A.1 Business and economic environment

A.1.1 The Siemens Group

A.1.1.1 ORGANIZATION AND BASIS OF PRESENTATION

We are a technology company with core activities in the fields of electrification, automation and digitalization, and activities in nearly all countries of the world. Siemens comprises Siemens AG, a stock corporation under the Federal laws of Germany, as the parent company and its subsidiaries. Our Company is incorporated in Germany, with our corporate headquarters situated in Munich. As of September 30, 2015, Siemens had around 348,000 employees.

Following the organizational changes described in the Annual Report for fiscal 2014, we have the following reportable segments beginning with fiscal 2015: the Divisions **Power and Gas**; **Wind Power and Renewables**; **Energy Management**; **Building Technologies**; **Mobility**; **Digital Factory**; and **Process Industries and Drives** as well as the separately managed business **Healthcare**, which together form our Industrial Business. The Division **Financial Services** (SFS) supports the activities of our Industrial Business and also conducts its own business with external customers. As "global entrepreneurs" our Divisions and Healthcare carry business responsibility worldwide, including with regard to their operating results.

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

A.1.1.2 BUSINESS DESCRIPTION

For more information on the portfolio transactions described below, see → NOTE 3 in → B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

The **Power and Gas** Division offers a broad spectrum of products and solutions for generating electricity from fossil fuels and for producing and transporting oil and gas. The portfolio includes gas turbines, steam turbines, generators to be applied to gas or steam power plants, compressors, integrated power plant solutions, and instrumentation and control systems for power generation. Customers are public utilities and independent power producers, companies in engineering, procurement and construction that serve these companies, and companies that generate power for their own consumption. Due to the broad range of its offerings, the Division's revenue mix may vary from reporting period to reporting period depending on the share of revenue attributable to products, solutions and services. Because typical profitability levels differ among these three revenue sources, the revenue mix in a reporting period accordingly affects Division profit for that period. In June 2015, Siemens acquired all shares of Dresser-Rand Group Inc. (Dresser-Rand), a world-leading supplier for the oil and gas industry. With Dresser-Rand on board, we have a comprehensive portfolio of equipment and capability for the oil and gas industry and a much expanded installed base, allowing us to address the needs of the market with products, solutions and services. In December 2014, Siemens acquired the Rolls-Royce Energy aero-derivative gas turbine and compressor business of Rolls-Royce plc, U.K. (Rolls-Royce). By acquiring Rolls-Royce's small and medium aero-derivative gas turbines business, we closed a technology gap in our extensive gas turbine portfolio.

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

The **Power Generation Services** Division offers comprehensive services for products, solutions and technologies, covering performance enhancements, maintenance services, customer trainings and consulting services for the Divisions Power and Gas and Wind Power and Renewables. Financial results of these two Divisions include the respective financial results of the Power Generation Services Division, which itself is not a reportable segment. Based on the business model, all discussions of the services business for Power and Gas as well as Wind Power and Renewables concern the Power Generation Services Division.

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

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

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

The **Digital Factory** Division offers a range of products and system solutions for automation technologies and industrial controls used in manufacturing industries. The Division is a leading provider of industry software together with a comprehensive product and service portfolio that covers all aspects of "Industrie 4.0" – a German high-tech industrial strategy. The Division supports customers in transforming their traditional companies into digital enterprises, in increasing the flexibility and efficiency of their production processes and in reducing the time to market for new products. The Division's lifecycle services and data-driven services complement its products and system solutions. The Divisions' offerings are geared largely to the manufacturing industry and its major markets such as automotive, aerospace, machine tools and plant installations. Because demand depends directly on the investment decisions of end customers as well as indirectly on orders from OEMs, a downturn or upswing in the overall economic environment impacts the Division's business results more timely than those of other Siemens businesses.

The **Process Industries and Drives** Division offers its customers standard products including converters, gears, motors, drives and couplings on the one hand and also customized, application-specific systems and solutions on the other hand. In addition, the Division supplies machine-to-machine communication products and sensors that measure pressure, temperature or flow rate for example. The Division's products, systems and industry-specific solutions as well as end-to-end services are designed to increase productivity, energy efficiency and reliability of machinery and installations, mainly in industries such as oil & gas, shipbuilding, mining, cement, pulp and paper, chemicals, food and beverage, and pharmaceuticals. In addition, the Division sells gears, couplings and drive solutions to other Divisions of the Siemens Group, which use them in rail transport and wind turbines. Demand within the industries served by the Division generally shows a delayed response to changes in the overall economic environment. Even so, the Division is strongly dependent on investment cycles in its key industries. In basic process industries such as oil & gas or mining, these cycles are driven mainly by commodity price fluctuations rather than changes in produced volumes.

Healthcare is one of the world's largest suppliers of technology to the healthcare industry and a leader in medical imaging and laboratory diagnostics. We provide medical technology and software solutions as well as clinical consulting services, supported by a comprehensive training and service portfolio. Therefore, we offer our customers a comprehensive portfolio of medical solutions along the healthcare continuum of care – from prevention and early detection to diagnosis, treatment and follow-up care. Because large portions of our revenue stem from recurring business, our business activities are to a certain extent resilient to short-term economic trends but dependent on regulatory and policy developments around the world. During fiscal 2015, we completed the sale of several businesses, in particular the hearing aid business and the hospital information business. With the beginning of fiscal 2016, Healthcare is strategically reorganized into six newly defined business areas and six regions. The Business Areas are Diagnostic Imaging, Laboratory Diagnostics, Advanced Therapies, Ultrasound, Point of Care Diagnostics and Services.

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

A.1.1.3 RESEARCH AND DEVELOPMENT

Our research and development (R&D) activities are ultimately geared to developing innovative, sustainable solutions for our customers – and the Siemens businesses – and simultaneously safeguarding our competitiveness. For these reasons, we focus in particular

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

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

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

In fiscal 2015, we reported research and development expenses of €4.5 billion, compared to €4.0 billion in fiscal 2014. The resulting R&D intensity, defined as the ratio of R&D expenses and revenue, was 5.9%, thus above the R&D intensity of 5.6% in fiscal 2014. As of September 30, 2015, Siemens held approximately 56,200 granted patents worldwide in its continuing operations. As of September 30, 2014, it held approximately 56,100 granted patents. On average, we had 32,100 R&D employees in fiscal 2015.

Research and Development in our businesses

R&D at the **Power and Gas** Division concentrates on developing products and solutions for enhancing efficiency, flexibility and economy in power generation and in the oil and gas industry. These products and solutions include turbomachinery – primarily high-performance, low-emission gas turbines for single operation or for combined cycle power plants – and compressor solutions for various process industries. The Division's technology initiative started in fiscal 2015 is aimed at intensifying R&D in innovative materials, advanced manufacturing methods and plant optimization. Along with promoting digitalization in overall product lifecycles, Power and Gas is on track preparing for changing energy markets and their increasingly diversified centralized and decentralized structures.

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

The R&D activities of our **Energy Management** Division focus on preparing our portfolio for changes on all voltage levels in the world of electricity. The increasing infeed of renewable energy to power grids requires that those grids become more flexible and efficient, particularly with distributed generation on the rise. The digitalization of future grids will enable intelligent grid operation and data-driven services. Cost-out programs and optimization of our footprint are improving the competitiveness of our product portfolio on global markets. Our innovations are centered on power electronics, digitalization or grid stabilization. The full integration of energy supply systems with process automation is a core portfolio element for industrial applications and infrastructures.

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

The **Mobility** Division's R&D strategy addresses customers' demand for maximum availability, high throughput and enhanced passenger experience. Although there is a growing need for mobility worldwide, possibilities for building new roads and railways are limited. Meeting the demand for mobility requires intelligent solutions that make transport more efficient, safe and environmentally friendly. Reflecting this, Mobility's R&D activities strongly emphasize digitalization in developing state-of-the art rail vehicles, automation solutions for rail and road traffic, and rail electrification systems. Most of these goals can be achieved only with intelligent IT solutions such as WLAN-based control systems for driverless and conductorless metro train operation, decentralized wayside architecture for rail automation, cloud-based product solutions, or Integrated Mobility Platforms that intelligently network passengers, mobility service providers and traffic management centers.

One of the R&D priorities at the **Digital Factory** Division is the Digital Enterprise Software Suite. Using Teamcenter software for central data management, the Digital Enterprise Software Suite creates a seamless data connection across the entire value chain – from product design to production planning and set-up all the way to real production and subsequent service. Innovative data services are another field of research: Siemens has already developed an open cloud solution for analyzing large datasets in industry. Data-based services such as predictive maintenance, asset and energy data management can be hosted on this platform. Control of Hybrid Manufacturing is another example. Additive manufacturing (e.g. 3D printing) is combined with subtractive procedures (e.g. milling) in one machine to ensure that components or products with a high degree of individualization can be manufactured quickly and efficiently.

The R&D strategy of the **Process Industries and Drives** Division is focusing on the digitalization of crucial portfolio elements across the complete lifecycle of processing plants. Innovative technologies for sensors, actuators, communications and simulations are prerequisites for end-to-end digitalization and automation and require, for example, consistent engineering, optimized and more efficient processes, and intelligent and predictive service concepts. The Division is also developing technologies for the digital oil field and the electric propeller pod drive. Our gears portfolio will be expanded and gears will be integrated into a digitalized condition monitoring and controlling system while increasing energy efficiency, reducing material costs and further cutting emissions.

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

A.1.2 Economic environment

A.1.2.1 WORLDWIDE ECONOMIC ENVIRONMENT

The global economic outlook deteriorated during fiscal year 2015, particularly for many emerging economies. The main reason for the deceleration in commodity exporting countries is globally weaker demand for raw materials and a further softening of the Chinese economy that suffered from weaker foreign demand, slower investment activity, a correction in real estate markets, and overcapacities in several industries. Additional stress for emerging countries resulted from capital outflows and exchange rates depreciation. Severe recessions have followed in Russia and Brazil, both countries having to deal with additional adverse shocks. A rare exception amongst the emerging economies is India, where the recovery has gained traction.

In the European economies, growth improved slightly in the first half of calendar 2015. Uncertainties stemming from the Greek bailout renegotiations and Greece's snap referendum on the bailout proposal had only minor impact on economic activity outside Greece itself, which is again in a deep recession after the economy started to stabilize last year. The German economy grew a solid 1.7%, with fixed investments expanding even faster at 2.4%.

The U.S. economy experienced a slowdown during the start of the year as a result of a harsh winter and disruptions caused by port strikes. The acceleration in the succeeding quarters showed that the underlying recovery trend was intact, mainly because of strong domestic demand. In particular, fixed investments performed better than the overall economy, although capital expenditures related to oil and gas production declined significantly due to lower oil prices. Strong consumption expenditures were fueled by a steadily improving labor market.

All in all the negative effects outweighed the positive ones, leading to declining worldwide gross domestic product (GDP) forecasts for 2015 in the course of the year, down to 2.5% growth from 3.2% expected in October 2014. Fixed investments are forecast to expand by 2.4% in calendar 2015, down from 4.5% expected in October 2014.

The partly estimated figures presented here for GDP and fixed investments are calculated by Siemens based on an IHS Global Insight report dated October 15, 2015.

A.1.2.2 MARKET DEVELOPMENT

The markets of the **Power and Gas** Division remained challenging in fiscal 2015. This was particularly evident in the market for steam turbines where volume shrank substantially year-over-year due including to an ongoing shift from coal-fired to gas-fired power generation in the U.S. and emission regulation e.g. in China. Demand in compression markets declined year-over-year. This was due mainly to a fall in capital expenditure for oil and gas upstream applications following the global oil price decline in 2014. In contrast, demand in the gas turbine market grew in fiscal 2015, driven by demand for replacement of aged existing inefficient and inflexible power plants, particularly in the U.S.; energy market reform in Mexico; and rising demand for energy in emerging countries, particularly China and countries in Latin America and the Middle East. The Division's competition consists mainly of two groups: a relatively small number of equipment manufacturers, some with very strong positions in their domestic markets, and on the other hand a large number of engineering, procurement and construction contractors. The gas turbine market is experiencing overcapacity among original equipment manufacturers and engineering, procurement and construction contractors, which is leading to market consolidation.

Markets served by the **Wind Power and Renewables** Division grew moderately in fiscal 2015. Overall growth was driven by the onshore wind power market segment, while the relatively smaller offshore wind power market segment saw a slight decline year-over-year. On a geographic basis, growth was strong in China, which has the largest national wind market in the world, but where market access for foreign manufacturers remains difficult. Policy and regulatory frameworks continue to influence regional wind power markets. For example, the production tax credit remained pertinent for the U.S. market. In Germany, the scheduled expiration of feed-in-tariffs beginning with calendar 2017 for newly build onshore wind power plants fueled demand in fiscal 2015. Market growth also benefited from stronger demand from some emerging countries in the Middle East, in Africa and Latin America. The competitive situation in wind power differs in the two major market segments. In the markets for onshore wind farms, competition is widely dispersed without any one company holding a dominant share of the market. In contrast, markets for offshore wind farms continue to be dominated by a few experienced market players. Consolidation is moving forward in both on- and offshore segments, including exits of smaller players. The key drivers of consolidation are technology challenges and market access challenges, which increase development costs and the importance of risk sharing in offshore wind power.

In fiscal 2015, markets for the **Energy Management** Division saw demand growth overall. The utilities market, the Division's most important customer segment, showed moderate growth. There was also stronger demand from the chemicals, metals and construction industries year-over-year. Within the chemicals industry, drivers of growth were sustainability and energy efficiency. In the Americas, growth in the chemicals industry benefited from process industries, which showed a trend towards re-industrialization in the U.S. and a build-up of capacities within the region overall. Within the metals markets, demand was held back by continued overcapacities and reduced investment activity, particularly in the region Europe, C.I.S., Africa, Middle East. Construction markets grew in all regions. In contrast, demand in the Division's oil and gas and minerals and mining markets declined year-over-year. The oil and gas industry has significantly reduced capital expenditures due to the global oil price decline. The minerals and mining industry suffers from lower demand for raw materials, mainly driven by the economic slowdown in China, and also by overcapacities and higher extraction costs. Competitors of the Energy Management Division consist mainly of a small number of large multinational companies. International competition is increasing from manufacturers in emerging countries such as China, India and Korea.

Markets for the **Building Technologies** Division grew moderately in fiscal 2015. Growth was driven by rising demand from the U.S. and Asia, despite weaker growth in China. Within the Europe, C.I.S., Africa, Middle East region, markets in the Middle East grew stronger than the region overall. The European market grew modestly with growth in Germany, the U.K., and Scandinavian countries above average. The Division's principal competitors are multinational companies. Its solutions and services business also competes with system integrators and small local companies. The Division faces continuing price pressure, particularly in its solutions business, due to strong competition from system houses and some larger competitors.

Markets for the **Mobility** Division grew moderately in fiscal 2015, with all regions contributing to growth. Market development in the Europe, C.I.S., Africa, Middle East region was characterized by continuous investment and awards of large orders. This was particularly evident in Germany, the U.K. and Russia. Demand in the Middle East and in Africa was mainly driven by turnkey and rail infrastructure projects. In the Americas region, growth continued to benefit from demand for passenger locomotives and urban transport products in the U.S. Chinese markets saw ongoing investments in high-speed trains, urban transport and rail infrastructure. The Division's principal competitors are multinational companies. Consolidation among Mobility's competitors is continuing.

In fiscal 2015, markets for the **Digital Factory** Division grew in all regions. Markets in Asia, Australia grew more strongly than in other regions but growth dynamics lost momentum significantly compared to fiscal 2014, particularly in China. While growth in Europe accelerated somewhat year-over-year, markets in the Americas showed a mixed picture: In the U.S. demand from consumer-oriented manufacturing industries was strong, whereas factory automation investment slowed down in countries affected by reduced global demand for export commodities including oil and gas. Within the Division's customer segments, markets for the manufacturing and machine building industries grew slightly overall in fiscal 2015, with decelerating growth during the course of the fiscal year. A slow-down in growth was particularly evident in the global automotive industry, which showed strong growth at the beginning of the fiscal year but started to cut investments due to lower demand for cars in emerging countries. The competition for Digital Factory's business activities can be grouped into two categories: multinational companies that offer a relatively broad portfolio and companies that are active only in certain geographic or product markets.

Markets served by the **Process Industries and Drives** Division grew slightly in fiscal 2015. While all regions contributed to growth and growth rates in Europe, C.I.S., Africa, Middle East were lower than in the Americas and Asia, Australia, growth rates in the latter two regions came in below the levels in prior years. Within the Division's main industries, demand from the chemicals, food and beverage, and pharmaceuticals industries grew year-over-year. This growth was largely offset by lower demand from the oil and gas and the mining industries. Competitors of the Division's business activities can be grouped into two categories: multinational companies that offer a relatively broad portfolio and companies that are active only in certain geographic or product markets. Consolidation is taking place mostly in particular market segments and not across the broad base of the Division's portfolio. Consolidation in solution-driven markets is going in the direction of in-depth niche market expertise, whereas consolidation of the product-driven market follows the line of convergence. Most major competitors have established global bases for their businesses. In addition, the competition has become increasingly focused on technological improvements and cost position.

