STRICTLY PRIVATE & CONFIDENTIAL

The Board of Directors

Siemens Limited

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26 August 2020

For the Kind Attention of: The Board of Directors, Siemens Limited

Dear Sir,

Valuation of Mechanical Drives Business of Siemens Limited

We refer to our Engagement Letter dated 10 June 2020, confirming our appointment to carry out fair valuation of the Mechanical Drives Business ("Target Division") of Siemens Limited ("Siemens" or the "Client" or the "Company").

We understand from the management of Siemens (the "Management") that as part of its global business strategy, Siemens is planning to divest the Target Division. In this regard, the Management has approached Grant Thornton Bharat LLP, formerly known as Grant Thornton India LLP ("Grant Thornton" or the "Firm") to undertake valuation of the Target Division (the "Proposed Transaction").

In the following paragraphs, we have summarized our valuation analysis together with the description of the methodologies used and limitations of our scope of work.

1 CONTEXT AND PURPOSE

1.1 Siemens Limited

Siemens Limited is the flagship company of Siemens AG in India. The company operates in different industries through various segments such as Digital Industries, Smart Infrastructure, Gas and Power, Mobility, etc. it is based in India and caters to customers across the globe.

1.2 Mechanical Drives Business

The Target Division is engaged in manufacturing gearboxes and couplings for wind turbines and heavy machinery. This division caters to clients across industries such as Wind Energy, Mining & Cement, Metals, Rubber, Thermal Power, Pumps etc. The product portfolio of the Target Division primarily focusses on three business segments i.e Wind Segment Applications Segment and Service Segment. As mentioned earlier, the Management has appointed Grant Thornton to determine valuation of the Target Division as on 30 June 2020 ("Valuation Date") pursuant to the Proposed Transaction for the consideration of its Board of Directors (including any committee thereof, as applicable).

This Report is our deliverable for the above engagement.

This Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

2 SOURCES OF INFORMATION

In connection with this exercise, we have used the following information received from the Management and/or gathered from public domain:

a) Historical financial statements of the Target Division for FY18, FY19

b) Unaudited limited review Financial Statements for 9 months ending 30 June 2020.;

c) Management certified financial projections for the Target Division for the period from 01 July 2020 to 31 September 2025;

d) Fair valuation report of Land & Building as provided by the Management.

e) Other relevant information available in the public domain and internet sources;

f) International Databases

In addition to the above, we have also obtained such other information and explanations which were considered relevant for the purpose of our analysis.

3 SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation recommendations and considerations of the issues described herein are areas of our regular corporate advisory practice. The services do not represent accounting, audit, financial due diligence review, consulting, transfer pricing or domestic / international tax-related services that may otherwise be provided by Grant Thornton.

We must emphasize that the financial projections are prepared by the Management and provided to us for the purpose of our analysis. Our analysis and review of the financial statements (historical and projected financial statements), does not constitute an audit in accordance with auditing standards and does not constitute vetting of the financial projections provided to us. We understand that the revenue and cost of operations as forecast in the financial projections provided to us is for the Target Division as a whole. The fact that we have considered the financial projections in this exercise should not be construed or taken as our being associated with or a party to such projections. Realization of free cash flow forecast used in the analysis will be dependent on the continuing validity of assumptions on which they are based.

Since the financial projections relate to future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences may be material. The financial projections provided to us are based on assumptions, hence change in the assumptions or change in other economic factors may significantly impact the valuation analysis.

We have relied on explanations and information provided by the Management and accepted the information provided to us as consistent and accurate on an “as is” basis. Although, we have reviewed such data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided. Nothing has come to our attention to indicate that the information provided had material misstatements or would not afford reasonable grounds upon which to base the report. The responses to our queries (either via correspondence or meetings) on the earning capacity and operating outlook of the Target Division reflect the best judgment of the Management regarding the future profitability of the business.

