

Report of the General Partner regarding Point 7 on the Agenda

I. Background

1. Existence of “virtual” share options

In the “*Agreement on the termination of the joint venture and agreement on the acquisition and transfer of company shares in Siemens Medical Holding GmbH*” dated December 29, 2009 (“**Acquisition and Transfer Agreement**”), with Siemens Beteiligungen Inland GmbH, Munich, a subsidiary of Siemens AG, the company agreed upon the acquisition of all shares of Siemens Medical Holding GmbH. As its sole interest, Siemens Medical Holding GmbH holds a limited partner’s interest of 25% in the share capital of Dräger Medical AG & Co. KG – the joint venture founded at the end of 2002 with Siemens AG in which the company holds a limited partner’s interest consisting of the remaining 75%.

As of the date of this report, the transfer of all company shares in Siemens Medical Holding GmbH by Siemens Beteiligungen Inland GmbH (“**Siemens**”) to the company is still subject to the approval of the merger control authorities. However, approval is expected shortly and most likely prior to the date of the shareholders’ meeting. With the execution of the Acquisition and Transfer Agreement, the company (indirectly) becomes the sole shareholder of Dräger Medical AG & Co. KG.

The purchase price for the acquisition of Siemens Medical Holding GmbH consists of a fixed and a variable cash component:

- The fixed purchase price component is EUR 243.5 million. An installment of EUR 175 million of this amount is payable upon the execution of the Acquisition and Transfer Agreement while the amount of EUR 68.5 million is deferred in three different tranches with various amounts and terms

(tranche I, II and III). The company and Siemens have agreed upon the deferral details in the so-called *Deferred Payment Agreement (extension agreement) dated December 29, 2009* (referred to as the “**Deferred Payment Agreement**” below).

- The company and Siemens have agreed upon the variable purchase price component in the so-called *Option Master Agreement dated December 29, 2009* (referred to as the “**Option Master Agreement**” below). This is a “virtual” share option payable in cash, i.e. the company does not issue preferred company shares to Siemens when the option is “exercised” but makes a cash payment instead (referred to as the “**virtual share option**” below). In principle, the amount of the cash claim is computed as (i) the difference between the average market price of the company’s preferred shares when the option is “exercised” and the agreed “exercise price” of EUR 40 for the option (ii) multiplied by the number of 1.25 million “virtual” preferred shares. The total amount for the virtual share option is limited to EUR 50 million. It can be exercised by Siemens within a two-year period before the fifth anniversary of the day on which the Acquisition and Transfer Agreement is executed (“**execution date**”).

Additional details regarding the virtual share option and its computation are explained under III. 1. b) and the convocation of the shareholders’ meeting for the company on May 7, 2010, is described in the section “Information on point 7 on the agenda” under 3. b) aa).

2. Expiration in full of the virtual share option and partial relief of the deferred fixed purchase price component by issuing warrant bonds with option rights guaranteed in the form of warrants

The background behind the proposed resolution advanced by the general partner and the Supervisory Board to exclude the subscription rights of the company’s shareholders on the authorization of and instruction for issuing warrant bonds with option rights guaranteed in the form of warrants is as follows:

According to the Acquisition and Transfer Agreement, the virtual share option expires in full when the company – subject to certain dilution protection rules in favor of Siemens – issues warrant bonds with option rights guaranteed in the form of warrants to Siemens with a total nominal value of EUR 1.25 million, entitling the holder to acquire 1.25 million new preferred shares of the company (the option rights guaranteed in the form of warrants are also referred to as the “**true share option**” below). The agreement on the possibility of swapping the virtual share option for the true share option – subject to the agreement of the shareholders’ meeting of the company – is based on an express request by Siemens and / or its parent company Siemens AG and was an essential prerequisite for the conclusion of the Acquisition and Transfer Agreement for the indirect acquisition of the limited partner’s interest in Dräger Medical AG & Co. KG. A more detailed explanation of this swap from a technical and legal perspective (issue of true share option in exchange for the expiry of the virtual share option) is found under III. 1. b).

The company does not receive an additional cash payment in exchange for the issue of the warrant bonds with a nominal value totaling EUR 1.25 million. Instead, the nominal amount due of EUR 1.25 million is offset against part of the deferred fixed purchase price component payable in cash. Details are found under III. 1. a).

As described in greater detail under III. 4., the value of the virtual share option is less than that of the true share option because the underlying cash payment claim is limited to EUR 50 million. In order to avoid dilution to the detriment of the shareholders, the company is relieved of the obligation to pay a further part of the deferred fixed purchase price component as compensation for the difference in value upon issuing the warrant bonds with option rights guaranteed in the form of warrants. Details on the implementation and valuation from a legal and technical perspective are found under III. 1. b) and III. 4.

After they are issued, the option rights guaranteed in the form of warrants (true share option) can be exercised up to the fifth anniversary of the execution date

of the Acquisition and Transfer Agreement (exercise period). The issue price for the new preferred shares payable when the option is exercised is generally payable in cash and is determined according to an established average market price for the company's preferred shares prior to issuing the option rights. Details are found under III. 5.

3. Need for the proposed authorization and / or instruction

The proposed resolution advanced by the general partner and Supervisory Board to issue a corresponding authorization and / or instruction to the general partner to issue warrant bonds with option rights guaranteed in the form of warrants and to create the corresponding conditional capital serves to establish the foundation for issuing the true share option according to stock corporation law.

According to the Acquisition and Transfer Agreement, the company is only required and / or permitted to issue the warrant bonds with option rights guaranteed in the form of warrants if

(i) the shareholders' meeting of the company and the special assembly of the preferred shareholders pass a resolution for a corresponding authorization and the creation of the conditional capital required if the option rights are exercised, with the respective majorities required by law and according to the articles of association,

(ii) the authorization can be executed with legal certainty, and

(iii) the company has executed a capital increase by issuing at least 1.25 million new common shares.

In particular, the preceding conditions ensure that the decision-making authority of the shareholders' meeting and the special assembly of the preferred shareholders pursuant to Sec. 221 AktG is protected.

According to the agreement with Siemens, the warrant bonds with option rights guaranteed in the form of warrants (and therefore the true share option) are to be issued within three months after the authorization can be executed and the conditional capital can be issued with legal certainty. In any case, executing the authorization and / or following the instruction is limited to the maximum of five years according to stock corporation law (from the date of the shareholders' meeting).

II. Objective justification for the exclusion of subscription rights

The proposed authorization of and instruction for issuing warrant bonds with option rights guaranteed in the form of warrants calls for the exclusion of shareholder subscription rights. Excluding the subscription rights is objectively justified for the following reasons:

1. Best interests of the company

The objective of issuing the warrant bonds with option rights guaranteed in the form of warrants, subject to excluding the shareholder subscription rights, serves to cause the virtual share option to expire. The Acquisition and Transfer Agreement specifies that the virtual share option expires upon issuing the warrant bonds with option rights guaranteed in the form of warrants (see I. 2. above). Causing the virtual share option to expire and issuing the warrant bonds with option rights guaranteed in the form of warrants, subject to the exclusion of subscription rights, is in the best interests of the company:

a) Elimination of a significant payment liability

Issuing the warrant bonds with option rights guaranteed in the form of warrants causes the virtual share option to expire and thereby relieves the company of a payment liability in the amount of up to EUR 50 million.