In fiscal 2015, markets served by **Healthcare** continued to grow. Growth was again driven by emerging markets, which continued to build up their healthcare infrastructures and expand access to modern medical technology for their growing populations. Market development in industrialized countries remained weak, impacted by healthcare reforms and budgetary constraints. Healthcare's imaging customers saw growing demand for diagnostic imaging procedures but also experienced increasing public pressure to slow the growth of healthcare costs. Growth in the large Chinese imaging market was weak compared to prior years. Together with market entries of local vendors this led to increased price pressure. Within the markets for clinical products, demand in the low-end product segment in emerging markets was the main growth driver, while demand in industrialized countries remained stable year-over-year. Within emerging economies, the market for clinical products increasingly includes incentives for local production, particularly in China, Brazil and Russia. Growth in in-vitro diagnostics markets is benefiting from increasing test volumes as populations are aging. Overall, demand for in-vitro diagnostics solutions from emerging markets, particularly China, grew faster than markets in industrialized countries. For the healthcare market as a whole, the trend towards consolidation continues. Competition among the leading companies is strong, including with respect to price.

A.2 Financial performance system

A.2.1 Overview

Within One Siemens, we have established a financial framework – for revenue growth, for profitability and capital efficiency, for our capital structure, and for our dividend policy. Beginning with fiscal 2015 we modified our financial framework in the course of organizational changes and due to our new strategy "Vision 2020", as described in the ↗ ANNUAL REPORT FOR FISCAL 2014.

A.2.2 Revenue growth

Within the framework of One Siemens, we aim to grow our revenue faster than the average weighted revenue growth of our most relevant competitors. Our primary measure for managing and controlling our revenue growth is comparable growth, which excludes currency translation and portfolio effects.

A.2.3 Profitability and capital efficiency

Within the framework of One Siemens, we aim to achieve margins through the entire business cycle that are comparable to those of our relevant competitors. Therefore, we have defined profit margin ranges for our Industrial Business, which are based on the profit margins of the respective relevant competitors.

Profit margin ranges

	Margin range
Power and Gas	11 – 15%
Wind Power and Renewables	5 – 8%
Energy Management	7 – 10%
Building Technologies	8 – 11%
Mobility	6 – 9%
Digital Factory	14 – 20%
Process Industries and Drives	8 – 12%
Healthcare	15 – 19%
SFS ((ROE) (after taxes))	15 – 20%

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

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

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

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

A.2.4 Capital structure

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

A.2.5 Dividend

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

At the Annual Shareholders' Meeting, the Managing Board, in agreement with the Supervisory Board, will submit the following proposal to allocate the unappropriated net income of Siemens AG for the fiscal year 2015: to distribute a dividend of €3.50 on each share of no par value entitled to the dividend for fiscal year 2015 existing at the date of the Annual Shareholders' Meeting, with the remaining amount to be carried forward. Payment of the proposed dividend is contingent upon approval by Siemens shareholders at the Annual Shareholders' Meeting on January 26, 2016. The prior-year dividend was €3.30 per share.

The proposed dividend of €3.50 per share for fiscal 2015 represents a total payout of €2.8 billion based on the estimated number of shares entitled to dividend at the date of the Annual Shareholders' Meeting. Based on net income of €7.4 billion for fiscal 2015, the dividend payout percentage is 38%.

A.2.6 Calculation of return on capital employed

Calculation of ROCE

	Fiscal year	
(in millions of €)	2015	2014
Net income	7,380	5,507
Less: Other interest expenses/income, net[1]	(662)	(606)
Plus: SFS Other interest expenses/income	746	630
Plus: Net interest expenses from post-employment benefits	263	295
Less: Interest adjustments (discontinued operations)	–	1
Less: Taxes on interest adjustments (tax rate (flat) 30%)	(104)	(96)
(I) Income before interest after tax	**7,623**	**5,732**
(II) Average capital employed	**38,833**	**33,238**
(I)/(II) ROCE	**19.6%**	**17.2%**

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

Average capital employed for a fiscal year is determined as a five-point average in capital employed of the respective quarters, starting with the capital employed as of September 30 of the previous fiscal year.

Calculation of capital employed

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

Beginning with fiscal 2016, deferred taxes on actuarial gains and losses within equity will be eliminated in the calculation of capital employed. By making this adjustment, we treat actuarial gains and losses consistently in the ROCE calculation.

A.3 Results of operations

A.3.1 Orders and revenue by region

The increase in orders and revenue year-over-year was due mostly to favorable currency translation effects that added six percentage points to volume development. The resulting ratio of orders to revenue (book-to-bill) for Siemens in fiscal 2015 was 1.09, again well above 1. The order backlog (defined as the sum of order backlogs of the Industrial Business) was €110 billion as of September 30, 2015.

Orders (location of customer)

	Fiscal year		% Change	
(in millions of €)	2015	2014	Actual	Comp.
Europe, C.I.S., Africa, Middle East	42,539	41,259	3%	1%
therein: Germany	*11,991*	*10,910*	*10%*	*10%*
Americas	24,769	20,619	20%	5%
therein: U.S.	*17,357*	*14,613*	*19%*	*(1)%*
Asia, Australia	15,033	15,779	(5)%	(14)%
therein: China	*6,623*	*6,605*	*0%*	*(12)%*
Siemens	**82,340**	**77,657**	**6%**	**(1)%**
therein: emerging markets	*29,769*	*27,345*	*9%*	*2%*

Reported orders related to external customers in the region **Europe, C.I.S., Africa, Middle East** increased moderately, as substantial growth in Mobility, including among others a €1.7 billion order in Germany, and in Power and Gas, more than offset a sharp decline in Wind Power and Renewables due to a lower volume of large orders. Key growth drivers in the **Americas** included Power and Gas and Energy Management, both with a strong increase due to a higher volume of large orders in the region, and Healthcare which reported substantial growth in the U.S. Orders declined in the region **Asia, Australia** due mainly to a lower volume from large orders in Power and Gas and in Mobility that could only be partially offset by growth in Wind Power and Renewables, Energy Management, and in Digital Factory. The development in China showed a similar pattern, with a sharp order decline in Mobility offset by growth in the three Divisions just mentioned.

Revenue (location of customer)

	Fiscal year		% Change	
(in millions of €)	2015	2014	Actual	Comp.
Europe, C.I.S., Africa, Middle East	38,799	38,449	1%	(2)%
therein: Germany	*11,244*	*10,781*	*4%*	*4%*
Americas	21,702	18,494	17%	1%
therein: U.S.	*15,263*	*12,647*	*21%*	*1%*
Asia, Australia	15,135	14,283	6%	(4)%
therein: China	*6,938*	*6,405*	*8%*	*(4)%*
Siemens	**75,636**	**71,227**	**6%**	**(1)%**
therein: emerging markets	*25,285*	*24,146*	*5%*	*(3)%*

As expected, given our complex business environment in fiscal 2015, organic revenue was flat year-over-year, including a mixed picture for our industrial businesses. Reported revenue related to external customers in **Europe, C.I.S., Africa, Middle East** came in near the prior-year level, as growth in Energy Management and in Healthcare offset declines in Mobility and in Power and Gas. Moderate revenue growth in Germany was driven by a sharp increase in Wind Power and Renewables resulting from the continuing execution of large offshore contracts won in prior periods. In the **Americas**, revenue came in higher year-over-year, driven by double-digit increases in the U.S. across our industrial businesses, due mainly to currency translation tailwinds. The major contributions to growth in the U.S. as well as in the region came from Healthcare and Power and Gas. Revenue growth in **Asia, Australia** resulted mainly from solid increases in Digital Factory, Mobility and Healthcare that more than offset declines in Power and Gas and Wind Power and Renewables. Growth in China included nearly all of our industrial businesses, due in part to positive currency translation effects, while revenue in Power and Gas decreased substantially.

A.3.2 Segment information analysis

A.3.2.1 POWER AND GAS

(in millions of €)	Fiscal year 2015	Fiscal year 2014	% Change Actual	% Change Comp.
Orders	15,666	13,996	12%	(1)%
Revenue	13,193	12,720	4%	(11)%
Profit	1,426	2,215	(36)%	
Profit margin	10.8%	17.4%		

Revenue and orders benefited significantly from currency translation and portfolio effects. Dresser-Rand and the Rolls-Royce Energy aero-derivative gas turbine and compressor business, which were both acquired in fiscal 2015, contributed eight and ten percentage points to order and revenue development, respectively. Orders were almost on the level of the prior year on a comparable basis, as a decline in the solutions business, due to a lower volume from large orders, was almost offset by order growth in other businesses. The regional picture was mixed; order intake increased in Europe, C.I.S., Africa, Middle East and the Americas and declined in Asia, Australia. Revenue was down significantly on a comparable basis, due mainly to declines in the large gas turbine and solutions businesses. On a regional basis, revenue increased in the Americas and declined in the other two reporting regions. Profit was down substantially year-over-year, due mainly to lower margins, particularly in the large gas turbine business, severance charges of €192 million, charges of €106 million related to a project which incurred higher costs for materials and from customer delays, and higher R&D and selling expenses related in part to the acquisitions mentioned above. For comparison, the prior year benefited from a €73 million gain on the sale of the Division's turbo fan business and a positive €72 million effect from a successful project completion in the turnkey business. The Division continues to face challenges in an increasingly competitive market for large gas turbines. Beginning with fiscal 2016, the Division includes the E-Houses and Modules business segment that was previously included within the Process Industries and Drives Division. If this change had already been effective in fiscal 2015, profit margin for Power and Gas would have been 10.5%.

A.3.2.2 WIND POWER AND RENEWABLES

(in millions of €)	Fiscal year 2015	Fiscal year 2014	% Change Actual	% Change Comp.
Orders	6,136	7,759	(21)%	(26)%
Revenue	5,660	5,567	2%	(3)%
Profit	160	6	>200%	
Profit margin	2.8%	0.1%		

Order intake was down year-over-year, due mainly to a sharply lower volume of large orders, particularly in the offshore business, which for Siemens means primarily in Europe. Asia, Australia showed strong growth from a small base. Revenue was down on a comparable basis, as increases in the offshore and service businesses were more than offset by a decline in the onshore business. On a regional basis, an increase in the Americas was more than offset by declines in the two other reporting regions. Profit was up sharply compared to fiscal 2014, when the Division recorded charges of €272 million for inspecting and replacing main bearings in onshore wind turbines and for repairing offshore and onshore wind blades. In the current year, profit development was held back by reduced margins in the offshore business due partly to increased competition and expenses for ramping up commercial-scale production of turbine offerings.

A.3.2.3 ENERGY MANAGEMENT

(in millions of €)	Fiscal year 2015	Fiscal year 2014	% Change Actual	% Change Comp.
Orders	12,956	11,210	16%	9%
Revenue	11,922	10,708	11%	5%
Profit	570	(86)	n/a	
Profit margin	4.8%	(0.8)%		

Orders and revenue were higher in all businesses, in particular in the solutions, transformer and low voltage businesses. Benefiting from currency translation effects, all reporting regions showed order and revenue growth, in particular the Americas region. The major factor in the profit improvement year-over-year was sharply lower charges related to project execution. In addition, margins in the solutions business improved significantly year-over-year, including a lower share of projects with low or negligible margins. The Division recorded €88 million in severance charges in fiscal 2015. In fiscal 2014, the Division took charges totaling €298 million related to two high voltage direct current (HVDC) transmission line projects in Canada. It also recorded charges of €240 million in fiscal 2014 primarily related to grid connections to offshore wind-farms in the North Sea, which were handed over to the customer in fiscal 2015.

A.3.2.4 BUILDING TECHNOLOGIES

(in millions of €)	Fiscal year 2015	2014	% Change Actual	Comp.
Orders	6,099	5,587	9%	2%
Revenue	5,999	5,569	8%	1%
Profit	553	511	8%	
Profit margin	9.2%	9.2%		

Due largely to positive currency translation effects, orders and revenue for Building Technologies grew in all regions, particularly the Americas and Asia, Australia. The Division further increased its productivity and continued to improve its business mix to include a larger share of higher-margin product and service businesses year-over-year. These factors contributed to a clear increase in profit and the Division kept its profitability stable year-over-year despite impacts from a substantial appreciation of the Swiss franc early in the second quarter of the fiscal year and €24 million in severance charges.

A.3.2.5 MOBILITY

(in millions of €)	Fiscal year 2015	2014	% Change Actual	Comp.
Orders	10,262	9,280	11%	6%
Revenue	7,508	7,249	4%	(1)%
Profit	588	532	11%	
Profit margin	7.8%	7.3%		

Mobility again won a number of large orders, driving order growth year-over-year. Contract wins in fiscal 2015 included an order worth €1.7 billion for regional trains and maintenance in Germany and a €1.6 billion long-term order for maintenance in Russia. For comparison, large orders in fiscal 2014 included a contract worth €1.6 billion for two driverless subway-lines in Saudi Arabia. Revenue for Mobility grew moderately compared to the prior fiscal year. The Division's rail infrastructure and turnkey project businesses increased revenue year-over-year in every quarter. In contrast, the Division's rolling stock businesses generated lower revenue in the second half of fiscal 2015 due to timing of large rail projects following completion of older projects while new large projects are beginning to ramp up. This held back full-year revenue development for Mobility overall. On a geographic basis, revenue growth was strongest in Asia, Australia. Revenue and order development benefited strongly from currency translation effects. In fiscal 2015, Mobility continued its solid project execution. Profit for the Division rose significantly year-over-year, despite €68 million in severance charges. The profit improvement was driven by a more favorable business mix compared to fiscal 2014, particularly including a higher share from the rail infrastructure business. For comparison, profit in the prior fiscal year benefited from a €55 million net effect from the release of accruals related to the "Siemens 2014" program.

A.3.2.6 DIGITAL FACTORY

(in millions of €)	Fiscal year 2015	2014	% Change Actual	Comp.
Orders	10,014	9,233	8%	3%
Revenue	9,956	9,201	8%	3%
Profit	1,738	1,681	3%	
Profit margin	17.5%	18.3%		

The softening market environment for production equipment, particularly including the industrial deceleration in China during fiscal 2015, limited growth opportunities for Digital Factory's high-margin factory automation business, which reported flat revenue and orders on a comparable basis. Conditions were more favorable for the Division's software and motion control businesses, which delivered clear comparable growth in both revenue and orders. On a regional basis, orders and revenue increased in all three reporting regions, led by Asia, Australia and the Americas, due largely to positive currency translation effects. Despite currency tailwinds, profitability was held back by the less favorable revenue mix and higher expenses for R&D and selling targeted at future growth. In addition, Division profit included €54 million in severance charges for the fiscal year. Beginning with fiscal 2016, the Division includes the geared motors segment that was previously reported in the Process Industries and Drives Division. In addition, minor business activities of the Division were bundled centrally and are reported within Corporate Items. If these changes had already been effective in fiscal 2015, profit margin would have been 16.9%.

A.3.2.7 PROCESS INDUSTRIES AND DRIVES

(in millions of €)	Fiscal year 2015	2014	% Change Actual	Comp.
Orders	9,337	9,968	(6)%	(10)%
Revenue	9,894	9,645	3%	(3)%
Profit	536	773	(31)%	
Profit margin	5.4%	8.0%		

The weak market environment for process industries in fiscal 2015 was particularly evident in commodity-related markets and those influenced by low oil prices. As a result, the Division saw a sharp decrease in orders in its oil & gas and marine business and a moderate order decline in its large drives business, due mainly to a lower volume from large orders. Reported revenue increased in nearly all businesses, driven by currency translation effects. In the Division's largest business, large drives, revenue was flat and comparable revenue decreased moderately. On a regional basis, the order decline was due largely to a double-digit decrease in Europe, C.I.S., Africa, Middle East and lower orders in Asia, Australia. Reported revenue increased in all three regions, however, in the Americas and in Asia, Australia growth was driven by favorable currency translation effects. Despite currency tailwinds, fiscal 2015 profit margin declined, due in part to ongoing operational challenges in the large drives and the oil & gas and marine businesses. In addition, profitability was held back by a warranty charge of €96 million in the large drives business and €74 million in severance charges for the Division overall. Beginning with fiscal 2016, parts of the Division's business activities are reported within other Divisions, as previously described for the Power and Gas and the Digital Factory Division. If these changes had already been effective in fiscal 2015, profit margin would have been 6.1%.

A.3.2.8 HEALTHCARE

(in millions of €)	Fiscal year 2015	2014	% Change Actual	Comp.
Orders	13,349	12,126	10%	3%
Revenue	12,930	11,736	10%	3%
Profit	2,184	2,072	5%	
Profit margin	16.9%	17.7%		

All businesses posted order and revenue growth, with the largest increase coming from the imaging and therapy systems business. All regions contributed to volume growth and benefited from currency translation effects, most notably in the Americas. Profit growth was driven mainly by the imaging and therapy systems business and benefited from currency tailwinds mainly due to the greater strength of the US$ compared to fiscal 2014. In fiscal 2015, Healthcare recorded €62 million in severance charges and a €64 million gain from the divestment of the microbiology business. For comparison, profit in fiscal 2014 included a €66 million positive effect related to the sale of a particle therapy installation in Germany.

A.3.2.9 FINANCIAL SERVICES (SFS)

(in millions of €)	Fiscal year 2015	2014
Income before income taxes	600	466
ROE (after taxes)	20.9%	18.1%

(in millions of €)	Sep 30, 2015	2014
Total assets	24,970	21,970

SFS recorded a higher income contribution from the equity business, primarily relating to a net gain in connection with the sale of renewable energy projects. Higher interest results associated with growth in total assets were largely offset by a higher level of credit hits related mainly to business in China. Despite substantial early terminations of financings, total assets have increased since the end of fiscal 2014, including positive currency translation effects.

