

Joint Report

**of the Managing Board of
Siemens Aktiengesellschaft,
Berlin and Munich,**

**and of the Management of
Kyros 47 GmbH,
Munich,**

pursuant to Section 293a of the German Stock Corporation Act (AktG)

on the

Control and Profit-and-Loss Transfer Agreement

dated November 26, 2014

between

**Siemens Aktiengesellschaft,
Berlin and Munich,**

and

**Kyros 47 GmbH,
Munich**

1. Introduction

On November 26, 2014, Siemens Aktiengesellschaft, with registered offices in Berlin and Munich, registered with the register of companies at the District Court of Charlottenburg under registration number HRB 12300 B and with the register of companies at the District Court of Munich under registration number HRB 6684 (hereinafter referred to as "Siemens AG"), and Kyros 47 GmbH, with registered office in Munich, registered with the register of companies at the District Court of Munich under registration number HRB 213821 (hereinafter referred to as "Subsidiary"), entered into a Control and Profit-and-Loss Transfer Agreement (hereinafter referred to as "Agreement") pursuant to which the Subsidiary subordinates management of it to Siemens AG and undertakes to transfer its entire profits to Siemens AG, while Siemens AG undertakes to compensate losses towards the Subsidiary.

The Managing Board of Siemens AG and the Management of the Subsidiary are submitting the following Joint Report pursuant to Section 293a of the German Stock Corporation Act (AktG).

2. Contracting Parties to the Agreement

The contracting parties to the Agreement are Siemens AG and Kyros 47 GmbH.

2.1 Siemens AG

Siemens AG is an exchange-listed German stock corporation (*Aktiengesellschaft*). Siemens AG is the parent company of the Siemens Group. The Siemens Group is a globally operating technology company with approximately 357,000 employees worldwide on September 30, 2014, on the basis of continuing and discontinued operations. Its core activities are in the fields of electrification, automation and digitalization.

The members of the Managing Board of Siemens AG are: Joe Kaeser (President and Chief Executive Officer), Dr. Roland Busch, Lisa Davis, Klaus Helmrich, Prof. Dr. Hermann Requardt, Prof. Dr. Siegfried Russwurm, Dr. Ralf P. Thomas.

Siemens AG is legally represented by two members of the Managing Board, or by one member of the Managing Board jointly with a "Prokurist" (holder of a special statutory authority, referred to as "Prokura", granted in accordance with Section 48 of the German Commercial Code (HGB)). Otherwise Siemens AG shall be represented by "Prokurists" or other duly authorized signatories to the extent authorized by the Managing Board.

The members of the Supervisory Board are: Dr. Gerhard Cromme (Chairman), Berthold Huber (First Deputy Chairman), Werner Wenning (Second Deputy Chairman), Olaf Bolduan, Gerd von Brandenstein, Michael Diekmann, Dr. Hans Michael Gaul, Prof. Dr. Peter Gruss, Bettina Haller, Hans-Jürgen Hartung, Robert Kensbock, Harald Kern, Jürgen Kerner, Dr. Nicola Leibinger-Kammüller, Gérard Mestrallet, Güler Sabancı, Michael Sigmund, Jim Hagemann Snabe, Birgit Steinborn, Sibylle Wankel.

The fiscal year of Siemens AG runs from October 1 to September 30 of the following year.

As a resident German corporation, Siemens AG is fully subject to corporation tax (KSt) and municipal trade tax (GewSt) in Germany.

2.2 Kyros 47 GmbH

The Subsidiary was established by Notarial Deed dated August 27, 2014, under the name of Blitz 14-658 GmbH by Blitzstart Holding AG, HRB 128986, Munich (hereinafter referred to as "Blitzstart Holding AG") as its sole shareholder with subscribed capital of €25,000, divided into 25,000 shares, and registered with the register of companies at the District Court of Munich on September 3, 2014. The capital contributions for the shares are fully paid up. Siemens AG acquired all the shares in the Subsidiary from Blitzstart Holding AG pursuant to the Purchase and Assignment Agreement dated September 16, 2014. In the meantime, the name of the Subsidiary has been changed to Kyros 47 GmbH.

The fiscal year of the Subsidiary runs from October 1 to September 30 of the following year. The first fiscal year was a short fiscal year.