This reduction in liabilities to third parties increases the company's flexibility for the coverage of possible future capital requirements. Given

the current market environment, special attention is paid to the extent and structure of existing liabilities to third parties when obtaining external financing from banks and the capital markets.

Issuing the warrant bonds with option rights to shareholders would not have this effect, since it would not eliminate the company's payment liability in the amount of up to EUR 50 million as described above.

b) Avoiding a significant outflow of liquid assets for the company

Naturally, the potential outflow of liquid assets for the company is reduced with the elimination of the virtual share option. As described above, this can amount to a one-time payment of up to EUR 50 million within five years after the execution date of the Acquisition and Transfer Agreement, should Siemens exercise the virtual share option within the two-year exercise period prior to the fifth anniversary of the execution date. Preventing such an outflow serves to improve the company's general financing situation.

In addition, the amount of the claim for a cash payment and therefore the impact on the company's liquidity position would be established if Siemens exercised the virtual share option (wherein this claim is only payable at the end of the two-year exercise period). Establishing the amount of the liability arising from the virtual share option is more detrimental to the company's general financing situation compared to the situation when the option has not been exercised yet, so that the concrete amount of the liability arising from the virtual share option has not been established (although it is limited to maximum of EUR 50 million).

These effects also would not be associated with issuing the warrant bonds with option rights to shareholders. It is true that the company would obtain additional liquid assets if shareholders subscribed to the warrant bonds (equal to the nominal value of subscribed warrant bonds, up to EUR 1.25 million). However, issuing warrant bonds to shareholders would not lead to

the expiry of the virtual share option, so the payment liability of up to EUR 50 million arising from the virtual share option would remain.

c) Increasing the equity ratio

Issuing the warrant bonds does not have any significant effect on the balance sheet, since the deferred purchase price component is offset against the nominal amount of the warrant bonds (EUR 1.25 million). This means that there is merely a reallocation between items within debt on the balance sheet.

In contrast, the expiry of the virtual share option eliminates a payment liability of EUR 50 million for the company. As of December 31, 2009, the company has valued the payment liability arising from the virtual share option at approximately EUR 6.2 million and reported it accordingly in its IFRS consolidated financial statements and in the annual financial statements under commercial law for the 2009 financial year. The elimination of this payment liability would result in a corresponding increase in equity, since the option rights to be issued (true share option) are reported as equity on the balance sheet. In concrete terms, the company's equity compared to December 31, 2009, would increase by up to approximately EUR 6.2 million in the annual financial statements under commercial law and in the IFRS consolidated financial statements.

The elimination of the future monetary liability arising from the virtual share option and the elimination of the monetary liability from the deferred purchase price clearly outweigh the additional liability for the repayment of the warrant bonds upon maturity, so that total debt is significantly reduced. This decrease in debt with the simultaneous increase in equity results in an increase of the equity ratio. Such an increase improves the company's negotiating position when it comes to extending existing financing agreements or obtaining new financing; the same applies to leeway within the framework of existing financing agreements.

Once again, issuing the warrant bonds with option rights to shareholders would not have the same effect. Since the existing liability arising from the virtual share option would not be eliminated, debt would increase rather than decreasing.

d) Reduction of expenses through profit or loss

Since the issued option rights (true share option) would be recorded as equity, the expiry of the virtual share option is also advantageous to the company in regards to balance sheet effects on the income statement. At this time, changes in the fair value of the virtual share option have an impact on the income statement at each balance sheet date – both in the IFRS consolidated financial statements and in the annual financial statements under commercial law (if the company exercises the allowable accounting policy choices under the German Commercial Code) – under income or expenses for an increase or decrease of company income and / or consolidated income (which means net earnings available for distribution to the shareholders under commercial law are also affected).

Fluctuations in the fair value of the virtual share option with an impact on income and expenses are eliminated if the true share option is issued. This is because the fair value of the option rights becomes fixed when the virtual share option expires and the true share option to be issued is recorded as equity on the balance sheet.

Issuing the warrant bonds with option rights to the shareholders would not have this effect since the virtual share option would not expire in this case.

e) Reduction of interest expense

The Acquisition and Transfer Agreement includes an equalization mechanism whereby tranche III of the deferred purchase price component (*Deferred Payment Agreement*) is reduced by up to EUR 8.5 million upon issuing the warrant bonds with option rights guaranteed in the form of

warrants. This equalization mechanism takes into account the excess value of the true share option over the value of the virtual share option as a variable purchase price component (for details on the equalization mechanism and the determination of the amount, see III. 4. c)). Insofar as the equalization mechanism applies so that the deferred purchase price obligation is reduced, interest expense for the company (deferral interest) is also reduced.

This effect also would not occur if the warrant bonds with option rights were issued to shareholders, since the reduction of tranche III of the *Deferred Payment Agreement* by up to EUR 8.5 million does not apply when warrant bonds are issued to shareholders.

In fact, issuing warrant bonds to the shareholders would actually result in an increase of interest expense through profit or loss for the company because of the interest payment liabilities associated with the warrant bonds. This is not the case when the warrant bonds are issued to Siemens, since tranche III of the *Deferred Payment Agreement* is reduced by the nominal amount of the warrant bonds issued to Siemens (EUR 1.25 million) in this case and the warrant bonds and tranche III include the same interest payment liabilities (see III. 3.).

2. Suitability and necessity

The proposed exclusion of subscription rights is suitable and necessary to achieve the objective in the best interests of the company as described above.

a) Suitability

The exclusion of subscription rights is suitable to achieve the objective since the sole subscription by Siemens results in the expiry of the virtual share option.

b) Necessity

The proposed exclusion of subscription rights is also necessary since no alternatives are available that would allow the company to achieve the same objectives as favorably or more favorably than by issuing the warrant bonds with option rights guaranteed in the form of warrants exclusively to Siemens. In particular, the partial granting of subscription rights on the warrant bonds with option rights guaranteed in the form of warrants (for the acquisition of preferred shares) is not feasible. This is mainly due to the mandatory provision of Sec. 139 (2) AktG, specifying that no more than 50% of capital stock may be allocated to preferred shares.

Based on the current legal position, irrevocable subscription rights for the company's preferred shares can only be granted to the holders of the "true" option rights being issued if the company creates corresponding conditional capital of up to EUR 3.2 million by issuing up to 1.25 million new no-par preferred bearer shares of the company in order to cover the options. The proposed resolution of the shareholders' meeting described under point 7 on the agenda therefore also includes the creation of corresponding conditional capital (see b) and c) of the proposed resolution).

For the creation of this conditional capital, the company is required to increase its capital stock by issuing at least 1.25 million new common shares prior to registering the conditional capital in the commercial registry. This is because preferred shares without voting rights may only be issued up to half the capital stock (see Sec. 139 (2) AktG) and the capital stock of the company already consists of equal proportions of common shares and preferred shares at this time (see Sec. 6 (1) of the articles of association). This is why the proposed resolution for the creation of conditional capital includes an instruction to the general partner that the conditional capital and the related amendment of the articles of association shall only be registered in the commercial registry once it has been assured that an

increase of capital stock by issuing at least 1.25 million new common shares has first been registered in the commercial registry.

