

SIEMENS

Vision 2020

We make real what matters.

Annual Report 2014

SIEMENS

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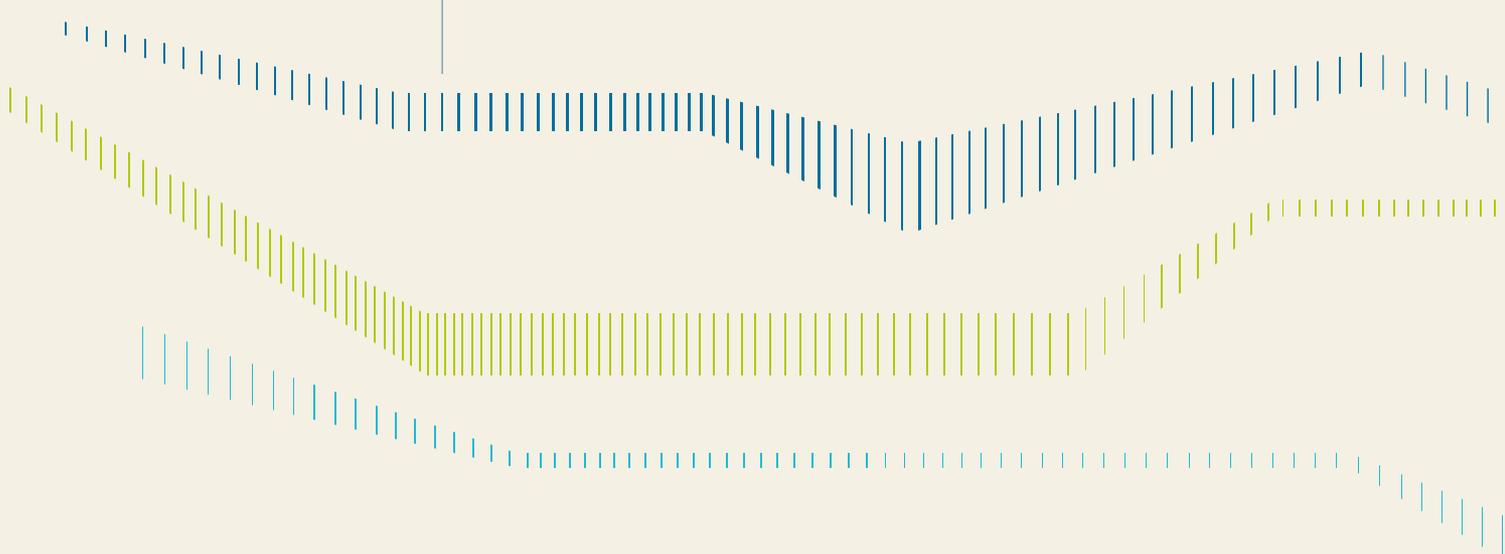
Siemens at a glance

Fiscal 2014

siemens.com

We make real what matters by setting the benchmark in the way we electrify, automate and digitalize the world around us.

To learn more, please read on.





Our path

Vision 2020 describes our path to a successful future – a strong mission, a lived ownership culture shared by all our people and a consistent strategy.

Page 5

2 Power transmission, power distribution and smart grid

A capacity of 120 gigawatts and more than 100,000 kilometers of high-voltage transmission lines – these are only two features of a power grid of true superlatives. Learn how we've cooperated with local partners in Brazil to create one of the world's most advanced, safest and most reliable power grids.

Page 30

1 Power generation

Flexible and small gas turbines will be an important growth field in the years ahead. Find out how our SGT-750 in Lubmin, Germany, is helping secure Europe's power supply.

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Our strategy

Our strategy defines the direction our Company is taking, sets the focus for our business activities and determines our entrepreneurial priorities.

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Our culture

At Siemens, we live and nurture an ownership culture – because, by giving his or her best, each individual makes a vital contribution to our Company's overall success.

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3 Energy application

Our intelligent software solutions are setting new standards – for example, in Qatar, where a new elevated conveyor system for the Hamad International Airport in Doha was planned completely digitally and commissioned well before the airport itself was opened.

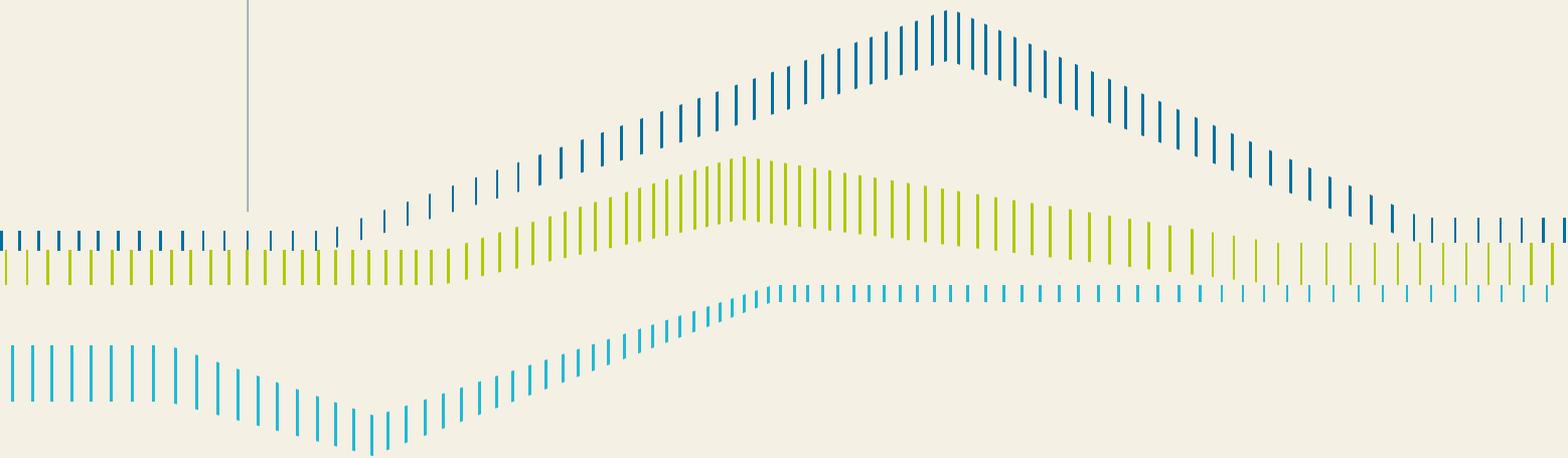
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4 Imaging and in-vitro diagnostics

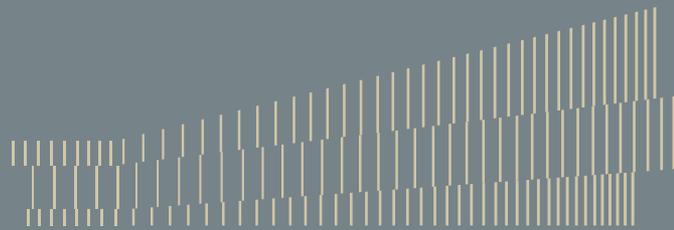
Rush University Medical Center in Chicago demonstrates how we're helping hospital operators and clinicians worldwide offer the best possible healthcare at affordable prices.

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For over 165 years, Siemens has stood for engineering excellence and innovation, for quality and reliability, for human creativity and drive, for stability and financial solidity and, last but not least, for good corporate citizenship. Our Vision 2020 fully embraces this legacy while moving us forward into a successful future.



Our path



| Making real what matters |

Shaped by our history, culture and values, our mission defines how we understand ourselves. As an expression of a strong brand, it formulates our aspiration.

| **We make real what matters**

Grounded in reality, we're inspired by the desire to shape the future – in cooperation with our partners. Leveraging our passion for engineering, we make real what matters, working with our customers to help improve the lives of people today and in the generations to come. Customers all around the world trust us and count on our knowhow and our reliability to make them more competitive.

| **By setting the benchmark**

We empower our customers to set benchmarks – with our power of innovation, our leading technologies, our global presence and, last but not least, our financial solidity. We generate value by transforming the value chain of electrification, reaching across both the digital and physical worlds. Our highly qualified and committed employees are the foundation for achieving this.

| **Together we deliver**

Our knowledge is the basis of our performance. We partner with our customers, leveraging sustainable business practices. With determination and ingenuity, we deliver engineering excellence, taking personal ownership until we jointly succeed.

This is the foundation on which we've been tackling the challenges of our time ever since Werner von Siemens and Johann Georg Halske founded our Company in Berlin more than 165 years ago.



Digitalization

Automation

Power generation

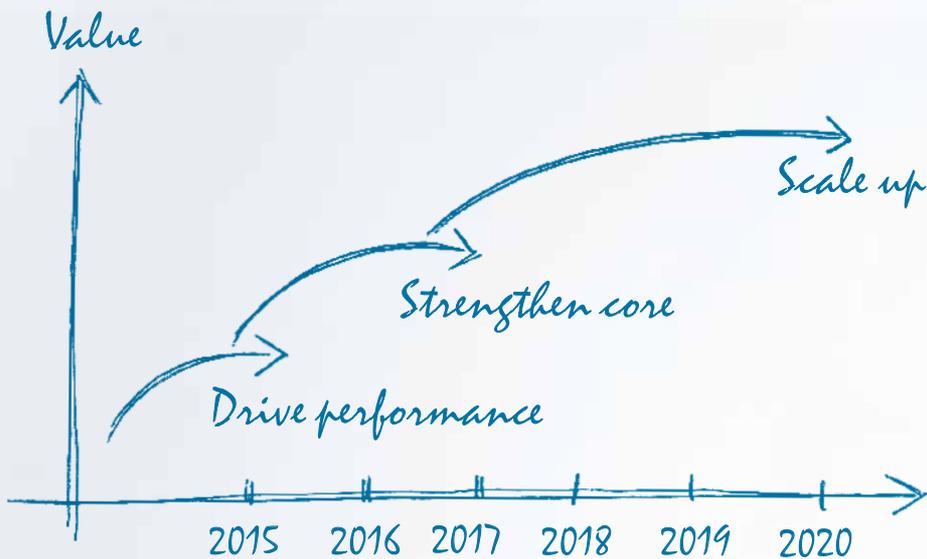
Energy application

Electrification

Power transmission, power distribution and smart grid

Imaging and in-vitro diagnostics





| Vision 2020 |

Stages

Expand global management

We want more than 30% of our Division and Business Unit managers to be based outside Germany by 2020. We now have business activities in virtually every country of the world, generating some 85% of our revenue outside Germany. We want our management to reflect this global orientation more strongly in the future.



Be a partner of choice for our customers

We want to be our customers' partner of choice – both now and in the future. To measure customer satisfaction, we use the Net Promoter Score – a comprehensive customer satisfaction survey that we conduct every year. Our goal is to improve our score in the survey by at least 20%.

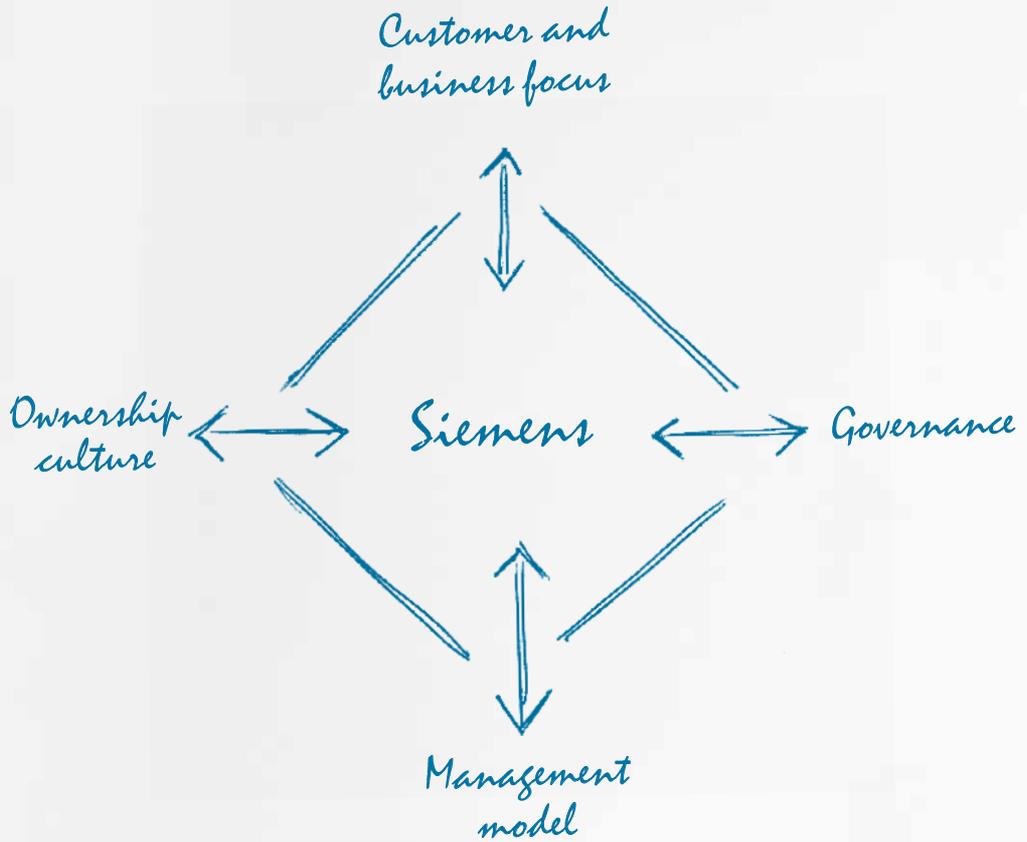
Be an employer of choice

Highly committed and satisfied employees are the basis of our success. We are – and want to remain – an attractive employer. That's why we conduct a global engagement survey to measure employee satisfaction. In the categories Leadership and Diversity, we aim to achieve an approval rating of over 75% on a sustainable basis.



Foster an ownership culture

In the future, our employees will have an even greater stake in their Company's success. We want to increase the current number of employee shareholders by at least 50%.



More IQ per megawatt – Generating power more efficiently

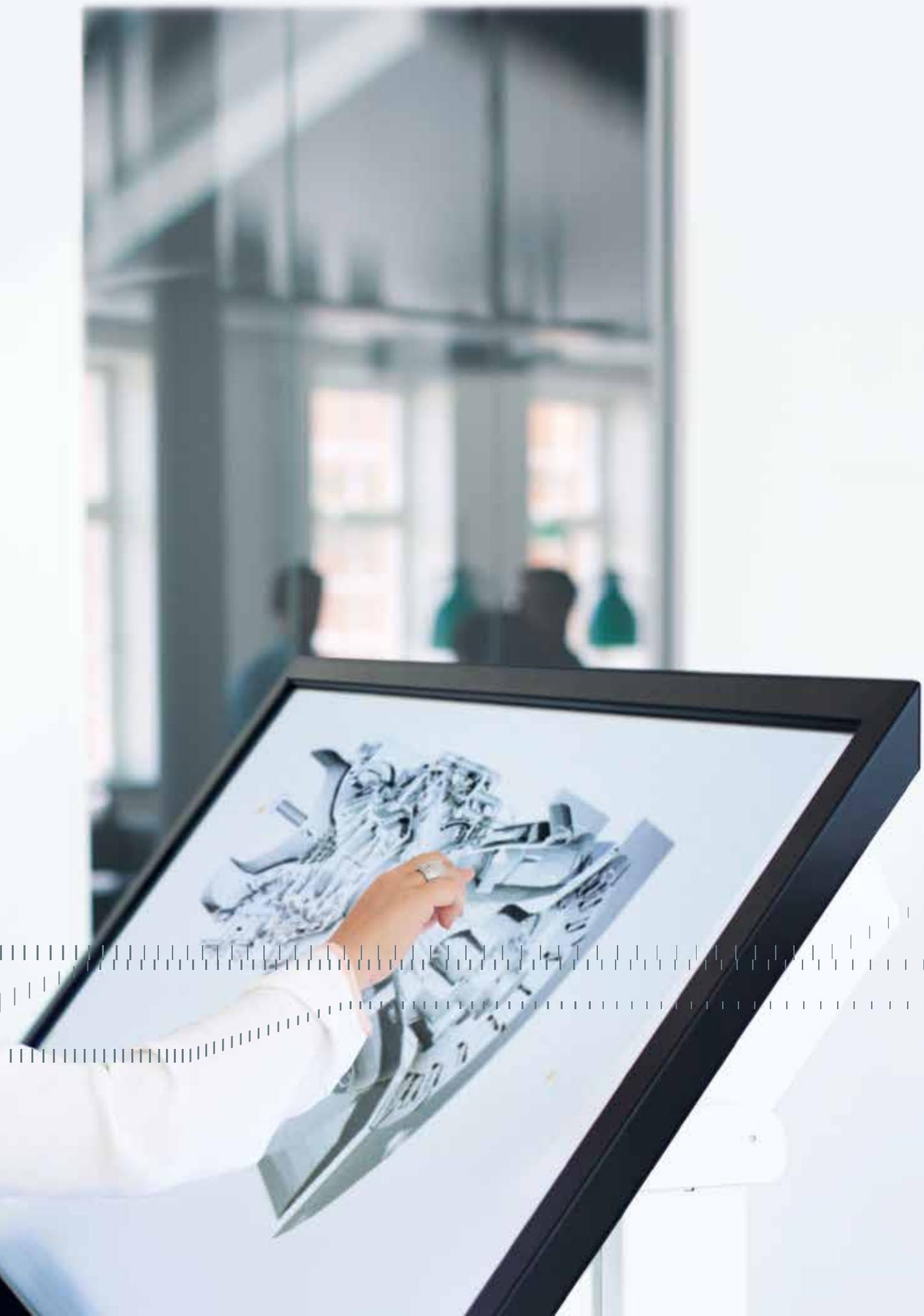
|| | Efficient power generation requires intelligent solutions like those offered by our SGT-750 gas turbine. With a capacity of 37 megawatts, the SGT-750 is one of our smaller gas turbines – but its capabilities are enormous. On the Baltic Sea in Lubmin, Germany, exhaust heat from the turbine is used to heat natural gas arriving on site through the Nord Stream pipeline, thus keeping the gas transportable. In addition, the electricity generated by the turbine is fed into the public grid. This two-fold benefit is further enhanced by the turbine’s high efficiency and low emissions, which make the SGT-750 one of the most ecofriendly turbines in its class.

+60%

Experts expect global demand for electricity to increase significantly by 2030.

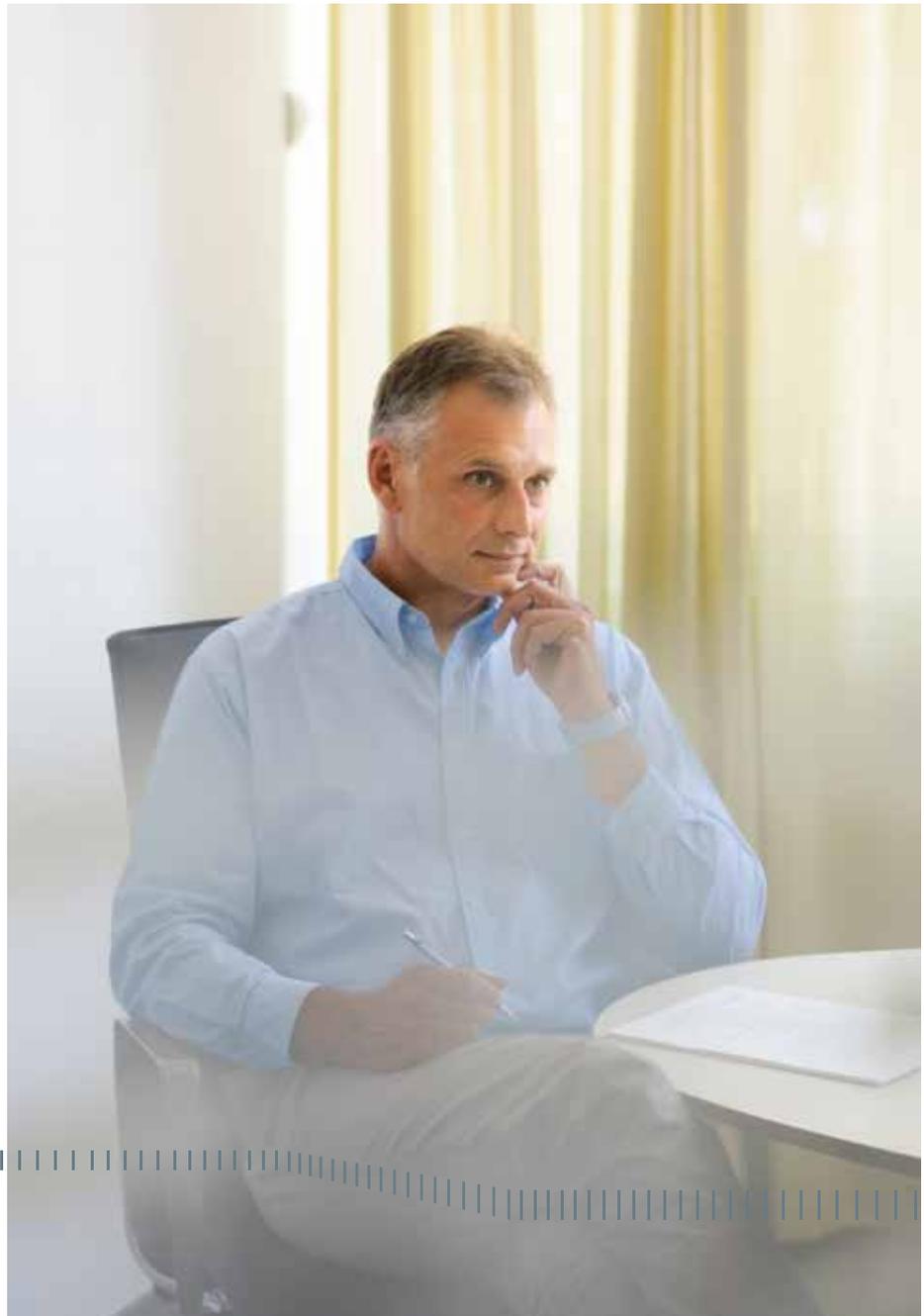
2×

The demand for electricity is growing twice as fast as the global population.



“Already during the design phase, we placed great importance on the turbine’s future ease of service as well as its efficiency.”

Anders Hellberg,
Siemens sales manager,
product manager and
development engineer



Less is more | To boost efficiency, you have to eliminate unnecessary losses. Intelligent solutions can cut these to a minimum, enabling the Siemens SGT-750 gas turbine to achieve a mechanical efficiency of more than 40%. This requires farsighted planning early on. That’s why our engi-

neers leveraged the advantages of digitalization already during the design phase. Using multi-layered 3D models, they simulated and planned future maintenance work while still working on first drafts of the new turbines.

24 bar

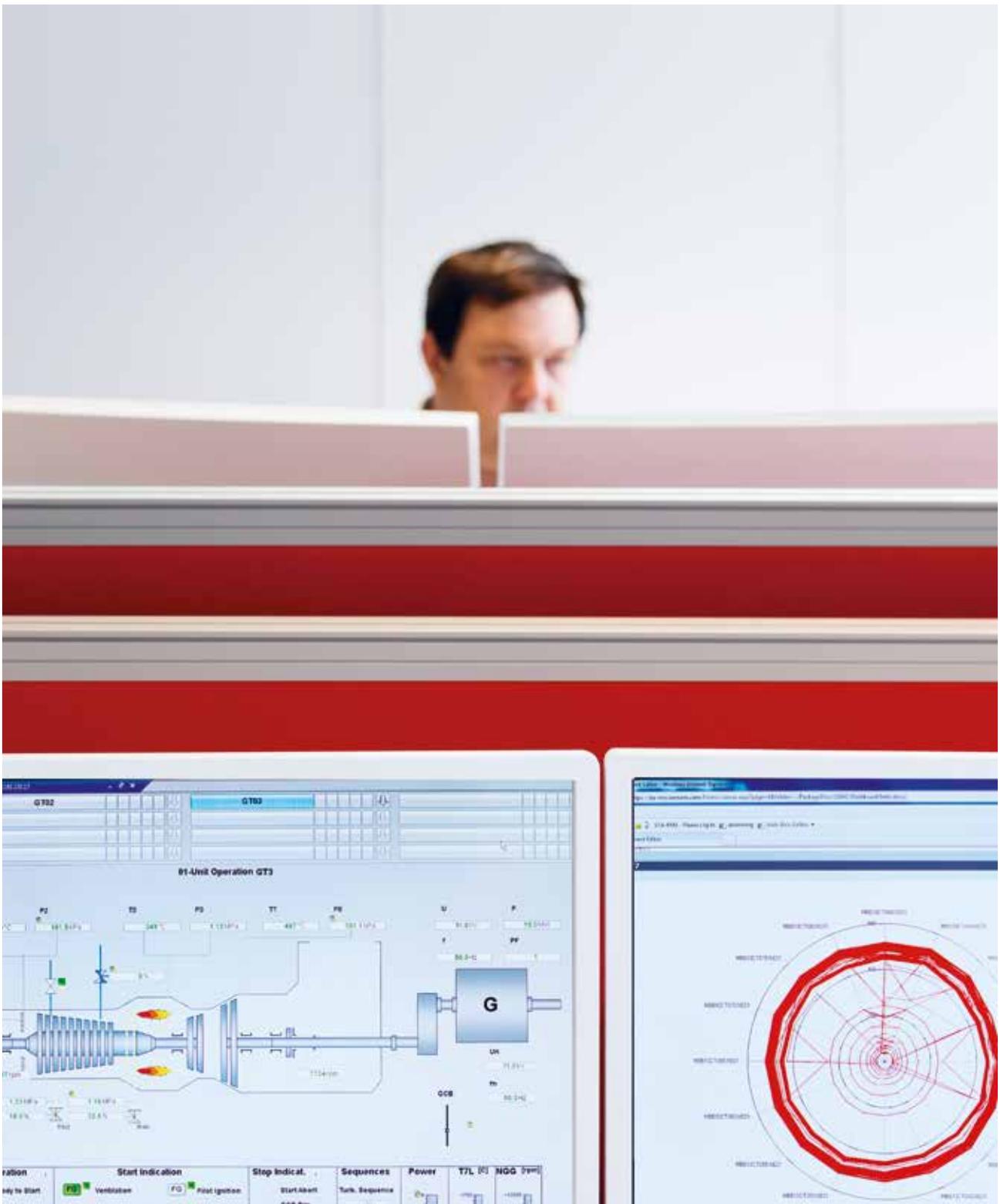
High compressor pressure enhances efficiency and cuts emissions.

95%

Fuel efficiency of up to 95% can be achieved with combined heat and power (CHP) systems.

True greatness lies in the details | Efficiency, cost effectiveness and reliability are the three main requirements for gas turbines. Improvements to details make it possible to constantly push the limits of what is feasible. A prime example is our Dry Low Emissions combustion system, which

optimizes fuel use and minimizes harmful NOx emissions. With its advanced materials and precision processing, our SGT-750 is deployable worldwide under all possible climatic conditions – in the desert as well as in the Arctic, on the high seas as well as on land.



Energy supply security according to plan | Ensuring the continued successful provision of energy in the future will require sophisticated energy management. To get a grip on rising energy costs, power generation must become more efficient. Our online monitoring system performs tasks such as controlling the capacity utilization of systems and continuously monitoring sensitive components – enabling potential

errors to be detected and resolved at an early stage. The advantage: the turbine can operate at full load for nearly eight years, or 68,000 hours, before it has to be comprehensively overhauled. With rigorous monitoring, this service interval can be extended even further. That’s what we call energy supply security according to plan.



17/17

Only 17 maintenance days are scheduled over a period of 17 years – a clear promise.

68,000

The gas turbine can operate at full load for 68,000 hours before it's due for its first comprehensive overhaul.

Maintenance with minimum downtimes | Downtime is costly and impairs processes. To minimize it, we designed the SGT-750. Our aim was to ensure that the new turbine would have the least downtime in its class. And our engineers have kept their word: the SGT-750 has just 17 scheduled

maintenance days over a period of 17 years. That's the standard we've set – a benchmark made possible by a design that offers ease of service and ready access to all important parts. In addition, high-quality materials and components minimize the likelihood of failures.



How the SGT-750 is helping safeguard Europe's gas supplies

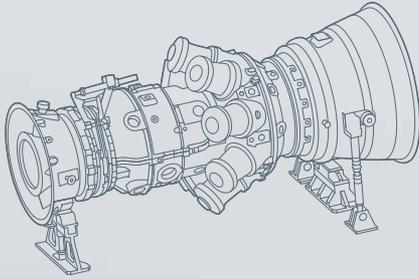
Along its route from Siberia's large natural gas reserves, the Nord Stream pipeline transports natural gas through the cold Baltic Sea. Not only does the temperature of the gas drop during transport, but the pressure also falls – from about 215 bar at the Russian city of Portovaya to a maximum of 120 bar in Lubmin, Germany – resulting in a challenging situation. On the one hand, the pressure is still not low enough

for further transport, for which 100 bar is required. On the other hand, the gas has already cooled down to such an extent that a further reduction in pressure could cause the pipelines to become iced. That's where our SGT-750 gas turbine comes in, helping ensure the smooth provision of gas to Europe with its exhaust heat. The fact that the power generated by the turbine is fed into the grid and can supply up to 50,000 households with electricity rounds off this success story.



Combating ice with 459°C | The Joule-Thomson effect describes the phenomenon whereby natural gas in pipelines cools when the pressure is reduced. At temperatures near the freezing point, a great deal of energy is needed to heat the gas in order to prevent icing. In the past, gas-fired boiler plants with a heat output of 40 megawatts each were used for this purpose. The SGT-750 offers technology that is both

more efficient and more ecofriendly: exhaust heat produced during power generation is ideal for heating the natural gas. Reaching temperatures as high as 459°C, the exhaust airflow supplies enough energy to heat the gas at the pipeline's landfall facility in Lubmin, even during the cold winter months – thus enabling the gas to be further transported.



Striking features of the new SGT-750 include its efficiency and ecofriendliness, combined with high availability and reliability. The turbine has an electrical efficiency of 39.5% and achieves an efficiency of 40.7% when used as a mechanical drive. When exhaust heat is used in a combined heat and power system, fuel efficiency can be as high as 95%.

 WWW.SIEMENS.COM/SGT-750

Experts are predicting that the demand for electricity will grow twice as fast as the global population, surging around 60% by the year 2030. Since resources are scarce, power generation will increasingly require highly efficient, customized solutions – just like the ones offered by our flexible and small gas turbines. These gas turbines help secure a stable energy supply since they're well suited for decentralized applications. Thanks to decades of experience in the manufacture of gas turbines, we're ideally positioned in this dynamic growth market, drawing upon extensive expertise to support customers worldwide.

Decentralized energy supply made reliable

Gas-fired power plants are considered an ideal supplement to renewable energy sources because they're available at short notice when the wind isn't blowing or the sun isn't shining.

Decentralized energy supplies play a key role in an intelligent power mix. An increasing number of companies maintain their own power plants that, using a combined heat and power system, supply valuable process heat that can be used in manufacturing or for building services – all at competitive electricity prices.

Our portfolio of gas turbines is already ideally tailored to meet the needs of this market environment. Models with a capacity of 5 to 400 megawatts cover a broad spectrum of applications and ensure efficiency, reliability, flexibility and environmental compatibility. Low lifecycle costs and high profitability round off this positive picture.

Our acquisition of Rolls-Royce's aero-derivative gas turbines business will close an important gap in our portfolio. Originally developed for use in aviation, the gas turbines from Rolls-Royce feature an efficient, compact and weight-optimized design. This makes them particularly attractive for energy supplies in the oil and gas industry. They're also used in decentralized power supplies because they can start up very quickly when needed and rapidly generate power. These advantages are particularly useful for managing energy peaks or power reserves for industry or for stabilizing power grids. As a result, we're expanding our access to the attractive market of flexible and small gas turbines. We expect high growth potential in this market in the years to come.

SGT-750 | Finspång, Sweden

The SGT-750 sees the light of day: in November 2010, the benefits of our SGT-750 gas turbines were presented to the general public for the very first time in Finspång, Sweden.



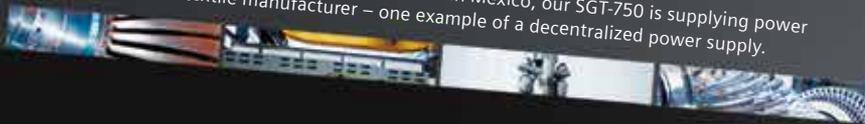
SGT-750 | Lubmin, Germany

Doubly efficient: in Lubmin, our SGT-750 feeds electricity into the local power grid and safeguards Europe's gas supply with its exhaust heat.



SGT-750 | Altamira, Mexico

Textile production using on-site power generation: in Mexico, our SGT-750 is supplying power to the factories of a textile manufacturer – one example of a decentralized power supply.



Everything under control – Thanks to reliable power grids

|| | Brazil's social and economic structure has been transformed in the past few years, strengthening the country's domestic market and increasing the supply of and demand for goods and services. To prevent power blackouts, which can take a heavy toll on a nation's infrastructure and hamper its economic development, Brazil's booming market requires a robust power grid. By implementing a centrally managed smart grid solution, Siemens and its partners are helping make the country's power grid more reliable, flexible and efficient. The solution, which is enabling Brazil to close the gap to the leaders in infrastructure technology, has placed the nation in the vanguard of a development that is set to spread to many other countries around the world in the years ahead.



5 million km²

Two-thirds of Brazil is covered by the power grid.

An aerial night view of a city, likely Rio de Janeiro, showing a dense urban landscape with many illuminated buildings. A stylized white grid overlay is superimposed on the image, consisting of vertical lines of varying heights that form a wave-like pattern across the middle of the frame. The background is a dark blue sky.

97%

The grid supplies nearly all
the country's electricity.

> 120 gigawatts

Total grid capacity



Reliable power is a prerequisite for growth | Brazil's power grid is a system of superlatives. Its more than 100,000 kilometers of high-voltage lines can transport over 120 gigawatts of electricity – compared to around 65 gigawatts at the turn of the century. In addition, around 80% of the country's electricity comes from renewable energy sources, mainly

from hydropower plants. Monitoring this huge and complex system is the role of ONS, Brazil's national grid operator. As part of a strategic plan, ONS invested in a unique solution to increase the reliability and flexibility of the power grid and avoid the risk of blackouts and faults.

“The combined expertise of CEPEL and Siemens, plus the mutual trust and respect among all partners, were key to the project’s major success.”

Albert Melo,
General Director of CEPEL

“Our new system places the country in the global vanguard of energy management technology – thanks to the close cooperation and outstanding competence of Siemens, CEPEL and ONS.”

Hermes Chipp,
General Director of ONS



A grid built on experience | In 2009, a consortium comprising Siemens and CEPEL, the research branch of the Eletrobras Group, was selected by ONS to develop a state-of-the-art energy management system. Known as REGER, the system is now monitoring and controlling Brazil’s power grid. Leveraging its wide-ranging experience in installing similar systems worldwide, Siemens cooperated with CEPEL to develop an intelligent power transmission solution or

“smart grid.” Monitoring and controlling power transmission in real time, the grid adapts more effectively to variations in demand and makes more intelligent use of available resources. REGER has been a major success, as representatives of ONS, CEPEL and Siemens can confirm: Carlos Adolfo de Souza Pereira of Siemens, Albert Melo of CEPEL, Guilherme Vieira de Mendonça of Siemens and Hermes Chipp of ONS (from left to right).



Monitoring the Brazilian grid | One of Brazil's four regional control centers is located in Rio de Janeiro. Responsible for the southeast region, the center monitors data points from the country's most developed area – which accounts for around 80% of Brazil's energy consumption. Monitoring and control systems support all the grid's operating functions.

And if one regional control center becomes very busy, another can always back it up. The new energy management system utilizes available resources better than the heterogeneous grid monitoring system that preceded it – thereby reducing operating costs and making Brazil's energy system more reliable, more flexible and more efficient.



Adaptability is a matter of intelligence | Brazil's grid operators face a huge challenge: ensuring the reliable and economical transport of energy over great distances from many different parts of the country. Roughly 80% of Brazil's electricity is currently generated by hydropower plants, of which there are now more than 1,100 in the country. To meet the nation's growing energy requirements, the government is planning to build up to 50 additional hydropower plants

by 2020. Since rainfall volumes are not always constant, however, the amount of electricity supplied by hydropower is subject to natural fluctuations. Declines must be compensated for in real time. Grid operators also have to plan for foreseeable demand peaks – at midday, for example, when large numbers of air conditioners are switched on – and make additional power plant capacity available as quickly as possible.



Always up-to-date | Brazil's power grid covers around five million square kilometers or about two-thirds of the country and supplies 97% of the nation's electricity requirements. Developed by Siemens and CEPEL, the proven hardware and software that control and monitor the grid combine high performance with outstanding reliability while minimizing

maintenance. To safeguard the grid's long-term performance, Siemens and CEPEL have pledged to keep the hardware and software up-to-date, which is made easier thanks to the use of evergreen technology. Their ongoing partnership ensures that Brazil's smart grid will always operate reliably throughout its entire lifecycle.



Generating value with innovative solutions | Brazil's smart grid has already convincingly demonstrated its value: the resources available to the grid are now being used more flexibly and efficiently. REGER situational awareness tools are reducing the risk of blackouts – an important advantage not only for car manufacturers. However, if outages do occur,

the causes can be identified, impacts minimized and power restored much faster than ever before. And smart grids hold even more potential for the future. They're a prerequisite for making power grids more intelligent and thus simplifying the management and control of tomorrow's energy flows.



Smart grids are being implemented or planned worldwide as an energy-efficient, ecofriendly solution for the reliable supply of power. This complex undertaking requires new strategies and partnerships, innovative technologies and tailor-made solutions. As one of the world's largest providers in the industry, Siemens offers a comprehensive portfolio of products, solutions and services that support energy producers, grid operators and power utilities.

A smart grid for Brazil

The transformation of Brazil's power system into a smart grid has been driven primarily by a consortium comprising Brazil's Electrical Energy Research Center (CEPEL) and Siemens. Our Company was selected as a partner for the project on the basis of its virtually unparalleled experience in designing and implementing smart grid applications worldwide.

Initial planning for the new system in Brazil began in 2009. In 2013, the country's national grid operator, ONS, commissioned the project. Known as REGER, the system integrates five energy management systems as well as four regional operating centers into a nationwide power grid.

REGER is one of the safest, most advanced and most reliable systems implemented to date. Brazil has thus closed the gap to the world's leading industrialized nations and paved the way for the ongoing growth of its economy and infrastructure.

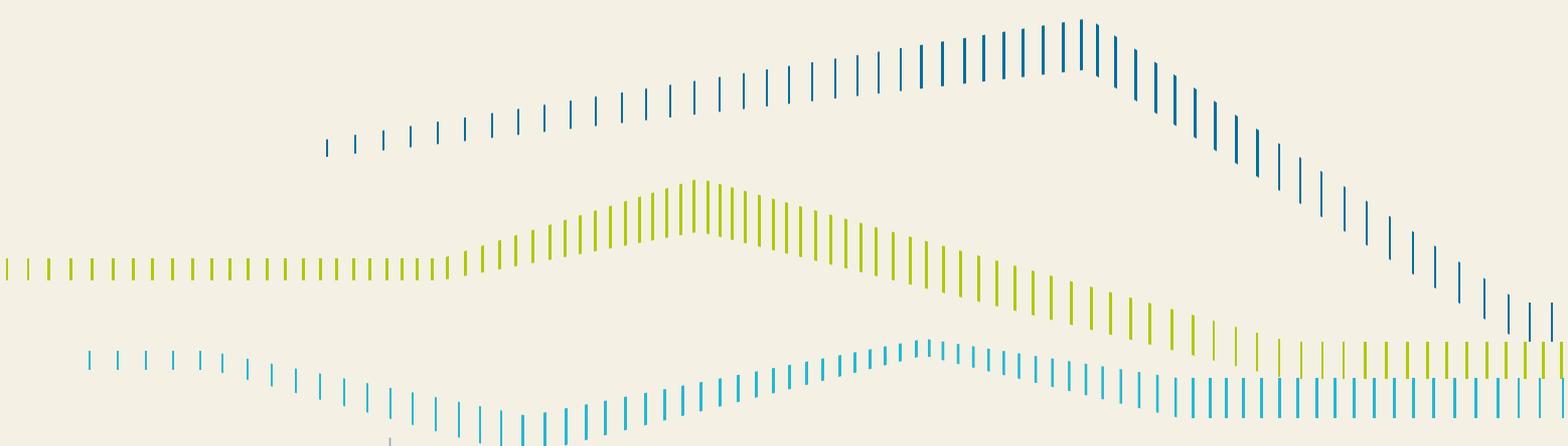
Intelligent grids: the key to saving electricity

The development of intelligent grids is one of the key challenges of the future for the global energy industry. For the first time, the unilateral flow of energy is being transformed into a multidimensional exchange of energy and information.

Intelligent and networked energy systems are complex – not only in design, but also in operation. But there's also a payoff: the systems offer far more than just a failsafe power supply. Advanced Smart Metering solutions make it possible, for example, to balance generation and consumption more closely while managing – and not merely reacting to – the demand for power. They also enable grid operators to provide pricing incentives to customers who save electricity during periods of high demand or shift their consumption to off-peak periods. The advantages – flattened demand peaks and improved customer behavior – enhance energy efficiency, particularly for decentralized power plants and large-scale consumers, while ultimately making a further active contribution to environmental protection by increasing the share of renewables.

The amount of power being consumed and generated worldwide is continually increasing. The share of electricity in the energy mix is on the rise, as is the percentage of power being produced from renewable, decentralized sources. The greatly fluctuating feed-in from renewables is a further burden for grids that are already overloaded. Leveraging its worldwide experience in designing and operating grids, Siemens develops intelligent solutions that better integrate power grids under such conditions and make them smarter.

An IT revolution has begun in the area of power grids: information and communication technologies are boosting security of supply and enhancing the efficiency of grid infrastructure operations. At the same time, grid control software and company software are becoming increasingly integrated, opening up new business models for utilities. Siemens offers the energy industry a complete range of products, solutions and services from a single source – from grid protection, automation, planning, control, monitoring and diagnostics systems to products and turnkey solutions.



A culture can't be dictated or imposed: a culture must be lived. All around the world, we want to foster a culture that appeals to the commitment, creative drive and entrepreneurial spirit of every individual – in short, an ownership culture.

Our culture



| Acting entrepreneurially |

*Always act as if it were
your own Company.*

| **Joe Kaeser** |

President and CEO
of Siemens AG

Ownership culture for me means to apply the level of performance and zigor to every action you take as if you would take them for your own company.



| **Mariel von Schumann** |

Head of Governance & Markets

For me, Ownership Culture means that everyone in the company feels they have the ability and the opportunity to really make a difference and contribute to the success of Siemens. And that everyone is encouraged to do so!



| Janina Kugel |

Chief Diversity Officer
Head of HR People & Leadership



Ο δικός μας πολιτισμός είναι ένα
πνευματικό στοιχείο, βασικό και προϋπόθεση
για την παγκόσμια επιτυχία μας.

Ownership culture is an asset as well as
a prerequisite for our global success.

Georgia Davari

Apprentice
Europeans@Siemens

حم، لشعور بالانتماء اليك للعامل
والتأثيره الجاده و اعطاء المستمن الجميع للوصول الى
ما يميزه من حبه و يني

For me, ownership culture is having both feet on the ground, knowing the local context like the back of my hand and creating a culture for the people around me that will motivate them to do their best.

| Hamad Al Khayyat |

General Manager
Oil & Gas

Siemens is a company that was led for generations by owners who had a passionate interest in the firm's long-term successful development. They all knew that every individual makes a contribution every day to the Company's enduring success. We're following this conviction and want to foster an ownership culture worldwide that includes all of our people. We believe the following principles are especially important here:

Owners ensure our business success

Our managers should serve as role models for the Company's strategic direction and ensure the sustainable and efficient use of available resources – thus inspiring and empowering their teams to give their best for the Company.

Our behaviors bring the ownership culture to life

Entrepreneurial behavior should be the standard and foundation for how we act at Siemens. This applies to each individual in the Company – since only then can behaviors constantly evolve and improve.

Owners care for each individual

We strive for a people-oriented approach that values and clearly fosters diversity of experience and expertise. If this is reflected in all that we do, we'll improve the performance of our Company.

Ownership culture is based on our Company values

If everyone in the Company acts responsibly, achieves excellent results and is innovative, they will personally contribute to the sustainable success of Siemens. Responsible, excellent, innovative – these values are the foundation of our ownership culture.

Owners identify themselves fully with Siemens

We strongly believe that employee shareholders act responsibly and are oriented to the long term when they directly participate in their Company's success. That's why the equity culture is an integral part of our ownership culture. → [SEE PAGE 63](#)

Var en förebild och följ säkra
rutiner för en säkrare framtid.

Be a role model and follow safe routines for a safer future.

| **Jesper Rönnbäck** |

Electrician

SIEMENS

É ser automotivado pela melhoria contínua para o sucesso sustentável independentemente do cargo que você ocupa.

Ownership culture is being self-motivated by continuous improvement for sustainable success, whatever your position is.

| **Juliana Furlanetto Odoni** |

Sales Support Manager

*PERSONAL OWNERSHIP SCREAMS, "I CARE!"
FROM WITHIN; AND WHEN ALL TEAM MEMBERS
TRULY CARE, SUCCESS USUALLY FOLLOWS.*

| Michael Cheng |

Senior Manager
Engineering for Angiography

É exercitar o senso de pertencimento,
tomando para si a responsabilidade de
fazer, incondicionalmente, o seu
melhor a cada dia.

Ownership culture is exercising a sense of belonging, taking the responsibility for doing your best, unconditionally, every day.

| Sergio Souza |

Program Manager
Transformation Program
Siemens Brazil



Lena Ikejiri de Medeiros
São Paulo, Brazil

| After graduating with a degree in business administration and specializing in HR, Lena Ikejiri de Medeiros joined Siemens in 1996 as an intern and has worked in human resources with passion ever since. Lena's core competencies are employee and leadership development, succession planning and learning – the areas for which she's currently responsible at Siemens Brazil. Drawing on two cultural heritages, Brazilian and Japanese, Lena lives both cultures' values with great enthusiasm. She's further enhanced her intercultural capabilities by working in a variety of Latin American countries.

Mariel von Schumann
Munich, Germany

| Mariel von Schumann joined Siemens in 1999. After serving the Company in various capacities, she was appointed head of Governance & Markets in November 2013. In her current function, she combines internal management of governance topics with the external view from the capital market. This includes, for instance, communicating with the shareholder community, coordinating remuneration of Siemens' Managing Board and top executives, and managing the Company's organizational structure and internal equity programs. In addition, she orchestrates our initiative for fostering an ownership culture at Siemens, one of the main building blocks of our Vision 2020. She's eager to be a role model in that respect – living this ownership culture drives her actions.



Rickard Olsson
Finspång, Sweden

| Rickard Olsson is a workshop test manager at our Siemens Industrial Turbomachinery AB site in Finspång, a town in the Swedish province of Östergötland. Once famous for its cannon production, the locality now pursues peaceful activities, building the most modern and efficient gas turbine in its class. Rickard looks back on many years of experience in this field. He started his career as a trainee, followed by on-site assembly and commissioning work. Before assuming his current duties, he held various positions in a transfer project in the Middle East and worked as a warranty engineer in Europe.



Janina Kugel
Munich, Germany

Janina Kugel is responsible for strategic personnel topics and executive development at Siemens. After studying at universities in Mainz and Verona, she began work as a management consultant in 1997. Since joining Siemens in 2001, she's been involved in the Company's development in various capacities. From 2012 to 2013, Janina headed the global HR organization at OSRAM and prepared the business for the IPO that was completed in July 2013. Since 2014, she's been Chief Diversity Officer at Siemens AG.



Georgia Davari | Elena Rubio López
Berlin, Germany

In many EU countries, one out of every two young people has neither a job nor a vocational trainee position. Through the Europeans@Siemens initiative, we're helping improve this situation by giving young people the chance to complete a dual education-and-training program in Germany. Since 2012, 90 young Europeans from 18 EU member countries have been selected by their respective Siemens Regional Companies and sent to Berlin. Among them are Georgia Davari and Elena López, who entered the program on August 1, 2014. Whereas 24-year-old Georgia had already earned a college degree in automation engineering in her home country of Greece, 18-year-old Elena left Spain after attaining the "Bachillerato," which is a college entrance qualification. In the coming years, in alternating phases of theoretical instruction and hands-on practice, these two women will learn the occupation of electronics technician. After that, they intend to take the knowledge and skills acquired in the program back to their home countries. But first, they need to become proficient in German, the language in which the final examination is conducted.





Devina Pasta
Munich, Germany

An electrical engineer, Devina Pasta joined Siemens India in 2006, where she held positions in the area of motion control – first in product management, later in business development. There, she launched a product for the Asian market and created new business models. After driving business in Asia, she now works at Corporate Strategies in Munich, managing aspects of digital transformation – such as a Siemens CEO community – in order to address the key opportunities arising from digitalization. Devina has studied, worked and lived in Asia, America and Europe and thrives in international environments.

Michael Cheng
Chicago, USA

Michael Cheng works at Siemens in the Chicago area. He holds a degree in actuarial mathematics from the University of Michigan. After working for 16 years as a pension consultant, applications specialist, tester and quality assurance manager in the defined benefits industry, he joined Siemens in 2007. Michael successfully led a test center for six years before moving on to manage a team in systems engineering.



Sergio Souza
São Paulo, Brazil

Sergio Souza joined Siemens in 1990 as a field service technician in the area of telecommunications. Since then, he's held a wide range of positions in Brazil and other countries. Since August 2013, Sergio has headed the Transformation Program, a Regional initiative aimed at making Siemens Brazil an agile organization with an excellent working environment and at enabling the company to better serve its customers, better fulfill its responsibilities to society and consistently outpace its competitors.



|| | Strengthening our equity culture

A company owes its existence to the fact that its employees identify with it, trust it and commit themselves to its positive development. **We're proud that around 140,000 of our employees are today expressing these feelings by owning Siemens shares. We intend to increase this figure by at least 50%.** Therefore, we want employees below the management level to participate in their Company's success on an annual basis. Because the more our people trust their own Company, the more personal commitment they will feel and the greater each individual's sense of belonging and sense of responsibility will be. This is the culture we're striving to create at Siemens – a culture that will be decisive for our Company's long-term success.

Ready for take-off – Thanks to virtual planning

|| | In May 2014, the word was “ready for take-off” at Hamad International Airport in Doha. Each year, some 30 million passengers arrive in or depart from Qatar by air – a logistical challenge that also encompasses catering services. Every day, around 82,000 meals are loaded onto specially prepared trolleys that convey them to the aircraft and have to be cleaned on return. The whole system runs smoothly, thanks to sophisticated technology and logistics based on German engineering. Eisenmann SE – a global supplier of industrial systems headquartered in Böblingen, Germany – was commissioned to provide a fully automated electrified monorail system that enables the trolleys to be transported within the airport’s huge logistics center. The engineers from southern Germany relied on industry software from Siemens that allowed them to plan, test and optimize the entire system in a virtual environment before it was actually installed.



130 carts
simultaneously coordinated
and controlled

20,000 deliveries

a day

1.6 km

Total length of electrified
monorail system





Intelligent planning is the key | Machine and system suppliers such as Eisenmann SE are now faced with enormous complexities as well as growing time and cost pressures. The key to mastering these challenges is intelligent planning and meticulous preparation from the very beginning – with the help of innovative software. “Just a few years ago, we would’ve had to send a team of engineers to

Qatar for on-site testing of the system in order to spot and eliminate weaknesses in the software,” says Dr. Monika Schneider, simulation expert at Eisenmann. Today, everything is simpler: “Thanks to Siemens’ Tecnomatix Plant Simulation software, we were able to test the entire system right here in Böblingen – even though the airport itself was still under construction.”



It's best to spot errors before they're made | Eisenmann opted for Siemens' Tecnomatix software solution, which enables engineers to fully visualize, simulate and analyze a system using a "digital twin" model. Potential faults or weaknesses can be detected early on and corrected before the system is actually installed. For the Hamad International Airport project, the engineers conducted a detailed analysis

of all the parameters for the electrified monorail system on the computer before virtually simulating all its processes. And the processes are numerous: 130 carts move independently along the 1.6-kilometer electrified monorail system, making around 20,000 deliveries every day. There's no room here for error.



Entering uncharted territory | For the Hamad International Airport project, engineers working at computers in Böblingen, Germany, pushed fully loaded flight-service carts onto waiting trolleys, transported them to the supply station, unloaded them, cleaned them in the designated area and then conveyed them to the appropriate terminals – all in a virtual environment and up to 20,000 times a day.

“The programmers had to foresee every scenario with the potential to cause problems,” says Monika Schneider – for example, when a trolley fails to reach its station or the storage area for empty trolleys is too small. “When we used the real electrified monorail system for the first time, everything worked just as we’d planned in the virtual world.”



Errors cost hard cash | “How does an increase in flight operations affect catering? How can items of different sizes be transported? What can be done to ensure that system processes don’t interfere with one another?” By answering questions like these before a system goes into actual operation, Technomatix offers decisive advantages for mid-sized Eisenmann. “Development times were shortened. There was

no need for tedious, labor-intensive on-site work, and we were able to quantify our business risks, because the possibility of project delays could be completely eliminated,” explains Monika Schneider. This approach will enable Eisenmann to continue shortening its delivery times in the future – a key competitive edge.



“Our software solutions enable us to connect productivity and efficiency across the entire product and production lifecycle – from product design to services.”

Magnus Edholm,
Siemens software developer

In a world full of questions, software provides the answers | In a globalized world, the question is always the same: How can companies boost their productivity and flexibility while cutting costs? Tecnomatix software adds a new dimension to planning. Thanks to 3D simulations, users can obtain a networked overview of a nearly limitless abundance of variables that are nevertheless clearly visualized – even in

the case of large and complex systems. Scenarios and problems can be tested interactively: Does the system still run smoothly when operating at full capacity? Where do bottlenecks arise, and how can they be prevented? What’s more, every euro invested in the Tecnomatix simulation solution results in savings of up to 12 euros by the time the system is completed.



1.

Product design – Digital planning, designing and validating of products

2.

Production planning – Digital planning, simulating and optimizing of production and factory automation

3.

Production engineering – Integrated plant management throughout the entire lifecycle

4.

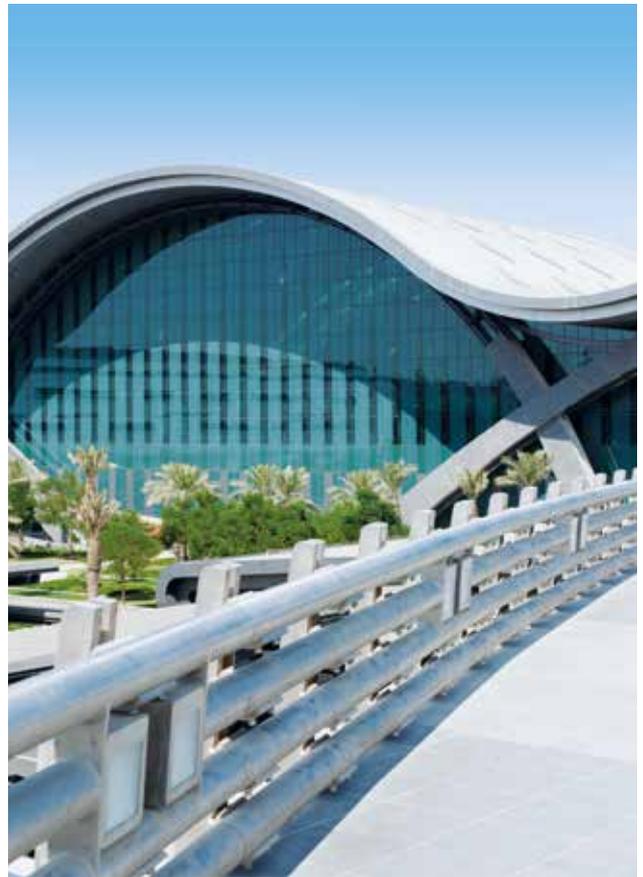
Production execution – Scalable data process information in real time company-wide

5.

Services – Customer service and support throughout all steps of the value chain

Integration as a success factor | In the future, Eisenmann will standardize its various processes – everything from sales to service – worldwide. For example, the cross-border exchange of data within the company's international project teams will be significantly simplified. Product developers and system designers are now using Siemens software solutions: Teamcenter (PLM) as a shared engineering data

platform and NX software (MCad), from which data can be effortlessly transferred to Tecnomatix. Gerd Schneider, Corporate Vice President at Eisenmann, sums it all up: "This integration is bringing our worldwide project teams even closer together. So its advantages extend far beyond the benefits of the individual software solutions."



As the development and commissioning of the electrified monorail system for Hamad International Airport in Doha impressively demonstrates, industrial production is now inconceivable without integrated software solutions. Thanks to industry software, product development is now digitalized and production systems and processes are networked – making efficient, flexibly reacting production environments possible. With our comprehensive offerings in the areas of automation technology, industrial switchgear, industrial drive systems, industry software and services, we supply and support customers along the entire value chain – from product design, production planning and engineering to actual production and service.

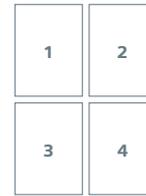
The future of industry – Linking the virtual and real worlds

New competitors, global value chains and highly transparent markets are all increasing competitive pressures. Industrial companies have to boost their productivity – using innovative technologies that make production more cost-effective and flexible while cutting time-to-market.

On the way to the Fourth Industrial Revolution

Scenarios that sounded like science fiction just a few years ago are increasingly becoming a reality. Machines are largely organizing themselves, supply chains are automatically coordinating themselves, and products are supplying all their production data to the machines on which they'll be manufactured. A new kind of industrial production – sometimes referred to as the Fourth Industrial Revolution or Industry 4.0 – is now blazing its own trail.

Whether revolution or evolution, one thing is certain: the growing demands being placed on industrial production and the introduction of new technologies have ushered in irreversible change. And we'll play a key role in shaping this change – because we're better equipped for the job than virtually any of our competitors. As a world-leading provider of automation technology and industry software, we not only boast decades of experience in industrial production; we're also one of Europe's biggest software companies, with some 17,500 software engineers. We offer a complete portfolio of industry software, encompassing everything from the automotive, shipping and aviation industries to the production of chemicals, pharmaceuticals and food. We're shaping the future of industry – today.



1 – Hamad International Airport is one of the world's newest aviation hubs.

2, 3 – The design of the passenger terminal complex is inspired by the waves of the Arabian Gulf. Planned to handle some 30 million passengers a year, the building includes over 40,000 square meters of shops, cafés and restaurants.

4 – At the end of 2015, 19 Siemens trams will begin operation in Qatar's Education City, linking 25 stations along 11.5 kilometers of track without any overhead contact lines – thanks to an innovative energy storage system.

Eisenmann is a leading international supplier of systems and services for surface finishing and paint technologies, material flow automation, thermal process engineering and environmental technology. Located in southern Germany, the company's been building highly flexible, energy- and resource-efficient manufacturing, assembly and logistics facilities for over 60 years.

 WWW.EISENMANN.COM

As the first company in the world to bundle all offerings for the digital factory under one roof, we're ideally positioned to reinforce and expand our leading role in turning the digitalized company into reality.

 WWW.SIEMENS.COM/FUTURE-OF-MANUFACTURING

Moving into the lead – In partnership with Siemens

|| | Hospital operators around the world are faced with the challenge of delivering the best possible healthcare, based on state-of-the-art technology, at affordable prices. And Rush University Medical Center in Chicago, Illinois, is no exception. That's why the facility's management team decided ten years ago to embark on a major project that would make the medical center one of the leading hospitals in the U.S. The ambitious plan called for existing buildings to undergo extensive modernization, a new building to be constructed and the entire campus to be equipped with leading-edge healthcare technology – while the complex remained in operation. The hospital's project team was looking for a partner with worldwide experience, outstanding technological competence and a proven track record of implementing complex projects – and chose Siemens.





SIEMENS

Artis

CARE+CLEAR



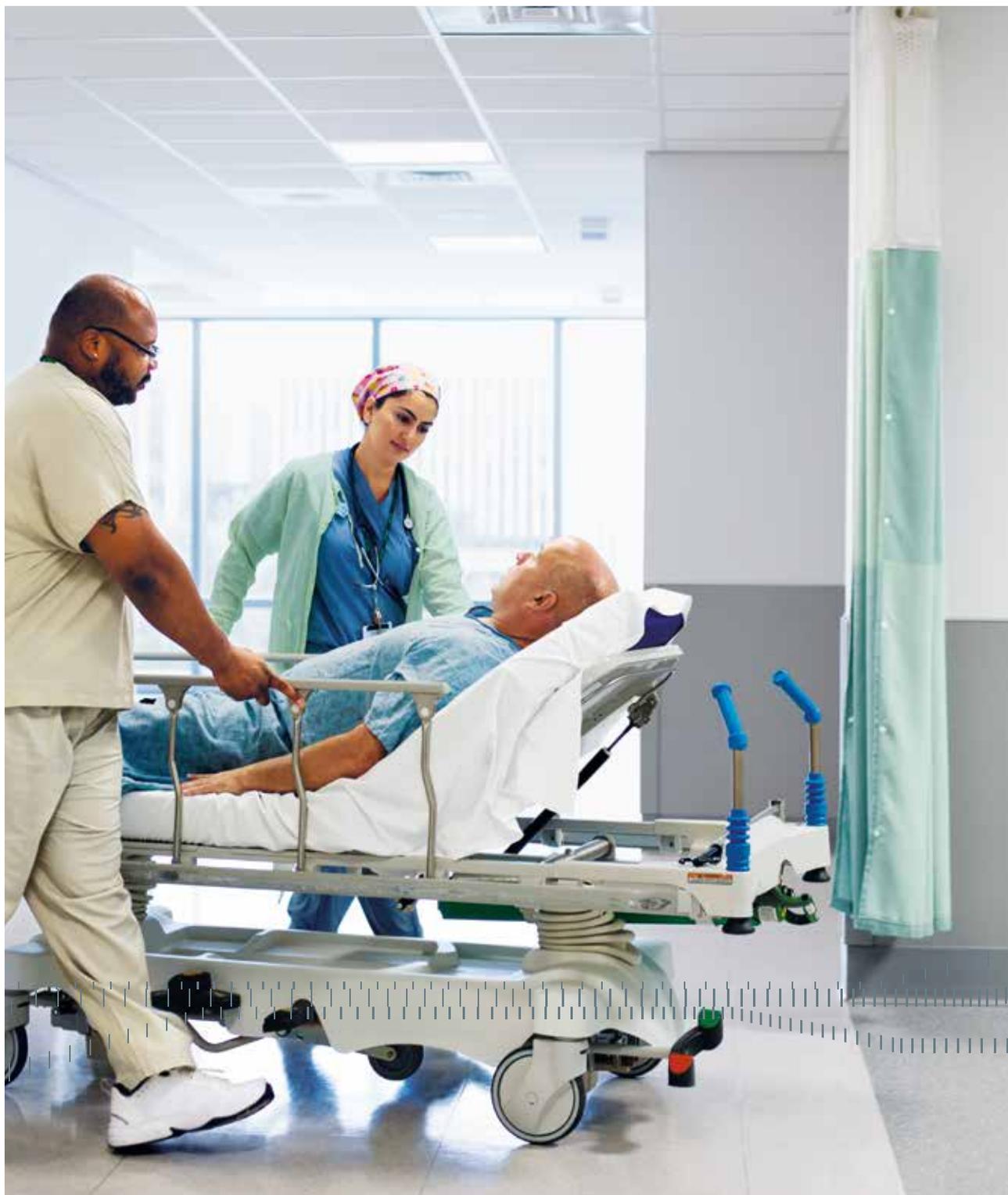
Partnering as equals | To provide the best possible consulting services in the area of healthcare, you must have a fundamental understanding of clinical workflow processes. That's why Bernard F. Peculis, Administrative Director at Rush (pictured on the left), places his trust in Siemens. By consulting with Jim Gurney, project head for Siemens (pictured on the right), Peculis was able not only to clarify product-specific questions but also to discuss the project as a whole. He

concur with Peter Butler, President and Chief Operating Officer of Rush, who says, "I was very involved in the selection of Siemens. We knew a lot about their culture and their impact on healthcare worldwide, and the depth and breadth of what they could bring to our partnership. We felt there was really a lot more intellectual capital than other vendors could bring to the table."



A made-to-measure hospital | The extensive modernization and expansion of a hospital complex is an opportunity that comes along at best once in a career – and the opportunity was tackled with great determination at Rush University Medical Center. Once the decision to implement the project had been made, a team was formed to address fundamental questions relating to the planned changes. How can a building be designed to minimize the distances

walked by staff and patients? How can the highest standards of hygiene be maintained? How can IT be embedded to accelerate workflow? In the post-9/11 era, the list of questions also included how to ensure the provision of basic medical services for millions of city residents in the wake of an event like a terrorist attack or an epidemic. These are only some of the topics the project team considered and discussed with Siemens.



Saving time can save lives | When discussing ideas for enhancing clinical workflow, the project team always returned to the key priority: optimizing patient treatment and outcomes. In the case of a medical emergency like a stroke, patients need to obtain medical treatment as quickly as possible. Here, too, Siemens is a competent partner for Rush: we've designed a consulting model that builds upon an

analysis of the processes used at some of the world's leading hospitals as well as the latest scientific insights into treating stroke victims. Based on this model, numerous suggestions for improvements were developed and implemented that save time – and can thus save lives. As a result, clinicians at many other hospitals in the U.S. now consider Rush University Medical Center a benchmark in stroke treatment.



Revealing what's hidden | Rush University Medical Center is aiming to set standards in healthcare imaging as well. The intelligent networking of newly acquired imaging systems was an important part of the hospital's modernization. From computed tomography systems that generate images faster and minimize radiation doses to magnetic resonance imaging systems for neurological applications and fluoroscopy systems that are used in connection with contrast

media, for example, to examine internal organs: Siemens supplied the systems and adapted them to the facility's requirements. That's one of the reasons why the medical center chose Siemens, as the facility's CEO Larry Goodman, MD, confirms: "When we pick a technology, we also pick the company and the people. They're the ones who are critical to the smooth implementation of the new technology. Our partnership with Siemens has been very successful."



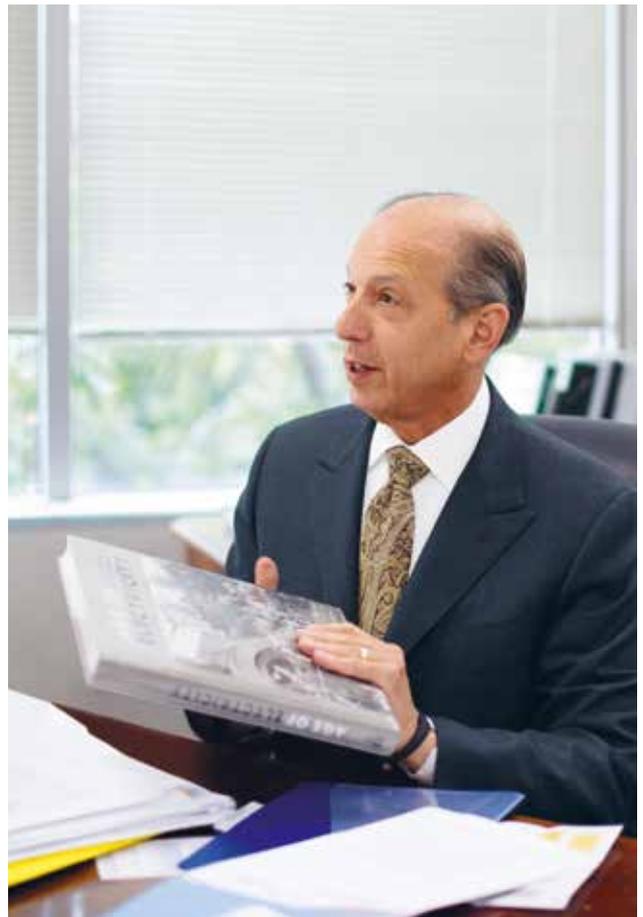
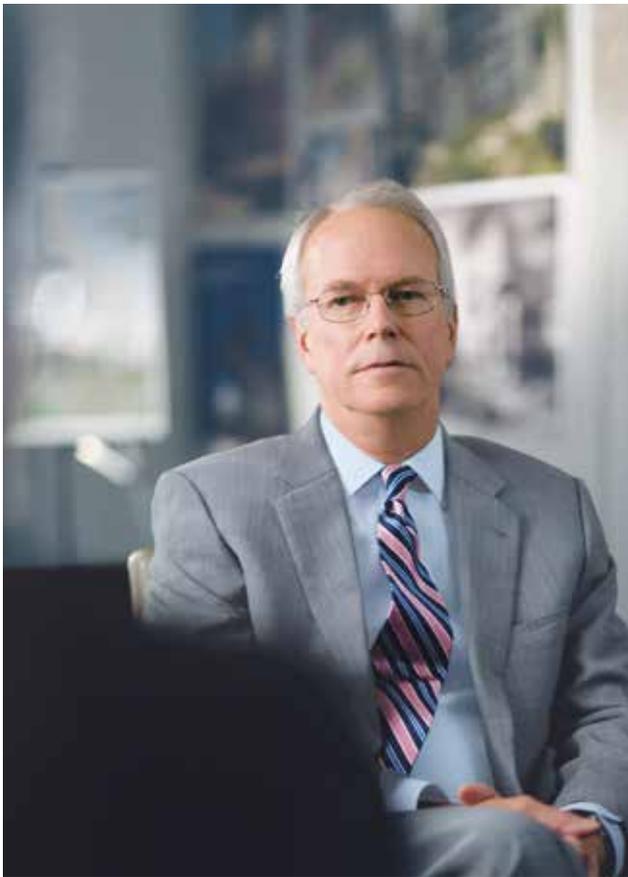
Information is the key to success | In healthcare, as in many other areas, information technology now plays a vital role. That's why IT experts from Siemens helped Rush University Medical Center intelligently integrate its medical systems and optimize the flow of information. Peter Butler recalls, "In 1982, the last time we renovated the facility, I still saw patients being rolled down the hall with X-rays on their knees." Those days are long gone. Working closely with the building planners, Siemens defined all requirements early

on. The challenge was not only to install new systems and get them up and running but also to integrate systems from other manufacturers that were already in operation. And all the systems had to be incorporated into the Medical Center's IT system without a hitch. When the new hospital tower opened its doors in January 2012, everything worked perfectly. And Siemens employees at the facility are ensuring that this will continue to be the case.



Creating knowledge by sharing | Comprehensive health-care requires knowledge – or, in Dr. Goodman’s words, “Training is incredibly important.” That’s why it was essential to familiarize hospital personnel with the systems’ capabilities as quickly as possible. To accomplish this, a training plan was developed for every work group and every function – from doctors and nursing staff to technicians. In addition, the training time for participants was significantly reduced by offering online training to supplement classroom-based courses held

at the Siemens training center and on-site at Rush. Around 150 Rush employees have taken part in training sessions so far, thus ensuring that all equipment is optimally utilized. Dr. Goodman is thrilled with his employees’ learning curve and commitment. “The key was that the entire team was enthusiastic about the project and also willing to take the extra time for training. I’m really proud of how the entire organization got on board. We had the spirit and everyone said, ‘We can do it!’”



With the demand for healthcare continually increasing worldwide, solutions that offer better treatment at lower cost are needed. At Siemens, we've been working for years to improve medical care around the globe with our imaging and laboratory diagnostics systems and related IT solutions. We partner with hospital operators throughout the world – providing everything from consulting for the construction of new facilities to innovative healthcare technologies, intelligent software solutions and staff training.

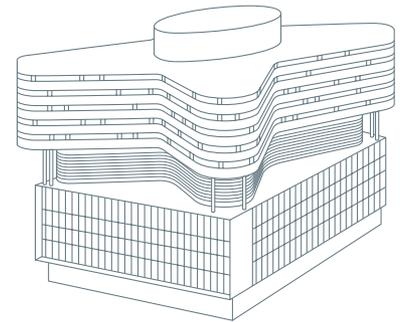
A hospital at its best

"Our goal was for Rush University Medical Center to rank among the top ten percent of the nation's hospitals." Formulated by CEO Larry Goodman, MD, this ambitious aim was the basis for all planning. Together with the project team, Goodman set out to make his university hospital in the heart of Chicago one of the country's most advanced facilities – a hospital that sets standards for medical care as well as for university research and education. The project called for modernizing older sections of the complex, building a new hospital tower shaped around patients' needs and fully integrating the entire healthcare infrastructure, including an intelligent IT system. The acquisition of new medical technologies – particularly in the field of imaging – was also part of the plan, and Rush formed a special team for that task.

A trustworthy partner

To achieve all this, the hospital team was looking for a partner who could not only deliver the technological solutions but also accompany the project with its expertise and competence. And they chose Siemens. Company employees advised the hospital management and the project team throughout all key phases of the facility's modernization. Siemens was also involved in the construction phase, supplying building technology systems, for instance. In addition, the Company equipped the hospital with numerous imaging systems, provided staff training and developed a solution for ongoing services. For example, the facility's computed tomography (CT) systems, which are vitally important for emergency care, are constantly monitored. Networked with the Siemens Guardian Program, the systems are watched online by Siemens technicians around the clock. What's the advantage? Potential system errors can be corrected proactively and maintenance can be planned at an early stage. And an analysis of the captured data can also lead to suggestions for enhancing system-related processes – thus creating value for the hospital.

Dr. Goodman and Peter Butler still have lots of plans for Rush. They intend to continue developing the hospital on an ongoing basis: "Our foremost concern is the patients and their optimal care. That's why we want to become even better and make Rush a leading healthcare center." And in pursuing this vision, they'll continue to rely on Siemens.

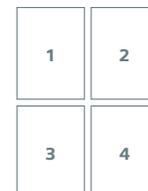


Rush is a not-for-profit healthcare, education and research enterprise headquartered in Chicago, Illinois. Over 2,000 students are enrolled at Rush University in preparation for careers in the medical field. With around 700 beds, Rush University Medical Center is one of the biggest hospitals in Chicago. With areas of specialization including neuroscience, orthopedics, oncology and cardiology, the hospital has received many awards in recent years. In particular, its outstanding nursing care and exceptional patient satisfaction have made Rush one of the top-rated hospitals in the United States.

[WWW.RUSH.EDU](http://www.rush.edu)

Together with customers and partners, we're working on improving healthcare throughout the world. We measure our progress in three key areas. During fiscal 2014, we sustained the positive trend of the previous years, achieving or even exceeding the targets we'd set for ourselves.

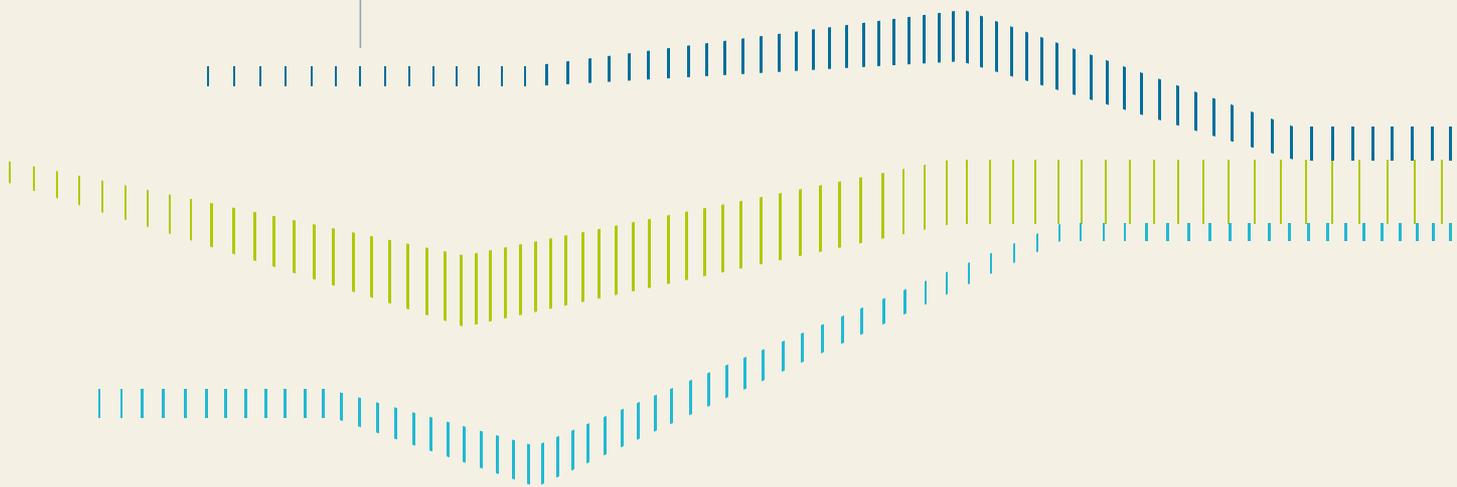
[WWW.SIEMENS.COM/HEALTHCARE-INDICATORS](http://www.siemens.com/healthcare-indicators)



- 1 – Peter Butler, President and Chief Operating Officer, Rush University Medical Center
- 2 – Exterior view of the new hospital tower
- 3 – Interior view of the entry pavilion with circular skylights
- 4 – Larry Goodman, MD, Chief Executive Officer, Rush University Medical Center

The statements described herein are based on results that were achieved in the customer's unique setting. Since there is no "typical" hospital and many variables exist (e.g., hospital size, case mix, level of IT adoption), there can be no guarantee that other customers will achieve the same results.

Successful company management demands more than financial targets – it requires a comprehensive strategic framework that integrates the key fields of corporate governance: a strategy that sets the course.



Our strategy



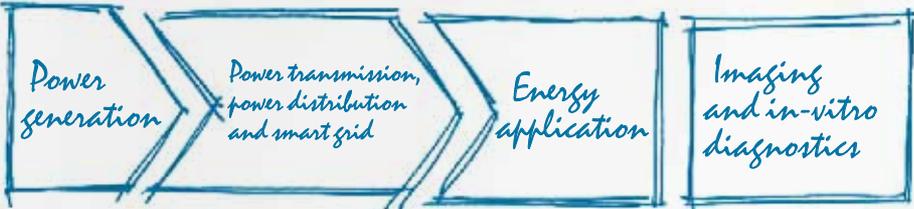
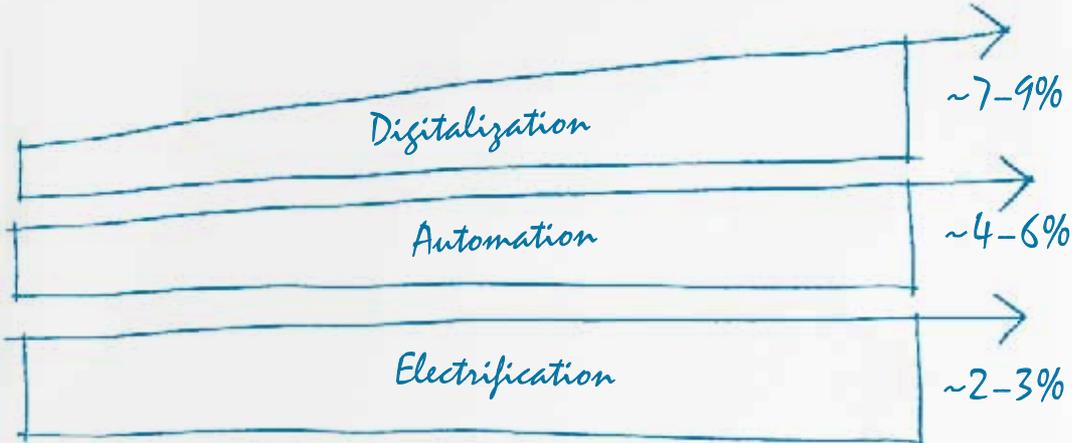
| Setting the course |

To leverage the diverse opportunities of our complex world, a company needs a strategy to point the way forward and set clear priorities.

| **Joe Kaeser** |

President and CEO
of Siemens AG

Expected market growth



- Power and Gas
- Wind Power and Renewables
- Power Generation Services
- Energy Management
- Building Technologies
- Mobility
- Digital Factory
- Process Industries and Drivers
- Healthcare
- Financial Services

| Customer and business focus |

Digital-twin software

The virtual and real worlds are merging more and more. Already today, our software solutions are helping customers develop products much faster, more flexibly and more efficiently. For example, they can now perform endurance tests even before a single bolt is tightened in the real world. Not only products but also the plants in which they're produced have digital twins that can be used to coordinate and integrate product design and production planning. The digital models are always up-to-date – as planned, as built, as maintained – while allowing improvements throughout entire lifecycles.



Key sectors in process industries

Some industry sectors – oil & gas and food & beverage, for example – are growing at above-average rates. We want to participate in this growth. That's why we're bundling our expertise in process industries and drive technologies and continuing to expand our related portfolio of products and software solutions.

Image-guided therapy and molecular diagnostics

The increasing use of molecular biological methods and progress in the life sciences are accelerating technological change in healthcare. To improve quality and efficiency, societies worldwide are also demanding new solutions for next-generation healthcare. Against this backdrop, fundamental changes are emerging – changes to which we're optimally gearing our Healthcare business.



Business analytics and data-driven services, software and IT solutions

We have a comprehensive understanding of our customers' business processes. In the future, we want to leverage this knowledge even better by analyzing the data generated in these processes, providing recommendations for improvement and action, and thus creating value. The resulting competitive advantages for our customers are increasingly derived from cloud-based solutions and services powered by data analytics software. A clear example is our cross-unit remote service, which we're continuously expanding.

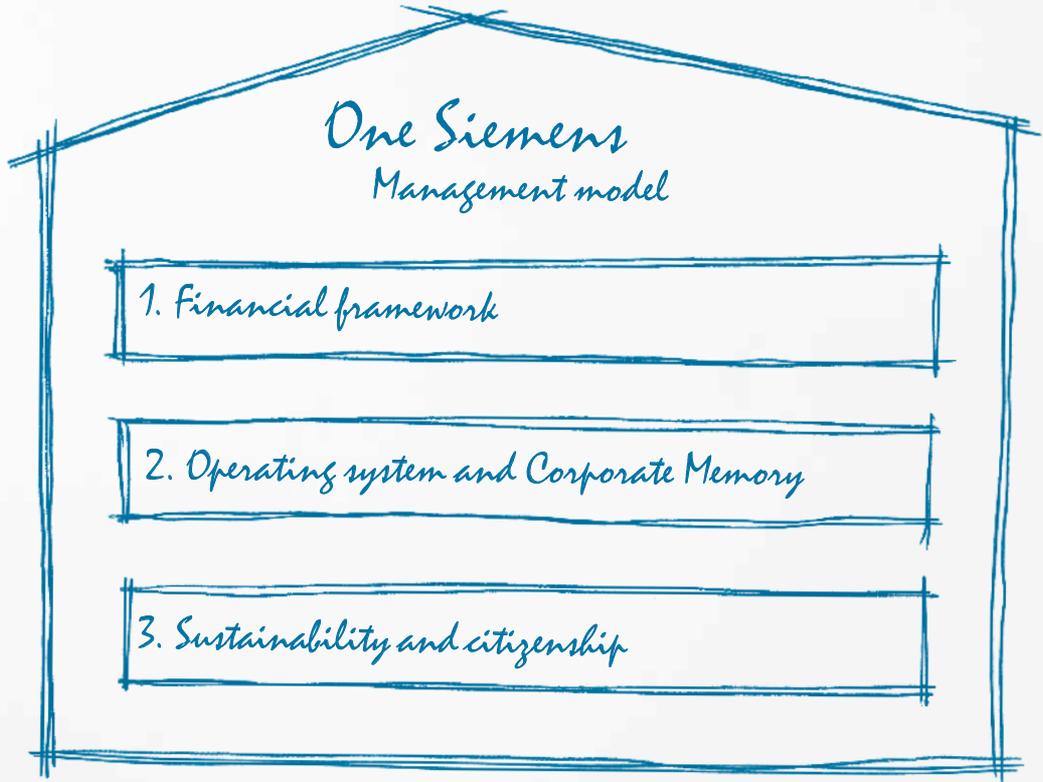
Customers and markets

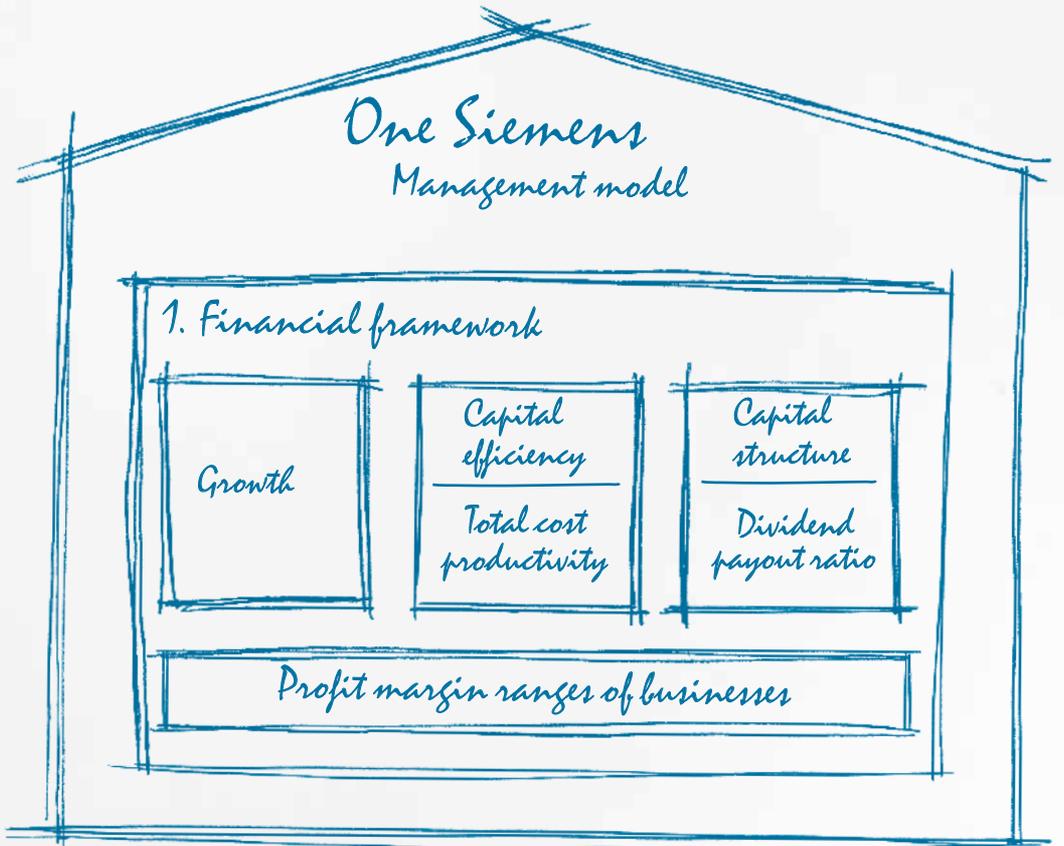


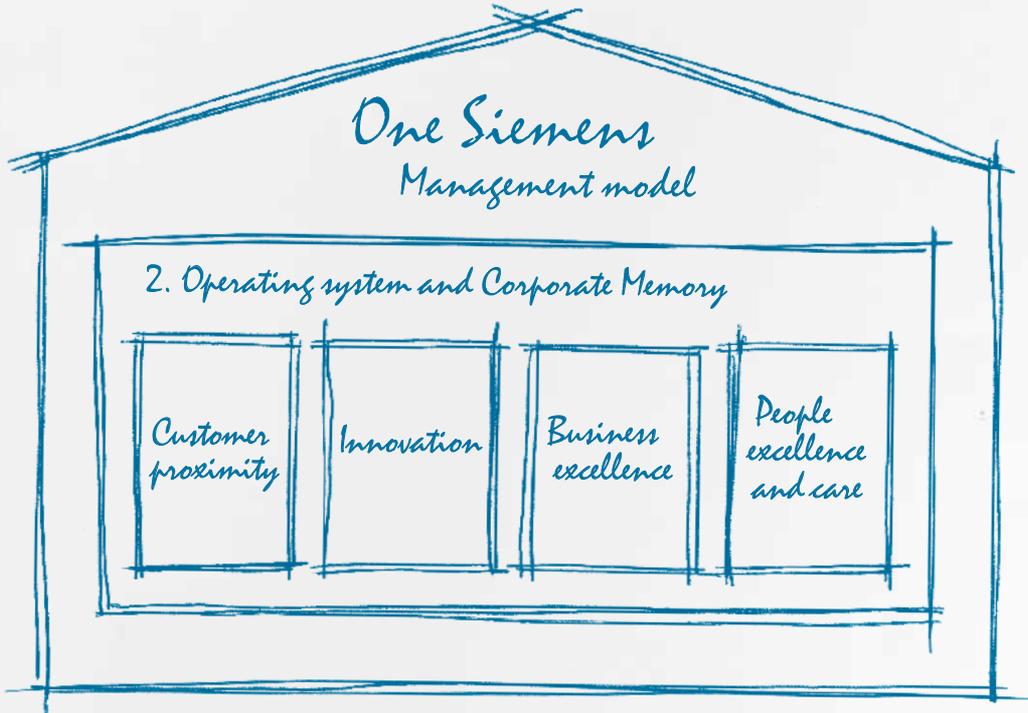
Regions

Businesses

Managing Board







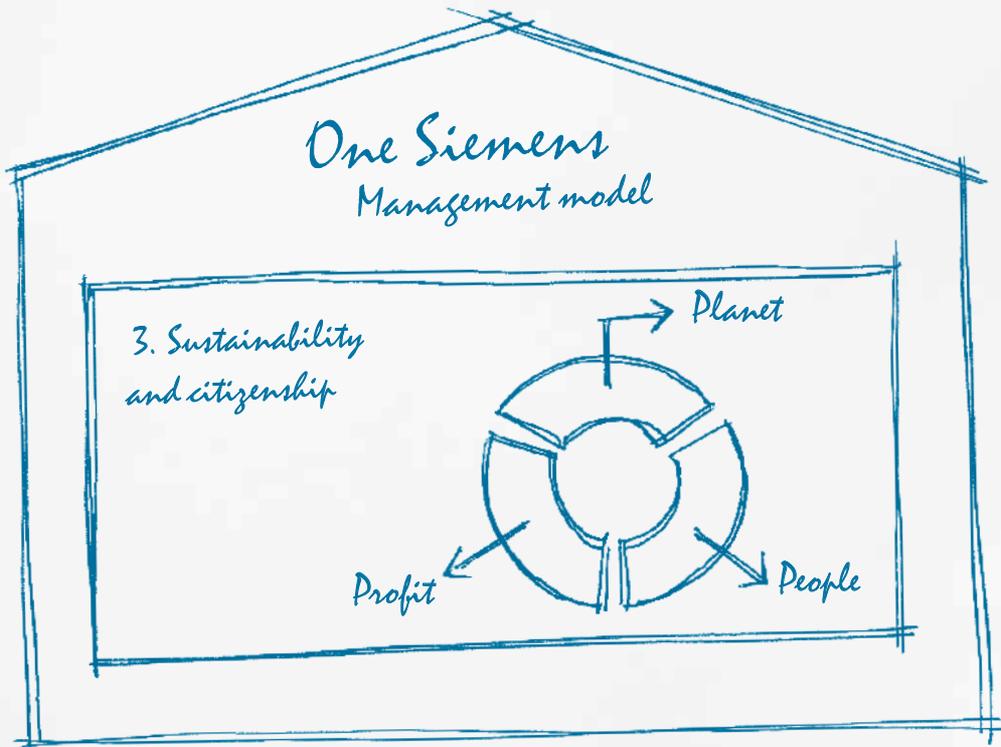
Business excellence

We want to do an excellent job of managing our businesses while pursuing our aim of continuous improvement. For this, we've developed outstanding tools as part of our Company-wide *top+* movement – tools that we will apply with even greater rigor in the future. These tools enable us, for instance, to benchmark our performance against the best and to increase our productivity. Tightening our risk management approach is helping us identify project risks while still in the bidding phase and thus avoid costly project delays. Last but not least, we're fostering our service business across organizational boundaries, for example, by developing service platforms.

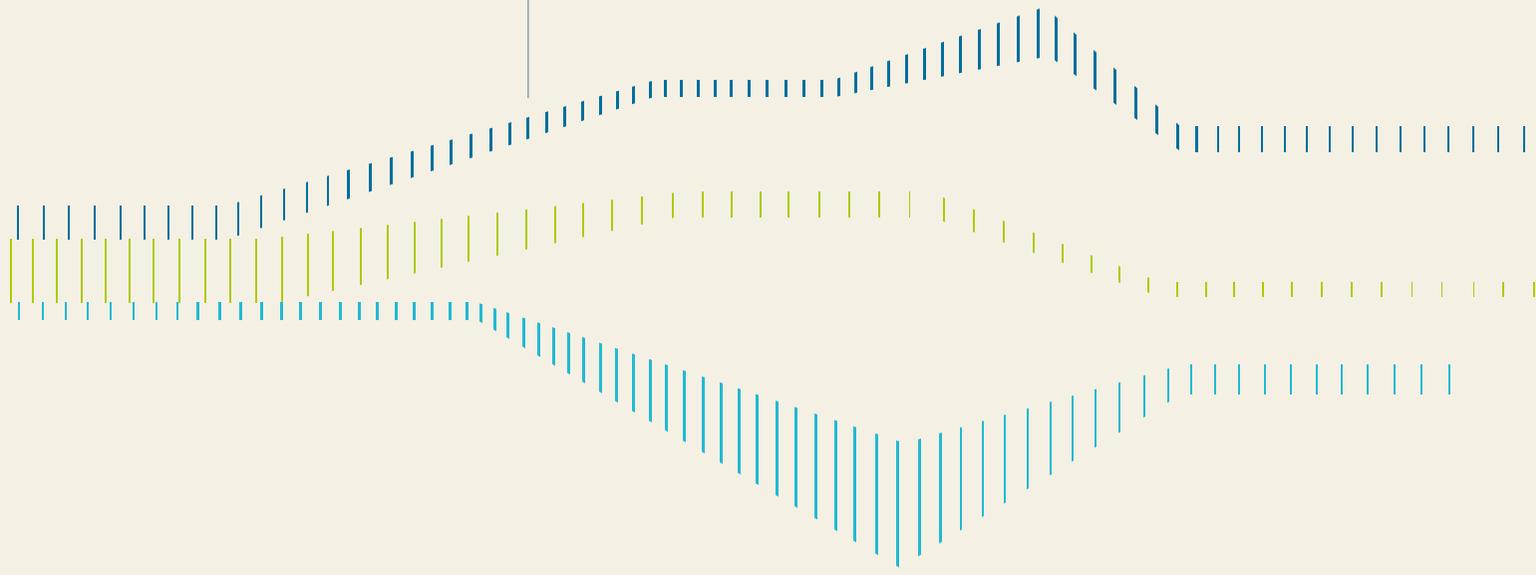


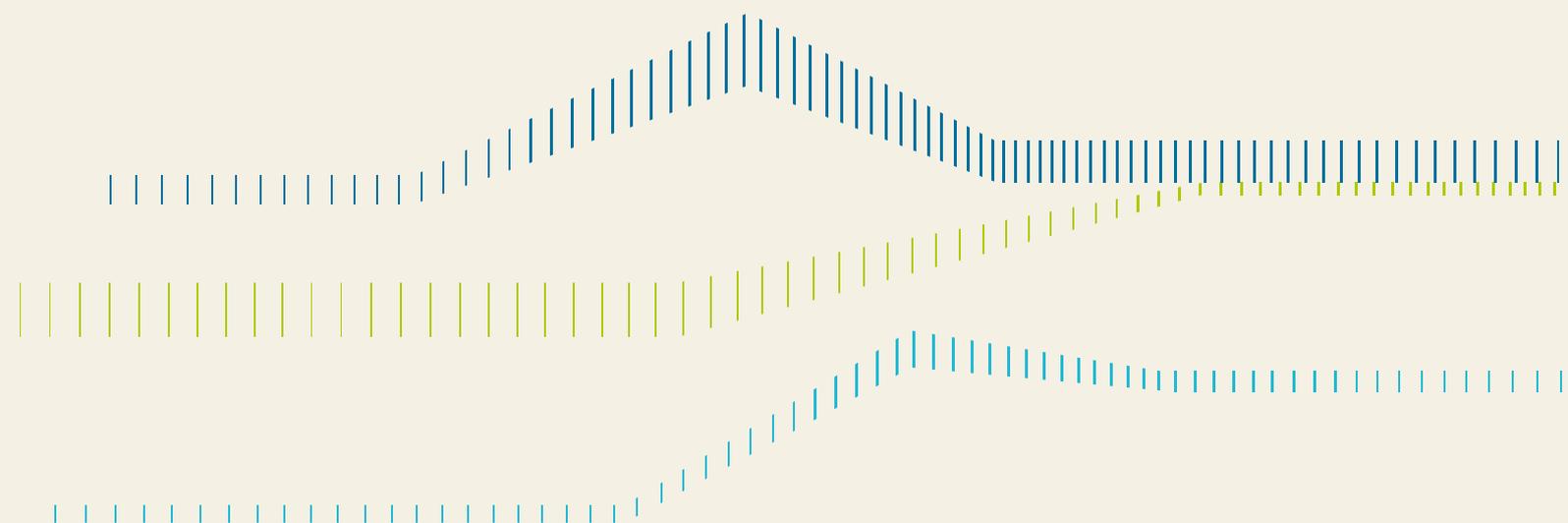
People excellence and care

Excellent employees are the heart and soul of Siemens. That's how it's always been. And we want it to be even more so in the future. Therefore, we're anchoring an ownership culture at our Company. For us, this is not an abstract idea but a concrete goal that we're pursuing with measures we can track. After all, the behavior, motivation and values of the people who work for Siemens mold our culture. In an attractive working environment, we promote lifelong learning and personal development. Integrity – supported by a well-established compliance system – remains the principle that guides our conduct. Our share programs are enabling us to increase employee participation in our Company's success while bringing us closer every day to a lived ownership culture.



Company Report 2014





Financial Report
2014

Volume

		FY 2014	FY 2013	Actual	% Change Comparable ²	Further information
Continuing operations						
Orders	in millions of €	78,350	79,755	(2)%	1%	→ Page 193
Revenue	in millions of €	71,920	73,445	(2)%	1%	→ Page 193

Profitability and Capital efficiency

		FY 2014	FY 2013	% Change	Further information
Total Sectors					
Adjusted EBITDA	in millions of €	9,103	8,131	12%	→ Page 202
Total Sectors profit	in millions of €	7,335	5,842	26%	→ Page 202
in % of revenue (Total Sectors)	in %	10.0	7.9		
Continuing operations					
Adjusted EBITDA	in millions of €	9,139	8,097	13%	→ Page 202
Income from continuing operations	in millions of €	5,400	4,179	29%	→ Page 201
Basic earnings per share ³	in €	6.24	4.81	30%	→ Page 309
Return on capital employed (ROCE)	in %	17.2	13.7		→ Page 188
Continuing and discontinued operations					
Net income	in millions of €	5,507	4,409	25%	→ Page 201
Basic earnings per share ³	in €	6.37	5.08	25%	→ Page 202
Return on capital employed (ROCE)	in %	17.3	13.5		→ Page 188

Capital structure and Liquidity

		September 30, 2014	September 30, 2013	Further information
Cash and cash equivalents	in millions of €	8,013	9,190	→ Page 210
Total equity (Shareholders of Siemens AG)	in millions of €	30,954	28,111	→ Page 212
Industrial net debt	in millions of €	1,390	2,805	→ Page 189
Industrial net debt/ adjusted EBITDA (continuing operations)		0.15	0.35	→ Page 189

		FY 2014	FY 2013	Further information
Continuing operations				
Free cash flow	in millions of €	5,399	5,378	→ Page 207
Continuing and discontinued operations				
Free cash flow	in millions of €	5,201	5,328	→ Page 207

¹ October 1, 2013 – September 30, 2014.

