Annual Report 2018

siemens.com

Table of contents

A.

Combined Management Report

A.1 Organization of the Siemens Group and basis of presentation

Siemens is a technology company with core activities in the fields of electrification, automation and digitalization and activities in nearly all countries of the world. We are a leading supplier of power generation, power transmission and infrastructure solutions as well as automation, drive and software solutions for industry and of medical diagnostics solutions.

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, 2018, Siemens had around 379,000 employees.

As of September 30, 2018, Siemens had the following reportable segments: the Divisions **Power and Gas; Energy Management; Building Technologies; Mobility; Digital Factory** and **Process Industries and Drives;** as well as the Strategic Units **Siemens Healthineers** and **Siemens Gamesa Renewable Energy (SGRE)**. Together these Divisions and Strategic Units 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.

To further increase the entrepreneurial freedom of our businesses, we are reorganizing our operations. Implementation of the new organization will be completed by the end of the second quarter of fiscal 2019. We will begin reporting financial results according to the new company structure beginning with the third quarter of fiscal 2019. For the new structure, we are forming three Operating Companies consisting of the reportable segments **Gas and Power, Smart Infrastructure** and **Digital Industries**. These Operating Companies will form our Industrial Businesses together with three Strategic Companies consisting of the reportable segments **Siemens Healthineers, SGRE** and **Siemens Alstom**, following the completion of the proposed combination of Siemens' mobility business with Alstom SA (**Mobility** until completion of the proposed combination). **Financial Services** will continue to be a reportable segment outside our Industrial Businesses. Furthermore, we report **Portfolio Companies**, which largely consist of businesses formerly included in the Divisions Energy Management and Process Industries and Drives, along with certain other activities that were reported outside the former Industrial Business.

For further information on the reorganization of our businesses, see → **A.3 SEGMENT INFORMATION**.

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.

Non-financial matters of the Group and Siemens AG

Siemens has policies for environmental, employee and social matters, for the respect of human rights, and anti-corruption and bribery matters, among others. Our business model is described in chapters → **A.1** and **A.3** of this Combined Management Report. Reportable information that is necessary for an understanding of the development, performance, position and the impact of our activities on these matters is included in this Combined Management Report, in particular in chapters → **A.3** through **A.7**. Forward-looking information, including risk disclosures, is presented in chapter → **A.8**. Chapter → **A.9** includes additional information that is required to be reported in the Combined Management Report related to the parent company Siemens AG. As supplementary information, amounts reported in the Consolidated Financial Statements and the Annual Financial Statements of Siemens AG related to such non-financial matters, and additional explanations thereto, are included in → **B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, NOTES 17, 18, 22, 26** and **27**, and in the ↗ **NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF SIEMENS AG FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018, NOTES 16, 17, 20, 21** and **25**. These disclosures are not subject to a specific framework in order to inform the users of the financial reports in a focused manner – in contrast to the disclosures in our separately available "Sustainability Information 2018" document, which are based on the standards developed by the Global Reporting Initiative (GRI).

A.2 Financial performance system

A.2.1 Overview

Within One Siemens, we had established a financial framework for revenue growth, for profitability and capital efficiency, for our capital structure, and for our dividend policy that was applicable up to and including fiscal 2018.

We have enhanced our financial framework, now called the Siemens Financial Framework, as described in more detail below. This framework is effective from April 1, 2019 and includes targets that we aim to achieve over the cycle of the business activities.

A.2.2 Revenue growth

Within the framework of One Siemens, we had aimed to grow our revenue faster than the average weighted revenue growth of our most relevant competitors. To improve transparency for external stakeholders, in our new Siemens Financial Framework we aim to achieve a revenue growth range of 4% to 5% per year on a comparable basis, independent of competitor performance. Our primary measure for managing and controlling our revenue growth is comparable growth, because it shows the development in our business net of currency translation effects, which arise from the external environment outside of our control, and portfolio effects, which involve business activities which are either new to or no longer a part of the respective business.

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

A.2.3 Profitability and capital efficiency

Within the framework of One Siemens, we had already aimed to achieve margins that were comparable to those of our relevant competitors. Therefore, we had defined profit margin ranges for our industrial businesses which were based on the profit margins of their respective relevant competitors. Profit margin is defined as profit of the respective business divided by its revenue. For our industrial businesses, profit represents EBITA adjusted for operating financial income (expenses), net, and amortization of intangible assets not acquired in business combinations (Adjusted EBITA).

Margin ranges (until the reorganization of our businesses)

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

Related to the reorganization of our operations, we have set the following margin ranges in our new Siemens Financial Framework from fiscal 2019:

Margin ranges (new organizational structure)

	Margin range
Gas and Power	8 – 12%
Smart Infrastructure	10 – 15%
Digital Industries	17 – 23%
Siemens Alstom (until closing: Mobility)	8 – 12%
Siemens Healthineers	17 – 21%
Siemens Gamesa Renewable Energy	7 – 11%
Industrial Businesses	**11 – 15%**
Financial Services (ROE after tax)	15 – 22%

These new and higher margin ranges factor in, among others, higher revenue and productivity. Accordingly, because productivity gains are part of these higher ranges, in the future we no longer use the previous productivity measure called total cost productivity, which was defined as the ratio of cost savings from defined productivity improvement measures to the aggregate of functional costs for the Siemens Group. We had aimed to achieve an annual value of 3% to 5% for total cost productivity.

In line with common practice in the financial services business, our financial indicator for measuring capital efficiency at Financial Services continues to be return on equity after tax, or ROE after tax. ROE is defined as Financial Services' profit after tax, divided by its 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.

We continue to 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 continue to use return on capital employed, or ROCE, as our primary measure in our new Siemens Financial Framework. Our long-term goal is to achieve ROCE within a range of 15% to 20%.

A.2.4 Capital structure

Sustainable revenue and profit development is supported by a healthy capital structure. Accordingly, a key consideration within the framework of One Siemens was 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. This objective is maintained in the Siemens Financial Framework. 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 Liquidity and dividend

We intend to continue providing an attractive return to our shareholders. Under One Siemens, our intention was to propose a dividend whose distribution volume was within a dividend payout range of 40% to 60% of Net income, which we could adjust for this purpose to exclude selected exceptional non-cash effects. Under the new Siemens Financial Framework, this intention is maintained, with the adjustment that the dividend payout range of 40% to 60% relates to Net income attributable to shareholders of Siemens AG, to account for the increased share of non-controlling interests in the Group. As in the past, we intend to fund the dividend payout from Free cash flow. To provide a better assessment of our ability to generate cash, and ultimately to pay dividends, in the future we use the cash conversion rate of Industrial Businesses, defined as the ratio of Free cash flow from Industrial Businesses to Industrial Businesses Adjusted EBITA. Because growth requires investments, we aim to achieve a cash conversion rate of 1 minus the annual comparable revenue growth rate of Industrial Businesses.

At the Annual Shareholders' Meeting, the Managing Board, in agreement with the Supervisory Board, will submit the following proposal to allocate the unappropriated net income of Siemens AG for fiscal 2018: to distribute a dividend of €3.80 on each share of no par value entitled to the dividend for fiscal year 2018 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 30, 2019. The prior-year dividend was €3.70 per share.

The proposed dividend of €3.80 per share for fiscal 2018 represents a total payout of €3.1 billion based on the estimated number of shares entitled to dividend at the date of the Annual Shareholders' Meeting. Based on Net income attributable to Shareholders of Siemens AG of €5.8 billion for fiscal 2018, the dividend payout percentage is 53%.

A.2.6 Calculation of return on capital employed

Calculation of ROCE

(in millions of €)	Fiscal year 2018	2017
Net income	**6,120**	6,094
Less: Other interest expenses/income, net[1]	**(482)**	(568)
Plus: SFS Other interest expenses/income	**726**	799
Plus: Net interest expenses related to provisions for pensions and similar obligations	**164**	198
Less: Interest adjustments (discontinued operations)	**–**	–
Less: Taxes on interest adjustments (tax rate (flat) 30%)	**(122)**	(129)
(I) Income before interest after tax	**6,404**	6,394
(II) Average capital employed	**50,557**	48,004
(I)/(II) ROCE	**12.7%**	13.3%

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

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

Calculation of capital employed

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

Starting October 1, 2018, following adoption of IFRS 9 "Financial Instruments," the line item "Current available-for-sale financial assets" will be renamed "Current interest-bearing debt securities".

A.3 Segment information

A.3.1 Overall economic conditions

After 3.2% growth in gross domestic product (GDP) in 2017, the global economy continued its acceleration at the beginning of fiscal 2018. Then disturbing developments began to adversely affect sentiment and, thereafter, economic activity. As a result, GDP growth for 2018 is expected to remain at the 3.2% level (based on market exchange rates).

In advanced countries, 2018 GDP growth is estimated at 2.3%, unchanged from the year earlier, driven by the U.S. economy which benefited from substantial tax cuts. In contrast, emerging countries experienced a slight decline in GDP growth compared to 2017, from 4.7% to 4.6%. However, this rather small difference masks significant divergent developments. International capital flows reversed out of emerging markets, which had to deal with depreciating currencies and tightening credit conditions, especially in Argentina and Turkey, putting a significant drag on their economies. This was, along with various country-specific effects, exacerbated by monetary policy in the U.S. where the central bank continued on its path of monetary tightening more strictly than expected. In addition, the announcement and implementation of new and increased tariffs led to a fear of a global trade war and added significant uncertainty. In the Middle East, political tensions increased, with the U.S. reactivating sanctions on Iran.

In Europe, negotiations over the U.K. leaving the European Union remained complicated. Clarity on future arrangements was not forthcoming, which negatively impacted investment sentiment. Additionally, fears of a come-back of the Euro crisis came up as the new Italian government and the EU commission strongly disagreed about an Italian budget proposal and financial markets showed increasing concern.

All in all, the economic acceleration at the beginning of 2018 lost steam towards the end of the year due to these adverse effects.

The partly estimated figures presented here for GDP are based on an IHS Markit report dated October 15, 2018.

A.3.2 Power and Gas

The **Power and Gas** Division offers a broad spectrum of products and solutions for generating electricity from fossil fuels and for producing and transporting oil and gas. The portfolio includes gas turbines, steam turbines, generators to be applied to gas or steam power plants, compressor trains, integrated power plant solutions, and instrumentation and control systems for power generation. Customers include public utilities and independent power producers; companies in engineering, procurement and construction that serve utilities and power producers; sovereign and multinational oil companies; and industrial customers that generate power for their own consumption (prosumers). 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. Financial results of the Power and Gas Division also include the financial results of the Power Generation Services Division, which itself is not a reportable segment. The **Power Generation Services** Division offers a comprehensive set of services for products, solutions and technologies of the Power and Gas Division, covering performance enhancements, maintenance services, customer training and professional consulting. Based on this business model, all discussions of the services business for Power and Gas concern the Power Generation Services Division. Due to the broad range of its offerings, the revenue mix for Power and Gas may vary from reporting period to reporting period depending on the share of revenue attributable to products, solutions and services. Because profitability levels typically differ among these three revenue sources, the revenue mix in a reporting period accordingly affects Division profit for that period.

Several **trends** are affecting the Division's businesses. The ongoing strong growth in demand for renewable power generation and the associated volatility in power generation are shifting market demand from fossil baseload generation to more flexible, increasingly efficient and relatively more affordable gas power plants with low emissions, in particular in Europe, Latin America and China. A second trend is that the development and execution of large projects increasingly requires financing by the original equipment manufacturer (OEM), including equity participation, particularly in Latin America. For the Division, this role is fulfilled by Financial Services, which can offer customers a range of financing and equity options backed by domain know-how. Another continuing trend is the shift to a more flexible and decentralized power generation, in particular in Latin America and Asia. In addition, the markets of the Division are strongly affected by changes in national energy regulations, such as support of renewable energy, the security of supply through capacity markets or strategic reserve capacity, carbon pricing and climate change targets, and the modernization of energy and electricity markets. Power and Gas addresses these trends, among others, through its research and development (R&D) and investing activities.

Research & development (R&D) activities of the Division concentrate on developing products and solutions for enhancing efficiency, flexibility and economy in power generation as well as in the oil and gas industry. These products and solutions include turbomachinery – primarily high-performance, low-emission gas turbines for simple-cycle operation or for combined-cycle power plants – and compressor solutions for various process industries.

The Division's current technology initiative, which started in fiscal 2015, is aimed at intensifying R&D in innovative materials, advanced manufacturing methods and plant optimization. In fiscal 2018, Power and Gas introduced an enhanced version of its industrial gas turbine SGT-800 with improved performance that is designed to provide operators with significant fuel savings and CO_2 emissions reductions, supporting the need in industrial and decentral power generation. In addition, in its HL-class development program, the Division focuses on developing a technology carrier supporting the full portfolio of the Division to increase customer value (e.g. performance). As part of this program, it introduced its largest gas turbine SGT-9000HL to the market in fiscal 2018, which provides the lowest levelized cost of electricity (LCOE) in gas-fired, large-scale power generation, and for which it has already received orders in the U.S. and the U.K. The **investments** of Power and Gas are focused on enhancing productivity through automation and increasing customer proximity via strategic localization of capacity. Investing activities mainly relate to our gas turbines and turbine components.

	Fiscal year		% Change	
(in millions of €)	2018	2017	Actual	Comp.
Orders	**13,717**	13,329	3%	12%
Revenue	**12,441**	15,434	(19%)	(14%)
Profit	**377**	1,571	(76%)	
Profit margin	**3.0%**	10.2%		

Orders were up moderately year-over-year despite significant negative effects from currency translation, mainly due to higher orders in the services business. Volume from large orders was higher compared to fiscal 2017, with the largest contracts won in Israel, the U.K., Russia, and Libya. These orders contributed to double-digit growth in the region Europe, C.I.S., Africa, Middle East, while order intake declined in the other two reporting regions. **Revenue** decreased significantly year-over-year in contracting markets as most of the Division's businesses recorded lower revenue. The overall decrease was driven by the solutions business which in fiscal 2017 had recorded revenue from large orders in Egypt. Revenue decreased in all three reporting regions. Despite a continuing strong contribution from the services business and gains totaling €166 million from two divestments, **profit** was down sharply compared to fiscal 2017 due to severance charges totaling €361 million related to previously announced measures to improve the Division's competitiveness, reduced capacity utilization, lower revenue and price declines. Severance charges were €19 million in fiscal 2017. The Division's order backlog was €40 billion at the end of the fiscal year, of which €8 billion are expected to be converted into revenue in fiscal 2019.

These results reflected a highly competitive **market** environment, in which markets served by the Division again declined in fiscal 2018. Global energy trends continue to structurally reduce overall demand in markets for the Division's offerings, resulting in declining new-unit large turbine business and corresponding price pressure due to structural overcapacities and aggressive competitive behavior. We expect markets overall to remain challenging with market volume staying at the current low level, in particular in the market segment for large gas turbines. Volume in that segment declined significantly in fiscal 2018 due mainly to customer delays of large projects in the Americas and in the Middle East and strong price pressure resulting from intense competition. Customers also showed restraint due to ongoing weak growth in demand for power combined with uncertainty regarding regulatory developments. The gas turbine market is experiencing overcapacity among OEMs and engineering, procurement and construction contractors, which is leading to market consolidation. In contrast, the need for small and medium gas turbines, particularly in countries with a less developed energy infrastructure, is anticipated to continue. In the market for steam turbines for power generation, volume shrank further year-over-year from an already low basis of comparison due to an ongoing shift from coal-fired to gas-fired and renewable power generation, and to carbon emission regulation such as in China. We expect this development to continue in fiscal 2019. In contrast, markets for industrial steam turbines showed slight growth in fiscal 2018, and the market segment is expected to be flat in fiscal 2019. Volume in compression markets remained on a low level in fiscal 2018 as customers continued to hold back investments. We expect this to continue but with signs of a recovery during fiscal 2019 as some customers in the oil and gas industry revive investment plans.

Under the new organizational structure reported beginning with the third quarter of fiscal 2019, the businesses of our Power and Gas and Power Generation Services Divisions will be part of the Operating Company Gas and Power.

A.3.3 Energy Management

The **Energy Management** Division offers a wide spectrum of software, products, systems, solutions, and services for transmitting, distributing and managing electrical power and for providing intelligent power infrastructure. The Division's customers encompass a wide range of direct customers and channel partners including power providers, transmission and distribution system operators, industrial companies, infrastructure developers, construction companies, distributors and OEMs. End customers and OEMs use its offerings to process, transmit and manage electrical power from the source down to various load points along multiple voltage levels (low, medium and high voltage).

The Division's distributed, intelligent solutions for smart grids enable a bidirectional flow of energy and information, which, among other things, is required for integrating fluctuating renewable energy sources, electrical storage or manageable loads. Competitors of the Division consist mainly of a small number of large multinational companies, increasingly joined by smaller, fast-growing manufacturers in emerging countries including China, India and Korea. Its activities across many regional and vertical markets as well as its participation in long-cycle and short-cycle markets provide a balanced and resilient business mix. The Division's revenue and portfolio mix may vary across reporting periods. In particular, orders, revenue and profit development can be influenced by the proportional contribution from its transmission solutions business.

Energy Management generally benefits from major **trends** and changes in global electrical power systems, in particular decarbonization, decentralization and digitalization. Decarbonization involves the buildup of generation capacities from renewable sources and electrification of the world's heat and transport sectors. Another trend is decentralization: the integration of wind power, photovoltaics, biomass, storage and other intermittent or distributed energy resources into efficient and reliable power networks. The digitalization trend involves providing intelligent solutions for connectivity, the management of complex energy networks, and services that are enabled by digital technologies.

R&D activities of the Division focus on preparing its portfolio for such a more decarbonized, decentralized, and digital energy market. 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. Accordingly, the Division's innovations are focused on the areas of power electronics, digitalization and grid stabilization. It also develops new technologies such as Process Bus communication for applications in energy management that are designed to enable cost-effective investment in, and economic operation of, digital substations as well as more secure and reliable grid operation. Energy Management is spending the larger portion of its **capital expenditures** for innovation, particularly in the high and low voltage businesses. Further investments are primarily related to the replacement of fixed assets, the expansion of factories and technical equipment.

	Fiscal year		% Change	
(in millions of €)	2018	2017	Actual	Comp.
Orders	**11,624**	13,627	(15%)	(10%)
Revenue	**12,266**	12,273	0%	5%
Profit	**1,003**	931	8%	
Profit margin	**8.2%**	7.6%		

Energy Management posted a double-digit **order** decline year-over-year due to a sharply lower volume from large orders in the transmission solutions business resulting from delays of tenders for large projects by customers, and to significant negative effects from currency translation. The majority of the Division's businesses, which typically do not receive large orders, posted growth on a comparable basis. The drop in large orders was particularly evident in the region Europe, C.I.S., Africa, Middle East, where in fiscal 2017 the Division recorded an order totaling €0.8 billion for an offshore grid connection project in Germany and an order totaling €0.6 billion for substations in Qatar. Volume from large orders was also down in the region Asia, Australia, which in the prior year included a high-voltage direct current (HVDC) order in India totaling €0.4 billion, leading to an overall order decline in that region. In contrast, orders were up in the Americas region, particularly in the U.S. **Revenue** was flat year-over-year due primarily to significant negative currency translation effects. On a comparable basis, revenue grew in the majority of the Division's businesses, led by the low voltage and products and the medium voltage and systems businesses. On a geographic basis, higher revenue in the region Asia, Australia was partially offset by a decline in the Americas strongly influenced by currency headwinds, while revenue in the region Europe, C.I.S., Africa, Middle East was flat year-over-year. **Profit** was up clearly compared to the prior year despite significant negative currency effects as all of the Division's businesses delivered a positive contribution to profit. The largest profit increase year-over-year was delivered by the transmission solutions business. Severance charges were €27 million in fiscal 2018 and €39 million in fiscal 2017. The Division's order backlog was €12 billion at the end of the fiscal year, of which €8 billion are expected to be converted into revenue in fiscal 2019.

These results were achieved in global **markets** that declined slightly in fiscal 2018 on a nominal basis due mainly to foreign currency headwinds. Continued weakness in the Middle East was offset by growth in global industry, infrastructure and construction verticals, including oil and gas, metals and mining, intelligent energy and storage solutions, and critical infrastructure such as data centers. Latin America and Asia were key growth contributors. Markets in Europe showed stable development, with pockets of growth such as integration of renewable energy sources into the grid. However, overall market trends remain favorable, including integration of renewable energy and the corresponding need for intelligent and flexible energy networks to cope with the complexity caused by this integration. In fiscal 2019, most markets served by the Division are expected to provide low single-digit growth, excluding currency translation effects. The transmission utility market is expected to recover from the weakness shown in fiscal 2018 and grow significantly, particularly if the large project tenders that were held back in the prior year are ultimately awarded. Customers are expected to continue their effort to strengthen transmission and distribution grids to integrate the growing amount of decentralized renewable energy. We expect a further recovery in the oil and gas markets from their recent low levels.

Under the new organizational structure reported beginning with the third quarter of fiscal 2019, Energy Management's transmission businesses (transmission solutions and transmission products) will be assigned to the Operating Company Gas and Power, while the businesses for power distribution (medium voltage distribution, low voltage distribution and digital grid solutions) will be assigned to the Operating Company Smart Infrastructure. The Division's subsea business will be reassigned to Portfolio Companies.

A.3.4 Building Technologies

The **Building Technologies** Division is a leading provider of automation technologies and digital services for safe, secure and efficient buildings and infrastructures throughout the entire lifecycle. The Division offers products, solutions, services and software for fire safety, security, building automation and energy management. Building Technologies sells its products and solutions primarily through its worldwide regional branch offices and also markets its products through its solutions and services organization together with value-added partners, installers, distributors and OEMs. The large customer base is widely dispersed. It includes owners, operators and tenants of both public and commercial buildings, general contractors and value-added partners. The Division's principal competitors are multinational companies. Its solutions and services business also competes with system integrators and small local companies and increasingly with IT based start-up companies. The Division faces continuing price pressure, particularly in its solutions business, due to strong competition from larger multinationals 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.

Major **trends** that affect Building Technologies' customers include the growing demand for energy efficiency of buildings partly driven by rising legal and regulatory requirements, and the necessity to reduce cost by increasing space efficiency and utilization. In addition, customers increasingly demand smart space solutions, addressing the need to ensure well-being and productivity of people by improving comfort conditions and offerings of additional user-centric services. At the end of fiscal 2018, Building Technologies acquired three innovative start-up companies to strengthen its portfolio and expertise in the field of energy efficiency and smart space technology.

R&D activities at the Building Technologies Division focus on optimizing comfort and energy efficiency in buildings and infrastructures and protecting against fire and security hazards. The Division continues to advance its controller and sensor families with a broadly international R&D setup. Building Technologies drives the digital transformation of the building industry by creating open-standards-based Building Information Modeling (BIM)-ready products and services and by connecting its products and installed base to the new digital offerings of Siemens Comfy and Enlighted in the smart space area. The Division also intends to expand its digitalization portfolio on the Siemens MindSphere platform. Building Technologies' **investments** relate mainly to the products and systems business, particularly innovation projects such as control and digital platforms.

	Fiscal year		% Change	
(in millions of €)	2018	2017	Actual	Comp.
Orders	**7,077**	7,080	0%	4%
Revenue	**6,613**	6,523	1%	6%
Profit	**755**	784	(4%)	
Profit margin	**11.4%**	12.0%		

Despite strong negative currency translation effects, **revenue** for Building Technologies rose and **orders** came in at prior-year level. On a comparable basis, volume was up in the solutions and services business and the product business, with the Division's revenue growing faster than the market on increases in all reporting regions. Orders grew in the region Europe, C.I.S., Africa, Middle East, driven by double-digit growth in Germany including multiple multi-year service contracts. The Division won major orders in the U.S. in both periods under review. **Profit** and profitability remained strong, supported by economies of scale and improved productivity. For comparison, fiscal 2017 benefited from a €94 million gain related to pension plan amendments. Severance charges were €13 million in fiscal 2018 compared to €18 million a year earlier. The Division's order backlog was

€5 billion at the end of the fiscal year, of which €3 billion are expected to be converted into revenue in fiscal 2019.

Building Technologies achieved its results in moderately growing non-residential construction **markets** in fiscal 2018. The strongest market growth contributions came from the Asia, Australia region, particularly including India. The U.S. market grew nearly in line with the global average and the majority of the European countries continued their recovery, including a stable growth contribution from Germany. The Division's markets are expected to continue to grow solidly in fiscal 2019, including similar growth developments in the Asia, Australia region and in Europe including Germany, as in fiscal 2018. For the U.S., growth in non-residential construction markets is expected to slow down slightly in fiscal 2019.

Under the new organizational structure reported beginning with the third quarter of fiscal 2019, Building Technologies' businesses will be assigned to the Operating Company Smart Infrastructure.

A.3.5 Mobility

Mobility combines all Siemens businesses in the area of passenger and freight transportation, including rail vehicles, rail automation systems, rail electrification systems, road traffic technology, digital solutions and related services. It also provides its customers with consulting, planning, financing, construction, service and operation of turnkey mobility systems. Moreover, Mobility offers integrated mobility solutions for networking of different types of traffic systems. It sells its products, systems and solutions through its worldwide network of sales units. The principal customers of Mobility are public and state-owned companies in the transportation and logistics sectors, so its markets 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. Mobility's principal competitors are multinational companies. Consolidation among Mobility's competitors is continuing and has already led to the formation of a strong market leader in China, which plans to expand its international business. This is expected to change global market dynamics.

In March 2018, Siemens and Alstom SA, France (Alstom) signed a Business Combination Agreement to combine Siemens' mobility business including the rail traction drives business, which until the end of fiscal 2018 was included in the Process Industries and Drives Division, with the publicly listed company Alstom. The two businesses are largely complementary in terms of activities and geographies. The combined entity is expected to offer a significantly increased range of diversified products, systems, solutions and services. According to the Business Combination Agreement, Siemens will receive newly issued shares in the combined company representing 50% of Alstom's share capital assuming full dilution through exercise of all potentially dilutive securities and share-based payment plans. Further, Siemens will receive warrants allowing it to acquire Alstom shares representing 2% of its share capital, which can be exercised earliest four years after closing of the transaction. In July 2018, Alstom's shareholders approved the proposed combination at the company's annual shareholders' meeting. In order to prepare for the combination, Siemens has initiated the carve-out process for the Mobility business. The business combination is subject to clearance from relevant antitrust authorities. Closing of the transaction is expected in the first half of calendar 2019. Following the closing of the transaction, the combined businesses will form the Strategic Company Siemens Alstom.

Trends in Mobility's markets are characterized by the need for solutions that make daily mobility simpler, more flexible, faster, more reliable and affordable. Cities and national economies face the challenge of reducing the costs, space requirements, noise and CO_2 emissions of transportation. The pressure on mobility providers and policymakers to meet these mobility and transportation needs is growing as urban population is expected to continuously rise.

The Mobility's **R&D** strategy is focused on maximum availability, high throughput and enhanced passenger experience. Although there is a growing need for mobility worldwide, possibilities for building new roads and railways are limited. Meeting the demand for mobility requires intelligent solutions that make transport more efficient, safe and environmentally friendly. Decarbonization and seamlessly connected intermodal (e)mobility are key factors for the future of transportation. Reflecting this, Mobility's R&D activities emphasize digitalization in developing state-of-the art mobility solutions for rail and road combined with new business models such as availability-as-a-service (AaaS) via our data analytics application suite Railigent powered by MindSphere. Mobility invests in the future mobility landscape together with other partners in areas such as sensor technologies, connectivity/IoT solutions, software for intermodal transport, Digital Twin/BIM, artificial intelligence and additive manufacturing. Mobility's **investments** focus mainly on maintaining or enhancing its production facilities and on meeting project demands.

(in millions of €)	2018	Fiscal year 2017	% Change Actual	Comp.
Orders	**10,959**	8,963	22%	25%
Revenue	**8,758**	8,104	8%	11%
Profit	**872**	747	17%	
Profit margin	**10.0%**	9.2%		

Orders at Mobility grew substantially on higher volume from large orders, which the Division won across its businesses and regions, most notably in the region Europe, C.I.S., Africa, Middle East. Significant contract wins in the current period included among others a commuter rail order in Israel worth €0.9 billion including service; Siemens' largest-ever rail infrastructure order in Norway, worth €0.7 billion including service; a €0.6 billion order for additional ICE 4 trainsets and power cars in Germany; and the first order, worth €0.4 billion, from a larger framework agreement for delivery of passenger coaches in Austria. In fiscal 2017, the Division also acquired a number of significant contracts in all three reporting regions. **Revenue** rose in all businesses as the Division successfully executed large projects. On a geographic basis, revenue growth was driven by double-digit increases in the regions Europe, C.I.S., Africa, Middle East and Asia, Australia, while revenue in the Americas came in lower due to negative currency translation effects. Revenue growth was particularly strong in Germany, where the first ICE 4 high-speed trains from Siemens' largest-ever rolling stock order successfully began regular service. **Profit** rose significantly, with all of Mobility's businesses contributing double-digit growth and higher profitability year-over-year on continued strong operational execution. Severance charges were €13 million, down from €46 million in fiscal 2017. Mobility's order backlog was €28 billion at the end of the fiscal year, of which €7 billion are expected to be converted into revenue in fiscal 2019.

Order growth reflected overall strong **markets** for Mobility in fiscal 2018, with different dynamics among the regions. Market development in Europe was characterized by continuing awards of midsize and large orders, particularly in Germany, France and the U.K. Demand in the Middle East and Africa was held back by ongoing uncertainties related to budget constraints and political climates. In the Americas region, stable investment activities were driven by demand for mainline and urban transport, especially in the U.S. Within the Asia, Australia region, Chinese markets saw ongoing investments in high-speed trains, urban transport and rail infrastructure, while India continues to invest in modernizing the country's transportation infrastructure. For fiscal 2019, Mobility's markets are anticipated to grow moderately. While the main growth trends from fiscal 2018 are expected to continue in fiscal 2019, Mobility anticipates increasing demand for digital solutions.

A.3.6 Digital Factory

The **Digital Factory** Division offers a comprehensive product portfolio and system solutions for automation technologies used in manufacturing industries, such as automation systems and software for factory automation, industrial controls and numerical control systems, motors, drives and inverters and integrated automation systems for machine tools and production machines, complemented by product and production lifecycle software, and software for simulation and testing of mechatronic systems. These offerings are supplemented by the electronic design automation software portfolio of Mentor Graphics, U.S. (Mentor) and TASS International, the Netherlands, both acquired during fiscal 2017 as well as the Division's open, cloud-based industrial internet of things (IIoT) operating system MindSphere that connects machines and physical infrastructure to the digital world. The Division also provides customers with lifecycle and data-driven services. Taken together, the Division's offerings enable customers to optimize entire value chains from product design and development to production and services. With its advanced software solutions in particular, the Division supports manufacturing companies with their transformation towards the "Digital Enterprise," resulting in increased flexibility and efficiency of production processes and reduced time to market for new products. The Division supplies customers mainly in discrete and hybrid manufacturing industries. Digital Factory serves its customers through a regional sales organization shared together with the Process Industries and Drives Division, using various sales channels depending on the type of customer and industry. Changes in customer demand are strongly driven by macroeconomic cycles, and can lead to significant short-term variation in the Division's profitability. 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.

The Division currently sees three basic **trends** influencing its business. Central banks are gradually lifting interest rates. On the one hand, this trend is expected to limit investment decisions in general. On the other hand it will lead to more focused investment in improving efficiency. Further, there is a trend from globalization to regionalization to either protect local economies or to better adapt solutions to local needs. The trend towards digitalization spurs companies to modernize their production performance to keep or increase their competiveness.

R&D activities at the Digital Factory Division are aimed at enhancing speed, flexibility, quality and efficiency within the discrete manufacturing industry. Here comprehensive digitalization, including the highest possible IT security, is the key lever. This is accomplished by developing the "digital twin" or holistic virtual representation of a customer's value chain. Through its

R&D, Digital Factory continues to advance this capability particularly by linking three aspects of the digital twin in a unique way: the digital twin of the product itself; of production and performance of the real product in use; and of the product's ongoing production process. This close dovetailing between the virtual and real worlds enables customers to simulate and optimize their products, their machinery and facilities at an early stage while assuring high-performance production. A further core area of development is MindSphere. During fiscal 2018, Siemens founded MindSphere World, a forum for anyone participating in the MindSphere ecosystem. One field of work is a technology committee which enables forum participants to help shape the future development of the platform. In fiscal 2018, the Division also introduced Industrial Edge from Siemens, which closes the gap between local and cloud computing and facilitates high-frequency data exchange at the field level. It includes software applications, so-called Edge Apps, which are downloaded from an Edge App store in the backend system, e.g. MindSphere, and installed onto the required Edge Devices. Major capital expenditures of Digital Factory in fiscal 2018 related to the factory automation, product lifecycle, motion control systems, and control products businesses, including capital expenditure in production facilities in China and in data center infrastructure.

	Fiscal year		% Change	
(in millions of €)	2018	2017	Actual	Comp.
Orders	**13,615**	11,523	18%	14%
Revenue	**12,932**	11,344	14%	11%
Profit	**2,586**	2,102	23%	
Profit margin	**20.0%**	18.5%		

Digital Factory increased orders and revenue in all its businesses year-over-year. The Division's short-cycle businesses showed excellent performance, with demand remaining strong throughout the fiscal year, though growth rates began moderating towards the fiscal year-end. Orders and revenue in the software business grew substantially due to strong demand combined with new volume resulting from the acquisition of Mentor at the end of the second quarter of fiscal 2017. On a geographic basis, orders and revenue were up in all reporting regions, with the strongest increases from the Americas, particularly including the U.S., and from Asia, Australia, particularly including China. All of the Division's businesses improved profit and profitability year-over-year. Short-cycle businesses made the strongest contribution to profit while the strongest increase in profit came from the software business which in both periods absorbed ongoing expenses to accelerate adoption of digital offerings including the Siemens' MindSphere platform. In fiscal 2017, the profitability in the software business was impacted by deferred revenue adjustments and transaction and integration costs related to the acquisition of Mentor, totaling €104 million. These impacts were €60 million in fiscal 2018. Severance charges also decreased year-over-year to €68 million from €134 million in fiscal 2017. Profit in fiscal 2017 benefited from a gain of €175 million related to the eCar business, which Digital Factory contributed to the joint venture Valeo Siemens eAutomotive. The Division's order backlog was €4 billion at the end of the fiscal year, of which €3 billion are expected to be converted into revenue in fiscal 2019.

Digital Factory achieved its results in a generally favorable environment, with its short-cycle businesses outperforming the market. Global discrete manufacturing markets served by the Division continued to grow in fiscal 2018. Customer investments grew faster than their production, underlining a clear growth momentum relating to automation and digitalization. This led to strong demand from the machine-building and electronics industries. With stimulus from governmental growth initiatives, China was the main growth driver on a geographic basis. Growth in a number of European countries was also strong, while growth in the U.S. gained momentum during the course of the fiscal year. For fiscal 2019, markets are expected to continue to grow in line with at least modest growth in global manufacturing production. Given the high levels of investment in fiscal 2018 and rising global trade tensions, we expect slower growth in demand for machine building and equipment, and more moderate growth dynamics in regions that experienced particularly strong market expansion in fiscal 2018. This particularly includes China, and therefore the potential for spillover effects on some Asian and European countries.

At the beginning of fiscal 2019, Digital Factory acquired Mendix, Inc., to increase growth and accelerate adoption of MindSphere. Mendix is a U.S.-based pioneer and leader in cloud-native low-code application development, which can significantly reduce app development times through visual representation of underlying code (for more information on the acquisition of Mendix, see → NOTE 34 in B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS).

Under the new organizational structure reported beginning with the third quarter of fiscal 2019, Digital Factory's businesses except for control products, which will be assigned to the Operating Company Smart Infrastructure, will be assigned to the Operating Company Digital Industries.

A.3.7 Process Industries and Drives

The Process Industries and Drives Division offers a comprehensive product, software, solution and service portfolio for moving, measuring, controlling and optimizing all kinds of mass flows. With its know-how in vertical industries including oil and gas, shipbuilding, mining, cement, fiber, chemicals, food and beverage and pharmaceuticals, the Division works with its customers to increase productivity, reliability and flexibility of machinery and installations along their entire life cycle. Based on data models and analysis methods, Process Industries and Drives paves the way to create a "Digital Enterprise," from process simulation via plant design and documentation through to asset and performance management. The Division's offerings include an integrated portfolio of products, components and systems such as couplings, gears, motors and converters, process instrumentation systems, process analytics devices, wired and wireless communication, industrial identification and power supplies up to systems level with decentralized control systems, industrial software, and customized, application-specific systems and solutions. It also sells gears, couplings and drive solutions to other Siemens businesses, which use them in rail transport and wind turbines. With certain notable exceptions, demand within the industries served by the Division generally shows a delayed response to changes in the overall economic environment. The Division's results are strongly dependent, however, on investment cycles in its key industries. In commodity-based industries such as oil and gas or mining, these cycles are driven mainly by commodity price fluctuations rather than changes in produced volumes. Process Industries and Drives serves its customers through a regional sales organization shared together with the Digital Factory Division, using various sales channels depending on the type of customer and industry. The Division's competitors can be grouped into two categories: multinational companies that offer a relatively broad portfolio and companies that are active only in certain geographic or product markets. Consolidation is taking place mostly in particular market segments and not across the broad base of the Division's portfolio. In particular, consolidation in solution-driven markets is going in the direction of in-depth niche market expertise. Most major competitors have established global bases for their businesses. In addition, the competition has become increasingly focused on technological improvements and cost position.

The Division is currently benefiting from a cyclic increase in demand in process industries. Nevertheless, basic conditions in its business environment are still impacted by the consequences of the low level of demand in previous years, which continue to burden market price levels. Historical price and investment levels in basic materials industries are not expected to return in the mid-term. This structural change in the Division's markets requires adaptions in its businesses. The defined measures include footprint optimization, reduction of capacities as well as internal re-organization to bundle competencies and get closer to its customers. This program is still under execution.

R&D activities in the Process Industries and Drives Division remain focused on intensifying the use of information and communication technologies to speed up the digital transformation of process industries. Primary examples include innovative process automation architectures, highly efficient and intelligent power electronics modules, and integration of physical machines and processes into the IIoT. The Division also continues to advance innovation in leading-edge fields such as simulation, digital twin technology and data analytics provided by digital consulting services. Here the examples include the new digital platform SIDRIVE IQ, which offers cloud-based predictive maintenance of a motor. This capability in turn enables new business models, such as performance contracting. Along with the digital transformation of its customers, the Division also delivers high-level security strategies and concepts to protect customer assets from vulnerability by cyber-attacks. The Division makes most of its capital expenditures for the purpose of rationalization, replacement, and adjustment of innovative new or successor products, particularly in Europe.

	Fiscal year		% Change	
(in millions of €)	2018	2017	Actual	Comp.
Orders	**9,305**	9,032	3%	7%
Revenue	**8,840**	8,873	0%	3%
Profit	**518**	440	18%	
Profit margin	**5.9%**	5.0%		

Supported by a recovery in commodity-related markets, orders rose year-over-year. All of the Division's businesses contributed to growth except the mechanical components business, where demand began to recover in the second half of the fiscal year from the low level of the prior year. Negative currency translation effects kept revenue on prior-year-level. Growth in the large drives and the process automation businesses was offset by declines in the other businesses, most notably in mechanical components. On a geographic basis, orders were up in all regions, most notably in Asia, Australia, particularly including double-digit growth in China. Double-digit revenue growth in Asia, Australia, including in China, was largely offset by a decline in the Americas. Profit was up in all businesses except the mechanical components business, and included a particularly strong performance in the process automation business. Profit and profitability were held back by negative currency effects. Overall, the Division made significant progress in improving its cost position and adjusting its capacities. Severance charges related to previously announced measures to further improve the Division's competitiveness rose to €99 million in fiscal 2018, up from €48 million in fiscal 2017. Charges related to non-personnel capacity adjustments were lower than a year earlier. The Division's order backlog was €6 billion at the end of the fiscal year, of which €4 billion are expected to be converted into revenue in fiscal 2019.

As mentioned above, the Division's performance partly benefited from improved **market conditions**. Overall, markets served by the Process Industries and Drives Division grew moderately in fiscal 2018, with rising demand in global manufacturing production particularly including strong growth dynamics in China. Consumer-related industries, such as food and beverage and pharmaceuticals, continued on their growth path. Market conditions improved from a low level in commodity-related industries, particularly in mining and oil and gas and to a lesser degree in metals, following higher raw-materials prices. In fiscal 2019, the Division's markets are expected to continue to grow, but growth rates in global manufacturing production are expected to gradually decline, particularly in short-cycle industries. Rising global economic uncertainties might also impact growth dynamics in process industries. On a geographic basis, we expect China and the U.S. markets to be the strongest growth contributors in fiscal 2019.

Under the new organizational structure reported beginning with the third quarter of fiscal 2019, Process Industries and Drives' process automation and its large drives businesses, excluding its industrial applications and tractions businesses, will be assigned to the Operating Company Digital Industries. The rail traction drives business was transferred to Mobility as of October 1, 2018. The remaining tractions and industrial application businesses, together with the mechanical drives and the process solutions businesses will be assigned to Portfolio Companies.

A.3.8 Siemens Healthineers

In the course of a public listing on March 16, 2018, Siemens placed a 15 percent interest in Siemens Healthineers AG (Siemens Healthineers) on the Frankfurt Stock Exchange. For more information, please refer to → NOTE 3 in B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. **Siemens Healthineers** is one of the world's largest suppliers of technology to the healthcare industry and a leader in diagnostic imaging and laboratory diagnostics. It provides medical technology and software solutions as well as clinical consulting services, supported by a extensive set of training and service offerings. This comprehensive portfolio supports customers along the continuum of care – from prevention and early detection to diagnosis, treatment and follow-up care. Customers range from public and private healthcare providers to pharmaceutical companies and clinical research institutes. Its business activities are to a certain extent resilient to short-term economic trends as large portions of its revenue stem from recurring business. They are, however, dependent on regulatory and policy developments around the world. The global healthcare market served by Siemens Healthineers is evolving, putting healthcare providers under pressure to deliver better outcomes at lower cost. Drivers of this accelerating evolution include increasing societal resistance to healthcare costs, payers becoming more professional, a shift to value-based reimbursement, chronic disease burdens, and rapid scientific progress. As a result, healthcare providers are consolidating into networked structures, resulting in larger clinic and laboratory chains – often internationally – which act increasingly like large enterprises. Applying this industrial logic to the healthcare market can lead to systematic improvements in quality, while at the same time reducing costs. To capture these benefits, regulatory schemes around the world increasingly seek to shift healthcare incentive systems away from a pay-per-procedure model toward an outcome-based model.

The addressable markets of Siemens Healthineers are shaped by four major **trends**. The first is demographic, including the growing and aging global population. This increase poses major challenges for global healthcare systems and, at the same time, offers opportunities as the demand for cost-efficient healthcare solutions continues to intensify. The second trend is the economic development in emerging countries which opens up improved access to healthcare for many people. As the middle class continues to grow, significant investment in the expansion of private and public healthcare systems will keep expanding, driving overall growth. The third trend is the increase in chronic diseases arising from an aging population and environmental and lifestyle-related changes. The fourth global trend with considerable effect on business development is the transformation of healthcare providers. Increasing cost pressure on the healthcare sector is prompting the introduction of new remuneration models for healthcare services. Digitalization and artificial intelligence are likely to be key enablers for healthcare providers as they increasingly focus on enhancing the overall patient experience, with better outcomes and overall reduction in cost of care. While these trends are generally beneficial for Siemens Healthineers' business, governments in a number of countries show the intention to establish protectionist initiatives and policies which support local suppliers.

R&D activities at Siemens Healthineers are strongly focused on the development of innovative product lines which use new technologies such as artificial intelligence. This will, amongst other results, enable faster handling of medical information and can lead to more precise and personalized clinical decisions. It also promises added value: New computer algorithms can detect hidden patterns in the data and give physicians valuable support for diagnosis and therapy decisions. Besides constantly advancing its portfolio, Siemens Healthineers continuously extends existing products and solutions. Systems like the recently launched Atellica enhance its customers' performance. This laboratory diagnostics platform offers significant increases in throughput speed along with greater flexibility. The services business is expanding beyond product-related services by adding a digital services portfolio and increasing enterprise transformation services to support customers in their transition to outcome-focused care. A major step forward is the Digital Ecosystem platform to link healthcare providers and solution providers with one another as well as to bring together their data, applications and services. Users gain new insights through data analytics and use it to network with their peers. Siemens Healthineers focuses its **investments** mainly on enhancing competitiveness and innovation. The main capital expenditures were for additions to intangible assets, including capitalized development expenses for such projects as a new integrated worldwide enterprise resource planning (ERP) solution. It is also spending for factories to expand its manufacturing and technical capabilities.

	Fiscal year		% Change	
(in millions of €)	2018	2017	Actual	Comp.
Orders	**14,506**	14,272	2%	7%
Revenue	**13,425**	13,671	(2%)	4%
Profit	**2,221**	2,423	(8%)	
Profit margin	**16.5%**	17.7%		

Orders grew slightly despite significant negative effects from currency translation, with the imaging business recording the largest order growth year-over-year. Higher order intake in the regions Americas and Asia, Australia primarily came from the U.S. and China, respectively. **Revenue** also was subject to significant negative effects from currency translation. On a comparable basis, revenue was up moderately in all three reporting regions with all businesses posting higher revenue year-over-year, led by the imaging business. **Profit** was lower compared to fiscal 2017, as operational improvements and productivity gains were more than offset by significant negative currency effects, expenses associated with the rollout of the Atellica solution, higher severance charges, and transaction costs related to the public listing mentioned above. Severance charges were €96 million in fiscal 2018 and €57 million in fiscal 2017. The order backlog for Siemens Healthineers was €16 billion at the end of the fiscal year, of which €6 billion are expected to be converted into revenue in fiscal 2019.

While demand in the **markets** served by Siemens Healthineers continued to grow in fiscal 2018, these markets also showed price pressure on new purchases and increased utilization rates for installed systems. All major served markets are currently in a healthy state, which contributed to a slightly higher market growth in Europe, C.I.S., Africa, Middle east and the Americas, compared to the average of the previous years, most notably in the imaging and advanced therapies markets. The markets in Asia, Australia grew moderately. Imaging markets in the U.S. developed incrementally more positively with continued mid-single digit market growth in diagnostics. Still, the U.S. market environment remained challenging as pressure on utilization and reimbursement persisted. Government initiatives and programs, together with a strongly growing private market segment contributed to the expected re-stabilization and growth of markets in China, however not returning to growth rates as experienced in the early 2010s. Growth in the imaging business includes enabling a wider range of applications, which in turn facilitates increasing patient access to imaging technology. The market for in-vitro diagnostics is expanding due to population and income growth in emerging markets and the rising importance of diagnostics in improving healthcare quality. Growth in the area of molecular diagnostics was particularly strong, driven by technological advances and a broader spectrum of applications. For the healthcare industry as a whole, the trend towards consolidation continues. Competition among the leading companies is strong, especially with regard to price.

For fiscal 2019, Siemens Healthineers expects the imaging and advanced therapies equipment markets and the diagnostics market to stay on a moderate growth path. Siemens Healthineers' markets continue to benefit from the long-term trends mentioned above, but are restricted by public spending constraints and by consolidation among healthcare providers. On a geographic basis, Siemens Healthineers expects slight growth in the U.S., held back by continued pressure to increase utilization of existing equipment, reduced reimbursement rates and uncertainty about policy. For Europe, it also expects slight growth, with a likely increased emphasis on equipment replacement and business with large customers such as hospital chains. For China, Siemens Healthineers expects strong growth due to steadily rising government spending on healthcare, promotion of the private segment and wider access to healthcare services nationwide, pronounced effects of an aging population, and a growing incidence of chronic diseases.

A.3.9 Siemens Gamesa Renewable Energy

In April 2017, Siemens contributed its wind power business, including service, into the publicly listed company Gamesa Corporación Tecnológica, S.A., Spain, and in return received newly issued shares of the combined entity **Siemens Gamesa Renewable Energy, S.A., Spain (SGRE)**. Siemens as majority shareholder holds 59% of the shares of the combined entity. SGRE offers wind turbines utilizing various pitch and speed technologies, and is active in the development, construction and sale of wind farms. While for onshore applications, both geared and direct-drive turbines are currently being offered, SGRE offers only direct-drive for offshore applications. In addition, SGRE provides services for the management, operation and maintenance of wind farms. Its primary customers are large utilities and independent power producers. The competitive situation in wind power differs in the two major market segments. In the markets for onshore wind farms, competition is widely dispersed without any one company holding a dominant share of the market, while markets for offshore wind farms continue to be served by a few experienced players. Consolidation is moving forward in both on- and offshore markets, including exits of smaller players. The key drivers of consolidation are increasing price pressure as well as technology challenges and market access challenges, which increase development costs and the importance of risk-sharing particularly in offshore wind power. SGRE's revenue mix may vary from reporting period to reporting period depending on the mix of onshore and offshore projects in the respective periods.

The share of renewable energy in the global energy mix is widely expected to increase, but the **trend** toward evaluating competing power sources using life-cycle costs continues to put pressure on the prices offered by wind power providers. To address this trend, SGRE focuses on improving its supply chain and significantly decreasing costs by optimizing production within its post-merger manufacturing footprint, including the streamlining of its merged product portfolios. A higher share of renewable energy in electrical grids also increases the demand for predictability of the energy supply and increased capability for integrating it into the overall energy mix. Market development continues to depend strongly on energy policy, including tax incentives in the U.S. and regulatory frameworks in Germany and the U.K. However, with continued technological progress and cost reduction, dependency on subsidy schemes is expected to continue to decrease.

SGRE's **R&D** efforts focus on developing the next generation of turbine technology that leads to improved and more cost-effective products and solutions. Another focus is to become a leading company in mastering the balance between power generation and power demand for the renewable sector. To accomplish that goal, SGRE is developing cost-effective energy storage solutions, and solutions for hybridization that are designed to help utility customers optimize utilization of renewable energy and thereby increase profitability. A third focus area is digitalization: advances in this field are expected to enable more intelligent monitoring and analysis of turbine conditions as well as smart diagnostic services. The **investments** of SGRE in fiscal 2018 focused on the expansion of project delivery capacity from Germany for offshore wind turbines. Further investments were related to project delivery capacity for onshore wind turbines in Morocco, Turkey, the U.S. and China.

	Fiscal year		% Change	
(in millions of €)	2018	2017	Actual	Comp.
Orders	**11,875**	8,768	35%	8%
Revenue	**9,122**	7,922	15%	(5%)
Profit	**483**	339	43%	
Profit margin	**5.3%**	4.3%		

Order and revenue growth were held back by negative currency translation effects, but benefited from the merger in fiscal 2017, which added portfolio effects of 33 percentage points to order growth and 23 percentage points to revenue growth. **Order** intake in the year under review included a substantially higher volume from large orders, among them an order for an offshore wind-farm, including service, in the U.K. worth €1.3 billion. Order growth in the Americas and Asia, Australia was driven by the U.S. and India, which continue to be the most important markets for the onshore business. Reported **revenue** increased year-over-year with growth mainly coming from the region Asia, Australia, in particular from India where the market in the prior year was impacted by the introduction of an auction system for wind-farm tenders. **Profit** was up on the revenue increase, a higher share from the services business, and operational improvements. These factors were partially offset by price declines, especially in the onshore markets. In the prior year, profit was burdened by expenses totaling €134 million primarily from inventory write-downs. Both years included significant expenses for integration costs and capacity adjustments including severance, totaling €176 million and €103 million in fiscal 2018 and fiscal 2017, respectively. SGRE's order backlog was €23 billion at the end of the fiscal year, of which €8 billion are expected to be converted into revenue in fiscal 2019.

These results were achieved in **markets** that grew in fiscal 2018 due to higher demand in both the onshore and offshore markets, with the latter growing faster. On a regional basis, growth in the onshore business was driven primarily by China where the largest national wind market in the world remains largely closed to foreign manufacturers, and secondarily by the U.S. In contrast, the onshore market in Germany declined significantly. In the offshore market, growth was also driven by China, while the market volume in Europe remained stable. SGRE expects global wind installations to grow substantially in fiscal 2019, with growth driven by higher demand for onshore installations in markets such as the U.S., India and Spain. Offshore installations are also expected to grow, mostly in China. Market volume in euros is expected to be subject to adverse price development and currency translation effects.

A.3.10 Financial Services

The **Financial Services** Division supports its customers' investments with leasing solutions and equipment, project and structured financing in the form of debt and equity investments. Based on its comprehensive financing know-how and specialist technology expertise in the areas of Siemens businesses, Financial Services provides financial solutions for Siemens customers as well as other companies, and also manages financial risks of Siemens. Financial Services operates the Corporate Treasury of Siemens, 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.

Under the new organizational structure, Corporate Treasury and corporate financial risk management will be operated centrally.

