mobility GmbH</u>** ***Contribution Appraiser*** <u>Regarding the value of the Luxembourg Contribution</u> *"On the basis of our work and as at the date of this report, we are of the opinion that the value of the contribution amounting to €4,496,498,358 is not over-valued, and, consequently, that it is at least equal to the amount of the share capital increase of the company that is the beneficiary of the contributions, plus the contribution premium.* *Paris, May 30, 2018* *The contribution appraiser* *Olivier Péronnet"* Such findings are a free translation from the original *"Rapport du Commissaire à la scission sur la valeur de l'apport*" regarding the "*Apport des titres des sociétés SIEMENS MOBILITY GmbH et SIEMENS MOBILITY HOLDING BV consenti par la société SIEMENS MOBILITY HOLDING SA RL 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. <u>Regarding the consideration for the Luxembourg Contribution</u> *"On the basis of our work and at the date of this report, our opinion is that the proposed consideration for the Luxembourg Contribution, leading to the issuance*

	of 218,809,039 ALSTOM shares and 18,942,888 ALSTOM warrants, agreed by the parties, is fair. *Paris, May 30, 2018* *The contribution appraiser* *Olivier Péronnet"* Such findings are a free translation from the original *"Rapport du Commissaire à la scission sur la rémunération de l'apport*" regarding the "*Apport des titres des sociétés SIEMENS MOBILITY GmbH et SIEMENS MOBILITY HOLDING BV consenti par la société SIEMENS MOBILITY HOLDING SA RL 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. ***Luxembourg Independent Expert*** *"Based on the work performed, nothing came to our attention that causes us to believe that:* - *the exchange ratio of 218,809,039 Alstom shares and 18,942,888 warrants for 100% of Siemens Mobility GmbH shares and 100% of Siemens Mobility Holding B.V. shares is not relevant and reasonable;* - *the selected valuation methods used to arrive at the exchange ratio are not adequate and appropriate in the circumstances.* *Our conclusion is expressed at the date of this report which represents the end date of our engagement. Our responsibility does not cover any procedure to be performed on potential subsequent events between the present date of this report and the Closing Date or the Determination Date.* *This report is made solely for the purpose of complying with article 1031-6 of the Law and may not be used for other purposes.* *Luxembourg, May 30, 2018* *BDO Audit* *Cabinet de révision agréé* *By: Daniel Croisé"* Such findings are a free translation from the original "*Rapport de « l'expert indépendant » sur le "Traité d'apport partiel" concernant le transfert d'actifs de Siemens Mobility Holding S.à r.l. à Alstom S.A.*" written in French language and dated May 30, 2018. The French original version will always prevail.
Conditions precedent	The obligations of Alstom and Siemens to effect the closing of the Combination are subject to the fulfillment of the following conditions precedent at or prior to the date of the Extraordinary Shareholders' Meeting:

	1. clearance of the contemplated Combination by the French Ministry for Economy, Industry and the Digital Sector ("**MINEFI**") under Articles L. 151-3 and R. 153-1 *et seq.* of the French Monetary and Financial Code; 2. no governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, rule or regulation which is in effect and prohibits or makes illegal the consummation of the entirety of the contemplated Transaction; 3. approval by the Extraordinary Shareholders' Meeting of the resolutions relating to (i) the Contributions (including the issuance of the New Alstom Shares and Warrants), as set forth in the Business Combination Agreement, (ii) the approval of and authorization to the Alstom Board of Directors for the purpose of the distribution of Distribution A and Distribution B, (iii) the removal of double voting rights attached to the Alstom Shares continuously held in registered form by the same shareholder for a minimum of two years and (vi) the appointment of new members of Siemens Alstom's Board of Directors and the amendment of Alstom's by-laws as set forth in the Business Combination Agreement, to become effective immediately after the Closing Date and (v) the authorization to the Alstom Board of Directors to issue the New Alstom Shares and the Warrants upon satisfaction of the last conditions precedent to Closing effective as at the Closing Date; 4. approval by the special meeting of Alstom's shareholders holding shares carrying double voting rights of the removal of such double voting rights (and the subsequent corresponding amendment of Alstom's by-laws) to become effective immediately after Closing and issuance of the New Alstom Shares; and 5. waiver granted by the French Market Authority (*Autorité des marchés financiers*) (the "**AMF**") to Siemens with an unconditional exemption from the mandatory filing of a tender offer pursuant to applicable regulations and in connection with the contemplated Transaction; the AMF must have published its decision, made pursuant to Article 234-9, 3° of the AMF General Regulations, confirming that the crossing of the 30% threshold by the Siemens Group, both in terms of share capital and voting rights in Alstom, as a result of the Contributions shall not result in any obligation on the part of Siemens to launch a mandatory tender offer for shares of Alstom, in accordance with Article 234-2 of the AMF General Regulations, and such decision must not have been challenged during the appeal period set forth in Article R. 621-44 of the French Monetary and Financial Code or, if such an appeal is made, it must have been rejected by a final and non-appealable decision of the Paris Court of Appeal or settled in a manner allowing for the waiver to have become definitive. On May 28, 2018, the MINEFI has granted to Siemens its authorization under Articles L. 151-3 and R. 153-1 *et seq.* of the French Monetary and Financial Code. On May 29, 2018, the AMF has granted Siemens an unconditional exemption from the mandatory filing of a tender offer pursuant to applicable regulation and in connection with the contemplated Transaction. The Combination is subject to the satisfaction or express waiver of the following conditions precedent at or prior to Closing:

	1. clearances (including as a result of the expiry of the applicable waiting period) from competition authorities in Australia, Brazil, Canada, Chile, China, the European Union, India, Israel, Mexico, Russia, South Africa, Switzerland, Taiwan and the United States and other governmental and regulatory clearances (including foreign investment clearances) in France, the United States, Australia and Russia not already obtained as of the Extraordinary Shareholders' Meeting shall have been obtained; 2. compliance by each of Alstom and Siemens with certain of the covenants under the Business Combination Agreement (relating to the composition of the Siemens Alstom Board of Directors, the name and mandate of the Chief Executive Officer of Siemens Alstom, Siemens Alstom Board committees and amendments to the by-laws of Alstom) on, and effective as of, the date of the closing of the Contributions; 3. no governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, rule or regulation which is in effect and prohibits or makes illegal the consummation of the entirety of the contemplated Transaction; 4. to the benefit of Siemens only, (i) the representations and warranties of Alstom set forth in the Business Combination Agreement shall be true and correct in all material respects, (ii) the New Alstom Shares to be issued in connection with the Contributions shall, when issued, on Closing, represent no less than 50% of the share capital of Alstom and shall have been authorized for listing on the regulated market of Euronext Paris and Siemens shall have received the Certificate (as this term is defined above); and 5. to the benefit of Alstom only, (i) the representations and warranties of Siemens set forth in the Business Combination Agreement shall be true and correct in all material respects, and (ii) the carve-out of the Siemens Target Business within the Siemens Group shall have been completed to the extent as set forth in the Business Combination Agreement.
Main risk factors regarding the Transaction	The main risk factors regarding the Transaction are the following: ***Risks related to Alstom's shares*** (a) the issuance of new shares, including as consideration for the Contributions, will dilute the holdings of existing shareholders; (b) the price of Alstom's shares and the shares of the Combined Company is subject to volatility; (c) following completion of the Contributions, the Siemens Group will hold no less than 50.00% of the share capital of the Combined Company on a Fully Diluted basis; (d) in connection with the Transaction, the existing double voting rights will be cancelled; and

	(e) shareholders may decide to sell their Alstom Shares within the context of the contemplated Transaction and its implementation. ***Risks related to the Combination*** (a) the completion of the Combination is subject to a certain number of conditions precedent, including anti-trust approvals, which may prevent or delay it; (b) the integration of the operations of the Alstom Group and the Siemens Target Business may not be successful and may disrupt operations or generate expenses; (c) The carve-out of the Siemens Target Business from the Siemens Group may differ to some extent from the perimeter of the Siemens Target Business as initially agreed between Alstom and Siemens on the basis of segment reporting ; (d) the Combination may not achieve some or all of the anticipated mid-term synergies; (e) Alstom and Siemens have not had the opportunity to conduct in-depth due diligence, and unforeseen liabilities of Alstom or the Siemens Target Business could therefore adversely affect the Combined Company's business and results of operations; (f) General Electric may fail to comply with its obligations under the agreement with Alstom, as announced on May 10, 2018; (g) uncertainty related to the proposed Transaction may negatively affect the companies' relationships with strategic partners, suppliers, clients and employees; (h) the Combined Company may not be able to retain key management and personnel; (i) certain financing and operating agreements contain clauses related to a change of control which may be exercised by counterparties; (j) the Combined Company may be in a position whereby important or material services are provided by the Siemens Group to the Combined Company and its group; (k) the credit rating of the Combined Company may be revised in the future; currently, Alstom and Siemens have Baa2 and A1 long-term issuer rating attributed by Moody's, respectively; (l) creditors' rights under French and Luxembourg laws may adversely impact, as the case may be, the business, results of operations, financial position, and prospects of Siemens Alstom; (m) claims and litigations against Alstom, Siemens and/or the Combined Company may arise in connection with the Combination;

	(n) the valuation of the Siemens Target Business to be contributed may fluctuate, as well as the market value of the Alstom's shares, and could therefore have an impact on the consideration for the contemplated Contributions; (o) difficulties may arise in comparing annual accounts of Alstom (and, following the contemplated Contributions, the Combined Company) from one period to the next; (p) the future results of operations and financial position of the Combined Company may be materially different than those presented or implied by the unaudited pro forma financial information contained herein; and (q) failure to complete the Combination due to a termination of the Business Combination Agreement could negatively impact the stock price and the future business and financial results of Alstom and Siemens.

Alstom ownership structure before and after the Contributions

The table* below shows Alstom's capital structure evolution after the Contributions based on the companies' ownership structures as at March 31, 2018:

	Before Contributions[1]				**After Contributions**					
	Number of shares	%	Number of voting rights	%	Number of shares and warrants	Diluted % (pre-warrants)	Diluted % (post-warrants)	Number of voting rights[1]	Diluted % (pre-warrants)	Diluted % (post-warrants)
Public[2]	82,854,841	36.5	83,568,157	36.0	81,955,059	18.1	17.3	81,955,059	18.1	17.3
Bouygues S.A.	62,086,226	27.3	65,347,092	28.1	62,086,226	13.7	13.1	62,086,226	13.7	13.1
Institutional investors	74,700,014	32.9	74,518,620	32.1	74,700,014	16.5	15.8	74,700,014	16.5	15.8
- *Siemens Mobility Holding S.à r.l. (shares)*	*0*	*0*	*0*	*0*	*218,809,039*	*48.2*	*46.3*	*218,809,039*	*48.2*	*46.3*
- *Siemens Mobility Holding S.à r.l. (warrants[4])*					*18,942,888*		*4.0*	*18,942,888*		*4.0*
- *Siemens Mobility Holding S.à r.l. (shares and warrants[4])*					*237,751,927*		*50.3*	*237,751,927*		*50.3*
- *Siemens France Holding*	*0*	*0*	*0*	*0*	*8,505,619*	*1.9*	*1.8*	*8,505,619*	*1.9*	*1.8*
The Siemens Group (shares)	0	0	0	0	227,314,658	50.1	48.1	227,314,658	50.1	48.1

The Siemens Group (shares and warrants[4])					*246,257,546*		52.1	*246,257,546*		52.1
Employees	2,569,390	1.1	3,882,733	1.7	2,569,390	0.6	0.5	2,569,390	0.6	0.5
Treasury shares	-	-	-	-	-	-	-	-	-	-
Total before Alstom dilution	222,210,471	97.8	227,316,602	97.9	448,625,347	98.9	95.0	448,625,347	98.9	95.0
Impact of Alstom dilutive instruments (pre-warrants)[3]	4,887,464	2.2	4,887,464	2.1	4,887,464	1.1	1.0	4,887,464	1.1	1.0
Total diluted number of shares	227,097,935	**100.0**	232,204,066	100.0	453,512,811	**100.0**	96.0	453,512,811	**100.0**	**96.0**
Impact of Siemens Mobility S.à r.l. warrants[4]					18,942,888		4.0	18,942,888		**4.0**
Total diluted number of shares (post-warrants)[4]					472,455,699		100	472,455,699		**100.0**

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

(1) After French and Luxembourg Contributions figures taking into account the removal of double voting rights.

(2) After French and Luxembourg Contributions Public shareholding figures taking into account Alstom Repurchase Program, designed to ensure a shareholding in Alstom to the Siemens Group of 50.67% on an issued and outstanding basis, as of the Determination Date
Number of shares to be repurchased amounts to 899,782 computed as the difference between (i) Alstom number of shares outstanding as of 31/03/2018 (222,210,471 shares) and (ii) the estimated projected number of Alstom shares issued at Determination Date (221,310,689 shares)

(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 weighted average share price between 01/03/2018 and 31/03/2018 of €34.96 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 volume-weighted average share price between 01/03/2018 and 31/03/2018 (i.e., €34.96 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).

(4) 18,942,888 warrants will be issued as part of the consideration for the Luxembourg Contribution.

Dilution

Impact of the Contributions on the share of consolidated equity, group share, for the holder of one Alstom share prior to the Contributions

The table below shows the impact of the Contributions on the share of consolidated equity, group share based on the number of shares and equity (group share) as at March 31, 2018:

	Before Contributions	After Contributions
Equity (group share)[1] (€m)	3,966	8,694
Number of shares[2]	222,210,471	448,625,347
Equity (group share) per share (€)	17.8	19.4

1. Financial aggregates as of March 31, 2018
2. Based on the number of shares issued and outstanding - Assumptions retained detailed in the section "Alstom ownership structure before and after the Contributions"

Impact of the Contributions on the interest of a shareholder holding 1% of Alstom's share capital prior to the Contributions

The table below shows the impact of the Contributions on the ownership based on the number of shares as at March 31, 2018:

	Ownership percentage		
	On a non-diluted basis (excluding warrants)	**On a diluted basis (excluding warrants)** [1]	**On a diluted basis (including warrants)** [1]
Before Contributions	1.00 %	0.98 %	-
After Contributions	0.50 %	0.49 %	0.47%

1. Based on a fully diluted number of shares - Assumptions retained detailed in the section "Alstom ownership structure before and after the Contributions

Impact of the Contributions on the interest of a shareholder holding 1% of Alstom's voting rights prior to the Contributions

The table below shows the impact of the Contributions on the voting rights based on the number of voting rights as at March 31, 2018:

	Voting rights percentage		
	On a non-diluted basis (excluding warrants) [1]	**On a diluted basis (excluding warrants)**[2]	**On a diluted basis (including warrants)**[2]
Before Contributions	1.00 %	0.98 %	-

After Contributions 3	0.50 %	0.49 %	0.47%

1. Based on the number of voting rights excluding the dilutive effect of the existing dilutive instruments - Assumptions retained detailed in the section "Alstom ownership structure before and after the Contributions"
2. Based on a fully diluted number of shares - Assumptions retained detailed in the section "Alstom ownership structure before and after the Contributions"
3. After Contribution figures taking into account the removal of double voting rights

2. SUMMARY OF THE MAIN CHARACTERISTICS OF THE COMPANY TO WHICH SHARES ARE TO BE CONTRIBUTED	
General information about Alstom	Alstom is a French *société anonyme* (joint stock company) with a share capital of €1,555,913,730, registered with the Trade and Companies Registry of Bobigny under no. 389 058 447. Its registered office is located at 48 rue Albert Dhalenne – 93400 Saint-Ouen, France.
Information about Alstom's business	As a promoter of sustainable mobility, Alstom develops and markets systems, equipment and services for the transport sector. Alstom offers a complete range of solutions (from high-speed trains to metros, tramways and e-buses), passenger solutions, customized services (maintenance, modernization), infrastructure, signaling and digital mobility solutions. Alstom is a world leader in integrated transport systems. The company recorded sales of €8.0 billion and booked €7.2 billion of orders in the 2017/18 financial year. Headquartered in France, Alstom is present in over 60 countries and employs 34,500 people.
3. SUMMARY OF THE MAIN CHARACTERISTICS OF THE COMPANIES OF WHICH SHARES ARE TO BE CONTRIBUTED	
Carve-Out of the "Mobility" business	As of the date hereof, the Siemens Target Business is not held by a separate sub-group within the Siemens Group but by various entities of the Siemens Group. In order to allow the combination of the Siemens Target Business into the Combined Group, Siemens and Alstom have agreed that Siemens shall, and shall cause its affiliates to, separate the business activities of the Siemens Target Business (including any and all assets, liabilities and employees pertaining to the Siemens Target Business, in each case unless contractually excluded or limited by the Business Combination Agreement) from the rest of the business activities carried out by the Siemens Group, in accordance with applicable laws and the terms of the Business Combination Agreement (the "**Carve-Out**"). Upon completion of the Carve-Out, the Siemens Target Business operated by the Siemens entities in France (along with their subsidiaries and activities) will be operated by Siemens Mobility SAS whereas the Siemens Target Business operated in countries other than France will be operated by Siemens Mobility Holding B.V and Siemens Mobility GmbH.
General information about Siemens Mobility SAS	Siemens Mobility SAS is a French s*ociété par actions simplifiée à associé unique* (sole shareholder simplified joint-stock company) with a share capital of €52,791,890, registered with the Trade and Companies Registry under number

	833 751 431 RCS Nanterre. Its registered office is located at 150, avenue de la République, Châtillon (92323), France.
General information about Siemens Mobility Holding B.V.	Siemens Mobility Holding B.V. is a Dutch a *Besloten Vennootschap* (private company with limited liability) with a share capital of €1,000, registered with the Dutch Trade Register (*Kamer van Koophandel*) under number 70211965 / RSIN 858193966. Its registered office is located at Prinses Beatrixlaan 800, 2595BN 's-Gravenhage, the Netherlands.
General information about Siemens Mobility GmbH	Siemens Mobility GmbH is a German *Gesellschaft mit beschränkter Haftung* (limited liability company) with a share capital of €25,000, registered with the Trade Register of the Munich Local Court under number HRB 237219. Its registered office is located at Otto-Hahn-Ring 6, 81739 Munich, Germany.
Information about the Siemens Target Business	The Siemens Target Business is a global supplier of rolling stock and signaling products providing a comprehensive portfolio of solutions in rail and road. It operates activities 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. It provides its customers with consulting, planning, construction, service and operation of turnkey mobility systems. Moreover, it offers integrated mobility solutions for networking of different types of traffic systems. In FY2017 (the 12-month period ended September 30, 2017), the Siemens Target Business was globally operated through a network of production sites, engineering facilities and data service centers worldwide in more than 60 countries, with a backlog of c. €26.6 bn, revenues of c. €8.1bn and c. 30,453 full-time equivalent employees.

4. UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Introduction

The unaudited pro forma condensed combined financial information of Siemens Alstom (together with its consolidated subsidiaries, the "**Combined Group**") includes the unaudited pro forma condensed combined statement of financial position as of September 30, 2017 and the unaudited pro forma condensed combined statement of income for the 12 month period ended September 30, 2017 with the related explanatory notes (together the "**Unaudited Pro Forma Condensed Combined Financial Information**") and has been prepared to represent the pro forma effects of the Transaction. The Unaudited Pro Forma Condensed Combined Financial Information has been prepared considering a 12-month period ending September 30 as it is expected to be the fiscal year end of the Combined Group in the future.

The unaudited pro forma condensed combined statement of financial position has been prepared assuming that the Transaction had been completed on September 30, 2017. The unaudited pro forma condensed combined statement of income has been prepared assuming that the Transaction had been completed on October 1, 2016.

The Unaudited Pro Forma Condensed Combined Financial Information has been produced for illustrative purposes only, and, by its nature, is not intended to represent or to be indicative of the result of operations or the financial position that the Combined Group would have had achieved, had the Transaction been completed as of September 30, 2017 in the unaudited pro forma condensed combined statement of financial position, or as of October 1, 2016 in the unaudited pro forma condensed combined statement of income, nor is the

Unaudited Pro Forma Condensed Combined Financial Information indicative of the future operating results or financial position of the Combined Group.

The Unaudited Pro Forma Condensed Combined Financial Information should be read in conjunction with the information contained in Section 5.3 of this Document entitled "Financial information relating to the Siemens Target Business and in Alstom's 2017/2018 Registration Document incorporated by reference into this Document.

Accounting treatment of the transaction

Considering the guidance in IFRS 3 "Business Combinations" ("IFRS 3") and all facts and circumstances, in particular those related to the contemplated Transaction, including the Business Combination Agreement, Alstom and Siemens Mobility management determined that Siemens Mobility is the acquirer for accounting purposes based on (i) the relative voting rights of both Alstom's shareholders and Siemens Mobility's shareholders in the Combined Group, (ii) the composition of the governance body of the Combined Group agreed between the parties, and (iii) the terms of the exchange. Accordingly, although from a legal perspective Alstom is the acquirer and will be the entity issuing new shares to Siemens Mobility's shareholders, for accounting purposes the transaction will be treated as the acquisition of Alstom by Siemens Mobility.

As Siemens Mobility is the accounting acquirer, its assets, liabilities and statement of income line items will be recorded at their historical carrying amounts for all periods presented in the consolidated financial statements of the Combined Group and the purchase accounting and consolidation of Alstom will be reflected from the date of completion of the proposed Transaction, *i.e.*, the date of acquisition as defined in accordance with IFRS 3 (the "**Completion Date**"). By applying the principles in IFRS 3, Alstom's identifiable assets acquired and liabilities assumed will be initially recognized at their fair values at the Completion Date.

The change of financial year close from March 31 to September 30 could lead, depending of the Completion Date, to a financial year of less or more than 12 months:

- if the Completion Date occurs on or prior to March 31, 2019, the financial year starting on April 1, 2018 will end on September 30, 2019 (with a 12-month comparable at March 31, 2018); and

- if the Completion Date occurs on or after April 1, 2019, the financial year starting on April 1, 2019 will end on September 30, 2019 (with a 12-month comparable at March 31, 2019).

Preparation of pro forma information

The Unaudited Pro Forma Condensed Combined Financial Information is presented in millions of Euro.

The Unaudited Pro Forma Condensed Combined Financial Information is presented in accordance with Annex II of the AMF (*Autorité des marchés financiers*) Instruction n°2016-04 dated October 21, 2016, as modified on January 15, 2018, Annex II of Commission Regulation (EC) n°809/2004 "Pro Forma Financial Information Building Block", the recommendations issued by the European Securities and Market Authority ("**ESMA**") (formerly CESR) (ESMA/2013/319 of March 20, 2013) and the recommendations n°2013-08 issued by AMF on pro forma financial information.

The Unaudited Pro Forma Condensed Combined Financial Information is based on:

- Alstom's historical audited consolidated financial statements as of and for the year ended March 31, 2017 as well as Alstom's historical reviewed interim consolidated financial statements as of and for the 6 month period ended September 30, 2017, both prepared in accordance with IFRS as adopted by the European Union, which are incorporated by reference in this Document; and
- Siemens Mobility business' historical audited annual combined financial statements as of and for the year ended September 30, 2017 prepared in accordance with the financial reporting framework applied in the preparation of the Combined Financial Statements ("Basis of Preparation") which is based on the

recognition and measurement principles of the International Financial Reporting Standards as endorsed by the EU (IFRS) and certain carve-out specific accounting methods, included in this Document.

The pro forma adjustments to the Unaudited Pro Forma Condensed Combined Financial Information are limited to those that are (i) directly attributable to the Transaction and (ii) factually supportable. The Unaudited Pro Forma Condensed Combined Financial Information does not reflect items such as synergies or operating efficiencies that may result from the Transaction or restructuring and integration costs that may be incurred as a result of the Transaction.

The Unaudited Pro Forma Condensed Combined Financial Information is based upon certain assumptions that both Alstom and Siemens Mobility believe are reasonable at the date of this Document and in the context of the Business Combination Agreement.

Combined Company - Unaudited pro forma condensed combined statement of financial position as of September 30, 2017

			Unaudited pro forma adjustments			
	Alstom historical	Siemens historical	Reclassifications	Business combination	Other adjustments	Unaudited Combined Group pro forma
			Note 4.2	Note 4.3	Note 5	
Assets						
(in € million)						
Goodwill	1 443	1 891		5 274 a)		8 608
Intangible assets	381	812				1 193
Property, plant and equipment	738	648				1 386
Investments in joint-ventures and associates	2 812	127			(2 289) a)	650
Other financial assets	56	103				159
Other non-current assets	294	24				318
Deferred tax	184	38				222
Total non-current assets	**5 908**	**3 643**	**-**	**5 274**	**(2 289)**	**12 536**
Inventories and contract assets	3 823	3 755	(544) a) b) c)			7 034
Trade receivables (1)	1 534	1 296				2 830
Other current operating assets (2)	1 279	191	(130) c)	24 f)	4 c)	1 368
Other current financial assets	15	347				362
Cash and cash equivalents	1 643	70				1 713
Total current assets	**8 294**	**5 659**	**(674)**	**24**	**4**	**13 307**
Assets held for sale	9	-			2 289 a)	2 298
Total Assets	**14 211**	**9 302**	**(674)**	**5 298**	**4**	**28 141**
Liabilities and Equity						
(in € million)						
Equity attributable to the equity holders of the parent	3 726	2 263		3 439 b)	(12)	9 416
Non-controlling interests	61	30				91
Total equity	**3 787**	**2 293**	**-**	**3 439**	**(12)**	**9 507**
Non-current provisions	523	416				939
Accrued pensions and other employee benefits	491	362				853
Non-current financial liabilities (3)	1 318	459				1 777
Other non-current liabilities	214	214				428
Deferred tax	25	449				474
Total non-current liabilities	**2 571**	**1 900**	**-**	**-**	**-**	**4 471**
Current provisions	258	549				807
Current financial liabilities (4)	468	759				1 227
Financial liabilities related to Distributions A and B				1 766 c)		1 766
Contract liabilities	4 461	-	1 399 a) b) d)			5 860
Trade payables (5)	1 249	832				2 081
Other current operating liabilities (6)	1 410	2 969	(2 073) d)	93 d) e)	16 b)	2 414
Total current liabilities	**7 846**	**5 109**	**(674)**	**1 859**	**16**	**14 155**
Liabilities related to assets held for sale	7	-				7
Total Liabilities and Equity	**14 211**	**9 302**	**(674)**	**5 298**	**4**	**28 141**

(1) Trade receivables for Siemens Mobility comprises Trade and other receivables (€ 1 167 million) and Receivables from Siemens Group (€ 129 million).
(2) Other current operating assets for Siemens Mobility comprises Other current assets (€ 180 million) and Current income tax assets (€ 11 million).
(3) Non-current financial liabilities for Siemens Mobility comprises Long-term debt (€ 431 million) and Other financial liabilities (€ 28 million).
(4) Current financial liabilities for Siemens Mobility comprises Short-term debt and current maturities of long-term debt (€ 622 million) and Other current financial liabilities (€ 137 million).
(5) Trade payables for Siemens Mobility comprises Trade payables (€ 765 million) and Payables to Siemens Group (€ 67 million).
(6) Other current operating liabilities for Siemens Mobility comprises Other current liabilities (€ 2 959 million) and Current income tax liabilities (€ 10 million).

Combined Company - Unaudited pro forma condensed combined income statement for the year ended September 30, 2017

	Alstom historical	Siemens historical	Reclassification	Business combination	Other adjustments	Unaudited Combined Group pro forma
			Unaudited pro forma adjustments			
	Note 7		Note 4.2	Note 4.3	Note 6	
(in € million)						
Sales	**7 493**	**8 146**				**15 639**
Cost of Sales	(6 322)	(6 221)			35 a)	(12 508)
Research and development expenses	(177)	(373)			4 a)	(546)
Selling and general administrative expenses	(542)	(846)			66 a)	(1 322)
Other operating income / (expense)	(68)	11			(10) b) c)	(67)
Earnings before interest and taxes	**384**	**717**			**95**	**1 196**
Financial income / (expense)	(107)	(8)				(115)
Pre-tax income	**277**	**709**			**95**	**1 081**
Income tax charge	(84)	(173)			(25) d)	(282)
Share of net income of equity-accounted investments	145	-				145
Net profit from continuing operations	**338**	**536**			**70**	**944**
Net profit from discontinued operations	50	-				50
Net Profit	**388**	**536**			**70**	**994**
Attribuable to:						
Group share	374	534			70	978
Minority interests	14	2				16

5. INDICATIVE TIMETABLE OF THE TRANSACTION

September 26, 2017	Signing of the Memorandum of Understanding
November 16, 2017	Appointment of the Contribution Appraiser (*commissaire à la scission*) by the President of the Commercial Court of Bobigny for the French Contribution and Luxembourg Contribution
November 30, 2017	Opinion of Siemens relevant works council in France
January 9, 2018	Appointment of the Contribution Appraiser (*commissaire à la scission*) by the President of the Commercial Court of Bobigny for the Alstom Contribution
February 22, 2018	Conclusion of the required works council information and consultation process at Alstom
March 23, 2018	Signing of the Business Combination Agreement
March 23, 2018	Press release announcing the signing of the Business Combination Agreement
May 2, 2018	Appointment of the Luxembourg Independent Expert by the Board of Managers (*Conseil de gérance*) of Siemens Mobility Holding S.à r.l. for the Luxembourg Contribution
May 15, 2018	Alstom's Board of Directors' meeting (i) approving the Contribution Agreements and (ii) approving the annual financial accounts of Alstom

May 15, 2018	Circular resolutions of Siemens Mobility Holding S.à r.l.'s Board of Managers (*Conseil de gérance*) approving the Luxembourg Contribution and the Luxembourg Contribution Agreement
May 15, 2018	Decisions of the *Comité d'administration* of Siemens France Holding approving the French Contribution and the French Contribution Agreement
May 17, 2018	Signature of the Contribution Agreements
May 18, 2018	Filing of the Contribution Agreements with the Commercial Court of Bobigny
May 23, 2018	Filing of an extract of the Luxembourg Contribution Agreement with the Luxembourg Trade and Companies Register
May 23, 2018	Publication of the extract of the Luxembourg Contribution Agreement on the *Recueil Electronique des Sociétés et Associations* (Luxembourg electronic Official Gazette)
May 28, 2018	Clearance of the contemplated Combination by the MINEFI under Articles L. 151-3 and R. 153-1 *et seq.* of the French Monetary and Financial Code
May 29, 2018	*Collège* of the AMF granting the waiver of any obligation of the part of Siemens or the Siemens Contributing Companies to launch a mandatory tender offer for shares of Alstom
May 30, 2018	Alstom's Board of Directors' meeting (i) convening and setting the agenda of Alstom's general shareholders' meeting and (ii) convening and setting the agenda of Alstom's special shareholders' meeting
May 30, 2018	Publication of 2017/2018 Alstom Registration Document
May 30, 2018	Publication of the notices relating to the Contributions in the BALO
June 6, 2018	Publication in the BALO of the preliminary notice of meeting (*avis de réunion*) for Alstom's general and special shareholders' meetings
June 6, 2018	Registration of the Document E with the AMF
June 11, 2018	Documentation for Alstom's shareholders' meetings available at its registered office and on its website
June 27, 2018	Publication in the BALO of the notice of meeting (*avis de convocation*) for Alstom's general and special shareholders' meetings
July 6, 2018	Filing of the Contribution Appraiser's report on the valuation of the assets with the Commercial Court of Bobigny
July 11, 2018	End of the 30-day creditors' objection period
July 17, 2018	Alstom's general meeting (called in particular to approve the Contributions and to authorize the Alstom Board of Directors to implement a repurchase program) and special shareholders' meeting for shareholders holding double voting rights
2nd half of 2018	Satisfaction or waiver of the conditions precedents

	Appointment of an expert to assist the parties in assessing, for accounting purposes only, the value of the Contributed Shares based notably on the estimated accounts of Siemens France Holding and Siemens Mobility Holding S.à r.l. as of the Determination Date
5 Business Days prior to Closing	Issuance of the Certificate (i) certifying that on Closing, Siemens will hold at least 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 Siemens holds at least 50% of Alstom's share capital on a Fully Diluted basis on Closing
Closing Date	End of any repurchase program linked to the Transaction General shareholders' meeting of Siemens Mobility Holding S.à r.l. and decisions of the sole shareholder of Siemens France Holding General shareholders' meeting of Alstom Holdings convened to approve the Alstom Contribution Press release announcing completion of the Contributions Publication of Euronext notice Admission of New Alstom Shares to trading on Euronext Paris Notices of threshold crossings by Siemens France Holding and Siemens Mobility Holding S.à r.l.

1. PERSONS RESPONSIBLE FOR THE DOCUMENT AND THE AUDIT OF THE FINANCIAL STATEMENTS

1.1 Persons responsible for the Document

1.1.1 On behalf of Alstom

1.1.1.1 <u>Person responsible for the Document</u>

Mr. Henri Poupart-Lafarge, Chairman and Chief Executive Officer

1.1.1.2 <u>Certification by the person responsible for the Document</u>

"I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Document that relates to Alstom is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its meaning.

I obtained a completion letter from Alstom's statutory auditors affirming that they have verified the information about Alstom's financial position and financial statements provided in this Document, and have read all of the information relating to Alstom contained in this Document.

Alstom's statutory auditors have issued a report on the unaudited pro forma financial information as at September 30, 2017 relating to Alstom included in this Document. The report, which contains no observation, is presented in Exhibit 6.5 of this Document."

June 6, 2018,

Mr. Henri Poupart-Lafarge, Chairman and Chief Executive Officer of Alstom

1.1.1.3 <u>Person responsible for the financial information</u>

Mrs Marie-José Donsion, Financial Officer

1.1.2 On behalf of Siemens Mobility SAS, whose shares are to be contributed

1.1.2.1 Persons responsible for the Document

Mr. Eric Alexandre Paul Cazeaux, *Président*

Mr. Olivier Marius Pol Guillot, *Directeur Général*

1.1.2.2 Certification by the person responsible for the Document

"We hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Document that relates to Siemens Mobility SAS is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its meaning."

June 6, 2018,

Mr. Eric Alexandre Paul Cazeaux, *Président*

Mr. Olivier Marius Pol Guillot, *Directeur Général*

1.1.3 On behalf of Siemens Mobility Holding B.V., whose shares are to be contributed

1.1.3.1 Persons responsible for the Document

Mr. Franz Josef Kiener, Managing Director

Mr. Gerardus Wilhelmus Westerhout, Managing Director

1.1.3.2 Certification by the person responsible for the Document

"We hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Document that relates to Siemens Mobility Holding B.V. is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its meaning."

June 6, 2018,

Mr. Franz Josef Kiener, Managing Director

Mr. Gerardus Wilhelmus Westerhout, Managing Director

1.1.4 On behalf of Siemens Mobility GmbH, whose shares are to be contributed

1.1.4.1 Persons responsible for the Document

Ms. Sabrina Soussan, Managing Director

Mr. Michael Peter, Managing Director

Mr. Karl Blaim, Managing Director

1.1.4.2 Certification by the person responsible for the Document

"We hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Document that relates to Siemens Mobility GmbH is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its meaning."

June 6, 2018,

Ms. Sabrina Soussan, Managing Director

Mr. Michael Peter, Managing Director

Mr. Karl Blaim, Managing Director

1.1.5 On behalf of Siemens AG

"We hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Document that relates to Siemens AG given in Section 2.2 "Legal context and aspects of the Contributions" and Section 5.1.1 "Carve-out of the Siemens Target Business" and the financial position and financial statements provided in this Document with respect to the Siemens Target Business are, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its meaning.

We have obtained a completion letter from Siemens' auditors in which they indicate that they have verified the information about the Siemens Target Business' financial position and financial statements provided in this Document and have read all of the information relating to Siemens AG and the Siemens Target Business contained in this Document."

June 6, 2018,

Ms. Sabrina Soussan, Chief Executive Officer of Siemens Division "Mobility" (authorized signatory of Siemens AG)

Mr. Michael Peter, Chief Executive Officer of Siemens Division "Mobility" (authorized signatory of Siemens AG)

Mr. Karl Blaim, Chief Financial Officer of Siemens Division "Mobility" (authorized signatory of Siemens AG)

1.2 Persons responsible for the audit of the financial statements

1.2.1 On behalf of Alstom

1.2.1.1 Principal statutory auditors

MAZARS Exaltis, 61, rue Henri Regnault – Tour Exaltis, 92400 Courbevoie, France	**PRICEWATERHOUSECOOPERS AUDIT** 63, rue de Villiers, 92200 Neuilly-sur-Seine Cedex, France

Represented by Cedric Haaser

Represented by Edouard Demarcq

1.2.1.2 Substitute statutory auditors

Monsieur Jean-Maurice El Nouchi
61, rue Henri Regnault – Tour Exaltis,
92400 Courbevoie, France

Monsieur Jean-Christophe Georghiou
63, rue de Villiers
92200 Neuilly-sur-Seine Cedex, France

1.2.1 On behalf of Siemens AG

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft
Arnulfstraße 59
80636 München
Germany
Represented by Mr. Ralf Bostedt

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft
Arnulfstraße 59
80636 München
Germany
Represented by Ms. Helene Süppel

2. INFORMATION REGARDING THE TRANSACTION AND ITS CONSEQUENCES

2.1 Economic aspects of the Contributions

2.1.1 Pre-existing ties between the companies

2.1.1.1 <u>Share capital ties</u>

As of the date of this Document, Siemens France Holding and Siemens Mobility Holding S.à r.l. do not hold, directly or indirectly, any Alstom Share (excluding any shares which may be held by pension funds or similar entities).

At the date of this Document, Alstom does not hold either directly or indirectly any Siemens France Holding and Siemens Mobility Holding S.à r.l. securities, and there are no share capital ties between the Alstom Group and the Siemens Group (excluding any shares which may be held by pension funds or similar entities).

2.1.1.2 <u>Mutual security interests</u>

At the date of this Document, there is no mutual security interest between (i) the Alstom Group and (ii) Siemens France Holding and Siemens Mobility Holding S.à r.l.

2.1.1.3 <u>Executives and directors in common</u>

At the date of this Document, no persons are executive officers or directors of both (i) the Alstom Group and (ii) Siemens France Holding and/or Siemens Mobility Holding S.à r.l.

2.1.1.4 <u>Joint subsidiaries and dependency towards the same group</u>

Joint-ventures in which Siemens (or its subsidiaries) and Alstom (or its subsidiaries) are parties to are as follows:

- **Val 208 Torino EEIG** (*Italy*)

The shareholders prior to the Carve-Out (as such term is defined in Section 5.1 below) process are Siemens AG, Siemens S.p.A. and Alstom Ferroviaria S.p.A.

- **RTA Rail Tec Arsenal Fahrzeugversuchsanlage GmbH** (*Austria*)

The shareholders prior to the Carve-Out process are Siemens Aktiengesellschaft Österreich, ALSTOM Transport S.A. and other third party shareholders.

- **IFB Institut für Bahntechnik GmbH ("IFB")** (*Germany*)

Shareholders according to shareholders' list dated November 9, 2015 are Siemens AG and various other, only minority, shareholders (including Alstom Transportation Deutschland GmbH).

- **Frameca S.A. ("Frameca")** (*France*)

The shareholders prior to the Carve-Out process are Siemens SAS, Alstom Transport SA and various other third party shareholders.

2.1.1.5 Technical or commercial agreements (regulated agreements (*conventions réglementées*) pursuant to Article L. 225-38 of the French Commercial Code)

At the date of this Document, the Alstom Group is not a party to any technical or commercial agreements with Siemens France Holding and Siemens Mobility Holding S.à r.l. that are considered as regulated agreements (*conventions réglementées*) pursuant to Article L. 225-38 of the French Commercial Code.

2.1.2 Reasons for and purposes of the Transaction

2.1.2.1 Context of the Transaction

(a) Background of the Transaction

Following discussions between Alstom and Siemens, the Supervisory Board and the Management Board of Siemens and the board of directors of Alstom (the "**Alstom Board of Directors**") approved on September 26, 2017 the principle of the proposed combination between Alstom and Siemens' mobility business (including its traction drive business) and the execution of the terms of a Memorandum of Understanding.

Following this approval, Alstom and Siemens entered into a Memorandum of Understanding granting exclusivity to combine their mobility businesses and publicly announced the transaction on September 26, 2017.

Following the completion of the information-consultation process of the relevant works councils, Alstom and Siemens entered into a Business Combination Agreement (the "**Business Combination Agreement**") on March 23, 2018, setting forth the terms of a strategic combination of Alstom and Siemens' mobility businesses by way of contribution by Siemens to Alstom of the Siemens Target Business (the "**Transaction**").

In order to facilitate the completion of the contemplated Transaction, notably by involving jurisdictions where it may be subject to a legal regime allowing the beneficiary company of a cross-border contribution of business by way of asset transfer to be the universal legal successor of the transferring entity with respect to the contributed business, the contribution has been structured as two contributions carried out through a French entity regarding the part of the Siemens Target Business operated by Siemens entities in France (along, as the case may be, with their subsidiaries and activities) and through a Luxembourg entity regarding the part of the Siemens Target Business operated in countries other than France.

2.1.2.2 Benefits of the Transaction for Alstom, Siemens and their respective shareholders

The contemplated Transaction would bring together two leading players of the railway market with unique customer value and operational potential. The two businesses are largely complementary in terms of activities and geographies.

The proposed Combination is to take place in a fast changing global market, which is notably characterized by (i) a rapid rise of Asian rail companies and the emergence of European low cost suppliers in an overcapacitating industry, (ii) increasing protectionism and localisation requirements, (iii) pressure from the customers to reduce costs and (iv) major ongoing transformations (multimodality, digitalization,…).

The Combined Company is expected to benefit from an order backlog of €59.3 billion (as at September 30, 2017), a revenue of €15.6 billion, an EBIT of €1.2 billion and an EBIT margin of 7.6%, based on the information collected from the financial statements for the financial year ended September 30, 2017 for the Siemens Target Business and Alstom's statement of income for the 12-month period ended September 30, 2017. The combination of the Siemens Target Business and Alstom is expected to generate annual synergies of €470 million at the latest four years after Closing and targets a net cash position at the Closing Date of between €0.5 billion and €1.0 billion.

Global headquarters as well as the headquarter for rolling stock platforms would be located in Paris, France area and the Combined Company would remain listed in France. Headquarters for the Mobility Automation business would be located in Berlin, Germany. In total, the new entity would have approximately 65,000 employees in over 60 countries.

The businesses of Alstom and Siemens are largely complementary. The Combined Company would offer a significantly increased range of diversified product and solution offerings to meet multi-facetted, customer-specific needs, from cost-efficient mass-market platforms to high-end technologies. The global footprint would enable the Combined Company to access growth markets in various geographical areas such as the Middle East and Africa, India, Middle and South America, China, the United States and Russia. Customers would significantly benefit from a well-balanced larger geographic footprint, a comprehensive portfolio offering and significant investment into digital services. Such wider international presence and capabilities will allow the Combined Company to participate in a growing global market, largely driven by the growth of megacities outside Europe which creates increasing demand for intelligent transport solutions and to better respond to local manufacturing requirements.

Last but not least, customers and populations will benefit from the contemplated Combination because of (i) a greater cost efficiency deriving from the expected synergies and optimization, (ii) significant complementary product offerings, (iii) a geographic complementarity responding to customer request for localization and (iv) a facilitated cross-border railway integration in Europe.

2.2 Legal context and aspects of the Contributions

2.2.1 Legal context of the Contributions

Pursuant to the Business Combination Agreement, (i) Siemens France Holding shall contribute to Alstom 100% of the shares in Siemens Mobility SAS (the "**French Contribution**") and (ii) Siemens Mobility Holding S.à r.l. shall contribute to Alstom 100% of the shares in Siemens Mobility Holding B.V. and 100% of the shares in Siemens Mobility GmbH (the "**Luxembourg Contribution**", with the French Contribution, the "**Contributions**").

In consideration for the Contributions, Siemens France Holding and Siemens Mobility Holding S.à r.l. will receive in total:

- 227,314,658 new ordinary Alstom Shares with a par value of €7 each, representing no less than fifty percent (50%) of the share capital of Alstom on a Fully Diluted basis upon Closing (the "**New Alstom Shares**"); and

- 18,942,888 warrants (which number has been calculated on the basis of bringing a 50% shareholding on a Fully Diluted basis to a 52% shareholding in the Combined Company on a Fully Diluted basis at the time of exercise of said warrants (including dilution resulting from the exercise of such warrants) as of the Closing Date) to be issued by Alstom (the "**Warrants**"), each Warrant giving its holder the right to subscribe to one (1) Alstom Share.

Siemens France Holding will receive 8,505,619 New Alstom Shares to be subscribed in consideration for the French Contribution and Siemens Mobility Holding S.à r.l. will receive 218,809,039 New Alstom Shares and 18,942,888 Warrants to be subscribed in consideration for the Luxembourg Contribution.

The terms and conditions of the Contributions are set forth in (i) a contribution agreement related to the French Contribution entered into between Siemens France Holding and Alstom on May 17, 2018 (the "**French Contribution Agreement**") and (ii) a contribution agreement related to the Luxembourg Contribution entered into between Siemens Mobility Holding S.à r.l. and Alstom on May 17, 2018 (the "**Luxembourg Contribution Agreement**", and together with the French Contribution Agreement, the "**Contribution Agreements**").

In order to mitigate the risks that the shareholding of the Siemens Group falls below fifty per cent (50%) of the issued share capital of Siemens Alstom (given all options or rights that may dilute its shareholding):

(a) Alstom shall take all necessary actions, including proposing to the Extraordinary Shareholders' Meeting an appropriate and sufficient repurchase shares program on Alstom Shares (the "**Repurchase Program**"), in order to enable Alstom to repurchase, prior to the Determination Date, on the stock exchange market such number of Alstom Shares (the "**Repurchased Alstom Shares**"), which are expected to be necessary to be cancelled so as to ensure a shareholding of the Siemens Group in Alstom representing 50.67% of Alstom's issued share capital as of the Determination Date, assuming, solely for the purpose of this calculation, that the Siemens Group would, as of such date, be a shareholder of Alstom (the "**Expected Shareholding**").

(b) On the Determination Date, Alstom shall implement the cancellation, by way of a share capital reduction, of such number of Repurchased Alstom Shares as is necessary to attain the Expected Shareholding (the "**Cancelled Alstom Shares**").

(c) The number of Repurchased Alstom Shares and the corresponding global price paid by Alstom to repurchase the Repurchased Alstom Shares plus the associated costs of the Repurchase Program (the "**Repurchase Global Price**") shall be notified by Alstom to Siemens five (5) Business Days following the Determination Date. The amount of the Repurchase Global Price shall be included in the valuation method in order to reduce Distribution B (as defined below) on a euro-for-euro basis.

(d) In the event the Business Combination Agreement is terminated on or prior to Closing, Siemens and Alstom shall share the costs of the shortfall of the Repurchase Global Price and Siemens shall indemnify Alstom of the "Repurchase Global Price Indemnity" (defined as 50% of an amount equal to (i) the Repurchase Global Price, minus (ii) (a) the average closing listed price per Alstom Share as of the 10 listing days following the date of announcement that Closing will not occur multiplied by (b) the number of Cancelled Alstom Shares), if a positive number.

(e) Alstom shall provide a certificate to Siemens five (5) Business Days prior to Closing either (i) certifying that on Closing, the Siemens Group will hold at least 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 50% of Alstom's share capital on a Fully Diluted basis on Closing (the "**Certificate**"). In the event where such percentage is expected to be below 50% of the share capital of Alstom on a Fully Diluted basis as of Closing, Alstom undertakes to pursue or launch a repurchase program prior to the Closing Date, in order to purchase and cancel such number of Alstom Shares, effective at the latest on the Closing Date, necessary to ensure that the Siemens Group will hold no less than 50% of the share capital of Alstom on a Fully Diluted basis as of Closing. If Alstom Shares are so repurchased by Alstom between the Determination Date and the Closing Date, in order to ensure that the Siemens Group holds at least 50% of Alstom's share capital on a Fully Diluted basis upon Closing, Alstom shall hold the Siemens Group harmless of an amount equal to the global price for repurchasing such amount of Alstom Shares plus the associated costs. Any cancellation of Alstom Shares pursuant to this repurchase program shall occur on or prior to Closing.

Within thirty (30) days after Closing, Alstom shall contribute to Alstom Holdings, its directly and indirectly wholly-owned subsidiary, the shares in Siemens Mobility SAS, Siemens Mobility Holding B.V. and Siemens Mobility GmbH received from Siemens France Holding and Siemens Mobility Holding S.à r.l. under the Contributions (subject to the *apport-scission* regime), in exchange for newly issued shares of Alstom Holdings (the "**Alstom Contribution**").

The Business Combination Agreement provides for customary representations, warranties and covenants, including with respect to operating the parties' respective businesses in the ordinary and usual course of business and with respect to regular dividend distributions.

The Business Combination Agreement also provides for a termination fee of €140,000,000 (the "**Termination Fee**").

The Termination Fee will be due by Alstom to Siemens under the following circumstances:

1. the Business Combination Agreement is terminated by Alstom or Siemens because the Extraordinary Shareholders' Meeting has not by July 31st, 2018 voted in favour of the Contributions, the issuance to the Siemens Contributing Companies of the New Alstom Shares and the Warrants, effective as of Closing, or the new by-laws or the composition of the Board of directors of Siemens Alstom, effective as of Closing, in accordance with the terms of the Business Combination Agreement;

2. the Business Combination Agreement is terminated by Alstom because Alstom has entered into a written alternate superior proposal agreement with a third party; or

3. the Business Combination Agreement is terminated by Siemens because (i) Alstom has failed to convene its extraordinary shareholders' meeting or has failed to provide such extraordinary shareholders' meeting all relevant documentation and information, or the Alstom Board of Directors has failed to meet on the Closing Date to acknowledge the satisfaction or waiver of the conditions precedent to the Combination, (ii) there has been a material breach by Alstom in the performance or compliance of its material obligations under the Business Combination Agreement prior to Closing or a material inaccuracy of its representations and warranties, (iii) Alstom Board of Directors has issued a recommendation deviating from its undertaking to recommend that the Alstom shareholders approve the resolutions to be submitted to their vote during the Extraordinary Shareholders' Meeting pursuant to the Business Combination Agreement for purposes of implementing the Combination, or (iv) Alstom has not complied with its exclusivity undertaking under the Business Combination Agreement.

Pursuant to the Business Combination Agreement, and subject to the occurrence of Closing, Alstom existing shareholders at the close of the Record Date will be entitled to share in two special distributions of reserves and/or premiums:

i. an exceptional distribution of reserves and/or premiums (*distribution exceptionnelle de réserves et/ou primes*) of a total amount of €4 per Alstom Share outstanding on the Record Date (ca. €0.9 billion in total) to be paid shortly after the Closing Date ("**Distribution A**"); and

ii. an exceptional distribution of reserves and/or premiums (*distribution exceptionnelle de réserves et/ou primes*) of a global maximum amount of €881 million (capped at €4 per Alstom Share outstanding on the Record Date) in the context of the proceeds of Alstom's put options under the General Electric joint ventures (to be reduced by the amount of (i) any shortfall on the proceeds received pursuant to such put options, (ii) any net cash shortfall of Alstom as of the

Determination Date compared to a reference net cash position and (iii) the Repurchase Global Price) ("**Distribution B**").

Distribution A will be economically borne by Siemens by including Distribution A as an additional deduction item within Contributions' enterprise value to equity value adjustments, as further explained below in Sections 2.6 and 2.7.

The main characteristics of Distribution A shall be as follows:

(a) Distribution A shall be paid on the eighth (8th) Business Day following the Closing Date subject to the Closing having occurred;

(b) there shall be no Distribution A in the event that the Business Combination Agreement is terminated without the Closing having occurred;

(c) the right to Distribution A shall lapse on the ninth (9th) Business Day after the Closing Date and no amount or liability shall be due by Alstom under the Distribution A after such date; and

(d) the payment of any amount resulting under Distribution A shall be made after deduction of any withholding taxes which are, or may be, imposed upon the Distribution A right holders by law.

The main characteristics of Distribution B shall be as follows:

(a) in the event that the GE Proceeds (as such term is defined below) have been paid on or prior to the tenth (10th) Business Day before the Closing Date, Distribution B shall be paid on the eighth (8th) Business Day following the Closing Date subject to the Closing having occurred;

(b) in the event that the GE Proceeds have not been paid before the tenth (10th) Business Day before the Closing Date, Distribution B shall be paid on the thirtieth (30th) Business Day following the date on which the GE Proceeds will have been paid to Alstom;

(c) there shall be no Distribution B in the event that Business Combination Agreement is terminated without the Closing having occurred;

(d) the right to Distribution B shall lapse on the Business Day following the payment date of Distribution B as set forth above and no amount or liability shall be due by Alstom under Distribution B after such date;

(e) the right to Distribution B shall lapse if the GE Proceeds have not been paid after ten (10) years following the Closing Date; and

(f) the payment of any amount resulting from Distribution B shall be made after deduction of any withholding taxes which are, or may be, imposed upon the Distribution B right holders by law.

"**GE Proceeds**" means an amount (zero or above) equal to the proceeds that have been paid to Alstom unconditionally and without any encumbrances in any manner whatsoever following the transfer by Alstom to General Electric or any third party of the renewable and grid joint-ventures either (x) as a result of the exercise of the options provided for in the related joint-venture agreements or (y) further to a negotiation after announcement of the Transaction or (z) as a result of final non appealable litigation or arbitration sentence or decision against General Electric or otherwise.

The contemplated Transaction received the support from the French State and from Bouygues S.A. ("**Bouygues**"), a major shareholder of Alstom holding 27.94% of the share capital and 28.75% of the voting rights of Alstom as of March 31, 2018.