If the subscription rights of the shareholders on the issue of the warrant bonds with option rights guaranteed in the form of warrants would be retained in whole or in part (in addition to the subscription rights in favor of Siemens), the company would have to create correspondingly higher conditional capital to cover all the options that may be exercised by the shareholders and by Siemens. In turn, creating higher conditional capital would mean that a correspondingly greater increase of capital stock by issuing common shares would be required. This would make it much more difficult to replace the virtual share option with the true share option. In order to assure execution within the required scope, sufficient subscribers would have to be found for the much more extensive capital increase by means of issuing new common shares that would be required in this case.

The related risk to transaction security – especially in regards to the advantages associated with issuing the true share option as described above – is not acceptable to the company. If, on the other hand, the subscription rights for shareholders are excluded as proposed, a prior increase in capital stock by issuing at least 1.25 million new common shares (approximately 9.8% of current capital stock) is sufficient to ensure the true share option to be issued to Siemens can be covered.

3. Commensurability and appropriateness – protection of shareholder interests by means of a capital increase for cash with subscription rights (common shares)

In particular, the advantages described above are commensurate when compared to the exclusion of subscription rights.

As described above, the proposed resolution – based on the provisions of Sec. 139 (2) AktG – specifies that the conditional capital may only be registered in

the commercial registry after an increase of capital stock by issuing common shares has taken place (see II. 2. b) above).

According to the current state of planning, the proposed increase in the number of common shares shall be achieved by issuing subscription rights, i.e. without excluding shareholder subscription rights, in order to reduce the dilution effect on the holdings of shareholders and the preferred shareholders in particular.

Assuming that all option rights are exercised so that a total of 1.25 million new preferred shares are issued to Siemens (or the holder of the true share option at that time) out of the conditional capital that is to be created, and also assuming that the preferred shareholders exercise their subscription rights for the preceding capital increase by means of issuing at least as many common shares, the decrease in the proportionate holdings of existing shareholders is limited to a maximum of 8.2% which is comparatively moderate.

Issuing the subscription rights also benefits the preferred shareholders in particular. This represents their first opportunity to subscribe to common shares and therefore obtain voting rights in the shareholders' meeting. While the preferred shareholders currently have the option of attending the shareholders' meeting, their preferred shares do not grant them any voting rights.

The company is also planning to list the common shares to be issued under the capital increase on a stock exchange in a timely manner. This is intended to protect the interests of the preferred shareholders in particular by ensuring that the common shares can be readily traded and sold.

III. Justification for the proposed terms and conditions for the warrant bonds and option rights

1. **Protecting the financial interests of the shareholders in issuing the warrant bonds with option rights guaranteed in the form of warrants**

The pecuniary interests of the shareholders are protected since the warrant bonds with option rights guaranteed in the form of warrants are issued in exchange for commensurate compensation.

The peculiarity in this case is that performance by Siemens for the acquisition of the warrant bonds with option rights is not in the form of a monetary payment but in the form of a payment in kind, wherein Siemens relieves the company of monetary liabilities arising from the Acquisition and Transfer Agreement, e.g. by means of offsetting:

a) For the issue of the warrant bonds:

- *Partial elimination of the monetary liability for the payment of tranche III from the Deferred Payment Agreement*

Siemens can perform its obligation (payment of the nominal amount of the warrant bond in the amount of EUR 1.25 million) by offsetting the monetary liability of Siemens to the company against EUR 1.25 million of the payment on tranche III (EUR 9.75 million) under the *Deferred Payment Agreement*.

Upon offsetting, the contractual interest payment liabilities associated with this partial amount that have not yet become due are also eliminated to the extent of offsetting. Any unpaid payment liabilities relating to the monetary liability that have become due according to the contract may not be offset.

Performance by means of offsetting is assured since the company and Siemens have explicitly agreed upon offsetting a partial amount of EUR 1.25 million effective upon issuing the warrant bonds with option rights in the *Option Master Agreement* and the *Deferred Payment Agreement*.

b) For the issue of option rights guaranteed in the form of warrants (true share option):

– *Elimination of the monetary liability arising from the virtual share option*

The monetary liability of the company to Siemens arising from the virtual share option pursuant to the *Option Master Agreement* is eliminated. Upon exercising the virtual share option, Siemens can demand the payment of a monetary amount that – based on an assumed number of 1.25 million preferred shares – is computed as the difference between the current stock market reference price (defined below) upon exercising the virtual share option and the agreed exercise price.

The amount of the cash payment claim is computed using the following formula: 1.25 million multiplied by the positive difference between (i) the stock market reference price (arithmetic mean of the respective Xetra average daily market prices of the preferred share, weighted by volume, for the last 30 regular trading days before the exercise date) and (ii) EUR 40. This cash payment claim on the part of Siemens is contractually limited to a maximum of EUR 50 million. It may be exercised during a period of two years prior to the fifth anniversary of the execution date of the Acquisition and Transfer Agreement.

For the occurrence of specific events that would impair the value of the cash payment claim (capital increase from company assets, stock split, capital increase with subscription rights for the preferred shareholders, extraordinary dividend, capital decrease), a corresponding adjustment to the components of the formula used to calculate the cash payment claim (dilution protection) has been agreed upon in order to prevent such an impairment of value. In case of a capital increase with subscription rights for the preferred shareholders, an adjustment is only

made if more than 1.75 million new shares are issued within the scope of the capital increase.

The elimination of the monetary liability as described above is assured since the company and Siemens, in the *Option Master Agreement*, have agreed that the cash payment claim is automatically eliminated if warrant bonds with option rights guaranteed in the form of warrants are issued to Siemens.

– *Partial elimination of the monetary liability for the payment of tranche III from the Deferred Payment Agreement*

Among other things, the company has a monetary liability of EUR 9.75 million (tranche III) to Siemens under the *Deferred Payment Agreement* which is to be partially eliminated – limited to a maximum nominal claim of EUR 8.5 million.

The liability from tranche III is only eliminated to the extent the value of the option rights to be issued (true share option) exceeds the value of the virtual share option. For the computation of the difference in value, the issue date for the warrant bonds with option rights guaranteed in the form of warrants shall apply. As specified in the *Deferred Payment Agreement*, the difference in value is determined using the Black/Scholes option valuation model.

Insofar as the monetary liability is eliminated as described above, this also includes the elimination of interest payment liabilities associated with the monetary liability but not yet due under the contract; payment liabilities that have already come due but have not been paid are not eliminated.

The elimination of the monetary liability to the extent described above is assured since a corresponding elimination of the liability on the date the true share option is issued has been expressly specified in the *Option*

Master Agreement in case the warrant bonds with option rights guaranteed in the form of warrants are issued.

2. Relationship of performance to compensation

The relationship between performance by the company (issuing the warrant bonds with option rights guaranteed in the form of warrants) and compensation by Siemens (elimination of the monetary liability as described above) is appropriate, as shown by the explanations below.

The date of the shareholders' meeting in which the general partner is instructed and authorized by the shareholders' meeting to issue the warrant bonds with option rights is decisive in order to evaluate performance by the company and compensation by Siemens. This is because the shareholders' meeting, on that date, makes its decision which binds the general partner in principle based on the authorization and instruction of the shareholders' meeting.

