Annual Report
2020

SIEMENS

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A. Combined Management Report

A.1

Organization of the Siemens Group and basis of presentation

Siemens is a technology company that is active in nearly all countries of the world, focusing on the areas of automation and digitalization in the process and manufacturing industries, intelligent infrastructure for buildings and distributed energy systems, smart mobility solutions for rail and road and medical technology and digital healthcare services.

Siemens comprises Siemens Aktiengesellschaft (Siemens AG), a stock corporation under the Federal laws of Germany, as the parent company and its subsidiaries. Our Company is incorporated in Germany, with our corporate headquarters situated in Munich. As of September 30, 2020, Siemens had around 293,000 employees.

As of September 30, 2020, Siemens has the following reportable segments: Digital Industries, Smart Infrastructure, Mobility and Siemens Healthineers, which together form our "Industrial Businesses" and Siemens Financial Services (SFS), which supports the activities of our industrial businesses and also conducts its own business with external customers. Furthermore, we report results for Portfolio Companies, which comprises businesses that are managed separately to improve their performance. During fiscal 2020, the energy business, consisting of the former reportable segment Gas and Power and the approximately 67% stake held by Siemens in Siemens Gamesa Renewable Energy, S.A. (SGRE) – also a former reportable segment – was classified as held for disposal and discontinued operations. Siemens transferred the energy business into a new company, Siemens Energy AG, and in September 2020 listed it on the stock market via a spin-off. Siemens allocated 55.0% of its ownership interest in Siemens Energy AG to its shareholders and a further 9.9% were transferred to Siemens Pension-Trust e.V. The remaining 35.1% of shares in Siemens Energy AG are held by Siemens and reported within Reconciliation to Consolidated Financial Statements as Siemens Energy Investment. For further information, see ↗ NOTES 3 and 4 in ↗ B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. Also part of Reconciliation to Consolidated Financial Statements is Siemens Advanta, formerly Siemens IoT Services, a strategic advisor and implementation partner in digital transformation and industrial internet of things (IIoT).

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

NON-FINANCIAL MATTERS OF THE GROUP AND SIEMENS AG

Siemens has policies for environmental, employee and social matters, for the respect of human rights, and anti-corruption and bribery matters, among others. Our business model is described in chapters ↗ A.1 and ↗ A.3 of this Combined Management Report. Reportable information that is necessary for an understanding of the development, performance, position and the impact of our activities on these matters is included in this Combined Management Report, in particular in chapters ↗ A.3 through ↗ A.7. Forward-looking information, including risk disclosures, is presented in chapter ↗ A.8. Chapter ↗ A.9 includes additional information that is required to be reported in the Combined Management Report related to the parent company Siemens AG. As supplementary information, amounts reported in the Consolidated Financial Statements and the Annual Financial Statements of Siemens AG related to such non-financial matters, and additional explanations thereto, are included in ↗ B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, NOTES 17, 18, 22, 26 and 27, and in the ↗ NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF SIEMENS AG FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020, NOTES 16, 17, 20, 21 and 25. In order to inform the users of the financial reports in a focused manner, these disclosures are not subject to a specific non-financial framework – in contrast to the disclosures in our separate "Sustainability Information 2020" document, which are based on the standards developed by the Global Reporting Initiative (GRI).

A.2
Financial performance system

A.2.1 Overview

The Siemens Financial Framework includes targets that we aim to achieve over the cycle of the business activities.

A.2.2 Revenue growth

In the Siemens Financial Framework we aim to achieve a revenue growth range of 4% to 5% per year on a comparable basis. Our primary measure for managing and controlling our revenue growth is comparable growth, because it shows the development in our business net of currency translation effects, which arise from the external environment outside of our control, and portfolio effects, which involve business activities which are either new to or no longer a part of the respective business.

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

A.2.3 Profitability and capital efficiency

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

We have set the following margin ranges in our Siemens Financial Framework:

Margin ranges

	Margin range
Digital Industries	**17 – 23%**
Smart Infrastructure	**10 – 15%**
Mobility	**9 – 12%**
Siemens Healthineers	**17 – 21%**
Industrial Businesses	**11 – 15%**
Siemens Financial Services (ROE after tax)	**17 – 22%**

The margin range for Siemens Healthineers reflects our expectation as a majority shareholder.

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

For purposes of managing and controlling profitability at the Group level, we use net income as our primary measure. This measure is the main driver of basic earnings per share (EPS) from net income, which we used in communication to the capital markets in fiscal 2020.

We seek to work profitably and as efficiently as possible with the capital provided by our shareholders and lenders. For purposes of managing and controlling our capital efficiency, we use return on capital employed, or ROCE, as our primary measure in our Siemens Financial Framework. Our long-term goal is to achieve ROCE within a range of 15% to 20%.

A.2.4 Capital structure

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

A.2.5 Liquidity and dividend

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

At the Annual Shareholders' Meeting, the Managing Board, in agreement with the Supervisory Board, will submit the following proposal to allocate the unappropriated net income of Siemens AG for fiscal 2020: to distribute a dividend of €3.50 on each share of no par value entitled to the dividend for fiscal 2020 existing at the date of the Annual Shareholders' Meeting; the remaining amount is to be carried forward. The dividend of €3.50 consists of €3.00 at the upper end of our targeted dividend payout ratio, supplemented by an additional €0.50. Payment of the proposed dividend is contingent upon approval by Siemens shareholders at the Annual Shareholders' Meeting on February 3, 2021. The prior-year dividend was €3.90 per share.

The proposed dividend of €3.50 per share for fiscal 2020 represents a total payout of €2.8 billion based on the estimated number of shares entitled to dividend at the date of the Annual Shareholders' Meeting. Based on Net income attributable to shareholders of Siemens AG of €4.0 billion for fiscal 2020, the dividend payout percentage is 70%.

A.2.6 Calculation of return on capital employed

Calculation of ROCE

(in millions of €)	Fiscal year 2020	2019
Net income	**4,200**	5,648
Less: Other interest expenses/income, net[1]	**(691)**	(562)
Plus: SFS Other interest expenses/income	**806**	763
Plus: Net interest expenses related to provisions for pensions and similar obligations	**66**	108
Less: Interest adjustments (discontinued operations)	**100**	73
Less: Taxes on interest adjustments (tax rate (flat) 30%)	**(84)**	(115)
(I) Income before interest after tax	**4,397**	5,916
(II) Average capital employed	**56,190**	53,459
(I)/(II) ROCE	**7.8%**	11.1%

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

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

Calculation of capital employed

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

A.3
Segment information

A.3.1 Overall economic conditions

The macroeconomic development in fiscal 2020 was dominated by the coronavirus pandemic (COVID-19) and subsequent recession, which was the deepest since the Second World War. Global gross domestic product (GDP) is expected to contract by 4.5% in calendar 2020, after it grew by 2.6% in calendar 2019.

Global economic activity was already decelerating in the first quarter of fiscal 2020 as the trade conflict between the U.S. and China increasingly took its toll. Shortly after economic sentiment indicators improved in response to calming of the conflict (due to the "phase one deal"), the novel coronavirus (SARS-CoV-2) emerged and started to spread globally. Voluntary and mandated social distancing measures to contain the outbreak massively restricted economic activity, first in China, then in other Asian countries, the Middle East and Europe, and finally in the Americas and Africa. Sectors with high intensity of personal contact had to substantially curtail or stop their operations. Many other industries were directly affected by supply chain problems or indirectly by insufficient demand and also stopped production.

Globally, governments and central banks responded with unprecedented fiscal and monetary policy measures, first, to ensure short-term liquidity of firms and households, later to stimulate their economies after the deep slump. According to the International Monetary Fund (IMF), these measures resulted in fiscal policy responses totaling US$12 trillion and balance sheet expansion of nearly US$7.5 trillion on the part of central banks in the G10. As a result, and after initial lockdown measures were lifted while the virus outbreak slowed, the global economy experienced a strong rebound in the summer months of 2020. But a full recovery could not be achieved, due to renewed virus outbreaks and restrictions on contact-intensive industries ("90% economy"). The only notable exception was the Chinese economy where the recovery has been much faster than expected and positive GDP growth (+1.9%) is expected for calendar 2020. All other major economies are expected to record reductions in GDP in calendar 2020: European Union (EU) (7.7)%, U.S. (3.5)%, Japan (5.6)%, India (10.8)%. For advanced countries in aggregate, calendar 2020 GDP is expected to decline by 5.5%. For emerging countries, the decline in 2020 GDP is estimated at 3.1%.

The partly estimated figures presented here for GDP are based on an IHS Markit report dated October 15, 2020.

These economic developments also influenced Siemens' business performance in fiscal 2020, in particularly with regard to effects related to COVID-19. These effects varied between Siemens' businesses, customer markets and geographic regions. While some of our key customer industries such as automotive and machine building were heavily impacted by the steep drop in global GDP beginning in the second calendar quarter of 2020, other customer industries, such as semiconductors, electronics and data centers, accelerated in order to serve rapid global growth in online activity for work, leisure and retail consumption. While the pandemic significantly slowed our sales and service activities because of restricted access to customer sites, this also resulted in cost reductions such as lower travel and marketing expenses. Furthermore, we were able to keep our production largely stable due to the use of our own technology in our factories and our diversified value chain. On a geographic basis, China was both the first country significantly affected by COVID-19 and the first major national economy to see a return to growth, which occurred towards the end of our fiscal year. In contrast, large parts of Europe and the Americas continue to be strongly impacted by COVID-19, following temporary relief during the summer months from the pandemic's first waves in the spring. All these market dynamics noticeably affected volume and income of Siemens' businesses in fiscal 2020 as described below.

A.3.2 Digital Industries

Digital Industries offers a comprehensive product portfolio and system solutions for automation used in discrete and process industries; these offerings include automation systems and software for factories, numerical control systems, motors, drives and inverters and integrated automation systems for machine tools and production machines. Digital Industries also provides process control systems, machine-to-machine communication products, sensors (for measuring pressure, temperature, level, flow rate, distance or shape) and radio frequency identification systems. Furthermore, Digital Industries offers production and product lifecycle management software, and software for simulation and testing of mechatronic systems. These leading software offerings are integrated with the electronic design automation (EDA) software portfolio of Mentor Graphics (Mentor) and the open, cloud-based industrial internet of things (IIoT) operating system MindSphere, which connects machines and physical infrastructure to the digital world. These offerings are complemented by Mendix' cloud-native low-code application development platform, which allows customers to significantly reduce app development times through visual representation of underlying code. Digital Industries also provides customers with lifecycle and data-driven services. Taken together, Digital Industries' offerings enable customers to optimize entire value chains from product design and development through production and post-sale services. With its advanced software solutions in particular, Digital Industries supports customers in the discrete manufacturing, hybrid and process industries in their evolution towards the "Digital Enterprise," resulting in increased flexibility and efficiency of production processes and reduced time to market for new products. The most important markets include the automotive industry, the machine building industry, the pharmaceutical and chemicals industry, the food and beverage industry and the electronics and semiconductor industry. Digital Industries serves its customers through a common regional sales organization spanning all its businesses, using various sales channels depending on the type of customer and industry. Changes in customer demand, especially for standard products, are driven strongly by macroeconomic cycles, and can lead to significant short-term fluctuation in Digital Industries' profitability. Volume from large contracts in the software business, particularly for Mentor, may also result in strong fluctuations in quarterly volume and profitability. Competition for Digital Industries' business activities comes primarily from multinational corporations that offer a relatively broad portfolio and from smaller companies active only in certain geographic or product markets.

Digital Industries sees three trends influencing its business and providing long-term growth opportunities. Producers of investment goods in today's increasingly digital environment must modernize their production capacity, particularly to increase production flexibility and reduce time to market. This environment also spurs producers to complement their core products with vertical solutions and service offerings, which their customers either need or want in order to take full advantage of the investment goods. Finally, there is a trend from globalization to regionalization, to support local economic development or to better adapt solutions to local needs.

Research & Development (R&D) activities at Digital Industries are aimed at integrating technologies such as artificial intelligence (AI), edge computing, cloud technologies, additive manufacturing and industrial 5G wireless technology into Digital Industries' extensive portfolio for industrial automation and digitalization. Beyond its own R&D activities, Digital Industries collaborates closely with partners and customers. An example is PlantSight, jointly developed by Digital Industries and Bentley Systems, Inc. (Bentley), which utilizes real-time analytics and AI to generate new insights and enable real-time collaboration between engineering, operations and maintenance functions. With its new NX Sketch software tool for computer-aided design (CAD), Digital Industries has advanced CAD sketching by using AI to infer relationships on the fly so that users can move away from a paper hand sketch and truly create conceptual designs in the NX environment. In the field of AI-based services, Digital Industries launched "Predictive Services for Foundry," which enables users to increase overall plant efficiency in the automotive sector. In fiscal 2020, Digital Industries also launched "Siemens Industrial Edge," which brings edge computing and intelligent analytics to manufacturing automation devices and introduced new software as a service (SaaS) offerings such as Teamcenter X, Teamcenter Share or Simcenter on the Cloud that do not require the IT investments typically needed for on-premise deployments. In addition to this, Digital Industries launched the SIMATIC IOT2050 gateway, which links cloud computing with in-company IT and production. Digital Industries further expanded its portfolio and partnerships for industrialized additive manufacturing. With NX AM Path Optimizer, a new technology integrated in NX software, Digital Industries demonstrated how to locally adapt and optimize the printing process during production planning. Together with Qualcomm Technologies, Inc., Digital Industries implemented the first private 5G standalone network in a real-world industrial environment using the 3.7-3.8GHz band. By launching Xcelerator, Digital Industries is now offering an integrated portfolio of software, services and application development capabilities that can be adapted to fit customer and industry-specific needs and thereby help companies of all sizes become digital enterprises. Major investments of Digital Industries in fiscal 2020 relate to its own factory automation, motion control and process automation businesses, to further automate and digitalize these facilities particularly in Germany, China and the Czech Republic.

(in millions of €)	Fiscal year 2020	2019	% Change Actual	Comp.
Orders	**15,896**	15,944	0%	0%
Revenue	**14,997**	16,087	(7)%	(6)%
therein: software business	***4,144***	*4,039*	*3%*	*2%*
Adjusted EBITA	**3,252**	2,880	13%	
Adjusted EBITA margin	**21.7%**	17.9%		

Global markets for Digital Industries' businesses showed a mix of influences from customer industry shifts and factors related to COVID-19. While the software business achieved significant order growth, including a number of large contract wins, most notably in its EDA software business, orders in the automation businesses declined due to lower demand from some of their most important customer segments, particularly the automotive and the machine building industries. This latter development was a significant factor in lower orders for the region comprising Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East, including a double-digit decrease in Germany. In contrast, orders rose in the Americas and Asia, Australia regions, including significant growth in the U.S. and China. Revenue was similarly affected by declines in the automation businesses, particularly in the short-cycle motion control and factory automation businesses. The software business achieved moderate revenue growth. On a geographic basis, the region Europe, C.I.S., Africa, Middle East posted a significant revenue decline while Asia, Australia and the Americas delivered revenue close to the prior-year levels. Adjusted EBITA rose due mainly to a €767 million positive effect related to Digital Industries' stake in Bentley Systems, Inc. (Bentley), which was mostly from revaluation following that company's public listing in September 2020 and included €48 million in dividend payments for the full year. Adjusted EBITA rose substantially in the software business. A year earlier, the software business benefited from a €50 million gain from the sale of an equity investment. Adjusted EBITA and profitability decreased in the automation businesses, due largely to revenue declines associated with COVID-19; this development was only partially offset by cost savings from pandemic restrictions such as lower travel and marketing expenses. Severance charges, primarily related to cost structure improvements, were €210 million in fiscal 2020, up from severance charges of €92 million a year earlier. Digital Industries' order backlog was €5 billion at the end of the fiscal year, of which €4 billion are expected to be converted into revenue in fiscal 2021.

Digital Industries achieved its results in a market environment which, beginning with the second quarter of fiscal 2020, was strongly impacted by effects related to COVID-19, resulting in considerably lower demand for investment goods. The magnitude and duration of pandemic impacts varied across regions and market segments. Market volume in fiscal 2020 declined clearly in the region comprising Europe, C.I.S., Africa, Middle East and to a lesser extent in the Americas. In contrast, market volume in Asia, Australia slightly grew year-over-year. Within that region, China, which was hit first by the pandemic, was among the first countries that saw a recovery towards the end of the fiscal year. Within the most important industries served by Digital Industries, the automotive industry, which already was in a downturn a year earlier, severely cut production in response to the pandemic while continuing to address historic technological changes driven by CO_2 emission reduction. The production cuts in the automotive industry were also a main factor for a massive decline in demand in the machine building industry. The food and beverage markets declined moderately due to weak demand for beverages. The chemicals and pharmaceuticals industry was less impacted by the pandemic, due mainly to stable production levels in the pharmaceuticals industry. The global electronics and semiconductor markets kept growing during fiscal 2020. While the forecast for fiscal 2021 indicates a slight recovery of the markets served by Digital Industries, including moderate expansion in manufacturing investments, pre-pandemic market volume is not expected to be reached in the next fiscal year.

In October 2020, the stake in Bentley was transferred to Corporate items, reported within the Reconciliation to Consolidated Financial Statements. In November 2020, to further strengthen Siemens' pension assets and safeguards the post-employment benefits of employees, Siemens transferred the stake in Bentley from Corporate items to Siemens Pension-Trust e.V.

A.3.3 Smart Infrastructure

Smart Infrastructure supplies and intelligently connects energy systems and building technologies, to significantly improve efficiency and sustainability of public and private infrastructures, while supporting its customers in addressing major technology shifts. Smart Infrastructure delivers these benefits with a range of products and systems for intelligent grid control, low- and medium voltage electrification and control products, building automation, fire safety and security and energy efficiency in buildings. At the grid edge – the interface between energy grids and buildings and energy consumers – Smart Infrastructure serves high-growth markets in distributed energy systems, electric vehicle infrastructure, microgrids and energy trading. Beginning with fiscal 2020, the distribution transformer business was transferred to the former segment Gas and Power. Smart Infrastructure serves its customers through a broad range of channels, including its global product and systems sales organization, distributors, panel builders, original equipment manufacturers (OEM) and value added resellers and installers, all complemented by direct sales through the branch offices of its regional solutions and services units worldwide. Smart Infrastructure's customer base is diverse. It encompasses infrastructure developers, construction companies and contractors; owners, operators and tenants of both public and commercial buildings including hospitals, campuses, airports and data centers; utilities and power distribution network operators; companies in heavy industries such as oil and gas, mining and chemicals; and companies in discrete manufacturing industries such as automotive and machine building. Smart Infrastructure's principal competitors consist mainly of large multinational companies and smaller manufacturers in emerging countries. Its solutions and services business also competes with local players such as system integrators and facility management firms. Smart Infrastructure's businesses are impacted by changes in the overall economic environment to varying degrees, depending on customer segment. While customer demand in discrete manufacturing industries changes quickly and strongly with macroeconomic cycles, it reacts more slowly in infrastructure, construction, heavy industries and the utilities sector. Particularly in its solutions and service business, Smart Infrastructure is affected by changes in the non-residential building construction markets with a time lag of two to four quarters. Overall, Smart Infrastructure has developed a balanced and resilient business mix with its diversified regional and vertical markets; its range of products, systems, solutions and services; and its participation in both long- and short-cycle markets.

The markets served are experiencing shifts that present opportunities where building technologies and electrification meet. Key trends include climate change, rising population and urbanization which increase the need for safe, secure and sustainable environments that provide interactive, comfortable spaces and affordable costs for energy, operation and maintenance. These trends lead to cross-sector coupling of previously separate technologies, such as electrification of heat and transportation to optimize energy efficiency. Decarbonization is changing the energy generation mix towards renewable energy sources, which fluctuate with time of day and weather conditions. As a result, the energy system is becoming increasingly decentralized, more strongly influenced by prosumers, and more dependent on integration of intermittent/distributed energy sources including wind, photovoltaic and biomass. Both smarter buildings and the integration of more distributed energy sources into conventional power networks result in increasing technological and management complexity, including rising volumes of data, bi-directional energy and information flows. These can be reliably managed only through digitalization of buildings, transportation and energy systems.

Smart Infrastructure's R&D activities focus on the one hand on addressing the trends of decentralization, decarbonization and digitalization of energy markets. On the other hand, R&D expenses strengthen Smart Infrastructure's capabilities to create comfortable, safe and energy-efficient buildings and infrastructures that support increased efficiency of occupants, equipment and the use of building space. Smart Infrastructure is expanding its digital offerings in its existing businesses while integrating recent acquisitions in such critical areas as power control systems, power electronics and building IoT. Furthermore, it develops technologies for environmentally friendly and increasingly renewable energy systems, ranging from photovoltaic inverter technology to battery storage and charging solutions for e-mobility. In this regard, data from field devices is the basis to intelligently deliver grid flexibility and continuously match energy supply and demand while protecting grid assets. For electrical distribution systems and industrial plants, Smart Infrastructure continuously drives digitalization of its switching and control products with built-in intelligence, connectivity to the cloud, and increasingly remote diagnostics and edge computing capability. Its digital twins of products, building systems or grids deliver customer value with online configuration tools, maintenance and service management. Smart Infrastructure also develops data-driven applications and digital services. To a large extent, its capital expenditures relate to the products businesses. Main investment areas are replacement of fixed assets and further digitalization of factories and technical equipment, with a strong focus on innovation.

	Fiscal year		% Change	
(in millions of €)	2020	2019	Actual	Comp.
Orders	**14,734**	15,590	(5)%	(5)%
Revenue	**14,323**	14,597	(2)%	(2)%
therein: products business	***5,224***	*5,515*	*(5)%*	*(5)%*
Adjusted EBITA	**1,302**	1,465	(11)%	
Adjusted EBITA margin	**9.1%**	10.0%		

The decline in orders at Smart Infrastructure primarily involves the solutions and services business, which took in a sharply higher volume from large orders a year earlier. Orders in the products business decreased only moderately year-over-year, despite an adverse market environment for the short-cycle activities at the beginning of fiscal 2020 that rapidly became significantly worse due to COVID-19. The systems and software business was able to keep orders close to the prior-year level. Weakness in short-cycle markets also strongly impacted revenue development in the products business. Revenue for the solutions and services business and for the systems and software business remained close to the prior-year levels. On a geographic basis, the decline in orders and revenue was due to the regions Europe, C.I.S., Africa, Middle East and Asia, Australia, while volume in the Americas remained largely stable. Adjusted EBITA declined across the businesses and was impacted by severance charges of €195 million associated with the execution of Smart Infrastructure's competitiveness program, up from severance charges of €46 million a year earlier. Impacts on Adjusted EBITA and profitability related to COVID-19 were partly offset by expense reductions resulting from pandemic restrictions. Adjusted EBITA in fiscal 2020 benefited from a €159 million gain from the sale of a business while the prior fiscal year included negative effects related to grid control projects. Smart Infrastructure's order backlog was €10 billion at the end of the fiscal year, of which €7 billion are expected to be converted into revenue in fiscal 2021.

Demand in the markets served by Smart Infrastructure declined moderately in fiscal 2020 due primarily to effects related to COVID-19, which impacted most key customer industries and all reporting regions. The strongest declines in market volume came from the automotive, oil and gas and machine-building industries. In the chemicals industry, demand declined moderately. Grid markets remained relatively stable, as utilities continued to prioritize investment in making legacy networks more automated, intelligent, flexible and reliable. Despite a moderate decline in demand in the construction market overall, the important segment of that market for Smart Infrastructure – energy performance services – continued to grow, benefiting from persistent demand for energy efficiency and digital services. The data center market grew clearly, supported by higher demand for remote working and cloud services. On a geographic basis, European markets were most strongly impacted by effects related to COVID-19, followed by the markets in the Asia, Australia region, while impacts on the U.S. markets were less severe. In fiscal 2021, utilities markets are expected to grow moderately and industry markets are forecast to recover slightly. However, market development overall is expected to be impacted by lower demand from the building construction sector, leading to an overall slight decline in volume of markets served by Smart Infrastructure year-over-year. On a geographic basis, markets in Asia, Australia are expected to return to their growth path with some of the region's countries already reaching pre-pandemic market volume. Markets in Europe overall are expected to remain on the reduced level and within the Americas, market volume in the U.S. is forecast to decline in fiscal 2021.

A.3.4 Mobility

Mobility combines all Siemens businesses in the area of passenger and freight transportation, including rail vehicles, rail automation systems, rail electrification systems, road traffic technology, digital solutions and related services. It also provides its customers with consulting, planning, financing, construction, service and operation of turnkey mobility systems. Moreover, Mobility offers integrated mobility solutions for networking of different types of traffic systems. It sells its products, systems and solutions through its worldwide network of sales units. The principal customers of Mobility are public and state-owned companies in the transportation and logistics sectors, so its markets are driven primarily by public spending. Customers usually have multi-year planning and implementation horizons, and their contract tenders therefore tend to be independent of short-term economic trends. Mobility's principal competitors are multinational companies. Consolidation among Mobility's competitors is continuing: In May 2020, CRRC Zhuzhou Locomotives Co., Ltd., China (CRRC) finalized the acquisition of Vossloh Locomotives GmbH, Germany to gain a foothold in Europe, in line with CRRC's ambitious growth and internationalization strategy. In September 2020, Alstom SA of France (Alstom) signed the sale and purchase agreement for the acquisition of Bombardier Transportation. Already in July 2020, the European Commission decided to grant conditional clearance of the proposed acquisition. The closing of the transaction is expected for the first quarter of calendar 2021, subject to regulatory approvals and customary closing conditions. While CRRC retains its place as the largest rolling stock manufacturer in the world in terms of revenue, the planned acquisition of Bombardier Transportation by Alstom will create the second-largest rolling stock manufacturer worldwide. Market consolidation may lead to increased competitive pressure within the rail supply industry and also to fewer sourcing options for rail customers.

The main trends driving Mobility's markets are urbanization and the need to reduce emissions. Increasing populations in urban centers need daily mobility that is simpler, faster, and more flexible, reliable and affordable. At the same time, cities and national economies face the challenge of cutting CO_2 and noise emissions and reducing space requirements and costs of transportation. The pressure on mobility providers to meet all these needs is expected to rise continuously.

Mobility's R&D strategy is focused on making trains and infrastructures more intelligent, thereby increasing its customers' return on investment, improving passenger experience, and guaranteeing availability. Decarbonization and seamlessly connected (e-)mobility are key factors for the future of transportation. Mobility's major R&D areas include the development of efficient vehicle platforms with optimized lifecycle cost and maximum customization flexibility; eco-friendly, alternative power supplies for trains (batteries, fuel cells, dual mode) and trucks (eHighway); digital services for railways via its Railigent application suite; "signaling in the cloud," a new system architecture for rail infrastructure and IoT/cloud-based concepts; solutions for more automated and autonomous driving for rail and road; and digital technologies and IoT solutions including cyber security, connectivity, simulation and digital twin, data analytics and AI, additive manufacturing or intermodal apps and platforms and connected e-mobility. Mobility's investments focus mainly on maintaining or enhancing its production facilities for example in its Sacramento facility in the U.S. or its new site in Goole in the U.K., on meeting project demands and enhancing its depot services.

		Fiscal year		% Change
(in millions of €)	2020	2019	Actual	Comp.
Orders	**9,169**	12,894	(29)%	(29)%
Revenue	**9,052**	8,916	2%	2%
Adjusted EBITA	**822**	983	(16)%	
Adjusted EBITA margin	**9.1%**	11.0%		

Although Mobility won a number of important orders in fiscal 2020, orders overall still declined compared to the prior year, which included a sharply higher volume from large orders. Those important orders in fiscal 2020 included a €1.1 billion contract for high-speed trains; orders for the commuter rail platform Mireo, such as a first order for battery-powered trains including a long-term service agreement; a first order of 100 dual-power locomotives out of a framework agreement comprising up to 400 vehicles, all in Germany; and an order for signaling infrastructure in Singapore. Revenue rose on clear growth in the rolling stock business, which executed strongly on its large order backlog, and in the customer services business. These increases were partly offset by lower revenue in the rail infrastructure business. Volume development in the rail infrastructure and the customer services businesses was impacted by effects related to COVID-19, including restricted access to customer sites and lower operating mileage on public transport. On a geographic basis, revenue rose in Europe, C.I.S., Africa, Middle East, due particularly to a significant growth contribution from Germany, and in the Americas. This growth was partly offset by a double-digit decline in revenue in Asia, Australia. Adjusted EBITA and profitability declined due to a less favorable revenue mix year-over-year, including a lower share from the higher-margin rail infrastructure business and expenses related to COVID-19 for internal measures to safeguard employee health in manufacturing facilities. Severance charges were €20 million in both fiscal years under review. Mobility's order backlog was €32 billion at the end of the fiscal year, of which €8 billion are expected to be converted into revenue in fiscal 2021.

While the long-term demand for efficient and environmentally friendly public transport continues to be a growth driver for the markets served by Mobility, order development in fiscal 2020 partly reflected the postponement of large rail and infrastructure projects due to COVID-19, which led to a temporary decline in market volume, particularly in Europe. Despite these postponements, market development in Europe continued to be characterized by awards of mid-size to large orders, particularly in Germany, France and in the U.K. Demand in the Middle East and Africa was held back by ongoing uncertainties related to budget constraints and political climates. In the Americas region, investment activities were driven by demand for urban and mainline transport, especially in the U.S. and Canada. Within the Asia, Australia region, Chinese markets saw ongoing investments in high-speed trains, urban transport, freight logistics and rail infrastructure, while India continues to invest in modernizing the country's transportation infrastructure. We expect these main regional investment trends to continue in fiscal 2021. Furthermore, we expect market volume in fiscal 2021 to exceed the pre-pandemic level due in part to fiscal stimulus that benefits rail and public transport operators across various countries. Overall, rail transport and intermodal mobility solutions are expected to remain a focus as urbanization continues to progress around the world. In emerging countries, rising incomes are expected to result in greater demand for public transport solutions.

A.3.5 Siemens Healthineers

Siemens as majority shareholder holds about 79% of the shares of the publicly listed Siemens Healthineers AG, Germany (Siemens Healthineers). Siemens Healthineers is a global provider of healthcare solutions and services. It develops, manufactures, and sells a diverse range of innovative imaging, diagnostic and advanced therapies products and services to healthcare providers. In addition, it also provides clinical consulting services, complemented by an extensive range of training and service offerings. This comprehensive portfolio supports customers all along the care continuum, from prevention and early detection to diagnosis, treatment, and follow-up care. The customer spectrum ranges from public and private healthcare providers, including hospitals and hospital systems, public and private clinics and laboratories, universities, physicians/physician groups, public health agencies, state-run and private health insurers, to pharmaceutical companies and clinical research institutes. In its imaging business, the most important products are equipment for magnetic resonance, computed tomography, X-ray systems, molecular imaging, and ultrasound. Its diagnostics business offers in-vitro diagnostic products and services to healthcare providers in laboratory, molecular and point-of-care diagnostics. The products in its advanced therapies business facilitate image-guided minimally invasive treatments, in areas such as cardiology, interventional radiology, surgery and radiation oncology. In October 2019, Siemens Healthineers acquired Corindus Vascular Robotics, Inc., USA, (Corindus) for US$1.1 billion (€1.0 billion) in cash. Corindus develops and provides a robotic-assisted platform for endo-vascular coronary and peripheral vascular interventions and was integrated in the advanced therapies business. In September 2020, Siemens Healthineers AG placed 75 million new shares to institutional investors. Siemens did not participate in the placement, thus, Siemens' stake in Siemens Healthineers decreased from 85% to 79%. Competition in the imaging and advanced therapies businesses consists mainly of a small number of large multinational companies, while the diagnostics market is fragmented with a variety of global players that compete with each other across market segments and also with several regional players and specialized companies in niche technologies. The business activities of Siemens Healthineers are to a certain extent resilient to short-term economic trends because large portions of its revenue stem from recurring business. They are, however, directly and indirectly dependent on trends in healthcare markets and on developments in health policy, and geopolitical developments around the world.

The addressable markets of Siemens Healthineers are shaped by four major trends. The first is demographic, in particular the growing and aging global population. This trend poses major challenges for global healthcare systems and, at the same time, offers opportunities as the demand for cost-efficient healthcare solutions continues to intensify. The second trend is economic development in emerging countries, which opens up improved access to healthcare for many people. As the middle class continues to grow, significant investment in the expansion of private and public healthcare systems will persist, driving overall demand for healthcare products and services and hence market growth. The third trend is the increase in chronic diseases as a consequence of an aging population and environmental and lifestyle-related changes. This development creates additional pressure on health systems and leads to increased costs to address it. The fourth global trend, the transformation of healthcare providers, results from a combination of societal and market forces that are driving healthcare providers to operate and organize their businesses differently. Increasing cost pressure on the healthcare sector is prompting the introduction of new remuneration models for healthcare services, such as value-based rather than treatment-based reimbursement. Digitalization and artificial intelligence are likely to be key enablers for healthcare providers as they increasingly focus on enhancing the overall patient experience, with better outcomes and overall reduction in cost of care. This development is driven partly by society's increasing resistance to healthcare costs, payers' increasing professionalization, burdens from chronic disease and rapid scientific progress. As a result, healthcare providers are consolidating into networked structures, resulting in larger clinic and laboratory chains, often operating internationally, which act increasingly like large corporations. Applying this industrial logic to the healthcare market can lead to systematic improvements in quality, while at the same time reducing costs. Driven by the need of healthcare systems worldwide to deliver better outcomes at lower costs, regulatory schemes around the world increasingly seek to introduce new remuneration models for healthcare services, leading to a shift of healthcare reimbursement systems away from a pay-per-procedure model towards an outcome-based model. Most developed countries are currently considering regulatory changes within their healthcare systems.

R&D activities at Siemens Healthineers are ultimately geared towards delivering innovative, sustainable solutions to its customers while safeguarding and improving its competitiveness. Particularly in the field of artificial intelligence, it has further expanded its activities and has more than 65 products and applications on the market that further improve its customers' productivity, while enabling clinical decisions to be more precise and tailored to the individual patient. Artificial intelligence-based technology will, starting in fiscal 2021, also be used in sample handling and classification in its Atellica Solution laboratory system. Furthermore, Siemens Healthineers is continuously expanding its portfolio of digital services to support customers in their transition to value-based care. The teamplay digital health platform brings together data, applications and services to make better decisions for patients in an efficient way. In addition to continually updating its portfolio, Siemens Healthineers also improves existing products and solutions. Siemens Healthineers focuses its investments mainly on enhancing competitiveness and innovation. The main capital expenditures were for spending for factories to expand manufacturing and technical capabilities, in particular in China and the U.S., and for additions to intangible assets, including capitalized development expenses within the Atellica Solution and Blood Gas product lines.

		Fiscal year		% Change
(in millions of €)	2020	2019	Actual	Comp.
Orders	**16,163**	15,853	2%	3%
Revenue	**14,460**	14,517	0%	0%
Adjusted EBITA	**2,184**	2,461	(11)%	
Adjusted EBITA margin	**15.1%**	17.0%		

In fiscal 2020, orders grew slightly on increases in the diagnostics and imaging business, partly offset by a decline in the advanced therapies business. On a regional basis, orders were up in the Americas and in Europe, C.I.S., Africa, Middle East, while order intake in the Asia, Australia region was near the prior-year level. For revenue, slight increases in the imaging and advanced therapies businesses were offset by a moderate decline in the diagnostics business. On a regional basis, moderate growth in Europe, C.I.S., Africa, Middle East was offset by slight decreases in the Americas and Asia, Australia. Adjusted EBITA was down year-over-year, mainly due to the diagnostics business where COVID-19 led to lower volume from testing for routine care and higher costs, and where costs rose also related to Atellica Solution. Adjusted EBITA was down slightly in the advanced therapies business. In contrast, the imaging business again posted strong results, which were higher than in the prior year. Severance charges were €65 million in fiscal 2020 and €57 million in fiscal 2019. The order backlog for Siemens Healthineers was €18 billion at the end of the fiscal year, of which €6 billion are expected to be converted into revenue in fiscal 2021.

In fiscal 2020, the markets of Siemens Healthineers were impacted by COVID-19. Overall, the long-term market trends remained intact, however the pandemic reinforced some of them. For example, the already increasing cost pressure for health systems and customers rose to unprecedented levels. For the markets addressed by the imaging business, Siemens Healthineers saw a slight market decrease. Significant market declines in major modalities such as magnetic resonance systems were balanced out by an increased interest in equipment and solutions used to diagnose and treat COVID-19, leading to moderate to significant growth of these markets. Siemens Healthineers expects that a recovery will not be achieved before the end of fiscal 2021. For the diagnostics business, markets increased for point-of-care tests to monitor patients and lab tests to detect SARS-CoV-2 and identify antibodies, while at the same time the demand for certain diagnostic reagents, particularly tests for routine care, was reduced as patient volume decreased. The development of the diagnostics market depends on a number of factors related to COVID-19, including development of a vaccine, additional waves of infection, and potential pent-up demand for routine testing. SARS-CoV-2 tests are expected to drive a market growth surge in fiscal 2021. The market for the advanced therapies business was negatively affected, resulting in clear market declines in fiscal 2020. Given that hospitals had to free up capacities and resources for potential COVID-19 emergencies, the number of routine and elective procedures severely decreased. It is expected to fully recover only after the end of fiscal 2021. On a regional basis, public investment programs in selected countries as well as increased demand related to COVID-19 in several major countries drove market growth for the imaging and advanced therapies businesses in Europe, C.I.S., Africa, Middle East. This counterbalanced negative effects due to country lockdowns, resulting in clear to significant overall market growth in fiscal 2020 in those markets. Clear market growth for the diagnostics business in that region was driven by test programs for SARS-CoV-2. For the U.S. market, project postponements or cessation and limited access to healthcare providers due to COVID-19 pandemic and related lockdowns resulted in significant market declines across all imaging and advanced therapies markets. The continued rise in COVID-19 cases increased the U.S. diagnostics market growth on clear levels, as demand for molecular and point-of-care COVID-19 tests further increased. In China, the most important market for Siemens Healthineers in the Asia, Australia region, lockdowns and postponed or cancelled elective procedures led to clear declines in the market for the advanced therapies business. In contrast, public investments in selected provinces with a high number of COVID-19 cases drove significant market growth in the imaging business. The growing private market segment was more burdened by the COVID-19 crisis, leading to a slower recovery and potential consolidation within that segment. Although diagnostic tests were widely applied to identify SARS-CoV-2, including large scale testing of whole populations of certain regions, this additional demand could not counterbalance the downturn of routine testing, resulting in an overall significant decrease in the diagnostics market.

The planned acquisition of Varian Medical Systems, Inc., U.S. (Varian), announced in August 2020, will add an additional business within Siemens Healthineers. It addresses the field of cancer care and provides innovative solutions in radiation oncology and related software.

A.3.6 Siemens Financial Services

Siemens Financial Services (SFS) supports its customers' investments with leasing solutions and equipment, project and structured financing in the form of debt and equity investments. Based on its comprehensive financing know-how and specialist technology expertise in the areas of Siemens businesses, SFS provides financial solutions for Siemens customers as well as other companies.

(in millions of €)	2020	Fiscal year 2019
Earnings before taxes (EBT)	**345**	632
ROE (after taxes)	**11.7%**	19.1%

(in millions of €)	2020	Sep 30, 2019
Total assets	**28,946**	29,901

Earnings before taxes decreased sharply compared to fiscal 2019. From the beginning of calendar 2020, SFS addressed continuing high uncertainty in its markets, including effects related to COVID-19, resulting in a sharp increase of credit risk provisions in the debt business compared to fiscal 2019. Results in the equity business came in significantly lower compared to fiscal 2019, the main factor being a loss of €98 million from an impairment of an equity investment in the U.S. The decrease in total assets since the end of fiscal 2019 is due mainly to negative currency translation effects.

Net cash from operations (defined as the sum of cash flows from operating and investing activities) amounted to €(284) million compared to €(782) million in fiscal 2019. In fiscal 2020 and fiscal 2019, net cash from operations comprised a Free cash flow of €611 million and €621 million, respectively, and remaining cash flows from investing activities, including from change in receivables from financing activities, of €(895) million and €(1,403) million, respectively.

SFS is particularly geared to Siemens' industrial businesses and its markets. As such, SFS is influenced by the business development of the markets served by our industrial businesses, among other factors. SFS will continue to focus its business scope on areas of intense domain know-how.

A.3.7 Portfolio Companies

Portfolio Companies comprise businesses which include a broad range of customized and application-specific products, software, solutions, systems and services for different industries including oil and gas, marine, mining, cement, water, fiber, wind, logistics and energy. Unrealized potential within these businesses requires adjustment in their approach using defined measures including internal re-organization, digitalization, cost improvements, and optimizing procurement, production and service activities. After achieving certain threshold performance targets, businesses may be transferred to one of Siemens industrial businesses, combined with an external business from the same industry, spun off via public listing, or placed into an external private equity partnership.

Beginning with fiscal 2020, the equity investments Ethos Energy Group Limited and Voith Hydro Holding GmbH & Co. KG, the subsea business, and the majority of the process solutions business were transferred to the former Gas and Power segment and during the second quarter of fiscal 2020 Siemens' stake in Primetals Technologies Limited was sold.

After these changes Portfolio Companies included at the end of fiscal 2020 mainly the following fully consolidated units, which are managed separately: gear units and couplings (Mechanical Drives) and generators for wind turbines (Wind Energy Generation), which were combined at the end of fiscal 2020 within the company Flender; electric motors, converters and generators (Large Drives Applications); sorting technology and solutions for mail, parcel, baggage and cargo handling (Siemens Logistics); and certain regional remaining business activities of the former Gas and Power segment (Siemens Energy Assets), which were not carved out to Siemens Energy due to country-specific regulatory restrictions or economic considerations. Siemens Energy Assets were classified to Portfolio Companies during the second quarter of fiscal 2020. Portfolio Companies also holds an at-equity investment in Valeo Siemens eAutomotive GmbH.

With certain notable exceptions, demand within the industries served by Portfolio Companies generally shows a delayed response to changes in the overall economic environment. The results of fully consolidated units are strongly dependent, however, on customer investment cycles in their key industries. In commodity-based industries such as oil and gas or mining, these cycles are driven mainly by commodity price fluctuations rather than changes in produced volumes. The broad range of fully consolidated units and their aggregate, heterogonous industrial customer base is reflected in its sales and marketing channels. For example, the large drives applications business leverages the shared regional sales organization employed by Siemens industrial businesses, while other businesses require a dedicated sales approach based on in-depth understanding of specific industries and customer requirements.

	Fiscal year		% Change	
(in millions of €)	2020	2019	Actual	Comp.
Orders	**5,258**	5,562	(5)%	(4)%
Revenue	**5,393**	5,455	(1)%	0%
Adjusted EBITA	**(504)**	2	n/a	
Adjusted EBITA margin	**(9.3)%**	0.0%		

Volume development was held back by impacts related to COVID-19 and the development of the oil-price. Lower orders were due mainly to Siemens Logistics and Large Drives Applications. Lower revenue was due mainly to Siemens Energy Assets primarily related to mandated factory closures, which more than offset increases in other fully consolidated units, primarily Flender's businesses. Although the fully consolidated units made good progress and delivered an improved earnings performance, Adjusted EBITA for fully consolidated units decreased substantially compared to fiscal 2019 due to a goodwill impairment of €99 million related to Siemens Energy Assets, mainly to the activities in Asia. In addition, sharply higher negative results from equity investments due mainly to an impairment of €453 million on the Valeo Siemens eAutomotive investment. Results from investments accounted for using the equity method are expected to remain volatile in coming quarters. Portfolio Companies' order backlog was €4 billion at the end of fiscal 2020, of which €3 billion was expected to be converted into revenue in fiscal 2021.

Although the broad range of businesses are operating in diverse markets, overall, the main markets served by Portfolio Companies are generally impacted by rising uncertainties regarding geopolitical and economic developments, including developments mentioned above, which are expected to weaken investment sentiment also in the coming year.

During fiscal 2020 Flender's businesses recorded increases in revenue from €2,021 million in fiscal 2019 to €2,185 million and in Adjusted EBITA from €129 million to €169 million. At the end of October 2020, Siemens agreed to sell Flender GmbH, Germany, for a price of €2.0 billion to Carlyle Group Inc., U.S. The transaction, which is subject to foreign-investment and antitrust approvals, is expected to close in the first half of calendar 2021. The criteria for the classification of Flender's businesses as held for disposal and discontinued operations will be met in the first quarter of fiscal 2021.

A.3.8 Reconciliation to Consolidated Financial Statements

Profit

(in millions of €)	Fiscal year 2020	2019
Siemens Energy Investment	**(24)**	–
Siemens Real Estate	**325**	135
Corporate items	**(892)**	(472)
Centrally carried pension expense	**(211)**	(210)
Amortization of intangible assets acquired in business combinations	**(691)**	(634)
Eliminations, Corporate Treasury and other reconciling items	**(236)**	(310)
Reconciliation to Consolidated Financial Statements	**(1,730)**	(1,491)

Siemens Energy Investment comprised the results related to our investment in Siemens Energy for the period between September 25, 2020 (spin-off day) and the fiscal year-end.

Higher profit at Siemens Real Estate was driven by gains related to disposals mainly due to transfers to Siemens Pension-Trust e.V. in Germany to fund pension plans, including a gain of €219 million from the transfer of an investment in the first quarter of fiscal 2020.

The change in Corporate items involved a mix of factors. The main factor of the change was a positive effect in the prior year resulting from the measurement of a major asset retirement obligation. Severance charges within Corporate items were €68 million (€99 million in fiscal 2019).

Eliminations, Corporate Treasury and other reconciling items included lower interest expenses on debt.

A.4

Results of operations

A.4.1 Orders and revenue by region

Currency translation effects took one percentage point each from order and revenue development; portfolio transactions added one percentage point to order development but had only minimal effects on revenue development year-over-year. The resulting ratio of orders to revenue (book-to-bill) for Siemens in fiscal 2020 was 1.05. The order backlog was €70 billion as of September 30, 2020.

Orders (location of customer)

(in millions of €)	Fiscal year 2020	2019	% Change Actual	Comp.
Europe, C.I.S., Africa, Middle East	**28,571**	32,164	(11)%	(11)%
therein: Germany	***10,927***	*10,088*	*8%*	*8%*
Americas	**17,045**	18,469	(8)%	(9)%
therein: U.S.	***14,458***	*14,675*	*(1)%*	*(5)%*
Asia, Australia	**14,361**	14,049	2%	3%
therein: China	***7,840***	*7,065*	*11%*	*12%*
Siemens (continuing operations)	**59,977**	64,682	(7)%	(7)%
therein: emerging markets[1]	***16,120***	*18,111*	*(11)%*	*(8)%*

1 As defined by the International Monetary Fund.

In a challenging environment resulting from COVID-19, orders related to external customers were clearly down year-over-year, due mainly to a substantial decline in Mobility which in the prior year recorded a higher volume from large orders. While Siemens Healthineers posted slight growth, order intake in Digital Industries was close to the prior-year level and down clearly in Smart Infrastructure. The decrease in emerging markets was due mainly to lower order intake in Russia, which in the prior year had included a €1.2 billion contract for high-speed trains including maintenance at Mobility.

In the Europe, C.I.S., Africa, Middle East region, order intake was down significantly year-over-year due mainly to a lower volume from large orders in Mobility, which won several large contracts in the prior year, and clear declines in Smart Infrastructure and Digital Industries that were only partly offset by a moderate increase in Siemens Healthineers. In contrast to the region overall, orders were up clearly in Germany, driven by sharp growth in Mobility which won several large contracts in the year under review, among them a €1.1 billion order for high-speed trains and a €0.3 billion order for regional trains. Siemens Healthineers posted clear growth in Germany year-over-year, while order intake declined in Smart Infrastructure and Digital Industries.

Order intake in the Americas was also influenced strongly by a lower volume from large orders for Mobility which in the prior year included large contract wins in the U.S. and Canada. This decline was only partly offset by clear growth in Digital Industries and a moderate increase in Siemens Healthineers. Order intake for Smart Infrastructure was slightly below the prior-year level. The pattern of order development in the U.S. was largely the same as for the Americas region.

In the Asia, Australia region, orders overall rose slightly due to clear growth in Digital Industries, partly offset by a decrease in Smart Infrastructure. Order growth for Digital Industries was particularly strong in China. Siemens Healthineers also posted an increase in that country, while the other two industrial businesses posted declines.

Revenue (location of customer)

(in millions of €)	Fiscal year 2020	2019	% Change Actual	Comp.
Europe, C.I.S., Africa, Middle East	**28,062**	28,821	(3)%	(2)%
therein: Germany	***9,726***	*9,882*	*(2)%*	*(2)%*
Americas	**15,464**	15,597	(1)%	(1)%
therein: U.S.	***12,981***	*12,937*	*0%*	*(1)%*
Asia, Australia	**13,613**	14,065	(3)%	(2)%
therein: China	***7,254***	*6,947*	*4%*	*6%*
Siemens (continuing operations)	**57,139**	58,483	(2)%	(2)%
therein: emerging markets[1]	***16,168***	*16,773*	*(4)%*	*(1)%*

1 As defined by the International Monetary Fund.

Revenue related to external customers went down only slightly year-over-year due mainly to a clear decrease in Digital Industries driven by a decline in demand in its short-cycle automation businesses. Smart Infrastructure posted a slight decline, also involving short-cycle businesses, while revenue in Siemens Healthineers came in close to the prior-year level. In contrast, Mobility posted slight revenue growth due mainly to increases in its rolling stock business. The revenue decline in emerging markets was due mainly to lower revenue in countries that were strongly affected by the pandemic, in particular India.

Revenue in Europe, C.I.S., Africa, Middle East decreased moderately as a significant decline in Digital Industries and a slight decrease in Smart Infrastructure were only partly offset by moderate growth in Mobility and Siemens Healthineers. In Germany, revenue was down only slightly with a decline in Digital Industries to a large degree offset by growth in Mobility.

In the Americas, revenue came in close to the prior-year level, as Mobility recorded clear growth that was offset by decreases in Siemens Healthineers and Digital Industries. In the U.S., year-over-year changes in revenue were small for all industrial businesses.

Revenue in Asia, Australia declined moderately year-over-year on decreases in all four industrial businesses due mainly to the above-mentioned pandemic effect in India. In contrast, revenue in China was up moderately on growth in all industrial businesses except for Mobility.

A.4.2 Income

(in millions of €, earnings per share in €)	2020	Fiscal year 2019	% Change
Digital Industries	**3,252**	2,880	13%
Smart Infrastructure	**1,302**	1,465	(11)%
Mobility	**822**	983	(16)%
Siemens Healthineers	**2,184**	2,461	(11)%
Industrial Businesses	**7,560**	7,789	(3)%
Adjusted EBITA margin Industrial Businesses	***14.3%***	*14.4%*	
Siemens Financial Services	**345**	632	(45)%
Portfolio Companies	**(504)**	2	n/a
Reconciliation to Consolidated Financial Statements	**(1,730)**	(1,491)	(16)%
Income from continuing operations before income taxes	**5,672**	6,933	(18)%
Income tax expenses	**(1,382)**	(1,775)	22%
Income from continuing operations	**4,290**	5,158	(17)%
Income (loss) from discontinued operations, net of income taxes	**(90)**	490	n/a
Net income	**4,200**	5,648	(26)%
Basic earnings per share	**5.00**	6.41	(22)%
ROCE	**7.8%**	11.1%	

As a result of the developments described above, Income from continuing operations before income taxes declined 18%. Severance charges for continuing operations were €591 million, of which €490 million were in Industrial Businesses. Adjusted EBITA margin Industrial Businesses excluding severance charges was 15.2% in fiscal 2020. In fiscal 2019, severance charges for continuing operations were €340 million, of which €215 million were in Industrial Businesses.

The tax rate of 24% for fiscal 2020 was below the tax rate of 26% for the prior year, benefiting from largely tax-free gains associated with the revaluation of the Bentley investment and with the transfer of investments to Siemens Pension-Trust e.V., and from a positive effect related to a retroactive statutory tax rate reduction; these factors were partly offset by impairment losses, which were not tax-deductible. As a result, the decline in Income from continuing operations was 17%.

Income (loss) from discontinued operations, net of income taxes in both years predominantly included income related to Siemens Energy.

In May 2019, Siemens announced its intention to transfer the energy business into a new company, Siemens Energy AG, and list it on the stock market via a spin-off. Siemens Energy, or the distribution group, includes the former reportable segment Gas and Power and Siemens' 67% stake in SGRE., 8.1% of which was purchased in February 2020 from Iberdrola S.A. for a purchase price of €1.1 billion. The criteria for classification of the distribution group as held for disposal and discontinued operations were met at the end of the second quarter of fiscal 2020. In the Consolidated Statements of Income and in the Consolidated Statements of Cash Flows, results and cash flows of the distribution group are reported as discontinued operations on a comparable basis for all periods presented. Effective with Siemens classifying the distribution group as held for disposal, depreciation and amortization of assets within the distribution group ceased. The spin-off was completed on September 25, 2020. After the spin-off, Siemens Energy was deconsolidated; the remaining minority stake that Siemens holds in Siemens Energy is accounted for using the equity method.

The negative swing year-over-year was due primarily to losses at Gas and Power and SGRE, both of which had recorded positive earnings in the prior year, and income tax expenses of €298 million mainly related to the carve-out of the distribution group, partly offset by a pretax gain of €946 million, net of related expenses, from the spin-off.

The decline in basic earnings per share reflects the decrease of Net income attributable to Shareholders of Siemens AG, which was €4,030 million in fiscal 2020 compared to €5,174 million in fiscal 2019, partially offset by a lower number of weighted average shares outstanding.

As expected, ROCE at 7.8% was below the target range set in our Siemens Financial Framework. The decline year-over-year was due both to lower income before interest after tax and to higher average capital employed, which increased due mainly to effects from the adoption of IFRS 16, Leases, and acquisitions during the fiscal year, including Corindus at Siemens Healthineers.

A.4.3 Research and development

In fiscal 2020, we reported research and development (R&D) expenses of €4.6 billion, compared to €4.7 billion in fiscal 2019. The resulting R&D intensity, defined as the ratio of R&D expenses and revenue, was 8.1% (fiscal 2019: 8.0%). Additions to capitalized development expenses amounted to €0.4 billion as in prior year. As of September 30, 2020 and 2019, Siemens held approximately 42,900 and 42,400 respectively, granted patents worldwide in its continuing operations. On average, we had 40,800 R&D employees in fiscal 2020.

Our research and development activities are ultimately geared to developing innovative, sustainable solutions for our customers – and the Siemens businesses – while also strengthening our own competitiveness. Joint implementation by the operating units and Corporate Technology, our central R&D department, ensures that research activities and business strategies are closely aligned with one another, and that all units benefit equally and quickly from technological developments. As in fiscal 2019 the following technologies were the focus in fiscal 2020: additive manufacturing, autonomous robotics, blockchain applications, connected (e-)mobility, connectivity and edge devices, cyber security, data analytics and artificial intelligence, distributed energy systems, energy storage, future of automation, materials, power electronics, simulation and digital twins, and software systems and processes.

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

Siemens' global venture capital unit, Next47, provides capital to help start-ups expand and scale. It serves as the creator of next-generation businesses for Siemens by building, buying and partnering with innovative companies at any stage. Next47 is focused on anticipating how emerging technologies will influence our end markets. This foreknowledge enables Siemens and our customers to grow and thrive in the age of digitalization.

A.5

Net assets position

(in millions of €)	2020	Sep 30, 2019	% Change
Cash and cash equivalents	**14,041**	12,391	13%
Trade and other receivables	**14,074**	18,894	(26)%
Other current financial assets	**8,382**	10,669	(21)%
Contract assets	**5,545**	10,309	(46)%
Inventories	**7,795**	14,806	(47)%
Current income tax assets	**1,523**	1,103	38%
Other current assets	**1,271**	1,960	(35)%
Assets classified as held for disposal	**338**	238	42%
Total current assets	**52,968**	70,370	(25)%
Goodwill	**20,449**	30,160	(32)%
Other intangible assets	**4,838**	9,800	(51)%
Property, plant and equipment	**10,250**	12,183	(16)%
Investments accounted for using the equity method	**7,862**	2,244	>200%
Other financial assets	**22,771**	19,843	15%
Deferred tax assets	**2,988**	3,174	(6)%
Other assets	**1,769**	2,475	(29)%
Total non-current assets	**70,928**	79,878	(11)%
Total assets	**123,897**	150,248	(18)%

Our total assets at the end of fiscal 2020 were influenced by negative currency translation effects of €7.5 billion, primarily involving the U.S. dollar.

In fiscal 2020, the spin-off of Siemens Energy was the major factor related to the decrease of Siemens' assets, mainly trade and other receivables, contract assets, inventories, goodwill and other intangible assets. This was partly offset by goodwill and other intangible assets resulting from Siemens Healthineers' acquisitions of Corindus and ECG Management Consultants, U.S. (ECG). For further information see ↗ NOTE 3 in ↗ B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. While the spin-off also reduced property, plant and equipment, this was partly offset by assets recognized in connection with the adoption of IFRS 16, Leases. For further information see ↗ NOTE 2 in ↗ B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

The remaining minority stake that Siemens holds in Siemens Energy AG after the spin-off increased investments accounted for using the equity method by €6.6 billion.

The major factor for the decrease in other current financial assets was a reassessment of the expected repayment dates of loans receivable at SFS. This decrease was partly offset by receivables related to customer contracts in connection with the Siemens Energy activities legally remaining at Siemens. The reassessment of the expected repayment dates of loans receivable mentioned above was also the main factor for the increase in other financial assets, along with revaluation of Siemens' stake in Bentley.

