Ingenuity for life

Annual Report 2016

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COMBINED MANAGEMENT REPORT

A.1 Business and economic environment

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, 2016, Siemens had around 351,000 employees.

Siemens has the following reportable segments: the Divisions **Power and Gas; Wind Power and Renewables; Energy Management; Building Technologies; Mobility; Digital Factory;** and **Process Industries and Drives** as well as the separately managed business **Healthineers** (formerly called Healthcare), 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 Healthineers 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 are public utilities and independent power producers; companies in engineering, procurement and construction that serve these companies; international and national oil companies; and industrial customers that generate power for their own consumption. 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.

The **Wind Power and Renewables** Division designs, manufactures and installs wind turbines for onshore and offshore applications. This includes both geared turbines and direct drive turbines. The product portfolio is based on four product platforms, two each for onshore and offshore applications. The Division primarily serves large utilities and independent power producers. Due to the significant offshore business of the Division and its activities in the Northern hemisphere, production and installations are typically higher during spring and summer months because of the more favorable weather and marine conditions during those seasons. The Division's revenue mix may vary from reporting period to reporting period depending on the project mix between onshore and offshore projects in the respective period. The Division also includes a minority stake in a hydro power business.

In June 2016, Siemens and Gamesa Corporación Tecnológica, S.A. (Gamesa) signed binding agreements to merge the Siemens wind power business, including service, with Gamesa. The two businesses are highly complementary regarding global footprint, existing product portfolios and technologies. The combined business is expected to have a global reach across all relevant regions and manufacturing footprints on all continents. Accordingly, the transaction will result in a product offering covering all wind classes and addressing all key market segments. Siemens will own 59% of the shares of the combined entity. As part of the merger, Siemens will fund a cash payment of €1 billion which will be distributed to Gamesa's shareholders (excluding Siemens) immediately following the completion of the merger. Closing of the transaction is subject to the approvals of the antitrust and regulatory authorities.

The **Power Generation Services** Division offers a comprehensive set of services for products, solutions and technologies of the Power and Gas and Wind Power and Renewables Divisions, covering performance enhancements, maintenance services, customer training and professional consulting. Financial results of these two Divisions include the corresponding 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 as well as Wind Power and Renewables concern the Power Generation Services Division.

The **Energy Management** Division offers a wide spectrum of products, systems, solutions, software and services for transmitting and distributing power and for developing intelligent grid infrastructure. The Division's customers include power providers, network operators, industrial companies, infrastructure developers and construction companies. The offerings are used to process and transmit electrical power from the source down to various load points along the power transmission and distribution networks to the power consumers. Our solutions for smart grids enable a bidirectional flow of energy and information, which is required for the integration of more renewable energy sources into conventional power transmission and distribution networks. The Division also offers solutions and energy storage systems for integrating renewable energy into power grids, together with vertical IT software applications that link energy consumers and producers. In addition, the Division's portfolio includes power supply solutions for conventional power plants and renewable energy systems as well as substations for urban and rural distribution networks. The Division also offers energy-efficient solutions for heavy industry, the oil and gas industry and the process industries.

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, IT solutions and related services. The Division provides its customers with consulting, planning, financing, construction, service and operation of turnkey mobility systems. Mobility also provides 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.

The **Digital Factory** Division offers a comprehensive product portfolio and system solutions used in manufacturing industries, complemented by lifecycle and data-driven services. These offerings enable customers to optimize entire value chains from product design and development to production and services. With its comprehensive offering, the Division supports manufacturing companies with the 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 in discrete, process and hybrid manufacturing industries. Changes in the level of demand are strongly driven by macroeconomic cycles, and can lead to significant short-term variation in market performance. In the third quarter of fiscal 2016, Digital Factory further strengthened and expanded its software business by acquiring CD-adapco, a U.S.-based provider of simulation software. For more information on the acquisition of CD-adapco, see → NOTE 3 in → B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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, 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.

Healthineers ("Healthcare" before renaming in May 2016) is one of the world's largest suppliers of technology to the healthcare industry and a leader in medical imaging and laboratory diagnostics. We provide medical technology and software solutions as well as clinical consulting services, supported by a complete set of training and service offerings. Therefore, we offer our customers a comprehensive portfolio of medical solutions along the continuum of care – from prevention and early detection to diagnosis, treatment and follow-up care. Because large portions of our revenue stem from recurring business, our business activities are to a certain extent resilient to short-term economic trends. They are, however, dependent on regulatory and public policy developments around the world. Healthineers is organized into six business areas: Diagnostic Imaging, Laboratory Diagnostics, Advanced Therapies, Ultrasound, Point of Care Diagnostics and Services.

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. For these reasons, we focus in particular on

- enabling energy supplies that are economically sustainable;
- further enhancing efficiency in the generation of renewable and conventional power and minimizing losses during power transmission;
- finding novel solutions for smart grids and for the storage of energy from renewable sources with irregular availability;
- promoting the efficient utilization of energy, especially in buildings, industry and transportation, e.g. through highly efficient drives for production facilities or for local and long-distance trains;
- creating the highly flexible, connected factories of tomorrow using advanced automation and digitalization technologies;
- turning unstructured data into value-adding information, e.g. when providing services such as preventive maintenance;
- advancing the integration of medical imaging technology, in vitro diagnostics and IT for medical engineering to support improved patient outcomes.

Beyond these points of focus, we recognize how important highly sophisticated software solutions are for all the fields of business in which Siemens is active. R&D activities are carried out by our businesses as well as our Corporate Technology (CT) department.

Corporate Technology is both a creative driver of disruptive innovations and a partner to the Siemens businesses. Its R&D activities are focused on the Company's core activities in the fields of electrification, automation and digitalization. In many research projects, CT works closely with scholars from leading universities and research institutions. These partnerships, along with close collaborations with start-ups, are an important part of Siemens' open innovation concept, which is designed to make the Company even more innovative.

In fiscal 2016, Siemens announced the creation of an autonomous unit that will place the Company's partnership with start-ups on a much higher level: next47. The unit went into operation in October 2016. It has been given a budget of €1 billion for its first five years. With the creation of next47, Siemens plans to further enhance its innovativeness and speed up the introduction of innovations to the marketplace. next47 is focusing on five innovation fields: artificial intelligence, distributed electrification, autonomous machines, blockchain applications and connected electric mobility. Electrically powered flight is an example of a disruptive development being pursued by next47. In cooperation with Airbus, Siemens intends to demonstrate by 2020 that electricity can be used to power large planes.

In fiscal 2016, we reported research and development expenses of €4.7 billion, compared to €4.5 billion in fiscal 2015. The resulting R&D intensity, defined as the ratio of R&D expenses and revenue, was 5.9% – the same level as in fiscal 2015. Additions to capitalized development expenses amounted to €0.3 billion in both fiscal 2016 and 2015, mainly at Healthineers. As of September 30, 2016, Siemens held approximately 59,800 granted patents worldwide in its continuing operations. As of September 30, 2015, it held approximately 56,200 granted patents. On average, we had 33,000 R&D employees in fiscal 2016.

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 and 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. Along with promoting digitalization in overall product lifecycles, Power and Gas is on track preparing for changing energy markets and their increasingly diversified centralized and decentralized structures.

At the **Wind Power and Renewables** Division, our R&D efforts are focused on innovative products and solutions that allow us to take the lead in performance, improve our competitiveness, and build a stronger business case for customers. This includes finding ways to more intelligently monitor and analyze turbine conditions, and smart diagnostic services. Our R&D efforts also focus on digitalization. At our remote diagnostics center in Brande, Denmark, we collect digital data from more than 10,000 turbines in more than 30 countries, which total more than 24 million data sets annually. We use this data to provide value for our customers: in 85% of cases, issues can be corrected and turbines restarted without sending out a service team.

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. Cost-out programs and optimization of our footprint are improving the competitiveness of our product portfolio on global markets. Our innovations are centered on power electronics, digitalization or grid stabilization. The full integration of energy supply systems with process automation is a core portfolio element for industrial applications and infrastructures.

R&D work at the **Building Technologies** Division focuses on optimizing comfort, operational and energy efficiency in buildings and infrastructures, protecting against fire and security hazards, and minimizing related risks. We aim to create a portfolio of products and services ranging from the field to the cloud, based on open standards wherever possible. This includes data-based services for new ways of optimizing energy consumption, easily scalable and reasonably priced services, a new and harmonized system landscape with effective integration of electrical consumption, fire detection and HVAC (heating, ventilation, air conditioning) systems, and a complete range of products tailored specifically to growing markets.

The **Mobility** Division's R&D strategy addresses 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. Reflecting this, Mobility's R&D activities emphasize digitalization in developing state-of-the art rail vehicles, automation solutions for rail and road traffic, and rail electrification systems. Most of these goals can be achieved only with intelligent IT solutions such as WLAN-based control systems for driverless and conductorless metro train operation, decentralized wayside architecture for rail automation, cloud-based product solutions, and Integrated Mobility Platforms that intelligently network passengers, mobility service providers and traffic management centers.

One of the R&D priorities at the **Digital Factory Division** is the Digital Enterprise Software Suite. It includes Teamcenter software. Serving as a data backbone, Teamcenter digitizes the entire product lifecycle management (PLM) process – from product design through planning and engineering to production and service. In addition, the TIA (Totally Integrated Automation) Portal engineering platform is being intensively improved. Thanks to its open interfaces, it exchanges data with other systems. The seamless link to simulation tools enhances the benefits of virtual commissioning, which is used to identify flaws at an early stage and in a cost-effective manner. Data-based services are another field of research. Siemens offers MindSphere, an industry cloud that industrial companies can use to develop and provide their own digital services. As a result, new types of services such as predictive maintenance and resource optimization can be provided. Machinery and plant builders can use it to monitor production operations around the world. MindSphere helps them reduce downtimes and offer new business models.

The focus of R&D activities in the **Process Industries and Drives Division** is on the digital transformation of products, solutions and services for all sectors in the process industry, such as oil and gas, chemicals and pharmaceuticals. Information and communication technologies (ICT) play a crucial role in areas such as improvements in instrumentation, analytics, industrial communication and process control systems. The end-to-end use of ICT is as essential a prerequisite for the expansion of drive and transmission platforms by means of integrated condition monitoring and service cloud connections as it is for the commissioning and operation of processing plants or the use of computer-assisted simulations to support their operators. The same applies for new service offerings that complement operational engineering data with additional condition-related data (condition monitoring) and use it for purposes such as asset management. The digitalization of our comprehensive 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. This applies to our own product creation processes as well as to our customers' processes that are facilitated by our products (systems, solutions and services).

The R&D activities of **Healthineers** are directed toward our growth fields in therapy, molecular diagnostics, and services. We want to tap the full potential of imaging solutions in therapy and to establish a closer connection between diagnostics and therapy in cardiology, interventional clinical disciplines, surgery, and radiation oncology. Strategic partnerships are an essential part of our strategy to reach this goal. Expanding our innovation map beyond our established portfolio, and investing in new ideas will help us tap new business fields. For example, we will extend our activities in the highly dynamic growth field of molecular diagnostics. We will expand our services business beyond product-related services by adding a digital services portfolio and increasing enterprise transformation services to help customers in their transition to value-based care within more and more provider organizations across geographical borders.

A.1.2 Economic environment

A.1.2.1 WORLDWIDE ECONOMIC ENVIRONMENT

The development of the world economy in fiscal 2016 again resulted in diminished expectations through the course of the year. After a slight improvement in sentiment indicators in the first quarter, economic activity unexpectedly slowed down in the second and third quarters of fiscal 2016. The growth slowdown was also evident in the development of international trade volume.

As in recent years, sluggish aggregate demand, particularly for investment goods, held back growth. This was influenced significantly by high levels of political and economic uncertainty arising from conflicts in Syria and Iraq, the failed coup in Turkey and U.K.'s vote to leave the European Union, among other factors.

The growth slowdown was especially evident in the U.S. economy in the second and third quarters of fiscal 2016, followed by modest acceleration of economic activity in the fourth quarter. The main reason for this development was an inventory reduction which was substantially resolved by the end of the fiscal year. In addition, the strong US$ weighed on U.S. exports and improved conditions for imports.

The Chinese economy continued its path of rebalancing toward a more consumption- and domestic-demand-driven economy, which has so far been accompanied by a steady decline in economic growth rates. However, the stability of China's economy was partly caused by stimulus measures which have slowed the country's progress on this path.

In Europe, economic activity also decelerated considerably in the second and third quarters of fiscal 2016. Risks in the European banking system resurfaced. The largely unexpected Brexit vote in June 2016 added uncertainty – though the consequences in the following months did not match the initial concerns.

While raw material prices increased following a slump in the second quarter of fiscal 2016, commodity exporting countries still were burdened with overcapacities due to former investment overhangs in extractive sectors. Associated reductions in government spending further weighed on economic activity.

All in all, the negative effects outweighed the positive ones. During the course of the fiscal year, growth forecasts for global gross domestic product (GDP) for calendar 2016 declined from 2.9% in October 2015 to 2.4% in October 2016. Fixed investments are expected to expand by 1.7% in calendar 2016, down from 3.4% previously forecast in October 2015.

The partly estimated figures presented here for GDP and fixed investments are calculated by Siemens based on an IHS Markit report dated October 15, 2016.

A.1.2.2 MARKET DEVELOPMENT

The markets of the **Power and Gas** Division remained challenging in fiscal 2016. This 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 power generation in the U.S. and emission regulation such as in China. Demand in compression markets also fell year-over-year due to continued reduction in capital expenditure for oil and gas upstream applications. In contrast, demand in the gas turbine market continued to grow in fiscal 2016, driven by rising demand for energy in emerging countries, demand for replacement of aged, inefficient and inflexible power plants; the above-mentioned shift from coal to gas, particularly in the U.S.; an energy market reform in Mexico; large projects in Egypt; diversification towards gas power plants in China and countries in Latin America and the Middle East. 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 original equipment manufacturers and engineering, procurement and construction contractors, which is leading to market consolidation.

Following strong demand in fiscal 2015, market volume for the markets served by the **Wind Power and Renewables** Division declined moderately in fiscal 2016. The decline was due to the onshore wind power market segment, only partly offset by growth in the relatively smaller offshore wind power market segment. On a regional basis, the decline was most evident in the Americas, particularly including Brazil and the U.S., and in Asia, Australia, particularly including China, where the largest national wind market in the world remains largely closed to foreign manufacturers. In Europe, in contrast, demand for wind power grew in both the onshore and the offshore market segments. 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 consist of 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 in the long term.

Markets addressed by the **Energy Management** Division grew moderately in fiscal 2016. The utilities market, the Division's single largest customer segment, showed clear growth, benefiting from major energy transmission investments in Egypt and Qatar and from large interconnection projects, particularly in China and India. The chemicals and the construction industries grew slightly. Growth in the chemicals industry was driven by the Americas, where some process industries showed a trend towards re-industrialization in the U.S. and a build-up of capacities within the region overall. Within the construction industry, increased investments in North America were largely offset by a slow-down in investing activities in Asia, particularly in China. Demand from the metals industry remained on the prior-year level, while the oil and gas industry continued to reduce capital expenditures due to low oil prices. 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 such as China, India and Korea.

Markets for the **Building Technologies** Division grew moderately in fiscal 2016. Growth was driven by solid demand from the U.S. and Asia, despite softening growth rates in China. Within the Europe, C.I.S., Africa, Middle East region, markets in the Middle East grew stronger 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.

Markets for the **Mobility** Division grew moderately in fiscal 2016, with all regions contributing to growth. Market development in the Europe, C.I.S., Africa, Middle East region was characterized by continuous investment and awards of large orders. This was particularly evident in Germany and the U.K. Demand in the Middle East and in Africa was mainly driven by turnkey and rail infrastructure projects. In the Americas region, growth continued to benefit from demand for passenger locomotives and urban transport products 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 awarded large orders as part of the country's transportation infrastructure build-out. The Division's principal competitors are multinational companies. Consolidation among Mobility's competitors is continuing.

In fiscal 2016, market volume for the markets addressed by the **Digital Factory** Division came in slightly below the level in fiscal 2015. Global manufacturing production grew only modestly but showed some signs of growth stabilization towards the end of the fiscal year. Consumer-oriented industries and the global automotive industry, which is one of the most important end-customer industries of the Division, remained on a stable growth path. In contrast, mining- and oil-related industries continued to suffer from low raw material prices. Demand from the machine-building industry declined modestly year-over-year as investments were held back due mainly to uncertainties in the global political and economic environment. 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 declined moderately in fiscal 2016. This was due mainly to reductions in capital expenditures by customers in commodity-related industries such as oil and gas, mining, cement and metals. Towards the end of the fiscal year, demand from those industries began to stabilize. As described for Digital Factory above, global manufacturing production grew only modestly while the consumer-oriented industries served by Process Industries and Drives, such as food and beverage and pharmaceuticals continued their growth path. Competitors of the Division'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. 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 2016 as growth in the U.S. and in Europe more than offset weakness in Latin America. Growth in China was stabilizing, though growth rates came in lower than at the beginning of the decade. The diagnostic imaging market segment grew slightly. While demand for imaging procedures continued to grow, this trend was partly offset by price pressure and increased utilization rates. The markets for ultrasound and in-vitro diagnostics grew moderately. Development in the ultrasound market segment benefits from increasing access to healthcare services. 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. For the healthcare industry as a whole, the trend towards consolidation continues. Competition among the leading companies is strong, including with respect to price.

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 ranges

	Margin range
Power and Gas	11 – 15%
Wind Power and Renewables	5 – 8%
Energy Management	7 – 10%
Building Technologies	8 – 11%
Mobility	6 – 9%
Digital Factory	14 – 20%
Process Industries and Drives	8 – 12%
Healthineers	15 – 19%
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 as profitably and 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 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 2016: to distribute a dividend of €3.60 on each share of no par value entitled to the dividend for fiscal year 2016 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 February 1, 2017. The prior-year dividend was €3.50 per share.

The proposed dividend of €3.60 per share for fiscal 2016 represents a total payout of €2.9 billion based on the estimated number of shares entitled to dividend at the date of the Annual Shareholders' Meeting. Based on net income of €5.6 billion for fiscal 2016, the dividend payout percentage is 52%.

A.2.6 Calculation of return on capital employed

Calculation of ROCE

		Fiscal year
(in millions of €)	2016	2015
Net income	**5,584**	7,380
Less: Other interest expenses/income, net[1]	**(544)**	(662)
Plus: SFS Other interest expenses/income	**784**	746
Plus: Net interest expenses from post-employment benefits	**282**	263
Less: Interest adjustments (discontinued operations)	**–**	–
Less: Taxes on interest adjustments (tax rate (flat) 30%)	**(156)**	(104)
(I) Income before interest after tax	**5,949**	7,623
(II) Average capital employed	**41,573**	36,367
(I)/(II) ROCE	**14.3%**	21.0%

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.

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 and revenue development; portfolio effects added one percentage point to order development and two percentage points to revenue growth. The resulting ratio of orders to revenue (book-to-bill) for Siemens in fiscal 2016 was 1.09, again well above 1. The order backlog (defined as the sum of order backlogs of the industrial businesses) was €113 billion as of September 30, 2016.

Orders (location of customer)

(in millions of €)	Fiscal year 2016	2015	% Change Actual	Comp.
Europe, C.I.S., Africa, Middle East	**46,185**	42,539	9%	9%
therein: Germany	*10,525*	*11,991*	*(12)%*	*(13)%*
Americas	**24,794**	24,769	0%	(3)%
therein: U.S.	*18,162*	*17,357*	*5%*	*(2)%*
Asia, Australia	**15,501**	15,033	3%	3%
therein: China	*6,850*	*6,623*	*3%*	*7%*
Siemens	**86,480**	82,340	5%	4%
therein: emerging markets[1]	*30,512*	*29,730*	*3%*	*5%*

1 As defined by the International Monetary Fund.

Despite further softening in the macroeconomic environment in fiscal 2016, reported orders related to external customers increased moderately year-over-year. Within the regions, order development depended strongly on the timing and location of large contract wins in the Divisions that typically take in such orders. In the **Europe, C.I.S., Africa, Middle East** region, orders increased clearly, as substantial growth in Wind Power and Renewables and in Power and Gas more than offset a substantial decline in Mobility. All three results were due to changes in the volume from large orders. Orders came in significantly lower in Germany, due to lower levels of large orders in Wind Power and Renewables and in Mobility compared to fiscal 2015. Orders in the **Americas** region were flat year-over-year, as growth primarily in Power and Gas, in Building Technologies and in Healthineers offset double-digit declines in Wind Power and Renewables and in Energy Management, both due to a lower volume of large orders. U.S. orders increased moderately, supported by portfolio and currency translation effects, and mainly followed the pattern for the region, with the exception that Energy Management came in near the prior-year level. Orders went up in the **Asia, Australia** region due mainly to a higher volume from large orders in Energy Management and a clear increase in Healthineers, only partially offset by declines primarily in Power and Gas and in Wind Power and Renewables. China increased orders moderately, in particular with double-digit growth in Power and Gas, in Energy Management and in Healthineers. These increases were partly offset by decreases in Mobility, in Wind Power and Renewables and in Process Industries and Drives.

Revenue (location of customer)

(in millions of €)	Fiscal year 2016	2015	% Change Actual	Comp.
Europe, C.I.S., Africa, Middle East	**41,819**	38,799	8%	8%
therein: Germany	*10,739*	*11,244*	*(4)%*	*(5)%*
Americas	**22,707**	21,702	5%	1%
therein: U.S.	*16,769*	*15,263*	*10%*	*3%*
Asia, Australia	**15,118**	15,135	0%	(1)%
therein: China	*6,439*	*6,938*	*(7)%*	*(6)%*
Siemens	**79,644**	75,636	5%	4%
therein: emerging markets[1]	*27,268*	*25,239*	*8%*	*9%*

1 As defined by the International Monetary Fund.

Reported revenue related to external customers went up moderately year-over-year and increased in most industrial businesses. Key growth drivers in **Europe, C.I.S., Africa, Middle East** included Power and Gas, Wind Power and Renewables and Mobility due to strong conversion from their respective order backlogs. These increases were partly offset by declines in Energy Management and in Process Industries and Drives. In Germany, revenues decreased moderately, primarily due to Wind Power and Renewables. In the **Americas**, revenue came in higher year-over-year, driven primarily by increases in Power and Gas, in Healthineers and in Mobility. Wind Power and Renewables reported a substantial decline. The pattern in the U. S. was nearly the same as for the region. Revenue in **Asia, Australia** came in near the prior-year level, as declines in Mobility and Process Industries and Drives offset growth in all other industrial businesses. In China, only Power and Gas, Healthineers and Building Technologies were able to increase revenue for the fiscal year.

A.3.2 Segment information analysis

A.3.2.1 POWER AND GAS

(in millions of €)	Fiscal year 2016	2015	% Change Actual	Comp.
Orders	**19,454**	15,742	24%	16%
Revenue	**16,471**	13,418	23%	12%
Profit	**1,872**	1,415	32%	
Profit margin	**11.4%**	10.5%		

Revenue and orders benefited from portfolio effects. Dresser-Rand and the Rolls-Royce Energy aero-derivative gas turbine and compressor business, which were both acquired in fiscal 2015, contributed nine and 12 percentage points to fiscal 2016 order and revenue growth, respectively. Orders increased year-over-year, due mainly to a higher volume from large orders in the solutions business, including in particular large orders for power plants, including service, from Egypt totaling €4.7 billion. The regional picture was mixed; order intake increased substantially in the reporting regions Europe, C.I.S., Africa, Middle East and the Americas and declined clearly in Asia, Australia. Revenue was also up, due mainly to growth in the solutions and large gas turbine businesses. On a regional basis, strong order execution led to substantial revenue growth in Europe, C.I.S., Africa, Middle East, particularly including in Egypt. Revenue also increased in the other two reporting regions. Profit was substantially higher year-over-year and included a continuing strong contribution from the service business. In fiscal 2016, profit benefited from positive effects totaling €118 million from the measurement of inventories. Both years included positive and negative effects related to large projects. In total, the effect in fiscal 2016 was positive, including €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. In contrast, it was negative in fiscal 2015, including charges of €106 million related to a project which incurred higher costs for materials and from customer delays. Costs for the integration of Dresser-Rand were €59 million in fiscal 2016 compared to €19 million in fiscal 2015. Finally, severance charges were sharply lower in fiscal 2016, at €69 million compared to €192 million in fiscal 2015. The Division continues to face challenges in an aggressively competitive market for large gas turbines arising from overcapacities across the industry, which results in increased price pressure.

A.3.2.2 WIND POWER AND RENEWABLES

	Fiscal year		% Change	
(in millions of €)	2016	2015	Actual	Comp.
Orders	**7,973**	6,136	30%	35%
Revenue	**5,976**	5,660	6%	9%
Profit	**464**	160	190%	
Profit margin	**7.8%**	2.8%		

Order intake reached a new high for a fiscal year, due mainly to a higher volume from large orders, particularly in the offshore business, which for Siemens means primarily in Europe. As a result, orders more than doubled in the Europe, C.I.S., Africa, Middle East reporting region and included, among others, a number of orders for large offshore wind-farms in the U.K., including service. Order intake in the Americas and Asia, Australia showed a double-digit decline year-over-year. Revenue was up clearly due to strong conversion from the backlog, which resulted in increases in all of the Division's businesses. On a regional basis, substantial increases in Europe, C.I.S., Africa, Middle East and Asia, Australia more than offset a substantial decline in the Americas. Strong profitability in fiscal 2016 included a more favorable revenue mix including a higher share from the offshore and service businesses, lower production and installation costs, and positive effects from project execution and completion. In fiscal 2015, profit was held back by expenses from ramping up commercial-scale production of certain turbine offerings.

A.3.2.3 ENERGY MANAGEMENT

	Fiscal year		% Change	
(in millions of €)	2016	2015	Actual	Comp.
Orders	**12,963**	12,956	0%	2%
Revenue	**11,940**	11,922	0%	2%
Profit	**895**	570	57%	
Profit margin	**7.5%**	4.8%		

Order intake was flat year-over-year, burdened by negative currency translation effects, as a decline in the solutions business was offset by growth in the Division's other businesses. On a regional basis, a substantial increase in Asia, Australia and slight growth in Europe, C.I.S., Africa, Middle East were offset by a significant decline in the Americas. Revenue was also burdened by negative currency translation effects. A decline in the medium voltage and system business was offset by growth in the Division's other businesses, in particular in the solutions, high voltage products and transformer businesses. On a regional basis, moderate growth in the Americas was offset by a moderate decline in Europe, C.I.S., Africa, Middle East, while revenue in Asia, Australia was flat year-over-year. Stronger profitability in a majority of the Division's businesses compared to the prior-year included significant improvements in the high voltage products business and in the solutions business due to stringent project execution. The prior year included a higher proportion of projects with low margins. Severance charges were €71 million and €88 million in fiscal 2016 and fiscal 2015, respectively.

A.3.2.4 BUILDING TECHNOLOGIES

(in millions of €)	Fiscal year 2016	Fiscal year 2015	% Change Actual	% Change Comp.
Orders	**6,435**	6,099	6%	6%
Revenue	**6,156**	5,999	3%	3%
Profit	**577**	553	5%	
Profit margin	**9.4%**	9.2%		

Orders and revenue in Building Technologies increased in both the solutions and service business and the product and systems business. On a geographic basis, orders were up in all regions, while revenue rose in the Americas and Asia, Australia but declined slightly in the Europe, C.I.S., Africa, Middle East region. Growth was particularly strong in the U.S., for both orders and revenue. Profit improvement was due to an increase in the Division's product business, only partly offset by a modest decline in profit in the solutions and service business. Profit in both periods included severance charges, which were €16 million in fiscal 2016, down from €24 million in fiscal 2015.

A.3.2.5 MOBILITY

(in millions of €)	Fiscal year 2016	Fiscal year 2015	% Change Actual	% Change Comp.
Orders	**7,875**	10,262	(23)%	(22)%
Revenue	**7,825**	7,508	4%	6%
Profit	**678**	588	15%	
Profit margin	**8.7%**	7.8%		

Orders in Mobility declined due mainly to a sharply lower volume from large orders year-over-year. 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, totaling €1.2 billion. Large orders in fiscal 2015 included an order worth €1.7 billion for regional trains and maintenance in Germany and a €1.6 billion long-term order for maintenance in Russia. Revenue grew in all businesses except for the rail infrastructure business where revenue was down moderately year-over-year. The strongest contribution to revenue growth came from execution of large rolling stock projects. On a geographic basis, strong 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 development benefited from positive effects related to solid project execution on large contracts, and from a sharp reduction in severance charges which fell to €16 million from €68 million a year earlier.

A.3.2.6 DIGITAL FACTORY

(in millions of €)	Fiscal year 2016	Fiscal year 2015	% Change Actual	% Change Comp.
Orders	**10,332**	10,036	3%	3%
Revenue	**10,172**	9,988	2%	2%
Profit	**1,690**	1,685	0%	
Profit margin	**16.6%**	16.9%		

Despite challenging market conditions, Digital Factory increased orders, revenue and profit year-over-year. The driving force for all three was the Division's PLM software business, which achieved double-digit growth in orders and revenue, supported by the acquisition of CD-adapco which closed in the third quarter of fiscal 2016. The Division's high-margin factory automation business contributed to order and revenue growth to a significantly lesser extent, while volume in the motion control business declined slightly year-over-year. On a regional basis, orders and revenue increased in all regions, with the strongest growth coming from the Europe, C.I.S., Africa, Middle East region. Profit came in slightly above the prior-year level as a double-digit increase in the PLM business and a slight increase in the factory automation business were largely offset by declines in other businesses. Profitability in fiscal 2016 was held back by deferred revenue adjustments and transaction and integration costs related to the acquisition of CD-adapco, totaling €43 million. In addition, Division profit included severance charges in both periods, €49 million in fiscal 2016 compared to €53 million in fiscal 2015.