A.3.2.10 RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS

Profit

(in millions of €)	Fiscal year 2015	2014
Centrally managed portfolio activities	714	280
Siemens Real Estate	205	242
Corporate items	(709)	(446)
Centrally carried pension expense	(440)	(393)
Amortization of intangible assets acquired in business combinations	(543)	(498)
Eliminations, Corporate Treasury and other reconciling items	(366)	(48)
Reconciliation to Consolidated Financial Statements	**(1,138)**	**(862)**

Centrally managed portfolio activities (CMPA) included a gain of €1.4 billion on the disposal of Siemens' stake in BSH Bosch und Siemens Hausgeräte GmbH (BSH). This was partly offset by an equity investment loss of €275 million related to Unify Holdings B.V. (Unify), an impairment of €138 million related to Siemens' stake in Primetals Technologies Ltd. and losses from other businesses. For comparison, fiscal 2014 included equity investment income from BSH.

As in the past, income from Siemens Real Estate continues to be highly dependent on disposals of real estate. In fiscal 2015, the disposals of real estate were lower than in the prior-year.

Corporate items were influenced by a number of items, including €196 million in severance charges for corporate reorganization of support functions.

The change in Eliminations, Corporate Treasury and other reconciling items included primarily negative effects related to the change in fair value of interest rate derivatives.

A.3.3 Income

(in millions of €, earnings per share in €)	Fiscal year 2015	2014	% Change
Power and Gas	1,426	2,215	(36)%
Wind Power and Renewables	160	6	>200%
Energy Management	570	(86)	n/a
Building Technologies	553	511	8%
Mobility	588	532	11%
Digital Factory	1,738	1,681	3%
Process Industries and Drives	536	773	(31)%
Healthcare	2,184	2,072	5%
Industrial Business	**7,755**	**7,703**	**1%**
Profit margin Industrial Business	*10.1%*	*10.6%*	
Financial Services (SFS)	600	466	29%
Reconciliation to Consolidated Financial Statements	(1,138)	(862)	(32)%
Income from continuing operations before income taxes	**7,218**	**7,306**	**(1)%**
Income tax expenses	(1,869)	(2,014)	7%
Income from continuing operations	**5,349**	**5,292**	**1%**
Income from discontinued operations, net of income taxes	2,031	215	>200%
Net income	**7,380**	**5,507**	**34%**
Basic earnings per share	8.84	6.37	39%
ROCE	19.6%	17.2%	

As a result of the development described for the segments, **Income from continuing operations before income taxes** decreased 1%. This amount also included higher expenses – as planned – for selling and research and development, primarily at Power and Gas and to a lesser degree at Digital Factory and Healthcare. Severance charges for continuing operations were €804 million, of which €566 million were in the Industrial Business. The tax rate of 26% was lower than in the prior year, due mainly to the disposition of the stake in BSH, which was mostly tax-free. For this reason, **Income from continuing operations** increased 1%.

Income from discontinued operations, net of income taxes, primarily included gains from the disposal of the hearing aid and hospital information businesses, totaling €1.7 billion and €0.2 billion, respectively.

The increase in **Basic earnings per share** benefited substantially from the disposal gains mentioned above. The percentage increase was higher than for Net income due mainly to share buybacks which reduced the number of average shares outstanding.

Despite a significant increase in average capital employed with the acquisitions at Power and Gas, **ROCE** rose due to the disposal gains and was at the upper end of our target range.

A.4 Net assets position

(in millions of €)	2015	Sep 30, 2014	% Change
Cash and cash equivalents	9,957	8,013	24%
Available-for-sale financial assets	1,175	925	27%
Trade and other receivables	15,982	14,526	10%
Other current financial assets	5,157	3,710	39%
Inventories	17,253	15,100	14%
Current income tax assets	644	577	12%
Other current assets	1,151	1,290	(11)%
Assets classified as held for disposal	122	3,935	(97)%
Total current assets	**51,442**	**48,076**	**7%**
Goodwill	23,166	17,783	30%
Other intangible assets	8,077	4,560	77%
Property, plant and equipment	10,210	9,638	6%
Investments accounted for using the equity method	2,947	2,127	39%
Other financial assets	20,821	18,416	13%
Deferred tax assets	2,591	3,334	(22)%
Other assets	1,094	945	16%
Total non-current assets	**68,906**	**56,803**	**21%**
Total assets	**120,348**	**104,879**	**15%**

Our total assets in fiscal 2015 were influenced by positive currency translation effects of €3.6 billion, led by the U.S. dollar.

In fiscal 2015, the acquisitions of Dresser-Rand and Rolls-Royce Energy aero-derivative gas turbine and compressor business were the major factors related to the increases in **goodwill** and **other intangible assets** with a total amount of €4.5 billion and €3.7 billion, respectively, and the largest factors related to the increase in **inventories** and **trade and other receivables** with a total amount of €1.0 billion and €0.6 billion, respectively. Apart from these acquisitions, the increase in **inventories** was also driven by a substantial build-up in other businesses from the Power and Gas and in the Mobility Divisions, while the Wind Power and Renewables Division contributed significantly to the increase in **trade and other receivables**.

Higher loans receivable driven by asset growth at SFS in fiscal 2015 resulted in the increases in **other current financial assets** and in **other financial assets**.

Mainly the following transactions led to the decrease in **assets classified as held for disposal**: Completion of the contribution of the metals technologies business into a joint venture with Mitsubishi-Hitachi Metals Machinery Inc. (the new investment in Primetals Technologies Ltd. is recognized as investments accounted for using the equity method); completion of the sale of our 50% stake in the joint venture BSH to Robert Bosch GmbH and completion of the sale of the hospital information business to Cerner Corp.

A.5 Financial position

A.5.1 Capital structure

Our capital structure developed as follows:

(in millions of €)	2015	Sep 30, 2014	% Change
Short-term debt and current maturities of long-term debt	2,979	1,620	84%
Trade payables	7,774	7,594	2%
Other current financial liabilities	2,085	1,717	21%
Current provisions	4,489	4,354	3%
Current income tax liabilities	1,828	1,762	4%
Other current liabilities	20,368	17,954	13%
Liabilities associated with assets classified as held for disposal	39	1,597	(98)%
Total current liabilities	**39,562**	**36,598**	**8%**
Long-term debt	26,682	19,326	38%
Post-employment benefits	9,811	9,324	5%
Deferred tax liabilities	609	552	10%
Provisions	4,865	4,071	20%
Other financial liabilities	1,466	1,620	(9)%
Other liabilities	2,297	1,874	23%
Total non-current liabilities	**45,730**	**36,767**	**24%**
Total liabilities	**85,292**	**73,365**	**16%**
Debt ratio	*71%*	*70%*	
Total equity attributable to shareholders of Siemens AG	**34,474**	**30,954**	**11%**
Equity ratio	*29%*	*30%*	
Non-controlling interests	581	560	4%
Total liabilities and equity	**120,348**	**104,879**	**15%**

The classification of US$ 500 million long-term fixed-rate instruments as current maturity and the issuance of commercial paper were the main factors for the increase in **short-term debt and current maturities of long-term debt**.

The project business of the Divisions Power and Gas, including additions related to the acquisitions of Dresser-Rand and Rolls-Royce Energy aero-derivative gas turbine and compressor business, and Wind Power and Renewables was the main factor for an increase in higher billings in excess of costs and estimated earnings on uncompleted contracts and related advances, which drove mainly the increase in **other current liabilities**.

The contribution of the metals technologies business into a joint venture with Mitsubishi-Hitachi Metals Machinery Inc. led mainly to the decrease in **liabilities associated with assets classified as held for disposal**.

The issuance of instruments totaling US$7.75 billion in six tranches with different maturities up to 30 years was the main factor for the increase in **long-term debt**.

The main factors relating to the increase in **total equity attributable to shareholders of Siemens AG** were €7.3 billion in net income attributable to shareholders of Siemens AG and €1.0 billion in other comprehensive income, net of income taxes. This increase was partly offset by dividend payments of €2.7 billion (paid for fiscal 2014) and the repurchase of 29,419,671 treasury shares at an average costs per share of €91.89, totaling €2.7 billion (including incidental transaction charges).

Post-employment benefits

The funded status of our defined benefit plans – meaning defined benefit obligation (DBO) less fair value of plan assets – showed an underfunding of €9.5 billion (September 30, 2014:

€9.1 billion). Within these figures, the underfunding for pension benefit plans amounted to €9.0 billion (September 30, 2014: €8.5 billion) and the underfunding of other post-employment benefit plans amounted to €0.5 billion (September 30, 2014: €0.5 billion).

Capital structure ratio

Our capital structure ratio as of September 30, 2015 increased to 0.6 from 0.1 a year earlier, which is within our target ratio of up to 1.0. The change was due to the increase in industrial net debt compared to the prior year, reflecting the above-mentioned issuance of long-term debt and the impact of our share buybacks.

After the end of fiscal 2015 we repurchased additional 2,370,869 treasury shares. We thus completed the share buyback program in October 2015 with a total volume of €4.0 billion and an average costs per share of €92.75 (including incidental transaction charges).

Debt and credit facilities

As of September 30, 2015 we recorded, in total, €26.0 billion in notes and bonds (maturing until 2066), €1.8 billion in loans from banks (maturing until 2023), €1.8 billion in other financial indebtedness (maturing until 2027), primarily consisting of US$-commercial paper, and €0.1 billion in obligations under finance leases. Notes, bonds and loans from banks were issued mainly in Euro and U.S. dollar, and to a lower extent in British pound.

In order to optimize the Company's position with regard to interest income and interest expense, and to manage the associated interest rate risk relating to the Group excluding SFS' business, we use derivative financial instruments under a portfolio-based approach to manage interest risk actively relative to a benchmark. The interest rate management relating to the SFS business is managed separately, considering the term structure of SFS' financial assets and liabilities on a portfolio basis.

We have three credit facilities at our disposal for general corporate purposes. These credit facilities amounted to €7.1 billion and were unused as of September 30, 2015.

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

Off-balance-sheet commitments

As of September 30, 2015 the undiscounted amount of maximum potential future payments related to credit guarantees, guarantees of third-party performance and HERKULES obligations amounted to €4.2 billion (September 30, 2014: €4.3 billion).

Other commitments, including indemnifications issued in connection with dispositions of businesses, amounted to €1.9 billion (September 30, 2014: €1.3 billion) to the extent future claims are not considered remote. The increase in other commitments related mainly to transactions closed in fiscal 2015.

Future payment obligations under non-cancellable operating leases amounted to €3.4 billion (September 30, 2014: €3.2 billion).

Irrevocable loan commitments amounted to €3.6 billion (September 30, 2014: €3.4 billion). A considerable portion of these commitments resulted from asset-based lending transactions, meaning that the respective loans can be drawn only after the borrower has provided sufficient collateral.

A.5.2 Cash flows

(in millions of €)	Fiscal year 2015
Cash flows from operating activities	
Net income	7,380
Change in operating net working capital	(936)
Other reconciling items to cash flows from operating activities – continuing operations	437
Cash flows from operating activities – continuing operations	**6,881**
Cash flows from operating activities – discontinued operations	(270)
Cash flows from operating activities – continuing and discontinued operations	**6,612**
Cash flows from investing activities	
Additions to intangible assets and property, plant and equipment	(1,897)
Acquisitions of businesses, net of cash acquired	(8,254)
Change in receivables from financing activities of SFS	(1,667)
Other purchases of assets	(1,467)
Other disposals of assets	4,570
Cash flows from investing activities – continuing operations	**(8,716)**
Cash flows from investing activities – discontinued operations	2,889
Cash flows from investing activities – continuing and discontinued operations	**(5,827)**
Cash flows from financing activities	
Purchase of treasury shares	(2,700)
Issuance of long-term debt	7,213
Repayment of long-term debt (including current maturities of long-term debt)	(354)
Change in short-term debt and other financing activities	351
Interest paid	(596)
Dividends paid to shareholders of Siemens AG	(2,728)
Other cash flows from financing activities – continuing operations	(135)
Cash flows from financing activities – continuing operations	**1,051**
Cash flows from financing activities – discontinued operations	5
Cash flows from financing activities – continuing and discontinued operations	**1,056**

The conversion of profit into **cash inflows from operating activities** was mainly driven by Healthcare as well as the Digital Factory and Power and Gas Divisions.

The cash outflows due to the **build-up of operating net working capital** were primarily driven by the Mobility Division, due mainly to an increase in the line item inventories. Significant cash inflows in the Power and Gas and in Wind Power and Renewables Divisions related to increases in the line item billings in excess of costs and estimated earnings on uncompleted contract and related advances. These cash inflows were offset in the Power and Gas Division particularly by an increase in the line item inventories and in the Wind Power and Renewables Division particularly by an increase in the line item trade and other receivables.

The cash outflows for **acquisitions of businesses, net of cash acquired**, primarily included payments totaling €6.8 billion related to the acquisition of Dresser-Rand and €1.3 billion related to the acquisition of Rolls-Royce Energy aero-derivative gas turbine and compressor business.

The cash outflows for **other purchases of assets** primarily included additions of assets eligible as central-bank-collateral and additional funding to Unify.

The cash inflows from **other disposals of assets** included €2.8 billion from the sale of Siemens' stake in BSH, disposals from above-mentioned eligible collateral, proceeds from the sale of businesses and real estate disposals at SRE.

The cash inflows from **investing activities – discontinued operations –** included €1.9 billion from the sale of the hearing aid business and €1.2 billion from the sale of the hospital information business.

The **change in short-term debt and other financing activities** included the net proceeds from the issuance of commercial paper, partly offset by cash outflows related to the settlement of financial derivatives used to hedge currency exposure in our financing activities.

We report Free cash flow as a supplemental liquidity measure:

Free cash flow

			Fiscal year 2015
(in millions of €)	Continuing operations	Discontinued operations	Continuing and discontinued operations
Cash flows from operating activities	6,881	(270)	6,612
Additions to intangible assets and property, plant and equipment	(1,897)	(40)	(1,938)
Free cash flow	**4,984**	**(310)**	**4,674**

With our ability to generate positive operating cash flows, our total liquidity (defined as cash and cash equivalents as well as available-for-sale financial assets) of €11.1 billion, and our €7.1 billion in unused lines of credit, and given our credit ratings at year-end, we believe that we have sufficient flexibility to fund our capital requirements. Also in our opinion, our operating net working capital is sufficient for our present requirements.

Investing activities

Additions to intangible assets and property, plant and equipment from continuing operations was €1.9 billion in fiscal 2015. Within the Industrial Business ongoing investments related mainly to technological innovations; extending our capacities for designing, manufacturing and marketing new solutions; improving productivity and our global footprint, such as in Brazil, Egypt and India; and replacements of fixed assets. These investments amounted to €1.4 billion in fiscal 2015. The remaining portion in fiscal 2015, €0.5 billion, related mainly to SRE, including significant amounts related to office projects, such as new corporate office buildings in Germany. SRE is responsible for uniform and comprehensive management of Company real estate worldwide, and supports the Industrial Business and corporate activities with customer-specific real estate solutions.

With regard to capital expenditures for continuing operations, we expect a spending increase year-over-year in fiscal 2016.

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

The investments of **Power and Gas** are focused on enhancing productivity and strategic localization, mainly relating to our large gas turbines and generators business, including a burner test center for gas turbines in Germany.

The investments of **Wind Power and Renewables** are focused on the extension, modernization and optimization of existing plants to allow for the large-scale manufacturing of innovative products, including new production and service facilities for blades in the U.K. and an offshore wind power turbines plant in Germany.

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

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

Mobility is spending large portions of its capital expenditures for improving its respective positions in growing market segments, including investments into its infrastructure, capitalized R&D expenses as well as project related investments.

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

The investments of **Process Industries and Drives** are focused on upgrading production machines and replacement of fixed assets, particularly relating to the large drives business.

Healthcare's investments are mainly driven by the diagnostics business, including large amounts relating to intangible assets, particularly capitalized R&D expenses for new platforms.

A.6 Overall assessment of the economic position

In fiscal 2015, we accomplished numerous objectives included in our "Vision 2020" concept. We started the fiscal year with a leaner organizational setup more geared towards our growth markets. We got closer to customers and enhanced our innovation capacity with targeted spending increases for selling and R&D. This has already improved customer satisfaction. Furthermore, we made significant progress in adjusting our portfolio. With the acquisitions of Dresser-Rand and Roll-Royce's aero-derivative gas turbine and compressor business, we strengthened our position in the area of distributed power generation. Meanwhile we sold our hearing aid business and our stake in BSH, among others. Our market environment in fiscal 2015 was softening towards the end of the fiscal year. While we saw growth, such as in consumer-oriented markets, and continued strong demand for infrastructure solutions, some of our key industries like the oil and gas industry and mining were under severe pressure, and a number of emerging economies that were growth drivers in recent years showed signs of weakness. Thus stringent execution of "Vision 2020" became even more important. In fiscal 2015, we began to implement measures to reduce costs by €1 billion on a sustainable basis. With cost savings of approximately €0.4 billion already achieved in fiscal 2015, we are ahead of our plans. Also we improved our project execution, resulting in sharply lower project charges year-over-year. While we have already successfully addressed several businesses that were not fulfilling our expectations regarding profitability, we have completed a review of our remaining underperforming businesses during fiscal 2015 and decided to restructure those businesses primarily through our own efforts, with clear goals and timetables. At the end of October 2015, shortly after the end of fiscal 2015, we completed the share buyback program we launched in May 2014. Between these dates we repurchased 43.1 million Siemens shares in the amount of €4.0 billion. Within this total, during fiscal 2015 we repurchased 29.4 million Siemens shares in the amount of €2.7 billion.

