LETTER OF OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Letter of Offer is being sent to you as a shareholder(s) of Bayer Diagnostics India Ltd. (the "**Target Company**"). If you require any clarifications about the action to be taken, you may consult your stock broker or investment consultant or the Manager/Registrar to the Offer. In case you have recently sold your shares in the Target Company, please hand over this Letter of Offer and the accompanying Form of Acceptance cum Acknowledgement and Form of Withdrawal and Transfer Deed to the Member of the Stock Exchange through whom the said sale was effected.

CASH OFFER AT Rs. 668.08 per equity share ("Offer Price") comprising a base offer price of Rs. 629.45 and interest of Rs. 38.63 per equity share, with the interest being computed at the rate of 10% per annum for the period from September 29, 2006 to May 10, 2007, the date of actual payment of consideration for shares offered and accepted in the offer (the interest amount is subject to change depending upon the actual date of payment) pursuant to Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers Regulations, 1997 and subsequent amendments thereof) ("**Takeover Regulations**")

TO ACQUIRE UP TO 313,470 FULLY PAID-UP EQUITY SHARES

("**Offer**" or "**Open Offer**") representing 20% of the equity share capital (and 20% of the voting capital) of

Bayer Diagnostics India Ltd.

Registered Office: 589, Sayajipura, Ajwa Road, Baroda–390 019, Gujarat, India

Phone No.: (0265) 256 2720 Fax No.: (0265) 256 5103

(the "**Target Company**")

BY

Siemens Diagnostics Holding II B.V.

Registered Office: Prinses Beatrixlaan 800, 2595BN 's–Gravenhage, Postbus 16068,

2500BB 's-Gravenhage, Netherlands

Phone No.: +31 70-3333798 *Fax No.:* +31 70-3331299

("**Acquirer**" or "**Siemens Diagnostics**")

AND

Siemens AG

Registered Office: Wittelsbacherplatz 2, 80333 München, Germany

Phone No.: +49 (0)89 636-33648 *Fax No.:* +49 (0)89 636–33366

("**Person Acting in Concert**" or "**PAC**" or "**Siemens AG**")

MANAGER TO THE OFFER	REGISTRAR TO THE OFFER
JPMorgan	INTIME SPECTRUM REGISTRY LIMITED
J.P. Morgan India Private Limited Mafatlal Centre, 9th Floor Nariman Point, Mumbai - 400 021 Phone: +91 22 2285 5666, 6639 3061 Fax +91 22 6639 3091 Email: Bayerdiagnostics_Openoffer@jpmorgan.com Contact Person: Nitin Maheshwari	**Intime Spectrum Registry Limited** C–13, Pannalal Silk Mills Compound L. B. S. Marg, Bhandup (West), Mumbai–400078 Phone: +91 22 2596 0320-28 Fax: +91 22 2596 0329 Email: bayer-offer@intimespectrum.com Contact Person: Sunil Ambdaskar

OFFER OPENS ON : FRIDAY, APRIL 6, 2007

OFFER CLOSES ON : WEDNESDAY, APRIL 25, 2007

Please Note:

1. **Paragraph 6.2 (f) of this Letter of Offer deserves your immediate attention. As stated in the said paragraph, the Board of Directors of the Target Company has, on December 6, 2006, declared an Interim Dividend of Rs.97.00 per equity share of Rs.10 each to be paid to shareholders of the Target Company as of the record date of December 22, 2006.**
2. Due to the delay in the Offer, the Acquirer will pay interest of Rs. 38.63 per fully paid Equity Share of the Target Company, computed at a rate of 10% per annum for the period of 224 days from the original scheduled date of payment (September 29, 2006) up to the revised scheduled date of payment of consideration for shares offered and accepted in the offer (May 10, 2007; the interest amount is subject to change depending upon the actual date of payment).
3. The Offer is subject to the approval of the Foreign Investment Promotion Board ("**FIPB**") and the Reserve Bank of India ("**RBI**") under the Foreign Exchange Management Act, 1999 and the regulations thereunder. The FIPB has vide its letter dated September 12, 2006 granted its no-objection to Siemens AG to acquire the Offer Shares under this Offer. Further, the RBI has, vide its letter dated September 1, 2006, permitted Siemens AG to set up the required escrow and other bank accounts for the purposes of this Offer. However, in light of a change in the acquiring entity (please refer to the Corrigendum to the Public Announcement dated March 24, 2007), the Acquirer has, on January 22, 2007, received FIPB approval permitting the Acquirer (instead of Siemens AG) to acquire the Offer Shares. The Acquirer will similarly approach the RBI for the required amendments to its approval dated September 1, 2006. The Acquirer and PAC will make applications to RBI and any other authority for their approval (if required) for transfer of equity shares from the Eligible Persons upon closure of the Offer once the basis of acceptance is determined. Besides the above, to the best of the knowledge of the Acquirer and the PAC, no other approvals are required to acquire shares tendered pursuant to this Offer. However, the Offer will be subject to all statutory approvals as may be applicable.
4. Should the Acquirer and PAC decide to revise the Offer Price upward, such upward revision will be made in terms of Regulation 26 of the Takeover Regulations not later than April 16, 2007. If there is any upward revision in the Offer Price, the same would be notified by way of a public announcement in the same newspapers in which the Public Announcement dated July 3, 2006 ("**PA**"), the Corrigendum to the Public Announcement dated August 12, 2006 ("**Corrigendum 1**") and the Corrigendum to the Public Announcement dated March 24, 2007 ("**Corrigendum 2**" and collectively with Corrigendum 1, the "**Corrigendum**") appeared. Such revised Offer Price would be payable to all shareholders who have accepted this Offer and tendered their shares at any time during the term of the Offer to the extent to which their acceptance and tenders have been found valid and accepted by the Acquirer.
5. The Offer may be withdrawn in terms of Regulation 27 of the Takeover Regulations in the event the statutory approvals indicated in clause 8.10 of the Letter of Offer are refused or in such other circumstances as SEBI may, in its discretion, permit. In the event of such withdrawal, the same would be notified by way of a public announcement in the same newspapers where the PA and the Corrigendum appeared.
6. The procedure for acceptance of this Offer is set out in para 9 of this Letter of Offer. A Form of Acceptance-cum-Acknowledgement and transfer deed (where applicable) along with Form of Withdrawal are enclosed with this Letter of Offer.
7. Shareholders who have accepted the Offer by tendering the requisite documents in accordance with the procedures set forth in the PA and this Letter of Offer can withdraw the same up to 3 (three) working days prior to the date of closure of the Offer.
8. A copy of the Public Announcement, copies of the Corrigendum and a copy of this Letter of Offer (including the Form of Acceptance cum Acknowledgement and the Form of Withdrawal) are available on SEBI's website at http://www.sebi.gov.in. The Form of Acceptance-cum-Acknowledgement may be downloaded and used to accept the Offer only in jurisdictions where legally permissible. Persons outside India accessing these pages are required to inform themselves of and observe any relevant restrictions. For example, while tendering shares under the Open Offer, non resident shareholders will be required to comply with the applicable regulations of RBI and those of the jurisdictions in which they are located.
9. This document has not been filed, registered or approved in any jurisdiction outside India. Recipients of this document resident in jurisdictions outside India should inform themselves of and observe any applicable legal requirements (an example of which is provided in para 8 of this section).
10. Following the suit filed by MCS Limited before the Ld. 4th Civil Judge (Sr. Division) Alipore, Intime Spectrum Registry Limited ("ISRL") was restrained from undertaking any new contract of any nature pertaining to the business of Registrar to the Issue & Share Transfer Agent and acting in furtherance of any new contract of like nature after August 18, 2006. However, since ISRL was appointed as Registrar to this Offer on June 30, 2006, ISRL is not restrained from acting as the Registrar to this Offer by virtue of the aforesaid restriction. Furthermore, the injunction mentioned above has been vacated by the order dated February 22, 2007.
11. **There has been no competitive bid as of the date of this Letter of Offer.**

SCHEDULE OF MAJOR ACTIVITIES RELATING TO THE OFFER

Activity	Original Time Schedule		Revised Time Schedule	
	Date	Day	Date	Day
Public Announcement Date	July 3, 2006	Monday	July 3, 2006	Monday
Specified Date (for the purpose of determining the names of shareholders to whom the Letter of Offer would be sent)	July 7, 2006	Friday	July 7, 2006	Friday
Last date for a competitive bid	July 24, 2006	Monday	July 24, 2006	Monday
Announcement of revised schedule through Corrigendum 2			March 24, 2007	Saturday
Date by which individual Letters of Offer will be dispatched to the shareholders	August 11, 2006	Friday	March 30, 2007	Friday
Offer Opening Date	August 25, 2006	Friday	April 6, 2007	Friday
Last date for revising the Offer Price/number of equity shares	September 4, 2006	Monday	April 16, 2007	Monday
Last Date for withdrawal by shareholders	September 8, 2006	Friday	April 20, 2007	Friday
Offer Closing Date	September 14, 2006	Thursday	April 25, 2007	Wednesday
Date by which approval/rejection would be intimated and the corresponding payment for the acquired equity shares and/or the share certificates for the rejected/withdrawn equity shares will be dispatched and/or credited to the beneficiary account in case of dematerialised equity shares	September 29, 2006	Friday	May 10, 2007	Thursday

RISK FACTORS

Risk Factors related to the Offer

1. The Offer is subject to regulatory approvals and clearances including approval by the FIPB and the RBI required to acquire the shares tendered pursuant to this Offer.
2. In the event that either (a) a regulatory approval is not received in a timely manner; (b) there is any litigation leading to stay on the Offer; or (c) SEBI instructs the Acquirer and/or the PAC not to proceed with the Offer, then the Offer process may be delayed beyond the schedule of activities indicated in this Letter of Offer. Consequently, the payment of consideration to the public shareholders of the Company whose shares have been accepted in the Offer as well as the return of shares not accepted by the Acquirer may be delayed.
3. The Offer Shares will lie to the credit of a designated escrow account, till the completion of the Offer formalities. The Acquirer and PAC make no assurance with respect to the market price of the shares both during the Offer period and upon the completion of the Offer, and disclaims any responsibility with respect to any decision by the shareholders on whether or not to participate in the Offer.
4. In the event the shareholders offer equity shares in the Target Company pursuant to this Offer which (collectively) are in excess of the 313,470 fully paid up equity shares of the Target Company, the Acquirer shall only acquire shares so offered on a pro rata basis, such that the aggregate number of shares so acquired pursuant to this Offer does not exceed 313,470 shares.
5. The shareholders of the Target Company should seek independent advice with respect to the tax and financial implications and other risks involved in this Open Offer.

Risk Factors related to association with the Acquirer and PAC

6. Association of the Company with the Acquirer and/or the PAC does not warrant any assurance with respect to the future financial performance of the Company or any of its subsidiaries.
7. The Acquirer and the PAC make no assurance with respect to the financial performance of the Company or any of its subsidiaries. The Acquirer and the PAC make no assurance with respect to their investment/divestment decisions relating to their proposed shareholding in the Company.

Risk Factors related to the transaction

8. In addition to the statutory/regulatory approvals required as aforesaid, the transfer of Sale Shares is subject to, inter alia, the following conditions precedent under the SPA:
    a. Approval of the board of directors of the Target Company as to the sale and transfer of the Sale Shares;
    b. Approval of the board of directors of the Sellers as to the sale and transfer of the respective Sale Shares (or evidence that such an approval is not required).

    The sale and transfer of Sale Shares shall take place in such a manner and on such date as may be agreed between the parties. However, in the event the said conditions and approvals are not completed or satisfied, the transfer of the Sale Shares would not be completed. In such an event the Acquirer would end up holding Offer Shares under this Offer but not the Sale Shares.

Attached: *Form of Acceptance-cum-Acknowledgement, Form of Withdrawal and transfer deed (where applicable)*

DEFINITIONS/ABBREVIATIONS

Acquirer	Siemens Diagnostics Holding II B.V.
Board of Directors	Board of directors of the Target Company
BSE	Bombay Stock Exchange Limited, Mumbai
CDSL	Central Depositories Security (India) Limited
Company or Target Company	Bayer Diagnostics India Limited
Corrigendum 1	Corrigendum to the Public Announcement, dated August 12, 2006
Corrigendum 2	Corrigendum to the Public Announcement, dated March 24, 2007
Corrigendum	Corrigendum 1 and Corrigendum 2 collectively.
Depository Escrow Account	The depository account opened by Intime Spectrum Registry Limited with National Securities Depository Limited (NSDL). The DP ID is IN301330 and the beneficiary client ID is 1979 2952
Diagnostics business	The human in-vitro diagnostics business
DP	Depository Participant
Eligible Person(s)	All owners (registered or unregistered) of Shares (other than the Acquirer, the PAC and parties to the SPA and the SPA Amendment Agreement) any time before the closure of the Offer
FEMA	Foreign Exchange Management Act, 1999
FIPB	Foreign Investment Promotion Board
LSE	London Stock Exchange
Manager to the Offer	J.P. Morgan India Private Limited
Non-Diagnostics Business	The diabetes care business comprising blood glucose monitoring systems & sensors and urine glucose monitoring strips
NSDL	National Securities Depository Limited
NYSE	New York Stock Exchange
Offer or Open Offer	Cash offer being made by the Acquirer to the shareholders of the Company on the terms contained in this Letter of Offer
Offer Closing Date	April 25, 2007
Offer Opening Date	April 6, 2007
Offer Price	Rs. 668.08 per share comprising a base offer price of Rs. 629.45 and interest of Rs. 38.63 per equity share, with the interest being computed at the rate of 10% per annum for the period from September 29, 2006 to May 10, 2007, the date of actual payment of consideration for shares offered and accepted in the offer (the interest amount is subject to change depending upon the actual date of payment)
Offer Shares	313,470 fully paid up equity shares of the Target Company that are being offered to be acquired by the Acquirer under this Offer.
PAC or Person Acting in Concert	Siemens AG
Public Announcement or PA	The public announcement relating to the Offer as appeared in the newspapers on Monday, July 3, 2006
Interim Dividend	The meaning assigned to it under clause 6.2 (f) of this Letter of Offer
RBI	Reserve Bank of India

Registrar to the Offer / Registrar	Intime Spectrum Registry Limited
Sale Shares	799,350 fully paid up equity shares held by the Sellers in the Target Company
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992
SEC	Securities Exchange Commission
Seller 1	Bayer CropScience Limited
Seller 2	Bayer HealthCare LLC
Sellers	Bayer CropScience Limited and Bayer HealthCare LLC
SPA	Share Sale and Transfer Agreement dated June 30, 2006 entered into between the Sellers, Siemens AG and Bayer AG
SPA Amendment Agreement	Agreement dated December 18, 2006 entered into between the Sellers, Siemens AG, Bayer AG and the Acquirer
Specified Date	Date for the purpose of determining the names of shareholders, as appearing in the Register of Members of the Company or the beneficial records of the relevant DPs, to whom the Letter of Offer will be sent. This date has been determined as Friday, July 7, 2006
SSE	Swiss Stock Exchange
Takeover Regulations/ Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto
VSE	Vadodara Stock Exchange Limited, Vadodara

CURRENCY OF PRESENTATION

Please note that all financial data contained in this Letter of Offer has been rounded off to the nearest lacs, except where stated otherwise.

Certain financial details contained in this PA are denominated in currencies other than Indian Rupees. Any conversion from Euros (Euro) to Indian Rupees (Rs.) has been done solely for convenience purposes using the RBI reference exchange rate of 1 Euro = Rs. 58.26 as on Friday, December 29, 2006 as given by the Reserve Bank of India (Source: www.rbi.org.in).

This Letter of Offer is being issued by J.P. Morgan India Private Limited, the Manager to the Offer, on behalf of the Acquirer pursuant to Regulations 10 (substantial acquisition of shares) and 12 (change in control) and other applicable provisions of the Takeover Regulations.

1. Disclaimer

"IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE FILING OF THE DRAFT LETTER OF OFFER WITH SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY SEBI. THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI FOR A LIMITED PURPOSE OF OVERSEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE SHAREHOLDERS OF BAYER DIAGNOSTICS INDIA LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. THE SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF THE ACQUIRER OR PAC, OR OF THE COMPANY WHOSE SHARES/CONTROL ARE/IS PROPOSED TO BE ACQUIRED OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER OF OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT, WHILE THE ACQUIRER AND PAC ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LETTER OF OFFER, THE MANAGER TO THE OFFER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ACQUIRER AND PAC DULY DISCHARGE THEIR RESPONSIBILITY ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, J.P. MORGAN INDIA PRIVATE LIMITED , THE MANAGER TO THE OFFER HAS SUBMITTED DUE DILIGENCE CERTIFICATES DATED JULY 17, 2006 AND DECEMBER 21, 2006 TO SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS 1997 AND SUBSEQUENT AMENDMENT(S) THEREOF. THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ACQUIRER OR PAC FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER."

The Acquirer, PAC and the Manager to the Offer accept no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or any material issued by, or at the instance of the Acquirer, PAC and the Manager to the Offer, and anyone placing reliance on any other source of information would be doing so at his/her/ their own risk.

2. Background to the Offer:

2.1 Bayer Diagnostics India Limited is a public limited company incorporated under the Companies Act, 1956. The Target Company has its registered office at 589, Sayajipura, Ajwa Road, Baroda–390 019, Gujarat, India.

2.2 Bayer CropScience Ltd. ("**Seller 1**") is a company incorporated in India having its registered office at Bayer House, Central Avenue, Hiranandani Gardens, Powai, Mumbai–400076 Maharashtra, India, Phone No. +91 22 2571 1390, Fax No. +91 22 2570 5199 and is engaged in the business of manufacture and marketing of agro-chemical products in India. Seller 1 holds 287,350 equity shares representing 18.33% of the outstanding equity share capital of the Target Company.

2.3 Bayer HealthCare LLC ("**Seller 2**") is a company incorporated under the laws of Delaware, United States of America with its office at 511 Benedict Avenue, Tarrytown, NY 10591-5097 USA, Phone No. +1 914 366 1740, Fax No. +1 914 366 1784 and is engaged in the business of manufacture, marketing and servicing of diagnostic equipment and reagents. Seller 2 holds 512,000 equity shares representing 32.67% of the outstanding equity share capital of the Target Company. Seller 1 and Seller 2 are hereinafter collectively referred to as "the Sellers".

2.4 Bayer Aktiengesellschaft (Bayer) is a global group with business activities in health care, nutrition and high-tech materials. Seller 1 is a part of Bayer's HealthCare subgroup activities focusing on Animal Health, Consumer Care, Diabetes Care, and Pharmaceuticals. Seller 2 is part of CropScience subgroup company for Bayer's activities in India. Seller 1 and Seller 2 together hold hold 51% shares of the Target Company.

2.5 Siemens AG decided to acquire the human in-vitro diagnostics business of Bayer AG. Siemens AG, Bayer AG and the Sellers have executed the SPA dated June 30, 2006 under which Siemens AG agreed to purchase from the Sellers 799,350 equity shares comprising 51% of the entire share capital of the Target Company ("**Sale Shares**") subject to the satisfaction of certain conditions. The SPA has triggered the Takeover Regulations.

2.6 Following execution of the SPA, Siemens AG decided to hold the Diagnostics business to be acquired from Bayer AG globally through a wholly-owned subsidiary, Siemens Diagnostics Holding II B.V. The purpose of this was to regularise Siemens AG's global Diagnostics business under a single entity for administrative convenience. Accordingly, the parties to the SPA agreed that the acquisition of the Sale Shares shall be carried out and completed by Siemens Diagnostics Holding II B.V. (an indirect wholly owned subsidiary of Siemens AG) in place and stead of Siemens AG. Consequently, on December 18, 2006, Bayer AG, Siemens AG, the Sellers and the Acquirer executed the SPA Amendment Agreement pursuant to which it was agreed, inter alia, that the Acquirer shall have all the rights and obligations of Siemens AG under the SPA and shall purchase the Sale Shares from the Sellers on the terms and conditions of the SPA in place and stead of Siemens AG. Siemens AG has guaranteed the due and proper performance by the Acquirer of all its obligations under this Letter of Offer and the Takeover Regulations including but not limited to payment of the full consideration in respect of the Offer Shares purchased by Siemens Diagnostics Holding II B.V.

2.7 Under the SPA, Siemens AG agreed to pay Rs. 629.24 per Sale Share to Seller 1 and Rs. 629.42 per Sale Share to Seller 2. Therefore, if all the Sale Shares are purchased by the Acquirer (as a result of the SPA Amendment Agreement), the aggregate consideration payable by it to the Sellers would amount to Rs. 50,30,75,160/- (Rupees fifty crore thirty lacs seventy five thousand and one hundred sixty only).