A.3.2.7 PROCESS INDUSTRIES AND DRIVES

(in millions of €)	Fiscal year 2016	Fiscal year 2015	% Change Actual	% Change Comp.
Orders	**8,939**	9,144	(2)%	(1)%
Revenue	**9,038**	9,553	(5)%	(4)%
Profit	**243**	581	(58)%	
Profit margin	**2.7%**	6.1%		

The global weakness in oil and gas and other commodity-related markets continued to impact Process Industries and Drives. This was particularly evident in the Division's oil & gas and marine business, where orders fell by a quarter compared to fiscal 2015, and in its large drives business, which saw a moderate decline in orders. These decreases were only partly offset by order growth in the Division's wind power components business. Revenue shows a similar development, as both the oil & gas and marine and the large drives businesses saw considerable declines in revenue only partly offset by growth from the wind power components business. On a regional basis, orders were down in Asia, Australia, particularly in China, and in Europe, C.I.S., Africa, Middle East, while they increased in the Americas, due mainly to strong demand for the Division's offerings for the wind power industry. Revenue was down in all three reporting regions. Underutilization and a shift in demand particularly in the large drives and the oil & gas and marine businesses heavily impacted the Division's profit in fiscal 2016. To reduce the size of its manufacturing capacity and align its global footprint to changed market demand, the Division took €254 million in severance charges. For comparison, profit in the prior fiscal year was burdened by a warranty charge of €96 million and severance charges of €74 million.

A.3.2.8 HEALTHINEERS

(in millions of €)	Fiscal year 2016	2015	% Change Actual	Comp.
Orders	**13,830**	13,349	4%	4%
Revenue	**13,535**	12,930	5%	5%
Profit	**2,325**	2,184	6%	
Profit margin	**17.2%**	16.9%		

All businesses posted order increases and nearly all recorded revenue growth, led by the diagnostic imaging business. Orders grew in the Asia, Australia region, most notably in China, and in the Americas region, due to the U.S. All regions contributed to revenue growth, particularly the Americas region, due to the U.S, and the Asia, Australia region. Profit growth was driven by the diagnostic imaging business, which continued to account for the largest share of Healthineers profit overall. Profit was burdened by severance charges in both periods, totaling €61 million in fiscal 2016 and €62 million in fiscal 2015. Profit development in fiscal 2016 benefited from currency tailwinds. For comparison, fiscal 2015 included a €64 million gain from divestment of the microbiology business.

A.3.2.9 FINANCIAL SERVICES

(in millions of €)	Fiscal year 2016	2015
Income before income taxes	**653**	600
ROE (after taxes)	**21.6%**	20.9%

(in millions of €)	Sep 30, 2016	2015
Total assets	**26,446**	24,970

Financial Services (SFS) recorded stable results in the debt business. Results from the equity investments business came in above the high level of fiscal 2015, due primarily to a positive effect of €92 million resulting from an at-equity investment. Fiscal 2015 included a net gain in connection with the sale of renewable energy projects. Despite substantial early terminations of financings, total assets have increased since the end of fiscal 2015.

A.3.2.10 RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS

Profit

(in millions of €)	Fiscal year 2016	2015
Centrally managed portfolio activities	**(215)**	714
Siemens Real Estate	**132**	205
Corporate items	**(449)**	(690)
Centrally carried pension expense	**(439)**	(440)
Amortization of intangible assets acquired in business combinations	**(674)**	(543)
Eliminations, Corporate Treasury and other reconciling items	**(349)**	(366)
Reconciliation to Consolidated Financial Statements	**(1,994)**	(1,119)

Centrally managed portfolio activities (CMPA) included primarily a loss from at-equity investments (including impairments) after a positive result in the prior year. In particular, fiscal 2015 included a gain of €1.4 billion on the disposal of Siemens' stake in BSH Bosch und Siemens Hausgeräte GmbH (BSH). This was partly offset by an equity investment loss of €275 million related to Unify Holdings B.V. (Unify), an impairment of €138 million related to Siemens' stake in Primetals Technologies Ltd. and losses from other businesses.

Income from **Siemens Real Estate** continues to be highly dependent on the disposals of real estate. In fiscal 2016, the profit of disposals of real estate were lower than in the prior year.

Corporate items were influenced by a number of items, including €43 million in severance charges for corporate reorganization of support functions compared to €198 million in such charges in fiscal 2015.

Expenses in **Eliminations, Corporate Treasury and other reconciling items** were lower despite an increase in interest expenses mainly associated with US$7.75 billion in bonds issued end of May 2015. For comparison, fiscal 2015 was burdened even more by negative effects from changes in the fair value of interest rate derivatives related to interest rate management at Corporate Treasury.

A.3.3 Income

(in millions of €, earnings per share in €)	Fiscal year 2016	2015	% Change
Power and Gas	**1,872**	1,415	32%
Wind Power and Renewables	**464**	160	190%
Energy Management	**895**	570	57%
Building Technologies	**577**	553	5%
Mobility	**678**	588	15%
Digital Factory	**1,690**	1,685	0%
Process Industries and Drives	**243**	581	(58)%
Healthineers	**2,325**	2,184	6%
Industrial Business	**8,744**	**7,737**	**13%**
Profit margin Industrial Business	***10.8%***	*10.1%*	
Financial Services (SFS)	**653**	600	9%
Reconciliation to Consolidated Financial Statements	**(1,994)**	(1,119)	(78)%
Income from continuing operations before income taxes	**7,404**	**7,218**	**3%**
Income tax expenses	**(2,008)**	(1,869)	(7)%
Income from continuing operations	**5,396**	**5,349**	**1%**
Income from discontinued operations, net of income taxes	**188**	2,031	(91)%
Net income	**5,584**	**7,380**	**(24)%**
Basic earnings per share	**6.74**	8.84	(24)%
ROCE	**14.3%**	21.0%	

As a result of the development described for the segments, **Income from continuing operations before income taxes** increased 3%. 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. Severance charges for continuing operations were €598 million, of which €541 million were in the Industrial Business. In fiscal 2015, severance charges for continuing operations were €804 million, of which €564 million were in the Industrial Business.

The tax rate of 27% was positively influenced by successful appeals of tax decisions for prior years. In fiscal 2015, the tax rate was lower, due mainly to the disposition of the stake in BSH which was mostly tax-free. As a result, **Income from continuing operations** increased 1%.

Income from discontinued operations, net of income taxes was substantially 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. In the prior year, the line item primarily included gains from the disposal of the hearing aid and hospital information businesses, totaling €1.7 billion and €0.2 billion, respectively.

The decrease in **Basic earnings per share** reflects the lower net income compared to fiscal 2015, which included the substantial disposal gains related to the sale of the hearing aid business and the BSH stake that added €3.66 to basic earnings per share. At 14.3%, **ROCE** was below the range established in our One Siemens financial framework, as expected. ROCE declined compared to fiscal 2015 due to lower net income and a significant increase in average capital employed with the acquisition of Dresser-Rand at the end of the third quarter of fiscal 2015.

A.4 Net assets position

(in millions of €)	2016	Sep 30, 2015	% Change
Cash and cash equivalents	**10,604**	9,957	6%
Available-for-sale financial assets	**1,293**	1,175	10%
Trade and other receivables	**16,287**	15,982	2%
Other current financial assets	**6,800**	5,157	32%
Inventories	**18,160**	17,253	5%
Current income tax assets	**790**	644	23%
Other current assets	**1,204**	1,151	5%
Assets classified as held for disposal	**190**	122	56%
Total current assets	**55,329**	**51,442**	**8%**
Goodwill	**24,159**	23,166	4%
Other intangible assets	**7,742**	8,077	(4)%
Property, plant and equipment	**10,157**	10,210	(1)%
Investments accounted for using the equity method	**3,012**	2,947	2%
Other financial assets	**20,610**	20,821	(1)%
Deferred tax assets	**3,431**	2,591	32%
Other assets	**1,279**	1,094	17%
Total non-current assets	**70,388**	**68,906**	**2%**
Total assets	**125,717**	**120,348**	**4%**

Our total assets in fiscal 2016 were influenced by negative currency translation effects of €1.1 billion, primarily involving the British pound.

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

The increase in **inventories** was driven mainly by a build-up in Energy Management, Power and Gas and Wind Power and Renewables.

The increase in **goodwill** included the acquisition of CD-adapco.

Deferred tax assets increased 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 €)	2016	Sep 30, 2015	% Change
Short-term debt and current maturities of long-term debt	**6,206**	2,979	108%
Trade payables	**8,048**	7,774	4%
Other current financial liabilities	**1,933**	2,085	(7)%
Current provisions	**4,166**	4,489	(7)%
Current income tax liabilities	**2,085**	1,828	14%
Other current liabilities	**20,437**	20,368	0%
Liabilities associated with assets classified as held for disposal	**40**	39	5%
Total current liabilities	**42,916**	**39,562**	**8%**
Long-term debt	**24,761**	26,682	(7)%
Post-employment benefits	**13,695**	9,811	40%
Deferred tax liabilities	**829**	609	36%
Provisions	**5,087**	4,865	5%
Other financial liabilities	**1,142**	1,466	(22)%
Other liabilities	**2,471**	2,297	8%
Total non-current liabilities	**47,986**	**45,730**	**5%**
Total liabilities	**90,901**	**85,292**	**7%**
Debt ratio	***72%***	*71%*	
Total equity attributable to shareholders of Siemens AG	**34,211**	**34,474**	**(1)%**
Equity ratio	***28%***	*29%*	
Non-controlling interests	**605**	581	4%
Total liabilities and equity	**125,717**	**120,348**	**4%**

The increase in **short-term debt and current maturities of long-term debt** was due mainly to reclassifications of long-term fixed-rate instruments totaling €5.0 billion. This increase was partly offset by repayments of commercial paper of €0.9 billion and fixed-rate instruments of €0.5 billion.

Long-term debt decreased mainly due to the above mentioned reclassifications and the redemption of hybrid capital bonds totaling €1.8 billion. This decrease was partly offset by the issuance in September 2016 of instruments totaling US$6.0 billion (€5.4 billion) in six tranches with different maturities up to 30 years.

The main factors relating to the change in **total equity attributable to shareholders of Siemens AG** were a negative €2.9 billion in other comprehensive income, net of income taxes, mainly due to remeasurements of defined benefit plans, and dividend payments of €2.8 billion (for fiscal 2015). These negative factors were nearly offset by fiscal 2016 net income attributable to shareholders of Siemens AG of €5.5 billion.

Post-employment benefits

The funded status of our defined benefit plans – meaning defined benefit obligation (DBO) less fair value of plan assets – showed an underfunding of €13.4 billion as of September 30, 2016 (€9.5 billion as of September 30, 2015). Within these figures, the underfunding for pension benefit plans amounted to €12.8 billion as of September 30, 2016 (€9.0 billion as of September 30, 2015) and the underfunding of other post-employment benefit plans amounted to €0.5 billion (€0.5 billion as of September 30, 2015). The increase in the underfunding of our defined benefit plans was mainly due to lower discount rate assumptions. This effect was partly offset by a significant increase in return on plan assets and a lower pension progression assumption in Germany.

Capital structure ratio

Our capital structure ratio as of September 30, 2016 increased from 0.6 a year earlier to 1.0, which was in line with our target established in our One Siemens financial framework. The change was due primarily to the increase in post-employment benefits compared to the prior year, reflecting the above-mentioned increase in the underfunding of our defined benefit plans.

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 cancelling and reducing capital stock; for issuing shares to employees, to members of the Managing Board and board members of affiliated companies; and for meeting obligations from or in connection with convertible bonds or warrant bonds. Under the program we repurchased 2,517,727 treasury shares at an average cost per share of €91.24, totaling €0.2 billion (including incidental transaction charges).

Debt and credit facilities

As of September 30, 2016 we recorded, in total, €28.6 billion in notes and bonds (maturing until 2046), €1.4 billion in loans from banks (maturing until 2023), €0.9 billion in other financial indebtedness (maturing until 2027) and €0.1 billion in obligations under finance leases. Notes, bonds and loans from banks were issued mainly in the euro and U.S. dollar, and to a lower extent in the British pound.

We have three credit facilities at our disposal for general corporate purposes. These credit facilities amounted to €7.1 billion and were unused as of September 30, 2016.

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 management see → NOTE 24 in → B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Off-balance-sheet commitments

As of September 30, 2016 the undiscounted amount of maximum potential future payments related to credit guarantees, guarantees of third-party performance and HERKULES obligations amounted to €3.7 billion (September 30, 2015: €4.2 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 amounting to €0.9 billion (September 30, 2015: €1.8 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 €3.5 billion (September 30, 2015: €3.4 billion).

Irrevocable loan commitments amounted to €3.4 billion (September 30, 2015: €3.6 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 2016
Cash flows from operating activities	
Net income	5,584
Change in operating net working capital	(1,241)
Other reconciling items to cash flows from operating activities – continuing operations	3,324
Cash flows from operating activities – continuing operations	7,668
Cash flows from operating activities – discontinued operations	(57)
Cash flows from operating activities – continuing and discontinued operations	7,611
Cash flows from investing activities	
Additions to intangible assets and property, plant and equipment	(2,135)
Acquisitions of businesses, net of cash acquired	(922)
Change in receivables from financing activities of SFS	(1,356)
Other purchases of assets	(1,409)
Other disposals of assets	1,417
Cash flows from investing activities – continuing operations	(4,406)
Cash flows from investing activities – discontinued operations	262
Cash flows from investing activities – continuing and discontinued operations	(4,144)
Cash flows from financing activities	
Purchase of treasury shares	(463)
Issuance of long-term debt	5,300
Repayment of long-term debt (including current maturities of long-term debt)	(2,253)
Change in short-term debt and other financing activities	(1,408)
Interest paid	(809)
Dividends paid to shareholders of Siemens AG	(2,827)
Other cash flows from financing activities – continuing operations	(249)
Cash flows from financing activities – continuing operations	(2,710)
Cash flows from financing activities – discontinued operations	–
Cash flows from financing activities – continuing and discontinued operations	(2,710)

The conversion of profit into **cash inflows from operating activities** was mainly driven by Healthineers as well as the Digital Factory and Power and Gas Divisions. This conversion was affected by a **build-up of operating net working capital** primarily driven by an increase in the line items Inventories and Trade and other receivables in the Industrial Business, which was primarily due to Power and Gas and Energy Management.

The cash outflows for **acquisitions of businesses, net of cash acquired**, primarily included payments totaling €0.9 billion related to the acquisition of CD-adapco.

The cash outflows for **other purchases of assets** primarily included additions of assets eligible as central bank collateral and to a lesser extent payments related to equity investments.

The cash inflows from **other disposals of assets** primarily included disposals from above-mentioned eligible collateral, proceeds from the sale of shares in a fund at Corporate Treasury, and real estate disposals at SRE.

The cash inflows from **investing activities – discontinued operations –** included proceeds from the sale of the remaining assets in the hearing aid business.

The **change in short-term debt and other financing activities** included the net cash outflows related to commercial paper and from loans to banks.

We report Free cash flow as a supplemental liquidity measure:

Free cash flow

(in millions of €)	Fiscal year 2016 Continuing operations	Discontinued operations	Continuing and discontinued operations
Cash flows from operating activities	7,668	(57)	7,611
Additions to intangible assets and property, plant and equipment	(2,135)	–	(2,135)
Free cash flow	**5,533**	**(57)**	**5,476**

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 €11.9 billion, our €7.1 billion in unused lines of credit, and given 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 €2.1 billion in fiscal 2016. Within the Industrial Business ongoing investments related mainly to technological innovations; extending our capacities for designing, manufacturing and marketing new solutions; improving productivity and our global footprint; and replacements of fixed assets. These investments amounted to €1.5 billion in fiscal 2016. The remaining portion in fiscal 2016, €0.6 billion, related mainly to SRE, including significant amounts related to office projects, such as new corporate office buildings in Germany, and to support investing activities particularly at Wind Power and Renewables. SRE is responsible for uniform and comprehensive management of Company real estate worldwide, 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 moderate spending increase in fiscal 2017. 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 replacement, enhancing productivity and innovation, mainly relating to our large gas turbines and generators business, including upcoming spending for a new technology platform.

The investments of **Wind Power and Renewables** are focused on the extension, modernization and optimization of existing plants to allow for the large-scale manufacturing of innovative products, including construction of production and service facilities such as in the U.K., Germany, Morocco and Egypt. To a lesser extent, Wind Power and Renewables also focuses on transportation solutions particularly for delivering large turbines.

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

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

Mobility's investments mainly focus on meeting project demands and maintaining or enhancing its production and service facilities, including capital expenditures for improving its respective positions in growing market segments.

Major spending of **Digital Factory** relates to the factory automation, motion control systems and control products businesses, including investments in production facilities in China.

Process Industries and Drives makes most of its capital expenditures for the purpose of rationalization, replacement and modification required for transition to innovative products, particularly relating to the large drives business.

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

A.6 Overall assessment of the economic position

In fiscal 2016, we successfully continued implementing our "Vision 2020" concept. We made further significant steps to strengthen our business focus in electrification, automation and digitalization by acquiring CD-adapco, a U.S.-based provider of simulation software, and by signing binding agreements to merge our wind power business, including service, with Gamesa to strengthen our wind power business both regionally and in the global onshore market. We sold our remaining financial assets in the hearing aid business and our share in Unify Holdings B.V. to Atos SE. For Process Industries and Drives we implemented measures to address the Division's structural challenges with regard to adjusting regional footprint and reducing overcapacities. We also made substantial progress in our ongoing initiative to improve profitability of low-margin businesses throughout our Industrial Business. Beginning with fiscal 2017 we founded next47, a separate unit that pools our existing startup activities to foster disruptive ideas more vigorously and accelerate the development of new technologies.

We also made further progress in streamlining our management structures and processes. Following cost savings of approximately €0.4 billion in fiscal 2015, we reduced cost by an additional €0.6 billion in fiscal 2016, thus achieving cost savings of €1.0 billion compared to fiscal 2014.

In fiscal 2016, we were particularly successful in executing on our financial target system, enabling us to twice raise our forecast for basic earnings per share (EPS) (net income) and to gain market share in most of our businesses. Despite an unfavorable economic environment and rising global uncertainties, we reached or exceeded the targets set for our primary measures for fiscal 2016. We achieved revenue growth of 6%, net of effects from currency translation, including two percentage points from portfolio effects. Net income and basic earnings per share (EPS) (net income) rose by more than a quarter compared to fiscal 2015 excluding the portfolio gains from the divestment of the hearing aid business and our stake in BSH. As forecast, Return on capital employed (ROCE) was double-digit. Our capital structure ratio was 1.0, close to our forecast.

Orders increased 5% year-over-year to €86.5 billion, for a book-to-bill ratio of 1.09, thus fulfilling our expectation for a ratio clearly above 1.0. All industrial businesses contributed to order growth except for the Mobility Division, which recorded lower volume from large orders year-over-year, and the Process Industries and Drives Division, which is suffering from weak demand in commodity-related markets. Order growth was particularly impressive in the Power and Gas and the Wind Power and Renewables Divisions. While Power and Gas recorded among others large orders for power plants in Egypt, Wind Power and Renewables won among others a number of contracts for large offshore wind-farms including service in the U.K.

Revenue rose to €79.6 billion, also up 5% compared to fiscal 2015. All our industrial businesses increased revenue year-over-year, except for the Process Industries and Drives Division. Excluding currency translation effects, overall revenue rose 6%. Our forecast was to achieve moderate revenue growth excluding currency translation effects. As expected, portfolio effects added 2 percentage points to growth. The strongest contribution to revenue growth came from the Power and Gas Division, which achieved a double-digit growth rate even after excluding positive portfolio effects, primarily related to the acquisition of Dresser-Rand at the end of the third quarter of fiscal 2015. Revenue growth at Power and Gas included strong contributions from project execution on orders from Egypt.

Industrial Business profit grew 13% to €8.7 billion. As with revenue, all industrial businesses except for Process Industries and Drives increased their profit year-over-year. Wind Power and Renewables nearly tripled its profit compared to fiscal 2015, supported by a number of factors including successful implementation of measures for ramping up commercial-scale production of turbine offerings. The Energy Management Division continued its strong turnaround, with high double-digit profit growth. Power and Gas achieved double-digit profit growth, benefiting from among others a positive effect following the ending or easing of sanctions on Iran; Power and Gas took significant project charges and higher severance in the prior year. Mobility continued its solid project execution and also achieved double-digit profit growth. Healthineers and our Digital Factory and Building Technologies Divisions exceeded the already high profit levels they had reached in fiscal 2015. The decline in profit at Process Industries and Drives was due to the above-mentioned market conditions and charges related to measures taken to address those challenges.

The profit margin of the Industrial Business increased to 10.8%, up from 10.1% in fiscal 2015. We thus reached the upper end of the range of 10% to 11% that was forecast for fiscal 2016. All industrial businesses except for Process Industries and Drives reached their margin ranges, with three Divisions that were below their margin ranges in fiscal 2015, entering their ranges in fiscal 2016: Power and Gas, Wind Power and Renewables and Energy Management. SFS, which is outside our Industrial Business, achieved a return on equity after tax of 21.6%, again above the upper end of its margin range.

Outside the Industrial Business, the loss was higher than in fiscal 2015, which included a gain of €1.4 billion from the sale of our stake in BSH. In contrast, the loss from other at-equity investments was lower and costs related to Corporate Items declined substantially compared to the prior year.

Net income in fiscal 2016 was €5.6 billion and basic EPS from net income was €6.74 both down 24% compared to the prior fiscal year, which included a gain of €3.0 billion within net income and €3.66 within earnings per share from the sale of our hearing aid business and our stake in BSH. Excluding these gains, net income rose 28%. We thus exceeded our fiscal 2016 forecast for a significant increase in net income excluding these gains. This in turn enabled us to exceed our forecast for basic EPS from net income, which we raised twice during fiscal 2016: first from the range of €5.90 to €6.20 to the range of €6.00 to €6.40, and then from the latter range to €6.50 to €6.70. Net income development benefited from our continuous efforts to increase productivity. In fiscal 2016, total cost productivity improved by 5%, above our fiscal 2016 target of 3% to 4%.

ROCE was 14.3% in fiscal 2016. We thus reached our forecast for fiscal 2016, which was to achieve a double-digit ROCE but to come in substantially below the amount of fiscal 2015, which was 21.0%. This decline was due to a combination of lower net income, which in the prior fiscal year benefited from the above-mentioned divestment gains, and an increase in average capital employed, resulting mainly from the acquisition of Dresser-Rand.

We evaluate our capital structure using the ratio of industrial net debt to EBITDA. For fiscal 2016, this ratio was 1.0, up from 0.6 in fiscal 2015. This was close to our forecast, which was to reach a ratio below but near 1.0.

Free cash flow from continuing and discontinued operations for fiscal 2016 rose to €5.5 billion, up 17% 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 €3.60 per share, up from €3.50 a year earlier.

A.7 Subsequent events

In October 2016, the shareholders of Gamesa approved binding agreements to merge Siemens's wind power business, including service, with Gamesa. Closing of the transaction is subject to the approval of the antitrust and regulatory authorities.

In November 2016, Siemens announced the acquisition of Mentor Graphics (U.S.), a design automation and industrial software provider. The purchase price is US$37.25 per share in cash, which represents an enterprise value of US$4.5 billion. Mentor Graphics will be integrated in the Digital Factory Division. Closing of the transaction is subject to customary conditions and is expected in the third quarter of fiscal 2017.

In November 2016, Siemens announced its intention to further strengthen Healthineers in Siemens for the future and is therefore planning to publicly list its healthcare business. Siemens will announce more precise details regarding the date and scope of the placement when plans for the public listing are further advanced. The listing will also depend, among other things, on the stock market environment.

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 year 2017, the world economy is expected to grow only slightly faster than in fiscal 2016, but still well below the long-term historical trend. Global GDP is expected to expand by 2.8%, with fixed investments growing by 3.2%. Fixed investments in emerging countries (+4.4%) are expected to grow faster than in advanced economies (+1.9%).

The U.S. has substantially resolved its inventory reduction, enabling GDP to grow substantially faster (+2.2%) than in 2016 (+1.4%). The good shape of the country's labor markets and increasing wage growth support consumer spending, which is expected to remain the mainstay of the economy. Improved trends in housing and capital spending are also expected to support growth. In particular, business fixed investment is expected to pick up, as a recovery in commodity prices is increasing capital spending in resource extraction and related industries. Nevertheless, potential impacts resulting from political uncertainty in the wake of the U.S. presidential election have to be monitored.

In China, economic growth is projected to slow to 6.3% in 2017 after 6.6% in 2016. Some questions exist about the sustainability of development in the country's financial and real estate sectors. With China's debt-to-GDP ratio rising strongly in recent years, the risks of a financial imbalance have increased. In addition, large housing price increases in several large cities have raised concerns about another real estate bubble.

In Europe, economic activity is expected to remain hampered by political risks. Negotiations between the U.K. and the European Union regarding the U.K.'s exit from the EU have been announced for spring 2017 and could become contentious. The exit process could heighten business and consumer uncertainty, reduce investment in the U.K., and pose some risk to financial markets. This is also true for the banking sector which in some countries suffers from non-performing loans and a capital shortage. GDP growth is forecast at 1.5% in 2017 after 1.8% in 2016.

Despite the positive developments expected for the world economy in 2017, first and foremost the acceleration of the U.S. economy, the risks remain substantial, particularly in the geopolitical sphere (see → A.8.3. RISKS). In addition, central banks raising interest rates might induce financial turbulence, substantial swings in capital flows, and readjustment of exchange rates. Emerging markets might be especially vulnerable to these shocks.

The forecasts presented here for GDP and fixed investments are based on a report from IHS Markit dated October 15, 2016.

A.8.1.2 MARKET DEVELOPMENT

For fiscal 2017, we expect market volume for the markets served by the **Power and Gas** Division to remain near the level of fiscal 2016. We anticipate a decline in the gas turbine market and a slight recovery in the compression market. Our expectation for the compression market is based on the assumptions that oil prices will continue to recover and replacement demand will grow, particularly to support enhanced extraction techniques employed in partially depleted fields. We expect flat demand in the steam turbine market, and a decline in demand for coal-fired power plants in China. Overall, we assume a shift to more flexible power generation and stronger demand for combined heat and power generation.

We expect the markets served by the **Wind Power and Renewables** Division to return to moderate growth in fiscal 2017. Growth is expected to be driven by the Americas, particularly the U.S. and continued growth in the offshore wind power market segment. Overall, we expect a continuation of the trend towards an increasing share of renewable energy within the energy mix. Within the onshore wind power market, we expect demand in the low-wind segment to remain significant.

For the markets served by the **Energy Management** Division, we expect slight overall growth in fiscal 2017. The Division's markets are experiencing rising power consumption due to urbanization and electrification in emerging countries. Also the energy mix is changing, with a rising share of renewable energy. Furthermore, there is a trend towards decentralized power generation. Within the Division's key industries, we expect moderate growth in demand from the metals markets, driven by the Europe, C.I.S., Africa, Middle East and the Asia, Australia regions and from the construction markets. For the oil and gas market, a slight recovery is expected. Demand from data centers is also expected to contribute to growth. The base market for utilities is expected to continue to grow, but with large investments such as in the Middle East not reaching the level of fiscal 2016.

For the markets served by the **Building Technologies** Division, we expect solid growth in fiscal 2017. The regional differences in growth dynamics are narrowing further, with modestly increasing growth rates in developed countries and slowing growth in emerging markets. Above-average growth is anticipated in the Middle East, China, India and the U.S. A majority of the European countries are anticipated to continue their recovery, led by Germany, Spain and some of the Northern European countries. On the other hand, growth might be impacted in countries with significant exposure to weak commodity markets and in countries with geopolitical uncertainties.

For fiscal 2017, we expect markets served by the **Mobility** Division to continue to grow moderately. We anticipate that rail operators in Germany will continue to make significant investments. In the Middle East and Africa, we expect tenders of further large turnkey and rolling stock 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 planned projects for commuter and high-speed passenger lines, freight rail, and related infrastructure as part of the transportation infrastructure build-out. Overall, local rail transport is expected to gain importance as urbanization is progressing. In emerging countries, rising incomes are expected to result in greater demand for public transport solutions.

Conditions for the markets addressed by the **Digital Factory** Division are expected to improve modestly in fiscal 2017. Global manufacturing production is forecasted to grow slightly in fiscal 2017, though global political and economic uncertainties are expected to continue to restrain investment decisions of key customers. Market growth is expected to benefit from ongoing rising demand from consumer-oriented manufacturing industries, especially in industrialized countries. Also, price stabilization in some raw material markets is anticipated to end the economic downturn in a number of emerging countries. Overall, we see potential for the machine-building industry to return to slight growth during the course of fiscal 2017, and the trend towards digitalization is expected to continue to drive growth in the industry software market.

