

STRICTLY PRIVATE AND CONFIDENTIAL

Ref: DTTILLP/G-200/225

**The Board of Directors,
Siemens Limited**
130, Pandurang Budhkar Marg,
Worli, Maharashtra,
Mumbai 400 018.

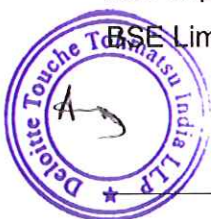
Dear Sirs,

Re: Valuation Analysis of the Healthcare Division of Siemens Limited

This has reference to our engagement letter, the various discussions that we have had with and the information that we have received from the management and key executives of Siemens Limited (hereinafter referred to as "Siemens India" or the "Company") from time to time in connection with the valuation analysis of the Healthcare Division of Siemens India (hereinafter referred to as the "Business").

SCOPE AND PURPOSE OF THIS REPORT

Siemens Limited is the flagship listed company of the Siemens group in India. Siemens Limited focuses on the areas of electrification, automation and digitalization. The Company is one of the leading producers of technologies for combined cycle turbines for power generation; power transmission and distribution solutions; infrastructure solutions for Smart Cities and transportation; automation and software solutions for industry, and also supplier of healthcare equipments. The equity shares of Siemens India are listed on BSE Limited and the National Stock Exchange of India Limited.



The Company is evaluating a proposal to sell its Healthcare Division business as a going concern to a separate legal entity ("Proposed Transaction"). The Business provides technology for the healthcare industry – medical imaging, laboratory diagnostics and solutions for the healthcare IT.

It is in this connection that the Company, has requested Deloitte Touche Tohmatsu India LLP ("DTTILLP") to carry out a valuation analysis of the Business on a going concern basis as at 31st December 2015 (the "Valuation Date") and provide a report thereon to the Board of Directors of the Company containing a range of values of the Business.

It should be understood that the values at which investments are made / price paid in a transaction may differ from the values computed in this report due to factors such as the motivation of the parties, negotiation skills of the parties, the structure of the transaction (i.e. financing structure, transition of control, etc.) or other factors unique to the transaction.

This report and the information contained herein are absolutely confidential. It is intended only for the sole use and information of the Board of Directors of the Company / Committee of the Board and only for the purpose mentioned above. We recognise that the Company may be required to submit our report to regulatory authorities / stock exchanges / shareholders / upload on the Company's website in connection with the Proposed Transaction. We hereby consent to such disclosure of this report as aforesaid, provided such disclosure if made is of the report in its entirety and not in parts, on the basis that we owe responsibility to only the Company that has engaged us and no other person or party or entity, including shareholders of the Company; and that, to the fullest extent permitted by law, we accept no responsibility or duty of care (whether in contract or in tort or under statute or otherwise) to any person or party or entity to whom the report is circulated by the Company. DTTILLP shall not be responsible and/or liable to any such person or party or entity who uses or relies on this report or any part thereof. DTTILLP thus disclaims all responsibility and/or liability for any costs, damages, losses, liabilities, expenses incurred by such other person or party or entity arising out of or in connection with the report or any part thereof. The results of our valuation and our report will not be permitted to be used or relied by the Company for any other purpose or by



any other party for any purpose whatsoever. We are not responsible to any other person / party for any decision of such person / party based on our report. Any person / party intending to provide finance / invest in the Business / shares of the Company / its holding company / associates / joint ventures / other businesses, shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. It is hereby notified that reproduction, copying or otherwise quoting of our report or any part thereof, except for the purpose as set out earlier in this report, is not permitted.

SOURCES OF INFORMATION

Valuation analysis was undertaken on the basis of the following information relating to the Business, furnished to us by the management of the Company and information available in public domain:

1. Extracted summarised profit and loss accounts for the 3 years ended 30th September 2015 and extract of the balance sheet of the Business as at 30th September 2015.
2. Extracted summarised profit and loss account for the 3 months ended 31st December 2015 and extract of the balance sheet of the Business as at 31st December 2015.
3. Projected balance sheets and profit and loss accounts of the Business for the next 10 years starting 1st October 2015 and ending 30th September 2025 as approved by the management of the Company.
4. Other relevant details such as its past and present activities, quarterly results, future plans and prospects, tax positions and other relevant information and data.

We have also received explanations, information and representations, which we believed were reasonably necessary and relevant to the present valuation exercise from the management of the Company.