The Managing Directors of the Subsidiary are Peter Kastenmeier and Wolfgang Seltmann. Both are employees of Siemens AG. If there is only one Managing Director, he or she shall be legally authorized to represent the Subsidiary alone. If there are several Managing Directors, the Subsidiary shall be legally represented by two Managing Directors or by one Managing Director jointly with a "Prokurist" (holder of a special statutory authority, referred to as "Prokura", granted in accordance with Section 48 of the German Commercial Code (HGB)). Otherwise the Subsidiary shall be represented by "Prokurists" or other duly authorized signatories to the extent authorized by the Managing Directors.

The Subsidiary does not have any employees at present and has not yet commenced business operations. It holds no capital investments in other companies.

The Annual Financial Statements of the Subsidiary for the short fiscal year ended September 30, 2014 report a net loss/accumulated loss of €716.39, resulting from provisions for notarial fees and bank charges in connection with the acquisition. The balance sheet as of September 30, 2014 shows total assets of €25,000.00 and an equity capital of €24,283.61.

The current object of activity of the Subsidiary is to manage its own assets. It is authorized to conduct all business transactions and take all measures that are connected with the company's object of activity or are considered to be directly or indirectly conducive to it. It can have capital investments held by it managed by affiliated companies in whole or in part or transfer or outsource them to affiliated companies, and can conclude enterprise agreements. It may also establish branch offices and business establishments in Germany and abroad.

The planned future purpose of the Subsidiary is to take over the Siemens Healthcare business in Germany. This comprises in particular the development and production of medical imaging equipment, such as magnetic resonance and computed tomography systems. The products are made for

export and for sale in Germany. The German sales and service organization is also part of the business to be taken over. The businesses with hospital information systems and hearing aids, both currently being sold, as well as the Diagnostics business, which already exists as an independent legal entity, are not part of the business to be taken over. Since the headquarters for the global Siemens Healthcare business is in Germany, most of the Healthcare-specific corporate and support functions are based there.

The net assets, financial position and results of operations (*Vermögens-, Finanz- und Ertragslage*) of the business to be taken over, for which no separate financial statements in accordance with the German Commercial Code (HGB) have had to be prepared to date because such business has so far not formed a separate legal entity, are as follows at September 30, 2014 on the basis of the accounting regulations under the German Commercial Code (HGB): The business has revenue of around €4.81 billion. Most of the revenue is from exports. The result ¹ for the business to be taken over is around €1.09 billion. The net carrying amount of the assets and liabilities for the business to be taken over is around €1.66 billion; pension obligations and similar commitments in connection with the employees to be taken over must be deducted from that. These figures of September 30, 2014 for the net assets, financial position and results of operations (*Vermögens-, Finanz- und Ertragslage*) of the business to be taken over still include the respective figures for the business with hospital information systems, which is currently being sold; they account for a share of less than 3% in each case.

The business to be taken over had around 9,800 employees at September 30, 2014. On top of that, there will be further employees in Germany from the corporate and support functions of the Siemens Group who work for the Siemens Healthcare business.

Overall, neither the current net assets, financial position and results of operations (*Vermögens-, Finanz- und Ertragslage*) of the business to be taken over, nor those anticipated based on current assessments, indicate that the

¹ This denotes the result from ordinary activities (*Ergebnis der gewöhnlichen Geschäftstätigkeit*), but before certain pension costs. In addition, certain other items not considered performance indicative by management may be excluded.

Subsidiary may assert claims against Siemens AG for the assumption of losses.

The business to be taken over is to be transferred by Siemens AG to the Subsidiary by way of a contribution in kind in the third or fourth quarter of the current fiscal year. As part of that, the Subsidiary will probably increase its subscribed capital and issue new shares to Siemens AG. The legally dependent part of Siemens AG that can be ascribed to the business to be taken over is to be transferred to the Subsidiary as an ongoing operation, comprising the totality of the assets and liabilities that can be ascribed to it in this respect. This contribution is to be made at the carrying amounts in the commercial and tax balance sheets and with economic effect as of October 1, 2014 if possible.

In connection with the contribution, it is planned to amend the Articles of Association of the Subsidiary, in particular to change the name of the company, adapt its object of activity to the content of the business to be taken over and, if applicable, change the registered office of the Subsidiary within Germany. After the business has been taken over, a Supervisory Board will have to be established at the Subsidiary in accordance with the German Codetermination Act (MitbestG).

The Subsidiary is to be integrated in the Siemens Group's financing structure, in particular by participating in cash management, including the cash pooling system of Siemens AG. In addition, the Subsidiary is to be given the possibility of participating in currency and commodity price hedging transactions of the Siemens Group and to utilize guarantees or other securities of the Siemens Group.

