



SIEMENS
Ingenuity for life



Annual Financial
Statements of Siemens AG

for the fiscal year ended September 30, 2017

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Combined Management Report

The Management Report of Siemens AG has been combined with the Management Report of the Siemens Group in accordance with Section 315 para. 5 together with Section 298 para. 2 of the German Commercial Code (Handelsgesetzbuch) and is published in the 2017 Annual Report of the Siemens Group.

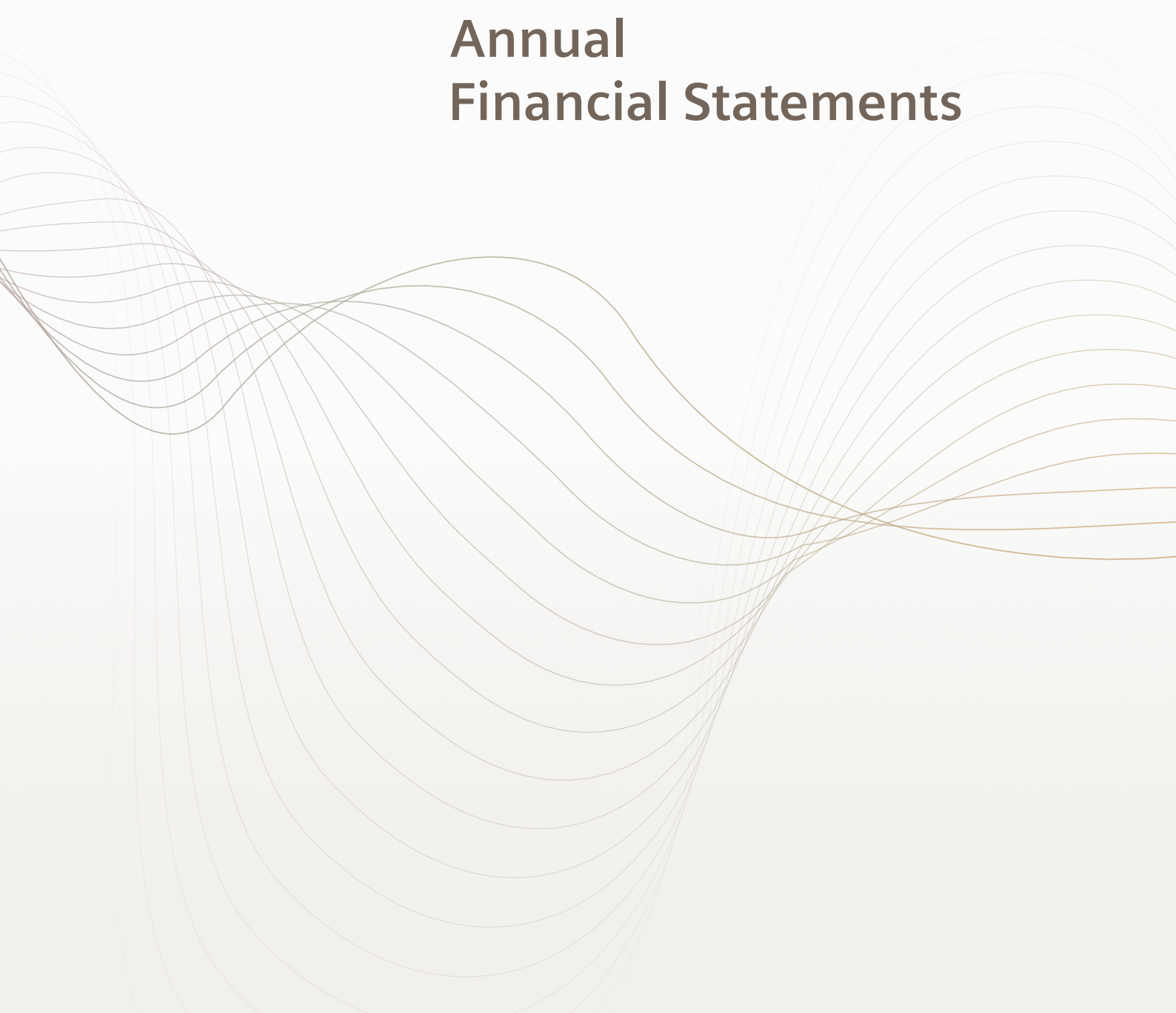
The Annual Financial Statements and the Combined Management Report of Siemens AG for the fiscal year 2017 are filed with the operator of the electronic version of the German Federal Gazette and published in the electronic version of the German Federal Gazette.

The Annual Financial Statements of Siemens AG as well as the Annual Report for the fiscal year 2017 are also available for download on the Internet at:

 WWW.SIEMENS.COM/FINANCIAL-REPORTS

A.

**Annual
Financial Statements**



A.1 Income Statement

(in millions of €)	Note	Fiscal year	
		2017	2016
Revenue	1	26,888	25,763
Cost of sales		(19,979)	(19,818)
Gross profit		6,909	5,945
Research and development expenses		(2,619)	(2,454)
Selling expenses		(2,613)	(2,548)
General administrative expenses		(1,013)	(1,010)
Other operating income	2	383	1,503
Other operating expenses	2	(413)	(1,369)
Income from operations		633	67
Income from investments, net	3	3,798	3,732
Interest income	4	319	261
<i>thereof negative interest from financial investment</i>		(8)	(4)
Interest expenses	4	51	41
<i>thereof positive interest from borrowing</i>		141	108
Other financial income (expenses), net	5	(340)	(942)
Income from business activity		4,462	3,158
Income taxes	6	(385)	(160)
Net income		4,076	2,999
Appropriation of net income	27		
Net income		4,076	2,999
Profit carried forward		146	256
Allocation to other retained earnings		(1,077)	(195)
Unappropriated net income		3,145	3,060

A.2 Balance Sheet

(in millions of €)	Note	September 30, 2017	2016
Assets			
Non-current assets			
	10		
Intangible assets		523	577
Property, plant and equipment		1,825	1,895
Financial assets		44,802	44,611
		47,150	47,083
Current assets			
Inventories	11	13,521	13,590
Advance payments received		(13,521)	(13,590)
		-	-
Receivables and other assets	12		
Trade receivables		1,809	1,903
Receivables from affiliated companies		15,966	12,632
Other receivables and other assets		2,109	2,182
		19,884	16,717
Securities		85	546
Cash and cash equivalents		799	3,097
		20,769	20,359
Prepaid expenses		87	81
Deferred tax assets	13	2,174	2,256
Active difference resulting from offsetting	14	60	35
Total assets		70,239	69,814
Shareholders' equity and liabilities			
Shareholders' equity			
	15		
Subscribed capital ¹		2,550	2,550
Treasury shares		(103)	(125)
Issued capital		2,447	2,425
Capital reserve		7,964	7,761
Retained earnings		7,568	6,122
Unappropriated net income		3,145	3,060
		21,123	19,368
Special reserve with an equity portion		681	700
Provisions			
Provision for pensions and similar commitments	16	11,761	11,250
Other provisions	17	7,417	8,360
		19,178	19,610
Liabilities			
	18		
Liabilities to banks		81	14
Advance payments received on orders		750	619
Trade payables		1,902	1,831
Liabilities to affiliated companies		24,116	24,847
Other liabilities		2,047	2,441
		28,896	29,752
Deferred income		361	385
Total shareholders' equity and liabilities		70,239	69,814

¹ Conditional Capital as of September 30, 2017 and 2016 amounted to €1,081 million and €1,081 million, respectively.

A.3 Notes

A.3.1 General Disclosures

Siemens AG has registered offices in Berlin and Munich, Germany. The Company is registered in the Commercial Register (Handelsregister) maintained by the local courts in Berlin Charlottenburg, Germany, under the entry number HRB 12300, and in Munich, Germany, under the entry number HRB 6684.

The Annual Financial Statements of Siemens AG have been prepared in accordance with the regulations set forth in the German Commercial Code (Handelsgesetzbuch, HGB) and the German Stock Corporation Act (Aktiengesetz, AktG). Amounts are presented in millions of euros (€ million).

A.3.2 Accounting policies and methods

Proceeds from selling and leasing products, providing services and granting licenses are presented as **revenue**.

Negative interest from financial investment is presented as a deduction in **interest income**, and positive interest from borrowing as a deduction in **interest expenses**.

Intangible assets acquired for consideration are capitalized at acquisition costs and amortized on a straight-line basis over a maximum of five years or, if longer, the contractually agreed useful life. Items are amortized on a pro rata temporis basis in the year of acquisition.

The capitalization option for internally generated intangible assets is not used.

Acquired **goodwill** is generally amortized systematically over the expected useful life of five to 15 years. The expected useful life is based on the expected use of the acquired businesses and is determined in particular by economic factors such as future growth and profit expectations, synergy effects and employee base.

Property, plant and equipment: The components of production costs are described in the context of the explanations for inventories. Property, plant and equipment is generally depreciated using the straight-line method. In certain cases, the declining balance method is applied, whereby a switch is made from the declining balance to the straight-line method as soon as the latter leads to higher depreciation expense. Items are depreciated on a pro rata temporis basis in the year of acquisition.

Non-current assets that are subject to wear and tear, movable, and capable of being used independently, are expensed immediately if their acquisition or production costs amount up to €150. Additions with acquisition or production costs of more than €150 and up to €410 are capitalized and fully depreciated in the year of acquisition.

Useful lives of property, plant and equipment

Factory and office buildings	20 to 50 years
Other buildings	5 to 10 years
Technical equipment and machines	mostly 10 years
Other equipment, plant and office equipment	3 to 8 years
Equipment leased to others	mostly 3 to 5 years

Special reserve with an equity portion includes reserves recognized and transferred to assets pursuant to Section 6b of the German Income Tax Act (Einkommensteuergesetz, EStG) as well as special allowances pursuant to Section 4 of the German Assisted Areas Act (Fördergebietgesetz) exceeding the depreciation according to HGB in fiscal years prior to the transition to the regulations of the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG).

Financial assets: Impairment losses are recognized if the decline in value is presumed to be other than temporary. This applies when objective evidence, particularly events or changes in circumstances, indicate a significant or other than temporary decline in value. In case of quoted financial assets impairment is particularly assumed to be other than temporary if the stock exchange price is either 20% continuously over a period of six months or 10% below its acquisition costs on a monthly average over the past twelve months. Loans bearing no interest or bearing interest below market conditions are discounted to present value.

Inventories are measured at the lower of average acquisition or production costs and daily values. Production costs comprise, in addition to direct costs, an appropriate portion of production and material overheads and depreciation of property, plant and equipment. General administration expenses, expenses for social facilities, voluntary social costs and company pension scheme costs are not capitalized. Write-downs are recorded to cover inventory risks for reduced usability and technological obsolescence as well as in the context of loss-free valuation of unbilled contracts in construction-type and service businesses.

Allowances on **receivables** are determined on the basis of the probability of loss and country risks.

Deferred tax assets for differences between commercial and tax valuations are recognized if in total a future tax benefit is expected. Deferred tax assets are netted with deferred tax liabilities. Recognized deferred tax assets and liabilities comprise temporary differences of assets, liabilities, accruals and deferrals of entities forming part of the Siemens AG tax group and partnerships to the extent that the recovery or settlement of the carrying amount of assets, liabilities, accruals or deferrals result in a deductible or taxable amount in the taxable profit (loss) of Siemens AG.

Offsetting of assets and of income and expenses: Siemens AG measures such assets at fair value that are designated as being held exclusively to settle specified pension obligations and obligations for early retirement ("Altersteilzeit") arrangements and which cannot be accessed by other creditors. Income and expenses relating to these designated assets are offset against the expense arising from compounding the corresponding obligations and are reported within the line item Other financial income (expenses), net.

Pensions and similar commitments: Siemens AG measures its pension obligations using the settlement amount calculated with the actuarial projected unit credit method on the basis of biometric probabilities. The discount rate used to discount pension obligations corresponds to the average market interest rate for instruments with an assumed remaining maturity of 15 years as published by Deutsche Bundesbank.

According to the Act on the Improvement of Company Pensions (Gesetz zur Verbesserung der betrieblichen Altersversorgung, BetrAVG), Siemens AG is secondarily liable for pension benefits provided under an indirect pension funding vehicle (mittelbarer Durchführungsweg). Siemens AG recognizes the underfunding in the item Provisions for pensions and similar commitments as far as the particular assets of the pension fund or of the pension and support fund (Pensions- und Unterstützungskasse) do not cover the pension obligations.

Other provisions are recognized in an appropriate and sufficient amount to cover individual obligations for all identifiable risks relating to liabilities of uncertain timing and amount and for anticipated losses on onerous contracts, taking account of price and cost increases expected to arise in the future. Significant provisions with a remaining term of more than one year are dis-

counted using a discount rate which corresponds to the average market interest rate appropriate for the remaining term of the obligations, as calculated and published by Deutsche Bundesbank.

Foreign currency translation: Receivables, other current assets, securities, cash and cash equivalents, provisions and liabilities (excluding advance payments received on orders) as well as commitments and contingencies denominated in foreign currency are generally translated applying the mean spot exchange rate on the balance sheet date. Balance Sheet line items denominated in foreign currency which are part of a valuation unit used to hedge foreign currency risk are translated using the mean spot exchange rate on the transaction date. Non-current assets and inventories acquired in foreign currency are generally recognized applying the mean spot exchange rate on the transaction date.