The fact that issuing the warrant bonds with option rights guaranteed in the form of warrants (and therefore issuing the true share option) also represents a result of the Acquisition and Transfer Agreement and must be viewed in light of the negotiation results as of December 2009 also has to be considered.

3. Appropriateness of the value ratios in regards to the warrant bonds

By issuing the warrant bonds to Siemens with a total nominal value of EUR 1.25 million, Siemens (or, in case of resale, the respective holder of the warrant bonds) receives a payment claim in the amount of EUR 1.25 million upon maturity of the warrant bonds (fifth anniversary of the execution date, see above) and a claim to interest payments in the amount of the 6-month EURIBOR plus 5% p.a. (exclusively up to the third anniversary of the date the warrant bonds were issued ("**issue date**") or in the amount of the 6-month EURIBOR plus 6% p.a. from the third anniversary of the issue date with six-month interest periods.

Instead of a corresponding monetary payment to the company for the acquisition of the claims mentioned above, Siemens is relieving the company – as described above – of a monetary liability that, in regards to amount, maturity and interest rate, economically corresponds to the new claims granted by issuing the warrant bonds:

- The liability that is eliminated (part of tranche III) also amounts to EUR 1.25 million.
- The liability that is eliminated is also due on the fifth anniversary of the execution date of the Acquisition and Transfer Agreement.
- Interest on the liability that is eliminated is identical both in terms of the interest rate and the interest term (6-month EURIBOR plus 5% p.a. within the first three years of the respective term and 6-month EURIBOR plus 6% pa. for the subsequent period up to maturity; six-month interest periods. However, there is a phase shift in favor of the company for the interest term in that the higher interest rate equal to the 6-month EURIBOR plus 6% p.a. is only payable on the warrant bonds from the third anniversary of the issue date, while the higher interest rate on the liability that is eliminated is already payable starting on the third anniversary of the execution date of the Acquisition and Transfer Agreement).

Based on the identical amount, identical maturity, identical interest rate and similar interest term, offsetting is neutral in terms of value from the perspective of the company and the financial interests of the company and its shareholders are not affected.

4. Appropriateness of the value ratio regarding the option rights guaranteed in the form of warrants attached to the warrant bonds (real share option)

Regarding the option rights attached to the warrant bonds, the benefits to be granted by Siemens appropriately account for the value of the option rights.

a) Value of the option rights to be issued

Upon exercise, the option rights to be issued (real share option) entitle the holder to obtain a total of 1,25 million preferred company shares at the stipulated exercise price (see also III. 5: a)) If upon exercising the option rights the current share price exceeds the stipulated exercise price, in other words, the option rights are “in the money”, holders can acquire preferred shares at attractive conditions – as at the exercise date. But holders also run the risk that share prices could fall below the stipulated exercise price and exercising the option rights would make no financial sense. A potential future share acquisition at attractive conditions – as at the exercise date – is a value in itself and can be calculated according to approved mathematical methods (“**option value**”).

As the value of an option right mainly depends on the current price of its underlying share (base value) at the time it is issued, the exact value of the option rights to be issued cannot currently be determined, as it is not possible to predict the exact issue date (and the share price at that time). The general partner is aiming to quickly utilize the authorization and implement the instructions within the three-month period, but this will also depend on if the capital stock attributable to common shares can be successfully increased (see also I.3. and II. 2. b) above) and if such action is safe from a legal point of view (see I. 3. above).

The general partner has appointed Bankhaus M.M.Warburg & CO Kommanditgesellschaft auf Aktien (“**Bankhaus M.M.Warburg**”) to determine the option rights’ fair market value for certain scenarios in an expert report.

The table below lists the values calculated by Bankhaus M.M.Warburg in its expert report from March 18, 2010. Bankhaus M.M.Warburg has used the established Black/Scholes options measurement method for its calculation, which takes into account factors such as the preferred share price at the time the option rights are being issued, exercise price, maturity

of the option rights and volatility of the share price. As the future share price volatility is uncertain and other options on preferred company shares are not available for comparison, Bankhaus M.M.Warburg has based its calculations on historical volatilities of the preferred company shares with similar terms to maturity for the period until the end of February 2010 and verified them by comparing them against historical volatilities from prior periods. As of December 29, 2009 (conclusion of the Acquisition and Transfer Agreement), for instance, Bankhaus M.M.Warburg assumed an annual share price volatility of 42.805 percent. This corresponds to the value the company also used for accounting purposes, which was not questioned by the auditor. If the real share option is issued at a later date, the historical share price volatility increases due to the real share option's shorter remaining terms to maturity (share price volatilities with similar terms to maturity).

The values determined by Bankhaus M.M.Warburg as of March 9, 2010, which the general partner has assumed, are stated below. The table shows the value ratios at the time the Acquisition and Transfer Agreement was concluded on December 29, 2009, as well as on March 9, 2010, and also possible future scenarios (issuance of the option rights on June 30, 2010, December 31, 2010, and June 30, 2011; on the basis of corresponding annual share price volatilities with similar terms to maturity – i.e. adjusted to the possible remaining term to maturity of the real share option – of 43.942 percent (March 9, 2010), 44.843 percent (June 30, 2010), 47.123 percent (December 31, 2010) and 49.241 percent (June 30, 2011), linked with various potential future share prices).

<i>Assumed issue date of option rights (real share option)</i>	<i>Assumed share price in EUR on the assumed issue date</i>	<i>Fair market value of the option rights to be issued (real share option) in EUR million upon issuance of the option rights on the assumed issue date</i>
Dec. 29, 2009	29.82 (historical price)	10.78

March 9, 2010	53.22	24.09
	(historical price)	
June 30, 2010	34.00	13.30
(Conversion time frame	38.00	16.60
1)	42.00	18.54
	46.00	20.44
	50.00	22.34
	54.00	24.24
	58.00	26.15
	62.00	28.05
Dec. 31, 2010	34.00	12.96
(Conversion time frame	38.00	16.22
2)	42.00	18.12
	46.00	19.98
	50.00	21.84
	54.00	23.70
	58.00	25.57
	62.00	27.43
June 30, 2011	34.00	12.78
(Conversion time frame	38.00	16.01
3)	42.00	17.85
	46.00	19.66
	50.00	21.46
	54.00	23.27
	58.00	25.07
	62.00	26.88

b) Value of the relief from the virtual share option

The amount of the monetary liability from the virtual share option, from which the company is being relieved upon issuance of the real share option, is currently uncertain, as – inevitably for a virtual share option – it also essentially depends on the price of the preferred company share at the time the option is being exercised. The virtual share option is modeled on a real share option – except that there is no entitlement to delivery of shares upon exercise – and it can therefore be assigned an option value which has been calculated according to approved mathematical methods.

The virtual share option has many similarities to the option rights to be issued (real share option):

- Identical term to maturity;
- The number of “virtual” shares corresponds to the number of “real” shares;
- The anti-dilution provisions are the same from a financial point of view.