In a press release dated September 26, 2017, the French State indicated supporting the contemplated Transaction, which aims at creating a world leader in the railroad construction and railway signaling industry, with corporate headquarters located in France. In this respect, Siemens has given certain undertakings, including certain governance, organizational and employment protections and a standstill pursuant to which Siemens has undertaken not to hold, directly or indirectly, more than 50.5% of the share capital and voting rights of Siemens Alstom for a period of four (4) years as from the Closing Date (the "**Standstill Undertaking**"). The Business Combination Agreement provides that if the shareholding of the Siemens Group in Alstom exceeds the Standstill Undertaking on the Closing Date of the Transaction, neither Siemens nor any of its affiliates shall be obliged to sell any Alstom Shares to bring the shareholding of the Siemens Group below the Standstill Undertaking provided that such shareholding shall not exceed 50.67% of the issued share capital of Alstom.

The contemplated Transaction has also the full support from Bouygues which will vote in favor of the contemplated Transaction at the meeting of Alstom Board of Directors and which will not transfer, directly or indirectly, any securities it holds in Alstom before the Extraordinary Shareholders' Meeting and will vote in favor of any resolutions which are proposed to the shareholders in relation to the approval of the contemplated Transaction with all its voting rights in Alstom, up to a maximum of 29.99%.

2.2.2 Legal aspects of the Contributions

2.2.2.1 Date of Alstom's Board of Directors' meeting approving the Contributions

Alstom Board of Directors (*conseil d'administration*) first approved the principle of the Combination during its meeting held on September 26, 2017 and then approved the Contributions and the signature of the Contribution Agreements during its meeting held on May 15, 2018.

2.2.2.2 Dates of the respective decisions of Siemens Mobility Holding S.à r.l.'s Board of Managers and Siemens France Holding's *Comité d'administration* approving the Luxembourg Contribution and the French Contribution

Siemens' Supervisory Board and management board first approved the principle of the Combination during their meetings held on September 26, 2017 and Siemens Mobility Holding S.à r.l.'s Board of Managers (C*onseil de gérance*) and Siemens France Holding's *Comité d'administration* then respectively approved the Luxembourg Contribution and the French Contribution and the signature of the Luxembourg Contribution Agreement and the French Contribution Agreement, both on May 15, 2018.

2.2.2.3 Legal regime of the Contributions

The Contributions will be governed by the French spin-off regime (*régime juridique des scissions*) and also, for the Luxembourg Contribution, by the Luxembourg *scission* regime as agreed by the parties in accordance with, respectively, (i) Articles L. 236-6-1 and L. 236-22 of the French Commercial Code (code de commerce) and (ii) 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 Article 1040-2 of the Law of 1915.

2.2.2.4 Date of the Contribution Agreements

The Contribution Agreements entered into between (i) Siemens France Holding and Alstom and (ii) Siemens Mobility Holding S.à r.l. and Alstom were executed on May 17, 2018.

2.2.2.5 Date of the financial statements

The terms and conditions of the Luxembourg Contribution and the French Contribution have been established on the basis of:

- combined audited financial statements of the Siemens Target Business as at September 30, 2017 (included in Exhibit 6.3 to this Document) as well as the assumption that the transfers (contributions or acquisitions) to the Siemens Contributing Companies to be implemented as part of the process of carving-out the Siemens Target Business from the Siemens Group had been completed as of September 30, 2017; and
- Alstom's financial statements as at March 31, 2017.

2.2.2.6 Closing Date of the Contributions from a legal standpoint – Conditions Precedent

The obligations of Alstom and Siemens to effect the closing of the Combination are subject to the fulfillment of the following conditions precedent at or prior to the date of the Extraordinary Shareholders' Meeting:

1. clearance of the contemplated Combination by the French Ministry for Economy, Industry and the Digital Sector ("**MINEFI**") under Articles L. 151-3 and R. 153-1 *et seq.* of the French Monetary and Financial Code;
2. no governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, rule or regulation which is in effect and prohibits or makes illegal the consummation of the entirety of the contemplated Transaction;
3. approval by the Extraordinary Shareholders' Meeting of the resolutions relating to (i) the Contributions (including the issuance of the New Alstom Shares and Warrants), as set forth in the Business Combination Agreement, (ii) the approval of and authorization to the Alstom Board of Directors for the purpose of the distribution of Distribution A and Distribution B, (iii) the removal of double voting rights attached to the Alstom Shares continuously held in registered form by the same shareholder for a minimum of two years, (iv) the appointment of new members of Siemens Alstom's Board of Directors and the amendment of Alstom's by-laws (see Section 2.2.2.9 below), to become effective immediately after the Closing Date and (v) the authorization to the Alstom Board of Directors to issue the New Alstom Shares and the Warrants upon satisfaction of the last conditions precedent to Closing effective as at the Closing Date;
4. approval by the special meeting of Alstom's shareholders holding shares carrying double voting rights of the removal of such double voting rights (and the subsequent corresponding amendment of Alstom's by-laws) to become effective immediately after Closing and issuance of the New Alstom Shares; and
5. waiver granted by the French Market Authority (*Autorité des marchés financiers*) (the "**AMF**") to Siemens with an unconditional exemption from the mandatory filing of a tender offer pursuant to applicable regulations and in connection with the contemplated Transaction; the AMF must have published its decision, made pursuant to Article 234-9, 3° of the AMF General

Regulations, confirming the crossing of the thirty 30% threshold by the Siemens Group, both in terms of share capital and voting rights in Alstom, as a result of the Contributions shall not result in any obligation on the part of Siemens to launch a mandatory tender offer for shares of Alstom, in accordance with Article 234-2 of the AMF General Regulations, and such decision must not have been challenged during the appeal period set forth in Article R. 621-44 of the French Monetary and Financial Code or, if such an appeal is made, it must have been rejected by a final and non-appealable decision of the Paris Court of Appeal or settled in a manner allowing for the waiver to have become definitive.

On May 28, 2018, the MINEFI has granted to Siemens its authorization under Articles L. 151-3 and R. 153-1 *et seq.* of the French Monetary and Financial Code. On May 29, 2018, the AMF has granted Siemens an unconditional exemption from the mandatory filing of a tender offer pursuant to applicable regulation and in connection with the contemplated Transaction.

The Combination is subject to the satisfaction or express waiver of the following conditions precedent at or prior to Closing:

1. clearances (including as a result of the expiry of the applicable waiting period) from competition authorities in Australia, Brazil, Canada, Chile, China, the European Union, India, Israel, Mexico, Russia, South Africa, Switzerland, Taiwan and the United States and other governmental and regulatory clearances (including foreign investment clearances) in France, the United States, Australia and Russia not already obtained as of the Extraordinary Shareholders' Meeting shall have been obtained;

2. compliance by each of Alstom and Siemens with certain of the covenants under the Business Combination Agreement (relating to the composition of the Siemens Alstom Board of Directors, the name and mandate of the Chief Executive Officer of Siemens Alstom, Siemens Alstom Board committees and amendments to the by-laws of Alstom) on, and effective as of, the date of the closing of the Contributions;

3. no governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, rule or regulation which is in effect and prohibits or makes illegal the consummation of the entirety of the contemplated Transaction;

4. to the benefit of Siemens only, (i) the representations and warranties of Alstom set forth in the Business Combination Agreement shall be true and correct in all material respects, (ii) the New Alstom Shares to be issued in connection with the Contributions shall, when issued, on Closing, represent no less than 50% of the share capital of Alstom and shall have been authorized for listing on the regulated market of Euronext Paris and Siemens shall have received the Certificate; and

5. to the benefit of Alstom only, (i) the representations and warranties of Siemens set forth in the Business Combination Agreement shall be true and correct in all material respects, and (ii) the carve-out of the Siemens Target Business within the Siemens Group shall have been completed to the extent as set forth in the Business Combination Agreement;

The Business Combination Agreement provides that if the conditions precedent are not satisfied prior to 23:59 CET on September 30, 2019, the Business Combination Agreement shall be considered null and void, unless Alstom and Siemens agree to extend this long-stop date to 23:59 CET on December 31st, 2019, if the only condition that has not been satisfied is the clearance from competition authorities. The Contribution Agreements provide that each Contribution Agreement shall be deemed null and void, in case the Business Combination Agreement is terminated prior to Closing in accordance with its term.

2.2.2.7 Effective Date of the Contributions from an accounting and tax perspective

The effective date of the Contributions from an accounting and tax perspective shall correspond to the Closing Date.

2.2.2.8 Date of filing of the Contribution Agreements

The Contribution Agreements were filed with the Commercial Court (*tribunal de commerce*) of Bobigny on May 18, 2018.

An extract of the Luxembourg Contribution Agreement was also filed with the Luxembourg Trade and Companies Register (*Registre de commerce et des sociétés de Luxembourg*) on May 23, 2018.

A notice relating to the Contribution Agreements has been published in the French *bulletin officiel des annonces civiles et commerciales* (BODACC) and in the French *bulletin des annonces légales obligatoires* (BALO), in compliance with applicable French laws and regulations.

The extract of the Luxembourg Contribution Agreement was also published in the Luxembourg *Recueil électronique des sociétés et associations (RESA)* on May 23, 2018.

In compliance with applicable French and Luxembourg laws and regulations, the Contribution Agreements have been made available at Alstom's and Siemens France Holding's and Siemens Mobility Holding S.à r.l.'s respective registered offices.

2.2.2.9 Main planned amendments to Alstom's by-laws

Alstom's by-laws shall be amended as from the Closing Date, in particular, to rename the company "Siemens Alstom", to remove double voting rights attached to the Alstom Shares continuously held in registered form by the same shareholder for a minimum of two (2) years and the quorum of two thirds of the directors present or represented for the purpose of separating the functions of Chairman of the Alstom Board of Directors and Chief Executive Officer and, if appropriate, the appointment of the Chief Executive Officer and to change the financial year close from March 31 to September 30.

2.2.2.10 Main planned amendments to Alstom's internal rules of the board of directors

In order to adapt internal rules of the Alstom Board of Directors to the governance and shareholding of the Combined Company (the "**Internal Rules of the Board of Directors**"), the Internal Rules of the Board of Directors shall be amended as from the Closing Date and for a period of four (4) years following the Closing Date.

The description of the Internal Rules of the Board of Directors in this Document reflects the main provisions of such Internal Rules of the Board of Directors as they are anticipated to be amended as from the Closing Date and for a period of four (4) years following the Closing Date:

(a) Composition of the Board of Directors

At least one-third of the Directors on the Board must be independent.

It is specified that, as from the entry into force of the Internal Rules of the Board of Directors until the earlier of (i) the expiry of a period of four (4) years after such entry into force, and (ii) the date when Siemens holds less than thirty per cent (30%) of the issued share capital of the Company and no other shareholder holds more than thirty per cent (30%) of the issued share capital of the Company, "**Independent Director**" means, for the purpose of certain provisions of the Internal Rules of the Board of Directors only, a member of the Alstom Board designated by Alstom and agreed by Siemens (as set forth in Section 2.8.1.3(a)(iv)(c)) and who shall qualify as independent under the AFEP-MEDEF Code of Governance.

The Board of Directors shall be responsible for determining whether a director is independent, and shall do so based on recommendations made by the Nominations and Remuneration Committee. At least 75% of the Independent Directors shall be French citizens.

The criteria applied and each director's particular situation will be examined at least once a year, and the resulting decisions shall be made public in the Annual Report.

During a four-year period from the entry into force of the Internal Rules of the Board of Directors as amended on the Closing Date, any replacement or successor of an Independent Director will be designated, in the following manner:

- (x) the majority of the Independent Directors in office prior to the end of such term, in case of replacement or succession at the end of a term, or (y) in case of replacement or succession for any other reason, the majority of the remaining Independent Directors, shall select two individual candidates who are qualified as independent under the AFEP-MEDEF Code of Governance for recommendation to the Nominations and Remuneration Committee;

- the Nominations and Remuneration Committee will, as soon as practicable, recommend the two (2) selected candidates to the Board of Directors;

- the Board of Directors will decide at a two-thirds majority of directors present or represented (and comprising a positive vote of two Independent Directors) which one of the two selected individual candidates shall be designated as Independent Director and shall appoint it immediately (co-optation) in case of vacancy of a director's seat.

(b) Responsibilities and powers of the Board of Directors

The Board of Directors determines and reviews, on a regular basis, the Group's strategy, including upon proposals of the Chief Executive Officer, appoints the corporate officers responsible for managing the Group in line with the Group's strategy, supervises the management and ensures the quality of information provided to the shareholders and the markets.

The Board of Directors shall examine and approve each year the annual budget and the medium-term strategic plan.

The Board of Directors is informed of any acquisition, divestiture or partnership in excess of €40 million.

The Board of Directors shall be kept regularly informed of developments in the Group's business activities and results, the Group's significant risks, its financial position, indebtedness, cash position and, more generally, any off-balance contingent liabilities, and may request information about any of such items at any time.

The Board of Directors shall review its own composition on a regular basis. It shall examine annually its functioning and shall conduct a formal assessment at least once every three years.

It shall approve at a simple majority the appointment of any new members of the Group's Executive Committee (including the hiring for the purpose of appointment and the compensation package of the candidate recommended by the Nominations and Remuneration Committee) proposed by the Chief Executive Officer as well as any changes to the structure of the composition of the Group's Executive

Committee, including any material changes with respect to its number of members or responsibilities or functions represented as the Group's Executive Committee (for the avoidance of doubt, the removal of a member of the Group's Executive Committee shall be decided by the Chief Executive Officer, after consultation with the Chairman of the Board of Directors, and shall not be subject to prior approval by the Board of Directors).

The compensation of the members of the Group's Executive Committee shall be reviewed annually by the Nominations and Remuneration Committee and shall be approved by the Board of Directors.

The Board of Directors determines all of the elements comprising the compensation of the corporate officers. The Board of Directors shall meet once a year in the absence of the Chairman and the Directors who exercise executive or salaried functions within the Group, in order to assess the performance of the Chairman and Chief Executive Officer if both functions are joint, or of the Chairman of the Board and the Chief Executive Officer if the functions are dissociated.

The Board of Directors shall examine and approve the information published in the Annual Report by the Company on its practices and structures of corporate governance, including the presentation of the policy that is followed with respect to the remuneration and allocation of stock options or performance-based shares to corporate officers.

The Board of Directors may handle all issues concerning the correct running of the Company's business and ensures their follow-up and monitoring. To this end, the Board of Directors is entitled to carry out any checks and inspections, which it deems necessary, notably management audits of the Company.

The Board of Directors defines the Company's financial communication policy and guarantees the quality of the information, delivered by the Company, to the shareholders and to the markets.

Step-in right

In accordance with applicable law, the Board of Directors is always entitled to review any matter or subject concerning the Company and the Group and to take any decision accordingly on behalf of the Company (including in respect of the Reserved Matters with a two-thirds (2/3) majority vote of the Directors present or represented (comprising a positive vote of two Independent Directors)), subject to the powers entrusted to the shareholders' meetings by applicable law and/or the Company's by-laws.

Prior approval

The Board of Directors shall examine and approve before implementation by the Chief Executive Officer or any management bodies of the Company or the Group:

- any operation that is not part of the Group's announced strategy or that could significantly affect such strategy or materially modify the financial structure or results of the Group;

- any extraordinarily important projects, meaning a project with an order value in an amount higher than €1 billion and guarantees related thereto;

- any acquisition, divestiture or contribution of the Group to a partnership or joint company insofar as the total amount of such project exceeds €80 million in the individual case and €200 million on a rolling 12-month period;

- any financing operation insofar as the total amount of such operations is equal to or exceeds €300 million in the individual case and €600 million on a rolling 12-month period for new medium or long term borrowing; or €300 million in the individual case and €600 million on a rolling 12-month period for short term commercial papers provided in each case of financing operations above €100 million that Alstom shall inform Siemens so that Siemens can assess any impact on its rating;

- any organic growth investments in an amount higher than €80 million in the individual case or €200 million within a rolling 12-month period; and

- any significant internal restructuring undertakings in an amount higher than €150 million and/or affecting more than 500 employees, in particular at the time of the annual review of the Group's budget and strategy.

For acquisitions and divestitures, "amount" means the enterprise value for the total project whatever are the terms of payment (immediate or differed, in cash or in shares…). For a partnership or a newly created company, "the contribution of the Group" means the amount of undertakings for the total project (contribution to the share capital or shareholder's loan, exposure to external financings…).

Reserved Matters

During a four-year period from the entry into force of the Internal Rules of the Board of Directors as amended on the Closing Date, the Board of Directors shall examine and approve before implementation and by a two-thirds (2/3) majority vote of the Directors present or represented (comprising a positive vote of two Independent Directors) any decision related to the following matters (the "**Reserved Matters**"):

- any distribution in excess of a pay-out ratio of 65% of the distributable profits,

  provided that, in case Alstom's net cash position is at any end of quarter higher than EUR 1 billion (any amount in excess of EUR 1 billion being considered "Excess Cash") for a period of at least two consecutive quarter ends (following an initial period of one year after Closing) a decision to distribute any Excess Cash amount, either by way of an extraordinary (interim) dividend or otherwise, shall require simple majority of the Board;

- any capital reduction;

- any change to the by-laws (*statuts*) of the Company, other than those required to reflect changes in applicable laws and regulations;

- any divestiture or spin off of assets representing more than 25% of total consolidated assets or gross income or operating income of the Group;

- any change to the Internal Rules of the Board of Directors (except resulting from decisions regarding the application or deviation of any future amendments made to the AFEP-MEDEF Code of Governance dated November 2016 which shall be taken at simple majority of the directors present or represented);

- any significant change in the activity of the Group (being specified that only stoppage of activities are contemplated here);

- relocation of the corporate headquarters; and

- the appointment and removal of the Chief Executive Officer.

During a four-year period from the entry into force of the Internal Rules of the Board of Directors as amended on the Closing Date, any modification of the rules relating to (i) the number of Independent Directors to be French citizens and (ii) the appointment process of successors to Independent Directors shall require a decision at a simple majority comprising the unanimous approval of the Independent Directors.

(c) Information to be supplied to the Board of Directors

Each Director shall receive all information needed to perform his or her duties, and may request any documents he or she considers appropriate.

Directors shall send any requests for further information to the Chairman of the Board of Directors, who shall assess whether the documents requested are pertinent.

Before each Board of Directors' meeting, the Directors shall receive, with proper notice, a file on the matters on the agenda which require prior examination and consideration, subject to any restrictions relating to confidentiality.

Other than in connection with Board of Directors' meetings, Directors shall receive regularly key information concerning the Company and shall be informed of any event or development that may have a material impact on operations or on any information previously communicated to the Board.

More specifically, they shall receive copies of any press releases issued by the Company, as well as the main articles appearing in the press and reports by financial analysts.

Any director shall be entitled to meet with the Group's senior executives without the presence of the corporate officers of the Company, after having informed the Chairman of the Board of Directors and the Chief Executive Officer.

Any director who considers it necessary may request further briefing or training on the Group's particular issues, business lines and business sectors as well as on accounting and financial aspects in order to improve its knowledge.

(d) Meetings of the Board of Directors

The Board of Directors shall meet at least four times per year.

Specific meetings focused on strategy, human resources, risks management, or any other subject, are organized according to priorities and the needs.

The Group's senior executives or functional managers, as well as persons outside the Group may attend meetings upon joint request of the Chairman and the Chief Executive Officer based on the items of the agenda.

English shall be used as the working language.

The minutes of each meeting shall be drawn up in English and in French by the Secretary to the Board of Directors or his deputy. They shall be reproduced in the minutes book, which shall be kept in French.

Directors taking part in the Board meeting by means of a "visio-conference" or telecommunication, which transmit at least the voice of the participants and present technical characteristics allowing the continuous and simultaneous retransmission of the deliberations, are deemed to be present for the calculation of the quorum and the majority.

In compliance with law, such "visio-conference" or telecommunication facilities may not be used when the Board is called to deliberate on the preparation of the annual corporate and consolidated financial statements or the management reports for the Company and the Group.

In the event of a failure of the visio-conferencing or telecommunication facilities, duly recorded by the Chairman of the Board of Directors, the Board of Directors may validly deliberate and/or the meeting may proceed with the members who are physically present in the meeting room only, provided the quorum requirements are still satisfied. The occurrence of any technical problem that disturbs the smooth running of the meeting shall be noted in the minutes, as shall the suspension and resumption of the participation by “visio-conference” or other mean of telecommunication.

(e) Board committees

The Board of Directors shall create one or more specialized committees and shall define their composition, powers and responsibilities. The role of any such committees shall be to examine and prepare matters to be put to the Board, and to present their opinions, proposals and recommendations to the Board.

The Board of Directors must create an Audit Committee, a Nominations and Remuneration Committee and an Ethics, Compliance and Sustainability Committee.

In the performance of their duties, and after informing the Chairman of the Board of Directors, the committees may conduct or commission at the Company's expense any studies that may be useful for Board decisions, and may also interview Group executives and the auditors. They shall report on the opinions obtained.

The chairman of each committee shall report to the Board of Directors on its work, opinions, proposals and recommendations. A description of the committees’ activities shall be included in the annual report each year.

The Board of Directors shall determine the remuneration to be received by members of the committees, based on their attendance at committee meetings.

(f) Functioning of the Board of Directors and of the Board of Directors’ Committees

The Chairman and the Chief Executive Officer shall meet regularly on a monthly basis (unless they jointly decide otherwise) in order to discuss the affairs of the Group. They review and discuss all strategy matters, monitor the Group’s developments with regard to the companies’ status, operational strategy and operational performance and the Chairman shall brief the Board of Directors accordingly.

In particular, without limiting the step-in right of the Board of Directors as set up above, they:

- review the Group’s overall operational strategy proposed by the Chief Executive Officer;
- identify the risks and opportunities of the global operational strategy and the impact on the operational strategy of emerging or evolving competitive activity, governmental or legislative developments and global economic conditions;
- review of the Company’s progress in implementing its global operational strategy and its strategic commercial activity;
- consider and review major strategic operational initiatives and developments; and
- make whatever recommendations to the Board of Directors it deems appropriate on any area within its remit where action or improvement is needed.

The Chairman is kept regularly informed by the Chief Executive Officer of significant events in the life of the Group, particularly concerning strategy, organization, investments and divestments. At the invitation of the Chief Executive Officer, the Chairman may attend internal meetings with the Company's executives and teams in order to give his or her insight on strategic issues.

The Chief Executive Officer informs the Chairman of projects associated with extraordinary economic risks or projects relating to new strategic directions (including first of its kind projects or threats of substantial losses in case of failure).

The Chairman of the Audit Committee consults with the Chairman of the Board of Directors regarding the matters on the agenda of Board of Directors' meetings and can recommend including additional matters to the agenda.

The Chairman of the Audit Committee can approach the Chairman of the Board of Directors and request that a meeting of the Board of Directors be convened to discuss a predetermined agenda.

Relations with Directors

The Chairman of the Audit Committee or the Chairman of the Board of directors maintain a regular dialogue with Directors and the Chairman of the Audit Committee is, if need be, their spokesperson to the Chairman of the Board of Directors.

Conflicts of interest / Related party transactions

The Chairman of the Board and the Chairman of the Audit Committee play a preventive role to raise the awareness of all Directors with respect to conflicts of interest and he or she may make aware of situations that could potentially trigger conflicts of interest.

The Chairman of the Audit Committee can inform the Chairman of the Board and/or the Board of Directors of conflicts of interest.

Ultimately, each director shall be responsible for assessing whether he or she is in a situation of a conflict of interest.

Mandatory French law shall apply with respect to the handling of related party transactions in the Board of Directors.

(g) Remuneration

Directors (with the exception of the executive directors) shall receive fees (*jetons de présence*), the amount and allocation of which shall be fixed once a year by the Board of Directors on the basis of the criteria listed below, and within the maximum limits fixed by the general meeting of the shareholders:

- the directors' fees shall comprise a fixed portion and a variable portion which shall reflect each director's participation at meetings of the Board and committee meetings;

- the Vice-Chairman of the Board of Directors (if any) and the chairmen of any committees shall receive an additional fixed fee; and

- the fixed portion of the fee shall be paid for the first half following the end of the first semester of the financial year and for the second half after the end of the financial year. If necessary, the fixed portion is paid *prorata* to the effective duration of the mandate of the beneficiary during the financial year. The variable part shall be calculated and paid after the end of each semester of the financial year.

Members of the Board of Directors and of committees shall be reimbursed for any expenses incurred in connection with their duties on the basis of receipts.

(h) Transparency

Any Alstom Shares acquired by directors must be held in registered form.

Directors must declare to the French financial markets regulatory authority and to the Company, the transactions on the Company's financial instruments pursuant to and in compliance with the terms and conditions of Article L. 621-18-2 of the French Monetary and Financial Code, the General rules of the French financial markets regulatory authority, and the Company's Code of conduct relating to preventing misuse of inside information and operations on transferable securities.

2.2.2.11 Main planned amendments to Alstom's internal rules of the committees of the board of directors

In order to adapt Alstom's internal rules of the committees of the board of directors (the "**Internal Rules of the Committees**") to the governance and shareholding of the Combined Company, the Internal Rules of the Committees shall be amended as from the Closing Date and for a period of four (4) years following the Closing Date.

The description of the Internal Rules of the Committees in this Document reflects the main provisions of such Internal Rules as they are anticipated to be amended upon completion of the Transaction.

(a) Audit Committee Internal Rules

The Audit Committee shall consist of six members, including four Independent Directors (one of whom shall be appointed by the Chairman) and two members designated by Siemens, all appointed by the Board of Directors from among the Directors of Siemens Alstom upon the recommendation of the Nominations and Remuneration Committee.

The term of office of a member of the Audit Committee shall not exceed his or her term of office as a Director. The Board of Directors can, at any moment, revoke a member's membership to the Audit Committee.

The members of the Audit Committee must have the financial management or accounting expertise that is necessary for effectively carrying out their duties and shall have access upon request to all information regarding financial and operational matters specific to the Company and the Group. In compliance with applicable French legal provisions, at least one member of the Audit Committee must have specific expertise in financial or accounting matters and be independent.

An Audit Committee member cannot be a corporate officer of the Company with management duties.

Acting under the authority of the Board of Directors, the general purpose of the Audit Committee is to assist the Board of Directors in overseeing issues relating to the development and management of financial and accounting information. In particular, the Audit Committee is responsible for monitoring (i) the process according to which the financial information is developed, (ii) the efficiency of internal controls and risk management systems, (iii) the legal auditing of annual account statements and consolidated account statements as carried out by the external auditors, and the independence of such external auditors.

The Audit Committee monitors in particular: (i) the regularity, truthfulness and fair view given by the financial statements of the Company and other related financial information or reports sent to the shareholders, the public and stock exchanges authorities; (ii) the Company's compliance with applicable legal and regulatory requirements related to financial information and (iii) the successful operation of the Company's internal audit function.

The Audit Committee shall meet at least three times a year at the convocation of its Chairman or the Chairman of the Board of Directors, upon reasonable previous notice or without delay in case of urgency. In addition, each member may propose a meeting if he sees the need to discuss particular matters.

The Audit Committee should meet with the external auditors, the Chief Financial Officer, the General Counsel, the Chief Accounting Officer, the Senior Vice President-Performance Management, the Internal Audit and Internal Controls Manager, the Head of the Treasury and any other officers of the Group it may deem necessary, under the conditions it sets forth and, if it deems necessary, without the presence of Management.

The external Auditors shall be present at all of the meetings, unless otherwise decided by the Audit Committee.

The Audit Committee's recommendations, conclusions and comments are decided by the majority of these Committee members attending the meetings, each member holding one vote. In the event that votes are equally shared, the Chairman will cast the deciding vote.

The Chairman of the Audit Committee or the member designated by the Audit Committee when the President is unable to attend shall, on a regular basis, submit a summary describing the performance of the Audit Committee's duties and its recommendations, conclusions and comments to the Board of Directors and its Chairman. The Audit Committee must inform the Board as soon as possible whenever it encounters a problem.

The Audit Committee presents to the Board a formal evaluation of its functioning at least once every three years completed on the basis of performance evaluation criteria approved by the Board. Once a year, the Audit Committee dedicates one of the items on its agenda to a debate concerning its functioning.

The Audit Committee shall review at least annually the adequacy of these rules and submit any proposed amendment to the Board of Directors for approval.

The Audit Committee shall also submit to the Board approval a summary of its tasks performed in respect of each financial year, to be inserted in the Company's annual report.

(b) Nominations and Remuneration Committee Internal Rules

The Nominations and Remuneration Committee shall consist of four members, all appointed by the Board of Directors from among the Directors of Siemens Alstom. Two members of the Nominations and Remuneration Committee shall be Independent Directors and two members shall be designated by Siemens (including the chairman of the Nominations and Remuneration Committee, who will have a casting vote). The term of office of a member of the Nominations and Remuneration Committee shall not exceed his or her term of office as a Director. The Board of Directors can, at any moment, revoke a member's membership to the Nominations and Remuneration Committee.

A Committee member cannot be a corporate officer of the Company with management duties (hereafter referred to as "*Dirigeants Mandataires sociaux*").

The Nominations and Remuneration Committee shall be responsible for reviewing and recommending or proposing to the Board of Directors on the following:

- whether or not the roles of Chairman and Chief Executive Officer are unified or separated;

- the nomination (and revocation) of the Chairman and of the Chief Executive Officer;

- the nomination of new Directors, including in case of vacancy; in particular the Nominations and Remuneration Committee shall organise an appropriate procedure for selecting independent Directors and shall itself make its own independent research on potential candidates prior to their being approached;

- the nomination, upon proposal of the Chief Executive Officer, of any other *Dirigeants Mandataires sociaux* and members of the Group's Executive Committee;

- the succession plans for the *Dirigeants Mandataires sociaux*;

- the Board and Committees composition (including appointment and renewal) and functioning;

- the compliance by the Company with corporate governance principles that the Company abides by, notably regarding the policy with respect to the remuneration of the *Dirigeants Mandataires sociaux*. The Nominations and Remuneration Committee advises the Board on the part of the annual report dedicated to the shareholders' information on these matters and on Board's work;

- the Company's definition of an "independent Director" and the list of independent Directors to be inserted in each Company's annual report;

- the whole of the elements comprising the compensation of the *Dirigeants Mandataires sociaux* of the Company, including any award of stock options or performance based shares, as well as compensation and benefits of any kind (including pensions and termination benefits) also paid to them by the Company or companies belonging to the Group. The Nominations and Remuneration Committee shall notably review and define the rules for determining the variable part, shall ensure its coherence with the *Dirigeants Mandataires sociaux* annual performance evaluation and the strategy of the Company, and thereafter assess annually the implementation of these rules;

- the Company's general policy relating to stock option plans including the granting timing and frequency, and any stock option plans to be proposed including the proposed beneficiaries;

- the Company's general policy relating employee share purchase schemes and any schemes to be proposed; and

- the Directors' fees (*jetons de présence*) and their granting conditions.

The Committee shall make a recommendation to the Board of Directors regarding the appointment of a new member of the Group's Executive Committee proposed by the Chief Executive Officer (including the hiring for the purpose of appointment and the compensation package proposed to the candidate and his or her hiring for external candidates) and review, on an annual basis, the compensation of such members of the Group's Executive Committee.

The Nominations and Remuneration Committee shall meet at least three times a year at the convocation of its Chairman or the Chairman of the Board of Directors, upon reasonable prior notice or without delay in case of urgency, and in any case prior to any meeting of the Board of Directors whose agenda contains an item relating to the Nominations and Remuneration Committee's responsibility. In addition, each member may propose a meeting if he or she sees the need to discuss particular matters. Convening of the Nominations and Remuneration Committee may be done by any means, including verbally.

A quorum of at least half of the members present is required for a Committee meeting to take place.

The Chairman of the Committee shall have a casting vote.

The Nominations and Remuneration Committee shall meet with any officers of the Company it may think necessary.

The Chairman and Chief Executive Officer may attend all or part of the meetings except on items relating to him.

The Nominations and Remuneration Committee's recommendations, proposals, conclusions and comments are decided by the majority of these Committee members attending the meetings, each member holding one vote. In the event that votes are equally shared, the Chairman will cast the deciding vote.

The Chairman of the Nominations and Remuneration Committee or the member designated by the Nominations and Remuneration Committee when the Chairman is unavailable, shall in due course submit a summary of the Nominations and Remuneration Committee's recommendations, proposals, conclusions and comments to the Board of Directors and its Chairman.

The Nominations and Remuneration Committee presents to the Board a formal evaluation of its functioning at least once every three years. Once a year, the Nominations and Remuneration Committee dedicates one of the items on its agenda to a debate concerning the Board and Board Committees' functioning.

The Nominations and Remuneration Committee shall review at least annually the adequacy of these rules of the Nominations and Remuneration Committee and recommend any proposed changes to the Board of Directors for approval.

The Nominations and Remuneration Committee shall also submit for the Board's approval a summary of its tasks performed in respect of each financial year, to be inserted in the Company's annual report.

(c) Ethics, Compliance and Sustainability Committee Internal Rules

The Ethics, Compliance and Sustainability Committee shall consist of six members, including four Independent Directors (one of whom shall be appointed Chairman) and two members designated by Siemens, all appointed by the Board of Directors from among the Directors of Siemens Alstom upon the recommendation of the Nominations and Remuneration Committee. The term of office of a member of the Ethics, Compliance and Sustainability Committee shall not exceed her or his term of office as a Director. The Board of Directors can, at any time, change the composition of the Ethics, Compliance and Sustainability Committee.

A Committee member cannot be a corporate officer of the Company with management duties.

The Ethics, Compliance and Sustainability Committee shall act under the authority of the Board of Directors.

Ethics & compliance dimension

The Ethics, Compliance and Sustainability Committee reviews and monitors the Company's policies on ethics and compliance matters and the systems and procedures in place to effectuate these policies and provides the Board of Directors with its views.

In fulfilling its role, the Ethics, Compliance and Sustainability Committee is responsible for the following:

- to review the definition of the Group's core values and ethics and compliance policy;
- to review the organization of the Ethics and Compliance function and make recommendations if any ;
- to review the Group's ethics charters, rules and procedures (including procedures with third parties); the Ethics, Compliance and Sustainability Committee is informed of the plans for their promotion and implementation;

- to receive, on an annual basis, the presentation of the Group's risk map concerning ethics and compliance; it reviews the risks thus identified and is kept informed of their evolution and of the characteristics of their management systems;
- to receive from the head of Ethics & Compliance function the annual activity report on the Company's ethics and compliance policy and actions undertaken; to review and recommend the proposed compliance action plan for the following year and to monitor its development;
- the Ethics, Compliance and Sustainability Committee is informed of any possible cases of non-compliance with respect to the ethics and compliance policy and reviews the actions plans carried out as a result of such cases; and
- to review the liaison with stakeholders over ethical issues.

Sustainable development dimension

The Ethics, Compliance and Sustainability Committee reviews and assesses the Company's strategy, policies and procedures on issues related to corporate responsibility and sustainable development as described below and provides the Board of Directors with its views.

In fulfilling its role, the Ethics, Compliance and Sustainability Committee is responsible for the following:

- to review the Group's environmental policies and management systems;
- to review the human resources policies, objectives and results notably in the following areas: health and safety, diversity, equal employment, employee relations and related matters; this includes reviewing notably the health and safety reports and management systems;
- to review policies with respect to relationships with stakeholders (customers, suppliers, local communities) including the activities of the Alstom foundation; this includes reviewing and monitoring any other charitable policies of the Group;
- to receive, on an annual basis, the presentation of the Group's risk map concerning social responsibility and sustainable development; it reviews the risks thus identified and is kept informed of their evolution and of the characteristics of their management systems;
- to review and assess the reporting and control procedures on non-financial indicators (environmental, health and safety, social reporting and indicators);
- to review the main lines of the Company's communication on corporate responsibility and sustainable development; the Ethics, Compliance and Sustainability Committee also reviews the annual Board of Directors' draft report on the social and environmental impact of the Company's operations and provides the Board with its views on such report);
- to review and monitor the ratings received by the Group from non-financial rating agencies.

The Ethics, Compliance and Sustainability Committee shall meet at least two times a year at the convocation of its Chairman or the Chairman of the Board of Directors, upon reasonable previous notice or without delay in case of urgency. In addition, each member may propose a meeting if he sees the need to discuss particular matters. Convening of the Ethics, Compliance and Sustainability Committee may be done by any means, including verbally.

A quorum of at least half of the members present is required for a meeting of the Committee to take place.

The Ethics, Compliance and Sustainability Committee should meet with any officer of the Group it may deem necessary to perform its duties and with the external auditors, under the conditions it sets forth and, as the case may be, without the presence of Management.

The Committee provides an opinion to the Audit Committee on the risk map for ethics, compliance, social responsibility, and sustainable development, and on the procedures for preventing such risks from occurring.

The Ethics, Compliance and Sustainability Committee presents to the Board a formal evaluation of its functioning at least once every three years completed on the basis of performance evaluation criteria approved by the Board (the first review should be done after two years of functioning of the Committee). Once a year, the Ethics, Compliance and Sustainability Committee dedicates one of the items on its agenda to a debate concerning its functioning.

The Ethics, Compliance and Sustainability Committee shall also submit to the Board for approval a summary of its tasks performed in respect of each financial year, to be inserted in the Company's annual report.

2.2.2.12 Compensation policy of the Chief Executive Officer

See Exhibit 6.6 to the Document "Report of the Alstom Board of Directors on the resolutions proposed to the general shareholders' meeting to be held on July 17, 2018 in accordance with Article L. 225-37-2 of the French Commercial Code".

2.2.2.13 Opinions of the Works Councils

Siemens Mobility SAS' Works Council (*Comité central d'entreprise*) has been informed and consulted in connection with the Carve-Out (as such term is defined in Section 5.1.1 below) and the Contributions, in accordance with Articles L. 2323-1 and L. 2323-33 of the French Labor Code, and issued its opinion on November 30, 2017.

Siemens European Works Council (Siemens Europe Committee, or "**SEC**") has been duly informed and consulted. Further information in connection with the Carve-Out and the Contributions has been provided to the SEC on December 7, 2017 in order that the consultation procedures according to national law in the affected countries could start. A subsequent meeting with the SEC Executive Committee took place March 23, 2018 to inform about the current status of the Carve-Out of the Siemens Target Business. The information and consultation procedures with the Siemens Central Works Council (*Gesamtbetriebsrat*) (the "**SCWC**") as governed by German law including negotiations concerning the effects on employees in connection with the Carve-Out and the Contributions have started on January 10, 2018 and are ongoing.

2.2.2.14 Tax regime applicable to the Contributions

(a) Registration fees and VAT

The Contributions are each subject to the payment of a fixed registration duty of €500 pursuant to Article 810-I of the French tax code (*Code général des impôts*) and will be exempt from value added tax.

(b) Corporate income tax

The French Contribution by Siemens France Holding will be preceded by the prior contribution by Siemens SAS of its French "mobility" business to Siemens Mobility SAS and the subsequent distribution by Siemens SAS of the Siemens Mobility SAS shares received in exchange to Siemens France Holding (see Section 5.1.1 "Carve-out of the Siemens Target Business" of this Document). These prior transactions and the French Contribution will be carried out under the French favorable merger regime provided for by Articles 115-2, 210-A and 210-B of the French tax code (*Code général des impôts*), it being specified that Alstom and the abovementioned companies will have made all the commitments to which the application of these particular provisions is subject.

The Luxembourg Contribution will be realized under French ordinary corporate income tax rules.

2.2.2.15 Ancillary agreements

Pursuant to the Business Combination Agreement, Alstom and Siemens have entered into or will enter into several ancillary agreements, with effect as of the Closing Date, and in particular into:

(i) a framework agreement, entered into on March 23, 2018, under which Alstom and Siemens agree to certain rights and obligations (such as information rights and operational synchronization) concerning the relationship between the parties after the Closing Date and certain principles applicable to the provision of services between the parties;

(ii) a strategic supply agreement, under which Alstom and Siemens shall set forth a binding framework for the supply of products and services from the Siemens Group to the Alstom Group, thereby continuing the intracompany arrangements and intragroup supply agreements under which Siemens supplies products and services to the Siemens Target Business;

(iii) a platform cooperation agreement, under which Alstom and Siemens shall agree to establish regular meeting structures in which they intend to use reasonable best efforts to discuss the identification of common business opportunities in the field of using and combining data analysis platforms owned by the parties (such as MindSphere) with various of Alstom's products; and

(iv) transitional services agreements, setting out the terms and conditions of the provision of certain transitional services.

Alstom and Siemens also intend to discuss and negotiate the conclusion of additional elements of their strategic alliance such as (i) a “Strategic Alliance Agreement” setting out the basis of the good faith collaboration between the parties, (ii) a “Regional Support Agreement” by which Siemens shall offer to Alstom, subject to the conclusion of specific local service agreements, the services of Siemens’ regional companies in the field of sales and marketing and (iii) a “Key Account Management Agreement”, by which Siemens shall offer to Alstom the participation in Siemens’ key account management system.

2.2.2.16 Indicative timetable of the Transaction

September 26, 2017	Signing of the Memorandum of Understanding
November 16, 2017	Appointment of the Contribution Appraiser (*commissaire à la scission*) by the President of the Commercial Court of Bobigny for the French Contribution and Luxembourg Contribution
November 30, 2017	Opinion of Siemens relevant works council in France
January 9, 2018	Appointment of the Contribution Appraiser (*commissaire à la scission*) by the President of the Commercial Court of Bobigny for the Alstom Contribution
February 22, 2018	Conclusion of the required works council information and consultation process at Alstom
March 23, 2018	Signing of the Business Combination Agreement
March 23, 2018	Press release announcing the signing of the Business Combination Agreement
May 2, 2018	Appointment of the Luxembourg Independent Expert by the Board of Managers (*Conseil de gérance*) of Siemens Mobility Holding S.à r.l. for the Luxembourg Contribution

May 15, 2018	Alstom's Board of Directors' meeting (i) approving the Contribution Agreements and (ii) approving the annual financial accounts of Alstom
May 15, 2018	Circular resolutions of Siemens Mobility Holding S.à r.l.'s Board of Managers (*Conseil de gérance*) approving the Luxembourg Contribution and the Luxembourg Contribution Agreement
May 15, 2018	Decisions of the *Comité d'administration* of Siemens France Holding approving the French Contribution and the French Contribution Agreement
May 17, 2018	Signature of the Contribution Agreements
May 18, 2018	Filing of the Contribution Agreements with the Commercial Court of Bobigny
May 23, 2018	Filing of an extract of the Luxembourg Contribution Agreement with the Luxembourg Trade and Companies Register
May 23, 2018	Publication of the extract of the Luxembourg Contribution Agreement on the *Recueil Electronique des Sociétés et Associations* (Luxembourg electronic Official Gazette)
May 28, 2018	Clearance of the contemplated Combination by the MINEFI under Articles L. 151-3 and R. 153-1 *et seq*. of the French Monetary and Financial Code
May 29, 2018	*Collège* of the AMF granting the waiver of any obligation of the part of Siemens or the Siemens Contributing Companies to launch a mandatory tender offer for shares of Alstom
May 30, 2018	Alstom's Board of Directors' meeting (i) convening and setting the agenda of Alstom's general shareholders' meeting and (ii) convening and setting the agenda of Alstom's special shareholders' meeting
May 30, 2018	Publication of 2017/2018 Alstom Registration Document
May 30, 2018	Publication of the notices relating to the Contributions in the BALO
June 6, 2018	Publication in the BALO of the preliminary notice of meeting (*avis de réunion*) for Alstom's general and special shareholders' meetings
June 6, 2018	Registration of the Document E with the AMF
June 11, 2018	Documentation for Alstom's shareholders' meetings available at its registered office and on its website
June 27, 2018	Publication in the BALO of the notice of meeting (*avis de convocation*) for Alstom's general and special shareholders' meetings
July 6, 2018	Filing of the Contribution Appraiser's report on the valuation of the assets with the Commercial Court of Bobigny
July 11, 2018	End of the 30-day creditors' objection period
July 17, 2018	Alstom's general meeting (called in particular to approve the Contributions and to authorize the Alstom Board of Directors to implement a repurchase

	program) and special shareholders' meetings for shareholders holding double voting rights
2nd half of 2018	Satisfaction or waiver of the conditions precedents Appointment of an expert to assist the parties in assessing, for accounting purposes only, the value of the Contributed Shares based notably on the estimated accounts of Siemens France Holding and Siemens Mobility Holding S.à r.l. as of the Determination Date
5 Business Days prior to Closing	Issuance of the Certificate (i) certifying that on Closing, Siemens will hold at least 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 Siemens holds at least 50% of Alstom's share capital on a Fully Diluted basis on Closing
Closing Date	End of any repurchase program linked to the Transaction General shareholders' meeting of Siemens Mobility Holding S.à r.l. and decisions of the sole shareholder of Siemens France Holding General shareholders' meeting of Alstom Holdings convened to approve the Alstom Contribution Press release announcing completion of the Contributions Publication of Euronext notice Admission of New Alstom Shares to trading on Euronext Paris Notices of threshold crossings by Siemens France Holding and Siemens Mobility Holding S.à r.l.

2.3 Control of the Contributions

2.3.1 Dates of the shareholders' meetings called to approve the Contributions

Alstom's general shareholders' meeting called to approve the Contributions is scheduled for July 17, 2018.

Siemens France Holding and Siemens Mobility Holding S.à r.l.'s extraordinary shareholders' meeting called to approve the Contributions is not yet scheduled but will take place on the Closing Date.

It is specified that, pursuant to the Business Combination Agreement, the Extraordinary Shareholders' Meeting shall take place within seventy (70) calendar days following the later of (i) the notification that the documentation governing the carve-out operations for the seven countries agreed between Alstom and Siemens has been signed and (ii) the satisfaction of the conditions precedent relating to the clearance of the French Ministry for Economy, Industry and the Digital Sector and AMF's unconditional exemption from the mandatory filing of a tender offer pursuant to applicable regulations, unless the 70th calendar day following this trigger date falls after May 1st, 2018, in which case the Extraordinary Shareholders' Meeting shall take place at the date of Alstom's annual shareholders' meeting to be convened to approve the financial statement for the financial year ending on March 31st, 2018, and no later than July 31st, 2018.

2.3.2 Contribution Appraiser appointed by the Commercial Court and independent appraisers of the Contributions

Contribution appraiser

By two court orders ("*ordonnances*") dated November 16, 2017, at the request of Alstom and Siemens, the President of the Bobigny Commercial Court appointed Mr. Olivier Péronnet (Finexsi, 14 rue de Bassano, 75116 Paris, France) as contribution appraiser (*commissaire à la scission*) for each of the Contributions (the "**Contribution Appraiser**") in order for such Contribution Appraiser to issue the reports on the Contributions complying with the applicable provisions of French Law.

No incompatibility was identified regarding the appointment of Mr. Olivier Péronnet as Contribution Appraiser.

In accordance with Articles L. 236-10 and L. 236-22 of the French Commercial Code, the Contribution Appraiser shall draft, under his own liability, a written report on the terms and conditions of each Contribution. He shall check that the relative values assigned to the shares of the companies participating in the Contributions are appropriate and that the proposed consideration for the Contributions is fair.

In addition, in accordance with Articles L. 236-10 and L. 225-147 of the French Commercial Code, the Contribution Appraiser shall (i) assess the value of the Contributions and the special advantages and (ii) draft a report on such elements.

The reports of the Contribution Appraiser on the value of the Contributions and the special advantages, if any, will be filed with the clerk of the Commercial Court of Bobigny at least fifteen days prior to Alstom's general shareholders' meeting called to approve the Contributions, in accordance with French laws and regulations.

Luxembourg Independent Expert

In accordance with Article 1031-6 (1) of the Luxembourg Law on Commercial Companies dated August 10, 1915 (as amended), Siemens Mobility Holding S.à r.l. appointed BDO Audit, a *société anonyme* incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 1 rue Jean Piret, L-2350 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) under number B 147570, *cabinet de révision agréé*, as independent expert (*réviseur d'entreprises agréé*) (the "**Luxembourg Independent Expert**") in charge of reviewing the Contribution Agreements and drafting a written report to the attention of Siemens Mobility Holding S.à r.l.'s shareholders.

The reports of the Contribution Appraiser dated May 30, 2018 (included in Exhibit 6.1 to this Document) and the report of the Luxembourg Independent Expert dated May 30, 2018 (included in Exhibit 6.2 to this Document) were made available at Alstom's, Siemens France Holding's and Siemens Mobility Holding S.à r.l.'s respective registered offices at least thirty days prior to Alstom's shareholders' meeting called to approve the Contributions.

Expert appointed by Alstom and Siemens for accounting purposes

Pursuant to the Business Combination Agreement, Alstom and Siemens have agreed to appoint an expert as at the Determination Date whose role will be to assist them 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.

Regarding the Luxembourg Contribution:

- if the expert valuation of the contributed shares is less than their book value in Siemens Mobility Holding S.à r.l., 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 Siemens Mobility Holding S.à r.l. will be accounted for as a charge in the accounts of the Siemens Mobility Holding S.à r.l.;

- if the expert valuation of the contributed shares is more than their book value in Siemens Mobility Holding S.à r.l., the Luxembourg Contribution should be accounted for in the accounts of Alstom at the book value in Siemens Mobility Holding S.à r.l. and not at the expert valuation.

Regarding the French Contribution, if the expert valuation of the contributed shares is less than their fair market value in Siemens France Holding, the French 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 fair market value Siemens France Holding will be accounted for as a charge in the accounts of Siemens France Holding.

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 consideration of the Contributions or on the financial terms of the Transaction irrevocably agreed by Alstom and Siemens.

2.3.3 Special mandate given to the statutory auditors by the AMF

N/A

2.4 Consideration for the Contributions

2.4.1 Capital increase

In consideration for the Contributions, Alstom will issue:

- 227,314,658 New Alstom Shares with a par value of €7 each, representing no less than 50% of the share capital of Alstom on a Fully Diluted basis, of which (i) 8,505,619 New Alstom Shares to be subscribed by Siemens France Holding in consideration for the French Contribution and (ii) 218,809,039 New Alstom Shares to be subscribed by Siemens Mobility Holding S.à r.l. in consideration for the Luxembourg Contribution; and

- 18,942,888 Warrants, to be subscribed by Siemens Mobility Holding S.à r.l. with respect to the Luxembourg Contribution as part of the consideration for the contribution of the shares in Siemens Mobility Holding B.V.

As a result of the Contributions, the total par value of Alstom's share capital increase will be €1,591,202,606.

The difference between the value of the Contributions (*i.e.*, €4,727,640,174) and the par value of the capital increase (*i.e.*, €1,591,202,606) will represent a contribution premium of €3,136,437,568. This premium will be credited to additional paid-in capital in Alstom's (and, following the contemplated Contributions, Siemens Alstom's) statement of financial position (*compte "prime d'apport"*), to which all new and existing shareholders of Alstom (and, following the contemplated Contributions, Siemens Alstom) will have rights.

The terms and conditions of the Warrants are described in Exhibit 6.4 to this Document.

2.4.2 *Date of entitlement to dividends of the new shares*

The new ordinary shares issued by Alstom in consideration for the Contributions will carry dividend and voting rights as from the Closing Date, will rank *pari passu* with the existing shares comprising Alstom's share capital, will carry the same rights and privileges and will be subject to all of the provisions set out in Alstom's (and, following the contemplated Contributions, Siemens Alstom's) by-laws.

2.4.3 *Listing date*

In accordance with Article L. 228-10 of the French Commercial Code, all new ordinary shares of Alstom issued in consideration for the Contributions will be admitted for trading as from the Closing Date.

Accordingly, as soon as possible after the Closing Date, an application will be made for the shares to be listed on compartment A of Euronext Paris, under the conditions to be set out in a notice issued by Euronext Paris.

The new shares of Alstom (and, following the contemplated Contributions, Siemens Alstom) will be traded under the same ISIN code (FR0010220475) as the existing ordinary shares of Alstom.

2.4.4 *Adjustment mechanism*

For accounting purposes only, Alstom and Siemens have agreed that the final value of the shares to be contributed under the Contributions will be the book value as at the Closing Date of the shares to be contributed under the Luxembourg Contribution and the fair market value as at the Closing Date of the shares to be contributed under the French Contribution, based notably on the accounts of the Siemens Contributing Companies established as of the Determination Date, assuming in particular that the completion of the Carve-Out (as further detailed in Section 5.1 below) has occurred as of the Determination Date for the countries listed in sub-section 5.1.1 below and taking into account the following adjustment mechanism as set forth in the Contribution Agreements:

(A) The consideration for the Contributions 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, Siemens and Alstom will proceed with the calculation of an adjustment to the Contributions, 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 date on which the last condition precedent has been satisfied or waived in accordance with Section 2.2.2.6 above, Alstom and Siemens will 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 will be calculated on the basis of the amounts as at Determination Date, of the actual net debt of Alstom, the actual net debt of the 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**"). 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 of the contribution agreements (*i.e*., according to the relative proportion of (i) the number of Alstom Shares to be received by Siemens France Holding 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, Siemens France Holding, Siemens Mobility Holding S.à r.l. and/or any other relevant entity of the Siemens Group (other than any Siemens Target Business company) will, on or prior to the Closing Date (but, in any case prior to Closing), increase the amount of cash in the Siemens Target Business companies to be directly or indirectly contributed to Alstom under the Contributions by an aggregate amount equal to the Positive Adjustment.

(F) In case of a Negative Adjustment, Siemens France Holding, Siemens Mobility Holding S.à r.l. and/or any other relevant entity of the Siemens Group (other than any Siemens Target Business 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 Business companies to the benefit of Siemens France Holding, Siemens Mobility Holding S.à r.l. and/or any other relevant entity from the Siemens Group (other any Siemens Target Business company) and/or (ii) increase the amount of financial liabilities owed to entities of the Siemens Group (other than any Siemens Target Business 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 may, if legally possible and reasonably practicable, set off any liability from any Siemens Target Business company owed to any Siemens Group entity (other than a Siemens Target Business company) to the extent that it does not create adverse tax consequences for Siemens or the Siemens Group or Alstom or the Alstom Group.

The Extraordinary Shareholders' Meeting called to vote on the Contributions will also be asked to authorize the Alstom Board of Directors to adjust upon Closing the contribution premium amount based on (i) the net accounting value of the Luxembourg Contribution as of the Closing Date and (ii) the fair market value of the French Contribution as of the Closing Date, as the case may be, as determined by the expert in application of the principles mentioned above (please refer to paragraph "*Expert appointed by Alstom and Siemens for accounting purposes*" in sub-section 2.3.2 above for further details in this respect).