From a financial perspective, in fiscal 2015, we reached all our targets set for our primary measures in the Annual Report for fiscal 2014. Revenue on an organic basis remained nearly on the prior-year level, and net income and basic earnings per share (EPS) (net income) rose by more than a third year-over-year. Return on capital employed (ROCE) reached the upper end of our target range and our capital structure ratio came in below 1.

Revenue for fiscal 2015 was €75.6 billion, up 6% compared to the prior fiscal year. While all industrial businesses posted increases, growth was due primarily to strong currency translation effects. On an organic basis, excluding currency translation and portfolio effects, revenue came in 1% lower year-over-year, with half of the industrial businesses increasing revenue and the other half reporting a decline year-over-year. Overall, revenue thus matched the forecast for fiscal 2015 that revenue on an organic basis would be flat year-over-year.

Orders for fiscal 2015 were €82.3 billion, fulfilling our expectation for a book-to-bill ratio above one, which came in at 1.09. As with revenue, orders rose 6% year-over-year, due mostly to strong currency translation effects while declining 1% on an organic basis. Except for Wind Power and Renewables and Process Industries and Drives, all our industrial businesses reported nominal order growth. The majority increased their orders year-over-year on an organic basis.

Industrial Business profit was €7.8 billion in fiscal 2015, up slightly from €7.7 billion a year earlier despite €0.6 billion in severance charges. Healthcare, Digital Factory, Mobility and Building Technologies continued to operate very successfully in their markets and increased their profits compared to fiscal 2014. The Energy Management Division achieved the largest profit improvement year-over-year, following a loss on substantial project charges in the prior year. The Wind Power and Renewables Division sharply improved profit compared to fiscal 2014, but profit came in below our expectations as the Division faced reduced margins in the offshore business due partly to increased competition and expenses for ramping up commercial-scale production of turbine offerings. The profit improvements mentioned above were largely offset by declines in the Power and Gas and the Process Industries and Drives Divisions.

The profit margin of the Industrial Business was 10.1%. We thus reached the range of 10% to 11% forecast for fiscal 2015. As expected, the Wind Power and Renewables Division and the Energy Management Division improved their profit margins year-over-year but remained below their target ranges. Process Industries and Drives and Power and Gas, which reached their targets in the prior year, came in below their respective ranges in fiscal 2015. SFS, which is outside our Industrial Business, achieved a return on equity after tax of 20.9%, above the upper end of its target range.

Profit outside Industrial Business included a gain of €1.4 billion from the sale of our stake in BSH, which was more than offset by a number of factors. Burdens from Centrally managed portfolio activities included losses from equity investments compared to income a year earlier, and Corporate Treasury activities posted a loss.

Net income rose by 34% to €7.4 billion and basic EPS from net income climbed 39% year-over-year to €8.84. We thus achieved our forecast, which was to increase net income significantly and to grow EPS from net income by at least 15%. As we forecast for fiscal 2015, these increases include gains from divestments. In particular net income included a gain of €1.7 billion from the sale of our hearing aid business and the above-mentioned gain from the sale of our stake in BSH. Basic EPS from net income also benefited from execution of our share buyback program. Overall, our continuous efforts to increase our productivity contributed positively. Our total cost productivity improvement reached the upper end of our target for fiscal 2015, which was to increase total cost productivity by 3% to 4%.

ROCE for continuing and discontinued operations increased to 19.6% in fiscal 2015, up from 17.2% in the prior fiscal year. We thus reached the upper end of our forecast for fiscal 2015, which was to achieve a ROCE for continuing and discontinued operations in our target range of 15% to 20%. The main driver of the improvement was higher net income, which more than offset an increase in average capital employed.

We evaluate our capital structure using the ratio of industrial net debt to EBITDA. For fiscal 2015, this ratio was 0.6. We thus achieved our forecast, which was to achieve a ratio below 1.0 but clearly above the fiscal 2014 level of 0.1.

Free cash flow from continuing and discontinued operations for fiscal 2015 came in at €4.7 billion, 10% lower than in the prior fiscal year.

We intend to continue providing an attractive return to shareholders. As in the past, we intend to fund the dividend payout from Free cash flow. The Siemens Managing Board, in agreement with the Supervisory Board, proposes a dividend of €3.50 per share, up from €3.30 a year earlier.

A.7 Subsequent events

In November 2015, Siemens announced the extension of its existing seven-year IT outsourcing contract with Atos SE (AtoS) through December 2021, with minimum committed volumes increasing by €3.23 billion to €8.73 billion. Furthermore, Siemens announced the extension of its current lock-up shareholder commitment in AtoS through September 2020.

Also in November 2015, Siemens announced the sale of its 49% stake in Unify to AtoS. While ownership of the Unify stake has adversely affected Siemens' financial results in fiscal 2015 and prior fiscal years, the transaction is not expected to result in a material effect. Closing of the transaction, which is subject to the approvals of the regulatory and antitrust authorities, is expected in the second quarter of fiscal 2016.

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

A.8.1 Report on expected developments

A.8.1.1 WORLDWIDE ECONOMY

Deceleration in emerging markets and especially China weigh on the outlook for 2016 as well. Global GDP is expected to expand by 2.9%, with fixed investments growing by 3.4%. Fixed investments in advanced countries (+3.6%) are expected to grow more strongly than in emerging countries (+3.3%) because of some investment backlog in the former and overcapacities in the latter.

The Chinese economy is expected to continue its rebalancing path towards a more consumption- and service-driven economy, with GDP growth of 6.3%, which is lower than in calendar 2015. In this view, industries that have been driving the economy in the past will keep on consolidating while consumption-oriented sectors and the service sector gain importance. Meanwhile, fixed investments are likely to grow more slowly than the overall economy, at around 4.4% in calendar 2016. For other emerging markets the outlook is mixed. While Brazil and Russia are expected to remain in recession, the Indian economy is expected to continue developing strongly, with GDP growth rates forecast at 7.5% to 8% in the coming years. Europe is expected to remain on a moderate recovery path, with Italy and France again the slowest-growing among the larger economies and Spain and the U.K. growing the fastest. The German economy is expected to benefit from the ongoing European recovery, and growth should accelerate compared to calendar 2015. For the U.S., GDP growth should also pick up slightly. While the negative effects of low oil prices on oil and gas-related investments should start to ease, the positive effects, especially on private consumption, should support economic growth in that sector. The U.S. housing recovery is expected to continue.

Despite some positive developments expected for the world economy in 2016, the risk assessment is clearly biased to the downside (see → A.8.3. RISKS) due to a number of factors. First and foremost geopolitical risks can dampen the mood for capital expenditures. China is on a long-term rebalancing path, and some emerging markets are vulnerable to further capital flight and exposed to considerable foreign currency debt.

The forecasts presented here for GDP and fixed investments are based on a report from IHS Global Insight dated October 15, 2015.

A.8.1.2 MARKET DEVELOPMENT

Following weak demand in fiscal 2015, we expect markets for the **Power and Gas Division** to pick up in fiscal 2016, particularly with regard to fossil power generation markets, which are anticipated to grow year-over-year due to large projects in emerging countries. For the compression market, we expect demand in fiscal 2016 to stay on the low level of fiscal 2015 due mainly to continuously low capital expenditures for up- and downstream applications in the oil and gas industry. Overall, we assume a shift to more flexible, decentralized power generation and stronger demand for combined heat and power generation and off-grid oil and gas applications, particularly in Europe, China and the U.S.

For the markets served by the **Wind Power and Renewables** Division, we expect a slight decline in fiscal 2016 with long-term outlook still intact. Within this change, we expect lower demand in the larger market for onshore wind power, particularly in the U.S. and Brazil, only partly offset by substantial growth in the smaller market for offshore wind power, which is driven by Europe. Market development depends strongly on energy policy, including tax incentives in the U.S. and regulatory frameworks in Germany and the U.K. While we expect Asia and the Americas to offer good growth prospects for offshore wind power in the medium term, we expect only limited market volume in these markets in the short term. Overall, we expect a continuation of the trend towards an increasing share of renewable energy within the energy mix. Within the onshore wind power market, we expect a continued rise in demand in the low-wind segment.

For the markets served by the **Energy Management** Division, we expect slight overall growth in fiscal 2016. The Division's markets are experiencing rising power consumption due to ongoing urbanization and electrification in emerging countries. Also the energy mix is changing, with a rising share of renewable energy. Furthermore, there is a trend towards decentralized power generation, including an increasing number of energy consumers who are also energy producers via solar technology and other means. Within the Division's key industries we expect demand from utilities in fiscal 2016 to remain on the prior-year level. Demand from the oil driven industry is anticipated to decline further in fiscal 2016, as we expect additional cuts in investments, particularly in the Americas. For minerals and mining markets we expect slight growth, with all regions contributing. However, there is a risk that a further slowdown in growth in China may impact investment activities in the minerals and mining industry.

For the markets served by the **Building Technologies** Division, we expect solid growth in fiscal 2016. On a geographic basis, we expect the U.S., China, India and the Middle East to be the main growth drivers. Most of the European countries are anticipated to continue their recovery, led by Germany and some of the Northern European countries. In countries with relatively strong dependence on the development of commodity markets, we anticipate growth in the Division's markets to slow down in fiscal 2016. We expect the Division to see continuing price pressure, particularly in its solutions business, mainly due to aggressive competition.

For fiscal 2016, we expect markets served by the **Mobility** Division to continue to grow moderately. Investments by rail operators in Germany are expected to stay on a high level. Market growth in Russia depends on improvement of economic conditions and geopolitical ease. For the Middle East and Africa, we expect tenders of further large turnkey and infrastructure projects. In China, we expect investments in high-speed trains, urban transport and rail infrastructure to continue to drive growth. In India, market growth should continue from planned projects for commuter and high-speed passenger lines, freight rail, and related infrastructure as part of the infrastructure build out and reforms by the Government. Overall, local rail transport is expected to gain importance as urbanization is progressing. In emerging countries, rising incomes are expected to result in greater demand for public transport solutions.

For fiscal 2016, we expect markets for the **Digital Factory** Division to be slow, with momentum picking up in the second half of the fiscal year. Differences in growth rates between Siemens' reporting regions are expected to be less pronounced than in prior years. Overall, we expect market growth to benefit from consumer-oriented manufacturing industries, especially in industrialized countries. The trend towards digitalization related businesses is expected to continue and drives the industry software market, which is forecast to grow clearly. As for China, we expect the decline of growth in industrial output to take a toll on our business development, but expect the local market to continue to be attractive in the mid and long-term. While we expect the current decline in raw material prices to reach a bottom in fiscal 2016, we do not expect a rebound in the short term. We therefore anticipate demand from the mining and the oil and gas industries to continue to be weak in fiscal 2016.

The markets served by the **Process Industries and Drives** Division are expected to be flat in fiscal 2016. In general, we observe a trend towards increased demand for technology to improve competitiveness through increased productivity, flexibility and reliability. We expect growth to be driven by the food and beverage sector as well as the chemical and pharmaceuticals industries. Demand from the oil and mining industries is expected to decline further year-over-year, mostly in upstream markets.

For fiscal 2016, we expect markets for **Healthcare** to continue its growth based on demographic trends. In emerging markets, we expect continued demand, in particular for entry-level products and solutions, as these countries build up their healthcare infrastructure to provide their populations with affordable access to modern medical technology, including cost efficient solutions in rural areas. On a regional basis we expect healthcare markets to grow moderately in the U.S. and in major emerging markets such as China, India and Brazil, while demand in Europe, largely consisting of replacement business, is anticipated to stay on the prior-year level. The market for imaging products and solutions is expected to remain on the prior-year level as growing demand for imaging procedures is largely absorbed by higher utilization of existing systems, while continued price aggressiveness in the market affects revenue growth from new systems. The trend to expand healthcare access is expected to benefit markets for clinical products and suppliers with a broad spectrum of products and services. For diagnostics solutions, we expect consolidation to continue leading to an increasing industrialization of laboratories, playing into suppliers with experience in automation and digitalization.

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

A.8.1.3 SIEMENS GROUP

We are basing our outlook for fiscal 2016 for the Siemens Group and its segments on the above-mentioned expectations and assumptions regarding the overall economic situation and specific market conditions for the next fiscal year.

This outlook excludes charges related to legal and regulatory matters.

We are exposed to currency translation effects, particularly involving the US$ and currencies of emerging markets, particularly the Chinese Yuan. During fiscal 2015, the average exchange rate conversion for our large volume of US$-denominated revenue was US$1.15 per €. While we expect volatility in global currency markets to continue in fiscal 2016, we have improved our natural hedge on a global basis through geographic distribution of our production facilities during the past. Nevertheless, Siemens is still a net exporter from the Euro zone to the rest of the world, so a weak Euro is principally favorable for our business and a strong Euro is principally unfavorable. In addition to the natural hedging strategy just mentioned, we also hedge currency risk in our export business using derivative financial instruments. We expect these steps to help us limit effects on income related to currency in fiscal 2016.

Revenue growth

Despite anticipated further softening in the macroeconomic environment and continuing complexity in the geopolitical environment in fiscal 2016, we expect moderate revenue growth, net of effects from currency translation. We expect portfolio effects, particularly the acquisition of Dresser-Rand at the end of the third quarter of fiscal 2015, to add approximately 2 percentage points to our revenue growth rate in fiscal 2016. Furthermore, we assume that momentum in the market environment for our high-margin short-cycle businesses will pick up in the second half of fiscal 2016.

We expect all industrial businesses to contribute to organic revenue growth, except for the Process Industries and Drives Division, which has been impacted by lower order intake in previous quarters. We assume that Mobility will be a main growth driver, with a clear increase in organic revenue. We also expect low to mid single-digit organic growth at the other industrial businesses, led by Wind Power and Renewables. Furthermore, we expect that Power and Gas will increase its reported revenue significantly, benefiting from the acquisition of Dresser-Rand.

We expect revenue growth to benefit from conversion of our order backlog (defined as the sum of order backlogs of our Industrial Business) which totaled €110 billion as of September 30, 2015. From this backlog, we expect to convert approximately €39 billion of past orders into current revenue in fiscal 2016. Within this amount, we expect for fiscal 2016 approximately €11 billion in revenue conversion from the €42 billion backlog of the Power and Gas Division, approximately €8 billion in revenue conversion from the €12 billion backlog of the Energy Management Division, approximately €6 billion in revenue conversion from the €27 billion backlog of the Mobility Division, approximately €5 billion in revenue conversion from the €14 billion backlog of the Wind Power and Renewables Division, approximately €4 billion in revenue conversion from the €6 billion backlog of the Process Industries and Drives Division, approximately €2 billion in revenue conversion from the €3 billion backlog of the Building Technologies Division, approximately €2 billion in revenue conversion from the €4 billion backlog of Healthcare and approximately €2 billion in revenue conversion from the €2 billion backlog of the Digital Factory Division.

We anticipate that orders in fiscal 2016 will materially exceed revenue for a book-to-bill ratio clearly above 1. In particular, we expect order growth driven by substantial increases in the Power and Gas and Wind Power and Renewables Divisions, with particularly Power and Gas benefiting from a large contract win in Egypt, among other factors.

Profitability

We expect net income in fiscal 2016 to increase significantly compared to €4.4 billion, which we achieved in fiscal 2015 excluding €3.0 billion in portfolio gains from the divestment of the hearing aid business and our stake in BSH. Including those gains in the basis of comparison, we expect net income in fiscal 2016 to decline significantly year-over-year. We expect basic EPS from net income in the range of €5.90 to €6.20 as compared to €5.18, which we achieved in fiscal 2015 excluding €3.66 per share in portfolio gains from the divestments of the hearing aid business and our stake in BSH.

Our forecast for net income and corresponding basic EPS is based on a number of other assumptions: We assume that momentum in the market environment for our high-margin short-cycle businesses will pick up in the second half of fiscal 2016. As part of our One Siemens framework, we target a total cost productivity improvement of 3% to 4% in fiscal 2016. Therein, we expect execution of »Vision 2020« measures to improve our cost position by an additional approximately €0.4 billion to €0.5 billion in fiscal 2016, following cost savings of approximately €0.4 billion already achieved in fiscal 2015. Also, we assume continued solid project execution. Furthermore, we expect modest positive currency effects on income in the first half of fiscal 2016. Offsetting effects include pricing pressure on our offerings estimated at around 2% in fiscal 2016, with the Power and Gas Division, the Wind Power and Renewables Division and Healthcare being affected the most. Furthermore, we expect upward pressure on costs from wage inflation of around 3% to 4%. Also, we plan for continued targeted investments in selling and R&D expenses aimed at organic volume growth and strengthening our capacities for innovation.

For fiscal 2016, we expect all our industrial businesses to be in or at least close to their target ranges for profit margin as defined in our financial performance system (see → A.2 FINANCIAL PERFORMANCE SYSTEM) excluding severance charges and integration costs.

Overall, we expect an aggregate profit margin for our Industrial Business of 10% to 11%, compared to 10.1% in fiscal 2015. We expect SFS, which is reported outside Industrial Business, to continue to be highly profitable and achieve a return on equity (ROE) within its target range in fiscal 2016.

Within our Reconciliation to Consolidated Financial Statements we expect CMPA to turn negative in fiscal 2016 and results to be volatile during the year. Expenses for Corporate items are expected to be approximately €0.5 billion, with costs in the second half-year higher than in the first half. While we anticipate that SRE will continue with real estate disposals depending on market conditions, we expect gains from disposals to be lower in fiscal 2016 than in fiscal 2015. Centrally carried pension expenses are expected to total approximately €0.5 billion in fiscal 2016. Amortization of intangible assets acquired in business combinations rose substantially to €168 million in the fourth quarter of fiscal 2015 and we expect a similar level in the four quarters of fiscal 2016. Eliminations, Corporate Treasury and other reconciling items are anticipated to be on the prior-year level despite higher interest expense related primarily to issuance of bonds in fiscal 2015.