Derivative financial instruments are used by Siemens AG almost exclusively for hedging purposes and – if the relevant conditions are met – are aggregated with the underlying hedged item into valuation units. When a valuation unit is created, changes in values or cash flows from the hedged item and hedging contract are compared. A provision is recognized only for a negative surplus from the ineffective part of the market value changes. The unrealized losses and gains from the effective part offset each other completely and are not recognized in the Balance Sheet or the Income Statement.

Classification of items in the Annual Financial Statements: Siemens AG aggregates individual line items in the Income Statement and in the Balance Sheet if the individual line item is not material for providing a true and fair view of the Company's financial position and if such an aggregation improves the clarity of the presentation. Siemens AG discloses these items separately in the notes.

Prior-year amounts: Prior-year amounts were not adjusted insofar as the initial application of the Accounting Directive Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz, BilRUG) resulted in changes in the presentation of the income statement in fiscal 2017. Accordingly, the comparability of certain line items in the income statement for fiscal 2017 with the prior-year amount is limited. To achieve comparability with the revenue definition as changed by the BilRUG, Revenue in fiscal 2016 must be increased by €1,280 million to €27,043 million. Other operating income must be reduced by €1,280 million to €223 million. In addition, Cost of sales must be increased by €1,102 million to €20,920 million, and Other operating expense must be reduced by €1,102 million to €267 million.

A.3.3 Notes to the Income Statement

NOTE 1 Revenue

Revenue also includes income from leasing and granting licenses.

Revenue by lines of business (in millions of €)	Fiscal year 2017
Power and Gas	5,771
Energy Management	3,959
Building Technologies	1,484
Mobility	3,433
Digital Factory	6,551
Process Industries and Drives	5,029
Siemens Real Estate	921
Infrastructure and support services	1,341
less internal revenue	(1,601)
Revenue	26,888

Revenue by region (in millions of €)	Fiscal year 2017
Europe, C.I.S., Africa, Middle East	20,056
Americas	1,926
Asia, Australia	4,906
Revenue	26,888

NOTE 2 Other operating income and expenses

Other operating income included, among others, gains from the release of provisions for post-closing guarantees related to the former disposal of a business totaling €170 million.

Other operating expenses included, among others, expenses related to the disposal of a Siemens business totaling €95 million.

Income from the release of the special reserve with an equity portion amounted to €19 million.

NOTE 3 Income from investments, net

(in millions of €)	Fiscal year	
	2017	2016
Income from investments	2,039	1,599
<i>thereof from affiliated companies</i>	1,967	1,542
Income from profit transfer agreements with affiliated companies	3,369	2,380
Expenses from loss transfers from affiliated companies	(5)	(24)
Impairments on investments	(1,665)	(121)
Reversals of impairments on investments	28	25
Gains from the disposal of investments	41	15
Losses from the disposal of investments	(9)	(142)
Income from investments, net	3,798	3,732

Income from investments included in particular profit distributions from Siemens Ltd., China, amounting to €1,576 million.

Income from profit transfer agreements included mainly profit transfers from Siemens Beteiligungen Inland GmbH, Germany, amounting to €2,284 million, and from Siemens Healthcare GmbH, Germany, amounting to €815 million.

Impairments on investments included in particular an unscheduled impairment on the investment in Siemens Gamesa Renewable Energy S.A., Spain, totaling €1,153 million and Siemens' stake in Primetals Technologies Ltd. totaling €336 million.

NOTE 4 Interest income and interest expenses

Interest income from affiliated companies amounted to €276 (2016: €226) million. Interest expenses from affiliated companies amounted to income of €83 (2016: income of €71) million due in particular to positive interest from borrowings.

Interest income from loans classified as financial assets amounted to €80 (2016: €59) million.

NOTE 5 Other financial income (expenses), net

(in millions of €)	Fiscal year	
	2017	2016
Interest component of changes in the pension provisions (excluding deferred compensation scheme) ¹	(813)	(424)
Financial expenses (net) relating to the personnel-related provisions	(17)	(27)
Financial income (expenses), net relating to deferred compensation	19	–
Other financial income	788	374
Other financial expenses	(296)	(871)
Impairments and reversals of impairments of loans and securities of non-current and current assets	(21)	7
Other financial income (expenses), net	(340)	(942)

¹ Does not include items relating to obligations for the deferred compensation scheme directly related to designated plan assets.

Financial income and financial expenses are in each case the net amount after offsetting against the income and expenses from designated plan assets:

(in millions of €)	Fiscal year	
	2017	2016
Interest component of change in obligations relating to deferred compensation scheme ¹	(8)	(29)
Income from designated plan assets offset against pension-related obligations	36	35
Expenses from designated plan assets offset against pension-related obligations	(9)	(7)
Financial income (expenses), net relating to deferred compensation scheme¹	19	–

¹ Includes only items relating to obligations directly related to designated plan assets.

(in millions of €)	Fiscal year	
	2017	2016
Expenses (gross) from compounding personnel-related provisions	(17)	(27)
Expenses from designated plan assets offset against obligations for early retirement arrangements	(1)	–
Expenses for other personnel-related provisions (net)	(17)	(27)

Other financial income primarily included gains from the release of provisions for risks from derivative financial instruments totaling €466 million (2016: losses totaling €347 million) and dividend income from shares in funds amounting to €260 (2016: €340) million, as well as gains totaling €34 million (2016: losses totaling €123 million) from the realized results related to currency derivatives.

Other financial expenses included mainly expenses resulting from the realization of monetary items denominated in foreign currencies totaling €107 million (2016: gains totaling €34 million) and expenses from the realized results related to interest rate derivatives totaling €100 (2016: €228) million. In addition, the line item included expenses from compounding of provisions, of which €85 (2016: €147) million were related to the compounding of other provisions and €4 (2016: €18) million resulted from the compounding of tax provisions.

NOTE 6 Income taxes

(in millions of €)	Fiscal year	
	2017	2016
Current taxes	(304)	(84)
Deferred taxes	(81)	(76)
Income taxes	(385)	(160)

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

NOTE 7 Other taxes

Other taxes amounting to €32 (2016: €26) million are included in the relevant functional costs.

NOTE 8 Impact of tax regulation on net income

The application of tax incentives had a positive effect on net income of €13 million.

NOTE 9 Income and expenses relating to prior periods

The Income Statement of Siemens AG included expenses and income relating to prior years of €43 (2016: €194) million and of €1,291 (2016: €1,297) million, respectively. The income relating to prior periods resulted mainly from the reversal of provisions.

A.3.4 Notes to the Balance Sheet

NOTE 10 Non-current assets

(in millions of €)	Acquisition or production costs				Sep 30, 2017
	Oct 1, 2016	Additions	Reclassifications	Disposals	
Intangible assets					
Concessions and industrial property rights	1,206	36	–	(64)	1,179
Goodwill	241	–	–	(2)	239
	1,448	36	–	(66)	1,418
Property, plant and equipment					
Land, land rights and buildings, including buildings on third-party land	1,021	7	3	(104)	928
Technical equipment and machinery	2,909	76	70	(101)	2,955
Other equipment, plant and office equipment	1,879	200	15	(221)	1,874
Equipment leased to others	148	22	–	(12)	157
Advanced payments made and construction in progress	162	123	(88)	(64)	132
	6,119	428	–	(502)	6,046
Financial assets					
Shares in affiliated companies	33,434	4,428	5	(2,457)	35,410
Shares in investments	2,182	178	(5)	(68)	2,286
Loans	3,276	788	–	(1,189)	2,875
Securities	7,425	117	–	(29)	7,513
	46,317	5,510	–	(3,743)	48,083
	53,884	5,974	–	(4,311)	55,547

In April 2017, Siemens contributed its wind power business, including service, into the publicly listed company Gamesa Corporación Tecnológica, S.A., Spain, and in return received newly issued shares of the combined entity Siemens Gamesa Renewable Energy, S.A., Spain (SGRE). Related to this transaction, Siemens AG recorded additions in Shares in affiliated companies totaling €3,417 million.

To simplify the company structure, Mannesmann Demag Krauss-Maffei GmbH, Germany was acquired, merged with DA Creative GmbH, Germany, and the resulting entity was sold to Lincas Electro Vertriebsgesellschaft mbH, Germany. These transactions resulted in additions and disposals in Shares in affiliated companies, each totaling €446 million. In addition, a capital increase totaling €330 million was carried out at Atecs Mannesmann GmbH, Deutschland.

Disposals of shares in affiliated companies included a return of capital totaling €1,742 million at Siemens Nixdorf Informationssysteme GmbH, Germany.

Additions to Shares in investments were primarily related to the establishment of the joint venture Valeo Siemens eAutomotive GmbH, Germany (additions totaling €108 million).

Changes in Loans included additions totaling €249 million and disposals totaling €462 million concerning Siemens Bank GmbH, Germany. In addition, disposals totaling €435 million were recorded resulting from the repayment of a loan by Siemens Beteiligungen GmbH, Germany.

	Accumulated depreciation/amortization				Carrying amount		
	Oct 1, 2016	Depreciation/ amortization	Write-ups	Disposals	Sep 30, 2017	Sep 30, 2016	
	(664)	(82)	–	65	(681)	498	543
	(208)	(8)	–	2	(214)	25	34
	(871)	(91)	–	67	(895)	523	577
	(577)	(20)	–	74	(523)	404	444
	(2,158)	(143)	–	82	(2,219)	736	751
	(1,389)	(202)	–	212	(1,379)	495	490
	(99)	(9)	–	8	(100)	57	48
	–	–	–	–	–	132	162
	(4,224)	(374)	–	377	(4,221)	1,825	1,895
	(1,394)	(1,323)	28	42	(2,647)	32,763	32,040
	(281)	(342)	–	17	(606)	1,679	1,900
	(6)	(1)	–	–	(6)	2,868	3,270
	(25)	–	3	–	(22)	7,491	7,400
	(1,706)	(1,666)	32	58	(3,282)	44,802	44,611
	(6,801)	(2,131)	32	502	(8,398)	47,150	47,083

Loans included loans to affiliated companies amounting to €2,657 (2016: €3,179) million, loans to participations amounting to €47 (2016: €0) million, and other loans amounting to €164 (2016: €92) million.

Securities presented within non-current assets included shares in investment funds.

Total impairments within non-current assets were €1,671 (2016: €164) million.

NOTE 11 Inventories

(in millions of €)	Sep 30,	
	2017	2016
Raw materials and supplies	835	823
Work in progress	1,403	1,498
Finished products and goods	695	559
Cost of unbilled contracts	9,522	9,706
Advance payments made	1,066	1,005
Inventories	13,521	13,590

The item cost of unbilled contracts included mainly capitalized expenses incurred in the context of the performance of deliveries and services for projects in construction-type business which were not billed to customers at the balance sheet date.

NOTE 12 Receivables and other assets

(in millions of €)	thereof		thereof	
	Sep 30, 2017	more than one year	Sep 30, 2016	more than one year
Trade receivables	1,809	35	1,903	47
Receivables from affiliated companies	15,966	2,411	12,632	2,162
Other receivables and other assets	2,109	184	2,182	156
<i>thereof from long-term investees</i>	75	61	38	4
<i>thereof other assets</i>	2,034	123	2,143	153
Receivables and other assets	19,884	2,630	16,717	2,365

NOTE 13 Deferred tax assets

The total deferred tax assets resulted mainly from Pension provisions and Other provisions. For the measurement of deferred tax assets a tax rate of 31.16% was applied. Deviating from this, for partnerships a tax rate of 15.83% was applied for temporary differences of assets, liabilities and prepaid/deferred items.

NOTE 14 Active difference resulting from offsetting

(in millions of €)	Sep 30, 2017
Expected settlement amount of obligations for early retirement arrangements and from obligations for deferred compensation	(1,180)
Fair value of designated plan assets	1,240
Surplus of designated assets over obligations for early retirement arrangements and obligations for deferred compensation	60
Acquisition cost of designated plan assets	1,090

NOTE 15 Shareholders' equity

Shareholders' equity developed as follows:

(in millions of €)	Oct 1, 2016	Share buybacks	Fulfillment of exercised warrants	Issuance of treasury shares under share-based payments and employee share programs	Dividend 2016	Net income	Sep 30, 2017
Subscribed capital	2,550	–	–	–	–	–	2,550
Treasury shares	(125)	(24)	34	11	–	–	(103)
Issued capital	2,425	(24)	34	11	–	–	2,447
Capital reserve	7,761	–	112	91	–	–	7,964
Retained earnings	6,122	(910)	971	308	–	1,077	7,568
Unappropriated net income	3,060	–	–	–	(2,914)	2,999	3,145
Shareholders' equity	19,368	(934)	1,117	409	(2,914)	4,076	21,123

SUBSCRIBED CAPITAL

The capital stock of Siemens AG is divided into 850,000,000 registered shares of no par value with a notional value of €3.00 per share.

AUTHORIZED CAPITAL (NOT ISSUED)

As of September 30, 2017, the total unissued authorized capital of Siemens AG consisted of a nominal amount of €618.6 million that may be issued in installments with varying terms by issuance of up to 206.2 million registered shares.

