SIEMENS

Ingenuity for life

Annual Report 2017

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Combined Management Report

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A.1.1 The Siemens Group

A.1.1.1 ORGANIZATION AND BASIS OF PRESENTATION

We are a technology company with core activities in the fields of electrification, automation and digitalization, and activities in nearly all countries of the world. Siemens comprises Siemens AG, a stock corporation under the Federal laws of Germany, as the parent company and its subsidiaries. Our Company is incorporated in Germany, with our corporate headquarters situated in Munich. As of September 30, 2017, Siemens had around 372,000 employees (part time employees are included proportionally).

Siemens has the following reportable segments: the Divisions Power and Gas; Energy Management; Building Technologies; Mobility; Digital Factory and Process Industries and Drives; as well as the Strategic Units Healthineers and Siemens Gamesa Renewable Energy, which together form our Industrial Business. The Division Financial Services (SFS) supports the activities of our Industrial Business and also conducts its own business with external customers. As "global entrepreneurs" our Divisions and Strategic Units carry business responsibility worldwide, including with regard to their operating results.

Our reportable segments may do business with each other, leading to corresponding orders and revenue. Such orders and revenue are eliminated on the Group level.

A.1.1.2 BUSINESS DESCRIPTION

The Power and Gas Division offers a broad spectrum of products and solutions for generating electricity from fossil fuels and for producing and transporting oil and gas. The portfolio includes gas turbines, steam turbines, generators to be applied to gas or steam power plants, compressor trains, integrated power plant solutions, and instrumentation and control systems for power generation. Customers include public utilities and independent power producers; companies in engineering, procurement and construction that serve utilities and power producers; sovereign and multinational oil companies; and industrial customers that generate power for their own consumption (prosumers). Due to the broad range of its offerings, the Division's revenue mix may vary from reporting period to reporting period depending on the share of revenue attributable to products, solutions and services. Because typical profitability levels differ among these three revenue sources, the revenue mix in a reporting period accordingly affects Division profit for that period. Several trends are affecting the Division's businesses. The ongoing strong growth in demand for renewable power generation and the associated volatility in power generation shift market demand from fossil baseload generation to highly flexible, highly efficient and affordable gas power plants with low emissions, in particularly in Europe, China, and the U.S. A second trend is that the development and execution of large projects increasingly requires financing by the original equipment manufacturer (OEM), including equity participation, particularly in Latin America, the Middle East and Africa. For the Division, this role is fulfilled by Financial Services, which can offer customers a range of financing and equity options backed by domain know-how. In addition, the markets of the Division are strongly affected by changes in national energy regulations, such as support of renewable energy, the security of supply through capacity markets or strategic reserve capacity, carbon pricing and climate change targets, and energy and electricity market design. After years of strong public sector support for renewable energy, the cost of energy and electricity as a competitive factor is gaining more relevance in investment decisions involving choices between renewable and fossil generation.

The Power Generation Services Division offers a comprehensive set of services for products, solutions and technologies of the Power and Gas Division, covering performance enhancements, maintenance services, customer training and professional consulting. Financial results of the Power and Gas Division include the financial results of the Power Generation Services Division, which itself is not a reportable segment. Based on this business model, all discussions of the services business for Power and Gas concern the Power Generation Services Division.

The Energy Management Division offers a wide spectrum of software, products, systems, solutions, and services for transmitting, distributing and managing electrical power and for providing intelligent power infrastructure. The Division's customers encompass a wide range of direct customers and channel partners including power providers, transmission and distribution system operators, industrial companies, infrastructure developers, construction companies, distributors and OEMs. Its activities across many regional and vertical markets as well as its participation in long-cycle and short-cycle businesses provide a balanced and resilient business mix. The Division's revenue and portfolio mix may vary across reporting periods. In particular, orders, revenue and profit development can be influenced by the relative contribution from its transmission solutions business. End customers and OEMs use the Division's offerings to process, transmit and manage electrical power from the source down to various load points along multiple voltage levels. The Division's distributed, intelligent solutions for smart grids enable a bidirectional flow of energy and information, which, among other things, is required for integrating fluctuating renewable energy sources, electrical storage or manageable loads. Energy Management generally benefits from major trends and changes in global electrical power systems, in particular decarbonization, decentralization and digitalization. Decarbonization involves the buildup of generation capacities from renewable sources and the electrification of heat and transport sectors. Another trend is decentralization – the integration of wind power, photovoltaics, biomass, storage and other intermittent or distributed energy resources into highly efficient and reliable power networks. The digitalization trend involves providing intelligent solutions for connectivity, the management of complex energy networks, and services that are enabled by digital technologies.

The Building Technologies Division is a leading provider of automation technologies and digital services for safe, secure and efficient buildings and infrastructures throughout their lifecycles. The Division offers products, solutions, services and software for fire safety, security, building automation, heating, ventilation, air conditioning and energy management. The large customer base is widely dispersed. It includes owners, operators and tenants for both public and commercial buildings; building construction general contractors; and system houses. Changes in the overall economic environment generally have a delayed effect on the Division's business activities. Particularly in the solutions and service businesses, Building Technologies is affected by changes in the non-residential construction markets with a time lag of two to four quarters.

The Mobility Division combines all Siemens businesses in the area of passenger and freight transportation, including rail vehicles, rail automation systems, rail electrification systems, road traffic technology, digital solutions and related services. The Division also provides its customers with consulting, planning, financing, construction, service and operation of turnkey mobility systems. Moreover, Mobility offers integrated mobility solutions for networking of different types of traffic systems. The principal customers of the Mobility Division are public and state-owned companies in the transportation and logistics sectors. Markets served by Mobility are driven primarily by public spending. Customers usually have multi-year planning and implementation horizons, and their contract tenders therefore tend to be independent of short-term economic trends.

In September 2017, Siemens and Alstom SA, France (Alstom) signed a memorandum of understanding to combine Siemens' mobility business including the rail traction drives business, which is included in the Process Industries and Drives Division, with the publicly listed company Alstom. The two businesses are largely complementary in terms of activities and geographies. The combined entity is expected to offer a significantly increased range of diversified product and solution offerings to meet multi-facetted, customer-specific needs. According to the memorandum, Siemens will receive newly issued shares in the combined company representing 50% of Alstom's share capital assuming full dilution through exercise of all potentially dilutive securities and share-based payment plans. Further, Siemens will receive warrants allowing it to acquire Alstom shares representing 2% of its share capital, which can be exercised earliest four years after closing of the transaction. The transaction will be subject to Alstom's shareholders' approval, anticipated in the second quarter of calendar 2018. The transaction is also subject to clearance from relevant antitrust and regulatory authorities. Closing of the transaction is expected at the end of calendar 2018.

The Digital Factory Division offers a comprehensive product portfolio and system solutions used in manufacturing industries, complemented by product lifecycle and data-driven services. These offerings enable customers to optimize entire value chains from product design and development to production and services. This is supplemented by the MindSphere platform that connects machines and physical infrastructure to the digital world. With its comprehensive offering, the Division supports manufacturing companies with their transformation towards the "Digital Enterprise," resulting in increased flexibility and efficiency of production processes and reduced time to market for new products. The Division supplies customers mainly in discrete and hybrid manufacturing industries. Changes in the level of customer demand are strongly driven by macroeconomic cycles, and can lead to significant short-term variation in the Division's profitability. In the second quarter of fiscal 2017, Digital Factory further strengthened and expanded its industrial software business by acquiring Mentor Graphics Corporation (Mentor Graphics), a U.S.-based provider of electronic design automation software. For more information on the acquisition of Mentor Graphics, see → NOTE 3 in B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. In the first quarter of fiscal 2017, Digital Factory contributed its eCar business to a newly formed joint venture, Valeo Siemens eAutomotive; Siemens' share in the joint venture is reported within Centrally managed portfolio activities (CMPA).

The Process Industries and Drives Division offers a comprehensive product, software, solution and service portfolio for moving, measuring, controlling and optimizing all kinds of mass flows. With its know-how in vertical industries including oil and gas, shipbuilding, mining, cement, fiber, chemicals, food and beverage, and pharmaceuticals, the Division increases productivity, reliability and flexibility of machinery and installations along their entire life cycle jointly with its customers. Based on data models and analysis methods, Process Industries and Drives paves the way together with its customers to create a "Digital Enterprise," from process simulation via plant design and documentation through to asset and performance management. The Division's offerings include an integrated portfolio with products, components and systems such as couplings, gears, motors and converters, process instrumentation systems, process analytics devices, wired and wireless communication, industrial identification and power supplies up to systems level with decentralized control systems, industrial software as well as customized, application-specific systems and solutions. It also sells gears, couplings and drive solutions to other Siemens Divisions and Strategic Units, which use them in rail transport and wind turbines. Demand within the industries served by the Division generally shows a delayed response to changes in the overall economic environment. Even so, the Division is strongly dependent on investment cycles in its key industries. In commodity-based process industries such as oil and gas or mining, these cycles are driven mainly by commodity price fluctuations rather than changes in produced volumes.

As part of the above-mentioned memorandum of understanding to combine Siemens' mobility businesses with Alstom, Process Industries and Drives will transfer its rail traction drives business to the combined company.

Healthineers is one of the world's largest suppliers of technology to the healthcare industry and a leader in diagnostic imaging and laboratory diagnostics. It provides medical technology and software solutions as well as clinical consulting services, supported by a complete set of training and service offerings. This comprehensive portfolio supports customers along the continuum of care – from prevention and early detection to diagnosis, treatment and follow-up care. Its business activities are to a certain extent resilient to short-term economic trends as large portions of its revenue stem from recurring business. They are, however, dependent on regulatory and public policy developments around the world. The global healthcare market served by Healthineers is transforming, putting healthcare providers under pressure for better outcomes at lower cost. Drivers of this transformation include increasing societal resistance to healthcare costs, payers becoming more professional, a shift to value-based reimbursement, chronic disease burdens, and rapid scientific progress. As a result, healthcare providers are consolidating into networked structures, resulting in larger clinic and laboratory chains – often internationally – which act increasingly like large enterprises. Applying this industrial logic to the healthcare market can lead to systematic improvements in quality, while at the same time reducing costs. To capture these benefits, regulatory schemes around the world increasingly seek to shift healthcare incentive systems away from a basis in number of procedures to a basis in outcomes achieved. In fiscal 2017, Healthineers was organized into six business areas: Diagnostic Imaging, Laboratory Diagnostics, Advanced Therapies, Ultrasound, Point of Care Diagnostics and Services. During fiscal 2017, the Managing Board of Siemens AG announced that it intends to publicly list a minority stake in the Healthineers business in the first half of calendar 2018, depending on market conditions.

Siemens Gamesa Renewable Energy (SGRE) – In April 2017, Siemens contributed its wind power business, including service, into the publicly listed company Gamesa Corporación Tecnológica, S.A., Spain (Gamesa), and in return received newly issued shares of the combined entity Siemens Gamesa Renewable Energy, S.A., Spain. Siemens as majority shareholder holds 59% of the shares of the combined entity. For more information on the merger, see → NOTE 3 in B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. The merged businesses are highly complementary regarding global footprint, existing product portfolios and technologies. SGRE offers wind turbines utilizing various pitch and speed technologies, and is active in the development, construction and sale of wind farms. The current product offering comprises geared as well as direct drive turbines, both for onshore and offshore application. In addition, SGRE provides services for the management, operation and maintenance of wind farms. Its primary customers are large utilities and independent power producers. SGRE's revenue mix may vary from reporting period to reporting period depending on the mix of onshore and offshore projects in the respective periods. The share of renewable energy in the global energy mix will continue to increase, but the trend toward evaluating competing power sources using life-cycle costs will continue to put pressure on the prices of wind power providers. To address this trend, SGRE focuses on improving its supply chain and significantly decreasing costs by leveraging synergies in the manufacturing footprint subsequent to the merger. A higher share of renewable energy in electrical grids also increases the demand for predictability of the energy supply and increased capability for integrating it into the overall energy mix, which SGRE addresses by pursuing innovation areas such as digitalization.

The **Financial Services (SFS)** Division supports its customers' investments with leasing solutions and equipment, project and structured financing in the form of debt and equity investments. Based on its comprehensive financing know-how and specialist technology expertise in the areas of Siemens businesses, SFS provides financial solutions for Siemens customers as well as other companies, and also manages financial risks of Siemens. SFS operates the Corporate Treasury of the Siemens Group, which includes managing liquidity, cash and interest risks as well as certain foreign exchange, credit and commodities risks. Business activities and tasks of Corporate Treasury are reported in the segment information within Reconciliation to Consolidated Financial Statements.

A.1.1.3 RESEARCH AND DEVELOPMENT

Our research and development (R&D) activities are ultimately geared to developing innovative, sustainable solutions for our customers – and the Siemens businesses – and simultaneously safeguarding our competitiveness. To this end, we are focusing our R&D activities on a number of selected technologies and innovation fields. Examples include the following:

- The stable operating of power grids in the presence of intermittent, renewable power generation depends, amongst other factors, on further advances in power electronics as well as the availability of economically viable large energy storage units. These are also key ingredients for distributed energy systems, which combine onsite generation with local consumption to offer secure power supply at lower cost.

- Turbo machinery, switching gear and other power equipment stand to benefit from novel materials enabling higher generation efficiency and fewer losses in power transmission and distribution. In particular, the ability to print parts with novel topologies using 3D printers embedded in an integrated, digital tool chain is a key innovation driver.
- Automation technologies continue to evolve. Our R&D activities aim to reduce engineering efforts, enhance flexibility and increase our customers' productivity.
- Future mobility systems will be increasingly electrified and connected. Amongst others, our R&D efforts are aiming for ubiquitous electric charging as well as the digitally supported integration and management of multi-modal transportation systems.
- An example of a disruptive development is electrically powered flight. In cooperation with Airbus, Siemens intends to demonstrate by 2020 that electricity can be used to power large planes.
- We are continuously adopting and developing foundational digital technologies, such as data analytics and artificial intelligence or modeling and simulation technologies. The former are essential to generate value and impact out of the growing amount of data generated in the field; the latter enable the creation of a digital twin for physical products, systems and infrastructures, e.g. for the purpose of virtually testing and commissioning a system prior to building it.
- The growing connectivity of field devices gives rise to the Industrial Internet of Things (IIoT), and hence to the potential for massively distributed industrial systems. With MindSphere, we have introduced an open, cloud-based operating system for this IIoT. MindSphere allows our businesses, customers and partners to develop and deploy applications and digital services based on data gathered from assets, such as a product or in the field, e.g. to predict equipment failure, increase asset availability, improve product designs or increase product or plant performances.
- We also invest in industrial cyber security – a key enabler for the digitalization of industries as well as a growing source of competitive advantage – and test the emerging blockchain technology in various application scenarios.

Both within and beyond these focus areas, R&D activities are carried out by cross-functional teams involving both our businesses and our central R&D department Corporate Technology (CT). In addition, we work closely with scholars from leading universities and research institutions. These partnerships, along with close collaborations with start-up companies and the use of crowd innovation methods, are an important part of Siemens' open innovation concept.

Siemens' unit for partnership with start-ups, next47, is focusing on three pillars: Capital, Catalyst and Create. The unit provides capital to help start-ups expand and scale. As a catalyst, next47 can accelerate growth for start-ups by making it easy to access and use the powerful Siemens ecosystem. And next47 serves as the creator of next-generation businesses for Siemens by building, buying and partnering with start-ups at any stage. The next47 unit is focused on anticipating how technologies including 3D printing, robotics and drones, artificial intelligence and virtual reality will impact and potentially disrupt our end markets. This intelligence enables Siemens and Siemens' customers to grow and thrive in the age of digitalization.

In fiscal 2017, we reported research and development expenses of €5.2 billion, compared to €4.7 billion in fiscal 2016. The resulting R&D intensity, defined as the ratio of R&D expenses and revenue, was 6.2%, thus above the R&D intensity of 5.9% in fiscal 2016. Additions to capitalized development expenses amounted to €0.4 billion in fiscal 2017, compared to €0.3 billion in fiscal 2016. As of September 30, 2017, Siemens held approximately 63,000 granted patents worldwide in its continuing operations. As of September 30, 2016, we held approximately 59,800 granted patents. On average, we had 37,800 R&D employees in fiscal 2017.

Research and Development in our Businesses

R&D at the Power and Gas Division concentrates on developing products and solutions for enhancing efficiency, flexibility and economy in power generation as well as in the oil and gas industry. These products and solutions include turbomachinery – primarily high-performance, low-emission gas turbines for single operation or for combined cycle power plants – and compressor solutions for various process industries. The Division's current technology initiative, which started in fiscal 2015, is aimed at intensifying R&D in innovative materials, advanced manufacturing methods and plant optimization. In fiscal 2017, Siemens introduced a new 44-megawatt aeroderivative gas turbine for mobile power generation which currently is the most powerful mobile unit on the market. The Division announced that it will test and validate its largest gas turbine (HL-class) under real-world conditions. This will pave the way for achieving the next level of efficiency; we aim for 63 percent efficiency near-term, with a mid-term goal to reach 65 percent.

The R&D activities of our Energy Management Division focus on preparing our portfolio for changes on all voltage levels in the world of electricity. The increasing infeed of renewable energy to power grids requires that those grids become more flexible and efficient, particularly with distributed generation on the rise. The digitalization of future grids will enable intelligent grid operation and data-driven services. Our innovations are centered on power electronics, digitalization and grid stabilization. The development of new technologies, e.g. Process Bus communication for applications in energy management or NCITs (Non-Conventional Instrument Transformer), enables a cost-effective investment and economic operation of digital substations as well as a secure and reliable grid operation.

R&D work at the Building Technologies Division focuses on optimizing comfort and operational and energy efficiency in buildings and infrastructures, protecting against fire and security hazards, and minimizing related risks. We drive the digital transformation of the building industry by creating open-standards-based Building Information Modeling (BIM)-ready products and services. Digitalization improves productivity across the entire building life cycle, enabling new product ordering and configuration options through our online store Siemens Industry Mall. New mobile device apps close the feedback loop to building occupants, enabling increased comfort and safety with lower energy consumption. The digitalization portfolio will expand on the basis of Siemens MindSphere.

The Mobility Division's R&D strategy aims to fulfill customers' demand for maximum availability, high throughput and enhanced passenger experience. Although there is a growing need for mobility worldwide, possibilities for building new roads and railways are limited. Meeting the demand for mobility requires intelligent solutions that make transport more efficient, safe and environmentally friendly. Decarbonization and seamlessly connected intermodal (e)mobility are key factors for the future of transportation. Reflecting this, Mobility's R&D activities emphasize digitalization in developing state-of-the art mobility solutions for rail and road combined with new business models such as availability-as-a-service (AaaS) via our data analytics platform Railigent and other MindSphere based applications. Together with next47, Mobility invests in the future mobility landscape together with other partners in areas such as sensor technologies, connectivity/IoT solutions, software for intermodal transport and additive manufacturing.

R&D activities at the Digital Factory Division are aimed at further enhancing speed, flexibility, quality and efficiency within companies of the discrete manufacturing industry. The key lever is to automate and digitalize the entire value-added process – from product development through production design to actual production – with the highest possible IT security. The focus of research lies on further developing the Digital Enterprise portfolio. This involves preparing an integrated digital twin for physical products, production processes and production facilities and then implementing these facilities and efficiently manufacturing the products in the real world. This close dovetailing between the virtual and real worlds enables customers to simulate and optimize their products, their machinery and facilities at an early stage, while assuring high-performance production. The acquisition of Mentor Graphics further extends the possibilities of the digital twin: In addition to designing and testing the mechanics and software of new products, it is now also possible to develop and simulate electrical and electronic systems in an integrated way. A further core area of development is MindSphere, the open, cloud-based operating system for the Industrial Internet of Things (IIoT). MindSphere is used as a basis for innovative applications (MindApps) and new digital services based on these apps, such as predictive maintenance. Open application programming interfaces (APIs) enable MindSphere users to easily and efficiently develop and sell their own apps. MindSphere therefore makes it possible for customers to clearly expand their portfolios and tap into the additional business potential offered by their installed base. A network of partners in the fields of app development, connectivity and technology further enriches the open ecosystem.

The R&D activities in the Process Industries and Drives Division are continuously concentrating on the digital transformation of products, solutions and services, especially via focused integration of information and communication technologies. The digital enhancement of automation and drives platforms is a key enabler for additional customer value for all verticals in the process industry, such as oil&gas, chemicals and pharmaceuticals. Examples are connecting motors to MindSphere and Digital Enterprise for process industries. Increased operational efficiency and digital services such as condition monitoring or predictive maintenance are examples for benefits in process plant operation. The digitalization of our process automation and industrial communication portfolio includes a holistic industrial security concept. Another central objective of our R&D activities is to further increase energy efficiency while reducing the consumption of raw materials and cutting emissions.

Healthineers' R&D activities are strongly focused on the development of innovative product lines which use new technologies such as artificial intelligence. This will, amongst other results, enable faster handling of medical information and can lead to more precise and personalized clinical decisions. It also promises added value: New computer algorithms can detect hidden patterns in the data and give physicians valuable support for diagnosis and therapy decisions. Besides constantly innovating its portfolio, Healthineers continuously extends existing products and solutions. Diagnostics performance for customers improves with systems such as the recently launched Atellica. This laboratory diagnostics platform transports samples ten times faster than previous systems and it is also more flexible. Expanding the innovation map beyond the established portfolio, and investing in new ideas, strengthen the ability to tap opportunities in new fields. The services business is expanding beyond product related services by adding a digital services portfolio and increasing enterprise transformation services to help customers in their transition to outcome-focused care. A major step forward is the Digital Ecosystem platform to link healthcare providers and solution providers with one another as well as to bring together their data, applications and services. Users gain new insights through data analytics and use it to network with their peers.

The R&D efforts of Siemens Gamesa Renewable Energy are focused on innovative products and solutions that allow it to take the lead in wind power performance, improve competitiveness, and build a stronger business case for its customers. Using digitalization, among other efforts, includes more intelligent monitoring and analysis of turbine conditions as well as smart diagnostic services.

A.1.2 Economic environment

A.1.2.1 WORLDWIDE ECONOMIC ENVIRONMENT

The global economy started to accelerate at the beginning of fiscal 2017 and gained further momentum in the subsequent quarters. Expansion of world gross domestic product (GDP), which in 2016 was the weakest since the global financial crisis at 2.5%, is projected to rise to 3.1% in 2017 (based on market exchange rates).

The global upswing was broad-based on a regional and structural basis. In both emerging markets and advanced countries, economic activity gained strength. Growth forecasts for 2017 improved in particular for Europe from 1.5% at the beginning of fiscal 2017 to 2.3% and for China from 6.3% to 6.8%. The only negative surprise was the Middle East region. The 2017 growth projection decreased to 1.4% after starting at 2.8% at the beginning of fiscal 2017. Lower oil prices and oil production cuts had bigger impact than anticipated.

From a structural perspective, all components of GDP – private consumption, fixed investment, trade and to a lesser extent government expenditure – contributed to growth, giving the acceleration of the global economy a solid and well balanced foundation.

Uncertainties mainly stemming from (geo)political risks had very limited effects on the global economy: International tensions with North Korea and Iran increased; negotiations regarding the U.K. leaving the European Union are complicated and separatist tensions in Spain added significant uncertainty. These developments potentially weigh on investment decisions but this barely materialized in fiscal 2017.

The partly estimated figures presented here for GDP and fixed investments are based on an IHS Markit report dated October 15, 2017.

A.1.2.2 MARKET DEVELOPMENT

In a highly competitive market environment, markets served by the Power and Gas Division declined significantly in fiscal 2017. This development was again particularly evident in the market for steam turbines where volume shrank substantially year-over-year due to an ongoing shift from coal-fired to gas-fired and renewable power generation and due to emission regulation such as in China. Volume in the market segment for large gas turbines also declined substantially due mainly to delays of large projects in the Middle East and customer restraint due to ongoing uncertainty regarding changes in the market design and weak power demand growth. Volume in compression markets remained on a low level as customers continued to hold back investments. The Division's competition consists mainly of two groups: a relatively small number of equipment manufacturers, some with very strong positions in their domestic markets, and on the other hand a large number of engineering, procurement and construction contractors. The gas turbine market is experiencing overcapacity among OEMs and engineering, procurement and construction contractors, which is leading to market consolidation.

Global markets addressed by the Energy Management Division grew slightly in fiscal 2017. Weaknesses in the Middle East and global commodity markets including oil and gas, metals and mining were offset by growth in transmission interconnections, intelligent energy and storage solutions and critical infrastructure such as data centers. North America and Asia were key growth contributors. Markets in Europe showed stable development, with pockets of growth such as integration of renewable energy sources into the grid. Competitors of the Energy Management Division consist mainly of a small number of large multinational companies. International competition is increasing from manufacturers in emerging countries including China, India and Korea.

Markets for the Building Technologies Division grew solidly in fiscal 2017. Growth was driven by solid demand from the U.S. and Asia. Within the Europe, C.I.S., Africa, Middle East region, markets in the Middle East grew more strongly than the region overall. The recovery of the European market was weaker than expected but included stable growth in Germany. The Division's principal competitors are multinational companies. Its solutions and services business also competes with system integrators and small local companies. The Division faces continuing price pressure, particularly in its solutions business, due to strong competition from system houses and some larger competitors.

Overall, markets for the Mobility Division remained strong in fiscal 2017, with different dynamics among the regions. Market development in the Europe, C.I.S., Africa, Middle East region was characterized by continuing awards of mid-size and large orders, particularly in Germany and the U.K. Demand in the Middle East and Africa was held back by ongoing uncertainties related to budget constraints and political climates. In the Americas region, stable investment activities were driven by demand for urban transport, especially in the U.S. Within the Asia, Australia region, Chinese markets saw ongoing investments in high-speed trains, urban transport and rail infrastructure, while India continues to invest in modernizing the country's transportation infrastructure. The Division's principal competitors are multinational companies. Consolidation among Mobility's competitors is continuing. This has already led to the formation of a strong market leader in China, which is changing global market dynamics.

Markets served by the Digital Factory Division returned to growth in fiscal 2017. Within its main markets, global manufacturing production grew moderately in real terms, driven mainly by consumer-related industries such as electronics and automotive and by demand from infrastructure-related production industries. Growth in the machine-building and equipment industries benefited from a growing investment propensity. On a geographic basis, the Division's markets grew in all three reporting regions, with the highest growth rates in the region Asia, Australia, particularly including China, where strong market growth also benefited from governmental investment programs. The competition for Digital Factory's business activities can be grouped into two categories: multinational companies that offer a relatively broad portfolio and companies that are active only in certain geographic or product markets.

Market volume for the markets addressed by the Process Industries and Drives Division grew moderately in fiscal 2017. This was due mainly to improved market conditions in global manufacturing production, particularly in China. Consumer-related industries, such as food and beverage and pharmaceuticals, continued on their growth path. Growth in the Division's markets overall continued to be held back by weakness in commodity-related industries such as oil and gas, metals and mining. Following a recovery in raw materials prices at low levels in the first half of fiscal 2017 and stable price development thereafter, the environment for capital expenditures began to improve towards the end of the fiscal year in mining, oil and gas and, to a lesser extent, the metals industry. The Division's competitors can be grouped into two categories: multinational companies that offer a relatively broad portfolio and companies that are active only in certain geographic or product markets. Consolidation is taking place mostly in particular market segments and not across the broad base of the Division's portfolio. In particular, consolidation in solution-driven markets is going in the direction of in-depth niche market expertise. Most major competitors have established global bases for their businesses. In addition, the competition has become increasingly focused on technological improvements and cost position.

Markets served by Healthineers grew moderately in fiscal 2017 driven by growth in Latin America and Asia, Australia, including further stabilization in China. In contrast, market volume in Europe and the U.S. remained near prior-year levels. The diagnostic imaging market segment grew moderately. While demand for imaging procedures continued to grow, this trend was partly offset by price pressure on new purchases and increased utilization rates for installed systems. The markets for ultrasound and in-vitro diagnostics grew even more strongly. The development in the ultrasound market segment benefits from a wider range of applications and increasing patient access to diagnostic imaging technology. The market for in-vitro diagnostics is expanding due to population and income growth in emerging markets and the rising importance of diagnostics in improving healthcare quality. Growth in the area of molecular diagnostics was particularly strong, driven by technological advances and a broader spectrum of applications. For the healthcare industry as a whole, the trend towards consolidation continues. Competition among the leading companies is strong, including with respect to price.

Following a decline in market volume in fiscal 2016, the market served by SGRE grew in fiscal 2017 due to higher demand in both the onshore and the offshore markets, with the latter growing faster. On a regional basis, growth was driven by the U.S. Market growth in the region Asia, Australia, was held back by lower demand in China, where the largest national wind market in the world remains largely closed to foreign manufacturers, as well as by a halt in the Indian market during the fiscal year following the introduction of an auction system for new power generation contracts. Market volume in the region Europe, C.I.S., Africa, Middle East came in slightly lower year-over-year. The competitive situation in wind power differs in the two major market segments. In the markets for onshore wind farms, competition is widely dispersed without any one company holding a dominant share of the market, while markets for offshore wind farms continue to be served by a few experienced players. Consolidation is moving forward in both on- and offshore segments, including exits of smaller players. The key drivers of consolidation are increasing price pressure as well as technology challenges and market access challenges, which increase development costs and the importance of risk-sharing in offshore wind power. Market development continues to depend strongly on energy policy, including tax incentives in the U.S. and regulatory frameworks in Germany and the U.K. With continued technological progress and cost reduction, dependency on subsidy schemes is expected to decrease even further.

A.2 Financial performance system

A.2.1 Overview

Within One Siemens, we have established a financial framework – for revenue growth, for profitability and capital efficiency, for our capital structure, and for our dividend policy.

A.2.2 Revenue growth

Within the framework of One Siemens, we aim to grow our revenue faster than the average weighted revenue growth of our most relevant competitors. Our primary measure for managing and controlling our revenue growth is comparable growth, because it shows the development in our business net of currency translation effects, which arise from the external environment outside of our control, and portfolio effects, which involve business activities which are either new to or no longer a part of our business.

Currency translation effects are the difference between revenue for the current period calculated using the exchange rates of the current period and revenue for the current period calculated using the exchange rates of the comparison period. For calculating the percentage change year-over-year, this absolute difference is divided by revenue for the comparison period. A portfolio effect arises in the case of an acquisition or a disposition and is calculated as the change year-over-year in revenue of the relevant business resulting specifically from the acquisition or disposition. For calculating the percentage change, this absolute change is divided by revenue for the comparison period. For orders, we apply the same calculations for currency translation and portfolio effects as described above.

A.2.3 Profitability and capital efficiency

Within the framework of One Siemens, we aim to achieve margins through the entire business cycle that are comparable to those of our relevant competitors. Therefore, we have defined profit margin ranges for our industrial businesses, which are based on the profit margins of the respective relevant competitors. Profit margin is defined as profit of the respective business divided by its revenue.

Profit margin ranges

	Margin range
Power and Gas	11 – 15%
Energy Management	7 – 10%
Building Technologies	8 – 11%
Mobility	6 – 9%
Digital Factory	14 – 20%
Process Industries and Drives	8 – 12%
Healthineers	15 – 19%
Siemens Gamesa Renewable Energy	5 – 8%
SFS (ROE after tax)	15 – 20%

In line with common practice in the financial services business, our financial indicator for measuring capital efficiency at the Financial Services Division (SFS) is return on equity after tax, or ROE after tax. ROE is defined as SFS' profit after tax, divided by the Division's average allocated equity.

For purposes of managing and controlling profitability at the Group level, we use net income as our primary measure. This measure is the main driver of basic earnings per share (EPS) from net income, which we use in communication to the capital markets.

To emphasize and evaluate our continuous efforts to improve productivity, we incorporated a measure called total cost productivity into our One Siemens framework. We define this measure as the ratio of cost savings from defined productivity improvement measures to the aggregate of functional costs for the Siemens Group. We aim to achieve an annual value of 3% to 5% for total cost productivity.

Within the framework of One Siemens, we seek to work profitably and as efficiently as possible with the capital provided by our shareholders and lenders. For purposes of managing and controlling our capital efficiency, we use return on capital employed, or ROCE, as our primary measure. We aim to achieve ROCE within a range of 15% to 20%.

A.2.4 Capital structure

Sustainable revenue and profit development is supported by a healthy capital structure. Accordingly, a key consideration within the framework of One Siemens is to maintain ready access to the capital markets through various debt products and preserve our ability to repay and service our debt obligations over time. Our primary measure for managing and controlling our capital structure is the ratio of industrial net debt to EBITDA. This financial measure indicates the approximate amount of time in years that would be needed to cover industrial net debt through income from continuing operations, without taking into account interest, taxes, depreciation and amortization. We aim to achieve a ratio of up to 1.0.

A.2.5 Dividend

We intend to continue providing an attractive return to our shareholders. Therefore, we intend to propose a dividend whose distribution volume is within a dividend payout range of 40% to 60% of net income, which we may adjust for this purpose to exclude selected exceptional non-cash effects. As in the past, we intend to fund the dividend payout from Free cash flow.

At the Annual Shareholders' Meeting, the Managing Board, in agreement with the Supervisory Board, will submit the following proposal to allocate the unappropriated net income of Siemens AG for fiscal 2017: to distribute a dividend of €3.70 on each share of no par value entitled to the dividend for fiscal year 2017 existing at the date of the Annual Shareholders' Meeting, with the remaining amount to be carried forward. Payment of the proposed dividend is contingent upon approval by Siemens shareholders at the Annual Shareholders' Meeting on January 31, 2018. The prior-year dividend was €3.60 per share.

The proposed dividend of €3.70 per share for fiscal 2017 represents a total payout of €3.0 billion based on the estimated number of shares entitled to dividend at the date of the Annual Shareholders' Meeting. Based on net income of €6.2 billion for fiscal 2017, the dividend payout percentage is 49%.

A.2.6 Calculation of return on capital employed

Calculation of ROCE

	Fiscal year	
(in millions of €)	2017	2016
Net income	**6,179**	5,584
Less: Other interest expenses/income, net[1]	**(568)**	(544)
Plus: SFS Other interest expenses/income	**799**	784
Plus: Net interest expenses from post-employment benefits	**198**	282
Less: Interest adjustments (discontinued operations)	**–**	–
Less: Taxes on interest adjustments (tax rate (flat) 30%)	**(129)**	(156)
(I) Income before interest after tax	**6,479**	**5,949**
(II) Average capital employed	**47,836**	**41,573**
(I)/(II) ROCE	**13.5%**	**14.3%**

1 Item Other interest expenses/income, net primarily consists of interest relating to corporate debt, and related hedging activities, as well as interest income on corporate assets.

For purposes of calculating ROCE in interim periods, income before interest after tax is annualized. Average capital employed is determined using the average of the respective balances as of the quarterly reporting dates in the period under review.

Calculation of capital employed

Total equity
Plus: Long-term debt
Plus: Short-term debt and current maturities of long-term debt
Less: Cash and cash equivalents
Less: Current available-for-sale financial assets
Plus: Post-employment benefits
Less: SFS Debt
Less: Fair value hedge accounting adjustment
Plus: Adjustments from assets classified as held for disposal and liabilities associated with assets classified as held for disposal
Less: Adjustment for deferred taxes on net accumulated actuarial gains/losses on post-employment benefits
Capital employed (continuing and discontinued operations)

A.3 Results of operations

A.3.1 Orders and revenue by region

Negative currency translation effects took one percentage point each from order development and revenue growth; portfolio transactions, primarily the merger of the wind power business with Gamesa and the acquisition of Mentor Graphics, added two percentage points to order development and three percentage points to revenue growth. The resulting ratio of orders to revenue (book-to-bill) for Siemens in fiscal 2017 was 1.03.

Orders (location of customer)

	Fiscal year		% Change	
(in millions of €)	2017	2016	Actual	Comp.
Europe, C.I.S., Africa, Middle East	**45,048**	46,185	(2)%	(2)%
therein: Germany	*13,943*	*10,525*	*32%*	*32%*
Americas	**22,921**	24,794	(8)%	(10)%
therein: U.S.	*16,905*	*18,162*	*(7)%*	*(9)%*
Asia, Australia	**17,700**	15,501	14%	13%
therein: China	*7,484*	*6,850*	*9%*	*10%*
Siemens	**85,669**	**86,480**	**(1)%**	**(2)%**
therein: emerging markets[1]	*27,239*	*30,448*	*(11)%*	*(11)%*

1 As defined by the International Monetary Fund.

Orders related to external customers came in only slightly below the high level a year ago despite substantial, ongoing contraction in markets for Power and Gas. The Division reported a sharply lower volume from large orders compared to the prior year, when it had won large contracts totaling €4.7 billion in Egypt. This factor also influenced the decline in emerging markets. All other industrial businesses took in higher orders year-over-year. Digital Factory and Mobility recorded double-digit order growth, while higher orders at SGRE benefited from significant portfolio effects.

In the Europe, C.I.S., Africa, Middle East region, with the exception of Power and Gas, all industrial businesses posted order growth, including double-digit growth in Mobility and Energy Management. Orders came in substantially higher in Germany, due to higher levels of large orders in SGRE, Energy Management and Mobility compared to fiscal 2016.

Orders in the Americas region were down clearly year-over-year on a substantial decline in Power and Gas. In addition, order intake at Mobility declined significantly, while Building Technologies and Digital Factory posted double-digit growth, the latter primarily due to portfolio effects from the acquisition of Mentor Graphics. The pattern of order development in the U.S. was roughly the same as in the Americas region, with double-digit growth at Building Technologies and Digital Factory more than offset by substantial declines in Power and Gas, Mobility and SGRE.

Orders were up significantly in the Asia, Australia region due to growth in all industrial businesses other than Power and Gas, with SGRE and Digital Factory recording the largest increases. A number of countries within the region posted significant growth. China posted the largest increase, with order growth at Digital Factory, SGRE and Process Industries and Drives partly offset by a substantial decline in Energy Management.

Revenue (location of customer)

	Fiscal year		% Change	
(in millions of €)	2017	2016	Actual	Comp.
Europe, C.I.S., Africa, Middle East	**43,367**	41,819	4%	4%
therein: Germany	*11,142*	*10,739*	*4%*	*2%*
Americas	**23,516**	22,707	4%	(1)%
therein: U.S.	*16,976*	*16,769*	*1%*	*(1)%*
Asia, Australia	**16,166**	15,118	7%	6%
therein: China	*7,209*	*6,439*	*12%*	*13%*
Siemens	**83,049**	**79,644**	**4%**	**3%**
therein: emerging markets[1]	*28,464*	*27,195*	*5%*	*3%*

1 As defined by the International Monetary Fund.

Revenue related to external customers went up moderately year-over-year and increased in the majority of industrial businesses, offsetting declines in Power and Gas and Process Industries and Drives. Higher revenue at SGRE benefited from substantial portfolio effects following the merger.

Growth drivers in Europe, C.I.S., Africa, Middle East included SGRE, Digital Factory and Mobility. These increases were partly offset by a clear revenue decline in Power and Gas. In Germany, revenue was up with increases in the majority of industrial businesses partly offset by declines at Energy Management and Power and Gas.

In the Americas, revenue came in higher year-over-year, driven primarily by the merger with Gamesa, which brought new volume in Latin America, and revenue growth in Digital Factory and Building Technologies. In the U.S., increases in Digital Factory, Building Technologies and Mobility were offset by declines in Power and Gas and in Process Industries and Drives.

Revenue in Asia, Australia was up clearly year-over-year, as growth in Digital Factory, SGRE, Energy Management and Healthineers was partly offset by declines in Power and Gas and Mobility. China's growth outpaced the region overall, as all industrial businesses except Mobility recorded higher revenue, with Digital Factory, SGRE and Energy Management posting the highest increases.

A.3.2 Segment information analysis

A.3.2.1 POWER AND GAS

(in millions of €)	Fiscal year 2017	2016	% Change Actual	Comp.
Orders	**13,422**	19,454	(31)%	(30)%
Revenue	**15,467**	16,471	(6)%	(5)%
Profit	**1,591**	1,872	(15)%	
Profit margin	**10.3%**	11.4%		

Orders declined substantially year-over-year, due mainly to a sharply lower volume from large orders in the solutions business, which had recorded large orders for power plants, including service, from Egypt totaling €4.7 billion in fiscal 2016. In contracting markets for the Division's offerings, order intake was down in all businesses and in all three reporting regions. As a result of this continuing market weakness, revenue declined clearly and in all reporting regions, as a decrease in the new-unit business was only partly offset by an increase in the service business. Profit was significantly lower year-over-year despite a continuing strong contribution from the service business, on reduced capacity utilization following the weaker order intake, price declines, and higher net charges related to project execution and completion year-over-year. In addition, profit in fiscal 2016 benefited from positive effects totaling €130 million from revised estimates related to resumption of long-term construction and service contracts in Iran following the ending or easing of EU and U.S. sanctions and €118 million from the measurement of inventories. Costs for the integration of Dresser-Rand were €33 million in fiscal 2017 compared to €59 million in fiscal 2016. Finally, severance charges were lower in fiscal 2017, at €19 million compared to €69 million in fiscal 2016. Global energy trends continue to structurally reduce overall demand in markets for the Division's offerings, resulting in declining new-unit business and corresponding price pressure due to current overcapacities.

A.3.2.2 ENERGY MANAGEMENT

(in millions of €)	Fiscal year 2017	2016	% Change Actual	Comp.
Orders	**13,628**	12,963	5%	5%
Revenue	**12,277**	11,940	3%	3%
Profit	**932**	895	4%	
Profit margin	**7.6%**	7.5%		

Orders grew moderately year-over-year, due mainly to a higher volume from large orders in the solutions business, including an order totaling €0.8 billion for an offshore grid connection project in Germany, an order totaling €0.6 billion for substations in Qatar and a high-voltage direct current (HVDC) order totaling €0.4 billion in India. The medium voltage and systems business and the low voltage and products business also posted higher orders year-over-year. These increases were partly offset by declines in the Division's other businesses. On a regional basis, orders were up in all three reporting regions, predominantly in Europe, C.I.S., Africa, Middle East. Revenue was also up moderately with most of the Division's businesses recording moderate to clear increases. On a regional basis, revenue increased in all three reporting regions, with significant growth in Asia, Australia. All of the Division's businesses delivered a positive contribution to profit, benefiting from lower severance charges that were €39 million and €71 million in fiscal 2017 and fiscal 2016, respectively. The high voltage products and transformer businesses showed significant improvement year-over-year.

A.3.2.3 BUILDING TECHNOLOGIES

		Fiscal year		% Change
(in millions of €)	2017	2016	Actual	Comp.
Orders	**6,913**	6,435	7%	8%
Revenue	**6,523**	6,156	6%	7%
Profit	**784**	577	36%	
Profit margin	**12.0%**	9.4%		

Successfully executing its growth initiatives in both the regions and across its businesses, Building Technologies increased orders and revenue and grew faster than its market and major competitors. On a geographic basis, orders and revenue were up in all three reporting regions with the strongest growth contribution coming from the U.S. Profit and profitability increased due mainly to higher revenue and improvements in productivity. Profit development in fiscal 2017 benefited from a €94 million gain related to pension plan amendments. Severance charges were similar in both periods, at €18 million in fiscal 2017 and €16 million a year earlier.

A.3.2.4 MOBILITY

		Fiscal year		% Change
(in millions of €)	2017	2016	Actual	Comp.
Orders	**8,963**	7,875	14%	16%
Revenue	**8,099**	7,825	4%	6%
Profit	**743**	678	10%	
Profit margin	**9.2%**	8.7%		

Order growth at Mobility was driven primarily by the rolling stock business and supported by a higher volume from large orders. The current period included a number of significant contract wins in all three reporting regions, most notably in the region Europe, C.I.S. Africa, Middle East region, including an order for commuter rail and an order for a driverless metro, both in Austria, and large orders for the Division's new commuter rail platform Mireo in Germany. In the Asia, Australia region, the Division won a large turnkey project for the extension of a rapid transit system in Thailand. The largest contract wins in fiscal 2016 included an order for light rail vehicles in the U.S., a commuter rail contract in Germany and a rail automation order in Algeria. While revenue in the rolling stock business declined in the first half of the fiscal year due mainly to timing factors related to large rail projects, Mobility successfully executed on its large rolling stock and locomotive orders, resulting in double-digit revenue growth in the rolling stock business in the second half. The Division's rail infrastructure business also contributed to revenue growth for the whole fiscal year. On a geographic basis, revenue increases in Europe, C.I.S., Africa, Middle East and the Americas more than offset a decline in Asia, Australia, which reported a sharp drop in China. Profit improved in the majority of the businesses, driven by higher revenue and successful project execution. The increase in severance charges, which were €46 million in the current period up from €16 million a year earlier, was largely offset by a €28 million gain related to pension plan amendments.

A.3.2.5 DIGITAL FACTORY

		Fiscal year		% Change
(in millions of €)	2017	2016	Actual	Comp.
Orders	**11,532**	10,332	12%	8%
Revenue	**11,378**	10,172	12%	9%
Profit	**2,135**	1,690	26%	
Profit margin	**18.8%**	16.6%		

In a more favorable market environment, Digital Factory increased order intake and revenue in all its businesses year-over-year. Improvements in the market conditions were most notable in the automotive and the machine building industries, supporting an excellent performance by the Division's short-cycle businesses, which expanded their leading market positions during the fiscal year. Orders and revenue in the product lifecycle management software (PLM) business grew substantially due to strong demand combined with new volume resulting from the acquisition of Mentor Graphics at the end of the second quarter of fiscal 2017. On a geographic basis, orders and revenue were up in all reporting regions, with the strongest increase from Asia, Australia, particularly including China. The Division's profit improvement was driven by the short-cycle businesses. Profit in the PLM business was held back by ongoing expenses related to further advancing Siemens' MindSphere platform. Furthermore, the business' profitability was impacted by deferred revenue adjustments and transaction and integration costs related to the acquisition of Mentor Graphics, totaling €104 million. In fiscal 2016, deferred revenue adjustments and transaction and integration costs related to the acquisition of CD-adapco totaled €43 million. Profit for the Division benefited from a gain of €175 million related to the eCar business, which Digital Factory contributed to the joint venture Valeo Siemens eAutomotive. This positive effect was partly offset by higher severance charges, which increased to €134 million in fiscal 2017, up from €49 million in fiscal 2016.

A.3.2.6 PROCESS INDUSTRIES AND DRIVES

	Fiscal year		% Change	
(in millions of €)	2017	2016	Actual	Comp.
Orders	**9,034**	8,939	1%	2%
Revenue	**8,876**	9,038	(2)%	(1)%
Profit	**440**	243	81%	
Profit margin	**5.0%**	2.7%		

Orders for Process Industries and Drives increased slightly, as growth in the process automation and solution businesses and stabilization in demand for the Division's offerings in oil and gas and other commodity-related markets towards the end of the fiscal year more than offset a decline in demand for wind power components during the course of fiscal 2017. A decline in revenue in the solutions and the large drives businesses more than offset revenue growth in the process automation business. On a geographic basis, order growth came mainly from China, while the decline in revenue was due to the Americas region. Profit for the Division increased due primarily to sharply lower severance charges year-over-year, which were €48 million in fiscal 2017, down from €254 million in fiscal 2016. Within the Division's businesses, the process automation business showed a strong operating performance. Overall, profit and profitability for the Division were held back by ongoing operational challenges, particularly in the large drives business, and by charges related to capacity adjustments.

A.3.2.7 HEALTHINEERS

	Fiscal year		% Change	
(in millions of €)	2017	2016	Actual	Comp.
Orders	**14,218**	13,830	3%	4%
Revenue	**13,789**	13,535	2%	3%
Profit	**2,490**	2,325	7%	
Profit margin	**18.1%**	17.2%		

Order intake grew moderately on increases in a majority of the businesses, led by the diagnostic imaging business. On a regional basis, Europe, C.I.S., Africa and Middle East posted the highest increase, followed by growth in Asia, Australia, driven by China. Revenue was also up in a majority of the businesses, again led by the diagnostic imaging business. On a geographic basis, China accounted for more than half of the revenue increase year-over-year. Profit growth was driven by the diagnostic imaging business, which continued to account for the largest share of Healthineers profit overall, and by the advanced therapies business. Profit benefited from currency tailwinds in both periods. Severance charges were €57 million in fiscal 2017 and €61 million in fiscal 2016.

A.3.2.8 SIEMENS GAMESA RENEWABLE ENERGY

	Fiscal year		% Change	
(in millions of €)	2017	2016	Actual	Comp.
Orders	**8,768**	7,973	10%	(2)%
Revenue	**7,922**	5,976	33%	7%
Profit	**338**	464	(27)%	
Profit margin	**4.3%**	7.8%		

Portfolio effects from the merger added 13 percentage points to order growth and 28 percentage points to revenue growth. Reported orders were up year-over-year on growth in Asia, Australia, while orders in Europe, C.I.S., Africa, Middle East and the Americas were close to the prior-year level. Order intake in the major onshore market India was impacted by the introduction of an auction system for new wind-farm tenders. Reported revenue was up in all three reporting regions. Lower profit year-over-year included burdens of €134 million, primarily from inventory write-downs, and €103 million for integration costs and capacity adjustments including severance. Profitability was held back by sharp price declines in India and the U.S.

A.3.2.9 FINANCIAL SERVICES

(in millions of €)	2017	Fiscal year 2016
Income before income taxes	**639**	653
ROE (after taxes)	**19.9%**	21.6%

(in millions of €)	2017	Sep 30, 2016
Total assets	**26,390**	26,446

Financial Services (SFS) again delivered strong earnings including lower credit hits. Within the equity business, the current year included a gain from the sale of SFS's stake in an offshore wind-farm project, while the prior year included a larger positive effect, €92 million, resulting from an at-equity investment. Despite growth in new business, total assets were on the level of the end of fiscal 2016, due mainly to substantial early terminations of financings along with negative currency translation effects.

A.3.2.10 RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS

Profit

(in millions of €)	2017	Fiscal year 2016
Centrally managed portfolio activities	**488**	(215)
Siemens Real Estate	**187**	132
Corporate items	**(714)**	(449)
Centrally carried pension expense	**(407)**	(439)
Amortization of intangible assets acquired in business combinations	**(1,016)**	(674)
Eliminations, Corporate Treasury and other reconciling items	**(323)**	(349)
Reconciliation to Consolidated Financial Statements	**(1,785)**	**(1,994)**

The positive swing at Centrally managed portfolio activities (CMPA) related primarily to the measurement of a major asset retirement obligation, including a net gain of €364 million resulting from interest rate effects and €312 million attributable mainly to a reduced expected inflation rate. These positive effects were partly offset by higher losses from at-equity investments including a €230 million impairment of Siemens' stake in Primetals Technologies Ltd. in fiscal 2017, related to continuing adverse conditions in the market environment. Additionally in the current period we recorded gains from reversals of provisions for guarantees related to a previous divestment. Effective with the beginning of fiscal 2018, CMPA includes the Olkiluoto project in Finland which was formerly part of Power and Gas.

Corporate items were influenced by a number of factors, including severance charges of €71 million (€43 million in fiscal 2016) for corporate reorganization of support functions as well as expenses in connection with creation of next47 beginning in October 2016.

The increase of Amortization of intangible assets acquired in business combinations related mainly to the merger with Gamesa and the acquisition of Mentor Graphics.

A.3.3 Income

(in millions of €, earnings per share in €)	Fiscal year 2017	2016	% Change
Power and Gas	**1,591**	1,872	(15)%
Energy Management	**932**	895	4%
Building Technologies	**784**	577	36%
Mobility	**743**	678	10%
Digital Factory	**2,135**	1,690	26%
Process Industries and Drives	**440**	243	81%
Healthineers	**2,490**	2,325	7%
Siemens Gamesa Renewable Energy	**338**	464	(27)%
Industrial Business	**9,453**	**8,744**	**8%**
Profit margin Industrial Business	***11.2%***	*10.8%*	
Financial Services (SFS)	**639**	653	(2)%
Reconciliation to Consolidated Financial Statements	**(1,785)**	(1,994)	10%
Income from continuing operations before income taxes	**8,306**	**7,404**	**12%**
Income tax expenses	**(2,180)**	(2,008)	(9)%
Income from continuing operations	**6,126**	**5,396**	**14%**
Income from discontinued operations, net of income taxes	**53**	188	(72)%
Net income	**6,179**	**5,584**	**11%**
Basic earnings per share	**7.44**	6.74	10%
ROCE	**13.5%**	14.3%	

As a result of the development described for the segments, Income from continuing operations before income taxes increased 12%. This amount also included higher expenses – as planned – for selling and R&D, primarily at Digital Factory and Healthineers, as we continued targeted investments aimed at organic volume growth and strengthening our capacities for innovation, such as for MindSphere at Digital Factory and Atellica at Healthineers. Severance charges for continuing operations were €466 million, of which €385 million were in the Industrial Business. In fiscal 2016, severance charges for continuing operations were €598 million, of which €541 million were in the Industrial Business.

The tax rate for fiscal 2017 was 26%, positively influenced by utilization of previously impaired tax loss carryforwards and by decisions arising from tax audits. The tax rate 27% in the prior year was positively influenced by successful appeals of tax decisions for prior years. As a result, Income from continuing operations increased 14%.

Income from discontinued operations, net of income taxes was sharply lower compared to the prior year. In fiscal 2016, it primarily included a gain of €102 million from the sale of the remaining assets in the hearing aid business and €76 million related to the former Siemens IT Solutions and Services activities.

The increase in Basic earnings per share reflects the higher net income compared to fiscal 2016, while the weighted average number of shares outstanding increased slightly year-over-year. At 13.5%, ROCE was below the range established in our One Siemens financial framework, as expected. The decline year-over-year was due primarily to the merger with Gamesa and the acquisition of Mentor Graphics, which led to a significant increase in average capital employed (the denominator for ROCE). Net income, the main component for the numerator, was also negatively affected by burdens related to these transactions.

A.4 Net assets position

(in millions of €)	2017	Sep 30, 2016	% Change
Cash and cash equivalents	**8,375**	10,604	(21)%
Available-for-sale financial assets	**1,242**	1,293	(4)%
Trade and other receivables	**17,160**	16,287	5%
Other current financial assets	**7,664**	6,800	13%
Inventories	**19,942**	18,160	10%
Current income tax assets	**1,098**	790	39%
Other current assets	**1,467**	1,204	22%
Assets classified as held for disposal	**1,482**	190	>200%
Total current assets	**58,429**	**55,329**	**6%**
Goodwill	**27,906**	24,159	16%
Other intangible assets	**10,926**	7,742	41%
Property, plant and equipment	**10,977**	10,157	8%
Investments accounted for using the equity method	**2,727**	3,012	(9)%
Other financial assets	**19,044**	20,610	(8)%
Deferred tax assets	**2,297**	3,431	(33)%
Other assets	**1,498**	1,279	17%
Total non-current assets	**75,375**	**70,388**	**7%**
Total assets	**133,804**	**125,717**	**6%**

Our total assets in fiscal 2017 were influenced by negative currency translation effects of €4.7 billion, led by the U.S. dollar.

In fiscal 2017, the acquisition of Mentor Graphics and the merger with Gamesa were the major factors related to the increase in **trade and other receivables**, partly offset by the Power and Gas Division due to declining business volume. While these transactions were also the largest factors for the increased **goodwill** and **other intangible assets**, the increase in **inventories** was mainly driven by the merger with Gamesa.

The increase in **other current financial assets** was driven by higher loans receivable at SFS, which were mainly due to new business and reclassification of non-current loans receivable.

Assets classified as held for disposal increased mainly due to reclassification of shares in OSRAM Licht AG (OSRAM) in an amount of €1.2 billion from other financial assets.

Deferred tax assets decreased mainly due to income tax effects related to remeasurement of defined benefits plans.

A.5 Financial position

A.5.1 Capital structure

Our capital structure developed as follows:

(in millions of €)	Sep 30, 2017	2016	% Change
Short-term debt and current maturities of long-term debt	**5,447**	6,206	(12)%
Trade payables	**9,755**	8,048	21%
Other current financial liabilities	**1,444**	1,933	(25)%
Current provisions	**4,247**	4,166	2%
Current income tax liabilities	**2,355**	2,085	13%
Other current liabilities	**20,049**	20,437	(2)%
Liabilities associated with assets classified as held for disposal	**97**	40	139%
Total current liabilities	**43,394**	**42,916**	**1%**
Long-term debt	**26,777**	24,761	8%
Provisions for pensions and similar obligations	**9,582**	13,695	(30)%
Deferred tax liabilities	**1,599**	829	93%
Provisions	**4,579**	5,087	(10)%
Other financial liabilities	**902**	1,142	(21)%
Other liabilities	**2,445**	2,471	(1)%
Total non-current liabilities	**45,884**	**47,986**	**(4)%**
Total liabilities	**89,278**	**90,901**	**(2)%**
Debt ratio	***67%***	*72%*	
Total equity attributable to shareholders of Siemens AG	**43,089**	**34,211**	**26%**
Equity ratio	***33%***	*28%*	
Non-controlling interests	**1,438**	605	138%
Total liabilities and equity	**133,804**	**125,717**	**6%**

The decrease in **short-term debt and current maturities of long-term debt** was due mainly to the repayment of fixed-rate instruments totaling €4.9 billion. This was partly offset by reclassifications of long-term fixed-/floating-rate instruments totaling €3.7 billion.

The increase in **trade payables** was due mainly to the merger with Gamesa.

Long-term debt increased mainly due to the issuance of fixed-/floating-rate instruments totaling US$7.5 billion (€7.0 billion) in seven tranches with different maturities of up to 30 years. This was partly offset by the above mentioned reclassifications to short-term debt and current maturities of long-term debt.

Provisions for pensions and similar obligations fell on a reduction of Siemens' defined benefit obligation (DBO) mainly due to increased discount rate assumptions.

The merger with Gamesa and the acquisition of Mentor Graphics were the primary factors in the increase in **deferred tax liabilities**. While the merger with Gamesa also brought substantial new **provisions**, this effect was more than offset by positive factors – mainly related to a major asset retirement obligation – resulting in a net decrease.

The main factors for the change in **total equity attributable to shareholders of Siemens AG** were €6.0 billion in net income attributable to shareholders of Siemens AG, €2.5 billion in other comprehensive income, net of income taxes, mainly due to remeasurements of defined benefit plans, and €2.5 billion in changes in equity resulting from the merger with Gamesa. This increase was partly offset by dividend payments of €2.9 billion (for fiscal 2016).

The increase in **non-controlling interests** was due mainly to the merger with Gamesa.

Capital structure ratio

Our capital structure ratio as of September 30, 2017 decreased to 0.9 from 1.0 a year earlier, both results being in line with the target established in our One Siemens financial framework. The change was due primarily to the above-mentioned decrease of provisions for pensions and similar obligations.

In November 2015, we announced a share buyback of up to €3 billion ending at the latest on November 15, 2018. The buybacks will be made under the current authorization granted at the Annual Shareholders' Meeting on January 27, 2015. Shares repurchased may be used solely for retirement; for issuing shares to employees, to members of the Managing Board and board members of affiliated companies; and for servicing/securing the obligations or rights from or in connection with convertible bonds or warrant bonds. In fiscal 2017 we repurchased 7,922,129 treasury shares under the program at an average cost per share of €117.85, totaling €0.9 billion (including incidental transaction charges).

Debt and credit facilities

As of September 30, 2017 we recorded, in total, €28.8 billion in notes and bonds (maturing until 2047), €2.5 billion in loans from banks (maturing until 2027), €0.8 billion in other financial indebtedness (maturing until 2029) and €0.1 billion in obligations under finance leases. Notes, bonds and loans from banks were issued mainly in U.S. dollar and euro, and to a lower extent in the British pound.

We have credit facilities totaling €7.8 billion which were unused as of September 30, 2017.

For further information about our debt see → NOTE 15 in B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. For further information about the functions and objectives of our financial risk management see → NOTE 24 in B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Off-balance-sheet commitments

As of September 30, 2017 the undiscounted amount of maximum potential future payments related primarily to credit guarantees and guarantees of third-party performance amounted to €3.1 billion (September 30, 2016: €3.7 billion).

In addition to these commitments, we issued other guarantees. To the extent future claims are not considered remote, maximum future payments from these commitments amount to €0.6 billion (September 30, 2016: €0.9 billion). The decrease in other guarantees is related to indemnifications issued in connection with dispositions of businesses.

Future payment obligations under non-cancellable operating leases amounted to €3.3 billion (September 30, 2016: €3.5 billion).

Irrevocable loan commitments amounted to €3.4 billion (September 30, 2016: €3.4 billion). A considerable portion of these commitments resulted from asset-based lending transactions, meaning that the respective loans can be drawn only after the borrower has provided sufficient collateral.

A.5.2 Cash flows

(in millions of €)	Fiscal year 2017
Cash flows from operating activities	
Net income	6,179
Change in operating net working capital	(1,595)
Other reconciling items to cash flows from operating activities – continuing operations	2,641
Cash flows from operating activities – continuing operations	7,225
Cash flows from operating activities – discontinued operations	(50)
Cash flows from operating activities – continuing and discontinued operations	7,176
Cash flows from investing activities	
Additions to intangible assets and property, plant and equipment	(2,406)
Acquisitions of businesses, net of cash acquired	(4,385)
Change in receivables from financing activities of SFS	(686)
Other purchases of assets	(1,382)
Other disposals of assets	1,404
Cash flows from investing activities – continuing operations	(7,456)
Cash flows from investing activities – discontinued operations	(1)
Cash flows from investing activities – continuing and discontinued operations	(7,457)
Cash flows from financing activities	
Purchase of treasury shares	(931)
Re-issuance of treasury shares and other transactions with owners	1,123
Issuance of long-term debt	6,958
Repayment of long-term debt (including current maturities of long-term debt)	(4,868)
Change in short-term debt and other financing activities	260
Interest paid	(1,000)
Dividends paid to shareholders of Siemens AG	(2,914)
Dividends attributable to non-controlling interests	(187)
Cash flows from financing activities – continuing operations	(1,560)
Cash flows from financing activities – discontinued operations	–
Cash flows from financing activities – continuing and discontinued operations	(1,560)

The conversion of profit into cash inflows from operating activities was mainly driven by Healthineers and the Digital Factory Division. This conversion was held back by a build-up of operating net working capital primarily due to an increase in inventories at SGRE and a decrease in billings in excess of costs and estimated earnings on uncompleted contracts and related advances at the Power and Gas Division.

The cash outflows for acquisitions of businesses, net of cash acquired, primarily included payments totaling €4.1 billion related to the acquisition of Mentor Graphics.

The cash outflows for other purchases of assets primarily included additions of assets eligible as central bank collateral and to payments related to several investments such as in connection with our Bentley Systems strategic alliance and the Valeo Siemens eAutomotive joint venture.