In fiscal 2017, market volume for the markets served by the **Process Industries and Drives** Division is expected to come in slightly below the level of fiscal 2016. While this decline is forecast to be driven by an ongoing fall in investments in the oil and gas and the mining markets, we expect this downturn to gradually come to an end during fiscal 2017.

For fiscal 2017, we expect markets for **Healthineers** 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 to moderate growth in the U.S., held back by continued pressure to increase utilization of existing equipment and to reduce reimbursement rates. For Europe, we expect slight growth, with equipment replacement and business with large customers such as hospital chains gaining further importance. For China, we expect healthcare spending to rise, due to an aging population, urbanization, growing chronic disease incidence and expanded access to health insurance, partly held back by governmental restrictions such as centralized tendering and reimbursement budget control. For Brazil, the recession is expected to continue to impact healthcare investments.

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

A.8.1.3 SIEMENS GROUP

We are basing our outlook for fiscal 2017 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. Furthermore, this outlook is based on the current business portfolio of Siemens, excluding potential burdens associated with pending portfolio matters in fiscal 2017. An acquisition of Mentor Graphics to expand our digital industrial leadership and a merger of our wind power business, including service with Gamesa would among other things result in additional revenue, purchase price allocation effects, integration costs as well as assets and liabilities. The merger with Gamesa would also result in increases in non-controlling interests. In addition, we are further strengthening Healthineers in Siemens for the future and are therefore planning to publicly list our healthcare business. We will announce more precise details regarding the date and scope of the placement when plans for the public listing are further advanced. The listing will also depend, among other things, on the stock market environment.

We are exposed to currency translation effects, particularly involving the US$, the British £ and currencies of emerging markets, particularly the Chinese yuan. During fiscal 2016, the average exchange rate conversion for our large volume of US$-denominated revenue was US$1.11 per €. While we expect volatility in global currency markets to continue in fiscal 2017, 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 2017.

Revenue growth

We continue to anticipate headwinds for macroeconomic growth and investment sentiment in our markets in fiscal 2017 due to the complex geopolitical environment. Therefore, we expect modest growth in revenue, net of effects from currency translation and portfolio transactions.

In fiscal 2016, most of our industrial businesses contributed to organic revenue growth, and we expect a similar development in fiscal 2017. The principle exception is the Power and Gas Division, which contributed double-digit growth in fiscal 2016.

We expect revenue growth to benefit from conversion of our order backlog (defined as the sum of order backlogs of our industrial businesses) which totaled €113 billion as of September 30, 2016. From this backlog, we expect to convert approximately €39 billion of past orders into current revenue in fiscal 2017. Within this amount, we expect for fiscal 2017 approximately €12 billion in revenue conversion from the €44 billion backlog of the Power and Gas Division, approximately €7 billion in revenue conversion from the €12 billion backlog of the Energy Management Division, approximately €7 billion in revenue conversion from the €26 billion backlog of the Mobility Division, approximately €4 billion in revenue conversion from the €15 billion backlog of the Wind Power and Renewables Division, approximately €3 billion in revenue conversion from the €5 billion backlog of the Process Industries and Drives Division, approximately €2 billion in revenue conversion from the €3 billion backlog of the Building Technologies Division, approximately €2 billion in revenue conversion from the €2 billion backlog of the Digital Factory Division and approximately €2 billion in revenue conversion from the €5 billion backlog of Healthineers.

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

Profitability

We expect higher net income year-over-year, and basic EPS from net income in the range of €6.80 to €7.20 as compared to €6.74 in fiscal 2016 which included €0.23 from discontinued operations.

Our forecast for net income and corresponding basic EPS is based on a number of assumptions: We assume stabilization in the market environment for our high-margin short-cycle businesses in fiscal 2017. As part of our One Siemens framework, we target a total cost productivity improvement of 3% to 5% in fiscal 2017. Also, we assume continued solid project execution. Furthermore, we anticipate no material currency-related effects on income. Along with these assumptions, we anticipate pricing pressure on our offerings of around 2% to 3% in fiscal 2017 along the lines of fiscal 2016, with the Power and Gas Division and the Wind Power and Renewables Division being affected the most. Furthermore, we expect wage inflation of around 3% to 4%. Also, we plan to increase R&D and selling expenses aimed at strengthening our capacities for innovation and organic growth. Our forecast for net income and corresponding basic EPS further excludes charges related to legal and regulatory matters.

For fiscal 2017, we expect all but one of our industrial businesses to be in their ranges for profit margin as defined in our financial performance system (see → A.2 FINANCIAL PERFORMANCE SYSTEM). The exception is Process Industries and Drives, which initiated measures during fiscal 2016 to reduce the size of its manufacturing capacity and align its global footprint to changed market demand. We expect these measures to become effective largely after fiscal 2017. Overall, we expect a profit margin for our Industrial Business of 10.5% to 11.5%, compared to 10.8% in fiscal 2016, in part due to our ongoing initiative to improve profitability of low-margin businesses. We expect SFS, which is reported outside Industrial Business, to achieve a return on equity (ROE) within its margin range in fiscal 2017 and to keep its profit near the prior-year level excluding the positive effect of €92 million, which resulted from an at-equity investment.

Within our Reconciliation to Consolidated Financial Statements, we expect results related to CMPA to continue to be highly volatile from quarter to quarter during fiscal 2017. Expenses for Corporate items are expected to be approximately €0.6 billion, with costs in the second half-year higher than in the first half and to include expenses related to our newly founded next47 startup unit. While we anticipate that SRE will continue with real estate disposals depending on market conditions, we expect gains from disposals to be lower in fiscal 2017 than in fiscal 2016. Centrally carried pension expenses are expected to total approximately €0.5 billion in fiscal 2017. Amortization of intangible assets acquired in business combinations was €674 million in fiscal 2016 and we expect a similar level in fiscal 2017, based on our current business portfolio. Eliminations, Corporate Treasury and other reconciling items are also anticipated to be on the prior-year level despite higher interest expense related primarily to bonds issued in fiscal 2016.

We do not expect material influence on financial results from discontinued operations in fiscal 2017. For comparison, income from discontinued operations in fiscal 2016 was €0.2 billion. We anticipate our tax rate for fiscal 2017 to be in the range of 26% to 30%.

Capital efficiency

Within our One Siemens financial framework, we aim in general to achieve a ROCE in the range of 15% to 20%. We expect ROCE for fiscal 2017 to come close to or reach the lower end of our target range, compared to 14.3% for fiscal 2016. Burdens from pending portfolio matters, which are excluded from our outlook, could materially reduce our expectation for ROCE for fiscal 2017.

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 2017.

A.8.1.4 OVERALL ASSESSMENT

We continue to anticipate headwinds for macroeconomic growth and investment sentiment in our markets due to the complex geopolitical environment. Therefore, we expect modest growth in revenue, net of effects from currency translation and portfolio transactions. We further anticipate that orders will exceed revenue for a book-to-bill ratio above 1. For our Industrial Business, we expect a profit margin of 10.5% to 11.5%. We expect basic EPS from net income in the range of €6.80 to €7.20, compared to €6.74 in fiscal 2016 which included €0.23 from discontinued operations.

This outlook assumes stabilization in the market environment for our high-margin short-cycle businesses. It further excludes charges related to legal and regulatory matters as well as potential burdens associated with pending portfolio matters.

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, 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 worldwide accepted Enterprise Risk Management – Integrated Framework (2004) developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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.

The 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. Risks and opportunities are generally reported on a quarterly basis. 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 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, and regional organizations and from the heads of 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 and solutions 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 and a change in our relative market position. Furthermore, we notice that suppliers (and to some extent even customers), especially from emerging countries (e.g. China), could develop into serious competitors for Siemens. 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 factory footprint, 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 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 consequences of the Brexit vote in June of 2016, from political uncertainty in the wake of the U.S. presidential election and from an increasing trend towards populism. 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 EU in the course of the U.K. exit negotiations. 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 team coordinating our local and global mitigation measures. Further, a substantial business risk stems from a significant weakening of Chinese economic growth and the potential for corrections or even a collapse in the country's real estate market, banking sector or stock market. The downturn could get worse, if Chinese authorities fail to reform the state-owned enterprises in the industry and banking sector and to further liberalize and open the economy. Both global and regional investment climates could collapse due to political upheavals, further independence debates within countries in the European Union, or sustained success for 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. A terrorist mega-attack, or a series of such attacks in major economies, could depress economic activity globally and undermine consumer and business confidence. Further risks stem from political tensions (e.g. Syria, Turkey, Ukraine) and a loss of confidence in the automotive sector.

In general, due to the significant proportion of long-cycle businesses in our Divisions 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 in 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 and services, or fail to follow through on purchases or contracts already executed. Furthermore, the prices for our products 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 condition. 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. product, software, solution, project and service-business) help us to absorb the impact of an adverse development in a single market.

Disruptive Technologies (incl. Digitalization): 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, Industrie 4.0), there are risks of new competitors, substitutions of existing products/solutions/services, new business models (e.g. in terms of pricing) 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 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 or systems are not introduced to the market in a timely manner, particularly compared to our competitors, or 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.

Continuous low Oil/Commodity Prices: The longer than expected low oil price could reduce demand for Oil & Gas products. Additionally, countries depending on high oil and commodity prices (e.g. Russia, Venezuela, Middle East) might reduce public spending. Both would result in a decline in order intake and revenue for our businesses that serve oil and gas markets, as well as underutilization of resources. We attempt to mitigate these risks by close monitoring of the market situation, especially in the oil and gas business. We consistently strive to adjust our capacity, improve our cost structure, and increase our competitiveness in this market.

Footprint: The risk is that we are not flexible enough in adjusting our manufacturing footprint to quickly respond to changing markets, resulting in a non-competitive cost position and a 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 expenditure 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 led to substantial addition 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 condition 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 and OSRAM Licht AG. 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

IT 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. 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, espionage or leakage of information, 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 the products or of the commissioning of the products or from 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. Several measures for quality improvement and claim prevention are established and the increased use of quality management tools is improving visibility and assists us strengthen the root cause and prevention process.

Operational optimization alignments and cost reduction initiatives: We are in a continuous process of operational optimization alignments and constantly engage in cost-reduction initiatives, including ongoing capacity adjustment measures and structural initiatives. Consolidation of business activities and manufacturing facilities, and the streamlining of product portfolios, are also 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. 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 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, Wind Power and Renewables, Mobility, and parts 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 requirements, 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 the 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.

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.

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. 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, 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.

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 in U.S. dollar and as exports from Europe. In addition, we are exposed to currency effects involving the currencies of emerging markets, in particular the Chinese yuan. A strengthening of the euro (particularly against the U.S. dollar) may change our competitive position, as many of our competitors may benefit from having a substantial portion of their costs based in weaker currencies, enabling them to offer their products at lower prices. As a result, a strong euro in relation to the U.S. dollar and other currencies could have an adverse impact on our results of operations. 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. Certain currency risks as well as interest rate risks are hedged using derivative financial instruments. 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: Political and economic developments in the EU as well as the ongoing euro zone sovereign debt crisis continue to influence global capital markets. 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. Negative developments could also further increase the costs for buying protection against credit risks due to a potential increase in counterparty risks. Siemens reduces funding risks through diversification into different funding instruments, currencies, markets and investor groups. Liquidity risks are mitigated by depositing cash into different categories of instruments and with a range of counterparties of investment grade credit quality; the associated counterparty risks are centrally and closely monitored (including risks resulting from derivatives).

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. In part, we take a security interest in the assets we finance, or we receive additional collateral. Our business, financial condition and results of operations may be adversely affected if the credit quality of our customers deteriorates or if they default on their payment obligation to us, if the value of the assets in which we have taken a security interest or additional collateral declines, or if the projects in which we invest are unsuccessful. Positive market values from derivatives and deposits with banks induce credit risk against these banks. We monitor these market value developments very closely. A default by a major trading partner may have negative impact on our financial position and the results of financial operations.

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.

Examinations 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 law 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 examined by tax authorities in various jurisdictions and we continuously identify and assess resulting risks.

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

A.8.3.4 COMPLIANCE RISKS

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. Due to the political agreement based on the Joint Comprehensive Plan of Action (JCPOA) regarding the Iranian nuclear program, Siemens has revised its group-wide policies to allow new business activities with customers or end customers in Iran that are not designated on the EU or U.S. sanctions lists, provided that these activities do not breach the EU sanctions regulations or the U.S. Secondary Sanctions (if applicable).

Emerging market operations involve 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. Asian markets in particular are important for our long-term growth strategy, and our sizeable activities in China operate under a legal system that is still developing and is subject to change. Our long-term growth strategy could be limited by governments preferentially supporting local competitors. With our dedicated regional organizations we tackle these risks by constantly monitoring the latest trends and defining our response strategies which include an ongoing evaluation of our localization approach.

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 also 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 cooperation, 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 which conducts among others compliance risk mitigation processes such as Compliance Risk Assessments, and which has been reviewed by external compliance experts.

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 processes. We exercise our duty within the supply chain, as our customers request transparency in the supply chain and as the obligation to do so already forms an element of customer contracts. If we are unable to achieve sufficient confidence throughout our supply chain, or if any risks associated with these kinds of regulations, laws and policies were to materialize, our reputation could also be adversely affected. We continuously monitor the political and regulatory landscape in all our key markets to anticipate potential problem areas, so that we are able to quickly adjust our business activities accordingly upon any change in conditions.

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 environment, health & safety incidents as well as potential non-compliance with environment, 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.

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; 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.

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/or 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 legal proceedings related losses. 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, Operations, Financial and Compliance. 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 2016 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 our 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 Siemens "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. For example, 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 new cloud based MindSphere platform enhances the availability of customers' digital products and systems and improves their productivity and efficiency.

Mergers, acquisitions, equity investments, partnerships divestments and streamline 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 markets or complement our technological portfolio in selected areas. Opportunities might also arise from well executed divestments that further optimize our portfolio while generating gains.

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, establishing a stringent claim management process can help us realize opportunities by enforcing our claims on our contract partners even more strongly.

Political stabilization of certain critical countries and resilience of worldwide economic environment: We see an opportunity that political stabilization of certain critical countries and lifting of sanctions (e.g. Iran) 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 Siemens.

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) which 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 is "Success from innovation along electrification, automation and digitalization" compared to "Mergers, acquisitions, equity investments, partnerships and divestments" as disclosed in our prior year reporting. Even though our assessment of individual opportunities has changed during fiscal year 2016 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 following discussion describes information required pursuant to Section 289 (5) and Section 315 (2) no. 5 of the German Commercial Code (Handelsgesetzbuch) and explanatory report.

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.

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 process and the effectiveness of the 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 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.

As of September 30, 2016, the number of employees was 94,363.

A.9.1 Results of operations

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

(in millions of €)	Fiscal year 2016	2015	% Change
Revenue	**25,763**	26,454	(3)%
Cost of Sales	**(19,818)**	(20,161)	2%
Gross profit	**5,945**	6,293	(6)%
as percentage of revenue	***23%***	*24%*	
Research and development expenses	**(2,454)**	(2,417)	(2)%
Selling and general administrative expenses	**(3,558)**	(3,810)	7%
Other operating income (expenses), net	**134**	(270)	n/a
Financial income, net *thereof Income from investments 3,732 (prior year 8,142)*	***3,092***	*6,122*	*(49)%*
Result from ordinary activities	**3,158**	5,918	(47)%
Income taxes	**(160)**	(300)	47%
Net income	**2,999**	5,618	(47)%
Profit carried forward	**256**	179	43%
Allocation to other retained earnings	**(195)**	(2,714)	93%
Unappropriated net income	**3,060**	3,084	(1)%

Revenue decreased moderately as declines of €1.3 billion in Energy Management and €0.2 billion in Power and Gas more than offset a sharp increase of €0.9 billion in Wind Power and Renewables. On a geographical basis, 73% of revenue was generated in the Europe, C.I.S., Africa, Middle East region, 18% in the Asia, Australia region and 9% in the Americas region. Exports from Germany accounted for 64% of overall revenue. In fiscal 2016, orders for Siemens AG amounted to €28.9 billion. Within Siemens AG, the development of revenue, primarily in connection with large orders, depends strongly on the completion of contracts.

Gross profit was lower year-over-year due mainly to declines of €0.5 billion in Power and Gas and €0.1 billion in Energy Management.

Research and development (R&D) expenses as a percentage of revenue (R&D intensity) increased by one percentage point year-over year, to 10%. On an average basis, we employed 10,100 people in R&D in fiscal 2016. For additional information see → A.1.1.3 RESEARCH AND DEVELOPMENT.

Other operating income (expenses), net came in higher year-over-year due to a decrease of €0.5 billion in other operating expenses, only partly offset by a decline of €0.1 billion in other operating income. The increase is explained mainly by factors in the prior year. For comparison, fiscal 2015 included, within other operating expenses, additions to post-closing provisions in connection with the disposal of businesses.

The decrease in **Financial income, net** was primarily attributable to lower income from investments, net which decreased by €4.4 billion. Other financial income (expenses), net increased by €1.3 billion compared to the prior year.

Income from investments, net declined due to a decrease of €2.1 billion in income from profit transfers – in particular from Siemens Beteiligungen Inland GmbH, which came in €2.0 billion lower – and an increase of €0.1 billion from losses from the disposal of investments. These factors were only partly offset by an increase of €0.5 billion from profit distribution – in particular from Siemens Beteiligungsverwaltung GmbH & Co. OHG amounting to €0.9 billion – and a decline of €0.2 billion from impairments on investments. For comparison, fiscal 2015 included a gain of €2.8 billion on the disposal of Siemens' stake in BSH.

The improvement in other financial income (expenses), net resulted mainly from a €0.8 billion reduction in expenses from accretion of pension provisions – due to a regulatory change which increased the weighted average discount rate – and from a €0.7 billion decrease in the realized loss related to interest and foreign currency derivatives. These positive factors were only partly offset by €0.3 billion lower gains on the realization of monetary balance sheet items denominated in foreign currencies and provisions for risks in derivatives, which were €0.2 billion higher. For comparison, fiscal 2015 included impairments of loan receivables of Unify Holdings B.V. and Unify Germany Holdings B.V. amounting to €0.2 billion.

The decline in **Income taxes** resulted from lower income tax expenses due to the absence of burdens of tax audits from the prior year as well as tax refunds that arose from positive appeal decisions for prior years in fiscal 2016. That was partly offset by changes in deferred taxes due primarily to an adjusted discount rate applied for the provision for Pensions and similar commitments.

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, 2016	Sep 30, 2015	% Change
Assets			
Non-current assets			
Intangible and tangible assets	2,472	2,439	1%
Financial assets	44,611	43,688	2%
	47,083	46,127	2%
Current assets			
Receivables and other assets	16,717	19,492	(14)%
Cash and cash equivalents, securities	3,642	3,816	(5)%
	20,359	23,308	(13)%
Prepaid expenses	81	83	(3)%
Deferred tax assets	2,256	2,333	(3)%
Active difference resulting from offsetting	35	29	23%
Total assets	69,814	71,880	(3)%
Liabilities and equity			
Equity	19,368	19,247	1%
Special reserve with an equity portion	700	708	(1)%
Provisions			
Pensions and similar commitments	11,250	11,553	(3)%
Other provisions	8,360	7,511	11%
	19,610	19,064	3%
Liabilities			
Liabilities to banks	14	62	(78)%
Advance payments received	619	887	(30)%
Trade payables, liabilities to affiliated companies and other liabilities	29,118	31,545	(8)%
	29,752	32,494	(8)%
Deferred income	385	367	5%
Total liabilities and equity	69,814	71,880	(3)%

Financial assets went up due to a €0.5 billion increase in loans and an increase of €0.3 billion in shares in affiliated companies.

The decrease in **Receivables and other assets** was due primarily to lower receivables from affiliated companies as a result of intra-group financing activities.

Cash and cash equivalents and marketable securities are significantly affected by the liquidity management of Siemens AG. The liquidity management is based on the finance strategy of the Siemens Group. Therefore, the change in liquidity of Siemens AG was not driven only by business activities of Siemens AG.

The increase in **Equity** was attributable to net income for the year of €3.0 billion and issuance of treasury stock of €0.4 billion in conjunction with our share-based compensation program. These factors were partly offset by dividends paid in fiscal 2016 (for fiscal 2015) of €2.8 billion. In addition, equity was reduced due to share buybacks during the year amounting to €0.4 billion. The equity ratios at September 30, 2016 and 2015 were 28% and 27%, respectively.

The decrease in **Pension and similar commitments** resulted mainly from a €0.8 billion reduction related to the above-mentioned adjustments of the discount rate and from lower interest and service costs, which declined €0.3 billion, partly offset by a decrease of €0.4 billion in transfers of pension obligations.

Other provisions increased due primarily to higher provisions for losses from derivative financial transactions, increased tax provisions and higher provisions for personnel costs, each of which increased by €0.3 billion.

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 Section 289a 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 SECTION 289A 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).

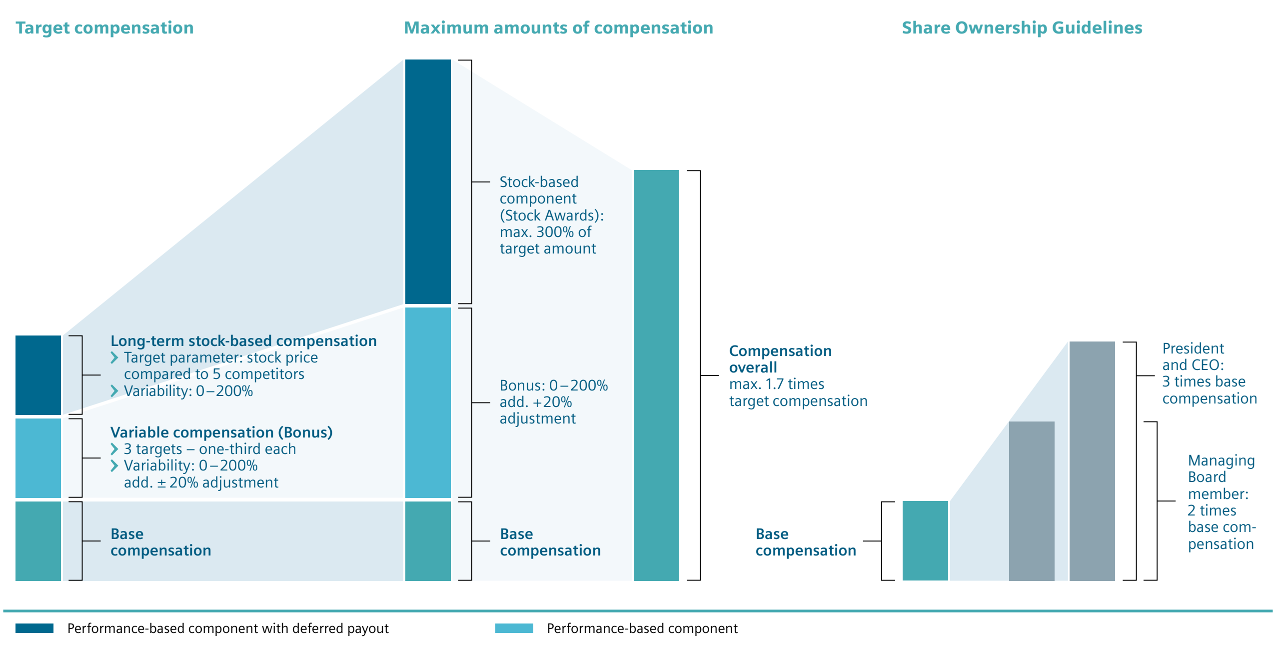
A.10.1 Remuneration of Managing Board members

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.

Remuneration system for Managing Board members



In fiscal 2016, 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, 2015, the base compensation of President and CEO Joe Kaeser has amounted to €2,034,000 per year. The base compensation of the CFO and of those members of the Managing Board who are responsible for Divisions (including Healthineers) has been €1,042,800 per year. For the other member of the Managing Board, it has been €988,800 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 upward or downward 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. Beneficiaries receive one free share of Siemens stock per Stock Award after an approximately four-year restriction period and subject to target achievement. If the employment agreement 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. In the event of extraordinary unforeseen developments that impact the share price, the Supervisory Board may decide to reduce the number of promised 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.

In the event of 100% target achievement, the annual target amount for the monetary value of the Stock Awards commitment is €2,120,000 for the President and CEO (effective October 1, 2015). For the CFO and for those members of the Managing Board who are responsible for Divisions (including Healthineers) it is €1,080,000. For the other member of the Managing Board, it is €1,040,000. 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 position.

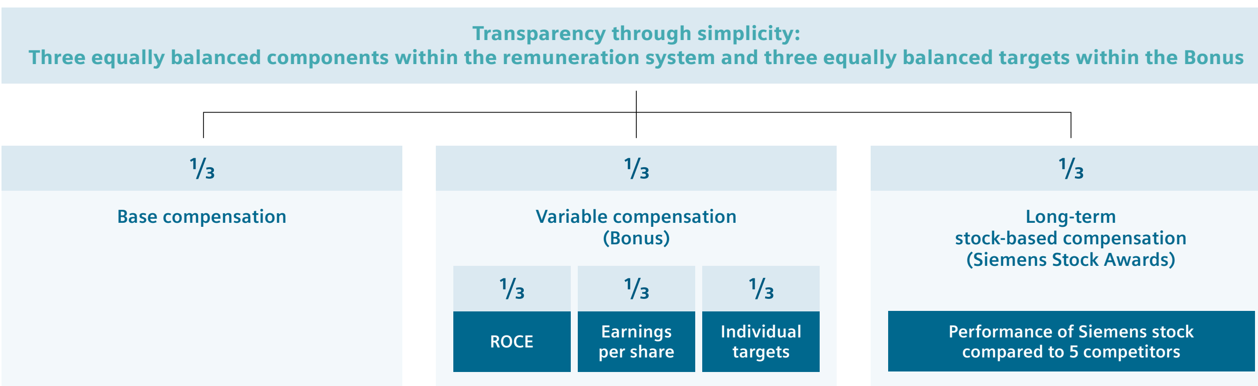
Long-term stock-based compensation is linked to the performance of Siemens stock compared to its competitors. The Supervisory Board will decide on a target system (target value for 100% and target line) for the performance of Siemens stock relative to the stock of – at present – five competitors (ABB, General Electric, Rockwell, Schneider Electric and Toshiba). If significant changes occur among these 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.

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 achievement of between

0% and 200% (cap). If target attainment is above 100%, an additional cash payment corresponding to the outperformance will be made. If target attainment is less than 100%, a number of stock commitments equivalent to the shortfall from the target will expire without replacement.

The value of the Siemens stock to be transferred for Stock Awards after the end of the restriction period is subject to a ceiling of 300% of the respective target amount. If this maximum amount of compensation is exceeded, the corresponding entitlement to stock commitments will be forfeited without replacement.

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.



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. 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 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. As a further alternative, Managing Board members may choose to combine pension payments with payments in one to twelve installments. 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 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 agreement 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 agreement 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 agreement and will be honored on expiration of the restriction period.

A.10.1.2 REMUNERATION OF MANAGING BOARD MEMBERS FOR FISCAL 2016

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 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. These targets take account of business-related targets such as market coverage and business performance as well as targets such as customer and employee satisfaction, innovation and sustainability. An internal review of the appropriateness of Managing Board compensation for fiscal 2016 has confirmed that the remuneration of the Managing Board resulting from target achievement for fiscal 2016 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 two target parameters ROCE and EPS for variable compensation:

Target parameter	100% of target	Actual FY 2016 figure	Target achievement
Return on capital employed, ROCE[1]	12.76%	14.31%	151.67%
Earnings per share, basic EPS[1] (ø 2014 – 2016)	€6.76	€7.32	137.33%

1 Continuing and discontinued operations.

The achievement of individual targets was also taken into account when determining overall target achievement. In its overall assessment, the Supervisory Board decided not to make any discretionary adjustments to the Bonus payout amounts. In fiscal 2016, Bonus-related target achievement by Managing Board members was between 126.34% and 136.33%.

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 €75.60 (2015: €72.30).

Total compensation

On the basis of the Supervisory Board's decisions described above, Managing Board compensation for fiscal 2016 totaled €28.90 million, an increase of 5.4% (2015: €27.42 million). Of this total amount, €20.19 million (2015: €19.56 million) was attributable to cash compensation and €8.71 million (2015: €7.86 million) to stock-based compensation.

The compensation presented on the following pages was granted to the members of the Managing Board for fiscal 2016 (individual disclosure). Due to rounding, the figures presented in the table may not add up precisely to the totals provided.

Managing Board members serving as of September 30, 2016

(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: 4 years)
	Total [5]	
	Service Cost	
	Total (Code) [6]	
Total compensation of all Managing Board members for fiscal 2016, in accordance with the applicable reporting standards, amounted to €28.90 million (2015: €27.42 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		

Managing Board members serving as of September 30, 2016

(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: 4 years)
	Total [5]	
	Service Cost	
	Total (Code) [6]	
Total compensation of all Managing Board members for fiscal 2016, in accordance with the applicable reporting standards, amounted to €28.90 million (2015: €27.42 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 €159,687 (2015: €158,131), contributions toward the cost of insurance in the amount of €139,795 (2015: €134,170), the reimbursement of expenses for legal advice and tax advice, accommodation and moving expenses, including any taxes due in his regard, currency adjustment payments and costs relating to preventive medical examinations in the amount of €765,327 (2015: €330,620).