In detail, the following authorizations to increase the capital stock exist:

- By resolution of the Annual Shareholders' Meeting of January 26, 2016, the Managing Board is authorized to increase, with the approval of the Supervisory Board, the capital stock until January 25, 2021 by up to €90,000,000 through the issuance of up to 30 million registered shares against contributions in cash (Authorized Capital 2016). Subscription rights of existing shareholders are excluded. The new shares may exclusively be offered to employees of Siemens AG and its consolidated subsidiaries (employee shares). 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.
- Further, by resolution of the Annual Shareholders' Meeting of January 28, 2014, 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 against cash contributions and/or contributions in kind (Authorized Capital 2014). Under certain conditions and with the approval of the Supervisory Board, the Managing Board is authorized to exclude subscription rights of shareholders in the event of capital increases against contributions in kind. In the event of capital increases against cash contributions, the shares shall in principle be offered to shareholders for subscription. However, the Managing Board is authorized to exclude, with the approval of the Supervisory Board, shareholders' subscription rights, (1) with regard to any fractional amounts, (2) in order to grant subscription rights to holders of conversion or option rights respective conversion or option obligations on Siemens shares as compensation for the effects of dilution, and (3) under certain other conditions if the issue price of the new shares is not significantly lower than their stock market price of the Siemens shares already issued.

SUBSCRIPTION RIGHTS OF ISSUED BONDS WITH WARRANT UNITS

In February 2012, Siemens issued bonds with warrant units with a volume of US\$3 billion in two tranches. Since the spin-off of OSRAM Licht AG in July 2013, the warrants issued in 2012 entitle the purchase of Siemens and OSRAM shares; a large portion of these warrants ("old warrants") was exchanged by Siemens in September 2015 by replacing the 2012 warrants with new bonds with attached warrants that relate exclusively to Siemens shares.

The tranche with the shorter maturity, totaling US\$1.5 billion, was paid back on maturity in August 2017. As of September 30, 2017, bonds with warrants totaling US\$1.5 billion were outstand-

ing with a total of 6,000 warrants, which become due or may be finally exercised in August 2019. As of September 30, 2017, rights relating to a total of approximately 11.5 million Siemens shares resulted from the old and new warrants of the 2019 tranche that were exercisable since issuance.

Several adjustments were made according to the terms and conditions of the warrants, most recently effective February 15, 2017. As of September 30, 2017, a holder of a warrant would have been entitled to receive the following when exercising of the rights attached to the warrants at an exercise price of €97.6255 per share, for a payment of €187,842.81: one of the 5,236 new warrants would have entitled to a total of 1,924.1160 Siemens shares; one of the 764 old warrants would have entitled to receive 1,833.0013 Siemens shares and 146.0092 OSRAM shares. Based on the Xetra closing price of the OSRAM share as of September 30, 2017, this would have represented an arithmetical exercise price of €97.10 per Siemens share. The number of shares entitled to be received per warrant is subject to adjustment provisions on dilution protection according to the warrant terms and can continue to vary during the term of the option rights, contingent on the adjustment applied. Inter-alia adjustments depending on the amount of the dividend paid are intended in addition to adjustments in line with standard market practice for certain capital measures. The conditions of the warrants permit Siemens to service exercised warrants also from its treasury shares and repurchase the warrants. The bonds with attached warrants were issued, in each case, excluding a subscription right of shareholders.

TREASURY SHARES

The following table presents the development of treasury shares held:

(in number of shares)	Fiscal year 2017
Treasury shares, beginning of fiscal year	41,721,682
Share buyback	7,922,129
Fulfillment of exercised warrants	(11,447,996)
Issuance under share-based payments and employee share programs	(3,714,695)
Treasury shares, end of fiscal year	34,481,120

Siemens AG held 34,481,120 treasury shares, equaling a nominal amount of €103 million and 4.1% of the capital stock, respectively.

On November 12, 2015, Siemens decided to conduct a share buyback with a volume of up to €3 billion in a period ending November 15, 2018, at the latest. The share buyback is executed based on the authorization provided by the Annual Shareholders' Meeting on January 27, 2015. The goal of the share buyback is to have shareholders participate continuously in the success of the Company in addition to the dividend policy.

In fiscal 2017, Siemens AG repurchased a total of 7,922,129 treasury shares under this share buyback program. This represents a nominal amount of €24 million or 0.9% of capital stock. In this period, €934 million (excluding incidental transaction charges) were spent for this purpose; this represents a weighted average stock price of €117.84 per share. The purchase was made in the reporting period on 139 Xetra trading days and was carried out by a bank that had been commissioned by Siemens AG; the shares were repurchased exclusively on the electronic trading platform of the Frankfurt Stock Exchange (Xetra). The average volume on these trading days was about 56,994 shares. The purchase price per repurchased share (excluding incidental transaction charges) was not to exceed the price of the Siemens share as determined by the opening auction on the trading day by more than 10% or fall more than 20% below such price.

The respective inventory of the treasury shares purchased under the share buybacks may be used for purposes of retirement, distribution to employees, members of the executive bodies of companies affiliated with Siemens and members of the Managing Board, as well as the servicing of convertible bonds with attached warrants.

Siemens AG issued in total 3,714,695 treasury shares under the exclusion of subscription rights in connection with share-based payments and employee share programs in the Group, equaling a nominal amount of €11 million and 0.4% of the capital stock. The Company received in total €269 million for 2,259,058 shares, issued against the payment of a purchase price. Siemens AG received this amount for unrestricted use. 2,141,143 shares were purchased as investment shares in connection with the share matching program by participants in the plan. In each case, the purchase price was determined on the basis of the closing rate in Xetra trading, determined on a monthly effective date. Therefore, in the reporting period, in total 1,175,176 shares related to the monthly investment plan at a weighted average share price of €118.32 per share; 369,963 shares related to the share matching plan in February 2017 at a share price of €121.35 per share and 596,004 shares related to the 2017 base share program, supported with a tax beneficial allowance by the Company, at a share price of €60.68 per share. The other shares issued during the reporting period can be attributed to the servicing of stock

awards primarily granted in the year 2012 totaling 802,352 shares, 473,113 matching shares under the share matching program for the year 2014 and to the issuance of 180,172 jubilee shares. In addition, beneficiaries of the stock awards primarily granted in the year 2012 that had received the option of cash settlement were offered the opportunity to reinvest their arithmetical net payment in Siemens shares at the lowest daily price of the transfer date. In connection with this opportunity, beneficiaries purchased 117,915 shares at an average weighted share price of €108.63 per share.

11,447,996 treasury shares were used for servicing exercised options, equivalent to a nominal amount of €34.3 million or 1.34% of subscribed capital. For the Siemens shares issued, the company recorded receipts of €1,117 million, which corresponds to an average selling price of €97.60 per Siemens share.

INFORMATION ON AMOUNTS SUBJECT TO DIVIDEND PAYOUT RESTRICTIONS

Valuation at fair value of plan assets designated to be offset against early retirement commitments did not give rise to an amount unavailable for distribution. Valuation at fair value of plan assets designated to be offset against pension obligations resulted in an amount of €42 million that is subject to dividend payout restrictions. The amount representing the difference between the measurement of provisions for post-retirement benefits according to the corresponding average market interest rate over the preceding ten years and the corresponding rate over the preceding seven years, totals €1,326 million and is not available for dividend payouts. The excess of deferred tax assets over deferred tax liabilities led to an amount of €2,174 million that is not available for dividend payouts. Other reserves existed in the amount of €7,568 million. Therefore, the total unappropriated net income of €3,145 million is available for distribution.

DISCLOSURES ON SHAREHOLDINGS OF SIEMENS AG

As of September 30, 2017, the following information on shareholdings subject to reporting requirements was available to the Company pursuant to Section 160 para 1 No. 8 German Stock Corporation Act (Aktiengesetz).

BlackRock, Inc., Wilmington, USA, notified us on August 7, 2017, that its percentage of voting rights (held either directly or indirectly) in Siemens AG amounted to 5.93% (50,429,342 voting rights) on August 2, 2017.

The State of Qatar, Doha, acting by and through the DIC Company Limited, notified us on May 10, 2012, that its percentage of voting rights (held either directly or indirectly) in Siemens AG

exceeded the threshold of 3% of the voting rights in our Company on May 7, 2012 and amounted to 3.04% (27,758,338 voting rights) as per this date.

The Werner Siemens-Stiftung, Zug, Switzerland, notified us on January 21, 2008, that its percentage of voting rights (held either directly or indirectly) in Siemens AG exceeded the threshold of 3% of the voting rights in our Company on January 2, 2008 and amounted to 3.03% (27,739,285 voting rights) as per this date.

NOTE 16 Provisions for pensions and similar commitments

In Germany, Siemens AG provides pension benefits through the BSAV (Beitragsorientierte Siemens Altersversorgung), frozen legacy plans and deferred compensation plans. The majority of Siemens' active employees participate in the BSAV. The 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. Therefore valuation assumptions for salary and pension increases including career trend are no longer significant for the pension obligation of Siemens AG. The pension benefits are funded via legally segregated trust assets. A portion of these trust assets also covers the pension obligations of other domestic subsidiaries. Therefore, the assets do not meet the criteria to be offset against the pension obligation and are presented separately as financial assets in the Annual financial statements of Siemens AG.

Those parts of an employee's salary that are converted in the context of the deferred compensation plan are invested in investment funds which are exclusively used to settle the resulting pension obligations and which are protected from other creditors. These assets with a fair value of €909 million as of September 30, 2017 (acquisition costs of assets €758 million) are offset against the underlying pension obligations. In fiscal 2017, this offsetting resulted in an asset of €39 million. For more information on income and expense with regard to this deferred compensation plan, see → **NOTE 5 OTHER FINANCIAL INCOME (EXPENSES), NET.**

As of September 30, 2017, the total pension obligations amounted to €12,632 million. The actuarial valuation of the pension obligation was based, among others, on a discount rate of 3.77% and on a rate of pension progression of 1.50%, for the BSAV plan of 1.0% per year. The mortality rates are based on the modified mortality tables (Richttafeln) 2005 G by Prof. Klaus Heubeck.

NOTE 17 Other provisions

Other provisions included miscellaneous provisions of €6,430 (2016: €7,385) million and tax provisions of €987 (2016: €975) million.

The main amounts in other provisions related to provisions for personnel expenses of €1,915 million and for warranties of €1,070 million.

Concerning the closing of the facility in Hanau and the nuclear research and service center in Karlstein, other provisions include a provision for decontamination. While in fiscal 2017 parts of the regulation for nuclear waste disposal were amended by the Reorganising Responsibility for Nuclear Waste Management Act (Gesetz zur Neuordnung der Verantwortung in der kerntechnischen Entsorgung), Siemens is not covered by these regula-

tions and consequently continues to adhere to the German Atomic Energy Act (Atomgesetz), which states that when a nuclear facility is closed, the resulting radioactive waste must be collected and delivered to a government-developed final storage facility. The measurement of the provision is based on critical accounting estimates. A critical accounting estimate in determining the costs of the remediation is contingent on the decision of the federal government on the location of the final storage facilities and the date of their availability or possible delivery volume. Several parameters relating to the development of a final storage facility for radioactive waste are specified on the assumptions for the so called Schacht Konrad final storage. Furthermore, a significant factor of uncertainty is future political decisions and unforeseen developments during the timeframe of the storage process. The provision decreased year-over-year, from €763 million to €592 million, due primarily to reduced inflation rate assumptions.

NOTE 18 Liabilities

(in millions of €)	Sep 30, 2017	thereof maturities			Sep 30, 2016	thereof maturities		
		up to 1 year	1 year up to 5 years	more than 5 years		up to 1 year	1 year up to 5 years	more than 5 years
Liabilities to banks	81	81	–	–	14	14	–	–
Advance payments received	750	750	–	–	619	619	–	–
Trade payables	1,902	1,900	2	–	1,831	1,824	7	–
Liabilities to affiliated companies	24,116	21,861	2,255	–	24,847	24,449	398	–
Other liabilities	2,047	1,897	104	46	2,441	2,264	134	43
<i>thereof to long-term investees</i>	25	25	–	–	44	44	–	–
<i>thereof miscellaneous liabilities</i>	2,022	1,872	104	46	2,397	2,220	134	43
<i>therein from taxes</i>	81	81	–	–	127	127	–	–
<i>therein for social security</i>	223	223	–	–	231	231	–	–
Liabilities	28,896	26,488	2,361	46	29,752	29,170	539	43

A.3.5 Other disclosures

NOTE 19 Material expenses

(in millions of €)	Fiscal year	
	2017	2016
Expenses for raw materials, supplies and purchased merchandise	(10,736)	(11,437)
Costs of purchased services	(4,333)	(4,082)
Material expenses	(15,069)	(15,519)

NOTE 20 Personnel expenses

(in millions of €)	Fiscal year	
	2017	2016
Wages and salaries	(7,915)	(7,943)
Social security contributions and expenses for other employee benefits	(1,157)	(1,143)
Expenses for/Income from pensions	(414)	24
Personnel expenses	(9,486)	(9,061)

Personnel expenses did not include the expense resulting from the unwinding of the interest on the pension and personnel-related provisions, which are included in other financial income (expenses), net.

Part-time employees were included on a proportionate basis for the determination of the average number of employees. The breakdown of employees per function is as follows:

	Fiscal year
	2017
Production	54,800
Sales	16,900
Research and development	9,600
Administration and general functions	11,300
Employees	92,500

NOTE 21 Share-based payment

Siemens AG allows employees and members of the Managing Board to participate in share-based payment programs. For the purpose of servicing share-based payment programs Siemens AG also delivers Siemens shares, which have been granted by affiliated companies.

STOCK AWARDS

Siemens AG grants stock awards to members of the Managing Board, members of the senior management and other eligible employees.