We do not expect significant effects from discontinued operations in fiscal 2016. For comparison, income from discontinued operations of €2.0 billion in fiscal 2015 included the €1.7 billion gain from the sale of our hearing aid business. We anticipate our tax rate for fiscal 2016 to be in the range of 26% to 30%.

Capital efficiency

Within our One Siemens financial framework, we in general aim to achieve a ROCE in the range of 15% to 20%. For fiscal 2016, we expect ROCE to show a double-digit result but to come in substantially below the amount reached in fiscal 2015, which benefited from the sale of businesses described earlier.

Capital structure

Following the financing measures executed during fiscal 2015, we expect our capital structure ratio in fiscal 2016 to be below but near 1.0. In November 2015, we announced a new share buyback of up to €3 billion ending at the latest on November 15, 2018. The buybacks will be made under the current authorization granted at the Annual Shareholders' Meeting on January 27, 2015. Shares repurchased may be used for cancelling and reducing capital stock; for issuing shares to employees, to members of the Managing Board and board members of affiliated companies; and for meeting obligations from or in connection with convertible bonds or warrant bonds.

A.8.1.4 OVERALL ASSESSMENT

We anticipate further softening in the macroeconomic environment and continuing complexity in the geopolitical environment in fiscal 2016. Nevertheless, we expect moderate revenue growth, net of effects from currency translation. We anticipate that orders will materially exceed revenue for a book-to-bill ratio clearly above 1. For our Industrial Business, we expect a profit margin of 10% to 11%. Furthermore, we expect basic EPS from net income in the range of €5.90 to €6.20 as compared to €5.18, which we achieved in fiscal 2015 excluding €3.66 per share in portfolio gains from the divestments of the hearing aid business and our stake in BSH. This outlook assumes that momentum in the market environment for our high-margin short-cycle businesses will pick up in the second half of fiscal 2016. Additionally, it excludes charges related to legal and regulatory matters.

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

A.8.2 Risk management

A.8.2.1 BASIC PRINCIPLES OF RISK MANAGEMENT

Our risk management policy stems from a philosophy of pursuing sustainable growth and creating economic value while managing appropriate risks or opportunities and avoiding inappropriate risks. As risk management is an integral part of how we plan and execute our business strategies, our risk management policy is set by the Managing Board. Our organizational and accountability structure as of September 30, 2015 requires each of the respective managements of our Industrial Business, SFS, regions and Corporate Units to implement risk management programs that are tailored to their specific industries and responsibilities, while being consistent with the overall policy.

A.8.2.2 ENTERPRISE RISK MANAGEMENT PROCESS

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

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

The ERM process aims for early identification and evaluation of, and response regarding, risks and opportunities that could materially affect the achievement of our strategic, operational, financial and compliance objectives. The time horizon covered by ERM is typically three years. Our ERM is based on a net risk approach, addressing risks and opportunities remaining after the execution of existing control measures. In order to provide a comprehensive view on our business activities, risks and opportunities are identified in a structured way combining elements of both top-down and bottom-up approaches. Risks and opportunities are generally reported on a quarterly basis. This regular reporting process is complemented by an ad-hoc reporting process that aims to escalate critical issues in a timely manner. Relevant risks and opportunities are prioritized in terms of impact and likelihood, considering different perspectives, including business objectives, reputation and regulatory matters. The bottom-up identification and prioritization process is supported by workshops with the respective managements of the Industrial Business, SFS, regions and Corporate Units. This top-down element ensures that potential new risks and opportunities are discussed at management level and are included in the subsequent reporting process, if found to be relevant. Reported risks and opportunities are analyzed regarding potential cumulative effects and are aggregated within and for each of the organizations mentioned above.

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

A.8.2.3 RISK MANAGEMENT ORGANIZATION AND RESPONSIBILITIES

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

A.8.3 Risks

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

A.8.3.1 STRATEGIC RISKS

Competitive markets and technology changes: The worldwide markets for our products and solutions are highly competitive in terms of pricing, product and service quality, product development and introduction time, customer service, financing terms, disruptive technologies and shifts in market demands. We face strong existing competitors and also competitors from emerging markets, which may have a better cost structure. Some industries in which we operate are undergoing consolidation, which may result in stronger competition and a change in our relative market position. Furthermore, we see a risk that suppliers (and to some extent even customers), especially from emerging countries (e.g. China), could develop into serious competitors for Siemens. We address this risk with various measures, for example, benchmarking, strategic initiatives, sales push initiatives, executing productivity measures and target cost projects, rightsizing of factories, exporting from low-cost countries to price sensitive markets, and optimizing our product portfolio. The markets in which our businesses operate experience rapid and significant changes due to the introduction of innovative technologies. Our operating results depend to a significant extent on our ability to anticipate and adapt to changes in our markets and to reduce the costs of producing our products. Introducing new products and technologies requires a significant commitment to research and development, which in return requires expenditure of considerable financial resources that may not always result in success. Our results of operations may suffer if we invest in technologies that do not operate or may not be integrated as expected, or that are not accepted in the market place as anticipated, or if our products or systems are not introduced to the market in a timely manner, particularly compared to our competitors, or become obsolete. We constantly apply for new patents and actively manage our intellectual property portfolio to secure our technological position. However, our patents and other intellectual property may not prevent competitors from independently developing or selling products and services that are similar to or duplicates of ours.

Economic and political conditions (macroeconomic environment): We still see a high level of uncertainty regarding the global economic outlook. The main downside risks stem from the weakening growth in China and potential corrections or even a collapse in real estate, the banking sectors or the stock markets. The downturn could get worse, if Chinese authorities fail to reform the state-owned enterprises in the industry and banking sector as well, to liberalize and open the economy further. A rapid tightening of monetary policy by the U.S. Federal Reserve could cause a depreciation spiral among emerging market currencies. This could lead to a renewed emerging market crisis as debt levels of emerging market enterprises have risen, making them dependent on favorable global financial conditions to service foreign currency-denominated debts. Further risks stem from increased global danger of terrorism, political tensions (e.g. Syria and Ukraine), raw material prices, confidence in the automotive sector, and low oil and gas prices. With the closing of the acquisition of Dresser-Rand we are further exposed to volatility in global oil and gas markets.

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

Changes of regulations, laws and policies: As a diversified company with global businesses we are exposed to various product-related regulations, laws and policies influencing our processes. Some jurisdictions around the world have adopted certain regulations, laws and policies requiring us to extend our recycling efforts, limit the sourcing and usage of certain raw materials, and request that suppliers provide additional due diligence and disclosures on sourcing and usage of the regulated raw materials. We exercise our duty within the supply chain, as our customers request transparency in the supply chain and as the obligation to do so already forms an element of customer contracts. If we are unable to achieve sufficient confidence throughout our supply chain, or if any risks associated with these kinds of regulations, laws and policies were to materialize, our reputation could also be adversely affected.

Strategic alignments and cost-cutting initiatives: We are in a continuous process of strategic alignments and constantly engage in cost-cutting initiatives, including ongoing capacity adjustment measures and structural initiatives. Consolidation of business activities and manufacturing facilities, and the streamlining of product portfolios are also part of these cost reduction efforts. These measures may not be implemented as planned, may turn out to be less effective than anticipated, may become effective later than estimated or may not become effective at all. Any future contribution of these measures to our profitability will be influenced by the actual savings achieved and by our ability to sustain them. We constantly control and monitor the progress of these projects and initiatives using standardized controlling and milestone tracking approaches.

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

A.8.3.2 OPERATIONAL RISKS

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

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

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

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

Skilled personnel: Competition for highly qualified personnel remains intense in the industries and regions in which our businesses operate. We have an ongoing demand in highly skilled employees. Our future success depends in part on our continued ability to hire, integrate, develop and retain engineers and other qualified personnel. We address this risk for example with structured succession planning, employer branding, retention and career management.

A.8.3.3 FINANCIAL RISKS

Market price risks: We are exposed to fluctuations in exchange rates, especially between the U.S. dollar and the euro, because a high percentage of our business volume is conducted in the U.S. and as exports from Europe. In addition, we are exposed to currency effects involving the currencies of emerging markets, in particular the Chinese yuan. A strengthening of the euro (particularly against the U.S. dollar) may change our competitive position, as many of our competitors may benefit from having a substantial portion of their costs based in weaker currencies, enabling them to offer their products at lower prices. As a result, a strong euro in relation to the U.S. dollar and other currencies could have an adverse impact on our results of operations. We are also exposed to fluctuations in interest rates. Negative developments in the financial markets and changes in the central bank policies may negatively impact our results. Certain currency risks as well as interest rate risks are hedged using derivative financial instruments. Depending on the development of foreign currency exchange and interest rates, hedging activities could have significant effects on our business, financial condition and results of operations.

Liquidity and financing risks: The ongoing euro zone sovereign debt crisis continues to have an impact on global capital markets. Regarding our treasury and financing activities, negative developments related to financial markets such as (1) limited availability of funds (particularly U.S. dollar funds) and hedging instruments, (2) an updated evaluation of our solvency, particularly from rating agencies and (3) impacts from enhanced regulations of the financial sector/central bank policy or financial instruments, could result in adverse deposit and/or financing conditions. Widening credit spreads due to uncertainty and risk aversion in the financial markets might lead to adverse changes of fair market values of our financial assets, in particular concerning our derivative financial instruments. Negative developments could also further increase the costs for buying protection against credit risks due to a potential increase of counterparty risks. Through diversification into different funding instruments, currencies, markets and investor groups, Siemens reduces funding risks. Liquidity risks are mitigated by depositing cash into different categories of instruments and with a range of counterparties of investment grade credit quality, at which counterparty risks are centrally and closely monitored (including risks resulting from derivatives).

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

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

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

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

A.8.3.4 COMPLIANCE RISKS

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

As a globally operating organization, we conduct business with customers in countries which are subject to export control regulations, embargoes, economic sanctions or other forms of trade restrictions (hereafter referred to as "sanctions") imposed by the U.S., the European Union or other countries or organizations. New or expanded sanctions in countries in which we do business may result in a curtailment of our existing business in such countries or indirectly in other countries. We are also aware of initiatives by institutional investors, such as pension funds or other companies, to adopt or consider adopting policies prohibiting investment in and transactions with, or requiring divestment of interests in entities doing business with, countries identified as state sponsors of terrorism by the U.S. Secretary of State. It is possible that such initiatives may result in us being unable to gain or retain investors, customers or suppliers. In addition, the termination of our activities in sanctioned countries may expose us to customer claims and other actions. Our reputation could also suffer due to our activities with counterparties in or affiliated with these countries. Due to the political agreement based on the Joint Comprehensive Plan of Action (JCPOA) regarding the Iranian nuclear program, Siemens has revised its internal guidelines in October 2015 which stated that apart from certain limited exceptions no new business activities with customers in Iran are permitted. New business activities with customers or end customers in Iran that are not designated on the EU or U.S. sanctions lists are now allowed, provided that these activities do not breach the EU sanctions regulations or the U.S. Secondary Sanctions (if applicable). Siemens has issued group-wide policies establishing the details of its general decision.

Our business naturally evolves and develops in nations and regions around the world, increasing their demand for our offerings. Emerging market operations involve various risks, including civil unrest, health concerns, cultural differences such as employment and business practices, volatility in gross domestic product, economic and governmental instability, the potential for nationalization of private assets and the imposition of exchange controls. The Asian markets, in particular, are important for our long-term growth strategy, and our sizeable activities in China operate under a legal system that is still developing and is subject to change. Our long-term growth strategy could be limited by governments preferentially supporting local competitors. With our dedicated regional organizations we tackle these risks by constantly monitoring the latest trends and defining our response strategies which include an ongoing evaluation of our localization approach.

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

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

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

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

Besides other measures, Siemens established a global compliance organization including compliance risk mitigation processes such as Compliance Risk Assessments which has been reviewed recently by external compliance experts.

Current or future litigation: We are subject to numerous risks relating to legal, governmental and regulatory proceedings to which we are currently a party or to which we may become a party in the future. We routinely become subject to legal, governmental and regulatory investigations and proceedings involving, among other things, requests for arbitration, allegations of improper delivery of goods or services, product liability, product defects, quality problems, intellectual property infringement, non-compliance with tax regulations and/or alleged or suspected violations of applicable laws. In addition, we may face further claims in connection with the circumstances that led to the corruption charges. For additional information with respect to specific proceedings, see → NOTE 21 in → B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. There can be no assurance that the results of these or any other proceedings will not materially harm our business, financial condition and results of operations. Moreover, even if we ultimately prevail on the merits in any such proceedings, we may have to incur substantial legal fees and other costs defending ourselves against the underlying allegations. We maintain liability insurance for certain legal risks at levels our management believes are appropriate and consistent with industry practice. Our insurance policy, however, does not protect us against reputational damage. Moreover, we may incur losses relating to legal proceedings beyond the limits, or outside the coverage, of such insurance or exceeding any provisions made for legal proceedings related losses. Finally, there can be no assurance that we will be able to maintain adequate insurance coverage on commercially reasonable terms in the future.

A.8.3.5 ASSESSMENT OF THE OVERALL RISK SITUATION

The most significant challenges have been mentioned first in each of the four categories – Strategic, Operations, Financial and Compliance – with the risks caused by highly competitive markets and technology changes currently being the most significant. Even though the assessments of individual risk exposures have changed during fiscal 2015 due to developments in the external environment as well as the effects of our own mitigation measures, the overall risk situation for Siemens did not change significantly as compared to the prior year. At present, no risks have been identified that either individually or in combination could endanger our ability to continue as a going concern.

A.8.4 Opportunities

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

Acquisitions, equity investments, partnerships and divestments: We constantly monitor our current and future markets for opportunities for strategic acquisitions, equity investments or partnerships to complement organic growth. Such activities could help us to strengthen our position in our existing markets, provide access to new markets or complement our technological portfolio in selected areas. Opportunities might also arise from well executed divestments further optimizing our portfolio and generating divestment gains.

Electrification, automation and digitalization: Siemens is positioned along the value chains of electrification, automation and digitalization in order to increase future market penetration. Along these value chains, we have identified several growth fields in which we see our greatest long-term potential. We are orienting our resource allocation toward these growth fields and have announced concrete measures in this direction. For example, we see an opportunity to leverage business analytics across verticals and introduce cloud-enabled software and IT services (e.g. predictive maintenance) resulting in additional business volume, market share and customer retention. We intend to fully exploit the potential of increasing digitalization not just in manufacturing. Utilizing software and simulations, the Digital Factory Division makes product development considerably faster and more efficient. Data-driven services, software and IT solutions are of decisive importance as they have a substantial influence on all of our future growth fields.

Success from innovation: Innovation is a central part of Siemens "Vision 2020", an entrepreneurial concept, leading Siemens into the future in the three stages: first we "drive performance", then we "strengthen core" and finally we "scale up" to attain our goals. We do this by investing significantly in R&D in order to develop innovative, sustainable solutions for our customers and to simultaneously safeguard our competitiveness. We are an innovative company and invent new technologies that we expect will meet future demands in accordance with the megatrends of demographic change, urbanization, climate change and globalization. We are granted thousands of new patents every year and continuously develop new concepts and convincing business models. We open up access to new markets and customers through new marketing and sales strategies as well as Divisional master plans.

Political stabilization of critical countries and recovery of worldwide economic environment: We see an opportunity that political stabilization of critical countries may lead to higher volume because it gives us the opportunity to catch up revenue that was unavailable in past years. Furthermore, a rapid worldwide recovery of the economic environment could also lead to additional volume and profit for Siemens.

Continuously developing and implementing initiatives to reduce costs, boost sales efforts, adjust capacities, improve our processes, realize synergies and streamline our portfolio: In an increasingly competitive market environment, a competitive cost structure complements the competitive advantage of being innovative. We believe that further improvements in our cost position can strengthen our global competitive position and secure our market presence against emerging and incumbent competitors. For example, we expect to create sustainable value from productivity measures in connection with our "Vision 2020" concept. Moreover, establishing a stringent claim management process can help materialize opportunities by enforcing our claims towards our contract partners even stronger.

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

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

Even though the assessment of individual opportunities have changed during fiscal year 2015 due to developments in the external environment as well as the effects of our endeavors to harvest them, the overall opportunity situation did not change significantly as compared to the prior year.

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

The following discussion describes information required pursuant to Section 289 (5) and Section 315 (2) no. 5 of the German Commercial Code (Handelsgesetzbuch) and explanatory report.

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

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

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

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

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

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

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

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

A.9 Siemens AG

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

Siemens AG is the parent company of the Siemens Group. Results for Siemens AG are significantly influenced by directly or indirectly owned subsidiaries and investments. The business development of Siemens AG is fundamentally subject to the same risks and opportunities as the Siemens Group. Due to the interrelations between Siemens AG and its subsidiaries and the relative size of Siemens AG within the Group, the outlook of the Group also largely reflects our expectations for Siemens AG. Therefore, the above mentioned explanations for the Siemens Group apply also for the Siemens AG. We expect that income from investments will significantly influence the profit of Siemens AG.

We intend to continue providing an attractive return to shareholders. Therefore, in the years ahead we intend to propose a dividend payout of 40% to 60% of net income of Siemens Group, which for this purpose we may adjust to exclude selected exceptional non-cash effects.