The cash inflows from other disposals of assets primarily included disposals from above-mentioned eligible collateral, proceeds from real estate disposals at SRE and from the sale of investments such as the stake in an offshore windfarm project at SFS.

The cash inflows from the re-issuance of treasury shares and other transactions with owners resulted from the exercise of warrants in connection with the redemption of the US$1.5 billion bonds with warrant units.

We report Free cash flow as a supplemental liquidity measure:

Free cash flow

(in millions of €)	Fiscal year 2017 Continuing operations	Discontinued operations	Continuing and discontinued operations
Cash flows from operating activities	7,225	(50)	7,176
Additions to intangible assets and property, plant and equipment	(2,406)	–	(2,406)
Free cash flow	**4,819**	**(50)**	**4,769**

With our ability to generate positive operating cash flows, our total liquidity (defined as cash and cash equivalents as well as available-for-sale financial assets) of €9.6 billion, our €7.8 billion in unused lines of credit, and our credit ratings at year-end, we believe that we have sufficient flexibility to fund our capital requirements. Also in our opinion, our operating net working capital is sufficient for our present requirements.

Investing activities

Additions to intangible assets and property, plant and equipment from continuing operations totaled €2.4 billion in fiscal 2017. Within the Industrial Business, ongoing investments related mainly to technological innovations; extending our capacities for designing, manufacturing and marketing new solutions; improving productivity; and replacements of fixed assets. These investments amounted to €1.8 billion in fiscal 2017. The remaining portion in fiscal 2017 related mainly to SRE, including significant amounts related to office projects such as new office buildings in Germany. SRE is responsible for uniform and comprehensive management of Company real estate worldwide (except for SGRE), and supports the Industrial Business and corporate activities with customer-specific real estate solutions.

With regard to capital expenditures for continuing operations, we expect a significant spending increase in fiscal 2018. In addition, we plan to invest significant amounts in coming years in attractive innovation fields in connection with next47.

Focus areas of ongoing investing activities of the Industrial Business are:

The investments of **Power and Gas** are focused on the enhancement of productivity and selective strategic localization. Investing activities mainly relate to our gas turbines and turbine components.

Energy Management is spending the larger portion of its capital expenditures for innovation, particularly in digital and low-voltage grid edge products and solutions. Further investments are primarily related to the replacement of fixed assets, the expansion or relocation of factories and technical equipment.

The investments of **Building Technologies** relate mainly to the products and systems business, particularly innovation projects such as control and digital platforms.

Mobility's investments focus mainly on meeting project demands and maintaining or enhancing its production facilities.

Major spending of **Digital Factory** in fiscal 2017 related to the factory automation, motion control systems, software and control products businesses, including investments in production facilities in China. The portion of capital expenditures associated with software is expected to increase considerably in fiscal 2018.

Process Industries and Drives makes most of its capital expenditures for the purpose of rationalization, replacement, and adjustment of innovative new or successor products, particularly in Europe.

Healthineers' investments are driven mainly by enhancing competitiveness and innovation notably in the diagnostics businesses, including large amounts relating to intangible assets, particularly capitalized development expenses for new platforms. Healthineers is also spending for factories, especially in China and the United States.

The investments of **Siemens Gamesa Renewable Energy** continue to focus on the expansion of production capacity in Germany for offshore wind turbines as well as in Morocco for onshore blades, while in parallel the production capacities in other regions are reduced to address changing market conditions. Further investments relate to the emerging markets India and China to allow for the production of the next turbine generation.

A.6 Overall assessment of the economic position

In fiscal 2017, we continued to stringently execute on our "Vision 2020" concept. We reached significant milestones for the strategic development of Siemens and initiated important measures to further strengthen our portfolio. At the beginning of fiscal 2017, we founded next47, which pools our existing startup activities to foster disruptive ideas more vigorously and accelerate the development of new technologies. In the second quarter, we acquired Mentor Graphics, an electronic design automation software provider, to further strengthen and expand our industrial software portfolio. At the beginning of the third quarter we closed the merger of our wind power business with Gamesa to form SGRE, a leading global wind power player in the onshore and offshore markets. In the fourth quarter, we announced our plans to publicly list a minority stake in the Healthineers business in the first half of calendar year 2018, depending on market conditions, in order to strengthen this Strategic Unit within Siemens by increasing the entrepreneurial and capital flexibility it needs to drive its strategic growth plans. Also in the fourth quarter, we signed a memorandum of understanding to combine our mobility business, including the rail traction drives business, with Alstom SA, France, in order to provide our customers around the world with an even more innovative and competitive product and solution portfolio. This transaction is expected to close at the end of calendar year 2018.

Also with regard to executing our financial target system, fiscal 2017 was another very successful year for Siemens and for most of our industrial businesses and SFS. We raised our guidance for basic earnings per share (EPS) from net income after the first quarter. After the second quarter, we confirmed this raised forecast and included in the EPS guidance previously excluded burdens resulting from portfolio changes. We reached or exceeded all the targets set for our primary measures for fiscal 2017. We achieved revenue growth of 3% net of currency translation and portfolio effects. Net income and basic EPS from net income rose 11% and 10%, respectively. Excluding burdens related to the acquisition of Mentor Graphics and the merger with Gamesa, Return on capital employed (ROCE) was slightly above the lower end of our target range of 15% to 20%. Our capital structure ratio came in slightly below 1.

Orders for fiscal 2017 were €85.7 billion, down 1% year-over-year. The decline was due to contracting markets for Power and Gas, which in the prior fiscal year had recorded large orders for power plants in Egypt. All other industrial businesses recorded increases. Orders grew at double-digit rates at Mobility and Digital Factory, the latter on the particular strength of its short-cycle businesses and supported by new volume from the Mentor Graphics acquisition. Order growth at SGRE was due to new volume from the merger with Gamesa. At 1.03, our book-to-bill ratio fulfilled our expectation of a ratio above 1.0.

Revenue rose to €83.0 billion, up 4% year-over-year. Except for Power and Gas and Process Industries and Drives, all industrial businesses contributed to revenue growth. Revenue growth was led by substantial growth at SGRE, due mainly to new volume from the merger with Gamesa, and by significant growth at Digital Factory due to the strength of the Division's short-cycle businesses and to the Mentor Graphics acquisition. Excluding currency translation and portfolio effects, overall revenue grew 3%. For fiscal 2017, we had forecast modest growth in revenue, net of currency translation and portfolio effects.

Industrial Business profit rose 8% to €9.5 billion. All industrial businesses except Power and Gas and SGRE increased their profit year-over-year. The strongest increases came from Digital Factory and Building Technologies, which together with Healthineers and Mobility achieved excellent results for the fiscal year. Energy Management continued its solid improvement. While profit at Process Industries and Drives grew, this increase was due primarily to lower severance charges year-over-year. As planned, we increased R&D and selling expenses in our industrial businesses, with a strong emphasis on digitalization, including the further advancement of our MindSphere platform.

The profit margin of our Industrial Business increased to 11.2%, up from 10.8% in the prior fiscal year. We thus reached our forecast as of the end of the first quarter of fiscal 2017, which was raised from a range of between 10.5% and 11.5% to a range of between 11.0% and 12.0%. Six of our eight industrial businesses improved their margins year-over-year, and five reached or exceeded their margin ranges. In challenging market environments, Power and Gas, SGRE and Process Industries and Drives missed their target ranges in fiscal 2017. With a return on equity after tax of 19.9%, SFS, which is reported outside our Industrial Business, reached the upper end of its margin range.

The loss outside the Industrial Business came in lower year-over-year. This was due mainly to positive effects related to the measurement of a major asset retirement. These effects were partly offset by higher amortization of intangible assets acquired in business combinations, mainly related to the merger with Gamesa and to the Mentor Graphics acquisition.

Net income in fiscal 2017 rose 11% to €6.2 billion, and basic EPS from net income was up 10% to €7.44. We thus reached our raised forecast, which was for an increase in basic EPS from net income in the range of €7.20 to €7.70, up from the range of €6.80 to €7.20 that was forecast in our Annual Report for fiscal 2016. Net income development benefited from our continuous efforts to increase productivity. In fiscal 2017, total cost productivity improved 5%, reaching the upper end of our fiscal 2017 target of 3% to 5%.

ROCE for fiscal 2017 was 13.5%, down from 14.3% in fiscal 2016. This decline was due primarily to burdens related to the merger with Gamesa and the acquisition of Mentor Graphics, which we had excluded from our ROCE forecast for fiscal 2017. Excluding these burdens, ROCE reached the lower end of the 15% to 20% range that we generally aim to achieve. We thus reached our forecast, which was to come close to or reach the lower end of our target range.

We evaluate our capital structure using the ratio of industrial net debt to EBITDA. For fiscal 2017, this ratio was 0.9, compared to 1.0 in fiscal 2016. We thus reached our forecast, which was to achieve a ratio of up to 1.0.

Free cash flow from continuing and discontinued operations for fiscal 2017 was €4.8 billion, down 13% compared to the prior fiscal year.

We intend to continue providing an attractive return to shareholders. As in the past, we intend to fund our dividend payout from Free cash flow. The Siemens Managing Board, in agreement with the Supervisory Board, proposes a dividend of €3.70 per share, up from €3.60 a year earlier.

A.7 Non-financial matters

Siemens has policies for environmental, employee and social matters, for the respect of human rights, and anti-corruption and bribery matters, among others. Reportable information which also relates to these non-financial matters is included in the → COMBINED MANAGEMENT REPORT, in → NOTES 16, 17, 21, 25, and 26 OF B.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, and in ↗ NOTES 16, 17, 20, 21, and 25 OF THE NOTES TO THE FINANCIAL STATEMENTS in the ANNUAL FINANCIAL STATEMENTS OF SIEMENS AG AS OF SEPTEMBER 30, 2017. These disclosures are – contrary to the disclosures in our separately available "Sustainability Information 2017" document – not subject to a specific framework to inform the users of the financial reports in a focused manner.

A.8 Report on expected developments and associated material opportunities and risks

A.8.1 Report on expected developments

A.8.1.1 WORLDWIDE ECONOMY

In fiscal 2018, the world economy is expected to grow slightly faster than in fiscal 2017. Global GDP is projected to expand by 3.2% in calendar 2018, the highest growth rate since 2010. Fixed investments are anticipated to grow by 3.6%, with a higher rate in emerging countries than in advanced economies. Emerging markets are forecast to benefit from stronger global growth and rising commodity prices.

The U.S. economy is anticipated to see moderate growth of 2.4% even without stimulus in the form of substantial tax cuts or a big infrastructure program. GDP growth is driven by consumer spending, which is supported by declining unemployment, rising incomes and household wealth. Fixed investments are expected to increase by 2.7% and should benefit from firming global markets. Interest rates are anticipated to continue to gradually rise led by central bank rates.

The expansion in Europe is expected to continue, with GDP forecast to grow 2.5%; especially the Eurozone should proceed with its recovery after a prolonged period of stagnation and recession. Supportive factors include continued monetary stimulus, reduced headwinds from fiscal policy and improving confidence of companies and households.

GDP growth in China is expected to moderate further in calendar 2018 to 6.5%, down from 6.8% in 2017. However, the near-term strength masks longer-term fragilities, especially very high debt levels. Also, the government has made only slow progress in reducing overcapacities.

The forecasts presented here for GDP and fixed investments are based on a report from IHS Markit dated October 15, 2017.

A.8.1.2 MARKET DEVELOPMENT

In fiscal 2018, market volume measured in Euro is expected to be held back by negative currency translation effects.

For fiscal 2018, we expect the markets served by our Power and Gas Division to remain challenging with market volume potentially declining again, even below the low level of fiscal 2017. However, the need for small and medium gas turbines, particularly in countries with a less developed energy infrastructure, is anticipated to continue. Volume in the compression market is expected to remain on a low level but we expect to see growing signs of a recovery during fiscal 2018 as some customers in the oil and gas industry revive investment plans. The steam turbine market is expected to continue to be impacted by the shift from coal to gas and renewable sources for power generation.

In fiscal 2018, markets served by the Energy Management Division are expected to provide moderate, low single-digit growth excluding currency translation effects. We expect negative currency translation effects from a weaker US$ and related currencies. Customers are expected to continue their effort to strengthen transmission and distribution grids to integrate the growing amount of decentralized renewable energy. We expect first signs of stabilization in the oil and gas and the metals and mining markets, though from low levels.

For the markets served by the Building Technologies Division, we expect solid growth again in fiscal 2018. Highest growth dynamics are forecast for Asia, with above-average growth in China and India. Markets in the Middle East are also expected to grow faster than the Division's markets overall. The U.S. is expected to grow in line with the global average and the majority of European countries are anticipated to continue their recovery, led by Spain and some Eastern European countries.

For fiscal 2018, we expect markets served by the Mobility Division to grow moderately. We anticipate that rail operators in Europe, particularly in Germany and the U.K., will continue to make significant investments. Markets in the Americas region are expected to remain strong, especially due to ongoing investments in urban transport and infrastructure in the U.S. as well as demand for commuter transport in Argentina. In the Middle East and Africa, we expect tenders of further rolling stock and turnkey projects. In China, we expect investments in high-speed trains, urban transport and rail infrastructure to continue to drive growth. In India, market growth should continue from projects for commuter and urban transport as well as high-speed passenger lines, freight rail, and related infrastructure as part of the country's transportation infrastructure modernization. Overall, local rail transport and intermodal mobility solutions are expected to gain importance as urbanization continues to progress around the world. In emerging countries, rising incomes are expected to result in greater demand for public transport solutions.

For fiscal 2018, markets addressed by the Digital Factory Division are expected to continue to grow. Global manufacturing production is forecast to grow moderately again, although growth rates in the automotive industries are expected to slow following strong growth in prior years. The machine-building industry is also forecast to grow as customers upgrade and modernize production facilities in an increasingly dynamic market environment. The trend towards digitalization is expected to continue to drive growth in the industrial software market. On a geographic basis, the strong growth rates experienced in China in fiscal 2017 are not expected to continue in fiscal 2018.

In fiscal 2018, nominal volume for the markets served by the Process Industries and Drives Division is expected to decline slightly due to currency translation effects. Excluding this effect, market volume is anticipated to grow slightly. Within commodity-related markets (e.g. oil and gas, mining, minerals), a gradual recovery in capital expenditures is expected to continue on a low level. Chemicals market is expected to further stabilize, whereas we expect challenging market conditions for our wind-related components due to higher pricing pressure resulting from the ongoing transition towards mature, fully competitive wind energy markets. On a geographic basis, the market growth momentum in China is expected to moderate in fiscal 2018 year-over-year, while markets in Europe and in the U.S. are expected to improve.

For fiscal 2018, markets for Healthineers are expected to stay on a moderate growth path. Healthineers' markets continue to benefit from long-term trends such as growing and aging populations and from broader access to healthcare, but are restricted by public spending constraints and by consolidation of healthcare providers. On a geographic basis, we expect slight growth in the U.S., held back by continued pressure to increase utilization of existing equipment, reduced reimbursement rates and policy uncertainty. For Europe, we also expect slight growth, with equipment replacement and business with large customers such as hospital chains gaining further importance. For China, we expect moderate growth due to continuously growing government spending on healthcare, promoting the private segment and expanding access on county level, pronounced effects of aging and growing incidence of chronic disease, partly held back by governmental restrictions such as centralized tendering and regulatory oversight of large-scale equipment allocation and use. Governments in a number of countries show the intention to establish protectionist initiatives and policies which support local suppliers.

For SGRE, we expect global wind installations to grow in fiscal 2018, with growth driven by higher demand for onshore installations, while offshore installations are expected to remain near the prior-year level. Some of the SGRE more relevant onshore markets like India and the U.S. will continue to experience higher than normal levels of volatility driven by the transition to fully competitive wind markets. This transition is expected to result in a low double-digit price decline in the onshore markets in fiscal 2018. As a result volume for SGRE's markets measured in Euro is expected to decline year-over-year.

Our SFS Division is geared to Siemens' Industrial Business and its markets. As such SFS is influenced by the business development of the markets served by our Industrial Business, among other factors. SFS will continue to focus its business scope on areas of intense domain know-how.

A.8.1.3 SIEMENS GROUP

We are basing our outlook for fiscal 2018 for the Siemens Group and its segments on the above-mentioned expectations and assumptions regarding the overall economic situation and specific market conditions for the next fiscal year. We plan to publicly list a minority stake in Healthineers in the first half of calendar 2018, depending on market conditions, to further strengthen Healthineers in Siemens for the future. The public listing of a minority stake in Healthineers will among others result in an increase in non-controlling interests, which reduces net income attributable to Siemens AG's shareholders and corresponding EPS. Effects on EPS associated with minorities holding shares in Healthineers following the planned IPO are excluded from this outlook. Furthermore, charges related to legal and regulatory matters are excluded from this outlook.

For fiscal 2018, we expect market-driven headwinds to continue to significantly impact volume development and profitability of Power and Gas, SGRE and Process Industries and Drives. These units are in the process of preparing capacity adjustment measures, which we expect to result in significant severance charges. There are high uncertainties regarding the extent of the financial burdens for fiscal 2018, as these depend on the results of consultations with the relevant employee representatives and the implementation of the planned measures is expected to take several years. Therefore, we exclude all severance charges from this outlook. Severance charges in fiscal 2017 were €385 million for our Industrial Business and €466 million (pre-tax) for Siemens. We assume that severance charges in fiscal 2018 will be higher than in fiscal 2017. Furthermore, this outlook excludes potential effects which may follow the introduction of a new strategic program, which we expect to announce during fiscal 2018.

We are exposed to currency translation effects, particularly involving the US$, the British £ and currencies of emerging markets, particularly the Chinese yuan. While we expect volatility in global currency markets to continue in fiscal 2018, we have improved our natural hedge on a global basis through geographic distribution of our production facilities during the past. Nevertheless, Siemens is still a net exporter from the Euro zone to the rest of the world, so a weak Euro is principally favorable for our business and a strong Euro is principally unfavorable. In addition to the natural hedging strategy just mentioned, we also hedge currency risk in our export business using derivative financial instruments. We expect these steps to help us limit effects on income related to currency in fiscal 2018. Based on currency exchange rates as of beginning of November 2017, we nevertheless expect negative currency effects to significantly influence nominal order and revenue development, and to adversely affect Industrial Business profit with an impact in the mid-triple-digit millions of Euros.

We are basing this outlook on our preliminary numbers under IFRS 15, Revenue from Contracts with Customers, which we will adopt beginning with fiscal 2018 retrospectively, i.e. results for fiscal 2017 will be presented on a comparable basis. We do not expect the adoption of IFRS 15 to have a significant effect on Siemens' Consolidated Financial Statements. On a preliminary basis, the adoption of IFRS 15 is expected to reduce reported revenue for fiscal 2017 by approximately €0.2 billion and reported basic EPS for fiscal 2017 by approximately €0.10, resulting mainly from Profit Industrial Business. Reported Industrial Business profit margin for fiscal 2017 is expected to decline by approximately 0.1 percentage points. As a result of the IFRS 15 adoption, below we report the backlog of the Siemens Group which, compared to the previous definition, now also includes the order backlog in businesses outside the Industrial

Business, eliminations for transactions between the businesses, and changes arising from the adoption of IFRS 15.

Based on these assumptions and exclusions, our outlook is as follows:

Revenue growth

We expect a mixed picture in our market environment in fiscal 2018, ranging from strong markets for our short-cycle businesses to unfavorable dynamics in our energy generation markets, as well as geopolitical uncertainties that may restrict investment sentiment. Therefore, for fiscal 2018 we expect modest growth in revenue, net of effects from currency translation and portfolio transactions.

In fiscal 2017, most of our industrial businesses contributed to organic revenue growth, and we expect a similar development in fiscal 2018. The principal exceptions are Power and Gas and SGRE, which continue to be impacted by market headwinds.

As of September 30, 2017, our order backlog totaled €126 billion. Thereof Power and Gas had an order backlog of €40 billion, Mobility of €26 billion, SGRE of €21 billion, Healthineers of €15 billion, Energy Management of €13 billion, Process Industries and Drives and Building Technologies of €5 billion each and Digital Factory of €3 billion. We expect revenue growth in fiscal 2018 to benefit from conversion of our order backlog. From Siemens' backlog, we expect to convert approximately €44 billion of past orders into current revenue in fiscal 2018. Within this amount, we expect our segments involved in large long-term project business to contribute the following conversions of backlog into revenue for fiscal 2018: For Power and Gas we expect approximately a €9 billion in revenue conversion, for Mobility, Energy Management and SGRE approximately €7 billion in revenue conversion each.

We anticipate that orders in fiscal 2018 will exceed revenue for a book-to-bill ratio above 1.

Profitability

For fiscal 2018, we expect net income to result in basic EPS from net income in the range of €7.20 to €7.70. Net income and basic EPS from net income for fiscal 2017 were €6.1 billion and €7.34, respectively, taking into account the retrospective adoption of IFRS 15 as mentioned above.

Our forecast for net income and corresponding basic EPS is based on a number of additional assumptions: As part of our One Siemens framework, we target a total cost productivity improvement of 3% to 5% in fiscal 2018. Also, we assume continued solid project execution. Furthermore, we anticipate clear currency-related impacts on net income. Along with these assumptions, we anticipate pricing pressure on our offerings of around 2.5% overall in fiscal 2018, with SGRE and the Power and Gas Division clearly above this average. Furthermore, we expect wage inflation of around 3% to 4%. Also, we plan to increase R&D expenses aimed at strengthening our capacities for innovation.

For fiscal 2018, taking into account the above-mentioned assumptions and exclusions, we expect all but two of our industrial businesses to be in or above their ranges for profit margin as defined in our financial performance system (see → A.2 FINANCIAL PERFORMANCE SYSTEM). The exceptions are Power and Gas and Process Industries and Drives. Overall, we expect a profit margin for our Industrial Business of 11.0% to 12.0%. Taking into account the retrospective adoption of IFRS 15 as mentioned above, Industrial Business profit margin was 11.1% in fiscal 2017. We expect SFS, which is reported outside Industrial Business, to achieve a return on equity (ROE) within its margin range in fiscal 2018 and to keep its profit near the prior-year level.

Within our Reconciliation to Consolidated Financial Statements, we expect expenses for Corporate items to be approximately €0.6 billion and to include significant centrally carried expenses related to innovation and digitalization. Despite burdens such as carve-out related expenses stemming from portfolio measures, particularly including the planned public listing of a minority share in Healthineers in the first half of calendar 2018 and the planned merger of our mobility business with Alstom by the end of calendar 2018, we expect results related to CMPA to be positive due among other factors to a €0.6 billion (after-tax) gain from the sale of our shares in OSRAM Licht AG at the beginning of fiscal 2018. Results related to CMPA are also expected to be highly volatile from quarter to quarter during the fiscal year. We anticipate that SRE will continue with real estate disposals depending on market conditions and generate results near the prior-year level. Centrally carried pension expenses are expected to total approximately €0.4 billion in fiscal 2018. Amortization of intangible assets acquired in business combinations are expected to rise to approximately €1.2 billion in fiscal 2018 due primarily to the merger with Gamesa and the acquisition of Mentor Graphics. Eliminations, Corporate Treasury and other reconciling items, which were a negative €0.3 billion in fiscal 2017, are expected to increase by approximately €0.1 billion in fiscal 2018 due mainly to higher interest expenses.

We do not expect material influence on financial results from discontinued operations in fiscal 2018. We anticipate our tax rate for fiscal 2018 to be in the range of 27% to 33%, up from 26% in fiscal 2017. We expect the increase in the tax rate to be driven by tax burdens related to the preparations of the initial public offering of a minority stake in Healthineers and the merger of our mobility business with Alstom.

Capital efficiency

Within our One Siemens financial framework, we aim in general to achieve a ROCE in the range of 15% to 20%. Due mainly to burdens on net income and average capital employed resulting from the acquisition of Mentor Graphics and the merger with

Gamesa, we expect ROCE to show a double-digit result in fiscal 2018 but to come in below the lower end of our target range.

Capital structure

We aim in general for a capital structure, defined as the ratio of industrial net debt to EBITDA, of up to 1.0, and expect to achieve this in fiscal 2018.

A.8.1.4 OVERALL ASSESSMENT

We expect a mixed picture in our market environment in fiscal 2018, ranging from strong markets for our short-cycle businesses to unfavorable dynamics in our energy generation markets, as well as geopolitical uncertainties that may restrict investment sentiment. For fiscal 2018 we expect modest growth in revenue, net of effects from currency translation and portfolio transactions, and anticipate that orders will exceed revenue for a book-to-bill ratio above 1. We expect a profit margin of 11.0% to 12.0% for our Industrial Business and basic EPS from net income in the range of €7.20 to €7.70, both excluding severance charges.

This outlook excludes charges related to legal and regulatory matters, effects on EPS associated with minorities holding shares in Healthineers following the planned IPO, and potential effects which may follow the introduction of a new strategic program.

Overall, the actual development for Siemens and its Segments may vary, positively or negatively, from our outlook due to the risks and opportunities described below or if our expectations and assumptions do not materialize.

A.8.2 Risk management

A.8.2.1 BASIC PRINCIPLES OF RISK MANAGEMENT

Our risk management policy stems from a philosophy of pursuing sustainable growth and creating economic value while managing appropriate risks and opportunities and avoiding inappropriate risks. As risk management is an integral part of how we plan and execute our business strategies, our risk management policy is set by the Managing Board. Our organizational and accountability structure requires each of the respective managements of our Industrial Business, Financial Services (SFS), regions and Corporate Units to implement risk management programs that are tailored to their specific industries and responsibilities, while being consistent with the overall policy.

A.8.2.2 ENTERPRISE RISK MANAGEMENT PROCESS

We have implemented and coordinated a set of risk management and control systems which support us in the early recognition of developments that could jeopardize the continuity of our business. The most important of these systems include our enterprise-wide processes for strategic planning and management reporting. Strategic planning is intended to support us in considering potential risks well in advance of major business decisions, while management reporting is intended to enable us to monitor such risks more closely as our business progresses. Our internal auditors regularly review the adequacy and effectiveness of our risk management system. Accordingly, if deficits are detected, it is possible to adopt appropriate measures for their elimination. This coordination of processes and procedures is intended to help ensure that the Managing Board and the Supervisory Board are fully informed about significant risks in a timely manner.

Risk management at Siemens builds on a comprehensive, interactive and management-oriented Enterprise Risk Management (ERM) approach that is integrated into the organization and that addresses both risks and opportunities. Our ERM approach is based on the globally accepted COSO (Committee of Sponsoring Organizations of the Treadway Commission) 'Enterprise Risk Management – Integrated Framework' (2004) and is adapted to Siemens requirements. It additionally conforms to ISO (International Organization for Standardization) Standard 31000 (2009). The framework connects the ERM process with our financial reporting process and our internal control system. It considers a company's strategy, the efficiency and effectiveness of its business operations, the reliability of its financial reporting as well as compliance with relevant laws and regulations to be equally important.

Our ERM process aims for early identification and evaluation of, and response regarding, risks and opportunities that could materially affect the achievement of our strategic, operational, financial and compliance objectives. The time horizon covered by ERM is typically three years. Our ERM is based on a net risk approach, addressing risks and opportunities remaining after the execution of existing control measures. If risks have already been considered in plans, budgets, forecasts or the financial statements (e.g. as a provision or risk contingency), they are supposed to be incorporated with their financial impact in the entity's business objectives. As a consequence, only additional risks arising from the same subject (e.g. deviations from business objectives, different impact perspectives) should be considered for the ERM. In order to provide a comprehensive view on our business activities, risks and opportunities are identified in a structured way combining elements of both top-down and bottom-up approaches. Reporting generally follows a quarterly cycle while this regular reporting process is complemented by an ad-hoc reporting process that aims to escalate critical issues in a timely manner. Relevant risks and opportunities are prioritized in terms of impact and likelihood, considering different perspectives, including business objectives, reputation and regulatory matters. The bottom-up identification and prioritization process is supplemented by workshops with the respective managements of the Industrial Business, SFS, regions and Corporate Units. This top-down element ensures that potential new risks and opportunities are discussed at the management level and are included in the subsequent reporting process, if found to be relevant. Reported risks and opportunities are analyzed regarding potential cumulative effects and are aggregated within and for each of the organizations mentioned above.

Responsibilities are assigned for all relevant risks and opportunities, with the hierarchical level of responsibility depending on the significance of the respective risk or opportunity. In a first step, assuming responsibility for a specific risk or opportunity involves choosing one of our general response strategies. Our general response strategies with respect to risks are avoidance, transfer, reduction or acceptance of the relevant risk. Our general response strategy with respect to opportunities is to 'seize' the relevant opportunity. In a second step, responsibility for a risk or opportunity also involves the development, initiation and monitoring of appropriate response measures corresponding to the chosen response strategy. These response measures have to be specifically tailored to allow for effective risk management. Accordingly, we have developed a variety of response measures with different characteristics. For example, we mitigate the risk of fluctuations in currency and interest rates by engaging in hedging activities. Regarding our long-term projects, systematic and comprehensive project management with standardized project milestones, including provisional acceptances during project execution and complemented by clearly defined approval processes, assists us in identifying and responding to project risks at an early stage, even before the bidding phase. Furthermore, we maintain appropriate insurance levels for potential cases of damage and liability risks in order to reduce our exposure to such risks and to avoid or minimize potential losses. Among others, we address the risk of fluctuation in economic activity and customer demand by closely monitoring the macroeconomic conditions and developments in relevant industries, and by adjusting capacity and implementing cost-reduction measures in a timely and consistent manner, if deemed necessary.

A.8.2.3 RISK MANAGEMENT ORGANIZATION AND RESPONSIBILITIES

To oversee the ERM process and to further drive the integration and harmonization of existing control activities to align with legal and operational requirements, the Managing Board established a Risk Management and Internal Control Organization, headed by the Chief Risk & Internal Control Officer, and a Corporate Risk and Internal Control Committee (CRIC). The CRIC obtains risk and opportunity information from the Risk Committees established at the Industrial Business, SFS, regions and Corporate Units. In order to allow for a meaningful discussion on Siemens group level individual risk and opportunities of similar cause-and-effect nature are aggregated into risk and opportunity themes. This aggregation naturally results in a mixture of risks, including those with a primarily qualitative assessment and those with a primarily quantitative risk assessment. Accordingly, we do not foresee a purely quantitative assessment of risk themes. This information then forms the basis for the evaluation of the company-wide risk and opportunity situation. The CRIC reports to and supports the Managing Board on matters relating to the implementation, operation and oversight of the risk and internal control system and assists the Managing Board for example in reporting to the Audit Committee of the Supervisory Board. The CRIC is composed of the Chief Risk & Internal Control Officer, as the chairperson, members of the Managing Board and selected heads of Corporate Units.

A.8.3 Risks

Below we describe the risks that could have a material adverse effect on our business, financial condition (including effects on assets, liabilities and cash flows), results of operations and reputation. The order in which the risks are presented in each of the four categories reflects the currently estimated relative exposure for Siemens associated with these risks and thus provides an indication of the risks' current importance to us. Additional risks not known to us or that we currently consider immaterial may also negatively impact our business objectives and operations. Unless otherwise stated, the risks described below relate to all of our segments.

A.8.3.1 STRATEGIC RISKS

Competitive environment: The worldwide markets for our products, solutions and services are highly competitive in terms of pricing, product and service quality, product development and introduction time, customer service, financing terms and shifts in market demands. We face strong existing competitors and also competitors from emerging markets, which may have a better cost structure. Some industries in which we operate are undergoing consolidation, which may result in stronger competition, a change in our relative market position, or unexpected price erosion. Furthermore, there is a risk of take-overs of crucial suppliers by competitors and a risk that competitors are increasingly offering services for our installed base. We address these risks with various measures, for example benchmarking, strategic initiatives, sales push initiatives, executing productivity measures and target cost projects, rightsizing of our footprint, outsourcings, mergers and joint ventures, exporting from low-cost countries to price-sensitive markets, and optimizing our product portfolio. We continuously monitor and analyze competitive and market information in order to be able to anticipate unfavorable changes in the competitive environment rather than merely reacting to such changes.

Economic, political and geopolitical conditions (macroeconomic environment): We see a high level of uncertainty regarding the global economic outlook. Significant downside risks stem e.g. from an increasing trend towards populism and from the consequences of the Brexit negotiations. The U.K. exit process could heighten business and consumer uncertainty, reduce investment in the U.K., pose risks to financial markets and may increase the uncertainties about the future of the European Union (EU) in general. A further and massive loss of economic confidence and a prolonged period of reluctance in investment decisions and awarding of new orders would hit our businesses. We continuously monitor the exit process and established, for example, a task force coordinating our local and global mitigation measures. Significant business risk stems from an abrupt weakening of Chinese economic growth. Both global and regional investment climates could collapse due to political upheavals, further independence debates within countries in the EU (e.g. the Catalan endeavor for independence), or sustained success of protectionist, anti EU and anti-business parties and policy. A rapid tightening of monetary policy by the U.S. Federal Reserve could cause a depreciation spiral among emerging market currencies. This could lead to a renewed emerging market crisis because debt levels of emerging market enterprises have risen, making them dependent on favorable global financial conditions to service debts denominated in foreign currencies. Emerging market operations involve further various risks, including civil unrest, health concerns, cultural differences such as employment and business practices, volatility in gross domestic product, economic and governmental instability, the potential for nationalization of private assets and the imposition of exchange controls. A terrorist mega-attack or a significant cybercrime incident, or a series of such attacks or incidents in major economies, could depress economic activity globally and undermine consumer and business confidence. Further risks stem from geopolitical tensions (e.g. in Syria, Ukraine, Turkey, and North Korea), and from an increasing vulnerability of the connected global economy to natural disasters. In addition we are depending on the economic momentum of specific industries, especially on the continued confidence in the automotive sector.

In general, due to the significant proportion of long-cycle businesses in our Industrial Business and the importance of long-term contracts for Siemens, there is usually a time lag between the development of macroeconomic conditions and their impact on our financial results. In contrast, short-cycle business activities of the Digital Factory Division and parts of Process Industries and Drives Division and of the Energy Management Division react quickly to volatility in market demand. If the moderate recovery of macroeconomic growth stalls again and if we are not successful in adapting our production and cost structure to subsequent changes in conditions in the markets in which we operate, there can be no assurance that we will not experience adverse effects. For example, it may become more difficult for our customers to obtain financing. As a result, they may modify, delay or cancel plans to purchase our products, solutions and services, or fail to follow through on purchases or contracts already executed. Furthermore, the prices for our products, solutions and services may decline, as a result of adverse market conditions, to a greater extent than we currently anticipate. In addition, contracted payment terms, especially regarding the level of advance payments by our customers relating to long-term projects, may become less favorable, which could negatively impact our financial conditions. Siemens' global setup with operations in almost all relevant economies, the wide variety of our offerings following different business cycles, and our varying business models (e.g. products, software, solutions, projects and services) help us to absorb the impact of an adverse development in a single market.

Disruptive technologies: The markets in which our businesses operate experience rapid and significant changes due to the introduction of innovative and disruptive technologies. In the fields of digitalization (e.g. internet of things, web of systems, cloud offerings, Industry 4.0), there are risks of new competitors, substitutions of existing products/solutions/services, niche players, new business models (e.g. in terms of pricing, financing, extended scopes for project business or subscription models in software business) and finally the risk that our competitors may have faster time-to-market strategies and introduce their digital products and solutions faster than Siemens. Our operating results depend to a significant extent on our technological leadership, our ability to anticipate and adapt to changes in our markets and to reduce the costs of producing our products. Introducing new products and technologies requires a significant commitment to research and development, which in return requires expenditure of considerable financial resources that may not always result in success. Our results of operations may suffer if we invest in technologies that do not operate or may not be integrated as expected, or that are not accepted in the marketplace as anticipated, or if our products, solutions or systems are not introduced to the market in a timely manner, particularly compared to our competitors, or even become obsolete. We constantly apply for new patents and actively manage our intellectual property portfolio to secure our technological position. However, our patents and other intellectual property may not prevent competitors from independently developing or selling products and services that are similar to or duplicates of ours.

Footprint: The risk is that we are not flexible enough in adjusting our organizational and manufacturing footprint in order to quickly respond to changing markets, resulting in a non-competitive cost position and consequent loss of business. To mitigate this risk, we continuously monitor and analyze competitive and market information. Furthermore, we closely monitor the implementation of the planned measures, maintain strict cost management, and conduct ongoing discussions with all concerned interest groups.

Portfolio measures, at-equity investments, other investments and strategic alliances: Our strategy includes divesting activities in some business areas and strengthening others through portfolio measures, including mergers and acquisitions. With respect to divestments, we may not be able to divest some of our activities as planned, and the divestitures we do carry out could have a negative impact on our business, financial condition, results of operations and our reputation. Mergers and acquisitions are inherently risky because of difficulties that may arise when integrating people, operations, technologies and products. There can be no assurance that any of the businesses we acquired can be integrated successfully and in a timely manner as originally planned, or that they will perform as anticipated once integrated. In addition, we may incur significant acquisition, administrative, tax and other expenditures in connection with these transactions, including costs related to integration of acquired businesses. Furthermore, portfolio measures may result in additional financing needs and adversely affect our capital structure. Acquisitions lead to substantial additions to intangible assets, including goodwill in our statements of financial position. If we were to encounter continuing adverse business developments or if we were otherwise to perform worse than expected at acquisition activities, then these intangible assets, including goodwill, might have to be impaired, which could adversely affect our business, financial conditions and results of operations. Our investment portfolio consists of investments held for purposes other than trading. Furthermore, we hold other investments, for example, Atos SE. Any factors negatively influencing the financial condition and results of operations of our at-equity investments and other investments, could have an adverse effect on our equity pick-up related to these investments or may result in a related write-off. In addition, our business, financial condition and results of operations could also be adversely affected in connection with loans, guarantees or non-compliance with financial covenants related to these at-equity investments and other investments. Furthermore, such investments are inherently risky as we may not be able to sufficiently influence corporate governance processes or business decisions taken by our equity investments, other investments and strategic alliances that may have a negative effect on our business. In addition, joint ventures bear the risk of difficulties that may arise when integrating people, operations, technologies and products. Strategic alliances may also pose risks for us because we compete in some business areas with companies with which we have strategic alliances. Besides other measures, we handle these risks with standardized processes as well as dedicated roles and responsibilities in the areas of mergers, acquisitions, divestments and carve outs. This includes post-closing actions as well as claim management and centrally managed portfolio activities.

A.8.3.2 OPERATIONAL RISKS

Cyber/Information security: Our business portfolio is dependent on digital technologies. We observe a global increase of IT security threats and higher levels of professionalism in computer crime, which pose a risk to the security of products, systems and networks and the confidentiality, availability and integrity of data. Like other large multinational companies we are facing active cyber threats from sophisticated adversaries that are supported by organized crime and nation-states engaged in economic espionage or even sabotage. We attempt to mitigate these risks by employing a number of measures, including employee training, comprehensive monitoring of our networks and systems through Cyber Security Operation Centers, and maintenance of backup and protective systems such as firewalls and virus scanners. Our contractual arrangements with service providers, aim to ensure that these risks are reduced. Nonetheless our systems, products, solutions and services, as well as those of our service providers, remain potentially vulnerable to attacks. Such attacks could potentially lead to the publication, manipulation or leakage information such as through industrial espionage, improper use of our systems, defective products, production downtimes and supply shortages, with potential adverse effects on our reputation, our competitiveness and results of our operations.

Operational failures and quality problems in our value chain processes: Our value chain comprises all steps, from research and development to supply chain management, production, marketing, sales and services. Operational failures in our value chain processes could result in quality problems or potential product, labor safety, regulatory or environmental risks. Such risks are particularly present in our Industrial Business in relation to our production and manufacturing facilities, which are located all over the world and have a high degree of organizational and technological complexity. From time to time, some of the products we sell might have quality issues resulting from the design or manufacture of these products or the commissioning of these products or the software integrated into them. Our Healthineers' business, for example, is subject to regulatory authorities including the U.S. Food and Drug Administration and the European Commission's Health and Consumer Policy Department, which require us to make specific efforts to safeguard our product safety. If we are not able to comply with these requirements, our business and reputation may be adversely affected. We have established multiple measures for quality improvement and claim prevention. The increased use of quality management tools is improving visibility and enables us to strengthen our root cause and prevention processes.

Operational optimization and cost reduction initiatives: We are in a continuous process of operational optimization and constantly engage in cost-reduction initiatives, including ongoing capacity adjustment measures and structural initiatives. Consolidation of business activities and manufacturing facilities, outsourcings/carve outs, joint ventures and the streamlining of product portfolios are all part of these cost-reduction efforts. These measures may not be implemented as planned, may turn out to be less effective than anticipated, may become effective later than estimated or may not become effective at all. Any future contribution of these measures to our profitability will be influenced by the actual savings achieved and by our ability to sustain them. In case of restructuring and outsourcing activities, there can be no assurance that there are no delays in product deliveries or we might even experience delivery failures. Furthermore, a delay in critical R&D projects could lead to negative impacts in running projects. We constantly control and monitor the progress of these projects and initiatives using standardized controlling and milestone tracking approaches.

Cost overruns or additional payment obligations related to the management of our long-term, fixed-price or turnkey and service projects: A number of our Industrial Businesses conduct activities, especially large projects, under long-term contracts that are awarded on a competitive bidding basis. Such contracts typically arise in Power and Gas, Siemens Gamesa Renewable Energy, Mobility, and in various activities of Energy Management and Process Industries and Drives. Some of these contracts are inherently risky because we may assume substantially all of the risks associated with completing a project and meeting post-completion warranty obligations. For example, we may face the risk that we must satisfy technical requirements of a project even though we have not gained experience with those requirements before we win the project. The profit margins realized on fixed-priced contracts may vary from original estimates as a result of changes in costs and productivity over the contract's term. We sometimes bear the risk of unanticipated project modifications, shortage of key personnel, quality problems, financial difficulties of our customers and/or significant partners, cost overruns or contractual penalties caused by unexpected technological problems, unforeseen developments at the project sites, unforeseen changes or difficulties in the regulatory or political environment, performance problems with our suppliers, subcontractors and consortium partners or other logistical difficulties. Some of our multi-year contracts also contain demanding installation and maintenance requirements in addition to other performance criteria relating to timing, unit cost and compliance with government regulations, which, if not satisfied, could subject us to substantial contractual penalties, damages, non-payment and contract termination. There can be no assurance that contracts and projects, in particular those with long-term duration and fixed-price calculation, can be completed profitably. To tackle those risks we implemented a global project management organization to systematically improve the know-how of our project management personnel. For very complex projects we conduct dedicated risk assessments in very early stages of the sales phase before we decide to hand over a binding offer to our customer.

Interruption of the supply chain: The financial performance of our Industrial Business depends on reliable and effective supply chain management for components, sub-assemblies and materials. Capacity constraints and supply shortages resulting from ineffective supply chain management may lead to delays and additional cost. We rely on third parties to supply us with parts, components and services. Using third parties to manufacture, assemble and test our products reduces our control over manufacturing yields, quality assurance, product delivery schedules and costs. Although we work closely with our suppliers to avoid supply-related problems, there can be no assurance that we will not encounter supply problems in the future, especially if we use single-source suppliers for critical components. Shortages and delays could materially harm our business. Unanticipated increases in the price of components or raw materials due to market shortages or other reasons could also adversely affect performance. Furthermore, we may be exposed to the risk of delays and interruptions in the supply chain as a consequence of catastrophic events or suppliers' financial difficulties, particularly if we are unable to identify alternative sources of supply or means of transportation in a timely manner or at all. Besides other measures, we mitigate fluctuation in the global raw material markets with various hedging instruments.

Shortage of skilled personnel: Competition for highly qualified personnel (e.g. specialists, experts, "digital" talents) remains intense in the industries and regions in which our businesses operate. We have ongoing demand for highly skilled employees. Our future success depends in part on our continued ability to hire, integrate, develop and retain engineers and other qualified personnel. We address this risk for example with structured succession planning, employer branding, retention and career management. Furthermore, the company is strengthening the capabilities and skills of our talent acquisition teams and has defined a strategy of pro-active search for people with the required skills in our respective industries and markets. A strong focus on implementing a technology for talent acquisition helps us to support efficient processes and effective search for key talent.

A.8.3.3 FINANCIAL RISKS

Market price risks: We are exposed to fluctuations in exchange rates, especially between the U.S. dollar and the euro, because a high percentage of our business volume is conducted as exports from Europe to areas using the U.S. dollar. In addition, we are exposed to currency effects involving the currencies of emerging markets, in particular the Chinese yuan. A strengthening of the euro may change our competitive position. We are also exposed to fluctuations in interest rates. Negative developments in the financial markets and changes in the central bank policies may negatively impact our results. Depending on the development of foreign currency exchange and interest rates, hedging activities could have significant effects on our business, financial condition and results of operations.

Liquidity and financing risks: Our treasury and financing activities could face adverse deposit and/or financing conditions from negative developments related to financial markets, such as (1) limited availability of funds (particularly U.S. dollar funds) and hedging instruments; (2) an updated evaluation of our solvency, particularly from rating agencies; (3) negative interest rates; and (4) impacts arising from more restrictive regulation of the financial sector, central bank policy, or financial instruments. Widening credit spreads due to uncertainty and risk aversion in the financial markets might lead to adverse changes of fair market values of our financial assets, in particular our derivative financial instruments.

Credit Risks: We provide our customers with various forms of direct and indirect financing of orders and projects. SFS in particular bears credit risks due to its financing activities.

Risks from pension obligations: The funded status of our pension plans may be affected by change in actuarial assumptions, including the discount rate, as well as movements in financial markets or a change in the mix of assets in our investment portfolio. A significant increase in the underfunding may have a negative effect on our capital structure and rating, and thus may tighten refinancing options and increase costs. In order to comply with local pension regulations in selected foreign countries, we may face a risk of increasing cash outflows to reduce an underfunding of our pension plans in these countries.

For further information on post-employment benefits, derivative financial instruments, hedging activities, financial risk management and related measures, see → NOTES 16, 23 and 24 in B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Audits by tax authorities and changes in tax regulations: We operate in nearly all countries of the world and therefore are subject to many different tax regulations. Changes in tax laws in any of these jurisdictions could result in higher tax expense and payments. Furthermore, legislative changes could impact our tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities. In addition, the uncertain tax environment in some regions could limit our ability to enforce our rights. As a globally operating organization, we conduct business in countries subject to complex tax rules, which may be interpreted in different ways. Future interpretations or developments of tax regimes may affect our business, financial condition and results of operations. We are regularly audited by tax authorities in various jurisdictions and we continuously identify and assess resulting risks.

A.8.3.4 COMPLIANCE RISKS

Current and future investigations regarding allegations of corruption, of antitrust violations and of other violations of law: Proceedings against us regarding allegations of corruption, of antitrust violations and of other violations of law may lead to criminal and civil fines as well as penalties, sanctions, injunctions against future conduct, profit disgorgements, disqualifications from directly and indirectly engaging in certain types of business, the loss of business licenses or permits or other restrictions and legal consequences. Accordingly, we may, among other things, be required to comply with potential obligations and liabilities arising in connection with such investigations and proceedings, including potential tax penalties. Moreover, any findings related to public corruption that are not covered by the 2008 and 2009 corruption charge settlements, which we concluded with American and German authorities, may endanger our business with government agencies and intergovernmental and supranational organizations. Monitors could again be appointed to review future business practices and we may otherwise be required to further modify our business practices and our compliance program.

A considerable part of our business activities involve governments and companies with public shareholders. We also participate in a number of projects funded by government agencies and intergovernmental and supranational organizations, such as multilateral development banks. Ongoing or potential future investigations into allegations of corruption, of antitrust violations or of other violations of law could as well impair relationships with such business partners or could result in the exclusion of public contracts. Such investigations may also adversely affect existing private business relationships and our ability to pursue potentially important strategic projects and transactions, such as strategic alliances, joint ventures or other business cooperations, or could result in the cancellation of certain of our existing contracts. Moreover, third parties, including our competitors, could initiate significant litigation.

In addition, future developments in ongoing and potential future investigations, such as responding to the requests of governmental authorities and cooperating with them, could divert management's attention and resources from other issues facing our business. Furthermore, we might be exposed to compliance risks in connection with recently acquired operations that are in the ongoing process of integration.

Besides other measures, Siemens established a global compliance organization that conducts among others compliance risk mitigation processes such as Compliance Risk Assessments, and which has been reviewed by external compliance experts.

Regulatory risks and potential sanctions: As a globally operating organization, we conduct business with customers in countries which are subject to export control regulations, embargoes, economic sanctions or other forms of trade restrictions (hereafter referred to as "sanctions") imposed by the U.S., the European Union or other countries or organizations. New or expanded sanctions in countries in which we do business may result in a curtailment of our existing business in such countries or indirectly in other countries. We are also aware of initiatives by institutional investors, such as pension funds or insurance companies, to adopt or consider adopting policies prohibiting investment in and transactions with, or requiring divestment of interests in entities doing business with, countries identified as state sponsors of terrorism by the U.S. Department of State. It is possible that such initiatives may result in us being unable to gain or retain investors, customers or suppliers. In addition, the termination of our activities in sanctioned countries may expose us to customer claims and other actions. Our reputation could also suffer due to our activities with counterparties in or affiliated with these countries.

Changes of regulations, laws and policies: As a diversified company with global businesses we are exposed to various product- and country-related regulations, laws and policies influencing our business activities and processes. We monitor the political and regulatory landscape in all our key markets to anticipate potential problem areas, with the aim to quickly adjust our business activities and processes to changed conditions. However, any changes of regulations, laws and policies can adversely affect our business activities and processes as well as our financial condition and results of operations.

Protectionism (incl. localization): Protectionist trade policies and changes in the political and regulatory environment in the markets in which we operate, such as import and export controls, tariffs and other trade barriers including debarment from certain markets and price or exchange controls, could affect our business in several national markets and could impact our business, financial position and results of operations; and may expose us to penalties, other sanctions and reputational damage. In addition, the uncertainty of the legal environment in some regions could limit our ability to enforce our rights and subject us to increasing costs related to appropriate compliance programs.

Environmental, health & safety and other governmental regulations: Some of the industries in which we operate are highly regulated. Current and future environmental, health & safety and other governmental regulations or changes thereto may require us to change the way we run our operations and could result in significant increases in our operating or production costs. Furthermore, we see the risk of potential environmental and health & safety incidents as well as potential non-compliance with environmental and health & safety regulations affecting Siemens and our contractors or sub-suppliers, resulting in e.g. serious injuries, penalties, loss of reputation and internal or external investigations.

In addition, while we have procedures in place to ensure compliance with applicable governmental regulations in the conduct of our business operations, it cannot be excluded that violations of applicable governmental regulations may be caused either by us or by third parties that we contract with, including suppliers or service providers, whose activities may be attributed to us. Any such violations expose us to the risk of liability, reputational damage or loss of licenses or permits that are important to our business operations. In particular, we could also face liability for damage or remediation for environmental contamination at the facilities we design or operate. With regard to certain environmental risks, we maintain liability insurance at levels that our management believes are appropriate and consistent with industry practice. We may incur environmental losses beyond the limits, or outside the coverage, of such insurance, and such losses may have an adverse effect on our business, financial condition and results of our operations.

Current or future litigation: Siemens is and will be in the course of its normal business operations involved in numerous legal disputes and proceedings in various jurisdictions. These legal disputes and proceedings could result, in particular, in Siemens being subject to payment of damages and punitive damages, equitable remedies or criminal or civil sanctions, fines or disgorgement of profit. In individual cases this may also lead to formal or informal exclusion from tenders or the revocation or loss of business licenses or permits. In addition, further legal disputes and proceedings may be commenced or the scope of pending legal disputes and proceedings may be expanded. Asserted claims are generally subject to interest rates.

Some of these legal disputes and proceedings could result in adverse decisions for Siemens that may have material effects on our financial position, the results of operations and cash flows.

Siemens maintains liability insurance for certain legal risks at levels our management believes are appropriate and consistent with industry practice. The insurance policy, however, does not protect Siemens against reputational damage. Moreover, Siemens may incur losses relating to legal proceedings beyond the limits, or outside the coverage, of such insurance or exceeding any provisions made for losses related to legal proceedings. Finally, there can be no assurance that Siemens will be able to maintain adequate insurance coverage on commercially reasonable terms in the future.

For additional information with respect to specific proceedings, see → NOTE 21 in B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

A.8.3.5 ASSESSMENT OF THE OVERALL RISK SITUATION

The most significant challenges have been mentioned first in each of the four categories strategic, operational, financial and compliance risks. The risks caused by highly competitive environment continue to be the most significant, as in the prior year.

Even though the assessments of individual risk exposures have changed during fiscal 2017 due to developments in the external environment, effects of our own mitigation measures and the revision of our plans, the overall risk situation for Siemens did not change significantly as compared to the prior year.

At present, no risks have been identified that either individually or in combination could endanger our ability to continue as a going concern.

A.8.4 Opportunities

Within our Enterprise Risk Management (ERM) we regularly identify, evaluate and respond to opportunities that present themselves in our various fields of activity. Below we describe our most significant opportunities. Unless otherwise stated, the opportunities described below relate to all of our segments. The order in which the opportunities are presented reflects the currently estimated relative exposure for Siemens associated with these opportunities and thus provides an indication of the opportunities' current importance to us. The described opportunities are not necessarily the only ones we encounter. In addition, our assessment of opportunities is subject to change as the Company, our markets and technologies are constantly developing. It is also possible that opportunities we see today will never materialize.

Success from innovation along electrification, automation and digitalization: Innovation is a central part of our "Vision 2020," an entrepreneurial concept leading Siemens into the future in three stages: first we "drive performance," then we "strengthen core," and finally we "scale up" to attain our Vision 2020 goals. We do this by investing significantly in R&D in order to develop innovative, sustainable solutions for our customers and to simultaneously safeguard our competitiveness. We are an innovative company and invent new technologies that we expect will meet future demands arising from the megatrends of demographic change, urbanization, climate change and globalization. We are granted thousands of new patents every year and continuously develop new concepts and convincing business models. We open up access to new markets and customers through new marketing and sales strategies as well as Divisional master plans. In 2016 we established next47, an independent unit designed to found, partner with and invest in start-ups with innovative ideas for shaping the future of electrification, automation and digitalization, and thereby turn those ideas into viable businesses. This will help Siemens create the next generation of path-breaking innovations in such fields as artificial intelligence, decentralized electrification, autonomous machines, block chain applications and connected e-mobility. Siemens is positioned along the value chains of electrification, automation and digitalization in order to increase future market penetration. Along these value chains, we have identified several growth fields in which we see our greatest long-term potential. We are orienting our resource allocation toward these growth fields and have announced concrete measures in this direction. Across all Divisions, Siemens is profiting from its undisputed strength in the digital enterprise. For example, the Company's cloud based MindSphere platform enhances the availability of customers' digital products and systems and improves their productivity and efficiency. In addition, we try to generate additional volume and profit from new and innovative digital products, services and solutions, including cyber security for our customers, preventive maintenance, data analytics, applications for an optimization of energy consumption, operation of highly efficient energy grids as well as scalable solutions for distributed and renewable energy generation.

Mergers, acquisitions, equity investments, partnerships, divestments and streamlining our portfolio: We constantly monitor our current and future markets for opportunities for strategic mergers and acquisitions, equity investments or partnerships to complement our organic growth. Such activities may help us to strengthen our position in our existing markets, provide access to new or underserved markets or complement our technological portfolio in selected areas. Opportunities might also arise from well executed divestments, carve outs and joint ventures which further optimize our portfolio while generating gains.

Increased market penetration: Through divisional sales initiatives and masterplans, we continuously strive to grow and expand our business in established markets, open up new markets for existing portfolio elements and strengthen our installed base in order to gain a higher market share and increased profits.

Favorable political and regulatory environment: Government initiatives and subsidies (including tax benefits etc.) may lead to more government spending (investments in new projects, modernization of projects etc.) and ultimately result in an increase of revenue and profit for the company.

Economic/political stabilization of certain (critical) countries and resilience of worldwide economic environment: We see an opportunity that political stabilization of certain critical countries and (further) lifting of sanctions may lead to higher revenue volume that was unavailable in past years. Furthermore, a return to more robust macroeconomic growth could also lead to additional volume and profit for the company.

Continuously developing and implementing initiatives to reduce costs, boost sales efforts, adjust capacities, improve our processes, realize synergies: In an increasingly competitive market environment, a competitive cost structure complements the competitive advantage of being innovative. We believe that further improvements in our cost position can strengthen our global competitive position and secure our market presence against emerging and incumbent competitors. For example, we expect to create sustainable value from productivity measures in connection with our "Vision 2020" concept. Moreover, in course of the digital transformation, we seek to standardize, automate and digitize our processes and make them leaner and more efficient.

Excellent project execution: By expanding project management efforts as well as learning from our mistakes in project execution through a formalized lessons learned approach, we see an opportunity to continuously reduce non-conformance costs and ensure on-time delivery of our projects and solutions. Furthermore, stringent project risk and opportunity management, time schedule management, performance bonuses and highly professional management of consortium partners and suppliers all help us to avoid liquidated damages and ultimately improve our profit position. In addition, improvements of our claim management processes enable us to reduce costs incurred as a result of customer claims by finding a consensus with customers while also improving customer relationship management. At the same time, we reduce quality problems by proactively addressing supplier issues up front.

Localizing value chain activities: Localizing certain value chain activities, such as procurement, manufacturing, maintenance and service in emerging markets could enable us to reduce costs and strengthen our global competitive position, in particular compared to competitors based in countries where they can operate with more favorable cost structures. Moreover, our local footprint in many countries might help us to take advantage of a possible growth of markets and leverage a shift in markets, resulting in increased market penetration and market share.

Climate change: While climate change is widely considered a risk, we consider climate change mitigation an opportunity for Siemens. In line with the global agreement in Paris (COP21) that entered into force in November 2016, Siemens strives to support a trend towards reducing CO_2 emissions both in own operations as well as for our customers based on technologies from our environmental portfolio, such as low-carbon power generation from renewable energy sources.

Assessment of the overall opportunities situation: The most significant opportunity for Siemens continues to be success from innovation along electrification, automation and digitalization as disclosed in our prior year reporting. Even though our assessment of individual opportunities has changed during fiscal year 2017 due to developments in the external environment, our endeavors to profit from them and the revision of our plans, the overall opportunity situation did not change significantly compared to the prior year.

A.8.5 Significant characteristics of the accounting-related internal control and risk management system

The overarching objective of our accounting-related internal control and risk management system is to ensure that financial reporting is conducted in a proper manner, such that the Consolidated Financial Statements and the Combined Management Report of Siemens group as well as the Annual Financial Statements of Siemens AG as the parent company are prepared in accordance with all relevant regulations.

Our ERM approach is based on COSO's "Enterprise Risk Management – Integrated Framework". As one of the objectives of this framework is reliability of a company's financial reporting, it includes an accounting-related perspective. Our accounting-related internal control system (control system) is based on the internationally recognized "Internal Control – Integrated Framework" also developed by COSO. The two systems are complementary.

At the end of each fiscal year, our management performs an evaluation of the effectiveness of the implemented control system, both in design and operating effectiveness. We have a standardized procedure under which necessary controls are defined, documented in accordance with uniform standards, and tested regularly on their effectiveness. Nevertheless, there are inherent limitations on the effectiveness of any control system, and no system, including one determined to be effective, may prevent or detect all misstatements.

After the merger of the Siemens wind power business with Gamesa, we have commenced to integrate the former Gamesa entities into our accounting-related internal control and risk management system. These integration efforts will continue in fiscal 2018.

Our Consolidated Financial Statements are prepared on the basis of a centrally issued conceptual framework which primarily consists of uniform Financial Reporting Guidelines and a chart of accounts. For Siemens AG and other companies within the Siemens group required to prepare financial statements in accordance with German Commercial Code, this conceptual framework is complemented by mandatory regulations specific to the German Commercial Code. The need for adjustments in the conceptual framework due to regulatory changes is analyzed on an ongoing basis. Accounting departments are informed quarterly about current topics and deadlines from an accounting and closing process perspective.

The base data used in preparing our financial statements consists of the closing data reported by the operations of Siemens AG and its subsidiaries. The preparation of the closing data of most of our entities is supported by an internal shared services organization. Furthermore, other accounting activities, such as governance and monitoring related activities, are usually bundled on regional level. In particular cases, such as valuations relating to post-employment benefits, external experts are used. The reported closing data is used to prepare the financial statements in the consolidation system. The steps necessary to prepare the financial statements are subject to both manual and automated controls.

Qualification of employees involved in the accounting process is ensured through appropriate selection processes and regular training. As a fundamental principle, based on materiality considerations, the "four eyes" principle applies and specific procedures must be adhered to for data authorization. Additional control mechanisms include target-performance comparisons and analyses of the composition of and changes in individual line items, both in the closing data submitted by reporting units and in the Consolidated Financial Statements. In line with our information security requirements, accounting-related IT systems contain defined access rules protecting them from unauthorized access. The manual and system-based control mechanisms referred to above generally also apply when reconciling the IFRS closing data to the Annual Financial Statements of Siemens AG.

On a quarterly basis, an internal certification process is executed. Management of different levels of our organization, supported by confirmations of management of entities under their responsibility, confirms the accuracy of the financial data that has been reported to Siemens' corporate headquarters and reports on the effectiveness of the related control systems.

Our internal audit function systematically evaluates our financial reporting integrity, the effectiveness of the control system and the risk management system, and the adherence to our compliance policies. In addition, the Audit Committee is integrated into our control system. In particular, it oversees the accounting and the accounting process and the effectiveness of the internal control system, the risk management system and the internal audit system. Furthermore, we have set up a Disclosure Committee which is responsible for reviewing certain financial and non-financial information prior to publication. Moreover, we have rules for accounting-related complaints.

A.9 Siemens AG

The Annual Financial Statements of Siemens AG have been prepared in accordance with the rules set out in the German Commercial Code (Handelsgesetzbuch).

Siemens AG is the parent company of the Siemens Group. Results for Siemens AG comprise the fields of business activities mainly of Power and Gas, Energy Management, Building Technologies, Mobility, Digital Factory, Process Industries and Drives as well as the activities of Siemens Real Estate and are significantly influenced by directly or indirectly owned subsidiaries and investments. The business development of Siemens AG is fundamentally subject to the same risks and opportunities as the Siemens Group. Due to the interrelations between Siemens AG and its subsidiaries and the relative size of Siemens AG within the Group, the outlook of the Group also largely reflects our expectations for Siemens AG. Therefore, the foregoing explanations for the Siemens Group apply also for Siemens AG. We expect that income from investments will significantly influence the profit of Siemens AG.