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 2016 – 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 2016 and fiscal 2015 amounted to €8,294,921 and €8,109,155, respectively. The following amounts pertained to the members of the Managing Board in fiscal 2016: Joe Kaeser €2,378,584 (2015: €2,003,783), Dr. Roland Busch €1,283,779 (2015: €1,129,224), Lisa Davis €698,432 (2015: €284,928), Klaus Helmrich €1,284,349 (2015: €1,076,237), Janina Kugel €704,026 (2015: €140,185), Prof. Dr. Siegfried Russwurm €1,302,593 (2015: €1,239,596), and Dr. Ralf P. Thomas €872,394 (2015: €516,915). The corresponding expense, determined in the same way, for former Managing Board members was as follows: Brigitte Ederer – €42,052 (2015: €105,227), Barbara Kux – €42,052 (2015: €105,227), Peter Löscher – €103,403 (2015: €230,387), Prof. Dr. Hermann Requardt – €5,624 (2015: €1,107,522), Peter Y. Solmssen – €35,857 (2015: €141,258), and Dr. Michael Süß – €248 (2015: €28,666). In fiscal 2016, the development of the OSRAM share price lead to a respective adjustment of the OSRAM cash compensation and thus to earnings in the amount of €301,027. Especially for former Managing Board members those earnings are evident, since they were set off against the usual liabilities arising from other share based payments and with respect to former Managing Board members, no essential amount of accruals has been built up for the remaining tranches.

	Joe Kaeser				Dr. Roland Busch				Lisa Davis[7]				Klaus Helmrich			
	President and CEO				Managing Board member				Managing Board member				Managing Board member			
	2015	2016	2016 (min)	2016 (max)	2015	2016	2016 (min)	2016 (max)	2015	2016	2016 (min)	2016 (max)	2015	2016	2016 (min)	2016 (max)
	1,878	**2,034**	2,034	2,034	1,010	**1,043**	1,043	1,043	1,010	**1,043**	1,043	1,043	1,010	**1,043**	1,043	1,043
	102	**102**	102	102	53	**55**	55	55	227	**683**	683	683	42	**48**	48	48
	1,980	**2,136**	2,136	2,136	1,063	**1,098**	1,098	1,098	1,238	**1,726**	1,726	1,726	1,052	**1,091**	1,091	1,091
	1,878	**2,034**	0	4,882	1,010	**1,043**	0	2,503	1,010	**1,043**	0	2,503	1,010	**1,043**	0	2,503
	1,871	**2,158**	0	6,360	998	**1,099**	0	3,240	998	**1,099**	0	3,240	998	**1,099**	0	3,240
	5,729	**6,328**	2,136	10,520	3,071	**3,240**	1,098	5,382	3,246	**3,868**	1,726	5,382	3,061	**3,233**	1,091	5,382
	1,096	**1,101**	1,101	1,101	604	**603**	603	603	611	**576**	576	576	604	**602**	602	602
	6,825	**7,428**	3,236	11,620	3,675	**3,843**	1,700	5,984	3,857	**4,443**	2,301	5,957	3,664	**3,835**	1,693	5,984
	2,683	**2,773**			1,444	**1,387**			1,477	**1,387**			1,376	**1,370**		
	6,535	**7,066**			3,505	**3,584**			3,713	**4,212**			3,427	**3,560**		

	Janina Kugel				Prof. Dr. Siegfried Russwurm				Dr. Ralf P. Thomas			
	Managing Board member				Managing Board member				CFO			
	2015	2016	2016 (min)	2016 (max)	2015	2016	2016 (min)	2016 (max)	2015	2016	2016 (min)	2016 (max)
	626	**989**	989	989	1,010	**1,043**	1,043	1,043	1,010	**1,043**	1,043	1,043
	25	**39**	39	39	78	**78**	78	78	67	**61**	61	61
	651	**1,027**	1,027	1,027	1,088	**1,121**	1,121	1,121	1,078	**1,104**	1,104	1,104
	626	**989**	0	2,373	1,010	**1,043**	0	2,503	1,010	**1,043**	0	2,503
	665	**1,059**	0	3,120	998	**1,099**	0	3,240	998	**1,099**	0	3,240
	1,942	**3,075**	1,027	5,130	3,097	**3,263**	1,121	5,382	3,086	**3,246**	1,104	5,382
	103	**530**	530	530	603	**602**	602	602	604	**603**	603	603
	2,045	**3,604**	1,557	5,660	3,700	**3,865**	1,723	5,983	3,690	**3,849**	1,707	5,984
	832	**1,282**			1,376	**1,317**			1,410	**1,370**		
	2,148	**3,368**			3,463	**3,538**			3,486	**3,573**		

4 For Stock Awards granted in fiscal 2016, target attainment depends solely on the performance of Siemens stock compared to defined competitors. The monetary values relating to 100% target achievement were €8,560,190 (2015: €8,190,219). The amounts for individual Managing Board members were as follows: Joe Kaeser €2,120,051 (2015: €1,950,003), Dr. Roland Busch €1,080,022 (2015: €1,040,036), Lisa Davis €1,080,022 (2015: €1,040,036), Klaus Helmrich €1,080,022 (2015: €1,040,036), Janina Kugel €1,040,029 (2015: €693,357), Prof. Dr. Siegfried Russwurm €1,080,022 (2015: €1,040,036), Dr. Ralf P. Thomas €1,080,022 (2015: €1,040,036) and for former Managing Board member Prof. Dr. Hermann Requardt €0 (2015: €346,679).

5 Total maximum compensation for fiscal 2016 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 award date. On the basis of the current monetary values of stock-based compensation components, total compensation amounted to €28,747,477 (2015: €27,756,633).

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 year 2015 as well as for the Bonus of fiscal 2015, a currency-adjustment payment was granted.

Allocations

The following table shows allocations for fiscal 2016 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 2016 and shown above, this table includes the actual figure for multi-year variable compensation granted in previous years and allocated in fiscal 2016. Due to rounding, the figures presented in the table may not add up precisely to the totals provided.

Managing Board members serving as of September 30, 2016

(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: 2011 – 2015)[3]
		Bonus Awards (waiting period: 2011 – 2015)[4]
		Share Matching Plan (vesting period: 2013 – 2015)
		Share Matching Plan (vesting period: 2012 – 2014)
	Other[5]	
	Total	
	Service Cost	
	Total (Code)	

Managing Board members serving as of September 30, 2016

(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: 2011 – 2015)[3]
		Bonus Awards (waiting period: 2011 – 2015)[4]
		Share Matching Plan (vesting period: 2013 – 2015)
		Share Matching Plan (vesting period: 2012 – 2014)
	Other[5]	
	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 €159,687 (2015: €158,131), contributions toward the cost of insurance in the amount of €139,795 (2015: €134,170), 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 €765,327 (2015: €330,620).

2 The payout amount of one-year variable compensation (Bonus) presented above therefore represents the amount awarded for fiscal 2016, which will be paid out in January 2017.

3 Starting with the Siemens Stock Awards tranche of 2011, the restriction period was extended from three to four years. Shares from the Siemens Stock Awards 2011 were thus only transferred in November 2015. Therefore, no allocation for Siemens Stock Awards was made in fiscal 2015. For one half of these Stock Awards target attainment depended on the EPS for the past three fiscal years and

Joe Kaeser		Dr. Roland Busch		Lisa Davis		Klaus Helmrich	
President and CEO		Managing Board member		Managing Board member		Managing Board member	
2016	2015	2016	2015	2016	2015	2016	2015
2,034	1,878	1,043	1,010	1,043	1,010	1,043	1,010
102	102	55	53	683	227	48	42
2,136	1,980	1,098	1,063	1,726	1,238	1,091	1,052
2,773	2,683	1,387	1,444	1,387	1,477	1,370	1,376
2,310	0	1,259	0	0	0	1,301	0
903	0	555	0	0	0	598	0
1,407	0	703	0	0	0	703	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
97	0	53	0	0	0	55	0
7,316	4,664	3,797	2,507	3,113	2,715	3,816	2,429
1,101	1,096	603	604	576	611	602	604
8,416	5,760	4,399	3,111	3,688	3,326	4,418	3,032

Janina Kugel		Prof. Dr. Siegfried Russwurm		Dr. Ralf P. Thomas	
Managing Board member		Managing Board member		CFO	
2016	2015	2016	2015	2016	2015
989	626	1,043	1,010	1,043	1,010
39	25	78	78	61	67
1,027	651	1,121	1,088	1,104	1,078
1,282	832	1,317	1,376	1,370	1,410
0	0	2,310	0	465	177
0	0	903	0	397	0
0	0	1,407	0	0	0
0	0	0	0	67	0
0	0	0	0	0	177
0	0	97	0	20	0
2,309	1,482	4,845	2,465	2,958	2,665
530	103	602	603	603	604
2,839	1,586	5,447	3,068	3,561	3,269

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%. Siemens Stock Awards 2011 that had already been granted were thus forfeited without replacement in accordance with the plan rules.

4 One half of the Bonus for fiscal 2011 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, the beneficiaries received one share of Siemens stock for each Bonus Award.

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

Pension benefit commitments

For fiscal 2016, the members of the Managing Board were granted contributions under the BSAV totaling €4.6 million (2015: €4.8 million), based on a resolution of the Supervisory Board dated November 9, 2016. Of this amount, €0.1 million (2015: €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 1.25%.

The following table shows individualized details of the contributions (allocations) under the BSAV for fiscal 2016 as well as the defined benefit obligations for pension commitments.

(Amounts in €)	Total contributions[2] for		Defined benefit obligation[3] for all pension commitments excluding deferred compensation[4]	
	2016	2015	2016	2015
Managing Board members serving as of September 30, 2016				
Joe Kaeser	**1,139,040**	1,051,680	**10,391,542**	8,056,163
Dr. Roland Busch	**583,968**	565,824	**4,342,427**	3,243,101
Lisa Davis	**583,968**	565,824	**3,817,196**	3,126,396
Klaus Helmrich	**583,968**	565,824	**4,607,800**	3,522,681
Janina Kugel	**553,728**	350,560	**1,084,971**	438,713
Prof. Dr. Siegfried Russwurm	**583,968**	565,824	**6,083,534**	4,824,749
Dr. Ralf P. Thomas	**583,968**	565,824	**4,297,199**	3,225,678
Total[1]	**4,612,608**	4,231,360	**34,624,669**	26,437,481

1 Compared to the amount presented in the 2015 Compensation Report, the total figure for 2015 does not include the contribution of €565,824 for former Managing Board member Prof. Dr. Hermann Requardt or this defined benefit obligation of €6,977,620.

2 The expenses (service cost) recognized in accordance with the IFRS in fiscal 2016 for Managing Board members' entitlements under the BSAV in fiscal 2016 amounted to €4,615,543 (2015: €4,804,639).

3 The defined benefit obligations reflect one-time special contributions to the BSAV for new appointments from outside the Company and for special contributions in connection with departures from the Managing Board, amounting to €0 (2015: €279,552).

4 Deferred compensation totals €3,829,397 (2015: €4,947,717), including €3,428,243 for Joe Kaeser (2015: €3,207,002), €343,953 for Klaus Helmrich (2015: €305,023) and €57,201 for Dr. Ralf P. Thomas (2015: €49,794) as well as €0 (2015: €1,385,898) for former Managing Board member Prof. Dr. Hermann Requardt.

In fiscal 2016, 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 €52.3 million (2015: €30.5 million). This figure includes the lump-sum payments of the pension benefit balance of the former Managing Board members Prof. Dr. Hermann Requardt and Peter Y. Solmssen. In the case of Mr. Solmssen, the special contribution to the pension benefit balance allocated in January 2009 in the amount of €10.518 million takes effect. This special contribution was promised at appointment to compensate him for short-term and long-term pecuniary disadvantages with his former employer. The figure also includes the agreed-upon cash settlement for Stock Awards granted in the past to Prof. Dr. Hermann Requardt.

The defined benefit obligation (DBO) of all pension commitments to former members of the Managing Board and their surviving dependents as of September 30, 2016, amounted to €216,3 (2015: €228.3) 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 2016

Stock commitments

The following table shows the changes in the balance of the stock commitments held by Managing Board members in fiscal 2016:

	Balance at beginning of fiscal 2016		Granted during fiscal year[1]	Vested and fulfilled during fiscal year	Forfeited during fiscal year[2]	Balance at end of fiscal 2016[3]	
(Amounts in number of units)	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, 2016							
Joe Kaeser	**41,025**	**129,425**	28,043	25,273	8,666	**25,631**	**138,923**
Dr. Roland Busch	**27,122**	**72,383**	14,286	13,773	5,330	**19,425**	**75,263**
Lisa Davis	**576**	**38,975**	14,286	–	–	**576**	**53,261**
Klaus Helmrich	**27,233**	**73,254**	14,286	14,237	5,737	**19,536**	**75,263**
Janina Kugel	**–**	**15,655**	13,757	–	–	**–**	**29,412**
Prof. Dr. Siegfried Russwurm	**35,437**	**82,892**	14,286	25,273	8,666	**20,043**	**78,633**
Dr. Ralf P. Thomas	**5,030**	**51,124**	14,286	4,347	3,813	**5,030**	**57,250**
Total	**136,423**	**463,708**	113,230	82,903	32,212	**90,241**	**508,005**

1 The weighted average fair value as of the grant date for fiscal 2016 was €76.95 per granted share.

2 For one half of the Stock Awards 2011, target attainment depended on the EPS value 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%. Siemens Stock Awards 2011 that had already been granted were thus forfeited without replacement in accordance with the plan rules.

3 Amounts also include stock commitments (Stock Awards) granted in November 2015 for fiscal 2016. These amounts may further include stock commitments received as compensation by the Managing Board member before joining the Managing Board.

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 2016, the following members of the Managing Board had entitlements to matching shares, which they had acquired before joining the Managing Board: Dr. Ralf P. Thomas, 780 shares and Janina Kugel, three shares. In fiscal 2016, no entitlements to matching shares were acquired. In fiscal 2016, the following entitlements to matching shares were due: 780 shares, Dr. Ralf P. Thomas. During fiscal 2016, no entitlements to matching shares were forfeited. Entitlements to matching shares at the end of fiscal 2016 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, 2016, as of the March 2016 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, 2016, and required to show proof as of March 11, 2016						
Joe Kaeser	300%	4,656,938	51,732	604%	9,371,982	104,110
Dr. Roland Busch	200%	1,967,900	21,861	324%	3,190,849	35,446
Klaus Helmrich	200%	1,934,150	21,486	350%	3,388,083	37,637
Prof. Dr. Siegfried Russwurm	200%	1,967,900	21,861	747%	7,354,814	81,702
Total		**10,526,888**	**116,940**		**23,305,728**	**258,895**

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 €90.02 for the fourth quarter of 2015 (October – December).

3 As of March 11, 2016 (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 2016 (individualized disclosure).

(Amounts in €)	2016 Base compen-sation	2016 Additional compen-sation for committee work	2016 Meeting attendance fee	2016 Total	2015 Base compen-sation	2015 Additional compen-sation for committee work	2015 Meeting attendance fee	2015 Total
Supervisory Board members serving as of September 30, 2016								
Dr. Gerhard Cromme	280,000	280,000	45,000	605,000	280,000	280,000	48,000	608,000
Birgit Steinborn[1]	220,000	200,000	43,500	463,500	200,000	200,000	45,000	445,000
Werner Wenning	220,000	140,000	30,000	390,000	220,000	140,000	33,000	393,000
Olaf Bolduan[1]	133,333	–	9,000	142,333	140,000	–	9,000	149,000
Michael Diekmann	133,333	57,143	13,500	203,976	132,222	56,667	13,500	202,389
Dr. Hans Michael Gaul	140,000	160,000	27,000	327,000	140,000	160,000	27,000	327,000
Reinhard Hahn[1]	140,000	–	10,500	150,500	105,000	–	4,500	109,500
Bettina Haller[1]	140,000	80,000	25,500	245,500	140,000	80,000	24,000	244,000
Hans-Jürgen Hartung	140,000	–	10,500	150,500	140,000	–	9,000	149,000
Robert Kensbock[1]	140,000	180,000	30,000	350,000	140,000	180,000	30,000	350,000
Harald Kern[1]	140,000	80,000	22,500	242,500	140,000	80,000	21,000	241,000
Jürgen Kerner[1]	140,000	200,000	33,000	373,000	132,222	170,000	31,500	333,722
Dr. Nicola Leibinger-Kammüller	140,000	80,000	27,000	247,000	140,000	33,333	15,000	188,333
Gérard Mestrallet	126,667	–	7,500	134,167	140,000	–	9,000	149,000
Dr. Norbert Reithofer	133,333	38,095	15,000	186,429	93,333	14,815	4,500	112,648
Güler Sabancı	140,000	–	10,500	150,500	140,000	–	9,000	149,000
Dr. Nathalie von Siemens	140,000	–	10,500	150,500	105,000	–	4,500	109,500
Michael Sigmund	140,000	–	10,500	150,500	140,000	–	9,000	149,000
Jim Hagemann Snabe	140,000	120,000	31,500	291,500	132,222	113,333	28,500	274,056
Sibylle Wankel[1]	140,000	40,000	16,500	196,500	132,222	37,778	13,500	183,500
Total[2]	**3,066,667**	**1,655,238**	**429,000**	**5,150,905**	2,932,221	1,545,926	388,500	4,866,648

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).

2 The total figure, compared to the amount presented in the 2015 Compensation Report, does not include the total compensation of €252,185 paid to former Supervisory Board members Gerd von Brandenstein, Prof. Dr. Peter Gruss and Berthold Huber.

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 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 2016 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, 2016, the Company's common stock totaled €2.550 billion. The capital stock is divided into 850 million registered shares with no par value and a notional value of €3.00 per share. 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 from 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 10,878,800 shares (as of September 30, 2016) 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, 2016, 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. At exchange, the new warrants resulted in option rights entitling their holders to receive approximately 20.3 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 2,517,727 shares by September 30, 2016. The total consideration paid for these shares amounted to about €230 million (excluding incidental transaction charges). The buyback has the sole purposes of retirement, of issuing shares to employees, board members of affiliated companies and members of the Managing Board of Siemens AG, as well as 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, 2016, the Company held 41,721,682 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 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. Both agreements provide their respective 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).

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 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. In case of a change of control, the terms and conditions of each warrant 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	Fiscal year 2016	2015
Revenue		**79,644**	75,636
Cost of sales		**(55,826)**	(53,789)
Gross profit		**23,819**	21,847
Research and development expenses		**(4,732)**	(4,483)
Selling and general administrative expenses		**(11,669)**	(11,409)
Other operating income	5	**328**	476
Other operating expenses	6	**(427)**	(389)
Income (loss) from investments accounted for using the equity method, net	4	**134**	1,235
Interest income		**1,314**	1,260
Interest expenses		**(989)**	(818)
Other financial income (expenses), net		**(373)**	(500)
Income from continuing operations before income taxes		**7,404**	**7,218**
Income tax expenses	7	**(2,008)**	(1,869)
Income from continuing operations		**5,396**	**5,349**
Income from discontinued operations, net of income taxes	3	**188**	2,031
Net income		**5,584**	**7,380**
Attributable to:			
Non-controlling interests		**134**	98
Shareholders of Siemens AG		**5,450**	7,282
Basic earnings per share	27		
Income from continuing operations		**6.51**	6.38
Income from discontinued operations		**0.23**	2.47
Net income		**6.74**	**8.84**
Diluted earnings per share	27		
Income from continuing operations		**6.42**	6.30
Income from discontinued operations		**0.23**	2.44
Net income		**6.65**	**8.74**

B.2 Consolidated Statements of Comprehensive Income

(in millions of €)	Note	Fiscal year 2016	2015
Net income		**5,584**	7,380
Remeasurements of defined benefit plans	16	**(2,636)**	(370)
therein: Income tax effects		***1,065***	*(107)*
Items that will not be reclassified to profit or loss		**(2,636)**	**(370)**
therein: Income (loss) from investments accounted for using the equity method, net		***–***	*(42)*
Currency translation differences		**(888)**	1,089
Available-for-sale financial assets		**434**	354
therein: Income tax effects		***4***	*(7)*
Derivative financial instruments	22, 23	**210**	(43)
therein: Income tax effects		***(89)***	*(7)*
Items that may be reclassified subsequently to profit or loss		**(244)**	**1,399**
therein: Income (loss) from investments accounted for using the equity method, net		***(141)***	*149*
Other comprehensive income, net of income taxes		**(2,879)**	**1,029**
Total comprehensive income		**2,705**	**8,408**
Attributable to:			
Non-controlling interests		**134**	133
Shareholders of Siemens AG		**2,571**	8,275

B.3 Consolidated Statements of Financial Position

(in millions of €)	Note	September 30, 2016	2015
Assets			
Cash and cash equivalents		10,604	9,957
Available-for-sale financial assets		1,293	1,175
Trade and other receivables	8	16,287	15,982
Other current financial assets	9	6,800	5,157
Inventories	10	18,160	17,253
Current income tax assets		790	644
Other current assets		1,204	1,151
Assets classified as held for disposal	3	190	122
Total current assets		55,329	51,442
Goodwill	11	24,159	23,166
Other intangible assets	12	7,742	8,077
Property, plant and equipment	12	10,157	10,210
Investments accounted for using the equity method	4	3,012	2,947
Other financial assets	13	20,610	20,821
Deferred tax assets	7	3,431	2,591
Other assets		1,279	1,094
Total non-current assets		70,388	68,906
Total assets		125,717	120,348
Liabilities and equity			
Short-term debt and current maturities of long-term debt	15	6,206	2,979
Trade payables		8,048	7,774
Other current financial liabilities		1,933	2,085
Current provisions	17	4,166	4,489
Current income tax liabilities		2,085	1,828
Other current liabilities	14	20,437	20,368
Liabilities associated with assets classified as held for disposal	3	40	39
Total current liabilities		42,916	39,562
Long-term debt	15	24,761	26,682
Post-employment benefits	16	13,695	9,811
Deferred tax liabilities	7	829	609
Provisions	17	5,087	4,865
Other financial liabilities		1,142	1,466
Other liabilities		2,471	2,297
Total non-current liabilities		47,986	45,730
Total liabilities		90,901	85,292
Equity	18		
Issued capital		2,550	2,643
Capital reserve		5,890	5,733
Retained earnings		27,454	30,152
Other components of equity		1,921	2,163
Treasury shares, at cost		(3,605)	(6,218)
Total equity attributable to shareholders of Siemens AG		34,211	34,474
Non-controlling interests		605	581
Total equity		34,816	35,056
Total liabilities and equity		125,717	120,348

B.4 Consolidated Statements of Cash Flows

(in millions of €)	2016	Fiscal year 2015
Cash flows from operating activities		
Net income	**5,584**	7,380
Adjustments to reconcile net income to cash flows from operating activities – continuing operations		
Income from discontinued operations, net of income taxes	**(188)**	(2,031)
Amortization, depreciation and impairments	**2,764**	2,549
Income tax expenses	**2,008**	1,869
Interest (income) expenses, net	**(325)**	(442)
(Income) loss related to investing activities	**(373)**	(1,603)
Other non-cash (income) expenses	**400**	366
Change in operating net working capital		
Inventories	**(1,009)**	(793)
Trade and other receivables	**(579)**	(811)
Trade payables	**327**	(247)
Billings in excess of costs and estimated earnings on uncompleted contracts and related advances	**20**	914
Additions to assets leased to others in operating leases	**(484)**	(451)
Change in other assets and liabilities	**(281)**	852
Income taxes paid	**(1,718)**	(2,306)
Dividends received	**302**	495
Interest received	**1,219**	1,138
Cash flows from operating activities – continuing operations	**7,668**	**6,881**
Cash flows from operating activities – discontinued operations	**(57)**	(270)
Cash flows from operating activities – continuing and discontinued operations	**7,611**	**6,612**
Cash flows from investing activities		
Additions to intangible assets and property, plant and equipment	**(2,135)**	(1,897)
Acquisitions of businesses, net of cash acquired	**(922)**	(8,254)
Purchase of investments	**(271)**	(568)
Purchase of current available-for-sale financial assets	**(1,139)**	(899)
Change in receivables from financing activities	**(1,356)**	(1,667)
Disposal of investments, intangibles and property, plant and equipment	**377**	3,474
Disposal of businesses, net of cash disposed	**9**	445
Disposal of current available-for-sale financial assets	**1,031**	651
Cash flows from investing activities – continuing operations	**(4,406)**	**(8,716)**
Cash flows from investing activities – discontinued operations	**262**	2,889
Cash flows from investing activities – continuing and discontinued operations	**(4,144)**	**(5,827)**
Cash flows from financing activities		
Purchase of treasury shares	**(463)**	(2,700)
Other transactions with owners	**(13)**	10
Issuance of long-term debt	**5,300**	7,213
Repayment of long-term debt (including current maturities of long-term debt)	**(2,253)**	(354)
Change in short-term debt and other financing activities	**(1,408)**	351
Interest paid	**(809)**	(596)
Dividends paid to shareholders of Siemens AG	**(2,827)**	(2,728)
Dividends attributable to non-controlling interests	**(236)**	(145)
Cash flows from financing activities – continuing operations	**(2,710)**	**1,051**
Cash flows from financing activities – discontinued operations	**–**	5
Cash flows from financing activities – continuing and discontinued operations	**(2,710)**	**1,056**
Effect of changes in exchange rates on cash and cash equivalents	**(98)**	83
Change in cash and cash equivalents	**660**	1,923
Cash and cash equivalents at beginning of period	**9,958**	8,034
Cash and cash equivalents at end of period	**10,618**	9,958
Less: Cash and cash equivalents of assets classified as held for disposal and discontinued operations at end of period	**13**	–
Cash and cash equivalents at end of period (Consolidated Statements of Financial Position)	**10,604**	**9,957**

B.5 Consolidated Statements of Changes in Equity

(in millions of €)	Issued capital	Capital reserve	Retained earnings
Balance as of October 1, 2014	2,643	5,525	25,729
Net income	–	–	7,282
Other comprehensive income, net of income taxes	–	–	(367)
Dividends	–	–	(2,728)
Share-based payment	–	79	(43)
Purchase of treasury shares	–	–	–
Re-issuance of treasury shares	–	23	–
Transactions with non-controlling interests	–	–	289
Other changes in equity	–	106	(10)
Balance as of September 30, 2015	2,643	5,733	30,152
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**

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
745	373	(314)	(3,747)	30,954	560	31,514
–	–	–	–	7,282	98	7,380
1,049	354	(42)	–	993	35	1,029
–	–	–	–	(2,728)	(145)	(2,873)
–	–	–	–	36	–	36
–	–	–	(2,703)	(2,703)	–	(2,703)
–	–	–	233	256	–	256
–	–	–	–	289	–	289
–	–	–	–	96	33	129
1,794	726	(357)	(6,218)	34,474	581	35,056
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**

B.6 Notes to Consolidated Financial Statements

NOTE 1 Basis of presentation

The accompanying Consolidated Financial Statements present the operations of Siemens AG with registered offices in Berlin and Munich, 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 315a (1) of the German Commercial Code (HGB). The financial statements are also 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 28, 2016.

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, but instead 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. As of fiscal 2016, this also applies to Healthineers as a result of a change in the organization of the business and the related reporting structure. In fiscal 2015, the impairment tests for Healthineers were performed 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 amounts exceeds the carrying amount, it is not always necessary to determine both amounts. 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 seven 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 co-ordinated plan to dispose of a separate major line of business or geographical area of operations. In the Consolidated Statements of Income, income (loss) from discontinued operations is reported separately from income and expenses from continuing operations; prior periods are presented on a comparable basis. In the Consolidated Statements of Cash Flow, the cash flows from discontinued operations are presented separately from cash flows of continuing operations; prior periods are presented on a comparable basis. The disclosures in the Notes to the Consolidated Financial Statements outside → NOTE 3 ACQUISITIONS, DISPOSITIONS AND DISCONTINUED OPERATIONS that refer to the Consolidated Statements of Income and the Consolidated Statements of Cash Flow relate to continuing operations.

Siemens classifies a non-current asset or a disposal group as held for disposal if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The disclosures in the Notes to Consolidated Financial Statements outside → NOTE 3 ACQUISITIONS, DISPOSITIONS AND DISCONTINUED OPERATIONS that refer to the Consolidated Statements of Financial Position generally relate to assets that are not held for disposal. Siemens reports non-current assets or disposal groups held for disposal separately in → NOTE 3 ACQUISITIONS, DISPOSITIONS AND DISCONTINUED OPERATIONS. Non-current assets classified as held for disposal and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation and amortization ceases. The determination of the fair value less costs to sell includes the use of estimates and assumptions that tend to be uncertain.

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 rate for the respective year multiplied by the net defined benefit liability (asset) at the preceding fiscal year's period-end date.

Service cost and past service cost for post-employment benefits and 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 line item Post-employment benefits 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 bonds 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. Amongst others, the estimated cash outflows could alter significantly if, and when, political developments affect the government's plans to develop the final storage.

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, 2016 and 2015, Siemens recorded a valuation allowance for trade and other receivables (including leases) of €1,211 million and €1,123 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, while early application is permitted. The Company will adopt IFRS 9 for the fiscal year beginning as of October 1, 2018 and is currently assessing the impacts of its adoption on the Company's Consolidated Financial Statements.

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 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. 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. Currently, it is expected that changes in the total amount of revenue to be recognized for a customer contract will be very limited. In addition, for certain types of contracts, the timing for recognizing revenue will change, 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. Based on analyses performed, the vast majority of construction-type contracts currently accounted for under the percentage-of-completion method is expected to fulfill the requirements for revenue recognition over time. Besides, changes to the Statement of Financial Position are expected, e.g. separate line items for contract assets and contract liabilities are required, and quantitative and qualitative disclosures are added. The Company does not expect significant impacts on its Consolidated Financial Statements.