² Excluding currency translation and portfolio effects.

³ Basic earnings per share – attributable to shareholders of Siemens AG. For fiscal 2014 and 2013 weighted average shares outstanding (basic) (in thousands)

amounted to 843,449 and 843,819 shares, respectively.

|| | Customers and Innovation

		FY 2014	FY 2013	Further information
Revenue generated by the Environmental Portfolio ¹	in billions of €	33.0	31.9	→ Page 221
in % of revenue from continuing operations	in %	46	43	
Research and development expenses ¹	in billions of €	4.1	4.0	→ Page 219
in % of revenue from continuing operations	in %	5.7	5.5	
Research and development employees ^{1,2}	in thousands	28.8	28.1	→ Page 219
Inventions ^{1,3}	in thousands	8.6	8.3	→ Page 219
Patent first filings ^{1,4}	in thousands	4.3	4.0	→ Page 219

|| | Environment

		FY 2014	FY 2013	Further information
Accumulated annual customer reductions of carbon dioxide emissions generated by elements from the Environmental Portfolio ¹	in millions of metric tons	428	369	→ Page 221
Energy efficiency improvement compared to baseline in fiscal 2010 ¹	in %	11	5	→ Page 222
Waste efficiency improvement compared to baseline in fiscal 2010 ¹	in %	12	8	→ Page 222
Waste for disposal reduction compared to baseline in fiscal 2010 ¹	in %	8	10	→ Page 222
Carbon dioxide emission efficiency improvement compared to baseline in fiscal 2010 ¹	in %	20	14	→ Page 222

|| | Employees

		Sep. 30, 2014	Sep. 30, 2013	Further information
Total employees – continuing operations	in thousands	343	348	→ Page 216
Europe, C.I.S., ⁵ Africa, Middle East	in thousands	211	215	→ Page 173
<i>therein Germany</i>	in thousands	115	117	
Asia, Australia	in thousands	62	61	→ Page 173
Americas	in thousands	70	72	→ Page 173
Total employees – continuing and discontinued operations	in thousands	357	367	

		FY 2014	FY 2013	Further information
Employee turnover rate ^{6,7}	in %	9.1	10.8	→ Page 216
Female employees in management positions (percentage of all management positions) ^{6,8}	in %	15.6	15.6	→ Page 216
Expenses for continuing education ^{6,9}	in millions of €	276	265	→ Page 216
Expenses per employee for continuing education ^{6,9}	in €	769	670	→ Page 216

1 Continuing operations.

2 Average number of employees in fiscal year.

3 Number of inventions reported by the Business Units in an internal report.

4 First filings as part of inventions submitted to patent offices.

5 Commonwealth of Independent States.

6 Continuing and discontinued operations.

7 Employee turnover rate is defined as the ratio of voluntary and involuntary exits from Siemens during the fiscal year to the average number of employees.

8 Employees in management positions include all managers with disciplinary responsibility, plus project managers.

9 Without travel expenses.

|| | A.1 Letter to our Shareholders

Berlin and Munich, December 3, 2014

Dear Shareholders,

In fiscal 2014, we worked hard, we were highly focused, and we achieved a great deal. Despite a complex geopolitical situation, our overall results for the year were very good. We increased profit by 25%, tackled a great many issues and improved our operations, even though in some areas we could have been even more successful. Above all, we gave our Company a new setup based on our Vision 2020 and defined the direction we'll be taking in the years ahead.

We're proud of what we've achieved so far, particularly because the circumstances have been anything but favorable: global economic development was very uneven in fiscal 2014, and with more than 40 critical hotspots around the world, political uncertainties were greater than they'd been in decades. That's why we were right when we decided not to pin our hopes on a global economic recovery but to exploit our own strengths.

For fiscal 2014, we reported net income of €5.5 billion, with revenue totaling €71.9 billion and orders €78.4 billion. We thus reached the targets we'd originally set for the year and exceeded our goal for profit development while making substantial progress in strengthening our portfolio. These achievements will enable us to propose a dividend of €3.30 to the Annual Shareholders' Meeting. Siemens is and will remain a good investment. We stand for a long-term, reliable and attractive dividend policy and will remain a company with a rock-solid financial basis.

Nevertheless, our performance could have been even better. The high charges on which we again focused considerable attention in fiscal 2014 are not what Siemens stands for. We're working hard to improve our risk management, and we expect to see successes already in fiscal 2015.

Fiscal 2014 was a year of upheaval for our Company. Our Company-wide Vision 2020 concept is paving the way to the future. Vision 2020 defines a clear strategic direction for the "new Siemens." We're positioning our Company in strategically attractive growth fields and demonstrating a clear focus as we gear our setup to these fields.



| **Joe Kaeser** |

President and
CEO of Siemens AG

I'd like to extend my thanks to all 343,000 Siemens employees – and particularly to our many people in the world's crisis regions – for their continuing dedication. Throughout fiscal 2014, the Managing Board team received tremendous employee support for the changes now necessary at our Company. Cooperation with the employee representatives was also characterized by a spirit of mutual trust. In addition, Dr. Gerhard Cromme and the members of the Supervisory Board diligently assisted the work of the Managing Board, providing outstanding support for all our activities and projects. I'm very grateful for the commitment of all these individuals. I'd also like to extend a special thanks to our customers, who gave us their trust and confidence in fiscal 2014. We'll remain an expert and reliable partner for them in the future.

Vision 2020 – Our Company-wide concept

Vision 2020 is our concept for the future and, above all, for achieving sustainable growth. We proceeded calmly and carefully in drafting Vision 2020, taking all the time we needed, and then implemented the concept in record time.

In keeping with Vision 2020, we're positioning Siemens along the electrification value chain. Electrification, automation and digitalization, and the impact of these fields on all parts of our Company: that's what the new Siemens is all about. Our new setup will help us close the gap to our competitors. We have some catching up to do – in terms of growth as well as margin development. Our goal must be to close that gap. And we'll succeed, although not overnight. One thing, however, is clear: Vision 2020 has already made us stronger and brought us closer to our markets. We'll also be investing more in innovation and market access than in the past – with the aim of creating sustainable value for our employees, our customers and for you, our shareholders.

For years now, we've been focusing on the megatrends of urbanization, demographic change, globalization and climate change. And now a further megatrend has emerged: digitalization, which consists in capturing and analyzing data and then using it to create customer value. We want to play a key role in shaping this digital transformation. Businesses related to software and data analytics are achieving dynamic annual growth of 7% to 9% and, in some fields of digitalization, even more. Highly attractive markets await us here, and we're positioning our Company accordingly.

Our stages on the path to 2020

Our Company-wide reorganization will be implemented in three phases. While the measures included in these phases will be reflected in our key financial figures at various times, we're continually addressing all of them with the same intensity and the same rigor:

- > For the short term, we're improving our performance and efficiency.
- > For the medium term, we're strengthening our core business.
- > For the long term, we're driving sustainable growth.

Let me start with the most important thing: our Company's long-term, sustainable development. Already today, Siemens is a leader in electrification and automation – just think of our urban mobility systems, our solutions for the process industry and our power plants as well as our outstanding position in power plant instrumentation

and control technology, power grids, and factory and rail automation. We aim to achieve an equally strong position in the field of digitalization, in which we're already a key player: our worldwide installed customer base gives us not only access to an enormous volume of data but also an in-depth understanding of the related processes. And our customers appreciate these advantages.

A company like Siemens never stands still. This was the case in the past, and it will remain so in the future. That's why we intend to continue developing our portfolio with determination and the utmost prudence in order to strengthen our core business in the medium term. We've taken the first steps with our acquisition of Rolls-Royce's aero-derivative gas turbine business and our decision to acquire U.S. compressor and turbine manufacturer Dresser-Rand. These two acquisitions will close important gaps in our electrification portfolio for the oil and gas industry as well as for decentralized power generation.

The announcement that we're divesting our stake in BSH Bosch und Siemens Hausgeräte (BSH) was a further signal that we're intent on implementing our Vision 2020. The Siemens brand will continue to be used for household appliances, so Siemens will still be found "in the kitchen and in the laundry room." However, BSH will now be managed exclusively by Bosch.

We can accept the fact that we didn't win the bid for the French company Alstom, although, objectively speaking, our offer was the better one. In this connection, one thing is particularly important to me: we proved that Siemens is capable of taking action in any situation. What's more, we had an impact on the transaction that was not negligible for our competitors.

New setup at all levels and in all business fields

Our focus on what is essential is also reflected in our Company's organization. We've eliminated the Clusters and Sectors and reduced the number of Divisions from 16 to ten. In addition, we've substantially strengthened our international organization.

We're blazing new trails with our new setup. For instance, thanks to our Digital Factory Division, we're the world's first company to bundle all the requirements for the factory of the future under one roof. The Division will be our driving force for Industry 4.0, the much-discussed Fourth Industrial Revolution in which every aspect of production – from idea, development and manufacturing to services and recycling – will be totally integrated. At Siemens, we're not just talking about Industry 4.0; we're implementing it.

In view of the growing strategic importance of the U.S. energy markets, we've relocated the management of our energy business as well as the responsibility for supporting our marketing activities throughout the Americas to Houston, Texas.

To head our energy business, we've brought in Lisa Davis, who joined the Managing Board of Siemens AG on August 1, 2014, and has since been making valuable contributions to its work. For our customers and for our Company, the energy landscape has changed dramatically, not least because of political factors such as Germany's "energy transition." We're responding to these shifts.

Our healthcare business achieved very good results overall in the past quarters, an accomplishment we're proud of. However, over the long term, we anticipate fundamental changes and new business models in healthcare markets and technologies.

With the aim of continuing the success story of Siemens' medical engineering activities and of giving them greater freedom and better prospects for the future, we'll manage our healthcare business independently within Siemens – as a company within the Company. Healthcare is not “still” at Siemens or “staying” at Siemens. Healthcare is part of Siemens.

We've paved the way for the sale of our audiology business to the investment company EQT and Germany's Strüngmann family of entrepreneurs. Siemens will remain invested in the hearing aid business with preferred equity and will thus benefit from the business's future successes. Not only is the transaction an excellent move from a financial perspective; we're also convinced that the new investors have a clear growth strategy for further developing the hearing aid business over the long term.

This step is fully in line with our strategy of strengthening our core business and of divesting activities that yield few or no synergies for the Company.

Looking at my description of our Vision 2020 targets, you'll have noticed that we've set very ambitious goals. In pursuing these goals, we won't be able to please everyone, because the pace in international competition is far too fast. That's why we have to set priorities. But our actions will be well-focused, level-headed and responsible – as can be expected of Siemens.

Culture makes the difference

However, strategy isn't the only thing that counts here – since a strategy can be implemented only if it's based on a strong company culture. At Siemens, this means an ownership culture. I asked our employees and managers how they'd describe ownership culture in one word. “Responsibility” was far and away the most common answer. And that's precisely the point: we must always bear in mind that we have a responsibility to pass on a better company to the next generation.

Our foremost maxim must be: always act as if it were your own Company! I'm convinced that an ownership culture is not only a formula for success at strong, family-run enterprises but that it will also be the foundation for our success. It's this culture that will shape Siemens.

Already today, 140,000 Siemens employees hold shares in our Company. I want to increase this figure substantially. Our aim is to have more than 200,000 employee shareholders by 2020. And I'm convinced we can do it.

With greater employee participation, we'll also ensure that Siemens remains an excellent company in the future. A company that

- > more than any other, stands for innovation in the electrification of the world
- > is a strong, global brand renowned for hard work, financial solidity, top quality, engineering excellence and a talent for innovation
- > assumes responsibility and makes a difference.

In 2014, we defined our strategic direction and aligned our organization accordingly. In 2015, we'll consolidate our operations. We're increasing expenditures for research and development and for our go-to-market activities in selected areas and regions. Operational improvements will already be visible in 2016. Starting in early 2017, all our efforts will bear fruit in the form of faster growth and enhanced cost efficiency.

Vision 2020 sets the strategic course for Siemens. The direction is clear, team spirit is flourishing, and we have every reason to look to the future with confidence. Ever since Werner von Siemens founded his company in a rear building in Berlin in 1847, Siemens has stood for pioneering spirit. We continuously foster long-term success – day by day, quarter by quarter, year by year. Rigorously and responsibly.

After a year at the helm of this great Company, I assure you that I still feel personally responsible for passing on to the next generation an enterprise that's even better and stronger than today's. "We make real what matters." That's my mission for Siemens. That's my responsibility. That's my promise.

For the Managing Board

*Sincerely yours,
Joe*

Joe Kaeser
President and Chief Executive Officer

|| | A.2 Managing Board of Siemens AG

Ralf P. Thomas

Controlling and Finance,
Financial Services,
Global Services

Roland Busch

Asia, Australia
Energy Management,
Building Technologies,
Mobility

**Joe Kaeser
President and
Chief Executive Officer**

Corporate Development,
Governance & Markets,
Communications
and Government Affairs,
Legal and Compliance

Klaus Helmrich

Europe, Africa
Digital Factory,
Process Industries
and Drives

From left
to right

**Siegfried Russwurm
Labor Director**

Commonwealth of Independent States,
Middle East
Human Resources,
Corporate Technology

Hermann Requardt

Healthcare

Lisa Davis

Americas
Power and Gas,
Wind Power and Renewables,
Power Generation Services



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To our Shareholders

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🖥️ REFERENCE TO THE INTERNET

Berlin and Munich, December 3, 2014

Dear Shareholders,

In fiscal 2014, the Managing Board cooperated with the Supervisory Board closely and regularly in the development of Vision 2020, which defines Siemens' long-term perspective along the electrification value chain, with our strengths in automation and digitalization. The goal is to enhance Siemens' performance in the short term, strengthen its core business in the medium term and return to profitable growth.

In fiscal 2014, the Supervisory Board performed with great diligence the duties assigned to it by law, the Siemens Articles of Association and the Bylaws for the Supervisory Board. We regularly advised the Managing Board on the management of the Company and monitored the Managing Board's activities. We were directly involved at an early stage in all major decisions regarding the Company. In written and oral reports, the Managing Board regularly provided us with timely and comprehensive information on Company planning and business operations as well as on the strategic development and current state of the Company. On the basis of reports submitted by the Managing Board, we considered in detail business development and all decisions and transactions of major significance to the Company. Deviations from business plans were explained to us in detail and intensively discussed. The Managing Board coordinated the Company's strategic orientation with us. The proposals made by the Managing Board were approved by the Supervisory Board and/or the relevant Supervisory Board committees after in-depth examination and consultation. In my capacity as Chairman of the Supervisory Board, I was also in regular contact with the Managing Board and, in particular, with the President and CEO and was kept up-to-date on current developments in the Company's business situation and on key business transactions. In addition, I engaged in separate discussions with members of the Managing Board regarding the prospects for and the future orientation of individual Siemens businesses.

Topics at the plenary meetings of the Supervisory Board

We held a total of six regular meetings and three extraordinary meetings in fiscal 2014. In addition, we made one decision outside meetings. Attendance at Supervisory Board meetings by members was around 91%.

Regular topics of discussion at our plenary meetings were revenue, profit and employment development at Siemens AG, at the Company's operating units and at the Siemens Group as well as the Company's financial situation, profitability and major investment and divestment projects.



| **Dr. Gerhard Cromme** |

Chairman of the
Supervisory Board

At our meeting on November 6, 2013, we discussed the Company's key financial figures for fiscal 2013 and approved the budget for 2014. In addition, we adjusted the composition of the Supervisory Board committees and the assignment of responsibilities in the Managing Board. On the basis of reported target achievement, we also defined the compensation of the Managing Board members for fiscal 2013. The appropriateness of this compensation was confirmed by an internal review. On the recommendation of the Compensation Committee, we amended the Managing Board contracts in order to bring them into line with the new recommendations of the German Corporate Governance Code – in particular, with the Code's recommendation that compensation amounts be capped. At this meeting, the amount of Managing Board compensation was also reviewed and adjusted. On January 28, 2014, the Annual Shareholders' Meeting approved by a majority of over 93% the remuneration system for the Managing Board members for fiscal 2014. At our meeting on November 6, 2013, we also approved the sale of major businesses at the Water Technologies Business Unit and our share buyback program. The Managing Board reported to us on the current status of acquisitions and divestments and on sustainability at Siemens.

At our meeting on November 27, 2013, we discussed the financial statements and the Combined Management Report for Siemens AG and the Siemens Group as of September 30, 2013, as well as the agenda for the Annual Shareholders' Meeting on January 28, 2014, and the Annual Report for 2013, including the Report of the Supervisory Board and the Corporate Governance Report. At this meeting, we approved the termination by mutual consent of Peter Y. Solmssen's appointment as a full member of the Managing Board, effective December 31, 2013, as well as the termination agreement regarding his Managing Board employment contract. Responsibility for Legal & Compliance was transferred to Joe Kaeser. On the recommendation of the Compensation Committee, we approved the targets for Managing Board compensation for fiscal 2014. The Infrastructure & Cities Sector provided us with a status report on its current business situation. The Managing Board also reported to us on Operational Excellence at Siemens.

At our meeting on January 27, 2014, the Managing Board reported to us on the Company's business and financial position following the conclusion of the first quarter. We also discussed the Annual Shareholders' Meeting to be held on January 28, 2014.

At extraordinary meetings on April 29, 2014, and June 15, 2014, we dealt with the submission of a bid to Alstom. Even though our offer was not accepted, it demonstrated the Managing Board's and Supervisory Board's capacity to act and showed that our Company can respond quickly and decisively to changes in its competitive environment.

At our meeting on May 6, 2014, we discussed Vision 2020 and the related reorientation of the Company's organization structure. In this connection, we approved a reassignment of responsibilities in the Managing Board. We approved the termination by mutual consent of Dr. Michael Süß's appointment as a member of the Managing Board as well as the termination agreement regarding his Managing

Board employment contract. Lisa Davis was appointed a full member of the Managing Board, effective August 1, 2014. We also approved the exchange of Managing Board responsibilities between Klaus Helmrich and Prof. Dr. Siegfried Russwurm, effective October 1, 2014 – in particular, the transfer of the function of Labor Director. In addition, we discussed the Company's business and financial position following the conclusion of the second quarter. At this meeting, we approved the acquisition of Rolls-Royce's aero-derivative gas turbine and compressor business and the contribution of key parts of our Metals Technologies Business Unit to a joint venture with the Japanese company Mitsubishi-Hitachi Metals Machinery, Inc.

At our meeting on July 30, 2014, the Managing Board reported on the Company's business and financial position following the conclusion of the third quarter as well as on the status of the implementation of Vision 2020. On the recommendation of the Supervisory Board's Compliance Committee, we approved the settlement agreement with former Managing Board member Heinz-Joachim Neubürger and decided to submit the agreement to the Annual Shareholders' Meeting for approval. We also dealt with the planned sale of our Health Services Business Unit to Cerner Corporation of the U.S. Following the conclusion of negotiations with Cerner, we approved the transaction on August 6, 2014. Jim Hagemann Snabe did not take part in these discussions and, as a precaution, abstained from voting on the proposal in order to preclude any appearance of a conflict of interest.

The Supervisory Board has reviewed the efficiency of its activities with the help of an external consultant. The results of this review were presented and discussed at our meeting on July 30, 2014. The review confirmed that the members of the Supervisory Board were independent and highly competent. The wish was expressed that this situation continue to be ensured in the future. Cooperation within the Supervisory Board was assessed as open and constructive. The Innovation and Finance Committee had been previously repositioned to better meet the Company's future technological challenges. This committee will, among other things, consider strategically important technological issues in order to further strengthen technology and innovation. As suggested by the efficiency review, reporting to the full Supervisory Board on technology, innovation and risk management will also be intensified.

At our extraordinary meeting on September 21, 2014, we approved the Managing Board's decisions to acquire the Dresser-Rand Group, which is listed on the New York Stock Exchange, and to sell our 50% stake in BSH Bosch und Siemens Hausgeräte GmbH (BSH) to co-owner Robert Bosch GmbH.

At our meeting on September 24, 2014, the Managing Board reported to us on the state of the Company shortly before the end of fiscal 2014. On the recommendation of the Compensation Committee, we adjusted and simplified the Managing Board remuneration system, effective the beginning of fiscal 2015. We also reviewed and adjusted the amount of Managing Board compensation. A detailed explanation of the new remuneration system is available in chapter → **B.4 COMPENSATION REPORT** on pages 161-162 of this Annual Report.

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Corporate Governance Code

We've discussed the implementation of the German Corporate Governance Code. At our meeting on May 6, 2014, we approved an interim update to our Declaration of Conformity with the Code, in which a temporary deviation from one of the Code's recommendations was explained. This deviation resulted from the fact that – contrary to Section 5.4.5, para. 1, sentence 2 of the German Corporate Governance Code – Jim Hagemann Snabe, in his capacity as a member of SAP's Executive Board, briefly held supervisory board positions in four external, publicly listed companies. Jim Hagemann Snabe resigned his position on SAP's Executive Board, effective May 21, 2014. At our meeting on September 24, 2014, we decided to issue an unqualified Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz), whereby the Company complies – and will continue to comply – with the recommendations of the German Corporate Governance Code. Information on corporate governance at Siemens is available in chapter → [B.1 CORPORATE GOVERNANCE REPORT](#) on pages 132-136 of this Annual Report. Our Declarations of Conformity have been made permanently available to our shareholders on our website. The current Declaration of Conformity is available in chapter → [B.2 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE](#) on page 136 of this Annual Report.

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Work in the Supervisory Board committees

To ensure the efficiency of its work, the Supervisory Board has established seven standing committees, which prepare proposals and issues to be dealt with at the Board's plenary meetings. 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. The members of the individual Supervisory Board committees, the number of committee meetings and the number of committee decisions are set out in chapter → [D.7 SUPERVISORY BOARD AND MANAGING BOARD](#) on pages 330-333 of this Annual Report.

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The **Chairman's Committee** met seven times in fiscal 2014. It also made one decision by written circulation. Between meetings, I discussed topics of major importance with the members of the Chairman's Committee. The Committee concerned itself, in particular, with personnel topics and corporate governance issues – for example, the preparation of the efficiency review – as well as with the assumption by Managing Board members of positions at other companies and institutions.

The **Nominating Committee** met once in fiscal 2014 and made one decision by written circulation. The members of the Committee concerned themselves with longer-term succession planning for the Supervisory Board also outside Committee meetings. In addition, the Nominating Committee prepared recommendations regarding the candidates to be proposed to the Supervisory Board for a by-election of shareholder representatives at the Annual Shareholders' Meeting on January 27, 2015, and was supported in this process by an external personnel consultant. In searching for and evaluating succession candidates, the Nominating Committee took into account the requirements of the German Stock Corporation Act, the German Corporate Governance Code and the Bylaws for the Supervisory Board

as well as the goals that the Supervisory Board had set for its own composition, giving particular consideration to the goal of increasing the number of women on the Supervisory Board if possible and ensuring broad industry and technology expertise as emphasized by the Supervisory Board in its efficiency review.

The **Compliance Committee** met five times in fiscal 2014. It discussed the quarterly reports and the annual report submitted by the Chief Compliance Officer. The Committee also concerned itself with a review of the circumstances relating to a pay increase that had been granted to the former Chairman of the Central Works Council, Lothar Adler, at the beginning of 2009. As a precaution, Mr. Adler did not participate in the discussions of this matter in order to preclude any appearance of a conflict of interest. The Compliance Committee recommended that the Supervisory Board approve the settlement agreement with former Managing Board member Heinz-Joachim Neubürger and present the agreement to the Annual Shareholders' Meeting for its approval.

The **Mediation Committee** was not required to meet in fiscal 2014.

The **Compensation Committee** met six times in fiscal 2014. The Committee prepared proposals for the Supervisory Board regarding the implementation of the new recommendations of the German Corporate Governance Code as well as the simplification of the Managing Board remuneration system as of fiscal 2015. In addition, the Compensation Committee prepared, in particular, proposals for the full Supervisory Board regarding the determination of targets for variable compensation, the determination and review of the appropriateness of Managing Board compensation and the approval of the Compensation Report.

The **Innovation and Finance Committee** (formerly the Finance and Investment Committee) met four times and made one decision by written circulation. The focuses of its meetings included the Committee's recommendation regarding the budget for fiscal 2014 as well as the preparation and/or approval of investment and divestment projects. In addition, the Committee intensively addressed the Company's innovation focuses.

The **Audit Committee** met six times in fiscal 2014. In the presence of the independent auditors as well as the President and Chief Executive Officer and the Chief Financial Officer, the Committee discussed the financial statements and the Combined Management Report for Siemens AG and the Siemens Group. In addition, the Audit Committee addressed the half-year and quarterly financial reports and, in the presence of the independent auditors, discussed their audit reviews. The Committee recommended that the Supervisory Board propose to the Annual Shareholders' Meeting the election of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as the independent auditors. The Committee appointed the independent auditors for fiscal 2014, defined the audit focal points and determined the auditors' fee. The Committee monitored the independence and qualifications of the independent auditors. Furthermore, the Audit Committee dealt with the Company's financial reporting and risk management systems and with the effectiveness, resources and findings of the internal audit as well as with reports concerning potential and pending legal disputes.

Detailed discussion of the financial statements

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft audited the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group and the Combined Management Report for Siemens AG and the Siemens Group for fiscal 2014 and issued an unqualified opinion. 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 European Union (EU) and with the additional requirements of German law set out in Section 315a (1) of the German Commercial Code (Handelsgesetzbuch). The financial statements 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 in compliance with the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and with the International Standards on Auditing (ISA). The above-mentioned documents as well as the Managing Board's proposal for the appropriation of net income were submitted to us by the Managing Board in a timely manner. The Audit Committee discussed the dividend proposal in detail at its meeting on November 4, 2014. 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 December 2, 2014.

The audit reports prepared by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft were distributed to all members of the Supervisory Board and comprehensively reviewed at the Supervisory Board's meeting on December 3, 2014, in the presence of the independent auditors, who reported on the scope, focal points and main findings of their audit. No major weaknesses in the Company's internal control or risk management systems were reported. At this meeting, the Managing Board explained the financial statements of Siemens AG and the Siemens Group as well as the Company's risk management system.

The Supervisory Board concurs with the results of the audit. Following the definitive findings of the Audit Committee's examination and our own examination, we have no objections. The Managing Board prepared the Annual Financial Statements of Siemens AG and the Consolidated Financial Statements of the Siemens Group. We approved the Annual Financial Statements and the Consolidated Financial Statements. In view of our approval, the financial statements are accepted as submitted. At our meeting on December 3, 2014, we endorsed the Managing Board's proposal that the net income available for distribution be used to pay out a dividend of €3.30 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 2014 be carried forward.

Changes in the composition of the Supervisory and Managing Boards

Prof. Dr. Rainer Sieg left the Supervisory Board on February 28, 2014, upon reaching retirement age. Lothar Adler left the Supervisory Board on May 31, 2014, upon reaching retirement age. They were succeeded by Michael Sigmund and Olaf Bolduan, who were appointed to the Supervisory Board by court order. Berthold Huber, Gerd von Brandenstein and Prof. Dr. Peter Gruss have announced that they will resign from the Supervisory Board, effective the end of the Annual Shareholders' Meeting on January 27, 2015. Prof. Dr. Gruss will serve as the chairman of the Siemens Technology & Innovation Council that reports to the Managing Board, a move that – in line with the suggestions of the efficiency review – will further strengthen technology and innovation at Siemens. The Supervisory Board would like to express its appreciation to the members who have left or are leaving the Board for their many years of loyal support. On the recommendation of the Nominating Committee, the Supervisory Board decided at its meeting on December 3, 2014, to propose to the 2015 Annual Shareholders' Meeting that Dr. Nathalie von Siemens and Dr. Norbert Reithofer be elected to succeed the two departing shareholder representatives, effective the end of the Annual Shareholders' Meeting. A successor to Mr. Huber will be appointed by court order.

Peter Y. Solmssen left the Managing Board, effective December 31, 2013. Dr. Michael Süß left the Managing Board, effective May 6, 2014. The Supervisory Board appointed Lisa Davis a full member of the Managing Board, effective August 1, 2014.

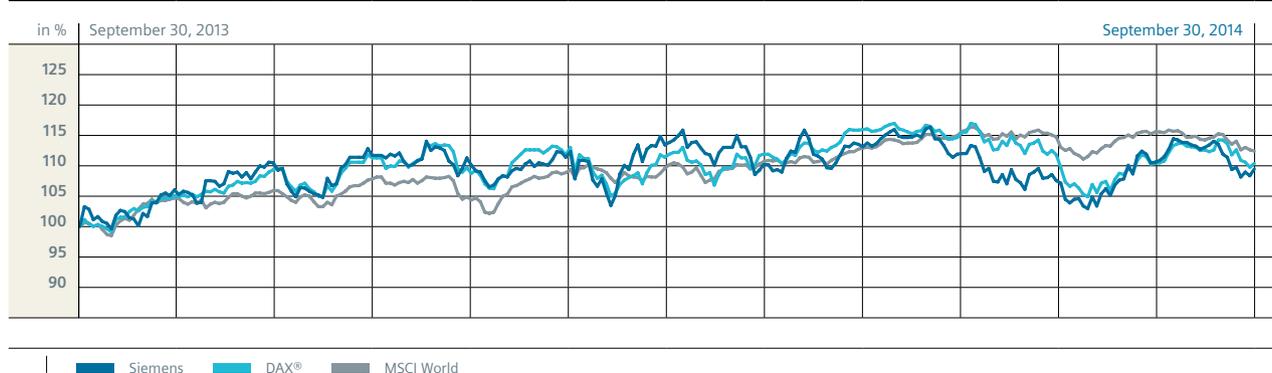
On behalf of the Supervisory Board, I would like to thank the members of the Managing Board as well as the employees and employee representatives of Siemens AG and all Group companies for their outstanding commitment and constructive cooperation in fiscal 2014.

For the Supervisory Board



Dr. Gerhard Cromme
Chairman

Change in the value of an investment in Siemens shares in fiscal 2014 (with dividends reinvested; indexed)



The Siemens share price developed positively during fiscal 2014 in a market environment strongly impacted by economic and political factors. In the first four months, European stock markets and the Siemens share price rose substantially due to unexpectedly positive economic data. After the Siemens share achieved its high for the year of €101.35 in January 2014, stock markets initially began to decline in February and then moved sideways in the following months in a volatile stock market environment. On September 30, 2014, the Siemens share closed at €94.37, a gain of 6% compared to September 30, 2013.

The Managing Board and the Supervisory Board will propose a dividend payment of €3.30 per share for fiscal 2014. Representing a planned payout ratio of 49%, this proposal ensures – in accordance with our One Siemens dividend policy – that our shareholders participate adequately in the Company’s profit development. In May 2014, we launched a share buyback program of up to €4 billion. By the end of fiscal 2014, we’d acquired shares with a total value corresponding to about €1.1 billion. Siemens AG continues to have a very sound financial basis. In an environment in which the ratings of many countries have come under pressure, the Company continues to enjoy good investment-grade credit ratings.

A.4.1 Development of the Siemens share

Over the entire fiscal year, Siemens stock performed well in the market environment, closing at €94.37 per share on September 30, 2014. For shareholders who reinvested their dividends, this amounted to a gain of 9.3% (fiscal 2013: a gain of 22.8%, including the proceeds from the OSRAM spinoff) compared to the price on September 30, 2013. The development of the Siemens share price was slightly below the performance of the leading German stock exchange index, the DAX (which rose 10.2%), and the leading international index, MSCI World (which advanced 12.2%).

Long-term performance of Siemens shares compared with leading indices (average annual performance with dividends and the corresponding value of the OSRAM spinoff reinvested)

Ten-year period		FY 2005 – FY 2014
Siemens	7.9%	
DAX®	9.3%	
MSCI World	7.1%	

The strength of the Siemens share is also illustrated by a long-term comparison: the assets of an investor who acquired Siemens stock worth €1,000 at the beginning of fiscal 2005 and reinvested the dividends and the corresponding value of the OSRAM spinoff in additional Siemens shares would have increased to €2,147 by the end of fiscal 2014. This annual return of 7.9% is above the results for MSCI World (7.1%) but below those for the DAX 30 (9.3%).

Dividend

Fiscal year		FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Dividend per share	in €	3.30 ¹	3.00	3.00	3.00	2.70
Dividend yield ²	in %	3.5	3.0	3.6	3.9	2.9
Ex-dividend date		Jan. 28, 2015	Jan. 29, 2014	Jan. 24, 2013	Jan. 25, 2012	Jan. 26, 2011
Net income (as reported)	in millions of €	5,507	4,409	4,590	6,321	4,068
Total dividend payout	in millions of €	2,706 ³	2,533	2,528	2,629	2,356
Payout ratio ⁴	in %	49	57	48	42	46

¹ To be proposed to the Annual Shareholders' Meeting.

² Dividend payout/Siemens share price on day of Annual Shareholders' Meeting; for fiscal 2014: dividend payout/Siemens share price at fiscal year-end.

³ Based on estimated number of shares entitled to a dividend payment on day of Annual Shareholders' Meeting for fiscal 2014.

⁴ To calculate the payout ratio, net income was adjusted for non-cash items in 2010 (DX impairment charges) and 2012 (impairment charges for Solar and NSN restructuring).

A.4.2 Dividend proposal

At the Annual Shareholders' Meeting, the Managing Board and the Supervisory Board will propose a dividend payment of €3.30, which represents a dividend yield of 3.5% and a payout ratio of 49%. This proposal continues our tradition of paying attractive dividends to our investors.

A.4.3 Share buyback program

In May 2014, Siemens began to improve its capital structure and repurchase its shares. The share buyback program has a total value of up to €4 billion for the repurchase of shares by the end of October 2015. By September 30, 2014, the Company had acquired about 11.3 million shares at an average price of €95.25 per share, for a total value of around €1.1 billion.

A.4.4 Delisting from stock exchanges in New York, London and Zürich

On May 15, 2014, the listing of Siemens' American Depositary Receipts (ADRs) on the New York Stock Exchange (NYSE) was terminated. On the same date, the Company applied for deregistration at the U.S. stock exchange regulatory authority, the United States Securities and Exchange Commission (SEC). The deregistration became effective on August 15, 2014.

The goal of the delisting and deregistration was to address the change in the behavior of investors. The trading of Siemens shares is now conducted predominantly in Germany and via electronic trading platforms (over-the-counter, OTC). The trading volume of Siemens shares in the U.S. was low, amounting to significantly less than 5% of their global trading volume over the last 12 months. The deregistration has enabled us to simplify our financial reporting processes and increase their efficiency.

On October 8, 2014, the listing of the Siemens share on the London Stock Exchange (LSE) was terminated. On the same date, SIX Swiss Exchange AG in Zürich (SIX) approved the request of Siemens AG to terminate the Siemens share's listing on the SIX stock exchange as of January 8, 2015.

Like the delisting in New York, these two delistings were the result of a change in investor behavior. In 2013, trading volume on both exchanges accounted for considerably less than 3% of our global trading volume.

Independently of the delistings, high standards of transparency in financial reporting and first-class corporate governance will continue to be a top priority at Siemens. The Company will, of course, continue to foster open and direct dialogue with its German and international investors. The termination of the stock exchange listings will have no impact on Siemens' strategic orientation or its presence.

A.4.5 Shareholder structure

With around 660,000 shareholders, Siemens AG is one of the world's largest publicly owned companies. Siemens has a stable shareholder structure that has changed only slightly over time. This applies, in particular, to our more than 650,000 private Siemens shareholders, who have often maintained their investments for many years. In July 2014, we mandated an external institute to conduct an analysis of our shareholder structure. Based on an evaluation of publications from institutional investors and on statistical estimates, this analysis showed that shareholders in Germany hold the largest percentage of our outstanding shares, about 27% of the total. Shareholders in the U.S. hold roughly 21% and shareholders in the U.K. around 11%, while investors in France hold 8% and those in Switzerland 8%.

Around 64% of Siemens' outstanding shares are currently held by institutional investors, about 19% by private shareholders and around 6% by members of the Siemens family. For further information on our shareholder structure, please see

www.siemens.com/shareholderstructure.

A.4.6 Credit ratings

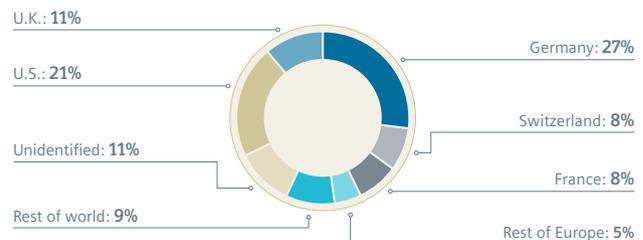
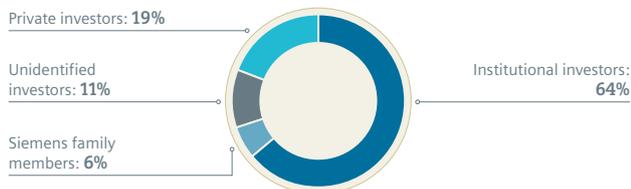
Siemens AG has good, investment-grade credit ratings. "Aa3/negative/P-1" from Moody's Investors Service and "A+/stable/A-1+" from Standard & Poor's are very positive ratings – particularly when compared to those of our competitors in the industry sector. Our solid financial position gives us unrestricted access to the international financial and capital markets.

At the end of fiscal 2014, the net debt of Siemens AG was €12,008 million, with cash and cash equivalents of €8,013 million. For further information on our credit ratings and financial obligations, please see → NOTE 26 ADDITIONAL CAPITAL DISCLOSURES in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS on pages 290-292 of this Annual Report.

Credit ratings

	September 30, 2014		September 30, 2013	
	Moody's Investors Service	Standard & Poor's Ratings Services	Moody's Investors Service	Standard & Poor's Ratings Services
Long-term debt	Aa3	A+	Aa3	A+
Short-term debt	P-1	A-1+	P-1	A-1+

Investor type and regional distribution



A.4.7 Siemens on the capital market

We take our responsibility to maintain an intensive dialogue with the capital market very seriously. Cultivating close contacts with our shareholders, we keep them informed of all major developments throughout Siemens. As part of our investor relations work, we provide information on our Company's development in quarterly, semiannual and annual reports. Our CEO and CFO also maintain close contact with investors through roadshows and conferences. In addition, Siemens holds Capital Market Days, at which Company management informs investors and analysts about our business strategy and market environment.

Stock market information

		FY 2014 ¹	FY 2013 ¹
Siemens stock price (Xetra closing price)			
High	in €	101.35	90.33
Low	in €	88.71	76.00
Fiscal year-end	in €	94.37	89.06
Number of shares issued (September 30)	in millions	881	881
Market capitalization ²	in millions of €	78,823	75,078
Basic earnings per share ³	in €	6.37	5.08
Diluted earnings per share ³	in €	6.31	5.03
Dividend per share	in €	3.30 ⁴	3.00

- 1 Fiscal year from October 1 to September 30.
- 2 On the basis of outstanding shares.
- 3 Continuing and discontinued operations.
- 4 To be proposed to the Annual Shareholders' Meeting.

We also provide extensive information online. Quarterly, semi-annual and annual financial reports, analyst presentations and press releases as well as our financial calendar for the current year – which includes all major publication dates and the date of the Annual Shareholders' Meeting (please see → E.7 FINANCIAL CALENDAR on page 347 of this Annual Report) – are available at WWW.SIEMENS.COM/INVESTORS. For each quarter and each fiscal year, we also publish the Siemens Shareholder Letter, which is addressed primarily to our private investors and provides a brief summary of key developments during the previous quarter or fiscal year.

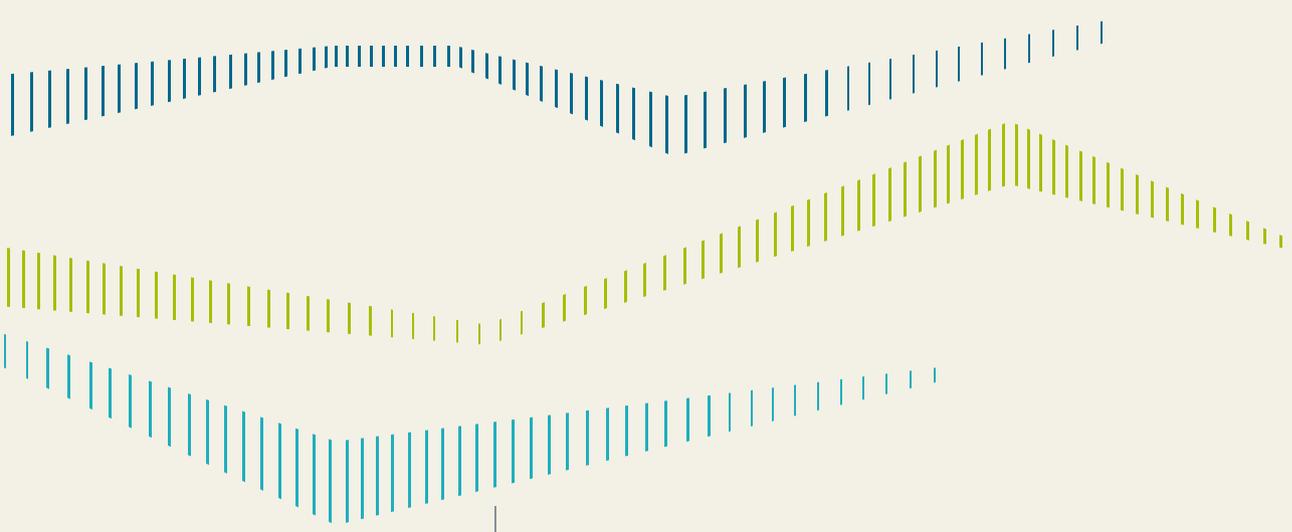
A.4.8 Ownership culture/ Stock-based programs

Fostering an ownership culture is a key pillar of Vision 2020, which is sustainably supported, among other things, by employee share ownership. Siemens intends to increase the number of employee shareholders from today's figure of about 140,000 to over 200,000. To strengthen participation by employees around the world in our Company's success, we're launching a new profit-sharing scheme for fiscal 2015. Called Siemens Profit Sharing, the scheme offers employees below senior management level worldwide an opportunity to benefit from the Company's outstanding success by receiving shares from Siemens free of charge.¹

We already enable our workforce to participate in a variety of share-based programs: the Siemens Stock Awards, the Share Matching Program (with its underlying Share Matching Plan, Monthly Investment Plan and Base Share Program) and the Jubilee Share Program. In fiscal 2014, 3,584,370 shares were issued to service these programs. Non-vested grants under the various programs will result in additional share issuances to employees in the future. For more detailed information on share-based payment, please see → NOTE 32 SHARE-BASED PAYMENT in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS on pages 306-309 of this Annual Report.

In addition to our share programs, we've established Share Ownership Guidelines. Applicable Company-wide, these guidelines require members of the Managing Board of Siemens AG and other senior executives of the Siemens Group to hold an interest in Siemens equal in value to between 50% and 300% of their base compensation for the period in which they hold office.

¹ Like Siemens' existing share programs, Siemens Profit Sharing is a voluntary and discretionary benefit for eligible employees. The issuance of a new tranche or the distribution of the profit-sharing pool to employees in one or several fiscal years does not create a legal claim or right to issue a new tranche or to receive a distribution in subsequent years. If a distribution in shares is not feasible or economically appropriate, an equivalent cash payment will be made.



Good corporate governance comprises responsible, value-based management and monitoring focused on long-term success. In this chapter, we present Siemens' Corporate Governance Report, discuss the Company's management and control structure, explain the remuneration of the Managing Board and the Supervisory Board and provide detailed insights into the takeover-relevant information of the Company.

 WWW.SIEMENS.COM/AR/CORPORATE-GOVERNANCE

B. Corporate Governance

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B.1.1 Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act

Siemens AG complies with all the currently applicable recommendations of the German Corporate Governance Code (Code) without exception.

The Managing Board and the Supervisory Board of Siemens AG have discussed compliance with the Code's recommendations in detail. Based on their deliberations, the boards have approved the annual Declaration of Conformity as of October 1, 2014. The Declaration of Conformity is posted on our website and presented in chapter → **B.2 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE** on page 136 of this Annual Report.

Siemens voluntarily complies with the Code's non-binding suggestions, with the following exceptions:

- > Pursuant to Section 3.7 para. 3 of the Code, in the case of a takeover offer, a management board should convene an extraordinary general meeting at which shareholders discuss the takeover offer and may decide on corporate actions. The convening of a shareholders' meeting – even taking into account the shortened time limits stipulated in the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz) – is an organizational challenge for large publicly listed companies. It appears doubtful whether the associated effort is justified in cases where no relevant decisions by the shareholders' meeting are intended. Therefore, extraordinary shareholders' meetings shall be convened only in appropriate cases.
- > Since the Managing Board appointments of 2011, the suggestion in Section 5.1.2 para. 2 sentence 1 of the Code that the maximum possible appointment period of five years should not be the rule for first-time appointments to a management board has not been followed.

B.1.2 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.

B.1.2.1 SUPERVISORY BOARD

As required by the German Codetermination Act (Mitbestimmungsgesetz), the Company's shareholders and its employees each select one-half of the Supervisory Board's twenty members.

The regular term of office of the members of the Supervisory Board will expire at the close of the Annual Shareholders' Meeting in 2018. Jim Hagemann Snabe – who was appointed by court order until the end of the Annual Shareholders' Meeting 2014 as successor to Dr. Josef Ackermann, who resigned from the Supervisory Board effective September 30, 2013 – was elected a shareholder representative on the Supervisory Board at the Annual Shareholders' Meeting on January 28, 2014. Michael Sigmund and Olaf Bolduan were appointed to the Supervisory Board by court order to succeed the employee representatives Prof. Dr. Rainer Sieg and Lothar Adler, who resigned from the Supervisory Board effective February 28, 2014 and May 31, 2014, respectively.

The composition of the Supervisory Board is to be such that its members as a group have the knowledge, skills and professional experience necessary to carry out its proper functions. For this reason, the Supervisory Board approved – taking into account the Code's recommendations – concrete objectives for its composition in fiscal 2013:

- > The composition of the Supervisory Board of Siemens AG shall be such that qualified control and advising for the Managing Board is ensured. The candidates proposed for election to the Supervisory Board shall have the expertise, skills and professional experience necessary to carry out the functions of a Supervisory Board member in a multinational company and safeguard the reputation of Siemens in public. In particular, care shall be taken in regard to the personality, integrity, commitment, professionalism and independence of the individuals proposed for election. The goal is to ensure that, in the Supervisory Board, as a group, all know-how and experience is available that is considered essential in view of Siemens' activities.
- > Taking the Company's international orientation into account, care shall also be taken to ensure that the Supervisory Board has an adequate number of members with extensive international experience. Our goal is to make sure that the present considerable share of Supervisory Board members with extensive international experience is maintained.
- > In its election proposals, the Supervisory Board shall also pay particular attention to the appropriate participation of women. Qualified women shall already be included in the initial process of selecting potential candidates for new elections or for the filling of Supervisory Board positions that have become vacant and shall be considered, as appropriate, in nominations. We have meanwhile been able to increase the number of women on our Supervisory Board to five. Our goal is to maintain and, if possible, to increase this number. It is also intended that – as is currently the case – at the minimum one woman should be a member of the Nominating Committee.

- > An adequate number of independent members shall belong to the Supervisory Board. Material and not only temporary conflicts of interest, such as organizational functions or advisory capacities with major competitors of the company, shall be avoided. Under the presumption that the mere exercise of Supervisory Board duties as an employee representative gives no cause to doubt the compliance with the independence criteria pursuant to Section 5.4.2 of the Code, the Supervisory Board shall have a minimum of 16 members who are independent in the meaning of the Code. In any case, the Supervisory Board shall be composed in such a way that a number of at least six independent shareholder representatives in the meaning of Section 5.4.2 of the Code is achieved. In addition, the Supervisory Board members shall have sufficient time to be able to devote the necessary regularity and diligence to their mandate.
- > The age limitation established in the Bylaws for the Supervisory Board will be taken into consideration. In addition, no more than two former members of the Managing Board of Siemens AG shall belong to the Supervisory Board.

These objectives for the Supervisory Board's composition have been fully achieved: a considerable number of Supervisory Board members are currently engaged in international activities and/or have many years of international experience. Since the Supervisory Board election in 2013, the Supervisory Board has had five female members. Dr. Nicola Leibinger-Kammüller is a member of the Nominating Committee. The Supervisory Board has an adequate number of independent members. In the opinion of the Supervisory Board, a minimum of 16 Supervisory Board members are independent in the meaning of Section 5.4.2 of the Code. Some Supervisory Board members hold – or have held in the past fiscal year – high-ranking positions at other companies with which Siemens does business. Transactions between Siemens and such companies are carried out on an arm's length basis. We believe that these transactions do not compromise the independence of the Supervisory Board members in question.

The 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 the strategy's implementation. It reviews the Annual Financial Statements of Siemens AG and 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, concern themselves with 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 and financial measures – require Supervisory Board approval, unless the Bylaws for the Supervisory Board specify that such authority be delegated to the Innovation and Finance Committee of the Supervisory Board. In the Bylaws for the Managing Board, the Supervisory Board has established the rules that govern the Managing Board's work.

The Supervisory Board has seven committees, whose duties, responsibilities and procedures fulfill the requirements of the German Stock Corporation Act and the Code. The chairmen of these committees provide the Supervisory Board with regular reports on their committees' activities.

The **Chairman's Committee**, which comprises the Chairman and Deputy Chairmen of the Supervisory Board as well as one further employee representative elected by the Supervisory Board, makes proposals, in particular, regarding the appointment and dismissal of Managing Board members and handles contracts with members of the Managing Board. In preparing recommendations on the appointment of Managing Board members, the Chairman's Committee takes into account the candidates' professional qualifications, international experience and leadership qualities, the age limit specified for Managing Board members, the Managing Board's long-range plans for succession as well as its diversity and, in particular, the appropriate consideration of women. 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.

The **Compensation Committee**, which comprises the members of the Chairman's Committee of the Supervisory Board as well as one of the Supervisory Board's shareholder representatives and one of the Supervisory Board's employee representatives, 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 the 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.

The **Audit Committee** comprises the Chairman of the Supervisory Board, three of the Supervisory Board's shareholder representatives and four of the Supervisory Board's employee representatives. According to the German Stock Corporation Act, the Audit Committee must include at least one independent Supervisory Board member with knowledge and experience in the application of accounting principles or the auditing of financial statements. The Chairman of the Audit Committee, Dr. Hans Michael Gaul, fulfills these statutory requirements. The Audit Committee oversees, in particular, the accounting process and conducts a preliminary review of the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group and the Combined Management Report. 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. In addition to the work performed by the independent auditors, the Audit Committee discusses the Company's quarterly financial statements and half-year financial reports, which are prepared by the Managing Board, as well as the report on the auditors' review of the quarterly financial statements and the half-year financial report (condensed financial statements and interim management report). It concerns itself with the Company's risk monitoring system and oversees the effectiveness of the internal control system as this relates, in particular, to financial reporting, the risk management system and the internal audit system. The Audit Committee receives regular reports from the Internal Audit Department. It prepares the Supervisory Board's recommendation to the Annual Shareholders' Meeting concerning the election of the independent auditors and submits the corresponding proposal to the Supervisory Board. It awards the audit contract to the independent auditors elected by the Annual Shareholders' Meeting and monitors the independent audit of the financial statements – including, in particular, the auditors' independence, professional expertise and services.

The **Compliance Committee** comprises the Chairman of the Supervisory Board, three of the Supervisory Board's shareholder representatives and four of the Supervisory Board's employee

representatives. The Compliance Committee concerns itself, in particular, with the Company's adherence to statutory provisions, official regulations and internal Company policies.

The **Nominating Committee**, which comprises the Chairman and the Second Deputy Chairman of the Supervisory Board as well as two further members to be elected by the shareholder representatives of the Supervisory Board from among their own number, is responsible for making recommendations to the Supervisory Board on suitable candidates for election as shareholder representatives on the Supervisory Board by the Annual Shareholders' Meeting. In preparing these recommendations, the objectives specified by the Supervisory Board regarding its composition are to be taken into account as well as the required knowledge, abilities and experience of the proposed candidates; attention shall also be paid to independence, diversity and, in particular, the appropriate participation of women.

The **Mediation Committee**, which comprises the Chairman of the Supervisory Board, the First Deputy Chairman (who is elected in accordance with the German Codetermination Act), one of the Supervisory Board's shareholder representatives and one of the Supervisory Board's employee representatives, 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.

The **Innovation and Finance Committee** comprises the Chairman of the Supervisory Board, three of the Supervisory Board's shareholder representatives and four of the Supervisory Board's employee representatives. Based on the Company's overall strategy, the Committee discusses, in particular, 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.

The composition of the Supervisory Board and its committees is presented in chapter → **D.7 SUPERVISORY BOARD AND MANAGING BOARD** on pages 330-333 of this Annual Report. Information on the work of the Supervisory Board is provided in the → **A.3 REPORT OF THE SUPERVISORY BOARD** on pages 118-125. The compensation paid to the members of the Supervisory Board is explained in chapter → **B.4 COMPENSATION REPORT** on pages 163-164.

132	B.1	Corporate Governance Report
136	B.2	Corporate Governance statement pursuant to Section 289a of the German Commercial Code (part of the Combined Management Report)
138	B.3	Compliance Report (part of the Combined Management Report)

144	B.4	Compensation Report (part of the Combined Management Report)
165	B.5	Takeover-relevant information (pursuant to Sections 289 para. 4 and 315 para. 4 of the German Commercial Code) and explanatory report (part of the Combined Management Report)

B.1.2.2 MANAGING BOARD

As the Company's top management body, the Managing Board is committed to serving the interests of the Company and achieving sustainable growth in Company value. The members of the Managing Board are jointly responsible for the entire management of the Company and decide on the basic issues of business policy and corporate strategy as well as on the Company's annual and multi-year plans.

The Managing Board prepares the Company's quarterly financial statements and the half-year financial reports, 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 must ensure that the Company adheres to statutory provisions, official regulations and internal Company policies (compliance) and works to achieve compliance with these provisions and policies within the Siemens Group. Further comprehensive information on the compliance program and related activities in fiscal 2014 is presented in chapter → B.3 COMPLIANCE REPORT on pages 138-143 of this Annual Report. The Managing Board and the Supervisory Board cooperate closely for the benefit of the Company. The Managing Board informs the Supervisory Board regularly, comprehensively and without delay on all issues of importance to the Company with regard to strategy, planning, business development, financial position, earnings, compliance and risks. When filling managerial positions at the Company, the Managing Board takes diversity into consideration and, in particular, aims for an appropriate consideration of women and internationality.

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

The composition of the Managing Board and its committee is presented in chapter → D.7 SUPERVISORY BOARD AND MANAGING BOARD on pages 334-335 of this Annual Report. Information on the compensation paid to the members of the Managing Board is provided in the → B.4 COMPENSATION REPORT on pages 144-162.

B.1.3 Share ownership and share transactions by members of the Managing and Supervisory Boards

As of September 30, 2014, the Managing Board's current members held a total of 181,009 (2013: 216,560) Siemens shares representing 0.02% (2013: 0.02%) of the capital stock of Siemens AG, which totaled 881,000,000 shares.

As of the same day, the Supervisory Board's current members held Siemens shares representing less than 0.01% (2013: less than 0.01%) of the capital stock of Siemens AG, which totaled 881,000,000 shares. These figures do not include the 9,386,535 (2013: 9,313,438) shares or 1.07% (2013: 1.06%) of the capital stock of Siemens AG, which totaled 881,000,000 shares, over which the von Siemens-Vermögensverwaltung GmbH (vSV), a German limited liability company, has voting control under powers of attorney based on an agreement between – among others – members of the Siemens family, including Gerd von Brandenstein, and vSV. These shares are voted together by vSV based on proposals made by a family partnership established by the Siemens family or by one of its committees. Gerd von Brandenstein is the chairman of the executive committee and has a deciding vote in cases of deadlock.

Pursuant to Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz), members of the Managing Board and the Supervisory Board are legally required to disclose the purchase or sale of shares of Siemens AG or of financial instruments based thereon 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 WWW.SIEMENS.COM/DIRECTORS-DEALINGS.

B.1.4 Annual Shareholders' Meeting and investor relations

Shareholders exercise their rights in the Annual Shareholders' Meeting. An ordinary Annual Shareholders' Meeting normally takes place within the first four months of each fiscal year. The Annual Shareholders' Meeting decides, among other things, on the appropriation of unappropriated net income, the ratification of the acts of the Managing and Supervisory Boards, and the appointment of the independent auditors. Amendments to the Articles of Association and measures that change the Company's capital stock are approved at the Annual Shareholders' Meeting and are implemented by the Managing Board. The Managing Board facilitates shareholder participation in this

meeting through electronic communications – in particular, via the Internet – and enables shareholders who are unable to attend the meeting to vote by proxy. Furthermore, shareholders may exercise their right to vote in writing or by means of electronic communications (absentee voting). The Managing Board may enable shareholders to participate in the Annual Shareholders’ Meeting without the need to be present at the venue and without a proxy and to exercise some or all of their rights fully or partially by means of electronic communications. Shareholders may submit proposals regarding the proposals of the Managing and Supervisory Boards and may contest decisions of the Annual Shareholders’ Meeting. Shareholders owning Siemens stock with an aggregate notional value of €100,000 or more may also demand the judicial appointment of special auditors to examine specific issues. The reports, documents and information required by law, including the Annual Report, may be downloaded from our website. The same applies to the agenda for the Annual Shareholders’ Meeting and to any counterproposals or shareholders’ nominations that require disclosure.

As part of our investor relations activities, we inform our investors comprehensively about developments within the Company. For communication purposes, Siemens makes extensive use of the Internet. We publish quarterly, half-yearly and annual reports, earnings releases, ad hoc announcements, analyst presentations, shareholder letters 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. Details of our investor relations activities are provided in chapter → A.4 THE SIEMENS SHARE/INVESTOR RELATIONS on pages 126-129 of this Annual Report.

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.

|| | B.2 Corporate Governance statement pursuant to Section 289a of the German Commercial Code

The Corporate Governance statement pursuant to Section 289a of the German Commercial Code (Handelsgesetzbuch) is an integral part of the Combined Management Report. In accordance with Section 317 para.2 sentence 3 of the German Commercial Code, the disclosures made within the scope of Section 289a of the German Commercial Code are not subject to the audit by the auditors.

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, 2014:

“Declaration of Conformity by the Managing Board and the Supervisory Board of Siemens Aktiengesellschaft with the German Corporate Governance Code

Siemens AG complies and will continue to comply with the currently applicable recommendations of the German

Corporate Governance Code (“Code”), published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger).

Since making its last Declaration of Conformity dated May 7, 2014, Siemens AG has complied with the recommendations of the Code with the one exception noted therein (contrary to Section 5.4.5, paragraph 1, sentence 2 of the Code, Jim Hagemann Snabe, who is a member of the Supervisory Board of Siemens AG and a former member of the Executive Board of SAP AG, held four supervisory board positions at other publicly listed companies). This exception has been eliminated since Mr. Snabe resigned his position on the Executive Board of SAP AG, effective May 21, 2014.

Berlin and Munich, October 1, 2014
Siemens Aktiengesellschaft

The Managing Board The Supervisory Board”

INFORMATION ON CORPORATE GOVERNANCE PRACTICES

Suggestions of the Code

Siemens voluntarily complies with the Code's non-binding suggestions, with the following exceptions:

Pursuant to Section 3.7 para. 3 of the Code, in the case of a takeover offer, a management board should convene an extraordinary general meeting at which shareholders discuss the takeover offer and may decide on corporate actions. The convening of a shareholders' meeting – even taking into account the shortened time limits stipulated in the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz) – is an organizational challenge for large publicly listed companies. It appears doubtful whether the associated effort is justified in cases where no relevant decisions by the shareholders' meeting are intended. Therefore, extraordinary shareholders' meetings shall be convened only in appropriate cases.

Since the Managing Board appointments of 2011, the suggestion in Section 5.1.2 para. 2 sentence 1 of the Code that the maximum possible appointment period of five years should not be the rule for first-time appointments to a management board has not been followed.

The Code can be downloaded from the Internet at:

WWW.SIEMENS.COM/289A.

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 167 years of its existence, our Company has built an excellent reputation around the world. Technical performance, innovation, quality reliability, and international engagement have made Siemens one of the leading companies in electronics and electrical engineering. It is top performance with the highest ethics that has made Siemens strong. This is what the Company should continue to stand for in the future.

The Business Conduct Guidelines provide the ethical and legal framework within which we want to maintain 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."

The Business Conduct Guidelines can be downloaded from the Internet on: WWW.SIEMENS.COM/289A.

OPERATION OF THE MANAGING BOARD, THE SUPERVISORY BOARD, AND COMPOSITION AND OPERATION OF THEIR COMMITTEES

The composition of the committees of the Managing and Supervisory Boards is given under chapter → D.7 SUPERVISORY BOARD AND MANAGING BOARD on pages 330-335, respectively of the Annual Report, as is a description of the composition of the Managing Board and the Supervisory Board. The compositions can be accessed via the Internet on:

WWW.SIEMENS.COM/289A.

A general description of the functions and operation of the Managing Board and the Supervisory Board can be found under the heading → B.1.2 MANAGEMENT AND CONTROL STRUCTURE under chapter → B.1 CORPORATE GOVERNANCE REPORT on pages 132-135 and via the Internet on: WWW.SIEMENS.COM/289A. Further details regarding the operation of the Managing Board and Supervisory Board can be derived from the description of the committees as well as from the bylaws for the corporate bodies concerned. These documents can be found at:

WWW.SIEMENS.COM/289A.

For us at Siemens, integrity means acting in accordance with our values – responsible, excellent and innovative – wherever we do business. A key element of integrity is compliance: adherence to the law and to our own internal regulations. We have zero tolerance for corruption and violations of the principles of fair competition – and where these do occur, we rigorously respond.

The Compliance Report is an integral part of the Combined Management Report.

Our Business Conduct Guidelines describe how we fulfill our compliance-related responsibilities. They are also an expression of our values and lay the foundation for our own internal regulations. Our Business Conduct Guidelines are binding for all employees worldwide.

Our Compliance System aims to ensure that all our worldwide business practices are in line with these guidelines and in compliance with all applicable laws. To serve this purpose and provide the Company with reliable protection against compliance risks, our Compliance System has three pillars: Prevent, Detect and Respond. We are continuously working to further strengthen compliance in our Company and to combat corruption together with other organizations (Collective Action).

We actively support the enactment of the United Nations Convention against Corruption and the Anti-Bribery Convention of the Organization for Economic Co-operation and Development (OECD), which – like the ten principles of the United Nations Global Compact – provide important guidance for our entire organization. We are also actively involved in the Global Compact. At the end of 2013, our Chief Compliance Officer was elected Chairman of the Task Force on Anti-Bribery/Corruption of the Business and Industry Advisory Committee to the OECD.

Our activities in the World Economic Forum include the Company's participation in the Pact Against Corruption Initiative and the Siemens General Counsel's membership in the Global Agenda Council on Transparency & Anti-Corruption.

B.3.1 Compliance priorities for fiscal 2014

Our compliance priorities provide the basis for the ongoing development and further improvement of our Compliance System. In this connection, we take into account and aim to fulfill continuously evolving requirements in the compliance field, which reflect both our own work and the changing market conditions and compliance risks of our business activities.

For fiscal 2014, we defined the following compliance priorities:

- > Stand for integrity: Our aim is to support business leadership in its responsibility for compliance and to execute our Collective Action strategy focused on tangible business benefits.
- > Committed to business: we want to foster trustful collaboration between the Compliance Organization and our businesses as well as strengthen the market and customer focus of compliance.
- > Manage risk & assurance: we want to continue to provide our businesses with the appropriate level of assurance within our Compliance System.
- > Responsibility for data privacy: we will assume new responsibilities in the area of data privacy.

These priorities, which guided our activities in fiscal 2014, include the conclusion of project- and market-specific Collective Action agreements and the launch of the second funding round of the Siemens Integrity Initiative. We have also carried out a project to reinforce our business-partner compliance due

Siemens Compliance System



diligence process. The company's compliance risk assessment process has been further developed: Besides other improvements Data Privacy has been included therein as part of our activities to integrate Data Privacy into the Compliance System.

B.3.2 Compliance risk management

Our Compliance Risk Assessment (CRA) process requires that CEOs and managers in the Company – together with the relevant Compliance Officers – systematically determine and assess the compliance risks to their units on a regular basis.

A CRA was performed for all the Company's operating units in fiscal 2013. Based on our experience to date and the analysis of these results, the CRA process has been further developed. Starting fiscal 2014, the CRA is performed in two different ways:

- > In even-numbered years, the CRA process is performed for so-called top-risk countries in order to complement the analyses at Lead Country/Division level with in-depth risk assessments for selected countries. We will identify these countries in advance based on an analysis of external and internal compliance risks.
- > In odd-numbered years (starting in fiscal 2015), the CRA process will be performed at Lead Country/Division level.

In fiscal 2014, the CRA was performed for a total of 14 top-risk countries. The CRA results have been incorporated into the Group-level compliance risk analysis, which aims to determine systematic and globally recurring compliance risks to the Company as quickly as possible. As well as the CRA results, this analysis of the overall Group-level compliance risks takes into account, for example, the insights from compliance controls – the ongoing assessment of the operation of our compliance processes to ensure their effectiveness – and the results of case-related investigations.

The Corporate compliance risks are derived from these consolidated results, which are then shared with the Company's businesses. As in the CRA process, relevant risks are reported to Siemens' Enterprise Risk Management (ERM), and measures to reduce the risks are drawn up and implemented.

The identification of compliance risks in individual Siemens entities worldwide (CRA) and the Group-level compliance risk analysis are complemented by an interdisciplinary exchange during the quarterly Compliance Risk Radar meeting.

B.3.3 Business partners and suppliers

Cooperation with third parties such as sales agents, customs clearing agents, consultants, distributors and resellers is part of Company operations and often essential in order to reach certain areas of the market. At the same time, however, the Company may be liable for the actions of these third parties.

Our mandatory process and tool for business-partner compliance due diligence is designed to help all Siemens entities conduct risk-based integrity checks of business partners. Transparent and risk-oriented decisions about a business partner relationship are based on high-quality compliance due diligence.

The management of each Siemens unit is responsible for the unit's utilization of business partners. This means that business partners must be carefully selected and appropriately monitored and managed throughout the course of a business relationship.

In fiscal 2014, we carried out a project to reinforce the effectiveness of our business-partner compliance due diligence process and of management's assessment of the related compliance risks. Key outcomes of the project include the regular review of business partner portfolios at the Lead Countries and Divisions and on-site compliance checks for selected types of business partners as part of due diligence. Both measures are scheduled for implementation in fiscal 2015. Furthermore we have introduced a web-based compliance training program, which is mandatory for certain business partners before they can enter into a business relationship with our Company. Other business partners may also take part in the training program on a voluntary basis.

We require our suppliers to comply with our Code of Conduct for Siemens Suppliers, which includes compliance with all applicable laws and, in particular, the prohibition of corrupt activities. We also require our suppliers to support the Code's implementation in their own supply chains. The Code of Conduct is based on the ten principles of the United Nations Global Compact. Instruments such as sustainability self-assessments by suppliers and sustainability audits by external auditors enable us to systematically identify potential risks in our supply chain and to monitor whether our suppliers are in compliance with the Code's requirements.

B.3.4 Compliance training

One focus of our preventive measures under the Compliance System is to provide compliance training to all managers and employees who hold positions with a particular risk profile. In fiscal 2014, the definition of these “sensitive functions” was expanded and specified more precisely. In accordance with this definition, the Compliance Officers of the relevant Company units identify the managers and employees whose participation is required and ensure that they attend the training sessions. They monitor and confirm the fulfillment of these requirements at regular intervals.

Our Company-wide compliance training portfolio consists of in-person and web-based training programs. The in-person training programs also provide our employees with an opportunity to discuss correct behavior based on day-to-day work examples. In fiscal 2013, we introduced an annual Integrity Dialog to maintain a high awareness of integrity and compliance topics at Siemens. The Dialog, which is conducted across the entire Company, serves as a forum for managers to discuss recent compliance matters with their employees.

The assessment and analysis of compliance risks for the operating units and at Group level offers important indicators that help us develop and define the focus of our training activities, including the selection of themed modules for the annual events held in conjunction with the Integrity Dialog. Our operating units address specific challenges by enhancing their training activities with additional topics from their own businesses or by extending the mandatory target groups for specific compliance training programs in their units. In this way, our training activities reflect both Siemens-wide topics and the key topics specific to the operating units.

B.3.5 Compliance indicators

Compliance indicators¹

	Year ended September, 30	
	2014	2013
Compliance cases reported	653	908
Disciplinary sanctions	195	305
<i>therein warnings</i>	114	188
<i>therein dismissals</i>	50	75
<i>Therein other²</i>	31	42

¹ Continuing and discontinued operations.

² Includes loss of variable and voluntary compensation elements, transfer and suspension.

The “Tell us” help desk and the Company’s ombudsman are two secure reporting channels that can be used by our employees and external stakeholders to report violations of external and internal rules. Reports to these channels are passed on to our Compliance Organization. Possible misconduct may also be reported directly via the Managing Board or via supervisors to the Compliance Organization and, in particular, to the Compliance Officers in our individual company units. Our employees regularly make use of this reporting channel. In fiscal 2014, the total number of compliance cases requiring further inquiries or investigations reported via all the above-mentioned reporting channels was 653. We believe that the decrease from fiscal 2013 (908) is within the normal range of variation.

The total number of disciplinary sanctions for compliance violations in fiscal 2014 was 195 (fiscal 2013: 305). The disciplinary sanctions reported in a specific fiscal year do not all relate to the compliance cases reported in the same period: disciplinary sanctions are frequently not implemented in the year in which a case was reported. This is due to the fact that a reported compliance case has to undergo the Company’s entire internal case handling process (see top right), from the mandating and performing of an internal investigation to the documentation of its results in an investigation report that will form the basis for related disciplinary sanctions and remediation measures.

Furthermore, a single reported compliance case may, for instance, result in several disciplinary sanctions or in no disciplinary sanctions at all – for instance, because the employee concerned meanwhile has left the company for some other reason. Therefore, too, it is not possible to establish a direct correlation between the numbers of reported compliance cases and the numbers and types of disciplinary sanctions implemented in a given reporting period.

In our view, the detected compliance violations in our Company in the past fiscal year demonstrate once again that our Compliance System was properly designed and is being implemented effectively.

The “Ask us” help desk encourages our employees to ask compliance-related questions. Incoming questions are automatically forwarded without prior registration to the Compliance Officers responsible for the employees’ entities. Furthermore, all employees can pose questions directly to the Compliance Officers responsible for their respective units. Most employee questions are now being handled and answered in this way. These questions are not registered either. In light of these developments, we have decided to discontinue the reporting of inquiries submitted to the “Ask us” help desk.



B.3.6 Data privacy

In line with our compliance priorities for fiscal 2014, we've continued to integrate data privacy into our Company's Compliance System. Selected measures include the integration of data privacy into the Compliance Risk Assessments, data privacy reporting via our quarterly Compliance Performance Review and the inclusion of data privacy incidents in our global compliance case tracking tool.

Data protection laws in the European Economic Area (EEA) require a recipient of personal data located outside the EEA to provide a level of data protection equivalent to the level of data protection in the EEA. As a result, the instrument of Binding Corporate Rules (BCR) was developed at European Union level to allow multinational groups of companies, such as Siemens, to make transfers of personal data across borders and between group companies that implement the BCR in compliance with the aforementioned requirement. In this context, Siemens has issued, effective fiscal 2015, its BCR for the Protection of Personal Data within the Company.

B.3.7 Company-wide award for integrity and compliance

In 2008, we made compliance excellence a component of the incentive system for our senior management. This system was not designed to honor basic compliance with the law and internal regulations, which is always expected. Instead, it focused on rewarding managers for "going the extra mile" in implementing our Compliance Program and driving a culture of

integrity. This approach proved useful in the following period. It was subsequently replaced by a specific process for dealing with weak compliance performance on the part of managers. As part of this process, a corrective factor is applied to bonus payments if remedial action is not taken following the issuance of a "yellow card."

Effective fiscal 2015, the consideration of weak compliance performance on the part of managers has been made a mandatory element of the Company's bonus regulations. In addition, related performance issues will also be addressed through the Compliance Organization. In light of the above and to reinforce the recognition of exemplary commitment to integrity and compliance within the Company, an annual award for integrity and compliance will be presented starting in fiscal 2015. The award will honor outstanding examples of management responsibility for compliance and employee commitment to compliance. In addition to recognition by Company management, the competition will promote best practices within Siemens and encourage others to follow these examples.

B.3.8 Collective Action and Siemens Integrity Initiative

If substantial progress is to be made in combating corruption and fostering fair competition, as many stakeholders as possible must act collectively. That's why we have joined forces with other organizations to fight corruption and promote ethical markets through collective action and the Siemens Integrity Initiative.

Achievements during fiscal 2014 include a collective action in Colombia: in August 2014, a code of conduct was signed for the first time by around 190 companies associated with the Colombian Chamber of Goods and Oil Services (CAMPETROL) as well as several oil and gas operators. All of the signatories, of whom Siemens is one, are committed to initiating corporate ethics programs that abolish and prohibit activities such as bribery and the demand for and offering of undue favors. The signatories have also agreed to disclose serious cases to CAMPETROL and the Regional Center of the United Nations Global Compact, which will act as a neutral facilitator.

To support the enforcement of the code of conduct, a compliance pact has also been signed, involving a whistleblower channel – supported by the Secretary of Transparency in the President’s Office – and sanctions in cases of wrongdoing.

The global Siemens Integrity Initiative was launched by Siemens on December 9, 2009. It earmarks more than US\$100 million for supporting organizations and projects fighting corruption and fraud through Collective Action, education and training. The initiative focuses on supporting projects that have a clear impact on the business environment, can demonstrate objective and measurable results and have the potential to be scaled up and replicated. The Siemens Integrity Initiative constitutes one element of the July 2009 settlement between Siemens and the World Bank and the March 2013 settlement between Siemens and the European Investment Bank (EIB).

The status of the 31 projects funded within the first funding round – based upon the settlement with the World Bank –, with a total contractual funding volume of US\$37.7 million, was presented to the World Bank in April 2014, together with the Siemens Integrity Initiative Annual Report 2013.

The second funding round was announced on June 27, 2013, and the deadline for applications was August 29, 2013. We received more than 180 applications from about 60 countries. In a two-stage review and due diligence process, we selected projects which are to receive approximately US\$30.0 million of total funding over a period of three to five years. We began concluding the funding contracts in October 2014.

B.3.9 Our revised compliance priorities – Guidance until 2020

Since their introduction in fiscal 2011, our compliance priorities have provided the focus of our compliance-related activities and the basis for the ongoing development of our Compliance System. In light of our experience to date and – above all – in line with our entrepreneurial concept Vision 2020, we have decided to develop this approach further in order to create a reliable long-term perspective for the ongoing development of compliance at Siemens.

Ownership culture is a cornerstone of Vision 2020, and the integrity of our employees’ decisions and actions is an essential part of it. Every employee is expected to act responsibly and to live up to this principle. Our Compliance System aims to support Siemens employees in making risk-based decisions with integrity – this is how compliance can ultimately provide reliable assurance to our Company and its employees and at the same time help strengthen an ownership culture at Siemens. Therefore, ownership culture lies at the heart of our compliance priorities.

Compliance will also make further contributions to Vision 2020. The following five compliance priorities define the levers for the future development of compliance at Siemens:

- > Foster integrity: a clear tone from the top, coupled with tangible ownership of compliance at all management levels, is essential. We will continue to help our managers meet this responsibility. Our new Company-wide award for integrity and compliance will play an important role in this respect. Beyond the boundaries of our organization, we will continue to cooperate with our stakeholders in order to combat corruption and promote fair markets.
- > Committed to business: our Compliance Organization and our businesses must work hand-in-hand to effectively mitigate compliance risks. Without compromising our integrity standards, we’ll also intensify support for our businesses in order to allow them to seize business opportunities even in challenging environments.
- > Manage risk & assurance: we want to continue providing our businesses with the appropriate level of assurance within our Compliance System. We constantly monitor external and internal developments and, where necessary, update the compliance safeguards for our Company.

132	B.1	Corporate Governance Report
136	B.2	Corporate Governance statement pursuant to Section 289a of the German Commercial Code (part of the Combined Management Report)
138	B.3	Compliance Report (part of the Combined Management Report)

144	B.4	Compensation Report (part of the Combined Management Report)
165	B.5	Takeover-relevant information (pursuant to Sections 289 para. 4 and 315 para. 4 of the German Commercial Code) and explanatory report (part of the Combined Management Report)

- > **Excellent compliance team:** we expect our Compliance Officers to combine compliance expertise with business understanding, and we offer them attractive career paths. That's why we will continue working to develop a first-class learning and development landscape for our Compliance Organization. We will also reinforce close collaboration across the Company's global Compliance Organization to ensure that we provide the best possible support for our businesses.
- > **Effective processes:** utilizing our compliance portfolio management system, we will continue to improve our compliance processes in order to optimize efficiency and keep operational burdens as low as possible while further strengthening the assurance against compliance risks that those processes provide.

Our compliance priorities as of fiscal 2015 are illustrated and briefly described in the figures below. These priorities, which will also guide our activities for fiscal 2015, will be supplemented by focus areas and activities for each fiscal year.

The effectiveness of compliance at Siemens is based on the global governance of our Compliance Organization and clear-cut reporting lines and close cooperation between our

Compliance Officers around the world and our Company units. The other pillar of our Compliance System – with its three action levels Prevent, Detect and Respond – is the requirement that all Siemens managers assume personal responsibility for compliance at their respective units.

We will continue to further develop our compliance system in order to adapt it to evolving requirements in the field of compliance. Our overall aim remains unchanged: we want to anchor integrity permanently throughout our company in order to ensure sound business decisions based on clear principles of integrity.

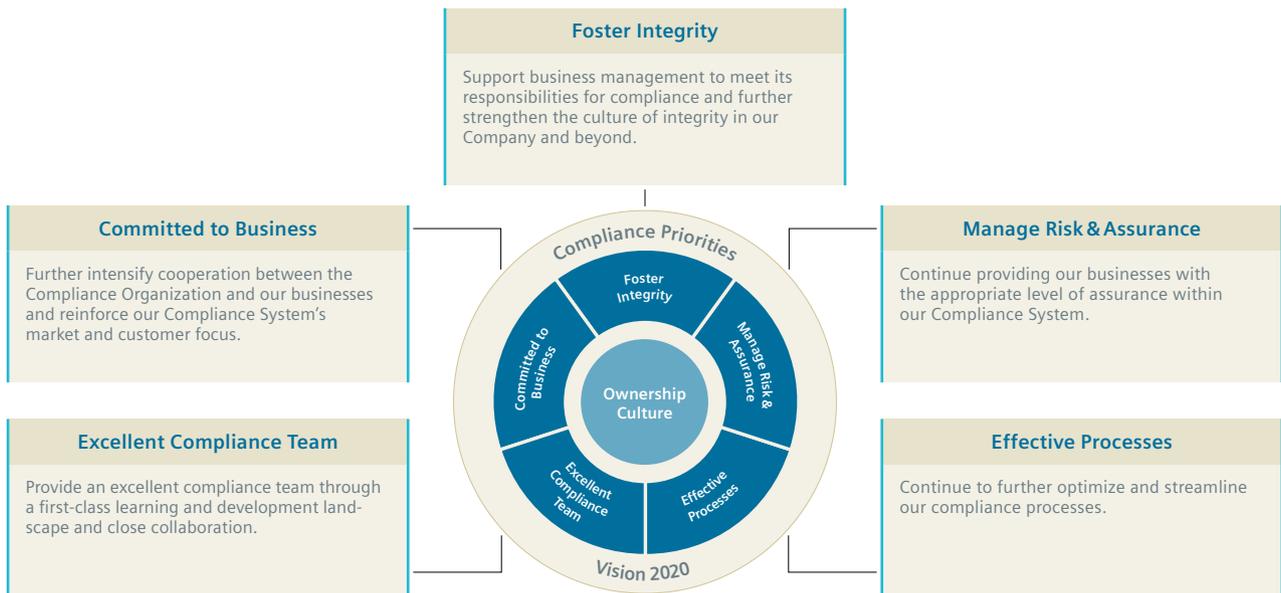
B.3.10 Further information and legal proceedings

For further information, please see:

→ C.9 REPORT ON EXPECTED DEVELOPMENTS AND ASSOCIATED MATERIAL OPPORTUNITIES AND RISKS on pages 225-241 and → NOTE 28 LEGAL PROCEEDINGS in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS on pages 293-295 of this Annual Report.

WWW.SIEMENS.COM/COMPLIANCE

Compliance priorities for fiscal 2015



The Compensation Report outlines the principles underlying the determination of the total compensation of the members of the Managing Board of Siemens AG, and sets out the structure and level of the remuneration of the Managing Board members. It also describes the policies governing, and levels of, the compensation paid to Supervisory Board members.

This section is based on the recommendations of the German Corporate Governance Code (Code) and the requirements of the German Commercial Code (Handelsgesetzbuch), German Accounting Standards (Deutsche Rechnungslegungs Standards), and International Financial Reporting Standards (IFRS). The Compensation Report is an integral part of the Combined Management Report.

B.4.1 Remuneration of members of the Managing Board

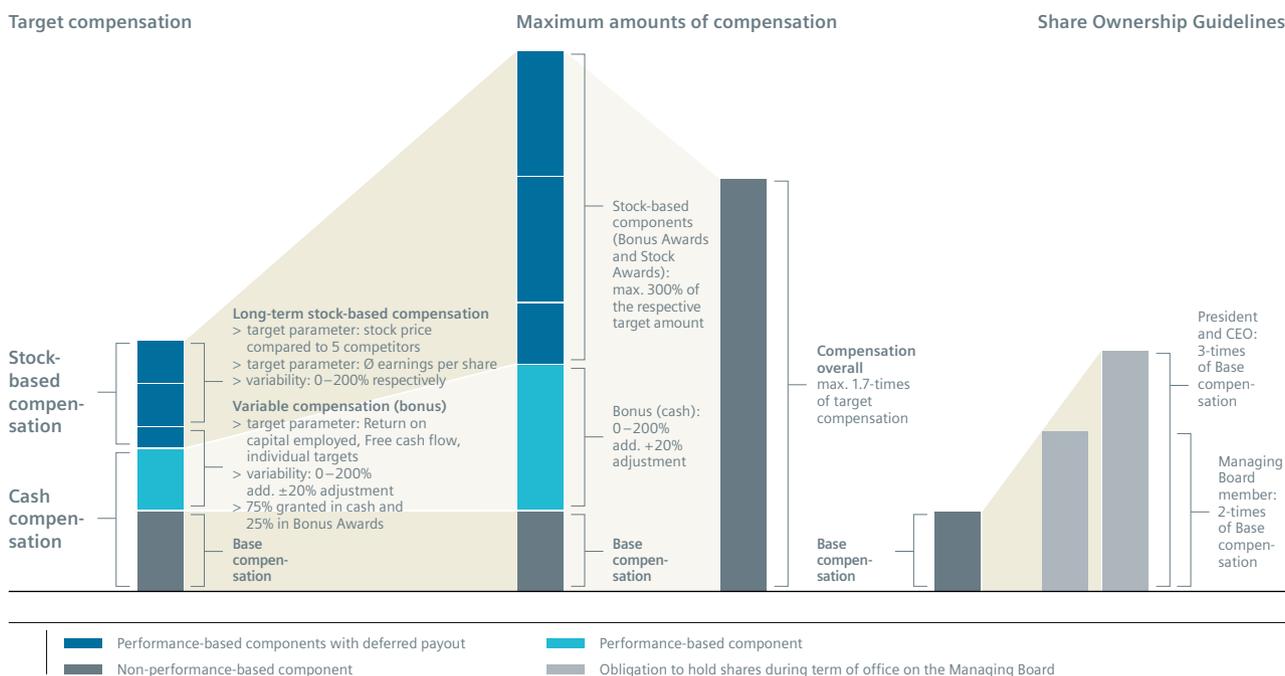
B.4.1.1 REMUNERATION SYSTEM

The remuneration system for the Managing Board at Siemens is intended to provide an incentive for successful corporate management with an emphasis on sustainability. Members of the Managing Board 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. In the interest of that aim, a substantial portion of their total remuneration is linked to the long-term performance of Siemens stock. A further aim is

for their remuneration to be commensurate with the Company's size and economic position. Exceptional achievements are to be rewarded adequately, while falling short of goals is intended to result in an appreciable reduction in remuneration. The Managing Board's compensation is also structured so as to be attractive in comparison to that of competitors, with a view to attracting outstanding managers to our Company and keeping them with us for the long term.

The system and levels for the remuneration of the Managing Board are determined and reviewed regularly by the full Supervisory Board, based on proposals from the Compensation Committee. The Supervisory Board reviews remuneration levels annually to ensure that they are appropriate. In that process, the Company's economic situation, performance and outlook, as well as the tasks and performance of the individual Managing Board members, are taken into account. In addition, the Supervisory Board considers the common level of remuneration in comparison with peer companies and with the compensation structure in place in other areas of the Company. Here 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, and for this purpose the Supervisory Board has also determined how senior management and the relevant staff are to be differentiated. The remuneration system that was in place for the Managing Board members for fiscal 2014 was approved by 93.98% at the Annual Shareholders' Meeting on

Remuneration system for Managing Board members for fiscal 2014



January 28, 2014. The new remuneration system that takes effect in fiscal 2015 is explained in section → **B.4.1.4 REMUNERATION SYSTEM FOR THE MANAGING BOARD FROM FISCAL 2015 ONWARD**. The new remuneration system will be submitted to the Annual Shareholders' Meeting for its approval on January 27, 2015.

In fiscal 2014, the remuneration system for the Managing Board had the following components:

Non-performance-based components

Base compensation

Base compensation is paid as a monthly salary. It is reviewed annually, and revised if appropriate. The base compensation of the President and CEO Joe Kaeser has been €1,845,000 per year since the time of his appointment on August 1, 2013. The base compensation of the CFO, of those members of the Managing Board who have responsibilities for Sector portfolios and of Klaus Helmrich because of his additional services as Labor Director ("Arbeitsdirektor") has been €998,400 per year since October 1, 2013. The base compensation of the other members of the Managing Board has been €928,800 per year since October 1, 2013.

Fringe benefits

Fringe benefits include costs, or the cash equivalent, of non-monetary benefits and other perquisites, such as the provision of a Company car, contributions toward the cost of insurance, reimbursement of fees for legal advice, tax advice and accommodation and moving expenses, including a gross-up for any taxes that have to be borne in this regard, as well as 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 targets for variable compensation are derived from the financial framework of our integrative management model One Siemens. On this basis, the Supervisory Board at the beginning of each fiscal year defines specific targets. Corresponding targets – in addition to other factors – also apply to senior managers, with a view to establishing a consistent target system throughout the Company.

For a 100% target attainment (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.

The Supervisory Board is entitled to revise the amount resulting from attaining targets by as much as 20% downward or upward, at its duty-bound discretion (pflichtgemäßes Ermessen);

the adjusted amount of the bonus paid can be as much as 240% of the target amount. In choosing the factors to be considered in deciding on possible revisions of the bonus payouts ($\pm 20\%$), the Supervisory Board takes account of incentives for sustainable corporate management. The revision option may also be exercised in recognition of Managing Board members' individual achievements.

The bonus is paid 75% in cash and 25% in the form of generally non-forfeitable Siemens stock commitments (Bonus Awards). After a four-year waiting period, the beneficiary will receive one share of Siemens stock for each Bonus Award. The value of Siemens stock to be transferred for Bonus Awards after the waiting period is subject to a ceiling of 300% of the target amount of the Bonus Awards. If this maximum amount is exceeded, the corresponding entitlement to share commitments will be forfeited without replacement. Instead of the transfer of Siemens stock, an equivalent cash settlement may be effected.

Long-term stock-based compensation

Long-term stock-based compensation consists of a grant of forfeitable stock commitments (Stock Awards). The beneficiaries will receive one free share of Siemens stock for each Stock Award after a restriction period. Beginning with the award for fiscal 2011, the restriction period for Stock Awards ends at the close of the second day after publication of the preliminary operating results for the fourth calendar year after the date of the award.

In the event of extraordinary unforeseen developments that have an impact on the stock price, the Supervisory Board may decide to reduce the number of promised Stock Awards retroactively, or it may decide that in lieu of a transfer of Siemens Stock only a cash settlement in a defined and limited amount will be paid, or it may decide to postpone transfers of Siemens stock for payable Stock Awards until the developments have ceased to have an impact on the stock price.

In the event of a 100% target attainment, the annual target amount for the monetary value of the Stock Awards commitment is €1.9 million for the President and CEO (effective August 1, 2013) and €1 million for each of the other members of the Managing Board. Beginning with fiscal 2011, the Supervisory Board has the option of increasing, on an individual basis, the target amount for a member of the Managing Board who has been reappointed by as much as 75% above the amount of €1 million, for one fiscal year at a time. This option enables the Supervisory Board to take account of the Managing Board member's individual accomplishments and experience as well as the scope and demands of his or her function.

The performance-based component of long-term stock-based compensation is likewise founded on One Siemens. The allocation rules for long-term stock-based compensation take this focus into account as follows:

- > On the one hand, half of the annual target amount for the annual Stock Awards is linked to the average basic earnings per share (EPS) from continuing and discontinued operations for the last three completed fiscal years. In principle, the target value is the average basic EPS from the past three fiscal years completed prior to the year of compensation. At the end of each fiscal year, the Supervisory Board decides on a figure that represents that year's target attainment, which may lie between 0% and 200% (cap). This target attainment will then determine the actual monetary value of the award and the resulting number of Stock Awards.
- > On the other hand, the development of the performance of Siemens' stock relative to competitors is to have a direct effect on compensation. For this purpose, with respect to the other half of the annual target amount for the Stock Awards, the Supervisory Board will first grant a number of Stock Awards equivalent to the monetary value of half the target amount on the date of the award. The Supervisory Board will also decide on a target system (target value for 100% and target curve) for the performance of Siemens stock relative to the stock of competitors (for fiscal 2014, these are ABB, Alstom, General Electric, Rockwell and Schneider). The reference period for measuring the target will be the same as the four-year restriction period for the Stock Awards. After this restriction period expires, the Supervisory Board will determine how much better or worse Siemens stock has performed relative to the stock of its competitors. This determination will yield a target attainment of between 0% and 200% (cap). If target attainment is above 100%, an additional cash payment corresponding to the outperformance is effected. If target attainment is less than 100%, a number of Stock Awards equivalent to the shortfall from the target will expire without replacement.

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

With regard to the further terms of the Stock Awards, the same principles apply in general for the Managing Board and for senior managers; these principles are discussed in more detail in → NOTE 32 SHARE-BASED PAYMENT in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. That note also includes further information about the stock-based employee investment plans.

Maximum amount for compensation overall

In addition to the forfeiture rules to maintain the maximum amounts of compensation for variable compensation (bonus) and long-term stock-based compensation, a maximum amount for the compensation overall has also been agreed upon. Beginning with fiscal 2014, this amount cannot be more than 1.7 times greater 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. Including fringe benefits and pension benefit commitments of the relevant fiscal year, the maximum amount of compensation for the overall compensation increases by corresponding amounts.

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 the members of the Managing Board – after a certain buildup phase – to hold Siemens stock worth a multiple of their base compensation – 300% for the President and CEO, 200% for the other members of the Managing Board – during their term of office on the Managing Board. The determining figure in this context is the average base compensation that each member of the Managing Board has drawn over the four years before the applicable date of proof of compliance. Accordingly, changes that have been made to base compensation in the meantime are included. Non-forfeitable stock commitments (Bonus Awards) are taken into account in determining compliance with the Share Ownership Guidelines.

Evidence that this obligation has been met must first be provided after a four-year buildup phase, and updated annually thereafter. If the value of the accrued holdings declines below the minimum to be evidenced from time to time because the market price of Siemens stock has fluctuated, the member of the Managing Board must acquire additional shares.

Pension benefit commitments

The members of the Managing Board, like all Siemens AG employees, are included in the Siemens Defined Contribution Benefit Plan (BSAV). Under the BSAV, members of the Managing Board receive contributions that are credited to their personal pension account. The amount of the annual contributions is based on a predetermined percentage which refers to the base compensation and the target amount for the bonus. This percentage is decided upon annually by the Supervisory Board; most recently it was set at 28%. In making its decision, the Supervisory Board takes account of the intended level of provision for each individual, also considering the length of time for

which the individual has been a Managing Board member, as well as the annual and long-term expense to the Company as a result of that provision. The non-forfeitability of pension benefit commitments is 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 of the Supervisory Board. In the case of new appointments of members of the Managing Board from outside the Company, these contributions may be defined as non-forfeitable from their inception. If a member of the Managing Board earned a pension benefit entitlement from the Company before the BSAV was introduced, a portion of his or her contributions went toward financing this prior commitment.

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

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

Members of the Managing Board who were employed by the Company on or before September 30, 1983, are entitled to 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 termination of Managing Board membership

Managing Board contracts provide for a compensatory payment if membership on the Managing Board is terminated prematurely by mutual agreement, without serious cause. The amount of this payment must not exceed the value of two years' compensation and compensate no more than the remaining term of the contract (cap). The amount of the compensatory payment is calculated on the basis of base compensation, together with the variable compensation (bonus) and the long-term stock-based compensation (Stock Awards) 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 Board member received in the previous year, and on the remaining term of the appointment, but is limited to not more than two years' contributions (cap). The above benefits are not paid if an amicable termination of the member's activity on the Managing Board is agreed upon at the member's request, or if there is serious cause for the Company to terminate the employment relationship.

In the event of a change of control that results in a substantial change in the position of the 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 more shareholders acting jointly or in concert acquire a majority of the voting rights in Siemens AG and exercise a controlling influence, or if Siemens AG becomes a dependent enterprise as a result of entering into an inter-company agreement within the meaning of Section 291 of the German Stock Corporation Act (Aktengesetz), 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 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 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.

Additionally, compensatory or severance payments cover non-monetary benefits by including an amount of 5% of the total compensation or severance amount. Compensatory or severance payments will be reduced by 15% 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 account of the first six months of the remaining term of the Managing Board member's contract.

If a member leaves the Managing Board, the variable compensation (bonus) is determined pro rata temporis after the end of the fiscal year in which the appointment was terminated and is settled in cash at the usual payout or transfer date, as the case may be. If the employment contract is terminated in the course of an appointment period, the non-forfeitable stock commitments (Bonus Awards) for which the waiting period is still in progress remain in effect without restriction. If the employment agreement is terminated because of retirement, disability or death, a Managing Board member's Bonus Awards will be settled in cash as of the date of departure from the Board.

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

B.4.1.2 REMUNERATION OF THE MEMBERS OF THE MANAGING BOARD FOR FISCAL 2014

On the basis of the financial framework in the context of One Siemens, at the beginning of the fiscal year the Supervisory Board set the targets and weighting for the parameters of return on capital employed (ROCE) and Free cash flow, together with earnings per share (EPS), in each case on the basis of continuing and discontinued operations. The definition of these parameters and their weighting acknowledges a sustainable enhancement of corporate value. Additionally, in setting the target for the variable compensation (bonus) for those Managing Board members with responsibilities for Sector portfolios, the Supervisory Board set economic value added (EVA) as a Sector-specific target, as well as additional individual targets for all members of the Managing Board so as to take fuller account of the individual Board members' performance. For this purpose, up to five individual targets were generally defined; these take account of such aspects as business performance in the Regions, implementation of portfolio measures, and customer satisfaction. An external review of the appropriateness of the Managing Board's compensation for fiscal 2014 confirmed that the remuneration of the Managing Board resulting from target attainment for fiscal 2014 is to be considered appropriate. In light of this expert review, and following a review of the achievement of the targets set at the beginning of the fiscal year, the Supervisory Board decided at its meeting on November 5, 2014, to set the variable compensation (bonus), the Bonus Awards and Stock Awards to be granted, and the pension benefit contributions as follows:

Variable compensation (bonus)

In setting the targets for the variable compensation (bonus) at the beginning of fiscal 2014, the Supervisory Board took into account that the Company continues to focus on a sustainable appreciation of value. This focus is intended to enable the Company to maintain its financial flexibility and hold its own against competitors even in periods of high market volatility:

The emphasis in terms of the sustainable enhancement of value was on capital efficiency and capital structure. Target values slightly higher than the prior-year figures were set in the case of return on capital employed and substantially higher than the prior-year figures in the case of Free cash flow. These were agreed upon uniformly with all members of the Managing Board. Moreover, the target values for the target parameters were set on the basis of continuing and discontinued operations, so as to take full account of the Managing Board's overall responsibility for the Company's economic situation, performance and outlook. Additionally, targets were set taking account of business expectations for fiscal 2014. Here capital efficiency improved because of the absence of the expenses for the Siemens 2014 program in comparison to the prior year, as well as because of effects outside the Sectors.

The following targets were set and attained with respect to these two target parameters for variable compensation (bonus):

Target parameter	100% of target	Actual FY 2014 figure	Target attainment
Return on capital employed (ROCE) ¹	15.4%	17.3%	163.67%
Free cash flow ¹	€5,250 million	€5,201million	97.55%

¹ Continuing and discontinued operations. The values measured for target attainment were not adjusted.

In addition, in determining target attainment, the attainment of Sector-specific targets for economic value added (EVA) and of the respective individual targets was taken into account. In measuring attainment of the individual targets, the Supervisory Board took account of the Compensation Committee's recommendation.

In an overall assessment of all aspects, taking individual achievements into account and exercising its duty-bound discretion (pflichtgemäßes Ermessen), the Supervisory Board decided to adjust the bonus payout amounts resulting from target attainment downward for one Managing Board member. Taking this adjustment by the Supervisory Board into account, target attainment grades of the bonus for members of the Managing Board came to between 78.81% and 161.57%.

Long-term stock-based compensation

For half of the annual target amount for the Stock Awards, an average basic EPS of €5.40 was determined for fiscal years 2012 through 2014, yielding a target attainment of 96%.

For the other half of the annual target amount for the Stock Awards, the Supervisory Board approved a number of Stock Awards equivalent to the monetary value of half the target amount on the award date. The amount by which these stock commitments must be adjusted – or an additional cash payment must be made – after the end of the restriction period will depend on the performance of Siemens stock compared to the stock of five competitors – ABB, Alstom, General Electric, Rockwell and Schneider – over the coming four years, and will therefore not be determined until after the end of fiscal 2018. If significant changes occur among the relevant competitors during the period under consideration, the Supervisory Board may appropriately take these changes into account in determining the values for comparison and/or calculating the relevant stock prices of those competitors.

The number of stock commitments (Bonus Awards and Stock Awards) granted was based on the closing price of Siemens stock in Xetra trading on the date of award less the present value of dividends expected during the holding period, because

beneficiaries are not entitled to receive dividends. This figure for determining the number of commitments amounted to €72.30 (2013: €80.88).

Benefits associated with termination of Managing Board membership

As Barbara Kux's appointment to the Managing Board expired regularly on November 16, 2013, no compensatory payments were agreed upon in that connection. The Stock Awards already granted in the past for fiscal 2011, 2012 and 2013, for which the restriction period is still running, will be absolutely maintained, in accordance with the terms of her contract with the Company.