We intend to continue providing an attractive return to shareholders. Therefore, we intend to propose a dividend whose distribution volume is within a dividend payout range of 40% to 60% of net income of the Siemens Group, which we may adjust for this purpose to exclude selected exceptional non-cash effects. For fiscal 2018, we expect a net income of Siemens AG sufficient to fund the distribution of a corresponding dividend.

In the first quarter of fiscal 2017, as part of the merger with Gamesa, Siemens AG transferred its Siemens wind power business to entities held by Siemens AG.

As of September 30, 2017, the number of employees was 92,300.

A.9.1 Results of operations

Statement of Income of Siemens AG in accordance with German Commercial Code (condensed)

(in millions of €)	Fiscal year 2017	2016	% Change
Revenue	**26,888**	25,763	4%
Cost of Sales	**(19,979)**	(19,818)	(1)%
Gross profit	**6,909**	5,945	16%
as percentage of revenue	***26%***	*23%*	
Research and development expenses	**(2,619)**	(2,454)	(7)%
Selling and general administrative expenses	**(3,627)**	(3,558)	(2)%
Other operating income (expenses), net	**(30)**	134	n/a
Financial income, net *thereof Income from investments 3,798 (prior year 3,732)*	***3,828***	*3,092*	*24%*
Income from business activity	**4,462**	3,158	41%
Income taxes	**(385)**	(160)	(141)%
Net income	**4,076**	2,999	36%
Profit carried forward	**146**	256	(43)%
Allocation to other retained earnings	**(1,077)**	(195)	>(200)%
Unappropriated net income	**3,145**	3,060	3%

The initial application of the Accounting Directive Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz, BilRUG) resulted in changes in presentation in the income statement in fiscal 2017. Prior periods are not reported on a comparable basis. Comparable amounts for fiscal 2016 are: revenue €27,043 million, cost of sales €20,920 million and other operating income (expenses), net €(44) million.

Increases in **Revenue** at Mobility and Power and Gas, of €1.0 billion and €0.5 billion respectively, were more than offset by the effect of the above-mentioned carve-out of the Siemens Wind Power business. In fiscal 2016, we recorded revenue of €2.1 billion at Wind Power and Renewables. On a geographical basis, 75% of revenue was generated in the Europe, C.I.S., Africa, Middle East region, 18% in the Asia, Australia region and 7% in the Americas region. Exports from Germany accounted for 71% of overall revenue. In fiscal 2017, orders for Siemens AG amounted to €25.6 billion. Within Siemens AG, the development of revenue depends strongly on the completion of contracts, primarily in connection with large orders.

Gross profit was higher year-over-year due mainly to increases of €0.3 billion in Digital Factory, €0.2 billion in Mobility and €0.2 billion in Power and Gas.

Despite an increase of €0.2 billion in **Research and development (R&D) expenses** year-over-year, the R&D intensity (R&D as a percentage of revenue) increased only slightly by 0.2 percentage point year-over-year due to the above-mentioned changes in presentation according to BilRUG. On an average basis, we employed 9,600 people in R&D in fiscal 2017.

The increase in **Financial income, net** was primarily attributable to an improvement in other financial income (expenses), from a negative €0.9 billion in the prior-year period to a negative €0.3 billion. This was mainly due to a positive effect of €0.8 billion from changes in provisions for risks in derivative financial instruments. This factor was partly offset by a negative effect of €0.4 billion from changes in provision for pensions and similar commitments related to changes in the discount rate assumptions. Income from investments was slightly higher compared to the prior-year period, which included an increase in income from profit transfer agreements with affiliated companies by €1.0 billion. However, positive results from investments were nearly offset by impairments of investments, which included primarily an impairment of Siemens AG's investment at Siemens Gamesa Renewable Energy, S.A., Spain, of €1.2 billion.

The change in **Income taxes** resulted from higher income tax expenses, corresponding to a higher taxable share of Income from business activity and increased burdens from withholding taxes. In addition, this item included deferred tax expenses and income resulting from the generation and reversal of temporary differences between the accounting and tax-based valuation and the use of loss carry-forwards.

A.9.2 Net assets and financial position

Statement of Financial Position of Siemens AG in accordance with German Commercial Code (condensed)

(in millions of €)	Sep 30, 2017	2016	% Change
Assets			
Non-current assets			
Intangible and tangible assets	**2,348**	2,472	(5)%
Financial assets	**44,802**	44,611	0%
	47,150	47,083	0%
Current assets			
Receivables and other assets	**19,884**	16,717	19%
Cash and cash equivalents, securities	**884**	3,642	(76)%
	20,769	20,359	2%
Prepaid expenses	**87**	81	8%
Deferred tax assets	**2,174**	2,256	(4)%
Active difference resulting from offsetting	**60**	35	69%
Total assets	**70,239**	69,814	1%
Liabilities and equity			
Equity	**21,123**	19,368	9%
Special reserve with an equity portion	**681**	700	(3)%
Provisions			
Pensions and similar commitments	**11,761**	11,250	5%
Other provisions	**7,417**	8,360	(11)%
	19,178	19,610	(2)%
Liabilities			
Liabilities to banks	**81**	14	>200%
Advance payments received	**750**	619	21%
Trade payables, liabilities to affiliated companies and other liabilities	**28,065**	29,118	(4)%
	28,896	29,752	(3)%
Deferred income	**361**	385	(6)%
Total liabilities and equity	**70,239**	69,814	1%

The Increase in Receivables and other assets was due primarily to higher receivables from affiliated companies as a result of intra-group financing activities, including higher receivables from SFS companies and higher receivables resulting from profit transfer agreements.

Cash, cash equivalents and securities are significantly affected by the liquidity management of the Corporate Treasury of Siemens AG. The liquidity management is based on the financing policy of the Siemens Group, which is aimed towards a balanced financing portfolio, a diversified maturity profile and a comfortable liquidity cushion. Therefore, the change in liquidity of Siemens AG was not only driven by business activities of Siemens AG.

The increase in Equity was attributable to net income for the year of €4.1 billion, the settlement of exercised warrants of €1.1 billion and issuance of treasury stock of €0.4 billion in conjunction with our share-based payments and employee share programs. These factors were partly offset by dividends paid in fiscal 2017 (for fiscal 2016) of €2.9 billion. In addition, equity was reduced due to share buybacks during the year amounting to €0.9 billion. The equity ratios at September 30, 2017 and 2016 were 30% and 28%, respectively. For explanations relating to treasury shares we refer to ↗ NOTE 15 in NOTES TO OUR ANNUAL FINANCIAL STATEMENTS OF SIEMENS AG.

The increase in Pension and similar commitments resulted mainly from a €0.7 billion increase related to interest and service costs and a €0.4 billion increase related to an adjustment of the discount rate from 4.08% in fiscal 2016 to 3.77% in fiscal 2017. This increase was partly offset by €0.6 billion for payments of pension obligations.

Other provisions decreased due to several factors. The largest was a decrease of €0.5 billion in provisions for losses from derivative financial transactions. Additionally, provisions for post-closing guarantees decreased by €0.2 billion and provisions for a major asset retirement obligation decreased by €0.2 billion, due primarily to reduced inflation rate assumptions.

The decrease in Trade payables, liabilities to affiliated companies and other liabilities was due primarily to lower liabilities to affiliated companies as a result of intra-group financing activities.

A.9.3 Corporate Governance statement

The Corporate Governance statement pursuant to Sections 289a and 315 para. 5 of the German Commercial Code is an integral part of the Combined Management Report and is presented in → C.4.2 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTIONS 289 A AND 315 PARA. 5 OF THE GERMAN COMMERCIAL CODE.

A.10 Compensation Report

This report is based on the recommendations of the German Corporate Governance Code (Code) and the requirements of the German Commercial Code (*Handelsgesetzbuch*), the German Accounting Standards (*Deutsche Rechnungslegungs Standards*) and the International Financial Reporting Standards (IFRS).

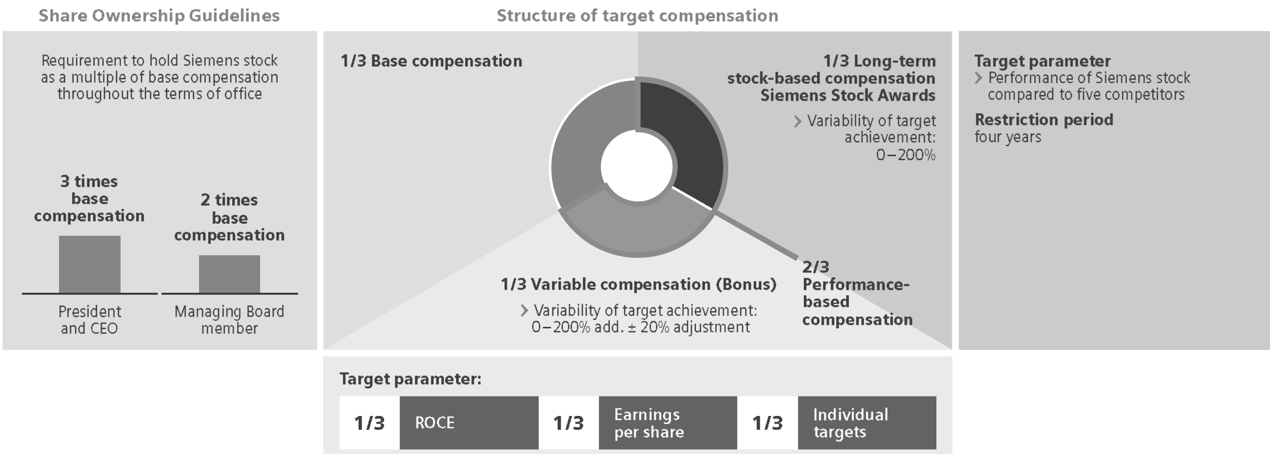
A.10.1 Remuneration of Managing Board members

A.10.1.1 REMUNERATION SYSTEM

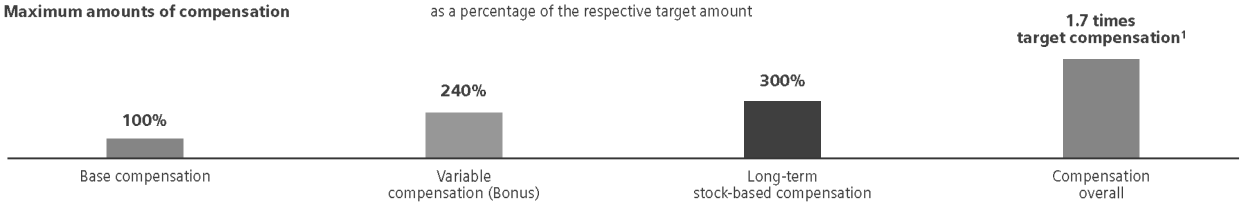
The remuneration system for the Siemens Managing Board is intended to provide an incentive for successful corporate management with an emphasis on sustainability. Managing Board members are expected to make a long-term commitment to and on behalf of the Company and may benefit from any sustained increase in the Company's value. For this reason, a substantial portion of their total remuneration is linked to the long-term performance of Siemens stock. Their remuneration is to be commensurate with the Company's size and economic position. Exceptional achievements are to be rewarded adequately, while falling short of targets is to result in an appreciable reduction in remuneration. Their compensation is also structured so as to be attractive in comparison to that of competitors, with a view to attracting outstanding managers to the Company and retaining them for the long term.

The system and levels for the Managing Board's remuneration are determined and regularly reviewed by the full Supervisory Board, based on proposals by the Compensation Committee. The Supervisory Board reviews remuneration levels annually to ensure that they are appropriate. In this process, the Company's economic situation, performance and outlook as well as the tasks and performance of the individual Managing Board members are taken into account. In addition, the Supervisory Board considers the common level of remuneration in comparison with peer companies and with the compensation structure in place in other areas of the Company. It also takes due account of the relationship between the Managing Board's remuneration and that of senior management and staff, both overall and with regard to its development over time. For this purpose, the Supervisory Board has also determined how senior management and the relevant staff are to be differentiated. The remuneration system that has been in place for Managing Board members since fiscal 2015 was approved at the Annual Shareholders' Meeting on January 27, 2015. The individual components of compensation – base compensation, variable compensation (Bonus) and long-term stock-based compensation – are weighted equally, and each comprises about one-third of target compensation. This equal weighting is also applied to the three target parameters of variable compensation (Bonus).

Remuneration system for Managing Board members



Maximum amounts of compensation as a percentage of the respective target amount



1 Plus fringe benefits and pension benefit commitments.

In fiscal 2017, the Managing Board's remuneration system had the following components:

Non-performance-based components

Base compensation

Base compensation is paid as a monthly salary. Since October 1, 2016, the base compensation of President and CEO Joe Kaeser has amounted to €2,130,000 per year. The base compensation of the CFO and of those members of the Managing Board who are responsible for Divisions or for Healthineers has been €1,065,000 per year. For the other member of the Managing Board, it has been €1,011,000 per year.

Fringe benefits

Fringe benefits include the costs, or the cash equivalent, of non-monetary benefits and other perquisites, such as the provision of a company car, contributions toward the cost of insurance, the reimbursement of expenses for legal advice and tax advice, accommodation and moving expenses, including a gross-up for any taxes due in this regard, currency adjustment payments and costs relating to preventive medical examinations.

Performance-based components

Variable compensation (Bonus)

Variable compensation (Bonus) is based on the Company's business performance in the past fiscal year. The Bonus depends on an equal one-third weighting of target achievement of the target parameters return on capital employed, earnings per share and individual targets. To achieve a consistent target system Company-wide, corresponding targets – in addition to other factors – also apply to senior managers.

For 100% target achievement (target amount), the amount of the Bonus equals the amount of base compensation. The Bonus is subject to a ceiling (cap) of 200%. If targets are substantially missed, variable compensation may not be paid at all (0%).

At its duty-bound discretion, the Supervisory Board may revise the amount resulting from target achievement downward or upward by as much as 20%; the adjusted amount of the Bonus paid can thus be as much as 240% of the target amount. In choosing the factors to be considered in deciding on possible revisions of the Bonus payouts (±20%), the Supervisory Board takes account of incentives for sustainable corporate management. Decisions to make discretionary adjustments may take factors such as the results of an employee survey or a customer satisfaction survey into account as well as the Company's economic situation. The revision option may also be exercised in recognition of Managing Board members' individual achievements. The Bonus is paid entirely in cash.

Long-term stock-based compensation

Long-term stock-based compensation consists of a grant of forfeitable stock commitments (Stock Awards) at the beginning of the fiscal year. In the event of 100% target achievement, the annual target amount for the monetary value of the Stock Awards commitment is €2,200,000 for the President and CEO (effective October 1, 2016). For the CFO and for those members of the Managing Board who are responsible for Divisions and for Healthineers it is €1,100,000. For the other member of the Managing Board, it is €1,055,000. Since fiscal 2015, the Supervisory Board has had the option of increasing the target amount for each member of the Managing Board, on an individual basis, by as much as 75% for one fiscal year at a time. This option enables the Supervisory Board to take account of each Managing Board member's individual accomplishments and experience as well as the scope and demands of his or her function.

Beneficiaries receive one free share of Siemens stock per Stock Award after an approximately four-year restriction period and subject to target attainment. The value of the Siemens shares to be transferred for Stock Awards after the end of the restriction period depends on the price of the Siemens share at the time of transfer and on target attainment as defined by the underlying target system. If target attainment is above 100%, the members of the Managing Board will receive – in addition to the Siemens shares committed – a cash payment corresponding to the outperformance. If target attainment is less than 100%, a number of stock commitments equivalent to the shortfall from the target will be forfeited without replacement. The total value of the Siemens stock and of the cash payment is subject to a ceiling of 300% of the relevant target amount. If this maximum amount of compensation is exceeded, the corresponding entitlement to stock commitments will be forfeited without replacement.

Target attainment relating to long-term stock-based compensation is linked to the performance of Siemens stock compared to its competitors. At the beginning of the fiscal year, the Supervisory Board decides on a target system (target value for 100% and target line) for the performance of Siemens stock relative to the stock of – at present – five competitors (ABB, General Electric, Mitsubishi Heavy Industries, Rockwell and Schneider Electric). Changes in the share price are measured on the basis of a twelve-month reference period (compensation year) over three years (performance period), while Stock Awards are restricted for a period of four years. When this restriction period expires, the Supervisory Board determines how much better or worse Siemens stock has performed relative to the stock of its competitors. This determination yields a target attainment of between 0% and 200% (cap).

If significant changes occur among the relevant competitors during the period under consideration, the Supervisory Board may take these changes into account, as appropriate, in determining the values for comparison and/or calculating the relevant stock prices of those competitors. In the event of extraordinary unforeseen developments that impact the share price, the Supervisory Board may decide to reduce the number of committed Stock Awards retroactively, or it may decide that in lieu of a transfer of Siemens stock only a cash settlement in a defined and limited amount will be paid, or it may decide to postpone transfers of Siemens stock for payable Stock Awards until the developments have ceased to impact the share price.

If a member of the Managing Board violates compliance regulations, the Supervisory Board is entitled at its duty-bound discretion to revoke without replacement all or some of the Siemens Stock Awards, depending on the gravity of the compliance violation.

If an employment contract begins during the fiscal year, an equivalent number of Siemens Phantom Stock Awards will be granted instead of Stock Awards. In lieu of a transfer of shares, only a cash equivalent is given at the end of the restriction period for Siemens Phantom Stock Awards. Beyond that, the same provisions agreed upon for Siemens Stock Awards apply.

With regard to the further terms of the Stock Awards, the same principles apply in general to the Managing Board and to senior managers. These principles are discussed in more detail in → NOTE 25 in B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Variable compensation (Bonus) and long-term stock-based compensation

Remuneration component	Share of target compensation	Target parameter	Basis for assessment	Target achievement	Maximum amounts of compensation	Value at allocation/transfer
Variable compensation (Bonus)	~ 33%	1/3 Return on capital employed (ROCE)	Annual basis	0–200 add. +/– 20% adjustment	240% of the respective target amount	Dependent on target achievement
		1/3 Earnings per share, basic EPS	Ø 3 years			
		1/3 Individual targets	Annual basis			
Long-term stock-based compensation	~ 34%	Performance of Siemens stock compared to 5 competitors	Change in share price measured on the basis of a twelve-month reference period (compensation year) over three years (performance period)	0–200%	300% of the respective target amount	Dependent on – Target achievement – Stock price at transfer

Maximum amount for compensation overall

In addition to the maximum amounts of compensation for variable compensation and long-term stock-based compensation, a maximum amount for compensation overall has been defined. Since fiscal 2014, this amount cannot be more than 1.7 times higher than target compensation. Target compensation comprises base compensation, the target amount for variable compensation and the target amount for long-term stock-based compensation, excluding fringe benefits and pension benefit commitments. When fringe benefits and pension benefit commitments for a given fiscal year are included, the maximum amount of compensation overall for that year will increase accordingly.

Share Ownership Guidelines

The Siemens Share Ownership Guidelines are an integral part of the remuneration system for the Managing Board and senior executives. These guidelines require that – after a specified buildup phase – Managing Board members hold Siemens stock worth a multiple of their base compensation – 300% for the President and CEO, 200% for the other members of the Managing Board – throughout their terms of office on the Managing Board. The determining figure in this context is the average base compensation that a member of the Managing Board has received over the four years before the applicable dates of proof of compliance. Hence, changes that have been made to base compensation in the meantime are included. Non-forfeitable stock commitments (Bonus Awards) which were granted until fiscal 2014 are taken into account in determining compliance with the Share Ownership Guidelines.

Compliance with these guidelines must be proven for the first time after a four-year buildup phase. Thereafter, it must be proven annually. If the value of a Managing Board member's accrued holdings declines below the required minimum due to fluctuations in the market price of Siemens stock, he or she must acquire additional shares.

Pension benefit commitments

Like employees of Siemens AG, the members of the Managing Board are included in the Siemens Defined Contribution Benefit Plan (BSAV). Under the BSAV, Managing Board members receive contributions that are credited to their personal pension accounts. The amount of these annual contributions is based on a predetermined percentage related to their base compensation and the target amount for their Bonuses. This percentage is decided upon annually by the Supervisory Board. Most recently it was set at 28%. In making its decisions, the Supervisory Board takes account of the intended level of provision for each individual and the length of time he or she has been a Managing Board member as well as the annual and long-term expense to the Company resulting from that provision. The non-forfeitability of pension benefit commitments is determined in compliance with the provisions of the German Company Pensions Act (*Betriebsrentengesetz*). Special contributions may be granted to Managing Board members on the basis of individual decisions by the Supervisory Board. If a member of the Managing Board earned a pension benefit entitlement from the Company before the BSAV was introduced, a portion of his or her contributions went toward financing that prior commitment.

Managing Board members are eligible to receive benefits under the BSAV at the age of 60 or – in the case of benefit commitments made on or after January 1, 2012 – the age of 62. As a rule, the accrued pension benefit balance is paid out to Managing Board members in twelve annual installments. A Managing Board member or his or her surviving dependents may also request that his or her pension benefit balance will be paid out in fewer installments or as a lump sum, subject to the Company's consent. The accrued pension benefit balance may also be paid out as a pension. Furthermore, Managing Board members may choose a combination of lump sum payments, installment payments (two to twelve) and pension payments. If the pension option is chosen, a decision must be made as to whether the payout should include pensions for surviving dependents. If a member of the Managing Board dies while receiving a pension, benefits will be paid to his or her surviving dependents if the member has chosen such benefits. The Company will then provide a limited-term pension to surviving children until they reach the age of 27 or, in the case of benefit commitments made on or after January 1, 2007, until they reach the age of 25.

Benefits from the retirement benefit system that was in place before the BSAV was established are normally granted as pension benefits with a surviving dependent's pension. In this case also, payout in installments or a lump-sum payment may be chosen instead of pension payments.

Like other eligible employees of Siemens AG, Managing Board members who were employed by the Company on or before September 30, 1983, are entitled to receive transition payments for the first six months after retirement, equal to the difference between their final base compensation and the retirement benefits payable under the corporate pension plan if they retire immediately after the termination of their Managing Board membership. The provisions of the German Company Pensions Act (*Betriebsrentengesetz*) do not apply to this benefit.

Commitments in connection with the termination of Managing Board membership

Managing Board employment contracts provide for a compensatory payment if membership on the Managing Board is terminated prematurely by mutual agreement and without serious cause. The amount of this payment must not exceed the value of two years' compensation and must compensate no more than the remaining term of the contract (cap). The amount of the compensatory payment is calculated on the basis of base compensation, together with the variable compensation and the long-term stock-based compensation actually received during the last fiscal year before termination. The compensatory payment is payable in the month when the member leaves the Managing Board. In addition, a one-time special contribution is made to the BSAV. The amount of this contribution is based on the BSAV contribution that the Managing Board member received in the previous year and on the remaining term of his or her appointment, but is limited to not more than two years' contributions (cap). The above benefits are not paid if an amicable termination of the member's activity on the Managing Board is agreed upon at the member's request, or if there is serious cause for the Company to terminate the employment relationship.

In the event of a change of control that results in a substantial change in a Managing Board member's position – for example, due to a change in corporate strategy or a change in the Managing Board member's duties and responsibilities – the Managing Board member has the right to terminate his or her contract with the Company. A change of control exists if one or more shareholders acting jointly or in concert acquire a majority of the voting rights in Siemens AG and exercise a controlling influence or if Siemens AG becomes a dependent enterprise as a result of entering into an intercompany agreement within the meaning of Section 291 of the German Stock Corporation Act (*Aktiengesetz*) or if Siemens AG is to be merged into an existing corporation or other entity. If this right of termination is exercised, the Managing Board member is entitled to a severance payment in the amount of not more than two years' compensation. The calculation of the annual compensation will include not only the base compensation and the target amount for the Bonus, but also the target amount for Stock Awards, in each case based on the most recent fiscal year completed prior to the termination of the member's contract. The stock-based components for which a firm commitment already exists will remain unaffected. There is no entitlement to a severance payment if the Managing Board member receives benefits from third parties in connection with a change of control. Moreover, there is no right to terminate if the change of control occurs within a period of twelve months prior to a Managing Board member's retirement.

Compensatory or severance payments also cover non-monetary benefits by including an amount of 5% of the total compensation or severance amount. Compensatory or severance payments will be reduced by 10% as a lump-sum allowance for discounted values and for income earned elsewhere. However, this reduction will apply only to the portion of the compensatory or severance payment that was calculated without taking into account the first six months of the remaining term of the Managing Board member's employment contract.

Stock commitments that were made as long-term stock-based compensation and for which the restriction period is still in effect will be forfeited without replacement if the employment contract is not extended after the end of an appointment period, either at the Managing Board member's request or because there is serious cause that would have entitled the Company to revoke the appointment or terminate the contract. However, once granted, Stock Awards are not forfeited if the employment contract is terminated by mutual agreement at the Company's request, or because of retirement, disability or death or in connection with a spinoff, the transfer of an operation, or a change of activity within the corporate group. In these cases, the Stock Awards will remain in effect upon termination of the employment contract and will be honored on expiration of the restriction period.

Secondary activities of Managing Board members

Members of the Managing Board may take on secondary activities – in particular, supervisory board positions outside the Company – only with the approval of the Chairman's Committee of the Supervisory Board. The full Supervisory Board remains responsible for decisions regarding any adjustments to Managing Board compensation necessary to take account of possible compensation for secondary activities. The holding of positions in Siemens companies is considered to be covered by contractual Managing Board remuneration. As a rule, Managing Board members are obligated to waive any compensation that may be due to them in connection with such positions. Should a waiver not be possible under the legal or tax regulations applicable to a Siemens company, the compensation paid to a Managing Board member in connection with such a position will be set off against the remuneration due to him or her in connection with his or her Managing Board activities. Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises are listed in Section → C.4.1 in C.4 CORPORATE GOVERNANCE.

A.10.1.2 REMUNERATION OF MANAGING BOARD MEMBERS FOR FISCAL 2017

At the beginning of the fiscal year, the Supervisory Board set the target parameters return on capital employed (ROCE) and earnings per share (EPS) for the variable compensation (Bonus) for all members of the Managing Board, in each case on the basis of continuing and discontinued operations. The target values for the EPS component were defined on a multi-year basis. In defining the target for variable compensation, the Supervisory Board also defined individual targets so as to take fuller account of the individual performance of each Managing Board member. As a rule, up to five individual targets were defined for this purpose. An internal review of the appropriateness of Managing Board compensation for fiscal 2017 has confirmed that the remuneration of the Managing Board resulting from target achievement for fiscal 2017 is to be considered appropriate. In light of this review and following a review of the achievement of the targets defined at the beginning of the fiscal year, the Supervisory Board has decided to define the amounts of variable compensation, stock commitments and pension benefit contributions as follows:

Variable compensation (Bonus)

The following targets were set and attained with respect to the target parameters for variable compensation:

Target parameter	100% of target	Actual FY 2017 figure	Target achievement [2]
Return on capital employed, ROCE [1]	15.00%	13.54%	118.33%
Earnings per share, basic EPS [1] (ø2015–2017)	€7.32	€7.67	123.33%
Individual targets	Focus topics 2017: Growth, Innovation, Digitalization and Excellence	–	100–130%

1 Continuing and discontinued operations.

2 Calculative target achievement for ROCE was 51.33%. The Supervisory Board adjusted this figure to reflect the acquisition of Mentor Graphics and the merger of Siemens' wind power business with Gamesa Corporación Tecnológica S.A. (Gamesa).

In fiscal 2017, Bonus-related target attainment by Managing Board members was between 113.89% and 123.89%. In its overall assessment, the Supervisory Board decided not to make any discretionary adjustments to the Bonus payout amounts.

Long-term stock-based compensation

Since beneficiaries are not entitled to receive dividends, the number of stock commitments granted was based on the closing price of Siemens stock in Xetra trading on the date of award less the present value of dividends expected during the restriction period. The share price used to determine the number of stock commitments was €91.32 (2016: €75.60).

Commitments in connection with the termination of Managing Board membership

Because Prof. Dr. Russwurm left the Managing Board at the end of his term of office on March 31, 2017, no commitments were agreed upon in connection with the termination of his Managing Board membership. In accordance with his contract with the Company, the previously granted Stock Awards, for which the restriction period is still in effect, will be absolutely maintained.

Total compensation

On the basis of the Supervisory Board's decisions described above, Managing Board compensation for fiscal 2017 totaled €33.97 million (2016: €28.90 million), an increase of 17.5%. Of this total amount, €20.73 million (2016: €20.19 million) was attributable to cash compensation and €13.24 million (2016: €8.71 million) to stock-based compensation.

The compensation presented on the following pages was granted to the members of the Managing Board for fiscal 2017 (individual disclosure).

Managing Board members serving as of September 30, 2017

(Amounts in thousands of €)			Joe Kaeser President and CEO 2016	2017	2017 (Min)	2017 (Max)
Non-performance-based components	Fixed compensation (base compensation)		2,034	2,130	2,130	2,130
	Fringe benefits[1]		102	104	104	104
	Total		2,136	2,234	2,234	2,234
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (Bonus) – Target amount	2,034	2,130	0	5,112
	with long-term incentive effect, stock-based	Multi-year variable compensation[2, 3] Siemens Stock Awards[4] (restriction period: four years)	2,158	2,096	0	6,600
	Total[5]		6,328	6,460	2,234	10,982
	Service Cost		1,101	1,193	1,193	1,193
	Total (Code)[6]		7,428	7,653	3,427	12,175
	Total compensation of all Managing Board members for fiscal 2017, in accordance with the applicable reporting standards, amounted to €33,97 million (2016: €28.90 million). The payout amount presented below is to be used instead of the target value according to the Code for one-year variable compensation. Service costs for pension benefits are not included.					
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (Bonus) – Payout amount	2,773	2,639		
Total compensation			7,066	6,969		

Managing Board members serving as of September 30, 2017

(Amounts in thousands of €)		
Non-performance-based components	Fixed compensation (base compensation)	
	Fringe benefits[1]	
	Total	
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (Bonus) – Target amount
	with long-term incentive effect, stock-based	Multi-year variable compensation[2, 3] Siemens Stock Awards[4] (restriction period: four years)
	Total[5]	
	Service Cost	
	Total (Code)[6]	
	Total compensation of all Managing Board members for fiscal 2017, in accordance with the applicable reporting standards, amounted to €33,97 million (2016: €28.90 million). The payout amount presented below is to be used instead of the target value according to the Code for one-year variable compensation. Service costs for pension benefits are not included.	
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (Bonus) – Payout amount
Total compensation		

1 Fringe benefits include the costs, or the cash equivalent, of non-monetary benefits and other perquisites, such as the provision of company cars in the amount of €159,957 (2016: €159,687), contributions toward the cost of insurance in the amount of €94,581 (2016: €139,795), the reimbursement of expenses for legal advice and tax advice, accommodation and moving expenses, including any taxes due in this regard, currency adjustment payments and costs relating to preventive medical examinations in the amount of €746,537 (2016: €765,327).

2 The figures for individual maximums for multi-year variable compensation reflect the possible maximum value in accordance with the maximum amount agreed upon for fiscal 2017 – that is, 300% of the applicable target amount.

3 The expenses recognized for stock-based compensation for members of the Managing Board in accordance with the IFRS in fiscal 2017 and fiscal 2016 amounted to €19,031,892 and €8,294,921, respectively. The following amounts pertained to the members of the Managing Board in fiscal 2017: Joe Kaeser €3,344,690 (2016: €2,378,584), Dr. Roland Busch €1,781,634 (2016: €1,283,779), Lisa Davis €1,301,296 (2016: €698,432), Klaus Helmrich €1,784,593 (2016: €1,284,349), Janina Kugel €1,278,363 (2016: €704,026), Cedrik Neike €2,978,584 (2016: €0), Michael Sen €136,659 (2016: €0) and Dr. Ralf P. Thomas €1,393,673 (2016: €872,394). The corresponding expense, determined in the same way, for former Managing Board members was as follows: Brigitte Ederer €218,614 (2016: – €42,062), Barbara Kux €218,614 (2016: – €42,062), Peter Löscher €538,356 (2016: – €103,403), Prof. Dr. Hermann Requardt €32,566 (2016: – €5,624), Prof. Dr. Siegfried Russwurm €3,303,141 (2016: €1,302,593), Peter Y. Solmssen €692,506 (2016: – €36,857), and Dr. Michael Süß €29,604 (2016: – €248).

4 Of the Stock Awards granted in fiscal 2017, most are contingent upon attaining the prospective performance-based target for Siemens stock relative to five competitors. The monetary values relating to 100% target achievement were €12,930,417 (2016: €8,560,190). The amounts for individual Managing Board members were as follows: Joe Kaeser €2,200,081 (2016: 2,120,061), Dr. Roland Busch €1,100,041 (2016: €1,080,022), Lisa Davis €1,100,041 (2016: €1,080,022), Klaus Helmrich €1,100,041 (2016: €1,080,022), Janina Kugel €1,065,020 (2016: €1,040,029), Cedrike Neike €3,700,065 (2016: €0), Michael Sen €1,025,067 (2016: €0), Dr. Ralf P. Thomas €1,100,041 (2016: €1,080,022) and for former Managing Board member Prof. Dr. Siegfried Russwurm €550,020 (2016: €1,080,022).

5 Total maximum compensation for fiscal 2017 represents the contractual maximum amount for overall compensation, excluding fringe benefits and pension benefit commitments. At 1.7 times target compensation (base compensation, target amount for the Bonus and the target amount for long-term stock-based compensation), the maximum amount is less than the total of the individual contractual caps for performance-based components.

6 Total compensation reflects the current fair value of stock-based compensation components on the grant date. On the basis of the current monetary values of stock-based compensation components, total compensation amounted to €33,657,370 (2016: €28,747,477).

7 Ms. Davis's compensation is paid out in Germany in euros. It has been agreed that any tax liability that arises due to tax rates that are higher in Germany than in the U.S. will be reimbursed. For base compensation of calendar years 2015 and 2016 as well as for the Bonus for fiscal years 2015 and 2016, a currency-adjustment payment was granted.

Dr. Roland Busch				Lisa Davis[7]				Klaus Helmrich				Janina Kugel			
Managing Board member				Managing Board member				Managing Board member				Managing Board member			
2016	2017	2017 (Min)	2017 (Max)	2016	2017	2017 (Min)	2017 (Max)	2016	2017	2017 (Min)	2017 (Max)	2016	2017	2017 (Min)	2017 (Max)
1,043	**1,065**	1,065	1,065	1,043	**1,065**	1,065	1,065	1,043	**1,065**	1,065	1,065	989	**1,011**	1,011	1,011
55	**55**	55	55	683	**512**	512	512	48	**52**	52	52	39	**40**	40	40
1,098	**1,120**	1,120	1,120	1,726	**1,577**	1,577	1,577	1,091	**1,117**	1,117	1,117	1,027	**1,051**	1,051	1,051
1,043	**1,065**	0	2,556	1,043	**1,065**	0	2,556	1,043	**1,065**	0	2,556	989	**1,011**	0	2,426
1,099	**1,048**	0	3,300	1,099	**1,048**	0	3,300	1,099	**1,048**	0	3,300	1,059	**1,005**	0	3,165
3,240	**3,233**	1,120	5,491	3,868	**3,690**	1,577	5,491	3,233	**3,230**	1,117	5,491	3,075	**3,067**	1,051	5,231
603	**622**	622	622	576	**566**	566	566	602	**621**	621	621	530	**593**	593	593
3,843	**3,855**	1,742	6,113	4,443	**4,256**	2,143	6,057	3,835	**3,851**	1,738	6,112	3,604	**3,659**	1,643	5,823
1,387	**1,284**			1,387	**1,248**			1,370	**1,284**			1,282	**1,151**		
3,584	**3,452**			4,212	**3,873**			3,560	**3,448**			3,368	**3,207**		

Cedrik Neike[8, 9]				Michael Sen[10]				Dr. Ralf P. Thomas				Prof. Dr. Siegfried Russwurm[11]	
Managing Board member since April 1, 2017				Managing Board member since April 1, 2017				CFO				Managing Board member until March 31, 2017	
2016	2017	2017 (Min)	2017 (Max)	2016	2017	2017 (Min)	2017 (Max)	2016	2017	2017 (Min)	2017 (Max)	2016	2017
–	**533**	533	533	–	**533**	533	533	1,043	**1,065**	1,065	1,065	1,043	**533**
–	**15**	15	15	–	**115**	115	115	61	**69**	69	69	78	**39**
–	**548**	548	548	–	**648**	648	648	1,104	**1,134**	1,134	1,134	1,121	**572**
–	**533**	0	1,278	–	**533**	0	1,278	1,043	**1,065**	0	2,556	1,043	**533**
–	**4,079**	0	1,650	–	**1,347**	0	3,075	1,099	**1,048**	0	3,300	1,099	**524**
–	**5,159**	548	2,746	–	**2,528**	648	2,746	3,246	**3,247**	1,134	5,491	3,263	**1,628**
–	**1,214**	1,214	1,214	–	**703**	703	703	603	**622**	622	622	602	**621**
–	**6,373**	1,762	3,959	–	**3,231**	1,351	3,449	3,849	**3,869**	1,756	6,113	3,865	**2,249**
–	**606**			–	**624**			1,370	**1,284**			1,317	**606**
–	**5,233**			–	**2,619**			3,573	**3,466**			3,538	**1,702**

8 To compensate for the forfeiture of stock at his previous employer, the Supervisory Board has granted Mr. Neike a one-time sum of €4,200,000. Seventy-five percent of this amount was awarded in the form of Siemens Phantom Stock Awards and the remaining 25% as a special pension benefit contribution. One half of the total amount of these granted Siemens Phantom Stock Awards fell due and was honored in September 2017. The other half will fall due and be honored in September 2018. The value of these Siemens Phantom Stock Awards depends solely on the performance of Siemens stock. As compensation for the forfeiture of stock at his previous employer, these Siemens Phantom Stock Awards are not taken into account when determining target compensation and hence are not included in the individual minimum and maximum amounts specified.

9 Mr. Neike was appointed Executive Chairman of the Board of Directors of Siemens Ltd. China, effective May 1, 2017. Of the fixed compensation and one-year (payout amount) and multi-year variable compensation reported here, an amount of €359,769 was granted and paid by Siemens Ltd. China and set off against the remuneration for his Managing Board activities at Siemens AG. Of the fringe benefits reported here, an amount of €7,778 was granted and paid by Siemens Ltd. China. In addition, it has been agreed that Siemens AG will offset, as a net amount, any personal tax burden that, due to Mr. Neike's two employment relationships, exceeds the burden that he would incur if he paid tax solely on the benefits granted to him under his employment contract with Siemens AG in Germany. Siemens AG will also offset any burdens due to charges and contributions to social insurance or comparable statutory systems in China additional to those he incurs in Germany.

10 To compensate for the forfeiture of stock and pension contributions at his previous employer, the Supervisory Board has granted Mr. Sen a one-time sum of €950,000. One half of this amount was awarded in the form of Siemens Phantom Stock Awards and the other half as a special pension benefit contribution.

11 Prof. Dr. Russwurm left the Managing Board effective the end of March 31, 2017.

Allocations

The following table shows allocations for fiscal 2017 for fixed compensation, fringe benefits, one-year variable compensation and multi-year variable compensation – by reference year – as well as the expense of pension benefits. In deviation from the multi-year variable compensation granted for fiscal 2017 and shown above, this table includes the actual figure for multi-year variable compensation granted in previous years and allocated in fiscal 2017.

Managing Board members serving as of September 30, 2017

(Amounts in thousands of €)			Joe Kaeser President and CEO 2017	Joe Kaeser President and CEO 2016
Non-performance-based components	Fixed compensation (base compensation)		**2,130**	2,034
	Fringe benefits[1]		**104**	102
	Total		**2,234**	2,136
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (Bonus) – Payout amount[2]	**2,639**	2,773
	with long-term incentive effect, stock-based	**Multi-year variable compensation**	**4,570**	2,310
		Siemens Stock Awards (restriction period: 2012–2016)[3]	**3,542**	0
		Siemens Stock Awards (restriction period: 2011–2015)[4]	**0**	903
		Bonus Awards (waiting period: 2012–2016)[5]	**1,028**	0
		Bonus Awards (waiting period: 2011–2015)[5]	**0**	1,407
		Share Matching Plan (vesting period: 2013–2015)	**0**	0
	Other[6]		**200**	97
	Total		**9,643**	7,316
	Service Cost		**1,193**	1,101
	Total (Code)		**10,835**	8,416

Managing Board members serving as of September 30, 2017

(Amounts in thousands of €)		
Non-performance-based components	Fixed compensation (base compensation)	
	Fringe benefits[1]	
	Total	
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (Bonus) – Payout amount[2]
	with long-term incentive effect, stock-based	**Multi-year variable compensation**
		Siemens Stock Awards (restriction period: 2012–2016)[3]
		Siemens Stock Awards (restriction period: 2011–2015)[4]
		Bonus Awards (waiting period: 2012–2016)[5]
		Bonus Awards (waiting period: 2011–2015)[5]
		Share Matching Plan (vesting period: 2013–2015)
	Other[6]	
	Total	
	Service Cost	
	Total (Code)	

1 Fringe benefits include the costs, or the cash equivalent, of non-monetary benefits and other perquisites, such as the provision of company cars in the amount of €159,957 (2016: €159,687), contributions toward the cost of insurance in the amount of €94,581 (2016: €139,795), the reimbursement of expenses for legal advice and tax advice, accommodation and moving expenses, including any taxes due in this regard, currency adjustment payments and costs relating to preventive medical examinations in the amount of €746,537 (2016: €765,327).

2 The payout amount of one-year variable compensation (Bonus) presented above therefore represents the amount awarded for fiscal 2017, which will be paid out in January 2018.

3 For one half of the Siemens Stock Awards 2012, target attainment depended on the EPS for the last three years and amounted to 154%. For the other half, target attainment was linked to the performance of Siemens stock compared to defined competitors during the four-year restriction period. It amounted to 87%. Of the Siemens Stock Awards 2012, which were granted on the basis of 100% target attainment, a number equivalent to the shortfall from that target expired without replacement in accordance with plan rules.

4 For one half of the Siemens Stock Awards 2011 target attainment depended on the EPS for the past three fiscal years and amounted to 114%. For the other half, target attainment was linked to the performance of Siemens stock compared to defined competitors during the four-year vesting period. It amounted to 0%. Therefore, Siemens Stock Awards 2011 that had already been granted were forfeited without replacement in accordance with the plan rules.

5 One half of the Bonus for fiscal 2011 and fiscal 2012 was granted in the form of non-forfeitable awards of Siemens stock (Bonus Awards). After the expiration of the four-year waiting period in November 2015 and November 2016, respectively, the beneficiaries received one share of Siemens stock for each Bonus Award.

6 "Other" includes the adjustment of the Siemens Stock Awards 2011 and 2012 and Bonus Awards 2011 and 2012 (transfer in November 2015 and 2016, respectively) in accordance with Section 23 and Section 125 of the German Transformation Act *(Umwandlungsgesetz)* due to the spin-off of OSRAM.

7 To compensate for the forfeiture of stock at his previous employer, the Supervisory Board has granted Mr. Neike a one-time sum of €4,200,000. Seventy-five percent of this amount was awarded in the form of Siemens Phantom Stock Awards and the remaining 25% as a special pension benefit contribution. One half of the total amount of these granted Siemens Phantom

	Dr. Roland Busch		Lisa Davis		Klaus Helmrich		Janina Kugel	
	Managing Board member		Managing Board member		Managing Board member		Managing Board member	
	2017	2016	2017	2016	2017	2016	2017	2016
	1,065	1,043	**1,065**	1,043	**1,065**	1,043	**1,011**	989
	55	55	**512**	683	**52**	48	**40**	39
	1,120	1,098	**1,577**	1,726	**1,117**	1,091	**1,051**	1,027
	1,284	1,387	**1,248**	1,387	**1,284**	1,370	**1,151**	1,282
	2,949	1,259	**0**	0	**3,052**	1,301	**0**	0
	2,024	0	**0**	0	**2,024**	0	**0**	0
	0	555	**0**	0	**0**	598	**0**	0
	925	0	**0**	0	**1,028**	0	**0**	0
	0	703	**0**	0	**0**	703	**0**	0
	0	0	**0**	0	**0**	0	**0**	0
	129	53	**0**	0	**133**	55	**0**	0
	5,482	3,797	**2,825**	3,113	**5,586**	3,816	**2,202**	2,309
	622	603	**566**	576	**621**	602	**593**	530
	6,104	4,399	**3,391**	3,688	**6,207**	4,418	**2,795**	2,839

	Cedrik Neike [7, 8]		Michael Sen [9]		Dr. Ralf P. Thomas		Prof. Dr. Siegfried Russwurm [10]	
	Managing Board member since April 1, 2017		Managing Board member since April 1, 2017		CFO		Managing Board member until March 31, 2017	
	2017	2016	2017	2016	2017	2016	2017	2016
	533	–	**533**	–	**1,065**	1,043	**533**	1,043
	15	–	**115**	–	**69**	61	**39**	78
	548	–	**648**	–	**1,134**	1,104	**572**	1,121
	606	–	**624**	–	**1,284**	1,370	**606**	1,317
	0	–	**0**	–	**891**	465	**3,052**	2,310
	0	–	**0**	–	**891**	0	**2,024**	0
	0	–	**0**	–	**0**	397	**0**	903
	0	–	**0**	–	**0**	0	**1,028**	0
	0	–	**0**	–	**0**	0	**0**	1,407
	0	–	**0**	–	**0**	67	**0**	0
	1,402	–	**0**	–	**39**	20	**133**	97
	2,556	–	**1,272**	–	**3,347**	2,958	**4,363**	4,845
	1,214	–	**703**	–	**622**	603	**621**	602
	3,770	–	**1,975**	–	**3,969**	3,561	**4,984**	5,447

Stock Awards fell due and was honored in September 2017. The other half will fall due and be honored in September 2018. The value of these Siemens Phantom Stock Awards depends solely on the performance of Siemens stock.

8 Mr. Neike was appointed Executive Chairman of the Board of Directors of Siemens Ltd. China, effective May 1, 2017. Of the fixed compensation and one-year variable compensation (payout amount) reported here, an amount of €222,802 was granted and paid by Siemens Ltd. China and set off against the remuneration for his Managing Board activities at Siemens AG. Of the fringe benefits reported here, an amount of €7,778 was granted and paid by Siemens Ltd. China. In addition, it has been agreed that Siemens AG will offset, as a net amount, any personal tax burden that, due to Mr. Neike's two employment relationships, exceeds the burden that he would incur if he paid tax solely on the benefits granted to him in his employment contract with Siemens AG in Germany. Siemens AG will also offset any burdens due to charges and contributions to social insurance or comparable statutory systems in China additional to those he incurs in Germany.

9 To compensate for the forfeiture of stock and pension contributions at his previous employer, the Supervisory Board has granted Mr. Sen a one-time sum of €950,000. Half of this amount was awarded in the form of Siemens Phantom Stock Awards and the other half as a special pension benefit contribution.

10 Prof. Dr. Russwurm left the Managing Board effective the end of March 31, 2017.

Pension benefit commitments

For fiscal 2017, the members of the Managing Board were granted contributions under the BSAV totaling €5.0 million (2016: €4.6 million), based on a resolution of the Supervisory Board dated November 8, 2017. Of this amount, €0.1 million (2016: €0.1 million) related to the funding of pension commitments earned prior to transfer to the BSAV.

The contributions under the BSAV are added to the personal pension accounts each January, following the close of the fiscal year. Until a beneficiary's date of retirement, his or her pension account is credited with an annual interest payment (guaranteed interest) on January 1 of each year. The interest rate is currently 0.90%.

The following table shows individualized details of the contributions (allocations) under the BSAV for fiscal 2017 as well as the defined benefit obligations for pension commitments.

	Total contributions[1] for		Defined benefit obligation[2] for all pension commitments excluding deferred compensation[3]	
(Amounts in €)	2017	2016	2017	2016
Managing Board members serving as of September 30, 2017				
Joe Kaeser	**1,192,800**	1,139,040	**11,195,488**	10,391,542
Dr. Roland Busch	**596,400**	583,968	**4,742,811**	4,342,427
Lisa Davis	**596,400**	583,968	**4,532,350**	3,817,196
Klaus Helmrich	**596,400**	583,968	**5,007,306**	4,607,800
Janina Kugel	**566,160**	553,728	**1,628,418**	1,084,971
Cedrik Neike[4]	**298,200**	–	**1,213,897**	–
Michael Sen[5]	**298,200**	–	**703,169**	–
Dr. Ralf P. Thomas	**596,400**	583,968	**4,727,702**	4,297,199
Former members of the Managing Board				
Prof. Dr. Siegfried Russwurm[6]	**298,200**	583,968	**6,317,937**	6,083,534
Total	**5,039,160**	4,612,608	**40,069,078**	34,624,669

1 The expenses (service cost) recognized in accordance with the IFRS in fiscal 2017 for Managing Board members' entitlements under the BSAV in fiscal 2017 amounted to €6,754,665 (2016: €4,615,543).

2 The defined benefit obligations reflect one-time special contributions to the BSAV for new appointments from outside the Company, amounting to €1,525,000 (2016: €0).

3 Deferred compensation totals €4,001,386 (2016: €3,829,397), including €3,590,178 for Joe Kaeser (2016: €3,428,243), €354,801 for Klaus Helmrich (2016: €343,953) and €56,407 for Dr. Ralf P. Thomas (2016: €57,201).

4 Mr. Neike was appointed a full member of the Managing Board effective April 1, 2017.

5 Mr. Sen was appointed a full member of the Managing Board effective April 1, 2017.

6 Prof. Dr. Russwurm left the Managing Board effective the end of March 31, 2017.

In fiscal 2017, former members of the Managing Board and their surviving dependents received emoluments within the meaning of Section 314 para. 1 No. 6 b of the German Commercial Code totaling €34.1 million (2016: €52.3 million). The previous year's figure includes the lump-sum payments of the former Managing Board members Prof. Dr. Requardt and Mr. Solmssen.

The defined benefit obligation (DBO) of all pension commitments to former members of the Managing Board and their surviving dependents as of September 30, 2017, amounted to €191.5 million (2016: €216.3 million). This figure is included in → NOTE 16 in B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Other

No loans or advances from the Company are provided to members of the Managing Board.

A.10.1.3 ADDITIONAL INFORMATION ON STOCK-BASED COMPENSATION INSTRUMENTS IN FISCAL 2017

Stock commitments

The following table shows the changes in the balance of the stock commitments held by Managing Board members in fiscal 2017:

(Amounts in number of units)	Balance at beginning of fiscal 2017		Granted during fiscal year[1]	Vested and fulfilled during fiscal year	Forfeited during fiscal year[2]	Balance at end of fiscal 2017[3]	
	Non-forfeitable commitments of Bonus Awards	Forfeitable commitments of Stock Awards	Forfeitable commitments of Stock Awards	Commitments of Bonus Awards and Stock Awards	Commitments of Stock Awards	Non-forfeitable commitments of Bonus Awards	Forfeitable commitments of Stock Awards
Managing Board members serving as of September 30, 2017							
Joe Kaeser	**25,631**	**138,923**	24,092	41,904	1,752	**16,206**	**128,784**
Dr. Roland Busch	**19,425**	**75,263**	12,046	27,042	1,001	**10,942**	**67,749**
Lisa Davis	**576**	**53,261**	12,046	0	0	**576**	**65,307**
Klaus Helmrich	**19,536**	**75,263**	12,046	27,984	1,001	**10,111**	**67,749**
Janina Kugel	**–**	**29,412**	11,553	0	0	**0**	**40,965**
Cedrik Neike[4, 5, 6]	**–**	**–**	31,754[7]	12,655[7]	0	**0**	**19,099**
Michael Sen[5, 8]	**–**	**–**	11,225	0	0	**0**	**11,225**
Dr. Ralf P. Thomas	**5,030**	**57,250**	12,046	8,166	440	**5,030**	**60,690**
Former members of the Managing Board							
Prof. Dr. Siegfried Russwurm[9]	**20,043**	**78,633**	6,023	27,984	1,001	**10,618**	**65,096**
Total	**90,241**	**508,005**	**132,831**	**145,735**	**5,196**	**53,483**	**526,664**

1 The weighted average fair value as of the grant date for fiscal 2017 was €99.70 per granted share.

2 For one half of the Siemens Stock Awards 2012, target attainment depended on the EPS value for the past three fiscal years and amounted to 154%. For the other half, target attainment was linked to the performance of Siemens stock compared to defined competitors during the four-year restriction period. It amounted to 87%. Of the Siemens Stock Awards 2012, which were granted on the basis of 100% target attainment, a number equivalent to the shortfall from that target expired, accordingly, without replacement in accordance with plan rules

3 Amounts also include stock commitments (Stock Awards) granted in November 2016 for fiscal 2017. These amounts may further include stock commitments received as compensation by the relevant Managing Board member before joining the Managing Board.

4 Mr. Neike was appointed a full member of the Managing Board effective April 1, 2017.

5 Since Mr. Neike und Mr. Sen were appointed full members of the Managing Board during the fiscal year, the target amount for their stock-based compensation was prorated and, instead of Stock Awards, they received an equivalent amount of Siemens Phantom Stock Awards. In lieu of a transfer of shares, only a cash equivalent is given for these awards at the end of the restriction period. Otherwise, the same provisions agreed upon for Siemens Stock Awards apply.

6 The amounts shown include the Stock Awards granted to Mr. Neike by Siemens Ltd. China in his capacity as Executive Chairman of the Board of Directors of Siemens Ltd. China.

7 Amounts also include the non-forfeitable Stock Awards, which Mr. Neike received as forfeiture of stock at his previous employer. One half of the total amount of these granted Siemens Phantom Stock Awards fell due and was honored in September 2017. The other half will fall due and be honored in September 2018. The value of these Siemens Phantom Stock Awards depends solely on the performance of Siemens stock.

8 Mr. Sen was appointed a full member of the Managing Board effective April 1, 2017.

9 Prof. Dr. Siegfried Russwurm left the Managing Board effective the end of March 31, 2017.

Shares from the Share Matching Plan

Fiscal 2011 was the last year in which Managing Board members were entitled to participate in the Siemens Share Matching Plan. Under the plan, they were entitled to invest up to 50% of the annual gross amount of their variable cash compensation, as determined for fiscal 2010, in Siemens shares. After the expiration of a vesting period of approximately three years, plan participants are entitled to receive one free matching share of Siemens stock for every three Siemens shares acquired and continuously held under the plan, provided the participants were employed without interruption at Siemens AG or a Siemens company until the end of the vesting period. At the beginning of fiscal 2017, Janina Kugel had three entitlements to matching shares, which she had acquired before joining the Managing Board. In fiscal 2017, no entitlements to matching shares were acquired, due or are forfeited. Entitlements to matching shares at the end of fiscal 2017 show the following balance: Janina Kugel, three shares with a fair value of €174.

Share Ownership Guidelines

The deadlines by which the individual Managing Board members must provide first-time proof of compliance with the Siemens Share Ownership Guidelines vary from member to member, depending on when he or she was appointed to the Managing Board. The following table shows the number of Siemens shares that were held by Managing Board members in office at September 30, 2017, as of the March 2017 deadline for proving compliance with the Share Ownership Guidelines as well as the number that are to be held permanently with a view to future deadlines.

	Obligations under Share Ownership Guidelines					
	Required			Proven		
(Amounts in number of units or €)	Percentage of base compensation[1]	Value[1]	Number of shares[2]	Percentage of base compensation[1]	Value[2]	Number of shares[3]
Managing Board members serving as of September 30, 2017, and required to show proof as of March 10, 2017						
Joe Kaeser	300%	5,516,344	51,039	567%	10,424,316	96,450
Dr. Roland Busch	200%	2,029,863	18,781	291%	2,953,070	27,323
Klaus Helmrich	200%	2,010,175	18,599	308%	3,093,142	28,619
Total		**9,556,381**	**88,419**		**16,470,527**	**152,392**

1 The amount of the obligation is based on the average base compensation for the four years prior to the respective dates of proof.

2 Based on the average Xetra opening price of €108.08 for the fourth quarter of 2016 (October – December).

3 As of March 10, 2017 (date of proof), including Bonus Awards.

A.10.2 Remuneration of Supervisory Board members

The current remuneration policies for the Supervisory Board were authorized at the Annual Shareholders' Meeting held on January 28, 2014, and are effective as of fiscal 2014. Details are set out in Section 17 of the Articles of Association of Siemens AG. The remuneration of the Supervisory Board consists entirely of fixed compensation; it reflects the responsibilities and scope of the work of the Supervisory Board members. The Chairman and Deputy Chairmen of the Supervisory Board as well as the Chairmen and members of the Audit Committee, the Chairman's Committee, the Compensation Committee, the Compliance Committee and the Innovation and Finance Committee receive additional compensation.

Under current rules, the members of the Supervisory Board receive an annual base compensation of €140,000; the Chairman of the Supervisory Board receives a base compensation of €280,000, and each of the Deputy Chairmen receives €220,000.

The members of the Supervisory Board committees receive the following additional fixed compensation for their committee work: the Chairman of the Audit Committee receives €160,000, and each of the other members of the Committee receives €80,000; the Chairman of the Chairman's Committee receives €120,000, and each of the other members of the Committee receives €80,000; the Chairman of the Compensation Committee receives €100,000, and each of the other members of the Committee receives €60,000 (compensation for any work on the Chairman's Committee counts toward compensation for work on the Compensation Committee); the Chairman of the Innovation and Finance Committee receives €80,000, and each of the other members of the Committee receives €40,000; the Chairman of the Compliance Committee receives €80,000, and each of the other members of the Committee receives €40,000. However, no additional compensation is paid for work on the Compliance Committee if a member of that Committee is already entitled to compensation for work on the Audit Committee.

If a Supervisory Board member does not attend a meeting of the Supervisory Board, one-third of the aggregate compensation due to that member is reduced by the percentage of Supervisory Board meetings not attended by the member in relation to the total number of Supervisory Board meetings held during the fiscal year. In the event of changes in the composition of the Supervisory Board and/or its committees, compensation is paid on a pro rata basis, rounding up to the next full month.

In addition, the members of the Supervisory Board are entitled to receive a fee of €1,500 for each meeting of the Supervisory Board and its committees that they attend.

The members of the Supervisory Board are reimbursed for out-of-pocket expenses incurred in connection with their duties and for any value-added taxes to be paid on their remuneration. For the performance of his duties, the Chairman of the Supervisory Board is also entitled to an office with secretarial support and the use of a carpool service.

No loans or advances from the Company are provided to members of the Supervisory Board.

The compensation shown below was determined for each of the members of the Supervisory Board for fiscal 2017 (individualized disclosure).

(Amounts in €)	2017 Base compen-sation	2017 Additional compen-sation for committee work	2017 Meeting attendance fee	2017 Total	2016 Base compen-sation	2016 Additional compen-sation for committee work	2016 Meeting attendance fee	2016 Total
Supervisory Board members serving as of September 30, 2017								
Dr. Gerhard Cromme	**280,000**	**280,000**	**57,000**	**617,000**	280,000	280,000	45,000	605,000
Birgit Steinborn[1]	**220,000**	**200,000**	**48,000**	**468,000**	220,000	200,000	43,500	463,500
Werner Wenning	**220,000**	**140,000**	**42,000**	**402,000**	220,000	140,000	30,000	390,000
Olaf Bolduan[1]	**140,000**	**–**	**10,500**	**150,500**	133,333	–	9,000	142,333
Michael Diekmann	**133,333**	**57,143**	**13,500**	**203,976**	133,333	57,143	13,500	203,976
Dr. Hans Michael Gaul	**140,000**	**160,000**	**34,500**	**334,500**	140,000	160,000	27,000	327,000
Reinhard Hahn[1]	**140,000**	**–**	**10,500**	**150,500**	140,000	–	10,500	150,500
Bettina Haller[1]	**133,333**	**76,190**	**21,000**	**230,524**	140,000	80,000	25,500	245,500
Hans-Jürgen Hartung	**140,000**	**–**	**10,500**	**150,500**	140,000	–	10,500	150,500
Robert Kensbock[1]	**140,000**	**180,000**	**31,500**	**351,500**	140,000	180,000	30,000	350,000
Harald Kern[1]	**133,333**	**76,190**	**19,500**	**229,024**	140,000	80,000	22,500	242,500
Jürgen Kerner[1]	**140,000**	**200,000**	**40,500**	**380,500**	140,000	200,000	33,000	373,000
Dr. Nicola Leibinger-Kammüller	**133,333**	**76,190**	**33,000**	**242,524**	140,000	80,000	27,000	247,000
Gérard Mestrallet	**140,000**	**–**	**10,500**	**150,500**	126,667	–	7,500	134,167
Dr. Norbert Reithofer	**133,333**	**38,095**	**16,500**	**187,929**	133,333	38,095	15,000	186,429
Güler Sabancı	**140,000**	**–**	**10,500**	**150,500**	140,000	–	10,500	150,500
Dr. Nathalie von Siemens	**140,000**	**–**	**10,500**	**150,500**	140,000	–	10,500	150,500
Michael Sigmund	**140,000**	**–**	**10,500**	**150,500**	140,000	–	10,500	150,500
Jim Hagemann Snabe	**133,333**	**114,286**	**31,500**	**279,119**	140,000	120,000	31,500	291,500
Sibylle Wankel[1]	**140,000**	**40,000**	**16,500**	**196,500**	140,000	40,000	16,500	196,500
Total	**3,060,000**	**1,638,095**	**478,500**	**5,176,595**	3,066,667	1,655,238	429,000	5,150,905

1 These employee representatives on the Supervisory Board and the representatives of the trade unions on the Supervisory Board have declared their willingness to transfer their compensation to the Hans Boeckler Foundation, in accordance with the guidelines of the Confederation of German Trade Unions (DGB).

A.10.3 Other

The Company provides a group insurance policy for Supervisory and Managing Board members and certain other employees of the Siemens Group. The policy is taken out for one year at a time or renewed annually. It covers the personal liability of the insured in cases of financial loss associated with their activities on behalf of the Company. The insurance policy for fiscal 2017 includes a deductible for the members of the Managing Board and the Supervisory Board that complies with the requirements of the German Stock Corporation Act and the Code.

A.11 Takeover-relevant information

(pursuant to Sections 289 para. 4 and 315 para. 4 of the German Commercial Code) and explanatory report

A.11.1 Composition of common stock

As of September 30, 2017, the Company's common stock totaled €2.550 billion. The capital stock is divided into 850 million registered shares with no par value. The shares are fully paid in. All shares confer the same rights and obligations. The shareholders' rights and obligations are governed in detail by the provisions of the German Stock Corporation Act, in particular by Sections 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act.