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; earlier application is permitted if IFRS 15 is already applied. The Company is currently assessing the impact of adopting IFRS 16 on the Company's Consolidated Financial Statements and will adopt the standard for the fiscal year beginning as of October 1, 2019.

NOTE 3 Acquisitions, dispositions and discontinued operations

ACQUISITIONS

In April 2016, Siemens acquired all shares of CD-adapco Ltd., U.S., a global engineering simulation company with software solutions covering a wide range of engineering disciplines. The acquisition supplements Siemens' industry software portfolio and delivers on Siemens' strategy to further expand the digital enterprise portfolio. The acquired business will be integrated in the Digital Factory Division. The purchase price amounts to US$971 million (€853 million as of the acquisition date) paid in cash and is subject to customary cash/debt and working capital adjustments. The preliminary purchase price allocation as of the acquisition date resulted in Other intangible assets of €395 million and Deferred tax liabilities of €105 million. Other intangible assets mainly relate to technology of €273 million and customer relationships of €118 million. Preliminary goodwill of €569 million comprises intangible assets that are not separable such as employee know-how and expected synergy effects. Including earnings effects from purchase price allocation and integration costs, the acquired business contributed revenue of €63 million and a net income of €(27) million to Siemens for the period from acquisition to September 30, 2016. Revenue and net income of the combined entity in fiscal 2016 would have been €79,722 million and €5,566 million, respectively, had CD-adapco been included as of October 1, 2015.

In June 2015, Siemens acquired all shares of Dresser-Rand Group Inc., Houston, Texas (U.S.) and Paris (France). The purchase price allocation was finalized in the third quarter of fiscal 2016. The purchase price amounts to US$6,692 million (€5,981 million as of the acquisition date) paid in cash. The following figures result from the purchase price allocation as of the acquisition date: Other intangible assets €2,839 million, Property, plant and equipment €240 million, Trade and other receivables €318 million, Inventories €480 million, Other current financial assets €145 million, Cash and cash equivalents €175 million, Debt including outstanding financial debt settled €1,043 million, Trade payables €219 million, Provisions €118 million, Other current liabilities €386 million and Deferred tax liabilities €935 million. Intangible assets mainly relate to customer relationships of €2,383 million and technology of €393 million. The gross contractual amount of the trade and other receivables acquired is €469 million. Goodwill amounts to €4,580 million and is largely based on synergies, such as sales synergies mainly resulting from the extended portfolio and enhanced service opportunities, and cost synergies, especially in research and development, purchasing, general administration functions, as well as manufacturing.

In December 2014, Siemens acquired the Rolls-Royce Energy aeroderivative gas turbine and compressor business of Rolls-Royce plc, U.K. (Rolls-Royce). The purchase price allocation was finalized in the first quarter of fiscal 2016. The contractually agreed purchase price amounts to £785 million (€990 million as of the acquisition date) paid in cash. That amount was subject to post-closing adjustments amounting to £29 million (€37 million as of the acquisition date). In addition, as part of the transaction, Siemens paid Rolls-Royce £200 million (€252 million as of the acquisition date) for a 25 year exclusive technology licensing agreement and for preferred access to supply and engineering services of Rolls-Royce. Goodwill amounts to €408 million and is largely based on synergies, such as cost synergies, especially in manufacturing, purchasing, research and development, as well as general administration functions, and sales synergies mainly resulting from the extension of the gas turbine portfolio.

DISCONTINUED OPERATIONS

In fiscal 2016 and 2015, Income from discontinued operations, net of income taxes, includes gains related to the sale of the hearing aid business of €102 million and €1.7 billion, respectively; in fiscal 2015, Siemens recognized a pretax gain on disposal for the sale of its hospital information business of €516 million.

NOTE 4 Interests in other entities

Investments accounted for using the equity method

(in millions of €)	Fiscal year 2016	2015
Share of profit (loss), net	**316**	(87)
Gains (losses) on sales, net	**(53)**	1,477
Impairment and reversals of impairment	**(129)**	(155)
Income (loss) from investments accounted for using the equity method, net	**134**	1,235

In fiscal 2015, Siemens recognized proportionate losses of €275 million as a consequence of a funding commitment provided to Unify Holdings B.V. The investment was sold in the second quarter of fiscal 2016.

As of September 30, 2016 and 2015, the carrying amount of all individually not material associates amounts to €2,242 million and €2,046 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.

(in millions of €)	Fiscal year 2016	2015
Income (loss) from continuing operations	**288**	38
Income (loss) from discontinued operations	**–**	1
Other comprehensive income, net of income taxes	**(31)**	20
Total comprehensive income	**257**	58

Item Income (loss) from investments accounted for using the equity method, net, includes Siemens' share in BWI Informationstechnik GmbH's (BWI) earnings of €16 million and €27 million, respectively, in fiscal 2016 and 2015. The carrying amount of all individually not material associates includes the carrying amount of BWI, amounting to €95 million and €114 million, respectively, as of September 30, 2016 and 2015. Siemens holds a 50.05% stake in BWI. BWI is not controlled by Siemens due to significant participating rights of the two other shareholders. Together with the HERKULES obligations the Company's maximum exposure to loss from BWI as of September 30, 2016 and 2015 amounts to €695 million and €1,204 million, respectively. BWI finances its operations on its own.

NOTE 5 Other operating income

In fiscal 2016 and 2015, Other operating income includes gains on sales of property, plant and equipment of €177 million and €232 million, respectively.

NOTE 6 Other operating expenses

Other operating expenses in fiscal 2016 and 2015 include losses on sales of property, plant and equipment, 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 2016	2015
Current tax	**1,773**	2,014
Deferred tax	**235**	(145)
Income tax expenses	**2,008**	1,869

The current income tax expenses in fiscal 2016 and 2015 include adjustments recognized for current tax of prior years in the amount of €(29) million and €79 million, respectively. The deferred tax expense (benefit) in fiscal 2016 and 2015 includes tax effects of the origination and reversal of temporary differences of €54 million and €(30) 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 2016	2015
Expected income tax expenses	2,295	2,238
Increase (decrease) in income taxes resulting from:		
Non-deductible losses and expenses	600	474
Tax-free income	(227)	(709)
Taxes for prior years	(223)	(20)
Change in realizability of deferred tax assets and tax credits	(44)	8
Change in tax rates	(15)	(43)
Foreign tax rate differential	(280)	(107)
Tax effect of investments accounted for using the equity method	(92)	26
Other, net	(6)	2
Actual income tax expenses	**2,008**	1,869

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

(in millions of €)	Sep 30, 2016	2015
Assets		
Non-current and current assets	1,836	1,936
Liabilities and Post-employment benefits	8,742	7,539
Other	114	237
Tax loss and credit carryforward	547	610
Deferred tax assets	**11,240**	10,322
Liabilities		
Non-current and current assets	7,588	7,272
Liabilities	930	732
Other	120	336
Deferred tax liabilities	**8,638**	8,339
Total deferred tax assets, net	**2,602**	1,983

As of September 30, 2016, 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, 2016	2015
Deductible temporary differences	188	192
Tax loss carryforward	2,013	1,142
	2,201	1,334

As of September 30, 2016 and 2015, €953 and €458 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 €26,585 million and €27,507 million, respectively in fiscal 2016 and 2015 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:

(in millions of €)	Fiscal year 2016	2015
Continuing operations	2,008	1,869
Discontinued operations	(2)	210
Income and expenses recognized directly in equity	(996)	139
	1,010	2,218

NOTE 8 Trade and other receivables

(in millions of €)	Sep 30, 2016	2015
Trade receivables from the sale of goods and services	14,280	13,909
Receivables from finance leases	2,007	2,073
	16,287	15,982

In fiscal 2016 and 2015, the long-term portion of receivables from finance leases is reported in Other financial assets and amounts to €3,557 million and €3,264 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):

(in millions of €)	Fiscal year 2016	2015
Valuation allowance as of beginning of fiscal year	**933**	938
Increase in valuation allowances recorded in the Consolidated Statements of Income in the current period	**284**	168
Write-offs charged against the allowance	**(181)**	(145)
Recoveries of amounts previously written-off	**9**	7
Foreign exchange translation differences	**(33)**	(9)
Reclassifications to line item Assets held for disposal and dispositions of those entities	**–**	(26)
Valuation allowance as of fiscal year-end	**1,013**	933

Minimum future lease payments to be received are as follows:

(in millions of €)	Sep 30, 2016	2015
Within one year	**2,378**	2,474
After one year but not more than five years	**3,358**	3,322
More than five years	**752**	246
	6,488	6,042

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:

(in millions of €)	Sep 30, 2016	2015
Minimum future lease payments	**6,488**	6,042
Plus: Unguaranteed residual values	**353**	87
Gross investment in leases	**6,840**	6,129
Less: Unearned finance income	**(1,078)**	(601)
Net investment in leases	**5,762**	5,527
Less: Allowance for doubtful accounts	**(198)**	(190)
Less: Present value of unguaranteed residual value	**(108)**	(72)
Present value of minimum future lease payments receivable	**5,457**	5,265

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	
(in millions of €)	Sep 30, 2016	2015	Sep 30, 2016	2015
Within one year	**2,397**	2,492	**1,952**	2,072
One to five years	**3,405**	3,374	**2,940**	2,965
Thereafter	**1,038**	263	**564**	228
	6,840	6,129	**5,457**	5,265

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, 2016 and 2015, Other current financial assets include loans receivables of €4,910 million and €3,128 million, respectively and derivative financial instruments of €758 million and €830 million, respectively.

NOTE 10 Inventories

(in millions of €)	Sep 30, 2016	2015
Raw materials and supplies	**2,487**	2,631
Work in progress	**4,281**	4,417
Costs and earnings in excess of billings on uncompleted contracts	**10,046**	9,162
Finished goods and products held for resale	**3,261**	3,046
Advances to suppliers	**591**	551
	20,666	19,807
Advance payments received	**(2,506)**	(2,554)
	18,160	17,253

Cost of sales include inventories recognized as expense amounting to €54,706 million and €51,735 million, respectively, in fiscal 2016 and 2015. Compared to prior year, write-downs increased (decreased) by €(3) million and €97 million as of September 30, 2016 and 2015.

In the second quarter of fiscal 2016, Siemens revised project calculations related to the resumption of long-term contracts with customers in Iran following the ending or easing of EU and U.S. sanctions in accordance with accounting guidance for construction and service contracts. The resulting adjustments increased revenue by €174 million as well as profit at Power and Gas and Income from continuing operations before income taxes by €130 million.

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, 2016 and 2015 amounted to €83,556 million and €82,196 million, respectively. Revenue from construction contracts amounted to €32,635 million and €30,261 million, respectively, for fiscal 2016 and 2015. Advance payments received on construction contracts in progress were €8,705 million and €8,674 million as of September 30, 2016 and 2015. Retentions in connection with construction contracts were €288 million and €225 million in fiscal 2016 and 2015, respectively.

NOTE 11 Goodwill

(in millions of €)	Fiscal year 2016	2015
Cost		
Balance at beginning of year	**25,071**	19,546
Translation differences and other	**(127)**	1,187
Acquisitions and purchase accounting adjustments	**1,144**	4,599
Dispositions and reclassifications to assets classified as held for disposal	**(20)**	(261)
Balance at year-end	**26,068**	25,071
Accumulated impairment losses and other changes		
Balance at beginning of year	**1,905**	1,763
Translation differences and other	**2**	140
Impairment losses recognized during the period	**1**	3
Dispositions and reclassifications to assets classified as held for disposal	**1**	(1)
Balance at year-end	**1,909**	1,905
Carrying amount		
Balance at beginning of year	**23,166**	17,783
Balance at year-end	**24,159**	23,166

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. As of fiscal 2016, this also applies to Healthineers as a result of a change in the organization of the business and the related reporting structure. In fiscal 2015, the impairment tests for Healthineers were performed one level below the segment.

Siemens performs the mandatory annual impairment test in the three months ended September 30. The recoverable amounts for the annual impairment test 2016 for Siemens' 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 groups of cash-generating units include terminal value growth rates up to 1.7% in fiscal 2016 and 2.5% in fiscal 2015, respectively and after-tax discount rates of 5.0% to 9.0% in fiscal 2016 and 6.0% to 9.5% in fiscal 2015. Where possible, reference to market prices is made.

For the purpose of estimating the fair value less costs to sell of the 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 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 group of cash-generating units. Discount rates are based on the weighted average cost of capital (WACC) for the 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 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, 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%**

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 0.3% and 5.3% (2.6% and 5.9% in fiscal 2015).

			Sep 30, 2015
(in millions of €)	Goodwill	Terminal value growth rate	After-tax discount rate
Diagnostics of Healthineers	5,108	2.5%	6.5%
Power and Gas (without part of Power Generation Services)	3,587	1.7%	8.0%
Digital Factory	3,328	1.7%	8.5%
Imaging & Therapy Systems of Healthineers	2,790	2.0%	6.5%
Power Generation Services (part of Power and Gas)	2,613	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 10/01/2015	Trans-lation diffe-rences	Additions through business combi-nations	Additions	Reclassi-fications	Retire-ments[1]	Gross carrying amount 09/30/2016	Accumu-lated depre-ciation/amortiza-tion and impairment	Carrying amount 09/30/2016	Deprecia-tion/amor-tization and impair-ment 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.

(in millions of €)	Gross carrying amount 10/01/2014	Trans-lation diffe-rences	Additions through business combi-nations	Additions	Reclassi-fications	Retire-ments[1]	Gross carrying amount 09/30/2015	Accumu-lated depre-ciation/amortiza-tion and impairment	Carrying amount 09/30/2015	Deprecia-tion/amor-tization and impair-ment in fiscal 2015
Internally generated technology	2,750	211	–	337	–	(302)	2,995	(1,619)	1,376	(176)
Acquired technology including patents, licenses and similar rights	3,525	190	923	53	–	34	4,725	(2,851)	1,874	(231)
Customer relationships and trademarks	4,552	293	2,873	–	–	(176)	7,542	(2,715)	4,827	(370)
Other intangible assets	**10,826**	**693**	**3,796**	**390**	**–**	**(444)**	**15,262**	**(7,185)**	**8,077**	**(778)**
Land and bulidings	7,356	169	143	199	135	(257)	7,745	(3,656)	4,089	(256)
Technical machinery and equipment	7,140	167	172	282	263	(252)	7,770	(5,111)	2,660	(513)
Furniture and office equipment	5,786	109	49	580	73	(768)	5,829	(4,510)	1,319	(662)
Equipment leased to others	2,927	117	57	457	(4)	(521)	3,033	(1,746)	1,287	(345)
Advances to suppliers and construction in progress	760	5	66	500	(467)	(7)	856	(1)	855	6
Property, plant and equipment	**23,968**	**566**	**487**	**2,018**	**–**	**(1,805)**	**25,234**	**(15,024)**	**10,210**	**(1,769)**

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 €677 million and €787 million, respectively of property, plant and equipment under construction in fiscal 2016 and 2015. As of September 30, 2016 and 2015, contractual commitments for purchases of property, plant and equipment are €643 million and €474 million, respectively.

Minimum future lease payments under operating leases are:

(in millions of €)	2016	Sep 30, 2015
Within one year	**326**	319
After one year but not more than five years	**689**	652
More than five years	**85**	92
	1,099	1,063

NOTE 13 Other financial assets

(in millions of €)	2016	Sep 30, 2015
Loans receivable	**11,838**	12,477
Receivables from finance leases	**3,557**	3,264
Derivative financial instruments	**2,293**	2,398
Available-for-sale financial assets	**2,662**	2,464
Other	**260**	217
	20,610	20,821

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

NOTE 14 Other current liabilities

(in millions of €)	2016	Sep 30, 2015
Billings in excess of costs and estimated earnings on uncompleted contracts and related advances	**10,892**	10,982
Liabilities to personnel	**5,401**	5,437
Accruals for pending invoices	**1,175**	1,242
Other	**2,968**	2,708
	20,437	20,368

NOTE 15 Debt

	Current debt		Non-current debt	
		Sep 30,		Sep 30,
(in millions of €)	2016	2015	2016	2015
Notes and bonds (maturing until 2046)	**4,994**	456	**23,560**	25,498
Loans from banks (maturing until 2023)	**380**	755	**992**	1,000
Other financial indebtedness (maturing until 2027)	**817**	1,737	**87**	68
Obligations under finance leases	**15**	31	**123**	115
Total debt	**6,206**	2,979	**24,761**	26,682

Interest rates in this Note are per annum. In fiscal 2016 and 2015, weighted-average interest rates for loans from banks, other financial indebtedness and obligations under finance leases were 3.9% (2015: 2.8%), 0.5% (2015: 0.2%) and 4.8% (2015: 4.7%), respectively.

CREDIT FACILITIES

As of September 30, 2016 and 2015, €7.1 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 was extended by one year until 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 30, 2016 to September 30, 2017.

NOTES AND BONDS

(interest/issued/maturity)	Sep 30, 2016			Sep 30, 2015		
		Currency notional amount (in millions)	Carrying amount in millions of €[1]		Currency notional amount (in millions)	Carrying amount in millions of €[1]
5.625%/2006/March 2016/US$ fixed-rate instruments	–	–	–	US$	500	456
5.625%/2008/June 2018/EUR fixed-rate instruments	€	1,600	1,719	€	1,600	1,779
5.125%/2009/February 2017/EUR fixed-rate instruments	€	2,000	2,028	€	2,000	2,090
US$3m LIBOR+1.4%/2012/February 2019/US$ floating-rate instruments	US$	400	358	US$	400	357
1.5%/2012/March 2020/EUR fixed-rate instruments	€	1,000	997	€	1,000	996
2.75%/2012/September 2025/GBP fixed-rate instruments	£	350	405	£	350	472
3.75%/2012/September 2042/GBP fixed-rate instruments	£	650	740	£	650	863
1.75%/2013/March 2021/EUR fixed-rate instruments	€	1,250	1,285	€	1,250	1,278
2.875%/2013/March 2028/EUR fixed-rate instruments	€	1,000	996	€	1,000	996
1.5%/2013/March 2018/US$ fixed-rate instruments	US$	500	447	US$	500	445
3.5%/2013/March 2028/US$ fixed-rate instruments	US$	100	87	US$	100	87
2013/June 2020/US$ floating-rate instruments	US$	400	358	US$	400	356
2014/March 2019/US$ floating-rate instruments	US$	300	268	US$	300	267
2014/September 2021/US$ floating-rate instruments	US$	400	358	US$	400	357
Total Debt Issuance Program			**10,048**			10,799
5.75%/2006/October 2016/US$ fixed-rate instruments	US$	1,750	1,570	US$	1,750	1,600
6.125%/2006/August 2026/US$ fixed-rate instruments	US$	1,750	1,982	US$	1,750	2,023
US$3m LIBOR+0.28%/2015/May 2018/US$ floating-rate instruments	US$	500	448	US$	500	446
1.45%/2015/May 2018/US$-fixed-rate-instruments	US$	1,250	1,119	US$	1,250	1,114
2.15%/2015/May 2020/US$-fixed-rate-instruments	US$	1,000	893	US$	1,000	889
2.90%/2015/May 2022/US$-fixed-rate-instruments	US$	1,750	1,564	US$	1,750	1,557
3.25%/2015/May 2025/US$-fixed-rate-instruments	US$	1,500	1,336	US$	1,500	1,331
4.40%/2015/May 2045/US$-fixed-rate-instruments	US$	1,750	1,546	US$	1,750	1,539
US$3m LIBOR+0.32%/2016/September 2019/US$ floating-rate instruments	US$	350	308	–	–	–
1.30%/2016/September 2019/US$-fixed-rate-instruments	US$	1,100	984	–	–	–
1.70%/2016/September 2021/US$-fixed-rate-instruments	US$	1,100	983	–	–	–
2.00%/2016/September 2023/US$-fixed-rate-instruments	US$	750	666	–	–	–
2.35%/2016/October 2026/US$-fixed-rate-instruments	US$	1,700	1,517	–	–	–
3.30%/2016/September 2046/US$-fixed-rate-instruments	US$	1,000	887	–	–	–
Total US$ Bonds			**15,801**			10,497
5.25%/2006/September 2066/EUR fixed-rate instruments	–	–	–	€	900	934
6.125%/2006/September 2066/GBP fixed-rate instruments	–	–	–	£	750	1,055
Total Hybrid Capital Bonds						1,989
1.05%/2012/August 2017 US$ fixed-rate instruments	US$	1,500	1,332	US$	1,500	1,314
1.65%/2012/August 2019 US$ fixed-rate instruments	US$	1,500	1,309	US$	1,500	1,292
3m EURIBOR+0.2%/2015/September 2017/EUR floating-rate instruments	€	33	33	€	33	33
3m EURIBOR+0.2%/2015/September 2017/EUR floating-rate instruments	€	31	31	€	31	31
Total Bonds with Warrant Units			**2,705**			2,670
			28,554			25,955

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, 2016 and 2015, respectively. As of September 30, 2016 and 2015 €9.9 billion and €10.5 billion in notional amounts were issued and are outstanding. Siemens redeemed the 5.625% US$500 million fixed-rate instrument at face value on March 16, 2016 as due.

US$ Bonds – In September 2016, Siemens issued instruments totaling US$6 billion (€5.4 billion as of September 30, 2016) in six tranches.

Hybrid Capital Bond – On August 1, 2016 Siemens has irrevocably called for redemption of the hybrid bonds and redeemed them at face value on September 14, 2016.

Bond with Warrant Units – Each of the US$1.5 billion instruments were issued with 6,000 detachable warrants. As of September 30, 2016 and 2015, terms for 10,661 warrants exchanged in fiscal 2015 entitle the holder to receive 1,914.0511 and 1,902.0024 Siemens AG shares, respectively, per warrant at an exercise price of €98.1389 and €98.7606, respectively, per share; terms for the 1,339 not exchanged warrants entitle the holder to receive 1,823.4130 and 1,811.9349 Siemens AG shares, respectively, per warrant as well as 151.5630 and 160.4987 OSRAM shares, respectively, at an exercise price of €187,842.81. As of September 30, 2016, one warrant was exercised. The number of shares may be adjusted under the terms of the warrants. As of September 30, 2016 and 2015, the warrants offer option rights to 22.8 million and 22.7 million Siemens AG shares, respectively.

ASSIGNABLE AND TERM LOANS

As of September 30, 2016 and 2015, two bilateral US$500 million term loan facilities (in aggregate €896 million and €893 million respectively) are outstanding until March 26, 2020.

COMMERCIAL PAPER PROGRAM

Siemens has a US$9.0 billion (€8.1 billion as of September 30, 2016) commercial paper program in place including US$ extendible notes capabilities. As of September 30, 2016 and 2015, US$700 million (€627 million) and US$1.7 billion (€1.5 billion), respectively, were outstanding. Siemens' commercial papers have a maturity of generally less than 90 days. Interest rates ranged from 0.13% to 0.74% in fiscal 2016 and from 0.11% to 0.32% in fiscal 2015.

NOTE 16 Post-employment benefits

Siemens provides post-employment defined benefit plans or defined contribution plans to almost all of the Company's domestic employees and the majority of the Company's foreign employees.

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 509,000 participants, including 214,000 active employees, 93,000 former employees with vested benefits and 202,000 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 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 (€42) 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 €)	2016	2015	2016	2015	2016	2015	2016	2015
Balance at begin of fiscal year	**36,818**	35,591	**27,296**	26,505	**214**	202	**9,737**	9,288
Current service cost	523	536	**–**	–	**–**	–	**523**	536
Interest expenses	1,078	1,076	**–**	–	**7**	11	**1,085**	1,087
Interest income	–	–	**809**	825	**–**	–	**(809)**	(825)
Other[1]	**5**	(177)	**8**	(179)	**–**	–	**(4)**	2
Components of defined benefit costs recognized in the Consolidated Statements of income	**1,605**	1,436	**818**	646	**7**	11	**795**	801
Return on plan assets excluding amounts included in net interest income and net interest expenses	**–**	–	**2,473**	(245)	**–**	–	**(2,473)**	245
Actuarial (gains) losses	**6,284**	(41)	**–**	–	**–**	–	**6,284**	(41)
Effects of asset ceiling	**–**	–	**–**	–	**(109)**	1	**(109)**	1
Remeasurements recognized in the Consolidated Statements of Comprehensive Income	**6,284**	(41)	**2,473**	(245)	**(109)**	1	**3,703**	205
Employer contributions	**–**	–	**618**	611	**–**	–	**(618)**	(611)
Plan participants' contributions	**144**	133	**144**	133	**–**	–	**–**	–
Benefits paid	**(1,854)**	(1,753)	**(1,694)**	(1,616)	**–**	–	**(160)**	(137)
Settlement payments	**(53)**	(47)	**(45)**	(47)	**–**	–	**(8)**	–
Business combinations, disposals and other	**(10)**	602	**(9)**	515	**–**	1	**(2)**	88
Foreign currency translation effects	**(758)**	897	**(792)**	793	**7**	(1)	**40**	103
Other reconciling items	**(2,531)**	(167)	**(1,777)**	390	**7**	–	**(749)**	(557)
Balance at fiscal year-end	**42,176**	36,818	**28,809**	27,296	**119**	214	**13,486**	9,737
thereof:								
Germany	***25,460***	*21,469*	***15,275***	*14,539*	**–**	–	***10,184***	*6,930*
U.S.	***4,859***	*4,597*	***3,347***	*3,162*	**–**	–	***1,512***	*1,435*
U.K.	***6,188***	*5,612*	***6,047***	*5,696*	***9***	*107*	***151***	*22*
CH	***3,671***	*3,432*	***3,064***	*2,947*	***68***	*66*	***675***	*551*

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

The net defined benefit balance of €13,486 million and €9,737 million as of September 30, 2016 and 2015 comprised €13,695 million and €9,811 million net defined benefit liability and €209 million and €75 million net defined benefit asset, respectively. Net interest expenses amounted to €282 million and €263 million, respectively, in fiscal 2016 and 2015. Similar to the prior year, the DBO is attributable to active employees 33%, to former employees with vested rights 15% and to retirees and surviving dependants 52%.

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

	Fiscal year	
(in millions of €)	2016	2015
Changes in demographic assumptions	**(129)**	26
Changes in financial assumptions	**6,506**	(8)
Experience (gains) losses	**(93)**	(59)
Total	**6,284**	(41)

The changes in financial assumptions include a reduction of the pension progression rate for a German frozen legacy plan from 1.8% as of September 30, 2015 to 1.5% as of September 30, 2016 due to a lower inflation assumption which reduced the DBO by €487 million.

Actuarial assumptions

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

	Sep 30,	
	2016	2015
Discount rate	**1.7%**	3.0%
Germany	**1.0%**	2.7%
U.S.	**3.6%**	4.3%
U.K.	**2.4%**	3.9%
CH	**0.4%**	1.0%

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-2015 mortality table with MP-2015 generational projection
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,	
	2016	2015
Compensation increase		
U.K.	**3.6%**	3.6%
CH	**1.5%**	1.5%
Pension progression		
Germany	**1.4%**	1.7%
U.K.	**2.9%**	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, 2016		Sep 30, 2015	
(in millions of €)	increase	decrease	increase	decrease
Discount rate	**(2,774)**	**3,174**	(2,121)	2,380
Rate of compensation increase	**113**	**(105)**	101	(93)
Rate of pension progression	**2,107**	**(1,858)**	1,717	(1,379)

The DBO effect of a 10% reduction in mortality rates for all beneficiaries would be an increase of €1,395 million and €1,021 million, respectively, as of September 30, 2016 and 2015.

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 €)	2016	Sep 30, 2015
Equity securities	**5,206**	6,285
U.S. equities	***872***	*1,366*
European equities	***1,610***	*1,783*
Emerging markets	***821***	*1,143*
Global equities	***1,903***	*1,993*
Fixed income securities	**16,395**	15,206
Government bonds	***5,496***	*4,718*
Corporate bonds	***10,899***	*10,488*
Alternative investments	**3,622**	3,526
Hedge Funds	***2,074***	*1,403*
Private Equity	***827***	*772*
Real estate	***721***	*1,351*
Multi strategy funds[1]	**1,696**	733
Derivatives	**497**	491
Interest risk	***1,022***	*1,079*
Foreign currency risk	***47***	*26*
Credit/Inflation/Price risks	***(572)***	*(614)*
Cash and cash equivalents	**465**	483
Other assets	**928**	572
Total	**28,809**	**27,296**

1 Multi strategy funds 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.

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.

Future cash flows

Employer contributions expected to be paid to defined benefit plans in fiscal 2017 are €690 million. Over the next ten fiscal years, average annual benefit payments of €1,908 million and €1,912 million, respectively, are expected as of September 30, 2016 and 2015. The weighted average duration of the DBO for Siemens defined benefit plans was 14 years as of September 30, 2016 and 13 years as of September 30, 2015.

DEFINED CONTRIBUTION PLANS AND STATE PLANS

The amount recognized as expense for defined contribution plans amounts to €676 million and €594 million in fiscal 2016 and 2015, respectively. Contributions to state plans amount to €1,423 million and €1,372 million in fiscal 2016 and 2015, respectively.