A.6

Financial position

A.6.1 Capital structure

(in millions of €)	2020	Sep 30, 2019	% Change
Short-term debt and current maturities of long-term debt	**6,562**	6,034	9%
Trade payables	**7,873**	11,409	(31)%
Other current financial liabilities	**1,958**	1,743	12%
Contract liabilities	**7,524**	16,452	(54)%
Current provisions	**1,674**	3,682	(55)%
Current income tax liabilities	**2,281**	2,378	(4)%
Other current liabilities	**6,209**	9,023	(31)%
Liabilities associated with assets classified as held for disposal	**35**	2	>200%
Total current liabilities	**34,117**	50,723	(33)%
Long-term debt	**38,005**	30,414	25%
Provisions for pensions and similar obligations	**6,360**	9,896	(36)%
Deferred tax liabilities	**664**	1,305	(49)%
Provisions	**2,352**	3,714	(37)%
Other financial liabilities	**769**	986	(22)%
Other liabilities	**1,808**	2,226	(19)%
Total non-current liabilities	**49,957**	48,541	3%
Total liabilities	**84,074**	99,265	(15)%
Debt ratio	***68%***	*66%*	
Total equity attributable to shareholders of Siemens AG	**36,390**	48,125	(24)%
Equity ratio	***32%***	*34%*	
Non-controlling interests	**3,433**	2,858	20%
Total liabilities and equity	**123,897**	150,248	(18)%

The spin-off of Siemens Energy was the main factor for the decreases in trade payables, contract liabilities, current provisions, other current liabilities and provisions. While the spin-off resulted also in decreased provisions for pensions and similar obligations, the major impact there resulted from extraordinary fundings in Germany, including the transfer of a 9.9% interest in Siemens Energy AG to Siemens Pension Trust e.V.

The increase in short-term debt and current maturities of long-term debt was due mainly to reclassifications of long-term euro instruments totaling €3.5 billion from long-term debt, the issuance of a commercial paper program of €1.3 billion and increased lease liabilities due to the adoption of IFRS 16. Set against these factors were decreases resulting from €4.0 billion repayment of euro and U.S. dollar instruments and from derecognition of loans from banks in connection with the spin-off of Siemens Energy.

Long-term debt increased due primarily to the issuance of euro and British pound instruments totaling €10.3 billion and increased lease liabilities due to the above-mentioned adoption of IFRS 16. Set against these factors were decreases from the above-mentioned reclassifications of euro instruments, currency translation effects for bonds issued in the U.S. dollar and British pound, and the Siemens Energy spin-off.

The main factors for the decrease in total equity attributable to shareholders of Siemens AG were changes in equity resulting from major portfolio transactions totaling €9.6 billion, including the transfer of 55% of Siemens' ownership interest in Siemens Energy to its shareholders; dividend payments of €3.2 billion (for fiscal 2019); negative other comprehensive income, net of income taxes, of €2.8 billion, resulting mainly from negative currency translation effects; and the repurchase of 19,071,746 treasury shares at an average cost per share of €79.24, totaling €1.5 billion (including incidental transaction charges). This decrease was partly offset by €4.0 billion in net income attributable to shareholders of Siemens AG.

CAPITAL STRUCTURE RATIO

Our capital structure ratio as of September 30, 2020 increased to 1.3 from 0.6 a year earlier. The change was due primarily to the above-mentioned increases in long-term debt.

DEBT AND CREDIT FACILITIES

As of September 30, 2020, we recorded, in total, €38.3 billion in notes and bonds, €1.4 billion in loans from banks, €2.1 billion in other financial indebtedness and €2.8 billion in lease liabilities. Notes and bonds were issued mainly in the U.S. dollar and euro, and to a lower extent in the British pound.

We have credit facilities totaling €23.0 billion, thereof €23.0 billion unused as of September 30, 2020. This includes a syndicated bridge facility in an amount of nearly €12.5 billion to secure Siemens Healthineers AG's financing of the acquisition of Varian. For further information about this acquisition see ↗ NOTE 3 in ↗ B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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

OFF-BALANCE-SHEET COMMITMENTS

As of September 30, 2020, the undiscounted amount of maximum potential future payments related primarily to credit and performance guarantees amounted to €28.5 billion. This includes Siemens' obligations from performance and credit guarantees in connection with the Siemens Energy business, for which Siemens has reimbursement rights for the full amount.

In addition to these commitments, we issued other guarantees. To the extent future claims are not considered remote, maximum future payments from these commitments amounted to €0.4 billion.

Irrevocable loan commitments amounted to €3.8 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.

For further information about our commitments and contingencies see ↗ NOTE 21 in ↗ B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

SHARE BUYBACK

Out of the above-mentioned treasury shares repurchased in fiscal 2020, 18,219,708 treasury shares were repurchased under the share buyback announced in November 2018 of up to €3.0 billion in volume until November 15, 2021 at the latest. Furthermore, the Company repurchased the number of treasury shares that were necessary to keep the stock of treasury shares stable on a certain level until the spin-off of Siemens Energy became legally effective. In pursuit of this goal, a total of 852,038 treasury shares were repurchased.

A.6.2 Cash flows

(in millions of €)	Fiscal year 2020
Cash flows from operating activities	
Net income	**4,200**
Change in operating net working capital	**(336)**
Other reconciling items to cash flows from operating activities – continuing operations	**4,314**
Cash flows from operating activities – continuing operations	**8,178**
Cash flows from operating activities – discontinued operations	**684**
Cash flows from operating activities – continuing and discontinued operations	**8,862**
Cash flows from investing activities	
Additions to intangible assets and property, plant and equipment	**(1,554)**
Acquisitions of businesses, net of cash acquired	**(1,727)**
Purchase of investments and financial assets for investment purposes	**(1,269)**
Change in receivables from financing activities of SFS	**(994)**
Other disposals of assets	**1,440**
Cash flows from investing activities – continuing operations	**(4,105)**
Cash flows from investing activities – discontinued operations	**(1,080)**
Cash flows from investing activities – continuing and discontinued operations	**(5,184)**
Cash flows from financing activities	
Purchase of treasury shares	**(1,517)**
Re-issuance of treasury shares and other transactions with owners	**2,624**
Issuance of long-term debt	**10,255**
Repayment of long-term debt (including current maturities of long-term debt)	**(4,472)**
Change in short-term debt and other financing activities	**1,588**
Interest paid	**(833)**
Dividends paid to shareholders of Siemens AG	**(3,174)**
Dividends attributable to non-controlling interests	**(208)**
Cash flows from financing activities – continuing operations	**4,263**
Cash flows from financing activities – discontinued operations	**(1,091)**
Cash flows from financing activities – continuing and discontinued operations	**3,172**

All industrial businesses converted their Adjusted EBITA in significant amounts to Cash flows from operating activities, with the highest contribution from Digital Industries. Cash outflows associated with changes in operating net working included a build-up in inventories at Siemens Healthineers. At Mobility, higher cash outflows from contract assets were nearly offset by higher cash inflows from contract liabilities, both related to its project business.

Cash outflows from acquisitions of businesses, net of cash acquired, mainly involved acquisitions by Siemens Healthineers including €1.0 billion for Corindus and €0.3 billion for ECG.

Cash outflows for purchase of investments and financial assets for investment purposes primarily included additions of assets eligible as central bank collateral and payments related to investments such as debt or equity investments related to certain projects.

Cash outflows from change in receivables from financing activities of SFS related mainly to SFS' debt business.

Cash inflows from other disposals of assets mainly included disposals of above-mentioned eligible collateral and from equity investments.

Cash inflows from the re-issuance of treasury shares and other transactions with owners mainly included proceeds of €2.7 billion related to Siemens Healthineers AG's issuance of 75 million new shares to institutional investors.

Cash inflows from the change in short-term debt and other financing activities mainly included net cash inflows related to commercial paper.

Cash flows from discontinued operations related mainly to the former energy business, which included cash outflows from investing activities from additions to intangible assets and property, plant and equipment of €0.9 billion and cash outflows from financing activities of €1.1 billion relating to the purchase of the 8.1% stake in Siemens Gamesa Renewable Energy.

We report Free cash flow as a supplemental liquidity measure:

Free cash flow

			Fiscal year 2020
(in millions of €)	Continuing operations	Discontinued operations	Continuing and discontinued operations
Cash flows from operating activities	**8,178**	**684**	**8,862**
Additions to intangible assets and property, plant and equipment	**(1,554)**	**(905)**	**(2,458)**
Free cash flow	**6,625**	**(220)**	**6,404**

The Free cash flow for the Industrial Businesses amounted to €7,142 million, resulting in a cash conversation rate of 0.94.

With our ability to generate positive operating cash flows from continuing and discontinuing operations of €8.9 billion in fiscal 2020, our total liquidity (defined as cash and cash equivalents plus current interest-bearing debt securities) of €15.3 billion, our unused lines of credit, and our credit ratings at year-end, we believe that we have sufficient flexibility to fund our capital requirements. Also in our opinion, our operating net working capital is sufficient for our present requirements.

INVESTING ACTIVITIES

Additions to intangible assets and property, plant and equipment from continuing operations totaled €1.6 billion in fiscal 2020. Within the industrial businesses, ongoing investments related mainly to technological innovations; maintaining and extending our capacities for designing, manufacturing and marketing new solutions; improving productivity; and replacements of fixed assets. These investments amounted to €1.1 billion in fiscal 2020.

The remaining portion related mainly to Siemens Real Estate, including significant amounts for projects such as new office buildings in Germany. Siemens Real Estate is responsible for uniform and comprehensive management of Company real estate worldwide and supports the industrial businesses and corporate activities with customer-specific real estate solutions; excluded are Siemens Healthineers and Mobility.

With regard to capital expenditures for continuing operations, we expect a significant increase in fiscal 2021. In the coming years, up to €0.6 billion are to be invested in "Siemensstadt 2.0". This project initiated in fiscal 2019 aims to transform Siemens' existing industrial area in Berlin into a modern urban district supporting a diverse range of purposes, including strengthening key technologies. Further investments are planned in relation to Siemens Campus Erlangen. In addition, we plan to invest significant amounts in coming years in attractive innovation fields through Siemens' global venture capital unit Next47.

A.7

Overall assessment of the economic position

For Siemens, fiscal 2020 was to a large extent determined by two factors, one external – COVID-19 – and one internal – the spin-off and public listing of our energy business.

The worldwide spread of COVID-19 led to the biggest health crisis and the deepest recession since the Second World War and affected many of our key customer industries. Siemens managed this challenge well. The health and security of our employees and business partners was – and continues to be – our highest priority. Our other key priorities during the crisis have been ensuring business continuity wherever possible in a responsible manner and safeguarding Siemens' strong financial position. While the pandemic has affected our markets in various ways and with different prospects for recovery, Siemens has remained a reliable partner for customers and suppliers. The pandemic has increased activity in the digital economy and underscored the need for digitalization and the development of the industrial internet of things. These are core competencies of Siemens, and common to each of our industrial businesses Digital Industries, Smart Infrastructure, Mobility and Siemens Healthineers.

During fiscal 2020, we created an independent player in the energy market with the spin-off and public listing of our energy business under the name Siemens Energy. Following approval by our shareholders, we completed this transaction in September 2020 as planned. We allocated 55.0% of our ownership interest in Siemens Energy to our shareholders, transferred a further 9.9% to Siemens Pension-Trust e.V., and hold the remaining share of 35.1%. This gives Siemens Energy more entrepreneurial freedom in its rapidly changing market environment. The three Siemens companies – Siemens, Siemens Healthineers and Siemens Energy – are now a family of companies specialized in their respective fields and tied together by the strong Siemens brand.

At the beginning of fiscal 2020, we already faced macroeconomic headwinds, particularly at our short-cycle businesses. In addition, effects related to COVID-19 began to burden volume, the Adjusted EBITA and the Adjusted EBITA margin of our industrial businesses from the second quarter of fiscal 2020 onwards. As a consequence, we were no longer able to confirm the original outlook for fiscal 2020 given in our Annual Report 2019. In our Half-year Financial Report 2020 we revised our outlook for revenue growth and refrained from giving guidance for basic EPS from net income for fiscal 2020. While we continued to deliver solid results in our industrial businesses and in Siemens Financial Services, particularly given the adverse economic environment, we missed the targets for our primary measures set in our Annual Report 2019, but achieved our revised target for revenue development. On a comparable basis, revenue declined 2%, we delivered basic EPS from net income of €5.00, return on capital employed (ROCE) was 7.8%, and our capital structure came in at 1.3.

Orders were €60.0 billion, down 7% year-over-year on both a nominal and a comparable basis. The decline came mainly from Mobility, due to sharply lower volume from large orders year-over-year, partly caused by the postponement of tenders for large rail and infrastructure projects as a consequence of COVID-19. Lower volume from large orders was also a main reason for a clear decline in orders at Smart Infrastructure. Digital Industries kept orders on the prior-year level with rapid growth in its software business, while orders in its automation businesses declined due to lower demand from some of their most important customer segments, particularly the automotive and machine building industries. Orders at Siemens Healthineers rose slightly on increases in its diagnostics and imaging businesses. The book-to-bill-ratio for Siemens was 1.05, thus fulfilling our expectation of a ratio above 1.

Revenue declined 2% on both a nominal and a comparable basis, to €57.1 billion. This was due mainly to a clear decrease at Digital Industries' automation businesses, and a more modest decline at Smart Infrastructure. Siemens Healthineers kept revenue on the prior-year level, while revenue at Mobility rose slightly driven primarily by the rolling stock business. In our Annual Report 2019, we had forecast moderate comparable revenue growth for fiscal 2020. In our Half-year Financial Report, we revised our expectation to a moderate decline in comparable revenue in fiscal 2020.

Adjusted EBITA Industrial Businesses declined 3% to €7.6 billion on lower Adjusted EBITA at Siemens Healthineers, at Smart Infrastructure including declines across its businesses, and at Mobility due in part to a less favorable revenue mix. These decreases were only partly offset by higher Adjusted EBITA at Digital Industries, which included a strong contribution from the software business and benefited from a €0.8 billion positive effect related mainly to a revaluation of its stake in Bentley. Overall, Adjusted EBITA Industrial Businesses was burdened by severance charges of €0.5 billion, sharply higher than a year earlier. The vast majority of these severance charges were booked at Digital Industries and Smart Infrastructure, which are executing cost structure improvement and competitiveness programs.

The Adjusted EBITA margin of our Industrial Businesses was 14.3%, nearly on the prior-year level of 14.4%. With Adjusted EBITA margins of 21.7% and 9.1%, respectively, Digital Industries and Mobility were within their long-term margin ranges; Digital Industries was within its range even without the above-mentioned effect related to Bentley, which added 5.1 percentage points to the Adjusted EBITA margin. With Adjusted EBITA margins of 15.1% and 9.1%, respectively, Siemens Healthineers and Smart Infrastructure were below their long-term margin ranges.

The loss outside the Industrial Businesses came in substantially larger year-over-year. The change was due mainly to an impairment of €0.5 billion on our equity investment stake in Valeo Siemens eAutomotive in fiscal 2020. In addition, Siemens Financial Services reported a sharp decline in earnings before taxes on higher credit risk provisions and lower equity investment results year-over-year, and a return on equity after tax of 11.7%, below its margin range. Prior-year results outside the Industrial Businesses benefited from a significant positive effect related to the measurement of a major asset retirement obligation.

Net income was €4.2 billion, down from €5.6 billion year-over-year. This was due mainly to the aforementioned lower results, particularly outside the Industrial Businesses. In addition, discontinued operations, largely related to our former energy business, reported a loss of €0.1 billion in fiscal 2020 compared to income from discontinued operations of €0.5 billion a year earlier. As a result, basic EPS from net income declined to €5.00, compared to €6.41 in fiscal 2019. In our Annual Report 2019, we forecast basic EPS from net income in the range from €6.30 to €7.00.

ROCE for fiscal 2020 was 7.8%, down from 11.1% in fiscal 2019. This decline was due to a combination of lower net income and an increase in average capital employed. Our forecast for ROCE given in our Annual Report 2019 was to achieve a double-digit result but to come in below the lower end of our long-term goal of 15% to 20%.

We evaluate our capital structure using the ratio of industrial net debt to EBITDA. Due primarily to an increase in long-term debt year-over-year, this ratio rose to 1.3, compared to 0.6 in fiscal 2019. Our forecast given in our Annual Report 2019 was to achieve a ratio of up to 1.0.

Free cash flow from continuing and discontinued operations for fiscal 2020 increased 10% year-over-year to €6.4 billion, reaching its highest level since fiscal 2010.

We intend to continue providing an attractive return to shareholders. After the successful spin-off of Siemens Energy, the Siemens Managing Board, in agreement with the Supervisory Board, proposes a dividend of €3.50 per share, consisting of €3.00, which is at the upper end of our targeted dividend payout ratio, supplemented by an additional €0.50. A year earlier the dividend paid per share was €3.90.

A.8

Report on expected developments and associated material opportunities and risks

A.8.1 Report on expected developments

A.8.1.1 Worldwide economy

In fiscal 2021, the world economy is expected to recover from the recession caused by COVID-19 in fiscal 2020. Global GDP is projected to expand by 4.4% in calendar 2021. The risks and uncertainties surrounding this baseline forecast are unusually large. The further development of the virus outbreak (e.g. waves of new infections, lockdowns, and possible mutations), advances in medical treatment, availability and acceptance of vaccines, possible spillover effects from weak demand (especially in contact-intensive service sectors) or from financial market tensions (increasing insolvencies) are very hard to predict at the start of fiscal 2021. In Europe, it is expected that the new wave of infection in October and November 2020, with varying degrees of lockdowns in different countries, will interrupt the recovery and lead to a decline in economic activity in the first quarter of fiscal 2021. However, the impact is expected to be much less severe compared to spring 2020, as the recovery is so far intact globally (especially in Asia and the U.S.) and no significant disruptions in global supply chains have been observed. High uncertainty also applies to significant political developments, such as the U.S.-China trade relationship and the U.K.'s exit from the EU, as well as to the longer-term outcome of the 2020 U.S. election cycle.

In our baseline forecast, we assume that vaccines will be generally available during the first half of calendar 2021 and immunization of large parts of the population will occur during 2021. Until then, contact-intensive industries will still be subject to severe restraints. Based on these assumptions, the EU economy is expected to expand by 4.1% in calendar 2021, U.S. 3.7%, China 7.3%, Japan 2.2% and India 9.2%. Given the steep decline in economic activity in calendar 2020, this is only a moderate rebound with still a high level of under-utilized resources, which will weigh on overall investment activity. Accordingly, global fixed investments are expected to expand by only 3.7% in calendar 2021, after a decline of 4.9% in calendar 2020. In addition, important customer industries for Siemens are suffering from effects related to both COVID-19 and structural problems, e.g. machine-building (weak capacity utilization), oil and gas (decarbonization), automotive (accelerated structural change). Therefore, fiscal 2021 is expected to bring many headwinds for Siemens' market environment. On the positive side, opportunities could arise from large government stimulus programs, which may be set in place in the next years.

The forecasts presented here for GDP and fixed investments are based on a report from IHS Markit dated October 15, 2020.

A.8.1.2 Siemens Group

We are basing our outlook for fiscal 2021 for the Siemens Group and its reportable segments on the above-mentioned expectations and assumptions regarding the overall economic situation as well as the specific market conditions we expect for our respective industrial businesses, as described in ↗ A.3 SEGMENT INFORMATION. For our outlook for fiscal 2021, we assume that the COVID-19 pandemic will not have a long-lasting impact on the world economy. Given this condition, we expect a fairly robust return to global GDP growth. While we anticipate that important customer industries for Siemens will continue to face challenges related to the pandemic and industry-specific structural changes, and that this will cause growth in global fixed investments to lag behind GDP growth, we expect improved conditions particularly for our high-margin short-cycle businesses in the second half of fiscal 2021.

Excluded from this outlook are burdens from legal and regulatory issues and effects in connection with Siemens Healthineers' planned acquisition of Varian, which is expected to close in the first half of calendar 2021 and to benefit nominal volume growth and burden net income for fiscal 2021.

We are exposed to currency translation effects, mainly involving the U.S. dollar, the British pound and currencies of emerging markets, particularly the Chinese yuan. While we expect volatility in global currency markets to continue in fiscal 2021, we have improved our natural hedge on a global basis through geographic distribution of our production facilities in the past. Nevertheless, Siemens is still a net exporter from the Eurozone to the rest of the world, so a weak euro is principally favorable for our business and a strong euro is principally unfavorable. In addition to the natural hedging strategy just mentioned, we also hedge currency risk in our export business using derivative financial instruments. We expect these steps to help us limit effects on income related to currency in fiscal 2021. Nevertheless, based on currency exchange rates as of the beginning of November 2020, we anticipate that negative currency effects will strongly burden both nominal growth rates in volume and Adjusted EBITA for our businesses in fiscal 2021.

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

SEGMENTS

Digital Industries expects fiscal 2021 comparable revenue to grow modestly year-over-year. Adjusted EBITA margin is expected at 17% to 18%.

Smart Infrastructure expects to achieve moderate comparable revenue growth in fiscal 2021. Adjusted EBITA margin is expected at 10% to 11%.

Due mainly to executing its large order backlog, Mobility anticipates mid-single-digit comparable revenue growth in fiscal 2021. Adjusted EBITA margin is expected to be 9.5% to 10.5%.

Siemens Healthineers expects to achieve comparable revenue growth in the range of 5% to 8% in fiscal 2021. Adjusted EBITA margin is expected to improve considerably and to come in slightly below our target margin range for this segment of 17% to 21%.

Siemens Financial Services is expected to achieve significant improvements year-over-year and to approach the target range for return on equity (ROE) (after tax) of 17% to 22% in fiscal 2021.

REVENUE GROWTH

For comparable revenue, net of currency translation and portfolio effects, we expect the Siemens Group to achieve moderate growth. Furthermore, we anticipate that orders in fiscal 2021 will exceed revenue for a book-to-bill ratio above 1.

As of September 30, 2020, our order backlog totaled €70 billion, and we expect conversion from the backlog to strongly support revenue growth in fiscal 2021 with approximately €28 billion of past orders converted to current revenue. For expected conversion of order backlog to revenue for our respective segments, see ↗ **A.3 SEGMENT INFORMATION**.

PROFITABILITY

In addition to the above-mentioned expectations for our segments, we expect our fully consolidated units within Portfolio Companies to be profitable while equity investments therein are expected to be volatile and to continue to generate losses. Results related to our investment in Siemens Energy include our participation in its profit after tax and amortization of assets resulting from purchase price allocation due to the initial recognition of the investment at fair value. We anticipate this amortization, which is expected to be approximately €0.3 billion after tax in fiscal 2021, to result in a substantial loss related to Siemens Energy Investment. We anticipate that Siemens Real Estate will continue with real estate disposals depending on market conditions, at a lower level compared to fiscal 2020. Corporate items and Centrally carried pension expenses, which were a negative €1.1 billion are expected on a similar level in fiscal 2021, including impacts of approximately €0.2 billion to €0.3 billion related to Siemens Energy. Amortization of intangible assets acquired in business combinations, which was €0.7 billion in fiscal 2020, is expected at €0.6 billion, and Eliminations, Corporate Treasury and other reconciling items, which were a negative €0.2 billion in fiscal 2020, are expected to be slightly more negative in fiscal 2021.

We anticipate our tax rate for fiscal 2021 to be in the range of 27% to 31%, up from 24% in fiscal 2020. We expect income from discontinued operations at a positive mid-triple-digit level, due primarily to a gain from the announced divestment of Flender, which is expected to close in the first half of calendar 2021.

For our net income guidance, we assume that the gain related to the announced divestment of Flender will be largely offset by burdens related to Siemens Energy and expected additional expenses remaining from the spin-off transaction.

Assuming the expectations described above are fulfilled during fiscal 2021, we anticipate net income to increase moderately from €4.2 billion in fiscal 2020 despite the strong currency headwinds.

Our forecast for net income takes into account a number of additional factors. We expect solid project execution to continue in fiscal 2021. We plan to keep the ratio of R&D expenses to revenue above 8% with a strong focus on software and digital technologies and to keep selling and general administrative expenses as a percent of revenue close to the fiscal 2020 level of 18.9%. Severance charges, which were €0.6 billion in fiscal 2020, are expected to be somewhat lower in fiscal 2021.

CAPITAL EFFICIENCY

Our long-term goal is to achieve a ROCE in the range of 15% to 20%. Due mainly to factors currently influencing net income and average capital employed, particularly recent acquisitions at Siemens Healthineers, we expect ROCE to increase compared to 7.8% in fiscal 2020 but to remain in the single-digit range in fiscal 2021. Additionally we expect the planned acquisition of Varian by Siemens Healthineers, which is excluded from this outlook, to constitute a significant burden on ROCE.

CAPITAL STRUCTURE

We aim in general for a capital structure, defined as the ratio of industrial net debt to EBITDA (continuing operations), of up to 1.0. Due mainly to an increase in long-term debt year-over-year, this ratio came in at 1.3 in fiscal 2020 and is expected to remain above 1 fiscal 2021. The planned acquisition of Varian by Siemens Healthineers mentioned above, which is excluded from this outlook, will also significantly influence our capital structure.

A.8.1.3 Overall assessment

For our outlook for fiscal 2021 we assume that the COVID-19 pandemic will not have a long-lasting impact on the world economy. Given this condition, we expect a fairly robust return to global GDP growth. While we anticipate that important customer industries for Siemens will continue to face challenges related to the pandemic and industry-specific structural changes, and that this will cause growth in global fixed investments to lag behind GDP growth, we expect improved conditions particularly for our high-margin short-cycle businesses in the second half of fiscal 2021.

We further anticipate that negative currency effects will strongly burden both nominal growth rates in volume and Adjusted EBITA for our industrial businesses in fiscal 2021.

For comparable revenue, net of currency translation and portfolio effects, we expect the Siemens Group to achieve moderate growth and a book-to-bill ratio above 1.

Assuming the expectations described above are fulfilled during fiscal 2021, we anticipate net income to increase moderately from €4.2 billion in fiscal 2020 despite the strong currency headwinds.

For our net income guidance, we assume that the gain related to the announced divestment of Flender will be largely offset by burdens related to Siemens Energy. Within our equity investment in Siemens Energy, we expect an €0.3 billion impact from amortization of assets in addition to our participation in its profit after tax. We also expect expenses remaining from the spin-off transaction.

Excluded from this outlook are burdens from legal and regulatory issues and effects in connection with Siemens Healthineers' planned acquisition of Varian, which is expected to close in the first half of calendar 2021.

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

A.8.2 Risk management

A.8.2.1 Basic principles of risk management

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

A.8.2.2 Enterprise risk management process

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

Risk management at Siemens builds on a comprehensive, interactive and management-oriented Enterprise Risk Management (ERM) approach that is integrated into the organization and that addresses both risks and opportunities. Our ERM approach is based on the globally accepted COSO Standard (Committee of Sponsoring Organizations of the Treadway Commission) "Enterprise Risk Management – Integrating with Strategy and Performance" (2017) and the ISO (International Organization for Standardization) Standard 31000 (2018) and is adapted to Siemens requirements. The frameworks connect the ERM process with our financial reporting process and our internal control system. They consider a company's strategy, the efficiency and effectiveness of its business operations, the reliability of its financial reporting and compliance with relevant laws and regulations to be equally important.

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

Responsibilities are assigned for all relevant risks and opportunities, with the hierarchical level of responsibility depending on the significance of the respective risk or opportunity. In a first step, assuming responsibility for a specific risk or opportunity involves choosing one of our general response strategies. Our general response strategies with respect to risks are avoidance, transfer, reduction or acceptance of the relevant risk. Our general response strategy with respect to opportunities is to "seize" the relevant opportunity. In a second step, responsibility for a risk or opportunity also involves the development, initiation and monitoring of appropriate response measures corresponding to the chosen response strategy. These response measures have to be specifically tailored to allow for effective risk management. Accordingly, we have developed a variety of response measures with different characteristics. For example, we mitigate the risk of fluctuations in currency and interest rates by engaging in hedging activities. Regarding our projects, systematic and comprehensive project management with standardized project milestones, including provisional acceptances during project execution and complemented by clearly defined approval processes, assists us in identifying and responding to project risks at an early stage, even before the bidding phase. Furthermore, we maintain appropriate insurance levels for potential cases of damage and liability risks in order to reduce our exposure to such risks and to avoid or minimize potential losses. Among others, we address the risk of fluctuation in economic activity and customer demand by closely monitoring macroeconomic conditions and developments in relevant industries, and by adjusting capacity and implementing cost-reduction measures in a timely and consistent manner if they are deemed necessary. Worldwide there are risks from the transmission of infectious agents from animals to humans, from humans to humans and in other ways. Epidemic, pandemic or other spread patterns such as bioterrorism threaten to cause high disease rates in different countries, regions or continents. We constantly check information from the World Health Organization (WHO), the American and European Centers of Disease Control and Prevention, the German Robert Koch Institute and other institutions in order to be able to identify early epidemic or pandemic risks and determine and initiate related mitigation actions as early as possible.

A.8.2.3 Risk management organization and responsibilities

To oversee the ERM process and to further drive the integration and harmonization of existing control activities to align with legal and operational requirements, the Managing Board established a Risk Management and Internal Control Organization, led by the Head of Assurance. In order to allow for a meaningful discussion of risk at the Siemens Group level, this organization aggregates individual risks and opportunities of similar cause-and-effect nature into broader risk and opportunity themes. This aggregation naturally results in a mixture of risks, including those with a primarily qualitative assessment and those with a primarily quantitative risk assessment. Accordingly, we do not adopt a purely quantitative assessment of risk themes. Thematic risk and opportunity assessments then form the basis for the evaluation of the company-wide risk and opportunity situation. The Head of Assurance reports quarterly to the Managing Board on matters relating to the implementation, operation and oversight of the risk and internal control system and assists the Managing Board, for example in reporting to the Audit Committee of the Supervisory Board.

A.8.3 Risks

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

A.8.3.1 Strategic risks

COVID-19 pandemic (COVID-19): COVID-19 has come to a head again in autumn 2020 with the number of new infections rising rapidly in many countries. Current impacts from the pandemic vary considerably between regions and customer industries. Governments and other local authorities are striving to contain the spread of the disease by implementing various countermeasures ranging from recommending social distancing and new hygiene standards to imposing large-scale lockdowns and restrictions on opening conditions in certain sectors of the economy. Governments are expected to ease economic restrictions to relieve associated suffering depending on epidemiological trends and political pressure. As a result, the extent and duration of the individual effects on our business are extremely difficult to predict. For example, if containment measures are initiated on short notice or last unforeseeably long, this might significantly impact our business in a way that exceeds current expectations and might go beyond already initiated mitigation measures. We could be facing unexpected shutdowns of locations, factories or office buildings of our suppliers, customers or our own operations, thus impairing our ability to produce or deliver our products, solutions and services. Key uncertainties of the COVID-19 crisis are its duration, including for example potential additional waves of infections or mutations of the virus, and the economic cost of the lockdowns. Since the second quarter of fiscal 2020, we gradually started to see the effects in our businesses, short-cycle as well as project businesses, as for example customers have been cancelling orders or delaying investments, we have been exposed to an increased risk of default and our supply chain has been experiencing difficulties in certain areas. Potential consequences include an unsustainable burden of public and private debt that hampers the post-pandemic recovery, severe disruptions in the financial system and bankruptcies among Siemens customers and suppliers. In the long term, a roll-back of globalization could reduce the potential for future growth. Various task forces and crisis teams have been set up across all functions of Siemens to diligently monitor and mitigate the diverse effects related to COVID-19 including an enduring on securing the health and safety of our employees and business continuity. On Group level a senior management task force prepares overarching decisions and coordinates the flow of information through the various levels of the organization while empowering the responsible management in the businesses and countries to take actions appropriate to their respective contexts.

Economic, political and geopolitical conditions (macroeconomic deterioration): We see significant uncertainties regarding the global economic outlook. Especially the renewed severe escalation of the COVID-19 pandemic with a sustained long globally synchronized shutdown would stall the recovery already underway and lead to a new deep recession. Because the fiscal and monetary policy scope for action appears already largely exhausted, the economic impact could be much greater than in fiscal 2020. There is also great uncertainty about the long-term consequences of the pandemic for important Siemens customer industries, such as aerospace and non-residential construction. Moreover, during the COVID-19 pandemic essential trouble spots have not been defused and in some cases they even have intensified. A further escalation of the trade conflict between the U.S. and China into a full-fledged global trade war or even geopolitical conflict would significantly worsen global growth prospects. Adverse effects to confidence and investment activity would severely hit Siemens business. Increasing trade barriers would negatively impact production costs and productivity along our many value chains, as well as our sales markets. In addition, the probability of the U.K. exiting the European Single Market without a trade agreement has increased significantly. A "No deal"-Brexit could trigger a deep recession in the U.K, thereby significantly reducing investment activity and posing a risk to the financial markets. A further and massive loss of economic confidence and a longer period of restraint in investment decisions and the awarding of new orders would have a negative impact on our business. We continuously monitor the exit process and coordinate our local and global risk mitigation measures. Uncertainties in the context of U.S. election results could potentially burden the global economy, including a stand-still in U.S. economic policy, with significant effects on investment decisions as well as on financial markets. Other significant risks arise from geopolitical tensions (particularly in the Near and Middle East, Hong Kong and Taiwan), the European Union's relations with Russia, the economic vulnerability of several emerging markets (including Argentina, Turkey, Venezuela) and political upheavals. We are dependent on the economic development of certain industries, especially on continued weakness in the automotive markets we serve, caused by both, cyclical and structural forces. Further business risk would result from an abrupt weakening of Chinese economic growth. A terrorist mega-attack or a significant cybercrime incident, or a series of such attacks or incidents in major economies, could depress economic activity globally and undermine consumer and business confidence. Additionally, the highly interconnected global economy remains vulnerable to natural disasters or further pandemics.

In general, due to long-cycle businesses in our organizational units and the importance of long-term contracts for Siemens, there is usually a time lag between changes in macroeconomic conditions and their impact on our financial results. In contrast, short-cycle business activities of Digital Industries and Smart Infrastructure react quickly to volatility in market demand. If the moderate growth of certain markets stalls again and if we are not successful in adapting our production and cost structure to subsequent changes in conditions in the markets in which we operate, there can be no assurance that we will not experience adverse effects. For example, our customers may modify, delay or cancel plans to purchase our products, solutions and services, or fail to follow through on purchases or contracts already executed. Furthermore, the prices for our products, solutions and services may decline to a greater extent than we currently anticipate. In addition, it may become more difficult for our customers to obtain financing. Contracted payment terms, especially regarding the level of advance payments by our customers relating to long-term projects, may become less favorable, which could negatively impact our financial condition. Siemens' global setup with operations in almost all relevant economies, our wide range of offerings with varied exposures to business cycles, and our balanced mix of business models (e.g. equipment, components, systems, software, services and solutions) help us to absorb impacts from adverse developments in any single market.

Portfolio measures, at-equity investments, other investments and strategic alliances: Our strategy includes divesting our activities in some business areas and strengthening others through portfolio measures, including mergers and acquisitions. With respect to divestments, we may not be able to divest some of our activities as planned, and the divestitures we do carry out could have a negative impact on our business situation, financial condition, results of operations and reputation. Mergers and acquisitions are inherently risky because of difficulties that may arise when integrating people, operations, technologies and products. There can be no assurance that any of the businesses we acquire can be integrated successfully and in a timely manner as originally planned, or that they will perform as anticipated once integrated. In addition, we may incur significant acquisition, administrative, tax and other expenditures in connection with these transactions, including costs related to integration of acquired businesses. Furthermore, portfolio measures may result in additional financing needs and adversely affect our capital structure. Acquisitions can lead to substantial additions to intangible assets, including goodwill, in our statements of financial position. If we were to encounter continuing adverse business developments or if we were otherwise to perform worse than expected at acquisition activities, then these intangible assets, including goodwill, might have to be impaired, which could adversely affect our business situation, financial condition and results of operations. Our investment portfolio includes investments held for purposes other than trading and other investments. Any factors negatively influencing the financial condition and results of operations of our at-equity investments and other investments could have an adverse effect on our equity pick-up related to these investments or may result in a related write-off. In addition, our business situation, 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 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 at-equity investments, other investments and strategic alliances, which may have a negative effect on our business and especially on our reputation. In addition, joint ventures bear the risk of difficulties that may arise when integrating people, operations, technologies and products. Strategic alliances may also pose risks for us because we compete in some business areas with companies with which we have strategic alliances. Besides other measures, we handle these risks with standardized processes as well as dedicated roles and responsibilities in the areas of mergers, acquisitions, divestments and carve-outs. This includes the systematic treatment of all contractual obligations and post-closing claims.

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

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

Increasing sustainability focus: The increasing environmental, social and governance requirements from governments and customers as well as financing restrictions from governments, customer demands and financing restrictions for greenhouse gas emitting technologies could result in additional costs. Additionally, business involvement in sensitive environmental, social or governance activities might be negatively perceived and trigger adverse media attention. This could lead to reputational damage and have an impact on achieving our business goals. We are implementing an environmental, social and governance due diligence tool during fiscal 2021, which is mandatory for all Siemens units.

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

A.8.3.2 Operational risks

Cyber/Information security: Digital technologies are deeply integrated into our business portfolio. We observe a global increase of cyber security threats and higher levels of professionalism in computer crime, which pose a risk to the security of products, systems and networks and the confidentiality, availability and integrity of data. According to the various external data sources, this tendency has accelerated during the COVID-19 pandemic. Especially the number of phishing attacks as well as the number of malicious websites have increased significantly. Moreover, the information technology market is concentrated around a small number of information technology and software vendors, which could lead to dependence on a single provider. There can be no assurance that the measures aimed at protecting our Intellectual Property and portfolio will address these threats under all circumstances. There is a risk that confidential information may be stolen or that the integrity of our portfolio may be compromised, e.g. by attacks on our networks, social engineering, data manipulations in critical applications and a loss of critical resources, resulting in financial damages. Cyber security covers the IT of our entire enterprise including office IT, systems and applications, special purpose networks, and our operating environments such as manufacturing and research and development (R&D). Like other large multinational companies we face active cyber threats from sophisticated adversaries that are supported by organized crime and nation-states engaged in economic espionage or even sabotage. We attempt to mitigate these risks by employing a number of measures, including employee training, considering new models of flexible working environments, and comprehensive monitoring of our networks and systems through Cyber Defense with an artificial intelligence solution to identify attacks faster and prevent damage to society and especially to critical infrastructures, our customers, our partners and Siemens overall. We initiated the industrial "Charter of Trust", signed by a growing group of global companies, which sets out principles for building trust in digital technologies and creating a more secure digital world. Nonetheless, our systems, products, solutions and services, as well as those of our service providers, remain potentially vulnerable to attacks. Such attacks could potentially lead to the publication, manipulation or leakage of information such as through industrial espionage. They could also result in deliberate improper use of our systems, vulnerable products, production downtimes and supply shortages, with potential adverse effects on our reputation, our competitiveness and results of operations. For increased protection of Siemens and reduction of a potential financial impact caused by cyber incidents, we have assessed in detail the possibility of transferring risk. As a result of an international insurance tender, out currently insurable cybersecurity risks have been to a partial extent transferred to a consortium of insurance companies.

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

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

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

Shortage of skilled personnel: Competition for diverse and highly qualified personnel (e.g. specialists, experts, digital talent) remains intense in the industries and regions in which our businesses operate. We have ongoing demand for highly skilled employees and a need to enhance diversity, inclusion and sense of belonging in our workforce. Our future success depends in part on our continued ability to identify, assess and hire engineers, digital talent and other qualified personnel. We must also integrate, develop and retain them after they join us, which appears especially relevant in times of a new, increasingly virtual working environment. We address these topics for example by strengthening the capabilities and skills of our Talent Acquisition teams and a strategy of proactive search for people with the required capabilities in our respective industries and markets. Technology and digitalization help us to be more effective in attracting and selecting diverse talent. Furthermore, we have a focus on diversity and structured succession planning.

A.8.3.3 Financial risks

Market price risks: We are exposed to fluctuations in exchange rates, especially between the U.S. dollar and the euro, because a high percentage of our business volume is conducted as exports from Europe to areas using the U.S. dollar. In addition, we are exposed to effects involving the currencies of emerging markets, in particular the Chinese yuan. Appreciable changes in euro exchange rates could materially change our competitive position. We are also exposed to fluctuations in interest rates. Even hedging activities to mitigate such risks may result in a reverse effect. Fluctuations in exchange or interest rates, negative developments in the financial markets and changes in central bank policies could therefore negatively impact our financial results.

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

Credit risks: We provide our customers with various forms of direct and indirect financing of orders and projects, including guarantees. Siemens Financial Services in particular bears credit risks due to such financing activities if, for example, customers do not, only partially or late meet obligations arising from these financing arrangements.

Risks from pension obligations: The provisions for pensions and similar obligations may be affected by changes in actuarial assumptions, including the discount rate, as well as by movements in financial markets or a change in the mix of assets in our investment portfolio. Additionally, they are subject to legal risks with regard to plan design among other factors. A significant increase in the underfunding may have a negative effect on our capital structure and rating, and thus may tighten refinancing options and increase costs. In order to comply with local pension regulations in selected foreign countries, we may face an economic risk of increasing cash outflows due to change in funding level according to local regulations of our pension plans in these countries and the change of the regulations themselves.

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

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

A.8.3.4 Compliance risks

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

Siemens conducts a large share of its business with governments and government-owned enterprises. We also participate in a number of projects funded by government agencies and intergovernmental and supranational organizations, such as multilateral development banks. Ongoing or potential future investigations into allegations of corruption, antitrust violations or other violations of law could as well impair relationships with such parties or could result in our exclusion from public contracts. Such investigations may also adversely affect existing private business relationships and our ability to pursue potentially important strategic projects and transactions, such as strategic alliances, joint ventures or other business alliances, or could result in the cancellation of certain of our existing contracts. Moreover, third parties, including our competitors, could initiate significant litigation.

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

Along with other measures, Siemens has established a global compliance organization that conducts among others compliance risk mitigation processes such as Compliance Risk Assessments or initiates internal audit activities performed by the internal assurance department.

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

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

Geopolitical uncertainties including sanctions and export control: As a globally operating organization, we conduct business with customers in countries which are subject to export control regulations, embargoes, economic sanctions, debarment policies or other forms of trade restrictions (hereafter referred to as "sanctions") imposed by the U.S., the EU or other countries or organizations. New or expanded sanctions in countries in which we do business may result in a curtailment of our existing business in such countries or indirectly in other countries. We are also aware of policies of national authorities and institutional investors, such as pension funds or insurance companies, requiring divestment of interests in and prohibiting investment in and transactions with entities doing business with countries identified by the U.S. Department of State as state sponsors of terrorism. Therefore, it is possible that such policies may result in our being unable to gain or retain certain investors or customers. 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.

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

In addition, while we have procedures in place to ensure compliance with applicable governmental regulations in the conduct of our business operations, it cannot be excluded that violations of applicable governmental regulations may be caused either by us or by third parties that we contract with, including suppliers or service providers whose activities may be attributed to us. Any such violations particularly expose us to the risk of liability, penalties, fines, reputational damage or loss of licenses or permits that are important to our business operations. In particular, we could also face liability for damage or remediation for environmental contamination at the facilities we design or operate. With regard to certain environmental risks, we maintain liability insurance at levels that our management believes are appropriate and consistent with industry practice. We may incur environmental losses beyond the limits, or outside the coverage, of such insurance, and such losses may have an adverse effect on our business situation, financial condition and results of operations.

Current or future litigation and legal and regulatory proceedings: Siemens is and potentially will be involved in numerous legal disputes and proceedings in various jurisdictions. These legal disputes and proceedings could result, in particular, in Siemens being subject to payment of damages and punitive damages, equitable remedies or sanctions, fines or disgorgement of profit. In individual cases this may also lead to formal or informal exclusion from tenders or the revocation or loss of business licenses or permits. Asserted claims are generally subject to interest rates. Some of these legal disputes and proceedings could result in adverse decisions for Siemens or decisions, assessments or requirements of regulatory authorities could deviate from our expectations, which may have material effects on our business activities as well as our financial position, results of operations and cash flows. Siemens maintains liability insurance for certain legal risks at levels our management believes are appropriate and consistent with industry practice. The insurance policy, however, does not protect Siemens against reputational damage. Moreover, Siemens may incur losses relating to legal proceedings beyond the limits, or outside the coverage, of such insurance or exceeding any provisions made for losses related to legal proceedings. Finally, there can be no assurance that Siemens will be able to maintain adequate insurance coverage on commercially reasonable terms in the future.

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

A.8.3.5 Assessment of the overall risk situation

The most significant challenges have been mentioned first in each of the four risk categories – strategic, operational, financial and compliance.

While our assessments of individual risks have changed during fiscal 2020 due to developments in the external environment, changes in our business portfolio, effects of our own mitigation measures and the revision of our risk assessment, the overall risk situation for Siemens did not change significantly as compared to the prior year with the exception of the COVID-19 pandemic. We currently see this strategic risk as the most significant challenge for us followed by the operational risk arising from cyber/information security.

At present, no risks have been identified that either individually or in combination could endanger our ability to continue as a going concern.

A.8.4 Opportunities

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

Value creation through innovation: We drive innovation by investing significantly in R&D in order to develop sustainable solutions for our customers while also strengthening our own competitiveness. Being an innovative company and constantly inventing new technologies that we expect will meet future demands arising from the megatrends of demographic change, urbanization, climate change and globalization is one of our core purposes. We are granted thousands of new patents every year and continuously develop new concepts and convincing new digital and data-driven business models. This helps us create the next generation of ground-breaking innovations in such fields as digitalization, artificial intelligence, autonomous machines and edge computing. Across our operating units, we are profiting from our strength in the "Digital Enterprise." Foremost, our cloud-based MindSphere platform enhances the availability of our customers' digital products and systems and improves their productivity and efficiency. We offer edge computing apps along with Mindsphere in individual facilities, so that customers can connect all their facilities to create an integrated data network. We see also significant opportunities to generate additional volume and profit from innovative digital products, services and solutions, including cyber security and applications for optimized energy consumption. We see growth opportunities in opening up access to new markets and customers through new marketing and sales strategies, which we implement in our operating units. Our position along the value chains of automation and digitalization allows us to further increase market penetration. Along these value chains, we have identified several concrete growth fields in which we see our greatest long-term potential. Hence, we are combining and developing our resources and capabilities for these growth fields.

Leveraging market potential: Through sales initiatives and masterplans in our operating units, we continuously strive to grow and extend our businesses in established markets, open up new markets for existing portfolio elements and strengthen our installed base in order to gain a higher market share and increased profits. Furthermore, we aim to increase our sales via improved account management and new distribution channels.

Turning COVID-19 challenges into opportunities: The participation in governmental COVID-19 recovery programs such as the European Union's "Next Generation EU" recovery plan is an opportunity for Siemens. There is also the chance to strengthen our customer relationship through additional market offerings that specifically address use cases related directly to the COVID-19 pandemic. Potential growth areas might arise through the optimization program "new normal" with, for example, more working flexibility for our employees.

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

Favorable political and regulatory environment (including sustainability): We see opportunities from potential improvement in the geopolitical policy environment, which could quickly restore a more positive industrial investment sentiment that supports the growth of our markets. In addition, government initiatives and subsidies (including tax reforms among others) may lead to more government spending (e.g. infrastructure or digitalization investments) and ultimately result in an opportunity for us to participate in ways that increase our revenue and profit. By enabling our customers to lower their GHG (Greenhouse Gas) emissions across our portfolio and by reducing CO_2 emission in our own operation, Siemens strives to support the trend towards a low-carbon economy. Recent legislative and governmental accelerate to mitigate climate change worldwide, especially in Europe through e.g. the Green Deal or Sustainable Finance Initiative represent an opportunity for Siemens.

Optimization of organization and processes: On the one hand, we leverage ideas to drive further improvements in our processes and cost structure, such as common computing architecture for image processing or optimizing factory capacities for shorter lead times. On the other hand, we see an opportunity of further penetrating markets by ramping up local business excellence (e.g. engineering) and increasing local sourcing and local manufacturing.

Assessment of the overall opportunities situation: The most significant opportunity for Siemens continues to be value creation through innovation as described above.

While our assessments of individual opportunities have changed during fiscal 2020 due to developments in the external environment, changes in our business portfolio, our endeavors to profit from them and revision of our strategic plans, the overall opportunity situation for Siemens did not change significantly as compared to the prior year.

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

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

Our ERM approach is based on the globally accepted COSO Standard (Committee of Sponsoring Organizations of the Treadway Commission) "Enterprise Risk Management – Integrating with Strategy and Performance" (2017) and the ISO (International Organization for Standardization) Standard 31000 (2018) and is adapted to Siemens requirements. The frameworks connect the ERM process with our financial reporting process and our internal control system. They consider a company's strategy, the efficiency and effectiveness of its business operations, the reliability of its financial reporting and compliance with relevant laws and regulations to be equally important. Our accounting-related internal control system is based on the internationally recognized "Internal Control – Integrated Framework" (2013) also developed by COSO. The two systems are complementary.

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

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

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

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

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

Siemens Healthineers is subject to our Group-wide principles for the accounting-related internal control and risk management system and is responsible for adhering to those principles. The management of Siemens Healthineers provides periodic sign-offs to the Managing Board of Siemens AG, certifying the effectiveness of its accounting-related internal control system as well as the completeness, accuracy, and reliability of the financial data reported to us.

Our internal audit function systematically evaluates our financial reporting integrity, the effectiveness of the control system and the risk management system, and adherence to our compliance policies. Siemens Healthineers has its own internal audit department and annual audit plan. Topics from the annual audit plan of Siemens Healthineers that are also relevant for our Managing Board and Audit Committee first have to be mandated by Siemens Healthineers' Managing Board and Audit Committee and subsequently be mandated by our Managing Board and Audit Committee. The audit procedures for these topics will be generally executed in joint teams of our and Siemens Healthineers' internal audit functions; thus reflecting the interest of both Siemens AG and Siemens Healthineers. In addition, the Audit Committee is integrated into our control system. In particular, it oversees the accounting and accounting process and the effectiveness of the internal control system, the risk management system and the internal audit system. Moreover, we have rules for accounting-related complaints.

A.9
Siemens AG

The Annual Financial Statements of Siemens AG have been prepared in accordance with the regulations set forth in the German Commercial Code (Handelsgesetzbuch) and the German Stock Corporation Act (Aktiengesetz).

Effective as of January 1, 2020, the business activities "Gas and Power" were transferred to Siemens Energy Global GmbH & Co. KG (formerly Siemens Gas and Power GmbH & Co. KG) by means of singular succession. Furthermore, domestic and foreign investments attributable to the Siemens Energy business were transferred to Siemens Energy Global GmbH & Co. KG, indirectly or directly. These transfers resulted in an increase in shares in affiliated companies, and a decrease in transferred assets and liabilities, particularly including property, plant and equipment, securities, inventories, receivables and other assets, advance payments received, provisions for pensions and other provisions. In addition, the transfers resulted in a corresponding year-over-year decline in income and expenses, particular including revenue, cost of sales, gross profit, research and development expenses as well as selling expenses.

With regard to the spin-off, on September 25, 2020 (spin-off day), Siemens AG contributed, in a first step, indirectly or directly, its interests in Siemens Energy Global GmbH & Co. KG and also in its general partner to Siemens Energy AG in return for the issuance of shares. In a second step, Siemens AG transferred its remaining interests in Siemens Energy Global GmbH & Co. KG and in its general partner to Siemens Energy AG in a spin-off in accordance with the German Transformation Act (Umwandlungsgesetz). This step followed the approval by the extraordinary shareholder's meeting on July 9, 2020 in return for the issuance of shares in Siemens Energy AG to the shareholders of Siemens AG. The interests transferred represented the equivalent of 55% of the subscribed capital of Siemens Energy AG.

As of the end of fiscal 2020, results for Siemens AG arise mainly from the business activities of Digital Industries, Smart Infrastructure and Portfolio Companies and are influenced significantly by the results of subsidiaries and investments we own either directly or indirectly. The business development of Siemens AG is fundamentally subject to the same risks and opportunities as the Siemens Group. Therefore, the foregoing explanations for the Siemens Group apply also for Siemens AG. We expect that income from investments or profit transfer agreements with affiliated companies and a substantial gain related to an agreement to sell Flender GmbH, Germany, for a price of €2.0 billion will significantly influence the profit of Siemens AG.

We intend to continue providing an attractive return to shareholders. Therefore, we intend to propose a dividend whose distribution volume is within a dividend payout range of 40% to 60% of net income of the Siemens Group attributable to shareholders of Siemens AG, which we may adjust for this purpose to exclude selected exceptional non-cash effects. For fiscal 2021, we expect that net income of Siemens AG will be sufficient to fund the distribution of a corresponding dividend.

As of September 30, 2020, the number of employees was 50,400.

A.9.1 Results of operations

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

(in millions of €)	Fiscal year 2020	2019	% Change
Revenue	**16,389**	22,104	(26)%
Cost of sales	**(12,032)**	(15,825)	24%
Gross profit	**4,357**	6,279	(31)%
as percentage of revenue	***27%***	*28%*	
Research and development expenses	**(1,677)**	(2,362)	29%
Selling and general administrative expenses	**(3,490)**	(3,979)	12%
Other operating income (expenses), net	**(555)**	9,469	n/a
Financial income, net *thereof Income from investments, net 8,078 (prior year 3,754)*	**6,557**	3,188	106%
Income from business activity	**5,192**	12,596	(59)%
Income taxes	**78**	(1,377)	n/a
Net income	**5,270**	11,219	(53)%
Profit carried forward	**141**	170	(17)%
Allocation to other retained earnings	**(2,436)**	(6,005)	(59)%
Unappropriated net income	**2,975**	5,384	(45)%

On a geographical basis, 77% of revenue was generated in the Europe, C.I.S., Africa, Middle East region, 16% in the Asia, Australia region and 7% in the Americas region. Exports from Germany accounted for 53% of overall revenue. In fiscal 2020, orders for Siemens AG amounted to €14.7 billion.

The R&D intensity (R&D as a percentage of revenue) was 10%, nearly on the same level as fiscal 2019. The research and development activities of Siemens AG are fundamentally the same as for its corresponding business activities within the Siemens Group. On an average basis, we employed 7,300 people in R&D in fiscal 2020.

The change in other operating income (expenses), net, was mainly due to a gain of €9.5 billion related to Siemens AG's transfer of the trademark "Siemens" to the affiliated company Siemens Trademark GmbH & Co. KG, Germany, in fiscal 2019. In fiscal 2020 other operating expenses included primarily expenses in connection with the valuation of an investment as well as expenses related to the carve-out of the Siemens Energy business.

The increase in financial income, net was primarily attributable to higher income from investments, net. In fiscal 2020 we recorded a number of major changes compared to fiscal 2019, including income of €1.3 billion from the profit transfer agreement with Siemens Beteiligungen Inland GmbH, Germany; income of €1.4 billion from the investment in Siemens Holdings plc, Ltd., United Kingdom; and a gain of €2.1 billion from the disposal of Siemens Limited, India. These factors were partly offset by an impairment of €1.3 billion on the shares in Siemens Energy AG. Financial income, net, also included an impairment of a loan receivable of €0.5 billion related to an investment.

The change in income taxes was primarily due to the recognition of deferred tax liabilities related to the transfer of the trademark "Siemens" in fiscal 2019.

A.9.2 Net assets and financial position

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

(in millions of €)	Sep 30, 2020	Sep 30, 2019	% Change
ASSETS			
Non-current assets			
Intangible and tangible assets	**1,122**	1,884	(40)%
Financial assets	**74,877**	73,158	2%
	75,999	75,043	1%
Current assets			
Inventories, receivables and other assets	**16,937**	19,752	(14)%
Cash and cash equivalents, other securities	**8,786**	4,489	96%
	25,724	24,241	6%
Prepaid expenses	**133**	147	(10)%
Deferred tax assets	**1,034**	829	25%
Active difference resulting from offsetting	**85**	68	26%
Total assets	**102,975**	100,328	3%
LIABILITIES AND EQUITY			
Equity	**18,917**	30,428	(38)%
Special reserve with an equity portion	**619**	668	(7)%
Provisions			
Provisions for pensions and similar commitments	**11,700**	12,343	(5)%
Provisions for taxes and other provisions	**4,323**	5,616	(23)%
	16,023	17,959	(11)%
Liabilities			
Liabilities to banks	**98**	27	>200%
Advance payments received	**–**	1,841	(100)%
Trade payables, liabilities to affiliated companies and other liabilities	**67,047**	49,079	37%
	67,145	50,947	32%
Deferred income	**271**	326	(17)%
Total liabilities and equity	**102,975**	100,328	3%

The changes in financial assets included in particular the contributions of the line of business "Gas and Power," cash, interests in domestic and foreign investments of the Siemens Energy business, including shares in Siemens Gamesa Renewable Energy, S.A., Spain, to Siemens Energy Global GmbH & Co. KG in return for the issuance of shares. These shares issued amounted in total to €20.3 billion. As the following steps, it also included the contribution of interests in Siemens Energy Global GmbH & Co. KG of €7.6 billion to Siemens Energy AG, in return for the issuance of shares. Interests in Siemens Energy Global GmbH & Co. KG of €12.7 billion were contributed in the context of a spin-off in return for the issuance of shares in Siemens Energy AG to the shareholder of Siemens AG.

Cash and cash equivalents, other securities was significantly affected by the spin-off of Siemens Energy and the liquidity management of the Corporate Treasury of Siemens AG, which was focused not solely on business activities of Siemens AG. The liquidity management is based on the financing policy of the Siemens Group, which is aimed towards a balanced financing portfolio, a diversified maturity profile and a comfortable liquidity cushion.

The decrease in equity was attributable to a decrease in retained earnings of €12.7 billion due to the spin-off of Siemens Energy, dividends paid in fiscal 2020 (for fiscal 2019) of €3.2 billion, and share buybacks during the year amounting to €1.5 billion. These factors were partly offset by net income for the year of €5.3 billion, and the transfer of treasury shares to employees in connection with our share-based payments programs amounting to €0.6 billion. The equity ratio as of September 30, 2020 and 2019 was 18% and 30%, respectively. For the disclosures in accordance with Section 160 para. 1 no. 2 of the German Stock Corporation Act about treasury shares, refer to ↗ NOTE 15 of our ↗ ANNUAL FINANCIAL STATEMENTS OF SIEMENS AG for the fiscal year ended September 30, 2020.

The increase in trade payables, liabilities to affiliated companies and other liabilities was due to higher liabilities to affiliated companies mainly relating to intra-group financing activities, including funding activities in connection with the spin-off of Siemens Energy.

A.9.3 Corporate Governance statement

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

A.10

Compensation Report

This report describes the compensation system and the compensation of the members of the Managing Board and the Supervisory Board of Siemens AG for fiscal 2020. It provides detailed and individualized explanations of the structure and amount of the individual components of Managing and Supervisory Board compensation.