2.8 Pursuant to Regulations 10 and 12 of the Takeover Regulations, the SPA and the SPA Amendment Agreement, this Offer is being made by the Acquirer and PAC for the Acquirer to acquire up to a maximum of 313,470 equity shares (comprising up to 20% of the paid-up equity share capital of the Target Company) from the shareholders of the Target Company through an open offer as required under the Takeover Regulations.

2.9 It is hereby clarified that for the purposes of this Offer, only the Acquirer will acquire the Offer Shares pursuant to this Offer Letter. Siemens AG is participating in this Offer as a "person acting in concert" with the Acquirer and will not acquire any of the Offer Shares. However, as the ultimate holding company of the Acquirer, Siemens AG guarantees the due and proper performance by the Acquirer of all its obligations under this Letter of Offer and the Takeover Regulations including but not limited to payment of the full consideration in respect of the Offer Shares purchased by the Acquirer.

2.10 The purchase of the Sale Shares by the Acquirer under the SPA (as amended by the SPA Amendment Agreement) is subject to the following conditions precedent:

a. Approval of the board of directors of the Target Company as to the sale and transfer of the Sale Shares;

b. Receipt of all necessary regulatory approvals in India (including approval of the RBI and the FIPB);

c. Completion of the disposal of the Non-Diagnostics Business (as hereinafter defined) by the Target Company after having obtained all necessary board and shareholders' approvals;

d. Completion of the Acquirer's obligations under the Takeover Regulations in relation to the Open Offer; and

e. Approval of the Board of Directors of the Sellers as to the sale and transfer of the respective Sale Shares (or evidence that such an approval is not required).

The Condition Precedent mentioned at 2.10 (c) above has been satisfied and the other Conditions Precedent mentioned at 2.10 (a), 2.10 (b), 2.10 (d) and 2.10 (e) are yet to be satisfied.

2.11 The salient features of the SPA (as amended by the SPA Amendment Agreement) are as follows:

(i) The Sellers have provided various indemnities to the Acquirer against the amount of any liabilities, reasonable costs and expenses asserted against, incurred or suffered by the Acquirer or the Target Company as a result of a breach of any representation, covenant or agreement of Sellers contained in the SPA;

(ii) Sellers' liability arising out of or in connection with the SPA, including for the breach of all representations, covenants and agreements, and under all indemnities contained herein, shall be limited to an aggregate amount of the purchase price paid by the Acquirer to the Sellers under the SPA;

(iii) Before the acquisition by the Acquirer of the Sale Shares, the Sellers were to procure the transfer of the Target Company's Non-Diagnostics Business (as hereinafter defined) and the employees working for the Non-Diagnostics Business to the purchaser of the Non-Diagnostics Business. The aforesaid transfer of the Non-Diagnostics Business was to be done by the Target Company to the Sellers or a party designated by the Sellers on an arm's length basis. The Sellers have now procured the sale of the Target Company's Non-Diagnostics Business. For further details please see 6.2.

(iv) Upon transfer by the Target Company of its Non-Diagnostics Business and receipt of the proceeds of such transfer by the Target Company, the Sellers were to cause the Target Company to declare the Interim Dividend. The Interim Dividend was to be distributed to all shareholders of the Target Company on a pro rata basis. The Board of Directors of the Target Company has declared the Interim Dividend which is to be distributed to the persons who are shareholders of the Target Company as of the record date of December 22, 2006.

(v) The Acquirer shall have all the rights and obligations of Siemens AG under the SPA and shall purchase the Sale Shares from the Sellers on the terms and conditions of the SPA in place and stead of Siemens AG;

(vi) Siemens AG shall be relieved from its rights and obligations under the SPA in full. However, Siemens AG guarantees the proper fulfillment of all of the obligations of the Acquirer pursuant to the SPA and the SPA Amendment Agreement;

(vii) The Sellers have provided capped indemnities to the Acquirer against 51% of the liabilities asserted against, incurred or suffered by the the Target Company as a result of tax risks relating to periods prior to the completion of the sale and purchase of the Sale Shares by the Acquirer under the SPA;

(viii) Subject to certain specific exceptions (relating to the acquisition of other businesses which have sales competing with the business of the Target Company of less than Euro 25 million or businesses where less than 30% of the turnover competes with the Target Company), the Sellers have agreed not to compete with the diagnostics business of the Target Company for a period of 3 years from the date of completion of the sale and purchase of the Sale Shares; and

(ix) The Sellers have agreed not to actively directly or indirectly solicit for employment any key employee of the diagnostics business of the Target Company, and the Acquirer has agreed not to actively solicit for employment any key employee of any of the Sellers.

As required by Regulation 22(16) of the Takeover Regulations, in case of non compliance by the Acquirer of the provisions of the Takeover Regulations, the SPA and the SPA Amendment Agreement shall not be acted upon.

2.12 Neither the Acquirer nor the PAC hold any equity shares of the Target Company. Upon transfer of the Sale Shares pursuant to the SPA (as amended by the SPA Amendment Agreement), the Acquirer shall hold 799,350 equity shares representing 51% of the fully paid-up equity share capital of the Target Company.

2.13 As on the date of this Letter of Offer, the Acquirer and PAC do not have any representative(s) on the board of the Target Company.

2.14 Neither the Acquirer, PAC, the Sellers nor the Target Company have been prohibited by SEBI from dealing in securities, in terms of direction issued under Section 11B of the SEBI Act or under any of the regulations made thereunder.

3. Details of the Offer

3.1 The Public Announcement appeared on July 3, 2006, Corrigendum 1 appeared on August 12, 2006 and Corrigendum 2 appeared on March 24, 2007 in the following newspapers, in accordance with Regulation 15 of the Takeover Regulations:

Newspapers	**Language**	**Editions**
Financial Express	English	All
Jansatta	Hindi	All
Sandesh	Gujarati	Baroda

A copy of the Public Announcement and copies of the Corrigendum are also available on SEBI's website at http://www.sebi.gov.in.

3.2 This Offer to the shareholders of the Target Company is to acquire up to 313,470 fully paid up equity shares of Rs 10/- each of the Target Company representing up to 20% of the present fully paid up equity share capital of the Target Company at the Offer Price.

3.3 The Offer Price will be payable in cash, subject to the terms and conditions mentioned in the Public Announcement, the Corrigendum and this Letter of Offer.

3.4 Prior to the execution of the SPA, the Acquirer and PAC did not, and as on the date of this Letter of Offer, the Acquirer and PAC do not, hold any equity shares in the Target Company.

3.5 The Offer is not and is not being made pursuant to a competitive bid.

3.6 Object of the acquisition/Offer:

3.6.1 The Acquirer and PAC are undertaking the Offer to discharge their obligations under Regulations 10 and 12 and other applicable provisions of the Takeover Regulations.

3.6.2 The Acquirer's and PAC's intention is to assist the Target Company in growing its business and providing such expertise, technology and management skills to the Target Company as it considers appropriate.

3.6.3 Except as disclosed in this Letter of Offer, the Acquirer and PAC do not have any plans to dispose of or otherwise encumber any assets of the Target Company in the next two (2) years, except in the ordinary course of business and except to the extent required for the purpose of restructuring and/or rationalisation of assets, investments, liabilities or otherwise of the Company, provided that, such disposals or encumbrances shall be implemented subject to all applicable laws and requisite shareholder approval.

4. Background of the Acquirer and the PAC

4.1 The Acquirer - Siemens Diagnostics Holding II B.V.

4.1.1 The Acquirer is limited liability company incorporated under the laws of The Netherlands with its registered office at Prinses Beatrixlaan 800, 2595 BN 's–Gravenhage, Postbus 16068, 2500 BB 's-Gravenhage, The Netherlands. The phone number of the Acquirer is +31 70 3333798 and its fax number is +31 70 3331299.

The shares of the Acquirer are not listed on any stock exchange.

4.1.2 Relationship between Acquirer and Siemens AG (PAC)

The PAC is the ultimate parent company and the beneficial owner of 100% of the share capital of the Acquirer.

4.1.3 Agreement between Acquirer and PAC in relation to the Offer / acquisition of the shares:

There is no agreement between the Acquirer and the PAC in relation to acquisition of the Offer Shares. It is clarified however, that for the purposes of this Offer, only the Acquirer will acquire the Offer Shares pursuant to this Offer Letter. Siemens AG is participating in this Offer as a person acting in concert with the Acquirer and will not acquire any of the Offer Shares. However, as the ultimate holding company of the Acquirer, Siemens AG guarantees the due and proper performance by the Acquirer of all its obligations under this Letter of Offer and the Takeover Regulations including but not limited to payment of the full consideration in respect of the Offer Shares purchased by the Acquirer.

In relation to acquisition of the Sale Shares, please refer to clause 2.11 above for a summary of the salient features of the SPA and the SPA Amendment Agreement.

4.1.4 Brief History and Operations of the Acquirer:

The Acquirer was incorporated on October 16, 2006. The Acquirer's business is to act as a holding company in respect of diagnostics business of Siemens AG and it has not earned any income till date.

4.1.5 Since the Acquirer does not hold any shares in the Target Company, provisions of Chapter II of the Takeover Regulations are not applicable.

4.1.6 Details of the board of directors of the Acquirer as on December 15, 2006 are as follows:

Name	**Mailing Address**	**Educational Qualifications and Experience**	**Date of Appointment**
J. Rothuizen	Weidehek 53, 4824 AT Breda The Netherlands	Chemical Engineer	December 15, 2006
A.J.C.M. van der Drift	Prinses Beatrixlaan 800, 2595 BN 's-Gravenhage The Netherlands	Lawyer	December 15, 2006
G.W. Westerhout	Prinses Beatrixlaan 800, 2595 BN 's-Gravenhage The Netherlands	Master of Business Administration	December 15, 2006

As on the date of this Letter of Offer none of the above directors are on the board of directors of the Target Company.

4.1.7 Financial information in relation to the Acquirer

Acquirer was incorporated with an initial capital of Euro 18,000 (equivalent to Rs. 10.5 Lacs). The Acquirer's business is to act as a holding company in respect of diagnostics business of Siemens AG and it has not earned any income till date. Since the Acquirer has been incorporated on October 16, 2006, its revenues, net profit, book value, EPS and return on net worth for the Financial Year ended September 30, 2006 are not available.

4.1.8 Accounting policies of the Acquirer

The Acquirer uses the same accounting policies as its ultimate parent company Siemens AG. Please refer to clause 4.3 of this Letter of Offer.

4.1.9 Reasons for fall or rise in the total income and PAT of Acquirer in the last three years

As mentioned above, since the Acquirer has been recently incorporated on October 16, 2006, it has not earned any income till date.

4.1.10 Contingent liabilities

The Acquirer has no contingent liabilities.

4.1.11 Significant acquisitions and dispositions by the Acquirer since October 16, 2006, i.e. the date of its incorporation are as follows:

The Acquirer has established the following new companies:

1. Siemens Medical Solutions Diagnostics GmbH, Erlangen, Germany
2. Siemens Medical Solutions Diagnostics srl, Bogota, Kolumbien
3. Siemens Medical Solutions Diagnostics S.r.l., Rom, Italien
4. Siemens Medical Solutions Diagnostics Manuf., George Town, Kaimaninseln
5. Siemens Medical Solutions Diagnostics GmbH, Wien, Austria
6. Siemens Medical Solutions Diagnostics S.A., Athens, Greece
7. Siemens Medical Solutions Diagnostics Ltd, Wellington, New Zealand
8. Siemens Medical Solutions Diagnostics SUpQ, Porto, Portugal
9. Siemens Medical Solutions Diagnostics Inc., Toronto, Canada
10. Siemens Medical Solutions Diagnostics, Mexico City, Mexico
11. Siemens Medical Solutions Diagnostics PTY LTD, Sydney, Australia
12. Siemens Medical Solutions Diagnostics Ltd, Hong Kong, Hong Kong
13. Siemens Medical Solutions Diagnostics PL., Singapore, Singapore
14. Siemens Medical Solutions Diagnostics Ltd, Isando, South Africa
15. Siemens Medical Solutions Diagnostics Z O.O., Krakau, Poland
16. Siemens Medical Solutions Diagnostics Srl., Madrid, Spain
17. Siemens Medical Solutions Diagnostics AG, Zürich, Switzerland
18. Siemens Medical Solutions Diagnostics, Petaling Jaya, Malaysia
19. Siemens Medical Solutions Diagnostics Limited, Seoul, South Korea
20. Siemens Medical Solutions Diagnostics S.A., Paris, Frankreich
21. Siemens Medical Solutions Diagnostics Ltd, Dublin, Irland
22. Siemens Medical Solutions Servicios, Mexico City, Mexiko
23. Siemens Medical Solutions Diagnostics, Tokyo, Japan
24. Siemens Medical Solutions Participa. Ltda, Sao Paulo, Brasilien
25. DPC Holding GmbH, Erlangen, Deutschland
26. Siemens Medical Solutions Diagnostics Ltd, Sao Paulo, Brasilien
27. Siemens Medical Solutions Diagnostics Manuf, Sudbury Großbritannien

Dispositions: NONE

4.1.12 Acquirer has not promoted any companies in India.

4.2 PAC - Siemens AG

4.2.1 Siemens AG is a stock corporation under the Federal laws of Germany with its principal executive offices at Wittelsbacherplatz 2, D-80333 Munich, Germany.

The principal trading market for Siemens AG shares is the Frankfurt Stock Exchange. Siemens AG shares are also traded on the other German stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart and on the London Stock Exchange, the Swiss Stock Exchange in Zurich and the MTA International in Milan. The ADRs of Siemens AG, each evidencing one ADS, which represents one share, trade on the New York Stock Exchange under the symbol "SI."

4.2.2 Brief History and Operations of Siemens AG:

Siemens AG traces its origins to 1847. Beginning with advances in telegraph technology, the Siemens AG quickly expanded its product line and geographic scope, and was already a multi-national business by the end of the 19th century. Siemens AG formed a partnership under the name Siemens & Halske in 1847, reorganized as a limited partnership in 1889 and as a stock corporation in 1897. Siemens AG moved its headquarters from Berlin to Munich in 1949, and assumed its current name as Siemens Aktiengesellschaft, a stock corporation under the Federal laws of Germany, in 1966. The address of Siemens AG's principal executive offices is Wittelsbacherplatz 2, D-80333 Munich, Germany; telephone number +49 (89) 636 00.

During fiscal 2006, Siemens employed an average of 472,500 people and it currently operates in approximately 190 countries worldwide. In fiscal 2006, Siemens AG had net sales of €87.325 billion.

Siemens AG's balanced business portfolio is based on leadership in electronics and electrical engineering. Siemens AG has combined this expertise with a commitment to original research and development (R&D) to build strong global market positions in industrial automation, power generation and medical diagnostics. Siemens AG is also a major world competitor in rail transportation systems, automotive electronics, lighting and in equipment for telecommunications and networking. Siemens AG businesses operate under a range of regional and economic conditions. In internationally-oriented long-cycle industries, for example, customers have multi-year planning and implementation horizons that tend to be independent of short-term economic trends. Siemens AG activities in these areas include power generation, power transmission and distribution, medical solutions and rail systems. In fields with more industry-specific cycles, customers tend to have shorter horizons for their spending decisions and greater sensitivity to current economic conditions. Siemens AG's activities in these areas include information and communications, automation and drives, and lighting. Some activities, especially information and communications, medical solutions and automotive, are also influenced by technological change and the rate of acceptance of new technologies by end users

The **Operations** Groups are comprised of the following businesses:

Communications (Com)—Com develops, manufactures and sells a full-range portfolio of complex network infrastructure for enterprises and carriers and related services including convergent technologies, products and services for wireless, fixed and enterprise networks.

Siemens Business Services (SBS)—SBS provides information and communications services to customers primarily in the manufacturing industry, the public sector, financial services, utilities, telecommunications and media. SBS designs, builds and operates both discrete and large-scale information and communications-systems and solutions and also provides related maintenance and support services.

Automation and Drives (A&D)—A&D produces and installs manufacturing automation systems, drives systems, low voltage controllers and distributors, and process automation products and instrument systems and provides related solutions and services.

Industrial Solutions and Services (I&S)—I&S provides a range of facilities systems, solutions and services to raw materials processing companies and infrastructure customers. I&S aims to optimize the production and operational processes of customers in the sectors water, metals, traffic control, airport logistics, postal automation, marine solutions, oil and gas, paper, cement and opencast mining sectors.

Siemens Building Technologies (SBT)—SBT provides products, systems and services for monitoring and regulating the temperature and ventilation, fire safety, security and energy efficiency of commercial and industrial property, as well as special applications for airports, tunnels, harbors or stadiums.

Power Generation (PG)—PG provides customers worldwide with a full range of equipment necessary for the efficient conversion of energy into electricity and heat. It customizes gas and steam turbines in the smaller output range, which can be used as drives for compressors or large pumps, to meet specific project needs. It offers a broad range of power plant technology, with activities that include: development and manufacture of key components, equipment, and systems; planning, engineering and construction of new power plants; and comprehensive servicing, retrofitting and modernizing of existing facilities.

Power Transmission and Distribution (PTD)—PTD supplies energy utilities and large industrial power users with equipment, systems and services used to process and transmit electrical power from the source, typically a power plant, to various points along the power transmission network and to distribute power via a distribution network to the end-user.

Transportation Systems (TS)—TS provides products and services for the rail industry, including signaling and control systems, railway electrification systems, complete heavy rail systems including rapid transit systems, locomotives, light rail systems and other rail vehicles.

Siemens VDO Automotive (SV)—SV develops, manufactures and sells electronic and mechatronic systems, modules and components for passenger cars and commercial vehicles. Its product range includes solutions for advanced propulsion and motor management, car body and chassis electronics, safety and driver assistance systems as well as driver information, communication and multimedia systems.

Medical Solutions (Med)—Med develops, manufactures and markets in vivo and in vitro diagnostic and therapeutic systems and devices such as computed tomography, magnetic resonance, molecular imaging, ultrasound and radiology devices, and hearing instruments, as well as information technology systems for clinical and administrative purposes. It provides technical maintenance, professional and consulting services.

Osram—Osram designs, manufactures and sells a full spectrum of lighting products for a variety of applications such as general lighting and automotive, photo-optic and opto-semiconductor lighting.

The **Financing and Real Estate** Groups are comprised of the following two businesses:

Siemens Financial Services (SFS)—SFS, the Company's international financial services segment, provides a variety of customized financial solutions both to third parties and to other Siemens business Groups and their customers.

Siemens Real Estate (SRE)—SRE owns and manages a substantial part of Siemens' real estate portfolio and offers service portfolio specializing in real estate development projects, real estate disposals, asset management, and lease and service management.

4.2.3 Since Siemens AG does not hold any shares in the target company, provisions of chapter II of the Takeover Regulations are not applicable.

4.2.4 Shareholding Pattern of Siemens AG:

Sl. No.	Shareholder's Category	Percentage of Shares held
1.	Promoters	-
2.	Institutional shareholders	81.2%
3.	Private shareholders	18.8%
	Total paid up capital	**100.0%**

As of October 27, 2006, Siemens AG had approximately 787,000 shareholders. Approximately 64,000 were holders in the United States, of which approximately 360 were registered holders. Based on Siemens AG's share register, holders in the United States held approximately 11.5 % of Siemens AG's ordinary shares as of September 30, 2006.

von Siemens-Vermögensverwaltung GmbH ("vSV"), a German limited liability entity that functions much like a trust, holds approximately 1.2% of Siemens AG's outstanding shares in trust for, and, in addition, has a power of attorney allowing it to vote approximately 4.4% of Siemens AG's outstanding shares on behalf of members of the Siemens family and family-sponsored foundations. To the extent these shares are voted on behalf of members of the Siemens family or family-sponsored foundations, these shares are voted together by the vSV. The vSV exercises its voting power in respect of these shares upon approval by the chairman of its shareholders' meeting. As a result, the chairman has voting power over these Siemens shares. The current chairman is Mr. Peter von Siemens, who is also a member of Siemens AG's Supervisory Board.

To Siemens AG's knowledge and based on public filings, there is no other single person that may be considered a beneficial owner of 5% or more of Siemens AG's outstanding shares.