In connection with the mutually agreed termination of Peter Y. Solmssen's activity on the Managing Board as of December 31, 2013, it was agreed that his contract with the Company would remain in effect until March 31, 2015. The entitlements agreed upon under the contract will remain in effect until that date. These will not include the fringe benefits under the contract, particularly the Company car and contributions toward the cost of insurance, which will be covered until the contract ends by a monthly lump-sum payment of €11,500. The Stock Awards already granted in the past for fiscal 2011, 2012 and 2013, for which the restriction period is still in progress, will be absolutely maintained. Mr. Solmssen was also reimbursed for relocation costs, in accordance with the commitment he received when he took office. The Company furthermore reimbursed Mr. Solmssen for out-of-pocket expenses of €100,000 plus value added-tax.

In connection with the mutually agreed termination of Dr. Michael Süß's activity on the Managing Board as of May 6, 2014, it was agreed that his current contract with the Company would terminate as of September 30, 2014. The entitlements agreed upon under the contract remained in effect until that date. Dr. Süß receives a compensatory payment in the gross amount of €4,286,092 in connection with the mutually agreed premature termination of his activity as a member of the Managing Board, together with a one-time special contribution of €812,700 to the BSAV, to be credited in January 2015. It was also agreed with Dr. Süß that the long-term stock-based

compensation (Stock Awards) for fiscal 2014 will be calculated once the actual target attainment is available, and will be granted at the usual date. The Stock Awards already granted in the past and those for fiscal 2014, for which the restriction period is still running, will be absolutely maintained, in accordance with the terms of his contract with the Company, and will be settled in cash in September 2015 at the closing price of Siemens stock in Xetra trading on May 6, 2014 (€93.91). Dr. Süß agreed not to take up activities for any significant competitor of Siemens for a period of one year after the end of his employment contract – that is, until September 30, 2015. For this post-contractual non-compete commitment, he will be paid a monthly total of gross €65,000. In determining the amount of the compensatory payment for Dr. Süß, in accordance with the terms of his contract with the Company, the base compensation for fiscal 2014 and the variable compensation and long-term stock-based compensation actually received for fiscal 2013 were applied and limited, as applicable, to either two annual payments in total or the compensation for the remaining term of his appointment. The portion of the compensatory payment that was calculated excluding the first six months of the remaining contract term was reduced by 15% as a lump-sum allowance for discounted values and for income earned elsewhere. In addition, non-monetary benefits were covered by a payment in the amount of 5% of the compensatory payment.

Total compensation

On the basis of the decisions by the Supervisory Board described above, Managing Board compensation for fiscal 2014 totaled €28.57 million, a decrease of 17.4% (2013: €34.58 million). Of this total amount, €17.89 million (2013: €16.98 million) was attributable to cash compensation and €10.68 million (2013: €17.60 million) to stock-based compensation.

The following disclosure of the compensation granted for fiscal 2014 takes account not only of the applicable reporting standards, but also of the recommendations of the Code. Consequently, the model table recommended by the Code for disclosing the value of benefits granted for the year under review was used. The figures presented also include the attainable minimums or maximums, as applicable. The fair values shown for granted stock-based compensation were calculated on the basis of the applicable reporting standards. The transfer of one share per award will not take place until the expiration of the four-year waiting or restriction period – that is, not until November 2018. The number of Stock Awards linked to the performance of the price of Siemens stock will be adjusted after the end of the restriction period, on the basis of the actual target attainment. Accordingly, the value of the actual shares transferred may be higher or lower than shown here, also depending on the stock price in effect at the time of transfer.

The compensation presented on the following pages was granted to the members of the Managing Board for fiscal 2014 (individualized disclosure).

Managing Board members serving as of September 30, 2014

		Joe Kaeser President and CEO				Dr. Roland Busch Member with responsibilities for Sector portfolio				Lisa Davis ¹⁰ Member with responsibilities for Sector portfolio since August 1, 2014				
		FY 2013	FY 2014	FY 2014 (min)	FY 2014 (max)	FY 2013	FY 2014	FY 2014 (min)	FY 2014 (max)	FY 2013	FY 2014	FY 2014 (min)	FY 2014 (max)	
(Amounts in €)														
Non-performance-based components	Fixed compensation (base compensation)	1,113,750	1,845,000	1,845,000	1,845,000	967,500	998,400	998,400	998,400	–	166,400	166,400	166,400	
	Fringe benefits ¹	71,843	95,184	95,184	95,184	48,591	51,089	51,089	51,089	–	14,542	14,542	14,542	
	Total	1,185,593	1,940,184	1,940,184	1,940,184	1,016,091	1,049,489	1,049,489	1,049,489	–	180,942	180,942	180,942	
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (bonus) – Cash component (GCGC) ²	556,875	1,383,750	0	3,321,000	483,750	748,800	0	1,797,120	–	124,800	0	299,520
	with long-term incentive effect, stock-based	Multi-year variable compensation^{3,4}	2,542,970	2,220,668	0	7,083,750	1,551,574	1,218,300	0	3,748,800	–	1,520,154	0	5,566,905
		Variable compensation (bonus) – Bonus Awards ^{2,5}	558,881	672,101	0	1,383,750	433,840	403,289	0	748,800	–	41,645	0	124,800
		Siemens Stock Awards (restriction period: 4 years)												
		Target attainment depending on EPS for past three fiscal years ⁵	1,047,315	912,065	0	2,850,000	590,020	480,000	0	1,500,000	–	870,781	0	2,721,053
		Target attainment depending on future stock performance ⁶	936,774	636,502	0	2,850,000	527,714	335,011	0	1,500,000	–	607,728	0	2,721,052
	Total⁷	4,285,438	5,544,602	1,940,184	9,503,000	3,051,415	3,016,589	1,049,489	5,094,560	–	1,825,896	180,942	849,093	
	Service cost	504,323	1,058,566	1,058,566	1,058,566	520,736	561,000	561,000	561,000	–	2,818,722	2,818,722	2,818,722	
	Total (GCGC)⁸	4,789,761	6,603,168	2,998,750	10,561,566	3,572,151	3,577,589	1,610,489	5,655,560	–	4,644,618	2,999,664	3,667,815	

Total compensation of all Managing Board members for fiscal 2014, according to the applicable reporting standards, amounted to €28.57 (2013: €34.58⁹) million. The granted payout amount presented below is to be used instead of the target value according to the GCGC for the one-year variable compensation (bonus), and service costs for pension benefits are not included. In addition, the cash component of the compensatory payment of Lisa Davis in the amount of €1,098,246 is included.

Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (bonus) – Cash component ²	558,849	2,016,262		433,819	1,209,836			–	124,800		
Total compensation			4,287,412	6,177,114		3,001,484	3,477,625			–	1,825,896		

Managing Board members serving as of September 30, 2014

		Prof. Dr. Siegfried Russwurm Member with responsibilities for Sector portfolio				Dr. Ralf P. Thomas CFO				
		FY 2013	FY 2014	FY 2014 (min)	FY 2014 (max)	FY 2013	FY 2014	FY 2014 (min)	FY 2014 (max)	
(Amounts in €)										
Non-performance-based components	Fixed compensation (base compensation)	967,500	998,400	998,400	998,400	34,938	998,400	998,400	998,400	
	Fringe benefits ¹	42,134	43,731	43,731	43,731	2,465	61,222	61,222	61,222	
	Total	1,009,634	1,042,131	1,042,131	1,042,131	37,403	1,059,622	1,059,622	1,059,622	
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (bonus) – Cash component (GCGC) ²	483,750	748,800	0	1,797,120	17,469	748,800	0	1,797,120
	with long-term incentive effect, stock-based	Multi-year variable compensation^{3,4}	1,856,952	1,171,739	0	3,748,800	57,134	1,163,786	0	3,748,800
		Variable compensation (bonus) – Bonus Awards ^{2,5}	459,722	356,728	0	748,800	16,661	348,775	0	748,800
		Siemens Stock Awards (restriction period: 4 years)								
		Target attainment depending on EPS for past three fiscal years ⁵	737,545	480,000	0	1,500,000	21,352	480,000	0	1,500,000
		Target attainment depending on future stock performance ⁶	659,685	335,011	0	1,500,000	19,121	335,011	0	1,500,000
	Total⁷	3,350,336	2,962,670	1,042,131	5,094,560	112,006	2,972,208	1,059,622	5,094,560	
	Service cost	519,915	560,147	560,147	560,147	208,034	230,055	230,055	230,055	
	Total (GCGC)⁸	3,870,251	3,522,817	1,602,278	5,654,707	320,040	3,202,263	1,289,677	5,324,615	

Total compensation of all Managing Board members for fiscal 2014, according to the applicable reporting standards, amounted to €28.57 (2013: €34.58⁹) million. The granted payout amount presented below is to be used instead of the target value according to the GCGC for the one-year variable compensation (bonus), and service costs for pension benefits are not included. In addition, the cash component of the compensatory payment of Lisa Davis in the amount of €1,098,246 is included.

Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (bonus) – Cash component ²	459,642	1,070,035		16,598	1,046,148		
Total compensation			3,326,228	3,283,905		111,135	3,269,556		

1 Fringe benefits include costs, or the cash equivalent, of non-monetary benefits and other perquisites, such as provision of Company cars in the amount of €181,638 (2013: €239,301), contributions toward the cost of insurance in the amount of €71,776 (2013: €88,827), reimbursement of fees for legal advice, tax advice and accommodation and moving expenses, including any taxes that have been assumed in this regard as well as costs connected with preventive medical examinations, in the amount of €194,498 (2013: €176,221).

2 The Supervisory Board adjusted the bonus payout amount resulting from target attainment individually downward by 10% for Dr. Süß.

3 The figures for individual maximums for multi-year variable compensation reflect the possible maximum value in accordance with the maximum amount agreed for fiscal 2014, that is 300% of the applicable target amount.

4 The expenses recognized for stock-based compensation (Bonus Awards and Stock Awards) and for the Share Matching Plan for members of the Managing Board in accordance with IFRS in fiscal 2014 and 2013 amounted to €16,141,235 and €23,160,536, respectively. The following amounts pertained to the members of the Managing Board in fiscal 2014: Joe Kaeser €1,822,932 (2013: €2,099,925), Dr. Roland Busch €922,535 (2013: €1,091,572), Lisa Davis €1,337,996 (2013: €0), Klaus Helmrich €949,521

(2013: €1,058,299), Prof. Dr. Hermann Requardt €1,254,756 (2013: €1,686,929), Prof. Dr. Siegfried Russwurm €1,118,839 (2013: €1,653,844), and Dr. Ralf P. Thomas €446,570 (2013: €19,572). The corresponding expense, determined in the same way, for former Managing Board members was as follows: Brigitte Ederer €35,373 (2013: €3,062,678), Barbara Kux €1,971,611 (2013: €1,566,960), Peter Löscher €107,733 (2013: €8,261,949), Peter Y. Solmssen €3,430,484 (2013: €1,566,874), and Dr. Michael Süß €2,742,885 (2013: €1,091,934).

5 For Stock Awards for which the target attainment depends on the EPS for the past three fiscal years, and for Bonus Awards, the fair value at the date of award is equivalent to the respective monetary value.

6 The monetary values referred to a 100% target attainment amounted to €4,970,916 (2013: €6,197,430). The following amounts pertained to the members of the Managing Board: Joe Kaeser €950,022 (2013: €887,577), Dr. Roland Busch €500,027 (2013: €500,000), Lisa Davis €907,076 (2013: €0), Klaus Helmrich €500,027 (2013: €500,000), Prof. Dr. Hermann Requardt €625,034 (2013: €625,041), Prof. Dr. Siegfried Russwurm €500,027 (2013: €625,041), and Dr. Ralf P. Thomas €500,027 (2013: €18,117). The corresponding monetary values for former Managing Board members were as follows: Brigitte Ederer €0 (2013: €500,000), Barbara Kux €63,913 (2013: €500,000), Peter Y. Solmssen €125,007 (2013: €500,000), and Dr. Michael Süß €299,756 (2013: €500,000).

7 The total maximum compensation for fiscal 2014 represents the contractual maximum amount for overall compensation,

excluding fringe benefits and pension benefit commitments. The maximum amount, at 1.7 times target compensation (base compensation, target amount for bonus and target amount for stock-based compensation) is less than the total of the individual contractual caps for performance-based components.

8 The total compensation reflects the current fair value of stock-based compensation components on the award date. On the basis of the current monetary values of stock-based compensation components, total compensation amounted to €29,109,709 (2013: €34,236,151).

9 The total compensation of €34.58 million for the prior year also includes the fiscal 2013 compensation of €5,604,567 for former Managing Board member Peter Löscher.

10 In compensation for the forfeiture of stock, pension benefits, health benefits and transitional remuneration from her former employer, the Supervisory Board granted Ms. Davis a one-time amount of €5,491,229. This amount will be provided 20% in cash, 30% in the form of Siemens Stock Awards, and the remaining 50% as a special contribution to the pension plan.

11 The Supervisory Board increased the annual target amount for the monetary value of the Stock Awards commitment for fiscal 2014 by 25% to €1,250,000 for Prof. Dr. Hermann Requardt.

12 Brigitte Ederer resigned from the Managing Board effective at the end of the day on September 30, 2013. According to the provisions of her contract, the variable compensation (bonus) for fiscal 2013 was granted entirely in cash, and the Siemens Stock Awards for fiscal 2013 were settled in cash.

Klaus Helmrich Member of the Managing Board				Prof. Dr. Hermann Requardt ¹¹ Member with responsibilities for Sector portfolio			
FY 2013	FY 2014	FY 2014 (min)	FY 2014 (max)	FY 2013	FY 2014	FY 2014 (min)	FY 2014 (max)
900,000	998,400	998,400	998,400	967,500	998,400	998,400	998,400
68,329	62,457	62,457	62,457	65,544	83,589	83,589	83,589
968,329	1,060,857	1,060,857	1,060,857	1,033,044	1,081,989	1,081,989	1,081,989
450,000	748,800	0	1,797,120	483,750	748,800	0	1,797,120
1,545,347	1,163,786	0	3,748,800	1,934,354	1,359,243	0	4,498,800
427,613	348,775	0	748,800	537,124	340,461	0	748,800
590,020	480,000	0	1,500,000	737,545	600,018	0	1,875,000
527,714	335,011	0	1,500,000	659,685	418,764	0	1,875,000
2,963,676	2,973,443	1,060,857	5,094,560	3,451,148	3,190,032	1,081,989	5,519,560
520,698	520,994	520,994	520,994	499,761	539,849	539,849	539,849
3,484,374	3,494,437	1,581,851	5,615,554	3,950,909	3,729,881	1,621,838	6,059,409

427,574	1,046,148	537,110	1,021,363
2,941,250	3,270,791	3,504,508	3,462,595

Brigitte Ederer ¹² Member of the Managing Board until September 30, 2013		Barbara Kux ¹³ Member of the Managing Board until November 16, 2013		Peter Y. Solmssen ¹⁴ Member of the Managing Board until December 31, 2013		Dr. Michael Süß ¹⁵ Member of the Managing Board until May 6, 2014	
FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014
900,000	0	900,000	118,680	900,000	232,200	967,500	598,503
42,571	0	68,048	4,909	32,977	8,130	36,158	23,060
942,571	0	968,048	123,589	932,977	240,330	1,003,658	621,563
900,000	0	450,000	118,680	450,000	174,150	483,750	598,503
1,117,734	0	1,545,347	104,204	1,545,347	272,167	1,577,456	488,586
0	0	427,613	0	427,613	68,396	459,722	0
590,020	0	590,020	61,383	590,020	120,018	590,020	287,754
527,714	0	527,714	42,821	527,714	83,753	527,714	200,832
2,960,305	0	2,963,395	346,473	2,928,324	686,647	3,064,864	1,708,652
525,886	0	525,734	526,669	526,160	526,771	530,392	570,428
3,486,191	0	3,489,129	873,142	3,454,484	1,213,418	3,595,256	2,279,080

855,148	0	427,574	174,626	427,574	204,992	459,642	471,698
2,915,453	0	2,940,969	402,419	2,905,898	717,489	3,040,756	1,581,847

¹³ Barbara Kux resigned from the Managing Board effective at the end of the day on November 16, 2013.

¹⁴ Peter Y. Solmssen resigned from the Managing Board effective at the end of the day on December 31, 2013; his contract with the Company ends effective as of March 31, 2015. In addition to his total compensation as a member of the Managing Board, as shown above, Mr. Solmssen received the following compensation in the months of January through September 2014: fixed compensation of €696,600, fringe benefits of €160,717, variable compensation (bonus) of €719,465, and Siemens Stock Awards in the amount of €611,240. He was also reimbursed for relocation expenses of €270,211 plus the associated tax of €241,373, in accordance with the commitment he received when he took office.

¹⁵ Dr. Michael Süß resigned from the Managing Board effective at the end of the day on May 6, 2014; his contract ended effective as of September 30, 2014. In addition to his total compensation shown above as a member of the Managing Board, Dr. Süß received the following compensation for the remaining term of his contract from May 7 to September 30, 2014: fixed compensation of €399,897, fringe benefits of €12,470, variable compensation (bonus) of €315,171, and Siemens Stock Awards in the amount of €326,425. According to the provisions of the contract, the variable compensation (bonus) for fiscal 2014 will be granted entirely in cash and the Siemens Stock Awards will be settled in cash in September 2015 at the closing price of Siemens stock in Xetra trading on May 6, 2014.

Allocations

The following table shows allocations during or for fiscal 2014, as the case may be, for fixed compensation, fringe benefits, one-year variable compensation, and multi-year variable compensation – broken down by the relevant years for which they were subscribed, as well as the expense of pension benefits.

In deviation from the multi-year variable compensation granted for fiscal 2014 and shown above, this table includes the actual figure for multi-year variable compensation granted in previous years and allocated in fiscal 2014.

Managing Board members serving as of September 30, 2014

		Joe Kaeser President and CEO	
(Amounts in €)		FY 2013	FY 2014
Non-performance-based components		Fixed compensation (base compensation)	1,113,750
		Fringe benefits ¹	71,843
		Total	1,185,593
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (bonus) – Cash component ²	558,849
	with long-term incentive effect, stock-based	Multi-year variable compensation	1,426,193
		Siemens Stock Awards (restriction period: 2010 – 2013)	0
		Siemens Stock Awards (restriction period: 2009 – 2012)	1,299,629
		Share Matching Plan (vesting period: 2011 – 2013)	0
		Share Matching Plan (vesting period: 2010 – 2012)	126,564
		Total	3,170,635
	Service cost	504,323	1,058,566
	Total (GCGC)	3,674,958	6,675,626

Managing Board members serving as of September 30, 2014

		Dr. Ralf P. Thomas CFO	
(Amounts in €)		FY 2013	FY 2014
Non-performance-based components		Fixed compensation (base compensation)	34,938
		Fringe benefits ¹	2,465
		Total	37,403
Performance-based components	without long-term incentive effect, non-stock-based	One-year variable compensation (bonus) – Cash component ²	16,598
	with long-term incentive effect, stock-based	Multi-year variable compensation	0
		Siemens Stock Awards (restriction period: 2010 – 2013)	0
		Siemens Stock Awards (restriction period: 2009 – 2012)	0
		Share Matching Plan (vesting period: 2011 – 2013)	0
		Share Matching Plan (vesting period: 2010 – 2012)	0
		Total	54,001
	Service cost	208,034	230,055
	Total (GCGC)	262,035	2,892,036

1 Fringe benefits include costs, or the cash equivalent, of non-monetary benefits and other perquisites, such as provision of Company cars in the amount of €181,638 (2013: €239,301), contributions toward the cost of insurance in the amount of €71,776 (2013: €88,827), reimbursement of fees for legal advice, tax advice and accommodation and moving expenses, including any taxes that have been assumed in this regard as well as costs connected with preventive medical examinations, in the amount of €194,498 (2013: €176,221).

2 The Supervisory Board adjusted the bonus payout amount resulting from target attainment individually

downward by 10% for Dr. Süß. The cash component of one-year variable compensation (bonus) presented above therefore represents the amount awarded for fiscal 2014; which will be paid out in January 2015.

3 The "Other" item includes the adjustment of the 2010 Siemens Stock Awards in accordance with Section 23 and Section 125 of the German Transformation Act (Umwandlungsgesetz) because of the spin-off of OSRAM. For Ms. Davis, "Other" represents the cash component of the compensatory payment that will be paid in December 2014.

4 In compensation for the forfeiture of stock, pension benefits, health benefits and transitional remuneration from her former employer, the Supervisory Board granted Ms. Davis a one-time amount of €5,491,229. This amount will be provided 20% in cash, 30% in the form of Siemens Stock Awards and the remaining 50% as a special contribution to the pension plan. The cash component will be paid in December 2014.

5 Brigitte Ederer resigned from the Managing Board effective at the end of the day on September 30, 2013. According to the provisions of her contract, her variable compensation (bonus) for fiscal 2013 was granted entirely in cash.

Dr. Roland Busch Member with responsibilities for Sector portfolio		Lisa Davis⁴ Member with responsibilities for Sector portfolio since August 1, 2014		Klaus Helmrich Member of the Managing Board		Prof. Dr. Hermann Requardt Member with responsibilities for Sector portfolio		Prof. Dr. Siegfried Russwurm Member with responsibilities for Sector portfolio	
FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014
967,500	998,400	–	166,400	900,000	998,400	967,500	998,400	967,500	998,400
48,591	51,089	–	14,542	68,329	62,457	65,544	83,589	42,134	43,731
1,016,091	1,049,489	–	180,942	968,329	1,060,857	1,033,044	1,081,989	1,009,634	1,042,131
433,819	1,209,836	–	124,800	427,574	1,046,148	537,110	1,021,363	459,642	1,070,035
183,382	268,614	–	0	292,379	366,548	1,381,376	1,518,929	1,342,022	1,392,062
0	268,614	–	0	0	366,317	0	1,392,062	0	1,392,062
178,145	0	–	0	292,379	0	1,299,629	0	1,299,629	0
0	0	–	0	0	231	0	126,867	0	0
5,237	0	–	0	0	0	81,747	0	42,393	0
0	10,807	–	1,098,246	0	14,749	0	62,071	0	56,005
1,633,292	2,538,746	–	1,403,988	1,688,282	2,488,302	2,951,530	3,684,352	2,811,298	3,560,233
520,736	561,000	–	2,818,722	520,698	520,994	499,761	539,849	519,915	560,147
2,154,028	3,099,746	–	4,222,710	2,208,980	3,009,296	3,451,291	4,224,201	3,331,213	4,120,380

Brigitte Ederer⁵ Member of the Managing Board until September 30, 2013		Barbara Kux⁶ Member of the Managing Board until November 16, 2013		Peter Y. Solmssen⁷ Member of the Managing Board until December 31, 2013		Dr. Michael Süß⁸ Member of the Managing Board until May 6, 2014	
FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014
900,000	0	900,000	118,680	900,000	232,200	967,500	598,503
42,571	0	68,048	4,909	32,977	8,130	36,158	23,060
942,571	0	968,048	123,589	932,977	240,330	1,003,658	621,563
855,148	0	427,574	174,626	427,574	204,992	459,642	471,698
227,441	509,312	1,192,671	1,392,062	1,299,629	1,392,062	477,239	523,175
0	509,312	0	1,392,062	0	1,392,062	0	523,175
227,441	0	1,137,126	0	1,299,629	0	477,239	0
0	0	0	0	0	0	0	0
0	0	55,545	0	0	0	0	0
0	0	0	56,005	0	56,005	0	21,048
2,025,160	509,312	2,588,293	1,746,282	2,660,180	1,893,389	1,940,539	1,637,484
525,886	0	525,734	526,669	526,160	526,771	530,392	570,428
2,551,046	509,312	3,114,027	2,272,951	3,186,340	2,420,160	2,470,931	2,207,912

6 Barbara Kux resigned from the Managing Board effective at the end of the day on November 16, 2013.

7 Peter Y. Solmssen resigned from the Managing Board effective at the end of the day on December 31, 2013; his contract with the Company ends effective as of March 31, 2015. In addition to the compensation for his activity as a member of the Managing Board in fiscal 2014, as shown above, Mr. Solmssen received the following compensation for the months of January through September 2014: fixed compensation of €696,600, fringe benefits of €160,717, variable compensation (bonus) of €719,465 and Siemens Stock Awards in the amount of €611,240. He was also reimbursed for relocation expenses of €270,211 plus the associated tax of €241,373, in accordance with the commitment he received when he took office.

8 Dr. Michael Süß resigned from the Managing Board effective at the end of the day on May 6, 2014; his contract ended effective as of September 30, 2014. According to his provisions of the contract, his variable compensation (bonus) for fiscal 2014 will be granted entirely in cash. In addition to the compensation for fiscal 2014 for his activity as member of the Managing Board presented above, Dr. Süß received the following compensation for the remaining term of his employment agreement from May 7 to September 30, 2014: fixed compensation of €399,897, fringe benefits of €12,470 and variable compensation (bonus) of €315,171.

Pension benefit commitments

For fiscal 2014, the members of the Managing Board were granted contributions under the BSAV totaling €5.1 million (2013: €6.4 million), based on a resolution of the Supervisory Board dated November 5, 2014. Of this amount, €5.0 million (2013: €6.3 million), related to contributions to their personal pension accounts and the remaining €0.1 million (2013: €0.1 million) to funding of pension commitments earned prior to transfer to the BSAV.

The contributions under the BSAV are added to the personal pension accounts each January following the close of the fiscal year, with value date on January 1. Until the beneficiary's time of retirement, the pension account is credited with an annual interest payment (guaranteed interest), currently 1.75%, on January 1 of each year.

The following table shows individualized details of the contributions (additions) under the BSAV for fiscal 2014 as well as the defined benefit obligations for the pension commitments.

(Amounts in €)	Total contributions ¹ for		Defined benefit obligation ² for all pension commitments excluding deferred compensation ³	
	FY 2014	FY 2013	FY 2014	FY 2013
Managing Board members serving as of September 30, 2014				
Joe Kaeser	1,033,200	1,033,200	7,174,641	5,580,345
Dr. Roland Busch	559,104	541,800	2,769,337	2,008,718
Lisa Davis ⁴	93,184	–	2,818,722 ²	–
Klaus Helmrich	559,104	504,000	3,047,911	2,248,901
Prof. Dr. Hermann Requardt	559,104	541,800	6,273,529	5,094,071
Prof. Dr. Siegfried Russwurm	559,104	541,800	4,390,368	3,490,629
Dr. Ralf P. Thomas	559,104	19,565	2,742,051	1,970,651
Former members of the Managing Board				
Brigitte Ederer ⁵	–	504,000	–	2,446,951 ²
Barbara Kux ⁶	66,461	504,000	1,499,034 ²	2,740,479 ²
Peter Y. Solmssen ⁷	520,128	504,000	18,343,788 ²	15,750,883 ²
Dr. Michael Süß ⁸	559,104	541,800	3,903,372	2,353,756
Total	5,067,597	5,235,965	52,962,753	43,685,384

1 The expenses (service cost) recognized in accordance with IFRS in fiscal 2014 for Managing Board members' entitlements under the BSAV in fiscal 2014 amounted to €7,913,201 (2013: €6,053,355).

2 The defined benefit obligations reflect one-time special contributions to the BSAV of €3,558,315 (2013: €22,480,000) for new appointments from outside the Company, as well as special contributions in connection with departures from the Managing Board: in the amount of €0 (2013: €10,740,000) for Peter Löscher, of €0 (2013: €882,000) for Brigitte Ederer, of €0 (2013: €340,000) for Barbara Kux, of €0 (2013: €10,518,000)

for Peter Y. Solmssen, of €812,700 (2013: €0) for Dr. Michael Süß, and of €2,745,615 (2013: €0) for Lisa Davis.

3 Deferred compensation totals €10,057,923 (2013: €8,595,135), including €3,171,486 for Joe Kaeser (2013: €2,914,462), €302,595 for Klaus Helmrich (2013: €276,893), €1,381,365 for Prof. Dr. Hermann Requardt (2013: €1,275,259), and €49,732 for Dr. Ralf P. Thomas (2013: €46,155) as well as for former Managing Board members: €4,697,955 for Barbara Kux (2013: €4,082,366), and €454,790 for Peter Y. Solmssen (2013: €0).

4 Lisa Davis was elected a full member of the Managing Board effective August 1, 2014.

5 Brigitte Ederer resigned from the Managing Board effective at the end of the day on September 30, 2013.

6 Barbara Kux resigned from the Managing Board effective at the end of the day on November 16, 2013.

7 Peter Y. Solmssen resigned from the Managing Board at the end of the day on December 31, 2013; his employment agreement ends effective March 31, 2015.

8 Dr. Michael Süß resigned from the Managing Board at the end of the day on May 6, 2014; his employment agreement ended effective September 30, 2014.

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 €24.2 million (2013: €33.1 million) in fiscal 2014. This figure includes the compensation for former Managing Board member Peter Y. Solmssen for the period from January through September 2014, together with reimbursement of relocation costs and the associated tax. Furthermore, it includes the compensatory payment connected with the mutually agreed-upon termination of the Managing Board membership of Dr. Michael Süß as of May 6, 2014, the compensation for the remaining term of his

employment contract – that is, from May 7 to September 30, 2014 – as well as a special contribution to the BSAV. Dr. Süß received 5,429 Stock Awards for the period from May 7 through September 30, 2014, which will be settled in cash in September 2015 according to the provisions of his contract and in connection with the mutually agreed-upon termination of his Managing Board membership. Mr. Solmssen received 10,166 Stock Awards and 3,317 Bonus Awards for the period from January through September 2014. Other than this, former Managing Board members and their surviving dependents received no (2013: 5,615) Stock Awards.

The defined benefit obligation (DBO) of all pension commitments to former members of the Managing Board and their surviving dependents as of September 30, 2014, amounted to €234.4 (2013: €192.5) million. This figure is included in → NOTE 22 POST-EMPLOYMENT BENEFITS in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Other

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

B.4.1.3 ADDITIONAL INFORMATION ON STOCK-BASED COMPENSATION INSTRUMENTS IN FISCAL 2014

This section provides information concerning the stock commitments held by members of the Managing Board that were components of stock-based compensation in fiscal 2014 and prior years, and about the Managing Board members' entitlements to matching shares under the Siemens Share Matching Plan.

Stock commitments

The following table shows the changes in the stock commitments (Bonus Awards and Stock Awards) held by Managing Board members in fiscal 2014:

(Amounts in number of units)	Balance at beginning of fiscal 2014		Granted during fiscal year ¹				Vested and transferred during fiscal year	Forfeited during fiscal year	Balance at end of fiscal 2014 ²	
	Non-forfeitable commitments of Bonus Awards	Forfeitable commitments of Stock Awards	Non-forfeitable commitments of Bonus Awards	Forfeitable commitments of Stock Awards (Target attainment depending on EPS for past three fiscal years)		Commitments of Bonus Awards and Stock Awards	Commitments of Stock Awards	Non-forfeitable commitments of Bonus Awards	Forfeitable commitments of Stock Awards ³	
Managing Board members serving as of September 30, 2014										
Joe Kaeser	24,819	67,437	6,910	12,949	10,974	14,661	–	31,729	76,699	
Dr. Roland Busch	16,180	33,795	5,364	7,295	6,182	2,829	–	21,544	44,443	
Lisa Davis ⁴	–	–	–	–	–	–	–	–	–	
Klaus Helmrich	17,122	35,695	5,287	7,295	6,182	3,858	–	22,409	45,314	
Prof. Dr. Hermann Requardt	25,762	52,766	6,641	9,119	7,728	14,661	–	32,403	54,952	
Prof. Dr. Siegfried Russwurm	24,819	52,766	5,684	9,119	7,728	14,661	–	30,503	54,952	
Dr. Ralf P. Thomas	–	22,241	206	3,474	2,944	5,475	–	206	23,184	
Former members of the Managing Board										
Brigitte Ederer ⁵	24,819	43,469	–	–	–	5,364	–	24,819	38,105	
Barbara Kux ⁶	24,819	52,766	5,287	7,295	6,182	14,661	–	30,106	51,582	
Peter Y. Solmssen ⁷	24,819	52,766	5,287	7,295	6,182	14,661	–	30,106	51,582	
Dr. Michael Süß ⁸	17,122	38,432	5,684	7,295	6,182	5,510	–	22,806	46,399	
Total	200,281	452,133	46,350	71,136	60,284	96,341	–	246,631	487,212	

1 The weighted average fair value as of the grant date for fiscal 2014 was €82.49 per granted share.

2 Amounts do not include stock commitments (Bonus Awards and Stock Awards) granted in November 2014 for fiscal 2014; for details, see the next page. However, these amounts may include Stock Awards received as compensation by the Managing Board member before joining the Managing Board.

3 The number of forfeitable commitments of Stock Awards shown here for Brigitte Ederer as of the end of fiscal

2014 remains in effect in full on the basis of the agreement in connection with her departure from the Managing Board; the number of Stock Awards linked to future stock performance will be revised on the basis of actual target attainment after the end of the restriction period.

4 Lisa Davis was elected a full member of the Managing Board effective August 1, 2014.

5 Brigitte Ederer resigned from the Managing Board effective at the end of the day on September 30, 2013.

6 Barbara Kux resigned from the Managing Board effective at the end of the day on November 16, 2013.

7 Peter Y. Solmssen resigned from the Managing Board effective at the end of the day on December 31, 2013; his employment contract ends effective March 31, 2015.

8 Dr. Michael Süß resigned from the Managing Board effective at the end of the day on May 6, 2014; his employment agreement ended effective September 30, 2014.

The following table shows the stock (Bonus Awards and Stock Awards) awarded in November 2014 for fiscal 2014:

(Amounts in number of units)	Non-forfeitable commitments of Bonus Awards	Awarded for fiscal ¹	
		Forfeitable commitments of Stock Awards (Target attainment depending on EPS for past three fiscal years)	Forfeitable commitments of Stock Awards (Target attainment depending on future stock performance)
Managing Board members serving as of September 30, 2014			
Joe Kaeser	9,296	12,615	13,140
Dr. Roland Busch	5,578	6,639	6,916
Lisa Davis ²	576	12,044	12,546
Klaus Helmrich	4,824	6,639	6,916
Prof. Dr. Hermann Requardt	4,709	8,299	8,645
Prof. Dr. Siegfried Russwurm	4,934	6,639	6,916
Dr. Ralf P. Thomas	4,824	6,639	6,916
Former members of the Managing Board			
Brigitte Ederer ³	0	0	0
Barbara Kux ⁴	0	849	884
Peter Y. Solmssen ⁵	946	1,660	1,729
Dr. Michael Süß ⁶	0	3,980	4,146
Total	35,687	66,003	68,754

1 See the information on → PAGES 151-153 for the corresponding fair values.

2 Lisa Davis was elected a full member of the Managing Board effective August 1, 2014.

3 Brigitte Ederer resigned from the Managing Board effective at the end of the day on September 30, 2013.

4 Barbara Kux resigned from the Managing Board effective at the end of the day on November 16, 2013.

5 Peter Y. Solmssen resigned from the Managing Board effective at the end of the day on December 31, 2013; his employment contract ends effective March 31, 2015. See the information on → PAGE 153 for the Stock Awards committed for the months of January through September 2014.

6 Dr. Michael Süß resigned from the Managing Board effective at the end of the day on May 6, 2014; his employment agreement ended effective September 30, 2014. See the information on → PAGE 153 for the Stock Awards granted for the remaining term of his contract for the period from May 7 through September 30, 2014.

Shares from the Share Matching Plan

In fiscal 2011, the members of the Managing Board were entitled for the last time to participate in the Siemens Share Matching Plan, and under the plan were entitled to invest up to 50% of the annual gross amount of their variable cash compensation (bonus) determined for fiscal 2010 in Siemens shares. After expiration of a vesting period of approximately three years, the plan participants will receive one free matching

share of Siemens stock for every three Siemens shares acquired and continuously held under the plan, provided the participants were employed without interruption at Siemens AG or a Siemens company until the end of the vesting period. The following table shows the development of the matching share entitlements of the individual members of the Managing Board in fiscal 2014.

(Amounts in number of units)	Balance at beginning of fiscal 2014 ¹ Entitlement to matching shares	Due during fiscal year Entitlement to matching shares	Forfeited during fiscal year Entitlement to matching shares	Balance at end of fiscal 2014 ^{1,2} Entitlement to matching shares
Managing Board members serving as of September 30, 2014				
Joe Kaeser	2,216	2,216	–	–
Dr. Roland Busch	–	–	–	–
Lisa Davis ³	–	–	–	–
Klaus Helmrich	3	3	–	–
Prof. Dr. Hermann Requardt	1,386	1,386	–	–
Prof. Dr. Siegfried Russwurm	–	–	–	–
Dr. Ralf P. Thomas	2,846	161	–	2,685
Former members of the Managing Board				
Brigitte Ederer ⁴	–	–	–	–
Barbara Kux ⁵	–	–	–	–
Peter Y. Solmssen ⁶	–	–	–	–
Dr. Michael Süß ⁷	–	–	–	–
Total	6,451	3,766	0	2,685

1 Amounts may include entitlements acquired before the member joined the Managing Board.

2 The entitlements of the Managing Board members serving as of September 30, 2014, had the following fair values: Joe Kaeser €0 (2013: €146,901), Dr. Roland Busch €0 (2013: €0), Lisa Davis €0 (2013: €0), Klaus Helmrich €0 (2013: €527), Prof. Dr. Hermann Requardt €0 (2013: €92,011), Prof. Dr. Siegfried Russwurm €0 (2013: €0) and Dr. Ralf P. Thomas €133,392 (2013: €152,696). The entitlements of former Managing Board members have the following fair values: Brigitte Ederer €0 (2013: €0), Barbara Kux €0 (2013: €0), Peter Y. Solmssen €0 (2013:

€0), and Dr. Michael Süß €0 (2013: €0). The above fair values also take into account that the shares acquired under the Base Share Program as part of the Share Matching Plan were provided with a Company subsidy (for additional information on the Base Share Program see → NOTE 32 SHARE-BASED PAYMENT in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS).

3 Lisa Davis was elected a full member of the Managing Board effective August 1, 2014.

4 Brigitte Ederer resigned from the Managing Board effective at the end of the day on September 30, 2013.

5 Barbara Kux resigned from the Managing Board effective at the end of the day on November 16, 2013.

6 Peter Y. Solmssen resigned from the Managing Board effective at the end of the day on December 31, 2013; his employment contract ends effective March 31, 2015.

7 Dr. Michael Süß resigned from the Managing Board effective at the end of the day on May 6, 2014; his employment agreement ended effective September 30, 2014.

Share Ownership Guidelines

The deadlines by which the individual members of the Managing Board must provide first-time proof of compliance with the Siemens Share Ownership Guidelines vary from member to member, depending on when the member was appointed to the Managing Board. The following table shows the number

of Siemens shares that were held by Managing Board members in office at September 30, 2014, as of the deadline in March 2014 for showing compliance with the Share Ownership Guidelines, and that are to be held permanently with a view to future deadlines.

(Amounts in number of units or €)	Obligations under Share Ownership Guidelines					
	Required			Proven		
	Percentage of base compensation ¹	Value ¹	Number of shares ²	Percentage of base compensation ¹	Value ²	Number of shares ³
Managing Board members serving as of September 30, 2014, and required to show proof as of March 14, 2014						
Joe Kaeser	300%	3,103,125	32,998	856%	8,858,756	94,202
Prof. Dr. Hermann Requardt	200%	1,819,250	19,345	680%	6,184,635	65,766
Prof. Dr. Siegfried Russwurm	200%	1,819,250	19,345	825%	7,504,674	79,803
Total		6,741,625	71,688		22,548,065	239,771

1 The amount of the obligation is based on a member's average base compensation for the four years prior to the respective date of proof.

2 Based on the average Xetra opening price of €94.04 for the fourth quarter of 2013 (October – December).

3 As per March 14, 2014 (date of proof), including Bonus Awards.

The following table shows the proof-of-compliance obligations of the other Managing Board members in view of the Share Ownership Guidelines:

(Amounts in number of units or €)	Obligations under Share Ownership Guidelines			
	Percentage of base compensation ¹	Value ¹	Number of shares ²	Due date for initial measurement of adherence
Managing Board members required to show proof in subsequent years				
Dr. Roland Busch	200%	1,874,400	19,932	March 2016
Lisa Davis	200%	1,996,800	21,234	March 2019
Klaus Helmrich	200%	1,828,114	19,440	March 2016
Dr. Ralf P. Thomas	200%	1,996,800	21,234	March 2018
Total		7,696,114	81,840	

1 The amount of the obligation is based on a member's average base compensation for the four years prior to the respective date of proof. The amount shown here is

based on average base compensation since the member's initial appointment.

2 Based on the average Xetra opening price of €94.04 for the fourth quarter of 2013 (October – December).

B.4.1.4 REMUNERATION SYSTEM FOR THE MANAGING BOARD FROM FISCAL 2015 ONWARD

At its meeting on September 24, 2014, the Supervisory Board decided to introduce a new, simplified remuneration system for the Managing Board as of October 1, 2014. In past years, the remuneration system for the Managing Board was modified a number of times on the basis of new regulatory and statutory requirements. The system grew more complex as a result. Establishing transparency about the remuneration of the Managing Board is an important element of good corporate governance. For that reason, in its revision of the remuneration system, the Supervisory Board has reduced the system's complexity to the necessary minimum. At the same time, the Supervisory Board retained incentives for successful corporate management with an emphasis on sustainability and ensured that the system would remain consistent with other remuneration

offered in the market. The Supervisory Board has maintained the time-tested division of compensation into non-performance-based and performance-based components, but in the future the individual components of compensation – base compensation, variable compensation (bonus) and long-term, stock-based compensation – will be weighted equally. This equal weighting will also be applied in setting the target categories for variable compensation (bonus).

The complexity of the former system also resulted from the way in which variable compensation (bonus) was granted partly in Stock commitments, Bonus Awards, and from the divided measurement of performance for long-term stock-based compensation (Stock Awards). Beginning with fiscal 2015, the bonus will be paid in cash only. The Stock Awards will now be measured only on the basis of one performance component.

Principal features of the new remuneration system for the Managing Board

<p>Sustainability</p> <p>The multi-year bases of measurement and long-term goals for variable components ensure and encourage sustainable Company development.</p>	<p>Transparency</p> <p>Dividing compensation into three equally weighted components, and the equal weighting of three bases of measurement for the bonus, permit transparent, understandable communication of Managing Board remuneration.</p>	<p>Performance orientation</p> <p>Variable compensation is linked to the Company's success and to comparisons with competitors.</p>
<p>Individual performance</p> <p>Individual performance is rewarded by agreeing on individual targets and by the possibility for the Supervisory Board to adjust the bonus as well as by individualizable target amounts for stock-based compensation.</p>	<p>Ownership culture</p> <p>Granting a substantial portion of compensation as stock, together with the share ownership obligation, puts an emphasis on the ownership culture within the Company.</p>	<p>Appropriateness</p> <p>Annual remuneration reviews – together with contractually defined maximum amounts for variable compensation and for stock-based components of compensation and compensation overall – ensure that compensation is appropriate.</p>

Specifically, the following changes were adopted effective October 1, 2014:

Compensation structure. Base compensation, variable compensation (bonus) and long-term stock-based compensation will each constitute approximately one-third of the target compensation for all Managing Board members. The maximum amounts for stock commitments (Stock Awards), for bonus and for compensation overall that were introduced in fiscal 2014 will remain fully in effect.

Variable compensation (bonus). In the future, the bonus will depend on an equal one-third weighting of target attainment in the target categories of capital efficiency, earnings and individual targets. This weighting will give greater importance to the Managing Board members' individual performance. In deciding the individual targets, account will be taken of both business-related targets like market coverage and business

performance as well as targets like customer and employee satisfaction, innovation and sustainability. For fiscal 2015, the target values for the earnings component will be set on a multi-year basis. Target attainment for the bonus can still vary between 0% and a ceiling (cap) of 200%.

After the end of the fiscal year, the Supervisory Board can still decide, exercising its duty-bound discretion (pflichtgemäßes Ermessen), to adjust bonus payout amounts by $\pm 20\%$ for all or some of the members of the Managing Board. Thus the maximum amount of 240% of the target amount applies for the bonus. In deciding on a discretionary adjustment, the Supervisory Board will take account not only of the Company's economic situation and the individual performance of the various Managing Board members, but also of such factors as the results of an employee survey (Global Engagement Survey) and a customer satisfaction survey (Net Promoter Score). Variable compensation (bonus) will be granted entirely in cash.

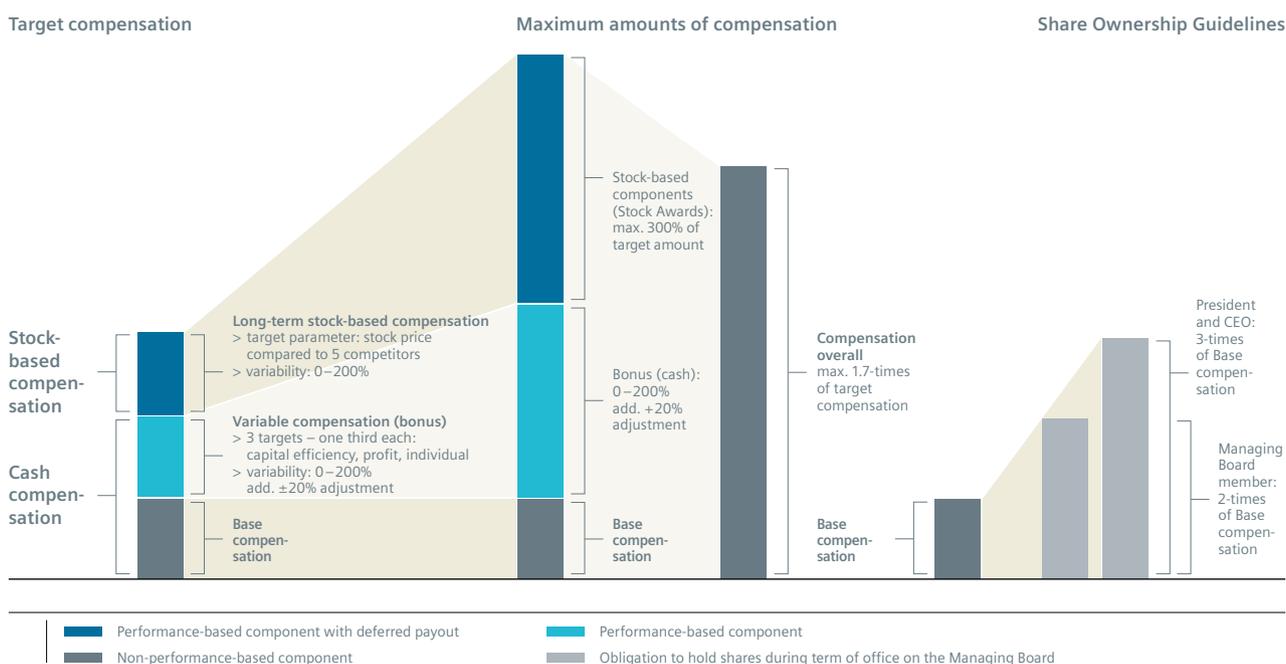
Long-term stock-based compensation. Long-term stock-based compensation will continue to be granted in the form of forfeitable Stock Awards for Siemens stock. To reflect a Managing Board member's individual experience as well as the scope and demands of his or her function, the annual target amount for all Managing Board members, including the President and CEO, can now be increased, on an individual basis, by as much as 75% of the contractually agreed-upon target amount for one fiscal year at a time. Starting with fiscal 2015, this long-term stock-based compensation will be linked solely to the performance of Siemens stock in comparison to competitors. The Supervisory Board will also decide on a target system (target value for 100% and target curve) for the performance of Siemens stock relative to the stock of – at present – five competitors: ABB, General Electric, Rockwell, Schneider and Toshiba. The change in stock price will be measured on the basis of a twelve-month reference period (compensation year) over three years (performance period), while the four-year restriction period for Stock Awards will still apply unchanged. After this restriction period expires, the Supervisory Board will determine how much better or worse Siemens stock has performed relative to the stock of its competitors. This determination will yield a target attainment of between 0% and 200% (cap). If target attainment is above 100%, the members of the Managing Board will receive an additional cash payment, the amount of which will be based on the outperformance. If target attainment is less than 100%, a number of Stock Awards equivalent to the shortfall from the target will expire without replacement. All in all, the allocation by way of the Stock Awards will be limited to 300% of the target amount (maximum amount).

Share Ownership Guidelines. The share ownership obligation for members of the Managing Board will remain unchanged: 300% of base compensation for the President and CEO, 200% of base compensation for the other members of the Managing Board during the four years prior to the relevant date of proof.

Compensatory payments in connection with termination of Managing Board membership. The terms for compensatory payments will remain essentially unchanged. In particular, the compensatory payment still cannot exceed the value of two years' compensation. In the future, the compensatory and severance payments will be reduced by 10% as a lump-sum allowance for discounted values and for income earned elsewhere; this reduction will apply only to the portion of the compensatory or severance payment that was calculated without taking account of the first six months of the remaining term of the Managing Board member's contract.

Even after the adjustment of the remuneration system for the Managing Board, regulatory requirements will be met in full. More than half of the variable compensation has a multi-year basis. The new system continues to reward long-term commitment to and on behalf of the Company as well as Managing Board members' participation in a sustained increase in the Company's value.

Remuneration system for Managing Board members as of fiscal 2015



B.4.2 Remuneration of members of the Supervisory Board

(Amounts in €)	FY 2014				FY 2013			
	Base compensation	Additional compensation for committee work	Meeting attendance fee	Total	Base compensation	Additional compensation for committee work	Meeting attendance fee	Total
Supervisory Board members serving as of September 30, 2014								
Dr. Gerhard Cromme	280,000	280,000	55,500	615,500	280,000	280,000	57,000	617,000
Berthold Huber ¹	211,852	77,037	25,500	314,389	211,852	77,037	27,000	315,889
Werner Wenning	211,852	134,815	39,000	385,667	98,000	28,000	7,500	133,500
Olaf Bolduan ^{1,2}	35,000	–	4,500	39,500	–	–	–	–
Gerd von Brandenstein	140,000	80,000	30,000	250,000	140,000	40,000	18,000	198,000
Michael Diekmann	134,815	52,963	18,000	205,778	140,000	–	13,500	153,500
Dr. Hans Michael Gaul	140,000	160,000	30,000	330,000	140,000	160,000	39,000	339,000
Prof. Dr. Peter Gruss	134,815	35,309	15,000	185,123	140,000	–	15,000	155,000
Bettina Haller ¹	140,000	80,000	28,500	248,500	129,630	74,074	25,500	229,204
Hans-Jürgen Hartung ¹	140,000	–	13,500	153,500	129,630	–	10,500	140,130
Robert Kensbock ¹	140,000	106,667	27,000	273,667	105,000	–	7,500	112,500
Harald Kern ¹	140,000	76,667	25,500	242,167	140,000	30,000	16,500	186,500
Jürgen Kerner ¹	140,000	120,000	28,500	288,500	140,000	120,000	27,000	287,000
Dr. Nicola Leibinger-Kammüller	124,444	–	10,500	134,944	134,815	–	15,000	149,815
Gérard Mestrallet	119,259	5,679	7,500	132,438	98,000	28,000	7,500	133,500
Güler Sabancı	129,630	–	10,500	140,130	98,000	–	6,000	104,000
Michael Sigmund ³	81,667	–	9,000	90,667	–	–	–	–
Jim Hagemann Snabe	124,444	97,778	19,500	241,722	–	–	–	–
Birgit Steinborn ¹	140,000	186,667	43,500	370,167	140,000	120,000	28,500	288,500
Sibylle Wankel ¹	140,000	40,000	21,000	201,000	140,000	40,000	22,500	202,500
Former Supervisory Board members								
Dr. Josef Ackermann ⁴	–	–	–	–	211,852	134,815	34,500	381,167
Lothar Adler ^{1,2}	93,333	106,667	27,000	227,000	140,000	160,000	40,500	340,500
Prof. Dr. Rainer Sieg ³	58,333	–	4,500	62,833	140,000	–	15,000	155,000
Total	2,999,444	1,640,247	493,500	5,133,191	2,896,779	1,291,926	433,500	4,622,205⁵

1 Both the employee representatives on the Supervisory Board who represent the employees pursuant to Section 3 para. 1 No. 1 of the German Codetermination Act (Mitbestimmungsgesetz) and the representatives of the trade unions on the Supervisory Board declared their readiness to transfer their compensation to the Hans Boeckler Foundation, in accordance with the guidelines of the Confederation of German Trade Unions (DGB).

2 Olaf Bolduan was appointed to the Supervisory Board by court order as of July 11, 2014, succeeding Lothar Adler, who resigned from the Supervisory Board as of the end of the day on May 31, 2014.

3 Michael Sigmund was appointed to the Supervisory Board by court order as of March 1, 2014, succeeding Prof. Dr. Rainer Sieg, who resigned from the Supervisory Board as of the end of the day on February 28, 2014.

4 Dr. Josef Ackermann resigned from the Supervisory Board as of the end of the day on September 30, 2013.

5 The total figure, compared to the amount of €4,420,926 presented in the 2013 Compensation Report, includes additional meeting attendance fees of €433,500, but not the total compensation of €232,222 for former Supervisory Board members Jean-Louis Beffa, Werner Mönius, Håkan Samuelsson and Lord Iain Vallance of Tummel.

The compensation shown on the previous page was determined for each of the members of the Supervisory Board for fiscal 2014 (individualized disclosure).

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

According to current rules, 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 work on these committees: the Chairman of the Audit Committee receives €160,000, and each of the other members of that Committee receives €80,000; the Chairman of the Chairman's Committee receives €120,000, and each of the other members of that Committee receives €80,000; the Chairman of the Compensation Committee receives €100,000, and each of the other members of that 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 that Committee receives €40,000; the Chairman of the Compliance Committee receives €80,000, and each of the other members of that 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 pro rata temporis, rounding up to the next full month.

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

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

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

B.4.3 Other

The Company provides a group insurance policy for Board and Committee members and certain employees of the Siemens organization that is taken out for one year and renewed annually. The insurance covers the personal liability of the insured in the case of a financial loss associated with employment functions. The insurance policy for fiscal 2014 includes a deductible for the members of the Managing Board and the Supervisory Board in compliance with the requirements of the German Stock Corporation Act and the Code.

132	B.1	Corporate Governance Report
136	B.2	Corporate Governance statement pursuant to Section 289a of the German Commercial Code (part of the Combined Management Report)
138	B.3	Compliance Report (part of the Combined Management Report)

144	B.4	Compensation Report (part of the Combined Management Report)
165	B.5	Takeover-relevant information (pursuant to Sections 289 para. 4 and 315 para. 4 of the German Commercial Code) and explanatory report (part of the Combined Management Report)

11 | B.5 Takeover-relevant information (pursuant to Sections 289 para. 4 and 315 para. 4 of the German Commercial Code) and explanatory report

The takeover-relevant information pursuant to Sections 289 para. 4 and 315 para. 4 of the German Commercial Code (Handelsgesetzbuch) and the explanatory report are an integral part of the Combined Management Report.

B.5.1 Composition of common stock

As of September 30, 2014, the Company's common stock totaled €2.643 billion (2013: €2.643 billion) divided into 881 million (2013: 881 million) registered shares with no par value and a notional value of €3.00 per share. The shares are fully paid in. In accordance with Section 4 para. 3 of the Company's Articles of Association, the right of shareholders to have their ownership interests evidenced by document is excluded, unless such evidence is required under the regulations of a stock exchange on which the shares are listed. Collective share certificates may be issued. Pursuant to Section 67 para. 2 of the German Stock Corporation Act (Aktiengesetz), only those persons recorded in the Company's stock register will be recognized as shareholders of the Company.

All shares confer the same rights and obligations. The shareholders' rights and obligations are governed 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.

B.5.2 Restrictions on voting rights or transfer of shares

At the Annual Shareholders' Meeting, each share of stock has one vote and accounts for the shareholders' proportionate share in the Company's net income. Excepted from this rule are 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. 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 under the rules of the program for a vesting period of about three 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 9,386,535 shares (as of September 30, 2014) on behalf of members of the Siemens family, whereby aforementioned shares constitute a part of the overall number of shares held by members of the Siemens family. The vSV is a German limited liability company and party to an agreement with, among others, members of the Siemens family (family agreement). In order to bundle and represent their interests, the members of the Siemens family established a family partnership. This family partnership makes proposals to the vSV with respect to the exercise of the voting rights at Shareholders' Meetings of the Company, which are taken into account by the vSV when acting within the bounds of its professional discretion. Pursuant to the family agreement, the shares under powers of attorney are voted by the vSV collectively.

B.5.3 Equity interests exceeding 10% of voting rights

We are not aware of, nor have we during the fiscal year 2014 been notified of, any shareholder directly or indirectly holding 10% or more of the voting rights.

B.5.4 Shares with special rights conferring powers of control

There are no shares with special rights conferring powers of control.

B.5.5 System of control of any employee share scheme where the control rights are not exercised directly by the employees

Shares of stock issued by Siemens AG to employees under its employee share program and/or as stock-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.5.6 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. Pursuant to Section 84 of the German Stock Corporation Act and Section 9 of the Articles of Association, the Supervisory Board may appoint a President of the Managing Board as well as a Vice President.

According to Section 179 of the German Stock Corporation Act, any amendment to the Articles of Association requires a resolution of the Annual 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 resolution of the Annual Shareholders' Meetings on January 25, 2011 and January 28, 2014, the Supervisory Board has been authorized to amend Section 4 of the Articles of Association in accordance with the utilization of the Authorized Capital 2011 and the Authorized Capital 2014, and after expiration of the then-applicable authorization period.

Resolutions of the Annual 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.

B.5.7 Powers of the Managing Board to issue and repurchase shares

The Managing Board is authorized to increase, with the approval of the Supervisory Board, the capital stock until January 24, 2016 by up to €90 million through the issuance of up to 30 million registered shares of no par value against contributions in cash (Authorized Capital 2011). Preemptive rights of existing shareholders are excluded. The new shares shall be issued under the condition that they are offered exclusively to employees of Siemens AG and its consolidated subsidiaries. To the extent permitted by law, employee shares may also be

issued in such a manner that the contribution to be paid on such shares is covered by that part of the annual net income which the Managing Board and the Supervisory Board may allocate to other retained earnings under Section 58 para. 2 of the German Stock Corporation Act.

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

As of September 30, 2014, the total unissued authorized capital of Siemens AG therefore consisted of €618.6 million nominal that may be issued in installments with varying terms by issuance of up to 206.2 million registered shares of no par value.

By resolution of the Annual Shareholders' Meeting of January 26, 2010, the Managing Board is authorized until January 25, 2015 to issue bonds in an aggregate principal amount of up to €15 billion with conversion rights or with warrants attached, or a combination of these instruments, entitling the holders to subscribe to up to 200 million registered shares of Siemens AG of no par value, representing a pro rata amount of up to €600 million of the capital stock. Additionally, by resolution of the Annual Shareholders' Meeting of January 28, 2014, the Managing Board is authorized until January 27, 2019 to issue bearer or registered bonds in an aggregate principal amount of up to €15 billion with conversion rights or with bearer or registered warrants attached or a combination of these instruments, entitling the holders to subscribe to up to 80 million registered shares of Siemens AG of no par value, representing a pro rata amount of up to €240 million of the capital stock. In order to grant shares of stock to holders/creditors of convertible bonds or warrant bonds issued by the Company or by consolidated subsidiaries of the Company under these authorizations the capital stock was conditionally increased by up to €600 million through the issuance of up to 200 million shares of no par value registered in the names of the holders (Conditional Capital 2010) and by up to €240 million, respectively, through the issuance of up to 80 million shares of no par value registered in the names of the of the holders (Conditional Capital 2014).

The new shares under the Authorized Capital 2014 and the bonds under these authorizations are to be issued against cash or non-cash contributions. The bonds 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:

- > where 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 preemptive 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)
- > where the exclusion is necessary with regard to fractional amounts resulting from the subscription ratio
- > where the exclusion is necessary in order to grant holders of conversion or option rights or conversion or option obligations on Siemens shares a compensation for the effects of dilution.

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

In February 2012, Siemens issued bonds with warrant units with a volume of US\$3 billion. The bonds with warrant units with a minimum per-unit denomination of US\$250,000 were offered exclusively to institutional investors outside the U.S. Subscription rights of Siemens shareholders were excluded. The bonds issued by Siemens Financieringsmaatschappij N.V. are guaranteed by Siemens AG and complemented with warrants issued by Siemens AG. The warrants entitle their holders to receive Siemens shares against payment of the exercise price in euros. At issuance, the warrants resulted in option rights relating to a total of about 21.7 million Siemens shares. The terms and conditions of the warrants enable Siemens to service exercised option rights also by delivering treasury stock as well as to buy back the warrants. The bonds with warrant units were issued in two tranches with maturities of 5.5 years and 7.5 years, respectively. The maturities refer to both the bonds and the related 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 25, 2011, the Annual Shareholders' Meeting authorized the

Company to acquire until January 24, 2016 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, with the approval of the Supervisory Board, to complete the repurchase of Siemens shares in accordance with the authorization described above by using certain equity derivatives (such as put and call options, forward purchases and any combination of these derivatives). In exercising this authorization, all stock repurchases based on the equity derivatives are limited to a maximum volume of 5% of Siemens' capital stock existing at the date of adopting the resolution at the Annual Shareholders' Meeting. An equity 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 equity derivative will take place no later than January 24, 2016.

Besides selling them over the stock exchange or through a public sales offer to all shareholders, the Managing Board is authorized by resolution of the Annual Shareholders' Meeting on January 25, 2011 to also use Siemens shares repurchased on the basis of this or any previously given authorization as follows:

Such Siemens shares may be

- > retired
- > offered for purchase 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, or awarded and/or transferred to such individuals with a vesting period of at least two years
- > 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 at the time of selling (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 meet obligations or rights to acquire Siemens shares arising from, or in connection with, convertible bonds or warrant bonds issued by the Company or any of its consolidated

subsidiaries (exclusion of subscription rights, limited to 10% of the capital stock, by mutatis mutandis application of Section 186 para. 3 sentence 4 German Stock Corporation Act).

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

In November 2013, the Company announced that it would carry out a share buyback of up to €4 billion in volume within the next up to 24 months using the authorization given by the Annual Shareholders' Meeting on January 25, 2011. The buyback commenced on May 12, 2014. Under this share buyback Siemens repurchased 11,331,922 shares by September 30, 2014. The total consideration paid for these shares amounted to about €1.079 billion (excluding incidental transaction charges). The buyback may serve only to cancel and reduce the capital stock, issue shares to employees, board members of affiliated companies and members of the Managing Board of Siemens AG, or service convertible bonds and warrant bonds.

As of September 30, 2014, the Company held 45,745,147 (2013: 37,997,595) shares of stock in treasury.

For details on the authorizations, especially with respect to 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. For further information on the authorized and conditional capitals and on the treasury stock of the Company as of September 30, 2014, see → NOTE 25 EQUITY in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS on pages 289-290 of this Annual Report.

B.5.8 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, Siemens AG has a bilateral

credit line at its disposal in the amount of €450 million which may be terminated by the lender if major changes in Siemens AG's corporate legal situation occur that jeopardize the orderly repayment of the credit.

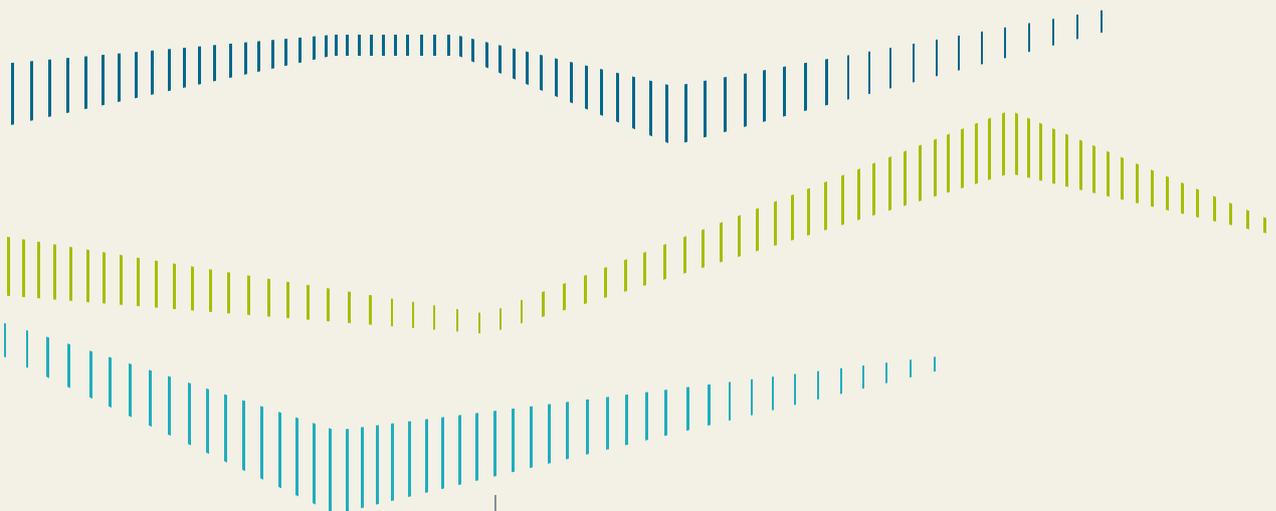
In March 2013, a consolidated subsidiary as borrower and Siemens AG as guarantor entered into two bilateral loan agreements, each of which has been drawn in the full amount of US\$500 million. Both agreements provide their respective lenders with a right of termination in the event that (1) Siemens AG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

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

In February 2012, Siemens issued bonds with warrant units with a volume of US\$3 billion. In case of a change of control, the terms and conditions of these warrants 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.

B.5.9 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. 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. 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 15% 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.



In our Combined Management Report, we analyze our business activities in the reporting year as well as the current state of Siemens worldwide and Siemens AG. Starting from a description of our business, economic environment and strategy, we present our financial target system and a detailed explanation of our results of operations as well as our financial and net assets position. We also report on various aspects of sustainability at Siemens and on expected developments and their material opportunities and risks.

WWW.SIEMENS.COM/AR/COMBINED-MANAGEMENT-REPORT

Additional Sustainability indicators are available at:

WWW.SIEMENS.COM/AR/SUSTAINABILITY-FIGURES

C. Combined Management Report

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C.1.1 The Siemens Group

C.1.1.1 ORGANIZATION AND BASIS OF PRESENTATION

We are a globally operating technology company with core activities in the fields of electrification, automation and digitalization, and we occupy leading market positions worldwide in the majority of our businesses. We can look back on a successful history spanning 167 years, with groundbreaking and revolutionary innovations such as the invention of the dynamo, the first electric streetcar, the construction of the first public power plant, and the first images of the inside of the human body. On a continuing basis, we have around 343,000 employees as of September 30, 2014 and business activities in nearly all countries of the world and reported consolidated revenue of €71.920 billion in fiscal 2014. We operate 289 major production and manufacturing plants worldwide. In addition, we have office buildings, warehouses, research and development facilities or sales offices in almost every country in the world.

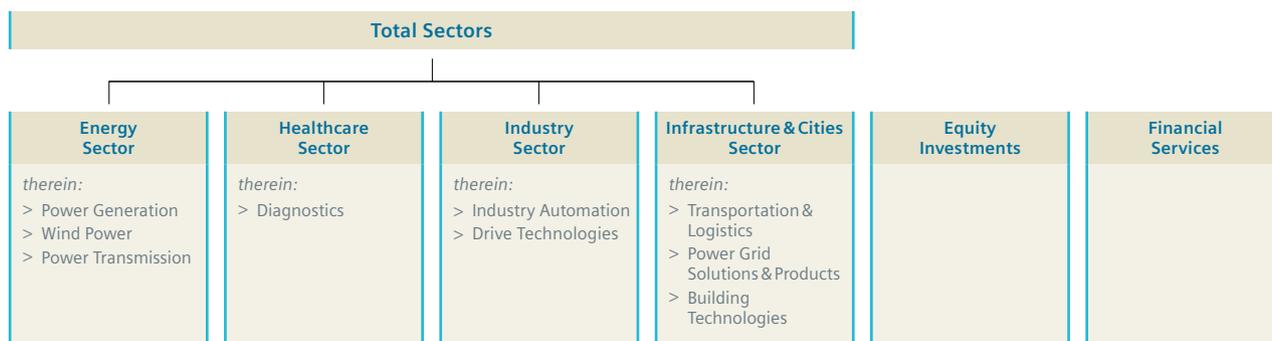
Siemens comprises Siemens AG, a stock corporation under the Federal laws of Germany, as the parent company and a total of about 800 legal entities, including minority investments.

Our Company is incorporated in Germany, with our corporate headquarters situated in Munich. Siemens operates under the leadership of its Managing Board. The Siemens Managing Board is the sole management body and has overall business responsibility in accordance with the German Stock Corporation Act (Aktiengesetz, AktG). At all other organizational levels within our Company, management responsibility is assigned to individuals who make decisions and assume personal responsibility (CEO principle). This principle establishes clear and direct responsibilities and fosters efficient decision-making.

Below the Managing Board, Siemens was structured organizationally into four Sectors (Energy, Healthcare, Industry and Infrastructure & Cities), Financial Services (SFS), Cross-Sector Services, Corporate Units and Countries in fiscal 2014. The Sectors were principally broken down into Divisions and these in turn into Business Units.

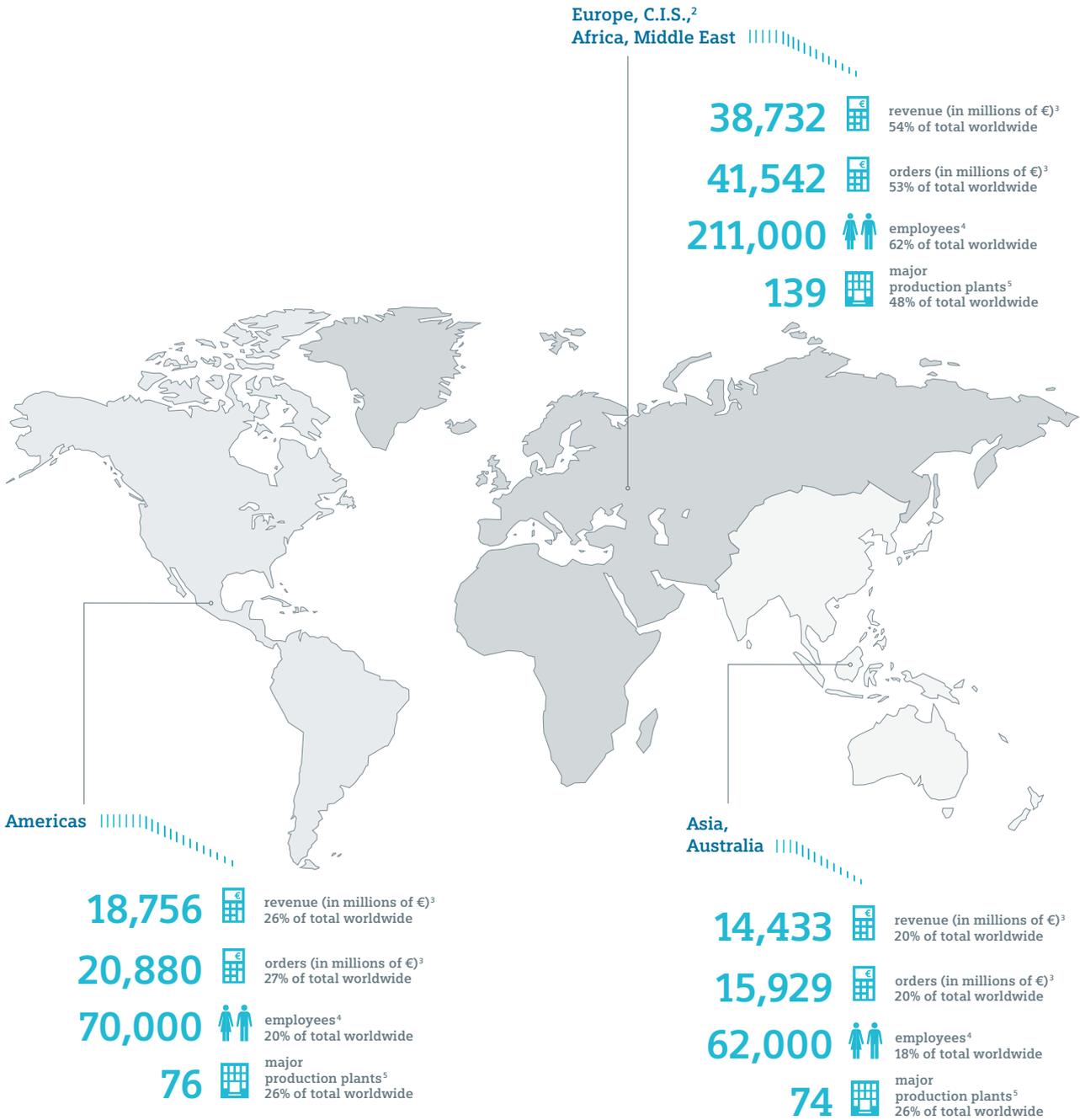
In fiscal 2014, the Sectors formed four of our reportable segments. In addition to our four Sectors, we had two additional reportable segments: Equity Investments and SFS. The following figure shows our reportable segments as of September 30, 2014.

Reportable segments as of September 30, 2014



During fiscal 2014, we initiated a change in the organizational structure of Siemens, which became effective as of October 1, 2014. Beginning with fiscal 2015, we eliminated the Sectors and bundled the businesses of the former Energy, Industry and Infrastructure & Cities Sectors into seven reportable segments,

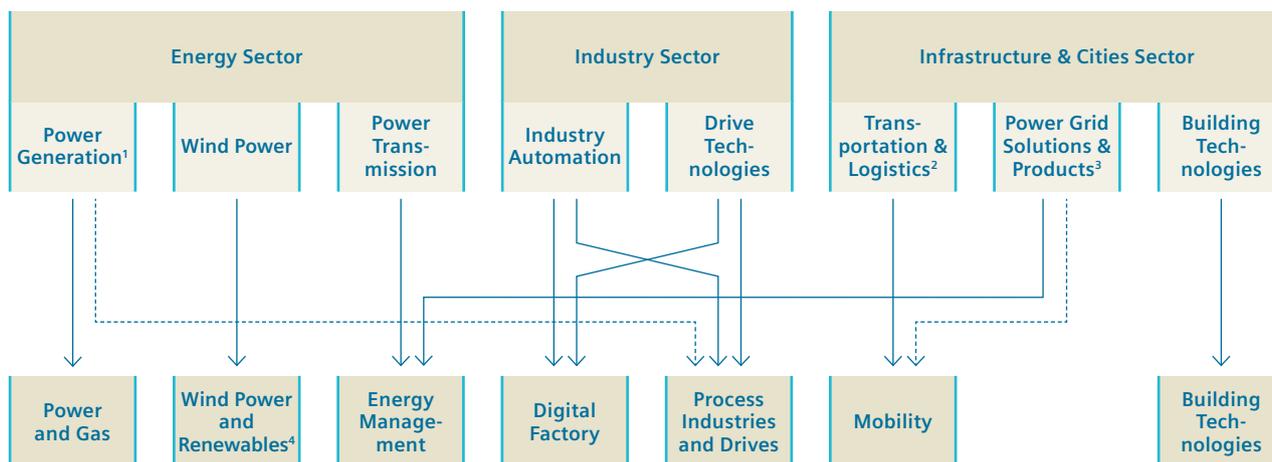
which consist of the following Divisions: **Power and Gas; Wind Power and Renewables; Energy Management; Building Technologies; Mobility; Digital Factory; and Process Industries and Drives.**



1 All figures refer to continuing operations. 2 Commonwealth of Independent States. 3 By customer location. 4 As of September 30, 2014. 5 15 employees or more.

The following figure shows the main transfers of the businesses from the three Sectors Energy, Industry and Infrastructure & Cities as of September 30, 2014 to these Divisions as of October 1, 2014.

Transfer of businesses as of October 1, 2014



- 1 All businesses except for solutions for oil and gas industries go to Power and Gas, oil and gas solutions go to Process Industries and Drives.
- 2 Beginning with fiscal 2015, the airport logistics and postal automation business is reported within Centrally managed portfolio activities.
- 3 All businesses except for rail electrification go to Energy Management; Rail electrification goes to Mobility.
- 4 Also includes solar and hydro business.

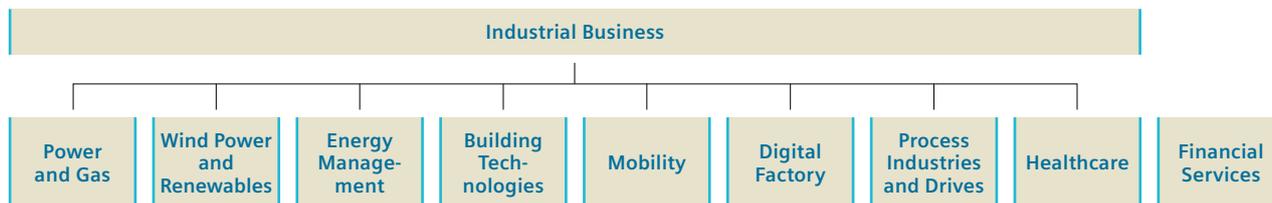
For more details on these organizational changes see → [C.1.1.2 BUSINESS DESCRIPTION](#).

In addition, the former Healthcare Sector became a separately managed business within Siemens effective October 1, 2014. The above mentioned seven Divisions together with **Healthcare** form our Industrial Business.

SFS, which acts as business partner for Siemens's other Divisions and Healthcare and also conducts its own business with external customers, is a reportable segment which is reported outside our Industrial Business. Beginning with fiscal 2015, **Equity Investments** ceased to be a reportable segment and became part of Centrally managed portfolio activities, which are reported within the Reconciliation to Consolidated Financial Statements.

Beginning of fiscal 2015, Siemens' reportable segments are as follows:

Reportable segments as of October 1, 2014



Our Divisions are responsible for developing and implementing their strategy; for developing and producing their portfolio of products and services; and for managing their sales channels. As "global entrepreneurs" they have end-to-end business responsibility worldwide, including with regard to their operating results. They therefore have "right of way" over the regional units in business matters.

As of October 1, 2014, Healthcare became a separately managed unit, which includes among others, the set-up of customized structures (e.g. sales structures, R&D), systems (especially IT) and functions (e.g. human resources, procurement).

Beginning with fiscal 2015, our businesses are supported by our Corporate Core, which comprises the units Corporate Development; Governance & Markets; Communications and Government Affairs; Legal and Compliance, Human Resources; Corporate Technology; and Controlling and Finance and by our Corporate Services, which consist of the units Information Technology; Supply Chain Management; Export Control and Customs; Business Process Services; and Siemens Real Estate. The Corporate Core issues binding company-wide guidelines in coordination with the Managing Board and oversee their implementation. In addition, the Heads of selected corporate functions (Governance & Markets, Communications and Government Affairs, Legal and Compliance, Human Resources, Controlling and Finance) have an unrestricted right to issue instructions in relation to their function across all parts of the company in accordance with the Bylaws for the Managing Board of Siemens AG and to the extent legally permissible.

During the first quarter of fiscal 2014, we disbanded our Regional Cluster organization. Following this organizational change, we have designated 30 Lead Countries which are individually responsible for managing a number of other Countries regarding market penetration. The Lead Countries and their assigned Countries are responsible for the local customer relationship management and for implementing the business strategies of the Divisions. Each Lead Country reports directly to the Managing Board.

Except otherwise stated, financial measures presented in this Combined Management Report are based on our organizational structure as of September 30, 2014. Based on this organizational structure, we provide financial measures for our four Sectors and for two Businesses, each combining two Divisions within a Sector as well as for eight Divisions of our Sectors. These financial measures include: orders, revenue, profit and profit margin. Divisions within a Sector may do business with each other, leading to corresponding orders and revenue. Such orders and revenues are eliminated on a Sector level. Furthermore, our reportable segments may do business with each other, leading to corresponding orders and revenue. Such orders and revenue are eliminated on the Siemens level within Eliminations, Corporate Treasury and other reconciling items and are not included in orders and revenue with external customers (external orders and external revenue, respectively) reported in this document. For Equity Investments we report profit, and for SFS we report profit and total assets. Free cash flow and further financial measures are reported for each reportable segment in the Notes to Consolidated Financial Statements. For information related to the definition of these financial measures and to the reconciliation of segment financial measures to the Consolidated Financial Statements, see → NOTE 35 in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

C.1.1.2 BUSINESS DESCRIPTION

Until September 30, 2014, our business activities focused on the four Sectors Energy, Healthcare, Industry and Infrastructure & Cities. In addition to these four Sectors, we had two additional reportable segments: Equity Investments and SFS. For more information on the portfolio transactions described below, see → NOTE 4 in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Energy

The businesses of the former **Energy** Sector offer a wide spectrum of products, solutions and services for generating and transmitting power, and for extracting, converting and transporting oil and gas.

In fiscal 2014, the Energy Sector comprised four Divisions: Power Generation; Wind Power; Power Transmission; and Energy Service. In addition, the Sector included two Sector-led businesses: solar and hydro. Results for these businesses were included in results for the Sector. Siemens has decided to exit solar business activities after completing projects in progress.

The businesses of our former **Power Generation** Division offer an extensive portfolio of products and solutions for generating electricity from fossil fuels and for producing and transporting oil and gas. The Division's customers include both energy providers and industrial companies. Due to the broad range of the offerings, the Division's revenue mix may vary from reporting period to reporting period depending on the share of revenue attributable to products, solutions and services. Because typical profitability levels differ among these three revenue sources, the revenue mix in a reporting period accordingly affects Division profit for that period.

In May 2014, we announced the acquisition of the Rolls-Royce Energy aero-derivative gas turbine and compressor business of Rolls-Royce plc, U.K. With the acquisition, we intend to strengthen our position in the growing oil and gas industry as well as in the field of decentralized power generation. In September 2014, we have entered into an agreement with Dresser-Rand to acquire all of its issued and outstanding common shares by way of a friendly takeover bid. With its comprehensive portfolio of compressors, steam turbines, gas turbines and engines, Dresser-Rand is a leading supplier for the oil & gas, process, power and other industries in the related energy infrastructure markets worldwide. The acquisition complements our existing offerings, notably for the global oil & gas industry and for distributed power generation.

Beginning with fiscal 2015, substantially all of the former Division's businesses will be included in the new Power and Gas

Division. Our solution business for the oil and gas industry will be included in the new Process Industries and Drives Division.

The businesses of our former **Wind Power** Division manufacture wind turbines for onshore and offshore applications, including both geared turbines and direct drive machines. The product portfolio is based on four product platforms, two for each of the onshore and offshore applications. The revenue mix of these businesses may vary from reporting period to reporting period depending on the project mix between onshore and offshore projects in the respective period. Beginning with fiscal 2015, these businesses were combined with our solar and hydro activities in the new Wind Power and Renewables Division.

The businesses of our former **Power Transmission** Division provide energy utilities and large industrial power users with turnkey power transmission solutions as well as discrete products, systems and related engineering and services. These offerings are used to process and transmit electrical power from the source, such as power plants and onshore and offshore wind farms, to various points along the power transmission network. Beginning with fiscal 2015, these businesses are part of the new Energy Management Division.

The businesses of the former **Energy Service** Division offer comprehensive services for products, solutions and technologies, covering performance enhancements, maintenance services, customer trainings and consulting services for the former Divisions Power Generation and Wind Power. Financial results relating to the Energy Service Division were included in these Divisions. Beginning with fiscal 2015, the Division was renamed Power Generation Services. Results for that Division will be included in the new Power and Gas and Wind Power and Renewables Divisions.

Healthcare

Healthcare offers customers a comprehensive portfolio of medical solutions across the treatment chain – from prevention and early detection to diagnosis, treatment and follow-up care. We are a major supplier of technology to the healthcare industry worldwide and a trendsetter in medical imaging, laboratory diagnostics, healthcare IT and hearing instruments. In addition, we provide technical maintenance, professional and consulting services, and, together with SFS, financing to assist customers in purchasing our products.

In August 2014, we announced our plan to sell our hospital information system business to the U.S.-based company Cerner Corp. Since the fourth quarter of fiscal 2014, these activities formerly included in the Healthcare Sector fulfilled the requirements to be reported as discontinued operations. Results for prior periods are reported on a comparable basis.

Because a large part of our revenue stems from recurring business, our business activities are to a certain extent resilient to short-term economic trends but are dependent on regulatory and policy developments around the world. We are currently operating in a low growth environment, impacted by healthcare reforms, budgetary constraints and consolidation of healthcare service providers, predominantly in the U.S. and Europe.

In fiscal 2014, the Healthcare Sector included four Divisions: Imaging & Therapy Systems, Clinical Products, Diagnostics and Customer Solutions. The Sector also included Audiology Solutions, a Sector-led business. In addition to our Sector-level financial results, we also reported financial results for our Diagnostics Division.

Beginning with fiscal 2015, Siemens Healthcare will be managed separately under the Siemens umbrella. This will enable Healthcare to adjust to markets flexibly and in a more focused way. It means in essence, a sales organization optimized to meet the needs of Healthcare and a Healthcare specific set up of support and central functions. In addition, Siemens announced in November 2014 the sale of its hearing aid business Audiology Solutions to the investment company EQT and the German entrepreneurial family Strüngmann as co-investors.

Industry

With the businesses included in the former **Industry** Sector, we are one of the world's leading suppliers of innovative and environmentally friendly products and solutions for industrial companies, particularly those in the process and manufacturing industries. Our end-to-end automation solutions, drive technologies, industrial IT and industry software, in-depth industry expertise and technology-based services help our customers use resources and energy more efficiently, improve productivity, and increase flexibility.

In fiscal year 2014, the Sector consisted of three Divisions: Industry Automation, Drive Technologies and Customer Services. Financial results relating to the Customer Services Division were included in the results for Industry Automation and Drive Technologies. During the third quarter of fiscal 2014, nearly all activities of the Metals Technologies business formerly included in the Industry Sector fulfilled the requirements to be reported as discontinued operations. These activities are to become part of a joint venture with Mitsubishi-Hitachi Metals Machinery Inc., in which Siemens will hold a 49% stake. Results for prior periods are reported on a comparable basis.

The businesses of the former **Industry Automation** Division offer a unique combination of automation technologies, industrial controls and industry software that supports customers in optimizing the complete product development and production

processes – from product design to production to sales and service. In line with “Industrie 4.0” – a German high-tech industrial strategy – we are working on the convergence between the real and the virtual worlds of production, sometimes called “Digital Enterprise.” Our portfolio is geared largely to the manufacturing industry and its major markets such as automotive, aerospace and production equipment as well as food and beverage, pharmaceutical and chemical. Therefore our business activities can be strongly affected by economic cycles because these markets tend to react quickly to changes in the overall economic environment.

With the businesses of the former **Drive Technologies** Division we are one of the world's leading suppliers of integrated drive systems. With our products and systems for innovative applications and industry-specific solutions as well as end-to-end services, we are increasing the productivity, energy efficiency and reliability of machinery and installations in industries such as shipbuilding, cement, mining, and pulp and paper. Advanced industry software facilitates our offerings' optimal integration. Our reliable gears, couplings, and drive solutions are partly also in high demand in other Divisions of the Siemens Group, mainly for rail transport and wind turbines. With our e-Car business, we develop motors and inverters for electric cars and thereby address an additional future growth market. The industries served by our businesses, particularly the process industries, the energy industry and the infrastructure sector, generally show a delayed response to changes in the overall economic environment. In contrast, our business activities that serve customers in the manufacturing industries can be strongly affected by economic cycles.

With a comprehensive portfolio of services and a global network of experts, our businesses of the former **Customer Services** Division support our industrial customers with technology-based industry services across entire lifecycles of their plants and machinery – from planning and engineering to operation and modernization.

Beginning with fiscal 2015, we serve the industrial market with two new Divisions that tailor their strategies to specific customer industries. The **Digital Factory** Division primarily addresses the manufacturing industry and its major markets: automotive, aerospace, and machine tool and production equipment over the complete product lifecycle of our customers. The **Process Industries and Drives** Division focuses largely on the process industries like pharmaceutical, food & beverage, chemical and related industries as well as drive solutions for infrastructure topics. The related business activities within the former Industry Automation and Drive Technologies Divisions were accordingly realigned into the two new Divisions. In order to streamline the process automation activities in the oil & gas

industries, the former Energy Power Generation Division's oil & gas solutions business is part of the new Process Industries and Drives Division. The former Customer Services Division is managed within the new Digital Factory Division.

Infrastructure & Cities

The businesses of the former **Infrastructure & Cities** Sector offer a wide range of technologies that increase the functionality and sustainability of metropolitan centers and urban infrastructures worldwide, such as integrated mobility solutions, building and security systems, power distribution equipment, grid automation and control products and solutions, smart grid applications and low and medium-voltage products. We apply our IT and automation expertise to optimize infrastructures – making better use of existing systems and reducing operating costs while increasing energy efficiency and improving safety and security.

In fiscal 2014, the Sector consisted of five Divisions: Rail Systems; Mobility and Logistics; Low and Medium Voltage; Smart Grid; and Building Technologies. Financial results of the Rail Systems and the Mobility and Logistics Divisions were combined and reported together as the results of the Sector's Transportation & Logistics Business. Financial results of the Divisions Low and Medium Voltage and Smart Grid were combined and reported together as the Sector's Power Grid Solutions & Products Business.

The offerings of the former **Rail Systems** Division comprise Siemens' rail vehicle business – including high-speed trains, commuter trains, passenger coaches, metros, people movers, light rail vehicles, locomotives, bogies, traction systems and rail-related services. We combine our expertise in the fields of mass transit, regional and long-distance transportation, driverless systems, traction systems, bogies and onboard power supplies in order to offer comprehensive know-how for reliable and efficient rail vehicles.

The business activities of the former **Mobility and Logistics** Division hold leading positions as global providers of the integrated technologies that enable people and goods to be transported safely, efficiently and in an environmentally friendly manner. Our offerings encompass rail automation and intelligent traffic and transportation systems. The products, services and IT-based solutions in our portfolio combine innovation with comprehensive industry know-how. In fiscal 2014, our offerings also comprised our airport logistics business for cargo tracking and baggage handling and our postal automation business for letter and parcel sorting. In the third quarter of fiscal 2014, Siemens announced that it no longer intends to sell this business. The activities are to be carved out and operated as a separate business under the Siemens umbrella so that this

business can operate better and more flexible in its medium-sized competitive environment. Beginning with fiscal 2015, the airport logistics and postal automation business is reported within Centrally managed portfolio activities, which are part of the Reconciliation to Consolidated Financial Statements.

The principal customers of the businesses included in our former Rail Systems and Mobility and Logistics Divisions are public and state-owned companies in the transportation and logistics sectors. Markets served by these businesses are driven primarily by public spending. Customers of these businesses usually have multi-year planning and implementation horizons, and their contract tenders therefore tend to be independent of short-term economic trends.

Beginning with fiscal 2015, the business activities of the former Rail Systems and Mobility and Logistics Divisions are combined to form the Mobility Division. The Mobility Division also includes the rail electrification business of the former Smart Grid Division.

The business activities of the former **Low and Medium Voltage** Division supply public energy providers, industrial companies and municipal utilities with a complete range of products, systems and solutions for power distribution infrastructures. Our portfolio includes highly reliable power supply solutions for conventional power plants and renewable energy systems as well as intelligent, compact substations for urban and rural distribution networks. We also offer energy-efficient solutions for heavy industry, the oil & gas industry and the process industry. Energy-efficient solutions and energy storage systems for the integration of renewable energies into power grids round off our portfolio. Business activities included in our Low and Medium Voltage Division generally tend to react quickly to changes in the overall economic environment.

Beginning with fiscal 2015, the business activities of the former Low and Medium Voltage Division are included in the new Energy Management Division.

The business activities of the former **Smart Grid** Division offer power providers, network operators, industrial enterprises and cities an end-to-end portfolio of products and solutions for developing intelligent grid infrastructures. Smart grids enable a bidirectional flow of energy and information. They are required for the integration of more renewable energy sources into conventional power transmission and distribution networks. In addition, power providers can run their plants more efficiently with data gained from smart grids. Software solutions that analyze data from smart grids will continuously gain importance. Our offerings include both in-house technology development and systems from software partners. The principal customers are power producers, grid operators, multi utilities,

cities and rail operators. Changes in the overall economic environment generally have a delayed effect on our business activities. Furthermore, parts of our businesses are driven by public spending. Customers in the public sector usually have multi-year planning and implementation horizons, and their contract tenders therefore tend to be independent of short-term economic trends.

Beginning with fiscal 2015, all businesses of the former Smart Grid Division except for the rail electrification business are included in the new Energy Management Division. As described above, the rail electrification business is included in the new Mobility Division as of fiscal 2015.

The **Building Technologies** Division is a leading provider of automation technologies and services for safe, secure and efficient buildings and infrastructures throughout the lifecycle of buildings. The Division offers products, solutions and services for fire safety, security, building automation, heating, ventilation, air conditioning and energy management. The large customer base is widely-dispersed. It includes public and commercial building owners, operators and tenants, building construction general contractors and system houses. Changes in the overall economic environment generally have a delayed effect on our business activities.

At the beginning of fiscal 2015, the Building Technologies Division includes the same business activities as it did at the end of fiscal 2014.

Equity Investments

In fiscal 2014, **Equity Investments** in general comprised equity stakes held by Siemens that are accounted for by the equity method or as available-for-sale financial assets and that for strategic reasons are not allocated to a Sector or a Division, respectively, SFS, Centrally managed portfolio activities, Siemens Real Estate (SRE), Corporate items or Corporate Treasury. Our main investments within Equity Investments were our 50% stake in BSH Bosch und Siemens Hausgeräte GmbH (BSH), our 17% stake in OSRAM Licht AG (OSRAM), our 12% stake in Atos SE (AtoS) and our 49% stake in Enterprise Networks Holdings B.V. (EN), which in the fourth quarter of fiscal 2014, was renamed Unify Holdings B.V. (Unify). In the fourth quarter of fiscal 2014, Siemens signed an agreement to sell its stake in BSH to Robert Bosch GmbH. The transaction is expected to be completed in the first half of calendar 2015. Equity Investments ceased to be a reportable segment beginning with fiscal 2015. As of October 1, 2014, equity stakes formerly included in Equity Investments are reported within Centrally managed portfolio activities, which are part of the Reconciliation to Consolidated Financial Statements.

Financial Services

Financial Services (SFS) provides business-to-business financial solutions. With its specialist financing and technology expertise in the areas of Siemens businesses, SFS supports customer investments with leasing solutions and equipment, project and structured financing. SFS provides capital for Siemens customers as well as other companies and manages financial risks of Siemens.

SFS operates the Corporate Treasury of the Siemens Group, which includes managing liquidity, cash and interest risks as well as certain foreign exchange, credit and commodities risks. Business activities and tasks of Corporate Treasury are reported in the segment information within Reconciliation to Consolidated Financial Statements. For further information on Corporate Treasury activities see → C.4.1 PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT.

C.1.2 Economic environment

C.1.2.1 WORLDWIDE ECONOMIC ENVIRONMENT

Fiscal year 2014 started with a divergent global economic development. While emerging countries showed a mixed picture with growth slowing down in the BRIC countries (Brasil, Russia, India, China), early economic indicators in many industrial economies (U.S., U.K., Japan, countries of the Euro zone) signaled improvements. In the Euro zone, years of economic stagnation and recession seemed set to come to an end. Given the importance of these “heavy weights” for the world economy, expectations for fiscal 2014 were quite positive. Indeed, with growth of 2.8% year-over-year, global gross domestic product (GDP) growth had accelerated in the second half of calendar 2013 compared to the first half, when GDP grew by 2.1% year-over-year. However, these promising prospects did not materialize in 2014 for several unforeseeable reasons. The unusually strong winter of 2013/2014 disrupted large parts of the U.S. economy and led to negative GDP growth in the U.S. in the first quarter of calendar 2014. With the start of calendar 2014, the first of a series of geopolitical conflicts escalated: the conflict in Ukraine brought about substantial uncertainty for the whole year. In the Middle East, several military conflicts got worse: Israel and Palestinians again went to war; Libya fell back into political chaos; the militant group “Islamic State” made significant military advances in Syria and Iraq and triggered an American-led intervention. All these shocks to the global economy led to increased uncertainty and weighed on global economic activity. Accordingly, global GDP grew only by 2.7% and not by 3.2% as expected in October 2013. The slowdown of fixed investment growth and value added manufacturing growth – both important indicators for Siemens as a producer of capital goods – was even stronger: Fixed investments grew by only

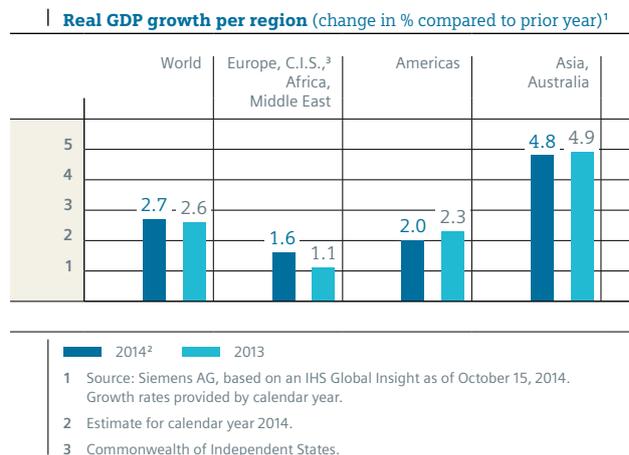
3.6% in 2014 and not by 5.2% as expected in October 2013, global value added in manufacturing grew by only 3.5% and not by the expected 4.0%, hurting Siemens' industrial and energy-related businesses in particular.

From a geographical perspective, the region **Europe, C.I.S., Africa, Middle East** was the only of our three reporting regions delivering faster GDP growth in 2014 than in 2013. However, with 1.6% the level of growth is still lower than in the other reporting regions. In addition, last year's expectation was 0.5 percentage points higher. The main reasons for the disappointing performance are the still very sluggish development in Europe, in particular the Euro zone, and recessions in both Russia and Ukraine. In Germany, the fiscal year started promisingly with sentiment indicators continuously improving, followed by a strong first quarter of calendar 2014 (which was partly due to mild winter weather). However, in the course of year 2014 the uncertainties caused by the geopolitical conflicts increasingly weighed on economic activity and slowed down GDP growth for the full year.

In the **Americas** region, growth slowed down slightly to 2.0%. A year earlier, the expectation was for growth of 2.7%. The harsh winter mentioned above, which reduced consumption and factory output in some areas of the U.S. and Canada, was one reason for the slowdown. In addition, the economies of most Latin American countries grew substantially slower than estimated last year. For example GDP growth for Brazil was marked down from 3.1% to a negative 0.1% from October 2013 to October 2014. The pattern was similar for Argentina, Chile, Venezuela and Peru. One important driver for this weak performance was globally weaker commodity markets.