The report is based on the requirements of the German Commercial Code (*Handelsgesetzbuch*, HGB), the German Accounting Standards (*Deutsche Rechnungslegungsstandards*, DRS) and the International Financial Reporting Standards (IFRS). It also includes previously selected voluntary disclosures in accordance with the substantive requirements of the German Act on the Implementation of the Second Shareholder Rights Directive (*Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie*, ARUG II) of December 12, 2019, such as detailed information on the application of performance criteria in variable compensation.

A.10.1 Compensation of Managing Board members

A.10.1.1 Compensation system

RESPONSIBILITY FOR ESTABLISHING MANAGING BOARD COMPENSATION

The compensation system for Siemens' Managing Board members is established by the Supervisory Board. The Compensation Committee of the Supervisory Board develops corresponding recommendations and prepares, in particular, the proposals for decisions by the Supervisory Board's plenary meetings. The Supervisory Board may consult external advisors when necessary. The system approved by the Supervisory Board is then presented to the Annual Shareholders' Meeting for endorsement.

The current compensation system for the members of the Managing Board of Siemens AG has been in place since fiscal 2020 and was endorsed at the Annual Shareholders' Meeting on February 5, 2020 by a majority of 94.51%.

BASIC PRINCIPLES OF THE MANAGING BOARD COMPENSATION SYSTEM

The Managing Board compensation system contributes to the execution of the Company's strategy: The compensation system is designed to motivate Managing Board members to achieve the strategic goals defined in "Vision 2020+." The system promotes innovation and fosters incentives for the Company's value-creating and long-term development while avoiding excessive risks.

The Supervisory Board makes decisions regarding the design of the compensation system and the structure and amount of the Managing Board members' compensation with due consideration of the following principles:

Compensation linked to performance	→ Extraordinary performance should be appropriately rewarded, and failure to achieve targets should lead to an appreciable reduction of compensation.
Consideration of the collective and individual performance of Managing Board members	→ Compensation takes into account the individual performance of Managing Board members in their respective areas of responsibility. Overall responsibility for the Company's long-term development is represented by targets set at the Group level. These targets apply equally to all Managing Board members.
Compatibility of compensation systems	→ The compensation system for Managing Board members also extends to the other management levels in the Group.
Appropriateness of compensation	→ The compensation of Managing Board members should conform to market conditions and be appropriate for the Company's size, complexity and economic situation.

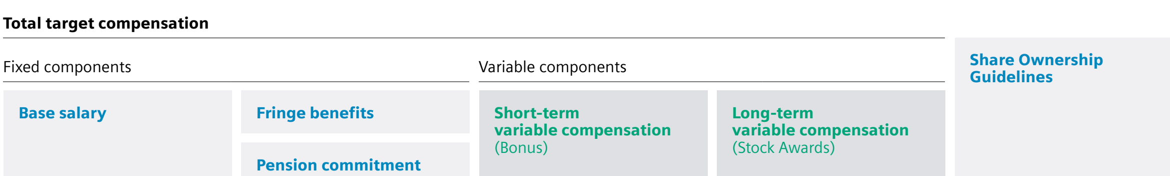
COMPONENTS AND STRUCTURE OF MANAGING BOARD COMPENSATION

The compensation of the members of the Managing Board of Siemens AG comprises fixed and variable components. Fixed, non-performance-based compensation comprises base salary, fringe benefits and a pension commitment. Short-term variable compensation (Bonus) and long-term variable compensation (Stock Awards) are granted as performance-based compensation and are thus variable.

In addition, the Share Ownership Guidelines are a further key component of the compensation system. They obligate Managing Board members to permanently hold Siemens shares worth a defined multiple of their base salary and to purchase additional shares in the event that the value of their shares falls below the defined multiple.

The Managing Board compensation system is also supplemented by appropriate and market-based commitments granted in connection with the commencement and termination of appointments to the Managing Board as well as any change in the regular place of work.

Components comprising the Managing Board compensation system



The Supervisory Board determines, in accordance with the compensation system, the amount of each Managing Board member's total target compensation for the upcoming fiscal year. This determination is based on an appropriate consideration of the Managing Board member's tasks and performance and the Company's economic situation, performance and future prospects.

The Supervisory Board ensures that total target compensation conforms to market conditions. For assessing the market conformance of total compensation, compensation data for companies included in the DAX, the German blue-chip stock index, and for comparable non-listed companies (insofar as these are available) are considered. In view of Siemens' international footprint, compensation data for companies included in the STOXX Europe 50 index are also considered. In this horizontal market comparison, the Supervisory Board considers Siemens' market position, industry affiliation, size and global presence. In addition, the Supervisory Board considers the development of Managing Board compensation in relation to the compensation of the employees of Siemens in Germany. In this vertical comparison, it conducts a market comparison of the ratio of Managing Board compensation to the compensation of upper management and the wider workforce with the corresponding ratios at companies included in the DAX. For this purpose, the Supervisory Board has defined upper management as the executive employees in the Senior Management and Top Management contract groups. The wider workforce is divided into employees who are covered by collective bargaining agreements and those who are not.

The compensation system enables the Supervisory Board to define total target compensation according to the function of each Managing Board member and thus to consider the different requirements for each function when defining both the absolute amount and the structure of compensation. In doing so, the Supervisory Board ensures that the proportions of total target compensation represented by each of the individual compensation components are within the following percentage ranges:

- → **fixed compensation:** minimum 36% to maximum 43% of total target compensation
- → **short-term variable compensation (Bonus):** minimum 20% to maximum 28% of total target compensation
- → **long-term variable compensation (Stock Awards):** minimum 30% to maximum 42% of total target compensation.

FIXED COMPENSATION COMPONENTS

Fixed, non-performance-based compensation comprises the base salary, fringe benefits and the pension commitment.

Base salary

Each Managing Board member receives a base salary, which is paid in 12 monthly installments.

Fringe benefits

A maximum value of fringe benefits for the upcoming fiscal year is established for each Managing Board member. For this purpose, the Supervisory Board determines an amount relative to base salary. This amount covers expenses incurred to the benefit of the Managing Board member, for example, in-kind compensation and fringe benefits granted by the Company, including the provision of a company car, insurance allowances and medical check-ups.

Pension commitment

Like the employees of Siemens AG, the members of the Managing Board are included for the most part in the Siemens Defined Contribution Pension Plan (BSAV). Under the BSAV, Managing Board members receive contributions that are credited to their pension accounts. Newly appointed members of the Managing Board can be granted, instead of a BSAV contribution, a fixed cash amount that he or she can freely dispose of.

If a member of the Managing Board earned a pension entitlement from the Company before the BSAV was introduced, a portion of his or her contributions will go toward financing this legacy entitlement.

Other essential characteristics of the BSAV for Managing Board members are summarized in the following table:

Entitlement	→ Upon request, on or after reaching the age of 62 for pension commitments made on or after January 1, 2012 → Upon request, on or after reaching the age of 60 for pension commitments made before January 1, 2012
Vested status	→ In accordance with the provisions of the German Company Pensions Act *(Betriebsrentengesetz)*
Disbursement	→ As a rule, in 12 yearly installments; other payment options, on request, are: ten or 11 installments, a lump sum payment and an annuitization with or without survivors' benefits as well as a combination of these options
Guaranteed interest	→ Annual guaranteed interest credited to the pension account until benefits are first drawn (currently: 0.9%)
Disability/death	→ The risk that benefits may have to be drawn before the age of 60 due to disability or death is mitigated by crediting contributions from the age at the time benefits are first drawn until the covered individual reaches or would have reached the age of 60.

Like other eligible employees of Siemens AG, Managing Board members who were employed by the Company before September 30, 1983 are entitled to transition payments equal to the difference between the last base salary and the pension entitlement under the Company pension plan in the first six months after retirement.

VARIABLE COMPENSATION COMPONENTS

The variable, performance-based compensation of Managing Board members is tied to performance and aligned with the Company's short- and long-term development. It consists of a short-term component (Bonus) and a long-term component (Stock Awards).

The final payout amount from both components depends on the fulfillment of financial and non-financial performance criteria. Performance criteria are derived from the Company's strategic goals and operational steering. In line with Siemens' social responsibility, sustainability is also included in the performance criteria. Ultimately, the performance criteria measure successful value creation in all its different forms, as strategically envisioned.

Performance criteria for variable compensation

The Supervisory Board ensures that targets are demanding and ambitious. If they are not met, variable compensation can be reduced to as little as zero. If the targets are substantially exceeded, target attainment is limited to 200%.

In addition, there are malus and clawback regulations that allow the Supervisory Board to withhold or reclaim both short-term and long-term variable compensation in certain cases.

Short-term variable compensation (Bonus)

Short-term variable compensation (Bonus) rewards the contribution in a fiscal year to the operational execution of the Company's strategy and therefore also to the Company's long-term performance. The Bonus system is based on three equally weighted target dimensions, which take account of the overall responsibility of the Managing Board as well as the Managing Board members' respective business responsibilities and their individual challenges:

- → **"Siemens Group"**
  The dimension "Siemens Group" reflects the Managing Board's overall responsibility and measures the performance of the Siemens Group in its entirety, as the sum of the contributions of each individual part of the Company.
- → **"Managing Board portfolio"**
  The dimension "Managing Board portfolio" focuses on the business activities for which each Managing Board member is responsible and measures his or her performance based on the predefined portfolio strategy. In the case of mainly functional responsibility (for example, the President and CEO and the Chief Financial Officer), the performance of the Siemens Group is considered.
- → **"Individual targets"**
  A minimum of two and a maximum of four individual targets allow for further differentiation depending on the specific strategic and operational challenges of each Managing Board member.

Performance criteria are assigned to each of the three target dimensions based on Company priorities and the responsibilities of each Managing Board member. The focus is on short-term measures that execute the Company's strategy, such as strengthening earnings and ensuring profitability/capital efficiency and liquidity.

One financial performance criterion is assigned to the "Siemens Group" dimension and another to the "Managing Board portfolio" dimension. The fulfillment of these criteria is measured on the basis of key performance indicators. These key performance indicators are predominantly operational steering parameters derived from the Company's strategic direction. They are based on the Siemens Financial Framework and are also, as a rule, part of the Company's external financial reporting. See chapter ↗ **A.2 FINANCIAL PERFORMANCE SYSTEM.**

Growth and liquidity can both be employed as financial performance criteria in the "Individual targets" dimension, as can additional non-financial performance criteria. In the case of non-financial performance criteria, the Supervisory Board considers the degree to which a Managing Board member has fulfilled so-called focus topics, which comprise both operational aspects of the execution of the Company's strategy – such as business performance, the execution of large-scale projects, optimization and efficiency enhancement – as well as sustainability aspects – such as diversity, ownership culture, customer satisfaction, employee satisfaction and succession planning.

After the end of the fiscal year, target attainment for the key performance indicators for the target dimensions "Siemens Group" and "Managing Board portfolio" and the attainment for the individual targets are determined and aggregated to form a weighted average. The percentage of weighted target attainment multiplied by the individual target amount yields the Bonus payout amount for the past fiscal year. The payable Bonus is limited to two times the target amount and is disbursed entirely in cash.

Bonus design and calculation of payout amount

Long-term variable compensation (Stock Awards)

The Managing Board is required to commit itself to the Company's long-term success, promote sustainable growth and achieve long-lasting value creation. In accordance with these principles, a significant part of total compensation is tied to the long-term performance of the Siemens share. Siemens grants long-term variable compensation in the form of Stock Awards. A Stock Award is the claim to one share – conditional on target attainment – after the expiration of a defined vesting period.

Granting of Stock Awards

At the beginning of a fiscal year, the Supervisory Board defines a target amount in euros based on 100% target attainment for each Managing Board member. This target amount is multiplied using target attainment of 200% ("maximum grant amount"). Stock Awards for this maximum grant amount are then granted to the beneficiary. The number of Stock Awards is calculated by dividing the maximum grant amount by the price of the Siemens share on the grant date, less the estimated discounted dividends ("grant price"). An approximately four-year vesting period begins with the granting of Stock Awards, after the expiration of which Siemens shares are transferred. Beneficiaries are not entitled to dividends during the vesting period.

Performance criteria

Since fiscal 2020, the number of Siemens shares that are actually transferred depends 80% on the financial performance criterion "long-term value creation," measured on the basis of total shareholder return (TSR), and 20% on the non-financial performance criterion "sustainability." For measuring the sustainability criterion, Siemens AG's performance in the area of Environmental, Social & Governance (ESG) is assessed on the basis of a Siemens internal ESG/Sustainability index, the composition of which is determined annually by the Supervisory Board.

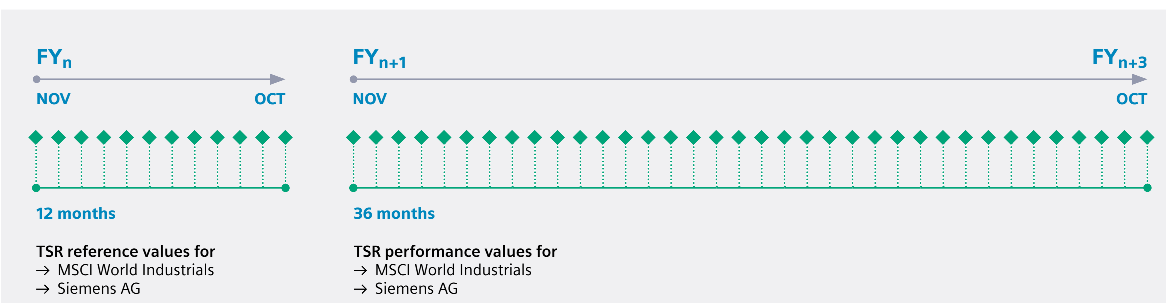
Total shareholder return – TSR is indicative of the performance of a share over a period of time – in the case of Siemens, during the approximately four-year vesting period. It includes the dividends paid and any changes in the share price during this period. To reflect the Company's international footprint, the TSR of Siemens AG is compared at the end of the vesting period with the TSR of an international sector index, the MSCI World Industrials or a comparable successor index.

Target attainment for TSR is specifically determined by first calculating a TSR reference value for Siemens AG and a TSR reference value for the sector index. The TSR reference value is equal to the average of the end-of-month values over the first 12 months of the vesting period (reference period).

In order to determine at the end of the vesting period how well the TSR of Siemens AG has performed in comparison to the sector index, the TSR performance value is calculated over the subsequent 36 months (performance period). The TSR performance value is the average of the end-of-month values during the performance period.

At the end of the vesting period, the change in Siemens' TSR as well as that of the sector index is determined by comparing the TSR values for the reference period with those for the performance period.

Calculation of TSR reference values and TSR performance values for Stock Awards



The following applies for the determination of target attainment:

- → If the change in the TSR of Siemens AG is at least 20 percentage points above that of the sector index, target attainment is 200%.
- → If the change in the TSR of Siemens AG is equal to that of the sector index, target attainment is 100%.
- → If the change in the TSR of Siemens AG is at least 20 percentage points below that of the sector index, target attainment is 0%.

If the change in the TSR of Siemens AG is between 20 percentage points above and 20 percentage points below that of the sector index, target attainment is calculated using linear interpolation.

Environmental, Social & Governance – The Siemens internal ESG/Sustainability index consists of three equally weighted, structured and verifiable ESG key performance indicators. At the beginning of each tranche, the Supervisory Board sets ambitious target values for each of the ESG key performance indicators. Targets are measured based on pre-defined interim targets for each fiscal year. Target attainment for the Siemens internal ESG/Sustainability index is finally determined at the end of the approximately four-year vesting period based on the weighted average of the target attainment values calculated for each of the key performance indicators.

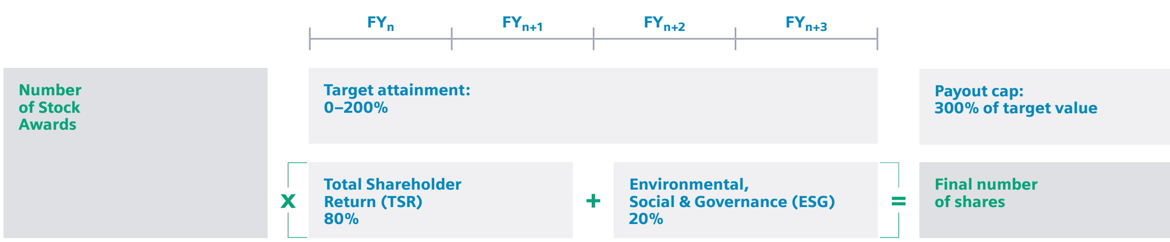
Determination of total target attainment

At the end of the approximately four-year vesting period, the Supervisory Board determines the degree of target attainment. The target attainment range for TSR and the Siemens internal ESG/Sustainability index is between 0% and 200%. If target attainment is less than 200%, a number of Siemens Stock Awards equivalent to the shortfall are forfeited without refund or replacement and an accordingly reduced number of shares will be transferred.

The value of the Siemens shares transferred after the expiration of the vesting period is further limited to a maximum of 300% of the target amount. If this ceiling is exceeded, a corresponding number of Stock Awards will be forfeited without refund or replacement.

The remaining Stock Awards are settled by the transfer of Siemens shares to the relevant Managing Board member.

Calculation of the number of Siemens shares



Further provisions for Stock Awards

In the event of exceptional, unforeseen events that have an influence on the performance criteria, the Supervisory Board may decide that the number of granted Stock Awards will be reduced after the fact, that only a cash settlement of a limited amount to be determined will take place instead of a transfer of Siemens shares or that the transfer of Siemens shares for vested Stock Awards will be suspended until the event ceases to influence the performance criteria.

If the employment contract of a Managing Board member begins during a fiscal year, an equivalent number of forfeitable virtual Stock Awards (Phantom Stock Awards) will be granted instead of Stock Awards. Unlike Stock Awards, Phantom Stock Awards will not be settled by a transfer of shares, but by a cash payment after the expiration of the vesting period. The remaining provisions applicable to the Stock Awards apply analogously.

With regard to the further terms of the Stock Awards, the same principles apply in general to the Managing Board and to executive employees. These principles are explained in ↗ NOTE 26 in ↗ B.6 NOTES TO CONSOLIDATED FINANCIAL STATMENTS.

MAXIMUM COMPENSATION LIMITS

Maximum compensation is determined annually by the Supervisory Board for each Managing Board member in accordance with Section 87a para. 1 sent. 2 No. 1 of the German Stock Corporation Act (*Aktiengesetz*, AktG). Maximum compensation is equal to the sum of the maximum amounts that can be paid out to each Managing Board member for all compensation components for the given fiscal year and is calculated by adding base salary, maximum fringe benefits, BSAV contribution (or cash amount at the member's free disposal) as well as two times the Bonus target amount and three times the Stock Awards target amount.

SHARE OWNERSHIP GUIDELINES

Under the Siemens Share Ownership Guidelines, Managing Board members are obligated to permanently hold Siemens shares of an amount equal to a multiple of their base salary – 300% for the President and CEO and 200% for the other members of the Managing Board – during their terms of office on the Managing Board, following an initial four-year build-up phase. The average base salary received by each member of the Managing Board in the four years before the applicable verification date is relevant for this purpose.

Fulfillment of this obligation must be verified for the first time after the four-year build-up phase and annually thereafter. If share price fluctuations cause the value of the accumulated shareholding to fall below the respective amounts to be verified, the Managing Board member will be obligated to purchase additional shares.

DEDUCTION OF COMPENSATION FOR MANAGING BOARD MEMBERS' SECONDARY ACTIVITIES

The acceptance of public offices, seats on supervisory boards (including any committee memberships), boards of directors, advisory boards and comparable bodies and of appointments to scientific bodies are subject to prior approval by the Chairman's Committee of the Supervisory Board. As a rule, approval is not granted for more than two supervisory board positions or comparable functions at listed companies outside the Group. If a Managing Board member holds a supervisory board position within the Group, the compensation received for such a position will be deducted from his or her Managing Board compensation. If supervisory board positions outside the Group are accepted, the Supervisory Board will decide at its duty-bound discretion on a case-by-case basis whether and to what extent the compensation for such positions is to be deducted. In this context, particular consideration will be given to the extent to which the activity is in the interest of the Company or the Managing Board member.

Memberships on supervisory boards whose establishment is required by law or on comparable domestic or foreign controlling bodies of business enterprises are listed in chapter ↗ C.4.1 MANAGEMENT AND CONTROL STRUCTURE in ↗ C.4 CORPORATE GOVERNANCE.

COMMITMENTS GRANTED IN CONNECTION WITH THE COMMENCEMENT OF MANAGING BOARD APPOINTMENTS OR A CHANGE IN THE REGULAR PLACE OF WORK

Upon the commencement of Managing Board membership or if the regular place of work is changed at the request of the Company, the Supervisory Board will decide on the basis of a proposal by the Compensation Committee whether and to what extent, in addition to the regular fringe benefits, the following compensation and/or benefits will be granted under the Managing Board member's individual employment contract:

- **Compensation for the loss of benefits from the previous employer**
  Depending on whether the compensation and/or benefits granted by a previous employer (for example, long-term variable compensation grants or pension commitments) are lost by reason of moving to Siemens AG, the Supervisory Board may grant compensation in the form of (usually Phantom) Stock Awards, special contributions within the scope of the BSAV or cash payments.
- **Moving expenses**
  If the appointment as a member of the Managing Board or a change of the regular place of work at the request of the Company requires the Managing Board member to move to a new residence, moving expenses will be reimbursed up to an appropriate maximum amount to be specified in the individual employment contract.

COMMITMENTS IN CONNECTION WITH THE TERMINATION OF MANAGING BOARD APPOINTMENTS

The compensation system also governs the amount of compensation a Managing Board member receives if his or her Managing Board appointment is terminated early. Depending on the reason for the termination, the following provisions apply to compensation guaranteed upon departure from office:

Termination due to regular expiration of term of office

No severance payments or special pension contributions are made.

Termination by mutual agreement

In the event of an early termination of membership on the Managing Board by mutual agreement and without serious cause, Managing Board members' employment contracts provide for a severance payment:

Basis for calculation	→ Base salary plus actual short-term variable compensation received in the last fiscal year before termination and granted long-term variable compensation
Limit (severance cap)	→ Not more than two years' annual compensation and not more than the member would receive for the remaining term of his or her employment contract
Payment	→ In the month of departure
Special pension contribution; one-time	→ Based on the contribution that the Managing Board member received in the prior year and on the remaining term of his or her appointment → Limited to not more than the contributions for two years (cap)
Increase/ discount	→ Severance payment will be reduced by 5% as a lump sum allowance for discounting and for earnings obtained elsewhere if the remaining term of office is more than six months. → Reduction refers only to that portion of the severance payment that was determined without consideration of the first six months of the remaining term of office. → In-kind benefits are compensated for by a payment of 5% of the severance amount.
Deduction	→ In the event of a post-contractual non-compete agreement, the severance payment and special pension contribution shall be taken into account in the calculation of any compensation payments.

Early termination at the request of the Managing Board member or termination for cause by the Company

No severance payments or special pension contributions are made.

Change of control

For newly concluded Managing Board employment contracts (first-time appointments) or the extension of these contracts, there are no special provisions for the event that a change of control occurs, that is, neither special rights to terminate the contract nor severance payments.

The following is applicable for existing Managing Board employment contracts:

If a change of control occurs, as a consequence of which the role of a Managing Board member significantly changes, the Managing Board member is entitled to terminate his or her employment contract. If this right of termination is exercised, the Managing Board member is entitled to a severance payment for the remainder of his or her term of office.

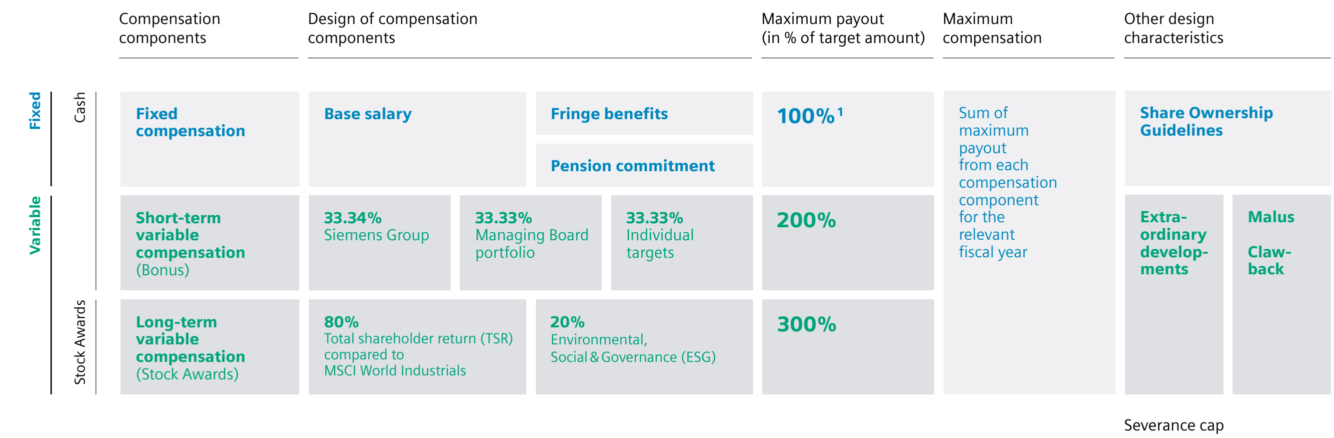
Basis for calculation	→ Base salary plus the target amount for the Bonus and the target amount for Stock Awards, each based on the values for the last fiscal year before contract termination
Limit (severance cap)	→ Two years' annual compensation
Increase/discount	→ Severance payment will be reduced by 10% as a lump-sum allowance for discounting and for earnings obtained elsewhere. → The reduction shall apply to the portion of the severance payment calculated for the period following the first six months of the remaining contract term. → In-kind benefits will be covered by a payment of 5% of the severance payment as a lump sum.
Stock Awards	→ Stock-based compensation components granted by the Company in the past remain unaffected

There is no entitlement to severance payment if the Managing Board member receives payments from third parties on the occasion of, or in connection with, a change of control. Furthermore, there is no right of termination if the change of control takes place within 12 months before the Managing Board member reaches retirement age.

THE COMPENSATION SYSTEM AT A GLANCE

The following chart provides an overview of all components of the compensation system:

Overview of the compensation system for Managing Board members



1 Fringe benefits are reimbursed up to a maximum amount set by the Supervisory Board.

A.10.1.2 Compensation of the members of the Managing Board for fiscal 2020

This section describes the concrete application of the compensation system for the members of the Managing Board of Siemens AG in fiscal 2020. It provides detailed information and background regarding total Managing Board compensation, target setting and target attainment for variable compensation as well as individualized disclosures regarding the compensation of each Managing Board member for fiscal 2020.

TOTAL COMPENSATION

In accordance with the applicable accounting principles, the total compensation of all Managing Board members for fiscal 2020 totaled €26.53 million (2019: €33.04 million). This amount corresponds to a decrease of 19.7%. Of total compensation, €15.28 million (2019: €21.97 million) was attributable to cash compensation and €11.25 million (2019: €11.07 million) was attributable to stock-based compensation (Stock Awards).

In fiscal 2020, total compensation, excluding fringe benefits, underwent a regular, upward adjustment of 3.0% to the benefit of the target amount for long-term variable compensation (Stock Awards). This increase was based, among other things, on adjustments to the compensation of other employee groups within the Siemens Group.

In addition, the Supervisory Board exercised its option to differentiate the compensation of three members of the Managing Board in fiscal 2020. As in previous years, all components of Joe Kaeser's compensation were differentiated due to his function as President and CEO. The target amount of Prof. Dr. Ralf P. Thomas's Stock Awards was differentiated due to his particular responsibility as CFO. Dr. Roland Busch's base salary and the target amount of his Stock Awards were differentiated due to his appointment as Deputy CEO. Compared to the previous year, this differentiation resulted in an adjustment of Dr. Roland Busch's total compensation, excluding fringe benefits, by 15% upwards, effective October 1, 2019. Due to his assumption, among other things, of the overarching coordination of Digital Industries, Smart Infrastructure and Mobility, Dr. Busch's total compensation, excluding fringe benefits, was adjusted upwards by a further 12% to the benefit of his base salary and the target amount of his Bonus, effective April 1, 2020.

The internal review of the appropriateness of the compensation of the Managing Board for fiscal 2020 established that the Managing Board compensation resulting from target attainment for fiscal 2020 is appropriate.

BASE SALARY

Base salary in fiscal 2020 was as follows:

- → for the President and CEO, Joe Kaeser: €2,205,000
- → for the Deputy CEO, Dr. Roland Busch: €1,352,300
- → for the other members of the Managing Board: €1,101,600.

FRINGE BENEFITS

In fiscal 2020, Managing Board members were entitled to fringe benefits equal to a maximum of 7.5% of their base salary (maximum fringe benefits). As an exception, Lisa Davis was entitled to fringe benefits equal to a maximum of 100% of her base salary in fiscal 2020 on the basis of existing contractual commitments (in particular, a currency adjustment).

PENSION BENEFIT COMMITMENT

For fiscal 2020, Managing Board members were granted contributions under the Siemens Defined Contribution Pension Plan (BSAV) totaling €4.5 million (2019: €5.6 million) on the basis of a decision by the Supervisory Board on September 18, 2019. Of this amount, €0.02 million (2019: €0.02 million) related to the funding of pension commitments earned prior to the transfer to the BSAV.

The expense recognized in fiscal 2020 as a service cost under IFRS for Managing Board members' entitlements under the BSAV in fiscal 2020 totaled €5.5 million (2019: €5.4 million).

Contributions under the BSAV are added to the individual pension accounts in the January following each fiscal year. Until pension payments begin, members' pension accounts are credited with an annual interest payment (guaranteed interest) on January 1 of each year. The interest rate is currently 0.90%.

The following table shows the individualized contributions (allocations) under the BSAV for fiscal 2020 and the defined benefit obligations for pension commitments:

(Amounts in €)	Total contributions for 2020	Total contributions for 2019	Defined benefit obligation for all pension commitments excluding deferred compensation[1] 2020	Defined benefit obligation for all pension commitments excluding deferred compensation[1] 2019
Managing Board members in office as of September 30, 2020				
Joe Kaeser	**1,234,800**	1,234,800	**15,592,209**	14,299,267
Dr. Roland Busch	**616,896**	616,896	**6,566,101**	6,071,233
Klaus Helmrich	**616,896**	616,896	**7,026,562**	6,473,904
Cedrik Neike	**616,896**	616,896	**2,938,080**	2,349,895
Prof. Dr. Ralf P. Thomas	**616,896**	616,896	**6,702,858**	6,184,498
Total	**3,702,384**	3,702,384	**38,825,810**	35,378,797
Former members of the Managing Board				
Lisa Davis[2]	**257,040**	616,896	**6,444,855**	5,701,811
Janina Kugel	**205,632**	616,896	**2,829,621**	2,674,432
Michael Sen	**308,448**	616,896	**2,432,671**	1,862,660
Total	**771,120**	1,850,688	**11,707,147**	10,238,903

1 Deferred compensation totals €3,911,848 (2019: €4,125,612), including €3,512,020 for Joe Kaeser (2019: €3,703,123), €342,276 for Klaus Helmrich (2019: €361,494) and €57,552 for Prof. Dr. Ralf P. Thomas (2019: €60,995).

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

In fiscal 2020, former members of the Managing Board and their surviving dependents received emoluments within the meaning of Section 314 para. 1 No. 6b of the German Commercial Code (HGB) totaling €15.96 million (2019: €21.09 million).

The defined benefit obligation (DBO) of all pension commitments to former members of the Managing Board and their surviving dependents as of September 30, 2020 – including to those members of the Managing Board who left in fiscal 2020 – amounted to €176.5 million (2019: €175.7 million). This figure is included in ↗ **NOTE 17** in ↗ **B.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**.

SHORT-TERM VARIABLE COMPENSATION (BONUS)

The Bonus target amounts for fiscal 2020 were as follows:

- → for the President and CEO, Joe Kaeser: €2,205,000
- → for the Deputy CEO, Dr. Roland Busch: €1,277,300
- → for the other members of the Managing Board: €1,101,600.

"Siemens Group" target dimension

For the "Siemens Group" target dimension in fiscal 2020, the Supervisory Board of Siemens AG approved the performance criterion "profit," measured in terms of basic earnings per share (EPS). For both target setting and target attainment, the average EPS of three consecutive fiscal years is used. The averaged values take account of the Company's long-term performance and provide incentives for a sustainable increase in profit.

"Managing Board portfolio" target dimension

For the "Managing Board portfolio" target dimension in fiscal 2020, the Supervisory Board of Siemens AG approved the performance criterion "profitability/capital efficiency," measured in terms of

- → return on capital employed (ROCE) for Managing Board members with primarily functional responsibility or
- → the adjusted EBITA margin of the relevant business for Managing Board members with business responsibility.

"Individual targets" target dimension

In addition to the aforementioned financial targets, the Supervisory Board of Siemens AG established four equally weighted "individual targets" for each Managing Board member for fiscal 2020. These targets are related to the Managing Board members' specific areas of responsibility.

The individual targets "successful spin-off of Siemens Energy" and "achievement of the "Vision 2020+" goals" were established for all Managing Board members. The performance criterion "liquidity" measured in terms of the cash conversion rate was also established as an individual target. For the Managing Board members with functional responsibility, the cash conversion rate at the Industrial Businesses is relevant. For the Managing Board members with business responsibility, the cash conversion rate at their respective businesses is relevant. For Klaus Helmrich (Digital Industries) and Cedrik Neike (Smart Infrastructure), a further individual target was the performance criterion "growth" in the particular business for which they are responsible. The other individual targets for Managing Board members were defined on the basis of the following focus topics: succession planning, innovation performance, business development, employee satisfaction, optimization/efficiency enhancement and the implementation of other strategic measures.

Determination of target attainment

The targets and target attainment for the Bonus for fiscal 2020 are summarized in the following table:

Target setting and target attainment for short-term variable compensation (Bonus)

Target dimension	"Siemens Group" (Weighting 33.34%)				
Managing Board members in office as of September 30, 2020	KPI	Target amount[2,3]	Performance range (floor/cap)	Actual value[3]	Target attainment
Joe Kaeser	Earnings per share (EPS),[1] basic	€6.99	€5.49 – €8.49	€6.18	46.00%
Dr. Roland Busch					
Klaus Helmrich					
Cedrik Neike					
Prof. Dr. Ralf P. Thomas					
Former members of the Managing Board[5]					
Janina Kugel	Earnings per share (EPS),[1] basic	€6.99	€5.49 – €8.49	€6.18	46.00%
Michael Sen[6]					

1 Continuing and discontinued operations.
2 Based on 100% target attainment.
3 The target value equals the average of EPS values in fiscal 2017, 2018 and 2019. The actual value results from the average EPS values for fiscal 2018, 2019 and 2020.
4 The adjusted EBITA margin of Digital Industries was adjusted for portfolio effects, which reduced the calculated target attainment.
5 Excluding Lisa Davis, who left the Company as of February 29, 2020, and to whom a pro-rated Bonus of €476,962 for fiscal 2020 was granted in accordance with her severance agreement.
6 In accordance with his severance agreement, Michael Sens' entitlement to a Bonus for the first six months of fiscal 2020 (October 1, 2019, to March 31, 2020), will be settled in accordance with the terms of his employment contract and the actual degree of target attainment, subject to the provision that Michael Sen will receive 50% (*pro rata temporis*) of the actual bonus achieved. For the second six months of fiscal 2020 (April 1, 2020, to September 30, 2020), his Bonus is set at 100% of the pro-rated target amount – that is, at a gross amount of €550,800.

				"Managing Board portfolio" (Weighting 33.33%)	"Individual targets" (Weighting 33.33%)	Total target attainment
KPI	Target amount[2]	Performance range (floor/cap)	Actual value	Target attainment	Target attainment	Total target attainment
Return on capital employed (ROCE)[1]	9.63%	6.63% – 12.63%	7.82%	39.67%	135.50%	**73.72%**
Return on capital employed (ROCE)[1]	9.63%	6.63% – 12.63%	7.82%	39.67%	125.50%	**70.39%**
Adjusted EBITA margin Digital Industries[4]	17.38%	15.38% – 19.38%	17.02%	82.00%	130.00%	**86.00%**
Adjusted EBITA margin Smart Infrastructure	9.97%	7.97% – 11.97%	9.09%	56.00%	137.50%	**79.83%**
Return on capital employed (ROCE)[1]	9.63%	6.63% – 12.63%	7.82%	39.67%	135.50%	**73.72%**
Return on capital employed (ROCE)[1]	9.63%	6.63% – 12.63%	7.82%	39.67%	105.50%	**63.72%**
Adjusted EBITA margin Gas and Power	3.50%	0.50% – 6.50%	0.97%	15.67%	102.50%	**54.72%**

LONG-TERM VARIABLE COMPENSATION (STOCK AWARDS)

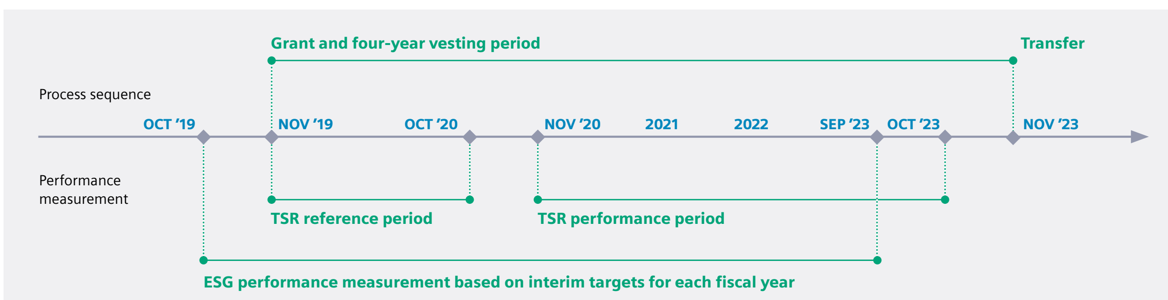
Information on the granting of the 2020 tranche

The Supervisory Board approved the following performance criteria for the 2020 Stock Awards tranche:

- "Long-term value creation," measured in terms of the development of the total shareholder return (TSR) of Siemens AG relative to the international sector index MSCI World Industrials and
- "Sustainability," measured in terms of a Siemens internal ESG/Sustainability index,[1] which is based on the following three equally weighted key performance indicators: CO_2 emissions (environmental), learning hours per employee (social), and Net Promoter Score (governance).

The time sequence for the 2020 Stock Awards tranche is set out in the following chart:

Time sequence for the 2020 Stock Awards tranche



The grant price applicable for the 2020 tranche was €95.80. The Supervisory Board set the grant date at November 8, 2019. The target amounts, the maximum grant values and the maximum number of Stock Awards granted to each Managing Board member were as follows:

1 ESG stands for "Environmental, Social & Governance."

Information on the grant of the 2020 Stock Awards tranche

Managing Board members in office as of September 30, 2020	Target amount (based on 100% target attainment)	Maximum grant value (based on 200% target attainment)	Maximum number of Stock Awards (based on 200% target attainment)	
			Total shareholder return (Weighting 80%)	ESG/Sustainability index (Weighting 20%)
Joe Kaeser	€2,516,000	€5,032,000	42,021	10,505
Dr. Roland Busch	€1,594,000	€3,188,000	26,622	6,656
Klaus Helmrich	€1,259,000	€2,518,000	21,027	5,257
Cedrik Neike	€1,259,000	€2,518,000	21,027	5,257
Prof. Dr. Ralf P. Thomas	€1,544,000	€3,088,000	25,787	6,447
Former members of the Managing Board				
Lisa Davis[1]	€524,583	€1,049,167	8,761	2,190
Janina Kugel[2]	€419,667	€839,333	7,009	1,752
Michael Sen[3]	€629,500	€1,259,000	10,514	2,628

1 Pro-rated target amount for the period from October 1, 2019, to February 29, 2020.
2 Pro-rated target amount for the period from October 1, 2019, to January 31, 2020.
3 Pro-rated target amount for the period from October 1, 2019, to March 31, 2020.

Concrete target setting and the degree of target attainment for total shareholder return and the Siemens internal ESG/Sustainability index for the 2020 Stock Awards tranche will be published in the Compensation Report after the expiration of the vesting period.

Determination of target attainment for the 2016 tranche

The 2016 Stock Awards tranche depended on the performance of the Siemens share compared to the share performance of relevant competitors during the roughly four-year vesting period from November 2015 through October 2019.

Target attainment for the 2016 Stock Awards tranche

Performance of the Siemens share compared to the share performance of relevant competitors

	Reference price	Performance price	Reference price vs. performance price	
ABB	CHF 19.17	CHF 21.99	14.68%	
GE	$29.21	$16.44	(43.73)%	
MHI / Toshiba[1]	¥4,555.58	¥4,308.66	(4.50)%	
Rockwell	$111.60	$168.61	51.08%	
Schneider	€53.86	€69.38	28.81%	
Competitors (average)			9.27%	Δ = 6.10 percentage points
Siemens AG	**€95.53**	**€110.21**	15.37%	

Target attainment: 131%

1 The reported relative deviation of (4.50)% also takes into account Toshiba's performance, which is factored into the reported deviation on a weighted basis for seven months. Toshiba's reference price was ¥2,682.26, and its performance price was ¥2,663.83, yielding a relative deviation of (0.69)%. MHI's relative deviation was (5.42)%, with a weighting of 29 months.

The following table provides a summary of the key parameters of the 2016 Stock Awards tranche:

Overview of the 2016 Stock Awards tranche

	Target amount (based on 100% target attainment)		Grant price November 13, 2015		Number of Stock Awards granted		Target attainment share price performance		Number of Stock Awards[1] calculated		Value at the day of transfer[2] November 11, 2019
Managing Board members in office as of September 30, 2020											
Joe Kaeser	€2,120,000	/	€75.60	=	28,043	x	131%	=	36,737	〉	€4,105,778.12
Dr. Roland Busch	€1,080,000	/	€75.60	=	14,286	x	131%	=	18,715	〉	€2,091,614.38
Klaus Helmrich	€1,080,000	/	€75.60	=	14,286	x	131%	=	18,715	〉	€2,091,614.38
Prof. Dr. Ralf P. Thomas	€1,080,000	/	€75.60	=	14,286	x	131%	=	18,715	〉	€2,091,614.38
Former members of the Managing Board											
Lisa Davis	€1,080,000	/	€75.60	=	14,286	x	131%	=	18,715	〉	€2,091,614.38
Janina Kugel	€1,040,000	/	€75.60	=	13,757	x	131%	=	18,022	〉	€2,014,163.74

1 In accordance with plan requirements, the 2016 Stock Awards tranche was settled by the transfer of Siemens shares up to a target attainment of 100%. For the portion of target attainment above 100%, Managing Board members received a cash payment in accordance with plan requirements.

2 The Stock Awards settled by share transfer were valued at the German low price of the Siemens share on November 11, 2019, of €111.52; Stock Awards settled by cash payment were valued at the Xetra closing price on November 11, 2019, of €112.54.

Provisional target attainment for the 2017 to 2020 tranches

As of October 2020, provisional target attainment for the 2017 to 2020 tranches of the Stock Awards was as follows:

Provisional target attainment for the 2017 to 2020 Stock Awards tranches (as of October 2020)

Tranche[1,2]	Vesting period	Performance criteria	Reference period	Performance period	Target attainment (provisional)
2017	Nov. 2016 – Nov. 2020	Share price performance compared to competitors	Nov. 2016 – Oct. 2017	Nov. 2017 – Oct. 2020	89%
2018	Nov. 2017 – Nov. 2021		Nov. 2017 – Oct. 2018	Nov. 2018 – Oct. 2021	89%
2019	Nov. 2018 – Nov. 2022		Nov. 2018 – Oct. 2019	Nov. 2019 – Oct. 2022	115%
2020	Nov. 2019 – Nov. 2023	TSR compared to MSCI World Industrials	Nov. 2019 – Oct. 2020	Nov. 2020 – Oct. 2023	–
		ESG[3]	–	Oct. 2019 – Sep. 2023	92%

1 The 2017 to 2019 tranches of the Stock Awards depend on the performance of the Siemens share compared to the share performance of relevant competitors during the roughly four-year vesting period.

2 The 2020 Stock Awards tranche depends 80% on the development of the total shareholder return (TSR) of Siemens AG compared to the international sector index MSCI World Industrials and 20% on the Siemens internal ESG/Sustainability index.

3 In fiscal 2020, the three ESG key performance indicators were strongly impacted by the COVID-19 pandemic. Therefore, it was decided not to measure the interim targets for fiscal 2020. The provisional target attainment shown is based on estimated target attainments for the three ESG key performance indicators up to the end of the vesting period.

Review of the maximum amount of total compensation

In the course of transferring the 2016 Stock Awards tranche, compliance with the maximum amounts of total compensation for fiscal 2016 was also reviewed. The applicable maximum amount was not exceeded in the case of any active or former Managing Board member.

Share Ownership Guidelines

The deadlines by which the individual Managing Board members must first verify compliance with the Share Ownership Guidelines vary from member to member, depending on when they were appointed to the Managing Board. For Managing Board members in office as of September 30, 2020, the following table shows the number of Siemens shares each held as of the March 2020 deadline for verifying compliance with the Share Ownership Guidelines. It also shows the number of shares to be held throughout their terms of office with a view to future deadlines.

Obligations under the Share Ownership Guidelines

	Required			Verified		
	Percentage of base salary[1]	Value[1] in €	Number of shares[2]	Percentage of base salary[1]	Value[2] in €	Number of shares[3]
Managing Board members in office as of September 30, 2020, and required to verify compliance as of March 13, 2020						
Joe Kaeser	300%	6,451,313	58,900	324%	6,971,804	63,652
Dr. Roland Busch	200%	2,188,200	19,978	239%	2,616,015	23,884
Klaus Helmrich	200%	2,156,950	19,693	259%	2,792,686	25,497
Prof. Dr. Ralf P. Thomas	200%	2,156,950	19,693	312%	3,367,500	30,745
Total		**12,953,413**	**118,264**		**15,748,004**	**143,778**

1 The amount of the obligation is based on the average base salary for the four years prior to the respective dates of verification.
2 Based on the average Xetra opening price of €109.53 for the fourth quarter of 2019 (October – December).
3 As of March 13, 2020 (date of verification).

BENEFITS IN CONNECTION WITH THE TERMINATION OF MANAGING BOARD APPOINTMENTS

Janina Kugel's appointment as a member of the Managing Board of Siemens AG ended regularly on January 31, 2020. In accordance with the provisions of her employment contract, no severance payment or special pension contribution was made.

As part of the termination by mutual agreement of the Managing Board appointment of Lisa Davis, it was agreed that her appointment and employment contract would end as of February 29, 2020, prior to the end of her contractual term of office. All contractually committed benefits continued to be granted until the termination date of February 29, 2020. To settle her claims for the period from the termination date of February 29, 2020, to the regular end of her appointment and employment contract on October 31, 2020, a severance payment in the gross amount of €2,369,353, which was due and payable on the termination date of February 29, 2020, was agreed with Lisa Davis. In addition, Lisa Davis will receive a special contribution to the BSAV of €411,264, which will be credited to her pension account in January 2021. Lisa Davis will receive the contractually agreed tax adjustment and the currency adjustment for both the regular payments until the termination date of February 29, 2020, and the severance payment on the basis of the base salary included in the severance payment and the pro-rated Bonus. In addition, she will receive the unadjusted lump-sum payment for tax advisory services for the calendar year 2020 in the gross amount of €15,000, which was due and payable at the termination date of

February 29, 2020. In accordance with her employment contract, the 2017 to 2020 tranches of the Stock Awards that were granted in the past and are still within the vesting period will not be forfeited and will remain unaffected; they are still governed by the terms and conditions of the applicable Siemens Stock Awards Guideline. The Stock Awards will become due and will be settled upon the expiration of the regular vesting period of each tranche.

Michael Sen's appointment as a member of the Managing Board of Siemens AG was terminated by mutual agreement as of March 31, 2020, prior to the end of his contractual term of office. His employment relationship will remain unaffected until the end of the day on March 31, 2021. All contractually committed benefits will continue to be granted until the termination date of March 31, 2021. To settle his claims for the period from the termination date of March 31, 2021, until the regular end of his appointment and employment contract on March 31, 2022, a severance payment in the gross amount of €3,544,427, which will be due and payable on the termination date of March 31, 2021, was agreed with Michael Sen. In addition, Michael Sen will receive a special contribution to the BSAV in the amount of €616,896, which will be credited to his pension account in January 2022. In accordance with his employment contract, the 2017 to 2020 tranches of the Stock Awards that were granted in the past and are still within the vesting period will not be forfeited and will remain unaffected; they are still governed by the terms and conditions of the applicable Siemens Stock Awards Guideline. The Stock Awards will become due and will be settled upon the expiration of the regular vesting period for each tranche.

OTHER

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

BENEFITS GRANTED AND PAYMENTS MADE IN FISCAL 2020

The following tables, which are based on the model tables of the German Corporate Governance Code (the "Code") in its version of February 7, 2017, show individually for each Managing Board member the benefits granted in fiscal 2020 and fiscal 2019. The actual amounts paid out are reported under "Benefits received."

The amounts of base salary, the Bonus and fringe benefits relate to fiscal 2020 and fiscal 2019.

The respective target amounts for short-term variable compensation (Bonus), including floors and caps, are reported under "Benefits granted." The amounts for long-term variable compensation (Stock Awards) granted in fiscal 2020 and fiscal 2019 reflect the fair values on the grant date. The figures for individual maximums for short-term variable compensation (Bonus) and long-term variable compensation (Stock Awards) reflect the possible maximum values in accordance with the maximum amounts defined in the compensation system – that is, 200% and 300% of the applicable target amounts. Maximum compensation, which is reported in column "2020 (Max)" under "Total compensation (Code)," represents the contractually agreed upon maximum amount of total compensation for fiscal 2020 in accordance with Section 87a para. 1 sent. 2 No. 1 of the German Stock Corporation Act (AktG). For each Managing Board member, maximum compensation equals the sum of the maximum amount of all compensation components for fiscal 2020 and is calculated by adding the base salary, maximum fringe benefits, BSAV contribution, twice the Bonus target amount and three times the Stock Awards target amount.

Total compensation in accordance with the applicable accounting standards is also reported under "Benefits granted." According to these accounting standards, this figure includes the amount of short-term variable compensation (Bonus) actually paid, instead of the target amount, and excludes the pension service cost.

The payments made in 2020 and 2019 are reported under "Benefits received." The payouts for stock-based compensation refer to the grants for the fiscal years 2016, 2015 and 2014, respectively.

Joe Kaeser

Appointed: May 2006; President and CEO since August 2013

(Amounts in thousands of €)		Benefits granted 2020	2020 (Min)	2020 (Max)	2019	Benefits received 2020	2019
Non-performance-based compensation	Base salary	**2,205**	2,205	2,205	2,205	**2,205**	2,205
	Fringe benefits	**115**	115	165	115	**115**	115
	Total	**2,320**	2,320	2,370	2,320	**2,320**	2,320
Performance-based compensation	**Short-term variable compensation** Bonus	**2,205**	0	4,410	2,205	**1,626**	2,502
	Long-term variable compensation Stock Awards 2020 (Vesting period: 2019–23)	**2,904**	0	7,548	–	**–**	–
	Stock Awards 2019 (Vesting period: 2018–22)	**–**	–	–	2,330	**–**	–
	Stock Awards 2016 (Vesting period: 2015–19)	**–**	–	–	–	**4,106**	–
	Stock Awards 2015 (Vesting period: 2014–18)	**–**	–	–	–	**–**	4,647
	Stock Awards 2014 (Vesting period: 2014–18)	**–**	–	–	–	**–**	2,580
	Bonus Awards 2014 (Waiting period: 2014–18)	**–**	–	–	–	**–**	931
	Other	**–**	–	–	–	**–**	–
Total non-performance/performance-based compensation		**7,429**	2,320	14,328	6,854	**8,051**	12,978
Pension service cost[1]		**1,220**	1,220	1,235	1,271	**1,220**	1,271
Total compensation (Code)		**8,649**	3,540	15,563	8,125	**9,271**	14,249
Compensation according to applicable accounting standards							
Performance-based compensation	**Short-term variable compensation** Bonus (Payout amount)	**1,626**			2,502		
Total compensation (HGB)		**6,850**			7,151		

1 Maximum compensation includes the contribution to the Siemens Defined Contribution Pension Plan (BSAV) instead of the pension service cost, see column "2020 (Max)."

Dr. Roland Busch

Appointed: April 2011; Deputy CEO since October 2019

(Amounts in thousands of €)		Benefits granted 2020	2020 (Min)	2020 (Max)	2019	Benefits received 2020	2019
Non-performance-based compensation	Base salary	**1,352**	1,352	1,352	1,102	**1,352**	1,102
	Fringe benefits	**98**	98	101	57	**98**	57
	Total	**1,450**	1,450	1,454	1,159	**1,450**	1,159
Performance-based compensation	**Short-term variable compensation** Bonus	**1,277**	0	2,555	1,102	**899**	1,176
	Long-term variable compensation Stock Awards 2020 (Vesting period: 2019–23)	**1,840**	0	4,782	–	**–**	–
	Stock Awards 2019 (Vesting period: 2018–22)	**–**	–	–	1,166	**–**	–
	Stock Awards 2016 (Vesting period: 2015–19)	**–**	–	–	–	**2,092**	–
	Stock Awards 2015 (Vesting period: 2014–18)	**–**	–	–	–	**–**	2,478
	Stock Awards 2014 (Vesting period: 2014–18)	**–**	–	–	–	**–**	1,358
	Bonus Awards 2014 (Waiting period: 2014–18)	**–**	–	–	–	**–**	559
	Other	**–**	–	–	–	**–**	–
Total non-performance/performance-based compensation		**4,567**	1,450	8,790	3,426	**4,441**	6,730
Pension service cost[1]		**608**	608	617	566	**608**	566
Total compensation (Code)[2]		**5,175**	2,058	8,948	3,992	**5,049**	7,296

Compensation according to applicable accounting standards

		2020	2019
Performance-based compensation	**Short-term variable compensation** Bonus (payout amount)	**899**	1,176
Total compensation (HGB)		**4,189**	3,501

1 Maximum compensation includes the contribution to the Siemens Defined Contribution Pension Plan (BSAV) instead of the pension service cost, see column "2020 (Max)."

2 The maximum compensation of Dr. Roland Busch was not adjusted in the course of his intra-year salary increase as of April 1, 2020. Consequently, his maximum compensation does not correspond to the sum of the individual compensation components, see column "2020 (Max)."

Lisa Davis[1, 2]

Appointed: August 2014; Left: February 2020

(Amounts in thousands of €)		Benefits granted 2020	2020 (Min)	2020 (Max)	2019	Benefits received 2020	2019
Non-performance-based compensation	Base salary	**459**	459	459	1,102	**459**	1,102
	Fringe benefits[3]	**459**	459	459	751	**481**	729
	Total	**918**	918	918	1,835	**940**	1,830
Performance-based compensation	**Short-term variable compensation** Bonus[4]	**477**	477	477	1,102	**477**	1,140
	Long-term variable compensation Stock Awards 2020 (Vesting period: 2019–23)	**606**	0	1,574	–	**–**	–
	Stock Awards 2019 (Vesting period: 2018–22)	**–**	–	–	1,166	**–**	–
	Stock Awards 2016 (Vesting period: 2015–19)	**–**	–	–	–	**2,092**	–
	Stock Awards 2015 (Vesting period: 2014–18)	**–**	–	–	–	**–**	2,478
	Stock Awards 2014 (Vesting period: 2014–18)[5]	**–**	–	–	–	**–**	2,463
	Bonus Awards 2014 (Waiting period: 2014–18)	**–**	–	–	–	**–**	58
	Other	**–**	–	–	–	**–**	–
Total non-performance/performance-based compensation		**2,000**	1,395	2,969	4,120	**3,509**	7,969
Pension service cost[6]		**601**	601	257	611	**601**	611
Total compensation (Code)		**2,601**	1,996	3,667	4,731	**4,110**	8,580

Compensation according to applicable accounting standards

		2020		2019
Performance-based compensation	**Short-term variable compensation** Bonus (payout amount)	**477**		1,140
Total compensation (HGB)		**2,000**		4,158

1 Pro-rated compensation for the period from October 1, 2019, to February 29, 2020, due to early termination of appointment and employment contract. To settle her claims for the period from the termination date of February 29, 2020, to the regular end of her appointment and employment contract on October 31, 2020, a severance payment in the gross amount of €2,369,353, which was due and payable on the termination date of February 29, 2020, was agreed with Lisa Davis. In addition, Lisa Davis will receive a special contribution to the BSAV of €411,264, which will be credited to her pension account in January 2021. Additional pension service costs of €395,141 were recognized accordingly in fiscal 2020. Fringe benefits granted to Lisa Davis for the period from March 1, 2020, to October 31, 2020, for payments in connection with the early termination of her appointment and employment contract amounted to €684,245, including contractually agreed tax and currency adjustment.

2 Lisa Davis's compensation was paid out in Germany in euros. It has been agreed that any tax liability that arises due to tax rates that are higher in Germany than in the U. S. will be reimbursed. In addition, a currency adjustment payment was granted for base salary in calendar years 2018 and 2019 as well as for the Bonus for fiscal years 2018 and 2019. Furthermore, Lisa Davis was granted a currency adjustment payment for base salary in calendar year 2020 as well as for the Bonus for fiscal year 2020 up to the termination date of February 29, 2020.

3 The fringe benefits reported under "Benefits received" (fiscal 2020) include fringe benefits of €22,288 received in October 2019 that were, however, granted already in September 2019 (fiscal 2019).

4 In the termination agreement, Lisa Davis was granted an amount of €476,962 for the period from October 1, 2019, until the termination date on February 29, 2020, as compensation for her entitlement to a pro-rata Bonus for fiscal 2020. Accordingly, the floor and cap applicable to the Bonus did not apply. The amount of €476,962 is therefore reported in the section "Benefits granted" in column "2020" and also in columns "2020 (Min)" and "2020 (Max)."

5 The amount reported under "Benefits received" includes €2,236,573 from the settlement of Siemens Stock Awards that were granted to Lisa Davis in fiscal 2014 as compensation for the forfeiture of entitlements granted by her previous employer.

6 Maximum compensation includes the contribution to the Siemens Defined Contribution Pension Plan (BSAV) instead of the pension service cost, see column "2020 (Max)."

