

### **Notice**

This translation is provided to shareholders for convenience purposes only.  
The German original of this document is exclusively authoritative and legally binding.

\*\*\*

**Joint Report**

**of the Board of Management of Allianz SE, Munich**

**and the Board of Directors**

**of Allianz Global Health GmbH, Munich**

**(formerly "Allianz Venture Partners Beteiligungs GmbH")**

**pursuant to Section 293a German Stock Corporation Act (Aktiengesetz, "AktG")**

**concerning the**

**Control and Profit Transfer Agreement**

**of 14 February 2017**

**between**

**Allianz SE, Munich,**

**and**

**Allianz Global Health GmbH, Munich**

## **I. Introduction**

On 14 February 2017, Allianz SE and Allianz Global Health GmbH (hereinafter "**AGH**"), concluded the following Control and Profit Transfer Agreement. AGH has delegated the control of its company to Allianz SE, and given an undertaking to transfer its entire profits to Allianz SE. Allianz SE has undertaken to assume any and all losses sustained by AGH. The effectiveness of this agreement is subject to the approval of the Annual General Meeting of Allianz SE and the shareholders' meeting of AGH.

Pursuant to Section 293 AktG, the Control and Profit Transfer Agreement will be presented for approval to the shareholders' meeting of AGH in March 2017.

Pursuant to Section 293 AktG, the agreement will be presented to the Annual General Meeting of Allianz SE scheduled for 3 May 2017 for approval. In accordance with Section 293a AktG, the Management Board of Allianz SE and the Board of Directors of AGH issue the following joint report on the legal and economic reasons and rationale concerning the conclusion of the Agreement and its content.

## **II Contractual partners**

The contractual partners are Allianz SE and AGH.

### **1. Allianz SE**

Allianz SE is the parent company of the Allianz Group with its registered seat in Munich. It is registered in the company register of the "Amtsgericht" of Munich under no. HRB 164323. The fiscal year corresponds to the calendar year. The share capital of Allianz SE amounts to EUR 1,169,920,000 and is divided into 457,000,000 transfer-restricted, registered no-par value shares. Each share entitles the holder to one vote.

The corporate purpose of the Company is the direction of an international group of companies, which is active in the areas of insurance, banking, asset management, and other financial, consulting, and similar services. The Company holds interests in insurance companies, banks, industrial companies, investment companies and other

enterprises. As a reinsurer, the Company primarily assumes insurance business from its Group companies and other companies in which the Company holds direct or indirect interests.

The Management Board of the Company currently comprises nine members:

- Oliver Bäte, CEO
- Sergio Balbinot
- Jacqueline Hunt
- Dr. Helga Jung
- Dr. Christof Mascher
- Dr. Günther Thallinger
- Dr. Axel Theis
- Dr. Dieter Wemmer
- Dr. Werner Zedelius

The Supervisory Board consists of twelve members and is to be composed of six shareholder representatives and six employee representatives. The shareholder representatives in the Supervisory Board are appointed by the General Meeting. The appointment of the employee representatives is carried out in accordance with the provisions of the Agreement Concerning the Participation of Employees in Allianz SE as amended from time to time, which is agreed upon in accordance with the SE-Participation Act (SE-Beteiligungsgesetz, "SEBG").

The current members of the Supervisory Board are:

- Dr. Helmut Perlet, Chairman
- Dante Barban
- Dr. Wulf H. Bernotat
- Christine Bosse
- Gabriele Burkhardt-Berg
- Jean-Jacques Cette
- Dr. Friedrich Eichiner
- Martina Grundler
- Prof. Dr. Renate Köcher
- Jürgen Lawrenz
- Rolf Zimmermann.

## 2. Allianz Global Health GmbH

### 2.1 Corporate structure; position within the Allianz Group

AGH was founded in 2001 as "Allianz Venture Partners Beteiligungs GmbH", before being reincorporated as "Allianz Global Health GmbH" on 24 January 2017. AGH is registered in the commercial register of the "Amtsgericht" of Munich under no. HRB 136986 and its share capital has a par value of EUR 36,000.00. Allianz SE and Allianz Private Krankenversicherungs-Aktiengesellschaft, registered in the commercial register of the "Amtsgericht" of Munich under the no. HRB 2212, each hold 50% of the shares in AGH.