As part of the carve-out of Healthcare, Siemens AG transferred its healthcare business to the newly founded Siemens Healthcare GmbH by way of singular succession. Beginning with fiscal 2015, the results of the Siemens Healthcare GmbH are transferred to Siemens AG based on the profit-and-loss transfer agreement between the Siemens AG and the Siemens Healthcare GmbH.

As of September 30, 2015, the number of employees was 100,900.

A.9.1 Results of operations

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

(in millions of €)	Fiscal year 2015	2014	% Change
Revenue	**26,454**	**30,934**	**(14)%**
Cost of Sales	(20,161)	(22,109)	9%
Gross profit	**6,293**	**8,824**	**(29)%**
as percentage of revenue	*24%*	*29%*	
Research and development expenses	(2,417)	(2,781)	13%
Selling and general administrative expenses	(3,810)	(4,036)	6%
Other operating income (expenses), net	(270)	(20)	>(200)%
Financial income, net *thereof Income from investments 8,142 (prior year 2,870)*	*6,122*	*2,242*	*173%*
Result from ordinary activities	**5,918**	**4,230**	**40%**
Income taxes	(300)	(444)	32%
Net income	**5,618**	**3,786**	**48%**
Profit carried forward	179	110	64%
Allocation to other retained earnings	(2,714)	(988)	(175)%
Unappropriated net income	**3,084**	**2,907**	**6%**

The decrease in **Revenue** is due primarily to the carve-out of Healthcare, which posted €4.8 billion in revenue in fiscal 2014. In fiscal 2015, the highest contributions to revenue came from Digital Factory amounting to €6.1 billion, Energy Management amounting to €5.4 billion, Power and Gas amounting to €5.4 billion and Process Industries and Drives amounting to €5.2 billion. On a geographical basis, 74% of revenue was generated in the Europe, C.I.S., Africa, Middle East region, 19% in the Asia, Australia region and 7% in the Americas region. Exports from Germany accounted for 62% of overall revenue. In fiscal 2015, orders for Siemens AG amounted to €31.8 billion.

The decrease in **Gross profit** resulted primarily from the above mentioned carve-out of Healthcare, which contributed €2.1 billion to Gross Profit in fiscal 2014. In fiscal 2015, the strongest contributions to Gross Profit came from Digital Factory, Power and Gas as well as Process Industries and Drives. Fiscal 2015 included lower project charges compared to the prior year. In fiscal 2014, in particular, the Energy Management Division took charges including €0.4 billion related primarily to grid-connections to offshore wind-farms and €0.2 billion related to onshore HVDC transmission line projects. In fiscal 2015, Siemens handed over the four North Sea grid connection platforms to the customer.

Research and development (R&D) expenses decreased due primarily to the above mentioned carve-out of Healthcare. R&D expenses as a percentage of revenue (R&D intensity) remained at 9%. On an average basis, we employed 11,700 people in R&D in fiscal 2015. For additional information see → A.1.1.3 RESEARCH AND DEVELOPMENT.

The decrease in **Other operating income (expenses), net** resulted from an increase of €0.5 billion in other operating expenses, only partly offset by an increase in other operating income of €0.2 billion. Within other operating expenses, negative effects included additions to post-closing provisions in connection with the disposal of businesses.

The improvement in **Financial income, net** was primarily attributable to higher income from investments, which increased by €5.3 billion. Other financial income (expenses), net was €1.4 billion lower compared to the prior year.

The primary factors for the increase in income from investments was a gain of €2.8 billion on the disposal of Siemens' stake in BSH and higher income from profit transfers of €2.6 billion, in particular €1.7 billion from Siemens Beteiligungen Inland GmbH and €0.8 billion from Siemens Healthcare GmbH.

The decrease in other financial income (expenses), net resulted mainly from a higher realized loss related to interest and foreign currency derivatives of €0.7 billion and from higher expenses from compounding of pension provisions of €0.4 billion. In addition, impairments of loan receivables of Unify Holdings B.V. and Unify Germany Holdings B.V. amounting to €0.2 billion were included. For comparison, fiscal 2014 included €0.2 billion reversals of impairments of shares in investments.

The decline in **Income tax expenses** was due mainly to higher deferred tax assets resulting from provisions. This was partly offset by prior-year tax effects.

A.9.2 Net assets and financial position

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

(in millions of €)	2015	Sep 30, 2014	% Change
Assets			
Non-current assets			
Intangible and tangible assets	2,439	2,419	1%
Financial assets	43,688	42,121	4%
	46,127	**44,540**	**4%**
Current assets			
Receivables and other assets	19,492	15,816	23%
Cash and cash equivalents, securities	3,816	2,672	43%
	23,308	**18,488**	**26%**
Prepaid expenses	**83**	**111**	**(25)%**
Deferred tax assets	**2,333**	**2,222**	**5%**
Active difference resulting from offsetting	**29**	**40**	**(28)%**
Total assets	**71,880**	**65,400**	**10%**
Liabilities and equity			
Equity	**19,247**	**18,798**	**2%**
Special reserve with an equity portion	**708**	**759**	**(7)%**
Provisions			
Pensions and similar commitments	11,553	11,103	4%
Other provisions	7,511	7,369	2%
	19,064	**18,472**	**3%**
Liabilities			
Liabilities to banks	62	208	(70)%
Advance payments received	887	677	31%
Trade payables, liabilities to affiliated companies and other liabilities	31,545	26,190	20%
	32,494	**27,075**	**20%**
Deferred income	**367**	**296**	**24%**
Total liabilities and equity	**71,880**	**65,400**	**10%**

The increase in **Financial assets** was due primarily to the addition of Siemens' 49% stake in the Primetals Technologies Ltd. joint venture amounting to €0.7 billion – less a €0.1 billion impairment in fiscal 2015 – and the addition of the newly founded Siemens Healthcare GmbH amounting to €0.6 billion. The Siemens Medical Solutions Health Services GmbH was transferred into this newly founded company with a carrying amount of €0.3 billion. In addition, a capital increase of €0.3 billion relating to Siemens Beteiligungsverwaltung GmbH & Co. OHG was included. Loans and securities within non-current assets increased by €0.2 billion and €0.2 billion, respectively.

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

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

The increase in **Equity** was attributable to net income for the year of €5.6 billion and issuance of treasury stock of €0.3 billion in conjunction with our share-based payments. These factors were partly offset by dividends paid in fiscal 2015 (for fiscal 2014) of €2.7 billion. In addition, the equity was reduced due to share buybacks during the year amounting to €2.7 billion. The equity ratios at September 30, 2015 and 2014 were 27% and 29%, respectively.

The increase in **Pension and similar commitments** included interest and service costs amounting to €0.7 billion and negative effects amounting to €0.8 billion from adjustment of the discount rate. These factors were partly offset by pension payments amounting to €0.6 billion and a transfer of pension obligations, net to Siemens Healthcare GmbH amounting to €0.4 billion.

The increase in **Other provisions** was due primarily to an increase of €0.5 billion in provisions for probable losses for guarantees. This was partly offset by a decline of €0.2 billion in provisions for outstanding deliveries and services.

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

A.9.3 Corporate Governance statement

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

A.10 Compensation Report

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

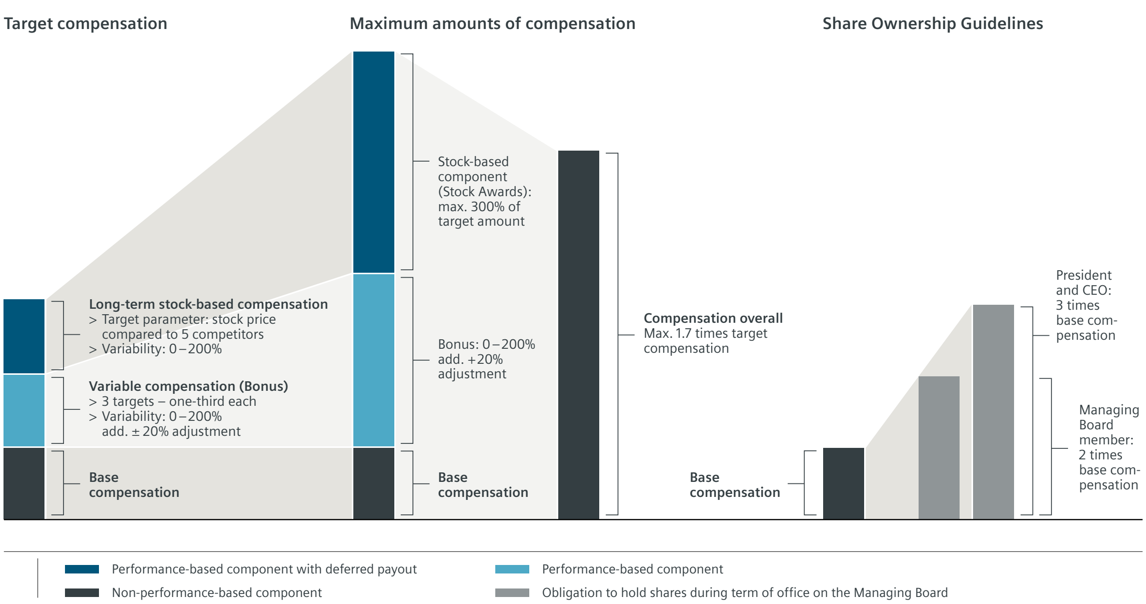
A.10.1 Remuneration of Managing Board members

A.10.1.1 REMUNERATION SYSTEM

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

The system and levels for the Managing Board's remuneration are determined and regularly reviewed by the full Supervisory Board, based on proposals by the Compensation Committee. The Supervisory Board reviews remuneration levels annually to ensure that they are appropriate. In this process, the Company's economic situation, performance and outlook as well as the tasks and performance of the individual Managing Board members are taken into account. In addition, the Supervisory Board considers the common level of remuneration in comparison with peer companies and with the compensation structure in place in other areas of the Company. It also takes due account of the relationship between the Managing Board's remuneration and that of senior management and staff, both overall and with regard to its development over time. For this purpose, the Supervisory Board has also determined how senior management and the relevant staff are to be differentiated. The remuneration system that was in place for Managing Board members in fiscal 2015 was approved by a majority of 92.79% at the Annual Shareholders' Meeting on January 27, 2015. The individual components of compensation – base compensation, variable compensation (Bonus) and long-term stock-based compensation – are weighted equally, and each comprises about one-third of target compensation. This equal weighting is also applied to the three target parameters of variable compensation.

Remuneration system for Managing Board members as of fiscal 2015



In fiscal 2015, the Managing Board's remuneration system had the following components:

Non-performance-based components

Base compensation

Base compensation is paid as a monthly salary. Since October 1, 2014, the base compensation of President and CEO Joe Kaeser has amounted to €1,878,000 per year. The base compensation of the CFO and of those members of the Managing Board who are responsible for Divisions (including Healthcare) has been €1,010,400 per year. For the other members of the Managing Board, it has been €939,000 per year.

Fringe benefits

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

Performance-based components

Variable compensation (Bonus)

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

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

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

Long-term stock-based compensation

Long-term stock-based compensation consists of a grant of forfeitable stock commitments (Stock Awards) at the beginning of the fiscal year. Beneficiaries receive one free share of Siemens stock per Stock Award after an approximately four-year restriction period. In the event of extraordinary unforeseen developments that impact the share price, the Supervisory Board may decide to reduce the number of promised Stock Awards retroactively, or it may decide that in lieu of a transfer of Siemens stock only a cash settlement in a defined and limited amount will be paid, or it may decide to postpone transfers of Siemens stock for payable Stock Awards until the developments have ceased to impact the share price.

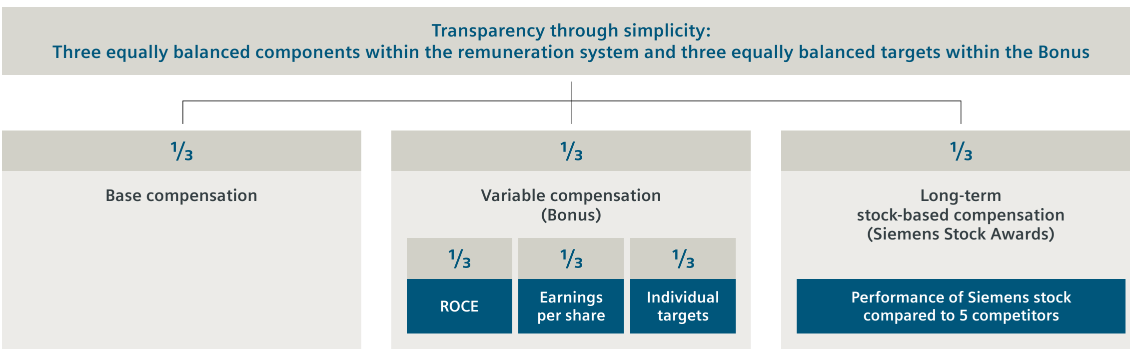
In the event of 100% target achievement, the annual target amount for the monetary value of the Stock Awards commitment is €1,950,000 for the President and CEO (effective October 1, 2014) and €1,040,000 for each of the other members of the Managing Board. Since fiscal 2015, the Supervisory Board has had the option of increasing the target amount for each member of the Managing Board, on an individual basis, by as much as 75% for one fiscal year at a time. This option enables the Supervisory Board to take account of each Managing Board member's individual accomplishments and experience as well as the scope and demands of his or her position.

Long-term stock-based compensation is linked to the performance of Siemens stock compared to its competitors. The Supervisory Board will decide on a target system (target value for 100% and target line) for the performance of Siemens stock relative to the stock of – at present – five competitors (ABB, General Electric, Rockwell, Schneider Electric and Toshiba). If significant changes occur among these competitors during the period under consideration, the Supervisory Board may take these changes into account, as appropriate, in determining the values for comparison and/or calculating the relevant stock prices of those competitors.

Changes in the share price are measured on the basis of a twelve-month reference period (compensation year) over three years (performance period), while Stock Awards are restricted for a period of four years. When this restriction period expires, the Supervisory Board determines how much better or worse Siemens stock has performed relative to the stock of its competitors. This determination yields a target achievement of between 0% and 200% (cap). If target attainment is above 100%, an additional cash payment corresponding to the outperformance will be made. If target attainment is less than 100%, a number of stock commitments equivalent to the shortfall from the target will expire without replacement.

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

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



Maximum amount for compensation overall

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

Share Ownership Guidelines

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

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

Pension benefit commitments

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

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

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

Managing Board members who were employed by the Company on or before September 30, 1983, are entitled to receive transition payments for the first six months after retirement, equal to the difference between their final base compensation and the retirement benefits payable under the corporate pension plan.

Commitments in connection with the termination of Managing Board membership

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

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

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

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

A.10.1.2 REMUNERATION OF MANAGING BOARD MEMBERS FOR FISCAL 2015

At the beginning of the fiscal year, the Supervisory Board set the target parameters return on capital employed (ROCE) and earnings per share (EPS), in each case on the basis of continuing and discontinued operations. The target values for the EPS component were defined on a multi-year basis. In defining the target for variable compensation, the Supervisory Board also defined individual targets for all members of the Managing Board so as to take fuller account of their individual performance. As a rule, up to five individual targets were defined for this purpose. These targets take account of business-related targets such as market coverage and business performance as well as targets such as customer and employee satisfaction, innovation and sustainability. An internal review of the appropriateness of Managing Board compensation for fiscal 2015 has confirmed that the remuneration of the Managing Board resulting from target achievement for fiscal 2015 is to be considered appropriate. In light of this review and following a review of the achievement of the targets defined at the beginning of the fiscal year, the Supervisory Board has decided to define the amounts of variable compensation, stock commitments and pension benefit contributions as follows:

Variable compensation (Bonus)

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

Target parameter	100% of target	Actual FY 2015 figure	Target achievement[2]
Return on capital employed, ROCE[1]	15.96%	19.63%	128.00%
Earnings per share, basic EPS[1] (ø 2013–2015)	€5.40	€6.76	190.67%

1 Continuing and discontinued operations.
2 Calculative target achievement ROCE was 200% (cap). The Supervisory Board adjusted this target achievement due to the sale of the hearing aid business (Audiology).

The achievement of individual targets was also taken into account when determining overall target achievement. In its overall assessment, the Supervisory Board decided not to make any discretionary adjustments to the Bonus payout amounts. In fiscal 2015, Bonus-related target achievement by Managing Board members was between 132.89% and 146.22%.

Long-term stock-based compensation

Since beneficiaries are not entitled to receive dividends, the number of stock commitments granted was based on the closing price of Siemens stock in Xetra trading on the date of award less the present value of dividends expected during the restriction period. The share price used to determine the number of stock commitments was €72.30 for 2015 as well as for 2014.

Benefits related to the termination of Managing Board membership

In connection with the mutually agreed-upon termination of Prof. Dr. Hermann Requardt's activity on the Managing Board as of January 31, 2015, it was agreed that his current employment contract with the Company would terminate as of September 30, 2015. The entitlements agreed upon under the contract remained in effect until that date. A gross compensatory payment of €1,888,566 and a one-time special contribution of €279,552 to the BSAV were agreed upon with Prof. Dr. Hermann Requardt in connection with the mutually agreed-upon premature termination of his Managing Board membership. The Stock Awards already granted and for which the restriction period is still in effect will be maintained in accordance with the terms of his employment contract and will be settled in cash at the closing price of Siemens stock in Xetra trading on September 30, 2015 (€79.94). Pursuant to the terms of his employment contract, Prof. Dr. Hermann Requardt's base compensation for fiscal 2015 as well as the variable compensation and long-term stock-based compensation that he received for fiscal 2014 were used to determine the amount of his compensatory payment and limited to a total of his compensation for the remaining term of his appointment. In addition, non-monetary benefits were covered by a payment amounting to 5% of the compensatory payment. The Company also reimbursed Prof. Dr. Hermann Requardt for out-of-pocket expenses of €5,000 plus value-added tax.