Klaus Helmrich

Appointed: April 2011

(Amounts in thousands of €)		Benefits granted 2020	2020 (Min)	2020 (Max)	2019	Benefits received 2020	2019
Non-performance-based compensation	Base salary	**1,102**	1,102	1,102	1,102	**1,102**	1,102
	Fringe benefits	**45**	45	83	45	**45**	45
	Total	**1,147**	1,147	1,184	1,147	**1,147**	1,147
Performance-based compensation	**Short-term variable compensation** Bonus	**1,102**	0	2,203	1,102	**947**	1,213
	Long-term variable compensation Stock Awards 2020 (Vesting period: 2019 – 23)	**1,453**	0	3,777	–	**–**	–
	Stock Awards 2019 (Vesting period: 2018 – 22)	**–**	–	–	1,166	**–**	–
	Stock Awards 2016 (Vesting period: 2015 – 19)	**–**	–	–	–	**2,092**	–
	Stock Awards 2015 (Vesting period: 2014 – 18)	**–**	–	–	–	**–**	2,478
	Stock Awards 2014 (Vesting period: 2014 – 18)	**–**	–	–	–	**–**	1,358
	Bonus Awards 2014 (Waiting period: 2014 – 18)	**–**	–	–	–	**–**	483
	Other	**–**	–	–	–	**–**	–
Total non-performance/performance-based compensation		**3,702**	1,147	7,164	3,415	**4,186**	6,679
Pension service cost[1]		**611**	611	617	618	**611**	618
Total compensation (Code)		**4,313**	1,758	7,781	4,033	**4,797**	7,297

Compensation according to applicable accounting standards

		2020	2019
Performance-based compensation	**Short-term variable compensation** Bonus (payout amount)	**947**	1,213
Total compensation (HGB)		**3,548**	3,526

1 Maximum compensation includes the contribution to the Siemens Defined Contribution Pension Plan (BSAV) instead of the pension service cost, see column "2020 (Max)."

Janina Kugel

Appointed: February 2015; Left: January 2020

(Amounts in thousands of €)		Benefits granted 2020	2020 (Min)	2020 (Max)	2019	Benefits received 2020	2019
Non-performance-based compensation	Base salary	**367**	367	367	1,102	**367**	1,102
	Fringe benefits	**16**	16	28	41	**16**	41
	Total	**383**	383	395	1,142	**383**	1,142
Performance-based compensation	**Short-term variable compensation** Bonus	**367**	0	734	1,102	**234**	1,140
	Long-term variable compensation Stock Awards 2020 (Vesting period: 2019 – 23)	**484**	0	1,259	–	**–**	–
	Stock Awards 2019 (Vesting period: 2018 – 22)	**–**	–	–	1,166	**–**	–
	Stock Awards 2016 (Vesting period: 2015 – 19)	**–**	–	–	–	**2,014**	–
	Stock Awards 2015 (Vesting period: 2014 – 18)[1]	**–**	–	–	–	**–**	1,652
	Stock Awards 2014 (Vesting period: 2014 – 18)	**–**	–	–	–	**–**	–
	Bonus Awards 2014 (Waiting period: 2014 – 18)	**–**	–	–	–	**–**	–
	Other[1]	**–**	–	–	–	**–**	258
Total non-performance/performance-based compensation		**1,235**	383	2,388	3,410	**2,631**	4,192
Pension service cost[2]		**603**	603	206	584	**603**	584
Total compensation (Code)		**1,838**	986	2,594	3,994	**3,235**	4,777

Compensation according to applicable accounting standards		2020	2019
Performance-based compensation	**Short-term variable compensation** Bonus (payout amount)	**234**	1,140
Total compensation (HGB)		**1,102**	3,448

1 Janina Kugel was appointed to the Managing Board, effective February 1, 2015. The value of Siemens Phantom Stock Awards granted to Janina Kugel upon her appointment for fiscal 2015 on a pro-rata basis and settled in November 2018 following the expiration of the four-year vesting period is reported under "Stock Awards 2015 (Vesting period 2014 – 18)." Furthermore, Janina Kugel was entitled to Siemens Stock Awards from the 2014 and 2015 tranches acquired when she was an employee of Siemens AG, before she became a member of the Managing Board. These Stock Awards were also settled in November 2018, and their value is reported under "Other" (see "Benefits received," fiscal 2019).

2 Maximum compensation includes the contribution to the Siemens Defined Contribution Pension Plan (BSAV) instead of the pension service cost, see column "2020 (Max)."

Cedrik Neike[1]

Appointed: April 2017

(Amounts in thousands of €)		Benefits granted 2020	2020 (Min)	2020 (Max)	2019	Benefits received 2020	2019
Non-performance-based compensation	Base salary	**1,102**	1,102	1,102	1,102	**1,102**	1,102
	Fringe benefits	**36**	36	83	17	**36**	17
	Total	**1,138**	1,138	1,184	1,118	**1,138**	1,118
Performance-based compensation	**Short-term variable compensation** Bonus	**1,102**	0	2,203	1,102	**879**	1,213
	Long-term variable compensation Stock Awards 2020 (Vesting period: 2019 – 23)	**1,453**	0	3,777	–	**–**	–
	Stock Awards 2019 (Vesting period: 2018 – 22)	**–**	–	–	1,166	**–**	–
	Stock Awards 2016 (Vesting period: 2015 – 19)	**–**	–	–	–	**–**	–
	Stock Awards 2015 (Vesting period: 2014 – 18)	**–**	–	–	–	**–**	–
	Stock Awards 2014 (Vesting period: 2014 – 18)	**–**	–	–	–	**–**	–
	Bonus Awards 2014 (Waiting period: 2014 – 18)	**–**	–	–	–	**–**	–
	Other	**–**	–	–	–	**–**	–
Total non-performance/performance-based compensation		**3,693**	1,138	7,164	3,386	**2,017**	2,331
Pension service cost[2]		**621**	621	617	568	**621**	568
Total compensation (Code)		**4,314**	1,759	7,781	3,954	**2,638**	2,899

Compensation according to applicable accounting standards		2020	2019
Performance-based compensation	**Short-term variable compensation** Bonus (payout amount)	**879**	1,213
Total compensation (HGB)		**3,471**	3,497

1 In addition to his role as a member of the Managing Board of Siemens AG, Cedrik Neike served as Executive Chairman of the Board of Directors of Siemens Ltd. China until March 31, 2019. Of the fixed compensation and payout amount for short-term variable compensation reported in section "Benefits received" (fiscal 2019), an amount of €262,260 was granted and paid by Siemens Ltd. China and deducted from the compensation for his Managing Board activities at Siemens AG. Of the long-term variable compensation and fringe benefits reported in section "Benefits granted" (fiscal 2019), amounts of €131,359 and €10,842, respectively, were granted and paid by Siemens Ltd. China.

2 Maximum compensation includes the contribution to the Siemens Defined Contribution Pension Plan (BSAV) instead of the pension service cost, see column "2020 (Max)."

Michael Sen[1]

Appointed: April 2017; Left: March 2020

(Amounts in thousands of €)		Benefits granted 2020	2020 (Min)	2020 (Max)	2019	Benefits received 2020	2019
Non-performance-based compensation	Base salary	**551**	551	551	1,102	**551**	1,102
	Fringe benefits	**16**	16	41	170	**16**	170
	Total	**567**	567	592	1,272	**567**	1,272
Performance-based compensation	**Short-term variable compensation** Bonus	**551**	0	1,102	1,102	**301**	1,176
	Long-term variable compensation Stock Awards 2020 (Vesting period: 2019 – 23)	**727**	0	1,889	–	**–**	–
	Stock Awards 2019 (Vesting period: 2018 – 22)	**–**	–	–	1,457	**–**	–
	Stock Awards 2016 (Vesting period: 2015 – 19)	**–**	–	–	–	**–**	–
	Stock Awards 2015 (Vesting period: 2014 – 18)	**–**	–	–	–	**–**	–
	Stock Awards 2014 (Vesting period: 2014 – 18)	**–**	–	–	–	**–**	–
	Bonus Awards 2014 (Waiting period: 2014 – 18)	**–**	–	–	–	**–**	–
	Other	**–**	–	–	–	**–**	–
Total non-performance/performance-based compensation		**1,844**	567	3,582	3,831	**868**	2,448
Pension service cost[2]		**618**	618	308	562	**618**	562
Total compensation (Code)		**2,463**	1,185	3,891	4,393	**1,487**	3,010

Compensation according to applicable accounting standards

		2020	2019
Performance-based compensation	**Short-term variable compensation** Bonus (payout amount)	**301**	1,176
Total compensation (HGB)		**1,595**	3,906

1 Pro-rated compensation for the period from October 1, 2019, to March 31, 2020, due to early termination of appointment. His employment relationship will remain unaffected until the end of the day on March 31, 2021. In addition to the compensation as a Managing Board member reported in the table above, Michael Sen received the following compensation for the period from April 1, 2020, until September 30, 2020 (fiscal 2020): base salary of €550,800, fringe benefits of €20,750, BSAV contribution of €308,448, Bonus of €550,800 and Stock Awards of €629,500. Furthermore, Michael Sen has been granted the following compensation for the period from October 1, 2020, until the early termination of his employment contract on March 31, 2021 (fiscal 2021): base salary of €550,800, fringe benefits in the maximum amount of €24,357.50, BSAV contribution of €308,448, Bonus of €550,800 and Stock Awards of €629,500. In accordance with the terms of his contract, the Bonus for fiscal 2020 and fiscal 2021 will be paid out entirely in cash. In accordance with the terms of his contract and the guidelines for the 2020 and 2021 tranche, the Stock Awards will be settled and transferred after the expiration of the vesting period in November 2023 and November 2024, respectively, on the basis of the actual degree of target attainment. To settle his claims for the period from the termination date of March 31, 2021, until the regular end of his appointment and employment contract on March 31, 2022, a severance payment in the gross amount of €3,544,427, which will be due and payable on the termination date of March 31, 2021, was agreed with Michael Sen. In addition, Michael Sen will receive a special contribution to the BSAV in the amount of €616,896, which will be credited to his pension account in January 2022.

2 Maximum compensation includes the contribution to the Siemens Defined Contribution Pension Plan (BSAV) instead of the pension service cost, see column "2020 (Max)."

Prof. Dr. Ralf P. Thomas

Appointed: September 2013

(Amounts in thousands of €)		Benefits granted 2020	Benefits granted 2020 (Min)	Benefits granted 2020 (Max)	Benefits granted 2019	Benefits received 2020	Benefits received 2019
Non-performance-based compensation	Base salary	**1,102**	1,102	1,102	1,102	**1,102**	1,102
	Fringe benefits	**81**	81	83	69	**81**	69
	Total	**1,183**	1,183	1,184	1,171	**1,183**	1,171
Performance-based compensation	**Short-term variable compensation** Bonus	**1,102**	0	2,203	1,102	**812**	1,250
	Long-term variable compensation Stock Awards 2020 (Vesting period: 2019 – 23)	**1,782**	0	4,632	–	**–**	–
	Stock Awards 2019 (Vesting period: 2018 – 22)	**–**	–	–	1,457	**–**	–
	Stock Awards 2016 (Vesting period: 2015 – 19)	**–**	–	–	–	**2,092**	–
	Stock Awards 2015 (Vesting period: 2014 – 18)	**–**	–	–	–	**–**	2,478
	Stock Awards 2014 (Vesting period: 2014 – 18)	**–**	–	–	–	**–**	1,358
	Bonus Awards 2014 (Waiting period: 2014 – 18)	**–**	–	–	–	**–**	483
	Other	**–**	–	–	–	**–**	–
Total non-performance/performance-based compensation		**4,067**	1,183	8,019	3,730	**4,087**	6,740
Pension service cost[1]		**601**	601	617	586	**601**	586
Total compensation (Code)		**4,668**	1,784	8,636	4,315	**4,688**	7,325

Compensation according to applicable accounting standards

		2020	2019
Performance-based compensation	**Short-term variable compensation** Bonus (payout amount)	**812**	1,250
Total compensation (HGB)		**3,777**	3,878

1 Maximum compensation includes the contribution to the Siemens Defined Contribution Pension Plan (BSAV) instead of the pension service cost, see column "2020 (Max)."

A.10.1.3 Additional disclosures on stock-based compensation instruments in fiscal 2020

The following table shows changes in the balance of the Stock Awards held by Managing Board members in fiscal 2020. The table also includes the expenses for each individual Managing Board member arising from stock-based compensation recognized in accordance with IFRS in fiscal 2020 and fiscal 2019.

	Balance at beginning of fiscal 2020	Granted during fiscal year[1]		Vested and settled during fiscal year	Forfeited during fiscal year	Balance at the end of fiscal 2020[2]	Expenses for stock-based compensation (in €)	
(Amounts in number of units)	Forfeitable Stock Awards grants	Forfeitable Stock Awards grants (TSR)	Forfeitable Stock Awards grants (ESG)	Stock Awards grants	Stock Awards grants	Forfeitable Stock Awards grants	Fiscal 2020	Fiscal 2019
Managing Board members in office as of September 30, 2020								
Joe Kaeser	**128,045**	42,021	10,505	28,043	0	**152,528**	**4,196,318**	1,231,410
Dr. Roland Busch	**64,316**	26,622	6,656	14,286	0	**83,308**	**1,180,201**	606,684
Klaus Helmrich	**64,316**	21,027	5,257	14,286	0	**76,314**	**1,099,367**	606,940
Cedrik Neike[3]	**44,007**	21,027	5,257	0	0	**70,291**	**1,255,741**	557,575
Prof. Dr. Ralf P. Thomas	**71,019**	25,787	6,447	14,286	0	**88,967**	**1,247,806**	679,797
Total	**371,703**	136,484	34,122	70,901	0	**471,408**	**8,979,433**	3,682,407
Former members of the Managing Board								
Lisa Davis	**64,316**	8,761	2,190	14,286	0	**60,981**	**2,109,885**	605,764
Janina Kugel	**63,294**	7,009	1,752	13,757	0	**58,298**	**2,006,764**	578,552
Michael Sen[4]	**55,912**	10,514	2,628	0	0	**69,054**	**4,641,135**	716,334
Total	**183,522**	26,284	6,570	28,043	0	**188,333**	**8,757,785**	1,900,651

1 The resulting fair value at grant date in fiscal 2020 per granted Stock Award (TSR) was – on the basis of 200% target attainment – €44.42 and per granted Stock Award (ESG) €98.80.

2 The figures take into account the Stock Awards granted in November 2019 for fiscal 2020. The provisional target attainment for the portion of the 2020 Stock Awards tranche that is dependent on the Siemens internal ESG/Sustainability index (weighting 20%) is 92%. According to IFRS, this target attainment results in a reduction of the number of Stock Awards, which has been accounted for in the recognition of expenses. As the provisional target attainment does not provide for any information about the final target attainment or the number of Stock Awards to be transferred after the expiration of the vesting period, the reduction is not reported in the table above. Rather, emphasis is placed on the transparent reporting of the stock-based commitments for the individual members of the Managing Board. At the end of the vesting period, a final number of shares to be transferred is determined based on actual target attainment, taking into account the maximum amount for the Stock Awards.

3 The reported figures include the Stock Awards granted to Cedrik Neike for his position as Executive Chairman of the Board of Directors of Siemens Ltd. China.

4 The number of Stock Awards granted to Michael Sen during fiscal 2020 includes only the portion of Stock Awards attributable to his membership on the Managing Board. The value reported under "Expenses for stock-based compensation (in €) fiscal 2020" includes, however, the full expenses recognized for Michael Sen in the past fiscal year.

The spin-off of Siemens Energy in fiscal 2020 led to adjustments in the stock-based compensation grants agreed upon until then (2017 to 2020 tranches of the Stock Awards). To counteract an expected dilution from the spin-off, Managing Board members – like all other entitled employees – will receive an additional cash payment based on the spin-off ratio of 2:1 and the price of the Siemens Energy share on the date when their stock-based compensation grants become due. A total expense of €775,882, which is already included in the expense for stock-based compensation (see the preceding table), was recognized for these stock grants in the past fiscal year.

In fiscal 2020, a gain from stock-based compensation for former Managing Board member Prof. Dr. Siegfried Russwurm amounting to €54,084 was recognized in accordance with IFRS. The gain was due to the reversal of accrued provisions, which were recognized as income. These provisions exceeded the payout for the 2016 Stock Awards tranche received in fiscal 2020 and exceeded the provisions required for the portion of the 2017 tranche to be settled in cash. Beyond this, a gain of €1,630 was recognized for the additional cash payment for the 2017 tranche due to the spin-off of Siemens Energy. The settlement of Stock Awards for former Managing Board members via the transfer of Siemens shares takes place, as a rule, after the expiration of the relevant vesting period.

A.10.1.4 Outlook for target-setting in fiscal 2021

On September 23, 2020, the Supervisory Board of Siemens AG approved the following performance criteria for the short-term variable compensation (Bonus) for fiscal 2021:

- → for "Siemens Group," the performance criterion "profit," measured in terms of basic earnings per share (EPS)
- → for "Managing Board portfolio," the performance criterion "profitability/capital efficiency," measured in terms of return on capital employed (ROCE).

In addition, the Supervisory Board has set from two to four individual targets for each member of the Managing Board.

The Supervisory Board also approved the following performance criteria for the 2021 Stock Awards tranche (vesting period: November 2020 through November 2024):

- → "long-term value creation," measured in terms of total shareholder return (TSR) relative to the MSCI World Industrials index and
- → "sustainability," measured in terms of the Siemens ESG/Sustainability index and taking into account the following three equally weighted key performance indicators: CO_2 emissions (environmental), digital learning hours per employee (social) and Net Promoter Score (governance).

A.10.2 Compensation of Supervisory Board members

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

Under the current rules, the members of the Supervisory Board receive an annual base compensation, and the members of the Supervisory Board committees receive additional compensation for their committee work.

Compensation of members of the Supervisory Board and its committees

Base compensation of Supervisory Board

Chairman	Deputy Chair	Member
€280,000	€220,000	€140,000

Additional compensation for committee work

	Audit Committee	Chairman's Committee	Compensation Committee	Innovation and Finance Committee	Compliance Committee
Chair	€160,000	€120,000	€100,000	€80,000	€80,000
Member	€80,000	€80,000	€60,000	€40,000	€40,000

Compensation for work on the Chairman's Committee counts toward compensation for work on the Compensation Committee. 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 is absent from any Supervisory Board meetings, one-third of the aggregate compensation due to that member is reduced by the percentage of Supervisory Board meetings he or she does not attend 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 or its committees, compensation is paid on a pro-rata basis, rounding up to the next full month.

In addition, the members of the Supervisory Board are entitled to receive a fee of €1,500 for each meeting of the Supervisory Board and/or its committees 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 compensation. For the performance of his duties, the Chairman of the Supervisory Board is also entitled to an office with secretarial support and the use of a car service. No loans or advances from the Company are provided to members of the Supervisory Board.

Under Section 113 (3) of the German Stock Corporation Act (AktG) in the version amended by the German Act Implementing the Second Shareholders' Rights Directive (ARUG II), the annual shareholders' meeting of a listed company must resolve on compensation for the members of the supervisory board at least every four years. Such a resolution is planned for the Annual Shareholders' Meeting on February 3, 2021. The current provisions in Section 17 of Siemens' Articles of Association are to be amended effective October 1, 2021, and replaced by simplified compensation arrangements.

In addition, at its meeting on September 23, 2020, the Supervisory Board decided to reintegrate the Compliance Committee into the Audit Committee. Effective October 1, 2020, the duties that had been transferred to the Compliance Committee were assumed again by the Audit Committee, and the Compliance Committee was thereby dissolved.

The compensation shown in the following table was determined for each Supervisory Board member for fiscal 2020 (individualized disclosure).

	2020				2019			
(Amounts in €)	Base compensation	Additional compensation for committee work	Meeting attendance fee	Total	Base compensation	Additional compensation for committee work	Meeting attendance fee	Total
Supervisory Board members in office as of September 30, 2020								
Jim Hagemann Snabe	**280,000**	**280,000**	**72,000**	**632,000**	280,000	280,000	52,500	612,500
Birgit Steinborn[1]	**220,000**	**200,000**	**61,500**	**481,500**	220,000	200,000	51,000	471,000
Werner Wenning	**220,000**	**140,000**	**51,000**	**411,000**	220,000	140,000	37,500	397,500
Dr. Werner Brandt	**140,000**	**160,000**	**36,000**	**336,000**	140,000	160,000	24,000	324,000
Michael Diekmann	**140,000**	**60,000**	**22,500**	**222,500**	140,000	60,000	15,000	215,000
Dr. Andrea Fehrmann[1]	**140,000**	**–**	**18,000**	**158,000**	140,000	–	9,000	149,000
Bettina Haller[1]	**140,000**	**80,000**	**36,000**	**256,000**	140,000	80,000	24,000	244,000
Harald Kern[1]	**140,000**	**80,000**	**27,000**	**247,000**	140,000	80,000	19,500	239,500
Jürgen Kerner[1]	**140,000**	**200,000**	**61,500**	**401,500**	140,000	200,000	51,000	391,000
Dr. Nicola Leibinger-Kammüller	**131,515**	**75,152**	**34,500**	**241,167**	140,000	80,000	25,500	245,500
Benoît Potier	**135,758**	**–**	**21,000**	**156,758**	132,222	–	9,000	141,222
Hagen Reimer[1]	**140,000**	**–**	**18,000**	**158,000**	105,000	–	4,500	109,500
Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer	**135,758**	**38,788**	**19,500**	**194,045**	132,222	37,778	12,000	182,000
Baroness Nemat Shafik (DBE, DPhil)	**140,000**	**–**	**18,000**	**158,000**	132,222	–	7,500	139,722
Dr. Nathalie von Siemens	**140,000**	**40,000**	**21,000**	**201,000**	140,000	40,000	13,500	193,500
Michael Sigmund	**140,000**	**–**	**18,000**	**158,000**	140,000	–	9,000	149,000
Dorothea Simon[1]	**140,000**	**–**	**18,000**	**158,000**	140,000	–	9,000	149,000
Matthias Zachert	**140,000**	**80,000**	**36,000**	**256,000**	140,000	80,000	24,000	244,000
Gunnar Zukunft[1]	**140,000**	**–**	**18,000**	**158,000**	140,000	–	9,000	149,000
Former members of the Supervisory Board								
Robert Kensbock[1,2]	**140,000**	**180,000**	**39,000**	**359,000**	140,000	180,000	28,500	348,500
Total[3]	**3,083,031**	**1,613,940**	**646,500**	**5,343,470**	3,041,666	1,617,778	435,000	5,094,444

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

2 Robert Kensbock left the Supervisory Board on September 25, 2020, the effective date of the spin-off of Siemens' energy business.

3 Compared to the amounts reported in the 2019 Compensation Report, this amount does not include compensation totaling €51,167 for former Supervisory Board member Reinhard Hahn.

A.10.3 Other

The Company provides a group insurance policy for Supervisory and Managing Board members and certain other employees of the Siemens Group. The policy is taken out for one year at a time or renewed annually. It covers the personal liability of the insured individuals in cases of financial loss associated with their activities on behalf of the Company. The insurance policy for fiscal 2019 includes a deductible for the members of the Managing Board and the Supervisory Board that complies with the requirements of the German Stock Corporation Act and the Code in its version dated February 7, 2017. Due to the amended recommendations of the Code in its version dated December 16, 2019, the policy for fiscal 2021 no longer includes a deductible for the members of the Supervisory Board.

A.11

Takeover-relevant information (pursuant to Sections 289a and 315a of the German Commercial Code) and explanatory report

A.11.1 Composition of common stock

As of September 30, 2020, the Company's common stock totaled €2.550 billion. The capital stock is divided into 850 million registered shares of no par value (Siemens shares). The shares are fully paid in. All shares confer the same rights and obligations. The shareholders' rights and obligations are governed in detail by the provisions of the German Stock Corporation Act, in particular by Sections 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act.

A.11.2 Restrictions on voting rights or transfer of shares

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

Siemens shares issued to employees worldwide under the employee share programs implemented since the beginning of fiscal 2009, in particular the Share Matching Plan, are freely transferable unless applicable local laws provide otherwise. Under the rules of the Share Matching Plan, however, in order to receive one matching share free of charge for each three shares purchased, participants are required to hold the shares purchased by them for a vesting period of several years, during which the participants must be continuously employed by Siemens AG or any of its affiliated companies. 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 relevant vesting period.

The von Siemens-Vermögensverwaltung GmbH (vSV) has, on a sustained basis, powers of attorney allowing it to exercise the voting rights for 10,599,284 shares (as of September 30, 2020) on behalf of members of the Siemens family. These shares are part of the total number of shares held by the family's members. The powers of attorney are based on an agreement between the vSV and, among others, members of the Siemens family. The shares are voted together by vSV, taking into account the suggestions of a family partnership established by the family's members or of one of this partnership's governing bodies.

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

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

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

Resolutions of the Shareholders' Meeting require a simple majority vote, unless a greater majority is required by law (Section 23 para. 2 of the Articles of Association). Pursuant to Section 179 para. 2 of the German Stock Corporation Act, amendments to the Articles of Association require a majority of at least three-quarters of the capital stock represented at the time of the casting of the votes, unless another capital majority is prescribed by the Articles of Association.

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

The Managing Board is authorized to increase, with the approval of the Supervisory Board, the capital stock until January 25, 2021 by up to €90 million through the issuance of up to 30 million Siemens shares against contributions in cash (Authorized Capital 2016). Subscription rights of existing shareholders are excluded. The new shares shall be issued under the condition that they are offered exclusively to employees of the Company and any of its affiliated companies. To the extent permitted by law, such 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 29, 2024 by up to €510 million through the issuance of up to 170 million Siemens shares against cash contributions and/or contributions in kind (Authorized Capital 2019).

As of September 30, 2020, the total unissued authorized capital of Siemens AG therefore consisted of €600 million nominal that may be used, in installments with varying terms, by issuance of up to 200 million Siemens shares.

By resolutions of the Shareholders' Meetings on January 30, 2019 and February 5, 2020, the Managing Board is authorized to issue bonds with conversion, exchange or option rights or with warrants attached, or a combination of these instruments, entitling the holders to subscribe to up to 80 million and up to 60 million Siemens shares, respectively. Based on these two authorizations, the Company or its affiliated companies may issue bonds until January 29, 2024 and February 4, 2025, respectively, each in an aggregate principal amount of up to €15 billion. In order to grant shares of stock to holders/creditors of such convertible bonds or warrant bonds, the capital stock was conditionally increased by resolutions of the Shareholders' Meetings in 2019 and 2020, by up to 80 million and up to 60 million Siemens shares, respectively (Conditional Capitals 2019 and 2020), i.e. in total by up to €420 million through the issuance of up to 140 million Siemens shares.

The new shares under Authorized Capital 2019 and the aforementioned bonds are to be issued against cash or non-cash contributions. They are, as a matter of principle, to be offered to shareholders for subscription. The Managing Board is authorized to exclude, with the approval of the Supervisory Board, subscription rights of shareholders in the event of capital increases against contributions in kind. In the event of capital increases against contributions in cash, the Managing Board is authorized to exclude shareholders' subscription rights with the approval of the Supervisory Board in the following cases:

→ The issue price of the new shares/bonds is not significantly lower than the stock market price of the Siemens shares already listed or the theoretical market price of

the bonds computed in accordance with generally accepted actuarial methods (exclusion of subscription rights, limited to 10% of the capital stock, in accordance with or by mutatis mutandis application of Section 186 para. 3 sentence 4 German Stock Corporation Act).
- → The exclusion is necessary with regard to fractional amounts resulting from the subscription ratio.
- → The exclusion is used to grant holders of conversion or option rights or conversion or option obligations on Siemens shares a compensation for the effects of dilution.

The new shares issued or to be issued in exchange for contributions in cash and in kind and with shareholders' subscription rights excluded, may in certain cases be subject to further restrictions. The details of those restrictions are described in the relevant authorization. In addition, the Managing Board has issued the commitment not to increase the capital stock from the Authorized Capital 2019 and the Conditional Capitals 2019 and 2020 by a total of more than 10% of the capital stock existing at the time of the Shareholders' Meeting on February 5, 2020, to the extent that capital increases with shareholders' subscription rights excluded are made from the Authorized Capital 2019 against contributions in cash or in kind or to service convertible bonds and/or warrant bonds issued under the authorizations approved on January 30, 2019 or February 5, 2020 with shareholders' subscription rights excluded. This commitment ends no later than February 4, 2025.

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 February 5, 2020, the Shareholders' Meeting authorized the Company to acquire until February 4, 2025 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, (2) through a public share repurchase offer or (3) through a public offer to swap Siemens shares for shares in a listed company within the meaning of Section 3 para. 2 German Stock Corporation Act. The Managing Board is additionally authorized to complete the repurchase of Siemens shares in accordance with the authorization described above by using certain derivatives (put and call options, forward purchases and any combination of these derivatives). In exercising this authorization, all stock repurchases based on the derivatives are limited to a maximum volume of 5% of Siemens' capital stock existing at the date of adopting the resolution at the Shareholders' Meeting. A derivative's term of maturity may not, in any case, exceed 18 months and must be chosen in such a way that the repurchase of Siemens shares upon exercise of the derivative will take place no later than February 4, 2025.

In addition to selling them over the stock exchange or through a public sales offer to all shareholders, the Managing Board is authorized by resolution of the Shareholders' Meeting on February 5, 2020 to also use Siemens shares repurchased on the basis of this or any previously given authorization for every permissible purpose, in particular as follows: Such Siemens shares may be

- → retired;
- → used in connection with share-based compensation programs and/or employee share programs of the Company or any of its affiliated companies and issued to individuals currently or formerly employed by the Company or any of its affiliated companies as well as to board members of any of the Company's affiliated companies;
- → offered and transferred, with the approval of the Supervisory Board, to third parties against non-cash contributions;
- → sold by the Managing Board, with the approval of the Supervisory Board, against payment in cash if the price at which such Siemens shares are sold is not significantly lower than the market price of Siemens stock (exclusion of subscription rights, limited to 10% of the capital stock, by mutatis mutandis application

of Section 186 para. 3 sentence 4 German Stock Corporation Act); or

→ used to service or secure obligations or rights to acquire Siemens shares arising particularly from or in connection with convertible bonds or warrant bonds of the Company or its affiliated companies (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). Moreover, the Managing Board is authorized to exclude subscription rights in order to grant holders/creditors of conversion or option rights or respective conversion or option obligations on Siemens shares subscription rights as compensation against effects of dilution to the extent to which they would be entitled after exercise of such rights or fulfillment of such obligations, and to use Siemens shares to service such subscription rights.

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 2018, the Company announced that it would carry out a share buyback of up to €3 billion in volume until November 15, 2021 at the latest. The buyback commenced on December 3, 2018. Using the authorizations given by the Annual Shareholders' Meetings on January 27, 2015 and February 5, 2020, Siemens repurchased 28.4 million shares by September 30, 2020 under this share buyback. The total consideration paid for these Siemens shares amounted to about €2.404 billion (excluding incidental transaction charges). This buyback has the exclusive purposes of retirement, of issuing shares to employees, board members of affiliated companies and members of the Managing Board of Siemens AG, and of servicing/securing the obligations or rights to acquire Siemens shares arising particularly from or in connection with convertible bonds and warrant bonds. The current buyback was suspended as of May 7, 2020 because of the spin-off of Siemens Energy. From May 8, 2020, until the completion of the spin-off, Siemens AG conducted a technical share buyback to keep the number of Siemens treasury shares constant and, in connection with share-based compensation and employee stock programs of the Company or any of its affiliated companies, to compensate for current transfers of Siemens shares to persons who are or were in an employment relationship with the Company or any of its affiliates, as well as to members of the boards of the Company or any of its affiliated companies.

As of September 30, 2020, the Company held 50,690,288 shares of stock in treasury.

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

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

As of September 30, 2020, Siemens AG maintained lines of credit in the total amount of €10 billion.

In connection with the planned acquisition of the shares in Varian Medical Systems, Inc. by Siemens Healthineers AG, a consolidated subsidiary of Siemens AG as borrower maintains an undrawn bridge facility in an amount of nearly €12.5 billion guaranteed by Siemens AG as of September 30, 2020.

In addition, in March 2020 and in June 2019 respectively, a consolidated subsidiary as borrower and Siemens AG as guarantor entered into a bilateral loan agreement, each of which has been drawn in the full amount of US$500 million.

The lines of credit, the bridge facility and the loan agreements mentioned above 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 each counterparty a right of termination, including in certain cases of (i) a transformation (for example mergers and changes of form), (ii) an asset transfer or (iii) acquisition of ownership interests that enables the acquirer to exercise control over Siemens AG or its controlling bodies. Partially this right of termination exists only, if (1) the resulting entity fails to simultaneously assume Siemens AG's obligations under the ISDA Agreements or (2) the resulting entity's creditworthiness is materially weaker than Siemens AG's immediately prior to such event. Generally, ISDA Agreements are designed such that upon termination all outstanding payment claims documented under them are to be netted.

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

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

On September 18, 2019, the Supervisory Board of Siemens AG resolved that the contracts with members of the Managing Board should not contain such right of termination in the future. This has already been taken into account in the case of a contract extension and in the case of new contracts with the newly appointed members of the Managing Board as of October 1, 2020.

A.11.7 Other takeover-relevant information

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

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B. Consolidated Financial Statements

B.1

Consolidated Statements of Income

(in millions of €, per share amounts in €)	Note	2020	Fiscal year 2019
Revenue	2, 30	**57,139**	58,483
Cost of sales		**(36,953)**	(36,849)
Gross profit		**20,187**	21,634
Research and development expenses		**(4,601)**	(4,669)
Selling and general administrative expenses		**(10,774)**	(10,688)
Other operating income	5	**631**	376
Other operating expenses	6	**(403)**	(362)
Income (loss) from investments accounted for using the equity method, net	4	**(596)**	112
Interest income		**1,547**	1,534
Interest expenses		**(815)**	(965)
Other financial income (expenses), net		**496**	(39)
Income from continuing operations before income taxes		**5,672**	6,933
Income tax expenses	7	**(1,382)**	(1,775)
Income from continuing operations		**4,290**	5,158
Income (loss) from discontinued operations, net of income taxes	3	**(90)**	490
Net income		**4,200**	5,648
Attributable to:			
Non-controlling interests		**170**	474
Shareholders of Siemens AG		**4,030**	5,174
Basic earnings per share	28		
Income from continuing operations		**4.93**	5.94
Income from discontinued operations		**0.06**	0.47
Net income		**5.00**	6.41
Diluted earnings per share	28		
Income from continuing operations		**4.86**	5.86
Income from discontinued operations		**0.06**	0.46
Net income		**4.93**	6.32

B.2

Consolidated Statements of Comprehensive Income

(in millions of €)	Note	2020	Fiscal year 2019
Net income		**4,200**	5,648
Remeasurements of defined benefit plans	17	**(261)**	(1,163)
therein: Income tax effects		***33***	*624*
Remeasurements of equity instruments		**5**	(15)
therein: Income tax effects		***(3)***	*3*
Income (loss) from investments accounted for using the equity method, net		**17**	(6)
Items that will not be reclassified to profit or loss		**(240)**	(1,184)
Currency translation differences		**(2,805)**	1,841
Derivative financial instruments		**148**	(177)
therein: Income tax effects		***(38)***	*69*
Income (loss) from investments accounted for using the equity method, net		**(89)**	(8)
Items that may be reclassified subsequently to profit or loss		**(2,746)**	1,656
Other comprehensive income, net of income taxes		**(2,986)**	472
Total comprehensive income		**1,214**	6,120
Attributable to:			
Non-controlling interests		**(47)**	540
Shareholders of Siemens AG		**1,261**	5,581

B.3

Consolidated Statements of Financial Position

(in millions of €)	Note	2020	Sep 30, 2019
Assets			
Cash and cash equivalents		**14,041**	12,391
Trade and other receivables	8	**14,074**	18,894
Other current financial assets	9	**8,382**	10,669
Contract assets	10	**5,545**	10,309
Inventories	11	**7,795**	14,806
Current income tax assets	2, 7	**1,523**	1,103
Other current assets		**1,271**	1,960
Assets classified as held for disposal	3	**338**	238
Total current assets		**52,968**	70,370
Goodwill	3, 12	**20,449**	30,160
Other intangible assets	3, 13	**4,838**	9,800
Property, plant and equipment	2, 13	**10,250**	12,183
Investments accounted for using the equity method	4	**7,862**	2,244
Other financial assets	14, 23	**22,771**	19,843
Deferred tax assets	7	**2,988**	3,174
Other assets		**1,769**	2,475
Total non-current assets		**70,928**	79,878
Total assets		**123,897**	150,248

(in millions of €)	Note	2020	Sep 30, 2019
Liabilities and equity			
Short-term debt and current maturities of long-term debt	2, 16	**6,562**	6,034
Trade payables		**7,873**	11,409
Other current financial liabilities		**1,958**	1,743
Contract liabilities	10	**7,524**	16,452
Current provisions	18	**1,674**	3,682
Current income tax liabilities		**2,281**	2,378
Other current liabilities	15	**6,209**	9,023
Liabilities associated with assets classified as held for disposal	3	**35**	2
Total current liabilities		**34,117**	50,723
Long-term debt	2, 16	**38,005**	30,414
Provisions for pensions and similar obligations	17	**6,360**	9,896
Deferred tax liabilities	7	**664**	1,305
Provisions	18	**2,352**	3,714
Other financial liabilities		**769**	986
Other liabilities		**1,808**	2,226
Total non-current liabilities		**49,957**	48,541
Total liabilities		**84,074**	99,265
Equity	2, 3, 19		
Issued capital		**2,550**	2,550
Capital reserve		**6,840**	6,287
Retained earnings		**33,078**	41,818
Other components of equity		**(1,449)**	1,134
Treasury shares, at cost		**(4,629)**	(3,663)
Total equity attributable to shareholders of Siemens AG		**36,390**	48,125
Non-controlling interests	3	**3,433**	2,858
Total equity		**39,823**	50,984
Total liabilities and equity		**123,897**	150,248

B.4

Consolidated Statements of Cash Flows

(in millions of €)	2020	Fiscal year 2019
Cash flows from operating activities		
Net income	**4,200**	5,648
Adjustments to reconcile net income to cash flows from operating activities – continuing operations		
(Income) loss from discontinued operations, net of income taxes	**90**	(490)
Amortization, depreciation and impairments	**3,157**	2,280
Income tax expenses	**1,382**	1,775
Interest (income) expenses, net	**(732)**	(569)
(Income) loss related to investing activities	**(642)**	(340)
Other non-cash (income) expenses	**379**	540
Change in operating net working capital from		
Contract assets	**(723)**	(455)
Inventories	**(425)**	(207)
Trade and other receivables	**236**	(330)
Trade payables	**143**	139
Contract liabilities	**433**	523
Additions to assets leased to others in operating leases	**(500)**	(660)
Change in other assets and liabilities	**1,192**	(250)
Income taxes paid	**(1,650)**	(2,409)
Dividends received	**293**	242
Interest received	**1,347**	1,510
Cash flows from operating activities – continuing operations	**8,178**	6,947
Cash flows from operating activities – discontinued operations	**684**	1,508
Cash flows from operating activities – continuing and discontinued operations	**8,862**	8,456
Cash flows from investing activities		
Additions to intangible assets and property, plant and equipment	**(1,554)**	(1,780)
Acquisitions of businesses, net of cash acquired	**(1,727)**	(958)
Purchase of investments and financial assets for investment purposes	**(1,269)**	(1,940)
Change in receivables from financing activities	**(994)**	(1,160)
Disposal of intangibles and property, plant and equipment	**47**	213
Disposal of businesses, net of cash disposed	**218**	17
Disposal of investments and financial assets for investment purposes	**1,174**	1,402
Cash flows from investing activities – continuing operations	**(4,105)**	(4,207)
Cash flows from investing activities – discontinued operations	**(1,080)**	(804)
Cash flows from investing activities – continuing and discontinued operations	**(5,184)**	(5,011)

(in millions of €)	2020	Fiscal year 2019
Cash flows from financing activities		
Purchase of treasury shares	**(1,517)**	(1,407)
Re-issuance of treasury shares and other transactions with owners	**2,624**	1,044
Issuance of long-term debt	**10,255**	6,471
Repayment of long-term debt (including current maturities of long-term debt)	**(4,472)**	(3,205)
Change in short-term debt and other financing activities	**1,588**	211
Interest paid	**(833)**	(1,064)
Dividends paid to shareholders of Siemens AG	**(3,174)**	(3,060)
Dividends attributable to non-controlling interests	**(208)**	(205)
Cash flows from financing activities – continuing operations	**4,263**	(1,214)
Cash flows from financing activities – discontinued operations	**(1,091)**	(1,063)
Cash flows from financing activities – continuing and discontinued operations	**3,172**	(2,277)
Effect of deconsolidation of Siemens Energy on cash and cash equivalents	**(4,663)**	–
Effect of changes in exchange rates on cash and cash equivalents	**(525)**	157
Change in cash and cash equivalents	**1,663**	1,325
Cash and cash equivalents at beginning of period	**12,391**	11,066
Cash and cash equivalents at end of period	**14,054**	12,391
Less: Cash and cash equivalents of assets classified as held for disposal and discontinued operations at end of period	**13**	–
Cash and cash equivalents at end of period (Consolidated Statements of Financial Position)	**14,041**	12,391

B.5

Consolidated Statements of Changes in Equity

(in millions of €)	Issued capital	Capital reserve	Retained earnings
Balance as of October 1, 2018	2,550	6,184	41,007
Net income	–	–	5,174
Other comprehensive income, net of income taxes	–	–	(1,138)
Dividends	–	–	(3,060)
Share-based payment	–	99	(114)
Purchase of treasury shares	–	–	–
Re-issuance of treasury shares	–	4	(30)
Disposal of equity instruments	–	–	(10)
Transactions with non-controlling interests	–	–	(3)
Other changes in equity	–	–	(9)
Balance as of September 30, 2019	2,550	6,287	41,818
Balance as of September 30, 2019 (as previously reported)	**2,550**	**6,287**	**41,818**
Effects of retrospectively adopting IFRS	**–**	**553**	**(28)**
Balance as of October 1, 2019	**2,550**	**6,839**	**41,790**
Net income	**–**	**–**	**4,030**
Other comprehensive income, net of income taxes	**–**	**–**	**(185)**
Dividends	**–**	**–**	**(3,174)**
Share-based payment	**–**	**(6)**	**(141)**
Purchase of treasury shares	**–**	**–**	**–**
Re-issuance of treasury shares	**–**	**5**	**–**
Disposal of equity instruments	**–**	**–**	**(2)**
Changes in equity resulting from major portfolio transactions	**–**	**–**	**(9,589)**
Other transactions with non-controlling interests	**–**	**1**	**365**
Other changes in equity	**–**	**–**	**(15)**
Balance as of September 30, 2020	**2,550**	**6,840**	**33,078**

Currency translation differences	Equity instruments	Derivative financial instruments	Treasury shares at cost	Total equity attributable to shareholders of Siemens AG	Non controlling interests	Total equity
(351)	(33)	(26)	(3,922)	45,410	2,571	47,981
–	–	–	–	5,174	474	5,648
1,760	(16)	(200)	–	406	66	472
–	–	–	–	(3,060)	(255)	(3,315)
–	–	–	–	(16)	6	(10)
–	–	–	(1,350)	(1,350)	–	(1,350)
–	–	–	1,609	1,583	–	1,583
–	–	–	–	(10)	–	(10)
–	–	–	–	(3)	(19)	(22)
–	–	–	–	(9)	15	7
1,409	(49)	(226)	(3,663)	48,125	2,858	50,984
1,409	**(49)**	**(226)**	**(3,663)**	**48,125**	**2,858**	**50,984**
–	**–**	**–**	**–**	**525**	**–**	**525**
1,409	**(49)**	**(226)**	**(3,663)**	**48,650**	**2,858**	**51,508**
–	**–**	**–**	**–**	**4,030**	**170**	**4,200**
(2,701)	**7**	**111**	**–**	**(2,769)**	**(218)**	**(2,986)**
–	**–**	**–**	**–**	**(3,174)**	**(318)**	**(3,492)**
–	**–**	**–**	**–**	**(147)**	**–**	**(147)**
–	**–**	**–**	**(1,511)**	**(1,511)**	**–**	**(1,511)**
–	**–**	**–**	**545**	**550**	**–**	**550**
–	**–**	**–**	**–**	**(2)**	**–**	**(2)**
–	**–**	**–**	**–**	**(9,589)**	**–**	**(9,589)**
–	**–**	**–**	**–**	**366**	**1,603**	**1,969**
–	**–**	**–**	**–**	**(15)**	**(663)**	**(677)**
(1,292)	**(42)**	**(115)**	**(4,629)**	**36,390**	**3,433**	**39,823**

B.6

Notes to Consolidated Financial Statements

NOTE 1 Basis of presentation

The accompanying Consolidated Financial Statements present the operations of Siemens Aktiengesellschaft with registered offices in Berlin (registry number HRB 12300) and Munich (registry number HRB 6684), Germany, and its subsidiaries (the Company or Siemens). They have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union as well as with the additional requirements set forth in Section 315e (1) of the German Commercial Code (HGB). The financial statements are in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The Consolidated Financial Statements were authorized for issue by the Managing Board on November 27, 2020. 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.

NOTE 2 Material accounting policies and critical accounting estimates

Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on the Company's results of operations, financial positions and cash flows. Critical accounting estimates could also involve estimates where Siemens reasonably could have used a different estimate in the current accounting period. Siemens cautions that future events often vary from forecasts and that estimates routinely require adjustment. In fiscal 2020, Siemens' business and economic environment is adversely affected by the pandemic coronavirus spread, though certain mitigating effects may arise due to the various measures taken either by the Company, or by Governments and States globally, including favorable financial support. Siemens' fiscal 2020 orders, revenues and net income are negatively affected by COVID-19, particularly at our short-cyclic businesses. Impacts from the pandemic vary considerably between regions and customer industries. As the outbreak continues to evolve, it is challenging to predict its duration and its magnitude of impacts on assets, liabilities, results of operations and cash flows. In the fiscal 2020 Consolidated Financial Statements, the Company based financial statement related estimates and assumptions on existing knowledge and best information available and applied a scenario assuming the current coronavirus situation is of no long-term duration. Consequently, the Company believes its effects on Siemens' Consolidated Financial Statements will not be of a severe, substantial degree. Corona related impacts on Siemens' Consolidated Financial Statements may result from declining and more volatile share prices, interest rate adjustments in various countries, increasing volatility in foreign currency exchange rates, deteriorating creditworthiness, credit default or delayed payments, delays in order placements as well as in executing orders and contracts, termination of contracts, adjusted or modified revenue and cost patterns, limited usage of assets, volatility in financial and commodity markets, limited or no access to customer facilities and hardship in preparing predictions and forecasts due to uncertainties in amount and timing of cash flows. Those factors may impact fair value and carrying amounts of assets and liabilities, amount and timing of results of operations and cash flows. It is reasonably possible, that adjustments to assumptions and carrying amounts are necessary within the next fiscal year. The Company believes assumptions applied appropriately reflect the current situation. See also ↗ **NOTES 4** and **23**.

Basis of consolidation – The Consolidated Financial Statements include the accounts of Siemens AG and its subsidiaries over which the Company has control. Siemens controls an investee if it has power over the investee.

In addition, Siemens is exposed to, or has rights to, variable returns from the involvement with the investee and Siemens is able to use its power over the investee to affect the amount of Siemens' return.

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

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

Associates and joint ventures are recorded in the Consolidated Financial Statements using the equity method and are initially recognized at cost. If the investment was retained in a transaction in which Siemens lost control of a subsidiary, the fair value of the investment represents the cost on initial recognition. Siemens' share of its associate's or joint venture's post-acquisition profits or losses is recognized in the Consolidated Statements of Income, and its share of post-acquisition changes in equity that have not been recognized in the associate's or joint venture's profit or loss is recognized directly in equity. The cumulative post-acquisition changes also include effects from fair value adjustments and are adjusted against the carrying amount of the investment. When Siemens' share of losses in an associate or joint venture equals or exceeds its interest in the investment, Siemens does not recognize further losses, unless it incurs obligations or makes payments on behalf of the associate or joint venture. The interest in an associate or joint venture is the carrying amount of the investment together with any long term interests that, in substance, form part of Siemens' net investment in the associate or joint venture.

Siemens reviews associates and joint ventures for impairment whenever there is objective evidence that its investment is impaired, for example a significant or prolonged decline in the fair value of the investment below its carrying amount. The determination of the recoverable amount includes the use of estimates and assumptions that tend to be uncertain.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other intangible assets – The Company amortizes intangible assets with finite useful lives on a straight-line basis over their respective estimated useful lives. Estimated useful lives for patents, licenses and other similar rights generally range from three to five years, except for intangible assets with finite useful lives acquired in business combinations. Intangible assets acquired in business combinations primarily consist of customer relationships and trademarks as well as technology. Useful lives in specific acquisitions ranged from four to 20 years for customer relationships and trademarks and for technology from five to 18 years.

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

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

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

Leases – Under IFRS 16, a contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Further information on leases can be found in ↗ **NOTES 8, 13** and **16**.

Lessor – Leases are classified as either finance or operating leases, determined based on whether substantially all the risks and rewards incidental to ownership of an underlying asset are transferred. If this is the case, the lease is classified as a finance lease; if not, it is an operating lease. Receivables from finance leases are recognized at an amount equal to the net investment in the lease. The assets underlying the operating leases are presented in Property, plant and equipment and depreciated on a straight-line basis over their useful lives or to their estimated residual value. Operating lease income is recognized on a straight-line basis over the lease term.

Lessee – Under IFRS 16, Siemens recognizes right-of-use assets and lease liabilities for leases with a term of more than twelve months if the underlying asset is not of low value. Payments for short-term and low-value leases are expensed over the lease term. Extension options are included in the lease term if their exercise is reasonably certain. Right-of-use assets are measured at cost less accumulated depreciation and impairment losses adjusted for any remeasurements. Right-of-use assets are depreciated under the straight-line method over the shorter of the lease term and the useful life of the underlying assets. Lease liabilities are measured at the present value of the lease payments due over the lease term, generally discounted using the incremental borrowing rate. Lease liabilities are subsequently measured at amortized cost using the effective interest method. They are remeasured in case of modifications or reassessments of the lease.

Prior-year lessee accounting: Until September 30, 2019, IAS 17 and IFRIC 4 were applied. Lessee accounting distinguished between finance and operating leases. Finance leases were accounted for largely comparable to the right-of-use model currently applied for lease accounting. Operating leases were recognized off-balance and expensed over the lease term.

Discontinued operations and non-current assets held for disposal – Discontinued operations are reported when a component of an entity is classified as held for disposal or has been disposed of, if the component represents a separate major line of business or geographical area of operations and is part of a single coordinated plan to disposal. A non-current asset or a disposal group is held for disposal if its carrying amount will be recovered principally through a sale transaction or through a distribution to owners rather than through continuing use. In the Consolidated Statements of Income and of Cash Flows, discontinued operations is reported separately from continuing operations; prior periods are presented on a comparable basis. The disclosures in the ↗ **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** outside **NOTE 3** relate to continuing operations or assets and liabilities not held for disposal. The determination of the fair value less costs to sell includes the use of estimates and assumptions that tend to be uncertain.

Income taxes – Tax positions under respective local tax laws, relevant court decisions and applicable tax authorities' views can be complex and subject to different interpretations of tax payers and local tax authorities. Different interpretations of existing or new tax laws as a result of tax reforms or other tax legislative procedures may result in additional tax payments for prior years and are taken into account based on management's considerations. Under the liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets are recognized if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and available tax planning opportunities that Siemens would execute. As of each period-end, Siemens evaluates the recoverability of deferred tax assets, based on taxable income of past periods and projected future taxable profits. As future developments are uncertain and partly beyond Siemens's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption.

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

Inventories – Inventories are valued at the lower of acquisition or production costs and net realizable value, costs being generally determined based on an average or first-in, first-out method. Determining net realizable value of inventories involves accounting estimates for quantity, technical and price risks.

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

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

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

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

Entitlements resulting from plans based on asset returns from underlying assets are generally measured at the fair value of the underlying assets at period-end. If the performance of the underlying assets is lower than a guaranteed return, the DBO is measured by projecting forward the contributions at the guaranteed fixed return and discounting back to a present value.

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

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

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

Termination benefits – Termination benefits are provided as a result of an entity's offer made in order to encourage voluntary redundancy before the regular 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. Based on their contractual cash flow characteristics and the business model they are held in, financial instruments are classified as financial assets and financial liabilities measured at cost or amortized cost, measured at fair value, loan commitments and credit guarantees, contract assets and receivables from finance leases. Regular way purchases or sales of financial assets are accounted for at the trade date. Initially, financial instruments are recognized at fair value and net of transaction costs, if not categorized at FVTPL. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned to:

Financial assets measured at fair value through profit and loss (FVTPL) – a) mandatorily measured at FVTPL: Debt financial assets are measured at FVTPL if the business model they are held in is not a hold-to-collect or a hold-and-sell business model, or if their contractual cash flows do not represent solely payments of principal and interest. Equity instruments are measured at FVTPL unless the FVOCI-option is elected. b) Financial assets designated as measured at FVTPL: are irrevocably designated at initial recognition if the designation significantly reduces accounting mismatches that would otherwise arise if assets and liabilities as well as recognizing gains (losses) were measured on different bases.

Financial assets measured at fair value through other comprehensive income (FVOCI) – are equity instruments for which Siemens irrevocably elects to present subsequent fair value changes in OCI at initial recognition of the instrument. Unrealized gains and losses, net of deferred income tax expenses, as well as gains and losses on the subsequent sale of the instruments are recognized in line item Other comprehensive income, net of income taxes.

Financial assets measured at amortized cost – Loans, receivables and other debt instruments held in a hold-to-collect business model with contractual cash flows that represent solely payments of principal and interest are measured at amortized cost using the effective interest method less valuation allowances for expected credit losses.

Valuation allowances are set up for expected credit losses, representing a forward-looking estimate of future credit losses involving significant judgment. Expected credit loss is the gross carrying amount less collateral, multiplied by the probability of default and a factor reflecting the loss in the event of default. Valuation allowances are not recognized when the gross carrying amount is sufficiently collateralized. Probabilities of default are mainly derived from internal rating grades. A simplified approach is used to assess expected credit losses from trade receivables, lease receivables and contract assets by applying their lifetime expected credit losses. The valuation allowance for loans and other long-term debt instruments primarily held at Financial Services (SFS) is measured according to a three-stage impairment approach:

Stage 1: At inception, twelve-month expected credit losses are recognized based on a twelve months probability of default.

Stage 2: If the credit risk of a financial asset increases significantly without being credit-impaired, lifetime expected credit losses are recognized based on a lifetime probability of default. A significant increase in credit risk is determined for each individual financial instrument using internal credit ratings. A rating deterioration does not trigger a transfer into Stage 2, if the credit rating remains within the investment grade range. More than 30 days past due payments will not be transferred into Stage 2, if the delay is not credit-risk-related.

Stage 3: If the financial asset is credit-impaired, valuation allowances equal lifetime expected credit losses. A financial asset is considered credit-impaired when there is observable information about significant financial difficulties and a high vulnerability to default, however, the definition of default is not yet met. Impairment triggers include liquidity problems, a request for debt restructuring or a breach of contract. A credit-risk driven contractual modification always results in a credit-impaired financial asset.

Financial assets are written off as uncollectible if recovery appears unlikely. Generally, if the limitation period expired, when a debtor's sworn statement of affairs is received, or when the receivable is not pursued due to its minor value. Receivables are written off when bankruptcy proceedings close.

A financial asset is derecognized when the rights to cash flows expire or the financial asset is transferred to another party. Significant modifications of contractual terms of a financial asset measured at amortized cost result in derecognition and recognition of a new financial asset; for insignificant modifications, the carrying amount of the financial asset is adjusted without derecognition.

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.

Loan Commitments and credit guarantees – Expected credit losses for irrevocable loan commitments are determined using the three-stage impairment approach for financial assets measured at amortized cost and recognized as a liability. Credit guarantees are recognized at the higher of consideration received for granting the guarantee and expected credit losses determined.

Financial liabilities – except for derivative financial instruments, Siemens measures financial liabilities 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 unless they are designated as hedging instruments, for which hedge accounting is applied. Changes in the fair value of derivative financial instruments are recognized either in net income or, in the case of a cash flow hedge, in line item Other comprehensive income, net of income taxes (applicable deferred income tax). Certain derivative instruments embedded in host contracts are also accounted for separately as derivatives.

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

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

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

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

Recently adopted Accounting Pronouncements

IFRS 16, Leases, was adopted as of October 1, 2019, by applying the modified retrospective approach (using practical and transitional expedients), i.e. comparative figures for the preceding year are not adjusted. IFRS 16 introduced a single lessee accounting model requiring lessees to recognize right-of-use assets and lease liabilities for leases with a term of more than twelve months, unless the underlying asset is of low value. The initial application of IFRS 16 reduced Retained earnings by €28 million. Most of the transition effects relate to real estate leased by Siemens. As of October 1, 2019, additional right-of-use assets of €3,176 million were recognized in Property, plant and equipment, generally measured at the amount of the lease liability adjusted by any prepaid or accrued lease payments. Future payment obligations under operating leases as of September 30, 2019 reconcile to the lease liability as of October 1, 2019, as follows:

(in millions of €)

Future minimum lease payments from operating leases as of September 30, 2019 (gross)	3,518
Future minimum lease payments from finance leases as of September 30, 2019 (gross)	158
Change in future minimum lease payments relating to service components	(101)
Other (therein leases terminating before September 30, 2020 €(34), leases concluded not yet commenced €(23))	(37)
Future minimum lease payments from leases under the right-of-use model as of October 1, 2019 (gross)	3,538
Discounted using incremental borrowing rates (weighted average incremental borrowing rate as of October 1, 2019: 1.8%)	(306)
Lease liability as of October 1, 2019	3,233
Lease liability from finance leases as of September 30, 2019	106
Lease liability recognized for the first time as of October 1, 2019 (thereof current: €751)	3,127

On October 1, 2019, Siemens retrospectively adopted IFRIC 23, Uncertainty over Income Tax Treatments. The adoption increased Current income tax assets and Equity by €553 million. Prior period amounts are not adjusted.