In **Asia, Australia**, GDP growth for calendar 2014 is estimated at 4.8%, virtually the same level as in previous years. Compared to last year's expectation this is 0.3 percentage points lower,

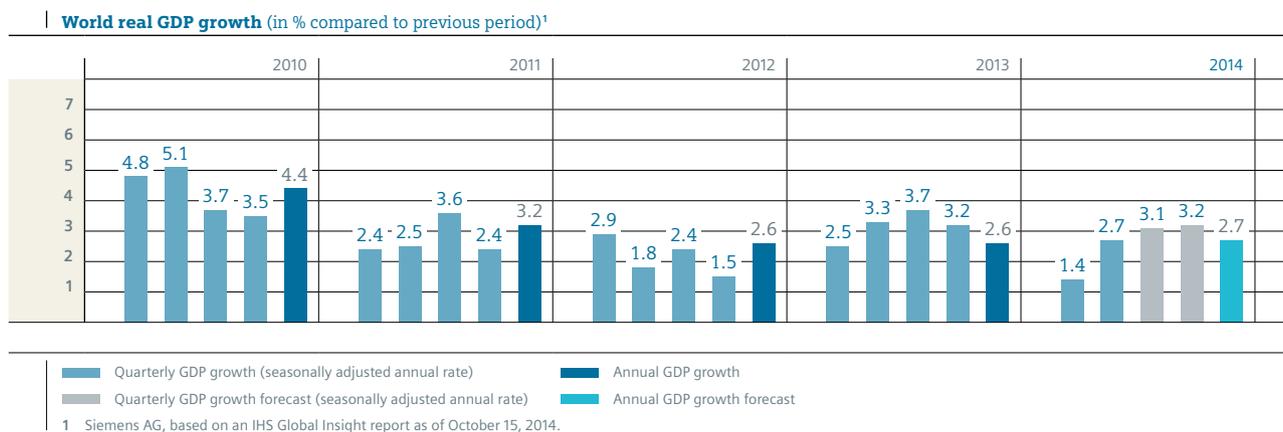
reflecting slower growth in China (7.3% against 8% expected last year), which is largely explained by continued downturns in real estate and manufacturing investment. India suffered from investment shifts before the general election that took place from April to May 2014.



The partly estimated figures presented here for GDP, fixed investments and manufacturing value added are calculated by Siemens based on an IHS Global Insight report dated October 15, 2014.

Our businesses are dependent on the development of raw material prices. Key materials to which we have significant cost exposure include copper, various grades and formats of steel, and aluminum. In addition, within stainless steel we have exposure related to nickel and ferro-alloy materials.

The average monthly price of copper (denominated in € per metric ton) for September 2014 was 1% lower than the average monthly price in September 2013. Prices on a fiscal-year average



were still 10% lower in fiscal 2014 than the average for fiscal 2013, reflecting modest demand during fiscal 2014.

Average monthly prices of aluminum traded on the London Metal Exchange recently rebounded and were 17% higher in September 2014 compared to September 2013. Prices on a fiscal-year average were nevertheless 8% lower in fiscal 2014 than the average of fiscal 2013. Significantly rising premiums for physically delivered aluminum have added to the prices of the London Metal Exchange contracts. The aluminum industry is in a situation of a global oversupply due to rapid expansion of capacities, while regional markets in the western world face a tighter supply.

The average monthly steel prices for September 2014 declined by 8% compared to the average monthly prices in September 2013. Prices on a fiscal-year average were 7% lower in fiscal 2014 than the average for fiscal 2013.

Our main exposure to the prices of copper, aluminum and related products is in the new Divisions Energy Management and Process Industries and Drives. Our main price exposure related to carbon steel and stainless steel is in our new Divisions Power and Gas and Wind Power and Renewables. In addition, Siemens is generally exposed to energy and fuel prices, both directly (electricity, gas, oil) and indirectly (energy used in the manufacturing processes of suppliers, fuels included in logistics costs).

Siemens employs various strategies to reduce the price risk in its project and product businesses, such as long-term contracting with suppliers, physical and financial hedging and price escalation clauses with customers.

C.1.2.2 MARKET DEVELOPMENT

In fiscal 2014, the addressed market of our **Energy** Sector developed stable year-over-year. Wind power markets showed the strongest growth (both onshore and offshore). Markets for power transmission grew slightly while market volume for large gas turbines declined year-over-year.

Markets of the **Power Generation** Division declined in fiscal 2014 compared to fiscal 2013. In particular the advanced gas turbine market remained difficult with a market size in fiscal 2014 clearly below fiscal 2013. In addition, production over-capacities have been resulting in increased price pressure. During the fiscal year, the overall market environment for fossil power generation faced project shifts in various regions leading to tough competition. While key countries such as the U.S. or China have been facing market delays, countries of the Middle East, especially Saudi-Arabia showed higher investments in gas-fired power plants year-over-year. Demand for industrial gas and steam turbines developed roughly flat.

Markets served by our **Wind Power** Division grew clearly in fiscal 2014 fueled by strong demand in Europe, which is the most mature geographic market in the world for onshore and offshore wind power. In particular, Europe is home to almost all offshore installations currently active worldwide. Within the Americas, growth in the U.S. was driven by onshore wind projects, following the extension of an existing production tax credit (PTC) for renewable energy into the first quarter of fiscal 2014. Market development in the Asia, Australia region was characterized by intense local competition, particularly in China. While China has the largest wind market in the world, market access for foreign companies remains to be very difficult and limited. The competitive situation in the wind power

Development of raw material prices (Index: Beginning of fiscal 2010 = 100)



Source: London Metal Exchange (LME) for copper and aluminium, CRU HRC Germany for steel; cash prices in € per ton.

markets differs between the market segments. In the market for onshore wind farms, competition is widely dispersed without any one company holding a dominant share of the market. In contrast, there are only a few major players in the market for offshore wind farms, which are technologically more complex. Several competitors have managed to return to profitability through cost reduction measures and restructuring. Previously existing overcapacities have been adjusted to better match demand. Consolidation is moving forward in both on- and offshore wind power through the market exit of smaller players, and especially in offshore through joint ventures between established players and new market entrants. The key drivers for consolidation are technology and market access challenges, which increase development costs and the importance of risk sharing in offshore wind power.

Markets addressed by our **Power Transmission** Division grew slightly in fiscal 2014 compared to fiscal 2013, due mainly to strong demand from parts of Europe and the Middle East, including Germany, the U.K. and Saudi Arabia, where large transmission projects were awarded. In contrast, investments in Russian electrical infrastructure went down significantly in fiscal 2014. Markets in Asia remained stable year-over-year. While growth in China slowed down somewhat, India awarded a new contract for a large high-voltage direct current (HVDC) project. On a currency-adjusted basis, market volume in the Americas increased slightly year-over-year. Including currency translation effects, markets in the Americas declined slightly year-over-year.

In fiscal 2014, markets served by our **Healthcare** Sector grew slightly year-over-year. Growth was again driven by emerging markets, which continued to build up their healthcare infrastructures and expand access to modern medical technology for a broader population. Market development in industrialized countries remained weak, impacted by healthcare reforms and budgetary constraints. On a regional basis, markets in the Americas grew moderately. Market conditions in our large U.S. market remained challenging as service providers faced ongoing pressure on utilization and reimbursement rates associated with medical devices. The U.S. market for Healthcare IT continues to grow, but at a slower pace than in previous years. Healthcare markets in the Europe, C.I.S., Africa, Middle East region declined slightly. During fiscal 2014, European healthcare markets saw some stabilization. The market situation in Germany was challenging. Demand stagnated and price pressure was strong. Decreasing public grants to the country's health insurance system is burdening the financial situation of hospitals and thus their willingness to invest. Growth in China slowed down compared to the previous fiscal year. Markets in

China are experiencing a shift in demand, from an emphasis on large clinics to increased investment in small and midsize regional clinics. Along with this change, competitive and price pressure rose, due mainly to increasing numbers of local vendors. Overall, the trend toward consolidation in the healthcare industry continues. Competition among the leading companies is strong, including with respect to price.

In fiscal 2014, markets served by our **Industry** Sector, consisting of our **Industry Automation** and **Drive Technologies** Divisions, grew slightly year-over-year. At the beginning of the fiscal year, growth came mainly from stronger demand in long-cycle industries and restocking by customers in China. Towards the end of the fiscal year, demand also began to pick up in short-cycle industries. Within the main industries served by our Divisions, demand in the automotive industry was particularly strong, with many countries reporting significant increases in production, especially in Europe. The machine building industry developed less favorably in the beginning of the fiscal year due to weaker growth in many emerging economies, which are important markets for export-oriented industrialized countries. In the last months of fiscal 2014, demand in the machine building industries picked up somewhat. On a regional basis, our markets in Europe experienced a slight recovery in fiscal 2014, due to a more positive overall economic environment year-over-year, particularly including Spain, Poland and the Netherlands. While markets in Germany grew year-over-year, growth was held back by stagnation in original equipment manufacturing (OEM) industries, which were impacted by lower demand from emerging markets. Overall, demand in Europe for industrial investment goods was held back as production capacities of our customers still did not reach full utilization. In the Americas, except the U.S., growth in end-customer markets slowed down in fiscal 2014 compared to fiscal 2013. This was particularly evident in Brazil. Within the U.S., demand in the oil and gas industries grew strongly. In contrast markets for electrical investment goods expanded modestly. Within the Asia, Australia region, growth slowed down year-over-year in several countries, particularly including Australia, India, Indonesia and Thailand. Growth in China was solid year-over-year. While growth in China benefited from restocking effects, it was supported also by strong demand from the country's automotive and infrastructure industries, and, to a lesser extent, by demand in parts of the construction machinery markets and food machinery, elevators and rubber machines markets. Competition of Industry's business activities can be grouped into two categories: multinational companies that offer a relatively broad portfolio and companies that are active only in certain geographic or product markets. Consolidation is taking place mostly in particular market segments and not

across the broad base of our portfolio, with the exception of the acquisition of Invensys by Schneider Electric. Consolidation in solution-driven markets is going in the direction of in-depth niche market expertise, whereas consolidation of the product-driven market follows the line of convergence. Most major competitors have established global bases for their businesses. In addition, competition has become increasingly focused on technological improvements and cost position.

In fiscal 2014, the broad overall market for the offerings of the **Infrastructure & Cities** Sector grew slightly. The market for rail systems showed growth, non-residential construction markets were recovering, and the market for power grid solutions and products remained challenging.

Markets served by the **Transportation & Logistics** Business grew moderately in fiscal 2014, fueled e.g. by large contract awards in the U.K. and in Saudi Arabia within the Europe, C.I.S., Africa, Middle East region. Europe remained the largest market for the Business. Growth in the Americas region benefited from demand for passenger locomotives and urban transport products in the U.S. The Asia, Australia region showed the highest growth rates of all regions. This growth was fueled, amongst others, by a recovery in China, which began to increase its investments in high-speed trains.

In fiscal 2014, markets for our **Power Grid Solutions & Products** Business declined slightly year-over-year including weaker demand from some emerging markets countries. Overall, the decline is caused by weak demand in the Europe, C.I.S., Africa, Middle East region. The market situation in southern Europe remained particularly challenging. In Germany, which is undertaking a massive shift to renewable energy ("Energiewende"), utilities continued to delay major grid investments due to uncertainty in the regulatory environment. The Americas reported modest growth in real terms, particularly in the U.S., where the economy is gaining momentum in construction and oil and gas markets. The overall market development was more positive in the Asia, Australia region, particularly including demand in the utility business within emerging economies. Furthermore, markets in the oil and gas business and in the non-residential construction business grew year-over-year, particularly in China.

In fiscal 2014, markets addressed by our **Building Technologies** Division grew slightly in aggregate year-over-year. Within our non-residential construction markets, some segments developed more favorably than the market overall. Among them were data centers and the pharmaceutical industry, which showed clear growth in construction activities compared

to fiscal 2013. Within Europe, non-residential construction markets saw some stabilization in fiscal 2014, but remained weak due to the economic situation and austerity programs in some southern and western European countries. In contrast, markets in the Middle East, in Asia and Australia grew considerably year-over-year. In the Americas, growth in non-residential construction markets began to accelerate during the fiscal year. There is usually a time lag of three to four quarters before Building Technologies businesses begin to participate in such growth.

Infrastructure & Cities principal competitors are multinational companies. The Sector also faces competition from niche competitors and from new entrants, such as utility companies and consulting firms, exploiting the fragmented energy efficiency market. The Sector's solution businesses also compete with engineering, procurement and construction providers, and competitors in the service field often include small local players.

C.1.3 Strategy

C.1.3.1 VISION 2020

In May 2014, we presented our entrepreneurial concept "Vision 2020."

Shaped by our history, culture and values, our **mission** defines how we understand ourselves. As an expression of a strong brand, it formulates our aspiration: We make real what matters, by setting the benchmark in the way we electrify, automate and digitalize the world around us. Ingenuity drives us and what we create is yours. Together we deliver.

There are three stages in which we will lead our Company into the future:

- > In the short term, we want to "**drive performance.**" To achieve this aim, we are retailoring our structures and responsibilities. We are also focusing on business excellence. In addition, we want to get those businesses back on track that have not reached their full potential and make them competitive again.
- > "**Strengthen core**" is our aim in the medium term. We intend to strengthen our successful businesses along the value chain of electrification by, among other things, allocating resources in a more rigorous way in order to expand in strategic growth fields.
- > In the long term, we want to "**scale up.**" We will intensify our efforts to seize further growth opportunities and tap new fields.

We have linked the success of Vision 2020 to the attainment of seven overarching **goals**:

- > **Implement stringent corporate governance:** We want to simplify and accelerate our processes, while reducing complexity in our Company and strengthening our corporate governance functions. We expect that these measures enable us to reduce our costs by roughly €1 billion. The savings are expected to be mainly effective in fiscal 2016.
- > **Create value sustainably:** We are tapping attractive growth fields and getting those businesses that have not yet reached their full potential back on track.
- > **Execute financial target system:** We are rigorously implementing our financial target system.
- > **Expand global management:** To reflect our global orientation more strongly in the future, we want more than 30% of our Division and Business Unit managers to be based outside Germany.
- > **Be partner of choice for our customers:** We want to be our customers' partner of choice. To measure customer satisfaction, we use the Net Promoter Score (NPS) – a comprehensive customer satisfaction survey that we conduct every year. Our goal is to improve our score by at least 20%.
- > **Be an employer of choice:** Highly committed and satisfied employees are the basis of our success. We are – and want to remain – an attractive employer. That is why we conduct a global engagement survey to measure employee satisfaction. In the categories Leadership and Diversity, we aim to achieve an approval rating of over 75% on a sustainable basis.
- > **Foster an ownership culture:** In the future, our employees will have an even greater stake in their company's success. We want to increase the current number of employee shareholders by at least 50%.

C.1.3.2 STRATEGIC FRAMEWORK

We have defined a comprehensive strategic framework that integrates the key fields of company management. These key fields are:

- > Ownership culture;
- > Customer and business focus;
- > Governance; and
- > our management model "One Siemens."

a) Ownership culture

One engine of sustainable business is our ownership culture, in which every employee takes personal responsibility for our Company's success. "Always act as if it were your own Company" – this maxim applies to everyone at Siemens, from Managing Board member to trainee.

b) Customer and business focus

We expect that the megatrends digital transformation, globalization, urbanization, demographic change and climate change will provide growth opportunities. We are focusing on our positioning along the value chain of electrification. This is where our core business lies. From power generation to power transmission, power distribution and smart grid to the efficient application of electrical energy – in every one of these inter-related fields, electrification, automation and digitalization are the key business drivers.

- > **Power generation:** The field of efficient power generation – encompassing conventional and renewable energy sources as well as comprehensive services – is addressed by our Divisions Power and Gas, Wind Power and Renewables, and Power Generation Services.
- > **Power transmission, power distribution and smart grid:** Solutions for power transmission and distribution as well as technologies for smart grids are all bundled at our Energy Management Division.
- > **Energy application:** Our Divisions Building Technologies, Mobility, Digital Factory and Process Industries and Drives are delivering technologies for the efficient application of energy in building technology, transportation and industry.
- > **Imaging and in-vitro diagnostics:** Healthcare is responsible for our medical imaging and in-vitro diagnostics businesses.

In all areas related to project financing, Financial Services is a reliable partner to our customers.

We want to set clear priorities for resource allocation and address promising growth fields, for example:

- > Flexible and small gas turbines;
- > Offshore wind power;
- > Distribution grid automation and software;
- > Urban and interurban mobility;
- > Digital-twin software;
- > Key sectors in process industries;
- > Image-guided therapy and molecular diagnostics; and
- > Business analytics and data-driven services, software and IT solutions.

Flexible and small gas turbines: In the area of power generation, the trend is increasingly toward decentralized energy supply. Customers worldwide are relying more and more on individualized energy supplies and demanding tailor-made solutions. As a result, we see major growth potential in the field of flexible and small gas turbines.

Offshore wind power: Among renewable sources of energy, wind power will play a key role over the long term. Offshore wind turbines deliver high yields and are subject to less fluctuation than other renewables. We want to continue building on the leading position in offshore wind power that we have captured in recent years. We consider double-digit market growth realistic in this field in the medium term.

Distribution grid automation and software: Energy management is becoming increasingly vital – for distribution grids as well as industrial and private energy producers and consumers. Energy management systems make it possible to integrate increasingly decentralized power supplies into the energy cycle, while mitigating the negative impact of the fluctuations that occur when power is generated from renewable sources – thus improving the utilization of existing power grids. Our intelligent, integrated automation solutions offer customers decisive added value.

Urban and interurban mobility: In strong demand, intelligent mobility solutions are providing major impulses for growth – particularly in the areas of urban transportation and automated traffic-control solutions. We see stronger growth potential in this area as well.

Digital-twin software: The virtual and real worlds are merging more and more. Already today, our software solutions are helping customers develop products much faster, more flexibly and more efficiently. Not only products but also the plants in which they are produced have digital twins that can be used to coordinate and integrate product design and production planning. The digital models are always up-to-date – as planned, as built, as maintained – while allowing improvements throughout entire lifecycles.

Key sectors in process industries: Some industry sectors – oil&gas and food&beverage, for example – are growing at above-average rates. We want to participate in this growth. That is why we are bundling our expertise in process industries and drive technologies and continuing to expand our related portfolio of products and software solutions.

Image-guided therapy and molecular diagnostics: The increasing use of molecular biological methods and progress in the life sciences are accelerating technological change in healthcare. To improve quality and efficiency, societies worldwide are also demanding new solutions for next-generation healthcare.

Business analytics and data-driven services, software and IT solutions: We have a comprehensive understanding of our

customers' business processes. In the future, we want to leverage this knowledge even better by analyzing the data generated in these processes, providing recommendations for improvement and action, and thus creating value. The resulting competitive advantages for our customers are increasingly derived from cloud-based solutions and services powered by data-analytics software.

c) Governance

We want to lead Siemens in such a way that we focus on our customers at all times and further expand our market penetration while maintaining lean and flexible structures. That is why we have selected a market-integrative setup that combines a common regional organization with a coordinated vertical approach. Against this backdrop, we have retailored the structures and responsibilities of our businesses, our Regions and our corporate governance functions:

- > We have removed layers from our Company, thus bringing our businesses closer to customers and key markets. We replaced our 14 Regional Clusters with 30 Lead Countries. The CEOs of these countries now report directly to our Managing Board.
- > We have also eliminated the Sector level and consolidated our business activities into nine Divisions and one separately managed unit, Healthcare. This change is increasing our customer proximity and accelerating our decision-making.
- > In addition, we have made governance even more stringent across all levels of our organization. Our Managing Board leads the Company and maintains the balance between our businesses and regions. It is supported by strong, efficient governance functions, our Corporate Core. This Corporate Core ensures fast, unbureaucratic decision-making across key company functions.

d) Management model "One Siemens"

To enable us to manage our Company more effectively, we have expanded "One Siemens" into an integrated **management model** that combines under one roof the overarching targets and priorities with which we are implementing our strategy throughout the Company. It encompasses a financial framework, an operating system and Corporate Memory as well as sustainability and citizenship.

Financial framework

To measure and compare our development against the market and in our competitive environment, we used a system of defined key indicators. We have now refined and expanded this financial target system, which is explained in more detail in → C.2 FINANCIAL PERFORMANCE SYSTEM.

Operating system and Corporate Memory

We manage our Company in accordance with specific, clearly defined priorities. Our One Siemens operating system sets the following four priorities: Customer proximity, innovation, business excellence, as well as people excellence and care. In addition, the Corporate Memory – our knowledge management – ensures that we learn from mistakes and keep our work focused on success.

Customer proximity: Profitable growth is based on proximity to our customers and on an understanding of their individual requirements. To meet and exceed our customers' expectations, we invest in local sales presence and support for specific groups of market partners. Our key account management approach is just one successful example of this. We are represented in virtually every country in the world by Regional Companies that operate as local partners to our customers. We also exploit our in-depth knowledge of customer processes and continually develop our offerings for key verticals in a targeted manner – across organizational boundaries. To regularly gauge the satisfaction of our customers around the world, we use a uniform measure, the Net Promoter Score.

Innovation: Innovation is essential for ensuring long-term competitiveness. This applies to our entire portfolio of products, solutions and services. Added value for our customers is based increasingly on software and IT solutions. As a result, we have made this field a particular focus of our attention – for example, through research and development activities in software architecture and platforms. Tools such as partner networks are enabling us to manage highly effective innovation processes and an open innovation culture. We are concentrating on new technology-driven growth areas as well as innovative business models.

Business excellence: We want to do an excellent job of managing our businesses while pursuing our aim of continuous improvement. For this, we have developed outstanding tools that we intend to apply with even greater rigor in the future.

These tools enable us, for instance, to benchmark our performance against the best and to increase our productivity. Tightening our risk management approach is helping us identify project risks while still in the bidding phase and thus avoid costly project delays. Last but not least, we are fostering our service business across organizational boundaries – for example, by developing service platforms.

People excellence and care: Excellent employees are the heart and soul of Siemens. That is how it has always been. And we want it to be even more so in the future. Therefore we are anchoring an ownership culture at our Company. For us, this is not an abstract idea but a concrete goal that we are pursuing with measures we can track. After all, the behavior, motivation and values of the people who work for Siemens mold our culture. In an attractive working environment, we promote lifelong learning and personal development. Integrity – supported by a well-established compliance system – remains the principle that guides our conduct. Our share programs are enabling us to increase employee participation in our Company's success, while bringing us closer every day to a lived ownership culture.

Sustainability and citizenship

We contribute to sustainable development by maintaining a responsible balance at company level between profit, planet and people.

- > **Profit:** by having a range of products, solutions and services that makes a difference worldwide, because it provides customers with decisive competitive advantages.
- > **Planet:** by utilizing our planet's limited resources responsibly and by enabling our customers to improve their own environmental performance.
- > **People:** by living a culture that strengthens our employees' sense of responsibility worldwide, fosters their development and places integrity at the center of our Company's activities. As good corporate citizens, we are also contributing to the sustainable development of society through our portfolio, our local presence worldwide and our role as a thought leader.

11 | C.2 Financial performance system

C.2.1 Overview

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

C.2.2 Revenue growth

Within the framework of One Siemens, we aim to grow our revenue faster than the average weighted **revenue growth** of our most relevant competitors. In fiscal 2014, we calculated our revenue growth for this comparison using actual revenue as presented in the Consolidated Financial Statements. Our primary measure for managing and controlling our revenue growth is comparable growth, which excludes currency translation and portfolio effects. We provide figures for both comparable and actual revenue growth in this Annual Report, within → **C.3.1 ORDERS AND REVENUE BY REGION**.

Revenue growth

$$\left(\frac{\text{Revenue current period}}{\text{Revenue prior-year period}} - 1 \right) \times 100\%$$

Actual

FY 2014	(2)%	
FY 2013	(2)%	

Comparable¹

FY 2014	1%	
FY 2013	(1)%	

¹ Excluding currency translation and portfolio effects.

C.2.3 Profitability and capital efficiency

Within the framework of One Siemens, we aim to achieve margins through the entire business cycle that are comparable to those of our relevant competitors. For purposes of this comparison in fiscal 2014, we used defined adjusted **EBITDA margin ranges**, which are based on the results of the respective relevant competitors of our four Sectors. Information regarding the calculation of adjusted EBITDA is presented in → **C.3.4 RECONCILIATION TO ADJUSTED EBITDA**.

Adjusted EBITDA margins¹

	Margin		Target range
Energy			
FY 2014	8.1%		10 – 15%
FY 2013	9.9%		
Healthcare			
FY 2014	20.5%		15 – 20%
FY 2013	20.7%		
Industry			
FY 2014	16.4%		11 – 17%
FY 2013	13.1%		
Infrastructure & Cities			
FY 2014	9.4%		8 – 12%
FY 2013	3.7%		

¹ Adjusted EBITDA margins of respective markets through business cycle.
 Target range

In line with common practice in the financial services business, our financial indicator for measuring capital efficiency at Financial Services (SFS) is return on equity after tax, or **ROE (after tax)**. For information on the calculation of ROE (after tax) and its components, see → **C.2.6.1 RETURN ON EQUITY (ROE) (AFTER TAX)**.

Return on equity (ROE) (after tax)

$$\frac{\text{SFS' profit after tax}}{\text{SFS' average allocated equity}} \times 100\%$$

FY 2014	18.1%	
FY 2013	17.1%	

Target range: 15 – 20%

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 for communicating with the capital markets. For an analysis of this measure, refer to → **C.3.3 INCOME**.

Beginning with fiscal 2015, we defined profit margin ranges for our Industrial Business (for the new organizational set up of Siemens, see → C.1.1.1 ORGANIZATION AND BASIS OF PRESENTATION), which are based on the profit margins of the respective relevant competitors. Their determination is based on our enhanced profit definition for our Industrial Business, which is also effective beginning with fiscal 2015. In contrast to the profit definition we used for fiscal 2014, the enhanced definition eliminates income statement effects resulting from amortization of intangible assets acquired in business combinations. This type of amortization is basically a technical consequence of the purchase price allocation resulting from an acquisition, and therefore has nearly no operational business relevance. Moreover, by eliminating these income statement effects, we improve the comparability of our Industrial Businesses's profits with that of their relevant competitors. Beginning with fiscal 2015, profit for SFS is also presented excluding amortization of intangible assets acquired in business combinations. Except for this adjustment, the profit definition remains unchanged.

Profit margin ranges

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

Beginning with fiscal 2015, we incorporated a measure called total cost productivity into our One Siemens framework, to emphasize and evaluate our continuous efforts to improve productivity. We define this measure as the ratio of cost savings from defined productivity improvement measures to the aggregate of functional costs for the Siemens Group. We aim to achieve an annual value of 3% to 5% for Total cost productivity.

Within the framework of One Siemens we seek to work profitably and as efficiently as possible with the capital provided by our shareholders and lenders. For purposes of managing and controlling our capital efficiency in fiscal 2014, we used return on capital employed, or **ROCE**, for continuing operations as our primary measure. We aimed to achieve a range of 15% to 20%. An analysis of this financial measure is provided in → C.3.3 INCOME. For information on the calculation of ROCE and its components, see → C.2.6.2 RETURN ON CAPITAL EMPLOYED (ROCE).

Return on capital employed (ROCE)

(continuing operations)

$$\frac{\text{Income from continuing operations before interest after tax}}{\text{Average capital employed}} \times 100\%$$

FY 2014	17.2%	
FY 2013	13.7%	

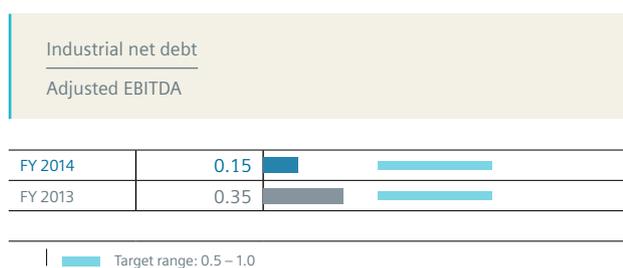
Target range: 15 – 20%

Beginning with fiscal 2015 and within the scope of further development of One Siemens, we intend to use ROCE for continuing and discontinued operations as the primary measure for managing and controlling our capital efficiency. Going forward all activities of the Group are included in this financial measure. We continue to aim for a ROCE in the range of 15% to 20%. ROCE for continuing and discontinued operations amounted to 17.3% in fiscal 2014, compared to 13.5% a year earlier.

C.2.4 Capital structure

Sustainable revenue and profit development is supported by a healthy capital structure. A key consideration within the framework of One Siemens is to maintain ready access to the capital markets through various debt products and preserve our ability to repay and service our debt obligations over time. Our primary measure for managing and controlling our capital structure is the ratio of **industrial net debt** to **adjusted 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. In fiscal 2014, we aimed to achieve a ratio in the range of 0.5 to 1.0. For more information regarding adjusted EBITDA and for an analysis of our capital structure ratio, see → C.3.4 RECONCILIATION TO ADJUSTED EBITDA and → C.4.2 CAPITAL STRUCTURE.

Capital structure (continuing operations)



Beginning with fiscal 2015, we intend to achieve a ratio of up to 1.0, and thereby maintain our healthy capital structure.

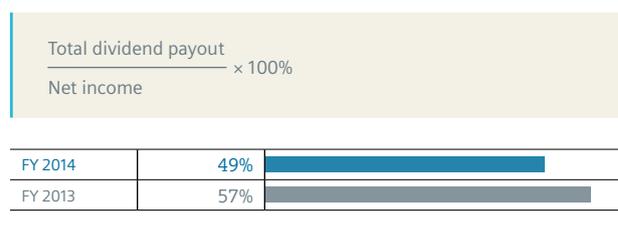
C.2.5 Dividend and share buybacks

We intend to continue providing an attractive return to shareholders. In fiscal 2014, we intended to propose a dividend payout which, combined with outlays during the fiscal year for publicly announced share buybacks, results in a sum representing 40% to 60% of net income, which for this purpose we may adjust to exclude selected exceptional non-cash effects.

At the Annual Shareholders' Meeting, the Managing Board, in agreement with the Supervisory Board, will submit the following proposal to allocate the unappropriated net income of Siemens AG for the fiscal year ended September 30, 2014: to distribute a dividend of €3.30 on each share of no-par value entitled to the dividend for fiscal year 2014 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 27, 2015. The prior-year dividend was €3.00 per share.

The proposed dividend of €3.30 per share for fiscal 2014 represents a total payout of €2.706 billion based on the estimated number of shares entitled to dividend at the date of the Annual Shareholders' Meeting. Based on net income of €5.507 billion for fiscal 2014, the dividend payout percentage is 49%. The percentage for fiscal 2013 was 57%, based on a total dividend payout of €2.533 billion and a net income of €4.409 billion.

Dividend payout percentage



In November 2013, we announced a share buyback of up to €4 billion ending latest on October 31, 2015. In May 2014, we started to repurchase shares. Through the end of fiscal 2014, outlays for our publicly announced share buybacks (excluding incidental transaction charges) totaled €1.079 billion and represent 20% of net income.

The percentage for fiscal 2013 was 26% with outlays for share buybacks in the amount of €1.152 billion.

Beginning with fiscal 2015, we intend to realize a dividend payout range, without the effect of share buybacks, of 40% to 60% of net income, which for this purpose we may adjust to exclude selected exceptional non-cash effects. As in the past, we intend to fund the dividend payout from Free cash flow.

C.2.6 Additional information for financial performance measures

C.2.6.1 RETURN ON EQUITY (ROE) (AFTER TAX)

The following table reports the calculation of ROE (after tax) of SFS as defined under One Siemens.

(in millions of €)	Year ended September 30,	
	2014	2013
Calculation of income taxes of SFS		
Profit of SFS (Income before income taxes, IBIT)	465	409
Less: Income of SFS from investments accounted for using the equity method, net ¹	(66)	(85)
Less: Tax-free income components and others ²	(41)	(26)
Tax basis	358	298
Tax rate (flat)	30%	30%
Calculated income taxes of SFS	107	89
Profit after tax of SFS		
Profit of SFS (IBIT)	465	409
Less: Calculated income taxes of SFS	(107)	(89)
Profit after tax of SFS	357	320
ROE (after tax) of SFS		
(I) Profit after tax of SFS	357	320
(II) Average allocated equity of SFS ³	1,976	1,874
(I)/(II) ROE (after tax) of SFS	18.1%	17.1%

1 For information on Income (loss) of SFS from investments accounted for using the equity method net, see → C.3.4 RECONCILIATION TO ADJUSTED EBITDA.

2 Tax-free income components include forms of financing which are generally exempted from income taxes. Others comprise result components related to the (partial) sale/divestment of equity investments, which

are classified from at equity to available-for-sale financial assets and are therefore not included in the (Income) loss of SFS from investments accounted for using the equity method, net. Such results are already taxed or generally tax free. Others may also comprise an adjustment for material taxable Income (loss) of SFS from investments accounted for using the equity method, net.

3 Average allocated equity of SFS for a fiscal year is determined as a five-point average in allocated equity of SFS of the respective quarters starting with the allocated equity of SFS as of September 30 of the previous fiscal year.

C.2.6.2 RETURN ON CAPITAL EMPLOYED (ROCE)

As part of One Siemens, we managed and controlled our capital efficiency in fiscal 2014 using the financial measure ROCE for continuing operations. The following tables report this financial measure as defined under One Siemens and also provide a reconciliation to ROCE for continuing and discontinued operations.

(in millions of €)	09/30/2014	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Capital employed Fiscal 2014					
Total equity	31,514	28,633	28,336	30,372	28,625
Plus: Long-term debt	19,326	18,364	18,587	18,377	18,509
Plus: Short-term debt and current maturities of long-term debt	1,620	4,092	3,757	2,883	1,944
Less: Cash and cash equivalents	(8,013)	(8,210)	(8,585)	(8,885)	(9,190)
Less: Current available-for-sale financial assets	(925)	(907)	(799)	(666)	(601)
Plus: Post-employment benefits	9,324	10,473	9,614	8,771	9,265
Less: SFS Debt	(18,663)	(17,017)	(16,428)	(16,022)	(15,600)
Less: Fair value hedge accounting adjustment ¹	(1,121)	(1,114)	(1,134)	(1,166)	(1,247)
Capital employed (continuing and discontinued operations)	33,063	34,313	33,348	33,665	31,706
Less: Assets classified as held for disposal presented as discontinued operations	(2,325)	(1,689)	(14)	(758)	(768)
Plus: Liabilities associated with assets classified as held for disposal presented as discontinued operations	1,559	1,275	20	232	258
Capital employed (continuing operations)	32,297	33,898	33,354	33,138	31,195

(in millions of €)	09/30/2013	06/30/2013	03/31/2013	12/31/2012	09/30/2012
Capital employed Fiscal 2013					
Total equity	28,625	27,909	26,620	30,551	31,424
Plus: Long-term debt	18,509	19,140	20,182	16,651	16,880
Plus: Short-term debt and current maturities of long-term debt	1,944	3,656	2,752	3,709	3,826
Less: Cash and cash equivalents	(9,190)	(6,071)	(7,892)	(7,823)	(10,891)
Less: Current available-for-sale financial assets	(601)	(506)	(533)	(517)	(524)
Plus: Post-employment benefits	9,265	9,325	9,890	9,856	9,801
Less: SFS Debt	(15,600)	(15,004)	(14,879)	(14,490)	(14,558)
Less: Fair value hedge accounting adjustment ¹	(1,247)	(1,323)	(1,473)	(1,570)	(1,670)
Capital employed (continuing and discontinued operations)	31,706	37,127	34,667	36,367	34,289
Less: Assets classified as held for disposal presented as discontinued operations	(768)	(4,783)	(4,616)	(4,589)	(4,693)
Plus: Liabilities associated with assets classified as held for disposal presented as discontinued operations	258	1,948	1,948	2,045	2,010
Capital employed (continuing operations)	31,195	34,291	31,999	33,823	31,606

¹ 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 by changes in market

value mainly due to changes in interest rates. Accordingly, we deduct these changes in market value in order to end up with an amount of debt that approximately will be repaid, which we believe is a more meaningful

figure for the calculation presented above. For further information on fair value hedges see → NOTE 30 in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

(in millions of €)	Year ended September 30,	
	2014	2013
Income from continuing operations before interest after tax		
Net income	5,507	4,409
Less: Other interest expenses/income, net	(606)	(455)
Plus: SFS Other interest expenses/income ¹	630	556
Plus: Net interest expenses from post-employment benefits	295	297
Less: Taxes on interest adjustments ²	(87)	(111)
Income before interest after tax	5,739	4,695
Less: Income from discontinued operations, net of income taxes	(108)	(231)
Income from continuing operations before interest after tax	5,632	4,465
Return on capital employed (ROCE) (continuing and discontinued operations)		
(I) Income before interest after tax	5,739	4,695
(II) Average capital employed (continuing and discontinued operations) ³	33,219	34,831
(I)/(II) ROCE (continuing and discontinued operations)	17.3%	13.5%
Return on capital employed (ROCE) (continuing operations)		
(I) Income from continuing operations before interest after tax	5,632	4,465
(II) Average capital employed (continuing operations) ³	32,777	32,583
(I)/(II) ROCE (continuing operations)	17.2%	13.7%

1 SFS Other interest expenses/income is included in Other interest expenses/income, net. Adding back SFS Other interest expenses/income in the numerator corresponds to the adjustment for SFS Debt in the denominator.

2 Effective tax rate for the determination of taxes on interest adjustments is calculated by dividing Income tax expenses by Income from continuing operations before income taxes, both as reported in → D.1 CONSOLIDATED STATEMENTS OF INCOME.

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

C.2.6.3 DEFINITIONS OF OTHER FINANCIAL MEASURES

We also use other financial measures in addition to the measures described above, such as orders and order backlog for the assessment of our future revenue potential. We define and calculate orders and order backlog as follows:

Under our policy for the recognition of **orders**, we generally recognize the total contract amount for an order when we enter into a contract that we consider legally effective and compulsory based on a number of different criteria. The contract amount is the agreed price or fee for that portion of the contract for which the delivery of goods and/or the provision of services has been irrevocably agreed. Future revenue from long-term service, maintenance and outsourcing contracts is recognized as orders in the amount of the total contract value only if there is adequate assurance that the contract will remain in effect for its entire duration (e.g., due to high exit barriers for the customer). Orders are generally recognized immediately when the relevant contract is considered legally effective and compulsory. The only exceptions are orders with short overall contract terms. In this case, a separate reporting of orders would provide no significant additional information regarding our performance. For orders of this type, the recognition of orders thus occurs when the corresponding revenue is recognized.

Order backlog represents an indicator for the future revenues of our Company resulting from already recognized orders. Order backlog is calculated by adding the orders of the current fiscal year to the balance of the order backlog as of the end of the prior fiscal year and then subtracting the revenue recognized in the current fiscal year. If the amount of an order already recognized in the current or the previous fiscal years is modified or if an order from the current fiscal year is cancelled, we adjust orders for the current quarter and also our order backlog accordingly, but do not retroactively adjust previously published orders. However, if an order from a previous fiscal year is cancelled, orders of the current quarter and, accordingly, the current fiscal year are generally not adjusted; instead, the existing order backlog is revised directly. Aside from cancellations, the order backlog is also subject to currency translation and portfolio effects.

There is no standard system for compiling and calculating orders and order backlog information that applies across companies. Accordingly, our orders and order backlog may not be comparable with orders and order backlog measures reported by other companies. We subject our orders and our order backlog to internal documentation and review requirements. We may change our policies for recognizing orders and order backlog in the future without previous notice.

11 | C.3 Results of operations

C.3.1 Orders and revenue by region

Orders for fiscal 2014 totaled €78.350 billion, and revenue came in at €71.920 billion. Both represented a 2% decrease year-over-year, due in part to unfavorable currency translation effects. The resulting book-to-bill ratio was 1.09 for Siemens in fiscal 2014. On a comparable basis, excluding currency translation and portfolio effects, orders and revenue both grew 1% year-over-year.

The order backlog (defined as the sum of order backlogs of the Sectors) was €100 billion as of September 30, 2014, up from €94 billion a year earlier.

| Orders (location of customer)

(in millions of €)	Year ended September 30,		% Change			therein
	2014	2013	Actual	Compa- rable ¹	Cur- rency	Port- folio
Europe, C.I.S., ²						
Africa, Middle East	41,542	43,889	(5)%	(4)%	(1)%	0%
therein Germany	10,986	11,616	(5)%	(5)%	0%	0%
Americas	20,880	21,070	(1)%	4%	(5)%	1%
therein U.S.	14,842	13,592	9%	11%	(3)%	1%
Asia, Australia	15,929	14,796	8%	12%	(4)%	0%
therein China	6,641	6,053	10%	12%	(2)%	0%
Siemens	78,350	79,755	(2)%	1%	(3)%	0%

1 Excluding currency translation and portfolio effects.

2 Commonwealth of Independent States.

Orders related to external customers in fiscal 2014 decreased 2%, largely due to a moderate decline in Infrastructure & Cities where prior-year orders included a €3.0 billion contract for trains and maintenance in the U.K. Slight decreases in Healthcare and Energy were only partially offset by order growth in Industry.

In the region **Europe, C.I.S., Africa, Middle East**, the decline in orders was due mainly to a double-digit decrease in Infrastructure & Cities caused by a lower volume from large orders compared to a year earlier. Orders came in slightly lower in the **Americas**, despite 9% order growth in the U.S. Key growth drivers here included Siemens' largest-ever order for light rail vehicles in the U.S. and a rebound in the U.S. wind business after a sharp drop in the previous year. Clear order growth in **Asia, Australia** was due in part to a higher volume from large orders in Energy. In addition, China contributed to the regional development with a sharp increase in Infrastructure & Cities and double-digit order growth in Industry.

On a global basis, orders from emerging markets, as these markets are defined by the International Monetary Fund, remained level year-over-year, and accounted for €27.471 billion, or 35%, of total orders for fiscal 2014. Comparable order growth in emerging markets was 6% year-over-year.

| Revenue (location of customer)

(in millions of €)	Year ended September 30,		% Change			therein
	2014	2013	Actual	Compa- rable ¹	Cur- rency	Port- folio
Europe, C.I.S., ²						
Africa, Middle East	38,732	39,390	(2)%	(1)%	(1)%	0%
therein Germany	10,857	10,652	2%	2%	0%	0%
Americas	18,756	19,644	(5)%	0%	(5)%	0%
therein U.S.	12,876	13,110	(2)%	1%	(3)%	1%
Asia, Australia	14,433	14,411	0%	4%	(4)%	0%
therein China	6,442	5,866	10%	12%	(2)%	0%
Siemens	71,920	73,445	(2)%	1%	(3)%	0%

1 Excluding currency translation and portfolio effects.

2 Commonwealth of Independent States.

Revenue related to external customers declined 2% compared to fiscal 2013. Clear revenue growth year-over-year in Infrastructure & Cities resulting from the continuing execution of large rolling-stock projects, was more than offset by a clear decline in Energy, which saw revenue fall in many of its businesses and in all three reporting regions. Industry revenue came in near the prior-year level and Healthcare reported a slight decline, both including unfavorable currency translation effects.

While revenue in **Asia, Australia** came in near the prior-year level, it included double-digit revenue growth in China that resulted from a sharp increase in Infrastructure & Cities and a solid contribution from Industry. In the **Americas**, revenue was lower year-over-year in all Sectors, due in part to currency translation headwinds as mentioned above. A double-digit decrease in Energy revenue in **Europe, C.I.S., Africa, Middle East** more than offset clear growth in Infrastructure & Cities. Emerging markets reported a 2% decline compared to fiscal 2013 and accounted for €24.312 billion, or 34%, of total revenue in fiscal 2014. Comparable revenue growth in emerging markets was 3% year-over-year.

Orders and revenue by quarter (in millions of €)

Orders			Revenue			Book-to-bill ratio		
Q4 2014	20,733		Q4 2014	20,621		1.01		
Q3 2014	19,284		Q3 2014	17,692		1.09		
Q2 2014	18,027		Q2 2014	16,865		1.07		
Q1 2014	20,306		Q1 2014	16,742		1.21		
Q4 2013	20,298		Q4 2013	20,559		0.99		
Q3 2013	19,928		Q3 2013	18,363		1.09		
Q2 2013	20,761		Q2 2013	17,226		1.21		
Q1 2013	18,767		Q1 2013	17,297		1.09		

C.3.2 Segment information analysis

C.3.2.1 ENERGY

Sector

(in millions of €)	Year ended September 30,		% Change		Currency	therein Portfolio
	2014	2013	Actual	Comparable ¹		
Profit	1,569	1,955	(20)%			
Profit margin	6.4%	7.3%				
Orders	28,646	28,797	(1)%	4%	(3)%	(1)%
Total revenue	24,631	26,638	(8)%	(3)%	(3)%	(1)%
External revenue	24,380	26,425	(8)%			
therein:						
Europe, C.I.S., ² Africa, Middle East	12,766	14,382	(11)%			
therein Germany	2,507	2,246	12%			
Americas	7,013	7,155	(2)%			
Asia, Australia	4,601	4,888	(6)%			

¹ Excluding currency translation and portfolio effects.

² Commonwealth of Independent States.

Energy Sector profit of €1.569 billion in fiscal 2014 was down significantly compared to a year earlier, due mainly to continuing profitability challenges including a revenue decline and a less favorable business mix. Both periods included substantial burdens on profit. In the current period, the impacts included €538 million in charges at Power Transmission and €272 million in charges at Wind Power. Burdens on Sector profit a year ago included €301 million in charges for the “Siemens 2014” program, a loss of €255 million at Siemens’ solar activities, €171 million in charges at Power Transmission, among others, €94 million in charges related to onshore wind turbine blades and €46 million in charges related to compliance with sanctions on Iran at Power Generation. The Power Generation Division increased its profit year-over-year, benefiting from a gain on the sale of the Division’s turbo fan business and a positive effect from a successful project completion. Power Transmission posted a sharply higher loss year-over-year, and Wind Power reported a loss compared to a profit in fiscal 2013.

Revenue for the Sector came in 8% lower than a year ago on decreases in all three reporting regions, reflecting weak order development at Power Generation and selective order intake at Power Transmission in the past. Power Generation and Power Transmission posted revenue declines compared to the prior year, while Wind Power clearly increased its revenue. Orders for the Sector came in 1% lower than in the prior year. On a regional basis, an increase in the Asia, Australia reporting region was more than offset by a decline in the Americas. Negative currency translation effects took three percentage points from both revenue and order development during the year. The book-to-bill ratio for Energy was 1.16, and its order backlog was €58 billion at the end of the fiscal year. Out of the order backlog as of September 30, 2014, orders of €19 billion are expected to be converted into revenue in fiscal 2015 and the remainder in the periods thereafter.

Orders by Business

(in millions of €)	Year ended September 30,		Actual	% Change Comparable ¹	Currency	therein Portfolio
	2014	2013				
Power Generation	15,478	16,366	(5)%	0%	(4)%	(2)%
Wind Power	7,748	6,593	18%	19%	(2)%	0%
Power Transmission	5,586	5,700	(2)%	2%	(4)%	0%

¹ Excluding currency translation and portfolio effects.

Revenue by Business

(in millions of €)	Year ended September 30,		Actual	% Change Comparable ¹	Currency	therein Portfolio
	2014	2013				
Power Generation	13,909	15,242	(9)%	(4)%	(3)%	(2)%
Wind Power	5,500	5,174	6%	9%	(3)%	0%
Power Transmission	5,310	6,167	(14)%	(10)%	(3)%	0%

¹ Excluding currency translation and portfolio effects.

Profit and Profit margin by Business

(in millions of €)	Year ended September 30,		Profit % Change	Profit margin Year ended September 30,	
	2014	2013		2014	2013
	Power Generation	2,186	2,126	3%	15.7%
Wind Power	(15)	306	n/a	(0.3)%	5.9%
Power Transmission	(636)	(156)	>(200)%	(12.0)%	(2.5)%

Profit at **Power Generation** in fiscal 2014 increased moderately year-over-year to €2.186 billion, despite a 9% revenue decline. The current period benefited from a €73 million gain on the sale of the Division's turbo fan business and a positive €72 million effect from a successful project completion in the turnkey business. The Division continues to face challenges in an increasingly competitive market for large gas turbines. For comparison, profit development a year earlier was held back by €163 million in "Siemens 2014" charges and €46 million in charges related to compliance with sanctions on Iran. Revenue for the Division decreased 9% year-over-year on declines in all three reporting regions, due in part to negative currency translation. Order intake was below the level of the prior year, including strong negative currency translation effects, as declines in the Americas and Europe, C.I.S., Africa, Middle East were only partially offset by an increase in Asia, Australia. On an organic basis, order intake was on the same level as in the prior year.

Wind Power reported a loss of €15 million in fiscal 2014, compared to a profit of €306 million in fiscal 2013. The Division recorded charges of €272 million for inspecting and replacing main bearings in onshore wind turbines and for repairing offshore and onshore wind blades. The revenue mix was clearly less favorable year-over-year, due to a significantly lower

contribution from the higher-margin offshore business. In addition, the Division's production costs were higher compared to the prior year. For comparison, fiscal 2013 profit was burdened by €94 million in charges related to inspecting and retrofitting onshore turbine blades, but benefited from positive effects related to project completions and the settlement of a claim related to an offshore wind-farm project. Revenue was up 6% as an increase in the onshore business, particularly in the Americas, more than offset the above-mentioned decline in the offshore business. Order intake was up significantly year-over-year as order intake in the Americas region grew sharply, driven mainly by a recovery in the U.S., the Division's largest national market for onshore wind power, from a low basis of comparison in the prior year that resulted from uncertainty about continuation of production tax incentives.

Power Transmission reported a loss of €636 million, substantially wider than the loss a year earlier mainly due to project execution challenges. In the current year, the Division took charges totaling €298 million related to two high voltage direct current (HVDC) transmission line projects in Canada, resulting from revised estimates for civil engineering and infrastructure provided by suppliers as well as penalties for associated project delays, among other factors. In addition, the Division took

charges of €240 million primarily related to grid connections to offshore wind-farms resulting from transport, installation and commissioning costs, compared to charges of €171 million in the prior year. The Division reached several material milestones with respect to its North Sea grid connection projects in fiscal 2014. Finally, profit development in fiscal 2014 was also held back by a less favorable revenue mix due to a high proportion of projects with low or negligible profit margins. In the prior

year, the Division recorded €129 million in charges for the "Siemens 2014" program. Revenue was down 14% on decreases in all reporting regions, due mainly to selective order intake in prior periods primarily in the solutions business. Order intake was down 2% year-over-year on decreases in the Americas and Asia, Australia, held back by negative currency translation effects. On an organic basis, orders grew 2%. Legacy projects are expected to hold back results going forward.

C.3.2.2 HEALTHCARE

| Sector

(in millions of €)	Year ended September 30,		% Change		therein	
	2014	2013	Actual	Comparable ¹	Currency	Portfolio
Profit	2,027	2,033	0%			
Profit margin	16.3%	16.1%				
Orders	12,819	13,004	(1)%	3%	(4)%	0%
Total revenue	12,429	12,649	(2)%	2%	(4)%	0%
External revenue	12,401	12,626	(2)%			
therein:						
Europe, C.I.S., ² Africa, Middle East	4,391	4,392	0%			
therein Germany	880	903	(2)%			
Americas	4,729	4,815	(2)%			
Asia, Australia	3,281	3,419	(4)%			

| 1 Excluding currency translation and portfolio effects.

2 Commonwealth of Independent States.

The **Healthcare** Sector delivered €2.027 billion in profit in fiscal 2014, close to the level of the prior year. Results in the current period include burdens on profit from currency effects due to the greater strength of the euro compared to fiscal 2013. These unfavorable effects were strongest at the Sector's imaging and therapy systems businesses and at Diagnostics, and they more than offset a €66 million positive effect related to the sale of a particle therapy installation in Marburg, Germany. For comparison, Sector profit in fiscal 2013 was burdened by €80 million in charges associated with the Sector's "Agenda 2013" initiative.

Despite negative currency effects, profit at **Diagnostics** rose significantly to €417 million. For comparison, profit of €350 million a year earlier was held back by €35 million in charges for the Sector's "Agenda 2013" initiative. Purchase price allocation (PPA) effects related to past acquisitions at Diagnostics were €163 million in fiscal 2014. A year earlier, Diagnostics recorded €169 million in PPA effects.

Revenue and orders for Healthcare in fiscal 2014 declined slightly year-over-year. Negative currency translation effects affected reported results for most of the Sector's businesses, and also reduced reported revenue and orders in Asia, Australia and the Americas compared to fiscal 2013. On a comparable basis, both revenue and orders were up. The book-to-bill ratio was 1.03, and Healthcare's order backlog was €4 billion at the end of fiscal 2014. Out of the order backlog as of September 30, 2014, orders of €3 billion are expected to be converted into revenue in fiscal 2015 and the remainder in the periods thereafter.

The Diagnostics business reported revenue of €3.834 billion in fiscal 2014, a 3% decrease from €3.942 billion a year earlier. A clear decline in the Americas was due primarily to headwinds from currency translation as mentioned above. On a comparable basis, Diagnostics revenue was up 1% year-over-year.

C.3.2.3 INDUSTRY

| Sector

(in millions of €)	Year ended September 30,		Actual	% Change Comparable ¹	Currency	therein Portfolio
	2014	2013				
Profit	2,252	1,563	44%			
Profit margin	13.2%	9.2%				
Orders	17,103	16,688	2%	5%	(3)%	0%
Total revenue	17,064	16,896	1%	4%	(3)%	0%
External revenue	15,346	15,256	1%			
therein:						
Europe, C.I.S., ² Africa, Middle East	8,906	8,839	1%			
therein Germany	4,141	4,145	0%			
Americas	2,592	2,718	(5)%			
Asia, Australia	3,848	3,699	4%			

| 1 Excluding currency translation and portfolio effects.

2 Commonwealth of Independent States.

In fiscal 2014, profit at **Industry** rose sharply to €2.252 billion, supported by a more favorable revenue mix and improved productivity compared to the prior year. For comparison, profit in the prior-year period was burdened by €375 million in "Siemens 2014" charges. Through most of fiscal 2014, the market environment for the Sector's businesses was clearly more favorable than a year earlier. While reported orders and revenue for the year were up 2% and 1%, respectively, both were held back by negative currency translation effects that took away three percentage points from reported growth.

On a geographic basis, order and revenue development was supported largely by growth in Asia, Australia, driven by China, and by a slight increase in Europe, C.I.S., Africa, Middle East. Reported orders and revenue in the Americas region were lower compared to the prior-year period, held back by negative currency translation effects. The book-to-bill ratio was 1.00, and Industry's order backlog was €7 billion at the end of fiscal 2014. Out of the order backlog as of September 30, 2014, orders of €5 billion are expected to be converted into revenue in fiscal 2015 and the remainder in the periods thereafter.

| Orders by Business

(in millions of €)	Year ended September 30,		Actual	% Change Comparable ¹	Currency	therein Portfolio
	2014	2013				
Industry Automation	8,412	8,143	3%	5%	(3)%	1%
Drive Technologies	9,210	9,024	2%	5%	(3)%	0%

| 1 Excluding currency translation and portfolio effects.

| Revenue by Business

(in millions of €)	Year ended September 30,		Actual	% Change Comparable ¹	Currency	therein Portfolio
	2014	2013				
Industry Automation	8,353	8,194	2%	4%	(3)%	1%
Drive Technologies	9,211	9,208	0%	3%	(2)%	0%

| 1 Excluding currency translation and portfolio effects.

Profit and Profit margin by Business

(in millions of €)	Year ended September 30,		Profit	Profit margin	
	2014	2013	% Change	2014	2013
Industry Automation	1,401	1,038	35%	16.8%	12.7%
Drive Technologies	843	527	60%	9.1%	5.7%

Profit at **Industry Automation** increased substantially year-over year to €1.401 billion on an improved business mix and higher results in all businesses, up from €1.038 billion in the prior-year period which included €114 million in “Siemens 2014” charges. Profit development further included higher revenue and lower acquisition-related effects. In particular, PPA effects related to the acquisition of UGS Corp. in fiscal 2007 were €93 million in the current period compared to €147 million a year earlier. In addition, the Division recorded PPA effects of €44 million related to LMS International NV (LMS), acquired in the second quarter of fiscal 2013. For comparison, PPA effects related to LMS in the prior year were €33 million, while deferred revenue adjustments and inventory step-ups totaled €43 million.

Order and revenue development for the Division was driven mainly by double-digit growth in Asia, Australia, led by China. In addition, order growth of 3% year-over-year included a moderate increase in the Americas. Revenue came in 2% above the prior year and included a slight increase in Europe, C.I.S.,

Africa, Middle East. Reported revenue in the Americas showed a slight decline due to unfavorable currency translation effects.

Profit at **Drive Technologies** in fiscal 2014 increased to €843 million on contributions from most of its businesses. Profit development included a higher share of revenue from the Division’s higher-margin motion control business and an improved cost position. For comparison, profit of €527 million a year earlier was burdened by €243 million in “Siemens 2014” charges. Due to unfavorable currency translation effects, reported revenue was level year-over-year while orders grew 2% on a higher volume of large internal orders from Siemens’ rail business.

On a geographic basis, double-digit order growth in China drove a moderate increase in Asia, Australia while orders in Europe, C.I.S., Africa, Middle East came in slightly above their prior-year level. Revenue was flat in these two reporting regions. Both orders and revenue came in lower in the Americas, held back by unfavorable currency translation effects.

C.3.2.4 INFRASTRUCTURE & CITIES

Sector

(in millions of €)	Year ended September 30,		% Change		therein	
	2014	2013	Actual	Comparable ¹	Currency	Portfolio
Profit	1,487	291	>200%			
Profit margin	7.9%	1.6%				
Orders	21,001	21,894	(4)%	(4)%	(2)%	2%
Total revenue	18,934	17,879	6%	6%	(3)%	3%
External revenue	18,291	17,149	7%			
therein:						
Europe, C.I.S., ² Africa, Middle East	11,560	10,494	10%			
therein Germany	2,763	2,635	5%			
Americas	4,075	4,288	(5)%			
Asia, Australia	2,656	2,367	12%			

¹ Excluding currency translation and portfolio effects.

² Commonwealth of Independent States.

In fiscal 2014, **Infrastructure & Cities** executed its projects solidly, improved its productivity, and again won a number of very large infrastructure orders. Profit for the Sector rose to €1.487 billion and all its Businesses contributed to the increase year-over-year. For comparison, profit of €291 million in the prior year was impacted by €468 million in "Siemens 2014" charges as well as project charges including charges of €270 million related to high-speed trains. Transportation & Logistics, which posted a loss in the prior fiscal year due to the project charges just mentioned and a majority share of the Sector's "Siemens 2014" charges, delivered a profit of €440 million in fiscal 2014 and made the strongest contribution to the Sector's profit improvement year-over-year. Power Grid Solutions & Products and Building Technologies improved their profits sharply year-over-year, to €566 million and €501 million, respectively. While both Businesses posted lower revenue, they improved productivity and generated a more favorable revenue mix year-over-year.

Sector revenue in fiscal 2014 rose 6% compared to the prior fiscal year, due to a double-digit increase at Transportation & Logistics. This business continued to execute large rolling stock projects won in prior periods, and also recorded four quarters of revenue from the acquisition of Invensys Rail which closed during the third quarter of the prior year. Large orders in the current period included a contract worth €1.6 billion for two driverless subway lines in Saudi Arabia. A year earlier, large orders included among others a contract worth €3.0 billion for trains and maintenance in the U.K., and as a result fiscal 2014 orders for the Sector came in 4% lower year-over-year. On a geographic basis, the Sector reported double-digit revenue increases in Asia, Australia and Europe, C.I.S, Africa, Middle East, only partly offset by a decline in the Americas. For orders, double-digit increases in the Americas and Asia, Australia were more than offset by a double-digit decline in Europe, C.I.S., Africa, Middle East. On a book-to-bill ratio of 1.11, Infrastructure & Cities' order backlog rose to €31 billion at the end of fiscal 2014. Out of the order backlog as of September 30, 2014, orders of €10 billion are expected to be converted into revenue in fiscal 2015 and the remainder in the periods thereafter.

Orders by Business

(in millions of €)	Year ended September 30,		% Change		Currency	therein Portfolio
	2014	2013	Actual	Comparable ¹		
Transportation & Logistics	9,184	10,040	(9)%	(13)%	(1)%	5%
Power Grid Solutions & Products	6,481	6,392	1%	6%	(5)%	0%
Building Technologies	5,587	5,769	(3)%	(1)%	(2)%	0%

¹ Excluding currency translation and portfolio effects.

Revenue by Business

(in millions of €)	Year ended September 30,		% Change		Currency	therein Portfolio
	2014	2013	Actual	Comparable ¹		
Transportation & Logistics	7,615	6,318	21%	14%	(2)%	8%
Power Grid Solutions & Products	6,005	6,102	(2)%	3%	(4)%	0%
Building Technologies	5,569	5,754	(3)%	(1)%	(2)%	0%

¹ Excluding currency translation and portfolio effects.

Profit and Profit margin by Business

(in millions of €)	Year ended September 30,		Profit	Profit margin	
	2014	2013	% Change	Year ended September 30,	Year ended September 30,
	2014	2013		2014	2013
Transportation & Logistics	440	(448)	n/a	5.8%	(7.1)%
Power Grid Solutions & Products	566	403	41%	9.4%	6.6%
Building Technologies	501	351	43%	9.0%	6.1%

Transportation & Logistics contributed a profit of €440 million in the current fiscal year, compared to a loss of €448 million a year earlier. Profit development in the current fiscal was driven primarily by significantly higher revenue and solid project execution. Profit also benefited from a €55 million net effect from the release of accruals related to the “Siemens 2014” program and a €27 million positive effect stemming from a change in risk assessment for a rail project. For comparison, the loss in the prior fiscal year was due to substantial profit impacts, including the above-mentioned €270 million in project charges, which stemmed from delays for receiving certification for new high-speed trains, and €267 million in “Siemens 2014” charges. Prior-year profit was also burdened by €76 million in transaction and integration costs and PPA effects of €23 million related to the acquisition of Invensys Rail, which closed during the third quarter of fiscal 2013. In fiscal 2014, full-year PPA effects related to the acquisition of Invensys Rail were €53 million and integration costs amounted to €34 million. Revenue at Transportation & Logistics rose substantially year-over-year, as the Business has been executing a number of its large rolling-stock orders. Orders declined 9% compared to fiscal 2013, due primarily to lower volume from large orders. For example, fiscal 2014 included the Business’s share of the above-mentioned €1.6 billion order from Saudi Arabia, while the prior fiscal year included the entire €3.0 billion order from the U.K. mentioned above. Both revenue and order development in fiscal 2014 benefited from the acquisition of Invensys rail.

Profit at **Power Grid Solutions & Products** rose to €566 million from €403 million in the prior fiscal year. Profit grew on improved productivity as well as a more favorable revenue mix. For comparison, profit in fiscal 2013 was burdened by €97 million in “Siemens 2014” charges. Slightly lower revenue year-over-year included declines in the Americas and the Asia, Australia regions. A slight increase in orders included the Business’s share of the above-mentioned order from Saudi Arabia. Revenue and order development in fiscal 2014 was strongly affected by negative currency translation effects. On an organic basis, revenue was up 3% and orders rose 6% year-over-year.

Building Technologies increased its profit to €501 million compared to €351 million in the prior fiscal year. Profit growth year-over-year was supported by higher productivity and a more favorable business mix related to the Division’s higher-margin product and service businesses. For comparison, profit in fiscal 2013 was held back by €100 million in “Siemens 2014” charges. Both revenue and orders declined 3% year-over-year. On a regional basis, lower volume was due mainly to the Americas.

C.3.2.5 EQUITY INVESTMENTS

In fiscal 2014, **Equity Investments** generated €328 million in profit, down from €411 million a year earlier. Profit at Equity Investments in both fiscal years included equity investment income related to our stake in BSH. Beginning with the second quarter of fiscal 2014, we started to report results related to our stake in BSH in phase with results of Siemens, rather than with the lag of one quarter. This one-time catch-up effect contributed €59 million to profit at Equity Investments in fiscal 2014. Late in the fourth quarter of fiscal 2014, we announced an agreement to sell our stake in BSH to Robert Bosch GmbH. Profit at Equity Investments in the prior year benefited from a positive effect of €301 million stemming from a partial reversal of a fiscal 2009 impairment of our stake in NSN, which was sold at the end of fiscal 2013. This positive effect was only partly offset by an equity investment loss related to our share in Unify Holdings B.V. (formerly named Enterprise Networks) of €96 million. This loss was due largely to additions to our net investment in Unify, which required us to recognize previously unrecognized losses.

C.3.2.6 FINANCIAL SERVICES (SFS)

(in millions of €)	Year ended September 30,		% Change
	2014	2013	
Income before income taxes	465	409	14%
Total assets	21,970	18,661	18%

SFS delivered €465 million in profit (defined as income before income taxes) in fiscal 2014. For comparison, profit of €409 million in the prior-year period was burdened primarily by a €52 million impairment of an equity stake in a power plant project in the U.S. SFS continued to successfully support Siemens business and grow in its focus areas leading to higher interest income and associated expenses. Total assets rose to €21.970 billion at the end of fiscal 2014, compared to €18.661 billion at the end of fiscal 2013, including positive currency translation effects and substantial early terminations of financings.

C.3.2.7 RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS

Reconciliation to Consolidated Financial Statements includes Centrally managed portfolio activities, Siemens Real Estate (SRE) and various categories of items which are not allocated to the Sectors and to SFS because the Company’s management has determined that such items are not indicative of the Sectors’ and SFS’ respective performance.

Centrally managed portfolio activities

Centrally managed portfolio activities reported a profit of €44 million in fiscal 2014, compared to a loss of €113 million in fiscal 2013. Results for the prior year included €100 million in charges related to two large projects remaining from the Metals Technologies business, formerly reported within Industry, that were not classified as discontinued operations.

Siemens Real Estate (SRE)

Income before income taxes at SRE was €241 million in fiscal 2014, compared to €168 million in fiscal 2013. As in the past, income from SRE continues to be highly dependent on disposals of real estate.

Corporate items and pensions

Corporate items and pensions reported a loss of €938 million in fiscal 2014, compared to a loss of €836 million in fiscal 2013. Within these figures, the loss at Corporate items was €545 million, compared to a loss of €419 million in fiscal 2013. The

current period included expenses resulting from changes in the fair value of warrants issued together with US\$3 billion in bonds in fiscal 2012, as well as negative effects related to legal and regulatory matters. The fair value of the warrants depends on the underlying Siemens and OSRAM share prices as well as their respective volatilities. Because this effect is accounted for in Corporate items, results for Corporate items are expected to remain variable in coming periods. Centrally carried pension expense totaled €393 million in fiscal 2014, compared to €416 million in fiscal 2013.

Eliminations, Corporate Treasury and other reconciling items

Income before income taxes from Eliminations, Corporate Treasury and other reconciling items was a negative €48 million in fiscal 2014, compared to a negative €70 million in the same period a year earlier. The change year-over-year included higher interest income from liquidity at Corporate Treasury.

C.3.3 Income

(in millions of €)	Year ended September 30,		% Change
	2014	2013	
Energy	1,569	1,955	(20)%
Healthcare	2,027	2,033	0%
Industry	2,252	1,563	44%
Infrastructure & Cities	1,487	291	>200%
Total Sectors profit	7,335	5,842	26%
Equity Investments	328	411	(20)%
Financial Services (SFS)	465	409	14%
Reconciliation to Consolidated Financial Statements	(700)	(850)	17%
Income from continuing operations before income taxes	7,427	5,813	28%
Income tax expenses	(2,028)	(1,634)	(24)%
Income from continuing operations	5,400	4,179	29%
Income from discontinued operations, net of income taxes	108	231	(53)%
Net income	5,507	4,409	25%
Net income attributable to non-controlling interests	134	126	–
Net income attributable to shareholders of Siemens AG	5,373	4,284	25%

As a result of the developments described in → C.3.2 SEGMENT INFORMATION ANALYSIS, **Income from continuing operations before income taxes** increased 28% year-over-year. With a lower effective tax rate compared to fiscal 2013 (27% in fiscal 2014 vs. 28% in fiscal 2013), **Income from continuing operations** increased 29% year-over-year.

In fiscal 2014, the hospital information system business, formerly included in the Healthcare Sector, and nearly all of the Metals Technology business, formerly included in the Industry Sector, were classified as discontinued operations. **Income from discontinued operations, net of income taxes** in fiscal 2014 was €108 million compared to €231 million a year earlier.

While Income from discontinued operations in the current period benefited from a positive €64 million tax effect related to former Communications activities, the prior year included Income from discontinued operations of €277 million related to OSRAM, which was spun off in the fourth quarter of fiscal 2013.

As a result of the changes in Income from continuing operations and Income from discontinued operations, **Net income** and Net income attributable to shareholders were 25% higher than a year earlier.

Corresponding **basic EPS** rose 25% to €6.37 compared to €5.08 in the prior year, primarily reflecting higher Net income attributable to shareholders of Siemens AG.

In fiscal 2014, **ROCE** from continuing operations was 17.2%, thus clearly returning to our target range of 15 to 20%. In fiscal 2013, ROCE from continuing operations was 13.7%. The increase was due primarily to the substantial increase in Income from continuing operations and a slightly lower average capital employed. For more detail on the calculation of ROCE, see

→ C.2.6.2 RETURN ON CAPITAL EMPLOYED (ROCE).

C.3.4 Reconciliation to adjusted EBITDA

The following table gives additional information on topics included in Profit and Income before income taxes and provides a reconciliation to adjusted EBITDA based on continuing operations.

For the fiscal years ended September 30, 2014 and 2013

(in millions of €)	Profit		Income (loss) from investments accounted for using the equity method, net	
	2014	2013	2014	2013
Sectors				
Energy Sector	1,569	1,955	129	(39)
<i>therein:</i> Power Generation	2,186	2,126	32	32
Wind Power	(15)	306	52	(8)
Power Transmission	(636)	(156)	29	20
Healthcare Sector	2,027	2,033	6	8
<i>therein:</i> Diagnostics	417	350	–	–
Industry Sector	2,252	1,563	2	(4)
<i>therein:</i> Industry Automation	1,401	1,038	–	–
Drive Technologies	843	527	2	(5)
Infrastructure & Cities Sector	1,487	291	28	26
<i>therein:</i> Transportation & Logistics	440	(448)	16	18
Power Grid Solutions & Products	566	403	10	8
Building Technologies	501	351	2	–
Total Sectors	7,335	5,842	165	(10)
Equity Investments	328	411	297	372
Financial Services (SFS)	465	409	66	85
Reconciliation to Consolidated Financial Statements				
Centrally managed portfolio activities	44	(113)	55	69
Siemens Real Estate (SRE)	241	168	–	–
Corporate items and pensions	(938)	(836)	(2)	–
Eliminations, Corporate Treasury and other reconciling items	(48)	(70)	1	(6)
Siemens	7,427	5,813	582	510

Beginning with fiscal 2015, we calculate EBITDA without the elimination of income (loss) from investments accounted for using the equity method, net.

Financial income (expenses), net		Adjusted EBIT		Amortization and impairment of other intangible assets		Depreciation and impairments of property, plant and equipment and goodwill		Adjusted EBITDA		Adjusted EBITDA margin	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
(41)	(27)	1,481	2,022	101	132	406	478	1,988	2,631	8.1%	9.9%
(22)	(16)	2,177	2,110	57	68	204	222	2,438	2,399		
(12)	(6)	(55)	320	31	32	109	103	85	454		
(10)	(10)	(655)	(167)	14	13	89	114	(552)	(39)		
23	(19)	1,999	2,045	245	266	308	311	2,551	2,622	20.5%	20.7%
25	(27)	392	377	184	196	200	211	776	784		
2	(16)	2,248	1,583	242	296	302	342	2,792	2,220	16.4%	13.1%
4	(4)	1,396	1,041	196	240	119	123	1,711	1,404		
(2)	(11)	843	542	45	56	182	219	1,070	817		
(17)	(14)	1,476	279	127	154	170	226	1,772	658	9.4%	3.7%
(12)	(7)	435	(459)	65	39	57	99	556	(321)		
(3)	(6)	560	401	22	57	70	78	652	536		
(2)	–	501	352	40	58	40	46	581	456		
(33)	(75)	7,203	5,928	715	848	1,185	1,356	9,103	8,131		
29	23	1	16	–	–	–	–	1	16		
552	389	(153)	(64)	5	5	190	225	41	166		
(2)	(2)	(9)	(180)	1	2	3	2	(5)	(177)		
(103)	(109)	344	278	1	1	263	307	608	586		
(360)	(246)	(576)	(590)	19	17	59	74	(498)	(498)		
35	30	(83)	(94)	–	–	(29)	(34)	(112)	(128)		
118	9	6,728	5,293	741	873	1,670	1,931	9,139	8,097		

C.3.5 Selected information based on new organizational structure

In May 2014, we announced a new organizational structure that became effective with the beginning of fiscal 2015. In general, financial measures presented in this Combined Management Report are based on our organizational structure during fiscal 2014. In this subchapter, we present selected financial results for fiscal 2014 and fiscal 2013 as they would have looked

if the new organizational structure as of beginning of fiscal year 2015 had already been in place. As described in more detail in → C.7 SUBSEQUENT EVENTS, Audiology Solutions, formerly reported within Healthcare, was classified as discontinued operations in the first quarter of fiscal 2015. This classification is already reflected in the numbers presented. Profit amounts are reported in accordance with our enhanced definition of segment profit, which is described in more detail in → C.2 FINANCIAL PERFORMANCE SYSTEM.

(in millions of €)	Orders		Revenue	
	Year ended September 30, 2014	2013	Year ended September 30, 2014	2013
Power and Gas	13,996	15,100	12,720	14,016
Wind Power and Renewables	7,759	6,870	5,567	5,382
Energy Management	11,210	11,405	10,708	11,672
Building Technologies	5,587	5,769	5,569	5,754
Mobility	9,280	9,707	7,249	5,823
Digital Factory	9,233	8,897	9,201	8,950
Process Industries and Drives	9,968	9,695	9,645	9,834
Healthcare	12,126	12,338	11,736	11,983
Industrial business	79,158	79,781	72,396	73,414

(in millions of €)	Profit		Profit margin	
	Year ended September 30, 2014	2013	Year ended September 30, 2014	2013
Power and Gas	2,215	2,129	17.4%	15.2%
Wind Power and Renewables	6	7	0.1%	0.1%
Energy Management	(86)	254	(0.8)%	2.2%
Building Technologies	511	377	9.2%	6.6%
Mobility	532	(232)	7.3%	(4.0)%
Digital Factory	1,681	1,320	18.3%	14.8%
Process Industries and Drives	773	510	8.0%	5.2%
Healthcare	2,072	2,123	17.7%	17.7%
Industrial business	7,703	6,488	10.6%	8.8%
Financial Services	466	410		
Reconciliation to Consolidated Financial Statements	(862)	(1,177)		
Income from continuing operations before income taxes	7,306	5,722		
Income tax expenses	(2,014)	(1,652)		
Income from continuing operations	5,292	4,070		
Income from discontinued operations, net of income taxes	215	340		
Net income	5,507	4,409		

C.4.1 Principles and objectives of financial management

Siemens is committed to a strong financial profile, which provides the financial flexibility to achieve growth and portfolio optimization goals largely independent of capital market conditions.

Financial management at Siemens is executed according to applicable laws and internal guidelines and regulations. It includes the following activities:

LIQUIDITY MANAGEMENT

Siemens' principal source of financing is cash inflows from operating activities. Corporate Treasury generally manages cash and cash equivalents for Siemens and has primary responsibility for raising funds in the capital markets for Siemens through various debt products, with the exception of countries with conflicting capital market controls. The relevant consolidated subsidiaries in these countries obtain financing primarily from local banks. Siemens follows a prudent borrowing policy that is aimed towards a balanced financing portfolio, a diversified maturity profile and a comfortable liquidity cushion. Especially since the beginning of the global financial markets crisis, Siemens monitors very closely the funding options available in the capital markets, trends in the availability of funds and the cost of such funding in order to evaluate possible strategies regarding its financial and risk profile.

CASH MANAGEMENT

Cash management comprises the management of bank partner relationships and bank accounts as well as the execution of payments, including the administration of cash pools, on a global level. Siemens strives to raise efficiency and transparency through a high level of standardization and continuous advancement of payment processes. Where permissible, the execution of intercompany and third party payments is effected centrally through group-wide tools with central controls to ensure compliance with internal and external guidelines and requirements. To ensure efficient management of Siemens' funds, Corporate Treasury has established a central cash management approach: to the extent legally and economically feasible, funds are pooled and managed centrally by Corporate Treasury. Conversely, funding needs within Siemens are covered centrally by Corporate Treasury via intercompany current accounts and/or loans where legally and economically feasible.

FINANCIAL RISK MANAGEMENT

Investments of cash and cash equivalents are subject to credit requirements and counterparty limits. Corporate Treasury pools and centrally manages Siemens' interest rate exposure as well as certain commodity, currency and credit risk exposures

and uses financial derivative instruments in transactions with external financial institutions to offset such concentrated exposures. Especially since the beginning of the global financial market crisis, Siemens monitors very closely the counterparty risk in its financial assets and financial derivative instruments. For more detailed information about financial risk management at Siemens, see → NOTE 31 in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

MANAGEMENT OF POST-EMPLOYMENT BENEFITS

Siemens' funding policy for post-employment-benefits is part of its overall commitment to sound financial management, which includes a continuous analysis of the structure of its pension liabilities. For more detailed information about Siemens' pension plan funding, see → NOTE 22 in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CAPITAL STRUCTURE MANAGEMENT

To effectively manage Siemens' capital structure, Siemens seeks to maintain ready access to the capital markets through various debt products and to preserve its ability to repay and service its debt obligations over time.

C.4.2 Capital structure

As of September 30, 2014 and 2013 our capital structure was as follows:

(in millions of €)	September 30,		% Change
	2014	2013	
Total equity attributable to shareholders of Siemens AG	30,954	28,111	10%
As percentage of total capital	60%	58%	
Short-term debt and current maturities of long-term debt	1,620	1,944	
Long-term debt	19,326	18,509	
Total debt	20,947	20,453	2%
As percentage of total capital	40%	42%	
Total capital (total equity and total debt)	51,900	48,564	7%

For information on changes in equity and debt, see → C.5 NET ASSETS POSITION.

We believe that sustainable revenue and profit development is supported by a healthy capital structure. A key consideration of our capital structure management is to maintain ready access to the capital markets through various debt products and to preserve our ability to repay and service our debt obligations

over time. In fiscal 2014, the target range for our capital structure was 0.5 – 1.0. The ratio is defined as the item Industrial net debt divided by the item Adjusted EBITDA. This financial performance measure indicates the approximate amount of time in years that would be needed to cover industrial net debt through continuing income, without taking into account interest, taxes, depreciation and amortization.

Our capital structure ratio as of September 30, 2014 decreased to 0.15 from 0.35 a year earlier. The change was due to a decrease in industrial net debt and an increase in adjusted EBITDA compared to the prior year. We actively manage this ratio through our ongoing share buybacks. Our announced acquisitions and divestments of businesses will also have a noticeable impact on it in fiscal 2015.

For further information on the calculation of adjusted EBITDA and its changes, see → C.3.4 RECONCILIATION TO ADJUSTED EBITDA. For further information with respect to our capital structure, the calculation of industrial net debt and its changes, and our credit rating, see → NOTE 26 in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

C.4.3 Investing activities

Additions to intangible assets and property, plant and equipment from continuing operations was €1.831 billion in fiscal 2014, nearly unchanged from the level in the same period a year earlier. In fiscal 2014, we directed €1.356 billion of these additions to intangible assets and property, plant and equipment within the Sectors to investments for technological innovations, extending our capacities for designing, manufacturing and marketing new solutions and for the necessary replacements of fixed assets. The majority of the additions in fiscal 2014 took place in the focus areas of investing activities of the former Sectors described below, which will basically continue to be the focus areas regarding the investing activities of the Industrial Business in fiscal 2015. The remaining portion in fiscal 2014, €475 million, related mainly to SRE and its responsibility for uniform and comprehensive management of Company real estate worldwide.

The businesses of the former Energy Sector includes investments mainly in improving its global footprint to secure competitiveness by improving its cost position and strengthening technological innovations. These investments include mainly spending in capacities and facilities related to the business of the former Power Generation Division, such as new test facilities for highly efficient gas turbines, and for the technology-driven wind power market, particularly in northern Europe.

Healthcare’s investments are mainly driven by the medical imaging and therapy systems and laboratory diagnostics businesses. Large parts of the additions are related to intangible assets, such as licenses as well as developing and implementing software and IT solutions.

The businesses of the former Industry Sector spend a large portion of its additions to intangible assets, particularly software, and property, plant and equipment for additional capacities for innovative products, for optimization of its global footprint; and for the replacement of fixed assets.

The businesses of the former Infrastructure & Cities Sector spend large amounts of their additions to intangible assets and property, plant and equipment for investments in innovations at the former Power Grid Solutions & Products Business, particularly including the business activities of the former Low and Medium Voltage Division, and at the Building Technologies Division. The businesses also invest significant amounts in the replacement and expansion of technical equipment in order to improve productivity and their respective positions in growing market segments, particularly at the former Transportation & Logistics Business.

The changes of additions to intangible assets and property, plant and equipment from fiscal 2013 to 2014 were as follows:

Additions to intangible assets and property, plant and equipment (in millions of €)			
Siemens (continuing operations)			
FY 2014	1,831		1%
FY 2013	1,808		
Energy Sector			
FY 2014	449		6%
FY 2013	425		
Healthcare Sector			
FY 2014	303		26%
FY 2013	241		
Industry Sector			
FY 2014	358		(7)%
FY 2013	384		
Infrastructure & Cities Sector			
FY 2014	247		3%
FY 2013	239		

For information with respect to acquisitions of businesses, see → C.1.1.2 BUSINESS DESCRIPTION.

C.4.4 Cash flows

Cash flows

(in millions of €)	Continuing operations		Discontinued operations		Continuing and discontinued operations	
	Year ended September 30,		Year ended September 30,		Year ended September 30,	
	2014	2013	2014	2013	2014	2013
Cash flows from:						
Operating activities	7,230	7,186	(131)	154	7,100	7,340
Investing activities	(4,364)	(4,759)	339	(317)	(4,026)	(5,076)
<i>therein: Additions to intangible assets and property, plant and equipment</i>	<i>(1,831)</i>	<i>(1,808)</i>	<i>(67)</i>	<i>(204)</i>	<i>(1,898)</i>	<i>(2,012)</i>
Free cash flow	5,399	5,378	(198)	(50)	5,201	5,328
Financing activities	(4,485)	(3,715)	(2)	319	(4,487)	(3,396)

Cash flows from operating activities – Continuing operations provided cash from operating activities of €7.230 billion in fiscal 2014, nearly unchanged from the level a year earlier. In both periods, the major component of cash inflows was income from continuing operations, which increased to €5.400 billion in fiscal 2014 from €4.179 billion in the prior year. Included therein were amortization, depreciation and impairments of €2.411 billion in the current period and €2.804 billion in the prior year. A decrease in operating net working capital led to cash inflows of €0.1 billion in the current period compared to outflows of €1.7 billion due to a build-up in operating net working capital a year earlier. The positive change year-over-year in operating net working capital related mainly to Energy, in particular to the Wind Power Division, and to Infrastructure & Cities' Transportation & Logistics Business. In fiscal 2014 we recorded negative effects related to changes in other assets and liabilities, particularly personnel-related liabilities, compared to positive effects in the prior year. The current period included cash outflows of approximately €0.5 billion corresponding to charges to income taken for the "Siemens 2014" program, compared to €0.4 billion in such outflows in the prior year.

Discontinued operations used cash of €131 million in fiscal 2014, compared to cash provided of €154 million in the prior year, which included significant cash inflows at OSRAM.

Cash flows from investing activities – Cash used in investing activities for continuing operations amounted to €4.364 billion in fiscal 2014, compared to cash used of €4.759 billion in the prior year. In the current period, cash outflows from investing activities were due mainly to two factors. Firstly, SFS executed its planned asset growth during fiscal 2014 and we recorded cash outflows totaling €2.501 billion for a net increase in new business volume at SFS. Secondly, we had additions to intangible assets and property, plant and equipment of €1.831 billion, which related mainly to investments within the Sectors.

For comparison, the prior year included cash outflows from the financing activities at SFS of €2.175 billion and additions to intangible assets and property, plant and equipment of €1.808 billion. In the prior year, cash outflows for acquisitions of businesses, net of cash acquired, totaled €2.786 billion. This total included the preliminary purchase price (excluding cash acquired) of €1.987 billion related to Infrastructure & Cities' acquisition of Invensys Rail, and €670 million related to Industry's acquisitions of LMS International NV. Also in the prior year cash inflows from the disposal of investments, intangibles and property, plant and equipment were €2.462 billion. This total included proceeds of €1.7 billion relating to the sale of our 50% stake in NSN and €0.3 billion relating to the sale of our AtoS convertible bonds.

Discontinued operations provided cash of €339 million in fiscal 2014, compared to cash used of €317 million in the prior year. The current period included proceeds (excluding cash sold) of €0.5 billion related to the sale of the Water Technologies Business Unit.

Free cash flow from continuing and discontinued operations of €5.201 billion in fiscal 2014 was near the high level of the prior year. On a sequential basis, Free cash flow during fiscal 2014 and fiscal 2013 developed as follows:

Free cash flow (in millions of €) ¹		
Q4 2014	3,450	
Q3 2014	1,048	
Q2 2014	1,402	
Q1 2014	(699)	
Q4 2013	4,336	
Q3 2013	1,053	
Q2 2013	1,335	
Q1 2013	(1,395)	

¹ Continuing and discontinued operations.

Cash flows from financing activities – Financing activities for continuing operations used cash of €4.485 billion in fiscal 2014, compared to cash used of €3.715 billion a year earlier. In the current period, the major cash outflows were dividends of €2.533 billion paid (for fiscal 2013) to shareholders of Siemens AG and the repayment of €1.452 billion in long-term debt. In addition we recorded cash outflows of €1.066 billion for the purchase of treasury shares under Siemens' share buyback program and paid interest totaling €617 million. These cash outflows were partly offset by cash inflows of €801 million from the change in short-term debt and other financing activities related to the issuance of commercial paper and by proceeds of €527 million from the issuance of long-term debt, related to a total of US\$700 million in privately placed floating-rate instruments. For comparison, in the prior year we paid dividends of €2.528 billion (for fiscal 2012) to shareholders of Siemens AG and €2.927 billion for the repayment of long-term debt. We recorded €1.394 billion in cash outflows for the purchase of treasury shares and €479 million for the payment of interest. In the prior year these cash outflows were partly offset by cash inflows from the issuance of long-term debt totaling €3.772 billion.

C.4.5 Capital resources and requirements

Our capital resources consist of a variety of short- and long-term instruments including debt instruments and credit facilities. In addition to cash and cash equivalents and available-for-sale financial assets, liquid resources consist of future cash flows from operating activities.

Our capital requirements include, among others, scheduled debt service, regular capital spending, ongoing cash requirements from operating and SFS financing activities, dividend payments, pension plan funding, portfolio activities and share buybacks.

DEBT AND CREDIT FACILITIES

As of September 30, 2014 we recorded in total €18.2 billion in bonds, €1.7 billion in loans from banks, €0.9 billion in other financial indebtedness, primarily consisted of US\$-commercial paper, and €0.1 billion in obligations under finance leases.

Below we present the maturity profile of our assignable and term loans and our bonds, issued mainly in Euro and US\$ and to a lower extent in £, as of September 30, 2014:

Bonds and loans maturity profile
(nominal amounts outstanding in billions of €)



- 1 The maturity of the hybrid bond depends on the exercise of a call option: the bond is callable by us in September 2016 and thereafter, with a final legal maturity ending in September 2066.
- 2 We may redeem, at any time, all or some of US\$-notes, issued in August 2006, at the early redemption amount (call) according to the conditions of the notes.

In order to optimize the Company's position with regard to interest income and interest expense, and to manage the associated interest rate risk, Corporate Treasury uses derivative financial instruments to comprehensively and actively manage our interest rate risk relative to a benchmark. The interest rate risk relating to SFS is managed separately, considering the term structure of SFS's financial assets and liabilities.

We have three credit facilities at our disposal for general corporate purposes. The credit facilities as of September 30, 2014 consisted of €6.8 billion in committed, unused lines of credit.

Further information about our debt and credit facilities, interest rate risk management and the use of financial instruments for hedging purposes is provided in → NOTES 21, 30 AND 31 in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

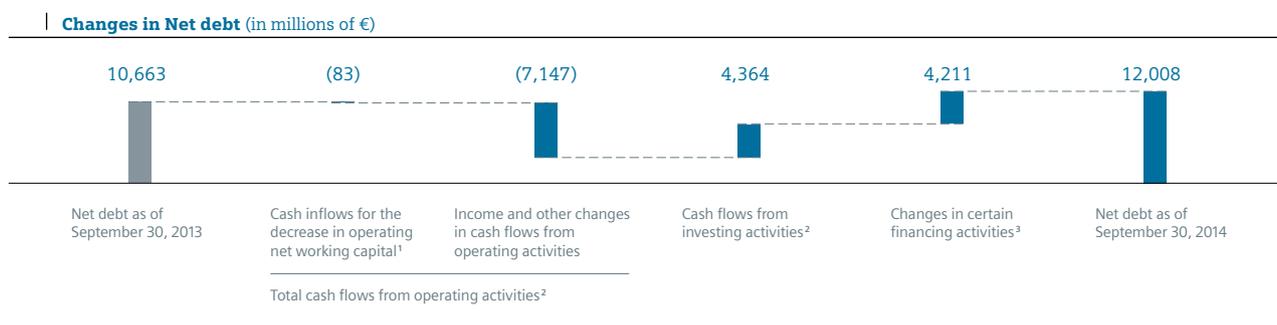
NET DEBT

Net debt results from total debt less total liquidity. Total liquidity refers to the liquid financial assets we have available at the end of a reporting period to fund our business operations and pay for near-term obligations. Total liquidity comprises Cash and cash equivalents as well as current Available-for-sale financial assets, as stated in the Consolidated Statements of Financial Position. Management uses the Net debt measure for internal finance management, as well as for external communication with investors, analysts and rating agencies.

(in millions of €)	September 30,	
	2014	2013
Short-term debt and current maturities of long-term debt	1,620	1,944
Long-term debt	19,326	18,509
Total debt	20,947	20,453
Cash and cash equivalents	(8,013)	(9,190)
Available-for-sale financial assets (current)	(925)	(601)
Total liquidity	(8,938)	(9,790)
Net debt¹	12,008	10,663

¹ We typically need a considerable portion of our cash and cash equivalents and our current available-for-sale financial assets for purposes other than debt reduction. The deduction of these items from total debt in the calculation of Net debt therefore should not be understood to mean that these items are available exclusively for debt reduction at any given time.

The changes in Net debt from fiscal 2013 to 2014 may also be presented as follows:



¹ In fiscal 2014, cash inflows for the decrease in operating net working capital included cash inflows for inventories less advance payments received of €336 million, for trade and other receivables of €200 million, for trade

payables of €205 million and cash outflows for billings in excess of costs and in estimated earnings on uncompleted contracts and related advances of €657 million.

² Continuing operations.

³ Included cash flows relating to certain financing activities such as dividends paid and purchase of treasury shares as well as effects without cash flow impact such as from currency translations.

OFF-BALANCE-SHEET COMMITMENTS

As of September 30, 2014 and 2013 we recorded €6.687 billion and €5.970 billion, respectively, of the undiscounted amount of maximum potential future payments related to guarantees. The increase in these commitments included guarantees related to the disposition of businesses and agreements related to our project businesses. As of September 30, 2014 and 2013 we recorded also €3.217 billion and €3.120 billion, respectively, of future payment obligations under non-cancellable operating leases and €132 million and €223 million, respectively, for commitments to make capital contributions to the equity of various companies.

Further information about these off-balance-sheet commitments is provided in → NOTE 27 in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

As of September 30, 2014 and 2013 we recorded also irrevocable loan commitments of €3.604 billion and €2.950 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. The increase in these commitments year-over-year was due mainly to new business volume at SFS, including positive currency translation effects.

OTHER CAPITAL RESOURCES AND REQUIREMENTS

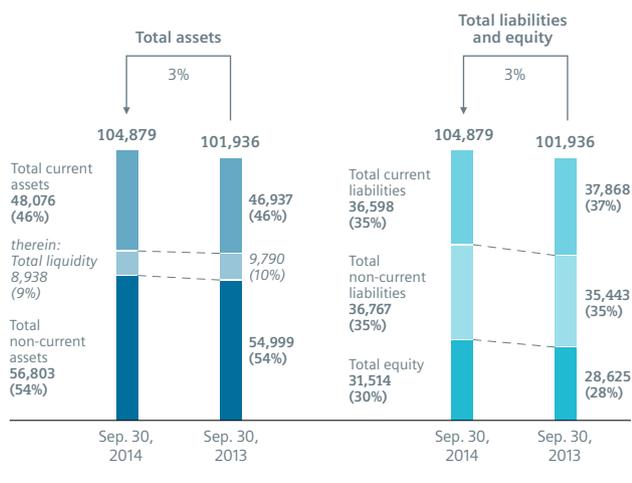
For information related to the expected payments for dividend and share buybacks, see → C.2.5 DIVIDEND AND SHARE BUYBACKS.

For information related to expected cash inflows and outflows in connection with portfolio transactions, see → NOTE 4 in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

With our ability to generate positive operating cash flows, our total liquidity of €8.9 billion and our €6.8 billion in unused lines of credit and given our credit ratings at year-end, we believe that we have sufficient flexibility to fund our capital requirements. Also in our opinion, our working capital is sufficient for our present requirements.

C.5 Net assets position

Structure of Consolidated Statements of Financial Position (in millions of €)



Our total assets in fiscal 2014 were influenced by positive currency translation effects of €2.8 billion, led by the US\$. Within total assets of €104.879 billion, total assets related to SFS increased to €21.970 billion as of September 30, 2014 from €18.661 billion a year earlier. Within total liabilities, SFS debt increased to €18.663 billion from €15.600 billion a year earlier. Both changes were driven by planned asset growth at SFS during fiscal 2014. SFS assets represented 21% of Siemens' total assets as of September 30, 2014, compared to 18% a year earlier. SFS debt represented 18% of Siemens total liabilities and equity, compared to 15% at the end of fiscal 2013.

During fiscal 2014 we classified a number of businesses as held for disposal. These classifications affected a number of line items in our Consolidated Statements of Financial Position, which are noted in the discussion below. The relevant businesses include the following: the Metals Technologies business formerly within Industry, the Hospital Information System business and Microbiology business formerly within Healthcare, and our equity investment stake in BSH.

(in millions of €)	September 30,	
	2014	2013
Cash and cash equivalents	8,013	9,190
Available-for-sale financial assets	925	601
Trade and other receivables	14,526	14,853
Other current financial assets	3,710	3,250
Inventories	15,100	15,560
Current income tax assets	577	794
Other current assets	1,290	1,297
Assets classified as held for disposal	3,935	1,393
Total current assets	48,076	46,937

Cash and cash equivalents decreased by €1.177 billion from the prior-year level. For detailed information regarding the change, see → C.4.4 CASH FLOWS.

The line items Trade and other receivables and Inventories decreased by €328 million and €461 million, respectively, year-over-year. The main factor in the decreases was assets related to the Metals Technologies business, which were classified as held for disposal. These decreases were partly offset by positive currency translation effects.

The line item Other current financial assets increased by €461 million year-over-year, which included higher loans receivables of SFS.

Assets classified as held for disposal increased by €2.542 billion due mainly to the classification of assets related to the Metals Technologies business, our stake in BSH and the Hospital Information System business. This increase was partly offset by a reduction in assets due to the sale of the Water Technologies business.

(in millions of €)	September 30,	
	2014	2013
Goodwill	17,783	17,883
Other intangible assets	4,560	5,057
Property, plant and equipment	9,638	9,815
Investments accounted for using the equity method	2,127	3,022
Other financial assets	18,416	15,117
Deferred tax assets	3,334	3,234
Other assets	945	872
Total non-current assets	56,803	54,999

Goodwill decreased slightly to €17.783 billion as of September 30, 2014 compared to €17.883 billion a year earlier. The decrease was mainly related to goodwill in the Metals Technologies, Hospital Information System and Microbiology businesses, which were classified as assets classified as held for disposal. This decrease was nearly offset by positive currency translation effects.

Other intangible assets decreased to €4.560 billion as of September 30, 2014, compared to €5.057 billion a year earlier. The major factor in the decrease was amortization.

Investments accounted for using the equity method decreased by €894 million year-over-year. The main factor was the classification of our stake in BSH as assets classified as held for disposal, partly offset by an investment in the joint venture related to the TurboCare Business Unit within Energy.

The line item Other financial assets increased to €18.416 billion as of September 30, 2014 compared to €15.117 billion a year earlier. The change was due primarily to higher loans receivable driven by planned asset growth at SFS in fiscal 2014 and also to a minor extent positive currency effects.

(in millions of €)	September 30,	
	2014	2013
Short-term debt and current maturities of long-term debt	1,620	1,944
Trade payables	7,594	7,599
Other current financial liabilities	1,717	1,515
Current provisions	4,354	4,485
Current income tax liabilities	1,762	2,151
Other current liabilities	17,954	19,701
Liabilities associated with assets classified as held for disposal	1,597	473
Total current liabilities	36,598	37,868

Short-term debt and current maturities of long-term debt decreased by €324 million year-over-year. The main factors in the decrease were the redemption of €1.0 billion in 5.375% p.a. instruments and €400 million in 0.375% p.a. instruments, partly offset by the issuance of commercial paper.

Other current liabilities decreased to €17.954 billion as of September 30, 2014 from €19.701 billion a year earlier. The main factors were a decrease in billings in excess of costs and estimated earnings on uncompleted contracts and related advances, mainly in Energy and Industry, and, to a lesser extent, lower personnel-related liabilities. The decrease in Industry related primarily to the Metals Technologies business, where liabilities were classified as liabilities associated with assets classified as held for disposal.

Liabilities associated with assets classified as held for disposal increased to €1.597 billion as of September 30, 2014 from €473 million a year earlier. The main factor in the increase was the above-mentioned classification of liabilities associated within Metals Technologies business.

(in millions of €)	September 30,	
	2014	2013
Long-term debt	19,326	18,509
Post-employment benefits	9,324	9,265
Deferred tax liabilities	552	504
Provisions	4,071	3,907
Other financial liabilities	1,620	1,184
Other liabilities	1,874	2,074
Total non-current liabilities	36,767	35,443

Long-term debt increased by €817 million as of September 30, 2014, compared to the prior year, due mainly to positive currency translation effects and the issuance of US\$700 million in privately placed floating-rate instruments.

As of September 30, 2014, the funded status of our defined benefit plans showed an underfunding of €9.1 billion, unchanged from the prior year. Within these figures, underfunding for pension plans amounted to €8.5 billion, as of September 30, 2014 and 2013, respectively. An increase in our defined benefit obligation (DBO) by €2.418 billion mainly resulted from the impact of decreasing market interest rates which was offset partly by the effect of a refined determination of the discount rate. At the same time, plan assets increased by €2.427 billion due mainly to a positive return, primarily driven by fixed-income and equity investments.

(in millions of €)	September 30,	
	2014	2013
Total equity attributable to shareholders of Siemens AG	30,954	28,111
<i>Equity ratio</i>	<i>30%</i>	28%
Non-controlling interests	560	514
Total liabilities and equity	104,879	101,936

Total equity attributable to shareholders of Siemens AG increased from €28.111 billion at the end of fiscal 2013 to €30.954 billion at the end of fiscal 2014. In fiscal 2014, the main factors relating to the increase in total equity attributable to shareholders of Siemens AG were €5.373 billion in net income attributable to shareholders of Siemens AG and €825 million in other comprehensive income, net of income taxes. These increases were partly offset by dividend payments of €2.533 billion (paid for fiscal 2013) and the repurchase of 11,331,922 treasury shares at average costs per share of €95.27 totaling €1.080 billion (including incidental transaction charges).