DISCLAIMERS & SCOPE LIMITATIONS

Our report is subject to the disclaimers and scope limitations detailed herein. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to in this report. These scope limitations and disclaimers should not be removed from the report.



Our work does not constitute an audit, due diligence certification or review of the historical financial statements and projections of the Company / Business referred to in this report. Accordingly, we are unable to and do not express an opinion on the accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report is as agreed per terms of our engagement. It may not be valid for any other purpose or as at any other date.

Valuation analysis and results are also specific to the date of this report. A valuation of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particular. This report is issued on the understanding that the Company has drawn our attention to all the matters, which it is aware of concerning the financial position of the Business and any other matter, which may have an impact on our analysis, on the value of the Business, including any significant changes that have taken place or are likely to take place in the financial position of the Business. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

In the course of the valuation, we were provided with both written and verbal information, including financial and operating data, as also considered information in the public domain. We have evaluated the information provided to us by the Company through broad inquiry and analysis (but have not carried out a due diligence or audit or review of the Business for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided). In particular, we did not carry out any industry or product related technical or market analysis or survey or validation relating to the projections and their underlying assumptions. We have been given to understand by the management of the Company that it has not omitted any relevant and material factors. Accordingly, we do not express any opinion or offer any form of assurance regarding the accuracy and completeness of the information / data provided to us by the Company. We assume no responsibility for any errors in the above information furnished by the Company and their impact on this report. While information obtained from the public domain or external sources has not been verified for authenticity, accuracy or completeness, we have obtained information, as far as



possible, from sources generally considered to be reliable. We assume no responsibility for such information.

We express no opinion on the achievability of the forecasts relating to the Business given to us by the management of the Company. These forecasts are the responsibility of the management of the Company. The assumptions used in their preparation, as we have been explained, are based on the Company's present expectation of both - the most likely set of future business events and circumstances and the management's course of action related to them. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period may differ from the forecast and such differences may be material.

This report is not nor should it be construed as our recommending the Proposed Transaction. It does not address the relative merits of the Proposed Transaction as compared with any other alternatives or whether or not such alternatives could be achieved or are available. Any decision by the Company regarding whether or not to proceed with the Proposed Transaction shall rest solely with the Company. We express no opinion or recommendation as to how the shareholders of the Company should vote, if required in connection with the Proposed Transaction. This report and the opinion / valuation analysis contained herein is not nor should it be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities. This report does not in any manner address, opine on or recommend the prices at which the securities of the Company could or should transact at following the Proposed Transaction.

Our analysis are not binding on any person, entity, authority or court, and hence, no assurance is given that a position contrary to the opinions expressed herein will not be asserted by any person, entity, authority and/or sustained by an appellate authority or a court of law.

Neither this report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties.



No investigation of the Company / Business's claim to title of assets has been made for the purpose of this valuation and the Company / Business's claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.

Our report is not nor should it be construed as our opining or certifying the compliance with the provisions of any law/ standards including company, securities market, foreign exchange regulatory, accounting and taxation (including transfer pricing) laws/ standards or as regards any legal, accounting or taxation implications or issues.

We have not conducted or provided an analysis or prepared a model for any fixed asset valuation and have wholly relied on information provided by the Company in that regard.

The fee for our valuation analysis and this report is not contingent upon the results reported.

The reader of this report shall be deemed to have accepted the disclaimers and scope limitations mentioned in the report.

BACKGROUND

The Business supplies technology for the healthcare industry and is a leading player in medical imaging, laboratory diagnostics and solutions for the healthcare IT for the domestic market. The customers of the Business are providers of Imaging Diagnostics, Laboratory diagnostics and Point of Care. The Business primarily imports equipments, consumables and spare parts for supplying them to end customers. As a part of its long term growth strategy, the Business is proposing to expand its manufacturing activities.



APPROACH

There are several commonly used and accepted methods for determining the value of the business/ shares of a company, which could be applied to the present case, to the extent relevant and applicable, such as:

1. Net Asset value or Break up value based on the value of the assets and liabilities (NAV).
2. Value based on market quotes as available from recognised stock exchanges (Market Price method).
3. Value based on the Discounted Cash Flow (DCF) method.
4. Value based on Market Multiples of Comparable Listed Companies (CCM).
5. Value based on Transaction Multiples of Comparable Transactions (CTM).