2.5 Accounting for the Contributions

2.5.1 Classification and value of the assets contributed and the liabilities assumed

For accounting purposes, the value of the shares contributed under the Luxembourg Contribution is based on their net book value and the value of the shares contributed under the French Contribution is based on their fair market 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 and Regulation no. 2017-01 of May 5, 2017 (as the contemplated Transaction is a reverse transaction and the book value of assets contributed under the French Contribution is lower than the par value of the relevant consideration shares to be issued).

The Contributions will be completed and effective as of the Closing Date. In this respect, Siemens Mobility Holding S.à r.l. and Siemens France Holding have set up estimated unaudited pro forma accounts of the Siemens Contributing Companies as of September 30, 2017 (the "**Estimated Pro Forma Accounts**"), assuming in particular that the completion of the Carve-Out (as further described in Section 5.1.1 below) has occurred as of the Determination Date, in order to provide an estimate of the value of the shares which will be contributed by the Siemens Contributing Companies at the Closing Date.

Based on the Estimated Pro Forma Accounts:

- the estimated valuation of the French Contribution as of the date of the French Contribution Agreement is €231,141,816, composed of 100% of the shares of the Siemens Mobility SAS; and

- the estimated valuation of the Luxembourg Contribution as of the date of the Luxembourg Contribution Agreement is €4,496,498,358, composed of (i) €2,150,200,140 corresponding to 100% of the shares of the Siemens Mobility GmbH and (ii) €2,346,298,218 corresponding to 100% of the shares of the Siemens Mobility Holding B.V. (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 notably of deferred transfers or direct asset deals (in this respect, see Section 5.1.1 "Carve-Out of the Siemens Target Business" of this Document).

The difference between the value of the Contributions as of the Closing Date (*i.e*., the fair market value of the French Contribution plus the net book value the Luxembourg Contribution) and the nominal amount of the share capital increase of the Company carried out in consideration of the Luxembourg Contribution (*i.e*., €1,531,663,273) and the French Contribution (*i.e*., €59,539,333) will represent a contribution premium, which will be credited to a "contribution premium" account.

Hence the estimated aggregated net asset value of the Contributions amounts to €4,727,640,174 and the estimated contribution premium to €3,136,437,568.

2.5.1.1 Assets transferred

In accordance with the conditions set out in the French Contribution Agreement dated May 17, 2018, Siemens France Holding will contribute to Alstom 100% of Siemens Mobility SAS' share capital – as of the date of this Document – for a total amount of €231,141,816.

In accordance with the conditions set out in the Luxembourg Contribution Agreement dated May 17, 2018, Siemens Mobility Holding S.à r.l. will contribute to Alstom:

- 100% of Siemens Mobility Holding B.V.'s share capital – as of the date of this Document – for a total estimated amount of €2,346,298,218; and

- 100% of Siemens Mobility GmbH's share capital – as of the date of this Document – for a total estimated amount of €2,150,200,140 .

2.5.1.2 Liabilities transferred

N/A

2.5.2 Revaluations and readjustments performed between the Contributions value and the carrying amount

N/A

2.5.3 Independent assessment of the value of the Contributions

2.5.3.1 Regarding the contribution of Siemens Mobility SAS

By the Contribution Appraiser

The Contribution Appraiser has prepared reports on his assessment of the value of the Contribution of Siemens Mobility SAS and on the fairness of the consideration for the Contribution of Siemens Mobility SAS. These reports are included in Exhibit 6.1 to this Document. The findings of these reports are presented below:

Regarding the value of the French Contribution

"On the basis of our work and as at the date of this report, we are of the opinion that the value of the contribution amounting to €231,141,816 is not over-valued, and, consequently, that it is at least equal to the amount of the share capital increase of the company that is the beneficiary of the contributions, plus the contribution premium.

Paris, May 30, 2018
The contribution appraiser
Olivier Péronnet"

Such findings are a free translation from the original "*Rapport du Commissaire à la scission sur la valeur de l'apport*" regarding the "*Apport des titres de la société SIEMENS MOBILITY SAS consenti 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.

Regarding the consideration for the French Contribution

"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.

Paris, May 30, 2018
The contribution appraiser
Olivier Péronnet"

Such findings are a free translation from the original "*Rapport du Commissaire à la scission sur la rémunération de l'apport*" regarding the "*Apport des titres de la société SIEMENS MOBILITY SAS consenti 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.

2.5.3.2 Regarding the contribution of Siemens Mobility Holding B.V. and Siemens Mobility GmbH

By the Contribution Appraiser

The Contribution Appraiser has prepared reports on his assessment of the value of the Contribution of Siemens Mobility Holding B.V. and Siemens Mobility GmbH and on the fairness of the consideration for the Contribution of Siemens Mobility Holding B.V. and Siemens Mobility GmbH. These reports are included in Exhibit 6.1 to this Document. The findings of these reports are presented below:

Regarding the value of the Luxembourg Contribution

"On the basis of our work and as at the date of this report, we are of the opinion that the value of the contribution amounting to €4,496,498,358 is not over-valued, and, consequently, that it is at least equal to the amount of the share capital increase of the company that is the beneficiary of the contributions, plus the contribution premium.

Paris, May 30, 2018

The contribution appraiser

Olivier Péronnet"

Such findings are a free translation from the original *"Rapport du Commissaire à la scission sur la valeur de l'apport*" regarding the "*Apport des titres des sociétés SIEMENS MOBILITY GmbH et SIEMENS MOBILITY HOLDING BV consenti par la société SIEMENS MOBILITY HOLDING SA RL 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.

Regarding the consideration for the Luxembourg Contribution

"On the basis of our work and at the date of this report, our opinion is that the proposed consideration for the Luxembourg Contribution, leading to the issuance of 218,809,039 ALSTOM shares and 18,942,888 ALSTOM warrants, agreed by the parties, is fair.

Paris, May 30, 2018

The contribution appraiser

Olivier Péronnet"

Such findings are a free translation from the original *"Rapport du Commissaire à la scission sur la rémunération de l'apport*" regarding the "*Apport des titres des sociétés SIEMENS MOBILITY GmbH et SIEMENS MOBILITY HOLDING BV consenti par la société SIEMENS MOBILITY HOLDING SA RL 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.

By the Luxembourg Independent Expert

The report of the Luxembourg Independent Expert on the Luxembourg Contribution is included in Exhibit 6.2 to this Document. The findings of his report are presented below:

"Based on the work performed, nothing came to our attention that causes us to believe that:

- *the exchange ratio of 218,809,039 Alstom shares and 18,942,888 warrants for 100% of Siemens Mobility GmbH shares and 100% of Siemens Mobility Holding B.V. shares is not relevant and reasonable;*

- *the selected valuation methods used to arrive at the exchange ratio are not adequate and appropriate in the circumstances.*

Our conclusion is expressed at the date of this report which represents the end date of our engagement. Our responsibility does not cover any procedure to be performed on potential subsequent events between the present date of this report and the Closing Date or the Determination Date.

This report is made solely for the purpose of complying with article 1031-6 of the Law and may not be used for other purposes.

Luxembourg, May 30, 2018

BDO Audit

Cabinet de révision agréé

By: Daniel Croisé"

Such findings are a free translation from the original "*Rapport de « l'expert indépendant » sur le "Traité d'apport partiel" concernant le transfert d'actifs de Siemens Mobility Holding S.à r.l. à Alstom S.A.*" written in French language and dated May 30, 2018. The French original version will always prevail.

2.5.4 Details of the calculation of the share premium

The difference between the value of the Contributions (*i.e.*, respectively €231,141,816 and €4,496,498,358) and the par value of the capital increase (*i.e.*, €1,591,202,606) will represent a contribution premium of €3,136,437,568. This premium will be credited to additional paid-in capital in Alstom's (and, following the contemplated Contributions, Siemens Alstom's) statement of financial position (compte "*prime d'apport*"), to which all new and existing shareholders of Alstom (and, following the contemplated Contributions, Siemens Alstom) will have rights.

2.6 Value of the Contributions

2.6.1 Financial assumptions retained in valuing the Contributions

As per the Luxembourg Contribution Agreement and the French 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 2.6.2 "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.

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

The information set out in this paragraph 2.6.2 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 2.6.2 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.

- <u>Dividend Discount Model (DDM):</u>

This method consists in valuing a firm by discounting its future dividends. It is not retained as it is intrinsically linked to the projections of future net income, the management's decisions with regards to the dividend policy and the potential financing constraints.

b. <u>Valuation methods retained</u>

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 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 Section 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 the financial performance over the period from September 30th, 2017 to March 31st, 2018 of Alstom and the Contributions does not indicate a material deviation 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 Target Business (€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**

2.6.3 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.

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.

2.7 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 accounting 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.

Calculation o*f *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 Section 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 projections of future net income, the management's decisions with regards 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 the financial performance over the period from September 30th, 2017 to March 31st, 2018 of Alstom and the Contributions does not indicate a material deviation 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

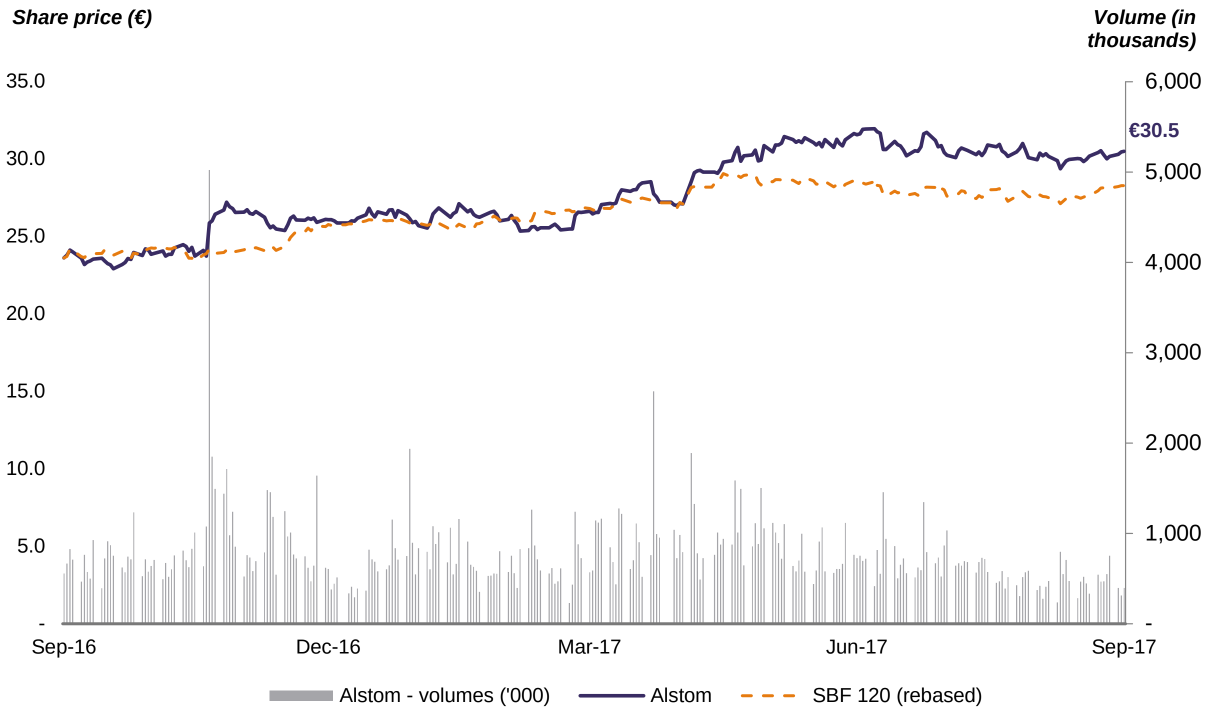
This method enables to obtain respective equity value ranges for the Alstom Group and French Contribution of €7,523m-€7,760m and €218m-€266m.

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. <u>Brokers' target prices for Alstom Group and SOTP valuation of Siemens Group</u>

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 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 Target Business (€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 the 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 the financial performance over the period from September 30th, 2017 to March 31st, 2018 of Alstom and the Contributions does not indicate a material deviation 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

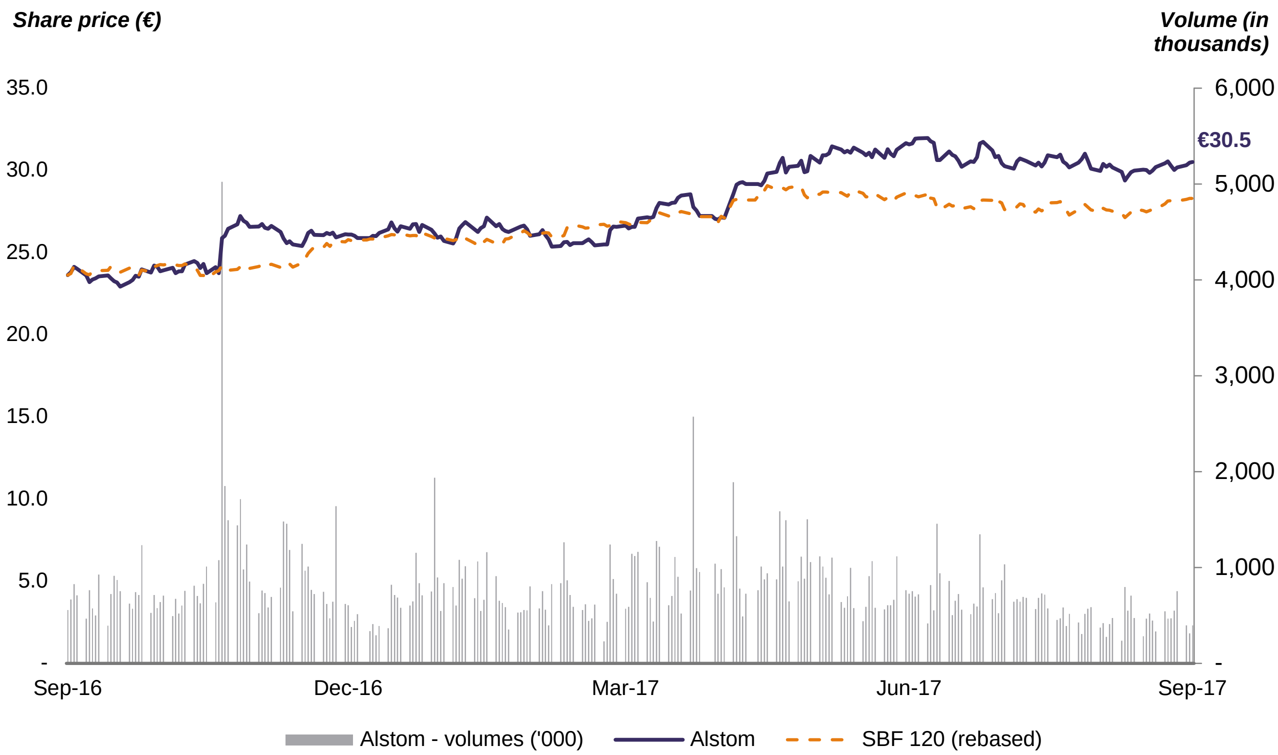
This method enables to obtain respective equity value ranges for Alstom Group and Luxembourg Contribution of €7,523m-€7,760m and €7,982m-€8,318m.

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 Luxembourg 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 on September 26th, 2017, excluding the minimum and maximum values.

Siemens Target Business 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 Target Business (€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 the 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 as part of the consideration for the Luxembourg Contribution pursuant to the Luxembourg 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 the Luxembourg 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**

In addition, the valuation of Warrants to be granted as part of the consideration for the Luxembourg contribution have been added to Alstom equity value for an amount of €88m.

f. **Summary of the values obtained**

The table below shows the summary of Alstom Group and Contributions equity value based on the 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.

2.8 Consequences of the Transaction

2.8.1 Consequences for Alstom and its shareholders

2.8.1.1 Table showing the impact of the Transaction on Alstom's share capital

	Number of shares[1]	Share capital[2] (€m)	Premium, reserves, retained earnings and other[2] (€m)	Equity (group share)[2] (€m)
Before Contributions (as	222,210,471	1,555	2,411	3,966

of March 31, 2018)				
Contributions impact[2]	227,314,658	1,591	3,136	4,728
After Contributions[2]	448,625,347	3,146	5,547	8,694

1. Based on the number of shares issued and outstanding - Assumptions retained detailed in Section 2.8.1.2 "Effect of the Transaction on the distribution of the Alstom share capital and voting rights".
2. Based on financial aggregates as of March 31, 2018

2.8.1.2 Effect of the Transaction on the distribution of the Alstom share capital and voting rights

The table* below shows Alstom's capital structure evolution after the completion of the Contributions based on the companies' ownership structures as at March 31, 2018:

	Before Contributions[2]				**After Contributions**					
	Number of shares	%	Number of voting rights	%	Number of shares and warrants	Diluted % (pre-warrants)	Diluted % (post-warrants)	Number of voting rights[1]	Diluted % (pre-warrants)	Diluted % (post-warrants)
Public[2]	82,854,841	36.5	83,568,157	36.0	81,955,059	18.1	17.3	81,955,059	18.1	17.3
Bouygues S.A.	62,086,226	27.3	65,347,092	28.1	62,086,226	13.7	13.1	62,086,226	13.7	13.1
Institutional investors	74,700,014	32.9	74,518,620	32.1	74,700,014	16.5	15.8	74,700,014	16.5	15.8
- *Siemens Mobility Holding S.à r.l. (shares)*	*0*	*0*	*0*	*0*	*218,809,039*	*48.2*	*46.3*	*218,809,039*	*48.2*	*46.3*
- *Siemens Mobility Holding S.à r.l. (warrants[4])*					*18,942,888*		*4.0*	*18,942,888*		*4.0*
- *Siemens Mobility Holding S.à r.l. (shares and warrants[4])*					*237,751,927*		*50.3*	*237,751,927*		*50.3*
- *Siemens France Holding*	*0*	*0*	*0*	*0*	*8,505,619*	*1.9*	*1.8*	*8,505,619*	*1.9*	*1.8*
The Siemens Group (shares)	0	0	0	0	227,314,658	50.1	48.1	227,314,658	50.1	48.1
The Siemens Group (shares and warrants[4])					*246,257,546*		52.1	*246,257,546*		52.1
Employees	2,569,390	1.1	3,882,733	1.7	2,569,390	0.6	0.5	2,569,390	0.6	0.5
Treasury shares	-	-	-	-	-	-	-	-	-	-
Total before Alstom dilution	222,210,471	97.8	227,316,602	97.9	448,625,347	98.9	95.0	448,625,347	98.9	95.0
Impact of Alstom dilutive instruments (pre-warrants)[3]	4,887,464	2.2	4,887,464	2.1	4,887,464	1.1	1.0	4,887,464	1.1	1.0
Total diluted number of shares	227,097,935	**100.0**	232,204,066	100.0	453,512,811	**100.0**	96.0	453,512,811	**100.0**	**96.0**
Impact of Siemens Mobility S.à r.l. warrants[4]					18,942,888		4.0	18,942,888		**4.0**
Total diluted number of shares (post-warrants)[4]					472,455,699		100.0	472,455,699		**100.0**

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

(1) After French and Luxembourg Contributions figures taking into account the removal of double voting rights.

(2) After French and Luxembourg Contributions Public shareholding figures taking into account Alstom Repurchase Program, designed to ensure a shareholding in Alstom to the Siemens Group of 50.67% on an issued and outstanding basis, as of the Determination Date
Number of shares to be repurchased amounts to 899,782 computed as the difference between (i) Alstom number of shares outstanding as of 31/03/2018 (222,210,471 shares) and (ii) the estimated projected number of Alstom shares issued at Determination Date (221,310,689 shares)

(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 weighted average share price between 01/03/2018 and 31/03/2018 of €34.96 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 volume-weighted average share price between 01/03/2018 and 31/03/2018 (i.e., €34.96 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).

(4) 18,942,888 warrants will be issued as part of the consideration for the Luxembourg Contribution.

2.8.1.3 Planned change in the composition of corporate and management bodies

(a) Governance principles set forth in the Business Combination Agreement

Pursuant to the Business Combination Agreement, as from the Closing Date until the date of the annual general shareholders' meeting called to approve the annual accounts of Siemens Alstom taking place after the expiry of a period of four (4) years after the Closing Date (the "**Initial Term**"), the contemplated corporate governance structure of Siemens Alstom will be organized as follows:

Composition of the Board of Directors of Siemens Alstom

The Board of Directors of Siemens Alstom will be composed as follows:

i. Alstom's current Chief Executive Officer and Chairman of the Board of Directors, Mr. Henri Poupart Lafarge, will be appointed for an undefined term as Chief Executive Officer of Siemens Alstom (*Directeur Général*) (the "**Siemens Alstom CEO**");

ii. the Siemens Alstom Board of Directors shall be chaired by a non-executive Chairman to be appointed by the majority of the Alstom Board of Directors among the directors designated by Siemens (Siemens' current Chief Technology Officer and member of the Managing Board, Mr. Roland Busch, will be designated to serve as non-executive Chairman as from Closing);

iii. the Siemens Alstom Board of Directors shall comprise a Vice-Chairman to be appointed among the four (4) Independent Directors at least for the Initial Term (Mr. Yann Delabrière will be designated to serve as Vice-Chairman as from Closing). Following the Initial Term, the Siemens Alstom Board may at any time decide, at simple majority, to remove the function of the Vice-Chairman;

iv. the Siemens Alstom Board of Directors will consist of eleven (11) members and be comprised of:

   a. six (6) directors designated by Siemens;

   b. the Siemens Alstom CEO; and

   c. four (4) independent directors designated by Alstom and agreed by Siemens and who shall qualify as independent under the AFEP-MEDEF Code of Governance; these four

(4) independent directors are defined as "**Independent Director**" for the purpose of certain provisions of the internal rules of the Siemens Alstom Board of Directors,

it being specified that, during the Initial Term:

any replacement or successor of a member of the Siemens Alstom Board of Directors shall be appointed as follows:

- any replacement or successor of a director proposed by Siemens shall be designated by Siemens; and

- any replacement or successor of an Independent Director shall be designated, in the following manner:

  i. (x) the majority of the Independent Directors in office prior to the end of such term, in case of replacement or succession at the end of a term, or (y) in case of replacement or succession for any other reason, the majority of the remaining Independent Directors, shall select two (2) individual candidates who are qualified as independent under the AFEP-MEDEF Code of Governance for recommendation to the Nominations and Remuneration Committee;

  ii. the Nominations and Remuneration Committee shall, as soon as practicable, recommend the two (2) selected candidates to the Siemens Alstom Board of Directors;

  iii. Siemens Alstom Board of Directors shall decide at a two-third majority of directors present or represented (and comprising a positive vote of two (2) Independent Directors) which one of the two selected individual candidates shall be designated as Independent Director and shall appoint it immediately (co-optation) in case of vacancy of a director's seat;

  iv. Siemens shall vote, at the next general meeting of Siemens Alstom shareholders, in favour of the resolution relating to the appointment, or confirmation of the appointment, as the case may be, of the Independent Director nominated by the Siemens Alstom Board of Directors; and

  v. the current Alstom *Président-Directeur Général* shall be renewed as a director of Siemens Alstom for the duration of his mandate of Siemens Alstom CEO.

Two (2) out of the six (6) directors that were designated by Siemens for the Board of Directors have been qualified as independent directors by the Alstom Board of Directors held on May 15, 2018 pursuant to the criteria set forth in the AFEP-MEDEF Code of Governance (see Section 2.8.1.3 (b)).

(b) Contemplated governance of Siemens Alstom

Contemplated composition of the Board of Directors of Siemens Alstom

The contemplated composition of the Board of Directors of Siemens Alstom will be as follows, it being specified that the Board of Directors of Alstom held on May 15, 2018 has decided that Yann Delabrière, Clotilde Delbos, Sigmar Gabriel, Sylvie Kandé de Beaupuy, Baudouin Prot, and Christina M. Stercken qualify as independent directors, based on the recommendations made by the Nominations and Compensation Committee:

- Mr. Roland Busch ;
- Mr. Henri Poupart-Lafarge ;
- Mr. Yann Delabrière;
- Mrs. Clotilde Delbos ;
- Mr. Sigmar Gabriel ;
- Mrs. Sylvie Kandé de Beaupuy ;
- Mrs. Janina Kugel ;
- Mr. Baudouin Prot ;
- Mrs. Mariel von Schumann ;
- Mrs. Christina M. Stercken ; and
- Mr. Ralf P. Thomas.

To Alstom's and Siemens' knowledge over the course of the past five years:

(i) none of the above persons has been convicted of fraud and/or has been the subject of any official public investigation and/or sanction by statutory or regulatory authorities, it being specified that by a decision of 18 December 2014, the Enforcement Committee of the AMF considered that Faurecia S.A. and its Chairman and CEO, Mr Yann Delabrière, had failed to meet certain obligations defined in Articles 223-1, 223-2 and 223-10-1 of the AMF General Regulation pertaining to information related to Faurecia S.A.'s objectives for 2012. On the basis of Articles L. 621-15 (paragraphs II-(c) and III-(c)) of the French Monetary and Financial Code, the AMF fined Faurecia S.A. and its Chairman and CEO, Mr Yann Delabrière, €2 million and €100,000, respectively. On February 26, 2015, Faurecia S.A. and Mr Yann Delabrière, supported by the board of directors of Faurecia S.A., lodged an appeal against this decision with the Paris Court of Appeal. In a ruling rendered on 30 June 2016, the Paris Court of Appeal, considering that the decision did not enable an assessment of the proportionality of the fine, decided that the financial penalty imposed on Faurecia S.A. should be overturned and, as a consequence, reduced to €1 million. As regards Mr Yann Delabrière, the Paris Court of Appeal found no evidence of personal wrongdoing and maintained the penalty solely in his capacity as legal representative of Faurecia S.A. On 22 August 2016, Faurecia S.A. and Mr Yann Delabrière lodged a further appeal against this ruling before the French Supreme Court. The proceedings are currently pending before this Court;

(ii) none of the above persons has been associated with any bankruptcy, receivership or judicial liquidation; and

(iii) none of the above persons has been disqualified by a court from acting as a member of the administrative, management or supervisory body of any company, or from being involved in the management or performance of business of any company.

Roland Busch joined Siemens AG in 1994 as a Project Leader in the Corporate R&D Department. He has held multiple positions within Siemens and is currently the Chief Technology Officer and member of the Managing Board of Siemens AG. He holds a PhD in Physics from the Friedrich Alexander University in Erlangen-Nuremberg, Germany.

Henri Poupart-Lafarge, is a graduate of École polytechnique, École nationale des ponts et chaussées and the Massachusetts Institute of Technology (MIT). He started his career in 1992 at the World Bank in Washington, D.C., before joining the French Ministry of Economy and Finance in 1994. Mr. Henri Poupart-Lafarge joined Alstom in 1998, as Head of Investor relations and responsible for management control. In 2000, he became the Transmission and Distribution Sector's Senior Vice President Finance, a position he held until the sale of the Sector in 2004. From 2004 to 2010, he was Chief Financial Officer of the Alstom Group, from 2010 to 2011 President of the Alstom Grid Sector and President of the Alstom Transport Sector from 4 July 2011 until his appointment as Chairman and Chief Executive

Officer. Mr. Henri Poupart-Lafarge has held the positions of Chairman and Chief Executive Officer of the Alstom Group since 1 February 2016.

Yann Delabrière is a graduate of the Ecole Normale Supérieure (Mathematics) and the Ecole Nationale d'Administration. He began his career at the French Cour des Comptes before working in the cabinet office of the Foreign Trade Ministry. He then worked as Chief Financial Officer for Coface and then Printemps Group. In 1990, he joined PSA as Chief Financial Officer and he became member of the Executive Committee in 1998. Mr. Yann Delabrière was appointed Chairman and Chief Executive Officer of Faurecia from 2007 until July 2016 and remained Chairman of the Board until May 2017. He was then Chairman of the Management Board of Zodiac Aerospace from June 2017 until February 2018. Mr. Yann Delabrière is currently Chairman of the Supervisory Board of IDEMIA. He is a former director of Cap Gemini SE and Société Générale.

Clotilde Delbos started her career in California, then moved to Price Waterhouse in Paris before joining the Pechiney Group in 1992. She held various positions in France and in Brussels in Internal Audit, Treasury and Mergers & Acquisitions to then become Division Financial Director (Bauxite Alumina and International Trade). After the Pechiney acquisition by Alcan, Clotilde Delbos became in 2005 VP & Business Finance Director of the Engineered Products Division, until it was sold in 2011 to Apollo Global Management (Private Equity Fund) and to the "Fonds Stratégique d'Investissement". In this new company, Constellium, her last two positions were Deputy CFO and Chief Risk Officer. She joined the Renault Group in 2012 as Group Controller. In 2014, she was appointed member of the Renault Management Committee and appointed Alliance Global Director, Control, in addition to her role as SVP, Renault Group Controller. On April 25th 2016, Clotilde Delbos is appointed EVP, Chief Financial Officer and Chairman of the Board of Directors of RCI Banque S.A. and becomes a member of Renault Executive Committee.

Sigmar Gabriel is a German politician who was Minister for Foreign Affairs from 2017 to 2018 and Vice-Chancellor of Germany from 2013 to 2018. He was the leader of the Social Democratic Party of Germany (SPD) from 2009 to 2017. He was the Federal Minister of the Environment from 2005 to 2009 and the Federal Minister for Economic Affairs and Energy from 2013 to 2017. From 1999 to 2003, he was Prime Minister of Lower Saxony. As a former member of the German Government, Mr. Sigmar Gabriel is subject to German regulations establishing certain restrictions applicable to situations where a former Government official is to take new duties in the private sector. Mr. Gabriel has already notified his proposed appointment as a member of the future Siemens Alstom Board to the German Government and is pursuing the applicable process. As a result, Mr. Sigmar Gabriel will apply a one-year cooling-off period after leaving governmental positions. It shall be noted that this clearance process does not prevent being elected to the Board but requires completion prior to active participation in the Board.

Sylvie Kandé de Beaupuy began her career as a lawyer and was part of the Corporate/Mergers and Acquisitions Department of Clifford Chance in Paris for nearly 20 years. From 2003 to 2008 she was General Counsel and Compliance Officer for EADS ATR and member of the Executive Committee and Transactions Approval Committee. From 2009 to 2015, she was Group Chief Compliance Officer, then Executive Vice President – Group Corporate General Counsel of Technip SA. Since November 2015 Ms Kandé de Beaupuy has been Group Ethics & Compliance Officer at Airbus Group and member of its Diversity Committee.

Janina Kugel joined Siemens in 2001 as Vice President Business Transformation & Knowledge Management. She has held various positions within Siemens and was appointed to her current role in 2013. She was additionally named Chief Diversity Officer in 2014 and joined the Managing Board of Siemens AG in 2015. She holds a Master of Economics diploma from the University of Mainz (Germany) and the Universita degli Studi de Verona (Italy).

Baudouin Prot began his career as an Inspecteur des Finance in the French administration after graduating from the Ecole Nationale d'Administration. He joined the Banque Nationale de Paris in 1983 as Deputy Director of the Banque nationale de Paris Intercontinentale prior to assuming the leadership of the Europe Department in 1985. He joined the management team of Réseaux France in 1987. For ten years (1987-1996), he was in charge of Réseaux France and appointed Deputy Managing Director in 1992. In 1996, he took on the role of Managing Director of the Banque Nationale de Paris and, at the time of the creation of BNP Paribas, he took on the position of Deputy CEO of the new group. In 2000, he was appointed to the Board of Directors of BNP Paribas. In 2003 he became CEO and Director of BNP Paribas, a position he held until 2011. From 2011 to 2014 he served as Non-Executive Chairman of BNP Paribas. He is currently Non-Executive Chairman of the Supervisory Board of Foncia SA and.a Senior Advisor at Boston Consulting Group.

Mariel von Schumann has held various management positions within Siemens since she began her career, including General Manager of Mergers and Acquisitions within the Corporate Finance Department and Head of the Investor Relations Department. She was appointed to her current role in 2013. She holds a degree in Economics and Business Administration and Management from the ICHEC University of Brussels (Belgium).

Christina M. Stercken began her career at BMW Pvt. Ltd. South Africa in sales and marketing. She held various management positions at Siemens AG, including six years as Managing Director Corporate Finance M&A. She left Siemens in 2005 to become a Partner at Euro Asia Consulting (Germany). Ms. Stercken holds non-executive directorships in Ascom Holding AG and Landis & Gyr Group AG, Switzerland, and Ansell Ltd., Australia. She is also a member of the audit committee in all three boards. In addition, she is the Vice Chairman of Myanmar Foundation, a charity organization for social projects in Myanmar. She holds a Diploma in Economics from the University of Bonn (Germany) and the Technical University of Berlin (Germany) and an Executive MBA from Duke University (USA).

Ralf P. Thomas has been a Siemens employee since 1995. He has held various management positions within the company and is currently the Chief Financial Officer of Siemens AG and member of the Managing Board. In addition to his activities for Siemens he is also currently the Chairman of the Administrative Board of the Accounting Standards Committee of Germany (DRSC). He holds a PhD in Income Tax Accounting from the university of Erlangen-Nuremberg.

Composition of the Committees of the Board of Directors of Siemens Alstom

An (i) Audit Committee, a (ii) Nominations and Remuneration Committee, and an (iii) Ethics, Compliance and Sustainability Committee will be established (the "**Committees**").

The Audit Committee will consist of six members and will be comprised of (i) two members of the current Board of Directors designated by Siemens and (ii) four Independent Directors, one of whom being appointed as chairman of the committee.

The Nominations and Remuneration Committee will consist of four members and will be comprised of (i) two members of the current Board of Directors designated by Siemens, one of whom being appointed as chairman of the committee and (ii) two Independent Directors.

The Ethics, Compliance and Sustainability Committee will consist of six members and will be comprised of (i) two members of the current Board of Directors designated by Siemens and (ii) four Independent Directors, one of whom being appointed as chairman of the committee.

An Integration Committee will be put in place as from the Closing Date, composed of an even number of members being at least four and with one half of its members being representatives of Alstom and the other half representatives of Siemens. The Integration Committee shall meet at least once every two weeks in order to consult, prepare and monitor integration activities between Alstom and the Siemens Target Business, in particular any IT infrastructure, HR measures, data or other integration planning, so as to ensure a smooth integration of Alstom and the Siemens Target Business technologies.

Compliance with AFEP-MEDEF Code of Governance

It is expected that the composition of the Board of Directors and Committees of Siemens Alstom will comply with applicable laws and regulations and the AFEP-MEDEF Code of Governance (subject to limited exceptions).

Management of Siemens Alstom

Alstom's current Chief Executive Officer and Chairman of the Board of Directors, Mr. Henri Poupart-Lafarge, will be appointed as Siemens Alstom CEO.

As of the Closing Date, the Alstom Board of Directors shall be chaired by a non-executive Chairman to be appointed by the majority of the Board among the directors designated by Siemens. Siemens' current Chief Technology Officer and member of the Managing Board, Mr. Roland Busch, will be designated to serve as non-executive Chairman as from Closing.

2.8.1.4 Changes in the market capitalization

The table below shows theoretical changes in Alstom's market capitalization:

	Before Contributions	After Contributions
Number of shares[1]	222,210,471[1]	448,625,347
Reference share value (€)[2]	34.96	34.96
Capitalization (€m)	7.769.532.928	15.686.071.814

1. Based on the number of shares issued and outstanding - Assumptions retained detailed in Section 2.8.1.2 "Effect of the Transaction on the distribution of the Alstom share capital and voting rights"
2. Based on Alstom's 1-month volume-weighted average share price between March 1, 2018 and March 31, 2018

2.8.1.5 Impact of the Contributions on the calculation of earnings per share (EPS) net profit (group share)

The table below shows the impact of the Contributions on Alstom's EPS:

	Before Contributions	After Contributions
Net profit (group share) (€m)[1]	374	978
Weighted average number of shares outstanding in September 2017[2]	219,838,010[2]	447,152,668[3]
Earnings per share (€)	1.70	2.19
Diluted weighted average number of shares outstanding in September 2017 [2]	223,772,338[2]	451,086,996[3]
Diluted earnings per share (€)	1.67	2.17

1. Financial aggregates: 12-month period October 1, 2016 - September 30, 2017 as per Pro Forma Financial Information (see Section 4)
2. Weighted average number of shares: 12-month period October 1, 2016 - September 30, 2017
3. After Contributions including 227,314,658 Alstom Shares created in exchange of the Contributions

2.8.1.6 Planned new strategic focuses

See Section 2.1.2 "Reasons for and purposes of the Transaction" of this Document.

2.8.1.7 Short- and medium-term objectives for the business, restructuring operations, results and dividend policy

Only once all relevant anti-trust approvals have been achieved and the Transaction has closed, will Alstom be able to analyse the combined two businesses in much closer detail. Alstom may then assess the opportunity to provide forward looking statements as to certain financial or non-financial key indicators.

2.8.2 Consequences for Siemens France Holding and Siemens Mobility Holding S.à r.l. and their shareholders

Immediately upon the completion of the Contributions, Siemens France Holding and Siemens Mobility Holding S.à r.l. will directly own approximately 1.9% and 48.2%[3] respectively of the share capital of Siemens Alstom and Siemens will indirectly become its largest shareholder.

Immediately upon the completion of the Contributions, Siemens will indirectly own approximately 50.1%[4] of the share capital of Siemens Alstom and will become its largest shareholder.

Pursuant to the terms of the Business Combination Agreement entered into between Alstom and Siemens on March 23, 2018, Siemens has undertaken not to hold, directly or indirectly, more than 50.5% of the share capital and voting rights of Siemens Alstom for a period of four (4) years as from the Closing Date (the "**Standstill Undertaking**"). The Business Combination Agreement provides that if the shareholding of the Siemens Group in Alstom exceeds the Standstill Undertaking on the Closing Date of the Transaction, neither Siemens nor any of its affiliates shall be obliged to sell any Alstom Shares to bring the shareholding of the Siemens Group below the Standstill Undertaking provided that such shareholding shall not exceed 50.67% of the issued share capital of Alstom.

[3] On a Fully Diluted basis (before impact of the Warrants issued)
[4] On a Fully Diluted basis (before impact of the Warrants issued)

3. PRESENTATION OF THE COMPANY TO WHICH THE SHARES WILL BE CONTRIBUTED

3.1 General information

General information about Alstom can be found in its 2017/2018 Registration Document filed with the AMF on May 29, 2018 under no. D.18-0517, incorporated by reference into this Document. The 2017/2018 Registration Document includes the parent company and consolidated financial statements of the Alstom Group as of and for the year ended March 31, 2018, as well as the corresponding statutory auditors' reports.

Alstom's consolidated financial statements as of and for the years ended March 31, 2017 and March 31, 2016, as well as the corresponding statutory auditors' reports, are presented respectively in the registration document filed with the AMF on May 23, 2017 under no. D.17-0558 and in the registration document filed with the AMF on May 31, 2016 under no. D.16-0546 and incorporated by reference into this Document.

The 2017/2018 Registration Document is available free of charge at Alstom's registered office and on the websites of Alstom (www.alstom.com) and the AMF (www.amf-france.org).

3.2 Key events that have occurred since the registration of the 2017/2018 Registration Document

NA.

3.3 Risk factors

3.3.1 Risk factors related to Alstom and its business

Risk factors relating to Alstom and its business are described in Chapter 4 "Risk Factors" of its 2017/2018 Registration Document.

All the material risks that Alstom has identified to date in this Document are described in the 2017/2018 Registration Document and supplemented by the information contained in Section 3.3.2 "Risk factors related to the Transaction" of this Document. However, the list of risks discussed in the 2017/2018 Registration Document is not exhaustive and other risks may exist that are unknown to or have been deemed immaterial by Alstom at the date of this Document and that could also have a material adverse effect on Alstom's business and results. The occurrence of one or more of these identified or unidentified risks, the risks listed in Section 3.3.2 "Risk factors related to the Transaction" of this Document, or the risks described in the 2017/2018 Registration Document could have a material adverse effect on the business, financial position, results and prospects of the Alstom Group.

3.3.2 Risk factors related to the Transaction

Risks related to Alstom's shares

(a) The issuance of new shares, including as consideration for the Contributions, will dilute the holdings of existing shareholders.

As consideration for the Contributions, it is contemplated that Alstom will issue (i) respectively 8,505,619 and 218,809,039 new shares to Siemens France Holding and Siemens Mobility Holding S.à r.l. and (ii) 18,942,888 warrants (*bons de souscription d'actions*) to Siemens Mobility Holding S.à r.l., as described in Section 2.8.1 "Consequences for Alstom and its shareholders" of this Document. Each would represent a significant increase in the number of Alstom Shares (which, following the contemplated Contributions, will be Siemens Alstom shares) outstanding and admitted to trading on the regulated market of Euronext Paris. Exercise of the warrants (*bons de souscription d'actions*) by entities of the Siemens Group following expiry of the Standstill Undertaking would also result in an increase in the number of Alstom Shares (which, following the contemplated Contributions, will be Siemens Alstom shares) outstanding and admitted to trading on the regulated market of Euronext Paris. Alstom (and, following the contemplated Contributions, Siemens Alstom) may also issue additional shares or equity-related instruments in the future, in order to finance its operations or to compensate its directors, executives and employees, which could further dilute the holdings of current shareholders. Any increase or anticipated increase in the number of equity instruments outstanding, in particular a significant increase, such as that anticipated in connection with the Contributions, could have an adverse impact on the market price of the relevant shares and could dilute the voting rights of existing shareholders. For further information on dilution, please refer to Section 3.5 "Dilution" of this Document.

(b) The price of Alstom's shares and the shares of the Combined Company is subject to volatility.

In recent years, stock markets have experienced significant fluctuations, in some cases bearing no relation to the results of the companies whose shares were traded. Market fluctuations and general economic conditions may increase the volatility of Alstom's (and, following the contemplated Contributions, Siemens Alstom's) shares. The market price of Alstom's (and, following the contemplated Contributions, Siemens Alstom's) share price may also fluctuate significantly in response to various factors, events and perceptions related to its business, including the risk factors described in the 2017/2018 Registration Document, as well as the liquidity of the market for Alstom's (and, following the contemplated Contributions, Siemens Alstom's) shares.

(c) Following completion of the Contributions, the Siemens Group will hold no less than 50.00% of the issued share capital of the Combined Company on a Fully Diluted basis.

Upon completion of the contemplated Combination, Siemens would indirectly hold no less than 50.00% of Siemens Alstom's issued share capital on a Fully Diluted basis, which would make it the indirect controlling shareholder of Siemens Alstom as from the completion of the contemplated Combination. Even with the Standstill Undertaking described in Section 2.8.2 "Consequences for Siemens France Holding and Siemens Mobility Holding S.à r.l. and their shareholders" of this Document, the Siemens Group's voting power at shareholders' meetings would be substantial going forward. Depending on shareholder attendance at any given shareholders' meeting of the Combined Company, the Siemens Group's stake could allow it to exert significant influence on decisions that are submitted for shareholder votes such as the appointment and removal of directors or approval of financial statements but also the extraordinary decisions of modification of the by-laws and capital increase. In this respect, it should be noted that while the Siemens Group's ability to exercise its voting rights in relation to corporate governance matters will be constrained during the Initial Term in accordance with the corporate governance provisions of the Business Combination Agreement, such constraints will not exist thereafter. In addition, the Siemens Group's stake may have the effect of delaying, deferring or preventing a future change in the control of the Combined Company and may discourage future takeover bids for the shares of the Combined Company, unless undertaken with the Siemens Group's support.

(d) In connection with the Transaction, the existing double voting rights will be cancelled.

In connection with the contemplated Combination, changes to the by-laws of the Combined Company that would be adopted would affect the voting rights attached to Siemens Alstom shares. Under Alstom's current by-laws, double voting rights are attached to fully paid-up shares held in registered form for at least two years. Alstom's special meeting of holders of Alstom Shares with double voting rights attached and Alstom's general shareholders' meeting called to approve the Contributions would both resolve on the removal of the double voting rights attached to certain shares of Alstom and the corresponding changes to Alstom's (and, following the contemplated Contributions, Siemens Alstom's) by-laws. Alstom's (and, following the contemplated Contributions, Siemens Alstom's) shareholders would no longer have any similar benefit, even if they hold registered shares for at least two years.

(e) Shareholders may decide to sell their Alstom Shares within the context of the contemplated Transaction and its implementation.

Within the context of the contemplated Transaction and its implementation, in particular with respect to the change in Alstom's profile and its shareholding structure, some shareholders may decide to sell some or all of their Alstom Shares on or off-market, which could have a material adverse effect on the market price of Alstom shares.

Risks related to the Combination

(a) The completion of the Combination is subject to a certain number of conditions precedent, including anti-trust approvals, which may prevent or delay it.

The completion of the Contributions, and by extension the Combination, is subject to a number of conditions precedent, as described in Section 2.2.2.6 "Closing Date of the Contributions from a legal standpoint – Conditions Precedent" of this Document. Certain of these conditions precedent are beyond the control of Alstom and Siemens. There can be no guarantee that the conditions precedent to the Contributions and the Combination will be satisfied or waived in a timely fashion or at all. Any failure or delay in satisfying the conditions precedent could prevent or delay the completion of the Combination, which could reduce the synergies and benefits that Alstom and Siemens expect to obtain from the Combination and successful integration of their respective businesses.

In particular, the Combination is subject to the approvals from competition and regulatory authorities in the European Union and the United States and other jurisdictions. The relevant authorities may impose measures or conditions, such as divestures of Alstom and/or Siemens Target Business's assets or operations, including in respect of material businesses of the companies, and there can be no guarantee that Alstom and Siemens will obtain the necessary consents, orders and approvals from regulators. In addition, any required conditions and divestitures in connection therewith could have a material adverse impact on Siemens Alstom's business, results of operations, financial position, synergies and prospects.

(b) The integration of the operations of the Alstom Group and the Siemens Target Business may not be successful and may disrupt operations or generate expenses.

The anticipated benefits of the contemplated Combination will partly depend on the successful integration of the activities of the Alstom Group and the Siemens Target Business. The Combination will involve the integration of two complex groups of considerable size that currently pursue a wide range of activities and operate independently. The companies could encounter significant difficulties in implementing an integration plan, some of which may be unforeseen or beyond the control of Alstom and Siemens, including inconsistencies between the standards, controls, procedures and rules, the business culture and organization of the Alstom Group and the Siemens Target Business, and the necessity to integrate and harmonize different operational systems and procedures specific to the two companies, such as the financial and accounting systems and other computer systems.

In addition, the process of integration will be complex and time-consuming, and management of both companies will have to devote significant time and resources to the effort. These efforts could divert management's focus and resources from other strategic opportunities and from day-to-day operational matters during the integration process. Integration efforts may also generate significant costs, which could adversely affect the Combined Company's financial position and results of operations. Any failure to achieve the expected integration could have an adverse impact on the operations, financial conditions and profitability of the Combined Company.

(c) The carve-out of the "Mobility" business from the Siemens Group may differ to some extent from the perimeter of the Siemens Target Business as initially agreed between Alstom and Siemens mainly on the basis of segment reporting.

As of the date of this Document, the Siemens Target Business of the Siemens Group is not held by a separate sub-group within the Siemens Group but by various entities within the Siemens Group and was identified by the parties mainly on the basis of Siemens' segment reporting. In order to allow the completion of the Contributions, Siemens and Alstom have agreed that Siemens shall, and shall cause its affiliates 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, in accordance with the "Carve-Out Rules" set forth in the Business Combination Agreement. This carve-out process, the material completion of which constitutes a condition precedent to the closing of the contemplated Transaction, is expected to be completed after the general shareholders' meeting convened on July 17, 2018 to deliberate upon the approval of the contemplated Transaction.

Pursuant to the terms and conditions of the Business Combination Agreement, if certain local carve-out operations were to be either not legally permissible or legally or practically not feasible prior to the expected Completion Date, Siemens may defer the transfer of corresponding assets to the entities to be contributed to Alstom under the Contributions and shall perform such deferred carve-out without undue delay after such deferred carve-out become possible. As a consequence, some contracts or rights initially deemed to be part of the Siemens Target Business might not be transferred to the Combined Company upon Closing of the Transaction, to an extent that will only be known at the time of the Closing. In case of a deferred local carve-out, Siemens shall, as described in more detail in Section 5.1.1 below, ensure that the Siemens Contributed Companies receive before the Closing Date a cash amount equivalent to the value of the assets which transfer has been deferred, such cash amount to be used thereafter by Siemens Alstom for the purchase of such assets upon such deferred transfer becoming possible.

Any failure to achieve or delay in achieving a material part of the expected carve-out (*e.g.*, as a result of third party consents or other legal constraints, which may result, under certain circumstances contemplated by the Business Combination Agreement, in a termination of certain agreements initially expected to be transferred) could have an adverse impact on the operations, financial conditions and profitability of the Combined Company.

(d) The Combination may not achieve some or all of the anticipated mid-term synergies.

Alstom and Siemens anticipate that the Combination would lead to significant value creation through synergies achieved in the medium term and going forward (as discussed in Section 2.1.2.2 "Benefits of the Transaction for Alstom, the Siemens Group and their respective shareholders" of this Document). Alstom and Siemens anticipate significant cost synergies from the Combination, but there can be no guarantee that the anticipated cost synergies will be achieved in the time frame anticipated or at all, as the eventual achievement and extent of the anticipated synergies depends on a variety of factors and assumptions, many of which are beyond the control of Alstom and Siemens. The Combined Company's ability to achieve the anticipated synergies could be adversely affected by the materialization of one or more of the risks relating to the activities of Alstom described in Section 3.3.1 "Risk factors related to Alstom and its business" of this Document and in Chapter 4 "Risk Factors" of its 2017/2018 Registration Document, as well as the risk factors relating to the Siemens Target Business described in Section 5.2.3.2 "Specific risk factors related to the Siemens Target Business of this Document. Furthermore, the costs incurred to achieve these synergies could be higher than anticipated or there may be additional unanticipated costs that exceed the expected synergies, which may result in reduced shareholder value. Failure to successfully achieve the anticipated synergies and/or increased costs incurred in connection therewith could materially and adversely affect Siemens Alstom's activities, result of operations, financial conditions and prospects.

(e) Alstom and Siemens have not had the opportunity to conduct in-depth due diligence, and unforeseen liabilities of Alstom or the Siemens Target Business could therefore adversely affect the Combined Company's business and results of operations.

The negotiations between Alstom and Siemens were conducted on the basis of the information that was publicly available to each party and on voluntary disclosure by each party to the other, and both Alstom (regarding the Siemens Target Business) and Siemens conducted limited high level due diligence on the other before entering into the Business Combination Agreement. As a result, after the completion of the Contributions, unknown liabilities of Alstom or the Siemens Target Business may arise and may adversely affect the profitability, results of operations, financial position, market value and/or share price of Siemens Alstom, which Alstom or Siemens, as the case may be, might otherwise have discovered if a more complete due diligence review had been conducted. In this respect, certain key contractual protections have been given to Alstom by Siemens in the Business Combination Agreement in the form of indemnification obligations, which are subject to an aggregate liability cap of €2 billion for the Siemens Group.

(f) General Electric may fail to comply with its obligations under the agreement with Alstom announced on May 10, 2018.

Alstom and General Electric signed on November 4, 2014 a set of agreements, related to the sale of the Alstom's Energy businesses, namely Power (electricity generation) and Grid (the "Energy activities"), as well as shared and central services of Alstom. These agreements also included the investments in three joint ventures, in the Nuclear (20% minus one share), Grid (50% minus one share) and Renewables (50% minus one share) activities. Alstom has, for each of these joint-ventures, a put option (exercisable in September 2018 or in September 2019 for the Grid and Renewable joint ventures, and during the first quarter of years 2021 and 2022 for the Nuclear joint venture) at a price based on a formula related to results, provided such price shall not be lower than that of Alstom's acquisition of the joint venture shares plus 2% or 3% per year, as applicable, from the closing of the sale of the Energy activities to General Electric.

In January 2018, Alstom has informed General Electric of its intention to exercise its put option rights in September 2018 with respect to the Grid and Renewable joint ventures. The minimum price that General Electric would be required to pay, pursuant to the agreements, to purchase Alstom's interest at that time would be a net amount of €1,828 million for the Grid joint venture and €636 million for the Renewable joint venture. Alstom has also informed General Electric of its intention to exercise the put option with respect to the Nuclear joint venture in the first quarter of 2021.

In the event that Alstom exits the Grid and Renewable joint ventures following the exercise of its put option rights, General Electric holds a call option over Alstom's interest in the Nuclear joint venture at price based on the same formula applicable for the calculation of Alstom's put option price. On May 10, 2018, Alstom announced having signed an agreement with General Electric relating to the implementation of these put and call option agreements regarding the intended exit of Alstom from the three joint ventures. Pursuant to this agreement, if the put option rights with respect to the Grid and Renewable joint ventures are exercised by Alstom during the exercise period (between September 4 and September 10, 2018), General Electric will then be deemed to have exercised its option to acquire Alstom's interest in the Nuclear joint venture (pursuant to General Electric's call option), and the transfer of all interests will occur on October 2, 2018 for a total amount of €2.594 billion.

Alstom cannot ensure that no problems will arise in relation with the performance of the contracts with General Electric, including a delay or a litigation in the event of default by General Electric of its obligations under the put options and the agreement with Alstom announced on May 10, 2018, nor that such problems could not lead to significant negative impact on Alstom's business and/or results and financial situation.

On November 16, 2017, Moody's Investors Service downgraded the long-term rating of General Electric, including the senior unsecured rating to A2 from A1, and affirmed the short-term rating at Prime-1 (P-1), with the indication that the downgrades reflect the severe deterioration in the financial performance of General Electric's Power segment.

The parties agreed that the global amount distributed under Distribution B will depend on the amount to be received by Alstom in connection with the exercise by Alstom of the put options for the General Electric joint ventures and that any reduction of the amount actually received by Alstom would reduce the amount of Distribution B to be paid by the Combined Company to the benefit of any shareholder holding Alstom Shares on the Record Date (see Section 2.2.1 "Legal context of the Contributions" for a description of Distribution B).