		Fiscal year
(in millions of €)	2018	2017
Income before income taxes	**653**	639
ROE (after taxes)	**20.0%**	19.9%

		Sep 30,
(in millions of €)	2018	2017
Total assets	**28,281**	26,474

Financial Services again delivered a strong **income before income taxes**, including lower credit hits and growth in the debt business, along with an increase in total assets.

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

A.3.11 Reconciliation to Consolidated Financial Statements

Profit

		Fiscal year
(in millions of €)	2018	2017
Centrally managed portfolio activities	**1,188**	488
Siemens Real Estate	**140**	187
Corporate items	**(813)**	(714)
Centrally carried pension expense	**(433)**	(407)
Amortization of intangible assets acquired in business combinations	**(1,164)**	(1,016)
Eliminations, Corporate Treasury and other reconciling items	**(335)**	(323)
Reconciliation to Consolidated Financial Statements	**(1,418)**	(1,785)

The increase at **Centrally managed portfolio activities (CMPA)** included a gain of €900 million resulting from the transfer of Siemens' shares in Atos SE to Siemens Pension-Trust e.V. in Germany to fund pension plans and a gain of €655 million from the sale of OSRAM Licht AG shares; these positive effects were partly offset by an impairment loss of €154 million related to an equity investment. In fiscal 2017 the positive result related primarily to the measurement of a major asset retirement obligation, including a net gain of €364 million resulting from interest rate effects and €312 million attributable mainly to a reduced expected inflation rate, as well as gains from reversals of provisions for guarantees related to a previous divestment. These positive effects in fiscal 2017 were partly offset by higher losses from at-equity investments including a €230 million impairment of Siemens' stake in Primetals Technologies Ltd.

Corporate items included corporate costs, such as group managing costs, basic research of Corporate Technology, corporate projects and non-operating investments or results of corporate-related derivative activities. The increase of negative results from Corporate items included higher expenses for corporate reorganization of support functions including severance charges of €132 million (€71 million in fiscal 2017).

The increase in **Amortization of intangible assets acquired in business combinations** related mainly to the acquisition of Mentor and the merger with Gamesa, which were closed in March 2017 and April 2017, respectively.

A.4 Results of operations

A.4.1 Orders and revenue by region

Negative currency translation effects took five percentage points from order and four percentage points from revenue growth; portfolio transactions, primarily the merger of the wind power business with Gamesa and the acquisition of Mentor, both during fiscal 2017, added four percentage points to order and three percentage points to revenue growth. The resulting ratio of orders to revenue (book-to-bill) for Siemens in fiscal 2018 was 1.10, again well above 1. The order backlog for the Siemens Group was €132 billion as of September 30, 2018, a new high.

Orders (location of customer)

	Fiscal year		% Change	
(in millions of €)	2018	2017	Actual	Comp.
Europe, C.I.S., Africa, Middle East	**46,495**	45,130	3%	3%
therein: Germany	*11,254*	*14,015*	*(20%)*	*(20%)*
Americas	**25,060**	22,923	9%	16%
therein: U.S.	*18,106*	*16,914*	*7%*	*10%*
Asia, Australia	**19,742**	17,731	11%	7%
therein: China	*8,459*	*7,493*	*13%*	*15%*
Siemens	**91,296**	**85,784**	**6%**	**8%**
therein: emerging markets[1]	*30,564*	*27,201*	*12%*	*15%*

1 As defined by the International Monetary Fund.

Orders related to external customers were clearly up year-over-year on growth in the majority of industrial businesses and in all reporting regions. Substantially higher orders at SGRE benefited from substantial portfolio effects following the merger. Digital Factory and Mobility both recorded double-digit order growth, the former benefiting from portfolio effects arising from the acquisition of Mentor. Energy Management, which had recorded a substantial volume from large orders in fiscal 2017, saw its orders decline significantly year-over-year. Volume from large orders for Industrial Business overall was up clearly, driven by Mobility and SGRE. The significant growth in emerging markets was driven by orders from China, India and Mexico.

In the **Europe, C.I.S., Africa, Middle East** region, the majority of industrial businesses posted order growth, led by Mobility, which won several large contracts in the year under review. Order intake in the region was down substantially in Energy Management due to a sharply lower volume from large orders, which in the prior year included large contracts in Germany and Qatar. In contrast to the region overall, orders were down significantly in Germany, with all businesses other than Building Technologies and Digital Factory posting declines. SGRE and Energy Management, which both had recorded a substantial volume from large orders in the prior year, recorded the largest decreases in order intake there.

Orders in the **Americas** region were up clearly year-over-year on sharp growth in SGRE and substantial order increases in Digital Factory and Mobility. The pattern of order development in the U.S. was largely the same as in the Americas region, except for Power and Gas, which saw a significant decline in order intake in the U.S. but only a slight decrease in the Americas overall.

Orders were up significantly in the **Asia, Australia** region due to growth in the majority of industrial businesses. Growth drivers were SGRE, which recorded sharply higher orders in the onshore business in India, and Digital Factory, with substantial growth in China. Order intake was lower at Energy Management, which had won a large contract in India in fiscal 2017, and in Power and Gas.

Revenue (location of customer)

	Fiscal year		% Change	
(in millions of €)	2018	2017	Actual	Comp.
Europe, C.I.S., Africa, Middle East	**42,782**	43,269	(1%)	0%
therein: Germany	*11,729*	*11,125*	*5%*	*6%*
Americas	**22,115**	23,463	(6%)	(2%)
therein: U.S.	*16,012*	*16,932*	*(5%)*	*(1%)*
Asia, Australia	**18,147**	16,131	12%	12%
therein: China	*8,102*	*7,206*	*12%*	*14%*
Siemens	**83,044**	**82,863**	**0%**	**2%**
therein: emerging markets[1]	*28,272*	*28,397*	*0%*	*1%*

1 As defined by the International Monetary Fund.

Revenue related to external customers went up slightly year-over-year as strong growth at Digital Factory and Mobility and new volume from the Gamesa merger at SGRE were largely offset by a significant decline at Power and Gas in contracting markets.

Revenue in **Europe, C.I.S., Africa, Middle East** was close to the prior-year level as increases in the majority of industrial businesses almost offset a substantial decline in Power and Gas. Mobility and Digital Factory recorded the highest growth rates. In Germany, revenue was up with sharp growth in Mobility and increases in most other businesses more than offsetting a substantial decline in SGRE.

In the **Americas**, revenue came in lower year-over-year, including a substantial decline in Power and Gas and decreases in a number of other industrial businesses, partly offset by substantial growth in Digital Factory. This pattern was roughly the same in the U.S.

Revenue in Asia, Australia was up significantly year-over-year, driven by sharply higher revenue in SGRE, in particular coming from India, and substantial growth in Digital Factory that was driven by China. All industrial businesses recorded higher revenue in that country, with Digital Factory and Process Industries and Drives posting the highest contributions to the increase.

A.4.2 Income

(in millions of €, earnings per share in €)	Fiscal year 2018	2017	% Change
Power and Gas	**377**	1,571	(76%)
Energy Management	**1,003**	931	8%
Building Technologies	**755**	784	(4%)
Mobility	**872**	747	17%
Digital Factory	**2,586**	2,102	23%
Process Industries and Drives	**518**	440	18%
Siemens Healthineers	**2,221**	2,423	(8%)
Siemens Gamesa Renewable Energy	**483**	339	43%
Industrial Business	**8,815**	**9,335**	**(6%)**
Profit margin Industrial Business	***10.4%***	*11.1%*	
Financial Services	**653**	639	2%
Reconciliation to Consolidated Financial Statements	**(1,418)**	(1,785)	21%
Income from continuing operations before income taxes	**8,050**	**8,189**	**(2%)**
Income tax expenses	**(2,054)**	(2,148)	4%
Income from continuing operations	**5,996**	**6,041**	**(1%)**
Income from discontinued operations, net of income taxes	**124**	53	134%
Net income	**6,120**	**6,094**	**0%**
Basic earnings per share	**7.12**	7.34	(3%)
ROCE	**12.7%**	13.3%	

As a result of the development described for the segments, Income from continuing operations before income taxes declined 2%. Severance charges for continuing operations were €923 million, of which €754 million were in the Industrial Business. Profit margin Industrial Business excluding severance charges was 11.3% in fiscal 2018. In fiscal 2017, severance charges for continuing operations were €466 million, of which €385 million were in the Industrial Business.

The tax rate for fiscal 2018 was 26%, positively influenced by effects from the reassessment of tax positions, including a net effect of €435 million following the U.S. tax reform, and the largely tax-free gains from the transfer of Siemens' shares in Atos SE to Siemens Pension-Trust e.V. and the sale of OSRAM Licht AG shares. These factors were only partly offset by negative income tax effects related to establishing the Siemens Healthineers Group and tax expenses stemming from carve-out activities related to Mobility. The tax rate of 26% in the prior year was positively influenced mainly by decisions arising from tax audits. As a result, Income from continuing operations declined 1%.

Income from discontinued operations, net of income taxes was higher compared to the prior year and included positive effects from the release of a provision related to former Communications activities.

The decline in basic earnings per share reflects the decrease of Net income attributable to Shareholders of Siemens AG, which was €5,807 million in fiscal 2018 compared to €5,961 million in fiscal 2017. Basic earnings per share excluding severance charges was €7.88.

At 12.7%, ROCE was below the target range established in our One Siemens financial framework, as expected. The decline year-over-year was due primarily to higher average capital employed, as increases associated with the SGRE merger and the acquisition of Mentor were reflected in all four quarters of fiscal 2018 as compared to only two quarters for SGRE and three quarters for Mentor in fiscal 2017.

A.4.3 Research and development

In fiscal 2018, we reported research and development (R&D) expenses of €5.6 billion, compared to €5.2 billion in fiscal 2017. The resulting R&D intensity, defined as the ratio of R&D expenses and revenue, was 6.7%, thus above the R&D intensity of 6.2% in fiscal 2017. Additions to capitalized development expenses amounted to €0.3 billion in fiscal 2018, compared to €0.4 billion in fiscal 2017. As of September 30, 2018, Siemens held approximately 65,000 granted patents worldwide in its continuing operations. As of September 30, 2017, we held approximately 63,600 granted patents. On average, we had 41,800 R&D employees in fiscal 2018.

Our research and development activities are ultimately geared to developing innovative, sustainable solutions for our customers – and the Siemens businesses – while also strengthening our own competitiveness. Joint implementation by the operating units and Corporate Technology, our central R&D department, ensures that research activities and business strategies are closely aligned with one another, and that all units benefit equally and quickly from technological developments. The following technologies were the focus in fiscal 2018: additive manufacturing, autonomous robotics, blockchain applications, connected (e-)mobility, connectivity and edge devices, cyber security, data analytics and artificial intelligence, distributed energy systems, energy storage, future of automation, materials, power electronics, simulation and digital twin as well as software systems and processes.

We further develop technologies through our "open innovation" concept. We are working closely with scholars from leading universities and research institutions, not only under bilateral research cooperation agreements but in publicly funded collective research projects. Our focus here is on our strategic research partners, and especially the eight Centers of Knowledge Interchange that we maintain at leading universities worldwide.

Siemens' global venturing unit, next47, provides capital to help start-ups expand and scale. It serves as the creator of next-generation businesses for Siemens by building, buying and partnering with start-ups at any stage. next47 is focused on anticipating how technologies will impact our end markets. This fore-knowledge enables Siemens and Siemens' customers to grow and thrive in the age of digitalization.

A.5 Net assets position

(in millions of €)	2018	Sep 30, 2017	% Change
Cash and cash equivalents	11,066	8,375	32%
Available-for-sale financial assets	1,286	1,242	4%
Trade and other receivables	17,918	16,754	7%
Other current financial assets	8,693	7,664	13%
Contract assets	8,912	8,781	1%
Inventories	13,885	13,885	0%
Current income tax assets	1,010	1,098	(8%)
Other current assets	1,707	1,466	16%
Assets classified as held for disposal	94	1,484	(94%)
Total current assets	**64,570**	**60,750**	**6%**
Goodwill	28,344	27,906	2%
Other intangible assets	10,131	10,926	(7%)
Property, plant and equipment	11,381	10,977	4%
Investments accounted for using the equity method	2,579	2,727	(5%)
Other financial assets	17,759	19,044	(7%)
Deferred tax assets	2,341	2,283	3%
Other assets	1,810	1,498	21%
Total non-current assets	**74,345**	**75,361**	**(1%)**
Total assets	**138,915**	**136,111**	**2%**

Our total assets in fiscal 2018 were influenced by negative currency translation effects of €1.3 billion.

Trade and other receivables increased in all industrial businesses, with the increase most evident at Digital Factory, Energy Management and Mobility.

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

Assets classified as held for disposal decreased due primarily to the sale of €1.2 billion in shares in OSRAM Licht AG.

The decrease in **other financial assets** mainly resulted from the transfer of Siemens' shares in Atos SE to Siemens Pension-Trust e.V., partly offset by higher loans receivable at Financial Services.

A.6 Financial position

A.6.1 Capital structure

(in millions of €)	2018	Sep 30, 2017	% Change
Short-term debt and current maturities of long-term debt	**5,057**	5,447	(7%)
Trade payables	**10,716**	9,756	10%
Other current financial liabilities	**1,485**	1,444	3%
Contract liabilities	**14,464**	14,228	2%
Current provisions	**3,931**	4,077	(4%)
Current income tax liabilities	**3,102**	2,355	32%
Other current liabilities	**9,118**	8,671	5%
Liabilities associated with assets classified as held for disposal	**1**	99	(99%)
Total current liabilities	**47,874**	**46,077**	**4%**
Long-term debt	**27,120**	26,777	1%
Provisions for pensions and similar obligations	**7,684**	9,582	(20%)
Deferred tax liabilities	**1,092**	1,635	(33%)
Provisions	**4,216**	4,366	(3%)
Other financial liabilities	**685**	902	(24%)
Other liabilities	**2,198**	2,153	2%
Total non-current liabilities	**42,995**	**45,415**	**(5%)**
Total liabilities	**90,869**	**91,492**	**(1%)**
Debt ratio	***65%***	*67%*	
Total equity attributable to shareholders of Siemens AG	**45,474**	43,181	5%
Equity ratio	***35%***	*33%*	
Non-controlling interests	**2,573**	1,438	79%
Total liabilities and equity	**138,915**	**136,111**	**2%**

The decrease in **short-term debt and current maturities of long-term debt** was due mainly to the repayment of fixed-/floating-rate instruments totaling €3.5 billion. This was offset to a large extent by reclassifications of long-term fixed-/floating-rate instruments totaling €3.1 billion from long-term debt.

Trade payables increased in nearly all industrial businesses, with the increase most evident at Mobility, Digital Factory and SGRE.

The increase in **current income tax liabilities** was mainly driven by establishing the Siemens Healthineers Group and by carve-out activities related to Mobility.

Long-term debt increased due primarily to the issuance of fixed-rate instruments totaling €2.8 billion in three tranches with varied maturities of up to 12 years, currency translation effects for bonds issued in US$ and higher loans from banks. This was to a large extent offset by the above-mentioned reclassifications of fixed-/floating-rate instruments.

The decrease in **provisions for pensions and similar obligations** was due mainly to substantial contributions to Siemens' pension assets in Germany and the U.S. including the transfer of Siemens' shares in Atos SE to Siemens Pension-Trust e.V.

The decrease in **deferred tax liabilities** was primarily driven by the reassessment of tax positions following the U.S. tax reform.

The main factors for the change in **total equity attributable to shareholders of Siemens AG** were €5.8 billion in net income attributable to shareholders of Siemens AG and an increase in equity attributable to shareholders of Siemens AG of €3.0 billion due to the public listing of Siemens Healthineers AG. This increase was partly offset by dividend payments of €3.0 billion (for fiscal 2017) and negative other comprehensive income, net of income taxes of €2.5 billion, resulting mainly from the sale of shares in OSRAM Licht AG and the transfer of Siemens' shares in Atos SE to Siemens Pension-Trust e.V. Another offsetting factor was the repurchase of 13,248,262 treasury shares at an average cost per share of €110.84, totaling €1.5 billion (including incidental transaction charges).

The increase in **non-controlling interests** was due mainly to the public listing of Siemens Healthineers AG.

Capital structure ratio

Our capital structure ratio as of September 30, 2018 decreased to 0.4 from 0.9 a year earlier, both results being in line with the target established in our One Siemens financial framework. The change was due primarily to a substantial increase in cash and cash equivalents and the above-mentioned decrease of provisions for pensions and similar obligations.

Debt and credit facilities

As of September 30, 2018, we recorded, in total, €28.4 billion in notes and bonds (maturing until 2047), €2.9 billion in loans from banks (maturing until 2037), €0.8 billion in other financial indebtedness (maturing until 2029) and €0.1 billion in obligations under finance leases. Notes and bonds were issued mainly in the U.S. dollar and euro, and to a lower extent in the British pound.

We have credit facilities totaling €9.5 billion, thereof €8.3 billion unused as of September 30, 2018.

For further information about our debt see → NOTE 16 in → B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. For further information about the functions and objectives of our financial risk management see → NOTE 25 in → B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Off-balance-sheet commitments

As of September 30, 2018, the undiscounted amount of maximum potential future payments related primarily to credit guarantees and guarantees of third-party performance amounted to €3.0 billion (September 30, 2017: €3.1 billion).

In addition to these commitments, we issued other guarantees. To the extent future claims are not considered remote, maximum future payments from these commitments amounted to €0.5 billion (September 30, 2017: €0.6 billion).

Future payment obligations under non-cancellable operating leases amounted to €3.2 billion (September 30, 2017: €3.3 billion).

Irrevocable loan commitments amounted to €3.2 billion (September 30, 2017: €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.

Share buyback

In addition to the above-mentioned treasury shares repurchased in fiscal 2018, we repurchased an additional 3,343,479 treasury shares in October 2018. We thus completed the share buyback program initiated in November 2015 with a total volume of €3.0 billion.

In November 2018, we announced a share buyback of up to €3.0 billion ending at the latest on November 15, 2021. The buybacks will initially be made under the authorization granted at the Annual Shareholders' Meeting on January 27, 2015. Shares repurchased may be used solely for retirement; for issuing shares to employees, to members of the Managing Board and board members of affiliated companies; and for servicing/securing the obligations or rights from or in connection with convertible bonds or warrant bonds.

A.6.2 Cash flows

(in millions of €)	Fiscal year 2018
Cash flows from operating activities	
Net income	6,120
Change in operating net working capital	(435)
Other reconciling items to cash flows from operating activities – continuing operations	2,730
Cash flows from operating activities – continuing operations	**8,415**
Cash flows from operating activities – discontinued operations	10
Cash flows from operating activities – continuing and discontinued operations	**8,425**
Cash flows from investing activities	
Additions to intangible assets and property, plant and equipment	(2,602)
Acquisitions of businesses, net of cash acquired	(525)
Change in receivables from financing activities of SFS	(1,620)
Other purchases of assets	(1,958)
Other disposals of assets	2,962
Cash flows from investing activities – continuing operations	**(3,741)**
Cash flows from investing activities – discontinued operations	(33)
Cash flows from investing activities – continuing and discontinued operations	**(3,774)**
Cash flows from financing activities	
Purchase of treasury shares	(1,409)
Re-issuance of treasury shares and other transactions with owners	4,064
Issuance of long-term debt	2,734
Repayment of long-term debt (including current maturities of long-term debt)	(3,530)
Change in short-term debt and other financing activities	333
Interest paid	(1,002)
Dividends paid to shareholders of Siemens AG	(3,011)
Dividends attributable to non-controlling interests	(126)
Cash flows from financing activities – continuing operations	**(1,946)**
Cash flows from financing activities – discontinued operations	–
Cash flows from financing activities – continuing and discontinued operations	**(1,946)**

Cash flows from operating activities were mainly driven by the Digital Factory Division and Siemens Healthineers. The main factor for the cash outflows related to the **build-up of operating net working capital** was an increase in trade and other receivables mainly at Mobility and Energy Management. These cash outflows were partly offset by cash inflows related to higher trade payables mainly at Mobility, Digital Factory, SGRE, Siemens Healthineers and Process Industries and Drives.

The **change in receivables from financing activities of SFS** resulted from growth in SFS' debt business.

The cash outflows for **other purchases of assets** primarily included additions of assets eligible as central bank collateral and to payments related to investments such as debt or equity investments related to several projects.

The cash inflows from **other disposals of assets** primarily included €1.2 billion from the sale of OSRAM Licht AG shares, disposals of above-mentioned eligible collateral, proceeds from real estate disposals at SRE, and proceeds from the sale of businesses or other investments.

The cash inflows from the **re-issuance of treasury shares and other transactions with owners** primarily included €4.1 billion (net of transaction costs) from the public listing of Siemens Healthineers.

We report Free cash flow as a supplemental liquidity measure:

Free cash flow

(in millions of €)	Fiscal year 2018 Continuing operations	Discontinued operations	Continuing and discontinued operations
Cash flows from operating activities	8,415	10	8,425
Additions to intangible assets and property, plant and equipment	(2,602)	–	(2,602)
Free cash flow	**5,814**	**10**	**5,824**

With our ability to generate positive operating cash flows, our total liquidity (defined as cash and cash equivalents as well as current available-for-sale financial assets) of €12.4 billion, our €8.3 billion in unused lines of credit, and our credit ratings at year-end, we believe that we have sufficient flexibility to fund our capital requirements. Also in our opinion, our operating net working capital is sufficient for our present requirements.

Investing activities

Additions to intangible assets and property, plant and equipment from continuing operations totaled €2.6 billion in fiscal 2018. Within the Industrial Business, ongoing investments related mainly to technological innovations; extending our capacities for designing, manufacturing and marketing new solutions; improving productivity; and replacements of fixed assets. These investments amounted to €2.0 billion in fiscal 2018. The remaining portion related mainly to SRE, including significant amounts for projects such as new 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; excluded are SGRE, the carved-out real estate of Mobility and, since January 2018, Siemens Healthineers.

With regard to capital expenditures for continuing operations, we expect a spending increase in fiscal 2019. In the coming years, up to €0.6 billion are to be invested in “Siemensstadt 2.0”, a new project aiming to transform Siemens’ existing industrial area in Berlin into a modern, urban district for a diverse range of purposes, including strengthening key technologies. In addition, we plan to invest significant amounts in coming years in attractive innovation fields in connection with next47.

A.7 Overall assessment of the economic position

Fiscal 2018 was a particularly successful year for Siemens. We made great progress operationally and from a portfolio standpoint and reached nearly all our "Vision 2020" targets faster than originally expected. Regarding our financial results, the great majority of our businesses are doing very well, including several that are outstanding, particularly with regard to executing our digitalization strategy. A few of our businesses have to tackle structural market challenges. For them, measures to improve competitiveness and adjust capacities are well under way. We also made progress with our portfolio. We successfully executed the initial public offering of Siemens Healthineers AG by floating 15% of its shares in the second quarter of fiscal 2018. In the fourth quarter of fiscal 2018, the shareholders of Alstom SA approved the proposal regarding the combination of our mobility business with Alstom SA. Closing of the transaction is still subject to approval by antitrust authorities and is expected in the first half of calendar 2019. Several of our businesses made acquisitions in the area of digitalization, the most important of which was the acquisition of Mendix, a U.S.-based pioneer and leader in cloud-native low-code application development, which we closed early in fiscal 2019. We expect the Mendix acquisition, among other things, to accelerate the adoption of MindSphere, our open, cloud-based industrial operating system for the Internet of Things. From a position of strength, we announced "Vision 2020+" during the fourth quarter of fiscal 2018. With "Vision 2020+," we intend to accelerate growth and strengthen profitability with a leaner, simpler company structure. United under the strong Siemens brand, we are giving our businesses significantly more entrepreneurial freedom to sharpen the focus on their respective markets. We are currently implementing the new organizational structure. We will begin reporting financial results according to the new company structure beginning with the third quarter of fiscal 2019.

We were again very successful in executing our financial target system in fiscal 2018 and achieved strong results for the Siemens Group, most of our industrial businesses and Financial Services. We raised our guidance for basic earnings per share (EPS) from net income after the second quarter and reached all the targets set for our primary measures for fiscal 2018. We achieved revenue growth of 2% net of currency translation and portfolio effects. We delivered basic EPS from net income of €7.12, which included impacts from severance charges amounting to €0.76. Return on capital employed (ROCE) was double-digit at 12.7%. Our capital structure ratio came in at 0.4.

Orders rose 6% year-over-year to €91.3 billion, for a book-to-bill ratio of 1.10, thus fulfilling our expectation for a ratio above 1. Six out of eight of our industrial businesses increased orders year-over-year, one remained at the prior-year level and only one reported a decline. We posted double-digit order growth at Mobility due to a larger volume from major contract wins, and at Digital Factory due to strength in its short-cycle and software businesses. Order growth at SGRE included new volume from the merger with Gamesa, while growth at Power and Gas was burdened by significant negative currency translation effects. Excluding currency translation and portfolio effects, orders for Siemens rose 8%.

Revenue came in at €83.0 billion, slightly above the prior-year level. Strong growth at Digital Factory and Mobility and new volume from the merger with Gamesa at SGRE were largely offset by a significant decline at Power and Gas. While the Division completed the world's three largest combined cycle power plants in Egypt in record time in fiscal 2018, it continues to operate in an adverse market environment. Excluding currency translation and portfolio effects, revenue grew 2%. For fiscal 2018, we had forecast modest growth in revenue, net of currency translation and portfolio effects.

Industrial Business profit was €8.8 billion, down 6% year-over-year. The majority of our industrial businesses improved profit year-over-year, with increases led by Digital Factory, SGRE and Mobility. Digital Factory and Siemens Healthineers made the largest contributions to Industrial Business profit. Profit and profitability at Siemens Healthineers were impacted by substantial negative currency effects, which to a lesser extent also affected other Divisions. Overall, the Industrial Business profit was burdened by sharply higher severance charges year-over-year, which came in at €0.8 billion. Nearly half of the severance charges were booked at Power and Gas. Together with challenging factors related to adverse market conditions, this resulted in a sharp decline in the Division's profit year-over-year. As planned, we further increased R&D expenses in our industrial businesses, with a strong emphasis on digitalization.

The profit margin of our Industrial Business was 10.4%, down from 11.1% in fiscal 2017. Six out of eight of our industrial businesses were within or – as in the case of Mobility and Building Technologies – above their margin ranges. The majority also improved their profit margins year-over-year, with SGRE reaching its margin range and Process Industries and Drives reducing the gap. The overall decline in the profit margin for our Industrial Business was due predominately to Power and Gas, where the profit margin declined substantially, falling even further below the Division's margin range than in fiscal 2017. Excluding severance charges, Industrial Business profit margin was 11.3%, clearly in the range of 11% to 12% we had expected it to reach. With a return on equity after tax of 20.0%, Financial Services, which is reported outside our Industrial Business, reached the upper end of its margin range.

The loss outside the Industrial Business came in substantially lower year-over-year. Results in fiscal 2018 included a €0.9 billion gain related to the transfer of Siemens' shares in Atos SE to Siemens Pension-Trust e.V. and a €0.7 billion gain from the sale of shares in OSRAM Licht AG. These gains were partly offset by the higher amortization of intangible assets acquired in business combinations, mainly related to the merger with Gamesa and the Mentor acquisition.

Net income of €6.1 billion came in at the prior-year level and basic EPS from net income declined moderately to €7.12. Both figures were impacted by sharply higher severance charges year-over-year, which reduced basic EPS from net income by €0.76. Excluding severance charges, we achieved basic EPS from net income of €7.88. Thus, we met our raised forecast, which was to achieve basic EPS from net income excluding severance charges in the range of €7.70 to €8.00 (up from the range of €7.20 to €7.70 that we forecast for fiscal 2018 in our Annual Report for fiscal 2017).

ROCE for fiscal 2018 was 12.7%, down from 13.3% in fiscal 2017. This decline was due primarily to an increase in average capital employed, mainly related to the merger with Gamesa and the acquisition of Mentor. We thus met our forecast, which was to achieve a double-digit result below the lower end of our long-term goal of 15% to 20%.

We evaluate our capital structure using the ratio of industrial net debt to EBITDA. For fiscal 2018, this ratio was 0.4, compared to 0.9 in fiscal 2017. We thus reached our forecast, which was to achieve a ratio of up to 1.0.

Free cash flow from continuing and discontinued operations for fiscal 2018 rose 22% to €5.8 billion.

We intend to continue providing an attractive return to shareholders. The Siemens Managing Board, in agreement with the Supervisory Board, proposes a dividend of €3.80 per share, up from €3.70 a year earlier.

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

A.8.1 Report on expected developments

A.8.1.1 WORLDWIDE ECONOMY

In fiscal 2019, the world economy is expected to develop on a solid growth path with some deceleration compared to fiscal 2018. Global GDP is projected to expand by 3.1% in calendar 2019. Fixed investments are anticipated to grow by 4.0%, after 4.2% in 2018.

The U.S. economy is expected to be a main pillar of global growth, with GDP expanding 2.8% supported by strong domestic demand, low unemployment and reduced corporate taxes following the 2017 tax reform. New trade tariffs are expected to have only small negative effects on GDP growth and inflation.

Effects from new tariffs are projected to be more severe for China, with its more trade-dependent economy. Significant deceleration from 6.7% GDP growth in 2018 to 6.1% in 2019 is forecasted, although the Chinese government began addressing slowing growth with policy measures before the end of 2018.

GDP in emerging countries in general is expected to increase by 4.4%, after 4.6% in 2018, assuming that problems related to currency depreciation and U.S. dollar denominated foreign debt will be contained.

Europe is also expected to expand much more slowly in 2019 than in 2018, with GDP growth 0.5 percentage points lower at 1.6%. In particular, uncertainty regarding Brexit and the new actions of the Italian government are taking a toll.

All in all, the macroeconomic development in fiscal 2019 might in large part depend on governmental and political decisions. Uncertainty from governmental policies already slowed the acceleration of global growth in the second half of 2018. Quick resolution of key issues could remove this strain and give economic activity a new impulse.

The forecasts presented here for GDP and fixed investments are based on a report from IHS Markit dated October 15, 2018.

A.8.1.2 SIEMENS GROUP

At the close of fiscal 2018, we are in the process of reorganizing our operations. Implementation of the new organization is expected to be completed by the end of the second quarter of fiscal 2019. Therefore, expectations for our industrial businesses and activities outside industrial business are based on the organizational structure as of September 30, 2018. We are basing our outlook for fiscal 2019 for the Siemens Group and its reportable segments on the above-mentioned expectations and assumptions regarding the overall economic situation as well as the specific market conditions we expect for our respective industrial businesses, as described in → A.3 SEGMENT INFORMATION. Overall, we assume a continued favorable market environment, particularly for our short-cycle businesses, with limited risks related to geopolitical uncertainties.

This outlook excludes charges related to legal and regulatory matters and post-closing results from combining our mobility business with Alstom SA. We expect the closing in the first half of calendar 2019.

We are exposed to currency translation effects, mainly involving the U.S. dollar, the British pound and currencies of emerging markets, particularly the Chinese yuan. While we expect volatility in global currency markets to continue in fiscal 2019, we have improved our natural hedge on a global basis through geographic distribution of our production facilities in the past. Nevertheless, Siemens is still a net exporter from the Eurozone 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 2019. Based on currency exchange rates as of the beginning of November 2018, we nevertheless expect continued negative currency translation effects, particularly resulting from currencies of emerging countries such as China, India, Turkey and Argentina. We anticipate limited currency-related impacts on the profit margin for our Industrial Business in fiscal 2019.

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

Revenue growth

For fiscal 2019 we expect moderate growth in revenue, net of effects from currency translation and portfolio effects. In fiscal 2018, most of our industrial businesses contributed to organic revenue growth, and we expect a similar development in fiscal 2019. A principal exception is Power and Gas, which continues to operate in challenging markets.

As of September 30, 2018, our order backlog totaled €132 billion, and we expect conversion from the backlog to strongly support revenue growth in fiscal 2019. From Siemens' backlog, we expect to convert approximately €47 billion of past orders into current revenue in fiscal 2019. For conversion of order backlog to revenue for our respective segments, see → A.3 SEGMENT INFORMATION.

We anticipate that orders in fiscal 2019 will exceed revenue for a book-to-bill ratio above 1.

Profitability

For fiscal 2019, we expect net income to result in basic EPS from net income in the range of €6.30 to €7.00, excluding severance charges. Net income and basic EPS from net income for fiscal 2018 were €6.1 billion and €7.12, respectively. In fiscal 2018, net income included €0.9 billion in severance charges (pre-tax), burdening basic EPS from net income by €0.76 per share. Furthermore, net income in fiscal 2018 included €1.6 billion (pre-tax) in portfolio gains related to our stakes in Atos SE and OSRAM Licht AG, resulting in €1.87 per share of basic EPS from net income. The public listing of a minority stake in Siemens Healthineers in fiscal 2018 resulted in a larger share of non-controlling interests, which reduces the share of net income attributable to Siemens AG's shareholders and corresponding EPS.

Our forecast for net income and corresponding basic EPS takes into account a number of additional factors. We expect the solid project execution of the past three years to continue in fiscal 2019, and we plan to again increase R&D expenses year-over-year to strengthen our capacity for innovation. We expect wage inflation to be around 3% to 4%. Furthermore, we anticipate pricing pressure on our offerings of around 2% to 3% overall, primarily driven by our power generation businesses, while prices in our short-cycle businesses are expected to remain stable.

For fiscal 2019, taking into account the above-mentioned assumptions and exclusions, we expect nearly all of our industrial businesses to be in or above their current ranges for profit margin as defined in our financial performance system (see → A.2 FINANCIAL PERFORMANCE SYSTEM). An exception is Power and Gas. Overall, we expect a profit margin for our Industrial Business of 11.0% to 12.0%, excluding severance charges. Profit margin for our Industrial Business excluding severance charges in fiscal 2018 was 11.3%. We expect Financial Services, which is reported outside Industrial Business, to achieve a return on equity (ROE) (after tax) within its margin range in fiscal 2019 and to again make a strong profit contribution.

Within our Reconciliation to Consolidated Financial Statements, we expect expenses for Corporate items and centrally carried pension expenses to be approximately €1.0 billion in fiscal 2019, with costs in the second half-year higher than in the first half. We expect results related to CMPA to be negative and to be volatile from quarter to quarter during the fiscal year. For comparison, CMPA delivered a profit of €1.2 billion in fiscal 2018, benefiting from the above-mentioned €1.6 billion in portfolio gains related to our stakes in Atos SE and OSRAM Licht AG. We do not expect CMPA to benefit from material divestment gains in fiscal 2019. We anticipate that SRE will continue with real estate disposals depending on market conditions. Amortization of intangible assets acquired in business combinations, which was €1.2 billion in fiscal 2018, and Eliminations, Corporate Treasury and other reconciling items, which were a negative €0.3 billion in fiscal 2018, are expected to stay close to these results in fiscal 2019.

We do not expect material influence on financial results from discontinued operations in fiscal 2019. We anticipate our tax rate for fiscal 2019 to be in the range of 25% to 31%, compared to 26% in fiscal 2018.

Capital efficiency

Our long-term goal is to achieve a return on capital employed (ROCE) in the range of 15% to 20%. Due mainly to factors currently influencing net income and average capital employed, particularly the acquisitions of Mentor and Mendix and the merger with Gamesa among other factors, we expect ROCE to continue to show a double-digit result in fiscal 2019 but to come in below our target range.

Capital structure

We aim in general for a capital structure, defined as the ratio of industrial net debt to EBITDA, of up to 1.0, and expect to achieve this in fiscal 2019.

A.8.1.3 OVERALL ASSESSMENT

We expect a continued favorable market environment, particularly for our short-cycle businesses, with limited risks related to geopolitical uncertainties. For fiscal 2019, we expect moderate growth in revenue, net of currency translation and portfolio effects. We further anticipate that orders will exceed revenue for a book-to-bill ratio above 1. We expect a profit margin of 11.0% to 12.0% for our Industrial Business based on our current organizational structure, excluding severance charges. Furthermore we expect basic EPS from net income in the range of €6.30 to €7.00 also excluding severance charges. Fiscal 2018 basic EPS from net income of €7.12 benefited from €1.87 per share in portfolio gains related to our stakes in Atos SE and OSRAM Licht AG and was burdened by €0.76 from severance charges, resulting in €6.01 excluding these factors.

This outlook excludes charges related to legal and regulatory matters and post-closing results from combining our mobility business with Alstom SA, which we expect to close in the first half of calendar 2019.

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

A.8.2 Risk management

A.8.2.1 BASIC PRINCIPLES OF RISK MANAGEMENT

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

A.8.2.2 ENTERPRISE RISK MANAGEMENT PROCESS

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

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

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

Responsibilities are assigned for all relevant risks and opportunities, with the hierarchical level of responsibility depending on the significance of the respective risk or opportunity. In a first step, assuming responsibility for a specific risk or opportunity involves choosing one of our general response strategies. Our general response strategies with respect to risks are avoidance, transfer, reduction or acceptance of the relevant risk. Our general response strategy with respect to opportunities is to "seize" the relevant opportunity. In a second step, responsibility for a risk or opportunity also involves the development, initiation and monitoring of appropriate response measures corresponding to the chosen response strategy. These response measures have to be specifically tailored to allow for effective risk management. Accordingly, we have developed a variety of response measures with different characteristics. For example, we mitigate the risk of fluctuations in currency and interest rates by engaging in hedging activities. Regarding our long-term projects, systematic and comprehensive project management with standardized project milestones, including provisional acceptances during project execution and complemented by clearly defined approval processes, assists us in identifying and responding to project risks at an early stage, even before the bidding phase. Furthermore, we maintain appropriate insurance levels for potential cases of damage and liability risks in order to reduce our exposure to such risks and to avoid or minimize potential losses. Among others, we address the risk of fluctuation in economic activity and customer demand by closely monitoring macroeconomic conditions and developments in relevant industries, and by adjusting capacity and implementing cost-reduction measures in a timely and consistent manner if they are 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. In order to allow for a meaningful discussion of risk at the Siemens group level, this organization aggregates individual risks and opportunities of similar cause-and-effect nature into broader risk and opportunity themes. This aggregation naturally results in a mixture of risks, including those with a primarily qualitative assessment and those with a primarily quantitative risk assessment. Accordingly, we do not adopt a purely quantitative assessment of risk themes. Thematic risk and opportunity assessments then form the basis for the evaluation of the company-wide risk and opportunity situation. The Chief Risk & Internal Control Officer reports quarterly to 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.

A.8.3 Risks

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

A.8.3.1 STRATEGIC RISKS

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

Economic, political and geopolitical conditions (macroeconomic environment): We see increasing uncertainty regarding the global economic outlook. The key risk for the global economic cycle is a further escalation of the U.S.-Chinese trade conflict to a full-fledged global trade war, with a significant deterioration of global growth. Adverse effects on confidence and investment activity would severely hit Siemens business. Increasing trade barriers would negatively impact production costs and productivity along the value chain. The risk of a "No-Deal" Brexit could heighten business and consumer uncertainty, particularly in the European Union (EU) and the U.K., reduce investment activity, and pose risks to financial markets. A further and massive loss of economic confidence and a prolonged period of reluctance in investment decisions and awarding of new orders would negatively impact our businesses. We have established a task force continuously monitoring the exit process and coordinating our local and global mitigation measures. Heightened political risk within the EU, in particular fiscal stability in Italy, further independence debates or sustained success of protectionist, anti EU and anti-business parties and policies may reignite the euro crisis or even increase uncertainty about the future of the EU in general. The tightening of monetary policy by the U.S. Federal Reserve triggered depreciation of several emerging market currencies (e.g. of the Argentine peso and Turkish lira) and raised fears of a renewed emerging market crises, as debt levels of emerging market enterprises have risen making them dependent on favorable global financial conditions to service debts denominated in foreign currencies. A further escalation could severely weigh on asset prices, foreign exchange markets and potential hyperinflation. Emerging market operations involve further various risks, including civil unrest, health concerns, cultural differences such as employment and business practices, volatility in gross domestic product, economic and governmental instability, the potential for nationalization of private assets and the imposition of exchange controls. Additional business risk results from an abrupt weakening of Chinese economic growth. A terrorist mega-attack or a significant cybercrime incident, or a series of such attacks or incidents in major economies, could depress economic activity globally and undermine consumer and business confidence. Further risks stem from geopolitical tensions, political upheavals, and from an increasing vulnerability of the connected global economy to natural disasters. In addition, we are depending on the economic momentum of specific industries, especially on continued confidence in the automotive sector.

In general, due to the significant proportion of long-cycle businesses in our Industrial Business and the importance of long-term contracts for Siemens, there is usually a time lag between changes in macroeconomic conditions and their impact on our financial results. In contrast, short-cycle business activities of the Digital Factory Division and parts of Process Industries and Drives, Building Technologies and Energy Management Divisions react quickly to volatility in market demand. If the moderate growth of certain markets (e.g. oil & gas) stalls again and if we are not successful in adapting our production and cost structure to subsequent changes in conditions in the markets in which we operate, there can be no assurance that we will not experience adverse effects. For example, our customers may modify, delay or cancel plans to purchase our products, solutions and services, or fail to follow through on purchases or contracts already executed. Furthermore, the prices for our products, solutions and services may decline, to a greater extent than we currently anticipate. In addition, it may become more difficult for our customers to obtain financing. 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, our wide range of offerings with varied exposures to business cycles, and our balanced mix of business models (e.g. equipment, components, systems, software, services and solutions) help us to absorb impacts from adverse developments in any single market.

Restructuring: We see risks that we may not be flexible enough in adjusting our organizational and manufacturing footprint in order to quickly respond to changing markets. The necessary restructuring might not be executed to the extent or in the timeframe planned (e.g. due to local co-determination regulations), limiting our improvements of our cost position with negative profit impacts and the loss of key personnel. Strikes and disputes with unions and workers councils might result in negative media coverage and delivery problems. Additionally, public criticism related to restructuring might negatively impact Siemens' reputation. We mitigate these risks by closely monitoring the implementation of the planned measures, maintain strict cost management, and conduct ongoing discussions with all concerned interest groups.

Company transformation: There are risks in substantially changing company structures, policies or management in the interest of enhancing our speed, agility or company culture. These risks include increased costs, missed financial or performance targets, loss of key personnel, loss of (cost) synergies, and reduced investor confidence. We have set up a team within Vision 2020+ which closely monitors the transformation program.

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

Portfolio measures, at-equity investments, other investments and strategic alliances: Our strategy includes divesting our 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 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 acquire can be integrated successfully and in a timely manner as originally planned, or that they will perform as anticipated once integrated. In addition, we may incur significant acquisition, administrative, tax and other expenditures in connection with these transactions, including costs related to integration of acquired businesses. Furthermore, portfolio measures may result in additional financing needs and adversely affect our capital structure. Acquisitions can lead to substantial additions to intangible assets, including goodwill, in our statements of financial position. If we were to encounter continuing adverse business developments or if we were otherwise to perform worse than expected at acquisition activities, then these intangible assets, including goodwill, might have to be impaired, which could adversely affect our business, financial condition and results of operations. Our investment portfolio consists of investments held for purposes other than trading. Furthermore, we hold other investments. 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 the systematic processing of all contractual obligations, post-closing claims and centrally managed portfolio activities.

A.8.3.2 OPERATIONAL RISKS

Cyber/Information security: Digital technologies are a deeply integrated part of our business portfolio. 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. There can be no assurance that the measures aimed at protecting our Intellectual Property (IP) and portfolio will address these threats under all circumstances. There is a risk that confidential information may get stolen or that the integrity of our portfolio may be compromised, e.g. by attacks into our networks, social engineering, data manipulations in critical applications and a loss of critical resources, resulting in financial damages. IT security covers our whole enterprise IT including office IT, systems and applications, special purpose networks and our operational environment such as manufacturing and research and development (R&D). Like other large multinational companies we are facing active cyber threats from sophisticated adversaries that are supported by organized crime and nation-states engaged in economic espionage or even sabotage. We attempt to mitigate these risks by employing a number of measures, including employee training, comprehensive monitoring of our networks and systems through Cyber Security Operation Centers, and maintenance of backup and protective systems such as firewalls and virus scanners. We initiated the industrial "Charter of Trust," signed by a growing group of global companies, which sets out principles for building trust in digital technologies and creating a more secure digital world. Nonetheless our systems, products, solutions and services, as well as those of our service providers, remain potentially vulnerable to attacks. Such attacks could potentially lead to the publication, manipulation or leakage of information such as through industrial espionage, improper use of our systems, defective products, production downtimes and supply shortages, with potential adverse effects on our reputation, our competitiveness and results of operations.

Operational failures and quality problems in our value chain processes: Our value chain comprises all steps in the product life-cycle, from research and development to supply chain management, production, marketing, sales and services. Operational failures in our value chain processes could result in quality problems or potential product, labor safety, regulatory or environmental risks. Such risks are particularly present in our Industrial Business in relation to our production and manufacturing facilities, which are located all over the world and have a high degree of organizational and technological complexity. From time to time, some of the products we sell might have quality issues resulting from the design or manufacture of these products or the commissioning of these products or the software integrated into them. In addition, we may not be able to fully meet regulatory requirements. Our Siemens Healthineers Strategic Unit, 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 specific efforts to safeguard product safety. If any of our businesses or Strategic Units are not able to comply with regulatory requirements, our business and reputation may be adversely affected. We have established multiple measures for quality improvement and claim prevention. The increased use of quality management tools is improving visibility and enables us to strengthen our root cause and prevention processes.

Cost overruns or additional payment obligations related to the management of our long-term, fixed-price or turnkey and service projects: A number of our segments conduct activities, especially large projects, under long-term contracts that are awarded on a competitive bidding basis. Such contracts typically arise in Power and Gas, Siemens Gamesa Renewable Energy, Mobility, and in various activities of Energy Management and

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

Operational optimization and cost reduction initiatives: We are in a continuous process of operational optimization and constantly engage in cost-reduction initiatives, including ongoing capacity adjustment measures and structural initiatives. Consolidation of business activities and manufacturing facilities, outsourcings/carve-outs, joint ventures and the streamlining of product portfolios are all part of these cost-reduction efforts. These measures may not be implemented as planned, may turn out to be less effective than anticipated, may become effective later than estimated or may not become effective at all. Any future contribution of these measures to our profitability will be influenced by the actual savings achieved and by our ability to sustain them. In case of restructuring and outsourcing activities, there could be delays in product deliveries or we might even experience delivery failures. Furthermore, delays in critical R&D projects could lead to negative impacts in running projects. We constantly control and monitor the progress of these projects and initiatives using standardized controlling and milestone tracking approaches.

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

Shortage of skilled personnel: Competition for highly qualified personnel (e.g. specialists, experts, digital talent) remains intense in the industries and regions in which our businesses operate. We have ongoing demand for highly skilled employees. Our future success depends in part on our continued ability to identify, assess, hire, integrate, develop and retain engineers, digital talent and other qualified personnel. We address this risk for example with structured succession planning, employer branding, retention and career management. Furthermore, we are strengthening the capabilities and skills of our talent-acquisition teams and have defined a strategy of proactive search for people with the required skills in our respective industries and markets. Technology and digitalization helps us to be more effective in attracting and selecting talent as well as improving the efficiency of our processes.

A.8.3.3 FINANCIAL RISKS

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

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

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

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

For further information on post-employment benefits, derivative financial instruments, hedging activities, financial risk management and related measures, see → NOTES 17, 24 and 25 in B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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

A.8.3.4 COMPLIANCE RISKS

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

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

Current and future investigations regarding allegations of corruption, of antitrust violations and of other violations of law: Proceedings against us or our business partners regarding allegations of corruption, of antitrust violations and of other violations of law may lead to 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, other restrictions and legal consequences as well as negative public media coverage. Accordingly, we may, among other things, be required to comply with potential obligations and liabilities arising in connection with such investigations and proceedings, including potential tax penalties. Moreover, any findings related to public corruption that are not covered by the 2008 and 2009 corruption charge settlements, which we concluded with American and German authorities, may endanger our business with government agencies and intergovernmental and supranational organizations. Monitors could again be appointed to review future business practices and we may otherwise be required to further modify our business practices and our compliance program.

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

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

Besides other measures, Siemens established a global compliance organization that conducts among others compliance risk mitigation processes such as Compliance Risk Assessments or internal audit activities.

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

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

In addition, while we have procedures in place to ensure compliance with applicable governmental regulations in the conduct of our business operations, it cannot be excluded that violations of applicable governmental regulations may be caused either by us or by third parties that we contract with, including suppliers or service providers whose activities may be attributed to us. Any such violations particularly expose us to the risk of liability, penalties, fines, 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 situation, financial condition and results of operations.

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

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

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

For additional information with respect to specific proceedings, see → NOTE 22 in B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

A.8.3.5 ASSESSMENT OF THE OVERALL RISK SITUATION

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

While our assessments of individual risk exposures have changed during fiscal 2018 due to developments in the external environment, effects of our own mitigation measures and the revision of our plans for assessing risk, 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 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 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 because the Company, our markets and technologies are constantly advancing. It is also possible that opportunities we see today will never materialize.

Long-term value creation through innovation (e.g. electrification, automation and digitalization): We drive innovation by investing significantly in R&D in order to develop sustainable solutions for our customers while also strengthening our own competitiveness. Being an innovative company and constantly inventing new technologies that we expect will meet future demands arising from the megatrends of demographic change, urbanization, climate change and globalization is one of our core purposes. We are granted thousands of new patents every year and continuously develop new concepts and new convincing digital and data-driven business models. This helps us create the next generation of ground-breaking innovations in such fields as digitalization, artificial intelligence, autonomous machines and edge computing. Besides our R&D activities, our next47 unit was established to partner with and invest in selected start-ups with innovative ideas for shaping the future, so that we can turn those ideas into viable businesses. Across our Industrial Business, we are profiting from our undisputed strength in the "Digital Enterprise." Foremost, our cloud-based MindSphere platform enhances the availability of our customers' digital products and systems and improves their productivity and efficiency. We see also significant opportunities to generate additional volume and profit from innovative digital products, services and solutions, including cyber security, applications for optimized energy consumption and operation of highly efficient energy grids and scalable solutions for distributed and renewable energy generation. We see growth opportunities in opening up access to new markets and customers through new marketing and sales strategies, which we have hence integrated into our Divisional master plans. Our position along the value chains of electrification, automation and digitalization allows us to further increase market penetration. Along these value chains, we have identified several concrete growth fields in which we see our greatest long-term potential. Hence we are bundling and developing our resources and capabilities around these growth fields.

Mergers, acquisitions, equity investments, partnerships, divestments and streamlining our portfolio: We constantly monitor our current and potential markets to identify opportunities for strategic mergers, acquisitions, equity investments and partnerships to complement our organic growth. Such activities may help us to strengthen our position in our existing markets, provide access to new or underserved markets, or complement our technological portfolio in strategic areas. Opportunities might also arise when portfolio optimization measures generate gains which enable us to further pursue our other strategies for growth and profitability.

Favorable political and regulatory environment: Government initiatives and subsidies (including tax reforms among others) may lead to more government spending (e.g. infrastructure or digitalization investments) and ultimately result in an opportunity for us to participate in ways that increase our revenue and profit.

Increased market penetration and enhanced sales activities: Through Industrial Business sales initiatives and masterplans, we continuously strive to grow and expand our business in established markets, open up new markets for existing portfolio elements and strengthen our installed base in order to gain a higher market share and increased profits. Furthermore, we aim to increase our sales via improved account management and new distribution channels, among other strategies.

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

Localizing value chain activities: Localizing certain value chain activities, such as procurement, manufacturing, maintenance and service, in emerging markets could enable us to reduce costs and strengthen our global competitive position, in particular compared to competitors based in countries where they can operate with more favorable cost structures. Moreover, our local footprint in many countries provides the opportunity to take advantage of growth markets and market shifts around the world, which could result in increased market penetration and market share.

Climate change: While climate change represents a serious risk for business and society, it also presents an opportunity for Siemens to help mitigate its effects. In line with the global agreement in Paris (COP21) that entered into force in November 2016, Siemens strives to support a trend towards reducing CO_2 emissions both in our own operations as well as for our customers, based on technologies from our environmental portfolio such as low-carbon power generation from renewable energy sources.

Assessment of the overall opportunities situation: The most significant opportunity for Siemens continues to be success from long-term value creation through innovation (e.g. electrification, automation and digitalization) as described above.

While our assessment of individual opportunities has changed during fiscal 2018 due to developments in the external environment, our endeavors to profit from them and revision of our strategic plans, the overall opportunity situation did not change significantly compared to the prior year.

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

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

Our ERM approach is based on the globally accepted COSO (Committee of Sponsoring Organizations of the Treadway Commission) "Enterprise Risk Management – Integrated Framework" (2004) and is adapted to Siemens requirements. It additionally conforms to ISO (International Organization for Standardization) Standard 31000. As one of the objectives of these frameworks 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 for 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 activities, are usually bundled on a regional level. In particular cases, such as valuations relating to post-employment benefits, we use external experts. 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 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 International Financial Reporting Standards (IFRS) closing data to the Annual Financial Statements of Siemens AG.