For additional information on our net assets position, see the corresponding notes in → **D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.**

11 | C.6 Overall assessment of the economic position

We reached most of the goals for fiscal 2014 that we set in our Annual Report for fiscal 2013, particularly including 1% organic revenue growth and net income and basic EPS (net income) growth of well over 15% compared to the prior year. We also achieved a return on capital employed (ROCE) in our target range. Among the primary measures of our economic position, only our capital structure ratio was outside the target range, as we kept our capital structure conservative in fiscal 2014.

During the fiscal year, we finished the remaining measures from the “Siemens 2014” program, which helped to increase our cost productivity. Furthermore, we initiated “Vision 2020,” a long-term and comprehensive concept for sustainable value creation. With this concept we aim to achieve profitable growth through greater customer proximity and accelerated innovation, while further optimizing our portfolio, streamlining our management structures and processes, and fostering an “ownership culture” throughout the Company.

Revenue for fiscal 2014 was €71.920 billion, a 2% decline compared to the prior fiscal year. Within the change, Infrastructure & Cities and Industry reported higher revenue while Energy and Healthcare reported declines. Overall, the decline was due to negative currency translation effects. On an organic basis, excluding currency translation and portfolio effects, revenue was up 1% year-over-year, with three Sectors contributing to the increase and only Energy reporting a decline year-over-year. This fulfilled our expectation that organic revenue would remain near the prior-year level in fiscal 2014.

Orders for fiscal 2014 were €78.350 billion, fulfilling our expectation for a book-to-bill ratio above 1, which came in at 1.09. Order development followed the pattern for revenue: while reported orders were 2% lower year-over-year, organic orders were up 1% on increases in three of the four Sectors. Energy and Infrastructure & Cities again won large order volumes from major contract wins, demonstrating the trust that customers place in our ability to execute large projects despite setbacks in certain project businesses in recent years. While Energy’s Wind Power Division achieved a strong order increase year-over-year, the volume from large orders at Infrastructure & Cities came in lower than a year earlier, when the Sector won an extraordinarily large contract worth €3.0 billion in the U.K.

Total Sectors profit for fiscal 2014 was €7.335 billion. As expected, this was a substantial increase from €5.842 billion a year earlier, when the Sectors took €1.2 billion in charges for the “Siemens 2014” productivity improvement program.

Higher Total Sectors profit was the main driver for growth in net income and basic EPS from net income. These primary

indicators of our economic performance rose 25% year-over-year to €5.507 billion and €6.37, respectively, which clearly fulfilled our forecast for an increase of basic EPS from net income of at least 15%.

Total Sectors profit margin in fiscal 2014 was 10.0%, in the middle of our forecast of 9.5% to 10.5% given in our Annual Report for fiscal 2013. Infrastructure & Cities and Industry were key drivers in meeting this expectation, as both Sectors showed impressive performance improvements in fiscal 2014. Healthcare maintained its profit and profit margin near the high level achieved in the prior fiscal year. In contrast, the performance of the Energy Sector was disappointing. Profit fell significantly and, contrary to our expectation, profit margin also declined year-over-year due mainly to sharply higher project-related charges.

The Sectors’ results regarding adjusted EBITDA margin followed the same pattern. Infrastructure & Cities and Industry increased their EBITDA margins significantly year-over-year, with the former re-entering its target range and the latter approaching the top of its target range. Healthcare again achieved an EBITDA margin above its target corridor. Energy fell even further below its EBITDA margin range than it was in fiscal 2013.

ROCE is a primary measure of our capital efficiency. As we forecast in our Annual Report for fiscal 2013, ROCE for continuing operations for fiscal 2014 returned to the target range of 15% to 20%. We increased our income compared to a year earlier and decreased our average capital employed slightly year-over-year. As a result, ROCE for continuing operations rose to 17.2% from 13.7% in fiscal 2013.

Free cash flow from continuing and discontinued operations for fiscal 2014 came in at €5.201 billion, 2% lower than the high level we achieved a year earlier. While cash inflows from operating activities declined moderately year-over-year, we partly offset this change by reducing cash outflows for investments in intangible assets and property, plant and equipment.

Our primary measure for evaluating our capital structure is defined as the ratio of industrial net debt to adjusted EBITDA. Our target for this ratio in fiscal 2014 was 0.5 to 1.0. As the net result of the portfolio measures that we initiated in fiscal 2014 is expected to result in a significant net cash outflow in fiscal 2015, we kept our capital structure in fiscal 2014 more conservative. As a result of a combination of sharply lower industrial net debt and clearly higher EBITDA from continuing operations year-over-year the ratio declined to 0.15, down from 0.35 a year earlier. Thus we did not fulfill our forecast for the capital structure ratio, which was to approach the lower end of the target range.

Our “Vision 2020” concept mentioned above, which was initiated in fiscal 2014, focuses Siemens on profitable growth along the value chain of electrification. During the year we announced a number of portfolio changes for this purpose, including acquisition of two major energy businesses: the Rolls-Royce aero-derivative gas turbine and compressor business and the Dresser-Rand oil and gas equipment business. We have also announced planned divestments of our hearing aid business and our stake in the home appliance business BSH. To streamline our processes, we reduced layers of management by eliminating the Sector structure and reducing the number of our Divisions, effective with the beginning of fiscal 2015. We also streamlined our regional go-to-market structure, with a smaller number of entities that have greater ability to penetrate

attractive geographic markets and get closer to our customers. With regard to innovation, we expect to intensify R&D activities e.g. to shorten product development cycles and increase our application of new technologies, such as data analytics. To better balance risks and rewards when we take on innovative projects, we intend to explicitly rely on our so-called corporate memory as an early-warning system that takes advantage of the experience and expertise we already possess.

We intend to continue providing an attractive return to shareholders. As in the past, we intend to fund the dividend payout from Free cash flow. The Siemens Managing Board, in agreement with the Supervisory Board, proposes a dividend of €3.30 per share, up from €3.00 a year earlier.

|| | C.7 Subsequent events

In November 2014, we announced the sale of our hearing aid business to the investment company EQT and the German entrepreneurial family Strüngmann as co-investors. The transaction volume is €2.15 billion plus an earn-out component and includes that the new owners will also be allowed to continue using the Siemens product brand for the hearing aid business over the medium term. The hearing aid business so far represents a Business Unit within Healthcare. The transaction is subject to approval by the regulatory authorities. Closing is expected in the first quarter of calendar year 2015. The hearing aid business is presented as held for disposal and discontinued operations since the first quarter of fiscal 2015.

C.8.1 Sustainability at Siemens

C.8.1.1 OVERVIEW

Siemens has defined sustainability to mean achieving profitable and long-term growth, acting responsibly on behalf of future generations and to keep the three dimensions of sustainability – people, planet, profit – in balance. We are aware of the associated high standards and the possibility of conflicting goals. Nevertheless, we are convinced that sustainability, especially in the sense of resource efficiency is a business opportunity, and worth seizing.

Sustainability is a guiding principle within our Company, incorporated in our philosophy, central theme of our corporate strategy, and integral part of the Siemens Management model. In our Sustainability activities we focus on three areas: “Sustainable business practices,” “Contribution to our customers’ competitiveness,” and “Contribution to sustainable development of societies” in order to achieve sustainable progress for Siemens, its customers and societies.

- > “Sustainable business practices” comprises our commitment to embedding sustainability throughout our organization and operations. We want to be a role model ourselves and walk the talk across all areas of the Company covering operational businesses, countries, and corporate functions.
- > The second area means that we contribute to our customers’ competitiveness with our products, solutions and services and enable them to increase energy efficiency, save resources and reduce carbon emissions at a significant cost advantage.
- > Siemens contributes to the sustainable development of societies with its innovative products and solutions, local operations, thought leadership and the fostering of long-term relationships with local communities through Corporate Citizenship projects with partners.

C.8.1.2 SUSTAINABILITY MANAGEMENT AND ORGANIZATION

The importance we attach to the topic of sustainability is evident in its central position within the Company’s organization and in our programs and the measures we execute. Efficient sustainability management is a company-wide task that requires a clear organizational structure and a thorough anchoring of sustainability in our corporate culture. All our sustainability activities are steered by the **Chief Sustainability Officer**, who is a member of our Managing Board. In order to coordinate and manage our sustainability activities efficiently, we established the Siemens Sustainability Board, the Sustainability Office and the Siemens Sustainability Advisory Board.

The **Siemens Sustainability Board**, which is chaired by the Chief Sustainability Officer, is the central steering committee for sustainability at Siemens. In its regular meetings it directs our sustainability activities as part of our sustainable strategy and adopts appropriate measures and initiatives. Our Chief Sustainability Officer also manages the **Sustainability Office**, which is responsible for driving sustainability further within Siemens and for coordinating the sustainability activities and other company-wide programs and measures.

To help us maintain an objective perspective on our sustainability challenges and performance, we have also created the **Siemens Sustainability Advisory Board**, composed of eight eminent figures in science and industry from a range of disciplines and regions of the world. None are employees of Siemens. Furthermore, a network of assigned Sustainability Managers in the businesses and regional units ensure that sustainability measures are implemented and multiplied throughout the Company.

C.8.1.3 COLLABORATING FOR SUSTAINABILITY

Our sustainability efforts are based on our Business Conduct Guidelines, which provide the ethical and legal framework within which we conduct our business activities. They contain the basic principles and rules for our conduct internally and externally. Specific issues, such as those relating to the environment, are covered in more detailed regulations and guidelines. The Business Conduct Guidelines are binding for all companies controlled by Siemens.

Furthermore, we believe that close collaboration with stakeholders supports us in addressing complex, interlocking sustainability challenges and topics. Maintaining an intensive dialogue with partners along the supply chain and with external stakeholder groups and organizations is important for us: Siemens is actively engaged with leading global sustainability organizations, such as the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI). We also liaise regularly with a broad group of stakeholders on key sustainability issues, track their most material topics and use them as guide for our activities.

In addition, we are committed to international standards and guidelines for sustainability. For example, we signed on to the United Nations Global Compact in 2003 and became a signatory to the Global Compact’s CEO Water Mandate in 2008; since fiscal 2011, we are a member of the steering committee of the Global Compact’s “Caring for Climate” initiative. We regularly report on our sustainability performance using the guidelines (G3.0) of the Global Reporting Initiative (GRI), which aim at high transparency and comparability for corporate sustainability reporting.

C.8.2 Employees

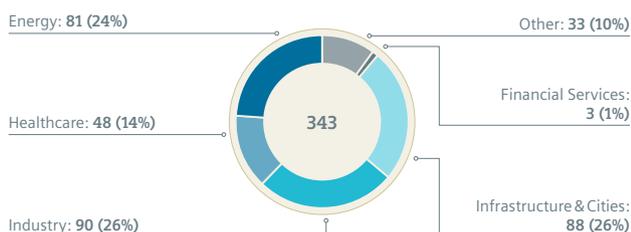
Indicators¹

	Year ended September 30,	
	2014	2013
Employee turnover rate ²	9.1%	10.8%
Female employees in management positions (percentage of all management positions) ³	15.6%	15.6%
Expenses for continuing education (in millions of €) ⁴	276	265
Expenses per employee for continuing education (in €) ⁴	769	670

- 1 Continuing and discontinued operations.
- 2 Employee turnover rate is defined as the ratio of voluntary and involuntary exits from Siemens during the fiscal year to the average number of employees.
- 3 Employees in management positions include all managers with disciplinary responsibility, plus project managers.
- 4 Without travel expenses.

Excellent employees are one of Siemens' vital strengths. They have made Siemens what it is today and their expertise, capabilities and high level of engagement are laying the foundation for our future success. To stay competitive, we need to continuously win and retain the best and brightest employees worldwide. As an employer of choice, we empower our diverse and engaged people worldwide with a high-performance culture, encourage life-long learning and development, offer an attractive working environment and ensure occupational health and safety.

Employees by segments as of September 30, 2014 (in thousands)¹



- 1 Continuing operations.

Siemens believes that employee engagement is a key driver for sustainable company performance. An engaged workforce drives innovation, growth and profitability. Since 2010, the Siemens Global Engagement Survey has been seen as an important management tool. In general the Engagement Survey will be conducted on a biennial basis to allow more time to set

measures and to follow-up on improvements. Due to the launch of our "Vision 2020" concept and the related organizational changes the survey originally scheduled for 2014 was postponed to 2015.

Demographic change, lifelong employability and cross-generation collaboration are Siemens' key employee-related challenges to be mastered, and we see differences between regions and labor markets. To remain an employer of choice, we are taking appropriate action based on local needs.

C.8.2.1 DIVERSITY

As a global player, the vast and diverse range of our employees' capabilities, experience and qualifications forms a substantial competitive advantage and supports our value proposition as an employer.

All our activities, measures and programs fostering Diversity follow these principles:

- > we want to have the best person for every position,
- > we want to provide opportunities for diversity of experience and interaction, and
- > we want to achieve diversity of thinking across our Company.

We've developed our management recruitment processes to ensure that the preliminary selection of candidates reflects the diversity of our customers and employees at all levels and in all regions. For example the percentage of women in management at Siemens globally has nearly doubled since fiscal 2002 to 15.6%.

C.8.2.2 TALENT ACQUISITION AND EMPLOYEE DEVELOPMENT

Attracting, contacting, hiring, promoting and systematically developing the best employees worldwide for Siemens – that is our goal in Talent Acquisition and Employee Development.

In order to meet our requirements for qualified staff, we attract new talent to Siemens and also work on retaining our existing workforce for the long term. To attract new talents, Siemens has a wide array of programs in place. The Performance Management Process (PMP) helps leaders and employees determine clear personal goals and share the feedback necessary to achieve them. The process also supports us in setting compensation, providing professional development opportunities and identifying talents throughout the Company. To reflect the focus on high-performance within Siemens, our compensation system for our top executives and senior management worldwide includes a variable component.

C.8.2.3 LEARNING AND CONTINUING EDUCATION

We encourage our employees at all locations to develop their qualifications and expertise. In fiscal 2014, we invested around €276 million for continuing education (without travel expenses), which equals about €769 per employee. The expenses include courses and training programs both for individual employees and for entire company units.

Siemens Learning Campus and Siemens Leadership Excellence, two corporate-level organizations, are responsible for implementing the global learning portfolio: Siemens Learning Campus offers regional learning opportunities to employees in all countries, ranging from courses for employees and managers, through tailored training programs and services for groups, to solutions for entire organizations. Additionally Siemens Leadership Excellence (SLE) is addressing our current and future senior and top leaders. Siemens continues to be one of Germany's largest providers of professional education for secondary school graduates (7,100 places for Siemens trainees and 2,800 places for trainees from other companies). As in previous years, we again made 10% of our trainee positions available to disadvantaged youths.

C.8.2.4 SIEMENS EQUITY CULTURE

Siemens established its first employee share program in Germany as early as 1969. Building on this successful program in Germany, Siemens decided in 2008 to extend employee and management participation. Today, Siemens offers approximately 97% of its employees in 60 countries the opportunity to acquire Siemens shares with the Company's financial support. The Share Matching Plan is based on a simple principle: Employees participating in the plan will receive one Siemens share without payment of consideration (matching share) for every three Siemens shares bought and continuously held over a period of three years. Only condition: The employee still needs to be employed by Siemens. The main idea of the plan has always been to make stock ownership available to employees at all income levels.

We are convinced that empowering employees with shares motivates them to assume greater responsibilities and helps them identify more closely with the company they work for – a fundamental prerequisite for the sustainable development of Siemens.

C.8.2.5 EMPLOYEE RIGHTS AND RELATIONS TO EMPLOYEE REPRESENTATIVES

Fair-minded collaboration among Company management, employees and employee representatives plays a central role at Siemens. As one of the largest corporate employers in Germany and worldwide, we are committed to our social responsibility and respect and uphold the fundamental rights of our

employees – which already apply worldwide and are firmly anchored in our Business Conduct Guidelines. Underscoring this commitment, Siemens, the Siemens Central Works Council, the German trade union IG Metall and the global industrial union IndustriAll have signed an international framework agreement on the principles of corporate responsibility.

C.8.2.6 OCCUPATIONAL SAFETY AND HEALTH MANAGEMENT

Occupational safety and health management are key elements of our Company's sustainable strategy and an integral part of our business processes. We therefore develop central programs and processes that are applied locally and adapted to the respective business needs. Occupational safety and health management are an integral part of our Business Conduct Guidelines, our internal monitoring systems, and our risk management and internal controls. In addition, occupational safety is part of an international framework agreement between Siemens AG, the Central Works Council of Siemens AG, IG Metall and the global union IndustriAll.

Promote a culture of safety – In the past, occupational safety was often characterized by a focus on technical protective measures, an approach which achieved considerable success. We are convinced, however, that further improvement can be achieved only through an actively practiced occupational safety culture and optimal working conditions – in every country and for all Siemens employees as well as those of our contractors. Both, as a company and as individuals, we are responsible for ensuring that the working environment at Siemens is safe at all times and for every employee. At present, local management systems and best practices exist which we can build on. We will achieve sustainability, however, only through a global and consistent approach.

Our customers, suppliers and regulatory authorities expect high safety standards from us. Safe behavior is governed not only by complying with laws, regulations and procedures, but also by the personal values of managers and employees. Our "Zero Harm Culture@Siemens" program, which has been launched in fiscal 2012 is having an increasingly positive impact. It contains three principles:

- > Zero incidents – it is achievable.
- > Health and safety – no compromises!
- > We take care of each other!

In addition to this global approach of "Zero Harm Culture@Siemens," our businesses and countries themselves improve safety locally through various activities depending on the current safety performance and the business needs. Management attention is of utmost importance to foster and improve safety.

Therefore, the responsible CEO of the affected unit shows commitment by personally reporting every work related fatality, its cause and the measures taken to the Siemens Managing Board.

In fiscal 2014 the overall number of fatalities was lower than in fiscal 2013. We attribute this to the numerous and rigorous actions and specific initiated projects. An implemented process for the assessment of suppliers is supporting these activities. Furthermore, Supply Chain Management and Business have developed collaborative plans to improve the EHS profile of suppliers. Regrettably, we report seven fatalities. Of that three fatalities are with contractors (all are work-related fatalities) and four with Siemens employees (one business trip fatality and three commuting accidents). In the previous year, there were five fatalities involving Siemens employees and ten involving contractors.

Promoting health – Siemens has established a high standard of occupational health and safety to avoid work-related health risks and promote employees' health. We help our employees assume responsibility for their own personal behavior in health-related matters, and support health-promoting general conditions within the Company. We promote the physical, mental and social well-being of our employees through a range of activities governing the five topics of healthy work environment, psychosocial well-being, physical activity, healthy nutrition and medical care.

C.8.3 Research and development

C.8.3.1 RESEARCH AND DEVELOPMENT – ORGANIZATION AND STRATEGY

In fiscal 2014, we continued to focus on the following areas in research and development (R&D):

- > ensuring long-term future viability,
- > enhancing technological competitiveness, and
- > optimizing the allocation of R&D resources.

Our R&D activities are geared toward ensuring economically sustainable energy supplies and developing software solutions, which are essential to maintaining the long-term competitiveness of our businesses. Accordingly, major focus areas include:

- > increasing the efficiency of renewable and conventional energy sources for power generation and improving low-loss electricity transmission systems,
- > developing new solutions for smart grids and technologies for storing energy from fluctuating renewable sources,
- > further development of industrial software to accelerate processes at every point along the value chain,

- > using smart analytical systems and our domain expertise to develop new services from previously unstructured data (Examples of such services include anticipatory maintenance work and cost-efficient warehousing offers.), and
- > making medical imaging, in-vitro diagnostics, and health-care IT an integral part of outcome oriented treatment plans.

Another major focus is promoting more efficient energy use in buildings, industrial facilities, and the transport sector. Examples include the development of electric drives and mass transportation systems such as local and long-distance trains and subways.

Across all focus areas, we recognize the vital importance of sophisticated software solutions. This is true not just for the areas mentioned above but also in nearly all of the other fields in which Siemens is active.

R&D activities are carried out by the businesses of our former Sectors and our Corporate Technology (CT) department. CT is a worldwide network with primary locations in Germany, the U.S., China, Russia, India, and Austria. The more than 7,400 CT employees contribute their in-depth understanding of fundamental technologies, models, and trends, as well as their wealth of software and process expertise. The businesses focus their R&D efforts on the next generations of their products and solutions. In contrast, the aim of CT is to work with our operating units to develop the Group's technology and innovation strategies, especially for the next generation of their products and solutions. In addition, CT strives to secure the technological and innovative future through commonly developed core technology initiatives such as future of automation, data to business or system integration. With its global network of experts, our corporate research unit serves as a strategic partner for Siemens' operating units. CT makes important contributions along the entire value chain, from research and development to production technology, manufacturing processes, and the testing of products and solutions. All of CT's activities are chosen to optimize the allocation of R&D resources, with a balance between support the current offerings of our businesses and development of longer-term opportunities.

CT is also networked with leading universities and research institutes worldwide. Close collaborative approaches with such partners are also a substantial part of our Open Innovation (OI) concept, in which we receive input from internal as well as external experts that significantly contributes to the innovative power of the Company. With OI we aim to overcome the barriers of silo thinking, to prove and truly leverage the potential of an open network enterprise.

In addition, Siemens takes part in publicly funded research programs. The most important research areas include the development of sustainable technologies including recycling, the communication of machines, the creation of new materials and bio-technology.

CT offers extensive process and production consulting services for development and manufacturing units at Siemens. CT employs more than 4,200 software developers at locations in Asia, Europe, and the Americas. These specialists help our Business Units develop concepts from the initial idea to the finished product. In addition, CT strategically handles the intellectual property of Siemens. Around 440 experts help the Company register patents and trademarks, establish them, and put them to profitable use.

C.8.3.2 RESEARCH AND DEVELOPMENT FIGURES

In fiscal 2014, we reported research and development expenses of €4.065 billion, compared to €4.048 billion in fiscal 2013. The resulting R&D intensity, defined as the ratio of R&D expenses and revenue, was 5.7%, above the R&D intensity in fiscal 2013.

R&D intensity

		Research and development expenses (in billions of €)	Research and development intensity ¹
FY 2014	4.065		5.7%
FY 2013	4.048		5.5%

¹ R&D intensity is defined as the ratio of R&D expenses and revenue.

R&D expenses and intensity for the Sectors in fiscal 2014 and 2013:

R&D expenses

(in millions of €)	Year ended September 30,	
	2014	2013
Energy	873	872
Healthcare	1,010	1,048
Industry	1,229	1,204
Infrastructure & Cities	719	731

R&D intensity

	Year ended September 30,	
	2014	2013
Energy	3.5%	3.3%
Healthcare	8.1%	8.3%
Industry	7.2%	7.1%
Infrastructure & Cities	3.8%	4.1%

CT incurred additional R&D expenses.

R&D indicators¹

(in thousands)	Year ended September 30,	
	2014	2013
Employees ²	28.8	28.1
Inventions ³	8.6	8.3
Patent first filings ⁴	4.3	4.0

- 1 Continuing operations.
- 2 Average number of employees in fiscal year.
- 3 Number of inventions reported by the Business Units in an internal report.
- 4 First filings as part of inventions submitted to patent offices.

As of September 30, 2014, Siemens held approximately 56,100 granted patents worldwide in its continuing operations. As of September 30, 2013, it held approximately 56,000 granted patents. In terms of the number of published patent applications in calendar year 2013, Siemens ranked fourth in Germany and second in Europe. Siemens was also ranked thirteenth in the statistics for patents issued in the U.S. in calendar year 2013.

Rank in patent office statistics

	2013	2012
Germany – German Patent and Trade Mark Office (DPMA)	4	3
Europe – European Patent Office (EPO)	2	2
U.S. – United States Patent and Trademark Office (US PTO)	13	11

In our continuing operations, we had an average of approximately 13,200 R&D employees in Germany and approximately 15,600 employees in approximately 30 other countries during fiscal 2014.

C.8.3.3 RESEARCH AND DEVELOPMENT IN OUR BUSINESSES

The R&D activities of the businesses in our former **Energy** Sector are focused on developing methods for the efficient generation and transmission of electrical energy, including advanced gas turbines that increase the efficiency and reduce emissions of power plants, combined cycle power plants, to increase the availability of electricity through higher flexibility and efficient and reliable power supply for decentralized structures such as those in the oil and gas industries, innovations for reducing the cost of wind turbines, innovations for increasing the efficiency of wind turbines (offshore and onshore), the development of an HVDC super grid and the development of a subsea power grid to make deep-sea oil and gas extraction more profitable.

The R&D activities in the businesses of our former **Healthcare** Sector are focused on meeting customer requirements, which are the result of two major trends: the world's population continues to grow steadily and to get older. These trends increase the pressure on healthcare providers to treat more and more people at increasingly lower costs in order to stabilize rising healthcare expenditures. To overcome the challenges of making healthcare more efficient and more effective, the healthcare measures have to focus on the individual patient and the success of the treatment.

One of the R&D fields involves the development of systems that help physicians make precise diagnoses of large numbers of patients and are also robust, easy to use, and inexpensive to purchase and maintain. Examples include interventional radiology or catheter labs. Ultrasound with wireless transducers is also ideally suited for minimally-invasive procedures such as nerve blockades, access to blood vessels, and positioning for therapeutic interventions and biopsies.

Another focus area is automating clinical work processes and optimizing laboratory diagnostics, with a goal of enabling physicians to identify diseases more precisely and at an earlier stage. Physicians are then able to monitor the effect of medications more accurately and benefit from the evaluation and analytical capabilities of modern computer technology. As a result, therapies can be tailored more closely to a patient's needs. Healthcare also develops products that meet the specific, targeted requirements of the healthcare systems of emerging countries.

One of the R&D priorities of the businesses in our former **Industry** Sector is the software-based integration of product development, production planning, production processes and services within the framework of product lifecycle management. The objective is to accelerate processes at every point along the value chain. Innovative technologies can cut the time from design to market in the manufacturing industry by up to 50%. The further development of automation and drive technology, and industrial software in particular, plays a major role here. This applies to the product development and production process as well as to the integration of the drive system. Moreover, the businesses of the former Industry Sector are striving to achieve greater energy efficiency, reduce raw material consumption, and lower emissions. These objectives also guide the development of technology-based service concepts such as energy management and remote maintenance systems.

R&D activities of the businesses in our former **Infrastructure & Cities** Sector focus on urban growth issues. Main research fields therefore cover sustainable technologies for major metropolitan areas and their infrastructures. The main aims are to increase energy efficiency, reduce burdens on the environment,

increase cost-effectiveness, and improve the quality of life in cities. To this end, the businesses develop building technologies that conserve energy, solutions for ensuring an efficient and secure supply of electricity in cities, and intelligent traffic and transport systems. In addition, researchers are looking for ways to integrate buildings into smart grids. Through such integration, the buildings can feed the electricity they produce into the grids and provide additional power during times of peak demand.

C.8.4 Supply chain management

The principal goal of supply chain management (SCM) at Siemens is to ensure the availability and quality of the materials we require to serve our customers also considering innovation strength and sustainability of our suppliers. We aim to strengthen our competitiveness by achieving substantial savings in our purchasing volume. In fiscal 2014, Siemens' purchasing volume amounted to approximately €37 billion, which equaled roughly half of our total revenue. Our primary strategies for achieving savings in purchasing include:

- > **Siemens-wide managed volume,**
- > **Sourcing from emerging markets,** and
- > **E-sourcing.**

The successful restructuring of our SCM function since the end of fiscal 2013 led to a substantial decrease of the cost for the SCM organization, driven by optimizing towards a less complex setup and process improvements. Going forward, we will continue with reshaping the SCM function in alignment with Vision 2020 to support the new Siemens organization structure overall.

We also continue to strengthen Siemens' innovation power by benefiting from the innovative strength in our supplier network. In May 2014, we held our "1st Siemens Supplier Innovation Day," the first event of its kind on Siemens corporate level. With this event, we established a platform for regular dialogue with our top innovative suppliers at the CEO level. With this dialogue, we aim to increase our innovation capabilities, realize shared growth potential and ensure long-term cost leadership.

Sustainability requirements – as a guiding principle for our supply chain management – are an integral part of all relevant supplier management processes – such as supplier selection, supplier qualification and evaluation, and supplier development. We require all of our suppliers to comply with the principles of our Code of Conduct for Siemens Suppliers, which include, besides others, respect for the basic rights of employees, strong safety & health and environmental protection standards as well as zero-tolerance on corruption & bribery. We also require them to support its implementation in their own supply

chains. We have established and continually further develop a risk-based system of appropriate processes to enable us to systematically identify potential risks in our supply chain. It consists of sustainability self-assessments by suppliers, risk evaluation conducted by our purchasing department, sustainability questions within supplier quality audits and sustainability audits by external auditors. To further encourage sustainable business conduct throughout our entire global supply chain, we are committed to building our suppliers' competence and intensifying knowledge transfers related to sustainability.

C.8.5 Distribution and customer relations

Our Divisions have global responsibility for their business, sales and results. They are able to support customers around the world directly from their respective headquarters, especially for large contracts and projects. However, most of our customers are small and medium-sized companies and organizations that require local support. To address local business opportunities with them, we are able to draw upon a large global sales force steered by our regional companies. They are responsible for serving our customers in the respective countries, leveraging our global network of market partners like consultants, distributors, integrators, EPCs and machine builders. We are currently selling products and services in almost every country in the world.

Sustainable customer relationships are the basis for our long-term success. We employ a structured key account management (KAM) approach throughout the Company to take care of our key customers. This means that we tailor our products and solutions to their size and regional site structures. We also ensure that our key account managers continually develop and maintain relationships with them over the long term. This approach is supplemented by our Executive Relationship Program. In this program, members of the Company's Executive Management stay in direct contact with selected customers and maintain an ongoing dialogue with them to familiarize Siemens with their needs.

Our business success is strongly dependent on the satisfaction of our customers. For this reason, we measure customer satisfaction in every unit of the Company using the Net Promoter Score (NPS). This internationally recognized and commonly applied managerial performance indicator, which we determine annually on a worldwide basis by means of customer surveys, measures the referral rate of our customers. The NPS for fiscal 2014 was based on the results of more than 25,500 interviews, compared to more than 25,200 interviews in fiscal 2013. In fiscal 2014, our company-wide NPS once again increased compared to previous fiscal year.

An elementary component of all our global marketing and selling activities is compliance with applicable laws and internal rules and regulations. Therefore, Siemens values and compliance are an integral part of our training program.

C.8.6 Environmental Portfolio

Indicators¹

	Year ended September 30,	
	2014	2013
Revenue generated by the Siemens Environmental Portfolio (in billions of €)	33.0	31.9
Accumulated annual customer reductions of carbon dioxide emissions generated by elements from the Siemens Environmental Portfolio (in millions of metric tons)	428	369

¹ Continuing operations.

Our Environmental Portfolio serves as an example of how we strive to align our business activities with the aforementioned megatrends, in this case climate change. The Environmental Portfolio consists of products, systems, solutions and services (Environmental Portfolio elements) that reduce negative impacts on the environment and emissions of carbon dioxide and other greenhouse gases (defined together in the following as carbon dioxide emissions) responsible for climate change.

In addition to its environmental benefits, our Environmental Portfolio enables us to compete successfully in attractive markets and generate profitable growth. In fiscal 2014, revenue from continuing operations from the Environmental Portfolio amounted to €33.0 billion, which accounted for 46% of our revenue from continuing operations in this fiscal year. This revenue includes revenue from newly developed and additionally qualified elements, and excludes revenue from elements that no longer fulfill our qualifications.

In fiscal 2010, we set ourselves a revenue target for the Environmental Portfolio within the One Siemens framework: to exceed €40 billion in revenue from the Environmental Portfolio by the end of fiscal 2014. Due to recent and ongoing portfolio changes we have not been able to achieve this target. Siemens' strategic focus on technologies for energy efficiency and climate and environmental protection will nevertheless remain in place. For fiscal year 2014, almost three-quarter of the revenue from our Environmental Portfolio were already generated with products and solutions for energy efficiency.

With our Environmental Portfolio, we intend, among other things, to help our customers reduce their carbon dioxide footprint, cut their energy costs and improve their profitability

through an increase in productivity. Taking together all elements of the Environmental Portfolio that were installed at customer locations since the beginning of fiscal 2002 and remain in use today, we have reduced customer carbon dioxide emissions by 428 million metric tons in fiscal 2014, which is the equivalent of the following thirteen cities' combined yearly emissions: Berlin, Bogotá, Cape Town, Hong Kong, London, Los Angeles, Melbourne, Mexico City, Moscow, New York City, São Paulo, Seoul and Tokyo.

C.8.6.1 SELECTION CRITERIA

An Environmental Portfolio element can be a product, a system, a solution or a service. Furthermore, a core component of a system or solution may qualify as an Environmental Portfolio element if the component provided by Siemens is key to enabling environmental benefits resulting from the system's or solution's overall application. To qualify for inclusion in the Environmental Portfolio, an element must meet one of the selection criteria described below, which are energy efficiency, renewable energy or environmental technologies. Products, systems, solutions and services with planned application in military use or nuclear power are not included in the Environmental Portfolio.

- > **Energy efficiency:** The criteria for energy efficiency are an improvement in energy efficiency of 20% or more during the customer use phase compared to the applicable baseline, or a reduction of at least 100,000 metric tons of carbon dioxide equivalents per reporting period in the customer use phase. Examples of elements that meet the energy efficiency criterion are combined cycle power plants and intelligent building technology systems.
- > **Renewable energy:** This criterion covers technologies in the field of renewable energy sources such as wind turbines or smart grid applications and their respective core components.
- > **Environmental technologies:** This criterion is related to water and wastewater treatment, air pollution control, waste reduction, recycling, e-car infrastructure and its core components. It also includes the Siemens Consulting Service which analyzes customers' environmental impact. Additionally, a criterion for the Healthcare Sector is an environmental impact reduction in terms of noise, radiation or total weight of at least 25% compared to the baseline.

C.8.6.2 GOVERNANCE AND REPORTING APPROACH

The qualification of Environmental Portfolio elements as well as their respective reporting is based on defined processes and criteria. The business portfolio of Siemens' continuing operations is reviewed annually regarding the qualification of Environmental Portfolio elements based on the criteria described before. This covers the inclusion of newly developed elements

as well as the integration of additionally qualified elements where evidence of fulfillment of the qualification criteria was not available in prior reporting periods. For additionally qualified Environmental Portfolio elements, we report their prior-year revenue and prior-year contribution to reducing customer carbon dioxide emissions on a comparable basis. Elements that no longer fulfill our qualification criteria are excluded from our Environmental Portfolio.

We report the revenue from our Environmental Portfolio and annual customer reductions of carbon dioxide emissions generated by it in accordance with internal regulations defined in our Environmental Portfolio Guideline. This Guideline is based on the Reporting Principles of the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, revised edition, and the Greenhouse Gas Protocol for Project Accounting. The revenue generated by the Environmental Portfolio is recognized in accordance with revenue recognition policies as described in → NOTE 2 IN → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

C.8.7 Environmental protection

| Indicators¹

	Year ended September 30,	
	2014	2013
Energy efficiency improvement compared to baseline in fiscal 2010 ²	11%	5%
Waste efficiency improvement compared to baseline in fiscal 2010	12%	8%
Waste for disposal reduction compared to baseline in fiscal 2010	8%	10%
Carbon dioxide emission efficiency improvement compared to baseline in fiscal 2010	20%	14%

1 Continuing operations.

2 Indicator incorporates weighted calculations related to the primary fuels consumed in generating the energy used at our sites and the amount of energy used to extract, convert and distribute the fuels consumed.

To meet today's global ecological challenges responsibly, Siemens has a comprehensive EHS (Environmental Protection, Health Management and Safety) management system. The process requirements of this management system help our operating units comply with applicable laws, regulations and customer requirements, satisfy our corporate requirements properly and achieve our Siemens-wide environmental targets. The environmental protection management system requires that our relevant production and office sites must implement an environmental management system which fulfills the requirements of the internationally recognized ISO 14001 standard and also our own internal standard, known as "Specifications on environmentally compatible product and system design." This internal

standard defines requirements to reduce the environmental impact of our products and systems during the production, use and disposal phase and is an integral part of our business processes. We conduct regular internal reviews of our environmental performance and progress, in order to create a cycle of continual improvement.

Our commitment to continual improvement led to two environmental protection programs in fiscal 2012: “Serve the Environment” for industrial environmental protection and “Product Eco Excellence” for product-related environmental protection. Both programs were reconfirmed and extended in fiscal 2014. The general objectives to improve energy and resource efficiency, to fulfill growing international requirements with regard to environmental protection, to increase customer benefits, and to proactively strengthen our position as a sustainable company will be kept. The two reconfirmed programs will run from 2015 to 2020.

C.8.7.1 INDUSTRIAL ENVIRONMENTAL PROTECTION

Our industrial environmental protection efforts focus on optimizing energy and resource efficiency at our sites. With the current “Serve the Environment” program we have been committed to the following Siemens-wide main targets in the time period fiscal 2011 to 2014:

- > to continue our systematic effort to improve energy efficiency, and thereby achieve corresponding improvement in our carbon dioxide efficiency;
- > to improve the waste efficiency each year by 1%; and
- > to reduce waste for disposal each year by 1%.

Furthermore, Siemens continued with the water risk management approach: In locations where there are particular water risks or negative impacts on the environment (for example as a result of aridity, high waste-water loads or poorly developed technical infrastructure), the local sites need to define targets matched to local conditions. Finally, our “Serve the Environment” program also addressed air pollution by seeking alternative solutions for any ozone-depleting substances still in legally permissible use and control VOC (Volatile organic compounds) emissions. For continuation of the Serve the Environment program energy and waste efficiency aspects will be integrated into our supply chain. Air pollution control will be considered holistically, taking account not only of own emissions but also of the local air immission situation at our production plants and offices. Climate change induced impacts of water use in our businesses will also be integrated.

We achieved the targets we set ourselves for fiscal 2014. The energy efficiency could be improved due to implementation of energy efficiency measures and implementation of energy

management systems. Due to this and to reasonable energy procurement and increased share of renewable energy in electricity mix the CO₂ efficiency was increased considerably.

C.8.7.2 PRODUCT-RELATED ENVIRONMENTAL PROTECTION

The major focus of product-related environmental protection is to improve the overall environmental performance of our products and systems. Therefore the existing “Product Eco Excellence” program will continue its approach regarding elements related to the product life cycle by integrating aspects of the circular economy and resource efficiency. The program has a modular design and offers innovative solutions to accomplish a higher transparency in terms of declarable substances, to develop and integrate a set of measures to improve resource efficiency of materials (e.g. scarcity, criticality) and to increase our claim on product environmental footprint information. On the basis of mandatory requirements as defined in our internal environmental standard, we support the reduction of the environmental impacts of our products and systems during product development, production, use and end of life. Additionally, the program aims to better prepare the operating units for future regulatory and customer requirements, to strengthen environmental communication, and to broaden environmental awareness among our employees. In the time period fiscal 2012 to fiscal 2014 for the main elements of the program following objectives have been reached:

- > Transparency was enhanced with our list of declarable substances (LoDS), comprising substances that are restricted in use due to regional or application-specific regulations.
- > Development and application of a methodological approach for better assessing risks such as environmental, toxicological and future availability risks associated with used materials and substances. The application has been verified within our business.
- > Establishment of a harmonized procedure on the basis of ISO 14040/44 (Life-cycle-assessment) for determining the “ecological footprint” of our products and thereof derived environmental product declarations based on the requirements of ISO 14025.

C.8.8 Corporate citizenship

Siemens is committed to providing long-term benefits to the societies in which we operate, through **corporate citizenship activities**. These activities can take a variety of forms ranging from philanthropic disaster relief to more strategic shared value or inclusive business approaches like our mobile clinics in India.

The responsibility for choosing and carrying out charitable activities lies with the local units in each country. This ensures that we provide support where it is needed most. In doing so, we apply high management standards and strategically focus our corporate citizenship activities in areas where our company competencies, resources and employee volunteering can make a meaningful difference:

- > **Education and Science:** Our goal is to maintain a continuous dialogue with young people and to identify and foster talent from an early age on. We support educational and research activities particularly in natural sciences, engineering and healthcare.
- > **Social:** Projects in this area aim to bring about a systematic and lasting improvement in people's living conditions. In addition, we provide urgent humanitarian relief, including financial and technical assistance after natural disasters.
- > **Environment:** We want to make an effective contribution towards protecting the environment, particularly through our core competencies, and raise environmental awareness among younger generations.
- > **Arts and Culture:** We support Arts and Culture because a society's cultural heritage is a key aspect of its identity.

11 | C.9 Report on expected developments and associated material opportunities and risks

C.9.1 Report on expected developments

C.9.1.1 WORLDWIDE ECONOMY

For the year 2015 we expect world GDP to expand by 3.2% with fixed investment and manufacturing value added growing even more strongly at 4.5% and 3.9%, respectively. The slight acceleration compared to 2.7% GDP growth anticipated in 2014 is expected to be driven mainly by the U.S. economy which seems to be on a stable recovery path. The monetary environment is still expansive which should further support growth especially in the housing market. Nevertheless the outlook for the world economy remains uncertain, as indicated by the deterioration of many early indicators (especially for the Euro zone and China), the increased volatility in equity markets in October, and the severe decline in oil prices since summer 2014. On the one hand, the oil price decline is a symptom of slack global demand relative to supply. On the other hand it is a stabilizing factor for oil importing countries, because it increases purchasing power for consumers and reduces costs for many businesses. The biggest downside risks stem from geopolitical tensions. An escalation of the Ukraine conflict would lead to a steep decline in investment activity. Similarly, further expansion of the "Islamic State" (including control over important oil fields) could disrupt global oil markets and hit the global economy. Further downside risks would also emerge from an uncontrolled spread of the Ebola epidemic outside West-Africa.

In the region **Europe, C.I.S., Africa, Middle East** the condition of many Euro zone economies is a cause for concern. Given the latest indicators, there is some danger of a possible premature lapse of the recovery in the Euro zone. In the near term, deflation is the most important threat to these economies. While the German economy is expected to still suffer from Euro zone weakness and geopolitical tensions, it should also benefit from stabilizing factors, such as a relatively strong service sector, solid consumer demand, strong employment data, a weaker Euro and cheaper energy. For Russia, the outlook for 2015 depends on the future course of the Ukraine conflict and the reaction of western countries, which is not foreseeable now. While many African countries have achieved a steeper growth path in recent years, they might be negatively affected by lower raw material prices and by the Ebola epidemic in West-Africa.

For the **Americas**, we expect the U.S. economy to be the decisive force. The U.S. recovery seems to be broad-based and supported by improving labor markets. The possible start of tightening monetary measures should not disrupt the underlying recovery. The outlook for Brazil, the second-largest economy in the Americas region, is less optimistic. The expected GDP growth rate of 1.0% for 2015 (a little more than the population growth rate) has to be regarded as very low, given the poor

growth rate of 2014. The newly re-elected government has to enact substantial structural reforms to increase the growth potential of the country.

As in past years, **Asia, Australia** is expected to exhibit the highest GDP growth. We expect China to contribute the main part of the region's growth. However, the Chinese economy still suffers from overcapacities in several industries and fragile real estate and banking sectors. However, the government should be able to contain these problems if they become more severe. China's gradual shift from an investment-driven to a consumption-driven economy is expected to slow down its economy in the near term. For India, the outlook for next year is better than in 2014. Growth should pick up slightly. However, similar to Brazil, the country needs structural reforms and substantial improvements in infrastructure.

All in all, for 2015 we expect growth of the global economy to accelerate slightly compared to 2014. However, there is an unusually high number of downside risks, which – even if only some of them materialize – could substantially weigh on global economic activity. On the upside, a quick solution of political conflicts together with strong economic growth in the U.S. could boost global demand.

The forecasts presented here for GDP, gross fixed investments and manufacturing value added are based on a report from IHS Global Insight dated October 15, 2014.

C.9.1.2 MARKET DEVELOPMENT

In fiscal 2015, we expect growth in the markets served by the **Power and Gas** Division to remain on a low level. While we anticipate slightly increasing market volume year-over-year in advanced gas turbine markets – especially in the large-scale range (H class) – we also expect continued price declines due to manufacturing overcapacities and increased competitive pressure. We expect growth in the Division's oil and gas markets to accelerate in South America and Eastern Europe (e.g. Turkey, Azerbaijan). Investments in markets in the Americas are likely to pick up, despite delays, due mainly to demand for gas-fired power plants. We anticipate flat development for the coal-fired steam power plant market, due to an anticipated slow-down in China. We expect that clear growth in distributed power generation will continue to support growth for the Divisions' markets as a whole.

For the markets served by our **Wind Power and Renewables** Division, we expect growth in fiscal 2015 to come in slightly lower than in fiscal 2014, which saw particularly strong growth rates. For onshore wind power markets, investments in the U.S. are expected to decline in fiscal 2015, following the strong prior

fiscal year. In Europe, we expect the onshore market to see continuous moderate growth. In both cases, market development strongly depends on the energy policy framework, including tax incentives in the U.S. and regulatory frameworks in Germany and the U.K. We expect these latter factors to have a similar effect on growth in the offshore wind power market, which is dominated by Europe. We expect the offshore wind power markets in Asia, Australia and the Americas to remain largely undeveloped in the short term.

For the markets served by our **Energy Management** Division, we expect overall moderate growth in fiscal 2015. Within the Division's utility markets, we expect a slight increase in fiscal 2015. On a regional basis, the strongest growth in the utility markets is expected to come from the Europe, C.I.S., Africa, Middle East region. Here we expect strong demand from the Middle East and growth in transmission investments due to the integration of renewable sources into existing power distribution networks. This growth may be partly offset by lower demand from major European utility companies which have announced plans to reduce their capital expenditures. We expect utility markets in the Americas to grow slightly in fiscal 2015. Markets in the Asia, Australia region are expected to grow slightly, benefiting from demand from utility companies in the emerging countries of the region. We expect the Division's oil and gas market to grow moderately, with the strongest growth rates in the Americas. Production of unconventional oil and gas is expected to be the main growth driver in the Americas, while growth in the Asia, Australia region is driven by investments in liquefied natural gas (LNG) infrastructure. The Division's minerals markets are expected to grow slightly in fiscal 2015 driven by demand in the Asia, Australia region. Overcapacities burden the Division's metals markets, which are expected to grow even more slowly than the minerals markets. We expect a more positive outlook in the Division's chemicals and non-residential construction markets. Both markets are forecast to grow moderately in fiscal 2015 year-over-year. In all regions the chemical industry is contributing to growth. For the non-residential construction markets, we expect growth to be driven by the recovery of U.S. markets and by ongoing construction investments in Asia, Australia, particularly in China.

For the markets served by our **Building Technologies** Division, we expect moderate growth in fiscal 2015. On a regional basis, we expect growth in Europe, C.I.S., Africa, Middle East to pick up in fiscal 2015. Within the region, we expect growth rates in Europe including Germany to increase slightly year-over-year. For the Middle East we expect moderate growth rates year-over-year. Within the Americas, we expect the Division to benefit from a slow but continued recovery in U.S. construction markets. We expect markets in the Asia, Australia region to grow moderately as in fiscal 2014.

We expect markets served by our **Mobility** Division to grow slightly in fiscal 2015. Within Europe and the Middle East we expect decisions on large contract tenders in fiscal 2015, stemming from major public rail investments in the U.K. and the Middle East. Liberalization of the Turkish rail industry is ongoing and large contract tenders are expected in the upcoming years. Within the Americas, we expect a continued high level of investments in mainline passenger and urban transport infrastructures in the U.S. Within the Asia, Australia region, we expect growth in fiscal 2015 to benefit from a recovery of China's high-speed rail infrastructure market. In Australia, we expect demand to be held back by lower investments in infrastructure industries.

In fiscal 2015, we do not expect growth momentum to accelerate in markets served by our **Digital Factory** and **Process Industries and Drives** Divisions compared to fiscal 2014. With the exception of the oil and gas industry, we expect conservative investments in industries served by both Divisions overall, particularly in Europe. Furthermore, we expect demand from emerging markets, which were growth drivers in the past, to be weak in fiscal 2015, with the exception of China. Within the region Europe, C.I.S., Africa, Middle East, we expect markets in Europe to continue to grow, albeit at a slow pace. While we expect moderate growth rates in some central European countries, we expect growth to remain weak in the industrial markets of some large economies, such as France and Italy. While we expect currency-related headwinds for export-oriented industries in the Euro-zone to recede in fiscal 2015 compared to fiscal 2014, we expect weak demand from emerging markets to limit growth opportunities for those industries in fiscal 2015. The latter development is expected to be particularly evident in Germany's export-oriented OEM businesses, such as the machine building industry. Also, we expect growth in Germany's large automotive industry to slow in fiscal 2015 compared to fiscal 2014, resulting in less expansive investments year-over-year. Within the Americas, we expect that growth will be driven mainly by the U.S., which will also benefit manufacturing industries in Canada and Mexico. We expect a less favorable development in Brazil and other Latin American countries, where industrial growth is largely dependent on mining industries. Within the Asia, Australia region, we expect industrial markets in China to grow moderately in fiscal 2015, but below the growth rates in previous years, as development in the country's export-oriented industries is held back by a stronger currency, higher labor costs and weakness in many other emerging economies which are important for Chinese exports. Growth in Asia, Australia is expected to benefit from a pick-up of industrial markets in South Korea. Industrial markets in India are expected to improve slightly. Overall, rising regional political uncertainties may further limit investment behavior.

For fiscal 2015, we expect slight growth in the markets served by **Healthcare**. We expect markets in emerging countries to grow faster than markets in the industrialized countries. In emerging markets, we expect continued strong demand, in particular for entry-level products and solutions, as these countries build up their healthcare infrastructure to provide their populations with affordable access to modern medical technology, including in rural areas. In contrast, demand in industrialized countries is expected to be held back by healthcare reforms and budgetary constraints. We expect industrialized countries – especially those more reliant on government healthcare expenditures – to continue to focus on improving the efficiency of healthcare and on slowing the growth of healthcare spending, thus driving demand for cost-efficient and high-throughput products and solutions. For the healthcare market overall, we anticipate that the trends towards entry-level solutions, higher efficiency and focus on patient outcomes will continue. On a regional basis, we expect that growth in the Americas in fiscal 2015 will be supported by moderate growth in the U.S., where we expect the trends towards higher efficiency and increased accountability of healthcare providers to continue. Our customers continue to face legislative and regulatory reimbursement risks as governments and regulators seek to curb healthcare costs. Within the Europe, C.I.S., Africa, Middle East region, we expect the gradual stabilizing of European markets to continue in fiscal 2015. While we expect the markets in the region Asia, Australia to grow faster than other regions in fiscal 2015, we expect growth to slow down year-over-year. This is expected to be particularly evident in China, where we expect increasing price and competitive pressure due mainly to increasing numbers of local vendors.

Our **SFS** Division is geared to Siemens' Industrial Business and its markets. As such SFS is, among other factors, influenced by the overall business development of the markets served by our Industrial Business.

C.9.1.3 SIEMENS GROUP

We are basing our outlook for fiscal 2015 for the Siemens Group and its segments on the above-mentioned expectations regarding the overall economic situation and specific market conditions for the next fiscal year.

This outlook excludes impacts related to legal and regulatory matters.

We are exposed to currency translation effects, particularly involving the US\$, British £ and currencies of emerging markets, such as China, India and Brazil. During fiscal 2014, the average exchange rate conversion for our large volume of US\$-denominated revenue was US\$1.357 per Euro. While we expect volatility in global currency markets to continue in fiscal 2015,

we have improved our natural hedge on a global basis through geographic distribution of our production facilities during the past. Nevertheless, Siemens is still a net exporter from the Euro zone to the rest of the world, so a weak Euro is principally favorable for our business and a strong Euro is principally unfavorable. In addition to the natural hedging strategy just mentioned, we also hedge currency risk in our export business using derivative financial instruments, see → NOTE 30 in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. We expect these steps to help us limit effects on income related to currency in fiscal 2015.

Revenue growth

Given our complex economic and market developments, as described in the previous section, we expect that fiscal 2015 **revenue** for Siemens on an organic basis, excluding currency translation and portfolio effects, will be flat year-over-year. We expect that a moderate organic revenue decline particularly in our Power and Gas Division will be offset by organic revenue growth in other Divisions. Also, we expect a stabilizing effect on revenue from conversion of our order backlog (defined as the sum of order backlogs of our Industrial Business) which totaled €100 billion as of September 30, 2014. From this backlog we expect to convert approximately €37 billion of past orders into current revenue in fiscal 2015. We expect that orders for fiscal 2015 will exceed revenue, leading to a book-to-bill ratio above 1.

Profitability

In fiscal 2015, we expect substantial gains from divestments mentioned in this Annual Report, particularly including the sale of our stake in BSH and the sale of our hearing aid business. We expect that these gains will more than offset charges associated with our "Vision 2020" concept, which includes efforts to increase customer proximity, accelerate innovation, and streamline our management and internal service processes. We anticipate that such charges during fiscal 2015 will be in the mid-to-high triple-digit-million euro range. We expect a significant rise in **net income** in fiscal 2015, which will enable us to increase basic earnings per share (**EPS**) from net income by at least 15% from €6.37 in fiscal 2014. In this forecast we also expect EPS growth to benefit modestly from our current program to repurchase Siemens shares in a volume of up to €4 billion; repurchases under this program in fiscal 2014 totaled €1.1 billion.

Our assumptions regarding net income for fiscal 2015 include targeted increases in selling and R&D expenses, aimed at organic volume growth and strengthening our capacities for innovation. As part of our One Siemens framework, we target a total cost productivity increase of 3% to 4%. Furthermore, we expect a significant reduction in project charges compared to fiscal 2014.

Additionally, we assume pricing pressure on our offerings of around 2.5% in fiscal 2015, with the Wind Power and Renewables Division, the Power and Gas Division and Healthcare being affected the most. Furthermore, we expect upward pressure on costs from wage inflation of around 3% to 4%.

Beginning with fiscal 2015, we defined profit margin ranges for our Industrial Business and SFS, which are based on the profit margins of the respective relevant competitors. The profit margin ranges for our Industrial Business and for SFS are as follows:

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

We expect that nearly all of our Divisions and Healthcare will reach their margin ranges in fiscal 2015. Our Energy Management Division and our Wind Power and Renewables Division, whose profit margins were below their respective ranges in fiscal 2014, are expected to significantly improve their profitability in fiscal 2015. While we expect the profit margin for our Power and Gas Division to be in the target range in fiscal 2015, we expect it will come in significantly below the margin of 17.4% achieved in fiscal 2014. Besides the above-mentioned market conditions, the reasons for this development are targeted expense increases for growth and innovation as well as consolidation early in fiscal 2015 of our acquisition of the aero-derivative turbine and compressor business of Rolls-Royce, among other factors. Overall, we expect an aggregate profit margin for our Industrial Business of 10% to 11%, compared to 10.6% in fiscal 2014. We expect profit for SFS, which is outside our Industrial Business, to be near the prior-year level.

Within our Reconciliation to Consolidated Financial Statements, profit from Centrally managed portfolio activities is expected to rise sharply year-over-year, benefiting from a gain on the sale of our stake in BSH. This positive effect is expected to be partly offset by burdens that may arise from remaining Centrally managed portfolio activities. While we anticipate that SRE will continue with real estate disposals depending on market conditions, we expect gains from disposals to be lower in fiscal 2015 than in fiscal 2014. Corporate items are expected

to cost approximately €0.6 billion in fiscal 2015, with costs in the second half-year higher than in the first half. Among other factors, results from Corporate items are dependent on changes in the fair value of warrants we issued together with US\$3 billion in bonds in fiscal 2012. Centrally carried pension expenses are expected to total approximately €0.5 billion in fiscal 2015. Because our enhanced profit definition now excludes expenses from amortization of intangible assets acquired in business combinations, we report these expenses separately within our Reconciliation to Consolidated Financial Statements. In fiscal 2014, these expenses were a negative €0.5 billion and we expect them to be on a similar level in fiscal 2015.

Income from discontinued operations in fiscal 2015 is expected to rise sharply year-over-year, benefiting particularly from a substantial gain on the sale of our hearing aid business.

Capital efficiency

Our primary measure for managing and controlling our capital efficiency is return on capital employed from continuing and discontinued operations (ROCE). Due mainly to our expectations regarding the development of net income, we expect to achieve ROCE clearly in our target range of 15% to 20% in fiscal 2015.

Capital structure

To measure our capital structure we use the ratio of industrial net debt to EBITDA, and seek to achieve a ratio of up to 1.0. We expect to achieve a ratio below 1.0 in fiscal 2015, but clearly above the fiscal 2014 level of 0.15, due to portfolio measures that we initiated in fiscal 2014 and our share buyback program, which are expected to result in significant net cash outflows in fiscal 2015.

Dividend

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

C.9.1.4 OVERALL ASSESSMENT

We believe that our business environment will be complex in fiscal 2015, among other things due to geopolitical tensions. We expect revenue on an organic basis to remain flat year-over-year, and orders to exceed revenue for a book-to-bill ratio above 1. Furthermore, we expect that gains from divestments will enable us to increase basic EPS from net income by at least 15% from €6.37 in fiscal 2014. For our Industrial Business, we expect a profit margin of 10% to 11%. This outlook excludes impacts from legal and regulatory matters.

Overall, the actual development for Siemens and its Segments may vary, positively or negatively, from our expectations due to the risks and opportunities described below. See → C.9.3 RISKS as well as → C.9.4 OPPORTUNITIES. This report on expected developments should be read in conjunction with → E.6 NOTES AND FORWARD-LOOKING STATEMENTS.

C.9.2 Risk management

C.9.2.1 BASIC PRINCIPLES OF THE RISK MANAGEMENT

Our risk management policy stems from a philosophy of pursuing sustainable growth and creating economic value while avoiding and managing inappropriate risks. As risk management is an integral part of how we plan and execute our business strategies, our risk management policy is set by the Managing Board. Our organizational and accountability structure as of September 30, 2014 requires each of the respective managements of our Sectors, SFS, SRE, 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 established by the Managing Board.

C.9.2.2 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 jeopardizing 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 is based on a comprehensive, interactive and management-oriented Enterprise Risk Management (ERM) approach that is integrated into the organization and that addresses both risks and opportunities. Our ERM approach is based on the worldwide accepted Enterprise Risk Management – Integrated Framework (2004) developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The framework connects the ERM process with our financial reporting process and our internal control

system. It considers a company’s strategy, the efficiency and effectiveness of its business operations, the reliability of its financial reporting as well as compliance with relevant laws and regulations to be equally important.

The ERM process aims for early identification and evaluation of, and response regarding, risks and opportunities that could materially affect the achievement of our strategic, operational, financial and compliance objectives. Our ERM is based on a net risk approach, covering risks and opportunities remaining after the execution of existing control measures. In order to provide a comprehensive view on our business activities, risks and opportunities are identified in a structured way combining elements of both top-down and bottom-up approaches. Risks and opportunities are generally reported on a quarterly basis. This regular reporting process is complemented by an ad-hoc reporting process that aims to escalate critical issues in a timely manner. Relevant risks and opportunities are prioritized in terms of impact and likelihood, considering different perspectives, including business objectives, reputation and regulatory matters. The bottom-up identification and prioritization process is supported by workshops with the respective management of the Sector, SFS, SRE, regional and Corporate Unit organizations. 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 at Sector, SFS, SRE, regional and corporate level.

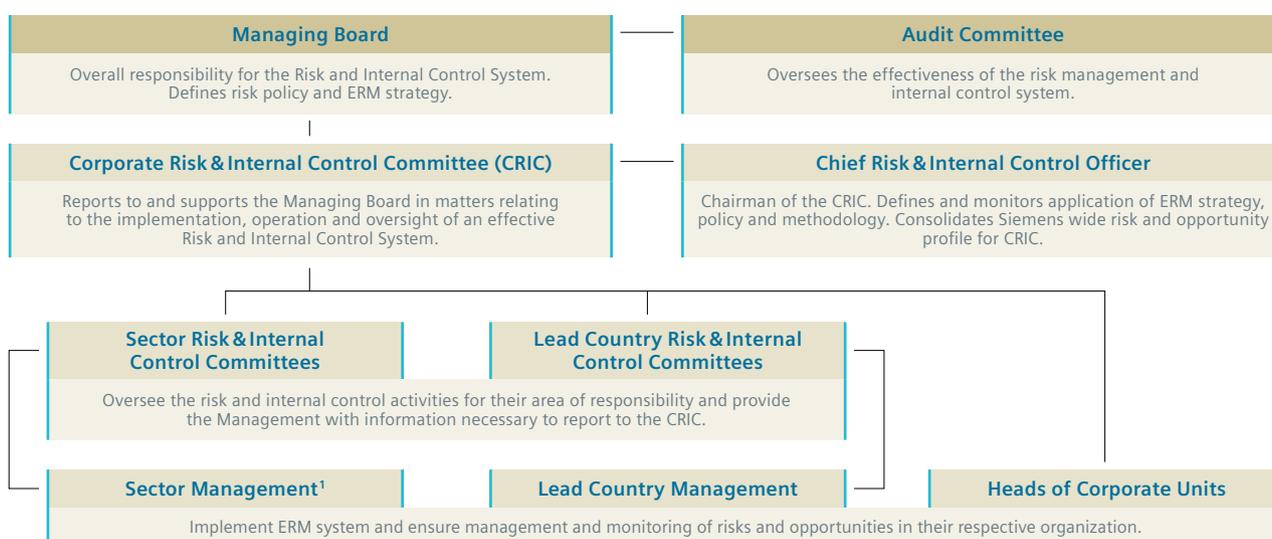
Responsibilities are assigned for all relevant risks and opportunities with the hierarchical level of responsibility depending on the significance of the respective risk or opportunity. In a first step, assuming responsibility for a specific risk or opportunity involves deciding upon one of our general response strategies, or a combination of them. Our general response strategies with respect to risks are avoidance, transfer, reduction or acceptance of the relevant risk. Our general response strategies with respect to opportunities are partial or complete realization of the relevant opportunity. In a second step, responsibility for a risk or opportunity also involves the development, initiation and monitoring of appropriate response measures corresponding to the chosen response strategy. These response measures have to be specifically tailored to allow for effective risk management. Accordingly, we have developed a variety of response measures with different characteristics: For example, we mitigate the risk of fluctuations in currency and interest rates by engaging in hedging activities. Regarding our long-term projects, systematic and comprehensive project management with standardized project milestones, including provisional acceptances during project execution, and complemented by clearly

defined approval processes assists us in identifying and responding to project risks at an early stage, even before entering the bidding phase. Furthermore, we maintain appropriate insurance levels for potential cases of damage and liability risks in order to reduce our exposure to such risks and to avoid or minimize potential losses. Among others, we address the risk

of fluctuations in economic activity and customer demand by closely monitoring the macroeconomic conditions and developments in relevant industries, and by adjusting capacity and implementing cost-reduction measures in a timely and consistent manner, if deemed necessary.

C.9.2.3 RISK MANAGEMENT ORGANIZATION AND RESPONSIBILITIES

Operational and organizational structure of the Enterprise Risk Management (ERM) process as of September 30, 2014



¹ The term "Sector" in this chart comprises Sectors, SFS and SRE.

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 Corporate Risk and Internal Control Department, headed by the Chief Risk & Internal Control Officer, and a Corporate Risk and Internal Control Committee (CRIC). The CRIC obtains risk and opportunity information from the Risk Committees established at the Sector, SFS, SRE and regional level as well as from the Heads of Corporate Units, which then forms the basis for the evaluation of the company-wide risk and opportunity situation. The CRIC reports to and supports the Managing Board on matters relating to the implementation, operation and oversight of the risk and internal control system and assists the Managing Board in reporting to the Audit Committee of the Supervisory Board. The CRIC is composed of the Chief Risk & Internal Control Officer, as the chairperson, and members of senior management such as the Sector and SFS CEOs, the CFO of Siemens, and selected Heads of Corporate Units.

C.9.3 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. Nevertheless, risks currently considered to entail a lower risk exposure could potentially result in a higher negative impact on Siemens than risks currently considered to entail a higher risk exposure. Additional risks not known to us or that we currently consider immaterial may also negatively impact our business operations. Unless otherwise stated, the risks described below relate to all of our segments.

C.9.3.1 STRATEGIC RISKS

We operate in highly competitive markets, which are subject to price pressures and rapid changes: The worldwide markets for our products and solutions are highly competitive in terms of pricing, product and service quality, product development and introduction time, customer service and financing terms. In many of our businesses, we face downward price pressure and we are or could be exposed to market downturns or slower growth, which may increase in times of declining investment activities and consumer demand. We face strong competitors, some of which are larger and may have greater resources in a given business area, and also competitors from emerging markets, which may have a better cost structure. Some industries in which we operate are undergoing consolidation, which may result in stronger competition and a change in our relative market position. Certain competitors may be more effective and faster in capturing available market opportunities, such as through heavy investments or new entrance of IT companies into emerging service fields (e.g. data-driven services). These factors alone or in combination may negatively impact our business, financial condition, and results of operations.

Furthermore, we see a risk that suppliers (and to some extent even smaller customers), especially from emerging countries (e.g. China), could develop into serious competitors for Siemens resulting in even more competition and thus in reduced volume, loss of market share, and/or lower profit margin.

Our business, financial condition and results of operations may be affected by the uncertainties of economic and political conditions, particularly in the current macroeconomic environment, which is characterized by a high degree of uncertainty and modest recovery as well as the continuing risk of resurgence of crisis in financial markets and/or renewed global economic downturn: Our business environment is influenced by both domestic and global demand, which in turn is influenced by economic conditions. These conditions and, in consequence, the speed of economic growth and the sustainability of our market environment are dependent upon the evolution of a number of global and local factors. We still see a high level of uncertainty regarding the global economic outlook, primarily as a result of the anemic economic recovery in the Euro zone, sluggish growth in various emerging countries, and ongoing geopolitical tensions. The main downside risks stem from these political tensions. A severe escalation of the conflict in Eastern Europe would strongly affect the European and world economy and lead to a steep decline in investment activity. Similarly, an escalation of the conflicts in the Middle East could disrupt global oil markets and hit the global economy. Additional risks for our market environment include such possibilities as a prolonged decline in investment sentiment,

a renewed crisis in financial and credit markets, a renewed banking crisis in Europe, a hard landing of the Chinese economy, a supra-regional spread of the Ebola epidemic, fluctuating commodity prices, bankruptcies, natural disasters, political crises including further independence debates, social unrest and other challenges.

In general, due to the significant proportion of long-cycle businesses in our former Sectors and the importance of long-term contracts for Siemens, there is usually a time lag between the development of macroeconomic conditions and their impact on our financial results. Important exceptions include our short-cycle businesses in the former Industry Sector, particularly those in the former Industry Automation Division and parts of the former Drive Technologies Division as well as parts of the former Power Grid Solutions & Products Business within the former Infrastructure & Cities Sector, which are highly sensitive to volatility in market demand. If the moderate recovery of macroeconomic growth stalls again and if we are not successful in adapting our production and cost structure to subsequent changes to conditions in the markets in which we operate, there can be no assurance that we will not experience adverse effects (e.g. underutilization of manufacturing and engineering capacities) that may be material to our business, financial condition and results of operations. For example, it may become more difficult for our customers to obtain financing and as a result they may modify, delay or cancel plans to purchase our products and services or to follow through on purchases or contracts already executed. Furthermore, prices may decline as a result of adverse market conditions to a greater extent than currently anticipated. In addition, contracted payment terms, especially regarding the level of advance payments by our customers relating to long-term projects, may become less favorable, which could negatively impact our cash flows. Additionally, if customers are not successful in generating sufficient revenue or securing access to the capital markets, they may not be able to pay, or may delay payment of, the amounts they owe us, which may adversely affect our business, financial condition and results of operations.

Numerous other headwinds continue to constrain the world economy, such as the increasing popular support for anti-EU and anti-business parties, ongoing high public debt, and significant fluctuations in exchange rates, energy prices and raw material prices. These and other factors could impact macroeconomic parameters and the international capital and credit markets, and the resulting uncertainty could have an adverse impact on our business, financial condition and results of operations.

Our business is affected by a variety of market conditions and regulations. For example, our former Energy Sector is exposed to the development of global demand for energy and strongly

affected by regulations and policies related to energy and the environment. Healthcare is dependent on policy development and regulations affecting healthcare systems around the world, particularly in the important U.S. healthcare market. Our former Industry Sector is vulnerable to unfavorable market conditions in certain segments of the automotive and manufacturing industries. Our former Infrastructure & Cities Sector focuses, among other things, on business with public authorities around the world and is thus vulnerable to restrictions in public budgets.

Our business, financial condition and results of operations may be adversely affected by continued strategic alignments and cost-cutting initiatives: We are in a continuous process of strategic alignments and constantly engage in cost-cutting initiatives, including ongoing capacity adjustment measures and structural initiatives. Capacity adjustments through consolidation of business activities and manufacturing facilities, and the streamlining of product portfolios are also part of these cost reduction efforts. These measures may not be implemented as planned, may turn out to be less effective than anticipated, may become effective later than estimated or may not become effective at all. Each of these factors alone or in combination may negatively impact our business, financial condition, and results of operations. Any future contribution of these measures to our profitability will be influenced by the actual savings achieved and by our ability to sustain them.

Our businesses must keep pace with technological changes and develop new products and services to remain competitive: The markets in which our businesses operate experience rapid and significant changes due to the introduction of innovative technologies. To meet our customers' needs, we must continuously design new products and services and update existing ones, while investing in and developing new technologies. 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 sales and profitability may suffer if we invest in technologies that do not operate or may not be integrated as expected, or that are not accepted in the market place as anticipated, or if our products or systems are not introduced to the market in a timely manner, particularly compared to our competitors, or become obsolete. We constantly apply for new patents and actively manage our intellectual property portfolio to secure our technological position. However, our patents and other intellectual property may not prevent competitors from independently developing or selling products and services that are similar to or duplicates of ours. There can be no assurance that the resources we invest to protect our intellectual property will be sufficient or that our intellectual property portfolio will

adequately deter misappropriation or improper use of our technology. Furthermore, in some of our markets, the need to develop and introduce new products rapidly in order to capture available opportunities may lead to quality problems. Our operating results depend to a significant extent on our ability to anticipate and adapt to changes in our markets and to reduce the costs of producing high-quality products. Among recent technology trends, we are carefully evaluating the potential and relevance of digitalization. We believe that the potential and usage scenarios of this technology vary among our products, solutions and services depending on the degree of information technology utilized. However, we also believe that this trend needs to be monitored closely, because it might bear the potential to change the competitive landscape. Any inability to adapt to the aforementioned factors could have an adverse effect on our business, financial condition and results of operations.

Our business, financial condition and results of operations may be adversely affected by portfolio measures: Our strategy includes divesting activities in some business areas and strengthening others through portfolio measures, including mergers and acquisitions.

With respect to divestments, we may not be able to divest some of our activities as planned, and the divestitures we do carry out could have a negative impact on our business, financial condition, results of operations and our reputation. As a major divestment, we agreed that Bosch will acquire Siemens' stake in BSH Bosch und Siemens Hausgeräte GmbH.

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 as timely as originally planned, or that they will perform as anticipated once integrated. In addition, we may incur significant acquisition, administrative and other costs in connection with these transactions, including costs related to integration of acquired businesses. For example, in September 2014, we entered into an agreement with Dresser-Rand to acquire all of its issued and outstanding common shares by way of a friendly takeover bid. At the beginning of May 2014, we announced the acquisition of the Rolls-Royce Energy aero-derivative gas turbine and compressor business of Rolls-Royce plc, U.K. (Rolls-Royce). Furthermore, portfolio measures may result in additional financing needs and adversely affect our financial leverage and our debt-to-equity ratio. Acquisitions may also lead to substantial increases in intangible assets, including goodwill. Our Statements of Financial Position reflect a significant amount of intangible assets, including goodwill. Among our businesses, the largest amount of goodwill is allocated to

the former Diagnostics Division and the former Imaging & Therapy Systems Division of Healthcare, and the former Industry Automation Division of the former Industry Sector. If we were to encounter continuing adverse business developments including negative effects on our revenues, profits or cash, or adverse effects from an increase in the weighted average cost of capital (WACC) or from foreign exchange rate developments, or if we were otherwise to perform worse than expected at acquisition activities, then these intangible assets, including goodwill, might have to be written off, which could adversely affect our business, financial condition and results of operations. The likelihood of such adverse business developments increases in times of difficult or uncertain macroeconomic conditions.

Our business, financial condition and results of operations may be adversely affected by our equity interests, other investments and strategic alliances: Our strategy includes strengthening our business interests through joint ventures, associated companies and strategic alliances. Certain of our investments, particularly in our former segment Equity Investments, are accounted for using the equity method, including, among others, Unify (formerly EN) and, after contractual closing of the transaction, our Metals Technologies joint venture with Mitsubishi Heavy Industries. Furthermore, we hold other investments, for example Atos SE and OSRAM Licht AG. Any factors negatively influencing the profitability of our equity and other investments, including negative effects on revenues, profits or cash, could have an adverse effect on our equity pick-up related to these equity interests or may result in a write-off of these investments. 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 equity 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.

We are subject to changes of regulations, laws and policies concerning our products: As a diversified company with global businesses we are exposed to various product-related regulations, laws and policies influencing our processes. Recently, some jurisdictions around the world have adopted certain regulations, laws and policies requiring us to extend our recycling efforts, limit the sourcing and usage of certain raw materials, and request that suppliers provide additional due diligence and

disclosures on sourcing and usage of the regulated raw materials. In particular, there is U.S. legislation concerning the sourcing of “conflict minerals” from mines located in the conflict zones of the Democratic Republic of Congo (DRC) and its adjoining countries. This U.S. legislation requires manufacturers listed on U.S. stock exchanges to investigate and disclose their use of any conflict minerals originating in the DRC or adjoining countries. Many of our customers fall into this category. If their (sub-)suppliers do not provide them with requested information and do not take other steps to ensure that no such conflict minerals are included in minerals or components supplied to them, they may be forced to disclose information about the use of conflict minerals in their supply chain in filings with the SEC. Thus, our customers pass on these transparency obligations within their supply chain in which we are also involved. We exercise our duty within the supply chain, as our customers request transparency in the supply chain and as the obligation to do so already forms an element of customer contracts. If we are unable to achieve sufficient confidence throughout our supply chain, or if any of these risks or similar risks associated with these kinds of regulations, laws and policies were to materialize, our business, financial condition, results of operations and reputation could be adversely affected.

C.9.3.2 OPERATIONAL RISKS

Our business, financial condition and results of operations may be adversely affected by cost overruns or additional payment obligations related to the management of our long-term, fixed-price or turnkey projects: We perform a portion of our business, especially large projects, under long-term contracts that are awarded on a competitive bidding basis. Some of these contracts are inherently risky because we may assume substantially all of the risks associated with completing a project and the post-completion warranty obligations. For example, we face the risk that we must satisfy technical requirements of a project even though we may not have gained experience with those requirements before we win the project. The profit margins realized on fixed-priced contracts may vary from original estimates as a result of changes in costs and productivity over their term. We sometimes bear the risk of unanticipated project modifications, shortage of key personnel, quality problems, financial difficulties of our customers, cost overruns or contractual penalties caused by unexpected technological problems, unforeseen developments at the project sites, unforeseen changes or difficulties in the regulatory or political environment, performance problems with our suppliers, subcontractors and consortium partners or other logistical difficulties. Certain of our multi-year contracts also contain demanding installation and maintenance requirements in addition to other performance criteria relating to timing, unit cost and compliance with government regulations requirements, which, if not satisfied, could subject us to substantial

contractual penalties, damages, non-payment and contract termination. There can be no assurance that contracts and projects, in particular those with long-term duration and fixed-price calculation, can be completed profitably.

Increased IT security threats and higher levels of professionalism in computer crime could pose a risk to our systems, networks, products, solutions and services as well as to those of our service providers: Our business portfolio includes a broad array of systems, networks, products, solutions and services across our businesses that rely on digital technologies. We observe a global increase in IT security threats and higher levels of professionalism in computer crime, which pose a risk to the security of systems and networks and the confidentiality, availability and integrity of data. We attempt to mitigate these risks by employing a number of measures, including employee training, comprehensive monitoring of our networks and systems, and maintenance of backup and protective systems such as firewalls and virus scanners. To the extent we employ service providers, such as in the area of IT infrastructure, we have contractual arrangements in place in order to ensure that these risks are reduced in a similar manner. Nonetheless, our systems, networks, products, solutions and services, as well as those of our service providers remain potentially vulnerable to attacks. Depending on their nature and scope, such attacks could potentially lead to the leakage of confidential information, improper use of our systems and networks, manipulation and destruction of data, defective products, production downtimes and supply shortages, which in turn could adversely affect our business, financial condition, results of operations and reputation.

We may face operational failures and quality problems in our value chain processes: Our value chain comprises all steps, from research and development to supply chain management, production, marketing, sales and services. Operational failures in our value chain processes could result in quality problems or potential product, labor safety, regulatory or environmental risks. Such risks are particularly present in our former Sectors in relation to our production and construction facilities, which are located all over the world and have a high degree of organizational and technological complexity. From time to time, some of the products we sell might have quality issues resulting from the design or manufacture of such products or from the software integrated into them. Our Healthcare business, for example, is subject to regulatory authorities including the U.S. Food and Drug Administration and the European Commission's Health and Consumer Policy Department, which require us to make certain efforts to safeguard our product quality. If we are not able to comply with these requirements, our business, financial condition, results of operations and reputation may be adversely affected.

Furthermore, failures on the part of service providers we employ, such as in the area of IT, may have an adverse effect on our processes and operations and our ability to meet our commitments to customers or increase our operating costs. Any operational failures or quality issues could have an adverse effect on our business, financial condition, results of operations and reputation.

We are dependent upon hiring, developing and retaining highly qualified management and technical personnel: Competition for highly qualified personnel remains intense in the industries and regions in which our businesses operate. In many of our business areas, we intend to expand our business activities, for which we will need highly skilled employees. Our future success depends in part on our continued ability to hire, integrate, develop and retain engineers and other qualified personnel. We address this risk with various measures, for example succession planning, employer branding, retention and career management. However, there can be no assurance that we will continue to be successful in attracting and retaining all the highly qualified employees and key personnel needed in the future, including in appropriate geographic locations, and any inability to do so could have an adverse effect on our business, financial condition, results of operations and reputation.

We may face interruption of our supply chain, including the inability of third parties to deliver parts, components and services on time and in the contractually agreed quality, and we may be subject to rising raw material prices: Our financial performance depends in part on reliable and effective supply chain management for components, sub-assemblies and other materials. Capacity constraints and supply shortages resulting from ineffective supply chain management may lead to delays and additional cost. We rely on third parties to supply us with parts, components and services. Using third parties to manufacture, assemble and test our products reduces our control over manufacturing yields, quality assurance, product delivery schedules and costs. The third parties that supply us with parts and components also have other customers and may not have sufficient capacity to meet all of their customers' needs, including ours, during periods of excess demand. Component supply delays can affect the performance of our former Sectors. 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 or that we will be able to replace a supplier that is not able to meet our demand. This risk is particularly evident in businesses with a very limited number of suppliers. Shortages and delays could materially harm our business. Unanticipated increases in the price of components or raw materials due to market shortages or other reasons could also adversely affect the performance of our former Sectors. Furthermore, we may be exposed to the

risk of delays and interruptions of the supply chain as a consequence of natural disasters in case we are unable to identify alternative sources of supply or ways of transportation in a timely manner or at all. A general shortage of materials, components or sub-components as a result of natural disasters also bears the risk of unforeseeable fluctuations in prices and demand, which might adversely affect our business, financial condition and results of operations.

Our former Sectors purchase raw materials including so-called rare-earth metals, copper, steel, aluminum and oil, which expose them to fluctuations in energy and raw material prices. In recent times, commodities prices have been subject to volatile markets, and such volatility is expected to continue. If we are not able to compensate for our increased costs or pass them on to customers, price increases could have an adverse impact on our business, financial condition and results of operations. In contrast, in times of falling commodity prices, we may not fully profit from such price decreases as we attempt to reduce the risk of rising commodity prices by several means, such as long-term contracting or physical and financial hedging. In addition to price pressure that we may face from our customers expecting to benefit from falling commodity prices or adverse market conditions, this could also adversely affect our business, financial condition and results of operations.

C.9.3.3 FINANCIAL RISKS

We are exposed to market price risks: We are exposed to fluctuations in exchange rates, especially between the U.S. dollar and the euro, because a high percentage of our business volume is conducted in the U.S. and as exports from Europe. In addition, we are exposed to currency effects involving the currencies of emerging markets, in particular the Chinese Yuan. A strengthening of the euro (particularly against the U.S. dollar) may change our competitive position, as many of our competitors may benefit from having a substantial portion of their costs based in weaker currencies, enabling them to offer their products at lower prices. As a result, a strong euro in relation to the U.S. dollar and other currencies could have an adverse impact on our revenues and results of operations. Certain currency risks as well as interest rate risks are hedged using derivative financial instruments. Depending on the development of foreign currency exchange and interest rates, our hedging activities could have significant effects on our business, financial condition and results of operations. Changes in the fair value of warrants issued together with US\$3 billion bonds in fiscal 2012 depends mainly on the underlying Siemens and OSRAM share prices as well as their respective volatilities, irrespective of the fact that our potential obligation related to the warrant writer position to physically deliver Siemens and OSRAM shares could be covered out of existing stock. Accordingly, exchange rate, interest rate and

share price fluctuations may lead to higher volatility and adverse effects on our business, financial condition and results of operations.

We are exposed to volatile credit spreads: Regarding our Corporate Treasury activities, widening credit spreads due to uncertainty and risk aversion in the financial markets might lead to adverse changes of fair market values of our financial assets, in particular concerning our derivative financial instruments. In addition, widening credit spreads could lead to increasing refinancing costs if the Euro zone sovereign debt crisis with its ongoing significant impact on global financial markets and the European financial sector in particular, continues or even worsens. Any such development could also further increase the costs for buying protection against credit risks due to a potential increase of counterparty risks.

Our future financing via Corporate Treasury may particularly be affected by the uncertainty of economic conditions and the developments of capital and financial markets: Our Corporate Treasury is responsible for the financing of the Company. Negative developments in foreign exchange, money or capital markets, such as limited availability of funds (particularly U.S. dollar funds), may increase our overall cost of funding. The ongoing Euro zone sovereign debt crisis continues to have an impact on global capital markets. The resulting higher risk awareness of governments led to more regulations on the use of financial instruments through (1) the Regulation on OTC derivatives, central counterparties and trade repositories (European Market Infrastructure Regulation) and (2) other similar regulations in other jurisdictions, which may have an impact on the future availability or the costs of adequate hedging instruments for the Company. It may even lead to further regulations of the financial sector as well as to the use of financial instruments that could adversely influence our future possibilities of obtaining debt financing, and/or may increase our refinancing costs. Deteriorating credit quality or even default of business partners may adversely affect our business, financial condition and results of operations.

Downgrades of our rating could increase our cost of capital and therefore could negatively affect our business: Our business, financial condition and results of operations are influenced significantly by the actual and expected performance of the former Sectors and SFS, as well as our portfolio measures. An actual or expected negative development of our business, financial condition or results of operations could result in the deterioration of our credit rating. Downgrades by rating agencies could increase our cost of capital, may reduce our potential investor base and may negatively affect our business, financial condition and results of operations.

Our financing activities subject us to various risks, including credit, interest rate and foreign exchange risk: We provide our customers with various forms of direct and indirect financing in connection with large projects. We also finance a large number of customer orders, for example, the leasing of medical equipment, mainly through SFS. SFS also bears credit risk by financing third-party equipment or by taking direct or indirect participation in financings, such as syndicated loans. In part, we take a security interest in the assets we finance or we receive additional collateral. Our business, financial condition and results of operations may be adversely affected if the credit quality of our customers deteriorates or if they default on their payment obligation to us, if the value of the assets in which we have taken a security interest or additional collateral declines, if interest rates or foreign exchange rates fluctuate, or if the projects in which we invest are unsuccessful. Potential adverse changes in economic conditions could cause a decline in the fair market values of assets, derivative instruments as well as collateral, resulting in losses which could have an adverse effect on our business, financial condition and results of operations.

Our business, financial condition and results of operations may be adversely affected by several parameters influencing the funded status of our pension benefit plans: The funded status of our pension plans may be affected by an increase or decrease in the defined benefit obligation (DBO), as well as by an increase or decrease in the value of plan assets. A significant increase in the underfunding may have a negative effect on our rating. Pensions are accounted for in accordance with actuarial valuations, which rely on statistical and other factors in order to anticipate future events. These factors include key pension plan valuation assumptions such as the discount rate, rate of future compensation increases and pension progression. Actual developments may differ from assumptions due to changing market and economic conditions, thereby resulting in an increase or decrease in the DBO. Significant movements in financial markets or a change in the portfolio mix of invested assets could result in corresponding increases or decreases in the value of plan assets, particularly equity securities. Also, changes in pension plan assumptions could affect defined benefit costs. For example, a change in discount rates may result in changes in the defined benefit costs in the following fiscal year. In order to comply with local pension regulations in selected foreign countries, we may face a risk of increasing cash outflows to reduce an underfunding of our pension plans in these countries, if any.

With respect to sales-related bank guarantees to be issued in the course of orders or supplies, we are exposed to certain risks arising from our banks' rating and its development: Frequently customers request from the supplier that

guarantees customary for the business are procured from banks, such as down-payment or warranty bonds, as part of the order. Sometimes customers may also set minimum requirements as to the creditworthiness of acceptable guarantors. Accordingly, situations may arise with respect to existing orders that, during the order's execution phase, customers request the provision of alternative security upon the deterioration of a guaranteeing bank's creditworthiness.

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

For further information on derivative financial instruments, hedging activities and financial risk management, see → NOTE 30 AND 31 in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

C.9.3.4 COMPLIANCE RISKS

We are subject to regulatory risks associated with our international operations: Protectionist trade policies and changes in the political and regulatory environment in the markets in which we operate, such as import and export controls, tariffs and other trade barriers including debarment from certain markets and price or exchange controls, could affect our business in several national markets, impact our sales and profitability and make the repatriation of profits difficult, and may expose us to penalties, 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 continually increasing costs related to designing and implementing appropriate compliance programs and protocols.

As a globally operating organization, we conduct business with customers in countries, such as Iran, Syria, Cuba and countries in Eastern Europe, that are subject to export control regulations, embargoes, economic sanctions or other forms of trade restrictions imposed by the U.S., the European Union or other countries or organizations. New or expanded export control regulations, economic sanctions, embargoes or other forms of trade restrictions imposed on Iran, Syria or on other sanctioned

countries in which we do business may result in a curtailment of our existing business in such countries or indirectly in other countries and in amendments to our policies. We are also aware of initiatives by institutional investors, such as pension funds or other companies, to adopt or consider adopting policies prohibiting investment in and transactions with, or requiring divestment of interests in entities doing business with, Iran and other countries identified as state sponsors of terrorism by the U.S. Secretary of State. It is possible that such initiatives may result in us being unable to gain or retain investors, customers or suppliers. In addition, the termination of our activities in sanctioned countries may expose us to customer claims and other actions. Our reputation could also suffer due to our activities with counterparties in or affiliated with these countries. As previously disclosed, Siemens has decided that, subject to certain limited exceptions, it will not enter into new contracts with customers in Iran and has issued group-wide policies establishing the details of its general decision.

We expect that sales to emerging markets will account for an increasing portion of our total revenue, as our business naturally evolves and as developing nations and regions around the world increase their demand for our offering. Emerging market operations involve various risks, including civil unrest, health concerns, cultural differences such as employment and business practices, volatility in gross domestic product, economic and governmental instability, the potential for nationalization of private assets and the imposition of exchange controls. The Asian markets, in particular, are important for our long-term growth strategy, and our sizeable operations in China are influenced by a legal system that is still developing and is subject to change. Our growth strategy could be limited by governments supporting local industries. Our former Sectors, particularly those that derive their revenue from large projects, could be adversely affected if future demand, prices and gross domestic product in the markets in which those former Sectors operate do not develop as favorably as expected due to such regulatory measures. If any of these risks or similar risks associated with our international operations were to materialize, our business, financial condition and results of operations could be adversely affected.

Current and future investigations regarding allegations of public corruption, antitrust violations and other illegal acts could have an adverse effect on our business, financial condition and results of operations and on our reputation:

We engage in a substantial amount of business with governments and government-owned enterprises around the world. We also participate in a number of projects funded by government agencies and intergovernmental and supranational organizations such as multilateral development banks. If we are found to have been engaged in public corruption, antitrust

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

Our involvement in ongoing and potential future corruption or antitrust proceedings could damage our reputation and have an adverse impact on our ability to compete for business from public and private sector customers around the world. If we or our subsidiaries are found to have engaged in certain illegal acts or not to have taken effective steps to address allegations or findings of corruption or antitrust violations in our business, this may impair our ability to participate in business with governments or intergovernmental organizations and may result in our formal exclusion from such business. Even if we are not formally excluded from participating in government business, government agencies or intergovernmental or supranational organizations may informally exclude us from tendering for or participating in certain contracts. For example, legislation of member states of the European Union could in certain cases result in our mandatory or discretionary exclusion from public contracts in case of a conviction for bribery and certain other offences or for other reasons. As described in more detail in → NOTE 28 in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, we and certain of our subsidiaries have in the past been excluded or currently are excluded from some contracting, including with governments, development banks and multilateral financial institutions, as a result of findings of corruption or other misconduct. Ongoing or potential future investigations into allegations of corruption or antitrust violations could also impair existing relationships with, and our ability to acquire new private sector business partners. For instance, such investigations may adversely affect our ability to pursue potentially important strategic projects and transactions, such as strategic alliances, joint ventures or other business combinations, or could result in the cancellation of certain of our existing contracts and third parties, including our competitors, could initiate significant third-party litigation.

In addition, future developments in ongoing and potential future investigations, such as responding to the requests of governmental authorities and cooperating with them, could divert management's attention and resources from other issues facing our business. The materialization of any of these risks could have an adverse effect on our business, financial condition and results of operations and on our reputation.

We are subject to environmental and other governmental regulations: Some of the industries in which we operate are highly regulated. Current and future environmental and other governmental regulations or changes thereto may require us to change the way we run our operations and could result in significant increases in our operating or production costs. In addition, while we have procedures in place to ensure compliance with applicable governmental regulations in the conduct of our business operations, it cannot be excluded that violations of applicable governmental regulations may be caused either by us or by third parties that we contract with, including suppliers or service providers, whose activities may be attributed to us. Any such violations expose us to the risk of liability, reputational damage or loss of licenses or permits that are important to our business operations. In particular, we could also face liability for damage or remediation for environmental contamination at the facilities we design or operate. For example, we are required to bear environmental clean-up costs mainly related to remediation and environmental protection liabilities, which have been accrued based on the estimated costs of decommissioning facilities for the production of uranium and mixed-oxide fuel elements in Hanau, Germany, as well as a nuclear research and service center in Karlstein, Germany. For further information, see → NOTE 23 in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. Under certain circumstances, we establish provisions for environmental risks. With regard to certain environmental risks, we maintain liability insurance at levels that our management believes are appropriate and consistent with industry practice. We may incur environmental losses beyond the limits, or outside the coverage, of such insurance, and such losses may have an adverse effect on our business, financial condition and results of our operations. In addition, our provisions for environmental liabilities may not be sufficient to cover our ultimate losses or expenditures resulting therefrom.

Our business, financial condition and results of operations could suffer as a result of current or future litigation: We are subject to numerous risks relating to legal, governmental and regulatory proceedings to which we are currently a party or to which we may become a party in the future. We routinely become subject to legal, governmental and regulatory investigations and proceedings involving, among other things, requests for arbitration, allegations of improper delivery of goods or

services, product liability, product defects, quality problems, intellectual property infringement, non-compliance with tax regulations and/or alleged or suspected violations of applicable laws. In addition, we may face further claims in connection with the circumstances that led to the corruption charges. For additional information with respect to specific proceedings, see → NOTE 28 in → D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. There can be no assurance that the results of these or any other proceedings will not materially harm our business, financial condition and results of operations. Moreover, even if we ultimately prevail on the merits in any such proceedings, we may have to incur substantial legal fees and other costs defending ourselves against the underlying allegations. Under certain circumstances we record a provision for risks arising from legal disputes and proceedings. In addition, we maintain liability insurance for certain legal risks at levels our management believes are appropriate and consistent with industry practice. Our insurance policy, however, does not protect us against reputational damage. Moreover, we may incur losses relating to legal proceedings beyond the limits, or outside the coverage, of such insurance or exceeding any provisions made for legal proceedings related losses. Finally, there can be no assurance that we will be able to maintain adequate insurance coverage on commercially reasonable terms in the future. Each of these risks may have an adverse effect on our business, financial condition and results of operations.

C.9.3.5 ASSESSMENT OF THE OVERALL RISK SITUATION

The most significant challenges have been mentioned first in each of the four categories Strategic, Operations, Financial and Compliance with the risks caused by highly competitive markets currently being our most significant. Even though the assessments of individual risk exposures have changed during fiscal 2014 due to developments in the external environment as well as the effects of our own mitigation measures, the overall risk situation for Siemens did not change significantly as compared to the prior year. At present, no risks have been identified that either individually or in combination could endanger our ability to continue as a going concern. We are confident that we can continue to successfully counter the challenges arising from the risks mentioned above.

C.9.4 Opportunities

Within our comprehensive, interactive and management-oriented Enterprise Risk Management (ERM) approach that is integrated into the organization and that addresses both risks and opportunities, we regularly identify, evaluate and respond to opportunities that present themselves in our various fields of activity. Below we describe our most significant opportunities. Unless otherwise stated, the opportunities described below

relate to all of our segments. The order in which the opportunities are presented reflects the currently estimated relative exposure for Siemens associated with these opportunities and thus provides an indication of the opportunities' current importance to us. Nevertheless, opportunities currently considered to entail a lower opportunity exposure could potentially result in a higher positive impact on Siemens than opportunities currently considered to entail a higher opportunity exposure. The described opportunities are necessarily not the only ones we encounter. In addition, our assessment of opportunities is subject to change as our Company, our markets and technologies are constantly developing. As a consequence, new opportunities may arise, existing opportunities may cease to be relevant, or the significance of an opportunity may change. Generally, opportunities are assessed to the best of our knowledge, considering certain assumptions, including market development, market potential of technologies or solutions, and anticipated developments in customer demand or prices, among other things. When opportunities materialize, they may have a lower effect than previously estimated on the basis of the underlying assumptions. It is also possible that opportunities we see today will never materialize.

In our view, the overall opportunity situation did not change significantly as compared to the prior year.

We constantly strive to develop new technologies, offer new products, solutions and services, and improve existing ones:

We invest in new technologies that we expect will meet future demands in accordance with the megatrends demographic change, urbanization, climate change, globalization and digital transformation (for further information see → C.1.3 STRATEGY). Furthermore, a growing awareness for cyber security could lead to additional business for high quality solutions offered by the former Industry Sector's Industry Automation Division.

We see further opportunities in the growth potential of emerging markets as well as established markets:

We expect that in coming years growth in our markets will be driven by countries in Asia and the Middle East, in particular by countries such as Indonesia and Turkey. Within One Siemens, we take measures aimed at continuously increasing our share of revenue from emerging markets. Our "Vision 2020" concept, which puts a stronger focus on getting close to customers is expected to result in higher market penetration (for further information, see → C.1.3 STRATEGY).

We believe that developing the capability to design, manufacture and sell so-called SMART products (simple, maintenance-friendly, affordable, reliable, and timely-to-market) will provide us with opportunities to gain market share and enhance our local presence in these strategic growth markets. Adding

further SMART products to our portfolio and developing stronger sales channels would enable us to increase our revenues by serving large and fast-growing geographic markets, where customers making a purchase decision may consider price more strongly than product features without compromising on product quality and reliability.

Through selective acquisitions, equity investments and partnerships we constantly strive to strengthen our leading technology position, open up additional potential markets and further develop our product portfolio:

We constantly monitor our current and future markets for opportunities for strategic acquisitions, equity investments or partnerships to complement organic growth. Such activities could help us to strengthen our market position in our existing markets, provide access to new markets or complement our technological portfolio in selected areas.

Localizing value chain activities in low-cost countries could further improve our cost position:

Localizing certain value chain activities, such as procurement, manufacturing, maintenance and service in markets such as the BRIC countries, other emerging markets, and the Middle East could enable us to reduce costs and strengthen our global competitive position, in particular compared to competitors based in countries with a more favorable cost structure.

We are in the process of continuously developing and implementing initiatives to reduce costs, adjust capacities, improve our processes and streamline our portfolio:

In an increasingly competitive market environment, a competitive cost structure complements the competitive advantage of being innovative. We believe that further improvements in our cost position can strengthen our global competitive position and secure our market presence against emerging and incumbent competitors. For example, we expect to create sustainable value from productivity measures in connection with our "Vision 2020" (for further information, see → C.1.3 STRATEGY). Moreover, fostering a stringent claim management process can help materialize opportunities by enforcing our claims towards our contract partners even stronger.

We are realigning our organization:

As of November, 2013, we disbanded our Regional Cluster organization. Following this organizational change, we have designated 30 Lead Countries which are individually responsible for managing a number of other countries regarding market penetration. Each Lead Country reports directly to the Managing Board. By implementing this move, Siemens intends to intensify its customer access and expand its regional business. We expect this new setup to further enhance our local market penetration and our customer proximity going forward.

As of October 1, 2014, we have also eliminated the Sector level and consolidated our business activities into nine Divisions and one separately managed unit, Healthcare (for details see → C.1.1.1 ORGANIZATION AND BASIS OF PRESENTATION). This change is expected to increase our customer proximity and accelerate our decision-making. In addition, we have made governance even more stringent across all levels of our organization. Our Managing Board leads the Company and maintains the balance between our businesses and Regions. It is supported by strong, efficient corporate governance functions, our Corporate Core, which is expected to ensure fast, nonbureaucratic decision-making across key company functions (for details, see → C.1.3 STRATEGY).

C.9.5 Significant characteristics of the accounting-related internal control and risk management system

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

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

As described in → C.9.2 RISK MANAGEMENT, our ERM approach is based on the worldwide accepted "Enterprise Risk Management – Integrated Framework" developed by the COSO. As one of the objectives of this framework is reliability of a company's financial reporting, it also includes an accounting-related perspective. The accounting-related internal control system (control system) implemented by us is based on Internal Control – Integrated Framework (2013), an internationally recognized framework also developed by the COSO. The two systems are complementary.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. At the end of each fiscal year, our management performs an evaluation of the effectiveness of its control system, both in design and operating effectiveness. We have a standardized procedure under which necessary controls are defined, documented in accordance with uniform standards, and tested regularly on their effectiveness. Nevertheless, there are inherent limitations in 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 conceptual framework which primarily consists of company-wide uniform Financial Reporting Guidelines and a chart of accounts, both issued centrally and to be applied consistently throughout Siemens. New laws, accounting standards, and other official announcements are analyzed on an ongoing basis with regard to their relevance and impact on the Consolidated Financial Statements and the Combined Management Report and where necessary, our Financial Reporting Guidelines and the chart of accounts are adjusted accordingly. In quarterly closing letters, accounting departments of Siemens AG and its subsidiaries are informed about current topics from an accounting and closing process perspective and any deadlines that must be met for the respective closing processes.