NOTE 3 Acquisitions, dispositions and discontinued operations

Acquisitions

In October 2019, Siemens Healthineers acquired Corindus Vascular Robotics, Inc., USA, for US$1.1 billion (€1.0 billion) in cash. Corindus develops and provides a robotic-assisted platform for endo-vascular coronary and peripheral vascular interventions. The purchase price allocation as of the acquisition date resulted in Other Intangible assets of €306 million, mainly relating to acquired technology, and Goodwill of €751 million. Goodwill comprises intangible assets that are not separable, such as employee know-how and expected synergy effects. Synergies are expected mainly from offering Corindus' products through the Siemens Healthineers' sales network, and also from the combination of Corindus' robotic systems with Siemens Healthineers' therapy systems and solutions in the fields of digitalization and artificial intelligence. The acquired business contributed revenue of €8 million and a net loss of €48 million for the period from acquisition to September 30, 2020, including earnings effects from purchase price allocation and integration costs. If Corindus had been included in the consolidated financial statements as of October 1, 2019, revenue and net income, including earnings effects from purchase price allocation and integration costs, would have been €57,140 million and €4,196 million, respectively, in fiscal year 2020.

In November 2019, Siemens Healthineers acquired 75% of ownership interests in ECG Management Consultants (ECG). ECG is a leading consulting company based in the United States specialized in healthcare and providing a comprehensive suite of advisory services. The purchase price paid in cash including adjustments was US$219 million (€196 million). In addition, Siemens Healthineers redeemed financial liabilities of ECG amounting to US$143 million (€129 million). The purchase price allocation as of the acquisition date mainly resulted in Other Intangible assets of €112 million, Goodwill of €200 million and current financial liabilities of €132 million. Goodwill comprises intangible assets that are not separable, such as employee know-how and expected synergy effects. Goodwill of €99 million is expected to be deductible for tax purposes.

In addition, Siemens acquired several businesses in fiscal 2020 and 2019 for a total purchase price of €551 million and €429 million, respectively, mainly paid in cash. The (preliminary) purchase price allocations resulted in Other intangible assets of €263 million and €124 million and Goodwill of €298 million and €311 million, respectively, which comprises intangible assets that are not separable such as employee know-how and expected synergy effects. The purchase price allocation for some of the acquired businesses is preliminary, as a detailed analysis of the assets and liabilities has not been finalized. Other intangible assets of €145 million and Goodwill of €35 million were reclassified to Assets classified as held for disposal subsequently.

In August 2020, Siemens Healthineers entered into an agreement to acquire all shares of Varian Medical Systems, Inc., U.S., for a purchase price of US$16.4 billion (€14.0 billion as of September 30, 2020). Upon closing of the acquisition, Siemens Healthineers is obliged to repay all amounts outstanding under an existing credit agreement of Varian, which has a maximum volume of US$1.2 billion (€1.0 billion). The acquisition was approved by Varian shareholders in October 2020. It is still subject to regulatory approvals and other customary closing conditions and is expected to be completed in the first half of calendar year 2021.

Acquisition of a further stake in Siemens Gamesa Renewable Energy

In February 2020, Siemens purchased Iberdrola S.A.'s 8.1% stake in Siemens Gamesa Renewable Energy for a purchase price of €1.1 billion. The transaction was accounted for as equity transaction, resulting in a decrease of non-controlling interests of €112 million and a decrease of retained earnings attributable to shareholders of Siemens AG of €967 million.

Dilution of the stake in Siemens Healthineers

In September 2020, Siemens Healthineers AG placed 75 million new shares to institutional investors, receiving gross proceeds of €2.7 billion and increasing its share capital to €1.075 billion. Siemens did not participate in the placement, thus, Siemens' stake in Siemens Healthineers decreased from 85% to 79%. The dilution is accounted for as equity transaction, which increased Non-controlling interests by €1.1 billion and Total equity attributable to shareholders of Siemens AG by €1.6 billion (mainly due to an increase in Retained earnings of €1.5 billion).

Discontinued operations: Siemens Energy spin-off

In May 2019, Siemens announced to transfer the energy business into a new company, Siemens Energy AG (Siemens Energy), and list it on the stock market by a spin-off. The distribution group included the previous segment Gas and Power and the 67% stake in Siemens Gamesa Renewable Energy. In addition, Siemens transferred a 24% stake in Siemens Ltd., India, into Siemens Energy. At the end of the second quarter in fiscal 2020, the distribution group met the criteria for a held for disposal and discontinued operation classification. Effective with Siemens classifying the distribution group as held for disposal, Siemens ceased depreciation and amortization of assets within the distribution group. In July 2020, the Siemens AG shareholders approved the spin-off plan in an extraordinary shareholder meeting.

On September 25, 2020, the spin-off transaction became effective. Siemens transferred 55% of its ownership interest in Siemens Energy to its shareholders and since that point no longer controls Siemens Energy. Immediately after the effectiveness of the spin-off, Siemens contributed a 9.9% interest in Siemens Energy to the Siemens Pension-Trust e.V. Thereafter, Siemens owns 35.1% in Siemens Energy and accounts for its investment using the equity method.

To determine the fair value of the spin-off liability and the remaining stake in Siemens Energy as of the spin-off date, Siemens referred to an opinion by an independent expert (level 3 of the fair value hierarchy). The fair value of the spin-off liability, which represents 55% of the share in Siemens Energy, amounted to €10.5 billion; the remaining 35.1% investment in Siemens Energy amounted to €6.7 billion and the 9.9% interest contributed into the Siemens Pension-Trust e.V. amounted to €1.9 billion; the derecognised net assets, including the non-controlling interests, amounted to €16.0 billion; the reclassification of the amounts recognized in other comprehensive income resulted in an expense of €0.7 billion and the spin-off costs in fiscal year 2020 amounted to €0.2 billion. The transfer of 24% of Siemens Ltd., India, is classified as an equity transaction not impacting profit or loss at the amount of €1.2 billion; this component is not part of the spin-off gain. Subsequently, Siemens still holds 51% of the shares in Siemens Ltd., India, and continues to control the investment. As a result of this equity transaction, Non-controlling interests and Retained earnings increased by €0.3 billion and €0.9 billion, respectively. Overall, in fiscal 2020, Siemens recorded a spin-off gain of €0.9 billion. The derecognition of the disposal group is presented as a non-cash transaction. The results of Siemens Energy are reported as discontinued operations in the Consolidated Statements of Income and Cash Flows for all periods presented:

(in millions of €)	2020	Fiscal year 2019
Revenue	**26,259**	28,366
Expenses	**(26,908)**	(27,772)
Gain on the spin-off less spin-off costs	**946**	(9)
Income (loss) from discontinued operations before income taxes	**297**	585
Income taxes on ordinary activities	**(101)**	(100)
Other income taxes[1]	**(298)**	3
Income (loss) from discontinued operations, net of income taxes	**(102)**	487
thereof attributable to Siemens AG shareholders	***39***	*375*

1 Mainly includes income taxes relating to the legal carve-out of the distribution group.

The carrying amounts of the major classes of assets and liabilities spun-off were as follows:

(in millions of €)	Sep 25, 2020
Cash and cash equivalents	**4,663**
Trade and other receivables	**3,843**
Contract assets	**4,576**
Inventories	**6,647**
Goodwill	**9,338**
Other intangible assets	**4,678**
Property, plant and equipment	**4,988**
Deferred tax assets	**1,335**
Miscellaneous current assets	**1,756**
Miscellaneous non-current assets	**1,098**
Assets classified as held for disposal	**42,922**
Short-term debt and current maturities of long-term debt	**670**
Trade payables	**4,701**
Contract liabilities	**9,983**
Current provisions	**1,621**
Other current liabilities	**2,805**
Miscellaneous current liabilities	**1,289**
Long-term debt	**1,423**
Provisions for pensions and similar obligations	**1,128**
Deferred tax liabilities	**1,139**
Provisions	**2,089**
Miscellaneous non-current liabilities	**595**
Liabilities associated with assets classified as held for disposal	**27,443**

NOTE 4 Interests in other entities

Investments accounted for using the equity method

(in millions of €)	2020	Fiscal year 2019
Share of profit (loss), net	**(114)**	(14)
Gains (losses) on sales, net	**108**	131
Impairment and reversals of impairment	**(590)**	(5)
Income (loss) from investments accounted for using the equity method, net	**(596)**	112

Income (loss) from investments accounted for using the equity method included an impairment loss of €453 million in connection with an investment that is part of Portfolio Companies. The business situation of the investment, increased development costs of customer projects, combined with a corona-related deterioration of the market environment and contractual obligations triggered an impairment test. The recoverable amount was determined as the investment's fair value less costs to sell using a discounted cash flow approach (level 3 of the fair value hierarchy). In order to determine the recoverable amount, cash flow forecasts were used, taking into account past experience and which represented the best estimate of future developments. The calculation was based on a discount rate (after taxes) of 8.0%.

As of September 30, 2020, Siemens' remaining investment in Siemens Energy AG, active in the transmission and generation of electrical power, is a public listed associate accounted for using the equity method. Below summarized financial information of Siemens Energy AG is disclosed on a 100 per cent basis. It is adjusted to align with Siemens' accounting policies and to incorporate effects from preliminary fair value adjustments at initial recognition.

(in millions of €)	Siemens Energy AG registered in Munich, Germany Sep 30, 2020
Ownership interest	**35.1%**
Current assets	**23,136**
Non-current assets excluding goodwill	**18,792**
Current liabilities	**21,669**
Non-current liabilities	**8,080**
Net assets	**12,179**
attributable to shareholders of Siemens Energy AG	**11,731**

	Fiscal year 2020
Revenue	**27,457**
Income (loss) from continuing operations, net of income taxes	**(1,873)**
Other comprehensive income, net of income taxes	**(1,120)**
Total comprehensive income (loss), net of income taxes	**(2,993)**
attributable to shareholders of Siemens Energy AG	**(2,630)**

Siemens interest in the net assets of Siemens Energy AG at initial recognition	**4,142**
Total comprehensive income, net of income taxes, attributable to Siemens since initial recognition	**(24)**
Siemens interest in the net assets of Siemens Energy AG at end of year	**4,118**
Consolidation adjustments including goodwill (preliminary)	**2,527**
Carrying amount of Siemens Energy AG at end of year	**6,645**

As of September 30, 2020 and 2019, the carrying amount of all individually not material associates amounts to €779 million and €1,577 million, respectively. Summarized financial information for all individually not material associates, adjusted for the percentage of ownership held by Siemens, is presented below. Items included in the Statements of Comprehensive Income are presented for the twelve-month period applied under the equity method.

(in millions of €)	Fiscal year 2020	2019
Income (loss) from continuing operations	**128**	154
Other comprehensive income, net of income taxes	**1**	(25)
Total comprehensive income	**129**	130

Subsidiaries with material non-controlling interests

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

(in millions of €)	Siemens Healthineers AG registered in Munich, Germany Sep 30, 2020	Sep 30, 2019
Ownership interests held by non-controlling interests	**21%**	15%
Accumulated non-controlling interests	**2,623**	1,469
Current assets	**10,268**	7,779
Non-current assets	**14,827**	13,650
Current liabilities	**7,289**	5,605
Non-current liabilities	**5,294**	6,043

	Fiscal year 2020	Fiscal year 2019
Net income attributable to non-controlling interests	**241**	245
Dividends paid to non-controlling interests	**132**	118
Revenue	**14,460**	14,518
Income (loss) from continuing operations, net of income taxes	**1,423**	1,586
Other comprehensive income, net of income taxes	**(598)**	254
Total comprehensive income, net of income taxes	**825**	1,840
Total cash flows	**(233)**	367

NOTE 5 Other operating income

In fiscal 2020 and 2019, Other operating income includes gains related to the sale of businesses of €177 million and €49 million and gains on sales of property, plant and equipment of €308 million and €138 million, respectively, as well as gains from reversals of provisions.

NOTE 6 Other operating expenses

Other operating expenses in fiscal 2020 and 2019 include losses on sales of property, plant and equipment, impairment expense as well as effects from insurance, personnel, legal and regulatory matters.

NOTE 7 Income taxes

Income tax expenses (benefits) consist of the following:

(in millions of €)	2020	Fiscal year 2019
Current taxes	**1,601**	1,372
Deferred taxes	**(219)**	403
Income tax expenses	**1,382**	1,775

The current income tax expenses in fiscal 2020 and 2019 include adjustments recognized for current taxes of prior years in the amount of €(63) and €(413) million, respectively. The deferred tax expenses (benefits) in fiscal 2020 and 2019 include tax effects of the origination and reversal of temporary differences of €(291) million and €179 million, respectively.

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

Current and deferred income tax expenses differ from the amounts computed by applying a combined statutory German income tax rate of 31% as follows:

(in millions of €)	2020	Fiscal year 2019
Expected income tax expenses	**1,758**	2,149
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	**658**	797
Tax-free income	**(378)**	(268)
Taxes for prior years	**(55)**	(393)
Change in realizability of deferred tax assets and tax credits	**(75)**	(93)
Change in tax rates	**7**	14
Foreign tax rate differential	**(457)**	(400)
Tax effect of investments accounted for using the equity method	**33**	16
Other, net (primarily German trade tax differentials)	**(109)**	(47)
Actual income tax expenses	**1,382**	1,775

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

(in millions of €)	2020	Sep 30, 2019
Deferred taxes due to temporary differences		
Intangible assets	**(1,302)**	(2,496)
Pensions and similar obligations	**2,921**	3,540
Current assets and liabilities	**362**	(169)
Non-current assets and liabilities	**(417)**	(144)
Tax loss carryforwards and tax credits	**760**	1,138
Total deferred taxes, net	**2,324**	1,869

Deferred tax balances and expenses (benefits) developed as follows in fiscal 2020 and 2019:

(in millions of €)	2020	Fiscal year 2019
Balance at beginning of fiscal year of deferred tax (assets) liabilities	**(1,869)**	(1,249)
Income taxes presented in the Consolidated Statements of Income	**(219)**	403
Changes in items of the Consolidated Statements of Comprehensive Income	**8**	(696)
Additions from acquisitions not impacting net income	**61**	34
Changes due to Siemens Energy	**(301)**	(373)
Other	**(4)**	12
Balance at end of fiscal year of deferred tax (assets) liabilities	**(2,324)**	(1,869)

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

(in millions of €)	2020	Sep 30, 2019
Deductible temporary differences	**192**	524
Tax loss carryforwards	**2,172**	5,062
	2,364	5,586

The decrease of tax loss carryforwards was mainly caused by the Siemens Energy spin-off. As of September 30, 2020 and 2019, €221 million and €2,186 million respectively, expire over the periods to 2027.

Siemens has not recognized deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of €25,003 million and €34,075 million, respectively in fiscal 2020 and 2019 because the earnings are intended to be permanently reinvested in the subsidiaries.

Including items charged or credited directly to equity and the expenses (benefits) from continuing and discontinued operations, the income tax expenses (benefits) consist of the following:

(in millions of €)	2020	Fiscal year 2019
Continuing operations	**1,382**	1,775
Discontinued operations	**398**	118
Income and expenses recognized directly in equity	**(588)**	(698)
	1,192	1,195

An uncertain tax regulation arising from a foreign tax reform may result in potential future tax payments amounting to a middle three-digit million euro range. Due to the low probability and the character of a contingent liability, no tax liability was recognized.

NOTE 8 Trade and other receivables

(in millions of €)	2020	Sep 30, 2019
Trade receivables from the sale of goods and services	**12,071**	16,928
Receivables from finance leases	**2,003**	1,966
	14,074	18,894

In fiscal 2020 and 2019, the long-term portion of receivables from finance leases is reported in Other financial assets amounting to €4,245 million and €4,210 million, respectively.

Future minimum lease payments to be received are as follows:

(in millions of €)	2020	Sep 30, 2019
Within one year	**2,441**	2,354
After one year but not more than two years (fiscal 2019 after one year but not more than five years)	**1,685**	4,008
After two years but not more than three years	**1,156**	
After three years but not more than four years	**732**	
After four years but not more than five years	**422**	
More than five years	**717**	751
	7,153	7,112

In fiscal 2020, future minimum lease payments reconcile to the net investment in the lease as follows:

(in millions of €)	Sep 30, 2020
Future minimum lease payments	**7,153**
Less: Unearned finance income relating to future minimum lease payments	**(778)**
Present value of future minimum lease payments	**6,375**
Plus: Present value of unguaranteed residual value	**100**
Net investment in the lease	**6,475**

Investments in finance leases primarily relate to industrial machinery, medical equipment, transportation systems, equipment for information technology and office machines.

In fiscal 2020, finance income on the net investment in the lease is €398 million.

Future minimum lease payments in fiscal 2019 reconcile to the gross and net investment in leases and to the present value of the future minimum lease payments as follows:

(in millions of €)	Sep 30, 2019
Future minimum lease payments	7,112
Plus: Unguaranteed residual values	239
Gross investment in leases	7,352
Less: Unearned finance income	(992)
Net investment in leases	6,360
Less: Allowance for doubtful accounts	(184)
Less: Present value of unguaranteed residual value	(92)
Present value of future minimum lease payments	6,084

In fiscal 2019, the gross investment in leases and the present value of future minimum lease payments were due as follows:

	Sep 30, 2019	
(in millions of €)	Gross investment in leases	Present value of future minimum lease payments
Within one year	2,368	1,930
One to five years	4,064	3,497
Thereafter	920	657
	7,352	6,084

NOTE 9 Other current financial assets

(in millions of €)	2020	Sep 30, 2019
Loans receivable	**4,904**	7,893
Interest-bearing debt securities	**1,256**	1,331
Derivative financial instruments	**798**	775
Other	**1,424**	669
	8,382	10,669

NOTE 10 Contract assets and liabilities

As of September 30, 2020 and 2019, amounts expected to be settled after twelve months are €960 million and €2,106 million for contract assets and €1,112 million and €3,626 million for contract liabilities, respectively. In fiscal 2020, a decrease in contract assets of €4,576 million and in contract liabilities of €9,982 million resulted from the Siemens Energy spin-off. In fiscal 2020 and 2019, revenue includes €4,651 million and €4,799 million, respectively, which was included in contract liabilities at the beginning of the fiscal year.

NOTE 11 Inventories

(in millions of €)	2020	Sep 30, 2019
Raw materials and supplies	**1,796**	3,726
Work in progress	**3,043**	5,902
Finished goods and products held for resale	**2,355**	4,258
Advances to suppliers	**600**	921
	7,795	14,806

Cost of sales includes inventories recognized as expense amounting to €36,406 million and €36,288 million, respectively, in fiscal 2020 and 2019. Compared to prior year, write-downs decreased (increased) by €17 million and €(64) million as of September 30, 2020 and 2019.

NOTE 12 Goodwill

(in millions of €)	2020	Fiscal year 2019
Cost		
Balance at begin of fiscal year	**32,098**	30,213
Translation differences and other	**(1,642)**	1,152
Acquisitions and purchase accounting adjustments	**1,247**	742
Dispositions and reclassifications to assets classified as held for disposal	**(9,632)**	(9)
Balance at fiscal year-end	**22,072**	32,098
Accumulated impairment losses and other changes		
Balance at begin of fiscal year	**1,938**	1,868
Translation differences and other	**(100)**	72
Impairment losses recognized during the period (including those relating to disposal groups)[1]	**99**	1
Dispositions and reclassifications to assets classified as held for disposal	**(314)**	(3)
Balance at fiscal year-end	**1,623**	1,938
Carrying amount		
Balance at begin of fiscal year	**30,160**	28,344
Balance at fiscal year-end	**20,449**	30,160

1 Impairment losses in fiscal 2020 relate to Portfolio Companies.

As of March 31, 2020, Siemens adjusted its organizational and reporting structure regarding the local energy business in certain countries remaining within Siemens after the spin-off of Siemens Energy. Goodwill has been reallocated based on relative values from the former group of cash-generating units Gas and Power to the newly established group of cash-generating units Siemens Energy Assets within Portfolio Companies.

Siemens performs the mandatory annual impairment test in the three months ended September 30. Key assumptions on which Siemens based its determinations of the fair value less costs to sell for the cash-generating units or groups of cash-generating units include terminal value growth rates up to 1.7% in fiscal 2020 and fiscal 2019, respectively and after-tax discount rates of 5.5% to 12.5% in fiscal 2020 and 5.5% to 8.5% in fiscal 2019.

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

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

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

			Sep 30, 2020
(in millions of €)	Goodwill	Terminal value growth rate	After-tax discount rate
Digital Industries	**6,732**	**1.7%**	**8.5%**
Imaging of Siemens Healthineers	**5,827**	**1.7%**	**7.0%**
Smart Infrastructure	**2,114**	**1.5%**	**7.5%**

Revenue figures in the five-year planning period of the groups of cash-generating units to which a significant amount of goodwill is allocated are based on average revenue growth rates (excluding portfolio effects) of between 3.1% and 6.1% (2.3% and 6.2% in fiscal 2019).

			Sep 30, 2019
(in millions of €)	Goodwill	Terminal value growth rate	After-tax discount rate
Gas and Power	7,167	1.7%	8.0%
Digital Industries	6,807	1.7%	8.5%
Imaging of Siemens Healthineers	5,951	1.7%	6.5%

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

NOTE 13 Other intangible assets and property, plant and equipment

(in millions of €)	Gross carrying amount 10/01/2019[1]	Translation differences	Additions through business combinations	Additions	Reclassifications	Retirements[2]	Gross carrying amount 09/30/2020	Accumulated depreciation/ amortization and impairment	Carrying amount 09/30/2020	Depreciation/amortization and impairment in fiscal 2020
Internally generated technology	3,885	(95)	–	419	–	(753)	3,456	(1,741)	**1,714**	(195)
Acquired technology including patents, licenses and similar rights	7,008	(202)	373	70	–	(2,618)	4,631	(2,902)	**1,729**	(443)
Customer relationships and trademarks	9,434	(333)	331	6	–	(4,401)	5,037	(3,642)	**1,395**	(315)
Other intangible assets	20,326	(630)	704	495	–	(7,772)	13,124	(8,286)	**4,838**	(953)
Land and buildings	11,319	(306)	40	1,108	396	(3,902)	8,656	(3,589)	**5,067**	(695)
Technical machinery and equipment	9,360	(233)	7	288	222	(4,523)	5,120	(3,699)	**1,421**	(302)
Office and other equipment	7,239	(206)	10	604	124	(2,523)	5,249	(4,078)	**1,171**	(584)
Equipment leased to others	3,700	(168)	–	656	38	(545)	3,682	(1,826)	**1,856**	(524)
Advances to suppliers and construction in progress	1,461	(39)	–	512	(780)	(418)	736	(1)	**735**	–
Property, plant and equipment	33,080	(951)	58	3,168	–	(11,911)	23,443	(13,194)	**10,250**	(2,105)

1 Opening balance as of October 1, 2019 including effect of adopting IFRS 16 (see ↗ NOTE 2).
2 Included assets reclassified to Assets classified as held for disposal and dispositions of those entities.

(in millions of €)	Gross carrying amount 10/01/2018	Translation differences	Additions through business combinations	Additions	Reclassifications	Retirements[1]	Gross carrying amount 09/30/2019	Accumulated depreciation/ amortization and impairment	Carrying amount 09/30/2019	Depreciation/amortization and impairment in fiscal 2019
Internally generated technology	3,467	85	–	416	–	(84)	3,885	(1,906)	1,979	(211)
Acquired technology including patents, licenses and similar rights	7,573	173	97	88	–	(923)	7,008	(3,702)	3,306	(428)
Customer relationships and trademarks	8,898	405	183	–	–	(52)	9,434	(4,919)	4,515	(277)
Other intangible assets	19,938	663	279	504	–	(1,059)	20,326	(10,526)	9,800	(915)
Land and buildings	8,372	171	11	158	137	(185)	8,664	(4,046)	4,619	(203)
Technical machinery and equipment	8,716	151	8	357	327	(355)	9,205	(6,495)	2,710	(309)
Office and other equipment	6,651	121	5	754	154	(535)	7,150	(5,515)	1,635	(588)
Equipment leased to others	3,097	67	–	671	19	(387)	3,467	(1,704)	1,763	(327)
Advances to suppliers and construction in progress	1,205	39	1	873	(638)	(18)	1,461	(4)	1,457	–
Property, plant and equipment	28,040	549	26	2,812	–	(1,480)	29,948	(17,765)	12,183	(1,427)

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

The gross carrying amount of Advances to suppliers and construction in progress includes €639 million and €1,335 million, respectively of property, plant and equipment under construction in fiscal 2020 and 2019. As of September 30, 2020 and 2019, contractual commitments for purchases of property, plant and equipment are €563 million and €676 million, respectively. Right-of-use assets are presented in Property, plant and equipment in accordance with their nature; right-of-use assets have a carrying amount of €2,474 million as of September 30, 2020; additions are €1,273 million and depreciation expense is €710 million in fiscal 2020. Right-of-use assets mainly relate to leases of land and buildings with a carrying amount of €2,187 million as of September 30, 2020 and additions of €1,029 million and depreciation expense of €512 million in fiscal 2020. Equipment leased to others mainly relate to Technical machinery and equipment as well as to Office and other equipment owned by Siemens with a carrying amount of €1,223 million and €448 million, respectively, as of September 30, 2020.

In fiscal 2020, expenses recognized for short-term and low-value leases not accounted for under the right-of-use model are €72 million and €24 million, respectively. For sale and leaseback transactions gains of €267 million are recognized in fiscal 2020.

Future minimum lease payments to be received under operating leases are:

(in millions of €)	2020	Sep 30, 2019
Within one year	**454**	336
After one year but not more than two years (fiscal 2019 after one year but not more than five years)	**369**	705
After two years but not more than three years	**261**	
After three years but not more than four years	**188**	
After four years but not more than five years	**129**	
More than five years	**186**	164
	1,586	1,204

In fiscal 2020, income from operating leases is €529 million, thereof from variable lease payments €110 million.

NOTE 14 Other financial assets

(in millions of €)	2020	Sep 30, 2019
Loans receivable	**14,189**	12,304
Receivables from finance leases	**4,245**	4,210
Derivative financial instruments	**2,044**	2,239
Equity instruments	**1,670**	890
Other	**623**	200
	22,771	19,843

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

NOTE 15 Other current liabilities

(in millions of €)	2020	Sep 30, 2019
Liabilities to personnel	**4,304**	5,839
Deferred Income	**108**	156
Accruals for pending invoices	**518**	1,204
Other	**1,280**	1,824
	6,209	9,023

NOTE 16 Debt

	Current debt		Non-current debt	
(in millions of €)	2020	Sep 30, 2019	2020	Sep 30, 2019
Notes and bonds	**3,537**	4,029	**34,728**	29,176
Loans from banks	**321**	1,187	**1,076**	1,076
Other financial indebtedness	**2,021**	803	**55**	72
Lease liabilities	**683**	16	**2,146**	90
Total debt	**6,562**	6,034	**38,005**	30,414

In fiscal 2020, Siemens recognized interest expenses on lease liabilities of €39 million and expenses relating to variable lease payments not included in the measurement of lease liabilities of €100 million. In fiscal 2020, cash flows to which Siemens is potentially exposed and which are not reflected in the measurement of lease liabilities relate primarily to lease contracts entered into, however which are not yet commenced as well as to extension options whose exercise is not yet reasonably certain totaling €2.6 billion and, in addition, to variable lease payments mainly relating to incidental and operating costs for buildings leased by Siemens, for which no significant fluctuations are expected in the future.

Changes in liabilities arising from financing activities

			Non-cash changes				
(in millions of €)	10/01/2019[1]	Cash flows	Acquisitions/ Dispositions	Foreign currency translation	Fair value changes	Reclassifications and other changes	09/30/2020
Non-current notes and bonds	29,176	10,256	–	(1,276)	120	(3,549)	**34,728**
Current notes and bonds	4,029	(3,959)	–	(46)	4	3,509	**3,537**
Loans from banks (current and non-current)	2,262	891	(1,387)	(225)	–	(144)	**1,397**
Other financial indebtedness (current and non-current)	875	1,388	(1)	(209)	–	24	**2,076**
Lease liabilities (current and non-current)	3,233	(911)	(735)	(108)	–	1,351	**2,829**
Total debt	39,576	7,664	(2,123)	(1,865)	124	1,191	**44,567**

1 Opening balance as of October 1, 2019, including effect of adopting IFRS 16 (see ↗ NOTE 2).

In addition, other financing activities resulted in €(99) million cash flows in fiscal 2020.

			Non-cash changes				
(in millions of €)	10/01/2018	Cash flows	Acquisitions/ Dispositions	Foreign currency translation	Fair value changes	Reclassifications and other changes	09/30/2019
Non-current notes and bonds	25,210	6,471	–	1,044	405	(3,954)	29,176
Current notes and bonds	3,142	(3,190)	–	228	–	3,850	4,029
Loans from banks (current and non-current)	2,934	(752)	30	80	–	(30)	2,262
Other financial indebtedness (current and non-current)	781	(72)	(6)	171	–	–	875
Lease liabilities (current and non-current)	110	(21)	–	1	–	16	106
Total debt	32,177	2,436	24	1,524	405	(118)	36,449

In addition, other financing activities resulted in €77 million cash flows in fiscal 2019.

Credit facilities

As of September 30, 2020 and 2019, Siemens has €22.95 billion and €9.95 billion lines of credit, thereof unused €22.95 billion and €9.45 billion, respectively. In February 2020 the unused €7.0 billion syndicated credit facility maturing in 2024 was extended to mature in 2025 with one one-year extension option remaining. In March 2020, a new €3.0 billion unused syndicated credit facility was signed which matures in December 2020 with one three-months extension option remaining. In August 2020, a new €15.2 billion unused syndicated bridge facility to secure Siemens Healthineers AG's financing of the acquisition of Varian Medical Systems, Inc. was signed maturing in 2022 with two six-months extension options. The unused syndicated bridge facility was reduced to nearly €12.5 billion by net proceeds received from Siemens Healthineers AG's issuance of new shares in September 2020. In September 2020, the unused €450 million revolving bilateral credit facility was extended to September 2021. The facilities are for general corporate purposes.

Notes and bonds

	Sep 30, 2020			Sep 30, 2019		
(interest/issued/maturity)		Currency Notional amount (in millions)	Carrying amount in millions of €[1]		Currency Notional amount (in millions)	Carrying amount in millions of €[1]
1.5%/2012/March 2020/EUR fixed-rate instruments	**–**	**–**	**–**	€	1,000	1,000
2.75%/2012/September 2025/GBP fixed-rate instruments	**£**	**350**	**383**	£	350	394
3.75%/2012/September 2042/GBP fixed-rate instruments	**£**	**650**	**700**	£	650	721
1.75%/2013/March 2021/EUR fixed-rate instruments	**€**	**1,250**	**1,254**	€	1,250	1,263
2.875%/2013/March 2028/EUR fixed-rate instruments	**€**	**1,000**	**998**	€	1,000	997
3.5%/2013/March 2028/US$ fixed-rate instruments	**US$**	**100**	**84**	US$	100	90
2013/June 2020/US$ floating-rate instruments	**–**	**–**	**–**	US$	400	367
2014/September 2021/US$ floating-rate instruments	**US$**	**400**	**342**	US$	400	367
0.375%/2018/September 2023/EUR fixed-rate instruments	**€**	**1,000**	**998**	€	1,000	997
1.0%/2018/September 2027/EUR fixed-rate instruments	**€**	**750**	**746**	€	750	746
1.375%/2018/September 2030/EUR fixed-rate instruments	**€**	**1,000**	**994**	€	1,000	993
0.3%/2019/February 2024/EUR fixed-rate instruments	**€**	**750**	**764**	€	750	767
0.9%/2019/February 2028/EUR fixed-rate instruments	**€**	**650**	**690**	€	650	689
1.25%/2019/February 2031/EUR fixed-rate instruments	**€**	**800**	**882**	€	800	875
1.75%/2019/February 2039/EUR fixed-rate instruments	**€**	**800**	**963**	€	800	938
0.0%/2019/September 2021/EUR fixed-rate instruments	**€**	**1,000**	**1,002**	€	1,000	1,005
0.0%/2019/September 2024/EUR fixed-rate instruments	**€**	**500**	**503**	€	500	504
0.125%/2019/September 2029/EUR fixed-rate instruments	**€**	**1,000**	**993**	€	1,000	992
0.5%/2019/September 2034/EUR fixed-rate instruments	**€**	**1,000**	**991**	€	1,000	990
3 m EURIBOR+ 0.7%/2019/December 2021/EUR floating-rate instrument	**€**	**1,250**	**1,256**	–	–	–
0.0%/2020/February 2023/EUR fixed-rate instruments	**€**	**1,250**	**1,253**	–	–	–
0.0%/2020/February 2026/EUR fixed-rate instruments	**€**	**1,000**	**997**	–	–	–
0.25%/2020/February 2029/EUR fixed-rate instruments	**€**	**1,000**	**996**	–	–	–
0.5%/2020/February 2032/EUR fixed-rate instruments	**€**	**750**	**747**	–	–	–
1.0%/2020/February 2025/GBP fixed-rate instruments	**£**	**850**	**929**	–	–	–
0.125%/2020/June 2022/EUR fixed-rate instruments	**€**	**1,500**	**1,496**	–	–	–
0.25%/2020/June 2024/EUR fixed-rate instruments	**€**	**1,000**	**997**	–	–	–

1 Includes adjustments for fair value hedge accounting.

(interest/issued/maturity)		Sep 30, 2020 Currency Notional amount (in millions)	Sep 30, 2020 Carrying amount in millions of €[1]		Sep 30, 2019 Currency Notional amount (in millions)	Sep 30, 2019 Carrying amount in millions of €[1]
0.375%/2020/June 2026/EUR fixed-rate instruments	**€**	**1,000**	**998**	–	–	–
0.875%/2020/June 2023/GBP fixed-rate instruments	**£**	**450**	**491**	–	–	–
Total Debt Issuance Program			**23,449**			14,695
6.125%/2006/August 2026/US$ fixed-rate instruments	**US$**	**1,750**	**1,718**	US$	1,750	1,892
2.15%/2015/May 2020/US$-fixed-rate-instruments	**–**	**–**	**–**	US$	1,000	918
2.9%/2015/May 2022/US$-fixed-rate-instruments	**US$**	**1,750**	**1,493**	US$	1,750	1,605
3.25%/2015/May 2025/US$-fixed-rate-instruments	**US$**	**1,500**	**1,401**	US$	1,500	1,432
4.4%/2015/May 2045/US$-fixed-rate-instruments	**US$**	**1,750**	**1,476**	US$	1,750	1,587
1.7%/2016/September 2021/US$-fixed-rate-instruments	**US$**	**1,100**	**939**	US$	1,100	1,009
2.0%/2016/September 2023/US$-fixed-rate-instruments	**US$**	**750**	**638**	US$	750	685
2.35%/2016/October 2026/US$-fixed-rate-instruments	**US$**	**1,700**	**1,446**	US$	1,700	1,554
3.3%/2016/September 2046/US$-fixed-rate-instruments	**US$**	**1,000**	**846**	US$	1,000	910
US$3 m LIBOR+0.34%/2017/March 2020/US$ floating-rate instruments	**–**	**–**	**–**	US$	800	734
2.2%/2017/March 2020/US$-fixed-rate-instruments	**–**	**–**	**–**	US$	1,100	1,010
2.7%/2017/March 2022/US$-fixed-rate-instruments	**US$**	**1,000**	**884**	US$	1,000	940
US$3 m LIBOR+0.61%/2017/March 2022/US$ floating-rate instruments	**US$**	**850**	**725**	US$	850	780
3.125%/2017/March 2024/US$-fixed-rate-instruments	**US$**	**1,000**	**915**	US$	1,000	946
3.4%/2017/March 2027/US$-fixed-rate-instruments	**US$**	**1,250**	**1,064**	US$	1,250	1,144
4.2%/2017/March 2047/US$-fixed-rate-instruments	**US$**	**1,500**	**1,269**	US$	1,500	1,364
Total US$ Bonds			**14,816**			18,511
Total			**38,265**			33,205

1 Includes adjustments for fair value hedge accounting.

Debt Issuance Program – The Company has a program for the issuance of debt instruments in place under which, as of September 30, 2020, up to €25.0 billion of instruments can be issued (€15.0 billion as of September 30, 2019). As of September 30, 2020, €23.2 billion in notional amounts were issued and are outstanding (€14.5 billion as of September 30, 2019). In March 2020, the 1.5% €1.0 billion fixed-rate instruments were redeemed at face value. In June 2020, the US$400 million floating rate instruments were redeemed at face value. In December 2019, Siemens issued €1.25 billion floating-rate instruments due December 2021. In February 2020, Siemens issued instruments totaling €4.0 billion in four € tranches as well as a £850 million tranche. In June 2020, Siemens issued instruments totaling €3.5 billion in three € tranches and, in addition, a £450 million tranche.

US$ Bonds – In March 2020, Siemens redeemed the 3 m LIBOR+0.34% US$800 million floating-rate instruments and the 2.2% US$1.1 billion fixed-rate instruments at face value. In May 2020, the 2.15% US$1.0 billion fixed-rate instruments were redeemed at face value.

Assignable and term loans

As of September 30, 2020 and 2019, two bilateral US$500 million term loan facilities (in aggregate €854 million and €918 million respectively) are outstanding. In fiscal 2020, one bilateral US$500 million term loan facility was replaced cash neutral by a newly signed US$500 million term loan facility with a maturity until March 2023 with two one-year extension options. The second has a maturity until June 2024.

Commercial paper program

Siemens has a US$9.0 billion (€7.7 billion as of September 30, 2020) commercial paper program in place including US$ extendible notes capabilities. As of September 30, 2020 and 2019, US$2.3 billion (€2.0 billion) and US$700 million (€643 million), respectively, were outstanding. Siemens' commercial papers have a maturity of generally less than 90 days. Interest rates ranged from 0.06% to 1.98% in fiscal 2020 and from 1.85% to 2.75% in fiscal 2019.

NOTE 17 Post-employment benefits

Defined benefit plans

The defined benefit plans open to new entrants are based predominantly on contributions made by the Company. Only to a certain extent, those plans are affected by longevity, inflation and compensation increases and take into account country specific differences. The Company's major plans are funded with assets in segregated entities. In accordance with local laws these plans are managed in the interest of the beneficiaries by way of contractual trust agreements with each separate legal entity. The defined benefit plans cover 444,000 participants, including 177,000 actives, 85,000 deferreds with vested benefits and 182,000 retirees and surviving dependents.

GERMANY

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

U.S.

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

U.K.

Pension benefits are mainly offered through the Siemens Benefit Scheme for which, until the start of retirement, an inflation increase of the majority of accrued benefits is mandatory. The required funding is determined by a funding valuation carried out every third year based on legal requirements. Due to deviating guidelines for the determination of the discount rates, the technical funding deficit is usually larger than the IFRS funding deficit. To reduce the deficit Siemens entered into an agreement with the trustees to provide annual payments of GB£31 (€34) million until fiscal 2033. The agreement also provides for a cumulative advance payment by Siemens AG compensating the remaining annual payments at the date of early termination of the agreement due to cancellation or insolvency.

SWITZERLAND

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

DEVELOPMENT OF THE DEFINED BENEFIT PLANS[1]

	Defined benefit obligation (DBO)		Fair value of plan assets		Effects of asset ceiling		Net defined benefit balance	
	(I) Fiscal year		(II) Fiscal year		(III) Fiscal year		(I – II + III) Fiscal year	
(in millions of €)	2020	2019	2020	2019	2020	2019	2020	2019
Balance at begin of fiscal year	**40,317**	35,893	**31,307**	28,764	**33**	86	**9,042**	7,215
Current service cost	**595**	534	**–**	–	**–**	–	**595**	534
Interest expenses	**406**	712	**–**	–	**2**	3	**407**	715
Interest income	**–**	–	**333**	580	**–**	–	**(333)**	(580)
Other[2]	**(31)**	12	**(20)**	(12)	**–**	–	**(11)**	24
Components of defined benefit costs recognized in the Consolidated Statements of income[3]	**970**	1,257	**313**	568	**2**	3	**658**	692
Return on plan assets excluding amounts included in net interest income and net interest expenses	**–**	–	**(74)**	2,601	**–**	–	**74**	(2,601)
Actuarial (gains) losses	**303**	4,448	**–**	–	**–**	–	**303**	4,448
Effects of asset ceiling	**–**	–	**–**	–	**(18)**	(60)	**(18)**	(60)
Remeasurements recognized in the Consolidated Statements of Comprehensive Income	**303**	4,448	**(74)**	2,601	**(18)**	(60)	**358**	1,787
Employer contributions	**–**	–	**2,898**	568	**–**	–	**(2,898)**	(568)
Plan participants' contributions	**142**	130	**142**	130	**–**	–	**–**	–
Benefits paid	**(1,828)**	(1,811)	**(1,685)**	(1,678)	**–**	–	**(143)**	(133)
Settlement payments	**(3)**	(84)	**(2)**	(84)	**–**	–	**(1)**	–
Business combinations, disposals and other	**(3,489)**	48	**(2,394)**	56	**(2)**	–	**(1,097)**	(8)
Foreign currency translation effects	**(634)**	436	**(535)**	383	**(2)**	4	**(101)**	56
Other reconciling items[4]	**(5,812)**	(1,281)	**(1,576)**	(626)	**(4)**	4	**(4,240)**	(652)
Balance at fiscal year-end	**35,777**	40,317	**29,970**	31,307	**11**	33	**5,819**	9,042
Germany	***22,223***	*24,398*	***17,161***	*16,588*	**–**	–	***5,062***	*7,811*
U.S.	***2,958***	*4,073*	***2,617***	*3,341*	**–**	–	***341***	*732*
U.K.	***5,637***	*6,064*	***6,000***	*6,764*	***8***	*19*	***(356)***	*(682)*
CH	***3,328***	*3,574*	***3,355***	*3,424*	**–**	–	***(27)***	*150*
Other countries	***1,632***	*2,207*	***838***	*1,190*	***4***	*14*	***798***	*1,031*
Total	**35,777**	40,317	**29,970**	31,307	**11**	33	**5,819**	9,042
thereof provisions for pensions and similar obligations							***6,360***	*9,896*
thereof net defined benefit assets (presented in Other assets)							***541***	*854*

1 Discloses figures including Siemens Energy. Accordingly, it comprises the total of continuing and discontinuing operations.
2 Includes past service benefits/costs, settlement gains/losses and administration costs related to liabilities.
3 Thereof relating to discontinued operations: Defined benefit obligation €155 million and €179 million; Fair value of plan assets €34 million and €38 million; Effects of asset ceiling €– million and €– million and Net defined benefit balance €121 million and €140 million, respectively, in fiscal 2020 and 2019.
4 Thereof relating to discontinued operations: Defined benefit obligation €(249) million and €(28) million; Fair value of plan assets €101 million and €69 million; Effects of asset ceiling €– million and €– million and Net defined benefit balance €(350) million and €(97) million, respectively, in fiscal 2020 and 2019.

Line item Business combinations, disposals and other includes the spin-off effects of Siemens Energy: DBO €3,416 million, Fair value of plan assets €2,319 million and Effects of asset ceiling €2 million.

Employer contributions in fiscal 2020 include fundings in Germany of €2,730 million, thereof a contribution of a 9.9% interest in Siemens Energy AG amounting to €1,881 million. It also includes real estate contributions from Siemens Real Estate.

Net interest expenses related to provisions for pensions and similar obligations amounted to €66 million and €108 million, respectively, in fiscal 2020 and 2019. The DBO is attributable to actives 28% and 32%, to deferreds with vested benefits 14% and 14% and to retirees and surviving dependents 57% and 54%, respectively, in fiscal 2020 and 2019.

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

(in millions of €)[1]	Fiscal year 2020	2019
Changes in demographic assumptions	**(3)**	(173)
Changes in financial assumptions	**402**	4,569
Experience (gains) losses	**(97)**	52
Total	**303**	4,448

1 Discloses figures including Siemens Energy. Accordingly, it comprises the total of continuing and discontinuing operations.

ACTUARIAL ASSUMPTIONS

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

	Sep 30, 2020	2019
Discount rate	**1.1%**	1.3%
EUR	**0.8%**	0.8%
USD	**2.5%**	3.1%
GBP	**1.6%**	2.0%
CHF	**0.2%**	0.2%

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

Applied mortality tables are:

Germany	Siemens specific tables (Siemens Bio 2017/2020)
U.S.	Pri-2012 with generational projection from the US Social Security Administration's Long Range Demographic Assumptions
U.K.	SAPS S2 (Standard mortality tables for Self Administered Pension Schemes with allowance for future mortality improvements)
CH	BVG 2015 G

The mortality tables used in Germany (Siemens Bio 2017/2020) are mainly derived from data of the German Siemens population and to a lesser extent from data of the Federal Statistical Office in Germany by applying formulas in accordance with recognized actuarial standards.

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

	Sep 30, 2020	2019
Compensation increase		
U.K.	**2.6%**	3.5%
CH	**1.4%**	1.4%
Pension progression		
Germany	**1.5%**	1.4%
U.K.	**2.7%**	2.8%

SENSITIVITY ANALYSIS

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

	Effect on DBO due to a one-half percentage-point			
	Sep 30, 2020		Sep 30, 2019	
(in millions of €)	increase	decrease	increase	decrease
Discount rate	**(2,134)**	**2,412**	(2,410)	2,740
Rate of compensation increase	**95**	**(90)**	104	(94)
Rate of pension progression	**1,689**	**(1,367)**	1,826	(1,541)

The DBO effect of a 10% reduction in mortality rates for all beneficiaries would be an increase of €1,285 million and €1,318 million, respectively, as of September 30, 2020 and 2019.

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

ASSET LIABILITY MATCHING STRATEGIES

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

DISAGGREGATION OF PLAN ASSETS

(in millions of €)	Sep 30, 2020	Sep 30, 2019
Equity securities	**5,166**	3,910
Fixed income securities	**13,281**	16,292
Government bonds	***3,727***	*5,239*
Corporate bonds	***9,555***	*11,053*
Alternative investments	**4,078**	4,181
Multi strategy funds	**3,154**	3,259
Derivatives	**635**	577
Cash and cash equivalents	**813**	749
Other assets	**2,843**	2,340
Total	**29,970**	31,307

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 active markets and almost all fixed income securities are investment grade. Alternative investments include hedge funds, private equity and real estate investments, thereof real estate used by the Company with a fair value of €527 million. Multi strategy funds mainly comprise absolute return funds and diversified growth funds that invest in various asset classes within a single fund and aim to stabilize return and reduce volatility. Derivatives predominantly consist of financial instruments for hedging interest rate risk and inflation risk. Other assets include insured annuity contracts valued at €1,766 million and €1,344 million, respectively, as of September 30, 2020 and 2019.

FUTURE CASH FLOWS

Employer contributions expected to be paid to defined benefit plans in fiscal 2021 are €1,790 million. Over the next ten fiscal years, average annual benefit payments of €1,730 million and €1,714 million, respectively, are expected as of September 30, 2020 and 2019. The weighted average duration of the DBO for Siemens defined benefit plans was 13 years as of September 30, 2020 and 2019.

Defined contribution plans and state plans

Amounts recognized as expense for defined contribution plans is €710 million and €661 million in fiscal 2020 and 2019, respectively, thereof discontinued operations €215 million and €201 million. Contributions to state plans amount to €1,844 million and €1,850 million in fiscal 2020 and 2019, respectively, thereof discontinued operations €450 million and €431 million.

NOTE 18 Provisions

(in millions of €)	Warranties	Order related losses and risks	Asset retirement obligations	Other	Total
Balance as of October 1, 2019	4,300	1,114	702	1,243	7,358
Thereof non-current	*2,107*	*425*	*689*	*476*	*3,697*
Additions	633	200	3	846	1,681
Usage	(395)	(112)	(5)	(311)	(823)
Reversals	(258)	(65)	(5)	(171)	(499)
Translation differences	(33)	(14)	(3)	(24)	(74)
Accretion expense and effect of changes in discount rates	–	–	17	4	21
Other changes including Siemens Energy spin-off	(2,673)	(743)	(5)	(218)	(3,639)
Balance as of September 30, 2020	**1,574**	**380**	**702**	**1,369**	**4,026**
Thereof non-current	***581***	***183***	***690***	***898***	***2,352***

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

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

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

Environmental clean-up costs relate to remediation and environmental protection liabilities which have been accrued based on the estimated costs of decommissioning the site for the production of uranium and mixed-oxide fuel elements in Hanau, Germany (Hanau facilities), as well as a nuclear research and service center in Karlstein, Germany (Karlstein facilities). Whilst in fiscal 2017, parts of the regulation for nuclear waste disposal were amended by way of law ("Gesetz zur Neuordnung der Verantwortung in der kerntechnischen Entsorgung"), Siemens is not covered by these regulations and consequently continues to adhere to the German Atomic Energy Act ("deutsches Atomgesetz") applicable as of September 30, 2020, which states that when a nuclear facility is closed, the resulting radioactive waste from decommissioning the nuclear facility must be reprocessed without causing damage and be delivered to a government-approved final storage facility. In this regard, the Company has developed a plan to decommission the Hanau and Karlstein facilities in the following steps: asset retirement (including clean-out, decontamination and disassembly of equipment and installations, decontamination of the facilities and buildings), waste conditioning and packaging of nuclear waste, as well as intermediate storage, transport to and final storage of the radioactive waste. This process will be supported by continuing engineering studies and radioactive sampling under the supervision of German federal and state authorities. The decontamination and disassembly at the Karlstein site were completed until the end of calendar year 2018, whereas final waste conditioning and packaging is planned to continue until 2025. Thereafter, the Company is responsible for intermediate storage of the radioactive materials until they are transported and handed over to a final storage facility. With respect to the Hanau facility, asset retirement is completed and intermediate storage has been set up. On September 21, 2006, the Company received official notification from authorities that the Hanau facility has been released from the scope of application of the German Atomic Energy Act and that its further use is unrestricted. The ultimate costs of the remediation are contingent on the decision of the federal government on the location of the final storage facilities and the date of their availability. Several parameters relating to the development of a final storage facility for radioactive waste are based on the assumptions for the so called Schacht Konrad final storage. The valuation uses assumptions to reflect the current and detailed cost estimates, price inflation and discount rates as well as a continuous outflow until the 2060's related to the costs for dismantling as well as intermediate and final storage. The estimated cash outflows related to the asset retirement obligation could alter significantly if political developments affect the government's timeline to finalize the so called Schacht Konrad. To discount cash outflows, the Company uses current interest rates as of the balance sheet date.

As of September 30, 2020 and 2019, the provision totals €638 million and €630 million, respectively, including advance payments to the federal government for the construction of the final storage facility in the amount of €95 million, which are capitalized. The provision is recorded net of a present value discount of €75 million and €103 million, respectively, reflecting the assumed continuous outflow of the total expected payments until the 2060's.

Other includes transaction-related provisions and post-closing provisions in connection with portfolio activities as well as provisions for Legal Proceedings, as far as the risks that are subject to such Legal Proceedings are not already covered by project accounting. Provisions for Legal Proceedings amounted to €248 million and €407 million as of September 30, 2020 and 2019, respectively. Other also includes provisions for insurance contracts in connection with the Siemens Energy business of €499 million as of September 30, 2020. The provisions are for incurred and reported insurance cases as well as for incurred, hence, not yet reported cases as of fiscal year-end. The provision is determined using actuarial standard valuation methodologies, which are parameterized based on historical data.

NOTE 19 Equity

Siemens' issued capital is divided into 850 million registered shares with no par value and a notional value of €3.00 per share as of September 30, 2020 and 2019, respectively. The shares are paid in full. At the Shareholders' Meeting, each share has one vote and accounts for the shareholders' proportionate share in the Company's net income. All shares confer the same rights and obligations.

In fiscal 2020 and 2019, Siemens repurchased 19,071,746 shares and 13,532,557 shares, respectively. In fiscal 2020 and 2019, Siemens transferred 5,613,506 and 16,251,968 treasury shares, respectively. As of September 30, 2020 and 2019, the Company has treasury shares of 50,690,288 and 37,232,048 respectively.

Share based payment expenses increased Capital reserve by €298 million and €294 million (including non-controlling interests), respectively, in fiscal 2020 and 2019. In connection with the settlement of share based payment awards Siemens treasury shares (at cost) were transferred to employees of €310 million in fiscal 2020 and €188 million in fiscal 2019 which decreased Capital reserve and Retained earnings by €218 million and €92 million, respectively in 2020 and by €132 million and €56 million in fiscal 2019.

As of September 30, 2020 and 2019, total authorized capital of Siemens AG is €600 million nominal issuable in installments based on various time-limited authorizations, by issuance of up to 200 million registered shares of no par value. Siemens AG's conditional capital is €420.6 million or 140.2 million shares as of September 30, 2020 and €1,080.6 million nominal or 360.2 million shares as of September 30, 2019. Primarily, it can be used to serve convertible bonds or warrants under warrant bonds that could or can be issued based on various time-limited authorizations approved by the respective Shareholders' Meeting.

Dividends paid per share were €3.90 and €3.80, respectively, in fiscal 2020 and 2019. The Managing Board and the Supervisory Board propose to distribute a dividend of €3.50 per share to holders entitled to dividends, in total representing approximately €2.8 billion in expected payments. Payment of the proposed dividend is contingent upon approval at the Shareholders' Meeting on February 3, 2021.

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

NOTE 20 Additional capital disclosures

A key consideration of our capital structure management is to maintain ready access to capital markets through various debt instruments and to sustain our ability to repay and service our debt obligations over time. In order to achieve this, Siemens intended to maintain an Industrial net debt divided by EBITDA (continuing operations) ratio of up to 1.0 as of September 30, 2020 and 2019, respectively. The ratio indicates the approximate number of years that would be needed to cover the Industrial net debt through Income from continuing operations, without taking into account interest, other financial income (expenses), taxes, depreciation, amortization and impairments. The fiscal 2019 ratio is disclosed as computed in the prior year, before fiscal 2020 retrospective discontinued operation classifications.

(in millions of €)		Sep 30,
	2020	2019
Short-term debt and current maturities of long-term debt	**6,562**	6,034
Plus: Long-term debt	**38,005**	30,414
Less: Cash and cash equivalents	**(14,041)**	(12,391)
Less: Current interest bearing debt securities	**(1,256)**	(1,331)
Net debt	**29,270**	22,726
Less: Siemens Financial Services debt[1]	**(25,267)**	(25,959)
Plus: Provisions for pensions and similar obligations	**6,360**	9,896
Plus: Credit guarantees	**604**	447
Less: Fair value hedge accounting adjustment[2]	**(777)**	(706)
Industrial net debt	**10,189**	6,404
Income from continuing operations before income taxes	**5,672**	7,518
Plus/Less: Interest income, interest expenses and other financial income (expenses), net	**(1,228)**	(430)
Plus: Amortization, depreciation and impairments	**3,157**	3,494
EBITDA	**7,601**	10,582
Industrial net debt/EBITDA	**1.3**	0.6

1 The adjustment considers that both Moody's and S&P view Siemens Financial Services 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 Siemens Financial Services debt in order to derive an industrial net debt which is not affected by Siemens Financial Services' financing activities.

2 Debt is generally reported at 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 values in order to derive an amount of debt that, approximately, will be repaid.

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

(in millions of €)		Sep 30,
	2020	2019
Allocated equity	**2,672**	2,864
Siemens Financial Services debt	**25,267**	25,959
Debt to equity ratio	**9.46**	9.06

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

Siemens' current corporate credit ratings are:

	Sep 30, 2020		Sep 30, 2019	
	Moody's Investors Service	S&P Global Ratings	Moody's Investors Service	S&P Global Ratings
Long-term debt	**A1**	**A+**	A1	A+
Short-term debt	**P-1**	**A-1+**	P-1	A-1+

NOTE 21 Commitments and contingencies

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

(in millions of €)	2020	Sep 30, 2019
Credit guarantees	**604**	447
Performance guarantees	**27,917**	2,644
	28,521	3,090

Item Credit guarantees covers the financial obligations of third parties generally in cases where Siemens is the vendor and (or) contractual partner or Siemens is liable for obligations of associated companies accounted for using the equity method. Additionally, credit guarantees are issued in the course of the SFS business. Credit guarantees generally provide that in the event of default or non-payment by the primary debtor, Siemens will be required to settle such financial obligations. The maximum amount of these guarantees is equal to the outstanding balance of the credit or, in case a credit line is subject to variable utilization, the nominal amount of the credit line. These guarantees have residual terms of up to 6 years in fiscal 2020 and 2019. The Company held collateral mainly through inventories and trade receivables. As of September 30, 2020, Credit guarantees include €271 million relating to the Siemens Energy business for credit guarantees not transferred to Siemens Energy; however, Siemens holds reimbursement rights towards Siemens Energy. Siemens accrued €18 million and €35 million relating to credit guarantees as of September 30, 2020 and 2019, respectively.

Furthermore, Siemens issues performance guarantees, which mainly include performance bonds. In the event of non-fulfillment of contractual obligations by the primary obligor, Siemens will be required to pay up to an agreed-upon maximum amount. These agreements typically have terms of up to ten years. As of September 30, 2020, Performance guarantees include €27,687 million for Siemens Energy businesses which were not transferred; however, Siemens has reimbursement rights towards Siemens Energy. As of September 30, 2020 and 2019, the Company accrued €1 million and €3 million, respectively, relating to performance guarantees.

In addition to guarantees disclosed in the table above, the Company issued other guarantees. To the extent future claims are not considered remote, maximum future payments from these obligations amount to €387 million and €413 million as of September 30, 2020 and 2019, respectively. These commitments include indemnifications issued in connection with dispositions of businesses. Such indemnifications may protect the buyer from potential tax, legal and other risks in conjunction with the purchased business. As of September 30, 2020 and 2019, the accrued amount for such other commitments is €73 million and €146 million, respectively.

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

NOTE 22 Legal proceedings

Proceedings out of or in connection with alleged breaches of contract

As previously reported, in March 2019, a Brazilian company asserted claims to pay an amount in a higher three-digit million euro amount in local currency against a consortium of contractors and each member of the consortium, including Siemens Ltda., Brazil (Siemens Ltda.) in a lawsuit relating to the construction of a power plant in Brazil that was completed in 2016. The members of the consortium are jointly and severally liable. Siemens Ltda.'s share in the consortium is below 3%. The consortium and its members defend themselves against the claim and for their part claim payment in a lower three-digit million euro amount in local currency. Following the Siemens Energy spin-off, the proceedings will no longer be disclosed by Siemens.

As previously reported, in June 2019, the City of Jackson, Mississippi, filed a lawsuit against Siemens Industry, Inc., and Siemens Corporation, USA, among others, in connection with a performance contract. In March 2020, the City of Jackson and the defendants settled the matter for approximately US$90 million. All claims in the case were subsequently dismissed in April 2020.