In accordance with its Articles of Association, AGH delivers services and consulting in connection with national and international insurance business, as well as the provision of the associated software. These activities are delivered particularly to the national and international medical insurance entities of the Allianz Group. AGH started its current business activities on 24 January 2017. The current Managing Director of AGH is Dr Birgit Monika König.

### 2.2 Business and revenue performance

For the last three years, AGH has not pursued any significant business activities. It did not employ any staff and it earned the following annual net profits (losses) according to the German Commercial Code method ("HGB") (each dated to the 31 December):

31.12.2014 EUR	(98.92)
31.12.2015 EUR	(504.25)
<u>31.12.2016 EUR</u>	<u>(1,965.96)</u>
total	EUR (2,569.13)

For the fiscal year ending at 31 December 2016, the annual financial statements of AGH show a net loss of EUR 1,965.96, primarily resulting from the formation of provisions for the notary and commercial registry registration charges as well as the basic contribution to the IHK (chamber of trade and

industry). The balance sheet as of 31 December 2016 provides for total assets of EUR 49,043.66 and equity amounting to EUR 47,293.66.

Since its renaming on 24 January 2017, AGH delivers services and consulting to other Allianz Group companies in connection with insurance business. These activities particularly include product calculation, risk assessment, performance management and health management. These services are delivered on the basis of service contracts concluded with the relevant Allianz Group companies. The purpose of these services is the furtherance of sustainable and profitable growth of the other Allianz Group companies in the area of medical insurance.

All services delivered by AGH are charged based on various offsetting (transfer pricing) models, which base their pricing on standard market output variables or on full costs. A balanced result is therefore targeted for the future. Establishment and start-up costs will be incurred during start-up phase of the business activities. These costs cannot be directly attributed to any service, and therefore cannot be charged to any of the companies of the Allianz Group. For the purpose of equalising these establishment and start-up costs, Allianz SE provides AGH with a budget of up to EUR 2.1 million in 2017.

### **III. Statement of legal and commercial reasons**

The purpose of concluding this Agreement is to establish a fiscal unity (for corporation and trade tax) between Allianz SE and AGH effective from the start of the 2017 fiscal year. Through the Control and Profit Transfer Agreement, the profits and losses of AGH will be fiscally attributed (according to commercial and fiscal law) directly to Allianz SE, and thereby be consolidated at Group level with the profits of the Group companies also forming part of the fiscal unity (cf. remarks under IV.2). Net profits and losses can consequently be transferred (offset) within the Group. Depending on the tax implications for the profits of the companies in question this may produce fiscal benefits.

Since the activities of AGH are intended to promote the sustainable and profitable growth of other Allianz Group companies, it is important for Allianz SE that it be able to directly influence the Board of Directors of AGH. Through the conclusion of the

Control and Profit Transfer Agreement, Allianz SE will be put in a position from which it can effectively influence the Board of Directors of AGH. This is deemed important given the significance of AGH's activities for the Allianz Group. It is for this reason that AGH will delegate its direction to Allianz SE by way of this Control and Profit Transfer Agreement, thereby binding it to the latter's instructions issued in the specific instance.

The contractually granted power to issue instructions is beneficial in that the Board of Directors of the controlled company does not have to examine every measure implemented by the controlling company to ascertain if it is detrimental to the controlled company. Executive management measures can be aligned with the common interests of the Group. The Control Agreement is a demonstrably suitable legal means for integrating AGH into the Group.

Furthermore, the controlling component also ensures the fiscal unity of AGH with the Allianz Group, meaning that the services delivered by AGH to companies forming part of the same fiscal unity as Allianz SE, and vice versa, will not be subject to value-added tax.

Apart from the benefits that come with corporate integration, other positive effects for AGH particularly include the financial security derived from the fact that Allianz SE is obliged to make up for any losses incurred. The conclusion of this Agreement does not entail any change to the shareholdings in AGH.

Aside from the assumption of losses by Allianz SE, this Agreement does not present any particular consequences for the shareholders of Allianz SE, especially since there is no obligation of consideration and compensation in relation to external shareholders. During the fiscal year (01.01.2017 – 31.12.2017), establishment and start-up costs will be incurred that cannot be charged to the client Allianz Group companies. The establishment and start-up costs are anticipated to amount to EUR 2.1 million. A balanced result is targeted for the 2018 fiscal year.