The base data used in preparing the Consolidated Financial Statements consists of the closing data reported by the operations of Siemens AG and its subsidiaries, which are derived from the various accounting records. The preparation of the closing data of most of our subsidiaries is supported by an internal shared services organization. Furthermore, other accounting activities, such as governance and monitoring related activities, are bundled on regional level. In addition, for some areas requiring specialized know-how such as valuations relating to post-employment benefits support from external service providers is obtained and used. The reported closing data is used to prepare the Consolidated Financial Statements in the consolidation system. The steps necessary to prepare the Consolidated Financial Statements are subject to both manual and automated controls at all levels.

The specialist skills required of employees involved in the accounting process are assessed when the employees are initially selected; thereafter, the employees receive regular training. As a fundamental principle, at the different levels and based on materiality considerations, items must be verified by at least one other person (four eyes principle) and specific procedures must be adhered to for the authorization of the data. Additional control mechanisms include target-performance comparisons and analyses of the composition of, and changes in, individual line items, both in the closing data reported by units and in the Consolidated Financial Statements. Accounting-related IT systems provide for defined access rules in order to ensure that accounting related data is protected from unauthorized access, use or modification. Every unit included in our Consolidated Financial Statements is subject to the rules and regulations of the Corporate Information Security Guide.

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

In addition, we have set up a Disclosure Committee – comprising selected heads of Corporate Units – which is responsible for reviewing certain financial and non-financial information prior to publication.

The Supervisory Board, through the Audit Committee, is also integrated into our control system. In particular, the Audit Committee oversees the accounting process, the effectiveness of the control system, the risk management system and the internal audit system, and the independent audit of financial statements. In addition, it conducts an audit of the documents related to the Annual Financial Statements of Siemens AG and the Consolidated Financial Statements and discusses the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements and Combined Management Report of these statements with the Managing Board and the independent auditors.

Through audits on a continuous and Siemens wide basis our internal corporate audit function monitors compliance with our guidelines and the reliability and functional operation of our control system as well as the adequacy and effectiveness of our risk management system.

In addition we have rules for accounting-related complaints and a Code of Ethics for Financial Matters.

ADDITIONAL INFORMATION RELATED TO THE ANNUAL FINANCIAL STATEMENTS OF SIEMENS AG (GERMAN COMMERCIAL CODE)

Siemens AG as the parent company of the Siemens Group is integrated into the company-wide accounting-related internal control system described above. Generally, the information set out above also applies for Annual Financial Statements of Siemens AG prepared in accordance with the German Commercial Code.

The Consolidated Financial Statements are prepared in accordance with IFRS. Where required, i.e. for purposes of preparing statements for local regulatory or tax purposes, data is adopted in accordance with relevant regulations by means of reconciliation at account level. Accordingly, accurately determined IFRS closing data also forms an important basis for the Annual Financial Statements of Siemens AG. In the case of Siemens AG and other group companies required to prepare financial statements in accordance with German Commercial Code, the conceptual framework described above is complemented by mandatory regulations specific to German Commercial Code within our Financial Reporting Guidelines and a German Commercial Code chart of accounts. The manual and system-based control mechanisms referred to above generally also apply when reconciling the IFRS closing data to the Annual Financial Statements of Siemens AG.

11 | C.10 Compensation Report and legal disclosures

The Compensation Report outlines the principles underlying the determination of the total compensation of the members of the Managing Board of Siemens AG, and sets out the structure and level of the remuneration of the Managing Board members. It also describes the policies governing and levels of compensation paid to Supervisory Board members. The Compensation Report is an integral part of the Combined Management Report and is presented in → [B.4 COMPENSATION REPORT](#).

The Corporate Governance statement pursuant to Section 289a of the German Commercial Code is an integral part of the Combined Management Report and is presented in → [B.2 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE](#).

The Takeover-relevant information (pursuant to Sections 289 para. 4 and 315 para. 4 of the German Commercial Code) and explanatory report are an integral part of the Combined Management Report and are presented in → [B.5 TAKEOVER-RELEVANT INFORMATION \(PURSUANT TO SECTIONS 289 PARA. 4 AND 315 PARA. 4 OF THE GERMAN COMMERCIAL CODE\) AND EXPLANATORY REPORT](#).

The Compliance Report outlines the principles of our Compliance System which aims to ensure that all our worldwide business practices are in line with our Business Conduct Guidelines and in compliance with all applicable laws. In addition, it describes our approach on compliance risk management, business partner compliance due diligence, cooperation with third parties and the Siemens Integrity Initiative. The Compliance Report is an integral part of the Combined Management Report and is presented in → [B.3 COMPLIANCE REPORT](#).

11 | C.11 Siemens AG (Discussion on basis of German Commercial Code)

Unlike our Consolidated Financial Statements, which are prepared in accordance with the International Financial Reporting Standards (IFRS), the Annual Financial Statements of Siemens AG have been prepared in accordance with the rules set out in the German Commercial Code (Handelsgesetzbuch).

C.11.1 Business and economic environment

Siemens AG is the parent company of the Siemens Group. Siemens AG is a technology company with core activities in the fields of electrification, automation and digitalization. Siemens AG includes one additional operating business, Siemens Real Estate. Furthermore Siemens AG is significantly influenced by directly or indirectly owned subsidiaries and investments. Siemens AG holds directly and indirectly 640 legal entities including non-controlling interests. Siemens AG also includes the Group's corporate headquarters functions.

The economic environment for Siemens AG is largely the same as for the Siemens Group and is described in detail in → [c.1.2 ECONOMIC ENVIRONMENT](#).

C.11.2 Results of operations

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

(in millions of €)	September 30,		% Change
	2014	2013	
Revenue	30,934	30,305	2%
Cost of sales	(22,109)	(22,016)	0%
Gross profit	8,824	8,289	6%
<i>as percentage of revenue</i>	29%	27%	
Research and development expenses	(2,781)	(2,878)	3%
Selling and general administrative expenses	(4,036)	(4,173)	3%
Other operating income (expenses), net	(20)	(178)	89%
Financial income, net thereof income from investments 2,870 (prior year 3,893)	2,243	3,631	(38)%
Result from ordinary activities	4,230	4,692	(10)%
Income taxes	(444)	(840)	47%
Net income	3,786	3,852	(2)%
Profit carried forward	110	115	(4)%
Assets reduction due to spin-off	–	(1,800)	100%
Allocation to other retained earnings	(988)	476	n/a
Unappropriated net income	2,907	2,643	10%

|

The increase in **Revenue** is due primarily to revenue increases of €1.002 billion in the Energy Sector, €251 million in the Industry Sector and €73 million in the Infrastructure & Cities Sector. These increases were partly offset by revenue declines of €419 million in the Healthcare Sector and €16 million in Siemens Real Estate. As a consequence of the mutual agreement procedure with tax authorities related to transfer pricing, Siemens AG received compensatory payments from Siemens Healthcare U.S. The payments amounted to €259 million, compared to €670 million in the prior year, and were booked as revenue by the Healthcare Sector. On a geographic basis, revenue grew 31% year-over-year in the Asia, Australia region and declined 12% in the Americas region and 3% in the Europe, C.I.S., Africa, Middle East region. Exports from Germany accounted for 73% and 70% of revenue in fiscal 2014 and 2013, respectively. In fiscal 2014, orders for Siemens AG amounted to €32.3 billion, nearly level compared to the prior year.

The increase in **Gross profit** included increases of €421 million in the Energy Sector, €279 million in the Industry Sector and €269 million in the Infrastructure & Cities Sector. These increases were partly offset by a decrease of €335 million in the Healthcare Sector. A year earlier, gross profit was burdened by charges for the company-wide "Siemens 2014" productivity improvement program. While both years included project charges, these were higher in fiscal 2014. In particular, the Energy Sector's Power Transmission Division took charges including €361 million related primarily to grid-connections to offshore wind-farms and €197 million related to onshore HVDC transmission line projects.

Research and development (R&D) expenses decreased due primarily to a reduction of €196 million in the Infrastructure & Cities Sector. This decrease was partly offset by increases of €46 million in the Energy Sector and €16 million in the Healthcare Sector. R&D expenses as a percentage of revenue (R&D intensity) decreased by one percentage point, to 9% year-over-year. On an average basis, we employed 12,600 people in R&D in fiscal 2014, compared to 12,500 in fiscal 2013. For additional information see → C.8.3 RESEARCH AND DEVELOPMENT.

The improvement in **Other operating income (expenses), net** resulted from an increase in other operating income of €161 million, only slightly offset by an increase of €4 million in other operating expenses. Within other operating income, positive effects included €137 million from higher allocation of central infrastructure and support services to Sectors and Divisions outside Siemens AG, and gains totaling €110 million related to the sale of concessions and industrial property rights to Siemens Schweiz AG.

The decline in **Financial income, net** was primarily attributable to lower income from investments, which decreased by €1.023 billion. Other financial income was €395 million lower compared to the prior year, while net interest income came in €29 million higher.

The primary factor for the decrease in income from investments was lower dividend payments. In fiscal 2013, we received a dividend payment of €3.000 billion from Siemens Beteiligungsverwaltung GmbH & Co. OHG. We received no such dividend payment in fiscal 2014. In contrast, income from profit transfers from Siemens Beteiligungen Inland GmbH increased by €909 million. In addition, gains (losses) from the disposal of investments came in €755 million higher year-over-year, including a gain of €321 million from the sale of our 17% stake in OSRAM Licht AG to Siemens Beteiligungen Inland GmbH.

The decrease in other financial income resulted mainly from a realized loss related to interest and foreign currency derivatives amounting to €309 million, compared to income amounting to €548 million in the prior year. In addition, expenses from compounding of pension provisions increased by €161 million. These factors were partly offset by reversals of impairments of shares in investments of €214 million.

The decline in **Income tax expenses** was due mainly to prior-year one-time special effects.

C.11.3 Net assets and financial position

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

(in millions of €)	September 30,		% Change
	2014	2013	
Assets			
Non-current assets			
Intangible and tangible assets	2,419	2,437	(1)%
Financial assets	42,121	40,530	4%
	44,540	42,967	4%
Current assets			
Receivables and other assets	15,816	17,032	(7)%
Cash and cash equivalents, securities	2,672	2,282	17%
	18,488	19,313	(4)%
Prepaid expenses	111	75	48%
Deferred tax assets	2,222	2,467	(10)%
Active difference resulting from offsetting	40	46	(13)%
Total assets	65,400	64,868	1%
Liabilities and equity			
Equity	18,798	18,295	3%
Special reserve with an equity portion	759	767	(1)%
Provisions			
Pensions and similar commitments	11,103	10,432	6%
Other provisions	7,369	7,827	(6)%
	18,472	18,260	1%
Liabilities			
Liabilities to banks	208	138	51%
Advanced payments received	677	1,349	(50)%
Trade payables, liabilities to affiliated companies and other liabilities	26,189	25,771	2%
	27,075	27,257	(1)%
Deferred income	296	290	2%
Total liabilities and equity	65,400	64,868	1%

The increase in **Financial assets** was due primarily to the purchase of a 14.26% stake in Atos SE from Siemens Beteiligungen Inland GmbH amounting to €779 million and a capital increase of €500 million relating to Siemens Bank GmbH. In addition, loans increased €297 million and securities in non-current assets came in €350 million higher. These increases were partly offset by the sale of our 17% stake in OSRAM Licht AG to Siemens Beteiligungen Inland GmbH. The sale price amounted to €715 million and the book value amounted to €395 million.

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

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

The increase in **Equity** was attributable to net income for the year of €3.786 billion and issuance of treasury stock of €330 million in conjunction with our share-based compensation program. These factors were partly offset by dividends paid in fiscal 2014 (for fiscal 2013) of €2.533 billion (for additional information see → C.2.5 DIVIDEND AND SHARE BUYBACKS). In addition, the equity reduction was due to share buybacks during the year amounting to €1.079 billion. The equity ratios at September 30, 2014 and 2013 were 29% and 28%, respectively.

The increase in **Pension and similar commitments** included interest and service costs amounting to €1.007 billion and the effect from the adjustment of the discount rate amounting to €277 million. These factors were partly offset by pension payments amounting to €514 million.

The decrease in **Other provisions** was due primarily to a decrease of €176 million in provisions for personnel expenses and a decline of €98 million in provisions for operating expenses.

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.

C.11.4 Employees

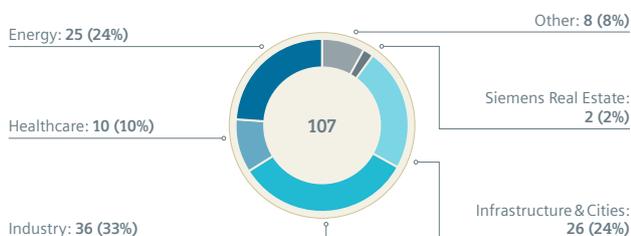
Indicators

	Year ended September 30,	
	2014	2013
Employee turnover rate ¹	4.1%	3.0%
Female employees in management positions (percentage of all management positions) ²	11.8%	11.3%
Expenses for continuing education (in millions of €) ³	98	94
Expenses per employee for continuing education (in €) ³	919	864

- 1 Employee turnover rate is defined as the ratio of voluntary and involuntary exits from Siemens AG during the fiscal year to the average number of employees.
- 2 Employees in management positions include all managers with disciplinary responsibility, plus project managers.
- 3 Without travel expenses.

As of September 30, 2014 and 2013, the numbers of employees were 106,860 and 108,234 respectively.

Employees of Siemens AG as of September 30, 2014 (in thousands)



For additional information see → C.8.2 EMPLOYEES.

C.11.5 Subsequent events

There have been no events of particular significance since the end of fiscal 2014.

C.11.6 Risks and opportunities

The business development of Siemens AG is fundamentally subject to the same risks and opportunities as the Siemens Group. Siemens AG generally participates in the risks of its subsidiaries and equity investments in line with its percentage of each holding. For additional information see → C.9.3 RISKS and → C.9.4 OPPORTUNITIES.

As the parent company of the Siemens Group, Siemens AG is integrated into the group-wide risk management system. For additional information see → C.9.2 RISK MANAGEMENT.

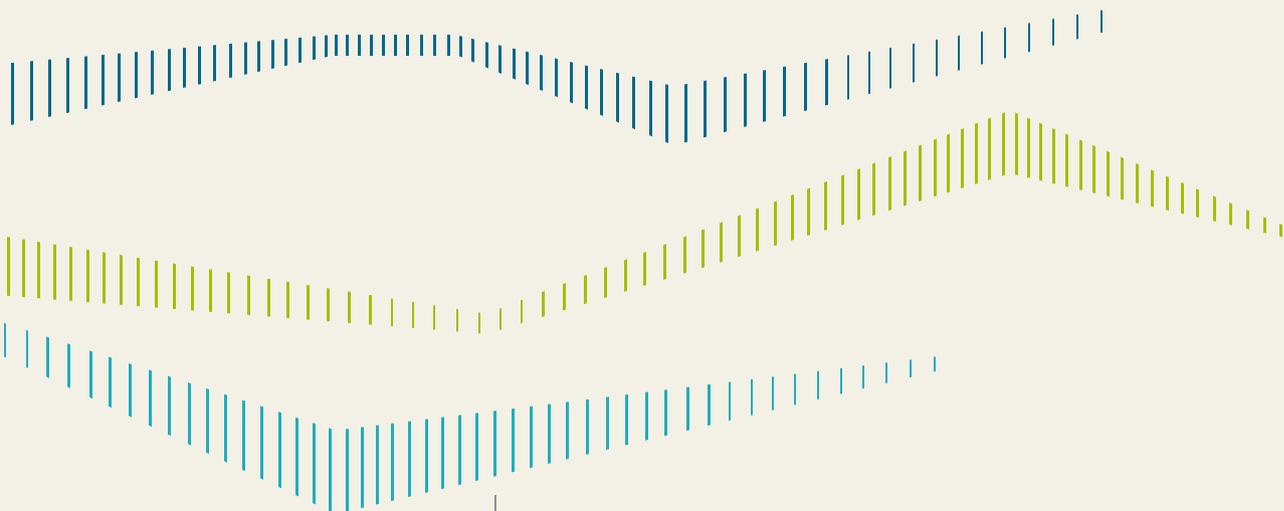
The description of the internal control system for Siemens AG required by Section 289 para. 5 of the German Commercial Code is included in → C.9.5 SIGNIFICANT CHARACTERISTICS OF THE ACCOUNTING RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM.

For additional information regarding the use of financial instruments see ↗ NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF SIEMENS AG.

C.11.7 Outlook

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. We expect that the anticipated market and revenue developments for fiscal 2015 described in statements made by the Siemens Group will be mainly reflected in the revenue of Siemens AG. In fiscal 2015, we continue to execute the Group's "Vision 2020" concept. In particular, we expect that gains from divestments will significantly influence the profit of Siemens AG. For additional information see → C.9.1 REPORT ON EXPECTED DEVELOPMENTS.

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



The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), the supplementary requirements of German law pursuant to Section 315a (1) of the German Commercial Code (Handelsgesetzbuch) and full IFRS as issued by the International Accounting Standards Board (IASB). They give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements.

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|| D.1 Consolidated Statements of Income

| For the fiscal years ended September 30, 2014 and 2013

(in millions of €, per share amounts in €)	Note	2014	2013
Revenue		71,920	73,445
Cost of sales		(51,165)	(53,309)
Gross profit		20,755	20,135
Research and development expenses		(4,065)	(4,048)
Selling and general administrative expenses		(10,424)	(10,869)
Other operating income	6	656	500
Other operating expenses	7	(194)	(424)
Income from investments accounted for using the equity method, net	5	582	510
Interest income	8	1,058	947
Interest expenses	8	(764)	(784)
Other financial income (expenses), net	8	(177)	(154)
Income from continuing operations before income taxes		7,427	5,813
Income tax expenses	9	(2,028)	(1,634)
Income from continuing operations		5,400	4,179
Income from discontinued operations, net of income taxes	4	108	231
Net income		5,507	4,409
Attributable to:			
Non-controlling interests		134	126
Shareholders of Siemens AG		5,373	4,284
Basic earnings per share	34		
Income from continuing operations		6.24	4.81
Income from discontinued operations		0.13	0.27
Net income		6.37	5.08
Diluted earnings per share	34		
Income from continuing operations		6.18	4.76
Income from discontinued operations		0.13	0.26
Net income		6.31	5.03

11 | D.2 Consolidated Statements of Comprehensive Income

For the fiscal years ended September 30, 2014 and 2013

(in millions of €)	Note	2014	2013
Net income		5,507	4,409
Remeasurements of defined benefit plans	22	288	394
Items that will not be reclassified to profit or loss		288	394
<i>therein: Expenses from investments accounted for using the equity method</i>		(37)	(121)
Currency translation differences		940	(1,062)
Available-for-sale financial assets	10	(56)	183
Derivative financial instruments	29, 30	(316)	45
Items that may be reclassified subsequently to profit or loss		569	(834)
<i>therein: Expenses from investments accounted for using the equity method</i>		(85)	(136)
Other comprehensive income, net of income taxes		857	(440)
Total comprehensive income		6,364	3,969
Attributable to:			
Non-controlling interests		165	81
Shareholders of Siemens AG		6,199	3,888

11 | D.3 Consolidated Statements of Financial Position

| As of September 30, 2014 and 2013

(in millions of €)	Note	2014	September, 30 2013
Assets			
Cash and cash equivalents		8,013	9,190
Available-for-sale financial assets	10	925	601
Trade and other receivables	11	14,526	14,853
Other current financial assets	12	3,710	3,250
Inventories	13	15,100	15,560
Current income tax assets		577	794
Other current assets	14	1,290	1,297
Assets classified as held for disposal	4	3,935	1,393
Total current assets		48,076	46,937
Goodwill	15	17,783	17,883
Other intangible assets	16	4,560	5,057
Property, plant and equipment	17	9,638	9,815
Investments accounted for using the equity method	5	2,127	3,022
Other financial assets	18	18,416	15,117
Deferred tax assets	9	3,334	3,234
Other assets		945	872
Total non-current assets		56,803	54,999
Total assets		104,879	101,936
Liabilities and equity			
Short-term debt and current maturities of long-term debt	21	1,620	1,944
Trade payables		7,594	7,599
Other current financial liabilities	19	1,717	1,515
Current provisions	23	4,354	4,485
Current income tax liabilities		1,762	2,151
Other current liabilities	20	17,954	19,701
Liabilities associated with assets classified as held for disposal	4	1,597	473
Total current liabilities		36,598	37,868
Long-term debt	21	19,326	18,509
Post-employment benefits	22	9,324	9,265
Deferred tax liabilities	9	552	504
Provisions	23	4,071	3,907
Other financial liabilities		1,620	1,184
Other liabilities	24	1,874	2,074
Total non-current liabilities		36,767	35,443
Total liabilities		73,365	73,312
Equity	25		
Issued capital, no par value		2,643	2,643
Capital reserve		5,525	5,484
Retained earnings		25,729	22,663
Other components of equity		803	268
Treasury shares, at cost		(3,747)	(2,946)
Total equity attributable to shareholders of Siemens AG		30,954	28,111
Non-controlling interests		560	514
Total equity		31,514	28,625
Total liabilities and equity		104,879	101,936

11 | D.4 Consolidated Statements of Cash Flows

For the fiscal years ended September 30, 2014 and 2013

(in millions of €)	Note	2014	2013
Cash flows from operating activities			
Net income		5,507	4,409
Adjustments to reconcile net income to cash flows from operating activities – continuing operations			
(Income) from discontinued operations, net of income taxes		(108)	(231)
Amortization, depreciation and impairments		2,411	2,804
Income tax expenses		2,028	1,634
Interest (income) expenses, net		(295)	(164)
(Gains) losses on disposals of assets related to investing activities, net		(527)	(292)
Other (income) losses from investments		(526)	(326)
Other non-cash (income) expenses		92	671
Change in assets and liabilities			
Inventories		336	(256)
Trade and other receivables		200	(326)
Trade payables		205	(208)
Other assets and liabilities		(1,203)	818
Additions to assets leased to others in operating leases		(371)	(377)
Income taxes paid		(1,828)	(2,164)
Dividends received		333	356
Interest received		977	837
Cash flows from operating activities – continuing operations		7,230	7,186
Cash flows from operating activities – discontinued operations		(131)	154
Cash flows from operating activities – continuing and discontinued operations		7,100	7,340
Cash flows from investing activities			
Additions to intangible assets and property, plant and equipment		(1,831)	(1,808)
Acquisitions of businesses, net of cash acquired		(31)	(2,786)
Purchase of investments		(335)	(346)
Purchase of current available-for-sale financial assets		(613)	(157)
Change in receivables from financing activities		(2,501)	(2,175)
Disposal of investments, intangibles and property, plant and equipment		518	2,462
Disposal of businesses, net of cash disposed		112	(26)
Disposal of current available-for-sale financial assets		317	76
Cash flows from investing activities – continuing operations		(4,364)	(4,759)
Cash flows from investing activities – discontinued operations		339	(317)
Cash flows from investing activities – continuing and discontinued operations		(4,026)	(5,076)
Cash flows from financing activities			
Purchase of treasury shares	25	(1,066)	(1,394)
Other transactions with owners		(20)	(15)
Issuance of long-term debt	21	527	3,772
Repayment of long-term debt (including current maturities of long-term debt)		(1,452)	(2,927)
Change in short-term debt and other financing activities		801	8
Interest paid		(617)	(479)
Dividends paid to shareholders of Siemens AG	25	(2,533)	(2,528)
Dividends attributable to non-controlling interests		(125)	(152)
Cash flows from financing activities – continuing operations		(4,485)	(3,715)
Cash flows from financing activities – discontinued operations		(2)	319
Cash flows from financing activities – continuing and discontinued operations		(4,487)	(3,396)
Effect of deconsolidation of OSRAM on cash and cash equivalents		–	(476)
Effect of changes in exchange rates on cash and cash equivalents		214	(108)
Change in cash and cash equivalents		(1,199)	(1,717)
Cash and cash equivalents at beginning of period		9,234	10,950
Cash and cash equivalents at end of period		8,034	9,234
Less: Cash and cash equivalents of assets classified as held for disposal and discontinued operations at end of period		21	44
Cash and cash equivalents at end of period (Consolidated Statements of Financial Position)		8,013	9,190

11 | D.5 Consolidated Statements of Changes in Equity

| For the fiscal years ended September 30, 2014 and 2013

(in millions of €)	Issued capital	Capital reserve	Retained earnings
Balance as of October 1, 2012	2,643	6,173	22,877
Net income	–	–	4,284
Other comprehensive income, net of income taxes	–	–	395
Dividends	–	–	(2,528)
Share-based payment	–	21	(40)
Purchase of treasury shares	–	–	–
Re-issuance of treasury shares	–	5	–
Transactions with non-controlling interests	–	–	(52)
Spin-off related changes in equity	–	(163)	(2,270)
Other changes in equity	–	(553)	(3)
Balance as of September 30, 2013	2,643	5,484	22,663
Balance as of October 1, 2013	2,643	5,484	22,663
Net income	–	–	5,373
Other comprehensive income, net of income taxes	–	–	290
Dividends	–	–	(2,533)
Share-based payment	–	11	(24)
Purchase of treasury shares	–	–	–
Re-issuance of treasury shares	–	31	–
Transactions with non-controlling interests	–	–	(34)
Other changes in equity	–	–	(6)
Balance as of September 30, 2014	2,643	5,525	25,729

	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
	857	245	(44)	(1,897)	30,855	569	31,424
	-	-	-	-	4,284	126	4,409
	(1,017)	183	43	-	(396)	(44)	(440)
	-	-	-	-	(2,528)	(119)	(2,647)
	-	-	-	-	(18)	-	(18)
	-	-	-	(1,349)	(1,349)	-	(1,349)
	-	-	-	300	304	-	304
	-	-	-	-	(52)	(10)	(62)
	-	-	-	-	(2,433)	-	(2,433)
	-	-	-	-	(556)	(8)	(564)
	(160)	428	(1)	(2,946)	28,111	514	28,625
	(160)	428	(1)	(2,946)	28,111	514	28,625
	-	-	-	-	5,373	134	5,507
	905	(56)	(314)	-	825	31	857
	-	-	-	-	(2,533)	(121)	(2,654)
	-	-	-	-	(13)	-	(13)
	-	-	-	(1,080)	(1,080)	-	(1,080)
	-	-	-	279	310	-	310
	-	-	-	-	(34)	(3)	(37)
	-	-	-	-	(6)	5	-
	745	373	(314)	(3,747)	30,954	560	31,514

NOTE 1 Basis of presentation

The accompanying Consolidated Financial Statements present the operations of Siemens AG with registered offices in Berlin and Munich, Germany, and its subsidiaries (the Company or Siemens). They have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union as well as with the additional requirements set forth in Section 315a (1) of the German Commercial Code (HGB). The financial statements are also in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

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.

The Consolidated Financial Statements were authorized for issue by the Managing Board on November 26, 2014. The Consolidated Financial Statements are generally prepared on the historical cost basis, except as stated in → NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

NOTE 2 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements.

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 that is, Siemens has existing rights that give Siemens the current ability to direct the relevant activities, which are the activities that significantly affect Siemens' return. 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. When Siemens holds less than the majority of voting rights, other facts and circumstances including contractual arrangements that give Siemens power over the investee may result in the Company controlling the investee. Siemens reassesses whether it controls an investee if, and when, facts and circumstances indicate that there are changes to the elements evidencing control. Consolidation begins when the Company obtains control of the subsidiary and ceases from the date that Siemens

loses control of the subsidiary. For Consolidated Financial Statements, all assets, liabilities, income, expenses and cash flows of Siemens AG with those of its subsidiaries are combined. Intra-group transactions are eliminated in full.

Business combinations – Business combinations are accounted for under the acquisition method. Siemens as the acquirer and the acquiree may have a relationship that existed before they contemplated the business combination, referred to as a pre-existing relationship. If the business combination in effect settles a pre-existing relationship, Siemens as the acquirer recognizes a gain or loss for the pre-existing relationship. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange. Any contingent consideration to be transferred by Siemens as the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured; subsequent settlement is accounted for within equity. Acquisition-related costs are expensed in the period incurred. 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. Uniform accounting policies are applied. Non-controlling interests may be measured at their fair value (full goodwill method) or at the proportional fair value of assets acquired and liabilities assumed (partial goodwill method). After initial recognition non-controlling interests may show a deficit balance since both profits and losses are allocated to the shareholders based on their equity interests. In business combinations achieved in stages, any previously held equity interest in the acquiree is remeasured to its acquisition date fair value. 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 on non-controlling interests the Company distinguishes whether the prerequisites for the transfer of present ownership interest are fulfilled at the balance sheet date. Provided that 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 and joint ventures – 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. When Siemens holds less than 20% of the voting power of the investee, other facts and circumstances may result in the Company exercising significant influence. Joint arrangements are arrangements over which Siemens and one or more parties have joint control. Joint control is the contractually agreed sharing of control that exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint arrangements that are structured through a separate vehicle are classified as joint ventures if the parties to the arrangement have rights to its net assets. Joint ventures are accounted for using the equity method and are initially recognized at cost. The equity method is applied from the date when Siemens obtains significant influence or joint control, and is discontinued from the date when Siemens ceases to have significant influence or joint control over an investee.

The following policies equally apply to associates and joint ventures. Where necessary, adjustments are made to bring the accounting policies in line with those of Siemens. The excess of Siemens' initial investment in associates over Siemens' ownership percentage in the underlying net assets of those companies is attributed to certain fair value adjustments with the remaining portion recognized as goodwill. Goodwill relating to the acquisition of associates is included in the carrying amount of the investment and is not amortized but is tested for impairment as part of the overall investment in the associate. 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 movements in equity that have not been recognized in the associate's profit or loss is recognized directly in equity. The cumulative post-acquisition movements 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. Intercompany results arising from transactions between Siemens and its associates are eliminated to the extent of Siemens' interest in the associate. Siemens determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, Siemens calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. Upon loss of significant influence over the associate or joint control over the joint venture, Siemens

measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

Joint operations – A joint operation is a jointly controlled arrangement whereby the parties have rights to the assets and obligations for the liabilities relating to the arrangement. Siemens as joint operator recognizes in relation to its interest in the joint operation the assets and liabilities controlled by Siemens, its share of any jointly held assets or jointly incurred liabilities and revenues from the sale of its output and any related expenses including its share in revenues and expenses incurred jointly, in relation to the joint operation.

Foreign currency translation – The assets, including goodwill, 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.

The exchange rate of the U.S. dollar, Siemens' significant currency outside the euro zone used in the preparation of the Consolidated Financial Statements is as follows:

Currency	ISO Code	Year-end exchange rate €1 quoted into currencies specified below		Annual average rate €1 quoted into currencies specified below	
		September 30,		Year ended September 30,	
		2014	2013	2014	2013
U.S. dollar	USD	1.258	1.351	1.357	1.313

Foreign currency transaction – Transactions that are denominated in a currency other than the functional currency of an entity, are recorded at that functional currency applying the spot exchange rate at the date when the underlying transactions are initially recognized. At the end of the reporting period, foreign currency-denominated monetary assets and liabilities are revalued to functional currency applying the spot exchange rate prevailing at that date. Gains and losses arising

from these foreign currency revaluations are recognized in net income. Those foreign currency-denominated transactions which are classified as non-monetary are remeasured using the historical spot exchange rate.

Revenue recognition – Under the condition that persuasive evidence of an arrangement exists revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. In cases where the inflow of economic benefits is not probable due to customer related credit risks the revenue recognized is subject to the amount of payments irrevocably received. Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognized:

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

Sales from construction contracts: A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. When the outcome of a construction contract can be estimated reliably, revenues from construction-type projects are recognized under the percentage-of-completion method, based on the percentage of costs incurred to date compared to the total estimated contract costs. An expected loss on the construction contract is recognized as an expense immediately. When the outcome of a construction contract cannot be estimated reliably (1) revenue is recognized only to the extent contract costs incurred are probable of being recoverable, and (2) contract costs are recognized as an expense in the period in which they are incurred.

During project execution, variation orders by the customer for a change in the scope of the work to be performed under the contract may be received leading to an increase or a decrease in contract revenue. Examples of such variations are changes in the specifications or design of the asset and changes in the duration of the contract. As the scope of work to be performed changes also in case of contract terminations, such terminations are considered to be a subset of variations. Therefore the requirements of IAS 11 relating to variations are applied to contract terminations, irrespective of whether the contract is terminated by the customer, Siemens or both. In accordance with the requirements of IAS 11 relating to changes in estimates,

the estimates of the total contract revenue and the total contract costs are adjusted reflecting the reduced scope of work to be performed, typically leading to a reversal of revenue recognized. This methodology is also applied to contracts for which it is management's best estimate that a termination is the most likely scenario, but which have not yet been terminated.

Rendering of services: Revenues from service transactions are recognized as services are performed. For long-term service contracts, revenues are recognized on a straight-line basis over the term of the contract or, if the performance pattern is other than straight-line, as the services are provided, i.e. under the percentage-of-completion method as described above.

Sales from multiple element arrangements: Sales of goods and services as well as software arrangements sometimes involve the provision of multiple elements. In these cases, the Company determines whether the contract or arrangement contains more than one unit of accounting. If certain criteria are met, foremost if the delivered element(s) has (have) value to the customer on a stand-alone basis, the arrangement is separated and the appropriate revenue recognition convention is then applied to each separate unit of accounting. Generally, the total arrangement consideration is allocated to the separate units of accounting based on their relative fair values. However, if in rare cases fair value evidence is available for the undelivered but not for one or more of the delivered elements, the amount allocated to the delivered element(s) equals the total arrangement consideration less the aggregate fair value of the undelivered element(s) (residual method). If the criteria for the separation of units of accounting are not met, revenue is deferred until such criteria are met or until the period in which the last undelivered element is delivered.

Interest income: Interest is recognized using the effective interest method.

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

Income from lease arrangements: Operating lease income for equipment rentals is recognized on a straight-line basis over the lease term. An arrangement that is not in the legal form of a lease is accounted for as a lease if it is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Receivables from finance leases, in which Siemens as lessor transfers substantially all the risks and rewards incidental to ownership to the customer are recognized at an amount equal to the net investment in the lease. Finance income is subsequently recognized based on a pattern reflecting a constant periodic rate of return on the net investment using the effective interest method. A selling profit component on

manufacturing leases is recognized based on the policies for outright sales. Profit from sale and leaseback transactions is recognized immediately if significant risks and rewards of ownership have passed to the buyer, the leaseback results in an operating lease and the transaction is established at fair value.

Dividends: Dividends are recognized when the right to receive payment is established.

Functional costs – In general, operating expenses by types are assigned to the functions following the functional area of the corresponding profit and cost centers. Expenses relating to cross-functional initiatives or projects are assigned to the respective functional costs based on an appropriate allocation principle. Regarding amortization see → **NOTE 16 OTHER INTANGIBLE ASSETS**, regarding depreciation see → **NOTE 17 PROPERTY, PLANT AND EQUIPMENT** and regarding employee benefit expenses see → **NOTE 33 PERSONNEL COSTS**.

Government grants – Government grants are recognized when there is reasonable assurance that the conditions attached to the grants are complied with and the grants will be received. Grants awarded for the purchase or the production of fixed assets (grants related to assets) are generally offset against the acquisition or production costs of the respective assets and reduce future depreciations accordingly. Grants awarded for other than non-current assets (grants related to income) are reported in the Consolidated Statements of Income under the same functional area as the corresponding expenses. They are recognized as income over the periods necessary to match them on a systematic basis to the costs that are intended to be compensated. Government grants for future expenses are recorded as deferred income.

Product-related expenses and losses from onerous contracts – Provisions for estimated costs related to product warranties are recorded in line item Cost of sales at the time the related sale is recognized, and are established on an individual basis, except for the standard product business. The estimates reflect historic experience of warranty costs, as well as information regarding product failure experienced during construction, installation or testing of products. In the case of new products, expert opinions and industry data are also taken into consideration in estimating product warranty provisions. Expected losses from onerous contracts are recognized in the period when the current estimate of total contract costs exceeds contract revenue.

Research and development costs – Costs of research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are expensed as incurred.

Costs for development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if (1) development costs can be measured reliably, the product or process is (2) technically and (3) commercially feasible, (4) future economic benefits are probable and (5) Siemens intends, and (6) has sufficient resources, to complete development and to use or sell the asset. The costs capitalized include the cost of materials, direct labour and other directly attributable expenditure that serves to prepare the asset for use. Such capitalized costs are included in line item Other intangible assets as software and other internally generated intangible assets. Other development costs are expensed as incurred. Capitalized development costs are stated at cost less accumulated amortization and impairment losses with an amortization period of generally three to ten years.

Government grants for research and development activities are offset against research and development costs. They are recognized as income over the periods in which the research and development costs incur that are to be compensated. Government grants for future research and development costs are recorded as deferred income.

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

Goodwill – Goodwill is not amortized, but instead tested for impairment annually, as well as whenever there are events or changes in circumstances (triggering events) which suggest that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses.

The goodwill impairment test is performed at the level of a cash-generating unit or a group of cash-generating units represented by a Division or equivalent, which is the lowest level at which goodwill is monitored for internal management purposes.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit or the group of cash-generating units that is expected to benefit from the synergies of the business combination. If the carrying amount of the cash-generating unit or the group of cash-generating units, to which the goodwill is allocated, exceeds its recoverable amount, an impairment loss on goodwill

allocated to this cash-generating unit or this group of cash-generating units is recognized. The recoverable amount is the higher of the cash-generating unit's or the group of cash-generating units' fair value less costs to sell and its value in use. If either of these amounts exceeds the carrying amount, it is not always necessary to determine both amounts. These values are generally determined based on discounted cash flow calculations. Impairment losses on goodwill are not reversed in future periods if the recoverable amount exceeds the carrying amount of the cash-generating unit or the group of cash-generating units to which the goodwill is allocated.

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 technology. Useful lives in specific acquisitions ranged from eleven to twenty years for customer relationships and from three to 18 years for technology. Intangible assets which are determined to have indefinite useful lives as well as intangible assets not yet available for use are not amortized, but instead tested for impairment at least annually.

Property, plant and equipment – Property, plant and equipment, including investment property, is valued at cost less accumulated depreciation and impairment losses.

If the costs of certain components of an item of property, plant and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately. Depreciation expense is recognized using the straight-line method. Residual values and useful lives are reviewed annually and, if expectations differ from previous estimates, adjusted accordingly. Costs of construction of qualifying assets, i.e. assets that require a substantial period of time to be ready for its intended use, include capitalized interest, which is amortized over the estimated useful life of the related asset. The following useful lives are assumed:

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

Impairment of property, plant and equipment and other intangible assets – The Company reviews property, plant and equipment and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets with indefinite useful lives as well as intangible assets not yet available for use are subject to an annual impairment test. Recoverability of assets is measured by the comparison of the carrying amount of the asset to the recoverable amount, which is the higher of the asset's value in use and its fair value less costs to sell. If assets do not generate cash inflows that are largely independent of those from other assets or groups of assets, the impairment test is not performed at an individual asset level, instead, it is performed at the level of the cash-generating unit the asset belongs to. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets or cash-generating unit exceeds their recoverable amount. If the fair value cannot be determined, the assets' value in use is applied as their recoverable amount. The assets' value in use is measured by discounting their estimated future cash flows. If there is an indication that the reasons which caused the impairment no longer exist, Siemens assesses the need to reverse all or a portion of the impairment.

The Company's property, plant and equipment and other intangible assets to be disposed of are recorded at the lower of carrying amount or fair value less costs to sell and depreciation is ceased.

Discontinued operations and non-current assets held for disposal – Discontinued operations are reported when a component of an entity comprising operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity is classified as held for disposal or has been disposed of, if the component either (1) represents a separate major line of business or geographical area of operations and (2) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or (3) is a subsidiary acquired exclusively with a view to resale. In the Consolidated Statements of Income, income (loss) from discontinued operations is reported separately from income and expenses from continuing operations; prior periods are presented on a comparable basis. In the Consolidated Statements of Cash Flow, the cash flows from discontinued operations are presented separately from cash flows of continuing operations; prior periods are presented on a comparable basis. The disclosures in the Notes to the Consolidated Financial Statements outside → NOTE 4 ACQUISITIONS, DISPOSITIONS AND DISCONTINUED OPERATIONS that refer to the Consolidated Statements of Income and the Consolidated Statements of Cash Flow relate to continuing operations.

Siemens reports discontinued operations separately in → **NOTE 4 ACQUISITIONS, DISPOSITIONS AND DISCONTINUED OPERATIONS**. In order to present the financial effects of a discontinued operation, revenue and expenses arising from intragroup transactions are eliminated except for those revenue and expenses that are considered to continue after the disposal of the discontinued operation. In any case, no profit or loss is recognized for intragroup transactions.

Siemens classifies a non-current asset or a disposal group as held for disposal if its carrying amount will be recovered principally through a sale transaction or through distribution to shareholders rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale or distribution in its present condition subject only to terms that are usual and customary for sales or distributions of such assets or disposal groups and its sale or distribution must be highly probable. The disclosures in the Notes to Consolidated Financial Statements outside → **NOTE 4 ACQUISITIONS, DISPOSITIONS AND DISCONTINUED OPERATIONS** that refer to the Consolidated Statements of Financial Position generally relate to assets that are not held for disposal. Siemens reports non-current assets or disposal groups held for disposal separately in → **NOTE 4 ACQUISITIONS, DISPOSITIONS AND DISCONTINUED OPERATIONS**. Non-current assets classified as held for disposal and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell, unless these items presented in the disposal group are not part of the measurement scope as defined in IFRS 5, Non-current Assets held for Sale and Discontinued Operations.

Income taxes – The Company applies IAS 12, Income taxes. Current taxes are calculated based on the profit (loss) of the fiscal year and in accordance with local tax rules of the tax jurisdiction respectively. Expected and executed additional tax payments respectively tax refunds for prior years are also taken into account. 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. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement, unless related to items directly recognized in equity, in the period the new laws are enacted or substantively enacted. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized.

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. Production costs comprise direct material and labor and applicable manufacturing overheads, including depreciation charges. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Defined benefit plans – Siemens measures the entitlements of the defined benefit plans 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)), Siemens considers future compensation and benefit increases, because the employee's final benefit entitlement at regular retirement age depends on future compensation or benefit increases. The assumptions used for the calculation of the DBO as of the period-end of the preceding fiscal year are used to determine the calculation of service cost and interest income and expense of the following year. The net interest income or expense for the fiscal year will be based on the discount rate for the respective year multiplied by the net liability at the preceding fiscal year's period-end date. The fair value of plan assets and DBO and thus the interest income on plan assets and the interest expenses on DBO are adjusted for significant events after the preceding fiscal year end, such as a supplemental funding, plan changes or business combinations and disposals. The DBO includes the present value from the effects of taxes payable by the plan on contributions or benefits relating to services already rendered.

Service cost and past service cost for post-employment benefits as well as other administration costs which are unrelated to the management of plan assets are allocated among functional costs (line items Cost of sales, Research and development expenses, Selling and general administrative expenses) following the functional area of the corresponding profit and cost centers. Past service cost and settlement gains (losses) are recognized immediately in profit or loss when the plan amendment, curtailment or settlement occurs. Administration Costs which are related to the management of plan assets and taxes directly linked to the return on plan assets and payable by the plan itself are included in the return on plan assets and are recognized in Other comprehensive income, net of income taxes. For unfunded plans, Siemens recognizes a post-employment benefit liability equal to the DBO. For funded plans, Siemens offsets the fair value of the plan assets with the benefit obligations. Siemens recognizes the net amount, after adjustments for effects relating to any asset ceiling, in line item Post-employment benefits or in line item Other current assets.

Remeasurements comprise actuarial gains and losses, resulting for example from an adjustment of the discount rate, as well as

the difference between the return on plan assets and the amounts included in net interest on the net defined benefits liability (asset) and are recognized in Other comprehensive income, net of income taxes.

Provisions – A provision is recognized in the Statement of Financial Position when 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 and measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract as far as they exceed the expected economic benefits of the contract. Additions to provisions and reversals are generally recognized in the Consolidated Statements of Income. The present value of the recognized obligations associated with the retirement of property, plant and equipment (asset retirement obligations) that result from the acquisition, construction, development or normal use of an asset is added to the carrying amount of the related asset. The additional carrying amount is depreciated over the useful life of the related asset. Additions to and reductions from the present value of asset retirement obligations that result from changes in estimates are generally recognized by adjusting the carrying amount of the related asset and provision. If the asset retirement obligation is settled for other than the carrying amount of the liability, the Company recognizes a gain or loss on settlement.

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. Financial assets of the Company mainly include cash and cash equivalents, available-for-sale financial assets, trade receivables, loans receivables, receivables from finance leases and derivative financial instruments with a positive fair value. Cash and cash equivalents are not included within the category available-for-sale financial assets as these financial instruments are not subject to fluctuations in value. Siemens does not make use of the category held to maturity. Financial liabilities of the Company

mainly comprise notes and bonds, loans from banks, trade payables, obligations under finance leases and derivative financial instruments with a negative fair value. Siemens does not make use of 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.

Financial instruments are recognized on the Consolidated Statements of Financial Position when Siemens becomes a party to the contractual obligations of the instrument. Regular way purchases or sales of financial assets, i.e. purchases or sales under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned, are accounted for at the trade date.

Initially, financial instruments are recognized at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments 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 – 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 – to which they are assigned.

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 all classified as available-for-sale financial assets and 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 instruments 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.

When available-for-sale financial assets incur a decline in fair value below acquisition cost and there is objective evidence

that the asset is impaired, the cumulative loss that has been recognized in equity is removed from equity and recognized in the Consolidated Statements of Income. The Company 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. An impairment loss is reversed in subsequent periods, if the reasons for the impairment no longer exist. The reversal of impairment losses on debt instruments is recognized in the Consolidated Statement of Income, while any reversal of impairment losses on equity instruments is recognized in line item Other comprehensive income, net of income taxes.

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. Loans and receivables bearing no or lower interest rates compared to market rates with a maturity of more than one year are discounted.

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. Derivative financial instruments are 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 periodically 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 – IFRS 2, Share-based payment, distinguishes between cash-settled and equity-settled share-based payment transactions. For both types, the fair value is measured at grant date and compensation expense is recognized over the vesting period during which the employees become unconditionally entitled to the awards granted. Cash-settled awards are re-measured at fair value at the end of each reporting period and upon settlement. The fair value of share-based awards, such as stock awards, matching shares, and shares granted under the Jubilee Share Program, is determined as the market price of Siemens shares, considering dividends during the vesting period the grantees are not entitled to and market conditions and non-vesting conditions, if applicable.

Prior-year information – The presentation of certain prior-year information has been reclassified to conform to the current year presentation. To enhance transparency, the Company changed retrospectively the presentation of financing of discontinued operations in the Consolidated Statements of Cash Flows in fiscal 2014.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

As of October 1, 2013, Siemens adopted IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities and consequential amendments to IAS 27, Separate Financial Statements (amended 2011) and IAS 28, Investments in Associates and Joint Ventures (amended 2011). IFRS 10 provides a comprehensive concept of control in determining whether an entity is to be consolidated, IFRS 11 provides guidance on accounting for joint arrangements by focusing on rights and obligations of the arrangement and IFRS 12 provides comprehensive disclosure requirements for all forms of interests in other entities. The standards are applied on a retrospective basis. The adoption of the new standards did not have a material impact on the Company's Consolidated Financial Statements. The application of IFRS 12 resulted in additional disclosures.

As of October 1, 2013, Siemens adopted IFRS 13, Fair Value Measurement. The new standard defines fair value and standardizes disclosures on fair value measurements of both financial and non-financial instrument items. The standard is applied on a prospective basis. The adoption of IFRS 13 did not have a material impact on the Company's Consolidated Financial Statements.

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 completed its project to replace IAS 39, Financial Instruments: Recognition and Measurement by publishing the final version of IFRS 9: Financial Instruments. IFRS 9 introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. The new standard is effective for annual reporting periods beginning on or after January 1, 2018, while early application is permitted. The European Financial Reporting Advisory Group postponed its endorsement advice on IFRS 9. The Company is currently assessing the impacts of adopting IFRS 9 on the Company's Consolidated Financial Statements.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. According to the new standard, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. In addition, the new standard requires a set of quantitative and qualitative disclosures to enable users of the Company's Consolidated Financial Statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017; early application is permitted. The Company is currently assessing the impact of adopting IFRS 15 on the Company's Consolidated Financial Statements and will determine the adoption date as well as the transition method.

NOTE 3 Critical accounting estimates

Siemens' Consolidated Financial Statements are prepared in accordance with IFRS as issued by the IASB and as adopted by the EU. Siemens' significant accounting policies, as described in → NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES are essential to understanding the Company's results of operations, financial positions and cash flows. 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 management reasonably could have used a different estimate in the current accounting period. Management cautions that future events often vary from forecasts and that estimates routinely require adjustment.

Revenue recognition on construction contracts – The Company's Sectors, particularly Energy, Industry and Infrastructure & Cities, conduct a significant portion of their business under construction contracts with customers. The Company accounts for construction projects using the percentage-of-completion method, recognizing revenue as performance on contract progresses. Certain long-term service contracts are accounted for under the percentage-of-completion method as well. This method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These significant estimates include total contract costs, total contract revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, changes in estimates may lead to an increase or decrease of revenue. The creditworthiness of our customers is taken into account in estimating the probability that economic benefits associated with a contract will flow to the Company. In addition, we need to assess whether the contract is expected to continue or to be terminated. In determining whether the continuation or termination of a contract is expected to be the most likely scenario, all relevant facts and circumstances relating to the contract are considered on an individual basis. For contracts expected to be continued, amounts already included in revenue for which collectability ceases to be probable are recognized as an expense. For contracts expected to be terminated, including terminations due to expected payment defaults of our customers or terminations due to force majeure events, the estimates on the scope of deliveries and services provided under the contracts are revised accordingly, typically

resulting in a decrease of revenue in the respective reporting period. Management of the operating Divisions continually reviews all estimates involved in such construction contracts and adjusts them as necessary.

Trade and other receivables – The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio basis. For the determination of the country-specific component of the individual allowance, Siemens also consider country credit ratings, which are centrally determined based on information from external rating agencies. Regarding the determination of the valuation allowance derived from a portfolio-based analysis of historical bad debts, a decline of receivables in volume results in a corresponding reduction of such provisions and vice versa. As of September 30, 2014 and 2013, Siemens recorded a total valuation allowance for trade and other receivables of €1,073 million and €1,147 million, respectively.

Impairment – Siemens tests at least annually whether goodwill has incurred any impairment, in accordance with its accounting policy. 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. 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. The Company generally uses discounted cash flow based methods to determine these values. These 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, weighted average cost of capital and tax rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. Likewise, whenever property, plant and equipment, other intangible assets and investments accounted for using the equity method are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management that can have a material impact on the respective values and ultimately the amount of any impairment.

Non-current assets and disposal groups classified as held for disposal – Assets held for disposal and disposal groups are measured at the lower of their carrying amount and their fair value less costs to sell. The determination of the fair value less costs to sell includes the use of management estimates and assumptions that tend to be uncertain.

Employee benefit accounting – Post-employment benefits – Obligations for pension and other post-employment benefits and related net periodic benefit costs are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates, expected compensation increases, rate of pension progression and mortality rates. The discount rate assumptions 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 and may lead to significant changes in pension and other post-employment benefit obligations. Such differences are recognized in full through line item Other comprehensive income, net of income taxes in the period in which they occur without affecting profit or loss.

Provisions – Significant estimates are involved in the determination of provisions related to onerous contracts, warranty costs, asset retirement obligations and legal proceedings. A significant portion of the business of certain operating divisions is performed pursuant to long-term contracts, often for large projects, in Germany and abroad, awarded on a competitive bidding basis. Siemens records a provision for onerous sales contracts when current estimates of total contract costs exceed expected contract revenue. Such estimates are subject to change based on new information as projects progress towards completion. Onerous sales contracts are identified by monitoring the progress of the project and updating the estimate of total contract costs which also requires significant judgment relating to achieving certain performance standards as well as estimates involving warranty costs and estimates regarding project delays including the assessment of responsibility splits between the contract partners for these delays. Significant estimates and assumptions are also involved in the determination of provisions related to major asset retirement obligations. Uncertainties surrounding the amount to be recognized include, for example, the estimated costs of decommissioning because of the long time frame over which future cash outflows are expected to occur including the respective interest accretion. Amongst others, the estimated cash outflows could alter significantly if, and when, political developments affect the government's plans to develop the final storage.

Siemens is subject to legal and regulatory proceedings in various jurisdictions. Such proceedings may result in criminal or civil sanctions, penalties, damage claims and other claims, or disgorgements against the Company. If it is more likely than not that an obligation of the Company exists and will result in an outflow of resources, a provision is recorded if the amount of the obligation can be reliably estimated. Regulatory and legal proceedings as well as government investigations often involve complex legal issues and are subject to substantial uncertainties. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the end of the reporting period, whether it is more likely than not that such a proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. The Company periodically reviews the status of these proceedings with both inside and outside counsel. These judgments are subject to change as new information becomes available. The required amount of a provision may change in the future due to new developments in the particular matter. Revisions to estimates may significantly impact future net income. Upon resolution, Siemens may incur charges in excess of the recorded provisions for such matters. It cannot be excluded that the financial position or results of operations of Siemens will be materially affected by an unfavorable outcome of legal or regulatory proceedings or government investigations.

Income taxes – Siemens operates in various tax jurisdictions and therefore has to determine tax positions under respective local tax laws and tax authorities' views which can be complex and subject to different interpretations of tax payers and local tax authorities. As an effect of tax audits, different interpretations of tax laws may result in additional tax payments for prior years and are taken into account based on management's considerations. 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, management evaluates the recoverability of deferred tax assets, based on projected future taxable profits. As future developments are uncertain and partly beyond management'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. If management considers it probable that all or a portion of a deferred tax asset cannot be realized, that portion would not be recognized.

NOTE 4 Acquisitions, dispositions and discontinued operations

A) ACQUISITIONS

In September 2014, Siemens has entered into an agreement with Dresser-Rand to acquire all of its issued and outstanding common shares by way of a friendly takeover bid. With its comprehensive portfolio of compressors, steam turbines, gas turbines and engines, Dresser-Rand is a leading supplier for the oil&gas, process, power and other industries in the related energy infrastructure markets worldwide. The acquisition complements Siemens' existing offerings, notably for the global oil&gas industry and for distributed power generation. Siemens offers US\$83 per share in cash or US\$6.5 billion in total if the transaction is closed prior to March 1, 2015 (€5.2 billion as of September 30, 2014). Thereafter, the price increases by US\$0.55 per share or US\$43 million (€34 million as of September 30, 2014) on the first day of each month starting March 1, 2015 (ticking fee). As part of the transaction, Siemens will assume Dresser-Rand's net debt, currently estimated at US\$1.1 billion (€0.9 billion as of September 30, 2014), resulting in a transaction volume without ticking fee of approximately US\$7.6 billion (approximately €6 billion as of September 30, 2014). The transaction is subject to approval by regulatory authorities. Closing is expected in summer 2015.

At the beginning of May 2014, Siemens announced the acquisition of the Rolls-Royce Energy aero-derivative gas turbine and compressor business of Rolls-Royce plc, U.K. (Rolls-Royce). With the acquisition Siemens intends to strengthen its position in the growing oil and gas industry as well as in the field of decentralized power generation. The preliminary purchase price amounts to £785 million (€1 billion as of September 30, 2014). In addition, as part of the transaction, Siemens will pay Rolls-Royce £200 million (€257 million as of September 30, 2014) for a 25 year technology licensing agreement granting exclusive access to future Rolls-Royce aero-turbine technology developments in the four to 85 megawatt power output range as well as preferred access to supply and engineering services of Rolls-Royce. The regulatory authorities approved the transaction after fiscal year end. Closing is expected in the first quarter of fiscal 2015.

At the beginning of May 2013, Siemens acquired all of the shares of several entities constituting the rail automation business of Invensys plc, U.K. (Invensys), which were integrated in the Infrastructure & Cities Sector's Mobility and Logistics Division. With the acquisition, Siemens expanded and complemented the Infrastructure & Cities Sector's rail automation business. The purchase price allocation was finalized in the third quarter of fiscal 2014 following the final agreement on the purchase price and the completion of post-closing project reviews. Adjustments mainly relate to Intangible assets, Inventories, Liabilities and Deferred income tax liabilities. The final consideration amounts to €2,024 million (including €53 million cash acquired) of which €472 million were paid to the Invensys Pension Trust. The following figures reflect the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed: Intangible assets €883 million, Inventories €159 million, Receivables €127 million, Deferred income tax assets €65 million, Liabilities €537 million and Deferred income tax liabilities €116 million. Intangible assets mainly relate to customer relationships of €616 million with a useful life of 18 years and technology of €245 million with a useful life of 18 years. Goodwill of €1,315 million comprises intangible assets

that are not separable such as employee know-how and expected synergy effects. Including earnings effects from purchase price allocation and integration costs, the acquired business contributed revenues of €335 million and a net loss of €44 million to Siemens for the period from acquisition to September 30, 2013. If the acquired business had been included as of October 1, 2012, the impact on consolidated revenues and consolidated net income for the twelve months ended September 30, 2013 would have been €915 million and €(9) million, respectively.

At the beginning of January 2013, Siemens acquired all of the shares in LMS International NV, Belgium, a leading provider of mechatronic simulation solutions, which was integrated in the Industry Sector's Industry Automation Division. The purchase price allocation was finalized in the second quarter of fiscal 2014. No significant adjustments were made to the preliminary purchase price allocation as of September 30, 2013. The final consideration amounts to €702 million (including €32 million cash acquired); €352 million were allocated to Goodwill which comprises intangible assets that are not separable such as employee know-how and expected synergy effects.

B) DISPOSITIONS AND DISCONTINUED OPERATIONS

Assets and liabilities held for disposal

As of September 30, 2014 and 2013, the carrying amounts of the major classes of assets and liabilities held for disposal were as follows:

(in millions of €)	2014	September 30, 2013
Trade and other receivables	606	310
Inventories	479	340
Goodwill	846	187
Other intangible assets	246	111
Property, plant and equipment	311	317
Investments previously accounted for using the equity method	1,156	–
Other financial assets	132	72
Other assets	158	56
Assets classified as held for disposal	3,935	1,393
Trade payables	381	153
Current provisions	126	60
Other current liabilities	856	183
Post employment benefits	110	18
Other non-current liabilities	123	59
Liabilities associated with assets classified as held for disposal	1,597	473

ba) Dispositions not qualifying for discontinued operations

BSH Bosch und Siemens Hausgeräte GmbH (BSH)

In September 2014, Robert Bosch GmbH and Siemens agreed that Robert Bosch GmbH will acquire Siemens' 50% stake in the joint venture BSH. The transaction volume amounts to €3.25 billion. The agreement includes the permission to produce and market household appliances under the Siemens brand over the long term as well as a distribution of €250 million from BSH prior to the completion of the transaction. The transaction is subject to approval by the regulatory authorities. Closing is expected in the first half of calendar year 2015. Siemens' stake in BSH is presented as held for disposal since the fourth quarter of fiscal 2014. No impairment was identified either upon reclassification or at year end.

Microbiology business

In July 2014, Siemens signed an agreement to sell its Microbiology business of the Healthcare Sector to Beckman Coulter Inc., a subsidiary of Danaher Corporation. The activities of the Microbiology business include systems for the identification and antibiotic susceptibility testing of microorganisms. The regulatory authorities approved the transaction. Closing is expected in the first half of fiscal 2015. The microbiology business (the disposal group) is presented as held for disposal since the third quarter of fiscal 2014. No impairment was identified either upon reclassification or at year end.

bb) Dispositions not qualifying for discontinued operations: closed transactions

TurboCare business

In May 2014, the TurboCare Business Unit of the Energy Sector – which was previously presented as held for disposal – was contributed into a joint venture with John Wood Group plc. The joint venture is a service provider of rotating equipment services to the industry, with a focus on power and oil & gas markets. Siemens' interest in the new company is accounted for using the equity method.

bc) Discontinued operations Customer Solutions Health Services

In August 2014, Siemens announced its plans to sell its hospital information system business (Customer Solutions Health Services Business Unit), formerly included in the Healthcare Sector, to the US-based company Cerner Corp. for a consideration of US\$1.3 billion (€1 billion as of September 30, 2014) in cash. The regulatory authorities approved the transaction. Closing is expected in the second quarter of fiscal 2015. The hospital information system business (the disposal group) is presented as held for disposal and discontinued operations since the fourth quarter of fiscal 2014. No impairment was identified either upon reclassification or at year end.

Metals Technologies

In May 2014, Siemens signed an agreement to contribute nearly all of its metallurgical solutions business (Business Unit Metals Technologies), formerly included in the Industry Sector, into a joint venture with Mitsubishi-Hitachi Metals Machinery Inc., a company majority owned by Mitsubishi Heavy Industries, Ltd. As a result of this transaction, Siemens will lose control over its metallurgical solutions business upon closing. Siemens will hold an equity interest of 49% in the new company which will be accounted for using the equity method. The transaction is subject to approval by the regulatory authorities. Closing is expected in the second quarter of fiscal 2015. The respective metallurgical solutions business (the disposal group) is presented as held for disposal and discontinued operations since the third quarter of fiscal 2014. No impairment was identified either upon reclassification or at year end.

bd) Discontinued operations: closed transactions

The results presented in Income (loss) from discontinued operations in the Company's Consolidated Statements of Income also include the results of businesses that have been disposed of prior to the end of fiscal 2014.

Water Technologies

The Water Technologies Business Unit, formerly included in the Industry Sector, is presented as held for disposal and discontinued operations since the fourth quarter of fiscal 2013. In October 2013, Siemens signed an agreement to sell the disposal group to funds managed by American European Associates Investors LP, U.S. On January 15, 2014, Siemens closed the transaction for a preliminary cash consideration of €612 million. Assets and liabilities held for disposal of €794 million and of €214 million, respectively, were derecognized upon closing. The major classes of assets held for disposal were Property, plant and equipment of €164 million, Goodwill of €154 million, Inventories of €136 million, Trade and other receivables of €125 million, and Cash and cash equivalents of €75 million.

OSRAM, Siemens IT Solutions and Services, Siemens VDO Automotive and Communications

Net results from discontinued operations of OSRAM, Siemens IT Solutions and Services, Siemens VDO Automotive and the former operating segment Communications presented in the Consolidated Statements of Income in fiscal 2014 and 2013 amounted to €89 million (thereof €66 million income tax) and €222 million (thereof €(165) million income tax), respectively. Net results from discontinued operations in fiscal 2013 include €277 million relating to OSRAM, thereof the pretax spin-off gain of €54 million. Income tax in fiscal 2014 and 2013 includes €64 million and €(80) million, respectively, related to former Communications activities.

INCOME (LOSS) FROM DISCONTINUED OPERATIONS

In fiscal 2014 and 2013, the major line items of income from discontinued operations were as follows:

(in millions of €)	Year ended September 30,	
	2014	2013
Revenue	2,951	7,757
Expenses	(2,916)	(7,501)
Income on the measurement to fair value less costs to sell or on the disposal of the disposal groups constituting the discontinued operations	23	129
Pretax income from discontinued operations	57	385
Income taxes on ordinary activities	41	(174)
Income taxes on the income on the measurement to fair value less costs to sell or on the disposal of the disposal groups constituting the discontinued operations	9	20
Income from discontinued operations, net of income taxes	108	231
<i>Thereof attributable to the shareholders of Siemens AG</i>	<i>107</i>	<i>225</i>

NOTE 5 Interests in other entities

For information on the composition of the Siemens Group refer to the list of our subsidiaries, joint ventures and associates in fiscal 2014 in → NOTE 41 LIST OF SUBSIDIARIES AND ASSOCIATED COMPANIES PURSUANT TO SECTION 313 PARA. 2 OF THE GERMAN COMMERCIAL CODE and → NOTE 4 ACQUISITIONS, DISPOSITIONS AND DISCONTINUED OPERATIONS.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a) Income (loss) from investments accounted for using the equity method, net

(in millions of €)	Year ended September 30,	
	2014	2013
Share of profit (loss), net	575	247
Gains (losses) on sales, net	6	78
Impairment and reversals of impairment	1	185
Income (loss) from investments accounted for using the equity method, net	582	510

As of September 30, 2014 and 2013, Siemens has one principal joint venture, BSH Bosch und Siemens Hausgeräte GmbH (BSH), Munich, Germany which is a worldwide home appliances

manufacturer. In the second quarter of fiscal 2014, Siemens started to report results related to its stake in BSH using the equity method in phase with results of Siemens, rather than with the lag of one quarter. Due to the one-time catch-up effect associated with this change, item Share of profit (loss), net for fiscal 2014 therefore includes results related to BSH for approximately five quarters rather than the usual four. This one-time catch-up effect increased the income from Siemens' investment in BSH by €59 million. At the end of the fourth quarter of fiscal 2014, BSH was classified as held for disposal and the use of the equity method was ceased.

Item Share of profit (loss), net, also includes Siemens' share in BWI Informationstechnik GmbH's (BWI IT) earnings of €55 million and €69 million in fiscal 2014 and 2013.

Items Share of profit (loss), net, Gains (losses) on sales, net and Impairment and reversals of impairment include the effects of disposing of Siemens' share in NSN in the fourth quarter of fiscal 2013. In fiscal 2013, item Impairment and reversals of impairment includes €(97) million related to an investment of Siemens' solar business.

b) Associates

As of September 30, 2014 and 2013, the carrying amount of all individually not material associates amounts to €1,417 million and €1,483 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 €)	Year ended September 30,	
	2014	2013
Income (loss) from continuing operations	102	163
Income (loss) from discontinued operations	22	–
Other comprehensive income, net of income taxes	(52)	(33)
Total comprehensive income	71	130

The carrying amount of all individually not material associates includes the carrying amount of BWI IT, amounting to €131 million and €154 million as of September 30, 2014 and 2013. Siemens holds a 50.05% stake in BWI IT. BWI IT is not controlled by Siemens due to significant participating rights of the two other shareholders. Together with the HERKULES obligations disclosed in → NOTE 27, COMMITMENTS AND CONTINGENCIES, the Company's maximum exposure to loss from BWI IT as of

September 30, 2014 and 2013 amounts to €1,621 million and €2,044 million. BWI IT finances its operations on its own.

The accumulated unrecognized share of losses in associates amounts to €84 million and €11 million, respectively, as of September 30, 2014 and 2013. Within fiscal 2014 and 2013 the unrecognized share of losses amounts to €74 million and €11 million.

c) Joint ventures

As of September 30, 2014 and 2013, the carrying amount of all individually not material joint ventures amounts to €710 million and €393 million, respectively. Summarized financial information for all individually not material joint ventures adjusted for the percentage of ownership held by Siemens, is presented below. Items in the Statements of Comprehensive Income are presented for the twelve month period applied under the equity method of accounting.

(in millions of €)	Year ended September 30,	
	2014	2013
Income (loss) from continuing operations	30	(33)
Other comprehensive income, net of income taxes	(72)	4
Total comprehensive income	(42)	(30)

NOTE 6 Other operating income

In fiscal 2014 and 2013, Other operating income includes gains on sales of property, plant and equipment and intangible assets of €355 million and €227 million, respectively, including gains from real estate sold and leased back; gains from the sale of businesses of €143 million and €10 million, respectively; as well as income in connection with legal and regulatory matters.

NOTE 7 Other operating expenses

Other operating expenses in fiscal 2014 and 2013 include losses on sales of property, plant and equipment and intangible assets, impairment losses on goodwill and effects from insurance, legal and regulatory matters.

NOTE 8 Interest income, interest expenses and other financial income (expenses), net

(in millions of €)	Year ended September 30,	
	2014	2013
Interest income from post-employment benefits	1	3
Interest income other than from post-employment benefits	1,058	944
Interest income	1,058	947
Interest expenses from post-employment benefits	(295)	(294)
Interest expenses other than from post-employment benefits	(469)	(490)
Interest expenses	(764)	(784)
Income (expenses) from available-for-sale financial assets, net	45	(80)
Miscellaneous financial income (expenses), net	(221)	(74)
Other financial income (expenses), net	(177)	(154)

Total amounts of item Interest income and (expense), other than from post-employment benefits, were as follows:

(in millions of €)	Year ended September 30,	
	2014	2013
Interest income other than from post-employment benefits	1,058	944
Interest expenses other than from post-employment benefits	(469)	(490)
Interest income (expenses), net, other than from post-employment benefits	589	454
<i>Thereof: Interest income (expenses) of operations, net</i>	<i>(17)</i>	<i>(2)</i>
<i>Thereof: Other interest income (expenses), net</i>	<i>606</i>	<i>455</i>

Item Interest income (expense) of operations, net includes interest income and expense primarily related to receivables from customers and payables to suppliers, interest on advances from customers and advanced financing of customer contracts. Item Other interest income (expense), net includes all other interest amounts primarily consisting of interest relating to corporate debt, and related hedging activities, as well as interest income on corporate assets.

Item Interest income (expense) other than from post-employment benefits includes the following with respect to financial assets (financial liabilities) not at fair value through profit or loss:

(in millions of €)	Year ended September 30,	
	2014	2013
Total interest income on financial assets	1,050	931
Total interest expenses on financial liabilities	(643)	(766)

The components of item Income (expense) from available-for-sale financial assets, net were as follows:

(in millions of €)	Year ended September 30,	
	2014	2013
Dividends received	16	18
Gains on sales, net	40	17
Impairment	(11)	(117)
Other	–	2
Income (expenses) from available-for-sale financial assets, net	45	(80)

Item Miscellaneous financial income (expense), net, in fiscal 2014 and 2013, includes gains (losses) of €(293) million and €95 million, respectively, from the accretion of provisions and the increase (decrease) in the discount rate, as well as expenses as a result of allowances and write offs of finance receivables, net of reversals of €40 million and €80 million, respectively. Furthermore, gains (losses) related to derivative financial instruments are included.

Changes in the fair value of warrants issued together with US\$3 billion bonds in fiscal 2012 resulted in a pretax loss of €42 million and a pretax gain of €11 million, respectively, in fiscal 2014 and 2013. In fiscal 2014, the fair value increased mainly due to an increase in the underlying Siemens and OSRAM share prices as well as increased implied volatilities. The gain (loss) is disclosed in Other financial income (expenses), net and in Corporate items for segment reporting purposes.

NOTE 9 Income taxes

Income from continuing operations before income tax is attributable to the following geographic regions:

(in millions of €)	Year ended September 30,	
	2014	2013
Germany	2,295	1,304
Foreign	5,132	4,509
	7,427	5,813

Income tax expense (benefit) consists of the following:

(in millions of €)	Year ended September 30,	
	2014	2013
Current tax:		
German corporation and trade taxes	469	542
Foreign income taxes	1,253	1,212
	1,722	1,754
Deferred tax:		
Germany	207	256
Foreign	99	(376)
	306	(120)
Income tax expenses	2,028	1,634

The current income tax expenses in fiscal 2014 and 2013 include adjustments recognized for current tax of prior years in the amount of €106 million and €87 million, respectively. The current tax expense in 2013 is positively impacted by the closing of a mutual agreement procedure regarding transfer prices between Germany and the U.S. leading to an increase of German current taxes and an overcompensating decrease of foreign income taxes.

The deferred tax expense (benefit) in fiscal 2014 and 2013 includes tax effects of the origination and reversal of temporary differences of €119 million and €(302) million, respectively. The German deferred tax expense in fiscal 2014 and 2013 is mainly related to the utilization of tax loss carryforwards, partly compensated by tax effects in connection with positive appeal proceedings in 2014.

In Germany, the calculation of current tax is based on a corporate tax rate of 15% and a solidarity surcharge thereon of 5.5%, for all distributed and retained earnings. In addition to corporate taxation, trade tax is levied on profits earned in Germany. As the German trade tax is a non deductible expense, the average trade tax rate amounts to 15% and the combined total tax rate results in 31%. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

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 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 €)	Year ended September 30,	
	2014	2013
Expected income tax expenses	2,302	1,802
Increase (decrease) in income taxes resulting from:		
Non-deductible losses and expenses	282	377
Tax-free income	(236)	(343)
Taxes for prior years	78	56
Change in realizability of deferred tax assets and tax credits	11	21
Change in tax rates	(1)	(31)
Foreign tax rate differential	(244)	(175)
Tax effect of investments accounted for using the equity method	(163)	(74)
Other, net	(1)	1
Actual income tax expenses	2,028	1,634

The tax free income in fiscal 2014 is impacted by several Portfolio activities, whereas 2013 is amongst others attributable to the NSN disposal.

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

(in millions of €)	September 30,	
	2014	2013
Assets:		
Non-current assets	433	547
Inventories and receivables	1,445	1,240
Post-employment benefits	3,112	2,954
Liabilities	3,991	3,699
Other	229	282
Tax loss and credit carryforward	706	918
Deferred tax assets	9,915	9,640
Liabilities:		
Non-current assets	2,185	2,452
Inventories and receivables	3,882	3,476
Liabilities	787	670
Other	280	312
Deferred tax liabilities	7,133	6,910
Total deferred tax assets, net	2,782	2,730

In assessing the realizability of deferred tax assets, management considers the extent to which it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carryforwards become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. 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, management believes it is probable the Company will realize the benefits of these deductible differences. As of September 30, 2014, 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.

As of September 30, 2014 and 2013, the Company had €2,425 million and €3,341 million, respectively of gross tax loss carryforwards. The Company assumes that future operations will generate sufficient taxable income to realize the deferred tax assets.

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

(in millions of €)	September 30,	
	2014	2013
Deductible temporary differences	155	150
Tax loss carryforward	760	941
	915	1,091

As of September 30, 2014 and 2013, €152 million and €221 million, respectively the major part of the unrecognized tax loss carryforwards expire over the periods to 2018.

The Company has ongoing regular tax audits concerning open income tax years in a number of jurisdictions. Adequate provisions for all open tax years have been foreseen. The Company has applied for several mutual agreement procedures to avoid double taxation.

The Company recorded deferred tax liabilities for income taxes and foreign withholding taxes on future dividend distributions from subsidiaries which are actually intended to be repatriated. Apart from this liability, the Company has not recognized deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of €21,115 million and €19,214 million, respectively in fiscal 2014 and 2013 because the earnings are intended to be permanently reinvested in the subsidiaries.

Including the 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 €)	Year ended September 30,	
	2014	2013
Continuing operations	2,028	1,634
Discontinued operations	(50)	154
Income and expenses recognized directly in equity	(346)	738
	1,632	2,526

NOTE 10 Available-for-sale financial assets

The following tables summarize the current portion of the Company's investment in available-for-sale financial assets:

(in millions of €)	September 30, 2014			
	Cost	Fair value	Unrealized gain	Unrealized loss
Equity instruments	1	1	–	–
Debt instruments	693	702	9	–
Fund shares	195	222	28	–
	888	925	37	–

(in millions of €)	September 30, 2013			
	Cost	Fair value	Unrealized gain	Unrealized loss
Equity instruments	6	8	2	–
Debt instruments	378	382	3	–
Fund shares	195	211	16	–
	580	601	21	(1)

Non-current available-for-sale financial assets, which are included in line item Other financial assets are measured at fair value, if reliably measurable. They primarily consist of equity instruments, including shares in AtoS and in OSRAM. As of September 30, 2014 and 2013 non-current available-for-sale financial assets measured at cost amount to €192 million and €167 million, respectively; non-current available-for-sale financial assets measured at fair value amount to €1,611 million and €1,394 million, respectively. Unrealized gains (losses) in fiscal 2014 and 2013 resulting from non-current available-for-sale financial assets at fair value were €317 million and €401 million, respectively.

NOTE 11 Trade and other receivables

(in millions of €)	September 30,	
	2014	2013
Trade receivables from the sale of goods and services	12,537	12,932
Receivables from finance leases	1,988	1,921
	14,526	14,853

Changes to the valuation allowance of current and long-term receivables presented in → NOTE 11, 12 AND 18, which belong to the class of financial assets measured at (amortized) cost are as follows (excluding receivables from finance leases):

(in millions of €)	Year ended September 30,	
	2014	2013
Valuation allowance as of beginning of fiscal year	1,023	1,056
Increase in valuation allowances recorded in the Consolidated Statements of Income in the current period	62	205
Write-offs charged against the allowance	(126)	(208)
Recoveries of amounts previously written-off	6	9
Foreign exchange translation differences	5	(38)
Reclassifications to line item Assets held for disposal and dispositions of those entities	(33)	–
Valuation allowance as of fiscal year-end	938	1,023

In fiscal 2014 and 2013, receivables from finance leases, current amount to €1,988 million and €1,921 million, respectively; the long-term portion amounts to €3,357 million and €3,340 million, respectively. The valuation allowance on current and long-term receivables from finance leases changed as follows:

(in millions of €)	Year ended September 30,	
	2014	2013
Valuation allowance as of beginning of fiscal year	124	134
Increase in valuation allowances recorded in the Consolidated Statements of Income in the current period	47	35
Write-offs charged against the allowance	(46)	(47)
Recoveries of amounts previously written-off	5	5
Foreign exchange translation differences	5	(4)
Reclassifications to and from line item Assets held for disposal and dispositions of those entities	–	–
Valuation allowance as of fiscal year-end	135	124

Minimum future lease payments to be received are as follows:

(in millions of €)	September 30,	
	2014	2013
Within one year	2,406	2,318
After one year but not more than five years	3,393	3,406
More than five years	233	214
	6,033	5,938

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 €)	September 30,	
	2014	2013
Minimum future lease payments	6,033	5,938
Plus: Unguaranteed residual values	91	97
Gross investment in leases	6,124	6,034
Less: Unearned finance income	(643)	(649)
Net investment in leases	5,481	5,385
Less: Allowance for doubtful accounts	(135)	(124)
Less: Present value of unguaranteed residual value	(80)	(85)
Present value of minimum future lease payments receivable	5,266	5,176

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

(in millions of €)	September 30,	
	2014	2013
Gross investment in leases	6,124	6,034
Within one year	2,433	2,345
One to five years	3,449	3,472
Thereafter	242	218
Present value of minimum future lease payments receivable	5,266	5,176
Within one year	2,013	1,946
One to five years	3,037	3,035
Thereafter	215	195

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 12 Other current financial assets

(in millions of €)	September 30,	
	2014	2013
Derivative financial instruments	458	435
Loans receivable	2,111	1,861
Other	1,141	954
	3,710	3,250

NOTE 13 Inventories

(in millions of €)	September 30,	
	2014	2013
Raw materials and supplies	2,389	2,476
Work in process	3,436	3,502
Costs and earnings in excess of billings on uncompleted contracts	8,329	8,604
Finished goods and products held for resale	2,312	2,311
Advances to suppliers	528	707
	16,994	17,601
Advance payments received	(1,895)	(2,040)
	15,100	15,560

Cost of sales include inventories recognized as expense amounting to €49,453 million and €52,039 million, respectively, in fiscal 2014 and 2013. Raw materials and supplies, work in process as well as finished goods and products held for resale are valued at the lower of acquisition or production cost and net realizable value. The respective write-downs, as compared to prior year, increased by €1 million and €39 million as of September 30, 2014 and 2013.

Item Costs and earnings in excess of billings on uncompleted contracts relates to construction contracts, with net asset balances where contract costs plus recognized profits less recognized losses exceed progress billings. Construction contracts, here and as follows, include service contracts accounted for under the percentage of completion method. Liabilities from contracts for which progress billings exceed costs and recognized profits less recognized losses are recognized in line item Other current liabilities.

The aggregate amount of costs incurred and recognized profits less recognized losses for construction contracts in progress, as of September 30, 2014 and 2013 amounted to €86,140 million and €79,296 million, respectively. Revenue from construction contracts amounted to €29,735 million and €30,441 million, respectively, for fiscal 2014 and 2013.

Advance payments received on construction contracts in progress were €7,704 million and €8,239 million as of September 30, 2014 and 2013. Retentions in connection with construction contracts were €245 million and €452 million in fiscal 2014 and 2013, respectively.

NOTE 14 Other current assets

(in millions of €)	September 30,	
	2014	2013
Miscellaneous tax receivables	707	735
Prepaid expenses	229	227
Other	354	335
	1,290	1,297

NOTE 15 Goodwill

(in millions of €)	Year ended September 30,	
	2014	2013
Cost		
Balance at beginning of year	19,564	18,517
Translation differences and other	777	(697)
Acquisitions and purchase accounting adjustments	60	1,719
Dispositions and reclassifications to assets classified as held for disposal	(856)	25
Balance at year-end	19,546	19,564
Accumulated impairment losses and other changes		
Balance at beginning of year	1,681	1,448
Translation differences and other	82	(66)
Impairment losses recognized during the period	5	70
Dispositions and reclassifications to assets classified as held for disposal	(5)	229
Balance at year-end	1,763	1,681
Carrying amount		
Balance at beginning of year	17,883	17,069
Balance at year-end	17,783	17,883

(in millions of €)	Carrying amount as of 10/01/2013	Translation differences and other	Acquisitions and purchase accounting adjustments	Dispositions, reclassifications incl. reclassifications to assets classified as held for disposal	Impairments	Carrying amount as of 09/30/2014
Sectors						
Energy	2,606	71	14	(2)	–	2,688
Healthcare	7,950	373	7	(426)	(4)	7,900
Industry	4,276	147	(1)	(419)	–	4,003
Infrastructure & Cities	2,930	99	36	(3)	(1)	3,061
Total Sectors	17,761	691	55	(851)	(5)	17,651
Financial Services (SFS)	122	5	4	–	–	132
Siemens	17,883	696	60	(851)	(5)	17,783

(in millions of €)	Carrying amount as of 10/01/2012	Translation differences and other	Acquisitions and purchase accounting adjustments	Dispositions, reclassifications incl. reclassifications to assets classified as held for disposal	Impairments	Carrying amount as of 09/30/2013
Sectors						
Energy	2,718	(61)	5	(34)	(23)	2,606
Healthcare	8,314	(362)	(3)	–	–	7,950
Industry	4,173	(146)	418	(169)	–	4,276
Infrastructure & Cities	1,742	(65)	1,299	–	(47)	2,930
Total Sectors	16,949	(633)	1,719	(204)	(70)	17,761
Financial Services (SFS)	121	2	–	–	–	122
Siemens	17,069	(632)	1,719	(204)	(70)	17,883

Siemens performs the mandatory annual impairment test in the three months ended September 30. The recoverable amounts for the annual impairment test 2014 for Divisions or equivalents were generally estimated to be higher than the carrying amounts. Key assumptions on which management has based its determinations of the fair value less costs to sell for the Divisions' or equivalents' carrying amount include terminal value growth rates up to 2.9% in fiscal 2014 and 2.3% in fiscal 2013, respectively and after-tax discount rates of 6.5% to 9.0% in fiscal 2014 and 6.0% to 10.8% in fiscal 2013. Where possible, reference to market prices is made.

For the purpose of estimating the fair value less costs to sell of the Divisions or equivalents, 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 Divisions or equivalents 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 Division or equivalent. Discount rates reflect the current market assessment of the risks specific to each Division or equivalent and are based on the weighted average cost of capital for the Divisions or equivalents (for SFS the discount rate represents cost of equity). Terminal value growth rates take into consideration external macroeconomic sources of data and industry specific trends.

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

(in millions of €)	Year ended September 30, 2014			Year ended September 30, 2013		
	Goodwill	Terminal value growth rate	After-tax discount rate	Goodwill	Terminal value growth rate	After-tax discount rate
Diagnostics of the Healthcare Sector	4,765	2.4%	6.5%	4,758	2.3%	6.0%
Industry Automation of the Industry Sector	3,105	1.7%	8.5%	2,986	1.7%	8.5%
Imaging & Therapy Systems of the Healthcare Sector	2,603	2.2%	7.5%	2,483	2.2%	7.5%

In fiscal 2013, an impairment loss of €46 million resulted from the logistics and airport solutions business of the Mobility & Logistics Division of the Infrastructure & Cities Sector.

NOTE 16 Other intangible assets

(in millions of €)	Gross carrying amount as of 10/01/2013	Translation differences	Additions through business combinations	Additions	Retirements ¹	Gross carrying amount as of 09/30/2014	Accumulated amortization and impairment	Carrying amount as of 09/30/2014	Amortization and impairment in fiscal 2014
Software and other internally generated intangible assets	3,346	111	–	312	(1,019)	2,750	(1,526)	1,224	(183)
Patents, licenses and similar rights	8,070	277	21	78	(370)	8,077	(4,741)	3,336	(558)
Other intangible assets	11,415	388	21	390	(1,389)	10,826	(6,266)	4,560	(741)

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

(in millions of €)	Gross carrying amount as of 10/01/2012	Translation differences	Additions through business combinations	Additions	Retirements ¹	Gross carrying amount as of 09/30/2013	Accumulated amortization and impairment	Carrying amount as of 09/30/2013	Amortization and impairment in fiscal 2013 ²
Software and other internally generated intangible assets	3,270	(78)	2	265	(114)	3,346	(2,104)	1,241	(224)
Patents, licenses and similar rights	7,154	(253)	1,363	65	(259)	8,070	(4,254)	3,816	(648)
Other intangible assets	10,424	(332)	1,365	330	(372)	11,415	(6,358)	5,057	(873)

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

2 Includes impairment expenses of €53 million in fiscal 2013, thereof €25 million at Infrastructure & Cities, €19 million at Energy, €8 million at Industry and €2 million at Healthcare.

Amortization and impairment on intangible assets is contained in line items Cost of sales, Research and development expenses or Selling and general administrative expenses, depending on the use of the asset.

As of September 30, 2014 and 2013, contractual commitments for purchases of other intangible assets amount to €18 million and €14 million.

NOTE 17 Property, plant and equipment

(in millions of €)	Gross carrying amount as of 10/01/2013	Translation differences	Additions through business combinations	Additions	Reclassifications	Retirements ¹	Gross carrying amount as of 09/30/2014	Accumulated depreciation and impairment	Carrying amount as of 09/30/2014	Depreciation and impairment in fiscal 2014 ²
Land and buildings	7,677	136	(7)	155	128	(733)	7,356	(3,489)	3,868	(242)
Technical machinery and equipment	7,020	122	4	277	239	(521)	7,140	(4,687)	2,453	(456)
Furniture and office equipment	5,740	106	2	608	81	(751)	5,786	(4,440)	1,347	(653)
Equipment leased to others	2,936	104	–	371	1	(485)	2,927	(1,705)	1,222	(316)
Advances to suppliers and construction in progress	710	7	–	516	(449)	(25)	760 ³	(10)	750	–
Property, plant and equipment	24,083	475	–	1,927	–	(2,515)	23,968	(14,330)	9,638	(1,666)

1 Includes Property, plant and equipment reclassified to Assets classified as held for disposal and dispositions of those entities.

2 Includes impairment expenses of €29 million in fiscal 2014, therein €19 million at SRE.

3 Includes €670 million expenditures for property, plant and equipment under construction.

(in millions of €)	Gross carrying amount as of 10/01/2012	Translation differences	Additions through business combinations	Additions	Reclassifications	Retirements ¹	Gross carrying amount as of 09/30/2013	Accumulated depreciation and impairment	Carrying amount as of 09/30/2013	Depreciation and impairment in fiscal 2013 ²
Land and buildings	8,285	(189)	68	187	150	(824)	7,677	(3,651)	4,027	(286)
Technical machinery and equipment	7,076	(177)	30	269	284	(463)	7,020	(4,594)	2,426	(510)
Furniture and office equipment	5,664	(149)	27	681	131	(614)	5,740	(4,352)	1,387	(698)
Equipment leased to others	3,372	(117)	–	377	(7)	(689)	2,936	(1,662)	1,274	(362)
Advances to suppliers and construction in progress	859	(26)	5	465	(559)	(33)	710 ³	(9)	701	(6)
Property, plant and equipment	25,255	(658)	129	1,979	–	(2,623)	24,083	(14,268)	9,815	(1,862)

1 Includes Property, plant and equipment reclassified to Assets classified as held for disposal and dispositions of those entities.

2 Includes impairment expenses of €141 million in fiscal 2013, thereof €55 million at SRE, €34 million at Industry, €31 million at Energy, €10 million at Infrastructure & Cities, €8 million at SFS and €2 million at Healthcare.

3 Includes €594 million expenditures for property, plant and equipment under construction.

Depreciation and impairment is included in line items Cost of sales, Research and development expenses or Selling and general administrative expenses, depending on the use of the asset. As of September 30, 2014 and 2013, contractual commitments for purchases of property, plant and equipment amount to €351 million and €434 million, respectively.

In fiscal 2014 and 2013, government grants awarded for the purchase or the production of property, plant and equipment amounted to €6 million and €9 million, respectively. The award of further government grants of €65 million and €60 million in fiscal 2014 and 2013, respectively, related to costs incurred and future costs.

As of September 30, 2014 and 2013, minimum future lease payments receivable from lessees under operating leases are as follows:

(in millions of €)	September 30,	
	2014	2013
Within one year	338	321
After one year but not more than five years	590	578
More than five years	117	137
	1,045	1,035

Payments from lessees under operating leases primarily relate to buildings, medical equipment and transportation systems. Total contingent rent recognized in income in fiscal 2014 and 2013 amounts to €223 million and €214 million, respectively.

INVESTMENT PROPERTY

The carrying amount of investment property amounts to €113 million and €116 million compared to a fair value of €214 million and €258 million as of September 30, 2014 and 2013, respectively. Fair value is generally a level 2 measurement and is determined based on sales of similar property, bid prices for similar property, external independent appraisals or internal fair value measurements which rely on the income approach or on adjusted official standard land values depending on the nature of the property.

NOTE 18 Other financial assets

(in millions of €)	September 30,	
	2014	2013
Loans receivable	10,919	8,012
Receivables from finance leases, see → NOTE 11 TRADE AND OTHER RECEIVABLES	3,357	3,340
Derivative financial instruments	2,111	1,894
Available-for-sale financial assets	1,803	1,560
Other	226	311
	18,416	15,117

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

NOTE 19 Other current financial liabilities

(in millions of €)	September 30,	
	2014	2013
Derivative financial instruments, see → NOTES 29 AND 30	680	350
Accrued interest expense	210	221
Other	826	944
	1,717	1,515

NOTE 20 Other current liabilities

(in millions of €)	September 30,	
	2014	2013
Billings in excess of costs and estimated earnings on uncompleted contracts and related advances	9,559	10,559
Payroll obligations and social security taxes	1,438	1,561
Other employee related costs	1,644	2,103
Deferred income	1,068	1,035
Accruals for pending invoices	1,059	1,067
Bonus obligations	1,785	1,683
Miscellaneous tax liabilities	663	669
Deferred reservation fees received	56	101
Other	682	923
	17,954	19,701

Item Other employee related costs primarily includes vacation payments, accrued overtime and service anniversary awards, severance payments, as well as liabilities related to termination benefits.

NOTE 21 Debt

(in millions of €)	September 30,	
	2014	2013
Short-term		
Notes and bonds	–	1,431
Loans from banks	773	412
Other financial indebtedness	826	82
Obligations under finance leases	21	20
Short-term debt and current maturities of long-term debt	1,620	1,944
Long-term		
Notes and bonds (maturing until 2066)	18,165	17,060
Loans from banks (maturing until 2023)	968	1,233
Other financial indebtedness (maturing until 2027)	85	106
Obligations under finance leases	108	110
Long-term debt	19,326	18,509
	20,947	20,453

Interest rates in this Note are per annum. In fiscal 2014 and 2013, weighted-average interest rates for loans from banks, other financial indebtedness and obligations under finance leases were 3.0% (2013: 2.7%), 0.3% (2013: 3.1%) and 4.0% (2013: 4.1%), respectively.

1. COMMERCIAL PAPER PROGRAM

Siemens has a US\$ 9.0 billion (€7.2 billion as of September 30, 2014) multi-currency commercial paper program in place including US\$ extendible notes capabilities. As of September 30, 2014 US\$ 1.0 billion (€795 million as of September 30, 2014) were outstanding. As of September 30, 2013 no commercial papers were outstanding. Siemens' commercial papers have a maturity of generally less than 90 days. Interest rates ranged from 0.1% to 0.2% in fiscal 2014 and from 0.01% to 0.37% in fiscal 2013.

2. BONDS

(interest / issued / maturity)	September 30, 2014		September 30, 2013	
	Currency notional amount (in millions)	Carrying amount in millions of € ¹	Currency notional amount (in millions)	Carrying amount in millions of € ¹
5.625%/2006/March 2016/US\$ fixed-rate instruments	US\$ 500	425	US\$ 500	412
5.375%/2008/June 2014/EUR fixed-rate instruments ²	–	–	€ 1,000	1,031
5.625%/2008/June 2018/EUR fixed-rate instruments	€ 1,600	1,839	€ 1,600	1,844
5.125%/2009/February 2017/EUR fixed-rate instruments	€ 2,000	2,122	€ 2,000	2,136
US\$ 3m LIBOR+1.4%/2012/February 2019/US\$ floating-rate instruments	US\$ 400	318	US\$ 400	296
0.375%/2012/September 2014/EUR fixed-rate instruments ²	–	–	€ 400	400
1.5%/2012/March 2020/EUR fixed-rate instruments	€ 1,000	995	€ 1,000	994
2.75%/2012/September 2025/GBP fixed-rate instruments	£ 350	448	£ 350	416
3.75%/2012/September 2042/GBP fixed-rate instruments	£ 650	819	£ 650	760
1.75%/2013/March 2021/EUR fixed-rate instruments	€ 1,250	1,276	€ 1,250	1,242
2.875%/2013/March 2028/EUR fixed-rate instruments	€ 1,000	996	€ 1,000	995
1.5%/2013/March 2018/US\$ fixed-rate instruments	US\$ 500	396	US\$ 500	368
3.5%/2013/March 2028/US\$ fixed-rate instruments	US\$ 100	77	US\$ 100	72
2013/June 2020/US\$ floating-rate instruments	US\$ 400	317	US\$ 400	295
2014/March 2019/US\$ floating-rate instruments	US\$ 300	238	–	–
2014/September 2021/US\$ floating-rate instruments	US\$ 400	317	–	–
Total Debt Issuance Program		10,582		11,262
5.75%/2006/October 2016/US\$ fixed-rate instruments	US\$ 1,750	1,457	US\$ 1,750	1,389
6.125%/2006/August 2026/US\$ fixed-rate instruments	US\$ 1,750	1,843	US\$ 1,750	1,759
Total US\$ Bonds		3,301		3,147
5.25%/2006/September 2066/EUR fixed-rate instruments	€ 900	959	€ 900	976
6.125%/2006/September 2066/GBP fixed-rate instruments	£ 750	1,025	£ 750	986
Total Hybrid Capital Bond		1,984		1,962
1.05%/2012/August 2017/US\$ fixed-rate instruments	US\$ 1,500	1,158	US\$ 1,500	1,068
1.65%/2012/August 2019/US\$ fixed-rate instruments	US\$ 1,500	1,140	US\$ 1,500	1,052
Total Bond with Warrant Units		2,298		2,120
		18,165		18,491

1 Includes adjustments for fair value hedge accounting. 2 Redeemed at face value at maturity in fiscal 2014.

Debt Issuance Program

The Company has a program for the issuance of debt instruments under which it may issue instruments up to €15.0 billion as of September 30, 2014 and 2013, respectively. As of September 30, 2014 and 2013 €10.2 billion and €10.9 billion in notional amounts were issued and are outstanding.

In March 2014, Siemens issued US\$300 million (€238 million as of September 30, 2014) privately placed floating-rate instruments due March 6, 2019. Furthermore, Siemens redeemed at face value €1.0 billion in 5.375% fixed-rate instruments on June 11, 2014. In September 2014 Siemens issued US\$400 million (€318 million as of September 30, 2014) privately placed

floating-rate instruments due September 10, 2021 and redeemed at face value €400 million in 0.375% fixed-rate instruments on September 10, 2014.

Hybrid Capital Bond

In September 2006, the Company issued a subordinated hybrid bond in a EUR tranche of €900 million and a GBP tranche of £750 million (€965 million as of September 30, 2014), both with a legal final maturity on September 14, 2066 and with a call option for Siemens in 2016 or thereafter. The instruments bear fixed-rate interests until September 14, 2016; thereafter, floating-rate interest is applied according to the conditions of the bond.

Bond with Warrant Units

In February 2012, Siemens issued US\$ fixed-rate bonds with warrant units in an aggregate principal amount of US\$3 billion in two tranches, comprising: (1) US\$1.5 billion (€1.2 billion as of September 30, 2014) in 1.05% instruments maturing on August 16, 2017 and (2) US\$1.5 billion (€1.2 billion as of September 30, 2014) in 1.65% instruments maturing on August 16, 2019. Each of the US\$1.5 billion instruments were issued with 6,000 detachable warrants. The warrants' exercise price was fixed in Euro. The warrants entitle the holders, at their option, to receive 1,806.1496 Siemens AG shares per warrant at an exercise price per share of €104.0018 during the exercise period which matures on August 1, 2017 and August 1, 2019 for instruments (1) and instruments (2), respectively. After the spin-off of OSRAM in fiscal 2013, the warrants entitle the holders to obtain 169.4234 OSRAM shares in addition to Siemens shares. The number of additional shares remains subject to the adjustment provisions under the terms and conditions of warrants. Since the approval of the OSRAM spin-off in January 2013 the warrants are accounted for as other financial liability. The warrants result in option rights relating to a total of 21.7 million Siemens AG shares.

3. ASSIGNABLE AND TERM LOANS

The Company has a 5.435% fixed rate assignable loan for general corporate purposes due on June 12, 2015 with a notional amount of €333 million as of September 30, 2014 and 2013 and a carrying amount of €343 million and €356 million, respectively, as of September 30, 2014 and 2013.

In March 2014, the two bilateral US\$500 million term loan facilities (in aggregate €795 million in notional and carrying amount as of September 30, 2014) that the company signed and fully drew in fiscal 2013 bearing floating-rate interest of 0.79% above three months LIBOR with an original term of five years were extended by one year and are now due on March 26, 2019 with a remaining one year extension option.

4. CREDIT FACILITIES

The credit facilities at September 30, 2014 and 2013 consisted of €6.8 billion and €6.7 billion, respectively, in committed lines of credit. As of September 30, 2014, those include: (1) a €4.0 billion undrawn syndicated multi-currency revolving credit facility; in June 2014, the facility has been amended and extended to June 27, 2019 with two one-year extension options remaining; (2) a US\$ 3.0 billion (€2.4 billion as of September 30, 2014) undrawn syndicated multi-currency revolving credit facility; in 2014 its maturity has been extended by one year to September 27, 2019 with one one-year extension option remaining; (3) a €450 million revolving credit facility provided by a domestic bank expiring September 30, 2015.

As of September 30, 2014 and 2013, €6.8 billion and €6.7 billion of these lines of credit remained unused. Commitment fees for the years ended September 30, 2014 and 2013 amount to €6 million and €6 million, respectively. The facilities are for general business purposes.

5. OTHER FINANCIAL INDEBTEDNESS

Item Other financial indebtedness includes €27 million and €111 million as of September 30, 2014 and 2013, respectively, for the Company's real estate assets that were sold or transferred and in which Siemens has retained significant risks and rewards of ownership, including circumstances in which Siemens participates directly or indirectly in the change in market value of the property. Therefore, these transactions have been accounted for as financing obligations. These real estate properties are carried on the Company's Consolidated Statements of Financial Position and no sale and profit has been recognized.