In addition, the Business Combination Agreement provides for a grossed-up (*i.e.*, adjusted to eliminate negative economic effects for Siemens resulting from its expected shareholding in Alstom) indemnity to be paid by Alstom under certain conditions to Siemens if the price received by Alstom in connection with the Grid and Renewable put options falls below €1.588 billion, to cover any such negative difference. The payment of such indemnity by Siemens Alstom, if due, could have a material adverse impact on Siemens Alstom's financial situation and will be due if no payment received by Alstom in connection with the exercise by Alstom of the put options for the General Electric joint ventures is received on or before the date falling ten (10) years following the Closing Date.

(g) Uncertainty related to the proposed Transaction may negatively affect the companies' relationships with strategic partners, suppliers, clients and employees.

During the interim period between its announcement and its completion, the contemplated Combination and its closing, it will be subject to significant uncertainty, which may adversely affect relations with certain customers, including potential customers in the context of tenders, strategic partners and employees of Alstom and the Siemens Target Business. Certain strategic partners, suppliers and customers may choose to delay making operational or strategic decisions to await greater certainty on the results of the Transaction. The Combination may lead the customers of Alstom and/or companies pertaining to the Siemens Target Business to choose to engage with different distributors, or negatively affect the relationship of Alstom and/or the companies pertaining to the Siemens Target Business with their customers. Any such adverse effects on the companies' relationships could have an adverse effect on the revenue, earnings and cash flows from operating activities of operations of Alstom and the Siemens Target Business (and, following the contemplated Contributions, Siemens Alstom) and on the market value of Siemens Alstom shares.

(h) The Combined Company may not be able to retain key management and personnel.

The success of the Combined Company will largely depend on its capacity to attract and retain the management and key personnel of the Alstom Group and the Siemens Target Business. The inability of Siemens Alstom to attract and retain such key staff, including as a result of any uncertainties or difficulties related to the integration of the two companies, could prevent it from achieving its overall objectives. Any inability to retain management and key personnel, or to successfully implement the envisaged governance and management structure, could have a material impact on its business, results of operations, financial position, relationships with clients and suppliers and prospects.

(i) Certain agreements contain clauses related to a change of control which may be exercised by counterparties.

In the course of their operations and financing, companies pertaining to the Alstom Group or the Siemens Target Business have entered into certain agreements with provisions that are triggered upon a change of control, including requirements to obtain approval from the co-contracting party or, in the case of certain finance documents, providing investors with a redemption right. The Carve-Out as described in Section 5.1.1 "Carve-out of the Siemens Target Business" of this Document and the Combination could potentially be subject to transfer restrictions or trigger change of control provisions and could result in a range of adverse consequences, including termination of the agreements, rendering amounts owed such companies, respectively, immediately payable, or requiring amendments to the agreements. Payment obligations arising under such clauses could have an adverse impact on the business, the results and financial position of Siemens Alstom. Furthermore, these companies pertaining to the Alstom Group or the Siemens Target Business may be unable to obtain the consent of the co-contracting party, or may be required to renegotiate terms that might be less favorable than those previously concluded in connection with obtaining such consent. If one or more of these risks were realized, it could have a material impact on Siemens Alstom's business, results of operations, financial position, and prospects. However, in the context of the contemplated Transaction, the companies pertaining to the Alstom Group and the Siemens Target Business have undertaken a pro-active approach in order to best secure their contractual arrangements.

(j) The Combined Company may be in a position whereby important or material services are provided by the Siemens Group to the Combined Company and its group.

Under the framework of the Combination, the Alstom Group (including notably, following the contemplated Contributions, Siemens Alstom) will negotiate and conclude various ancillary agreements with the Siemens Group regarding, for example, provision of goods and services by the Siemens Group to the Combined Company in the course of its Siemens Target Business. This includes the negotiation and conclusion of a strategic supply agreement and a platform cooperation agreement and, as the case may be, of a "Strategic Alliance Agreement", a "Regional Support Agreement" and a "Key Account Management Agreement" (see Section 2.2.2.15 above for further details). In addition, the Business Combination Agreement contemplates the (transitional) continuation of certain existing agreements between the Siemens Group and entities of the Siemens Target Business, such as, for an example, transitional service agreements. As a consequence, the Combined Company could potentially be in a position whereby important or material services are provided by the Siemens Group. In such case, if the relations between the Alstom Group and the Siemens Group were to deteriorate, or if the Siemens Group decides in the future to terminate or not to renew such agreements, it could have an adverse impact on Siemens Alstom's business, results of operations, financial position and prospects and the Combined Group could incur significant additional costs (including replacement costs).

(k) The credit rating of the Combined Company may be revised in the future. Currently, Alstom and Siemens have Baa2 and A1 long-term issuer rating attributed by Moody's, respectively.

Even though the Combination is expected to lead to an improved financial profile, the maintenance of Alstom's and/or Siemens' current credit rating cannot be guaranteed as it depends on the assessment of third parties. In the future, the rating agencies could assign to Siemens Alstom or to debt instruments issued by Siemens Alstom a lower rating than the current ratings of Alstom and/or Siemens. Such a downgrade could increase Siemens Alstom's financing costs. In such a case, Siemens Alstom may be limited in undertaking certain acquisitions or capital expenditures because the increased cost of financing causes the projects to not meet its investment criteria. This could have an adverse impact on Siemens Alstom's potential for growth and its results of operations and financial condition.

(l) Creditors' opposition right under French and Luxembourg laws may adversely impact the business, results of operations, financial position, and prospects of Siemens Alstom.

Alstom is a French *société anonyme*, Siemens France Holding is a French *société par actions simplifiée* and Siemens Mobility Holding S.à r.l. is a *société à responsabilité limitée* incorporated under the laws of the Grand-Duchy of Luxembourg. As a result, the Contributions will be governed by and will be structured to comply with French and Luxembourg laws and regulations. The cumulative or distributive application, as the case may be, of French and Luxembourg laws and regulations may involve an implementation of the Contributions over a longer period of time than a contribution between two entities of the same jurisdiction.

Under French law, creditors of (i) Alstom and (ii) Siemens France Holding that hold receivables that predate the publication relating to the Contribution Agreements may oppose the Contributions within 30 days from such publication.

Under Luxembourg law, creditors of Siemens Mobility Holding S.à r.l. will be entitled to apply within two months of the publication of the Luxembourg Contribution Agreement to obtain adequate safeguards for any matured and unmatured debts where they can demonstrate that due to the Luxembourg Contribution the satisfaction of their claims is at stake and that no adequate safeguards have been obtained from Alstom.

Such request for early repayment of debts or guarantees may not prevent the Contributions but may create additional constraints in the overall process of the Contributions and adversely impact the business, results of operations, financial position, and prospects of Alstom (and following the contemplated Contributions, Siemens Alstom).

(m) Claims and litigation against Alstom, Siemens and/or the Combined Company may arise in connection with the Combination.

In connection with the Combination, Siemens Alstom could face new claims and litigation, in particular brought by customers, partners, suppliers or shareholders of the Alstom Group or the Siemens Group.

(n) The valuation of the Siemens Target Business to be contributed may fluctuate, as well as the market value of the Alstom's shares, and could therefore have an impact on the consideration for the contemplated Contributions.

Alstom and Siemens present through this Document certain estimations regarding the valuation of the Siemens Target Business to be contributed, based on various valuation methods and assumptions. Such estimations are provided in accordance with applicable regulations in order to give an indication of some possible valuations of the Siemens Target Business, under such methodologies and assumptions. Such evaluations at the date of this Document or at the date of approval of the Contribution or once the Combination becomes effective may vary. In addition, Alstom and Siemens agreed on a fixed number of Alstom's shares as compensation for the Contributions and the variation of the market value of Alstom's shares may have a material impact on the economic conditions of the Transaction for Alstom's shareholders.

(o) Difficulties may arise in comparing annual accounts of Alstom (and, following the contemplated Contributions, the Combined Company) from one period to the next.

The Combination will be accounted for as a reverse acquisition as a result of which the historical financial statements of Siemens Alstom will reflect the Siemens Target Business's consolidated financial information for all periods prior to the Closing Date and on and from the Closing Date, the purchase accounting and consolidation of Alstom by the Siemens Target Business as illustrated on a pro forma basis in the pro forma unaudited financial information included in this Document. The contemplated Combination will therefore significantly alter the information relating to the annual accounts and operating results of Alstom (and, following the contemplated Contributions, Siemens Alstom). The comparison of Alstom's (and, following the contemplated Contributions, Siemens Alstom's) annual accounts and results from one period to the next could thus prove to be difficult, notably for the following reasons: (i) the change of financial year close from March 31 to September 30 could lead, depending of the Closing Date, to a financial year of less or more than 12 months, (ii) the Combined Company may apply certain accounting principles historically applied by the Siemens

Group for its future consolidated financial statements and (iii) the contemplated Combination will change the dimension of Alstom's (and, following the contemplated Contributions, Siemens Alstom's) activity, in such a way that any comparison between the annual accounts contained in this Document and those of subsequent financial years could prove to be difficult.

In addition, the Siemens Target Business's consolidated financial information for all periods prior to the Closing Date may deviate from the Combined Financial Statements as presented in Exhibit 6.3 to this Document as it might comprise a different period. Besides, for the preparation of the Combined Financial Statements and the Combined Interim Financial Statements certain carve-out specific assumptions ("carve-out specific accounting policies") were applied as the legal separation and re-organization of the Siemens Target Business as well as the identification of employees in corporate functions that will transfer to the Siemens Target Business as part of the Contemplated Transaction is not yet completed:

- Employee-related obligations (e.g., pensions, jubilee bonus, share-based compensation, and salary obligations) are determined based on active employees of the Siemens Target Business, passive employees that are expected to transfer and exclude Siemens employees in corporate functions as these are not completely identified and related obligations cannot be reliably estimated; plan assets that were not directly attributable were allocated based on the proportion of the Siemens Target Business' defined benefit obligation to the Siemens Group defined benefit plan obligation;

- Provisions for pension-related obligations are based on actuarial assumptions of the Siemens Group plans; the actuarial assumptions have not been reassessed for the Siemens Target Business-specific employee population for purposes of the Combined Financial Statements and the Combined Interim Financial Statements;

- For the capital structure of the Siemens Target Business certain assumptions have been determined for cash and cash equivalents, cash pooling receivables and payables as well as for loans with third parties or with Siemens Financial Services;

- Income taxes as well as deferred taxes were determined on a simplified separate tax return basis;

- For the determination and presentation of minority interests in some future legal entities to which the Siemens Target Business will be transferred, assumptions and simplifications have been applied since the details of the transfer to these legal entities are not determined in the respective carve-out concept yet.

Please refer to Note 1, B of the Combined Interim Financial Statements where the carve-out assumptions are further described.

(p) The results of operations and financial position of the Combined Company may be materially different than those presented or implied by the unaudited pro forma financial information contained herein.

The unaudited pro forma financial information as of and for the year ended September 30, 2017 included in this Document was prepared to illustrate the impact of the Contributions as if it had occurred on October 1, 2016 for the purpose of the pro forma income statement and on September 30, 2017 for the purpose of the pro forma balance sheet. This unaudited pro forma financial information is based on a variety of assumptions detailed in Section 4.1 "Unaudited pro forma consolidated financial information at September 30, 2017" of this Document. The unaudited pro forma financial information is presented for illustrative purposes only and does not reflect the operating results or financial position that Siemens Alstom would have obtained had the Contributions actually taken place on October 1, 2016 or on September 30, 2017. There can be no assurance that the assumptions made in the preparation of this unaudited pro forma financial information are accurate or that the trends indicated by this unaudited pro forma financial information are representative of the future results or performance of Siemens Alstom.

Accordingly, Siemens Alstom's results and financial condition in the future may differ significantly from those portrayed or implied by the results set forth in such unaudited pro forma financial information. The future consolidated financial statements, if prepared on the basis of accounting principles historically applied by Siemens, may also differ significantly from the historical financial statements of Alstom and consequently may not be directly comparable.

(q) Failure to complete the Combination due to a termination of the Business Combination Agreement could negatively impact the stock price and the future business and financial results of Alstom and Siemens.

If the Combination is not completed due to a termination of the Business Combination Agreement, the ongoing businesses of Alstom and Siemens may be adversely affected and, without realizing any of the benefits of having completed the Combination, Alstom and Siemens would be subject to a number of risks, including the following:

- Alstom may be required, under certain circumstances described in Section 2.2.1 "Legal context of the Contributions" of this Document, to pay Siemens the Termination Fee of €140,000,000 ;
- Alstom and Siemens have incurred and may continue to incur significant costs and fees associated with the proposed Combination;
- Alstom and Siemens may experience negative reactions from the financial markets, including negative impacts on their stock prices;
- Alstom and Siemens may experience negative reactions from their customers, regulators and employees; and
- prior to termination, Alstom's and Siemens' management may have devoted substantial time to matters relating to the Combination, which could otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to Alstom and Siemens as stand-alone companies.

The Business Combination Agreement provides that if the contemplated Contributions do not occur prior to 23:59 CET on September 30, 2019, the Business Combination Agreement may be terminated by either Alstom or Siemens and, consequently, the Combination will not occur (see Section 2.2.2.6 "Closing Date of the Contributions from a legal standpoint – Conditions Precedent" of this Document).

In addition, Alstom and Siemens could be subject to litigation related to any failure to complete the Combination. If the Combination is not completed, these risks may materialize and may adversely affect Alstom's and Siemens' businesses, financial condition, financial results and stock prices.

3.4 General information

3.4.1 Statement on net working capital

Alstom certifies that, in its opinion, Alstom Group's net working capital is sufficient to meet Alstom Group's present requirements over a period of 12 months from the date of this Document and that, taking into account the completion of the Contributions, the working capital available to Siemens Alstom will be sufficient to meet its present requirements over a period of 12 months from the date of this Document.

3.4.2 Statement of capitalization and indebtedness

In accordance with the recommendations of ESMA (European Securities and Markets Authority) (ESMA/2013/319/paragraph 127), the following table shows the unaudited consolidated indebtedness and equity of the Alstom Group at March 31, 2018:

In millions of euros (unless otherwise stated)	**31 March, 2018**
1. SHAREHOLDER'S EQUITY AND INDEBTEDNESS	
Total current debt	**543**
Guaranteed	-
Secured	-
Unguaranteed / Unsecured	543
Total non-current debt	**1,164**
Guaranteed	-
Secured	64
Unguaranteed / Unsecured	1,100
Total equity attributable to shareholders of the parent	**3,966**
Share capital	1,555
Treasury shares	**-**
Statutory reserves and issuance premium	917
Other reserves	1,494
2. NET FINANCIAL DEBT	
A – Cash	409
B – Cash equivalents	357
C – Marketable securities	465
D – Liquidities (A+B+C)	**1,231**
E – Current financial receivable	**8**
F – Current bank debt	154
G – Current portion of non current debt	371
H – Other current financial debt	18
I – Current financial debt (F+G+H)	**543**
J – Net current financial indebtedness (I-E-D)	**(696)**

K – Non current bank loans	75
L – Bonds issued	877
M – Other non current loans	212
N – Non current financial debt (K+L+M)	**1,164**
O – Non current financial asset *	213
P – Non current financial indebtedness (N-O)	**951**
Q – Net financial debt (J+P)	**255**

* These non-current assets relate to a long-term rental of trains and associated equipment to a London metro operator

Additional information on commercial obligations :

Contractual obligations of the Alstom Group towards its customers may be guaranteed by bank bonds or insurance bonds. Bank and insurance bonds may guarantee liabilities already recorded on the balance sheet as well as contingent liabilities. To issue these bonds, the Alstom Group relies on both uncommitted bilateral lines in numerous countries and a €3 billion Committed Bilateral Bonding Facility Agreement ("CBBGFA") with five tier one banks allowing issuance until November 2, 2020 of bonds with tenors up to 7 years. The available amount under this facility at March 31, 2018 amounts to €1.0 billion (€1.2 billion at March 31, 2017).

As at March 31, 2018, the total outstanding bonding guarantees related to contracts from continuing operations, issued by banks or insurance companies, amounted to €8.5 billion (€8.3 billion at March 31, 2017).

In addition, in the context of the General Electric transaction regarding former Energy activities, the release of some conditional and unconditional parent company guarantees, formerly issued mainly by Alstom Holdings SA to cover obligations of the former Energy affiliates, amounts to €7.2 billion, as at March 31, 2018. The Group benefits from a general indemnification from General Electric in these matters.

Additional information on debt of joint-ventures and associates and non-consolidated entities as at March 31, 2018:

The guarantees given by Alstom on debt of the joint-ventures and associates amount to €6 million.
No guarantees are given by Alstom on debt of the non-consolidated entities.

Other Alstom Group commitments as at March 31, 2018 amount to:

- €68 million on purchase of fixed assets; and
- €378 million on operating lease.

3.4.3 Interests of natural persons and legal entities involved in the Contributions

This information is presented in Section 2.1.2 “Reasons for and purposes of the Transaction” of this Document.

3.4.4 Expenses related to the Transaction

The advisors related expenses for the Transaction that will be incurred by Alstom have been estimated to approximately €72 million.

3.5 Dilution

3.5.1 Impact of the Contributions on the share of consolidated equity, group share, for the holder of one Alstom share prior to the Contributions

The table below shows the impact of the Contributions on the share of consolidated equity, group share based on the number of shares and equity (group share) as at March 31, 2018:

	Before Contributions	**After Contributions**
Equity (group share)[1] (€m)	3,966	8,694
Number of shares[2]	222,210,471	448,625,347
Equity (group share) per share (€)	17.8	19.4

1. Financial aggregates as of March 31, 2018
2. Based on the number of shares issued and outstanding - Assumptions retained detailed in Section 2.8.1.2 “Effect of the Transaction on the distribution of the Alstom share capital and voting rights”

3.5.2 *Impact of the Contributions on the interest of a shareholder holding 1% of Alstom's share capital prior to the Contributions*

The table below shows the impact of the Contributions on the ownership based on the number of shares as at March 31, 2018:

	Ownership percentage		
	On a non-diluted basis (excluding warrants)	**On a diluted basis (excluding warrants) [1]**	**On a diluted basis (including warrants) [1]**
Before Contributions	1.00 %	0.98 %	-
After Contributions	0.50 %	0.49 %	0.47%

1. Based on a fully diluted number of shares - Assumptions retained detailed in Section 2.8.1.2 "Effect of the Transaction on the distribution of the Alstom share capital and voting rights"

3.5.3 *Impact of the Contributions on the interest of a shareholder holding 1% of Alstom's voting rights prior to the Contributions*

The table below shows the impact of the Contributions on the voting rights based on the number of voting rights as at March 31, 2018 :

	Voting rights percentage		
	On a non-diluted basis (excluding warrants) [1]	**On a diluted basis (excluding warrants) [2]**	**On a diluted basis (including warrants) [2]**
Before Contributions	1.00 %	0.98 %	-
After Contributions [3]	0.50 %	0.49 %	0.47%

1. Based on the number of voting rights excluding the dilutive effect of the existing dilutive instruments - Assumptions retained detailed in Section 2.8.1.2 "Alstom ownership structure before and after the Contributions"
2. Based on a fully diluted number of shares - Assumptions retained detailed in Section 2.8.1.2 "Effect of the Transaction on the distribution of the Alstom share capital and voting rights"
3. After Contribution figures taking into account the removal of double voting rights

4. UNAUDITED PRO FORMA FINANCIAL INFORMATION

4.1 Unaudited pro forma condensed combined financial information at September 30, 2017

4.1.1 Introduction

The unaudited pro forma condensed combined financial information of Siemens Alstom (together with its consolidated subsidiaries, the "**Combined Group**") includes the unaudited pro forma condensed combined statement of financial position as of September 30, 2017 and the unaudited pro forma condensed combined statement of income for the 12-month period ended September 30, 2017 with the related explanatory notes (together the "**Unaudited Pro Forma Condensed Combined Financial Information**") and has been prepared to represent the pro forma effects of the Transaction. The Unaudited Pro Forma Condensed Combined Financial Information has been prepared considering a 12-month period ending September 30 as it is expected to be the fiscal year end of the Combined Group in the future.

The unaudited pro forma condensed combined statement of financial position has been prepared assuming that the Transaction had been completed on September 30, 2017. The unaudited pro forma condensed combined statement of income has been prepared assuming that the Transaction had been completed on October 1, 2016.

The Unaudited Pro Forma Condensed Combined Financial Information has been produced for illustrative purposes only, and, by its nature, is not intended to represent or to be indicative of the result of operations or the financial position that the Combined Group would have had achieved, had the Transaction been completed as of September 30, 2017 in the unaudited pro forma condensed combined statement of financial position, or as of October 1, 2016 in the unaudited pro forma condensed combined statement of income, nor is the Unaudited Pro Forma Condensed Combined Financial Information indicative of the future operating results or financial position of the Combined Group.

The Unaudited Pro Forma Condensed Combined Financial Information should be read in conjunction with the information contained in Section 5.3 of this Document entitled "Financial information relating to the Siemens Target Business" and in Alstom's 2017/2018 Registration Document incorporated by reference into this Document.

Accounting treatment of the transaction

Considering the guidance in IFRS 3 "Business Combinations" ("IFRS 3") and all facts and circumstances, in particular those related to the contemplated Transaction, including the Business Combination Agreement, Alstom and Siemens Mobility management determined that Siemens Mobility is the acquirer for accounting purposes based on (i) the relative voting rights of both Alstom's shareholders and Siemens Mobility's shareholders in the Combined Group, (ii) the composition of the governance body of the Combined Group agreed between the parties, and (iii) the terms of the exchange. Accordingly, although from a legal perspective Alstom is the acquirer and will be the entity issuing new shares to Siemens Mobility's shareholders, for accounting purposes the transaction will be treated as the acquisition of Alstom by Siemens Mobility.

As Siemens Mobility is the accounting acquirer, its assets, liabilities and statement of income line items will be recorded at their historical carrying amounts for all periods presented in the consolidated financial statements of the Combined Group and the purchase accounting and consolidation of Alstom will be reflected from the date of completion of the proposed Transaction, i.e. the date of acquisition as defined in accordance with IFRS 3 (the "**Completion Date**"). By applying the principles in IFRS 3, Alstom's identifiable assets acquired and liabilities assumed will be initially recognized at their fair values at the Completion Date.

The change of financial year close from March 31 to September 30 could lead, depending on the Completion Date, to a financial year of less or more than 12 months:

- if the Completion Date occurs on or prior to March 31, 2019, the financial year starting on April 1, 2018 will end on September 30, 2019 (with a 12-month comparable at March 31, 2018); and

- if the Completion Date occurs on or after April 1, 2019, the financial year starting on April 1, 2019 will end on September 30, 2019 (with a 12-month comparable at March 31, 2019).

Preparation of pro forma information

The Unaudited Pro Forma Condensed Combined Financial Information is presented in millions of Euro.

The Unaudited Pro Forma Condensed Combined Financial Information is presented in accordance with Annex II of the AMF Instruction n°2016-04 dated October 21, 2016, as modified on January 15, 2018, Annex II of Commission Regulation (EC) n°809/2004 "Pro Forma Financial Information Building Block", the recommendations issued by ESMA (formerly CESR) (ESMA/2013/319 of March 20, 2013) and the recommendations n°2013-08 issued by AMF on pro forma financial information.

The Unaudited Pro Forma Condensed Combined Financial Information is based on:

- Alstom's historical audited consolidated financial statements as of and for the year ended March 31, 2017 as well as Alstom's historical reviewed interim consolidated financial statements as of and for the 6 month period ended September 30, 2017, both prepared in accordance with IFRS as adopted by the European Union, which are incorporated by reference in this Document; and
- Siemens Target Business' historical audited annual combined financial statements as of and for the year ended September 30, 2017 prepared in accordance with the financial reporting framework applied in the preparation of the Combined Financial Statements ("Basis of Preparation") which is based on the recognition and measurement principles of the International Financial Reporting Standards as endorsed by the EU (IFRS) and certain carve-out specific accounting methods, included in this Document.

The pro forma adjustments to the Unaudited Pro Forma Condensed Combined Financial Information are limited to those that are (i) directly attributable to the Transaction and (ii) factually supportable. The Unaudited Pro Forma Condensed Combined Financial Information does not reflect items such as synergies or operating efficiencies that may result from the Transaction or restructuring and integration costs that may be incurred as a result of the Transaction.

The Unaudited Pro Forma Condensed Combined Financial Information is based upon certain assumptions that both Alstom and Siemens Mobility believe are reasonable at the date of this Document and in the context of the Business Combination Agreement.

4.1.2 Pro Forma Financial Information

The Unaudited Pro Forma Financial Information is presented in Exhibit 6.5 to this Document.

4.2 Statutory auditors' report

The statutory auditors' report on the Unaudited Pro Forma Financial Information is presented in Exhibit 6.5 to this Document.

5. PRESENTATION OF THE COMPANIES OF WHICH SHARES ARE TO BE CONTRIBUTED

5.1 General presentation

As of the date hereof, the Siemens Target Business is not held by a separate sub-group within the Siemens Group but by various entities of the Siemens Group. In order to allow the combination of the Siemens Target Business with Alstom's business, Siemens and Alstom have agreed that the relevant entities of the Siemens Group will carve out the Siemens Target Business, including any and all assets, liabilities and employees related to such Siemens Target Business, from the rest of the business activities carried out by the Siemens Group, in accordance with the terms of the Business Combination Agreement (the "**Carve-Out**").

As further detailed in Section 5.1.1 of this Document, upon completion of the Carve-Out, the Siemens Target Business activities operated by the Siemens entities in France (along with their subsidiaries and activities) will be operated by Siemens Mobility SAS whereas the Siemens Target Business activities operated in countries other than France will be operated by separate entities that will be ultimately held by either Siemens Mobility Holding B.V. or Siemens Mobility GmbH.

5.1.1 Carve-out of the Siemens Target Business

In accordance with the provisions of the Business Combination Agreement, the Siemens Group is internally implementing the Carve-Out through the separation and reorganization of the Siemens Target Business via the transfer of business activities or assets, including shares, from the companies currently holding or operating the Siemens Target Business activities or assets to either Siemens Mobility SAS or separate entities that will be ultimately held by either Siemens Mobility Holding B.V. or Siemens Mobility GmbH.

Pursuant to the terms of the Business Combination Agreement Alstom's obligation to call its shareholders for approving the transaction was subject to the prior achievement of the so-called "Carve-Out Signing" that required the valid execution of the documentation arranging for the intragroup transfer of the Siemens Target Business activities or related assets held or operated by regional Siemens subsidiaries in Germany, the United-Kingdom, the United-States, Austria, Switzerland, Spain and France between the relevant entities of the Siemens Group. Siemens has notified Alstom on April 24, 2018 that "Carve-Out Signing" has occurred in accordance with the aforementioned terms of the Business Combination Agreement.

The undergoing Carve-Out process will be carried out prior to Closing so that Siemens Mobility SAS, Siemens Mobility GmbH and Siemens Mobility Holding B.V. will eventually, either directly or indirectly, hold ownership of, or sufficient right of use over, all assets, liabilities, employees, licences, and benefit from all authorizations and rights that are required to operate in all material respects the Siemens Target Business as it was operated as at March 31st, 2017, with a view for the Combined Company to, immediately after Closing, operating the Siemens Target Business in all material respects as it was operated on March 31st, 2017.

As a first step of the German Carve-Out process, the Siemens Target Business in Germany will be transferred by Siemens through contributions to Siemens Mobility GmbH while the French "Mobility" business will be contributed by Siemens SAS, a wholly-owned subsidiary of Siemens France Holding, to Siemens Mobility SAS. Along with the contribution of the German Siemens Target Business activities to Siemens Mobility GmbH the shares in the entities that will have acquired the Siemens Target Business in Austria, Switzerland, the United-States, and the United-Kingdom will be contributed to Siemens Mobility GmbH. Siemens Mobility GmbH will also acquire the shares in the entities that will have acquired the Siemens Target Business in Russia and Turkey. The rest of the Siemens Target Business activities and assets around the world will be progressively carved out from the remaining

Siemens Group entities and transferred to either Siemens Mobility Holding B.V. or, if so agreed in accordance with the Business Combination Agreement, Siemens Mobility GmbH.

The shares in Siemens Mobility GmbH and Siemens Mobility Holding B.V. will then be contributed by Siemens to Siemens Mobility Holding S.à r.l. and the transfer of the shares in Siemens Mobility SAS to Siemens France Holding will be implemented by Siemens SAS through the distribution of a dividend in shares.

Under the Business Combination Agreement, the completion and effectiveness of the contemplated Transaction is conditional on the completion of the Carve-Out, meaning that (i) the respective agreements for the transfer of the assets, liabilities, employees, licences, authorizations, rights and/or operations composing the Siemens Target Business operated by regional Siemens subsidiaries in particular and at a minimum in Germany, the United-Kingdom, the United-States, Austria, Switzerland, Spain, France, the Netherlands, Australia, Belgium, Slovakia, Denmark, Singapore, Norway, Canada, the Czech Republic, Sweden, Malaysia, Italy, Portugal, Finland, Poland, Slovenia, Mexico, Serbia, Bulgaria, New Zealand, Ireland, Colombia, India, Hungary, Thailand and Romania (representing together ca. 88% of the annual total revenues of the Siemens Target Business taken as a whole respectively for the financial year ended September 30, 2016 (as provided in the Business Combination Agreement), on the basis respectively of the audited consolidated annual financial statements of the Siemens Group for the financial year ended September 30, 2016), from these respective regional Siemens subsidiaries to the separate entities, have become effective and (ii) the shares in these separate entities will have been unconditionally transferred to either Siemens Mobility Holding B.V., Siemens Mobility GmbH or Siemens Mobility SAS prior to completion of the contemplated Transaction.

However, where in a certain country the transfer of the shares in the separate entities that acquired the business activities composing the Siemens Target Business formerly operated by the respective regional Siemens subsidiary and/or the transfer of the business activities comprising of the assets, liabilities, employees, licences, authorizations, rights and/or operations composing the Siemens Target Business operated by the respective regional Siemens subsidiary in such certain country is/are either not legally permissible or legally or practically not feasible prior to or at the expected completion date of the Carve-Out, the Siemens Group will be allowed to defer such scheduled transfer (each a potential "**Deferred Transfer**") by concluding agreements for a Deferred Transfer between the relevant entities of the Siemens Group (the "**Deferred Agreements**") and paying to the relevant Siemens Contributed Companies an amount equaling to the price to be paid under the Deferred Agreements for the business activities, the transfer of which has been deferred, and shall perform the relevant Deferred Transfers without undue delay after such Deferred Transfer having become possible. Such amount, with regard to which the mechanism of its calculation has already been agreed between Siemens and Alstom under the Business Combination Agreement, will be later used by Siemens Alstom, after Closing of the contemplated Transaction, to acquire the concerned shares or business activities from its relevant owner within the Siemens Group under the Deferred Agreements. In the event of any such Deferred Transfer, the Business Combination Agreement provides that the overall net cash flow generated by the late business activities during the period between the Closing Date and their actual transfer will be for the account of the Combined Company. If the Deferred Transfer is either not legally permissible or legally or practically not feasible after the expiry of a period of 30 months following the Closing Date Siemens may, subject to complying with certain related provisions of the Business Combination Agreement, close down the concerned business activities or sell it to a third party in coordination with Alstom. In addition, Siemens and Alstom may decide, for the countries where certain assets or business activities shall be kept separately from the other operational business activities within the respective entity(ies) of the Siemens Group, to transfer them to Alstom (or any member of the Alstom Group), with effect after the Closing Date, by way of direct asset deals. In certain circumstances contemplated by the Business Combination Agreement, certain agreements initially expected to be transferred may ultimately be terminated.

Finally, the Carve-Out process (as set out in the Business Combination Agreement) also provides for a "wrong-pocket" mechanism pursuant to which, within a period ending on the first anniversary of the

Closing Date of the Contributions (or, for any Deferred Transfer, on the first anniversary of the date of such Deferred Transfer), (i) where any property right, asset or liability forming part of the Siemens Target Business is found to have been retained by a Siemens Group entity in error, Siemens shall transfer, or procure that the relevant Siemens Group entity transfer, at no cost, such property right, asset or liability as soon as practicable to Alstom or any member of the Alstom Group and/or (ii) where any property right, asset or liability not forming part of the Siemens Target Business is found to have been transferred to Alstom in error, Alstom shall transfer, or procure that the relevant Alstom Group entity transfer, at no cost, such property right, asset or liability as soon as practicable to Siemens or any member of the Siemens Group.

5.1.2 General presentation of Siemens Mobility SAS

5.1.2.1 <u>General information</u>

(a) Name and registered office

The corporate name of the company is Siemens Mobility SAS.

The registered office of the company is located at 150, avenue de la République, 92323 Châtillon CEDEX, France.

(b) Date of incorporation and term

Siemens Mobility SAS was incorporated on December 4, 2017 for a term of 99 years.

(c) Legislation and corporate form

Siemens Mobility SAS was incorporated under the laws of France as a s*ociété par actions simplifiée à associé unique* (sole shareholder joint-stock company).

(d) Corporate purpose

The main corporate purpose of Siemens Mobility SAS 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.

(e) Trade and Companies Register

Siemens Mobility SAS is incorporated with the Trade and Companies Register under number 833 751 431 RCS Nanterre.

(f) Financial year

The financial year of Siemens Mobility SAS ends on September 30 of each year.

(g) Management

- <u>Names and functions of Siemens Mobility SAS's management</u>

Siemens Mobility SAS is managed and represented by a Président (Mr. Eric Alexandre Paul Cazeaux) and a Directeur Général (Mr. Olivier Marius Pol Guillot).

- <u>Consolidated compensation and benefits of Siemens Mobility SAS's management</u>

Siemens Mobility SAS has not granted any compensation to its *Président* and its *Directeur Général* with respect to the financial year ended September 30, 2017.

(h) Statutory Auditor

Ernst & Young Audit (Paris La Defense 1, 1-2 Place des Saisons, Courbevoie (92400) (344 366 315 RCS Nanterre) has been appointed as first statutory auditor of the company for a six-year term.

(i) Related-party agreements

As of the date of this Document, Siemens Mobility SAS has not entered into any material related-party agreements other than as part of the Carve-Out implementation, including, as the case may be, operational agreements once the Carve-Out is completed.

(j) Address at which the documents and information relating to Siemens Mobility SAS are available for consultation

The documents and information relating to Siemens Mobility SAS are available for consultation at 150, avenue de la République, 92323 Châtillon CEDEX.

5.1.2.2 General information concerning the share capital

(a) Issued capital, number and class of financial instruments therein, and mention of their main characteristics

As of the date of this Document, the share capital of Siemens Mobility SAS amounts to €52,791,890, fully paid up and divided into 5,279,189 ordinary shares with a nominal value of €10 each.

The share capital issued by Siemens Mobility SAS may be increased prior to the completion of the Contributions as part of the Carve-Out.

(b) Characteristics of financial instruments granting access to capital

Siemens Mobility SAS has issued only ordinary shares, which are freely transferable so long as the company has a sole shareholder.

Should Siemens Mobility SAS have two or more shareholders, the transfer of shares will be subject to a preemption right to the benefit of other existing shareholders (or, residually, to the benefit of the company).

The voting rights attached to all of Siemens Mobility SAS's shares are proportional to the ownership interest represented by such shares in the company's share capital.

Any Siemens Mobility SAS's shareholders is entitled to one vote per share at each shareholders' meeting.

Siemens Mobility SAS's ordinary shares give right to receive payment of dividends if so approved by the sole shareholder or the annual ordinary shareholders' meeting when approving the yearly financial statements.

(c) Allocation of shares and voting rights

As of the date of this Document, the entirety of the share capital of Siemens Mobility SAS is held by Siemens SAS (562 016 774 RCS Bobigny).

Prior to the completion of the Contributions and for the purpose of implementing the Carve-Out, the entirety of the Siemens Mobility SAS shares shall be contributed to Siemens France Holding.

5.1.3 General presentation of Siemens Mobility GmbH

5.1.3.1 <u>General information</u>

(a) Name and registered office

The corporate name of the company is Siemens Mobility GmbH.

The registered office of the company is located at Otto-Hahn-Ring 6, 81739 Munich, Germany.

(b) Date of incorporation and term

Siemens Mobility GmbH was incorporated on November 27, 2017 for an unlimited term.

(c) Legislation and corporate form

Siemens Mobility GmbH was incorporated under the laws of Germany as a *Gesellschaft mit beschränkter Haftung* (limited liability company).

(d) Corporate purpose

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.

(e) Trade and Companies Register

Siemens Mobility GmbH is incorporated with the Trade Register of the Munich Local Court under number HRB 237219.

(f) Financial year

The financial year of Siemens Mobility GmbH ends on September 30 of each year.

(g) Management

- <u>Names and functions of Siemens Mobility GmbH's management</u>

Siemens Mobility GmbH is managed and represented by five managing directors (Ms. Sabrina Soussan, Mr. Michael Peter, Mr. Karl Blaim, Mr. Wolfgang Seltmann and Mr. Martin Rohbogner). As part of the Carve-Out implementation, managing directors currently representing Siemens Mobility GmbH may be replaced.

- <u>Consolidated compensation and benefits of Siemens Mobility GmbH's management</u>

Siemens Mobility GmbH has not granted any compensation to its managing directors with respect to the financial year ended September 30, 2017.

(h) Independent Auditors

Ernst & Young GmbH has been appointed as statutory auditor of Siemens Mobility GmbH.

(i) *Related-party agreements*

Considering that Siemens Mobility GmbH is subject to the laws of Germany, it is not subject to articles L. 225-38 *et seq.* of the French Commercial Code applicable to related-parties agreements or commitments.

As of the date of this Document, Siemens Mobility GmbH has not entered into any material related-party agreements other than as part of the Carve-Out implementation, including, as the case may be, operational agreements once the Carve-Out is completed.

(j) *Address at which the documents and information relating to Siemens Mobility GmbH are available for consultation*

The documents and information relating to Siemens Mobility GmbH are available for consultation at Otto-Hahn-Ring 6, 81739 Munich, Germany.

5.1.3.2 General information concerning the share capital

(a) *Issued capital, number and class of financial instruments therein, and mention of their main characteristics*

As of the date of this Document, the share capital of Siemens Mobility GmbH amounts to €25,000, divided into 25,000 ordinary shares with a nominal value of €1 each.

The share capital issued by Siemens Mobility GmbH may be increased prior to the completion of the Contributions for the purpose of implementing the Carve-Out.

(b) *Characteristics of financial instruments granting access to capital*

Siemens Mobility GmbH has issued only ordinary shares, which are freely transferable.

The voting rights attached to all of Siemens Mobility GmbH' shares are proportional to the ownership interest represented by such shares in the company's share capital.

Any Siemens Mobility GmbH's shareholder is entitled to one vote per share at each shareholders' meeting.

Siemens Mobility GmbH's ordinary shares give right to receive payment of dividends subject to applicable law and if so approved by the annual ordinary shareholders' meeting when approving the yearly financial statements.

(c) *Allocation of shares and voting rights*

As of the date of this Document, the entirety of the share capital of Siemens Mobility GmbH is held by Siemens AG (Local Court of Munich, Germany HRB 6684 and Charlottenburg, Germany HRB 12300).

Prior to the completion of the Contributions and for the purpose of implementing the Carve-Out, the entirety of the Siemens Mobility GmbH shares shall be contributed to Siemens Mobility Holding S.a r.l, a Luxembourg-based company.

5.1.4 *General presentation of Siemens Mobility Holding B.V.*

5.1.4.1 General information

(a) *Name and registered office*

The corporate name of the company is Siemens Mobility Holding B.V.

The registered office of the company is located at Prinses Beatrixlaan 800, 2595BN ‘s-Gravenhage, the Netherlands.

(b) Date of incorporation and term

Siemens Mobility Holding B.V. was incorporated on December 1, 2017 for an unlimited term.

(c) Legislation and corporate form

Siemens Mobility Holding B.V. was incorporated under the laws of the Netherlands as a Besloten Vennootschap (private company with limited liability).

(d) Corporate purpose

The main corporate purpose of Siemens Mobility Holding B.V. 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.

(e) Trade and Companies Register

Siemens Mobility Holding B.V. is incorporated with the Dutch Trade Register (Kamer van Koophandel) under number 70211965 / RSIN 858193966.

(f) Financial year

The financial year of Siemens Mobility Holding B.V. ends on September 30 of each year.

(g) Management

- Names and functions of Siemens Mobility Holding B.V.’s management

Siemens Mobility Holding B.V. is managed and represented by three managing directors Mr. Gerardus Wilhelmus Westerhout, Mr. Jan Willem Hesselink and Mr. Franz Josef Kiener). The authority to represent the company shall vest exclusively in (i) the management board; (ii) any two (2) managing directors acting jointly; (iii) any managing director acting jointly with any general proxy holder; (iv) or any two (2) general proxy holders acting jointly. As part of the Carve-Out implementation, the managing directors currently representing Siemens Mobility Holding B.V. may be replaced.

- Consolidated compensation and benefits of Siemens Mobility Holding B.V.’s management

Siemens Mobility Holding B.V. has not granted any compensation to its managing directors with respect to the financial year ended September 30, 2017.

(h) Independent Auditors

An independent auditor has not yet been appointed.

(i) Related-party agreements

Considering that Siemens Mobility Holding B.V. is subject to the laws of the Netherlands, it is not subject to articles L. 225-38 *et seq.* of the French Commercial Code applicable to related-parties agreements or commitments.

As of the date of this Document, Siemens Mobility Holding B.V. has not entered into any material related-party agreements other than as part of the Carve-Out implementation.

(j) Address at which the documents and information relating to Siemens Mobility Holding B.V. are available for consultation

The documents and information relating to Siemens Mobility Holding B.V. are available for consultation at Prinses Beatrixlaan 800, 2595BN ‘s-Gravenhage, the Netherlands.

5.1.4.2 General information concerning the share capital

(a) Issued capital, number and class of financial instruments therein, and mention of their main characteristics

As of the date of this Document, the share capital of Siemens Mobility Holding B.V. amounts to €1,000, divided into 10,000 ordinary shares with a nominal value of €0.10 each.

The share capital issued by Siemens Mobility Holding B.V. may be increased prior to the completion of the Contributions for the purpose of implementing the Carve-Out.

(b) Characteristics of financial instruments granting access to capital

Siemens Mobility Holding B.V. has issued only ordinary shares, which are freely transferable (i) after the concerned shareholder has obtained approval for the intended transfer from the general meeting of Siemens Mobility Holding B.V. or (ii) such approval has been rejected, but the concerned shareholder was not at the same time given notice of the prospective purchaser(s) designated by the general meeting who is or are willing and able to purchase all the shares included in the application in exchange for payment in cash.

The voting rights attached to all of Siemens Mobility Holding B.V.’s shares are proportional to the ownership interest represented by such shares in the company’s share capital.

Any Siemens Mobility Holding B.V.’s shareholder is entitled to one vote per share at each shareholders’ meeting.

Siemens Mobility Holding B.V.’s ordinary shares give right to receive payment of dividends subject to applicable law and if so approved by the annual ordinary shareholders’ meeting when approving the yearly financial statements.

(c) Allocation of shares and voting rights

As of the date of this Document, the entirety of the share capital of Siemens Mobility Holding B.V. is held by Siemens AG (Local Court of Munich, Germany HRB 6684 and Charlottenburg, Germany HRB 12300).

Prior to the completion of the Contributions and for the purpose of implementing the Carve-Out, the entirety of the Siemens Mobility Holding B.V. shares shall be contributed to Siemens Mobility Holding S.a r.l, a Luxembourg-based company.

5.2 Information relating to Siemens Target Business’ activity

5.2.1 Presentation of the Siemens Target Business and its main activities

5.2.1.1 Corporate profile of the Siemens Target Business

The Siemens Target Business is a global supplier of rolling stock and signaling products providing a comprehensive portfolio of solutions in rail and road. It operates activities 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. It provides its customers with consulting, planning, construction, service and operation of turnkey mobility systems. Moreover, it offers integrated mobility solutions for networking of different types of traffic systems. The Siemens Target Business had a backlog of c. €26.6bn as of September 30, 2017 and revenues of c. €8.1bn in FY2017.

5.2.1.2 History

Siemens has been shaping essential innovations in mobility for over 150 years. Precisely, its history goes back to 1847 when Werner von Siemens and Johann Georg Halske created the pointer telegraph, marking the beginning of the signaling business. In rail vehicles, Siemens pioneered with the concept of the electric locomotive in 1879 at the Berlin Trade Fair with the world's first electric tramcar built by Siemens & Halske two years later in Berlin, Germany. Siemens' involvement in road traffic engineering solutions finds its beginning in 1924 when it installed the first automatic traffic signal system at the Potsdamer Platz in Berlin, Germany.

Siemens has since been involved in many other notable mobility technologies.

- *1890 to 1950.* In 1891, Siemens provided the motors for the world's first electrically powered metros in London. In 1896, it built the first metro system in Europe in Budapest. Meanwhile, in 1903, a Siemens railcar reached speeds of up to 200km/h, leading the way for new opportunities in high-speed traffic.

- *1950 to 1990*. In 1950, Siemens presented its rubber-ring transmission system and in 1970 the High Speed locomotive BR103 with Siemens traction. In 1983, it set the scene for the automated metro system when it built Europe's first driverless system (GoA 4) for the Lille metro, France.

- *1990 to Today*. In 1990 Siemens equipped the ICE 1 with GTO converters and in 1998 it provided the ICE 3 with traction motors. In 2006, its name became associated with the world's fastest locomotive when its ES64U4 Series train reached speeds of 357 km/h. Since the introduction of its high-speed train Velaro in 2007, multiple developments in rail vehicles have followed: modular multisystem locomotive Vectron in 2010, multiple unit passenger train Desiro in 2015 and commuter and regional train Mireo in 2017. In 2013, Siemens realized a major transaction with the acquisition of Invensys Rail and Westinghouse Brake & Signal Holdings from Invensys, *inter alia*, to create a global player in the Rail Automation business and offer a full range of automation and optimization products, solutions and services, covering all customer segments.

5.2.1.3 Presentation of Siemens Target Business's main activities

The Siemens Target Business will be carved out from Siemens pursuant to a global process launched by Siemens in autumn 2017 and such process will be carried out prior to Closing. Pursuant to this Carve-Out process and the Business Combination Agreement, Siemens will transfer business activities or assets, including shares, from the companies currently holding or operating the Siemens Target Business activities or assets to the benefit of the companies that will eventually operate the Siemens Target Business. As of Q3 Calendar Year 2018, the transfers under the local asset transfer agreements for the seven main countries will become effective.

The Siemens Target Business is comprised of the reportable segment Rolling Stock and the Signaling Business:

(i) Rolling Stock

The reportable segment Rolling Stock generated revenues of c. €4.2bn in FY2017.

(1) The reportable segment Rolling Stock is a global supplier of rolling stock and system solutions for passenger as well as freight transport. Its product offering includes high speed and intercity trains, commuter and regional trains, metros, light rail, passenger coaches and automated people mover (VAL), as well as locomotives for passenger and freight transport applications. In addition, services including maintenance, spare part supply, repairs and refurbishment for Rolling Stock products are offered.

(2) For purposes of the segment reporting, Traction Drives is included in the reportable segment Rolling Stock. Traction Drives is a supplier of hard and software solutions for all rail applications as well as customer services. Its product offering includes motors, drive units, railway gears, inverters, auxiliary power supply equipment, control units as well as energy storage devices.

(ii) Signaling Business

The reportable segment Signaling Business is a global provider of intelligent infrastructure solutions managing rail and road mobility and enabling railway automation as well as rail electrification. Its product offering includes rail automation solutions for main line applications and control systems, mass transit signaling solutions for metro, commuter and LRT applications, rail automation solutions for industrial, mining and freight trains, rail electrification installations, intelligent traffic management systems as well as intermodal solutions for public transport, hands-free ticketing and proximity services. In FY2017 the Signaling Business had revenues of c. €4.0bn.

The table below shows a breakdown of the Siemens Target Business combined revenue by reportable segments (based on the assumption that these existed during the relevant financial year) as provided by each reportable segment for the financial year ended September 30, 2017.

(in millions of €)	Fiscal year 2017 Total Revenue
Rolling Stock	4.184
Signalling Business	3.960
Total Segments	**8.144**
Reconciliation to Combined Financial Statements	2
Total	**8.146**

5.2.1.4 Siemens Target Business's geographical presence

The Siemens Target Business counts a total of 27 production sites across its reportable segments to support its global operations, c. 85% are located in industrial countries. Within Rolling Stock, the main production sites are located in Krefeld and Allach (Germany) Vienna and Graz (Austria) and Sacramento (US), with engineering competence located in Germany, Austria, the Czech Republic, Russia and India. In Traction Drives (TD), main production and engineering sites are located in Nuremberg and Penig (Germany), Tianjin (China), Cornella (Spain), Nashik (India) and Alpharetta

(US). The Signaling Business, is mainly located in Berlin and Braunschweig (Germany), Wallisellen (Switzerland), Marion and Louisville (US), Chippenham and Poole (UK). The dedicated engineering expertise is located in Germany, Switzerland, Slovakia, the UK, the US and India. In addition to the activities dedicated to production and engineering sites, Siemens operates a global data and service network with lead centers in Munich (Germany), Atlanta (US) and Moscow (Russia).

5.2.2 Net revenue in the last financial year for each geographical market (consolidated data)

The Siemens Target Business is globally operated through a network of production sites, engineering facilities and data service centers worldwide in more than 60 countries. In FY 2017 roughly 68% of its revenue (by customer destination) was generated in Europe, 15% in Americas, 11% in Asia Pacific, and 6% in Middle East and Africa. In Europe, the bulk of its business was generated in Germany, Austria and the UK.

The tables below shows a geographical breakdown of the Siemens Target Business's backlog and revenues (by customer destination) for the financial year ended September 30, 2017.

Geographic breakdown by customer destination	Order backlog 30 Sep 17 in €m	In % total
Europe	19.2	72.1%
Americas	3.3	12.4%
Asia/Pacific	2.1	7.8%
Middle East / Africa	2.0	7.7%
Siemens Target Business	**26.6**	**100.0%**

Geographic breakdown by customer destination	Revenue 30 Sep 17 in €m	In % total
Europe	5.5	67.7%
Americas	1.2	15.3%
Asia/Pacific	0.9	10.6%
Middle East / Africa	0.5	6.4%
Siemens Target Business	**8.1**	**100.0%**

"Order backlog" represents revenue not yet recognised from orders already received. The order backlog at the end of a fiscal year is computed as follows:

- order backlog at the beginning of the fiscal year;
- plus new orders received during the fiscal year;
- less revenue recognised during the fiscal year;
- less adjustments of order backlog during the fiscal year due to contract modifications including cancellations of orders, changes in the contract price, changes in the scope of consolidation or foreign currency translation effects.

5.2.3 Changes in Siemens Target Business's workforce over the last financial year

Siemens Target Business' FTE setup reflects its global operations with c.30,453 FTEs[5] as of September 2017, 78% of its workforce is located in Europe, 9% in Americas, 11% in Asia Pacific, and 3% in Middle East and Africa.

The table below shows a breakdown of full-time equivalent employees of the Siemens Target Business as of September 30, 2017.

Geographic breakdown	Total FTE	In % of Total
Europe	23,687	77.8%
Americas	2,590	8.5%
Asia/Pacific	3,240	10.6%
Middle East / Africa	935	3.1%
Total	**30,453**	**100%**

5.2.3.1 Material disputes

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.

In the course of its normal business operations, the Siemens Target 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 Siemens Target 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 Siemens Target Business that may have material effects on their financial position, the results of their operations and/or their cash flows in the respective reporting period. At the date of this Document, Siemens does not expect any matters not described above to have material effects on the financial position of the Siemens Target Business, the results of its operations and/or its cash flows.

[5] Siemens employee figure does not yet include transfers from central and support functions

5.2.3.2 Specific risk factors related to the business of the Siemens Target Business

The Siemens Target Business faces a number of risks that could have a material adverse impact on its business. Main risks identified as material to the Siemens Target Business as of the date hereof have been listed below, with no particular order of importance. The following list of risks is not exhaustive and other risks may exist that are unknown to or have been deemed immaterial by Siemens at the date hereof and that could also have a material adverse effect on the Siemens Target Business' activities and results.

(a) Strategic Risks

- **Competitive environment:** The competition landscape in the mobility market is highly competitive in terms of pricing, products and services, as well as product development and innovations. The Siemens Target Business faces a number of very strong competitors, including new ones from emerging markets (mainly from Asia). Some of these seeking to grow their rail business globally with strategic focus on low-cost manufacturing and financing terms. In addition, the process of consolidation in the rail industry is ongoing which could increase competition.

- **Economic, political and geopolitical conditions:** Economic instability and political tensions could deteriorate the investment climate, results in delays or cancellations of orders and affect infrastructure projects (*e.g.*, Middle East, Turkey, Ukraine/Russia). Possible downside risks also stem from political actions by the US administration e.g. Buy America Act, import duties and trade agreements (*e.g*. NAFTA) that might adversely impact the market conditions in which Siemens Target Business operates. An additional risk stems from the referendum which took place in the United-Kingdom, whereby British citizens voted in June 2016 to exit the European Union (commonly known as "Brexit"). The Siemens Target Business derives a large portion of its business from the United-Kingdom and wider Europe area. Any consequences from the Brexit and possible contagiousness to other European countries could affect business confidence and be accompanied by investment reluctance. There could also be greater restrictions e.g. on imports and exports between the United Kingdom and European Union countries and increased regulatory complexities and uncertainties. Other risks stem from an increasing trend towards localization in various countries or from a potential shift in governmental spending behavior. Protectionist trade policies and changes in the political and regulatory environment in markets in which the Siemens Target Business is operated, such as import and export controls, tariffs and other trade barriers and price or exchange controls, could impact the business. Force majeure events and natural disasters (including seismic and severe weather-related events) may further have adverse results such as personal injury, damage to facilities or equipment, or delays or cancellations of orders and deliveries.