On a quarterly basis, we execute an internal certification process. Management at different levels of our organization, supported by confirmations by managements 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 Strategic Units Siemens Healthineers and SGRE are also subject to our group-wide principles for the accounting-related internal control and risk management system and are individually responsible for adhering to those principles. The management of Siemens Healthineers and SGRE provide periodic sign-offs to the Managing Board of Siemens AG, certifying the effectiveness of their respective accounting-related internal control systems as well as the completeness, accuracy, and reliability of the financial data reported to us.

After the fiscal 2017 merger of our wind power business with Gamesa, SGRE commenced to integrate the former Gamesa entities into our accounting-related internal control and risk management system and to enhance their internal controls. The integration efforts have been completed in the course of fiscal 2018.

Our internal audit function systematically evaluates our financial reporting integrity, the effectiveness of the control system and the risk management system, and adherence to our compliance policies. In addition, the Audit Committee is integrated into our control system. In particular, it oversees the accounting and accounting process and the effectiveness of the internal control system, the risk management system and the internal audit system. 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. At the end of fiscal 2018, results for Siemens AG comprise the fields of business activities mainly of Power and Gas, Energy Management, Building Technologies, Digital Factory, Process Industries and Drives as well as the activities of Siemens Real Estate and are significantly influenced by directly or indirectly owned subsidiaries and investments. The business development of Siemens AG is fundamentally subject to the same risks and opportunities as the Siemens Group. Due to the interrelations between Siemens AG and its subsidiaries and the relative size of Siemens AG within the Group, the outlook of the Group also largely reflects our expectations for Siemens AG. Therefore, the foregoing explanations for the Siemens Group apply also for Siemens AG. We expect that income from investments or profit transfer agreements with affiliated companies will significantly influence the profit of Siemens AG.

We intend to continue providing an attractive return to shareholders. Therefore, we intend to propose a dividend whose distribution volume is within a dividend payout range of 40% to 60% of net income of the Siemens Group attributable to shareholders of Siemens AG, which we may adjust for this purpose to exclude selected exceptional non-cash effects. For fiscal 2019, we expect a net income of Siemens AG sufficient to fund the distribution of a corresponding dividend.

In December 2017, in preparation for the public listing of Siemens Healthineers, Siemens Healthineers AG, Germany, was established. Several entities, including Siemens Healthcare GmbH, Germany, held by Siemens AG or its direct and indirect subsidiaries were contributed against shares or sold and transferred to subsidiaries of Siemens Healthineers AG, which resulted in a significant increase in shares in affiliated companies. The profit and loss transfer agreement with Siemens Healthcare GmbH was terminated with effect at the end of March 2018.

Beginning of August 2018, in preparation for the proposed combination of Siemens' mobility business with Alstom, Siemens AG carved-out its mobility business to Siemens Mobility GmbH by way of singular succession. The carve-out resulted mainly in additions to shares in affiliated companies and disposals of transferred assets and liabilities, particularly property, plant and equipment, inventories, provisions for pensions and other provisions.

As of September 30, 2018, the number of employees was 77,000.

A.9.1 Results of operations

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

	Fiscal year		
(in millions of €)	2018	2017	% Change
Revenue	**28,185**	26,888	5%
Cost of Sales	**(21,074)**	(19,979)	(5%)
Gross profit	**7,111**	6,909	3%
as percentage of revenue	***25%***	*26%*	
Research and development expenses	**(2,788)**	(2,619)	(6%)
Selling and general administrative expenses	**(3,767)**	(3,627)	(4%)
Other operating income (expenses), net	**1**	(30)	n/a
Financial income, net *thereof Income from investments, net 5,381 (prior year 3,798)*	***4,643***	*3,828*	*21%*
Income from business activity	**5,199**	4,462	17%
Income taxes	**(653)**	(385)	(70%)
Net income	**4,547**	4,076	12%
Profit carried forward	**134**	146	(8%)
Allocation to other retained earnings	**(1,451)**	(1,077)	(35%)
Unappropriated net income	**3,230**	3,145	3%

Increases in **revenue** mainly included Mobility with €1.1 billion, Power and Gas with €0.6 billion, Energy Management with €0.4 billion and Digital Factory with €0.4 billion, partly offset by Process Industries and Drives with a decrease of €1.0 billion. On a geographical basis, 77% of revenue was generated in the Europe, C.I.S., Africa, Middle East region, 16% in the Asia, Australia region and 7% in the Americas region. Exports from Germany accounted for 65% of overall revenue. In fiscal 2018, orders for Siemens AG amounted to €24.2 billion. Within Siemens AG, the development of revenue depends strongly on the completion of contracts, primarily in connection with large orders.

The positive change in **gross profit** was mainly due to industrial businesses, which included an increase of €0.4 billion in Mobility.

Research and development (R&D) expenses increased year-over-year, mainly driven by Digital Factory with an increase of €0.1 billion. The R&D intensity (R&D as a percentage of revenue) increased by 0.2 percentage points year-over-year. The research and development activities of Siemens AG are fundamentally the same as for the Siemens Group or its industrial businesses, respectively. On an average basis, we employed 9,500 people in R&D in fiscal 2018.

The increase in **Financial income, net** was primarily attributable to higher **income from investments, net**. The main factor for this increase was lower income in the prior year due to impairments of investments, which included primarily an impairment of Siemens AG's investment in Siemens Gamesa Renewable Energy, S.A., Spain, of €1.2 billion. In the current period, income from investments increased by €1.1 billion, which was largely offset by a decrease in income from profit transfer agreements with affiliated companies of €0.9 billion. Other financial income (expenses) changed from a negative €0.3 billion in the prior year to a negative €1.0 billion. The main factor was a negative effect of €0.4 billion from changes in provisions for risks in derivative financial instruments.

Higher **income taxes** are based in part on the increase of foreign withholding taxes. In addition, income taxes included deferred tax expenses and deferred tax benefits resulting from the origination and reversal of temporary differences.

A.9.2 Net assets and financial position

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

(in millions of €)	Sep 30, 2018	Sep 30, 2017	% Change
Assets			
Non-current assets			
Intangible and tangible assets	1,894	2,348	(19%)
Financial assets	55,747	44,802	24%
	57,641	47,150	22%
Current assets			
Receivables and other assets	18,236	19,884	(8%)
Cash and cash equivalents, securities	3,177	884	>200%
	21,413	20,769	3%
Prepaid expenses	163	87	87%
Deferred tax assets	2,064	2,174	(5%)
Active difference resulting from offsetting	62	60	4%
Total assets	81,344	70,239	16%
Liabilities and equity			
Equity	22,049	21,123	4%
Special reserve with an equity portion	671	681	(2%)
Provisions			
Pensions and similar commitments	11,885	11,761	1%
Other provisions	6,011	7,417	(19%)
	17,896	19,178	(7%)
Liabilities			
Liabilities to banks	53	81	(34%)
Advance payments received	1,504	750	100%
Trade payables, liabilities to affiliated companies and other liabilities	38,863	28,065	38%
	40,420	28,896	40%
Deferred income	308	361	(14%)
Total liabilities and equity	81,344	70,239	16%

The decrease in **receivables and other assets** included discontinuation of the purchase of trade receivables from affiliated companies.

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

The increase in **equity** was attributable to net income for the year of €4.6 billion and the issuance of treasury stock of €0.9 billion in conjunction with our share-based payments and employee share programs. These factors were partly offset by dividends paid in fiscal 2018 (for fiscal 2017) of €3.0 billion. In addition, equity was reduced due to share buybacks during the year amounting to €1.5 billion. The equity ratios at September 30, 2018 and 2017 were 27% and 30%, respectively. For the disclosures in accordance with Section 160 para. 1 no. 2 of the German Stock Corporation Act (*Aktiengesetz*) about treasury shares we refer to ↗ NOTE 15 of our ANNUAL FINANCIAL STATEMENTS OF SIEMENS AG FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018.

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 Sections 289f and 315d of the German Commercial Code is an integral part of the Combined Management Report and is presented in → C.4.2 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTIONS 289 F AND 315 D OF THE GERMAN COMMERCIAL CODE.

A.10 Compensation Report

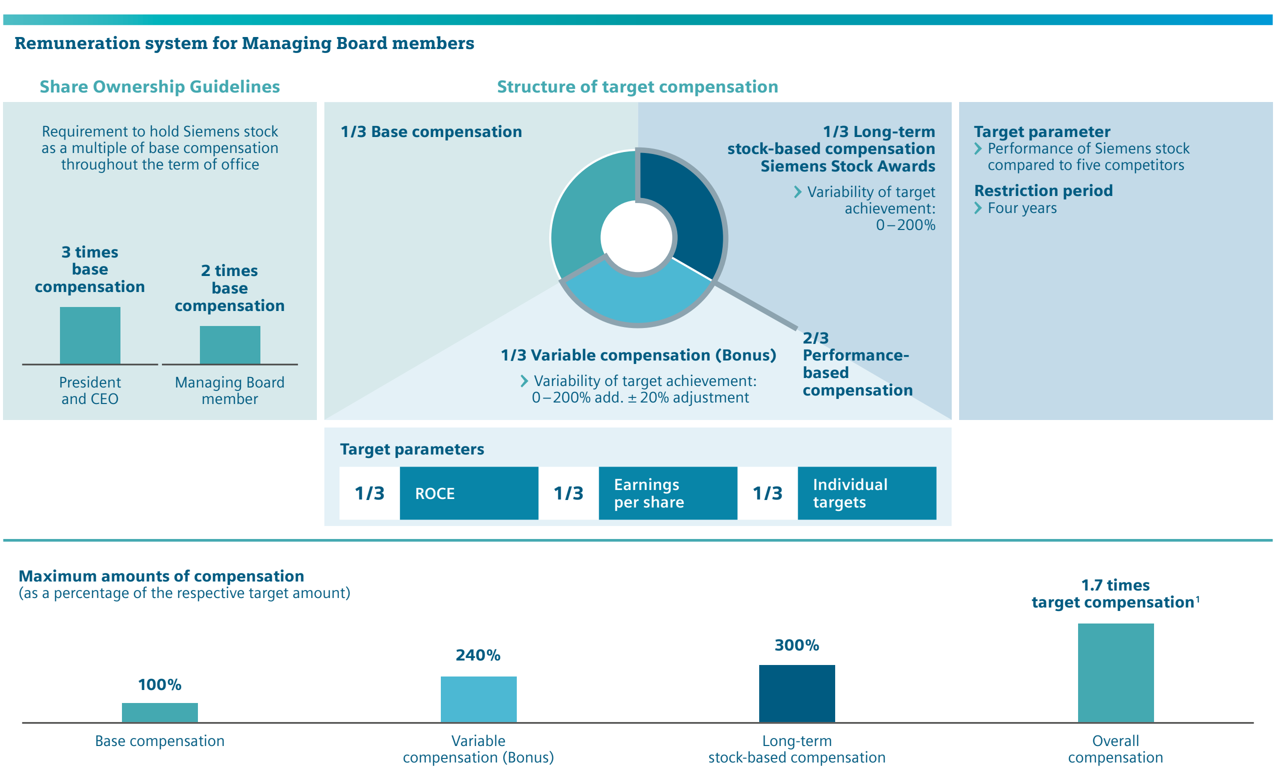
This report is based on the recommendations of the German Corporate Governance Code (Code) and the requirements of the German Commercial Code (*Handelsgesetzbuch*), the German Accounting Standards (*Deutsche Rechnungslegungsstandards*) and the International Financial Reporting Standards (IFRS).

A.10.1 Remuneration of Managing Board members

A.10.1.1 REMUNERATION SYSTEM

The remuneration system for 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. Furthermore, their remuneration is to be commensurate with the Company's size and economic position. Exceptional achievements are to be rewarded adequately, while falling short of targets is to result in an appreciable reduction in remuneration. Their compensation is 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 Managing Board's remuneration system and remuneration levels 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 future prospects as well as the tasks and performance of the individual Managing Board members are taken into account. In addition, the Supervisory Board considers the common level of remuneration in comparison with peer companies and with the compensation structure in place in other areas of the Company. It also takes due account of the relationship between the Managing Board's remuneration and that of senior management and staff, both overall and with regard to its development over time. For this purpose, the Supervisory Board has also determined how senior management and the relevant staff are to be differentiated. The remuneration system that has been in place for Managing Board members since fiscal 2015 was approved at the Annual Shareholders' Meeting on January 27, 2015. The 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. The three target parameters of variable compensation (Bonus) are also weighted equally.



1 Plus fringe benefits and pension benefit commitments.

In fiscal 2018, 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, 2017, the base compensation of President and CEO Joe Kaeser has amounted to €2,161,500 per year. The base compensation of the other members of the Managing Board has been €1,080,000 per year.

Fringe benefits

Fringe benefits include the costs 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 provided by the company 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 the achievement of three equally-weighted 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 targets – 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%). The Bonus is paid entirely in cash.

At its duty-bound discretion, the Supervisory Board may revise the amount resulting from target achievement downward or upward by as much as 20%; the adjusted amount of the Bonus paid can thus be as much as 240% of the target amount. Decisions to make 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.

Beginning in fiscal 2019, plans call for the Supervisory Board to review and, if appropriate, reduce bonus payout amounts in the event of a breach of duty or a violation of compliance regulations (clawback).

Long-term stock-based compensation

Long-term stock-based compensation consists of a grant of forfeitable stock commitments (Stock Awards) at the beginning of the fiscal year. In the event of 100% target achievement, the annual target amount for the monetary value of the Stock Awards grant is €2,233,000 for the President and CEO (effective October 1, 2017). For the other Managing Board members, it is €1,117,000. Since fiscal 2015, the Supervisory Board has had the option of increasing the target amount for each member of the Managing Board, on an individual basis, by as much as 75% for one fiscal year at a time. This option enables the Supervisory Board to take account of each Managing Board member's individual accomplishments and experience as well as the scope and demands of his or her function.

Beneficiaries receive one free share of Siemens stock per Stock Award after an approximately four-year restriction period and subject to target attainment. The value of the Siemens shares to be transferred for Stock Awards after the end of the restriction period depends on the price of the Siemens share at the time of transfer and on target attainment as defined by the underlying target system. If target attainment is above 100%, the members of the Managing Board will receive – in addition to the Siemens shares – a cash payment corresponding to the outperformance. If target attainment is less than 100%, a number of Stock Awards equivalent to the shortfall from the target will be forfeited without replacement. The total value of the Siemens shares and of the cash payment is subject to a ceiling of 300% of the relevant target amount. If this maximum amount is exceeded, the corresponding entitlement to Stock Awards will be forfeited without replacement. Beginning in fiscal 2019, plans call for target attainment above 100% to be compensated with a transfer of Siemens shares instead of the cash payment currently provided for.

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

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

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

If a Managing Board member's employment contract begins during the fiscal year, an equivalent number of Siemens Phantom Stock Awards will be granted instead of Stock Awards, and only a cash equivalent is given at the end of the restriction period. Beyond that, the same provisions agreed upon for Stock Awards apply.

With regard to the further terms of the Stock Awards, the same principles apply in general to the Managing Board and to senior managers. These principles are explained in more detail in → NOTE 26 in B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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

Remuneration component	Share of target compensation	Target parameter	Basis for assessment	Target achievement	Maximum amounts of compensation	Value at payout/transfer
Variable compensation (Bonus)	~ 33%	1/3 Return on capital employed (ROCE)	Annual basis	0 – 200% add. +/- 20% adjustment	240% of the respective target amount	Dependent on target achievement
		1/3 Earnings per share, basic EPS	Ø 3 years			
		1/3 Individual targets	Annual basis			
Long-term stock-based compensation	~ 34%	Performance of Siemens stock compared to 5 competitors	On the basis of a twelve-month reference period (compensation year), change in share price measured over the following 36 months (performance period)	0 – 200%	300% of the respective target amount	Dependent on – Target achievement – Stock price at transfer

Maximum amount for overall compensation

In addition to the maximum amounts for variable compensation and long-term stock-based compensation, a maximum amount for overall compensation 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 (Bonus) and the target amount for long-term stock-based compensation, excluding fringe benefits and pension benefit commitments. When fringe benefits and pension benefit commitments are included, the maximum amount of overall compensation 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 build-up phase – Managing Board members continuously hold Siemens shares 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 decisive 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 date of proof of adherence. Hence, changes that have been made to base compensation in the meantime are included. Non-forfeitable stock commitments (Bonus Awards) which were granted until fiscal 2014 are taken into account in determining adherence to the Share Ownership Guidelines.

Adherence to these guidelines must be proven for the first time after a four-year build-up phase. Thereafter, it must be proven annually. If the value of a Managing Board member's accrued holdings falls below the required minimum due to fluctuations in Siemens' share price, 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 of their Bonus. This percentage is decided upon annually by the Supervisory Board and was most recently set at 28%. In making its decision, 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 goes toward financing that prior commitment.

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

Due to Lisa Davis' tax status in the U.S., some of the details of her pension benefit commitment differ from the standard provisions, in particular, details regarding collateral.

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. Payout in installments or a lump-sum payment may – in this case, too – be chosen instead of pension payments.

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

Commitments in connection with the termination of Managing Board membership

Managing Board employment contracts provide for a compensatory payment if membership on the Managing Board is terminated prematurely by mutual agreement and without serious cause. The amount of this payment must not exceed the value of two years' compensation and must compensate no more than the remaining term of the contract (severance 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 aforementioned 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 shareholder or multiple shareholders acting 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 equal to 5% of the total compensatory 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 Awards that were granted as long-term stock-based compensation and for which the restriction period is still in effect will be forfeited without replacement if the employment contract is not extended after the end of an appointment period, either at the Managing Board member's request or because there is serious cause that would have entitled the Company to revoke the appointment or terminate the contract. However, once granted, Stock Awards are not forfeited if the employment contract is terminated by mutual agreement at the Company's request, or because of retirement, disability or death or in connection with a spin-off, the transfer of an operation, or a change of activity within the Group. In these cases, the Stock Awards will remain in effect upon termination of the employment contract and will be honored on expiration of the restriction period.

Secondary activities of Managing Board members

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

A.10.1.2 REMUNERATION OF MANAGING BOARD MEMBERS FOR FISCAL 2018

At the beginning of the fiscal year, the Supervisory Board set the target parameters return on capital employed (ROCE) and earnings per share (EPS) for the variable compensation (Bonus) for all members of the Managing Board, in each case on the basis of continuing and discontinued operations. The target values for the EPS component were defined on a multi-year basis. In defining the target for variable compensation, the Supervisory Board also defined individual targets so as to take fuller account of the individual performance of each Managing Board member. An internal review of the appropriateness of Managing Board compensation for fiscal 2018 has confirmed that the remuneration of the Managing Board resulting from target achievement for fiscal 2018 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-based compensation and pension benefit contributions as follows:

Variable compensation (Bonus)

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

Target parameter	100% of target	Actual figure for FY 2018	Target achievement
Return on capital employed, ROCE[1]	11.00%	12.67%	155.67%
Earnings per share, basic EPS[1] (Ø 2016 – 2018)	€7.67	€7.10	62.00%
Individual targets	Focus topics 2018: Customer/Growth, Efficiency, Digitalization, Leadership	–	100 – 140%

1 Continuing and discontinued operations.

In fiscal 2018, Bonus-related target attainment by Managing Board members was between 105.89% and 119.23%. In its overall assessment, the Supervisory Board decided not to make any discretionary adjustments to the Bonus payout amounts.

Long-term stock-based compensation

Since beneficiaries are not entitled to receive dividends, the number of Stock Awards granted for fiscal 2018 was based on the closing price of Siemens stock in Xetra trading on the date of grant in November 2017, less the present value of dividends expected during the restriction period. The share price used to determine the number of Stock Awards was €100.01 (2017: €91.32).

Total compensation

On the basis of the Supervisory Board's decisions described above, Managing Board compensation for fiscal 2018 totaled €31.72 million (2017: €33.97 million), a decrease of 6.6%. Of this total amount, €21.93 million (2017: €20.73 million) was attributable to cash compensation and €9.79 million (2017: €13.24 million) to stock-based compensation.

The compensation presented on the following pages was granted to the members of the Managing Board for fiscal 2018 (individual disclosure).

Managing Board members serving as of September 30, 2018

(Amounts in thousands of €)

Non-performance-based components	Fixed compensation (base compensation)	
	Fringe benefits[1]	
	Total	
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (Bonus) – Target amount
	with long-term incentive effect, stock-based	**Multi-year variable compensation**[2, 3] Siemens Stock Awards[4] (restriction period: four years)
	Total[5]	
	Service Cost	
	Total compensation (Code)[6]	
Total compensation of all Managing Board members for fiscal 2018, in accordance with the applicable reporting standards, amounted to €31.72 million (2017: €33.97 million). In this context, the payout amount for one-year variable compensation (Bonus) presented below is used instead of the target value according to the Code. Service costs for pension benefits are not included.		
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (Bonus) – Payout amount
Total compensation		

Managing Board members serving as of September 30, 2018

(Amounts in thousands of €)

Non-performance-based components	Fixed compensation (base compensation)	
	Fringe benefits[1]	
	Total	
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (Bonus) – Target amount
	with long-term incentive effect, stock-based	**Multi-year variable compensation**[2, 3] Siemens Stock Awards[4] (restriction period: four years)
	Total[5]	
	Service Cost	
	Total compensation (Code)[6]	
Total compensation of all Managing Board members for fiscal 2018, in accordance with the applicable reporting standards, amounted to €31.72 million (2017: €33.97 million). In this context, the payout amount for one-year variable compensation (Bonus) presented below is used instead of the target value according to the Code. Service costs for pension benefits are not included.		
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (Bonus) – Payout amount
Total compensation		

1 Fringe benefits include the costs 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 provided by the company for any taxes due in this regard, currency adjustment payments and costs relating to preventive medical examinations.

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 2018; 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 IFRS in fiscal 2018 and fiscal 2017 amounted to €13,573,256 and €19,031,892, respectively. The following amounts pertained to the members of the Managing Board in fiscal 2018: Joe Kaeser €3,474,486 (2017: €3,344,690), Dr. Roland Busch €1,785,096 (2017: €1,781,634), Lisa Davis €1,701,198 (2017: €1,301,296), Klaus Helmrich €1,785,401 (2017: €1,784,593), Janina Kugel €1,566,652 (2017: €1,278,363), Cedrik Neike €419,403 (2017: €2,978,584), Michael Sen €653,500 (2017: €135,659) and Prof. Dr. Ralf P. Thomas €1,855,216 (2017: €1,393,673). The corresponding expense, determined in the same way, for former Managing Board members was as follows: Brigitte Ederer €0 (2017: €218,614), Barbara Kux – €72,498 (2017: €218,614), Peter Löscher €0 (2017: €538,356), Prof. Dr. Hermann Requardt – €26,232 (2017: €32,566), Prof. Dr. Siegfried Russwurm €379,331 (2017: €3,303,141), Peter Y. Solmssen €74,155 (2017: €692,506), and Dr. Michael Süß – €22,452 (2017: €29,604). The payout of Stock Awards and Bonus Awards received in fiscal 2018 amounted to less than the accrued provisions. Provisions equal to the difference were reversed and recognized in the income statements, which led to a total gain of €526,667. Since no further provisions for outstanding tranches were accrued for former Managing Board members, the reversal led to a reported gain in connection with these former members.

4 The Stock Awards granted in fiscal 2018 are contingent upon attaining the prospective performance-based target for Siemens stock relative to five competitors. The monetary values relating to 100% target achievement were €10,052,107 (2017: €12,930,417). The amounts for individual Managing Board members were as follows: Joe Kaeser €2,233,023 (2017: €2,200,081), Dr. Roland Busch €1,117,012 (2017: €1,100,041), Lisa Davis €1,117,012 (2017: €1,100,041), Klaus Helmrich €1,117,012 (2017: €1,100,041), Janina Kugel €1,117,012 (2017: €1,055,020), Cedrike Neike €1,117,012 (2017: €3,700,065), Michael Sen €1,117,012 (2017: €1,025,067), Prof. Dr. Ralf P. Thomas €1,117,012 (2017: €1,100,041) and for former Managing Board member Prof. Dr. Siegfried Russwurm €0 (2017: €550,020).

5 Total maximum compensation for fiscal 2018 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

Joe Kaeser				Dr. Roland Busch				Lisa Davis[7]				Klaus Helmrich			
President and CEO				Managing Board member				Managing Board member				Managing Board member			
2017	2018	2018 (Min)	2018 (Max)	2017	2018	2018 (Min)	2018 (Max)	2017	2018	2018 (Min)	2018 (Max)	2017	2018	2018 (Min)	2018 (Max)
2,130	**2,162**	2,162	2,162	1,065	**1,080**	1,080	1,080	1,065	**1,080**	1,080	1,080	1,065	**1,080**	1,080	1,080
104	**115**	115	115	55	**55**	55	55	512	**401**	401	401	52	**44**	44	44
2,234	**2,277**	**2,277**	**2,277**	**1,120**	**1,135**	**1,135**	**1,135**	**1,577**	**1,481**	**1,481**	**1,481**	**1,117**	**1,124**	**1,124**	**1,124**
2,130	**2,162**	0	5,188	1,065	**1,080**	0	2,592	1,065	**1,080**	0	2,592	1,065	**1,080**	0	2,592
2,096	**2,175**	0	6,699	1,048	**1,088**	0	3,351	1,048	**1,088**	0	3,351	1,048	**1,088**	0	3,351
6,460	**6,613**	**2,277**	**11,145**	**3,233**	**3,303**	**1,135**	**5,571**	**3,690**	**3,649**	**1,481**	**5,571**	**3,230**	**3,291**	**1,124**	**5,571**
1,193	**1,207**	1,207	1,207	622	**593**	593	593	566	**581**	581	581	621	**593**	593	593
7,653	**7,820**	**3,484**	**12,352**	**3,855**	**3,896**	**1,728**	**6,164**	**4,256**	**4,230**	**2,062**	**6,152**	**3,851**	**3,884**	**1,717**	**6,164**
2,639	**2,505**			1,284	**1,216**			1,248	**1,180**			1,284	**1,288**		
6,969	**6,956**			**3,452**	**3,439**			**3,873**	**3,749**			**3,448**	**3,499**		

Janina Kugel				Cedrik Neike[8, 9]				Michael Sen				Prof. Dr. Ralf P. Thomas			
Managing Board member				Managing Board member				Managing Board member				CFO			
2017	2018	2018 (Min)	2018 (Max)	2017	2018	2018 (Min)	2018 (Max)	2017	2018	2018 (Min)	2018 (Max)	2017	2018	2018 (Min)	2018 (Max)
1,011	**1,080**	1,080	1,080	533	**1,080**	1,080	1,080	533	**1,080**	1,080	1,080	1,065	**1,080**	1,080	1,080
40	**40**	40	40	15	**29**	29	29	115	**510**	510	510	69	**72**	72	72
1,051	**1,120**	**1,120**	**1,120**	548	**1,109**	**1,109**	**1,109**	648	**1,590**	**1,590**	**1,590**	1,134	**1,152**	**1,152**	**1,152**
1,011	**1,080**	0	2,592	533	**1,080**	0	2,592	533	**1,080**	0	2,592	1,065	**1,080**	0	2,592
1,005	**1,088**	0	3,351	4,079	**1,088**	0	3,351	1,347	**1,088**	0	3,351	1,048	**1,088**	0	3,351
3,067	**3,288**	**1,120**	**5,571**	5,159	**3,277**	**1,109**	**5,571**	**2,528**	**3,757**	**1,590**	**5,571**	**3,247**	**3,319**	**1,152**	**5,571**
593	**577**	577	577	1,214	**553**	553	553	703	**559**	559	559	622	**596**	596	596
3,659	**3,865**	**1,697**	**6,148**	6,373	**3,830**	**1,662**	**6,124**	**3,231**	**4,316**	**2,148**	**6,130**	**3,869**	**3,915**	**1,747**	**6,167**
1,151	**1,144**			606	**1,144**			624	**1,252**			1,284	**1,216**		
3,207	**3,352**			**5,233**	**3,341**			**2,619**	**3,929**			**3,466**	**3,455**		

compensation), the maximum amount is less than the total of the individual contractual caps for performance-based components.

6 Total compensation reflects the respective fair value of stock-based compensation components on the grant date. On the basis of the respective monetary values of stock-based compensation components, total compensation amounted to €31,982,259 (2017: €33,657,370).

7 Lisa Davis' compensation is paid out in Germany in euros. It has been agreed that any tax liability that arises due to tax rates that are higher in Germany than in the U.S. will be reimbursed. For base compensation of calendar years 2016 and 2017, as well as for the Bonus for fiscal years 2016 and 2017, a currency-adjustment payment was granted.

8 To compensate for the forfeiture of stock at his previous employer, the Supervisory Board granted Cedrik Neike a one-time amount of €4,200,000 in fiscal 2017. Of this amount, 75% was awarded in the form of Siemens Phantom Stock Awards and the remaining 25% as a special pension benefit contribution. One half of the total amount of these granted Siemens Phantom Stock Awards fell due and was settled in September 2017. The other half fell due and was settled in September 2018. The value of these Siemens Phantom Stock Awards depended solely on the performance of Siemens stock. Because they were granted as compensation for the forfeiture of stock at Cedrik Neike's previous employer, these Siemens Phantom Stock Awards are not taken into account when determining target compensation and hence are not included in the individual minimum and maximum amounts specified.

9 In addition to his role as a member of the Managing Board of Siemens AG, Cedrik Neike serves as Executive Chairman of the Board of Directors of Siemens Ltd. China. Of the fixed compensation as well as the one-year (payout amount) and multi-year variable compensation reported here, an amount of €776,350 (2017: €359,769) was granted and paid by Siemens Ltd. China and set off against the remuneration for his Managing Board activities at Siemens AG. Of the fringe benefits reported here, an amount of €13,409 (2017: €7,778) was granted and paid by Siemens Ltd. China. In addition, it has been agreed that Siemens AG will offset, as a net amount, any personal tax burden that, due to Cedrik Neike's two employment relationships, exceeds the burden that he would incur if he paid tax solely on the benefits granted to him under his employment contract with Siemens AG in Germany. Siemens AG will also offset any burdens due to charges and contributions to social insurance or comparable statutory systems in China additional to those he incurs in Germany. To date, no such offset payments have been made.

Benefits received

The following table shows the benefits received for fiscal 2018 for fixed compensation, fringe benefits, one-year variable compensation (Bonus) 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 2018 and shown in the previous table, this table includes the actual figure for multi-year variable compensation granted in previous years and received in fiscal 2018.

Managing Board members serving as of September 30, 2018

(Amounts in thousands of €)

Non-performance-based components	Fixed compensation (base compensation)	
	Fringe benefits[1]	
	Total	
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (Bonus) – Payout amount[2]
	with long-term incentive effect, stock-based	**Multi-year variable compensation**
		Siemens Stock Awards (restriction period: 2013 – 2017)[3]
		Siemens Stock Awards (restriction period: 2012–2016)[4]
		Bonus Awards (waiting period: 2013 – 2017)[5]
		Bonus Awards (waiting period: 2012 – 2016)[5]
	Other[6]	
	Total	
	Service Cost	
	Total compensation (Code)	

Managing Board members serving as of September 30, 2018

(Amounts in thousands of €)

Non-performance-based components	Fixed compensation (base compensation)	
	Fringe benefits[1]	
	Total	
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (Bonus) – Payout amount[2]
	with long-term incentive effect, stock-based	**Multi-year variable compensation**
		Siemens Stock Awards (restriction period: 2013 – 2017)[3]
		Siemens Stock Awards (restriction period: 2012–2016)[4]
		Bonus Awards (waiting period: 2013 – 2017)[5]
		Bonus Awards (waiting period: 2012 – 2016)[5]
	Other[6]	
	Total	
	Service Cost	
	Total compensation (Code)	

1 Fringe benefits include the costs 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 provided by the company for any taxes due in this regard, currency adjustment payments and costs relating to preventive medical examinations.

2 The payout amount of the one-year variable compensation (Bonus) reported above represents the amount awarded for fiscal 2018, which will be paid out in January 2019.

3 For one half of the Siemens Stock Awards 2013, target attainment depended on the EPS for the last three fiscal years and amounted to 118%. For the other half, target attainment was linked to the performance of Siemens stock compared to defined competitors during the four-year restriction period. It amounted to 100%. As a result, the Siemens Stock Awards 2013 that had already been granted on the basis of 100% target attainment were settled in the form of cash compensation, in accordance with plan rules.

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

5 One half of the Bonus for fiscal 2012 and fiscal 2013 was granted in the form of non-forfeitable awards of Siemens stock (Bonus Awards). After the expiration of the four-year waiting period in November 2016 and November 2017, respectively, the Bonus Awards were settled in the form of cash compensation.

6 For Joe Kaeser, Dr. Roland Busch, Klaus Helmrich and Prof. Dr. Ralf P. Thomas, "Other" includes, in fiscal 2017, the adjustment of the Siemens Stock Awards 2012 and Bonus Awards 2012 (transfer in November 2016) in accordance with Section 23 and Section 125 of the German Transformation Act (*Umwandlungsgesetz*) due to the spin-off of OSRAM.

7 To compensate for the forfeiture of stock at her previous employer, Janina Kugel was granted a special allocation of 3,999 Siemens Stock Awards in February 2014. This commitment arose out of an entitlement that Janina Kugel had acquired when she was an employee of Siemens AG before she became a member of the Managing Board. In February 2018, after expiration of the four-year restriction period, the Siemens Stock Awards were settled in the form of cash compensation. The value of these Siemens Stock Awards is included under "Other."

	Joe Kaeser		Dr. Roland Busch		Lisa Davis		Klaus Helmrich	
	President and CEO		Managing Board member		Managing Board member		Managing Board member	
	2018	2017	2018	2017	2018	2017	2018	2017
	2,162	2,130	**1,080**	1,065	**1,080**	1,065	**1,080**	1,065
	115	104	**55**	55	**401**	512	**44**	52
	2,277	2,234	**1,135**	1,120	**1,481**	1,577	**1,124**	1,117
	2,505	2,639	**1,216**	1,284	**1,180**	1,248	**1,288**	1,284
	3,609	4,570	**2,205**	2,949	**0**	0	**2,196**	3,052
	2,800	0	**1,577**	0	**0**	0	**1,577**	0
	0	3,542	**0**	2,024	**0**	0	**0**	2,024
	809	0	**628**	0	**0**	0	**619**	0
	0	1,028	**0**	925	**0**	0	**0**	1,028
	0	200	**0**	129	**0**	0	**0**	133
	8,391	9,643	**4,556**	5,482	**2,661**	2,825	**4,608**	5,586
	1,207	1,193	**593**	622	**581**	566	**593**	621
	9,597	10,835	**5,149**	6,104	**3,242**	3,391	**5,201**	6,207

	Janina Kugel [7, 8]		Cedrik Neike [9, 10]		Michael Sen		Prof. Dr. Ralf P. Thomas	
	Managing Board member		Managing Board member		Managing Board member		CFO	
	2018	2017	2018	2017	2018	2017	2018	2017
	1,080	1,011	**1,080**	533	**1,080**	533	**1,080**	1,065
	40	40	**29**	15	**510**	115	**72**	69
	1,120	1,051	**1,109**	548	**1,590**	648	**1,152**	1,134
	1,144	1,151	**1,144**	606	**1,252**	624	**1,216**	1,284
	0	0	**0**	0	**0**	0	**775**	891
	0	0	**0**	0	**0**	0	**751**	0
	0	0	**0**	0	**0**	0	**0**	891
	0	0	**0**	0	**0**	0	**24**	0
	0	0	**0**	0	**0**	0	**0**	0
	453	0	**1,457**	1,402	**0**	0	**0**	39
	2,718	2,202	**3,710**	2,556	**2,841**	1,272	**3,143**	3,347
	577	593	**553**	1,214	**559**	703	**596**	622
	3,295	2,795	**4,263**	3,770	**3,400**	1,975	**3,738**	3,969

8 At the beginning of fiscal 2018, Janina Kugel was also entitled to 2.501 matching shares from the Share Matching Program (see → NOTE 26 in B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS). She had acquired this entitlement when she was an employee of Siemens AG before she became a member of the Managing Board. The entitlement fell due and was settled in February 2018. At the time of transfer, the shares had a value equivalent to €291.37.

9 To compensate for the forfeiture of stock at his previous employer, the Supervisory Board granted Cedrik Neike a one-time amount of €4,200,000 in fiscal 2017. Of this amount, 75% was awarded in the form of Siemens Phantom Stock Awards and the remaining 25% as a special pension benefit contribution. One half of the total amount of these granted Siemens Phantom Stock Awards fell due and was settled in September 2017. The other half fell due and was settled in September 2018. The value of these Siemens Phantom Stock Awards depended solely on the performance of Siemens stock and is included under "Other."

10 In addition to his role as a member of the Managing Board of Siemens AG, Cedrik Neike serves as Executive Chairman of the Board of Directors of Siemens Ltd. China. Of the fixed compensation and payout amount for one-year variable compensation (Bonus) reported here, an amount of €514,725 (2017: €222,802) was granted and paid by Siemens Ltd. China and set off against the remuneration for his Managing Board activities at Siemens AG. Of the fringe benefits reported here, an amount of €13,409 (2017: €7,778) was granted and paid by Siemens Ltd. China. In addition, it has been agreed that Siemens AG will offset, as a net amount, any personal tax burden that, due to Cedrik Neike's two employment relationships, exceeds the burden that he would incur if he paid tax solely on the benefits granted to him under his employment contract with Siemens AG in Germany. Siemens AG will also offset any burdens due to charges and contributions to social insurance or comparable statutory systems in China additional to those he incurs in Germany. To date, no such offset payments have been made.

Pension benefit commitments

For fiscal 2018, the members of the Managing Board were granted contributions under the BSAV totaling €5.4 million (2017: €5.0 million), based on a resolution of the Supervisory Board dated November 7, 2018. Of this amount, €0.03 million (2017: €0.06 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 end of the fiscal year. Until a beneficiary's date of retirement, his or her pension account is credited with an annual interest payment (guaranteed interest) on January 1 of each year. The interest rate is currently 0.90%.

The following table shows individualized details of the contributions (allocations) under the BSAV for fiscal 2018 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 €)	2018	2017	2018	2017
Managing Board members serving as of September 30, 2018				
Joe Kaeser	**1,210,440**	1,192,800	**12,970,960**	11,195,488
Dr. Roland Busch	**604,800**	596,400	**5,121,226**	4,742,811
Lisa Davis[4]	**604,800**	596,400	**5,322,537**	4,532,350
Klaus Helmrich	**604,800**	596,400	**5,714,522**	5,007,306
Janina Kugel	**604,800**	566,160	**2,157,427**	1,628,418
Cedrik Neike	**604,800**	298,200	**1,757,258**	1,213,897
Michael Sen	**604,800**	298,200	**1,239,785**	703,169
Prof. Dr. Ralf P. Thomas	**604,800**	596,400	**5,235,121**	4,727,702
Total[5]	**5,444,040**	4,740,960	**39,518,836**	33,751,141

1 The expenses (service cost) recognized in accordance with IFRS in fiscal 2018 for Managing Board members' entitlements under the BSAV in fiscal 2018 amounted to €5,258,315 (2017: €6,754,665).

2 The defined benefit obligations reflect one-time special contributions to the BSAV for new appointments from outside the Company, amounting to €0 (2017: €1,525,000), therein Cedrik Neike €0 (2017: €1,050,000) and Michael Sen €0 (2017: €475,000).

3 Deferred compensation totals €4,115,237 (2017: €4,001,386), including €3,694,439 for Joe Kaeser (2017: €3,590,178), €362,606 for Klaus Helmrich (2017: €354,801) and €58,192 for Prof. Dr. Ralf P. Thomas (2017: €56,407).

4 In accordance with the provisions of the BSAV, benefits to be paid to Lisa Davis are not in any way secured or funded through the trust associated with the Company's BSAV plan or with any other trust. They represent only an unsecured, unfunded legal obligation on the part of the Company to pay such benefits in the future under certain conditions, and the payout will only be made from the Company's general assets.

5 Compared to the amounts presented in the 2017 Compensation Report, the total figure for 2017 does not include the contribution of €298,200 for Prof. Dr. Siegfried Russwurm, who left the Managing Board on March 31, 2017, nor does it include his defined benefit obligation of €6,317,937.

In fiscal 2018, 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 €39.9 million (2017: €34.1 million). This figure includes the lump-sum payment of the pension benefit balance of the former Managing Board member Peter Löscher.

The defined benefit obligation (DBO) of all pension commitments to former members of the Managing Board and their surviving dependents as of September 30, 2018, amounted to €168.2 million (2017: €191.5 million). This figure is included in → NOTE 17 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 2018

Stock commitments

The following table shows the changes in the balance of the stock commitments held by Managing Board members in fiscal 2018:

	Balance at beginning of fiscal 2018		Granted during fiscal year[1]	Vested and settled during fiscal year[2]	Forfeited during fiscal year	Balance at end of fiscal 2018[3]	
(Amounts in number of units)	Non-forfeitable commitments of Bonus Awards	Forfeitable commitments of Stock Awards	Forfeitable commitments of Stock Awards	Commitments of Bonus Awards and Stock Awards	Commitments of Stock Awards	Non-forfeitable commitments of Bonus Awards	Forfeitable commitments of Stock Awards
Managing Board members serving as of September 30, 2018							
Joe Kaeser	**16,206**	**128,784**	22,328	30,833	0	**9,296**	**127,189**
Dr. Roland Busch	**10,942**	**67,749**	11,169	18,841	0	**5,578**	**65,441**
Lisa Davis	**576**	**65,307**	11,169	0	0	**576**	**76,476**
Klaus Helmrich	**10,111**	**67,749**	11,169	18,764	0	**4,824**	**65,441**
Janina Kugel	**0**	**40,965**	11,169	3,999	0	**0**	**48,135**
Cedrik Neike[4]	**0**	**19,099**	11,169	13,076[5]	0	**0**	**17,192**
Michael Sen	**0**	**11,225**	11,169	0	0	**0**	**22,394**
Prof. Dr. Ralf P. Thomas	**5,030**	**60,690**	11,169	6,624	0	**4,824**	**65,441**
Total	**42,865**	**461,568**	100,511	92,137	0	**25,098**	**487,709**

1 The fair value as of the grant date for fiscal 2018 was €97.39 per granted share.

2 For one half of the Siemens Stock Awards 2013, target attainment depended on the EPS value for the past three fiscal years and amounted to 118%. For the other half, target attainment was linked to the performance of Siemens stock compared to defined competitors during the four-year restriction period. It amounted to 100%. As a result, the Siemens Stock Awards 2013 that had already been granted on the basis of 100% target attainment were settled in the form of cash compensation, in accordance with plan rules.

3 Amounts also include Stock Awards granted in November 2017 for fiscal 2018. These amounts may further include Stock Awards received as compensation by the relevant Managing Board member before joining the Managing Board.

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

5 The amount includes the non-forfeitable Siemens Phantom Stock Awards that Cedrik Neike received to compensate for the forfeiture of stock at his previous employer. One half of the total amount of these granted Siemens Phantom Stock Awards fell due and was settled in September 2017. The other half fell due and was settled in September 2018. The value of these Siemens Phantom Stock Awards depended solely on the performance of Siemens stock.

Share Ownership Guidelines

The deadlines by which the individual Managing Board members must provide first-time proof of adherence to the Siemens Share Ownership Guidelines vary from member to member, depending on when he or she was appointed to the Managing Board. For Managing Board members in office on September 30, 2018, the following table shows the number of Siemens shares held as of the March 2018 deadline for proving adherence to the Share Ownership Guidelines. It also shows the number of shares to be held throughout their terms of office, with a view toward future deadlines.

	Obligations under Share Ownership Guidelines					
	Required			Proven		
	Percentage of base compensation [1]	Value [1] in €	Number of shares [2]	Percentage of base compensation [1]	Value [2] in €	Number of shares [3]
Managing Board members serving as of September 30, 2018, and required to show proof as of March 9, 2018						
Joe Kaeser	300%	6,014,156	51,106	348%	6,970,099	59,229
Dr. Roland Busch	200%	2,075,300	17,635	249%	2,584,183	21,959
Klaus Helmrich	200%	2,075,300	17,635	265%	2,745,716	23,332
Prof. Dr. Ralf P. Thomas	200%	2,075,300	17,635	239%	2,479,006	21,066
Total		**12,240,056**	**104,011**		**14,779,004**	**125,586**

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 €117.68 for the fourth quarter of 2017 (October – December).

3 As of March 9, 2018 (date of proof), including Bonus Awards.

A.10.1.4 OUTLOOK FOR FISCAL 2019

Changes under Vision 2020+

Due to the strategic realignment of the Siemens Group under Vision 2020+, a comprehensive review of the compensation policy is being performed in view of all regulatory requirements. In addition, implementation of the European Shareholder Rights Directive can be expected to lead to further legal requirements. Plans call for submitting the compensation policy to the Annual Shareholders' Meeting for approval following implementation of these statutory provisions.

Transfer of the 2014 and 2015 Stock Awards tranches in November 2018

In November 2015, the target measurement period for Siemens Stock Awards was shortened by one year in order to be aligned with prevailing market practice. For the Managing Board, this change resulted in a one-time transfer of two tranches in November 2018 (for fiscal years 2014 and 2015).

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 have been in effect since 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 car service.

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

The compensation shown in the following table was determined for each of the members of the Supervisory Board for fiscal 2018 (individualized disclosure).

(Amounts in €)	2018 Base compen-sation	Additional compensa-tion for com-mittee work	Meeting attendance fee	Total	2017 Base compen-sation	Additional compensa-tion for com-mittee work	Meeting attendance fee	Total
Supervisory Board members serving as of September 30, 2018								
Jim Hagemann Snabe [1]	245,000	240,000	51,000	536,000	133,333	114,286	31,500	279,119
Birgit Steinborn [2]	220,000	200,000	57,000	477,000	220,000	200,000	48,000	468,000
Werner Wenning	220,000	140,000	43,500	403,500	220,000	140,000	42,000	402,000
Dr. Werner Brandt [3]	105,000	120,000	15,000	240,000	–	–	–	–
Michael Diekmann	140,000	60,000	16,500	216,500	133,333	57,143	13,500	203,976
Dr. Andrea Fehrmann [2, 3]	105,000	–	7,500	112,500	–	–	–	–
Reinhard Hahn [2]	140,000	–	12,000	152,000	140,000	–	10,500	150,500
Bettina Haller [2]	140,000	80,000	24,000	244,000	133,333	76,190	21,000	230,524
Robert Kensbock [2]	140,000	180,000	31,500	351,500	140,000	180,000	31,500	351,500
Harald Kern [2]	140,000	80,000	24,000	244,000	133,333	76,190	19,500	229,024
Jürgen Kerner [2]	140,000	200,000	54,000	394,000	140,000	200,000	40,500	380,500
Dr. Nicola Leibinger-Kammüller	140,000	80,000	28,500	248,500	133,333	76,190	33,000	242,524
Benoît Potier [3]	105,000	–	7,500	112,500	–	–	–	–
Dr. Norbert Reithofer	134,167	38,333	16,500	189,000	133,333	38,095	16,500	187,929
Dame Nemat Talaat Shafik [3]	105,000	–	7,500	112,500	–	–	–	–
Dr. Nathalie von Siemens	140,000	30,000	15,000	185,000	140,000	–	10,500	150,500
Michael Sigmund	140,000	–	12,000	152,000	140,000	–	10,500	150,500
Dorothea Simon [2, 4]	140,000	–	12,000	152,000	–	–	–	–
Matthias Zachert [3]	105,000	60,000	12,000	177,000	–	–	–	–
Gunnar Zukunft [2, 3]	105,000	–	7,500	112,500	–	–	–	–
Former members of the Supervisory Board [3]								
Dr. Gerhard Cromme	93,333	93,333	22,500	209,167	280,000	280,000	57,000	617,000
Olaf Bolduan [2]	46,667	–	4,500	51,167	140,000	–	10,500	150,500
Dr. Hans Michael Gaul	46,667	53,333	13,500	113,500	140,000	160,000	34,500	334,500
Gérard Mestrallet	46,667	–	4,500	51,167	140,000	–	10,500	150,500
Güler Sabancı	46,667	–	4,500	51,167	140,000	–	10,500	150,500
Sibylle Wankel [2]	46,667	13,333	7,500	67,500	140,000	40,000	16,500	196,500
Total [5]	**3,175,833**	**1,668,333**	**511,500**	**5,355,667**	2,920,000	1,638,095	468,000	5,026,095

1 Jim Hagemann Snabe was elected Chairman of the Supervisory Board, effective at the end of the Annual Shareholders' Meeting on January 31, 2018.

2 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).

3 Dr. Werner Brandt, Dr. Andrea Fehrmann, Benoît Potier, Dame Nemat Talaat Shafik, Matthias Zachert and Gunnar Zukunft were elected members of the Supervisory Board, effective at the end of the Annual Shareholders' Meeting on January 31, 2018. They succeeded Olaf Bolduan, Dr. Gerhard Cromme, Dr. Hans Michael Gaul, Gérard Mestrallet, Güler Sabancı and Sibylle Wankel, who left the Supervisory Board, effective at the end of the Annual Shareholders' Meeting on January 31, 2018.

4 Dorothea Simon has been a member of the Supervisory Board since October 1, 2017. She was initially appointed by court order for the period until the end of the Annual Shareholders' Meeting on January 31, 2018. Pursuant to the provisions of the German Codetermination Act, she was elected to the Supervisory Board, effective at the end of the Annual Shareholders' Meeting on January 31, 2018.

5 Compared to the amounts reported in the 2017 Compensation Report, this amount does not include compensation totaling €150,500 for former Supervisory Board member Hans-Jürgen Hartung.

A.10.3 Other

The Company provides a group insurance policy for Supervisory and Managing Board members and certain other employees of the Siemens Group. The policy is taken out for one year at a time or renewed annually. It covers the personal liability of the insured in cases of financial loss associated with their activities on behalf of the Company. The insurance policy for fiscal 2018 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 289a para. 1 and 315a para. 1 of the German Commercial Code) and explanatory report

A.11.1 Composition of common stock

As of September 30, 2018, the Company's common stock totaled €2.550 billion. The capital stock is divided into 850 million registered shares of no par value. The shares are fully paid in. All shares confer the same rights and obligations. The shareholders' rights and obligations are governed in detail by the provisions of the German Stock Corporation Act, in particular by Sections 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act.

A.11.2 Restrictions on voting rights or transfer of shares

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

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

The von Siemens-Vermögensverwaltung GmbH (vSV) has, on a sustained basis, powers of attorney allowing it to exercise the voting rights for 9,862,275 shares (as of September 30, 2018) on behalf of members of the Siemens family. These shares are part of the total number of shares held by the family's members. The powers of attorney are based on an agreement between the vSV and, among others, members of the Siemens family. The shares are voted together by vSV, taking into account the proposals of a family partnership established by the family's members or of one of this partnership's governing bodies.

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

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

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

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

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

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

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

As of September 30, 2018, 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 registered shares of no par value.

The new shares under Authorized Capital 2014 and the aforementioned bonds 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 used to grant holders of conversion or option rights or conversion or option obligations on Siemens shares a compensation for the effects of dilution.

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

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

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

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

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

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

In November 2015, the Company announced that it would carry out a share buyback of up to €3 billion in volume within the following up to 36 months. The buyback commenced on February 2, 2016 using the authorizations given by the Annual Shareholders' Meeting on January 27, 2015. Under this share buyback Siemens repurchased 23,688,118 shares by September 30, 2018. The total consideration paid for these shares amounted to about €2.632 billion (excluding incidental transaction charges). The buyback has the exclusive purposes of retirement, of issuing shares to employees, board members of affiliated companies and members of the Managing Board of Siemens AG, and of servicing/securing the obligations or rights to acquire Siemens shares arising particularly from or in connection with convertible bonds and warrant bonds. As of September 30, 2018, the Company held 39,951,459 shares of stock in treasury.

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

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

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

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

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

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

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

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

A.11.7 Other takeover-relevant information

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

B.