The following table shows the changes in the stock awards held by members of the senior management and other eligible employees of Siemens AG:

(in number of shares)	Fiscal year 2017
	Awards
Non-vested, beginning of fiscal year	3,202,282
Granted	1,032,200
Forfeited	(61,546)
Settled	(9,854)
Change from equity settlement to cash settlement for stock awards granted in 2012	(856,355)
Non-vested, end of fiscal year	3,306,727

Stock awards to beneficiaries of Siemens AG are expensed as incurred over the vesting period and are measured at the intrinsic value (= share price of the Siemens stock) on a pro rata basis for the proportion of the vesting period expired considering the estimated target attainment at the balance sheet date. The pro rata intrinsic value of all stock awards issued to beneficiaries of Siemens AG amounted to €274 million at the balance sheet date.

SHARE MATCHING PROGRAM

Plan participants receive the right to one Siemens share without payment of consideration (matching share) for every three investment shares continuously held over a vesting period.

The following table shows the changes in the entitlements to matching shares of beneficiaries of Siemens AG:

(in number of shares)	Fiscal year 2017
Outstanding, beginning of fiscal year	1,141,190
Granted	426,432
Vested and fulfilled	(310,794)
Forfeited	(66,945)
Settled	(28,723)
Organizational changes	87
Outstanding, end of fiscal year	1,161,247

Matching shares granted to beneficiaries of Siemens AG are expensed as incurred over the vesting period and are measured at the intrinsic value (= share price of the Siemens stock) on a pro

rata basis for the proportion of the vesting period expired at the balance sheet date. The pro rata intrinsic value of all matching shares issued to beneficiaries of Siemens AG amounted to €85 million.

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 for the Siemens Group, and on a distribution of the Pool in the form of free Siemens AG shares. At fiscal year-end, €107 million were included in the Pool for eligible employees of Siemens AG. Expense is recognized pro rata over the estimated vesting period. In November 2017, €100 million were contributed to the Profit-Sharing-Pool for the Siemens Group, of which approximately one third relates to eligible employees of Siemens AG. It was decided that the €400 million accumulated in the Pool are distributed to eligible employees in March 2018.

NOTE 22 Shares in investment funds

The following shares in investment funds according to investment objects were held:

(in millions of €)	Sep 30, 2017			
	Carrying amount	Market value	Deviation from carrying amount	Distributions
Mixed funds	8,022	7,760	(262)	260
Bond-based funds	123	123	-	-
Share-based funds	58	58	-	-
Money market funds	433	433	-	-
Shares in investment assets according to investment objects	8,636	8,375	(262)	260

Generally, shares in investments assets are disclosed as securities held as non-current financial assets. Exceptions are interests which are offset against obligations relating to deferred compensation schemes and against obligations for early retirement arrangements. In addition, for a portion of the investment funds

presented above, the market value was slightly below the carrying amount due to the strategic investment approach pursued by the Company. Impairments were not recorded since the reduction in value was not permanent.

NOTE 23 Guarantees and other commitments

(in millions of €)	2017	Sep 30, 2016
Obligations from guarantees	637	199
Warranty obligations	83,707	82,467
<i>thereof relating to financing of affiliated companies</i>	38,921	39,725
<i>thereof relating to performance guarantees on behalf of affiliated companies</i>	37,258	34,918
<i>thereof Others</i>	7,529	7,824
Obligations from granting collateral on behalf of third parties	48	48
Guarantees and other commitments	84,393	82,714

Warranty obligations included obligations of Siemens AG to affiliated companies amounting to €265 (2016: €470) million.

Others includes indemnifications issued in connection with dispositions of businesses. Such indemnifications, if customary to the relevant transactions, may protect the buyer from potential tax, legal and other risks in conjunction with the purchased business.

Siemens AG only enters into guarantees and other commitments after careful consideration of the risks concerned and in general only in relation to its own business activities or those of affiliated companies. Based on an ongoing risk evaluation of the arrangements entered into and taking into account all information available up to the date on which the Annual Financial Statements were issued for approval, Siemens AG currently concludes that the relevant primary debtors are able to fulfill the underlying obligations. For this reason, Siemens AG considers it not probable that it will be called upon in conjunction with any of the guarantees and commitments described above.

Guarantees and other commitments also include obligations of Siemens Financial Services GmbH, Munich, for which Siemens AG has assumed a counter-liability.

NOTE 24 Financial payment obligations under leasing and rental arrangements

Expenses for lease and rental arrangements with third parties in which the economic ownership of the leased/rented asset is not attributable to Siemens AG and the relevant items are not recognized as assets by Siemens AG amounted to €281 million. Object of these contracts were mainly real estate and other non-current assets.

Obligations under lease and rental arrangements amounted to €963 million, of which €307 million resulted from transactions with affiliated companies. Financial payment obligations under leasing and rental arrangements due within the next year amount to €278 million.

NOTE 25 Other financial obligations

Capital contribution obligations amounted to €714 million and related to affiliated companies.

The Company is jointly and severally liable as a partner in companies constituted under the German Civil Code for which profit and loss pooling agreements with other companies have been signed, as a partner in German trading partnerships as well as a participant in consortiums. Furthermore, Siemens AG has corresponding payment obligations.

Approximately €3.1 billion were still outstanding as of September 30, 2017, from an existing outsourcing agreement that had a total amount of approximately €8.7 billion and a maturity of several years.

In the course of its normal business operations, Siemens AG is involved in numerous legal and regulatory proceedings as well as governmental investigations (Legal Proceedings) in various jurisdictions. These Legal Proceedings could result in particular in the Company being subject to payment of damages and punitive damages, equitable remedies or criminal or civil sanctions, fines or disgorgements 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. Some of these Legal Proceedings could result in adverse decisions for Siemens AG that may have

material effects on its financial position, the results of its operations and/or its cash flows in the respective reporting period. As far as not recognized in the financial statements, Siemens AG does currently not expect any material negative effects on its financial position, the results of its operations and/or its cash flows.

NOTE 26 Derivative financial instruments and valuation units

As a consequence of its global operating, investing and financing activities, Siemens AG is in particular exposed to risks resulting from changes in exchange rates and interest rates, managed in line with a proven risk management system in consideration of defined risk limits. As the parent Company of the Siemens Group, Siemens AG has the central role within the Group-wide management of financial market risks. To manage the risks resulting from changes in exchange rates and interest rates, Siemens uses primarily foreign currency forward contracts, interest rate swaps, combined interest and foreign currency swaps as well as interest rate options and interest rate futures. Thereby the operating units of Siemens AG are not allowed to enter into derivative financial instruments for speculative purposes. The contract partners of the Company for derivative financial instruments are banks, brokers and affiliated companies. The credit rating for banks and brokers is constantly monitored.

Derivative financial instruments held in the portfolio are as follows:

(in millions of €)	Sep 30, 2017	
	Notional amount	Fair values
Currency hedging contracts		
Foreign currency forward contracts	45,416	47
Currency options	118	1
Interest rate hedging contracts		
Interest rate swaps	17,835	297
Interest rate options	4,294	2
Interest rate futures	787	1
Caps and floors	4,590	(3)
Combined interest and currency hedging contracts	6,740	259
Other hedging contracts	342	13
Existing derivative financial instruments	80,122	617

The notional amounts equal the contractual amounts of the individual derivative financial instrument which – irrespective of the nature of the concluded position (sale or purchase) – are presented on a gross basis (gross notional amounts).

The market values of derivative financial instruments are determined according to the nature of the individual instrument. For foreign currency derivatives, market values are determined based on changes of the relevant exchange rates. For interest rate derivatives, market values are determined by discounting expected future cash flows over the remaining term of the instrument using current market interest rates and yield curves or determined based on quoted market prices. Combined interest rate and foreign currency derivatives are measured using a combination of the mentioned factors. If foreign currency and interest rate derivatives include an option component, measurement is based on an estimated value determined in accordance with an option price model or on quoted market prices.

Provided the relevant conditions are met, derivative financial instruments are aggregated with the underlying hedged item into valuation units. The effectiveness of the valuation unit is either ensured through risk management, or is demonstrated both prospectively and retrospectively based on appropriate methods used to demonstrate effectiveness (e.g. dollar offset method, regression method, sensitivity analysis).

VALUATION UNIT USED TO HEDGE THE FOREIGN CURRENCY RISK

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% with the Corporate Treasury of Siemens AG.

The remaining foreign currency risk after offsetting cash flows in the same currency is hedged by the Corporate Treasury of Siemens AG with external contract partners. The net foreign currency position (before hedging) of Siemens AG is combined with the offsetting foreign currency exchange contracts to a macro valuation unit. For this purpose, hedged items and hedging instruments are measured with the respective underlying discounted cash flows. The derivative financial instruments which are included in this valuation unit have maturity terms until the year 2042. The cash in- and outflows from the foreign currency exchange contracts, firm commitments and forecast transactions are disclosed on a net basis in the following table.

	Sep 30, 2017
(in millions of €)	
Foreign currency risk from balance sheet items	5,600
<i>thereof assets</i>	14,023
<i>thereof liabilities</i>	(8,424)
Foreign currency risk from firm commitments and forecast transactions	3,265
Net foreign currency position (before hedging)	8,865
Foreign currency exchange contracts	(9,080)
<i>thereof with external contract partners</i>	(8,374)
<i>thereof with affiliated companies</i>	(706)
Net foreign currency position (after hedging)	(215)

The foreign currency portfolio of Siemens AG reached a hedge ratio (ratio of the hedging instruments' absolute values and the hedged items' absolute values) of approximately 100%. The recognition of a provision for contingent losses from pending transactions was not necessary.

VALUATION UNIT USED TO HEDGE THE INTEREST RATE RISK

The interest rate hedging contracts used by Siemens AG serve mainly to hedge against interest rate risks and to optimize the interest result in accordance with internal interest rate benchmarks. The portion of Siemens AG's underlying transactions subject to interest rate risk is combined with interest rate derivatives held for hedging purposes in valuation units if the applicable designation requirements are fulfilled.

Siemens AG has entered into interest rate derivatives with external banks to hedge interest rate swaps transacted with its affiliated companies against interest rate risk. As of September 30, 2017, the interest rate swaps transacted with affiliated companies included in this macro valuation unit have a notional amount of €5,266 million and fair values of €(389) million and have maximum maturity terms until the year 2028. At the balance sheet date, these underlying transactions were matched by external interest rate derivatives with fair values of €184 million, and maximum maturity terms until the year 2030. As of September 30, 2017, the negative surplus for the macro valuation unit, recorded in provisions, amounted to €205 million.

To hedge certain finance receivables against interest rate risk, Siemens AG has entered into interest rate derivatives with external counterparties and combined these instruments with the underlying transactions in a macro valuation unit. As of September 30, 2017, the notional amount of the recognized finance receivables, which have a maximum maturity until the year 2036, amounted to €10,315 million. As of September 30, 2017, the cumulative market value changes of these finance receivables of €149 million were matched by offsetting interest rate derivatives with cumulative fair value changes of €(25) million and maximum maturity terms until the year 2056. For the portion of finance receivables, which exceeded the interest rate derivatives, no interest-based valuation was conducted. As of September 30, 2017, no surplus of interest rate derivatives existed for this macro valuation unit.

CARRYING AMOUNTS OF THE DERIVATIVE FINANCIAL INSTRUMENTS REQUIRING RECOGNITION

Derivative financial instruments requiring recognition are included with their carrying amounts in the following balance sheet items:

(in millions of €)	Sep 30, 2017		
	Other assets	Other provisions	Other liabilities
Currency hedging contracts			
Currency options	1	-	(1)
Interest rate hedging contracts			
Interest rate swaps	-	(228)	-
Interest rate options	52	(1)	(49)
Caps and floors	20	-	(54)
Derivative financial instruments requiring recognition	72	(229)	(104)

NOTE 27 Proposal for the appropriation of net income

The Supervisory Board and the Managing Board propose that the unappropriated net income of Siemens AG for the fiscal year ended September 30, 2017, amounting to €3,145 million be appropriated as follows: Distribution of a dividend of €3.70 on each share of no par value entitled to the dividend and carry-forward of the unappropriated net income for shares of no par value not entitled to the dividend.

NOTE 28 Remuneration of the members of the Managing Board and the Supervisory Board

REMUNERATION OF THE MEMBERS OF THE MANAGING BOARD

Members of the Managing Board received cash compensation of €20.7 million. The fair value of stock-based compensation amounted to €13.2 million for 132,831 Stock Awards. The Company granted contributions (including one-time special contributions) under the BSAV to members of the Managing Board totaling €6.6 million.

Therefore the compensation and benefits attributable to members of the Managing Board amounted to €40.5 million in total.

TOTAL REMUNERATION OF FORMER MEMBERS OF THE MANAGING BOARD

Former members of the Managing Board and their surviving dependents received a total of €34.1 million according to Section 285 para. 1 number 9b of the German Commercial Code.

Siemens recognized pension provisions totaling €112.0 million for the pension entitlements to former members of the Managing Board and their surviving dependents.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

Compensation attributable to members of the Supervisory Board comprises a base compensation and additional compensation for committee work and amounted to €5.2 million (including meeting fees).

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.