- **Disruptive Technologies:** The mobility industry faces ongoing change stemming from the development of new railway technologies and innovative signaling solutions, as well as from the trend towards digitalization (*e.g.* cloud offerings, internet of things). Siemens Target Business has historically shaped the rail industry with innovative technologies. But, existing competitors are very strong and have been investing into new developments too. Digitalization startups will become more and more competititors in digital portolio areas where Siemens Target Business is acting. This requires the Siemens Target Business to anticipate new trends and adapt to market changes quickly. Additionally, the Siemens Target Business will have to commit large financial resources to research and development with often uncertain results.

(b) Operational Risks

Mobility projects are inherently risky due to their long-term nature. The Siemens Target Business is engaged in large complex long-term contracts. Due to the complexity and the length of the projects in which the Siemens Target Business participates, the actual costs could potentially differ from what the Siemens Target Business had initially forecasted. Potential risks could stem from unforeseen project modifications, delays in development of products, shortage of skilled personnal, quality failures, financial difficulties of customers, including insolvency, or cost overrun. Additionally, the Siemens Target Business in general relies on a high number of suppliers. Any shortage or delay on their behalf could hit the business. Certain suppliers or subcontractors may further experience financial difficulties, capacity or process constraints which could result in delivery delays, unexpected costs, or reduced technical performance that could cause additional costs (*e.g.* penalties).

Homologation procedures, which have to be carried out in the framework of Siemens Target Business's projects, vary worldwide and are governed by many regulatory authorities. This leads to complex homologation requirements and procedures, which might cause adverse impact in terms of effort and time scheduling.

The Siemens Target Business is dependent on digital technologies for its activities. The Siemens Target Business has noted a global increase in cyber risks which increase the likelihood of e.g. loss of sensitive data and misuse of our products with potential harm to our customers. The Siemens Target Business is at the forefront of cyber-security, yet cyber risks could materialize and have impact on Siemens Target Business' financials and business activities.

(c) Financial Risks

Given the global nature of its business activities, the Siemens Target Business is exposed to fluctuations in the exchange rates, especially between the U.S. dollar, the British pound and the euro.

(d) Litigation, regulatory and compliance risks

Due to the characteristics of the mobility markets, there is a continuous risk of investigations by antitrust authorities. Proceedings regarding antitrust violations may lead to various sanctions, profit disgorgements, and the loss of business licenses or permits or other restrictions and legal consequences.

The harmonization of the European railway market through the new European standards may require investment to upgrade the Siemens Target Business’s existing products to comply with regulatory requirements.

Siemens Target Business might face risk of non-compliance with Environmental, Health and Safety (EHS) regulations due to inadequate safety competence/awareness which may result in safety incidents, penalties, business interruption or reputational damage.

Additionally, the companies operating the Siemens Target Business may become party to lawsuits in the ordinary course of business, and employee, agent, supplier, or partner misconduct or failure to comply with government laws and regulations may subject the companies operating the Siemens Target Business to criminal and civil enforcement actions. These actions may harm the Siemens Target Business’ reputation, which could result in revenues and profitability decrease. More particularly, legal proceedings could be initiated in the event of a railway accident involving equipment supplied by the Siemens Target Business. This could affect the Siemens Target Business’ reputation regarding the reliability of its products.

5.3 Financial information relating to the Siemens Target Business

5.3.1 Combined audited financial statements of the Siemens Target Business

The audited Combined Financial Statements of the Siemens Target Business as of September 30, 2017 are presented in Exhibit 6.3 to this Document.

<u>Note to the audited Combined Financial Statements of the Siemens Target Business</u>:

The Siemens Target Business as presented in this Document did not operate on a stand-alone basis during the historical period, but was just recently defined for the purposes of this transaction. Only the 'Mobility' division is separately reported – internally as a Division as well as externally as part of Siemens Group's segment reporting. Financial information on this basis is available on a quarterly basis. For the remaining scope components being "traction drives", "traction customer service" and "centrally held items", financial reporting data are not readily available as they are part of broader reporting units.

In addition to timing constraints and taking into account all relevant periods of notice, certain limitations exist as to the preparation of FY2015 and FY2016 financial data on rail related Traction Drives and Traction Customer Service:

(a) Due to the restructuring of the wider Siemens Traction Drives Business in FY2016, a year-on-year comparison is not possible on a like for like basis. Presenting FY2016 financial information would not be beneficial to the reader and could even be viewed as potentially misleading;
(b) Traction Customer Service: FY2015 Mobility related financial data are not identifiable; and
(c) Traction Drives and Customer Service employees are not retrospectively identifiable for FY2015 and FY2016 with respective impact on the presentation of pensions and share based compensation.

The presentation of FY2015 and FY2016 would therefore not only require the application of significant simplification assumptions, but could also be potentially misleading in the absence of like-for-like comparability with FY2017.

As a result, there are no historical financial statements for the Siemens Target Business for FY2015 and FY2016. The Combined Financial Statements the Siemens Target Business for the year ending September 30, 2017 were audited, and the Combined Interim Financial Statements of the Siemens Target Business for the half-year ended March 31, 2018 were reviewed, by Ernst & Young and were established purely for this Document.

5.3.2 Significant excerpts from the notes of the accounts if necessary to correctly assess the information extracted from the income statement and balance sheet

N/A

5.3.1 Subsidiaries and shareholdings chart

N/A

5.4 Information regarding recent changes of Siemens Contributed Companies

Please refer to Sections 5.1.2 to 5.1.4.

5.5 Statutory auditors' report

The statutory auditors' report with respect to the combined financial statements of the Siemens Target Business is presented in Exhibit 6.3 to this Document

5.6 Combined Interim Financial Statements of the Siemens Target Business for the half year ended March 31, 2018

The half-year FY2018 combined interim financial information of the Siemens Target Business are presented in Exhibit 6.3 to this Document.

6. EXHIBITS

List of Exhibits

Exhibit 6.1

Reports of the Contribution Appraiser

FINEXSI

Free translation of the original « *Rapport du Commissaire à la scission sur la valeur des apports devant être effectués par la société SIEMENS MOBILITY 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 S.A.

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

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 value of the contribution

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

14, rue de Bassano - 75116 Paris
Tél. : 01 43 18 42 42
Fax : 01 44 40 04 16
Email : finexsi@finexsi.com

Société de commissariat aux comptes
Société d'expertise comptable inscrite au tableau de Paris Ile-de-France
Membre de l'organisation A.T.H.
S.A. au capital de 336 813 € - RCS Paris B 415 195 189

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 value of the contribution, as provided for in Article L. 225-147 of the French Commercial Code.

We report on our opinion on the consideration for this contribution in a separate report. The value of the contribution was established in the draft partial asset contribution agreement entered into by representatives of the relevant companies dated May 17, 2018. It is our responsibility to express an opinion on the fact that the value of the contribution is not overvalued. 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 that we implement procedures to assess the substance and the value of the contribution, to ensure that its value is not overstated and to confirm that it corresponds at least to the nominal value of the shares to be issued by the company receiving the contribution, plus the issue premium.

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 and description of the contribution
2. Procedures and assessments of the value of the contribution
3. Summary – Key points
4. 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[1] 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[2].

[1] 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"*.

[2] 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 in 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 months 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 consideration 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 Alstom 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[3].

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.

[3] 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 sole shareholder 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 take 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, company which shares 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)* under French law. 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 for mobility, primarily including electrification, automation and digitalization, as well as the supply 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 14th 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 15th day of such month.

The date on which the conditions precedent are satisfied (or waived, when 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.

1.4. 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[4];
- the customary representations and warranties by ALSTOM and SIEMENS listed respectively in paragraph 1.5 of Schedules 12.1 and 12.2 of the Business Combination Agreement are accurate and made in good faith;

[4] Composition and *modus operandi* of the Board of Directors, Chairmanship, Board Committees and amendment of the bylaws.

- 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).

1.5. Prior carve-out of the SIEMENS Target Business

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 business from the other businesses, as stipulated in the Business Combination Agreement.

As a result of the carve-out being carried out locally in the various countries concerned, including France, Local Asset Transfer Agreements have been drafted in connection with the transfer of assets and liabilities associated with the business, as well as Local Share Transfer Agreements in connection with share transfers.

This carve-out involves a transfer by SIEMENS of all the assets and liabilities associated with its Target Business to:

- SIEMENS MOBILITY SAS in respect of the Target Business conducted by SIEMENS entities in France (including through, as the case may be, any French and foreign subsidiaries and activities);
- SIEMENS MOBILITY GMBH in respect of several Target Businesses, including in particular the Target Business conducted (or attached to) in Germany, Austria, Switzerland, the United States, the United Kingdom, Russia and Turkey;
- SIEMENS MOBILITY HOLDING BV in respect of all other countries.

Shares in these three entities will then be contributed to ALSTOM, which will issue new shares and warrants in consideration for these contributions, it being specified that equity warrants will be used as partial consideration solely for the contribution of the SIEMENS MOBILITY HOLDING BV shares.

The Business Combination Agreement includes a "wrong pocket" mechanism that will correct the effect of items transferred incorrectly or retained mistakenly by the SIEMENS group as part of the carve-out within one year of the closing date of the Transaction without any financial impact on the contributions.

1.6. Computation of the contributed shares value and definitive amount of the Contribution

Generally, the contribution value of the shares contributed (for the French and the Luxembourg contributions) was determined based respectively on Schedule 8.2(A) *ter* and 8.3(C) of the draft partial asset contribution agreement, 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 as at 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 AG, 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.

Estimated unaudited pro forma accounts for the contributing companies were prepared at September 30, 2017 as if all the prior contributions and transfers of the Target Business to companies, the shares of which are to be contributed, had already taken place and in accordance with the above.

In connection with the French Contribution, the value of the shares contributed is the result of preliminary operations, and reflects their value as shown in the estimated unaudited pro forma accounts of SIEMENS FRANCE HOLDING SAS as if preliminary operations had already taken place[5] in accordance with the above.

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.

This adjustment mechanism covers the determination of the definitive amounts of the Net Debt and Working Capital Requirement used to determine the equity value of (i) the contributed business and (ii) ALSTOM at the Determination 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.

[5] Being specified that SIEMENS MOBILITY SAS will receive, with an effective date at June 1st 2018, the assets and liabilities of the Target Business carried on in France through a partial asset contribution of a branch of activity by SIEMENS SAS. This operation was subject to a report from a contribution appraiser dated January 22, 2018, which concluded that the value of said contribution was not overvalued.

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.

1.7. 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 French and Luxembourg Contributions will comprise the issuance of 227,314,658 new ALSTOM shares each with a nominal value of €7, that is a capital increase of €1,591,202,606 representing no less than 50% of ALSTOM's post-Transaction share capital on a fully diluted basis (and 50.67% of the issued share capital of ALSTOM as of the Determination Date); and through the issue of 18,942,888 warrants conferring rights to subscribe an additional 2% increase in ALSTOM's share capital on a fully diluted basis.

The consideration for the French Contribution of the entirety of the SIEMENS MOBILITY SAS shares valued at €231,141,816 will 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 1.6, 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 issue premium will be duly adjusted by the difference.

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

1.8. Description and valuation of the contribution

1.8.1. Description of the contribution

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

1.8.2. Valuation of the contribution

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 contribution[6].

However, since the net book value of the French Contribution is lower than the par value of the capital increase issued for the consideration for this 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.

2. Procedures and assessments of the value of the contribution

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 inform the shareholders of the company ALSTOM as to the value of the contributions made by the company SIEMENS FRANCE HOLDING SAS. 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 date of the General Meeting of shareholders convened to approve the transaction.

[6] "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", being specified that the French Contribution and the Luxembourg Contribution are indissociable elements, the two contributions leading SIEMENS to hold more than 50% of ALSTOM's capital.

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 ensure that the contribution is not over-valued.

In particular, we have done 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 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 the limited financial due diligence work carried out by ALSTOM'S and SIEMENS' advisers;
- we have analyzed the carve-out process for the SIEMENS Target Business. We have reviewed the completed stages and operations, and carried out sampling tests on the 7 main countries, so as to ensure that the current process is progressing normally and to assess the potential impact of factors liable to affect the free transferability of that business's assets and liabilities. We have analyzed the timetable for the conduct of operations in order to understand its key stages, and have reviewed the minutes of meetings of the joint ad hoc committee of the two groups (the "Carve-out Committee") responsible for identifying potential difficulties and resolving them in accordance with the project's objectives;
- more generally, 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 budget and forecast information of SIEMENS Target Business;

- we have reviewed the detailed simulations undertaken to determine the contribution values;
- we have verified compliance with current accounting regulations in France relating to the valuation of contributions;
- we have reviewed the main events that have occurred since September 26, 2017 and assessed their potential financial impact on the value of the contributions;
- we have analyzed the work carried out by the banks advising SIEMENS and ALSTOM. In this respect, we have, in particular:
  - assessed the valuation methodology applied, together with its relevance and consistency with regard to the business;
  - carried out a critical review of the correct application of the methods used, and checked the resulting valuation calculations;
  - carried out our own valuation work in order to assess the value of the shares contributed;
- taking into account the deferred effect of the contribution, we have assessed the method of adjustment of the amount of the contributions provided for in the draft partial asset contribution agreement in the event of a downward variation in the amount of the contributions, based on the simulations that have been made available to us;
- we have reviewed the report from the contribution appraiser, dated January, 22 2018, related to the partial asset contribution of the SIEMENS Target Business activity carried on in France, to SIEMENS MOBILITY SAS from SIEMENS SAS;
- we have obtained representation letters from the 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 done in order to assess the fairness of the consideration for the contributions, we express an opinion in a separate report.

2.2. Specific features of the contribution Transaction

The contribution will have a deferred accounting effect on the Transaction closing date. It is indissociable from the Luxembourg contribution that requires the implementation of numerous internal reorganization and restructuring operations in order to separate the companies, assets and liabilities corresponding to the Target Business as defined in the Business Combination Agreement.

Implementation of these operations is being carried out locally in the countries where this business is carried on. In terms of the execution timetable, such implementation must take account of the operational organization specific to each country and of the applicable constraints and procedures from a legal, social, contractual and fiscal point of view.

The timetable for progress with the key stages in the 7 main countries[7], including France, chosen by the parties is as follows:

Key stages of the Carve-out for the 7 main countries

	Germany	United Kingdom	Austria	Spain	United States	France	Switzerland
Readiness certificate	15/07/2018	22/05/2018	22/06/2018	08/05/2018	18/05/2018	25/05/2018	17/04/2018
Carve-out effective date	01/08/2018	01/06/2018	03/07/2018	01/06/2018	01/06/2018	01/06/2018	31/05/2018
Final LATA exhibits	28/09/2018	31/07/2018	03/09/2018	31/07/2018	31/07/2018	31/07/2018	23/05/2018

The "Readiness Certificate" signed by the local carve-out managers certifies that the newly created entities acquiring the respective local businesses are prepared to assume and operate the transferred business.

The "Carve-Out effective date" is the date on which the business carve-outs legally take effect. It is the first business day of the month following that in which the Readiness Certificate is produced, except in Switzerland because of specific legal features locally.

The "Signing LATA amendment" establishes the definitive list and amounts of the assets and liabilities to be transferred trough the carve-out process.

The overall process and rules of the Carve-out and the terms and conditions agreed by the parties are detailed in the BCA and summarized in the section 5.1.1 of the Document E.

As at the date of our report, the carve-out operations of the Target Business are still underway in the main countries in which the Target Business is carried on. Thus, the "Readiness Certificate", has only been produced for 5 of the 7 main countries mentioned above (namely Switzerland, France, the United States, the United Kingdom and Spain).

It is expected that this certificate will be produced on June 22, 2018 for Austria, and in mid-July 2018 with regard to the business carried on in Germany.

On this date of legal effect, the amounts of the assets and liabilities mentioned in the Local Assets Transfer Agreements (and their schedules) will only be provisional and the final amounts will only be determined later[8]. On the date hereof, those amounts have only been definitively established for Singapore, Turkey and Switzerland.

[7] Which represent about 80% of the revenues of the SIEMENS Target Business as at September 30, 2016.
[8] Within a maximum period of 60 days.

In this regard, it should be pointed out that (i) completion of the Target Business carve-out operations for the main 33 countries[9] which have been agreed upon between Siemens and Alstom and (ii) unconditional transfer of the shares representing the Target Business for this countries to either Siemens Mobility Holding B.V., Siemens Mobility GmbH or Siemens Mobility SAS constitute a condition precedent of completion of the Transaction and of this contribution.

Furthermore, we have obtained confirmation from the management of SIEMENS and SIEMENS FRANCE HOLDING SAS that, concerning France, there is no significant delay in the timetable associated with operational difficulties in the implementation of the Target Business carve-out operations.

Finally, taking into account the complexity of the Transaction, the contribution operation is subject to a substantial number of conditions precedents, as outlined in Section 1.4 of this report, and in particular, obtaining the regulatory authorizations from the competition authorities.

2.3. Assessment of the method of valuation of the contribution having regard to the French accounting regulations

Pursuant to the Accounting Standards Authority's Regulation no. 2017-01 relating to the accounting treatment of mergers and similar transactions, including the cross-border mergers, in the case of a partial asset transfer contribution between companies under separate control under the terms of which the shareholder of the contributing companies will retain control of the assets contributed by taking control of the beneficiary company upon completion of the contributions (a reverse transaction), this contribution should be made at book value.

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

We do not have any observation to make with regard to the method of valuation of the contribution, which is in accordance with the aforementioned regulation.

[9] They represent together ca. 88% of the annual total revenues of the SIEMENS Target Business for the financial year ended September 30, 2016.

2.4. The reality of the Contribution

We have reviewed the obligations of the SIEMENS Group in the Business Combination Agreement, defining the Target Business subject of the Transaction, and have carried out sampling checks for the main countries, including France, on the content of the assets and liabilities representing this Target Business based on the local reorganization schemes and the Local Asset Transfer Agreements and Local Share Transfer Agreements provided in the data room.

Given the fact that the carve-out process is ongoing, as such, the envisaged structure of the Contributions whereby the SIEMENS Target Business is held directly or indirectly by SIEMENS MOBILITY HOLDING SARL in relation to the Luxembourg Contribution and SIEMENS FRANCE HOLDING SAS in relation to the French Contribution, will only be realized upon completion of the carve-out.

Therefore, it will be possible to acknowledge the ownership of the shares which are the subject of the French Contribution only after the completion of the carve-out process.

However, it should be remembered that the completion of the carve-out is a condition precedent of the Contributions as specified in the relevant Transaction documents.

2.5. Assessment of the value of the Contribution

2.5.1. The value used by the Parties

Since the contribution consists solely of the SIEMENS MOBILITY SAS shares, our assessment of the individual value and the global value of the contribution is identical.
The contribution value used is the fair value of the shares of the company SIEMENS MOBILITY SAS, representing the entirety of the capital of this company.

This fair value is based on the enterprise value agreed between the parties and allocated to the various entities constituting the Target Business, on the basis of their contribution to the average EBIT of the Target Business as at September 30, 2017 (actual) and September 30, 2018 (forecast).

The bridge from enterprise value to equity value, on the basis of the Combined Financial Statements of the Target Business as at 30 September 2017, on which the audit report is prepared by SIEMENS' auditor, was also taken into account to determine the estimated fair value.

We have reviewed the detailed allocations applied to determine the value of the SIEMENS MOBILITY SAS securities being contributed.

We have no observations to make on those estimated values in accordance with the draft of the partial asset contribution agreement.

We have assessed the value of the French Contribution on the basis of the work done by the parties, assisted by their advising banks, which have used a multi-criteria approach based on the following valuation methods:

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

The following methods were discarded:

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

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

We also agree with the parties' decision not to use the comparable transactions approach. 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.).

The bridge from enterprise value to equity value has been determined as at September 30, 2017 on the basis of the items agreed between the parties and presented in Schedule 8.2(A) *bis* of the draft partial asset contribution agreement. Account has also been taken of the additional adjustment in the form of debt or cash that will be contributed by SIEMENS in order to obtain a ratio in terms of equity capital of 49.33% and 50.67% respectively between the existing shareholders of ALSTOM and the SIEMENS Group.

Valuation by the discounting of forecast cash flows

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.

The application of this method relies on the business plan of the SIEMENS Target Business covering a period of 3 years from October 1, 2016 to September 30, 2019, and exchanged with ALSTOM in the context of the negotiations on the Transaction.

This business plan takes into account the 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 rates used are between 8% and 9%, based on market parameters and sector data, and the perpetual growth rate used is 1.5%.

On this basis, the value of the French Contribution stands between €202 million and €233 million.

The peers trading multiples approach

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.

The parties have emphasized the EBIT multiple taking into account the capital intensity specific to the business concerned.

The sample consists of the following companies: the Spanish companies CAF and Talgo, and the Italian company Ansaldo STS. Account has also been taken of the multiples derived from a "sum of the parts" approach in the case of the *Bombardier Transportation* and *Vossloh Rail Infrastructure* businesses, these businesses forming part of the listed companies Bombardier and Vossloh respectively.

The average multiple (EV/EBIT) is 10.7x in 2018e and 9.8x in 2019e.

On this basis, the global value of the French Contribution stands between €218 million and €266 million.

Reference to the values of the Mobility Business according to brokers

On the basis of the notes of brokers following the SIEMENS Group published before the date of announcement of the Transaction and presenting an analysis of the value of the Group according to its constituent businesses, the parties have used the EBIT multiple externalized for the Mobility Business.

It ranges between 9.0x and 11.0x EBIT 2018e.

On this basis, the global value of the French Contribution stands between €209 million and €261 million.

2.5.2. Work carried out by Finexsi

In order to assess the value of the contribution we have performed our own valuation work using a multi-criteria approach.

Like the parties assisted by their advising banks, we have discarded the methods based on comparable transactions, net book value and net asset value and on the discounting of future dividends.

We have used:

- principally, the discounted forecast cash flows method;
- secondarily:
  - the peers trading multiples method;
  - reference to the values of the Mobility Business according to brokers following the SIEMENS Group.

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 between the parties to reach the target 49.33%/50.67% ownership ratio for the combined entity.

Principal method: the discounted forecast cash flows method

For the application of this method 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.

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, which have also been taken into account for the purposes of our discounted cash flow. These projections, for the Mobility Division, have been approved by the SIEMENS's Supervisory Board on November 8, 2017.

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

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%.

We have used a perpetual growth rate of 1%.

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

Secondary method: Peers trading multiples

In applying the peers trading multiples method, we have retained the companies CAF, Talgo and Vossloh[10].

We have not retained the company Ansaldo due to the very limited number of brokers publishing forecasts[11].

The average multiples (EV/EBIT) obtained from this sample on April 30, 2018 are respectively 13.1x in 2018e, 10.0x in 2019e and 9.2x in 2020e.

Secondary method: Reference to the values of the Mobility Business according to brokers following the SIEMENS Group

In order to apply this method, we have used the notes of brokers presenting an enterprise value for the SIEMENS Mobility Business[12], and have taken into account the bridge from enterprise value to equity value used for the other methods referred to above.

Overview of contribution values

We note that the contribution value retained in the context of this Transaction is lower than the one resulting from our valuation work.

The definitive value of the contribution will only be known on the Determination Date. It may, in particular be amended, as according to the Schedule 8.2(A) b*is* of the draft partial asset contribution agreement, which aims to ensure that at the Determination Date, 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.

The application of this mechanism will result in an additional contribution of cash or of debt by SIEMENS, either in the context of the French Contribution or in the context of the Luxembourg Contribution, in order to obtain a ratio in terms of share capital of 49.33% and 50.67% for ALSTOM and the SIEMENS Group, respectively.

[10] The Rail Infrastructure business representing about 90% of the Group's business.
[11] According to the Capital IQ database, the consensus is limited to the forecasts of a single broker.
[12] The value of the Traction Drives business not taken into account in the brokers notes has been added to the value of the Mobility Business on the basis of the average EBIT multiples used by the brokers.

This adjustment mechanism is based on considerations specific to the determination of the consideration for the contributions and of the percentage ownership of the combined entity by the two groups, and of the value of ALSTOM and of its cash position, which will result in adjustment of the cash or debt that will finally be contributed by Siemens, independently of the economic value of its contribution.

In the event that the additional contribution would concerned debt in relation to the French Contribution, the contribution value would be adjusted downwards and the issue premium would be reduced as a result.

This is the result of the Business Combination Agreement, however it does not alter our assessment of the global value of the contributions on the date hereof, taking into account (i) the nature of the adjustment mechanism, which is not based on considerations which call the financial values into question; and (ii) the value used for the French Contribution, which is slightly lower than its actual value.

3. Summary – Key points

By way of summary of our assessments, we wish to draw your attention to the following points:

The French Contribution concerns the shares of the company SIEMENS MOBILITY SAS which, according to the Transaction arrangements, will own the whole of the SIEMENS Target Business carried on in France (including through, as the case may be, any French and foreign subsidiaries and activities).

It requires the completion of preliminary operations which execution timetable depends on particular local operational, legal, fiscal and social matters in France.

On the date of this report, the process of carve-out of the SIEMENS Target Business is still in progress, and will not be finalized until after the ALSTOM General Shareholders Meeting convened to approve the Transaction, on July 17, 2018.

However, it should be pointed out that closing of the Target Business carve-out operations, including determination of their definitive amount, constitutes a condition precedent for the completion of the Transaction and of this contribution as specified in the relevant Transaction documents.

In addition, we have obtained a representation from the legal representatives of SIEMENS AG and of SIEMENS FRANCE HOLDING SAS that currently there is no significant delay in the timetable associated with operational difficulties in the implementation of the Target Business carve-out operations in France.

In order to assess the value of the contributions, which corresponds to the fair value of SIEMENS MOBILITY SAS shares, we have performed valuation work using a multi-criteria approach, relying mainly on the business plan provided by the management of SIEMENS. This business plan has been revised and been the subject of consistency checks by reference to the available data; it is still based on forecasts, which may have different outcomes.

The contribution value retained is lower than the valuations that we have examined or conducted, which leads to the conclusion that the contributions are not overvalued.

It should be remembered that the date of completion of the contribution from an accounting and fiscal point of view is not currently known; in particular, it depends on the various conditions precedent mentioned at paragraph 1.4 above being satisfied.

An adjustment mechanism has been agreed, the application of which will result in an additional contribution of cash or of debt by SIEMENS, either in the context of the French Contribution or of the Luxembourg Contribution.

This adjustment mechanism is linked (i) to the terms of consideration for the contributions, which determine the ownership of the combined entity agreed between the parties, namely 49.33% and 50.67% for the shareholders of ALSTOM and the SIEMENS Group, respectively; and (ii) to the value of ALSTOM resulting from its cash position on the date of completion, which will result in adjustment of the cash or debt contributed by SIEMENS, independently of the economic value of its contribution.

In the event that the amount of the contributions to be made by Siemens according to this mechanism was lower than that set out in the draft partial asset contribution agreement signed on May 17, 2018, the definitive amount would be corrected and the issuance premium would be adjusted downwards. Consequently, the amount of the contributions, as adjusted, if applicable, will on the closing date be equal to the amount of the share capital increase of the beneficiary company plus the definitive issuance premium. Having regard to the origin and mechanical nature of the adjustment, this situation is not in our opinion such as to call into question our assessment of the global value of the contribution at the time of this report, in particular taking into account the discrepancy observed between the actual value of the contribution and the amount retained in the draft partial asset contribution agreement.

Finally, we reiterate that our valuation analyses are based on a standalone approach at the date of this report, but not including any of the significant synergies expected from the merger, which SIEMENS ALSTOM may implement upon closing of the Transaction.

4. Conclusion

On the basis of our work and as at the date of this report, we are of the opinion that the value of the contribution amounting to €231,141,816 is not over-valued, and, consequently, that it is at least equal to the amount of the share capital increase of the company that is the beneficiary of the contributions, plus the contribution premium.

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

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Société de commissariat aux comptes
Société d'expertise comptable inscrite au tableau de Paris Ile-de-France
Membre de l'organisation A.T.H.
S.A. au capital de 336 813 € - RCS Paris B 415 195 189

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[1] 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[2].

[1] 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"*.

[2] 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[3].

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.

[3] 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^{th} 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^{th} 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[4];
- 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[5].

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.

[4] Composition and *modus operandi* of the Board of Directors, Chairmanship, Board Committees and amendment of the bylaws.
[5] "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[6]. 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.

[6] 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				
Luxembourg Contribution (Net Book Value)	Contribution value (€)	Number of ALSTOM shares	Nominal value (€)	Share capital increase (€)	ALSTOM's BSA	Contribution Premium
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
French Contribution (Actual Value)						
Siemens Mobility SAS securities	231 141 816	8 505 619	7	59 539 333		171 602 483
Total Contributions	**4 727 640 174**	**227 314 658**	**7**	**1 591 202 606**	**18 942 888**	**3 136 437 568**

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[7] over short periods (1 month and 3 months) and longer periods (6 months and 1 year) were considered.

[7] 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
Total	**7 487**	**8 447**	**7 611**	**7 848**	**5 302**	**5 955**	**5 595**	**6 917**

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

Equity value (m€)	French Contribution		Luxembourg Contribution		Contributions	
	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
Average of multi criteria approach	**198**	**238**	**6 791**	**7 972**	**6 989**	**8 209**

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 is
sued 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[8].

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[9] and we took account of the bridge from enterprise value to equity value used for the other methods referred to above.

[8] According to the Capital IQ database, the consensus is limited to the forecasts of a single broker.
[9] 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[10]:

Relative values and ownership ratio determined by the parties

	DCF		Trading Multiples		Alstom Stock Price		Brokers' valuation	
M€	**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
Poids relatif ALSTOM	**49,91%**	**48,82%**	**48,14%**	**47,76%**	**48,00%**	**46,11%**	**46,28%**	**45,04%**
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**
Poids relatif SIEMENS	**50,09%**	**51,18%**	**51,86%**	**52,24%**	**52,00%**	**53,89%**	**53,72%**	**54,96%**

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%.

[10] 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.

FINEXSI

Free translation of the original « *Rapport du Commissaire à la scission sur la valeur des apports devant être effectués par la société SIEMENS MOBILITY HOLDING SARL 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 S.A.

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

Contribution of SIEMENS MOBILITY GMBH and SIEMENS MOBILITY HOLDING BV shares by SIEMENS MOBILITY HOLDING SARL to ALSTOM SA

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

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

14, rue de Bassano - 75116 Paris
Tél. : 01 43 18 42 42
Fax : 01 44 40 04 16
Email : finexsi@finexsi.com

Société de commissariat aux comptes
Société d'expertise comptable inscrite au tableau de Paris Ile-de-France
Membre de l'organisation A.T.H.
S.A. au capital de 336 813 € - RCS Paris B 415 195 189

Contribution of SIEMENS MOBILITY GMBH and SIEMENS MOBILITY HOLDING BV shares by SIEMENS MOBILITY HOLDING SARL 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 GMBH and SIEMENS MOBILITY HOLDING BV shares held by SIEMENS MOBILITY HOLDING SARL to ALSTOM SA, we have prepared this report on the value of the contribution, as provided for in Article L. 225-147 of the French Commercial Code. We report on our opinion on the consideration for this contribution in a separate report.

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

It is our responsibility to express an opinion on the fact that the value of the contribution is not overvalued. 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 that we implement procedures to assess the substance and the value of the contribution, to ensure that its value is not overstated and to confirm that it corresponds at least to the nominal value of the shares to be issued by the company receiving the contribution, plus the issue premium.

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 and description of the contribution
2. Procedures and assessments of the value of the contribution
3. Summary – Key points
4. Conclusion

1. Presentation of the transaction and description of the contribution

The transaction requiring your approval is the contribution by Luxembourg-registered SIEMENS MOBILITY HOLDING SARL of all the SIEMENS MOBILITY GMBH and SIEMENS MOBILITY HOLDING BV 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[1] 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[2].

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[1] 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".*

[2] 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 in 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 months 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 GMBH and SIEMENS MOBILITY HOLDING BV shares by SIEMENS MOBILITY HOLDING SARL (hereinafter the "Luxembourg Contribution"), which is the subject of this report, as well as a separate report concerning our opinion on the consideration for this contribution;
- the contribution of SIEMENS MOBILITY SAS shares by SIEMENS FRANCE HOLDING SAS (hereinafter the "French 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 ALSTOM 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[3].

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 at the date of the draft partial asset contribution agreement. 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.

[3] 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 MOBILITY HOLDING SARL, the contributing company

SIEMENS MOBILITY HOLDING SARL was incorporated on October 31, 2017 with an unlimited corporate life in the form of a limited liability company (*société à responsabilité limitée*) registered in Luxembourg. Its registered office is located at 8-10 avenue de la Gare, L-1610 Luxembourg. The Company is registered on the Luxembourg Trade and Companies Register (RCS) under no. B219459.

Its financial year begins on January 1 and ends on December 31. Exceptionally, its first financial year began on October 31, 2017 and ended on December 31, 2017.

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

- *"to take participations and interests in any form whatsoever, in any commercial, industrial, financial or other, Luxembourg or foreign companies or enterprises;*
- *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;*
- *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;*
- *To enter into, assist or participate in financial, commercial and other transactions;*
- *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");*
- *To borrow and raise money in any manner and to secure the repayment of any money borrowed; and*
- *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."*

1.2.3. SIEMENS MOBILITY GMBH and SIEMENS MOBILITY HOLDING BV, the shares of which are being contributed by SIEMENS MOBILITY HOLDING SARL

SIEMENS MOBILITY GMBH is a limited liability company registered in Germany on the Munich Trade Register under no. HRB 237219. Its registered office is located at Otto Hahn Ring 6, 81739 Munich (previously Werner-von-Siemens-Str. 1, c/o SIEMENS AG, 80333 Munich (Germany).

Its corporate purpose is as follows: research, development, engineering, marketing, distribution, production and maintenance of products, systems, equipment and solutions for mobility, primarily including electrification, automation and digitalization, as well as the supply of any and all related services.

SIEMENS MOBILITY HOLDING BV is an unlisted limited liability company registered in the Netherlands under no. 70211965/RSIN 858193966 on the Dutch Trade Register. Its registered office is located at Prinses Beatrixlaan 800, 2595BN 's-Gravenhage (Netherlands).

Its corporate purpose 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.

1.2.4. Relationship between the companies

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

1.3. Description of the Luxembourg Contribution

The arrangements for this Transaction (the Luxembourg 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. It is also subject to the demerger regime provided for in Articles 1030-1 to 1033-1 (not including Article 1031-16) of the Luxembourg Law of 1915, in accordance with Article 1040-2 of said law.

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.

The contribution will not be subject to VAT in Luxembourg pursuant to the provisions of the Luxembourg law on VAT of February 12, 1979, as amended subsequently.

From a corporate income tax perspective, pursuant to Article 22 *bis*, paragraph 2, sub-paragraph 4 of the Luxembourg income tax law of December 4, 1967, SIEMENS MOBILITY HOLDING SARL will be eligible for a tax deferral regarding the contribution of the SIEMENS MOBILITY GMBH shares, it being stated that the contribution of SIEMENS MOBILITY HOLDING BV shares will be subject to the standard tax treatment under the applicable law in Luxembourg.

1.3.3. Closing date of the Transaction

ALSTOM, the beneficiary company, will own the shares contributed by SIEMENS MOBILITY HOLDING SARL 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 Luxembourg Contribution, the French 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 14th 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 15th day of such month.

The date on which the conditions precedent are satisfied (or waived, when 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.

1.4. 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[4];
- the customary representations and warranties by ALSTOM and SIEMENS listed respectively in paragraph 1.5 of Schedules 12.1 and 12.2 of the Business Combination Agreement are accurate and made in good faith;

[4] Composition and *modus operandi* of the Board of Directors, Chairmanship, Board Committees and amendment of the bylaws.

- 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).

1.5. Prior carve-out of the SIEMENS Target Business

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 business from the other businesses, as stipulated in the Business Combination Agreement.

As a result of the carve-out being carried out locally in the various countries concerned, Local Asset Transfer Agreements have been drafted in connection with the transfer of assets and liabilities associated with the business, as well as Local Share Transfer Agreements in connection with share transfers.

This carve-out involves a transfer by SIEMENS of all the assets and liabilities associated with its Target Business to:

- SIEMENS MOBILITY SAS in respect of the Target Business conducted by Siemens entities in France (including through, as the case may be, any French and foreign subsidiaries and activities);
- SIEMENS MOBILITY GMBH in respect of several Target Businesses, including in particular the Target Business conducted (or attached to) in Germany, Austria, Switzerland, the United States, the United Kingdom, Russia and Turkey;
- SIEMENS MOBILITY HOLDING BV in respect of all other countries.

Shares in these three entities will then be contributed to ALSTOM, which will issue new shares and warrants in consideration for these contributions, it being specified that equity warrants will be used as partial consideration solely for the contribution of the SIEMENS MOBILITY HOLDING BV shares.

The Business Combination Agreement includes a "wrong pocket" mechanism that will correct the effect of items transferred incorrectly or retained mistakenly by the SIEMENS group as part of the carve-out within one year of the closing date of the Transaction without any financial impact on the contributions.

1.6. Computation of the contributed shares value and definitive amount of the Contribution

Generally, the contribution value of the shares contributed (for the French and the Luxembourg contributions) was determined based respectively on Schedule 8.2(A) *ter* and 8.3(C) of the draft partial asset contribution agreement, 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 AG, 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.

Estimated unaudited pro forma accounts for the contributing companies were prepared at September 30, 2017 as if all the prior contributions and transfers of the Target Business to companies, the shares of which are to be contributed, had already taken place and in accordance with the above.

In connection with the Luxembourg Contribution, the value of the shares contributed is the result of preliminary operations, and reflects their value as shown in the estimated unaudited pro forma accounts of SIEMENS MOBILITY HOLDING SARL as if all the partial asset transfers and share transfers related to the Target Business to SIEMENS MOBILITY GMBH and SIEMENS MOBILITY HOLDING BV had already taken place in accordance with the above.

The final value of the contributed shares shall be their book value as at the closing date of the Transaction, based notably on the accounts of SIEMENS MOBILITY HOLDING SARL (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 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.

This adjustment mechanism, covers the determination of the definitive amounts of the Net Debt and Working Capital Requirement used to determine the equity value of (i) the contributed business and (ii) ALSTOM at the Determination 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 book value as at the closing date of the Transaction, the book value 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 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.

1.7. Adjustment mechanism for assets that cannot be transferred to ALSTOM

Article 7.3.(B).iv of the draft partial asset contribution agreement provides for a mechanism for the transfer of cash by SIEMENS AG to SIEMENS MOBILITY HOLDING BV in an amount equal to the aggregate deferred acquisition price, in respect of the shares and Assets that could not be transferred by the carve-out completion date.

1.8. 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.

Consideration for the Luxembourg and French Contributions will comprise the issuance of 227,314,658 new ALSTOM shares each with a nominal value of €7, that is a capital increase of €1,591,202,606 representing no less than 50% of ALSTOM's post-Transaction share capital on a fully diluted basis (and 50.67% of the issued share capital of ALSTOM as of the Determination Date); and through the issue of 18,942,888 warrants conferring rights to subscribe an additional 2% increase in ALSTOM's share capital on a fully diluted basis.

With regard to the Luxembourg Contribution:

- consideration for the contribution of the entirety of the SIEMENS MOBILITY GMBH shares valued at estimated book value of €2,150,200,140 will take the form of the allotment to SIEMENS MOBILITY HOLDING SARL of 135,710,432 new ordinary shares issued by ALSTOM each with a nominal value of €7;
- consideration for the contribution of the entirety of the SIEMENS MOBILITY HOLDING BV shares valued at estimated book value of €2,346,298,218 will take the form of the allotment to SIEMENS MOBILITY HOLDING SARL of:
  - 83,098,607 new ordinary shares issued by ALSTOM each with a nominal value of €7;

- and 18,942,888 non-transferable ALSTOM warrants representing a 2% increase in SIEMENS's shareholding in ALSTOM on a fully diluted basis as of the closing date of the Transaction (including dilution resulting from exercise of such warrants). Each warrant will confer the right to receive one ALSTOM share for a 2-year period beginning 4 years after the closing date of the Transaction. The exercise price will be the value of the ALSTOM shares determined at the Determination Date to calculate the consideration for the contributions.

On this basis, the contribution by SIEMENS MOBILITY HOLDING SARL will give rise to a capital increase by ALSTOM of €1,531,663,273.

The difference between the value of the contribution, that is €4,496,498,358, and the total amount of the capital increase, that is €1,531,663,273, will represent a contribution premium of €2,964,835,085.

In view of the adjustment mechanism presented above in section 1.6, 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 issue premium will be duly adjusted by the difference.

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

1.9. Description and valuation of the contribution

1.9.1. Description of the contribution

In the context of this Luxembourg Contribution, the company SIEMENS MOBILITY HOLDING SARL will contribute 100% of the shares of the companies SIEMENS MOBILITY GMBH and SIEMENS MOBILITY HOLDING BV, to the beneficiary company, on the understanding that:

- SIEMENS MOBILITY GMBH will own in particular, directly or indirectly:
    - the Target Business located in (or attached to) Germany, in particular including the shares of the companies SIEMENS TRACTION GEARS GMBH and HACON GMBH, together with a cash amount corresponding to the value of the shares of the company purchase price to be paid for the acquisition of all interest in the SIEMENS REAL ESTATE KG and all the shares in SIEMENS REAL ESTATE GMBH, which will hold certain real property of the Target Business located in Germany;
    - 100% of the securities of SIEMENS MOBILITY GMBH (Austria);
    - 100% of the securities of SIEMENS MOBILITY AG (Switzerland);
    - 100% of the securities of SIEMENS MOBILITY INC (United States);

- and 100% of the securities of SIEMENS RAIL AUTOMATION HOLDINGS LTD, which will be renamed SIEMENS MOBILITY LTD on the 1st of June, 2018 (United Kingdom);
- 100% of the shares in SIEMENS MOBILITY ULASIM SISTEMLERI A.S. (Turkey),
- 99.99% of the shares in OOO SIEMENS MOBILITY (Russia).

• SIEMENS MOBILITY HOLDING BV will directly or indirectly own:
  - the entirety of the Target Business not owned by SIEMENS MOBILITY GMBH and SIEMENS MOBILITY SAS;
  - or the amount of cash corresponding to the value of the business or of the shares of the companies (cf. paragraph 1.7. above) that are not contributed prior to closing to SIEMENS MOBILITY HOLDING BV, but transferred either at a later point in time to SIEMENS HOLDING BV or sold and transferred to ALSTOM or any of its subsidiaries under a direct asset deal.

1.9.2. Valuation of the contribution

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

Estimated Book Value of the securities of the company SIEMENS MOBILITY GMBH:	€2,150,200,140
Estimated Book Value of the securities of the company SIEMENS MOBILITY HOLDING BV:	€2,346,298,218
Total	**€4,496,498,358**

The estimated book value reflected in the estimated unaudited pro forma accounts of SIEMENS MOBILITY HOLDING SARL as of September 30, 2017, assumes 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 shares which will be contributed by SIEMENS MOBILITY HOLDING SARL at the Transaction closing date.

[5] "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" being specified that the French Contribution and the Luxembourg Contribution are indissociable elements, the two contributions leading SIEMENS to hold more than 50% of ALSTOM's capital.

2. Procedures and assessments of the value of the contribution

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 inform the shareholders of the company ALSTOM as to the value of the contributions made by the company SIEMENS MOBILITY SARL. 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 date of 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 ensure that the contribution is not over-valued.

In particular, we have done the following work:

- we have interviewed 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 met 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 MOBILITY HOLDING SARL, SIEMENS MOBILITY GMBH, SIEMENS MOBILITY HOLDING BV 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 Luxembourg Contribution, together with that concerning the French Contribution;

- 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 the limited financial due diligence work carried out by ALSTOM'S and SIEMENS' advisers;
- we have analyzed the carve-out process for the SIEMENS Target Business. We have reviewed the completed stages and operations, and carried out sampling tests on the 7 main countries, so as to ensure that the current process is progressing normally and to assess the potential impact of factors liable to affect the free transferability of that business's assets and liabilities. We have analyzed the timetable for the conduct of operations in order to understand its key stages, and have reviewed the minutes of meetings of the joint ad hoc committee of the two groups (the "Carve-out Committee") responsible for identifying potential difficulties and resolving them in accordance with the project's objectives;
- more generally, 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 budget and forecast information of SIEMENS Target Business;
- we have reviewed the detailed simulations undertaken to determine the contribution values;
- we have verified compliance with current accounting regulations in France relating to the valuation of contributions;
- we have reviewed the main events that have occurred since September 26, 2017 and assessed their potential financial impact on the value of the contributions;
- we have analyzed the work carried out by the banks advising SIEMENS and ALSTOM. In this respect, we have, in particular:
  - assessed the valuation methodology applied, together with its relevance and consistency with regard to the business;
  - carried out a critical review of the correct application of the methods used, and checked the resulting valuation calculations;
  - carried out our own valuation work in order to assess the value of the shares contributed;
- taking into account the deferred effect of the contribution, we have assessed the method of adjustment of the amount of the contributions provided for in the draft partial asset contribution agreement in the event of a downward variation in the amount of the contributions, based on the simulations that have been made available to us;
- we have obtained representation letters from the legal representatives of SIEMENS AG, SIEMENS MOBILITY HOLDING SARL 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 done in order to assess the fairness of the consideration for the contributions, we express an opinion in a separate report.

2.2. Specific features of the contribution Transaction

The contribution will have a deferred accounting effect on the Transaction closing date. It is indissociable from the French contribution and requires the implementation of numerous internal reorganization and restructuring operations in order to separate the companies, assets and liabilities corresponding to the Target Business as defined in the Business Combination Agreement.

Implementation of these operations is being carried out locally in the countries where this business is carried on. In terms of the execution timetable, such implementation must take account of the operational organization specific to each country and of the applicable constraints and procedures from a legal, social, contractual and fiscal point of view.

The timetable for progress with the key stages in the 7 main countries[6] chosen by the parties is as follows:

Key stages of the Carve-out for the 7 main countries

	Germany	United Kingdom	Austria	Spain	United States	France	Switzerland
Readiness certificate	15/07/2018	22/05/2018	22/06/2018	08/05/2018	18/05/2018	25/05/2018	17/04/2018
Carve-out effective date	01/08/2018	01/06/2018	03/07/2018	01/06/2018	01/06/2018	01/06/2018	31/05/2018
Final LATA exhibits	28/09/2018	31/07/2018	03/09/2018	31/07/2018	31/07/2018	31/07/2018	23/05/2018

The "Readiness Certificate" signed by the local carve-out managers certifies that the newly created entities acquiring the respective local businesses are prepared to assume and operate the transferred business.

The "Carve-Out effective date" is the date on which the business carve-outs legally take effect. It is the first business day of the month following that in which the Readiness Certificate is produced, except in Switzerland because of specific legal features locally.

The "Signing LATA amendment" establishes the definitive list and amounts of the assets and liabilities to be transferred trough the carve-out process.

The carve-out terms and conditions are detailed in the BCA and summarized in the section 5.1.1 of the Document E.

As at the date of our report, the carve-out operations of the Target Business are still underway in the main countries in which the Target Business is carried on. Thus, the "Readiness Certificate", has only been produced for 5 of the 7 main countries mentioned above (namely Switzerland, France, the United States, the United Kingdom and Spain). It is expected that this certificate will be produced on June 22, 2018 for Austria, and in mid-July 2018 with regard to the business carried on in Germany.

[6] Which represent about 80% of the revenues of the SIEMENS Target Business as at September 30, 2016.

On this date of legal effect, the amounts of the assets and liabilities mentioned in the Local Assets Transfer Agreements (and their schedules) will only be provisional and the final amounts will only be determined later[7]. On the date hereof, those amounts have only been definitively established for Singapore, Turkey and Switzerland.

Under the terms of the anticipated reorganization, the securities of the companies which will acquire the Target Business currently operated by the respective SIEMENS subsidiaries in Austria, Switzerland, the United States and the United Kingdom will be acquired by SIEMENS MOBILITY GMBH together with the contribution of Target Business pertaining to Germany. The carve-out effective date in Germany is planned to take place on August 1st, 2018. Thus, on the date of our report, the companies whose securities are contributed have the right to receive the assets provided for in the Business Combination Agreement, but they do not yet own the assets representing the Target Business to be transferred to them first, and are not yet themselves owned by the contributing company. In this regard, it should be pointed out that (i) completion of the Target Business carve-out operations for the main 33 countries[8] which have been agreed upon between SIEMENS and ALSTOM and (ii) unconditional transfer of the shares representing the Target Business for this countries to either SIEMENS MOBILITY HOLDING B.V., SIEMENS MOBILITY GMBH or SIEMENS MOBILITY SAS constitute a condition precedent of completion of the Transaction and of this Contribution.

Furthermore, we have obtained confirmation from the management of SIEMENS, and SIEMENS MOBILITY HOLDING SARL that there is no significant delay in the timetable associated with operational difficulties in the implementation of the Target Business carve-out operations.

In the event that items relating to the Target Business could not be transferred due to legal or operational restrictions, Article 7.3 of the draft partial asset contribution agreement provides that the value of the items whose transfer is deferred will be offset by a cash contribution by SIEMENS of an equivalent amount.

Finally, taking into account the complexity of the Transaction, the contribution operation is subject to a substantial number of conditions precedents, as outlined in Section 1.4 of this report, and in particular, obtaining the regulatory authorizations from the competition authorities.

[7] Within a maximum period of 60 days.
[8] They represent together ca. 88% of the annual total revenues of the SIEMENS Target Business for the financial year ended September 30, 2016.

2.3. Assessment of the method of valuation of the contribution having regard to the French accounting regulations

Pursuant to the Accounting Standards Authority's Regulation no. 2017-01 relating to the accounting treatment of mergers and similar transactions, including the cross-border mergers, in the case of a partial asset transfer contribution between companies under separate control under the terms of which the shareholder of the contributing companies will retain control of the assets contributed by taking control of the beneficiary company upon completion of the contributions (a reverse transaction), this contribution will be made at book value.

We do not have any observation to make with regard to the method of valuation of the contribution, which is in accordance with the aforementioned regulation.

As will be seen, it results in a contribution value that is well below its estimated fair value on the date of this report.

2.4. The reality of the Contribution

We have reviewed the obligations of the SIEMENS Group in the Business Combination Agreement, defining the Target Business subject of the Transaction, and have carried out sampling checks for the main countries on the content of the assets and liabilities representing this Target Business based on the local reorganization schemes and the Local Asset Transfer Agreements and Local Share Transfer Agreements provided in the data room.

Given the fact that the carve-out process is ongoing, as such, the envisaged structure of the Contributions whereby the SIEMENS Target Business is held directly or indirectly by SIEMENS MOBILITY HOLDING SARL in relation to the Luxembourg Contribution and SIEMENS FRANCE HOLDING SAS in relation to the French Contribution, will only be realized upon completion of the carve-out.

Therefore, it will be possible to acknowledge the ownership of the securities which are the subject of the Luxembourg Contribution only after the completion of the carve-out process.

However, it should be remembered that the completion of the carve-out is a condition precedent of the Contributions as specified in the relevant Transaction documents.

2.5. Assessment of the value of the Contribution

2.5.1. The value used by the Parties

2.5.1.1. Individual values

The contribution value used is the net book value of the securities of the companies SIEMENS MOBILITY GMBH and SIEMENS MOBILITY HOLDING BV, representing the entirety of the capital of those companies, as it will appear in the estimated unaudited pro forma accounts of the contributing company.

This value is the result of completion of the preliminary operations carried out locally in the context of the carve-out process underway. Having regard to the conditions of completion of those preliminary operations, which will eventually lead to sales of securities to SIEMENS MOBILITY GMBH and SIEMENS MOBILITY HOLDING BV, this value represents the fair value of the businesses concerned with the exception of the part of the SIEMENS Target Business carried on in Germany, for which the historical net book value has been used.

This fair value is based on the enterprise value agreed between the parties and allocated to the various entities constituting the Target Business, on the basis of their contribution to the average EBIT of the Target Business as at September 30, 2017 (actual) and September 30, 2018 (forecast).

The bridge from enterprise value to equity value, on the basis of the Combined Financial Statements of the Target Business as at 30 September 2017, on which the audit report is prepared by SIEMENS' auditor, was also taken into account to determine the estimated individual fair values.

On this basis, the contribution value of the SIEMENS MOBILITY GMBH shares corresponds to the estimated individual value attributed to the SIEMENS Target Business mainly carried on in Germany (book value) and Austria, Switzerland, the United States and the United Kingdom, Russia and Turkey (fair value).

The contribution value of the SIEMENS MOBILITY HOLDING BV shares corresponds to the estimated individual fair values attributed to the SIEMENS Target Business carried on in all the other countries, with the exception of France, where the business is the subject of a distinct contribution made simultaneously by SIEMENS FRANCE HOLDING SAS to ALSTOM.

We have reviewed the detailed allocations applied to determine the individual values of the contributions.

We have no observations to make on those estimated values in accordance with the draft partial asset contribution agreement.

2.5.1.2. Global value

As regards the global value of the Luxembourg Contribution, we have assessed it on the basis of the work we have done on the relative values used to determine the consideration for this contribution. In this context, the parties, assisted by their advising banks, have used a multi-criteria approach based on the following valuation methods:

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

The following methods were discarded:

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

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

We also agree with the parties' decision not to use the comparable transactions approach. 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.).

The bridge from enterprise value to equity value has been determined as at September 30, 2017 on the basis of the items agreed between the parties and presented in Schedule 8.2(A) *bis* of the draft partial asset contribution agreement. Account has also been taken of the additional adjustment in the form of debt or cash that will be contributed by SIEMENS in order to obtain a ratio in terms of equity capital of 49.33% and 50.67% respectively between the existing shareholders of ALSTOM and the SIEMENS Group.

Valuation by the discounting of forecast cash flows

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.

The application of this method relies on the business plan of the SIEMENS Target Business covering a period of 3 years from October 1, 2016 to September 30, 2019, and exchanged with ALSTOM in the context of the negotiations on the Transaction.

This business plan takes into account the 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 rates used are between 8% and 9%, based on market parameters and sector data, and the perpetual growth rate used is 1.5%.