The responsibility for forecasts and the assumptions on which they are based is that of the Management and we provide no confirmation or assurance on the achievability of these projections. It must be emphasized that profit forecasts necessarily depend upon subjective judgment. They are to a greater or lesser extent, according to the nature of the business and the period covered by the forecasts, subject to substantial inherent uncertainties. In consequence, they are not capable of being audited or substantiated in the same way as financial statements, which present the results of completed periods. Similarly, we have relied on data from external sources. These sources are considered to be reliable and therefore, we assume no liability for the accuracy of the data. We have assumed that the business continues normally without any disruptions due to statutory or other external/internal occurrences. The valuation worksheets prepared for the exercise are proprietary to Grant Thornton and cannot be shared.

Our valuation is primarily from a business perspective and has not taken into account various legal and other corporate structures beyond the limited information made available to us. Hence, our opinion should not be construed as legal advice or a legal opinion.

We understand that this report is required for the internal evaluation of the Management only and we are not required to perform this valuation as a registered Valuer under the Companies Act 2013 (“Act”), the Companies (Registered Valuers And Valuation) Rules, 2017 or as per any other rules, regulations, standards, bye-laws, ordinance, notifications issued pursuant to such Act or Rules. Accordingly, our valuation analysis and this Report does not constitute nor can be construed as a valuation carried out by a registered valuer in accordance with such Act or Rules or as per any rules, regulations, standards, bye-laws, ordinance, notifications issued pursuant to such Act or Rules and any such use of our valuation analysis and this Report is not permitted.

The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this report, which might be relevant in the context of the transaction and which a wider scope might uncover. It may be noted that valuation is not an exact science and ultimately depends upon what the business is worth to a serious investor or buyer who may be prepared to pay a substantial goodwill.

The valuation exercise is carried out using generally accepted international valuation methodologies, the relative emphasis of each often varying based on several specific factors. The results of this exercise could vary significantly depending upon the basis used, the specific circumstances and professional judgment of the valuer. The valuation analysis recommendation contained herein is not intended to represent the value at any time other than the Valuation Date that is specifically stated in this report.

The Client has been provided with the opportunity to review the draft report as part of our standard practice to make sure that factual inaccuracies/ omissions are avoided in our final report.

This report is issued on the understanding that the Management has disclosed all documents, records and information relevant to our review and has drawn our attention to all matters of which they are aware concerning the financial position of the business, which may have an impact on our report up to the date of issue. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Please note that Grant Thornton may have provided other professional services to the Client in the past. Our valuation analysis should not be construed as investment advice.

We owe responsibility to only the Management under the terms of our Engagement Letter and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other advisor to the Client. Under no circumstances whatsoever, are we to be held liable for any loss, damage, cost or expense to be caused in any manner or form, from acts of fraud, misrepresentation, misstatement, provision of incorrect information or withholding of information from us.

We do not accept any liability to any third party in relation to the issue of this report. This report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for its purpose.

Neither the valuation 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, without our prior written consent.

In addition, Grant Thornton will not provide consent to be named as an expert in any filings, including, without limitation, any filings with the U.S. Securities and Exchange Commission.

The outbreak of COVID-19, declared by the World Health Organization as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Market activity is being impacted in many sectors. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation(s) is / are therefore reported based on ‘material valuation uncertainty’.

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4 VALUATION METHODOLGIES

Valuation Base: Valuation base means the indication of the type of value being used in an engagement. Different Valuation bases may lead to different conclusions of value. Valuation base can be Fair Value, Participant Specific Value or Liquidation Value, depending upon the intended purpose of the valuation exercise.

Premise of Value: Premise of Value refers to the conditions and circumstances how an asset is deployed. Since the Target Division is intended to carry on the business, we have considered Going Concern Value as the Premise of Value.

Intended Users: This report is intended for internal consumption of the Management.