OBLIGATIONS UNDER FINANCE LEASES

(in millions of €)	September 30, 2014		
	Minimum future lease payment obligation	Unamortized interest expense	Present value of minimum future lease payment obligation
Due			
Within one year	49	28	21
After one year but not more than five years	92	7	85
More than five years	76	52	24
Total	217	87	130
Less: Current portion			(21)
			108

(in millions of €)	September 30, 2013		
	Minimum future lease payment obligation	Unamortized interest expense	Present value of minimum future lease payment obligation
Due			
Within one year	32	12	20
After one year but not more than five years	94	9	86
More than five years	78	53	25
Total	204	74	130
Less: Current portion			(20)
			110

NOTE 22 Post-employment benefits

Post-employment benefits provided by Siemens are organized through defined benefit plans as well as defined contribution plans which cover almost all of the Company's domestic employees and the majority of the Company's foreign employees. Post-employment defined benefit plans include pension benefits and other post-employment benefits, which primarily consist of transition payments to German employees after retirement as well as post-employment health care and life insurance benefits to employees in the U.S. and Canada.

DEFINED BENEFIT PLANS

In order to reduce the Company's exposure to certain risks associated with defined benefit plans, such as longevity, inflation, effects of compensation increases, Siemens regularly reviews and continuously improves the design of its post-employment defined benefit plans. The benefits of defined benefit plans open to new entrants are based predominantly on contributions made by the Company and are still affected by longevity, inflation adjustments and compensation increases, but only to a significant lesser extent. The Company's major defined benefit plans are funded with assets in segregated entities. The defined benefit plans cover 494,000 participants, including 210,000 active employees, 85,000 former employees with vested benefits and 199,000 retirees and surviving dependents. Individual benefits are generally based on eligible compensation levels and/or ranking within the Company hierarchy and years of service. The characteristics of the defined benefit plans and the risks associated with them vary depending on legal, fiscal and economic requirements in each country. For the major defined benefit plans of Siemens the characteristics and risks are as follows:

Germany:

In Germany, Siemens AG provides pension benefits through the cash-balance plan BSAV (Beitragsorientierte Siemens Altersversorgung), frozen legacy plans and deferred compensation plans. The majority of Siemens' active employees in Germany participate in the BSAV introduced in fiscal 2004, which is a funded defined benefit pension plan whose benefits are predominantly based on contributions made by the Company and returns earned on such contributions, subject to a minimum return guaranteed by the Company. The BSAV is funded via a contractual trust arrangement (CTA), the BSAV Trust. Individual benefits under the frozen legacy plans are based on eligible compensation levels or ranking within the Company hierarchy and years of service. In connection with the implementation of the BSAV, benefits provided under the frozen legacy plans funded via a CTA, the Siemens Pension Trust, were modified to substantially eliminate the effects of compensation increases by freezing the accretion of benefits under the majority of

these plans. However, these frozen plans still expose the Company to actuarial risks such as investment risk, interest rate risk and longevity risk. Furthermore, deferred compensation plans are offered which are also funded via a CTA. In Germany no legal or regulatory minimum funding requirements apply. The Trusts, which are legally separate from the Company, manage their plan assets as trustees, in accordance with the respective trust agreements with the Company.

U.S.:

Siemens Corporation in the U.S. sponsors one major defined benefit plan, the Siemens Pension Plan, which is frozen to new entrants and accretion of new benefits (with the exception of one small group of union employees). Employees of Siemens U.S. companies hired prior to April 1st, 2006 participate in the Siemens Pension Plan. Most of the defined benefit plan participants' benefits are calculated using a cash balance formula; although a small group of participants are eligible for a benefit based on a final average pay formula. This frozen defined benefit plan exposes the Company to actuarial risks such as investment risk, interest rate risk and longevity risk.

The defined benefit plan assets are held in a Master Trust. Siemens Corporation, as the sponsoring employer, has delegated investment oversight of the plans' assets to the Investment Committee. The Investment Committee members have a fiduciary duty to act solely in the best interests of the beneficiaries according to the trust agreement and U.S. law. The Committee has established an Investment Policy Statement which articulates the goals and objectives of the plans' investment management, including diversifying the assets of the Master Trust with the intention of appropriately addressing concentration risks. The trustee of the Master Trust acts only by direction of the Investment Committee. It is responsible for the safekeeping of the trust, but generally has no decision making authority over the plan assets. The legal and regulatory framework for the plans is based on the applicable U.S. legislation Employee Retirement Income Security Act (ERISA). Based on this legislation a funding valuation is prepared annually. Annual contributions are determined by the plans' independent actuaries as prescribed under the rules and regulations of ERISA and the Internal Revenue Code. There is a regulatory requirement to maintain a minimum funding level of 80% in the defined benefit plans in order to avoid benefit restrictions.

U.K.:

Siemens plc in the U.K. sponsors a frozen defined benefit plan and a defined contribution plan for all new employees and for the active service of those members who have participated in the frozen defined benefit plan. There are several smaller defined benefit plans which result from previous acquisitions, those plans are in the process of being de-risked. For most of

the defined benefit plan members an inflation increase of the accrued benefits until the start of retirement is mandatory. Furthermore, the plans expose the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary increase risk. The funding environment is determined by the Pension Regulator and the applicable social and labor laws. The defined benefit plans are each governed by a benefit trust whose decision making body is a Board of Trustees who have a fiduciary duty to act in the best interests of the beneficiaries according to the trust agreement and law. The required funding is determined by a funding valuation carried out every third year based on legal requirements, which measures the liabilities on a government bond basis rather than under a high quality corporate bond basis as under IAS 19, thus the technical funding deficit is usually larger. The funding valuation assumptions are negotiated between the Company and the Trustees. The latest funding valuation, for the largest plan, in UK in calendar year 2011 resulted in a technical underfunding of GBP 939 (€1,208) million, based on the assumptions at that date. As a result, in fiscal 2013, Siemens entered into an agreement with the trustees to provide an annual payment of GBP 31 (€40) million for the next 20 years, beginning in fiscal 2014. 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. In addition to these payments the Company is obliged to pay GBP 5 (€6) million until the next funding valuation, when the funding requirements will be updated based on new assumptions. This valuation process will start in calendar year 2014.

Switzerland:

Siemens Switzerland sponsors several funded defined benefit (cash-balance) plans following the Swiss law of occupational benefits (BVG) according to which each employer has to grant post-employment benefits for qualifying employees. These plans are administered by foundations that are legally separated from the entity. For the main pension fund, which represents almost all of the defined benefit obligation in Switzerland, the board of the pension fund is composed of equally many employer and employee representatives. The board of each pension fund is required by law and by the regulations to act in the fund's and all stakeholders' best interest, i.e. in the interest of all active employees and retirees. The board of the pension fund is responsible for the investment policy and the asset management, as well as for any changes in the plan rules, in which it determines the necessary 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. Employer's and employees' contributions are determined by the respective foundation boards. About 40% of the necessary contributions are financed by the employees. In the case of an underfunding in a plan the Company together with the employees may be asked to pay extra contributions in a well defined framework of recovery measures. The plans expose the Company to various actuarial and financial risks such as longevity, interest rate risks and salary increases.

The amounts included in the Company's Consolidated Financial Statements arising from its post-employment defined benefit plans are as follows:

(in millions of €)	Defined benefit obligation (DBO) September 30,		Fair value of plan assets September 30,		Effects in connection with asset ceiling September 30,		Net defined benefit balance September 30,	
	2014	2013	2014	2013	2014	2013	2014	2013
Germany	22,414	20,367	15,105	14,017	–	–	(7,309)	(6,350)
U.S.	3,730	3,769	2,888	2,575	–	–	(842)	(1,194)
U.K.	4,845	4,455	4,818	4,022	(97)	(65)	(125)	(498)
CH	2,784	2,828	2,673	2,489	(59)	(49)	(170)	(388)
Other	1,818	1,753	1,021	975	(46)	(32)	(843)	(810)
Total	35,591	33,173	26,505	24,078	(202)	(146)	(9,288)	(9,241)

The net defined benefit balance of €9,288 million and €9,241 million as of September 30, 2014 and 2013 comprises €9,324 million and €9,265 million net defined benefit liability and €36 million and €24 million net defined benefit asset, respectively.

Defined benefit costs are as follows:

(in millions of €)	Year ended September 30,	
	2014	2013
Current service cost	477	505
Past service (benefit) cost	3	(9)
Settlement (gains) losses	1	(7)
Net interest expenses	295	294
Net interest income	(1)	(3)
Liability administration expenses	8	16
Components of defined benefit costs recognized in the Consolidated Statements of Income	784	795
Return on plan assets (excluding amounts included in net interest expenses and net interest income)	(2,098)	(507)
Actuarial (gains) and losses	1,972	(47)
Effect from asset ceiling	43	(23)
Remeasurements of defined benefit plans recognized in the Consolidated Statements of Comprehensive Income	(83)	(577)
Defined benefit costs	701	218

A reconciliation of the funded status to the amounts recognized in the Consolidated Statements of Financial Position is as follows:

(in millions of €)	September 30,	
	2014	2013
Defined benefit obligation of pension benefit plans	35,037	32,594
Defined benefit obligation of other post-employment benefit plans	554	579
Total defined benefit obligation	35,591	33,173
Fair value of plan assets of pension benefit plans	26,500	24,073
Fair value of plan assets of other post-employment benefit plans	5	5
Total fair value of plan assets	26,505	24,078
Funded status of pension benefit plans	(8,537)	(8,520)
Funded status of other post-employment benefit plans	(548)	(575)
Total funded status (excluding effects in connection with asset ceiling)	(9,086)	(9,095)

The Company's defined benefit plans are explicitly explained in the subsequent sections with regard to:

- > Reconciliation of defined benefit obligations and plan assets,
- > Actuarial assumptions,
- > Sensitivity analysis,
- > Asset-liability matching strategies,
- > Disaggregation of plan assets, and
- > Future cash flows.

Reconciliation for defined benefit obligations and plan assets

A detailed reconciliation for the changes in the DBO for fiscal 2014 and 2013 is provided in the following table:

(in millions of €)	Year ended September 30,	
	2014	2013
Change in defined benefit obligations:		
Defined benefit obligation at beginning of year	33,173	33,650
Current service cost	477	505
Past service (benefit) cost	3	(9)
Settlement (gains) losses	1	(7)
Interest expenses	1,089	1,029
Remeasurements:		
Actuarial (gains) losses from changes in demographic assumptions	370	43
Actuarial (gains) losses from changes in financial assumptions	1,602	(245)
Experience (gains) losses	–	156
Plan participants' contributions	122	105
Benefits paid	(1,649)	(1,612)
Settlement payments	(7)	(67)
Business combinations, disposals and other	(224)	135
Foreign currency translation effects	635	(507)
Defined benefit obligation at end of year	35,591	33,173
Thereof:		
Active employees	11,360	10,767
Former employees with vested rights	4,958	4,645
Retirees and surviving dependants	19,273	17,761

Actuarial (gains) losses from changes in demographic assumptions include losses from modified assumptions of German and US mortality tables of total €441 million and gains of €102 million from adjusted turnover rates in Switzerland.

Actuarial (gains) losses from changes in financial assumptions include losses from decreasing market interest rates which were compensated by gains of total €2,214 million from the refined extrapolation and data selection used to derive the discount rate in the major currency zones (EUR, GBP, USD, CHF).

The net interest income/expense for fiscal year 2015 improves by €19 million due to the refined determination of discount rate.

A detailed reconciliation of the changes in the fair value of plan assets for fiscal 2014 and 2013 is provided in the following table:

(in millions of €)	Year ended September 30,	
	2014	2013
Change in plan assets:		
Fair value of plan assets at beginning of year	24,078	24,057
Interest income	802	745
Remeasurements:		
Return on plan assets excluding amounts included in net interest income and net interest expenses	2,098	507
Employer contributions	533	528
Plan participants' contributions	122	105
Benefits paid	(1,514)	(1,476)
Settlement payments	(7)	(67)
Business combinations, disposals and other	(122)	93
Liability administration costs	(8)	(16)
Foreign currency translation effects	525	(397)
Fair value of plan assets at end of year	26,505	24,078

Line item Business combinations, disposals and other in the tables above contains reclassifications to assets and to liabilities held for disposal.

Actuarial assumptions

Assumed discount rates, compensation increase rates, pension progression rates and mortality rates used in calculating the DBO vary according to the economic and other conditions of the country in which the retirement plans are situated.

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

	September 30,	
	2014	2013
Discount rate	3.0%	3.4%
Germany	2.4%	3.1%
U.S.	4.6%	3.7%
U.K.	4.5%	4.5%
CH	1.8%	2.1%

The data selection criteria used to derive the discount rate in the major currency zones (EUR, GBP, USD, CHF) and the extrapolation were refined as of September 30, 2014. 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 two rating agencies Moody's Investor Service or Standard & Poor's Rating Services.

The mortality tables used for the actuarial valuation of the DBO were as follows (most significant countries):

Germany	Heubeck Richttafeln 2005 G (modified)
U.S.	RP2000 Combined Healthy Fully Generational Mortality Table and longevity improvement scale BB2D
U.K.	S1PxA (Standard mortality tables for Self Administered Pension Schemes (SAPS) with allowance for future mortality improvements)
CH	BVG 2010 G

The rates of compensation increase for countries with significant effects with regard to this assumption were as follows in fiscal 2014 and 2013: U.K.: 4.80% and 4.80%, Switzerland: 1.50% and 1.50%. The rates of pension progression for countries with significant effects with regard to this assumption were as follows in fiscal 2014 and 2013: Germany: 1.69% and 1.69%, U.K.: 3.2% and 3.2%.

The DBO is also affected by assumed future inflation rates. The effect of inflation is recognized within the assumptions above where applicable.

Sensitivity analysis

A one-half-percentage-point change of the established assumptions mentioned before, used for the calculation of the DBO as of September 30, 2014 and 2013, would result in the following increase (decrease) of the DBO:

(in millions of €)	Effect on DBO due to a one-half percentage-point as of September 2014	
	increase	decrease
Discount rate	(2,100)	2,361
Rate of compensation increase	95	(90)
Rate of pension progression	1,590	(1,441)

(in millions of €)	Effect on DBO due to a one-half percentage-point as of September 2013	
	increase	decrease
Discount rate	(1,919)	2,159
Rate of compensation increase	136	(105)
Rate of pension progression	1,492	(1,339)

The reduction of the mortality rates by 10% results in an increase of life expectancy depending on the individual age of each beneficiary. That means for example, that the life expectancy of a 55 years old male Siemens employee as of September 30, 2014 increases by approximately 1 year. In order to determine the longevity sensitivity the mortality rates were reduced by 10% for all beneficiaries. The effect on DBO due to a 10% reduction in mortality rates would result in an increase of €1,027 million and €985 million as of September 30, 2014 and 2013.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method) has been applied as when calculating the post-employment benefit obligation recognized in the Consolidated Statement of Financial Position. Increases and decreases in the discount rate, rate of compensation increase, rate of pension progression and mortality rates which are used in determining the DBO do not have a symmetrical effect on the DBO primarily due to the compound interest effect created when determining the net present value of the future benefit. If more than one of the assumptions are changed simultaneously, the combined impact due to the changes would not necessarily be the same as the sum of the individual effects due to the changes. Furthermore, the sensitivities reflect a change in the DBO only for a change in the assumptions in this specific magnitude, i.e. 0.5%. If the assumptions change at a different level, the effect on the DBO is not necessarily in a linear relation.

Asset Liability Matching Strategies

Siemens' funding policy for its funded defined benefit plans is part of the overall commitment to sound financial management, which also includes an ongoing analysis of the structure of Siemens' defined benefit liabilities. To balance return and risk, Siemens has developed a benefit risk management concept. The Company has identified as a major risk a decline in the plans' funded status as a result of the adverse development of plan assets and/or defined benefit obligations. Siemens monitors its investments and its defined benefit obligations in order to measure such risk. The risk quantifies the expected maximum decline in the principle plans' funded status for a given confidence level over a given time horizon. A risk limit on the Group level forms the basis for the determination of the Company's investment strategy, i.e. the strategic asset class allocation of principle plan assets and the degree of interest rate risk hedging. Both the risk limit and investment strategy are regularly reviewed with the participation of senior external experts of the international asset management and insurance industry to allow for an integral view on plan assets and benefit liabilities. The Company selects asset managers based on quantitative and qualitative analysis and subsequently constantly monitors their performance and risk, both on a stand-alone basis, and in the broader portfolio context. Siemens reviews the asset allocation of each plan in light of the duration of the related benefit liabilities and analyzes trends and events that may affect asset values in order to inform about appropriate measures at a very early stage.

Derivatives are used for risk reducing purposes to either reduce the fluctuations in the value of plan assets or reduce funded status volatility as part of an integrated risk management approach for assets and liabilities. Main risks mitigated are interest rate, credit, equity, currency and inflation risk. All over-the-counter derivatives are collateralized on a daily basis to eliminate counterparty risk. In addition, derivatives are permitted for investment managers to use as substitutes for traditional securities where appropriate, to manage exposure to foreign exchange and interest rate risks.

Disaggregation of plan assets

The asset allocation of the plan assets of the defined benefit plans is as follows:

(in millions of €)	September 30,	
	2014	2013
Asset class		
Equity securities	7,050	6,604
<i>U.S. equities</i>	1,463	1,416
<i>European equities</i>	2,030	2,214
<i>Emerging markets</i>	1,611	1,457
<i>Global equities</i>	1,947	1,517
Fixed income securities	14,694	12,768
<i>Government bonds</i>	4,216	3,003
<i>Corporate bonds</i>	10,479	9,765
Alternative investments	3,174	2,961
<i>Hedge Funds</i>	1,211	978
<i>Private Equity</i>	626	497
<i>Real estate</i>	1,337	1,487
<i>Derivatives</i>	646	175
<i>Interest risk</i>	1,149	263
<i>Foreign currency risk</i>	(45)	53
<i>Credit/Inflation/Price risks</i>	(458)	(141)
Cash and cash equivalents	456	1,148
Other assets	485	422
Total	26,505	24,078

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. In addition, the asset class Other assets includes assets with quoted prices in active markets in the amount of €67 million and €78 million as of September 30, 2014 and 2013.

As of September 30, 2013, the major part of cash and cash equivalents is marked as cash in transition into corporate bond mandates.

The plan assets include own transferable financial instruments of the Company with a fair value of €110 million and €89 million as of September 30, 2014 and 2013.

Future cash flows

Employer contributions expected to be paid to the post-employment defined benefit plans in fiscal 2015 are €655 million. At the end of fiscal 2013 the Company expected to pay €631 million employer contributions for fiscal 2014.

Expected benefit payments

(in millions of €)	September 30, 2014
2015	1,687
2016	1,659
2017	1,668
2018	1,706
2019	1,725
2020 – 2024	9,069

(in millions of €)	September 30, 2013
2014	1,647
2015	1,613
2016	1,624
2017	1,668
2018	1,713
2019 – 2023	8,958

The weighted average duration of the DBO for Siemens defined benefit plans was 13 years as of September 30, 2014 and 2013.

MULTI-EMPLOYER DEFINED BENEFIT PLANS

Multi-employer plans mainly exist in the Netherlands and in the U.S. These plans are industry specific plans based on local laws, which are accounted for as defined contribution plans as Siemens has no right to obtain the necessary data for defined benefit plan accounting. These plans may expose the Company to investment and actuarial risk in case of a deficit.

In the Netherlands the Company is not liable for other entities' obligations under the terms and conditions of the multi-employer plan.

In the U.S. the Company may be liable for other entities' obligations in case of failure of other participating employers to make required contributions. In case of withdrawal from a plan the Company may be subject to a liability for the potential future statutory underfunding for its share in the plan. The Company has only a minor share in these plans compared to other participating entities and has no intention to withdraw from one of these plans.

Siemens is not aware of any probable significant risk due to multi-employer defined benefit plans accounted for as defined contribution plans.

Siemens expects contributions to multi-employer defined benefit plans accounted for as defined contribution plans for the next fiscal year of €27 million.

DEFINED CONTRIBUTION PLANS AND STATE PLANS

The amount recognized as expense for defined contribution plans amounts to €535 million and €594 million in fiscal 2014 and 2013, respectively. Contributions to state plans amount to €1,317 million and €1,354 million in fiscal 2014 and 2013, respectively.

NOTE 23 Provisions

(in millions of €)	Warranties	Order related losses and risks	Asset retirement obligations	Other	Total
Balance as of October 1, 2013	3,350	1,929	1,138	1,976	8,392
<i>Thereof non-current</i>	<i>1,200</i>	<i>686</i>	<i>1,113</i>	<i>908</i>	<i>3,907</i>
Additions	1,776	881	3	469	3,128
Usage	(771)	(725)	(8)	(337)	(1,842)
Reversals	(657)	(320)	(8)	(528)	(1,513)
Translation differences	59	31	2	10	102
Accretion expense and effect of changes in discount rates	1	8	264	10	284
Other changes	(37)	(59)	7	(38)	(127)
Balance as of September 30, 2014	3,721	1,745	1,398	1,561	8,425
<i>Thereof non-current</i>	<i>1,423</i>	<i>580</i>	<i>1,377</i>	<i>691</i>	<i>4,071</i>

Item Other changes contains reclassifications to line item Liabilities associated with assets classified as held for disposal including the disposal of those entities of €131 million.

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

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

In fiscal 2014, the Power Transmission Division of the Energy Sector incurred charges totaling €298 million related to two high voltage direct current (HVDC) transmission line projects in Canada, resulting from revised estimates for civil engineering and infrastructure provided by suppliers as well as penalties for associated project delays, among other factors. In addition, Power Transmission incurred charges of €240 million primarily related to grid connections to offshore wind-farms resulting from transport, installation and commissioning costs, compared to charges of €171 million in fiscal 2013. The Wind Power Division of the Energy Sector recorded charges of €272 million in fiscal 2014 for inspecting and replacing main bearings in onshore wind turbines and for repairing offshore and onshore

wind blades; in fiscal 2013 charges related to inspecting and retrofitting onshore turbine blades amounted to €94 million.

Asset retirement obligations – 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 which amounted to €1,347 million and €1,096 million, respectively, as of September 30, 2014 and 2013 (the non-current portion thereof being €1,339 million and €1,086 million, respectively) and to costs primarily associated with the removal of leasehold improvements at the end of the lease term.

Environmental clean-up costs relate to remediation and environmental protection liabilities which have been accrued based on the estimated costs of decommissioning facilities for the production of uranium and mixed-oxide fuel elements in Hanau, Germany (Hanau facilities), as well as a nuclear research and service center in Karlstein, Germany (Karlstein facilities). According to the German Atomic Energy Act, when such a facility is closed, the resulting radioactive waste must be collected and delivered to a government-developed final storage facility. In this regard, the Company has developed a plan to decommission the Hanau and Karlstein facilities in the following steps: clean-out, decontamination and disassembly of

equipment and installations, decontamination of the facilities and buildings, sorting of radioactive materials, and intermediate and final storage of the radioactive waste. This process will be supported by continuing engineering studies and radioactive sampling under the supervision of German federal and state authorities. The decontamination, disassembly and final waste conditioning are planned to continue until 2018; thereafter, the Company is responsible for intermediate storage of the radioactive materials until a final storage facility is available. With respect to the Hanau facility, the process of setting up intermediate storage for radioactive waste has nearly reached completion; 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. Consequently, the provision is based on a number of significant estimates and assumptions. Several parameters relating to the development of a final storage facility for radioactive waste are based on the assumptions for the so called Schacht Konrad final storage. Parameters related to the life-span of the German nuclear reactors reflect a planned phase-out until 2022. The valuation uses assumptions to reflect the current and detailed cost estimates, price inflation and discount rates as well as a continuous outflow until the 2070's related to the costs for dismantling as well as intermediate and final storage.

Using the input of an independent advisor, management updated its valuation of the liability due to changes in estimates which resulted in minor adjustments in fiscal 2014 and 2013. The determination of the provisions related to major asset retirement obligations will continue to involve significant estimates and assumptions. Uncertainties surrounding the amount to be recognized include, for example, the estimated costs of decommissioning and final storage because of the long time frame over which future cash outflows are expected to occur. Amongst others, the estimated cash outflows related to the asset retirement obligation could alter significantly if, and when, political developments affect the government's plans to

develop the so called Schacht Konrad. As of September 30, 2014 and 2013, the provision totals €1,347 million and €1,096 million, respectively, and is recorded net of a present value discount of €977 million and €1,259 million, respectively reflecting the assumed continuous outflow of the total expected payments until the 2070's.

The Company recognizes the accretion of the provision for environmental clean-up costs using the effective interest method applying current interest rates prevailing at the period-end date. In fiscal 2014 and 2013, the Company recognized €22 million and €22 million, respectively, in accretion expense for environmental clean-up costs in line item Other Financial income (expenses), net. Changes in discount rates increased the carrying amount of provisions by €242 million as of September 30, 2014 and decreased it by €128 million as of September 30, 2013.

Other – Other includes transaction-related and post-closing provisions in connection with portfolio activities as well as provisions for legal and regulatory matters.

NOTE 24 Other liabilities

(in millions of €)	September 30,	
	2014	2013
Employee related liabilities	550	604
Liabilities due to employees and retirees in the U.S. not qualifying for presentation as Post-employment benefits	618	534
Deferred income	228	275
Accruals for pending invoices	76	96
Severance payments	118	133
German pension insurance association – Pensionsversicherungsverein (PSV)	34	39
Insurance liabilities	39	76
Other	210	317
	1,874	2,074

NOTE 25 Equity

CAPITAL STOCK

Siemens' issued capital is composed of no par value shares with a notional value of €3.00 per share. Each share of issued capital is entitled to one vote.

	Issued capital		Authorized capital (not issued)		Conditional capital (not issued)	
	in thousands of €	in thousand shares	in thousands of €	in thousand shares	in thousands of €	in thousand shares
As of September 30, 2012	2,643,000	881,000	610,800	203,600	1,027,517	342,506
Approved, expired or cancelled capital	–	–	–	–	–	–
As of September 30, 2013	2,643,000	881,000	610,800	203,600	1,027,517	342,506
Expired or cancelled	–	–	(520,800)	(173,600)	(426,951)	(142,317)
Newly approved capital	–	–	528,600	176,200	240,000	80,000
As of September 30, 2014	2,643,000	881,000	618,600	206,200	840,566	280,189

As of September 30, 2014 and 2013, the Company has a total of 1,087,200 thousand and 1,084,600 thousand authorized shares.

AUTHORIZED CAPITAL (NOT ISSUED)

The Company's shareholders authorized the Managing Board, with the approval of the Supervisory Board, to increase capital stock through the issuance of no par value shares registered in the names of the holders and to determine the further content of the rights embodied in the shares, whereas subscription rights are or may be excluded:

Authorized Capital 2014 resolved on January 28, 2014, permits the increase of capital stock by up to €528.6 million or 176.2 million shares for contributions in cash or in kind until January 27, 2019. Authorized Capital 2011 permits the increase of capital stock by up to €90 million or 30 million shares for contributions in cash until January 24, 2016; new shares are solely issuable to employees of Siemens. Authorized Capital 2009 expired on January 26, 2014; it permitted the issuance of up to 173.6 million shares, equaling €520.8 million.

CONDITIONAL CAPITAL (NOT ISSUED)

Conditional Capital is primarily provided for the purpose of serving the issuance of bonds with conversion rights and (or) with warrants; subscription rights are or may be excluded:

Conditional Capital 2014 approved on January 28, 2014 and expiring on January 27, 2019, permits the issuance of convertible and/or warrant bonds in aggregate of up to €15 billion, entitling the holders to subscribe to up to 80 million no par value shares (representing up to €240 million capital stock increase), issuable for contributions in cash and, in certain circumstances, contributions in kind.

Conditional Capital 2010 permits the issuance of bonds with conversion rights and/or with warrants in aggregate of up to €15 billion, entitling the holders to subscribe to up to 200 million no par value shares (representing up to €600 million capital stock increase) against contribution in cash until January 2015.

Conditional Capital 2011 was cancelled on January 28, 2014, which permitted the issuance of convertible bonds and/or warrant bonds in aggregate of up to €15 billion, entitling the holders to subscribe to up to 90 million no par value shares (representing up to €270 million capital stock increase). Conditional Capital to service the 2001 and 1999 Siemens Stock Option Plans was cancelled on January 28, 2014, since the last tranche of stock options expired in November 2010 and from that date on, no further shares were to be issued. It amounted to €157 million, representing 52.32 million shares.

TREASURY SHARES

Until January 24, 2016, the Company is authorized by its shareholders to acquire treasury shares of up to 10% of its capital stock as of the date of the shareholders' resolution or, if this value is less, 10% of capital stock as of the date on which the authorization is exercised. Repurchased shares may only be used for purposes stipulated in the Articles of Association of Siemens AG.

In November 2013, Siemens announced a share buyback of up to €4 billion ending latest on October 31, 2015. Buybacks are made under the current authorization, which allows for further share repurchases of a maximum of 47.8 million shares as of the date of the buyback announcement. Siemens started to repurchase shares in May 2014.

In fiscal 2014 and 2013, Siemens repurchased 11,331,922 treasury shares and 17,150,820 treasury shares at average costs per share of €95.27 and €78.66, respectively. In fiscal 2014 and 2013, Siemens transferred 3,584,370 shares and 3,878,899 shares, respectively, in connection with share-based payment plans. As of September 30, 2014 and 2013, the Company has treasury shares of 45,745,147 and 37,997,595, respectively.

OTHER COMPREHENSIVE INCOME, NET OF INCOME TAXES

The changes in line item Other comprehensive income, net of income taxes including non-controlling interest holders are as follows:

(in millions of €)	Year ended September 30, 2014			Year ended September 30, 2013		
	Pretax	Tax effect	Net	Pretax	Tax effect	Net
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit plans	39	249	288	543	(149)	394
Items that may be reclassified subsequently to profit or loss:						
Unrealized holding gains (losses) on available-for-sale financial assets	(31)	(13)	(44)	182	(3)	179
Reclassification adjustments for gains (losses) included in net income	(12)	–	(12)	4	1	4
Net unrealized gains (losses) on available-for-sale financial assets	(43)	(13)	(56)	185	(2)	183
Unrealized gains (losses) on derivative financial instruments	(394)	92	(301)	142	(48)	94
Reclassification adjustments for gains (losses) included in net income	(24)	10	(14)	(70)	21	(50)
Net unrealized gains (losses) on derivative financial instruments	(418)	102	(316)	72	(27)	45
Foreign-currency translation differences	940	–	940	(1,062)	–	(1,062)
	480	89	569	(805)	(29)	(834)
Other comprehensive income	519	338	857	(262)	(178)	(440)

MISCELLANEOUS

Under the German Stock Corporation Act (Aktiengesetz), the amount of dividends available for distribution to shareholders is based upon the earnings of Siemens AG as reported in its statutory financial statements determined in accordance with the German Commercial Code (Handelsgesetzbuch). In fiscal 2014, Siemens AG management distributed to its shareholders an ordinary dividend of €2,533 million (€3.00 per share) of the fiscal 2013 earnings to its shareholders. In fiscal 2013, Siemens AG management distributed an ordinary dividend of €2,528 million (€3.00 per share) of the fiscal 2012 earnings to its shareholders.

The Managing Board and the Supervisory Board proposed a dividend of €3.30 per share of the fiscal 2014 Siemens AG earnings, in total representing approximately €2.7 billion in expected

payments. Payment of the proposed dividend is contingent upon approval by the shareholders at the Annual Shareholders' Meeting on January 27, 2015.

NOTE 26 Additional capital disclosures

Siemens believes that sustainable revenue and profit development is supported by a healthy capital structure. A key consideration of our capital structure management is to maintain ready access to the capital markets through various debt products and to preserve our ability to repay and service our debt obligations over time. In fiscal 2014, Siemens set a capital structure target range of 0.5 – 1.0. The ratio is defined as the item Industrial net debt divided by the item Adjusted EBITDA (continuing operations). This financial performance measure

indicates the approximate amount of time in years that would be needed to cover Industrial net debt through continuing income, without taking into account interest, taxes, depreciation and amortization.

Siemens calculates the item Industrial net debt as set forth in the table below:

(in millions of €)	September 30,	
	2014	2013
Short-term debt and current maturities of long-term debt ¹	1,620	1,944
Plus: Long-term debt ¹	19,326	18,509
Less: Cash and cash equivalents	(8,013)	(9,190)
Less: Current available-for-sale financial assets	(925)	(601)
Net debt	12,008	10,663
Less: SFS Debt ²	(18,663)	(15,600)
Plus: Post-employment benefits ³	9,324	9,265
Plus: Credit guarantees	774	622
Less: 50% nominal amount hybrid bond ⁴	(932)	(899)
Less: Fair value hedge accounting adjustment ⁵	(1,121)	(1,247)
Industrial net debt	1,390	2,805
Adjusted EBITDA (continuing operations)	9,139	8,097
Industrial net debt/Adjusted EBITDA (continuing operations)	0.15	0.35

- The item Short-term debt and current maturities of long-term debt as well as the item Long-term debt included, in total, fair value hedge accounting adjustments of €1,121 million and €1,247 million in fiscal 2014 and 2013, respectively.
- 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.
- To reflect Siemens' total post-employment benefit liability, industrial net debt includes line item Post-employment benefits as presented in the Consolidated Statements of Financial Position.
- The adjustment for our hybrid bond considers the calculation of this financial ratio applied by rating agencies to classify 50% of our hybrid bond as equity and 50% as debt. This assignment reflects the characteristics of our hybrid bond such as a long maturity date and subordination to all senior and debt obligations.
- 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. Siemens believes this is a more meaningful figure for the calculation presented above.

SFS' capital structure differs from the capital structure of Siemens' industrial business, as SFS' business is capital intensive and requires a larger amount of debt to finance its operations, in particular to finance SFS's expanding asset base. The following table provides information on the capital structure of SFS as of September 30, 2014 and 2013:

(in millions of €)	September 30,	
	2014	2013
Allocated equity	2,148	1,938
SFS debt	18,663	15,600
Debt to equity ratio	8.69	8.05

To measure capital efficiency at SFS, equity capital is allocated to SFS. Allocated equity capital differs from book capital as it is mainly determined and influenced by the size and quality of its portfolio of commercial finance as well as project and structured finance assets (primarily loans and leases) and equity investments. This allocation is designed to cover the risks of the underlying business. The actual risk of the SFS portfolio is evaluated and controlled on a regular basis.

In November 2013, Siemens announced that Siemens intends to further optimize the Company's capital structure through a share buyback of up to €4 billion in volume in the time period until October 31, 2015. In May 2014, we started to repurchase shares. The share buyback serves exclusively the purpose of retiring shares and reducing capital, for issuing shares to employees, board members of associated companies and members of the Managing Board, and for meeting obligations under convertible and/or warrant bonds. For additional information, see → NOTE 25 EQUITY.

In fiscal 2015, Siemens may again fulfill commitments for share-based compensation through treasury shares.

A key factor in maintaining a strong financial profile is our credit rating which is affected by, among other factors, Siemens' capital structure, profitability, ability to generate cash flows, geographic and product diversification and Siemens' competitive market position. Siemens' current corporate credit ratings from Moody's Investors Service (Moody's) and Standard & Poor's Ratings Services (S&P) are noted as follows:

	September 30, 2014		September 30, 2013	
	Moody's Investors Service	S&P	Moody's Investors Service	S&P
Long-term debt	Aa3	A+	Aa3	A+
Short-term debt	P-1	A-1+	P-1	A-1+

Moody's made no rating changes in fiscal 2014. Moody's long-term credit rating for Siemens is "Aa3" and the rating outlook is "negative." Within Moody's long-term credit rating scale, the classification "Aa" is the second highest category. The numerical modifier "3" indicates a ranking in the lower end of that category. The rating outlook is an opinion regarding the likely direction of an issuer's long-term credit rating over the medium-term. Rating outlooks of Moody's fall into the following six categories: "positive," "negative," "stable," "developing," "ratings under review" or "no outlook."

Moody's short-term credit rating is "P-1." The classification "P-1" is the highest available rating in the prime rating system of Moody's, which assesses issuers' ability to honor senior financial obligations and contracts. It applies to senior unsecured obligations with an original maturity of less than one year.

S&P made also no rating changes in fiscal 2014. S&P's long-term credit rating for Siemens is "A+" and the rating outlook is "stable." Within S&P's long-term credit rating scale, "A" is the third highest long-term rating category. The modifier "+" indicates that our long-term debt ranks in the upper end of the "A" category. Rating outlooks of S&P fall into the following four categories: "positive," "negative," "stable" or "developing." S&P's short-term rating is "A-1+," which is the highest rating within S&P's short-term rating scale.

In addition, Siemens provides credit guarantees generally as guarantees for credit-lines with variable utilization for obligations of joint ventures and associates accounted for using the equity method. The maximum amount of these guarantees is equal to the outstanding balance of the credit or, in case where a credit line is subject to variable utilization, the nominal amount of the credit line. These guarantees have terms up to 19 years and twelve years, respectively, in fiscal 2014 and 2013. Except for statutory recourse provisions against the primary debtor, credit guarantees are generally not subject to additional contractual recourse provisions. The Company accrued €49 million and €38 million relating to credit guarantees as of September 30, 2014 and 2013, respectively.

Furthermore, Siemens issues guarantees of third-party performance, which include performance bonds and guarantees of advanced payments in cases where Siemens is the general or subsidiary partner 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 span the term of the contract, typically ranging from three months to ten years in fiscal 2014 and 2013. Generally, consortium agreements provide for fallback guarantees as a recourse provision among the consortium partners. As of September 30, 2014 and 2013, the Company accrued €3 million and €66 million, respectively, relating to performance guarantees.

NOTE 27 Commitments and contingencies

GUARANTEES AND OTHER COMMITMENTS

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

(in millions of €)	September 30,	
	2014	2013
Guarantees		
Credit guarantees	774	622
Guarantees of third-party performance	2,061	1,593
HERKULES obligations	1,490	1,890
Other	2,362	1,864
	6,687	5,970

Item Credit guarantees cover the financial obligations of third parties in cases where Siemens is the vendor and (or) contractual partner. These 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.

In fiscal 2007, The Federal Republic of Germany commissioned a consortium consisting of Siemens and IBM Deutschland GmbH (IBM) to modernize and operate the non-military information and communications technology of the German Federal Armed Forces (Bundeswehr). This project is called HERKULES. A project company, BWI Informationstechnik GmbH (BWI), provides the services required by the terms of the contract. Siemens is a shareholder in the project company. The total contract value amounts to a maximum of approximately €6 billion. In connection with this project, Siemens issued several guarantees connected to each other legally and economically in favor of the Federal Republic of Germany and of the consortium member IBM in December 2006. The guarantees ensure that BWI has sufficient resources to provide the required services and to fulfill its contractual obligations. These guarantees are listed as a separate item HERKULES obligations in the table above due to their compound and multilayer nature. Total future payments potentially required by Siemens amount to €1.49 billion and €1.89 billion as of September 30, 2014 and 2013, respectively and will be reduced by approximately €400 million per year over the remaining three-year contract period as of September 30, 2014. Yearly payments under these guarantees are limited to €400 million plus, if applicable, a maximum of €90 million in unused guarantees carried forward from the prior year.

Item Other includes indemnifications issued in connection with dispositions of business entities. Such indemnifications, if customary to the relevant transactions, may protect the buyer from potential tax, legal and other risks in conjunction with the purchased business entity. Indemnifications include those for Unify (EN), disposed of in fiscal 2008 and Siemens IT Solutions and Services disposed of in fiscal 2011. As of September 30, 2014 and 2013, the total amount accrued for guarantees in item Other is €168 million and €242 million, respectively.

As of September 30, 2014 and 2013, future payment obligations under non-cancellable operating leases are as follows:

(in millions of €)	September 30,	
	2014	2013
Within one year	815	807
After one year but not more than five years	1,574	1,556
More than five years	828	757
	3,217	3,120

Total operating rental expense for the years ended September 30, 2014 and 2013 were €1,122 million and €1,049 million, respectively. Total sublease income amounts to €51 million and €62 million, respectively in fiscal 2014 and 2013. Total future minimum sublease payments expected to be received under non-cancellable subleases as of September 30, 2014 and 2013 amount to €94 million and €139 million, respectively.

As of September 30, 2014 and 2013, the Company has commitments to make capital contributions to the equity of various companies of €132 million and €223 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 28 Legal proceedings

PROCEEDINGS OUT OF OR IN CONNECTION WITH ALLEGED BREACHES OF CONTRACT

As previously reported, Siemens AG is a member of a supplier consortium that has been contracted to construct the nuclear power plant "Olkiluoto 3" in Finland for Teollisuuden Voima Oyj (TVO) on a turnkey basis. The agreed completion date for the nuclear power plant was April 30, 2009. Siemens AG's share of the contract value is approximately 27%. The other member of the supplier consortium is a further consortium consisting of Areva NP S.A.S. and its wholly-owned subsidiary, Areva GmbH.

Completion of the power plant has been delayed for reasons which are in dispute. In December 2008, the supplier consortium filed a request for arbitration against TVO demanding an extension of the construction time, additional compensation, milestone payments, damages and interest. In 2013, the supplier consortium increased its monetary claims to €2.71 billion. TVO rejected the claims and made counterclaims against the supplier consortium consisting primarily of damages due to the delay. As of September 2012, TVO's counterclaims amounted to €1.59 billion based on a delay of up to 56 months. In October 2014, TVO estimated that its counterclaims, based on a delay of 116 months, may be increased to €2.3 billion in calendar year 2015. The supplier consortium increased its monetary claims in October 2014 to €3.39 billion. The arbitration proceedings may continue for several years. The amounts claimed by the parties may be updated further.

As previously reported, Essent Wind Nordsee Ost Planungs- und Betriebsgesellschaft mbH filed a request for arbitration against Siemens AG in October 2013 alleging breaches of a contract for the delivery of a High Voltage Substation entered into by the parties in 2010. The claimant claims damages in an amount of €256 million plus interest and a determination that Siemens AG shall be liable for any further damages claimed to amount to €152 million. Siemens AG filed a motion to dismiss the request for arbitration. In addition, Siemens filed counterclaims of €48 million plus interest and requested a determination concerning compensation for all future damages.

During fiscal year 2014 Siemens Industrial Turbomachinery Ltd., UK was sued before an Iranian Court. The alleged damage claims are not quantified. Siemens will defend itself against the action.

PROCEEDINGS OUT OF OR IN CONNECTION WITH ALLEGED COMPLIANCE VIOLATIONS

As previously reported, Siemens AG agreed on a settlement with nine out of eleven former members of the Managing and Supervisory Board in January 2010. The settlement relates to claims of breaches of organizational and supervisory duties in view of the accusations of illegal business practices that occurred in the course of international business transactions in calendar 2003 to 2006 and the resulting financial burdens for the Company. In January 2013, Siemens AG agreed on a settlement with Dr. Thomas Ganswindt. In August 2014, Siemens AG reached a settlement with Mr. Joachim Neubürger. The settlement is subject to the approval of the annual shareholders' meeting of Siemens AG and will terminate the litigation proceeding.

As previously reported in July 2008, Hellenic Telecommunications Organization S.A. (OTE) filed a lawsuit against Siemens AG with the district court of Munich, Germany, seeking to compel

Siemens AG to disclose the outcome of its internal investigations with respect to OTE. OTE seeks to obtain information with respect to allegations of undue influence and/or acts of bribery in connection with contracts concluded between Siemens AG and OTE from calendar 1992 to 2006. At the end of July 2010, OTE expanded its claim and requested payment of damages by Siemens AG of at least €57 million to OTE for alleged bribery payments to OTE employees. At the end of 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 June 2008, the Republic of Iraq filed an action requesting unspecified damages against 93 named defendants with the United States District Court for the Southern District of New York on the basis of findings made in the "Report of the Independent Inquiry Committee into the United Nations Oil-for-Food Programme." Siemens S.A.S. France, Siemens Sanayi ve Ticaret A.S., Turkey, and the former Siemens subsidiary OSRAM Middle East FZE, Dubai, are among the 93 named defendants. In February 2013, the trial court dismissed the Republic of Iraq's action. The Republic of Iraq appealed the decision, which was then affirmed by the court of appeals. The Republic of Iraq thereafter petitioned for an "en banc" review of the appellate decision. The court of appeals has not yet granted the request for review.

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 each a motion to certify a class action for cartel damages against a number of companies including Siemens AG with an Israeli District Court in September 2013. Both class actions seek compensation for alleged damages, which are claimed to be in a range of ILS 2 billion (approximately €400 million) to ILS 2.8 billion (approximately €600 million). In addition, the Israel Electric Corporation (IEC) filed at the end of December 2013 a separate claim for damages with the Israeli state court against

Siemens AG and other companies that allegedly formed a cartel in the Israeli gas insulated switchgear market in the amount of ILS 3.8 billion (approximately €800 million). Siemens AG is defending itself against the actions.

As previously reported, claims are being asserted against Siemens in connection with a decision of the European Commission rendered in January 2007 regarding antitrust violations in the high-voltage gas-insulated switchgear market, which has become binding and final. Among such claims is a claim asserted by National Grid Electricity Transmission Plc. (National Grid) with the High Court of England and Wales in November 2008. The Parties are no longer in dispute with each other and settled the High Court action in fiscal year 2014.

As previously reported, in May 2013, Siemens Ltda. in Brazil (Siemens Ltda. Brazil) 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 several Brazilian metro transport projects. In March 2014, CADE commenced administrative proceedings, confirming Siemens Ltda. Brazil's immunity from administrative fines for the reported potential misconduct. In connection with the above mentioned metro transport projects, several Brazilian authorities initiated investigations relating to alleged criminal acts (corruptive payments, anti-competitive conduct, undue influence on public tenders). In March 2014, Siemens Ltda. Brazil signed an agreement with the Public Prosecutor's Office of the State of São Paulo ("Public Prosecutor's Office São Paulo") that formalizes and structures the cooperation in the investigations.

In March 2014, Siemens was informed that in connection with the above mentioned metro transport 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.

In May 2014 the Public Prosecutor's Office São Paulo initiated a law suit against Siemens Ltda. Brazil as well as other companies and several individuals in the amount of BRL2.5 billion (approximately €800 million) in relation to a train refurbishment project that is not part of the above cooperation agreement. A technical note issued by the Brazilian cartel authority CADE earlier in calendar 2014 had not identified any anti-competitive wrongdoing by Siemens Ltda. Brazil in relation to this project. Siemens Ltda. Brazil is defending itself against the action.

It cannot be excluded that further significant damages claims will be brought by customers or the state against Siemens based on the outcome of the above mentioned investigations.

As previously reported, CADE is conducting – unrelated to the above mentioned proceedings – two further investigations into possible antitrust behavior in the field of gas-insulated and air-insulated switchgear in the 1990's calendar years to 2006. Siemens is cooperating with the authorities.

As previously reported, in August 2013, a Brazilian Appellate Court upheld a decision to suspend Siemens Ltda. Brazil from participating in public tenders and signing contracts with public administrations in Brazil for a five year term, based on alleged irregularities in calendar 1999 and 2004 public tenders with the Brazilian Postal Authorities. Siemens Ltda. Brazil has further appealed the decision. In March 2014, upon request of Siemens Ltda. Brazil, said exclusion from public tenders and contracts was temporarily suspended until a final court decision is reached.

As previously reported, the Vienna public prosecutor in Austria is conducting an investigation into payments between calendar 1999 and calendar 2006 relating to Siemens AG Österreich for which adequate services rendered could not be identified. In September 2011, the Vienna public prosecutor extended the investigations to include a tax evasion matter for which Siemens AG Österreich is potentially liable. Siemens is cooperating with the authorities.

As previously reported, the Inter-American Development Bank (IADB) conducted administrative proceedings in two Latin-American countries against, among others, Siemens alleging misconduct in connection with public invitations to tender in calendar 2003. In April 2014, a settlement was reached with the IADB which involves a payment of a single digit million € amount and a voluntary restraint from IADB-financed projects for three years by two Latin-American businesses, one of which is no longer owned by Siemens.

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

In addition to the investigations and legal proceedings described above, Siemens AG and its subsidiaries have been named as defendants in various other legal actions and proceedings arising in connection with their activities as a global diversified group. Some of these pending proceedings have been previously disclosed. Some of the legal actions include claims or potential claims for compensatory and in some cases punitive damages for indeterminate amounts. Siemens is from time to time also involved in regulatory or other investigations in several jurisdictions beyond those described above. Siemens cooperates with the relevant authorities and, where appropriate, conducts internal investigations with the assistance of in-house and external counsel. In some instances, criminal or civil sanctions could be brought against the Company itself or against certain of its employees in connection with possible violations of law. In addition, the scope of pending investigations may be expanded and new investigations commenced in connection with allegations of bribery or other illegal acts. The Company's operating activities, financial results and reputation may also be negatively affected, particularly as a result of penalties, fines, disgorgements, compensatory damages, third-party litigation, including with competitors, the formal or informal exclusion from public invitations to tender, or the loss of business licenses or permits. Additional expenses and provisions, which could be material, may need to be recorded in the future for penalties, fines, damages or other charges in connection with the investigations. Given the number of legal actions and other proceedings to which Siemens is subject, some may result in adverse decisions. Siemens contests actions and proceedings when it considers it appropriate. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases in which claimants seek indeterminate damages, Siemens may not be able to predict what the eventual loss or range of loss related to such matters will be. The final resolution of the matters discussed in this paragraph could have a material effect on Siemens' business, results of operations and financial condition for any reporting period in which an adverse decision is rendered. There can be no assurance that the results of any additional legal matter not separately discussed in this paragraph will not have a material negative impact on the Company's net worth, financial condition and operational results. However, Siemens currently does not expect its net worth, financial condition or operational results to be materially affected by such additional legal matters not separately discussed in this paragraph.

NOTE 29 Additional disclosures on financial instruments

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

(in millions of €)	September 30,	
	2014	2013
Financial assets:		
Loans and receivables	32,281	29,331
Cash and cash equivalents	8,013	9,190
Derivatives designated in a hedge accounting relationship	574	625
Financial assets held for trading	1,995	1,705
Available-for-sale financial assets	2,728	2,161
	45,591	43,010
Financial liabilities:		
Financial liabilities measured at amortized cost	30,128	29,704
Financial liabilities held for trading	1,338	887
Derivatives designated in a hedge accounting relationship	411	160
	31,877	30,751

The following table presents the fair values and carrying amounts of financial assets and financial liabilities measured at cost or amortized cost:

(in millions of €)	September 30, 2014		September 30, 2013	
	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets measured at cost or amortized cost				
Trade and other receivables ¹	12,558	12,558	12,944	12,944
Receivables from finance leases	5,345	5,345	5,261	5,261
Cash and cash equivalents	8,013	8,013	9,190	9,190
Other non-derivative financial assets	14,378	14,378	11,126	11,126
Available-for-sale financial assets ²	–	192	–	167
Financial liabilities measured at cost or amortized cost				
Notes and bonds	18,787	18,165	18,742	18,491
Trade payables ³	7,594	7,594	7,599	7,599
Loans from banks and other financial indebtedness	2,635	2,652	1,821	1,832
Obligations under finance leases	186	130	167	130
Other non-derivative financial liabilities	1,588	1,588	1,651	1,651

¹ Consists of (1) €12,537 million and €12,932 million trade receivables from the sale of goods and services in fiscal 2014 and 2013, respectively, as well as (2) €20 million and €11 million receivables included in line item Other financial assets in fiscal 2014 and 2013, respectively. As of September 30, 2014 and 2013, trade receivables from

the sale of goods and services of €788 million and €686 million have a remaining term of more than twelve months.

² Consists of 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 As of September 30, 2014 and 2013, trade payables of €40 million and €32 million have a remaining term of more than twelve months.

Cash and cash equivalents includes €429 million and €320 million as of September 30, 2014 and 2013, respectively, which are not available for use by Siemens mainly due to minimum reserve requirements with banks.

As of September 30, 2014 and 2013, the carrying amount of financial assets Siemens has pledged as collateral amounted to €271 million and €344 million, respectively.

The carrying amounts of cash and cash equivalents, trade and other receivables and trade payables with a remaining term of up to twelve months, other current financial assets and liabilities represent a reasonable approximation of their fair values, mainly due to the short-term maturities of these instruments.

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. As of September 30, 2014 and 2013, the carrying amounts of such receivables, net of allowances, approximate their fair values.

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).

Financial instruments categorized as financial assets and financial liabilities measured at fair value are presented in the following table:

(in millions of €)	September 30,	
	2014	2013
Financial assets measured at fair value		
Available-for-sale financial assets	2,536	1,994
Derivative financial instruments	2,569	2,330
<i>Not designated in a hedge accounting relationship</i>	1,783	1,587
<i>In connection with fair value hedges (mainly interest rate derivatives)</i>	476	472
<i>In connection with cash flow hedges (mainly foreign currency exchange derivatives)</i>	98	153
<i>Embedded derivatives</i>	212	118
	5,105	4,324
Financial liabilities measured at fair value		
Derivative financial instruments	1,749	1,047
<i>Not designated in a hedge accounting relationship</i>	1,308	765
<i>In connection with fair value hedges</i>	5	8
<i>In connection with cash flow hedges (mainly foreign currency exchange derivatives)</i>	406	152
<i>Embedded derivatives</i>	30	122
	1,749	1,047

The fair value of available-for-sale financial assets 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.

The Company limits default risks resulting from derivative financial instruments by a careful counterparty selection. Derivative financial instruments are generally transacted with financial institutions with investment grade credit ratings. The fair valuation of derivative financial instruments at Siemens incorporates all factors that market participants would consider. This includes credit risks for which a credit valuation adjustment is determined based on Siemens' net exposure towards each counterparty. The exact calculation of fair values of derivative financial instruments depends on the specific type of instrument:

Derivative interest rate contracts – The fair values of derivative interest rate contracts (e.g. interest rate swap agreements) 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 and interest rate options are valued on the basis of quoted market prices when available. If quoted market prices are not available, interest rate options are valued based on option pricing models.

Derivative currency contracts – The fair value of foreign currency exchange contracts is based on forward exchange rates. Currency options are valued on the basis of quoted market prices or on estimates based on option pricing models.

Derivative commodity contracts – The fair value of commodity swaps is based on forward commodity prices. Commodity options are valued on the basis of quoted market prices or on estimates based on option pricing models.

The warrants issued together with US\$3 billion bonds in fiscal 2012 are valued based on an option pricing model. The most significant inputs used are the underlying Siemens and OSRAM share price and the implied volatility.

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

September 30, 2014				
(in millions of €)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Available-for-sale financial assets	1,527	703	307	2,536
Equity instruments	1,527	1	307	1,834
Debt instruments	–	702	–	702
Derivative financial instruments	–	2,569	–	2,569
Total	1,527	3,272	307	5,105
Financial liabilities measured at fair value				
Derivative financial instruments	–	1,749	–	1,749

September 30, 2013				
(in millions of €)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Available-for-sale financial assets	1,612	382	–	1,994
Equity instruments	1,612	–	–	1,612
Debt instruments	–	382	–	382
Derivative financial instruments	–	2,330	–	2,330
Total	1,612	2,712	–	4,324
Financial liabilities measured at fair value				
Derivative financial instruments	–	1,047	–	1,047

The levels of the fair value hierarchy and its application to our financial assets and financial liabilities are described below:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for assets or liabilities, not based on observable market data.

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

At the end of the reporting period the Company assesses whether transfers from one level of the fair value hierarchy to another level have to be made. In fiscal 2014, there were no such transfers.

Net gains (losses) of financial instruments are as follows:

(in millions of €)	Year ended September 30,	
	2014	2013
Cash and cash equivalents	19	(1)
Available-for-sale financial assets	29	(99)
Loans and receivables	58	(172)
Financial liabilities measured at amortized cost	(844)	408
Financial assets and financial liabilities held for trading	(283)	370

Net gains (losses) in fiscal 2014 and 2013 on available-for-sale financial assets include net gains on derecognition as well as impairment losses.

Net losses on loans and receivables contain changes in valuation allowances, gains or losses on derecognition as well as

recoveries of amounts previously written-off. Net gains (losses) in fiscal 2014 and 2013 on financial liabilities measured at amortized cost are comprised of gains (losses) from derecognition and the ineffective portion of fair value hedges. Net gains (losses) in fiscal 2014 and 2013 on financial assets and financial liabilities held for trading consist of changes in the fair value of derivative financial instruments, including interest income and expense, for which hedge accounting is not applied.

The amounts presented include foreign currency gains and losses from the realization and valuation of the financial assets and liabilities mentioned above.

Offsetting

Siemens enters into master netting agreements and similar agreements for derivative financial instruments and reverse repurchase agreements. 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:

(in millions of €)	Gross amounts	Amounts set off in the Statement of Financial Position	Net amounts in the Statement of Financial Position	September 30, 2014	
				Related amounts not set off in the Statement of Financial Position	Net amounts
Financial assets					
Derivative financial assets	2,364	7	2,357	955	1,402
Reverse repurchase agreements	400	–	400	400	–
Total	2,764	7	2,757	1,355	1,402
Financial liabilities					
Derivative financial liabilities	1,533	7	1,526	905	621

(in millions of €)	Gross amounts	Amounts set off in the Statement of Financial Position	Net amounts in the Statement of Financial Position	September 30, 2013	
				Related amounts not set off in the Statement of Financial Position	Net amounts
Financial assets					
Derivative financial assets	2,234	22	2,212	587	1,625
Reverse repurchase agreements	100	–	100	100	–
Total	2,334	22	2,312	687	1,625
Financial liabilities					
Derivative financial liabilities	796	22	774	566	208

NOTE 30 Derivative financial instruments and hedging activities

As part of the Company's risk management program, a variety of derivative financial instruments is used to reduce risks resulting primarily from fluctuations in foreign currency exchange rates, interest rates and commodity prices.

The fair values of each type of derivative financial instruments recorded as financial assets or financial liabilities are as follows:

(in millions of €)	September 30, 2014		September 30, 2013	
	Asset	Liability	Asset	Liability
Foreign currency exchange contracts	352	901	416	331
Interest rate swaps and combined interest/currency swaps	1,769	456	1,637	261
Commodity swaps	43	46	35	49
Embedded derivatives	212	30	118	122
Options	192	316	123	281
Credit Default Swaps	-	-	-	4
	2,569	1,749	2,330	1,047

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. Accordingly, all such derivative financial instruments are recorded at fair value on the Consolidated Statements of Financial Position, either in line items Other current financial assets (liabilities) or line items Other financial assets (liabilities); changes in fair values are charged to net income (loss).

The Company also has foreign currency derivatives, which are embedded in sale and purchase contracts denominated in a currency that is neither the functional currency of the substantial parties to the contract nor a currency which is commonly used in the economic environment in which the contract takes place. Gains (losses) relating to such embedded foreign currency derivatives are reported in line item Cost of sales in the Consolidated Statements of Income.

Hedging activities

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 the standard product business.

Cash flow hedges – As of September 30, 2014 and 2013, the ineffective portion of cash flow hedges is not significant individually or in aggregate.

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

(in millions of €)	Year ended September 30,			
	2015	2016	2017 to 2019	2020 and thereafter
Expected gain (loss) to be reclassified from line item Other comprehensive income, net of income taxes into revenue or cost of sales	(166)	(62)	(94)	6

INTEREST RATE RISK MANAGEMENT

Interest rate risk arises from the sensitivity of financial assets and liabilities to changes in market interest rates. The Company seeks to mitigate that risk by entering into interest rate derivatives such as interest rate swaps, options, interest rate futures and forward rate agreements.

Derivative financial instruments not designated in a hedging relationship

For the interest rate risk management relating to the Group excluding SFS' business, derivative financial instruments are used under a portfolio-based approach to manage interest risk actively relative to a benchmark. The interest rate management relating to the SFS business remains to be managed separately, considering the term structure of SFS' financial assets and liabilities on a portfolio basis. Neither approach qualifies for hedge accounting treatment. Accordingly, all interest rate derivatives held in this relation are recorded at fair value, either in line items Other current financial assets (liabilities) or in line items Other financial assets (liabilities), and changes in the fair values are charged to line item Other financial income (expenses), net. Net cash receipts and payments relating to interest rate swaps used in offsetting relationships are also recorded in line item Other financial income (expenses), net.

Fair value hedges of fixed-rate debt obligations

Under the interest rate swap agreements outstanding during the years ended September 30, 2014 and 2013, the Company has agreed to pay a variable rate of interest multiplied by a notional principle amount, and receives 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. The interest rate swap contracts are recorded at fair value in the Company's Consolidated Statements of Financial Position and the related portion of fixed-rate debt being hedged is recorded at an amount equal to the sum of its carrying amount plus an adjustment representing the change in fair value of the debt obligations attributable to the respective interest rate risk being hedged. Changes in the fair value of interest rate swap contracts and the offsetting changes in the adjusted carrying amount of the related portion of fixed-rate debt being hedged are recognized in line item Other financial income (expenses), net in the Consolidated Statements of Income. Adjustments in the carrying amount of the debt obligations resulted in a gain (loss) of €(8) million and €293 million, respectively, in fiscal 2014 and 2013. During the same period, the related swap agreements resulted in a gain (loss) of €3 million and €(305) million, respectively. Accordingly, the net effect recognized in line item Other financial income (expenses), net, representing the ineffective portion of the hedging relationship, amounts to €(5) million and €(12) million, in fiscal 2014 and 2013, respectively. Net cash receipts and payments relating to such interest rate swap agreements are recorded as interest expenses.

The Company had interest rate swap contracts to pay variable rates of interest of an average of 0.3% and 0.3% as of September 30, 2014 and 2013, respectively and received fixed rates of interest (average rate of 4.0% and 3.5%, as of September 30, 2014 and 2013, respectively). The notional amount of indebtedness hedged as of September 30, 2014 and 2013 was €6,645 million and €7,100 million, respectively. This changed 41% and 41% of the Company's underlying notes and bonds from fixed interest rates into variable interest rates as of September 30, 2014 and 2013, 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, 2014 and 2013 was €386 million and €385 million, respectively.

COMMODITY PRICE RISK MANAGEMENT

Derivative financial instruments not designated in a hedging relationship

The Company applies a portfolio approach to manage the Company-wide risks associated with fluctuations in commodity prices from firm commitments and forecast transactions by entering into commodity swaps and commodity options. Such a strategy does not qualify for hedge accounting treatment.

Cash flow hedging activities

The Company's corporate procurement applies cash flow hedge accounting for certain firm commitments to purchase copper. The ineffective portion as well as resulting gains and (losses) were not significant individually or in aggregate.

It is expected that €73 million of net deferred losses in line item Other comprehensive income, net of income taxes will be reclassified into line item Cost of sales in fiscal 2015, when the consumption of the hedged commodity purchases is recognized in line item Cost of sales. As of September 30, 2014 and 2013, the maximum length of time over which the Company is hedging its future commodity purchases is 75 months and 87 months, respectively.

NOTE 31 Financial risk management

Siemens' financial risk management is an integral part of how to plan and execute its business strategies. Siemens' financial risk management policy is set by the Managing Board. Siemens' organizational and accountability structure as of September 30, 2014 requires each of the respective managements of Siemens Sectors, Financial Services, SRE, regions and Corporate Units to implement financial risk management programs that are tailored to their specific industries and responsibilities, while being consistent with the overall policy established by the Managing Board.

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 by changes in foreign exchange rates, interest rates, commodity prices and equity prices. In order to optimize the allocation of the financial resources across the Siemens segments and entities, as well as to secure an optimal return for its shareholders, Siemens identifies, analyzes and proactively 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.

Within the various methodologies to analyze and manage risk, Siemens has implemented a system based on parametric variance-covariance Value at Risk (VaR). The VaR methodology provides a quantification of market risks based on historical volatilities and correlations of the different risk factors under the assumptions of the parametric variance-covariance Value at Risk model. The VaR figures are calculated based on

- > historical volatilities and correlations,
- > a ten day holding period, and
- > a 99.5% confidence level

for foreign currency exchange rate risk, interest rate risk, commodity price risk and equity price risk as discussed below.

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. 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%. The concept of VaR is also used for internal management of the Corporate Treasury activities.

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. While this is considered to be a realistic assumption in almost all cases, it may not be valid during prolonged periods of severe market illiquidity. A 99.5% confidence level does not reflect losses that may occur beyond this level. 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 and foreign currency exchange rate risk management**

Siemens' international operations expose the Company to foreign currency exchange rate risks, particularly regarding fluctuations between the U.S. dollar and the euro, in the ordinary course of business. The Company employs various strategies discussed below involving the use of derivative financial instruments to mitigate or eliminate certain of those exposures.

Foreign currency exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. 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. 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 (total Sectors and SFS) are prohibited from borrowing or investing in foreign currencies on a speculative basis. Intercompany financing or investments of operating units are preferably carried out in their functional currency or on a hedged basis.

Siemens has established a foreign currency exchange rate risk management system that has an established track record for years. Each Siemens unit is responsible for recording, assessing, monitoring, reporting and hedging its foreign currency transaction exposure. The binding guideline for Siemens' operating units provides the concept for the identification and determination of a single net foreign currency position for each affected unit and commits these units to hedge this aggregated position within a narrow band of at least 75% but no more than 100% of their net foreign currency position. In addition, the guideline provides a framework of the organizational structure necessary for foreign currency exchange rate risk management, proposes hedging strategies and defines the hedging instruments available to the entities: foreign currency exchange contracts, foreign currency put and call options and stop-loss orders. If there are no conflicting country specific regulations, hedging activities of the operating units are transacted internally with Corporate Treasury. Hedging transactions with external counterparties in the global financial markets are carried out under these limitations by Corporate Treasury. This includes hedging instruments which qualify for hedge accounting.

Siemens has a Company-wide portfolio approach which generates a benefit from any potential off-set of divergent cash flows in the same currency, as well as optimized transaction costs.

The VaR relating to foreign currency exchange rates is calculated by aggregating the net foreign currency positions after hedging by the operating units. As of September 30, 2014 the foreign currency exchange rate risk based on historical volatilities and correlations, a ten day holding period and a confidence level of 99.5% resulted in a VaR of €47 million compared to a VaR of €72 million in the year before. The prior-year amount has been adjusted in order to take into consideration modified principles with regard to foreign currency exchange rate risk management. Changes in euro values of future cash flows denominated in foreign currency due to volatile foreign currency exchange rates might influence the unhedged portion of revenues, but would also affect the unhedged portion of cost of materials. Future changes in the foreign currency exchange rates can impact sales prices and may lead to margin changes, the extent of which is determined by the matching of foreign currency revenues and expenses.

Siemens defines foreign currency exchange rate exposure generally as 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 inflows and cash outflows from forecast transactions for the following twelve months. This foreign currency exchange rate exposure is determined based on the respective functional currencies of the exposed Siemens' entities.

Effects of foreign currency translation

Many Siemens units are located outside the euro zone. Since the financial reporting currency of Siemens is the euro, the financial statements of these subsidiaries are translated into euro for the preparation of the Consolidated Financial Statements. To consider the effects of foreign currency translation in the risk management, the general assumption is that investments in foreign-based operations are permanent and that re-investment 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 optimize the Company's position with regard to interest income and interest expenses and to manage the interest rate risk, Corporate Treasury performs a comprehensive corporate interest rate risk management by using derivative financial instruments. The interest rate risk relating to the Group, excluding SFS' business, is mitigated by managing interest rate risk actively relatively to a benchmark. The interest rate risk relating to the SFS' business is managed separately, considering the term structure of SFS's financial assets and liabilities. The Company's interest rate risk results primarily from the funding in U.S. dollar, GBP 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 inter-company clearing accounts. The same concept is adopted for deposits of cash generated by the units.

Assuming historical volatilities and correlations, a ten day holding period and a confidence level of 99.5% the interest rate VaR was €220 million as of September 30, 2014, compared to a VaR of €236 million in the year before.

COMMODITY PRICE RISK

Siemens' production operations expose the Company to various commodity price risks in the ordinary course of business. Especially in the Sectors Industry and Energy a continuous supply of copper was necessary for the operating activities. Commodity price risk fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Company employs various strategies discussed below involving the use of derivative financial instruments to mitigate or eliminate certain of those exposures.

Siemens has established a commodity price risk management system to reduce earnings and cash flow volatility. Each Siemens unit is responsible for recording, assessing, monitoring, reporting and hedging its risks from forecast and pending commodity purchase transactions (commodity price risk exposure). The binding guideline for Siemens operating units provides the concept for the identification and determination of the commodity price risk exposure and commits the units to hedge it within a narrow band of 75% to 100% of the commodity price risk exposure in the product business for the next three months and 95% to 100% of the commodity price risk exposure in the project business after receipt of order. Siemens operating units are prohibited from speculative transactions.

The aggregated commodity price risk exposure is hedged with external counterparties through derivative financial hedging instruments by Corporate Treasury. Derivative financial hedging instruments designated for hedge accounting are directly entered into with external counterparties. Additionally, Siemens applies a Company-wide portfolio approach which optimizes the Company's position of the overall financial commodity price risk.

Using historical volatilities and correlations, a ten day holding period and a confidence level of 99.5%, the VaR, which comprises the net position of commodity derivatives and the commodity purchase transactions with price risk, was €13 million as of September 30, 2014 compared to €19 million as of September 30, 2013. The prior-year amount has been adjusted in order to take into consideration modified principles with regard to commodity price risk management.

EQUITY PRICE RISK

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

These investments are monitored based on their current market value, affected primarily by fluctuations in the volatile technology-related markets worldwide. The market value of Siemens' portfolio in publicly traded companies decreased from €1,444 million as of September 30, 2013 to €1,351 million as of September 30, 2014.

Based on historical volatilities and correlations, a ten day holding period and a confidence level of 99.5%, the VaR as of September 30, 2014 of Siemens' equity investments was €122 million compared to €81 million the year before.

LIQUIDITY RISK

Liquidity risk results from the Company's potential inability to meet its financial liabilities, e.g. for the settlement of its financial debt or for ongoing cash requirements from operating and SFS financing activities, dividend payments, pension plan funding and portfolio activities. In addition to having implemented effective working capital and cash management, Siemens mitigates liquidity risk by 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 by using European Central Bank accounts.

In addition to the above-mentioned sources of liquidity, 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 all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities as well as from credit guarantees and irrevocable loan commitments. It includes expected net cash outflows from derivative financial liabilities that are in place as per September 30, 2014. Such expected net cash outflows are determined based on each particular settlement date of an instrument. The amounts disclosed are undiscounted net cash outflows for the respective upcoming fiscal years, 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, 2014.

(in millions of €)	Year ended September 30,			
	2015	2016	2017 to 2019	2020 and thereafter
Non-derivative financial liabilities				
Notes and bonds	649	2,911	9,361	8,383
Loans from banks	834	133	843	9
Other financial indebtedness	828	9	45	33
Obligations under finance leases	27	49	34	97
Trade payables	7,697	16	18	1
Other financial liabilities	1,014	65	432	8
Derivative financial liabilities	933	278	487	56
Credit guarantees	774	-	-	-
Irrevocable loan commitments	3,214	215	174	1

The risk implied from the values shown in the table above reflects the one-sided scenario of cash outflows only. Obligations under finance leases, trade payables and other financial liabilities mainly originate from the financing of assets used in Siemens' ongoing operations such as property, plant, equipment and investments in working capital – e.g. inventories and trade receivables. These assets are considered in the Company's overall liquidity risk management. A considerable portion of the irrevocable loan commitments result from asset-based lending transactions meaning that the respective loans can only be drawn after sufficient collateral has been provided by the borrower. The amounts included for credit guarantees

are the maximum amounts Siemens could be required to settle in the event of default or non-payment by the primary debtor. For additional information regarding credit guarantees see → NOTE 27 COMMITMENTS AND CONTINGENCIES. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, Siemens has established a comprehensive risk reporting covering its worldwide business units.

CREDIT RISK

Credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay 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. Siemens finances a large number of smaller customer orders, for example the leasing of medical equipment, in part through SFS. SFS is also exposed to credit risk by financing third-party equipment or by taking direct or indirect participations in financings, such as syndicated loans. In part, Siemens takes a security interest in the assets Siemens finances or Siemens receives additional collateral. Siemens may incur losses if the credit quality of its customers deteriorates or if they default on their payment obligations to Siemens, such as a consequence of a financial or political crisis and a global downturn.

The effective monitoring and controlling of credit risk is a core competency of our risk management system. Siemens has implemented a binding credit policy for all entities. Hence, credit evaluations and ratings are performed for all customers with an exposure or requiring credit beyond centrally defined limits.

Customer ratings, analyzed and defined by SFS, and individual customer 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' customer default experiences. Ratings and credit limits are carefully considered in determining the conditions under which direct or indirect financing will be offered to customers. As part of the process, internal risk assessment specialists determine and continuously update ratings and credit limits for Siemens' public and private customers. For public customers our policy provides that the rating applied to individual customers cannot be better than the weakest of the sovereign ratings provided by Moody's, S&P's and Fitch for the respective country.

Credit risk is recorded, analyzed and monitored on an ongoing basis applying different systems and processes dependent on the financial instrument. Central systems are used for ongoing monitoring of counterparty risk. In addition, SFS uses own

systems for its financing activities. There are also a number of decentralized tools used for management of individual credit risks within the operating units. A central IT application processes data from the operating units together with rating and default information and calculates an estimate which may be used as a basis for individual bad debt provisions. In addition to this automated process, qualitative information is considered, in particular to incorporate the latest developments.

To increase transparency with regard to credit risk Corporate Treasury has established the Siemens Credit Warehouse to which numerous operating units from the Siemens Group regularly transfer business partner data as a basis for a centralized rating process. In addition, numerous operating units transfer their trade receivables with a remaining term up to one year along with the inherent credit risk to the Siemens Credit Warehouse, but remain responsible for servicing activities such as collections and receivables management. The Siemens Credit Warehouse actively identifies, quantifies and manages the credit risk in its portfolio, such as by hedging exposure to specific customers, countries and industries. In addition to an increased transparency with regard to credit risk, the Siemens Credit Warehouse may provide Siemens with an additional source of liquidity and strengthens Siemens' funding flexibility.

The maximum exposure to credit risk of financial assets, without taking account of any collateral, is represented by their carrying amount. As of September 30, 2014 and 2013 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 €955 million and €587 million, respectively. As of September 30, 2014 and 2013 the collateral held for financial instruments classified as receivables from finance leases amounted to €2,072 million and €1,902 million, respectively, mainly in the form of the leased equipment. As of September 30, 2014 and 2013 the collateral held for financial instruments classified as financial assets measured at cost or amortized cost amounted to €2,425 million and €2,141 million, respectively. The collateral mainly consisted of property, plant and equipment. In addition, for this class Siemens holds collateral in the form of securities related to reverse repurchase agreements that can be sold or re-pledged in absence of default by the owner of the collateral. As of September 30, 2014 and 2013 the fair value of the collateral held amounted to €408 million and €103 million, respectively. In fiscal 2014 and 2013 Siemens has not exercised the right to sell or re-pledge the collateral. Credit risks arising from irrevocable loan commitments are equal to the expected future pay-offs resulting from these commitments. As of September 30, 2014 and 2013 the collateral held for these commitments amounted to €1,646 million and

€1,320 million, respectively, mainly in the form of inventories and receivables. Credit risks arising from credit guarantees are described in → NOTE 27 COMMITMENTS AND CONTINGENCIES. There were no significant concentrations of credit risk as of September 30, 2014 and 2013.

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 as of September 30, 2014, 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 32 Share-based payment

Share-based payment awards at Siemens, including Bonus Awards, Stock Awards, the Share Matching Program and its underlying plans as well as the Jubilee Share Program are predominately designed as equity-settled plans and to a limited extent as cash-settled plans. If participating Siemens companies cease to be part of the Siemens Group, they are no longer eligible to participate in future share-based payment awards at Siemens. In such cases the participating Siemens companies have the right to settle the share-based payment awards prematurely. Total pretax expense for share-based payment recognized in line item Income from continuing operations amounted to €184 million and €181 million for the years ended September 30, 2014 and 2013, respectively, and refers primarily to equity-settled awards, including the Company's Base Share Program.

STOCK AWARDS

The Company grants stock awards as a means for providing share-based compensation to members of the Managing Board, members of the senior management of Siemens AG and its domestic and foreign subsidiaries 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 granted in fiscal 2008 to 2011 were generally subject to a restriction period of three years. In principle, stock awards forfeit if the beneficiary's employment with the Company terminates prior to the expiration of the restriction period. During the restriction period, beneficiaries are not entitled to dividends. Stock awards may not be transferred, sold, pledged or otherwise encumbered. Settlement of stock

awards may occur in newly issued shares of capital stock of Siemens AG, treasury shares or in cash. The settlement method will be determined by the Managing Board and the Supervisory Board. Each fiscal year, the Company decides whether or not to grant stock awards. The Supervisory Board decides about the number of stock awards to the Managing Board and the Managing Board decides about the number of stock awards to members of the senior management and other eligible employees.

Since fiscal 2012, the allocation of stock awards as a share-based payment has been increasingly tied to corporate performance criteria. The target attainment for the performance criteria ranges between 0% and 200%.

Half of the annual target amount for stock awards is based on the average of earnings per share (EPS, basic) of the past three fiscal years. The target attainment determines the number of stock awards upon allocation. Settlement of these stock awards is in shares following the four-year restriction period.

The other half of the annual target amount for stock awards is based on the share price performance of Siemens shares relative to the share price performance of five important Siemens competitors (ABB, General Electric, Philips, Rockwell, Schneider) during the four-year restriction period. The target attainment is determined during the four-year restriction period for the stock awards and accordingly, determines the number of Siemens shares ultimately transferred following the restriction period. If the target attainment is up to 100%, settlement is in shares. If the target attainment exceeds 100% (up to 200%) an additional cash payment corresponding to the outperformance results.

Additionally one portion of the variable compensation component (bonus) for members of the Managing Board is granted in the form of non-forfeitable awards of Siemens stock (Bonus Awards).

Commitments to members of the Managing Board

The remuneration system for the Managing Board was revised by the Supervisory Board, effective as of fiscal 2014, which is explained in detail in the Compensation Report within the Corporate Governance Report.

In fiscal 2014 and 2013, agreements were entered into which entitle members of the Managing Board to stock awards contingent upon attaining an EPS-based target. The fair value of these entitlements amounting to €5 million and €6 million, respectively, in fiscal 2014 and 2013, was determined by calculating the present value of the target amount.

In fiscal 2014 and 2013, agreements were entered into which entitle members of the Managing Board to stock awards contingent upon attaining a prospective performance-based target of Siemens stock relative to five competitors (for fiscal 2014 Philips was replaced by Alstom). The fair value of these entitlements amounting to €5 million and €7 million, respectively, in fiscal 2014 and 2013, was calculated by applying a valuation model. Inputs to that model include an expected weighted volatility of Siemens shares of 22% in fiscal 2014 and 24% in fiscal 2013 and a market price of €98.36 in fiscal 2014 and €78.94 in fiscal 2013 per Siemens share. Expected volatility was determined by reference to historic volatilities. The model applies a risk-free interest rate of up to 1.0% in fiscal 2014 and up to 0.8% in fiscal 2013 and an expected dividend yield of 3.1% in fiscal 2014 and 3.8% in fiscal 2013. Assumptions concerning share price correlations were determined by reference to historic correlations.

Compensation expense related to stock awards is generally recognized over five years until they vest, including a restriction period of four years.

In fiscal 2014 and 2013, agreements were entered into which entitle members of the Managing Board to Bonus Awards contingent upon the target attainment. The fair value of these entitlements amounting to €2 million and €5 million, respectively, in fiscal 2014 and 2013, was determined by calculating the present value of the target amount. Compensation expense related to Bonus Awards is generally recognized over the vesting period of one year. Beneficiaries will receive one Siemens share without payment of consideration for each Bonus Award, following an additional waiting period of four years.

Commitments to members of the senior management and other eligible employees

In fiscal 2014 and 2013, 769,049 and 1,308,171 stock awards, respectively, were granted to members of the senior management and other eligible employees contingent upon attaining an EPS-based target. The fair value of these stock awards amounts to €62 million and €85 million, respectively, in fiscal 2014 and 2013 and corresponds to the target amount representing the EPS target attainment.

In fiscal 2014 and 2013, 652,162 and 849,908 stock awards, respectively, were granted to members of the senior management and other eligible employees contingent upon attaining a prospective performance-based target of the Siemens stock relative to five competitors. The fair value of these stock awards amounting to €56 million and €53 million, respectively, in fiscal 2014 and 2013, of which €40 million and €41 million relate to equity instruments, was calculated by applying a valuation model. In fiscal 2014 and 2013, inputs to that model include an expected weighted volatility of Siemens shares of 23% and

24%, respectively, and a market price of €95.62 and €79.70 per Siemens share. Expected volatility was determined by reference to historic volatilities. The model applies a risk-free interest rate of up to 0.9% in fiscal 2014 and up to 0.6% in fiscal 2013 and an expected dividend yield of 3.1% in fiscal 2014 and 3.8% in fiscal 2013. Assumptions concerning share price correlations were determined by reference to historic correlations. Compensation expense related to these stock awards is recognized over four years until they vest.

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

	Year ended September 30,	
	2014	2013
	Awards	Awards
Non-vested, beginning of period	4,876,455	4,217,588
Granted	1,421,211	2,158,079
Vested and transferred	(1,041,376)	(1,073,355)
Forfeited	(120,350)	(101,192)
Settled	(149,942)	(324,665)
Non-vested, end of period	4,985,998	4,876,455

SHARE MATCHING PROGRAM AND ITS UNDERLYING PLANS

1. Share Matching Plan

In fiscal 2014 and 2013, the Company issued a new tranche under the Share Matching Plan. Senior managers of Siemens AG and participating Siemens companies may invest a specified percentage of their compensation in Siemens shares. Within a predetermined period in the first quarter of each fiscal year, plan participants decide on their investment amount for which investment shares are purchased. 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 three years (vesting period) provided the plan participant has been continuously employed by Siemens AG or another Siemens company until the end of the vesting period. During the vesting period, matching shares are not entitled to dividends. The right to receive matching shares forfeits if the underlying investment shares are transferred, sold, pledged or otherwise encumbered. Matching shares may be settled in newly issued shares of capital stock of Siemens AG, treasury shares or in cash. The settlement method will be determined by the Managing Board. Each fiscal year, the Managing Board decides whether or not to issue a new tranche under the Share Matching Plan.

2. Monthly Investment Plan

In fiscal 2014 and 2013, the Company issued a new tranche under the Monthly Investment Plan that is a further component of the Share Matching Plan and which is available for employees – other than senior managers – of Siemens AG and participating Siemens companies. Plan participants may invest a specified percentage of their compensation in Siemens shares on a monthly basis over a period of twelve months. The shares are purchased at market price at a predetermined date once a month. The Managing Board of the Company will decide annually, whether shares acquired under the Monthly Investment Plan (investment shares) may be transferred to the Share Matching Plan the following year. 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. Each fiscal year the Managing Board decides, whether or not to issue a new tranche under the Monthly Investment Plan.

The Managing Board decided that shares acquired under the tranches issued in fiscal 2013 and 2012 are transferred to the Share Matching Plan as of February 2014 and February 2013, respectively.

3. Base Share Program

In fiscal 2014 and 2013, the Company issued a new tranche under the Base Share Program. Employees of Siemens AG and participating domestic Siemens companies can invest a fixed amount of their compensation into Siemens shares, sponsored by Siemens with a tax beneficial allowance. 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. Each fiscal year, the Managing Board decides whether or not to issue a new tranche under the Base Share Program. The fair value of the base share program equals the amount of the tax beneficial allowance sponsored by Siemens. In fiscal 2014 and 2013, the Company incurred pretax expense from continuing operations of €32 million and €30 million, respectively.

4. Resulting Matching Shares

	Year ended September 30,	
	2014 Entitlements to Matching Shares	2013 Entitlements to Matching Shares
Outstanding, beginning of period	1,733,497	1,545,582
Granted	609,758	713,245
Vested and transferred	(437,989)	(351,548)
Forfeited	(92,035)	(140,307)
Settled	(63,055)	(33,475)
Outstanding, end of period	1,750,176	1,733,497

Fair value was determined as the market price of Siemens shares less the present value of expected dividends during the vesting period as matching shares do not carry dividend rights during the vesting period. Non-vesting conditions, i.e. the condition neither to transfer, sell, pledge nor otherwise encumber the underlying shares, were considered in determining the fair value. In fiscal 2014 and 2013, the weighted average grant-date fair value of the resulting matching shares is €73.00 and €57.77 per share respectively, based on the number of instruments granted.

JUBILEE SHARE PROGRAM

Under the Jubilee Share Program, eligible employees of Siemens AG and participating domestic Siemens companies receive jubilee shares after having been continuously employed by the Company for 25 and 40 years (vesting period), respectively. Generally, settlement of jubilee grants is in shares. Jubilee shares are measured at fair value considering biometrical factors. The fair value is determined as the market price of Siemens shares at grant date less the present value of dividends expected to be paid during the vesting period for which the employees are not entitled to. The weighted average fair value of each jubilee share granted in fiscal 2014 for the 25th and the 40th anniversary is €49.36 and €32.86, respectively, based on the number of shares granted. The weighted average fair value of each jubilee share granted adjusted by biometrical factors (considering fluctuation) is €31.58 and €18.97, respectively, in fiscal 2014. The weighted average fair value of each jubilee share granted in fiscal 2013 for the 25th and the 40th anniversary is €36.92 and €24.55 respectively, based on the number of shares granted. The weighted average fair value of each jubilee share granted adjusted by biometrical factors (considering fluctuation) is €18.24 and €9.99 respectively, in fiscal 2013.

In fiscal 2014 and 2013, 0.22 million and 0.29 million jubilee shares were granted; 0.20 million and 0.18 million were transferred, 0.14 million and 0.12 million forfeited, resulting in an outstanding balance of 4.56 million and 4.68 million jubilee shares as of September 30, 2014 and 2013. Considering biometrical factors as of September 30, 2014 and 2013, 3.60 million and 3.28 million jubilee shares were expected to vest.

NOTE 33 Personnel costs

(in millions of €)	Year ended September 30,	
	2014	2013
Wages and salaries	20,142	20,988
Statutory social welfare contributions and expenses for optional support payments	3,220	3,228
Expenses relating to post-employment benefits	1,044	1,114
	24,406	25,330

Item Expenses relating to post-employment benefits includes service costs for the period. Interest from post-employment benefits is included in line items interest income (expenses).

Wages and salaries, statutory social welfare contributions and expenses for optional support payments as well as expenses relating to post-employment benefits for continuing and discontinued operations amounts to €25,533 million and €28,163 million in fiscal 2014 and 2013, respectively.

The average number of employees in fiscal years 2014 and 2013 was 344.4 thousand and 348.7 thousand, respectively (based on continuing operations). Part-time employees are included on a proportionate basis. The employees were engaged in the following activities:

(in thousands)	Year ended September 30,	
	2014	2013
Manufacturing and services	213.6	215.0
Sales and marketing	68.6	71.1
Research and development	28.8	28.1
Administration and general services	33.5	34.4
	344.4	348.7

The average number of employees in fiscal years 2014 and 2013 is 359.2 thousand and 394.9 thousand, respectively (based on continuing and discontinued operations). Thereof, in fiscal 2014 and 2013, 223.7 and 248.3 thousand employees were engaged in manufacturing and services, 71.2 thousand and 78.2 thousand were engaged in sales and marketing, 30.4 thousand and 31.8 thousand employees were in research and development and 34.0 thousand and 36.6 thousand employees were in administration and general services, respectively.

NOTE 34 Earnings per share

(shares in thousands; earnings per share in €)	Year ended September 30,	
	2014	2013
Income from continuing operations	5,400	4,179
Less: Portion attributable to non-controlling interest	(133)	(120)
Income from continuing operations attributable to shareholders of Siemens AG	5,267	4,059
Weighted average shares outstanding – basic	843,449	843,819
Effect of dilutive share-based payment	8,485	8,433
Weighted average shares outstanding – diluted	851,934	852,252
Basic earnings per share (from continuing operations)	6.24	4.81
Diluted earnings per share (from continuing operations)	6.18	4.76

The dilutive earnings per share computation in fiscal 2014 and 2013 does not contain 21,674 thousand shares relating to warrants issued with bonds. The inclusion of those shares would have been antidilutive in the years presented. In the future, the warrants could potentially dilute basic earnings per share.

NOTE 35 Segment information

Segment information is presented for continuing operations.

| As of and for the fiscal years ended September 30, 2014 and 2013

(in millions of €)	Orders ¹		External revenue		Intersegment revenue		Total revenue	
	2014	2013	2014	2013	2014	2013	2014	2013
Sectors								
Energy	28,646	28,797	24,380	26,425	251	212	24,631	26,638
Healthcare	12,819	13,004	12,401	12,626	29	22	12,429	12,649
Industry	17,103	16,688	15,346	15,256	1,718	1,640	17,064	16,896
Infrastructure & Cities	21,001	21,894	18,291	17,149	643	730	18,934	17,879
Total Sectors	79,569	80,382	70,418	71,456	2,641	2,605	73,059	74,061
Equity Investments	–	–	–	–	–	–	–	–
Financial Services (SFS)	937	1,072	746	961	191	111	937	1,072
Reconciliation to Consolidated Financial Statements								
Centrally managed portfolio activities	302	296	297	386	9	10	306	396
Siemens Real Estate (SRE)	2,405	2,490	270	332	2,136	2,159	2,405	2,491
Corporate items and pensions	305	471	190	309	120	163	310	472
Eliminations, Corporate Treasury and other reconciling items	(5,169)	(4,956)	–	–	(5,098)	(5,048)	(5,098)	(5,048)
Siemens	78,350	79,755	71,920	73,445	–	–	71,920	73,445

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

	Profit		Assets		Free cash flow		Additions to intangible assets and property, plant and equipment		Amortization, depreciation and impairments	
	2014	2013	09/30/2014	09/30/2013	2014	2013	2014	2013	2014	2013
	1,569	1,955	1,680	1,621	1,591	1,595	449	425	507	610
	2,027	2,033	11,126	10,732	2,067	2,227	303	241	553	577
	2,252	1,563	6,661	6,410	2,170	2,280	358	384	544	638
	1,487	291	5,180	4,973	1,280	372	247	239	296	379
	7,335	5,842	24,646	23,736	7,108	6,473	1,356	1,289	1,900	2,204
	328	411	2,571	2,488	81	126	-	-	-	-
	465	409	21,970	18,661	522	857	31	69	194	230
	44	(113)	(154)	(234)	(37)	(142)	6	7	4	4
	241	168	4,697	4,747	(170)	(112)	370	364	264	309
	(938)	(836)	(1,859)	(1,987)	(675)	(422)	70	83	78	91
	(48)	(70)	53,009	54,525	(1,430)	(1,403)	(3)	(4)	(29)	(34)
	7,427	5,813	104,879	101,936	5,399	5,378	1,831	1,808	2,411	2,804

DESCRIPTION OF REPORTABLE SEGMENTS

The four Sectors comprise manufacturing, industrial and commercial goods, solutions and services in areas more or less related to Siemens' origins in the electrical business field.

Energy – offers a wide spectrum of products, solutions and services for generating and transmitting power, and for extracting, converting and transporting oil and gas.

Healthcare – offers customers a comprehensive portfolio of medical solutions across the treatment chain – from prevention and early detection to diagnosis, treatment and follow-up care. Healthcare also provides technical maintenance, professional and consulting services, and, together with Financial Services (SFS), financing to assist customers in purchasing our products.

Industry – a supplier of innovative and environmentally friendly products and solutions for industrial companies, particularly those in the process and manufacturing industries. Industry's end-to-end automation solutions, drive technologies, industrial IT and industry software, in-depth industry expertise and technology-based services help Industry's customers use resources and energy more efficiently, improve productivity, and increase flexibility.

Infrastructure & Cities – offers a wide range of technologies that increase the functionality and sustainability of metropolitan centers and urban infrastructures worldwide, such as integrated mobility solutions, building and security systems, power distribution equipment, grid automation and control products and solutions, smart grid applications and low and medium-voltage products.

Equity Investments – in general, comprises equity stakes held by Siemens that are accounted for by the equity method or as available-for-sale financial assets and that for strategic reasons are not allocated to a Sector or a Division, respectively, SFS, Centrally managed portfolio activities, Siemens Real Estate (SRE), Corporate items or Corporate Treasury.

Financial Services (SFS) – provides business-to-business financial solutions. With its specialist financing and technology expertise in the areas of Siemens businesses, SFS supports customer investments with leasing solutions and equipment, project and structured financing. SFS provides capital for Siemens customers as well as other companies and manages financial risks of Siemens.

RECONCILIATION

TO CONSOLIDATED FINANCIAL STATEMENTS

Reconciliation to Consolidated Financial Statements contains businesses and items not directly related to Siemens' reportable segments:

Centrally managed portfolio activities – generally includes activities intended for divestment or closure as well as activities remaining from divestments and discontinued operations.

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

Corporate items and pensions – includes corporate charges such as personnel costs for corporate headquarters, corporate projects and non-operating investments or results of corporate-related derivative activities and costs for carve out activities managed by corporate, which are charged to the respective segment when the disposal gain or loss is realized or when the activities are classified as discontinued operations. Pensions includes the Company's pension related income (expense) not allocated to the segments, SRE or Centrally managed portfolio activities.

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

MEASUREMENT – SEGMENTS

Accounting policies for Segment information are generally the same as those used for Siemens, described in → NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. Lease transactions, however, are classified as operating leases for internal and segment reporting purposes. Intersegment transactions are based on market prices.

Profit of the Sectors and of Equity Investments:

Siemens' Managing Board is responsible for assessing the performance of the segments. The Company's profitability measure of the Sectors and Equity Investments is earnings before financing interest, certain pension costs, and income taxes as determined by the chief operating decision maker (Profit). Profit excludes various categories of items, not allocated to the

Sectors and Equity Investments, which management does not regard as indicative of their performance. Profit represents a performance measure focused on operational success excluding the effects of capital market financing issues; for financing issues regarding Equity Investments see paragraph below. 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 Sectors and Equity Investments and interest expenses on payables to suppliers. Borrowing costs capitalized as part of qualifying long-term projects are not part of financing interest. Financing interest is excluded from Profit because decision-making regarding financing is typically made at the corporate level. Equity Investments include interest and impairments as well as reversals of impairments on long-term loans granted to investments reported in Equity Investments.

Similarly, decision-making regarding essential pension items is done centrally. Accordingly, Profit primarily includes amounts related to service cost of pension plans only, while all other regularly recurring pension related costs – including charges for the German pension insurance association and plan administration costs – are included in line item Corporate items and pensions. Curtailments are a partial payback with regard to past service cost that affect Segment 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 the Sectors' and Equity Investments' performance, since their related results of operations may be distorted by the amount and the irregular nature of such events. This may also be the case for items that refer to more than one reportable segment, SRE and (or) Centrally managed portfolio activities or have a corporate or central character.

Central infrastructure costs are primarily allocated to the Sectors. The total amount to be allocated is determined at the beginning of the fiscal year and is charged in installments in all four quarters.

Profit of Equity Investments mainly comprises income (loss) from investments presented in Equity Investments, such as the share in the earnings of associates or dividends from investments not accounted for under the equity method, income

(loss) from the sale of interests in investments, impairment of investments and reversals of impairments. It also includes interest and impairments as well as reversals of impairments on long-term loans granted to investments reported in Equity Investments.

Profit of the segment SFS:

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

Asset measurement principles:

Management determined Assets as a measure to assess capital intensity of the Sectors and Equity Investments (Net capital employed). Its definition corresponds to the Profit measure. It 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. A Division of Infrastructure & Cities includes the project-specific intercompany financing of a long-term project. The remaining assets are reduced by non-interest-bearing liabilities other than tax related liabilities, e.g. trade payables, to derive Assets. In contrast, Assets of SFS is Total assets.

Orders:

Orders are determined principally as estimated revenue of accepted purchase orders and order value changes and adjustments, excluding letters of intent. New orders are supplementary information, provided on a voluntary basis. It is not part of the audited Consolidated Financial Statements.

Free cash flow definition:

Segment information discloses Free cash flow and Additions to property, plant and equipment and intangible assets. Free cash flow of the Sectors and Equity Investments constitutes cash flows from operating activities less additions to intangible assets and property, plant and equipment. It excludes Financing interest, except for cases where interest on qualifying assets is capitalized or classified as contract costs and it also excludes non-cash income tax as well as certain other payments and proceeds. Free cash flow of Equity Investments includes interest from shareholder loans granted to investments reported in Equity Investments. Pension curtailments are a partial payback with regard to past service cost that affect segment Free cash flow. Free cash flow of SFS, a financial services business, includes related financing interest payments and proceeds; income tax payments and proceeds of SFS are excluded.

Amortization, depreciation and impairments:

Amortization, depreciation and impairments presented in Segment information includes depreciation and impairments of property, plant and equipment, net of reversals of impairments as well as amortization and impairments of intangible assets, net of reversals of impairment.

MEASUREMENT – CENTRALLY MANAGED PORTFOLIO ACTIVITIES AND SRE:

Centrally managed portfolio activities follow the measurement principles of the Sectors. SRE applies the measurement principles of SFS; Total assets of SRE nets certain intercompany finance receivables with certain intercompany finance liabilities.

RECONCILIATION TO SIEMENS' CONSOLIDATED FINANCIAL STATEMENTS

The following table reconciles total Assets of the Sectors, Equity Investments and SFS to Total assets of Siemens' Consolidated Statements of Financial Position:

(in millions of €)	September 30,	
	2014	2013
Assets of Sectors	24,646	23,736
Assets of Equity Investments	2,571	2,488
Assets of SFS	21,970	18,661
Total Segment Assets	49,187	44,884
Reconciliation:		
Assets Centrally managed portfolio activities	(154)	(234)
Assets SRE	4,697	4,747
Assets of Corporate items and pensions ¹	(1,859)	(1,987)
Eliminations, Corporate Treasury and other reconciling items of Segment information:		
Asset-based adjustments:		
Intragroup financing receivables and investments	42,037	40,850
Tax-related assets	3,782	3,924
Liability-based adjustments:		
Liabilities	39,232	39,244
Eliminations, Corporate Treasury, other items ¹	(32,043)	(29,492)
Total Eliminations, Corporate Treasury and other reconciling items of Segment information	53,009	54,525
Total assets in Siemens' Consolidated Statements of Financial Position	104,879	101,936

¹ Includes assets and liabilities reclassified in connection with discontinued operations.

In fiscal 2014 and 2013, Corporate items and pensions in column Profit includes €(545) million and €(419) million related to Corporate items, as well as €(393) million and €(416) million related to Pensions, respectively. Corporate items include effects from legal and regulatory matters. In fiscal 2014, column Profit includes a one-time effect of €186 million regarding insurance matters, which were mainly included in Eliminations.

ADDITIONAL SEGMENT INFORMATION

In fiscal 2014 and 2013, Profit of SFS includes interest income of €966 million and €873 million, respectively and interest expenses of €336 million and €317 million, respectively.

NOTE 36 Information about geographies

(in millions of €)	Revenue by location of customer Year ended September 30,		Revenue by location of companies Year ended September 30,	
	2014	2013	2014	2013
Europe, C.I.S., ¹ Africa, Middle East	38,732	39,390	42,383	43,426
Americas	18,756	19,644	18,425	19,555
Asia, Australia	14,433	14,411	11,112	10,463
Siemens	71,920	73,445	71,920	73,445
<i>thereof Germany</i>	10,857	10,652	18,602	18,944
<i>thereof foreign countries</i>	61,063	62,792	53,318	54,501
<i>thereof U.S.</i>	12,876	13,110	13,793	14,887

¹ Commonwealth of Independent States.

(in millions of €)	Non-current assets September 30,	
	2014	2013
Europe, C.I.S., ¹ Africa, Middle East	17,053	17,404
Americas	12,175	12,598
Asia, Australia	2,753	2,752
Siemens	31,981	32,755
<i>thereof Germany</i>	6,497	6,510
<i>thereof foreign countries</i>	25,484	26,245
<i>thereof U.S.</i>	10,861	11,205

¹ Commonwealth of Independent States.