A.11.2 Restrictions on voting rights or transfer of shares

At the Shareholders' Meeting, each share of stock has one vote and accounts for the shareholders' proportionate share in the Company's net income. An exception to this rule applies with regard to treasury shares held by the Company, which do not entitle the Company to any rights. Under Section 136 of the German Stock Corporation Act the voting right of the affected shares is excluded by law.

Shares issued to employees worldwide under the employee share program implemented since the beginning of fiscal 2009, in particular the Share Matching Plan, are freely transferable unless applicable local laws provide otherwise. Under the rules of the program, however, in order to receive one matching share free of charge for each three shares purchased, participants are required to hold the shares purchased by them for a vesting period of several years, during which the participants have to be continuously employed by Siemens AG or another Siemens company. The right to receive matching shares is forfeited if the purchased shares are sold, transferred, hedged on, pledged or hypothecated in any way during the vesting period.

The von Siemens-Vermögensverwaltung GmbH (vSV) has, on a sustained basis, powers of attorney allowing it to exercise the voting rights for 10,814,609 shares (as of September 30, 2017) on behalf of members of the Siemens family. These shares are part of the total number of shares held by the family's members. The powers of attorney are based on an agreement between the vSV and, among others, members of the Siemens family. The shares are voted together by vSV, taking into account the proposals of a family partnership established by the family's members or of one of this partnership's governing bodies.

A.11.3 Legislation and provisions of the Articles of Association applicable to the appointment and removal of members of the Managing Board and governing amendment to the Articles of Association

The appointment and removal of members of the Managing Board is subject to the provisions of Sections 84 and 85 of the German Stock Corporation Act and Section 31 of the German Codetermination Act (Mitbestimmungsgesetz). According to Section 8 para. 1 of the Articles of Association, the Managing Board is comprised of several members, the number of which is determined by the Supervisory Board.

According to Section 179 of the German Stock Corporation Act, any amendment to the Articles of Association requires a resolution of the Shareholders' Meeting. The authority to adopt purely formal amendments to the Articles of Association was transferred to the Supervisory Board under Section 13 para. 2 of the Articles of Association. In addition, by resolutions of the Shareholders' Meetings the Supervisory Board has been authorized to amend Section 4 of the Articles of Association in accordance with the utilization of the Authorized and Conditional Capitals, and after expiration of the then-applicable authorization and utilization period.

Resolutions of the Shareholders' Meeting require a simple majority vote, unless a greater majority is required by law. Pursuant to Section 179 para. 2 of the German Stock Corporation Act, amendments to the Articles of Association require a majority of at least three-quarters of the capital stock represented at the time of the casting of the votes, unless another capital majority is prescribed by the Articles of Association.

A.11.4 Powers of the Managing Board to issue and repurchase shares

The Managing Board is authorized to increase, with the approval of the Supervisory Board, the capital stock until January 25, 2021 by up to €90 million through the issuance of up to 30 million registered shares of no par value against contributions in cash (Authorized Capital 2016). Subscription rights of existing shareholders are excluded. The new shares shall be issued under the condition that they are offered exclusively to employees of Siemens AG and any of its affiliated companies. To the extent permitted by law, employee shares may also be issued in such a manner that the contribution to be paid on such shares is covered by that part of the annual net income which the Managing Board and the Supervisory Board may allocate to other retained earnings under Section 58 para. 2 of the German Stock Corporation Act.

Furthermore, the Managing Board is authorized to increase, with the approval of the Supervisory Board, the capital stock until January 27, 2019 by up to €528.6 million through the issuance of up to 176.2 million registered shares of no par value against cash contributions and/or contributions in kind (Authorized Capital 2014).

As of September 30, 2017, the total unissued authorized capital of Siemens AG therefore consisted of €618.6 million nominal that may be issued, with varying terms by issuance, in installments of up to 206.2 million registered shares of no par value.

By resolutions of the Shareholders' Meetings of January 28, 2014 and January 27, 2015, the Managing Board is authorized to issue bonds with conversion rights or with warrants attached, or a combination of these instruments, each entitling the holders to subscribe to up to 80 million registered shares of Siemens AG of no par value. Based on these two authorizations, the Company or consolidated subsidiaries of the Company may issue bonds until January 27, 2019 and January 26, 2020, respectively, each in an aggregate principal amount of up to €15 billion. In order to grant shares of stock to holders/creditors of such convertible bonds or warrant bonds, the capital stock was conditionally increased by resolutions of the Shareholders' Meetings 2014 and 2015, each by up to 80 million registered shares of no par value (Conditional Capitals 2014 and 2015), i.e. in total by up to €480 million through the issuance of up to 160 million shares of no par value.

The new shares under Authorized Capital 2014 and the bonds under the aforementioned authorizations are to be issued against cash or non-cash contributions. They are, as a matter of principle, to be offered to shareholders for subscription. The Managing Board is authorized to exclude, with the approval of the Supervisory Board, subscription rights of shareholders in the event of capital increases against contributions in kind. In the event of capital increases against contributions in cash, the Managing Board is authorized to exclude shareholders' subscription rights with the approval of the Supervisory Board in the following cases:

- The issue price of the new shares/bonds is not significantly lower than the stock market price of the Siemens shares already listed or the theoretical market price of the bonds computed in accordance with generally accepted actuarial methods (exclusion of subscription rights, limited to 10% of the capital stock, in accordance with or by mutatis mutandis application of Section 186 para. 3 sentence 4 German Stock Corporation Act).
- The exclusion is necessary with regard to fractional amounts resulting from the subscription ratio.
- The exclusion is necessary in order to grant holders of conversion or option rights or conversion or option obligations on Siemens shares a compensation for the effects of dilution.

The total amount of new shares issued or to be issued under Authorized Capitals or in accordance with the bonds mentioned above, in exchange for contributions in cash and in kind and with shareholders' subscription rights excluded, may in certain cases be subject to further restrictions, such as the restriction that they may not exceed 20% of the capital stock. The details of those restrictions are described in the relevant authorization.

In February 2012, Siemens issued bonds with warrant units with a volume of US$3 billion. Siemens exchanged the major part of the warrants issued in 2012 against new warrants in September 2015; for this purpose, Siemens issued new bonds with warrants. After redemption of the first tranche with a volume of US$1.5 billion at maturity in August 2017, the remaining warrants correspond to option rights entitling their holders to receive approximately 11.5 million Siemens shares. The terms and conditions of the warrants enable Siemens to service exercised option rights using either conditional capital or treasury stock, and also enable Siemens to buy back the warrants.

The Company may not repurchase its own shares unless so authorized by a resolution duly adopted by the shareholders at a general meeting or in other very limited circumstances set forth in the German Stock Corporation Act. On January 27, 2015, the Shareholders' Meeting authorized the Company to acquire until January 26, 2020 up to 10% of its capital stock existing at the date of adopting the resolution or – if this value is lower – as of the date on which the authorization is exercised. The aggregate of shares of stock of Siemens AG repurchased under this authorization and any other Siemens shares previously acquired and still held in treasury by the Company or attributable to the Company pursuant to Sections 71d and 71e of the German Stock Corporation Act may at no time exceed 10% of the then existing capital stock. Any repurchase of Siemens shares shall be accomplished at the discretion of the Managing Board either (1) by acquisition over the stock exchange or (2) through a public share repurchase offer. The Managing Board is additionally authorized to complete the repurchase of Siemens shares in accordance with the authorization described above by using certain derivatives (put and call options, forward purchases and any combination of these derivatives). In exercising this authorization, all stock repurchases based on the derivatives are limited to a maximum volume of 5% of Siemens' capital stock existing at the date of adopting the resolution at the Shareholders' Meeting. A derivative's term of maturity may not, in any case, exceed 18 months and must be chosen in such a way that the repurchase of Siemens shares upon exercise of the derivative will take place no later than January 26, 2020.

In addition to selling them over the stock exchange or through a public sales offer to all shareholders, the Managing Board is authorized by resolution of the Shareholders' Meeting on January 27, 2015 to also use Siemens shares repurchased on the basis of this or any previously given authorization for every permissible purpose, in particular as follows: Such Siemens shares may be

- retired
- used in connection with share-based compensation programs and/or employee share programs of the Company or any of its affiliated companies and issued to individuals currently or formerly employed by the Company or any of its affiliated companies as well as to board members of any of the Company's affiliated companies
- offered and transferred, with the approval of the Supervisory Board, to third parties against non-cash contributions
- sold, with the approval of the Supervisory Board, to third parties against payment in cash if the price at which such Siemens shares are sold is not significantly lower than the market price of Siemens stock (exclusion of subscription rights, limited to 10% of the capital stock, by mutatis mutandis application of Section 186 para. 3 sentence 4 German Stock Corporation Act) or
- used to service or secure obligations or rights to acquire Siemens shares arising particularly from or in connection with convertible bonds or warrant bonds issued by the Company or any of its consolidated subsidiaries (exclusion of subscription rights, limited to 10% of the capital stock, by mutatis mutandis application of Section 186 para. 3 sentence 4 German Stock Corporation Act).

Furthermore, the Supervisory Board is authorized to use shares acquired on the basis of this or any previously given authorization to meet obligations or rights to acquire Siemens shares that were or will be agreed with members of the Managing Board within the framework of rules governing Managing Board compensation.

In November 2015, the Company announced that it would carry out a share buyback of up to €3 billion in volume within the following up to 36 months. The buyback commenced on February 2, 2016 using the authorizations given by the Annual Shareholders' Meeting on January 27, 2015. Under this share buyback Siemens repurchased 10,439,856 shares by September 30, 2017. The total consideration paid for these shares amounted to about €1.163 billion (excluding incidental transaction charges). The buyback has the exclusive purposes of retirement, of issuing shares to employees, board members of affiliated companies and members of the Managing Board of Siemens AG, and of servicing/securing the obligations or rights to acquire Siemens shares arising particularly from or in connection with convertible bonds and warrant bonds. As of September 30, 2017, the Company held 34,481,120 shares of stock in treasury.

For details on the authorizations referred to above, especially with the restrictions to exclude subscription rights and the terms to include shares when calculating such restrictions, please refer to the relevant resolution and to Section 4 of the Articles of Association.

A.11.5 Significant agreements which take effect, alter or terminate upon a change of control of the Company following a takeover bid

Siemens AG maintains two lines of credit in an amount of €4 billion and an amount of US$3 billion, respectively, which provide its lenders with a right of termination in the event that (1) Siemens AG becomes a subsidiary of another company or (2) a person or a group of persons acting in concert acquires effective control over Siemens AG by being able to exercise decisive influence over its activities (Art. 3(2) of Council Regulation (EC) 139/2004).

In addition, in March 2013, a consolidated subsidiary as borrower and Siemens AG as guarantor entered into two bilateral loan agreements, each of which has been drawn in the full amount of US$500 million. Each agreement provides its respective lender with a right of termination in the event that (1) Siemens AG becomes a subsidiary of another company or (2) a person or a group of persons acting in concert acquires effective control over Siemens AG by being able to exercise decisive influence over its activities (Art. 3(2) of Council Regulation (EC) 139/2004).

Framework agreements concluded by Siemens AG under International Swaps and Derivatives Association Inc. documentation (ISDA Agreements) grant the counterparty a right of termination when Siemens AG consolidates with, merges into, or transfers substantially all its assets to a third party. However, this right of termination exists only, if (1) the resulting entity's creditworthiness is materially weaker than Siemens AG's immediately prior to such event or (2) the resulting entity fails to simultaneously assume Siemens AG's obligations under the ISDA Agreement. Additionally, some ISDA Agreements grant the counterparty a right of termination if a third party acquires beneficial ownership of equity securities that enable it to elect a majority of Siemens AG's Supervisory Board or otherwise acquire the power to control Siemens AG's material policy-making decisions and if the creditworthiness of Siemens AG is materially weaker than it was immediately prior to such an event. In either situation, ISDA Agreements are designed such that upon termination all outstanding payment claims documented under them are to be netted.

In case of a change of control, the terms and conditions of the remaining warrants issued with the bonds with warrant units in February 2012 enable their holders to receive a higher number of Siemens shares in accordance with an adjusted strike price if they exercise their option rights within a certain period of time after the change of control. This period of time shall end either (1) not less than 30 days and no more than 60 days after publication of the notice of the issuer regarding the change of control, as determined by the issuer or (2) 30 days after the change of control first becomes publicly known. The strike price adjustment decreases depending on the remaining term of the warrants and is determined in detail in the terms and conditions of the warrants. In this context, a change of control occurs if control of Siemens AG is acquired by a person or by persons acting in concert.

A.11.6 Compensation agreements with members of the Managing Board or employees in the event of a takeover bid

In the event of a change of control that results in a substantial change in the position of a Managing Board member (for example, due to a change in corporate strategy or a change in the Managing Board member's duties and responsibilities), the member of the Managing Board has the right to terminate his or her contract with the Company for good cause. A change of control exists if one or several shareholders acting jointly or in concert acquire a majority of the voting rights in Siemens AG and exercise a controlling influence, or if Siemens AG becomes a dependent enterprise as a result of entering into an intercompany agreement within the meaning of Section 291 of the German Stock Corporation Act, or if Siemens AG is to be merged into an existing corporation or other entity. If this right of termination is exercised, the Managing Board member is entitled to a severance payment in the amount of no more than two years' compensation. The calculation of the annual compensation includes not only the base compensation and the target amount for the bonus, but also the target amount for the stock awards, in each case based on the most recent completed fiscal year prior to termination of the contract. The stock-based compensation components for which a firm commitment already exists will remain unaffected. Additionally, the severance payments cover non-monetary benefits by including an amount of 5% of the total severance amount. Severance payments will be reduced by 10% as a lump-sum allowance for discounted values and for income earned elsewhere. However, this reduction will apply only to the portion of the severance payment that was calculated without taking account of the first six months of the remaining term of the Managing Board member's contract. There is no entitlement to a severance payment if the Managing Board member receives benefits from third parties in connection with a change of control. A right to terminate the contract does not exist if the change of control occurs within a period of twelve months prior to a Managing Board member's retirement.

A.11.7 Other takeover-relevant information

We are not aware of, nor have we during the last fiscal year been notified of, any shareholder directly or indirectly holding 10% or more of the voting rights. There are no shares with special rights conferring powers of control. Shares of stock issued by Siemens AG to employees under its employee share program and/or as share-based compensation are transferred directly to the employees. The beneficiary employees who hold shares of employee stock may exercise their control rights in the same way as any other shareholder directly in accordance with applicable laws and the Articles of Association.

B.

Consolidated Financial Statements

B.1 Consolidated Statements of Income

(in millions of €, per share amounts in €)	Note	2017	Fiscal year 2016
Revenue		83,049	79,644
Cost of sales		(58,021)	(55,826)
Gross profit		25,029	23,819
Research and development expenses		(5,164)	(4,732)
Selling and general administrative expenses		(12,225)	(11,669)
Other operating income	5	647	328
Other operating expenses	6	(595)	(427)
Income (loss) from investments accounted for using the equity method, net	4	43	134
Interest income		1,487	1,314
Interest expenses		(1,051)	(989)
Other financial income (expenses), net		135	(373)
Income from continuing operations before income taxes		**8,306**	**7,404**
Income tax expenses	7	(2,180)	(2,008)
Income from continuing operations		**6,126**	**5,396**
Income from discontinued operations, net of income taxes		53	188
Net income		**6,179**	**5,584**
Attributable to:			
Non-controlling interests		133	134
Shareholders of Siemens AG		6,046	5,450
Basic earnings per share	27		
Income from continuing operations		7.38	6.51
Income from discontinued operations		0.07	0.23
Net income		**7.44**	**6.74**
Diluted earnings per share	27		
Income from continuing operations		7.23	6.42
Income from discontinued operations		0.06	0.23
Net income		**7.29**	**6.65**

B.2 Consolidated Statements of Comprehensive Income

(in millions of €)	Note	Fiscal year 2017	2016
Net income		**6,179**	5,584
Remeasurements of defined benefit plans	16	**2,734**	(2,636)
therein: Income tax effects		***(1,070)***	*1,065*
Items that will not be reclassified to profit or loss		**2,735**	**(2,636)**
Currency translation differences		**(1,118)**	(796)
Available-for-sale financial assets	22	**687**	436
therein: Income tax effects		***(7)***	*4*
Derivative financial instruments	22, 23	**136**	256
therein: Income tax effects		***(63)***	*(89)*
Income (loss) from investments accounted for using the equity method, net		**(30)**	(141)
Items that may be reclassified subsequently to profit or loss		**(326)**	**(244)**
Other comprehensive income, net of income taxes		**2,409**	**(2,879)**
Total comprehensive income		**8,588**	**2,705**
Attributable to:			
Non-controlling interests		**55**	134
Shareholders of Siemens AG		**8,533**	2,571

B.3 Consolidated Statements of Financial Position

(in millions of €)	Note	September 30, 2017	2016
Assets			
Cash and cash equivalents		**8,375**	10,604
Available-for-sale financial assets		**1,242**	1,293
Trade and other receivables	8	**17,160**	16,287
Other current financial assets	9	**7,664**	6,800
Inventories	10	**19,942**	18,160
Current income tax assets		**1,098**	790
Other current assets		**1,467**	1,204
Assets classified as held for disposal	3, 22	**1,482**	190
Total current assets		**58,429**	**55,329**
Goodwill	11	**27,906**	24,159
Other intangible assets	12	**10,926**	7,742
Property, plant and equipment	12	**10,977**	10,157
Investments accounted for using the equity method	4	**2,727**	3,012
Other financial assets	13	**19,044**	20,610
Deferred tax assets	7	**2,297**	3,431
Other assets		**1,498**	1,279
Total non-current assets		**75,375**	**70,388**
Total assets		**133,804**	**125,717**
Liabilities and equity			
Short-term debt and current maturities of long-term debt	15	**5,447**	6,206
Trade payables		**9,755**	8,048
Other current financial liabilities		**1,444**	1,933
Current provisions	17	**4,247**	4,166
Current income tax liabilities		**2,355**	2,085
Other current liabilities	14	**20,049**	20,437
Liabilities associated with assets classified as held for disposal	3	**97**	40
Total current liabilities		**43,394**	**42,916**
Long-term debt	15	**26,777**	24,761
Provisions for pensions and similar obligations	16	**9,582**	13,695
Deferred tax liabilities	7	**1,599**	829
Provisions	17	**4,579**	5,087
Other financial liabilities		**902**	1,142
Other liabilities		**2,445**	2,471
Total non-current liabilities		**45,884**	**47,986**
Total liabilities		**89,278**	**90,901**
Equity	18		
Issued capital		**2,550**	2,550
Capital reserve		**6,368**	5,890
Retained earnings		**35,696**	27,454
Other components of equity		**1,671**	1,921
Treasury shares, at cost		**(3,196)**	(3,605)
Total equity attributable to shareholders of Siemens AG		**43,089**	**34,211**
Non-controlling interests		**1,438**	605
Total equity		**44,527**	**34,816**
Total liabilities and equity		**133,804**	**125,717**

B.4 Consolidated Statements of Cash Flows

(in millions of €)	2017	Fiscal year 2016
Cash flows from operating activities		
Net income	**6,179**	5,584
Adjustments to reconcile net income to cash flows from operating activities – continuing operations		
Income from discontinued operations, net of income taxes	**(53)**	(188)
Amortization, depreciation and impairments	**3,211**	2,764
Income tax expenses	**2,180**	2,008
Interest (income) expenses, net	**(436)**	(325)
(Income) loss related to investing activities	**(329)**	(373)
Other non-cash (income) expenses	**552**	400
Change in operating net working capital		
Inventories	**(1,250)**	(1,009)
Trade and other receivables	**148**	(579)
Trade payables	**306**	327
Billings in excess of costs and estimated earnings on uncompleted contracts and related advances	**(799)**	20
Additions to assets leased to others in operating leases	**(482)**	(484)
Change in other assets and liabilities	**(1,719)**	(281)
Income taxes paid	**(2,039)**	(1,718)
Dividends received	**381**	302
Interest received	**1,375**	1,219
Cash flows from operating activities – continuing operations	**7,225**	**7,668**
Cash flows from operating activities – discontinued operations	**(50)**	(57)
Cash flows from operating activities – continuing and discontinued operations	**7,176**	**7,611**
Cash flows from investing activities		
Additions to intangible assets and property, plant and equipment	**(2,406)**	(2,135)
Acquisitions of businesses, net of cash acquired	**(4,385)**	(922)
Purchase of investments	**(500)**	(271)
Purchase of current available-for-sale financial assets	**(882)**	(1,139)
Change in receivables from financing activities	**(686)**	(1,356)
Disposal of investments, intangibles and property, plant and equipment	**542**	377
Disposal of businesses, net of cash disposed	**(69)**	9
Disposal of current available-for-sale financial assets	**931**	1,031
Cash flows from investing activities – continuing operations	**(7,456)**	**(4,406)**
Cash flows from investing activities – discontinued operations	**(1)**	262
Cash flows from investing activities – continuing and discontinued operations	**(7,457)**	**(4,144)**
Cash flows from financing activities		
Purchase of treasury shares	**(931)**	(463)
Re-issuance of treasury shares and other transactions with owners	**1,123**	(13)
Issuance of long-term debt	**6,958**	5,300
Repayment of long-term debt (including current maturities of long-term debt)	**(4,868)**	(2,253)
Change in short-term debt and other financing activities	**260**	(1,408)
Interest paid	**(1,000)**	(809)
Dividends paid to shareholders of Siemens AG	**(2,914)**	(2,827)
Dividends attributable to non-controlling interests	**(187)**	(236)
Cash flows from financing activities – continuing operations	**(1,560)**	**(2,710)**
Cash flows from financing activities – discontinued operations	**–**	–
Cash flows from financing activities – continuing and discontinued operations	**(1,560)**	**(2,710)**
Effect of changes in exchange rates on cash and cash equivalents	**(387)**	(98)
Change in cash and cash equivalents	**(2,228)**	660
Cash and cash equivalents at beginning of period	**10,618**	9,958
Cash and cash equivalents at end of period	**8,389**	10,618
Less: Cash and cash equivalents of assets classified as held for disposal and discontinued operations at end of period	**15**	13
Cash and cash equivalents at end of period (Consolidated Statements of Financial Position)	**8,375**	**10,604**

B.5 Consolidated Statements of Changes in Equity

(in millions of €)	Issued capital	Capital reserve	Retained earnings
Balance as of October 1, 2015	2,643	5,733	30,152
Net income	–	–	5,450
Other comprehensive income, net of income taxes	–	–	(2,637)
Dividends	–	–	(2,827)
Share-based payment	–	158	(67)
Purchase of treasury shares	–	–	–
Re-issuance of treasury shares	–	(1)	–
Cancellation of treasury shares	(93)	–	(2,575)
Transactions with non-controlling interests	–	–	(42)
Other changes in equity	–	–	–
Balance as of September 30, 2016	**2,550**	**5,890**	**27,454**
Balance as of October 1, 2016	**2,550**	**5,890**	**27,454**
Net income	**–**	**–**	**6,046**
Other comprehensive income, net of income taxes	**–**	**–**	**2,737**
Dividends	**–**	**–**	**(2,914)**
Share-based payment	**–**	**279**	**(86)**
Purchase of treasury shares	**–**	**–**	**–**
Re-issuance of treasury shares	**–**	**199**	**–**
Changes in equity resulting from major portfolio transactions	**–**	**–**	**2,473**
Other transactions with non-controlling interests	**–**	**–**	**(11)**
Other changes in equity	**–**	**–**	**(3)**
Balance as of September 30, 2017	**2,550**	**6,368**	**35,696**

Currency translation differences	Available-for-sale financial assets	Derivative financial instruments	Treasury shares at cost	Total equity attributable to shareholders of Siemens AG	Non controlling interests	Total equity
1,794	726	(357)	(6,218)	34,474	581	35,056
–	–	–	–	5,450	134	5,584
(885)	434	208	–	(2,879)	–	(2,879)
–	–	–	–	(2,827)	(239)	(3,066)
–	–	–	–	91	–	91
–	–	–	(446)	(446)	–	(446)
–	–	–	391	390	–	390
–	–	–	2,668	–	–	–
–	–	–	–	(42)	92	51
–	–	–	–	–	37	36
909	1,160	(148)	(3,605)	34,211	605	34,816
909	**1,160**	**(148)**	**(3,605)**	**34,211**	**605**	**34,816**
–	**–**	**–**	**–**	**6,046**	**133**	**6,179**
(1,084)	**685**	**149**	**–**	**2,487**	**(78)**	**2,409**
–	**–**	**–**	**–**	**(2,914)**	**(184)**	**(3,098)**
–	**–**	**–**	**–**	**193**	**–**	**193**
–	**–**	**–**	**(934)**	**(934)**	**–**	**(934)**
–	**–**	**–**	**1,342**	**1,541**	**–**	**1,541**
–	**–**	**–**	**–**	**2,473**	**919**	**3,393**
–	**–**	**–**	**–**	**(11)**	**(8)**	**(20)**
–	**–**	**–**	**–**	**(3)**	**51**	**48**
(175)	**1,845**	**1**	**(3,196)**	**43,089**	**1,438**	**44,527**

B.6 Notes to Consolidated Financial Statements

NOTE 1 Basis of presentation

The accompanying Consolidated Financial Statements present the operations of Siemens Aktiengesellschaft with registered offices in Berlin (registry number HRB 12300) and Munich (registry number HRB 6684), Germany, and its subsidiaries (the Company or Siemens). They have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union as well as with the additional requirements set forth in Section 315 a (1) of the German Commercial Code (HGB). The financial statements are in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The Consolidated Financial Statements were authorized for issue by the Managing Board on November 27, 2017.

Siemens prepares and reports its Consolidated Financial Statements in euros (€). Due to rounding, numbers presented may not add up precisely to totals provided.

Siemens is a German based multinational technology company with core activities in the fields of electrification, automation and digitalization.

NOTE 2 Significant accounting policies and critical accounting estimates

Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on the Company's results of operations, financial positions and cash flows. Critical accounting estimates could also involve estimates where Siemens reasonably could have used a different estimate in the current accounting period. Siemens cautions that future events often vary from forecasts and that estimates routinely require adjustment.

Basis of consolidation – The Consolidated Financial Statements include the accounts of Siemens AG and its subsidiaries over which the Company has control. Siemens controls an investee if it has power over the investee. In addition, Siemens is exposed to, or has rights to, variable returns from the involvement with the investee and Siemens has the ability to use its power over the investee to affect the amount of Siemens' return.

Business combinations – Cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Non-controlling interests are measured at the proportional fair value of assets acquired and liabilities assumed (partial goodwill method). If there is no loss of control, transactions with non-controlling interests are accounted for as equity transactions not affecting profit and loss. At the date control is lost, any retained equity interests are remeasured to fair value. In case of a written put option on non-controlling interests the Company assesses whether the prerequisites for the transfer of present ownership interest are fulfilled at the balance sheet date. If the Company is not the beneficial owner of the shares underlying the put option, the exercise of the put option will be assumed at each balance sheet date and treated as equity transaction between shareholders with the recognition of a purchase liability at the respective exercise price. The non-controlling interests participate in profits and losses during the reporting period.

Associates – Associates are companies over which Siemens 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). These are recorded in the Consolidated Financial Statements using the equity method and are initially recognized at cost. Siemens' share of its associate's post-acquisition profits or losses is recognized in the Consolidated Statements of Income, and its share of post-acquisition changes in equity that have not been recognized in the associate's profit or loss is recognized directly in equity. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment in the associate. When Siemens' share of losses in an associate equals or exceeds its interest in the associate, Siemens does not recognize further losses, unless it incurs obligations or makes payments on behalf of the associate. The interest in an associate is the carrying amount of the investment in the associate together with any long-term interests that, in substance, form part of Siemens' net investment in the associate.

Joint ventures – Joint ventures are entities over which Siemens and one or more parties have joint control. Joint control requires unanimous consent of the parties sharing control in decision making on relevant activities.

Foreign currency translation – Assets and liabilities of foreign subsidiaries, where the functional currency is other than the euro, are translated using the spot exchange rate at the end of the reporting period, while the Consolidated Statements of Income are translated using average exchange rates during the period. Differences arising from such translations are recognized within equity and reclassified to net income when the gain or loss on disposal of the foreign subsidiary is recognized. The Consolidated Statements of Cash Flow are translated at average exchange rates during the period, whereas cash and cash equivalents are translated at the spot exchange rate at the end of the reporting period.

Foreign currency transaction – Transactions that are denominated in a currency other than the functional currency of an entity, are recorded at that functional currency applying the spot exchange rate at the date when the underlying transactions are initially recognized. At the end of the reporting period, foreign currency-denominated monetary assets and liabilities are revalued to functional currency applying the spot exchange rate prevailing at that date. Gains and losses arising from these foreign currency revaluations are recognized in net income. Those foreign currency-denominated transactions which are classified as non-monetary are remeasured using the historical spot exchange rate.

Revenue recognition – Under the condition that persuasive evidence of an arrangement exists, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. In cases where the inflow of economic benefits is not probable due to customer related credit risks, the revenue recognized is subject to the amount of payments irrevocably received.

Sale of goods: Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Sales from construction contracts: When the outcome of a construction contract can be estimated reliably, revenues from construction-type projects are recognized under the percentage-of-completion method, based on the percentage of costs incurred to date compared to the total estimated contract costs. An expected loss on the construction contract is recognized as an expense immediately. Siemens applies the requirements of IAS 11 regarding contract variations to contract terminations, since contract terminations are also changes to the agreed delivery and service scope.

The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These significant estimates include total contract costs, total contract revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, changes in estimates may lead to an increase or decrease of revenue. The creditworthiness of our customers is taken into account in estimating the probability that economic benefits associated with a contract will flow to the Company. In addition, we need to assess whether the contract is expected to continue or to be terminated. In determining whether the continuation or termination of a contract is expected to be the most likely scenario, all relevant facts and circumstances relating to the contract are considered on an individual basis.

Rendering of services: 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, i.e. under the percentage-of-completion method as described above.

Sales from multiple element arrangements: Sales of goods and services as well as software arrangements sometimes involve the provision of multiple elements. In these cases, the Company determines whether the contract or arrangement contains more than one unit of accounting. If certain criteria are met, foremost if the delivered element(s) has (have) value to the customer on a stand-alone basis, the arrangement is separated and 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. If the criteria for the separation of units of accounting are not met, revenue is deferred until such criteria are met or until the period in which the last undelivered element is delivered.

Income from interest: Interest is recognized using the effective interest method.

Income from royalties: Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement.

Income from operating leases: Operating lease income for equipment rentals is recognized on a straight-line basis over the lease term.

Functional costs – In general, operating expenses by types are assigned to the functions following the functional area of the corresponding profit and cost centers. Amortization, depreciation and impairment of intangible assets and property, plant and equipment are included in functional costs depending on the use of the assets.

Product-related expenses – Provisions for estimated costs related to product warranties are recorded in line item Cost of sales at the time the related sale is recognized.

Research and development costs – Costs of research activities are expensed as incurred. Costs of development activities are capitalized when the recognition criteria in IAS 38 are met. Capitalized development costs are stated at cost less accumulated amortization and impairment losses with an amortization period of generally three to ten years.

Earnings per share – Basic earnings per share are computed by dividing income from continuing operations, income from discontinued operations and net income, all attributable to ordinary shareholders of Siemens AG by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by assuming conversion or exercise of all potentially dilutive securities and share-based payment plans.

Goodwill – Goodwill is not amortized, instead, goodwill is tested for impairment annually, as well as whenever there are events or changes in circumstances (triggering events) which suggest that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses. The goodwill impairment test is performed at the level of a cash-generating unit or a group of cash-generating units, generally represented by a segment and for Siemens Gamesa Renewable Energy one level below the segment. This is the lowest level at which goodwill is monitored for internal management purposes.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit or the group of cash-generating units that is expected to benefit from the synergies of the business combination. If the carrying amount of the cash-generating unit or the group of cash-generating units, to which the goodwill is allocated, exceeds its recoverable amount, an impairment loss on goodwill allocated to this cash-generating unit or this group of cash-generating units is recognized. The recoverable amount is the higher of the cash-generating unit's or the group of cash-generating units' fair value less costs to sell and its value in use. If either of these values exceeds the carrying amount, it is not always necessary to determine both values. These values are generally determined based on discounted cash flow calculations. Impairment losses on goodwill are not reversed in future periods.

The determination of the recoverable amount of a cash-generating unit or a group of cash-generating units to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced e.g. by the successful integration of acquired entities, volatility of capital markets, interest rate developments, foreign exchange rate fluctuations and the outlook on economic trends. In determining recoverable amounts, discounted cash flow calculations use five-year projections that are based on financial forecasts. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates and weighted average cost of capital. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment.

Other intangible assets – The Company amortizes intangible assets with finite useful lives on a straight-line basis over their respective estimated useful lives. Estimated useful lives for 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 trademarks as well as technology. Useful lives in specific acquisitions ranged from four to 20 years for customer relationships and trademarks and from five to 25 years for technology.

Property, plant and equipment – Property, plant and equipment, is valued at cost less accumulated depreciation and impairment losses. Depreciation expense is recognized using the straight-line method. 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 property, plant and equipment and other intangible assets – The Company reviews property, plant and equipment and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets not yet available for use are subject to an annual impairment test. Impairment testing of property, plant and equipment and other intangible assets involves the use of estimates in determining the assets' recoverable amount which can have a material impact on the respective values and ultimately the amount of any impairment.

Discontinued operations and non-current assets held for disposal – Discontinued operations are reported when a component of an entity is classified as held for disposal or has been disposed of, if the component represents a separate major line of business or geographical area of operations and is part of a single coordinated plan to disposal. A non-current asset or a disposal group is held for disposal if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Income taxes – Tax positions under respective local tax laws and tax authorities' views can be complex and subject to different interpretations of tax payers and local tax authorities. Different interpretations of tax laws may result in additional tax payments for prior years and are taken into account based on management's considerations. Under the liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognized if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and established tax planning opportunities. As of each period-end, Siemens evaluates the recoverability of deferred tax assets, based on projected future taxable profits. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, Siemens believes it is probable the Company will realize the benefits of these deductible differences. As future developments are uncertain and partly beyond Siemens's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption.

Inventories – Inventories are valued at the lower of acquisition or production costs and net realizable value, costs being generally determined on the basis of an average or first-in, first-out method.

Defined benefit plans – Siemens measures the entitlements by applying the projected unit credit method. The approach reflects an actuarially calculated net present value of the future benefit entitlement for services already rendered. In determining the net present value of the future benefit entitlement for service already rendered (Defined Benefit Obligation (DBO)), the expected rates of future salary increase and expected rates of future pension progression are considered. The assumptions used for the calculation of the DBO as of the period-end of the preceding fiscal year are used to determine the calculation of service cost and interest income and expense of the following year. The net interest income or expense for the fiscal year will be based on the discount rates for the respective year multiplied by the net defined benefit liability (asset) at the preceding fiscal year's period-end date.

Service cost, past service cost and settlement gains (losses) for pensions and similar obligations as well as administration costs unrelated to the management of plan assets are allocated among functional costs. Past service cost and settlement gains (losses) are recognized immediately in profit or loss. For unfunded plans, the amount of the line item Provisions for pensions and similar obligations equals the DBO. For funded plans, Siemens offsets the fair value of the plan assets with the DBO. Siemens recognizes the net amount, after adjustments for effects relating to any asset ceiling.

Remeasurements comprise actuarial gains and losses as well as the difference between the return on plan assets and the amounts included in net interest on the net defined benefit liability (asset). They are recognized in Other comprehensive income, net of income taxes.

Actuarial valuations rely on key assumptions including discount rates, expected compensation increases, rate of pension progression and mortality rates. Discount rates used are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available, discount rates are based on government bond yields. Due to changing market, economic and social conditions, the underlying key assumptions may differ from actual developments.

Provisions – A provision is recognized in the Statement of Financial Position when it is probable that the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognized at present value by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money. When a contract becomes onerous, the present obligation under the contract is recognized as a provision.

Significant estimates are involved in the determination of provisions related to onerous contracts, warranty costs, asset retirement obligations, legal and regulatory proceedings as well as governmental investigations (Legal Proceedings). Siemens records a provision for onerous sales contracts when current estimates of total contract costs exceed expected contract revenue. Onerous sales contracts are identified by monitoring the progress of the project and updating the estimate of total contract costs which also requires significant judgment relating to achieving certain performance standards as well as estimates involving warranty costs and estimates regarding project delays including the assessment of responsibility splits between the contract partners for these delays. Uncertainties regarding asset retirement obligations include the estimated costs of decommissioning and final waste storage because of the long time frame over which future cash outflows are expected to occur including the respective interest accretion. The estimated cash outflows could be impacted significantly by changes of the regulatory environment.

Legal Proceedings often involve complex legal issues and are subject to substantial uncertainties. Accordingly, considerable judgment is part of determining whether it is probable that there is a present obligation as a result of a past event at the end of the reporting period, whether it is probable that such a Legal Proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. Internal and external counsels are generally part of the determination process. Due to new developments, it may be necessary, to record a provision for an ongoing Legal Proceeding or to adjust the amount of a previously recognized provision. Upon resolution of a Legal Proceeding, Siemens may incur charges in excess of the recorded provisions for such matters. The outcome of Legal Proceedings may have a material effect on Siemens' financial position, its results of operations and/or its cash flows.

Termination benefits – Termination benefits are provided as a result of an entity's offer made in order to encourage voluntary redundancy before the normal retirement date or from an entity's decision to terminate the employment. Termination benefits in accordance with IAS 19, Employee Benefits, are recognized as a liability and an expense when the entity can no longer withdraw the offer of those benefits.

Financial instruments – A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Siemens does not use the category held to maturity and does not use the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (Fair Value Option). Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortized cost and financial assets and financial liabilities measured at fair value and as receivables from finance leases. Regular way purchases or sales of financial assets are accounted for at the trade date. Initially, financial instruments are recognized at their fair value. Transaction costs are only included in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Receivables from finance leases are recognized at an amount equal to the net investment in the lease. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned – cash and cash equivalents, available-for-sale financial assets, loans and receivables, financial liabilities measured at amortized cost or financial assets and liabilities classified as held for trading.

Cash and cash equivalents – The Company considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost.

Available-for-sale financial assets – Investments in equity instruments, debt instruments and fund shares are measured at fair value, if reliably measurable. Unrealized gains and losses, net of applicable deferred income tax expenses, are recognized in line item Other comprehensive income, net of income taxes. Provided that fair value cannot be reliably determined, Siemens measures available-for-sale financial assets at cost. This applies to equity instruments that do not have a quoted market price in an active market, and decisive parameters cannot be reliably estimated to be used in valuation models for the determination of fair value. Siemens considers all available evidence such as market conditions and prices, investee-specific factors and the duration as well as the extent to which fair value is less than acquisition cost in evaluating potential impairment of its available-for-sale financial assets. The Company considers a decline in fair value as objective evidence of impairment, if the decline exceeds 20% of costs or continues for more than six months.

Loans and receivables – Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method less any impairment losses. Impairment losses on trade and other receivables are recognized using separate allowance accounts. The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio basis. For the determination of the country-specific component of the individual allowance, Siemens also considers country credit ratings, which are centrally determined based on information from external rating agencies. Regarding the determination of the valuation allowance derived from a portfolio-based analysis of historical bad debts, a decline of receivables in volume results in a corresponding reduction of such provisions and vice versa. As of September 30, 2017 and 2016, Siemens recorded a valuation allowance for trade and other receivables (including leases) of €1,388 million and €1,211 million, respectively.

Financial liabilities – Siemens measures financial liabilities, except for derivative financial instruments, at amortized cost using the effective interest method.

Derivative financial instruments – Derivative financial instruments, such as foreign currency exchange contracts and interest rate swap contracts are measured at fair value and classified as held for trading unless they are designated as hedging instruments, for which hedge accounting is applied. Changes in the fair value of derivative financial instruments are recognized either in net income or, in the case of a cash flow hedge, in line item Other comprehensive income, net of income taxes (applicable deferred income tax). 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 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 until 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 derivative instruments designated as cash flow hedges are recognized in line item Other comprehensive income, net of income taxes (applicable deferred income tax), 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.

Share-based payment – Share-based payment awards at Siemens are predominately designed as equity-settled. Fair value is measured at grant date and is expensed over the vesting period. Fair value is determined as the market price of Siemens shares, considering dividends during the vesting period the grantees are not entitled to and market conditions and non-vesting conditions, if applicable.

Prior-year information – The presentation of certain prior-year information has been reclassified to conform to the current year presentation.

RECENT ACCOUNTING PRONOUNCEMENTS, NOT YET ADOPTED

The following pronouncements, issued by the IASB, are not yet effective and have not yet been adopted by the Company:

In July 2014, the IASB issued IFRS 9, Financial Instruments. IFRS 9 introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. The new standard is effective for annual reporting periods beginning on or after January 1, 2018. The Company will adopt IFRS 9 for the fiscal year beginning as of October 1, 2018 and will not adjust comparative figures for the preceding fiscal year, in accordance with IFRS 9 transitional provisions. Siemens is currently assessing the effects of the adoption of IFRS 9 and expects only limited impact on the Consolidated Financial Statements: Debt instruments that would not be eligible to be carried at amortized cost are expected to occur only to an insignificant extent. The impact of the new impairment model of IFRS 9 on the valuation allowances on debt instruments is currently under evaluation. Based on the analyses so far, Siemens does not expect the valuation allowances to change significantly. Siemens will adopt the IFRS 9 hedge accounting rules prospectively from October 1, 2018. It is expected that all existing hedge accounting relationships will also meet the hedge accounting requirements under IFRS 9.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. According to the new standard, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018; early application is permitted. The Company will adopt the standard for the fiscal year beginning as of October 1, 2017 retrospectively, i.e. the comparable period will be presented in accordance with IFRS 15. Further assessments resulting from the implementation of IFRS 15 confirmed that there will be no significant impacts on Siemens' Consolidated Financial Statements. Retained earnings as of October 1, 2016 will increase by €0.18 billion. The increase mainly results from a change in the timing of recognizing revenue for certain types of contracts, in particular, revenue may be recognized earlier if variable consideration components exist, re-allocations of the transaction price between performance obligations take place or licenses are transferred to the customer. In the comparable period fiscal 2017, changes in the total amount of revenue to be recognized for a customer contract are very limited. The vast majority of construction-type contracts currently accounted for under the percentage-of-completion method fulfills the requirements for revenue recognition over time. Besides, there will be changes to the Statement of Financial Position, e.g. separate line items for contract assets and contract liabilities are required, and quantitative and qualitative disclosures are added.

In January 2016, the IASB issued IFRS 16, Leases. IFRS 16 eliminates the current classification model for lessee's lease contracts as either operating or finance leases and, instead, introduces a single lessee accounting model requiring lessees to recognize right-of-use assets and lease liabilities for leases with a term of more than twelve months. This brings the previous off-balance leases on the balance sheet in a manner largely comparable to current finance lease accounting. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Siemens will adopt the standard for the fiscal year beginning as of October 1, 2019, presumably by applying the modified retrospective approach, i.e. comparative figures for the preceding year would not be adjusted. Currently, it is expected that the majority of the transition effect relates to real estate leased by Siemens. The Company is currently assessing the impact of adopting IFRS 16 on the Consolidated Financial Statements.

In May 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments. The interpretation clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. In assessing the uncertainty, an entity shall consider whether it is probable that a taxation authority will accept the uncertain tax treatment. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019, while earlier application is permitted. The Company is currently assessing the impacts of adopting the interpretation on the Company's Consolidated Financial Statements.

NOTE 3 Acquisitions and dispositions

ACQUISITIONS

In April 2017, Siemens contributed its wind power business, including service, into the publicly listed company Gamesa Corporación Tecnológica, S.A., Spain (Gamesa), and in return received newly issued shares of the combined entity Siemens Gamesa Renewable Energy, S.A., Spain (SGRE). The two businesses are highly complementary regarding global footprint, existing product portfolios and technologies. Siemens as majority shareholder holds 59% of the shares of the combined entity. As part of the merger, Siemens paid €999 million in cash which was distributed to the Gamesa shareholders (without Siemens) following the completion of the merger. The consideration transferred by Siemens equals 59% of Gamesa's market capitalization at closing of the merger and amounts to €3,669 million. The preliminary purchase price allocation as of the acquisition date resulted in: Other intangible assets €2,533 million, Property, plant and equipment €628 million, Trade and other receivables €1,073 million, Cash and cash equivalents €1,003 million, Inventories €1,116 million, Other financial assets €413 million (current and non-current), Other current assets €206 million, Current income tax assets €179 million, Deferred tax assets €432 million, Long-term debt €656 million, Provisions €1,229 million (current and non-current), Other financial liabilities €217 million, Short-term debt and current maturities of long-term debt €363 million, Trade payables €1,745 million, Current income tax liabilities €118 million, Other current liabilities €662 million and Deferred tax liabilities €824 million. Intangible assets mainly relate to technology of €1,147 million, customer relationships of €958 million and order backlog of €429 million. The gross contractual amount of the trade and other receivables acquired is €1,137 million. Goodwill amounts to €2,625 million and comprises intangible assets that are not separable such as employee know-how and expected synergy effects from highly complementary businesses entailing an enhanced market position (including anticipated cost savings mainly in R&D, procurement and administration as well as revenue synergies). The purchase price allocation is preliminary as a detailed analysis of the assets and liabilities has not been finalized. Goodwill is allocated within the segment SGRE to the units Wind Turbines as well as Operation and Maintenance. Effects on equity resulting from this transaction are included in line Changes in equity resulting from major portfolio transactions. Including earnings effects from purchase price allocation and integration costs, the acquired business contributed revenue of €1,659 million and a net income of €(209) million to Siemens for the period from acquisition to September 30, 2017. The non-controlling interests of 41% amount to €721 million at the acquisition date and are measured at the proportionate share in the recognized amounts of the acquired net assets (excluding goodwill).

In March 2017, Siemens acquired all shares of Mentor Graphics Corporation, U.S., a design automation and industrial software provider. The acquired business is integrated in the Digital Factory Division. The purchase price paid in cash amounts to €4,063 million as of the acquisition date. The preliminary purchase price allocation as of the acquisition date resulted in: Other intangible assets €1,878 million, Property, plant and equipment €252 million, Trade and other receivables €657 million, Cash and cash equivalents €369 million, Deferred tax assets €86 million, Current liabilities €809 million and Deferred tax liabilities €318 million. Other intangible assets mainly relate to technology of €1,482 million and customer-related intangible assets of €362 million. Goodwill of €1,865 million comprises intangible assets that are not separable such as employee know-how and expected synergy effects from expanding our software business and from expanding our role in the digital sector. The purchase price allocation is preliminary as a detailed analysis of the assets and liabilities has not been finalized. Compared to the status of the purchase price allocation as of the end of the second quarter of fiscal year 2017, the fair value of the acquired technology increased at the amount of €472 million based on further analysis on the underlying useful life and royalty rate. Including earnings effects from purchase price allocation and integration costs, the acquired business contributed revenue of €404 million and a net income of €(239) million to Siemens for the period from acquisition to September 30, 2017.

Revenue and net income of the combined entity in fiscal 2017 would have been €86,761 million and €5,774 million, respectively, had both acquired businesses been included as of October 1, 2016.

DISPOSITIONS

Dispositions not qualifying for discontinued operations – closed transactions

In December 2016, Siemens contributed its eCar powertrain systems business – formerly included in the Digital Factory Division – into a newly formed joint venture, Valeo Siemens eAutomotive GmbH. Siemens recognized a pre-tax gain on disposal of €173 million in Other operating income, thereof €159 million relating to measuring Siemens' stake in the joint venture at fair value. Siemens' 50% stake in the joint venture is disclosed in Centrally managed portfolio activities.

NOTE 4 Interests in other entities

Investments accounted for using the equity method

	Fiscal year	
(in millions of €)	2017	2016
Share of profit (loss), net	**224**	316
Gains (losses) on sales, net	**63**	(53)
Impairment and reversals of impairment	**(243)**	(129)
Income (loss) from investments accounted for using the equity method, net	**43**	**134**

Income from investments accounted for using the equity method includes an impairment loss of €230 million in fiscal 2017 relating to Siemens' investment in Primetals Technologies Ltd., which is disclosed within Centrally managed portfolio activities. The continuing adverse conditions in the market environment triggered an impairment test on the investment. The recoverable amount of €204 million was determined based on a discounted cash flow calculation (level 3 of the fair value hierarchy). To determine the recoverable amount, cash flow projections were used that take into account past experience and represent management's best estimate about future developments. The calculation is based on a terminal value growth rate of 1.5% and an after-tax discount rate of 7.4%.

As of September 30, 2017 and 2016, the carrying amount of all individually not material associates amounts to €1,836 million and €2,242 million, respectively. Summarized financial information for all individually not material associates adjusted for the percentage of ownership held by Siemens, is presented below. Items included in the Statements of Comprehensive Income are presented for the twelve month period applied under the equity method.

	Fiscal year	
(in millions of €)	2017	2016
Income (loss) from continuing operations	**227**	288
Other comprehensive income, net of income taxes	**8**	(31)
Total comprehensive income	**235**	**257**

SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

As of September 30, 2017, non-controlling interests of 41% amounting to €788 million relate to SGRE, registered in Zamudio, Spain. Net income attributable to non-controlling interests for the six month period from acquisition to September 30, 2017 was €(39) million. Dividends paid to non-controlling interests amounted to €31 million. Summarized financial information in accordance with IFRS before inter-company eliminations are: As of September 30, 2017 current assets €6,963 million, non-current assets €9,504 million, current liabilities €6,891 million, non-current liabilities €3,126 million and equity €6,450 million; for the six month period from acquisition to September 30, 2017 revenue €5,022 million, income from continuing operations €(135) million, other comprehensive income, net of income taxes €(75) million, total comprehensive income €(210) million and total cash flows €(1,611) million (including €999 million in cash distribution to the Gamesa shareholders (without Siemens) as part of the merger).

NOTE 5 Other operating income

In fiscal 2017 and 2016, Other operating income includes gains related to the sale of businesses of €172 million and €1 million and gains on sales of property, plant and equipment of €176 million and €177 million, respectively. Fiscal 2017 includes gains of €171 million from reversals of provisions for guarantees related to a previous divestment.

NOTE 6 Other operating expenses

Other operating expenses in fiscal 2017 and 2016 include losses on sales of property, plant and equipment, losses from the sale of businesses, transaction costs and effects from insurance, legal and regulatory matters.

NOTE 7 Income taxes

Income tax expense (benefit) consists of the following:

(in millions of €)	Fiscal year 2017	2016
Current tax	**2,042**	1,773
Deferred tax	**138**	235
Income tax expenses	**2,180**	**2,008**

The current income tax expenses in fiscal 2017 and 2016 include adjustments recognized for current tax of prior years in the amount of €100 million and €(29) million, respectively. The deferred tax expense (benefit) in fiscal 2017 and 2016 includes tax effects of the origination and reversal of temporary differences of €172 million and €54 million, respectively.

In Germany, the calculation of current tax is based on a combined tax rate of 31%, consisting of a corporate tax rate of 15%, a solidarity surcharge thereon of 5.5% and an average trade tax rate of 15%. For foreign subsidiaries, current taxes are calculated based on the local tax laws and applicable tax rates in the individual foreign countries. Deferred tax assets and liabilities in Germany and abroad are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Income tax expense (current and deferred) differs from the amounts computed by applying a combined statutory German income tax rate of 31% as follows:

(in millions of €)	Fiscal year 2017	2016
Expected income tax expenses	**2,575**	2,295
Increase (decrease) in income taxes resulting from:		
Non-deductible losses and expenses	**558**	600
Tax-free income	**(309)**	(227)
Taxes for prior years	**(8)**	(223)
Change in realizability of deferred tax assets and tax credits	**(197)**	(44)
Change in tax rates	**(9)**	(15)
Foreign tax rate differential	**(371)**	(280)
Tax effect of investments accounted for using the equity method	**(62)**	(92)
Other, net	**3**	(6)
Actual income tax expenses	**2,180**	**2,008**

Deferred income tax assets and liabilities on a gross basis are summarized as follows:

(in millions of €)	Sep 30, 2017	2016
Assets		
Non-current and current assets	**1,829**	1,836
Liabilities and Post-employment benefits	**6,799**	8,742
Other	**288**	114
Tax loss and credit carryforward	**788**	547
Deferred tax assets	**9,704**	**11,240**
Liabilities		
Non-current and current assets	**7,914**	7,588
Liabilities	**874**	930
Other	**218**	120
Deferred tax liabilities	**9,006**	**8,638**
Total deferred tax assets, net	**698**	**2,602**

As of September 30, 2017, the Company has certain tax losses subject to significant limitations. For those losses deferred tax assets are not recognized, as it is not probable that gains will be generated to offset those losses.

Deferred tax assets have not been recognized with respect of the following items (gross amounts):

(in millions of €)	Sep 30, 2017	2016
Deductible temporary differences	**743**	188
Tax loss carryforward	**3,673**	2,013
	4,416	**2,201**

As of September 30, 2017 and 2016, €1,361 million and €953 million of the unrecognized tax loss carryforwards expire over the periods to 2031.

Siemens has not recognized deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of €36,157 million and €26,585 million, respectively in fiscal 2017 and 2016 because the earnings are intended to be permanently reinvested in the subsidiaries.

Including items charged or credited directly to equity and the expense (benefit) from continuing and discontinued operations, the income tax expense (benefit) consists of the following:

	Fiscal year	
(in millions of €)	2017	2016
Continuing operations	2,180	2,008
Discontinued operations	5	(2)
Income and expenses recognized directly in equity	1,084	(996)
	3,269	1,010

NOTE 8 Trade and other receivables

	Sep 30,	
(in millions of €)	2017	2016
Trade receivables from the sale of goods and services	15,242	14,280
Receivables from finance leases	1,919	2,007
	17,160	16,287

In fiscal 2017 and 2016, the long-term portion of receivables from finance leases is reported in Other financial assets and amounts to €3,699 million and €3,557 million, respectively.

Changes to the valuation allowance of current and long-term receivables which belong to the class of financial assets measured at (amortized) cost are as follows (excluding receivables from finance leases):

	Fiscal year	
(in millions of €)	2017	2016
Valuation allowance as of beginning of fiscal year	1,013	933
Increase in valuation allowances recorded in the Consolidated Statements of Income in the current period	404	284
Write-offs charged against the allowance	(155)	(181)
Recoveries of amounts previously written-off	35	9
Foreign exchange translation differences	(80)	(33)
Reclassifications to line item Assets held for disposal and dispositions of those entities	(9)	–
Valuation allowance as of fiscal year-end	1,208	1,013

Minimum future lease payments to be received are as follows:

	Sep 30,	
(in millions of €)	2017	2016
Within one year	2,340	2,378
After one year but not more than five years	3,436	3,358
More than five years	734	752
	6,510	6,488

The following table shows a reconciliation of minimum future lease payments to the gross and net investment in leases and to the present value of the minimum future lease payments receivable:

	Sep 30,	
(in millions of €)	2017	2016
Minimum future lease payments	6,510	6,488
Plus: Unguaranteed residual values	222	219
Gross investment in leases	6,732	6,706
Less: Unearned finance income	(934)	(944)
Net investment in leases	5,798	5,762
Less: Allowance for doubtful accounts	(180)	(198)
Less: Present value of unguaranteed residual value	(118)	(108)
Present value of minimum future lease payments receivable	5,500	5,457

The gross investment in leases and the present value of minimum future lease payments receivable are due as follows:

	Gross investment in leases		Present value of minimum future lease payments receivable	
		Sep 30,		Sep 30,
(in millions of €)	2017	2016	2017	2016
Within one year	2,358	2,397	1,924	1,952
One to five years	3,481	3,405	3,010	2,940
Thereafter	893	904	566	564
	6,732	6,706	5,500	5,457

Investments in finance leases primarily relate to industrial machinery, medical equipment, transportation systems, equipment for information technology and office machines. Actual cash flows will vary from contractual maturities due to future sales of finance receivables, prepayments and write-offs.

NOTE 9 Other current financial assets

As of September 30, 2017 and 2016, Other current financial assets include loans receivables of €5,985 million and €4,910 million, respectively, and derivative financial instruments of €530 million and €758 million, respectively.

NOTE 10 Inventories

(in millions of €)	2017	Sep 30, 2016
Raw materials and supplies	**2,955**	2,487
Work in progress	**4,242**	4,281
Costs and earnings in excess of billings on uncompleted contracts	**10,970**	10,046
Finished goods and products held for resale	**3,951**	3,261
Advances to suppliers	**790**	591
	22,907	**20,666**
Advance payments received	**(2,966)**	(2,506)
	19,942	**18,160**

Cost of sales include inventories recognized as expense amounting to €57,171 million and €54,706 million, respectively, in fiscal 2017 and 2016. Compared to prior year, write-downs increased (decreased) by €15 million and €(3) million as of September 30, 2017 and 2016.

Construction contracts, here and as follows, include service contracts accounted for under the percentage of completion method. The aggregate amount of costs incurred and recognized profits less recognized losses for construction contracts in progress, as of September 30, 2017 and 2016 amounted to €88,571 million and €83,789 million, respectively. Revenue from construction contracts amounted to €34,280 million and €32,695 million, respectively, for fiscal 2017 and 2016. Advance payments received on construction contracts in progress were €7,791 million and €8,749 million as of September 30, 2017 and 2016. Retentions in connection with construction contracts were €217 million and €288 million in fiscal 2017 and 2016, respectively.

NOTE 11 Goodwill

(in millions of €)	2017	Fiscal year 2016
Cost		
Balance at beginning of year	**26,068**	25,071
Translation differences and other	**(1,025)**	(127)
Acquisitions and purchase accounting adjustments	**4,757**	1,144
Dispositions and reclassifications to assets classified as held for disposal	**(46)**	(20)
Balance at year-end	**29,754**	**26,068**
Accumulated impairment losses and other changes		
Balance at beginning of year	**1,909**	1,905
Translation differences and other	**(61)**	2
Impairment losses recognized during the period	**–**	1
Dispositions and reclassifications to assets classified as held for disposal	**(1)**	1
Balance at year-end	**1,847**	**1,909**
Carrying amount		
Balance at beginning of year	**24,159**	23,166
Balance at year-end	**27,906**	**24,159**

Siemens performs the mandatory annual impairment test in the three months ended September 30. The recoverable amounts for the annual impairment test 2017 for Siemens' cash-generating units or groups of cash-generating units were estimated to be higher than the carrying amounts. Key assumptions on which Siemens based its determinations of the fair value less costs to sell for the cash-generating units or groups of cash-generating units include terminal value growth rates up to 1.7% in fiscal 2017 and 1.7% in fiscal 2016, respectively and after-tax discount rates of 6.0% to 8.5% in fiscal 2017 and 5.0% to 9.0% in fiscal 2016.

For the purpose of estimating the fair value less costs to sell of the cash-generating units or groups of cash-generating units, cash flows were projected for the next five years based on past experience, actual operating results and management's best estimate about future developments as well as market assumptions. The determined fair value of the cash-generating units or groups of cash-generating units is assigned to level 3 of the fair value hierarchy.

The fair value less costs to sell is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Both assumptions are determined individually for each cash-generating unit or group of cash-generating units. Discount rates are based on the weighted average cost of capital (WACC) for the cash-generating units or groups of cash-generating units (for SFS the discount rate represents cost of equity). The discount rates are calculated based on a risk-free rate of interest and a market risk premium. In addition, the discount rates reflect the current market assessment of the risks specific to each cash-generating unit or group of cash-generating units by taking into account specific peer group information on beta factors, leverage and cost of debt. The parameters for calculating the discount rates are based on external sources of information. The peer group is subject to an annual review and adjusted, if necessary. Terminal value growth rates take into consideration external macroeconomic sources of data and industry specific trends.

The following table presents key assumptions used to determine fair value less costs to sell for impairment test purposes for the groups of cash-generating units to which a significant amount of goodwill is allocated:

			Sep 30, 2017
(in millions of €)	Goodwill	Terminal value growth rate	After-tax discount rate
Healthineers	**7,992**	**1.7%**	**7.0%**
Power and Gas	**6,440**	**1.7%**	**8.5%**
Digital Factory	**5,575**	**1.7%**	**8.5%**

Revenue figures in the five-year planning period of the groups of cash-generating units to which a significant amount of goodwill is allocated include average revenue growth rates (excluding portfolio effects) of between 0.1% and 9.1% (0.3% and 5.3% in fiscal 2016).

			Sep 30, 2016
(in millions of €)	Goodwill	Terminal value growth rate	After-tax discount rate
Healthineers	8,301	1.7%	6.5%
Digital Factory	3,933	1.7%	8.0%
Power and Gas (without part of Power Generation Services)	3,552	1.7%	8.0%
Power Generation Services (part of Power and Gas)	3,158	1.7%	8.0%

The sensitivity analysis for the groups of cash-generating units to which a significant amount of goodwill is allocated was based on a reduction in after-tax future cash flows by 10% or an increase in after-tax discount rates by one percentage point or a reduction in the terminal value growth rate by one percentage point. Siemens concluded that no impairment loss would need to be recognized on goodwill in any of the groups of cash-generating units.