Since acquisition of the shares to the present day, Siemens AG has owned a direct 100-percent interest in the Subsidiary and is thus its sole shareholder.

**3. Legal and economic reasons for concluding the Agreement;
Implications of the Agreement**

The objective of the Agreement is to create a fiscal unity (*Organschaft*) for purposes of German corporation tax and municipal trade tax between Siemens AG and the Subsidiary as of the beginning of fiscal year 2015.

Under this fiscal unity (*Organschaft*) regime, profits and losses of the Subsidiary as the fiscal subsidiary company (*Organgesellschaft*) are directly attributed for tax purposes to Siemens AG as the fiscal parent company (*Organträgerin*). Consequently, positive and negative results at the level of Siemens AG can be netted for tax purposes. Depending on the taxable earnings situation of the companies forming part of the fiscal unity (*Organschaft*), this may result in tax advantages. Without this Agreement, such complete netting of results for tax purposes would not be possible.

In addition, profits can be transferred to Siemens AG without an additional tax burden as part of the fiscal unity (*Organschaft*). Without a fiscal unity (*Organschaft*), profits generated by the Subsidiary could at best be distributed to Siemens AG by way of a distribution of profits; in this event, Siemens AG would be subject to German corporation tax and municipal trade tax under current tax laws with respect to 5 percent of the profit distribution. Conclusion of the Agreement also gives the Subsidiary financial protection, since any losses the Subsidiary may make will be assumed. That will also strengthen the Subsidiary's credit worthiness.

The conclusion of the Agreement does not involve any changes in the participation quota held in the contracting parties.

From the perspective of Siemens AG shareholders, the Agreement will not cause any special consequences apart from Siemens AG's commitment to assume the Subsidiary's losses, in particular because there will be no compensation payments and financial settlements with outside shareholders.

Under the Agreement, the Subsidiary shall subordinate management of its company to Siemens AG. Siemens AG shall accordingly have the right to give instructions to the Management of the Subsidiary on how the Subsidiary is to be managed. The Management of the Subsidiary shall be obliged to obey the instructions. The control component under the Agreement underscores the Subsidiary's integration in the Siemens Group and is a customary element of group controlling.

4. Alternatives to concluding the Agreement

There is no economically rational alternative to concluding the Agreement.

Pursuant to Section 14 (1) sentence 1 of the German Corporation Tax Act (KStG) in combination with Section 17 (1) of the German Corporation Tax Act (KStG), the conclusion of this Agreement is a mandatory prerequisite for the fiscal unity (*Organschaft*) for purposes of German corporation tax and municipal trade tax between the Subsidiary as the fiscal subsidiary company (*Organgesellschaft*) and Siemens AG as the fiscal parent company (*Organträgerin*). Therefore, the resulting tax advantages (cf. paragraph 3 above) can only be obtained by means of the conclusion of the Agreement.

In particular, a transformation of the Subsidiary into a partnership (*Personengesellschaft*) by change of legal form (*formwechselnde Umwandlung*) does not lead to a comparable result for tax purposes, as the Subsidiary's earnings would be subject to German municipal trade tax at the partnership level, whereas in the case of a fiscal unity (*Organschaft*) they are taxable at the level of the fiscal parent company (*Organträgerin*) and can there be offset against the fiscal parent company's positive or negative income.

In contrast, conclusion of a mere control agreement pursuant to Section 291 (1) sentence 1 of the German Stock Corporation Act (AktG) is not an equivalent alternative because a fiscal unity (*Organschaft*) for purposes of corporation tax and municipal trade tax cannot be created with the Subsidiary if there is no obligation on the Subsidiary to transfer profits.

A merger of the Subsidiary with and into Siemens AG is also not a preferable option because the Subsidiary would then lose its legal independence, which would run counter to the objective of making the Healthcare business legally autonomous.

5. Explanation of the Agreement

The Agreement is a control and profit-and-loss transfer agreement and thus an enterprise agreement pursuant to Section 291 (1) sentence 1 of the German Stock Corporation Act (AktG). It requires the approval of the Annual Shareholders' Meeting of Siemens AG and the General Meeting (*Gesellschafterversammlung*) of the Subsidiary and must be registered in the register of companies at the registered office of the Subsidiary. The Agreement will be submitted for approval to the Annual Shareholders' Meeting of Siemens AG on January 27, 2015 and to the General Meeting of the Subsidiary probably in December 2014.