Consolidated Financial Statements

B.1 Consolidated Statements of Income

(in millions of €, per share amounts in €)	Note	2018	Fiscal year 2017
Revenue	2	83,044	82,863
Cost of sales		(58,181)	(57,820)
Gross profit		24,863	25,043
Research and development expenses		(5,558)	(5,164)
Selling and general administrative expenses		(12,941)	(12,360)
Other operating income	5	500	647
Other operating expenses	6	(678)	(595)
Income (loss) from investments accounted for using the equity method, net	4	(3)	43
Interest income		1,481	1,490
Interest expenses		(1,089)	(1,051)
Other financial income (expenses), net		1,475	135
Income from continuing operations before income taxes		**8,050**	**8,189**
Income tax expenses	7	(2,054)	(2,148)
Income from continuing operations		**5,996**	**6,041**
Income from discontinued operations, net of income taxes		124	53
Net income		**6,120**	**6,094**
Attributable to:			
Non-controlling interests		313	133
Shareholders of Siemens AG		5,807	5,961
Basic earnings per share	28		
Income from continuing operations		6.97	7.27
Income from discontinued operations		0.15	0.07
Net income		**7.12**	**7.34**
Diluted earnings per share	28		
Income from continuing operations		6.86	7.13
Income from discontinued operations		0.15	0.06
Net income		**7.01**	**7.19**

B.2 Consolidated Statements of Comprehensive Income

(in millions of €)	Note	2018	Fiscal year 2017
Net income		**6,120**	6,094
Remeasurements of defined benefit plans	17	**(360)**	2,734
therein: Income tax effects		***(305)***	*(1,070)*
Items that will not be reclassified to profit or loss		**(360)**	**2,735**
Currency translation differences		**(287)**	(1,125)
Available-for-sale financial assets	23	**(1,819)**	687
therein: Income tax effects		***24***	*(7)*
Derivative financial instruments		**(63)**	136
therein: Income tax effects		***24***	*(63)*
Income (loss) from investments accounted for using the equity method, net		**(2)**	(30)
Items that may be reclassified subsequently to profit or loss		**(2,170)**	**(332)**
Other comprehensive income, net of income taxes		**(2,530)**	**2,403**
Total comprehensive income		**3,590**	**8,497**
Attributable to:			
Non-controlling interests		**259**	55
Shareholders of Siemens AG		**3,330**	8,442

B.3 Consolidated Statements of Financial Position

(in millions of €)	Note	Sep 30, 2018	Sep 30, 2017	Oct 1, 2016
Assets				
Cash and cash equivalents		**11,066**	8,375	10,604
Available-for-sale financial assets		**1,286**	1,242	1,293
Trade and other receivables	8	**17,918**	16,754	16,506
Other current financial assets	9	**8,693**	7,664	6,800
Contract assets	10	**8,912**	8,781	7,543
Inventories	11	**13,885**	13,885	12,615
Current income tax assets	7	**1,010**	1,098	790
Other current assets		**1,707**	1,466	1,206
Assets classified as held for disposal		**94**	1,484	190
Total current assets		**64,570**	**60,750**	**57,548**
Goodwill	12	**28,344**	27,906	24,159
Other intangible assets	13	**10,131**	10,926	7,742
Property, plant and equipment	13	**11,381**	10,977	10,157
Investments accounted for using the equity method	4	**2,579**	2,727	3,012
Other financial assets	14, 23	**17,759**	19,044	20,610
Deferred tax assets	7	**2,341**	2,283	3,419
Other assets		**1,810**	1,498	1,279
Total non-current assets		**74,345**	**75,361**	**70,377**
Total assets		**138,915**	136,111	127,924
Liabilities and equity				
Short-term debt and current maturities of long-term debt	16	**5,057**	5,447	6,206
Trade payables		**10,716**	9,756	8,052
Other current financial liabilities		**1,485**	1,444	1,933
Contract liabilities	10	**14,464**	14,228	14,501
Current provisions	18	**3,931**	4,077	3,914
Current income tax liabilities		**3,102**	2,355	2,085
Other current liabilities	15	**9,118**	8,671	8,596
Liabilities associated with assets classified as held for disposal		**1**	99	40
Total current liabilities		**47,874**	**46,077**	**45,328**
Long-term debt	16	**27,120**	26,777	24,761
Provisions for pensions and similar obligations	17	**7,684**	9,582	13,695
Deferred tax liabilities	7	**1,092**	1,635	902
Provisions	18	**4,216**	4,366	4,884
Other financial liabilities		**685**	902	1,142
Other liabilities		**2,198**	2,153	2,212
Total non-current liabilities		**42,995**	**45,415**	**47,597**
Total liabilities		**90,869**	**91,492**	**92,925**
Equity	19			
Issued capital		**2,550**	2,550	2,550
Capital reserve		**6,184**	6,368	5,890
Retained earnings		**41,014**	35,794	27,638
Other components of equity		**(352)**	1,665	1,921
Treasury shares, at cost		**(3,922)**	(3,196)	(3,605)
Total equity attributable to shareholders of Siemens AG		**45,474**	**43,181**	**34,394**
Non-controlling interests		**2,573**	1,438	605
Total equity		**48,046**	**44,619**	**34,999**
Total liabilities and equity		**138,915**	136,111	127,924

B.4 Consolidated Statements of Cash Flows

(in millions of €)	2018	Fiscal year 2017
Cash flows from operating activities		
Net income	**6,120**	6,094
Adjustments to reconcile net income to cash flows from operating activities – continuing operations		
Income from discontinued operations, net of income taxes	**(124)**	(53)
Amortization, depreciation and impairments	**3,419**	3,211
Income tax expenses	**2,054**	2,148
Interest (income) expenses, net	**(392)**	(439)
(Income) loss related to investing activities	**(1,792)**	(329)
Other non-cash (income) expenses	**943**	552
Change in operating net working capital from		
Contract assets	**(171)**	(907)
Inventories	**(81)**	(812)
Trade and other receivables	**(1,356)**	768
Trade payables	**1,033**	303
Contract liabilities	**140**	(838)
Additions to assets leased to others in operating leases	**(599)**	(482)
Change in other assets and liabilities	**(386)**	(1,707)
Income taxes paid	**(2,061)**	(2,039)
Dividends received	**270**	381
Interest received	**1,396**	1,375
Cash flows from operating activities – continuing operations	**8,415**	**7,225**
Cash flows from operating activities – discontinued operations	**10**	(50)
Cash flows from operating activities – continuing and discontinued operations	**8,425**	**7,176**
Cash flows from investing activities		
Additions to intangible assets and property, plant and equipment	**(2,602)**	(2,406)
Acquisitions of businesses, net of cash acquired	**(525)**	(4,385)
Purchase of investments	**(1,031)**	(500)
Purchase of current available-for-sale financial assets	**(927)**	(882)
Change in receivables from financing activities	**(1,620)**	(686)
Disposal of investments, intangibles and property, plant and equipment	**1,725**	542
Disposal of businesses, net of cash disposed	**362**	(69)
Disposal of current available-for-sale financial assets	**875**	931
Cash flows from investing activities – continuing operations	**(3,741)**	**(7,456)**
Cash flows from investing activities – discontinued operations	**(33)**	(1)
Cash flows from investing activities – continuing and discontinued operations	**(3,774)**	**(7,457)**
Cash flows from financing activities		
Purchase of treasury shares	**(1,409)**	(931)
Re-issuance of treasury shares and other transactions with owners	**4,064**	1,123
Issuance of long-term debt	**2,734**	6,958
Repayment of long-term debt (including current maturities of long-term debt)	**(3,530)**	(4,868)
Change in short-term debt and other financing activities	**333**	260
Interest paid	**(1,002)**	(1,000)
Dividends paid to shareholders of Siemens AG	**(3,011)**	(2,914)
Dividends attributable to non-controlling interests	**(126)**	(187)
Cash flows from financing activities – continuing operations	**(1,946)**	**(1,560)**
Cash flows from financing activities – discontinued operations	**–**	–
Cash flows from financing activities – continuing and discontinued operations	**(1,946)**	**(1,560)**
Effect of changes in exchange rates on cash and cash equivalents	**(29)**	(387)
Change in cash and cash equivalents	**2,677**	(2,228)
Cash and cash equivalents at beginning of period	**8,389**	10,618
Cash and cash equivalents at end of period	**11,066**	8,389
Less: Cash and cash equivalents of assets classified as held for disposal and discontinued operations at end of period	**–**	15
Cash and cash equivalents at end of period (Consolidated Statements of Financial Position)	**11,066**	8,375

B.5 Consolidated Statements of Changes in Equity

(in millions of €)	Issued capital	Capital reserve	Retained earnings
Balance as of October 1, 2016 (as previously reported)	2,550	5,890	27,454
Effect of retrospectively adopting IFRS 15	–	–	183
Balance as of October 1, 2016	2,550	5,890	27,638
Net income	–	–	5,961
Other comprehensive income, net of income taxes	–	–	2,737
Dividends	–	–	(2,914)
Share-based payment	–	279	(86)
Purchase of treasury shares	–	–	–
Re-issuance of treasury shares	–	199	–
Changes in equity resulting from major portfolio transactions	–	–	2,473
Other transactions with non-controlling interests	–	–	(11)
Other changes in equity	–	–	(3)
Balance as of September 30, 2017	2,550	6,368	35,794
Balance as of October 1, 2017	**2,550**	**6,368**	**35,794**
Net income	**–**	**–**	**5,807**
Other comprehensive income, net of income taxes	**–**	**–**	**(366)**
Dividends	**–**	**–**	**(3,011)**
Share-based payment	**–**	**(222)**	**(79)**
Purchase of treasury shares	**–**	**–**	**–**
Re-issuance of treasury shares	**–**	**38**	**–**
Changes in equity resulting from major portfolio transactions	**–**	**–**	**2,884**
Other transactions with non-controlling interests	**–**	**–**	**(11)**
Other changes in equity	**–**	**–**	**(5)**
Balance as of September 30, 2018	**2,550**	**6,184**	**41,014**

	Currency translation differences	Available-for-sale financial assets	Derivative financial instruments	Treasury shares at cost	Total equity attributable to shareholders of Siemens AG	Non controlling interests	Total equity
	909	1,160	(148)	(3,605)	34,211	605	34,816
	–	–	–	–	183	–	183
	909	1,160	(148)	(3,605)	34,394	605	34,999
	–	–	–	–	5,961	133	6,094
	(1,090)	685	149	–	2,481	(78)	2,403
	–	–	–	–	(2,914)	(184)	(3,098)
	–	–	–	–	193	–	193
	–	–	–	(934)	(934)	–	(934)
	–	–	–	1,342	1,541	–	1,541
	–	–	–	–	2,473	919	3,393
	–	–	–	–	(11)	(8)	(20)
	–	–	–	–	(3)	51	48
	(181)	1,845	1	(3,196)	43,181	1,438	44,619
	(181)	**1,845**	**1**	**(3,196)**	**43,181**	**1,438**	**44,619**
	–	**–**	**–**	**–**	**5,807**	**313**	**6,120**
	(262)	**(1,821)**	**(27)**	**–**	**(2,476)**	**(53)**	**(2,530)**
	–	**–**	**–**	**–**	**(3,011)**	**(133)**	**(3,144)**
	–	**–**	**–**	**–**	**(300)**	**–**	**(300)**
	–	**–**	**–**	**(1,468)**	**(1,468)**	**–**	**(1,468)**
	–	**–**	**–**	**743**	**781**	**–**	**781**
	92	**–**	**–**	**–**	**2,977**	**1,005**	**3,981**
	–	**–**	**–**	**–**	**(11)**	**5**	**(6)**
	–	**–**	**–**	**–**	**(5)**	**(2)**	**(6)**
	(350)	**24**	**(26)**	**(3,922)**	**45,474**	**2,573**	**48,046**

B.6 Notes to Consolidated Financial Statements

NOTE 1 Basis of presentation

The accompanying Consolidated Financial Statements present the operations of Siemens Aktiengesellschaft with registered offices in Berlin (registry number HRB 12300) and Munich (registry number HRB 6684), Germany, and its subsidiaries (the Company or Siemens). They have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union as well as with the additional requirements set forth in Section 315e (1) of the German Commercial Code (HGB). The financial statements are in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The Consolidated Financial Statements were authorized for issue by the Managing Board on November 26, 2018.

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

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

NOTE 2 Significant accounting policies and critical accounting estimates

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

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

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

Associates – Associates are companies over which Siemens has the ability to exercise significant influence over operating and financial policies (generally through direct or indirect ownership of 20% to 50% of the voting rights). These are recorded in the Consolidated Financial Statements using the equity method and are initially recognized at cost. Siemens' share of its associate's post-acquisition profits or losses is recognized in the Consolidated Statements of Income, and its share of post-acquisition changes in equity that have not been recognized in the associate's profit or loss is recognized directly in equity. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment in the associate. When Siemens' share of losses in an associate equals or exceeds its interest in the associate, Siemens does not recognize further losses, unless it incurs obligations or makes payments on behalf of the associate. The interest in an associate is the carrying amount of the investment in the associate together with any long-term interests that, in substance, form part of Siemens' net investment in the associate.

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

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

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

Revenue recognition – Siemens recognizes revenue, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits, provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's creditworthiness. Revenue is the transaction price Siemens expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that a significant reversal of revenue will not occur once associated uncertainties are resolved. The amount of variable consideration is calculated by either using the expected value or the most likely amount depending on which is expected to better predict the amount of variable consideration. Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and there is a significant financing benefit either to the customer or Siemens. If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not observable, the Company reasonably estimates those. Revenue is recognized for each performance obligation either at a point in time or over time.

Sales from construction-type contracts: Revenues are recognized over time under the percentage-of-completion method, based on the percentage of costs incurred to date compared to total estimated costs. An expected loss on the contract is recognized as an expense immediately. Payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These significant estimates include total estimated costs, total estimated revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, changes in estimates may lead to an increase or decrease of revenue. In addition, Siemens needs to assess whether the contract is expected to continue or to be terminated. In determining whether the continuation or termination of a contract is expected to be the most likely scenario, all relevant facts and circumstances relating to the contract are considered on an individual basis.

Revenues from services: Revenues are recognized over time on a straight-line basis or, if the performance pattern is other than straight-line, as services are provided, i.e. under the percentage-of-completion method as described above. Payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

Sale of goods: Revenues are recognized at a point in time when control of the goods passes to the buyer, usually upon delivery of the goods. Invoices are issued at that point in time and are usually payable within 30 days. For licensing transactions granting the customer a right to use Siemens' intellectual property, payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

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

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

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

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

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

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

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

Goodwill – Goodwill is not amortized, instead, goodwill is tested for impairment annually, as well as whenever there are events or changes in circumstances (triggering events) which suggest that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses. The goodwill impairment test is performed at the level of a cash-generating unit or a group of cash-generating units, generally represented by a segment except for Siemens Gamesa Renewable Energy and, since fiscal 2018, Siemens Healthineers which are tested one level below the segment. This is the lowest level at which goodwill is monitored for internal management purposes.

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

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

Other intangible assets – The Company amortizes intangible assets with finite useful lives on a straight-line basis over their respective estimated useful lives. Estimated useful lives for patents, licenses and other similar rights generally range from three to five years, except for intangible assets with finite useful lives acquired in business combinations. Intangible assets acquired in business combinations primarily consist of customer relationships and trademarks as well as technology. Useful lives in specific acquisitions ranged from four to 20 years for customer relationships and trademarks and from five to 25 years for technology.

Property, plant and equipment – Property, plant and equipment, is valued at cost less accumulated depreciation and impairment losses. Depreciation expense is recognized using the straight-line method. The following useful lives are assumed:

Factory and office buildings	20 to 50 years
Other buildings	5 to 10 years
Technical machinery & equipment	generally 10 years
Furniture & office equipment	generally 5 years
Equipment leased to others	generally 3 to 7 years

Impairment of property, plant and equipment and other intangible assets – The Company reviews property, plant and equipment and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets not yet available for use are subject to an annual impairment test. Impairment testing of property, plant and equipment and other intangible assets involves the use of estimates in determining the assets' recoverable amount which can have a material impact on the respective values and ultimately the amount of any impairment.

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

Income taxes – Tax positions under respective local tax laws and tax authorities' views can be complex and subject to different interpretations of tax payers and local tax authorities. Different interpretations of existing or new tax laws as a result of tax reforms (like the U.S. tax reform the Tax Cuts and Jobs Act as of December 2017) or other tax legislative procedures may result in additional tax payments for prior years and are taken into account based on management's considerations. Under the liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognized if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and established tax planning opportunities. As of each period-end, Siemens evaluates the recoverability of deferred tax assets, based on projected future taxable profits. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, Siemens believes it is probable the Company will realize the benefits of these deductible differences. As future developments are uncertain and partly beyond Siemens's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption.

Contract assets, contract liabilities, receivables – When either party to a contract with customers has performed, Siemens presents a contract asset, a contract liability or a receivable depending on the relationship between Siemens' performance and the customer's payment. Contract assets and liabilities are presented as current since incurred in the normal operating cycle. Receivables are recognized when the right to consideration becomes unconditional. Valuation allowances for credit risks are set up for contract assets and receivables according to the accounting policy for loans and receivables.

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

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

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

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

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

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

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

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

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

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

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

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

Loans and receivables – Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method less any impairment losses. Impairment losses on trade and other receivables are recognized using separate allowance accounts. The allowance for credit risks involves significant management judgment and review of individual receivables based on individual customer creditworthiness and current economic trends. Generally, valuation allowances are based on customer ratings provided by SFS, which are centrally determined based on customer information as well as information from external rating agencies. The customer ratings also consider the country-specific component of country credit ratings. As of September 30, 2018 and 2017, Siemens recorded a valuation allowance for trade and other receivables (including leases) of €1,176 million and €1,391 million, respectively.

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

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

Fair value hedges: The carrying amount of the hedged item is adjusted by the gain or loss attributable to the hedged risk. Where an unrecognized firm commitment is designated as hedged item, the subsequent cumulative change in its fair value is recognized as a separate financial asset or liability with corresponding gain or loss recognized in net income. For hedged items carried at amortized cost, the adjustment is amortized until maturity of the hedged item. For hedged firm commitments the initial carrying amount of the assets or liabilities that result from meeting the firm commitments are adjusted to include the cumulative changes in the fair value that were previously recognized as separate financial assets or liabilities.

Cash flow hedges: The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges are recognized in line item Other comprehensive income, net of income taxes (applicable deferred income tax), and any ineffective portion is recognized immediately in net income. Amounts accumulated in equity are reclassified into net income in the same periods in which the hedged item affects net income.

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

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

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

IFRS 15 was adopted retrospectively as of October 1, 2017, i.e. the comparable prior year period is presented in accordance with IFRS 15 (using practical expedients). The adoption had no material impact on the line items of the Consolidated Statements of Income (including earnings per share); total cash flows from operating, investing and financing activities were not impacted in fiscal 2017. The following table summarizes the impacts of adopting IFRS 15 on Siemens' Consolidated Statement of Financial Position (mainly reclassifications):

	Consolidated Statement of Financial Position as of September 30, 2017			Consolidated Statement of Financial Position as of October 1, 2016		
(in millions of €)	Previously reported	Adjustments	Restated	Previously reported	Adjustments	Restated
Total assets	**133,804**	**2,306**	**136,111**	**125,717**	**2,207**	**127,924**
thereof Contract assets	–	8,781	8,781	–	7,543	7,543
thereof Inventories	19,942	(6,057)	13,885	18,160	(5,545)	12,615
Total liabilities	**89,278**	**2,215**	**91,492**	**90,901**	**2,024**	**92,925**
thereof Contract liabilities	–	14,228	14,228	–	14,501	14,501
thereof Other current liabilities	20,049	(11,378)	8,671	20,437	(11,841)	8,596
Total equity	**44,527**	**92**	**44,619**	**34,816**	**183**	**34,999**

RECENT ACCOUNTING PRONOUNCEMENTS, NOT YET ADOPTED

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

In July 2014, the IASB issued IFRS 9, Financial Instruments. IFRS 9 introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. The new standard is effective for annual reporting periods beginning on or after January 1, 2018. The Company will adopt IFRS 9 for the fiscal year beginning as of October 1, 2018 and will not adjust comparative figures for the preceding fiscal year, in accordance with IFRS 9 transitional provisions. Siemens assessed the effects of adopting of IFRS 9 and expects only limited impact on the Consolidated Financial Statements: Debt instruments not eligible to be carried at amortized cost are insignificant. The new impairment model of IFRS 9 will increase valuation allowances by

€81 million, which is recorded by adjusting Retained earnings (before taxes). Siemens will apply the simplified impairment model to recognize lifetime expected credit losses of trade receivables, contract assets and lease receivables. Siemens will adopt the IFRS 9 hedge accounting rules prospectively from October 1, 2018. Existing hedge accounting relationships will also meet the hedge accounting requirements under IFRS 9.

In January 2016, the IASB issued IFRS 16, Leases. IFRS 16 eliminates the current classification model for lessee's lease contracts as either operating or finance leases and, instead, introduces a single lessee accounting model requiring lessees to recognize right-of-use assets and lease liabilities for leases with a term of more than twelve months. This brings the previous off-balance leases on the balance sheet in a manner largely comparable to current finance lease accounting. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Siemens will adopt the standard for the fiscal year beginning as of October 1, 2019, by applying the modified retrospective approach, i.e. comparative figures for the preceding year will not be adjusted. Currently, it is expected that the majority of the transition effect relates to real estate leased by Siemens. By applying IFRS 16, straight-line operating lease expense will be replaced by depreciation expense on right-of-use assets and interest expense on lease liabilities. This results in a deterioration in cash flows from financing activities and an improvement in cash flows from operating activities. The Company is currently assessing further impacts of adopting IFRS 16 on the Consolidated Financial Statements. It is intended to use most of the simplifications available under IFRS 16.

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

NOTE 3 Acquisitions and changes in ownership interests in subsidiaries

ACQUISITIONS

In April 2017, Siemens contributed its wind power business into Gamesa Corporación Tecnológica, S.A., Spain, and in return received newly issued shares of the combined entity Siemens Gamesa Renewable Energy, S.A., Spain (SGRE). Siemens holds 59% of the shares of the combined entity. The consideration transferred by Siemens amounts to €3,669 million. In fiscal 2018, the finalization of the purchase price allocation as of the acquisition date resulted in an increase in Goodwill by €232 million to €2,857 million and a decrease in non-controlling interests by €161 million to €560 million, mainly due to an increase in Provisions.

In fiscal 2018, Siemens acquired several businesses for a total purchase price of €571 million, mainly paid in cash. The (preliminary) purchase price allocations resulted in Other intangible assets of €215 million and Goodwill of €350 million, which comprises intangible assets that are not separable such as employee know-how and expected synergy effects. The purchase price allocation for some of the acquired businesses is preliminary as a detailed analysis of the assets and liabilities has not been finalized.

PENDING MERGER WITH ALSTOM SA

In March 2018, Siemens and Alstom SA signed a binding Business Combination Agreement to combine their Mobility business (including Siemens' rail traction drive business which is part of the Division Process Industries and Drives). In July 2018, shareholders of Alstom approved the proposed combination; closing of the transaction is subject to approval by antitrust authorities and is expected in the first half of calendar 2019.

CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES

In the course of the public listing on March 16, 2018, Siemens placed a 15% interest in Siemens Healthineers AG at a price of €28 per share with a total placement volume of €4,200 million. Equity attributable to shareholders of Siemens AG increased by €2,962 million and non-controlling interests increased by €1,163 million. Effects on equity are presented in line item Changes in equity resulting from major portfolio transactions in the Consolidated Statements of Changes in Equity.

NOTE 4 Interests in other entities

Investments accounted for using the equity method

(in millions of €)	Fiscal year 2018	2017
Share of profit (loss), net	142	224
Gains (losses) on sales, net	58	63
Impairment and reversals of impairment	(202)	(243)
Income (loss) from investments accounted for using the equity method, net	**(3)**	43

In fiscal 2018, Income (loss) from investments accounted for using the equity method includes an impairment loss of €154 million relating to an investment presented within Centrally Managed Portfolio Activities. The continuing adverse market environment triggered an impairment test on the investment. The recoverable amount was determined as the investment's fair value less cost of disposal using a market multiple approach based on the investment's adjusted EBIT (level 3 of the fair value hierarchy).

As of September 30, 2018 and 2017, the carrying amount of all individually not material associates amounts to €1,867 million and €1,836 million, respectively. Summarized financial information for all individually not material associates adjusted for the percentage of ownership held by Siemens, is presented below. Items included in the Statements of Comprehensive Income are presented for the twelve month period applied under the equity method.

(in millions of €)	Fiscal year 2018	2017
Income (loss) from continuing operations	176	227
Other comprehensive income, net of income taxes	(3)	8
Total comprehensive income	**172**	235

SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Summarized financial information, in accordance with IFRS and before inter-company eliminations, is presented below.

	Siemens Healthineers AG registered in Munich, Germany	Siemens Gamesa Renewable Energy S.A. registered in Zamudio, Spain	
(in millions of €)	Sep 30, 2018	Sep 30, 2018	Sep 30, 2017
Ownership interests held by non-controlling interests	15%	41%	41%
Accumulated non-controlling interests	1,310	606	788
Current assets	7,199	7,349	6,963
Non-current assets	12,559	8,804	9,504
Current liabilities	5,303	7,104	6,891
Non-current liabilities	5,780	3,118	3,126
	six months ended Sep 30, 2018	Fiscal year 2018	six months from acquisition to Sep 30, 2017
Net income attributable to non-controlling interests	130	22	(39)
Dividends paid to non-controlling interests	–	–	31
Revenue	7,004	9,122	5,022
Income (loss) from continuing operations, net of income taxes	666	70	(135)
Other comprehensive income, net of income taxes	218	(229)	(75)
Total comprehensive income, net of income taxes	884	(159)	(210)
Total cash flows	346	813	(1,611)

Non-current assets of Siemens Gamesa Renewable Energy include the full goodwill resulting from the merger. In the six months from acquisition to September 30, 2017, Total cash flows of Siemens Gamesa Renewable Energy include a cash distribution to the Gamesa shareholders (without Siemens) of €999 million.

NOTE 5 Other operating income

In fiscal 2018 and 2017, Other operating income includes gains related to the sale of businesses of €171 million and €172 million and gains on sales of property, plant and equipment of €103 million and €176 million, respectively.

NOTE 6 Other operating expenses

Other operating expenses in fiscal 2018 and 2017 include losses on sales of property, plant and equipment, transaction costs and effects from insurance, legal and regulatory matters.

NOTE 7 Income taxes

Income tax expense (benefit) consists of the following:

(in millions of €)	2018	Fiscal year 2017
Current tax	**2,619**	2,042
Deferred tax	**(564)**	106
Income tax expenses	**2,054**	**2,148**

The current income tax expenses in fiscal 2018 and 2017 include adjustments recognized for current tax of prior years in the amount of €(980) million, which is influenced by effects from the reassessment of tax positions in different tax jurisdictions, and €100 million, respectively. The deferred tax expense (benefit) in fiscal 2018 and 2017 includes tax effects of the origination and reversal of temporary differences of €(241) million and €140 million, respectively.

In fiscal 2018, deferred tax contains benefits concerning the revaluation of deferred taxes of €243 million caused by the U.S. Tax Cuts and Jobs Act (TCJA) and the accompanying reduction of the corporate income tax rate (Federal Tax Rate) from 35% to 21%. Adopting the new territorial taxation system in the USA and applying the transition tax on retained foreign earnings led to current tax expenses which were offset by deferred income tax benefits from reversing outside basis differences resulting in €192 million income tax benefits. The effects are included in the table below, line item "Change in tax rates".

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

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

(in millions of €)	2018	Fiscal year 2017
Expected income tax expenses	**2,496**	2,538
Increase (decrease) in income taxes resulting from:		
Non-deductible losses and expenses[1]	**2,041**	558
Tax-free income	**(715)**	(309)
Taxes for prior years	**(833)**	(8)
Change in realizability of deferred tax assets and tax credits	**(20)**	(197)
Change in tax rates	**(450)**	(9)
Foreign tax rate differential	**(438)**	(366)
Tax effect of investments accounted for using the equity method	**(34)**	(62)
Other, net	**8**	3
Actual income tax expenses	**2,054**	**2,148**

1 Including tax effects from intercompany carve out activities.

Deferred income tax assets and (liabilities) on a net basis are summarized as follows:

(in millions of €)	2018	Sep 30, 2017
Deferred taxes due to temporary differences		
Intangible assets	**(2,407)**	(3,256)
Pensions and similar obligations	**2,799**	3,177
Current assets and liabilities	**168**	151
Non-current assets and liabilities	**(42)**	(212)
Tax loss carryforwards and tax credits	**731**	788
Total deferred taxes, net	**1,249**	**648**

Deferred tax balances and expenses (benefits) developed as follows in fiscal 2018 and 2017:

(in millions of €)	2018	Fiscal year 2017
Balance at begin of fiscal year of deferred tax (assets) liabilities	(648)	(2,517)
Income taxes presented in the Consolidated Statements of Income	(564)	106
Changes in items of the Consolidated Statements of Comprehensive Income	(56)	1,140
Additions from acquisitions not impacting net income	21	644
Other	(1)	(21)
Balance at end of fiscal year of deferred tax (assets) liabilities	**(1,249)**	(648)

As of September 30, 2018, the Company has certain tax losses subject to significant limitations. For those losses deferred tax assets are not recognized, as it is not probable that gains will be generated to offset those losses.

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

(in millions of €)	2018	Sep 30, 2017
Deductible temporary differences	1,240	743
Tax loss carryforward	4,165	3,673
	5,405	4,416

As of September 30, 2018 and 2017, €1,931 million and €1,361 million of the unrecognized tax loss carryforwards expire over the periods to 2031.

Siemens has not recognized deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of €37,498 million and €36,157 million, respectively in fiscal 2018 and 2017 because the earnings are intended to be permanently reinvested in the subsidiaries.

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

(in millions of €)	2018	Fiscal year 2017
Continuing operations	2,054	2,148
Discontinued operations	(32)	5
Income and expenses recognized directly in equity	250	1,084
	2,272	3,237

NOTE 8 Trade and other receivables

(in millions of €)	2018	Sep 30, 2017
Trade receivables from the sale of goods and services	16,044	14,835
Receivables from finance leases	1,874	1,919
	17,918	16,754

In fiscal 2018 and 2017, the long-term portion of receivables from finance leases is reported in Other financial assets and amounts to €3,867 million and €3,699 million, respectively.

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

(in millions of €)	2018	Fiscal year 2017
Valuation allowance as of beginning of fiscal year	1,210	999
Increase in valuation allowances recorded in the Consolidated Statements of Income in the current period	198	421
Write-offs charged against the allowance	(217)	(155)
Recoveries of amounts previously written-off	25	35
Foreign exchange translation differences	(141)	(80)
Reclassifications to line item Assets held for disposal and dispositions of those entities	(64)	(9)
Valuation allowance as of fiscal year-end	**1,012**	1,210

Minimum future lease payments to be received are as follows:

(in millions of €)	2018	Sep 30, 2017
Within one year	**2,308**	2,340
After one year but not more than five years	**3,563**	3,436
More than five years	**738**	734
	6,608	6,510

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

(in millions of €)	2018	Sep 30, 2017
Minimum future lease payments	**6,608**	6,510
Plus: Unguaranteed residual values	**223**	222
Gross investment in leases	**6,831**	6,732
Less: Unearned finance income	**(926)**	(934)
Net investment in leases	**5,904**	5,798
Less: Allowance for doubtful accounts	**(164)**	(180)
Less: Present value of unguaranteed residual value	**(73)**	(118)
Present value of minimum future lease payments receivable	**5,667**	5,500

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

	Gross investment in leases		Present value of minimum future lease payments receivable	
(in millions of €)	2018	Sep 30, 2017	2018	Sep 30, 2017
Within one year	**2,322**	2,358	**1,911**	1,924
One to five years	**3,610**	3,481	**3,129**	3,010
Thereafter	**899**	893	**627**	566
	6,831	6,732	**5,667**	5,500

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

NOTE 9 Other current financial assets

As of September 30, 2018 and 2017, Other current financial assets include loans receivables of €6,900 million and €5,985 million, respectively, and derivative financial instruments of €594 million and €530 million, respectively.

NOTE 10 Contract assets and liabilities

As of September 30, 2018 and 2017, amounts expected to be settled after twelve months are €1,954 million and €1,810 million for contract assets and €3,118 million and €3,445 million, respectively, for contract liabilities. In fiscal 2017, significant changes in contract assets amounting to €643 million and in contract liabilities amounting to €1,000 million resulted from business combinations. In fiscal 2018 and 2017, contract assets presented net of allowances of €150 million and €122 million as of September 30, 2018 and 2017, decreased due to impairments with income statement impacts of €28 million and €22 million, respectively. In fiscal 2018 and 2017, €21 million and €13 million are included in revenue, relating to performance obligations satisfied in previous periods. In fiscal 2018 and 2017, revenue includes €9,271 million and €10,563 million, respectively, which was included in contract liabilities at the beginning of the fiscal year.

NOTE 11 Inventories

(in millions of €)	2018	Sep 30, 2017
Raw materials and supplies	**3,165**	2,955
Work in progress	**6,085**	6,169
Finished goods and products held for resale	**3,871**	3,972
Advances to suppliers	**763**	790
	13,885	13,885

Cost of sales includes inventories recognized as expense amounting to €57,029 million and €57,176 million, respectively, in fiscal 2018 and 2017. Compared to prior year, write-downs increased (decreased) by €(19) million and €15 million as of September 30, 2018 and 2017.

NOTE 12 Goodwill

(in millions of €)	Fiscal year 2018	2017
Cost		
Balance at begin of fiscal year	**29,754**	26,068
Translation differences and other	**(140)**	(1,025)
Acquisitions and purchase accounting adjustments	**629**	4,757
Dispositions and reclassifications to assets classified as held for disposal	**(31)**	(46)
Balance at fiscal year-end	**30,213**	**29,754**
Accumulated impairment losses and other changes		
Balance at begin of fiscal year	**1,847**	1,909
Translation differences and other	**17**	(61)
Impairment losses recognized during the period (including those relating to disposal groups)	**4**	–
Dispositions and reclassifications to assets classified as held for disposal	**–**	(1)
Balance at fiscal year-end	**1,868**	**1,847**
Carrying amount		
Balance at begin of fiscal year	**27,906**	24,159
Balance at fiscal year-end	**28,344**	**27,906**

Siemens performs the mandatory annual impairment test in the three months ended September 30. The recoverable amounts for the annual impairment test 2018 for Siemens' cash-generating units or groups of cash-generating units were estimated to be higher than the carrying amounts. Key assumptions on which Siemens based its determinations of the fair value less costs to sell for the cash-generating units or groups of cash-generating units include terminal value growth rates up to 1.7% in fiscal 2018 and 1.7% in fiscal 2017, respectively and after-tax discount rates of 6.5% to 8.5% in fiscal 2018 and 6.0% to 8.5% in fiscal 2017.

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

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

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

			Sep 30, 2018
(in millions of €)	Goodwill	Terminal value growth rate	After-tax discount rate
Power and Gas	**6,440**	**1.7%**	**8.0%**
Digital Factory	**5,753**	**1.7%**	**8.5%**
Imaging of Siemens Healthineers	**5,702**	**1.7%**	**6.5%**

Revenue figures in the five-year planning period of the groups of cash-generating units to which a significant amount of goodwill is allocated include average revenue growth rates (excluding portfolio effects) of between 0.3% and 8.9% (0.1% and 9.1% in fiscal 2017). For Power and Gas, Siemens expects a stable contribution from the services business as well as a stable market share in the product and solution business, while dealing with challenging structural global energy market trends, in particular for large gas turbines.

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

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

NOTE 13 Other intangible assets and property, plant and equipment

(in millions of €)	Gross carrying amount 10/01/2017	Translation differences	Additions through business combinations	Additions	Reclassifications	Retirements[1]	Gross carrying amount 09/30/2018	Accumulated depreciation/amortization and impairment	Carrying amount 09/30/2018	Depreciation/amortization and impairment in fiscal 2018
Internally generated technology	3,224	20	–	351	–	(128)	3,467	(1,693)	**1,774**	(193)
Acquired technology including patents, licenses and similar rights	7,320	53	178	78	–	(55)	7,573	(3,883)	**3,690**	(639)
Customer relationships and trademarks	8,870	5	57	–	–	(34)	8,898	(4,231)	**4,667**	(593)
Other intangible assets	**19,413**	**78**	**235**	**429**	**–**	**(218)**	**19,938**	**(9,807)**	**10,131**	**(1,424)**
Land and buildings	8,129	(50)	16	221	326	(270)	8,372	(3,833)	**4,538**	(246)
Technical machinery and equipment	8,410	(62)	15	398	229	(274)	8,716	(6,104)	**2,612**	(683)
Furniture and office equipment	6,435	(37)	–	719	114	(579)	6,651	(5,106)	**1,545**	(782)
Equipment leased to others	2,998	(21)	–	597	11	(488)	3,097	(1,614)	**1,483**	(279)
Advances to suppliers and construction in progress	1,046	(6)	6	853	(680)	(15)	1,205	(2)	**1,203**	(2)
Property, plant and equipment	**27,017**	**(176)**	**37**	**2,787**	**–**	**(1,626)**	**28,040**	**(16,659)**	**11,381**	**(1,990)**

1 Included assets reclassified to Assets classified as held for disposal and dispositions of those entities.

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

1 Included assets reclassified to Assets classified as held for disposal and dispositions of those entities.

The gross carrying amount of Advances to suppliers and construction in progress includes €1,074 million and €908 million, respectively of property, plant and equipment under construction in fiscal 2018 and 2017. As of September 30, 2018 and 2017, contractual commitments for purchases of property, plant and equipment are €652 million and €665 million, respectively.

Minimum future lease payments to be received under operating leases are:

	Sep 30,	
(in millions of €)	2018	2017
Within one year	352	344
After one year but not more than five years	653	679
More than five years	136	101
	1,142	1,124

NOTE 14 Other financial assets

	Sep 30,	
(in millions of €)	2018	2017
Loans receivable	11,747	11,062
Receivables from finance leases	3,867	3,699
Derivative financial instruments	1,288	1,784
Available-for-sale financial assets	715	2,290
Other	142	208
	17,759	19,044

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

NOTE 15 Other current liabilities

	Sep 30,	
(in millions of €)	2018	2017
Liabilities to personnel	5,867	5,505
Deferred income	174	210
Accruals for pending invoices	1,162	1,114
Other	1,914	1,842
	9,118	8,671

NOTE 16 Debt

	Current debt		Non-current debt	
	Sep 30,		Sep 30,	
(in millions of €)	2018	2017	2018	2017
Notes and bonds (maturing until 2047)	3,142	3,554	25,210	25,243
Loans from banks (maturing until 2037)	1,218	1,191	1,717	1,334
Other financial indebtedness (maturing until 2029)	683	675	98	111
Obligations under finance leases	14	27	95	88
Total debt	5,057	5,447	27,120	26,777

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

(in millions of €)	10/01/2017	Cash flows	Non-cash changes				09/30/2018
			(Acquisitions)/ Dispositions	Foreign currency translation	Fair value changes	Reclassifications and other changes	
Non-current notes and bonds	25,243	2,734	–	389	(17)	(3,138)	**25,210**
Current notes and bonds	3,554	(3,502)	–	19	(12)	3,083	**3,142**
Loans from banks (current and non-current)	2,526	438	–	(30)	–	1	**2,934**
Other financial indebtness (current and non-current)	786	(134)	–	129	–	–	**781**
Obligations under finance leases (current and non-current)	115	(7)	–	–	–	1	**110**
Total debt	32,224	(471)	1	506	(29)	(53)	**32,177**
Other financing activities	–	9	–	–	–	–	**9**
Total liabilities from financing activities	32,224	(462)	1	506	(29)	(53)	**32,186**

Interest rates in this Note are per annum. In fiscal 2018 and 2017, weighted-average interest rates for loans from banks, other financial indebtedness and obligations under finance leases were 2.1% (2017: 2.9%), 1,8% (2017: 1.0%) and 6.6% (2017: 5.8%), respectively.

CREDIT FACILITIES

As of September 30, 2018 and 2017, Siemens has €9.5 billion and €7.75 billion lines of credit, thereof unused €8.3 billion and €7.75 billion, respectively. The facilities are for general corporate purposes. The €4.0 billion unused syndicated credit facility matures on June 25, 2021. The US$3.0 billion unused syndicated credit facility matures on September 27, 2020. The unused €450 million revolving bilateral credit facility was extended to September 2019. Included is also a subsidiary's €2.5 billion syndicated multi-currency term and revolving credit facility which contains a fully drawn term credit facility tranche of €500 million maturing in 2021 and a revolving credit facility tranche of €2.0 billion maturing in 2023 with two one-year extension options of which €700 million are drawn; it may be used to refinance the subsidiary's outstanding debt. As of September 30, 2017, the subsidiary had an unused multi-currency syndicated credit facility of €750 million maturing in 2022, which was cancelled following the signing of the new facility in fiscal 2018.

NOTES AND BONDS

(interest/issued/maturity)	Sep 30, 2018 Currency	Notional amount (in millions)	Carrying amount in millions of €[1]	Sep 30, 2017 Currency	Notional amount (in millions)	Carrying amount in millions of €[1]
5.625%/2008/June 2018/EUR fixed-rate instruments	–	–	–	€	1,600	1,649
US$3 m LIBOR+1.4%/2012/February 2019/US$ floating-rate instruments	US$	400	346	US$	400	339
1.5%/2012/March 2020/EUR fixed-rate instruments	€	1,000	999	€	1,000	998
2.75%/2012/September 2025/GBP fixed-rate instruments	£	350	393	£	350	395
3.75%/2012/September 2042/GBP fixed-rate instruments	£	650	719	£	650	723
1.75%/2013/March 2021/EUR fixed-rate instruments	€	1,250	1,267	€	1,250	1,274
2.875%/2013/March 2028/EUR fixed-rate instruments	€	1,000	997	€	1,000	997
1.5%/2013/March 2018/US$ fixed-rate instruments	–	–	–	US$	500	423
3.5%/2013/March 2028/US$ fixed-rate instruments	US$	100	85	US$	100	83
2013/June 2020/US$ floating-rate instruments	US$	400	345	US$	400	338
2014/March 2019/US$ floating-rate instruments	US$	300	259	US$	300	254
2014/September 2021/US$ floating-rate instruments	US$	400	345	US$	400	339
0.375%/2018/September 2023/EUR fixed-rate instruments	€	1,000	996	–	–	–
1.0%/2018/September 2027/EUR fixed-rate instruments	€	750	745	–	–	–
1.375%/2018/September 2030/EUR fixed-rate instruments	€	1,000	993	–	–	–
Total Debt Issuance Program			**8,489**			7,812
6.125%/2006/August 2026/US$ fixed-rate instruments	US$	1,750	1,823	US$	1,750	1,830
US$3 m LIBOR+0.28%/2015/May 2018/US$ floating-rate instruments	–	–	–	US$	500	423
1.45%/2015/May 2018/US$-fixed-rate-instruments	–	–	–	US$	1,250	1,058
2.15%/2015/May 2020/US$-fixed-rate-instruments	US$	1,000	863	US$	1,000	845
2.90%/2015/May 2022/US$-fixed-rate-instruments	US$	1,750	1,509	US$	1,750	1,479
3.25%/2015/May 2025/US$-fixed-rate-instruments	US$	1,500	1,290	US$	1,500	1,264
4.40%/2015/May 2045/US$-fixed-rate-instruments	US$	1,750	1,491	US$	1,750	1,461
US$3 m LIBOR+0.32%/2016/September 2019/US$ floating-rate instruments	US$	350	302	US$	350	296
1.30%/2016/September 2019/US$-fixed-rate-instruments	US$	1,100	949	US$	1,100	930
1.70%/2016/September 2021/US$-fixed-rate-instruments	US$	1,100	948	US$	1,100	929
2.00%/2016/September 2023/US$-fixed-rate-instruments	US$	750	644	US$	750	630
2.35%/2016/October 2026/US$-fixed-rate-instruments	US$	1,700	1,461	US$	1,700	1,431
3.30%/2016/September 2046/US$-fixed-rate-instruments	US$	1,000	856	US$	1,000	838
US$3 m LIBOR+0.34%/2017/March 2020/US$ floating-rate instruments	US$	800	690	US$	800	677
2.20%/2017/March 2020/US$-fixed-rate-instruments	US$	1,100	949	US$	1,100	930
2.70%/2017/March 2022/US$-fixed-rate-instruments	US$	1,000	852	US$	1,000	843
US$3 m LIBOR+0.61%/2017/March 2022/US$ floating-rate instruments	US$	850	733	US$	850	718
3.125%/2017/March 2024/US$-fixed-rate-instruments	US$	1,000	861	US$	1,000	843
3.40%/2017/March 2027/US$-fixed-rate-instruments	US$	1,250	1,075	US$	1,250	1,054
4.20%/2017/March 2047/US$-fixed-rate-instruments	US$	1,500	1,282	US$	1,500	1,257
Total US$ Bonds			**18,577**			19,737
1.65%/2012/August 2019/US$ fixed-rate instruments	US$	1,500	1,285	US$	1,500	1,249
Total Bonds with Warrant Units			**1,285**			1,249
			28,352			28,797

1 Includes adjustments for fair value hedge accounting.

Debt Issuance Program – The Company has a program for the issuance of debt instruments in place under which instruments up to €15.0 billion can be issued as of September 30, 2018 and 2017, respectively. As of September 30, 2018 and 2017, €8.5 billion and €7.8 billion in notional amounts were issued and are outstanding. Siemens redeemed the 5.625% €1.6 billion and 1.5% US$500 million fixed-rate instruments at face value as due. In September 2018, Siemens issued instruments totaling €2.75 billion in three tranches.

US$ Bonds – Siemens redeemed the 3M-LIBOR+0.28% US$500 million floating-rate instruments and the 1.45% US$1.25 billion fixed-rate instruments at face value as due.

Bond with Warrant Units – The US$1.5 billion instruments were issued with 6,000 detachable warrants exercisable until August 1, 2019. As of September 30, 2018, 21 warrants were exercised. As of September 30, 2018 and 2017, terms for 5,233 warrants and 5,236 warrants, respectively, entitle the holder to receive 1,935.4236 and 1,924.1160 Siemens AG shares per warrant at an exercise price of €97.0551 and €97.6255 per share, respectively; terms for 746 and 764 warrants at September 30, 2018 and 2017, entitle the holder to receive 1,843.7734 and 1,833.0013 Siemens AG shares per warrant as well as 141.8556 and 146.0092 OSRAM shares, respectively, at an exercise price of €187,842.81. The number of shares may be adjusted under the terms of the warrants.

ASSIGNABLE AND TERM LOANS

As of September 30, 2018 and 2017, two bilateral US$500 million term loan facilities (in aggregate €864 million and €847 million respectively) are outstanding until March 26, 2020. As of September 30, 2018, a subsidiary has outstanding loans of €991 million maturing in 2019. As of September 30, 2017 outstanding loans are €424 million maturing in 2018 and 2019 which were subject to covenants, all of which were complied with; the loans were redeemed in fiscal 2018.

COMMERCIAL PAPER PROGRAM

Siemens has a US$9.0 billion (€7.8 billion as of September 30, 2018) commercial paper program in place including US$ extendible notes capabilities. As of September 30, 2018 and 2017, US$700 million (€605 million) and US$720 million (€610 million), respectively, were outstanding. Siemens' commercial papers have a maturity of generally less than 90 days. Interest rates ranged from 1.08% to 2.33% in fiscal 2018 and from 0.37% to 1.47% in fiscal 2017.

NOTE 17 Post-employment benefits

DEFINED BENEFIT PLANS

The defined benefit plans open to new entrants are based predominantly on contributions made by the Company. Only to a certain extent, those plans are affected by longevity, inflation and compensation increases and take into account country specific differences. The Company's major plans are funded with assets in segregated entities. In accordance with local laws and bilateral agreements with benefit trusts (trust agreement) those plans are managed in the interest of the beneficiaries. The defined benefit plans cover 489,000 participants, including 220,000 actives, 84,000 deferreds with vested benefits and 186,000 retirees and surviving dependents.

Germany

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

U.S.

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

U.K.

Pension benefits are mainly offered through the Siemens Benefit Scheme for which, until the start of retirement, an inflation increase of the majority of accrued benefits is mandatory. The required funding is determined by a funding valuation carried out every third year based on legal requirements. Due to deviating guidelines for the determination of the discount rates, the technical funding deficit is usually larger than the IFRS funding deficit. To reduce the deficit Siemens entered into an agreement with the trustees to provide annual payments of GB£31 (€35) million until fiscal 2033. The agreement also provides for a cumulative advance payment by Siemens AG compensating the remaining annual payments at the date of early termination of the agreement due to cancellation or insolvency.

Switzerland

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

Development of the defined benefit plans

	Defined benefit obligation (DBO)		Fair value of plan assets		Effects of asset ceiling		Net defined benefit balance	
	(I) Fiscal year		(II) Fiscal year		(III) Fiscal year		(I – II + III) Fiscal year	
(in millions of €)	2018	2017	2018	2017	2018	2017	2018	2017
Balance at begin of fiscal year	**36,871**	42,176	**27,668**	28,809	**62**	119	**9,265**	13,486
Current service cost	**534**	612	**–**	–	**–**	–	**534**	612
Interest expenses	**675**	672	**–**	–	**4**	4	**679**	675
Interest income	**–**	–	**523**	482	**–**	–	**(523)**	(482)
Other[1]	**131**	(150)	**(30)**	(38)	**–**	–	**162**	(112)
Components of defined benefit costs recognized in the Consolidated Statements of income	**1,340**	1,133	**493**	444	**4**	4	**851**	693
Return on plan assets excluding amounts included in net interest income and net interest expenses	**–**	–	**(107)**	(174)	**–**	–	**107**	174
Actuarial (gains) losses	**(65)**	(3,919)	**–**	–	**–**	–	**(65)**	(3,919)
Effects of asset ceiling	**–**	–	**–**	–	**27**	(60)	**27**	(60)
Remeasurements recognized in the Consolidated Statements of Comprehensive Income	**(65)**	(3,919)	**(107)**	(174)	**27**	(60)	**69**	(3,805)
Employer contributions	**–**	–	**2,824**	861	**–**	–	**(2,824)**	(861)
Plan participants' contributions	**124**	130	**124**	130	**–**	–	**–**	–
Benefits paid	**(1,817)**	(2,045)	**(1,674)**	(1,924)	**–**	–	**(143)**	(121)
Settlement payments	**(529)**	(6)	**(529)**	(6)	**–**	–	**–**	–
Business combinations, disposals and other	**4**	22	**(8)**	15	**–**	–	**12**	6
Foreign currency translation effects	**(36)**	(620)	**(27)**	(488)	**(7)**	(1)	**(15)**	(134)
Other reconciling items	**(2,254)**	(2,520)	**710**	(1,411)	**(7)**	(1)	**(2,970)**	(1,109)
Balance at fiscal year-end	**35,893**	36,871	**28,764**	27,668	**86**	62	**7,215**	9,265
Germany	***22,067***	*21,986*	***15,885***	*14,622*	**–**	–	***6,182***	*7,364*
U.S.	***3,553***	*4,189*	***2,949***	*3,031*	**–**	–	***604***	*1,158*
U.K.	***5,413***	*5,650*	***5,786***	*5,883*	***16***	*14*	***(356)***	*(219)*
CH	***3,027***	*3,131*	***3,103***	*3,007*	***32***	*6*	***(45)***	*130*
Other countries	***1,834***	*1,914*	***1,042***	*1,126*	***38***	*43*	***829***	*831*
Total	**35,893**	36,871	**28,764**	27,668	**86**	62	**7,215**	9,265
thereof provisions for pensions and similar obligations							***7,684***	*9,582*
thereof net defined benefit assets (presented in Other assets)							***470***	*317*

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

Net interest expenses related to provisions for pensions and similar obligations amounted to €164 million and €198 million, respectively, in fiscal 2018 and 2017. The DBO is attributable to actives 31% and 31%, to deferreds with vested benefits 14% and 14%, to retirees and surviving dependents 55% and 54%, respectively, in fiscal 2018 and 2017.

Employer contributions in fiscal 2018 include additional fundings in Germany of €1,755 million.

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

		Fiscal year
(in millions of €)	2018	2017
Changes in demographic assumptions	**(67)**	(112)
Changes in financial assumptions	**(37)**	(3,714)
Experience (gains) losses	**39**	(93)
Total	**(65)**	(3,919)

Actuarial assumptions

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

		Sep 30,
	2018	2017
Discount rate	**2.4%**	2.4%
EUR	**2.0%**	2.1%
USD	**4.2%**	3.8%
GBP	**2.9%**	2.8%
CHF	**1.1%**	0.8%

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

Applied mortality tables are:

Germany	Siemens specific tables with mortality trends based on Heubeck Richttafeln 2005G
U.S.	RP-2006 with generational projection from the US Social Security Administration's Long Range Demographic Assumptions
U.K.	SAPS S2 (Standard mortality tables for Self Administered Pension Schemes with allowance for future mortality improvements)
CH	BVG 2015 G

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

		Sep 30,
	2018	2017
Compensation increase		
U.K.	**3.7%**	3.7%
CH	**1.3%**	1.5%
Pension progression		
Germany	**1.4%**	1.4%
U.K.	**3.0%**	3.0%

Sensitivity analysis

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

	Effect on DBO due to a one-half percentage-point			
		Sep 30, 2018		Sep 30, 2017
(in millions of €)	increase	decrease	increase	decrease
Discount rate	**(2,068)**	**2,307**	(2,227)	2,472
Rate of compensation increase	**91**	**(85)**	102	(96)
Rate of pension progression	**1,539**	**(1,371)**	1,620	(1,433)

The DBO effect of a 10% reduction in mortality rates for all beneficiaries would be an increase of €1,031 million and €1,103 million, respectively, as of September 30, 2018 and 2017.