NOTE 29 Declaration of Compliance with the German Corporate Governance Code

As of October 1, 2017, the mandatory statement pursuant to Section 161 of the German Stock Corporation Act (AktG) has been issued by the Managing Board and the Supervisory Board and is permanently accessible on www.siemens.com/gcg-code

NOTE 30 Subsequent events

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

NOTE 31 Members of the Supervisory Board and Managing Board and their mandates

MEMBERS OF THE MANAGING BOARD AND POSITIONS HELD BY MANAGING BOARD MEMBERS

In fiscal 2017, the Managing Board comprised the following members:

Name	Date of birth	First appointed	Term expires	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises	
				External positions (as of September 30, 2017)	Group company positions (as of September 30, 2017)
Joe Kaeser President and Chief Executive Officer	June 23, 1957	May 1, 2006	At the end of the 2021 Annual Shareholders' Meeting	German positions: <ul style="list-style-type: none"> › Allianz Deutschland AG, Munich › Daimler AG, Stuttgart Positions outside Germany: <ul style="list-style-type: none"> › NXP Semiconductors B.V., Netherlands 	Positions outside Germany: <ul style="list-style-type: none"> › Siemens Ltd., India
Roland Busch, Dr. rer. nat.	November 22, 1964	April 1, 2011	March 31, 2021	German positions: <ul style="list-style-type: none"> › OSRAM Licht AG, Munich (Deputy Chairman) › OSRAM GmbH, Munich (Deputy Chairman) Positions outside Germany: <ul style="list-style-type: none"> › Atos SE, France 	German positions: <ul style="list-style-type: none"> › Siemens Postal, Parcel & Airport Logistics GmbH, Constance Positions outside Germany: <ul style="list-style-type: none"> › Arabia Electric Ltd. (Equipment), Saudi Arabia › ISCOA Industries and Maintenance Ltd., Saudi Arabia (Deputy Chairman) › Siemens Ltd., Saudi Arabia › Siemens W.L.L., Qatar › VA TECH T & D Co. Ltd., Saudi Arabia
Lisa Davis	October 15, 1963	August 1, 2014	July 31, 2019	Positions outside Germany: <ul style="list-style-type: none"> › Penske Automotive Group Inc., USA 	Positions outside Germany: <ul style="list-style-type: none"> › Siemens Corp., USA (Chairwoman and CEO) › Siemens Gamesa Renewable Energy S.A., Spain
Klaus Helmrich	May 24, 1958	April 1, 2011	March 31, 2021	German positions: <ul style="list-style-type: none"> › Deutsche Messe AG, Hanover › EOS Holding AG, Krailling › inpro Innovationsgesellschaft für fortgeschrittene Produktionssysteme in der Fahrzeugindustrie mbH, Berlin 	Positions outside Germany: <ul style="list-style-type: none"> › 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: <ul style="list-style-type: none"> › Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit, Cologne Positions outside Germany: <ul style="list-style-type: none"> › Konecranes Plc., Finland 	German positions: <ul style="list-style-type: none"> › Siemens Healthcare GmbH, Munich
Cedrik Neike	March 7, 1973	April 1, 2017	May 31, 2020		Positions outside Germany: <ul style="list-style-type: none"> › Siemens Ltd., China (Chairman) › Siemens Ltd., India
Siegfried Russwurm, Prof. Dr.-Ing. (until March 31, 2017)	June 27, 1963	January 1, 2008	March 31, 2017		
Michael Sen	November 17, 1968	April 1, 2017	March 31, 2022		German positions: <ul style="list-style-type: none"> › Siemens Healthcare GmbH, Munich Positions outside Germany: <ul style="list-style-type: none"> › Siemens Gamesa Renewable Energy S.A., Spain
Ralf P. Thomas, Dr. rer. pol.	March 7, 1961	September 18, 2013	September 17, 2023		German positions: <ul style="list-style-type: none"> › Siemens Healthcare GmbH, Munich Positions outside Germany: <ul style="list-style-type: none"> › Siemens Aktiengesellschaft Österreich, Austria › Siemens Corp., USA (Deputy Chairman) › Siemens Gamesa Renewable Energy S.A., Spain

MEMBERS OF THE SUPERVISORY BOARD AND POSITIONS HELD BY SUPERVISORY BOARD MEMBERS

The Supervisory Board of Siemens AG has 20 members. As stipulated by the German Codetermination Act (Mitbestimmungsgesetz), half of the members represent Company shareholders, and half represent Company employees. The employee representatives' names are marked below with an asterisk (*). In general, the terms of office of the current Supervisory Board members will expire at the conclusion of the Annual Shareholders' Meeting in 2018. The terms of office of Dr. Nicola Leibinger-Kammüller, Jim Hagemann Snabe and Werner Wenning will expire at the conclusion of the Annual Shareholders' Meeting in 2021. Effective from

October 1, 2017, until the end of the ordinary Annual Shareholders' Meeting on January 31, 2018, Dorothea Simon has been appointed by court order an employee representative on the Supervisory Board. She succeeds Hans-Jürgen Hartung, who left the Supervisory Board at the end of September 30, 2017. The future Supervisory Board's employee representatives were newly elected on October 5, 2017, in accordance with the provisions of the German Codetermination Act (Mitbestimmungsgesetz). Their election will take effect at the end of the ordinary Annual Shareholders' Meeting on January 31, 2018.

In fiscal 2017, the Supervisory Board comprised the following members:

Name	Occupation	Date of birth	Member since	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises (as of September 30, 2017)
Gerhard Cromme, Dr. iur. Chairman	Chairman of the Supervisory Board of Siemens AG	February 25, 1943	January 23, 2003	Positions outside Germany: <ul style="list-style-type: none"> ➤ AUTO1 N.V., Netherlands (Chairman) ➤ ODDO BHF SCA, France (Co-Chairman)
Birgit Steinborn* First Deputy Chairwoman	Chairwoman of the Central Works Council of Siemens AG	March 26, 1960	January 24, 2008	
Werner Wenning Second Deputy Chairman	Chairman of the Supervisory Board of Bayer AG	October 21, 1946	January 23, 2013	German positions: <ul style="list-style-type: none"> ➤ Bayer AG, Leverkusen (Chairman) ➤ Henkel AG & Co. KGaA, Düsseldorf¹ ➤ Henkel Management AG, Düsseldorf
Olaf Bolduan*	Chairman of the Works Council of Siemens Dynamowerk, Berlin, Germany	July 24, 1952	July 11, 2014	
Michael Diekmann	Chairman of the Supervisory Board of Allianz SE	December 23, 1954	January 24, 2008	German positions: <ul style="list-style-type: none"> ➤ Allianz SE, Munich (Chairman) ➤ BASF SE, Ludwigshafen am Rhein (Deputy Chairman) ➤ Fresenius Management SE, Bad Homburg ➤ Fresenius SE & Co. KGaA, Bad Homburg (Deputy Chairman)
Hans Michael Gaul, Dr. iur.	Supervisory Board Member	March 2, 1942	January 24, 2008	German positions: <ul style="list-style-type: none"> ➤ HSBC Trinkaus & Burkhardt AG, Düsseldorf
Reinhard Hahn*	Trade Union Secretary of the Managing Board of IG Metall	June 24, 1956	January 27, 2015	German positions: <ul style="list-style-type: none"> ➤ Siemens Healthcare GmbH, Munich
Bettina Haller*	Chairwoman of the Combine Works Council of Siemens AG	March 14, 1959	April 1, 2007	

¹ Shareholders' Committee.

Name	Occupation	Date of birth	Member since	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises (as of September 30, 2017)
Hans-Jürgen Hartung* (until September 30, 2017)	Member of the Works Council of Siemens Erlangen Süd, Germany	March 10, 1952	January 27, 2009	
Robert Kensbock*	Deputy Chairman of the Central Works Council of Siemens AG	March 13, 1971	January 23, 2013	
Harald Kern*	Chairman of the Siemens Europe Committee	March 16, 1960	January 24, 2008	
Jürgen Kerner*	Treasurer and full-time member of the Executive Committee of IG Metall	January 22, 1969	January 25, 2012	German positions: > Airbus Operations GmbH, Hamburg > MAN Diesel & Turbo SE, Augsburg > MAN SE, Munich (Deputy Chairman) > Premium Aerotec GmbH, Augsburg (Deputy Chairman)
Nicola Leibinger-Kammüller, Dr. phil.	President and Chairwoman of the Managing Board of TRUMPF GmbH + Co. KG	December 15, 1959	January 24, 2008	German positions: > Axel Springer SE, Berlin > Voith GmbH, Heidenheim
Gérard Mestrallet	Chairman of the Board of Directors of ENGIE S.A.	April 1, 1949	January 23, 2013	Positions outside Germany: > ENGIE S.A., France (Chairman) > Société Générale S.A., France > Suez S.A., France (Chairman)
Norbert Reithofer, Dr.-Ing. Dr.-Ing. E. h.	Chairman of the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft	May 29, 1956	January 27, 2015	German positions: > Bayerische Motoren Werke Aktiengesellschaft, Munich (Chairman) > Henkel AG & Co. KGaA, Düsseldorf ¹
Güler Sabancı	Chairwoman and Managing Director of Hacı Ömer Sabancı Holding A.Ş.	August 14, 1955	January 23, 2013	
Nathalie von Siemens, Dr. phil.	Managing Director and Spokesperson of Siemens Stiftung	July 14, 1971	January 27, 2015	German positions: > Messer Group GmbH, Sulzbach > Siemens Healthcare GmbH, Munich
Michael Sigmund*	Chairman of the Committee of Spokespersons of the Siemens Group; Chairman of the Central Committee of Spokespersons of Siemens AG	September 13, 1957	March 1, 2014	
Dorothea Simon* (since October 1, 2017)	Chairwoman of the Central Works Council of Siemens Healthcare GmbH	August 3, 1969	October 1, 2017	German positions: > Siemens Healthcare GmbH, Munich
Jim Hagemann Snabe	Chairman of the Board of Directors of A.P. Møller-Mærsk A/S	October 27, 1965	October 1, 2013	German positions: > Allianz SE, Munich Positions outside Germany: > A.P. Møller-Mærsk A/S, Denmark (Chairman)
Sibylle Wankel*	General Counsel, Managing Board of IG Metall	March 3, 1964	April 1, 2009	German positions: > Daimler AG, Stuttgart

¹ Shareholders' Committee.

NOTE 32 List of subsidiaries and associated companies pursuant to Section 285 para. 11 and 11a of the German Commercial Code

September 30, 2017	Net income in millions of € ¹	Equity in millions of € ¹	Equity interest in %
Germany (43 companies)			
Atecs Mannesmann GmbH, Erlangen	18	6,094	100
BSAV Kapitalbeteiligungen und Vermögensverwaltungs Management GmbH, Grünwald	7	167	100 ⁷
Dresser-Rand GmbH, Oberhausen	(5)	28	100 ⁷
evosoft GmbH, Nuremberg	0	6	100
HaCon Ingenieurgesellschaft mbH, Hanover	1	217	100
HSP Hochspannungsgeräte GmbH, Troisdorf	1	2	100
Jawa Power Holding GmbH, Erlangen	(35)	344	100
Kyros Beteiligungsverwaltung GmbH, Grünwald	33	485	100 ⁷
Maschinenfabrik Reinhausen GmbH, Regensburg	115	348	26 ⁷
Mentor Graphics Development (Deutschland) GmbH, Villingen-Schwenningen	(2)	53	100 ¹⁰
next47 GmbH, Munich	(1)	(3)	100
next47 Services GmbH, Munich	(2)	6	100
OSRAM Licht AG, Munich	315	2,473	17 ⁶
OWP Butendiek GmbH & Co. KG, Bremen	84	449	23 ⁷
Project Ventures Butendiek Holding GmbH, Erlangen	1	105	100
RISICOM Rückversicherung AG, Grünwald	(8)	204	100
Siemens Bank GmbH, Munich	(12)	1,080	100
Siemens Beteiligungen Inland GmbH, Munich	9	15,442	100
Siemens Beteiligungen USA GmbH, Berlin	0	8,285	100
Siemens Beteiligungsverwaltung GmbH & Co. OHG, Grünwald	1,195	10,416	100
Siemens Compressor Systems GmbH, Leipzig	3	242	100
Siemens Finance & Leasing GmbH, Munich	(8)	115	100
Siemens Financial Services GmbH, Munich	(1)	2,034	100
Siemens Fuel Gasification Technology GmbH & Co. KG, Freiberg	2	185	100
Siemens Healthcare Diagnostics GmbH, Eschborn	4	195	100
Siemens Healthcare Diagnostics Holding GmbH, Eschborn	52	1,046	100
Siemens Healthcare Diagnostics Products GmbH, Marburg	6	750	100
Siemens Healthcare GmbH, Erlangen	206	3,795	100
Siemens Immobilien GmbH & Co. KG, Grünwald	33	323	100
Siemens Industriegetriebe GmbH, Penig	(3)	66	100
Siemens Industriepark Karlsruhe GmbH & Co. KG, Grünwald	5	18	100
Siemens Industry Software GmbH, Cologne	(5)	275	100
Siemens Nixdorf Informationssysteme GmbH, Grünwald	(4)	31	100
Siemens Postal, Parcel & Airport Logistics GmbH, Constance	3	60	100
Siemens Project Ventures GmbH, Erlangen	52	176	100

¹ The values correspond to the annual financial statements after a possible profit transfer, for subsidiaries according to the consolidated IFRS-closing.

² Acquisition or foundation, no financial statements available.

³ Siemens AG is a shareholder with unlimited liability of this company.

⁴ A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

⁵ Figures from financial years prior to year ended 30 September 2016.

⁶ Values from fiscal year October 01, 2015 – September 30, 2016.

⁷ Values from fiscal year January 01, 2016 – December 31, 2016.

⁸ Values from fiscal year April 06, 2016 – December 31, 2016.

⁹ Values from fiscal year June 30, 2016 – December 31, 2016.

¹⁰ Values from fiscal year February 01, 2016 – January 31, 2017.

¹¹ Values from fiscal year April 01, 2016 – March 31, 2017.

¹² Values from fiscal year July 01, 2016 – June 30, 2017.

N/A = No financial data available.