The following is to explain the individual provisions of the Agreement:

Control (Article 1)

Under the Agreement, the Subsidiary shall subordinate management of its company to Siemens AG. Siemens AG shall accordingly have the right to give instructions to the Management of the Subsidiary on how the Subsidiary is to be managed. The Management of the Subsidiary shall be obliged to obey the instructions. Notwithstanding the right to give instructions, the Subsidiary's Managing Directors are still responsible for managing and representing the Subsidiary.

Transfer of profits (Article 2)

Pursuant to Article 2.1, the Subsidiary undertakes to transfer its entire profits to Siemens AG in accordance with the provisions of Section 301 of the German Stock Corporation Act (AktG). Accordingly – subject to the set-up or release of reserves – the annual net income accruing without the transfer of profits, less any loss carried forward from the previous year, an amount to be

appropriated to the legal reserve and the amount blocked from distribution in accordance with Section 268 (8) of the German Commercial Code (HGB), must be transferred. In addition, Article 2.1 provides a dynamic reference to Section 301 of the German Stock Corporation Act (AktG) ("as amended from time to time"). Transfer of profits pursuant to Section 14 (1) sentence 1, in combination with Section 17 (1) of the German Corporation Tax Act (KStG) is a mandatory prerequisite for the fiscal unity (*Organschaft*) for tax purposes between the Subsidiary and Siemens AG.

The Subsidiary is entitled, with the consent of Siemens AG, to appropriate amounts from the annual net income to other retained earnings pursuant to Section 272 (3) of the German Commercial Code (HGB) insofar as this is permitted under commercial law and economically justified based on reasonable business judgment. Upon request by Siemens AG, amounts appropriated to other retained earnings pursuant to Section 272 (3) of the German Commercial Code (HGB) during the term of the Agreement shall be released and used to compensate an annual net loss or be transferred as profits. The transfer of capital reserves and retained earnings existing prior to the date of the Agreement shall be excluded. To this extent, the provisions explained above are common within the framework of a control and profit-and-loss transfer agreement.

Siemens AG may demand that the Subsidiary transfer profits in advance during the year, if and to the extent this is legally permissible. If the Agreement does not end prior to the expiration of the Subsidiary's fiscal year, the entitlement to the transfer of profits shall arise at the end of the Subsidiary's fiscal year and shall be due taking that date as value date. The obligation to transfer profits shall apply retroactively as of the beginning of the Subsidiary's fiscal year in which the Agreement becomes effective by registration in the register of companies at the registered office of the Subsidiary.

Assumption of losses (Article 3)

Pursuant to Article 3 of the Agreement, Siemens AG shall be obliged to assume the losses of the Subsidiary in accordance with the provisions of Section 302 of the German Stock Corporation Act (AktG). It requires Siemens AG to compensate any annual net loss of the Subsidiary that is otherwise, i.e. regardless of the obligation to compensate for losses, incurred during the term of the Agreement, to the extent that such loss is not compensated by release of any amounts from the Subsidiary's other retained earnings appropriated during the term of the Agreement. In addition, Article 3.1 provides a dynamic reference to Section 302 of the German Stock Corporation Act (AktG) ("as amended from time to time"). In order for the fiscal unity (*Organschaft*) between the Subsidiary and Siemens AG to become effective, it is a mandatory prerequisite for tax purposes that Siemens AG as the fiscal parent company (*Organträgerin*) undertakes to compensate any loss incurred by the Subsidiary as the fiscal subsidiary company (*Organgesellschaft*) (Section 17 of the German Corporation Tax Act (KStG)). To this extent, the provisions explained above are common within the framework of a control and profit-and-loss transfer agreement.

If the Agreement does not end prior to the expiration of the Subsidiary's fiscal year, the entitlement to the assumption of losses shall arise at the end of the Subsidiary's fiscal year and shall be due taking that date as value date. The obligation to assume losses shall apply retroactively as of the beginning of the Subsidiary's fiscal year in which the Agreement becomes effective by registration in the register of companies at the registered office of the Subsidiary.

Effectiveness and term (Article 4)

Article 4.1 of the Agreement makes it clear that the Agreement becomes effective upon registration in the register of companies at the registered office of the Subsidiary.