NOTE 17 Provisions

(in millions of €)	Warranties	Order related losses and risks	Asset retirement obligations	Other	Total
Balance as of October 1, 2015	4,220	1,829	1,415	1,888	9,353
Thereof non-current	*1,981*	*689*	*1,393*	*801*	*4,865*
Additions	1,887	572	4	696	3,158
Usage	(1,027)	(493)	(7)	(364)	(1,891)
Reversals	(822)	(393)	(175)	(391)	(1,781)
Translation differences	(21)	(24)	–	5	(41)
Accretion expense and effect of changes in discount rates	(2)	3	369	9	378
Other changes	15	23	5	34	77
Balance as of September 30, 2016	**4,249**	**1,517**	**1,611**	**1,877**	**9,253**
Thereof non-current	***2,022***	***675***	***1,593***	***796***	***5,087***

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.

In fiscal 2016, order related losses and risks include project charges for the construction of a power plant mainly due to increased cost estimates which reduced earnings by €172 million (primarily presented in cost of sales).

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). According to the German Atomic Energy Act, when such a 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: clean-out, decontamination and disassembly of equipment and installations, decontamination of the facilities and buildings, sorting of radioactive materials, and intermediate 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, disassembly and final waste conditioning are planned to continue until 2018; thereafter, the Company is responsible for intermediate storage of the radioactive materials until they are 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 2070's related to the costs for dismantling as well as intermediate and final storage. Amongst others, the estimated cash outflows related to the asset retirement obligation could alter significantly if, and when, political developments affect the government's plans to develop 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, 2016 and 2015, the provision totals €1,551 million and €1,359 million, respectively, and is recorded net of a present value discount of €206 million and €594 million, respectively, reflecting the assumed continuous outflow of the total expected payments until the 2070's. Declined discount rates increased the carrying amount of the provision by €355 million as of September 30, 2016 and by €283 million as of September 30, 2015. At the same time, the provision was decreased by €170 million as of September 30, 2016, due to reduced cost estimates, and €282 million as of September 30, 2015, mainly due to reduced assumed inflation rates.

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 €430 million and €398 million as of September 30, 2016 and 2015, respectively.

NOTE 18 Equity

Siemens' issued capital is divided into 850 million and 881 million registered shares with no par value and a notional value of €3.00 per share as of September 30, 2016 and 2015, respectively; 31 million shares were retired in fiscal 2016. 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 2016 and 2015, Siemens repurchased 4,888,596 and 29,419,671 shares, respectively. In fiscal 2016 and 2015, Siemens transferred 4,543,673 and 2,788,059 treasury shares, respectively, in connection with share-based payments. As of September 30, 2016 and 2015, the Company has treasury shares of 41,721,682 and 72,376,759, respectively.

As of September 30, 2016 and 2015, 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, 2016 and 2015, 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 €3.50 and €3.30, respectively, in fiscal 2016 and 2015. The Managing Board and the Supervisory Board propose to distribute a dividend of €3.60 per share entitled to the dividend, in total representing approximately €2.9 billion in expected payments. Payment of the proposed dividend is contingent upon approval at the Shareholders' Meeting on February 1, 2017.

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.

(in millions of €)	Sep 30, 2016	Sep 30, 2015
Short-term debt and current maturities of long-term debt	**6,206**	2,979
Plus: Long-term debt	**24,761**	26,682
Less: Cash and cash equivalents	**(10,604)**	(9,957)
Less: Current available-for-sale financial assets	**(1,293)**	(1,175)
Net debt	**19,071**	**18,528**
Less: SFS Debt[1]	**(22,418)**	(21,198)
Plus: Post-employment benefits	**13,695**	9,811
Plus: Credit guarantees	**799**	859
Less: 50% nominal amount hybrid bond	**–**	(958)
Less: Fair value hedge accounting adjustment[2]	**(643)**	(936)
Industrial net debt	**10,505**	**6,107**
Income from continuing operations before income taxes	**7,404**	7,218
Plus/Less: Interest income, interest expenses and other financial income (expenses), net	**48**	58
Plus: Amortization, depreciation and impairments	**2,764**	2,549
EBITDA	**10,216**	**9,825**
Industrial net debt/EBITDA	**1.0**	**0.6**

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 €)	2016	Sep 30, 2015
Allocated equity	**2,623**	2,417
SFS debt	**22,418**	21,198
Debt to equity ratio	**8.55**	8.77

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, 2016		Sep 30, 2015	
	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 €)	2016	Sep 30, 2015
Credit guarantees	**799**	859
Guarantees of third-party performance	**2,319**	2,292
HERKULES obligations	**600**	1,090
	3,718	4,241

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 terms up to 22 years and 18 years, respectively, in fiscal 2016 and 2015. For credit guarantees amounting to €270 million and €271 million as of September 30, 2016 and 2015, respectively, the Company held collateral mainly in the form of inventories and trade receivables. The Company accrued €73 million and €93 million relating to credit guarantees as of September 30, 2016 and 2015, 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, 2016 and 2015, the Company accrued €4 million and €3 million, respectively, relating to performance guarantees.

In fiscal 2007, The Federal Republic of Germany commissioned a consortium consisting of Siemens and IBM Deutschland GmbH (IBM) to modernize and operate the non-military information and communications technology of the German Federal Armed Forces (Bundeswehr). This project is called HERKULES. A project company, BWI Informationstechnik GmbH, provides the services required by the terms of the contract. Siemens is a shareholder in the project company. The guarantees issued by Siemens in connection with the project are connected to each other legally and economically. The guarantees ensure that BWI has sufficient resources to provide the required services and to fulfill its contractual obligations. After expiration of the contract in December 2016, there will be a maximum remaining guarantee amount of €200 million until April 2019 at the latest.

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 €853 million and €1,755 million as of September 30, 2016 and 2015, 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, 2016 and 2015, the accrued amount for such other commitments is €456 million and €559 million, respectively.

Future payment obligations under non-cancellable operating leases are:

(in millions of €)	2016	Sep 30, 2015
Within one year	882	773
After one year but not more than five years	1,707	1,662
More than five years	870	993
	3,458	3,428

Total operating rental expenses for the years ended September 30, 2016 and 2015 were €1,158 million and €1,118 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. In February 2016, the supplier consortium updated its monetary claims to approximately €3.5 billion. The amounts claimed by the parties do not cover the total period of delay and may be updated further. On November 7, 2016 a partial award on certain preliminary questions identified for early treatment was issued. The majority of the facts underlying the claims regarding delay and disruption that occurred during project execution are not covered by the partial award. A further partial award on additional preliminary questions for early treatment is expected during the first half of calendar year 2017. A final arbitration judgment on the claims and counterclaims is expected at the earliest during the second half of calendar year 2017.

As previously reported, during fiscal year 2014, Siemens Industrial Turbomachinery Ltd., United Kingdom, was sued before an Iranian Court. The Parties have finalized their dispute at the end of calendar year 2015.

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 €667 million as of September 2016). 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 €898 million as of September 2016) 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. On May 2, 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.

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, anticompetitive 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 €687 million as of September 2016) 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 €134 million as of September 2016) 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 €252 million as of September 2016) 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 is conducting – 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 is cooperating with the authorities.

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 is conducting 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 AG Österreich is potentially liable. In November 2016, the proceedings against Siemens Aktiengesellschaft Österreich were stopped.

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 €)	2016	Sep 30, 2015
Loans and receivables[1]	37,984	36,268
Cash and cash equivalents	10,604	9,957
Derivatives designated in a hedge accounting relationship	534	608
Financial assets held for trading	2,518	2,620
Available-for-sale financial assets[2]	3,955	3,639
Financial assets	**55,594**	**53,092**
Financial liabilities measured at amortized cost[3]	40,591	39,067
Financial liabilities held for trading[4]	1,190	1,383
Derivatives designated in a hedge accounting relationship[4]	310	536
Financial liabilities	**42,091**	**40,986**

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 €2,662 million and €2,464 million available-for-sale financial assets and €3,051 million and €3,228 million derivative financial instruments as of September 30, 2016 and 2015, respectively. Includes €14,280 million and €13,909 million trade receivables from the sale of goods and services in fiscal 2016 and 2015, thereof €665 million and €726 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 €1,500 million and €1,919 million, respectively, as of September 30, 2016 and 2015.

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

Cash and cash equivalents includes €330 million and €378 million as of September 30, 2016 and 2015, respectively, which are not available for use by Siemens mainly due to minimum reserve requirements with banks. As of September 30, 2016 and 2015, the carrying amount of financial assets Siemens has pledged as collateral amounted to €214 million and €345 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:

		Sep 30, 2016		Sep 30, 2015
(in millions of €)	Fair value	Carrying amount	Fair value	Carrying amount
Notes and bonds	30,235	28,554	26,516	25,955
Loans from banks and other financial indebtedness	2,270	2,276	3,544	3,559
Obligations under finance leases	203	138	207	147

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:

				Sep 30, 2016
(in millions of €)	Level 1	Level 2	Level 3	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*

				Sep 30, 2015
(in millions of €)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:	1,980	4,313	374	6,667
Available-for-sale financial assets: equity instruments	1,980	–	318	2,299
Available-for-sale financial assets: debt instruments	–	1,131	10	1,141
Derivative financial instruments	–	3,181	46	3,228
Not designated in a hedge accounting relationship (including embedded derivatives)	–	*2,574*	*46*	*2,620*
In connection with fair value hedges	–	*329*	–	*329*
In connection with cash flow hedges	–	*279*	–	*279*
Financial liabilities measured at fair value – Derivative financial instruments	–	1,919	–	1,919
Not designated in a hedge accounting relationship (including embedded derivatives)	–	*1,383*	–	*1,383*
In connection with cash flow hedges	–	*534*	–	*534*

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.

Non-current available-for-sale financial assets measured at fair value include interests in Atos SE (Atos) and OSRAM of €2,156 million and €1,703 million, respectively, as of September 30 2016 and 2015. Unrealized gains (losses) in fiscal 2016 and 2015 resulting from non-current available-for-sale financial assets measured at fair value are €445 million and €367 million and, respectively.

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 €)	2016	2015
Cash and cash equivalents	**(19)**	(24)
Available-for-sale financial assets	**70**	39
Loans and receivables	**(442)**	(42)
Financial liabilities measured at amortized cost	**168**	(1,049)
Financial assets and financial liabilities held for trading	**(211)**	(945)

Net gains (losses) in fiscal 2016 and 2015, on financial liabilities measured at amortized cost are comprised of gains (losses) from derecognition and the ineffective portion of fair value hedges. Net gains (losses) in fiscal 2016 and 2015 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. The amounts presented include foreign currency gains and losses from the realization and valuation of the financial assets and liabilities mentioned above.

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

		Fiscal year
(in millions of €)	2016	2015
Total interest income on financial assets	**1,291**	1,248
Total interest expenses on financial liabilities	**(874)**	(739)

In fiscal 2016 and 2015, gains (losses) reclassified from Other comprehensive income to the Consolidated Statements of Income relating to cash flow hedges were €(61) million and €(268) million, respectively; unrealized gains (losses) recognized in Other comprehensive income amounted to €149 million and €(311) 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, 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**

					Sep 30, 2015
(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	2,678	10	2,668	1,065	1,604
Financial liabilities – Derivative financial liabilities	1,885	11	1,874	1,032	843

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, 2016		Sep 30, 2015	
(in millions of €)	Asset	Liability	Asset	Liability
Foreign currency exchange contracts	**570**	**880**	713	1,297
Interest rate swaps and combined interest and currency swaps	**1,885**	**491**	1,824	381
Other (embedded derivatives, options, commodity swaps)	**596**	**129**	691	241
	3,051	**1,500**	3,228	1,919

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:

(in millions of €)	2017	2018	2019 to 2021	2022 and thereafter
			Fiscal year	
Expected gain (loss) to be reclassified from line item Other comprehensive income, net of income taxes into revenue or cost of sales	(22)	6	67	30

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, 2016 and 2015, the Company has agreed to pay a variable rate of interest multiplied by a notional principle 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 resulted in a gain (loss) of €149 million and €103 million, respectively, in fiscal 2016 and 2015; the related swap agreements resulted in a gain (loss) of €(152) million and €(135) 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 (0.2)% and 0.1% as of September 30, 2016 and 2015, respectively and received fixed rates of interest (average rate of 3.3% and 4.3%, as of September 30, 2016 and 2015, respectively). The notional amount of indebtedness hedged as of September 30, 2016 and 2015 was €3,650 million and €6,012 million, respectively. This changed 14% and 26% of the Company's underlying notes and bonds from fixed interest rates into variable interest rates as of September 30, 2016 and 2015, 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, 2016 and 2015 was €93 million and €242 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 illiquidity 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 each Siemens unit is responsible for recording, assessing and monitoring its foreign currency transaction exposure. The net foreign currency position of each unit 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 Company-wide.

As of September 30, 2016 and 2015 the VaR relating to foreign currency exchange rates was €86 million and €179 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. A lower volatility between the U.S. dollar and the euro in comparison to the prior year resulted in a decrease of the VaR.

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' business, is mitigated by managing interest rate risk actively relatively to a benchmark. The interest rate risk relating to the SFS' business is managed separately, considering the term structure of SFS's 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, 2016 and 2015 the VaR relating to the interest rate was €485 million and €500 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, 2016 and 2015 the market value of Siemens' portfolio in publicly traded companies was €2,169 million compared to €1,814 million in the prior year. As of September 30, 2016 and 2015, the VaR relating to the equity price was €227 and €189 million. The increases in the market value and of the VaR were due mainly to higher market values of our stakes in OSRAM and Atos.

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, 2016.

				Fiscal year
(in millions of €)	2017	2018	2019 to 2021	2022 and thereafter
Non-derivative financial liabilities				
Notes and bonds	5,793	4,271	9,585	15,570
Loans from banks	414	89	941	6
Other financial indebtedness	818	22	15	50
Obligations under finance leases	23	56	30	107
Trade payables	8,006	31	6	5
Other financial liabilities	1,264	118	84	25
Derivative financial liabilities	768	277	526	177
Credit guarantees[1]	799	–	–	–
Irrevocable loan commitments[2]	3,068	184	125	11

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 arise are determined by the solvency of the debtors, the recoverability of the collaterals 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 for all entities.

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 the 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 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, 2016 and 2015 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 €994 million and €1,065 million, respectively. As of September 30, 2016 and 2015 the collateral held for financial instruments classified as receivables from finance leases amounted to €1,949 million and €2,003 million, respectively, mainly in the form of the leased equipment. As of September 30, 2016 and 2015 the collateral held for financial instruments classified as financial assets measured at cost or amortized cost amounted to €3,590 million and €3,165 million, respectively. The collateral mainly consisted of property, plant and equipment. Credit risks arising from irrevocable loan commitments are equal to the expected future pay-offs resulting from these commitments. As of September 30, 2016 and 2015 the collateral held for these commitments amounted to €1,177 million and €1,445 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 €332 million and €203 million for the years ended September 30, 2016 and 2015, respectively, and refers primarily to equity-settled awards.

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.

Commitments to members of the Managing Board

In fiscal 2016 and 2015, agreements were entered into which entitle members of the Managing Board to stock awards contingent upon attaining the prospective performance-based target of Siemens stock relative to five competitors. The fair value of these entitlements amounting to €9 million and €9 million, respectively, in fiscal 2016 and 2015, was calculated by applying a valuation model. In fiscal 2016 and 2015, inputs to that model include an expected weighted volatility of Siemens shares of 22% and 22%, respectively, and a market price of €92.86 and €88.03 per Siemens share. Expected volatility was determined by reference to historic volatilities. The model applies a risk-free interest rate of up to 0.1% and 0.3% in fiscal 2016 and 2015, respectively and an expected dividend yield of 3.8% in fiscal 2016 and 2015. 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 2016 and 2015, 2,044,213 and 1,162,028 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 amounting to €117 million and €57 million, respectively, in fiscal 2016 and 2015, was calculated by applying a valuation model. In fiscal 2016 and 2015, inputs to that model include an expected weighted volatility of Siemens shares of 22% and 22%, respectively, and a market price of €92.86 and €88.03 per Siemens share. Expected volatility was determined by reference to historic volatilities. The model applies a risk-free interest rate of up to 0.1% in fiscal 2016 and up to 0.3% in fiscal 2015 and an expected dividend yield of 3.8% in fiscal 2016 and 3.8% in fiscal 2015. 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
	2016	2015
Non-vested, beginning of period	**6,049,250**	4,985,998
Granted	**2,044,213**	1,528,957
Vested and fulfilled	**(834,605)**	–
Forfeited	**(1,029,991)**	(159,754)
Settled	**(57,437)**	(305,951)
Non-vested, end of period	**6,171,430**	6,049,250

SHARE MATCHING PROGRAM AND ITS UNDERLYING PLANS

In fiscal 2016, 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 2015 and 2014 are transferred to the Share Matching Plan as of February 2016 and February 2015, 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 €35 million and €33 million in fiscal 2016 and 2015, respectively.

Resulting Matching Shares

		Fiscal year
	2016	2015
Outstanding, beginning of period	**1,655,780**	1,750,176
Granted	**785,000**	610,771
Vested and fulfilled	**(538,837)**	(548,947)
Forfeited	**(95,658)**	(85,056)
Settled	**(38,304)**	(71,164)
Outstanding, end of period	**1,767,980**	1,655,780

The weighted average fair value of matching shares granted in fiscal 2016 and 2015 amounting to €64.56 and €69.43 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, 2016, €200 million are in the Profit-Sharing-Pool. Expense is recognized pro rata over the estimated vesting period.

JUBILEE SHARE PROGRAM

For their 25th and 40th service anniversary eligible employees receive jubilee shares. There were 4.39 million and 4.46 million entitlements to jubilee shares outstanding as of September 30, 2016 and 2015, respectively.

NOTE 26 Personnel costs

(in millions of €)	2016	Fiscal year 2015
Wages and salaries	**23,431**	22,611
Statutory social welfare contributions and expenses for optional support	**3,562**	3,404
Expenses relating to post-employment benefits	**1,218**	1,163
	28,210	**27,177**

Severance charges amount to €598 million and €804 million (thereof at segment Process Industries and Drives €254 million and €74 million) in fiscal 2016 and 2015, respectively. Item Expenses relating to post-employment benefits includes service costs for the period. Personnel costs for continuing and discontinued operations amount to €28,232 million and €27,584 million, respectively, in fiscal 2016 and 2015. Employees were engaged in (averages; part time employees are included proportionally):

	Continuing operations		Continuing and discontinued operations	
(in thousands)	2016	Fiscal year 2015	2016	Fiscal year 2015
Manufacturing and services	**216**	212	**216**	214
Sales and marketing	**65**	67	**65**	68
Research and development	**33**	32	**33**	33
Administration and general services	**35**	34	**35**	35
	349	**345**	**349**	**349**

NOTE 27 Earnings per share

(shares in thousands; earnings per share in €)	2016	Fiscal year 2015
Income from continuing operations	**5,396**	5,349
Less: Portion attributable to non-controlling interest	**(134)**	(98)
Income from continuing operations attributable to shareholders of Siemens AG	**5,262**	5,251
Weighted average shares outstanding – basic	**808,686**	823,408
Effect of dilutive share-based payment	**11,228**	9,425
Weighted average shares outstanding – diluted	**819,914**	832,832
Basic earnings per share (from continuing operations)	**6.51**	**6.38**
Diluted earnings per share (from continuing operations)	**6.42**	**6.30**

The dilutive earnings per share computation in fiscal 2016 and 2015 does not contain 22,8 million and 22,7 million shares, respectively, relating to warrants issued with bonds. The inclusion of those shares would have been antidilutive in the years presented. In the future, the warrants could potentially dilute basic earnings per share.

NOTE 28 Segment information

(in millions of €)	Orders[1] 2016	Orders[1] Fiscal year 2015	External revenue 2016	External revenue Fiscal year 2015	Intersegment Revenue 2016	Intersegment Revenue Fiscal year 2015	Total revenue 2016	Total revenue Fiscal year 2015
Power and Gas	19,454	15,742	16,412	13,330	58	88	16,471	13,418
Wind Power and Renewables	7,973	6,136	5,974	5,658	2	2	5,976	5,660
Energy Management	12,963	12,956	11,238	11,344	702	578	11,940	11,922
Building Technologies	6,435	6,099	5,982	5,860	174	139	6,156	5,999
Mobility	7,875	10,262	7,794	7,477	31	31	7,825	7,508
Digital Factory	10,332	10,036	9,390	9,140	781	847	10,172	9,988
Process Industries and Drives	8,939	9,144	7,285	7,777	1,753	1,777	9,038	9,553
Healthineers	13,830	13,349	13,497	12,896	38	35	13,535	12,930
Industrial Business	**87,802**	**83,723**	**77,573**	**73,481**	**3,539**	**3,497**	**81,112**	**76,978**
Financial Services (SFS)	979	1,048	824	855	154	193	979	1,048
Reconciliation to Consolidated Financial Statements	(2,300)	(2,432)	1,247	1,299	(3,694)	(3,690)	(2,447)	(2,391)
Siemens (continuing operations)	**86,480**	**82,340**	**79,644**	**75,636**	**–**	**–**	**79,644**	**75,636**

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 (PG), which offers a broad spectrum of products, solutions and services for generating electricity from fossil fuels and for producing and transporting oil and gas,
- Wind Power and Renewables (WP) designs, manufactures and installs wind turbines and provides services for onshore and offshore applications,
- Energy Management (EM) offers a wide spectrum of products, systems, solutions, software and services for transmitting and distributing power and for developing intelligent grid infrastructure,
- Building Technologies (BT) is a provider of automation technologies and digital services for safe, secure and efficient buildings and infrastructures throughout their lifecycles,
- Mobility (MO) combines all Siemens businesses in the area of passenger and freight transportation, including rail vehicles, rail automation systems, rail electrification systems, road traffic technology, IT solutions and related services,
- Digital Factory (DF) offers a comprehensive product portfolio and system solutions used in manufacturing industries, complemented by lifecycle and data-driven services,
- Process Industries and Drives (PD) 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 medical imaging and laboratory diagnostics,
- 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) – 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.

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.

Profit		Assets		Free cash flow		Additions to intangible assets and property, plant & equipment		Amortization, depreciation & impairments	
	Fiscal year				Fiscal year		Fiscal year		Fiscal year
2016	2015	Sep 30, 2016	Sep 30, 2015	2016	2015	2016	2015	2016	2015
1,872	1,415	**9,066**	8,871	**1,149**	1,272	**206**	225	**522**	350
464	160	**(190)**	(346)	**330**	389	**223**	119	**137**	132
895	570	**4,335**	3,929	**375**	691	**195**	185	**218**	230
577	553	**1,324**	1,337	**598**	546	**66**	57	**85**	86
678	588	**2,868**	2,526	**497**	118	**99**	127	**132**	126
1,690	1,685	**5,731**	4,906	**1,771**	1,790	**179**	184	**304**	281
243	581	**1,800**	2,152	**618**	591	**160**	165	**231**	240
2,325	2,184	**11,211**	11,153	**2,154**	2,048	**392**	346	**563**	545
8,744	7,737	**36,145**	34,527	**7,493**	7,446	**1,521**	1,409	**2,191**	1,990
653	600	**26,446**	24,970	**680**	884	**18**	17	**216**	219
(1,994)	(1,119)	**63,126**	60,851	**(2,640)**	(3,346)	**597**	471	**357**	341
7,404	7,218	**125,717**	120,348	**5,533**	4,984	**2,135**	1,897	**2,764**	2,549

Pensions – includes the Company's pension related income (expense) not allocated to the segments, SRE or Centrally managed portfolio activities.

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 Centrally managed portfolio activities (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) Centrally managed portfolio activities 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. Assets of Mobility include the project-specific intercompany financing of a long-term project. 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.

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 2016	2015
Centrally managed portfolio activities	**(215)**	714
Siemens Real Estate	**132**	205
Corporate items	**(449)**	(690)
Centrally carried pension expense	**(439)**	(440)
Amortization of intangible assets acquired in business combinations	**(674)**	(543)
Eliminations, Corporate Treasury, and other reconciling items	**(349)**	(366)
Reconciliation to Consolidated Financial Statements	**(1,994)**	(1,119)

In fiscal 2016 and 2015, Profit of SFS includes interest income of €1,161 million and €1,086 million, respectively and interest expenses of €377 million and €340 million, respectively.

Assets

(in millions of €)	Sep 30, 2016	2015
Assets Centrally managed portfolio activities	**1,812**	1,322
Assets Siemens Real Estate	**4,964**	4,895
Assets Corporate items and pensions	**(1,474)**	(2,012)
Asset-based adjustments:		
Intragroup financing receivables	**47,072**	45,576
Tax-related assets	**4,089**	3,103
Liability-based adjustments	**42,086**	42,282
Eliminations, Corporate Treasury, other items	**(35,423)**	(34,315)
Reconciliation to Consolidated Financial Statements	**63,126**	60,851

NOTE 29 Information about geographies

(in millions of €)	Revenue by location of customers 2016	Fiscal year 2015	Revenue by location of companies 2016	Fiscal year 2015	Non-current assets 2016	Sep 30, 2015
Europe, C.I.S., Africa, Middle East	**41,819**	38,799	**45,325**	42,432	**19,912**	20,085
Americas	**22,707**	21,702	**22,360**	21,440	**19,013**	18,577
Asia, Australia	**15,118**	15,135	**11,959**	11,765	**3,132**	2,791
Siemens	**79,644**	75,636	**79,644**	75,636	**42,057**	41,453
thereof Germany	***10,739***	*11,244*	***18,579***	*18,443*	***7,511***	*6,748*
thereof foreign countries	***68,905***	*64,392*	***61,065***	*57,194*	***34,546***	*34,705*
therein U.S.	***16,769***	*15,263*	***17,776***	*16,540*	***17,576***	*17,296*

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 2016	Fiscal year 2015	Purchases of goods and services and other expenses 2016	Fiscal year 2015
Joint ventures	**1,052**	365	**48**	39
Associates	**1,379**	687	**174**	197
	2,431	1,052	**223**	236

(in millions of €)	Receivables 2016	Sep 30, 2015	Liabilities 2016	Sep 30, 2015
Joint ventures	**333**	167	**227**	377
Associates	**114**	113	**343**	638
	447	280	**569**	1,015

As of September 30, 2016 and 2015, guarantees to joint ventures and associates amounted to €1,500 million and €2,145 million, respectively, including the HERKULES obligations of €600 million and €1,090 million, respectively. As of September 30, 2016 and 2015, guarantees to joint ventures amounted to €553 million and €472 million, respectively. As of September 30, 2016 and 2015, loans given to joint ventures and associates amounted to €82 million and €68 million, therein €78 million and €54 million related to joint ventures, respectively. As of September 30, 2016 and 2015, the Company had commitments to make capital contributions of €48 million and €38 million to its joint ventures and associates, therein €39 million and €26 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, 2016 and 2015 the outstanding amount totaled to €116 million and €124 million, respectively. As of September 30, 2016 and 2015 there were loan commitments to joint ventures and associates amounting to €72 million and €134 million, respectively, therein €72 million and €58 million, respectively related to joint ventures.

RELATED INDIVIDUALS

In fiscal 2016 and 2015, members of the Managing Board received cash compensation of €20.2 million and €19.6 million. The fair value of stock-based compensation amounted to €8.7 million and €7.9 million for 113,230 and 113,281 Stock Awards, respectively, in fiscal 2016 and 2015. In fiscal 2016 and 2015, the Company granted contributions under the BSAV to members of the Managing Board totaling €4.6 million and €4.8 million, respectively.

Therefore in fiscal 2016 and 2015, compensation and benefits, attributable to members of the Managing Board amounted to €33.5 million and €32.2 million in total, respectively.

In fiscal 2016 and 2015, expense related to share-based payment and to the Share Matching Program amounted to €8.3 million and 8.1 million (including Stock Awards in connection with the departure from members of the Managing Board), 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 €52.3 million and €30.5 million (including €9.6 million in connection with the departure from members of the Managing Board) in fiscal 2016 and 2015, respectively.

The defined benefit obligation (DBO) of all pension commitments to former members of the Managing Board and their survivors as of September 30, 2016 and 2015 amounted to €216.3 million and €228.3 million, respectively.

Compensation attributable to members of the Supervisory Board comprises in fiscal 2016 and 2015 of a base compensation and additional compensation for committee work and amounted to €5.2 million and €5.1 million (including meeting fees), respectively.

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 2016 and 2015, 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 2016 and 2015 are:

	Fiscal year	
(in millions of €)	2016	2015
Audit services	45.9	43.7
Other attestation services	3.2	7.1
Tax services	0.4	0.1
Other services	–	0.1
	49.5	51.0

In fiscal 2016 and 2015, 41% and 45%, 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, 2016, which is available on the Company's website at: WWW.SIEMENS.COM/GCG-CODE

NOTE 33 Subsequent events

In June 2016, Siemens and Gamesa Corporación Tecnológica, S.A. (Gamesa) signed binding agreements to merge the Siemens wind power business, including service, with Gamesa. Siemens will own 59% of the shares of the combined entity. As part of the merger, Siemens will fund a cash payment of €1 billion, which will be distributed to Gamesa's shareholders (excluding Siemens) immediately following the completion of the merger. In October 2016, the Gamesa shareholders approved the merger. Closing of the transaction is subject to the approvals of the antitrust and regulatory authorities.

In November 2016, Siemens announced the acquisition of Mentor Graphics (U.S.), a design automation and industrial software provider. The purchase price is US$37.25 per share in cash, which represents an enterprise value of US$4.5 billion. Mentor Graphics will be integrated in the Digital Factory Division. Closing of the transaction is subject to customary conditions and is expected in the third quarter of fiscal 2017.