September 30, 2017	Net income in millions of € ¹	Equity in millions of € ¹	Equity interest in %
Siemens Real Estate GmbH & Co. KG, Grünwald	12	88	100
Siemens Treasury GmbH, Munich	1	(1)	100
Siemens Turbomachinery Equipment GmbH, Frankenthal	(15)	70	100
Siemens Wind Power GmbH & Co. KG, Hamburg	(7)	124	100
SIM 2. Grundstücks-GmbH & Co. KG, Grünwald	6	140	100
Valeo Siemens eAutomotive GmbH, Erlangen	0	153	50 ^{7,9}
Veja Mate Offshore Project GmbH, Gadebusch	(2)	109	41 ⁷
Voith Hydro Holding GmbH & Co. KG, Heidenheim	22	86	35 ⁶

Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany) (137 companies)

ETM professional control GmbH, Eisenstadt/Austria	10	15	100
KDAG Beteiligungen GmbH, Vienna/Austria	(3)	11	100
Siemens Aktiengesellschaft Österreich, Vienna/Austria	213	1,882	100
Siemens Convergence Creators GmbH, Vienna/Austria	(2)	15	100
Siemens Convergence Creators Holding GmbH, Vienna/Austria	50	79	100
Siemens Healthcare Diagnostics GmbH, Vienna/Austria	20	156	100
Siemens Konzernbeteiligungen GmbH, Vienna/Austria	344	1,899	100 ¹²
Siemens Liegenschaftsverwaltung GmbH, Vienna/Austria	1	58	100
Siemens Metals Technologies Vermögensverwaltungs GmbH, Vienna/Austria	9	146	100
Trench Austria GmbH, Leonding/Austria	4	28	100
Siemens Healthcare SA/NV, Beersel/Belgium	9	97	100
Siemens Industry Software NV, Leuven/Belgium	(1)	450	100
Siemens S.A./N.V., Beersel/Belgium	32	154	100
Mentor Graphics (Netherlands Antilles) N.V., Willemstad/Curaçao	0	255	100 ⁷
OEZ s.r.o., Letohrad/Czech Republic	9	50	100
Siemens, s.r.o., Prague/Czech Republic	29	43	100
Siemens A/S, Ballerup/Denmark	23	98	100
Siemens Gamesa Renewable Energy A/S, Brande/Denmark	143	433	100
Siemens Technologies S.A.E., Cairo/Egypt	40	37	90
Siemens Osaakehtiö, Espoo/Finland	12	49	100
ATOS SE, Bezons/France	632	4,835	12 ⁷
D-R Holdings (France) SAS, Le Havre/France	6	114	100 ⁷
Dresser-Rand SAS, Le Havre/France	21	189	100 ⁷
Siemens France Holding SAS, Saint-Denis/France	68	382	100
Siemens Healthcare SAS, Saint-Denis/France	(35)	203	100
Siemens Industry Software SAS, Châtillon/France	7	81	100
Siemens SAS, Saint-Denis/France	21	321	100
Siemens A.E., Elektrotechnische Projekte und Erzeugnisse, Athens/Greece	1	87	100
Siemens Healthcare Industrial and Commercial Société Anonyme, Athens/Greece	0	55	100
Siemens Zrt., Budapest/Hungary	9	22	100
Mentor Graphics (Holdings) Unlimited Company, Shannon, County Clare/Ireland	37	2,532	100 ^{3,4,10}

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⁵ Figures from financial years prior to year ended 30 September 2016.

⁶ Values from fiscal year October 01, 2015 – September 30, 2016.

⁷ Values from fiscal year January 01, 2016 – December 31, 2016.

⁸ Values from fiscal year April 06, 2016 – December 31, 2016.

⁹ Values from fiscal year June 30, 2016 – December 31, 2016.

¹⁰ Values from fiscal year February 01, 2016 – January 31, 2017.

¹¹ Values from fiscal year April 01, 2016 – March 31, 2017.

¹² Values from fiscal year July 01, 2016 – June 30, 2017.

N/A = No financial data available.

September 30, 2017	Net income in millions of € ¹	Equity in millions of € ¹	Equity interest in %
Mentor Graphics (Ireland) Limited, Shannon, County Clare/Ireland	(95)	127	100 ¹⁰
Siemens Gamesa Renewable Energy Limited, Dublin/Ireland	8	(2)	100
Siemens Limited, Dublin/Ireland	(1)	59	100
Mentor Graphics Development Services (Israel) Ltd., Rehovot/Israel	0	62	100 ⁷
Siemens Concentrated Solar Power Ltd., Rosh HaAyin/Israel	103	(490)	100
Siemens Industry Software Ltd., Airport City/Israel	21	38	100
Siemens Product Lifecycle Management Software 2 (IL) Ltd., Airport City/Israel	0	3	100
UGS Israeli Holdings (Israel) Ltd., Airport City/Israel	0	(1)	100
Medical Systems S.p.A., Genoa/Italy	4	101	45 ⁷
Siemens Healthcare S.r.l., Milan/Italy	2	246	100
Siemens S.p.A., Milan/Italy	59	319	100
VAL 208 Torino GEIE, Milan/Italy	0	0	86 ^{3,4,6}
D-R Luxembourg Holding 1, SARL, Luxembourg/Luxembourg	0	447	100
D-R Luxembourg Holding 2, SARL, Luxembourg/Luxembourg	1	48	100
D-R Luxembourg Holding 3, SARL, Luxembourg/Luxembourg	(21)	1,151	100
D-R Luxembourg Partners 1 SCS, Luxembourg/Luxembourg	22	194	100
Dresser-Rand Holding (Delaware) LLC, SARL, Luxembourg/Luxembourg	2	225	100
Buitengaats C.V., Amsterdam/Netherlands	(2)	136	20 ^{3,4,7}
D-R International Holdings (Netherlands) B.V., Spijkenisse/Netherlands	(1)	292	100
Dresser-Rand B.V., Spijkenisse/Netherlands	0	87	100
Dresser-Rand Services B.V., Spijkenisse/Netherlands	0	52	100
Mentor Graphics (Netherlands) B.V., Eindhoven/Netherlands	2	249	100 ¹⁰
NEM Energy B.V., Zoeterwoude/Netherlands	21	73	100
Siemens Diagnostics Holding II B.V., The Hague/Netherlands	7	1,311	100
Siemens D-R Holding II B.V., The Hague/Netherlands	0	1,476	100
Siemens Gas Turbine Technologies Holding B.V., The Hague/Netherlands	0	79	65 ⁷
Siemens Healthcare Nederland B.V., The Hague/Netherlands	1	115	100
Siemens International Holding B.V., The Hague/Netherlands	1,618	9,593	100
Siemens Medical Solutions Diagnostics Holding I B.V., The Hague/Netherlands	(3)	2,595	100
Siemens Nederland N.V., The Hague/Netherlands	47	1,171	100
TASS International B.V., Rijswijk/Netherlands	1	10	100 ⁷
Ural Locomotives Holding Besloten Vennootschap, The Hague/Netherlands	4	100	50 ⁷
ZeeEnergie C.V., Amsterdam/Netherlands	(2)	136	20 ^{3,4,7}
Siemens Ltd., Lagos/Nigeria	8	14	100
Dresser-Rand AS, Kongsberg/Norway	(15)	84	100
Siemens AS, Oslo/Norway	(19)	34	100
Rousch (Pakistan) Power Ltd., Lahore/Pakistan	0	2	26 ¹²
Gamesa Energia Polska Sp. z o.o., Warsaw/Poland	2	9	100 ⁷
Siemens Healthcare Sp. z o.o., Warsaw/Poland	6	57	100
Siemens Sp. z o.o., Warsaw/Poland	0	60	100
Siemens Healthcare, Lda., Amadora/Portugal	1	88	100
Siemens S.A., Amadora/Portugal	8	158	100

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⁵ Figures from financial years prior to year ended 30 September 2016.

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⁷ Values from fiscal year January 01, 2016 – December 31, 2016.

⁸ Values from fiscal year April 06, 2016 – December 31, 2016.

⁹ Values from fiscal year June 30, 2016 – December 31, 2016.

¹⁰ Values from fiscal year February 01, 2016 – January 31, 2017.

¹¹ Values from fiscal year April 01, 2016 – March 31, 2017.

¹² Values from fiscal year July 01, 2016 – June 30, 2017.

N/A = No financial data available.

September 30, 2017	Net income in millions of € ¹	Equity in millions of € ¹	Equity interest in %
OOO Legion II, Moscow/Russian Federation	5	76	100 ⁷
OOO Siemens Gas Turbine Technologies, Leningrad Oblast/Russian Federation	2	77	100 ⁷
OOO Siemens Transformers, Voronezh/Russian Federation	1	16	100 ⁷
Siemens Finance LLC, Vladivostok/Russian Federation	20	40	100 ⁷
Siemens Ltd., Riyadh/Saudi Arabia	12	31	51
Siemens s.r.o., Bratislava/Slovakia	12	36	100
Siemens Proprietary Limited, Midrand/South Africa	40	68	70
Adwen Offshore, S.L., Zamudio/Spain	(13)	(93)	100
Dresser-Rand Holdings Spain S.L.U., Vitoria-Gasteiz/Spain	0	150	100
Fábrica Electrotécnica Josa, S.A., Barcelona/Spain	1	38	100
Gamesa Electric, S.A. Unipersonal, Zamudio/Spain	2	69	100
Gamesa Energy Transmission, S.A. Unipersonal, Zamudio/Spain	3	80	100
Grupo Guascor, S.L., Vitoria-Gasteiz/Spain	0	140	100
Guascor Explotaciones Energéticas, S.A., Vitoria-Gasteiz/Spain	2	32	100
Guascor Power, S.A., Zumaia/Spain	(3)	57	100
Siemens Gamesa Renewable Energy 9REN, S.L., Madrid/Spain	0	15	100
Siemens Gamesa Renewable Energy Eólica, S.L., Sarriguren/Spain	81	620	100
Siemens Gamesa Renewable Energy Innovation & Technology, S.L., Sarriguren/Spain	23	187	100
Siemens Gamesa Renewable Energy S.A., Zamudio/Spain	(47)	1,917	59
Siemens Gamesa Renewable Energy Wind Farms, S.A., Zamudio/Spain	(2)	451	100
SIEMENS HEALTHCARE, S.L.U., Getafe/Spain	27	253	100 ⁷
Siemens Holding S.L., Madrid/Spain	137	954	100
Siemens Rail Automation S.A.U., Madrid/Spain	29	552	100
Siemens S.A., Madrid/Spain	40	293	100
Solucia Renovables 1, S.L., Lebrija/Spain	0	1	50 ⁵
Windar Renovables, S.L., Avilés/Spain	19	87	32 ⁷
Siemens AB, Upplands Väsby/Sweden	12	153	100
Siemens Financial Services AB, Stockholm/Sweden	6	160	100
Siemens Industrial Turbomachinery AB, Finspång/Sweden	96	484	100
Dresser Rand Sales Company GmbH, Zurich/Switzerland	4	203	100
Polarion AG, Zurich/Switzerland	3	106	100
Siemens Healthcare Diagnostics GmbH, Zurich/Switzerland	6	110	100
Siemens Schweiz AG, Zurich/Switzerland	103	926	100
Siemens Finansal Kiralama A.S., Istanbul/Turkey	10	69	100
Siemens Sanayi ve Ticaret Anonim Sirketi, Istanbul/Turkey	33	144	100
SD (Middle East) LLC, Dubai/United Arab Emirates	4	5	49
Siemens LLC, Abu Dhabi/United Arab Emirates	28	40	49
Siemens Middle East Limited, Masdar City/United Arab Emirates	0	1	100
Electrium Sales Limited, Frimley, Surrey/United Kingdom	3	112	100
Ethos Energy Group Limited, Aberdeen/United Kingdom	(55)	400	49 ⁷
GyM Renewables Limited, Frimley, Surrey/United Kingdom	4	200	100
GyM Renewables ONE Limited, Frimley, Surrey/United Kingdom	15	263	100 ⁷

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⁸ Values from fiscal year April 06, 2016 – December 31, 2016.

⁹ Values from fiscal year June 30, 2016 – December 31, 2016.

¹⁰ Values from fiscal year February 01, 2016 – January 31, 2017.

¹¹ Values from fiscal year April 01, 2016 – March 31, 2017.

¹² Values from fiscal year July 01, 2016 – June 30, 2017.

N/A = No financial data available.