4.2.5 Details of the Management Board of Siemens AG as on September 30, 2006 is as follows:

Name	Mailing Address	Educational Qualifications and Experience	Date of Appointment
Dr. Klaus Kleinfeld	Wittelsbacherplatz 2, 80333 München Germany	Master's degree in Business Administration/ Economics from the University of Goettingen, Germany, Ph.D. in Strategic Management from the University of Wuerzburg (Germany) Previous position: CEO of Siemens USA, COO Siemens USA, Executive Vice President and a member of the Executive Board of the Siemens AG Medical Engineering Group	December 1, 2002

Name	Mailing Address	Educational Qualifications and Experience	Date of Appointment
Prof. Johannes Feldmayer	Wittelsbacherplatz 2, 80333 München Germany	Siemens Management Training Previous position: Head of corporate strategies, Member of the group executive management of the automation and drives business	May 1, 2003
Joe Kaeser	Wittelsbacherplatz 2, 80333 München, Germany	Studied Business Administration, Fachhochschule Regensburg, Germany Previous position: Head of corporate strategies , Member of the group executive management, information and communication mobile	May 1, 2006
Rudi Lamprecht	Wittelsbacherplatz 2, 80333 München, Germany	Studied computer science, Technical University of Karlsruhe, Germany Previous position: Group President of the information and communication mobile group, member of the executive management of SNI	April 26, 2000
Eduardo Montes	Wittelsbacherplatz 2, 80333 München, Germany	Studied Electrical Engineering at the Technical University in Madrid, SpainPrevious position: President of the Siemens group in Spain	May 1, 2006
Dr. Jürgen Radomski	Wittelsbacherplatz 2, 80333 München, Germany	Studied Business Administration, Free University Berlin, Germany Previous position: Group executive Management of the Medical Engineering Group, Erlangen labor director of Siemens AG	June 29, 1994
Prof. Dr. Erich R, Reinhardt	Wittelsbacherplatz 2, 80333 München, Germany	Studied Electrical Engineering, University of Stuttgart, Germany Doctorate, University of Stuttgart Previous position: President of the Medical Engineering Group (now: Medical Solutions), Member of the Group Executive Management of the Medical Engineering Group	December 1, 2001
Prof. Dr. Hermann Requardt	Wittelsbacherplatz 2, 80333 München, Germany	Studied physics at the Technical University of Darmstadt and the University of Frankfurt, GermanyPrevious position: Head of the Magnetic Resonance Division, member of the Group Executive Management of the Medical Solutions	May 1, 2006

Name	Mailing Address	Educational Qualifications and Experience	Date of Appointment
Dr. Uriel J. Sharef	Wittelsbacherplatz 2, 80333 München, Germany	Studied economic and social sciences, University of Sydney and University of Fribourg, SwitzerlandPrevious position: President of the Power Transmission and Distribution Group	July 26, 2000
Prof. Dr. Klaus Wucherer	Wittelsbacherplatz 2, 80333 München, Germany	Dipl.-Ing. Electrical Engineering Dipl.-Ing. Mechanical Engineering Previous position: President of the automation and drives group	August 1, 1999

As on the date of this Letter of Offer none of the above directors are on the board of directors on the Board of Directors of the Target Company.

4.2.6 Share Capital of Siemens AG:

As of September 30, 2006, Siemens AG reported total outstanding common stock of 891,087,241 (including 415 treasury shares), with no par value and a notional value of Euro 3.00 per share. Siemens AG reported total shareholders' equity of Euro 29,306 million under U.S. GAAP (equivalent to Rs. 17,073,676 Lacs based on a convenience conversion applying the exchange rate of 1 Euro = Rs. 58.26) as of September 30, 2006. (Source: SEC Filing).

As of December 29, 2006, the closing price of the common stock of Siemens AG on the Deutsche Borse was Euro 75.14 (equivalent to Rs. 4,377.66 per share based on a convenience conversion applying the exchange rate of 1 Euro = Rs. 58.26).

4.2.7 Selected financial information extracted from audited consolidated financial statements for the last 3 fiscal years of Siemens AG are given below:

Consolidated statement of income	**Year ended September 30**					
	2004		**2005**		**2006**	
	(Euro mn) see note 1	**(Rs. Lacs)**	**(Euro mn) see note 1**	**(Rs. Lacs)**	**(Euro mn) see note 1**	**(Rs. Lacs)**
Net sales	70,237	40,920,076	75,445	43,954,257	87,325	50,875,545
Gross profit on sales	20,128	11,726,573	21,299	12,408,797	23,513	13,698,674
Income from continuing operations before income taxes and cumulative effect of accounting change	4,369	2,545,379	4,185	2,438,181	4,371	2,546,545
Income taxes	(767)	(446,854)	(979)	(570,365)	(1,078)	(628,043)
Minority interest	(152)	(88,555)	(148)	(86,225)	(206)	(120,016)
Income from continuing operations	**3,450**	**2,009,970**	**3,058**	**1,781,591**	**3,087**	**1,798,486**
Income (loss) from discontinued operations, net of income taxes	(45)	(26,217)	(810)	(471,906)	(54)	(31,460)
Cumulative effect of change in accounting principle, net of income taxes	-		-		-	
Net income	**3,405**	**1,983,753**	**2,248**	**1,309,685**	**3,033**	**1,767,026**

Consolidated Balance Sheet	As of September 30					
	2004		2005		2006	
	(Euro mn)	(Rs. Lacs)	(Euro mn)	(Rs. Lacs)	(Euro mn)	(Rs. Lacs)
Assets						
Total current assets	45,946	26,768,140	46,803	27,267,428	51,611	30,068,569
Long-term investments	4,122	2,401,477	3,768	2,195,237	3,922	2,284,957
Goodwill	6,476	3,772,918	8,930	5,202,618	9,776	5,695,498
Other intangible assets, net	2,514	1,464,656	3,107	1,810,138	3,243	1,889,372
Property, plant and equipment, net	10,683	6,223,916	12,012	6,998,191	12,072	7,033,147
Deferred income taxes	4,811	2,802,889	6,233	3,631,346	4,983	2,903,096
Other assets	4,966	2,893,192	5,264	3,066,806	5,366	3,126,232
Total assets	**79,518**	**46,327,187**	**86,117**	**50,171,764**	**90,973**	**53,000,870**
Liabilities and shareholders' equity						
Total current liabilities	33,372	19,442,527	39,631	23,089,021	38,957	22,696,348
Long-term debt	9,785	5,700,741	8,436	4,914,814	13,399	7,806,257
Pension plans and similar commitments	4,392	2,558,779	4,917	2,864,644	4,101	2,389,243
Deferred income taxes	569	331,499	427	248,770	450	262,170
Other accruals and provisions	4,016	2,339,722	5,028	2,929,313	4,058	2,364,191
Minority interests	529	308,195	656	382,186	702	408,985
Total shareholders' equity	26,855	15,645,723	27,022	15,743,017	29,306	17,073,676
Total liabilties and shareholders' equity	**79,518**	**46,327,187**	**86,117**	**50,171,764**	**90,973**	**53,000,870**

Other Financial data	Year ended September 30					
	2004		2005		2006	
	(Euro)	(Rs.)	(Euro)	(Rs.)	(Euro)	(Rs.)
Dividend per share	1.25	73	1.35	79	1.45	84
Dividend %	41.7%		45.0%		48.33%	
Earnings per share basic	3.82	223	2.52	147	3.40	198
Return on Shareholders' Equity (%)	12.7%		8.3%		10.3%	
Book value per share	30.14	1,756	30.32	1,766	32.89	1,916

Notes:

1. Any conversion from Euros (Euro) to Indian Rupees (Rs.) has been done solely for convenience purposes and does not represent a foreign currency translation in the meaning of SFAS 52. The RBI reference exchange rate of 1 Euro = Rs. 58.26 was used as on December 29, 2006 as given by the Reserve Bank of India (*Source: www.rbi.org.in*).
2. Calculation of total shareholders' equity include share capital, reserves & surplus and share premium.
3. Calculation of total current assets includes cash and cash equivalents.
4. Dividend % has been calculated based on the notional value of Euro 3.00 per share.
5. Basic earnings per share is computed by dividing income from continuing operations and net income, respectively, by the weighted average shares outstanding during the year.
6. Return on shareholders' equity has been calculated using the net income for the period and total shareholders' equity at the end of the period.
7. Book value per share has been calculated using the total shareholders' equity and total outstanding shares as at the end of the period.

4.3 **Accounting Policy followed by Siemens AG**

The Consolidated Financial Statements of Siemens AG have been prepared in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP). Siemens AG has prepared and reported its consolidated financial statements in Euros. Significant accounting policies followed by Siemens AG are as follows:

Basis of consolidation—The Consolidated Financial Statements include the accounts of Siemens AG and subsidiaries which are directly or indirectly controlled. Control is generally conveyed by ownership of the majority of voting rights. Additionally, Siemens AG consolidates variable interest entities (VIE's) for which it is deemed to be the primary beneficiary. VIE's are entities for which either the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support, or the equity investors lack an essential characteristic of a controlling financial interest, or the investors' economic interests are disproportionate to the attached voting rights and substantially all of the entity's activities involve or are conducted for an investor with disproportionately few voting rights. Associated companies—companies in which Siemens AG has the ability to exercise significant influence over operating and financial policies (generally through direct or indirect ownership of 20% to 50% of the voting rights)—are recorded in the Consolidated Financial Statements using the equity method of accounting.

Business Combinations—All business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Siemens AG's share of the identifiable assets and contingent assets acquired, as well as its share of the liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill.

Foreign currency translation—The assets and liabilities of foreign subsidiaries, where the functional currency is other than the euro, are translated using period-end exchange rates, while the statements of income are translated using average exchange rates during the period. Differences arising from such translations are included as a separate component of shareholders' equity.

Revenue recognition—Revenue is recognized for product sales when a persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the risks and rewards of ownership have been transferred to the customer, the fee is fixed or determinable, and collection of the related receivable is reasonably assured. If product sales are subject to customer acceptance, revenues are not recognized until customer acceptance occurs. Revenues from construction-type projects are generally recognized under the percentage-of-completion method, based on the percentage of costs to date compared to the total estimated contract costs, contractual milestones or performance. Revenues from service transactions are recognized as services are performed. For long-term service contracts, revenues are recognized on a straight-line basis over the term of the contract or, if the performance pattern is other than straight-line, as the services are provided. Revenue from software arrangements is recognized at the time persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectibility is probable. Revenue from maintenance, unspecified upgrades or enhancements and technical support is allocated using the residual value method and is recognized over the period such items are delivered. If an arrangement to deliver software requires significant production, modification, or customization of software, the entire arrangement is accounted for under the percentage-of-completion method. Operating lease income for equipment rentals is recognized on a straight-line basis over the lease term. Interest income from sales-type and direct financing leases is recognized using the interest method.

Sales of goods or services sometimes involve the provision of multiple elements. In these cases, Siemens AG applies the guidance in Emerging Issues Task Force (EITF) 00-21 Revenue Arrangements with Multiple Deliverables to determine whether the contract or arrangement contains more than one unit of accounting. An arrangement is separated if (1) the delivered element(s) has value to the customer on a stand-alone basis, (2) there is objective and reliable evidence of the fair value of the undelivered element(s) and (3), if the arrangement includes a general right of return relative to the delivered element(s), delivery or performance of the undelivered element(s) is considered probable and substantially in the control of Siemens AG. If all three criteria are fulfilled, the appropriate revenue recognition convention is then applied to each separate unit of accounting. Generally, the total arrangement consideration is allocated to the separate units of accounting based on their relative fair values. In cases where there is objective and reliable fair value evidence of the undelivered elements but not for one or more of the delivered elements, the residual method is used, i.e. the amount allocated to delivered elements equals the total arrangement consideration less the aggregate fair value of the undelivered elements. Objective and reliable fair values are sales prices for the component when it is regularly sold on a stand-alone basis or third-party prices for similar components. If the three criteria are not met, revenue is deferred until such criteria are met or until the period in which the last undelivered element is delivered. The amount allocable to the delivered elements is limited to the amount that is not contingent upon delivery of additional elements or meeting other specified performance conditions.

Product-related expenses and contract loss provisions—Provisions for estimated costs related to product warranties are recorded in cost of sales at the time the related sale is recognized, and are established on an individual basis, except for consumer products. The estimates reflect historic trends of warranty costs, as well as information regarding product failure experienced during construction, installation or testing of products. In the case of new products, expert opinions and industry data are also taken into consideration in estimating product warranty accruals. Contract loss provisions are established in the period when the current estimate of total contract costs exceeds contract revenue.

Earnings per share—Basic earnings per share is computed by dividing income from continuing operations and net income, respectively, by the weighted average shares outstanding during the year. Diluted earnings per share is calculated by assuming conversion or exercise of all potentially dilutive securities, stock options and stock awards.

Cash and cash equivalents—Siemens AG considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents.

Marketable securities and investments—Siemens AG's marketable securities are accounted for at fair value if readily determinable. Securities are classified as either available-for-sale or trading securities. Management determines the appropriate classification of its investments in marketable securities at the time of purchase and reevaluates such determination at each balance sheet date. Marketable securities classified as available-for-sale are reported at fair value, with unrealized gains and losses included in Accumulated other comprehensive income (AOCI), net of applicable deferred income taxes. Realized gains and losses for individual investments are accounted for using the average cost method. Investments for which there is no readily determinable market value are recorded at cost.

Available-for-sale marketable securities and investments which incur a decline in value below cost that is judged to be other than temporary are considered impaired. Siemens AG considers all available evidence such as market conditions and prices, investee-specific factors and the duration and extent to which fair value is less than cost in evaluating potential impairment of its marketable securities and investments. Impairments are recognized in earnings in the period in which the decline in value is judged to be other than temporary and a new cost basis in the marketable security or investment is established.

Inventories—Inventory is valued at the lower of acquisition or production cost or market, cost being generally determined on the basis of an average or first-in, first-out method. Production costs comprise direct material and labor and applicable manufacturing overheads, including depreciation charges.

Goodwill and Other intangible assets—Intangible assets consist of goodwill and patents, software, licenses and similar rights. Siemens AG amortizes intangible assets with finite useful lives on a straight-line basis over their respective estimated useful lives to their estimated residual values. Estimated useful lives for software, patents, licenses and other similar rights generally range from three to five years, except for intangible assets with finite useful lives acquired in business combinations. Intangible assets acquired in business combinations primarily consist of customer relationships and technology. Weighted average useful lives in specific acquisitions ranged from nine to twenty-two years for customer relationships and from seven to twelve years for technology. Goodwill and intangible assets other than goodwill which are determined to have indefinite useful lives are not amortized, but instead tested for impairment at least annually. Regarding the accounting for impairment of intangible assets with finite useful lives see below at *Impairment of long-lived assets*. Siemens AG evaluates the recoverability of goodwill using a two-step impairment test approach at the division level (reporting unit). In the first step, the fair value of the division is compared to its carrying amount including goodwill. In the case that the fair value of the division is less than its carrying amount, a second step is performed which compares the fair value of the division's goodwill to the carrying amount of its goodwill. The fair value of goodwill is determined based upon the difference between the fair value of the division and the net of the fair values of all the assets and liabilities of the division (including any unrecognized intangible assets). If the fair value of goodwill is less than the carrying amount, the difference is recorded as an impairment.

Property, plant and equipment—Property, plant and equipment is valued at cost less accumulated depreciation and impairment losses. If the costs of certain components of an item of property, plant and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately. Depreciation expense is recognized using the straight-line method. Costs of construction of qualifying long-term assets include capitalized interest, which is amortized over the estimated useful life of the related asset. The following useful lives are assumed:

- Factory and office buildings: 20 to 50 years
- Other buildings: 5 to 10 years
- Technical machinery & equipment: 5 to 10 years
- Furniture & office equipment generally: 5 years
- Equipment leased to others generally: 3 to 5 years

Impairment of long-lived assets—Siemens AG reviews long-lived assets held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by the comparison of the carrying amount of the asset to the undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Estimated fair value is generally based on either appraised value or measured by discounted estimated future cash flows. Siemens AG's long-lived assets to be disposed of are recorded at the lower of carrying amount or fair value less costs to sell and depreciation is ceased.

Discontinued operations—Discontinued operations are reported when a component of an entity comprising operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity is classified as held for sale or has been disposed of, the operations and cash flows of the component will be (or have been) eliminated from the ongoing operations of the entity and the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction.

Derivative instruments—Derivative instruments, such as foreign currency exchange contracts and interest rate swap contracts, are measured at fair value. Changes in the fair value of derivative financial instruments are recognized periodically either in net income or, in the case of a cash flow hedge, in AOCI, net of applicable deferred income taxes. Certain derivative instruments embedded in host contracts are also accounted for separately as derivatives.

Fair value hedges—The carrying amount of the hedged item is adjusted by the gain or loss attributable to the hedged risk. Where an unrecognized firm commitment is designated as the hedged item, the subsequent cumulative change in its fair value is recognized as a separate financial asset or liability with corresponding gain or loss recognized in net income.

For hedged items carried at amortized cost, the adjustment is amortized such that it is fully amortized by maturity of the hedged item. For hedged firm commitments the initial carrying amount of the assets or liabilities that result from meeting the firm commitments are adjusted to include the cumulative changes in the fair value that were previously recognized as separate financial assets or liabilities.

Cash flow hedges—The effective portion of changes in the fair value of derivatives designated as cash flow hedges are recognized in AOCI, net of applicable deferred income taxes, and any ineffective portion is recognized immediately in net income. Amounts accumulated in equity are reclassified into net income in the same periods in which the hedged item affects net income.

Income taxes—Siemens AG applies SFAS 109, Accounting for Income Taxes. Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax laws is recognized in the results of operations in the period the new laws are enacted. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized.

Asset retirement obligations—Legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development or normal use of the asset are recognized at fair value in the period in which the liability is incurred if a reasonable estimate of fair value can be made. Such estimates are generally determined based upon estimated future cash flows discounted using a credit-adjusted risk-free interest rate. The fair value of the liability is added to the carrying amount of the associated asset. The additional carrying amount is depreciated over the life of the asset. The liability is accreted each period through charges to operating expense. If the obligation is settled for other than the carrying amount of the liability, Siemens AG will recognize a gain or loss on settlement.

Use of estimates—The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent amounts at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4.4 The reasons for fall or rise in the total income and PAT in the last three years are as follows:

Fiscal 2006 compared to Fiscal 2005:

In fiscal year 2006, sales rose 16%, to Euro 87.3 billion, on a balance of organic growth and acquisitions. The increase in sales included double-digit growth at Automation and Drives, Industrial Solutions and Services (I&S), Power Generationand Power Transmission and Distribution. Both sales and order growth included new volume from acquisitions, including VA Technologie AG (VA Tech), Flender Holding GmbH (Flender) and Robicon Corp. (Robicon), all acquired late in fiscal 2005. Sales and orders in fiscal year 2006 also reflect significant divestments. Profit after tax in fiscal year 2006, including a negative Euro 54 million from discontinued operations, was Euro 3.0 billion, 35% higher compared to fiscal year 2005.

Fiscal 2005 compared to Fiscal 2004:

In fiscal year 2005, sales grew by 7% to Euro 75.4 billion. Sales rose across all businesses except at Transportation Systems business. Sales growth was driven by international expansion, while orders climbed both domestically and internationally. Acquisitions made a significant contribution to top-line growth for the year. In the fiscal year 2005, profit after tax was Euro 2.2 billion, including a negative Euro 810 million related to discontinued mobile devices operations. Profit after tax of Euro 3.4 billion in the prior year also included a negative Euro 45 million from discontinued operations.

Contingent Liabilities

As of September 30, 2006 Siemens AG had the following commitments and contingencies:

Credit guarantees:	Euro 302 million
Guarantee of third-party performance:	Euro 1,489 million
Other guarantees:	Euro 528 million
TOTAL	Euro 2,319 million

The table presents the undiscounted amount of maximum potential future payments for each major group of guarantee.

4.5 Siemens AG is a listed company

4.5.1 Status of Corporate Governance: In accordance with the German Stock Corporation Act (Aktiengesetz), Siemens AG has a Supervisory Board and a Managing Board. The two boards are separate and no individual may simultaneously be a member of both boards. The Managing Board is responsible for managing Siemens AG's business in accordance with applicable laws, Siemens AG's Articles of Association and the Bylaws of the Managing Board. It represents Siemens AG in dealings with third parties. The Supervisory Board appoints and removes the members of the Managing Board. The Supervisory Board oversees Siemens AG's management but is not permitted to make management decisions.

In carrying out their duties, each member of the Managing Board and Supervisory Board must exercise the standard of care of a prudent and diligent businessman, and is liable to Siemens AG for damages if they fail to do so. Both boards are required to take into account a broad range of considerations in their decisions, including the interests of Siemens AG and those of its shareholders, employees and creditors. The Managing Board is required to respect the rights of shareholders to be treated on an equal basis and to receive equal information. The Managing Board is also required to ensure appropriate risk management within Siemens AG and to establish an internal control system.