However, there are substantial differences in the following points:

- The virtual share option has already been granted in the option master agreement; contrary to the real share option, the issuance is therefore no longer outstanding.
- The exercise price has already been fixed at EUR 40.00 per “virtual” share (subject to the agreed anti-dilution provisions).
- Upon exercising the virtual share option, the cash amount payable by the company is limited to EUR 50 million.

The general partner has appointed Bankhaus M.M.Warburg to determine the fair market value of the virtual share option as well in an expert report and base it on the same scenarios as used for determining the value of the virtual share option (see above), in order to compare it with the option rights to be issued (real share option).

Bankhaus M.M.Warburg again used the established Black/Scholes options measurement method for its calculation. As in the case of the option rights to be issued, Bankhaus M.M.Warburg used corresponding historical share price volatilities with similar terms to maturity.

The table below lists the values determined by Bankhaus M.M.Warburg in its expert report from March 18, 2010, which the general partner has assumed. For ease of comparison, the table also shows the fair market

values of the option rights to be issued stated under III. 4. a) above as well as the resulting differences.

Measurement date	Assumed share price in EUR on the measurement date	Fair market value in EUR million of the virtual share option	Fair market value of the option rights to be issued (real share option) in EUR million upon assumed issuance on the measurement date	Difference in EUR million
Dec. 29, 2009	29.82 (historical price)	6.11	10.78	4.68
March 9, 2010	53.22 (historical price)	13.78	24.09	10.31
June 30, 2010	34.00	7.44	13.30	5.86
Conversion time frame 1	38.00	8.85	16.60	7.75
	42.00	10.25	18.54	8.28
	46.00	11.62	20.44	8.82
	50.00	12.96	22.34	9.39
	54.00	14.24	24.24	10.00
	58.00	15.49	26.15	10.66
	62.00	16.68	28.05	11.37
31. Dec. 31, 2010	34.00	7.34	12.96	5.62
Conversion time frame 2	38.00	8.79	16.22	7.42
	42.00	10.23	18.12	7.88
	46.00	11.65	19.98	8.33
	50.00	13.03	21.84	8.81
	54.00	14.37	23.70	9.34
	58.00	15.66	25.57	9.91
	62.00	16.90	27.43	10.53
June 30, 2011	34.00	7.36	12.78	5.42
Conversion time frame 3	38.00	8.87	16.01	7.14
	42.00	10.38	17.85	7.47
	46.00	11.86	19.66	7.80
	50.00	13.31	21.46	8.15
	54.00	14.72	23.27	8.55
	58.00	16.08	25.07	8.99
	62.00	17.39	26.88	9.49

The fair market value of the virtual share option is always lower than the fair market values of the option rights to be issued, mainly due to the company limiting future cash payments due under the virtual share option to EUR 50 million to protect its liquidity, while there are no such limits for

the option rights to be issued. The real share option was not limited so that it would be possible to recognize it as an equity instrument in accordance with IFRS – important for the company's financing activities – the standard used for preparing the group financial statements.

The company and Siemens were and are aware of the differences between the fair market value of the virtual share option and those of the option rights to be issued (real share option), as described above, and have therefore agreed at an early stage for Siemens to relieve the company from further liabilities to compensate for this difference (see III. 4. c) below).

c) Value of the partial relief from the monetary liabilities upon payment of tranche III under the *deferred payment agreement*

As explained above, at the time the option rights are being issued, the company is relieved from its liability from tranche III under the *deferred payment agreement* to such an amount as the value of the option rights to be issued exceeds the value of the virtual share option. However, this relief is limited to the nominal value of EUR 8.5 million.

The value of the relief from the monetary liability is calculated on the basis of the monetary liability's fair value at the time the relief is granted.

Even if the liability from tranche III does not fall due immediately but only on the fifth anniversary of the Acquisition and Transfer Agreement's execution date it must be assumed that the liability's fair value at the time the relief is granted does not fall below its nominal value, as the liability carries interest to the amount of the 6-month EURIBOR plus 5 percent annually for the period until the third anniversary of the Acquisition and Transfer Agreement's execution date and to the amount of the 6-month EURIBOR plus 6 percent annually thereafter until the fifth anniversary of the Acquisition and Transfer Agreement's execution date, from which the company is also relieved at the same time as being relieved of the liability

itself. These future interest savings must be taken into account when calculating the fair value.

In the *option master agreement*, the company and Siemens stipulated in detail the binding formula for calculating the settlement amount. When doing so, they made assumptions in favor of the company compared to the fair market value determination carried out by Bankhaus M.M.Warburg. Although the contractually stipulated settlement mechanism is to be based on the Black/Scholes options measurement method as well, all calculations must be based on an annual share price volatility of 50 percent. This value significantly exceeds the historical volatility of the preferred company share for the period from 2004 to the end of February 2010 (42.805 percent as on December 29, 2010). The assumption of such increased volatility always results in greater differences and therefore basically in a higher settlement amount. However, the later the real share option is issued, the smaller the difference between the preferred share's historical volatility and the share price volatility agreed for the settlement mechanism (50 percent annually) (e.g. historical share price volatility of 49.241 percent annually if the real share option is issued on June 30, 2011). From a current point of view, the share price volatility would exceed 50 percent annually if the real share option was issued much later than June 30, 2011, or if – with view to the maturity date of the real share option (five years to the day the Acquisition and Transfer Agreement was executed) – a remaining term to maturity of less than 3.75 years was assumed.

Taking into account that the contractual settlement mechanism is capped at EUR 8.5 million, the following values for the scenarios described above under III. 4. b) are the result. In the table below, they are compared with the differences resulting from Bankhaus M.M.Warburg's fair market value measurements.

Measurement date	Share price in EUR as on the measurement date	Contractual amount in EUR (relief from monetary liability from tranche III)	Difference in EUR million between - fair market value of the virtual share option and - fair market value of the option rights to be issued	Difference in EUR million between contractual settlement amount and difference between virtual share option and option rights to be issued
Dec. 29, 2009	29.82 (historical price)	7.36	4.68	2.68
March 9, 2010	53.22 (historical price)	8.50	10.31	- 1.81
June 30, 2010 (Conversion time frame 1)	34.00 38.00 42.00 46.00 50.00 54.00 58.00 62.00	8.42 8.50 8.50 8.50 8.50 8.50 8.50 8.50	5.86 7.75 8.28 8.82 9.39 10.00 10.66 11.37	2.56 0.75 0.22 - 0.32 - 0.89 - 1.50 - 2.16 - 2.87
31. Dec. 31, 2010 (Conversion time frame 2)	34.00 38.00 42.00 46.00 50.00 54.00 58.00 62.00	7.38 8.50 8.50 8.50 8.50 8.50 8.50 8.50	5.62 7.42 7.88 8.33 8.81 9.34 9.91 10.53	1.76 1.08 0.62 0.17 - 0.31 - 0.84 - 1.41 - 2.03
June 30, 2011 (Conversion time frame 3)	34.00 38.00 42.00 46.00 50.00 54.00 58.00 62.00	6.32 8.19 8.50 8.50 8.50 8.50 8.50 8.50	5.42 7.14 7.47 7.80 8.15 8.55 8.99 9.49	0.90 1.06 1.03 0.70 0.35 - 0.05 - 0.49 - 0.99

The table shows that in many cases the contractual settlement mechanism (relief from monetary liability from tranche III under the *deferred payment agreement*) is going to be higher than the difference between virtual share option and the option rights guaranteed in the form of warrants to be

issued (real share option). Overall, i.e. taking into account the contractual settlement mechanism, this means that in these cases, the company would receive an amount exceeding the value of the option rights to be issued. Issuing the option rights therefore proves an advantage to the company, from the point of view of dilution protection as well as considering the advantages described above under II. 1. a) to II. 1. e).