On this basis, the global value of the Luxembourg Contribution stands between €7,313 million and €8,621 million.

The peers trading multiples approach

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.

The parties have emphasized the EBIT multiple taking into account the capital intensity specific to the business concerned.

The sample consists of the following companies: the Spanish companies CAF and Talgo, and the Italian company Ansaldo STS. Account has also been taken of the multiples derived from a "sum of the parts" approach in the case of the *Bombardier Transportation* and *Vossloh Rail Infrastructure* businesses, these businesses forming part of the listed companies Bombardier and Vossloh respectively.

The average multiple (EV/EBIT) is 10.7x in 2018e and 9.8x in 2019e.

On this basis, the global value of the Luxembourg Contribution stands between €7,982 million and €8,318 million.

Reference to the values of the Mobility Business according to brokers

On the basis of the notes of brokers following the SIEMENS Group published before the date of announcement of the Transaction and presenting an analysis of the value of the Group according to its constituent businesses, the parties have used the EBIT multiple externalized for the Mobility Business.

It ranges between 9.0x and 11.0x EBIT 2018e.

On this basis, the global value of the Luxembourg Contribution stands between €6,287 million and €8,180 million.

2.5.2. Work carried out by Finexsi

In order to assess the value of the contribution we have performed our own valuation work using a multi-criteria approach.

Like the parties assisted by their advising banks, we have discarded the methods based on comparable transactions, net book value and net asset value and on the discounting of future dividends.

We have used:

- principally, the discounted forecast cash flows method;
- secondarily:
  - the peers trading multiples method;
  - reference to the values of the Mobility Business according to brokers following the SIEMENS Group.

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 between the parties to reach the target 49.33%/50.67% ownership ratio for the combined entity.

Principal method: the discounted forecast cash flows method

For the application of this method 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.

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, which have also been taken into account for the purposes of our discounted cash flow. These projections, for the Mobility Division, have been approved by the SIEMENS's Supervisory Board on November 8, 2017.

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

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%.

We have used a perpetual growth rate of 1%.

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

Secondary method: Peers trading multiples

In applying the peers trading multiples method, we have retained the companies CAF, Talgo and Vossloh[9].

We have not retained the company Ansaldo due to the very limited number of brokers publishing forecasts[10].

The average multiples (EV/EBIT) obtained from this sample on April 30, 2018 are respectively 13.1x in 2018e, 10.0x in 2019e and 9.2x in 2020e.

Secondary method: Reference to the values of the Mobility Business according to brokers following the SIEMENS Group

In order to apply this method, we have used the notes of brokers presenting an enterprise value for the SIEMENS Mobility Business[11], and have taken into account the bridge from enterprise value to equity value used for the other methods referred to above.

Overview of contribution values

We note that the contribution value retained in the context of this Transaction is significantly lower than the one resulting from our valuation work. In particular, this difference can be explained by the historical book value used for the contribution concerning the Target Business carried on in, or attached to, Germany.

The German book value is significantly lower than the fair value as, the book value does not take into account forecasts used to compute the fair value. In addition, in accordance with German GAAP, profit or loss on long-term contracts are only recognized at completion which leads to a disparity from IFRS.

The definitive value of the contribution will only be known on the Determination Date. It may, in particular be amended, as according to the Schedule 8.2(A) *bis* of the draft partial asset contribution agreement, which aims to ensure that at the Determination Date, 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.

[9] The Rail Infrastructure business representing about 90% of the Group's business.
[10] According to the Capital IQ database, the consensus is limited to the forecasts of a single broker.
[11] The value of the Traction Drives business not taken into account in the brokers notes has been added to the value of the Mobility Business on the basis of the average EBIT multiples used by the brokers.

The application of this mechanism will result in an additional contribution of cash or of debt by SIEMENS, either in the context of the Luxembourg Contribution or in the context of the French Contribution, in order to obtain a ratio in terms of share capital of 49.33% and 50.67% for ALSTOM and the SIEMENS Group, respectively.

This adjustment mechanism is based on considerations specific to the determination of the consideration for the contributions and of the percentage ownership of the combined entity by the two groups, and of the value of ALSTOM and of its cash position, which will result in adjustment of the cash or debt that will finally be contributed by Siemens, independently of the economic value of its contribution.

In the event that the additional contribution would concerned debt in relation to the Luxembourg Contribution, the contribution value would be adjusted downwards and the issue premium would be reduced as a result.

This is the result of the Business Combination Agreement, however it does not alter our assessment of the global value of the contributions on the date hereof, taking into account (i) the nature of the adjustment mechanism, which is not based on considerations which call the financial values into question; and (ii) the value used for the Luxembourg Contribution, which is much lower than its actual value.

3. Summary – Key points

By way of summary of our assessments, we wish to draw your attention to the following points:

The Luxembourg Contribution concerns the securities of the companies which, according to the Transaction arrangements, will own the whole of the SIEMENS Target Business with the exception of the business operated by SIEMENS entities in France (including through, as the case may be, any French and foreign subsidiaries and activities), which is the subject of a separate contribution agreement.

It requires the completion of preliminary internal reorganization and restructuring operations, so as to carve out the business involved in the Transaction in the various countries concerned, and which execution timetable depends on particular local operational, legal, fiscal and social matters.

On the date of this report, the process of carve-out of the SIEMENS Target Business is still in progress, and will not be finalized until after the ALSTOM General Shareholders Meeting convened to approve the Transaction, on July 17, 2018.

However, it should be pointed out that closing of the Target Business carve-out operations, including determination of their definitive amount, constitutes a condition precedent for the completion of the Transaction and of this contribution as specified in the relevant Transaction documents.

In addition, we have obtained a representation from the legal representatives of SIEMENS AG and of SIEMENS MOBILITY SARL that currently there is no significant delay in the timetable associated with operational difficulties in the implementation of the Target Business carve-out operations.

In the event that items relating to the Target Business could not be transferred due to legal or operational restrictions, Article 7.3 of the draft partial asset contribution agreement provides that the value of the items whose transfer is deferred will be offset by a cash contribution of an equivalent amount.

The contribution value applied, which corresponds to the book value of the securities contributed on the balance sheet of the contributing company, is equal, taking into account the conditions agreed for the completion of the preliminary operations, to the actual value of the Target Business in the countries concerned, as shown in the terms of the Transaction, with the exception, however, of the business carried on in Germany, which represents a substantial proportion of the Group's business and which is contributed at its historic book value.

In order to assess the value of the contributions we have performed valuation work using a multi-criteria approach, relying mainly on the business plan provided by the management of SIEMENS. This business plan has been revised and been the subject of consistency checks by reference to the available data; it is still based on forecasts, which may have different outcomes.
The contribution value retained is significantly lower than the valuations that we have examined or conducted, which leads to the conclusion that the contributions are not overvalued.

It should be remembered that the date of completion of the contribution from an accounting and fiscal point of view is not currently known; in particular, it depends on the various conditions precedent mentioned at paragraph 1.4 above being satisfied.

An adjustment mechanism has been agreed, the application of which will result in an additional contribution of cash or of debt by SIEMENS, either in the context of the Luxembourg Contribution or of the French Contribution.

This adjustment mechanism is linked (i) to the terms of consideration for the contributions, which determine the ownership of the combined entity agreed between the parties, namely 49.33% and 50.67% for the shareholders of ALSTOM and the SIEMENS Group, respectively; and (ii) to the value of ALSTOM resulting from its cash position on the date of completion, which will result in adjustment of the cash or debt contributed by SIEMENS, independently of the economic value of its contribution.

In the event that the amount of the contributions to be made by Siemens according to this mechanism was lower than that set out in the draft partial asset contribution agreement signed on May 17, 2018, the definitive amount would be corrected and the issuance premium would be adjusted downwards. Consequently, the amount of the contributions, as adjusted, if applicable, will on the closing date be equal to the amount of the share capital increase of the beneficiary company plus the definitive issuance premium. Having regard to the origin and mechanical nature of the adjustment, this situation is not in our opinion such as to call into question our assessment of the global value of the contribution at the time of this report, in particular taking into account the significant discrepancy observed between the actual value of the contribution and the amount retained in the draft partial asset contribution agreement.

Finally, we reiterate that our valuation analyses are based on a standalone approach at the date of this report, but not including any of the significant synergies expected from the merger, which SIEMENS ALSTOM may implement upon closing of the Transaction.

4. Conclusion

On the basis of our work and as at the date of this report, we are of the opinion that the value of the contribution amounting to €4,496,498,358 is not over-valued, and, consequently, that it is at least equal to the amount of the share capital increase of the company that is the beneficiary of the contributions, plus the contribution premium.

FINEXSI

Free translation of the original « *Rapport du Commissaire à la scission sur la rémunération des apports devant être effectués par la société SIEMENS MOBILITY HOLDING SARL 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 MOBILITY HOLDING SARL

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Contribution of SIEMENS MOBILITY GMBH and SIEMENS MOBILITY HOLDING BV shares by SIEMENS MOBILITY HOLDING SARL 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

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Société de commissariat aux comptes
Société d'expertise comptable inscrite au tableau de Paris Ile-de-France
Membre de l'organisation A.T.H.
S.A. au capital de 336 813 € - RCS Paris B 415 195 189

Contribution of SIEMENS MOBILITY GMBH and SIEMENS MOBILITY HOLDING BV shares by SIEMENS MOBILITY HOLDING SARL 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 GMBH and SIEMENS MOBILITY HOLDING BV shares held by SIEMENS MOBILITY HOLDING SARL 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 Luxembourg-registered SIEMENS MOBILITY HOLDING SARL of all the SIEMENS MOBILITY GMBH and SIEMENS MOBILITY HOLDING BV 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[1] 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[2].

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[1] 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"*.

[2] incorporating rolling stock for main lines and networks, driving automation and assistance systems, signaling, 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 GMBH and SIEMENS MOBILITY HOLDING BV shares by SIEMENS MOBILITY HOLDING SARL (hereinafter the "Luxembourg 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 SAS shares by SIEMENS FRANCE HOLDING SAS (hereinafter the "French 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[3].

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 at the date of the draft partial asset contribution agreement.

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.

[3] 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 MOBILITY HOLDING SARL, the Contributing Company

SIEMENS MOBILITY HOLDING SARL was incorporated on October 31, 2017 with an unlimited corporate life in the form of a limited liability company (*société à responsabilité limitée*) registered in Luxembourg. Its registered office is located at 8-10 avenue de la Gare, L-1610 Luxembourg. The Company is registered on the Luxembourg Trade and Companies Register (RCS) under no. B219459.

Its financial year begins on January 1 and ends on December 31. Exceptionally, its first financial year began on October 31, 2017 and ended on December 31, 2017.

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

- *"To take participations and interests in any form whatsoever, in any commercial, industrial, financial or other, Luxembourg or foreign companies or enterprises;*
- *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;*
- *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;*
- *To enter into, assist or participate in financial, commercial and other transactions;*
- *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");*
- *To borrow and raise money in any manner and to secure the repayment of any money borrowed; and*
- *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."*

1.2.3 SIEMENS MOBILITY GMBH and SIEMENS MOBILITY HOLDING BV, the shares of which are being contributed by SIEMENS MOBILITY HOLDING SARL

SIEMENS MOBILITY GMBH is a limited liability company registered in Germany on the Munich Trade Register under no. HRB 237219. Its registered office is located at Otto Hahn Ring 6, 81739 Munich (previously Werner-von-Siemens-Str. 1, c/o SIEMENS AG, 80333 Munich (Germany).

Its corporate purpose is as follows: research, development, engineering, marketing, distribution, production and maintenance of products, systems, equipment and solutions for mobility, primarily including electrification, automation and digitalization, as well as the supply of any and all related services.

SIEMENS MOBILITY HOLDING BV is an unlisted limited liability company registered in the Netherlands under no. 70211965/RSIN 858193966 on the Dutch Trade Register. Its registered office is located at Prinses Beatrixlaan 800, 2595BN 's-Gravenhage (Netherlands).

Its corporate purpose 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.

1.2.4 Relationship between the companies

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

Description of the Luxembourg Contribution

The arrangements for this Transaction (the Luxembourg 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:

1.2.5 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 liabilities. It is also subject to the demerger regime provided for in Articles 1030-1 to 1033-1 (not including Article 1031-16) of the Luxembourg Law of 1915, in accordance with Article 1040-2 of said law.

1.2.6 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.
The contribution will not be subject to VAT in Luxembourg pursuant to the provisions of the Luxembourg law on VAT of February 12, 1979, as amended subsequently.

From a corporate income tax perspective, pursuant to Article 22 *bis*, paragraph 2, sub-paragraph 4 of the Luxembourg income tax law of December 4, 1967, SIEMENS MOBILITY HOLDING SARL will be eligible for a tax deferral regarding the contribution of the SIEMENS MOBILITY GMBH shares, it being stated that the contribution of SIEMENS MOBILITY HOLDING BV shares will be subject to the standard tax treatment under the applicable law in Luxembourg.

1.2.7 Closing date of the Transaction

ALSTOM, the beneficiary company, will own the shares contributed by SIEMENS MOBILITY HOLDING SARL 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 14th 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 15th 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.

1.2.8 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[4];
- 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;

[4] Composition and *modus operandi* of the Board of Directors, Chairmanship, Board Committees and amendment of the bylaws.

- 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).

1.2.9 Description and valuation of the contribution

In the context of this Luxembourg Contribution, the company SIEMENS MOBILITY HOLDING SARL will contribute 100% of the shares of the companies SIEMENS MOBILITY GMBH and SIEMENS MOBILITY HOLDING BV, to the beneficiary company, on the understanding that:

- SIEMENS MOBILITY GMBH will own in particular, directly or indirectly:
  - the Target Business located in (or attached to) Germany, in particular including the shares of the companies SIEMENS TRACTION GEARS GMBH and HACON GMBH, together with a cash amount corresponding to purchase price to be paid for the acquisition of all interest in the SIEMENS Real Estate KG, and all the shares in SIEMENS Real Estate GmbH, which will hold certain real property of the Target Business located in Germany;
  - 100% of the securities of SIEMENS MOBILITY GMBH (Austria);
  - 100% of the securities of SIEMENS MOBILITY AG (Switzerland);
  - 100% of the securities of SIEMENS MOBILITY INC (United States);
  - and 100% of the securities of SIEMENS RAIL AUTOMATION HOLDINGS LTD, which will be renamed SIEMENS MOBILITY LIMITED on the 1st of June 2018 (United Kingdom);
  - 100% of the shares in SIEMENS Mobility Ulasim Sistemleri A.S. (Turkey);
  - 99.99% of the shares in OOO SIEMENS Mobility (Russia).
- SIEMENS MOBILITY HOLDING BV will directly or indirectly own:
  - the entirety of the Target Business not owned by SIEMENS MOBILITY GMBH and SIEMENS MOBILITY SAS;
  - or the amount of cash corresponding to the value of the business or of the shares of the companies that are not contributed prior to Closing to SIEMENS MOBILITY HOLDING BV, but transferred either at a later point in time to SIEMENS MOBILITY HOLDING BV or sold and transferred to ALSTOM or any of its subsidiaries under a direct asset deal.

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

Estimated Book Value of the securities of the company SIEMENS MOBILITY GMBH:	€2,150,200,140
Estimated Book Value of the securities of the company SIEMENS MOBILITY HOLDING BV:	2,346,298,218
Total	**€4,496,498,358**

The estimated book value reflected in the estimated unaudited pro forma accounts of SIEMENS MOBILITY HOLDING SARL as of September 30, 2017, assumes 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 shares which will be contributed by SIEMENS MOBILITY HOLDING SARL at the Transaction closing date.

1.2.10 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 the book value as at the closing date of the Transaction, based notably on the accounts of the SIEMENS MOBILITY HOLDING SARL (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 adjustment mechanism set forth in Schedule 8.2(A) *bis*, of the draft partial asset contribution agreement.

[5] "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".

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 book value as at the closing date of the Transaction, the book value 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.

1.2.11 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[6]. 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 8.3(C) 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.

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**				
Luxembourg Contribution (Net Book Value)	Contribution value (€)	Number of ALSTOM shares	Nominal value (€)	Share capital increase (€)	ALSTOM's BSA	Contribution Premium
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
French Contribution (Actual Value)						
Siemens Mobility SAS securities	231 141 816	8 505 619	7	59 539 333		171 602 483
Total Contributions	**4 727 640 174**	**227 314 658**	**7**	**1 591 202 606**	**18 942 888**	**3 136 437 568**

[6] 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.

With respect to the Luxembourg Contribution:

- consideration for the contribution of the entirety of the SIEMENS MOBILITY GMBH shares valued at estimated book value of €2,150,200,140 will thus take the form of the allotment to SIEMENS MOBILITY HOLDING SARL of 135,710,432 new ordinary shares issued by ALSTOM each with a nominal value of €7;
- consideration for the contribution of the entirety of the SIEMENS MOBILITY HOLDING BV shares valued at estimated book value of €2,346,298,218 will take the form of the allotment to SIEMENS MOBILITY HOLDING SARL of:
  - 83,098,607 new ordinary shares issued by ALSTOM each with a nominal value of €7,
  - and 18,942,888 non-transferable ALSTOM warrants, representing an increase in SIEMENS' shareholding in ALSTOM on a fully diluted basis including the dilution resulting from the exercise of such warrants. Each warrant will confer the right to receive one ALSTOM share for a 2-year period beginning 4 years after the closing of the Transaction. The exercise price will be the value of the ALSTOM shares determined at the Determination Date to calculate the consideration for the contributions.

On this basis, the contribution by SIEMENS MOBILITY HOLDING SARL will give rise to a capital increase by ALSTOM of €1,531,663,273.

The difference between the value of the Contribution, that is €4,496,498,358, and the total amount of the capital increase, that is €1,531,663,273, will represent a contribution premium of €2,964,835,085.

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 MOBILITY HOLDING SARL, SIEMENS MOBILITY GMBH, SIEMENS MOBILITY HOLDING BV 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 Luxembourg Contribution, together with that concerning the French 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 MOBILITY HOLDING SARL 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 contributions, 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 Luxembourg Contribution will not occur in the event the French 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[7] over short periods (1 month and 3 months) and longer periods (6 months and 1 year) were considered.

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

[7] Volume weighted average prices (VWAP).

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
Total	**7 487**	**8 447**	**7 611**	**7 848**	**5 302**	**5 955**	**5 595**	**6 917**

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

Equity value (m€)	French Contribution		Luxembourg Contribution		Contributions	
	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
Average of multi criteria approach	**198**	**238**	**6 791**	**7 972**	**6 989**	**8 209**

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 projection 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[8].

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[9] and we took account of the bridge from enterprise value to equity value used for the other methods referred to above.

[8] According to the Capital IQ database, the consensus is limited to the forecasts of a single broker.
[9] 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 218,809,039 shares and 18,942,888 warrants as consideration for the Luxembourg Contribution and 8,505,619 shares as consideration for the French 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[10]:

Relative values and ownership ratio determined by the parties

	DCF		Trading Multiples		Alstom Stock Price		Brokers' valuation	
M€	**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
Poids relatif ALSTOM	**49,91%**	**48,82%**	**48,14%**	**47,76%**	**48,00%**	**46,11%**	**46,28%**	**45,04%**
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**
Poids relatif SIEMENS	**50,09%**	**51,18%**	**51,86%**	**52,24%**	**52,00%**	**53,89%**	**53,72%**	**54,96%**

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 Luxembourg 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%.

[10] 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 Luxembourg 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 Luxembourg 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 French Contribution. Also note that our report on the consideration of the French contribution concludes that the French 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 Luxembourg Contribution and the French 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 Luxembourg Contribution, leading to the issuance of 218,809,039 ALSTOM shares and 18,942,888 ALSTOM warrants, agreed by the parties, is fair.

Exhibit 6.2

Report of the Luxembourg Independent Expert

Siemens Mobility Holding S.à r.l.
8-10, avenue de la Gare
L - 1610 Luxembourg

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Report of the "Independent expert" on the
"Traité d'apport partiel"
relating to the transfer of
Siemens Mobility Holding S.à r.l. assets to
Alstom S.A.

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To the Board of Managers and Sole Shareholder of
Siemens Mobility Holding S.à r.l.
8-10, avenue de la Gare
L - 1610 Luxembourg

Report of the "Independent expert" on the
"Traité d'apport partiel"
relating to the transfer of
Siemens Mobility Holding S.à r.l. assets to Alstom S.A.

1. Introduction

Pursuant to the mandate entrusted to us by the Board of Managers of Siemens Mobility Holding S.à r.l., Luxembourg (the "Luxembourg Contributing Company" or the "Company") by Circular Resolutions of the Managers of the Company signed on May 2nd, 2018, we report to you in accordance with article 1031-6 of the Luxembourg Law on Commercial Companies dated August 10, 1915 ("the Law"), as amended, in relation with the proposed transfer of parts of Siemens Mobility Holding S.à r.l.'s assets to Alstom S.A. under art 1040-2 of the Law.

2. Overall description of the transaction

The "Traité d'apport partiel" (the "Treaty"), signed by both parties on May 17, 2018, provides that subject to the satisfaction of conditions precedent set forth in Article 4 of the Treaty, there will be, pursuant to Chapter IV of Section 10 ("Transfers of assets, branch of activity transfers and all assets and liabilities transfers") of the Law, a transfer of parts of Siemens Mobility Holding S.à r.l.'s assets to Alstom S.A. consisting of

- 100 % of the shares of Siemens Mobility GmbH, and
- 100 % of the shares of Siemens Mobility Holding BV.

Alstom S.A., Saint-Ouen/France ("Alstom" or "Beneficiary Company") and Siemens AG, Munich/Germany (hereinafter "Siemens") (together "the Parties") entered into a Memorandum of Understanding dated September 26, 2017 in connection with the possible combination of the 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 and Alstom.

The Parties have agreed that the Contemplated Transaction will be structured as a contribution whereby two directly or indirectly wholly owned Siemens entities, Siemens France Holding SAS and Siemens Mobility Holding S.à r.l. (the "Contributing Companies"), will indirectly contribute the Siemens Target Business to Alstom (the "Contribution") in consideration of which Siemens and/or the Contributing Companies will receive Alstom shares and warrants.

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BDO Audit, a *société anonyme* incorporated in Luxembourg, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Siemens Mobility Holding S.à r.l. is 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. Its financial year begins on 1 January and ends on 31 December, and as an exception, the first financial year began on 31 October 2017 (date of incorporation) and terminated on 31 December 2017. The subscribed capital is set at EUR 12,000 represented by 12,000 corporate units with a par value of EUR 1.

Alstom is a French société anonyme, having its registered office at 48 rue Albert Dhalenne, 93400 Saint-Ouen, France, registered with the Trade and Companies Registry of Bobigny under number 389 058 447. The Beneficiary Company was incorporated on November 19, 2015 for a term of ninety-nine (99) years as from its registration with the Trade and Companies Registry (subject to early winding up or extension). Its financial year begins on April 1 and ends on March 31 of the following year. As of March 31, 2018, the Beneficiary Company's share capital amounts to EUR 1,555,473,297, divided into 222,210,471 ordinary shares with a par value of EUR 7 each, fully paid-up and all of the same class. The shares issued by the Beneficiary Company are traded on the regulated market of Euronext Paris (Compartment A) (code ISIN FR0010220475).

The Contribution is composed of two contributions of shares, free and clear of any Encumbrance (as defined in the Luxembourg Contribution Agreement and the Treaty), subject to the spin-off regime ("régime juridique des scissions"): (i) the contribution by Siemens France Holding SAS (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 a Contribution Agreement (the "Luxembourg Contribution Agreement") and the Treaty 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").

The Contribution, while contemplated distinctly through both the French Contribution and the Luxembourg Contribution (subject respectively to the French Contribution Agreement and to the Luxembourg 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).

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

The Parties have agreed that the Luxembourg Contribution will be governed by the "*apport d'une partie de son actif*" regime in accordance with Articles 1040-2 of the Law cross-referring to the "*apport-scission regime*" set out in Articles 1030-1 to 1033-1 (excluding Article 1031-16) of the Law.

Subject to the terms and conditions of the Luxembourg Contribution Agreement and the Treaty and the simultaneous completion of the French Contribution, the Luxembourg Contribution and the issuance of the Alstom Consideration Shares and of the Warrants from 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 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.

The "Determination Date" will be the last day of the quarter (i.e., 31 December, 31 March, 30 June, 30 September), 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.

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

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

3. Description of the assets to be transferred, the valuation methods retained and the the exchange ratio

The Luxembourg Contribution consists in: 100 % of the shares of Siemens Mobility GmbH, and 100 % of the shares of Siemens Mobility Holding BV (together 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 Mobility Ltd (previously 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 will own a cash amount corresponding to the value of the shares of the German real estate vehicle. The Parties expressly agreed that there is no Encumbrance related to the Contributed Shares to be transferred to the Beneficiary Company.

Siemens Mobility GmbH is incorporated under the laws of Germany as a Gesellschaft mit beschränkter Haftung (limited liability company) 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 (previously Werner-von-Siemens-Str. 1 c/o Siemens AG, 80333 Munich) (Germany).

Siemens Mobility Holding BV is incorporated under the laws of the Netherlands 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).

Subject to the satisfaction of all the Conditions Precedent set forth in Article 4 of the Treaty and Schedules 10.1 to 10.3 of the Luxembourg Contribution Agreement, 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 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 Contributions and based on Alstom's capital as of 31 March 2018, (48.77%) of the issued share capital of Alstom and no less than (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 18,942,888 warrants (being calculated on the basis of bringing, following completion of the Contributions and based on Alstom's capital as of 31 March 2018, a (48.25%) shareholding on a Fully Diluted basis to no less than (50.32%) shareholding on a Fully Diluted basis (including dilution resulting from the exercise of such warrants) 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.

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. After the Determination Date, the Parties shall proceed with the calculation of an adjustment to the Contribution, 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 as described in Schedule 8.3(C) of the Luxembourg Contribution agreement.

The Consideration has been contractually set by the Parties and determined with the valuations used for the Beneficiary Company and the Siemens Target Business, which are based on the multi-criteria analysis as described in Schedule 8.3(B) of the Luxembourg Contribution agreement and attached in schedule 1 of this report.

4. Work performed and conclusion

In conformity with the law, the description of the transfer of assets, the determination of the valuation methods as well as the exchange ratio are the responsibility of the Board of Managers of Siemens Mobility Holding S.à r.l. and the Board of Directors of Alstom respectively.

Our responsibility is, on the basis of our work, to issue a report on the adequacy of the valuation methods used and the reasonableness of the resulting exchange ratio. The scope of the report is not to opine on the existence, the ownership and transferability of the projected Contribution. Our opinion does not represent a fairness opinion.

Our engagement was undertaken in accordance with the standards of the "Institut des Réviseurs d'Entreprises" applicable to this engagement. These standards require that we plan and perform our work to obtain moderate assurance as to whether the valuation methods adopted and the proposed exchange ratio are free of material misstatement. Our work is limited primarily to inquiries of the Company's, the Siemens' and Alstom's personnel and any other person dedicated by those companies and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

More specifically, in the context of the work, we have performed the following procedures:

- gaining a global understanding of the transaction, the carve-out structure and transformation process and of the legal, financial and economic context in which the business being the Contribution and the business being the Consideration operate;

- an analysis of the Business Combination Agreement between Siemens and Alstom as of 23 March 2018;

- an analysis of the Treaty and the Luxembourg Contribution Agreement signed between Siemens Mobility Holdings S.à r.l. and Alstom as of 17 May 2018 concerning the determination of the exchange ratio;

- a reading of the minutes of the meetings of the Board of Directors of Alstom approving the transaction;

- a reading of the minutes of the meetings of the Board of Managers of Siemens AG approving the transaction;

- a reading of the minutes of meetings of the Board of Directors of Alstom;

- a reading of the minutes of meetings of the management of the Siemens Mobility division;

- a reading of the respective reports prepared by Alstom and Siemens and their advisors when performing reciprocal limited due diligences before concluding the transaction;

- interviews with the financial advisor of the Alstom Board to understand the valuation methodologies selected, input parameters and assumptions used in performing a valuation analysis;

- interviews with the financial advisor of Alstom providing a fairness opinion to understand the valuation methodologies applied, input parameters and assumptions used to elaborate his fairness opinion;

- interviews with the financial advisors of Siemens providing fairness opinions to understand the valuation methodologies applied, input parameters and assumptions used to elaborate their fairness opinions;

- meetings with the management of Siemens Mobility and representatives of Siemens to corroborate our understanding of the transaction and to understand the assumptions of their business plans;

- meetings with the representatives of Alstom to corroborate our understanding of the transaction and to understand the assumptions of their business plans;

- a reading of Alstom's group auditors' presentation to the audit committee for the fiscal years ending 31 March 2016, 31 March 2017, and 31 March 2018;

- a reading of the consolidated Financial Statements of Alstom for the fiscal year ended 31 March 2018;

- interviews related to the Alstom business plan for the fiscal years ending 31 March 2018 to 2020 from March 2017 and related to the Alstom business plan for the fiscal years ending 31 March 2019 to 2021 from March 2018;

- interviews with Siemens and its auditor related to the audited Combined Financial Statements for the Siemens Mobility Business for the fiscal year ended 30 September 2017;

- a reading of the Combined Interim Financial Statements for the Siemens Mobility Business for the half year ended 31 March 2018;

- a reading of the quarterly presentations of Siemens' group auditor to the audit committee of the Siemens Mobility division for the second quarter of the fiscal year ended 30 September 2016 to the second quarter of the fiscal year ended 30 September 2018;

- interviews related to the business plan presentation for the fiscal years ending 30 September 2018 to 2020 of the Managers of Siemens Mobility Business;

- a review of the number of ordinary shares outstanding of Alstom between August 2017 and March 2018;

- interviews held and analysis of relevant documents to gain an understanding of current trading of the Siemens Mobility Business in the current fiscal year;

- an analysis of the valuation methods chosen by Siemens Mobility Holding S.à r.l. and Alstom for the valuation of the Alstom consideration shares and the Luxembourg contribution;

- an analysis of the valuation methods applied including a review of the valuation models for clerical accuracy and the major input parameters and assumptions used for the determination of the exchange ratio;

- the use of alternative valuation techniques to corroborate the valuation results;

- representation letters from the management of Siemens, Siemens Mobility Holding S.à r.l. and Alstom confirming matters that may be material over the estimation of the exchange ratio and that all pertinent information necessary for the performance of our procedures have been made available to us;

- gaining an understanding related to any significant subsequent events incurred after September 2017 with relevance to the exchange ratio;

- a reading of the French Contribution appraiser's draft report on the Luxembourg Contribution.

Based on the work performed, nothing came to our attention that causes us to believe that:

- the exchange ratio of 218,809,039 Alstom shares and 18,942,888 warrants for 100% of Siemens Mobility GmbH shares and 100% of Siemens Mobility Holding B.V. shares is not relevant and reasonable;

- the selected valuation methods used to arrive at the exchange ratio are not adequate and appropriate in the circumstances.

Our conclusion is expressed at the date of this report which represents the end date of our engagement. Our responsibility does not cover any procedure to be performed on potential subsequent events between the present date of this report and the Closing Date or the Determination Date.

This report is made solely for the purpose of complying with article 1031-6 of the Law and may not be used for other purposes.

Luxembourg, 30 May 2018

BDO Audit
Cabinet de révision agréé
represented by

Daniel Croisé

This report is the free English translation of the "Rapport de 'l'expert indépendant' sur le 'Traité d'apport partiel' concernant le transfert d'actifs de Siemens Mobility Holding S.à r.l. à Alstom S.A." written in French language and dated 30 May 2018. The French original version will always prevail.

Exhibit 6.3

Audited Combined Financial Statements of the Siemens Target Business for the fiscal year ended September 30, 2017 and the related audit report and reviewed Combined Interim Financial Statements of the Siemens Target Business for the half year period ended March 31, 2018 and the related review report

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**

IV. COMBINED STATEMENT OF CASH FLOWS

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:

	Fiscal year
(in millions of €)	**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

				Sep 30, **2017**
(in millions of €)	Warranties	Order related losses and risks	Other	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.

			Fiscal year **2017**
(in millions of €)	Third-parties Revenue	Related Party Revenue	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

		Sep 30, 2017
(in millions of €)	Current	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

Siemens Aktiengesellschaft
Berlin and Munich

Report on Review of
Combined Interim Financial Statements
Siemens Mobility Business
March 31, 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Building a better
working world

Report on Review of Combined Interim Financial Statements for the half year ended March 31, 2018

To Siemens Aktiengesellschaft, Berlin and Munich, Germany

Introduction

We have reviewed the Combined Interim Financial Statements for the half year ended March 31, 2018 of the Siemens Mobility Business, comprising of the combined statement of financial position as of March 31, 2018, 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 half year ended March 31, 2018 and the notes to the Combined Interim Financial Statements including a description of the financial reporting framework applied in the preparation of the Combined Interim Financial Statements ("Basis of Preparation"). Management of the Mobility Division of Siemens AG is responsible for determining that the applicable financial reporting framework is acceptable in the circumstances and for the preparation of these Combined Interim Financial Statements in accordance with the Basis of Preparation. Our responsibility is to express a conclusion on these Combined Interim Financial Statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Combined Interim Financial Statements are not prepared, in all material respects, in accordance with the Basis of Preparation.

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

We draw attention to the Basis of Preparation of the Combined Interim Financial Statements of the Siemens Mobility Business as of March 31, 2018, which describes the basis of preparation. The Combined Interim 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 Interim 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 review opinion together with the Combined Interim Financial Statements is to be included in the "Document E", filed by Alstom S.A., as general information to the public. Our review conclusion is not modified in respect of this matter.

Munich, Germany, May 18, 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bostedt
Wirtschaftsprüfer
[German Public Auditor]

Süppel
Wirtschaftsprüferin
[German Public Auditor]

Combined Interim Financial Statements
for the half year ended
March 31, 2018

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 INTERIM PERIOD ENDED MARCH 31, 2018

(in millions of €)	Note	First half FY 2018
Revenue		4,304
Cost of sales		(3,259)
Gross profit		1,045
Research and development expenses		(190)
Selling and general administrative expenses		(413)
Other operating income	6	4
Other operating expenses	7	(2)
Income from investments accounted for using the equity method, net	5, 26	8
Interest income	26	3
Interest expenses	26	(5)
Income before income taxes		450
therein: personnel restructuring expenses		(9)
Income tax expenses	8	(62)
Net income		**388**
Attributable to		
Non-controlling interests		(1)
Siemens Group		390

COMBINED STATEMENT OF COMPREHENSIVE INCOME

FOR THE INTERIM PERIOD ENDED MARCH 31, 2018

(in millions of €)	**First half FY 2018**
Net Income	388
Remeasurements of defined benefit plans	(7)
therein: Income tax effects	*5*
Items that will not be reclassified to profit or loss	(7)
Currency translation differences	(18)
Derivative financial instruments	(11)
therein: Income tax effects	*5*
Items that may be reclassified subsequently to profit or loss	(29)
Other comprehensive income, net of income taxes	(36)
Total comprehensive income	**353**
Attributable to	
Non-controlling interests	6
Siemens Group	347

COMBINED STATEMENT OF FINANCIAL POSITION AS OF MARCH 31, 2018 AND OCTOBER 1, 2017

(in millions of €)	Note	**Mar 31, 2018**	**Oct 1, 2017**
Assets			
Cash and cash equivalents	28	59	70
Trade and other receivables	9	1,448	1,167
Other current financial assets	10	312	347
Receivables from Siemens Group	24	128	129
Contract assets	3	1,817	2,525
Inventories	12	1,418	1,367
Current income tax assets		17	11
Other current assets	27	229	180
Total current assets		**5,428**	**5,796**
Goodwill	13	1,878	1,852
Other intangible assets		841	869
Internally generated technology		*95*	*81*
Acquired technology incl. patents, licenses and similar rights		*226*	*238*
Customer relationships and trade names		*520*	*550*
Property, plant and equipment		658	648
Land and building		*339*	*314*
Technical machinery and equipment		*205*	*218*
Furniture and office equipment		*56*	*56*
Equipment leased to others		*9*	*11*
Advances to suppliers and construction in progress		*49*	*49*
Investments accounted for using the equity method		126	117
Other financial assets	14	90	103
Deferred tax assets	8	38	38
Other assets	27	31	24
Total non-current assets		**3,662**	**3,650**
Total assets		**9,090**	**9,446**

COMBINED STATEMENT OF FINANCIAL POSITION AS OF MARCH 31, 2018 AND OCTOBER 1, 2017

(in millions of €)	Note	Mar 31, 2018	Oct 1, 2017
Liabilities and invested equity (net assets)			
Short-term debt and current maturities of long-term debt	17	107	622
Trade payables		809	765
Other current financial liabilities	11	134	137
Payables to Siemens Group	24	92	67
Contract liabilities	3	2,440	2,296
Current provisions	19	486	507
Current income tax liabilities		21	10
Other current liabilities	16	855	869
Total current liabilities		**4,945**	**5,273**
Long-term debt	17	388	431
Provisions for pensions and similar obligations	18	400	362
Deferred tax liabilities	8	374	473
Provisions	19	444	421
Other financial liabilities	15	36	28
Other liabilities		164	188
Total non-current liabilities		**1,806**	**1,903**
Total liabilities		**6,751**	**7,176**
Invested equity (net assets) attributable to Siemens Group		2,249	2,140
Other components of invested equity (net assets)		64	100
Total invested equity (net assets) attributable to Siemens Group		2,313	2,240
Non-controlling interests		26	30
Total invested equity (net assets)		**2,339**	**2,270**
Total liabilities and invested equity (net assets)		**9,090**	**9,446**

COMBINED STATEMENT OF CASH FLOWS

FOR THE INTERIM PERIOD ENDED MARCH 31, 2018

(in millions of €)	First half FY 2018
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	388
Adjustments to reconcile net income to cash flows from operating activities	
Amortization, depreciation and impairments	83
Income tax expense	62
Interest (income) expense, net	2
Income related to investing activities	(11)
Other non-cash (income) expenses	5
Change in current assets and liabilities	
Contract Assets	694
Inventories	(50)
Trade and other receivables	(286)
Trade payables	36
Contract liabilities	157
Change in other assets and liabilities	(123)
Income taxes paid	(198)
Dividends received	2
Interest received	7
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	**767**
CASH FLOWS FROM INVESTING ACTIVITIES	
Additions to intangible assets and property, plant and equipment	(81)
Acquisitions of businesses, net of cash acquired	(48)
Purchase of investments	(15)
Disposal of investments, intangibles and property, plant and equipment	21
CASH FLOWS USED IN INVESTING ACTIVITIES	**(123)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Other transactions with owners / other financing transaction with Siemens Group	(653)
CASH FLOWS USED IN FINANCING ACTIVITIES	**(653)**
EFFECT OF FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(2)
CHANGE IN CASH AND CASH EQUIVALENTS	**(11)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	70
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	59

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**
Adjustments (refer to Note 3)	(30)	7	-	(23)	-	(23)
Balance as of October 1, 2017	**2,140**	**56**	**44**	**2,240**	**30**	**2,270**
Net income	390	-	-	390	(1)	389
Other comprehensive income	(7)	(25)	(11)	(43)	7	(36)
Total comprehensive income	383	(25)	(11)	347	6	353
Other financing transactions with Siemens Group	(274)	-	-	(274)	(10)	(284)
Balance as of March 31, 2018	**2,249**	**31**	**33**	**2,313**	**26**	**2,339**

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 and on March 23, 2018 Siemens and Alstom signed after completion of the required works council consultation processes a definitive business combination agreement, both 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 marchés financiers or "AMF"). In this context, the management of the MO Division, comprised of the MO Division's CEOs and CFO, prepared these Combined Interim Financial Statements of the SMO Business for the half year ended March 31, 2018. These Combined Interim Financial Statements consist of a combined statement of financial position as of March 31, 2018 and as of October 1, 2017, 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 half year ended March 31, 2018 and selected notes (together the "Combined Interim Financial Statements").

The Combined Interim Financial Statements should be read in conjunction with the Combined Financial Statements named "Combined Financial Statements for the fiscal year ended September 30, 2017", reflecting a twelve month period ("fiscal year 2017").

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 Interim Financial Statements

The Combined Interim Financial Statements were prepared based on the recognition and measurement principles of the International Financial Reporting Standards as endorsed by the EU ("IFRS"). For the interim financial information International Accounting Standard ("IAS") 34, Interim Financial Reporting was considered. The Combined Interim Financial Statements do not include all information and disclosure required by IFRS, such as:

- Certain notes to the financial statements are omitted or simplified (e.g. disclosures in regard to financial instruments in accordance with IFRS 7 and disclosures in regard to business combinations in accordance with IFRS 3);
- The Combined Interim Financial Statements do not contain comparative information, except for the combined statement of financial position; and
- Certain carve-out specific assumptions ("carve-out specific accounting policies"), as described in more detail in the sections further below, were applied as the legal separation and re-organization of the SMO Business as well as the identification of employees in corporate functions that will transfer to the SMO Business as part of the Contemplated Transaction is not yet completed:
  - Employee-related obligations (e.g. pensions, jubilee bonus, share-based compensation, and salary obligations) are determined based on active employees of the SMO Business, passive employees that are expected to transfer and exclude Siemens employees in corporate functions as these are not completely identified and related obligations cannot be reliably estimated; 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 plan obligation;
  - Provisions for pension-related obligations are based on actuarial assumptions of the Siemens Group plans; the actuarial assumptions have not been reassessed for the SMO Business-specific employee population for purposes of these Combined Interim Financial Statements;
  - For the capital structure of the SMO Business certain assumptions have been determined for cash and cash equivalents, cash pooling receivables and payables as well as for loans with third parties or with Siemens Financial Services ("SFS");
  - Income taxes as well as deferred taxes were determined on a simplified separate tax return basis as described in further detail below;
  - For the determination and presentation of minority interests in some future legal entities to which the SMO Business will be transferred, assumptions and simplifications have been applied since the details of the transfer to these legal entities are not determined in the respective carve-out concept yet.

Following IAS 8.12 the predecessor accounting approach has been applied in the Combined Interim 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 Interim 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 Interim 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 interim financial statements, current practice under IFRS including IAS 8.10 and 8.12 were used for the preparation of the accompanying Combined Interim 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 Interim 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 SFS.

The Combined Interim 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 Interim Financial Statements was identical to that of the half year consolidated financial statements of Siemens Group and ended on May 8, 2018.

The Combined Interim Financial Statements were authorized for issue by the management of the MO Division, comprised of the MO Division's CEOs and CFO on May 18, 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 Interim Financial Statements were prepared on a "carve-out" basis from the half year consolidated financial statements of Siemens Group 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 25, 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 Interim Financial Statements.

Acquisitions and Disposals

Refer to Note 4, 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 Interim 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 allocations for centrally managed functions.

The financial information for PD and DF included in the Combined Interim 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 Interim 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 Interim Financial Statements based on historical service level agreements that existed and were executed during the interim period ended March 31, 2018. 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 Interim 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 Interim Financial Statements is based on the goodwill attributable to the SMO Business. The goodwill amount reflected in the Combined Interim 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 Interim Financial Statements based on a relative fair value approach.

Real estate and leases

Real estate assets that were historically leased by the SMO Business from Siemens Group companies were included in the Combined Interim 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 Interim Financial Statements based on the historical costs less accumulated depreciation and impairment in the Siemens Group IFRS consolidated statements (predecessor values). The Combined Interim 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 Interim 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 Interim 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 Interim Financial Statements, cash and cash equivalents, available-for-sale financial assets and cash pooling receivables and payables were included in the Combined Interim Financial Statements for all 100% dedicated legal entities of the SMO Business and were excluded for all Mixed Entities in scope of combination. Two exceptions from this approach were applied: (i) for one 100% dedicated legal entity in the U.K. and (ii) for newly established 100% dedicated legal entities that were funded and already capitalized to acquire specific assets and liabilities of Mixed Entities in the course of the ongoing carve-out. For these 100% dedicated legal entities cash and cash equivalents or other comparable financing receivables, except for ongoing cash requirements to operate the business are excluded, as these positions will be used to acquire the assets and liabilities of Mixed Entities in the course of the ongoing carve-out.

For purposes of the Combined Interim Financial Statements, loans with third parties or with SFS were included in the Combined Interim 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 Interim Financial Statements.

The project-specific financing arrangement between the SMO Business and SFS for a major order is presented in the Combined Interim Financial Statements as a loan from a related party. R*efer to Note 17, debt and Note 24, related party transactions, for further information*.

Derivative activities

Derivative activities related to the SMO Business were included in the Combined Interim Financial Statements. In general, all hedging transactions were entered into with SFS. *Refer to Note 24, related party transactions*, *for further information*.

Pensions and similar obligations

The Combined Interim 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.

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 Interim Financial Statements. The actuarial valuation parameters determined and applied in the Siemens Group IFRS consolidated financial statements were also used for the Combined Interim Financial Statements of the SMO Business.

The Combined Interim 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 Interim Financial Statements via cost allocation from centrally managed functions.

Refer to Note 18, 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 Interim 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 February 28, 2018. For plans that were accounted for as equity settled from a Siemens Group perspective, the presentation in the Combined Interim 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 Interim Financial Statements include jubilee share awards attributable to the SMO Business based on the SMO designated employees' population as of February 28, 2018. Those awards were accounted for as an equity-settled plan in the Siemens Group IFRS consolidated financial statements. For purposes of the Combined Interim Financial Statements, those jubilee share awards were accounted for as cash-settled plans with carrying amounts as of March 31, 2018. The obligations were measured on the basis of actuarial valuations.

Refer to Note 23, 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 income 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.

In general, IAS 34 is applied for calculating income taxes for interim financial statements. According to IAS 34.30 income tax expenses have to be recognized in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The calculation of the effective tax rate should be based on an estimate of the tax charge or benefit for the year expressed as a percentage of the expected accounting profit or loss. This percentage is then applied to the interim result.

Income taxes for the 100% dedicated legal entities in scope of the SMO Business are based on the expected effective tax rate calculated for each entity. Income taxes for 100% dedicated legal entities included in fiscal units for which the tax paying entity is outside the SMO Business were included in the Combined Financial Statement as they were recorded based on tax-recharge agreements, which were already calculated on separate tax return basis. The differentiation of income taxes into current and deferred taxes for each of these entities is based on the forecast. In case of negative earnings before taxes only deferred taxes are recognized.

For the significant Mixed Entities in Austria, China, Germany, France, Spain, Switzerland, U.K. and the US that comprised the SMO Business, income taxes were calculated by using the expected effective tax rate calculated for each entity. The differentiation of income taxes into current and deferred taxes for each of these entities is based on forecast. In case of negative earnings before taxes only deferred taxes are recognized and were treated as contributions or transfer from invested equity. Any current tax receivables and liabilities determined by this separate return calculation were treated as contributions or transfers from invested equity.

For all other Mixed Entities comprising the SMO Business a simplified separate tax return approach was applied, defining the statutory tax rate as expected effective tax rate. Income taxes were assumed as current taxes in case of profits and as deferred taxes in case of losses. Any current tax liabilities or deferred tax assets on tax loss carry-forwards 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 Interim Financial Statements for such 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 8, 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 Interim 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 Interim 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 Interim 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 Interim 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 re-measured using the historical spot exchange rate.

Revenue recognition – The SMO Business recognizes revenue when or as control over distinct goods or services is transferred to a customer; i.e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits, provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's creditworthiness. Revenue is the transaction price the SMO Business expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that a significant reversal of revenue will not occur once associated uncertainties are resolved. Significant estimates are involved in determining the amount of variable consideration which is calculated by using either the expected value or the most likely amount depending on which is expected to better predict the amount of variable consideration. Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and there is a significant financing benefit either to the customer or the SMO Business. If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not observable, the SMO Business reasonably estimates those. Revenue is recognized for each performance obligation either at a point in time or over time.

Sales from construction-type contracts: Revenues are recognized over time under the percentage-of-completion method, based on the percentage of costs incurred to date compared to total estimated costs. An expected loss on the contract is recognized as an expense immediately.

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 estimated costs, total estimated 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. 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.

Revenues from services: Revenues are recognized over time on a straight-line basis 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.

Sale of goods: Revenues are recognized at a point in time when control of the goods passes to the buyer, usually upon delivery of the goods.

As the SMO Business enters into many different types of contracts with customers, there is a variety of different payment terms. Under many construction-type contracts, customers make advance payments and/or installment payments based on the achievement of contractually defined milestones and/or payments based on deliveries. Long-term service contracts frequently stipulate regular payments over the term of the contract. Under many of the SMO Business' contracts, the total consideration to be received from the customer is composed of a fixed-price component and one or more variable components.

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.

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

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 – For interim financial statements, the income tax expense is calculated on the basis of the average annual tax rate that is expected for the entire fiscal year. *For additional information refer to Note 1, Basis of preparation.*

Contract assets, contract liabilities, receivables – When either party to a contract with customers has performed, the SMO Business presents a contract asset, a contract liability or a receivable depending on the relationship between the SMO Business' performance and the customer's payment. Contract assets and liabilities are presented net as current since incurred in the operating cycle. Receivables are recognized when the right to consideration becomes unconditional. Valuation allowances are set up for contract assets and receivables based on their credit risks.

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 18, 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 contracts with customers when current estimates of total estimated costs exceed estimated revenue. Onerous contracts with customers are identified by monitoring the progress of the project and updating the estimates which 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 28, 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 March 31, 2018, the SMO Business recorded a valuation allowance for trade and other receivables (including leases) of € 76 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.

Recently adopted accounting pronouncements

IFRS 15, Revenue from Contracts with Customers, was adopted retrospectively as of October 1, 2017. *Refer to Note 3, effects from the adoption of IFRS 15 and other adjustments, for further information*.

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 its future 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 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 its future 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 impact of adopting the interpretation on its future financial statements.

NOTE 3 Effects from the adoption of IFRS 15 and other adjustments

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 has adopted the standard for the fiscal year beginning as of October 1, 2017 retrospectively.

The adoption of IFRS 15 as of October 1, 2017 confirmed that there are no significant impacts on the SMO Business' financial statements. Changes in the total amount of revenue to be recognized for a customer contract are very limited. Revenue and gross profit recognized in fiscal year 2017 would have increased by € 6 million and € 2 million, respectively, if IFRS 15 had already been applied in fiscal 2017.

The following table illustrates the effects IFRS 15 would have had on the Combined Statement of Financial Position if the standard had already been applied in fiscal 2017. In addition, other adjustments are presented (refer to *Note 4, acquisitions, dispositions and discontinued operations, for further information*). The "Restated" column corresponds to the "Oct 1, 2017" column in the Combined Statement of Financial Position (see section III.).

Sep 30, 2017

(in millions of €)	Previously reported	Transition to IFRS 15	Other adjustments (refer to Note 4)	Restated
Assets				
Cash and cash equivalents	70	-	-	70
Trade and other receivables	1,167	-	-	1,167
Other current financial assets	347	-	-	347
Receivables from Siemens Group	129	-	-	129
Contract Assets	-	2,525	-	2,525
Inventories	3,755	(2,388)	-	1,367
Current income tax assets	11	-	-	11
Other current assets	180	-	-	180
Total current assets	**5,659**	**137**	-	**5,796**
Goodwill	1,891	-	(39)	1,852
Other intangible assets	812	-	56	869
Property, plant and equipment	648	-	-	648
Investments accounted for using the equity method	127	(15)	5	117
Other financial assets	103	-	-	103
Deferred tax assets	38	-	-	38
Other assets	24	-	-	24
Total non-current assets	**3,643**	**(15)**	**22**	**3,650**
Total assets	**9,302**	**122**	**22**	**9,446**

Sep 30, 2017

(in millions of €)	Previously reported	Transition to IFRS 15	Other adjustments (refer to Note 4)	Restated
Liabilities and invested equity (net assets)				
Short-term debt and current maturities of long-term debt	622	-	-	622
Trade payables	765	-	-	765
Other current financial liabilities	137	-	-	137
Payables to Siemens Group	67	-	-	67
Contract liabilities	-	2,296	-	2,296
Current provisions	549	(42)	-	507
Current income tax liabilities	10	-	-	10
Other current liabilities	2,959	(2,090)	-	869
Total current liabilities	**5,109**	**164**	-	**5,273**
Long-term debt	431	-	-	431
Provisions for pensions and similar obligations	362	-	-	362
Deferred tax liabilities	449	(1)	25	473
Provisions	416	5	-	421
Other financial liabilities	28	-	-	28
Other liabilities	214	(26)	-	188
Total non-current liabilities	**1,900**	**(22)**	**25**	**1,903**
Total liabilities	**7,009**	**142**	**25**	**7,176**
Invested equity (net assets) attributable to Siemens Group	2,170	(27)	(3)	2,140
Other components of invested equity (net assets)	93	7	-	100
Total invested equity (net assets) attributable to Siemens Group	2,263	(20)	(3)	2,240
Non-controlling interests	30	-	-	30
Total invested equity (net assets)	**2,293**	**(20)**	**(3)**	**2,270**
Total liabilities and invested equity (net assets)	**9,302**	**122**	**22**	**9,446**

According to IFRS 15, when either party to a contract (i.e. the customer or the SMO Business) has performed, the contract is presented in the statement of financial position as a Contract asset or a Contract liability, depending on the relationship between the SMO Business' performance and the customer's payment.

The effects from IFRS 15 that would have been reflected in the Combined Statement of Financial Position of the SMO Business as of September 30, 2017 mainly relate to reclassifications due to the newly introduced line items Contract assets and Contract liabilities:

- Reclassification of Costs and earnings in excess of billings on uncompleted contracts accounted for using the percentage-of-completion method from Inventories to Contract assets
- Reclassification of Advance payments received from Inventories to Contract liabilities
- Reclassification of Billings in excess of costs and estimated earnings on uncompleted contracts and related advances from Other current liabilities to Contract liabilities

For a disaggregation by segments and by regions of revenue recognized in the half year ended March 31, 2018 *refer to note 20A and note 20B, respectively*.