NOTE 12 Other intangible assets and property, plant and equipment

(in millions of €)	Gross carrying amount 10/01/2016	Translation differences	Additions through business combinations	Additions	Reclassifications	Retirements[1]	Gross carrying amount 09/30/2017	Accumulated depreciation/amortization and impairment	Carrying amount 09/30/2017	Depreciation/amortization and impairment in fiscal 2017
Internally generated technology	3,067	(79)	–	374	–	(138)	3,224	(1,594)	**1,630**	(203)
Acquired technology including patents, licenses and similar rights	4,870	(272)	2,717	77	–	(73)	7,320	(3,264)	**4,056**	(454)
Customer relationships and trademarks	7,532	(447)	1,825	–	–	(39)	8,870	(3,629)	**5,240**	(624)
Other intangible assets	**15,469**	**(799)**	**4,542**	**451**	**–**	**(250)**	**19,413**	**(8,487)**	**10,926**	**(1,281)**
Land and bulidings	7,859	(184)	308	188	205	(247)	8,129	(3,754)	**4,374**	(272)
Technical machinery and equipment	7,950	(170)	323	334	207	(235)	8,410	(5,685)	**2,724**	(588)
Furniture and office equipment	6,092	(136)	183	672	157	(532)	6,435	(4,898)	**1,537**	(729)
Equipment leased to others	3,015	(92)	–	443	10	(378)	2,998	(1,703)	**1,295**	(338)
Advances to suppliers and construction in progress	801	(25)	78	796	(580)	(23)	1,046	–	**1,047**	(3)
Property, plant and equipment	**25,717**	**(607)**	**891**	**2,432**	**–**	**(1,416)**	**27,017**	**(16,041)**	**10,977**	**(1,930)**

1 Included assets reclassified to Assets classifed as held for disposal and dispositions of those entites.

(in millions of €)	Gross carrying amount 10/01/2015	Translation differences	Additions through business combinations	Additions	Reclassifications	Retirements[1]	Gross carrying amount 09/30/2016	Accumulated depreciation/amortization and impairment	Carrying amount 09/30/2016	Depreciation/amortization and impairment in fiscal 2016
Internally generated technology	2,995	–	–	324	–	(252)	3,067	(1,562)	1,505	(189)
Acquired technology including patents, licenses and similar rights	4,725	(37)	260	64	–	(143)	4,870	(2,974)	1,896	(253)
Customer relationships and trademarks	7,542	(77)	68	–	–	–	7,532	(3,191)	4,341	(490)
Other intangible assets	**15,262**	**(115)**	**328**	**388**	**–**	**(395)**	**15,469**	**(7,727)**	**7,742**	**(932)**
Land and bulidings	7,745	(65)	20	274	218	(333)	7,859	(3,673)	4,186	(253)
Technical machinery and equipment	7,770	(67)	(39)	288	270	(271)	7,950	(5,412)	2,539	(542)
Furniture and office equipment	5,829	(29)	22	632	85	(448)	6,092	(4,764)	1,328	(690)
Equipment leased to others	3,033	(83)	23	484	10	(452)	3,015	(1,710)	1,305	(348)
Advances to suppliers and construction in progress	856	(16)	(40)	595	(582)	(12)	801	(2)	799	2
Property, plant and equipment	**25,234**	**(260)**	**(14)**	**2,273**	**–**	**(1,516)**	**25,717**	**(15,560)**	**10,157**	**(1,831)**

1 Included assets reclassified to Assets classifed as held for disposal and dispositions of those entites.

The gross carrying amount of Advances to suppliers and construction in progress includes €908 million and €677 million, respectively of property, plant and equipment under construction in fiscal 2017 and 2016. As of September 30, 2017 and 2016, contractual commitments for purchases of property, plant and equipment are €665 million and €643 million, respectively.

Minimum future lease payments under operating leases are:

(in millions of €)	2017	Sep 30, 2016
Within one year	**344**	326
After one year but not more than five years	**679**	689
More than five years	**101**	85
	1,124	1,099

NOTE 13 Other financial assets

(in millions of €)	2017	Sep 30, 2016
Loans receivable	**11,062**	11,838
Receivables from finance leases	**3,699**	3,557
Derivative financial instruments	**1,784**	2,293
Available-for-sale financial assets	**2,290**	2,662
Other	**208**	260
	19,044	20,610

Item Loans receivable primarily relate to long-term loan transactions of SFS.

NOTE 14 Other current liabilities

(in millions of €)	2017	Sep 30, 2016
Billings in excess of costs and estimated earnings on uncompleted contracts and related advances	**10,259**	10,892
Liabilities to personnel	**5,505**	5,401
Deferred Income	**1,470**	1,292
Accruals for pending invoices	**1,116**	1,175
Other	**1,698**	1,676
	20,049	20,437

NOTE 15 Debt

	Current debt		Non-current debt	
		Sep 30,		Sep 30,
(in millions of €)	2017	2016	2017	2016
Notes and bonds (maturing until 2047)	**3,554**	4,994	**25,243**	23,560
Loans from banks (maturing until 2027)	**1,191**	380	**1,334**	992
Other financial indebtedness (maturing until 2029)	**675**	817	**111**	87
Obligations under finance leases	**27**	15	**88**	123
Total debt	**5,447**	6,206	**26,777**	24,761

Interest rates in this Note are per annum. In fiscal 2017 and 2016, weighted-average interest rates for loans from banks, other financial indebtedness and obligations under finance leases were 2.9% (2016: 3.9%), 1.0% (2016: 0.5%) and 5.8% (2016: 4.8%), respectively.

CREDIT FACILITIES

As of September 30, 2017 and 2016, €7.0 billion and €7.1 billion of lines of credit are unused. The facilities are for general corporate purposes. The €4.0 billion syndicated credit facility matures on June 25, 2021. The US$3.0 billion syndicated credit facility matures on September 27, 2020. The €450 million revolving bilateral credit facility is unused and was extended from September 2017 to September 2018. As of September 30, 2017, a subsidiary has an additional unused credit line of €750 million maturing in 2022.

NOTES AND BONDS

(interest/issued/maturity)	Sep 30, 2017			Sep 30, 2016		
	Currency	Notional amount (in millions)	Carrying amount in millions of €[1]	Currency	Notional amount (in millions)	Carrying amount in millions of €[1]
5.625%/2008/June 2018/EUR fixed-rate instruments	**€**	**1,600**	**1,649**	€	1,600	1,719
5.125%/2009/February 2017/EUR fixed-rate instruments	**–**	**–**	**–**	€	2,000	2,028
US$3m LIBOR+1.4%/2012/February 2019/US$ floating-rate instruments	**US$**	**400**	**339**	US$	400	358
1.5%/2012/March 2020/EUR fixed-rate instruments	**€**	**1,000**	**998**	€	1,000	997
2.75%/2012/September 2025/GBP fixed-rate instruments	**£**	**350**	**395**	£	350	405
3.75%/2012/September 2042/GBP fixed-rate instruments	**£**	**650**	**723**	£	650	740
1.75%/2013/March 2021/EUR fixed-rate instruments	**€**	**1,250**	**1,274**	€	1,250	1,285
2.875%/2013/March 2028/EUR fixed-rate instruments	**€**	**1,000**	**997**	€	1,000	996
1.5%/2013/March 2018/US$ fixed-rate instruments	**US$**	**500**	**423**	US$	500	447
3.5%/2013/March 2028/US$ fixed-rate instruments	**US$**	**100**	**83**	US$	100	87
2013/June 2020/US$ floating-rate instruments	**US$**	**400**	**338**	US$	400	358
2014/March 2019/US$ floating-rate instruments	**US$**	**300**	**254**	US$	300	268
2014/September 2021/US$ floating-rate instruments	**US$**	**400**	**339**	US$	400	358
Total Debt Issuance Program			**7,812**			**10,048**
5.75%/2006/October 2016/US$ fixed-rate instruments	**–**	**–**	**–**	US$	1,750	1,570
6.125%/2006/August 2026/US$ fixed-rate instruments	**US$**	**1,750**	**1,830**	US$	1,750	1,982
US$3m LIBOR+0.28%/2015/May 2018/US$ floating-rate instruments	**US$**	**500**	**423**	US$	500	448
1.45%/2015/May 2018/US$-fixed-rate-instruments	**US$**	**1,250**	**1,058**	US$	1,250	1,119
2.15%/2015/May 2020/US$-fixed-rate-instruments	**US$**	**1,000**	**845**	US$	1,000	893
2.90%/2015/May 2022/US$-fixed-rate-instruments	**US$**	**1,750**	**1,479**	US$	1,750	1,564
3.25%/2015/May 2025/US$-fixed-rate-instruments	**US$**	**1,500**	**1,264**	US$	1,500	1,336
4.40%/2015/May 2045/US$-fixed-rate-instruments	**US$**	**1,750**	**1,461**	US$	1,750	1,546
US$3m LIBOR+0.32%/2016/September 2019/US$ floating-rate instruments	**US$**	**350**	**296**	US$	350	308
1.30%/2016/September 2019/US$-fixed-rate-instruments	**US$**	**1,100**	**930**	US$	1,100	984
1.70%/2016/September 2021/US$-fixed-rate-instruments	**US$**	**1,100**	**929**	US$	1,100	983
2.00%/2016/September 2023/US$-fixed-rate-instruments	**US$**	**750**	**630**	US$	750	666
2.35%/2016/October 2026/US$-fixed-rate-instruments	**US$**	**1,700**	**1,431**	US$	1,700	1,517
3.30%/2016/September 2046/US$-fixed-rate-instruments	**US$**	**1,000**	**838**	US$	1,000	887
US$3m LIBOR+0.34%/2017/March 2020/US$ floating-rate instruments	**US$**	**800**	**677**	–	–	–
2.20%/2017/March 2020/US$-fixed-rate-instruments	**US$**	**1,100**	**930**	–	–	–
2.70%/2017/March 2022/US$-fixed-rate-instruments	**US$**	**1,000**	**843**	–	–	–
US$3m LIBOR+0.61%/2017/March 2022/US$ floating-rate instruments	**US$**	**850**	**718**	–	–	–
3.125%/2017/March 2024/US$-fixed-rate-instruments	**US$**	**1,000**	**843**	–	–	–
3.40%/2017/March 2027/US$-fixed-rate-instruments	**US$**	**1,250**	**1,054**	–	–	–
4.20%/2017/March 2047/US$-fixed-rate-instruments	**US$**	**1,500**	**1,257**	–	–	–
Total US$ Bonds			**19,737**			**15,801**
1.05%/2012/August 2017/US$ fixed-rate instruments	**–**	**–**	**–**	US$	1,500	1,332
1.65%/2012/August 2019/US$ fixed-rate instruments	**US$**	**1,500**	**1,249**	US$	1,500	1,309
3m EURIBOR+0.2%/2015/September 2017/EUR floating-rate instruments	**–**	**–**	**–**	€	33	33
3m EURIBOR+0.2%/2015/September 2017/EUR floating-rate instruments	**–**	**–**	**–**	€	31	31
Total Bonds with Warrant Units			**1,249**			**2,705**
			28,797			**28,554**

1 Includes adjustments for fair value hedge accounting.

Debt Issuance Program – The Company has a program for the issuance of debt instruments in place under which instruments up to €15.0 billion can be issued as of September 30, 2017 and 2016, respectively. As of September 30, 2017 and 2016 €7.8 billion and €9.9 billion in notional amounts were issued and are outstanding. Siemens redeemed the 5.125% €2.0 billion fixed-rate instrument at face value as due.

US$ Bonds – In March 2017, Siemens issued instruments totaling US$7.5 billion (€6.4 billion as of September 30, 2017) in seven tranches. Siemens redeemed the 5.75% US$1.75 billion fixed-rate instrument at face value as due.

Bond with Warrant Units – Each of the US$1.5 billion instruments were issued with 6,000 detachable warrants exercisable until August 1, 2017 (Warrants 2017) and August 1, 2019 (Warrants 2019). As of September 30, 2017, almost all Warrants 2017 and no Warrants 2019 were exercised. As of September 30, 2017 and 2016, terms for 5,236 Warrants 2019 and 10,661 Warrants, respectively, entitle the holder to receive 1,924.1160 and 1,914.0511 Siemens AG shares per warrant at an exercise price of €97.6255 and €98.1389 per share, respectively; terms for 764 Warrants 2019 and 1,339 warrants, respectively entitle the holder to receive 1,833.0013 and 1,823.4130 Siemens AG shares per warrant as well as 146.0092 and 151.5630 OSRAM shares, respectively, at an exercise price of €187,842.81. The number of shares may be adjusted under the terms of the warrants. As of September 30, 2017 and 2016, the Warrants 2019 offer option rights to 11.5 million and the Warrants 2017 and 2019 to 22.8 million Siemens AG shares, respectively. Siemens redeemed the 1.05% US$1.5 billion fixed-rate instrument at face value as due. The 3 m EURIBOR+ 0.2% €33 million and the 3 m EURIBOR+ 0.2% €31 million floating-rate instruments were redeemed at face value as due.

ASSIGNABLE AND TERM LOANS

As of September 30, 2017 and 2016, two bilateral US$500 million term loan facilities (in aggregate €847 million and €896 million respectively) are outstanding until March 26, 2020.

As of September 30, 2017, a subsidiary has loans of €424 million outstanding maturing in 2018 and 2019 which were subject to covenants, all of which were complied with.

COMMERCIAL PAPER PROGRAM

Siemens has a US$9.0 billion (€7.6 billion as of September 30, 2017) commercial paper program in place including US$ extendible notes capabilities. As of September 30, 2017 and 2016, US$720 million (€610 million) and US$700 million (€627 million), respectively, were outstanding. Siemens' commercial papers have a maturity of generally less than 90 days. Interest rates ranged from 0.37% to 1.47% in fiscal 2017 and from 0.13% to 0.74% in fiscal 2016.

NOTE 16 Post-employment benefits

DEFINED BENEFIT PLANS

The defined benefit plans open to new entrants are based predominantly on contributions made by the Company. Only to a certain extent, those plans are affected by longevity, inflation and compensation increases and take into account country specific differences. The Company's major plans are funded with assets in segregated entities. In accordance with local laws and bilateral agreements with benefit trusts (trust agreement) those plans are managed in the interest of the beneficiaries. The defined benefit plans cover 506,000 participants, including 217,000 active employees, 89,000 former employees with vested benefits and 200,000 retirees and surviving dependents.

Germany:

In Germany, Siemens AG provides pension benefits through the plan BSAV (Beitragsorientierte Siemens Altersversorgung), frozen legacy plans and deferred compensation plans. The majority of Siemens' active employees participate in the BSAV. Those benefits are predominantly based on contributions made by the Company and returns earned on such contributions, subject to a minimum return guaranteed by the Company. In connection with the implementation of the BSAV, benefits provided under the frozen legacy plans were modified to substantially eliminate the effects of compensation increases. However, these frozen plans still expose the Company to investment risk, interest rate risk and longevity risk. The pension plans are funded via contractual trust arrangements (CTA). In Germany no legal or regulatory minimum funding requirements apply.

U.S.:

Siemens Corporation sponsors the Siemens Pension Plans, which for the most part have been frozen to new entrants and to future benefit accruals, except for interest credits on cash balance accounts. Siemens Corporation has appointed the Investment Committee as the named fiduciary for the management of the assets of the Plans. The Plans' assets are held in a Master Trust and the trustee of the Master Trust is responsible for the administration of the assets of the trust, taking directions from the Investment Committee. The Plans are subject to the funding requirements under the Employee Retirement Income Security Act of 1974 as amended, (ERISA). There is a regulatory requirement to maintain a minimum funding level of 80% in the defined benefit plans in order to avoid benefit restrictions. At its discretion, Siemens Corporation may contribute in excess of this regulatory requirement. Annual contributions are calculated by independent actuaries.

U.K.:

Siemens plc offers benefits through the Siemens Benefit Scheme for which, until the start of retirement, an inflation increase of the majority of accrued benefits is mandatory. The required funding is determined by a funding valuation carried out every third year based on legal requirements. Due to deviating guidelines for the determination of the discount rates, the technical funding deficit is usually larger than the IFRS funding deficit. To reduce the deficit Siemens entered into an agreement with the trustees to provide annual payments of GB£31 (€34) million until fiscal 2033. The agreement also provides for a cumulative advance payment by Siemens AG compensating the remaining annual payments at the date of early termination of the agreement due to cancellation or insolvency.

Switzerland:

Following the Swiss law of occupational benefits (BVG) each employer has to grant post-employment benefits for qualifying employees. Accordingly, Siemens in Switzerland sponsors several cash balance plans. These plans are administered by foundations. The board of the main foundation is composed of equally many employer and employee representatives. The board of the foundation is responsible for investment policy and the asset management, as well as for any changes in the plan rules and the determination of contributions to finance the benefits. The Company is required to make total contributions at least as high as the sum of the employee contributions set out in the plan rules. In case of an underfunded plan the Company together with the employees may be asked to pay supplementary contributions according to a well-defined framework of recovery measures.

Development of the defined benefit plans

	Defined benefit obligation (DBO)		Fair value of plan assets		Effects of asset ceiling		Net defined benefit balance	
	(I) Fiscal year		(II) Fiscal year		(III) Fiscal year		(I – II + III) Fiscal year	
(in millions of €)	2017	2016	2017	2016	2017	2016	2017	2016
Balance at begin of fiscal year	**42,176**	36,818	**28,809**	27,296	**119**	214	**13,486**	9,737
Current service cost	**612**	523	**–**	–	**–**	–	**612**	523
Interest expenses	**672**	1,078	**–**	–	**4**	7	**675**	1,085
Interest income	**–**	–	**482**	809	**–**	–	**(482)**	(809)
Other[1]	**(150)**	5	**(38)**	8	**–**	–	**(112)**	(4)
Components of defined benefit costs recognized in the Consolidated Statements of income	**1,133**	1,605	**444**	818	**4**	7	**693**	795
Return on plan assets excluding amounts included in net interest income and net interest expenses	**–**	–	**(174)**	2,473	**–**	–	**174**	(2,473)
Actuarial (gains) losses	**(3,919)**	6,284	**–**	–	**–**	–	**(3,919)**	6,284
Effects of asset ceiling	**–**	–	**–**	–	**(60)**	(109)	**(60)**	(109)
Remeasurements recognized in the Consolidated Statements of Comprehensive Income	**(3,919)**	6,284	**(174)**	2,473	**(60)**	(109)	**(3,805)**	3,703
Employer contributions	**–**	–	**861**	618	**–**	–	**(861)**	(618)
Plan participants' contributions	**130**	144	**130**	144	**–**	–	**–**	–
Benefits paid	**(2,045)**	(1,854)	**(1,924)**	(1,694)	**–**	–	**(121)**	(160)
Settlement payments	**(6)**	(53)	**(6)**	(45)	**–**	–	**–**	(8)
Business combinations, disposals and other	**22**	(10)	**15**	(9)	**–**	–	**6**	(2)
Foreign currency translation effects	**(620)**	(758)	**(488)**	(792)	**(1)**	7	**(134)**	40
Other reconciling items	**(2,520)**	(2,531)	**(1,411)**	(1,777)	**(1)**	7	**(1,109)**	(749)
Balance at fiscal year-end	**36,871**	42,176	**27,668**	28,809	**62**	119	**9,265**	13,486
Germany	***21,986***	*25,460*	***14,622***	*15,275*	**–**	–	***7,364***	*10,184*
U.S.	***4,189***	*4,859*	***3,031***	*3,347*	**–**	–	***1,158***	*1,512*
U.K.	***5,650***	*6,188*	***5,883***	*6,047*	***14***	*9*	***(219)***	*151*
CH	***3,131***	*3,671*	***3,007***	*3,064*	***6***	*68*	***130***	*675*
Other countries	***1,914***	*1,997*	***1,126***	*1,075*	***43***	*42*	***831***	*964*
Total	**36,871**	42,176	**27,668**	28,809	**62**	119	**9,265**	13,486
thereof provisions for pensions and similar obligations							***9,582***	*13,695*
thereof net defined benefit assets (presented in Other assets)							***317***	*209*

1 Includes past service benefit/costs, settlement gains/losses and administration costs related to liabilities.

Net interest expenses related to provisions for pensions and similar obligations amounted to €198 million and €282 million, respectively, in fiscal 2017 and 2016. The DBO is attributable to active employees 31% and 33%, to former employees with vested rights 14% and 15%, to retirees and surviving dependents 54% and 52%, respectively, in fiscal 2017 and 2016.

Fiscal 2017 includes a gain of €138 million (€137 million due to plan amendments in the position "other") in connection with adjusted benefit levels for plan participants in Switzerland.

The remeasurements comprise actuarial (gains) and losses resulting from:

		Fiscal year
(in millions of €)	2017	2016
Changes in demographic assumptions	(112)	(129)
Changes in financial assumptions	(3,714)	6,506
Experience (gains) losses	(93)	(93)
Total	**(3,919)**	6,284

Actuarial assumptions

The weighted-average discount rate used for the actuarial valuation of the DBO at period-end was as follows:

		Sep 30,
	2017	2016
Discount rate	2.4%	1.7%
EUR	2.1%	1.0%
USD	3.8%	3.6%
GBP	2.8%	2.4%
CHF	0.8%	0.4%

The discount rate was derived from high-quality corporate bonds with an issuing volume of more than 100 million units in the respective currency zones, which have been awarded an AA rating (or equivalent) by at least one of the three rating agencies Moody's Investor Service, Standard&Poor's Rating Services or Fitch Ratings.

Applied mortality tables are:

Germany	Heubeck Richttafeln 2005G (modified)
U.S.	RP-2016 with generational projection from the US Social Security Administration's Long Range Demographic Assumptions
U.K.	SAPS S2 (Standard mortality tables for Self Administered Pension Schemes with allowance for future mortality improvements)
CH	BVG 2015 G

The rates of compensation increase and pension progression for countries with significant effects are shown in the following table. Inflation effects, if applicable, are included in the assumptions below.

		Sep 30,
	2017	2016
Compensation increase		
U.K.	3.7%	3.6%
CH	1.5%	1.5%
Pension progression		
Germany	1.4%	1.4%
U.K.	3.0%	2.9%

Sensitivity analysis

A one-half-percentage-point change of the above assumptions would result in the following increase (decrease) of the DBO:

	Effect on DBO due to a one-half percentage-point			
		Sep 30, 2017		Sep 30, 2016
(in millions of €)	increase	decrease	increase	decrease
Discount rate	(2,227)	2,472	(2,774)	3,174
Rate of compensation increase	102	(96)	113	(105)
Rate of pension progression	1,620	(1,433)	2,107	(1,858)

The DBO effect of a 10% reduction in mortality rates for all beneficiaries would be an increase of €1,103 million and €1,395 million, respectively, as of September 30, 2017 and 2016.

As in prior year, sensitivity determinations apply the same methodology as applied for the determination of the post-employment benefit obligation. Sensitivities reflect changes in the DBO solely for the assumption changed.

Asset Liability Matching Strategies

As a significant risk, the Company considers a decline in the plans' funded status due to adverse developments of plan assets and/or defined benefit obligations resulting from changing parameters. Accordingly, Siemens implemented a risk management concept aligned with the defined benefit obligations (Asset Liability Matching). Risk management is based on a worldwide defined risk threshold (value-at-risk). The concept, the value at risk and the asset development including the investment strategy are monitored and adjusted on an ongoing basis under consultation of senior external experts. Independent asset managers are selected based on quantitative and qualitative analysis, which includes their performance and risk evaluation. Derivatives are used to reduce risks as part of risk management.

Disaggregation of plan assets

(in millions of €)	Sep 30, 2017	2016
Equity securities	**4,716**	5,206
Fixed income securities	**15,230**	16,395
Government bonds	***5,407***	*5,496*
Corporate bonds	***9,823***	*10,899*
Alternative investments	**4,016**	3,622
Multi strategy funds	**2,028**	1,696
Derivatives	**290**	497
Cash and cash equivalents	**578**	465
Other assets	**811**	928
Total	**27,668**	**28,809**

Virtually all equity securities have quoted prices in active markets. The fair value of fixed income securities is based on prices provided by price service agencies. The fixed income securities are traded in highly liquid markets and almost all fixed income securities are investment grade. Alternative investments mostly include hedge funds; additionally, private equity and real estate investments are included. Multi strategy funds mainly comprise absolute return funds and diversified growth funds that invest in various asset classes within a single fund and aim to stabilize return and reduce volatility. Derivatives predominantly consist of financial instruments for hedging interest rate risk and inflation risk.

Future cash flows

Employer contributions expected to be paid to defined benefit plans in fiscal 2018 are €826 million. Over the next ten fiscal years, average annual benefit payments of €1,843 million and €1,908 million, respectively, are expected as of September 30, 2017 and 2016. The weighted average duration of the DBO for Siemens defined benefit plans was 13 years as of September 30, 2017 and 14 years as of September 30, 2016.

DEFINED CONTRIBUTION PLANS AND STATE PLANS

The amount recognized as expense for defined contribution plans amounts to €686 million and €676 million in fiscal 2017 and 2016, respectively. Contributions to state plans amount to €1,450 million and €1,423 million in fiscal 2017 and 2016, respectively.

NOTE 17 Provisions

(in millions of €)	Warranties	Order related losses and risks	Asset retirement obligations	Other	Total
Balance as of October 1, 2016	4,249	1,517	1,611	1,877	9,253
Thereof non-current	*2,022*	*675*	*1,593*	*796*	*5,087*
Additions	1,820	658	6	585	3,069
Usage	(1,160)	(393)	(10)	(486)	(2,049)
Reversals	(972)	(200)	(316)	(532)	(2,020)
Translation differences	(77)	(33)	(3)	(24)	(137)
Accretion expense and effect of changes in discount rates	(6)	(1)	(533)	(1)	(542)
Other changes	777	285	5	186	1,252
Balance as of September 30, 2017	**4,631**	**1,832**	**759**	**1,603**	**8,826**
Thereof non-current	***2,422***	***750***	***743***	***664***	***4,579***

Except for asset retirement obligations, the majority of the Company's provisions are generally expected to result in cash outflows during the next one to 15 years.

Warranties mainly relate to products sold. Order related losses and risks are provided for anticipated losses and risks on uncompleted construction, sales and leasing contracts.

The Company is subject to asset retirement obligations related to certain items of property, plant and equipment. Such asset retirement obligations are primarily attributable to environmental clean-up costs and to costs primarily associated with the removal of leasehold improvements at the end of the lease term.

Environmental clean-up costs relate to remediation and environmental protection liabilities which have been accrued based on the estimated costs of decommissioning facilities for the production of uranium and mixed-oxide fuel elements in Hanau, Germany (Hanau facilities), as well as a nuclear research and service center in Karlstein, Germany (Karlstein facilities). Whilst in fiscal 2017, parts of the regulation for nuclear waste disposal were amended by way of law ("Gesetz zur Neuordnung der Verantwortung in der kerntechnischen Entsorgung"), Siemens is not covered by these regulations and consequently continues to adhere to the German Atomic Energy Act ("deutsches Atomgesetz"), which states that when a nuclear facility is closed, the resulting radioactive waste must be collected and delivered to a government-developed final storage facility. In this regard, the Company has developed a plan to decommission the Hanau and Karlstein facilities in the following steps: asset retirement (including clean-out, decontamination and disassembly of equipment and installations, decontamination of the facilities and buildings), waste conditioning and packaging of nuclear waste, as well as intermediate storage, transport to and final storage of the radioactive waste. This process will be supported by continuing engineering studies and radioactive sampling under the supervision of German federal and state authorities. The decontamination and disassembly are planned to continue until 2018, whereas final waste conditioning and packaging is planned to continue until the 2020's. Thereafter, the Company is responsible for intermediate storage of the radioactive materials until they are transported and handed over to a final storage facility. With respect to the Hanau facility, the asset retirement has been completed and intermediate storage has been set up. On September 21, 2006, the Company received official notification from the authorities that the Hanau facility has been released from the scope of application of the German Atomic Energy Act and that its further use is unrestricted. The ultimate costs of the remediation are contingent on the decision of the federal government on the location of the final storage facilities and the date of their availability. Several parameters relating to the development of a final storage facility for radioactive waste are based on the assumptions for the so called Schacht Konrad final storage. Parameters related to the life-span of the German nuclear reactors assume a phase-out until 2022. The valuation uses assumptions to reflect the current and detailed cost estimates, price inflation and discount rates as well as a continuous outflow until the 2060's related to the costs for dismantling as well as intermediate and final storage. The estimated cash outflows related to the asset retirement obligation could alter significantly if political developments affect the government's timeline to finalize the so called Schacht Konrad. For discounting the cash outflows, the Company uses current interest rates as of the balance sheet date.

As of September 30, 2017 and 2016, the provision totals €697 million and €1,551 million, respectively, and is recorded net of a present value discount of €359 million and €206 million, respectively, reflecting the assumed continuous outflow of the total expected payments until the 2060's (2070's in fiscal 2016). Increased discount rates decreased the carrying amount of the provision by €543 million as of September 30, 2017, mainly due to a change of the applied yield curve in order to more specifically reflect interest rate expectations, particularly regarding long-term interest rates; declined discount rates increased the carrying amount by €355 million as of September 30, 2016. The provision was decreased by €312 million as of September 30, 2017, mainly due to reduced assumed inflation rates, and €170 million as of September 30, 2016, due to reduced cost estimates.

Other includes transaction-related and post-closing provisions in connection with portfolio activities as well as provisions for Legal Proceedings, as far as the risks that are subject to such Legal Proceedings are not already covered by project accounting. Provisions for Legal Proceedings amounted to €437 million and €430 million as of September 30, 2017 and 2016, respectively.

NOTE 18 Equity

Siemens' issued capital is divided into 850 million registered shares with no par value and a notional value of €3.00 per share as of September 30, 2017 and 2016, respectively. The shares are fully paid in. At the Shareholders' Meeting, each share has one vote and accounts for the shareholders' proportionate share in the Company's net income. All shares confer the same rights and obligations.

In fiscal 2017 and 2016, Siemens repurchased 7,922,129 shares and 4,888,596 shares, respectively. In fiscal 2017 and 2016, Siemens transferred 15,162,691 and 4,543,673 treasury shares, respectively. As of September 30, 2017 and 2016, the Company has treasury shares of 34,481,120 and 41,721,682, respectively.

As of September 30, 2017 and 2016, total authorized capital of Siemens AG is €618.6 million nominal, issuable in installments based on various time-limited authorizations, by issuance of up to 206.2 million registered shares of no par value. In addition, as of September 30, 2017 and 2016, Siemens AG's conditional capital is €1,080.6 million nominal or 360.2 million shares. It can primarily be used for serving convertible bonds or warrants under warrant bonds that could or can be issued based on various time-limited authorizations approved by the respective Shareholders' Meeting.

Dividends paid per share were €3.60 and €3.50, respectively, in fiscal 2017 and 2016. The Managing Board and the Supervisory Board propose to distribute a dividend of €3.70 per share entitled to the dividend, in total representing approximately €3.0 billion in expected payments. Payment of the proposed dividend is contingent upon approval at the Shareholders' Meeting on January 31, 2018.

NOTE 19 Additional capital disclosures

A key consideration of our capital structure management is to maintain ready access to capital markets through various debt instruments and to sustain our ability to repay and service our debt obligations over time. In order to achieve this, Siemens intends to maintain an Industrial net debt divided by EBITDA (continuing operations) ratio of up to 1.0. The ratio indicates the approximate number of years that would be needed to cover the Industrial net debt through continuing income, without taking into account interest, taxes, depreciation and amortization.

	Sep 30,	
(in millions of €)	2017	2016
Short-term debt and current maturities of long-term debt	**5,447**	6,206
Plus: Long-term debt	**26,777**	24,761
Less: Cash and cash equivalents	**(8,375)**	(10,604)
Less: Current available-for-sale financial assets	**(1,242)**	(1,293)
Net debt	**22,607**	**19,071**
Less: SFS Debt[1]	**(22,531)**	(22,418)
Plus: Provisions for pensions and similar obligations	**9,582**	13,695
Plus: Credit guarantees	**639**	799
Less: Fair value hedge accounting adjustment[2]	**(421)**	(643)
Industrial net debt	**9,876**	**10,505**
Income from continuing operations before income taxes	**8,306**	7,404
Plus/Less: Interest income, interest expenses and other financial income (expenses), net	**(571)**	48
Plus: Amortization, depreciation and impairments	**3,211**	2,764
EBITDA	**10,946**	**10,216**
Industrial net debt/EBITDA	**0.9**	**1.0**

1 The adjustment considers that both Moody's and S&P view SFS as a captive finance company. These rating agencies generally recognize and accept higher levels of debt attributable to captive finance subsidiaries in determining credit ratings. Following this concept, Siemens excludes SFS Debt in order to derive an industrial net debt which is not affected by SFS's financing activities.

2 Debt is generally reported with a value representing approximately the amount to be repaid. However, for debt designated in a hedging relationship (fair value hedges), this amount is adjusted for changes in market value mainly due to changes in interest rates. Accordingly, Siemens deducts these changes in market value in order to end up with an amount of debt that approximately will be repaid.

The SFS business is capital intensive and operates a larger amount of debt to finance its operations compared to the industrial business.

(in millions of €)	2017	Sep 30, 2016
Allocated equity	**2,607**	2,623
SFS debt	**22,531**	22,418
Debt to equity ratio	**8.64**	8.55

Equity allocated to SFS differs from the carrying amount of equity as it is mainly allocated based on the risks of the underlying business.

Siemens' current corporate credit ratings are:

	Sep 30, 2017		Sep 30, 2016	
	Moody's Investors Service	Standard & Poor's Ratings Services	Moody's Investors Service	Standard & Poor's Ratings Services
Long-term debt	**A1**	**A+**	A1	A+
Short-term debt	**P-1**	**A-1+**	P-1	A-1+

NOTE 20 Commitments and contingencies

The following table presents the undiscounted amount of maximum potential future payments for major groups of guarantees:

(in millions of €)	2017	Sep 30, 2016
Credit guarantees	**639**	799
Guarantees of third-party performance	**2,283**	2,319
Miscellaneous guarantees	**200**	600
	3,121	3,718

Item Credit guarantees covers the financial obligations of third parties generally in cases where Siemens is the vendor and (or) contractual partner or Siemens is liable for obligations of associated companies accounted for using the equity method. Additionally, credit guarantees are issued in the course of the SFS business. Credit guarantees generally provide that in the event of default or non-payment by the primary debtor, Siemens will be required to settle such financial obligations. The maximum amount of these guarantees is equal to the outstanding balance of the credit or, in case where a credit line is subject to variable utilization, the nominal amount of the credit line. These guarantees have residual terms of up to 14 years and 15 years, respectively, in fiscal 2017 and 2016. For credit guarantees amounting to €189 million and €270 million, respectively, as of September 30, 2017 and 2016, the Company held collateral mainly in the form of inventories and trade receivables. The Company accrued €33 million and €73 million relating to credit guarantees as of September 30, 2017 and 2016, respectively.

Furthermore, Siemens issues guarantees of third-party performance, which mainly include performance bonds and guarantees of advanced payments in a consortium. In the event of non-fulfillment of contractual obligations by the consortium partner(s), Siemens will be required to pay up to an agreed-upon maximum amount. These agreements typically have terms of up to ten years. Generally, consortium agreements provide for fallback guarantees as a recourse provision among the consortium partners. As of September 30, 2017 and 2016, the Company accrued €3 million and €4 million, respectively, relating to performance guarantees.

In addition to guarantees disclosed in the table above, the Company issued other guarantees. To the extent future claims are not considered remote, maximum future payments from these obligations amount to €611 million and €853 million as of September 30, 2017 and 2016, respectively. These commitments include indemnifications issued in connection with dispositions of businesses. Such indemnifications may protect the buyer from potential tax, legal and other risks in conjunction with the purchased business. As of September 30, 2017 and 2016, the accrued amount for such other commitments is €243 million and €456 million, respectively.

Future payment obligations under non-cancellable operating leases are:

(in millions of €)	2017	Sep 30, 2016
Within one year	**825**	882
After one year but not more than five years	**1,684**	1,707
More than five years	**832**	870
	3,341	3,458

Total operating rental expenses for the years ended September 30, 2017 and 2016 were €1,242 million and €1,158 million, respectively.

The Company is jointly and severally liable and has capital contribution obligations as a partner in commercial partnerships and as a participant in various consortiums.

NOTE 21 Legal proceedings

PROCEEDINGS OUT OF OR IN CONNECTION WITH ALLEGED BREACHES OF CONTRACT

As previously reported, Siemens AG is a member of a supplier consortium that has been contracted to construct the nuclear power plant "Olkiluoto 3" in Finland for Teollisuuden Voima Oyj (TVO) on a turnkey basis. The agreed completion date for the nuclear power plant was April 30, 2009. Siemens AG's share of the contract value is approximately 27%. The other member of the supplier consortium is a further consortium consisting of Areva NP S.A.S. and its wholly-owned subsidiary, Areva GmbH. Completion of the power plant has been delayed for reasons which are in dispute. In December 2008, the supplier consortium filed a request for arbitration against TVO demanding an extension of the construction time, additional compensation, milestone payments, damages and interest. TVO rejected the claims and asserted counterclaims against the supplier consortium consisting primarily of damages due to the delay. In August 2015, TVO updated its counterclaims to approximately €2.3 billion. The supplier consortium's monetary claims as last updated amount to approximately €3.6 billion. The amounts claimed by the parties do not cover the total period of delay and may be updated further. In November 2016 a partial award on certain preliminary questions identified for early treatment was issued. A further partial award on document handling issues was rendered in July 2017. In this further partial award certain key facts underlying the claims regarding delay and disruption that occurred during project execution were decided in favor of TVO. Another partial award on project management issues and the use of advanced construction methods was rendered in November 2017. While the Tribunal granted some of TVO's requests, most of TVO's material allegations in this respect were dismissed or their decision was deferred to a later stage. None of the partial awards have dealt with the amounts claimed by the parties. A final arbitration award on the merits of the claims and counterclaims is expected during the first half of calendar year 2018.

PROCEEDINGS OUT OF OR IN CONNECTION WITH ALLEGED COMPLIANCE VIOLATIONS

As previously reported, in July 2008, Hellenic Telecommunications Organization S.A. (OTE) filed a lawsuit against Siemens AG with the district court of Munich, Germany, seeking to compel Siemens AG to disclose the outcome of its internal investigations with respect to OTE. OTE seeks to obtain information with respect to allegations of undue influence and/or acts of bribery in connection with contracts concluded between Siemens AG and OTE from calendar 1992 to 2006. At the end of July 2010, OTE expanded its claim and requested payment of damages by Siemens AG of at least €57 million to OTE for alleged bribery payments to OTE employees. In October 2014 OTE increased its damage claim to the amount of at least €68 million. Siemens AG continues to defend itself against the expanded claim.

As previously reported, in September 2011, the Israeli Antitrust Authority requested that Siemens present its legal position regarding an alleged anti-competitive arrangement between April 1988 and April 2004 in the field of gas-insulated switchgear. In September 2013, the Israeli Antitrust Authority concluded that Siemens AG was a party to an illegal restrictive arrangement regarding the Israeli gas-insulated switchgear market between 1988 and 2004, with an interruption from October 1999 to February 2002. The Company appealed against this decision in May 2014.

Based on the above mentioned conclusion of the Israeli Antitrust Authority, two electricity consumer groups filed motions to certify a class action for cartel damages against a number of companies including Siemens AG with an Israeli State Court in September 2013. One of the class actions has been dismissed by the court in fiscal year 2015. The remaining class action seeks compensation for alleged damages amounting to ILS2.8 billion (approximately €673 million as of September 2017). In addition, the Israel Electric Corporation (IEC) filed at the end of December 2013 with an Israeli State Court a separate ILS3.8 billion (approximately €909 million as of September 2017) claim for damages against Siemens AG and other companies that allegedly formed a cartel in the Israeli gas-insulated switchgear market. Siemens AG is defending itself against the actions.

As previously reported, the Israeli Exchange Supervisory Authority (ISA) concluded its investigation regarding potentially illegal payments that were allegedly paid to Israeli Electric Company-representatives in the early 2000's, and transferred the investigation files to the Israeli District Attorney (DA) in August 2015, in order to decide whether or not to take any legal steps against any of the suspects named in the ISA investigation. Siemens fully cooperated with the Israeli authorities. In May 2016, the DA filed criminal charges versus Siemens Israel Ltd. Siemens AG was not indicted, as it was possible for Siemens AG to conclude a non-prosecution agreement with the DA that obliged Siemens AG to pay an amount in the mid double-digit euro million range. In November 2017, the Israeli Criminal court approved a plea agreement proposed by the DA and Siemens Israel Ltd. Based on the plea agreement, Siemens Israel Ltd. was convicted for the misconduct of its former management and agreed to pay a fine in a low double-digit euro million range.

As previously reported, in May 2013, Siemens Ltda., Brazil (Siemens Ltda.) entered into a leniency agreement with the Administrative Council for Economic Defense (CADE) and other relevant Brazilian authorities relating to possible antitrust violations in connection with alleged anticompetitive irregularities in metro and urban train projects, in which Siemens Ltda. and partially Siemens AG, as well as a number of other companies participated as contractor. In March 2014, CADE commenced administrative proceedings, confirming Siemens Ltda.'s immunity from administrative fines for the reported potential misconduct. In connection with the above mentioned metro and urban train projects, several Brazilian authorities initiated investigations relating to alleged criminal acts (corruptive payments, anti-competitive conduct, undue influence on public tenders).

As previously reported, in March 2014, Siemens was informed that in connection with the above mentioned metro and urban train projects the Public Prosecutor's Office São Paulo has requested criminal proceedings at court into alleged violations of Brazilian antitrust law against a number of individuals including current and former Siemens employees. The proceedings continue; the Public Prosecutor's Office São Paulo has, in the meantime, appealed all decisions where the courts denied opening criminal trials.

As previously reported, in May 2014, the Public Affairs Office (Ministério Público) São Paulo initiated a lawsuit against Siemens Ltda. as well as other companies and several individuals claiming, inter alia, damages in an amount of BRL2.5 billion (approximately €665 million as of September 2017) plus adjustments for inflation and related interest in relation to train refurbishment contracts entered into between 2008 and 2011. A technical note issued by the Brazilian cartel authority CADE earlier in 2014 had not identified evidence suggesting Siemens Ltda.'s involvement in anticompetitive conduct in relation to these refurbishment contracts. In January 2015 the district court of São Paulo admitted a lawsuit of the State of São Paulo and two customers against Siemens Ltda., Siemens AG and other companies and individuals claiming damages in an unspecified amount. In March 2015, the district court of São Paulo admitted a lawsuit of the Public Affairs Office (Ministério Público) São Paulo against Siemens Ltda. and other companies claiming, inter alia, damages in an amount of BRL487 million (approximately €130 million as of September 2017) plus adjustments for inflation and related interest in relation to train maintenance contracts entered into in 2000 and 2002. In September 2015, the district court of São Paulo admitted another lawsuit of the Public Affairs Office (Ministério Público) São Paulo against Siemens Ltda. and other companies claiming, inter alia, damages in an amount of BRL918 million (approximately €244 million as of September 2017) plus adjustments for inflation and related interest in relation to train maintenance contracts entered into in 2006 and 2007. Siemens will defend itself against these actions. It cannot be excluded that further significant damage claims will be brought by customers or the state against Siemens.

As previously reported, CADE conducted – unrelated to the above mentioned proceedings – two further investigations into possible antitrust behavior in the field of gas-insulated and air-insulated switchgear from the 1990's to 2006. Siemens cooperated with the authorities. In February 2017, Siemens AG entered into a settlement agreement with CADE relating to alleged antitrust violations in the field of gas-insulated switchgear for an amount in a low single-digit euro million range. In October 2017, Siemens Ltda. entered into a settlement agreement with CADE relating to alleged antitrust violations in the field of air-insulated switchgear for an amount in a mid double-digit euro million range.

As previously reported, in June 2015, Siemens Ltda. once again appealed to the Supreme Court against a decision confirming the decision of the previous court to suspend Siemens Ltda. from participating in public tenders and signing contracts with public administrations in Brazil for a five year term based on alleged irregularities in calendar 1999 and 2004 public tenders with the Brazilian Postal authorities. In July 2015, the court suspended enforcement of the debarment decision pending the appeal.

As previously reported, the Vienna public prosecutor in Austria conducted an investigation into payments between calendar 1999 and calendar 2006 relating to Siemens Aktiengesellschaft Österreich, Austria, for which adequate services rendered could not be identified. In September 2011, the Vienna public prosecutor extended the investigations to include a tax evasion matter for which Siemens Aktiengesellschaft Österreich is potentially liable. In November 2016, the proceedings against Siemens Aktiengesellschaft Österreich were stopped.

Siemens has received credible information that four gas turbines intended for a project in Taman, Russia, which were delivered by OOO Siemens Gas Turbines Technologies (SGTT) to its customer OAO VO TechnoPromExport in summer of 2016 had been allegedly brought to Crimea against contractual agreements with SGTT. Allegedly, these four gas turbines had been sold by OAO VO TechnoPromExport to OOO VO TechnoPromExport, had then been locally modified and moved to Crimea, a location under sanctions. Siemens AG together with SGTT and SGTT separately have filed lawsuits before the Commercial State Court of Moscow against OAO VO TechnoPromExport and OOO VO TechnoPromExport for the return of the gas turbines. The proceedings are ongoing.

Siemens is in the course of its normal business operations involved in numerous Legal Proceedings in various jurisdictions. These Legal Proceedings could result, in particular, in Siemens being subject to payment of damages and punitive damages, equitable remedies or criminal or civil sanctions, fines or disgorgement of profit. In individual cases this may also lead to formal or informal exclusion from tenders or the revocation or loss of business licenses or permits. In addition, further Legal Proceedings may be commenced or the scope of pending Legal Proceedings may be expanded. Asserted claims are generally subject to interest rates.

Some of these Legal Proceedings could result in adverse decisions for Siemens that may have material effects on its financial position, the results of its operations and/or its cash flows in the respective reporting period. At present, Siemens does not expect any matters not described in this Note to have material effects on its financial position, the results of its operations and/or its cash flows.

For Legal Proceedings information required under IAS 37, Provisions, Contingent Liabilities and Contingent Assets is not disclosed if the Company concludes that disclosure can be expected to seriously prejudice the outcome of the matter.

NOTE 22 Additional disclosures on financial instruments

The following table discloses the carrying amounts of each category of financial assets and financial liabilities:

(in millions of €)	2017	Sep 30, 2016
Loans and receivables[1]	**39,264**	37,984
Cash and cash equivalents	**8,375**	10,604
Derivatives designated in a hedge accounting relationship	**379**	534
Financial assets held for trading	**1,935**	2,518
Available-for-sale financial assets[2]	**4,758**	3,955
Financial assets	**54,710**	**55,594**
Financial liabilities measured at amortized cost[3]	**43,502**	40,591
Financial liabilities held for trading[4]	**682**	1,190
Derivatives designated in a hedge accounting relationship[4]	**140**	310
Financial liabilities	**44,325**	**42,091**

1 Reported in the following line items of the Statements of Financial Position: Trade and other receivables, Other current financial assets and Other financial assets, except for separately disclosed €2,290 million and €2,662 million available-for-sale financial assets and €2,314 million and €3,051 million derivative financial instruments as of September 30, 2017 and 2016, respectively. Includes €15,242 million and €14,280 million trade receivables from the sale of goods and services in fiscal 2017 and 2016, thereof €918 million and €665 million with a term of more than twelve months.

2 Includes equity instruments classified as available-for-sale, for which a fair value could not be reliably measured and which are therefore recognized at cost.

3 Reported in the following line items of the Statements of Financial Position: Short-term debt and current maturities of long-term debt, Trade payables, Other current financial liabilities, Long-term debt and Other financial liabilities, except for separately disclosed derivative financial instruments of €823 million and €1,500 million, respectively, as of September 30, 2017 and 2016.

4 Reported in line items Other current financial liabilities and Other financial liabilities.

Cash and cash equivalents includes €266 million and €330 million as of September 30, 2017 and 2016, respectively, which are not available for use by Siemens mainly due to minimum reserve requirements with banks. As of September 30, 2017 and 2016, the carrying amount of financial assets Siemens has pledged as collateral amounted to €182 million and €214 million, respectively.

The following table presents the fair values and carrying amounts of financial assets and financial liabilities measured at cost or amortized cost for which the carrying amounts do not approximate fair value:

(in millions of €)	Sep 30, 2017 Fair value	Carrying amount	Sep 30, 2016 Fair value	Carrying amount
Notes and bonds	**32,303**	**28,797**	30,235	28,554
Loans from banks and other financial indebtedness	**3,299**	**3,312**	2,270	2,276
Obligations under finance leases	**178**	**115**	203	138

Fixed-rate and variable-rate receivables with a remaining term of more than twelve months, including receivables from finance leases, are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances for these receivables are recognized.

The fair value of notes and bonds is based on prices provided by price service agencies at the period-end date (Level 2). The fair value of loans from banks and other financial indebtedness, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt of similar terms and remaining maturities (Level 2).

The following table allocates financial assets and financial liabilities measured at fair value to the three levels of the fair value hierarchy:

(in millions of €)	Level 1	Level 2	Level 3	Sep 30, 2017 Total
Financial assets measured at fair value	**2,877**	**3,587**	**346**	**6,810**
Available-for-sale financial assets: equity instruments	**2,877**	**95**	**281**	**3,253**
Available-for-sale financial assets: debt instruments	**–**	**1,232**	**11**	**1,243**
Derivative financial instruments	**–**	**2,261**	**54**	**2,314**
Not designated in a hedge accounting relationship (including embedded derivatives)	***–***	***1,882***	***54***	***1,935***
In connection with fair value hedges	***–***	***46***	***–***	***46***
In connection with cash flow hedges	***–***	***333***	***–***	***333***
Financial liabilities measured at fair value – Derivative financial instruments	**–**	**823**	**–**	**823**
Not designated in a hedge accounting relationship (including embedded derivatives)	***–***	***682***	***–***	***682***
In connection with cash flow hedges	***–***	***140***	***–***	***140***

(in millions of €)	Level 1	Level 2	Level 3	Sep 30, 2016 Total
Financial assets measured at fair value	**2,191**	**4,311**	**310**	**6,812**
Available-for-sale financial assets: equity instruments	2,191	–	301	2,492
Available-for-sale financial assets: debt instruments	–	1,259	10	1,269
Derivative financial instruments	–	3,051	–	3,051
Not designated in a hedge accounting relationship (including embedded derivatives)	*–*	*2,518*	*–*	*2,518*
In connection with fair value hedges	*–*	*163*	*–*	*163*
In connection with cash flow hedges	*–*	*371*	*–*	*371*
Financial liabilities measured at fair value – Derivative financial instruments	**–**	**1,500**	**–**	**1,500**
Not designated in a hedge accounting relationship (including embedded derivatives)	*–*	*1,190*	*–*	*1,190*
In connection with cash flow hedges	*–*	*305*	*–*	*305*

The fair value of available-for-sale financial equity instruments quoted in an active market is based on price quotations at the period-end date. The fair value of debt instruments is either based on prices provided by price service agencies or estimated by discounting future cash flows using current market interest rates.

Available-for-sale financial assets measured at fair value include interests in Atos SE (Atos) and OSRAM Licht AG (Osram) of €2,871 million and €2,156 million, respectively, as of September 30, 2017 and 2016. Unrealized pre-tax gains (losses) in fiscal 2017 and 2016 resulting from non-current available-for-sale financial assets measured at fair value are €700 million and €445 million, respectively. In September 2017, 18.155 million shares in Osram representing a 17.34% stake in Osram met the criteria for asset held for disposal classification. Those Osram shares were previously reported as non-current available-for-sale equity instruments and are held in Centrally managed portfolio activities. Upon the sale of the shares for €1.2 billion in cash in October 2017, €649 million accumulated fair value changes recognized in equity will be reclassified through Other comprehensive income, net of income taxes to Net income. Siemens retains 108,414 shares in Osram to service the warrants relating to Siemens and Osram shares.

Siemens determines the fair values of derivative financial instruments depending on the specific type of instrument. Fair values of derivative interest rate contracts are estimated by discounting expected future cash flows using current market interest rates and yield curves over the remaining term of the instrument. Interest rate futures are valued on the basis of quoted market prices, if available. Fair values of foreign currency derivatives are based on forward exchange rates. Options are generally valued based on quoted market prices or based on option pricing models. In determining the fair values of the derivative financial instruments, no compensating effects from underlying transactions (e.g. firm commitments and forecast transactions) are taken into consideration.

The Company limits default risks resulting from derivative financial instruments by generally transacting with financial institutions with a minimum credit rating of investment grade. Based on Siemens' net risk exposure towards the counterparty, the resulting credit risk is taken into account via a credit valuation adjustment.

The unquoted equity instrument allocated to level 3 of the fair value hierarchy relates to an investment in an offshore wind farm. The fair value is determined based on discounted cash flow calculations. The most significant unobservable input used to determine the fair value is the cash flow forecast which is mainly based on the future power generation income. This income is generally subject to future market developments and thus price volatility. Since a long-term power purchase agreement is in place that mitigates price volatility, significant changes to the cash flow forecast are unlikely and thus, no significant effects on Other comprehensive income, net of income taxes, are expected.

Net gains (losses) of financial instruments are:

	Fiscal year	
(in millions of €)	2017	2016
Cash and cash equivalents	(5)	(19)
Available-for-sale financial assets	(4)	70
Loans and receivables	(174)	(442)
Financial liabilities measured at amortized cost	1,662	168
Financial assets and financial liabilities held for trading	(163)	(211)

Amounts presented include foreign currency gains and losses from realizing and measuring financial assets and liabilities; in particular, fiscal 2017 includes net gains from financial liabilities measured at amortized cost due to foreign currency changes on issued bonds denominated in US$ due to an appreciation of the EUR as well as an increase in nominal amounts outstanding due to newly issued US$ bonds, which are offset in the income statement by compensating measurement effects on the corresponding internal foreign currency financing transactions. Net gains (losses) in fiscal 2017 and 2016 on financial assets and financial liabilities held for trading consist of changes in the fair value of derivative financial instruments, including interest income and expense, for which hedge accounting is not applied.

Interest income (expense) includes interest from financial assets and financial liabilities not at fair value through profit or loss:

	Fiscal year	
(in millions of €)	2017	2016
Total interest income on financial assets	1,467	1,291
Total interest expenses on financial liabilities	(901)	(874)

In fiscal 2017 and 2016, gains (losses) reclassified from Other comprehensive income to the Consolidated Statements of Income relating to cash flow hedges were €54 million and €(61) million, respectively; unrealized gains (losses) recognized in Other comprehensive income amounted to €232 million and €149 million, respectively.

OFFSETTING

Siemens enters into master netting agreements and similar agreements for derivative financial instruments. The requirements to offset recognized financial instruments are usually not met. The following table reflects financial assets and financial liabilities that are subject to netting agreements and similar agreements:

					Sep 30, 2017
(in millions of €)	Gross amounts	Amounts set off in the Statement of Financial Position	Net amounts in the Statement of Financial Position	Related amounts not set off in the Statement of Financial Position	Net amounts
Financial assets	**2,035**	**5**	**2,030**	**647**	**1,383**
Financial liabilities – Derivative financial liabilities	**697**	**5**	**691**	**538**	**153**

					Sep 30, 2016
(in millions of €)	Gross amounts	Amounts set off in the Statement of Financial Position	Net amounts in the Statement of Financial Position	Related amounts not set off in the Statement of Financial Position	Net amounts
Financial assets	2,641	7	2,634	994	1,640
Financial liabilities – Derivative financial liabilities	1,440	6	1,433	838	595

NOTE 23 Derivative financial instruments and hedging activities

Fair values of each type of derivative financial instruments recorded as financial assets or financial liabilities are:

	Sep 30, 2017		Sep 30, 2016	
(in millions of €)	Asset	Liability	Asset	Liability
Foreign currency exchange contracts	**653**	**475**	570	880
Interest rate swaps and combined interest and currency swaps	**1,350**	**156**	1,885	491
Other (embedded derivatives, options, commodity swaps)	**311**	**192**	596	129
	2,314	**823**	3,051	1,500

FOREIGN CURRENCY EXCHANGE RATE RISK MANAGEMENT

Derivative financial instruments not designated in a hedging relationship

The Company manages its risks associated with fluctuations in foreign currency denominated receivables, payables, debt, firm commitments and forecast transactions primarily through a Company-wide portfolio approach. Under this approach the Company-wide risks are aggregated centrally, and various derivative financial instruments, primarily foreign currency exchange contracts, foreign currency swaps and options, are utilized to minimize such risks. Such a strategy does not qualify for hedge accounting treatment. The Company also accounts for foreign currency derivatives, which are embedded in sale and purchase contracts.

Cash flow hedges

The Company's operating units apply hedge accounting for certain significant forecast transactions and firm commitments denominated in foreign currencies. Particularly, the Company has entered into foreign currency exchange contracts to reduce the risk of variability of future cash flows resulting from forecast sales and purchases as well as firm commitments. This risk results mainly from contracts denominated in US$ both from Siemens' operating units entering into long-term contracts e.g. project business and from standard product business.

Periods in which the hedged forecast transactions or the firm commitments denominated in foreign currency are expected to impact profit or loss:

	Fiscal year			
(in millions of €)	2018	2019	2020 to 2022	2023 and thereafter
Expected gain (loss) to be reclassified from line item Other comprehensive income, net of income taxes into revenue or cost of sales	80	15	87	38

INTEREST RATE RISK MANAGEMENT

Derivative financial instruments not designated in a hedging relationship

Interest rate risk management relating to the Group, excluding SFS' business, uses derivative financial instruments under a portfolio-based approach to manage interest risk actively relative to a benchmark. The interest rate management relating to the SFS business remains to be managed separately, considering the term structure of SFS' financial assets and liabilities on a portfolio basis. Neither approach qualifies for hedge accounting treatment. Net cash receipts and payments in connection with interest rate swap agreements are recorded as interest expense in Other financial income (expenses), net.

Cash flow hedges of floating-rate commercial papers

Since fiscal 2015, Siemens applies cash flow hedge accounting to a revolving portfolio of floating-rate commercial papers of nominal US$700 million. To benefit from low interest rates in the USA, Siemens pays a fixed rate of interest and receives a variable rate of interest, offsetting future changes in interest payments of the underlying floating-rate commercial papers. Net cash receipts and payments are recorded as interest expenses.

Fair value hedges of fixed-rate debt obligations

Under the interest rate swap agreements outstanding during the years ended September 30, 2017 and 2016, the Company has agreed to pay a variable rate of interest multiplied by a notional principal amount, and to receive in return an amount equal to a specified fixed rate of interest multiplied by the same notional principal amount. These interest rate swap agreements offset an impact of future changes in interest rates designated as the hedged risk on the fair value of the underlying fixed-rate debt obligations. Carrying amount adjustments to debt for fair value changes attributable to the respective interest rate risk being hedged are included in Other financial income (expenses), net and resulted in a gain (loss) of €57 million and €149 million, respectively, in fiscal 2017 and 2016; the related swap agreements resulted in a gain (loss) of €(57) million and €(152) million, respectively. Net cash receipts and payments relating to such interest rate swap agreements are recorded as interest expenses.

The Company had interest rate swap contracts to pay variable rates of interest of an average of (0.3)% and (0.2)% as of September 30, 2017 and 2016, respectively and received fixed rates of interest (average rate of 1.1% and 3.3%, as of September 30, 2017 and 2016, respectively). The notional amount of indebtedness hedged as of September 30, 2017 and 2016 was €1,650 million and €3,650 million, respectively. This changed 7% and 14% of the Company's underlying notes and bonds from fixed interest rates into variable interest rates as of September 30, 2017 and 2016, respectively. The notional amounts of these contracts mature at varying dates based on the maturity of the underlying hedged items. The net fair value of interest rate swap contracts (excluding accrued interest) used to hedge indebtedness as of September 30, 2017 and 2016 was €37 million and €93 million, respectively.

NOTE 24 Financial risk management

Increasing market fluctuations may result in significant earnings and cash flow volatility risk for Siemens. The Company's operating business as well as its investment and financing activities are affected particularly by changes in foreign exchange rates, interest rates and equity prices. In order to optimize the allocation of the financial resources across the Siemens segments and entities, as well as to achieve its aims, Siemens identifies, analyzes and manages the associated market risks. The Company seeks to manage and control these risks primarily through its regular operating and financing activities, and uses derivative financial instruments when deemed appropriate.

In order to quantify market risks Siemens has implemented a system based on parametric variance-covariance Value at Risk (VaR), which is also used for internal management of the Corporate Treasury activities. The VaR figures are calculated based on historical volatilities and correlations of various risk factors, a ten day holding period, and a 99.5% confidence level.

Actual results that are included in the Consolidated Statements of Income or Consolidated Statements of Comprehensive Income may differ substantially from VaR figures due to fundamental conceptual differences. While the Consolidated Statements of Income and Consolidated Statements of Comprehensive Income are prepared in accordance with IFRS, the VaR figures are the output of a model with a purely financial perspective and represent the potential financial loss which will not be exceeded within ten days with a probability of 99.5%. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations including the following. A ten day holding period assumes that it is possible to dispose of the underlying positions within this period. This may not be valid during continuing periods of illiquid markets. A 99.5% confidence level means, that there is a 0.5% statistical probability that losses could exceed the calculated VaR. The use of historical data as a basis for estimating the statistic behavior of the relevant markets and finally determining the possible range of the future outcomes on the basis of this statistic behavior may not always cover all possible scenarios, especially those of an exceptional nature.

Any market sensitive instruments, including equity and interest bearing investments, that our Company's pension plans hold are not included in the following quantitative and qualitative disclosures.

FOREIGN CURRENCY EXCHANGE RATE RISK

Transaction risk

Each Siemens unit conducting businesses with international counterparties leading to future cash flows denominated in a currency other than its functional currency is exposed to risks from changes in foreign currency exchange rates. In the ordinary course of business Siemens units are exposed to foreign currency exchange rate fluctuations, particularly between the U.S. dollar and the euro. Foreign currency exchange rate exposure is partly balanced by purchasing of goods, commodities and services in the respective currencies as well as production activities and other contributions along the value chain in the local markets.

Operating units (Industrial business and SFS) are prohibited from borrowing or investing in foreign currencies on a speculative basis. Intercompany financing or investments of operating units are preferably carried out in their functional currency or on a hedged basis.

According to the company policy Siemens units are responsible for recording, assessing and monitoring its foreign currency transaction exposure. The net foreign currency position of Siemens units serves as a central performance measure and has to be hedged within a band of at least 75% but no more than 100%.

Generally, the operating units conclude their hedging activities internally with Corporate Treasury. By applying a cost-optimizing portfolio approach Corporate Treasury itself hedges foreign currency exchange rate risks with external counterparties and limits them.

As of September 30, 2017 and 2016 the VaR relating to foreign currency exchange rates was €87 million and €86 million. This VaR was calculated under consideration of items of the Consolidated Statement of Financial Position in addition to firm commitments which are denominated in foreign currencies, as well as foreign currency denominated cash flows from forecast transactions for the following twelve months.

Translation risk

Many Siemens units are located outside the euro zone. Since the financial reporting currency of Siemens is the euro, the financial statements of these subsidiaries are translated into euro for the preparation of the Consolidated Financial Statements. To consider the effects of foreign currency translation in the risk management, the general assumption is that investments in foreign-based operations are permanent and that reinvestment is continuous. Effects from foreign currency exchange rate fluctuations on the translation of net asset amounts into euro are reflected in the Company's consolidated equity position.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This risk arises whenever interest terms of financial assets and liabilities are different. In order to manage the Company's position with regard to interest rate risk, interest income and interest expenses, Corporate Treasury performs a comprehensive corporate interest rate risk management by using fixed or variable interest rates from bond issuances and derivative financial instruments when appropriate. The interest rate risk relating to the Group, excluding SFS' and SGRE' businesses, is mitigated by managing interest rate risk actively relatively to a benchmark. The interest rate risk relating to the SFS's and SGRE's businesses is managed separately, considering the term structure of financial assets and liabilities. The Company's interest rate risk results primarily from the funding in U.S. dollar, British pound and euro.