The Agreement shall be concluded for an indefinite period of time. It may be terminated ordinarily upon three (3) months' notice prior to the end of the Subsidiary's fiscal year, but for the first time to the end of the Subsidiary's fiscal year that ends at least five (5) years in time after the beginning of the Subsidiary's fiscal year in which the Agreement became effective. In addition to the above notice period, Siemens AG can terminate the Agreement ordinarily after the minimum term specified in the above sentence expires upon two (2) weeks' prior notice. For the fiscal unity (*Organschaft*) for tax purposes to become effective, the Agreement must be concluded for a period of at least five (5) years and actually be implemented during its entire term pursuant to Section 14 (1) sentence 1 no. 3, in combination with Section 17 (1) of the German Corporation Tax Act (KStG).

The right to terminate the Agreement for good cause without observing a notice period shall remain unaffected. Good cause shall exist in particular if Siemens AG no longer holds the majority of the voting rights or capital stock in the Subsidiary, Siemens AG disposes of or contributes the shares in the Subsidiary, Siemens AG or the Subsidiary is merged, split up or liquidated or insolvency proceedings are instigated on the assets of Siemens AG or of the Subsidiary or an outside shareholder takes a stake in the Subsidiary for the first time within the meaning of Section 307 of the German Stock Corporation Act (AktG). In the event that the shares are disposed of, Siemens AG may also terminate the Agreement with effect from the effective conclusion of the promissory agreement relating to disposal of the shares in the Subsidiary. The above is not an exhaustive enumeration of the good causes.

Notice of termination shall be given in writing.

Final provisions (Article 5)

Pursuant to Article 5.1 of the Agreement, the interpretation of individual provisions of the Agreement is subject to Section 14 and Section 17 of the German Corporation Tax Act (KStG), as amended from time to time.

Article 5.2 of the Agreement contains a common so-called severability clause to ensure that the Agreement is maintained, should individual provisions, in whole or in part, turn out to be ineffective, unenforceable or incomplete. Therefore, should any provision of the Agreement be or become ineffective or unenforceable in whole or in part or should the Agreement contain a gap, this shall not affect the validity of the remaining provisions of the Agreement. In place of the ineffective or unenforceable provision, the parties shall agree on an effective or enforceable provision which in its economic effect comes as close as legally possible to that of the ineffective or unenforceable provision. In the event of a gap in the Agreement, the parties shall agree on a provision that would have been intended, in light of the object and purpose of the Agreement, had they considered the point on concluding the Agreement.

Pursuant to Article 5.3 of the Agreement, if a declaration is to be made in writing under the terms of the Agreement, such a declaration shall be signed by the declaring party, signing his/her name in his/her own hand, and transmitted to the other party as an original. This written form may not be replaced by the electronic form.

Pursuant to Article 5.4 of the Agreement, the place of performance and jurisdiction for both parties shall be Munich.

No compensation payments and no financial settlements, no requirement for an audit of the Agreement

Siemens AG is the sole and direct shareholder of the Subsidiary. There are no outside shareholders. No compensation payments or financial settlements pursuant to Section 304 and Section 305, respectively, of the German Stock Corporation Act (AktG) are to be made to outside shareholders. Moreover, it will not be necessary to have the Agreement audited by a contract auditor pursuant to Section 293b (1) of the German Stock Corporation Act (AktG) or to prepare an audit report pursuant to Section 293e of the German Stock Corporation Act (AktG). In the absence of any compensation payment pursuant to Section 304 of the German Stock Corporation Act (AktG) and any financial settlement pursuant to Section 305 of the German Stock Corporation

Act (AktG), there is also no need to carry out an evaluation of the parties to the Agreement to determine the reasonableness of any compensation payment or financial settlement.

A summary appraisal of the Agreement shows that, for the reasons presented above, it is beneficial to both Siemens AG and the Subsidiary.

Munich, November 26, 2014

Siemens Aktiengesellschaft

The Managing Board

Signed
Kaeser
(President of the Managing Board)

Signed
Dr. Busch

Signed
Davis

Signed
Helmrich

Signed
Prof. Dr. Requardt

Signed
Prof. Dr. Russwurm

Signed
Dr. Thomas

Munich, November 26, 2014

Kyros 47 GmbH

The Management

Signed
Kastenmeier

Signed
Seltmann

This version of the Joint Report of the Managing Board of Siemens Aktiengesellschaft and the Management of Kyros 47 GmbH pursuant to Section 293a of the German Stock Corporation Act (AktG) on the Control and Profit-and-Loss Transfer Agreement dated November 26, 2014 between Siemens Aktiengesellschaft and Kyros 47 GmbH, prepared for the convenience of English-speaking readers, is a translation of the German original. For purposes of interpretation the German text shall be authoritative and final.