The Supervisory Board has comprehensive monitoring functions. To ensure that these functions are carried out properly, the Managing Board must, among other things, regularly report to the Supervisory Board with regard to current business operations and future business planning. The Supervisory Board is also entitled to request special reports at any time.

As a general rule under German law, a shareholder has no direct recourse against either the members of the Managing Board or the Supervisory Board in the event that they are believed to have breached a duty to Siemens AG. Apart from insolvency or other special circumstances, only Siemens AG may assert a claim for damages against members of either board. Moreover, Siemens AG may only waive these damages or settle these claims if at least three years have passed and if the shareholders approve the waiver or settlement at the shareholders' meeting with a simple majority of the votes cast, provided that opposing shareholders do not hold, in the aggregate, one-tenth or more of Siemens AG's share capital and do not have their opposition formally noted in the minutes maintained by a German notary.

4.5.2 Pending litigation matters as on November 30, 2006:

4.5.2.1 Siemens AG has requested arbitration against the Republic of Argentina before the International Centre for Settlement of Investment Disputes (ICSID) of the World Bank. Siemens AG claims that Argentina unlawfully terminated their contract for the development and operation of a system for the production of identity cards, border control, collection of data and voters' registers and thereby violated the Bilateral Investment Protection Treaty between Argentina and Germany (BIT). Siemens AG is seeking damages for expropriation and violation of the BIT of approximately $500 million. Argentina has disputed jurisdiction of the ICSID arbitration tribunal and has argued in favour of jurisdiction of the Argentine administrative courts. The arbitration tribunal rendered a decision on August 4, 2004, finding that it has jurisdiction over Siemens' claims and that Siemens AG is entitled to present its claims. A hearing on the merits of the case took place before the ICSID arbitration tribunal in Washington in October 2005. A decision on the merits is expected by the end of December 2006.

4.5.2.2 Italian and German prosecutors have been investigating allegations that former Siemens AG employees provided improper benefits to former employees of Enel in connection with Enel contracts. Siemens AG is cooperating with the authorities. German prosecutors brought charges against two of the investigated former employees in March 2006. Furthermore, the prosecutors have asked the courts to confiscate the proceeds Siemens AG has obtained for performing the Enel contracts. In Italy, Siemens AG has entered into a so-called "patteggiamento" (plea bargaining agreement without the admission of any guilt or responsibility) with the Italian prosecutors. Siemens AG agreed to pay a Euro 0.5 million fine and to give up Euro 6.121 million of profit relating to the Enel contracts. Siemens AG also accepted a one-year ban prohibiting it from entering into contracts with the Italian public administration. This part of the patteggiamento was discharged through the one-year ban imposed on Siemens AG by preliminary injunction that expired on May 14, 2005. The patteggiamento was endorsed by the Court of Milan on July 25, 2006 and entered into force on November 11, 2006.

4.5.2.3 In May 2004, the European Commission launched an investigation into possible anti-trust violations involving the major European and Japanese producers of high-voltage gas-insulated switchgear, including Siemens AG and VA Tech, which Siemens AG acquired in July 2005. Gas-insulated switchgear is electrical equipment used as a major component for turnkey power substations. Siemens AG has cooperated with the European Commission in the investigation. The decision of the European Commission has not been announced yet. On December 22, 2005, the Hungarian antitrust authority announced an administrative order imposing a fine of Euro 320,000 on Siemens AG and Euro 640,000 on VA Tech. Siemens AG have filed an appeal against that decision. The final decision on the appeal has not been announced. Furthermore, authorities in Australia, Brazil, New Zealand and the Czech Republic are conducting investigations into the same possible antitrust violations.

4.5.2.4 German prosecutors are conducting an investigation against certain Siemens AG employees regarding allegations that they participated in fraud and in providing improper benefits related to the awarding of an EU contract for the refurbishment of a power plant in Serbia. The investigation is still ongoing.

4.5.2.5 A Mexican governmental control authority has barred Siemens Mexico from bidding on public contracts for a period of three years and nine months beginning November 30, 2005. This proceeding arose from allegations that Siemens Mexico did not disclose alleged minor tax discrepancies when it was signing a public contract in 2002. Upon appeal by Siemens Mexico, the execution of the debarment was stayed on December 13, 2005 and subsequently reduced to a period of four months. Upon further appeal, the execution of the reduced debarment was stayed by the competent Mexican court on April 19, 2006. The final decision on the appeal has not been announced so far.

4.5.2.6 On January 19, 2006, the U.S. Attorney for the Northern District of Illinois charged Siemens Medical Solutions US (SMS) with committing mail and wire fraud in connection with a bid on a public contract for radiological equipment in the year 2000. The charges are based on alleged non-compliance with certain bidding terms and alleged misconduct during a trial related to the fulfillment of such terms. The bidding terms of the public contract were later ruled unconstitutional. SMS, which has cooperated with the district attorney's investigation, considers the allegations to be unjustified and intends to oppose them in court. The court proceedings are scheduled for March 2007.

4.5.2.7 On February 24, 2006, Siemens AG received a subpoena from the U.S. Securities and Exchange Commission (SEC) requiring the production of certain documents relating to the Oil-for-Food Programme and to certain other matters. Siemens is cooperating with the SEC. Furthermore, a French investigating magistrate has started a preliminary investigation regarding the participation of French companies—among others Siemens France S.A.S.—in the Oil-for-Food Programme. German prosecutors also have started an investigation in this matter.

4.5.2.8 On November 15, 2006, Munich public prosecutors (the Prosecutors) conducted searches of Siemens AG premises and private homes in Munich, Erlangen and in Austria during which a large volume of documents and electronic data were confiscated. These actions were taken in connection with an investigation of certain current and former employees of Siemens AG on suspicion of embezzlement, bribery and tax evasion. Several arrest warrants were issued for several current and former employees who are or were associated with Com. Among those arrested were a former CFO of Com, as well as the heads of Com's internal audit and accounting and controlling departments. Another former employee was apprehended in Austria and extradited to Germany. In addition to the interrogations of those arrested, statements were taken from a number of witnesses including Company officials. The Prosecutors announced that those arrested are suspected of collaborating to open slush fund accounts abroad, and of operating a system to embezzle funds from Siemens AG. More specifically, the Prosecutors allege that from 2002 to the present, these individuals siphoned off money from Com via off-shore companies and their own accounts in Switzerland and Liechtenstein. The Prosecutors indicated that whether and the extent to which the diverted funds were used for bribes remains to be determined. The investigation is ongoing, and Siemens AG is fully cooperating with the authorities. The Prosecutors' current investigation grew out of an anonymous complaint and requests for judicial assistance from Switzerland and Italy. Bank accounts in Geneva, Switzerland, held by a former officer of Com of Siemens Greece were seized in August 2005. Siemens AG became aware of the seizure at the end of 2005 having been notified by both the officer and the financial institution in which the accounts were held. As part of its internal investigation, Siemens AG filed a civil action in Greece against the officer on November 14, 2006. In June 2006, Siemens AG also became aware of the existence of an escrow account in Lugano, Switzerland. In July 2006, the trustee was requested to provide documentation of the account and to transfer the funds to Siemens AG. The account was seized prior to receiving the funds. Bank accounts in Liechtenstein were also seized in late 2004. Funds from these Liechtenstein accounts were transferred to Siemens AG in 2005 after being released by governmental authorities. On March 30, 2006, the premises of Intercom Telecommunication Systems AG in Switzerland (Intercom), a subsidiary of Siemens AG, were searched by Swiss prosecutors. Siemens AG subsequently learned that, via Intercom, so-called Business Consultant Agreements were processed directly or indirectly through intermediary companies. Intercom currently finds itself in liquidation. It has been established that Intercom made payments to the above mentioned bank accounts. Investigations are ongoing to determine the rightful owner of the accounts in Geneva and Lugano. The Swiss investigation was preceded by Liechtenstein criminal investigations. The criminal investigation in Liechtenstein related to money laundering and corruption allegations against certain former Siemens AG employees and other persons. In January 2006, Siemens AG became aware of a request by Liechtenstein for judicial assistance from Switzerland. Siemens AG subsequently determined that the Swiss and Liechtenstein investigations pertain to related activities. In Italy, an already pending criminal investigation there focusing on money laundering and corruption allegations against third parties in respect of activities in the 1990s pertains to similar activities in the Com Group. Based on a request for judicial assistance from Italy to Germany in 2005, premises and private homes in Munich were searched. Siemens AG is in communication with the U.S. Securities and Exchange Commission and the U.S. Department of Justice via a U.S. law firm regarding these matters.

4.5.2.9 Siemens AG and its subsidiaries have been named as defendants in various other legal actions and proceedings arising in connection with their activities as a global diversified group. Some of the legal actions include claims for substantial compensatory or punitive damages or claims for indeterminate amounts of damages. In the ordinary course of business, Siemens AG may also be involved in investigations and administrative and governmental proceedings. Given the number of legal actions and other proceedings to which Siemens AG is subject, some may result in adverse decisions. Siemens AG contests actions and proceedings when it considers it appropriate. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases in which claimants seek substantial or indeterminate damages, Siemens AG often cannot predict what the eventual loss or range of loss related to such matters will be. Although the final resolution of these matters could have a material effect on Siemens AG's' consolidated operating results for any reporting period in which an adverse decision is rendered, Siemens AG believes that its consolidated financial position should not be materially affected

4.5.3 Since fiscal 2004, Siemens AG has completed the following significant transactions*:*

Acquisitions:

Acquired company	**Acquisition date**	**Purchase price (Euro million)**	**Description of the acquired company**
Diagnostic Products Corporation, USA	4th quarter - Fiscal Year 2006	€ 1,414	Immunodiagnostics provider
CTI Molecular Imaging, Inc., USA	May-05	€ 809	Molecular imaging development
VA Technologie AG, Austria	Jul-05	€ 1,049	Engineering products & services
Flender Holding GmbH, Germany	Jul-05	€ 702	Supplier of mechanical and electrical drive equipment
USFilter Corporation, USA	Aug-04	€ 793	Products and services in the municipal and industrial water and waste water treatment and supply market

Siemens AG made certain other acquisitions during the years ended September 30, 2006, 2005 and 2004, which did not have a significant effect on the Consolidated Financial Statements. The aggregate cash outflow for acquisitions, net of cash acquired, as reported in the consolidate statements of cash flow, was Euro 1,477 million, Euro 2,450 million and Euro 2,055 million in the years ended September 30, 2004, 2005 and 2006 respectively.

Dispositions

Disposed businesses	Disposal date	Sale price (Euro million)	Description of the sold company
Sale of mobile phone business	Majority in September 05	n.a.	Sale of the Acquirer's mobile phone business to Benq
Sale of 74.9% stake in Kordoba	Sep-04	n.a.	Disposal of 74.9% stake in Kordoba to Fidelity Information Services

Siemens AG has also been involved in other disposals in the last three years ending September 30, 2005. The aggregate cash inflow from sales and disposition of businesses, as reported in the consolidated statements of cash flow, was Euro 325 million, Euro 34 million and Euro (260) million in the years ended September 30, 2004, 2005 and 2006 respectively.

4.5.4 Subsidiaries of Siemens AG in India

4.5.4.1 Siemens AG has the following subsidiaries in India:

S. No.	Name of Company in India	% Shareholding	Date of incorporation	Nature of business
1	Siemens Ltd.	55.2	02-Mar-57	Portfolio consists of products, systems, solutions and services in Power Generation, Power Transmission and Distribution, Automation & Drives, Industrial Solutions and Services, Building Technologies, Transportation Systems and Medical Solutions
2	Siemens Information Systems Ltd.	100.0(1)	29-Sep-86	Systems Integrator and Total Solutions Provider, having extensive domain expertise and technology specialisation. Provides solutions for clients primarily in the fields of Telecommunications, Healthcare, Manufacturing, Utilities, Public Sector and Government
3	Siemens Public Communication Networks Pvt. Ltd.(To be transferred to Nokia Networks India Pvt. Ltd. w.e.f. 01-Apr-07)	100.0(1)	17-Dec-93	Provider of network equipment including supply, design and installation; Portfolio comprises Wireline, Transmission, Access, Mobile and IP products etc.
4	Siemens Information Processing Services Pvt. Ltd.	100.0(2)	13-Oct-00	Provides back office and customer contact services to Siemens operating companies in the US and UK, with the necessary technology and process competence.
5	Siemens Industrial Turbomachinery Services Pvt. Ltd.	74.0(1)	20-Oct-72	Specializes in the service, repair and overhaul of Small Gas Turbines and Rotating Equipment
6	Flender Ltd.	100.0(3)	28-Nov-61	Manufacturer of Industrial Gear Boxes
7	Osram India Pvt. Ltd.	100.0(4)	22-Nov-93	Product portfolio includes incandescent, fluorescent and compact fluorescent lamps

S. No.	Name of Company in India	% Shareholding	Date of incorporation	Nature of business
8	Siemens Hearing Instruments Pvt. Ltd.	100.0[(4)]	13-Feb-98	Offers Hearing aids from the In-The Canal (ITC) to In-The Ear (ITE) and Behind the Ear (BTE) hearing devices
9	Siemens Power Engineering Pvt. Ltd.	100.0[(4)]	25-May-98	Undertakes total power plant engineering activities from concept to commissioning. Supports Siemens AG's Power Generation (PG) business process worldwide
10	Siemens Corporate Finance Pvt. Ltd.	100.0[(4)]	04-Jul-05	Partners with Siemens AG Corporate Finance, in providing added services to various sub functional areas within treasury, reporting & taxes and strategy consulting
11	Winergy Drive Systems India Pvt. Ltd. (WDSIL)	100.0[(4)]	23-Sep-04	Provider of drive systems (gear units, couplings, generators and inverters) for wind turbines
12	VAI Engineering & Automation Pvt. Ltd.	100.0[(4)])	28-Dec-01	Provides a comprehensive range of supplies and services for all related technological processes and integrated automation solutions for the entire life-cycle of metallurgical plants
13	Siemens Enterprise Communications Pvt. Ltd.	100.0[(4)]	11-Jan-07	Offers enterprise networks solutions including maintenance contracts.
14	Siemens Nixdorf Information Systems Pvt. Ltd.	100.0[(5)]	09-Jan-96	No business activities
15	Siemens Demag Delaval Turbomachinery Pvt. Ltd.	100.0[(4)]	01-Feb-94	No business activities. Pending liquidation
16	Powerplant Performance Improvement Ltd.	50.0 + 1 share[(4)]	06-May-97	No business activities

Notes:

1. Percentage owned by Siemens Ltd.
2. 51% by Siemens Ltd. and 49% owned by Siemens Information Systems Ltd.
3. 50% owned by Siemens Ltd. and 50% owned by Flenders AG (a wholly owned subsidiary of Siemens AG)
4. Percentage owned by Siemens AG directly or indirectly
5. Percentage owned by Siemens Information Systems Ltd.

None of the companies mentioned above are sick industrial companies under Section 2 (46AA) of the Companies Act, 1956.

4.5.4.2 Brief summary of the audited financial results for the last three years (Rupees Lacs)

4.5.4.2.1 Siemens Ltd.

Accounting year ended	September 30, 2004	September 30, 2005	September 30, 2006
Total income	189,066	290,617	468,528
Profit after tax	15,137	25,475	36,586
Total equity capital and Reserves & Surplus (excluding revaluation reserve)	60,616	78,076	108,709
Earnings Per Share (Rs.)	9.1	15.7	21.4
Book Value Per Share (Rs.)	36.6	46.3	64.5

4.5.4.2.2 Siemens Information Systems Ltd.

Accounting year ended	September 30, 2004	September 30, 2005	September 30, 2006
Total income	49,302	64,411	86,053
Profit after tax	8,040	12,507	13,559
Total equity capital and Reserves & Surplus (excluding revaluation reserve)	14,007	17,057	20,825
Earnings Per Share (Rs.)	118.0	183.5	199.0
Book Value Per Share (Rs.)	205.5	250.3	305.6

4.5.4.2.3 Siemens Public Communication Networks Pvt. Ltd.

Accounting year ended	September 30, 2004	September 30, 2005	September 30, 2006
Total income	50,921	47,758	61,900
Profit after tax	6,207	2,757	2,069
Total equity capital and Reserves & Surplus (excluding revaluation reserve)	8,073	10,830	10,065
Earnings Per Share (Rs.)	50.0	22.2	15.7
Book Value Per Share (Rs.)	65.0	87.2	81.0

4.5.4.2.4 Siemens Information Processing Services Pvt. Ltd.

Accounting year ended	September 30, 2004	September 30, 2005	September 30, 2006
Total income	2,143	5,032	8,329
Profit after tax	347	636	1,013
Total equity capital and Reserves & Surplus (excluding revaluation reserve)	794	1,431	1,732
Earnings Per Share (Rs.)	8.3	15.3	24.3
Book Value Per Share (Rs.)	19.1	34.4	41.6

4.5.4.2.5 Siemens Industrial Turbomachinery Services Private Limited

Accounting year ended	March 31, 2005	September 30, 2005	September 30, 2006
Total income	3,784	1,408	1,369
Profit after tax	422	176	75
Total equity capital and Reserves & Surplus (excluding revaluation reserve)	1,295	1,471	1,508
Earnings Per Share (Rs.)	463.2	193.6	82.8
Book Value Per Share (Rs.)	1,422.8	1,616.4	1,657.0

4.5.4.2.6 Flender Ltd.

Accounting year ended	September 30, 2004	September 30, 2005	September 30, 2006
Total income	6,450	8,952	11,376
Profit after tax	631	1,119	1,442
Total equity capital and Reserves & Surplus (excluding revaluation reserve)	2,238	2,618	3,805
Earnings Per Share (Rs.)	14.6	25.9	33.4
Book Value Per Share (Rs.)	51.8	60.6	88.1

4.5.4.2.7 Osram India Pvt. Ltd.

Accounting year ended	September 30, 2004	September 30, 2005	September 30, 2006
Total income	(503)	31	(34)
Profit after tax	(503)	16	(71)
Total equity capital and Reserves & Surplus (excluding revaluation reserve)	3,571	3,587	3,517
Earnings Per Share (Rs.)	(0.7)	0.0	(0.1)
Book Value Per Share (Rs.)	5.2	5.2	5.1

4.5.4.2.8 Siemens Hearing Instruments Pvt. Ltd.

Accounting year ended`	September 30, 2004	September 30, 2005	September 30, 2006
Total income	1,768	2,133	2,558
Profit after tax	75	124	171
Total equity capital and Reserves & Surplus (excluding revaluation reserve)	228	295	409
Earnings Per Share (Rs.)	7.5	12.4	17.1
Book Value Per Share (Rs.)	22.8	29.5	40.9

4.5.4.2.9 Siemens Power Engineering Pvt. Ltd.

Accounting year ended	September 30, 2004	September 30, 2005	September 30, 2006
Total income	3,596	4,159	5,799
Profit after tax	1,267	1,209	788
Total equity capital and Reserves & Surplus (excluding revaluation reserve)	1,050	1,233	2,021
Earnings Per Share (Rs.)	16.9	16.1	10.5
Book Value Per Share (Rs.)	14.0	16.4	26.9

4.5.4.2.10 Siemens Corporate Finance Pvt. Ltd.

Accounting year ended	September 30, 2004	September 30, 2005	September 30, 2006
Total income	-	-	1,806
Profit after tax	-	-	(25)
Total equity capital and Reserves & Surplus (excluding revaluation reserve)	-	-	260
Earnings Per Share (Rs.)	-	-	(1.0)
Book Value Per Share (Rs.)	-	-	10.0

4.5.4.2.11 Winergy Drive Systems India Private Limited

Accounting year ended	September 30, 2004	September 30, 2005	September 30, 2006
Total income	-	56	17,333
Profit after tax	-	(217)	(59)
Total equity capital and Reserves & Surplus (excluding revaluation reserve)	-	274	215
Earnings Per Share (Rs.)	-	(4.4)	(1.2)
Book Value Per Share (Rs.)	-	5.6	4.4

4.5.4.2.12 VAI Engineering & Automation Pvt Ltd.

Accounting year ended	December 31, 2004	December 31, 2005	December 31, 2006
Total income	2,982	3,060	3,222
Profit after tax	131	176	95
Total equity capital and Reserves & Surplus (excluding revaluation reserve)	353	529	624
Earnings Per Share (Rs.)	14.7	19.8	10.7
Book Value Per Share (Rs.)	39.6	59.4	70.1

4.5.4.2.13 Siemens Enterprise Communications Pvt. Ltd.

Company has been incorporated on January 11, 2007, hence financial information is not available.