However, it cannot be ruled out that the contractual settlement mechanism may be insufficient in the case of a corresponding preferred share price on the (as yet unknown) issue date of the option rights due to its EUR 8.5 million cap, when purely considering values. But even then the conditions – as seen from a broad perspective – do not seem inappropriate (see III. 4. d) below).

d) Appropriateness when considering all advantages as a whole

When assessing the appropriateness, all advantages resulting from replacing the virtual share option with a real share option must be taken into account. The issuance of the option rights guaranteed in the form of warrants must also be considered in the context of the Acquisition and Transfer Agreement and the results of negotiations.

aa) Considering the advantages

The advantages resulting from replacing the virtual share option with a real share option particularly pertain to the following points, which have already been described above (see II. 1. a) to II. 1. e)):

- Relief from a considerable payment liability,
- improving the company's liquidity situation,
- increasing the equity ratio,
- reducing expenses recognized in income, and
- reducing interest expenses.

From the general partner's point of view, these advantages are extremely important and – even assuming that changing the virtual

share option to a real share option is going to incur some costs – the conditions can therefore be classed as being appropriate overall.

bb) Considering the Acquisition and Transfer Agreement

The general partner's willingness to issue option rights to Siemens, subject to the approval of the annual shareholders' meeting and the separate meeting of preferred shareholders, was one of the main reasons why Siemens sold its shares in Siemens Medical Holding GmbH to the company. As the issuance of option rights must be approved in form of a resolution by the annual shareholders' meeting, both parties initially agreed to a virtual share option, largely identical in context, on December 29, 2009. In order to preserve its own liquidity, the company was able to negotiate a limit of EUR 50 million on any future cash payments it has to make under the virtual share option. The general partner also promised Siemens, in the name of the company, to propose the issuance of warrant bonds with option rights guaranteed in the form of warrants (and therefore the real share option) and to issue them to replace the virtual share option, should the resolution be passed.

As explained above, already on December 29, 2009, there was a difference between the value of the virtual share option and that of the option rights guaranteed in the form of warrants to be potentially issued (real share option) due to payment liabilities from the virtual share option being limited to EUR 50 million. At that time, both parties therefore agreed on the relief described above under III. 4. c) with regard to tranche III of the *deferred payment agreement* to compensate any potential differences if the warrant bonds with option rights guaranteed in the form of warrants (and therefore the real share option) are issued.

On December 29, 2009, the date the Acquisition and Transfer Agreement was concluded, it seemed less likely – going by the price

of the preferred company share at that time of EUR 29.82 – that the settlement mechanism, which is capped at EUR 8.5 million, could be insufficient (see table above under III. 4. C)). However, such a situation could not be ruled out even then. As part of the overall result of negotiations between unrelated third parties, the general partner felt it was justifiable and necessary from a business point of view to class any potential future differences, which the settlement mechanism would not be able to offset, as acceptable. Considering the importance of the transaction for the company and the total volume of around EUR 250 million, such a potential difference, which would be in the low one-digit million euro range (see scenario calculations above under III. 4. a) to III. 4. c)), would be rather insignificant (less than 2 percent of the transaction volume).

5. Exercising the option rights guaranteed in the form of warrants and creating conditional capital to cover the option rights

a) Number of preferred shares to be issued upon exercising the option rights, option price and protection of shareholder interests

The option rights to be issued entitle the holder(s) to acquire a total of 1.25 million preferred shares of the company upon exercising the option rights.

Under a) aa), the authorization and instruction resolution calls for a corresponding adjustment to the number of preferred shares to be issued in case of certain events *prior* to issuing the option rights (capital increase from company assets, stock split or capital decrease by combining or retracting shares). The adjustment provision was included in the proposed resolution as a precautionary measure. No such steps are planned prior to issuing the option rights.

Upon exercising the option rights to be issued (true share option), the holder of the option rights acquires shares at the subscription price established in the authorization and instruction resolution of the shareholders' meeting. The subscription price for a preferred share is EUR 40 (also referred to as the "**minimum subscription price**" below) if the stock market reference price (arithmetic mean of the respective Xetra average daily market prices of the preferred share, weighted by volume, for the last 15 regular trading days before the exercise date) is EUR 40 or less; in case of a stock market reference price of more than EUR 40, the subscription price corresponds to the stock market reference price (as defined above) plus 5% of the stock market reference price (i.e. 105% of the stock market reference price).

Under a) cc), the authorization and instruction resolution calls for a corresponding adjustment to the minimum subscription price in case of certain events *prior* to issuing the option rights. In regards to most of these events (capital increase from company assets, stock split or capital decrease by combining or retracting shares; special dividend), the adjustment provision is merely included as a precautionary measure since no such steps are planned prior to issuing the option rights. The provision may have practical relevance in case of a capital increase.

As described under I. 3., II. 2. b) and II. 3. above, increasing capital stock by issuing at least 1.25 million common shares is required prior to issuing the warrant bonds with option rights guaranteed in the form of warrants. The adjustment provision in case of a capital increase expressly calls for an adjustment only in case the capital increase exceeds an issue volume of 1.75 million new shares. Whether the required capital increase will reach this volume cannot be predicted at this time. Should the capital increase reach a corresponding scope, the minimum subscription price of EUR 40 will be reduced by the mathematical subscription right value. When calculating the finance mathematical subscription right value, only the part of the capital increase pertaining to the number of new shares exceeding 1.75 million is to be taken into account. Insofar as the price level (stock market reference price

as defined above) of the preferred shares is already above EUR 40 when the option rights are issued, the reduction of the minimum subscription price has no effect on the true share option. Whenever the price level (stock market reference price) upon issuing the option rights is above the minimum subscription price, the subscription price is 105% of said price level.

The company does not suffer any disadvantages by establishing the option price in abstract terms at this time. The nature of option rights is that they are only exercised if the share price on the exercise date is higher than the option price. This is the only time acquiring shares by exercising option rights is more favorable than acquiring them on the stock exchange. Conversely, options are generally not exercised when the share price is lower than the option price. The protection of shareholder interests is assured since issuing the option rights subject to the exclusion of subscription rights is objectively justified and the company receives commensurate compensation for issuing the option under consideration of all resulting advantages (see the explanations above under II. and III. 4.).

b) Capital contribution upon exercising the option

The acquisition of new preferred shares of the company upon exercising the option rights to be issued (true share option) generally takes place in exchange for a cash contribution.

In case Siemens exercises the option rights and acquires new preferred shares, Siemens is entitled to performance in kind instead of making a cash contribution. In concrete terms, Siemens has the right to eliminate, in whole or in part, the following monetary liabilities owed by the company instead of making a cash payment:

Elimination in whole or in part of the monetary liability of the company in the amount of EUR 18.75 million owed to Siemens for the payment of tranche I (EUR 18.75 million) under the *Deferred Payment Agreement*.