Proceedings out of or in connection with alleged compliance violations

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

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

Based on the above mentioned conclusion of the Israeli Antitrust Authority, two electricity consumer groups filed motions to certify a class action for cartel damages against a number of companies including Siemens AG with an Israeli State Court in September 2013. One of the class actions has been dismissed by the court in fiscal year 2015. The remaining class action seeked compensation for alleged damages amounting to ILS2.8 billion. In addition, the Israel Electric Corporation (IEC) filed at the end of December 2013 with an Israeli State Court a separate ILS3.8 billion claim for damages against Siemens AG and other companies that allegedly formed a cartel in the Israeli gas-insulated switchgear market. A settlement agreement was concluded in those proceedings in December 2018 and has been approved by the Israeli State Court in fiscal 2020. Following payment of a mid double-digit million euro figure in July 2020, the matter was finally settled.

As previously reported, in May 2014, the Public Affairs Office (Ministério Público) São Paulo initiated a lawsuit against Siemens Ltda. as well as other companies and several individuals claiming, inter alia, damages in an amount of BRL2.5 billion (approximately €377 million as of September 2020) plus adjustments for inflation and related interest in relation to train refurbishment contracts entered into between 2008 and 2011. In January 2015, the district court of São Paulo admitted a lawsuit of the State of São Paulo and two customers against Siemens Ltda., Siemens AG and other companies and individuals claiming damages in an unspecified amount. In March 2015, the district court of São Paulo admitted a lawsuit of the Public Affairs Office (Ministério Público) São Paulo against Siemens Ltda. and other companies claiming, inter alia, damages in an amount of BRL487 million (approximately €74 million as of September 2020) plus adjustments for inflation and related interest in relation to train maintenance contracts entered into in 2000 and 2002. In September 2015, the district court of São Paulo admitted another lawsuit of the Public Affairs Office (Ministério Público) São Paulo against Siemens Ltda. and other companies claiming, inter alia, damages in an amount of BRL918 million (approximately €139 million as of September 2020) plus adjustments for inflation and related interest in relation to train maintenance contracts entered into in 2006 and 2007. Siemens is defending itself against these actions. It cannot be excluded that further significant damage claims will be brought by customers or the state against Siemens.

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

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

Some of these Legal Proceedings could result in adverse decisions for Siemens, which may have material effects on its business activities as well as its financial position, results of operations and cash flows.

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

NOTE 23 Additional disclosures on financial instruments

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

(in millions of €)	2020	Sep 30, 2019
Loans, receivables and other debt instruments measured at amortized cost[1]	**40,304**	45,467
Cash and cash equivalents	**14,041**	12,391
Derivatives designated in a hedge accounting relationship	**790**	798
Financial assets mandatorily measured at FVTPL[2]	**3,422**	2,626
Financial assets designated as measured at FVTPL[3]	**220**	–
Equity instruments measured at FVOCI[1]	**491**	513
Financial assets	**59,268**	61,797
Financial liabilities measured at amortized cost[4]	**54,189**	49,315
Derivatives not designated in a hedge accounting relationship[5]	**765**	889
Derivatives designated in a hedge accounting relationship[5]	**213**	384
Financial liabilities	**55,167**	50,587

1 Reported in the following line items of the Statements of Financial Position as of September 30, 2020 and 2019, respectively: Trade and other receivables, Other current financial assets and Other financial assets, except for separately disclosed €1,843 million and €890 million equity instruments in Other financial assets (thereof €491 million and €513 million at FVOCI), €220 million and €– million financial assets designated as measured at FVTPL and €2,842 million and €3,014 million derivative financial instruments (thereof in Other financial assets €2,044 million and €2,239 million) as well as €18 million and €34 million debt instruments measured at FVTPL in Other financial assets. Includes €12,071 million and €16,928 million trade receivables from the sale of goods and services, thereof €694 million and €889 million with a term of more than twelve months as of September 30, 2020 and 2019.
2 Reported in line items other current financial assets and other financial assets.
3 Reported in Other financial assets.
4 Reported in the following line items of the Statements of Financial Position: Short-term debt and current maturities of long-term debt, Trade payables, Other current financial liabilities, Long-term debt and Other financial liabilities, except for separately disclosed derivative financial instruments of €978 million and €1,273 million as of September 30, 2020 and 2019, respectively.
5 Reported in line items Other current financial liabilities and Other financial liabilities.

Cash and cash equivalents include €126 million and €142 million as of September 30, 2020 and 2019, respectively, which are not available for use by Siemens mainly due to minimum reserve requirements with banks. As of September 30, 2020 and 2019, the carrying amount of financial assets Siemens pledged as collateral is €115 million and €127 million, respectively.

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

	Sep 30, 2020		Sep 30, 2019	
(in millions of €)	Fair value	Carrying amount	Fair value	Carrying amount
Notes and bonds	**40,868**	**38,264**	34,758	33,205
Loans from banks and other financial indebtedness	**3,483**	**3,473**	3,138	3,137

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

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

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

(in millions of €)	Level 1	Level 2	Level 3	Sep 30, 2020 Total
Financial assets measured at fair value	**1,288**	**3,023**	**612**	**4,923**
Equity instruments measured at FVTPL	**1,067**	**77**	**209**	**1,353**
Equity instruments measured at FVOCI	**1**	**104**	**385**	**491**
Debt instruments measured at FVTPL	**220**	**–**	**18**	**238**
Derivative financial instruments	**–**	**2,842**	**–**	**2,842**
Not designated in a hedge accounting relationship (including embedded derivatives)	**–**	***2,052***	**–**	***2,052***
In connection with fair value hedges	**–**	***554***	**–**	***554***
In connection with cash flow hedges	**–**	***236***	**–**	***236***
Financial liabilities measured at fair value – Derivative financial instruments	**–**	**978**	**–**	**978**
Not designated in a hedge accounting relationship (including embedded derivatives)	**–**	***765***	**–**	***765***
In connection with cash flow hedges	**–**	***213***	**–**	***213***

(in millions of €)	Level 1	Level 2	Level 3	Sep 30, 2019 Total
Financial assets measured at fair value	8	3,221	709	3,938
Equity instruments measured at FVTPL	7	206	164	377
Equity instruments measured at FVOCI	1	1	511	513
Debt instruments measured at FVTPL	–	–	34	34
Derivative financial instruments	–	3,014	–	3,014
Not designated in a hedge accounting relationship (including embedded derivatives)	–	*2,215*	–	*2,215*
In connection with fair value hedges	–	*457*	–	*457*
In connection with cash flow hedges	–	*342*	–	*342*
Financial liabilities measured at fair value – Derivative financial instruments	–	1,273	–	1,273
Not designated in a hedge accounting relationship (including embedded derivatives)	–	*889*	–	*889*
In connection with cash flow hedges	–	*384*	–	*384*

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

Fair values of derivative financial instruments are determined in accordance with the specific type of instrument. Fair values of derivative interest rate contracts are estimated by discounting expected future cash flows using current market interest rates and yield curves over the remaining term of the instrument. Interest rate futures are valued based on quoted market prices, if available. Fair values of foreign currency derivatives are based on forward exchange rates. Options are generally valued based on quoted market prices or based on option pricing models. No compensating effects from underlying transactions (e.g. firm commitments and forecast transactions) are considered.

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

As of September 30, 2020 and 2019, Level 3 financial assets include venture capital investments of €386 million and €291 million (Next47 investments). In fiscal 2020 and 2019, new level 3 investments and purchases amounted to €249 million and €153 million, respectively. Sales amounted to €327 million in fiscal 2020, thereof €248 million related to a divestment of shareholding in an offshore wind farm, which was measured at FVOCI.

Net gains (losses) resulting from financial instruments are:

		Fiscal year
(in millions of €)	2020	2019
Cash and cash equivalents	**(168)**	33
Loans, receivables and other debt instruments measured at amortized cost	**(527)**	(97)
Financial liabilities measured at amortized cost	**1,291**	(1,383)
Financial assets and financial liabilities at FVTPL	**554**	465

Amounts include foreign currency gains (losses) from recognizing and measuring financial assets and liabilities. Net gains (losses) on financial assets and liabilities measured at FVTPL resulted from those mandatorily measured at FVTPL and comprise fair value changes of derivative financial instruments for which hedge accounting is not applied including interest income (expense), as well as dividends from and fair value changes of equity instruments measured at FVTPL.

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

		Fiscal year
(in millions of €)	2020	2019
Total interest income on financial assets	**1,494**	1,583
Total interest expenses on financial liabilities	**(779)**	(973)

Valuation allowances for expected credit losses

(in millions of €)	Loans, receivables and other debt instruments measured at amortized cost – Loans and other debt instruments under the general approach – Stage 1	Stage 2	Stage 3	Trade receivables and other debt instruments under the simplified approach	Contract Assets	Lease Receivables
Valuation allowance as of October 1, 2019	**54**	**12**	**68**	**891**	**198**	**184**
Change in valuation allowances recorded in the Consolidated Statements of Income in the current period	**67**	**11**	**43**	**175**	**9**	**97**
Write-offs charged against the allowance	**n/a**	**n/a**	**(35)**	**(60)**	**–**	**(46)**
Recoveries of amounts previously written off	**n/a**	**n/a**	**–**	**6**	**–**	**2**
Foreign exchange translation differences and other changes	**(48)**	**4**	**35**	**(17)**	**(2)**	**(11)**
Reclassifications to line item Assets held for disposal and dispositions of those entities	**–**	**–**	**–**	**(458)**	**(169)**	**–**
Valuation allowance as of September 30, 2020	**73**	**27**	**111**	**537**	**36**	**227**

(in millions of €)	Loans, receivables and other debt instruments measured at amortized cost – Loans and other debt instruments under the general approach – Stage 1	Stage 2	Stage 3	Trade receivables and other debt instruments under the simplified approach	Contract Assets	Lease Receivables
Valuation allowance as of October 1, 2018	48	11	64	877	160	211
Change in valuation allowances recorded in the Consolidated Statements of Income in the current period	13	3	26	136	32	36
Write-offs charged against the allowance	n/a	n/a	(39)	(105)	–	(72)
Recoveries of amounts previously written off	n/a	n/a	2	7	–	2
Foreign exchange translation differences and other changes	(6)	(2)	14	(25)	6	7
Reclassifications to line item Assets held for disposal and dispositions of those entities	–	–	–	–	–	–
Valuation allowance as of September 30, 2019	54	12	68	891	198	184

Impairment losses on financial instruments are presented in line items Cost of sales, Selling and general administrative expenses and Other financial income (expenses), net. Net losses in fiscal 2020 and 2019 are €404 million and €237 million, respectively. Impairment losses of €33 million and €113 million in fiscal 2020 and 2019 are mostly attributable to the SFS business and presented in Other financial income (expenses), net.

Should the current COVID-19 situation result in a prolonged recession with a delayed recovery process, valuation allowances for expected credit losses on financial assets at amortized cost could increase by a lower three-digit million €-amount.

Offsetting

Siemens enters into master netting and similar agreements for derivative financial instruments. Potential offsetting effects are as follows:

	Financial assets		Financial liabilities	
(in millions of €)	2020	Sep 30, 2019	2020	Sep 30, 2019
Gross amounts	**2,571**	2,575	**795**	1,056
Amounts offset in the Statement of Financial Position	**2**	7	**2**	7
Net amounts in the Statement of Financial Position	**2,569**	2,568	**793**	1,049
Related amounts not offset in the Statement of Financial Position	**829**	835	**571**	658
Net amounts	**1,739**	1,733	**221**	391

NOTE 24 Derivative financial instruments and hedging activities

To hedge foreign currency exchange and interest rate risks, derivatives are contracted to achieve a 1:1 hedge ratio so that the main characteristics match the underlying hedged items (e.g. nominal amount, maturity) in a critical term match, which ensures an economic relationship between hedging instruments and hedged items suitable for hedge accounting. The nominal amounts of hedging instruments by maturity are:

	Sep 30, 2020		Sep 30, 2019	
(in millions of €)	Up to 12 months	More than 12 months	Up to 12 months	More than 12 months
Foreign currency exchange contracts	**10,739**	**4,435**	7,803	8,248
Interest rate swaps	**450**	**7,110**	–	7,842
therein: included in cash flow hedges	***–***	***598***	*–*	*1,195*
therein: included in fair value hedges	***450***	***6,512***	*–*	*6,647*

Fair values of each type of derivative financial instruments reported as financial assets or financial liabilities in line items Other current financial assets (liabilities) or Other financial assets (liabilities) are:

	Sep 30, 2020		Sep 30, 2019	
(in millions of €)	Asset	Liability	Asset	Liability
Foreign currency exchange contracts	**933**	**617**	942	792
therein: included in cash flow hedges	***231***	***106***	*341*	*340*
Interest rate swaps and combined interest and currency swaps	**1,835**	**328**	1,639	248
therein: included in cash flow hedges	***–***	***107***	*–*	*42*
therein: included in fair value hedges	***554***	***–***	*457*	*–*
Other (embedded derivatives, options, commodity swaps)	**74**	**33**	434	233
	2,842	**978**	3,014	1,273

Other components of equity, net of income taxes, relating to cash flow hedges reconciles as follows:

	Interest rate risk		Foreign currency risk
(in millions of €)	Cash flow hedge reserve	Cash flow hedge reserve	Cost of hedging reserve
Balance as of October 1, 2019	**(10)**	**(57)**	**3**
Siemens Energy spin-off	**–**	**21**	**–**
Hedging gains (losses) presented in OCI	**(48)**	**162**	**163**
Reclassification to net income	**(1)**	**8**	**(49)**
Balance as of September 30, 2020	**(59)**	**133**	**117**
thereof discontinued hedge accounting	***–***	***1***	***–***

	Interest rate risk		Foreign currency risk
(in millions of €)	Cash flow hedge reserve	Cash flow hedge reserve	Cost of hedging reserve
Balance as of October 1, 2018	35	72	–
Hedging gains (losses) presented in OCI	(42)	(223)	19
Reclassification to net income	(4)	94	(16)
Balance as of September 30, 2019	(10)	(57)	3
thereof discontinued hedge accounting	*–*	*16*	*–*

Amounts reclassified to net income in connection with interest rate risk hedges and non-operative foreign currency hedges are presented in Other financial income (expenses), net. Reclassifications of foreign currency risk hedges with operative business purposes are presented as functional costs. Costs of hedging reserve is the forward element of forward contracts that are not designated as hedge accounting and which are amortized to interest expense on a straight-line basis as the hedged item is time-period related.

Foreign currency exchange rate risk management

DERIVATIVE FINANCIAL INSTRUMENTS NOT DESIGNATED IN A HEDGING RELATIONSHIP

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

CASH FLOW HEDGES

The Company's operating units apply hedge accounting to certain significant forecast transactions and firm commitments denominated in foreign currencies. Particularly, the Company 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. The risk mainly results from contracts denominated in US$ both from Siemens' operating units entering into long-term contracts e.g. from the project business, from the standard product business and, additionally, Siemens AG entered into a deal contingent forward with a nominal amount of €7,500 million to hedge exchange risks arising from a part of the purchase price obligation for the planned Siemens Healthineers acquisition of Varian Medical Systems Inc. In fiscal 2020 and 2019, the risk is hedged against the euro at an average rate of 1.2013 €/US$ and 1.1972 €/US$ (forward purchases of US$), respectively and 1.1950 €/US$ and 1.2547 €/US$ (forward sales of US$). As of September 30, 2020 and 2019, the hedging transactions have an average remaining maturity until 2022 and 2020 (forward purchases of US$) as well as 2021 and 2024 (forward sales of US$).

Interest rate risk management

DERIVATIVE FINANCIAL INSTRUMENTS NOT DESIGNATED IN A HEDGING RELATIONSHIP

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

CASH FLOW HEDGES OF FLOATING-RATE COMMERCIAL PAPERS

Siemens applies cash flow hedge accounting to a revolving portfolio of floating-rate commercial papers of nominal US$700 million. Siemens pays a fixed rate of interest and receives a variable rate of interest, offsetting future changes in interest payments of the underlying floating-rate commercial papers. Net cash receipts and payments are recorded as interest expenses. The Company had interest rate swap contracts to receive variable rates of interest of an average of 0.23% and 2.11% as of September 30, 2020 and 2019, respectively, and paid fixed rates of interest (average rate of 1.95% and 1.95%, as of September 30, 2020 and 2019, respectively).

FAIR VALUE HEDGES OF FIXED-RATE DEBT OBLIGATIONS

Under interest rate swap agreements outstanding in fiscal 2020 and 2019, the Company agreed to pay a variable rate of interest multiplied by a notional principal amount, and to receive in return an amount equal to a specified fixed rate of interest multiplied by the same notional principal amount. These interest rate swap agreements offset future changes in interest rates designated as hedged risk on the fair value of the underlying fixed-rate debt obligations. As of September 30, 2020 and 2019, the carrying amounts of €6,938 million and €7,050 million, respectively, of fixed-rate debt obligations are designated in fair value hedges, including €540 million and €416 million cumulative fair value hedge adjustments. Unamortized fair value hedge adjustments of €220 million and €281 million as of September 30, 2020 and 2019, respectively, relate to no longer applied hedge accounting. The amounts are amortized over the remaining term of the underlying debt, maturing until 2042. Carrying amount adjustments to debt of €(123) million and €405 million, respectively, in fiscal 2020 and 2019 are included in Other financial income (expenses), net; the related swap agreements resulted in gains (losses) of €91 million and €(417) million, respectively, in fiscal 2020 and 2019. 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 (0.13)% and 0.825% as of September 30, 2020 and 2019, respectively and received fixed rates of interest (average rate of 1.49% and 1.523%, as of September 30, 2020 and 2019, respectively). The notional amount of indebtedness hedged as of September 30, 2020 and 2019 was €6,423 million and €6,664 million, respectively. This changed 18% and 22% of the Company's underlying notes and bonds from fixed interest rates into variable interest rates as of September 30, 2020 and 2019, 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, 2020 and 2019 was €520 million and €428 million, respectively.

NOTE 25 Financial risk management

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

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

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

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

Foreign currency exchange rate risk

TRANSACTION RISK

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

Operating units are prohibited from borrowing or investing in foreign currencies on a speculative basis. Intercompany financing or investments of operating units are preferably carried out in their functional currency or on a hedged basis.

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

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

As of September 30, 2020 and 2019, the VaR relating to foreign currency exchange rates was €90 million and €79 million. This VaR was calculated under consideration of items of the Consolidated Statements of Financial Position in addition to firm commitments, which are denominated in foreign currencies, as well as foreign currency denominated cash flows from forecast transactions for the following twelve months. The increase in the VaR resulted mainly from a higher net foreign currency position after hedging activities.

TRANSLATION RISK

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

Interest rate risk

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

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

As of September 30, 2020 and 2019, the VaR relating to the interest rate was €424 million and €722 million. The decrease was driven mainly by lower interest rate volatilities, in particular for the U.S. dollar and the euro.

Liquidity risk

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

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

The following table reflects our contractually fixed payoffs for settlement, repayments and interest. The disclosed expected undiscounted net cash outflows from derivative financial liabilities are determined based on each particular settlement date of an instrument and based on the earliest date on which Siemens could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on the conditions existing at September 30, 2020.

				Fiscal year
(in millions of €)	2021	2022	2023 to 2025	2026 and thereafter
Non-derivative financial liabilities				
Notes and bonds	4,199	6,435	10,647	23,436
Loans from banks	347	198	885	6
Other financial indebtedness	2,023	2	8	46
Lease liabilities	695	563	921	867
Trade payables	7,786	53	32	2
Other financial liabilities	1,480	112	109	21
Derivative financial liabilities	513	113	195	172
Credit guarantees[1]	604	–	–	–
Irrevocable loan commitments[2]	3,177	335	229	14

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

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

Credit risk

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

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

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

Siemens maintains a Credit Risk Intelligence Unit to which numerous operating units from the Siemens Group regularly transfer business partner data as a basis for a centralized internal rating and credit limit recommendation process. Due to the identification, quantification and active management of credit risks, this increases credit risk transparency.

Ratings and individually defined credit limits are based on generally accepted rating methodologies, with information obtained from customers, external rating agencies, data service providers and Siemens' credit default experiences. Internal ratings consider appropriate forward-looking information relevant to the specific financial instrument like expected changes in the debtor's financial position, ownership, management or operational risks, as well as broader forward-looking information, such as expected macroeconomic, industry-related and competitive developments. The ratings also consider a country-specific risk component derived from external country credit ratings. Ratings and credit limits for financial institutions as well as Siemens' public and private customers, which are determined by internal risk assessment specialists, are continuously updated and considered for investments in cash and cash equivalents and in determining the conditions under which direct or indirect financing will be offered to customers.

An exposure is considered defaulted if the debtor is unwilling or unable to pay its credit obligations. A range of internally defined events trigger a default rating, including the opening of bankruptcy proceedings, receivables being more than 90 days past due, or a default rating by an external rating agency.

To analyze and monitor credit risks, the Company applies various systems and processes. A main element is a central IT application that processes data from operating units together with rating and default information and calculates an estimate, which may be used as a basis for individual bad debt provisions. Additionally, qualitative information is considered to particularly incorporate the latest developments.

The carrying amount is the maximum exposure to a financial asset's credit risk, without taking account of any collateral. Collateral reduces the valuation allowance to the extent it mitigates credit risk. Collateral needs to be specific, identifiable and legally enforceable to be taken into account. Those collaterals are mostly held in the portfolio of SFS.

As of September 30, 2020 and 2019, collateral of €829 million and €835 million, respectively, relate to financial assets measured at fair value. Those collaterals are provided in connection with netting agreements for derivatives providing protection from the risk of a counterparty's insolvency. As of September 30, 2020 and 2019, collateral held for credit-impaired receivables from finance leases amounted to €141 million and €55 million, respectively. As of September 30, 2020 and 2019, collateral held for financial assets measured at amortized cost amounted to €4,109 million and €3,948 million, respectively, including €141 million and €86 million, respectively, for credit-impaired loans in SFS' asset finance business. Those collaterals mainly comprised property, plant and equipment. Credit risks arising from irrevocable loan commitments are equal to the expected future pay-offs resulting from these commitments.

SFS' external financing portfolio disaggregates into credit risk rating grades as of September 30, 2020 as follows (pre valuation allowances):

	Loans and other debt instruments under the general approach			Financial guarantees and loan commitments			Lease Receivables
(in millions of €)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Investment Grade Ratings	6,101	31	n/a	607	n/a	n/a	1,966
Non-Investment Grade Ratings	12,189	776	541	2,574	130	100	4,172

Trade receivables of operating units are generally rated internally; as of September 30, 2020 and 2019, approximately 43% and 42%, respectively, have an investment grade rating and 57% and 58%, respectively, have a non-investment grade rating. Contract assets generally show similar risk characteristics as trade receivables in operating units.

Amounts above do not represent economic credit risk, since they consider neither collateral held nor valuation allowances already recognized.

Equity Price Risk

Siemens' investment portfolio consists of direct and indirect investments in publicly traded companies that are classified as long term investments. These investments are monitored based on their current market value, affected primarily by fluctuations on the volatile technology-related markets worldwide. As of September 30, 2020, the market value of Siemens' portfolio, which mainly consists of one investment in a publicly traded company, was €1,055 million. The VaR relating to the equity price was €182 million.

NOTE 26 Share-based payment

Share-based payment awards may be settled in newly issued shares of capital stock of Siemens AG, in treasury shares or in cash. Share-based payment awards may forfeit if the employment of the beneficiary terminates prior to the expiration of the vesting period. In fiscal 2020 and 2019, expense from equity-settled awards on a continuing basis are €298 million and €250 million; cash-settled awards on a continuing basis resulted in gains (expenses) of €(26) million in fiscal 2020 and €24 million in fiscal 2019.

In connection with the Siemens Energy spin-off, share-based payment arrangements were altered in fiscal 2020. To address an expected dilution from the spin off, beneficiaries remaining with Siemens receive at the date of transfer, in addition to Siemens shares, a compensating cash payment based on the spin-off ratio 2:1 and based on the Siemens Energy share price at vesting. Due to the modifications of the underlying stock awards and matching shares, €55 million were reclassified from equity to liabilities as of July 9, 2020, and thereby recognized as cash-settled share-based payment plan, taking into account the proportionate vesting period passed. In connection with the spin-off, beneficiaries leaving Siemens and joining Siemens Energy no longer participate in the stock award and share matching programs. Related Siemens obligations were settled, the beneficiaries received a compensating cash payment from Siemens Energy following the spin-off.

Stock Awards

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

Stock awards are tied to performance criteria. For stock awards granted in fiscal 2020, 80% of the target amount is linked to the relative total shareholder return of Siemens compared to the total shareholder return of the MSCI World Industrials sector index (TSR-Target) during a four-year restriction period; the remaining 20% are linked to a Siemens internal sustainability target considering environmental, social and governance targets (ESG-Target). The annual target amount for stock awards up to and including tranche 2019 is linked to the share price performance of Siemens relative to the share price performance of five important competitors during the four-year restriction period. The target attainment for each individual performance criteria ranges between 0% and 200%. For awards granted since fiscal 2019 settlement is in shares only corresponding to the actual target attainment. Awards granted prior to fiscal 2019, target outperformances in excess of 100% are settled in cash. The vesting period is four years.

COMMITMENTS TO MEMBERS OF THE MANAGING BOARD

Most of the Managing Board's stock awards are based on criteria described above. Fair values are €12 million and €11 million, respectively, in fiscal 2020 and 2019, calculated by applying a valuation model. In fiscal 2020 and 2019, inputs to that model include, for the majority of the stock awards granted, an expected weighted volatility of Siemens shares of 21.58% and 21.72%, respectively, and a market price of €116.80 and €102.42 per Siemens share. Expected volatility was determined by reference to historic volatilities. The model applies a risk-free interest rate of up to (0.24)% and 0.14% in fiscal 2020 and 2019, respectively, and an expected dividend yield of 3.31% in fiscal 2020 and 3.71% in fiscal 2019. Assumptions relating to correlations between the Siemens share price and a) the development of the MSCI index in fiscal 2020, respectively b) the shares prices of the competitors basket in fiscal 2019 were derived from historic observations of share price and index changes.

COMMITMENTS TO MEMBERS OF THE SENIOR MANAGEMENT AND OTHER ELIGIBLE EMPLOYEES

In fiscal 2020, 2,688,334 equity settled stock awards were granted relating to the TSR-target with a fair value of €132 million; 672,197 equity settled stock awards were granted relating to the ESG-target with a fair value of €66 million. In fiscal 2019, 3,751,556 stock awards were granted with a fair value of equity-settled stock awards of €168 million contingent upon attaining the prospective performance-based target of Siemens stock relative to five competitors.

Fair value of stock awards granted in fiscal 2020 (TSR-related) and 2019 were calculated applying a valuation model. In fiscal 2020 and 2019, inputs to that model include an expected weighted volatility of Siemens shares of 21.58% and 21.73%, respectively, and a market price of €116.02 and €98.92 per Siemens share. Expected volatility was determined by reference to historic volatilities. The model applies a risk-free interest rate of up to (0.26)% in fiscal 2020 and up to 0.16 in fiscal 2019 and an expected dividend yield of 3.31% and 3.84% in fiscal 2020 and 2019, respectively. Assumptions relating to correlations between the Siemens share price and a) the development of the MSCI Index in fiscal 2020 respectively b) the share prices of the competitor basket in fiscal 2019 were derived from historic observations of share price and index changes. In fiscal 2020, fair value of the ESG component of €98.02 per share was determined as the market price of Siemens shares less the present value of expected dividends during the vesting period.

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

		Fiscal year
	2020	2019
Non-vested, beginning of period	**8,742,219**	6,641,400
Granted	**3,360,531**	3,751,556
Vested and fulfilled	**(1,733,082)**	(603,572)
Adjustments due to vesting conditions other than market conditions	**(351,339)**	–
Forfeited	**(412,903)**	(386,041)
Modified	**–**	(643,619)
Settled (thereof 2,293,915 in connection with the Siemens Energy spin-off in fiscal 2020)	**(2,303,850)**	(17,505)
Non-vested, end of period	**7,301,576**	8,742,219

Share Matching Program and its underlying plans

In fiscal 2020, Siemens issued a new tranche under each of the plans of the Share Matching Program.

SHARE MATCHING PLAN

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

MONTHLY INVESTMENT PLAN

Under the Monthly Investment Plan employees other than senior managers may invest a specified part of their compensation in Siemens shares on a monthly basis over a period of twelve months. Shares are purchased at market price at a predetermined date once a month. If the Managing Board decides that shares acquired under the Monthly Investment Plan are transferred to the Share Matching Plan, plan participants will receive the right to matching shares under the same conditions applying to the Share Matching Plan described above with a vesting period of about two years. The Managing Board decided that shares acquired under the tranches issued in fiscal 2019 and 2018 are transferred to the Share Matching Plan as of February 2020 and February 2019, respectively.

BASE SHARE PROGRAM

Under the Base Share Program employees of Siemens AG and participating domestic Siemens companies may invest a fixed amount of their compensation in Siemens shares, sponsored by Siemens. The shares are bought at market price at a predetermined date in the second quarter and grant the right to receive matching shares under the same conditions applying to the Share Matching Plan described above. The fair value of the Base Share Program amounted to €33 million and €33 million in fiscal 2020 and 2019, respectively.

RESULTING MATCHING SHARES

		Fiscal year
	2020	2019
Outstanding, beginning of period	**1,785,913**	1,692,909
Granted	**874,793**	943,399
Vested and fulfilled	**(569,405)**	(702,125)
Forfeited	**(122,659)**	(105,092)
Settled (thereof 420,174 in connection with the Siemens Energy spin-off in fiscal 2020)	**(459,596)**	(43,178)
Outstanding, end of period	**1,509,046**	1,785,913

The weighted average fair value of matching shares granted in fiscal 2020 and 2019 of €89.71 and €76.76 per share, respectively, was determined as the market price of Siemens shares less the present value of expected dividends taking into account non-vesting conditions.

Jubilee Share Program

For their 25th and 40th service anniversary eligible employees receive jubilee shares. There were 3.29 million and 4.23 million entitlements to jubilee shares outstanding as of September 30, 2020 and 2019, respectively. In fiscal 2020, the obligation to provide 0.88 million jubilee shares was transferred to Siemens Energy in connection with the spin-off.

NOTE 27 Personnel costs

	Continuing operations		Continuing and discontinued operations	
		Fiscal year		Fiscal year
(in millions of €)	2020	2019	2020	2019
Wages and salaries	**20,132**	20,585	**26,660**	25,975
Statutory social welfare contributions and expenses for optional support	**3,010**	3,183	**3,970**	3,984
Expenses relating to post-employment benefits	**1,031**	992	**1,348**	1,263
	24,173	24,760	**31,978**	31,222

In fiscal 2020 and 2019, severance charges for continuing operations amount to €591 million and €340 million, respectively, thereof at Digital Industries €210 million and €92 million and at Smart Infrastructure €195 million and €46 million.

Employees were engaged in (averages; based on head-count):

	Continuing operations		Continuing and discontinued operations	
		Fiscal year		Fiscal year
(in thousands)	2020	2019	2020	2019
Manufacturing and services	**167**	163	**219**	232
Sales and marketing	**55**	57	**64**	69
Research and development	**41**	40	**44**	45
Administration and general services	**31**	33	**35**	37
	294	293	**363**	383

NOTE 28 Earnings per share

		Fiscal year
(shares in thousands; earnings per share in €)	2020	2019
Income from continuing operations	**4,290**	5,158
Less: Portion attributable to non-controlling interest	**311**	362
Income from continuing operations attributable to shareholders of Siemens AG	**3,979**	4,796
Less: Dilutive effect from share based payment resulting from Siemens Healthineers	**3**	–
Income from continuing operations attributable to shareholders of Siemens AG to determine dilutive earnings per share	**3,976**	–
Weighted average shares outstanding – basic	**806,335**	807,273
Effect of dilutive share-based payment	**11,029**	10,657
Effect of dilutive warrants	**–**	380
Weighted average shares outstanding – diluted	**817,364**	818,309
Basic earnings per share (from continuing operations)	**4.93**	5.94
Diluted earnings per share (from continuing operations)	**4.86**	5.86

NOTE 29 Segment information

(in millions of €)	Orders		External revenue		Intersegment Revenue		Total revenue	
	Fiscal year		Fiscal year		Fiscal year		Fiscal year	
	2020	2019	2020	2019	2020	2019	2020	2019
Digital Industries	**15,896**	15,944	**14,279**	15,319	**718**	769	**14,997**	16,087
Smart Infrastructure	**14,734**	15,590	**13,742**	13,986	**581**	612	**14,323**	14,597
Mobility	**9,169**	12,894	**9,012**	8,870	**40**	45	**9,052**	8,916
Siemens Healthineers	**16,163**	15,853	**14,349**	14,412	**111**	105	**14,460**	14,517
Industrial Businesses	**55,963**	60,281	**51,381**	52,587	**1,450**	1,531	**52,832**	54,118
Siemens Financial Services	**716**	832	**667**	777	**48**	55	**716**	832
Portfolio Companies	**5,258**	5,562	**4,633**	4,749	**760**	706	**5,393**	5,455
Reconciliation to Consolidated Financial Statements	**(1,959)**	(1,993)	**458**	369	**(2,259)**	(2,292)	**(1,801)**	(1,922)
Siemens (continuing operations)	**59,977**	64,682	**57,139**	58,483	**–**	–	**57,139**	58,483

Description of reportable segments

- Digital Industries, offers a comprehensive product portfolio and system solutions for automation used in discrete and process industries, complemented by product lifecycle and data-driven services,
- Smart Infrastructure, supplies and intelligently connects energy systems and building technologies, to significantly improve efficiency and sustainability while supporting its customers in addressing major technology shifts,
- Mobility, combines all Siemens businesses in the area of passenger and freight transportation, including rail vehicles, rail automation systems, rail electrification systems, road traffic technology, digital solutions and related services,
- Siemens Healthineers is a global provider of technology to the healthcare industry. It provides medical technology and software solutions as well as clinical consulting services, supported by an extensive set of training and service offerings,
- Siemens Financial Services (SFS) supports its customers' investments with leasing solutions and equipment, project and structured financing in the form of debt and equity investments

Portfolio Companies (POC)

comprise businesses which include a broad range of customized and application-specific products, software, solutions, systems and services in different industries including oil and gas, marine, mining, cement, water, fiber, wind, logistics and energy.

Reconciliation to Consolidated Financial Statements

Siemens Energy Investment – includes our investment in Siemens Energy after the spin-off accounted for using the equity method as well as a smaller investment in connection with Siemens Energy.

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

Corporate items – includes corporate costs, such as group managing costs, basic research of Corporate Technology, Siemens Advanta, as well as corporate services and projects. Corporate items also include equity interests, activities generally intended for closure as well as activities remaining from divestments and discontinued operations.

Profit		Assets		Free cash flow		Additions to intangible assets and property, plant & equipment		Amortization, depreciation & impairments	
	Fiscal year		Sep 30,		Fiscal year		Fiscal year		Fiscal year
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
3,252	2,880	**10,756**	10,626	**2,854**	2,635	**194**	316	**700**	668
1,302	1,465	**4,340**	4,907	**1,498**	1,540	**182**	239	**337**	263
822	983	**3,424**	3,045	**862**	903	**183**	175	**292**	184
2,184	2,461	**15,338**	13,889	**1,928**	1,618	**544**	575	**815**	620
7,560	7,789	**33,859**	32,467	**7,142**	6,696	**1,104**	1,306	**2,144**	1,735
345	632	**28,946**	29,901	**611**	621	**23**	27	**253**	220
(504)	2	**1,544**	2,383	**556**	189	**80**	77	**217**	100
(1,730)	(1,491)	**59,548**	85,498	**(1,684)**	(2,339)	**347**	371	**543**	225
5,672	6,933	**123,897**	150,248	**6,625**	5,167	**1,554**	1,780	**3,157**	2,280

Centrally carried pension expense – includes the Company's pension related income (expense) not allocated to the segments, POC or Siemens Real Estate.

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

Measurement – Segments

Accounting policies for Segment information are generally the same as those used for the Consolidated Financial Statements. Segment information is disclosed for continuing operations; prior year Assets are reclassified to conform to the current year presentation. For internal and segment reporting purposes intercompany lease transactions, however, are classified as operating leases by the lessor and are accounted for off-balance sheet by the lessee (except for intercompany leases with Siemens Healthineers and Mobility as lessees). Intersegment transactions are based on market prices.

REVENUE

Revenue includes revenue from contracts with customers and revenue from leasing activities. In fiscal 2020 and 2019, lease revenue is €916 million and €795 million, respectively. In fiscal 2020 and 2019, Digital industries recognized €4,144 million and €4,039 million revenue, respectively, from its software business, Smart Infrastructure recognized €5,224 million and €5,515 million in its product business. Revenues of Mobility are mainly derived from construction-type business.

PROFIT

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

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

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

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

PROFIT OF THE SEGMENT SFS

In contrast to performance measurement principles applied to other segments, interest income and expenses are included, since interest is an important source of revenue and expense of SFS.

ASSET MEASUREMENT PRINCIPLES

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

ORDERS

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

As of September 30, 2020 and 2019, order backlog totaled €70 billion and €69 billion (continuing operations); thereof Digital Industries €5 billion and €5 billion, Smart Infrastructure €10 billion and €10 billion, Mobility €32 billion and €33 billion and Siemens Healthineers €18 billion and €18 billion. In fiscal 2021, Siemens expects to convert approximately €28 billion of the September 30, 2020 order backlog into revenue; thereof at Digital Industries approximately €4 billion, Smart Infrastructure approximately €7 billion, Mobility approximately €8 billion and Siemens Healthineers approximately €6 billion.

FREE CASH FLOW DEFINITION

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

AMORTIZATION, DEPRECIATION AND IMPAIRMENTS

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

Measurement – POC and Siemens Real Estate

POC follows the measurement principles of the segments except for SFS. Siemens Real Estate applies the measurement principles of SFS.

Reconciliation to Consolidated Financial Statements

Profit

(in millions of €)	2020	Fiscal year 2019
Siemens Energy Investment	**(24)**	–
Siemens Real Estate	**325**	135
Corporate items	**(892)**	(472)
Centrally carried pension expense	**(211)**	(210)
Amortization of intangible assets acquired in business combinations	**(691)**	(634)
Eliminations, Corporate Treasury and other reconciling items	**(236)**	(310)
Reconciliation to Consolidated Financial Statements	**(1,730)**	(1,491)

In fiscal 2020 and 2019, Profit of SFS includes interest income of €1,238 million and €1,331 million, respectively and interest expenses of €436 million and €564 million, respectively.

Assets

(in millions of €)	2020	Sep 30, 2019
Siemens Energy Investment	**6,748**	–
Assets Siemens Real Estate	**3,898**	3,146
Assets Corporate items and pensions	**(612)**	230
Asset-based adjustments:		
Intragroup financing receivables	**51,509**	45,493
Tax-related assets	**4,383**	3,052
Liability-based adjustments	**28,228**	26,284
Eliminations, Corporate Treasury, other items	**(34,607)**	7,294
Reconciliation to Consolidated Financial Statements	**59,548**	85,498

NOTE 30 Information about geographies

(in millions of €)	Revenue by location of customers 2020	Revenue by location of customers Fiscal year 2019	Revenue by location of companies 2020	Revenue by location of companies Fiscal year 2019	Non-current assets 2020	Non-current assets Sep 30, 2019
Europe, C.I.S., Africa, Middle East	**28,062**	28,821	**29,566**	30,735	**17,624**	25,065
Americas	**15,464**	15,597	**15,154**	15,243	**14,410**	21,795
Asia, Australia	**13,613**	14,065	**12,420**	12,505	**3,504**	5,284
Siemens	**57,139**	58,483	**57,139**	58,483	**35,537**	52,143
thereof Germany	***9,726***	*9,882*	***12,020***	*12,390*	***6,995***	*8,701*
thereof countries outside of Germany	***47,413***	*48,601*	***45,119***	*46,093*	***28,543***	*43,442*
therein U.S.	***12,981***	*12,937*	***12,992***	*12,817*	***13,656***	*20,296*

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

NOTE 31 Related party transactions

Joint ventures and associates

Siemens has relationships with many joint ventures and associates in the ordinary course of business whereby Siemens buys and sells a wide variety of products and services generally on arm's length terms. The transactions between continuing operations and joint ventures and associates were as follows:

	Sales of goods and services and other income		Purchases of goods and services and other expenses	
	Fiscal year		Fiscal year	
(in millions of €)	2020	2019	2020	2019
Joint ventures	**147**	153	**34**	12
Associates	**68**	137	**87**	107
	215	291	**121**	119

	Receivables		Liabilities	
	Sep 30,		Sep 30,	
(in millions of €)	2020	2019	2020	2019
Joint ventures	**76**	228	**49**	197
Associates	**1,105**	44	**1,358**	223
	1,181	271	**1,407**	420

In fiscal 2020 and 2019, sales of goods and services and other income resulting from transactions between discontinued operations and joint ventures and associates amounted to €391 million and €641 million, respectively. Purchases of goods and services and other expenses resulting from transactions between discontinued operations and joint ventures and associates amounted to €173 million and €245 million, respectively.

As of September 30, 2020, receivables to associates included reimbursement rights against Siemens Energy totaling €658 million. These rights were recognized correspondingly with obligations from customer contracts in connection with Siemens Energy activities legally remaining at Siemens. Liabilities to associates as of September 30, 2020 were mainly due to trade receivables that also result from these activities and that have economically to be allocated to Siemens Energy.

As of September 30, 2020 and 2019, guarantees to joint ventures and associates amounted to €27,505 million and €470 million, respectively, thereof €27,253 million and €142 million, respectively, to associates. Guarantees as of September 30, 2020 included mainly Siemens' obligations from performance and credit guarantees in connection with the Siemens Energy business. For these guarantees, Siemens has reimbursement rights for the full amount.

As of September 30, 2020 and 2019, loans given to joint ventures and associates amounted to €900 million and €679 million, therein €881 million and €662 million related to joint ventures, respectively. The related book values amounted to €26 million and €481 million, therein €20 million and €477 million related to joint ventures, respectively. Valuation adjustments recognized in fiscal 2020 and 2019 reduced book values of loans related to joint ventures by €744 million and €100 million, respectively.

As of September 30, 2020 and 2019, the Company had commitments to make capital contributions to joint ventures and associates of €62 million and €145 million, therein €51 million and €127 million related to joint ventures, respectively.

As of September 30, 2020 and 2019, there were loan commitments to joint ventures amounting to €299 million and €361 million, respectively.

From the effective date of the spin-off, Siemens Energy is reported as an associate of Siemens. There are various relationships between Siemens and Siemens Energy in the ordinary course of business, such as purchases or sales of goods and services, leases, transfers under license agreements and cooperation in research and development.

Furthermore, Siemens Energy will continue to receive services from Siemens, particularly in the areas of information technology, human resources, communications, security and procurement as well as from Siemens Advanta, Global Business Services and Corporate Technology.

Additionally, Siemens and Siemens Energy concluded a non-exclusive Preferred Financing Agreement with a term until September 30, 2030 governing the cooperation in the areas of debt financing, commercial financing and equity financing of customers of the Siemens Energy business and their projects. Debt financing comprises the provision of debt capital via standard market debt financing structures. An investment volume of up to €300 million per fiscal year has been committed by Siemens for the first five years. For a further five years, it was agreed to reinvest any sales revenue from the equity portfolio, but at least €500 million. Moreover, equity financing can also be provided up to a total volume of €210 million upon full recourse to Siemens Energy. Furthermore, a Preferred Financing Agreement with Siemens Gamesa Renewable Energy existed with a financing commitment of up to €200 million per fiscal year for a period of five years until September 30, 2025.

Pension entities

In fiscal 2020, funding of post-employment benefit plans included the transfer of 9.9% interest in Siemens Energy AG.

For information regarding the funding of our post-employment benefit plans see ↗ **NOTE 17**.

Related individuals

In fiscal 2020 and 2019, members of the Managing Board – including members who left during fiscal 2020 – received cash compensation of €15.3 million and €22.0 million. The fair value of stock-based compensation amounted to €11.3 million and €11.1 million for 203,460 and 254,693 stock awards, respectively, in fiscal 2020 and 2019. In fiscal 2020 and 2019, the Company granted contributions under the BSAV to members of the Managing Board totaling €4.5 million and €5.6 million, respectively.

Therefore, in fiscal 2020 and 2019, compensation and benefits, attributable to members of the Managing Board amounted to €31.0 million and €38.6 million in total, respectively.

In fiscal 2020 and 2019, expense related to share-based payment amounted to €17.7 million and €4.7 million, respectively, including expenses related to the additional cash payment compensation due to the spin-off of Siemens Energy.

Associated with the earlier termination of her duties on the Managing Board, Lisa Davis was granted a severance payment of €2.4 million, fringe benefits of €0.7 million and a special contribution to the BSAV of €0.4 million.

Associated with the earlier termination of his duties on the Managing Board, Michael Sen was granted a cash compensation of €2.2 million, a BSAV contribution of €0.6 million and a share-based payment of €1.3 million for the period until the earlier termination of his employment contract. For the remaining period until the regular end of his Managing Board appointment he was granted a severance payment of €3.5 million and a special contribution to the BSAV of €0.6 million.

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 €16.0 million and €21.1 million in fiscal 2020 and 2019, respectively.

The defined benefit obligation (DBO) of all pension commitments to former members of the Managing Board and their surviving dependents as of September 30, 2020 and 2019 amounted to €176.5 million and €175.7 million, respectively.

Compensation attributable to members of the Supervisory Board comprises in fiscal 2020 and 2019 of a base compensation and additional compensation for committee work and amounted to €5.3 and €5.1 million (including meeting fees), respectively.

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

In fiscal 2020 and 2019, no other major transactions took place between the Company and the members of the Managing Board and the Supervisory Board.

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

NOTE 32 Principal accountant fees and services

Fees related to professional services rendered by the Company's principal accountant, EY, for fiscal 2020 and 2019 are:

		Fiscal year
(in millions of €)	2020	2019
Audit services	**58.1**	51.1
Other attestation services	**10.4**	6.1
Tax services	**0.1**	0.1
	68.6	57.3

In fiscal 2020 and 2019, 44% and 35%, respectively, of the total fees related to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Germany.

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

NOTE 33 Corporate governance

The Managing and Supervisory Boards of Siemens Aktiengesellschaft and of Siemens Healthineers AG, a publicly listed subsidiary of Siemens, provided as of October 1, 2020, and September 30, 2020, respectively, the declarations required under Section 161 of the German Stock Corporation Act (AktG) and made them publicly available on their company websites at **WWW.SIEMENS.COM/GCG-CODE** and at **WWW.CORPORATE.SIEMENS-HEALTHINEERS.COM/INVESTOR-RELATIONS/CORPORATE-GOVERNANCE**, respectively.

NOTE 34 Subsequent events

In October 2020, Siemens signed an agreement to sell 100% of its shares in Flender GmbH, including Siemens' Wind Energy Generation business (Flender), both currently reported under Portfolio Companies. The purchase price is €2 billion (enterprise value). The transaction is subject to foreign-investment and antitrust approvals and is expected to close in the first half of calendar year 2021. Flender will be presented as held for disposal and discontinued operations starting in the first quarter of fiscal 2021.

In November 2020, to fund its pension plan, Siemens transferred its stake in Bentley Systems, Inc., measured at FVTPL, to the Siemens Pension-Trust e.V. The contribution amounts to €1,146 million.

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

September 30, 2020	Equity interest in %
SUBSIDIARIES	
Germany (112 companies)	
Airport Munich Logistics and Services GmbH, Hallbergmoos	**100** [10]
AIT Applied Information Technologies GmbH & Co. KG, Stuttgart	**100** [9]
AIT Verwaltungs-GmbH, Stuttgart	**100**
Alpha Verteilertechnik GmbH, Cham	**100** [10]
Atecs Mannesmann GmbH, Erlangen	**100**
Befund24 GmbH, Erlangen	**85**
Berliner Vermögensverwaltung GmbH, Berlin	**100** [10]
Capta Grundstücks-Verwaltungsgesellschaft mbH, Grünwald	**100**
Dade Behring Grundstücks GmbH, Kemnath	**100**
eos.uptrade GmbH, Hamburg	**100** [10]
evosoft GmbH, Nuremberg	**100** [10]
Flender Beteiligungen GmbH & Co. KG, Munich	**100**
Flender Beteiligungen Management GmbH, Munich	**100** [7]
Flender GmbH, Bocholt	**100**
Flender Industriegetriebe GmbH, Penig	**100**
HaCon Ingenieurgesellschaft mbH, Hanover	**100** [10]
ILLIT Grundstücksverwaltungs-Management GmbH, Grünwald	**85**
IPGD Grundstücksverwaltungs-Gesellschaft mbH, Grünwald	**100**
KACO new energy GmbH, Neckarsulm	**100**
KompTime GmbH, Munich	**100** [10]
Kyros 51 Aktiengesellschaft, Munich	**100** [7]
Kyros 54 GmbH, Munich	**100** [7]
Kyros 58 GmbH, Munich	**100** [7]
Kyros 62 GmbH, Munich	**100** [7]
Kyros 65 GmbH, Munich	**100** [7]
Kyros 66 GmbH, Munich	**100** [7]
Lincas Electro Vertriebsgesellschaft mbH, Grünwald	**100** [10]
Mentor Graphics (Deutschland) GmbH, Munich	**100**
NEO New Oncology GmbH, Cologne	**100**
Next47 GmbH, Munich	**100** [10]
Next47 Services GmbH, Munich	**100** [10]
Omnetric GmbH, Munich	**100**
OPTIO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Tübingen KG, Grünwald	**100** [9]
Projektbau-Arena-Berlin GmbH, Grünwald	**100** [10]
R&S Restaurant Services GmbH, Munich	**100**
REMECH Systemtechnik GmbH, Unterwellenborn	**100** [10]
RISICOM Rückversicherung AG, Grünwald	**100**
Siemens Bank GmbH, Munich	**100**
Siemens Beteiligungen Europa GmbH, Munich	**100** [10]
Siemens Beteiligungen Inland GmbH, Munich	**100** [10]
Siemens Beteiligungen Management GmbH, Kemnath	**100** [7]
Siemens Beteiligungen USA GmbH, Berlin	**100** [10]
Siemens Beteiligungsverwaltung GmbH & Co. OHG, Kemnath	**100** [9,12]
Siemens Campus Erlangen Grundstücks-GmbH & Co. KG, Grünwald	**100** [9]
Siemens Campus Erlangen Objekt 2 GmbH & Co. KG, Grünwald	**100** [9]
Siemens Campus Erlangen Objekt 3 GmbH & Co. KG, Grünwald	**100** [9]
Siemens Campus Erlangen Objekt 4 GmbH & Co. KG, Grünwald	**100** [9]
Siemens Campus Erlangen Objekt 5 GmbH & Co. KG, Grünwald	**100** [9]
Siemens Campus Erlangen Objekt 6 GmbH & Co. KG, Grünwald	**100** [9]
Siemens Campus Erlangen Objekt 7 GmbH & Co. KG, Grünwald	**100** [9]
Siemens Campus Erlangen Objektmanagement GmbH, Grünwald	**100**
Siemens Campus Erlangen Verwaltungs-GmbH, Grünwald	**100** [7]

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5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
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10 Exemption pursuant to Section 264 (3) German Commercial Code.
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September 30, 2020	Equity interest in %
Siemens Digital Logistics GmbH, Frankenthal	100 [10]
Siemens Finance & Leasing GmbH, Munich	100 [10]
Siemens Financial Services GmbH, Munich	100 [10]
Siemens Fonds Invest GmbH, Munich	100 [10]
Siemens Global Innovation Partners Management GmbH, Munich	100 [7]
Siemens Healthcare Diagnostics Products GmbH, Marburg	100
Siemens Healthcare GmbH, Munich	100
Siemens Healthineers AG, Munich	79
Siemens Healthineers Beteiligungen GmbH & Co. KG, Röttenbach	100
Siemens Healthineers Beteiligungen Verwaltungs-GmbH, Röttenbach	100 [7]
Siemens Healthineers Holding I GmbH, Röttenbach	100
Siemens Healthineers Innovation GmbH & Co. KG, Röttenbach	100
Siemens Healthineers Innovation Verwaltungs-GmbH, Röttenbach	100 [7]
Siemens Immobilien GmbH & Co. KG, Grünwald	100 [9]
Siemens Immobilien Management GmbH, Grünwald	100 [7]
Siemens Industriepark Karlsruhe GmbH & Co. KG, Grünwald	100 [9]
Siemens Industry Software GmbH, Cologne	100
Siemens Liquidity One, Munich	100
Siemens Logistics GmbH, Constance	100 [10]
Siemens Medical Solutions Health Services GmbH, Grünwald	100
Siemens Middle East Holding GmbH & Co. KG, Grünwald	100 [7]
Siemens Mobility GmbH, Munich	100 [10]
Siemens Mobility Real Estate GmbH & Co. KG, Grünwald	100 [9]
Siemens Mobility Real Estate Management GmbH, Grünwald	100 [7]
Siemens Nixdorf Informationssysteme GmbH, Grünwald	100
Siemens OfficeCenter Frankfurt GmbH & Co. KG, Grünwald	100 [9]
Siemens OfficeCenter Verwaltungs GmbH, Grünwald	100

September 30, 2020	Equity interest in %
Siemens Private Finance Versicherungsvermittlungsgesellschaft mbH, Munich	100 [10]
Siemens Project Ventures GmbH, Erlangen	100 [10]
Siemens Real Estate Consulting GmbH & Co. KG, Munich	100 [9]
Siemens Real Estate Consulting Management GmbH, Grünwald	100
Siemens Real Estate GmbH & Co. KG, Kemnath	100
Siemens Real Estate Management GmbH, Kemnath	100 [7]
Siemens Spezial-Investmentaktiengesellschaft mit TGV, Munich	100
Siemens Technology Accelerator GmbH, Munich	100 [10]
Siemens Technopark Mülheim GmbH & Co. KG i. L., Grünwald	100 [9]
Siemens Technopark Nürnberg GmbH & Co. KG, Grünwald	100 [9]
Siemens Traction Gears GmbH, Penig	100 [10]
Siemens Trademark GmbH & Co. KG, Kemnath	100 [9]
Siemens Trademark Management GmbH, Kemnath	100 [7]
Siemens Treasury GmbH, Munich	100 [10]
Siemens-Fonds C-1, Munich	100
Siemens-Fonds Pension Captive, Munich	100
Siemens-Fonds S-7, Munich	100
Siemens-Fonds S-8, Munich	100
Siemensstadt Grundstücks-GmbH & Co. KG, Grünwald	100 [9]
Siemensstadt Management GmbH, Grünwald	100 [7]
SILLIT Grundstücks-Verwaltungsgesellschaft mbH, Munich	100
SIMAR Nordost Grundstücks-GmbH, Grünwald	100 [10]
SIMAR Nordwest Grundstücks-GmbH, Grünwald	100 [10]
SIMAR Ost Grundstücks-GmbH, Grünwald	100 [10]
SIMAR Süd Grundstücks-GmbH, Grünwald	100 [10]
SIMAR West Grundstücks-GmbH, Grünwald	100 [10]
SIMOS Real Estate GmbH, Munich	100 [10]
SYKATEC Systeme, Komponenten, Anwendungstechnologie GmbH, Erlangen	100 [10]
VMZ Berlin Betreibergesellschaft mbH, Berlin	100

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September 30, 2020	Equity interest in %
VVK Versicherungsvermittlungs- und Verkehrskontor GmbH, Munich	100[10]
Weiss Spindeltechnologie GmbH, Maroldsweisach	100
Zeleni Holding GmbH, Kemnath	100
Zeleni Real Estate GmbH & Co. KG, Kemnath	100

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

September 30, 2020	Equity interest in %
ESTEL Rail Automation SPA, Algiers/Algeria	51
Siemens Spa, Algiers/Algeria	100
Mentor Graphics Development Services CJSC, Yerevan/Armenia	100
ETM professional control GmbH, Eisenstadt/Austria	100
Flender GmbH, Vienna/Austria	100
Hochquellstrom-Vertriebs GmbH, Vienna/Austria	100
ITH icoserve technology for healthcare GmbH, Innsbruck/Austria	69
KDAG Beteiligungen GmbH, Vienna/Austria	100
Omnetric GmbH, Vienna/Austria	100
Siemens Aktiengesellschaft Österreich, Vienna/Austria	100
Siemens Gebäudemanagement & -Services G.m.b.H., Vienna/Austria	100
Siemens Healthcare Diagnostics GmbH, Vienna/Austria	100
Siemens Industry Software GmbH, Linz/Austria	100
Siemens Konzernbeteiligungen GmbH, Vienna/Austria	100
Siemens Metals Technologies Vermögensverwaltungs GmbH, Vienna/Austria	100
Siemens Mobility Austria GmbH, Vienna/Austria	100
Siemens Personaldienstleistungen GmbH, Vienna/Austria	100
Steiermärkische Medizinarchiv GesmbH, Graz/Austria	52
VVK Versicherungs-Vermittlungs- und Verkehrs-Kontor GmbH, Vienna/Austria	100
Siemens W.L.L., Manama/Bahrain	51
Flender S.R.L., Beersel/Belgium	100
Samtech SA, Angleur/Belgium	100
Siemens Healthcare NV, Beersel/Belgium	100
Siemens Industry Software NV, Leuven/Belgium	100
Siemens Mobility S.A./N.V, Beersel/Belgium	100
Siemens S.A./N.V., Beersel/Belgium	100
Siemens d.o.o. Sarajevo – U Likvidaciji, Sarajevo/Bosnia and Herzegovina	100
Siemens Medicina d.o.o., Sarajevo/Bosnia and Herzegovina	100
Siemens EOOD, Sofia/Bulgaria	100
Siemens Healthcare EOOD, Sofia/Bulgaria	100
Siemens Mobility EOOD, Sofia/Bulgaria	100
Siemens d.d., Zagreb/Croatia	100
Siemens Healthcare d.o.o., Zagreb/Croatia	100
OEZ s.r.o., Letohrad/Czech Republic	100
Siemens Electric Machines s.r.o., Drasov/Czech Republic	100
Siemens Healthcare, s.r.o., Prague/Czech Republic	100
Siemens Industry Software, s.r.o., Prague/Czech Republic	100
Siemens Mobility, s.r.o., Prague/Czech Republic	100
Siemens, s.r.o., Prague/Czech Republic	100
Siemens A/S, Ballerup/Denmark	100
Siemens Healthcare A/S, Ballerup/Denmark	100
Siemens Industry Software A/S, Ballerup/Denmark	100
Siemens Mobility A/S, Ballerup/Denmark	100
Mentor Graphics Egypt Company (A Limited Liability Company – Private Free Zone), Cairo/Egypt	100
Siemens Healthcare Logistics LLC, Cairo/Egypt	100
Siemens Healthcare S.A.E., Cairo/Egypt	100
Siemens Industrial LLC, New Cairo/Egypt	100
Siemens Mobility Egypt LLC, Cairo/Egypt	100
Mentor Graphics (Finland) Oy, Espoo/Finland	100
Siemens Healthcare Oy, Espoo/Finland	100
Siemens Mobility Oy, Espoo/Finland	100
Siemens Osakeyhtiö, Espoo/Finland	100
VIBECO – Virtual Buildings Ecosystem Oy, Espoo/Finland	100