4.5.4.2.14 Siemens Nixdorf Information Systems Pvt. Ltd.

Accounting year ended	September 30, 2004	September 30, 2005	September 30, 2006
Total income	31	-	7
Profit after tax	21	(1)	1
Total equity capital and Reserves & Surplus (excluding revaluation reserve)	(9)	(10)	(10)
Earnings Per Share (Rs.)	-	-	-
Book Value Per Share (Rs.)	(0.1)	(0.1)	(0.1)

4.5.4.2.15 Siemens Demag Delaval Turbomachinery Pvt. Ltd.*

Accounting year ended	March 31, 2004	March 31, 2005	March 31, 2006
Total income	423	286	14
Profit after tax	52	47	8
Total equity capital and Reserves & Surplus (excluding revaluation reserve)	153	108	115
Earnings Per Share (Rs.)	10.7	9.6	1.6
Book Value Per Share (Rs.)	31.1	22.0	23.4

* Company has filed its application for liquidation to Registrar of Companies on February 2, 2005.

4.5.4.2.16 Powerplant Performance Improvement Ltd.

Accounting year ended	March 31, 2004	March 31, 2005	March 31, 2006
Total income	2,673	616	232
Profit after tax	11	(114)	(71)
Total equity capital and Reserves & Surplus (excluding revaluation reserve)	223	109	38
Earnings Per Share (Rs.)	0.3	(2.8)	(1.8)
Book Value Per Share (Rs.)	5.6	2.7	1.0

Notes:

1. Earnings per share is computed by dividing net income by the weighted average shares outstanding during the year.
2. Book value per share has been calculated using the total shareholders' equity and total outstanding shares as at the end of the period.

4.6 **Disclosure in terms of Regulation 16(ix):** The Acquirer and the PAC, in consultation with the Board of Directors of the Target Company, will work towards enhancement of shareholder value and this could entail a restructuring exercise including the sale or other disposal of some assets. The restructuring may also involve rationalisation of assets, investments, liabilities and/or segregation of the Target Company's manufacturing activities through a scheme of demerger or through an asset sale or slump sale or otherwise. These steps would be subject to the approvals of the Board of Directors and shareholders of the Target Company and other relevant statutory approvals.

5. **Disclosures in terms of Regulation 21(3):** Pursuant to the Open Offer, the public shareholding shall not fall to a level below the limit for continuous listing specified under applicable law. The Acquirer and PAC undertake to ensure to maintain the public shareholding as required for continuous listing specified under applicable law. As mentioned above, this Offer is for a maximum of 313,470 equity shares representing 20% of the present fully paid up equity capital of the Target Company.

6. **Background of the Target Company**

6.1 The Target Company is a public limited company incorporated under the Companies Act, 1956. The Target Company has its registered and corporate office at 589, Sayajipura, Ajwa Road, Baroda–390 019, Gujarat, India. Tel : (0265) 256 2720 Fax: (0265) 256 5103.

6.2 Brief history and major areas of operation.

(a) Bayer Diagnostics India limited was incorporated in 1974 as Miles India Ltd. in collaboration with Miles Laboratories Inc. USA. In 1978 , the overseas collaborator Miles Laboratories Inc. USA was acquired by Bayer AG. In 1988, Bayer AG also acquired Technicon Instrument Corp.USA. In 1998, Bayer AG acquired Chiron Diagnostics Corporation, USA and merged Global Diagnostics business of Chiron with Business Group Diagnostics. With effect from 1st January 1995, the Technicon business, which was handled by Bayer CropScience Limited, Mumbai (formerly known as Bayer (India) Limited, Mumbai) was purchased by the Company by issuing Equity shares.The name of the Company was changed from Miles India Ltd. to Bayer Diagnostics India Ltd. on 22nd June,1995.

(b) The present subscribed and paid-up equity share capital of the Target Company as on the date of the PA consists of 1,567,350 fully paid-up equity shares of Rs. 10/- each. There are no partly paid-up equity shares of the Target Company as at the date of the PA.

(c) The Target Company is engaged in the following business:

- Manufacturing and sale of strips (urine monitoring test strips) and chemistry kits;
- Sale and service of immuno instruments and reagents, critical care instruments and reagents, hemotology instruments and reagents;
- Instruments of above immuno, critical care and hemotology businesses are also placed at customer's sites based on contracts of reagent consumption; and
- Servicing of all instruments.

(d) The business of the Target Company comprised both Diagnostics Business and Non-Diagnostics Business. In the Target Company, diabetes care business comprising blood glucose monitoring systems & sensors and urine glucose monitoring strips (hereinbefore and hereinafter referred to as "Non-Diagnostics Business") was integrated with in-vitro diagnostics business (hereinbefore and hereinafter referred to as "Diagnostics Business") in terms of customers, product, manufacturing operations, marketing, logistics and distribution channels.

(e) As certified by the Target's statutory auditors, the Non-Diagnostics Business had net sales (excluding excise duty) of Rs. 126.9 million and Rs. 118.5 million and profit before tax of Rs. 8.6 million and and Rs. 11.8 million for the years ended December 31, 2005 and 2004 respectively. Non-Diagnostics Business had net sales (excluding excise duty) of Rs. 59.9 million and profit before tax of Rs. 4.3 million for the six months ended June 30, 2006.

(f) The Target Company has procured the transfer of its Non-Diagnostics Business and the employees working for the Non-Diagnostics Business to Bayer MaterialScience Private Limited w.e.f. December 1, 2006. The Target Company had sent a notice of Postal Ballot dated July 25, 2006 to the members for consideration and approval of the sale of the Diabetes Care Business of the Company to Bayer MaterialScience Private Limited, a Bayer Group Company, on an arms length basis for a consideration of Rs. 25.74 Crores (Rupees Twenty Five Crores Seventy Four Lacs Only). The same was adopted by the members as an Ordinary Resolution on August 31, 2006. The Board of Directors of the Company at its meeting held on December 6, 2006, approved the transfer of the business on and with effect from December 1, 2006. However, the consideration for the sale of the Non-Diagnostics business was revised to reflect the change in the value of the inventory and receivables together with current liabilities and provisions for the Non-Diagnostics Business and the revised figure was brought to the notice of the members of the Target Company through an advertisement dated December 6, 2006. The net increase in the value of inventories, receivables together with current liabilities and provisions as at November 30, 2006 which has been added to the valuation amount of Rs. 25.74 Crores was Rs. 0.48 Crores (Rupees Forty Eight Lacs Only). This resulted in a change in the final consideration amount which increased to Rs. 26.22 Crores.

From the aforesaid consideration of Rs. 26.22 Crores, the amount available for distribution by way of interim dividend, after statutory deduction of costs, applicable taxes and transfers as required under law was Rs. 15.13 Crores. Pursuant to such sale of the Non-Diagnostics Business, the Board of Directors of the Target Company has, on December 6, 2006, declared an interim dividend of Rs. 97.00 per equity share of Rs.10 each ("Interim Dividend"). The Target Company set December 22, 2006 as Record Date for the purpose of payment of Interim Dividend.

(g) The equity shares of the Target Company are currently listed on the BSE and the VSE. Equity shares of the Target Company are frequently traded on the BSE and infrequently traded on the VSE within the meaning of explanation (i) to regulation 20(5) of the Regulations.*(Source: www.bseindia.com, Vadodara Stock Exchange's letter dated July 13, 2006 certifying that there has been no trading of the shares of the Target Company for the period between January 1, 2006 and July 12, 2006)*.

6.3 Location and details of other manufacturing facilities: Target Company has only one manufacturing facility.

Sl. No.	Unit/Location	Telephone/Fax
1.	589, Sayajipura, Ajwa Road, Baroda–390 019, Gujarat, India	Tel : (0265) 256 2720 Fax: (0265) 256 5103

6.4 Share capital structure of the Target Company.

	No. of Shares/voting rights	% of shares/ voting rights
Fully Paid up Equity Shares	1,567,350 equity shares of Rs.10/- each	100%
Partly Paid up Equity Shares	-	-
Total Paid up Equity Shares	1,567,350 equity shares of Rs.10/- each	100%
Total Voting Rights in Target Company	1,567,350 voting rights	100%

6.5 Build up of the current capital structure since inception

Date of allotment	Number of shares	Percentage of post-issue share capital	Cumulative paid-up capital– Face value of Rs. 10/- each	Mode of Allotment	Identity of allottees (Promoter/ ex-promoters / Others)	Status of Compliance
May 27, 1975	7	100.00%	70	Against Cash	Subscribers to the Memorandum of Association	Yes
July 29, 1975	137,493	99.99%	1,375,000	Against Cash	Subscribers including promoters	Yes
October 27, 1975	112,500	45.00%	2,500,000	Initial Public Offering, Against Cash	Subscribers including promoters	Yes
November 11, 1979	150,000	37.50%	4,000,000	Against Cash	Subscribers including promoters	Yes
August 25, 1987	240,000	37.50%	6,400,000	Bonus Shares 3:5	Existing shareholders	Yes
October 28, 1989	640,000	50.00%	12,800,000	Bonus Shares 1:1	Existing shareholders	Yes
March 31, 1995	287,350	18.33%	15,673,500	Consideration other than Cash	Bayer CropScience Limited (formerly known as Bayer (India) Limited)	Yes

6.6 The Company has confirmed that there has been no suspension of trading of the equity shares of the Company at any time by Bombay Stock Exchange Limited, Mumbai and / or the Vadodra Stock Exchange Limited, Baroda on which its equity shares are listed.

6.7 There are no outstanding convertible instruments (warrants, fully convertible or partially convertible debentures) or partly paid up shares of the Company as on the date of Public Announcement.

6.8 The Target Company, the Sellers, the Promoters and other major shareholders of the Company have complied with the disclosure obligations under Chapter II of the SEBI Takeover Code, except for non-compliance by Seller 2 in the following instances:

- Regulations 6(1) and 6(3) in 1997 where their submissions are not traceable.
- Regulations 8(1) and 8(2) in 1998 where there is a delay of 94 days in making the disclosures by Seller 2. SEBI may initiate action against Seller 2 in this connection.

6.9 The Company has confirmed that the listing requirements have been duly complied with and that no punitive actions have been imposed.

6.10 Composition of the Board of Directors as on the date of the PA is as follows:

S.No.	Name/Designation	Date of Appointment	Experience and Qualification
1.	Mr. Stephan Gerlich Chairman	July 1, 2003	He is a Non Executive Chairman of the Company. He is the Managing Director of Bayer CropScience Limited and Bayer MaterialScience Private Limited. He is the Country Speaker for the Bayer Group in India. He has held various important positions in Bayer since last 28 years. He holds the qualification of Wirtschaftassistent from IHK (Industrial Chamber of Commerce), Koeln, Germany, which is equivalent to MBA.
2.	Dr. Jean-Luc Lowinski Director	April 28, 2005	He is a Non Executive Director of the Company. He is MBA from INSEAD, Fontainebleau, France and Ph D from Veterinary Science from the University of Nantes, France. He has served in various senior positions in Pharmaceutical Division, Consumer Care Division & other HealthCare Divisions of Bayer in various countries.
3.	Mr. D. B. Engineer Director	June 6, 1977	He is an Independent & Non Executive Director of the Company. He is an Advocate and Solicitor and a Senior Partner of Crawford Bayley & Co., Advocates & Solicitors, Mumbai.
4.	Mr. A. R. Gandhi Director	July 12, 1989	He is an Independent & Non Executive Director of the Company. He is a Chartered Accountant. He was a partner in M/s. N.M. Raiji & Co., Chartered Accountants, Mumbai and now works as an Executive Director with Tata Sons Limited, Mumbai.
5.	Dr. V. J. Patel Chairman Emeritus	October 28, 1974	He is a Non Executive Director of the Company. Till 1995, he was Chairman and Managing Director of the Company. He has done his Ph.D. from USA and has rich corporate experience
6.	Mr. Praveen Singh Managing Director	November 23, 1995	He is a Graduate in Commerce and is associated with the Company for last 30 years. He has experience in Sales, Marketing, General Management and Corporate Management.
7.	Ms. Christiane Kunze Alternate Director to Dr. Jean-Luc Lowinski	April 29, 2006	She has degree of Management Economics from University of Cologne, Germany. She has experience in Internal Audit, Finance, Administration and Corporate Projects Compensation System since 1989 and held various senior positions in Bayer in different countries. She is Chief Financial Officer of Bayer Group of Companies in India.

6.11 There were no representatives of the Acquirer or the PAC on the Board of Directors as on the date of the Public Announcement.

6.12 During last 3 years, the Target Company has been involved in the following spin-off:

The Target Company has procured the transfer of its Non-Diagnostics Business and the employees working for the Non-Diagnostics Business to Bayer MaterialScience Private Limited w.e.f. December 1, 2006. The Target Company had sent anotice of Postal Ballot dated 25th July, 2006 to the members for consideration and approval of the sale of the Diabetes Care Business ofthe Company to Bayer MaterialScience Private Limited, a Bayer Group Company, onanarms length basis for a consideration of Rs. 25.74 Crores (Rupees Twenty Five Crores Seventy Four Lacs Only).The same was adopted by the members as an Ordinary Resolution on August 31, 2006. The Board of Directors of the Company at its meeting held on December 6, 2006, approved the transfer of the business on and with effect from December 1, 2006. However, the consideration for the sale of the Non-Diagnostics business was revised to reflect the change in the value of the inventory and receivables together with current liabilities and provisions for the Non-Diagnostics Business and the revised figure was brought to the notice of the members of the Target Company through an advertisement dated December 6, 2006. The net increase in the value of inventories, receivables together with current liabilities and provisions as at November 30, 2006 which has been added to the valuation amount of Rs. 25.74 Crores was Rs. 0.48 Crores (Rupees Forty Eight Lacs Only). This resulted in a change in the final consideration amount which increased to Rs. 26.22 Crores.

6.13 The Target Company was initially incorporated as Miles India Limited on September 30, 1974 and the name was changed as Bayer Diagnostics India Ltd. w.e.f. June 22, 1995.

6.14 The audited financial information for the last 3 fiscal years and the latest certified interim financial information of the Target Company are given below:

(Amount in Rs. Lacs)

	Year ended December 31 (Audited)			**6-month period ended June 30, 2006**
Profit & Loss statement	**2003**	**2004**	**2005**	
Income from Operations	5,370	6,202	6,776	3,450
Other income	130	145	151	103
Total Income	5,500	6,348	6,927	3,553
Total expenditure	4,482	5,184	5,555	2,834
Profit before interest, depreciation & tax	1,018	1,164	1,372	719
Depreciation	205	246	407	224
Interest	13	15	15	8
Profit before tax	801	902	949	487
Provision for taxation	269	324	349	163
Profit after tax	532	579	600	324

	As of December 31 (Audited)		
Balance sheet	**2003**	**2004**	**2005**
Sources of Funds			
Paid up Capital	157	157	157
Reserves and Surplus (excluding revaluation reserves)	2,715	3,153	3,608
Net Worth	2,872	3,310	3,765
Secured Loans	-	-	-
Unsecured Loans	234	257	257
Deferred Tax	(7)	1	(42)
Total	3,099	3,568	3,980
Uses of Funds			
Net Fixed Assets	530	1,092	1,369
Investments	4	4	1,604
Net Current Assets	2,565	2,472	1,007
Total misc. expenditure not written off	-	-	-
Total	**3,099**	**3,568**	**3,980**

Other Financial Data	Year ended December 31			6-month period ended June 30
	2003	2004	2005	2006
Dividend (%)	75%	80%	80%	-
Earnings per Share (Rs.)	33.96	36.93	38.27	20.69
Return on Net Worth (%)	18.53%	17.49%	15.93%	NA
Book Value Per Share (Rs.)	183.25	211.14	240.21	NA

Notes:

1. Income from operations includes net sales (excluding excise duty) and operating income.
2. Other Income includes net income from investments in other companies and net income from financial assets and marketable securities.
3. Calculation of interest is based on the difference between interest income and interest expense.
4. Calculation of reserves and surplus includes share premium.
5. Calculation of net current assets includes cash and cash equivalents.
6. Calculation of deferred tax is based on the difference between deferred tax liabilities and deferred tax assets.
7. Dividend % has been calculated based on the face value of INR 10.00 per share.
8. Earnings per share is computed by dividing net income by the weighted average shares outstanding during the year.
9. Return on net worth has been calculated using the net income for the period and total shareholders' equity at the end of the period.
10. Book value per share has been calculated using the total net worth and total outstanding shares as at the end of the period.
11. The annual financials for last 3 years have been audited by Statutory Auditors and the subsequent financial results for the period ending June 30, 2006 are certified by the statutory auditors.

6.15 Reasons for fall/rise in total income and Profit after tax:

Fiscal 2005 compared to Fiscal 2004:

During the year ended December 31, 2005, the Company had net sales (excluding excise duty) of Rs. 6,565 Lacs as against Rs. 5,998 Lacs during the previous year representing a growth of 9.5%. The sales growth was achieved by strengthening the Company's position in the high-end, high-value segments of the immuno-diagnostics & haematology through the Company's innovative technology solutions & developed long term relationships with leading customers across the country. Operating income consisting of service income on instrument servicing contracts & commission on indent business also grew by 3.2%. Other income of Rs. 151 Lacs was mainly due to interest and dividend income out of investment of surplus funds of the Company and recovery of debts previously written-off. Profit before tax also grew by 5.2% to reach Rs. 949 Lacs as against Rs. 902 Lacs of the previous year. During the year, the Company continued to invest in instruments at key customers' sites which resulted into substantial increase in depreciation charge. Provision for taxation in 2005 included fringe benefit tax for the first time. Profit after tax increased by 3.6% to reach Rs. 600 Lacs.

Fiscal 2004 compared to Fiscal 2003:

During the year ended December 31, 2004, the Company had net sales (excluding excise duty) of Rs. 5,998 Lacs as against Rs. 5,143 Lacs during the previous year representing a growth of 16.6%. The sales growth was achieved by substantial growth in immuno-diagnostics business and overall growth in all other products of the company. Profit before tax also grew by 12.7% to reach Rs. 902 Lacs on account of substantial increase in sales. Profit after tax increased by 8.8% to reach Rs. 579 Lacs.

6.16 Pre and post Offer shareholding pattern in the format prescribed by SEBI. (as on March 23, 2007)

Shareholder Category	Shareholding/ Voting rights prior to agreement/ acquisition and Offer (as on Date) (A)		Shares/ Voting rights agreed to be acquired which triggered off Takeover Regulations (B) *		Shares/Voting rights to be acquired in the Offer (assuming full acceptances) (C)		Shareholder/ Voting rights after the acquisition and Offer (A+B+C)=D	
Shareholder Category	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
1. Promoter Group								
(a) Parties to the SPA, if any	799,350	51.00						
(i) Seller 1	287,350	18.33						
(ii) Seller 2	512,000	32.67						
(b) Promoters other than (a) above	174,293	11.12						
Total (1)(a+b)	973, 643	62.12						
2. Acquirer*								
(a) Main Acquirer			799,350	51.00	313,470	20.00	1,112,820	71.00
(b) PAC								
Total (2) (a+b)			799,350	51.00	313,470	20.00	1,112,820	71.00
3. Parties to the SPA other than (1) (a) and (2) above								
4. Public (other than parties to SPA, Acquirer and PAC)							454,530	29.00
(a) FIs/MFs/FUs/Banks, SFIs (indicate names)	29,780	1.90						
(b) Others (indicate the total number of shareholders in "public category")**	563,927	35.98						
Total (4)	593,707	37.88						
TOTAL (1 to 4)	1,567,350	100.00					1,567,350	100.00

*The shareholding/voting rights of the Acquirer after the acquisition of Sale Shares under the SPA and Offer shall be in compliance with the level of minimum public shareholding required to be maintained by the Target Company as a condition for continued listing.

***There are 4,997 shareholders under this category.* Upon the closure of the Offer and acquisition by the Acquirer of the Sale Shares, an existing promoter group of the Target Company namely Dr. V.J. Patel and his family members holding shares as set out in the table above (i.e. promoters other than the parties to the SPA) would cease to be Promoters and would be reclassified as non-promoter of the Target Company and shall accordingly form part of public shareholders.