This monetary liability comes due on the fifth anniversary of the execution date of the Acquisition and Transfer Agreement. Interest payments on this liability are calculated based on the 6-month EURIBOR plus 5% p.a. up to the third anniversary of the execution date of the Acquisition and Transfer Agreement and the 6-month EURIBOR plus 6% p.a. for the time thereafter up to maturity;

and/or

elimination in whole or in part of the monetary liability of the company in the amount of EUR 40 million owed to Siemens for the payment of tranche II (EUR 40 million) under the Deferred Payment Agreement.

The monetary liability becomes due on the third anniversary of the execution date of the Acquisition and Transfer Agreement. Interest payments on this liability are calculated based on the 6-month EURIBOR plus 5% p.a. The company has the unilateral right to demand an extension of the term by two years. Interest payments are calculated based on the 6-month EURIBOR plus 6% p.a. for the extension period.

Interest liabilities on the monetary liabilities identified above that have already accrued by the option exercise date but have not yet been paid may also be eliminated by way of performance in kind.

The fair value of the monetary liability at the time the option is exercised is material in determining the amount eliminated. If the total issue price of the new preferred shares issued to Siemens exceeds the total fair value of the monetary liabilities, the corresponding difference must be remitted as a cash payment in addition to performance in kind. If the fair value of the monetary liabilities exceeds the total issue price of the new preferred shares, the liabilities are only eliminated on a pro-rata basis. As long as the monetary liabilities are not due at the time the options are being exercised, the entitlement to payment in kind remains, on the condition of the company's approval.

How the elimination is to be executed in legal and technical terms has not been defined in concrete terms. An offsetting or waiver agreement is possible.

The above explanations on performance in kind for exercising the option rights to be issued also apply correspondingly if the option rights are exercised by a company associated with Siemens within the meaning of Sec. 15 et seq. AktG and the company's monetary liabilities to Siemens have been transferred in full to this company and this company, in its role as new creditor, is therefore entitled to them at that point in time.

c) Creation of conditional capital

In conjunction with the authorization and instruction for the issue of the warrant bonds with option rights guaranteed in the form of warrants, conditional capital in the amount of EUR 3.2 million to issue up to 1.25 million preferred shares shall also be created.

The conditional capital is required in order to assure subsequent coverage of the option rights. When the option rights are exercised, the conditional capital allows the company to issue new preferred shares to the option holder(s) and therefore meet the obligations under the options. Since the general partner considers it very important to ensure that future obligations can be met, executing the authorization and / or following the instruction to issue the warrant bonds with option rights guaranteed in the form of warrants shall only be possible once the conditional capital has previously been registered in the company's commercial registry record (see a) aa) of the proposed authorization and instruction resolution).

Because Siemens (or a corresponding legal successor) has the right to performance in kind instead of making a cash contribution upon exercising the option rights (see III. 5. b) above), corresponding provisions on the nature of the possible performance in kind also have to be included in the resolution to create the conditional capital pursuant to Sec. 194 (1) AktG. Please refer to the explanations on performance kind under III. 5. b) above.

The resolution to create the conditional capital also specifies the three types of performance in kind in exchange for issuing the option rights that will be covered by the conditional capital. Please refer to the explanations under III. 1. above.

According to accepted practice, the conditional capital also has to be included in the articles of association. Accordingly a new paragraph 5 will be added to Sec. 6 (Capital Stock).

6. Explanation of the warrant bond and option terms and conditions

An overview of the terms and conditions of the warrant bonds (under III. 6. a)) and the option rights guaranteed in the form of warrants (under III. 6. b)) is provided below. References to specific paragraphs refer to the respective paragraph of the respective terms and conditions. The wording of the draft terms and conditions is reproduced in the “Information on point 7 on the agenda” under 1. and 2. following the invitation to the special assembly of the preferred shareholders.

a) Warrant bond terms and conditions

The warrant bonds confer a securitized right to semi-annual interest payments, payable after the end of the respective six-month term and computed based on a variable interest rate, as well as the right to repayment of the invested capital upon maturity.

The terms and conditions correspond to established market standards applied in many other cases when variable interest bonds are issued.

Specifically:

- Sec. 1 establishes the currency, denomination and issue date as well as the form of securitization for the warrant bonds as bearer bonds and

the safe custody of the global certificate by Clearstream Banking AG as the clearing system for the benefit of the creditors. This so-called collective safe custody allows similar technically standardized transferability of the warrant bonds as for shares in collective safe custody.

- Sec. 2 establishes the rank (“status”) of the liabilities arising from the bonds. The warrant bonds have the same rank as other direct, unconditional, non-subordinate liabilities of the company. In particular, this clearly establishes that the liabilities arising from the warrant bonds are not subordinate to other liabilities of the company.

- Sec. 3 establishes the interest rate, the dates the applicable interest payments are due and the concrete computation of the interest rate and interest payable.

As described under III. 3. above, interest is computed based on the 6-month EURIBOR plus a margin. According to the detailed terms and conditions, the period up to the maturity of the warrant bonds is divided into a total of ten interest periods (calculated from the issue date of the warrant bonds); the margin is 5% p.a. for the first six periods and 6% p.a. for the last four periods. Interest payable in each interest period is payable at the end of the respective interest period. If an interest payment is not made when it is due, the interest rate is increased by 2 percentage points from the due date up to the payment date.

- Sec. 4 defines the redemption date for the warrant bonds. The warrant bonds normally mature on the fifth anniversary of the execution date of the Acquisition and Transfer Agreement. If redemption does not take place upon maturity, the interest is calculated on the outstanding redemption amount (excluding interest) for the period from maturity to redemption at the interest rate applicable to the last interest period plus two percentage points (Sec. 3).

Sec. 4 also grants the company the right to early redemption in case the company is obligated to pay additional amounts (as defined in Sec. 6) to creditors pursuant to Sec. 6 and based on changes to tax regulations. The right to early redemption also applies in case of a change of control over the company (so-called *change of control clause*). Sec. 4 also grants the company the right to early redemption on an interest payment date of its choice, irrespective of the preceding conditions.

In case of early redemption the bonds are redeemed at the nominal amount. In keeping with accepted market practices, there is no compensation for lost interest payments to the holder(s) of the warrant bonds due to early redemption.

- Sec. 5 mainly defines the technical details of the process to redeem the warrant bonds and make the applicable interest payments.
- Pursuant to Sec. 6, payments by the company must generally be made in full without the deduction of taxes or withholding of taxes at source (no deduction of tax at source). However, insofar as legal obligations for the deduction of tax at source are established, the company is obligated to supplement the payments by “additional amounts” so that the originally intended payment is made after the deduction / withholding (so-called “gross-up”). Sec. 6 also defines the taxation-related circumstances under which the company is not obligated to pay additional amounts as compensation in spite of a deduction (so-called “*carve-outs*”).
- In regards to the statute of limitations for claims arising from the warrant bonds, Sec. 7 reduces the thirty-year term for the presentation of the bond certificate or legal assertion of claims arising from the bond certificate (Sec. 801 (1) Sentence 1 of the German Civil Code (BGB)) to ten years.