In the case of a going concern, as in the present case, the net asset value of the Business based on the value of its net assets is of relatively limited relevance - as compared to its value based on its potential earning capacity - and hence the same has not been applied in the present case.

In the present case we are valuing the Business - which does not have an independent quoted market price – and is one of the many businesses of the Company. However given that the results of the Business are required to be separately reported by the Company as a reportable primary segment, we have considered it appropriate to take into account the implied multiples of the Company, based on the market prices of its equity shares, while valuing the Business under the Market Price method.

The CCM Method involves applying derived market earnings multiples based on the market quotations of comparable public / listed companies possessing attributes similar to the business of such company to the company's future maintainable profits. We have performed a search for suitable comparable listed companies for valuing the Business under this method. Keeping in mind the nature and dynamics of the Business we were unable to identify comparable listed companies in India and hence we were unable to apply the CCM method.



The CTM Method involves applying derived transaction multiples of comparable transactions to the maintainable earnings of the subject company/ business. We have performed a search for suitable comparable transactions for valuing the Business of the Company under this method. However, in the absence of any comparable transaction in the recent past in respect of which complete details of the deal structure, etc. are available in public domain, we were unable to apply the CTM method.

Hence in the present case we have considered it appropriate to value the Business under the Market Price and DCF methods.

Market Price Method

Under this method, the value of shares / business of a company is determined by taking the average of the market capitalisation of the equity share of such company as quoted on a recognised stock exchange over appropriate periods where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the market price.

For the reasons stated earlier, we have considered the implied multiples of the Company, based on the market prices of its equity shares for an appropriate period, while valuing the Business under this method. For this purpose, we have considered the operating Enterprise Value (EV) / Earnings before Interest and Tax (EBIT) multiples of the Company and the future maintainable earnings of the Business.

Discounted Cash Flow Method (DCF Method)

The DCF method is considered the most theoretically sound approach and scientific and acceptable method for determination of the value of a business. Under this technique the projected free cash flows from business operations are discounted at the weighted average cost of capital to the providers of capital to the business, and the sum of the present discounted value of such free cash flows is the value of the business.

The future free cash flows are derived considering, inter alia, the changes in the working capital and investments in capital expenditure. They are an aggregation of the free cash flows during the explicit forecast period - prepared based on the business plan - and



during the post explicit forecast period, estimated using an appropriate method, and are available to all providers of the company's capital - both debt and equity.

The discount rate i.e. weighted average cost of capital (WACC), which is applied to the free cash flows should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the business. Determining the WACC, involves determining the Debt Equity ratio, Cost of Debt and the Cost of Equity.

To the value of the operating business so arrived, the value of surplus / non-operating assets, if any, and other assets / liabilities as appropriate have to be adjusted to arrive at the total value of the business.

In the present case, we have applied the DCF method to the projected working results of the Business for the period of 9 years and 9 months ending 30th September 2025, as furnished to us by the management of the Company, considering a WACC of c. 11%, to arrive at the value of the Business under this method.

CONCLUSION

It would be in the light of the aforesaid, and after taking into consideration the principles of valuation as propounded by various authorities, that one would have to consider the value of the Business.

The present valuation exercise would have to proceed on a going concern basis and hence has to lay emphasis on earning capacity i.e. what the Business is capable of earning in the future with asset value being of relatively limited relevance and being relegated to the background. In this context the estimated or future maintainable profits / cash flows would have to be taken into consideration. For the reasons set out earlier in this report, we have valued the Business using the Market Price method and the DCF method, giving appropriate weightages to the values arrived at under each method.

In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. quality of the management, present and prospective competition,



yield on comparable securities and market sentiment etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon said in *Gold Coast Selection Trust Ltd. Vs. Humphrey* reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

"If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible."

On a consideration of all the relevant factors and issues discussed herein, in our opinion, the value of the Healthcare Division of Siemens Limited for the Proposed Transaction on a going concern basis, as at 31st December 2015, works out in the range of INR 29,066 million (Indian Rupees Twenty Nine Thousand and Sixty Six million only) to INR 32,219 million (Indian Rupees Thirty Two Thousand Two Hundred and Nineteen million only).

Yours faithfully,

For Deloitte Touche Tohmatsu India LLP



Amol Rane

Partner

Date: 4th March 2016.