6.17 Details of changes in shareholding of the promoters in the Target Company (including status of compliance with provisions of the Takeover Regulations and other applicable laws) are set out below:

Date of allotment/ acquisition or sale	**No. of shares acquired/ (sold)**	**Cumulative No. of Shares**	**% of total shares outstanding**	**Face Value (Rs.)**	**Reason**	**Status of compliance**
Promoter 2						
Bayer HealthCare LLC, USA						
29-Jul-75	100,000	100,000	72.7%	10/-	Shares allotted to Miles Laboratories Inc.	Yes
11-Nov-79	60,000	160,000	40.0%	10/-	Shares allotted to Miles Laboratories Inc.	Yes
10-Oct-80					Transfer of shares held by Miles Laboratories Inc to Miles International Management Co. Inc (MIMCO) on its restructuring	Yes
25-Aug-87	96,000	256,000	40.0%	10/-	Bonus Shares allotted to MIMCO (3 : 5)	Yes

Date of allotment/ acquisition or sale	No. of shares acquired/ (sold)	Cumulative No. of Shares	% of total shares outstanding	Face Value (Rs.)	Reason	Status of compliance
18-Oct-89	256,000	512,000	40.0%	10/-	Bonus Shares allotted to MIMCO (1 : 1)	Yes
26-Apr-95					Name change to Bayer International Management Co. Inc (BIMCO) was registered	Yes
22-Feb-00					BDIL received intimation that BIMCO merged with Bayer Corporation.	Yes
3-Mar-04					Bayer HealthCare LLC acquired the shares from Bayer Corporation (inter-se transfer). SEBI has taken on record vide its letter dated 22 Nov 2004	Yes
Promoter 1						
Bayer CropScience Limited (formerly known as Bayer (India) Limited)						
31-Mar-95	287,350	287,350	18.3%	10/-	Shares were issued for consideration other than cash.	Yes
Promoter 3						
Dr. V.J. Patel & his family members						
30-Sep-1974	1	1	0.0%	10/-		Yes
29-Jul-1975	27519	27520	20.0%	10/-		Yes
15-Mar-1976 to 06-Jun-1977	12225	39745	15.9%	10/-		Yes
01-Sep-1978 to 28-May-1979	8200	47945	19.2%	10/-		Yes
22-May-1979	-17470	30475	12.2%	10/-		Yes
25-Aug-1979	9220	39695	15.9%	10/-		Yes
28-May-1979 to 24-Apr-1980	14595	54290	13.6%	10/-		Yes
24-Apr-1980 to 30-Apr-1981	-100	54190	13.5%	10/-		Yes
30-Apr-1981 to 30-Apr-1982	600	54790	13.7%	10/-		Yes
29-Aug-1982	-7035	47755	11.9%	10/-		Yes
18-Apr-1983	2985	50740	12.7%	10/-		Yes
26-Apr-1983 to 01-May-1984	6125	56865	14.2%	10/-		Yes
01-May-1984 to 19-Apr-1985	100	56965	14.2%	10/-		Yes
25-Apr-1986 to 21-May-1987	450	57415	14.4%	10/-		Yes
25-Aug-1987	34449	91864	14.4%	10/-	Bonus Shares (3 : 5)	Yes
31-Mar-1988	-250	91614	14.3%	10/-		Yes
21-May-1987 to 12-Jul-1989	250	91864	14.4%	10/-		Yes
06-May-1988 to 12-Jul-1989	1609	93473	14.6%	10/-		Yes
27-May-1989	-150	93323	14.6%	10/-		Yes
28-Oct-1989	93323	186646	14.6%	10/-	Bonus Shares (1 : 1)	Yes
1989 / 1990	-750	185896	14.5%	10/-		Yes
06-Dec-1990	-250	185646	14.5%	10/-		Yes
1989 / 1991	-950	184696	14.4%	10/-		Yes
1990 / 1991	-1000	183696	14.4%	10/-		Yes

Date of allotment/ acquisition or sale	No. of shares acquired/ (sold)	Cumulative No. of Shares	% of total shares outstanding	Face Value (Rs.)	Reason	Status of compliance
10-May-1991	-200	183496	14.3%	10/-		Yes
01-Aug-1991	-500	182996	14.3%	10/-		Yes
1991 / 1992	-650	182346	14.2%	10/-		Yes
14-Aug-1992 to 13-Aug-1993	-900	181446	14.2%	10/-		Yes
1992 / 1993	5288	186734	14.6%	10/-		Yes
1993 / 1994	984	187718	14.7%	10/-		Yes
20-Oct-1995	-800	186918	11.9%	10/-		Yes
03-Nov-1995	8720	195638	12.5%	10/-		Yes
20-Nov-1995	-100	195538	12.5%	10/-		Yes
13-May-1996	-4000	191538	12.2%	10/-		Yes
04-Jun-1996	-350	191188	12.2%	10/-		Yes
20-Jun-1996	-400	190788	12.2%	10/-		Yes
02-Sep-1996	-2000	188788	12.0%	10/-		Yes
17-Oct-1996	-1000	187788	12.0%	10/-		Yes
08-Nov-1996	-2750	185038	11.8%	10/-		Yes
20-Nov-1996	-100	184938	11.8%	10/-		Yes
03-Mar-1997	-50	184888	11.8%	10/-		Yes
04-Apr-1997	-100	184788	11.8%	10/-		Yes
22-Aug-1997	-50	184738	11.8%	10/-		Yes
01-Oct-1997	-200	184538	11.8%	10/-		Yes
05-Sep-1998	-50	184488	11.8%	10/-		Yes
15-Oct-1998	-150	184338	11.8%	10/-		Yes
20-Apr-1999	-50	184288	11.8%	10/-		Yes
10-May-1999	-1450	182838	11.7%	10/-		Yes
05-Jun-1999	-1995	180843	11.5%	10/-		Yes
21-Jun-1999	-1000	179843	11.5%	10/-		Yes
19-Jul-1999	-100	179743	11.5%	10/-		Yes
19-Aug-1999	-300	179443	11.4%	10/-		Yes
06-Sep-1999	-100	179343	11.4%	10/-		Yes
24-Sep-1999	-150	179193	11.4%	10/-		Yes
20-Oct-1999	-50	179143	11.4%	10/-		Yes
16-Nov-1999	-50	179093	11.4%	10/-		Yes
29-Nov-1999	-550	178543	11.4%	10/-		Yes
17-Dec-1999	-500	178043	11.4%	10/-		Yes
10-Jan-2000	-250	177793	11.3%	10/-		Yes
27-Jan-2000	-550	177243	11.3%	10/-		Yes
01-Mar-2000	-50	177193	11.3%	10/-		Yes
12-Apr-2000	-50	177143	11.3%	10/-		Yes
29-Apr-2000	-150	176993	11.3%	10/-		Yes
08-May-2000	-200	176793	11.3%	10/-		Yes
23-Jun-2000	-250	176543	11.3%	10/-		Yes
03-Oct-2000	-100	176443	11.3%	10/-		Yes
31-May-2001	-100	176343	11.3%	10/-		Yes
08-Jul-2002	-150	176193	11.2%	10/-		Yes
17-Dec-2004 to 24-Dec-2004	-400	175793	11.2%	10/-		Yes
07-Jan-2005 to 14-Jan-2005	-400	175393	11.2%	10/-		Yes
19-Aug-2005 to 26-Aug-2005	-200	175193	11.2%	10/-		Yes
09-Sep-2005 to 16-Sep-2005	-200	174993	11.2%	10/-		Yes
08-Dec-2006 to 15-Dec-2006	-100	174493	11.1%			Yes
15-Dec-2006 to 22-Dec-2006	-200	174293	11.1%			Yes

6.18 The Target Company has confirmed that applicable provisions of Corporate Governance have been duly complied with and there is no material litigation pending against the Target Company except as disclosed and provided for by the Target Company as part of contingent liabilities as below:

Rs. In Lacs

	Particulars	As on June `30, 2006
(i)	Central Excise - Bulk Drug Classification matter. Show Cause Notice issued by the Central Excise Authorities regarding classification of the Company's product, for which the Company has been legally advised that authorities' claim is not sustainable and in any event would be restricted to a period of six months, for which the estimated unprovided amount is Rs. 36,50,000/-. The amount in dispute is quantified at full value as per the Accounting Standard disclosure.	397.4
(ii)	Claims against the Company not acknowledged as debts	5.0
(iii)	Matter in respect of which there are appeals before Sales Tax Authorities	7.4
(iv)	Demand of the Customs authorities for interest on differential duty on final assessment	2.1
(v)	Matter in respect of which there is appeal before Income-tax Authorities	7.3
(vi)	Show Cause Notice issued by the Commissioner, Central Excise & Customs, Vadodara–II, Baroda regarding Service Tax Liability under heading of Consulting Engineers - Income under System Service Contract & Comprehensive Maintenance Contract	21.9

Details of litigation:

Litigations involving criminal offences–Nil

Litigations involving Securities related offences–Nil

Litigations involving Civil offences & Consumer as well as MRTP matters

- Filed against the Company–16. Amount involved Rs. 161.0 Lacs. Provision made for Rs. 10.5 Lacs as per the Orders of interim consumer disputes Redressal forums.
- Filed by the Company - 2. Amount involved Rs. 1.6 Lacs.

6.19 Name and details of the Compliance Officer.

Name: Mr. Ashvin Bhatt, Head–Finance and Company Secretary
Bayer Diagnostics India Ltd.
589, Sayajipura, Ajwa Road, Baroda - 390 019.
Tel: (0265) 256 2720
Fax: (0265) 256 5103

7. **Offer Price and Financial Arrangements**

7.1 Justification of Offer Price

7.1.1 The equity shares of the Target Company are listed on the Bombay Stock Exchange Limited (the "**BSE**") and the Vadodara Stock Exchange Limited (the "**VSE**").

7.1.2 The equity shares are frequently traded on BSE within the meaning of Regulation 20(5) of the Takeover Regulations. The equity shares are infrequently traded on the VSE.

7.1.3 The annualized trading turnover during the preceding 6 months prior to the month in which the PA was made on the Stock Exchanges is as follows:

Name of Stock Exchange	Total No. of equity shares traded during the 6 calendar months prior to the month in which the PA was made	Total No. of Listed equity shares	Annualised trading turnover (as % to total listed equity shares)
BSE	315,558	1,567,350	40.27%
VSE	Nil	1,567,350	Nil

Source: www.bseindia.com, Vadodara Stock Exchange's letter dated July 13, 2006 certifying that there has been no trading of the shares of the Target Company for the period between January 1, 2006 and July 12, 2006.

7.1.4 The annualised trading turnover during the preceding 6 months ending June 30, 2006 on BSE, being the exchange where the equity shares are most frequently traded, was greater than 40% of the total number of equity shares.

7.1.5 The negotiated price under the SPA is Rs.629.24 per Sale Share for Seller 1 and Rs.629.42 per Sale Share for Seller 2. The maximum negotiated price of Rs. 629.42 is considered for determining the Open Offer price. Offer price of Rs. 668.08 comprises a base offer price of Rs. 629.45 and interest of Rs. 38.63 per equity share, with the interest being computed at the rate of 10% per annum for the period from September 29, 2006 to May 10, 2007, the date of actual payment of consideration for shares offered and accepted in the offer (both days inclusive; the interest amount is subject to change depending upon the actual date of payment)

7.1.6 The average weekly high and low of the closing prices of the equity shares on BSE, during the 26-week period ending June 30, 2006 (being the last trading day prior to the Public Announcement), are given below:

26 weeks High/Low of Closing Price

Week No	Week Ending	High	Low	High/Low Avg	Volume
1	6-Jan-06	564.6	542.2	553.4	3,968
2	13-Jan-06	584.3	539.6	561.9	10,897
3	20-Jan-06	595.9	577.5	586.7	5,566
4	27-Jan-06	583.6	569.9	576.8	3,982
5	3-Feb-06	553.7	530.5	542.1	5,481
6	10-Feb-06	548.3	540.0	544.1	12,258
7	17-Feb-06	569.6	545.0	557.3	11,807
8	24-Feb-06	555.7	532.1	543.9	10,502
9	3-Mar-06	525.0	510.1	517.5	21,072
10	10-Mar-06	529.9	514.4	522.1	39,148
11	17-Mar-06	519.6	512.3	515.9	27,875
12	24-Mar-06	515.0	505.7	510.3	11,809
13	31-Mar-06	509.5	497.6	503.5	19,395
14	7-Apr-06	521.0	497.3	509.1	12,591
15	14-Apr-06	506.1	494.6	500.4	4,837
16	21-Apr-06	554.8	496.8	525.8	19,828
17	28-Apr-06	552.6	527.9	540.2	13,887
18	5-May-06	530.8	522.0	526.4	11,474
19	12-May-06	591.8	528.6	560.2	16,618
20	19-May-06	583.0	499.5	541.2	9,908
21	26-May-06	520.6	486.7	503.6	4,166
22	2-Jun-06	533.6	482.0	507.8	11,758
23	9-Jun-06	480.0	369.3	424.6	6,838
24	16-Jun-06	420.9	356.6	388.8	3,551
25	23-Jun-06	462.2	439.8	451.0	2,298
26	30-Jun-06	583.5	420.2	501.9	14,044
Average of 26 weeks:Rs. 519.86					

(Source: data derived from the BSE)

7.1.7 The daily high and low of the prices of the equity shares on BSE, during the 2-week period ending June 30, 2006 (being the last trading day prior to the date of the PA), are given below:

2 weeks Daily High/Low

Day No.	Date	High	Low	Average	Volume
1	19-Jun-06	448.0	415.1	431.5	240
2	20-Jun-06	479.8	442.2	461.0	1,009
3	21-Jun-06	470.0	455.0	462.5	408
4	22-Jun-06	475.0	441.0	458.0	522
5	23-Jun-06	464.9	430.6	447.7	119
6	26-Jun-06	460.3	415.0	437.7	484
7	27-Jun-06	478.0	429.0	453.5	3,223
8	28-Jun-06	479.0	452.0	465.5	742
9	29-Jun-06	493.8	468.5	481.1	1,605
10	30-Jun-06	583.8	471.0	527.4	7,990
Average of 2 weeks daily high and low: Rs. 462.59					

(Source: data derived from the BSE)

7.1.8 As per Regulation 20 of the Takeover Regulations, the following facts were taken into account in determining the Offer Price

A.	Negotiated price under the SPA dated 30 June 2006	Rs. 629.42 *
B.	Price paid by the Acquirer or persons acting in concert with him for acquisition, if any, including by way of allotment in a public or rights or preferential issue during the twenty six week period prior to the date of public announcement, whichever is higher, referred to in clause (b) of sub-regulation (4) of regulation 20	Not applicable
C.	The average of the weekly high and low of the closing prices of the shares of the Target Company as quoted on the stock exchange where the shares of the company are most frequently traded during the twenty six weeks or the average of the daily high and low prices of the shares as quoted on the stock exchange where the shares of the company are most frequently traded during the two weeks preceding the date of public announcement, whichever is higher referred to in clause (c) of sub-regulation (4) of regulation 20	Rs. 519.86
D.	Other Parameters.	(a) Return on Networth as of December 31, 2005 of 15.93% (b) Book Value per share as of December 31, 2005 of Rs. 240.21 (net of revaluation reserves) (c) Earnings per Share (EPS) for the year ended December 31, 2005 of Rs. 38.27 and (d) P/E multiple: 16.45 (based on the Offer Price of Rs. 629.45) * (e) Industry P/E multiple of 11.7 (The Target Company does not have any strictly comparable companies, which can be used for comparison purposes. However, based on a selection of similar companies from the industry category “Healthcare”, the industry average P/E multiple is11.7 times (after excluding one outlier company) (source: Capital Market Vol. XXI/08, dated June 19 – July 02, 2006)

* Offer price of Rs. 668.08 comprises a base offer price of Rs. 629.45 and interest of Rs. 38.63 per equity share, with the interest being computed at the rate of 10% per annum for the period from September 29, 2006 to May 10, 2007, the date of actual payment of consideration for shares offered and accepted in the offer (the interest amount is subject to change depending upon the actual date of payment)

7.1.9 There is no non-compete fee payable in terms of the SPA or the SPA Amendment Agreement. However, it should be noted that the SPA Amendment Agreement contains a non-compete covenant entered into by the Sellers in favour of the Acquirer and the Target Company. Please refer to clause 2.11(viii) of this Letter of Offer in this connection.

7.1.10 In view of the above, the Offer Price of Rs. 668.08 per equity share, which comprises a base offer price of Rs. 629.45 and interest of Rs. 38.63 per equity share, with the interest being computed at the rate of 10% per annum for the period from September 29, 2006 to May 10, 2007, the date of actual payment of consideration for shares offered and accepted in the offer (the interest amount is subject to change depending upon the actual date of payment) in terms of Regulation 20 of the Takeover Regulations is justified.

7.1.11 If the Acquirer acquires equity shares after the date of Public Announcement and up to seven working days prior to the closure of the Offer at a price higher than the Offer Price, then the highest price paid for such acquisitions shall be payable for all acceptances received under this Offer as per Regulation 20(7) of the Takeover Regulations.

7.2 **Financial Arrangements**

7.2.1 The total funds required for the acquisition of Offer Shares in this Offer assuming full acceptance at Rs. 668.08 per equity share, which comprises a base offer price of Rs. 629.45 and interest of Rs. 38.63 per equity share, with the interest being computed at the rate of 10% per annum for the period from September 29, 2006 to May 10, 2007, the date of actual payment of consideration for shares offered and accepted in the offer (the interest amount is subject to change depending upon the actual date of payment) amount to Rs. 20,94,23,038/- (Rupees Twenty crore ninety four lacs twenty three thousand thirty eight only). The Acquirer / PAC has adequate resources to meet the financial requirements of the Offer in terms of the Takeover Regulations and has made firm financial arrangements to meet its obligations in full under the Offer. For this purpose the Acquirer intends to utilise resources provided directly or indirectly by the PAC.

7.2.2 The RBI had, vide its letter dated September 1, 2006, permitted Siemens AG to set up the required escrow and other bank accounts for the purposes of this Offer. Accordingly, Siemens AG opened an escrow account with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), Mumbai bearing Account No. 019882174001 and has deposited Rs. 5,28,27,248 (Rupees Five crore twenty eight lacs twenty seven thousand two hundred forty eight only), being more than 25% of the aggregate purchase consideration payable under the Offer assuming full acceptance at the aforesaid Offer Price. However, in light of a change in the acquiring entity (please refer to the Corrigendum to the Public Announcement dated March 24, 2007), the Acquirer will apply to the RBI for the required amendments to its approval dated September 1, 2006.

7.2.3 PAC has access to adequate cash funds and shall make the funds available to Acquirer for making the necessary purchases pursuant to the Offer. PAC has confirmed that it will supervise the management of Acquirer so as to enable its management to be able to fulfill its obligations under Regulation 29 of the Takeover Regulations, and that all funds necessary to consummate the Offer have been or will be made available to Acquirer.

7.2.4 The minimum amount in the escrow account as stipulated in the Takeover Regulations would be maintained at all times irrespective of the fluctuations of the conversion rate.

7.2.5 The PAC has confirmed that the funds lying in the above mentioned escrow account will be utilized exclusively for the purpose of the Open Offer. Further, the PAC has marked a lien on the funds lying in the aforesaid cash escrow account in favour of the Manager to the Offer.

7.2.6 The PAC has empowered the Manager to the Offer to realize the value in the escrow account maintained with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), Mumbai and the Acquirer will empower the Manager to the Offer to realize the value in the escrow account opened by the Acquirer subsequent to requisite approval from RBI.

7.2.7 The Acquirer has vide a certificate dated December 20, 2006 and the PAC has vide a certificate dated December 21, 2006 given an undertaking to the Manager to the Offer to meet its financial obligations under the Offer. KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Ganghoferstrasse 29, 80339 Munich, Germany via their letter dated March 13, 2007 have certified that PAC has sufficient means and capability to meet its obligations under the Offer and the PAC has guaranteed the due and proper performance by the Acquirer of all its obligations under this Letter of Offer and the Takeover Regulations including but not limited to payment of the full consideration in respect of the Offer Shares purchased by Siemens Diagnostics Holding II B.V.

Based on the above, the Manager to the Offer has satisfied itself about the Acquirer's and PAC's ability to implement the Offer as firm financial arrangements are in place to fulfill the obligations under the Takeover Regulations.

7.2.8 In view of aforesaid Indian escrow deposit which constitutes more than 25% of the aggregate purchase consideration payable under the Offer, the Manager to the Offer are satisfied that firm arrangements for financial resources required to implement the Offer i.e. funds and money for payment through verifiable means are in place to fulfil the Offer obligations and are satisfied that the Acquirer / PAC has the ability to implement the Offer in accordance with the Takeover Regulations.