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September 30, 2020	Equity interest in %
Aimsun SARL, Paris/France	100
Flender-Graffenstaden SAS, Illkirch-Graffenstaden/France	100
KACO new energy SARL, Croissy-Beaubourg/France	100
Mentor Graphics (France) SARL, Meudon La Forêt/France	100
Mentor Graphics Development Crolles SARL, Monbonnot-Saint-Martin/France	100
PETNET Solutions SAS, Lisses/France	100
Siemens Financial Services SAS, Saint-Denis/France	100
Siemens France Holding SAS, Saint-Denis/France	100
Siemens Healthcare SAS, Saint-Denis/France	100
Siemens Industry Software SAS, Châtillon/France	100
Siemens Lease Services SAS, Saint-Denis/France	100
Siemens Logistics SAS, Saint-Denis/France	100
Siemens Mobility SAS, Châtillon/France	100
Siemens SAS, Saint-Denis/France	100
Siemens A.E., Electrotechnical Projects and Products, Athens/Greece	100
SIEMENS HEALTHCARE INDUSTRIAL AND COMMERCIAL SINGLE MEMBER SOCIETE ANONYME, Chalandri/Greece	100
SIEMENS MOBILITY RAIL AND RAD TRANSPORTATION SOLUTIONS SOCIETE ANONYME, Athens/Greece	100
evosoft Hungary Szamitastechnikai Kft., Budapest/Hungary	100
Mentor Graphics Magyarország Kft., Budapest/Hungary	100
Siemens Healthcare Kft., Budapest/Hungary	100
Siemens Mobility Kft., Budapest/Hungary	100
Siemens Zrt., Budapest/Hungary	100
Mentor Graphics (Holdings) Unlimited Company, Shannon, County Clare/Ireland	100[13]
Mentor Graphics (Ireland) Limited, Shannon, County Clare/Ireland	100
Mentor Graphics Development Services Limited, Shannon, County Clare/Ireland	100
Siemens Healthcare Diagnostics Manufacturing Limited, Swords, County Dublin/Ireland	100
Siemens Healthcare Medical Solutions Limited, Swords, County Dublin/Ireland	100

September 30, 2020	Equity interest in %
Siemens Limited, Dublin/Ireland	100
Mentor Graphics (Israel) Limited, Herzilya Pituah/Israel	100
Mentor Graphics Development Services (Israel) Ltd., Rehovot/Israel	100
Siemens Concentrated Solar Power Ltd., Rosh HaAyin/Israel	100
Siemens HealthCare Ltd., Rosh HaAyin/Israel	100
Siemens Industry Software Ltd., Airport City/Israel	100
Siemens Ltd., Rosh Ha'ayin/Israel	100
Siemens Mobility Ltd., Rosh HaAyin/Israel	100
UGS Israeli Holdings (Israel) Ltd., Airport City/Israel	100
Flender Italia S.r.l., Milan/Italy	100
Siemens Healthcare S.r.l., Milan/Italy	100
Siemens Industry Software S.r.l., Milan/Italy	100
Siemens Logistics S.r.l., Milan/Italy	100
Siemens Mobility S.r.l., Milan/Italy	100
Siemens S.p.A., Milan/Italy	100
Siemens Healthcare Limited Liability Partnership, Almaty/Kazakhstan	100
Siemens TOO, Almaty/Kazakhstan	100
Siemens Industrial Business Co. For Electrical, Electronic and Mechanical Contracting WLL, Kuwait City/Kuwait	49[2]
Crabtree (Pty) Ltd, Maseru/Lesotho	100
FAST TRACK DIAGNOSTICS LUXEMBOURG S.à r.l., Esch-sur-Alzette/Luxembourg	100
Siemens Mobility Holding SARL, Luxembourg/Luxembourg	100
SPT Affiliates, LLC, SARL, Contern/Luxembourg	100
SPT Holding SARL, Luxembourg/Luxembourg	100
SPT Invest Management, SARL, Luxembourg/Luxembourg	100
TFM International S.A. i.L., Luxembourg/Luxembourg	100
Fast Track Diagnostics Ltd, Sliema/Malta	100
FTD Europe Ltd, Sliema/Malta	100
Siemens Healthcare SARL, Casablanca/Morocco	100
Siemens Industry Software SARL, Sala Al Jadida/Morocco	100

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September 30, 2020	Equity interest in %
Siemens S.A., Casablanca/Morocco	**100**
Castor III B.V., The Hague/Netherlands	**100**
Dresser-Rand International B.V., The Hague/Netherlands	**100**
Enlighted International B.V., Amsterdam/Netherlands	**100**
Flender B.V., Rotterdam/Netherlands	**100**
Flowmaster Group N.V., Eindhoven/Netherlands	**100**
Mendix Technology B.V., Rotterdam/Netherlands	**100**
Mentor Graphics (Netherlands) B.V., Eindhoven/Netherlands	**100**
Pollux III B.V., The Hague/Netherlands	**100**
PSE (Europe) B.V., Rotterdam/Netherlands	**100**
Siemens Finance B.V., The Hague/Netherlands	**100**
Siemens Financieringsmaatschappij N.V., The Hague/Netherlands	**100**
Siemens Healthineers Holding III B.V., The Hague/Netherlands	**100**
Siemens Healthineers Nederland B.V., The Hague/Netherlands	**100**
Siemens Industry Software and Services B.V., Rijswijk/Netherlands	**100**
Siemens Industry Software B.V., Eindhoven/Netherlands	**100**
Siemens Industry Software Holding II B.V., The Hague/Netherlands	**100**
Siemens International Holding B.V., The Hague/Netherlands	**100**
Siemens International Holding II B.V., The Hague/Netherlands	**100**
Siemens International Holding III B.V., The Hague/Netherlands	**100**
Siemens Mobility B.V., Zoetermeer/Netherlands	**100**
Siemens Mobility Holding B.V., 's-Gravenhage/Netherlands	**100**
Siemens Nederland N.V., The Hague/Netherlands	**100**
TASS International B.V., Helmond/Netherlands	**100**
TASS International Holding B.V., Helmond/Netherlands	**100**
Siemens AS, Oslo/Norway	**100**
Siemens Healthcare AS, Oslo/Norway	**100**

September 30, 2020	Equity interest in %
Siemens Mobility AS, Oslo/Norway	**100**
Siemens Industrial LLC, Muscat/Oman	**51**
Mentor Graphics Pakistan Development (Private) Limited, Lahore/Pakistan	**100**
Siemens Healthcare (Private) Limited, Lahore/Pakistan	**100**
Siemens Pakistan Engineering Co. Ltd., Karachi/Pakistan	**75**
Mentor Graphics Polska Sp. z o.o., Poznan/Poland	**100**
Siemens Digital Logistics Sp. z o.o., Wroclaw/Poland	**100**
Siemens Finance Sp. z o.o., Warsaw/Poland	**100**
Siemens Healthcare Sp. z o.o., Warsaw/Poland	**100**
Siemens Industry Software Sp. z o.o., Warsaw/Poland	**100**
Siemens Mobility Sp. z o.o., Warsaw/Poland	**100**
Siemens Sp. z o.o., Warsaw/Poland	**100**
UltraSoc Poland sp.zo.o, Warsaw/Poland	**100**
SIEMENS HEALTHCARE, UNIPESSOAL, LDA, Amadora/Portugal	**100**
Siemens Logistics, Unipessoal Lda, Lisbon/Portugal	**100**
SIEMENS MOBILITY, UNIPESSOAL LDA, Amadora/Portugal	**100**
Siemens S.A., Amadora/Portugal	**100**
Siemens W.L.L., Doha/Qatar	**55**
J2 Innovative Concepts Europe SRL, Bucharest/Romania	**100**
SIEMENS (AUSTRIA) PROIECT SPITAL COLTEA SRL, Bucharest/Romania	**100**
Siemens Healthcare S.R.L., Bucharest/Romania	**100**
Siemens Industry Software S.R.L., Brasov/Romania	**100**
Siemens Mobility S.R.L., Bucharest/Romania	**100**
Siemens S.R.L., Bucharest/Romania	**100**
SIMEA SIBIU S.R.L., Sibiu/Romania	**100**
LIMITED LIABILITY COMPANY SIEMENS ELEKTROPRIVOD, St. Petersburg/Russian Federation	**100**
OOO Legion II, Moscow/Russian Federation	**100**
OOO Siemens, Moscow/Russian Federation	**100**
OOO Siemens Industry Software, Moscow/Russian Federation	**100**

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Siemens Finance and Leasing LLC, Vladivostok/Russian Federation	100
Siemens Healthcare Limited Liability Company, Moscow/Russian Federation	100
Siemens Mobility LLC, Moscow/Russian Federation	100
Arabia Electric Ltd. (Equipment), Jeddah/Saudi Arabia	51
Siemens Healthcare Limited, Riyadh/Saudi Arabia	51
Siemens Ltd., Riyadh/Saudi Arabia	51
Siemens Mobility Saudi Ltd, Al Khobar/Saudi Arabia	51
Flender d.o.o. Subotica, Subotica/Serbia	100[7]
Siemens d.o.o. Beograd, Belgrade/Serbia	100
Siemens Healthcare d.o.o. Beograd, Belgrade/Serbia	100
Siemens Mobility d.o.o. Cerovac, Kragujevac/Serbia	100
OEZ Slovakia, spol. s r.o., Bratislava/Slovakia	100
SAT Systémy automatizacnej techniky spol. s.r.o., Bratislava/Slovakia	60
Siemens Healthcare s.r.o., Bratislava/Slovakia	100
Siemens Mobility, s.r.o., Bratislava/Slovakia	100
Siemens s.r.o., Bratislava/Slovakia	100
SIPRIN s.r.o., Bratislava/Slovakia	100
Siemens d.o.o., Ljubljana/Slovenia	100
Siemens Healthcare d.o.o., Ljubljana/Slovenia	100
Siemens Mobility d.o.o., Ljubljana/Slovenia	100
Crabtree South Africa Pty. Limited, Midrand/South Africa	100
Flender (Pty) Ltd, Johannesburg/South Africa	100
KACO NEW ENERGY AFRICA (PTY) LTD, Midrand/South Africa	100
Linacre Investments (Pty) Ltd., Kenilworth/South Africa	0[3]
S'Mobility Employee Stock Ownership Trust, Johannesburg/South Africa	0[3]
Siemens Employee Share Ownership Trust, Johannesburg/South Africa	0[3]
Siemens Healthcare Employee Share Ownership Trust, Midrand/South Africa	0[3]
Siemens Healthcare Proprietary Limited, Halfway House/South Africa	75

September 30, 2020	Equity interest in %
SIEMENS INDUSTRY SOFTWARE SA (PTY) LTD, Centurion/South Africa	100
Siemens Mobility (Pty) Ltd, Randburg/South Africa	75
Siemens Proprietary Limited, Midrand/South Africa	70
The Flender Employee Share Ownership Trust, Johannesburg/South Africa	0[3]
Aimsun S.L., Barcelona/Spain	100
Fábrica Electrotécnica Josa, S.A.U., Tres Cantos/Spain	100
FLENDER IBERICA SL, Tres Cantos/Spain	100
Mentor Graphics (España) SL, Madrid/Spain	100
SIEMENS HEALTHCARE, S.L.U., Getafe/Spain	100
Siemens Holding S.L., Madrid/Spain	100
Siemens Industry Software S.L., Barcelona/Spain	100
Siemens Logistics S.L. Unipersonal, Madrid/Spain	100
SIEMENS MOBILITY, S.L.U., Tres Cantos/Spain	100
Siemens Rail Automation S.A.U., Tres Cantos/Spain	100
Siemens Renting S.A., Madrid/Spain	100
Siemens S.A., Madrid/Spain	100
Telecomunicación, Electrónica y Conmutación S.A., Madrid/Spain	100
Mentor Graphics (Scandinavia) AB, Solna/Sweden	100
Siemens AB, Solna/Sweden	100
Siemens Financial Services AB, Solna/Sweden	100
Siemens Healthcare AB, Solna/Sweden	100
Siemens Industry Software AB, Solna/Sweden	100
Siemens Mobility AB, Solna/Sweden	100
Vizendo AB, Gothenburg/Sweden	100
BlueWatt engineering Sàrl, Lausanne/Switzerland	100
Mentor Graphics (Schweiz) AG, Zurich/Switzerland	100
Siemens Healthcare AG, Zurich/Switzerland	100
Siemens Industry Software GmbH, Zurich/Switzerland	100
Siemens Logistics AG, Zurich/Switzerland	100
Siemens Mobility AG, Wallisellen/Switzerland	100
Siemens Schweiz AG, Zurich/Switzerland	100
Siemens Tanzania Ltd. i.L., Dar es Salaam/Tanzania, United Republic of	100

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2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264 b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
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September 30, 2020	Equity interest in %
Mentor Graphics Tunisia SARL, Tunis/Tunisia	100
Siemens Mobility S.A.R.L., Tunis/Tunisia	100
Siemens S.A., Tunis/Tunisia	100
Flender Mekanik Güc Aktarma Sistemleri Sanayi ve Ticaret Anonim Sirketi, Istanbul/Turkey	100
KACO New Enerji Limited Sirketi, Pendik/Turkey	100
Siemens Finansal Kiralama A.S., Istanbul/Turkey	100
Siemens Healthcare Saglik Anonim Sirketi, Istanbul/Turkey	100
Siemens Mobility Ulasim Sistemleri Anonim Sirketi, Istanbul/Turkey	100
Siemens Sanayi ve Ticaret Anonim Sirketi, Istanbul/Turkey	100
100% foreign owned subsidiary "Siemens Ukraine", Kiev/Ukraine	100
SIEMENS HEALTHCARE LIMITED LIABILITY COMPANY, Kiev/Ukraine	100
PSE Software and Consulting L.L.C., Abu Dhabi/United Arab Emirates	49[2]
Samateq FZ LLC, UAE, Abu Dhabi/United Arab Emirates	100
SD (Middle East) LLC, Dubai/United Arab Emirates	49[2]
Siemens Capital Middle East Ltd, Abu Dhabi/United Arab Emirates	100
Siemens Healthcare FZ LLC, Dubai/United Arab Emirates	100
Siemens Healthcare L.L.C., Dubai/United Arab Emirates	49[2]
Siemens Industrial LLC, Masdar City/United Arab Emirates	49[2]
Siemens Middle East Limited, Masdar City/United Arab Emirates	100
SIEMENS MOBILITY LLC, Dubai/United Arab Emirates	49[2]
AIMSUN LIMITED, London/United Kingdom	100
ByteToken, Ltd, Edinburgh/United Kingdom	100
Electrium Sales Limited, Frimley, Surrey/United Kingdom	100
FAST TRACK DIAGNOSTICS RESEARCH LIMITED, Dunblane/United Kingdom	100
Flender Limited, Frimley, Surrey/United Kingdom	100

September 30, 2020	Equity interest in %
Flomerics Group Limited, Frimley, Surrey/United Kingdom	100
GyM Renewables Limited, Frimley, Surrey/United Kingdom	100
Lightwork Design Limited, Frimley, Surrey/United Kingdom	100
LIGHTWORKS SOFTWARE LIMITED, Frimley, Surrey/United Kingdom	100
Materials Solutions Holdings Limited, Frimley, Surrey/United Kingdom	100
Mendix Technology Limited, Frimley, Surrey/United Kingdom	100
Mentor Graphics (UK) Limited, Frimley, Surrey/United Kingdom	100
MRX Technologies Limited, Frimley, Surrey/United Kingdom	100
Preactor International Limited, Frimley, Surrey/United Kingdom	100
Process Systems Enterprise Limited, Frimley, Surrey/United Kingdom	100
Project Ventures Rail Investments I Limited, Frimley, Surrey/United Kingdom	100
PSE Oil & Gas Limited, Frimley, Surrey/United Kingdom	100
SBS Pension Funding (Scotland) Limited Partnership, Edinburgh/United Kingdom	57[3]
Siemens Financial Services Holdings Ltd., Stoke Poges, Buckinghamshire/United Kingdom	100
Siemens Financial Services Ltd., Stoke Poges, Buckinghamshire/United Kingdom	100
Siemens Healthcare Diagnostics Ltd., Frimley, Surrey/United Kingdom	100
Siemens Healthcare Diagnostics Manufacturing Ltd, Frimley, Surrey/United Kingdom	100
Siemens Healthcare Diagnostics Products Ltd, Frimley, Surrey/United Kingdom	100
Siemens Healthcare Limited, Frimley, Surrey/United Kingdom	100
Siemens Holdings plc, Frimley, Surrey/United Kingdom	100
Siemens Industry Software Computational Dynamics Limited, Frimley, Surrey/United Kingdom	100

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September 30, 2020	Equity interest in %
Siemens Industry Software Limited, Frimley, Surrey/United Kingdom	100
Siemens Industry Software Simulation and Test Limited, Frimley, Surrey/United Kingdom	100
Siemens Mobility Limited, London/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 Rail Automation Limited, London/United Kingdom	100
Siemens Rail Systems Project Holdings Limited, London/United Kingdom	100
Siemens Rail Systems Project Limited, London/United Kingdom	100
The Preactor Group Limited, Frimley, Surrey/United Kingdom	100
UltraSoc Technologies Limited, Frimley, Surrey/United Kingdom	100
VA TECH (UK) Ltd., Frimley, Surrey/United Kingdom	100
Americas (105 companies)	
Siemens Healthcare S.A., Buenos Aires/Argentina	100
Siemens Industrial S.A., Buenos Aires/Argentina	100
Siemens IT Services S.A., Buenos Aires/Argentina	100
Siemens Mobility S.A., Munro/Argentina	100
Iriel Indústria e Cómercio de Sistemas Eléctricos Ltda., Canoas/Brazil	100
Siemens Healthcare Diagnósticos Ltda., São Paulo/Brazil	100
Siemens Industry Software Ltda., São Caetano do Sul/Brazil	100
Siemens Infraestrutura e Indústria Ltda., São Paulo/Brazil	100
Siemens Mobility Soluções de Mobilidade Ltda., São Paulo/Brazil	100
Siemens Participações Ltda., São Paulo/Brazil	100
Bytemark Canada Inc., Saint John/Canada	100

September 30, 2020	Equity interest in %
EPOCAL INC., Toronto/Canada	100
Mentor Graphics (Canada) ULC, Vancouver/Canada	100 [13]
Siemens Canada Limited, Oakville/Canada	100
Siemens Financial Ltd., Oakville/Canada	100
Siemens Healthcare Limited, Oakville/Canada	100
Siemens Industry Software ULC, Vancouver/Canada	100 [13]
Siemens Logistics Ltd., Oakville/Canada	100
SIEMENS MOBILITY LIMITED, Oakville/Canada	100
Flender SpA, Santiago de Chile/Chile	100
Nimbic Chile SpA, Las Condes/Chile	100
Siemens Healthcare Equipos Médicos Sociedad por Acciones, Santiago de Chile/Chile	100
Siemens Mobility SpA, Santiago de Chile/Chile	100
Siemens S.A., Santiago de Chile/Chile	100
Siemens Healthcare S.A.S., Tenjo/Colombia	100
Siemens Mobility S.A.S., Tenjo/Colombia	100
Siemens S.A., Tenjo/Colombia	100
Siemens Healthcare Diagnostics S.A., San José/Costa Rica	100
Siemens S.A., San José/Costa Rica	100
Siemens Mobility, S.R.L., Santo Domingo/Dominican Republic	100
Siemens S.A., Quito/Ecuador	100
Siemens-Healthcare Cia. Ltda., Quito/Ecuador	100
Siemens Healthcare, Sociedad Anonima, Antiguo Cuscatlán/El Salvador	100
Siemens S.A., Antiguo Cuscatlán/El Salvador	100
Siemens S.A., Guatemala/Guatemala	100
Grupo Siemens S.A. de C.V., Mexico City/Mexico	100
Indústria de Trabajos Eléctricos S.A. de C.V., Ciudad Juárez/Mexico	100
Siemens Healthcare Diagnostics, S. de R.L. de C.V., Mexico City/Mexico	100
Siemens Healthcare Servicios S. de R.L. de C.V., Mexico City/Mexico	100
Siemens Industry Software, S.A. de C.V., Mexico City/Mexico	100
Siemens Inmobiliaria S.A. de C.V., Mexico City/Mexico	100

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Siemens Logistics S. de R.L. de C.V., Mexico City/Mexico	**100**
Siemens Mobility S. de R.L. de C.V., Mexico City/Mexico	**100**
Siemens Servicios S.A. de C.V., Mexico City/Mexico	**100**
Siemens, S.A. de C.V., Mexico City/Mexico	**100**
Siemens Healthcare S.A.C., Surquillo/Peru	**100**
Siemens Mobility S.A.C., Lima/Peru	**100**
Siemens S.A.C., Surquillo/Peru	**100**
Aimsun Inc., New York, NY/United States	**100**
Avatar Integrated Systems, Inc., Dover, DE/United States	**100**
Building Robotics Inc., Wilmington, DE/United States	**100**
Bytemark Inc., Dover, DE/United States	**95**
CD-adapco Battery Design LLC, Dover, DE/United States	**50** [2]
Corindus, Inc., Wilmington, DE/United States	**100**
Dedicated2Imaging LLC, Wilmington, DE/United States	**80**
ECG Acquisition, Inc., Wilmington, DE/United States	**100**
ECG TopCo Holdings, LLC, Wilmington, DE/United States	**75**
eMeter Corporation, Wilmington, DE/United States	**100**
Enlighted, Inc., Wilmington, DE/United States	**100**
Executive Consulting Group, LLC, Wilmington, DE/United States	**100**
Falcon Sub Inc., Wilmington, DE/United States	**100** [7]
Flender Corporation, Wilmington, DE/United States	**100**
J2 Innovations, Inc., Los Angeles, CA/United States	**100**
Mannesmann Corporation, New York, NY/United States	**100**
Mentor Graphics Corporation, Salem, OR/United States	**100**
Mentor Graphics Global Holdings, LLC, Wilmington, DE/United States	**100**
Next47 Fund 2018, L.P., Palo Alto, CA/United States	**100**
Next47 Fund 2019, L.P., Palo Alto, CA/United States	**100**
Next47 Fund 2020, L.P., Palo Alto, CA/United States	**100**
Next47 Fund 2021, L.P., Palo Alto, CA/United States	**100**

September 30, 2020	Equity interest in %
Next47 Inc., Wilmington, DE/United States	**100**
Next47 Mid-Tier GP 2018, L.P., Wilmington, DE/United States	**100**
Next47 Mid-Tier GP 2019, L.P., Wilmington, DE/United States	**100**
Next47 Mid-Tier GP 2020, L.P., Wilmington, DE/United States	**100**
Next47 Mid-Tier GP 2021, L.P., Wilmington, DE/United States	**100**
Next47 TTGP, L.L.C., Wilmington, DE/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**
Process Systems Enterprise Inc., Wilmington, DE/United States	**100**
Siemens Capital Company LLC, Wilmington, DE/United States	**100**
Siemens Corporation, Wilmington, DE/United States	**100**
Siemens Credit Warehouse, Inc., Wilmington, DE/United States	**100**
Siemens Electrical, LLC, Wilmington, DE/United States	**100**
Siemens Financial Services, Inc., Wilmington, DE/United States	**100**
Siemens Financial, Inc., Wilmington, DE/United States	**100**
Siemens Government Technologies, Inc., Wilmington, DE/United States	**100**
Siemens Healthcare Diagnostics Inc., Los Angeles, CA/United States	**100**
Siemens Healthcare Laboratory, LLC, Wilmington, DE/United States	**100**
Siemens Industry Software Inc., Wilmington, DE/United States	**100**
Siemens Industry, Inc., Wilmington, DE/United States	**100**
Siemens Logistics LLC, Wilmington, DE/United States	**100**
Siemens Medical Solutions USA, Inc., Wilmington, DE/United States	**100**

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September 30, 2020	Equity interest in %
Siemens Mobility, Inc, Wilmington, DE/United States	100
Siemens Public, Inc., Iselin, NJ/United States	100
Siemens USA Holdings, Inc., Wilmington, DE/United States	100
SMI Holding LLC, Wilmington, DE/United States	100
UltraSoc Inc., Wilmington, DE/United States	100
Siemens S.A., Montevideo/Uruguay	100
Dresser-Rand de Venezuela, S.A., Maracaibo/Venezuela, Bolivarian Republic of	100
Siemens Healthcare S.A., Caracas/Venezuela, Bolivarian Republic of	100[7]
Siemens Rail Automation, C.A., Caracas/Venezuela, Bolivarian Republic of	100
Dade Behring Hong Kong Holdings Corporation, Tortola/Virgin Islands, British	100
Asia, Australia (130 companies)	
Aimsun Pty Ltd, Sydney/Australia	100
Australia Hospital Holding Pty Limited, Bayswater/Australia	100
Exemplar Health (NBH) 2 Pty Limited, Bayswater/Australia	100[7]
Exemplar Health (NBH) Holdings 2 Pty Limited, Bayswater/Australia	100
Exemplar Health (NBH) Trust 2, Bayswater/Australia	100
Flender Pty. Ltd., Bayswater/Australia	100
J.R.B. Engineering Pty Ltd, Bayswater/Australia	100
Siemens Healthcare Pty. Ltd., Melbourne/Australia	100
Siemens Industry Software Pty Ltd, Bayswater/Australia	100
Siemens Ltd., Bayswater/Australia	100
Siemens Mobility Pty Ltd, Bayswater/Australia	100
SIEMENS RAIL AUTOMATION PTY. LTD., Bayswater/Australia	100
Siemens Bangladesh Ltd., Dhaka/Bangladesh	100
Siemens Healthcare Ltd., Dhaka/Bangladesh	100
Siemens Industrial Limited, Dhaka/Bangladesh	100[7]
Beijing Siemens Cerberus Electronics Ltd., Beijing/China	100

September 30, 2020	Equity interest in %
Camstar Systems Software (Shanghai) Company Limited, Shanghai/China	100
Flender Ltd., China, Tianjin/China	100
IBS Industrial Business Software (Shanghai), Ltd., Shanghai/China	100
Mentor Graphics (Shanghai) Electronic Technology Co., Ltd., Shanghai/China	100
Siemens Building Technologies (Tianjin) Ltd., Tianjin/China	70
Siemens Business Information Consulting Co., Ltd, Beijing/China	100
Siemens Circuit Protection Systems Ltd., Shanghai, Shanghai/China	75
Siemens Computational Science (Shanghai) Co., Ltd, Shanghai/China	100
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 Healthcare Diagnostics Manufacturing Ltd., Shanghai, Shanghai/China	100
Siemens Healthineers Diagnostics (Shanghai) Co., Ltd., Shanghai/China	100
Siemens Healthineers Digital Technology (Shanghai) Co., Ltd., Shanghai/China	100
Siemens Healthineers Ltd., Shanghai/China	100
Siemens Industrial Automation Products Ltd., Chengdu, Chengdu/China	100
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

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Siemens Logistics Automation Systems (Beijing) Co., Ltd, Beijing/China	**100**
Siemens Ltd., China, Beijing/China	**100**
Siemens Manufacturing and Engineering Centre Ltd., Shanghai/China	**51**
Siemens Medium Voltage Switching Technologies (Wuxi) Ltd., Wuxi/China	**85**
Siemens Mobility Electrification Equipment (Shanghai) Co., Ltd., Shanghai/China	**51**
Siemens Mobility Equipment (China) Co., Ltd, Shanghai Pilot Free Trade Zone/China	**100**
Siemens Mobility Rail Equipment (Tianjin) Ltd., Tianjin/China	**100**
Siemens Mobility Technologies (Beijing) Co., Ltd, Beijing/China	**100**
Siemens Numerical Control Ltd., Nanjing, Nanjing/China	**80**
Siemens Power Automation Ltd., Nanjing/China	**100**
Siemens Sensors & Communication Ltd., Dalian/China	**100**
Siemens Shanghai Medical Equipment Ltd., Shanghai/China	**100**
Siemens Shenzhen Magnetic Resonance Ltd., Shenzhen/China	**100**
Siemens Signalling Co., Ltd., Xi'an/China	**70**
Siemens Standard Motors Ltd., Yizheng/China	**100**
Siemens Switchgear Ltd., Shanghai, Shanghai/China	**55**
Siemens Technology Development Co., Ltd. of Beijing, Beijing/China	**90**
Siemens Venture Capital Co., Ltd., Beijing/China	**100**
Siemens Wiring Accessories Shandong Ltd., Zibo/China	**100**
Siemens X-Ray Vacuum Technology Ltd., Wuxi, Wuxi/China	**100**
TASS International Co. Ltd., Shanghai/China	**100**
Siemens Healthcare Limited, Hong Kong/Hong Kong	**100**
Siemens Industry Software Limited, Hong Kong/Hong Kong	**100**
Siemens Limited, Hong Kong/Hong Kong	**100**
Siemens Logistics Limited, Hong Kong/Hong Kong	**100**
Siemens Mobility Limited, Hong Kong/Hong Kong	**100**

September 30, 2020	Equity interest in %
AIS Design Automation Private Limited, Bangalore/India	**100**
Bytemark India LLP, Bangalore/India	**100**
Bytemark Technology Solutions India Pvt Ltd, Bangalore/India	**100**
Enlighted Energy Systems Pvt Ltd, Chennai/India	**100**
Fast Track Diagnostics Asia Private Limited, New Delhi/India	**100**
Flender Drives Private Limited, Kancheepuram, Kancheepuram/India	**100**[7]
Flomerics India Private Limited, Mumbai/India	**100**
Mentor Graphics (India) Private Limited, New Delhi/India	**100**
Mentor Graphics (Sales and Services) Private Limited, New Delhi/India	**100**
PETNET Radiopharmaceutical Solutions Pvt. Ltd., Mumbai/India	**100**
Preactor Software India Private Limited, Bangalore/India	**100**
Siemens Factoring Private Limited, Navi Mumbai/India	**100**
Siemens Financial Services Private Limited, Mumbai/India	**100**
Siemens Healthcare Private Limited, Mumbai/India	**100**
Siemens Healthineers India LLP, Bangalore/India	**100**
Siemens Industry Software (India) Private Limited, New Delhi/India	**100**
Siemens Industry Software Computational Dynamics India Pvt. Ltd., Bangalore/India	**100**
Siemens Limited, Mumbai/India	**51**
Siemens Logistics India Private Limited, Navi Mumbai/India	**100**
Siemens Rail Automation Pvt. Ltd., Navi Mumbai/India	**100**
Siemens Technology and Services Private Limited, Navi Mumbai/India	**100**
P.T. Siemens Indonesia, Jakarta/Indonesia	**100**
PT Siemens Healthineers Indonesia, Jakarta/Indonesia	**100**
PT Siemens Mobility Indonesia, Jakarta/Indonesia	**100**
Acrorad Co., Ltd., Okinawa/Japan	**96**

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Avatar Integrated Systems Kabushiki Kaisha, Yokohama/Japan	100
Mentor Graphics Japan Co., Ltd., Tokyo/Japan	100
Siemens Healthcare Diagnostics K.K., Tokyo/Japan	100
Siemens Healthcare K.K., Tokyo/Japan	100
Siemens K.K., Tokyo/Japan	100
Siemens PLM Software Computational Dynamics K.K., Yokohama/Japan	100
Avatar Integrated Systems Korea LLC, Bundang-gu, Seongnam-si, Gyeonggi-do/Korea, Republic of	100
Mentor Graphics (Korea) LLC, Bundang-gu, Seongnam-si, Gyeonggi-do/Korea, Republic of	100
PSE Korea Ltd, Daejeon/Korea, Republic of	100
Siemens Healthineers Ltd., Seoul/Korea, Republic of	100
Siemens Industry Software Ltd., Seoul/Korea, Republic of	100
Siemens Ltd. Seoul, Seoul/Korea, Republic of	100
Siemens Mobility Ltd., Seoul/Korea, Republic of	100
Dresser-Rand Asia Pacific Sdn. Bhd., Kuala Lumpur/Malaysia	100
Siemens Healthcare Sdn. Bhd., Petaling Jaya/Malaysia	100
Siemens Industry Software Sdn. Bhd., George Town, Pulau Pinang/Malaysia	100
Siemens Malaysia Sdn. Bhd., Petaling Jaya/Malaysia	100
Siemens Mobility Sdn. Bhd., Kuala Lumpur/Malaysia	100
Siemens (N.Z.) Limited, Auckland/New Zealand	100
Siemens Healthcare Limited, Auckland/New Zealand	100
Siemens Healthcare Inc., Manila/Philippines	100
Siemens, Inc., Manila/Philippines	100
Aimsun Pte Ltd, Singapore/Singapore	100
Flender Pte. Ltd., Singapore/Singapore	100
Mentor Graphics Asia Pte Ltd, Singapore/Singapore	100
Siemens Healthcare Pte. Ltd., Singapore/Singapore	100
Siemens Industry Software Pte. Ltd., Singapore/Singapore	100
Siemens Logistics PTE. LTD., Singapore/Singapore	100
Siemens Mobility Pte. Ltd., Singapore/Singapore	100
Siemens Pte. Ltd., Singapore/Singapore	100

September 30, 2020	Equity interest in %
Siemens Healthcare Limited, Taipei/Taiwan, Province of China	100
Siemens Industry Software (TW) Co., Ltd., Taipei/Taiwan, Province of China	100
Siemens Limited, Taipei/Taiwan, Province of China	100
Dresser-Rand (Thailand) Limited, Rayong/Thailand	100
Siemens Healthcare Limited, Bangkok/Thailand	100
Siemens Limited, Bangkok/Thailand	100
Siemens Logistics Automation Systems Ltd., Bangkok/Thailand	100
Siemens Mobility Limited, Bangkok/Thailand	100
Siemens Healthcare Limited, Ho Chi Minh City/Viet Nam	100
Siemens Ltd., Ho Chi Minh City/Viet Nam	100
ASSOCIATED COMPANIES AND JOINT VENTURES	
Germany (24 companies)	
Alchemist Accelerator Europe Fund I GmbH & Co. KG, Grünwald	41 [8]
ATS Projekt Grevenbroich GmbH, Schüttorf	25 [8]
BELLIS GmbH, Braunschweig	49 [8]
Caterva GmbH, Pullach i. Isartal	50
Curagita Holding GmbH, Heidelberg	30
DKS Dienstleistungsgesellschaft f. Kommunikationsanlagen des Stadt- und Regionalverkehrs mbH, Cologne	49 [8]
egrid applications & consulting GmbH, Kempten	49 [8]
FEAG Fertigungscenter für Elektrische Anlagen GmbH, Erlangen	49 [8]
GuD Herne GmbH, Essen	50
IFTEC GmbH & Co. KG, Leipzig	50
INPRO Innovationsgesellschaft für fortgeschrittene Produktionssysteme in der Fahrzeugindustrie mbH, Berlin	25 [8]
LIB Verwaltungs-GmbH, Leipzig	50 [8]
Ludwig Bölkow Campus GmbH, Taufkirchen	25 [8]
MetisMotion GmbH, Munich	23 [8]
MeVis BreastCare GmbH & Co. KG, Bremen	49

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12 Siemens AG is a shareholder with unlimited liability of this company.
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September 30, 2020	Equity interest in %
MeVis BreastCare Verwaltungsgesellschaft mbH, Bremen	49[8]
Nordlicht Holding GmbH & Co. KG, Frankfurt	33
Nordlicht Holding Verwaltung GmbH, Frankfurt	33[8]
Siemens Energy AG, Munich	35
Siemens EuroCash, Munich	5[6]
Sternico GmbH, Wendeburg	45[8]
Valeo Siemens eAutomotive GmbH, Erlangen	50
Veja Mate Offshore Project GmbH, Oststeinbek	20
WUN H2 GmbH, Wunsiedel	45[8]

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

September 30, 2020	Equity interest in %
Armpower CJSC, Yerevan/Armenia	40
Aspern Smart City Research GmbH, Vienna/Austria	44[8]
Aspern Smart City Research GmbH & Co KG, Vienna/Austria	44
E-Mobility Provider Austria GmbH, Vienna/Austria	20[8]
SMATRICS GmbH & Co KG, Vienna/Austria	20
Meomed s.r.o., Prerov/Czech Republic	47[8]
BioMensio Oy, Tampere/Finland	23[8]
Padam Mobility S.A.S, Paris/France	38[8]
TRIXELL SAS, Moirans/France	25
Eviop-Tempo A.E. Electrical Equipment Manufacturers, Vassiliko/Greece	48
Parallel Graphics Ltd., Dublin/Ireland	57[4,8]
Reindeer Energy Ltd., Bnei Berak/Israel	33
Transfima GEIE, Milan/Italy	42[8,13]
Transfima S.p.A., Milan/Italy	49[8]
VAL 208 Torino GEIE, Milan/Italy	86[4,8,13]
KACO New Energy Co., Amman/Jordan	49[8]
Temir Zhol Electrification LLP, Astana/Kazakhstan	49
EGM Holding Limited, Marsaskala/Malta	33
Energie Electrique de Tahaddart S.A., Tangier/Morocco	20
Buitengaats C.V., Amsterdam/Netherlands	20[6,13]
Buitengaats Management B.V., Eemshaven/Netherlands	20[8]
Infraspeed EPC Consortium V.O.F., Zoetermeer/Netherlands	50[8,13]
Infraspeed Maintainance B.V., Dordrecht/Netherlands	50
Locomotive Workshop Rotterdam B.V., Zoetermeer/Netherlands	50
Screenpoint Medical B.V., Nijmegen/Netherlands	21
Ural Locomotives Holding Besloten Vennootschap, 's-Gravenhage/Netherlands	50
ZeeEnergie C.V., Amsterdam/Netherlands	20[6,13]
ZeeEnergie Management B.V., Eemshaven/Netherlands	20[8]
Rousch (Pakistan) Power Ltd., Islamabad/Pakistan	26
OOO Transconverter, Moscow/Russian Federation	35[8]
Impilo Consortium (Pty.) Ltd., La Lucia/South Africa	31
Nertus Mantenimiento Ferroviario y Servicios S.A., Madrid/Spain	51[4]
WS Tech Energy Global S.L., Viladecans/Spain	49
Stavro Holding I AB, Stockholm/Sweden	40
Certas AG, Zurich/Switzerland	50
Interessengemeinschaft TUS, Männedorf/Switzerland	50[13]
Awel Y Môr Offshore Wind Farm Limited, Swindon, Wiltshire/United Kingdom	10[6]
Cross London Trains Holdco 2 Limited, London/United Kingdom	33
Five Estuaries Offshore Wind Farm Limited, Swindon, Wiltshire/United Kingdom	25
Galloper Wind Farm Holding Company Limited, Swindon, Wiltshire/United Kingdom	25
Lincs Renewable Energy Holdings Limited, London/United Kingdom	50
Plessey Holdings Ltd., Frimley, Surrey/United Kingdom	50[8]

1 Control due to a majority of voting rights.
2 Control due to rights to appoint, reassign or remove members of the key management personnel.
3 Control due to contractual arrangements to determine the direction of the relevant activities.
4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
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September 30, 2020	Equity interest in %
Americas (19 companies)	
Brasol Participaçoes e Empreendimentos S.A., Brazil, São Paulo/Brazil	97 [4]
GNA 1 Geração de Energia S.A., São João da Barra/Brazil	33
Micropower Comerc Energia S.A., São Paulo/Brazil	20
MPC Serviços Energéticos 1A S.A, Navegantes/Brazil	48
Union Temporal Recaudo y Tecnologia, Santiago de Cali/Colombia	20 [13]
Akuo Energy Dominicana, S.R.L, Santo Domingo/Dominican Republic	33
DELARO, S.A.P.I. DE C.V., Mexico City/Mexico	29 [8]
CEF-L Holding, LLC, Wilmington, DE/United States	27
DeepHow Corp., Princeton, NJ/United States	23 [8]
Fluence Energy, LLC, Wilmington, DE/United States	50
Hickory Run Holdings, LLC, Wilmington, DE/United States	20 [6]
Panda Hummel Station Intermediate Holdings I LLC, Wilmington, DE/United States	32
Panda Stonewall Intermediate Holdings I, LLC, Wilmington, DE/United States	37
PhSiTh LLC, New Castle, DE/United States	33
Powerit Holdings, Inc., Seattle, WA/United States	21 [8]
PTG Holdings Company LLC, Dover, DE/United States	26
Rether networks, Inc., Berkeley, CA/United States	30 [8]
USARAD Holdings, Inc., Fort Lauderdale, FL/United States	30 [8]
Wi-Tronix Group Inc., Dover, DE/United States	30
Asia, Australia (20 companies)	
Exemplar Health (NBH) Partnership, Melbourne/Australia	50
Forest Wind Holdings Pty Limited, Sydney/Australia	50
Forest Wind Investment Company (1) Pty Limited, Sydney/Australia	50
PHM Technology Pty Ltd, Melbourne/Australia	37 [8]
DBEST (Beijing) Facility Technology Management Co., Ltd., Beijing/China	25
Guangzhou Suikai Smart Energy Co., Ltd., Guangzhou/China	35
Shanghai Electric Power Generation Equipment Co., Ltd., Shanghai/China	40
Siemens Traction Equipment Ltd., Zhuzhou, Zhuzhou/China	50
Smart Metering Solutions (Changsha) Co. Ltd., Changsha/China	49
TianJin ZongXi Traction Motor Ltd., Tianjin/China	50
Xi'An X-Ray Target Ltd., Xi'an/China	43 [8]
Zhenjiang Siemens Busbar Trunking Systems Co. Ltd., Yangzhong/China	50
Zhi Dao Railway Equipment Ltd., Taiyuan/China	50
Bangalore International Airport Ltd., Bangalore/India	20
Orange Sironj Wind Power Private Limited, New Delhi/India	46
Pune IT City Metro Rail Limited, Pune/India	26
Transparent Energy Systems Private Limited, Pune/India	25 [8]
P.T. Jawa Power, Jakarta/Indonesia	50
BE C&I Solutions Holding Pte. Ltd., Singapore/Singapore	24
Power Automation Pte. Ltd., Singapore/Singapore	49

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September 30, 2020	Equity interest in %	Net income in millions of €	Equity in millions of €
OTHER INVESTMENTS [11]			
Germany (8 companies)			
BSAV Kapitalbeteiligungen und Vermögensverwaltungs Management GmbH, Grünwald	**100** [4,5]	**21**	**320**
Erlapolis 20 GmbH, Munich	**100** [4,5]	**N/A**	**N/A**
Kyros Beteiligungsverwaltung GmbH, Grünwald	**100** [4,5]	**71**	**565**
Munipolis GmbH, Munich	**100** [4,5]	**0**	**251**
OWP Butendiek GmbH & Co. KG, Bremen	**23** [5]	**102**	**466**
Project Ventures Butendiek Holding GmbH, Munich	**100** [4,5]	**2**	**66**
SIM 2. Grundstücks-GmbH & Co. KG, Grünwald	**90** [4,5]	**5**	**316**
SPT Beteiligungen GmbH & Co. KG, Grünwald	**100** [4,5]	**N/A**	**N/A**
Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany) (1 company)			
Siemens Gas and Power Holding B.V., Zoeterwoude/Netherlands	**2**	**N/A**	**N/A**
Americas (2 companies)			
Bentley Systems, Incorporated, Wilmington, DE/United States	**13**	**92**	**298**
ChargePoint, Inc., Campbell, CA/United States	**4**	**(122)**	**53**

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N/A = No financial data available.

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C. Additional Information

C.1

Responsibility Statement

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

Munich, November 27, 2020

Siemens Aktiengesellschaft
The Managing Board

Joe Kaeser

Dr. Roland Busch

Klaus Helmrich

Cedrik Neike

Matthias Rebellius

Prof. Dr. Ralf P. Thomas

Judith Wiese

C.2
Independent Auditor's Report

To Siemens Aktiengesellschaft, Berlin and Munich

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

Opinions

We have audited the consolidated financial statements of Siemens Aktiengesellschaft, Berlin and Munich, and its subsidiaries (the Group), which comprise the consolidated statements of income and comprehensive income for the fiscal year from October 1, 2019 to September 30, 2020, the consolidated statements of financial position as of September 30, 2020, the consolidated statements of cash flows and changes in equity for the fiscal year from October 1, 2019 to September 30, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Siemens Aktiengesellschaft, which is combined with the management report of Siemens Aktiengesellschaft, for the fiscal year from October 1, 2019 to September 30, 2020. In accordance with the German legal requirements we have not audited the content of chapter ↗ A.9.3 CORPORATE GOVERNANCE STATEMENT of the Combined Management Report, including chapter ↗ C.4.2 of the Annual Report 2020 referred to in chapter ↗ A.9.3.

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

- → the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] as well as with full IFRSs as issued by the International Accounting Standards Board (IASB), and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of September 30, 2020 and of its financial performance for the fiscal year from October 1, 2019 to September 30, 2020, and
- → the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the Corporate Governance Statement referred to above.

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

Basis for the opinions

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

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from October 1, 2019 to September 30, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

SPIN-OFF OF THE SIEMENS ENERGY BUSINESS

Reasons why the matter was determined to be a key audit matter: The spin-off and public listing of the Siemens Gas and Power business, which was made a legally independent entity under Siemens Energy AG prior to the spin-off, including the shares previously held by the Siemens Group comprising an interest of around 67% in the listed company Siemens Gamesa Renewable Energy S.A., Spain, and its subsidiaries ("SGRE") (hereinafter "Siemens Energy Business"), was completed at the end of September 2020. As consideration for the spin-off, Siemens AG transferred 55% of the capital stock of Siemens Energy AG existing after the spin-off capital increase and in-kind capital increase to the shareholders of Siemens AG. The remaining 45% of the capital stock of Siemens Energy AG was initially held by Siemens AG and a wholly owned subsidiary when the spin-off became effective. A share of 9.9% of Siemens Energy AG's capital stock was transferred by Siemens AG as a contribution to Siemens Pension-Trust e.V., Germany, in connection with the spin-off.

The accounting for the spin-off of the Siemens Energy Business was a key audit matter due to the complexity of the transaction and the associated significant risk of material misstatement, the estimation uncertainties and judgment involved in the measurements performed as well as the overall significant impact on the assets, liabilities, financial position and financial performance of the Group. First of all, the classification of the Siemens Energy Business as assets held for sale and as discontinued operations since March 31, 2020 was of key significance for our audit due to the complexity. In addition, the recognition of the spin-off liability pursuant to IFRIC 17, *Distributions of Non-cash Assets to Owners*, its measurement as of September 25, 2020, and the disposal of this spin-off liability and of the carrying amount of the assets and liabilities held for sale as well as the addition of the 45% investment in Siemens Energy AG, including the recognition of the difference as a spin-off result in the income statement, is subject to a significant risk due to the complexity of the measurements.

Auditor's response: As part of our audit of the consolidated financial statements, we first evaluated management's assessment of fulfillment of the criteria pursuant to IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, for classification as held for sale and discontinued operations as of March 31, 2020. For this purpose, we obtained an understanding of the planned contractual agreements and examined the probability of the shareholders giving their approval at the extraordinary shareholders' meeting, the progress of the carve-outs of the Siemens Gas and Power Business and the decisions by corporate bodies on the capitalization of the spin-off group. In addition, we evaluated the planned legal execution of the spin-off including the Deconsolidation Agreement as to whether the requirements of commercial and stock corporation law are fulfilled with regard to the loss of control and thus the deconsolidation of the Siemens Energy Business when the spin-off becomes effective pursuant to IFRS 10, *Consolidated Financial Statements*.

We also evaluated the identification of the business activities falling within the scope of IFRS 5 using the underlying contracts and assessed the implementation of the classification as held for sale and as discontinued operations in the consolidation system, including adjustments to the consolidation entries and prior-year figures in the consolidated statement of income and consolidated statement of cash flows, drawing on the expertise of internal IT specialists.

As part of our assessment of the impairment test – to be performed directly before the classification as held for sale – for goodwill contained in the spin-off group and relating to the previous groups of cash-generating units Gas and Power, SGRE Operation and Maintenance and SGRE Wind Turbines as well as the impairment test for the entire spin-off group as of March 31, 2020 and June 30, 2020, we, among other procedures, obtained an understanding of the process for the preparation of the multi-year plan in the Group and for the cash-generating units. In addition, we evaluated the methodology and the valuation models for performing the impairment tests with the assistance of internal specialists who have expertise in business valuation. We also assessed the stated future cash inflows by, among other procedures, comparing this information against the five-year plan prepared by management as well as by comparing the internal growth and earnings forecasts with general and industry-specific market expectations and significant competitors. In addition, we examined the underlying assumptions and parameters, walked through the sensitivity analyses prepared by management and performed supplementary sensitivity analyses of our own to account for the existing forecast uncertainties.

In connection with the recognition of the spin-off liability, we assessed the methodology of the independent expert engaged by management, the valuation models applied and the assumptions and estimates subject to judgment used in determining the fair value of the spin-off liability pursuant to IFRIC 17, *Distributions of Non-cash Assets to Owners*, drawing on the expertise of our valuation specialists and taking into account the audit evidence obtained from the abovementioned impairment tests. This also included assessing the appropriateness as audit evidence of the expert opinion commissioned by management from an independent expert.

Finally, we examined the accounting for the disposal of the remeasured spin-off liability and the carrying amount of the assets and liabilities held for sale as well as the addition of the 45% investment in Siemens Energy AG and the subsequent contribution of 9.9% to Siemens Pension-Trust e.V. and their presentation in the consolidated financial statements. Our audit procedures particularly included assessing the determination of the fair value of the spin-off liability and of the investment held in Siemens Energy AG as an associate as of September 25, 2020 on the basis of the opinion prepared by the independent expert and the calculation of the disposal result. Additional audit procedures were performed related to management's assessment of the recoverability of the 35.1% investment in Siemens Energy accounted for as an associate as of September 30, 2020.

In addition, drawing on the expertise of IT specialists, we evaluated the IT related implementation of the deconsolidation in the consolidation systems as well as the methodological, mathematical and accounting approach to the derecognition calculation in accordance with IFRS 10.

Furthermore, we evaluated the disclosures on the spin-off of the Siemens Energy Business provided in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations relating to the spin-off of the Siemens Energy Business.

Reference to related disclosures: With regard to the recognition and measurement policies applied for the spin-off of the Siemens Energy Business, refer to ↗ **NOTE 2 MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES** in the notes to the consolidated financial statements. An explanation of the transaction and disclosures on the deconsolidation and spin-off result are presented in ↗ **NOTE 3 ACQUISITIONS, DISPOSITION AND DISCONTINUED OPERATIONS** in the notes to the consolidated financial statements.

REVENUE RECOGNITION ON CONSTRUCTION CONTRACTS

Reasons why the matter was determined to be a key audit matter: The Group conducts a significant portion of its business in continuing and discontinued operations under construction contracts, particularly in the Gas and Power business and at Siemens Gamesa Renewable Energy (until the spin-off became effective) as well as in the Mobility business. Revenue from long-term construction contracts is recognized in accordance with IFRS 15, *Revenue from*

Contracts with Customers, generally over time under the percentage-of-completion method. We consider the accounting for construction contracts to be an area posing a significant risk of material misstatement (including the potential risk of management override of internal controls) and accordingly a key audit matter, because management's assessments significantly impact the determination of the extent of progress towards completion. These assessments include, in particular, the scope of deliveries and services required to fulfill contractually defined obligations, total estimated contract costs, remaining costs to completion and total estimated contract revenues, as well as contract risks including technical, political, regulatory and legal risks. Revenues, total estimated contract costs and profit recognition may deviate significantly from original estimates based on new knowledge about cost overruns and changes in project scope over the term of a construction contract. Furthermore, in fiscal year 2020 the effects of the coronavirus pandemic (COVID-19) on the project business, such as delays in project execution due to access restrictions at customer sites or short-term interruptions to supply chains as well as the invocation of force majeure or change in law clauses with regard to compensation for damages or contractual penalties for delays in delivery and their accounting treatment were of key significance for our audit.

Auditor's response: As part of our audit, we obtained an understanding of the Group's internally established methods, processes and control mechanisms for project management in the bid and execution phase of construction contracts. In this regard, we assessed the design and operating effectiveness of the accounting-related internal controls in the project business by obtaining an understanding of business transactions specific to construction contracts, from the initiation of the transaction through presentation in the consolidated financial statements. We also tested internal controls on management level including project reviews and controls addressing the timely assessment of changes in cost estimates and the timely and complete recognition of such changes in the project calculation.

As part of our substantive audit procedures, we evaluated management's estimates and assumptions based on a risk-based selection of a sample of contracts. Our sample particularly included projects that are subject to significant future uncertainties and risks, such as fixed-price or turnkey projects, projects with complex technical requirements or with a large portion of materials and services to be provided by suppliers, subcontractors or consortium partners, cross-border projects, projects in regions particularly affected by the COVID-19 pandemic and projects with changes in cost estimates, delays and/or low or negative margins. Our audit procedures included, among others, review of the contracts and their terms and conditions including contractually agreed partial deliveries and services, termination rights, penalties for delay and breach of contract as well as liquidated damages. In order to evaluate whether revenues were recognized on an accrual basis for the selected projects, we analyzed billable revenues and corresponding cost of sales to be recognized in the statement of income in the reporting period considering the extent of progress towards completion, and examined the accounting for the associated items in the statement of financial position. Considering the requirements of IFRS 15, we also assessed the accounting for contract amendments or contractually agreed options. We further performed inquiries of project management (both commercial and technical project managers) with respect to the development of the projects including the effects of COVID-19 on project execution, the reasons for deviations between planned and actual costs, the current estimated costs to complete the projects, and management's assessments on probabilities that contract risks will materialize. To identify anomalies in the development of margins throughout the projects' execution, we also applied data analysis procedures. In designing our audit procedures, we also considered results from project audits conducted by the internal audit function. Furthermore, we obtained evidence from third parties for selected projects (e.g., project acceptance documentation, contractual terms and conditions, and lawyers' confirmations regarding alleged breaches of contract and asserted claims) and inspected plant and project locations.

Due to the large contract volume and risk profile, in particular with respect to the developments of the power generation markets, our audit procedures especially focused on large contracts for the turnkey construction of power plants, high-voltage-direct-current solutions, the delivery of high-speed and commuter trains, and the construction of onshore and offshore wind farms.

Our audit procedures did not lead to any reservations relating to revenue recognition on construction contracts.

Reference to related disclosures: With regard to the recognition and measurement policies applied in accounting for construction contracts, refer to ↗ **NOTE 2 MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES** in the notes to the consolidated financial statements. With respect to contract assets and liabilities as well as provisions for order related losses and risks, refer to ↗ **NOTE 10 CONTRACT ASSETS AND LIABILITIES** and ↗ **NOTE 18 PROVISIONS** in the notes to the consolidated financial statements.

PROVISIONS FOR PROCEEDINGS OUT OF OR IN CONNECTION WITH ALLEGED COMPLIANCE VIOLATIONS AS WELL AS PROVISIONS FOR ASSET RETIREMENT OBLIGATIONS

Reasons why the matter was determined to be a key audit matter: We considered the accounting for provisions for proceedings out of or in connection with alleged compliance violations, including allegations of corruption and antitrust violations, and for asset retirement obligations to be a key audit matter. These matters are subject to inherent uncertainties and require estimates that could have a significant impact on the recognition and measurement of the respective provision and, accordingly, on assets, liabilities and financial performance. Proceedings out of or in connection with alleged compliance violations are subject to uncertainties because they frequently involve complex legal issues and accordingly, considerable management judgment, in particular when determining whether and in what amount a provision is required to account for the risks. The uncertainties and estimates with respect to asset retirement obligations pertain especially to the estimated costs of interim and final nuclear waste storage, the estimated time frame over which cash outflows are expected, and the relevant discount rates.

Auditor's response: During our audit of the financial reporting of proceedings out of or in connection with alleged compliance violations, we examined the processes implemented by Siemens for identifying, assessing and accounting for legal and regulatory proceedings. To determine what potentially significant pending legal proceedings or claims asserted are known and to assess management's estimates of the expected cash outflows, our audit procedures included inquiring of management and other persons within the Group entrusted with these matters, obtaining written statements from in-house legal counsels with respect to the assessment of estimated cash outflows and their probability, obtaining confirmations from external legal advisors and evaluating internal statements concerning the accounting treatment in the consolidated financial statements. Furthermore, we examined legal consulting expense accounts for any indications of legal matters not yet considered.

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

Based on the aforementioned uncertainties, our audit procedures with respect to asset retirement obligations focused on the remediation and environmental protection liabilities in connection with the decommissioning of the facilities in Hanau, Germany (Hanau facilities), as well as for the nuclear research and service center in Karlstein, Germany (Karlstein facilities). Our audit procedures included, among others, assessing the estimated costs for the construction, operation and decommissioning of the final storage facility, the appropriateness as audit evidence of an independent expert's report commissioned by management with regard to the estimated price inflation, evaluating the valuation methods used by drawing on the expertise of our valuation specialists, and assessing the significant estimates resulting from the long-term nature of the related obligations. Through inquiries of persons entrusted with the matter and inspections of internal and external documents, we evaluated management's assessment whether, as of September 30, 2020, Siemens continues to be subject to the German Atomic Energy Act ("Atomgesetz"), whereby radioactive waste resulting from decommissioning a nuclear facility must be reprocessed without causing damage and be delivered to a government-approved final storage facility.