NOTE 4 Acquisitions, dispositions and discontinued operations

Acquisitions

Closed transactions

In November 2017 the SMO Business acquired additional shares of Bytemark Inc ("Bytemark") and now has controlling interest in the company which was accounted for using the equity method in the previous reporting period. Founded in 2011 and based in New York City, United States of America, Bytemark is a provider of cloud based transit fare collection solutions to cities and agencies across the globe. Its core offering is a comprehensive suite of products that digitalize transit passes, tickets and fare media.

In February 2018 the SMO Business acquired Milanovic Inzenjering ("Milanovic") based in Serbia. Milanovic specializes in the design, manufacturing and welding of aluminum components for train car bodies with implementation of the highest international standards.

As of the interim period ended March 31, 2018, 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 € 1 million, property, plant and equipment of € 20 million and deferred tax liabilities of € 1 million. Combined preliminary goodwill for all transactions amounts to € 48 million. The purchase price allocations for all transactions are preliminary as a detailed analysis of the assets and liabilities has not been finalized.

Signed transactions

While the official closing of the transaction was April 4, 2018 the SMO Business signed during the reporting period the agreement to acquire Aimsun SL ("Aimsun"), a company with its headquarter in Barcelona, Spain. Aimsun develops software that simulates future traffic flows in the planning phase of construction projects. Based on data, it supports its users to make more efficient decisions for the realization of their projects. In daily traffic management, Aimsun has developed a software solution that uses real-time data to help to optimize traffic flows and predict as well as prevent congestion before it occurs. More than 4,600 users in 79 countries are using the predictive solutions of Aimsun. This acquisition will complement the existing Siemens portfolio in the Intelligent Traffic Systems (ITS) segment.

Update on transactions closed in previous periods

In fiscal year 2017, the SMO Business acquired HaCon Ingenieurgesellschaft mbH and the MRX Technologies Group. Purchase price allocation updates made in the half year ended March 31, 2018 resulted in adjustments, which mainly relate to intangible assets and deferred income tax liabilities (for further information refer to *Note 3, effects from the adoption of IFRS 15 and other adjustments)*. Taking those adjustments into account, the updated purchase price allocations of the SMO Business for all transactions in fiscal year 2017, including but not limited to these transactions, resulted mainly in other intangible assets of € 114 million and deferred tax liabilities of € 39 million. The combined preliminary goodwill for all transactions amounts to € 137 million.

Dispositions and discontinued operations

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

NOTE 5 Interests in other entities

Investments accounted for using the equity method

(in millions of €)	First half 2018
Share of profit	8
Income from investments accounted for using the equity method, net	**8**

Of the total net profit of € 8 million, € 7 million relates to Ural Locomotives Holding B.V. a significant Joint Venture of the SMO Business in which it holds a 50% stake. During the interim period ended March 31, 2018 the SMO Business received a dividend of € 1 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 March 31, 2018 amounts to € 71 million and is composed as follows:

(in millions of €)	Mar 31, 2018	Oct 1, 2017
Current asset	196	186
Non-current assets	171	181
Total assets	**367**	**367**
Current liabilities	191	172
Non-current liabilities	105	137
Total liabilities	**296**	**309**
Net Assets	**71**	**58**

The presented net asset positions reflect the financial information after application of IFRS 15 and therefore net asset positions as of October 1, 2017 deviate from the previously reported figures as of September 30, 2017.

Total comprehensive income of Ural Locomotives Holding B.V for the interim period ended March 31, 2018 amounts to € 13 million and is related to:

(in millions of €)	First half 2018
Income from continuing operations	15
Other comprehensive income, net of income taxes	(2)
Total Comprehensive income	**13**

As of March 31, 2018 the carrying amount of all individually not material Associates amounts to € 64 million. This also includes an investment in Wi-Tronix Group Inc. ("Wi-Tronix"), which was made in October 2017. Wi-Tronix is a provider of remote monitoring, video analysis and predictive diagnostic systems for rolling stock and rail infrastructure and is based in the United States of America.

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 half year period applied under the equity method.

(in millions of €)	First half **2018**
Income from continuing operations	1
Total Comprehensive income	**1**

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 6 Other operating income

During the interim period ended March 31, 2018, the major components of other operating income amounting to € 4 million include gains on sales of property, plant and equipment of € 2 million and other miscellaneous income of € 1 million.

NOTE 7 Other operating expenses

Other operating expenses amounting to € 2 million mainly relate to adjustments for high inflation indexation of monetary positions.

NOTE 8 Taxes

Income tax expense consists of the following:

(in millions of €)	First half **2018**
Current tax	157
Deferred tax	(96)
Income tax expense	**62**

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 €)	First half **2018**
Income tax expense	62
Expense recognized directly in equity	(10)
Total Income tax expense	**52**

NOTE 9 Trade and other receivables

(in millions of €)	Mar 31, 2018	Oct 1, 2017
Trade receivables from the sale of goods and services against third parties	1,416	1,136
Trade receivables from the sale of goods and services against Associates and Joint Ventures (Note 24)	30	29
Receivables from finance leases	2	2
Total Trade and other receivables	**1,448**	**1,167**

In the interim period ended March 31, 2018, the long-term portion of receivables from finance leases is reported in other financial assets and amounts to € 51 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 €)	Mar 31, 2018	Oct 1, 2017
Valuation allowance as of beginning of fiscal year	82	80
Increase in valuation allowances recorded in the Combined Statement of Income in the current period	43	31
Write-offs charged against the allowance	(1)	(1)
Recoveries of amounts previously written-off	(22)	(5)
Foreign exchange translation differences	(26)	(23)
Valuation allowance as of interim period-end	**76**	**82**

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

(in millions of €)	Mar 31, 2018	Oct 1, 2017
Within one year	1	1
After one year but not more than five years	6	2
Total Minimum future lease payments from finance lease	**7**	**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 €)	Mar 31, 2018	Oct 1, 2017
Minimum future lease payments	7	3
Plus: Unguaranteed residual values	139	138
Gross investment in leases	**146**	**141**
Less: Unearned finance income	(93)	(93)
Net investment in leases	**53**	**48**
Less: Present value of unguaranteed residual value	(47)	(45)
Present value of minimum future lease payments receivable	**6**	**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 €)	Mar 31, 2018	Mar 31, 2018
Within one year	1	1
After one year but not more than five years	6	5
More than five years	139	-
Total	**146**	**6**

NOTE 10 Other current financial assets

As of March 31, 2018, other current financial assets amounting to € 312 million mainly include derivative financial instruments of € 261 million. For details on derivative financial instruments used by the SMO Business, refer to section "Derivatives" within *Note 24, related party transactions*.

NOTE 11 Other current financial liabilities

As of March 31, 2018, other current financial liabilities amounting to € 134 million mainly include derivative financial instruments of € 106 million. For details on derivative financial instruments used by the SMO Business, refer to section "Derivatives" within *Note 24, related party transactions*.

NOTE 12 Inventories

(in millions of €)	Mar 31, 2018	Oct 1, 2017
Raw materials and supplies	291	279
Work in progress	742	750
Finished goods and products held for resale	216	196
Advances to suppliers	169	142
Total Inventories	1,418	**1,367**

Cost of sales includes inventories recognized as expense amounting to € 3,231 million in the interim period 2018. Write-downs increased in the interim period 2018 by € 4 million.

NOTE 13 Goodwill

(in millions of €)	Mar 31, 2018	Oct 1, 2017
Cost		
Balance at beginning of year	1,972	1,878
Translation differences and other	(23)	(44)
Acquisitions and purchase accounting adjustments	46	138
Total Balance	**1,995**	**1,972**
Accumulated impairment losses and other changes		
Balance at beginning of year	(120)	(124)
Translation differences and other	3	4
Total Balance	**(117)**	**(120)**
Carrying amount		
Balance at beginning of year	1,852	1,754
Total Balance	**1,878**	**1,852**

The goodwill included in the Combined Interim 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.

Comparative figures for goodwill also include adjustments from the update of purchase price allocations. For additional information, refer to *Note 4, Acquisitions, dispositions and discontinued operations.*

NOTE 14 Other financial assets

(in millions of €)	Mar 31, **2018**	Oct 1, **2017**
Loans receivable	9	6
Receivables from finance leases	51	46
Derivative financial instruments	14	33
Available-for-sale financial assets	11	13
Other	5	5
Total Other financial assets	**90**	**103**

The item receivables from finance leases mainly 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 24,related party transactions*.

NOTE 15 Other financial liabilities

As of March 31, 2018, other non-current financial liabilities amounting to € 36 million mainly include long term portions of derivative financial instruments of € 13 million and loans and miscellaneous liabilities to third parties of € 22 million.

NOTE 16 Other current liabilities

(in millions of €)	Mar 31, **2018**	Oct 1, **2017**
Liabilities to personnel	390	465
Accruals for outstanding expenses	160	142
Sales and other taxes	263	219
Others	42	43
Total Other current liabilities	**855**	**869**

NOTE 17 Debt

Total short-term debt, current maturity of long-term and long-term debt in the amount of € 495 million as of March 31, 2018 is mainly comprised of:

Loan from related parties

As of March 31, 2018, the SMO Business has a loan outstanding from a related party, which amounts € 438 million and is related to the pre-financing of a construction-type contract. The facility matures in fiscal year 2021.

During the interim period ended March 31, 2018 the loan balance decreased by € 557 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 March 31, 2018, the debt has an ending balance of € 57 million.

NOTE 18 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 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 approx. 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 (approx. 93% in half year period ended March 31, 2018), 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 Interim 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)
			First half
(in millions of €)			**2018**
Balance at begin of fiscal year	1,682	1,326	356
Current service cost	30	-	30
Interest expenses	16	-	16
Interest income	-	13	(13)
Other [1]	1	-	1
Components of defined benefit costs recognized in the Combined Statement of income	48	13	35
Return on plan assets excluding amounts included in net interest income and net interest expenses	-	24	(24)
Actuarial (gains) losses	35	-	35
Remeasurements recognized in the Combined Statement of comprehensive income	35	24	11
Employer contributions	-	90	(90)
Plan participants' contributions	9	9	-
Benefits paid	(18)	(15)	(3)
Business combinations, disposals and other	3	(73)	76
Foreign currency translation effects	(8)	(7)	(1)
Other reconciling items	(13)	4	(17)
Balance at the end of the half year period	1,752	1,367	385
Germany	791	548	244
U.K.	495	443	52
Switzerland	343	330	13
Other countries	123	46	77
Total	**1,752**	**1,367**	**385**
thereof provisions for pensions and similar obligations			*400*
thereof net defined benefit assets (presented in Other Assets)			*(15)*

Net interest expenses related to provisions for pensions and similar obligations amounted to € 4 million in the half year period ended March 31, 2018. The DBO is attributable to active employees 76%, to former employees with vested rights 6% and to retirees and surviving dependents 18% in the half year period ended March 31, 2018.

Employer contributions in the half year period ended March 31, 2018 include extraordinary funding in Germany in the amount of € 59 million.

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 €)	First half **FY 2018**
Changes in demographic assumptions	-
Changes in financial assumptions	35
Experience gains	-
Total	35

Actuarial assumptions

Starting October 1, 2017, Siemens refined its method to calculate pension costs for significant plans (Spot Rate Approach). The refined method did not have a material impact on the DBO and the profit and loss components respectively. The weighted-average discount rates used for the actuarial valuation of the DBO, the service cost as well as interest expense and interest income at period-end were as follows:

Discount rate	**Defined Benefit Obligation (DBO)**		**Current Service Cost**		**Interest Expense & Interest Income**	
	March 31, 2018	Sep 30, 2017	First Half FY 2018	Fiscal Year 2017	First Half FY 2018	Fiscal Year 2017
	2.0%	2.1%	2.1%	1.2%	2.6%	2.3%
EUR	1.9%	2.1%	2.2%	1.0%	1.7%	1.0%
GBP	2.7%	2.8%	2.8%	2.4%	2.7%	2.4%
CHF	0.9%	0.8%	1.0%	0.4%	0.4%	0.4%

Sensitivity analysis

The following sensitivity analysis is based on the DBO discount rate on September 30, 2017 of 2.11%. A one-half-percentage-point change of that discount rate would result in the following increase (decrease) of the DBO:

(in millions of €)	Effect on DBO due to a one-half percentage-point **Mar 31, 2018** Increase	 Decrease
Discount rate	(130)	148
Rate of compensation increase	17	(16)
Rate of pension progression	88	(70)

The DBO effect of a 10% reduction in mortality rates for all beneficiaries would be an increase of € 36 million as of March 31, 2018.

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 €)	Mar 31, 2018	Oct 1, 2017
Equity securities	210	176
Fixed income securities	517	575
Government bonds	296	*283*
Corporate bonds	221	*292*
Alternative investments	241	228
Multi strategy funds	267	253
Derivatives	28	10
Cash and cash equivalents	45	39
Other assets	60	45
Total	**1,367**	**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 the next year (second half of fiscal year 2018 and first half of fiscal year 2019) are € 61 million. Over the next ten fiscal years, average annual benefit payments of € 56 million are expected as of March 31, 2018. The weighted average duration of the DBO for the SMO Business defined benefit plans was 17 years as of March 31, 2018.

Defined contribution plans and state plans

The amount recognized as expense for defined contribution plans amounts to € 23 million in the half year period ended March 31, 2018. Contributions to state plans amount to € 70 million in the half year period ended March 31, 2018.

NOTE 19 Provisions

(in millions of €)	Warranties	Order related losses and risks	Other	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*
Adjustments (refer to Note 3)	-	(37)	-	(37)
Balance as of October 1, 2017	**711**	**153**	**64**	**928**
Thereof non-current	*310*	*85*	*26*	*421*
Additions	131	82	8	221
Usage	(73)	(19)	(5)	(97)
Reversals	(98)	(14)	(8)	(120)
Translation differences	(1)	(1)	(2)	(4)
Other changes	-	3	(1)	2
Balance as of March 31, 2018	**670**	**204**	**56**	**930**
Thereof non-current	*302*	*116*	*26*	*444*

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-type 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 € 6 million as of March 31, 2018.

NOTE 20A Breakdown of revenue by segments

Description of reportable segments

For purposes of preparing these Combined Interim 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 Interim Financial Statements.

			First Half
			2018
(in millions of €)	Third-parties Revenue	Revenue with Siemens Group	Total Revenue
Rolling Stock	2.255	18	2.273
Signalling Business	2.022	7	2.029
Total Segments	**4.277**	**25**	**4.302**
Reconciliation to Combined Interim Financial Statements	1	1	2
Total Revenue by segments	**4.278**	**26**	**4.304**

The Rolling Stock and Signaling Business segments recognize revenue predominantly over time due to the nature of their long-term contracts.

NOTE 20B Breakdown of revenue by regions

	First Half
	2018
(in millions of €)	Revenue by location of customers
Europe	3,078
Americas	567
Asia / Pacific	441
Middle East / Africa	218
Total SMO Business	**4,304**
thereof Germany	*822*

NOTE 21 Commitments and other financial obligations

i. Guarantees and other contingent liabilities

For information regarding guarantees and other contingent liabilities, refer to *Note 24, related party transactions.*

The SMO Business has acquisition-related commitments of € 44 million as of March 31, 2018.

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

	Mar 31,	Oct 1,
(in millions of €)	**2018**	**2017**
Within current fiscal year	43	84
After current fiscal year but not more than five following fiscal years	179	141
More than five following fiscal years	19	31
Total Future payment obligations under non-cancellable operating leases	**241**	**256**

The future payment obligations include lease contracts with third parties amounting to € 36 million and lease agreements between the SMO Business and the Siemens Group amounting to € 205 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 March 31, 2018 were € 88 million. The service charges are not considered in the calculation of the future payment obligations.

NOTE 22 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 23 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 Interim 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 Interim Financial Statements, is € 45 million as of March 31, 2018. Total pretax expense for share-based payment amounted to € 15 million for the half year ended March 31, 2018.

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 the half year ended March 31, 2018, 106,105 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 € 8 million in the half year ended March 31, 2018, was calculated by applying a valuation model. In the half year ended March 31, 2018 inputs to that model include an expected weighted volatility of Siemens shares of 22.17% and a market price of € 114.80 per Siemens share. Expected volatility was determined by reference to historic volatilities. The model applies a risk-free interest rate of up to 0.05% in the half year ended March 31, 2018 and an expected dividend yield of 3.23% in the half year ended March 31, 2018. Assumptions concerning share price correlations were determined by reference to historic correlations.

Furthermore during the half year ended March 31, 2018, 8,722 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 € 1 million in the half year ended March 31, 2018.

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

	First half **2018**
Non-vested, beginning of period	391,453
Granted	114,827
Vested and fulfilled	(16,291)
Forfeited	(11,025)
Settled	(46,303)
Other	(5,098)
Non-vested, end of period	**427,563**

Share Matching Program and its underlying plans

In the half year ended March 31, 2018, 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 2017 are transferred to the Share Matching Plan as of February 2018.

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 the half year ended March 31, 2018.

Resulting Matching Shares

	First half **2018**
Outstanding, beginning of period	132,588
Granted	70,280
Vested and fulfilled	(68,852)
Forfeited	(3,362)
Settled	(1,320)
Other	30,168
Outstanding, end of period	**159,500**

The weighted average fair value of matching shares granted in the half year ended March 31, 2018 amounting to € 90,09 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.

In November 2017, € 100 million were transferred to the Profit-Sharing-Pool, thereof € 9 million allocated to the SMO Business. In March 2018 an amount of € 369 million has been transferred to eligible Siemens Group' employees. Based on a participation rate of 89% at SMO, free Siemens shares amounting to € 35 million have been distributed to eligible SMO Business employees.

Jubilee Share Program

For their 25th and 40th service anniversary, eligible employees receive jubilee shares. There were 474 thousand entitlements to jubilee shares outstanding for the SMO Business employees in Germany as of March 31, 2018.

NOTE 24 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 the interim period ended March 31, 2018 is as follows:

(in millions of €)	Receivables as of Mar 31, 2018	Liabilities and Debt as of Mar 31, 2018	Derivatives as of Mar 31, 2018	Changes in Inventories Half year 2018	Sales and services rendered Half year 2018	Purchases and services received Half year 2018
Siemens Group	128	531	87	52	26	413
Joint Ventures	45	5	-	(114)	769	30
Associates	19	-	-	-	2	-
Total	**192**	**536**	**87**	**(62)**	**797**	**443**

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 March 31, 2018, the receivables from SCW are € 97 million. During the interim period ended March 31, 2018, the total net transaction volume resulted in a decrease of receivable balance of € 17 million.

Liabilities and Debt

As of March 31, 2018, the SMO Business has a loan outstanding from related parties, which amounts to € 438 million. For additional information, refer to *Note 17, 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 March 31, 2018 amount to € 20 million and are reflected in the section ‘Receivables’ as shown above. The cash pooling payables as of March 31, 2018 amount to € 47 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 Interim Financial Statements. As of March 31, 2018, the positive fair values of Derivatives amount to € 177 million and the negative fair values of Derivatives amount to € 91 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 € 272 million during the interim period ended March 31, 2018. These services are generally provided on an arm's length basis.

During the reporting period of the Combined Interim 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 the interim period ended March 31, 2018, the SMO Business paid operating rental expenses of € 56 million to the Siemens Group. For additional information, refer to *Note 21, 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 23, 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 € 18,339 million as of March 31, 2018 in favor of the SMO Business. Those guarantees are comprised of Performance Guarantees of € 17,711 million, Credit Guarantees of € 612 million and other guarantees of € 16 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 point in time in which Siemens Group could be required to settle the maximum amount of the Credit Guarantees in the event of default is April 1, 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 18, post-employment benefits.*

Transactions with Joint Ventures and Associates

During the interim period ended March 31, 2018 sales to Joint Ventures primarily included € 726 million to Cross London Trains Ltd resulting from a large rolling stock contract in the U.K. and € 36 million to OOO Ural Locomotives.

The total Receivables from Joint Ventures and Associates of € 64 million include Trade receivables (net of allowances) of € 30 million.

NOTE 25 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 Interim Financial Statements during interim period ended March 31, 2018.

Mixed Entities are legal entities that comprised SMO Business along with other Siemens Group activities. Their contribution to the Combined Interim 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 Mar 31, 2018
Siemens Rail Automation Holdings Limited	United Kingdom	100,0%
Siemens Rail Automation S.A.U.	Spain	100,0%
Siemens Signalling Co. Ltd., Xi'an	China	70,0%
ESTEL Rail Automation SPA	Algeria	51,0%[2]
Siemens Rail Automation Pvt. Ltd.	India	100,0%
VMZ Berlin Betreibergesellschaft mbH	Germany	100,0%
systransis AG	Switzerland	100,0%
Siemens Rail Automation, C.A.	Venezuela	100,0%
Siemens Urban Rail Technologies Holding GmbH	Austria	100,0%[3]
Siemens Rail Automation Limited	United Kingdom	100,0%
HaCon Ingenieurgesellschaft mbH	Germany	100,0%
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%
Bytemark Inc.	United States of America	76,3%
Milanovic Inzenjering d.o.o.	Serbia	100,0%
Siemens Mobility GmbH	Germany	100,0%[4]
Siemens Mobility Holding B.V.	Netherlands	100,0%[4]
Siemens Mobility Pte. Ltd.	Singapore	100,0%[4]
Siemens Mobility, S.L.U	Spain	100,0%[4]
Siemens Mobility Ulasim Sistemleri Anonim Sirketi	Turkey	100,0%[4]
Siemens Mobility LDA	Portugal	100,0%[4]
Siemens Traction Gears GmbH	Germany	100,0%[4]

2. Shares are transferred from Siemens Group to SMO Business with economic effect (no legal transfer)

3. Holding Company, no transfer of the entity anticipated in the Contemplated Transaction

4. Company newly created/added for Carve-out purposes

b) Fully consolidated (Mixed Entities):

	Country	Equity interest as of Mar 31, 2018
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%[5]
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%[6]
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%

5. Transfer of 100% of the business via asset deal

6. Control due to rights to appoint, reassign or remove members of the key management personnel

	Country	Equity interest as of Mar 31, 2018
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 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%[7]
Siemens Middle East Limited	United Arab Emirates	100,0%
Siemens Konzernbeteiligungen GmbH	Austria	100,0%[8]
Siemens Bangladesh Ltd.	Bangladesh	100,0%
Siemens Electrical Drives Ltd.	China	85,0%[9]
Flender Industriegetriebe GmbH	Germany	100,0%[10]
next47 Services GmbH	Germany	100,0%[8]
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%[8]
Siemens Holdings plc	United Kingdom	100,0%[8]
Siemens Israel Ltd.	Israel	100,0%
Siemens Electrical & Electronic Services K.S.C.C.	Kuwait	49,0%[7]
Siemens Ltd.	Nigeria	100,0%
Siemens International Holding B.V.	Netherlands	100,0%[8]
Siemens L.L.C.	Oman	51,0%
OOO Siemens Elektroprivod	Russian Federation	100,0%
Arabia Electric Ltd. (Equipment)	Saudi Arabia	51,0%
Siemens Corporation	United States of America	100,0%
Siemens Beteiligungen Inland GmbH	Germany	100,0%[8]
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%

7. Control due to rights to appoint, reassign or remove members of the key management personnel
8. Holding company, no transfer of the entity anticipated in the Contemplated Transaction
9. Transfer of 100% of the business via asset deal
10. Previous name "Siemens Industriegetriebe GmbH"; business transferred to Siemens Traction Gears GmbH

c) At equity:

	Country	Equity interest as of Mar 31, 2018
IFTEC GmbH & Co. KG	Germany	50,0%
TianJin ZongXi Traction Motor Ltd.	China	50,0%
Ural Locomotives Holding Besloten Vennootschap	Netherlands	50,0%
Metropolitan Transportation Solutions Ltd.	Israel	n/a[11]
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%
Wi-Tronix Group Inc.	United States of America	30,2%

11. Liquidated in the first half year 2018; no transfer of the entity anticipated in the Contemplated Transaction

d) At cost:

	Country	Equity interest as of Mar 31, 2018
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	n/a[12]
BELLIS GmbH	Germany	49,0%
Transfima GEIE	Italy	42,0%
Sensys Networks, Inc.	United States of America	13,0%
Sternico GmbH	Germany	32,1%
Transrapid International Verwaltungsgesellschaft mbH i.L.	Germany	50,0%[13]
VAL 208 Torino GEIE	Italy	86,0%
Saitong Railway Electrification (Nanjing) Co., Ltd.	China	50,0%[13]
OOO Transconverter	Russian Federation	35,0%
VIB Verkehrsinformationsagentur Bayern GmbH	Germany	51,0%[14]
Technologies of Rail Transport Limited Liability Company	Russian Federation	100,0%[13;14]
MRX Rail Services U.K. Limited	United Kingdom	100,0%[14]
FRAMECA FRANCE METRO CARACAS	France	3,2%
ByteToken, Ltd	United Kingdom	100,0%[14]
Bytemark Canada Inc.	Canada	100,0%[14]
Bytemark India Limited Liability Partnership	India	100,0%[14]
Bytemark Technology Solutions India Private Limited	India	100,0%[14]
Bytemark Australia Pty Ltd	Australia	100,0%[14]
Siemens Mobility, Inc	United States of America	100,0%[15]
Siemens Mobility SAS	France	100,0%[15]
Siemens Mobility AG	Switzerland	100,0%[15]
Siemens Mobility GmbH	Austria	100,0%[15]
Siemens Mobility Kft.	Hungary	100,0%[15]
Siemens Mobility Sp. z o.o.	Poland	100,0%[15]
Siemens Mobility EOOD	Bulgaria	100,0%[15]
Siemens Mobility Sdn. Bhd.	Malaysia	100,0%[15]
Siemens Mobility Limited	Thailand	100,0%[15]
Siemens Mobility, s.r.o.	Slovakia	100,0%[15]
Siemens Mobility, s.r.o.	Czech Republic	100,0%[15]
Siemens Mobility d.o.o.	Slovenia	100,0%[15]
Siemens Mobility S.A. / N.V	Belgium	100,0%[15]
Siemens Mobility AB	Sweden	100,0%[15]
Siemens Mobility AS	Norway	100,0%[15]
Siemens Mobility B.V.	Netherlands	100,0%[15]
Siemens Mobility Ltd.	Canada	100,0%[15]
Siemens Mobility Osakeyhtiö	Finland	100,0%[15]
Siemens Mobility S.R.L.	Romania	100,0%[15]
Siemens Mobility Pty. Ltd.	Australia	100,0%[15]

12. Sold in the first half year 2018; no transfer of the entity anticipated in the Contemplated Transaction
13. In liquidation; no transfer
14. Non-consolidated for reasons of materiality
15. Company newly created/added for carve-out purposes; Non-consolidated for reasons of materiality

NOTE 26 Financial income (expenses)

For the interim period ended March 31, 2018, the total financial Income net of expenses amounted to € 6 million.

The financial expenses of € (2) million primarily comprises provisions for pension expenses (net of income for pension assets) of € (4) million and other interest income (net of expenses) of € 2 million.

The financial income comprises Investment income of € 9 million, of which € 8 million is attributable to income from equity consolidation of 'At equity' companies.

NOTE 27 Other current and non-current assets

(in millions of €)	Mar 31, 2018 Current	Mar 31, 2018 Non Current	Oct 1, 2017 Current	Oct 1, 2017 Non Current
Other tax receivables	175	-	142	-
Prepaid expenses	19	15	12	9
Miscellaneous receivables (non financial assets)	35	16	26	15
Total Other current and non-current assets	**229**	**31**	**180**	**24**

Other tax receivables relate mainly to receivables for sales tax of € 138 million and value added tax of € 22 million.

NOTE 28 Cash and cash equivalents

(in millions of €)	Mar 31, 2018	Oct 1, 2017
Cash at Bank and in hand	59	70
Total Cash and cash equivalents	**59**	**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, May 18, 2018

The SMO Business

CEO - Sabrina Soussan

CEO - Michael Peter

CFO - Karl Blaim

Exhibit 6.4
Terms and conditions of the Warrants

Terms and conditions of the Warrants

1. Description of the Warrants

The Warrants issued by Alstom shall be securities carrying rights to the share capital within the meaning of Articles L. 228-91 *et seq.* of the French Commercial Code.

2. Form of issuance and registration of securities

The Warrants shall be issued in registered form (*forme nominative*). In accordance with Article L. 211-3 of the French Monetary and Financial Code, the Warrants shall be registered in a securities account held by a qualified intermediary. The rights of the Warrant holder(s) (the "**Warrant Holder(s)**)" shall therefore be represented by registered securities held in an account opened in their name in the books of BNP Paribas Securities Services.

In accordance with Articles L. 211-15 to L. 211-17 of the French Monetary and Financial Code, the Warrants may be transferred from one account to another and transfer of ownership of the Warrants will result from their registration in the securities account of each acquiror.

3. Issue date of the Warrants

The Warrants shall be issued on the Closing Date.

4. Issuing currency

The Warrants and any new shares resulting from the exercise of the Warrants shall be denominated in euros.

5. Listing

The Warrants shall not be listed or admitted to trading on a regulated market.

Applications will be made periodically for the admission to trading on Euronext Paris of the new Alstom Shares issued upon any exercise of the Warrants during the Exercise Period. The new Alstom Shares shall immediately become fungible with the existing Alstom Shares listed on Euronext Paris and tradable, as from the date on which they are admitted to trading, on the same listing line as such existing shares, under ISIN FR 0010220475.

6. Warrant and Underlying Share transfer restrictions

The Warrants may not be sold or otherwise transferred by the Warrants Holder(s), other than to a company that controls, is controlled by or is under the joint control with the Warrant Holder(s) as defined in Article L. 233-3 of the French Commercial Code.

Warrant Holder(s) may engage directly or indirectly in any hedging transaction in respect of the Warrants.

The new or existing shares ("**Underlying Shares**") issued upon exercise of the Warrants shall be assimilated to existing Alstom Shares and shall be freely transferable.

7. Warrant exercise

The Warrants may be exercised at any time from midnight (Paris time) on the fourth (4th) anniversary of the Alstom Board's decision to issue the Warrants (the "**Issue Date**") until midnight (Paris time) on the sixth (6^{th}) anniversary of the Issue Date, after which time any unexercised Warrants shall lapse and shall have no further value (the "**Exercise Period**"). The Warrants may be exercised in whole or in part during the Exercise Period. It being provided that such exercise shall be publicly disclosed according to applicable laws and regulations.

The Warrants shall carry a right to the subscription of eighteen million nine hundred forty two thousand eight hundred eighty eight (18,942,888) Alstom Shares at the Exercise Price for an exchange rate of one (1) Alstom Share to one (1) Warrant (the "**Exercise Ratio**"), subject to any subsequent adjustment that may be required pursuant to applicable Laws or under these terms and conditions.

The "**Exercise Price**" shall be equal to (i) Alstom's equity value as of the Determination Date less (ii) any dividend or other distributions of assets or proceeds (such as reductions of share capital) in cash or in kind made by Alstom since the Determination Date until the Closing Date (excluding the Distribution A and the Distribution B when finally determined), divided by (iii) the number of Alstom Shares existing as of the Determination Date.

During the Exercise Period, before exercising their Warrants, the Warrant Holders shall notify Alstom of their intention to exercise their Warrants in whole or in part no later than five (5) Business Days before the contemplated exercise date (the "**Exercise Notice**"). The Exercise Notice shall indicate the contemplated number of Warrants to be exercised.

Upon exercise of the Warrants, the Exercise Price of each Warrant shall be paid in full in cash or by set-off against good claims due against Alstom , or by way of capitalisation of reserves, earnings or issue premiums. The Underlying Shares shall be allotted to the Warrant Holder on the exercise date.

8. <u>Suspension of exercise of the Warrants</u>

The Alstom Board of Directors reserves the right to suspend exercise of the Warrants in the following cases only: (i) for the period beginning thirty-seven (37) calendar days before any shareholders' meeting and ending on the date of such meeting, and (ii) for the period beginning on the date of publication of a prospectus or similar document required or registered by the *Autorité des marchés financiers* and relating to a public offering of securities of Alstom and ending ninety (90) calendar days after the settlement and delivery of such offering.

9. <u>Change of profit allocation or capital repayment rules, form or corporate purpose of Alstom</u>

After issue of the Warrants and as permitted by the provisions of Article L. 228-98 of the French Commercial Code, Alstom may change its form or its corporate purpose without obtaining consent from the Warrant Holder(s) in a special meeting. Furthermore, in accordance with the provisions of Article L. 228-98 of the French Commercial Code, Alstom may, without seeking authorisation from the special meeting of Warrant Holder(s), pay down its share capital, alter the profit allocation arrangements and/or issue preferred shares, subject to taking the necessary measures to protect the rights of holders of any Warrants still in issue.

10. <u>Protection of Warrant Holder(s)' rights</u>

Should Alstom carry out any of the following transactions after the Determination Date:

- issuance of securities (by way of listed pre-emptive subscription rights (*droits préférentiels de souscription*), free allocation of listed warrants);

- reserved capital increases;

- free allocation of shares to shareholders, regrouping or splitting of shares;

- incorporation into Alstom's share capital of reserves, profits or issue premiums by increasing the par value of the Shares;

- free allocation to Alstom's shareholders of any financial instrument other than shares;
- absorption, merger (*fusion*), demerger or spin-off (*scission*);
- repurchase by Alstom of its own shares at a price higher than the market price;
- repayment of share capital;
- modification in profit allocation, including by way of creation of preferred shares or the improvement of the financial terms of any existing preferred shares;
- capital reduction motivated by losses (through a decrease in the number of shares or the par value of the shares);
- distribution of a dividend;
- distribution of reserves and/or premiums in cash or in kind;
- free allocation of shares and stock-options to employees.

where the date for determining the shareholders of record entitled to benefit from or participate in the transaction and, in particular, to benefit from any dividend, allotment or allocation announced or voted on or before that date, is prior to the delivery date of the Underlying Shares, the Warrant Holder(s)' rights shall be protected until the delivery date (excluded) as set out below (notably, by way of an adjustment of the Exercise Ratio).

Any adjustment of the Exercise Ratio shall be made such that the value of the shares that would have been obtained had the Warrants been exercised immediately before one of the above-mentioned transactions is equal, to the nearest one hundredth of a share, to the value of the shares that would have been obtained had the Warrants been exercised immediately after such transaction.

If an adjustment is made in accordance with Sections 10.1 to 10.11 below, the new Exercise Ratio shall be rounded to the nearest two decimal places (0.005 being rounded up to 0.01). Any subsequent adjustments shall be made using the previous Exercise Ratio thus calculated and rounded. However, the Warrants may only give rise to the delivery of a whole number of shares and the arrangements for settling any fractional shares are set out below.

10.1. a) In the event of financial transactions with listed preferential subscription rights, the new Exercise Ratio shall be equal to the Exercise Ratio before the relevant transaction multiplied by the following ratio:

[(Ex-rights value of the share + value of the right)/Ex-rights value of the share**]**

For the purpose of calculating the ratio, the ex-rights value of the share and the value of the preferential subscription right shall be equal to the arithmetic mean of their opening prices quoted on Euronext Paris (or, if they are not listed on Euronext Paris, on any other regulated market or a similar market on which the shares of Alstom or the preferential subscription rights are listed) on each trading day during the subscription period.

10.1. b) In the event of financial transactions involving a free allotment of listed warrants to the shareholders, with the related possibility of a placement of securities upon exercise of warrants unexercised by their holders at the end of the subscription period that applies to them, the new Exercise Ratio shall be equal to the Exercise Ratio before the relevant transaction multiplied by the following ratio:

[(Ex-warrants value of the share + value of the warrant)/Ex-warrants value of the share**]**

For the purpose of calculating the ratio:

- the ex-warrants value of the share shall be equal to the volume-weighted average of (i) the trading prices of the shares on Euronext Paris (or, if the shares are not listed on Euronext Paris, on another regulated market or a similar market on which the shares are listed) on each trading day during the subscription period, and (ii) (a) the sale price of the financial securities sold via a placement, if such instruments are shares fungible with existing shares of Alstom , weighted by the volume of shares sold via the placement, or (b) the trading price of Alstom's shares on Euronext Paris (or, if not listed on Euronext Paris, on another regulated market or a similar market on which the shares are listed) on the date on which the sale price of the financial instruments sold via a placement is set if those financial instruments are not shares fungible with existing shares of Alstom,

- the value of the warrant shall be equal to the volume-weighted average of (i) the trading price of the warrants on Euronext Paris (or, if not listed on Euronext Paris, on another regulated market or a similar market on which the warrants are listed) on each trading day during the subscription period, and (ii) the implied value of the warrant resulting from the sale price of the financial instruments sold via a placement, which is equal to the difference (if positive), adjusted for the warrant exercise ratio, between the sale price of the financial instruments sold via the placement and the subscription price of the financial instruments obtained upon exercise of the warrants, weighted by the volume corresponding to the warrants exercised to allot the financial instruments sold via the placement.

10.1 c) Reserved capital increases

In the event of reserved capital increases (capital increases without subscription rights), the new Exercise Ratio shall be equal to the Exercise Ratio before the relevant transaction multiplied by the following ratio:

[Number of shares comprising the share capital after the transaction /
Number of shares comprising the share capital before the transaction**]**

10.2. In the event of a free allocation of shares or stock options to the shareholders or to employees or in the event of regrouping or splitting of shares, the new Exercise Ratio shall be equal to the Exercise Ratio before the relevant transaction multiplied by the following ratio:

[Number of shares comprising the share capital after the transaction /
Number of shares comprising the share capital before the transaction**]**

10.3. In the event of a capital increase via a capitalisation of reserves, earnings or issue premiums made by increasing the par value of the shares of Alstom , the par value of the shares that may be obtained by the Warrant Holder(s) upon exercise of the Warrants shall be increased accordingly.

10.4. In the event of a free allocation of financial instruments other than shares of Alstom to the shareholders of Alstom and subject to the provisions of paragraph 10.1 b) above, the Exercise Ratio shall be equal to the Exercise Ratio before the relevant transaction multiplied by the following ratio:

[(Ex-allotment rights value of the share + value of the securities allocated by share)/
Ex-allotment rights value of the share**]**

For the purpose of calculating the ratio:

- the ex-allotment rights value of the share shall be equal to the volume-weighted average price of the share ex-allotment rights as quoted on Euronext Paris (or, if not listed on Euronext Paris, on another regulated or similar market on which the ex-allotment rights shares of Alstom are listed) during the three (3) trading days beginning as of the date on which the shares of Alstom are quoted ex-allotment rights,

- if the financial instruments are listed or likely to be listed on Euronext Paris (or, if not listed on Euronext Paris, on another regulated or similar market) in the ten- (10) day trading period beginning on the date on which the shares are quoted ex-allotment rights, the value of the financial instrument(s) allotted per share shall be equal to the volume-weighted average price of those financial instruments on such market during the first three (3) trading days of the period in which the financial instruments are listed. If the financial instruments allotted are not listed on each of the three trading days, the value of the financial instrument(s) allotted per share shall be determined by a reputable international independent appraiser selected by Alstom.

10.5. In the event of Alstom's absorption by another company, or its merger with one or more other companies into a new company, or in the event of a demerger or spin-off, the exercise of the Warrants shall give rise to the allotment of shares of the absorbing or new company or of the companies arising from the demerger or spin-off.

The new Exercise Ratio shall be determined by multiplying the Exercise Ratio prevailing before the start of the relevant transaction by the exchange ratio of the shares of Alstom against the shares of the absorbing or new company or the beneficiary companies of a spin-off. The spun-off companies shall automatically be subrogated to all of Alstom's obligations to the Warrant Holder(s).

10.6. In the event of Alstom's repurchase of its own shares at a price higher than the quoted share price, the new Exercise Ratio shall be equal to the Exercise Ratio before the repurchase multiplied by the following ratio:

[(Value of the share x (1-Pc %)) /
Value of the share x Pc % x repurchase price**]**

For the purpose of calculating the ratio:

- value of the share means the volume-weighted average share price as quoted on Euronext Paris (or, if not listed on Euronext Paris, on another regulated or similar market on which the shares are listed) during the three (3) trading days preceding the repurchase (or repurchase option),

- Pc % means the percentage of capital repurchased, and

- repurchase price means the effective price of the repurchase.

10.7. In the event of a capital repayment, the new Exercise Ratio shall be equal to the Exercise Ratio before the relevant transaction multiplied by the following ratio:

[Value of the share before the capital repayment /
(Value of the share before the capital repayment **-** Amount of the capital repayment per share)**]**

For the purpose of calculating the ratio, the value of the share before the capital repayment shall be equal to the volume- weighted average share price as quoted on Euronext Paris (or, if not listed on Euronext Paris, on another regulated or similar market on which the shares are listed) during the three (3) trading days preceding the day on which the shares of Alstom are quoted ex-repayment.

10.8. (a) In the event of a change of profit allocation by Alstom (including by way of issuing preferred shares or altering the terms and conditions of existing preferred shares leading to such a change), the new Exercise Ratio shall be equal to the Exercise Ratio before the relevant transaction multiplied by the following ratio:

[Value of the share before the change/
(Value of the share before the change **-** Per share reduction of the profit entitlement)**]**

For the purpose of calculating the ratio:

- the value of the share before the change shall be determined based on the volume-weighted average share price as quoted on Euronext Paris (or, if not listed on Euronext Paris, on another regulated or similar market on which the shares are listed) during the three (3) trading days preceding the date of the change,

- the per share reduction of the profit entitlement shall be determined by a reputable international independent appraiser selected by Alstom and subject to the approval of the special meeting of Warrant Holder(s).

Notwithstanding the foregoing, if the preferred shares are issued with pre-emptive rights in favour of the shareholders or by way of a free allotment to the shareholders of warrants to subscribe to the preferred shares, the new Exercise Ratio shall be adjusted in accordance with the provisions of paragraphs 10.1 or 10.4 above.

10.8 (b) In the event of an issue of preferred shares not giving rise to a change in the profit allocation, the adjustment to the Exercise Ratio, if any, shall be determined by a reputable international independent appraiser selected by Alstom.

10.9. In the event of a capital reduction by Alstom motivated by losses and made by decreasing the par value or the number of shares comprising the share capital, the rights of the Warrant Holder(s) shall be reduced accordingly, as though they had exercised their Warrants before the date of the capital reduction. In the event of a capital reduction made by decreasing the number of shares, the new Exercise Ratio shall be equal to the Exercise Ratio before the capital reduction multiplied by the following ratio:

[Number of shares comprising the share capital after the transaction /
Number of shares comprising the share capital before the transaction**]**

10.10 Distribution of dividends

The aggregate amount of any distributions of dividends made by Alstom (excluding distributions of reserves and/or premiums in cash or in kind in accordance with paragraph 10.11 below) since the Closing Date that would have been received by the Warrant Holder(s) had they held, on the date of each Distribution, the number of shares of Alstom to which the Warrants would have entitled them (had they been exercised on the basis of the Exercise Ratio on the day preceding the date on or after which the Underlying Shares were traded without entitlement to the distribution rights ("ex-date")), shall be deducted from the amount of the Exercise Price to be paid by the Warrant Holder(s).

Any Distribution made in kind shall be valued (i) based on the volume-weighted average price (VWAP) applied to the three (3) days following the distribution for listed securities, and (ii) by a reputable international independent appraiser appointed by Alstom for other types of assets.

Should Alstom offer its shareholders the option of receiving a dividend in shares of Alstom, the value of the dividend shall be calculated as if the shareholder had opted for a dividend distribution in shares.

10.11 In the event that reserves and/or premiums are distributed between the Closing Date and the Warrant exercise date, in cash or in kind (excluding for the avoidance of doubt (i) any amount taken into account in the definition of the Exercise Price and (ii) the Distribution A and the Distribution B) (the "**Distributions**"), in accordance with Article R. 228-89 of the French commercial code, the sum or the assets that the Warrant Holder(s) would have received had they been shareholders at the time of the distribution should be deducted from the amount of the Exercise Price.

In accordance with the provisions of Article R. 228-92 of the French Commercial Code, should Alstom decide to issue, in any form, new shares or securities carrying rights to shares with pre-emptive rights in favour of the shareholders, or to distribute reserves or premiums in cash or in kind, or to change its profit allocation arrangements through the issuance of preferred shares, it shall notify the Warrant Holder(s) insofar as such notification is required by the applicable regulations.

11. Settlement of fractional shares

Warrant Holder(s) exercising their Warrants may subscribe to a number of Underlying Shares calculated by applying the Exercise Ratio to the number of Warrants presented for exercise.

If the Exercise Ratio is adjusted and the resulting number of shares is not a whole number, the Warrant Holder may elect to receive:

- either the next lower whole number of Underlying Shares, in which case the Warrant Holder shall receive a cash sum equal to the fraction of the share multiplied by the value of the share, being equal to the latest share price quoted on Euronext Paris (or, if the shares are not listed on Euronext Paris, on any other regulated market or similar market serving as the main market for Alstom's shares) on the trading day preceding the Warrant exercise notification date;

- or the next higher whole number of Underlying Shares, provided that the Warrant Holder shall pay Alstom a sum equal to the value of the additional fraction calculated as per the preceding paragraph.

A Warrant Holder that fails to specify one of the above options shall receive the next lower whole number plus a cash balance as described above.

12. Notification of adjustment to Warrant Holder(s)

In the event of an adjustment, the Warrants Holder(s) shall be notified of the new terms no later than five (5) business days after the effective date of the adjustment, pursuant to the applicable legislation and regulations. In addition, Alstom Board of Directors shall report on the method of calculation and the results of any adjustment in the next Annual Report.

13. Alteration of the characteristics of the Warrants

The Extraordinary Shareholders' Meeting may alter the terms and conditions of the Warrants subject to authorisation by the corporate body of Warrant Holder(s) (as referred to below) voting on a two-thirds majority of the votes cast by those Warrant Holder(s) present in person or by proxy.

14. Warrant Holder(s)' representative

In accordance with the provisions of Article L. 228-103 of the French Commercial Code, the Warrant Holder(s) together form a corporate body (*masse*) with legal personality and subject to the same provisions as those set out in Articles L. 228-47, L. 228-66 and L. 228-90 of the French Commercial Code. Each representative of the *masse* of Warrant Holder(s) shall have unconditional power to act in the name of the *masse* of the Warrant Holder(s) to do all things required to protect their common interests. The representative shall exercise his functions until such time as he resigns, is removed by decision of the general meeting of Warrant Holder(s) or a conflict of interest arises. His term of office shall end automatically on the last day of the Warrants Exercise Period. Such term shall, if necessary, be extended automatically until full and final resolution of any legal proceedings in which the representative may be involved and until such time as any decision has been enforced or settlement reached. The appointment of the Warrant Holder(s)' representatives shall be determined after the general meeting. The compensation of each Representative of the *Masse* shall be set at €**[**500**]** (excluding VAT) per annum, payable for the first time on the Warrants Issue Date, and subsequently on each anniversary of said date for as long as the Warrants exist.

15. Fees

Alstom shall assume any and all fees that are deemed to be reasonable and can be duly justified as part of the activities of the *Masse*, including any and all fees related to the procedures for calling and holding general meetings and any and all fees required to remunerate the Representative of the *Masse* and, more generally, any and all administrative fees related to Warrant Holder(s)' general meetings. The second sentence of the first paragraph of Article L. 228-71 of the French Commercial Code shall not apply to the Warrants.

16. Governing law and competent courts

The Warrants and the Underlying Shares shall be governed by, and shall be construed in accordance with, the laws of France and any dispute arising therefrom or in connection therewith shall be submitted to the exclusive jurisdiction of the Paris Court of Appeal (*Cour d'Appel de Paris*).

Exhibit 6.5

Unaudited pro forma financial information

Unaudited pro forma financial information

The unaudited pro forma condensed financial information presented below constitutes an exhibit to the document E filed with the *Autorité des marchés financiers* (the "AMF") (the "**Document**") in the context of the proposed combination between the Alstom group and the mobility activities of the Siemens group (the "**Transaction**") and shall be read in conjunction with the information contained in the Document.

A. Unaudited pro forma condensed combined financial information as of September 30, 2017

1. Introduction

1.1. Background information

The unaudited pro forma condensed combined financial information of Siemens Alstom (together with its consolidated subsidiaries, the "**Combined Group**") includes the unaudited pro forma condensed combined statement of financial position as of September 30, 2017 and the unaudited pro forma condensed combined statement of income for the 12 month period ended September 30, 2017 with the related explanatory notes (together the "**Unaudited Pro Forma Condensed Combined Financial Information**") and has been prepared to represent the pro forma effects of the Transaction. The Unaudited Pro Forma Condensed Combined Financial Information has been prepared considering a 12-month period ending September 30 as it is expected to be the fiscal year end of the Combined Group in the future.

The unaudited pro forma condensed combined statement of financial position has been prepared assuming that the Transaction had been completed on September 30, 2017. The unaudited pro forma condensed combined statement of income has been prepared assuming that the Transaction had been completed on October 1, 2016.

The Unaudited Pro Forma Condensed Combined Financial Information has been produced for illustrative purposes only, and, by its nature, is not intended to represent or to be indicative of the result of operations or the financial position that the Combined Group would have had achieved, had the Transaction been completed as of September 30, 2017 in the unaudited pro forma condensed combined statement of financial position, or as of October 1, 2016 in the unaudited pro forma condensed combined statement of income, nor is the Unaudited Pro Forma Condensed Combined Financial Information indicative of the future operating results or financial position of the Combined Group.

The Unaudited Pro Forma Condensed Combined Financial Information should be read in conjunction with the information contained in the section 5.3 of this Document entitled "Financial information relating to the Siemens "Mobility" business" and in Alstom's 2017/2018 Registration Document incorporated by reference into this Document.

1.2. Accounting treatment of the transaction

Considering the guidance in IFRS 3 "Business Combinations" ("IFRS 3") and all facts and circumstances, in particular those related to the contemplated Transaction, including the business combination agreement entered into between Alstom and Siemens AG on March 23rd, 2018 (the "**Business Combination Agreement**"), Alstom and Siemens Mobility management determined that

Siemens Mobility is the acquirer for accounting purposes based on (i) the relative voting rights of both Alstom's shareholders and Siemens Mobility's shareholders in the Combined Group, (ii) the composition of the governance body of the Combined Group agreed between the parties, and (iii) the terms of the exchange. Accordingly, although from a legal perspective Alstom is the acquirer and will be the entity issuing new shares to Siemens Mobility's shareholders, for accounting purposes the transaction will be treated as the acquisition of Alstom by Siemens Mobility.

As Siemens Mobility is the accounting acquirer, its assets, liabilities and statement of income line items will be recorded at their historical carrying amounts for all periods presented in the consolidated financial statements of the Combined Group and the purchase accounting and consolidation of Alstom will be reflected from the date of completion of the proposed Transaction, i.e. the date of acquisition as defined in accordance with IFRS 3 (the "**Completion Date**"). By applying the principles in IFRS 3, Alstom's identifiable assets acquired and liabilities assumed will be initially recognized at their fair values at the Completion Date.

The change of financial year close from March 31 to September 30 could lead, depending of the Completion Date, to a financial year of less or more than 12 months:

- if the Completion Date occurs on or prior to March 31, 2019, the financial year starting on April 1, 2018 will end on September 30, 2019 (with a 12-month comparable at 31 March 2018);

- if the Completion Date occurs on or after April 1, 2019, the financial year starting on April 1, 2019 will end on September 30, 2019 (with a 12-month comparable at 31 mars 2019).

1.3. Preparation of pro forma information

The Unaudited Pro Forma Condensed Combined Financial Information is presented in millions of Euro.

The Unaudited Pro Forma Condensed Combined Financial Information is presented in accordance with Annex II of the AMF (*Autorité des marchés financiers*) Instruction n°2016-04 dated October 21, 2016, as modified on January 15, 2018, Annex II of Commission Regulation (EC) n°809/2004 "Pro Forma Financial Information Building Block", the recommendations issued by ESMA (formerly CESR) (ESMA/2013/319 of March 20, 2013) and the recommendations n°2013-08 issued by AMF on pro forma financial information.

The Unaudited Pro Forma Condensed Combined Financial Information is based on:

- Alstom's historical audited consolidated financial statements as of and for the year ended March 31, 2017 as well as Alstom's historical reviewed interim consolidated financial statements as of and for the 6 month period ended September 30, 2017, both prepared in accordance with IFRS as adopted by the European Union, which are incorporated by reference in this Document; and
- Siemens Mobility business' historical audited annual combined financial statements as of and for the year ended September 30, 2017 prepared in accordance with the financial reporting framework applied in the preparation of the Combined Financial Statements ("Basis of Preparation") which is based on the recognition and measurement principles of the International Financial Reporting Standards as endorsed by the EU (IFRS) and certain carve-out specific accounting methods, included in this Prospectus.

The pro forma adjustments to the Unaudited Pro Forma Condensed Combined Financial Information are limited to those that are (i) directly attributable to the Transaction and (ii) factually supportable.

The Unaudited Pro Forma Condensed Combined Financial Information does not reflect items such as synergies or operating efficiencies that may result from the Transaction or restructuring and integration costs that may be incurred as a result of the Transaction.

The Unaudited Pro Forma Condensed Combined Financial Information is based upon certain assumptions that both Alstom and Siemens Mobility believe are reasonable at the date of this Document and in the context of the Business Combination Agreement.

For the preparation of the Combined Financial Statements and the Combined Interim Financial Statements certain carve-out specific assumptions ("carve-out specific accounting policies") were applied as the legal separation and re-organization of the Siemens Target Business as well as the identification of employees in corporate functions that will transfer to the Siemens Target Business as part of the Contemplated Transaction is not yet completed:

- Employee-related obligations (e.g., pensions, jubilee bonus, share-based compensation, and salary obligations) are determined based on active employees of the Siemens Target Business, passive employees that are expected to transfer and exclude Siemens employees in corporate functions as these are not completely identified and related obligations cannot be reliably estimated; plan assets that were not directly attributable were allocated based on the proportion of the Siemens Target Business' defined benefit obligation to the Siemens Group defined benefit plan obligation;

- Provisions for pension-related obligations are based on actuarial assumptions of the Siemens Group plans; the actuarial assumptions have not been reassessed for the Siemens Target Business-specific employee population for purposes of the Combined Financial Statements and the Combined Interim Financial Statements;

- For the capital structure of the Siemens Target Business certain assumptions have been determined for cash and cash equivalents, cash pooling receivables and payables as well as for loans with third parties or with Siemens Financial Services;

- Income taxes as well as deferred taxes were determined on a simplified separate tax return basis;

- For the determination and presentation of minority interests in some future legal entities to which the Siemens Target Business will be transferred, assumptions and simplifications have been applied since the details of the transfer to these legal entities are not determined in the respective carve-out concept yet.