8. Terms and Conditions of the Offer

8.1 This Letter of Offer together with a Form of Acceptance-cum-Acknowledgement will be mailed on or before March 30, 2007 to all shareholders of the Target Company whose names appear in the Register of Members of the Target Company and the beneficial owners of the equity shares, whose names appear on the beneficial records of the respective depositories, in each case at the close of business hours on the Specified Date.

8.2 The Offer is not subject to any minimum level of acceptance and the Acquirer will be obliged to acquire up to a maximum of 313,470 equity shares of the Target Company that are tendered in the valid form in terms of this Offer subject to the terms and conditions mentioned in the PA, the Corrigendum and this Letter of Offer.Equity shares of the Target Company that would be tendered in the valid form in terms of this Offer will be transferred in favour of the Acquirer.

8.3 The Offer shall open on April 6, 2007 (the "**Offer Opening Date**") and will remain open until April 25, 2007 (the "**Offer Closing Date**").

8.4 Lock-in Shares:

In the event any locked-in shares are offered by any shareholder, the same shall be accepted by the Acquirer and PAC and shall be transferred to the Acquirer subject to the continuation of the residual lock-in period in the hands of the Acquirer. The Manager to the Offer shall ensure that there is no discrimination in acceptance of locked-in and non-locked-in shares.

8.5 Shareholders who can accept the Offer:

Shareholders holding equity shares in physical form and in dematerialised form (except for the Sellers) are Eligible Persons to participate in the Offer. Those persons who own the equity shares at any time prior to the closure of the Offer but are not registered shareholders can also accept the Offer. Accidental omission to dispatch this Letter of Offer, non-receipt or delayed receipt of this Letter of Offer will not invalidate the Offer in any way. Such unregistered owners can send their acceptance in writing to the Registrar to the Offer on plain paper stating the name, address, number of equity shares held, number of equity shares tendered, distinctive numbers, folio number, together with the original share certificate(s), valid transfer deeds and the original contract note/s issued by the broker through whom they acquired these equity shares. No indemnity is required from such unregistered owners.

8.6 Shareholders holding equity shares in physical form: Shareholders holding equity shares in physical form who wish to accept this Offer and tender their equity shares will be required to send the Form of Acceptance-cum-Acknowledgement, original share certificate(s) and duly signed transfer deed(s) to the Registrar to the Offer, Intime Spectrum Registry Limited, in accordance with the procedure which will be specified herein and the Form of Acceptance-cum- Acknowledgement.

8.7 Shareholders holding equity shares in dematerialised form: Beneficial owners who wish to accept this Offer and tender their equity shares will be required to send their Form of Acceptance-cum-Acknowledgement to the Registrar to the Offer in accordance with the instructions specified herein and the Form of Acceptance-cum-Acknowledgement, along with a photocopy of the delivery instructions in "Off–market" mode or counterfoil of the delivery instructions in "Off-market" mode, in favour of the special depository account duly acknowledged by their respective depository participant (the "**DP**"). Shareholders having their beneficiary account in CDSL will in addition have to use an inter– depository delivery instruction slip.

8.8 The Registrar to the Offer has opened a special depository account with NSDL. The DP ID is IN301330 and the beneficiary client ID is 1979 2952.

8.9 As the Offer Price cannot be revised during 7 working days prior to the closing date of the Offer, it would be in the interest of the shareholders to wait till the commencement of that period to know the final Offer Price and tender their acceptance accordingly

8.10 **Statutory Approvals**

8.10.1 The Offer is subject to the Acquirer and PAC obtaining all necessary approvals including approvals from the FIPB for the acquisition of shares in the Target Company and from the RBI under the Foreign Exchange Management Act, 1999 and the regulations thereunder. The FIPB has vide its letter dated September 12, 2006 granted its no-objection to Siemens AG to acquire the Offer Shares under this Offer. Further, the RBI has, vide its letter dated September 1, 2006, permitted Siemens AG to set up the required escrow and other bank accounts for the purposes of this Offer. However, in light of a change in the acquiring entity (please refer to Corrigendum 2), the Acquirer has, on January 22, 2007, obtained FIPB approval permitting it to acquire the Offer Shares. The Acquirer will similarly approach the RBI for the required amendments to its approval dated September 1, 2006**.** Furthermore, the Acquirer and PAC will make an application to RBI/ any other authority for their approval (if required) for transfer of equity shares from the Eligible Persons upon closure of the Offer once the basis of acceptance is determined. Besides the above, to the best of the knowledge of the Acquirer and PAC, no other approvals are required to acquire shares tendered pursuant to this Offer. However, the Offer will be subject to all statutory approvals as may be applicable.

8.10.2 As at the date of this Letter of Offer, to the best of the knowledge of the Acquirer and PAC, no other approvals are required to acquire the equity shares tendered pursuant to this Offer. However, the Offer will be subject to all statutory approvals that may be applicable.

8.10.3 The Offer may be withdrawn in terms of Regulation 27 of the Takeover Regulations in the event the statutory approvals indicated above are refused.

8.10.4 Subject to the receipt of statutory approvals, the Acquirer and PAC shall complete all procedures relating to the Offer including payment of consideration within a period of 15 days from the Offer Closing Date to those shareholders whose share certificates and/or other documents are found valid and in order and are approved for acquisition by the Acquirer. In case of delay due to the non-receipt of statutory approvals, as per Regulation 22(12) of the Takeover Regulations, SEBI may, if satisfied that the non-receipt of approvals was not due to the wilful default or negligence of the Acquirer or PAC or failure of the Acquirer or PAC to diligently pursue the applications for such approvals, grant an extension for the purpose of completion of this Offer, subject to the Acquirer paying to the shareholders interest as may be specified by SEBI for any delay beyond 15 days.

9. Procedure for Acceptance and Settlement

9.1 Shareholders of the Target Company who wish to avail this Offer should forward the under-mentioned documents by hand delivery or by registered post or by courier to **Intime Spectrum Registry Limited**, Registrars to the Offer (details of collection centres are given in Para No. 9.13) so as to reach them on or before the Offer Closing Date on their working days during business hours 10 am to 5 pm, Monday through Friday**.** In the case of dematerialized shares, the Registrar is not bound to accept those offers which have not yet been credited to the Escrow Depository Participant account as on the date of Closure of the Offer. No documents for tendering the shares should be sent either to the Acquirer, PAC, Manager to the Offer or the Target Company.

9.2 Registered shareholders of the Target Company holding physical shares should submit:

i. The enclosed Form of Acceptance duly completed and signed in accordance with the instructions contained therein by the equity shareholders of the Target Company in the same order in which they hold Shares in the Target Company. The order cannot be changed or altered nor can any new name be added for the purpose of accepting the Offer.

ii. Original equity share certificate(s).

iii. Valid share transfer deed(s) duly signed as transferors by all shareholders (in case of joint holdings) in the same order and as per specimen signatures lodged with the Target Company. In case the present signature of the shareholder(s) differ from the specimen signatures lodged with Target Company, transfer deeds should be duly attested at the appropriate place by a notary or bank manager or member of stock exchange under their seal of office and membership number. In each case, the name and address of the attesting authority, attesting authority's seal and registration number (if the authority is a notary public/member of stock exchange) or the name and address of the bank (if the authority is a bank manager) should appear. Further, all attestations should be unconditional, i.e. the authority attesting should not deny the responsibility of identifying the person and the signature by qualifying the attestation. If the said guidelines are not followed, Acquirer reserves the right to reject the transfer deed along with the application.

9.3 Notwithstanding that the signature(s) of the transferor(s) has/have been attested as aforesaid, if the signature(s) of the transferor(s) differ(s) from the specimen signature(s) recorded with Target Company or are not in the same order, such equity shares are liable to be rejected under this Offer even if the Offer has been accepted by a bonafide owner of such equity shares.

9.4 Unregistered Owners of equity shares/registered shareholders who have not received the Letter of Offer and are holding physical shares should enclose the Form of Acceptance which is available on SEBI's web site (www.sebi.gov.in), duly completed and signed in accordance with the instructions contained therein or an application in writing on a plain paper with Original equity share certificates, original broker contract note, valid share transfer deed(s) as received from the market stating the name, address, number of shares held, number of shares offered, distinctive numbers and folio number. All other requirements for valid transfer (including matching of signatures) will be precondition for acceptance. No indemnity is required from the unregistered owners.

9.5 In the case of shareholders who have sent their physical share certificates for transfer to Target Company, such shareholders can enclose the acknowledgement if any, received from the Target Company. Shareholders who are attaching the acknowledgement are requested to direct Target Company in writing to retain the share certificates for onward submission to the Registrars to the Offer.

9.6 If required such shareholders, may download the Form of Acceptance from the SEBI's site (www.sebi.gov.in) or may request for the Form of Acceptance from the Registrars to the Offer.

PLEASE DO NOT FILL IN ANY OTHER DETAILS IN THE TRANSFER DEED EXCEPT NAME, SIGNATURE AND WITNESS.

9.7 Procedure for Equity shares held in dematerialized form - registered beneficiary owners:

Beneficiary owners (holders of shares in dematerialized form) who wish to tender their shares will be required to send their Form of Acceptance cum Acknowledgement along with a photocopy of the delivery instructions in "Off-market" mode or counterfoil of the delivery instruction in "off-market" mode, duly acknowledged by the DP in favour of the escrow demat/depository account.

9.8 Unregistered beneficiary owners/ registered demat shareholders who have not received Letter of Offer:

These shareholders can apply on a plain piece of paper giving details like the name, address, number of shares held, number of shares offered, depository details i.e. DP name, DP ID and Client ID along with a photocopy of the delivery instructions in "off-market" mode or counterfoil of the delivery instruction in "off-market" mode, duly acknowledged by the DP in favour of the escrow demat/depository account. Alternatively, they may download the Form of Acceptance from the SEBI's web site (www.sebi.gov.in) or may request for the Form of Acceptance from the Registrars to the Offer. All other requirements for valid transfer (including matching of signatures) will be precondition for acceptance.

9.9 Intime Spectrum Registry Limited, Registrars to the Offer, have opened a special depository account under the name and style of "ISRL-BAYER DIAGNOSTICS INDIA LIMITED–OPEN OFFER ESCROW ACCOUNT" with Stock Holding Corporation of India Limited who is acting as Depository Participant and registered with NSDL. DP ID is IN301330 and Client ID is 1979 2952 and ISIN Number is INE195D01014.

9.10 Shareholders having their depository account with CDSL have to use inter-depository delivery instruction slip for the purpose of crediting their shares in favour of the special depository account with NSDL.

9.11 For each delivery instruction, the beneficial owner should submit a separate Form of Acceptance.

9.12 The equity shareholders should also provide all relevant documents, which are necessary to ensure transferability of the shares in respect of which the acceptance is being sent. Such documents may include (but are not limited to):

i. Duly attested death certificate and succession certificate/ no objection certificates/ letters from legal heirs (in the case of single shareholder) where the original shareholder has expired.

ii. Duly attested power of attorney, if any person other than the shareholder has signed the Form of Acceptance cum acknowledgement or transfer deed(s).

iii. In case of companies, the necessary corporate authorizations (including board and general meeting resolutions) and specimen signatures of authorized signatories.

iv. Any other relevant documents, as deemed necessary.

9.13 The equity shareholders of the Target Company who wish to avail of the Offer can deliver all the relevant documents referred to above to the Registrars to the Offer at the addresses given below (on all days except holidays and Sundays) in accordance with the instructions specified in this Letter of Offer.

Collection centres mentioned below would remain open from Monday to Friday between 10.00 am and 5.00 pm.

Name & Address of the collection centre	Tel. No.	Fax No.	Contact Person	Mode of delivery
Intime Spectrum Registry Ltd. First Floor, Jaldhara Complex Nr. Manisha Society, Old Padara Road, Vadodara –390015	0265-2250241 / 3249857	0265-2250246	Jaideep Mehta	Hand Delivery
Intime Spectrum Registry Ltd. C-13, Panalal Silk Mills Compound L B S Marg, Bhandup (W),Mumbai –400078	022-25960320-28	022-25960329	Sunil Ambdaskar	Hand Delivery & Registered Post
Intime Spectrum Registry Ltd. 203, Davar House, D N Road Fort, Mumbai -400001	022-22694127	022-25946979	Vivek Limaye	Hand Delivery
Intime Spectrum Registry Ltd. 59C, Chowringhee Road, 3rd Floor, Kolkata –700020	033-22890539/40	033-22890539/ 40 (Telefax)	S.P. Guha	Hand Delivery
Intime Spectrum Registry Ltd., 3rd Floor, A-31, Naraina Industrial Area, Phase I, New Delhi -110 028	011-41410592/93/94	011-41410591	Bharat Bhushan	Hand Delivery
C/o Hitech Share Services Pvt Ltd. No 81, Ground Floor, MNO Complex Greams Road, Chennai - 600 006	044-28292272/73	044-42142061	Lakshmi Subramaniam	Hand Delivery

9.14 The documents sent by Registered Post/Speed Post/Courier or through other means will be at the applicant's own risk and cost.

9.15 All owners (registered or unregistered) of shares of the Company except the Sellers anytime before closure of the Offer are Eligible Persons to participate in the Offer.

9.16 In the event that the shares tendered in the Offer by the shareholders of the Target Company are more than the shares to be acquired under the Offer, the acquisition of shares from each shareholder will be as per the provisions of Regulation 21(6) of the Regulations, on a proportionate basis, to be decided in a fair and equitable manner, in consultation with the Manager to the Offer, irrespective of whether the shares are held in physical or dematerialized form.

9.17 The shares of Target Company are traded in dematerialized mode and the minimum marketable lot is one share.

9.18 Equity shares, if any, that are the subject matter of litigation wherein the shareholder(s) is/are/may be precluded from transferring the shares during the pendency of the said litigation are liable to be rejected in case directions/ orders from competent authority regarding these shares are not received together with the shares tendered under the Offer. The Letter of Offer in such cases, would be forwarded to the concerned competent authority for further action at their end. In case the shares of Target Company are in the name of tainted persons or the transfer of shares were kept in abeyance due to the inclusion of the tainted persons as declared by the Special Custodian under the Special Court (Trial of Offences Relating to Transaction in Securities) Act, 1992, offers will not be accepted until the shares are cleared by the Special Court appointed for this purpose.

9.19 Shareholders who have sent their shares for dematerialization need to ensure that the process of getting shares dematerialized is completed well in time so that the credit in the escrow demat/depository account should be received on or before the date of closure of the Offer, else the application would be rejected.

9.20 The Registrars to the Offer will hold in trust the share certificates, shares lying in credit of the Escrow Demat/ Depository Account, Form of Acceptance cum Acknowledgement, if any and the transfer form(s) on behalf of the shareholders of the Target Company who have tendered under this Offer, till the cheques/demand drafts for the consideration and/or the unaccepted shares/share certificates are returned/dispatched.

9.21 In the case of dematerialized shares, the equity shares would reside in the Escrow Demat/Depository Account as mentioned above. The Registrars to the Offer will debit the Escrow Demat/Depository Account to the extent of payment of consideration made by the Acquirer and give instructions for the credit to the beneficiary account of the Acquirer / PAC. The equity shares held in dematerialized form to the extent not accepted as a result of non-payment/part payment of consideration by the Acquirer / PAC will be released to the beneficial owner's depository account with the respective beneficial owner's depository participant as per details furnished by the beneficial owner in the Form of Acceptance, at the sole risk of the beneficial owner.

9.22 In accordance with Regulation 22(5A) of the Regulations, shareholders who have tendered the requisite documents in terms of the PA, Corrigendum and this Letter of Offer shall have the option to withdraw acceptances tendered up to three working days prior to the Offer closing date. The withdrawal option can be exercised by submitting the documents as per the instructions given below so as to reach the Registrars to the Offer at the collection centres mentioned above as per the mode of delivery indicated therein on or before April 20, 2007.

9.23 The withdrawal option can be exercised by submitting (a) the form of withdrawal which will be sent to shareholders along with the Letter of Offer and (b) the copy of the acknowledgement received from the Registrars to the Offer while tendering the acceptances together with (c) in respect of physical shares–name, address, distinctive numbers, folio number, and number of shares tendered; and in respect of dematerialized shares–name, address, number of shares tendered, DP Name, DP ID, beneficiary account number and photocopy of the delivery instruction in off market mode duly acknowledged by DP. In case of non-receipt of form of withdrawal, the above application can be made on a plain paper.

9.24 The Offer may be withdrawn pursuant to Regulation 27 of the Takeover Regulations. Any such withdrawal will be notified in the form of a public announcement in the same newspapers in which the PA and the Corrigendum appeared.

9.25 The equity shares and other relevant documents should not be sent to the Acquirer, PAC, the Target Company or the Manager to the Offer.

9.26 The consideration for the equity shares accepted by the Acquirer will be paid by crossed account payee cheques/demand drafts. Such considerations in excess of Rs.1,500/- or unaccepted Share certificates, transfer forms and other documents, if any, will be returned by Registered Post/Speed post at the shareholders/ unregistered owners' sole risk to the sole/first shareholder. Consideration up to Rs.1,500/- will be dispatched Under Certificate of Posting. It is mandatory that shareholders provide bank account details in the Form of Acceptance so that the same can be incorporated in the cheque/demand draft.

9.27 While tendering shares under the Open Offer, non resident shareholders (NRI/FII etc) will be required to submit the previous RBI/Government approvals, if any, which they would have obtained for acquiring the shares of Target Company and No Objection Certificate/ Certificate under section 197 of the Income Tax Act, 1961, issued by the assessing officer indicating the rate at which the tax is required to be deducted by the Acquirer. PAC before remitting the consideration. In case previous approvals as explained above are not submitted, the Acquirer and PAC reserve the right to reject the shares tendered in the Open Offer. In case the aforesaid No Objection Certificate/Tax Clearance Certificate is not submitted, the Acquirer / PAC will deduct the tax at the current prevailing rates applicable to non-residents as per the provisions of the Income Tax Act, 1961 as applicable on the Offer Price and interest thereon if applicable.

9.28 In the case of resident shareholders, the Acquirer / PAC will deduct the tax on the interest component exceeding Rs.5,000/- at the current prevailing rates, if applicable. If the resident shareholder requires that no tax is to be deducted or tax is to be deducted at a lower rate than the prescribed rate, he will be required to submit Certificate under section 197 of the Income Tax Act, 1961, issued by the assessing officer or a self declaration in Form 15H or Form 15 G (for senior citizens) as may be applicable indicating the rate at which tax is to be deducted by the Acquirer / PAC. Shareholders eligible to receive interest component exceeding Rs. 5,000/- would be required to give their PAN for Income Tax purposes. Clauses relating to payment of interest will become applicable only in the event of Acquirer / PAC becoming liable to pay interest for delay in release of purchase consideration.

10. Documents for Inspection

The following documents are regarded as material documents and are available for inspection at the office of the Manager to the Offer, J.P. Morgan India Private Limited, 9th Floor, Mafatlal Centre, Nariman Point, Mumbai–400 021 from 10.30am to 1.00pm on any working day except Saturdays, Sundays, and Public/Bank Holidays during the Offer Period:

10.1 Certificate of Incorporation and Memorandum & Articles of Association of each of the Acquirer and PAC.

10.2 Copy of the SPA dated June 30, 2006.

10.3 Copy of the SPA Amendment Agreement dated December 18, 2006.

10.4 Audited annual reports of the Target Company for the years ending December 31, 2003, 2004 and 2005 and unaudited results for 6 months ending June 30, 2006

10.5 Audited annual reports of Siemens AG for the years ending September 30, 2004, 2005 and 2006

10.6 Copy of the Escrow Agreement dated August 4, 2006 confirming the amount kept in the escrow account and the lien in favour of the Manager to the Offer.

10.7 Copy of the Public Announcement dated July 3, 2006 the Corrigendum to the Public Announcement dated August 12, 2006 and the Corrigendum to the Public Announcement dated March 24, 2007.

10.8 Copy of the letter dated February 9, 2007 from SEBI in terms of proviso to Regulation 18(2) of the Takeover Regulations.

10.9 Copies of the applications made to the FIPB/RBI and, in case the approval from FIPB/RBI is received prior to the Offer Closing Date, the approvals.

10.10 Copy of the agreement between the Acquirer / PAC and Stock Holding Corporation of India Limited as the Depository Participant for opening the Depository Escrow Account for the purpose of the Offer.

11. Declaration by the Acquirer and PAC

The Acquirer and the PAC accept full responsibility for the information contained in this Letter of Offer. The Acquirer and PAC shall be liable for ensuring compliance with Takeover Regulations.

The persons signing the Letter of Offer are duly and legally authorised by the Acquirer or PAC (as the case may be) to sign the Letter of Offer.