In November 2016, Siemens announced its intention to further strengthen Healthineers in Siemens for the future and is therefore planning to publicly list its healthcare business. Siemens will announce more precise details regarding the date and scope of the placement when plans for the public listing are further advanced. The listing will also depend, among other things, on the stock market environment.

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

September 30, 2016	Equity interest in %
SUBSIDIARIES	
Germany (117 companies)	
Airport Munich Logistics and Services GmbH, Hallbergmoos	100 [11]
Alpha Verteilertechnik GmbH, Cham	100 [11]
Anlagen- und Rohrleitungsbau Ratingen GmbH, Ratingen	100 [8]
Atecs Mannesmann GmbH, Erlangen	100
AXIT GmbH, Frankenthal	100
Berliner Vermögensverwaltung GmbH, Berlin	100 [11]
BWI Services GmbH, Meckenheim	100
CAPTA Grundstücksgesellschaft mbH & Co. KG i.L., Grünwald	100 [10]
Capta Grundstücks-Verwaltungsgesellschaft mbH, Grünwald	100
DA Creative GmbH, Munich	100
Dade Behring Beteiligungs GmbH, Eschborn	100
Dade Behring Grundstücks GmbH, Marburg	100
Dresser-Rand GmbH, Oberhausen	100 [11]
evosoft GmbH, Nuremberg	100 [11]
FACTA Grundstücks-Entwicklungsgesellschaft mbH & Co. KG, Munich	100 [10]
HanseCom Gesellschaft für Informations- und Kommunikationsdienstleistungen mbH, Hamburg	74
HanseCom Public Transport Ticketing Solutions GmbH, Hamburg	74
HSP Hochspannungsgeräte GmbH, Troisdorf	100 [11]
ILLIT Grundstücksverwaltungs-Management GmbH, Grünwald	85
IPGD Grundstücksverwaltungs-Gesellschaft mbH, Grünwald	100
Jawa Power Holding GmbH, Erlangen	100 [11]
KompTime GmbH, Munich	100 [11]
Kyra 1 GmbH, Erlangen	100 [11]
Kyros 51 GmbH, Munich	100 [8]
Kyros 52 GmbH, Munich	100 [8]
Lincas Electro Vertriebsgesellschaft mbH, Hamburg	100
Mannesmann Demag Krauss-Maffei GmbH, Munich	100
NEO New Oncology GmbH, Cologne	100
next47 GmbH, Munich	100 [11]
Omnetric GmbH, Munich	51
OPTIO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Tübingen KG, Grünwald	100 [10]
Partikeltherapiezentrum Kiel Holding GmbH, Erlangen	100 [11]
Project Ventures Butendiek Holding GmbH, Erlangen	100 [11]
Projektbau-Arena-Berlin GmbH, Grünwald	100 [11]
R&S Restaurant Services GmbH, Munich	100
REMECH Systemtechnik GmbH, Kamsdorf	100 [11]
RISICOM Rückversicherung AG, Grünwald	100
Samtech Deutschland GmbH, Hamburg	100
Siemens Automotive ePowertrain Systems GmbH, Erlangen	100
Siemens Automotive ePowertrain Systems Holding GmbH, Erlangen	100
Siemens Bank GmbH, Munich	100
Siemens Beteiligungen Inland GmbH, Munich	100 [11]
Siemens Beteiligungen Management GmbH, Grünwald	100 [8]
Siemens Beteiligungen USA GmbH, Berlin	100 [11]
Siemens Beteiligungsverwaltung GmbH & Co. OHG, Grünwald	100 [10]
Siemens Campus Erlangen Grundstücks-GmbH & Co. KG, Grünwald	100 [10]
Siemens Campus Erlangen Objekt 1 GmbH & Co. KG, Grünwald	100 [10]
Siemens Campus Erlangen Objekt 2 GmbH & Co. KG, Grünwald	100 [10]
Siemens Campus Erlangen Objekt 3 GmbH & Co. KG, Grünwald	100 [10]
Siemens Campus Erlangen Objekt 4 GmbH & Co. KG, Grünwald	100 [10]
Siemens Campus Erlangen Objekt 5 GmbH & Co. KG, Grünwald	100 [10]
Siemens Campus Erlangen Objekt 6 GmbH & Co. KG, Grünwald	100 [10]
Siemens Campus Erlangen Objekt 7 GmbH & Co. KG, Grünwald	100 [10]
Siemens Campus Erlangen Objektmanagement GmbH, Grünwald	100 [8]

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to substantive removal or participation rights held by other parties.
5 No control due to contractual arrangements or legal circumstances.
6 No significant influence due to contractual arrangements or legal circumstances.
7 Significant influence due to contractual arrangements or legal circumstances
8 Not consolidated due to immateriality.
9 Not accounted for using the equity method due to immateriality.
10 Exemption pursuant to Section 264b German Commercial Code.
11 Exemption pursuant to Section 264 (3) German Commercial Code.

September 30, 2016	Equity interest in %
Siemens Campus Erlangen Verwaltungs-GmbH, Grünwald	100[8]
Siemens Convergence Creators GmbH & Co. KG, Hamburg	100[10]
Siemens Convergence Creators Management GmbH, Hamburg	100[8]
Siemens Finance & Leasing GmbH, Munich	100[11]
Siemens Financial Services GmbH, Munich	100[11]
Siemens Fonds Invest GmbH, Munich	100[11]
Siemens Fuel Gasification Technology GmbH & Co. KG, Freiberg	100[10]
Siemens Fuel Gasification Technology Verwaltungs GmbH, Freiberg	100[8]
Siemens Global Innovation Partners Management GmbH, Munich	100[8]
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[11]
Siemens Immobilien Chemnitz-Voerde GmbH, Grünwald	100
Siemens Immobilien GmbH & Co. KG, Grünwald	100[10]
Siemens Immobilien Management GmbH, Grünwald	100[8]
Siemens Industriegetriebe GmbH, Penig	100[11]
Siemens Industriepark Karlsruhe GmbH & Co. KG, Grünwald	100[10]
Siemens Industry Software GmbH, Cologne	100[11]
Siemens Insulation Center GmbH & Co. KG, Zwönitz	100[10]
Siemens Insulation Center Verwaltungs-GmbH, Zwönitz	100[8]
Siemens Liquidity One, Munich	100
Siemens Medical Solutions Health Services GmbH, Grünwald	100
Siemens Nixdorf Informationssysteme GmbH, Grünwald	100
Siemens Postal, Parcel & Airport Logistics GmbH, Constance	100[11]
Siemens Power Control GmbH, Langen	100[11]
Siemens Private Finance Versicherungsvermittlungs-gesellschaft mbH, Munich	100[11]
Siemens Project Ventures GmbH, Erlangen	100[11]
Siemens Real Estate GmbH & Co. KG, Grünwald	100[10]
Siemens Real Estate Management GmbH, Grünwald	100[8]
Siemens Spezial-Investmentaktiengesellschaft mit TGV, Munich	100

September 30, 2016	Equity interest in %
Siemens Technology Accelerator GmbH, Munich	100[11]
Siemens Technopark Mülheim GmbH & Co. KG, Grünwald	100[10]
Siemens Technopark Mülheim Verwaltungs GmbH, Grünwald	100
Siemens Technopark Nürnberg GmbH & Co. KG, Grünwald	100[10]
Siemens Technopark Nürnberg Verwaltungs GmbH, Grünwald	100
Siemens Treasury GmbH, Munich	100[11]
Siemens Turbomachinery Equipment GmbH, Frankenthal	100[11]
Siemens Venture Capital GmbH, Munich	100[11]
Siemens Wind Power GmbH & Co. KG, Hamburg	100[8]
Siemens Wind Power Management GmbH, Hamburg	100[8]
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 16. Grundstücksverwaltungs- und -beteiligungs-GmbH & Co. KG, Munich	100[10]
SIM 2. Grundstücks-GmbH & Co. KG, Grünwald	100[10]
SIMAR Nordost Grundstücks-GmbH, Grünwald	100[11]
SIMAR Nordwest Grundstücks-GmbH, Grünwald	100[11]
SIMAR Ost Grundstücks-GmbH, Grünwald	100[11]
SIMAR Süd Grundstücks-GmbH, Grünwald	100[11]
SIMAR West Grundstücks-GmbH, Grünwald	100[11]
SIMOS Real Estate GmbH, Munich	100[11]
SYKATEC Systeme, Komponenten, Anwendungstechnologie GmbH, Erlangen	100[11]
Trench Germany GmbH, Bamberg	100[11]
Verwaltung SeaRenergy Offshore Projects GmbH i.L., Hamburg	100
VIB Verkehrsinformationsagentur Bayern GmbH, Munich	51
VMZ Berlin Betreibergesellschaft mbH, Berlin	100
VR-LEASING IKANA GmbH & Co. Immobilien KG, Eschborn	94[3]
VVK Versicherungsvermittlungs- und Verkehrskontor GmbH, Munich	100[11]
Weiss Spindeltechnologie GmbH, Maroldsweisach	100

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to substantive removal or participation rights held by other parties.
5 No control due to contractual arrangements or legal circumstances.
6 No significant influence due to contractual arrangements or legal circumstances.
7 Significant influence due to contractual arrangements or legal circumstances
8 Not consolidated due to immateriality.
9 Not accounted for using the equity method due to immateriality.
10 Exemption pursuant to Section 264b German Commercial Code.
11 Exemption pursuant to Section 264 (3) German Commercial Code.

September 30, 2016	Equity interest in %
Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany) (310 companies)	
ESTEL Rail Automation SPA, Algiers/Algeria	51
Siemens Spa, Algiers/Algeria	100
Siemens S.A., Luanda/Angola	51
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
Steiermärkische Medizinarchiv GesmbH, Graz/Austria	52
Trench Austria GmbH, Leonding/Austria	100
VVK Versicherungs-Vermittlungs- und Verkehrs-Kontor GmbH, Vienna/Austria	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
Samtech SA, Angleur/Belgium	79

September 30, 2016	Equity interest in %
Siemens Healthcare SA/NV, Beersel/Belgium	100
Siemens Industry Software NV, Leuven/Belgium	100
Siemens Product Lifecycle Management Software II (BE) BVBA, Anderlecht/Belgium	100
Siemens S.A./N.V., Beersel/Belgium	100
Siemens d.o.o. Sarajevo, Sarajevo/Bosnia and Herzegovina	100
Siemens Medicina d.o.o, Sarajevo/Bosnia and Herzegovina	100
Siemens EOOD, Sofia/Bulgaria	100
Siemens Healthcare EOOD, Sofia/Bulgaria	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 Healthcare d.o.o., Zagreb/Croatia	100
J. N. Kelly Security Holding Limited, Larnaka/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
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 Healthcare A/S, Ballerup/Denmark	100
Siemens Industry Software A/S, Ballerup/Denmark	100
Siemens Wind Power A/S, Brande/Denmark	100
NEM Energy Egypt LLC, Alexandria/Egypt	100
Siemens Health Care LLC, Cairo/Egypt	100[8]
Siemens Healthcare S.A.E., Cairo/Egypt	100
Siemens Limited for Trading, Cairo/Egypt	100
Siemens Technologies S.A.E., Cairo/Egypt	90
Siemens Healthcare Oy, Espoo/Finland	100
Siemens Osakeyhtiö, Espoo/Finland	100
CD-adapco France SAS, Bobigny/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
PETNET Solutions SAS, Lisses/France	100
Samtech France SAS, Massy/France	100

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5 No control due to contractual arrangements or legal circumstances.
6 No significant influence due to contractual arrangements or legal circumstances.
7 Significant influence due to contractual arrangements or legal circumstances
8 Not consolidated due to immateriality.
9 Not accounted for using the equity method due to immateriality.
10 Exemption pursuant to Section 264b German Commercial Code.
11 Exemption pursuant to Section 264 (3) German Commercial Code.

September 30, 2016	Equity interest in %
Siemens Financial Services SAS, Saint-Denis/France	100
Siemens France Holding SAS, Saint-Denis/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
Siemens A.E., Elektrotechnische Projekte und Erzeugnisse, Athens/Greece	100
Siemens Healthcare Industrial and Commercial Société Anonyme, Athens/Greece	100
evosoft Hungary Szamitastechnikai Kft., Budapest/Hungary	100
Siemens Healthcare Kft., Budapest/Hungary	100
Siemens Zrt., Budapest/Hungary	100
Siemens Sherkate Sahami (Khass), Teheran/Iran, Islamic Republic of	97
Siemens Healthcare Medical Solutions Limited, Swords, County Dublin/Ireland	100
Siemens Limited, Dublin/Ireland	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[8]
Siemens Product Lifecycle Management Software 2 (IL) Ltd., Airport City/Israel	100
UGS Israeli Holdings (Israel) Ltd., Airport City/Israel	100
Dresser-Rand Italia S.r.l., Tribogna/Italy	100
Samtech Italia S.r.l., Milan/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
Trench Italia S.r.l., Savona/Italy	100

September 30, 2016	Equity interest in %
Siemens Healthcare Limited Liability Partnership, Almaty/Kazakhstan	100
Siemens TOO, Almaty/Kazakhstan	100
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 d.o.o., Podgorica/Montenegro	100
Guascor Maroc, S.A.R.L., Agadir/Morocco	100
SCIENTIFIC MEDICAL SOLUTION DIAGNOSTICS S.A.R.L., Casablanca/Morocco	100
Siemens Healthcare SARL, Casablanca/Morocco	100[8]
Siemens Plant Operations Tahaddart SARL, Tangier/Morocco	100
Siemens S.A., Casablanca/Morocco	100
Siemens Wind Power Blades, SARL AU, Tangier/Morocco	100
Siemens Lda., Maputo/Mozambique	100
Siemens Pty. Ltd., Windhoek/Namibia	100
Castor III B.V., Amsterdam/Netherlands	100
D-R International Holdings (Netherlands) B.V., Amsterdam/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
Ellessrob 20-V B.V., Amsterdam/Netherlands	100
Ellessrob 3-VIII B.V., Amsterdam/Netherlands	100
Ellessrob 5-VI B.V., Amsterdam/Netherlands	100
Ellessrob 5-VII B.V., Amsterdam/Netherlands	100
NEM Energy B.V., The Hague/Netherlands	100
next47 B.V., The Hague/Netherlands	100[8]
Omnetric B.V., The Hague/Netherlands	100
Pollux III B.V., Amsterdam/Netherlands	100
Siemens Diagnostics Holding II B.V., The Hague/Netherlands	100

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6 No significant influence due to contractual arrangements or legal circumstances.
7 Significant influence due to contractual arrangements or legal circumstances
8 Not consolidated due to immateriality.
9 Not accounted for using the equity method due to immateriality.
10 Exemption pursuant to Section 264b German Commercial Code.
11 Exemption pursuant to Section 264 (3) German Commercial Code.

September 30, 2016	Equity interest in %
Siemens D-R Holding 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 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
Termotron Rail Automation Holding B.V., The Hague/Netherlands	50 [1]
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 [8]
Siemens L.L.C., Muscat/Oman	51
Siemens Healthcare (Private) Limited, Lahore/Pakistan	100
Siemens Pakistan Engineering Co. Ltd., Karachi/Pakistan	75
AXIT Sp. z o.o., Wroclaw/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 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]
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
Obschestwo s Ogranitschennoj Otwetstwennostju (in parts) "Dresser-Rand", Moscow/Russian Federation	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
Siemens Healthcare Limited Liability Company, Moscow/Russian Federation	100
Technologies of Rail Transport Limited Liability Company, Moscow/Russian Federation	100 [8]
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 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
Dresser-Rand Property (Pty) Ltd., Midrand/South Africa	100
Dresser-Rand Service Centre (Pty) Ltd., Midrand/South Africa	100
Dresser-Rand Southern Africa (Pty) Ltd., Midrand/South Africa	100

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7 Significant influence due to contractual arrangements or legal circumstances
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September 30, 2016	Equity interest in %
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
Axastse Solar, S.L., Vitoria-Gasteiz/Spain	100
B2B Energía, S.A., Vitoria-Gasteiz/Spain	85[8]
Desimpacte 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[8]
Enviroil Vasca, S.A., Vitoria-Gasteiz/Spain	100
Fábrica Electrotécnica Josa, S.A., Barcelona/Spain	100
Grupo Guascor, S.L., Vitoria-Gasteiz/Spain	100
Guascor Borja AIE, Zumaia/Spain	70[8]
Guascor Explotaciones Energéticas, S.A., Vitoria-Gasteiz/Spain	100
Guascor Ingenieria S.A., Vitoria-Gasteiz/Spain	100
Guascor Isolux AIE, Vitoria-Gasteiz/Spain	60[8]
Guascor Postensa AIE, Zumaia/Spain	89[8]
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 Proyectos, S.A., Madrid/Spain	100[8]
Guascor Servicios, S.A., Madrid/Spain	100
Guascor Solar Corporation, S.A., Vitoria-Gasteiz/Spain	100
Guascor Solar Operacion and Mantenimiento, S.L., Vitoria-Gasteiz/Spain	100
Guascor Solar S.A., Vitoria-Gasteiz/Spain	100
Guascor Wind, S.L., Vitoria-Gasteiz/Spain	100
Inversiones Analcima 6 S.L., Vitoria-Gasteiz/Spain	100
Microenergía 21, S.A., Zumaia/Spain	100[8]
Microenergía Vasca, S.A., Vitoria-Gasteiz/Spain	100
Samtech Iberica Engineering & Software Services S.L., Barcelona/Spain	100
SIEMENS HEALTHCARE, S.L.U., Getafe/Spain	100

September 30, 2016	Equity interest in %
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 HoldCo, S.L., Zamudio/Spain	100
Sistemas y Nuevas Energias, S.A, Vitoria-Gasteiz/Spain	100[8]
Telecomunicación, Electrónica y Conmutación S.A., Madrid/Spain	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
SKR Lager 20 KB, Finspång/Sweden	100
Dresser-Rand Sales Company S.A., Freiburg/Switzerland	100
Huba Control AG, Würenlos/Switzerland	100
Komykrieng AG, Gossau/Switzerland	100
Polarion AG, Gossau/Switzerland	100
Siemens Fuel Gasification Technology Holding AG, Zug/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
Siemens S.A., Tunis/Tunisia	100
Siemens Finansal Kiralama A.S., Istanbul/Turkey	100
Siemens Healthcare Saglik Anonim Sirketi, Istanbul/Turkey	100
Siemens Sanayi ve Ticaret A.S., Istanbul/Turkey	100
Dresser-Rand Turkmen Company, Ashgabat/Turkmenistan	100

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7 Significant influence due to contractual arrangements or legal circumstances
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September 30, 2016	Equity interest in %
100% foreign owned subsidiary "Siemens Ukraine", 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
CD-adapco New Hampshire Co., Ltd., Frimley, Surrey/United Kingdom	100
Computational Dynamics Limited, Frimley, Surrey/United Kingdom	100
D-R Dormant Ltd., Frimley, Surrey/United Kingdom	100
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
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
Materials Solutions Holdings Limited, Frimley, Surrey/United Kingdom	100
Materials Solutions 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

September 30, 2016	Equity interest in %
SBS Pension Funding (Scotland) Limited Partnership, Edinburgh/United Kingdom	57[3]
Siemens Financial Services Holdings Ltd., Stoke Poges, Buckinghamshire/United Kingdom	100
Siemens Financial Services Ltd., Stoke Poges, Buckinghamshire/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
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

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6 No significant influence due to contractual arrangements or legal circumstances.
7 Significant influence due to contractual arrangements or legal circumstances
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September 30, 2016	Equity interest in %
Siemens Wind Power Limited, Frimley, Surrey/United Kingdom	100 [8]
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
VTW Anlagen UK Ltd., Banbury, Oxfordshire/United Kingdom	100
Zenco Systems Limited, Frimley, Surrey/United Kingdom	100
Americas (129 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
CD-adapco Solucoes Cae Suporte de Programas Ltda., São Paulo/Brazil	100
Chemtech Servicos de Engenharia e Software Ltda., Rio de Janeiro/Brazil	100
Cinco Rios Geracao de Energia Ltda., Manaus/Brazil	100
Dresser-Rand Comercio e Industria Ltda., Campinas/Brazil	100
Dresser-Rand do Brasil, Ltda., Santa Bárbara D'Oeste/Brazil	100
Dresser-Rand Participações Ltda., São Paulo/Brazil	100
Guascor do Brasil Ltda., São Paulo/Brazil	85
Guascor Empreendimentos Energéticos, Ltda., Taboão da Serra/Brazil	90
Guascor Serviços Ltda., Taboão da Serra/Brazil	60
Guascor Solar do Brasil, Taboão da Serra/Brazil	90
Guascor Wind do Brasil, Ltda., São Paulo/Brazil	90
Iriel Indústria e Cómercio de Sistemas Eléctricos Ltda., Canoas/Brazil	100
Jaguarí Energética, S.A., Jaguari/Brazil	89

September 30, 2016	Equity interest in %
Minuano Participações Eólicas Ltda., São Paulo/Brazil	75
OMNETRIC Group Tecnologia e Servicos de Consultoria Ltda., Belo Horizonte/Brazil	100
Siemens Eletroeletronica Limitada, Manaus/Brazil	100
Siemens Healthcare Diagnósticos S.A., São Paulo/Brazil	100
Siemens Industry Software Ltda., São Caetano do Sul/Brazil	100
Siemens Ltda., São Paulo/Brazil	100
Siemens Wind Power Ergia Eolica LTDA, São Paulo/Brazil	100 [8]
Dresser-Rand Canada, ULC, Vancouver/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 [8]
Trench Ltd., Saint John/Canada	100
Wheelabrator Air Pollution Control (Canada) Inc., Ontario/Canada	100
Siemens Healthcare Diagnostics Manufacturing Limited, Grand Cayman/Cayman Islands	100
Siemens Healthcare Equipos Médicos Sociedad por Acciones, Santiago de Chile/Chile	100
Siemens S.A., 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
Siemens Healthcare Diagnostics S.A., San José/Costa Rica	100
Siemens S.A., San José/Costa Rica	100
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 [8]
Siemens Healthcare, Sociedad Anonima, Antiguo Cuscatlán/El Salvador	100
Siemens S.A., San Salvador/El Salvador	100

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2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to substantive removal or participation rights held by other parties.
5 No control due to contractual arrangements or legal circumstances.
6 No significant influence due to contractual arrangements or legal circumstances.
7 Significant influence due to contractual arrangements or legal circumstances
8 Not consolidated due to immateriality.
9 Not accounted for using the equity method due to immateriality.
10 Exemption pursuant to Section 264b German Commercial Code.
11 Exemption pursuant to Section 264 (3) German Commercial Code.

September 30, 2016	Equity interest in %
SIEMENS HEALTHCARE DIAGNOSTICS GUATEMALA, S.A., Guatemala/Guatemala	100
Siemens S.A., Guatemala/Guatemala	100
Siemens S.A., Tegucigalpa/Honduras	100
Dresser-Rand de Mexico S.A. 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
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 Innovaciones S.A. de C.V., Mexico City/Mexico	100
Siemens Servicios S.A. de C.V., Mexico City/Mexico	100
Siemens, S.A. de C.V., Mexico City/Mexico	100
Siemens 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
Dresser-Rand Trinidad & Tobago Limited, Couva/Trinidad and Tobago	100
Analysis & Design Application Co. Ltd., Melville, NY/United States	100
CD-adapco Battery Design LLC, Dover, DE/United States	50 [2]
D-R International Sales Inc., Wilmington, DE/United States	100
D-R Steam LLC, Wilmington, DE/United States	100
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

September 30, 2016	Equity interest in %
Dresser-Rand International Inc., Wilmington, DE/United States	100
Dresser-Rand LLC, Wilmington, DE/United States	100
Dresser-Rand Power LLC, Wilmington, DE/United States	100
Dresser-Rand Services, LLC, Wilmington, DE/United States	100
eMeter Corporation, Wilmington, DE/United States	100
Guascor Inc., Baton Rouge, LA/United States	100
Mannesmann Corporation, New York, NY/United States	100
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
Red Cedar Technology, Inc., East Lansing, MI/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
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 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 Industry, Inc., Wilmington, DE/United States	100

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5 No control due to contractual arrangements or legal circumstances.
6 No significant influence due to contractual arrangements or legal circumstances.
7 Significant influence due to contractual arrangements or legal circumstances
8 Not consolidated due to immateriality.
9 Not accounted for using the equity method due to immateriality.
10 Exemption pursuant to Section 264b German Commercial Code.
11 Exemption pursuant to Section 264 (3) German Commercial Code.

September 30, 2016	Equity interest in %
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
Siemens Wind Power Inc., Wilmington, DE/United States	100[8]
SMI Holding LLC, Wilmington, DE/United States	100
Synchrony, Inc., Salem, VA/United States	100
Wheelabrator Air Pollution Control Inc., Baltimore, MD/United States	100
Winergy Drive Systems Corporation, Wilmington, DE/United States	100
Engines Rental, S.A., Montevideo/Uruguay	100
Siemens S.A., Montevideo/Uruguay	100
Via Stylos S.A., Montevideo/Uruguay	100
Dresser-Rand de Venezuela, S.A., Maracaibo/Venezuela, Bolivarian Republic of	100
Guascor Venezuela S.A., Caracas/Venezuela, Bolivarian Republic of	100
Siemens Healthcare S.A., Caracas/Venezuela, Bolivarian Republic of	100[8]
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 (140 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[8]
Exemplar Health (NBH) Holdings 2 Pty Limited, Bayswater/Australia	100

September 30, 2016	Equity interest in %
Exemplar Health (NBH) Trust 2, Bayswater/Australia	100
Exemplar Health (SCUH) 3 Pty Limited, Bayswater/Australia	100[8]
Exemplar Health (SCUH) 4 Pty Limited, Bayswater/Australia	100[8]
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
Siemens Healthcare Pty. Ltd., Melbourne/Australia	100
Siemens Ltd., Bayswater/Australia	100
SIEMENS RAIL AUTOMATION PTY. LTD., Bayswater/Australia	100
Siemens Wind Power Pty. Ltd., Bayswater/Australia	100[8]
Siemens Bangladesh Ltd., Dhaka/Bangladesh	100
Siemens Healthcare Ltd., Dhaka/Bangladesh	100[8]
Beijing Siemens Automotive E-Drive Systems Co., Ltd., Changzhou, Changzhou/China	60
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
IBS Industrial Business Software (Shanghai), Ltd., Shanghai/China	100
MWB (Shanghai) Co Ltd., Shanghai/China	65
Siemens Automotive ePowertrain Systems (Shanghai) Co., Ltd., Shanghai/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

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5 No control due to contractual arrangements or legal circumstances.
6 No significant influence due to contractual arrangements or legal circumstances.
7 Significant influence due to contractual arrangements or legal circumstances
8 Not consolidated due to immateriality.
9 Not accounted for using the equity method due to immateriality.
10 Exemption pursuant to Section 264b German Commercial Code.
11 Exemption pursuant to Section 264 (3) German Commercial Code.

September 30, 2016	Equity interest in %
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
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 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

September 30, 2016	Equity interest in %
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
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
Trench High Voltage Products Ltd., Shenyang, Shenyang/China	65
Yangtze Delta Manufacturing Co. Ltd., Hangzhou, Hangzhou/China	51
Asia Care Holding Limited, Hong Kong/Hong Kong	100[8]
Camstar Systems (Hong Kong) Limited, Hong Kong/Hong Kong	100
Samtech HK Limited, Hong Kong/Hong Kong	100
Siemens Healthcare Limited, Hong Kong/Hong Kong	100
Siemens Industry Software Limited, Hong Kong/Hong Kong	100
Siemens Ltd., Hong Kong/Hong Kong	100

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6 No significant influence due to contractual arrangements or legal circumstances.
7 Significant influence due to contractual arrangements or legal circumstances
8 Not consolidated due to immateriality.
9 Not accounted for using the equity method due to immateriality.
10 Exemption pursuant to Section 264b German Commercial Code.
11 Exemption pursuant to Section 264 (3) German Commercial Code.