#### **IV. Legal and tax explanations regarding the Control and Profit Transfer Agreement**

##### **1. Legal explanations**

###### **1.1 General**

This Control and Profit Transfer Agreement is an enterprise agreement within the definition of Section 291 et seq. AktG. An agreement of this type may be made by way of a simple private agreement. It requires the approval of the Annual General Meeting of Allianz SE and the shareholders' meeting of AGH.

###### **1.2 Explanation of individual provisions**

The following remarks are made regarding the individual provisions of the agreement:

###### **1.2.1 Control exercised by Allianz SE (Section 1)**

In accordance with Section 1 (1), AGH submits the direction of the company to Allianz SE, which is authorized to issue instructions to the management of AGH. The directors of AGH remain responsible for the executive management and representation of the company. Allianz SE will exercise its right to issue instructions through its Management Board (Section 1 (2)).

###### **1.2.2 Profit transfer (Section 2)**

In Section 2 (1) sentence 1, AGH undertakes to transfer its entire profits to Allianz SE for the term of the Agreement. Subject to the formation or dissolution of retained earnings pursuant to para. (2), the amount to be transferred is the annual net income as determined without any profit transfer, less a loss carry-forward from the previous year, if any, and less amounts which may not be distributed according to statutory law.



Furthermore, with regard to the maximum amount of the profit distribution, Section 2 (1) provides for a "dynamic reference" to Section 301 AktG ("as amended"). The transfer of profits in accordance with Section 14 (1) sentence 1 in conjunction with Section 17 (2) no. 2 Corporation Tax Act (Körperschaftsteuergesetz, "KStG") is imperative in order for the fiscal unity between AGH and Allianz SE to be effective.

According to Section 2 (2) sentence 1 of the Control and Profit Transfer Agreement, AGH may, with the consent of Allianz SE, allocate amounts out of the annual net income to the retained earnings (Section 272 (3) German Commercial Code (Handelsgesetzbuch, "HGB")) only insofar as this is permissible under applicable German accounting rules, and is economically justified based on a sound business judgement. Such a case can arise, amongst others, where AGH is planning to make investments of a larger magnitude.

Section 2 (2) sentence 2 of the Control and Profit Transfer Agreement provides that, upon request by Allianz SE, any other retained earnings pursuant to Section 272 (3) HGB accumulated during the term of the Agreement must be dissolved and applied to balancing any annual deficit or be transferred as profit. The transfer of amounts generated from the dissolution of other retained earnings, as defined in sentence 2, which are accumulated prior to the effectiveness of the Agreement shall be excluded (Section 2 (2) sentence 3). These are standard provisions commonly found in a control and profit transfer agreement.

### **1.2.3 Loss assumption (Section 3)**

In accordance with the provisions of Art. 9 (1) c) ii) SE Regulation (SE-Verordnung, "SE-VO") in conjunction with Section 302 (1) AktG, as amended, Allianz SE is obliged to compensate any annual deficit sustained during the term of the Agreement, unless such deficit is balanced through withdrawing

amounts from the other retained earnings pursuant to Section 272 (3) HGB, which were allocated to the retained earnings during the term of the Agreement. The cause of the deficit is irrelevant, meaning that AGH, as a rule, cannot incur any accumulated loss during the term of this enterprise agreement. However, if other retained earnings are formed during the term of the Agreement, these may be dissolved in subsequent years in order to equalise losses, instead of Allianz SE making compensation payments for this purpose. Section 3 (1) also provides for a dynamic reference to the loss assumption provision contained in Section 302 AktG ("as amended"). In order for the fiscal unity between AGH and Allianz SE to be effective, it is fiscally imperative that, as the controlling entity, Allianz SE is obliged to equalise any deficit sustained by AGH as the controlled entity (Section 17 KStG). These are standard provisions commonly found in a control and profit transfer agreement.

According to Section 3 (2), AGH may request that Allianz SE make instalment payments on the loss assumption pursuant to Section 3 (1) of the Control and Profit Transfer Agreement in the course of the fiscal year, whereas such instalment payments shall not exceed the total anticipated loss compensation entitlement. If it is determined that the instalment payments exceed the actual claim for loss assumption, AGH shall refund Allianz SE with the exceeding amount.