Total compensation

On the basis of the Supervisory Board's decisions described above, Managing Board compensation for fiscal 2015 totaled €27.42 million, a decrease of 4% (2014: €28.57 million). Of this total amount, €19.56 million (2014: €17.89 million) was attributable to cash compensation and €7.86 million (2014: €10.68 million) to stock-based compensation.

The compensation presented on the following pages was granted to the members of the Managing Board for fiscal 2015 (individualized disclosure). Due to rounding, the figures presented in the table may not add up precisely to the totals provided.

Managing Board members serving as of September 30, 2015

(Amounts in thousands of €)

Non-performance-based components	Fixed compensation (base compensation)	
	Fringe benefits[1]	
	Total	
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (Bonus) – Cash component (Code)
	with long-term incentive effect, stock-based	**Multi-year variable compensation[2, 3]**
		Variable compensation (Bonus) – Bonus Awards[4]
		Siemens Stock Awards (restriction period: 4 years)
		Target achievement depending on EPS for past three fiscal years[4]
		Target achievement depending on future stock performance[5]
	Total[6]	
	Service cost	
	Total (Code)[7]	

Total compensation of all Managing Board members for fiscal 2015, in accordance with the applicable reporting standards, amounted to €27.42 million (2014: €28.57 million). The granted payout amount presented below is to be used instead of the target value according to the Code for one-year variable compensation. Service costs for pension benefits are not included.

Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (Bonus) – Cash component
Total compensation		

Managing Board members serving as of September 30, 2015

(Amounts in thousands of €)

Non-performance-based components	Fixed compensation (base compensation)	
	Fringe benefits[1]	
	Total	
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (Bonus) – Cash component (Code)
	with long-term incentive effect, stock-based	**Multi-year variable compensation[2, 3]**
		Variable compensation (Bonus) – Bonus Awards[4]
		Siemens Stock Awards (restriction period: 4 years)
		Target achievement depending on EPS for past three fiscal years[4]
		Target achievement depending on future stock performance[5]
	Total[6]	
	Service cost	
	Total (Code)[7]	

Total compensation of all Managing Board members for fiscal 2015, in accordance with the applicable reporting standards, amounted to €27.42 million (2014: €28.57 million). The granted payout amount presented below is to be used instead of the target value according to the Code for one-year variable compensation. Service costs for pension benefits are not included.

Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (Bonus) – Cash component
Total compensation		

1 Fringe benefits include the costs, or the cash equivalent, of non-monetary benefits and other perquisites, such as the provision of company cars in the amount of €158,131 (2014: €181,638), contributions toward the cost of insurance in the amount of €134,170 (2014: €71,776), the reimbursement of expenses for legal advice and tax advice, accommodation and moving expenses, including any taxes due in this regard, currency adjustment payments and costs relating to preventive medical examinations in the amount of €330,620 (2014: €194,498).

2 The figures for individual maximums for multi-year variable compensation reflect the possible maximum value in accordance with the maximum amount agreed upon for fiscal 2015, that is, 300% of the applicable target amount.

3 The expenses recognized for stock-based compensation for members of the Managing Board in accordance with the IFRS in fiscal 2015 and fiscal 2014 amounted to €8,109,155 and €16,141,235, respectively. The following amounts pertained to the members of the Managing Board in fiscal 2015: Joe Kaeser €2,003,783 (2014: €1,822,932), Dr. Roland Busch €1,129,224 (2014: €922,535), Lisa Davis €284,928 (2014: €1,337,996), Klaus Helmrich €1,076,237 (2014: €949,521), Janina Kugel €140,185 (2014: €0), Prof. Dr. Siegfried Russwurm €1,239,596 (2014: €1,118,839), and Dr. Ralf P. Thomas €516,915 (2014: €446,570). The corresponding expense, determined in the same way, for former Managing Board members was as follows: Brigitte Ederer €105,227 (2014: €35,373), Barbara Kux €105,227 (2014: €1,971,611), Peter Löscher €230,387 (2014: €107,733), Prof. Dr. Hermann Requardt €1,107,522 (2014: €1,254,756), Peter Y. Solmssen €141,258 (2014: €3,430,484), and Dr. Michael Süß €28,666 (2014: €2,742,885).

4 For Stock Awards granted in fiscal 2014 for which the target attainment depends on the EPS for the past three fiscal years and for Bonus Awards granted in fiscal 2014, the fair value at the date of award is equivalent to the respective monetary value. As of fiscal 2015, the Bonus is granted entirely in cash; Stock Awards are linked solely to the performance of Siemens stock in comparison to its competitors.

5 The monetary values relating to 100% target achievement were €8,190,219 (2014: €4,970,916). The amounts for individual Managing Board members were as follows: Joe Kaeser €1,950,003 (2014: €950,022), Dr. Roland Busch €1,040,036 (2014: €500,027),

	Joe Kaeser President and CEO				Dr. Roland Busch Managing Board member				Lisa Davis [8] Managing Board member				Klaus Helmrich Managing Board member			
	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)
	1,845	1,878	1,878	1,878	998	1,010	1,010	1,010	166	1,010	1,010	1,010	998	1,010	1,010	1,010
	95	102	102	102	51	53	53	53	15	227	227	227	62	42	42	42
	1,940	**1,980**	**1,980**	**1,980**	**1,049**	**1,063**	**1,063**	**1,063**	**181**	**1,238**	**1,238**	**1,238**	**1,061**	**1,052**	**1,052**	**1,052**
	1,384	1,878	0	4,507	749	1,010	0	2,425	125	1,010	0	2,425	749	1,010	0	2,425
	2,221	**1,871**	**0**	**5,850**	**1,218**	**998**	**0**	**3,120**	**1,520**	**998**	**0**	**3,120**	**1,164**	**998**	**0**	**3,120**
	672	–	–	–	403	–	–	–	42	–	–	–	349	–	–	–
	912	–	–	–	480	–	–	–	871	–	–	–	480	–	–	–
	637	1,871	0	5,850	335	998	0	3,120	608	998	0	3,120	335	998	0	3,120
	5,545	**5,729**	**1,980**	**9,700**	**3,017**	**3,071**	**1,063**	**5,203**	**1,826**	**3,246**	**1,238**	**5,203**	**2,973**	**3,061**	**1,052**	**5,203**
	1,059	1,096	1,096	1,096	561	604	604	604	2,819	611	611	611	521	604	604	604
	6,603	**6,825**	**3,076**	**10,796**	**3,578**	**3,675**	**1,667**	**5,807**	**4,645**	**3,857**	**1,848**	**5,814**	**3,494**	**3,664**	**1,656**	**5,807**

	2,016	2,683		1,210	1,444		125	1,477		1,046	1,376	
	6,177	**6,535**		**3,478**	**3,505**		**1,826**	**3,713**		**3,271**	**3,427**	

	Janina Kugel Managing Board member since February 1, 2015				Prof. Dr. Siegfried Russwurm Managing Board member				Dr. Ralf P. Thomas CFO				Prof. Dr. Hermann Requardt [9] Managing Board member until January 31, 2015	
	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)	2014	2015
	–	626	626	626	998	1,010	1,010	1,010	998	1,010	1,010	1,010	998	337
	–	25	25	25	44	78	78	78	61	67	67	67	84	28
	–	**651**	**651**	**651**	**1,042**	**1,088**	**1,088**	**1,088**	**1,060**	**1,078**	**1,078**	**1,078**	**1,082**	**365**
	–	626	0	1,502	749	1,010	0	2,425	749	1,010	0	2,425	749	337
	–	**665**	**0**	**2,080**	**1,172**	**998**	**0**	**3,120**	**1,164**	**998**	**0**	**3,120**	**1,359**	**333**
	–	–	–	–	357	–	–	–	349	–	–	–	340	–
	–	–	–	–	480	–	–	–	480	–	–	–	600	–
	–	665	0	2,080	335	998	0	3,120	335	998	0	3,120	419	333
	–	**1,942**	**651**	**3,307**	**2,963**	**3,097**	**1,088**	**5,203**	**2,972**	**3,086**	**1,078**	**5,203**	**3,190**	**1,035**
	–	103	103	103	560	603	603	603	230	604	604	604	540	580
	–	**2,045**	**754**	**3,410**	**3,523**	**3,700**	**1,691**	**5,806**	**3,202**	**3,690**	**1,682**	**5,807**	**3,730**	**1,615**

	–	832		1,070	1,376		1,046	1,410		1,021	451
	–	**2,148**		**3,284**	**3,463**		**3,270**	**3,486**		**3,463**	**1,149**

Lisa Davis €1,040,036 (2014: €907,076), Klaus Helmrich €1,040,036 (2014: €500,027), Janina Kugel €693,357 (2014: €0), Prof. Dr. Siegfried Russwurm €1,040,036 (2014: €500,027), and Dr. Ralf P. Thomas €1,040,036 (2014: €500,027). The corresponding monetary values for former Managing Board members were as follows: Barbara Kux €0 (2014: €63,913), Prof. Dr. Hermann Requardt €346,679 (2014: €625,034), Peter Y. Solmssen €0 (2014: €125,007) and Dr. Michael Süß €0 (2014: €299,756). Because Janina Kugel joined the Managing Board during the fiscal year, the monetary value relating to 100% target achievement was prorated and, instead of Stock Awards, she received an equivalent amount of Phantom Stock Awards. At the end of the restriction period, these awards will be settled in cash rather than via a stock transfer. Otherwise, the regulations are the same as those for Stock Awards.

6 Total maximum compensation for fiscal 2015 represents the contractual maximum amount for overall compensation, excluding fringe benefits and pension benefit commitments. At 1.7 times target compensation (base compensation, target amount for the Bonus and the target amount for long-term stock-based compensation), the maximum amount is less than the total of the individual contractual caps for performance-based components.

7 Total compensation reflects the current fair value of stock-based compensation components on the award date. On the basis of the current monetary values of stock-based compensation components, total compensation amounted to €27,756,633 (2014: €29,109,709).

8 Ms. Davis's compensation is paid out in Germany in euros. It has been agreed that any tax liability that arises due to tax rates that are higher in Germany than in the U.S. will be reimbursed. For base compensation of calendar year 2014 as well as for the cash Bonus of fiscal 2014, a currency-adjustment payment was granted.

9 Prof. Dr. Hermann Requardt resigned from the Managing Board effective the end of the day on January 31, 2015. His employment contract ended effective September 30, 2015. In addition to the total compensation shown above for his work as a member of the Managing Board, Prof. Dr. Requardt received the following compensation for the remaining term of his contract from February 1 to September 30, 2015: fixed compensation of €673,600, fringe benefits of €68,203, variable compensation (Bonus) of €902,624 and Siemens Stock Awards in the amount of €665,258. In accordance with the provisions of his contract, his Stock Awards will be settled in cash at the closing price of Siemens stock in Xetra trading on September 30, 2015.

Allocations

The following table shows allocations for fiscal 2015 for fixed compensation, fringe benefits, one-year variable compensation and multi-year variable compensation –by reference year – as well as the expense of pension benefits. In deviation from the multi-year variable compensation granted for fiscal 2015 and shown above, this table includes the actual figure for multi-year variable compensation granted in previous years and allocated in fiscal 2015. Due to rounding, the figures presented in the table may not add up precisely to the totals provided.

Managing Board members serving as of September 30, 2015

(Amounts in thousands of €)		
Non-performance-based components	Fixed compensation (base compensation)	
	Fringe benefits[1]	
	Total	
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (Bonus) – Cash component[2]
	with long-term incentive effect, stock-based	**Multi-year variable compensation[3]**
		Siemens Stock Awards (restriction period: 2010 – 2013)
		Share Matching Plan (vesting period: 2012 – 2014)
		Share Matching Plan (vesting period: 2011 – 2013)
	Other[4]	
	Total	
	Service cost	
	Total (Code)	

Managing Board members serving as of September 30, 2015

(Amounts in thousands of €)		
Non-performance-based components	Fixed compensation (base compensation)	
	Fringe benefits[1]	
	Total	
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (Bonus) – Cash component[2]
	with long-term incentive effect, stock-based	**Multi-year variable compensation[3]**
		Siemens Stock Awards (restriction period: 2010 – 2013)
		Share Matching Plan (vesting period: 2012 – 2014)
		Share Matching Plan (vesting period: 2011 – 2013)
	Other[4]	
	Total	
	Service cost	
	Total (Code)	

1 Fringe benefits include the costs, or the cash equivalent, of non-monetary benefits and other perquisites, such as the provision of company cars in the amount of €158,131 (2014: €181,638), contributions toward the cost of insurance in the amount of €134,170 (2014: €71,776), the reimbursement of expenses for legal advice and tax advice, accommodation and moving expenses, including any taxes due in this regard, currency adjustment payments and costs relating to preventive medical examinations in the amount of €330,620 (2014: €194,498).

2 The cash component of one-year variable compensation (Bonus) presented above therefore represents the amount awarded for fiscal 2015, which will be paid out in January 2016.

	Joe Kaeser President and CEO		Dr. Roland Busch Managing Board member		Lisa Davis Managing Board member		Klaus Helmrich Managing Board member	
	2015	2014	2015	2014	2015	2014	2015	2014
	1,878	1,845	1,010	998	1,010	166	1,010	998
	102	95	53	51	227	15	42	62
	1,980	**1,940**	**1,063**	**1,049**	**1,238**	**181**	**1,052**	**1,061**
	2,683	2,016	1,444	1,210	1,477	125	1,376	1,046
	0	**1,595**	**0**	**269**	**0**	**0**	**0**	**367**
	0	1,392	0	269	0	0	0	366
	0	0	0	0	0	0	0	0
	0	203	0	0	0	0	0	0
	0	66	0	11	0	1,098	0	15
	4,664	**5,617**	**2,507**	**2,539**	**2,715**	**1,404**	**2,429**	**2,488**
	1,096	1,059	604	561	611	2,819	604	521
	5,760	**6,676**	**3,111**	**3,100**	**3,326**	**4,223**	**3,032**	**3,009**

	Janina Kugel Managing Board member since February 1, 2015		Prof. Dr. Siegfried Russwurm Managing Board member		Dr. Ralf P. Thomas CFO		Prof. Dr. Hermann Requardt[5] Managing Board member until January 31, 2015	
	2015	2014	2015	2014	2015	2014	2015	2014
	626	–	1,010	998	1,010	998	337	998
	25	–	78	44	67	61	28	84
	651	**–**	**1,088**	**1,042**	**1,078**	**1,060**	**365**	**1,082**
	832	–	1,376	1,070	1,410	1,046	451	1,021
	0	**–**	**0**	**1,392**	**177**	**535**	**0**	**1,519**
	0	–	0	1,392	0	520	0	1,392
	0	–	0	0	177	0	0	0
	0	–	0	0	0	15	0	127
	0	–	0	56	0	22	0	62
	1,482	**–**	**2,465**	**3,560**	**2,665**	**2,662**	**817**	**3,684**
	103	–	603	560	604	230	580	540
	1,586	**–**	**3,068**	**4,120**	**3,269**	**2,892**	**1,397**	**4,224**

3 Starting with the Siemens Stock Awards tranche of 2011, the restriction period was extended from three to four years. Shares from the Siemens Stock Awards for 2011 will thus only be transferred in November 2015. Therefore, no allocation for Siemens Stock Awards was made in fiscal 2015.

4 "Other" includes the adjustment of the Siemens Stock Awards for 2010 (transfer in November 2013) in accordance with Section 23 and Section 125 of the German Transformation Act (*Umwandlungsgesetz*) due to the spin-off of OSRAM. For Ms. Davis, "Other" represents the cash component of the compensatory payment made in December 2014 for the forfeiture of benefits from her former employer.

5 Prof. Dr. Hermann Requardt resigned from the Managing Board effective the end of the day on January 31, 2015. His employment contract ended effective September 30, 2015. In addition to the total compensation shown above for his work as a member of the Managing Board, Prof. Dr. Requardt received the following compensation for the remaining term of his contract from February 1 to September 30, 2015: fixed compensation of €673,600, fringe benefits of €68,203, and variable compensation (Bonus) of €902,624.

Pension benefit commitments

For fiscal 2015, the members of the Managing Board were granted contributions under the BSAV totaling €4.8 million (2014: €5.1 million), based on a resolution of the Supervisory Board dated November 11, 2015. Of this amount, €0.1 million (2014: €0.1 million) related to the funding of pension commitments earned prior to transfer to the BSAV.

The contributions under the BSAV are added to the personal pension accounts each January, following the close of the fiscal year. Until a beneficiary's date of retirement, his or her pension account is credited with an annual interest payment (guaranteed interest) on January 1 of each year. The interest rate is currently 1.25%.

The following table shows individualized details of the contributions (allocations) under the BSAV for fiscal 2015 as well as the defined benefit obligations for pension commitments.