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

Asset Liability Matching Strategies

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

Disaggregation of plan assets

(in millions of €)	Sep 30, 2018	2017
Equity securities	**4,300**	4,716
Fixed income securities	**13,938**	15,230
Government bonds	***4,475***	*5,407*
Corporate bonds	***9,463***	*9,823*
Alternative investments	**3,985**	4,016
Multi strategy funds	**2,853**	2,028
Derivatives	**595**	290
Cash and cash equivalents	**933**	578
Other assets	**2,162**	811
Total	**28,764**	**27,668**

Virtually all equity securities have quoted prices in active markets. The fair value of fixed income securities is based on prices provided by price service agencies. The fixed income securities are traded in highly liquid markets and almost all fixed income securities are investment grade. As of September 30, 2018, Equity securities include 12.5 million shares in Atos SE. Alternative investments mostly include hedge funds; additionally, private equity and real estate investments are included. Multi strategy funds mainly comprise absolute return funds and diversified growth funds that invest in various asset classes within a single fund and aim to stabilize return and reduce volatility. Derivatives predominantly consist of financial instruments for hedging interest rate risk and inflation risk. Other assets include an insured annuity contract valued at €1,269 million as of September 30, 2018.

Future cash flows

Employer contributions expected to be paid to defined benefit plans in fiscal 2019 are €984 million. Over the next ten fiscal years, average annual benefit payments of €1,843 million and €1,843 million, respectively, are expected as of September 30, 2018 and 2017. The weighted average duration of the DBO for Siemens defined benefit plans was twelve years as of September 30, 2018 and 13 years as of September 30, 2017.

DEFINED CONTRIBUTION PLANS AND STATE PLANS

The amount recognized as expense for defined contribution plans amounts to €643 million and €664 million in fiscal 2018 and 2017, respectively. Contributions to state plans amount to €1,748 million and €1,684 million in fiscal 2018 and 2017, respectively.

NOTE 18 Provisions

(in millions of €)	Warranties	Order related losses and risks	Asset retirement obligations	Other	Total
Balance as of October 1, 2017	4,632	1,487	759	1,565	8,444
Thereof non-current	*2,422*	*540*	*743*	*661*	*4,366*
Additions	1,786	466	6	593	2,851
Usage	(993)	(578)	(8)	(439)	(2,017)
Reversals	(928)	(134)	(2)	(365)	(1,430)
Translation differences	(28)	(3)	–	(22)	(53)
Accretion expense and effect of changes in discount rates	(3)	–	15	(1)	11
Other changes	109	237	6	(10)	341
Balance as of September 30, 2018	**4,575**	**1,475**	**776**	**1,320**	**8,147**
Thereof non-current	***2,390***	***575***	***762***	***489***	***4,216***

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

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

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

Environmental clean-up costs relate to remediation and environmental protection liabilities which have been accrued based on the estimated costs of decommissioning the site for the production of uranium and mixed-oxide fuel elements in Hanau, Germany (Hanau facilities), as well as a nuclear research and service center in Karlstein, Germany (Karlstein facilities). Whilst in fiscal 2017, parts of the regulation for nuclear waste disposal were amended by way of law ("Gesetz zur Neuordnung der Verantwortung in der kerntechnischen Entsorgung"), Siemens is not covered by these regulations and consequently continues to adhere to the German Atomic Energy Act ("deutsches Atomgesetz"), which states that when a nuclear facility is closed, the resulting radioactive waste from decommissioning the nuclear facility must be reprocessed without causing damage and be delivered to a government-approved final storage facility. In this regard, the Company has developed a plan to decommission the Hanau and Karlstein facilities in the following steps: asset retirement (including clean-out, decontamination and disassembly of equipment and installations, decontamination of the facilities and buildings), waste conditioning and packaging of nuclear waste, as well as intermediate storage, transport to and final storage of the radioactive waste. This process will be supported by continuing engineering studies and radioactive sampling under the supervision of German federal and state authorities. The decontamination and disassembly are planned to continue until the end of calendar year 2018, whereas final waste conditioning and packaging is planned to continue until 2025. Thereafter, the Company is responsible for intermediate storage of the radioactive materials until they are transported and handed over to a final storage facility. With respect to the Hanau facility, the asset retirement has been completed and intermediate storage has been set up. On September 21, 2006, the Company received official notification from the authorities that the Hanau facility has been released from the scope of application of the German Atomic Energy Act and that its further use is unrestricted. The ultimate costs of the remediation are contingent on the decision of the federal government on the location of the final storage facilities and the date of their availability. Several parameters relating to the development of a final storage facility for radioactive waste are based on the assumptions for the so called Schacht Konrad final storage. The valuation uses assumptions to reflect the current and detailed cost estimates, price inflation and discount rates as well as a continuous outflow until the 2060's related to the costs for dismantling as well as intermediate and final storage. The estimated cash outflows related to the asset retirement obligation could alter significantly if political developments affect the government's timeline to finalize the so called Schacht Konrad. For discounting the cash outflows, the Company uses current interest rates as of the balance sheet date.

As of September 30, 2018 and 2017, the provision totals €710 million and €697 million, respectively, and is recorded net of a present value discount of €338 million and €359 million, respectively, reflecting the assumed continuous outflow of the total expected payments until the 2060's.

Other includes transaction-related and post-closing provisions in connection with portfolio activities as well as provisions for Legal Proceedings, as far as the risks that are subject to such Legal Proceedings are not already covered by project accounting. Provisions for Legal Proceedings amounted to €375 million and €416 million as of September 30, 2018 and 2017, respectively.

NOTE 19 Equity

Siemens' issued capital is divided into 850 million registered shares with no par value and a notional value of €3.00 per share as of September 30, 2018 and 2017, respectively. The shares are fully paid in. At the Shareholders' Meeting, each share has one vote and accounts for the shareholders' proportionate share in the Company's net income. All shares confer the same rights and obligations.

In fiscal 2018 and 2017, Siemens repurchased 13,248,262 shares and 7,922,129 shares, respectively. In fiscal 2018 and 2017, Siemens transferred 7,777,923 and 15,162,691 treasury shares, respectively. As of September 30, 2018 and 2017, the Company has treasury shares of 39,951,459 and 34,481,120, respectively.

As of September 30, 2018 and 2017, total authorized capital of Siemens AG is €618.6 million nominal, issuable in installments based on various time-limited authorizations, by issuance of up to 206.2 million registered shares of no par value. In addition, as of September 30, 2018 and 2017, Siemens AG's conditional capital is €1,080.6 million nominal or 360.2 million shares. It can primarily be used for serving convertible bonds or warrants under warrant bonds that could or can be issued based on various time-limited authorizations approved by the respective Shareholders' Meeting.

Dividends paid per share were €3.70 and €3.60, respectively, in fiscal 2018 and 2017. The Managing Board and the Supervisory Board propose to distribute a dividend of €3.80 per share entitled to the dividend, in total representing approximately €3.1 billion in expected payments. Payment of the proposed dividend is contingent upon approval at the Shareholders' Meeting on January 30, 2019.

In November 2018, Siemens announced a share-buyback program of up to €3 billion to be executed until November 15, 2021.

NOTE 20 Additional capital disclosures

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

(in millions of €)	2018	Sep 30, 2017
Short-term debt and current maturities of long-term debt	**5,057**	5,447
Plus: Long-term debt	**27,120**	26,777
Less: Cash and cash equivalents	**(11,066)**	(8,375)
Less: Current available-for-sale financial assets	**(1,286)**	(1,242)
Net debt	**19,825**	**22,607**
Less: SFS Debt[1]	**(24,198)**	(22,531)
Plus: Provisions for pensions and similar obligations	**7,684**	9,582
Plus: Credit guarantees	**389**	639
Less: Fair value hedge accounting adjustment[2]	**(319)**	(421)
Industrial net debt	**3,382**	**9,876**
Income from continuing operations before income taxes	**8,050**	8,189
Plus/Less: Interest income, interest expenses and other financial income (expenses), net	**(1,867)**	(575)
Plus: Amortization, depreciation and impairments	**3,419**	3,211
EBITDA	**9,602**	**10,825**
Industrial net debt/EBITDA	**0.4**	**0.9**

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

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

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

(in millions of €)	2018	Sep 30, 2017
Allocated equity	2,657	2,607
SFS debt	24,198	22,531
Debt to equity ratio	9.11	8.64

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

Siemens' current corporate credit ratings are:

	Sep 30, 2018		Sep 30, 2017	
	Moody's Investors Service	Standard & Poor's Global Ratings	Moody's Investors Service	Standard & Poor's Global Ratings
Long-term debt	A1	A+	A1	A+
Short-term debt	P-1	A-1+	P-1	A-1+

NOTE 21 Commitments and contingencies

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

(in millions of €)	2018	Sep 30, 2017
Credit guarantees	389	639
Guarantees of third-party performance	2,454	2,283
Miscellaneous guarantees	200	200
	3,043	3,121

Item Credit guarantees covers the financial obligations of third parties generally in cases where Siemens is the vendor and (or) contractual partner or Siemens is liable for obligations of associated companies accounted for using the equity method. Additionally, credit guarantees are issued in the course of the SFS business. Credit guarantees generally provide that in the event of default or non-payment by the primary debtor, Siemens will be required to settle such financial obligations. The maximum amount of these guarantees is equal to the outstanding balance of the credit or, in case where a credit line is subject to variable utilization, the nominal amount of the credit line. These guarantees have residual terms of up to 15 years and 14 years, respectively, in fiscal 2018 and 2017. For credit guarantees amounting to €172 million and €189 million, respectively, as of September 30, 2018 and 2017, the Company held collateral mainly in the form of inventories and trade receivables. The Company accrued €35 million and €33 million relating to credit guarantees as of September 30, 2018 and 2017, respectively.

Furthermore, Siemens issues guarantees of third-party performance, which mainly include performance bonds and guarantees of advanced payments in a consortium. In the event of non-fulfillment of contractual obligations by the consortium partner(s), Siemens will be required to pay up to an agreed-upon maximum amount. These agreements typically have terms of up to ten years. Generally, consortium agreements provide for fallback guarantees as a recourse provision among the consortium partners. As of September 30, 2018 and 2017, the Company accrued €3 million and €3 million, respectively, relating to performance guarantees.

In addition to guarantees disclosed in the table above, the Company issued other guarantees. To the extent future claims are not considered remote, maximum future payments from these obligations amount to €492 million and €611 million as of September 30, 2018 and 2017, respectively. These commitments include indemnifications issued in connection with dispositions of businesses. Such indemnifications may protect the buyer from potential tax, legal and other risks in conjunction with the purchased business. As of September 30, 2018 and 2017, the accrued amount for such other commitments is €204 million and €243 million, respectively.

Future payment obligations under non-cancellable operating leases are:

(in millions of €)	2018	Sep 30, 2017
Within one year	839	825
After one year but not more than five years	1,588	1,684
More than five years	765	832
	3,193	3,341

Total operating rental expenses for the years ended September 30, 2018 and 2017 were €1,249 million and €1,242 million, respectively.

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

NOTE 22 Legal proceedings

PROCEEDINGS OUT OF OR IN CONNECTION WITH ALLEGED BREACHES OF CONTRACT

As previously reported, Siemens AG is a member of a supplier consortium that has been contracted to construct the nuclear power plant "Olkiluoto 3" in Finland for Teollisuuden Voima Oyj (TVO) on a turnkey basis. The agreed completion date for the nuclear power plant was April 30, 2009. Siemens AG's share of the contract value is approximately 27%. The other member of the supplier consortium is a further consortium consisting of Areva NP S.A.S. and its wholly-owned subsidiary, Areva GmbH. Completion of the power plant has been delayed for reasons which were in dispute. In December 2008, the supplier consortium filed a request for arbitration against TVO demanding an extension of the construction time, additional compensation, milestone payments, damages and interest. TVO rejected the claims and asserted counterclaims against the supplier consortium consisting primarily of damages due to the delay. In August 2015, TVO updated its counterclaims to approximately €2.3 billion. The supplier consortium's monetary claims as last updated amounted to approximately €3.6 billion. In March 2018, the supplier consortium, Areva SA and TVO signed a global settlement agreement which finally settles all claims and counterclaims raised in the arbitration against a lump sum payment of €450 million by Areva to TVO. In May 2018, the arbitral tribunal declared the proceedings closed.

PROCEEDINGS OUT OF OR IN CONNECTION WITH ALLEGED COMPLIANCE VIOLATIONS

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

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

Based on the above mentioned conclusion of the Israeli Antitrust Authority, two electricity consumer groups filed motions to certify a class action for cartel damages against a number of companies including Siemens AG with an Israeli State Court in September 2013. One of the class actions has been dismissed by the court in fiscal year 2015. The remaining class action seeks compensation for alleged damages amounting to ILS2.8 billion (approximately €665 million as of September 2018). In addition, the Israel Electric Corporation (IEC) filed at the end of December 2013 with an Israeli State Court a separate ILS3.8 billion (approximately €897 million as of September 2018) claim for damages against Siemens AG and other companies that allegedly formed a cartel in the Israeli gas-insulated switchgear market. Siemens AG is defending itself against the actions.

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

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

As previously reported, in May 2014, the Public Affairs Office (Ministério Público) São Paulo initiated a lawsuit against Siemens Ltda. as well as other companies and several individuals claiming, inter alia, damages in an amount of BRL2.5 billion (approximately €537 million as of September 2018) plus adjustments for inflation and related interest in relation to train refurbishment contracts entered into between 2008 and 2011. A technical note issued by the Brazilian cartel authority CADE earlier in 2014 had not identified evidence suggesting Siemens Ltda.'s involvement in anti-competitive conduct in relation to these refurbishment contracts. In January 2015, the district court of São Paulo admitted a lawsuit of the State of São Paulo and two customers against Siemens Ltda., Siemens AG and other companies and individuals claiming damages in an unspecified amount. In March 2015, the district court of São Paulo admitted a lawsuit of the Public Affairs Office (Ministério Público) São Paulo against Siemens Ltda. and other companies claiming, inter alia, damages in an amount of BRL487 million (approximately €105 million as of September 2018) plus adjustments for inflation and related interest in relation to train maintenance contracts entered into in 2000 and 2002. In September 2015, the district court of São Paulo admitted another lawsuit of the Public Affairs Office (Ministério Público) São Paulo against Siemens Ltda. and other companies claiming, inter alia, damages in an amount of BRL918 million (approximately €197 million as of September 2018) plus adjustments for inflation and related interest in relation to train maintenance contracts entered into in 2006 and 2007. Siemens will defend itself against these actions. It cannot be excluded that further significant damage claims will be brought by customers or the state against Siemens.

As previously reported, in June 2015, Siemens Ltda. appealed to the Supreme Court against a decision of a previous court to suspend Siemens Ltda. from participating in public tenders and signing contracts with public administrations in Brazil for a five year term based on alleged irregularities in calendar year 1999 and 2004 in public tenders with the Brazilian Postal authority. In February 2018, the appeal was rejected. Siemens Ltda. has introduced another remedy against the decision. In June 2018, the court accepted Siemens' appeal and declared the earlier instance decision as void. Siemens Ltda. is currently not excluded from participating in public tenders. In February 2018, the Ministério Público in Brasilia filed a lawsuit based on the same set of facts, mainly claiming the exclusion of Siemens Ltda. from public tenders for a ten year term. Siemens Ltda. is defending itself against the lawsuit.

As previously reported, Siemens received credible information in 2017 that four gas turbines intended for a project in Taman, Russia, which were delivered by OOO Siemens Gas Turbines Technologies (SGTT) to its customer OAO VO TechnoPromExport in summer of 2016 had been allegedly brought to Crimea against contractual agreements with SGTT. Allegedly, these four gas turbines had been sold by OAO VO TechnoPromExport to OOO VO TechnoPromExport, had then been locally modified and moved to Crimea, a location under sanctions. Siemens AG together with SGTT and SGTT separately have filed lawsuits before the State Court of Moscow against OAO VO TechnoPromExport and OOO VO TechnoPromExport for the return of the gas turbines. The State Court of Moscow rejected the claims of Siemens AG and SGTT in both proceedings in four instances. Separately, the Hamburg public prosecutor initiated criminal proceedings against Siemens employees in regard of alleged violations of the German Foreign Trade and Payments Act. Siemens cooperates with the authorities.

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

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

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

NOTE 23 Additional disclosures on financial instruments

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

(in millions of €)	2018	Sep 30, 2017
Loans and receivables[1]	**41,773**	39,264
Cash and cash equivalents	**11,066**	8,375
Derivatives designated in a hedge accounting relationship	**267**	379
Financial assets held for trading	**1,615**	1,935
Available-for-sale financial assets[2]	**2,001**	4,758
Financial assets	**56,722**	**54,710**
Financial liabilities measured at amortized cost[3]	**44,325**	43,502
Financial liabilities held for trading[4]	**567**	682
Derivatives designated in a hedge accounting relationship[4]	**171**	140
Financial liabilities	**45,063**	**44,325**

1 Reported in the following line items of the Statements of Financial Position: Trade and other receivables, Other current financial assets and Other financial assets, except for separately disclosed €715 million and €2,290 million available-for-sale financial assets and €1,882 million and €2,314 million derivative financial instruments as of September 30, 2018 and 2017, respectively. Includes €16,044 million and €15,242 million trade receivables from the sale of goods and services in fiscal 2018 and 2017, thereof €810 million and €681 million with a term of more than twelve months.

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

3 Reported in the following line items of the Statements of Financial Position: Short-term debt and current maturities of long-term debt, Trade payables, Other current financial liabilities, Long-term debt and Other financial liabilities, except for separately disclosed derivative financial instruments of €738 million and €823 million, respectively, as of September 30, 2018 and 2017.

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

Cash and cash equivalents includes €200 million and €266 million as of September 30, 2018 and 2017, respectively, which are not available for use by Siemens mainly due to minimum reserve requirements with banks. As of September 30, 2018 and 2017, the carrying amount of financial assets Siemens has pledged as collateral amounted to €126 million and €179 million, respectively.

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

	Sep 30, 2018		Sep 30, 2017	
(in millions of €)	Fair value	Carrying amount	Fair value	Carrying amount
Notes and bonds	**28,383**	**28,352**	32,303	28,797
Loans from banks and other financial indebtedness	**3,705**	**3,716**	3,299	3,312
Obligations under finance leases	**166**	**110**	178	115

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

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

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

(in millions of €)	Level 1	Level 2	Level 3	Sep 30, 2018 Total
Financial assets measured at fair value	**6**	**3,259**	**327**	**3,592**
Available-for-sale financial assets: equity instruments	6	165	253	425
Available-for-sale financial assets: debt instruments	–	1,270	15	1,286
Derivative financial instruments	–	1,823	58	1,882
Not designated in a hedge accounting relationship (including embedded derivatives)	–	*1,556*	*58*	*1,615*
In connection with fair value hedges	–	*22*	–	*22*
In connection with cash flow hedges	–	*245*	–	*245*
Financial liabilities measured at fair value – Derivative financial instruments	–	**738**	–	**738**
Not designated in a hedge accounting relationship (including embedded derivatives)	–	*567*	–	*567*
In connection with cash flow hedges	–	*165*	–	*165*

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

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

Pre-tax gains (losses) in fiscal 2018 and 2017 resulting from the fair value measurement of non-current available-for-sale financial assets until year end or until reclassification are €(284) million and €700 million, respectively.

As of September 30, 2017, OSRAM Licht AG shares were measured as available-for-sale equity instruments and presented as assets held for disposal. In October 2017, due to the sale for €1.2 billion in cash, €644 million accumulated fair value changes were reclassified from Other comprehensive income, net of €10 million income taxes to Net income, thereof €655 million to Other financial income (expenses), net disclosed in Centrally managed portfolio activities.

In March 2018, to fund our pension plan, Siemens transferred all of its shares in Atos SE to the Siemens Pension-Trust e.V. The shares, which were held as available-for-sale equity instruments, were derecognized at fair value of €1.4 billion; €886 million accumulated fair value changes were reclassified from Other comprehensive income, net of €14 million income taxes to Net income, thereof €900 million to Other financial income (expenses), net disclosed in Centrally managed portfolio activities.

In fiscal 2018, interest rate swaps not designated in a hedging relationship were transferred to the Siemens Pension-Trust e.V. at fair value of €373 million.

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

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

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

Net gains (losses) of financial instruments are:

	Fiscal year	
(in millions of €)	2018	2017
Cash and cash equivalents	**(5)**	(5)
Available-for-sale financial assets	**1,590**	(4)
Loans and receivables	**169**	(174)
Financial liabilities measured at amortized cost	**(441)**	1,662
Financial assets and financial liabilities held for trading	**591**	(163)

Amounts presented include foreign currency gains and losses from realizing and measuring financial assets and liabilities. Net gains (losses) in fiscal 2018 and 2017 on financial assets and financial liabilities held for trading consist of changes in the fair value of derivative financial instruments, including interest income and expense, for which hedge accounting is not applied.

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

	Fiscal year	
(in millions of €)	2018	2017
Total interest income on financial assets	**1,454**	1,467
Total interest expenses on financial liabilities	**(946)**	(901)

OFFSETTING

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

					Sep 30, 2018
(in millions of €)	Gross amounts	Amounts set off in the Statement of Financial Position	Net amounts in the Statement of Financial Position	Related amounts not set off in the Statement of Financial Position	Net amounts
Financial assets	**1,610**	**3**	**1,606**	**550**	**1,057**
Financial liabilities – Derivative financial liabilities	**664**	**3**	**661**	**457**	**204**

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

NOTE 24 Derivative financial instruments and hedging activities

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

	Sep 30, 2018		Sep 30, 2017	
(in millions of €)	Asset	Liability	Asset	Liability
Foreign currency exchange contracts	**717**	**548**	653	475
Interest rate swaps and combined interest and currency swaps	**888**	**71**	1,350	156
Other (embedded derivatives, options, commodity swaps)	**277**	**119**	311	192
	1,882	**738**	2,314	823

FOREIGN CURRENCY EXCHANGE RATE RISK MANAGEMENT

Derivative financial instruments not designated in a hedging relationship

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

Cash flow hedges

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

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

			Fiscal year	
(in millions of €)	2019	2020	2021 to 2023	2024 and thereafter
Expected gain (loss) to be reclassified from line item Other comprehensive income, net of income taxes into revenue or cost of sales	–	56	26	24

INTEREST RATE RISK MANAGEMENT

Derivative financial instruments not designated in a hedging relationship

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

Cash flow hedges of floating-rate commercial papers

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

Fair value hedges of fixed-rate debt obligations

Under the interest rate swap agreements outstanding during the years ended September 30, 2018 and 2017, the Company has agreed to pay a variable rate of interest multiplied by a notional principal amount, and to receive in return an amount equal to a specified fixed rate of interest multiplied by the same notional principal amount. These interest rate swap agreements offset an impact of future changes in interest rates designated as the hedged risk on the fair value of the underlying fixed-rate debt obligations. Carrying amount adjustments to debt for fair value changes attributable to the respective interest rate risk being hedged are included in Other financial income (expenses), net and resulted in a gain (loss) of €29 million and €57 million, respectively, in fiscal 2018 and 2017; the related swap agreements resulted in a gain (loss) of €(27) million and €(57) million, respectively. Net cash receipts and payments relating to such interest rate swap agreements are recorded as interest expenses.

The Company had interest rate swap contracts to pay variable rates of interest of an average of 1.4% and (0.3)% as of September 30, 2018 and 2017, respectively and received fixed rates of interest (average rate of 2.3% and 1.1%, as of September 30, 2018 and 2017, respectively). The notional amount of indebtedness hedged as of September 30, 2018 and 2017 was €1,314 million and €1,650 million, respectively. This changed 5% and 7% of the Company's underlying notes and bonds from fixed interest rates into variable interest rates as of September 30, 2018 and 2017, respectively. The notional amounts of these contracts mature at varying dates based on the maturity of the underlying hedged items. The net fair value of interest rate swap contracts (excluding accrued interest) used to hedge indebtedness as of September 30, 2018 and 2017 was €17 million and €37 million, respectively.

NOTE 25 Financial risk management

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

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

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

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

FOREIGN CURRENCY EXCHANGE RATE RISK

Transaction risk

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

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

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

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

As of September 30, 2018 and 2017 the VaR relating to foreign currency exchange rates was €103 million and €87 million. This VaR was calculated under consideration of items of the Consolidated Statement of Financial Position in addition to firm commitments which are denominated in foreign currencies, as well as foreign currency denominated cash flows from forecast transactions for the following twelve months. The increase in the VaR resulted from a higher net foreign currency position after hedging activities, partly offset by a lower volatility between the U.S. dollar and the euro.

Translation risk

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

INTEREST RATE RISK

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

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

As of September 30, 2018 and 2017 the VaR relating to the interest rate was €191 million and €479 million. The decrease was driven by lower interest rate volatilities for the US-dollar and a decrease in interest rate sensitivity, mainly related to the implementation of capital measures in the context of the public listing of Siemens Healthineers AG.

LIQUIDITY RISK

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

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

The following table reflects our contractually fixed pay-offs for settlement, repayments and interest. The disclosed expected undiscounted net cash outflows from derivative financial liabilities are determined based on each particular settlement date of an instrument and based on the earliest date on which Siemens could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on the conditions existing at September 30, 2018.

				Fiscal year
(in millions of €)	2019	2020	2021 to 2023	2024 and there-after
Non-derivative financial liabilities				
Notes and bonds	3,916	4,539	8,978	18,705
Loans from banks	1,386	972	778	7
Other financial indebtedness	687	29	66	2
Obligations under finance leases	19	19	40	110
Trade payables	10,699	12	3	3
Other financial liabilities	988	126	263	24
Derivative financial liabilities	483	78	92	71
Credit guarantees[1]	389	–	–	–
Irrevocable loan commitments[2]	2,791	289	142	7

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

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

CREDIT RISK

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

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

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

Corporate Treasury has established the Siemens Credit Warehouse to which numerous operating units from the Siemens Group regularly transfer business partner data as a basis for a centralized rating and credit limit recommendation process. Due to the identification, quantification and active management of the credit risk the Siemens Credit Warehouse increases the transparency with regard to credit risk.

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

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

The maximum exposure to credit risk of financial assets, without taking account of any collateral, is represented by their carrying amount. As of September 30, 2018 and 2017 the collateral for financial instruments classified as financial assets measured at fair value in the form of netting agreements for derivatives in the event of insolvency of the respective counterparty amounted to €550 million and €647 million, respectively. As of September 30, 2018 and 2017 the collateral held for financial instruments classified as receivables from finance leases amounted to €2,095 million and €1,967 million, respectively, mainly in the form of the leased equipment. As of September 30, 2018 and 2017 the collateral held for financial instruments classified as financial assets measured at cost or amortized cost amounted to €3,628 million and €3,347 million, respectively. The collateral mainly consisted of property, plant and equipment. Credit risks arising from irrevocable loan commitments are equal to the expected future pay-offs resulting from these commitments. As of September 30, 2018 and 2017 the collateral held for these commitments amounted to €970 million and €843 million, respectively, mainly in the form of inventories and receivables.

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

NOTE 26 Share-based payment

Share-based payment awards may be settled in newly issued shares of capital stock of Siemens AG, in treasury shares or in cash. Share-based payment awards may forfeit if the employment of the beneficiary terminates prior to the expiration of the vesting period. Total pretax expense for share-based payment amounted to €386 million and €512 million for the years ended September 30, 2018 and 2017, respectively, €306 million and €416 million relate to equity-settled awards in fiscal 2018 and 2017. The carrying amount of liabilities from share-based payment transactions is €176 million and €124 million as of September 30, 2018 and 2017.

STOCK AWARDS

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

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

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

Since related taxation is not yet entirely certain, Stock Awards of Siemens AG that vested in November 2017 and 2016 were settled in cash rather than in equity instruments; the fair values of €89 million and €107 million, respectively, at modification date, were reclassified from equity to liabilities.

Commitments to members of the Managing Board

In fiscal 2018 and 2017, agreements were entered into which entitle members of the Managing Board to stock awards most of those are contingent upon attaining the prospective performance-based target of Siemens stock relative to five competitors. The fair value of these entitlements amounting to €10 million and €13 million, respectively, in fiscal 2018 and 2017, was calculated by applying a valuation model. In fiscal 2018 and 2017, inputs to that model include, for the majority of the stock awards granted, an expected weighted volatility of Siemens shares of 22.12% and 22.72%, respectively, and a market price of €114.50 and €106.40 per Siemens share. Expected volatility was determined by reference to historic volatilities. The model applies a risk-free interest rate of up to 0.08% and (0.02)% in fiscal 2018 and 2017, respectively, and an expected dividend yield of 3.24% in fiscal 2018 and 3.38% in fiscal 2017. Assumptions concerning share price correlations were determined by reference to historic correlations.

Commitments to members of the senior management and other eligible employees

In fiscal 2018 and 2017, 1,898,517 and 2,078,828 stock awards, respectively, were granted contingent upon attaining the prospective performance-based target of Siemens stock relative to five competitors. The fair value of equity-settled stock awards amounted to €137 million and €138 million, respectively, in fiscal 2018 and 2017; fair value was calculated by applying a valuation model. In fiscal 2018 and 2017 inputs to that model include an expected weighted volatility of Siemens shares of 22.17% and 22.79%, respectively, and a market price of €114.80 and €107.95 per Siemens share. Expected volatility was determined by reference to historic volatilities. The model applies a risk-free interest rate of up to 0.05% in fiscal 2018 and up to 0.03% in fiscal 2017 and an expected dividend yield of 3.23% and 3.33% in fiscal 2018 and 2017, respectively. Assumptions concerning share price correlations were determined by reference to historic correlations.

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

	Fiscal year	
	2018	2017
Non-vested, beginning of period	**6,416,946**	6,171,430
Granted	**1,898,517**	2,078,828
Vested and fulfilled	**(545,225)**	(724,504)
Forfeited	**(271,362)**	(224,952)
Modified	**(780,193)**	(856,355)
Settled	**(77,283)**	(27,501)
Non-vested, end of period	**6,641,400**	**6,416,946**

SHARE MATCHING PROGRAM AND ITS UNDERLYING PLANS

In fiscal 2018, Siemens issued a new tranche under each of the plans of the Share Matching Program.

Share Matching Plan

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

Monthly Investment Plan

Under the Monthly Investment Plan employees other than senior managers may invest a specified part of their compensation in Siemens shares on a monthly basis over a period of twelve months. Shares are purchased at market price at a predetermined date once a month. If the Managing Board decides that shares acquired under the Monthly Investment Plan are transferred to the Share Matching Plan, plan participants will receive the right to matching shares under the same conditions applying to the Share Matching Plan described above with a vesting period of about two years. The Managing Board decided that shares acquired under the tranches issued in fiscal 2017 and 2016 are transferred to the Share Matching Plan as of February 2018 and February 2017, respectively.

Base Share Program

Under the Base Share Program employees of Siemens AG and participating domestic Siemens companies may invest a fixed amount of their compensation in Siemens shares, sponsored by Siemens. The shares are bought at market price at a predetermined date in the second quarter and grant the right to receive matching shares under the same conditions applying to the Share Matching Plan described above. The fair value of the Base Share Program amounted to €37 million and €36 million in fiscal 2018 and 2017, respectively.

Resulting Matching Shares

	Fiscal year	
	2018	2017
Outstanding, beginning of period	**1,850,052**	1,767,980
Granted	**739,238**	710,356
Vested and fulfilled	**(758,548)**	(473,113)
Forfeited	**(99,487)**	(106,160)
Settled	**(38,346)**	(49,011)
Outstanding, end of period	**1,692,909**	1,850,052

The weighted average fair value of matching shares granted in fiscal 2018 and 2017 amounting to €89.75 and €92.68 per share was determined as the market price of Siemens shares less the present value of expected dividends taking into account non-vesting conditions.

SIEMENS PROFIT SHARING

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

JUBILEE SHARE PROGRAM

For their 25th and 40th service anniversary eligible employees receive jubilee shares. There were 4.24 million and 4.26 million entitlements to jubilee shares outstanding as of September 30, 2018 and 2017, respectively.

NOTE 27 Personnel costs

(in millions of €)	Fiscal year 2018	2017
Wages and salaries	25,316	24,632
Statutory social welfare contributions and expenses for optional support	3,809	3,788
Expenses relating to post-employment benefits	1,368	1,192
	30,493	29,613

In fiscal 2018 and 2017, severance charges amount to €923 million and €466 million, respectively, thereof at Power and Gas €361 million and 19 million and at Corporate items €132 million and €71 million. Item Expenses relating to post-employment benefits includes service costs for the period. Personnel costs for continuing and discontinued operations amount to €30,497 million and €29,622 million, respectively, in fiscal 2018 and 2017.

Employees were engaged in (averages; based on headcount):

	Continuing operations		Continuing and discontinued operations	
(in thousands)	Fiscal year 2018	2017	Fiscal year 2018	2017
Manufacturing and services	231	225	231	225
Sales and marketing	67	67	67	67
Research and development	42	38	42	38
Administration and general services	37	37	37	37
	377	367	377	367

NOTE 28 Earnings per share

(shares in thousands; earnings per share in €)	Fiscal year 2018	2017
Income from continuing operations	5,996	6,041
Less: Portion attributable to non-controlling interest	313	133
Income from continuing operations attributable to shareholders of Siemens AG	5,683	5,908
Weighted average shares outstanding – basic	815,063	812,180
Effect of dilutive share-based payment	11,600	13,591
Effect of dilutive warrants	1,653	3,392
Weighted average shares outstanding – diluted	828,316	829,164
Basic earnings per share (from continuing operations)	**6.97**	**7.27**
Diluted earnings per share (from continuing operations)	**6.86**	**7.13**

NOTE 29 Segment information

	Orders		External revenue		Intersegment Revenue		Total revenue	
		Fiscal year		Fiscal year		Fiscal year		Fiscal year
(in millions of €)	2018	2017	2018	2017	2018	2017	2018	2017
Power and Gas	**13,717**	13,329	**12,383**	15,381	**58**	53	**12,441**	15,434
Energy Management	**11,624**	13,627	**11,683**	11,634	**583**	638	**12,266**	12,273
Building Technologies	**7,077**	7,080	**6,475**	6,356	**137**	166	**6,613**	6,523
Mobility	**10,959**	8,963	**8,716**	8,087	**43**	18	**8,758**	8,104
Digital Factory	**13,615**	11,523	**12,234**	10,624	**698**	720	**12,932**	11,344
Process Industries and Drives	**9,305**	9,032	**7,218**	7,192	**1,622**	1,681	**8,840**	8,873
Siemens Healthineers	**14,506**	14,272	**13,315**	13,629	**110**	42	**13,425**	13,671
Siemens Gamesa Renewable Energy	**11,875**	8,768	**9,119**	7,919	**3**	3	**9,122**	7,922
Industrial Business	**92,678**	86,592	**81,144**	80,823	**3,252**	3,321	**84,396**	84,144
Financial Services (SFS)	**950**	921	**812**	774	**138**	147	**950**	921
Reconciliation to Consolidated Financial Statements	**(2,332)**	(1,730)	**1,088**	1,266	**(3,390)**	(3,468)	**(2,303)**	(2,203)
Siemens (continuing operations)	**91,296**	85,784	**83,044**	82,863	**–**	–	**83,044**	82,863

DESCRIPTION OF REPORTABLE SEGMENTS

Siemens has nine reportable segments, being:

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

RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS

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

Siemens Real Estate (SRE) – manages the Group's real estate business portfolio, operates the properties, and is responsible for building projects and the purchase and sale of real estate; excluded are Siemens Gamesa Renewable Energy, the carved-out real estate of Mobility and since January 2018 Siemens Healthineers.

Profit		Assets		Free cash flow		Additions to intangible assets and property, plant & equipment		Amortization, depreciation & impairments	
2018	Fiscal year 2017	Sep 30, 2018	Sep 30, 2017	2018	Fiscal year 2017	2018	Fiscal year 2017	2018	Fiscal year 2017
377	1,571	**10,087**	9,964	**195**	392	**250**	222	**518**	501
1,003	931	**4,535**	4,177	**538**	1,002	**221**	198	**208**	213
755	784	**1,596**	1,241	**546**	820	**56**	47	**78**	89
872	747	**2,795**	2,727	**914**	1,046	**137**	105	**165**	135
2,586	2,102	**9,382**	9,304	**2,378**	1,963	**301**	195	**606**	450
518	440	**2,244**	2,003	**466**	373	**156**	164	**200**	213
2,221	2,423	**12,392**	11,047	**1,673**	2,153	**512**	427	**519**	538
483	339	**3,823**	4,663	**375**	(279)	**415**	476	**645**	510
8,815	9,335	**46,853**	45,126	**7,086**	7,471	**2,048**	1,835	**2,940**	2,649
653	639	**28,281**	26,474	**616**	734	**36**	29	**208**	207
(1,418)	(1,785)	**63,781**	64,512	**(1,888)**	(3,386)	**518**	543	**271**	354
8,050	8,189	**138,915**	136,111	**5,814**	4,819	**2,602**	2,406	**3,419**	3,211

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

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

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

MEASUREMENT – SEGMENTS

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

Revenue

Revenue includes revenue from contracts with customers and revenue from leasing activities. In fiscal 2018 and 2017, lease revenue is mainly generated at Siemens Healthineers amounting to €179 million and €185 million, Financial Services €247 million and €247 million, and Siemens Real Estate €77 million and €79 million, respectively. The Power and Gas, Mobility and Siemens Gamesa Renewable Energy segments recognize revenue predominantly over time due to the nature of their long-term contracts. All other segments generally recognize revenue at a point in time.

Profit

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

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

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

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

Profit of the segment SFS:

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

Asset measurement principles:

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

Orders:

Orders are determined principally as estimated revenue of accepted purchase orders for which enforceable rights and obligations exist as well as subsequent order value changes and adjustments, excluding letters of intent. To determine orders, Siemens considers termination rights and customer's creditworthiness.

As of September 30, 2018, order backlog totaled €132 billion; thereof Power and Gas €40 billion, Energy Management €12 billion, Building Technologies €5 billion, Mobility €28 billion, Digital Factory €4 billion, Process Industries and Drives €6 billion, Siemens Healthineers €16 billion and Siemens Gamesa Renewable Energy €23 billion. In fiscal 2019, Siemens expects to convert approximately €47 billion of the September 30, 2018 order backlog into revenue; thereof at Power and Gas approximately €8 billion, Energy Management approximately €8 billion, Building Technologies approximately €3 billion, Mobility approximately €7 billion, Digital Factory approximately €3 billion, Process Industries and Drives approximately €4 billion, Siemens Healthineers approximately €6 billion and Siemens Gamesa Renewable Energy approximately €8 billion.

Free cash flow definition:

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

Amortization, depreciation and impairments:

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

MEASUREMENT – CENTRALLY MANAGED PORTFOLIO ACTIVITIES AND SRE

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

RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS

Profit

(in millions of €)	2018	Fiscal year 2017
Centrally managed portfolio activities	1,188	488
Siemens Real Estate	140	187
Corporate items	(813)	(714)
Centrally carried pension expense	(433)	(407)
Amortization of intangible assets acquired in business combinations	(1,164)	(1,016)
Eliminations, Corporate Treasury, and other reconciling items	(335)	(323)
Reconciliation to Consolidated Financial Statements	**(1,418)**	(1,785)

In fiscal 2018 and 2017, Profit of SFS includes interest income of €1,220 million and €1,241 million, respectively and interest expenses of €495 million and €442 million, respectively.

Assets

(in millions of €)	2018	Sep 30, 2017
Assets Centrally managed portfolio activities	438	3,448
Assets Siemens Real Estate	3,625	4,533
Assets Corporate items and pensions	(945)	(1,346)
Asset-based adjustments:		
Intragroup financing receivables	54,617	45,475
Tax-related assets	3,209	3,245
Liability-based adjustments	46,843	46,257
Eliminations, Corporate Treasury, other items	(44,006)	(37,100)
Reconciliation to Consolidated Financial Statements	**63,781**	64,512

NOTE 30 Information about geographies

	Revenue by location of customers		Revenue by location of companies		Non-current assets	
(in millions of €)	2018	Fiscal year 2017	2018	Fiscal year 2017	2018	Sep 30, 2017
Europe, C.I.S., Africa, Middle East	42,782	43,269	46,682	47,275	24,514	25,574
Americas	22,115	23,463	21,452	22,563	20,395	19,886
Asia, Australia	18,147	16,131	14,909	13,024	4,946	4,349
Siemens	**83,044**	82,863	**83,044**	82,863	**49,856**	49,809
thereof Germany	*11,729*	*11,125*	*17,270*	*19,858*	*8,343*	*8,324*
thereof countries outside of Germany	*71,315*	*71,737*	*65,773*	*63,004*	*41,513*	*41,485*
therein U.S.	*16,012*	*16,932*	*16,470*	*17,897*	*18,767*	*18,108*

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

NOTE 31 Related party transactions

JOINT VENTURES AND ASSOCIATES

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

	Sales of goods and services and other income		Purchases of goods and services and other expenses	
	Fiscal year		Fiscal year	
(in millions of €)	2018	2017	2018	2017
Joint ventures	**1,574**	2,094	**124**	119
Associates	**264**	538	**244**	218
	1,838	2,632	**368**	336

	Receivables		Liabilities	
		Sep 30,		Sep 30,
(in millions of €)	2018	2017	2018	2017
Joint ventures	**116**	277	**178**	126
Associates	**40**	43	**243**	266
	156	320	**421**	392

As of September 30, 2018 and 2017, guarantees to joint ventures and associates amounted to €438 million and €726 million, respectively. As of September 30, 2018 and 2017, guarantees to joint ventures amounted to €246 million and €488 million, respectively. As of September 30, 2018 and 2017, loans given to joint ventures and associates amounted to €363 million and €222 million, therein €360 million and €218 million related to joint ventures, respectively. As of September 30, 2018 and 2017, the Company had commitments to make capital contributions of €14 million and €76 million to its joint ventures and associates, therein €4 million and €16 million related to joint ventures, respectively. As of September 30, 2018 and 2017 there were loan commitments to joint ventures amounting to €178 million and €147 million, respectively.

RELATED INDIVIDUALS

In fiscal 2018 and 2017, members of the Managing Board received cash compensation of €21.9 million and €20.7 million. The fair value of stock-based compensation amounted to €9.8 million and €13.2 million for 100,511 and 132,831 Stock Awards, respectively, in fiscal 2018 and 2017. In fiscal 2018 and 2017, the Company granted contributions under the BSAV to members of the Managing Board totaling €5.4 million and €6.6 million (including one-time special contributions), respectively.

Therefore in fiscal 2018 and 2017, compensation and benefits, attributable to members of the Managing Board amounted to €37.1 million and €40.5 million in total, respectively.

In fiscal 2018 and 2017, expense related to share-based payment amounted to €13.6 million and €19.0 million, respectively.

Former members of the Managing Board and their surviving dependents received emoluments within the meaning of Section 314 para. 1 No. 6 b of the German Commercial Code totaling €39.9 million and €34.1 million in fiscal 2018 and 2017, respectively.

The defined benefit obligation (DBO) of all pension commitments to former members of the Managing Board and their surviving dependents as of September 30, 2018 and 2017 amounted to €168.2 million and €191.5 million, respectively.

Compensation attributable to members of the Supervisory Board comprises in fiscal 2018 and 2017 of a base compensation and additional compensation for committee work and amounted to €5.4 and €5.2 million (including meeting fees), respectively.

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

In fiscal 2018 and 2017, no other major transactions took place between the Company and the members of the Managing Board and the Supervisory Board.

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

NOTE 32 Principal accountant fees and services

Fees related to professional services rendered by the Company's principal accountant, EY, for fiscal 2018 and 2017 are:

	Fiscal year	
(in millions of €)	2018	2017
Audit services	**50.6**	52.6
Other attestation services	**12.9**	3.7
Tax services	**0.2**	0.2
	63.7	56.5

In fiscal 2018 and 2017, 48% and 40%, respectively, of the total fees related to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Germany.

Audit Services relate primarily to services provided by EY for auditing Siemens' Consolidated Financial Statements, for auditing financial statements of Siemens AG and its subsidiaries, for reviews of interim financial statements being integrated into the audit, for project-accompanying IT audits as well as for audit services in connection with the implementation of new accounting standards. Other Attestation Services include primarily audits and reviews of financial statements as well as other attestation services in connection with M&A activities, comfort letters, attestation services related to the sustainability reporting, audits of employee benefit plans and other attestation services required under regulatory requirements, contractually agreed or requested on a voluntary basis.

NOTE 33 Corporate Governance

The Managing and Supervisory Boards of Siemens Aktiengesellschaft and of Siemens Healthineers AG, a publicly listed subsidiary of Siemens, provided as of October 1, 2018, and September 30, 2018, respectively, the declarations required under Section 161 of the German Stock Corporation Act (AktG) and made them publicly available on their company websites at WWW.SIEMENS.COM/GCG-CODE and at WWW.CORPORATE.SIEMENS-HEALTHINEERS.COM/INVESTOR-RELATIONS/CORPORATE-GOVERNANCE, respectively.

NOTE 34 Subsequent event

In October 2018, Siemens acquired the Mendix group, a U.S.-headquartered pioneer in cloud native low code application development. The acquired business will be part of the software business of Division Digital Factory. The purchase price paid in cash amounts to €515 million as of the acquisition date. The purchase price allocation as of the acquisition date is preliminary as a detailed analysis of the assets and liabilities has not been finalized. Resulting Other Intangible assets of €189 million mainly relate to customer relationships, while Goodwill of €401 million comprises intangible assets that are not separable such as employee know-how and synergy effects Siemens expects to achieve through a combination of revenue growth and anticipated margin expansion.