5 VALUATION APPROACH

The three main valuation approaches are the market approach, income approach and asset approach. As discussed below, there are several commonly used and accepted methods for determining the valuation of Target Division for the Proposed Transaction, which have been considered in the present case, to the extent relevant and applicable, including:

1. Market Approach:
   a) Market Price method
   b) Comparable Companies Multiples
2. Income Approach: Discounted Cash Flows Method
3. Cost Approach: Net Asset Value Method

It should be understood that the valuation of any entity or its assets is inherently subjective and is subject to uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we have relied on explanations provided by the Management and have made assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the companies. This valuation could fluctuate with lapse of time, changes in prevailing market conditions and prospects, industry performance and general business and economic conditions, financial and otherwise, of the companies, and other factors which generally influence the valuation of companies and their assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although, different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bonafide manner based on our previous experience of assignments of a similar nature.

The generally accepted valuation methodologies, as may be applicable, which have been used to arrive at the value of the Target Division are discussed hereunder:

Net Asset Value Method ("NAV Method")

The asset-based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. The Net Asset Value is generally used as the minimum break-up value for any business since this methodology ignores the future return the assets can produce and is calculated using historical accounting data. The value arrived at under this approach is based on the latest available financial statements of the business and may be defined as Shareholders' Funds or Net Assets owned by the business.

In the present case, we have considered the NAV Method for valuation analysis of the Target Division.

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Discounted Cash Flow Method ("DCF Method")

The DCF Method uses the future free cash flows of the firm / equity holders discounted by the cost of capital/ equity to arrive at the present value. In general, the DCF Method is a strong and widely accepted valuation tool, as it concentrates on cash generation potential of a business.

Considering that this method is based on future potential and is widely accepted, we have considered Free Cash Flow to the Firm for valuation analysis of the Target Division as on the Valuation Date.

6 VALUATION OF THE TARGET DIVISION

6.1 Valuation using NAV Method

As explained earlier in the report, we have considered NAV Method for the valuation analysis of the Target Division.

The Management has provided us with the unaudited limited review Financial Statements (Income Statement and Balance Sheet) of the Target Division as on the Valuation Date. Based on the financials, the net asset value of the Target Division is INR 4,257.3 Mn. We have adjusted this value for the market value of land and building (valuation report provided by independent chartered engineer), and other assets and liabilities as appropriate, to arrive at the Adjusted Net Asset Value of INR 4,393.7 Mn of the Target Division as on the Valuation Date

6.2 Valuation using DCF Method

Further, we have considered DCF method for the valuation analysis of the Target Division. Using the DCF analysis involves determining the following:

- **Estimating future free cash flows:**

  Free cash flows are the cash flows expected to be generated by the Target Division that are available to all providers of the capital – both debt and equity.

  We have relied on the financial projections for the Target Division from 1 July 2020 to 30 September 2025 as provided to us by the Management to calculate the future cash flows of the Target Division.

- **Appropriate discount rate to be applied to free cash flows i.e. the cost of capital:**

  This discount rate, 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 company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

  In the present case, we have considered Weighted Average Cost of Capital ("WACC") of ~12.4% as the discount rate to present value the future cash flows to the firm for the explicit period and perpetuity.

Considering above, the value under DCF Method has been arrived at INR 1,036.7 Mn for the Target Division as on the Valuation Date.

7 BASIS OF RECOMMENDATION

In the ultimate analysis, valuation will have to be arrived at by the exercise of judicious discretion by us and judgments 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 business.

While we have provided our recommendation based on our analysis of the Target Division considering the information available to us and within the scope and constraints of our engagement, others may have a different opinion. The final responsibility at which the Proposed Transaction shall take place will be with the Board of Directors of the respective companies who should take into account other factors such as their own assessment of the Proposed Transaction.

8 VALUATION CONCLUSION

Based on the above analysis, it is observed that value derived using NAV method is higher than the value derived using the DCF method. We have therefore considered NAV for the purpose of our value conclusion as the potential value of the asset base is not getting captured / reflected in the DCF Method.

Based on our analysis and subject to the assumptions and limitations described in this report and our Engagement Letter, we estimate the value of the Target Division to be INR 4,393.7Mn.

Yours sincerely,

GRANT THORNTON BHARAT LLP

(Formerly GRANT THORNTON INDIA LLP)

Digitally signed by Darshana Kadakia
Date: 2020.08.26 17:27:50 +05:30

Darshana Kadakia

Partner

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