	Total contributions[1] for		Defined benefit obligation[2] for all pension commitments excluding deferred compensation[3]	
(Amounts in €)	2015	2014	2015	2014
Managing Board members serving as of September 30, 2015				
Joe Kaeser	1,051,680	1,033,200	8,056,153	7,174,641
Dr. Roland Busch	565,824	559,104	3,243,101	2,769,337
Lisa Davis	565,824	93,184	3,126,396	2,818,722
Klaus Helmrich	565,824	559,104	3,522,681	3,047,911
Janina Kugel[4]	350,560	–	438,713	–
Prof. Dr. Siegfried Russwurm	565,824	559,104	4,824,749	4,390,368
Dr. Ralf P. Thomas	565,824	559,104	3,225,678	2,742,051
Former members of the Managing Board				
Prof. Dr. Hermann Requardt[5]	565,824	559,104	6,977,620	6,273,529
Total	**4,797,184**	**3,921,904**	**33,415,101**	**29,216,559**

1 The expenses (service cost) recognized in accordance with the IFRS in fiscal 2015 for Managing Board members' entitlements under the BSAV in fiscal 2015 amounted to €4,804,639 (2014: €7,913,201).

2 The defined benefit obligations reflect one-time special contributions to the BSAV of €279,552 (2014: €3,558,315) for new appointments from outside the Company and for special contributions in connection with departures from the Managing Board. These obligations amounted to €0 (2014: €2,745,615) for Lisa Davis, €279,552 (2014: €0) for Prof. Dr. Hermann Requardt and €0 (2014: €812,700) for Dr. Michael Süß.

3 Deferred compensation totals €4,947,717 (2014: €10,057,923), including €3,207,002 for Joe Kaeser (2014: €3,171,486), €305,023 for Klaus Helmrich (2014: €302,595) and €49,794 for Dr. Ralf P. Thomas (2014: €49,732). Deferred compensation for former Managing Board members is as follows: €0 for Barbara Kux (2014: €4,697,955), €1,385,898 for Prof. Dr. Hermann Requardt (2014: €1,381,365) and €0 for Peter Y. Solmssen (2014: €454,790).

4 Janina Kugel was elected a full member of the Managing Board effective February 1, 2015.

5 Prof. Dr. Hermann Requardt resigned from the Managing Board effective the end of the day on January 31, 2015. His employment contract ended effective September 30, 2015.

In fiscal 2015, former members of the Managing Board and their surviving dependents received emoluments within the meaning of Section 314 para. 1 No. 6 b of the German Commercial Code totaling €30.5 million (2014: €24.2 million). This figure includes the compensation for former Managing Board member Peter Y. Solmssen for the remaining period of his employment contract from October 2014 through March 2015, the cash compensation for Bonus Awards granted in the past as well as the pro rata contribution to the BSAV. It also includes the compensatory payment connected with the mutually agreed-upon termination of the Managing Board membership of Prof. Dr. Hermann Requardt as of January 31, 2015, the compensation for the remaining term of his employment contract – that is, from February 1 to September 30, 2015 – and a special contribution to the BSAV. For the period from February 1 through September 30, 2015, Prof. Dr. Hermann Requardt received 9,590 Stock Awards, which will be settled in cash in accordance with the provisions of his employment contract and in connection with the mutually agreed-upon termination of his Managing Board membership. Mr. Solmssen received 7,193 Stock Awards for the period from October 2014 through March 2015. Other than this, former Managing Board members and their surviving dependents received 0 (2014: 18,912) Stock Awards.

The defined benefit obligation (DBO) of all pension commitments to former members of the Managing Board and their surviving dependents as of September 30, 2015, amounted to €228.3 million (2014: €234.4 million). This figure is included in → NOTE 16 in → B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Other

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

A.10.1.3 ADDITIONAL INFORMATION ON STOCK-BASED COMPENSATION INSTRUMENTS IN FISCAL 2015

Stock commitments

The following table shows the changes in the balance of the stock commitments held by Managing Board members in fiscal 2015:

	Balance at beginning of fiscal 2015		Granted during fiscal year[1]			Vested and fulfilled during fiscal year	Forfeited during fiscal year	Balance at end of fiscal 2015[2]	
				Forfeitable commitments of Stock Awards					
(Amounts in number of units)	Non-forfeitable commitments of Bonus Awards	Forfeitable commitments of Stock Awards	Non-forfeitable commitments of Bonus Awards	(Target attainment depending on EPS for past three fiscal years)	(Target attainment depending on future stock performance)	Commitments of Bonus Awards and Stock Awards	Commitments of Stock Awards	Non-forfeitable commitments of Bonus Awards	Forfeitable commitments of Stock Awards
Managing Board members serving as of September 30, 2015									
Joe Kaeser	31,729	76,699	9,296	12,615	40,111	–	–	41,025	129,425
Dr. Roland Busch	21,544	44,443	5,578	6,639	21,301	–	–	27,122	72,383
Lisa Davis	–	–	576	12,044	26,931	–	–	576	38,975
Klaus Helmrich	22,409	45,314	4,824	6,639	21,301	–	–	27,233	73,254
Janina Kugel[3]	–	3,999	–	664	10,992	–	–	–	15,655
Prof. Dr. Siegfried Russwurm	30,503	54,952	4,934	6,639	21,301	–	–	35,437	82,892
Dr. Ralf P. Thomas	206	23,184	4,824	6,639	21,301	–	–	5,030	51,124
Former members of the Managing Board									
Prof. Dr. Hermann Requardt[4]	32,403	54,952	4,709	8,299	23,030	–	–	37,112	86,281
Total	**138,794**	**303,543**	**34,741**	**60,178**	**186,268**	**–**	**–**	**173,535**	**549,989**

1 The weighted average fair value as of the grant date for fiscal 2015 was €66.20 per granted share.

2 Amounts also include stock commitments (Stock Awards and Phantom Stock Awards) granted in November 2014 for fiscal 2015. These amounts may further include stock commitments received as compensation by the Managing Board member before joining the Managing Board.

3 Janina Kugel was elected a full member of the Managing Board effective February 1, 2015. Because she joined the Managing Board during the fiscal year, the target amount for her stock-based compensation was prorated and, instead of Stock Awards, she received an equivalent amount of Phantom Stock Awards. At the end of the restriction period, these awards will be settled in cash rather than via a stock transfer. Otherwise, the regulations are the same as those for Stock Awards.

4 Prof. Dr. Hermann Requardt resigned from the Managing Board effective the end of the day on January 31, 2015. His employment contract ended effective September 30, 2015. In accordance to the provisions of his contract, the Siemens Stock Awards will be settled in cash at the closing price of Siemens stock in Xetra trading on September 30, 2015.

Shares from the Share Matching Plan

Fiscal 2011 was the last year in which Managing Board members were entitled to participate in the Siemens Share Matching Plan. Under the plan, they were entitled to invest up to 50% of the annual gross amount of their variable cash compensation, as determined for fiscal 2010, in Siemens shares. After the expiration of a vesting period of approximately three years, plan participants are entitled to receive one free matching share of Siemens stock for every three Siemens shares acquired and continuously held under the plan, provided the participants were employed without interruption at Siemens AG or a Siemens company until the end of the vesting period. At the beginning of fiscal 2015, the following members of the Managing Board had entitlements to matching shares, which they acquired before joining the Managing Board: Dr. Ralf P. Thomas, 2,685 shares. In fiscal 2015 the following entitlements to matching shares were acquired: Janina Kugel, 3 shares. In fiscal 2015 the following entitlements to matching shares were due: 1,905 shares, Dr. Ralf P. Thomas. During fiscal 2015, no entitlements to matching shares were forfeited. Entitlements to matching shares at the end of fiscal 2015 show the following balance: Janina Kugel, 3 shares and Dr. Ralf P. Thomas, 780 shares. These entitlements have the following fair values: Janina Kugel, €174 (2014: €0) and Dr. Ralf P. Thomas, €42,657 (2014: €133,392).

Share Ownership Guidelines

The deadlines by which the individual Managing Board members must provide first-time proof of compliance with the Siemens Share Ownership Guidelines vary from member to member, depending on when he or she was appointed to the Managing Board. The following table shows the number of Siemens shares that were held by Managing Board members in office at September 30, 2015, as of the March 2015 deadline for proving compliance with the Share Ownership Guidelines as well as the number that are to be held permanently with a view to future deadlines.

	Obligations under Share Ownership Guidelines					
	Required			Proven		
(Amounts in number of units or €)	Percentage of base compensation[1]	Value[1]	Number of shares[2]	Percentage of base compensation[1]	Value[2]	Number of shares[3]
Managing Board members serving as of September 30, 2015, and required to show proof as of March 13, 2015						
Joe Kaeser	300%	3,874,688	43,062	732%	9,451,589	105,041
Prof. Dr. Siegfried Russwurm	200%	1,905,950	21,182	801%	7,629,314	84,789
Total		**5,780,638**	**64,244**		**17,080,903**	**189,830**

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

2 Based on the average Xetra opening price of €89.98 for the fourth quarter of 2014 (October – December).

3 As of March 13, 2015 (date of proof), including Bonus Awards.

A.10.2 Remuneration of Supervisory Board members

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

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

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

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

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

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

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

The compensation shown below was determined for each of the members of the Supervisory Board for fiscal 2015 (individualized disclosure).

	2015				2014			
(Amounts in €)	Base compensation	Additional compensation for committee work	Meeting attendance fee	Total	Base compensation	Additional compensation for committee work	Meeting attendance fee	Total
Supervisory Board members serving as of September 30, 2015								
Dr. Gerhard Cromme	280,000	280,000	48,000	608,000	280,000	280,000	55,500	615,500
Birgit Steinborn [1]	200,000	200,000	45,000	445,000	140,000	186,667	43,500	370,167
Werner Wenning	220,000	140,000	33,000	393,000	211,852	134,815	39,000	385,667
Olaf Bolduan [1]	140,000	–	9,000	149,000	35,000	–	4,500	39,500
Michael Diekmann	132,222	56,667	13,500	202,389	134,815	52,963	18,000	205,778
Dr. Hans Michael Gaul	140,000	160,000	27,000	327,000	140,000	160,000	30,000	330,000
Reinhard Hahn [1,2]	105,000	–	4,500	109,500	–	–	–	–
Bettina Haller [1]	140,000	80,000	24,000	244,000	140,000	80,000	28,500	248,500
Hans-Jürgen Hartung	140,000	–	9,000	149,000	140,000	–	13,500	153,500
Robert Kensbock [1]	140,000	180,000	30,000	350,000	140,000	106,667	27,000	273,667
Harald Kern [1]	140,000	80,000	21,000	241,000	140,000	76,667	25,500	242,167
Jürgen Kerner [1]	132,222	170,000	31,500	333,722	140,000	120,000	28,500	288,500
Dr. Nicola Leibinger-Kammüller	140,000	33,333	15,000	188,333	124,444	–	10,500	134,944
Gérard Mestrallet	140,000	–	9,000	149,000	119,259	5,679	7,500	132,438
Dr. Norbert Reithofer [3]	93,333	14,815	4,500	112,648	–	–	–	–
Güler Sabancı	140,000	–	9,000	149,000	129,630	–	10,500	140,130
Dr. Nathalie von Siemens [3]	105,000	–	4,500	109,500	–	–	–	–
Michael Sigmund	140,000	–	9,000	149,000	81,667	–	9,000	90,667
Jim Hagemann Snabe	132,222	113,333	28,500	274,056	124,444	97,778	19,500	241,722
Sibylle Wankel [1]	132,222	37,778	13,500	183,500	140,000	40,000	21,000	201,000
Former Supervisory Board members								
Gerd von Brandenstein [3]	41,481	23,704	9,000	74,185	140,000	80,000	30,000	250,000
Prof. Dr. Peter Gruss [3]	46,667	13,333	7,500	67,500	134,815	35,309	15,000	185,123
Berthold Huber [1,2]	73,333	26,667	10,500	110,500	211,852	77,037	25,500	314,389
Total [4]	**3,093,704**	**1,609,630**	**415,500**	**5,118,833**	**2,847,778**	**1,533,580**	**462,000**	**4,843,358**

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

2 Reinhard Hahn was appointed to the Supervisory Board by court order effective the end of the Annual Shareholders' Meeting on January 27, 2015, succeeding Berthold Huber, who resigned from the Supervisory Board effective the same date.

3 Dr. Norbert Reithofer and Dr. Nathalie von Siemens were elected to the Supervisory Board effective the end of the Annual Shareholders' Meeting on January 27, 2015. They succeed Gerd von Brandenstein and Prof. Dr. Peter Gruss, who resigned from the Supervisory Board effective the same date.

4 The total figure, compared to the amount presented in the 2014 Compensation Report, does not include the total compensation of €289,833 paid to former Supervisory Board members Lothar Adler and Prof. Dr. Rainer Sieg.

A.10.3 Other

The Company provides a group insurance policy for Supervisory and Managing Board members and certain other employees of the Siemens Group. The policy is taken out for one year at a time and renewed annually. It covers the personal liability of the insured in cases of financial loss associated with their activities on behalf of the Company. The insurance policy for fiscal 2015 includes a deductible for the members of the Managing Board and the Supervisory Board that complies with the requirements of the German Stock Corporation Act and the Code.

A.11 Takeover-relevant information

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

A.11.1 Composition of common stock

As of September 30, 2015, the Company's common stock totaled €2.643 billion. The capital stock is divided into 881 million registered shares with no par value and a notional value of €3.00 per share. The shares are fully paid in. All shares confer the same rights and obligations. The shareholders' rights and obligations are governed in detail by the provisions of the German Stock Corporation Act, in particular by Sections 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act.

A.11.2 Restrictions on voting rights or transfer of shares

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

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

The von Siemens-Vermögensverwaltung GmbH (vSV) has, on a sustained basis, powers of attorney allowing it to exercise the voting rights for 10,878,836 shares (as of September 30, 2015) on behalf of members of the Siemens family. These shares are part of the total number of shares held by the family's members. The powers of attorney are based on an agreement between the vSV and, among others, members of the Siemens family. The shares are voted together by vSV, taking into account the proposals of a family partnership established by the family's members or of one of this partnership's governing bodies.

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

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

According to Section 179 of the German Stock Corporation Act, any amendment to the Articles of Association requires a resolution of the Shareholders' Meeting. The authority to adopt purely formal amendments to the Articles of Association was transferred to the Supervisory Board under Section 13 para. 2 of the Articles of Association. In addition, by resolutions of the Shareholders' Meetings on January 25, 2011, January 28, 2014 and January 27, 2015, the Supervisory Board has been authorized to amend Section 4 of the Articles of Association in accordance with the utilization of the Authorized Capitals 2011 and 2014, Conditional Capitals 2014 and 2015, and after expiration of the then-applicable authorization period.

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

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

The Managing Board is authorized to increase, with the approval of the Supervisory Board, the capital stock until January 24, 2016 by up to €90 million through the issuance of up to 30 million registered shares of no par value against contributions in cash (Authorized Capital 2011). Subscription rights of existing shareholders are excluded. The new shares shall be issued under the condition that they are offered exclusively to employees of Siemens AG and its consolidated subsidiaries. To the extent permitted by law, employee shares may also be issued in such a manner that the contribution to be paid on such shares is covered by that part of the annual net income which the Managing Board and the Supervisory Board may allocate to other retained earnings under Section 58 para. 2 of the German Stock Corporation Act.

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

As of September 30, 2015, the total unissued authorized capital of Siemens AG therefore consisted of €618.6 million nominal that may be issued, with varying terms by issuance, in installments of up to 206.2 million registered shares of no par value.

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

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

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

The total amount of new shares issued or to be issued under Authorized Capital 2014 or in accordance with the bonds mentioned above, in exchange for contributions in cash and in kind and with shareholders' subscription rights excluded, may in certain cases be subject to further restrictions, such as the restriction that they may not exceed 20% of the capital stock. The details of those restrictions are described in the relevant authorization.

In February 2012, Siemens issued bonds with warrant units with a volume of US$3 billion. Siemens exchanged the major part of the warrants issued in 2012 against new warrants in September 2015; for this purpose, Siemens issued new bonds with warrants. At exchange, the new warrants resulted in option rights entitling their holders to receive approximately 20.3 million Siemens shares. The terms and conditions of the warrants enable Siemens to service exercised option rights using either conditional capital or treasury stock, and also enable Siemens to buy back the warrants.

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

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

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

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

In November 2013, the Company announced that it would carry out a share buyback of up to €4 billion in volume within the following up to 24 months. The buyback commenced on May 12, 2014 using the authorizations given by the Annual Shareholders' Meeting on January 25, 2011 and continued on January 29, 2015 based on the authorizations resolved by the Annual Shareholders' Meeting on January 27, 2015. Under this share buyback Siemens repurchased 40,751,593 shares by September 30, 2015. The total consideration paid for these shares amounted to about €3.782 billion (excluding incidental transaction charges). The buyback may serve only to cancel and reduce the capital stock, issue shares to employees, board members of affiliated companies and members of the Managing Board of Siemens AG, or service convertible bonds and warrant bonds. As of September 30, 2015, the Company held 72,376,759 shares of stock in treasury.

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

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

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

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

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

In February 2012, Siemens issued bonds with warrant units with a volume of US$3 billion. Siemens exchanged the major part of the warrants issued in 2012 against new warrants in September 2015. In case of a change of control, the terms and conditions of each warrant enable their holders to receive a higher number of Siemens shares in accordance with an adjusted strike price if they exercise their option rights within a certain period of time after the change of control. This period of time shall end either (1) not less than 30 days and no more than 60 days after publication of the notice of the issuer regarding the change of control, as determined by the issuer or (2) 30 days after the change of control first becomes publicly known. The strike price adjustment decreases depending on the remaining term of the warrants and is determined in detail in the terms and conditions of the warrants. In this context, a change of control occurs if control of Siemens AG is acquired by a person or by persons acting in concert.

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

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

A.11.7 Other takeover-relevant information

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