September 30, 2017	Net income in millions of € ¹	Equity in millions of € ¹	Equity interest in %
Industrial Turbine Company (UK) Limited, Frimley, Surrey/United Kingdom	59	325	100
Lincs Renewable Energy Holdings Limited, London/United Kingdom	19	316	50 ⁷
Primetals Technologies, Limited, London/United Kingdom	(66)	570	49 ⁵
Project Ventures Rail Investments I Limited, Frimley, Surrey/United Kingdom	0	(11)	100
RWG (Repair & Overhauls) Limited, Aberdeen/United Kingdom	22	112	50 ⁷
SBS Pension Funding (Scotland) Limited Partnership, Edinburgh/United Kingdom	12	525	57 ⁷
Siemens Financial Services Holdings Ltd., Stoke Poges, Buckinghamshire/United Kingdom	23	192	100
Siemens Financial Services Ltd., Stoke Poges, Buckinghamshire/United Kingdom	34	308	100
Siemens Gamesa Renewable Energy Limited, Frimley, Surrey/United Kingdom	46	0	100
Siemens Healthcare Diagnostics Manufacturing Ltd, Frimley, Surrey/United Kingdom	4	174	100
Siemens Healthcare Diagnostics Products Ltd, Frimley, Surrey/United Kingdom	5	167	100
Siemens Healthcare Limited, Frimley, Surrey/United Kingdom	27	(104)	100
Siemens Holdings plc, Frimley, Surrey/United Kingdom	23	1,052	100
Siemens Industrial Turbomachinery Ltd., Frimley, Surrey/United Kingdom	23	556	100
Siemens Industry Software Computational Dynamics Limited, Frimley, Surrey/United Kingdom	(1)	495	100
Siemens Industry Software Limited, Frimley, Surrey/United Kingdom	3	103	100
Siemens Pension Funding Limited, Frimley, Surrey/United Kingdom	(2)	488	100
Siemens plc, Frimley, Surrey/United Kingdom	30	1,538	100
Siemens Rail Automation Holdings Limited, Frimley, Surrey/United Kingdom	47	832	100
Siemens Transmission & Distribution Limited, Frimley, Surrey/United Kingdom	(20)	190	100
Unincorporated Joint Venture Gwynt y Mor, Swindon, Wiltshire/United Kingdom	N/A	N/A	10
VA TECH (UK) Ltd., Frimley, Surrey/United Kingdom	(1)	70	100
Americas (46 companies)			
Siemens S.A., Buenos Aires/Argentina	15	33	100
Guascor do Brasil Ltda., São Paulo/Brazil	10	119	100
Siemens Gamesa Energia Renovável Ltda., Camaçari/Brazil	26	154	100
Siemens Healthcare Diagnósticos Ltda., São Paulo/Brazil	14	143	100
Siemens Ltda., São Paulo/Brazil	(3)	186	100
10367079 CANADA INC., Oakville/Canada	–	–	100 ²
Siemens Canada Limited, Oakville/Canada	(39)	529	100
Siemens Financial Ltd., Oakville/Canada	20	393	100
Siemens Healthcare Limited, Oakville/Canada	8	61	100
Siemens Healthcare Diagnostics Manufacturing Limited, Grand Cayman/Cayman Islands	7	237	100
Siemens S.A., Santiago de Chile/Chile	13	57	100
Siemens S.A., Tenjo/Colombia	(7)	39	100 ⁷
Grupo Siemens S.A. de C.V., Mexico City/Mexico	0	94	100 ⁷
Siemens, S.A. de C.V., Mexico City/Mexico	6	122	100 ⁷
Advanced Airfoil Components LLC, Wilmington, DE/United States	(7)	89	51
Bentley Systems, Incorporated, Wilmington, DE/United States	80	(5)	7 ⁷
CEF-L Holding, LLC, Wilmington, DE/United States	(4)	7	27 ^{7,8}
Dresser-Rand Company, Bath, NY/United States	(185)	4,035	100

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¹⁰ Values from fiscal year February 01, 2016 – January 31, 2017.

¹¹ Values from fiscal year April 01, 2016 – March 31, 2017.

¹² Values from fiscal year July 01, 2016 – June 30, 2017.

N/A = No financial data available.

September 30, 2017	Net income in millions of € ¹	Equity in millions of € ¹	Equity interest in %
Dresser-Rand Global Services, Inc., Wilmington, DE/United States	(8)	64	100
Dresser-Rand Group Inc., Wilmington, DE/United States	6	295	100
Dresser-Rand International Holdings, LLC, Wilmington, DE/United States	0	1,540	100
Dresser-Rand LLC, Wilmington, DE/United States	0	2,296	100
eMeter Corporation, Wilmington, DE/United States	(6)	84	100
Hickory Run Holdings, LLC, Wilmington, DE/United States	–	–	20 ²
Mannesmann Corporation, New York, NY/United States	0	40	100
Mentor Graphics Corporation, Wilsonville, OR/United States	(127)	(229)	100 ¹⁰
Mentor Graphics Global Holdings, LLC, Wilmington, DE/United States	0	2,685	100 ¹⁰
Panda Hummel Station Intermediate Holdings I LLC, Wilmington, DE/United States	22	261	32 ⁷
Panda Stonewall Intermediate Holdings I, LLC, Wilmington, DE/United States	(7)	145	37 ⁷
PETNET Solutions, Inc., Knoxville, TN/United States	7	131	100
Siemens Capital Company LLC, Wilmington, DE/United States	(39)	900	100
Siemens Corporation, Wilmington, DE/United States	2,259	646	100
Siemens Energy, Inc., Wilmington, DE/United States	442	5,113	100
Siemens Financial Services, Inc., Wilmington, DE/United States	90	1,176	100
Siemens Gamesa Renewable Energy Inc., Wilmington, DE/United States	(8)	62	100
Siemens Gamesa Renewable Energy USA, INC, Dover, DE/United States	5	481	100
Siemens Gamesa Renewable Energy Wind, LLC, Dover, DE/United States	18	(311)	100
Siemens Government Technologies, Inc., Wilmington, DE/United States	9	334	100
Siemens Healthcare Diagnostics Inc., Los Angeles, CA/United States	(420)	6,507	100
Siemens Industry, Inc., Wilmington, DE/United States	342	5,672	100
Siemens Medical Solutions USA, Inc., Wilmington, DE/United States	(234)	(505)	100
Siemens Product Lifecycle Management Software Inc., Wilmington, DE/United States	33	2,658	100
Siemens Public, Inc., Wilmington, DE/United States	27	1,123	100
Siemens USA Holdings, Inc., Wilmington, DE/United States	2,313	5,858	100
SMI Holding LLC, Wilmington, DE/United States	0	19	100
Wheelabrator Air Pollution Control Inc., Baltimore, MD/United States	1	137	100
Asia, Australia (39 companies)			
Exemplar Health (SCUH) Partnership, Sydney/Australia	10	131	50 ⁵
Siemens Ltd., Bayswater/Australia	46	152	100
Beijing Siemens Cerberus Electronics Ltd., Beijing/China	19	24	100 ⁷
Mentor Graphics (Shanghai) Electronic Technology Co., Ltd., Shanghai/China	1	49	100 ⁷
Shanghai Electric Power Generation Equipment Co., Ltd., Shanghai/China	42	557	40 ⁷
Siemens Electrical Apparatus Ltd., Suzhou, Suzhou/China	45	95	100 ⁷
Siemens Electrical Drives (Shanghai) Ltd., Shanghai/China	14	23	100 ⁷
Siemens Electrical Drives Ltd., Tianjin/China	40	82	85 ⁷
Siemens Factory Automation Engineering Ltd., Beijing/China	33	34	100 ⁷
Siemens Finance and Leasing Ltd., Beijing/China	5	75	100 ⁷
Siemens Financial Services Ltd., Beijing/China	81	372	100 ⁷
Siemens Industrial Automation Products Ltd., Chengdu, Chengdu/China	54	86	100 ⁷

¹ The values correspond to the annual financial statements after a possible profit transfer, for subsidiaries according to the consolidated IFRS-closing.

² Acquisition or foundation, no financial statements available.

³ Siemens AG is a shareholder with unlimited liability of this company.

⁴ A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

⁵ Figures from financial years prior to year ended 30 September 2016.

⁶ Values from fiscal year October 01, 2015 – September 30, 2016.

⁷ Values from fiscal year January 01, 2016 – December 31, 2016.

⁸ Values from fiscal year April 06, 2016 – December 31, 2016.

⁹ Values from fiscal year June 30, 2016 – December 31, 2016.

¹⁰ Values from fiscal year February 01, 2016 – January 31, 2017.

¹¹ Values from fiscal year April 01, 2016 – March 31, 2017.

¹² Values from fiscal year July 01, 2016 – June 30, 2017.

N/A = No financial data available.

September 30, 2017	Net income in millions of € ¹	Equity in millions of € ¹	Equity interest in %
Siemens International Trading Ltd., Shanghai, Shanghai/China	28	58	100 ⁷
Siemens Ltd., China, Beijing/China	774	4,375	100 ⁷
Siemens Mechanical Drive Systems (Tianjin) Co., Ltd., Tianjin/China	63	168	100 ⁷
Siemens Medium Voltage Switching Technologies (Wuxi) Ltd., Wuxi/China	26	29	85 ⁷
Siemens Numerical Control Ltd., Nanjing, Nanjing/China	23	45	80 ⁷
Siemens Shanghai Medical Equipment Ltd., Shanghai/China	64	97	100 ⁷
Siemens Shenzhen Magnetic Resonance Ltd., Shenzhen/China	75	104	100 ⁷
Siemens Standard Motors Ltd., Yizheng/China	19	44	100 ⁷
Trench High Voltage Products Ltd., Shenyang, Shenyang/China	25	42	65 ⁷
Bangalore International Airport Ltd., Bangalore/India	79	244	26 ¹¹
Dresser-Rand India Private Limited, Mumbai/India	16	112	100
Mentor Graphics (India) Private Limited, New Delhi/India	7	61	100 ¹¹
Siemens Financial Services Private Limited, Mumbai/India	4	59	100
Siemens Gamesa Renewable Private Limited, Chennai/India	(47)	314	100 ¹¹
Siemens Healthcare Private Limited, Mumbai/India	10	(67)	100 ¹¹
Siemens Ltd., Mumbai/India	146	1,070	75
P.T. Jawa Power, Jakarta/Indonesia	408	1,187	50 ⁷
Siemens Healthcare Diagnostics K.K., Tokyo/Japan	7	201	100
Siemens Healthcare K.K., Tokyo/Japan	68	128	100
Siemens K.K., Tokyo/Japan	1	168	100
Siemens Healthcare Limited, Seoul/Korea, Republic of	15	72	100
Siemens Ltd. Seoul, Seoul/Korea, Republic of	44	155	100
Dresser-Rand Asia Pacific Sdn. Bhd., Kuala Lumpur/Malaysia	3	68	100
Siemens Malaysia Sdn. Bhd., Petaling Jaya/Malaysia	5	22	100
Siemens Pte. Ltd., Singapore/Singapore	16	346	100
Siemens Ltd., Taipei/Taiwan, Province of China	17	31	100
Siemens Limited, Bangkok/Thailand	17	52	99

¹ The values correspond to the annual financial statements after a possible profit transfer, for subsidiaries according to the consolidated IFRS-closing.

² Acquisition or foundation, no financial statements available.

³ Siemens AG is a shareholder with unlimited liability of this company.

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⁵ Figures from financial years prior to year ended 30 September 2016.

⁶ Values from fiscal year October 01, 2015 – September 30, 2016.

⁷ Values from fiscal year January 01, 2016 – December 31, 2016.

⁸ Values from fiscal year April 06, 2016 – December 31, 2016.

⁹ Values from fiscal year June 30, 2016 – December 31, 2016.

¹⁰ Values from fiscal year February 01, 2016 – January 31, 2017.

¹¹ Values from fiscal year April 01, 2016 – March 31, 2017.

¹² Values from fiscal year July 01, 2016 – June 30, 2017.

N/A = No financial data available.

B.

Additional Information



B.1 Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report for Siemens Aktiengesellschaft, which has been combined with the

Group management report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the material opportunities and risks associated with the expected development of the Company.

Munich, November 27, 2017

Siemens Aktiengesellschaft
The Managing Board



Joe Kaeser



Dr. Roland Busch



Lisa Davis



Klaus Helmrich



Janina Kugel



Cedrik Neike



Michael Sen



Dr. Ralf P. Thomas

B.2 Independent Auditor's Report

To Siemens Aktiengesellschaft, Berlin and Munich

Report on the audit of the financial statements and the management report

OPINIONS

We have audited the financial statements of Siemens Aktiengesellschaft, Berlin and Munich, which comprise the income statement for the fiscal year from October 1, 2016 to September 30, 2017, the balance sheet as of September 30, 2017 and the notes to the financial statements, including the presentation of accounting and measurement policies. We have also audited the management report of Siemens Aktiengesellschaft, which is combined with the group management report, for the fiscal year from October 1, 2016 to September 30, 2017.

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

- the accompanying financial statements comply, in all material respects, with the provisions of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the Company as of September 30, 2017 and its results of operations for the fiscal year from October 1, 2016 to September 30, 2017 in accordance with German principles of proper accounting, and
- the accompanying management report as a whole provides a suitable view of the Company's position. In all material respects, this management report is consistent with the financial statements, complies with the provisions of German law and suitably presents the opportunities and risks of future development.

In accordance with Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we hereby state that our audit has not led to any reservations regarding the compliance of the financial statements and the management report.

BASIS FOR OPINIONS

We conducted our audit of the financial statements and the management report in accordance with Sec. 317 HGB and Regulation (EU) No 537/2014 (EU Audit Regulation) as well as German generally accepted standards on auditing promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We conducted the audit of the financial statements in supplementary compliance with International Standards on Auditing (ISA). Our responsibilities under those laws, rules and standards are further described in the "Auditor's responsibilities for the audit of the financial statements and the management report" section of our report. We are independent of the Company in

accordance with European and German commercial law and professional provisions and we have fulfilled our other German ethical responsibilities in accordance with these requirements. Furthermore, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided any prohibited non-audit services referred to in Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the financial statements and on the management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

Accounting for construction contracts

Reasons why the matter was determined to be a key audit matter:

The Company conducts a significant portion of its business under construction contracts, particularly in the business fields Power and Gas, Energy Management and Mobility. Revenue from long-term construction contracts is recognized in accordance with the completed contract method when all primary and significant secondary obligations have been fulfilled. We consider the accounting for construction contracts and especially the resulting revenue recognition to be an area posing a significant risk of material misstatement and accordingly a key audit matter as the recognition of revenue from individual projects in the appropriate period has a material impact on the presentation of the Company's results of operations. The valuation of inventories at net realizable value as well as the recognition and measurement of provisions for onerous contracts require management to exercise judgment and make estimates and assumptions. This relates especially to the scope of deliveries and services required, remaining costs to completion, as well as contract risks including technical, political, regulatory and legal risks.