NOTE 35 List of subsidiaries and associated companies pursuant to Section 313 para. 2 of the German Commercial Code

September 30, 2018	Equity interest in %
SUBSIDIARIES	
Germany (133 companies)	
Adwen Blades GmbH, Stade	100
Adwen GmbH, Bremerhaven	100
Agilion GmbH, Chemnitz	100
Airport Munich Logistics and Services GmbH, Hallbergmoos	100[10]
Alpha Verteilertechnik GmbH, Cham	100[10]
Atecs Mannesmann GmbH, Erlangen	100
AXIT GmbH, Frankenthal	100[10]
Befund24 GmbH, Erlangen	70
Berliner Vermögensverwaltung GmbH, Berlin	100[10]
Capta Grundstücks-Verwaltungsgesellschaft mbH, Grünwald	100
Dade Behring Grundstücks GmbH, Marburg	100
EBV Holding Verwaltung GmbH, Oldenburg	100
eos.uptrade GmbH, Hamburg	75
evosoft GmbH, Nuremberg	100[10]
FACTA Grundstücks-Entwicklungsgesellschaft mbH & Co. KG, Munich	100[9]
Flender GmbH, Bocholt	100[10]
Flender Industriegetriebe GmbH, Penig	100[10]
Gamesa Energie Deutschland GmbH, Oldenburg	100
Gamesa Wind GmbH, Aschaffenburg	100
HaCon Ingenieurgesellschaft mbH, Hanover	100
HSP Hochspannungsgeräte GmbH, Troisdorf	100[10]
ILLIT Grundstücksverwaltungs-Management GmbH, Grünwald	85
IPGD Grundstücksverwaltungs-Gesellschaft mbH, Grünwald	100
ISA Kontrolle Betreibergesellschaft mbH, Munich	100[7]
KompTime GmbH, Munich	100[10]
Kyra 1 GmbH, Erlangen	100[10]
Kyros 52 GmbH, Hanover	100[7]
Kyros 53 GmbH, Munich	100[10]

September 30, 2018	Equity interest in %
Kyros 54 GmbH, Munich	100[7]
Kyros 57 GmbH, Munich	100[7]
Kyros 58 GmbH, Munich	100[7]
Lincas Electro Vertriebsgesellschaft mbH, Grünwald	100[10]
LOCOM – Consulting GmbH Logistik-Organisation-Kommunikation, Karlsruhe	100
LOCOM Software GmbH Logistik - Organisation - Kommunikation, Karlsruhe	100
Mentor Graphics (Deutschland) GmbH, Munich	100
Mentor Graphics Development (Deutschland) GmbH, Villingen-Schwenningen	100
Munipolis GmbH, Munich	100
NEO New Oncology GmbH, Cologne	100
next47 GmbH, Munich	100[10]
next47 Services GmbH, Munich	100[10]
Omnetric GmbH, Munich	100
OPTIO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Tübingen KG, Grünwald	100[9]
Partikeltherapiezentrum Kiel Holding GmbH i. L., Erlangen	100
Project Ventures Butendiek Holding GmbH, Erlangen	100[10]
Projektbau-Arena-Berlin GmbH, Grünwald	100[10]
R&S Restaurant Services GmbH, Munich	100
REMECH Systemtechnik GmbH, Kamsdorf	100[10]
RISICOM Rückversicherung AG, Grünwald	100
Siemens Bank GmbH, Munich	100
Siemens Beteiligungen Inland GmbH, Munich	100[10]
Siemens Beteiligungen Management GmbH, Grünwald	100[7]
Siemens Beteiligungen USA GmbH, Berlin	100[10]
Siemens Beteiligungsverwaltung GmbH & Co. OHG, Grünwald	100[9,12]
Siemens Campus Erlangen Grundstücks-GmbH & Co. KG, Grünwald	100[9]
Siemens Campus Erlangen Objekt 1 GmbH & Co. KG, Grünwald	100[9]
Siemens Campus Erlangen Objekt 2 GmbH & Co. KG, Grünwald	100[9]
Siemens Campus Erlangen Objekt 3 GmbH & Co. KG, Grünwald	100[9]
Siemens Campus Erlangen Objekt 4 GmbH & Co. KG, Grünwald	100[9]
Siemens Campus Erlangen Objekt 5 GmbH & Co. KG, Grünwald	100[9]

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %
Siemens Campus Erlangen Objekt 6 GmbH & Co. KG, Grünwald	100 [9]
Siemens Campus Erlangen Objekt 7 GmbH & Co. KG, Grünwald	100 [9]
Siemens Campus Erlangen Objektmanagement GmbH, Grünwald	100 [7]
Siemens Campus Erlangen Verwaltungs-GmbH, Grünwald	100 [7]
Siemens Compressor Systems GmbH, Leipzig	100 [10]
Siemens Finance & Leasing GmbH, Munich	100 [10]
Siemens Financial Services GmbH, Munich	100 [10]
Siemens Fonds Invest GmbH, Munich	100 [10]
Siemens Gamesa Renewable Energy GmbH & Co. KG, Hamburg	100 [9]
Siemens Gamesa Renewable Energy Management GmbH, Hamburg	100 [7]
Siemens Global Innovation Partners Management GmbH, Munich	100 [7]
Siemens Healthcare Diagnostics GmbH, Eschborn	100
Siemens Healthcare Diagnostics Holding GmbH, Eschborn	100
Siemens Healthcare Diagnostics Products GmbH, Marburg	100
Siemens Healthcare GmbH, Munich	100
Siemens Healthineers AG, Munich	85
Siemens Healthineers Beteiligungen GmbH & Co. KG, Kemnath	100 [9]
Siemens Healthineers Beteiligungen Verwaltungs-GmbH, Kemnath	100 [7]
Siemens Immobilien GmbH & Co. KG, Grünwald	100 [9]
Siemens Immobilien Management GmbH, Grünwald	100 [7]
Siemens Industriepark Karlsruhe GmbH & Co. KG, Grünwald	100 [9]
Siemens Industry Software GmbH, Cologne	100
Siemens Insulation Center GmbH & Co. KG, Zwönitz	100 [9]
Siemens Insulation Center Verwaltungs-GmbH, Zwönitz	100 [7]
Siemens Liquidity One, Munich	100
Siemens Medical Solutions Health Services GmbH, Grünwald	100
Siemens Middle East Holding GmbH & Co. KG, Grünwald	100 [7]
Siemens Middle East Management GmbH, Grünwald	100 [7]
Siemens Mobility GmbH, Munich	100
Siemens Mobility Real Estate GmbH & Co. KG, Grünwald	100 [9]
Siemens Mobility Real Estate Management GmbH, Grünwald	100 [7]
Siemens Nixdorf Informationssysteme GmbH, Grünwald	100
Siemens OfficeCenter Frankfurt GmbH & Co. KG, Grünwald	100 [9]
Siemens OfficeCenter Verwaltungs GmbH, Grünwald	100

September 30, 2018	Equity interest in %
Siemens Postal, Parcel & Airport Logistics GmbH, Constance	100 [10]
Siemens Power Control GmbH, Langen	100 [10]
Siemens Private Finance Versicherungsvermittlungsgesellschaft mbH, Munich	100 [10]
Siemens Project Ventures GmbH, Erlangen	100 [10]
Siemens Real Estate GmbH & Co. KG, Kemnath	100 [9]
Siemens Real Estate Management GmbH, Kemnath	100 [7]
Siemens Spezial-Investmentaktiengesellschaft mit TGV, Munich	100
Siemens Technology Accelerator GmbH, Munich	100 [10]
Siemens Technopark Mülheim GmbH & Co. KG, Grünwald	100 [9]
Siemens Technopark Nürnberg GmbH & Co. KG, Grünwald	100 [9]
Siemens Technopark Nürnberg Verwaltungs GmbH, Grünwald	100
Siemens Traction Gears GmbH, Penig	100
Siemens Treasury GmbH, Munich	100 [10]
Siemens Venture Capital Fund 1 GmbH, Munich	100 [7]
Siemens-Fonds C-1, Munich	100
Siemens-Fonds Pension Captive, Munich	100
Siemens-Fonds S-7, Munich	100
Siemens-Fonds S-8, Munich	100
SILLIT Grundstücks-Verwaltungsgesellschaft mbH, Munich	100
SIM 2. Grundstücks-GmbH & Co. KG, Grünwald	100 [9]
SIMAR Nordost Grundstücks-GmbH, Grünwald	100 [10]
SIMAR Nordwest Grundstücks-GmbH, Grünwald	100 [10]
SIMAR Ost Grundstücks-GmbH, Grünwald	100 [10]
SIMAR Süd Grundstücks-GmbH, Grünwald	100 [10]
SIMAR West Grundstücks-GmbH, Grünwald	100 [10]
SIMOS Real Estate GmbH, Munich	100 [10]
SYKATEC Systeme, Komponenten, Anwendungstechnologie GmbH, Erlangen	100 [10]
Trench Germany GmbH, Bamberg	100 [10]
VIB Verkehrsinformationsagentur Bayern GmbH, Munich	51 [7]
VMZ Berlin Betreibergesellschaft mbH, Berlin	100
VR-LEASING IKANA GmbH & Co. Immobilien KG, Eschborn	94 [3]
VVK Versicherungsvermittlungs- und Verkehrskontor GmbH, Munich	100 [10]
Weiss Spindeltechnologie GmbH, Maroldsweisach	100
Windfarm 33 GmbH, Oldenburg	100
Windfarm 35 GmbH, Oldenburg	100
Windfarm 40 GmbH, Oldenburg	100
Windfarm 41 GmbH, Oldenburg	100

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %
Windfarm Ganderkesee-Lemwerder GmbH, Oldenburg	100
Windfarm Groß Haßlow GmbH, Oldenburg	100
Windfarm Ringstedt II GmbH, Oldenburg	100

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

September 30, 2018	Equity interest in %
ESTEL Rail Automation SPA, Algiers/Algeria	51
Siemens Spa, Algiers/Algeria	100
Siemens S.A., Luanda/Angola	51
Mentor Graphics Development Services CJSC, Yerevan/Armenia	100
ETM professional control GmbH, Eisenstadt/Austria	100
Flender GmbH, Vienna/Austria	100
Hochquellstrom-Vertriebs GmbH, Vienna/Austria	100
ITH icoserve technology for healthcare GmbH, Innsbruck/Austria	69
KDAG Beteiligungen GmbH, Vienna/Austria	100
Omnetric GmbH, Vienna/Austria	100
Priamos Grundstücksgesellschaft m.b.H., Vienna/Austria	100
Siemens Aktiengesellschaft Österreich, Vienna/Austria	100
Siemens Gebäudemanagement & -Services G.m.b.H., Vienna/Austria	100
Siemens Healthcare Diagnostics GmbH, Vienna/Austria	100
Siemens Industry Software GmbH, Linz/Austria	100
Siemens Konzernbeteiligungen GmbH, Vienna/Austria	100
Siemens Metals Technologies Vermögensverwaltungs GmbH, Vienna/Austria	100
Siemens Mobility GmbH, Vienna/Austria	100
Siemens Personaldienstleistungen GmbH, Vienna/Austria	100
Siemens Urban Rail Technologies Holding GmbH, Vienna/Austria	100
Siemens Wind Power GmbH, Vienna/Austria	100
Steiermärkische Medizinarchiv GesmbH, Graz/Austria	52
Trench Austria GmbH, Leonding/Austria	100
VVK Versicherungs-Vermittlungs- und Verkehrs-Kontor GmbH, Vienna/Austria	100
Siemens Gamesa Renewable Energy Limited Liability Company, Baku/Azerbaijan	100
Siemens W.L.L., Manama/Bahrain	51
Limited Liability Company Siemens Technologies, Minsk/Belarus	100
Dresser-Rand Machinery Repair Belgie N.V., Antwerp/Belgium	100[7]
Flender S.P.R.L., Beersel/Belgium	100
Mentor Graphics (Belgium) BVBA, Brussels/Belgium	100
Samtech SA, Angleur/Belgium	77
Siemens Gamesa Renewable Energy Belgium BVBA, Beersel/Belgium	100
Siemens Gamesa Renewable Energy BVBA, Beersel/Belgium	100
Siemens Healthcare SA/NV, Beersel/Belgium	100
Siemens Industry Software NV, Leuven/Belgium	100
Siemens Mobility S.A./N.V, Beersel/Belgium	100
Siemens S.A./N.V., Beersel/Belgium	100
Siemens d.o.o. Sarajevo, Sarajevo/Bosnia and Herzegovina	100
Siemens Medicina d.o.o., Sarajevo/Bosnia and Herzegovina	100
Siemens EOOD, Sofia/Bulgaria	100
Siemens Gamesa Renewable Energy EOOD, Sofia/Bulgaria	100
Siemens Healthcare EOOD, Sofia/Bulgaria	100
Siemens Mobility EOOD, Sofia/Bulgaria	100
Siemens SARL, Abidjan/Côte d'Ivoire	100
Koncar-Energetski Transformatori, d.o.o., Zagreb/Croatia	51
Siemens d.d., Zagreb/Croatia	100
Siemens Gamesa Renewable Energy d.o.o., Zagreb/Croatia	100
Siemens Healthcare d.o.o., Zagreb/Croatia	100
Siemens Gamesa Renewable Energy Limited, Nicosia/Cyprus	100
OEZ s.r.o., Letohrad/Czech Republic	100
Siemens Electric Machines s.r.o., Drasov/Czech Republic	100
Siemens Healthcare, s.r.o., Prague/Czech Republic	100
Siemens Industry Software, s.r.o., Prague/Czech Republic	100
Siemens Mobility, s.r.o., Prague/Czech Republic	100[7]
Siemens, s.r.o., Prague/Czech Republic	100
Siemens A/S, Ballerup/Denmark	100
Siemens Gamesa Renewable Energy A/S, Brande/Denmark	100
Siemens Healthcare A/S, Ballerup/Denmark	100
Siemens Industry Software A/S, Ballerup/Denmark	100
Siemens Mobility A/S, Ballerup/Denmark	100[7]
Mentor Graphics Egypt Company (A Limited Liability Company – Private Free Zone), Cairo/Egypt	100
Siemens Gamesa Renewable Energy Egypt LLC, New Cairo City/Egypt	100
Siemens Healthcare Logistics LLC, Cairo/Egypt	100

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %
Siemens Healthcare S.A.E., Cairo/Egypt	100
Siemens Heat Transfer Techn. Free Zone LLC, Alexandria/Egypt	100
Siemens Technologies S.A.E., Cairo/Egypt	90
Mentor Graphics (Finland) OY, Espoo/Finland	100
Sarokal Test Systems Oy, Oulu/Finland	100
Siemens Gamesa Renewable Energy Oy, Helsinki/Finland	100
Siemens Healthcare Oy, Espoo/Finland	100
Siemens Mobility Oy, Espoo/Finland	100
Siemens Osakeyhtiö, Espoo/Finland	100
Adwen France SAS, Puteaux/France	100
Aimsun SARL, Paris/France	100
D-R Holdings (France) SAS, Le Havre/France	100
Dresser-Rand SAS, Le Havre/France	100
Flender-Graffenstaden SAS, Illkirch-Graffenstaden/France	100
LOCOM FRANCE S.A.S, Châtillon/France	100
Mentor Graphics (France) SARL, Meudon La Forêt/France	100
Mentor Graphics Development (France) SAS, Paris/France	100
Mentor Graphics Development Crolles SARL, Monbonnot-Saint-Martin/France	100
Meta Systems SARL, Meudon La Forêt/France	100
PETNET Solutions SAS, Lisses/France	100
Siemens Financial Services SAS, Saint-Denis/France	100
Siemens France Holding SAS, Saint-Denis/France	100
Siemens Gamesa Renewable Energy France SAS, Saint-Priest/France	100
Siemens Gamesa Renewable Energy S.A.S., Saint-Denis Cedex/France	100
Siemens Gamesa Renewable Energy Wind SARL, Saint-Priest/France	100
Siemens Healthcare SAS, Saint-Denis/France	100
Siemens Industry Software SAS, Châtillon/France	100
Siemens Lease Services SAS, Saint-Denis/France	100
Siemens Mobility SAS, Châtillon/France	100
SIEMENS Postal Parcel Airport Logistics SAS, Paris/France	100
Siemens SAS, Saint-Denis/France	100
Société d'Exploitation du Parc Eolien de Bonboillon SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Bouclans SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Broyes SARL, Saint-Priest/France	100

September 30, 2018	Equity interest in %
Société d'Exploitation du Parc Eolien de Cernon SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Chaintrix Bierges SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Champsevraine, SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Chepniers SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Clamanges SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Coupetz SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Dampierre Prudemanche SAS, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Germainville SAS, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Guerfand SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de la Brie des Etangs SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de la Loye SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de la Tête des Boucs SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Landresse SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Longueville sur Aube SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Mailly-le-Camp SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Mantoche SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Margny SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Moulins du Puits SAS, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Orge et Ornain SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Plancy l'Abbaye SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Pouilly-sur-Vingeanne SARL, Saint-Priest/France	100

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %
Société d'Exploitation du Parc Eolien de Pringy SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Romigny SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Saint Amand SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Saint Bon SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Saint Loup de Saintonge SAS, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Saint-Lumier en Champagne SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Sambourg SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Savoisy SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Sceaux SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Sommesous SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Songy SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Soude SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Source de Sèves SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Souvans SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Trépot SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Vaudrey SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Vernierfontaine SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien d'Orchamps SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien du Vireaux SAS, Saint-Priest/France	100
Trench France SAS, Saint-Louis/France	100
Siemens Oil & Gas Equipment Limited, Accra/Ghana	90
Elliniki Eoliki Attikis Energiaki S.A., Athens/Greece	86
Elliniki Eoliki Energiaki Pirgos S.A., Athens/Greece	86
Elliniki Eoliki Kopriseza S.A., Athens/Greece	86

September 30, 2018	Equity interest in %
Elliniki Eoliki Kseropousi S.A., Athens/Greece	86
Elliniki Eoliki Likourdi S.A., Athens/Greece	86
Eoliki Peloponnisou Lakka Energiaki S.A., Athens/Greece	86
Siemens A.E., Elektrotechnische Projekte und Erzeugnisse, Athens/Greece	100
Siemens Gamesa Renewable Energy AE, Athens/Greece	100
Siemens Gamesa Renewable Energy Greece E.P.E., Athens/Greece	100
Siemens Healthcare Industrial and Commercial Société Anonyme, Athens/Greece	100
Siemens Mobility Rail and Road Transportation Solutions Société Anonyme, Athens/Greece	100
evosoft Hungary Szamitastechnikai Kft., Budapest/Hungary	100
Mentor Graphics Magyarország Kft., Budapest/Hungary	100
Siemens Gamesa Megújuló Energia Hungary Kft, Budapest/Hungary	100
Siemens Gamesa Renewable Energy Kft., Budapest/Hungary	100
Siemens Healthcare Kft., Budapest/Hungary	100
Siemens Mobility Kft., Budapest/Hungary	100
Siemens Zrt., Budapest/Hungary	100
Siemens Gamesa Energy Tajdidpazir SSK, Teheran/Iran, Islamic Republic of	100
Siemens Sherkate Sahami (Khass), Teheran/Iran, Islamic Republic of	97
Mentor Graphics (Holdings) Unlimited Company, Shannon, County Clare/Ireland	100[13]
Mentor Graphics (Ireland) Limited, Shannon, County Clare/Ireland	100
Mentor Graphics Development Services Limited, Shannon, County Clare/Ireland	100
Siemens Gamesa Renewable Energy Ireland Limited, Dublin/Ireland	100
Siemens Gamesa Renewable Energy Limited, Dublin/Ireland	100
Siemens Healthcare Diagnostics Manufacturing Limited, Swords, County Dublin/Ireland	100[7]
Siemens Healthcare Medical Solutions Limited, Swords, County Dublin/Ireland	100
Siemens Limited, Dublin/Ireland	100
Mentor Graphics International Unlimited, Douglas/Isle of Man	100[13]
9REN Israel Ltd., Tel Aviv/Israel	100
Mentor Graphics (Israel) Limited, Herzilya Pituah/Israel	100

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %
Mentor Graphics Development Services (Israel) Ltd., Rehovot/Israel	100
Siemens Concentrated Solar Power Ltd., Rosh HaAyin/Israel	100
Siemens Gamesa Renewable Energy Ltd, Tel Aviv/Israel	100
Siemens HealthCare Ltd., Rosh HaAyin/Israel	100
Siemens Industry Software Ltd., Airport City/Israel	100
Siemens Israel Ltd., Rosh HaAyin/Israel	100
Siemens Israel Projects Ltd., Rosh HaAyin/Israel	100[7]
Siemens Product Lifecycle Management Software 2 (IL) Ltd., Airport City/Israel	100
UGS Israeli Holdings (Israel) Ltd., Airport City/Israel	100
Flender Italia S.r.l., Milan/Italy	100
Mentor Graphics Torino S.R.L., Turin/Italy	100
Parco Eolico Banzy S.r.l., Rome/Italy	100
Parco Eolico Manca Vennarda S.r.l., Rome/Italy	100
Samtech Italia S.r.l. in Liquidazione, Milan/Italy	100
Siemens Gamesa Renewable Energy Italia S.r.l., Milan/Italy	100
Siemens Gamesa Renewable Energy Italy, S.P.A., Rome/Italy	100
Siemens Gamesa Renewable Energy Wind S.R.L., Rome/Italy	100
Siemens Healthcare S.r.l., Milan/Italy	100
Siemens Industry Software S.r.l., Milan/Italy	100
Siemens Mobility S.r.l., Milan/Italy	100
Siemens Postal, Parcel & Airport Logistics S.r.l., Milan/Italy	100
Siemens Renting s.r.l. in Liquidazione, Milan/Italy	100
Siemens S.p.A., Milan/Italy	100
Siemens Transformers S.r.l., Trento/Italy	100
Trench Italia S.r.l., Savona/Italy	100
Siemens Healthcare Limited Liability Partnership, Almaty/Kazakhstan	100
Siemens TOO, Almaty/Kazakhstan	100
Siemens Gamesa Renewable Energy Limited, Nairobi/Kenya	100
Siemens Electrical & Electronic Services K.S.C.C., Kuwait City/Kuwait	49[2]
Crabtree (Pty) Ltd, Maseru/Lesotho	100
D-R Luxembourg Holding 1, SARL, Luxembourg/Luxembourg	100
D-R Luxembourg Holding 2, SARL, Luxembourg/Luxembourg	100
D-R Luxembourg Holding 3, SARL, Luxembourg/Luxembourg	100
D-R Luxembourg International SARL, Luxembourg/Luxembourg	100
Dresser-Rand Holding (Delaware) LLC, SARL, Luxembourg/Luxembourg	100
FAST TRACK DIAGNOSTICS LUXEMBOURG S.à r.l., Esch-sur-Alzette/Luxembourg	100

September 30, 2018	Equity interest in %
Siemens Mobility Holding SARL, Luxembourg/Luxembourg	100
TFM International S.A. i.L., Luxembourg/Luxembourg	100
Fast Track Diagnostics Ltd, Sliema/Malta	100
FTD Europe Ltd, Sliema/Malta	100
Siemens Gamesa Renewable Energy, SARL, Nouakchott/Mauritania	100
Siemens Gamesa Renewable Energy, Ltd, Cybercity/Mauritius	100
Siemens d.o.o., Podgorica/Montenegro	100
Guascor Maroc, S.A.R.L., Agadir/Morocco	100
Mentor Graphics Morocco SARL, Sala Al Jadida/Morocco	100
Siemens Gamesa Renewable Energy Blades, SARL AU, Tangier/Morocco	100
Siemens Gamesa Renewable Energy Morocco SARL, Tangier/Morocco	100
Siemens Gamesa Renewable Energy SARL, Casablanca/Morocco	100
Siemens Healthcare SARL, Casablanca/Morocco	100
Siemens Plant Operations Tahaddart SARL, Tangier/Morocco	100
Siemens S.A., Casablanca/Morocco	100
Castor III B.V., Amsterdam/Netherlands	100
D-R International Holdings (Netherlands) B.V., Spijkenisse/Netherlands	100
Dresser-Rand B.V., Spijkenisse/Netherlands	100
Dresser-Rand International B.V., The Hague/Netherlands	100
Dresser-Rand Services B.V., Spijkenisse/Netherlands	100
Enlighted International B.V., Amsterdam/Netherlands	100
Flender B.V., Rotterdam/Netherlands	100
Flowmaster Group NV, Eindhoven/Netherlands	100
Mentor Graphics (Netherlands) B.V., Eindhoven/Netherlands	100
Omnetric B.V., The Hague/Netherlands	100
Pollux III B.V., Amsterdam/Netherlands	100
Siemens Diagnostics Holding II B.V., The Hague/Netherlands	100
Siemens D-R Holding B.V., The Hague/Netherlands	100
Siemens D-R Holding II B.V., The Hague/Netherlands	100
Siemens D-R Holding III B.V., The Hague/Netherlands	100
Siemens Finance B.V., The Hague/Netherlands	100
Siemens Financieringsmaatschappij N.V., The Hague/Netherlands	100
Siemens Gamesa Renewable Energy B.V., The Hague/Netherlands	100

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %
Siemens Gas Turbine Technologies Holding B.V., The Hague/Netherlands	65
Siemens Healthcare Nederland B.V., The Hague/Netherlands	100
Siemens Healthineers Holding III B.V., The Hague/Netherlands	100
Siemens Heat Transfer Technology B.V., Zoeterwoude/Netherlands	100
Siemens Industry Software and Services B.V., Rijswijk/Netherlands	100
Siemens Industry Software B.V., 's-Hertogenbosch/Netherlands	100
Siemens Industry Software Holding I B.V., The Hague/Netherlands	100
Siemens Industry Software Holding II B.V., The Hague/Netherlands	100
Siemens International Holding B.V., The Hague/Netherlands	100
Siemens Medical Solutions Diagnostics Holding I B.V., The Hague/Netherlands	100
Siemens Mobility B.V., The Hague/Netherlands	100
Siemens Mobility Holding B.V., The Hague/Netherlands	100
Siemens Nederland N.V., The Hague/Netherlands	100
TASS International B.V., Helmond/Netherlands	100
TASS International Holding B.V., Helmond/Netherlands	100
SIEMENS GAMESA RENEWABLE ENERGY SARL, Nouméa/New Caledonia	100
Dresser-Rand (Nigeria) Limited, Lagos/Nigeria	100
Siemens Ltd., Lagos/Nigeria	100
Dresser-Rand AS, Kongsberg/Norway	100
Siemens AS, Oslo/Norway	100
SIEMENS GAMESA RENEWABLE ENERGY AS, Oslo/Norway	100
Siemens Healthcare AS, Oslo/Norway	100
Siemens Mobility AS, Oslo/Norway	100
Siemens L.L.C., Muscat/Oman	51
Mentor Graphics Pakistan Development (Private) Limited, Lahore/Pakistan	100
Siemens Gamesa Renewable Energy (Private) Limited, Karachi/Pakistan	100
Siemens Healthcare (Private) Limited, Lahore/Pakistan	100
Siemens Pakistan Engineering Co. Ltd., Karachi/Pakistan	75
AXIT Sp. z o.o., Wroclaw/Poland	100
Lichnowy Windfarm Sp. z o.o., Warsaw/Poland	100
Mentor Graphics Polska Sp. z o.o., Poznan/Poland	100

September 30, 2018	Equity interest in %
Osiek Sp. z o.o. w Likwidacji, Warsaw/Poland	100
Siemens Finance Sp. z o.o., Warsaw/Poland	100
Siemens Gamesa Renewable Energy Poland Sp. z o.o., Warsaw/Poland	100
Siemens Gamesa Renewable Energy Sp.z.o.o., Warsaw/Poland	100
Siemens Healthcare Sp. z o.o., Warsaw/Poland	100
Siemens Industry Software Sp. z o.o., Warsaw/Poland	100
Siemens Mobility Sp. z o.o., Warsaw/Poland	100
Siemens Sp. z o.o., Warsaw/Poland	100
Smardzewo Windfarm Sp. z o.o., Slawno/Poland	100
Ujazd Sp. z o.o., Warsaw/Poland	100
Siemens Gamesa Renewable Engergy, S.A., Venda do Pinheiro/Portugal	100
SIEMENS HEALTHCARE, UNIPESSOAL, LDA, Amadora/Portugal	100
SIEMENS MOBILITY, UNIPESSOAL LDA, Amadora/Portugal	100
Siemens Postal, Parcel & Airport Logistics, Unipessoal Lda, Lisbon/Portugal	100
Siemens S.A., Amadora/Portugal	100
Siemens W.L.L., Doha/Qatar	40[2]
GER Baneasa, S.R.L., Bucharest/Romania	100
GER Baraganu, S.R.L, Bucharest/Romania	100
GER Independenta, S.R.L., Bucharest/Romania	100
J2 Innovative Concepts Europe SRL, Bucharest/Romania	100
Mentor Graphics Romania SRL, Bucharest/Romania	100
SIEMENS (AUSTRIA) PROIECT SPITAL COLTEA SRL, Bucharest/Romania	100
Siemens Gamesa Renewable Energy Romania S.R.L., Bucharest/Romania	100
Siemens Gamesa Renewable Energy Wind Farms S.R.L., Bucharest/Romania	100
Siemens Healthcare S.R.L., Bucharest/Romania	100
Siemens Industry Software S.R.L., Brasov/Romania	100
Siemens Mobility S.R.L., Bucharest/Romania	100
Siemens S.R.L., Bucharest/Romania	100
SIMEA SIBIU S.R.L., Sibiu/Romania	100
OOO Legion II, Moscow/Russian Federation	100
OOO Siemens, Moscow/Russian Federation	100
OOO Siemens Elektroprivod, St. Petersburg/Russian Federation	100
OOO Siemens Gas Turbine Technologies, Leningrad region/Russian Federation	100

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %
OOO Siemens Industry Software, Moscow/Russian Federation	100
OOO Siemens Transformers, Voronezh/Russian Federation	100
Siemens Finance and Leasing LLC, Vladivostok/Russian Federation	100
Siemens Gamesa Renewable Energy LLC, Moscow/Russian Federation	100
Siemens Healthcare Limited Liability Company, Moscow/Russian Federation	100
Siemens Mobility LLC, Moscow/Russian Federation	100
Technologies of Rail Transport Limited Liability Company, Moscow/Russian Federation	100[7]
Arabia Electric Ltd. (Equipment), Jeddah/Saudi Arabia	51
Dresser-Rand Arabia LLC, Al Khobar/Saudi Arabia	50[1]
ISCOSA Industries and Maintenance Ltd., Riyadh/Saudi Arabia	51
Siemens Healthcare Limited, Riyadh/Saudi Arabia	51
Siemens Ltd., Riyadh/Saudi Arabia	51
VA TECH T&D Co. Ltd., Riyadh/Saudi Arabia	51
Siemens d.o.o. Beograd, New Belgrade/Serbia	100
Siemens Healthcare d.o.o. Beograd, Belgrade/Serbia	100
Siemens Mobility d.o.o. Cerovac, Kragujevac/Serbia	100
OEZ Slovakia, spol. s r.o., Bratislava/Slovakia	100
SAT Systémy automatizacnej techniky spol. s.r.o., Bratislava/Slovakia	60
Siemens Healthcare s.r.o., Bratislava/Slovakia	100
Siemens Mobility, s.r.o., Bratislava/Slovakia	100
Siemens s.r.o., Bratislava/Slovakia	100
SIPRIN s.r.o., Bratislava/Slovakia	100
Siemens d.o.o., Ljubljana/Slovenia	100
Siemens Healthcare d.o.o., Ljubljana/Slovenia	100
Siemens Mobility d.o.o., Ljubljana/Slovenia	100
Crabtree South Africa Pty. Limited, Midrand/South Africa	100
Dresser-Rand Property (Pty) Ltd., Midrand/South Africa	100[7]
Dresser-Rand Service Centre (Pty) Ltd., Midrand/South Africa	100
Dresser-Rand Southern Africa (Pty) Ltd., Midrand/South Africa	100
Flender (Pty) Ltd, Johannesburg/South Africa	100
Gamesa Wind South Africa (Proprietary) Limited, Cape Town/South Africa	100
Linacre Investments (Pty) Ltd., Kenilworth/South Africa	0[3]
Siemens Employee Share Ownership Trust, Johannesburg/South Africa	0[3]

September 30, 2018	Equity interest in %
Siemens Healthcare Employee Share Ownership Trust, Midrand/South Africa	0[3]
Siemens Healthcare Proprietary Limited, Halfway House/South Africa	75
Siemens Mobility (Pty) Ltd, Johannesburg/South Africa	100[7]
Siemens Proprietary Limited, Midrand/South Africa	70
SIEMENS WIND POWER (PTY) LTD, Midrand/South Africa	70
Siemens Wind Power Employee Share Ownership Trust, Midrand/South Africa	0[3]
Adwen Offshore, S.L., Zamudio/Spain	100
Aimsun S.L., Barcelona/Spain	100
Aljaraque Solar, S.L., Madrid/Spain	100
Convertidor Solar Ciento Veintisiete, S.L.U., Madrid/Spain	100
Convertidor Solar Trescientos Diecisiete, S.L.U., Madrid/Spain	100
Dresser-Rand Holdings Spain S.L.U., Vitoria-Gasteiz/Spain	100
Estructuras Metalicas Singulares, S.A. Unipersonal, Tajonar/Spain	100
Fábrica Electrotécnica Josa, S.A., Tres Cantos/Spain	100
FLENDER IBERICA SL, Tres Cantos/Spain	100
FLOVEA SOLAR, S.L.U., Vitoria-Gasteiz/Spain	100
Gamesa Electric, S.A. Unipersonal, Zamudio/Spain	100
Gamesa Energy Transmission, S.A. Unipersonal, Zamudio/Spain	100
Gerr Grupo Energético XXI, S.A. Unipersonal, Barcelona/Spain	100
Guascor Explotaciones Energéticas, S.A., Vitoria-Gasteiz/Spain	100
Guascor Ingenieria S.A., Vitoria-Gasteiz/Spain	100
Guascor Isolux AIE, Vitoria-Gasteiz/Spain	60[7,13]
Guascor Promotora Solar, S.A., Vitoria-Gasteiz/Spain	100
Guascor Solar S.A., Vitoria-Gasteiz/Spain	100
International Wind Farm Developments II, S.L., Zamudio/Spain	100
International Wind Farm Developments IX, S.L., Zamudio/Spain	100
INVERSIONES SAMIAC 30, S.L.U., Vitoria-Gasteiz/Spain	100[7]
Mentor Graphics (España) SL, Madrid/Spain	100
Parque Eolico Dos Picos, S.L.U., Zamudio/Spain	100
Samtech Iberica Engineering & Software Services S.L., Barcelona/Spain	100
SIEMENS ENGINES R&D, S.A.U., Vitoria-Gasteiz/Spain	100
SIEMENS ENGINES SA, Zumaia/Spain	100

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %
Siemens Gamesa Renewable Energy 9REN, S.L., Madrid/Spain	100
Siemens Gamesa Renewable Energy Apac, S.L., Sarriguren/Spain	100
Siemens Gamesa Renewable Energy Eolica, S.L., Sarriguren/Spain	100
Siemens Gamesa Renewable Energy Europa S.L., Zamudio/Spain	100
Siemens Gamesa Renewable Energy Iberica S.L., Tres Cantos/Spain	100
Siemens Gamesa Renewable Energy Innovation & Technology, S.L., Sarriguren/Spain	100
Siemens Gamesa Renewable Energy International Wind Services, S.A., Zamudio/Spain	100
Siemens Gamesa Renewable Energy Invest, S.A., Zamudio/Spain	100
Siemens Gamesa Renewable Energy Latam, S.L., Sarriguren/Spain	100
Siemens Gamesa Renewable Energy S.A., Zamudio/Spain	59
Siemens Gamesa Renewable Energy Wind Farms, S.A., Zamudio/Spain	100
Siemens Gamesa Renewable Finance, S.A., Zamudio/Spain	100
SIEMENS HEALTHCARE, S.L.U., Getafe/Spain	100
Siemens Holding S.L., Madrid/Spain	100
Siemens Industry Software S.L., Barcelona/Spain	100
SIEMENS MOBILITY, S.L.U., Tres Cantos/Spain	100
SIEMENS POSTAL, PARCEL & AIRPORT LOGISTICS, S.L. Sociedad Unipersonal, Madrid/Spain	100
Siemens Rail Automation S.A.U., Madrid/Spain	100
Siemens Renting S.A., Madrid/Spain	100
Siemens S.A., Madrid/Spain	100
Sistema Eléctrico de Conexión Montes Orientales, S.L., Granada/Spain	83
Sistemas Energéticos Alcohujate, S.A. Unipersonal, Toledo/Spain	100
Sistemas Energéticos Argañoso, S.L. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos Arinaga, S.A. Unipersonal, Las Palmas de Gran Canaria/Spain	100
Sistemas Energéticos Balazote, S.A. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos Barandon, S.A., Valladolid/Spain	100

September 30, 2018	Equity interest in %
Sistemas Energéticos Boyal, S.L., Zaragoza/Spain	60
Sistemas Energéticos Cabanelas, S.A. Unipersonal, Santiago de Compostela/Spain	100
Sistemas Energéticos Cabezo Negro, S.A. Unipersonal, Zaragoza/Spain	100
Sistemas Energéticos Carril, S.L. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos Cuerda Gitana, S.A. Unipersonal, Sevilla/Spain	100
Sistemas Energéticos Cuntis, S.A. Unipersonal, Santiago de Compostela/Spain	100
Sistemas Energéticos de Tarifa, S.L. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos del Sur S.A., Sevilla/Spain	70
Sistemas Energéticos El Valle, S.L., Sarriguren/Spain	100
Sistemas Energéticos Finca San Juan, S.L.U., Las Palmas de Gran Canaria/Spain	100
Sistemas Energéticos Fonseca, S.A. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos Fuerteventura, S.A. Unipersonal, San Cristóbal de La Laguna/Spain	100
Sistemas Energéticos Jaralón, S.A. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos La Cámara, S.L., Sevilla/Spain	100
Sistemas Energéticos La Plana, S.A., Villanueva de Gállego/Spain	90
Sistemas Energéticos Ladera Negra, S.A. Unipersonal, Las Palmas de Gran Canaria/Spain	100
Sistemas Energéticos Loma del Reposo, S.L. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos Loma del Viento, S.A. Unipersonal, Sevilla/Spain	100
Sistemas Energéticos Mansilla, S.L., Villarcayo de Merindad de Castilla la Vieja/Spain	78
Sistemas Energéticos Monte Genaro, S.L.U., Zamudio/Spain	100
Sistemas Energéticos Serra de Lourenza, S.A. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos Sierra de Las Estancias, S.A. Unipersonal, Sevilla/Spain	100
Sistemas Energéticos Sierra de Valdefuentes, S.L.U., Zamudio/Spain	100
Sistemas Energéticos Sierra del Carazo, S.L.U., Zamudio/Spain	100

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %
Sistemas Energéticos Tablero Tabordo, S.L., Las Palmas de Gran Canaria/Spain	100
Sistemas Energéticos Tomillo, S.A. Unipersonal, Las Palmas de Gran Canaria/Spain	100
Telecomunicación, Electrónica y Conmutación S.A., Madrid/Spain	100
Fanbyn2 Vindenergi AB, Stockholm/Sweden	100
Lindom Vindenergi AB, Solna/Sweden	100
Lingbo SPW AB, Stockholm/Sweden	100
Mentor Graphics (Scandinavia) AB, Kista/Sweden	100
Siemens AB, Solna/Sweden	100
Siemens Financial Services AB, Stockholm/Sweden	100
Siemens Gamesa Renewable Energy AB, Stockholm/Sweden	100
SIEMENS GAMESA RENEWABLE ENERGY SWEDEN AB, Stockholm/Sweden	100
Siemens Healthcare AB, Solna/Sweden	100
Siemens Industrial Turbomachinery AB, Finspång/Sweden	100
Siemens Industry Software AB, Kista/Sweden	100
Siemens Mobility AB, Solna/Sweden	100
Dresser Rand Sales Company GmbH, Zurich/Switzerland	100
Huba Control AG, Würenlos/Switzerland	100
Komykrieg AG in Liquidation, Zurich/Switzerland	100
Mentor Graphics (Schweiz) AG, Kilchberg/Switzerland	100
Polarion AG, Zurich/Switzerland	100
Siemens Healthcare AG, Zurich/Switzerland	100
Siemens Industry Software GmbH, Zurich/Switzerland	100
Siemens Mobility AG, Wallisellen/Switzerland	100
Siemens Postal, Parcel & Airport Logistics AG, Zurich/Switzerland	100
Siemens Power Holding AG, Zug/Switzerland	100
Siemens Schweiz AG, Zurich/Switzerland	100
systransis AG, Risch/Switzerland	100
Siemens Tanzania Ltd., Dar es Salaam/Tanzania, United Republic of	100
Mentor Graphics Tunisia SARL, Tunis/Tunisia	100
Siemens S.A., Tunis/Tunisia	100
Flender Mekanik Güc Aktarma Sistemleri Sanayi ve Ticaret Anonim Sirketi, Istanbul/Turkey	100
Siemens Finansal Kiralama A.S., Istanbul/Turkey	100
Siemens Gamesa Turkey Yenilenebilir Enerji Limited Sirketi, Kartal/Istanbul/Turkey	100
SIEMENS GAMESA YENILENEBILIR ENERJI IC VE DIS TICARET LIMITED SIRKETI, Izmir/Turkey	100

September 30, 2018	Equity interest in %
Siemens Healthcare Saglik Anonim Sirketi, Istanbul/Turkey	100
Siemens Mobility Ulasim Sistemleri Anonim Sirketi, Istanbul/Turkey	100
Siemens Sanayi ve Ticaret Anonim Sirketi, Istanbul/Turkey	100
Siemens Wind Power Ruzgar Enerjisi Anonim Sirketi, Kartal/Istanbul/Turkey	100
Dresser-Rand Turkmen Company, Ashgabat/Turkmenistan	100
100% foreign owned subsidiary "Siemens Ukraine", Kiev/Ukraine	100
Siemens Gamesa Renewable Energy LLC, Kiev/Ukraine	100
SIEMENS HEALTHCARE LIMITED LIABILITY COMPANY, Kiev/Ukraine	100
Dresser-Rand Field Operations Middle East LLC, Abu Dhabi/United Arab Emirates	49[2]
Gulf Steam Generators L.L.C., Dubai/United Arab Emirates	100
SD (Middle East) LLC, Dubai/United Arab Emirates	49[2]
Siemens Capital Middle East Ltd, Abu Dhabi/United Arab Emirates	100
Siemens Healthcare FZ LLC, Dubai/United Arab Emirates	100
Siemens Healthcare L.L.C., Dubai/United Arab Emirates	49[2]
Siemens LLC, Abu Dhabi/United Arab Emirates	49[2]
Siemens Middle East Limited, Masdar City/United Arab Emirates	100
Adwen UK Limited, Kingston Upon Hull, Yorkshire/United Kingdom	100
AIMSUN LIMITED, London/United Kingdom	100
Bargrennan Renewable Energy Park Limited, Frimley, Surrey/United Kingdom	100
ByteToken, Ltd, Edinburgh/United Kingdom	100
CD-adapco New Hampshire Co., Ltd., Frimley, Surrey/United Kingdom	100
Conworx Medical IT Ltd., Marlow, Buckinghamshire/United Kingdom	100
D-R Dormant Ltd., Frimley, Surrey/United Kingdom	100[7]
D-R Holdings (UK) Ltd., Frimley, Surrey/United Kingdom	100
Dresser-Rand (U.K.) Limited, Frimley, Surrey/United Kingdom	100
Dresser-Rand Company Ltd., Frimley, Surrey/United Kingdom	100
Electrium Sales Limited, Frimley, Surrey/United Kingdom	100
FAST TRACK DIAGNOSTICS RESEARCH LIMITED, Dunblane/United Kingdom	100
Flender Limited, Frimley, Surrey/United Kingdom	100

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %
Flomerics Group Limited, Frimley, Surrey/United Kingdom	100
Flowmaster Limited, Frimley, Surrey/United Kingdom	100
Glenouther Renewables Energy Park Limited, Frimley, Surrey/United Kingdom	100
GyM Renewables Limited, Frimley, Surrey/United Kingdom	100
GyM Renewables ONE Limited, Frimley, Surrey/United Kingdom	100
Industrial Turbine Company (UK) Limited, Frimley, Surrey/United Kingdom	100
Lightwork Design Limited, Sheffield, South Yorkshire/United Kingdom	100
LIGHTWORKS SOFTWARE LIMITED, Sheffield, South Yorkshire/United Kingdom	100
Materials Solutions Holdings Limited, Frimley, Surrey/United Kingdom	100
Materials Solutions Limited, Frimley, Surrey/United Kingdom	100
Mentor Graphics (UK) Limited, Frimley, Surrey/United Kingdom	100
MRX Rail Services UK Limited, Frimley, Surrey/United Kingdom	100
MRX Technologies Limited, Frimley, Surrey/United Kingdom	100
next47 Fund 2018, L.P., London/United Kingdom	100
next47 Fund 2019, L.P., London/United Kingdom	100
Preactor International Limited, Frimley, Surrey/United Kingdom	100
Project Ventures Rail Investments I Limited, Frimley, Surrey/United Kingdom	100
SBS Pension Funding (Scotland) Limited Partnership, Edinburgh/United Kingdom	57[3]
Sellafirth Renewable Energy Park Limited, Frimley, Surrey/United Kingdom	100
Siemens Financial Services Holdings Ltd., Stoke Poges, Buckinghamshire/United Kingdom	100
Siemens Financial Services Ltd., Stoke Poges, Buckinghamshire/United Kingdom	100
Siemens Gamesa Renewable Energy B9 Limited, Frimley, Surrey/United Kingdom	100
Siemens Gamesa Renewable Energy Limited, Frimley, Surrey/United Kingdom	100
Siemens Gamesa Renewable Energy UK Limited, Frimley, Surrey/United Kingdom	100
Siemens Gamesa Renewable Energy Wind Limited, Frimley, Surrey/United Kingdom	100

September 30, 2018	Equity interest in %
Siemens Healthcare Diagnostics Ltd., Frimley, Surrey/United Kingdom	100
Siemens Healthcare Diagnostics Manufacturing Ltd, Frimley, Surrey/United Kingdom	100
Siemens Healthcare Diagnostics Products Ltd, Frimley, Surrey/United Kingdom	100
Siemens Healthcare Limited, Frimley, Surrey/United Kingdom	100
Siemens Holdings plc, Frimley, Surrey/United Kingdom	100
Siemens Industrial Turbomachinery Ltd., Frimley, Surrey/United Kingdom	100
Siemens Industry Software Computational Dynamics Limited, Frimley, Surrey/United Kingdom	100
Siemens Industry Software Limited, Frimley, Surrey/United Kingdom	100
Siemens Industry Software Simulation and Test Limited, Frimley, Surrey/United Kingdom	100
Siemens Mobility Limited, Frimley, Surrey/United Kingdom	100
Siemens Pension Funding (General) Limited, Frimley, Surrey/United Kingdom	100
Siemens Pension Funding Limited, Frimley, Surrey/United Kingdom	100
Siemens plc, Frimley, Surrey/United Kingdom	100
Siemens Postal, Parcel & Airport Logistics Limited, Frimley, Surrey/United Kingdom	100
Siemens Protection Devices Limited, Frimley, Surrey/United Kingdom	100
Siemens Rail Automation Limited, Frimley, Surrey/United Kingdom	100
Siemens Rail Systems Project Holdings Limited, Frimley, Surrey/United Kingdom	100
Siemens Rail Systems Project Limited, Frimley, Surrey/United Kingdom	100
Siemens Transmission & Distribution Limited, Frimley, Surrey/United Kingdom	100
The Preactor Group Limited, Frimley, Surrey/United Kingdom	100
VA TECH (UK) Ltd., Frimley, Surrey/United Kingdom	100
VA Tech Reyrolle Distribution Ltd., Frimley, Surrey/United Kingdom	100
VA TECH T&D UK Ltd., Frimley, Surrey/United Kingdom	100
VSI TRUSTEES LIMITED, Sheffield, South Yorkshire/United Kingdom	100

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %
Americas (174 companies)	
Artadi S.A., Buenos Aires/Argentina	100
Guascor Argentina, S.A., Buenos Aires/Argentina	100
Siemens Healthcare S.A., Buenos Aires/Argentina	100
Siemens IT Services S.A., Buenos Aires/Argentina	100
Siemens Mobility S.A., Munro/Argentina	100[7]
Siemens S.A., Buenos Aires/Argentina	100
VA TECH International Argentina SA, Buenos Aires/Argentina	100
Siemens Soluciones Tecnologicas S.A., Santa Cruz de la Sierra/Bolivia, Plurinational State of	100
Chemtech Servicos de Engenharia e Software Ltda., Rio de Janeiro/Brazil	100
Cinco Rios Geracao de Energia Ltda., Manaus/Brazil	100[7]
Dresser-Rand do Brasil, Ltda., Santa Bárbara D'Oeste/Brazil	100
Guascor do Brasil Ltda., São Paulo/Brazil	100
Guascor Empreendimentos Energéticos, Ltda., Belém/Brazil	100
Guascor Serviços Ltda., Taboão da Serra/Brazil	100
Guascor Solar do Brasil Ltda., Manaus/Brazil	100[7]
Guascor Wind do Brasil, Ltda., São Paulo/Brazil	100[7]
Industrial Turbine Brasil Geracao de Energia Ltda., Duque de Caxias/Brazil	100
Iriel Indústria e Cómercio de Sistemas Eléctricos Ltda., Canoas/Brazil	100
Jaguarí Energética, S.A., Jaguari/Brazil	89
MINUANO PROMOÇÕES E PARTICIPAÇÕES EÓLICAS LTDA., Belém/Brazil	100[7]
Siemens Eletroeletronica Limitada, Manaus/Brazil	100
Siemens Gamesa Energia Renovável Ltda., Camaçari/Brazil	100
Siemens Healthcare Diagnósticos Ltda., São Paulo/Brazil	100
Siemens Industry Software Ltda., São Caetano do Sul/Brazil	100
Siemens Ltda., São Paulo/Brazil	100
Siemens Mobility Soluções de Mobilidade Ltda., São Paulo/Brazil	100
Siemens Participações Ltda., São Paulo/Brazil	100
Siemens Wind Power Energia Eólica Ltda., São Paulo/Brazil	100
Bytemark Canada Inc., Saint John/Canada	100
Dresser-Rand Canada, ULC, Vancouver/Canada	100[13]
EPOCAL INC., Toronto/Canada	100
Mentor Graphics (Canada) ULC, Oakville/Canada	100[13]

September 30, 2018	Equity interest in %
Siemens Canada Limited, Oakville/Canada	100
Siemens Financial Ltd., Oakville/Canada	100
Siemens Gamesa Renewable Energy Canada ULC, Halifax/Canada	100[13]
Siemens Gamesa Renewable Energy Limited, Oakville/Canada	100
Siemens Healthcare Limited, Oakville/Canada	100
Siemens Industry Software ULC, Oakville/Canada	100[13]
SIEMENS MOBILITY LIMITED, Oakville/Canada	100
Siemens Postal, Parcel & Airport Logistics Ltd., Oakville/Canada	100
Siemens Transformers Canada Inc., Trois-Rivières, Québec/Canada	100
Trench Limited, Saint John/Canada	100
Wheelabrator Air Pollution Control (Canada) Inc., Oakville/Canada	100
Siemens Healthcare Diagnostics Manufacturing Limited, Grand Cayman/Cayman Islands	100
Flender S.p.A., Santiago de Chile/Chile	100
Nimbic Chile S.p.A., Las Condes/Chile	100
Siemens Gamesa Renewable Energy Chile SpA, Santiago de Chile/Chile	100
Siemens Healthcare Equipos Médicos Sociedad por Acciones, Santiago de Chile/Chile	100
Siemens Mobility S.p.A., Santiago de Chile/Chile	100
Siemens S.A., Santiago de Chile/Chile	100
Siemens Wind Power SpA, Santiago de Chile/Chile	100
Dresser-Rand Colombia S.A.S., Bogotá/Colombia	100
Siemens Healthcare S.A.S., Tenjo/Colombia	100
Siemens Mobility S.A.S., Tenjo/Colombia	100
Siemens S.A., Tenjo/Colombia	100
SIEMENS GAMESA RENEWABLE ENERGY, S.R.L., San Rafael/Costa Rica	100
Siemens Healthcare Diagnostics S.A., San José/Costa Rica	100
Siemens S.A., San José/Costa Rica	100
Gamesa Dominicana, S.A.S., Santo Domingo/Dominican Republic	100
Siemens Mobility, S.R.L., Santo Domingo/Dominican Republic	100[7]
Siemens, S.R.L., Santo Domingo/Dominican Republic	100
Sociedad Energética Del Caribe, S.R.L., Higüey/Dominican Republic	100
Siemens S.A., Quito/Ecuador	100

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %
Siemens-Healthcare Cia. Ltda., Quito/Ecuador	100
Siemens Healthcare, Sociedad Anonima, Antiguo Cuscatlán/El Salvador	100
Siemens S.A., Antiguo Cuscatlán/El Salvador	100
SIEMENS GAMESA RENEWABLE ENERGY INSTALLATION & MAINTENANCE COMPAÑÍA LIMITADA, Guatemala/Guatemala	100
SIEMENS HEALTHCARE DIAGNOSTICS GUATEMALA, S.A., Guatemala/Guatemala	100
Siemens S.A., Guatemala/Guatemala	100
GESA Eólica Honduras, S.A., Tegucigalpa/Honduras	100
Siemens S.A., Tegucigalpa/Honduras	100
Central Eólica de México S.A. de C.V., Mexico City/Mexico	100
Gesa Oax I Sociedad Anomima de Capital Variable, Mexico City/Mexico	100
Gesa Oax II Sociedad de Responsabilidad Limitada de Capital Variable, Mexico City/Mexico	100
Gesa Oax III Sociedad Anomima de Capital Variable, Mexico City/Mexico	100
Gesacisa Desarolladora, S.A. de C.V., Mexico City/Mexico	100
Gesan I S.A.P.I de C.V., Mexico City/Mexico	100
Grupo Siemens S.A. de C.V., Mexico City/Mexico	100
Indústria de Trabajos Eléctricos S.A. de C.V., Ciudad Juárez/Mexico	100
Siemens Gesa Renewable Energy México, S. de R.L. de C.V., Mexico City/Mexico	100
Siemens Gesa Renewable Energy, S.A. de C.V., Mexico City/Mexico	100
Siemens Gesa Renewables Energy Services S. de R.L. de C.V., Mexico City/Mexico	100
Siemens Healthcare Diagnostics, S. de R.L. de C.V., Mexico City/Mexico	100
Siemens Healthcare Servicios S. de R.L. de C.V., Mexico City/Mexico	100
Siemens Industry Software, S.A. de C.V., Mexico City/Mexico	100
Siemens Inmobiliaria S.A. de C.V., Mexico City/Mexico	100
Siemens Mobility S. de R.L. de C.V., Mexico City/Mexico	100[7]
Siemens Postal, Parcel & Airport Logistics S. de R.L. de C.V., Mexico City/Mexico	100
Siemens Servicios S.A. de C.V., Mexico City/Mexico	100
Siemens, S.A. de C.V., Mexico City/Mexico	100
Gamesa Eólica Nicaragua S.A., Managua/Nicaragua	100

September 30, 2018	Equity interest in %
Siemens Healthcare Diagnostics Panama, S.A., Panama City/Panama	100
Siemens S.A., Panama City/Panama	100
Siemens Gamesa Renewable Energy S.A.C., Lima/Peru	100
Siemens Healthcare S.A.C., Surquillo/Peru	100
Siemens Mobility S.A.C., Lima/Peru	100[7]
Siemens S.A.C., Lima/Peru	100
Dresser-Rand Trinidad & Tobago Unlimited, Couva/Trinidad and Tobago	100[13]
Advanced Airfoil Components LLC, Wilmington, DE/United States	51
Aimsun Inc., Dover, DE/United States	100
Austemper Design Systems Inc., Austin, TX/United States	100
Building Robotics Inc., Wilmington, DE/United States	100
Bytemark Inc., New York, NY/United States	79
CD-adapco Battery Design LLC, Dover, DE/United States	50[2]
Cedar Cap Wind, LLC, Dover, DE/United States	100
Dedicated2Imaging LLC, Wilmington, DE/United States	80
Diversified Energy Transmissions, LLC, Salem, OR/United States	100
D-R International Sales Inc., Wilmington, DE/United States	100
D-R Steam LLC, Wilmington, DE/United States	100
Dresser-Rand Company, Olean, NY/United States	100
Dresser-Rand Global Services, Inc., Wilmington, DE/United States	100
Dresser-Rand Group Inc., Wilmington, DE/United States	100
Dresser-Rand Holding (Luxembourg) LLC, Wilmington, DE/United States	100
Dresser-Rand LLC, Wilmington, DE/United States	100
EcoHarmony West Wind, LLC, Minneapolis, MN/United States	100
eMeter Corporation, Wilmington, DE/United States	100
enLighted LLC, Wilmington, DE/United States	100
enLighted, Inc., Wilmington, DE/United States	100
Flender Corporation, Wilmington, DE/United States	100
J2 Innovations, Inc., Chino, CA/United States	100
Mannesmann Corporation, New York, NY/United States	100
Mentor Graphics Corporation, Wilsonville, OR/United States	100
Mentor Graphics Global Holdings, LLC, Wilmington, DE/United States	100
next47 Mid-Tier GP 2018, L.P., Wilmington, DE/United States	100
next47 Mid-Tier GP 2019, L.P., Wilmington, DE/United States	100
next47 TTGP, L.L.C., Wilmington, DE/United States	100

1 Control due to a majority of voting rights.

2 Control due to rights to appoint, reassign or remove members of the key management personnel.

3 Control due to contractual arrangements to determine the direction of the relevant activities.

4 No control due to contractual arrangements or legal circumstances.

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

6 Significant influence due to contractual arrangements or legal circumstances.

7 Not consolidated due to immateriality.

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

9 Exemption pursuant to Section 264b German Commercial Code.

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

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

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

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

September 30, 2018	Equity interest in %
Nimbus Technologies, LLC, Bingham Farms, MI/United States	100
Omnetric Corp., Wilmington, DE/United States	100
P.E.T.NET Houston, LLC, Austin, TX/United States	51
PETNET Indiana LLC, Indianapolis, IN/United States	50[1]
PETNET Solutions Cleveland, LLC, Wilmington, DE/United States	63
PETNET Solutions, Inc., Knoxville, TN/United States	100
Pocahontas Prairie Holdings, LLC, Wilmington, DE/United States	100
Pocahontas Prairie Wind, LLC, Dover, DE/United States	100
Siemens Capital Company LLC, Wilmington, DE/United States	100
Siemens Corporation, Wilmington, DE/United States	100
Siemens Credit Warehouse, Inc., Wilmington, DE/United States	100
Siemens Demag Delaval Turbomachinery, Inc., Wilmington, DE/United States	100
Siemens Electrical, LLC, Wilmington, DE/United States	100
Siemens Energy, Inc., Wilmington, DE/United States	100
Siemens Financial Services, Inc., Wilmington, DE/United States	100
Siemens Financial, Inc., Wilmington, DE/United States	100
Siemens Fossil Services, Inc., Wilmington, DE/United States	100
Siemens Gamesa Renewable Energy PA, LLC, Wilmington, DE/United States	100
Siemens Gamesa Renewable Energy Wind, LLC, Dover, DE/United States	100
Siemens Gamesa Renewable Energy, Inc., Wilmington, DE/United States	100
Siemens Generation Services Company, Wilmington, DE/United States	100
Siemens Government Technologies, Inc., Wilmington, DE/United States	100
Siemens Healthcare Diagnostics Inc., Los Angeles, CA/United States	100
Siemens Healthcare Laboratory, LLC, Wilmington, DE/United States	100
Siemens Heat Transfer Technology Corp., Wilmington, DE/United States	100
Siemens Industry, Inc., Wilmington, DE/United States	100
Siemens Medical Solutions USA, Inc., Wilmington, DE/United States	100