If there are no conflicting country-specific regulations, all Siemens operating units generally obtain any required financing through Corporate Treasury in the form of loans or intercompany clearing accounts. The same concept is adopted for deposits of cash generated by the units.

As of September 30, 2017 and 2016 the VaR relating to the interest rate was €479 million and €485 million.

EQUITY PRICE RISK

Siemens' investment portfolio consists of direct and indirect investments in publicly traded companies held for purposes other than trading. The direct participations result mainly from strategic partnerships, strengthening Siemens' focus on its core business activities or compensation from merger and acquisitions transactions; indirect investments in fund shares are mainly transacted for financial reasons.

These investments are monitored based on their current market value, affected primarily by fluctuations in the volatile technology-related markets worldwide. As of September 30, 2017 and 2016 the market value of Siemens' portfolio in publicly traded companies was €2,875 million compared to €2,169 million in the prior year. As of September 30, 2017 and 2016, the VaR relating to the equity price was €208 and €227 million. The increase in the market values, due mainly to our stakes in Atos and OSRAM, was more than offset by a decline in the volatilities of these stakes, resulting in an overall decrease of the VaR. The major part of our stake in OSRAM has been sold in October 2017.

LIQUIDITY RISK

Liquidity risk results from the Company's inability to meet its financial liabilities. Siemens follows a deliberated financing policy that is aimed towards a balanced financing portfolio, a diversified maturity profile and a comfortable liquidity cushion. Siemens mitigates liquidity risk by the implementation of an effective working capital and cash management, arranged credit facilities with highly rated financial institutions, via a debt issuance program and via a global multi-currency commercial paper program. Liquidity risk may also be mitigated by the Siemens Bank GmbH, which increases the flexibility of depositing cash or refinancing.

In addition, Siemens constantly monitors funding options available in the capital markets, as well as trends in the availability and costs of such funding, with a view to maintaining financial flexibility and limiting repayment risks.

The following table reflects the contractually fixed pay-offs for settlement, repayments and interest. The disclosed expected undiscounted net cash outflows from derivative financial liabilities are determined based on each particular settlement date of an instrument and based on the earliest date on which Siemens could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on the conditions existing at September 30, 2017.

	Fiscal year			
(in millions of €)	2018	2019	2020 to 2022	2023 and there-after
Non-derivative financial liabilities				
Notes and bonds	4,328	3,790	11,102	17,659
Loans from banks	1,303	328	1,037	3
Other financial indebtedness	677	27	23	61
Obligations under finance leases	35	18	36	112
Trade payables	9,730	19	3	3
Other financial liabilities	1,079	129	290	13
Derivative financial liabilities	420	205	176	61
Credit guarantees[1]	639	–	–	–
Irrevocable loan commitments[2]	2,875	303	177	2

1 Based on the maximum amounts Siemens could be required to settle in the event of default by the primary debtor.

2 A considerable portion result from asset-based lending transactions meaning that the respective loans can only be drawn after sufficient collateral has been provided by the borrower.

CREDIT RISK

Credit risk is defined as an unexpected loss in financial instruments if the contractual partner is failing to discharge its obligations in full and on time or if the value of collateral declines.

Siemens provides its customers with various forms of direct and indirect financing particularly in connection with large projects. Hence, credit risks are determined by the solvency of the debtors, the recoverability of the collaterals, the success of projects we invested in and the global economic development.

The effective monitoring and controlling of credit risk through credit evaluations and ratings is a core competency of our risk management system. In this context, Siemens has implemented a binding credit policy.

Ratings, defined and analyzed by SFS, and individually defined credit limits are based on generally accepted rating methodologies, with the input consisting of information obtained from the customer, external rating agencies, data service providers and Siemens' credit default experiences. Ratings and credit limits for financial institutions as well as Siemens' public and private customers, which are determined by internal risk assessment specialists, are continuously updated and considered by investments in cash and cash equivalents, and in determining the conditions under which direct or indirect financing will be offered to customers.

For analysis and monitoring of the credit risk the Company applies different systems and processes. A central IT application processes data from operating units together with rating and default information and calculates an estimate which may be used as a basis for individual bad debt provisions. In addition to this automated process, qualitative information is considered, in particular to incorporate the latest developments.

Corporate Treasury has established the Siemens Credit Warehouse to which numerous operating units from the Siemens Group regularly transfer business partner data as a basis for a centralized rating and credit limit recommendation process. Furthermore, the Siemens Credit Warehouse purchases trade receivables from numerous operating units with a remaining term up to one year. Due to the identification, quantification and active management of the credit risk the Siemens Credit Warehouse increases the transparency with regard to credit risk. In addition, the Siemens Credit Warehouse may provide Siemens with an additional source of liquidity and strengthens Siemens' funding flexibility.

The maximum exposure to credit risk of financial assets, without taking account of any collateral, is represented by their carrying amount. As of September 30, 2017 and 2016 the collateral for financial instruments classified as financial assets measured at fair value in the form of netting agreements for derivatives in the event of insolvency of the respective counterparty amounted to €647 million and €994 million, respectively. As of September 30, 2017 and 2016 the collateral held for financial instruments classified as receivables from finance leases amounted to €1,967 million and €1,949 million, respectively, mainly in the form of the leased equipment. As of September 30, 2017 and 2016 the collateral held for financial instruments classified as financial assets measured at cost or amortized cost amounted to €3,347 million and €3,590 million, respectively. The collateral mainly consisted of property, plant and equipment. Credit risks arising from irrevocable loan commitments are equal to the expected future payoffs resulting from these commitments. As of September 30, 2017 and 2016 the collateral held for these commitments amounted to €843 million and €1,177 million, respectively, mainly in the form of inventories and receivables.

Concerning trade receivables and other receivables, as well as loans or receivables included in line item Other financial assets that are neither impaired nor past due, there were no indications that defaults in payment obligations will occur, which lead to a decrease in the net assets of Siemens. Overdue financial instruments are generally impaired on a portfolio basis in order to reflect losses incurred within the respective portfolios. When substantial expected payment delays become evident, overdue financial instruments are assessed individually for additional impairment and are further allowed for as appropriate.

NOTE 25 Share-based payment

Share-based payment awards may be settled in newly issued shares of capital stock of Siemens AG, in treasury shares or in cash. Share-based payment awards may forfeit if the employment of the beneficiary terminates prior to the expiration of the vesting period. Total pretax expense for share-based payment amounted to €512 million and €332 million for the years ended September 30, 2017 and 2016, respectively, €416 million and €287 million relate to equity-settled awards in fiscal 2017 and 2016. The carrying amount of liabilities from share-based payment transactions is €124 million and €65 million as of September 30, 2017 and 2016.

STOCK AWARDS

The Company grants stock awards to members of the Managing Board, members of the senior management and other eligible employees. Stock awards are subject to a restriction period of about four years and entitle the beneficiary to Siemens shares without payment of consideration following the restriction period.

Stock awards are tied to performance criteria. The annual target amount for stock awards can be bound to the average of earnings per share (EPS, basic) of the past three fiscal years and/or to the share price performance of Siemens relative to the share price performance of five important competitors during the four-year restriction period. The target attainment for the performance criteria ranges between 0% and 200%. If the target attainment of the prospective performance-based target of Siemens stock relative to five competitors exceeds 100%, an additional cash payment results corresponding to the outperformance. The vesting period is four years and five years for stock awards granted to members of the Managing Board until fiscal 2014.

Until fiscal 2014, additionally one portion of the variable compensation component (bonus) for members of the Managing Board was granted in the form of non-forfeitable awards of Siemens stock (Bonus Awards) subject to a vesting period of one year. Beneficiaries will receive one Siemens share without payment of consideration for each Bonus Award, following an additional waiting period of four years.

Since related taxation is not yet entirely certain, Stock Awards of Siemens AG that vested in November 2016 were settled in cash rather than in equity instruments. The fair value of €107 million at modification date was reclassified from equity to liabilities.

Commitments to members of the Managing Board

In fiscal 2017 and 2016, agreements were entered into which entitle members of the Managing Board to stock awards most of which are contingent upon attaining the prospective performance-based target of Siemens stock relative to five competitors. The fair value of these entitlements amounting to €13 million and €9 million, respectively, in fiscal 2017 and 2016, was calculated by applying a valuation model. In fiscal 2017 and 2016, inputs to that model include for the majority of the stock awards granted an expected weighted volatility of Siemens shares of 22.72% and 22%, respectively, and a market price of €106.40 and €92.86 per Siemens share. Expected volatility was determined by reference to historic volatilities. The model applies a risk-free interest rate of up to (0.02)% and 0.1% in fiscal 2017 and 2016, respectively and an expected dividend yield of 3.38% in fiscal 2017 and 3.8% in fiscal 2016. Assumptions concerning share price correlations were determined by reference to historic correlations.

Commitments to members of the senior management and other eligible employees

In fiscal 2017 and 2016, 2,078,828 and 2,044,213 stock awards, respectively, were granted contingent upon attaining the prospective performance-based target of Siemens stock relative to five competitors. The fair value of equity-settled stock awards amounted to €138 million and €117 million, respectively, in fiscal 2017 and 2016; fair value was calculated by applying a valuation model. In fiscal 2017 and 2016 inputs to that model include an expected weighted volatility of Siemens shares of 22.79% and 22%, respectively, and a market price of €107.95 and €92.86 per Siemens share. Expected volatility was determined by reference to historic volatilities. The model applies a risk-free interest rate of up to 0.03% in fiscal 2017 and up to 0.1% in fiscal 2016 and an expected dividend yield of 3.33% and 3.8% in fiscal 2017 and 2016, respectively. Assumptions concerning share price correlations were determined by reference to historic correlations.

Changes in the stock awards held by members of the senior management and other eligible employees are:

		Fiscal year
	2017	2016
Non-vested, beginning of period	**6,171,430**	6,049,250
Granted	**2,078,828**	2,044,213
Vested and fulfilled	**(724,504)**	(834,605)
Forfeited	**(224,952)**	(1,029,991)
Modified from equity-settled to cash-settled	**(856,355)**	–
Settled	**(27,501)**	(57,437)
Non-vested, end of period	**6,416,946**	**6,171,430**

SHARE MATCHING PROGRAM AND ITS UNDERLYING PLANS

In fiscal 2017, Siemens issued a new tranche under each of the plans of the Share Matching Program.

Share Matching Plan

Under the Share Matching Plan senior managers may invest a specified part of their variable compensation in Siemens shares (investment shares). The shares are purchased at the market price at a predetermined date in the second quarter. Plan participants receive the right to one Siemens share without payment of consideration (matching share) for every three investment shares continuously held over a period of about three years (vesting period) provided the plan participant has been continuously employed by Siemens until the end of the vesting period.

Monthly Investment Plan

Under the Monthly Investment Plan employees other than senior managers may invest a specified part of their compensation in Siemens shares on a monthly basis over a period of twelve months. Shares are purchased at market price at a predetermined date once a month. If the Managing Board decides that shares acquired under the Monthly Investment Plan are transferred to the Share Matching Plan, plan participants will receive the right to matching shares under the same conditions applying to the Share Matching Plan described above with a vesting period of about two years since fiscal 2016 (previously about three years). The Managing Board decided that shares acquired under the tranches issued in fiscal 2016 and 2015 are transferred to the Share Matching Plan as of February 2017 and February 2016, respectively.

Base Share Program

Under the Base Share Program employees of Siemens AG and participating domestic Siemens companies may invest a fixed amount of their compensation in Siemens shares, sponsored by Siemens. The shares are bought at market price at a predetermined date in the second quarter and grant the right to receive matching shares under the same conditions applying to the Share Matching Plan described above. The fair value of the Base Share Program amounted to €36 million and €35 million in fiscal 2017 and 2016, respectively.

Resulting Matching Shares

	Fiscal year	
	2017	2016
Outstanding, beginning of period	**1,767,980**	1,655,780
Granted	**710,356**	785,000
Vested and fulfilled	**(473,113)**	(538,837)
Forfeited	**(106,160)**	(95,658)
Settled	**(49,011)**	(38,304)
Outstanding, end of period	**1,850,052**	**1,767,980**

The weighted average fair value of matching shares granted in fiscal 2017 and 2016 amounting to €92.68 and €64.56 per share was determined as the market price of Siemens shares less the present value of expected dividends taking into account non-vesting conditions.

SIEMENS PROFIT SHARING

The Managing Board decides annually on the issuance of a new Siemens Profit Sharing tranche and determines the targets to be met for the current fiscal year. At fiscal year-end, based on the actual target achievement, the Managing Board decides in its discretion on the amount to be transferred to the Profit-Sharing-Pool; this transfer is limited to a maximum of €400 million annually. If the Pool amounts to a minimum of €400 million after one or more fiscal years, it will be transferred to eligible employees below senior management in full or partially through the grant of free Siemens shares. As of September 30, 2017, €300 million are in the Profit-Sharing-Pool. Expense is recognized pro rata over the estimated vesting period. In November 2017, €100 million were transferred to the Profit-Sharing-Pool; it was decided that the Pool amounting to €400 million will be transferred to eligible employees in March 2018.

JUBILEE SHARE PROGRAM

For their 25th and 40th service anniversary eligible employees receive jubilee shares. There were 4.26 million and 4.39 million entitlements to jubilee shares outstanding as of September 30, 2017 and 2016, respectively.

NOTE 26 Personnel costs

(in millions of €)	2017	Fiscal year 2016
Wages and salaries	**24,632**	23,431
Statutory social welfare contributions and expenses for optional support	**3,766**	3,562
Expenses relating to post-employment benefits	**1,214**	1,218
	29,613	**28,210**

Severance charges amount to €466 million and €598 million in fiscal 2017 and 2016, respectively. Item Expenses relating to post-employment benefits includes service costs for the period. Personnel costs for continuing and discontinued operations amount to €29,622 million and €28,232 million, respectively, in fiscal 2017 and 2016.

Employees were engaged in (averages; part time employees are included proportionally):

	Continuing operations		Continuing and discontinued operations	
		Fiscal year		Fiscal year
(in thousands)	2017	2016	2017	2016
Manufacturing and services	**223**	216	**223**	216
Sales and marketing	**66**	65	**66**	65
Research and development	**38**	33	**38**	33
Administration and general services	**36**	35	**36**	35
	363	**349**	**363**	**349**

NOTE 27 Earnings per share

(shares in thousands; earnings per share in €)	2017	Fiscal year 2016
Income from continuing operations	**6,126**	5,396
Less: Portion attributable to non-controlling interest	**(133)**	(134)
Income from continuing operations attributable to shareholders of Siemens AG	**5,993**	5,262
Weighted average shares outstanding – basic	**812,180**	808,686
Effect of dilutive share-based payment	**13,591**	11,228
Effect of dilutive warrants	**3,392**	–
Weighted average shares outstanding – diluted	**829,164**	819,914
Basic earnings per share (from continuing operations)	**7.38**	**6.51**
Diluted earnings per share (from continuing operations)	**7.23**	**6.42**

NOTE 28 Segment information

(in millions of €)	Orders[1] 2017	Orders[1] Fiscal year 2016	External revenue 2017	External revenue Fiscal year 2016	Intersegment Revenue 2017	Intersegment Revenue Fiscal year 2016	Total revenue 2017	Total revenue Fiscal year 2016
Power and Gas	13,422	19,454	15,413	16,412	53	58	15,467	16,471
Energy Management	13,628	12,963	11,639	11,238	638	702	12,277	11,940
Building Technologies	6,913	6,435	6,356	5,982	166	174	6,523	6,156
Mobility	8,963	7,875	8,081	7,794	18	31	8,099	7,825
Digital Factory	11,532	10,332	10,658	9,390	720	781	11,378	10,172
Process Industries and Drives	9,034	8,939	7,195	7,285	1,681	1,753	8,876	9,038
Healthineers	14,218	13,830	13,748	13,497	42	38	13,789	13,535
Siemens Gamesa Renewable Energy	8,768	7,973	7,919	5,974	3	2	7,922	5,976
Industrial Business	86,477	87,802	81,009	77,573	3,321	3,539	84,331	81,112
Financial Services (SFS)	921	979	774	824	147	154	921	979
Reconciliation to Consolidated Financial Statements	(1,730)	(2,300)	1,266	1,247	(3,468)	(3,694)	(2,202)	(2,447)
Siemens (continuing operations)	85,669	86,480	83,049	79,644	–	–	83,049	79,644

1 This supplemental information on Orders is provided on a voluntary basis. It is not part of the Consolidated Financial Statements subject to the audit opinion.

DESCRIPTION OF REPORTABLE SEGMENTS

Siemens has nine reportable segments, being:

- Power and Gas, which offers a broad spectrum of products, solutions and services for generating electricity from fossil fuels and for producing and transporting oil and gas,
- Energy Management offers a wide spectrum of software, products, systems, solutions, and services for transmitting, distributing and managing electrical power and for providing intelligent power infrastructure,
- Building Technologies is a provider of automation technologies and digital services for safe, secure and efficient buildings and infrastructures throughout their lifecycles,
- Mobility combines all Siemens businesses in the area of passenger and freight transportation, including rail vehicles, rail automation systems, rail electrification systems, road traffic technology, digital solutions and related services,
- Digital Factory offers a comprehensive product portfolio and system solutions used in manufacturing industries, complemented by product lifecycle and data-driven services,
- Process Industries and Drives offers a comprehensive product, software, solution and service portfolio for moving, measuring, controlling and optimizing all kinds of mass flows,
- Healthineers, a supplier of technology to the healthcare industry and a leader in diagnostic imaging and laboratory diagnostics,
- Siemens Gamesa Renewable Energy offers wind turbines utilizing various pitch and speed technologies, and is active in the development, construction and sale of wind farms; it provides services including management, operation and maintenance of wind farms,
- Financial Services (SFS) supports its customers' investments with leasing solutions and equipment, project and structured financing in the form of debt and equity investments.

RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS

Centrally managed portfolio activities (CMPA) – in general, comprises equity stakes held by Siemens that are accounted for by the equity method or as available-for-sale financial assets and that for strategic reasons are not allocated to a segment, Siemens Real Estate (SRE), Corporate items or Corporate Treasury. CMPA also includes activities generally intended for divestment or closure as well as activities remaining from divestments and discontinued operations.

Siemens Real Estate (SRE) – except for SGRE, SRE manages the Group's entire real estate business portfolio, operates the properties, and is responsible for building projects and the purchase and sale of real estate.

Profit		Assets		Free cash flow		Additions to intangible assets and property, plant & equipment		Amortization, depreciation & impairments	
Fiscal year				Fiscal year		Fiscal year		Fiscal year	
2017	2016	Sep 30, 2017	Sep 30, 2016	2017	2016	2017	2016	2017	2016
1,591	1,872	**9,976**	9,066	**392**	1,149	**222**	206	**501**	522
932	895	**4,178**	4,335	**1,002**	375	**198**	195	**213**	218
784	577	**1,241**	1,324	**820**	598	**47**	66	**89**	85
743	678	**2,734**	2,868	**1,046**	497	**105**	99	**135**	132
2,135	1,690	**9,217**	5,731	**1,963**	1,771	**195**	179	**450**	304
440	243	**2,002**	1,800	**373**	618	**164**	160	**213**	231
2,490	2,325	**10,973**	11,211	**2,153**	2,154	**427**	392	**538**	563
338	464	**4,663**	(190)	**(279)**	330	**476**	223	**510**	137
9,453	8,744	**44,984**	36,145	**7,471**	7,493	**1,835**	1,521	**2,649**	2,191
639	653	**26,390**	26,446	**734**	680	**29**	18	**207**	216
(1,785)	(1,994)	**62,430**	63,126	**(3,386)**	(2,640)	**543**	597	**354**	357
8,306	7,404	**133,804**	125,717	**4,819**	5,533	**2,406**	2,135	**3,211**	2,764

Corporate items – includes corporate costs, such as group managing costs, basic research of Corporate Technology, corporate projects and non-operating investments or results of corporate-related derivative activities.

Pension – includes the Company's pension related income (expense) not allocated to the segments, SRE or CMPA.

Eliminations, Corporate Treasury and other reconciling items – comprise consolidation of transactions within the segments, certain reconciliation and reclassification items and the activities of the Company's Corporate Treasury. It also includes interest income and expense, such as, for example, interest not allocated to segments or CMPA (referred to as financing interest), interest related to Corporate Treasury activities or resulting consolidation and reconciliation effects on interest.

MEASUREMENT – SEGMENTS

Accounting policies for Segment information are generally the same as those used for the Consolidated Financial Statements. Lease transactions, however, are classified as operating leases for internal and segment reporting purposes. Intersegment transactions are based on market prices.

Profit

Siemens' Managing Board is responsible for assessing the performance of the segments (chief operating decision maker). The Company's profitability measure of the segments except for SFS is earnings before financing interest, certain pension costs, income taxes and amortization expenses of intangible assets acquired in business combinations as determined by the chief operating decision maker (Profit). The major categories of items excluded from Profit are presented below.

Financing interest, excluded from Profit, is any interest income or expense other than interest income related to receivables from customers, from cash allocated to the segments and interest expenses on payables to suppliers. Financing interest is excluded from Profit because decision-making regarding financing is typically made at the corporate level.

Decisions on essential pension items are made centrally. Accordingly, Profit primarily includes amounts related to service cost of pension plans only, while all other regularly recurring pension related costs are included in reconciliations in line item Centrally carried pension expense.

Amortization expenses of intangible assets acquired in business combinations are not part of Profit. Furthermore, income taxes are excluded from Profit since income tax is subject to legal structures, which typically do not correspond to the structure of the segments. The effect of certain litigation and compliance issues is excluded from Profit, if such items are not indicative of performance. This may also be the case for items that refer to more than one reportable segment, SRE and (or) CMPA or have a corporate or central character. Costs for support functions are primarily allocated to the segments.

Profit of the segment SFS:

Profit of the segment SFS is Income before income taxes. In contrast to performance measurement principles applied to other segments, interest income and expenses is an important source of revenue and expense of SFS.

Asset measurement principles:

Management determined Assets (Net capital employed) as a measure to assess capital intensity of the segments except for SFS. Its definition corresponds to the Profit measure except for amortization expenses of intangible assets acquired in business combinations which are not part of Profit, however, the related intangible assets are included in the segments' Assets. Segment Assets is based on Total assets of the Consolidated Statements of Financial Position, primarily excluding intragroup financing receivables, tax related assets and assets of discontinued operations, since the corresponding positions are excluded from Profit. The remaining assets are reduced by non-interest-bearing liabilities other than tax related liabilities, e.g. trade payables, to derive Assets. In contrast, Assets of SFS is Total assets. Assets of Mobility include the project-specific intercompany financing of a long-term project. Assets of SGRE include real estate, while real estate of all other Siemens segments is carried at SRE.

Orders:

Orders are determined principally as estimated revenue of accepted purchase orders and order value changes and adjustments, excluding letters of intent.

Free cash flow definition:

Free cash flow of the segments, except for SFS, constitutes cash flows from operating activities less additions to intangible assets and property, plant and equipment. It excludes financing interest, except for cases where interest on qualifying assets is capitalized or classified as contract costs and it also excludes income tax as well as certain other payments and proceeds. Free cash flow of SFS includes related financing interest payments and proceeds; income tax payments and proceeds of SFS are excluded.

Amortization, depreciation and impairments:

Amortization, depreciation and impairments includes depreciation and impairments of property, plant and equipment as well as amortization and impairments of intangible assets each net of reversals of impairment.

MEASUREMENT – CENTRALLY MANAGED PORTFOLIO ACTIVITIES AND SRE

Centrally managed portfolio activities follow the measurement principles of the segments except for SFS. SRE applies the measurement principles of SFS.

RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS

Profit

(in millions of €)	Fiscal year 2017	2016
Centrally managed portfolio activities	**488**	(215)
Siemens Real Estate	**187**	132
Corporate items	**(714)**	(449)
Centrally carried pension expense	**(407)**	(439)
Amortization of intangible assets acquired in business combinations	**(1,016)**	(674)
Eliminations, Corporate Treasury, and other reconciling items	**(323)**	(349)
Reconciliation to Consolidated Financial Statements	**(1,785)**	**(1,994)**

In fiscal 2017 and 2016, Profit of SFS includes interest income of €1,241 million and €1,161 million, respectively and interest expenses of €442 million and €377 million, respectively. In fiscal 2017, CMPA includes the following effects from asset retirement obligations for environmental clean-up costs: €543 million gains due to changes in interest rates, €312 million gains due to reduced assumed inflation rates and a loss of €179 million from interest rate swaps not designated in a hedge relationship in connection with those asset retirement obligations.

Assets

(in millions of €)	Sep 30, 2017	2016
Assets Centrally managed portfolio activities	**3,448**	1,812
Assets Siemens Real Estate	**4,533**	4,964
Assets Corporate items and pensions	**(1,346)**	(1,474)
Asset-based adjustments:		
Intragroup financing receivables	**45,475**	47,072
Tax-related assets	**3,258**	4,089
Liability-based adjustments	**43,161**	42,082
Eliminations, Corporate Treasury, other items	**(36,100)**	(35,419)
Reconciliation to Consolidated Financial Statements	**62,430**	**63,126**

NOTE 29 Information about geographies

(in millions of €)	Revenue by location of customers		Revenue by location of companies		Non-current assets	
	2017	Fiscal year 2016	2017	Fiscal year 2016	2017	Sep 30, 2016
Europe, C.I.S., Africa, Middle East	**43,367**	41,819	**47,355**	45,325	**25,574**	19,912
Americas	**23,516**	22,707	**22,607**	22,360	**19,886**	19,013
Asia, Australia	**16,166**	15,118	**13,088**	11,959	**4,349**	3,132
Siemens	**83,049**	79,644	**83,049**	79,644	**49,809**	42,057
thereof Germany	***11,142***	*10,739*	***19,876***	*18,579*	***8,324***	*7,511*
thereof foreign countries	***71,907***	*68,905*	***63,173***	*61,065*	***41,485***	*34,546*
therein U.S.	***16,976***	*16,769*	***17,934***	*17,776*	***18,108***	*17,576*

Non-current assets consist of property, plant and equipment, goodwill and other intangible assets.

NOTE 30 Related party transactions

JOINT VENTURES AND ASSOCIATES

Siemens has relationships with many joint ventures and associates in the ordinary course of business whereby Siemens buys and sells a wide variety of products and services generally on arm's length terms.

(in millions of €)	Sales of goods and services and other income		Purchases of goods and services and other expenses	
	2017	Fiscal year 2016	2017	Fiscal year 2016
Joint ventures	**2,094**	1,062	**119**	142
Associates	**538**	1,379	**218**	174
	2,632	2,442	**336**	316

(in millions of €)	Receivables		Liabilities	
	2017	Sep 30, 2016	2017	Sep 30, 2016
Joint ventures	**277**	333	**126**	236
Associates	**43**	114	**266**	343
	320	447	**392**	579

As of September 30, 2017 and 2016, guarantees to joint ventures and associates amounted to €726 million and €1,500 million, respectively. As of September 30, 2017 and 2016, guarantees to joint ventures amounted to €488 million and €553 million, respectively. As of September 30, 2017 and 2016, loans given to joint ventures and associates amounted to €222 million and €82 million, therein €218 million and €78 million related to joint ventures, respectively. As of September 30, 2017 and 2016, the Company had commitments to make capital contributions of €76 million and €48 million to its joint ventures and associates, therein €16 million and €39 million related to joint ventures, respectively. For a loan raised by a joint venture, which is secured by a Siemens guarantee, Siemens granted an additional collateral. As of September 30, 2017 and 2016 the outstanding amount totaled to €113 million and €116 million, respectively. As of September 30, 2017 and 2016 there were loan commitments to joint ventures amounting to €147 million and €72 million, respectively.

RELATED INDIVIDUALS

In fiscal 2017 and 2016, members of the Managing Board received cash compensation of €20.7 million and €20.2 million. The fair value of stock-based compensation amounted to €13.2 million and €8.7 million for 132,831 and 113,230 Stock Awards, respectively, in fiscal 2017 and 2016. In fiscal 2017 and 2016, the Company granted contributions (including one-time special contributions) under the BSAV to members of the Managing Board totaling €6.6 million and €4.6 million, respectively.

Therefore in fiscal 2017 and 2016, compensation and benefits, attributable to members of the Managing Board amounted to €40.5 million and €33.5 million in total, respectively.

In fiscal 2017 and 2016, expense related to share-based payment and to the Share Matching Program amounted to €19.0 million and 8.3 million, respectively.

Former members of the Managing Board and their surviving dependents received emoluments within the meaning of Section 314 para. 1 No. 6 b of the German Commercial Code totaling €34.1 million and €52.3 million in fiscal 2017 and 2016, respectively.

The defined benefit obligation (DBO) of all pension commitments to former members of the Managing Board and their surviving dependents as of September 30, 2017 and 2016 amounted to €191.5 million and €216.3 million, respectively.

Compensation attributable to members of the Supervisory Board comprises in fiscal 2017 and 2016 of a base compensation and additional compensation for committee work and amounted €5.2 million (including meeting fees), which is unchanged compared to prior year.

Information regarding the remuneration of the members of the Managing Board and Supervisory Board is disclosed on an individual basis in the Compensation Report, which is part of the combined management report.

In fiscal 2017 and 2016, no other major transactions took place between the Company and the members of the Managing Board and the Supervisory Board.

Some of our board members hold, or in the last year have held, positions of significant responsibility with other entities. We have relationships with almost all of these entities in the ordinary course of our business whereby we buy and sell a wide variety of products and services on arm's length terms.

NOTE 31 Principal accountant fees and services

Fees related to professional services rendered by the Company's principal accountant, EY, for fiscal 2017 and 2016 are:

	Fiscal year	
(in millions of €)	2017	2016
Audit services	**52.6**	45.9
Other attestation services	**3.7**	3.2
Tax services	**0.2**	0.4
	56.5	**49.5**

In fiscal 2017 and 2016, 40% and 41%, respectively, of the total fees related to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Germany.

Audit Services relate primarily to services provided by EY for auditing Siemens' Consolidated Financial Statements and for auditing the statutory financial statements of Siemens AG and its subsidiaries. Other attestation services include primarily audits of financial statements in connection with M&A activities, comfort letters and other attestation services required under regulatory requirements, agreements or requested on a voluntary basis.

NOTE 32 Corporate Governance

The Managing Board and the Supervisory Board of Siemens Aktiengesellschaft provided the declaration required by Section 161 of the German stock corporation law (AktG) as of October 1, 2017, which is available on the Company's website at: WWW.SIEMENS.COM/GCG-CODE

NOTE 33 Subsequent events

In November 2017, Siemens announced its plans for capacity adjustment measures at Power and Gas, SGRE and Process Industries and Drives, which are expected to result in significant severance charges and also include the closure, consolidation as well as the potential sale of locations.

NOTE 34
List of subsidiaries and associated companies pursuant to Section 313 para. 2 of the German Commercial Code

September 30, 2017	Equity interest in %
SUBSIDIARIES	
Germany (129 companies)	
AD 8MW GmbH & Co. KG, Bremerhaven	100
Adwen Blades GmbH, Stade	100
Adwen GmbH, Bremerhaven	100
Adwen Verwaltungs GmbH, Bremerhaven	100
Airport Munich Logistics and Services GmbH, Hallbergmoos	100[10]
Alpha Verteilertechnik GmbH, Cham	100[10]
Atecs Mannesmann GmbH, Erlangen	100
AXIT GmbH, Frankenthal	100
Berliner Vermögensverwaltung GmbH, Berlin	100[10]
Capta Grundstücks-Verwaltungsgesellschaft mbH, Grünwald	100
Dade Behring Grundstücks GmbH, Marburg	100
Dresser-Rand GmbH, Oberhausen	100[10]
EBV Holding Verwaltung GmbH, Oldenburg	100
evosoft GmbH, Nuremberg	100[10]
FACTA Grundstücks-Entwicklungsgesellschaft mbH & Co. KG, Munich	100[9]
Flender GmbH, Bocholt	100
Flowmaster GmbH, Frankfurt	100
Fluence Energy GmbH, Erlangen	100[7]
Gamesa Energie Deutschland GmbH, Oldenburg	100
Gamesa Wind GmbH, Aschaffenburg	100
HaCon Ingenieurgesellschaft mbH, Hanover	100
HSP Hochspannungsgeräte GmbH, Troisdorf	100[10]
ILLIT Grundstücksverwaltungs-Management GmbH, Grünwald	85
IPGD Grundstücksverwaltungs-Gesellschaft mbH, Grünwald	100
Jawa Power Holding GmbH, Erlangen	100[10]
KompTime GmbH, Munich	100[10]

September 30, 2017	Equity interest in %
Kyra 1 GmbH, Erlangen	100[10]
Kyros 52 GmbH, Hanover	100[7]
Kyros 53 GmbH, Munich	100[7]
Kyros 54 GmbH, Munich	100[7]
Lincas Electro Vertriebsgesellschaft mbH, Grünwald	100
Mentor Graphics (Deutschland) GmbH, Munich	100
Mentor Graphics Development (Deutschland) GmbH, Villingen-Schwenningen	100
NEO New Oncology GmbH, Cologne	100
next47 GmbH, Munich	100[10]
next47 Services GmbH, Munich	100[10]
Omnetric GmbH, Munich	51
OPTIO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Tübingen KG, Grünwald	100[9]
Partikeltherapiezentrum Kiel Holding GmbH, Erlangen	100[10]
Project Ventures Butendiek Holding GmbH, Erlangen	100[10]
Projektbau-Arena-Berlin GmbH, Grünwald	100[10]
R & S Restaurant Services GmbH, Munich	100
REMECH Systemtechnik GmbH, Kamsdorf	100[10]
RISICOM Rückversicherung AG, Grünwald	100
Siemens Bank GmbH, Munich	100
Siemens Beteiligungen Inland GmbH, Munich	100[10]
Siemens Beteiligungen Management GmbH, Grünwald	100[7]
Siemens Beteiligungen USA GmbH, Berlin	100[10]
Siemens Beteiligungsverwaltung GmbH & Co. OHG, Grünwald	100[9,11]
Siemens Campus Erlangen Grundstücks-GmbH & Co. KG, Grünwald	100[9]
Siemens Campus Erlangen Objekt 1 GmbH & Co. KG, Grünwald	100[9]
Siemens Campus Erlangen Objekt 2 GmbH & Co. KG, Grünwald	100[9]
Siemens Campus Erlangen Objekt 3 GmbH & Co. KG, Grünwald	100[9]
Siemens Campus Erlangen Objekt 4 GmbH & Co. KG, Grünwald	100[9]
Siemens Campus Erlangen Objekt 5 GmbH & Co. KG, Grünwald	100[9]
Siemens Campus Erlangen Objekt 6 GmbH & Co. KG, Grünwald	100[9]

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5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Siemens AG is a shareholder with unlimited liability of this company.
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September 30, 2017	Equity interest in %
Siemens Campus Erlangen Objekt 7 GmbH & Co. KG, Grünwald	100[9]
Siemens Campus Erlangen Objektmanagement GmbH, Grünwald	100[7]
Siemens Campus Erlangen Verwaltungs-GmbH, Grünwald	100[7]
Siemens Compressor Systems GmbH, Leipzig	100[10]
Siemens Convergence Creators GmbH & Co. KG, Hamburg	100[9]
Siemens Convergence Creators Management GmbH, Hamburg	100[7]
Siemens Finance & Leasing GmbH, Munich	100[10]
Siemens Financial Services GmbH, Munich	100[10]
Siemens Fonds Invest GmbH, Munich	100[10]
Siemens Fuel Gasification Technology GmbH & Co. KG, Freiberg	100[9]
Siemens Fuel Gasification Technology Verwaltungs GmbH, Freiberg	100[7]
Siemens Global Innovation Partners Management GmbH, Munich	100[7]
Siemens Healthcare Diagnostics GmbH, Eschborn	100
Siemens Healthcare Diagnostics Holding GmbH, Eschborn	100
Siemens Healthcare Diagnostics Products GmbH, Marburg	100
Siemens Healthcare GmbH, Erlangen	100[10]
Siemens Immobilien GmbH & Co. KG, Grünwald	100[9]
Siemens Immobilien Management GmbH, Grünwald	100[7]
Siemens Industriegetriebe GmbH, Penig	100
Siemens Industriepark Karlsruhe GmbH & Co. KG, Grünwald	100[9]
Siemens Industry Software GmbH, Cologne	100
Siemens Insulation Center GmbH & Co. KG, Zwönitz	100[9]
Siemens Insulation Center Verwaltungs-GmbH, Zwönitz	100[7]
Siemens Liquidity One, Munich	100
Siemens Medical Solutions Health Services GmbH, Grünwald	100
Siemens Middle East Holding GmbH & Co. KG, Grünwald	100[7]
Siemens Middle East Management GmbH, Grünwald	100[7]
Siemens Nixdorf Informationssysteme GmbH, Grünwald	100
Siemens Postal, Parcel & Airport Logistics GmbH, Constance	100[10]
Siemens Power Control GmbH, Langen	100[10]
Siemens Private Finance Versicherungsvermittlungs-gesellschaft mbH, Munich	100[10]
Siemens Project Ventures GmbH, Erlangen	100[10]

September 30, 2017	Equity interest in %
Siemens Real Estate GmbH & Co. KG, Grünwald	100[9]
Siemens Real Estate Management GmbH, Grünwald	100[7]
Siemens Spezial-Investmentaktiengesellschaft mit TGV, Munich	100
Siemens Technology Accelerator GmbH, Munich	100[10]
Siemens Technopark Mülheim GmbH & Co. KG, Grünwald	100[9]
Siemens Technopark Mülheim Verwaltungs GmbH, Grünwald	100
Siemens Technopark Nürnberg GmbH & Co. KG, Grünwald	100[9]
Siemens Technopark Nürnberg Verwaltungs GmbH, Grünwald	100
Siemens Treasury GmbH, Munich	100[10]
Siemens Turbomachinery Equipment GmbH, Frankenthal	100[10]
Siemens Wind Power GmbH & Co. KG, Hamburg	100[9]
Siemens Wind Power Management GmbH, Hamburg	100[7]
Siemens-Fonds C-1, Munich	100
Siemens-Fonds Pension Captive, Munich	100
Siemens-Fonds Principals, Munich	100
Siemens-Fonds S-7, Munich	100
Siemens-Fonds S-8, Munich	100
SILLIT Grundstücks-Verwaltungsgesellschaft mbH, Munich	100
SIM 2. Grundstücks-GmbH & Co. KG, Grünwald	100[9]
SIMAR Nordost Grundstücks-GmbH, Grünwald	100[10]
SIMAR Nordwest Grundstücks-GmbH, Grünwald	100[10]
SIMAR Ost Grundstücks-GmbH, Grünwald	100[10]
SIMAR Süd Grundstücks-GmbH, Grünwald	100[10]
SIMAR West Grundstücks-GmbH, Grünwald	100[10]
SIMOS Real Estate GmbH, Munich	100[10]
SYKATEC Systeme, Komponenten, Anwendungstechnologie GmbH, Erlangen	100[10]
TASS International GmbH, Wiesbaden	100
Trench Germany GmbH, Bamberg	100[10]
Verwaltung SeaRenergy Offshore Projects GmbH i.L., Hamburg	100
VIB Verkehrsinformationsagentur Bayern GmbH, Munich	51[7]
VMZ Berlin Betreibergesellschaft mbH, Berlin	100
VR-LEASING IKANA GmbH & Co. Immobilien KG, Eschborn	94[3]
VVK Versicherungsvermittlungs- und Verkehrskontor GmbH, Munich	100[10]
Weiss Spindeltechnologie GmbH, Maroldsweisach	100

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September 30, 2017	Equity interest in %
Windfarm 33 GmbH, Oldenburg	100
Windfarm 35 GmbH, Oldenburg	100
Windfarm 40 GmbH, Oldenburg	100
Windfarm 41 GmbH, Oldenburg	100
Windfarm Ganderkesee-Lemwerder GmbH, Oldenburg	100
Windfarm Groß Haßlow GmbH, Oldenburg	100
Windfarm Ringstedt II GmbH, Oldenburg	100
Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany) (519 companies)	
ESTEL Rail Automation SPA, Algiers/Algeria	51
Siemens Spa, Algiers/Algeria	100
Siemens S.A., Luanda/Angola	51
Mentor Graphics Development Services Closed Joint Stock Company, Yerevan/Armenia	100
ETM professional control GmbH, Eisenstadt/Austria	100
Hochquellstrom-Vertriebs GmbH, Vienna/Austria	100
ITH icoserve technology for healthcare GmbH, Innsbruck/Austria	69
KDAG Beteiligungen GmbH, Vienna/Austria	100
Omnetric GmbH, Vienna/Austria	100
Priamos Grundstücksgesellschaft m.b.H., Vienna/Austria	100
Siemens Aktiengesellschaft Österreich, Vienna/Austria	100
Siemens Convergence Creators GmbH, Eisenstadt/Austria	100
Siemens Convergence Creators GmbH, Vienna/Austria	100
Siemens Convergence Creators Holding GmbH, Vienna/Austria	100
Siemens Gebäudemanagement &-Services G.m.b.H., Vienna/Austria	100
Siemens Healthcare Diagnostics GmbH, Vienna/Austria	100
Siemens Industry Software GmbH, Linz/Austria	100
Siemens Konzernbeteiligungen GmbH, Vienna/Austria	100
Siemens Liegenschaftsverwaltung GmbH, Vienna/Austria	100
Siemens Metals Technologies Vermögensverwaltungs GmbH, Vienna/Austria	100
Siemens Personaldienstleistungen GmbH, Vienna/Austria	100
Siemens Urban Rail Technologies Holding GmbH, Vienna/Austria	75
Siemens Wind Power GmbH, Vienna/Austria	100

September 30, 2017	Equity interest in %
Steiermärkische Medizinarchiv GesmbH, Graz/Austria	52
Trench Austria GmbH, Leonding/Austria	100
VVK Versicherungs-Vermittlungs- und Verkehrs-Kontor GmbH, Vienna/Austria	100
Siemens Gamesa Renewable Energy Limited Liability Company, Baku/Azerbaijan	100
Siemens W.L.L., Manama/Bahrain	51
Limited Liability Company Siemens Technologies, Minsk/Belarus	100
Dresser-Rand Machinery Repair Belgie N.V., Antwerp/Belgium	100[7]
Flender S.P.R.L., Beersel/Belgium	100[7]
Mentor Graphics (Belgium) BVBA, Brussels/Belgium	100
Samtech SA, Angleur/Belgium	77
Siemens Gamesa Renewable Energy Belgium, SPRL, Brussels/Belgium	100
Siemens Healthcare SA/NV, Beersel/Belgium	100
Siemens Industry Software NV, Leuven/Belgium	100
Siemens S.A./N.V., Beersel/Belgium	100
Siemens Wind Power BVBA, Beersel/Belgium	100
Siemens d.o.o. Sarajevo, Sarajevo/Bosnia and Herzegovina	100
Siemens Medicina d.o.o., Sarajevo/Bosnia and Herzegovina	100
Gamesa Wind Bulgaria, EOOD, Sofia/Bulgaria	100
Siemens EOOD, Sofia/Bulgaria	100
Siemens Healthcare EOOD, Sofia/Bulgaria	100
Siemens SARL, Abidjan/Côte d'Ivoire	100
Koncar-Energetski Transformatori, d.o.o., Zagreb/Croatia	51
Siemens Convergence Creators d.o.o., Zagreb/Croatia	100
Siemens d.d., Zagreb/Croatia	100
Siemens Gamesa Renewable Energy d.o.o., Zagreb/Croatia	100
Siemens Healthcare d.o.o., Zagreb/Croatia	100
Mentor Graphics (Netherlands Antilles) N.V., Willemstad/Curaçao	100
Siemens Gamesa Renewable Energy Limited, Nicosia/Cyprus	100
OEZ s.r.o., Letohrad/Czech Republic	100
Polarion Software s.r.o., Prague/Czech Republic	100
Siemens Convergence Creators, s.r.o., Prague/Czech Republic	100
Siemens Electric Machines s.r.o., Drasov/Czech Republic	100

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Siemens Healthcare, s.r.o., Prague/Czech Republic	100
Siemens Industry Software, s.r.o., Prague/Czech Republic	100
Siemens, s.r.o., Prague/Czech Republic	100
Siemens A/S, Ballerup/Denmark	100
Siemens Gamesa Renewable Energy A/S, Brande/Denmark	100
Siemens Healthcare A/S, Ballerup/Denmark	100
Siemens Industry Software A/S, Ballerup/Denmark	100
Mentor Graphics Egypt Company (A Limited Liability Company – Private Free Zone), Cairo/Egypt	100
NEM Energy Egypt LLC, Alexandria/Egypt	100
Siemens Healthcare S.A.E., Cairo/Egypt	100
Siemens Limited for Trading, Cairo/Egypt	100
Siemens Technologies S.A.E., Cairo/Egypt	90
Siemens Wind Power LLC, Cairo/Egypt	100
Mentor Graphics (Finland) OY, Espoo/Finland	100
Mentor Graphics Development (Finland) OY, Turku/Finland	100
Siemens Gamesa Renewable Energy Oy, Helsinki/Finland	100
Siemens Healthcare Oy, Espoo/Finland	100
Siemens Osakeyhtiö, Espoo/Finland	100
Adwen France SAS, Puteaux/France	100
D-R Holdings (France) SAS, Le Havre/France	100
Dresser-Rand SAS, Le Havre/France	100
Flender-Graffenstaden SAS, Illkirch-Graffenstaden/France	100
Gamesa Eolica France, S.A.R.L., Saint-Priest/France	100
Mentor Graphics (France) SARL, Meudon La Forêt/France	100
Mentor Graphics Development (France) SAS, Paris/France	100
Mentor Graphics Development Crolles SARL, Monbon-not-Saint-Martin/France	100
Meta Systems SARL, Meudon La Forêt/France	100
PETNET Solutions SAS, Lisses/France	100
Societe d'Exploitation du Parc Eolien de Bonboillon SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Bouclans SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Broyes SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Cernon SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Chaintrix Bierges SARL, Saint-Priest/France	100

September 30, 2017	Equity interest in %
Societe d'Exploitation du Parc Eolien de Champsevraine, SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Chepniers SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Clamanges SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Coupetz SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Dampierre Prudemanche SAS, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Germainville SAS, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Guerfand SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de la Brie des Etangs SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de la Côte du Cerisat SAS, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de la Loye SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de la Tete des Boucs SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Landresse SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Longueville sur Aube SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Mailly-le-Camp SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Mantoche SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Margny SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Moulins du Puits SAS, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Orge et Ornain SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Plancy l'Abbaye SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Pouilly-sur-Vingeanne SARL, Saint-Priest/France	100

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5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
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September 30, 2017	Equity interest in %
Societe d'Exploitation du Parc Eolien de Pringy SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Romigny SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Saint Amand SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Saint Bon SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Saint Loup de Saintonge SAS, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Saint-Lumier en Champagne SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Sambourg SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Savoisy SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Sceaux SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Sommesous SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Songy SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Soude SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Source de Seves SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Souvans SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Trepot SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Vaudrey SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien de Vernierfontaine SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien d'Orchamps SARL, Saint-Priest/France	100
Societe d'Exploitation du Parc Eolien du Vireaux SAS, Saint-Priest/France	100
Siemens Financial Services SAS, Saint-Denis/France	100
Siemens France Holding SAS, Saint-Denis/France	100

September 30, 2017	Equity interest in %
Siemens Gamesa Renewable Energy France SAS, Saint-Priest/France	100
Siemens Gamesa Renewable Energy S.A.S., Saint-Denis Cedex/France	100
Siemens Healthcare SAS, Saint-Denis/France	100
Siemens Industry Software SAS, Châtillon/France	100
Siemens Lease Services SAS, Saint-Denis/France	100
SIEMENS Postal Parcel Airport Logistics SAS, Paris/France	100
Siemens SAS, Saint-Denis/France	100
Trench France SAS, Saint-Louis/France	100
Siemens Oil & Gas Equipment Limited, Accra/Ghana	90
Elliniki Eoliki Attikis Energiaki S.A., Athens/Greece	86
Elliniki Eoliki Energiaki Pirgos S.A., Athens/Greece	86
Elliniki Eoliki Kopriseza S.A., Athens/Greece	86
Elliniki Eoliki Kseropousi S.A., Athens/Greece	86
Elliniki Eoliki Likourdi S.A., Athens/Greece	86
Energiaki Arvanikou M.E.P.E., Athens/Greece	100
Eoliki Peloponnisou Lakka Energiaki S.A., Athens/Greece	86
Siemens A.E., Elektrotechnische Projekte und Erzeugnisse, Athens/Greece	100
Siemens Gamesa Renewable Energy AE, Athens/Greece	100
Siemens Gamesa Renewable Energy Greece E.P.E., Athens/Greece	100
Siemens Healthcare Industrial and Commercial Société Anonyme, Athens/Greece	100
evosoft Hungary Szamitastechnikai Kft., Budapest/Hungary	100
Mentor Graphics Magyarország Kft., Budapest/Hungary	100
Siemens Gamesa Megújuló Energia Hungary Kft, Budapest/Hungary	100
Siemens Healthcare Kft., Budapest/Hungary	100
Siemens Wind Power Kft., Budapest/Hungary	100
Siemens Zrt., Budapest/Hungary	100
Siemens Sherkate Sahami (Khass), Teheran/Iran, Islamic Republic of	97
Gamesa Ireland Limited, Dublin/Ireland	100
Mentor Graphics (Holdings) Unlimited Company, Shannon, County Clare/Ireland	100[12]
Mentor Graphics (Ireland) Limited, Shannon, County Clare/Ireland	100
Mentor Graphics Development Services Limited, Shannon, County Clare/Ireland	100

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Siemens Gamesa Renewable Energy Limited, Dublin/Ireland	100
Siemens Healthcare Medical Solutions Limited, Swords, County Dublin/Ireland	100
Siemens Limited, Dublin/Ireland	100
Mentor Graphics International Unlimited, Douglas/Isle of Man	100[12]
9REN Israel Ltd., Tel Aviv/Israel	100
Gamesa Israel, Ltd, Tel Aviv/Israel	100
Mentor Graphics (Israel) Limited, Herzilya Pituah/Israel	100
Mentor Graphics Development Services (Israel) Ltd., Rehovot/Israel	100
Siemens Concentrated Solar Power Ltd., Rosh HaAyin/Israel	100
Siemens HealthCare Ltd., Rosh HaAyin/Israel	100
Siemens Industry Software Ltd., Airport City/Israel	100
Siemens Israel Ltd., Rosh HaAyin/Israel	100
Siemens Israel Projects Ltd., Rosh HaAyin/Israel	100[7]
Siemens Product Lifecycle Management Software 2 (IL) Ltd., Airport City/Israel	100
UGS Israeli Holdings (Israel) Ltd., Airport City/Israel	100
9REN Services Italia S.r.l., Milan/Italy	100
Dresser-Rand Italia S.r.l., Tribogna/Italy	100
Mentor Graphics Torino S.R.L., Turin/Italy	100
Parco Eolico Banzy S.r.l., Rome/Italy	100
Parco Eolico Manca Vennarda S.r.l. , Rome/Italy	100
Samtech Italia S.r.l., Milan/Italy	100
Siemens Gamesa Renewable Energy Italy, S.P.A., Rome/Italy	100
Siemens Gamesa Renewable Energy Wind S.R.L., Rome/Italy	100
Siemens Healthcare S.r.l., Milan/Italy	100
Siemens Industry Software S.r.l., Milan/Italy	100
Siemens Postal, Parcel&Airport Logistics S.r.l., Milan/Italy	100
Siemens Renting s.r.l. in Liquidazione, Milan/Italy	100
Siemens S.p.A., Milan/Italy	100
Siemens Transformers S.p.A., Trento/Italy	100
Siemens Wind Power S.r.l., Milan/Italy	100
Trench Italia S.r.l., Savona/Italy	100
Siemens Healthcare Limited Liability Partnership, Almaty/Kazakhstan	100
Siemens TOO, Almaty/Kazakhstan	100
Siemens Gamesa Renewable Energy Limited, Nairobi/Kenya	100

September 30, 2017	Equity interest in %
Siemens Electrical&Electronic Services K.S.C.C., Kuwait City/Kuwait	49[2]
D-R Luxembourg Holding 1, SARL, Luxembourg/Luxembourg	100
D-R Luxembourg Holding 2, SARL, Luxembourg/Luxembourg	100
D-R Luxembourg Holding 3, SARL, Luxembourg/Luxembourg	100
D-R Luxembourg International SARL, Luxembourg/Luxembourg	100
D-R Luxembourg Partners 1 SCS, Luxembourg/Luxembourg	100
Dresser-Rand Holding (Delaware) LLC, SARL, Luxembourg/Luxembourg	100
TFM International S.A. i.L., Luxembourg/Luxembourg	100
Siemens Gamesa Renewable Energy, SARL, Nouakchott/Mauritania	100
Siemens Gamesa Renewable Energy, Ltd, Cybercity/Mauritius	100
Siemens d.o.o., Podgorica/Montenegro	100
Gamesa Morocco, SARL, Tangier/Morocco	100
Guascor Maroc, S.A.R.L., Agadir/Morocco	100[7]
Mentor Graphics Morocco SARL, Sala Al Jadida/Morocco	100
Siemens Healthcare SARL, Casablanca/Morocco	100
Siemens Plant Operations Tahaddart SARL, Tangier/Morocco	100
Siemens S.A., Casablanca/Morocco	100
Siemens Wind Energy, SARL, Casablanca/Morocco	100
Siemens Wind Power Blades, SARL AU, Tangier/Morocco	100
Castor III B.V., Amsterdam/Netherlands	100
D-R International Holdings (Netherlands) B.V., Spijkenisse/Netherlands	100
Dresser-Rand B.V., Spijkenisse/Netherlands	100
Dresser-Rand International B.V., Spijkenisse/Netherlands	100
Dresser-Rand Services B.V., Spijkenisse/Netherlands	100
Flowmaster Group NV, Eindhoven/Netherlands	100
Mentor Graphics (Netherlands) B.V., Eindhoven/Netherlands	100
NEM Energy B.V., Zoeterwoude/Netherlands	100
Omnetric B.V., The Hague/Netherlands	100
Pollux III B.V., Amsterdam/Netherlands	100
Siemens Diagnostics Holding II B.V., The Hague/Netherlands	100
Siemens D-R Holding B.V., The Hague/Netherlands	100

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Siemens D-R Holding II B.V., The Hague/Netherlands	100
Siemens Finance B.V., The Hague/Netherlands	100
Siemens Financieringsmaatschappij N.V., The Hague/Netherlands	100
Siemens Gas Turbine Technologies Holding B.V., The Hague/Netherlands	65
Siemens Healthcare Nederland B.V., The Hague/Netherlands	100
Siemens Healthineers Holding III B.V., The Hague/Netherlands	100
Siemens Industry Software B.V., 's-Hertogenbosch/Netherlands	100
Siemens International Holding B.V., The Hague/Netherlands	100
Siemens Medical Solutions Diagnostics Holding I B.V., The Hague/Netherlands	100
Siemens Nederland N.V., The Hague/Netherlands	100
Siemens Wind Power B.V., The Hague/Netherlands	100
TASS International B.V., Rijswijk/Netherlands	100
TASS International Homologations B.V., Helmond/Netherlands	100
TASS International Mobility Center B.V., Helmond/Netherlands	100
TASS International Safety Center B.V., Helmond/Netherlands	100
TASS International Software and Services B.V., Rijswijk/Netherlands	100
TASS International Software B.V., Rijswijk/Netherlands	100
Dresser-Rand (Nigeria) Limited, Lagos/Nigeria	100
Siemens Ltd., Lagos/Nigeria	100
Dresser-Rand AS, Kongsberg/Norway	100
Siemens AS, Oslo/Norway	100
Siemens Healthcare AS, Oslo/Norway	100
Siemens Wind Power AS, Oslo/Norway	100
Siemens L.L.C., Muscat/Oman	51
Gamesa Pakistan (Private) Limited, Karachi/Pakistan	100[7]
Mentor Graphics Pakistan Development (Private) Limited, Lahore/Pakistan	100
Siemens Healthcare (Private) Limited, Lahore/Pakistan	100
Siemens Pakistan Engineering Co. Ltd., Karachi/Pakistan	75
AXIT Sp. z o.o., Wroclaw/Poland	100

September 30, 2017	Equity interest in %
Gamesa Energia Polska Sp. z o.o., Warsaw/Poland	100
Lichnowy Windfarm Sp. z o.o., Warsaw/Poland	100
Mentor Graphics Polska Sp. z o.o., Poznan/Poland	100
Osiek Sp. z o.o., Warsaw/Poland	100
Siemens Finance Sp. z o.o., Warsaw/Poland	100
Siemens Healthcare Sp. z o.o., Warsaw/Poland	100
Siemens Industry Software Sp. z o.o., Warsaw/Poland	100
Siemens Sp. z o.o., Warsaw/Poland	100
Siemens Wind Power Sp. z o.o., Warsaw/Poland	100
Smardzewo Windfarm Sp. z o.o., Slawno/Poland	100
Ujazd Sp. z o.o., Warsaw/Poland	100
Siemens Gamesa Renewable Engergy, S.A., Venda do Pinheiro/Portugal	100
Siemens Healthcare, Lda., Amadora/Portugal	100
Siemens Postal, Parcel&Airport Logistics, Unipessoal Lda, Lisbon/Portugal	100
Siemens S.A., Amadora/Portugal	100
Siemens W.L.L., Doha/Qatar	40[2]
Gamesa Energy Romania, S.R.L., Bucharest/Romania	100
Gamesa Wind Romania, S.R.L., Bucharest/Romania	100
GER Baneasa, S.R.L., Bucharest/Romania	100
GER Baraganu, S.R.L, Bucharest/Romania	100
GER Independenta, S.R.L., Bucharest/Romania	100
Mentor Graphics Romania SRL, Bucharest/Romania	100
SIEMENS (AUSTRIA) PROIECT SPITAL COLTEA SRL, Bucharest/Romania	100
Siemens Convergence Creators S.R.L., Brasov/Romania	100
Siemens Healthcare S.R.L., Bucharest/Romania	100
Siemens Industry Software S.R.L., Brasov/Romania	100
Siemens S.R.L., Bucharest/Romania	100
SIMEA SIBIU S.R.L., Sibiu/Romania	100
OOO Legion II, Moscow/Russian Federation	100
OOO Siemens, Moscow/Russian Federation	100
OOO Siemens Elektroprivod, St. Petersburg/Russian Federation	100
OOO Siemens Gas Turbine Technologies, Leningrad Oblast/Russian Federation	100
OOO Siemens Industry Software, Moscow/Russian Federation	100
OOO Siemens Transformers, Voronezh/Russian Federation	100
Siemens Finance LLC, Vladivostok/Russian Federation	100

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Siemens Healthcare Limited Liability Company, Moscow/Russian Federation	100
Technologies of Rail Transport Limited Liability Company, Moscow/Russian Federation	100[7]
Arabia Electric Ltd. (Equipment), Jeddah/Saudi Arabia	51
Dresser-Rand Arabia LLC, Al Khobar/Saudi Arabia	50[1]
ISCOSA Industries and Maintenance Ltd., Riyadh/Saudi Arabia	51
Siemens Healthcare Limited, Riyadh/Saudi Arabia	51
Siemens Ltd., Riyadh/Saudi Arabia	51
VA TECH T&D Co. Ltd., Riyadh/Saudi Arabia	51
Siemens d.o.o. Beograd, Belgrade/Serbia	100
Siemens Healthcare d.o.o. Beograd, Belgrade/Serbia	100
OEZ Slovakia, spol. s r.o., Bratislava/Slovakia	100
SAT Systémy automatizacnej techniky spol. s.r.o., Bratislava/Slovakia	60
Siemens Convergence Creators, s. r. o., Bratislava/Slovakia	100
Siemens Healthcare s.r.o., Bratislava/Slovakia	100
Siemens s.r.o., Bratislava/Slovakia	100
SIPRIN s.r.o., Bratislava/Slovakia	100
Siemens d.o.o., Ljubljana/Slovenia	100
Siemens Healthcare d.o.o., Ljubljana/Slovenia	100
Crabtree South Africa Pty. Limited, Midrand/South Africa	100[7]
Dresser-Rand Property (Pty) Ltd., Midrand/South Africa	100[7]
Dresser-Rand Service Centre (Pty) Ltd., Midrand/South Africa	100
Dresser-Rand Southern Africa (Pty) Ltd., Midrand/South Africa	100
Gamesa Wind South Africa (Proprietary) Limited, Cape Town/South Africa	100
Linacre Investments (Pty) Ltd., Kenilworth/South Africa	0[3]
Siemens Employee Share Ownership Trust, Johannesburg/South Africa	0[3]
Siemens Healthcare Proprietary Limited, Halfway House/South Africa	100
Siemens Proprietary Limited, Midrand/South Africa	70
SIEMENS WIND POWER (PTY) LTD, Midrand/South Africa	100
Siemens Wind Power Employee Share Ownership Trust, Midrand/South Africa	0[3]
Adwen Offshore, S.L., Zamudio/Spain	100

September 30, 2017	Equity interest in %
Aljaraque Solar, S.L., Madrid/Spain	100
Convertidor Solar Ciento Veintisiete, S.L.U., Madrid/Spain	100
Convertidor Solar Doscientos Noventa y Nueve, S.L.U., Madrid/Spain	100
Convertidor Solar Doscientos Noventa y Siete, S.L.U., Madrid/Spain	100
Convertidor Solar G.F. Dos, S.L.U., Madrid/Spain	100
Convertidor Solar G.F. Tres, S.L.U, Madrid/Spain	100
Convertidor Solar G.F. Uno S.L.U., Madrid/Spain	100
Convertidor Solar Trescientos Diecinueve, S.L.U., Madrid/Spain	100
Convertidor Solar Trescientos Dieciocho, S.L.U., Madrid/Spain	100
Convertidor Solar Trescientos Diecisiete, S.L.U., Madrid/Spain	100
Convertidor Solar Trescientos Sesenta y Nueve, S.L.U., San Cristóbal de La Laguna/Spain	100
Convertidor Solar Trescientos Sesenta y Ocho, S.L.U., San Cristóbal de La Laguna/Spain	100
Convertidor Solar Trescientos Sesenta y Siete, S.L.U., San Cristóbal de La Laguna/Spain	100
Convertidor Solar Trescientos Setenta, S.L.U., San Cristóbal de La Laguna/Spain	100
Convertidor Solar Trescientos Veinte, S.L.U., Madrid/Spain	100
Convertidor Solar Trescientos, S.L.U., Madrid/Spain	100
Convertidor Solar Uno, S.L.U., Madrid/Spain	100
Desimpacto de Purines Altorricón S.A., Altorricón/Spain	70
Desimpacto de Purines Turégano, S.A., Turégano/Spain	100
Dresser-Rand Holdings Spain S.L.U., Vitoria-Gasteiz/Spain	100
Empresa de Reciclajes de Residuos Ambientales, S.A., Vitoria-Gasteiz/Spain	67[7]
Estructuras Metalicas Singulares, S.A. Unipersonal, Tajonar/Spain	100
Fábrica Electrotécnica Josa, S.A., Barcelona/Spain	100
Gamesa Electric, S.A. Unipersonal, Zamudio/Spain	100
Gamesa Energy Transmission, S.A. Unipersonal, Zamudio/Spain	100
Gerr Grupo Energético XXI, S.A. Unipersonal, Barcelona/Spain	100
Grupo Guascor, S.L., Vitoria-Gasteiz/Spain	100