- Sec. 8 establishes when the creditor has a right to cancellation arising from the warrant bonds. As described in detail in Sec. 8, this is the case when the company fails to meet its obligations under the warrant bonds or when certain events occur that make the economic performance of the company highly doubtful.

In keeping with accepted market practices, no term of notice is specified. In case of cancellation, the warrant bond must be redeemed at the nominal amount immediately.

- Sec. 9 defines technical payment processing aspects. It defines the principal paying agent, the paying agent and the calculation agent along with their revision, termination and liability.
- Pursuant to Sec. 10, the company is authorized to issue additional bonds subject to the same terms and conditions (so-called upsizing). However, insofar as these additional bonds also include option rights, the general legal condition that the issue of warrant bonds requires authorization by the shareholders' meeting remains. This ensures that option rights are only issued insofar as they are covered by the authorization and instruction resolution to be passed under agenda item 7 or insofar as the shareholders' meeting of the company authorizes and / or instructs the general partner to issue additional warrant bonds with option rights in another resolution.

Sec. 10 also establishes that the company is generally free to acquire issued warrant bonds, wherein the repurchase offer has to be made to all creditors of the warrant bonds by means of a public offer.

Warrant bonds that have been redeemed must be devalued, i.e. the global certificate held by Clearstream Banking AG is reduced accordingly and / or marked as invalid.

- Sec. 11 establishes how communication with the creditors of the warrant bonds has to take place. The company can also employ the services of the clearing house for this purpose.
- Sec. 12 specifies that Sec. 5 et seq. SchVG (Schuldverschreibungsgesetz: German Act on Notes) (“**SchVG**”) applies to the entire issue. In case of a reorganization and under certain circumstances, the SchVG provisions allow the creditors to approve subsequent amendments of the warrant bonds by a majority vote of the company’s creditors.
- Sec. 13 specifies the laws applicable to the warrant bonds (German law), the jurisdiction (Frankfurt am Main District Court) and the basis on which the creditors under the warrant bonds can assert or support their rights arising from the warrant bonds in their own name in the course of legal proceedings.

b) Warrant terms and conditions

The warrants establish a securitized right, subject to the warrant terms and conditions, to acquire a number of preferred bearer shares as defined in Sec. 1 (2) from the issuer with a nominal value of EUR 2.56 per preferred share in exchange for payment of the base price.

The warrant terms and conditions are in line with established market standards applied to other issues of warrants with a similar structure.

Specifically:

- Sec. 1 defines the securitized right to acquire preferred shares, establishes the number of preferred shares to be acquired (2) and specifies the computation of the base price and stock market reference price. The base price is the price the option holder has to pay in order to acquire one preferred share. The base price is calculated based on the

stock market reference price. The stock market reference price is the arithmetic mean of the average daily Xetra price of the preferred share, weighted by volume, for the last 15 regular trading days (as defined in the warrant terms and conditions) prior to the warrant issue date. Among other things, Sec. 1 refers to the provisions to establish the option price under a) cc) of the proposed resolution previously explained under III. 5. a) above.

- Sec. 2 establishes the form of securitization for the warrants as bearer paper and the safe custody of the global bearer option certificate by Clearstream Banking AG as the clearing system for the benefit of the creditors.
- Sec. 3 establishes the exercise period, i.e. the period during which the holder of the warrant can exercise the option right (right to acquire preferred shares) and establishes excluded periods, i.e. periods during which the holder of the warrant cannot exercise the option right. These are the provisions of the proposed resolution under a) cc).
- Sec. 4 specifies the circumstances and conditions under which the option right can be exercised by the holder of the warrant. The holder of the warrant is obligated to provide the information in keeping with accepted market practices as defined in Sec. 4 (1) a) through e) to the warrant agent in the exercise notification. The warrants being exercised also have to be delivered to the warrant agent and the amount for the acquisition of the preferred shares must be transferred to the account of the warrant agent. Pursuant to Sec. 4 (3), this information is verified by the warrant agent. The preferred shares are delivered pursuant to Sec. 4 (4).
- Sec. 5 determines that the preferred shares acquired when the option rights are exercised will be issued from conditional capital established by a shareholders' meeting of the company as the issuer. Please refer

to the explanations for the creation of conditional capital under III. 5. c) above.

Pursuant to Sec. 5 (2), the preferred shares are entitled to dividends starting in the financial year they are issued. This coincides with the proposed resolution regarding the creation of conditional capital (point c) of the proposed resolution).

- Pursuant to Sec. 6, option rights expire insofar as they are not exercised during the exercise period (Sec. 3 (1)).
- Sec. 7 establishes the warrant agent and specifies how the warrant agent can be changed. Determinations by the warrant agent are generally binding for the company as the issuer and for the holders of the warrants (Sec. 7 (3)).
- Sec. 8 establishes dilution protection in favor of the warrant holders in accordance with accepted market practices for capital market measures of the company as the issuer specified in Sec. 8. The following capital market measures by the company as the issuer are covered by Sec. 8: (i) Capital increase from company assets (Sec. 8 (1)), (ii) stock split (Sec. 8 (2)), (iii) capital increase by granting subscription rights to the preferred shareholders of the issuer (Sec. 8 (3)), (iv) extraordinary dividend (Sec. 8 (4)) and (v) a capital decrease (Sec. 8 (5)).

In case of a capital increase, stock split or capital decrease, the total number of preferred shares issued by the company as the issuer changes. Since this usually affects the market price of the preferred shares, dilution protection established in Sec. 8 in accordance with accepted market practices specifies that the option rights, in particular the number of preferred shares to which the option rights apply as well as the base price payable for the acquisition of the preferred shares, must be adjusted. Sec. 8 (1), (2) and (5) establishes the calculation

method for the adjustment of the number of preferred shares and the base price for the respective capital market measures.

In case of a capital increase by granting subscription rights to the preferred shareholders of the issuer (Sec. 8 (3)), the base price is reduced in accordance with the formula established in Sec. 8 (3).

In case of an extraordinary dividend (Sec. 8 (4)), the base price is reduced by the amount of the extraordinary dividend. An extraordinary dividend is the amount by which the dividend in a particular year exceeds the amount of EUR 0.75 per preferred share.

Sec. 8 (6) establishes provisions in case of the reorganization of the company as the issuer. In this case the preferred shares to which the option rights apply are replaced by new shares, company shares or other participation rights that take the place of the preferred shares of the company as the issuer.

- Sec. 9 establishes how communication with the creditors under the warrants is to take place.
- Sec. 10 specifies the laws applicable to the warrants (German law), the jurisdiction (Frankfurt am Main District Court) and the basis on which the warrant holders can assert or support their rights arising from the warrants in their own name in the course of legal proceedings.

In summary, please note that issuing the warrant bonds with option rights guaranteed in the form of warrants to Siemens is in the best interests of the company and that excluding the subscription rights is objectively justified. The interests of the shareholders are protected because the issue as a whole takes place at commensurate terms and conditions. At this time, plans are also in place to grant subscription rights to the shareholders in the course of an increase of common share

capital to be conducted in advance, which will at least be equivalent to the conditional increase of preferred share capital.

Lübeck, Germany, March 2010

Drägerwerk Verwaltungs AG

as the general partner

of Drägerwerk AG & Co. KGaA