Audit approach: As part of our audit, we obtained an understanding of the Group's internally established methods, processes and control mechanisms for project management in the bid and execution phase of construction contracts. We also assessed the design and operating effectiveness of the accounting-related internal controls by examining business transactions specific to construction contracts, from the initiation of the transaction through recognition in the financial statements, and testing internal controls over these processes.

As part of our substantive audit procedures, we evaluated management's estimates and assumptions based on a risk-based selection of a sample of contracts. Our sample particularly included projects that are subject to significant risks such as projects with significant secondary obligations, projects with complex technical requirements or with a large portion of materials and services to be provided by suppliers, subcontractors or consortium partners, cross-border projects, and projects with changes in cost estimates, delays and/or low or negative margins. In order to evaluate whether revenues were recognized in the appropriate period for the selected projects, we analyzed billable revenues and corresponding cost of sales to be recognized in the income statement in the reporting period, and examined the accounting for the associated positions in the balance sheet. Our audit procedures included, among others, review of the sample contracts and their terms and conditions including termination rights, penalties for delay and breach of contract as well as liquidated damages. To identify particularities throughout the projects' execution, we further performed inquiries of project management (both commercial and technical project managers) with respect to the development of the projects, and management's assessments on probabilities that contract risks will materialize. In designing our audit procedures, we also considered results from project audits conducted by the internal audit function. Furthermore, we obtained evidence from third parties for selected projects (for example project acceptance documentation, contractual terms and conditions, and legal confirmations regarding alleged breaches of contract and asserted claims) and inspected plant and project locations. To identify anomalies in revenue recognition and the related cost of sales throughout the projects' execution, we also applied data analysis procedures.

Due to the large contract volume and risk profile our audit procedures especially focused on large contracts for the construction of power plants on a turnkey basis, high-voltage-direct-current solutions, and the delivery of high-speed and commuter trains.

Our audit procedures did not lead to any reservations relating to the accounting for construction contracts.

Reference to related disclosures: With regard to the accounting and measurement policies applied in accounting for constructing contracts, refer to chapter → **A.3.3 NOTES TO THE INCOME STATEMENT, NOTE 1 REVENUE** in the notes to the financial statements. With respect to the accounting for provisions for onerous contracts and risks, refer to chapter → **A.3.4 NOTES TO THE BALANCE SHEET, NOTE 17 OTHER PROVISIONS** and chapter → **A.3.5 OTHER DISCLOSURES, NOTE 23 GUARANTEES AND OTHER COMMITMENTS** in the notes to the financial statements.

Other provisions

Reasons why the matter was determined to be a key audit

matter: We considered the accounting for other provisions, especially for legal disputes, regulatory proceedings and governmental investigations (legal proceedings) as well as for decontamination to be a key audit matter. These matters are subject to inherent uncertainties and require estimates that could have a significant impact on the recognition and measurement of the respective provision and, accordingly, on net assets and results of operations. Legal proceedings are subject to uncertainties because they frequently involve complex legal issues and accordingly, considerable management judgment, in particular when determining whether and in what amount a provision is required to account for the risks. The uncertainties and estimates with respect to provisions for decontamination pertain especially to the estimated costs of decommissioning and the estimated time frame over which cash outflows are expected.

Audit approach: During our audit of the financial reporting of legal proceedings, we analyzed the processes and internal controls implemented by Siemens for the identification, assessment and accounting of legal and regulatory proceedings. To determine what potentially significant pending legal proceedings or claims asserted are known and whether management's estimates of the expected cash outflows are reasonable, our audit procedures included inquiries of management and other persons within the Company entrusted with these matters, obtaining written statements from in-house legal counsels with respect to the assessment of estimated cash outflows and their probability, obtaining confirmations from external legal advisors and evaluating internal statements concerning the accounting in the financial statements. Furthermore, we examined legal consulting expense accounts for any indications of legal matters not yet considered, and inspected additional appropriate evidence.

We further considered alleged or substantiated non-compliance with statutory provisions, official regulations and internal company policies (compliance violations) by inspecting internal and external statements on specific matters, obtaining written statements from external legal advisors, and by inquiring of the compliance organization. In this regard, we, among other procedures, evaluated the conduct and results of internal investigations by inspecting internal reports and the measures taken to remediate identified weaknesses, and assessed whether any risks are to be reflected in the financial statements.

Based on the above described uncertainties, our audit procedures with respect to the provisions for decontamination focused on the remediation and environmental protection liabilities for

the decommissioning of the facilities in Hanau, Germany (Hanau facilities), as well as for the nuclear research and service center in Karlstein, Germany (Karlstein facilities). Our audit procedures included, among others, assessing the appropriateness as audit evidence of an independent expert's report commissioned by management, evaluating the valuation methods used by drawing on the expertise of our valuation specialists, and assessing the significant estimates resulting from the long-term nature. Through inquiries of persons entrusted with the matter and inspections of internal and external documents, we evaluated management's assessment that Siemens is, as of September 30, 2017, not covered by the regulations for nuclear waste disposal which were partly amended in fiscal year 2017 ("Gesetz zur Neuordnung der Verantwortung in der kerntechnischen Entsorgung"), and therefore continues to adhere to the German Atomic Energy Act ("deutsches Atomgesetz"), whereby radioactive waste resulting from the closure of the nuclear facility must be collected and delivered to a government-developed final storage facility. In addition, we assessed the adjustments to the assumed inflation rates in fiscal year 2017 by inquiring of management and, with the assistance of our internal valuation specialists, by comparing the above-mentioned changes.

Furthermore, we evaluated the disclosures on provisions for decontamination in the notes to the financial statements.

Our audit procedures did not lead to any reservations relating to the accounting for other provisions.

Reference to related disclosures: With regard to the accounting and measurement policies applied in accounting for other provisions, refer to chapter → **A.3.2 ACCOUNTING POLICIES AND METHODS** in the notes to the financial statements. With respect to the legal disputes, regulatory proceedings and governmental investigations, refer to chapter → **A.3.5 OTHER DISCLOSURES, NOTE 25 OTHER FINANCIAL OBLIGATIONS** and with respect to the uncertainties and estimates relating to the provisions for decontamination, refer to chapter → **A.3.4 NOTES TO THE BALANCE SHEET, NOTE 17 OTHER PROVISIONS**.

Uncertain tax positions and recoverability of deferred taxes

Reasons why the matter was determined to be a key audit matter: The accounting for uncertain tax positions as well as deferred taxes requires management to exercise considerable judgment and make estimates and assumptions, and was therefore a key audit matter. This particularly pertains to the measurement and completeness of uncertain tax positions as well as the recoverability of deferred tax assets.

Audit approach: With the assistance of internal tax specialists who have knowledge of relevant tax regulations, we assessed management's processes and tested internal controls implemented for the identification, recognition and measurement of tax positions. As part of our audit procedures for uncertain tax positions, we evaluated whether management's assessment of the tax effects of significant business transactions and events in fiscal year 2017, which could result in uncertain tax positions or impact the measurement of existing uncertain tax positions, comply with applicable tax law. This includes, in particular, tax effects from the acquisition or disposal of businesses, corporate (intra-group) restructuring activities, and cross-border transactions including the determination of transfer prices. In order to assess measurement and completeness, we also obtained confirmations from external tax advisors and inspected expert tax reports commissioned by Siemens for individual matters. Further, we evaluated management's assessments with respect to the prospects of success of appeal and tax court proceedings by inquiring of the Siemens tax department and by considering current tax case law.

In assessing the recoverability of deferred tax assets, we particularly analyzed management's assumptions with respect to projected future taxable income and compared them to internal business plans.

Our audit procedures did not lead to any reservations relating to the accounting for uncertain tax positions and the assessment of the recoverability of deferred taxes.

Reference to related disclosures: With regard to the accounting and measurement policies applied in accounting for uncertain tax positions and deferred taxes, refer to chapter → **A.3.2 ACCOUNTING POLICIES AND METHODS** and chapter → **A.3.3 NOTES TO THE INCOME STATEMENT, NOTE 6 INCOME TAXES** and with respect to disclosures for deferred tax assets, refer to chapter → **A.3.4 NOTES TO THE BALANCE SHEET, NOTE 13 DEFERRED TAX ASSETS** in the notes to the financial statements.

Impairment of non-current financial assets

Reasons why the matter was determined to be a key audit matter: The impairment test of non-current financial assets, especially of shares in affiliated companies, constitutes a significant risk of material misstatement due to the materiality of these assets as well as the judgment involved in assessing whether there is objective evidence to indicate a lower fair value and permanent impairment. The valuations also depend to a large extent on the assessment of future cash inflows and the discount rate applied. Consequently, the impairment of non-current financial assets was determined to be a key audit matter.

Audit approach: With regard to the lower fair value calculated and the assessment of permanent impairment by management, we examined the underlying processes and controls used to calculate fair value and assessed the operating effectiveness of the controls implemented in the process for budgeting future cash flows. We assessed the underlying valuation models for the determination of fair value in terms of methodology and reperformed the calculations with the assistance of internal valuation specialists. We also examined whether the budget planning reflects general and industry-specific market expectations. We performed a budget to actual comparison of the historically forecasted data and the actual results on a sample basis to assess forecast accuracy. The parameters used to estimate fair value such as the estimated growth rates and the weighted average cost of capital were assessed by comparing them to publicly available market data and considering changes in significant assumptions including future market conditions. We also performed our own sensitivity analyses to assess the impairment risk in the case of a reasonably possible change in one of the significant assumptions.

Our audit procedures did not lead to any reservations relating to the impairment of non-current financial assets.

Reference to related disclosures: With regard to the accounting and measurement policies applied for the impairment of non-current financial assets, refer to chapter → **A.3.2 ACCOUNTING POLICIES AND METHODS** and with respect to write-downs and write-ups of investments, refer to chapter → **A.3.3 NOTES TO THE INCOME STATEMENT, NOTE 3 INCOME FROM INVESTMENTS, NET** in the notes to the financial statements.

OTHER INFORMATION

Management is responsible for the following other information:

- the Responsibility Statement according to Sec. 264 (2) Sentence 3 and Sec. 289 (1) Sentence 5 HGB in chapter → **B.1** as well as
- Corporate Governance in chapter → **C.4** of the Annual Report 2017

The Supervisory Board is responsible for the following other information:

- the Report of the Supervisory Board in chapter → **C.3** of the Annual Report 2017

Our opinions on the financial statements and the management report do not cover the other information and we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information, and, in doing so, consider whether the other information

- is materially inconsistent with the financial statements, the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Management is responsible for the preparation of financial statements that comply, in all material respects, with German commercial law applicable to corporations, for the preparation of financial statements that give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with the German principles of proper accounting and for such internal control as management determines is necessary to enable the preparation of financial statements in accordance with the German principles of proper accounting that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there are factual or legal obstacles.

In addition, management is responsible for the preparation of the management report that as a whole provides a suitable view of the Company's position and, in all material respects, is consistent with the financial statements, complies with the provisions of German law and suitably presents the opportunities and risks of future development and for such arrangements and measures (systems) as management deems necessary to enable the preparation of a management report in accordance with the applicable provisions of German law and to furnish sufficient appropriate evidence for the statements in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the financial statements and the management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides a suitable view of the Company's position and, in all material respects, is consistent with the financial statements and our audit findings, complies with the provisions of German law and suitably presents the opportunities and risks of future development, and to issue an independent auditor's report that includes our opinions on the financial statements and the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation as well as generally accepted standards on auditing promulgated by the IDW and in supplementary compliance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements and the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit of the financial statements and the arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists re-

lated to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the management report or, if such disclosures are inadequate, to modify our respective opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting;
- evaluate the management report's consistency with the financial statements, its compliance with the legal provisions and the view it gives of the Company's position;
- perform procedures on the forward-looking statements made by management in the management report. In particular, on the basis of sufficient appropriate audit evidence, we walk through the significant assumptions underlying management's forward-looking statements and assess whether the forward-looking statements were appropriately derived from these assumptions. We do not provide a separate opinion on the forward-looking statements and underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe each key audit matter in our auditor's report unless laws or regulations preclude public disclosure about the matter.

Report on other legal and regulatory requirements

OTHER REPORTING ITEMS IN ACCORDANCE WITH ART. 10 OF THE EU AUDIT REGULATION

We were elected as auditor of the financial statements by the Annual Shareholders' Meeting on February 1, 2017. We were engaged by the Supervisory Board on February 1, 2017. We have been the auditor of Siemens Aktiengesellschaft for an uninterrupted period since the audit of the financial statements for the fiscal year from October 1, 2008 to September 30, 2009.

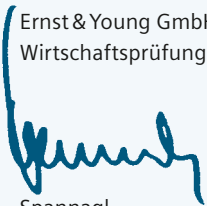
We confirm that the audit opinions included in this auditor's report are consistent with the additional report to the Audit Committee in accordance with Art. 11 of the EU Audit Regulation (audit report).

Responsible auditor

The auditor responsible for the audit is Thomas Spannagl.

Munich, November 27, 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft



Spannagl
Wirtschaftsprüfer
[German Public Auditor]



Breitsameter
Wirtschaftsprüferin
[German Public Auditor]

B.3 Further Information

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.

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