September 30, 2016	Equity interest in %
Siemens Postal, Parcel & Airport Logistics Limited, Hong Kong/Hong Kong	100
CD-adapco India Private Limited, Bangalore/India	100
Dresser-Rand India Private Limited, Mumbai/India	100
PETNET Radiopharmaceutical Solutions Pvt. Ltd., New Delhi/India	100
Powerplant Performance Improvement Ltd., New Delhi/India	50[1]
Preactor Software India Private Limited, Bangalore/India	100
Siemens Convergence Creators Private Limited, Mumbai/India	100
Siemens Financial Services Private Limited, Mumbai/India	100
Siemens Healthcare Private Limited, Mumbai/India	100
Siemens Industry Software (India) Private Limited, New Delhi/India	100
Siemens Ltd., Mumbai/India	75
Siemens Postal and Parcel Logistics Technologies Private Limited, Mumbai/India	100[8]
Siemens Postal Parcel & Airport Logistics Private Limited, Mumbai/India	100
Siemens Rail Automation Pvt. Ltd., Mumbai/India	100
Siemens Technology and Services Private Limited, Mumbai/India	100
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
CD-adapco Co., Ltd., Yokohama/Japan	100
Dresser Rand Japan K.K., 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
CD-adapco Korea, Ltd., Seoul/Korea, Republic of	100
Dresser-Rand Korea, Ltd., Seoul/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

September 30, 2016	Equity interest in %
Dresser-Rand & Enserv Services Sdn. Bhd., Kuala Lumpur/Malaysia	49[2,8]
Dresser-Rand Asia Pacific Sdn. Bhd., Kuala Lumpur/Malaysia	100
HRSG Systems (Malaysia) 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 Healthcare Limited, Auckland/New Zealand	100
Siemens Healthcare Inc., Manila/Philippines	100
Siemens Power Operations, Inc., Manila/Philippines	100
Siemens, Inc., Manila/Philippines	100
CD-adapco S.E.A. Pte. Ltd., Singapore/Singapore	100
CSI Services 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 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
Siemens Healthcare Limited, Bangkok/Thailand	100
Siemens Limited, Bangkok/Thailand	99
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 (27 companies)	
ATS Projekt Grevenbroich GmbH, Schüttorf	25[9]
BELLIS GmbH, Braunschweig	49[9]
BWI Informationstechnik GmbH, Meckenheim	50[5]
Caterva GmbH, Pullach i. Isartal	50
DKS Dienstleistungsgesellschaft f. Kommunikationsanlagen des Stadt- und Regionalverkehrs mbH, Cologne	49[9]

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5 No control due to contractual arrangements or legal circumstances.
6 No significant influence due to contractual arrangements or legal circumstances.
7 Significant influence due to contractual arrangements or legal circumstances
8 Not consolidated due to immateriality.
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September 30, 2016	Equity interest in %
FEAG Fertigungscenter für Elektrische Anlagen GmbH, Erlangen	49[9]
IFTEC GmbH & Co. KG, Leipzig	50
Infineon Technologies Bipolar GmbH & Co. KG, Warstein	40
Infineon Technologies Bipolar Verwaltungs-GmbH, Warstein	40[9]
LIB Verwaltungs-GmbH, Leipzig	50[9]
Ludwig Bölkow Campus GmbH, Taufkirchen	25[9]
Magazino GmbH, Munich	50
Maschinenfabrik Reinhausen GmbH, Regensburg	26
MeVis BreastCare GmbH & Co. KG, Bremen	49
MeVis BreastCare Verwaltungsgesellschaft mbH, Bremen	49[9]
OWP Butendiek GmbH & Co. KG, Bremen	23
Siemens EuroCash, Munich	6[7]
Siemens Venture Capital Fund 1 GmbH, Munich	100[5,9]
Sternico GmbH, Wendeburg	32[9]
Symeo GmbH, Neubiberg	65[5,9]
thinkstep AG, Leinfelden-Echterdingen	29
Transrapid International Verwaltungsgesellschaft mbH i.L., Berlin	50[9]
ubimake GmbH, Berlin	50
Veja Mate Offshore Project GmbH, Gadebusch	41
Voith Hydro Holding GmbH & Co. KG, Heidenheim	35
Voith Hydro Holding Verwaltungs GmbH, Heidenheim	35[9]
WERKBLiQ GmbH, Bielefeld	50

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

September 30, 2016	Equity interest in %
Arelion GmbH in Liqu., Pasching b. Linz/Austria	25[9]
Aspern Smart City Research GmbH, Vienna/Austria	44[9]
Aspern Smart City Research GmbH & Co KG, Vienna/Austria	44
OIL AND GAS PROSERV LLC, Baku/Azerbaijan	25[9]
T-Power NV, Brussels/Belgium	20
Meomed s.r.o., Prerov/Czech Republic	47[9]
A2SEA A/S, Fredericia/Denmark	49
Kriegers Flak ApS, Copenhagen/Denmark	33[9]
Noliac A/S, Kvistgaard/Denmark	24[9]
BioMensio Oy, Tampere/Finland	23[9]
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[5,9]
Metropolitan Transportation Solutions Ltd., Rosh HaAyin/Israel	20
Transfima GEIE, Milan/Italy	42[9]
Transfima S.p.A., Milan/Italy	49[9]
VAL 208 Torino GEIE, Milan/Italy	86[5,9]
Temir Zhol Electrification LLP, Astana/Kazakhstan	49
Electrogas Malta Limited, Marsaskala/Malta	33
Energie Electrique de Tahaddart S.A., Tangier/Morocco	20
Admiraal de Ruyter Windpark C.V., Amsterdam/Netherlands	33[9]
Admiraal De Ruyter Windpark Management B.V., Amsterdam/Netherlands	33[9]
Buitengaats C.V., Amsterdam/Netherlands	20[7]
Buitengaats Management B.V., Eemshaven/Netherlands	20[9]
Infraspeed Maintainance B.V., Zoetermeer/Netherlands	50
Ural Locomotives Holding Besloten Vennootschap, The Hague/Netherlands	50
Windpark Monarch C.V., Amsterdam/Netherlands	25[9]
Windpark Monarch Management B.V., Amsterdam/Netherlands	25[9]
ZeeEnergie C.V., Amsterdam/Netherlands	20[7]
ZeeEnergie Management B.V., Eemshaven/Netherlands	20[9]
Wirescan AS, Trollaasen/Norway	33[9]
Rousch (Pakistan) Power Ltd., Lahore/Pakistan	26
OOO Transconverter, Moscow/Russian Federation	35[9]
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[9]
Desgasificación de Vertederos, S.A, Madrid/Spain	50[9]

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September 30, 2016	Equity interest in %
Explotaciones y Mantenimientos Integrales, S.L., Getxo/Spain	50 [9]
Gate Solar Gestión, S.L. Unipersonal, Vitoria-Gasteiz/Spain	50 [9]
Hydrophytic, S.L., Vitoria-Gasteiz/Spain	50 [9]
Nertus Mantenimiento Ferroviario y Servicios S.A., Barcelona/Spain	51 [5]
Soleval Renovables S.L., Sevilla/Spain	50
Solucia Renovables 1, S.L., Lebrija/Spain	50
Tusso Energía, S.L., Sevilla/Spain	50 [9]
Certas AG, Zurich/Switzerland	50
Interessengemeinschaft TUS, Männedorf/Switzerland	50
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 Ltd., Edinburgh/United Kingdom	50 [9]
Plessey Holdings Ltd., Frimley, Surrey/United Kingdom	50 [9]
Primetals Technologies, Limited, London/United Kingdom	49
RWG (Repair & Overhauls) Limited, Aberdeen/United Kingdom	50
Joint Venture Service Center, Chirchik/Uzbekistan	49 [9]
Americas (15 companies)	
Bytemark Inc., New York, NY/United States	23
CEF-L Holding, LLC, Wilmington, DE/United States	27
Cyclos Semiconductor, Inc., Wilmington, DE/United States	32 [9]
Echogen Power Systems, Inc., Wilmington, DE/United States	32
Frustum, Inc., New York, NY/United States	21 [9]
Panda Hummel Station Intermediate Holdings I LLC, Wilmington, DE/United States	32
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 [9]
Rether networks, Inc., Berkeley, CA/United States	30 [9]

September 30, 2016	Equity interest in %
Siemens First Capital Commercial Finance, LLC, Wilmington, DE/United States	51 [5]
USARAD Holdings, Inc., Fort Lauderdale, FL/United States	30 [9]
Veo Robotics, Inc., Cambridge, MA/United States	27 [9]
Empresa Nacional De Maquinas Eléctricas ENME, S.A., Caracas/Venezuela, Bolivarian Republic of	40 [9]
Innovex Capital En Tecnologia, C.A., Caracas/Venezuela, Bolivarian Republic of	20 [7,9]
Asia, Australia (20 companies)	
Exemplar Health (NBH) Partnership, Melbourne/Australia	50
Exemplar Health (SCUH) Partnership, Sydney/Australia	50
PHM Technology Pty Ltd, Melbourne/Australia	25 [9]
ChinaInvent (Shanghai) Instrument Co., Ltd, Shanghai/China	30 [9]
DBEST (Beijing) Facility Technology Management Co., Ltd., Beijing/China	25
GSP China Technology Co., Ltd., Beijing/China	50
Saitong Railway Electrification (Nanjing) Co., Ltd., Nanjing/China	50 [9]
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
Bangalore International Airport Ltd., Bangalore/India	26
Transparent Energy Systems Private Limited, Pune/India	25 [9]
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 [9]

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to substantive removal or participation rights held by other parties.
5 No control due to contractual arrangements or legal circumstances.
6 No significant influence due to contractual arrangements or legal circumstances.
7 Significant influence due to contractual arrangements or legal circumstances
8 Not consolidated due to immateriality.
9 Not accounted for using the equity method due to immateriality.
10 Exemption pursuant to Section 264b German Commercial Code.
11 Exemption pursuant to Section 264 (3) German Commercial Code.

September 30, 2016	Equity interest in %	Net income in millions of €	Equity in millions of €
OTHER INVESTMENTS [12]			
Germany (10 companies)			
Ausbildungszentrum für Technik, Informationsverarbeitung und Wirtschaft gemeinnützige GmbH (ATIW), Paderborn	100 [5,6]	0	1
BOMA Verwaltungsgesellschaft mbH & Co. KG, Grünwald	100 [5,6]	3	(36)
BSAV Kapitalbeteiligungen und Vermögensverwaltungs Management GmbH, Grünwald	100 [5,6]	5	125
INPRO Innovationsgesellschaft für fortgeschrittene Produktionssysteme in der Fahrzeugindustrie mbH, Berlin	20 [6]	0	3
Kyros Beteiligungsverwaltung GmbH, Grünwald	100 [5,6]	47	452
MAENA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Grünwald	97 [5,6]	5	(89)
OSRAM Licht AG, Munich	18	157	2,488
Siemens Global Innovation Partners I GmbH & Co. KG, Munich	50 [6]	7	80
Siemens Pensionsfonds AG, Grünwald	100 [5,6]	0	8
SIM 9. Grundstücksverwaltungs- und -beteiligungs-GmbH, Munich	100 [5,6]	(2)	6
Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany) (9 companies)			
SMATRICS GmbH & Co KG, Vienna/Austria	50 [6]	(3)	4
ATOS SE, Bezons/France	12	437	4,097
Oceanic Global Investment Funds PLC, Dublin/Ireland	100 [5,6]	(56)	1,312
Medical Systems S.p.A., Genoa/Italy	45 [6]	6	98
Corporate XII S.A. (SICAV-FIS), Luxembourg/Luxembourg	100 [5,6]	14	7,402
MEASD SPC DWC-LLC, Dubai/United Arab Emirates	100 [5,6]	–	–
Dresser-Rand Company Retirement Plan Trustees Limited, Frimley, Surrey/United Kingdom	100 [5,6]	0	0
Pyreos Limited, Edinburgh/United Kingdom	23 [6]	(4)	(6)
Siemens Benefits Scheme Limited, Frimley, Surrey/United Kingdom	74 [4,6]	0	0
Americas (3 companies)			
Guascor México S.A. de CV, Mexico City/Mexico	50 [6]	N/A	N/A
BuildingIQ, Inc., San Mateo, CA/United States	19	(4)	16
iBAHN Corporation, South Jordan, UT/United States	9	(3)	34
Asia, Australia (1 company)			
Atlantis Resources Limited, Singapore/Singapore	8	3	78

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to substantive removal or participation rights held by other parties.
5 No control due to contractual arrangements or legal circumstances.
6 No significant influence due to contractual arrangements or legal circumstances.
7 Significant influence due to contractual arrangements or legal circumstances
8 Not consolidated due to immateriality.
9 Not accounted for using the equity method due to immateriality.
10 Exemption pursuant to Section 264b German Commercial Code.
11 Exemption pursuant to Section 264 (3) German Commercial Code.
12 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
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 28, 2016

Siemens Aktiengesellschaft
The Managing Board

Joe Kaeser

Dr. Roland Busch

Lisa Davis

Klaus Helmrich

Janina Kugel

Prof. Dr. Siegfried Russwurm

Dr. Ralf P. Thomas

C.2 Independent Auditor's Report

To Siemens Aktiengesellschaft, Berlin and Munich

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Siemens Aktiengesellschaft, Berlin and Munich, and its subsidiaries, which comprise the consolidated statements of income, comprehensive income, financial position, cash flow and changes in equity, and notes to the consolidated financial statements for the business year from October 1, 2015 to September 30, 2016.

Management's Responsibility for the Consolidated Financial Statements

The management of Siemens Aktiengesellschaft is responsible for the preparation of these consolidated financial statements. This responsibility includes preparing these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), the supplementary requirements 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), to give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The company's management is also responsible for the internal controls that management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) as well as in supplementary compliance with International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

Pursuant to Sec. 322 (3) Sentence 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with IFRS as adopted by the EU, the supplementary requirements of German commercial law pursuant to Sec. 315a (1) HGB and full IFRS as issued by the IASB and give a true and fair view of the net assets and financial position of the Group as at September 30, 2016 as well as the results of operations for the business year then ended, in accordance with these requirements.

REPORT ON THE GROUP MANAGEMENT REPORT

We have audited the accompanying group management report, which is combined with the management report of Siemens Aktiengesellschaft, for the business year from October 1, 2015 to September 30, 2016. The management of the company is responsible for the preparation of the group management report in compliance with the applicable requirements of German commercial law pursuant to Sec. 315a (1) HGB. We are required to conduct our audit in accordance with Sec. 317 (2) HGB and German generally accepted standards for the audit of the group management report promulgated by the IDW. Accordingly, we are required to plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the audit findings, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we state that our audit of the group management report has not led to any reservations.

In our opinion, based on the findings of our audit of the consolidated financial statements and group management report, the group management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, November 28, 2016

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 30, 2016

In fiscal 2016, 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 Supervisory Board meeting in fiscal 2016. Topics of discussion at our regular plenary meetings were revenue, profit and employment development at Siemens AG, at the Company's operating units and at 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 particular risks to the Company.

At our meeting on November 11, 2015, we discussed the Company's key financial figures for fiscal 2015 and approved the budget for 2016. On the basis of reported target achievement, we also defined the compensation of the Managing Board members for fiscal 2015. 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 2016. The remuneration system for the Managing Board members for fiscal 2016 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 11, 2015, the Managing Board also informed us about the Company's business position, plans for the future setup of Siemens' Process Industries and Drives Division, and the sale of the Company's stake in Unify Holdings B.V. At this meeting, we also approved a share buyback with a volume of up to €3 billion extending through November 15, 2018 at the latest.

On December 2, 2015, we discussed the financial statements and the Combined Management Report for Siemens AG and the Siemens Group as of September 30, 2015, and the Annual Report for 2015, including the Report of the Supervisory Board, the Corporate Governance Report and the Compensation Report as well as the agenda for the Annual Shareholders' Meeting on January 26, 2016. The Managing Board reported on the current status of acquisitions and divestments – in particular, on the status of the integration of the Dresser Rand Group Inc., which had been acquired, and of the aeroderivative gas turbine and compressor business acquired from Rolls-Royce plc as well as on the status of the implementation of the Siemens "Vision 2020" strategy. We also discussed the annual report of the Chief Compliance Officer.

At our meeting on January 25, 2016, 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 the acquisition of the U.S.-based simulation software company CD-adapco Ltd. The Managing Board also reported on the further development of the organizational setup of the Process Industries and Drives Division.

At our extraordinary meeting on February 9, 2016, we approved the planned merger of Siemens' wind power business with the publicly-listed Spanish company Gamesa Corporación Tecnológica, S.A.

At our meeting on May 3, 2016, the Managing Board reported to us on the Company's current business and financial position following the conclusion of the second quarter. We also discussed the strategic orientation of the Digital Factory Division. In addition, the Managing Board reported in detail on the Company's participation in the 2016 Hannover Messe. The Managing Board also provided a report on the personnel strategy that the Company was pursuing in order to foster leadership development. Following preparation by the Audit Committee, the Supervisory Board concerned itself with the changed legal requirements resulting from the European Union (EU) rules on statutory audits and the German Audit Reform Act and, in this context, approved an amendment to the Bylaws for the Audit Committee.

At our meeting on August 3, 2016, the Managing Board reported to us on the Company's business and financial position following the conclusion of the third quarter – in particular, on the status of the planned merger of Siemens Wind Power with the publicly-listed Spanish company Gamesa Corporación Tecnológica, S.A. as well as on the status of the implementation of Siemens "Vision 2020". We also dealt with the business model and business situation of the Financial Services Division. In addition, the Managing Board informed us in detail about regional business developments in the U.S. At the same meeting, the Supervisory Board also approved various Managing Board proposals regarding financing measures. Finally, as part of a focus on technology, the Supervisory Board concerned itself with the next47 initiative, the establishment of a separate unit for startups, and with the activities and recommendations of the Siemens Technology & Innovation Council.

At our meeting on September 23, 2016, the Managing Board reported to us on the state of the Company and on the business position of the Energy Management, Power and Gas, and Power Generation Services Divisions. As part of our regular review, we adjusted – following preparation by the Compensation Committee – the amount of Managing Board compensation for fiscal 2017. After the Supervisory Board and Prof. Dr. Siegfried Russwurm had mutually agreed that his contract, which expires on March 31, 2017, would not be renewed, the Supervisory Board decided, as recommended by the Chairman's Committee, not to extend Prof. Dr. Siegfried Russwurm's Managing Board appointment, which is in effect until March 31, 2017. Finally, we discussed the efficiency review of our activities.

CORPORATE GOVERNANCE CODE

At our meeting on September 23, 2016, 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 SECTION 289A 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 five times. It also made five decisions 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 as well as with the assumption by Managing Board members of positions at other companies and institutions.

The **Nominating Committee** met once. It concerned itself with the long-term succession planning for the Supervisory Board and prepared the Supervisory Board's proposal to the Annual Shareholders' Meeting on January 26, 2016, regarding the early reelection of three shareholder representatives on the Supervisory Board. The Nominating Committee based this decision on the consideration that a high degree of continuity beyond the year 2018 and the regular election of Supervisory Board members scheduled for that year would also have to be guaranteed in the work of the Supervisory Board in order to ensure the successful implementation of Siemens "Vision 2020".

The **Compliance Committee** met four times. It primarily discussed the quarterly reports and the annual report of the Chief Compliance Officer.

The **Mediation Committee** did not have 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 full 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** met four times. The focuses of its meetings included the Committee's recommendation regarding the budget for fiscal 2016, the discussion of the Company's strategy and pension system as well as the preparation and approval of investment and divestment projects. The Committee also concerned itself intensively with the Company's innovation and technology focuses. For example, at the Committee's meeting on December 1, 2015, the Managing Board reported – as part of a technology focus – on Germany's Energy Transition 2.0. At this meeting, the Committee also received a report on the organization of and business situation at the Wind Power and Renewables Division. At the Committee's meeting on May 2, 2016, the Managing Board reported in detail on the Company's participation in the 2016 Hannover Messe. Finally, at its meeting on August 2, 2016, the Innovation and Finance Committee discussed the technology focus "decentralized energy systems" and the next47 initiative, the establishment of a separately managed unit for startups.

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 as the independent auditors. The Committee appointed the independent auditors for fiscal 2016, 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 process, 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, 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 2016 and issued an unqualified opinion. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, of 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 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 8, 2016. 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 29, 2016. 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 30, 2016, in the presence of the independent auditors, who reported on the scope, focal points and main findings of their audit. 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.

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 €3.60 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 2016 be carried forward.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY AND MANAGING BOARDS

The Annual Shareholders' Meeting on January 26, 2016, approved the early reelection of Dr. Nicola Leibinger-Kammüller, Jim Hagemann Snabe and Werner Wenning for additional five-year terms as shareholder representatives on the Supervisory Board. There were no changes in the Managing Board in fiscal 2016.

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 2016.

For the Supervisory Board

Gerhard Cromme

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 and the Combined Management Report of Siemens AG and the Siemens Group. In addition, the Managing Board must ensure that the Company adheres to statutory requirements, official regulations and internal Company policies (compliance) and works to achieve compliance with these provisions and policies within the Siemens Group. 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 Managing Board has defined targets for the proportion of women at the two management levels below the Managing Board.

Currently, there is one Managing Board committee, the Equity and Employee Stock Committee. This committee oversees, in particular, the utilization of authorized capital in connection with the issuance of employee stock and the implementation of certain capital measures. It also determines the scope and conditions of the share-based compensation components and/or programs for employees and managers (with the exception of the Managing Board).

In fiscal 2016, the committee comprised Joe Kaeser (Chairman), Janina Kugel and Dr. Ralf P. Thomas.

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 2016, the Managing Board comprised the following members:

				Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises	
Name	Date of birth	First appointed	Term expires	External positions (as of September 30, 2016)	Group company positions (as of September 30, 2016)
Joe Kaeser President and Chief Executive Officer	June 23, 1957	May 1, 2006	July 31, 2018	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: › Siemens Ltd., China (Chairman) › Siemens Ltd., India
Lisa Davis	October 15, 1963	August 1, 2014	July 31, 2019		Positions outside Germany: › Siemens Corp., USA (Chairwoman)
Klaus Helmrich	May 24, 1958	April 1, 2011	March 31, 2021	German positions: › 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
Siegfried Russwurm, Prof. Dr.-Ing.	June 27, 1963	January 1, 2008	March 31, 2017	German positions: › Deutsche Messe AG, Hanover	German positions: › Siemens Healthcare GmbH, Munich 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
Ralf P. Thomas, Dr. rer. pol.	March 7, 1961	September 18, 2013	September 17, 2018		German positions: › Siemens Healthcare GmbH, Munich Positions outside Germany: › Siemens Aktiengesellschaft Österreich, Austria › Siemens Corp., USA (Deputy Chairman)

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 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, 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 compensation paid to the members of the Supervisory Board is explained 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 (*). The terms of office of the Supervisory Board members will, as a general rule, expire at the conclusion of the Annual Shareholders' Meeting in 2018. The terms of office of Dr. Leibinger-Kammüller, Mr. Snabe and Mr. Wenning will expire at the conclusion of the Annual Shareholders' Meeting in 2021.

Members of the Supervisory Board and positions held by Supervisory Board members

In fiscal 2016, 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, 2016)
Gerhard Cromme, Dr. iur. Chairman	Chairman of the Supervisory Board of Siemens AG	February 25, 1943	January 23, 2003	
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	Supervisory Board Member	December 23, 1954	January 24, 2008	German positions: › BASF SE, Ludwigshafen am Rhein (Deputy Chairman) › Fresenius Management SE, Bad Homburg › Fresenius SE & Co. KGaA, Bad Homburg (Deputy Chairman) › Linde AG, Munich (Deputy Chairman)
Hans Michael Gaul, Dr. iur.	Supervisory Board Member	March 2, 1942	January 24, 2008	German positions: › BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg (Deputy Chairman) › HSBC Trinkaus & Burkhardt AG, Düsseldorf

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, 2016)
Reinhard Hahn*	Trade Union Secretary of the Managing Board of IG Metall	June 24, 1956	January 27, 2015	German positions: › Pfleiderer GmbH, Neumarkt (Deputy Chairman) › Siemens Healthcare GmbH, Munich
Bettina Haller*	Chairwoman of the Combine Works Council of Siemens AG	March 14, 1959	April 1, 2007	
Hans-Jürgen Hartung*	Chairman 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*	Executive Managing Board Member of IG Metall	January 22, 1969	January 25, 2012	German positions: › Airbus Operations GmbH, Hamburg › 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	
Jim Hagemann Snabe	Supervisory Board Member	October 27, 1965	October 1, 2013	German positions: › Allianz SE, Munich › SAP SE, Walldorf Positions outside Germany: › A.P. Møller-Mærsk A/S, Denmark › Bang & Olufsen A/S, Denmark (Deputy 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

The composition of the Supervisory Board is to be such that its members as a group have the knowledge, skills and professional experience necessary to perform its duties properly. In fiscal 2015, the Supervisory Board – taking into account the recommendations of the German Corporate Governance Code (Code) – approved the following concrete objectives for its composition:

- The composition of the Supervisory Board of Siemens AG shall be such that qualified control and advice for the Managing Board is ensured. The candidates proposed for election to the Supervisory Board shall have the expertise, skills and professional 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, professionalism and independence of the individuals proposed for election. The goal is to ensure that, in the Supervisory Board, as a group, all know-how and experience is available that is considered essential in view of Siemens' activities.
- Taking the Company's international orientation into account, care shall also be taken to ensure that the Supervisory Board has an adequate number of members with extensive international experience. Our goal is to make sure that the present considerable share of Supervisory Board members with extensive international experience is maintained.
- In its election proposals, the Supervisory Board shall also pay particular close attention to ensuring diversity. In accordance with the German Law for Equal Participation of Women and Men in Management Positions in the Private and Public Sectors, 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. Qualified women shall be included during the initial process of selecting potential candidates for new elections or for the filling of Supervisory Board positions that have become vacant, and they shall be given appropriate consideration in nominations.
- An adequate number of independent members shall belong to the Supervisory Board. Material and not only temporary conflicts of interest, such as organizational functions or advisory capacities with 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 the 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. In addition, the Supervisory Board members shall have sufficient time to be able to devote the necessary regularity and diligence to their mandate.
- The limits on age and length of membership established in the Bylaws for the Supervisory Board will be taken into consideration. In addition, no more than two former members of the Managing Board of Siemens AG shall belong to the Supervisory Board.

These objectives for the Supervisory Board's composition have been fully achieved: a considerable number of Supervisory Board members are currently engaged in international activities and/or have many years of international experience. Since the Supervisory Board election in 2015, the Supervisory Board has had six female members. Dr. Nicola Leibinger-Kammüller is a member of the Nominating Committee. The Supervisory Board has an adequate number of independent members. In the opinion of the Supervisory Board, a minimum of 16 Supervisory Board members are independent in the meaning of Section 5.4.2 of the Code. Some Supervisory Board members hold – or have held in the past fiscal year – high-ranking positions at other companies with which Siemens does business. Transactions between Siemens and such companies are carried out on an arm's-length basis. We believe that these transactions do not compromise the independence of the Supervisory Board members in question. 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 Managing Board's long-range plans for succession as well as its 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 2016, 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 2016, 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 process and conducts a preliminary review of the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements 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. The Audit Committee discusses the Quarterly Statements and Half-year Financial Report with the Managing Board and 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 2016, 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. 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.

In fiscal 2016, 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 as shareholder representatives on the Supervisory Board by the Annual Shareholders' Meeting. In preparing these recommendations, the objectives specified by the Supervisory Board regarding its composition – including, in particular, independence and diversity – are to be taken into account as well as the required knowledge, abilities and professional experience of the proposed candidates. Attention shall also be paid to an appropriate participation of women and men in accordance with the legal requirements relating to the gender quota.

In fiscal 2016, the Nominating Committee comprised Dr. Gerhard Cromme (Chairman), Dr. Hans Michael Gaul, Dr. 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.

In fiscal 2016, 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 2016, 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 2016

Supervisory Board Members	Supervisory Board and Committee meetings	Participation	Presence
Gerhard Cromme, Dr. iur. (Chairman)	30	30	100%
Birgit Steinborn (First Deputy Chairwoman)	29	29	100%
Werner Wenning (Second Deputy Chairman)	20	20	100%
Olaf Bolduan	7	6	86%
Michael Diekmann	10	9	90%
Hans Michael Gaul, Dr. iur.	18	18	100%
Reinhard Hahn	7	7	100%
Bettina Haller	17	17	100%
Hans-Jürgen Hartung	7	7	100%
Robert Kensbock	20	20	100%
Harald Kern	15	15	100%
Jürgen Kerner	25	22	88%
Nicola Leibinger-Kammüller, Dr. phil.	18	18	100%
Gérard Mestrallet	7	5	71%
Norbert Reithofer, Dr.-Ing. Dr.-Ing. E.h.	11	10	91%
Güler Sabancı	7	7	100%
Nathalie von Siemens, Dr. phil.	7	7	100%
Michael Sigmund	7	7	100%
Jim Hagemann Snabe	21	21	100%
Sibylle Wankel	11	11	100%

C.4.1.3 SHARE OWNERSHIP AND SHARE TRANSACTIONS BY MEMBERS OF THE MANAGING AND SUPERVISORY BOARDS

As of September 30, 2016, the Managing Board's current members held a total of 205,009 Siemens shares, representing 0.02% of the capital stock of Siemens AG, which totaled 850,000,000 shares.

As of the same date, the Supervisory Board's current members held Siemens shares representing less than 0.01% of the capital stock of Siemens AG, which totaled 850,000,000 shares. These figures do not include the 10,878,800 shares (as of September 30, 2016) or 1.28% of the capital stock of Siemens AG, which totaled 850,000,000 shares, over which the von Siemens-Vermögensverwaltung GmbH (vSV) has voting control under powers of attorney based on an agreement between – among others – members of the Siemens family, including Dr. Natalie von Siemens, and vSV. These 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 its governing bodies.

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, 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 Section 289a of the German Commercial Code

The Corporate Governance statement pursuant to Section 289a of the German Commercial Code *(Handelsgesetzbuch)* is an integral part of the Combined Management Report. In accordance with Section 317 para. 2 sentence 3 of the German Commercial Code, the disclosures made within the scope of Section 289a 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, 2016:

> "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 May 5, 2015, 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, 2015, Siemens AG has complied with the recommendations of the Code.
>
> Berlin and Munich, October 1, 2016
>
> 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 169 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 2/7 and the corresponding target for each of the two management levels immediately below the Managing Board has been set at 10%, applicable in each case until 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 2016" which reports on Sustainability and Citizenship at Siemens is available at: WWW.SIEMENS.COM/INVESTOR/EN/

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