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

NOTE 37 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. For information regarding our subsidiaries, joint ventures and associates in fiscal 2014 see → NOTE 5 INTERESTS IN OTHER ENTITIES and → NOTE 41 LIST OF SUBSIDIARIES AND ASSOCIATED COMPANIES PURSUANT TO SECTION 313 PARA. 2 OF THE GERMAN COMMERCIAL CODE. Information regarding our subsidiaries, joint ventures and associates for fiscal 2013 are presented in the List of subsidiaries and associated companies published separately in the German Electronic Federal Gazette (elektronischer Bundesanzeiger).

Sales of goods and services and other income from transactions with joint ventures and associates as well as purchase of goods and services and other expenses from transactions with joint ventures and associates are as follows:

(in millions of €)	Sales of goods and services and other income		Purchases of goods and services and other expenses	
	Year ended September 30, 2014	Year ended September 30, 2013	Year ended September 30, 2014	Year ended September 30, 2013
Joint ventures	230	336	23	12
Associates	747	1,008	165	214
	977	1,345	188	226

Receivables from joint ventures and associates and liabilities to joint ventures and associates are as follows:

(in millions of €)	Receivables		Liabilities	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Joint ventures	198	54	72	12
Associates	82	222	255	121
	280	276	327	133

As of September 30, 2014 and 2013, loans given to joint ventures and associates amounted to €21 million and €17 million, respectively. In the normal course of business the Company regularly reviews loans and receivables associated with joint ventures and associates. In fiscal 2014 and 2013, the review resulted in net gains related to valuation allowances totaling €13 million and net losses related to valuation allowances totaling €27 million, respectively. As of September 30, 2014 and 2013, valuation allowances amounted to €26 million and €42 million, respectively.

As of September 30, 2014 and 2013, guarantees to joint ventures and associates amounted to €2,904 million and €2,789 million, respectively, including the HERKULES obligations of €1,490 million and €1,890 million, respectively. For additional information regarding the HERKULES obligations as well as for information regarding guarantees in connection with the contribution of the SEN operations into Unify (EN) see → NOTE 27 COMMITMENTS AND CONTINGENCIES. As of September 30, 2014 and 2013, guarantees to joint ventures amounted to €593 million and €431 million, respectively. As of September 30, 2014 and 2013, the Company had commitments to make capital contributions of €107 million and €187 million to its joint ventures and associates, therein €56 million and €107 million related to joint ventures, respectively. For a loan raised by a joint venture, which is secured by a Siemens guarantee, Siemens granted an additional collateral. As of September 30, 2014 and 2013 the outstanding amount totaled to €129 million and €134 million, respectively. As of September 30, 2014 and 2013 there were loan commitments to joint ventures and associates amounting to €81 million and €90 million, respectively, therein €81 million and €90 million, respectively related to joint ventures.

PENSION ENTITIES

For information regarding the funding of our pension plans refer to → NOTE 22 POST-EMPLOYMENT BENEFITS.

RELATED INDIVIDUALS

Related individuals include the members of the Managing Board and Supervisory Board.

In fiscal 2014 and 2013 members of the Managing Board received cash compensation of €17.9 million and €17.0 million. The fair value of stock-based compensation amounted to €10.7 million and €17.6 million for 170,444 and 213,394 Stock Awards, respectively, in fiscal 2014 and 2013. In fiscal 2014 and 2013 the Company granted contributions under the BSAV to members of the Managing Board totaling €5.1 million and €6.4 million.

Therefore in fiscal 2014 and 2013, compensation and benefits, attributable to members of the Managing Board amounted to €33.7 million and €41.0 million in total, respectively.

In compensation for the forfeiture of stock, pension benefits, health benefits and transitional remuneration from her former employer, the Supervisory Board granted Ms. Davis a one-time amount of € 5.5 million. This amount will be provided 20% in cash, 30% in the form of Siemens Stock Awards and the remaining 50% as a special contribution to the pension plan.

In fiscal 2014, the following settlements have been agreed in connection with termination of Managing Board memberships:

As Barbara Kux's appointment to the Managing Board expired regularly on November 16, 2013, no compensatory payments were agreed upon. The 51,582 Stock Awards already granted in the past for fiscal 2011, 2012 and 2013, for which the restriction period is still running, will be absolutely maintained, in accordance with the terms of her contract with the Company. The respective fair value of these Stock Awards at grant date amounted to €3.47 million.

In connection with the mutually agreed termination of Peter Y. Solmssen's activity on the Managing Board as of December 31, 2013, it was agreed that his contract with the Company would remain in effect until March 31, 2015. The entitlements agreed under the contract will remain in effect until that date. These will not include the fringe benefits under the contract, particularly the Company car and contributions toward the cost of insurance, which will be covered until the contract ends by a monthly lump-sum payment of €11,500. The 51,582 Stock Awards already granted in the past for fiscal 2011, 2012 and 2013, for which the restriction period is still in progress, will be absolutely maintained. The respective fair value of these Stock Awards at grant date amounted to €3.47 million. Mr. Solmssen was also reimbursed for relocation costs, in accordance with the commitment he received when he took office. The Company furthermore reimbursed Mr. Solmssen for out-of-pocket expenses of €100,000 plus value-added tax.

In connection with the mutually agreed termination of Dr. Michael Süß's activity on the Managing Board as of May 6, 2014, it was agreed that his current contract with the Company would terminate as of September 30, 2014. The entitlements agreed under the contract remained in effect until that date. Dr. Süß received a compensatory payment in the gross amount of €4.3 million in connection with the mutually agreed premature termination of his activity as a member of the Managing Board, together with a one-time special contribution of €0.8 million to the BSAV, to be credited in January 2015. It was also agreed with Dr. Süß that the

long-term stock-based compensation (8,126 Stock Awards) for fiscal 2014 will be calculated once the actual target attainment is available, and will be granted at the usual date. The 46,399 Stock Awards already granted in the past and those for fiscal 2014, for which the restriction period is still running, will be absolutely maintained (54,525 Stock Awards), in accordance with the terms of his contract with the Company, and will be settled in cash in September 2015 at the closing price of Siemens stock in Xetra trading on May 6, 2014 (€93.91). The respective fair value of the Stock Awards already granted in the past at grant date amounted to €3.16 million. The Stock Awards for fiscal 2014 are included in the above mentioned stock-based compensation amount. Dr. Süß agreed not to take up activities for any of significant competitor of Siemens for a period of one year after the end of his employment contract – that is, until September 30, 2015. For this post-contractual non-compete commitment, he will be paid a monthly total of gross €65,000.

In fiscal 2013, in connection with termination of Managing Board membership, compensatory payments amounting to €20.4 million (gross) and one-time special contributions amounting to €3.1 million to the BSAV were agreed. It was also agreed that these members of the Managing Board receive their long-term stock-based compensation for fiscal 2013 (41,554 Stock Awards), which will be settled in cash, and is included in the above mentioned stock-based compensation amount. The Company has furthermore agreed to reimburse out-of-pocket expenses up to a maximum of €130,000 plus value-added tax. The 175,382 Stock Awards that were granted in the past and for which the restriction period is still in effect, will be absolutely maintained. The respective fair value of these Stock Awards at grant date amounted to €11.5 million.

In fiscal 2014 and 2013, expense related to share-based payment and to the Share Matching Program amounted to €16.1 million (including the above mentioned Stock Awards in connection with the departure from members of the Managing Board) and €23.2 million (including the above mentioned Stock Awards in connection with the departure from members of the Managing Board), respectively. For additional information regarding the Share Matching Program see → NOTE 32 SHARE-BASED PAYMENT.

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 €24.2 million (including €7.9 million in connection with the above mentioned departure from members of the Managing Board) and €33.1 million (including €18.2 million in connection with the above mentioned departure from a member of the Managing Board) in fiscal 2014 and 2013.

The defined benefit obligation (DBO) of all pension commitments to former members of the Managing Board and their survivors as of September 30, 2014 and 2013 amounted to €234.4 million and €192.5 million. For additional information see → NOTE 22 POST-EMPLOYMENT BENEFITS.

Compensation attributable to members of the Supervisory Board comprises in fiscal 2014 and 2013 of a base compensation and additional compensation for committee work and amounted to €5.1 million and €4.9 million (including meeting fees), respectively.

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

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. The chapter → B.4 COMPENSATION REPORT is presented within the chapter → B. CORPORATE GOVERNANCE.

In fiscal 2014 and 2013, no other major transactions took place between the Company and the other 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 38 Principal accountant fees and services

Fees related to professional services rendered by the Company's principal accountant, EY, for fiscal 2014 and 2013 were as follows:

(in millions of €)	Year ended September 30,	
	2014	2013
Type of fees		
Audit Services	43.5	45.6
Other Attestation Services	5.9	10.2
Tax Services	0.2	0.1
Other services	–	0.4
Total	49.6	56.3

In fiscal 2014 and 2013, 44% and 50%, respectively, of the total fees related to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Germany.

Audit Services relate primarily to services provided by EY for auditing Siemens' Consolidated Financial Statements and for auditing the statutory financial statements of Siemens AG and its subsidiaries. Other Attestation Services include primarily audits of financial statements in connection with M&A activities, comfort letters and other attestation services required under regulatory requirements, agreements or requested on a voluntary basis. Tax Services are primarily for transitional support, where EY was the historical tax service provider, with tax audits and other follow-up tax compliance services. Other services in fiscal 2013 consist of advisory services provided by EY for a transitional period after they acquired one of Siemens' IT-suppliers in the area of supply chain management in June 2013.

NOTE 39 Corporate Governance

The Managing Board and the Supervisory Board of Siemens Aktiengesellschaft provided the declaration required by Section 161 of the German stock corporation law (AktG) as of October 1, 2014, which is available on the Company's website at: WWW.SIEMENS.COM/GCG-CODE.

NOTE 40 Subsequent events

In November 2014, Siemens announced the sale of its hearing aid business to the investment company EQT and the German entrepreneurial family Strüngmann as co-investors. The transaction volume is €2.15 billion plus an earn-out component and includes that the new owners will also be allowed to continue using the Siemens product brand for the hearing aid business over the medium term. The hearing aid business so far represents a Business Unit within Healthcare. The transaction is subject to approval by the regulatory authorities. Closing is expected in the first quarter of calendar year 2015. The hearing aid business is presented as held for disposal and discontinued operations since the first quarter of fiscal 2015.

NOTE 41 List of subsidiaries and associated companies pursuant to Section 313 para. 2 of the German Commercial Code

September 30, 2014	Equity interest in %
Subsidiaries	
Germany (115 companies)	
Airport Munich Logistics and Services GmbH, Hallbergmoos	100
Alpha Verteilertechnik GmbH, Cham	100 ¹¹
Anlagen- und Rohrleitungsbau Ratingen GmbH, Ratingen	100 ⁸
AS AUDIO-SERVICE Gesellschaft mit beschränkter Haftung, Herford	100
Atecs Mannesmann GmbH, Erlangen	100
Berliner Vermögensverwaltung GmbH, Berlin	100 ¹¹
Blitz 14-658 GmbH, Munich	100 ⁸
Blitz 14-660 GmbH, Munich	100 ⁸
Blitz 14-661 GmbH, Munich	100 ⁸
BWI Services GmbH, Meckenheim	100 ¹¹
CAPTA Grundstücksgesellschaft mbH & Co. KG i.L., Grünwald	100 ¹⁰
Capta Grundstücks-Verwaltungsgesellschaft mbH, Grünwald	100
DA Creative GmbH, Munich	100
Dade Behring Beteiligungs GmbH, Eschborn	100
Dade Behring Grundstücks GmbH, Marburg	100
EDI – USS Umsatzsteuersammelrechnungen und Signaturen GmbH & Co. KG, Munich	100 ¹⁰
EDI – USS Verwaltungsgesellschaft mbH, Munich	100 ⁸
evoSoft GmbH, Nuremberg	100 ¹¹
FACTA Grundstücks-Entwicklungsgesellschaft mbH & Co. KG, Munich	100 ¹⁰
HanseCom Gesellschaft für Informations- und Kommunikationsdienstleistungen mbH, Hamburg	74
HSP Hochspannungsgeräte GmbH, Troisdorf	100 ¹¹
IBS Aktiengesellschaft excellence, collaboration, manufacturing, Höhr-Grenzhausen	100 ¹¹
ILLIT Grundstücks-Verwaltungsgesellschaft mbH & Co. KG i.L., Grünwald	100 ¹⁰
ILLIT Grundstücksverwaltungs-Management GmbH, Grünwald	85
IPGD Grundstücksverwaltungs-Gesellschaft mbH, Grünwald	100
Jawa Power Holding GmbH, Erlangen	100 ¹¹
KompTime GmbH, Munich	100 ¹¹
Kyros 46 Verwaltungs GmbH, Constance	100 ⁸
Lincas Electro Vertriebsgesellschaft mbH, Hamburg	100
Mannesmann Demag Krauss-Maffei GmbH, Munich	100
Mechanik Center Erlangen GmbH, Erlangen	100 ¹¹

- 1 Control due to a majority of voting rights.
- 2 Control due to rights to appoint, reassign or remove members of the key management personnel.
- 3 Control due to contractual arrangements to determine the direction of the relevant activities.
- 4 No control due to substantive removal or participation rights held by other parties.
- 5 No control due to contractual arrangements or legal circumstances.

September 30, 2014	Equity interest in %
messMa GmbH, Irxleben	100
Omnetric GmbH, Munich	51
OPTIO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Tübingen KG, Grünwald	100 ¹⁰
Partikeltherapiezentrum Kiel Holding GmbH, Erlangen	100 ¹¹
Project Ventures Butendiek Holding GmbH, Erlangen	100 ¹¹
Projektbau-Arena-Berlin GmbH, Grünwald	100 ¹¹
R & S Restaurant Services GmbH, Munich	100
REMECH Systemtechnik GmbH, Kamsdorf	100 ¹¹
RHG Vermögensverwaltung GmbH, Berlin	100 ¹¹
RISICOM Rückversicherung AG, Grünwald	100
Samtech Deutschland GmbH, Hamburg	100
Siemens Audiologische Technik GmbH, Erlangen	100
Siemens Bank GmbH, Munich	100
Siemens Beteiligungen Inland GmbH, Munich	100 ¹¹
Siemens Beteiligungen Management GmbH, Grünwald	100 ⁸
Siemens Beteiligungen USA GmbH, Berlin	100 ¹¹
Siemens Beteiligungsverwaltung GmbH & Co. OHG, Grünwald	100 ¹⁰
Siemens Campus Erlangen Grundstücks-GmbH & Co. KG, Grünwald	100 ¹⁰
Siemens Campus Erlangen Objekt 1 GmbH & Co. KG, Grünwald	100 ¹⁰
Siemens Campus Erlangen Objektmanagement GmbH, Grünwald	100 ⁸
Siemens Campus Erlangen Verwaltungs-GmbH, Grünwald	100 ⁸
Siemens Convergence Creators GmbH & Co. KG, Hamburg	100 ¹⁰
Siemens Convergence Creators Management GmbH, Hamburg	100 ⁸
Siemens Energy Automation GmbH, Erlangen	100
Siemens Finance & Leasing GmbH, Munich	100 ¹¹
Siemens Financial Services GmbH, Munich	100 ¹¹
Siemens Fonds Invest GmbH, Munich	100 ¹¹
Siemens Fuel Gasification Technology GmbH & Co. KG, Freiberg	100 ¹⁰
Siemens Fuel Gasification Technology Verwaltungs GmbH, Freiberg	100 ⁸
Siemens Global Innovation Partners Management GmbH, Munich	100 ⁸
Siemens Grundstücksmanagement GmbH & Co. OHG, Grünwald	100 ¹⁰
Siemens Healthcare Diagnostics GmbH, Eschborn	100
Siemens Healthcare Diagnostics Holding GmbH, Eschborn	100
Siemens Healthcare Diagnostics Products GmbH, Marburg	100
Siemens Immobilien Chemnitz-Voerde GmbH, Grünwald	100
Siemens Industriegetriebe GmbH, Penig	100 ¹¹
Siemens Industriepark Karlsruhe GmbH & Co. KG, Grünwald	100 ¹⁰

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

September 30, 2014	Equity interest in %
Siemens Industry Automation Holding AG, Munich	100 ¹¹
Siemens Industry Software GmbH & Co. KG, Cologne	100 ¹⁰
Siemens Industry Software Management GmbH, Cologne	100 ⁸
Siemens Insulation Center GmbH & Co. KG, Zwönitz	100 ¹⁰
Siemens Insulation Center Verwaltungs-GmbH, Zwönitz	100 ⁸
Siemens Medical Solutions Health Services GmbH, Erlangen	100
Siemens Nixdorf Informationssysteme GmbH, Grünwald	100
Siemens Novel Businesses GmbH, Munich	100 ¹¹
Siemens Postal, Parcel & Airport Logistics GmbH, Constance	100 ⁸
Siemens Power Control GmbH, Langen	100 ¹¹
Siemens Private Finance Versicherungs- und Kapitalanlagenvermittlung-GmbH, Munich	100 ¹¹
Siemens Project Ventures GmbH, Erlangen	100 ¹¹
Siemens Real Estate GmbH & Co. OHG, Grünwald	100 ¹⁰
Siemens Real Estate Management GmbH, Grünwald	100 ⁸
Siemens Spezial-Investmentaktiengesellschaft mit TGV, Munich	100
Siemens Technology Accelerator GmbH, Munich	100 ¹¹
Siemens Technopark Mülheim GmbH & Co. KG, Grünwald	100 ¹⁰
Siemens Technopark Mülheim Verwaltungs GmbH, Grünwald	100
Siemens Technopark Nürnberg GmbH & Co. KG, Grünwald	100 ¹⁰
Siemens Technopark Nürnberg Verwaltungs GmbH, Grünwald	100
Siemens Treasury GmbH, Munich	100 ¹¹
Siemens Turbomachinery Equipment GmbH, Frankenthal	100 ¹¹
Siemens VAI Metals Technologies GmbH, Willstätt-Legelschurst	100
Siemens Venture Capital GmbH, Munich	100 ¹¹
SILLIT Grundstücks-Verwaltungsgesellschaft mbH, Munich	100
SIM 16. Grundstücksverwaltungs- und -beteiligungs-GmbH & Co. KG, Munich	100 ¹⁰
SIM 2. Grundstücks-GmbH & Co. KG, Grünwald	100 ¹⁰
SIMAR Nordost Grundstücks-GmbH, Grünwald	100 ¹¹
SIMAR Nordwest Grundstücks-GmbH, Grünwald	100 ¹¹
SIMAR Ost Grundstücks-GmbH, Grünwald	100 ¹¹
SIMAR Süd Grundstücks-GmbH, Grünwald	100 ¹¹
SIMAR West Grundstücks-GmbH, Grünwald	100 ¹¹
SIMOS Real Estate GmbH, Munich	100 ¹¹
SKAG Fonds C1, Munich	100
SKAG Fonds S7, Munich	100
SKAG Fonds S8, Munich	100
SKAG Principals, Munich	100
Sky Eye Transportation Systems GmbH i.L., Braunschweig	100 ⁸
SYKATEC Systeme, Komponenten, Anwendungstechnologie GmbH, Erlangen	100 ¹¹
Trench Germany GmbH, Bamberg	100 ¹¹
Turbine Airfoil Coating and Repair GmbH, Berlin	100

- 1 Control due to a majority of voting rights.
- 2 Control due to rights to appoint, reassign or remove members of the key management personnel.
- 3 Control due to contractual arrangements to determine the direction of the relevant activities.
- 4 No control due to substantive removal or participation rights held by other parties.
- 5 No control due to contractual arrangements or legal circumstances.

September 30, 2014	Equity interest in %
Verwaltung SeaReenergy Offshore Projects GmbH i.L., Hamburg	100
VIB Verkehrsinformationsagentur Bayern GmbH, Munich	51
VMZ Berlin Betriebsgesellschaft mbH, Berlin	100
VR-LEASING IKANA GmbH & Co. Immobilien KG, Eschborn	94 ³
VVK Versicherungsvermittlungs- und Verkehrskontor GmbH, Munich	100 ¹¹
Weiss Spindeltechnologie GmbH, Schweinfurt	100

Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany) (260 companies)

ESTEL Rail Automation SPA, Algiers/Algeria	51
Siemens Spa, Algiers/Algeria	100
Siemens S.A., Luanda/Angola	51
ETM professional control GmbH, Eisenstadt/Austria	100
Hochquellstrom-Vertriebs GmbH, Vienna/Austria	100
ITH icoserve technology for healthcare GmbH, Innsbruck/Austria	69
KDAG Beteiligungen GmbH, Vienna/Austria	100
Landis & Staefa (Österreich) GmbH, Vienna/Austria	100
Landis & Staefa GmbH, Vienna/Austria	100
Omnetric GmbH, Vienna/Austria	100
Saudi VOEST-ALPINE GmbH, Linz/Austria	100
Siemens Aktiengesellschaft Österreich, Vienna/Austria	100
Siemens Convergence Creators GmbH, Eisenstadt/Austria	100
Siemens Convergence Creators GmbH, Vienna/Austria	100
Siemens Convergence Creators Holding GmbH, Vienna/Austria	100
Siemens Gebäudemanagement & -Services G.m.b.H., Vienna/Austria	100
Siemens Healthcare Diagnostics GmbH, Vienna/Austria	100
Siemens Industry Software GmbH, Linz/Austria	100
Siemens Konzernbeteiligungen GmbH, Vienna/Austria	100
Siemens Liegenschaftsverwaltung GmbH, Vienna/Austria	100
Siemens Personaldienstleistungen GmbH, Vienna/Austria	100
Siemens Urban Rail Technologies Holding GmbH, Vienna/Austria	75
Siemens VAI Metals Technologies GmbH, Linz/Austria	100
Steiermärkische Medizinarchiv GesmbH, Graz/Austria	52
Trench Austria GmbH, Leonding/Austria	100
VVK Versicherungsvermittlungs- und Verkehrs-Kontor GmbH, Vienna/Austria	100
Siemens W.L.L., Manama/Bahrain	51
Samtech SA, Angleur/Belgium	79
Siemens Healthcare Diagnostics SA, Brussels/Belgium	100
Siemens Industry Software NV, Leuven/Belgium	100

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

September 30, 2014	Equity interest in %
Siemens Product Lifecycle Management Software II (BE) BVBA, Anderlecht/Belgium	100
Siemens S.A./N.V., Beersel/Belgium	100
Siemens VAI Metal Technologies S.A./N.V, Beersel/Belgium	100 ⁸
Siemens d.o.o., Banja Luka/Bosnia and Herzegovina	100
Siemens d.o.o. Sarajevo, Sarajevo/Bosnia and Herzegovina	100
Siemens Pty. Ltd., Gaborone/Botswana	100
Siemens EOOD, Sofia/Bulgaria	100
Koncar Power Transformers d.o.o., Zagreb/Croatia	51
Siemens Convergence Creators d.o.o., Zagreb/Croatia	100
Siemens d.d., Zagreb/Croatia	100
J. N. Kelly Security Holding Limited, Larnaka/Cyprus	100
OEZ s.r.o., Letohrad/Czech Republic	100
Siemens Audiologická Technika s.r.o., Prague/Czech Republic	100
Siemens Convergence Creators, s.r.o., Prague/Czech Republic	100
Siemens Electric Machines s.r.o., Drasov/Czech Republic	100
Siemens Industry Software, s.r.o., Prague/Czech Republic	100
Siemens VAI Metals Technologies, s.r.o., Ostrava/Czech Republic	100 ⁸
Siemens, s.r.o., Prague/Czech Republic	100
Siemens A/S, Ballerup/Denmark	100
Siemens Healthcare Diagnostics ApS, Ballerup/Denmark	100
Siemens Høreapparater A/S, Ballerup/Denmark	100
Siemens Industry Software A/S, Ballerup/Denmark	100
Siemens Wind Power A/S, Brande/Denmark	100
NEM Energy Egypt LLC, Alexandria/Egypt	100
Siemens Healthcare Diagnostics S.A.E, Cairo/Egypt	100
Siemens Ltd. for Trading, Cairo/Egypt	100
Siemens Technologies S.A.E., Cairo/Egypt	90
Siemens Healthcare Diagnostics OY, Espoo/Finland	100
Siemens Osakeyhtiö, Espoo/Finland	100
Flender-Graffenstaden SAS, Illkirch-Graffenstaden/France	100
LMS France S.A.R.L, Vélizy-Villacoublay/France	100
LMS Imagine, Roanne/France	100
PETNET Solutions SAS, Saint-Denis/France	100
Samtech France, Massy/France	100
Siemens Audiologie S.A.S., Saint-Denis/France	100
Siemens Financial Services SAS, Saint-Denis/France	100
Siemens France Holding, Saint-Denis/France	100
Siemens Healthcare Diagnostics S.A.S., Saint-Denis/France	100
Siemens Industry Software SAS, Vélizy-Villacoublay/France	100
Siemens Lease Services SAS, Saint-Denis/France	100
SIEMENS Postal Parcel Airport Logistics S.A.S., Paris/France	100 ⁸
Siemens S.A.S., Saint-Denis/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 substantive removal or participation rights held by other parties.
- 5 No control due to contractual arrangements or legal circumstances.

September 30, 2014	Equity interest in %
Siemens VAI Metals Technologies SAS, Savigneux/France	100
Trench France S.A.S., Saint-Louis/France	100
Tecnomatix Technologies (Gibraltar) Limited, Gibraltar/Gibraltar	100
Siemens A.E., Elektrotechnische Projekte und Erzeugnisse, Athens/Greece	100
Siemens Healthcare Diagnostics ABEE, Athens/Greece	100
evosoft Hungary Szamitastechnikai Kft., Budapest/Hungary	100
Siemens Audiológiai Technika Kereskedelmi és Szolgáltató Korlátolt Felelősségű Társaság, Budapest/Hungary	100
Siemens PSE Program- és Rendszerfejlesztő Kft., Budapest/Hungary	100
Siemens Zrt., Budapest/Hungary	100
Siemens Sherkaté Sahami (Khas), Teheran/Iran, Islamic Republic of	97
Europlex Technologies (Ireland) Limited, Dublin/Ireland	100
iMetrex Technologies Limited, Dublin/Ireland	100
Siemens Limited, Dublin/Ireland	100
Robcad Limited, Airport City/Israel	100
Siemens Concentrated Solar Power Ltd., Rosh HaAyin/Israel	100
Siemens Industry Software Ltd., Airport City/Israel	100
Siemens Israel Ltd., Tel Aviv/Israel	100
Siemens Israel Projects Ltd., Rosh HaAyin/Israel	100 ⁸
Siemens Product Lifecycle Management Software 2 (IL) Ltd., Airport City/Israel	100
UGS Israeli Holdings (Israel) Ltd., Airport City/Israel	100
HV-Turbo Italia S.r.l., Mornago/Italy	100
Samtech Italia S.r.l., Milan/Italy	100
Siemens Healthcare Diagnostics S.r.l., Milan/Italy	100
Siemens Hearing Instruments S.r.l., Milan/Italy	100
Siemens Industry Software S.r.l., Milan/Italy	100
Siemens Postal, Parcel & Airport Logistics S.r.l., Milan/Italy	100
Siemens Renting S.p.A. in Liquidazione, Milan/Italy	100
Siemens S.p.A., Milan/Italy	100
Siemens Transformers S.p.A., Trento/Italy	100
Siemens VAI Metals Technologies S.r.l., Marnate/Italy	100 ⁸
Trench Italia S.r.l., Savona/Italy	100
Siemens TOO, Almaty/Kazakhstan	100
Siemens Kenya Ltd., Nairobi/Kenya	100
Siemens Electrical & Electronic Services K.S.C.C., Kuwait City/Kuwait	49 ²
Tecnomatix Technologies SARL, Luxembourg/Luxembourg	100
TFM International S.A. i.L., Luxembourg/Luxembourg	100
Siemens d.o.o. Podgorica, Podgorica/Montenegro	100

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

September 30, 2014	Equity interest in %
SCIENTIFIC MEDICAL SOLUTION DIAGNOSTICS S.A.R.L., Casablanca/Morocco	100
Siemens Plant Operations Tahaddart SARL, Tanger/Morocco	100
Siemens S.A., Casablanca/Morocco	100
Siemens Lda., Maputo/Mozambique	100
Siemens Pty. Ltd., Windhoek/Namibia	100
Castor III B.V., Amsterdam/Netherlands	100
LMS Instruments BV, Breda/Netherlands	100
NEM Energy B.V., Leiden/Netherlands	100
NEM Energy Holding B.V., The Hague/Netherlands	100
Omnetric B.V., The Hague/Netherlands	100
Pollux III B.V., Amsterdam/Netherlands	100
Siemens Audiologie Techniek B.V., The Hague/Netherlands	100
Siemens Diagnostics Holding II B.V., The Hague/Netherlands	100
Siemens Finance B.V., The Hague/Netherlands	100
Siemens Financieringsmaatschappij N.V., The Hague/Netherlands	100
Siemens Gas Turbine Technologies Holding B.V., The Hague/Netherlands	65
Siemens Healthcare Diagnostics B.V., Breda/Netherlands	100
Siemens Industry Software B.V., 's-Hertogenbosch/Netherlands	100
Siemens International Holding B.V., The Hague/Netherlands	100
Siemens Medical Solutions Diagnostics Holding I B.V., The Hague/Netherlands	100
Siemens Nederland N.V., The Hague/Netherlands	100
Siemens Ltd., Lagos/Nigeria	100
Siemens AS, Oslo/Norway	100
Siemens Healthcare Diagnostics AS, Oslo/Norway	100
Siemens Höreapparater AS, Oslo/Norway	100
Siemens L.L.C., Muscat/Oman	51
Siemens Pakistan Engineering Co. Ltd., Karachi/Pakistan	75
Audio SAT Sp. z o.o., Poznan/Poland	100
Siemens Finance Sp. z o.o., Warsaw/Poland	100
Siemens Industry Software Sp. z o.o., Warsaw/Poland	100
Siemens Sp. z o.o., Warsaw/Poland	100
Siemens VAI Metals Technologies Spółka z ograniczona odpowiedzialnoscia, Cracow/Poland	100 ⁸
Siemens Healthcare Diagnostics, 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

September 30, 2014	Equity interest in %
SIEMENS (AUSTRIA) PROIECT SPITAL COLTEA SRL, Bucharest/Romania	100
Siemens Convergence Creators S.R.L., Brasov/Romania	100
Siemens Industry Software S.R.L., Brasov/Romania	100
Siemens S.R.L., Bucharest/Romania	100
SIMEA SIBIU S.R.L., Sibiu/Romania	100
OOO Legion II, Moscow/Russian Federation	100
OOO Russian Turbo Machinery, Perm/Russian Federation	100
OOO Siemens, Moscow/Russian Federation	100
OOO Siemens Elektroprivod, St. Petersburg/Russian Federation	66
OOO Siemens Gas Turbine Technologies, Novoe Devyatki/Russian Federation	100
OOO Siemens High Voltage Products, Ufimsky District/Russian Federation	100
OOO Siemens Industry Software, Moscow/Russian Federation	100
OOO Siemens Transformers, Voronezh/Russian Federation	100
OOO Siemens Urban Rail Technologies, Moscow/Russian Federation	100
OOO Siemens VAI Metals Technologies, Moscow/Russian Federation	100 ⁸
Siemens Finance LLC, Vladivostok/Russian Federation	100
Siemens Research Center Limited Liability Company, Moscow/Russian Federation	100
Arabia Electric Ltd. (Equipment), Jeddah/Saudi Arabia	51
ISCOSA Industries and Maintenance Ltd., Riyadh/Saudi Arabia	51
Siemens Ltd., Riyadh/Saudi Arabia	51
VA TECH T & D Co. Ltd., Riyadh/Saudi Arabia	51
Westinghouse Saudi Arabia Ltd., Riyadh/Saudi Arabia	100 ⁸
Siemens d.o.o. Beograd, Belgrade/Serbia	100
OEZ Slovakia, spol. s r.o., Bratislava/Slovakia	100
SAT Systémy automatizacnej techniky spol. s r.o., Bratislava/Slovakia	60
Siemens Program and System Engineering 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
Linacre Investments (Pty) Ltd., Kenilworth/South Africa	0 ³
Marqott (Proprietary) Limited, Pretoria/South Africa	100
Marqott Holdings (Pty.) Ltd., Pretoria/South Africa	100
Siemens (Proprietary) Limited, Midrand/South Africa	70
Siemens Building Technologies (Pty) Ltd., Midrand/South Africa	100
Siemens Employee Share Ownership Trust, Johannesburg/South Africa	0 ³

1 Control due to a majority of voting rights.

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

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

4 No control due to substantive removal or participation rights held by other parties.

5 No control due to contractual arrangements or legal circumstances.

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

7 Significant influence due to contractual arrangements or legal circumstances.

8 Not consolidated due to immateriality.

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

10 Exemption pursuant to Section 264 b German Commercial Code.

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

September 30, 2014	Equity interest in %
Siemens Healthcare Diagnostics (Pty.) Limited, Isando/South Africa	100
Siemens Hearing Solution (Pty.) Ltd., Randburg/South Africa	100
Siemens IT Solutions and Services (Pty) Ltd., Johannesburg/South Africa	100
Fábrica Electrotécnica Josa, S.A., Barcelona/Spain	100
Petnet Soluciones, S.L., Sociedad Unipersonal, Madrid/Spain	100
Samtech Iberica Engineering & Software Services S.L., Barcelona/Spain	100
Siemens Healthcare Diagnostics S.L., Barcelona/Spain	100
Siemens Holding S.L., Madrid/Spain	100
Siemens Industry Software S.L., Barcelona/Spain	100
SIEMENS POSTAL, PARCEL & AIRPORT LOGISTICS, S.L. Sociedad Unipersonal, Madrid/Spain	100
Siemens Rail Automation Holding S.A., 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
Telecomunicación, Electrónica y Conmutación S.A., Madrid/Spain	100
Siemens AB, Upplands Väsby/Sweden	100
Siemens Financial Services AB, Stockholm/Sweden	100
Siemens Healthcare Diagnostics AB, Södertälje/Sweden	100
Siemens Industrial Turbomachinery AB, Finspång/Sweden	100
Siemens Industry Software AB, Kista/Sweden	100
Huba Control AG, Würenlos/Switzerland	100
Siemens Audiologie AG, Adliswil/Switzerland	100
Siemens Fuel Gasification Technology Holding AG, Zug/Switzerland	100
Siemens Healthcare Diagnostics AG, Zurich/Switzerland	100
Siemens Industry Software AG, Zurich/Switzerland	100
Siemens Postal, Parcel & Airport Logistics AG, Zurich/Switzerland	100
Siemens Power Holding AG, Zug/Switzerland	100
Siemens Schweiz AG, Zurich/Switzerland	100
Stadt/Land Immobilien AG, Zurich/Switzerland	100
Siemens Tanzania Ltd., Dar es Salaam/Tanzania, United Republic of	100
Siemens S.A., Tunis/Tunisia	100
Siemens Finansal Kiralama A.S., Istanbul/Turkey	100
Siemens Isitme Cihazlari Sanayi Ve Ticaret Anonim Sirketi, Istanbul/Turkey	100
Siemens Sanayi ve Ticaret A.S., Istanbul/Turkey	100

September 30, 2014	Equity interest in %
Siemens VAI Metal Teknolojileri Sanayi ve Ticaret A.S., Istanbul / Turkey	100 ⁶
100% foreign owned subsidiary "Siemens Ukraine", Kiev/Ukraine	100
LIMITED LIABILITY COMPANY "SIEMENS VAI METALS TECHNOLOGIES", Kiev/Ukraine	100 ⁶
Gulf Steam Generators L.L.C., Dubai/United Arab Emirates	100
SD (Middle East) LLC, 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
Electrium Sales Limited, Frimley, Surrey/United Kingdom	100
GyM Renewables Limited, Frimley, Surrey/United Kingdom	100
GyM Renewables ONE Limited, Frimley, Surrey/United Kingdom	100
Leuven Measurement & Systems UK Limited, Frimley, Surrey/United Kingdom	100
Marine Current Turbines Limited, Frimley, Surrey/United Kingdom	100
Preactor International Limited, Frimley, Surrey/United Kingdom	100
Project Ventures Rail Investments I Limited, Frimley, Surrey/United Kingdom	100
Samtech UK Limited, Frimley, Surrey/United Kingdom	100
SBS Pension Funding (Scotland) Limited Partnership, Edinburgh/United Kingdom	57 ³
Sea Generation (Brough Ness) Limited, Frimley, Surrey/United Kingdom	100
Sea Generation (Kyle Rhea) Limited, Frimley, Surrey/United Kingdom	100
Sea Generation (Wales) Ltd., Frimley, Surrey/United Kingdom	100
Sea Generation 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 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 Hearing Instruments Ltd., Crawley, West Sussex/United Kingdom	100
Siemens Holdings plc, Frimley, Surrey/United Kingdom	100
Siemens Industrial Turbomachinery Ltd., 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 substantive removal or participation rights held by other parties.

5 No control due to contractual arrangements or legal circumstances.

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

7 Significant influence due to contractual arrangements or legal circumstances.

8 Not consolidated due to immateriality.

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

10 Exemption pursuant to Section 264 b German Commercial Code.

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

September 30, 2014	Equity interest in %
Siemens Industry Software Limited, Frimley, Surrey/United Kingdom	100
Siemens Pension Funding (General) Limited, Frimley, Surrey/United Kingdom	100
Siemens Pension Funding Limited, Frimley, Surrey/United Kingdom	100
Siemens plc, Frimley, Surrey/United Kingdom	100
Siemens Postal, Parcel & Airport Logistics Limited, Frimley, Surrey/United Kingdom	100
Siemens Protection Devices Limited, Frimley, Surrey/United Kingdom	100
Siemens Rail Automation Holdings Limited, Frimley, Surrey/United Kingdom	100
Siemens Rail Automation Limited, Frimley, Surrey/United Kingdom	100
Siemens Rail Systems Project Holdings Limited, Frimley, Surrey/United Kingdom	100
Siemens Rail Systems Project Limited, Frimley, Surrey/United Kingdom	100
Siemens Transmission & Distribution Limited, Frimley, Surrey/United Kingdom	100
Siemens VAI Metals Technologies Limited, Frimley, Surrey/United Kingdom	100
The Preactor Group Limited, Frimley, Surrey/United Kingdom	100
Tronic Ltd., Frimley, Surrey/United Kingdom	100
VA TECH (UK) Ltd., Frimley, Surrey/United Kingdom	100
VA Tech Reyrolle Distribution Ltd., Frimley, Surrey/United Kingdom	100
VA TECH T & D UK Ltd., Frimley, Surrey/United Kingdom	100
VTW Anlagen UK Ltd., Banbury, Oxfordshire/United Kingdom	100
Americas (96 companies)	
Siemens IT Services S.A., Buenos Aires/Argentina	100
Siemens S.A., Buenos Aires/Argentina	100
VA TECH International Argentina SA, Buenos Aires/Argentina	100
Siemens Soluciones Tecnologicas S.A., Santa Cruz de la Sierra/Bolivia, Plurinational State of	100
Chemtech Servicos de Engenharia e Software Ltda., Rio de Janeiro/Brazil	100
Iriel Indústria e Comércio de Sistemas Eléctricos Ltda., Canoas/Brazil	100
LMS da América do Sul Servicos de Engenharia Ltda, São Caetano do Sul/Brazil	100
Siemens Aparelhos Auditivos Ltda., São Paulo/Brazil	100

September 30, 2014	Equity interest in %
Siemens Eletroeletronica Limitada, Manaus/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 Rail Automation Ltda., São Paulo/Brazil	100
Siemens VAI Metals Services Ltda., Volta Redonda/Brazil	100
VAI – INGDESI Automation Ltda., Belo Horizonte/Brazil	100
Hearcanada Inc., Oakville/Canada	100
Siemens Canada Ltd., Ontario/Canada	100
Siemens Financial Ltd., Oakville/Canada	100
Siemens Hearing Instruments Inc., Ontario/Canada	100
Siemens Industry Software Ltd., Ontario/Canada	100
Siemens Postal, Parcel & Airport Logistics Ltd., Oakville/Canada	100
Siemens Transformers Canada Inc., Trois-Rivières/Canada	100
Trench Ltd., Saint John/Canada	100
Wheelabrator Air Pollution Control (Canada) Inc., Ontario/Canada	100
Siemens Healthcare Diagnostics Manufacturing Limited, George Town/Cayman Islands	100
Siemens S.A., Santiago de Chile/Chile	100
Siemens Manufacturing S.A., Bogotá/Colombia	100
Siemens S.A., Costado Sur – Tenjo/Colombia	100
Siemens Healthcare Diagnostics S.A., San José/Costa Rica	100
Siemens S.A., San José/Costa Rica	100
Siemens, S.R.L., Santo Domingo/Dominican Republic	100
Siemens S.A., Quito/Ecuador	100
Siemens S.A., San Salvador/El Salvador	100
SIEMENS HEALTHCARE DIAGNOSTICS GUATEMALA, S.A., Guatemala/Guatemala	100
Siemens S.A., Guatemala/Guatemala	100
Siemens S.A., Tegucigalpa/Honduras	100
Dade Behring, S.A. de C.V., México, D.F./Mexico	100
Grupo Siemens S.A. de C.V., México, D.F./Mexico	100
Industria de Trabajos Eléctricos S.A. de C.V., Ciudad Juárez/Mexico	100
Siemens Healthcare Diagnostics, S. de R.L. de C.V., México, D.F./Mexico	100
Siemens Industry Software, SA de CV, México, D.F./Mexico	100
Siemens Inmobiliaria S.A. de C.V., México, D.F./Mexico	100
Siemens Innovaciones S.A. de C.V., México, D.F./Mexico	100
Siemens Servicios S.A. de C.V., México, D.F./Mexico	100
Siemens VAI Metals Technologies, S. de R.L. de C.V., Apodaca/Mexico	100*
Siemens, S.A. de C.V., México, D.F./Mexico	100

1 Control due to a majority of voting rights.

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

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

4 No control due to substantive removal or participation rights held by other parties.

5 No control due to contractual arrangements or legal circumstances.

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

7 Significant influence due to contractual arrangements or legal circumstances.

8 Not consolidated due to immateriality.

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

10 Exemption pursuant to Section 264 b German Commercial Code.

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

September 30, 2014	Equity interest in %
Siemens S.A., Managua/Nicaragua	100
Siemens Healthcare Diagnostics Panama, S.A., Panama City/Panama	100
Siemens S.A., Panama City/Panama	100
Siemens S.A.C., Lima/Peru	100
Audiology Distribution, LLC, Wilmington, DE/United States	100
eMeter Corporation, Wilmington, DE/United States	100
FCE International, LLC, Huntingdon Valley, PA/United States	100
HearUSA IPA, Inc., New York, NY/United States	100
HearX West LLC, Wilmington, DE/United States	50 ²
HearX West, Inc., Los Angeles, CA/United States	100
IBS America, Inc., Wilmington, DE/United States	100
Mannesmann Corporation, New York, NY/United States	100
NEM USA Corp., Wilmington, DE/United States	100
Nimbus Technologies, LLC, Bingham Farms, MI/United States	100
Omnetric Corp., Wilmington, DE/United States	100
P.E.T.NET Houston, LLC, Austin, TX/United States	51
PETNET Indiana LLC, Indianapolis, IN/United States	50 ¹
PETNET Solutions Cleveland, LLC, Wilmington, DE/United States	63
PETNET Solutions, Inc., Knoxville, TN/United States	100
Siemens Capital Company LLC, Wilmington, DE/United States	100
Siemens Convergence Creators Corp., Wilmington, DE/United States	100
Siemens Corporation, Wilmington, DE/United States	100
Siemens Credit Warehouse, Inc., Wilmington, DE/United States	100
Siemens Demag Delaval Turbomachinery, Inc., Wilmington, DE/United States	100
Siemens Electrical, LLC, Wilmington, DE/United States	100
Siemens Energy, Inc., Wilmington, DE/United States	100
Siemens Financial Services, Inc., Wilmington, DE/United States	100
Siemens Financial, Inc., Wilmington, DE/United States	100
Siemens Fossil Services, Inc., Wilmington, DE/United States	100
Siemens Generation Services Company, Wilmington, DE/United States	100
Siemens Government Technologies, Inc., Wilmington, DE/United States	100
Siemens Healthcare Diagnostics Inc., Los Angeles, CA/United States	100
Siemens Hearing Instruments, Inc., Wilmington, DE/United States	100
Siemens Industry, Inc., Wilmington, DE/United States	100

September 30, 2014	Equity interest in %
Siemens Medical Solutions USA, Inc., Wilmington, DE/United States	100
Siemens Molecular Imaging, Inc., Wilmington, DE/United States	100
Siemens Postal, Parcel & Airport Logistics LLC, Wilmington, DE/United States	100
Siemens Power Generation Service Company, Ltd., Wilmington, DE/United States	100
Siemens Product Lifecycle Management Software Inc., Wilmington, DE/United States	100
Siemens Public, Inc., Wilmington, DE/United States	100
Siemens USA Holdings, Inc., Wilmington, DE/United States	100
Siemens VAI Metals Technologies LLC, Wilmington, DE/United States	100 ⁸
SMI Holding LLC, Wilmington, DE/United States	100
Wheelabrator Air Pollution Control Inc., Baltimore, MD/United States	100
Winery Drive Systems Corporation, Wilmington, DE/United States	100
Siemens S.A., Montevideo/Uruguay	100
Siemens Telecomunicaciones S.A., Montevideo/Uruguay	100
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 (133 companies)	
Australia Hospital Holding Pty Limited, Bayswater/Australia	100
Exemplar Health (NBH) 2 Pty Limited, Bayswater/Australia	100 ⁸
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 ⁸
Exemplar Health (SCUH) 4 Pty Limited, Bayswater/Australia	100 ⁸
Exemplar Health (SCUH) Holdings 3 Pty Limited, Bayswater/Australia	100
Exemplar Health (SCUH) Holdings 4 Pty Limited, Bayswater/Australia	100
Exemplar Health (SCUH) Trust 3, Bayswater/Australia	100
Exemplar Health (SCUH) Trust 4, Bayswater/Australia	100
Memcor Australia Pty. Ltd., South Windsor/Australia	100
Siemens Hearing Instruments Pty. Ltd., Bayswater/Australia	100
Siemens Ltd., Bayswater/Australia	100

1 Control due to a majority of voting rights.

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

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

4 No control due to substantive removal or participation rights held by other parties.

5 No control due to contractual arrangements or legal circumstances.

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

7 Significant influence due to contractual arrangements or legal circumstances.

8 Not consolidated due to immateriality.

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

10 Exemption pursuant to Section 264 b German Commercial Code.

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

September 30, 2014	Equity interest in %
Siemens Rail Automation Holding Pty. Ltd., Clayton/Australia	100
SIEMENS RAIL AUTOMATION INVESTMENT PTY. LTD., Clayton/Australia	100
SIEMENS RAIL AUTOMATION PTY. LTD., Clayton/Australia	100
Westinghouse McKenzie-Holland Pty Ltd, Clayton/Australia	100
Siemens Bangladesh Ltd., Dhaka/Bangladesh	100
Beijing Siemens Cerberus Electronics Ltd., Beijing/China	100
DPC (Tianjin) Co., Ltd., Tianjin/China	100
GIS Steel & Aluminum Products Co., Ltd. Hangzhou, Hangzhou/China	51
IBS Industrial Business Software (Shanghai), Ltd., Shanghai/China	100
MWB (Shanghai) Co Ltd., Shanghai/China	65
Siemens Building Technologies (Tianjin) Ltd., Tianjin/China	70
Siemens Business Information Consulting Co., Ltd. Beijing/China	100
Siemens Circuit Protection Systems Ltd., Shanghai, Shanghai/China	75
Siemens Eco-City Innovation Technologies (Tianjin) Co., Ltd., Tianjin/China	60
Siemens Electrical Apparatus Ltd., Suzhou, Suzhou/China	100
Siemens Electrical Drives (Shanghai) Ltd., Shanghai/China	100
Siemens Electrical Drives Ltd., Tianjin/China	85
Siemens Factory Automation Engineering Ltd., Beijing/China	100
Siemens Finance and Leasing Ltd., Beijing/China	100
Siemens Financial Services Ltd., Beijing/China	100
Siemens Gas Turbine Parts Ltd., Shanghai, Shanghai/China	51
Siemens Healthcare Diagnostics (Shanghai) Co. Ltd., Shanghai/China	100
Siemens Hearing Instruments (Suzhou) Co. Ltd., Suzhou/China	100
Siemens High Voltage Circuit Breaker Co., Ltd., Hangzhou, Hangzhou/China	51
Siemens High Voltage Switchgear Co., Ltd. Shanghai, Shanghai/China	51
Siemens High Voltage Switchgear Guangzhou Ltd., Guangzhou/China	94
Siemens Industrial Automation Ltd., Shanghai, Shanghai/China	100
Siemens Industrial Turbomachinery (Huludao) Co. Ltd., Huludao/China	84
Siemens Industry Software (Beijing) Co., Ltd., Beijing/China	100
Siemens Industry Software (Shanghai) Co., Ltd., Shanghai/China	100
Siemens International Trading Ltd., Shanghai, Shanghai/China	100
Siemens Investment Consulting Co., Ltd., Beijing/China	100
Siemens Ltd., China, Beijing/China	100

September 30, 2014	Equity interest in %
Siemens Manufacturing and Engineering Centre Ltd., Shanghai/China	51
Siemens Mechanical Drive Systems (Tianjin) Co., Ltd., Tianjin/China	100
Siemens Medium Voltage Switching Technologies (Wuxi) Ltd., Wuxi/China	85
Siemens Numerical Control Ltd., Nanjing, Nanjing/China	80
Siemens PLM Software (Shenzhen) Limited, Shenzhen/China	100
Siemens Power Automation Ltd., Nanjing/China	100
Siemens Power Equipment Packages Co. Ltd., Shanghai, Shanghai/China	65
Siemens Power Plant Automation Ltd., Nanjing/China	100
Siemens Rail Automation Technical Consulting Services (Beijing) Co. Ltd., Beijing/China	100
Siemens Real Estate Management (Beijing) Ltd., Co., Beijing/China	100
Siemens Sensors & Communication Ltd., Dalian/China	100
Siemens Shanghai Medical Equipment Ltd., Shanghai/China	100
Siemens Shenzhen Magnetic Resonance Ltd., Shenzhen/China	100
Siemens Signalling Co. Ltd., Xi'an, Xi'an/China	70
Siemens Special Electrical Machines Co. Ltd., Changzhi/China	77
Siemens Standard Motors Ltd., Yizheng/China	100
Siemens Surge Arresters Ltd., Wuxi/China	100
Siemens Switchgear Ltd., Shanghai, Shanghai/China	55
Siemens Technology Development Co., Ltd. of Beijing, Beijing/China	90
Siemens Transformer (Guangzhou) Co., Ltd., Guangzhou/China	63
Siemens Transformer (Jinan) Co., Ltd, Jinan/China	90
Siemens Transformer (Wuhan) Company Ltd., Wuhan City/China	100
Siemens VAI International Trading Co., Ltd., Shanghai, Shanghai/China	100 ⁸
Siemens VAI Manufacturing (Taicang) Co., Ltd., Taicang/China	100
Siemens VAI Metals Technologies Co., Ltd., Shanghai, Shanghai/China	100
Siemens Venture Capital Co., Ltd., Beijing/China	100
Siemens Water Technologies Ltd., Beijing/China	100
Siemens Wind Power Blades (Shanghai) Co., Ltd., Shanghai/China	100
Siemens Wind Power Turbines (Shanghai) Co. Ltd., Shanghai/China	49 ²
Siemens Wiring Accessories Shandong Ltd., Zibo/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 substantive removal or participation rights held by other parties.

5 No control due to contractual arrangements or legal circumstances.

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

7 Significant influence due to contractual arrangements or legal circumstances.

8 Not consolidated due to immateriality.

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

10 Exemption pursuant to Section 264 b German Commercial Code.

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

September 30, 2014	Equity interest in %
Siemens X-Ray Vacuum Technology Ltd., Wuxi, Wuxi/China	100
Smart Metering Solutions (Changsha) Co. Ltd., Changsha/China	60
Trench High Voltage Products Ltd., Shenyang, Shenyang/China	65
Winergy Drive Systems (Tianjin) Co. Ltd., Tianjin/China	100
Yangtze Delta Manufacturing Co. Ltd., Hangzhou, Hangzhou/China	51
Asia Care Holding Limited, Hong Kong/Hong Kong	100 ⁸
SAMTECH HK Ltd, Hong Kong/Hong Kong	100
Siemens Industry Software Limited, Hong Kong/Hong Kong	100
Siemens Ltd., Hong Kong/Hong Kong	100
Siemens Postal, Parcel & Airport Logistics Limited, Hong Kong/Hong Kong	100
LMS India Engineering Solutions Pvt Ltd, Chennai/India	100
PETNET Radiopharmaceutical Solutions Pvt. Ltd., New Delhi/India	100
Powerplant Performance Improvement Ltd., New Delhi/India	50 ¹
Preactor Software India Private Limited, Bangalore/India	100
Siemens Convergence Creators Private Limited, Mumbai/India	100
Siemens Financial Services Private Limited, Mumbai/India	100
Siemens Hearing Instruments Pvt. Ltd., Bangalore/India	100
Siemens Industry Software (India) Private Limited, New Delhi/India	100
Siemens Ltd., Mumbai/India	75
Siemens Postal and Parcel Logistics Technologies Private Limited, Mumbai/India	100 ⁸
Siemens Postal Parcel & Airport Logistics Private Limited, Mumbai/India	100
Siemens Rail Automation Pvt. Ltd., Bangalore/India	100
Siemens Technology and Services Private Limited, Mumbai/India	100
P.T. Siemens Indonesia, Jakarta/Indonesia	100
PT. Siemens Industrial Power, Kota Bandung/Indonesia	60
Siemens Hearing Instruments Batam, PT, Batam/Indonesia	100
Acrorad Co., Ltd., Okinawa/Japan	57
Best Sound K.K., Sagamihara/Japan	100
Siemens Healthcare Diagnostics K.K., Tokyo/Japan	100
Siemens Hearing Instruments K.K., Tokyo/Japan	100
Siemens Industry Software K.K., Tokyo/Japan	100
Siemens Industry Software Simulation and Test K.K., Kanagawa/Japan	100
Siemens Japan Holding K.K., Tokyo/Japan	100
Siemens Japan K.K., Tokyo/Japan	100
Siemens Energy Solutions Limited, Seoul/Korea, Republic of	100
Siemens Industry Software Ltd., Seoul/Korea, Republic of	100

September 30, 2014	Equity interest in %
Siemens Ltd. Seoul, Seoul/Korea, Republic of	100
Siemens PETNET Korea Co. Ltd., Seoul/Korea, Republic of	100
Siemens VAI Metals Technologies Limited, Seoul/Korea, Republic of	100 ⁸
HRS Systems (Malaysia) SDN. BHD., Kuala Lumpur/Malaysia	100
Reyrolle (Malaysia) Sdn. Bhd., Kuala Lumpur/Malaysia	100
Siemens Malaysia Sdn. Bhd., Petaling Jaya/Malaysia	100
Siemens Subsea Systems SDN. BHD, Kuala Lumpur/Malaysia	100
VA TECH Malaysia Sdn. Bhd., Kuala Lumpur/Malaysia	100
Siemens (N.Z.) Limited, Auckland/New Zealand	100
Siemens Power Operations, Inc., Manila/Philippines	100
Siemens, Inc., Manila/Philippines	100
PETNET Solutions Private Limited, Singapore/Singapore	100
Siemens Industry Software Pte. Ltd., Singapore/Singapore	100
Siemens Medical Instruments Pte. Ltd., Singapore/Singapore	100
Siemens Postal, Parcel & Airport Logistics PTE. LTD., Singapore/Singapore	100
Siemens Pte. Ltd., Singapore/Singapore	100
Siemens Rail Automation Pte. Ltd., Singapore/Singapore	100
Siemens Industry Software (TW) Co., Ltd., Taipei/Taiwan, Province of China	100
Siemens Ltd., Taipei/Taiwan, Province of China	100
Siemens Limited, Bangkok/Thailand	99
Siemens Ltd., Ho Chi Minh City/Viet Nam	100

Associated companies and joint ventures

Germany (30 companies)

Advanced Power AG und Siemens Project Ventures GmbH in GbR, Hamburg	50
ATS Projekt Grevenbroich GmbH, Schüttorf, Schüttorf	25 ⁹
BELLIS GmbH, Braunschweig	49 ⁹
BSH Bosch und Siemens Hausgeräte GmbH, Munich	50
BWI Informationstechnik GmbH, Meckenheim	50 ⁵
Caterva GmbH, Pullach i. Isartal	50
DKS Dienstleistungsgesellschaft f. Kommunikationsanlagen des Stadt- und Regionalverkehrs mbH, Cologne	49 ⁹
EMIS Electrics GmbH, Lübbenau/Spreewald	49
FEAG Fertigungscenter für Elektrische Anlagen GmbH, Erlangen	49 ⁹
HANSATON Akustik GmbH, Hamburg	50 ⁹
IFTEC GmbH & Co. KG, Leipzig	50
Infineon Technologies Bipolar GmbH & Co. KG, Warstein	40
Infineon Technologies Bipolar Verwaltungs-GmbH, Warstein	40 ⁹
Innovative Wind Concepts GmbH, Husum	50
LIB Verwaltungs-GmbH, Leipzig	50 ⁹

1 Control due to a majority of voting rights.

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

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

4 No control due to substantive removal or participation rights held by other parties.

5 No control due to contractual arrangements or legal circumstances.

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

7 Significant influence due to contractual arrangements or legal circumstances.

8 Not consolidated due to immateriality.

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

10 Exemption pursuant to Section 264 b German Commercial Code.

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

September 30, 2014	Equity interest in %
Maschinenfabrik Reinhausen GmbH, Regensburg	26
MeVis BreastCare GmbH & Co. KG, Bremen	49
MeVis BreastCare Verwaltungsgesellschaft mbH, Bremen	49 ⁹
OWP Butendiek GmbH & Co. KG, Bremen	23
Power Vermögensbeteiligungsgesellschaft mbH Die Erste, Hamburg	50 ⁹
PTZ Partikeltherapiezentrum Kiel Management GmbH, Wiesbaden	50 ⁹
Siemens Venture Capital Fund 1 GmbH, Munich	100 ^{5,9}
Siemens-Electrogeräte GmbH, Munich	100 ^{5,9}
Siemens EuroCash, Munich	8 ⁷
Siemens Qualität & Dividende Europa, Munich	9 ⁷
Symeo GmbH, Neubiberg	65 ^{5,9}
Transrapid International Verwaltungsgesellschaft mbH i.L., Berlin	50 ⁹
ubimake GmbH, Berlin	50
Voith Hydro Holding GmbH & Co. KG, Heidenheim	35
Voith Hydro Holding Verwaltungs GmbH, Heidenheim	35 ⁹

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

Arelion GmbH, Pasching b. Linz/Austria	25 ⁹
Aspern Smart City Research GmbH, Vienna/Austria	44 ⁹
Aspern Smart City Research GmbH & Co KG, Vienna/Austria	44
E-Mobility Provider Austria GmbH, Vienna/Austria	50 ⁹
E-Mobility Provider Austria GmbH & Co KG, Vienna/Austria	50
Oil and Gas ProServ LLC, Baku/Azerbaijan	25 ⁹
T-Power NV, Brussels/Belgium	20
Meomed s.r.o., Prerov/Czech Republic	47 ⁹
A2SEA A/S, Fredericia/Denmark	49
Noliac A/S, Kvistgaard/Denmark	24 ⁹
Compagnie Electrique de Bretagne, S.A.S., Paris/France	40
TRIXELL S.A.S., Moirans/France	25
Eviop-Tempo A.E. Electrical Equipment Manufacturers, Vassiliko/Greece	48
Metropolitan Transportation Solutions Ltd., Rosh HaAyin/Israel	20 ⁹
Transfima GEIE, Milan/Italy	42 ⁹
Transfima S.p.A., Milan/Italy	49 ⁹
VAL 208 Torino GEIE, Milan/Italy	86 ^{5,9}
Temir Zhol Electrification LLP, Astana/Kazakhstan	49
Electrogas Malta Limited, St. Julian's/Malta	20 ⁹
Solutions & Infrastructure Services Limited, Gzira/Malta	50

September 30, 2014	Equity interest in %
Energie Electrique de Tahaddart S.A., Tanger/Morocco	20
Buitengaats C.V., Amsterdam/Netherlands	20 ⁷
Buitengaats Management B.V., Eemshaven/Netherlands	20 ⁹
Infraspeed Maintainance B.V., Zoetermeer/Netherlands	46
Unify Holdings B.V., Amsterdam/Netherlands	49
Ural Locomotives Holding Besloten Vennootschap, The Hague/Netherlands	50
ZeeEnergie C.V., Amsterdam/Netherlands	20 ⁷
ZeeEnergie Management B.V., Eemshaven/Netherlands	20 ⁹
VOEST-ALPINE Technical Services Ltd., Abuja/Nigeria	40 ⁹
Wirescan AS, Torp/Norway	33 ⁹
Rousch (Pakistan) Power Ltd., Lahore/Pakistan	26
Windfarm Polska II Sp. z o.o., Koszalin/Poland	50 ⁹
OOO Transconverter, Moscow/Russian Federation	35 ⁹
OOO UniPower Transmission Solutions, Region Moskau Krasnogorsky District/Russian Federation	50
OOO VIS Automation mit Zusatz "Ein Gemeinschaftsunternehmen von VIS und Siemens", Moscow/Russian Federation	49
ZAO Interautomatika, Moscow/Russian Federation	46
ZAO Nuclearcontrol, Moscow/Russian Federation	40 ⁹
ZAO Systema-Service, St. Petersburg/Russian Federation	26
Impilo Consortium (Pty.) Ltd., La Lucia/South Africa	31
Nertus Mantenimiento Ferroviario y Servicios S.A., Barcelona/Spain	51 ⁵
Soleval Renovables S.L., Sevilla/Spain	50
Solucia Renovables 1, S.L., Lebrija/Spain	50
Termica AFAP S.A., Villacanas/Spain	23 ⁹
Certas AG, Zurich/Switzerland	50
Interessengemeinschaft TUS, Männedorf/Switzerland	50
Breesea Limited, London/United Kingdom	50
Cross London Trains Holdco 2 Limited, London/United Kingdom	33
Ethos Energy Group Limited, Aberdeen/United Kingdom	49
Heron Wind Limited, London/United Kingdom	33
Lincs Renewable Energy Holdings Limited, London/United Kingdom	50
Njord Limited, London/United Kingdom	33
Odos Imaging Ltd., Edinburgh/United Kingdom	50 ⁹
Optimus Wind Limited, London/United Kingdom	50
Plessey Holdings Ltd., Frimley, Surrey/United Kingdom	50 ⁹
Pyreos Limited, Edinburgh/United Kingdom	34 ⁹
Sesmos Limited, Edinburgh/United Kingdom	50 ⁹
SMart Wind Limited, London/United Kingdom	50
SMart Wind SPC 5 Limited, London/United Kingdom	50 ⁹

1 Control due to a majority of voting rights.

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

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

4 No control due to substantive removal or participation rights held by other parties.

5 No control due to contractual arrangements or legal circumstances.

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

7 Significant influence due to contractual arrangements or legal circumstances.

8 Not consolidated due to immateriality.

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

10 Exemption pursuant to Section 264 b German Commercial Code.

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

September 30, 2014	Equity interest in %
SMart Wind SPC 6 Limited, London/United Kingdom	50 ⁹
SMart Wind SPC 7 Limited, London/United Kingdom	50 ⁹
SMart Wind SPC 8 Limited, London/United Kingdom	50 ⁹
Americas (10 companies)	
Cia Técnica de Engenharia Eletrica Sucursal Argentina VA TECH ARGENTINA S.A. Union transitoria de Empresas, Buenos Aires/Argentina	30 ⁹
Brockton Power Company LLC, Boston, MA/United States	23
Brockton Power Holdings Inc., Boston, MA/United States	25 ⁹
Brockton Power Properties, Inc., Boston, MA/United States	25 ⁹
Cyclos Semiconductor, Inc., Wilmington, DE/United States	32
PhSiTh LLC, New Castle, DE/United States	33
Power Properties Inc., Boston, MA/United States	25 ⁹
Rether networks, Inc., Berkeley, CA/United States	30
Siemens First Capital Commercial Finance, LLC, Oklahoma City, OK/United States	51 ⁵
Innovex Capital En Tecnologia, C.A., Caracas/Venezuela, Bolivarian Republic of	20 ^{7,9}
Asia, Australia (24 companies)	
Exemplar Health (NBH) Partnership, Melbourne/Australia	50
Exemplar Health (SCUH) Partnership, Sydney/Australia	50
Magellan Technology Pty. Ltd., Annandale/Australia	21 ⁹
ChinaInvent (Shanghai) Instrument Co., Ltd, Shanghai/China	30 ⁹
DBEST (Beijing) Facility Technology Management Co., Ltd., Beijing/China	25

- 1 Control due to a majority of voting rights.
- 2 Control due to rights to appoint, reassign or remove members of the key management personnel.
- 3 Control due to contractual arrangements to determine the direction of the relevant activities.
- 4 No control due to substantive removal or participation rights held by other parties.
- 5 No control due to contractual arrangements or legal circumstances.

September 30, 2014	Equity interest in %
FCE (Beijing) Heat Treatment Technology Co., Ltd., Beijing/China	30 ⁹
GSP China Technology Co., Ltd., Beijing/China	50
ROSE Power Transmission Technology Co., Ltd, Anshan/China	50
Saitong Railway Electrification (Nanjing) Co., Ltd., Nanjing/China	50 ⁹
Shanghai Electric Power Generation Equipment Co., Ltd., Shanghai/China	40
Shanghai Electric Wind Energy Co., Ltd., Shanghai/China	49
Siemens Traction Equipment Ltd., Zhuzhou, Zhuzhou/China	50
Xi'an X-Ray Target Ltd., Xi'an/China	43
Zhenjiang Siemens Busbar Trunking Systems Co. Ltd., Yangzhong/China	50
Bangalore International Airport Ltd., Bangalore/India	26
Transparent Energy Systems Private Limited, Pune/India	25 ⁹
P.T. Jawa Power, Jakarta/Indonesia	50
PT Asia Care Indonesia, Jakarta/Indonesia	40
Kanto Hochouki Co., Ltd., Ibaragi/Japan	25 ⁹
Kikoeno Soudanshitsu Co., Ltd., Tochigi/Japan	50 ⁹
Koden Co., Ltd., Hiroshima/Japan	43 ⁹
Yaskawa Siemens Automation & Drives Corp., Kitakyushu/Japan	50
Power Automation Pte. Ltd., Singapore/Singapore	49
Modern Engineering and Consultants Co. Ltd., Bangkok/Thailand	40 ⁹

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

September 30, 2014

Other investments¹³

Germany (9 companies)

	Equity interest in %	Net income in millions of €	Equity in millions of €
Ausbildungszentrum für Technik, Informationsverarbeitung und Wirtschaft gemeinnützige GmbH (ATIW), Paderborn	100 ^{5,6}	0	1
BOMA Verwaltungsgesellschaft mbH & Co. KG, Grünwald	100 ^{5,6}	2	(42)
BSAV Kapitalbeteiligungen und Vermögensverwaltungs Management GmbH, Grünwald	100 ^{5,6}	1	66
Kyros Beteiligungsverwaltung GmbH, Grünwald	100 ^{5,6}	1	66
MAENA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Grünwald	97 ^{5,6}	3	(98)
OSRAM Licht AG, Munich	20 ^{6,12}	24	2,268
Siemens Global Innovation Partners I GmbH & Co. KG, Munich	50 ⁶	1	61
Siemens Pensionsfonds AG, Grünwald	100 ^{5,6}	0	8
SIM 9. Grundstücksverwaltungs- und -beteiligungs-GmbH, Munich	100 ^{5,6}	0	8

Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany) (5 companies)

Dils Energie NV, Hasselt/Belgium	50 ⁶	(1)	(1)
Atos SE, Bezons/France	12	260	2,939
Medical Systems S.p.A., Genoa/Italy	45 ⁶	5	84
Corporate XII S.A. (SICAV-FIS), Luxembourg/Luxembourg	100 ^{5,6}	88	6,800
Siemens Benefits Scheme Limited, Frimley, Surrey/United Kingdom	74 ^{4,6}	0	0

Americas (2 companies)

iBAHN Corporation, South Jordan, UT/United States	9	(3)	34
Longview Intermediate Holdings B, LLC, Wilmington, DE/United States	7	(36)	810

- | | |
|--|--|
| 1 Control due to a majority of voting rights. | 7 Significant influence due to contractual arrangements or legal circumstances. |
| 2 Control due to rights to appoint, reassign or remove members of the key management personnel. | 8 Not consolidated due to immateriality. |
| 3 Control due to contractual arrangements to determine the direction of the relevant activities. | 9 Not accounted for using the equity method due to immateriality. |
| 4 No control due to substantive removal or participation rights held by other parties. | 10 Exemption pursuant to Section 264 b German Commercial Code. |
| 5 No control due to contractual arrangements or legal circumstances. | 11 Exemption pursuant to Section 264 (3) German Commercial Code. |
| 6 No significant influence due to contractual arrangements or legal circumstances. | 12 Interests in the capital of 2.5% are held by Siemens Pension Trust e.V. |
| | 13 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year. |

D.7.1 Supervisory Board

Gerhard Cromme, Dr. iur.

Chairman

Chairman of the Supervisory Board of Siemens AG

Date of birth: February 25, 1943
Member since: January 23, 2003

Berthold Huber*

First Deputy Chairman

President of IndustriALL Global Union

Date of birth: February 15, 1950
Member since: July 1, 2004

External positions

German supervisory board positions:

- > Audi AG, Ingolstadt (Deputy Chairman)
- > Porsche Automobil Holding SE, Stuttgart
- > Volkswagen AG, Wolfsburg (Deputy Chairman)

Werner Wenning

Second Deputy Chairman

Chairman of the Supervisory Boards of Bayer AG and E.ON SE

Date of birth: October 21, 1946
Member since: January 23, 2013

External positions

German supervisory board positions:

- > Bayer AG, Leverkusen (Chairman)
- > E.ON SE, Düsseldorf (Chairman)
- > Henkel AG & Co. KGaA, Düsseldorf¹
- > Henkel Management AG, Düsseldorf

Lothar Adler*

(until May 31, 2014)

Supervisory Board Member

Date of birth: February 22, 1949
Member since: January 23, 2003

Olaf Bolduan*

(since July 11, 2014)

Chairman of the Works Council of Siemens Dynamowerk, Berlin, Germany

Date of birth: July 24, 1952
Member since: July 11, 2014

Gerd von Brandenstein

Supervisory Board Member

Date of birth: April 6, 1942
Member since: January 24, 2008

Michael Diekmann

Chairman of the Board of Management of Allianz SE

Date of birth: December 23, 1954
Member since: January 24, 2008

External positions

German supervisory board positions:

- > Allianz Asset Management AG, Munich (Chairman)
- > Allianz Deutschland AG, Munich
- > BASF SE, Ludwigshafen am Rhein (Deputy Chairman)
- > Linde AG, Munich (Deputy Chairman)

Positions outside Germany:

- > Allianz France S.A., France (Deputy Chairman)
- > Allianz S.p.A., Italy

Hans Michael Gaul, Dr. iur.

Supervisory Board Member

Date of birth: March 2, 1942
Member since: January 24, 2008

External positions

German supervisory board positions:

- > BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg (Deputy Chairman)
- > HSBC Trinkaus & Burkhardt AG, Düsseldorf

Peter Gruss, Prof. Dr. rer. nat.

Scientific Member of the Max Planck Society

Date of birth: June 28, 1949
Member since: January 24, 2008

External positions

German supervisory board positions:

- > Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, Munich

Positions outside Germany:

- > Actelion Ltd., Switzerland

Bettina Haller*

Chairwoman of the Combine Works Council of Siemens AG

Date of birth: March 14, 1959
Member since: April 1, 2007

Hans-Jürgen Hartung*

Chairman of the Works Council of Siemens Erlangen Süd, Germany

Date of birth: March 10, 1952
Member since: January 27, 2009

Robert Kensbock*

Deputy Chairman of the Central Works Council of Siemens AG

Date of birth: March 13, 1971
Member since: January 23, 2013

Harald Kern*

Chairman of the Siemens Europe Committee

Date of birth: March 16, 1960
Member since: January 24, 2008

Jürgen Kerner*

Executive Managing Board Member of IG Metall

Date of birth: January 22, 1969
Member since: January 25, 2012

External positions

German supervisory board positions:

- > Airbus Operations GmbH, Hamburg
- > MAN SE, Munich (Deputy Chairman)
- > Premium Aerotec GmbH, Augsburg (Deputy Chairman)

Nicola Leibinger-**Kammüller, Dr. phil.**

President and Chairwoman of the Managing Board of TRUMPF GmbH + Co. KG

Date of birth: December 15, 1959
Member since: January 24, 2008

External positions

German supervisory board positions:

- > Axel Springer SE, Berlin
- > Deutsche Lufthansa AG, Cologne
- > Voith GmbH, Heidenheim

Güler Sabancı

Chairwoman and Managing Director of Hacı Ömer Sabancı Holding A.Ş.

Date of birth: August 14, 1955
Member since: January 23, 2013

Rainer Sieg, Prof. Dr. iur.*

(until February 28, 2014)

Supervisory Board Member

Date of birth: December 20, 1948
Member since: January 24, 2008

Michael Sigmund*

(since March 1, 2014)

Chairman of the Committee of Spokespersons of the Siemens Group; Chairman of the Central Committee of Spokespersons of Siemens AG

Date of birth: September 13, 1957
Member since: March 1, 2014

Gérard Mestrallet

Chairman of the Board and Chief Executive Officer of GDF SUEZ S.A.

Date of birth: April 1, 1949
Member since: January 23, 2013

External positions

Positions outside Germany:

- > Compagnie de Saint-Gobain S.A., France
- > Electrabel S.A., Belgium (Chairman)
- > GDF Suez Energy Management Trading CVBA, Belgium (Chairman)
- > GDF Suez Energie Services S.A., France (Chairman)
- > GDF Suez Rassembleurs d'Energies SAS, France (Chairman)
- > International Power Ltd., U.K.
- > Sociedad General de Aguas de Barcelona S.A., Spain (Deputy Chairman)
- > Suez Environnement Company S.A., France (Chairman)

Jim Hagemann Snabe

Supervisory Board Member

Date of birth: October 27, 1965
Member since: October 1, 2013

External positions

German supervisory board positions:

- > Allianz SE, Munich
- > SAP SE, Walldorf

Positions outside Germany:

- > Bang & Olufsen A/S, Denmark (Deputy Chairman)
- > Danske Bank A/S, Denmark

Birgit Steinborn*

Chairwoman of the Central Works Council of Siemens AG

Date of birth: March 26, 1960
Member since: January 24, 2008

Sibylle Wankel*

Attorney, Bavarian Regional Headquarters of IG Metall

Date of birth: March 3, 1964
Member since: April 1, 2009

External positions

German supervisory board positions:

- > Audi AG, Ingolstadt
- > Vaillant GmbH, Remscheid

The Supervisory Board of Siemens AG has 20 members. As stipulated by the German Codetermination Act (Mitbestimmungsgesetz), half of the members represent Company shareholders, and half represent Company employees. The shareholder representatives were elected at the Annual Shareholders' Meeting on January 23, 2013 (or in a by-election at the Annual Shareholders' Meeting on January 28, 2014). The employee representatives, whose names are marked with an asterisk (*), either were elected in accordance with the provisions of the German Codetermination Act on September 25, 2012, effective as of the end of the Annual Shareholders' Meeting on January 23, 2013, or replaced an employee representative, who had resigned/retired. The present Supervisory Board's term of office will expire at the conclusion of the Annual Shareholders' Meeting in 2018.

| 1 Shareholders' Committee.

As of September 30, 2014.

D.7.1.1 SUPERVISORY BOARD COMMITTEES

The Supervisory Board of Siemens AG has established seven standing committees. Information on their activities in fiscal 2014 is provided in → A.3 REPORT OF THE SUPERVISORY BOARD on pages 118-125 of this Annual Report.

Committees	Meetings in fiscal 2014	Duties and responsibilities	Members as of September 30, 2014
Chairman's Committee	7 1 decision by notational voting using written circulations	The Chairman's Committee makes proposals, in particular, regarding the appointment and dismissal of Managing Board members and handles contracts with members of the Managing Board. In preparing recommendations on the appointment of Managing Board members, the Chairman's Committee takes into account the candidates' professional qualifications, international experience and leadership qualities, the age limit specified for Managing Board members, the Managing Board's long-range plans for succession as well as its diversity and, in particular, the appropriate consideration of women. 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.	Gerhard Cromme, Dr. iur. (Chairman) Berthold Huber Birgit Steinborn Werner Wenning
Compensation Committee	6	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 the 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.	Werner Wenning (Chairman) Gerhard Cromme, Dr. iur. Michael Diekmann Berthold Huber Robert Kensbock Birgit Steinborn
Audit Committee	6	The Audit Committee oversees, in particular, the accounting process and conducts a preliminary review of the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group and the Combined Management Report. 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. In addition to the work performed by the independent auditors, the Audit Committee discusses the Company's quarterly financial statements and half-year financial reports, which are prepared by the Managing Board, as well as the report on the auditors' review of the quarterly financial statements and the half-year financial report (condensed financial statements and interim management report). It concerns itself with the Company's risk monitoring system and oversees the effectiveness of the internal control system as this relates, in particular, to financial reporting, the risk management system and the internal audit system. The Audit Committee receives regular reports from the Internal Audit Department. It prepares the Supervisory Board's recommendation to the Annual Shareholders' Meeting concerning the election of the independent auditors and submits the corresponding proposal to the Supervisory Board. It awards the audit contract to the independent auditors elected by the Annual Shareholders' Meeting and monitors the independent audit of the financial statements – including, in particular, the auditors' independence, professional expertise and services.	Hans Michael Gaul, Dr. iur. (Chairman) ¹ Gerd von Brandenstein Gerhard Cromme, Dr. iur. Bettina Haller Robert Kensbock Jürgen Kerner Jim Hagemann Snabe Birgit Steinborn

¹ Fulfills the requirements of Section 100 para. 5 and Section 107 para. 4 of the German Stock Corporation Act (Aktiengesetz).

Committees	Meetings in fiscal 2014	Duties and responsibilities	Members as of September 30, 2014
Compliance Committee	5	The Compliance Committee concerns itself, in particular, with the Company's adherence to statutory provisions, official regulations and internal Company policies.	Gerhard Cromme, Dr. iur. (Chairman) Gerd von Brandenstein Hans Michael Gaul, Dr. iur. Bettina Haller Harald Kern Jim Hagemann Snabe Birgit Steinborn Sibylle Wankel
Innovation and Finance Committee	4 1 decision by notational voting using written circulations	Based on the Company's overall strategy, the Innovation and Finance Committee discusses, in particular, 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.	Gerhard Cromme, Dr. iur. (Chairman) Peter Gruss, Prof. Dr. rer. nat. Robert Kensbock Harald Kern Jürgen Kerner Jim Hagemann Snabe Birgit Steinborn Werner Wenning
Nominating Committee	1 1 decision by notational voting using written circulations	The Nominating Committee is responsible for making recommendations to the Supervisory Board on suitable candidates for election as shareholder representatives on the Supervisory Board by the Annual Shareholders' Meeting.	Gerhard Cromme, Dr. iur. (Chairman) Hans Michael Gaul, Dr. iur. Nicola Leibinger-Kammüller, Dr. phil. Werner Wenning
Mediation Committee, under Section 27 para. 3 and Section 31 para. 3 and 5 of the German Codetermination Act	0	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.	Gerhard Cromme, Dr. iur. (Chairman) Berthold Huber Birgit Steinborn Werner Wenning

Further information on corporate governance at Siemens is available at WWW.SIEMENS.DE/CORPORATE-GOVERNANCE

D.7.2 Managing Board

Joe Kaeser

President and Chief Executive Officer of Siemens AG

Date of birth: June 23, 1957
First appointed: May 1, 2006
Term expires: July 31, 2018

External positions

German supervisory board positions:

- > Allianz Deutschland AG, Munich
- > Daimler AG, Stuttgart

Positions outside Germany:

- > NXP Semiconductors B.V., Netherlands

Group Company positions

Positions outside Germany:

- > Siemens Ltd., India

Klaus Helmrich

Date of birth: May 24, 1958
First appointed: April 1, 2011
Term expires: March 31, 2016

External positions

German supervisory board positions:

- > EOS Holding AG, Krailling
- > inpro Innovationsgesellschaft für fortgeschrittene Produktionssysteme in der Fahrzeugindustrie mbH, Berlin

Group Company positions

German supervisory board positions:

- > BSH Bosch und Siemens Hausgeräte GmbH, Munich

Hermann Requardt, Prof. Dr. phil. nat.

Date of birth: February 11, 1955
First appointed: May 1, 2006
Term expires: March 31, 2016

External positions

German supervisory board positions:

- > Software AG, Darmstadt

Group Company positions

Positions outside Germany:

- > Siemens Japan Holding K.K., Japan (Chairman)
- > Siemens Japan K.K., Japan (Chairman)
- > Siemens S.A., Colombia (Chairman)

Peter Y. Solmsen

(until December 31, 2013)

Date of birth: January 24, 1955
First appointed: October 1, 2007
Term originally to have expired: March 31, 2017

Michael Süß, Dr. rer. pol.

(until May 6, 2014)

Date of birth: December 25, 1963
First appointed: April 1, 2011
Term originally to have expired: March 31, 2016

External positions²

German supervisory board positions:

- > Herrenknecht AG, Schwanau

Roland Busch, Dr. rer. nat.

Date of birth: November 22, 1964
First appointed: April 1, 2011
Term expires: March 31, 2016

External positions

German supervisory board positions:

- > OSRAM Licht AG, Munich (Deputy Chairman)
- > Osram GmbH, Munich (Deputy Chairman)

Positions outside Germany:

- > Atos SE, France

Group Company positions

Positions outside Germany:

- > Siemens Ltd., China (Chairman)
- > Siemens Ltd., India
- > Siemens Schweiz AG, Switzerland (Chairman)

Barbara Kux

(until November 16, 2013)

Date of birth: February 26, 1954
First appointed: November 17, 2008
Term expired: November 16, 2013

External positions¹

German supervisory board positions:

- > Henkel AG & Co. KGaA, Düsseldorf

Positions outside Germany:

- > Firmenich International SA, Switzerland
- > Total S.A., France

Siegfried Russwurm, Prof. Dr.-Ing.

Date of birth: June 27, 1963
First appointed: January 1, 2008
Term expires: March 31, 2017

External positions

German supervisory board positions:

- > Deutsche Messe AG, Hanover

Group Company positions

German supervisory board positions:

- > BSH Bosch und Siemens Hausgeräte GmbH, Munich

Positions outside Germany:

- > Siemens AB, Sweden (Chairman)
- > Siemens Aktiengesellschaft Österreich, Austria (Chairman)
- > Siemens Holdings plc, U.K. (Chairman)
- > Siemens Ltd., South Africa (Chairman)
- > Siemens Sanayi ve Ticaret A.Ş., Turkey
- > Siemens VAI Metals Technologies GmbH, Austria
- > Siemens W.L.L., Qatar

Ralf P. Thomas, Dr. rer. pol.

Date of birth: March 7, 1961
First appointed: September 18, 2013
Term expires: September 17, 2018

Group Company positions

German supervisory board positions:

- > BSH Bosch und Siemens Hausgeräte GmbH, Munich (Deputy Chairman)

Positions outside Germany:

- > Siemens Aktiengesellschaft Österreich, Austria
- > Siemens Corp., USA (Deputy Chairman)

Lisa Davis

Date of birth: October 15, 1963
First appointed: August 1, 2014
Term expires: July 31, 2019

External positions

Positions outside Germany:

- > Spectris plc, U.K.

Group Company positions

Positions outside Germany:

- > Siemens Corp., USA (Chairwoman)

¹ As of November 16, 2013.

² As of May 6, 2014.

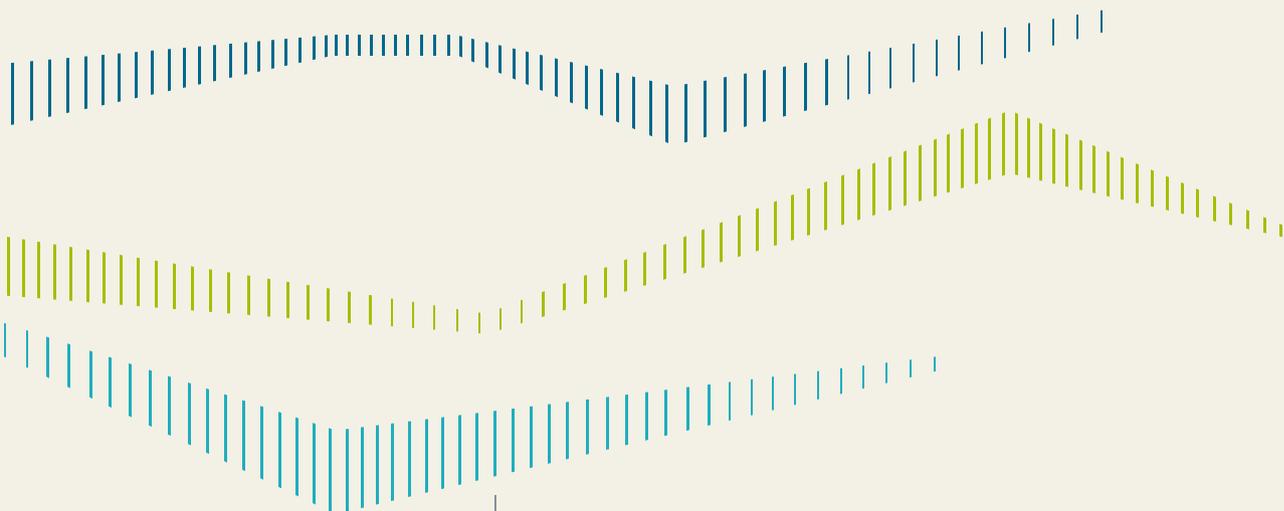
As of September 30, 2014.

D.7.2.1 MANAGING BOARD COMMITTEES

Committee	Meetings in fiscal 2014	Duties and responsibilities	Members as of September 30, 2014
Equity and Employee Stock Committee	6 decisions by notational voting using written circulations	The Equity and Employee Stock Committee oversees, in particular, the utilization of authorized capital in connection with the issuance of employee stock as well as the implementation of certain capital measures. It also determines the scope and conditions of the share-based compensation components and/or compensation programs for employees and managers (with the exception of the Managing Board).	Joe Kaeser (Chairman) Klaus Helmrich ¹ Siegfried Russwurm, Prof. Dr.-Ing. ² Ralf P. Thomas, Dr. rer. pol.

1 Until September 30, 2014.

2 Since October 1, 2014.



How have the Company's key business figures developed over the past five years? What are the key financial dates for the next twelve months? How is the Company structured? All this information is available here.

 WWW.SIEMENS.COM/AR/ADDITIONAL-INFORMATION

E. Additional Information

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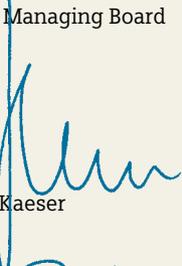
|| E.1 Responsibility Statement

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, 2014

Siemens Aktiengesellschaft
The Managing Board



Joe Kaeser



Dr. Roland Busch



Lisa Davis



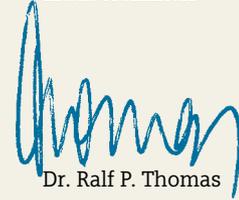
Klaus Helmrich



Prof. Dr. Hermann Requardt



Prof. Dr. Siegfried Russwurm



Dr. Ralf P. Thomas

To Siemens Aktiengesellschaft, Berlin and Munich

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Siemens Aktiengesellschaft, Berlin and Munich, and its subsidiaries, which comprise the consolidated statements of income, comprehensive income, financial position, cash flow and changes in equity, and notes to the consolidated financial statements for the business year from October 1, 2013 to September 30, 2014.

Management's Responsibility for the Consolidated Financial Statements

The management of Siemens Aktiengesellschaft is responsible for the preparation of these consolidated financial statements. This responsibility includes preparing these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), the supplementary requirements of German law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] and full IFRS as issued by the International Accounting Standards Board (IASB), to give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The company's management is also responsible for the internal controls that management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Audit Opinion

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

In our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with IFRS as adopted by the EU, the supplementary requirements of German commercial law pursuant to Sec. 315a (1) HGB and full IFRS as issued by the IASB and give a true and fair view of the net assets and financial position of the Group as at September 30, 2014 as well as the results of operations for the business year then ended, in accordance with these requirements.

REPORT ON THE GROUP MANAGEMENT REPORT

We have audited the accompanying group management report, which is combined with the management report of Siemens Aktiengesellschaft, for the business year from October 1, 2013 to September 30, 2014. The management of the company is responsible for the preparation of the group management report in compliance with the applicable requirements of German commercial law pursuant to Sec. 315a (1) HGB. We are required to conduct our audit in accordance with Sec. 317 (2) HGB and German generally accepted standards for the audit of the group management report promulgated by the IDW. Accordingly, we are required to plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the audit findings, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

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

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

Munich, November 26, 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft



Spannagl
Wirtschaftsprüfer
[German Public Auditor]



Prof. Dr. Hayn
Wirtschaftsprüfer
[German Public Auditor]

11 | E.3 Statement of the Managing Board

The Managing Board of Siemens Aktiengesellschaft is responsible for preparing the Consolidated Financial Statements and the Group Management Report. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union as well as with the additional requirements set forth in Section 315a (1) of the German Commercial Code (Handelsgesetzbuch). The financial statements are also in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The Group Management Report is consistent with the Consolidated Financial Statements and is combined with the Management Report of Siemens Aktiengesellschaft.

Siemens employs extensive internal controls, company-wide uniform reporting guidelines and additional measures, including employee training and continuing education, with the intention that the Consolidated Financial Statements and the Group Management Report are conducted correctly and in accordance with the applicable legal requirements. Members of the management of the Company Units have confirmed to us the correctness of the financial data they have reported to

Siemens' corporate headquarters and the effectiveness of the related control systems. Compliance with the guidelines as well as the reliability and effectiveness of the control systems are continuously examined by Internal Corporate Audit throughout the Siemens Group. Our risk management system complies with the requirements of the German Stock Corporation Act (Aktiengesetz). Our risk management system is designed to enable the Managing Board to recognize potential risks early on and initiate timely countermeasures.

In accordance with the resolution adopted at the Annual Shareholders' Meeting, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has audited the Consolidated Financial Statements and Group Management Report, which is combined with the Management Report of Siemens Aktiengesellschaft, and issued an unqualified opinion. Together with the independent auditors, the Supervisory Board has thoroughly examined the Consolidated Financial Statements, the Group Management Report, and the Independent Auditors' Report. The result of this examination is included in the Report of the Supervisory Board (→ A.3 OF THIS ANNUAL REPORT).

Munich, December 3, 2014

The Managing Board



Joe Kaeser



Dr. Roland Busch



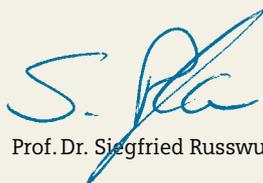
Lisa Davis



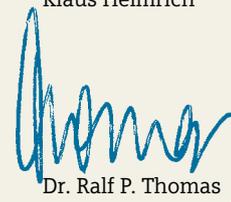
Klaus Helmrich



Prof. Dr. Hermann Reuhardt



Prof. Dr. Siegfried Russwurm



Dr. Ralf P. Thomas

E.4 Company structure

<p> Managing Board of Siemens AG</p>	<p>Joe Kaeser President and Chief Executive Officer</p>	<p>Roland Busch</p>	<p>Lisa Davis</p>
<p> Corporate Core</p>	<p>Corporate Development Joe Kaeser</p> <p>Governance & Markets Mariel von Schumann</p> <p>Communications and Government Affairs Stephan Heimbach</p> <p>Legal and Compliance Andreas Christian Hoffmann</p>		
<p> Corporate Services</p>			
<p> Regions</p>		<p>Asia, Australia</p> <p>Australia Jeffery Connolly China Lothar Herrmann India Sunil Mathur Indonesia Josef Winter Japan Junichi Obata Republic of Korea JongKap Kim Singapore Armin Bruck</p>	<p>Americas</p> <p>Brazil Paulo Ricardo Stark Canada Robert Hardt Colombia Daniel Fernández Mexico Louise Koopman Goeser United States Eric Spiegel</p>
<p> Divisions, Separately managed business</p>		<p>Energy Management Ralf Christian Jan Mrosik</p> <p>Building Technologies Matthias Rebellius</p> <p>Mobility Jochen Eickholt</p>	<p>Power and Gas Roland Fischer</p> <p>Wind Power and Renewables Markus Tacke</p> <p>Power Generation Services Randy Zwirn</p>

As of January 1, 2015.

The members of the Supervisory Board are listed in
→ D.7 SUPERVISORY BOARD AND MANAGING BOARD, pages 330-331.

Klaus Helmrich

Hermann Requardt

Siegfried Russwurm

Labor Director

Ralf P. Thomas

Europe, Africa

Austria | Wolfgang Hesoun
Belgium | André Bouffioux
Czech Republic | Eduard Palisek
France | Christophe de Maistre
Germany | Rudolf Martin Siegers
Italy | Federico Vilfredo Golla
Netherlands | Ab van der Touw
Poland | Peter Baudrexl
Portugal | Carlos Melo Ribeiro
South Africa | Sabine Dall'Omo
Spain | Rosa María García
Sweden | Ulf Troedsson
Switzerland | Siegfried Gerlach
Turkey | Hüseyin Gelis
United Kingdom | Jürgen Maier

Digital Factory

Anton Sebastian Huber

Process Industries and Drives

Peter Herweck

Healthcare

Hermann Requardt

Human Resources

Siegfried Russwurm

Corporate Technology

Siegfried Russwurm

Controlling and Finance

Ralf P. Thomas

Global Services

Hannes Apitzsch

Commonwealth of Independent States, Middle East

Russian Federation | Dietrich Möller
Saudi Arabia | Arja Talakar
United Arab Emirates |
Dietmar Siersdorfer

Financial Services

Roland Chalons-Browne

11 | E.5 Five-year summary

Revenue and profit¹		FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Revenue	in millions of €	71,920	73,445	74,734	69,607	65,067
Gross profit	in millions of €	20,755	20,135	21,128	21,160	19,045
Income from continuing operations	in millions of €	5,400	4,179	4,565	6,469	3,991
Net income	in millions of €	5,507	4,409	4,282	5,899	3,881
Assets, liabilities and equity		FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Current assets	in millions of €	48,076	46,937	52,128	52,540	50,179
Current liabilities	in millions of €	36,598	37,868	42,627	43,549	40,602
Debt	in millions of €	20,947	20,453	20,707	17,940	19,913
Long-term debt	in millions of €	19,326	18,509	16,880	14,280	17,497
Net debt ²	in millions of €	12,008	10,663	9,292	4,995	5,560
Post-employment benefits	in millions of €	9,324	9,265	9,801	7,188	8,342
Equity (including non-controlling interests)	in millions of €	31,514	28,625	31,424	32,271	29,222
as a percentage of total assets	in %	30	28	29	31	28
Total assets	in millions of €	104,879	101,936	108,251	104,210	102,791
Cash flows¹		FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Cash flows from operating activities – continuing operations	in millions of €	7,230	7,186	6,992	7,979	8,640
Amortization, depreciation and impairments ³	in millions of €	2,406	2,735	2,625	2,379	2,454
Cash flows from investing activities – continuing operations	in millions of €	(4,364)	(4,759)	(4,906)	(2,835)	(2,230)
Additions to intangible assets and property, plant and equipment	in millions of €	(1,831)	(1,808)	(2,121)	(2,091)	(1,859)
Cash flows from financing activities – continuing operations	in millions of €	(4,485)	(3,715)	(3,017)	(5,591)	(2,735)
Change in cash and cash equivalents	in millions of €	(1,199)	(1,717)	(1,561)	(1,715)	4,023
Free cash flow – continuing and discontinued operations	in millions of €	5,201	5,328	4,700	5,282	7,109
Free cash flow – continuing operations	in millions of €	5,399	5,378	4,871	5,889	6,781
Employees¹ – continuing operations		FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Employees (September 30)	in thousands	343	348	352	341	316
Stock market information		FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Basic earnings per share – continuing and discontinued operations	in €	6.37	5.08	4.74	6.55	4.28
Basic earnings per share – continuing operations ¹	in €	6.24	4.81	5.06	7.19	4.41
Diluted earnings per share – continuing and discontinued operations	in €	6.31	5.03	4.69	6.48	4.23
Diluted earnings per share – continuing operations ¹	in €	6.18	4.76	5.01	7.12	4.37
Dividend per share	in €	3.30 ⁴	3.00	3.00	3.00	2.70
Siemens stock price (Xetra closing price)						
High	in €	101.35	90.33	79.71	99.38	79.37
Low	in €	88.71	76.00	63.06	64.45	60.20
Fiscal year-end	in €	94.37	89.06	77.61	68.12	77.43
Siemens stock price performance year-over-year						
Compared to DAX®	in %-points	(0.92)	3.67	(12.57)	2.17	15.53
Compared to MSCI World	in %-points	(2.89)	2.55	(3.01)	(5.16)	18.53
Number of shares issued (September 30)	in millions	881	881	881	914	914
Market capitalization ⁵	in millions of €	78,823	75,078	66,455	59,554	67,351
Credit rating of long-term debt						
Standard & Poor's Ratings Services		A+	A+	A+	A+	A+
Moody's Investors Service		Aa3	Aa3	Aa3	A1	A1

1 Regarding activities classified as discontinued operations, prior years are presented on a comparable basis.

2 Net debt results from total debt less total liquidity. Total debt comprises short-term debt and current maturities of long-term debt as well as long-term debt. Total liquidity

comprises cash and cash equivalents as well as available-for-sale financial assets (current).

3 Amortization, depreciation and impairments includes depreciation and impairments of property, plant and equipment, net of reversals of impairments as well as

amortization and impairments of intangible assets, net of reversals of impairment.

4 To be proposed to the Annual Shareholders' Meeting.

5 On the basis of outstanding shares.

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 IFRS not clearly defined – supplemental financial measures that are or may be non-GAAP financial 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 IFRS in its Consolidated Financial Statements. Other companies that report or describe similarly titled financial 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.

Further information on the contents of this Annual Report is available from:

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+49 89 636-32474 (Investor Relations)
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+49 89 636-32830 (Investor Relations)
E-mail press@siemens.com
investorrelations@siemens.com

Additional information

The Siemens Annual Report for 2014 is available online at:

[WWW.SIEMENS.COM/ANNUAL-REPORT](http://www.siemens.com/annual-report)

Combined reporting

The Annual Report combines our annual and sustainability reporting to provide an integrated overview of our Company's key topics. Further information on our commitment to sustainability and additional sustainability-related indicators are available at:

[WWW.SIEMENS.COM/SUSTAINABILITY](http://www.siemens.com/sustainability)

[WWW.SIEMENS.COM/SUSTAINABILITY-FIGURES](http://www.siemens.com/sustainability-figures)

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