September 30, 2018	Equity interest in %
Siemens Mobility, Inc, Wilmington, DE/United States	100
Siemens Molecular Imaging, Inc., Wilmington, DE/United States	100
Siemens Postal, Parcel & Airport Logistics LLC, Wilmington, DE/United States	100
Siemens Power Generation Service Company, Ltd., Wilmington, DE/United States	100
Siemens Product Lifecycle Management Software Inc., Wilmington, DE/United States	100
Siemens Public, Inc., Wilmington, DE/United States	100
Siemens USA Holdings, Inc., Wilmington, DE/United States	100
SMI Holding LLC, Wilmington, DE/United States	100
Synchrony, Inc., Glen Allen, VA/United States	100
Wheelabrator Air Pollution Control Inc., Baltimore, MD/United States	100
Wind Portfolio Memberco, LLC, Dover, DE/United States	100
Engines Rental, S.A., Montevideo/Uruguay	100[7]
SIEMENS GAMESA RENEWABLE ENERGY S.R.L., Montevideo/Uruguay	100
Siemens S.A., Montevideo/Uruguay	100
Siemens Uruguay S.A., Montevideo/Uruguay	100
Dresser-Rand de Venezuela, S.A., Maracaibo/Venezuela, Bolivarian Republic of	100
Gamesa Eólica VE, C.A., Caracas/Venezuela, Bolivarian Republic of	100
Siemens Healthcare S.A., Caracas/Venezuela, Bolivarian Republic of	100[7]
Siemens Rail Automation, C.A., Caracas/Venezuela, Bolivarian Republic of	100
Siemens S.A., Caracas/Venezuela, Bolivarian Republic of	100
Dade Behring Hong Kong Holdings Corporation, Tortola/Virgin Islands, British	100
Asia, Australia (241 companies)	
Aimsun Pty Ltd, Sydney/Australia	100
Australia Hospital Holding Pty Limited, Bayswater/Australia	100
Bytemark Australia Pty Ltd, Wayville/Australia	100
Exemplar Health (NBH) 2 Pty Limited, Bayswater/Australia	100[7]
Exemplar Health (NBH) Holdings 2 Pty Limited, Bayswater/Australia	100
Exemplar Health (NBH) Trust 2, Bayswater/Australia	100
Exemplar Health (SCUH) 3 Pty Limited, Bayswater/Australia	100[7]

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %
Exemplar Health (SCUH) 4 Pty Limited, Bayswater/Australia	100[7]
Exemplar Health (SCUH) Holdings 3 Pty Limited, Bayswater/Australia	100
Exemplar Health (SCUH) Holdings 4 Pty Limited, Bayswater/Australia	100
Exemplar Health (SCUH) Trust 3, Bayswater/Australia	100
Exemplar Health (SCUH) Trust 4, Bayswater/Australia	100
Flender Pty. Ltd., Bayswater/Australia	100
J.R.B. Engineering Pty Ltd, Bayswater/Australia	100
MRX Rail Services Pty Ltd, Bayswater/Australia	100
Siemens Gamesa Renewable Energy Australia Pty Ltd, Melbourne/Australia	100
Siemens Gamesa Renewable Energy Pty Ltd, Bayswater/Australia	100
Siemens Healthcare Pty. Ltd., Melbourne/Australia	100
Siemens Industry Software Pty Ltd, Bayswater/Australia	100
Siemens Ltd., Bayswater/Australia	100
Siemens Mobility Pty Ltd, Bayswater/Australia	100
SIEMENS RAIL AUTOMATION PTY. LTD., Bayswater/Australia	100
Siemens Bangladesh Ltd., Dhaka/Bangladesh	100
Siemens Healthcare Ltd., Dhaka/Bangladesh	100
Beijing Siemens Cerberus Electronics Ltd., Beijing/China	100
Camstar Systems Software (Shanghai) Company Limited, Shanghai/China	100
DPC (Tianjin) Co., Ltd., Tianjin/China	100
Dresser-Rand Engineered Equipment (Shanghai) Co., Ltd., Shanghai/China	100
Flender Ltd., China, Tianjin/China	100
Gamesa (Beijing) Wind Energy System Development Co, Ltd, Beijing/China	100
Gamesa Blade (Tianjin) Co., Ltd., Tianjin/China	100
Gamesa Wind (Tianjin) Co., Ltd., Tianjin/China	100
Ganquan Chaiguanshan Wind Power Co., Ltd., Yan'an City/China	100
IBS Industrial Business Software (Shanghai), Ltd., Shanghai/China	100
Inner Mongolia Gamesa Wind Co., Ltd., Wulanchabu/China	100
Jilin Gamesa Wind Co., Ltd., Da'an/China	100
Mentor Graphics (Shanghai) Electronic Technology Co., Ltd., Shanghai/China	100
Mentor Graphics Technology (Shenzhen) Co., Ltd., Shenzhen/China	100

September 30, 2018	Equity interest in %
MWB (Shanghai) Co Ltd., Shanghai/China	65
Shuangpai Majiang Wuxingling Wind Power Co., Ltd, Yongzhou/China	100
Siemens Building Technologies (Tianjin) Ltd., Tianjin/China	70
Siemens Business Information Consulting Co., Ltd, Beijing/China	100
Siemens Circuit Protection Systems Ltd., Shanghai, Shanghai/China	75
Siemens Computational Science (Shanghai) Co., Ltd, Shanghai/China	100
Siemens Eco-City Innovation Technologies (Tianjin) Co., Ltd., Tianjin/China	60
Siemens Electrical Apparatus Ltd., Suzhou, Suzhou/China	100
Siemens Electrical Drives (Shanghai) Ltd., Shanghai/China	100
Siemens Electrical Drives Ltd., Tianjin/China	85
Siemens Factory Automation Engineering Ltd., Beijing/China	100
Siemens Finance and Leasing Ltd., Beijing/China	100
Siemens Financial Services Ltd., Beijing/China	100
Siemens Gamesa Renewable Energy (Shanghai) Co., Ltd., Shanghai/China	100
Siemens Gas Turbine Components (Jiangsu) Co., Ltd., Yixing/China	100
Siemens Gas Turbine Parts Ltd., Shanghai, Shanghai/China	51
Siemens Healthcare Diagnostics (Shanghai) Co. Ltd., Shanghai/China	100
Siemens Healthcare Diagnostics Manufacturing Ltd., Shanghai, Shanghai/China	100
Siemens Healthcare Ltd., Shanghai/China	100
Siemens High Voltage Circuit Breaker Co., Ltd., Hangzhou, Hangzhou/China	51
Siemens High Voltage Switchgear Co., Ltd., Shanghai, Shanghai/China	51
Siemens Industrial Automation Products Ltd., Chengdu, Chengdu/China	100
Siemens Industrial Turbomachinery (Huludao) Co. Ltd., Huludao/China	84
Siemens Industry Software (Beijing) Co., Ltd., Beijing/China	100
Siemens Industry Software (Shanghai) Co., Ltd., Shanghai/China	100
Siemens International Trading Ltd., Shanghai, Shanghai/China	100

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %
Siemens Investment Consulting Co., Ltd., Beijing/China	100
Siemens Logistics Automation Systems (Beijing) Co., Ltd, Beijing/China	100
Siemens Ltd., China, Beijing/China	100
Siemens Manufacturing and Engineering Centre Ltd., Shanghai/China	51
Siemens Medium Voltage Switching Technologies (Wuxi) Ltd., Wuxi/China	85
Siemens Mobility Equipment (China) Co., Ltd, Shanghai Pilot Free Trade Zone/China	100
Siemens Mobility Rail Equipment (Tianjin) Ltd., Tianjin/China	100
Siemens Mobility Technologies (Beijing) Co., Ltd, Beijing/China	100
Siemens Numerical Control Ltd., Nanjing, Nanjing/China	80
Siemens Power Automation Ltd., Nanjing/China	100
Siemens Power Plant Automation Ltd., Nanjing/China	100
Siemens Real Estate Management (Beijing) Ltd., Co., Beijing/China	100
Siemens Sensors & Communication Ltd., Dalian/China	100
Siemens Shanghai Medical Equipment Ltd., Shanghai/China	100
Siemens Shenzhen Magnetic Resonance Ltd., Shenzhen/China	100
Siemens Signalling Co., Ltd., Xi'an/China	70
Siemens Special Electrical Machines Co. Ltd., Changzhi/China	77
Siemens Standard Motors Ltd., Yizheng/China	100
Siemens Surge Arresters Ltd., Wuxi/China	100
Siemens Switchgear Ltd., Shanghai, Shanghai/China	55
Siemens Technology Development Co., Ltd. of Beijing, Beijing/China	90
Siemens Transformer (Guangzhou) Co., Ltd., Guangzhou/China	63
Siemens Transformer (Jinan) Co., Ltd, Jinan/China	90
Siemens Transformer (Wuhan) Company Ltd., Wuhan City/China	100
Siemens Venture Capital Co., Ltd., Beijing/China	100
Siemens Wiring Accessories Shandong Ltd., Zibo/China	100
Siemens X-Ray Vacuum Technology Ltd., Wuxi, Wuxi/China	100
Smart Metering Solutions (Changsha) Co. Ltd., Changsha/China	60
Tai'an Sanglin Wind Power Co. Ltd., Anshan/China	100

September 30, 2018	Equity interest in %
TASS International Co. Ltd., Shanghai/China	100
Trench High Voltage Products Ltd., Shenyang, Shenyang/China	65
XS Embedded (Shanghai) Co., Ltd., Shanghai/China	100
Yangtze Delta Manufacturing Co. Ltd., Hangzhou, Hangzhou/China	51
Yongzhou Shuangpai Daguping Wind Power Co., Ltd., Longbo town, Yongzhou city/China	100
Asia Care Holding Limited, Hong Kong/Hong Kong	100[7]
Camstar Systems (Hong Kong) Limited, Hong Kong/Hong Kong	100
International Wind Farm Development I Limited, Hong Kong/Hong Kong	100
International Wind Farm Development II Limited, Hong Kong/Hong Kong	100
International Wind Farm Development IV Limited, Hong Kong/Hong Kong	100
International Wind Farm Development V Limited, Hong Kong/Hong Kong	100
International Wind Farm Development VII Limited, Hong Kong/Hong Kong	100
Siemens Healthcare Limited, Hong Kong/Hong Kong	100
Siemens Industry Software Limited, Hong Kong/Hong Kong	100
Siemens Limited, Hong Kong/Hong Kong	100
Siemens Mobility Limited, Hong Kong/Hong Kong	100
Siemens Postal, Parcel & Airport Logistics Limited, Hong Kong/Hong Kong	100
Anantapur Wind Farms Private Limited, Chennai/India	100
Bapuram Renewable Private Limited, Chennai/India	100
Beed Renewable Energy Private Limited, Chennai/India	100
Bhuj Renewable Private Limited, Chennai/India	100
Bytemark India LLP, Bangalore/India	100
Bytemark Technology Solutions India Pvt Ltd, Bangalore/India	100
CALYPTO DESIGN SYSTEMS INDIA PRIVATE LIMITED, New Delhi/India	100
Channapura Renewable Private Limited, Chennai/India	100
Chikkodi Renewable Power Private Limited, Chennai/India	100
Devarabanda Renewable Energy Private Limited, Chennai/India	100
Dhone Renewable Private Limited, Chennai/India	100
Dresser-Rand India Private Limited, Navi Mumbai/India	100

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %
Enlighted Energy Systems Pvt Ltd, Chennai/India	100
Fast Track Diagnostics Asia Private Limited, Chennai/India	100
Flomerics India Private Limited, Mumbai/India	100
Gadag Renewable Private Limited, Chennai/India	100
Gagodar Renewable Energy Private Limited, Chennai/India	100
Gangavathi Renewable Private Limited, Chennai/India	100
Ghatpimpri Renewable Private Limited, Chennai/India	100
GM Navarra Wind Energy Private Limited, Chennai/India	100
Gudadanal Renewable Private Limited, Chennai/India	100
Hattarwat Renewable Private Limited, Chennai/India	100
Haveri Renewable Power Private Limited, Chennai/India	100
Hungund Renewable Energy Private Limited, Chennai/India	100
Jalore Wind Park Private Limited, Chennai/India	100
Jamkhandi Renewable Private Limited, Chennai/India	100
Kadapa Wind Farms Private Limited, Chennai/India	100
Kanigiri Renewable Private Limited, Chennai/India	100
Kintech Santalpur Windpark Private Limited, Gujarat/India	99
Kod Renewable Private Limited, Chennai/India	100
Kollapur Renewable Private Limited, Chennai/India	100
Koppal Renewable Private Limited, Chennai/India	100
Kurnool Wind Farms Private Limited, Chennai/India	100
Kutch Renewable Private Limited, Chennai/India	100
Maski Renewable Energy Private Limited, Chennai/India	100
Mathak Wind Farms Private Limited, Chennai/India	100
Mentor Graphics (India) Private Limited, New Delhi/India	100
Mentor Graphics (Sales and Services) Private Limited, New Delhi/India	100
Nandikeshwar Renewable Energy Private Limited, Chennai/India	100
Neelagund Renewable Private Limited, Chennai/India	100
Nellore Renewable Private Limited, Chennai/India	100
Nirlooti Renewable Private Limited, Chennai/India	100
Osmanabad Renewable Private Limited, Chennai/India	100
PETNET Radiopharmaceutical Solutions Pvt. Ltd., Mumbai/India	100
Poovani Wind Farms Private Limited, Chennai/India	100
Powerplant Performance Improvement Ltd., New Delhi/India	50[1]
Preactor Software India Private Limited, Bangalore/India	100
Rajgarh Windpark Private Limited, Chennai/India	99
Rangareddy Renewable Private Limited, Chennai/India	100

September 30, 2018	Equity interest in %
Rayachoty Renewable Private Limited, Chennai/India	100
RSR Power Private Limited, Chennai/India	100
Sankanur Renewable Energy Private Limited, Chennai/India	100
Saunshi Renewable Energy Private Limited, Chennai/India	100
Shivamogga Renewable Energy Private Limited, Chennai/India	100
Siemens Factoring Private Limited, Navi Mumbai/India	100
Siemens Financial Services Private Limited, Mumbai/India	100
Siemens Gamesa Renewable Energy Engineering Centre Private Limited, Navi Mumbai/India	100
Siemens Gamesa Renewable Power Private Limited, Chennai/India	100
Siemens Healthcare Private Limited, Mumbai/India	100
Siemens Industry Software (India) Private Limited, New Delhi/India	100
Siemens Industry Software Computational Dynamics India Pvt. Ltd., Bangalore/India	100
Siemens Ltd., Mumbai/India	75
Siemens Postal Parcel & Airport Logistics Private Limited, Navi Mumbai/India	100
Siemens Rail Automation Pvt. Ltd., Navi Mumbai/India	100
Siemens Technology and Services Private Limited, Navi Mumbai/India	100
Sindhanur Renewable Energy Private Limited, Chennai/India	100
Thoothukudi Renewable Energy Private Limited, Chennai/India	100
Tirupur Renewable Energy Private Limited, Chennai/India	100
Tuljapur Wind Farms Private Limited, Chennai/India	100
Umrani Renewable Private Limited, Chennai/India	100
Uppal Renewable Private Limited, Chennai/India	100
Vempalli Renewable Energy Private Limited, Chennai/India	100
Viralipatti Renewable Private Limited, Chennai/India	100
Zalki Renewable Private Limited, Chennai/India	100
P.T. Siemens Indonesia, Jakarta/Indonesia	100
PT Dresser-Rand Services Indonesia, Cilegon/Indonesia	100
PT Siemens Gamesa Renewable Energy, Jakarta/Indonesia	95
PT Siemens Mobility Indonesia, Jakarta/Indonesia	100
PT. Siemens Industrial Power, Kota Bandung/Indonesia	100
Acrorad Co., Ltd., Okinawa/Japan	63
Mentor Graphics Japan Co., Ltd., Tokyo/Japan	100

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %
Siemens Gamesa Renewable Energy Japan K.K., Kanagawa/Japan	100
Siemens Healthcare Diagnostics K.K., Tokyo/Japan	100
Siemens Healthcare K.K., Tokyo/Japan	100
Siemens K.K., Tokyo/Japan	100
Siemens PLM Software Computational Dynamics K.K., Yokohama/Japan	100
Mentor Graphics (Korea) Co., Limited, Bundang-gu, Seongnam-si, Gyeonggi-do/Korea, Republic of	100
Siemens Gamesa Renewable Energy Limited, Seoul/Korea, Republic of	100
Siemens Healthineers Ltd., Seoul/Korea, Republic of	100
Siemens Industry Software Ltd., Seoul/Korea, Republic of	100
Siemens Ltd. Seoul, Seoul/Korea, Republic of	100
Siemens Mobility Ltd., Seoul/Korea, Republic of	100
Dresser-Rand & Enserv Services Sdn. Bhd., Kuala Lumpur/Malaysia	49[2,7]
Dresser-Rand Asia Pacific Sdn. Bhd., Kuala Lumpur/Malaysia	100
Reyrolle (Malaysia) Sdn. Bhd., Kuala Lumpur/Malaysia	100
Siemens Healthcare Sdn. Bhd., Petaling Jaya/Malaysia	100
Siemens Industry Software Sdn. Bhd., Penang/Malaysia	100
Siemens Malaysia Sdn. Bhd., Petaling Jaya/Malaysia	100
Siemens Mobility Sdn. Bhd., Kuala Lumpur/Malaysia	100
VA TECH Malaysia Sdn. Bhd., Kuala Lumpur/Malaysia	100
Siemens (N.Z.) Limited, Auckland/New Zealand	100
Siemens Gamesa Renewable Energy New Zealand Limited, Auckland/New Zealand	100
Siemens Healthcare Limited, Auckland/New Zealand	100
Siemens Gamesa Renewable Energy, Inc., Makati City/Philippines	100
Siemens Healthcare Inc., Manila/Philippines	100
Siemens Power Operations, Inc., Manila/Philippines	100
Siemens, Inc., Manila/Philippines	100
Aimsun Pte Ltd, Singapore/Singapore	100
Enlighted Singapore Pte Ltd, Singapore/Singapore	100[7]
Flender Pte. Ltd., Singapore/Singapore	100
Mentor Graphics Asia Pte Ltd, Singapore/Singapore	100
Siemens Gamesa Renewable Energy Singapore Private Limited, Singapore/Singapore	100
Siemens Healthcare Pte. Ltd., Singapore/Singapore	100
Siemens Industry Software Pte. Ltd., Singapore/Singapore	100

September 30, 2018	Equity interest in %
Siemens Mobility Pte. Ltd., Singapore/Singapore	100
Siemens Postal, Parcel & Airport Logistics PTE. LTD., Singapore/Singapore	100
Siemens Pte. Ltd., Singapore/Singapore	100
Siemens Gamesa Renewable Energy Lanka (Private) Limited, Colombo/Sri Lanka	100
Siemens Healthcare Limited, Taipei/Taiwan, Province of China	100
Siemens Industry Software (TW) Co., Ltd., Taipei/Taiwan, Province of China	100
Siemens Limited, Taipei/Taiwan, Province of China	100
Dresser-Rand (Thailand) Limited, Rayong/Thailand	100
Siemens Gamesa Renewable Energy (Thailand) Co., Ltd., Bangkok/Thailand	100
Siemens Gamesa Renewable Energy Limited, Bangkok/Thailand	100
Siemens Healthcare Limited, Bangkok/Thailand	100
Siemens Limited, Bangkok/Thailand	99
Siemens Mobility Limited, Bangkok/Thailand	100
Siemens Postal Parcel & Airport Logistics Co., Ltd., Bangkok/Thailand	100
Siemens Gamesa Renewable Energy LLC, Ho Chi Minh City/Viet Nam	100
Siemens Healthcare Limited, Ho Chi Minh City/Viet Nam	100
Siemens Ltd., Ho Chi Minh City/Viet Nam	100
ASSOCIATED COMPANIES AND JOINT VENTURES	
Germany (29 companies)	
ATS Projekt Grevenbroich GmbH, Schüttorf	25[8]
BELLIS GmbH, Braunschweig	49[8]
Caterva GmbH, Pullach i. Isartal	50
Curagita Holding GmbH, Heidelberg	30
DKS Dienstleistungsgesellschaft f. Kommunikationsanlagen des Stadt- und Regionalverkehrs mbH, Cologne	49[8]
EBV Windpark Almstedt-Breinum GmbH & Co. Betriebs-KG, Bremen	64[4,8]
egrid applications & consulting GmbH, Kempten	49[8]
FEAG Fertigungscenter für Elektrische Anlagen GmbH, Erlangen	49[8]
IFTEC GmbH & Co. KG, Leipzig	50
Infineon Technologies Bipolar GmbH & Co. KG, Warstein	40

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %
Infineon Technologies Bipolar Verwaltungs-GmbH, Warstein	40 [8]
LIB Verwaltungs-GmbH, Leipzig	50 [8]
Ludwig Bölkow Campus GmbH, Taufkirchen	25 [8]
Magazino GmbH, Munich	28
Maschinenfabrik Reinhausen GmbH, Regensburg	26
MeVis BreastCare GmbH & Co. KG, Bremen	49
MeVis BreastCare Verwaltungsgesellschaft mbH, Bremen	49 [8]
Nordlicht Holding GmbH & Co. KG, Frankfurt	33
Nordlicht Holding Verwaltung GmbH, Frankfurt	33 [8]
OWP Butendiek GmbH & Co. KG, Bremen	23
Siemens EuroCash, Munich	7 [6]
Sternico GmbH, Wendeburg	40 [8]
thinkstep AG, Leinfelden-Echterdingen	29
Transrapid International Verwaltungsgesellschaft mbH i.L., Berlin	50 [8]
Valeo Siemens eAutomotive GmbH, Erlangen	50
Veja Mate Offshore Project GmbH, Oststeinbek	31
Voith Hydro Holding GmbH & Co. KG, Heidenheim	35
Voith Hydro Holding Verwaltungs GmbH, Heidenheim	35 [8]
Windkraft Trinwillershagen Entwicklungsgesellschaft mbH, Wiepkenhagen	50

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

Armpower CJSC, Yerevan/Armenia	40
Aspern Smart City Research GmbH, Vienna/Austria	44 [8]
Aspern Smart City Research GmbH & Co KG, Vienna/Austria	44
E-Mobility Provider Austria GmbH, Vienna/Austria	20 [8]
SMATRICS GmbH & Co KG, Vienna/Austria	20
OIL AND GAS PROSERV LLC, Baku/Azerbaijan	25 [8]
Meomed s.r.o., Prerov/Czech Republic	47 [8]
BioMensio Oy, Tampere/Finland	23 [8]
Compagnie Electrique de Bretagne SAS, Paris/France	40
TRIXELL SAS, Moirans/France	25
Eviop-Tempo A.E. Electrical Equipment Manufacturers, Vassiliko/Greece	48
Parallel Graphics Ltd., Dublin/Ireland	57 [4,8]
Frontline P.C.B. Solutions (1998) Ltd, Rehovot/Israel	50 [8]
Frontline P.C.B. Solutions Limited Partnership, Rehovot/Israel	50

September 30, 2018	Equity interest in %
Reindeer Energy Ltd., Bnei Berak/Israel	33
Trickster Howell LTD, Ramat/Israel	50
Transfima GEIE, Milan/Italy	42 [8,13]
Transfima S.p.A., Milan/Italy	49 [8]
VAL 208 Torino GEIE, Milan/Italy	86 [4,8,13]
Temir Zhol Electrification LLP, Astana/Kazakhstan	49
EGM Holding Limited, Marsaskala/Malta	33
Electrogas Malta Limited, Marsaskala/Malta	33
Energie Electrique de Tahaddart S.A., Tangier/Morocco	20
Buitengaats C.V., Amsterdam/Netherlands	20 [6,13]
Buitengaats Management B.V., Eemshaven/Netherlands	20 [8]
GLT-PLUS V.O.F, Sappemeer/Netherlands	40 [8,13]
Infraspeed EPC Consortium V.O.F., Zoetermeer/Netherlands	50 [8,13]
Infraspeed Maintainance B.V., Zoetermeer/Netherlands	50
Locomotive Workshop Rotterdam B.V., Zoetermeer/Netherlands	50
Ural Locomotives Holding Besloten Vennootschap, The Hague/Netherlands	50
ZeeEnergie C.V., Amsterdam/Netherlands	20 [6,13]
ZeeEnergie Management B.V., Eemshaven/Netherlands	20 [8]
Wirescan AS, Trollaasen/Norway	36 [8]
Rousch (Pakistan) Power Ltd., Islamabad/Pakistan	26
Agilion OOO, Moscow/Russian Federation	25 [8]
OOO Transconverter, Moscow/Russian Federation	35 [8]
OOO VIS Automation mit Zusatz „Ein Gemeinschaftsunternehmen von VIS und Siemens", Moscow/Russian Federation	49
ZAO Interautomatika, Moscow/Russian Federation	46
Impilo Consortium (Pty.) Ltd., La Lucia/South Africa	31
Ardora, S.A., Vigo/Spain	35 [8]
Desgasificación de Vertederos, S.A, Madrid/Spain	50 [8]
Energías Renovables San Adrián de Juarros, S.A., San Adrián de Juarros/Spain	45
EXPLOTACIONES Y MANTEMIENTOS INTEGRALES S.L., Getxo/Spain	50 [8]
Gate Solar Gestión, S.L. Unipersonal, Vitoria-Gasteiz/Spain	50 [8]
Generación Eólica Extremeña, S.L., Plasencia/Spain	30 [8]
Gestion de Evacuacion La Serna, S.L., Tudela/Spain	26 [8]
Hydrophytic, S.L., Vitoria-Gasteiz/Spain	50 [8]
Nertus Mantenimiento Ferroviario y Servicios S.A., Madrid/Spain	51 [4]

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %
Nuevas Estrategias de Mantenimiento, S.L., San Sebastián/Spain	50
SIGLO XXI SOLAR, SOCIEDAD ANONIMA, Ciudad Real/Spain	25 [8]
SISTEMAS ENERGETICOS DE TENERIFE, S.A., SANTA CRUZ DE TENERIFE/Spain	20 [8]
Sistemes Electrics Espluga, S.A., Barcelona/Spain	50
Tusso Energía, S.L., Sevilla/Spain	50 [8]
Windar Renovables, S.L., Avilés/Spain	32
WS Tech Energy Global S.L., Viladecans/Spain	49
Certas AG, Zurich/Switzerland	50
Interessengemeinschaft TUS, Männedorf/Switzerland	50 [13]
Cross London Trains Holdco 2 Limited, London/United Kingdom	33
Ethos Energy Group Limited, Aberdeen/United Kingdom	49
Galloper Wind Farm Holding Company Limited, Swindon, Wiltshire/United Kingdom	25
Lincs Renewable Energy Holdings Limited, London/United Kingdom	50
Plessey Holdings Ltd., Frimley, Surrey/United Kingdom	50 [8]
Primetals Technologies, Limited, London/United Kingdom	49
RWG (Repair & Overhauls) Limited, Aberdeen/United Kingdom	50
Joint Venture Service Center, Chirchik/Uzbekistan	49 [8]
Americas (22 companies)	
Gas Natural Acu Infraestructura S.A, Rio de Janeiro/Brazil	33
GNA 1 Geração de Energia S.A., São João da Barra/Brazil	33
Union Temporal Recaudo y Tecnologia, Santiago de Cali/Colombia	20 [13]
Akuo Energy Dominicana, S.R.L, Santo Domingo/Dominican Republic	33
Energia Eólica de Mexico S.A. de C.V., Mexico City/Mexico	50
Baja Wind US LLC, Wilmington, DE/United States	50 [8]
CEF-L Holding, LLC, Wilmington, DE/United States	27
Cyclos Semiconductor, Inc., Wilmington, DE/United States	32 [8]
DeepHow Corp., Princeton, NJ/United States	25 [8]
Echogen Power Systems, Inc., Wilmington, DE/United States	29
First State Marine Wind, LLC, Newark, DE/United States	31 [8]
Fluence Energy, LLC, Wilmington, DE/United States	50
Frustum, Inc., New York, NY/United States	26 [8]
Hickory Run Holdings, LLC, Wilmington, DE/United States	20 [6]

September 30, 2018	Equity interest in %
Panda Hummel Station Intermediate Holdings I LLC, Wilmington, DE/United States	32
Panda Stonewall Intermediate Holdings I, LLC, Wilmington, DE/United States	37
PhSiTh LLC, New Castle, DE/United States	33
Powerit Holdings, Inc., Seattle, WA/United States	21 [8]
Rether networks, Inc., Berkeley, CA/United States	30 [8]
USARAD Holdings, Inc., Fort Lauderdale, FL/United States	30 [8]
Wi-Tronix Group Inc., Dover, DE/United States	30
Empresa Nacional De Maquinas Eléctricas ENME, S.A., Caracas/Venezuela, Bolivarian Republic of	40 [8]
Asia, Australia (20 companies)	
Exemplar Health (NBH) Partnership, Melbourne/Australia	50
Exemplar Health (SCUH) Partnership, Sydney/Australia	50
PHM Technology Pty Ltd, Melbourne/Australia	29 [8]
ChinaInvent (Shanghai) Instrument Co., Ltd, Shanghai/China	30 [8]
DBEST (Beijing) Facility Technology Management Co., Ltd., Beijing/China	25
Guangzhou Suikai Smart Energy Co., Ltd., Guangzhou/China	35
Saitong Railway Electrification (Nanjing) Co., Ltd., Nanjing/China	50 [8]
Shanghai Electric Power Generation Equipment Co., Ltd., Shanghai/China	40
Siemens Traction Equipment Ltd., Zhuzhou, Zhuzhou/China	50
TianJin ZongXi Traction Motor Ltd., Tianjin/China	50
Xi'An X-Ray Target Ltd., Xi'an/China	43 [8]
Zhenjiang Siemens Busbar Trunking Systems Co. Ltd., Yangzhong/China	50
Zhi Dao Railway Equipment Ltd., Taiyuan/China	50
Bangalore International Airport Ltd., Bangalore/India	20
Transparent Energy Systems Private Limited, Pune/India	25 [8]
P.T. Jawa Power, Jakarta/Indonesia	50
PT Asia Care Indonesia, Jakarta/Indonesia	40
Yaskawa Siemens Automation & Drives Corp., Tokyo/Japan	50
Advance Gas Turbine Solutions SDN. BHD., Kuala Lumpur/Malaysia	43
Power Automation Pte. Ltd., Singapore/Singapore	49

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2018	Equity interest in %	Net income in millions of €	Equity in millions of €
OTHER INVESTMENTS[11]			
Germany (2 companies)			
BSAV Kapitalbeteiligungen und Vermögensverwaltungs Management GmbH, Grünwald	100[4,5]	11	214
Kyros Beteiligungsverwaltung GmbH, Grünwald	100[4,5]	48	519
Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany) (3 companies)			
Uhre Vindmollelaug I/S, Brande/Denmark	19[13]	0	1
Medical Systems S.p.A., Genoa/Italy	45[5]	4	105
Unincorporated Joint Venture Gwynt y Mor, Swindon, Wiltshire/United Kingdom	10	N/A	N/A
Americas (1 company)			
Bentley Systems, Incorporated, Wilmington, DE/United States	11	N/A	N/A

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.
N/A = No financial data available.

C.

Additional Information

C.1 Responsibility Statement

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

Munich, November 26, 2018

Siemens Aktiengesellschaft
The Managing Board

Joe Kaeser

Dr. Roland Busch

Lisa Davis

Klaus Helmrich

Janina Kugel

Cedrik Neike

Michael Sen

Prof. Dr. Ralf P. Thomas

C.2 Independent Auditor's Report

To Siemens Aktiengesellschaft, Berlin and Munich

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

OPINIONS

We have audited the consolidated financial statements of Siemens Aktiengesellschaft, Berlin and Munich, and its subsidiaries (the Group), which comprise the consolidated statements of income and comprehensive income for the fiscal year from October 1, 2017 to September 30, 2018, the consolidated statements of financial position as of September 30, 2018, the consolidated statements of cash flows and changes in equity for the fiscal year from October 1, 2017 to September 30, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Siemens Aktiengesellschaft, which is combined with the management report of Siemens Aktiengesellschaft, for the fiscal year from October 1, 2017 to September 30, 2018. In accordance with the German legal requirements we have not audited the content of chapter → A.9.3 CORPORATE GOVERNANCE STATEMENT of the COMBINED MANAGEMENT REPORT, including chapter → C.4.2 of the Annual Report 2018 referred to in chapter → A.9.3.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] as well as with full IFRSs as issued by the International Accounting Standards Board (IASB), and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of September 30, 2018 and of its financial performance for the fiscal year from October 1, 2017 to September 30, 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the Corporate Governance statement referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). In conducting the audit of the consolidated financial statements we also complied with International Standards on Auditing (ISA). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from October 1, 2017 to September 30, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

Revenue recognition on construction contracts

Reasons why the matter was determined to be a key audit matter: The Group conducts a significant portion of its business under construction contracts, particularly in the Divisions Power and Gas, Energy Management and Mobility as well as in the Strategic Unit Siemens Gamesa Renewable Energy. Revenue from long-term construction contracts is recognized in accordance with IFRS 15, *Revenue from Contracts with Customers*, generally based on the extent of progress towards completion. We consider the accounting for construction contracts to be an area posing a significant risk of material misstatement (including the potential risk of management override of internal controls) and accordingly a key audit matter, because management's assessments significantly impact the determination of the extent of progress towards completion. These assessments include, in particular, the scope of deliveries and services required to fulfill contractually defined obligations, total estimated contract costs, remaining costs to completion and total estimated contract revenues, as well as contract risks including technical, political, regulatory and legal risks. Revenues, total estimated contract costs and profit recognition may deviate significantly from original estimates based on new knowledge about cost overruns and changes in project scope over the term of a construction contract. Furthermore, the first-time application of IFRS 15 in fiscal year 2018 was of relevance for our audit as it required the group-wide assessment of contracts in relation to the new accounting criteria.

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

As part of our substantive audit procedures, we evaluated management's estimates and assumptions based on a risk-based selection of a sample of contracts. Our sample particularly included projects that are subject to significant future uncertainties and risks, such as fixed-price or turnkey projects, projects with complex technical requirements or with a large portion of materials and services to be provided by suppliers, subcontractors or consortium partners, cross-border projects, and projects with changes in cost estimates, delays and/or low or negative margins. Our audit procedures included, among others, review of the contracts and their terms and conditions including contractually agreed partial deliveries and services, termination rights, penalties for delay and breach of contract as well as liquidated damages. In order to evaluate whether revenues were recognized on an accrual basis for the selected projects, we analyzed billable revenues and corresponding cost of sales to be recognized in the statement of income in the reporting period considering the extent of progress towards completion, and examined the accounting for the associated items in the statement of financial position. Considering the requirements of IFRS 15, we also assessed the accounting for contract amendments or contractually agreed options. We further performed inquiries of project management (both commercial and technical project managers) with respect to the development of the projects, the reasons for deviations between planned and actual costs, the current estimated costs to complete the projects, and management's assessments on probabilities that contract risks will materialize. In designing our audit procedures, we also considered results from project audits conducted by the internal audit function. Furthermore, we obtained evidence from third parties for selected projects (e.g., project acceptance documentation, contractual terms and conditions, and lawyers' confirmations regarding alleged breaches of contract and asserted claims) and inspected plant and project locations. To identify anomalies in the development of margins throughout the projects' execution, we also applied data analysis procedures.

Due to the large contract volume and risk profile, in particular with respect to the developments of the power generation markets, our audit procedures especially focused on large contracts for the turnkey construction of power plants, high-voltage-direct-current solutions, the delivery of high-speed and commuter trains, and the construction of offshore wind farms.

With respect to the first-time application of IFRS 15, we obtained an understanding of the processes implemented by Siemens in response to the new standard. In assessing the contract analysis performed by management, we evaluated in particular whether the requirements to recognize revenue over a period of time have been met based on a sample of construction contracts. We also appraised the disclosures on the effects of the first-time application of IFRS 15 in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations relating to revenue recognition on construction contracts.

Reference to related disclosures: With regard to the recognition and measurement policies applied in accounting for construction contracts, including disclosures about the first-time application of recently published standards, refer to → NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES in the NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS. With respect to contract assets and liabilities as well as provisions for order related losses and risks, refer to → NOTE 10 CONTRACT ASSETS AND LIABILITIES and → NOTE 18 PROVISIONS in the NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

Provisions for proceedings out of or in connection with alleged compliance violations as well as provisions for asset retirement obligations

Reasons why the matter was determined to be a key audit matter: We considered the accounting for provisions for proceedings out of or in connection with alleged compliance violations, including allegations of corruption and antitrust violations, and for asset retirement obligations to be a key audit matter.

These matters are subject to inherent uncertainties and require estimates that could have a significant impact on the recognition and measurement of the respective provision and, accordingly, on assets, liabilities and financial performance. Proceedings out of or in connection with alleged compliance violations are subject to uncertainties because they frequently involve complex legal issues and accordingly, considerable management judgment, in particular when determining whether and in what amount a provision is required to account for the risks. The uncertainties and estimates with respect to asset retirement obligations pertain especially to the estimated costs of decommissioning, the estimated time frame over which cash outflows are expected, and the relevant discount rates.

Auditor's response: During our audit of the financial reporting of proceedings out of or in connection with alleged compliance violations, we examined the processes implemented by Siemens for identifying, assessing and accounting for legal and regulatory proceedings. To determine what potentially significant pending legal proceedings or claims asserted are known and to assess management's estimates of the expected cash outflows, our audit procedures included inquiring of management and other persons within the Group entrusted with these matters, obtaining written statements from in-house legal counsels with respect to the assessment of estimated cash outflows and their probability, obtaining confirmations from external legal advisors and evaluating internal statements concerning the accounting treatment in the consolidated financial statements. Furthermore, we examined legal consulting expense accounts for any indications of legal matters not yet considered.

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

Based on the aforementioned uncertainties, our audit procedures with respect to asset retirement obligations focused on the remediation and environmental protection liabilities for the decommissioning of the facilities in Hanau, Germany (Hanau facilities), as well as for the nuclear research and service center in Karlstein, Germany (Karlstein facilities). Our audit procedures included, among others, assessing the appropriateness as audit evidence of an independent expert's report commissioned by management, evaluating the valuation methods used by drawing on the expertise of our valuation specialists, and assessing the significant estimates resulting from the long-term nature of the related obligations. Through inquiries of persons entrusted with the matter and inspections of internal and external documents, we evaluated management's assessment that, as of September 30, 2018, Siemens continues to be not covered by the regulations for nuclear waste disposal which were partly amended in fiscal year 2017 ("Gesetz zur Neuordnung der Verantwortung in der kerntechnischen Entsorgung"), and therefore continues to adhere to the German Atomic Energy Act ("Atomgesetz"), whereby radioactive waste resulting from the decommissioning of the nuclear facilities operated by Siemens in the past must be reprocessed without causing damage and delivered to a government-approved final storage facility.

Furthermore, we evaluated the disclosures on proceedings out of or in connection with alleged compliance violations as well as on asset retirement obligations in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations relating to the accounting for proceedings out of or in connection with alleged compliance violations as well as for asset retirement obligations.

Reference to related disclosures: With regard to the recognition and measurement policies applied in accounting for provisions, refer to → NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES in the NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS. With respect to proceedings out of or in connection with alleged compliance violations, refer to → NOTE 22 LEGAL PROCEEDINGS. With respect to the uncertainties and estimates relating to asset retirement obligations, refer to → NOTE 18 PROVISIONS.

Uncertain tax positions and deferred taxes

Reasons why the matter was determined to be a key audit matter: Siemens operates in numerous countries with different local tax legislation. The accounting for uncertain tax positions as well as deferred taxes requires management to exercise considerable judgment and make estimates and assumptions, and was therefore a key audit matter. In particular, this affects the measurement and completeness of uncertain tax positions, the recoverability of deferred tax assets as well as the measurement and completeness of deferred tax liabilities. In addition, management's assessment of the accounting implications of changes in US tax legislation was of relevance for our audit.

Auditor's response: With the assistance of internal tax specialists who have knowledge of relevant local tax law, we examined the processes installed by management and tested internal controls for the identification, recognition and measurement of tax positions. In the course of our audit procedures relating to uncertain tax positions, we evaluated whether management's assessment of the tax implications of significant business transactions or events in fiscal year 2018, which could result in uncertain tax positions or influence the measurement of existing uncertain tax positions, was in compliance with tax law. In particular, this includes the tax implications arising from the acquisition or disposal of businesses, corporate (intragroup) restructuring activities, results of examinations by tax authorities, and cross-border transactions, such as determining transfer prices. We also obtained confirmations from external tax advisors to assess measurement and completeness. Further, we evaluated management's assessments with respect to the prospects of success of appeal and tax court proceedings by inquiring of the Siemens tax department and by considering current tax case law.

In assessing the recoverability of deferred tax assets, we particularly analyzed management's assumptions with respect to projected future taxable income and compared them to internal business plans. In the course of our audit procedures regarding deferred tax liabilities, we examined in particular the assumptions regarding reinvestment of subsidiaries' retained profits for an indefinite period and assessed these taking into account dividend planning.

We also evaluated management's assessment of the accounting implications of the changes in US tax legislation, in particular from the reduction of the corporate tax rate and other changes in tax law, consulting US tax specialists to do so.

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

Reference to related disclosures: With regard to the recognition and measurement policies applied in accounting for uncertain tax positions and deferred taxes, refer to → NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES in the NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS. With respect to disclosures for deferred tax assets and liabilities, refer to → NOTE 7 INCOME TAXES in the NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

OTHER INFORMATION

The Supervisory Board is responsible for the Report of the Supervisory Board in chapter → C.3 of the Annual Report 2018. In all other respects, management is responsible for the other information.

The other information, of which we received a version prior to issuing this auditor's report, includes:

- the Responsibility Statement in chapter → C.1 of the Annual Report 2018,
- the Report of the Supervisory Board in chapter → C.3 of the Annual Report 2018,
- Corporate Governance in chapter → C.4 of the Annual Report 2018, and
- Notes and forward-looking statements in chapter → C.5 of the Annual Report 2018.

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

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

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

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

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

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB as well as with full IFRSs as issued by the IASB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, management is responsible for such internal control as management has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, management is responsible for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as management has considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation as well as in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the IDW and in supplementary compliance with ISA will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB as well as with full IFRSs as issued by the IASB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other legal and regulatory requirements

FURTHER INFORMATION PURSUANT TO ART. 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the Annual Shareholders' Meeting on January 31, 2018. We were engaged by the Supervisory Board on January 31, 2018. We have been the group auditor of Siemens Aktiengesellschaft without interruption since the fiscal year from October 1, 2008 to September 30, 2009.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Thomas Spannagl.

Munich, November 26, 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Spannagl	Breitsameter
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

C.3 Report of the Supervisory Board

Berlin and Munich, November 28, 2018

Dear Shareholders,

In fiscal 2018, the Supervisory Board performed in full the duties assigned to it by law, the Siemens Articles of Association and the Bylaws for the Supervisory Board. On the basis of detailed written and oral reports provided by the Managing Board, we continuously monitored the Managing Board and advised it on the management of the Company. In addition, I regularly exchanged information with the President and CEO and the other Managing Board members. As a result, the Supervisory Board was always kept up-to-date on projected business policies, Company planning – including financial, investment and personnel planning – and the Company's profitability and business operations as well as on the state of Siemens AG and the Siemens Group. We were directly involved at an early stage in all decisions of fundamental importance to the Company and discussed these decisions with the Managing Board intensively and in detail. To the extent that Supervisory Board approval of the decisions and measures of Company management was required by law, the Siemens Articles of Association or our Bylaws, the members of the Supervisory Board – prepared in some cases by the Supervisory Board's committees – approved the related proposals after intensive review and discussion. A particular focus of our activities in fiscal 2018 was the Company's strategic orientation, which we dealt with in detail at several of our meetings and in depth at additional sessions with the Managing Board ("strategy dialogues"). The Supervisory Board supports the Company's ongoing strategic development and is convinced that Vision 2020+ is an outstanding concept that will make it possible to further develop Siemens more rapidly from a position of strength and to prepare the Company for the next decade.

TOPICS AT THE PLENARY MEETINGS OF THE SUPERVISORY BOARD

We held a total of six regular plenary meetings in fiscal 2018. We also held an extraordinary, constituent meeting of the Supervisory Board immediately following the Annual Shareholders' Meeting on January 31, 2018. Topics of discussion at our regular plenary meetings were revenue and profit and employment development at Siemens AG and the Siemens Group as well as the Company's financial position and the results of its operations. In addition, we concerned ourselves as required with major acquisition and divestment projects and with certain risks to the Company. Further topics of discussion were portfolio measures – in particular, the planned combination of Siemens' mobility business with the publicly listed company Alstom SA of France and the public listing of Siemens Healthineers AG.

At our meeting on November 8, 2017, we discussed the Company's key financial figures for fiscal 2017 and approved the budget for fiscal 2018. On the basis of reported target achievement, we also defined the compensation of the Managing Board members for fiscal 2017. The appropriateness of this compensation was confirmed by an internal review. On the recommendation of the Compensation Committee, we also approved the targets for Managing Board compensation for fiscal 2018. The remuneration system for the Managing Board members for fiscal 2018 is unchanged vis-à-vis the remuneration system for fiscal 2015, which the Annual Shareholders' Meeting approved by a majority of more than 92% on January 27, 2015. The Managing Board also informed us about business development at the Power and Gas Division and, in particular, about the challenges to our business in the area of large gas turbines.

On November 29, 2017, we discussed the financial statements and the Combined Management Report for Siemens AG and the Siemens Group as of September 30, 2017, the Annual Report for 2017 – including the Report of the Supervisory Board, the Corporate Governance Report and the Compensation Report – and the agenda for the Annual Shareholders' Meeting on January 31, 2018. The Managing Board informed us about the current status of acquisitions and divestments and about the business situation and business development in the Asia/Australia Region. In addition, we concerned ourselves with the annual report of the Chief Compliance Officer. At this meeting, we also approved the execution of the public listing of Siemens Healthineers AG. The Managing Board reported on the implementation status of the recommendations of the Siemens Technology & Innovation Council and on research and development activities in the technology and innovation fields that had been identified as particularly relevant for Siemens.

At our meeting on January 30, 2018, the Managing Board reported to us on the Company's current business and financial position following the conclusion of the first quarter and on the situation of the Power and Gas Division and the Process Industries and Drives Division in the markets for large and small gas turbines.

The regular terms of office of seven shareholder representatives on the Supervisory Board expired as of the Annual Shareholders' Meeting on January 31, 2018. Three shareholder representatives on the Supervisory Board had already been reelected – prior to the expiry of their regular terms of office – to full five-year terms of office by the Annual Shareholders' Meeting on January 26, 2016. Seven shareholder representatives on the Supervisory Board were elected by the Annual Shareholders' Meeting on January 31, 2018, to new terms of office extending from 2018 to 2023. The employee representatives on the Supervisory Board had already been elected to the same terms of office on October 5, 2017, effective at the end of the Annual Shareholders' Meeting on January 31, 2018.

The constituent meeting of the Supervisory Board was held immediately after the Annual Shareholders' Meeting on January 31, 2018. At this constituent meeting, Jim Hagemann Snabe was elected Chairman of the Supervisory Board. The Supervisory Board confirmed Birgit Steinborn as First Deputy Chairwoman and Werner Wenning as Second Deputy Chairman of the Supervisory Board. The Supervisory Board also elected the members of its committees. On March 19, 2018, a special onboarding event was held for the new members of the Supervisory Board in order to acquaint them with the Company's business model and the structures of the Siemens Group.

As part of a "strategy dialogue," the shareholder representatives on the Supervisory Board and the employee representatives on the Supervisory Board met with the Managing Board on March 20, 2018, and April 11, 2018, respectively, for in-depth discussions regarding the Company's further strategic orientation.

At our meeting on May 8, 2018, the Managing Board reported to us on the Company's current business and financial position following the conclusion of the second quarter. As part of a strategy focus, we concerned ourselves at this meeting – on the basis of the strategy dialogues conducted with the Managing Board in the previous weeks – comprehensively and in detail with the status of the implementation of the Vision 2020 strategy and the Company's further strategic orientation, particularly with regard to its strategic priorities and governance model. We took note of and concurred with the statements of the Managing Board regarding strategic portfolio activities, the statements of the President and CEO regarding current governance, considerations regarding a future governance model and the strategic design principles of Vision 2020+ as the bases for the further development of the overall Vision 2020+ strategy. We also approved an investment in the area of the production and servicing of commuter trains for the Indian market.

At our meeting on August 1, 2018, the Managing Board reported to us on the Company's current business and financial position following the conclusion of the third quarter. In addition, we again concerned ourselves in detail with the Company's strategic orientation. We took note of and concurred with the Managing Board's statements regarding Vision 2020+ and redefined the Managing Board members' areas of responsibility. In addition, we endorsed the Audit Committee's recommendation and preference for the appointment of the independent auditors as submitted. We also decided to intend to make a proposal based on this recommendation and preference to the Annual Shareholders' Meeting that it appoint Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (Stuttgart, Germany), as the independent auditors of the Annual Financial Statements of Siemens AG and the Consolidated Financial Statements of the Siemens Group for fiscal 2019 and as the independent auditors for the audit review of the condensed Half-year Consolidated Financial Statements and Interim Group Management Report for the first half of fiscal 2019. In addition, we approved the acquisition of Mendix, Inc., a software company active in the rapid application development business, and considered the recommendations of the Siemens Technology & Innovation Council.

The Supervisory Board meeting on September 26, 2018, was held at the Company's Karlsruhe facility, the fifth-largest Siemens location and a center for process, production and building automation and industrial services. During a tour of the facility and a visit to Process Automation World, we learned, among other things, about automation solutions for the process industry as these are applied in the pharmaceutical and chemical industry. At this meeting, the Managing Board reported to us on the state of the Company. In addition, we continued our discussion and consultations regarding the Company's further strategic orientation and concerned ourselves, in particular, with innovation management, leadership, talent development and the implementation of Vision 2020+. We also approved amendments to the Bylaws for the Managing Board and the Bylaws for the Supervisory Board. As part of our regular review, we adjusted – following preparation and a recommendation by the Compensation Committee – the amount of Managing Board compensation for fiscal 2019. Matters relating to corporate governance and, in particular, the implementation of the recommendations of the German Corporate Governance Code were also discussed at the meeting. In addition, we approved the diversity concept for the Managing Board and a new version of the objectives for the Supervisory Board's composition, including the profile of skills and expertise and the diversity concept for the Supervisory Board, which are explained in chapter → C.4.2 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTIONS 289 F AND 315 D OF THE GERMAN COMMERCIAL CODE.

CORPORATE GOVERNANCE CODE

At our meeting on September 26, 2018, we approved an unqualified Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act. Information on corporate governance at Siemens is available in chapter → C.4 CORPORATE GOVERNANCE. The Company's Declaration of Conformity has been made permanently available to shareholders on the Siemens website. The current Declaration of Conformity is also available in chapter → C.4.2 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTIONS 289 F AND 315 D OF THE GERMAN COMMERCIAL CODE.

WORK IN THE SUPERVISORY BOARD COMMITTEES

The Supervisory Board has established seven standing committees, which prepare proposals and issues to be dealt with at its plenary meetings. Some of the Supervisory Board's decision-making powers have also been delegated to these committees within the permissible legal framework. The committee chairpersons report to the Supervisory Board on their committees' work at the subsequent Board meetings. A list of the members and a detailed explanation of the tasks of the individual Supervisory Board committees are contained in chapter → C.4.1 MANAGEMENT AND CONTROL STRUCTURE.

The **Chairman's Committee** met 13 times. Between meetings, some of which were in the form of conference calls, I also discussed topics of major importance with the members of the Chairman's Committee. The Committee concerned itself, in particular, with personnel topics, long-term succession planning for the Managing Board and corporate governance issues as well as with the assumption by Managing Board members of positions at other companies and institutions.

The **Nominating Committee** met once. At this meeting, which took place on November 7, 2017, the Committee prepared the Supervisory Board's proposal to the Annual Shareholders' Meeting on January 31, 2018, regarding the upcoming regular election of seven shareholder representatives on the Supervisory Board. In addition, the Nominating Committee decided to recommend to the Supervisory Board that Jim Hagemann Snabe be named in the Notice of Annual Shareholders' Meeting 2018 as a candidate for election to the position of Supervisory Board Chairman. Outside this meeting, the Committee also concerned itself intensively with long-term succession planning for the Supervisory Board and, in particular, with succession to the Chairmanship of the Supervisory Board and to the Chairmanship of the Audit Committee. When searching for and evaluating candidates, the Nominating Committee took into consideration – in addition to the requirements of the German Stock Corporation Act, the German Corporate Governance Code and the Bylaws for the Supervisory Board – the targets established by the Supervisory Board for its composition and the profile of skills and expertise defined by the Supervisory Board for its composition. The Nominating Committee was supported in its activities by an external personnel consultant.

The **Compliance Committee** met four times. It dealt primarily with the Company's quarterly reports and the annual report of the Chief Compliance Officer.