For Siemens Diagnostics Holding II B.V.
sd/-
Authorised Signatory

Name : A.J.C.M. van der Drift
Designation : Director
Place : Gravenhage, Netherlands

Name : G.W. Westerhout
Designation : Director
Place : Gravenhage, Netherlands

For Siemens AG
sd/-
Authorised Signatory

Name : F. Prinzenberg
Designation : Authorized Representative
Place : Munich, Germany

Name : Dr. M. Schirmer
Designation : Authorized Representative
Place : Mumbai, India

Place : Mumbai
Date : March 27, 2007

Encl. :

1. Form of Acceptance cum Acknowledgement
2. Form of Withdrawal
3. Transfer Deed (as applicable)

FORM OF ACCEPTANCE-CUM-ACKNOWLEDGEMENT

BAYER DIAGNOSTICS INDIA LIMITED - OPEN OFFER

OFFER OPENS ON	**: APRIL 6, 2007**
OFFER CLOSES ON	**: APRIL 25, 2007**

From
Folio No./DP ID No./Client ID No.:
Name:
Full Address:

Tel No.: Fax No.: E-mail :

To
Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai – 400 078, India

Re: Open offer to acquire up to 313,470 equity shares of Rs. 10/- each representing up to 20% of the outstanding voting equity share capital of Bayer Diagnostics India Limited ("Target Company") by Siemens Diagnostics Holding II B.V. ("Acquirer") and Siemens AG ("PAC") at a price of Rs. 668.08 per equity share comprising a base offer price of Rs. 629.45 and interest of Rs. 38.63 per equity share, with the interest being computed at the rate of 10% per annum for the period from September 29, 2006 to May 10, 2007, the date of actual payment of consideration for shares offered and accepted in the offer (the interest amount is subject to change depending upon the actual date of payment) in accordance with the Public Announcement("PA") dated July 3, 2006, the Corrigendum to the Public Announcement dated August 12, 2006, the Corrigendum to the Public Announcement dated March 24, 2007 and the Letter of Offer ("Letter of Offer")

Dear Sir,

I/We refer to the Public Announcement dated July 3, 2006, the Corrigendum to the Public Announcement dated 12 August 2006, the Corrigendum to the Public Announcement dated March 24, 2007 and the Letter of Offer for acquiring the equity shares held by me/us in Bayer Diagnostics India Limited. I/We, the undersigned, have read all of the above and accept unconditionally its contents including the terms and conditions mentioned therein.

☐ SHARES IN DEMATERIALIZED FORM

I/We, holding Shares in the dematerialized form, accept the Offer and enclose the photocopy of the Delivery Instruction in "Off-market" mode, duly acknowledged by the Depository Participant ("DP") in respect of my Shares as detailed below:

DP Name	DP ID	Client ID	Beneficiary Name	No. of Shares

I/We have executed an off-market transaction for crediting the Shares to the special depository account as per the details below

☐ via a delivery instruction from my account with NSDL

☐ via an inter-depository delivery instruction from my account with CDSL

Depository Name	National Securities Depository Limited (NSDL)
DP Name	Stock Holding Corporation of India Limited
DP ID Number	IN301330
Beneficiary Account Name	ISRL-BAYER DIAGNOSTICS INDIA LIMITED – OPEN OFFER ESCROW ACCOUNT
Beneficiary Account Number	1979 2952
ISIN	INE195D01014
Market	Off-market
Date of Credit	On or before April 25, 2007

I/We note and understand that the Shares would lie in the special depository account until the time the Acquirer / PAC dispatches the purchase consideration as mentioned in the Letter of Offer. I/We also note and understand that the Acquirer / PAC will pay the purchase consideration only after verification of the documents and signatures.

— — — — — — — — — — — — — — — — **Tear along this line** — — — — — — — — — — — — — — — —

ACKNOWLEDGEMENT SLIP

BAYER DIAGNOSTICS INDIA LIMITED - OPEN OFFER

Received from Mr./Ms. ______________________________ residing at ______________________________ a Form of Acceptance cum Acknowledgement for ____________ Shares along with:

☐ copy of depository instruction slip from DP ID ____________ Client ID ____________

☐ ____________ Share certificate(s) ____________ transfer deed(s) under folio number(s) ____________ for accepting the Offer made by the Acquirer and PAC.

Stamp of Collection Centre:		Signature of Official:		Date of Receipt:	

☐ SHARES IN PHYSICAL FORM

I/We, accept the Offer and enclose the original share certificate(s) and duly signed valid Transfer Deed(s) in respect of my/our shares as detailed below:

Sr. No.	Ledger Folio No(s)	Certificate No(s)	Distinctive No(s)		No. of Shares
			From	To	
1					
2					
3					
4					
5					
(In case the space provided is inadequate, please attach a separate sheet with details.)					
				Total No. of Equity Shares	

I/We note and understand that the Registrar to the Offer will hold the original share certificate(s) and valid share transfer deed in trust for me/us until the time the Acquirer / PAC dispatches the purchase consideration as mentioned in the Letter of Offer. I/We also note and understand that the Acquirer / PAC will pay the purchase consideration only after verification of the documents and signatures.

For NRIs/ OCBs/ FIIs/ Foreign Shareholders:

I/We have enclosed the following documents:

☐ No Objection Certificate / Tax Clearance Certificate from Income Tax Authorities.

☐ RBI approvals for acquiring Shares of Bayer Diagnostics India Limited hereby tendered in the Offer.

I/We confirm that the equity shares of Bayer Diagnostics India Limited, which are being tendered herewith by me/us under this Offer, are free from liens, charges and encumbrances of any kind whatsoever.

I/We authorize the Acquirer and PAC to accept the Shares so offered which it may decide to accept in consultation with the Manager to the Offer and in terms of the Letter of Offer and I/We further authorize the Acquirer and PAC to return to me/us, share certificate(s)/ Shares in respect of which the Offer is not found valid/not accepted without specifying the reasons thereof.

I/We authorize the Acquirer, PAC, the Registrar to the Offer and the Manager to the Offer to send by Registered Post/UPC as may be applicable at my/our risk, the draft/cheque/warrant, in full and final settlement of the amount due to me/us and/or other documents or papers or correspondence to the sole/first holder at the address mentioned below. In case I have tendered my Shares in dematerialized form, I authorize Acquirer, PAC, the Registrar to the Offer and the Manager to the Offer to use my details regarding my address and bank account details as obtained from my depository participant for the purpose of mailing the aforementioned instruments.

I/We authorize the Acquirer and PAC to accept the Shares so offered or such lesser number of Shares that it may decide to accept in terms of the Letter of Offer and I/We authorize the Acquirer and PAC to split / consolidate the share certificates comprising the Shares that are not acquired to be returned to me/us and for the aforesaid purposes the Acquirer and PAC are hereby authorized to do all such things and execute such documents as may be found necessary and expedient for the purpose.

Yours faithfully,

Signed and Delivered

	Full Name(s) of the shareholders	Signature
First/Sole Holder		
Joint Holder 1		
Joint Holder 2		
Joint Holder 3		

Address of First/Sole Shareholder________________________________

Place :

Date :

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Note: All future correspondence, if any, should be addressed to the Registrar to the Offer

Intime Spectrum Registry Ltd.
(Unit: Bayer Diagnostics India Limited)
C–13, Pannalal Silk Mills Compound
L. B. S. Marg, Bhandup (West), Mumbai–400078
Phone: +91 22 2596 0320-28 Fax: +91 22 2596 0329

Bank Details

So as to avoid fraudulent encashment in transit, the shareholder(s) holding Shares in physical form should provide details of bank account of the first/sole shareholder and the consideration cheque or demand draft will be drawn accordingly. For Shares that are tendered in demat form, the Bank account as obtained from the beneficiary position download to be provided by the depositories will be considered and the warrants will be issued with the said Bank particulars.

Name of the Bank		Branch	
Account Number		Savings/Current/ (Others: please specify)	

Collection Centers

No.	Collection Centre	Address of Collection Centre	Contact Person	Phone No.	Fax	Mode of delivery
1.	Vadodara	Intime Spectrum Registry Ltd., First Floor, Jaldhara Complex, Nr. Manisha Society, Old Padara Road, Vadodara -390015	Jaideep Mehta	0265-2250241/ 3249857	0265-2250246	Hand Delivery
2.	Mumbai	Intime Spectrum Registry Limited, C-13, Panalal Silk Mills Compound, L B S Marg, Bhandup (W),Mumbai -400078	Sunil Ambdaskar	022-25960320-28	022-25960329	Hand Delivery & Registered Post
3.	Mumbai	Intime Spectrum Registry Limited, 203, Davar House, D N Road, Fort, Mumbai -400001	Vivek Limaye	022-22694127	022-25946979	Hand Delivery
4.	Kolkata	Intime Spectrum Registry Limited, 59C, Chowringhee Road, 3rd Floor, Kolkata -700020	S.P. Guha	033-22890539/40	033-22890539/40 (Telefax)	Hand Delivery
5.	New Delhi	Intime Spectrum Registry Ltd., 3rd Floor, A-31, Naraina Industrial Area, Phase I, New Delhi -110 028	Bharat Bhushan	011-41410592/ 93/94	011-41410591	Hand Delivery
6.	Chennai	C/o Hitech Share Services Pvt Ltd., No 81, Ground Floor, MNO Complex, Greams Road, Chennai - 600 006	Lakshmi Subramaniam	044-28292272/73	044-42142061	Hand Delivery

*Working hours for the above collection centres: 10 a.m. to 5 p.m. from Monday to Friday

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PLEASE NOTE THAT NO SHARES / FORMS SHOULD BE SENT DIRECTLY TO THE ACQUIRER, PAC, TARGET COMPANY OR TO THE MANAGER TO THE OFFER

(1) **All queries** pertaining to this Offer may be directed to the Registrar to the Offer.

(2) **Shareholders holding registered physical Shares** should submit the Form duly completed and signed in accordance, by the holders of the Shares, along with the original equity share certificate(s) and valid equity share transfer form(s) duly signed as per the specimen signatures lodged with the Target Company and duly witnessed at the appropriate place. Please do not fill in any other details in the transfer deed.

(3) **Shareholders holding Shares in dematerialised form** should submit the Form duly completed and signed in accordance with the instructions contained therein by all the beneficial holders of the Shares, as per the records of the Depository Participant ("DP").

(4) **In case of shares held in joint names**, names should be filled up in the same order in the Form and in the transfer deed(s) as the order in which they hold Shares in the Target Company, and should be duly witnessed. This order cannot be changed or altered nor can any new name be added for the purpose of accepting the Offer.

(5) **In case where the signature is subscribed by thumb impression**, the same shall be verified and attested by a Magistrate, Notary Public or Special Executive Magistrate or a similar authority holding a Public Office and authorized to use the seal of his office.

(6) **Persons who own physical Shares (as on the Specified Date or otherwise) but are not the registered holders** of such Shares and who desire to accept the Offer, will have to communicate their acceptance in writing to the Registrar to the Offer together with the original contract note issued by the broker, the share certificate(s), the transfer deed(s) with the buyers details not filled in and other relevant documents. In case the share certificate(s) and transfer deed(s) are lodged with the Target Company/its transfer agents for transfer, then the Form shall be accompanied by the acknowledgment of lodgment with, or receipt by, the Target Company/its transfer agents, of the share certificate(s) and transfer deed(s). Persons under this clause should submit their acceptance and necessary documents by registered post or courier or in person to the Registrar at their offices as mentioned above.

The sole/first holder may also mention particulars relating to savings/current account number and the name of the bank and branch with whom such account is held in the respective spaces allotted in the Form, to enable the Registrar to print the said details in the cheques after the name of the payee.

(7) **Non-resident Shareholders** should enclose copy(ies) of permission received from Reserve Bank of India to acquire Shares held by them in the Target Company.

(8) **Non-resident Shareholders** are advised to refer to the clause on taxation in Section VII of the Letter of Offer regarding important disclosures regarding the taxation of the consideration to be received by them.

(9) **In case of bodies corporate**, certified copies of appropriate authorization (including board/shareholder resolutions, as applicable) authorizing the sale of Shares along with specimen signatures duly attested by a bank must be annexed. The common seal should also be affixed.

(10) **All the Shareholders** should provide all relevant documents which are necessary to ensure transferability of the Shares in respect of which the acceptance is being sent. Such documents may include (but not be limited to):

(a) Duly attested death certificate and succession certificate (in case of single shareholder) in case the original shareholder has expired.

(b) Duly attested power of attorney if any person apart from the shareholder has signed acceptance form or transfer deed(s).

(c) No objection certificate from any lender, if the Shares in respect of which the acceptance is sent, were under any charge, lien or encumbrance.

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FORM OF WITHDRAWAL

BAYER DIAGNOSTICS INDIA LIMITED OPEN OFFER

OFFER OPENS ON	:	APRIL 6, 2007
LAST DATE OF WITHDRAWAL	:	APRIL 20, 2007
OFFER CLOSES ON	:	APRIL 25, 2007

From

Folio No./DP ID No./Client ID No.:

Name:

Full Address:

Tel No.: Fax No.: E-mail :

To

Intime Spectrum Registry Limited

C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai – 400 078, India

Dear Sir,

Re: Open offer to acquire up to 313,470 equity shares of Rs. 10/- each representing up to 20% of the outstanding voting equity share capital of Bayer Diagnostics India Limited ("Target Company") by Siemens Diagnostics Holding II B.V. ("Acquirer") and Siemens AG ("PAC") at a price of Rs. 668.08 per equity share comprising a base offer price of Rs. 629.45 and interest of Rs. 38.63 per equity share, with the interest being computed at the rate of 10% per annum for the period from September 29, 2006 to May 10, 2007, the date of actual payment of consideration for shares offered and accepted in the offer (the interest amount is subject to change depending upon the actual date of payment) in accordance with the Public Announcement("PA") dated July 3, 2006, the Corrigendum to thePublic Announcement dated August 12, 2006, the Corrigendum to the Public Announcement dated March 24, 2007 and the Letter of Offer ("Letter of Offer")

I/We refer to the public announcement dated July 3, 2006 the Corrigendum to the Public Announcement dated August 12, 2006, the Corrigendum to the Public Announcement dated March 24, 2007 and the Letter of Offer dated March 27, 2007 for acquiring the equity shares held by me/us in Bayer Diagnostics India Limited. I / We, the undersigned have read all of the aforementioned and understood their contents including the terms and conditions mentioned therein.

I / We hereby consent unconditionally and irrevocably to withdraw my / our Shares from the Offer and I / we further authorize the Acquirer and PAC to return to me / us, the tendered Share Certificate(s) / Share(s) at my / our sole risk.

I / We note that upon withdrawal of my / our Shares from the Offer, no claim or liability shall lie against the Acquirers / PAC / Manager to the Offer / Registrar to the Offer.

I / We note that this Form of Withdrawal should reach the Registrar to the Offer on or before the last date of withdrawal i.e. April 20, 2007.

I / We note the Acquirer / PAC / Manager to the Offer / Registrar to the Offer shall not be liable for any postal delay / loss in transit of the Shares held in physical form and also for the non-receipt of Shares held in the dematerialized form in the DP account due to inaccurate / incomplete particulars/ instructions.

I / We also note and understand that the Acquirer and PAC will return the original share certificate(s), share transfer deed(s) / Shares in dematerialized form only on completion of verification of the documents, signatures and beneficiary position as available with the depositories from time to time.

The particulars of tendered original share certificate(s) and duly signed transfer deed(s) are detailed below:

Sr. No.	Ledger Folio No(s)	Certificate No(s)	Distinctive No(s)		No. of Shares
			From	To	
1					
2					
3					
4					
5					
(In case the space provided is inadequate, please attach a separate sheet with details.) **Total No. of Equity Shares**					

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ACKNOWLEDGEMENT SLIP

BAYER DIAGNOSTICS INDIA LIMITED - OPEN OFFER

Received from Mr./Ms. ______________________________ residing at

______________________________ a Form of Withdrawal for ______________________________

Shares along with:

☐ copy of depository instruction slip from DP ID ______________ Client ID ______________

☐ copy of acknowledgement slip issued when depositing dematerialized Shares

☐ copy of acknowledgement slip issued when depositing physical Shares for withdrawing from the Offer made by the Acquirer and PAC.

Stamp of Collection Centre:		Signature of Official:		Date of Receipt:	

I / We hold the following Shares in dematerialized form and had executed an off-market transaction for crediting the Shares to the "ISRL-BAYER DIAGNOSTICS INDIA LIMITED – OPEN OFFER ESCROW ACCOUNT". Please find enclosed a photocopy of the depository delivery instruction(s) duly acknowledged by DP. The particulars of the account from which my / our Shares have been tendered are as follows:

DP Name	DP ID	Client ID	Beneficiary Name	No. of Shares

I / We note that the Shares will be credited back only to that depository account, from which the Shares have been tendered and necessary standing instructions have been issued in this regard.

I / We confirm that the particulars given above are true and correct.

In case of dematerialized Shares, I / we confirm that the signatures have been verified by the DP as per their records and the same have been duly attested.

Yours faithfully,

Signed and Delivered

	Full Name(s) of the Shareholders	Signature
First/Sole Holder		
Joint Holder 1		
Joint Holder 2		
Joint Holder 3		

Address of First/Sole Shareholder ______________________________

Place :

Date :

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Note: All future correspondence, if any, should be addressed to the Registrar to the Offer

Intime Spectrum Registry Ltd.
(Unit: Bayer Diagnostics India Limited)
C–13, Pannalal Silk Mills Compound
L. B. S. Marg, Bhandup (West), Mumbai–400078
Phone: +91 22 2596 0320-28 Fax: +91 22 2596 0329

Collection Centers

No.	Collection Centre	Address of Collection Centre	Contact Person	Phone No.	Fax	Mode of delivery
7.	Vadodara	Intime Spectrum Registry Ltd., First Floor, Jaldhara Complex, Nr. Manisha Society, Old Padara Road, Vadodara -390015	Jaideep Mehta	0265-2250241/ 3249857	0265-2250246	Hand Delivery
8.	Mumbai	Intime Spectrum Registry Limited, C-13, Panalal Silk Mills Compound, L B S Marg,Bhandup (W), Mumbai -400078	SunilAmbdaskar	022-25960320-28	022-25960329	Hand Delivery & Registered Post
9.	Mumbai	Intime Spectrum Registry Limited, 203, Davar House, D N Road, Fort, Mumbai -400001	Vivek Limaye	022-22694127	022-25946979	Hand Delivery
10.	Kolkata	Intime Spectrum Registry Limited, 59C, Chowringhee Road, 3rd Floor, Kolkata -700020	S.P. Guha	033-22890539/40	033-22890539/40 (Telefax)	Hand Delivery
11.	New Delhi	Intime Spectrum Registry Ltd., 3rd Floor, A-31, Naraina Industrial Area, Phase I, New Delhi -110 028	Bharat Bhushan	011-41410592/ 93/94	011-41410591	Hand Delivery
12.	Chennai	C/o Hitech Share Services Pvt Ltd., No 81, Ground Floor, MNO Complex, Greams Road, Chennai - 600 006	Lakshmi Subramaniam	044-28292272/73	044-42142061	Hand Delivery

*Working hours for the above collection centres: 10 a.m. to 5 p.m. from Monday to Friday

PLEASE NOTE THAT NO FORMS SHOULD BE SENT DIRECTLY TO THE ACQUIRER, PAC, TARGET COMPANY OR TO THE MANAGER TO THE OFFER

(1) **All queries** pertaining to this Offer may be directed to the Registrar to the Offer.

(2) **In case of Shares held in joint names**, names should be filled up in the same order in the Form and in the transfer deed(s) as the order in which they hold Shares in the Target Company, and should be duly witnessed. This order cannot be changed or altered nor can any new name be added for the purpose of accepting the Counter Offer.

(3) **In case where the signature is subscribed by thumb impression**, the same shall be verified and attested by a Magistrate, Notary Public or Special Executive Magistrate or a similar authority holding a Public Office and authorized to use the seal of his office.

(4) **In case of bodies corporate**, certified copies of appropriate authorization (including Board/shareholder resolutions, as applicable) authorizing the sale of Shares along with specimen signatures duly attested by a bank must be annexed. The common seal should also be affixed.

(5) **All the Shareholders** should provide all relevant documents which are necessary to ensure transferability of the Shares in respect of which the acceptance is being sent. Such documents may include (but not be limited to):

(d) Duly attested death certificate and succession certificate (in case of single shareholder) in case the original shareholder has expired.

(e) Duly attested power of attorney if any person apart from the shareholder has signed withdrawal form or transfer deed(s).

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