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Guascor Borja AIE, Zumaia/Spain	70[7,12]
Guascor Explotaciones Energéticas, S.A., Vitoria-Gasteiz/Spain	100
Guascor Ingenieria S.A., Vitoria-Gasteiz/Spain	100
Guascor Isolux AIE, Vitoria-Gasteiz/Spain	60[7,12]
Guascor Power Investigacion y Desarollo, S.A., Vitoria-Gasteiz/Spain	100
Guascor Power, S.A., Zumaia/Spain	100
Guascor Promotora Solar, S.A., Vitoria-Gasteiz/Spain	100
Guascor Solar Corporation, S.A., Vitoria-Gasteiz/Spain	100
Guascor Solar S.A., Vitoria-Gasteiz/Spain	100
Guascor Wind, S.L., Vitoria-Gasteiz/Spain	100[7]
International Wind Farm Development IV, S.L., Zamudio/Spain	100
International Wind Farm Development V, S.L., Zamudio/Spain	100
International Wind Farm Development VI, S.L., Zamudio/Spain	100
International Wind Farm Development VII, S.L., Zamudio/Spain	100
International Wind Farm Developments II, S.L., Zamudio/Spain	100
International Wind Farm Developments IX, S.L., Zamudio/Spain	100
Mentor Graphics (Espana) SL, Madrid/Spain	100
Microenergía 21, S.A., Zumaia/Spain	100[7]
Parque Eolico Dos Picos, S.L.U., Zamudio/Spain	100
Samtech Iberica Engineering & Software Services S.L., Barcelona/Spain	100
Siemens Gamesa Renewable Energy 9REN, S.L., Madrid/Spain	100
Siemens Gamesa Renewable Energy Apac, S.L., Sarriguren/Spain	100
Siemens Gamesa Renewable Energy Eolica, S.L., Sarriguren/Spain	100
Siemens Gamesa Renewable Energy Europa S.L., Zamudio/Spain	100
Siemens Gamesa Renewable Energy Innovation & Technology, S.L., Sarriguren/Spain	100
Siemens Gamesa Renewable Energy International Wind Services, S.A., Zamudio/Spain	100

September 30, 2017	Equity interest in %
Siemens Gamesa Renewable Energy Invest, S.A., Zamudio/Spain	100
Siemens Gamesa Renewable Energy Latam, S.L., Sarriguren/Spain	100
Siemens Gamesa Renewable Energy S.A., Zamudio/Spain	59
Siemens Gamesa Renewable Energy Wind Farms, S.A., Zamudio/Spain	100
Siemens Gamesa Renewable Finance, S.A., Zamudio/Spain	100
SIEMENS HEALTHCARE, S.L.U., Getafe/Spain	100
Siemens Holding S.L., Madrid/Spain	100
Siemens Industry Software S.L., Barcelona/Spain	100
SIEMENS POSTAL, PARCEL & AIRPORT LOGISTICS, S.L. Sociedad Unipersonal, Madrid/Spain	100
Siemens Rail Automation S.A.U., Madrid/Spain	100
Siemens Renting S.A., Madrid/Spain	100
Siemens S.A., Madrid/Spain	100
Siemens Wind Power, S.L., Tres Cantos/Spain	100
Sistema Eléctrico de Conexión Montes Orientales, S.L., Granada/Spain	83
Sistemas Energéticos Alcohujate, S.A. Unipersonal, Toledo/Spain	100
Sistemas Energéticos Alto da Croa, S.A. Unipersonal, Santiago de Compostela/Spain	100
Sistemas Energéticos Argañoso, S.L. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos Arinaga, S.A. Unipersonal, Las Palmas de Gran Canaria/Spain	100
Sistemas Energéticos Balazote, S.A. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos Barandon, S.A., Valladolid/Spain	100
Sistemas Energéticos Boyal, S.L., Zaragoza/Spain	60
Sistemas Energéticos Cabanelas, S.A. Unipersonal, Santiago de Compostela/Spain	100
Sistemas Energéticos Cabezo Negro, S.A. Unipersonal, Zaragoza/Spain	100
Sistemas Energéticos Campoliva, S.A. Unipersonal, Zaragoza/Spain	100
Sistemas Energéticos Carril, S.L. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos Cuerda Gitana, S.A. Unipersonal, Sevilla/Spain	100

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5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Siemens AG is a shareholder with unlimited liability of this company.
12 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2017	Equity interest in %
Sistemas Energéticos Cuntis, S.A. Unipersonal, Santiago de Compostela/Spain	100
Sistemas Energéticos de Tarifa, S.L. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos del Sur S.A., Sevilla/Spain	70
Sistemas Energéticos del Umia, S.A. Unipersonal, Santiago de Compostela/Spain	100
Sistemas Energéticos Edreira, S.A. Unipersonal, Santiago de Compostela/Spain	100
Sistemas Energéticos El Valle, S.L., Sarriguren/Spain	100
Sistemas Energéticos Finca San Juan, S.L.U., Las Palmas de Gran Canaria/Spain	100
Sistemas Energéticos Fonseca, S.A. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos Fuerteventura, S.A. Unipersonal, San Cristóbal de La Laguna/Spain	100
Sistemas Energeticos Islas Canarias, S.L.U., Las Palmas de Gran Canaria/Spain	100
Sistemas Energéticos Jaralón, S.A. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos La Cámara, S.L., Sevilla/Spain	100
Sistemas Energéticos La Plana, S.A., Villanueva de Gállego/Spain	90
Sistemas Energéticos Ladera Negra, S.A. Unipersonal, Las Palmas de Gran Canaria/Spain	100
Sistemas Energéticos Loma del Reposo, S.L. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos Loma del Viento, S.A. Unipersonal, Sevilla/Spain	100
Sistemas Energéticos Mansilla, S.L., Villarcayo de Merindad de Castilla la Vieja/Spain	78
Sistemas Energéticos Monte Genaro, S.L.U., Zamudio/Spain	100
Sistemas Energéticos Serra de Lourenza, S.A. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos Sierra de Las Estancias, S.A. Unipersonal, Sevilla/Spain	100
Sistemas Energéticos Sierra de Valdefuentes, S.L.U., Zamudio/Spain	100
Sistemas Energéticos Sierra del Carazo, S.L.U., Zamudio/Spain	100

September 30, 2017	Equity interest in %
Sistemas Energéticos Tablero Tabordo, S.L., Las Palmas de Gran Canaria/Spain	100
Sistemas Energéticos Tomillo, S.A. Unipersonal, Las Palmas de Gran Canaria/Spain	100
Telecomunicación, Electrónica y Conmutación S.A., Madrid/Spain	100
Fanbyn2 Vindenergi AB, Solna/Sweden	100
Gamesa Wind Sweden AB, Stockholm/Sweden	100
Lindom Vindenergi AB, Solna/Sweden	100
Lingbo SPW AB, Solna/Sweden	100
Mentor Graphics (Scandinavia) AB, Kista/Sweden	100
Siemens AB, Upplands Väsby/Sweden	100
Siemens Financial Services AB, Stockholm/Sweden	100
Siemens Healthcare AB, Stockholm/Sweden	100
Siemens Industrial Turbomachinery AB, Finspång/Sweden	100
Siemens Industry Software AB, Kista/Sweden	100
Siemens Wind Power AB, Upplands Väsby/Sweden	100
Dresser Rand Sales Company GmbH, Zurich/Switzerland	100
Huba Control AG, Würenlos/Switzerland	100
Komykrieng AG, Zurich/Switzerland	100
Mentor Graphics (Schweiz) AG, Kilchberg/Switzerland	100
Polarion AG, Zurich/Switzerland	100
Siemens Healthcare AG, Zurich/Switzerland	100
Siemens Healthcare Diagnostics GmbH, Zurich/Switzerland	100
Siemens Industry Software AG, Zurich/Switzerland	100
Siemens Postal, Parcel & Airport Logistics AG, Zurich/Switzerland	100
Siemens Power Holding AG, Zug/Switzerland	100
Siemens Schweiz AG, Zurich/Switzerland	100
systransis AG, Risch/Switzerland	100
Siemens Tanzania Ltd., Dar es Salaam/Tanzania, United Republic of	100
Mentor Graphics Tunisia SARL, Tunis/Tunisia	100
Siemens S.A., Tunis/Tunisia	100
Siemens Finansal Kiralama A.S., Istanbul/Turkey	100
Siemens Gamesa Turkey Renewable Energy Limited Company, Istanbul/Turkey	100
Siemens Healthcare Saglik Anonim Sirketi, Istanbul/Turkey	100
Siemens Sanayi ve Ticaret Anonim Sirketi, Istanbul/Turkey	100
Siemens Wind Power Rüzgar Enerjisi Anonim Sirketi, Kartal/Istanbul/Turkey	100

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5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
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10 Exemption pursuant to Section 264 (3) German Commercial Code.
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September 30, 2017	Equity interest in %
Dresser-Rand Turkmen Company, Ashgabat/Turkmenistan	100
100% foreign owned subsidiary “Siemens Ukraine”, Kiev/Ukraine	100
Gamesa Ukraine, LLC, Kiev/Ukraine	100
SIEMENS HEALTHCARE LIMITED LIABILITY COMPANY, Kiev/Ukraine	100
Dresser-Rand Field Operations Middle East LLC, Abu Dhabi/United Arab Emirates	49 [2]
Gulf Steam Generators L.L.C., Dubai/United Arab Emirates	100
SD (Middle East) LLC, Dubai/United Arab Emirates	49 [2]
Siemens Healthcare FZ LLC, Dubai/United Arab Emirates	100
Siemens Healthcare L.L.C., Dubai/United Arab Emirates	49 [2]
Siemens LLC, Abu Dhabi/United Arab Emirates	49 [2]
Siemens Middle East Limited, Masdar City/United Arab Emirates	100
Adwen UK Limited, London/United Kingdom	100
Bargrennan Renewable Energy Park Limited, London/United Kingdom	100
CD-adapco New Hampshire Co., Ltd., Frimley, Surrey/United Kingdom	100
Conworx Medical IT Ltd., Marlow, Buckinghamshire/United Kingdom	100
D-R Dormant Ltd., Frimley, Surrey/United Kingdom	100 [7]
D-R Holdings (UK) Ltd., Frimley, Surrey/United Kingdom	100
Dresser-Rand (U.K.) Limited, Frimley, Surrey/United Kingdom	100
Dresser-Rand Company Ltd., Frimley, Surrey/United Kingdom	100
Electrium Sales Limited, Frimley, Surrey/United Kingdom	100
Flomerics Group Limited, Hampton Court, Surrey/United Kingdom	100
Flowmaster Limited, Alderton, Northamptonshire/United Kingdom	100
Glenouther Renewables Energy Park Limited, London/United Kingdom	100
GyM Renewables Limited, Frimley, Surrey/United Kingdom	100
GyM Renewables ONE Limited, Frimley, Surrey/United Kingdom	100
Industrial Turbine Company (UK) Limited, Frimley, Surrey/United Kingdom	100

September 30, 2017	Equity interest in %
Materials Solutions Holdings Limited, Frimley, Surrey/United Kingdom	100
Materials Solutions Limited, Frimley, Surrey/United Kingdom	100
Mentor Graphics (UK) Limited, Newbury, Berkshire/United Kingdom	100
MRX Rail Services UK Limited, Frimley, Surrey/United Kingdom	100
MRX Technologies Limited, Frimley, Surrey/United Kingdom	100
Preactor International Limited, Frimley, Surrey/United Kingdom	100
Project Ventures Rail Investments I Limited, Frimley, Surrey/United Kingdom	100
Samtech UK Limited, Frimley, Surrey/United Kingdom	100
SBS Pension Funding (Scotland) Limited Partnership, Edinburgh/United Kingdom	57 [3]
Sellafirth Renewable Energy Park Limited, London/United Kingdom	100
Siemens Financial Services Holdings Ltd., Stoke Poges, Buckinghamshire/United Kingdom	100
Siemens Financial Services Ltd., Stoke Poges, Buckinghamshire/United Kingdom	100
Siemens Gamesa Renewable Energy B9 Limited, Larne/United Kingdom	100
Siemens Gamesa Renewable Energy Limited, Frimley, Surrey/United Kingdom	100
Siemens Gamesa Renewable Energy UK Limited, London/United Kingdom	100
Siemens Gamesa Renewable Energy Wind Limited, London/United Kingdom	100
Siemens Healthcare Diagnostics Ltd., Frimley, Surrey/United Kingdom	100
Siemens Healthcare Diagnostics Manufacturing Ltd, Frimley, Surrey/United Kingdom	100
Siemens Healthcare Diagnostics Products Ltd, Frimley, Surrey/United Kingdom	100
Siemens Healthcare Limited, Frimley, Surrey/United Kingdom	100
Siemens Holdings plc, Frimley, Surrey/United Kingdom	100
Siemens Industrial Turbomachinery Ltd., Frimley, Surrey/United Kingdom	100

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September 30, 2017	Equity interest in %
Siemens Industry Software Computational Dynamics Limited, Frimley, Surrey/United Kingdom	100
Siemens Industry Software Limited, Frimley, Surrey/United Kingdom	100
Siemens Industry Software Simulation and Test Limited, Frimley, Surrey/United Kingdom	100
Siemens Pension Funding (General) Limited, Frimley, Surrey/United Kingdom	100
Siemens Pension Funding Limited, Frimley, Surrey/United Kingdom	100
Siemens plc, Frimley, Surrey/United Kingdom	100
Siemens Postal, Parcel & Airport Logistics Limited, Frimley, Surrey/United Kingdom	100
Siemens Protection Devices Limited, Frimley, Surrey/United Kingdom	100
Siemens Rail Automation Holdings Limited, Frimley, Surrey/United Kingdom	100
Siemens Rail Automation Limited, Frimley, Surrey/United Kingdom	100
Siemens Rail Systems Project Holdings Limited, Frimley, Surrey/United Kingdom	100
Siemens Rail Systems Project Limited, Frimley, Surrey/United Kingdom	100
Siemens Transmission & Distribution Limited, Frimley, Surrey/United Kingdom	100
The Preactor Group Limited, Frimley, Surrey/United Kingdom	100
VA TECH (UK) Ltd., Frimley, Surrey/United Kingdom	100
VA Tech Reyrolle Distribution Ltd., Frimley, Surrey/United Kingdom	100
VA TECH T & D UK Ltd., Frimley, Surrey/United Kingdom	100
Americas (165 companies)	
Artadi S.A., Buenos Aires/Argentina	100
Guascor Argentina, S.A., Buenos Aires/Argentina	100
Siemens Healthcare S.A., Buenos Aires/Argentina	100
Siemens IT Services S.A., Buenos Aires/Argentina	100
Siemens S.A., Buenos Aires/Argentina	100
VA TECH International Argentina SA, Buenos Aires/Argentina	100
Siemens Soluciones Tecnologicas S.A., Santa Cruz de la Sierra/Bolivia, Plurinational State of	100
Chemtech Servicos de Engenharia e Software Ltda., Rio de Janeiro/Brazil	100
Cinco Rios Geracao de Energia Ltda., Manaus/Brazil	100[7]
Dresser-Rand do Brasil, Ltda., Santa Bárbara D'Oeste/Brazil	100
Dresser-Rand Participações Ltda., Belém/Brazil	100[7]
Guascor do Brasil Ltda., São Paulo/Brazil	100
Guascor Empreendimentos Energéticos, Ltda., Belém/Brazil	100
Guascor Serviços Ltda., Taboão da Serra/Brazil	100
Guascor Solar do Brasil Ltda., Manaus/Brazil	90[7]
Guascor Wind do Brasil, Ltda., São Paulo/Brazil	100[7]
Industrial Turbine Brasil Geracao de Energia Ltda., São Luís/Brazil	100
Iriel Indústria e Cómercio de Sistemas Eléctricos Ltda., Canoas/Brazil	100
Jaguarí Energética, S.A., Jaguari/Brazil	89
MINUANO PROMOÇÕES E PARTICIPAÇÕES EÓLICAS LTDA., Belém/Brazil	100[7]
OMNETRIC Group Tecnologia e Servicos de Consultoria Ltda., Belo Horizonte/Brazil	100
Siemens Eletroeletronica Limitada, Manaus/Brazil	100
Siemens Gamesa Energia Renovável Ltda., Camaçari/Brazil	100
Siemens Healthcare Diagnósticos Ltda., São Paulo/Brazil	100
Siemens Industry Software Ltda., São Caetano do Sul/Brazil	100
Siemens Ltda., São Paulo/Brazil	100
Siemens Wind Power Energia Eólica Ltda., São Paulo/Brazil	100
10367079 CANADA INC., Oakville/Canada	100
Dresser-Rand Canada, ULC, Vancouver/Canada	100[12]
Gamesa Canada ULC, Halifax/Canada	100[12]
Mentor Graphics (Canada) Limited, Kanata/Canada	100
Siemens Canada Limited, Oakville/Canada	100
Siemens Financial Ltd., Oakville/Canada	100
Siemens Healthcare Limited, Oakville/Canada	100
Siemens Industry Software Ltd., Oakville/Canada	100
Siemens Postal, Parcel & Airport Logistics Ltd., Oakville/Canada	100
Siemens Transformers Canada Inc., Trois-Rivières, Québec/Canada	100
Siemens Wind Power Limited, Oakville/Canada	100
Trench Limited, Saint John/Canada	100

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September 30, 2017	Equity interest in %
Wheelabrator Air Pollution Control (Canada) Inc., Ontario/Canada	100
Siemens Healthcare Diagnostics Manufacturing Limited, Grand Cayman/Cayman Islands	100
Gamesa Chile SpA, Santiago de Chile/Chile	100
Nimbic Chile S.p.A., Las Condes/Chile	100
Siemens Healthcare Equipos Médicos Sociedad por Acciones, Santiago de Chile/Chile	100
Siemens S.A., Santiago de Chile/Chile	100
Siemens Wind Power SpA, Santiago de Chile/Chile	100
Dresser-Rand Colombia S.A.S., Bogotá/Colombia	100
Siemens Healthcare S.A.S., Tenjo/Colombia	100
Siemens S.A., Tenjo/Colombia	100
Gamesa Eólica Costa Rica, S.R.L., San Rafael/Costa Rica	100
Siemens Healthcare Diagnostics S.A., San José/Costa Rica	100
Siemens S.A., San José/Costa Rica	100
Gamesa Dominicana, S.A.S., Santo Domingo/Dominican Republic	100
Parques Eólicos del Caribe, S.A., Santo Domingo/Dominican Republic	57
Siemens, S.R.L., Santo Domingo/Dominican Republic	100
Sociedad Energética Del Caribe, S.R.L., Higüey/Dominican Republic	100
Siemens S.A., Quito/Ecuador	100
Siemens-Healthcare Cia. Ltda., Quito/Ecuador	100
Siemens Healthcare, Sociedad Anonima, Antiguo Cuscatlán/El Salvador	100
Siemens S.A., Antiguo Cuscatlán/El Salvador	100
SIEMENS GAMESA RENEWABLE ENERGY INSTALLATION & MAINTENANCE COMPAÑÍA LIMITADA, Guatemala/Guatemala	100[7]
SIEMENS HEALTHCARE DIAGNOSTICS GUATEMALA, S.A., Guatemala/Guatemala	100
Siemens S.A., Guatemala/Guatemala	100
GESA Eólica Honduras, S.A., Tegucigalpa/Honduras	100
Siemens S.A., Tegucigalpa/Honduras	100
Central Eólica de México S.A. de C.V., Mexico City/Mexico	100
Dresser-Rand de Mexico S.A. de C.V., Mexico City/Mexico	100[7]
Gesa Energia, S. de R.L. de C.V., Mexico City/Mexico	100
Gesa Eólica Mexico, S.A. de C.V., Mexico City/Mexico	100
Gesa Oax I Sociedad Anomima de Capital Variable, Mexico City/Mexico	100[7]

September 30, 2017	Equity interest in %
Gesa Oax II Sociedad de Responsabilidad Limitada de Capital Variable, Mexico City/Mexico	100[7]
Gesa Oax III Sociedad Anomima de Capital Variable, Mexico City/Mexico	100[7]
Gesacisa Desarolladora, S.A. de C.V., Mexico City/Mexico	100
Gesan I S.A.P.I de C.V., Mexico City/Mexico	100
Grupo Siemens S.A. de C.V., Mexico City/Mexico	100
Indústria de Trabajos Eléctricos S.A. de C.V., Ciudad Juárez/Mexico	100
Servicios Eólicos Globales S. de R.L. de C.V., Mexico City/Mexico	100
Siemens Healthcare Diagnostics, S. de R.L. de C.V., Mexico City/Mexico	100
Siemens Healthcare Servicios S. de R.L. de C.V., Mexico City/Mexico	100
Siemens Industry Software, S.A. de C.V., Mexico City/Mexico	100
Siemens Inmobiliaria S.A. de C.V., Mexico City/Mexico	100
Siemens Postal, Parcel & Airport Logistics S. de R.L. de C.V., Mexico City/Mexico	100[7]
Siemens Servicios S.A. de C.V., Mexico City/Mexico	100
Siemens, S.A. de C.V., Mexico City/Mexico	100
Gamesa Eólica Nicaragua S.A., Managua/Nicaragua	100
Siemens Healthcare Diagnostics Panama, S.A., Panama City/Panama	100
Siemens S.A., Panama City/Panama	100
Siemens Healthcare S.A.C., Surquillo/Peru	100
Siemens S.A.C., Lima/Peru	100
Siemens Wind Power Sociedad Anonima Cerrada, Lima/Peru	100
Gamesa Puerto Rico, CRL, San Juan/Puerto Rico	100
Dresser-Rand Trinidad & Tobago Limited, Couva/Trinidad and Tobago	100
Advanced Airfoil Components LLC, Wilmington, DE/United States	51
CD-adapco Battery Design LLC, Dover, DE/United States	50[2]
Cedar Cap Wind, LLC, Dover, DE/United States	100
Dedicated2Imaging LLC, Wilmington, DE/United States	80
Diversified Energy Transmissions, LLC, Salem, OR/United States	100
D-R International Sales Inc., Wilmington, DE/United States	100
D-R Steam LLC, Wilmington, DE/United States	100

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September 30, 2017	Equity interest in %
Dresser-Rand Company, Bath, NY/United States	100
Dresser-Rand Global Services, Inc., Wilmington, DE/United States	100
Dresser-Rand Group Inc., Wilmington, DE/United States	100
Dresser-Rand Holding (Luxembourg) LLC, Wilmington, DE/United States	100
Dresser-Rand International Holdings, LLC, Wilmington, DE/United States	100
Dresser-Rand International Inc., Wilmington, DE/United States	100
Dresser-Rand LLC, Wilmington, DE/United States	100
EcoHarmony West Wind, LLC, Minneapolis, MN/United States	100
eMeter Corporation, Wilmington, DE/United States	100
Mannesmann Corporation, New York, NY/United States	100
Mentor Graphics Corporation, Wilsonville, OR/United States	100
Mentor Graphics Global Holdings, LLC, Wilmington, DE/United States	100
Navitas Energy Inc, Minneapolis, MN/United States	97
NEM USA Corp., Wilmington, DE/United States	100
Nimbus Technologies, LLC, Bingham Farms, MI/United States	100
Omnetric Corp., Wilmington, DE/United States	100
P.E.T.NET Houston, LLC, Austin, TX/United States	51
PETNET Indiana LLC, Indianapolis, IN/United States	50[1]
PETNET Solutions Cleveland, LLC, Wilmington, DE/United States	63
PETNET Solutions, Inc., Knoxville, TN/United States	100
Pocahontas Prairie Wind, LLC, Wilmington, DE/United States	100
Pocahontas Wind, LLC, Dover, DE/United States	100
Siemens Capital Company LLC, Wilmington, DE/United States	100
Siemens Convergence Creators Corp., Wilmington, DE/United States	100
Siemens Corporation, Wilmington, DE/United States	100
Siemens Credit Warehouse, Inc., Wilmington, DE/United States	100
Siemens Demag Delaval Turbomachinery, Inc., Wilmington, DE/United States	100
Siemens Electrical, LLC, Wilmington, DE/United States	100

September 30, 2017	Equity interest in %
Siemens Energy, Inc., Wilmington, DE/United States	100
Siemens Financial Services, Inc., Wilmington, DE/United States	100
Siemens Financial, Inc., Wilmington, DE/United States	100
Siemens Fossil Services, Inc., Wilmington, DE/United States	100
Siemens Gamesa Renewable Energy Inc., Wilmington, DE/United States	100
Siemens Gamesa Renewable Energy PA, LLC, Wilmington, DE/United States	100
Siemens Gamesa Renewable Energy USA, INC, Dover, DE/United States	100
Siemens Gamesa Renewable Energy Wind, LLC, Dover, DE/United States	100
Siemens Generation Services Company, Wilmington, DE/United States	100
Siemens Government Technologies, Inc., Wilmington, DE/United States	100
Siemens Healthcare Diagnostics Inc., Los Angeles, CA/United States	100
Siemens Healthcare Laboratory, LLC, Wilmington, DE/United States	100
Siemens Industry, Inc., Wilmington, DE/United States	100
Siemens Medical Solutions USA, Inc., Wilmington, DE/United States	100
Siemens Molecular Imaging, Inc., Wilmington, DE/United States	100
Siemens Postal, Parcel & Airport Logistics LLC, Wilmington, DE/United States	100
Siemens Power Generation Service Company, Ltd., Wilmington, DE/United States	100
Siemens Product Lifecycle Management Software Inc., Wilmington, DE/United States	100
Siemens Public, Inc., Wilmington, DE/United States	100
Siemens USA Holdings, Inc., Wilmington, DE/United States	100
SMI Holding LLC, Wilmington, DE/United States	100
Synchrony, Inc., Salem, VA/United States	100
TASS International Inc., Livonia, MI/United States	100
Wheelabrator Air Pollution Control Inc., Baltimore, MD/United States	100
Whitehall Wind, LLC, Missoula, MT/United States	100
Wind Portfolio Memberco, LLC, Dover, DE/United States	100

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Winergy Drive Systems Corporation, Wilmington, DE/United States	100
Engines Rental, S.A., Montevideo/Uruguay	100[7]
Gamesa Uruguay S.R.L., Montevideo/Uruguay	100
Siemens S.A., Montevideo/Uruguay	100
Siemens Uruguay S.A., Montevideo/Uruguay	100
Dresser-Rand de Venezuela, S.A., Maracaibo/Venezuela, Bolivarian Republic of	100
Gamesa Eólica VE, C.A., Caracas/Venezuela, Bolivarian Republic of	100
Guascor Venezuela S.A., Caracas/Venezuela, Bolivarian Republic of	100[7]
Siemens Healthcare S.A., Caracas/Venezuela, Bolivarian Republic of	100[7]
Siemens Rail Automation, C.A., Caracas/Venezuela, Bolivarian Republic of	100
Siemens S.A., Caracas/Venezuela, Bolivarian Republic of	100
Dade Behring Hong Kong Holdings Corporation, Tortola/Virgin Islands, British	100
Asia, Australia (218 companies)	
Australia Hospital Holding Pty Limited, Bayswater/Australia	100
CD-ADAPCO AUSTRALIA PTY LTD, Melbourne/Australia	100
Exemplar Health (NBH) 2 Pty Limited, Bayswater/Australia	100[7]
Exemplar Health (NBH) Holdings 2 Pty Limited, Bayswater/Australia	100
Exemplar Health (NBH) Trust 2, Bayswater/Australia	100
Exemplar Health (SCUH) 3 Pty Limited, Bayswater/Australia	100[7]
Exemplar Health (SCUH) 4 Pty Limited, Bayswater/Australia	100[7]
Exemplar Health (SCUH) Holdings 3 Pty Limited, Bayswater/Australia	100
Exemplar Health (SCUH) Holdings 4 Pty Limited, Bayswater/Australia	100
Exemplar Health (SCUH) Trust 3, Bayswater/Australia	100
Exemplar Health (SCUH) Trust 4, Bayswater/Australia	100
Gamesa Australia Pty. Ltd., Melbourne/Australia	100
J.R.B. Engineering Pty Ltd, Bayswater/Australia	100
MRX Rail Services Pty Ltd, Bayswater/Australia	100
Siemens Gamesa Renewable Pty Ltd, Bayswater/Australia	100
Siemens Healthcare Pty. Ltd., Melbourne/Australia	100
Siemens Ltd., Bayswater/Australia	100

September 30, 2017	Equity interest in %
SIEMENS RAIL AUTOMATION PTY. LTD., Bayswater/Australia	100
Siemens Bangladesh Ltd., Dhaka/Bangladesh	100
Siemens Healthcare Ltd., Dhaka/Bangladesh	100
Beijing Siemens Cerberus Electronics Ltd., Beijing/China	100
Camstar Systems Software (Shanghai) Company Limited, Shanghai/China	100
CD-adapco Software Technology (Shanghai) Co.,Ltd., Shanghai/China	100
DPC (Tianjin) Co., Ltd., Tianjin/China	100
Dresser-Rand Engineered Equipment (Shanghai) Ltd., Shanghai/China	100
Gamesa (Beijing) Wind Energy System Development Co, Ltd, Beijing/China	100
Gamesa Blade (Tianjin) Co., Ltd., Tianjin/China	100
Gamesa Wind (Tianjin) Co., Ltd., Tianjin/China	100
IBS Industrial Business Software (Shanghai), Ltd., Shanghai/China	100
Inner Mongolia Gamesa Wind Co., Ltd., Wulanchabu/China	100
Jilin Gamesa Wind Co., Ltd., Da'an/China	100
Mentor Graphics (Shanghai) Electronic Technology Co., Ltd., Shanghai/China	100
Mentor Graphics Technology (Shenzhen) Co., Ltd., Shenzhen/China	100
MWB (Shanghai) Co Ltd., Shanghai/China	65
Shuangpai Majiang Wuxingling Wind Power Co., Ltd, Yongzhou/China	100
Siemens Building Technologies (Tianjin) Ltd., Tianjin/China	70
Siemens Business Information Consulting Co., Ltd, Beijing/China	100
Siemens Circuit Protection Systems Ltd., Shanghai, Shanghai/China	75
Siemens Eco-City Innovation Technologies (Tianjin) Co., Ltd., Tianjin/China	60
Siemens Electrical Apparatus Ltd., Suzhou, Suzhou/China	100
Siemens Electrical Drives (Shanghai) Ltd., Shanghai/China	100
Siemens Electrical Drives Ltd., Tianjin/China	85
Siemens Factory Automation Engineering Ltd., Beijing/China	100
Siemens Finance and Leasing Ltd., Beijing/China	100
Siemens Financial Services Ltd., Beijing/China	100

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5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Siemens AG is a shareholder with unlimited liability of this company.
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September 30, 2017	Equity interest in %
Siemens Gas Turbine Components (Jiangsu) Co., Ltd., Yixing/China	100
Siemens Gas Turbine Parts Ltd., Shanghai, Shanghai/China	51
Siemens Healthcare Diagnostics (Shanghai) Co. Ltd., Shanghai/China	100
Siemens Healthcare Diagnostics Manufacturing Ltd., Shanghai, Shanghai/China	100[7]
Siemens Healthcare Ltd., Shanghai/China	100
Siemens High Voltage Circuit Breaker Co., Ltd., Hangzhou, Hangzhou/China	51
Siemens High Voltage Switchgear Co., Ltd., Shanghai, Shanghai/China	51
Siemens High Voltage Switchgear Guangzhou Ltd., Guangzhou/China	94
Siemens Industrial Automation Products Ltd., Chengdu, Chengdu/China	100
Siemens Industrial Turbomachinery (Huludao) Co. Ltd., Huludao/China	84
Siemens Industry Software (Beijing) Co., Ltd., Beijing/China	100
Siemens Industry Software (Shanghai) Co., Ltd., Shanghai/China	100
Siemens International Trading Ltd., Shanghai, Shanghai/China	100
Siemens Investment Consulting Co., Ltd., Beijing/China	100
Siemens Logistics Automation Systems (Beijing) Co., Ltd, Beijing/China	100
Siemens Ltd., China, Beijing/China	100
Siemens Manufacturing and Engineering Centre Ltd., Shanghai/China	51
Siemens Mechanical Drive Systems (Tianjin) Co., Ltd., Tianjin/China	100
Siemens Medium Voltage Switching Technologies (Wuxi) Ltd., Wuxi/China	85
Siemens Numerical Control Ltd., Nanjing, Nanjing/China	80
Siemens Power Automation Ltd., Nanjing/China	100
Siemens Power Plant Automation Ltd., Nanjing/China	100
Siemens Real Estate Management (Beijing) Ltd., Co., Beijing/China	100
Siemens Sensors & Communication Ltd., Dalian/China	100
Siemens Shanghai Medical Equipment Ltd., Shanghai/China	100

September 30, 2017	Equity interest in %
Siemens Shenzhen Magnetic Resonance Ltd., Shenzhen/China	100
Siemens Signalling Co. Ltd., Xi'an, Xi'an/China	70
Siemens Special Electrical Machines Co. Ltd., Changzhi/China	77
Siemens Standard Motors Ltd., Yizheng/China	100
Siemens Surge Arresters Ltd., Wuxi/China	100
Siemens Switchgear Ltd., Shanghai, Shanghai/China	55
Siemens Technology Development Co., Ltd. of Beijing, Beijing/China	90
Siemens Transformer (Guangzhou) Co., Ltd., Guangzhou/China	63
Siemens Transformer (Jinan) Co., Ltd, Jinan/China	90
Siemens Transformer (Wuhan) Company Ltd., Wuhan City/China	100
Siemens Venture Capital Co., Ltd., Beijing/China	100
Siemens Wind Power Blades (Shanghai) Co., Ltd., Shanghai/China	100
Siemens Wiring Accessories Shandong Ltd., Zibo/China	100
Siemens X-Ray Vacuum Technology Ltd., Wuxi, Wuxi/China	100
Smart Metering Solutions (Changsha) Co. Ltd., Changsha/China	60
TASS International Co. Ltd., Shanghai/China	100
Trench High Voltage Products Ltd., Shenyang, Shenyang/China	65
XS Embedded (Shanghai) Co., Ltd., Shanghai/China	100
Yangtze Delta Manufacturing Co. Ltd., Hangzhou, Hangzhou/China	51
Asia Care Holding Limited, Hong Kong/Hong Kong	100[7]
Camstar Systems (Hong Kong) Limited, Hong Kong/Hong Kong	100
International Wind Farm Development I Limited, Hong Kong/Hong Kong	100[7]
International Wind Farm Development II Limited, Hong Kong/Hong Kong	100[7]
International Wind Farm Development IV Limited, Hong Kong/Hong Kong	100[7]
International Wind Farm Development V Limited, Hong Kong/Hong Kong	100[7]
International Wind Farm Development VII Limited, Hong Kong/Hong Kong	100[7]

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September 30, 2017	Equity interest in %
Siemens Healthcare Limited, Hong Kong/Hong Kong	100
Siemens Industry Software Limited, Hong Kong/Hong Kong	100
Siemens Ltd., Hong Kong/Hong Kong	100
Siemens Postal, Parcel & Airport Logistics Limited, Hong Kong/Hong Kong	100
Anantapur Wind Farms Private Limited, Chennai/India	100
Bapuram Renewable Private Limited, Chennai/India	100
Beed Renewable Energy Private Limited, Chennai/India	100
Berkely Design Automation India Private Limited, New Delhi/India	100
Bhuj Renewable Private Limited, Chennai/India	100
Bidwal Renewable Private Limited, Chennai/India	100
CALYPTO DESIGN SYSTEMS INDIA PRIVATE LIMITED, New Delhi/India	100
Channapura Renewable Private Limited, Chennai/India	100
Chikkodi Renewable Private Limited, Chennai/India	100[7]
Devarabanda Renewable Energy Pvt. Ltd., Chennai/India	100
Dhone Renewable Private Limited, Chennai/India	100
Dresser-Rand India Private Limited, Mumbai/India	100
Flomerics India Private Limited, Mumbai/India	100
Gadag Renewable Private Limited, Chennai/India	100
Gagodar Renewable Energy Pvt. Ltd., Chennai/India	100
Ghatpimpri Renewable Pvt. Ltd., Chennai/India	100
GM Navarra Wind Energy Private Limited, Chennai/India	100
Gudadanal Renewable Private Limited, Chennai/India	100[7]
Hattarwat Renewable Private Limited, Chennai/India	100[7]
Haveri Renewable Private Limited, Chennai/India	100[7]
Hungund Renewable Private Limited, Chennai/India	100[7]
Jalore Wind Park Private Limited, Chennai/India	100
Jodhpur Wind Farms Private Limited, Chennai/India	100
Kadapa Wind Farms Private Limited, Chennai/India	100
Kod Renewable Pvt. Ltd., Chennai/India	100
Koppal Renewable Private Limited, Chennai/India	100
Kurnool Wind Farms Private Limited, Chennai/India	100
Kutch Renewable Pvt Ltd, Chennai/India	100
Latur Renewable Private Limited, Chennai/India	100
Mathak Wind Farms Private Limited, Chennai/India	100
Mentor Graphics (India) Private Limited, New Delhi/India	100
Mentor Graphics (Sales and Services) Private Limited, Bangalore/India	100

September 30, 2017	Equity interest in %
Neelagund Renewable Private Limited, Chennai/India	100[7]
Nellore Renewable Pvt Ltd, Chennai/India	100
Nirlooti Renewable Private Limited, Chennai/India	100[7]
Osmanabad Renewable Private Limited, Chennai/India	100
PETNET Radiopharmaceutical Solutions Pvt. Ltd., New Delhi/India	100
Poovani Wind Farms Pvt. Ltd., Chennai/India	100
Powerplant Performance Improvement Ltd., New Delhi/India	50[1]
Preactor Software India Private Limited, Bangalore/India	100
Pugalur Renewable Private Limited, Chennai/India	100
Rajgarh Wind Park Private Limited, Chennai/India	99
Rangareddy Renewable Pvt Ltd, Chennai/India	100
RSR Power Private Limited, Chennai/India	100
Sanchore Renewable Private Limited, Chennai/India	100
Sankanur Renewable Private Limited, Chennai/India	100
Saunshi Renewable Private Limited, Chennai/India	100[7]
Siemens Convergence Creators Private Limited, Navi Mumbai/India	100
SIEMENS FACTORING PRIVATE LIMITED, Mumbai/India	100
Siemens Financial Services Private Limited, Mumbai/India	100
Siemens Gamesa Renewable Private Limited, Chennai/India	100
Siemens Healthcare Private Limited, Mumbai/India	100
Siemens Industry Software (India) Private Limited, New Delhi/India	100
Siemens Industry Software Computational Dynamics India Pvt. Ltd., Bangalore/India	100
Siemens Ltd., Mumbai/India	75
Siemens Postal Parcel & Airport Logistics Private Limited, Navi Mumbai/India	100
Siemens Rail Automation Pvt. Ltd., Navi Mumbai/India	100
Siemens Technology and Services Private Limited, Mumbai/India	100
Siemens Wind Power Private Limited, Navi Mumbai/India	100
Thoothukudi Renewable Private Limited, Chennai/India	100
Tirupur Renewable Private Limited, Chennai/India	100
Tuljapur Wind Farms Private Limited, Chennai/India	100
Umrani Renewable Private Limited, Chennai/India	100[7]
Uppal Renewable Private Limited, Chennai/India	100
VIRALIPATTI RENEWABLE Pvt. Ltd., Chennai/India	100

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September 30, 2017	Equity interest in %
Zalki Renewable Private Limited, Chennai/India	100[7]
P.T. Siemens Indonesia, Jakarta/Indonesia	100
PT Dresser-Rand Services Indonesia, Cilegon/Indonesia	100
PT. Siemens Industrial Power, Kota Bandung/Indonesia	60
Acrorad Co., Ltd., Okinawa/Japan	63
Dresser Rand Japan K.K., Tokyo/Japan	100[7]
Gamesa Japan K.K., Kanagawa/Japan	100
Mentor Graphics Japan Co., Ltd., Tokyo/Japan	100
Siemens Healthcare Diagnostics K.K., Tokyo/Japan	100
Siemens Healthcare K.K., Tokyo/Japan	100
Siemens Japan Holding K.K., Tokyo/Japan	100
Siemens K.K., Tokyo/Japan	100
Siemens PLM Software Computational Dynamics K.K., Yokohama/Japan	100
TASS International K.K., Yokohama/Japan	100
Mentor Graphics (Korea) Co., Limited, Bundang-gu, Seongnam-si, Gyeonggi-do/Korea, Republic of	100
Siemens Healthcare Limited, Seoul/Korea, Republic of	100
Siemens Industry Software Ltd., Seoul/Korea, Republic of	100
Siemens Ltd. Seoul, Seoul/Korea, Republic of	100
Siemens Wind Power Limited, Seoul/Korea, Republic of	100
TASS International Co. Ltd., Seoul/Korea, Republic of	100
Dresser-Rand & Enserv Services Sdn. Bhd., Kuala Lumpur/Malaysia	49[2,7]
Dresser-Rand Asia Pacific Sdn. Bhd., Kuala Lumpur/Malaysia	100
Reyrolle (Malaysia) Sdn. Bhd., Kuala Lumpur/Malaysia	100
Siemens Healthcare Sdn. Bhd., Petaling Jaya/Malaysia	100
Siemens Industry Software Sdn. Bhd., Penang/Malaysia	100
Siemens Malaysia Sdn. Bhd., Petaling Jaya/Malaysia	100
VA TECH Malaysia Sdn. Bhd., Kuala Lumpur/Malaysia	100
Siemens (N.Z.) Limited, Auckland/New Zealand	100
Siemens Gamesa Renewable Energy New Zealand Limited, Auckland/New Zealand	100
Siemens Healthcare Limited, Auckland/New Zealand	100
Siemens Healthcare Inc., Manila/Philippines	100
Siemens Power Operations, Inc., Manila/Philippines	100
Siemens Wind Power, Inc., Manila/Philippines	100
Siemens, Inc., Manila/Philippines	100
CD-adapco S.E.A. Pte. Ltd., Singapore/Singapore	100
Gamesa Singapore Private Limited, Singapore/Singapore	100

September 30, 2017	Equity interest in %
Mentor Graphics Asia Pte Ltd, Singapore/Singapore	100
Siemens Healthcare Pte. Ltd., Singapore/Singapore	100
Siemens Industry Software Pte. Ltd., Singapore/Singapore	100
Siemens Postal, Parcel & Airport Logistics PTE. LTD., Singapore/Singapore	100
Siemens Pte. Ltd., Singapore/Singapore	100
Siemens Gamesa Renewable Energy Lanka Pvt. Ltd.,, Colombo/Sri Lanka	100
Siemens Healthcare Limited, Taipei/Taiwan, Province of China	100
Siemens Industry Software (TW) Co., Ltd., Taipei/Taiwan, Province of China	100
Siemens Ltd., Taipei/Taiwan, Province of China	100
Dresser-Rand (Thailand) Limited, Rayong/Thailand	100
Gamesa (Thailand) Co. Ltd., Bangkok/Thailand	100
Siemens Healthcare Limited, Bangkok/Thailand	100
Siemens Limited, Bangkok/Thailand	99
Siemens Wind Power Limited, Bangkok/Thailand	100
Siemens Gamesa Renewable Energy LLC, Ho Chi Minh City/Viet Nam	100[7]
Siemens Healthcare Limited, Ho Chi Minh City/Viet Nam	100
Siemens Ltd., Ho Chi Minh City/Viet Nam	100
ASSOCIATED COMPANIES AND JOINT VENTURES	
Germany (32 companies)	
ATS Projekt Grevenbroich GmbH, Schüttorf	25[8]
BELLIS GmbH, Braunschweig	49[8]
Blitz F17-814 GmbH & Co. KG, Frankfurt	33
Blitz F17-813 GmbH, Frankfurt	33[8]
Caterva GmbH, Pullach i. Isartal	50
DKS Dienstleistungsgesellschaft f. Kommunikationsanlagen des Stadt- und Regionalverkehrs mbH, Cologne	49[8]
EBV Windpark Almstedt-Breinum GmbH & Co. Betriebs-KG, Bremen	64[4,8]
egrid applications & consulting GmbH, Kempten	49[8]
EOS Uptrade GmbH, Hamburg	62[4]
FEAG Fertigungscenter für Elektrische Anlagen GmbH, Erlangen	49[8]
IFTEC GmbH & Co. KG, Leipzig	50
Infineon Technologies Bipolar GmbH & Co. KG, Warstein	40

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September 30, 2017	Equity interest in %
Infineon Technologies Bipolar Verwaltungs-GmbH, Warstein	40[8]
LIB Verwaltungs-GmbH, Leipzig	50[8]
Ludwig Bölkow Campus GmbH, Taufkirchen	25[8]
Magazino GmbH, Munich	50
Maschinenfabrik Reinhausen GmbH, Regensburg	26
MeVis BreastCare GmbH & Co. KG, Bremen	49
MeVis BreastCare Verwaltungsgesellschaft mbH, Bremen	49[8]
OWP Butendiek GmbH & Co. KG, Bremen	23
Siemens EuroCash, Munich	6[6]
Siemens Venture Capital Fund 1 GmbH, Munich	100[4,8]
Sternico GmbH, Wendeburg	32[8]
Symeo GmbH, Neubiberg	55[4,8]
thinkstep AG, Leinfelden-Echterdingen	29
Transrapid International Verwaltungsgesellschaft mbH i.L., Berlin	50[8]
ubimake GmbH i.L., Berlin	50[8]
Valeo Siemens eAutomotive GmbH, Erlangen	50
Veja Mate Offshore Project GmbH, Gadebusch	41
Voith Hydro Holding GmbH & Co. KG, Heidenheim	35
Voith Hydro Holding Verwaltungs GmbH, Heidenheim	35[8]
Windkraft Trinwillershagen Entwicklungsgesellschaft mbH, Wiepkenhagen	50

Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany)
(61 companies)

September 30, 2017	Equity interest in %
Arelion GmbH in Liqu., Pasching b. Linz/Austria	25[8]
Aspern Smart City Research GmbH, Vienna/Austria	44[8]
Aspern Smart City Research GmbH & Co KG, Vienna/Austria	44
OIL AND GAS PROSERV LLC, Baku/Azerbaijan	25[8]
T-Power NV, Brussels/Belgium	20
Meomed s.r.o., Prerov/Czech Republic	47[8]
BioMensio Oy, Tampere/Finland	23[8]
Compagnie Electrique de Bretagne SAS, Paris/France	40
TRIXELL SAS, Moirans/France	25
Eviop-Tempo A.E. Electrical Equipment Manufacturers, Vassiliko/Greece	48
Parallel Graphics Ltd., Dublin/Ireland	57[4,8]
Frontline P.C.B. Solutions (1998) Ltd, Rehovot/Israel	50[8]
Frontline P.C.B. Solutions Limited Partnership, Rehovot/Israel	50
Metropolitan Transportation Solutions Ltd., Rosh HaAyin/Israel	20
Reindeer Energy Ltd., Kokhav Ya'ir–Tzur Yigal/Israel	33
Trickster Howell LTD, Ramat/Israel	50
Transfima GEIE, Milan/Italy	42[8,12]
Transfima S.p.A., Milan/Italy	49[8]
VAL 208 Torino GEIE, Milan/Italy	86[4,8,11,12]
Temir Zhol Electrification LLP, Astana/Kazakhstan	49
Electrogas Malta Limited, Marsaskala/Malta	33
Energie Electrique de Tahaddart S.A., Tangier/Morocco	20
Buitengaats C.V., Amsterdam/Netherlands	20[6,12]
Buitengaats Management B.V., Eemshaven/Netherlands	20[8]
Infraspeed Maintainance B.V., Zoetermeer/Netherlands	50
Ural Locomotives Holding Besloten Vennootschap, The Hague/Netherlands	50
ZeeEnergie C.V., Amsterdam/Netherlands	20[6,12]
ZeeEnergie Management B.V., Eemshaven/Netherlands	20[8]
Wirescan AS, Trollaasen/Norway	33[8]
Rousch (Pakistan) Power Ltd., Lahore/Pakistan	26
OOO Transconverter, Moscow/Russian Federation	35[8]
OOO VIS Automation mit Zusatz „Ein Gemeinschafts-unternehmen von VIS und Siemens", Moscow/Russian Federation	49
ZAO Interautomatika, Moscow/Russian Federation	46
ZAO Systema-Service, St. Petersburg/Russian Federation	26
Impilo Consortium (Pty.) Ltd., La Lucia/South Africa	31
Ardora, S.A., Vigo/Spain	35[8]
Desgasificación de Vertederos, S.A, Madrid/Spain	50[8]
Energías Renovables San Adrián de Juarros, S.A., San Adrián de Juarros/Spain	45
Explotaciones y Mantenimientos Integrales, S.L., Getxo/Spain	50[8]
Gate Solar Gestión, S.L. Unipersonal, Vitoria-Gasteiz/Spain	50[8]
Generación Eólica Extremeña, S.L., Plasencia/Spain	30[8]
Hydrophytic, S.L., Vitoria-Gasteiz/Spain	50[8]

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September 30, 2017	Equity interest in %
Nertus Mantenimiento Ferroviario y Servicios S.A., Barcelona/Spain	51[4]
Nuevas Estrategias de Mantenimiento, S.L., San Sebastián/Spain	50
Sistemes Electrics Espluga, S.A., Barcelona/Spain	50
Soleval Renovables S.L., Sevilla/Spain	50
Solucia Renovables 1, S.L., Lebrija/Spain	50
Tusso Energía, S.L., Sevilla/Spain	50[8]
Windar Renovables, S.L., Avilés/Spain	32
WS Tech Energy Global S.L., Viladecans/Spain	49
Certas AG, Zurich/Switzerland	50
Interessengemeinschaft TUS, Männedorf/Switzerland	50[12]
Cross London Trains Holdco 2 Limited, London/United Kingdom	33
Ethos Energy Group Limited, Aberdeen/United Kingdom	49
Galloper Wind Farm Holding Company Limited, Swindon, Wiltshire/United Kingdom	25
Lincs Renewable Energy Holdings Limited, London/United Kingdom	50
Odos Imaging Limited, Edinburgh/United Kingdom	50[8]
Plessey Holdings Ltd., Frimley, Surrey/United Kingdom	50[8]
Primetals Technologies, Limited, London/United Kingdom	49
RWG (Repair & Overhauls) Limited, Aberdeen/United Kingdom	50
Joint Venture Service Center, Chirchik/Uzbekistan	49[8]
Americas (17 companies)	
Energia Eólica de Mexico S.A. de C.V., Mexico City/Mexico	50
Baja Wind US LLC, Wilmington, DE/United States	50[8]
Bytemark Inc., New York, NY/United States	46
CEF-L Holding, LLC, Wilmington, DE/United States	27
Cyclos Semiconductor, Inc., Wilmington, DE/United States	32[8]
Echogen Power Systems, Inc., Wilmington, DE/United States	32
First State Marine Wind LLC, Newark, DE/United States	31[8]
Frustum, Inc., New York, NY/United States	21[8]
Hickory Run Holdings, LLC, Wilmington, DE/United States	20[6]
Panda Hummel Station Intermediate Holdings I LLC, Wilmington, DE/United States	32

September 30, 2017	Equity interest in %
Panda Stonewall Intermediate Holdings I, LLC, Wilmington, DE/United States	37
PhSiTh LLC, New Castle, DE/United States	33
Powerit Holdings, Inc., Seattle, WA/United States	21[8]
Rether networks, Inc., Berkeley, CA/United States	30[8]
USARAD Holdings, Inc., Fort Lauderdale, FL/United States	30[8]
Veo Robotics, Inc., Cambridge, MA/United States	27[8]
Empresa Nacional De Maquinas Eléctricas ENME, S.A., Caracas/Venezuela, Bolivarian Republic of	40[8]
Asia, Australia (21 companies)	
Exemplar Health (NBH) Partnership, Melbourne/Australia	50
Exemplar Health (SCUH) Partnership, Sydney/Australia	50
PHM Technology Pty Ltd, Melbourne/Australia	29[8]
ChinaInvent (Shanghai) Instrument Co., Ltd, Shanghai/China	30[8]
DBEST (Beijing) Facility Technology Management Co., Ltd., Beijing/China	25
Saitong Railway Electrification (Nanjing) Co., Ltd., Nanjing/China	50[8]
Shanghai Electric Power Generation Equipment Co., Ltd., Shanghai/China	40
Siemens Traction Equipment Ltd., Zhuzhou, Zhuzhou/China	50
TianJin ZongXi Traction Motor Ltd., Tianjin/China	50
Xi'An X-Ray Target Ltd., Xi'an/China	43
Zhenjiang Siemens Busbar Trunking Systems Co. Ltd., Yangzhong/China	50
Zhi Dao Railway Equipment Ltd., Taiyuan/China	50
Bangalore International Airport Ltd., Bangalore/India	26
Kintech Santalpur Wind Park Private Limited, Chennai/India	49
Transparent Energy Systems Private Limited, Pune/India	25[8]
P.T. Jawa Power, Jakarta/Indonesia	50
PT Asia Care Indonesia, Jakarta/Indonesia	40
Yaskawa Siemens Automation & Drives Corp., Tokyo/Japan	50
Advance Gas Turbine Solutions SDN. BHD., Kuala Lumpur/Malaysia	43
Power Automation Pte. Ltd., Singapore/Singapore	49
Modern Engineering and Consultants Co. Ltd., Bangkok/Thailand	40[8]

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September 30, 2017	Equity interest in %	Net income in millions of €	Equity in millions of €
OTHER INVESTMENTS[11]			
Germany (3 companies)			
BSAV Kapitalbeteiligungen und Vermögensverwaltungs Management GmbH, Grünwald	100[4,5]	7	167
Kyros Beteiligungsverwaltung GmbH, Grünwald	100[4,5]	33	485
OSRAM Licht AG, Munich	17	315	2,473
Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany) (5 companies)			
Uhre Vindmollelaug I/S, Brande/Denmark	19[13]	0	1
ATOS SE, Bezons/France	12	632	4,835
Medical Systems S.p.A., Genoa/Italy	45[5]	4	101
Automotive Facilities Brainport Holding N.V., Helmond/Netherlands	19	0	0
Unincorporated Joint Venture Gwynt y Mor, Swindon, Wiltshire/United Kingdom	10	N/A	N/A
Americas (1 company)			
Bentley Systems, Incorporated, Wilmington, DE/United States	7	80	(5)

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5 No significant influence due to contractual arrangements or legal circumstances.

6 Significant influence due to contractual arrangements or legal circumstances.

7 Not consolidated due to immateriality.

8 Not accounted for using the equity method due to immateriality.

9 Exemption pursuant to Section 264b German Commercial Code.

10 Exemption pursuant to Section 264 (3) German Commercial Code.

11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.

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N/A = No financial data available.

C.

Additional Information

C.1 Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report, which has been combined with the Management Report for Siemens Aktiengesellschaft, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Munich, November 27, 2017

Siemens Aktiengesellschaft
The Managing Board

Joe Kaeser

Dr. Roland Busch

Lisa Davis

Klaus Helmrich

Janina Kugel

Cedrik Neike

Michael Sen

Dr. Ralf P. Thomas

C.2 Independent Auditor's Report

To Siemens Aktiengesellschaft, Berlin and Munich

Report on the audit of the Consolidated Financial Statements and the Group Management Report

OPINIONS

We have audited the consolidated financial statements of Siemens Aktiengesellschaft, Berlin and Munich, and its subsidiaries (the Group), which comprise the consolidated statements of income and comprehensive income for the fiscal year from October 1, 2016 to September 30, 2017, the consolidated statements of financial position as of September 30, 2017, the consolidated statements of cash flows and changes in equity for the fiscal year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the group management report of Siemens Aktiengesellschaft, which is combined with the management report of Siemens Aktiengesellschaft, for the fiscal year from October 1, 2016 to September 30, 2017.

In our opinion, based on the findings of our audit,

- the accompanying consolidated financial statements comply, in all material respects, with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the supplementary provisions of German law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] and full IFRS as issued by the International Accounting Standards Board (IASB), and give a true and fair view of the net assets and financial position of the Group as of September 30, 2017 and its results of operations for the fiscal year from October 1, 2016 to September 30, 2017 in accordance with these requirements, and
- the accompanying group management report as a whole provides a suitable view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with the provisions of German law and suitably presents the opportunities and risks of future development.

In accordance with Sec. 322 (3) Sentence 1 HGB, we hereby state that our audit has not led to any reservations regarding the compliance of the consolidated financial statements and the group management report.

BASIS FOR OPINIONS

We conducted our audit of the consolidated financial statements and the group management report in accordance with Sec. 317 HGB and Regulation (EU) No 537/2014 (EU Audit Regulation) as well as German generally accepted standards on auditing promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We conducted the audit of the consolidated financial statements in supplementary compliance with International Standards on Auditing (ISA). Our responsibilities under those laws, rules and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the group management report" section of our report. We are independent of the group companies in accordance with European and German commercial law and professional provisions, and we have fulfilled our other German ethical responsibilities in accordance with these requirements. Furthermore, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided any prohibited non-audit services referred to in Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from October 1, 2016 to September 30, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Merger of the Siemens wind power business with Gamesa

Reasons why the matter was determined to be a key audit matter: On April 3, 2017, the merger of the Siemens wind power business with Gamesa Corporación Tecnológica S.A., Spain ("Gamesa") was completed. The Siemens Group holds 59% of the shares while Gamesa's former shareholders hold 41% of the shares in the combined entity. Siemens accounts for the business combination in accordance with IFRS 3, *Business Combinations*. Due to the complexity of the transaction and the associated significant risk of material misstatement, and considering the assumptions and estimates required to be made by management as part of the purchase price allocation, the accounting for this business combination was a key audit matter.

Audit approach: As part of our group audit, among other procedures, we analyzed management's assertion that Siemens has control over the combined entity based on agreements under corporate law and the criteria defined in IFRS 10, *Consolidated Financial Statements*.

Our audit procedures in relation to the preliminary purchase price allocation included, in addition to assessing the consideration transferred by Siemens, the evaluation of the methodological approach of the external expert engaged by management with respect to the identification of assets acquired as well as the conceptual evaluation of valuation models considering the requirements of IFRS 3. With the assistance of our internal valuation specialists, we examined the valuation methods applied in terms of the requirements defined in IFRS 13, *Fair Value Measurement*. Furthermore, we analyzed whether assumptions and estimates (such as growth rates, cost of capital, royalty rates or remaining useful lives) used in determining the fair value of identifiable assets acquired and liabilities assumed (including contingent liabilities) as of the acquisition date correspond to general and industry-specific market expectations. Additionally, we reperformed the calculations in the models and reconciled the expected future cash flows underlying the measurements with, inter alia, internal business plans.

An area of focus was the determination of the fair values of technologies and the measurement of warranty obligations associated with projects. In this regard, among other procedures, we assessed the appropriateness as audit evidence of the valuation report as well as the reports of the external experts in the wind power sector engaged by management through inquiries of the experts, and evaluated whether the assumptions used reflect the perspective of an external market participant as of the acquisition date.

Furthermore, we analyzed the application of uniform accounting policies of the entities of the wind power business, the tax effects of the merger, and the processing of the initial consolidation of the Gamesa entities, including non-controlling interests, in the Siemens consolidation system. In addition, we evaluated the disclosures in the notes to the consolidated financial statements regarding the merger of the Siemens wind power business with Gamesa in terms of their compliance with the requirements defined in IFRS 3.

Our audit procedures did not lead to any reservations relating to the accounting for the merger of the Siemens wind power business with Gamesa.

Reference to related disclosures: With regard to the accounting and measurement policies applied in connection with the merger of the Siemens wind power business with Gamesa, refer to → NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES in the NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS. Explanations of the transaction as well as disclosures on the preliminary purchase price allocation are included in → NOTE 3 ACQUISITIONS AND DISPOSITIONS in the NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

Revenue recognition on construction contracts

Reasons why the matter was determined to be a key audit matter: The Group conducts a significant portion of its business under construction contracts, particularly in the Divisions Power and Gas, Energy Management and Mobility as well as in the Strategic Unit Siemens Gamesa Renewable Energy. Revenue from long-term construction contracts is recognized in accordance with IAS 11, *Construction Contracts*, based on the extent of progress towards completion. We consider the accounting for construction contracts to be an area posing a significant risk of material misstatement (including the potential risk of management override of internal controls) and accordingly a key audit matter, because management's assessments significantly impact the determination of the extent of progress towards completion. These assessments include, in particular, the scope of deliveries and services required to fulfill contractually defined obligations, total contract costs, remaining costs to completion and total contract revenues, as well as contract risks including technical, political, regulatory and legal risks. Revenues, contract costs and profit recognition may deviate significantly from original estimates based on new knowledge about cost overruns and changes in project scope over the term of a construction contract.

Audit approach: As part of our audit, we obtained an understanding of the Group's internally established methods, processes and control mechanisms for project management in the bid and execution phase of construction contracts. We also assessed the design and operating effectiveness of the accounting-related internal controls by examining business transactions specific to construction contracts, from the initiation of the transaction through recognition in the consolidated financial statements, and testing internal controls over these processes.