The **Mediation Committee** had no need to meet.

The **Compensation Committee** met three times. It also made one decision by written circulation. The Compensation Committee prepared, in particular, proposals for the Supervisory Board regarding the definition of targets for variable compensation, the determination and review of the appropriateness of Managing Board compensation and the approval of the Compensation Report.

The **Innovation and Finance Committee** met four times. The focuses of its meetings included the Committee's recommendation regarding the budget for fiscal 2018, the discussion of the pension system and the Company's strategy, including portfolio measures, and the preparation and approval of investment and divestment projects. For example, the Committee prepared proposals for the Supervisory Board regarding the public listing of Siemens Healthineers AG, the acquisition of the software company Mendix, Inc. and an investment in the area of the production and servicing of commuter trains for the Indian market. The Committee also approved the Managing Board's decision regarding an investment in two gas-fired power plants in Brazil.

The **Audit Committee** met six times. In the presence of the independent auditors as well as the President and Chief Executive Officer and the Chief Financial Officer, the Committee dealt with the financial statements and the Combined Management Report for Siemens AG and the Siemens Group. The Audit Committee discussed the Half-year Financial Report and the quarterly statements with the Managing Board and the independent auditors. In the presence of the independent auditors, it also discussed the report on the auditors' review of the Company's Half-year Consolidated Financial Statements and of its Interim Group Management Report. The Committee recommended that the Supervisory Board propose to the Annual Shareholders' Meeting the election of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (Stuttgart, Germany) as the independent auditors for fiscal 2018. The Committee appointed the independent auditors for fiscal 2018, defined the audit focal points and determined the auditors' fee. The Committee monitored the selection, independence, qualification, rotation and efficiency of the independent auditors. It also dealt with the Company's accounting and accounting process, the effectiveness of its internal control system, its risk management system and the effectiveness, resources and findings of the internal audit as well as with reports concerning potential and pending legal disputes. A further focus of the Audit Committee's work in fiscal 2018 was the preparation and implementation of a transparent and unbiased process for selecting the independent auditors for fiscal 2019. In this context, the Audit Committee decided, at its meeting on January 30, 2018, to initiate a tendering process pursuant to Article 16 of the EU Audit Regulation (Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, "EU Audit Regulation"). After carefully reviewing the applicants, the Audit Committee made a reasoned recommendation to the Supervisory Board in favor of two applicants and expressed a preference for one – namely, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (Stuttgart, Germany). In addition, the Audit Committee concerned itself with the new statutory requirements for nonfinancial reporting by companies.

DETAILED DISCUSSION OF THE AUDIT OF THE FINANCIAL STATEMENTS

The independent auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (Stuttgart, Germany), audited the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group and the Combined Management Report for Siemens AG and the Siemens Group for fiscal 2018 and issued unqualified opinions for each. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (Stuttgart, Germany) has served as independent auditors of Siemens AG and the Siemens Group since fiscal 2009. Katharina Breitsameter has signed as auditor since fiscal 2016, and Thomas Spannagl has signed as auditor responsible for the audit since fiscal 2014. The Annual Financial Statements of Siemens AG and the Combined Management Report for Siemens AG and the Siemens Group were prepared in accordance with the requirements of German law. The Consolidated Financial Statements of the Siemens Group were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and with the additional requirements of German law set out in Section 315e (1) of the German Commercial Code (*Handelsgesetzbuch*). The Consolidated Financial Statements of the Siemens Group also comply with the IFRS as issued by the International Accounting Standards Board (IASB). The independent auditors conducted their audit in accordance with Section 317 of the German Commercial Code and the EU Audit Regulation and German generally accepted standards for the audit of financial statements as promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as in supplementary compliance with the International Standards on Auditing (ISA). The abovementioned documents as well as the Managing Board's proposal for the appropriation of net income were submitted to us by the Managing Board in advance. The Audit Committee discussed the dividend proposal in detail at its meeting on November 6, 2018. It discussed the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group and the Combined Management Report in detail at its meeting on November 27, 2018. In this context, the Audit Committee concerned itself, in particular, with the key audit matters described in the independent auditors' respective opinions, including the audit procedures implemented. The Audit Committee's review also covered the nonfinancial information for Siemens AG and the Siemens Group that is included in the Combined Management Report. In the presence of the independent auditors, the Committee discussed the related concept for the compliance of Siemens AG with the requirements of Sections 289c through 289e of the German Commercial Code, which also apply to the Siemens Group in connection with Section 315c of the German Commercial Code. In both cases, these requirements applied to reporting for the first time in fiscal 2018. The audit reports prepared by the independent auditors were distributed to all members of the Supervisory Board and comprehensively reviewed at the Supervisory Board meeting on November 28, 2018, in the presence of the independent auditors, who reported on the scope, focal points and main findings of their audit, addressing, in particular, key audit matters and the audit procedures implemented. No major weaknesses in the Company's internal control or risk management systems were reported. At this meeting, the Managing Board explained the financial statements of Siemens AG and the Siemens Group as well as the Company's risk management system. At our meeting on November 28, 2018, we also approved the proposal to the Annual Shareholders' Meeting regarding the election of the independence auditors, taking into account the Audit Committee's recommendation and preference. This proposal was based on the Audit Committee's declaration that its recommendation was free of undue influence by third parties and that it had not entered into any contract clause that could restrict possible choices within the meaning of Article 16, para. 6 of the EU Audit Regulation.

The Supervisory Board concurs with the results of the audit. Following the definitive findings of the Audit Committee's examination and our own examination, we have no objections. The Managing Board prepared the Annual Financial Statements of Siemens AG and the Consolidated Financial Statements of the Siemens Group. We approved the Annual Financial Statements and the Consolidated Financial Statements. In view of our approval, the financial statements are accepted as submitted. We endorsed the Managing Board's proposal that the net income available for distribution be used to pay out a dividend of €3.80 per share entitled to a dividend and that the amount of net income attributable to shares of stock not entitled to receive a dividend for fiscal 2018 be carried forward.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY AND MANAGING BOARDS

There were no changes in the composition of the Managing Board in fiscal 2018.

Effective at the end of the day on September 30, 2017, Hans-Jürgen Hartung left the Supervisory Board. Dorothea Simon was appointed a member of the Supervisory Board by order of the district court of Charlottenburg, Germany, effective from October 1, 2017, until the end of the Annual Shareholders' Meeting on January 31, 2018.

The shareholder representatives Dr. Gerhard Cromme, Dr. Hans Michael Gaul, Gérard Mestrallet and Güler Sabancı and the employee representatives Olaf Bolduan and Sibylle Wankel left the Supervisory Board upon the expiry of their terms of office at the end of the Annual Shareholders' Meeting on January 31, 2018. We thanked the departing members for their many years of trust-based cooperation and for their professional commitment and contribution to the Company's success. Our special thanks go to Dr. Gerhard Cromme and Dr. Hans Michael Gaul, who – as Chairman of the Supervisory Board and Chairman of the Audit Committee, respectively – decisively shaped the Supervisory Board's work for many years.

On January 31, 2018, the Annual Shareholders' Meeting elected Dr. Werner Brandt, Benoît Potier, Dame Nemat Talaat Shafik and Matthias Zachert to serve as new shareholder representatives on the Supervisory Board. Michael Diekmann, Dr.-Ing. Dr.-Ing. h.c. Norbert Reithofer and Dr. Nathalie von Siemens, who were already shareholder representatives on the Supervisory Board and whose regular full five-year terms of office expired at the end of the Annual Shareholders' Meeting on January 31, 2018, were reelected to full five-year terms of office as shareholder representatives on the Supervisory Board. Dr. Nicola Leibinger-Kammüller, Jim Hagemann Snabe and Werner Wenning had already been reelected – prior to the expiry of their regular terms of office – to full five-year terms of office as shareholder representatives on the Supervisory Board by the Annual Shareholders' Meeting on January 26, 2016.

Pursuant to the provisions of the German Codetermination Act, Dr. Andrea Fehrmann and Gunnar Zukunft were elected on October 5, 2017, to serve as new employee representatives on the Supervisory Board, effective at the end of the Annual Shareholders' Meeting on January 31, 2018. Reinhard Hahn, Bettina Haller, Robert Kensbock, Harald Kern, Jürgen Kerner, Michael Sigmund, Dorothea Simon and Birgit Steinborn, who were already employee representatives on the Supervisory Board, were reelected to the Supervisory Board on October 5, 2017, effective at the end of the Annual Shareholders' Meeting on January 31, 2018.

On behalf of the Supervisory Board, I would like to thank the members of the Managing Board as well as the employees and employee representatives of Siemens AG and all Group companies for their outstanding commitment and constructive cooperation in fiscal 2018.

For the Supervisory Board

Jim Hagemann Snabe
Chairman

C.4 Corporate Governance

C.4.1 Management and control structure

Siemens AG is subject to German corporate law. Therefore, it has a two-tier board structure, consisting of a Managing Board and a Supervisory Board.

C.4.1.1 MANAGING BOARD

As the top management body, the Managing Board is committed to serving the interests of the Company and achieving sustainable growth in company value. The members of the Managing Board are jointly responsible for the entire management of the Company and decide on the basic issues of business policy and corporate strategy as well as on the Company's annual and multi-year plans.

The Managing Board prepares the Company's Quarterly Statements and Half-year Financial Report, the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group and the Combined Management Report of Siemens AG and the Siemens Group. In addition, the Managing Board ensures that the Company adheres to statutory requirements, official regulations and internal Company policies and works to achieve compliance with these provisions and policies within the Siemens Group. The Managing Board has established a comprehensive compliance management system. Details are available on the Siemens Global Website at: WWW.SIEMENS.COM/SUSTAINABILITY-FIGURES

The Managing Board is divided into the portfolio of the President and CEO and a variety of Managing Board portfolios. The Managing Board members responsible for the individual Managing Board portfolios are defined in the business allocation plan as approved by the Supervisory Board. As the Managing Board member with responsibility for the Human Resources portfolio, the Labor Director (*Arbeitsdirektor*) is appointed in accordance with the requirements of Section 33 of the German Codetermination Act (*Mitbestimmungsgesetz*). A portfolio assigned to an individual member is that member's own responsibility. Activities and transactions in a particular Managing Board portfolio that are considered to be extraordinarily important for the Company or associated with an extraordinary economic risk require the prior consent of the full Managing Board. The same applies to activities and transactions for which the President and CEO or another member of the Managing Board demands a prior decision by the Managing Board. The President and CEO is responsible for the coordination of all Managing Board portfolios. Further details are available in the Bylaws for the Managing Board at: WWW.SIEMENS.COM/BYLAWS-MANAGINGBOARD

The Managing Board and the Supervisory Board cooperate closely for the benefit of the Company. The Managing Board informs the Supervisory Board regularly, comprehensively and without delay on all issues of importance to the Company with regard to strategy, planning, business development, financial position, earnings, compliance and risks. When filling managerial positions at the Company, the Managing Board takes diversity into account and, in particular, aims for an appropriate consideration of women and internationality.

With the support of the Chairman's Committee and in consultation with the Managing Board, the Supervisory Board ensures long-term succession planning for appointments to the Managing Board. In September 2018, the Supervisory Board approved a diversity concept for the composition of the Managing Board that also takes into account the recommendations of the German Corporate Governance Code (Code) and includes criteria for long-term succession planning for the Managing Board. In 2017, the Supervisory Board defined a target for the proportion of women in the Managing Board of Siemens AG and set a deadline for its attainment. In 2017, the Managing Board defined targets for the proportion of women at the two management levels below the Managing Board and set a deadline for their attainment. Details regarding the diversity concept for the Managing Board, the concept's implementation and the targets are set out in chapter → C.4.2.4 TARGETS FOR THE QUOTA OF WOMEN ON THE MANAGING BOARD AND AT THE TWO MANAGEMENT LEVELS IMMEDIATELY BELOW THE MANAGING BOARD.

The members of the Managing Board are subject to a comprehensive prohibition on competitive activity for the period of their employment at Siemens AG. They are committed to serving the interest of the company. When making their decisions, they may not be guided by personal interests nor may they exploit for their own advantage business opportunities offered to the company. Managing Board members may engage in secondary activities – in particular, supervisory board positions outside the Siemens Group – only with the approval of the Chairman's Committee of the Supervisory Board. Every Managing Board member is under an obligation to disclose conflicts of interest without delay to the Chairman or Chairwoman of the Supervisory Board and to inform the other members of the Managing Board thereof. No Managing Board member holds more than three supervisory board positions in non-group listed companies or positions in the supervisory bodies of non-group entities that have similar requirements.

The Managing Board has one committee, the Equity and Compensation Committee. This committee is responsible for the duties assigned to it by decision of the Managing Board – including, in particular, duties in connection with capital measures and equity-linked financial instruments relating to the compensation of the employees and managers of the Siemens Group (except for the compensation of the members of the Managing Board and Top Management) and relating to share-based compensation components and employee share plans.

The Equity and Compensation Committee comprises the President and CEO, the Chief Human Resources Officer, the Chief Financial Officer and, as a consultative member, the Chief of Staff of Siemens AG. Its members are Joe Kaeser (Chairman), Janina Kugel, Prof. Dr. Ralf P. Thomas and, as a consultative member, Mariel von Schumann (as of September 30, 2018).

Information on the areas of responsibility and the curricula vitae of the members of the Managing Board are available on the Siemens Global Website at: WWW.SIEMENS.COM/COMPANY-STRUCTURE. Information on the compensation paid to the members of the Managing Board is provided in chapter → A.10 COMPENSATION REPORT.

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

In fiscal 2018, the Managing Board comprised the following members:

Name	Date of birth	First appointed	Term expires	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises – External positions (as of September 30, 2018)	Group company positions (as of September 30, 2018)
Joe Kaeser President and Chief Executive Officer	June 23, 1957	May 1, 2006	At the end of the 2021 Annual Shareholders' Meeting	German positions: › Allianz Deutschland AG, Munich › Daimler AG, Stuttgart Positions outside Germany: › NXP Semiconductors B.V., Netherlands	Positions outside Germany: › Siemens Ltd., India
Roland Busch, Dr. rer. nat.	November 22, 1964	April 1, 2011	March 31, 2021	German positions: › European School of Management and Technology GmbH, Berlin › OSRAM Licht AG, Munich (Deputy Chairman) › OSRAM GmbH, Munich (Deputy Chairman) Positions outside Germany: › Atos SE, France	German positions: › Siemens Postal, Parcel & Airport Logistics GmbH, Constance Positions outside Germany: › Arabia Electric Ltd. (Equipment), Saudi Arabia › ISCOSA Industries and Maintenance Ltd., Saudi Arabia (Deputy Chairman) › Siemens Ltd., Saudi Arabia › Siemens W.L.L., Qatar › VA TECH T&D Co. Ltd., Saudi Arabia
Lisa Davis	October 15, 1963	August 1, 2014	July 31, 2019	Positions outside Germany: › Penske Automotive Group, Inc., USA	Positions outside Germany: › Siemens Corp., USA (Chairwoman and CEO) › Siemens Gamesa Renewable Energy, S.A., Spain
Klaus Helmrich	May 24, 1958	April 1, 2011	March 31, 2021	German positions: › Deutsche Messe AG, Hanover › EOS Holding AG, Krailling › inpro Innovationsgesellschaft für fortgeschrittene Produktionssysteme in der Fahrzeugindustrie mbH, Berlin	Positions outside Germany: › Siemens AB, Sweden (Chairman) › Siemens Aktiengesellschaft Österreich, Austria (Chairman) › Siemens Proprietary Ltd., South Africa (Chairman) › Siemens Schweiz AG, Switzerland (Chairman)

Name	Date of birth	First appointed	Term expires	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises External positions (as of September 30, 2018)	Group company positions (as of September 30, 2018)
Janina Kugel	January 12, 1970	February 1, 2015	January 31, 2020	German positions: › Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit, Cologne Positions outside Germany: › Konecranes Plc., Finland	German positions: › Siemens Healthcare GmbH, Munich
Cedrik Neike	March 7, 1973	April 1, 2017	May 31, 2020		Positions outside Germany: › Siemens Ltd., China (Chairman) › Siemens Ltd., India › Siemens Ltd. Seoul, South Korea (Chairman)
Michael Sen	November 17, 1968	April 1, 2017	March 31, 2022		German positions: › Siemens Healthcare GmbH, Munich (Chairman) › Siemens Healthineers AG, Munich (Chairman) Positions outside Germany: › Siemens Gamesa Renewable Energy, S.A., Spain
Ralf P. Thomas, Prof. Dr. rer. pol.	March 7, 1961	September 18, 2013	September 17, 2023		German positions: › Siemens Healthcare GmbH, Munich › Siemens Healthineers AG, Munich Positions outside Germany: › Siemens Aktiengesellschaft Österreich, Austria › Siemens Corp., USA (Deputy Chairman) › Siemens Gamesa Renewable Energy, S.A., Spain

C.4.1.2 SUPERVISORY BOARD

The Supervisory Board oversees and advises the Managing Board in its management of the Company's business. At regular intervals, the Supervisory Board discusses business development, planning, strategy and strategy implementation. It reviews the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group, the Combined Management Report of Siemens AG and the Siemens Group, and the proposal for the appropriation of net income. It approves the Annual Financial Statements of Siemens AG as well as the Consolidated Financial Statements of the Siemens Group, based on the results of the preliminary review conducted by the Audit Committee and taking into account the reports of the independent auditors. The Supervisory Board decides on the Managing Board's proposal for the appropriation of net income and the Report of the Supervisory Board to the Annual Shareholders' Meeting. In addition, the Supervisory Board or the Compliance Committee, which is described in more detail below, concerns itself with monitoring the Company's adherence to statutory provisions, official regulations and internal Company policies (compliance). The Supervisory Board also appoints the members of the Managing Board and determines each member's portfolios. Important Managing Board decisions – such as those regarding major acquisitions, divestments, fixed asset investments or financial measures – require Supervisory Board approval, unless the Bylaws for the Supervisory Board specify that such authority be delegated to the Innovation and Finance Committee of the Supervisory Board. The Supervisory Board has issued Bylaws for the Managing Board that contain the assignment of responsibilities and the rules for cooperation within the Managing Board.

Separate preparatory meetings of the shareholder representatives and of the employee representatives are held regularly in order to prepare the Supervisory Board meetings. If necessary, the Supervisory Board meets without the Managing Board, at least once during the fiscal year. The Supervisory Board regularly reviews the efficiency of its activities, either internally or with the involvement of external consultants. Every Supervisory Board member must disclose to the Supervisory Board conflicts of interest – in particular, those that could arise through the performance of advisory or governing-body functions at customers, suppliers, lenders or other third parties. Information regarding any conflicts of interest that have arisen and their handling is provided in the Report of the Supervisory Board.

In September 2018, the Supervisory Board – taking into account the recommendations of the Code – newly approved the objectives for its composition, including a profile of the skills and expertise that the Supervisory Board should possess and a diversity concept for the Supervisory Board. Details and the status of implementation are set out in chapter → C.4.2 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTIONS 289F AND 315D OF THE GERMAN COMMERCIAL CODE.

The Supervisory Board of Siemens AG has 20 members. As stipulated by the German Codetermination Act, half of the members represent Company shareholders, and half represent Company employees. The employee representatives' names are marked below with an asterisk (*). Seven of the ten shareholder representatives were elected at the Annual Shareholders' Meeting on January 31, 2018. The Supervisory Board's employee representatives were elected on October 5, 2017, in accordance with the provisions of the German Codetermination Act. Their election took effect at the end of the ordinary Annual Shareholders' Meeting on January 31, 2018. The terms of office of the Supervisory Board members will end, as a rule, at the conclusion of the ordinary Annual Shareholders' Meeting in 2023. The terms of offices of Dr. Nicola Leibinger-Kammüller, Jim Hagemann Snabe and Werner Wenning will end at the conclusion of the ordinary Annual Shareholders' Meeting in 2021.

Details regarding the work of the Supervisory Board are provided in chapter → C.3 REPORT OF THE SUPERVISORY BOARD. The curricula vitae of the members of the Supervisory Board are available on the Siemens Global Website at: WWW.SIEMENS.COM/SUPERVISORY-BOARD. Information on the compensation paid to the members of the Supervisory Board is provided in chapter → A.10 COMPENSATION REPORT.

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

In fiscal 2018, the Supervisory Board comprised the following members:

Name	Occupation	Date of birth	Member since	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises (as of September 30, 2018)
Jim Hagemann Snabe Chairman	Chairman of the Supervisory Board of Siemens AG and of the Board of Directors of A.P. Møller-Mærsk A/S	October 27, 1965	October 1, 2013	German positions: › Allianz SE, Munich (Deputy Chairman) Positions outside Germany: › A.P. Møller-Mærsk A/S, Denmark (Chairman)
Birgit Steinborn* First Deputy Chairwoman	Chairwoman of the Central Works Council of Siemens AG	March 26, 1960	January 24, 2008	
Werner Wenning Second Deputy Chairman	Chairman of the Supervisory Board of Bayer AG	October 21, 1946	January 23, 2013	German positions: › Bayer AG, Leverkusen (Chairman) › Henkel AG & Co. KGaA, Düsseldorf[1] › Henkel Management AG, Düsseldorf
Olaf Bolduan* (until January 31, 2018)	Former Chairman of the Works Council of Siemens Dynamowerk, Berlin	July 24, 1952	July 11, 2014	
Werner Brandt, Dr. rer. pol. (since January 31, 2018)	Chairman of the Supervisory Board of RWE AG and ProSiebenSat.1 Media SE	January 3, 1954	January 31, 2018	German positions: › ProSiebenSat.1 Media SE, Munich (Chairman) › RWE AG, Essen (Chairman)
Gerhard Cromme, Dr. iur. former Chairman (until January 31, 2018)	Supervisory Board Member	February 25, 1943	January 23, 2003	Positions outside Germany:[2] › AUTO1 N.V., Netherlands (Chairman) › ODDO BHF SCA, France (Co-Chairman)
Michael Diekmann	Chairman of the Supervisory Board of Allianz SE	December 23, 1954	January 24, 2008	German positions: › Allianz SE, Munich (Chairman) › BASF SE, Ludwigshafen am Rhein (Deputy Chairman) › Fresenius Management SE, Bad Homburg › Fresenius SE & Co. KGaA, Bad Homburg (Deputy Chairman)
Andrea Fehrmann, Dr. phil.* (since January 31, 2018)	Trade Union Secretary, IG Metall Regional Office for Bavaria	June 21, 1970	January 31, 2018	
Hans Michael Gaul, Dr. iur. (until January 31, 2018)	Supervisory Board Member	March 2, 1942	January 24, 2008	German positions:[2] › HSBC Trinkaus & Burkhardt AG, Düsseldorf
Reinhard Hahn*	Trade Union Secretary of the Managing Board of IG Metall	June 24, 1956	January 27, 2015	German positions: › Siemens Healthcare GmbH, Munich
Bettina Haller*	Chairwoman of the Combine Works Council of Siemens AG	March 14, 1959	April 1, 2007	
Robert Kensbock*	Deputy Chairman of the Central Works Council of Siemens AG	March 13, 1971	January 23, 2013	
Harald Kern*	Chairman of the Siemens Europe Committee	March 16, 1960	January 24, 2008	
Jürgen Kerner*	Treasurer and full-time member of the Executive Committee of IG Metall	January 22, 1969	January 25, 2012	German positions: › Airbus Operations GmbH, Hamburg › Flender GmbH, Bocholt › MAN Energy Solutions SE, Augsburg › MAN SE, Munich (Deputy Chairman) › Premium Aerotec GmbH, Augsburg (Deputy Chairman)

1 Shareholders' Committee.

2 As of January 31, 2018.

3 Group company position.

Name	Occupation	Date of birth	Member since	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises (as of September 30, 2018)
Nicola Leibinger-Kammüller, Dr. phil.	Managing Partner and CEO of TRUMPF GmbH + Co. KG	December 15, 1959	January 24, 2008	German positions: › Axel Springer SE, Berlin Positions outside Germany: › TRUMPF Schweiz AG, Switzerland [3]
Gérard Mestrallet (until January 31, 2018)	Honorary Chairman of ENGIE S.A.	April 1, 1949	January 23, 2013	Positions outside Germany: [2] › ENGIE S.A., France (Chairman) › Société Générale S.A., France › Suez S.A., France (Chairman)
Benoît Potier (since January 31, 2018)	Chairman and Chief Executive Officer of Air Liquide S.A.	September 3, 1957	January 31, 2018	Positions outside Germany: › Air Liquide International S.A., France (Chairman and Chief Executive Officer) [3] › Air Liquide International Corporation (ALIC), USA (Chairman) [3] › American Air Liquide Holdings, Inc., USA [3] › Danone S.A., France
Norbert Reithofer, Dr.-Ing. Dr.-Ing. E.h.	Chairman of the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft	May 29, 1956	January 27, 2015	German positions: › Bayerische Motoren Werke Aktiengesellschaft, Munich (Chairman) › Henkel AG & Co. KGaA, Düsseldorf [1]
Güler Sabancı (until January 31, 2018)	Chairwoman and Executive Member of Hacı Ömer Sabancı Holding A.Ş.	August 14, 1955	January 23, 2013	
Dame Nemat Talaat Shafik (since January 31, 2018)	Director of the London School of Economics	August 13, 1962	January 31, 2018	
Nathalie von Siemens, Dr. phil.	Managing Director and Spokesperson of Siemens Stiftung	July 14, 1971	January 27, 2015	German positions: › Messer Group GmbH, Sulzbach › Siemens Healthcare GmbH, Munich › Siemens Healthineers AG, Munich
Michael Sigmund*	Chairman of the Committee of Spokespersons of the Siemens Group; Chairman of the Central Committee of Spokespersons of Siemens AG	September 13, 1957	March 1, 2014	
Dorothea Simon*	Chairwoman of the Central Works Council of Siemens Healthcare GmbH	August 3, 1969	October 1, 2017	German positions: › Siemens Healthcare GmbH, Munich
Sibylle Wankel* (until January 31, 2018)	General Counsel, Managing Board of IG Metall	March 3, 1964	April 1, 2009	German positions: [2] › Daimler AG, Stuttgart
Matthias Zachert (since January 31, 2018)	Chairman of the Board of Management of LANXESS AG	November 8, 1967	January 31, 2018	Positions outside Germany: › ARLANXEO Holding B.V., Netherlands (Chairman of the Shareholders' Committee) [1,3]
Gunnar Zukunft* (since January 31, 2018)	Deputy Chairman of the Central Works Council of Siemens Industry Software GmbH	June 21, 1965	January 31, 2018	German positions: › Siemens Industry Software GmbH, Cologne (Deputy Chairman)

1 Shareholders' Committee.
2 As of January 31, 2018.
3 Group company position.

Supervisory Board Committees

The Supervisory Board has seven committees, whose duties, responsibilities and procedures fulfill the requirements of the German Stock Corporation Act (*Aktiengesetz*) and the Code. The chairmen of these committees provide the Supervisory Board with regular reports on their committees' activities.

The **Chairman's Committee** makes proposals, in particular, regarding the appointment and dismissal of Managing Board members and is responsible for concluding, amending, extending and terminating employment contracts with members of the Managing Board. When making recommendations for first-time appointments, it takes into account that the terms of these appointments shall not, as a rule, exceed three years. In preparing recommendations regarding the appointment of Managing Board members, the Chairman's Committee takes into account the candidates' professional qualifications, international experience and leadership qualities, the age limit specified for Managing Board members and the long-range plans for succession as well as diversity. It also takes into account the targets for the proportion of women on the Managing Board defined by the Supervisory Board and the diversity concept for the Managing Board approved by the Supervisory Board. The Chairman's Committee concerns itself with questions regarding the Company's corporate governance and prepares the resolutions to be approved by the Supervisory Board regarding the Declaration of Conformity with the Code – including the explanation of deviations from the Code – and regarding the approval of the Corporate Governance Report as well as the Report of the Supervisory Board to the Annual Shareholders' Meeting. Furthermore, the Chairman's Committee submits recommendations to the Supervisory Board regarding the composition of the Supervisory Board committees and decides whether to approve contracts and business transactions with Managing Board members and parties related to them.

As of September 30, 2018, the Chairman's Committee comprised Jim Hagemann Snabe (Chairman), Jürgen Kerner, Birgit Steinborn and Werner Wenning.

The **Compensation Committee** prepares, in particular, the proposals for decisions by the Supervisory Board's plenary meetings regarding the system of Managing Board compensation, including the implementation of this system in Managing Board contracts, the definition of the targets for variable Managing Board compensation, the determination and review of the appropriateness of the total compensation of individual Managing Board members and the approval of the annual Compensation Report.

As of September 30, 2018, the Compensation Committee comprised Werner Wenning (Chairman), Michael Diekmann, Robert Kensbock, Jürgen Kerner, Jim Hagemann Snabe and Birgit Steinborn.

The **Audit Committee** oversees, in particular, the accounting and the accounting process and conducts a preliminary review of the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group, the Combined Management Report of Siemens AG and the Siemens Group. On the basis of the independent auditors' report on their audit of the annual financial statements, the Audit Committee makes, after its preliminary review, recommendations regarding Supervisory Board approval of the Annual Financial Statements of Siemens AG and the Consolidated Financial Statements of the Siemens Group. The Audit Committee discusses the Quarterly Statements and Half-year Financial Report with the Managing Board and the independent auditors and deals with the auditors' report on the review of the Half-year Consolidated Financial Statements and Interim Group Management Report. It concerns itself with the Company's risk monitoring system and oversees the effectiveness of the internal control, risk management and the internal audit systems. The Audit Committee receives regular reports from the Internal Audit Department. It prepares the Supervisory Board's recommendation to the Annual Shareholders' Meeting concerning the election of the independent auditors and submits the corresponding proposal to the Supervisory Board. Prior to submitting this proposal, the Audit Committee obtains a statement from the prospective independent auditors affirming that their independence is not in question. It awards the audit contract to the independent auditors elected by the Annual Shareholders' Meeting and monitors the independent audit of the financial statements as well as the auditors' selection, independence, qualification, rotation and efficiency.

As of September 30, 2018, the Audit Committee comprised Dr. Werner Brandt (Chairman), Bettina Haller, Robert Kensbock, Jürgen Kerner, Dr. Nicola Leibinger-Kammüller, Jim Hagemann Snabe, Birgit Steinborn and Matthias Zachert. The members of the Audit Committee are, as a group, familiar with the sector in which the Company operates. Pursuant to the German Stock Corporation Act, the Audit Committee must include at least one Supervisory Board member with knowledge and experience in the areas of accounting or the auditing of financial statements. Pursuant to the Code, the chairman or chairwoman of the Audit Committee shall have specialist knowledge and experience in the application of accounting principles and internal control processes, shall be independent and may not be a former Managing Board member whose appointment ended less than two years ago. The Chairman of the Audit Committee, Dr. Werner Brandt, fulfills these requirements.

The **Compliance Committee** concerns itself, in particular, with monitoring the Company's adherence to statutory provisions, official regulations and internal Company policies (compliance).

As of September 30, 2018, the Compliance Committee comprised Jim Hagemann Snabe (Chairman), Dr. Werner Brandt, Bettina Haller, Harald Kern, Jürgen Kerner, Dr. Nicola Leibinger-Kammüller, Birgit Steinborn and Matthias Zachert.

The **Nominating Committee** is responsible for making recommendations to the Supervisory Board on suitable candidates for election by the Annual Shareholders' Meeting as shareholder representatives on the Supervisory Board. In preparing these recommendations, the objectives defined by the Supervisory Board for its composition and the approved diversity concept – in particular, independence and diversity – are to be appropriately considered, as are the proposed candidates' required knowledge, abilities and professional experience. Fulfillment of the required profile of skills and expertise is also to be aimed at. Attention shall be paid to an appropriate participation of women and men in accordance with the legal requirements relating to the gender quota as well as to ensuring that the members of the Supervisory Board are, as a group, familiar with the sector in which the Company operates.

As of September 30, 2018, the Nominating Committee comprised Jim Hagemann Snabe (Chairman), Dr. Nicola Leibinger-Kammüller, Benoît Potier and Werner Wenning.

The **Mediation Committee** submits proposals to the Supervisory Board in the event that the Supervisory Board cannot reach the two-thirds majority required for the appointment or dismissal of a Managing Board member on the first ballot.

As of September 30, 2018, the Mediation Committee comprised Jim Hagemann Snabe (Chairman), Jürgen Kerner, Birgit Steinborn and Werner Wenning.

The **Innovation and Finance Committee** discusses, in particular, based on the Company's overall strategy, the Company's focuses of innovation and prepares the Supervisory Board's discussions and resolutions regarding questions relating to the Company's financial situation and structure – including annual planning (budget) – as well as the Company's fixed asset investments and its financial measures. In addition, the Innovation and Finance Committee has been authorized by the Supervisory Board to decide on the approval of transactions and measures that require Supervisory Board approval and have a value of less than €600 million.

As of September 30, 2018, the Innovation and Finance Committee comprised Jim Hagemann Snabe (Chairman), Robert Kensbock, Harald Kern, Jürgen Kerner, Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer, Dr. Nathalie von Siemens, Birgit Steinborn and Werner Wenning.

Disclosure of participation by individual Supervisory Board members in meetings of the Supervisory Board of Siemens AG and its committees in fiscal 2018

Supervisory Board members	Supervisory Board and Committee meetings	Participation	Presence
Jim Hagemann Snabe (Chairman)	34	34	100%
Birgit Steinborn (First Deputy Chairwoman)	38	38	100%
Werner Wenning (Second Deputy Chairman)	29	29	100%
Olaf Bolduan (until January 31, 2018)	3	3	100%
Werner Brandt, Dr. (since January 31, 2018)	10	10	100%
Gerhard Cromme, Dr. (until January 31, 2018) (former Chairman)	15	15	100%
Michael Diekmann	11	11	100%
Andrea Fehrmann, Dr. (since January 31, 2018)	5	5	100%
Hans Michael Gaul, Dr. (until January 31, 2018)	9	9	100%
Reinhard Hahn	8	8	100%
Bettina Haller	18	16	88.9%
Robert Kensbock	21	21	100%
Harald Kern	16	16	100%

Jürgen Kerner	36	36	100%
Nicola Leibinger-Kammüller, Dr.	19	19	100%
Gérard Mestrallet (until January 31, 2018)	3	3	100%
Benoît Potier (since January 31, 2018)	5	5	100%
Norbert Reithofer, Dr.-Ing. Dr.-Ing. E.h.	12	11	91.7%
Güler Sabancı (until January 31, 2018)	3	3	100%
Dame Nemat Talaat Shafik (since January 31, 2018)	5	5	100%
Nathalie von Siemens, Dr.	10	10	100%
Michael Sigmund	8	8	100%
Dorothea Simon	8	8	100%
Sibylle Wankel (until January 31, 2018)	5	5	100%
Matthias Zachert (since January 31, 2018)	10	8	80%
Gunnar Zukunft (since January 31, 2018)	5	5	100%

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

Pursuant to Article 19 of EU Regulation No. 596/2014 of the European Parliament and Council of April 16, 2014, on market abuse (Market Abuse Regulation), members of the Managing Board and the Supervisory Board are legally required to disclose all transactions conducted on their own account relating to the shares or debt instruments of Siemens AG or to derivatives or financial instruments linked thereto, if the total value of such transactions entered into by a board member or any closely associated person reaches or exceeds €5,000 in any calendar year. All transactions reported to Siemens AG in accordance with this requirement have been duly published and are available on the Company's website at: WWW.SIEMENS.COM/DIRECTORS-DEALINGS

Details regarding transactions with members of the Managing and Supervisory Boards as related persons are available in NOTE 31 in → B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

C.4.1.4 ANNUAL SHAREHOLDERS' MEETING AND INVESTOR RELATIONS

Shareholders exercise their rights at the Annual Shareholders' Meeting. An ordinary Annual Shareholders' Meeting normally takes place within the first four months of each fiscal year. The Annual Shareholders' Meeting decides, among other things, on the appropriation of unappropriated net income, the ratification of the acts of the Managing and Supervisory Boards, and the appointment of the independent auditors. Amendments to the Articles of Association and measures that change the Company's capital stock are approved at the Annual Shareholders' Meeting and are implemented by the Managing Board. The Managing Board facilitates shareholder participation in this meeting through electronic communications – in particular, via the Internet – and enables shareholders who are unable to attend the meeting to vote by proxy. Proxies can also be reached during the Annual Shareholders' Meeting. Furthermore, shareholders may exercise their right to vote in writing or by means of electronic communications (absentee voting). The Managing Board may enable shareholders to participate in the Annual Shareholders' Meeting without the need to be present at the venue and without a proxy and to exercise some or all of their rights fully or partially by means of electronic communications. The Company enables shareholders to follow the entire Annual Shareholders' Meeting via the Internet. Shareholders may submit proposals regarding the proposals of the Managing and Supervisory Boards and may contest decisions of the Annual Shareholders' Meeting. Shareholders owning Siemens stock with an aggregate notional value of €100,000 or more may also demand the judicial appointment of special auditors to examine specific issues. The reports, documents and information required by law for the Annual Shareholders' Meeting, including the Annual Report, can be downloaded from our website. The same applies to the agenda for the Annual Shareholders' Meeting and to any counterproposals or shareholders' nominations that require disclosure. For the election of shareholder representatives on the Supervisory Board, a detailed curriculum vitae of every candidate is published.

As part of our investor relations activities, we inform our investors comprehensively about developments within the Company. For communication purposes, Siemens makes extensive use of the Internet. We publish Quarterly Statements, Half-year Financial and Annual Reports, earnings releases, ad hoc announcements, analyst presentations, letters to shareholders and press releases as well as the financial calendar for the current year, which contains the publication dates of significant financial communications and the date of the Annual Shareholders' Meeting, at: WWW.SIEMENS.COM/INVESTORS

Our Articles of Association, the Bylaws for the Supervisory Board, the Bylaws for the most important Supervisory Board committees, the Bylaws for the Managing Board, all our Declarations of Conformity with the Code and a variety of other corporate-governance-related documents are posted on our website at: WWW.SIEMENS.COM/CORPORATE-GOVERNANCE

C.4.2 Corporate Governance statement pursuant to Sections 289f and 315d of the German Commercial Code

The Corporate Governance statement pursuant to Sections 289f and 315d of the German Commercial Code (*Handelsgesetzbuch*) is an integral part of the Combined Management Report. In accordance with Section 317 para. 2 sentence 6 of the German Commercial Code, the audit of the disclosures made within the scope of Sections 289f and 315d of the German Commercial Code is to be limited to determining whether disclosures have been made.

C.4.2.1 DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Managing Board and the Supervisory Board of Siemens AG approved the following Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act as of October 1, 2018:

> "Declaration of Conformity by the Managing Board and the Supervisory Board of Siemens Aktiengesellschaft with the German Corporate Governance Code
>
> Siemens AG fully complies and will continue to comply with the recommendations of the German Corporate Governance Code ("Code") in the version of February 7, 2017, published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (*"Bundesanzeiger"*).
>
> Since making its last Declaration of Conformity dated October 1, 2017, Siemens AG has complied with the recommendations of the Code.
>
> Berlin and Munich, October 1, 2018
>
> Siemens Aktiengesellschaft
>
> The Managing Board The Supervisory Board"

C.4.2.2 INFORMATION ON CORPORATE GOVERNANCE PRACTICES

Suggestions of the Code

Siemens voluntarily complies with the Code's non-binding suggestions, with the following exception:

Pursuant to Section 3.7 para. 3 of the Code, in the case of a takeover offer, the management board should convene an extraordinary general meeting at which shareholders discuss the takeover offer and may decide on corporate actions. The convening of a shareholders' meeting – even taking into account the shortened time limits stipulated in the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) – is an organizational challenge for large publicly listed companies. It appears doubtful whether the associated effort is justified in cases where no relevant decisions by the shareholders' meeting are intended. Therefore, extraordinary shareholders' meetings shall be convened only in appropriate cases.

Further corporate governance practices applied beyond legal requirements are contained in our Business Conduct Guidelines.

Our Company's values and Business Conduct Guidelines

In the 171 years of its existence, our Company has built an excellent reputation around the world. Technical performance, innovation, quality, reliability, and international engagement have made Siemens a leading company in electrification, automation and digitalization. It is top performance with the highest ethics that has made Siemens strong. This is what the Company will continue to stand for in the future.

The Business Conduct Guidelines provide the ethical and legal framework within which we want to maintain our successful activities. They contain the basic principles and rules for our conduct within our Company and in relation to our external partners and the general public. They set out how we meet our ethical and legal responsibility as a Company and give expression to our corporate values of being "Responsible" – "Excellent" – "Innovative."

C.4.2.3 OPERATION OF THE MANAGING BOARD AND THE SUPERVISORY BOARD, AND COMPOSITION AND OPERATION OF THEIR COMMITTEES

A general description of the functions and operation of the Managing Board and the Supervisory Board can be found in chapter → C.4.1 MANAGEMENT AND CONTROL STRUCTURE. Further details can be derived from the bylaws for the corporate bodies concerned.

This information and these documents, including the Code and the Business Conduct Guidelines, are available at: WWW.SIEMENS.COM/289F

C.4.2.4 TARGETS FOR THE QUOTA OF WOMEN ON THE MANAGING BOARD AND AT THE TWO MANAGEMENT LEVELS IMMEDIATELY BELOW THE MANAGING BOARD; INFORMATION ON SUPERVISORY BOARD COMPLIANCE WITH MINIMUM GENDER QUOTA REQUIREMENTS

At Siemens AG, the target for the share of women on the Managing Board has been set at a minimum of 2/8, and the corresponding target for each of the two management levels immediately below the Managing Board has been set at 20%, applicable in each case until June 30, 2022.

The composition of the Supervisory Board fulfilled the legal requirements regarding the minimum gender quota in the reporting period.

C.4.2.5 DIVERSITY CONCEPT FOR THE MANAGING BOARD

The Supervisory Board, with the support of the Chairman's Committee and in consultation with the Managing Board, ensures long-term succession planning for appointments to the Managing Board. In September 2018, the Supervisory Board approved the following diversity concept for the composition of the Managing Board. This concept also takes into account the recommendations of the Code.

> "The goal is to achieve a composition that is as diverse as possible and comprises individuals who complement one another in a Managing Board that provides strong leadership as well as to ensure that, as a group, the members of the Managing Board have all the knowhow and skills that are considered essential in view of Siemens' activities.
>
> When selecting members of the Managing Board, the Supervisory Board pays close attention to candidates' personal suitability, integrity, convincing leadership qualities, international experience, expertise in their prospective areas of responsibility, achievements to date and knowledge of the company as well as their ability to adjust business models and processes in a changing world. Diversity with respect to such characteristics as age and gender as well as professional and educational background is an important selection criterion for appointments to Managing Board positions. When selecting members of the Managing Board, the Supervisory Board also gives special consideration to the following factors:
>
> - In addition to the expertise and management and leadership experience required for their specific tasks, the Managing Board members shall have the broadest possible range of knowledge and experience and the widest possible educational and professional backgrounds.
> - Taking the company's international orientation into account, the composition of the Managing Board shall reflect internationality with respect to different cultural backgrounds and international experience (such as extensive professional experience in foreign countries and responsibility for business activities in foreign countries in areas that are relevant for Siemens).
> - As a group, the Managing Board shall have experience in the business areas that are important for Siemens – in particular, in the industry, energy, healthcare and infrastructure sectors.
> - As a group, the Managing Board shall have many years of experience in technology (including information technology and digitalization), research and development, procurement, manufacturing and sales, finance, law (including compliance) and human resources.
> - When selecting individuals for Managing Board positions, the targets set by the Supervisory Board for the proportion of women on the Managing Board shall be taken into account. The Supervisory Board has established as a target that – until June 30, 2022 – 25% (2/8) of the Managing Board positions are to be held by women.
> - It is considered helpful if different age groups are represented on the Managing Board. In accordance with the recommendation of the Code, the Supervisory Board has defined an age limit for the members of the Managing Board. In keeping with this limit, the members of the Managing Board are, as a rule, to be not older than 63 years of age.

When making an appointment to a specific Managing Board position, the decisive factor is always the company's best interest, taking into consideration all circumstances in the individual case."

Status of implementation of the diversity concept for the Managing Board

The diversity concept for the Managing Board is implemented as part of the process for making appointments to the Managing Board. When selecting candidates and/or making proposals for the appointment of Managing Board members, the Supervisory Board and/or the Chairman's Committee of the Supervisory Board take into account the requirements defined in the diversity concept for the Managing Board.

With its current membership, the Managing Board meets all the requirements of its diversity concept. The Managing Board members have a broad range of knowledge, experience and educational and professional backgrounds as well as international experience. The Managing Board has all the knowledge and experience that is considered essential in view of Siemens' activities. As a group, the Managing Board has experience in the business areas that are important for Siemens – in particular, in the industry, energy, healthcare and infrastructure sectors as well as many years of experience in technology (including information technology and digitalization), research and development, procurement, manufacturing and sales, finance, law (including compliance) and human resources.

In fiscal 2018, the Managing Board comprised two women and six men. In fiscal 2018, the proportion of women on the Managing Board therefore met the target set by the Supervisory Board and applies until June 30, 2022. Different age groups are represented on the Managing Board. No Managing Board member is currently older than 63 years of age.

C.4.2.6 OBJECTIVES REGARDING THE SUPERVISORY BOARD'S COMPOSITION AS WELL AS THE PROFILE OF REQUIRED SKILLS AND EXPERTISE AND THE DIVERSITY CONCEPT FOR THE SUPERVISORY BOARD

The diversity concept for the Supervisory Board, together with the objectives regarding the Supervisory Board's composition and the profile of required skills and expertise for the Supervisory Board, were approved by the Supervisory Board in September 2018:

"The composition of the Supervisory Board of Siemens AG shall be such that the Supervisory Board's ability to effectively monitor and advise the Managing Board is ensured. In this connection, mutually complementary collaboration among members with a wide range of personal and professional backgrounds and diversity with regard to internationality, age and gender are considered helpful.

Profile of required skills and expertise

The candidates proposed for election to the Supervisory Board shall have the knowledge, skills and experience necessary to carry out the functions of a Supervisory Board member in a multinational company and safeguard the reputation of Siemens in public. In particular, care shall be taken in regard to the personality, integrity, commitment and professionalism of the individuals proposed for election.

The goal is to ensure that, in the Supervisory Board, as a group, all knowhow and experience is available that is considered essential in view of Siemens' activities. This includes, for instance, knowledge and experience in the areas of technology (including information technology and digitalization), procurement, manufacturing and sales, finance, law (including compliance) and human resources. In addition, the members of the Supervisory Board shall collectively have knowledge and experience in the business areas that are important for Siemens, in particular, in the areas of industry, energy, healthcare and infrastructure. As a group, the members of the Supervisory Board are to be familiar with the sector in which the Company operates. At least one independent member of the Supervisory Board shall have knowledge and expertise in the areas of accounting or the auditing of financial statements and specific knowledge and experience in applying accounting principles and internal control processes. In particular, the Supervisory Board shall also include members who have leadership experience as senior executives or members of a supervisory board (or comparable body) at a major company with international operations.

When a new member is to be appointed, a review shall be performed to determine which of the areas of expertise deemed desirable for the Supervisory Board are to be strengthened.

Internationality

Taking the Company's international orientation into account, care shall be taken to ensure that the Supervisory Board has an adequate number of members with extensive international experience. The goal is to make sure that the present considerable share of Supervisory Board members with extensive international experience is maintained.

Diversity

With regard to the composition of the Supervisory Board, attention shall be paid to achieving sufficient diversity. Not only is appropriate consideration to be given to women. Diversity of cultural heritage and a wide range of different professional backgrounds, experiences and ways of thinking are also to be promoted. When considering possible candidates for new elections or for filling Supervisory Board positions that have become vacant, the Supervisory Board shall give appropriate consideration to diversity at an early stage in the selection process.

In accordance with the German Stock Corporation, the Supervisory Board is composed of at least 30 percent women and at least 30 percent men. The Nominating Committee shall continue to include at least one female member.

Independence

An adequate number of independent members shall belong to the Supervisory Board. Material and not merely temporary conflicts of interest, such as advisory or governing-body functions at major competitors of the Company, shall be avoided. Under the presumption that the mere exercise of Supervisory Board duties as an employee representative gives no cause to doubt compliance with the independence criteria pursuant to Section 5.4.2 of the Code, the Supervisory Board shall have a minimum of sixteen members who are independent in the meaning of the Code. In any case, the Supervisory Board shall be composed in such a way that a number of at least six independent shareholder representatives in the meaning of Section 5.4.2 of the Code is achieved.

No more than two former members of the Managing Board of Siemens AG shall belong to the Supervisory Board.

The Supervisory Board members shall have sufficient time to exercise their mandates with the necessary regularity and diligence.

Limits on age and on length of membership

In compliance with the age limit stipulated by the Supervisory Board in its Bylaws, only individuals who are no older than 70 years of age shall, as a rule, be nominated for election to the Supervisory Board. Nominations shall take into account the regular limit established by the Supervisory Board, which restricts membership on the Supervisory Board to a maximum of three full terms of office (15 years). The aim is to ensure that the Supervisory Board has an appropriate age structure."

Implementation of the objectives regarding the Supervisory Board's composition as well as the profile of required skills and expertise and the diversity concept for the Supervisory Board; independent Supervisory Board members

Within the framework of the selection process and the nomination of candidates for the Supervisory Board, the Supervisory Board as well as the Nominating Committee of the Supervisory Board take into account the objectives regarding the Supervisory Board's composition and the requirements defined in its diversity concept. Most recently, the Supervisory Board took into account the objectives, including those relating to the profile of required skills and expertise, when proposing candidates for election as shareholder representatives to the Annual Shareholders' Meeting in 2018. The curricula vitae of the candidates were published on the Siemens Global Website prior to the Annual Shareholders' Meeting to enable their skills and expertise to be assessed and compared to the objectives.

With its current membership, the Supervisory Board meets the objectives for its composition and fulfills the profile of required skills and expertise as well as the diversity concept. The Supervisory Board members have the specialist and personal qualifications considered necessary. As a group, they are familiar with the sector in which the Company operates and have the knowledge, skills and experience essential for Siemens. A considerable number of Supervisory Board members are engaged in international activities and/or have many years of international experience. Appropriate consideration has been given to diversity in the Supervisory Board. In fiscal 2018, the Supervisory Board had seven female members, of whom three are shareholder representatives and four are employee representatives. As a result, 35% of the Supervisory Board members are women. Dr. Nicola Leibinger-Kammüller is a member of the Nominating Committee.

The Supervisory Board also has an adequate number of independent members. In the opinion of the Supervisory Board, there are currently at least 18 Supervisory Board members who are independent in the meaning of Section 5.4.2 of the Code. Of these independent members, at least eight – namely, Dr. Werner Brandt, Michael Diekmann, Benoît Potier, Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer, Dame Nemat Talaat Shafik, Jim Hagemann Snabe, Werner Wenning and Matthias Zachert – are shareholder representatives. The regulations establishing limits on age and restricting membership in the Supervisory Board to three full terms of office (15 years) are complied with.

C.5 Notes and forward-looking statements

This document contains statements related to our future business and financial performance and future events or developments involving Siemens that may constitute forward-looking statements. These statements may be identified by words such as "expect," "look forward to," "anticipate," "intend," "plan," "believe," "seek," "estimate," "will," "project" or words of similar meaning. We may also make forward-looking statements in other reports, in presentations, in material delivered to shareholders and in press releases. In addition, our representatives may from time to time make oral forward-looking statements. Such statements are based on the current expectations and certain assumptions of Siemens' management, of which many are beyond Siemens' control. These are subject to a number of risks, uncertainties and factors, including, but not limited to those described in disclosures, in particular in the chapter Risks in this Annual Report. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of Siemens may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. Siemens neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

This document includes – in the applicable financial reporting framework not clearly defined – supplemental financial measures that are or may be alternative performance measures (non-GAAP-measures). These supplemental financial measures should not be viewed in isolation or as alternatives to measures of Siemens' net assets and financial positions or results of operations as presented in accordance with the applicable financial reporting framework in its Consolidated Financial Statements. Other companies that report or describe similarly titled alternative performance measures may calculate them differently.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

This document is an English language translation of the German document. In case of discrepancies, the German language document is the sole authoritative and universally valid version.

For technical reasons, there may be differences between the accounting records appearing in this document and those published pursuant to legal requirements.

The "Sustainability Information 2018" which reports on Sustainability and Citizenship at Siemens is available at: WWW.SIEMENS.COM/INVESTOR/EN/

Address Siemens AG
Werner-von-Siemens-Str. 1
80333 Munich
Germany

Internet WWW.SIEMENS.COM

Phone +49 89 636 - 33443 (Media Relations)
+49 89 636 - 32474 (Investor Relations)
Fax +49 89 636 - 30085 (Media Relations)
+49 89 636 - 1332474 (Investor Relations)
E-mail press@siemens.com
investorrelations@siemens.com

Order no. CGXX-C10044-00-7600

siemens.com