#### **1.2.4 Coming-into-effect (Section 4 (1) and (2))**

Allianz SE and AGH have concluded the Control and Profit Transfer Agreement subject to the approval of the Annual General Meeting of Allianz SE and the shareholders' meeting of AGH (Section 4 (1)).

Corresponding to the stipulations of Section 294 (2) AktG, Section 4 (2) determines that the Control and Profit Transfer Agreement will become effective upon its registration in the

commercial register of AGH, and that it shall have retroactive effect as of 1 January 2017. The obligation to transfer profits and the obligation to assume losses therefore applies from the start of the 2017 fiscal year. The control aspect, as defined in Section 1, shall only apply following the entry of the agreement into AGH's commercial register.

#### **1.2.5 Duration of the agreement (Section 4 (3) and (4))**

Section 4 (3) provides that the Agreement is concluded for a fixed term ending at midnight on 31 December 2021. The agreement therefore fulfils the fiscal minimum period of five years. Following the end of the minimum period, the Agreement shall be consecutively renewed for one more calendar year, unless one of the contractual partners terminates the Agreement in writing at least six months prior to its expiry. During the term of the Agreement, it may only be terminated for cause (Section 4 (4)). Cause shall be established particularly if Allianz SE disposes of all or some of its shareholding in AGH.

#### **1.2.6 No provision concerning consideration or compensation payments**

The sole shareholders of AGH are Allianz SE and Allianz Private Krankenversicherungs-Aktiengesellschaft, each holding 50% of the share capital. For its part, Allianz Private Krankenversicherungs-Aktiengesellschaft is a 100%-owned subsidiary of Allianz Deutschland AG, which in turn is a 100%-subsidiary of Allianz SE. Allianz SE, Allianz Deutschland AG and Allianz Private Krankenversicherungs-Aktiengesellschaft are interconnected via respective control and profit transfer agreements. Therefore, there are no external shareholders within the meaning of Section 304 AktG, and no provisions concerning consideration or compensation payments (Sections 304, 305 AktG) are required.

## **2. Fiscal explanations**

The Profit Transfer Agreement is concluded for the purpose of creating a fiscal unity (for corporation and trade tax). As a consequence of the resulting fiscal unity, the taxable income of AGH (controlled entity) is directly attributable to Allianz SE (controlling entity). The existence of the fiscal unity means that the taxes usually payable on this transfer of profits (taxation of dividends and capital gains tax) are avoided. The establishment of the fiscal unity (for gains tax) is conditional on the financial integration of an incorporated company (controlled entity) into a German-based commercial enterprise (controlling entity). The financial integration is implemented through Allianz SE owning the majority of the voting rights attributable to the participation in AGH by adding up its direct and indirect participation (Section 14 (1) sentence 1 no. 1 in conjunction with Section 17 (1) KStG). Aside from this condition, the establishment of the fiscal unity (for corporation and trade tax) is subject to the conclusion of a profit transfer agreement within the definition of Section 291 AktG, through which the controlled entity (AGH) undertakes to transfer its entire profits to the controlling entity (Allianz SE), and through which the controlling entity, for its part, undertakes to equalise any losses incurred by the controlled entity. For the establishment of the fiscal unity to be effective, the Agreement must be concluded for a minimum period of five years, and be performed in reality. The attributable taxable income of AGH increases or diminishes the taxable income of Allianz SE.

There is no economically sound alternative to the conclusion of the Control and Profit Transfer Agreement. In accordance with Section 14 (1) sentence 1 in conjunction with Section 17 (1) KStG, the conclusion of this agreement is an imperative requirement for the creation of a fiscal unity (for corporation and trade tax) between AGH and Allianz SE. This is the only means by which the associated fiscal benefits can be realised. A summarised assessment of the Agreement finds that it is beneficial to both, Allianz SE as well as AGH.

Munich, 14 February 2017

**Allianz SE**

.....  
(Bäte)

.....  
(Balbinot)

.....  
(Hunt)

.....  
(Dr Jung)

.....  
(Dr Mascher)

.....  
(Dr Thallinger)

.....  
(Dr Theis)

.....  
(Dr Wemmer)

.....  
(Dr Zedelius)

**Allianz Global Health GmbH**

.....  
(Dr König)