Please refer to Note 1, B of the Combined Interim Financial Statements where the carve-out assumptions are further described.

Pursuant to the Business Combination Agreement, Alstom's existing shareholders at the business day immediately preceding the Completion Date (the "**Record Date**") will be entitled, subject to completion of the contemplated Transaction, to two special distributions of reserves and/or premiums (as stated in section 2.2.1 of this Document):

- An extraordinary distribution of €4.00 per share (€ 885 million in total) to be paid shortly after the Completion Date (the "**Distribution A**"). This first distribution will represent an obligation of Alstom towards its existing shareholders as at the Record Date and has therefore been reflected as a liability in the unaudited pro forma condensed combined statement of financial position in the line "Financial liabilities for Distributions A and B"; and
- An extraordinary distribution of up to €4.00 per share (up to € 881 million in total) to be paid out of the proceeds of Alstom's put options under the GE Renewable and Grid joint ventures (the "**Distribution B**"). This second distribution, whose amount is also subject to the amount of such proceeds, the net cash position of Alstom and the price paid by Alstom to repurchase

Alstom shares, plus the associated costs of the repurchase program (the “**Repurchase Global Price**”), as further detailed in section 2.2.1 of this Document, will represent an obligation of Alstom towards its existing shareholders at the Record Date and has therefore been recognized in the unaudited pro forma condensed combined statement of financial position in the line “Financial liabilities for Distributions A and B”. The maximum amount of € 881 million has been reflected in the unaudited pro forma statement of financial position considering that the proceeds of the put options under the GE Renewable and Grid joint ventures will be paid as contractually stated and with the assumption, when preparing the unaudited pro forma statement of financial position, that the other items to which the Distribution B is subject to will not have a significant impact on its amount.

The Business Combination Agreement provides a specific contribution consideration mechanism between Alstom and Siemens which is presented in section 2.7 of this Document. No adjustment has been reflected in the Unaudited Pro Forma Condensed Combined Financial Information for this mechanism as its outcome will be determined based on the consolidated financial statements to be prepared as of the last day of the quarter immediately preceding the month in which the satisfaction or, as the case may be, waiver of the last conditions precedent to the contemplated Transaction (other than the conditions precedent to occur on the Completion Date) will occur (the “**Determination Date**”). As further detailed in section 2.2.1 of this Document, Alstom’s net cash position at the Determination Date and the Repurchase Global Price could result in an adjustment to the Distribution B and the corresponding liability recognized.

Based on the preliminary assessment performed at this stage by both Alstom and Siemens Mobility, no change of control provisions have been identified that could have an impact on the Combined Group. As disclosed in its consolidated financial statements as of March 31, 2018, certain Alstom’s financing arrangements, including bonds and facility arrangements, contain change of control clauses. However, management’s assumption is that such clauses will not be exercised. Accordingly, no adjustment has been reflected in the Unaudited Pro Forma Condensed Combined Financial Information.

Given all assumptions taken and the assessments performed on a preliminary basis for the purpose of the Unaudited Pro Forma Condensed Combined Financial Information, the actual financial position and results of operations of the Combined Group in the future may differ from these pro forma amounts as additional information becomes available and as additional analyses are performed.

2. Unaudited pro forma condensed combined statement of financial position as of September 30, 2017

	Alstom historical	Siemens historical	Unaudited pro forma adjustments: Reclassifications	Unaudited pro forma adjustments: Business combination	Unaudited pro forma adjustments: Other adjustments	Unaudited Combined Group pro forma
			Note 4.2	Note 4.3	Note 5	
Assets						
(in € million)						
Goodwill	1 443	1 891		5 274 *a)*		8 608
Intangible assets	381	812				1 193
Property, plant and equipment	738	648				1 386
Investments in joint-ventures and associates	2 812	127			(2 289) *a)*	650
Other financial assets	56	103				159
Other non-current assets	294	24				318
Deferred tax	184	38				222
Total non-current assets	**5 908**	**3 643**	**-**	**5 274**	**(2 289)**	**12 536**
Inventories and contract assets	3 823	3 755	(544) *a) b) c)*			7 034
Trade receivables (1)	1 534	1 296				2 830
Other current operating assets (2)	1 279	191	(130) *c)*	24 *f)*	4 *c)*	1 368
Other current financial assets	15	347				362
Cash and cash equivalents	1 643	70				1 713
Total current assets	**8 294**	**5 659**	**(674)**	**24**	**4**	**13 307**
Assets held for sale	9	-			2 289 *a)*	2 298
Total Assets	**14 211**	**9 302**	**(674)**	**5 298**	**4**	**28 141**
Liabilities and Equity						
(in € million)						
Equity attributable to the equity holders of the parent	3 726	2 263		3 439 *b)*	(12)	9 416
Non-controlling interests	61	30				91
Total equity	**3 787**	**2 293**	**-**	**3 439**	**(12)**	**9 507**
Non-current provisions	523	416				939
Accrued pensions and other employee benefits	491	362				853
Non-current financial liabilities (3)	1 318	459				1 777
Other non-current liabilities	214	214				428
Deferred tax	25	449				474
Total non-current liabilities	**2 571**	**1 900**	**-**	**-**	**-**	**4 471**
Current provisions	258	549				807
Current financial liabilities (4)	468	759				1 227
Financial liabilities related to Distributions A and B				1 766 *c)*		1 766
Contract liabilities	4 461	-	1 399 *a) b) d)*			5 860
Trade payables (5)	1 249	832				2 081
Other current operating liabilities (6)	1 410	2 969	(2 073) *d)*	93 *d) e)*	16 *b)*	2 414
Total current liabilities	**7 846**	**5 109**	**(674)**	**1 859**	**16**	**14 155**
Liabilities related to assets held for sale	7	-				7
Total Liabilities and Equity	**14 211**	**9 302**	**(674)**	**5 298**	**4**	**28 141**

(1) Trade receivables for Siemens Mobility comprises Trade and other receivables (€ 1 167 million) and Receivables from Siemens Group (€ 129 million).
(2) Other current operating assets for Siemens Mobility comprises Other current assets (€ 180 million) and Current income tax assets (€ 11 million).
(3) Non-current financial liabilities for Siemens Mobility comprises Long-term debt (€ 431 million) and Other financial liabilities (€ 28 million).
(4) Current financial liabilities for Siemens Mobility comprises Short-term debt and current maturities of long-term debt (€ 622 million) and Other current financial liabilities (€ 137 million).
(5) Trade payables for Siemens Mobility comprises Trade payables (€ 765 million) and Payables to Siemens Group (€ 67 million).
(6) Other current operating liabilities for Siemens Mobility comprises Other current liabilities (€ 2 959 million) and Current income tax liabilities (€ 10 million).

3. Unaudited pro forma condensed combined statement of income for the year ended September 30, 2017

(in € million)	Alstom historical	Siemens historical	Unaudited pro forma adjustments: Reclassification	Unaudited pro forma adjustments: Business combination	Unaudited pro forma adjustments: Other adjustments	Unaudited Combined Group pro forma
	Note 7		Note 4.2	Note 4.3	Note 6	
Sales	**7 493**	**8 146**				**15 639**
Cost of Sales	(6 322)	(6 221)			35 *a)*	(12 508)
Research and development expenses	(177)	(373)			4 *a)*	(546)
Selling and general administrative expenses	(542)	(846)			66 *a)*	(1 322)
Other operating income / (expense)	(68)	11			(10) *b) c)*	(67)
Earnings before interest and taxes	**384** -	**717**			**95**	**1 196**
Financial income / (expense)	(107)	(8)				(115)
Pre-tax income	**277** -	**709**			**95**	**1 081**
Income tax charge	(84)	(173)			(25) *d)*	(282)
Share of net income of equity-accounted investments	145	-				145
Net profit from continuing operations	**338** -	**536**			**70**	**944**
Net profit from discontinued operations	50	-				50
Net Profit	**388** -	**536**			**70**	**994**
Attributable to:						
Group share	374	534			70	978
Minority interests	14	2				16

4. Notes to the Unaudited Pro Forma Condensed Combined Financial Information

4.1 Basis of preparation

Alstom's underlying figures are derived from its historical consolidated financial statements as follows:

- Alstom's statement of financial position as of September 30, 2017 correspond to the one published in its interim financial statements as of September 30, 2017,
- Alstom's statement of income column for the 12 month period ended September 30, 2017 has been prepared by considering the line items amounts as published in Alstom's annual financial statements as of March 31, 2017, less the amounts for the first semester as published in its interim financial statements as of September 30, 2016, adding the amounts for the 6 month period as of September 30, 2107. See table included in Note 7 below.

Siemens Mobility's underlying figures have been taken from its historical audited annual combined financial statements as of and for the year ended September 30, 2017 prepared in accordance with the financial reporting framework applied in the preparation of the Combined Financial Statements ("Basis of Preparation") which is based on the recognition and measurement principles of the International Financial Reporting Standards as endorsed by the EU (IFRS) and certain carve-out specific accounting methods, included in this Prospectus.

Tax effects (e.g. on deferred taxes) resulting from the carve-out of Siemens Mobility were not reflected as pro forma adjustments as they cannot be reliably estimated.

Significant accounting methods

Alstom and the Management of Siemens Mobility performed a preliminary comparison of their accounting methods. The assessment has not resulted in the identification of significant differences except for the following:

- Accounting for construction contracts: According to IAS 11 "Construction Contracts", contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion of a contract may be determined in a variety of ways. Alstom has opted for the milestones method (completion of a physical proportion of the contract work) to measure the work performed while Siemens Mobility has opted for the cost to cost method (percentage of costs incurred to date compared to the total estimated contract costs).

- Presentation of hedge accounting relationships: On the application of hedge accounting, Siemens Mobility generally applies cash flow hedge accounting whereas Alstom presents its hedge accounting relationships on commercial contracts as fair value hedges. While the two methods do not result in a different net impact on profit or loss they deviate in their presentation in the statement of financial position. In a cash flow hedge, the gain or loss on a hedging instrument is recognized in other comprehensive income. In a fair value hedge, the gain or loss on a hedging instrument is recognised in profit or loss and correspondingly, the gain or loss on the hedged item attributable to the hedged risk is recognised as an asset or liability through profit or loss. In the statement of financial position, Siemens Mobility presents the associated derivatives as current or non-current financial assets or liabilities. Alstom presents the associated derivatives as other current operating assets or liabilities.

After completion of the Transaction, the topics above will be further assessed as Alstom and Siemens Mobility share access to information. Additional adjustments or changes in the presentation of the financial statements may be performed as management aligns the accounting methods of the two groups and finalizes the determination of the Combined Group's accounting methods.

In addition, the Unaudited Pro Forma Condensed Combined Financial Information has been prepared based on the accounting methods applied by Alstom and Siemens Mobility before the adoption of the new revenue recognition standard IFRS 15 – Revenue from Contracts with Customers. IFRS 15 is adopted by Alstom for the fiscal year beginning on April 1, 2018 and by Siemens Mobility for the fiscal year beginning on October 1, 2017. Information about the assessments performed and the expected impacts is provided:

- For Alstom: in its historical audited consolidated financial statements as of and for the year ended March 31, 2018 (Note 2) incorporated by reference in this Prospectus, and,
- For Siemens Mobility: in its historical audited annual combined financial statements as of and for the year ended September 30, 2017 (Note 2) and its historical half year combined financial statements as of and for the six-month period ended March 31, 2018 (Note 3), both included in this Prospectus.

Intercompany transactions

Subsequent to the Completion Date, balances and transactions occurring between Alstom and Siemens Mobility will represent intercompany transactions that will be eliminated in the Combined Group's consolidated financial statements. No elimination has been reflected as pro forma adjustments in the Unaudited Pro Forma Condensed Combined Financial Information, as balances and transactions between Alstom and Siemens Mobility as of and for the periods presented are not significant.

4.2 Reclassifications made in the unaudited pro forma condensed combined statement of financial position and unaudited pro forma condensed combined statement of income

Unaudited pro forma condensed combined statement of financial position

The reclassifications below have been performed to conform the presentation of Alstom's and Siemens Mobility's statements of financial position:

(a) Down payments received by Alstom for contracts with an overall net asset position transferred from "Contract liabilities" to "Inventories and contract assets" (€ 1 066 million),

(b) Advance payments received by Siemens Mobility on contracts not accounted for using the percentage of completion method transferred from "Inventories and contract assets" to "Contract liabilities" (€ 392 million),

(c) Down payments made by Alstom to suppliers from "Other current operating assets" to "Inventories and contract assets" (€ 130 million),

(d) Siemens Mobility "Billings in excess of costs and estimated earnings on uncompleted contracts and related advances" reclassified from "Other current operating liabilities" to "Contract liabilities" (€ 2 073 million).

Provisions

While Siemens Mobility and Alstom both recognize some provisions (current and non-current) for warranty, penalties and other risks on contracts in their financial statements, the presentation of such provisions may be different. Alstom shows these provisions in the line item "Construction contracts in progress, assets" or "Construction contracts in progress, liabilities" during the execution of the contract and then reclassifies them in the provisions line items for their updated amount once the project has been completed. On the other hand, Siemens Mobility presents these provisions in the provisions line items during project execution and after completion.

These differences were not subject to pro forma adjustments as they cannot be reliably determined by the date of the Unaudited Pro Forma Condensed Combined Financial Information. For a harmonized presentation, the management of Alstom and Siemens Mobility would be required to share some information on a contract-by-contract basis, which would be in conflict with competition law restrictions at this stage of the Transaction.

Unaudited pro forma condensed combined statement of income

No reclassifications were identified necessary.

4.3 Purchase accounting

Preliminary consideration transferred

Given the structure of the Transaction, from a legal standpoint, Siemens Mobility's shareholders will receive shares issued by Alstom. From an accounting perspective, Siemens Mobility is the accounting acquirer. The consideration transferred by Siemens Mobility is measured based on the fair value of Alstom's business represented by Alstom's market capitalization as it was determined to be more reliably measurable than the value of the equity interest in Siemens' Mobility business.

As described under Note 1.3, Alstom's existing shareholders at the Record Date are entitled to two special distributions. While the two special distributions to its prior shareholders are included in Alstom's market capitalization, they do not relate to Alstom's business as contributed to the Combined Group. Accordingly, they have both been deducted from the market capitalization in order to determine the preliminary consideration transferred.

The final consideration transferred will be based on the fair value of Alstom's shares at the Completion Date. For the purpose of the Unaudited Pro Forma Condensed Combined Financial Information, the preliminary consideration has been based on the fair value of Alstom's shares as of May 31, 2018 as follows:

Number of Alstom shares outstanding as of September 30, 2017	220 522 575
Alstom's closing share price as of May 31, 2018 (€)	40,50
Estimated fair value of Alstom (m€)	**8 931**
Dividends to be paid to Alstom' shareholders (m€)	**(1 766)**
Estimated preliminary consideration transferred (m€)	**7 165**

As of September 30, 2017, there were no treasury shares and therefore shares outstanding equal shares issued of 220.5 million.

Further, the 18,942,888 warrants issued to Siemens Mobility Holding S.à.r.l under the Business Combination Agreement are not part of the consideration for the business combination and therefore do not impact the purchase accounting.

Sensitivity

The following table provides sensitivity to changes in the Alstom share price and the consequence to the preliminary consideration transferred:

	Alstom's closing share price (€)	Preliminary consideration transferred (m€)	Preliminary goodwill (m€)
Alstom's closing share price as of May 31, 2018	40,50	7 165	6 717
Increase in Alstom's share price by 5%	42,53	7 612	7 163
Decrease in Alstom's share price by 5%	38,48	6 719	6 270

Preliminary purchase price allocation

At the completion of the contemplated Transaction, Alstom's identifiable assets acquired and liabilities assumed will be recognized at their fair values at that date with any remaining difference with the consideration transferred recorded as goodwill. The Unaudited Pro Forma Condensed Combined Financial Information does not include any fair value adjustments or any allocation to new assets or liabilities at this stage due to competition law restrictions that prevent Alstom management and Siemens Mobility management to share the relevant information needed to perform reliable fair value estimates. Hence, on a preliminary basis, the purchase price in the Unaudited Pro Forma Condensed Combined Financial Information has been allocated to the historical carrying amounts of assets acquired and liabilities assumed, which were determined to assume their fair values as of September 30, 2017, with the resulting difference recorded as goodwill.

Upon completion of the contemplated Transaction, Alstom management and Siemens Mobility management expect that, amongst others, fair value adjustments will be made on property, plant and equipment and that the purchase price will also be allocated to newly identified intangible assets including brand, technologies, customer relationships and backlog.

The final valuation of Alstom's identifiable assets acquired and liabilities assumed at the Completion Date could cause material differences between the pro forma presentation and actual results.

Adjustment to the pro forma

(a) The following table presents the preliminary purchase price allocation to the identifiable assets acquired and liabilities assumed of Alstom, with the excess of the purchase price recorded as goodwill:

Amounts in m€

Alstom net assets before acquisition	3 726
Pro forma adjustments impacting Alstom's net assets (see d), e), f))	(69)
Elimination of Alstom's pre-existing goodwill	(1 443)
Dividends to be paid to Alstom' shareholders	(1 766)
Estimated preliminary fair value of net assets acquired	**448**
Estimated preliminary consideration transferred	7 165
Estimated preliminary goodwill	**6 717**
Elimination of Alstom's pre-existing goodwill	(1 443)
Preliminary goodwill adjustment	**5 274**

(b) The following table presents the adjustment to Equity as a result of the business combination:

Amounts in m€

Reversal of Alstom Equity attributable to the equity holders of the parent	(3 726)
Consideration transferred	7 165
Equity preliminary impact	**3 439**

(c) The adjustment corresponds to the deduction of the two special distributions for € 1 766 million as discussed above.

(d) The adjustment represents the estimated remaining transaction costs for Alstom to be incurred until the closing of the Transaction, which amount to € 68 million. It has been reflected as part of the liabilities assumed in the line "Other current operating liabilities".

(e) Alstom has granted some compensation arrangements in connection with the Transaction in order to ensure retention of key competencies among its operational and management teams. The pro forma adjustment represents the share of the compensation estimated to be earned by Alstom's employees upon completion of the Transaction. The adjustment, which amounts to € 24 million, has been reflected in the line "Other current operating liabilities". The remaining share of the granted compensation arrangements which are estimated to be earned after the completion of the Transaction (€ 8 million) has been reflected as adjustment in the unaudited pro forma condensed combined statement of income.

(f) The tax related adjustment in the line "Other current operating assets" represents the tax effect of the pro forma adjustments using a 26% tax rate corresponding to the arithmetical 2017 tax rate of the Combined Group.

5. Other pro forma adjustments related to the unaudited pro forma condensed combined statement of financial position

The following pro forma adjustments have been reflected in the unaudited pro forma condensed combined statement of financial position:

(a) Pursuant to the Business Combination Agreement, Alstom is committed to exercise its put options on GE Renewable and Grid joint ventures in September 2018. The investment will be recovered principally through a sale transaction rather than through continuing use. Had the Transaction been completed as of September 30, 2017, these joint ventures would have met the criteria provided for classifying them as assets held for sale in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" at that date. Accordingly, in the unaudited pro forma combined statement of financial position, the investment in the GE joint ventures has been moved from the line "Investments in joint-ventures and associates" to the line "Assets held for sale" for the same value each representing the lower of its carrying amounts and fair value less costs to sell.

(b) Siemens Mobility has granted some compensation arrangements in connection with the Transaction (in total € 22 million) in order to ensure retention of key competencies among its operational and management teams. Thereof € 16 million are estimated to be earned by Siemens Mobility employees upon completion of the contemplated Transaction and, thus, have been reflected as adjustment in the pro forma condensed combined statement of financial position in the line "Other current operating liabilities". The remaining share of the granted compensation arrangements which are estimated to be earned after the completion of the Transaction (€ 6 million) has been reflected as adjustment in the unaudited pro forma condensed combined statement of income.

(c) The tax related adjustment in the line “Other current operating assets” represents the tax effect of the pro forma adjustments using a 26% tax rate corresponding to the arithmetical 2017 tax rate of the Combined Group.

6. Other pro forma adjustments related to the unaudited pro forma condensed combined statement of income

The following pro forma adjustments have been reflected in the unaudited pro forma condensed combined statement of income:

(a) For the purposes of the unaudited pro forma condensed combined statement of income, it is assumed that the stand-alone savings of € 105 million per year[1] that Siemens Mobility has to realize from completion of the contemplated Transaction onwards as agreed between the parties, have been retrospectively applied for the 12 month period ended September 30, 2017. In the unaudited pro forma condensed combined statement of income, this results in a stand-alone saving classified as a reduction in the lines “Cost of Sales”, ”Research and development expenses” as well as ”Selling and general administrative expenses” and a corresponding increase in Earnings before interest and taxes of € 105 million.

In case the agreed stand-alone savings cannot be achieved as at the Closing Date, Siemens or its subsidiaries will compensate the combined business for the shortfall either by reduction of charges payable under the transitional service contracts or in cash.

Based on an estimate the breakdown of the € 105 million impact is the following:

- Reduction in cost of sales: € 35 million
- Reduction in research and development expenses: € 4 million

[1] Based on actual allocated central costs for the 12 month period ended September 30, 2017.

- Reduction in selling and general administrative expenses: € 66 million

(b) Alstom has incurred certain transaction costs in the period ended September 30, 2017, which amount to € 4 million. As these costs have been incurred prior to the Closing Date and are reflected as part of the purchase accounting, they are not expected to impact the statement of income of the Combined Group after the Closing and have been eliminated from the unaudited pro forma condensed combined statement of income. The adjustment has been reflected in the line “Other operating income / expense”.

(c) Alstom and Siemens Mobility have granted some compensation arrangements in connection with the Transaction in order to ensure retention of key competencies among their operational and management teams. The pro forma adjustment represents the share of the compensation estimated to be earned by the employees since completion of the contemplated Transaction. The adjustment, which amounts to € 14 million (thereof € 8 million relating to Alstom and € 6 million relating to Siemens Mobility), has been reflected in the line "Other operating income / (expense)". These costs are not expected to have a continuing impact on the Combined Group.

(d) The tax related adjustment relating to the line “Income tax charge” represents the tax effect of the pro forma adjustments above using a 26% tax rate corresponding to the arithmetical 2017 tax rate of the Combined Group.

7. Preparation of Alstom’s statement of income as of September 30, 2017

	Year-end Consolidated Financial Statements	Interim Consolidated Financial Statements	Recalculated	Interim Consolidated Financial Statements	Recalculated
(in € million)	Year ended 31 March 2017	Half year ended 30 September 2016	6-month period 1 October 2016 - 31 March 2017	Half year ended 30 September 2017	12-month period 1 October 2016 - 30 September 2017
Sales	**7 306**	**3 570**	**3 736**	**3 756**	**7 492**
Cost of sales	(6 171)	(3 021)	(3 150)	(3 171)	(6 321)
Research and development expenses	(175)	(78)	(97)	(80)	(177)
Selling expenses	(187)	(94)	(93)	(99)	(192)
Administrative expenses	(352)	(177)	(175)	(175)	(350)
Other income/(expense) + other non-reccuring (2016)	(63)	(32)	(31)	(37)	(68)
Earnings Before Interests and Taxes	**358**	**168**	**190**	**194**	**384**
Financial income	11	13	(2)	2	-
Financial expense	(138)	(84)	(54)	(53)	(107)
Pre-tax income	**231**	**97**	**134**	**143**	**277**
Income Tax Charge	(76)	(32)	(44)	(40)	(85)
Share of net income of equity-accounted investments	82	47	35	110	145
Net profit from continuing operations	**237**	**112**	**125**	**213**	**337**
Net profit from discontinued operations	66	24	42	8	49
Net profit	**303**	**136**	**167**	**221**	**386**

B. Statutory auditors' report on the pro forma condensed combined financial information

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Mazars
61, rue Henri Regnault
92075 Paris La Défense Cedex

This is a free translation into English of the auditors' report issued in the French language and is provided solely for the convenience of English speaking readers.
This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France.

ALSTOM

Statutory auditors' report on the pro forma financial information

To the Président-Directeur Général

In our capacity as Statutory Auditors of your company and in accordance with the French financial markets authority (*Autorité des marchés financiers* – "AMF") Instruction n°2016-04 and the Commission Regulation (EC) n°809/2004, we hereby report to you on the pro forma financial information of Alstom as of and for the year ended September 30, 2017 set out in section *4.1 Unaudited pro forma condensed combined financial information at September 30, 2017* of the Information Document prepared for the increase in Alstom's share capital through the issuance of ordinary Alstom shares, and the issuance of warrants by Alstom, in consideration for the contribution in kind of the shares in Siemens Mobility SAS, Siemens Mobility Holding B.V. and Siemens Mobility GmbH.

The pro forma financial information has been prepared for the sole purpose of illustrating the impact that the contribution of shares in Siemens Mobility SAS, Siemens Mobility Holding B.V. and Siemens Mobility GmbH to Alstom might have had on the consolidated statement of financial position as of September 30, 2017 and on the consolidated income statement for the year ended September 30, 2017 of Alstom had it taken place with effect on September 30, 2017 for the statement of financial position and on October 1, 2016 for the income statement. By its very nature, this information is based on a hypothetical situation and does not represent the financial position or performance that would have been reported, had the operation and the event taken place at an earlier date than the actual or contemplated date.

It is your responsibility to prepare the pro forma financial information in accordance with the provisions of the AMF Instruction n°2016-04 and of the Commission Regulation (EC) n°809/2004 and ESMA's recommendations on pro forma financial information.

It is our responsibility to express a conclusion, based on our work, in accordance with Annex II, item 7 of Commission Regulation (EC) n°809/2004, as to the proper compilation of the pro forma financial information.

We performed those procedures that we deemed necessary in accordance with the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to such engagements. These procedures, which did not include an audit or a review of the financial information used as a basis to prepare the pro forma financial information, mainly consisted in ensuring that the information used to prepare the pro forma information was consistent with the underlying financial information, as described in the introduction and the notes to the pro forma financial information, reviewing the evidence supporting the pro forma adjustments and conducting interviews with the management of Alstom to obtain the information and explanations that we deemed necessary.

In our opinion:
a) the pro forma financial information has been properly compiled on the basis stated; and
b) that basis is consistent with the accounting policies of the issuer

This report has been issued solely for the purpose of filing the Information Document with the AMF, the admission to trading on a regulated market, and/or a public offer, of securities of Alstom in France and in other EU member states in which the prospectus approved by the AMF would be notified; and cannot be used for any other purpose.

Neuilly-sur-Seine and Paris La Défense, on June 6, 2018

The Statutory Auditors
French original signed by

PricewaterhouseCoopers Audit	Mazars
Edouard DEMARCQ	Cédric HAASER

Exhibit 6.6

Report of the Alstom Board of Directors on the resolutions proposed to the general shareholders' meeting to be held on July 17, 2018 in accordance with Article L.225-37-2 of the French Commercial Code

Alstom S.A.
A French *société anonyme* (joint stock company) with a share capital of €1,555,473,297.00
Having its registered office at 48, rue Albert Dhalenne, 93400 Saint-Ouen, France
Registered with the Trade and Companies Register under no. 389 058 447 R.C.S. Bobigny
(the "**Company**", or "**Alstom**")

GENERAL SHAREHOLDERS' MEETING TO BE HELD ON JULY 17, 2018

REPORT OF THE BOARD OF DIRECTORS ON THE RESOLUTIONS PROPOSED IN ACCORDANCE WITH ARTICLE L.225-37-2 OF THE FRENCH COMMERCIAL CODE

The purpose of this report (the "**Report**") is to present the draft resolutions submitted by your Board of Directors to your general shareholders' meeting in accordance with the provisions of Article L. 225-37-2 of the French Commercial Code. The draft resolutions that will be submitted to your general shareholders' meeting are attached to this Report (Schedule).

The documents required by law and the by-laws have been sent and/or made available to you within the prescribed time.

In accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, you are asked to approve the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total remuneration and benefits of any kind that may be granted (i) to the Chief Executive Officer of the Company and (ii) to the Chairman of the Board of Directors from the Closing Date (as defined below).

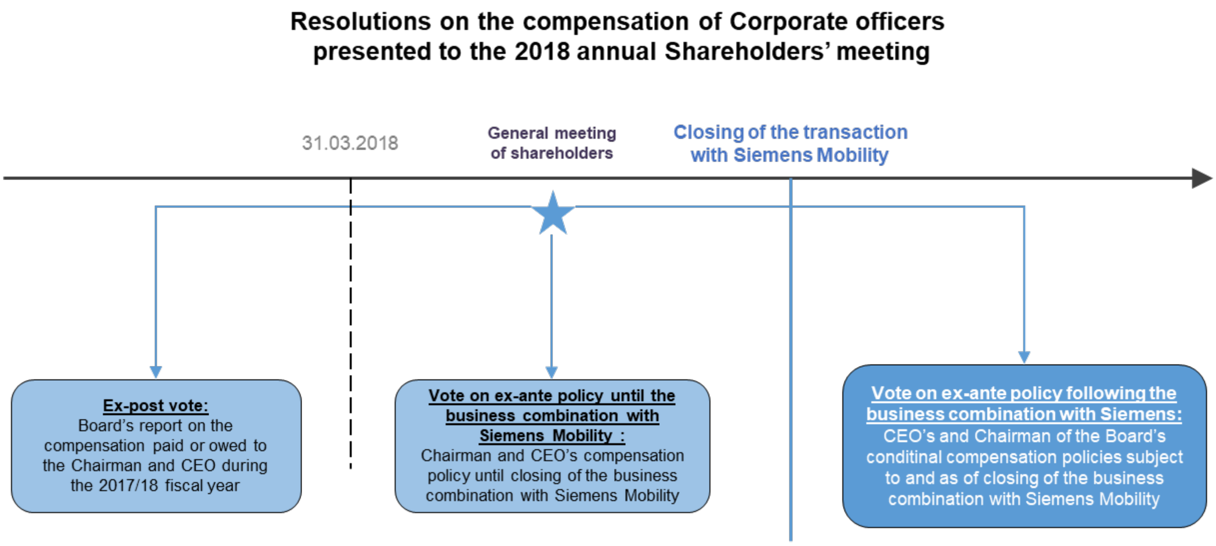
It is specified that the payment of variable and exceptional compensation components will be subject to the approval by the ordinary general meeting of the compensation elements of the person concerned under the conditions set out in Article L. 225-100 of the French Commercial Code.

The principles and criteria for determining, allocating and allocating the compensation items on which approval of the meeting is sought are set out below.

Corporate Officers' compensation

The resolutions presented in this Report aim at securing Alstom's shareholders' approval about the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and any benefits-in-kind payable to officers once the business combination between the rail business of Alstom and the mobility business of Siemens, including its rail traction (the "**Transaction**"), will be completed. The eleven members of the Board of directors will be the only officers and directors of the Company. The roles of Chairman of the Board of directors and Chief Executive Officer will be split. The Chairman and the Chief Executive Officer will be the only two officers of the new entity.

The information set forth below is part of the compensation policy of officers set in accordance with Article L. 225-37-2 of the French Commercial Code. This policy states the determination, allocation and award criteria of the fixed, variable and exceptional components of the total compensation and any benefits-in-kind allocable to the officers of Siemens Alstom ("**Siemens Alstom**" or the "**Company**"), applicable starting from the completion date of the business combination of Alstom with Siemens Mobility, if this transaction is carried out (the "**Closing Date**"), and until the approval of a new equivalent resolution during a next General Shareholders' Meeting.



Principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and any benefits in kind payable to executive officers

As of the Closing Date, the only executive officer of the Company will be its Chief Executive Officer.

<u>Chief Executive Officer</u>

General principles of the compensation policy

Alstom's Chief Executive Officer compensation is based on the following principles:

- **Balance**: the compensation of the Chief Executive Officer is set by the Board of directors upon the Nominations and Remuneration Committee's proposal and comprises an annual fixed part, an annual variable part paid in cash linked to the performance of the Company and an annual grant of performance shares, the delivery of which is entirely conditioned on the Group's performance over at least three years. The Board of directors thus ensures maintaining a balance among such three components and a preponderance of long-term and short-term variable elements directly linked to the officer's and the Group's performance. The Board of directors takes into account all the components of the Chief Executive Officer's compensation when determining the overall financial conditions pursuant to his mandate.
- **Consistency, strategy and performance** : the performance conditions of the performance shares, as well as the objectives attached to them, are defined in such a way that they are completely aligned with the company's strategy in the long term. The performance conditions of the annual variable compensation in cash are set so that they are fully aligned with the short-term goals of the company and the executive himself. In addition, the Board ensures that the level and structure of remuneration is consistent with that of all managers in the Company.
- **Transparency**: the Company publishes all the elements constituting the remuneration of the executive corporate officer. Insofar as they are not considered as confidential with regard to the Company's competitors (most of them themselves not listed and therefore not subject to the transparency obligations related to the Company's listing), the objectives to achieve and the results achieved are precisely communicated.
- **Stability and stringency**: the remuneration policy is stable over time. Its principles and criteria are reviewed each year by the Nominations and Remuneration Committee and the Board of Directors, which rely in particular on analyses enabling them to identify market best practices. They are possibly modified only to reinforce the requirement or adapt them to the Company's strategy. The performance criteria used must correspond to the Company's objectives, and be

demanding, explicit, and, to the greatest extent possible, long-lasting.

These analyses offer a comparison of the level and the structure of the compensation paid to corporate officer with that of a panel of other companies of a similar size and activity of the CAC 40 and SBF 120 (level and evolution of the compensation, respective ratio of each of the components of the compensation) and of international companies operating in similar sectors. This panel includes in particular companies such as Arkema, Faurecia, Dassault Systèmes, Legrand, Nexans and Thalès in France, and BAE Systems, Leonardo, Rolls Royce or ThyssenKrupp in Europe.

Mandate's terms

The Chief Executive Officer exclusively performs his executive duties under his corporate mandate. He does not have any employment binding contract with the Company, its subsidiaries or any other shareholder company.

In this respect, Mr. Poupart-Lafarge is committed to resigning from the employment contract binding him with Alstom Executive Management SAS, effective starting from the Closing Date of the Transaction. He will not benefit from any indemnity or payment in this respect.

As of the Closing Date of the Transaction, it is proposed that the Chief Executive Officer's compensation consist of the following components.

Fixed compensation

The Chief Executive Officer's fixed compensation is determined by the Board of directors, upon the proposal of the Nominations and Remuneration Committee, at the time of his appointment and for a period of several years, unless his scope of responsibility significantly evolves. It takes into consideration the level and difficulty of related responsibilities, experience in the position, prior seniority in the Siemens Alstom group (if any), results achieved and policy found in groups or companies of comparable size or activity.

As an illustration, the fixed annual remuneration of the Chief Executive Officer will amount to €900.000 as from the Closing Date of the Transaction and for several years. The level of responsibility, the size of the combined company and the level of difficulty of the mission entrusted to him justify this increase of 18% compared to the compensation level before the completion of the Transaction. The fixed compensation of the Chief Executive Officer had not been revalued since February 1, 2016.

The remuneration proposed by the Nominations and Remuneration Committee following the major change in the scope of the future business, post-implementation of the Transaction, was based on a detailed analysis conducted with the assistance of an external consultant, based on a large group of equivalent industrial companies in France and Europe (listed above) and positions the manager at a reasonable but competitive level vs. his peers.

Variable compensation

The variable portion of the Chief Executive Officer's short-term variable compensation represents 100% of the fixed annual gross remuneration if the objectives are met. It is capped, in the event of overperformance, at 170% of his gross annual fixed compensation. No minimum compensation is set. All objectives are pre-established annually by the Board on the proposal of the Nominations and Remuneration Committee based on the strategic priorities defined for the Group and for the Chief Executive Officer.

This target gross annual variable compensation will be based:

- on objectives related to the overall performance of Siemens Alstom. The global objectives are set for several years and may be reviewed by the Board depending on the evolution of Company strategy. Related targets will be determined by the Board at the beginning of each year.
- on individual objectives related to the effective achievement of specific action plans that will

be determined by the Board of Directors at the beginning of each year, depending on the strategic priorities set for Siemens Alstom's group

As an illustration, the considered starting split of these objectives is the following:

- overall performance objectives for 60% of the target variable remuneration (quantifiable). The percentage of the annual variable compensation tied to these overall performance objectives may range from 0% to 120% of your gross annual fixed compensation, according to the level of achievement of the said related objectives; and
- individual objectives linked to specific action plans for 40% of the target variable remuneration (quantitative and/or qualitative). The percentage of the annual variable compensation tied to these objectives may range from 0% to 50% of the gross annual fixed compensation, according to the level of achievement of said related objectives.

The vast majority of these conditions are quantifiable since they are based on the Group's overall performance and the achievement of individual objectives, most of them themselves quantifiable as they are linked to the implementation of specific action plans.

The rate of achievement of these objectives and the amount of the variable compensation are decided by the Board of directors on the recommendation of the Nominations and Remuneration Committee no later than at the meeting at which the financial statements for the period are approved.

In accordance with Article L. 225-37-2 of the French Commercial Code, payment of such variable compensation is conditional upon approval of a resolution at the Company's shareholders' meeting, under the terms set forth in Article L. 225-100 II. of the French Commercial Code.

Management teams of the Company benefit from a Short Term Incentive scheme based on the same structure.

Performance share-based compensation

The main characteristics of the performance shares allocation policy applied to the Chief Executive Officer, which contributes to aligning his interests with those of the shareholders, are compliant with the recommendations of the AFEP-MEDEF Code and are the following:

Performance conditions	All of the performance shares are subject to the achievement of performance requirements of which some are internal and others relative. The Board of directors commits, in the event of a major change in the Group's strategy or structure, to adapt the performance conditions to future new challenges, in their nature as well as in the level of results to be achieved, while maintaining stringent requirements and transparency about such changes.
Acquisition and performance period	Satisfaction of these performance conditions is henceforth assessed at the end of the third fiscal year following the grant date. The Board shall not assess the achievement of performance conditions or deliver the shares of a given plan prior to the definitive acquisition date initially forecasted.
Limits applicable to the grant	The Board of directors, at its meeting held on 13 March 2018, reiterated the following principles regarding grants to officers: • the IFRS 2 value (which is used in the establishment of the Group's consolidated financial statements) of any annual grant shall not exceed one year of annual gross fixed compensation plus target variable compensation, which corresponds to the compensation obtained when achievements are strictly aligned with the set objectives. Thus, performance share compensation is capped at 100% of target short-term compensation (fixed and target variable),

	i.e., 200% of fixed short-term compensation. • the aggregate amount of annual grants to corporate officers cannot exceed 2.5% of the overall amount authorized by the General Shareholders' Meeting for grants of free shares within the Group or 5% of the total grants under the relevant plan.
Holding requirement	Since 2007, the Board of directors has also set, for each grant, the number of shares that the corporate officers must hold until they no longer exercises their duties. The Chief Executive Officer is thus required to hold, in registered form, 50% of the performance shares definitively granted to him during the entire term of his mandate (as renewed, if applicable). This holding requirement no longer applies, when the Chief Executive Officer reaches a retention target of shares held in registered form corresponding to the value of three years of his last gross annual fixed compensation. For the assessment of the holding requirement cap, the following is taken into account: • The gross annual fixed remuneration applicable as at the date of the last final share performance acquisition; and • The respective market prices of the shares held in registered form by the Chief Executive Officer as at the time of each final acquisition of performance shares.
Prohibition of hedging instruments	The Chief Executive Officer confirms his commitment to refrain from using hedging instruments on the performance shares granted by the Company during the full length of his term of office. To the Company's knowledge, no hedging instrument has been set up.
Periods during which the sale of shares is prohibited	It is prohibited to carry out any transactions involving the Company's securities during the 30-calendar day period preceding public disclosure of Alstom's half-year and annual results (reduced to 15 calendar days for quarterly results) until, and including, the third trading day (included) following such publication. During periods where trading is not prohibited, the Company's code of conduct establishes an obligation to consult the Compliance Officer, in the event of any doubt prior to conducting a transaction.
Periodicity	The grants are completed annually (when completed), around the fiscal year closing date.

Grants are determined by the Board of directors on the recommendation of the Nominations and Remuneration Committee and take into consideration all of the Chief Executive Officer's compensation elements and market practices followed by comparable listed companies.

The general characteristics of the performance shares granted to the Chief Executive Officer are identical to those offered in all other grants made under the same plan to the Company's management teams.

The Company's policy is no longer to grant any stock option.

Exceptional compensation

The Company's policy is not to grant exceptional compensation.

Multi-year compensation

The Company's policy is not to grant multi-year compensation.

Directors' fee

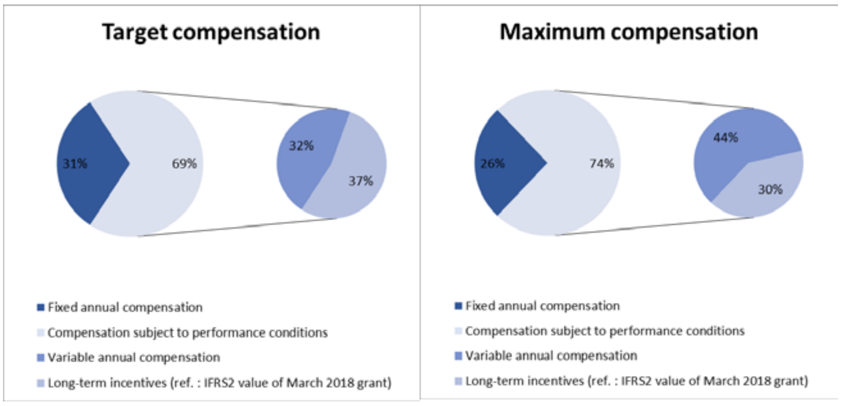
The Chief Executive Officer does not receive a Director's fee as a member of the Company's Board of directors or as a Director of any companies of the Siemens Alstom Group.

Benefits-in-kind

The Chief Executive Officer is entitled to a Company vehicle as well as supplemental health insurance, life and disability insurance and private unemployment insurance coverage, the costs of which are borne in part by the Company.

The Chief Executive Officer is not entitled to any other benefit-in-kind.

Illustration of the evaluation of the variable part of the remuneration of the Chief Executive Officer



Post-mandate conditions

Severance indemnity

The Company's policy is not to grant any severance indemnity to its executive officer.

As of Closing Date of the Transaction, Mr. Poupart-Lafarge will therefore forgo the severance indemnity under his representative's mandate and will thus stop benefiting from any severance indemnity of any kind linked to the simultaneous termination of his employment contract with Alstom Executive Management SAS as of the Closing Date.

Non-competition covenant

Given the duties entrusted to him, the Chief Executive Officer agrees to a firm and irrevocable non-compete covenant, aiming at protecting the interests of the Company at the end of his mandate.

As of the Closing Date of the Transaction, this covenant shall forbid the Chief Executive Officer, following the termination of his mandate (for any cause and at any time), from taking any interest, part, partnering in any way or committing, directly or through a legal entity, as corporate officer (including as Director), employee, or consultant for any company, anywhere in the world, of which a significant share of their activity (15% of its turnover or at least €1 billion) relates to railway equipment or systems. Transportation operators themselves are excluded from the scope of this non-compete covenant.

This non-compete covenant is limited to a two-year period, starting from the termination date of the Chief Executive Officer mandate.

In exchange for this covenant, the Chief Executive Officer shall receive a total gross indemnity equal to two times his average gross annual fixed and variable compensation, excluding performance shares, received over the three fiscal years prior to the termination date of his mandate, this indemnity being paid monthly, in twenty-four equal payments, over the non-competition covenant two-year period.

In case of breach, at any time, of the non-compete covenant by the Chief Executive Officer:

- the Company shall be freed from its commitment to pay the financial consideration; and
- the Chief Executive Officer shall be obligated to repay any sums already received in exchange of this non-compete covenant.

The Company, through its Board of directors, retains the right, in the event of gross misconduct or major financial issue to unilaterally waive this covenant at the end of the Chief Executive Officer's mandate, in which case he will be freed from any commitment and no indemnity shall be owed for this commitment.

In any case, the present non-competition covenant shall not be applicable in the event the Chief Executive Officer retires at the end of his mandate. In this event, no indemnity would be owed.

<u>Retention conditions of performance shares under vesting period</u>

The Company's Board of directors shall assess, in due course, if the Chief Executive Officer may keep, in full or in part, the benefit of his rights to acquire performance shares allocated under plans that remain subject to performance conditions, under the following limitations:

- The Chief Executive Officer would only benefit from such retention if he is forced to leave the Siemens Alstom group, i.e. in the event of a revocation, but not of a resignation;
- The performance shares could not be definitively acquired prior to the acquisition date initially provided for in the relevant plans. As a result, no accelerated vesting of the performance shares may occur;
- The performance conditions shall continue to apply without any change during the whole initially scheduled acquisition period;
- The number of definitively acquired shares, once established after assessment of the completion of performance conditions, shall be discounted by the amount of time spent in the Company's service divided by the acquisition period time of each concerned plan (i.e. a *prorata temporis* discount); and
- In any case, the opportunity of a final acquisition of the performance shares will be assessed according to the Company's situation at the time of the Chief Executive Officer's departure and at the initially scheduled delivery time. No performance share can be acquired if the Company experiences financial distress.

<u>Supplemental pension plans</u>

The Chief Executive Officer is entitled to two defined contributions pension plans: a collective plan under "Article 83" of the French general tax code and a collective plan under "Article 82" of the French general tax code.

- <u>A defined contribution pension plan ("Article 83")</u>
    - The contributions of the "Article 83"-type plan are paid annually and correspond to:
        - 1% of the annual compensation as high as four Annual Social Security Ceilings;
        - 4% of the annual compensation between four and eight Annual Social Security Ceilings; and
        - 11% of the annual compensation between eight and twelve Annual Social Security Ceilings.
    - The contributions are 95% borne by the Company.
- <u>A defined contribution pension plan ("Article 82")</u>
    - As part of this plan, the annual contributions are paid to a third-party entity in charge of the supplemental pension plan. The computation of this contribution is based upon the annual total compensation (annual fixed and variable compensation owed in cash) of the Chief Executive Officer in accordance with the following terms:
        - 10% of the fraction of the gross fixed compensation comprised between 8 and

12 Annual Social Security Ceilings and 20% of the fraction of the fixed compensation above 12 Annual Social Security Ceilings; and

    - 20% of the annual variable compensation as defined by the Board of directors.

  - The baseline compensation (annual fixed and variable owed in cash) for the contribution computation cannot, for any reason, exceed €2,000,000.
  - No contribution is to be paid if the variable compensation is equal to zero. The contributions are paid once a year, after the General shareholders' meeting approval of the annual variable compensation's payment of the prior fiscal year.
  - The Chief Executive Officer commits, once the fiscal and social obligations linked to these contributions are fulfilled, to keep the paid amount on the dedicated retirement-capital vehicle, at least for the duration of his mandate.

<u>Specific situation of Mr. Henri Poupart-Lafarge as Chief Executive Officer</u>

Since 1 January 2004, as an employee of the Company, Mr. Henri Poupart-Lafarge benefitted from a defined benefits pension plan under "Article 39" of the French general tax code. As of 31 December 2016, this plan was terminated and the related accrued pension entitlements were frozen as previously authorized by the Board of Directors on November 8, 2016 and approved by the General Shareholders' Meeting of July 4th, 2017.

- The rights accrued over the period from 1 January 2004 to 31 December 2016, the date on which they were frozen, amounts to, as of 31 March 2018, an annual pension of €176,000 (in constant euros) subject to a condition of presence at the time the Chief Executive Officer asserts his rights to retire.
- Under the defined benefits plan, the amount of the commitments borne by the Company that would have allowed the payment of the previously mentioned pension is equal, as to 31 March 2018, to €5,641,000, including an amount of €1,091,806 of applicable taxes to supplemental pension.
- Starting from 31 December 2016, no new rights can be or have been acquired as part of this plan.

Given the intention of Mr. Henri Poupart-Lafarge to terminate his employment contract as of the Closing Date of the Transaction and at the latest at the end date of its current Director's mandate in 2019, in order to comply with the AFEP-MEDEF Code's recommendations and the market best practices, given the definitive acquisition of entitlements under the "Article 39" defined benefits pension plan as part of his employment contract (under a presence condition in the Company at the time of his retirement), and in the context of the implementation of the EU directive 2014/50/EU on minimum requirements for enhancing worker mobility between Member States by improving the acquisition and preservation of supplementary pension rights, the Nominations and Remuneration Committee has recommended to the Board of directors:

- to definitely closeout this pension plan starting as of the Closing Date of the Transaction; and
- to offset the loss of the entitlements acquired between January 1, 2004 and December 31, 2016 through the payment of a balance on the defined contribution pension plan, named "Article 82", to be paid annually in thirds over three years, beginning the first anniversary of the completion date of the combination with Siemens, and subject to the Chief Executive Officer's presence within the Company, at each date on which payment of the amount falls due. The amount of this balance, assessed by the consulting actuary of the Company, amounts, at the present date, to a gross sum of €3,375,000 gross. This balance will be subject to social security contributions and taxes according to applicable law on each payment. The balance amount includes a 20% discount, saving for the Company, compared to the value of its engagements (not including tax) in order to take into account the impact of the transformation of entitlements submitted to presence requirements into a definitively acquired pension capital, *i.e.*, an overall saving of €1,174,194 for the Company.

As for all of the amounts paid under the "Article 82" pension plan, Mr. Henri Poupart-Lafarge committed, after payment of the related social security and tax obligations, to maintain these amounts under this pension plan, at least until the end of his mandate as Chief Executive Officer.

The definitive closing of the “Article 39” plan will come into effect for all its beneficiaries.

The entire Board of directors, at its May 30, 2018 meeting, considering that:

- the Chief Executive Officer will no longer have any employment contract with the Company as of the Closing Date of the Transaction;
- the definitive closeout of the supplemental defined contribution pension plan, including for other beneficiaries, will cause a reduction of the Company’s expenses; and that
- the payment of a balance over three years, as assessed by the consulting actuary, subject to a presence condition, will comply with the EU directive 2014/50/EU of the European Parliament and of the Council of 16 April 2014 on minimum requirements for enhancing worker mobility between Member States by improving the acquisition and preservation of supplementary pension rights and will neither be a new benefit nor a supplemental pension plan for the Chief Executive Officer but a simple transformation of the nature of his pension scheme;

has taken note of the Nominations and Remuneration Committee proposal and consequently of the final closeout of the “Article 39” pension plan starting from the Closing Date of the Transaction, subject to its completion.

Principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and any benefits-in-kind payable to non-executive officers

The only non-executive officer of the Company will be the Chairman of the Board of directors.

<u>Chairman of the Board of directors</u>

The Chairman of the Board is only granted a fixed yearly remuneration amounting to €300,000. He does not receive director’s fees in his capacity as director of the Company.

However, Dr. Roland Busch performing his mandate as part of the missions allocated to him as member of the Managing Board of Siemens AG, and subject to the approval of its appointment by the General Shareholders’ Meeting, will not receive any compensation from the Company and no compensation elements will be re-invoiced by Siemens AG to Alstom in this respect.

SCHEDULE

"FORTY-SIXTH RESOLUTION

(*Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and benefits of any kind payable to the Chief Executive Officer (*directeur général*) of the Company, following the completion date of the contributions*)

The General Meeting, deliberating under the conditions of quorum and majority required for ordinary general meetings,

- subject to (i) the condition precedent of the approval by the General Meeting of Resolutions 13 to 19 and 33 to 44 and approval by the Special General Meeting of Shareholders benefiting from double voting rights of resolution related to the removal of the double voting rights and (ii) the condition precedent of the completion of the French Contribution and the Luxembourg Contribution (subject to the *apport-scission* regime) pursuant to the provisions of the French Contribution Agreement and the Luxembourg Contribution Agreement dated 17 May 2018, as stipulated in Resolutions 13 and 14 of this General Meeting;

- after having reviewed the Board of Directors' Report drawn up in accordance with the provisions of Article L. 225-37-2 of the French Commercial Code,

approve the principles and criteria for determining, allocating and granting the fixed, variable and exceptional components that collectively comprise the total compensation and benefits of any kind as described in the aforementioned report, which may be granted to the Chief Executive Officer for the end of the fiscal year during which the completion of French Contribution and the Luxembourg Contribution will fall and as from the completion date of the French Contribution and the Luxembourg Contribution, as mentioned in Resolutions 13 and 14 of this Meeting.

FORTY-SEVENTH RESOLUTION

(*Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and benefits of any kind payable to the Chairman of the Board of Directors, following the completion date of the contributions*)

The General Meeting, deliberating under the conditions of quorum and majority required for ordinary general meetings,

- subject to (i) the condition precedent of the approval by the General Meeting of 13 to 19 and 33 to 44 and approval by the Special General Meeting of Shareholders benefiting from double voting rights of resolution related to the removal of the double voting rights and (ii) the condition precedent of the completion of the French Contribution and the Luxembourg Contribution (subject to the *apport-scission* regime) pursuant to the provisions of the French Contribution Agreement and the Luxembourg Contribution Agreement dated 17 May 2018, as stipulated in Resolutions 13 and 14 of this General Meeting;

- after having reviewed the Board of Directors' Report drawn up in accordance with the provisions of Article L. 225-37-2 of the French Commercial Code,

approve the principles and criteria for determining, allocating and granting the fixed, variable and exceptional components that collectively comprise the total compensation and benefits of any kind as described in the aforementioned report, which may be granted to the Chairman of the Board of Directors for the end of the fiscal year during which the completion of French Contribution and the Luxembourg Contribution will fall and as from the completion date of the French Contribution and the Luxembourg Contribution, as mentioned in Resolutions 13 and 14 of this Meeting."