As part of our substantive audit procedures, we evaluated management's estimates and assumptions based on a risk-based selection of a sample of contracts. Our sample particularly included projects that are subject to significant future uncertainties and risks, such as fixed-price or turnkey projects, projects with complex technical requirements or with a large portion of materials and services to be provided by suppliers, subcontractors or consortium partners, cross-border projects, and projects with changes in cost estimates, delays and/or low or negative margins. Our audit procedures included, among others, review of the sample contracts and their terms and conditions including contractually agreed partial deliveries and services, termination rights, penalties for delay and breach of contract as well as liquidated damages. In order to evaluate whether revenues were recognized on an accrual basis for the selected projects, we analyzed billable revenues and corresponding cost of sales to be recognized in the statement of income in the reporting period considering the extent of progress towards completion, and examined the accounting for the associated positions in the statement of financial position. Considering the requirements of IAS 11, we also assessed the accounting for contract amendments or contractually agreed options. We further performed inquiries of project management (both commercial and technical project managers) with respect to the development of the projects, the reasons for deviations between planned and actual costs, the current estimated costs to complete the projects, and management's assessments on probabilities that contract risks will materialize. In designing our audit procedures, we also considered results from project audits conducted by the internal audit function. Furthermore, we obtained evidence from third parties for selected projects (e.g. project acceptance documentation, contractual terms and conditions, and legal confirmations regarding alleged breaches of contract and asserted claims) and inspected plant and project locations. To identify anomalies in margin development throughout the projects' execution, we also applied data analysis procedures.

Due to the large contract volume and risk profile, our audit procedures especially focused on large contracts for the construction of power plants on a turnkey basis, high-voltage-direct-current solutions, the delivery of high-speed and commuter trains, and the construction of offshore wind farms.

Our audit procedures did not lead to any reservations relating to revenue recognition on construction contracts.

Reference to related disclosures: With regard to the accounting and measurement policies applied in accounting for constructing contracts, refer to → NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES in the NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS. With respect to provisions for order related losses and risks, refer to → NOTE 17 PROVISIONS in the NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

Provisions for proceedings out of or in connection with alleged breaches of contract and compliance violations as well as provisions for asset retirement obligations

Reasons why the matter was determined to be a key audit matter: We considered the accounting for provisions for proceedings out of or in connection with alleged breaches of contract and compliance violations, including allegations of corruption and antitrust violations, and for asset retirement obligations to be a key audit matter. These matters are subject to inherent uncertainties and require estimates that could have a significant impact on the recognition and measurement of the respective provision and, accordingly, on net assets and results of operations. Proceedings out of or in connection with alleged breaches of contract and compliance violations are subject to uncertainties because they frequently involve complex legal issues and accordingly, considerable management judgment, in particular when determining whether and in what amount a provision is required to account for the risks. The uncertainties and estimates with respect to asset retirement obligations pertain especially to the estimated costs of decommissioning, the estimated time frame over which cash outflows are expected, and the relevant discount rates.

Audit approach: During our audit of the financial reporting of proceedings out of or in connection with alleged breaches of contract and compliance violations, we analyzed the processes and internal controls implemented by Siemens for the identification, assessment and accounting of legal and regulatory proceedings. To determine what potentially significant pending legal proceedings or claims asserted are known and whether management's estimates of the expected cash outflows are reasonable, our audit procedures included inquiries of management and other persons within the Group entrusted with these matters, obtaining written statements from in-house legal counsels with respect to the assessment of estimated cash outflows and their probability, obtaining confirmations from external legal advisors and evaluating internal statements concerning the accounting in the consolidated financial statements. Furthermore, we examined legal consulting expense accounts for any indications of legal matters not yet considered, and inspected additional appropriate evidence.

We further considered alleged or substantiated non-compliance with statutory provisions, official regulations and internal company policies (compliance violations) by inspecting internal and external statements on specific matters, obtaining written statements from external legal advisors, and by inquiring of the compliance organization. In this regard, we, among other procedures, evaluated the conduct and results of internal investigations by inspecting internal reports and the measures taken to remediate identified weaknesses, and assessed whether any risks are to be reflected in the consolidated financial statements.

Based on the above described uncertainties, our audit procedures with respect to asset retirement obligations focused on the remediation and environmental protection liabilities for the decommissioning of the facilities in Hanau, Germany (Hanau facilities), as well as for the nuclear research and service center in Karlstein, Germany (Karlstein facilities). Our audit procedures included, among others, assessing the appropriateness as audit evidence of an independent expert's report commissioned by management, evaluating the valuation methods used by drawing on the expertise of our valuation specialists, and assessing the significant estimates resulting from the long-term nature. Through inquiries of persons entrusted with the matter and inspections of internal and external documents, we evaluated management's assessment that Siemens is, as of September 30, 2017, not covered by the regulations for nuclear waste disposal which were partly amended in fiscal year 2017 ("Gesetz zur Neuordnung der Verantwortung in der kerntechnischen Entsorgung"), and therefore continues to adhere to the German Atomic Energy Act ("deutsches Atomgesetz"), whereby radioactive waste resulting from the closure of the nuclear facility must be collected and delivered to a government-developed final storage facility. In addition, we assessed the adjustments to the assumed inflation rates and the changes to the applied interest yield curve in fiscal year 2017 by inquiring of management and, with the assistance of our internal valuation specialists, by comparing the above-mentioned changes to publicly available market data.

Furthermore, we evaluated the disclosures on proceedings out of or in connection with alleged breaches of contract and compliance violations as well as on asset retirement obligations in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations relating to the accounting for proceedings out of or in connection with alleged breaches of contract and compliance violations as well as for asset retirement obligations.

Reference to related disclosures: With regard to the accounting and measurement policies applied in accounting for provisions, refer to → NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES in the NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS. With respect to proceedings out of or in connection with alleged breaches of contract and compliance violations, refer to → NOTE 21 LEGAL PROCEEDINGS. With respect to the uncertainties and estimates relating to asset retirement obligations, refer to → NOTE 17 PROVISIONS.

Uncertain tax positions and deferred taxes

Reasons why the matter was determined to be a key audit matter: Siemens operates in numerous countries and is subject to different local tax regulations. The accounting for uncertain tax positions as well as deferred taxes requires management to exercise considerable judgment and make estimates and assumptions, and was therefore a key audit matter. This particularly pertains to the measurement and completeness of uncertain tax positions, the recoverability of deferred tax assets and the measurement and completeness of deferred tax liabilities.

Audit approach: With the assistance of internal tax specialists who have knowledge of relevant tax regulations, we assessed management's processes and tested internal controls implemented for the identification, recognition and measurement of tax positions. As part of our audit procedures for uncertain tax positions, we evaluated whether management's assessment of the tax effects of significant business transactions and events in fiscal year 2017, which could result in uncertain tax positions or impact the measurement of existing uncertain tax positions, comply with applicable tax law. This includes, in particular, tax effects from the acquisition or disposal of businesses, corporate (intragroup) restructuring activities, results of examinations by tax authorities, and cross-border transactions including the determination of transfer prices. In order to assess measurement and completeness, we also obtained confirmations from external tax advisors and inspected expert tax reports commissioned by Siemens for individual matters. Further, we evaluated management's assessments with respect to the prospects of success of appeal and tax court proceedings by inquiring of the Siemens tax department and by considering current tax case law.

In assessing the recoverability of deferred tax assets, we particularly analyzed management's assumptions with respect to projected future taxable income and compared them to internal business plans. As part of our audit procedures for deferred tax liabilities, we especially assessed management's assumptions regarding the permanent reinvestment of undistributed earnings of subsidiaries considering the dividend plans.

Our audit procedures did not lead to any reservations relating to the accounting for uncertain tax positions and deferred taxes.

Reference to related disclosures: With regard to the accounting and measurement policies applied in accounting for uncertain tax positions and deferred taxes, refer to → NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES in the NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS. With respect to disclosures for deferred tax assets and liabilities, refer to → NOTE 7 INCOME TAXES in the NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

Other information

Management is responsible for the following other information:

- the Responsibility Statement in chapter → C.1 of the Annual Report 2017, and
- Corporate Governance in chapter → C.4 of the Annual Report 2017.

The Supervisory Board is responsible for the following other information:

- the Report of the Supervisory Board in chapter → C.3 of the Annual Report 2017.

Our opinions on the consolidated financial statements and the group management report do not cover the other information and we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information, and, in doing so, consider whether the other information

- is materially inconsistent with the consolidated financial statements, the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the supplementary provisions of German law pursuant to Sec. 315a (1) HGB and full IFRS as issued by the IASB, for the preparation of consolidated financial statements that give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

In addition, management is responsible for the preparation of the group management report that as a whole provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements, complies with the provisions of German law and suitably presents the opportunities and risks of future development and for such arrangements and measures (systems) as management deems necessary to enable the preparation of a group management report in accordance with the applicable provisions of German law and to furnish sufficient appropriate evidence for the statements in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and our audit findings, complies with the provisions of German law and suitably presents the opportunities and risks of future development, and to issue an independent auditor's report that includes our opinions on the consolidated financial statements and the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation as well as generally accepted standards on auditing promulgated by the IDW and in supplementary compliance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and the arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the group management report or, if such disclosures are inadequate, to modify our respective opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS as adopted by the EU and the supplemental provisions of German law applicable pursuant to Sec. 315a (1) HGB and full IFRS as issued by the IASB;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions;
- evaluate the group management report's consistency with the consolidated financial statements, its compliance with the legal provisions and the view it gives of the Group's position;
- perform procedures on the forward-looking statements made by management in the group management report. In particular, on the basis of sufficient appropriate audit evidence, we walk through the significant assumptions underlying management's forward-looking statements and assess whether the forward-looking statements were appropriately derived from these assumptions. We do not provide a separate opinion on the forward-looking statements and underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe each key audit matter in our auditor's report unless laws or regulations preclude public disclosure about the matter.

Report on other legal and regulatory requirements

OTHER REPORTING ITEMS IN ACCORDANCE WITH ART. 10 OF THE EU AUDIT REGULATION

We were elected as auditor of the consolidated financial statements by the Annual Shareholders' Meeting on February 1, 2017. We were engaged by the Supervisory Board on February 1, 2017. We have been the auditor of Siemens Aktiengesellschaft for an uninterrupted period since the audit of the consolidated financial statements for the fiscal year from October 1, 2008 to September 30, 2009.

We confirm that the audit opinions included in this auditor's report are consistent with the additional report to the Audit Committee in accordance with Art. 11 of the EU Audit Regulation (audit report).

Responsible auditor

The auditor responsible for the audit is Thomas Spannagl.

Munich, November 27, 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Spannagl	Breitsameter
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

C.3 Report of the Supervisory Board

Berlin and Munich, November 29, 2017

In fiscal 2017, the Supervisory Board performed, in accordance with its obligations, the duties assigned to it by law, the Siemens Articles of Association and the Bylaws for the Supervisory Board. We regularly advised the Managing Board on the management of the Company and monitored the Managing Board's activities. We were directly involved at an early stage in all major decisions regarding the Company. In written and oral reports, the Managing Board regularly provided us with timely and comprehensive information on Company planning and business operations as well as on the strategic development and current state of the Company. On the basis of reports submitted by the Managing Board, we considered in detail business development and all decisions and transactions of major significance to the Company. Deviations from business plans were explained to us in detail and intensively discussed. The Managing Board coordinated the Company's strategic orientation with us. The proposals made by the Managing Board were approved by the Supervisory Board and/or the relevant Supervisory Board committees after in-depth examination and consultation. In my capacity as Chairman of the Supervisory Board, I was also in regular contact with the Managing Board and, in particular, with the President and Chief Executive Officer and was kept up-to-date on current developments in the Company's business situation and on key business transactions.

TOPICS AT THE PLENARY MEETINGS OF THE SUPERVISORY BOARD

We held a total of six regular plenary meetings and one extraordinary meeting in fiscal 2017. Topics of discussion at our regular plenary meetings were revenue, profit and employment development at Siemens AG, the Company's operating units and the Siemens Group as well as the Company's financial position and the results of its operations. We also concerned ourselves as required with major investment and divestment projects and with certain risks to the Company.

At our meeting on November 9, 2016, we discussed the Company's key financial figures for fiscal 2016 and approved the budget for 2017. On the basis of reported target achievement, we also defined the compensation of the Managing Board members for fiscal 2016. The appropriateness of this compensation was confirmed by an internal review. On the recommendation of the Compensation Committee, we also approved the targets for Managing Board compensation for fiscal 2017. The remuneration system for the Managing Board members for fiscal 2017 is unchanged vis-à-vis the remuneration system for fiscal 2015, which the Annual Shareholders' Meeting approved by a majority of more than 92% on January 27, 2015. At our meeting on November 9, 2016, we also approved the preparation of the public listing of the strategic unit Healthineers as well as the acquisition of Mentor Graphics Corporation.

On November 30, 2016, we discussed the financial statements and the Combined Management Report for Siemens AG and the Siemens Group as of September 30, 2016, the Annual Report for 2016 (including the Report of the Supervisory Board, the Corporate Governance Report and the Compensation Report) and the agenda for the Annual Shareholders' Meeting on February 1, 2017. The Managing Board informed us about the current status of acquisitions and divestments – in particular, the planned merger of Siemens' wind power business with the publicly listed company Gamesa Corporación Tecnológica S.A. (Spain) and the status of the integration of the two previously acquired companies Dresser Rand Group Inc. and CD-adapco Ltd. In addition, the Managing Board reported on the status of the implementation of the "Vision 2020" strategy. We also discussed the annual report of the Chief Compliance Officer and the pension system. In addition, the Managing Board informed us about the Mobility Division's business position and business development. Finally, at this meeting, the Supervisory Board approved the recommendation of the Chairman's Committee that Michael Sen and Cedrik Neike be appointed full members of the Managing Board, effective April 1, 2017.

At our meeting on January 31, 2017, the Managing Board reported to us on the Company's business and financial position following the conclusion of the first quarter. The Supervisory Board approved Managing Board decisions regarding financing measures. In addition, the Supervisory Board was informed about the Nominating Committee's decision that Jim Hagemann Snabe be nominated as a candidate for election by the Supervisory Board to the position of Supervisory Board Chairman on January 31, 2018.

At our meeting on May 3, 2017, the Managing Board reported to us on the Company's current business and financial position following the conclusion of the second quarter. The Supervisory Board defined the target – effective from July 1, 2017 – for the proportion of women on the Managing Board by June 30, 2022, as explained in greater detail in chapter → C.4.2 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTIONS 289 A AND 315 PARA. 5 OF THE GERMAN COMMERCIAL CODE. As part of a strategy focus, we concerned ourselves comprehensively and in detail with the Company's strategic orientation, taking into account current technology and innovation topics and the status of the implementation of the "Vision 2020" strategy.

At our meeting on August 2, 2017, the Managing Board reported to us on the Company's business and financial position following the conclusion of the third quarter. On the recommendation of the Chairman's Committee, we extended Joe Kaeser's term of office as a member of the Managing Board and as President and CEO, effective from August 1, 2018, until the end of the Annual Shareholders' Meeting that will decide on the ratification of the acts of the members of the Managing Board for fiscal 2020.

The Supervisory Board considered in detail the strategic setup of the Mobility Division and discussed the further actions planned regarding the preparation of the public listing of the strategic unit Healthineers. In addition, the Supervisory Board concerned itself with the recommendations of the Siemens Technology & Innovation Council and, in a continuation of the strategy focus of May 3, 2017, discussed the Company's strategic orientation.

At our meeting on September 20, 2017, the Managing Board reported to us on the state of the Company and on the business position of the Process Industries and Drives Division and on the business position of next47, the separate unit for startups. On the recommendation of the Chairman's Committee, we extended Dr. Ralf Thomas's term of office as a member of the Managing Board, effective from September 18, 2018, until September 17, 2023. In addition, we discussed the Mobility Division's strategic orientation. As part of our regular review, we adjusted – following preparation and a recommendation by the Compensation Committee – the amount of Managing Board compensation for fiscal 2018. In a further continuation of the strategy focus of May 3, 2017, the Supervisory Board also concerned itself with the Company's strategic orientation. Finally, we discussed the efficiency review of our activities.

At an extraordinary meeting on September 26, 2017, the Supervisory Board approved the planned merger of Siemens' mobility business with the publicly listed company Alstom SA (France).

CORPORATE GOVERNANCE CODE

At our meeting on September 20, 2017, we approved an unqualified Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act *(Aktiengesetz)*. Information on corporate governance at Siemens is available in chapter → C.4 CORPORATE GOVERNANCE. Our Declaration of Conformity has been made permanently available to our shareholders on our website. The current Declaration of Conformity is also available in chapter → C.4.2 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTIONS 289 A AND 315 PARA. 5 OF THE GERMAN COMMERCIAL CODE.

WORK IN THE SUPERVISORY BOARD COMMITTEES

The Supervisory Board has established seven standing committees, which prepare proposals and issues to be dealt with at its plenary meetings. Some of the Supervisory Board's decision-making powers have also been delegated to these committees within the permissible legal framework. The committee chairpersons report to the Supervisory Board on their committees' work at the subsequent Board meetings. A list of the members and a detailed explanation of the tasks of the individual Supervisory Board committees are contained in chapter → C.4.1 MANAGEMENT AND CONTROL STRUCTURE.

The Chairman's Committee met seven times. It also made one decision by written circulation. Between meetings, I discussed topics of major importance with the members of the Chairman's Committee. The Committee concerned itself, in particular, with personnel topics and corporate governance issues, including the assumption by Managing Board members of positions at other companies and institutions.

The Nominating Committee met six times. Outside these meetings, it also concerned itself intensively with the long-term succession planning for the Supervisory Board and, in particular, with succession to the Chairmanship of the Supervisory Board and to the Chairmanship of the Audit Committee. At its meeting on January 31, 2017, the Nominating Committee approved the nomination of Jim Hagemann Snabe as a candidate for election by the Supervisory Board to the position of Supervisory Board Chairman, with the election to take place at the Supervisory Board's constituent meeting after the elections to the Supervisory Board at the Annual Shareholders' Meeting on January 31, 2018. The Nominating Committee prepared the Supervisory Board's proposal to the Annual Shareholders' Meeting on January 31, 2018, regarding the upcoming regular election of seven shareholder representatives on the Supervisory Board. When searching for and evaluating candidates, the Nominating Committee took into consideration – in addition to the requirements of the German Stock Corporation Act, the German Corporate Governance Code and the Bylaws for the Supervisory Board – the targets established by the Supervisory Board for its composition and the profile of skills and expertise defined by the Supervisory Board for its composition. The Nominating Committee was supported in its activities by an external personnel consultant.

The Compliance Committee met four times. It primarily discussed the quarterly reports and the annual report of the Chief Compliance Officer.

The Mediation Committee had no need to meet.

The Compensation Committee met three times. It also made one decision by written circulation. The Compensation Committee prepared, in particular, proposals for the Supervisory Board regarding the determination of targets for variable compensation, the determination and review of the appropriateness of Managing Board compensation and the approval of the Compensation Report.

The Innovation and Finance Committee held three ordinary and two extraordinary meetings. The focuses of its meetings included the Committee's recommendation regarding the budget for fiscal 2017 and the discussion of the Company's strategy, including portfolio measures, as well as the preparation and approval of investment and divestment projects. For example, the Committee prepared proposals for the Supervisory Board regarding the acquisition of Mentor Graphics Corporation, regarding the preparation of the public listing of the strategic unit Healthineers and regarding actions relating to the strategic orientation of the Mobility Division. At its meeting on September 19, 2017, the Committee also approved the Managing Board decision concerning an investment in a combined cycle power plant project in the United Arab Emirates and prepared the proposal for the Supervisory Board regarding Managing Board decisions relating to financial measures. In addition, the Innovation and Finance Committee intensively discussed the Company's strategic orientation and its innovation and technology focuses. In particular, it discussed the activities and recommendations of the Siemens Technology & Innovation Council.

The Audit Committee met six times. In the presence of the independent auditors as well as the President and Chief Executive Officer and the Chief Financial Officer, the Committee dealt with the financial statements and the Combined Management Report for Siemens AG and the Siemens Group. The Audit Committee discussed the Half-year Financial Report and the quarterly statements with the Managing Board and the independent auditors. In the presence of the independent auditors, it also discussed the report on the auditors' review of the Company's Half-year Consolidated Financial Statements and of its Interim Group Management Report. The Committee recommended that the Supervisory Board propose to the Annual Shareholders' Meeting the election of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (Stuttgart, Germany) as the independent auditors. The Committee appointed the independent auditors for fiscal 2017, defined the audit focal points and determined the auditors' fee. The Committee monitored the selection, independence, qualification, rotation and efficiency of the independent auditors. Furthermore, the Audit Committee dealt with the Company's accounting and accounting process, the effectiveness of its internal control system, its risk management system and the effectiveness, resources and findings of the internal audit as well as with reports concerning potential and pending legal disputes.

DETAILED DISCUSSION OF THE AUDIT OF THE FINANCIAL STATEMENTS

The independent auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (Stuttgart, Germany), audited the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group and the Combined Management Report for Siemens AG and the Siemens Group for fiscal 2017 and issued an unqualified opinion. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (Stuttgart, Germany) has served as independent auditors of Siemens AG and the Siemens Group since fiscal 2009. Katharina Breitsameter has signed as auditor since fiscal 2016, and Thomas Spannagl has signed as auditor responsible for the audit since fiscal 2014. The Annual Financial Statements of Siemens AG and the Combined Management Report for Siemens AG and the Siemens Group were prepared in accordance with the requirements of German law. The Consolidated Financial Statements of the Siemens Group were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and with the additional requirements of German law set out in Section 315a (1) of the German Commercial Code *(Handelsgesetzbuch)*. The Consolidated Financial Statements of the Siemens Group also comply with the IFRS as issued by the International Accounting Standards Board (IASB). The independent auditors conducted their audit in accordance with Section 317 of the German Commercial Code, the EU Audit Regulation (Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, "EU Audit Regulation") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as in supplementary compliance with the International Standards on Auditing (ISA). The abovementioned documents as well as the Managing Board's proposal for the appropriation of net income were submitted to us by the Managing Board in advance. The Audit Committee discussed the dividend proposal in detail at its meeting on November 7, 2017. It discussed the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group and the Combined Management Report in detail at its meeting on November 28, 2017. In this context, the Audit Committee concerned itself, in particular, with key audit matters, including the audit procedures implemented. The audit reports prepared by the independent auditors were distributed to all members of the Supervisory Board and comprehensively reviewed at the Supervisory Board's meeting on November 29, 2017, in the presence of the independent auditors, who reported on the scope, focal points and main findings of their audit, addressing, in particular, key audit matters and the audit procedures implemented. No major weaknesses in the Company's internal control or risk management systems were reported. At this meeting, the Managing Board explained the financial statements of Siemens AG and the Siemens Group as well as the Company's risk management system. At its meeting on November 29, 2017, the Supervisory Board also approved the proposal to the Annual Shareholders' Meeting, taking into account the Audit Committee's recommendation regarding the election of the independent auditors. This proposal was based on the Audit Committee's declaration that its recommendation was free of undue influence by third parties and that it had not entered into any contractual clause that could restrict the choice within the meaning of Art. 16, para. 6 of the EU Audit Regulation.

The Supervisory Board concurs with the results of the audit. Following the definitive findings of the Audit Committee's examination and our own examination, we have no objections. The Managing Board prepared the Annual Financial Statements of Siemens AG and the Consolidated Financial Statements of the Siemens Group. We approved the Annual Financial Statements and the Consolidated Financial Statements. In view of our approval, the Annual Financial Statements of Siemens AG are adopted as submitted. We endorsed the Managing Board's proposal that the net income available for distribution be used to pay out a dividend of €3.70 per share entitled to a dividend and that the amount of net income attributable to shares of stock not entitled to receive a dividend for fiscal 2017 be carried forward.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY AND MANAGING BOARDS

Prof. Dr. Siegfried Russwurm left the Managing Board, effective March 31, 2017. The Supervisory Board appointed Michael Sen and Cedrik Neike full members of the Managing Board, effective April 1, 2017. There were no changes in the composition of the Supervisory Board during the year under review. Effective at the end of the day on September 30, 2017, Hans-Jürgen Hartung left the Supervisory Board. Dorothea Simon was appointed a member of the Supervisory Board by order of the district court of Charlottenburg, Germany, effective from October 1, 2017 until the end of the Annual Shareholders' Meeting on January 31, 2018.

On behalf of the Supervisory Board, I would like to thank the members of the Managing Board as well as the employees and employee representatives of Siemens AG and all Group companies for their outstanding commitment and constructive cooperation in fiscal 2017.

For the Supervisory Board

Dr. Gerhard Cromme
Chairman

C.4 Corporate Governance

C.4.1 Management and control structure

Siemens AG is subject to German corporate law. Therefore, it has a two-tier board structure, consisting of a Managing Board and a Supervisory Board.

C.4.1.1 MANAGING BOARD

As the Company's top management body, the Managing Board is committed to serving the interests of the Company and achieving sustainable growth in company value. The members of the Managing Board are jointly responsible for the entire management of the Company and decide on the basic issues of business policy and corporate strategy as well as on the Company's annual and multi-year plans.

The Managing Board prepares the Company's Quarterly Statements and Half-year Financial Report, the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group and the Combined Management Report of Siemens AG and the Siemens Group. In addition, the Managing Board ensures that the Company adheres to statutory requirements, official regulations and internal Company policies and works to achieve compliance with these provisions and policies within the Siemens Group. The Managing Board has established a comprehensive compliance management system. Details are available on the Siemens Global Website at WWW.SIEMENS.COM/SUSTAINABILITY-FIGURES

The Managing Board and the Supervisory Board cooperate closely for the benefit of the Company. The Managing Board informs the Supervisory Board regularly, comprehensively and without delay on all issues of importance to the Company with regard to strategy, planning, business development, financial position, earnings, compliance and risks. When filling managerial positions at the Company, the Managing Board takes diversity into consideration and, in particular, aims for an appropriate consideration of women and internationality.

The Supervisory Board has defined for a second time a target for the proportion of women in the Managing Board of Siemens AG and has set a deadline for its attainment. The Managing Board has defined again targets for the proportion of women at the two management levels below the Managing Board and has set a deadline for their attainment. Details are set out in chapter → C.4.2.4 TARGETS FOR THE QUOTA OF WOMEN ON THE MANAGING BOARD AND AT THE TWO MANAGEMENT LEVELS IMMEDIATELY BELOW THE MANAGING BOARD.

The Managing Board has one committee, the Equity and Compensation Committee. This committee, to which the former Equity and Employee Stock Committee has been transferred, comprises the President and CEO, the Chief Financial Officer, the Chief Human Resources Officer and, as a consultative member, the Chief of Staff of Siemens AG. It is responsible for the duties assigned to it by decision of the Managing Board and has assumed the duties previously assigned to the Equity and Employee Stock Committee – including, in particular, duties in connection with capital measures and equity-linked financial instruments, relating to the compensation of the employees and managers of the Siemens Group (except for the compensation of the members of the Managing Board and Top Management) and relating to share-based compensation components and employee share plans.

The Equity and Compensation Committee comprises Joe Kaeser (Chairman), Dr. Ralf P. Thomas, Janina Kugel and, as a consultative member, Mariel von Schumann (as of September 30, 2017).

Information on the areas of responsibility and the curricula vitae of the members of the Managing Board are available on the Siemens Global Website at WWW.SIEMENS.COM/COMPANY-STRUCTURE. Information on the compensation paid to the members of the Managing Board is provided in chapter → A.10 COMPENSATION REPORT.

Members of the Managing Board and positions held by Managing Board members

In fiscal 2017, the Managing Board comprised the following members:

Name	Date of birth	First appointed	Term expires	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises – External positions (as of September 30, 2017)	Group company positions (as of September 30, 2017)
Joe Kaeser President and Chief Executive Officer	June 23, 1957	May 1, 2006	At the end of the 2021 Annual Shareholders' Meeting	German positions: › Allianz Deutschland AG, Munich › Daimler AG, Stuttgart Positions outside Germany: › NXP Semiconductors B.V., Netherlands	Positions outside Germany: › Siemens Ltd., India
Roland Busch, Dr. rer. nat.	November 22, 1964	April 1, 2011	March 31, 2021	German positions: › OSRAM Licht AG, Munich (Deputy Chairman) › OSRAM GmbH, Munich (Deputy Chairman) Positions outside Germany: › Atos SE, France	German positions: › Siemens Postal, Parcel & Airport Logistics GmbH, Constance Positions outside Germany: › Arabia Electric Ltd. (Equipment), Saudi Arabia › ISCOSA Industries and Maintenance Ltd., Saudi Arabia (Deputy Chairman) › Siemens Ltd., Saudi Arabia › Siemens W.L.L., Qatar › VA TECH T&D Co. Ltd., Saudi Arabia
Lisa Davis	October 15, 1963	August 1, 2014	July 31, 2019	Positions outside Germany: › Penske Automotive Group Inc., USA	Positions outside Germany: › Siemens Corp., USA (Chairwoman and CEO) › Siemens Gamesa Renewable Energy S.A., Spain
Klaus Helmrich	May 24, 1958	April 1, 2011	March 31, 2021	German positions: › Deutsche Messe AG, Hanover › EOS Holding AG, Krailling › inpro Innovationsgesellschaft für fortgeschrittene Produktionssysteme in der Fahrzeugindustrie mbH, Berlin	Positions outside Germany: › Siemens AB, Sweden (Chairman) › Siemens Aktiengesellschaft Österreich, Austria (Chairman) › Siemens Proprietary Ltd., South Africa (Chairman) › Siemens Schweiz AG, Switzerland (Chairman)
Janina Kugel	January 12, 1970	February 1, 2015	January 31, 2020	German positions: › Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit, Cologne Positions outside Germany: › Konecranes Plc., Finland	German positions: › Siemens Healthcare GmbH, Munich
Cedrik Neike	March 7, 1973	April 1, 2017	May 31, 2020		Positions outside Germany: › Siemens Ltd., China (Chairman) › Siemens Ltd., India
Siegfried Russwurm, Prof. Dr.-Ing. (until March 31, 2017)	June 27, 1963	January 1, 2008	March 31, 2017		
Michael Sen	November 17, 1968	April 1, 2017	March 31, 2022		German positions: › Siemens Healthcare GmbH, Munich Positions outside Germany: › Siemens Gamesa Renewable Energy S.A., Spain
Ralf P. Thomas, Dr. rer. pol.	March 7, 1961	September 18, 2013	September 17, 2023		German positions: › Siemens Healthcare GmbH, Munich Positions outside Germany: › Siemens Aktiengesellschaft Österreich, Austria › Siemens Corp., USA (Deputy Chairman) › Siemens Gamesa Renewable Energy S.A., Spain

C.4.1.2 SUPERVISORY BOARD

The Supervisory Board oversees and advises the Managing Board in its management of the Company's business. At regular intervals, the Supervisory Board discusses business development, planning, strategy and strategy implementation. It reviews the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group and the Combined Management Report of Siemens AG and the Siemens Group, and the proposal for the appropriation of net income. It approves the Annual Financial Statements of Siemens AG as well as the Consolidated Financial Statements of the Siemens Group, based on the results of the preliminary review conducted by the Audit Committee and taking into account the reports of the independent auditors. The Supervisory Board decides on the Managing Board's proposal for the appropriation of net income and the Report of the Supervisory Board to the Annual Shareholders' Meeting. In addition, the Supervisory Board or the Compliance Committee, which is described in more detail below, concern themselves with monitoring the Company's adherence to statutory provisions, official regulations and internal Company policies (compliance). The Supervisory Board also appoints the members of the Managing Board and determines each member's portfolios. Important Managing Board decisions – such as those regarding major acquisitions, divestments, fixed asset investments or financial measures – require Supervisory Board approval, unless the Bylaws for the Supervisory Board specify that such authority be delegated to the Innovation and Finance Committee of the Supervisory Board. In the Bylaws for the Managing Board, the Supervisory Board has established the rules that govern the Managing Board's work.

Information on the work of the Supervisory Board is provided in chapter → C.3 REPORT OF THE SUPERVISORY BOARD. The curricula vitae of the members of the Supervisory Board are available on the Siemens Global Website at WWW.SIEMENS.COM/SUPERVISORY-BOARD. The compensation paid to the members of the Supervisory Board is provided in chapter → A.10 COMPENSATION REPORT.

The Supervisory Board of Siemens AG has 20 members. As stipulated by the German Codetermination Act (*Mitbestimmungsgesetz*), half of the members represent Company shareholders, and half represent Company employees. The employee representatives' names are marked below with an asterisk (*). In general, the terms of office of the current Supervisory Board members will expire at the conclusion of the Annual Shareholders' Meeting in 2018. The terms of office of Dr. Nicola Leibinger-Kammüller, Jim Hagemann Snabe and Werner Wenning will expire at the conclusion of the Annual Shareholders' Meeting in 2021. Effective from October 1, 2017, until the end of the ordinary Annual Shareholders' Meeting on January 31, 2018, Dorothea Simon has been appointed by court order as employee representative on the Supervisory Board. She succeeds Hans-Jürgen Hartung, who left the Supervisory Board at the end of September 30, 2017. The future Supervisory Board's employee representatives were newly elected on October 5, 2017, in accordance with the provisions of the German Codetermination Act (*Mitbestimmungsgesetz*). Their election will take effect at the end of the ordinary Annual Shareholders' Meeting on January 31, 2018.

Members of the Supervisory Board and positions held by Supervisory Board members

In fiscal 2017, the Supervisory Board comprised the following members:

Name	Occupation	Date of birth	Member since	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises (as of September 30, 2017)
Gerhard Cromme, Dr. iur. Chairman	Chairman of the Supervisory Board of Siemens AG	February 25, 1943	January 23, 2003	Positions outside Germany: › AUTO1 N.V., Netherlands (Chairman) › ODDO BHF SCA, France (Co-Chairman)
Birgit Steinborn* First Deputy Chairwoman	Chairwoman of the Central Works Council of Siemens AG	March 26, 1960	January 24, 2008	
Werner Wenning Second Deputy Chairman	Chairman of the Supervisory Board of Bayer AG	October 21, 1946	January 23, 2013	German positions: › Bayer AG, Leverkusen (Chairman) › Henkel AG & Co. KGaA, Düsseldorf[1] › Henkel Management AG, Düsseldorf
Olaf Bolduan*	Chairman of the Works Council of Siemens Dynamowerk, Berlin, Germany	July 24, 1952	July 11, 2014	
Michael Diekmann	Chairman of the Supervisory Board of Allianz SE	December 23, 1954	January 24, 2008	German positions: › Allianz SE, Munich (Chairman) › BASF SE, Ludwigshafen am Rhein (Deputy Chairman) › Fresenius Management SE, Bad Homburg › Fresenius SE & Co. KGaA, Bad Homburg (Deputy Chairman)

1 Shareholders' Committee.

Name	Occupation	Date of birth	Member since	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises (as of September 30, 2017)
Hans Michael Gaul, Dr. iur.	Supervisory Board Member	March 2, 1942	January 24, 2008	German positions: › HSBC Trinkaus & Burkhardt AG, Düsseldorf
Reinhard Hahn*	Trade Union Secretary of the Managing Board of IG Metall	June 24, 1956	January 27, 2015	German positions: › Siemens Healthcare GmbH, Munich
Bettina Haller*	Chairwoman of the Combine Works Council of Siemens AG	March 14, 1959	April 1, 2007	
Hans-Jürgen Hartung* (until September 30, 2017)	Member of the Works Council of Siemens Erlangen Süd, Germany	March 10, 1952	January 27, 2009	
Robert Kensbock*	Deputy Chairman of the Central Works Council of Siemens AG	March 13, 1971	January 23, 2013	
Harald Kern*	Chairman of the Siemens Europe Committee	March 16, 1960	January 24, 2008	
Jürgen Kerner*	Treasurer and full-time member of the Executive Committee of IG Metall	January 22, 1969	January 25, 2012	German positions: › Airbus Operations GmbH, Hamburg › MAN Diesel & Turbo SE, Augsburg › MAN SE, Munich (Deputy Chairman) › Premium Aerotec GmbH, Augsburg (Deputy Chairman)
Nicola Leibinger-Kammüller, Dr. phil.	President and Chairwoman of the Managing Board of TRUMPF GmbH + Co. KG	December 15, 1959	January 24, 2008	German positions: › Axel Springer SE, Berlin › Voith GmbH, Heidenheim
Gérard Mestrallet	Chairman of the Board of Directors of ENGIE S.A.	April 1, 1949	January 23, 2013	Positions outside Germany: › ENGIE S.A., France (Chairman) › Société Générale S.A., France › Suez S.A., France (Chairman)
Norbert Reithofer, Dr.-Ing. Dr.-Ing. E.h.	Chairman of the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft	May 29, 1956	January 27, 2015	German positions: › Bayerische Motoren Werke Aktiengesellschaft, Munich (Chairman) › Henkel AG & Co. KGaA, Düsseldorf[1]
Güler Sabancı	Chairwoman and Managing Director of Hacı Ömer Sabancı Holding A.Ş.	August 14, 1955	January 23, 2013	
Nathalie von Siemens, Dr. phil.	Managing Director and Spokesperson of Siemens Stiftung	July 14, 1971	January 27, 2015	German positions: › Messer Group GmbH, Sulzbach › Siemens Healthcare GmbH, Munich
Michael Sigmund*	Chairman of the Committee of Spokespersons of the Siemens Group; Chairman of the Central Committee of Spokespersons of Siemens AG	September 13, 1957	March 1, 2014	
Dorothea Simon* (since October 1, 2017)	Chairwoman of the Central Works Council of Siemens Healthcare GmbH	August 3, 1969	October 1, 2017	German positions: › Siemens Healthcare GmbH, Munich
Jim Hagemann Snabe	Chairman of the Board of Directors of A.P. Møller-Mærsk A/S	October 27, 1965	October 1, 2013	German positions: › Allianz SE, Munich Positions outside Germany: › A.P. Møller-Mærsk A/S, Denmark (Chairman)
Sibylle Wankel*	General Counsel, Managing Board of IG Metall	March 3, 1964	April 1, 2009	German positions: › Daimler AG, Stuttgart

1 Shareholders' Committee.

Objectives of the Supervisory Board's composition and profile of required skills and expertise of the Supervisory Board

On September 20, 2017, the Supervisory Board – taking into account the recommendations of the German Corporate Governance Code (Code) – newly approved the objectives of its composition, including a profile of the skills and expertise that the Supervisory Board should possess. The composition of the Supervisory Board of Siemens AG shall be such that qualified control and advice for the Managing Board is ensured.

Profile of required skills and expertise

The candidates proposed for election to the Supervisory Board shall have the knowledge, skills and experience necessary to carry out the functions of a Supervisory Board member in a multinational company and safeguard the reputation of Siemens in public. In particular, care shall be taken in regard to the personality, integrity, commitment and professionalism of the individuals proposed for election.

The goal is to ensure that, in the Supervisory Board, as a group, all knowhow and experience is available that is considered essential in view of Siemens' activities. This includes, for instance, knowledge and experience in the areas of technology (including information technology and digitalization), procurement, manufacturing and sales, finance, law (including compliance) and human resources. In addition, the members of the Supervisory Board shall collectively have knowledge and experience in the business areas that are important for Siemens, in particular in the areas of industry, energy, healthcare and infrastructure. As a group, the members of the Supervisory Board are to be familiar with the sector in which the Company operates. At least one independent member of the Supervisory Board shall have knowledge and expertise in the areas of accounting or the auditing of financial statements and specific knowledge and experience in applying accounting principles and internal control processes. In particular, the Supervisory Board shall also include members who have leadership experience as senior executives or members of a supervisory board (or comparable body) at a major company with international operations.

When a new member is to be appointed, a review shall be performed to determine which of the areas of expertise deemed desirable for the Supervisory Board are to be strengthened.

Internationality

Taking the Company's international orientation into account, care shall be taken to ensure that the Supervisory Board has an adequate number of members with extensive international experience. The goal is to make sure that the present considerable share of Supervisory Board members with extensive international experience is maintained.

Diversity

With regard to the composition of the Supervisory Board, attention shall be paid to achieving sufficient diversity. Not only is appropriate consideration to be given to women. Diversity of cultural heritage, religion and ethnic background and a wide range of different professional backgrounds, experiences and ways of thinking are also to be promoted. When considering possible candidates for new elections or for filling Supervisory Board positions that have become vacant, the Supervisory Board shall give appropriate consideration to diversity at an early stage in the selection process.

In accordance with the German Law for Equal Participation of Women and Men in Management Positions in the Private and Public Sectors (*Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst*), the Supervisory Board is composed of at least 30 percent women and at least 30 percent men. The Nominating Committee shall continue to include at least one female member.

Independence

An adequate number of independent members shall belong to the Supervisory Board. Material and not merely temporary conflicts of interest, such as governing or advisory body functions at major competitors of the Company shall be avoided. Under the presumption that the mere exercise of Supervisory Board duties as an employee representative gives no cause to doubt compliance with the independence criteria pursuant to Section 5.4.2 of the Code, the Supervisory Board shall have a minimum of sixteen members who are independent in the meaning of the Code. In any case, the Supervisory Board shall be composed in such a way that a number of at least six independent shareholder representatives in the meaning of Section 5.4.2 of the Code is achieved.

No more than two former members of the Managing Board of Siemens AG shall belong to the Supervisory Board.

The Supervisory Board members shall have sufficient time to be able to exercise their mandates with the necessary regularity and diligence.

Limits on age and on length of membership

In compliance with the age limit stipulated by the Supervisory Board in its Bylaws, only individuals who are no older than 70 years of age shall, as a rule, be nominated for election to the Supervisory Board. Nominations shall take into account the regular limit established by the Supervisory Board, which restricts membership on the Supervisory Board to a maximum of three full terms of office (15 years). The aim is to ensure that the Supervisory Board has an appropriate age structure and range of experience.

Status of implementation of the objectives of the Supervisory Board's composition and profile of required skills and expertise; independent Supervisory Board members

With its current membership, the Supervisory Board meets all the above-mentioned objectives for its composition and fulfills the profile of required skills and expertise. The Supervisory Board members have the specialist and personal qualifications considered necessary. As a group, they are familiar with the sector in which the Company operates and have the knowledge, skills and experience essential for Siemens. A considerable number of Supervisory Board members are engaged in international activities and/or have many years of international experience. Appropriate consideration has been given to diversity in the Supervisory Board. In fiscal 2017, the Supervisory Board had six female members. Since October 1, 2017, it has had seven female members, of whom three are shareholder representatives and four are employee representatives. The mandatory minimum quota stipulated in Section 96, para. 2, sent. 1 of the German Stock Corporation Act (*Aktiengesetz*) has therefore been met. Dr. Nicola Leibinger-Kammüller is a member of the Nominating Committee.

The Supervisory Board also has an adequate number of independent members. In the opinion of the Supervisory Board, there are currently at least 17 Supervisory Board members who are independent in the meaning of Section 5.4.2 of the Code. Of these independent members, at least seven – namely, Michael Diekmann, Dr. Hans Michael Gaul, Gérard Mestrallet, Dr. Norbert Reithofer, Güler Sabancı, Jim Hagemann Snabe and Werner Wenning – are shareholder representatives. The regulations establishing limits on age and limiting membership in the Supervisory Board to three full terms of office (15 years) are complied with.

Supervisory Board Committees

The Supervisory Board has seven committees, whose duties, responsibilities and procedures fulfill the requirements of the German Stock Corporation Act *(Aktiengesetz)* and the Code. The chairmen of these committees provide the Supervisory Board with regular reports on their committees' activities.

The **Chairman's Committee** makes proposals, in particular, regarding the appointment and dismissal of Managing Board members and handles contracts with members of the Managing Board. When making recommendations for first-time appointments, it takes into account that the terms of these appointments shall not, as a rule, exceed three years. In preparing recommendations on the appointment of Managing Board members, the Chairman's Committee takes into account the candidates' professional qualifications, international experience and leadership qualities, the age limit specified for Managing Board members, the long-range plans for succession as well as diversity. It also takes into account the targets for the proportion of women on the Managing Board specified by the Supervisory Board. The Chairman's Committee concerns itself with questions regarding the Company's corporate governance and prepares the resolutions to be approved by the Supervisory Board regarding the Declaration of Conformity with the Code – including the explanation of deviations from the Code – and regarding the approval of the Corporate Governance Report as well as the Report of the Supervisory Board to the Annual Shareholders' Meeting. Furthermore, the Chairman's Committee submits recommendations to the Supervisory Board regarding the composition of the Supervisory Board committees and decides whether to approve contracts and business transactions with Managing Board members and parties related to them.

In fiscal 2017, the Chairman's Committee comprised Dr. Gerhard Cromme (Chairman), Jürgen Kerner, Birgit Steinborn and Werner Wenning.

The **Compensation Committee** prepares, in particular, the proposals for decisions by the Supervisory Board's plenary meetings regarding the system of Managing Board compensation, including the implementation of this system in Managing Board contracts, the definition of the targets for variable Managing Board compensation, the determination and review of the appropriateness of the total compensation of individual Managing Board members and the approval of the annual Compensation Report.

In fiscal 2017, the Compensation Committee comprised Werner Wenning (Chairman), Dr. Gerhard Cromme, Michael Diekmann, Robert Kensbock, Jürgen Kerner and Birgit Steinborn.

The **Audit Committee** oversees, in particular, the accounting and the accounting process and conducts a preliminary review of the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group and the Combined Management Report of Siemens AG and the Siemens Group. On the basis of the independent auditors' report on their audit of the annual financial statements, the Audit Committee makes, after its preliminary review, recommendations regarding Supervisory Board approval of the Annual Financial Statements of Siemens AG and the Consolidated Financial Statements of the Siemens Group. The Audit Committee discusses the Quarterly Statements and Half-year Financial Report with the Managing Board and the independent auditors and deals with the auditors' report on the review of the Half-year Consolidated Financial Statements and Interim Group Management Report. It concerns itself with the Company's risk monitoring system and oversees the effectiveness of the internal control, risk management and the internal audit systems. The Audit Committee receives regular reports from the Internal Audit Department. It prepares the Supervisory Board's recommendation to the Annual Shareholders' Meeting concerning the election of the independent auditors and submits the corresponding proposal to the Supervisory Board. It awards the audit contract to the independent auditors elected by the Annual Shareholders' Meeting and monitors the independent audit of the financial statements as well as the auditors' selection, independence, qualification, rotation and efficiency.

In fiscal 2017, the Audit Committee comprised Dr. Hans Michael Gaul (Chairman), Dr. Gerhard Cromme, Bettina Haller, Robert Kensbock, Jürgen Kerner, Dr. Nicola Leibinger-Kammüller, Jim Hagemann Snabe and Birgit Steinborn. The members of the Audit Committee are, as a group, familiar with the sector in which the Company operates. Pursuant to the German Stock Corporation Act, the Audit Committee must include at least one Supervisory Board member with knowledge and experience in the areas of accounting or the auditing of financial statements. Pursuant to the Code, the chairman or chairwoman of the Audit Committee shall have specialist knowledge and experience in the application of accounting principles and internal control processes, shall be independent and may not be a former Managing Board member whose appointment ended less than two years ago. The Chairman of the Audit Committee, Dr. Hans Michael Gaul, fulfills these requirements.

The **Compliance Committee** concerns itself, in particular, with monitoring the Company's adherence to statutory provisions, official regulations and internal Company policies (compliance).

In fiscal 2017, the Compliance Committee comprised Dr. Gerhard Cromme (Chairman), Dr. Hans Michael Gaul, Bettina Haller, Harald Kern, Dr. Nicola Leibinger-Kammüller, Jim Hagemann Snabe, Birgit Steinborn and Sibylle Wankel.

The **Nominating Committee** is responsible for making recommendations to the Supervisory Board on suitable candidates for election by the Annual Shareholders' Meeting as shareholder representatives on the Supervisory Board. In preparing these recommendations, the objectives defined by the Supervisory Board for its composition – in particular, independence and diversity – are to be appropriately considered, as are the proposed candidates' required knowledge, abilities and professional experience. Fulfillment of the required profile of skills and expertise is also to be aimed at. Attention shall be paid to an appropriate participation of women and men in accordance with the legal requirements relating to the gender quota as well as to ensuring that the members of the Supervisory Board are, as a group, familiar with the sector in which the Company operates.

In fiscal 2017, the Nominating Committee comprised Dr. Gerhard Cromme (Chairman), Dr. Hans Michael Gaul, Dr. Nicola Leibinger-Kammüller and Werner Wenning.

The **Mediation Committee** submits proposals to the Supervisory Board in the event that the Supervisory Board cannot reach the two-thirds majority required for the appointment or dismissal of a Managing Board member on the first ballot.

In fiscal 2017, the Mediation Committee comprised Dr. Gerhard Cromme (Chairman), Jürgen Kerner, Birgit Steinborn and Werner Wenning.

The **Innovation and Finance Committee** discusses, in particular, based on the Company's overall strategy, the Company's focuses of innovation and prepares the Supervisory Board's discussions and resolutions regarding questions relating to the Company's financial situation and structure – including annual planning (budget) – as well as the Company's fixed asset investments and its financial measures. In addition, the Innovation and Finance Committee has been authorized by the Supervisory Board to decide on the approval of transactions and measures that require Supervisory Board approval and have a value of less than €600 million.

In fiscal 2017, the Innovation and Finance Committee comprised Dr. Gerhard Cromme (Chairman), Robert Kensbock, Harald Kern, Jürgen Kerner, Dr. Norbert Reithofer, Jim Hagemann Snabe, Birgit Steinborn and Werner Wenning.

Disclosure of participation by individual Supervisory Board members in meetings of the Supervisory Board of Siemens AG and its committees in fiscal 2017

Supervisory Board Members	Supervisory Board and Committee meetings	Participation	Presence
Gerhard Cromme, Dr. iur (Chairman)	38	38	100%
Birgit Steinborn (First Deputy Chairwoman)	32	32	100%
Werner Wenning (Second Deputy Chairman)	28	28	100%
Olaf Bolduan	7	7	100%
Michael Diekmann	10	9	90%
Hans Michael Gaul, Dr. iur.	23	23	100%
Reinhard Hahn	7	7	100%
Bettina Haller	17	14	82%
Hans-Jürgen Hartung	7	7	100%
Robert Kensbock	21	21	100%
Harald Kern	16	13	81%
Jürgen Kerner	28	27	96%
Nicola Leibinger-Kammüller, Dr. phil.	23	22	96%
Gérard Mestrallet	7	7	100%
Norbert Reithofer, Dr.-Ing. Dr.-Ing. E.h.	12	11	92%
Güler Sabancı	7	7	100%
Nathalie von Siemens, Dr. phil.	7	7	100%
Michael Sigmund	7	7	100%
Jim Hagemann Snabe	22	21	95%
Sibylle Wankel	11	11	100%

C.4.1.3 SHARE TRANSACTIONS BY MEMBERS OF THE MANAGING AND SUPERVISORY BOARDS

Pursuant to Article 19 of EU Regulation No. 596/2014 of the European Parliament and Council on market abuse (Market Abuse Regulation), members of the Managing Board and the Supervisory Board are legally required to disclose all transactions conducted on their own account relating to the shares or debt instruments of Siemens AG or to derivatives or financial instruments linked thereto, if the total value of such transactions entered into by a board member or any closely associated person reaches or exceeds €5,000 in any calendar year. All transactions reported to Siemens AG in accordance with this requirement have been duly published and are available on the Company's website at:

WWW.SIEMENS.COM/DIRECTORS-DEALINGS

C.4.1.4 ANNUAL SHAREHOLDERS' MEETING AND INVESTOR RELATIONS

Shareholders exercise their rights in the Annual Shareholders' Meeting. An ordinary Annual Shareholders' Meeting normally takes place within the first four months of each fiscal year. The Annual Shareholders' Meeting decides, among other things, on the appropriation of unappropriated net income, the ratification of the acts of the Managing and Supervisory Boards, and the appointment of the independent auditors. Amendments to the Articles of Association and measures that change the Company's capital stock are approved at the Annual Shareholders' Meeting and are implemented by the Managing Board. The Managing Board facilitates shareholder participation in this meeting through electronic communications – in particular, via the Internet – and enables shareholders who are unable to attend the meeting to vote by proxy. Furthermore, shareholders may exercise their right to vote in writing or by means of electronic communications (absentee voting). The Managing Board may enable shareholders to participate in the Annual Shareholders' Meeting without the need to be present at the venue and without a proxy and to exercise some or all of their rights fully or partially by means of electronic communications. Shareholders may submit proposals regarding the proposals of the Managing and Supervisory Boards and may contest decisions of the Annual Shareholders' Meeting. Shareholders owning Siemens stock with an aggregate notional value of €100,000 or more may also demand the judicial appointment of special auditors to examine specific issues. The reports, documents and information required by law for the Annual Shareholders' Meeting, including the Annual Report, may be downloaded from our website. The same applies to the agenda for the Annual Shareholders' Meeting and to any counterproposals or shareholders' nominations that require disclosure.

As part of our investor relations activities, we inform our investors comprehensively about developments within the Company. For communication purposes, Siemens makes extensive use of the Internet. We publish Quarterly Statements, Half-year Financial and Annual Reports, earnings releases, ad hoc announcements, analyst presentations, letters to shareholders and press releases as well as the financial calendar for the current year, which contains the publication dates of significant financial communications and the date of the Annual Shareholders' Meeting, at:
WWW.SIEMENS.COM/INVESTORS

Our Articles of Association, the Bylaws for the Supervisory Board, the Bylaws for the most important Supervisory Board committees, the Bylaws for the Managing Board, all our Declarations of Conformity with the Code and a variety of other corporate-governance-related documents are posted on our website at:
WWW.SIEMENS.COM/CORPORATE-GOVERNANCE

C.4.2 Corporate Governance statement pursuant to Sections 289 a and 315 para. 5 of the German Commercial Code

The Corporate Governance statement pursuant to Sections 289 a and 315 para. 5 of the German Commercial Code (*Handelsgesetzbuch*) is an integral part of the Combined Management Report. In accordance with Section 317 para. 2 sentence 4 of the German Commercial Code, the disclosures made within the scope of Sections 289 a and 315 para. 5 of the German Commercial Code are not subject to the audit by the auditors.

C.4.2.1 DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Managing Board and the Supervisory Board of Siemens AG approved the following Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act as of October 1, 2017:

> "Declaration of Conformity by the Managing Board and the Supervisory Board of Siemens Aktiengesellschaft with the German Corporate Governance Code
>
> Siemens AG fully complies and will continue to comply with the recommendations of the German Corporate Governance Code ("Code") in the version of February 7, 2017, published by the Federal Ministry of Justice in the official section of the Federal Gazette ("*Bundesanzeiger*").
>
> Since making its last Declaration of Conformity dated October 1, 2016, Siemens AG has complied with the recommendations of the Code.
>
> Berlin and Munich, October 1, 2017
>
> Siemens Aktiengesellschaft
>
> The Managing Board The Supervisory Board"

C.4.2.2 INFORMATION ON CORPORATE GOVERNANCE PRACTICES

Suggestions of the Code

Siemens voluntarily complies with the Code's non-binding suggestions, with the following exception:

Pursuant to Section 3.7 para. 3 of the Code, in the case of a takeover offer, a management board should convene an extraordinary general meeting at which shareholders discuss the takeover offer and may decide on corporate actions. The convening of a shareholders' meeting – even taking into account the shortened time limits stipulated in the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) – is an organizational challenge for large publicly listed companies. It appears doubtful whether the associated effort is justified in cases where no relevant decisions by the shareholders' meeting are intended. Therefore, extraordinary shareholders' meetings shall be convened only in appropriate cases.

Further corporate governance practices applied beyond legal requirements are contained in our Business Conduct Guidelines.

Our Company's values and Business Conduct Guidelines

In the 170 years of its existence, our Company has built an excellent reputation around the world. Technical performance, innovation, quality, reliability, and international engagement have made Siemens one of the leading companies in electronics and electrical engineering. It is top performance with the highest ethics that has made Siemens strong. This is what the Company should continue to stand for in the future.

The Business Conduct Guidelines provide the ethical and legal framework within which we want to maintain our successful activities. They contain the basic principles and rules for our conduct within our Company and in relation to our external partners and the general public. They set out how we meet our ethical and legal responsibility as a Company and give expression to our corporate values of being "Responsible" – "Excellent" – "Innovative".

C.4.2.3 OPERATION OF THE MANAGING BOARD AND THE SUPERVISORY BOARD, AND COMPOSITION AND OPERATION OF THEIR COMMITTEES

A general description of the functions and operation of the Managing Board and the Supervisory Board can be found in chapter → C.4.1 MANAGEMENT AND CONTROL STRUCTURE. Further details can be derived from the bylaws for the corporate bodies concerned.

This information and these documents, including the Code and the Business Conduct Guidelines, are available at: WWW.SIEMENS.COM/289A

C.4.2.4 TARGETS FOR THE QUOTA OF WOMEN ON THE MANAGING BOARD AND AT THE TWO MANAGEMENT LEVELS IMMEDIATELY BELOW THE MANAGING BOARD; INFORMATION ON SUPERVISORY BOARD COMPLIANCE WITH MINIMUM GENDER QUOTA REQUIREMENTS

At Siemens AG, the target for the share of women on the Managing Board has been set at a minimum of 2/8, and the corresponding target for each of the two management levels immediately below the Managing Board has been set at 20%, applicable in each case until June 30, 2022. Due to the appointment of Mr. Neike and Mr. Sen to the expanded Managing Board, which now has eight members, the target for the Managing Board of 2/7 until June 30, 2017 has been missed since April 1, 2017. The target for the share of women for each of the two management levels immediately below the Managing Board at 10% was fulfilled until June 30, 2017. Until June 30, 2017, assignments to those two management levels were based on a global system of position levels. At the end of the reporting period, the company completely abolished this global system of position levels. As a result, the management levels on which the new targets are based have been redefined, and the new targets are not comparable to those in effect up to June 30, 2017.

The composition of the Supervisory Board fulfilled the legal requirements regarding the minimum gender quota in the reporting period.

C.5 Notes and forward-looking statements

This document contains statements related to our future business and financial performance and future events or developments involving Siemens that may constitute forward-looking statements. These statements may be identified by words such as "expect," "look forward to," "anticipate," "intend," "plan," "believe," "seek," "estimate," "will," "project" or words of similar meaning. We may also make forward-looking statements in other reports, in presentations, in material delivered to shareholders and in press releases. In addition, our representatives may from time to time make oral forward-looking statements. Such statements are based on the current expectations and certain assumptions of Siemens' management, of which many are beyond Siemens' control. These are subject to a number of risks, uncertainties and factors, including, but not limited to those described in disclosures, in particular in the chapter Risks in this Annual Report. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of Siemens may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. Siemens neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

This document includes – in the applicable financial reporting framework not clearly defined – supplemental financial measures that are or may be alternative performance measures (non-GAAP-measures). These supplemental financial measures should not be viewed in isolation or as alternatives to measures of Siemens' net assets and financial positions or results of operations as presented in accordance with the applicable financial reporting framework in its Consolidated Financial Statements. Other companies that report or describe similarly titled alternative performance measures may calculate them differently.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

This document is an English language translation of the German document. In case of discrepancies, the German language document is the sole authoritative and universally valid version.

For technical reasons, there may be differences between the accounting records appearing in this document and those published pursuant to legal requirements.

The "Sustainability Information 2017" which reports on Sustainability and Citizenship at Siemens is available at: WWW.SIEMENS.COM/INVESTOR/EN/

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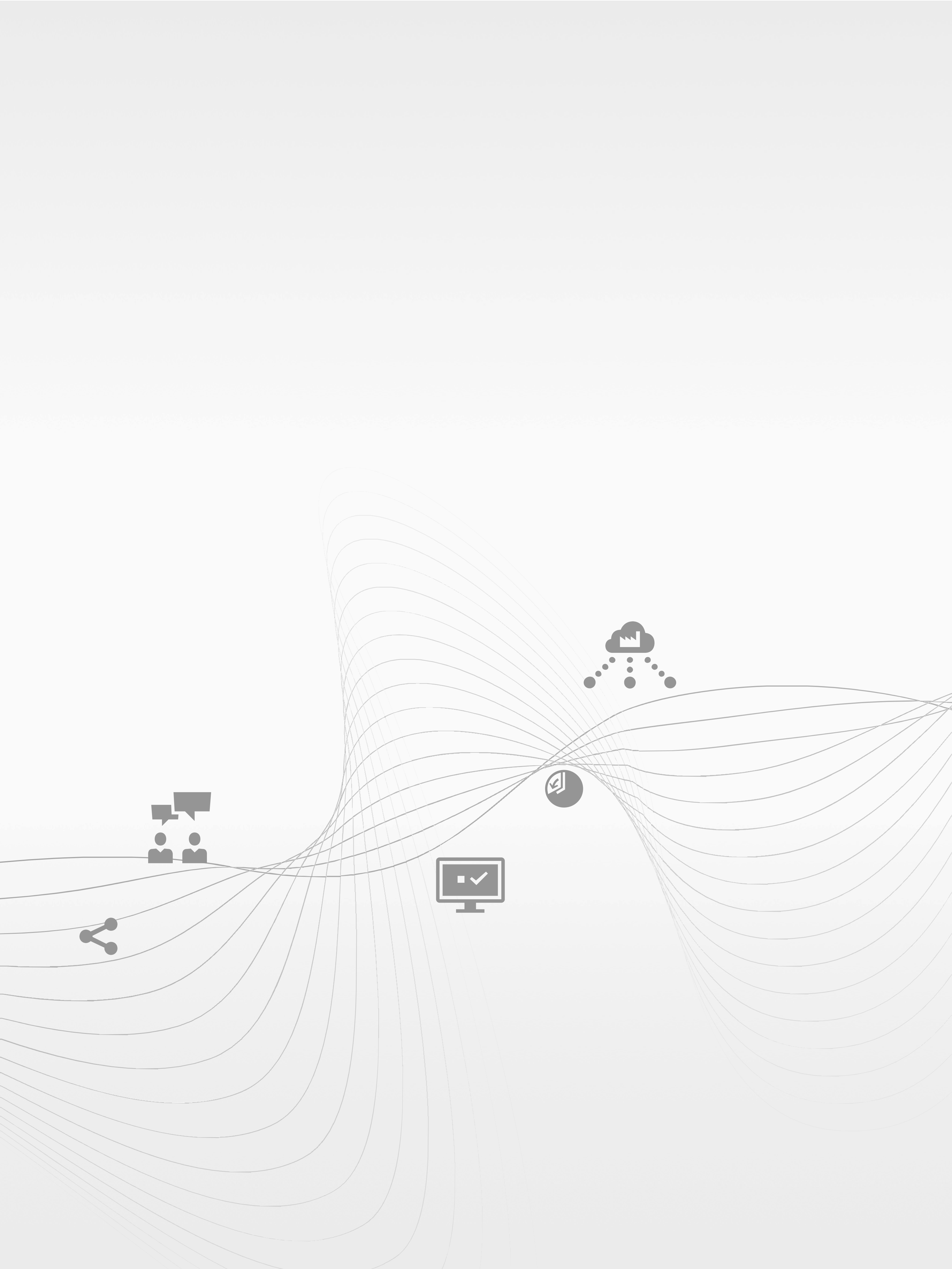

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