Furthermore, we evaluated the disclosures on proceedings out of or in connection with alleged compliance violations as well as on asset retirement obligations in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations relating to the accounting for proceedings out of or in connection with alleged compliance violations as well as for asset retirement obligations.

Reference to related disclosures: With regard to the recognition and measurement policies applied in accounting for provisions, refer to ↗ NOTE 2 MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES in the notes to the consolidated financial statements. With respect to proceedings out of or in connection with alleged compliance violations, refer to ↗ NOTE 22 LEGAL PROCEEDINGS. With respect to the uncertainties and estimates relating to asset retirement obligations, refer to ↗ NOTE 18 PROVISIONS.

UNCERTAIN TAX POSITIONS AND DEFERRED TAXES

Reasons why the matter was determined to be a key audit matter: Siemens operates in numerous countries with different local tax legislation. The accounting for uncertain tax positions as well as deferred taxes requires management to exercise considerable judgment and make estimates and assumptions, and was therefore a key audit matter. In particular, this affects the measurement and completeness of uncertain tax positions, the recoverability of deferred tax assets as well as the measurement and completeness of deferred tax liabilities. In addition, management's assessments regarding the tax implications of the COVID-19 pandemic, including the accounting treatment of tax relief, were of particular significance.

Auditor's response: With the assistance of internal tax specialists who have knowledge of relevant local tax law, we examined the processes installed by management and obtained an understanding of internal controls for the identification, recognition and measurement of tax positions. In the course of our audit procedures relating to uncertain tax positions, we evaluated whether management's assessment of the tax implications of significant business transactions or events in fiscal year 2020, which could result in uncertain tax positions or influence the measurement of existing uncertain tax positions, was in compliance with tax law. In particular, this includes the tax implications arising from the acquisition or disposal of investments, corporate (intragroup) restructuring activities, carve-outs, especially in preparation of the spin-off of the Siemens Energy Business, findings of tax audits and cross-border matters, such as determining transfer prices. In order to assess measurement and completeness, we also obtained confirmations from external tax advisors and inspected expert legal or tax opinions and assessments commissioned by management. Further, we evaluated management's assessments with respect to the prospects of success of appeal and tax court proceedings by inquiring of the employees of the Siemens tax department and by considering current tax case law.

In assessing the recoverability of deferred tax assets, we above all analyzed management's assumptions with respect to tax planning strategies and projected future taxable income, particularly in view of the implications of the COVID-19 pandemic, and compared them to internal business plans. In the course of our audit procedures regarding deferred tax liabilities, we examined in particular the assumptions regarding reinvestment of subsidiaries' retained profits for an indefinite period and assessed these taking into account dividend planning.

We also examined the accounting effects resulting from the first-time application of IFRIC 23, *Uncertainty over Income Tax Treatments*.

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

Reference to related disclosures: With regard to the recognition and measurement policies applied in accounting for income taxes, refer to ↗ NOTE 2 MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES in the notes to the consolidated financial statements. With respect to disclosures for deferred tax assets and liabilities, refer to ↗ NOTE 7 INCOME TAXES in the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board in chapter ↗ C.3 of the Annual Report 2020. Management and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the Corporate Governance Code, which is part of the Corporate Governance Statement in chapter ↗ C.4.2. In all other respects, management is responsible for the other information. The other information comprises the Corporate Governance Statement referred to above. In addition, the other information comprises parts to be included in the Annual Report, of which we received a version prior to issuing this auditor's report, in particular:

→ the Responsibility Statement in chapter ↗ C.1 of the Annual Report 2020,
→ the Report of the Supervisory Board in chapter ↗ C.3 of the Annual Report 2020,
→ Corporate Governance in chapter ↗ C.4 of the Annual Report 2020, and
→ Notes and forward-looking statements in chapter ↗ C.5 of the Annual Report 2020.

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

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

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

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

Responsibilities of management and the Supervisory Board for the consolidated financial statements and the group management report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB as well as with full IFRSs as issued by the IASB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, management is responsible for such internal control as management has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, management is responsible for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as management has considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

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

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation as well as in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the IDW and in supplementary compliance with ISA will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB as well as with full IFRSs as issued by the IASB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual Shareholders' Meeting on February 5, 2020. We were engaged by the Supervisory Board on February 5, 2020. We have been the group auditor of Siemens Aktiengesellschaft without interruption since the fiscal year from October 1, 2008 to September 30, 2009.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Thomas Spannagl.

Munich, November 27, 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Spannagl	Breitsameter
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

C.3
Report of the Supervisory Board

Berlin and Munich, December 1, 2020

Dear Shareholders,

In fiscal 2020, the employees of Siemens AG delivered an extraordinary performance. Despite the impact of the COVID-19 pandemic, the Company not only demonstrated impressive operating strength, it also successfully completed a realignment of its structure and personnel. Siemens Energy was listed on the stock exchange as originally scheduled. This spin-off marks the implementation of a key element of the Vision 2020+ strategy concept. In fiscal 2020, the Supervisory Board also successfully completed the succession process for the Managing Board of Siemens AG and established the new Managing Board team headed by Dr. Roland Busch. These steps provided an excellent foundation for the successful further development and growth of a focused Siemens AG.

In fiscal 2020, the Supervisory Board performed in full the duties assigned to it by law, the Siemens Articles of Association and the Bylaws for the Supervisory Board. On the basis of detailed written and oral reports provided by the Managing Board, we monitored the Managing Board and advised it on the management of the Company. In addition, I regularly exchanged information with the President and CEO and the other Managing Board members. As a result, the Supervisory Board was always kept up to date on projected business policies, Company planning – including financial, investment and personnel planning – and the Company's profitability and business operations as well as on the state of Siemens AG and the Siemens Group. We were directly involved at an early stage in all decisions of fundamental importance to the Company and discussed these decisions with the Managing Board intensively and in detail. To the extent that Supervisory Board approval of the decisions and measures of Company management was required by law, the Siemens Articles of Association or our Bylaws, the members of the Supervisory Board – prepared in some cases by the Supervisory Board's committees – issued such approval after intensive review and discussion. The relevant Managing Board members informed us – within the limits set by the applicable legal framework – about measures and decisions of fundamental importance at the former Strategic Companies.

A special focus of our activities in fiscal 2020 was the Company's further strategic development. At meetings and additional informational sessions in the first three quarters of the fiscal year, in particular, we concerned ourselves intensively with the spin-off of Siemens' energy business via a carve-out and subsequent public listing. We support the spin-off of the energy business and approved it at an extraordinary meeting on May 22, 2020. In the second half of fiscal 2020, our activities focused on the further strategic development of Siemens AG after the spin-off. Together with the Managing Board, we discussed markets and trends, the goals and priorities of Siemens' businesses and the Company's technological and personnel strategy. Succession planning for the Managing Board was another focal point of our work in fiscal 2020. To open a new chapter in Siemens' history, we successfully completed the succession process and established the management team that will lead the focused Siemens AG as of October 1, 2020.

Topics at the plenary meetings of the Supervisory Board

We held a total of six regular plenary meetings and five extraordinary meetings in fiscal 2020. Topics of discussion at our regular plenary meetings were revenue, profit and employment development at Siemens AG and the Siemens Group as well as the Company's financial position and the results of its operations. In addition, we concerned ourselves, as occasion required, with acquisition and divestment projects and with risks to the Company. Portfolio measures were further topics of discussion. We also met at regular intervals without the Managing Board in attendance. On these occasions, we dealt with agenda items that concerned either the Managing Board itself or internal Supervisory Board matters.

The spin-off of Siemens' energy business was a particular focus of our activity. At our meetings on November 6, 2019, December 4, 2019, and February 4, 2020, the Managing Board updated us on the current status of the carve-out of the energy business and on the progress in spin-off preparation. At an extraordinary meeting on January 15, 2020, the Audit Committee discussed financial, accounting and other key spin-off-related topics. An informational session was held for the employee representatives on the Supervisory Board on April 24, 2020. Another such session was held for the shareholder representatives on April 27, 2020. At these informational sessions, at an extraordinary Audit Committee meeting on April 27, 2020, and at our meeting on May 8, 2020, the Managing Board and Siemens Energy's designated leadership team – supported by external consultants and experts – provided us with detailed information regarding the planned spin-off in preparation for our decisions scheduled for May 22, 2020. At our meeting on May 8, 2020, we approved – on the recommendation of the Audit Committee – the closing statements of financial position of Siemens AG as of March 31, 2020, which also serve as the closing statements of financial position pursuant to Section 125, sent. 1 and Section 17, para. 2 of the German Transformation Act (*Umwandlungsgesetz*). At our extraordinary meeting on May 22, 2020, we approved – on the basis of prior detailed reporting by the Managing Board and intensive discussions in the Supervisory Board and with the Managing Board – the spin-off of Siemens' energy business as approved by the Managing Board. On the recommendation of the Compensation Committee, we approved, in addition, the adjustments to the stock-based compensation programs for active and former Managing Board members that had to be made in the course of the spin-off of Siemens' energy business. At this meeting, we also concerned ourselves with the agenda for the Extraordinary Shareholders' Meeting on July 9, 2020, and approved the Managing Board's decisions regarding the conduct of this meeting as a virtual shareholders' meeting without the physical presence of shareholders or their proxies in accordance with Section 1, para. 2 of the German Act Concerning Measures Under the Law of Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the COVID-19 Pandemic (*Gesetz über Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins-, Stiftungs- und Wohnungseigentumsrecht zur Bekämpfung der Auswirkungen der COVID-19-Pandemie*) of March 27, 2020 (Federal Law Gazette I No. 14 2020, p. 570).

At our meeting on November 6, 2019, we discussed the key financial figures for fiscal 2019 and approved the budget for fiscal 2020. We dealt with the carve-out and the preparations for the spin-off of Siemens' energy business. On a recommendation by the Compensation Committee, we also defined the Managing Board members' compensation for fiscal 2019 on the basis of calculated target achievement. An internal review confirmed the appropriateness of this compensation. Against the backdrop of the changing regulatory framework and the new Group structure due to the Vision 2020+ strategy concept, we had already approved an adjustment to the Managing Board compensation system as of fiscal 2020 at our meeting on September 18, 2019. At that meeting, we had also defined the performance criteria for the Managing Board's variable compensation for fiscal 2020. On this basis and on the recommendation of the Compensation Committee, we made a decision on target setting for Managing Board compensation for fiscal 2020, at our meeting on November 6, 2019. At this meeting, we also approved a Managing Board decision on financing measures.

On December 4, 2019, we discussed the financial statements and the Combined Management Report for Siemens AG and the Siemens Group as of September 30, 2019, the Annual Report for 2019 – including the Report of the Supervisory Board, the Corporate Governance Report and the Compensation Report – and the agenda for the ordinary Annual Shareholders' Meeting on February 5, 2020. In addition, we dealt with Managing Board compensation for fiscal 2020. On the recommendation of the Compensation Committee, we approved the Managing Board compensation system – including planned maximum compensation – effective October 1, 2019, as described in the "Notice of Annual Shareholders' Meeting." On the recommendation of the Compensation Committee, we also made a further decision regarding the target setting and the maximum compensation for Managing Board compensation in fiscal 2020. The Managing Board updated us on the current status of acquisitions and divestments and on the business situation and business development of Siemens Healthineers. In addition, we concerned ourselves with the annual report of the Chief Compliance Officer and the annual report of the Cybersecurity Officer. The carve-out and preparations for the spin-off of Siemens' energy business were also topics at this meeting. Finally, on the recommendation of the Chairman's Committee, we approved the termination by mutual agreement of Lisa Davis's appointment as a full member of the Managing Board, effective the end of the day on February 29, 2020.

At our meeting on February 4, 2020, the Managing Board reported to us on the Company's current business and financial position following the conclusion of the first quarter. We dealt with the carve-out and preparations for the spin-off of Siemens' energy business. We also approved the Managing Board's decision to acquire the entire stake in Siemens Gamesa Renewable Energy held by Iberdrola S.A., Spain. Based on the endorsement of the Managing Board compensation system by the Annual Shareholders' Meeting on February 5, 2020, we confirmed our decisions of December 4, 2019, defining Managing Board compensation as of October 1, 2019.

At our extraordinary meeting on March 19, 2020, which was in the form of a conference call, we concerned ourselves with personnel-related matters regarding the Managing Board. In order to ensure an orderly succession process, we decided – on the recommendation of the Chairman's Committee – to appoint Dr. Roland Busch to another term of office as a full member of the Managing Board for the period from April 1, 2020, through March 31, 2025, and to terminate by mutual agreement his current appointment, effective the end of the day on March 31, 2020. In addition, we appointed Dr. Roland Busch President and CEO, effective no later than the conclusion of the next ordinary Annual Shareholders' Meeting on February 3, 2021. On the recommendation of the Chairman's Committee, we also approved the termination by mutual agreement of Michael Sen's appointment as a full member of the Managing Board, effective the end of the day on March 31, 2020, and we were informed about additional personnel-related decisions regarding Siemens Energy. The Managing Board also informed us about the impact of the COVID-19 pandemic.

At an informational session on April 24, 2020, the employee representatives on the Supervisory Board discussed the planned spin-off of Siemens' energy business in depth, as did the shareholder representatives at another such session on April 27, 2020.

At our extraordinary meeting on May 7, 2020, we approved the Managing Board's decision regarding the preparation of a spin-off of Flender following the integration of Siemens' wind power generator business into Flender.

At our meeting on May 8, 2020, the Managing Board reported to us on the Company's current business and financial position following the conclusion of the second quarter – in particular, on the impact of the COVID-19 pandemic – and on the spin-off of Siemens' energy business. The Managing Board also informed us about the business situation, development and strategic orientation of Mobility, one of Siemens' former Strategic Companies. Finally, we concerned ourselves with corporate governance at Siemens. We approved the internal control process for related-party transactions and transferred the responsibility for monitoring this process to the Audit Committee.

At our extraordinary meeting on May 22, 2020, we approved the spin-off of Siemens' energy business via a carve-out and subsequent public listing and made the further decisions mentioned above. The meeting also focused on Siemens AG's digitalization strategy.

At our extraordinary meeting on June 30, 2020, we decided – on the recommendation of the Chairman's Committee – to appoint Judith Wiese a full member of the Managing Board and the successor to Dr. Roland Busch as Labor Director for the period from October 1, 2020, through September 30, 2023. We also concerned ourselves with succession planning for the Managing Board.

At our extraordinary meeting on July 30, 2020, the Managing Board informed us about the planned acquisition of Varian Medical Systems, Inc., USA, by Siemens Healthineers AG. We approved the Managing Board's decision regarding the financing measures relating to this transaction.

At our meeting on August 5, 2020, the Managing Board updated us on the Company's current business and financial position, including the impact of the COVID-19 pandemic, following the conclusion of the third quarter. This meeting focused on the Managing Board's reporting on the status of the execution of the Vision 2020+ strategy concept. In addition, we concerned ourselves again with succession planning for the Managing Board. On the recommendation of the Chairman's Committee, we decided in mutual agreement with Managing Board member Klaus Helmrich not to extend his Managing Board appointment, which will expire on March 31, 2021, due to his retirement on that date. On the recommendation of the Chairman's Committee, we also decided to appoint Matthias Rebellius a full member of the Managing Board, for the period from October 1, 2020, through September 30, 2025. In addition, we reassigned the Managing Board members' areas of responsibility, effective October 1, 2020.

At our meeting on September 23, 2020, the Managing Board reported to us on the state of the Company. Siemens AG's strategy was also a focus of this meeting. The Managing Board reported to us on current trends and market developments. We discussed the goals and priorities of Siemens' businesses as well as its technological and personnel strategy. We concerned ourselves with the annual review of Managing Board compensation and – after preparation by, and on a recommendation of, the Compensation Committee – defined for each Managing Board member individual target total compensation and maximum compensation as well as the performance criteria for variable compensation for fiscal 2021. At this meeting, we also discussed matters relating to corporate governance and, in particular, the preparation of the Declaration of Conformity with the German Corporate Governance Code and the independence of the shareholder representatives on the Supervisory Board. We approved amendments to the Bylaws for the Managing Board, for the Supervisory Board and for the Audit Committee of the Supervisory Board. In particular, we decided to reintegrate the Compliance Committee into the Audit Committee and to transfer the Compliance Committee's duties to the Audit Committee, effective October 1, 2020. In addition, we approved a new version of the objectives for the composition of the Supervisory Board, including the profile of skills and expertise and the diversity concept for the Supervisory Board, which are explained in chapter ↗ C.4.2 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTIONS 289 F AND 315 D OF THE GERMAN COMMERCIAL CODE. Finally, we dealt with the efficiency review of our activities.

Corporate Governance Code

At our meeting on September 23, 2020, we approved a Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act. Information on corporate governance at Siemens is available in chapter ↗ C.4 CORPORATE GOVERNANCE. The Company's Declaration of Conformity has been made permanently available to shareholders on the Siemens Global Website. The current Declaration of Conformity is also available in chapter ↗ C.4.2 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTIONS 289 F AND 315 D OF THE GERMAN COMMERCIAL CODE.

Work in the Supervisory Board committees

In fiscal 2020, the Supervisory Board had seven standing committees. These committees prepare proposals and issues to be dealt with at the Supervisory Board's plenary meetings. Some of the Supervisory Board's decision-making powers have also been delegated to these committees within the permissible legal framework. The committee chairpersons report to the Supervisory Board on their committees' work at subsequent Board meetings. A list of the members and a detailed explanation of the tasks of the individual Supervisory Board committees are included in chapter ↗ C.4.1 MANAGEMENT AND CONTROL STRUCTURE.

The Chairman's Committee met 11 times. In addition, two decisions were made by written circulation. Between meetings, some of which were in the form of conference calls, I also discussed topics of major importance with the members of the Chairman's Committee. The Committee concerned itself, in particular, with personnel-related matters, succession planning for the composition of the Managing Board, related-party transactions, corporate governance issues and the acceptance by Managing Board members of positions at other companies and institutions. Within the limits of the applicable regulatory framework, the Chairman's Committee was informed of and/or approved personnel-related measures of fundamental importance at the former Operating Companies and the former Strategic Companies.

The Nominating Committee met six times. With a view to the regular Supervisory Board elections scheduled for 2021 and 2023, the Nominating Committee gave in-depth consideration to succession planning for the Supervisory Board and prepared the Supervisory Board's nominations for the election by the 2021 Annual Shareholders' Meeting of shareholder representatives on the Supervisory Board. In this connection, the Nominating Committee was supported by an external consulting firm. In selecting the potential candidates and in preparing a recommendation for the Supervisory Board decision, the Nominating Committee gave particular consideration to the objectives that the Supervisory Board had previously approved for its composition, including the profile of required skills and expertise and the diversity concept for the Supervisory Board.

The Compliance Committee met four times. It dealt primarily with the Company's quarterly reports and the annual report of the Chief Compliance Officer. Additional topics were the further development and setup of the compliance function within the Siemens Group in view of the Company's strategic realignment.

The Mediation Committee had no need to meet.

The Compensation Committee met four times. It also made two decisions by written circulation. The Compensation Committee prepared, in particular, Supervisory Board decisions regarding the definition of performance criteria and the targets for variable compensation, the determination and review of the appropriateness of Managing Board compensation and the approval of the Compensation Report. In addition, the Compensation Committee prepared the Supervisory Board's decision regarding the adjustments to the stock-based compensation programs for active and former Managing Board members that had to be made in the course of the spin-off.

The Innovation and Finance Committee met twice. The focuses of its meetings included its recommendation regarding the budget for fiscal 2020 and the discussion of the pension system. Within the limits of the applicable regulatory framework, the relevant Managing Board members informed the Innovation and Finance Committee regarding measures and decisions of fundamental importance at the former Strategic Companies.

The Audit Committee held six regular and two extraordinary meetings. In the presence of the independent auditors as well as the President and CEO and the Chief Financial Officer, the Committee dealt with the financial statements and the Combined Management Report for Siemens AG and the Siemens Group. The Audit Committee discussed the Half-year Financial Report and the quarterly statements with the Managing Board and the independent auditors. In the presence of the independent auditors, it also discussed the report on the auditors' review of the Company's Half-year Consolidated Financial Statements and of its Interim Group Management Report. The Audit Committee prepared the Supervisory Board decision regarding approval of the interim statements of financial position of Siemens AG as of March 31, 2020. In connection with the spin-off of Siemens' energy business, these statements also serve as the closing statements of financial position pursuant to Section 125, sent. 1 and Section 17, para. 2 of the German Transformation Act (*Umwandlungsgesetz*). The Audit Committee awarded the audit contract for fiscal 2020 to the independent auditors, who had been elected by the Annual Shareholders' Meeting, defined the Audit Committee's focus areas and determined the auditors' fee. The Audit Committee monitored the selection, independence, qualification, rotation and efficiency of the independent auditors as well as the services they provided and concerned itself with the review of the quality of the audit of the financial statements. Against the backdrop of the

Wirecard situation, the Audit Committee's review in fiscal 2020 included, in particular, discussion of the role of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as the independent auditors of Wirecard AG. The Siemens Audit Committee posed questions to the independent auditors regarding this matter and evaluated the impact on Siemens AG. No background details became known that would preclude Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, from being elected to serve as independent auditors for fiscal 2021. The Audit Committee also dealt with the Company's accounting and accounting process, the effectiveness of its internal control system, its risk management system and the effectiveness, resources and findings of its internal audit as well as with reports concerning potential and pending legal disputes. The members of the Audit Committee participated as guests in the Innovation and Finance Committee's discussion of the budget for fiscal 2020. At two extraordinary meetings, the Audit Committee gave in-depth consideration to the spin-off of Siemens' energy business and dealt, in particular, with the related financial and accounting topics.

The Supervisory Board members take part, on their own responsibility, in the educational and training measures necessary for the performance of their duties – measures relating, for example, to changes in the legal framework and new, groundbreaking technologies. The Company supports them in this regard. Internal informational events are offered when necessary to support targeted educational measures. New Supervisory Board members can meet with Managing Board members and other managers with specialist responsibility to exchange views on current topics and topics of fundamental importance and thus gain an overview of Company-relevant matters (onboarding).

Disclosure of participation by individual Supervisory Board members in meetings

The average rate of participation by members in the meetings of the Supervisory Board and its committees was 97.4%. Due to the exceptional circumstances caused by the COVID-19 pandemic, all meetings after March 2020 were held either in a virtual format or as in-person meetings in which virtual participation was possible. The participation rate of individual members in the meetings of the Supervisory Board and its committees is set out in the following chart:

	Supervisory Board (plenary meetings)		Chairman's Committee		Compensation Committee		Audit Committee		Compliance Committee		Innovation and Finance Committee		Nominating Committee	
(Number of meetings / participation in %)	No.	in %	No.	in %	No.	in %	No.	in %	No.	in %	No.	in %	No.	in %
Jim Hagemann Snabe Chairman	11/11	100	11/11	100	4/4	100	8/8	100	4/4	100	2/2	100	6/6	100
Birgit Steinborn First Deputy Chairwoman	11/11	100	11/11	100	4/4	100	8/8	100	4/4	100	2/2	100		
Werner Wenning Second Deputy Chairman	11/11	100	11/11	100	4/4	100					2/2	100	6/6	100
Werner Brandt (Dr. rer. pol.)	11/11	100					8/8	100	4/4	100				
Michael Diekmann	11/11	100			3/4	75								
Andrea Fehrmann (Dr. phil.)	11/11	100												
Bettina Haller	11/11	100					8/8	100	4/4	100				
Robert Kensbock (until September 25, 2020)	11/11	100			4/4	100	8/8	100			2/2	100		
Harald Kern	11/11	100							4/4	100	2/2	100		
Jürgen Kerner	11/11	100	11/11	100	4/4	100	8/8	100	4/4	100	2/2	100		
Nicola Leibinger-Kammüller (Dr. phil.)	9/11	82					5/8	63	3/4	75			6/6	100
Benoît Potier	10/11	91											4/6	67
Hagen Reimer	11/11	100												
Norbert Reithofer (Dr.-Ing. Dr.-Ing. E.h.)	10/11	91									2/2	100		
Baroness Nemat Shafik (DBE, DPhil)	11/11	100												
Nathalie von Siemens (Dr. phil.)	11/11	100									2/2	100		
Michael Sigmund	11/11	100												
Dorothea Simon	11/11	100												
Matthias Zachert	11/11	100					8/8	100	4/4	100				
Gunnar Zukunft	11/11	100												
		98		**100**		**96**		**95**		**97**		**100**		**92**

Detailed discussion of the audit of the financial statements

The independent auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (Stuttgart, Germany), audited the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group and the Combined Management Report for Siemens AG and the Siemens Group for fiscal 2020 and issued unqualified opinions for each. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (Stuttgart, Germany) has served as independent auditors of Siemens AG and the Siemens Group since fiscal 2009. Katharina Breitsameter has signed as auditor since fiscal 2016, and Thomas Spannagl has signed as auditor responsible for the audit since fiscal 2014. The Annual Financial Statements of Siemens AG and the Combined Management Report for Siemens AG and the Siemens Group were prepared in accordance with the requirements of German law. The Consolidated Financial Statements of the Siemens Group were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and with the additional requirements of German law set out in Section 315 e (1) of the German Commercial Code (*Handelsgesetzbuch*). The Consolidated Financial Statements of the Siemens Group also comply with the IFRS as issued by the International Accounting Standards Board (IASB). The independent auditors conducted their audit in accordance with Section 317 of the German Commercial Code and the EU Audit Regulation and German generally accepted standards for the audit of financial statements as promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as in supplementary compliance with the International Standards on Auditing (ISA). The abovementioned documents as well as the Managing Board's proposal for the appropriation of net income were submitted to us by the Managing Board in advance. The Audit Committee discussed the dividend proposal in detail at its meeting on November 10, 2020. It discussed the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group and the Combined Management Report in detail at its meeting on November 30, 2020. In this context, the Audit Committee concerned itself, in particular, with the key audit matters described in the independent auditors' respective opinions, including the audit procedures implemented. The Audit Committee's review also covered the non-financial information for Siemens AG and the Siemens Group that is included in the Combined Management Report. The audit reports prepared by the independent auditors were distributed to all members of the Supervisory Board and comprehensively reviewed at the Supervisory Board meeting on December 1, 2020, in the presence of the independent auditors, who reported on the scope, focal points and main findings of their audit, addressing, in particular, key audit matters and the audit procedures implemented. No major weaknesses in the Company's internal control or risk management systems were reported. At this meeting, the Managing Board explained the financial statements of Siemens AG and the Siemens Group as well as the Company's risk management system.

The Supervisory Board concurs with the results of the audit. Following the definitive findings of the Audit Committee's examination and our own examination, we have no objections. The Managing Board prepared the Annual Financial Statements of Siemens AG and the Consolidated Financial Statements of the Siemens Group. We approved the Annual Financial Statements and the Consolidated Financial Statements. In view of our approval, the financial statements are accepted as submitted. We endorsed the Managing Board's proposal that the net income available for distribution be used to pay out a dividend of €3.50 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 2020 be carried forward.

Changes in the composition of the Supervisory and Managing Boards

The following members left the Managing Board in fiscal 2020: Janina Kugel (effective January 31, 2020), Lisa Davis (effective February 29, 2020) and Michael Sen (effective March 31, 2020). The Supervisory Board appointed Judith Wiese and Matthias Rebellius full members of the Managing Board, effective October 1, 2020.

Robert Kensbock left the Supervisory Board on September 25, 2020, the effective date of the spin-off of Siemens' energy business. In a decision of October 16, 2020, the Charlottenburg District Court appointed Tobias Bäumler to succeed Robert Kensbock as an employee representative on the Supervisory Board for the remainder of Robert Kensbock's term of office.

On behalf of the Supervisory Board, I would like to thank the members of the Managing Board and all the employees and employee representatives of Siemens AG and all Group companies for their outstanding commitment and constructive cooperation in fiscal 2020.

For the Supervisory Board

Jim Hagemann Snabe
Chairman

C.4

Corporate Governance

C.4.1 Management and control structure

Siemens AG is subject to German corporate law. Therefore, it has a two-tier board structure, consisting of a Managing Board and a Supervisory Board.

C.4.1.1 Managing Board

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

The Managing Board prepares the Company's Quarterly Statements and Half-year Financial Report, the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group and the Combined Management Report of Siemens AG and the Siemens Group. In addition, the Managing Board ensures that the Company adheres to statutory requirements, official regulations and internal Company policies and works to achieve compliance with these provisions and policies within the Siemens Group. The Managing Board has established a comprehensive compliance management system. Protection is offered to employees and third parties who provide information on unlawful behavior within the Company. Details on the compliance management system are available on the Siemens Global Website at: **WWW.SIEMENS.COM/SUSTAINABILITYINFORMATION**

The Supervisory Board has issued Bylaws for the Managing Board that contain the assignment of different portfolios and the rules for cooperation both within the Managing Board and between the Managing Board and the Supervisory Board. In accordance with these Bylaws, the Managing Board is divided into the portfolio of the President and CEO and a variety of Managing Board portfolios. The Managing Board members responsible for the individual Managing Board portfolios are defined in a business assignment plan that is approved by the Supervisory Board. As the Managing Board member with responsibility for the Human Resources portfolio, the Labor Director (*Arbeitsdirektor*) is appointed in accordance with the requirements of Section 33 of the German Codetermination Act (*Mitbestimmungsgesetz*). While the first-time appointment of Managing Board members shall not, as a rule, exceed a period of three years, an assessment is to be made in each individual case in order to determine what period of appointment is deemed appropriate within the legally permissible period. This matter is explained in greater detail in chapter ↗ **C.4.2.1 DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE**.

As a rule, a portfolio assigned to an individual member is that member's own responsibility. Activities and transactions in a particular Managing Board portfolio that are considered to be extraordinarily important for the Company or associated with an extraordinary economic risk require the prior consent of the full Managing Board. The same applies to activities and transactions for which the President and CEO or another member of the Managing Board demands a prior decision by the Managing Board. The President and CEO is responsible for the coordination of all Managing Board portfolios. Further details are available in the Bylaws for the Managing Board at: **WWW.SIEMENS.COM/BYLAWS-MANAGINGBOARD**

The Managing Board and the Supervisory Board cooperate closely for the benefit of the Company. The Managing Board informs the Supervisory Board regularly, comprehensively and without delay on all issues of importance to the entire Company with regard to strategy, planning, business development, financial position, results of operations, compliance and entrepreneurial risks. At regular intervals, the Managing Board also discusses the status of strategy implementation with the Supervisory Board.

The members of the Managing Board are subject to a comprehensive prohibition on competitive activity for the period of their employment at Siemens AG. They are committed to serving the interest of the Company. When making their decisions, they may not be guided by personal interests nor may they exploit for their own advantage business opportunities offered to the Company. Managing Board members may engage in secondary activities – in particular, supervisory board positions outside the Siemens Group – only with the approval of the Chairman's Committee of the Supervisory Board. The Supervisory Board is responsible for decisions regarding any adjustments to Managing Board compensation that are necessary in order to take account of possible compensation for secondary activities. Every Managing Board member is under an obligation to disclose conflicts of interest without delay to the Chairman or Chairwoman of the Supervisory Board and to inform the other members of the Managing Board thereof.

EQUITY AND COMPENSATION COMMITTEE OF THE MANAGING BOARD

The Managing Board has one committee, the Equity and Compensation Committee. This committee is responsible for the duties assigned to it by a decision of the Managing Board – including, in particular, duties in connection with capital measures and equity-linked financial instruments relating to the compensation of all employees and managers of the Siemens Group except the members of the Managing Board and of Top Management and relating to share-based compensation components and employee share plans. The Equity and Compensation Committee comprises the President and CEO, the Managing Board member with responsibility for the Human Resources portfolio, the Managing Board member with responsibility for the Controlling and Finance portfolio and – as of October 1, 2020 – the Deputy CEO. As of September 30, 2020, its members are Joe Kaeser (Chairman), Dr. Roland Busch and Prof. Dr. Ralf P. Thomas. As of October 1, 2020, it will also include Judith Wiese.

Information on the areas of responsibility and the curricula vitae of the members of the Managing Board are available on the Siemens Global Website at: **WWW.SIEMENS.COM/MANAGEMENT**. Information on the compensation paid to the members of the Managing Board is provided in chapter ↗ **A.10 COMPENSATION REPORT**.

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

In fiscal 2020, the Managing Board had the following members:

				Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises	
Name	Date of birth	First appointed	Term expires	External positions (as of September 30, 2020)	Group company positions (as of September 30, 2020)
Joe Kaeser President and Chief Executive Officer	June 23, 1957	May 1, 2006	At the end of the 2021 Annual Shareholders' Meeting	**German positions:** → Daimler AG, Stuttgart[1] → Mercedes-Benz AG, Stuttgart → Siemens Energy AG, Munich (Chairman)[1] → Siemens Gas and Power Management GmbH (now: Siemens Energy Management GmbH), Munich (Chairman as of October 12, 2020) **Positions outside Germany:** → NXP Semiconductors N.V., Netherlands[1]	**Positions outside Germany:** → Siemens Ltd., India[1]
Roland Busch (Dr. rer. nat.)	November 22, 1964	April 1, 2011	March 31, 2025	**German positions:** → European School of Management and Technology GmbH, Berlin	**German positions:** → Siemens Healthineers AG, Munich[1] → Siemens Mobility GmbH, Munich (Chairman) **Positions outside Germany:** → Arabia Electric Ltd. (Equipment), Saudi Arabia → Siemens Ltd., Saudi Arabia (Deputy Chairman) → Siemens W.L.L., Qatar
Lisa Davis (until February 29, 2020) as of February 29, 2020	October 15, 1963	August 1, 2014	Term originally to have expired on October 31, 2020	**Positions outside Germany:** → Kosmos Energy Ltd., USA → Penske Automotive Group, Inc., USA[1]	**Positions outside Germany:** → Siemens Proprietary Ltd., South Africa (Chairwoman)

1 Publicly listed.

Name	Date of birth	First appointed	Term expires	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises External positions (as of September 30, 2020)	Group company positions (as of September 30, 2020)
Klaus Helmrich	May 24, 1958	April 1, 2011	March 31, 2021	**German positions:** → EOS Holding AG, Krailling → inpro Innovationsgesellschaft für fortgeschrittene Produktionssysteme in der Fahrzeugindustrie mbH, Berlin	**Positions outside Germany:** → Siemens AB, Sweden (Chairman) → Siemens Aktiengesellschaft Österreich, Austria (Chairman)
Janina Kugel (until January 31, 2020) as of January 31, 2020	January 12, 1970	February 1, 2015	January 31, 2020	**German positions:** → Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit, Cologne **Positions outside Germany:** → Konecranes Plc., Finland [1]	
Cedrik Neike	March 7, 1973	April 1, 2017	May 31, 2025	**Positions outside Germany:** → Atos SE, France [1]	**Positions outside Germany:** → Siemens France Holding S.A., France → Siemens Ltd., India [1] → Siemens Schweiz AG, Switzerland (Chairman)
Michael Sen (until March 31, 2020) as of March 31, 2020	November 17, 1968	April 1, 2017	Term originally to have expired on March 31, 2022		**Positions outside Germany:** → Siemens Gamesa Renewable Energy, S.A., Spain [1]
Ralf P. Thomas (Prof. Dr. rer. pol.)	March 7, 1961	September 18, 2013	September 17, 2023	**German positions:** → Siemens Energy AG, Munich [1] → Siemens Gas and Power Management GmbH (now: Siemens Energy Management GmbH), Munich	**German positions:** → Siemens Healthcare GmbH, Munich (Chairman) → Siemens Healthineers AG, Munich (Chairman) [1] **Positions outside Germany:** → Siemens Proprietary Ltd., South Africa (Chairman)

1 Publicly listed.

Matthias Rebellius (born on January 2, 1965) and Judith Wiese (born on January 30, 1971) were appointed members of the Managing Board, effective October 1, 2020. Matthias Rebellius was appointed until September 30, 2025, and Judith Wiese until September 30, 2023. Matthias Rebellius holds the following positions in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises: he is a member of the supervisory board of Siemens Energy AG, Munich, and a member of the supervisory board of Siemens Energy Management GmbH (formerly Siemens Gas and Power Management GmbH) , Munich (external positions) as well as a member of the supervisory board of Siemens Mobility GmbH, Munich, and a member of the Board of Directors of Siemens Ltd. Australia, Australia (group company positions).

C.4.1.2 Supervisory Board

The Supervisory Board oversees and advises the Managing Board in its management of the Company's business. At regular intervals, the Supervisory Board discusses business development, planning, strategy and strategy implementation. It reviews the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group, the Combined Management Report of Siemens AG and the Siemens Group, and the proposal for the appropriation of net income. It approves the Annual Financial Statements of Siemens AG as well as the Consolidated Financial Statements of the Siemens Group, based on the results of the preliminary review conducted by the Audit Committee and taking into account the reports of the independent auditors. The Supervisory Board approves 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 Company's adherence to statutory provisions, official regulations and internal Company policies (compliance) are monitored by the Supervisory Board and/or its relevant committee. The Supervisory Board also appoints the members of the Managing Board and determines each member's portfolios. The Supervisory Board approves – on the basis of a proposal by the Compensation Committee – the compensation system for Managing Board members and defines their concrete compensation in accordance with this system. It sets the individual targets for the variable compensation and the total compensation of each individual Managing Board member, reviews the appropriateness of total compensation and regularly reviews the Managing Board compensation system. Effective October 1, 2019, the Supervisory Board approved – on the basis of a proposal by the Compensation Committee – an adjusted compensation system, which was approved by the Annual Shareholders' Meeting on February 5, 2020. Important Managing Board decisions – such as those regarding major acquisitions, divestments, fixed asset investments or financial measures – require Supervisory Board approval unless the Bylaws for the Supervisory Board specify that such authority be delegated to the Innovation and Finance Committee of the Supervisory Board.

Separate preparatory meetings of the shareholder representatives and of the employee representatives are held regularly in order to prepare the Supervisory Board meetings. The Supervisory Board also meets regularly without the Managing Board in attendance. Every Supervisory Board member must disclose conflicts of interest to the Supervisory Board. Information regarding conflicts of interest that may have arisen and their handling is provided in the Report of the Supervisory Board. Special informational (onboarding) events are held in order to familiarize new Supervisory Board members with the Company's business model and the structures of the Siemens Group.

The Supervisory Board of Siemens AG has 20 members. As stipulated by the German Codetermination Act, half of its members represent Company shareholders, and half represent Company employees. The employee representatives' names are marked below with an asterisk (*). The shareholder representatives on the Supervisory Board are elected at the Annual Shareholders' Meeting by a simple majority vote. Elections to the Supervisory Board are conducted, as a rule, on an individual basis. The Supervisory Board's employee representatives are elected in accordance with the provisions of the German Codetermination Act.

Details regarding the work of the Supervisory Board are provided in chapter ↗ C.3 REPORT OF THE SUPERVISORY BOARD. The curricula vitae of the members of the Supervisory Board are published on the Siemens Global Website at: WWW.SIEMENS.COM/SUPERVISORY-BOARD and are updated annually. Information on the compensation paid to the members of the Supervisory Board is provided in chapter ↗ A.10 COMPENSATION REPORT.

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

In fiscal 2020, the Supervisory Board had the following members:

Name	Occupation	Date of birth	Member since	Term expires[1]	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises (as of September 30, 2020)
Jim Hagemann Snabe Chairman	Chairman of the Supervisory Board of Siemens AG and of the Board of Directors of A.P. Møller-Mærsk A/S	October 27, 1965	October 1, 2013	2021	**German positions:** → Allianz SE, Munich (Deputy Chairman)[2] **Positions outside Germany:** → A.P. Møller-Mærsk A/S, Denmark (Chairman)[2]
Birgit Steinborn* First Deputy Chairwoman	Chairwoman of the Central Works Council of Siemens AG	March 26, 1960	January 24, 2008	2023	
Werner Wenning Second Deputy Chairman	Second Deputy Chairman of the Supervisory Board of Siemens AG	October 21, 1946	January 23, 2013	2021	
Werner Brandt (Dr. rer. pol.)	Chairman of the Supervisory Board of RWE AG and of ProSiebenSat.1 Media SE	January 3, 1954	January 31, 2018	2023	**German positions:** → ProSiebenSat.1 Media SE, Munich (Chairman)[2] → RWE AG, Essen (Chairman)[2]
Michael Diekmann	Chairman of the Supervisory Board of Allianz SE	December 23, 1954	January 24, 2008	2023	**German positions:** → Allianz SE, Munich (Chairman)[2] → Fresenius Management SE, Bad Homburg → Fresenius SE & Co. KGaA, Bad Homburg (Deputy Chairman)[2]

1 As a rule, the term of office ends upon completion of the (relevant) ordinary Annual Shareholders' Meeting.
2 Publicly listed.
3 Group company position.
4 Shareholders' Committee.

Name	Occupation	Date of birth	Member since	Term expires[1]	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises (as of September 30, 2020)
Andrea Fehrmann* (Dr. phil.)	Trade Union Secretary, IG Metall Regional Office for Bavaria	June 21, 1970	January 31, 2018	2023	**German positions:** → Siemens Gas and Power Management GmbH (now: Siemens Energy Management GmbH), Munich
Bettina Haller*	Chairwoman of the Combine Works Council of Siemens AG	March 14, 1959	April 1, 2007	2023	**German positions:** → Siemens Mobility GmbH, Munich (Deputy Chairwoman)
Robert Kensbock* (until September 25, 2020) as of September 25, 2020	Deputy Chairman of the Central Works Council of Siemens AG	March 13, 1971	January 23, 2013	2023	**German positions:** → Siemens Gas and Power Management GmbH (now: Siemens Energy Management GmbH), Munich (Deputy Chairman)
Harald Kern*	Chairman of the Siemens Europe Committee	March 16, 1960	January 24, 2008	2023	
Jürgen Kerner*	Chief Treasurer and Executive Member of the Managing Board of IG Metall	January 22, 1969	January 25, 2012	2023	**German positions:** → MAN SE, Munich (Deputy Chairman)[2] → MAN Truck & Bus SE, Munich (Deputy Chairman) → Premium Aerotec GmbH, Augsburg (Deputy Chairman) → Siemens Gas and Power Management GmbH (now: Siemens Energy Management GmbH), Munich → Thyssenkrupp AG, Essen (Deputy Chairman)[2] → Traton SE, Munich[2]
Nicola Leibinger-Kammüller (Dr. phil.)	Chief Executive Officer (CEO) – President and Chairwoman of the Group Management of TRUMPF GmbH + Co. KG	December 15, 1959	January 24, 2008	2021	**Positions outside Germany:** → TRUMPF Schweiz AG, Switzerland[3]
Benoît Potier	Chairman and Chief Executive Officer of Air Liquide S.A.[2]	September 3, 1957	January 31, 2018	2023	**Positions outside Germany:** → Air Liquide International S.A., France (Chairman and Chief Executive Officer)[3] → Air Liquide International Corporation (ALIC), USA (Chairman)[3] → American Air Liquide Holdings, Inc., USA[3] → Danone S.A., France[2] → The Hydrogen Company S.A., France[3]
Hagen Reimer*	Trade Union Secretary of the Managing Board of IG Metall	April 26, 1967	January 30, 2019	2023	**German positions:** → Siemens Gas and Power Management GmbH (now: Siemens Energy Management GmbH), Munich
Norbert Reithofer (Dr.-Ing. Dr.-Ing. E.h.)	Chairman of the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft	May 29, 1956	January 27, 2015	2023	**German positions:** → Bayerische Motoren Werke Aktiengesellschaft, Munich (Chairman)[2] → Henkel AG & Co. KGaA, Düsseldorf[2,4] → Henkel Management AG, Düsseldorf
Baroness Nemat Shafik (DBE, DPhil)	Director of the London School of Economics	August 13, 1962	January 31, 2018	2023	
Nathalie von Siemens (Dr. phil.)	Member of Supervisory Boards	July 14, 1971	January 27, 2015	2023	**German positions:** → Messer Group GmbH, Sulzbach → Siemens Healthcare GmbH, Munich → Siemens Healthineers AG, Munich[2] → TÜV Süd AG, Munich
Michael Sigmund*	Chairman of the Committee of Spokespersons of the Siemens Group and Chairman of the Central Committee of Spokespersons of Siemens AG	September 13, 1957	March 1, 2014	2023	
Dorothea Simon*	Chairwoman of the Central Works Council of Siemens Healthcare GmbH	August 3, 1969	October 1, 2017	2023	**German positions:** → Siemens Healthcare GmbH, Munich

1 As a rule, the term of office ends upon completion of the (relevant) ordinary Annual Shareholders' Meeting.
2 Publicly listed.
3 Group company position.
4 Shareholders' Committee.

Name	Occupation	Date of birth	Member since	Term expires[1]	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises (as of September 30, 2020)
Matthias Zachert	Chairman of the Board of Management of LANXESS AG[2]	November 8, 1967	January 31, 2018	2023	
Gunnar Zukunft*	Deputy Chairman of the Central Works Council of Siemens Industry Software GmbH	June 21, 1965	January 31, 2018	2023	**German positions:** → Siemens Industry Software GmbH, Cologne

1 As a rule, the term of office ends upon completion of the (relevant) ordinary Annual Shareholders' Meeting.
2 Publicly listed.
3 Group company position.
4 Shareholders' Committee.

Robert Kensbock left the Supervisory Board on September 25, 2020, the effective date of the spin-off of Siemens' energy business. Tobias Bäumler (born on October 10, 1979), the Deputy Chairman of the Central Works Council and the Combine Works Council of Siemens AG, was appointed by court order on October 16, 2020, to succeed him and to complete his term of office as an employee representative on the Supervisory Board.

SUPERVISORY BOARD COMMITTEES

In fiscal 2020, the Supervisory Board had seven committees, whose duties, responsibilities and procedures fulfill the requirements of the German Stock Corporation Act (*Aktiengesetz*) and the German Corporate Governance Code (Code). The chairmen of these committees provide the Supervisory Board with regular reports on their committees' activities.

The Chairman's Committee makes proposals, in particular, regarding the appointment and dismissal of Managing Board members and is responsible for concluding, amending, extending and terminating employment contracts with members of the Managing Board. When making recommendations for first-time appointments, it takes into account that the terms of these appointments shall not, as a rule, exceed three years, whereby it is to be determined in each individual case what period of appointment is to be deemed appropriate within the legally permissible period. In preparing recommendations regarding the appointment of Managing Board members, the Chairman's Committee takes into account the candidates' professional qualifications, international experience and leadership qualities, the age limit specified for Managing Board members and the long-range plans for succession as well as diversity. It also takes into account the targets for the proportion of women on the Managing Board that have been defined by the Supervisory Board and the diversity concept for the Managing Board that has been approved by the Supervisory Board. The Chairman's Committee concerns itself with questions regarding the Company's corporate governance and prepares the resolutions to be approved by the Supervisory Board regarding the Declaration of Conformity with the Code – including the explanation of deviations from the Code – and regarding the approval of the corporate governance reporting and of the Report of the Supervisory Board to the Annual Shareholders' Meeting. It is responsible for approving the Company's related party transactions. Furthermore, the Chairman's Committee submits recommendations to the Supervisory Board regarding the composition of the Supervisory Board committees and decides whether to approve contracts and business transactions with Managing Board members and parties related to them.

As of September 30, 2020, the Chairman's Committee comprised Jim Hagemann Snabe (Chairman), Jürgen Kerner, Birgit Steinborn and Werner Wenning.

The Compensation Committee prepares, in particular, the proposals for decisions at the Supervisory Board's plenary meetings regarding the system of Managing Board compensation, including the implementation of this system in Managing Board contracts, the definition of the targets for variable Managing Board compensation, the determination and review of the appropriateness of the total compensation of individual Managing Board members and the approval of the annual Compensation Report.

As of September 30, 2020, the Compensation Committee comprised Werner Wenning (Chairman), Michael Diekmann, Harald Kern, Jürgen Kerner, Jim Hagemann Snabe and Birgit Steinborn. Robert Kensbock was a member of the committee until September 25, 2020.

The Audit Committee oversees, in particular, the accounting and the accounting process and conducts a preliminary review of the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group and the Combined Management Report of Siemens AG and the Siemens Group (including non-financial measures). On the basis of the independent auditors' report on their audit of the annual financial statements, the Audit Committee makes, after its preliminary review, recommendations regarding Supervisory Board approval of the Annual Financial Statements of Siemens AG and the Consolidated Financial Statements of the Siemens Group. The Audit Committee discusses the Quarterly Statements and Half-year Financial Report with the Managing Board and the independent auditors and deals with the auditors' reports on the review of the Half-year Consolidated Financial Statements and Interim Group Management Report. It concerns itself with the Company's risk monitoring system and oversees the effectiveness of its internal control, risk management and internal audit systems as well as the internal process for related party transactions. The Audit Committee receives regular reports from the internal assurance department. It prepares the Supervisory Board's recommendation to the Annual Shareholders' Meeting concerning the election of the independent auditors and submits the corresponding proposal to the Supervisory Board. Prior to submitting this proposal, the Audit Committee obtains a statement from the prospective independent auditors affirming that their independence is not in question. It awards the audit contract to the independent auditors elected by the Annual Shareholders' Meeting and monitors the independent audit of the financial statements as well as the auditors' selection, independence, qualification, rotation and efficiency and the services rendered by the auditors. The Audit Committee assesses the quality of the audit of the financial statements on a regular basis. Outside its meetings, the Supervisory Board is also in regular communication with the independent auditors via the Chairman of the Audit Committee.

As of September 30, 2020, the Audit Committee comprised Dr. Werner Brandt (Chairman), Bettina Haller, Jürgen Kerner, Dr. Nicola Leibinger-Kammüller, Jim Hagemann Snabe, Birgit Steinborn and Matthias Zachert. Robert Kensbock was a member of the committee until September 25, 2020. The members of the Audit Committee are, as a group, familiar with the sector in which the Company operates. Pursuant to the German Stock Corporation Act, the Audit Committee must include at least one Supervisory Board member with knowledge and experience in the areas of accounting or the auditing of financial statements. Pursuant to the Code, the chairman or chairwoman of the Audit Committee shall have specialist knowledge and experience in the application of accounting principles and internal control processes, be familiar with audits and be independent. The Chairman of the Audit Committee, Dr. Werner Brandt, fulfills these requirements.

The Compliance Committee concerned itself, in particular, with monitoring the Company's adherence to statutory provisions, official regulations and internal Company policies (compliance).

As of September 30, 2020, the Compliance Committee comprised Jim Hagemann Snabe (Chairman), Dr. Werner Brandt, Bettina Haller, Harald Kern, Jürgen Kerner, Dr. Nicola Leibinger-Kammüller, Birgit Steinborn and Matthias Zachert. Effective October 1, 2020, the duties that had been transferred to the Compliance Committee were assumed again by the Audit Committee, and the Compliance Committee was thereby dissolved.

The Nominating Committee is responsible for making recommendations to the Supervisory Board on suitable candidates for the election by the Annual Shareholders' Meeting of shareholder representatives on the Supervisory Board. In preparing these recommendations, the objectives defined by the Supervisory Board for its composition and the approved diversity concept – in particular, independence and diversity – are to be appropriately considered, as are the proposed candidates' required knowledge, abilities and professional experience. Fulfillment of the required profile of skills and expertise is also to be aimed at. Attention shall be paid to an appropriate participation of women and men in accordance with the legal requirements relating to the gender quota as well as to ensuring that the members of the Supervisory Board are, as a group, familiar with the sector in which the Company operates.

As of September 30, 2020, the Nominating Committee comprised Jim Hagemann Snabe (Chairman), Dr. Nicola Leibinger-Kammüller, Benoît Potier and Werner Wenning.

The Mediation Committee submits proposals to the Supervisory Board in the event that the Supervisory Board cannot reach the two-thirds majority required for the appointment or dismissal of a Managing Board member on the first ballot.

As of September 30, 2020, the Mediation Committee comprised Jim Hagemann Snabe (Chairman), Jürgen Kerner, Birgit Steinborn and Werner Wenning.

Based on the Company's overall strategy, the Innovation and Finance Committee discusses, in particular, the Company's innovation focuses and prepares the Supervisory Board's discussions and resolutions regarding questions relating to the Company's financial situation and structure – including annual planning (budget) – as well as the Company's fixed asset investments and its financial measures. In addition, the Innovation and Finance Committee has been authorized by the Supervisory Board to decide on the approval of transactions and measures that require Supervisory Board approval and have a value of less than €600 million.

As of September 30, 2020, the Innovation and Finance Committee comprised Jim Hagemann Snabe (Chairman), Harald Kern, Jürgen Kerner, Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer, Dr. Nathalie von Siemens, Birgit Steinborn and Werner Wenning. Robert Kensbock was a member of the committee until September 25, 2020.

SUPERVISORY BOARD SELF-ASSESSMENT

The Supervisory Board and its committees regularly conduct reviews – either internally or with the involvement of external consultants – in order to determine how efficiently they perform their duties. In fiscal 2020, the Supervisory Board conducted an internal efficiency review. At its meeting on September 23, 2020, the Supervisory Board concerned itself intensively with the results of this review. These results confirm that cooperation within the Supervisory Board and with the Managing Board is professional, constructive and characterized by a high degree of trust and openness. The results also confirm that meetings are organized and conducted efficiently and that the participants receive sufficient information. The review did not reveal a need for any fundamental changes. Individual suggestions for improvement are also discussed and implemented during the year.

C.4.1.3 Share transactions by members of the Managing and Supervisory Boards

Pursuant to Article 19 of EU Regulation No. 596/2014 of the European Parliament and Council of April 16, 2014, on market abuse (Market Abuse Regulation), members of the Managing Board and the Supervisory Board are legally required to disclose all transactions conducted on their own account relating to the shares or debt instruments of Siemens AG or to the derivatives or financial instruments linked thereto if the total value of such transactions entered into by a Board member or any closely associated person in any calendar year reaches or exceeds €5,000 (in calendar year 2019) or €20,000 (as of calendar year 2020). All transactions reported to Siemens AG in accordance with this requirement have been duly published and are available on the Siemens Global Website at: WWW.SIEMENS.COM/DIRECTORS-DEALINGS

Details regarding transactions with members of the Managing and Supervisory Boards as related individuals are available in ↗ NOTE 31 in ↗ B. 6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

C.4.1.4 Annual Shareholders' Meeting and investor relations

Shareholders exercise their rights at the Annual Shareholders' Meeting. An ordinary Annual Shareholders' Meeting normally takes place within the first four months of each fiscal year. The Annual Shareholders' Meeting decides, among other things, on the appropriation of net income, the ratification of the acts of the members 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 implemented by the Managing Board. The Managing Board facilitates shareholder participation in this meeting through electronic communications – in particular, via the Internet – and enables shareholders who are unable to attend the meeting to vote by proxy. Proxies can also be reached during the Annual Shareholders' Meeting. Furthermore, shareholders may exercise their right to vote in writing or by means of electronic communications (absentee voting). The Managing Board may enable shareholders to participate in the Annual Shareholders' Meeting without the need to be present at the venue and without a proxy and to exercise some or all of their rights fully or partially by means of electronic communications. The Company enables shareholders to follow the entire Annual Shareholders' Meeting via the Internet. Shareholders may submit motions regarding the proposals of the Managing and Supervisory Boards and may contest decisions of the Annual Shareholders' Meeting. Shareholders owning Siemens stock with an aggregate notional value of €100,000 or more may also demand the judicial appointment of special auditors to examine specific issues. The reports, documents and information required by law for the Annual Shareholders' Meeting, including the Annual Report, can be downloaded from the Siemens Global Website. The same applies to the agenda for the Annual Shareholders' Meeting and to any counterproposals or shareholders' nominations that may require disclosure. For the election of shareholder representatives on the Supervisory Board, a detailed curriculum vitae of every candidate is published.

In accordance with Section 1 para. 2 of the German Act Concerning Measures Under the Law of Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the COVID-19 Pandemic (*Gesetz über Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins-, Stiftungs- und Wohnungseigentumsrecht zur Bekämpfung der Auswirkungen der COVID-19-Pandemie*) of March 27, 2020 (Federal Law Gazette I No. 14 2020, p. 570), the Extraordinary Shareholders' Meeting on July 9, 2020, was conducted as a virtual shareholders' meeting without the physical presence of shareholders or their proxies due to the special circumstances created by the COVID-19 pandemic.

As part of our investor relations activities, we inform our investors comprehensively about developments within the Company. For communication purposes, Siemens makes extensive use of the Internet. We publish Quarterly Statements, Half-year Financial and Annual Reports, earnings releases, ad hoc announcements, analyst presentations, letters to shareholders and press releases as well as the financial calendar for the current year, which contains the publication dates of significant financial communications and the date of the Annual Shareholders' Meeting, at: **WWW.SIEMENS.COM/INVESTORS.** When required, the Chairman of the Supervisory Board discusses Supervisory-Board-specific topics with investors.

The Articles of Association of Siemens AG, the Bylaws for the Supervisory Board, the bylaws for the most important Supervisory Board committees, the Bylaws for the Managing Board, our Declarations of Conformity with the Code and a variety of other corporate-governance-related documents are posted on the Siemens Global Website at: **WWW.SIEMENS.COM/CORPORATE-GOVERNANCE**

C.4.2 Corporate Governance statement pursuant to Sections 289f and 315d of the German Commercial Code

The Corporate Governance statement pursuant to Sections 289f and 315d of the German Commercial Code (*Handelsgesetzbuch*) is an integral part of the Combined Management Report. In accordance with Section 317 para. 2 sent. 6 of the German Commercial Code, the audit of the disclosures made within the scope of Sections 289f and 315d of the German Commercial Code is to be limited to determining whether disclosures have been made.

The information and documents referred to in this chapter – including the Bylaws for the Managing Board, the Bylaws for the Supervisory Board, the bylaws for Supervisory Board committees, the Code and the Business Conduct Guidelines – are publicly available at: **WWW.SIEMENS.COM/289F**

C.4.2.1 Declaration of Conformity with the German Corporate Governance Code

The Managing Board and the Supervisory Board of Siemens AG approved the following Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act as of October 1, 2020:

"Declaration of Conformity by the Managing Board and the Supervisory Board of Siemens Aktiengesellschaft with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act

Since making its last Declaration of Conformity dated October 1, 2019, Siemens AG has complied with all the recommendations of the Government Commission on the German Corporate Governance Code in the version of February 7, 2017 ('2017 Code') published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (*Bundesanzeiger*), with the following exception:

- → Siemens AG has not complied with the recommendation in Section 5.4.5 para. 1 sent. 2 of the 2017 Code. According to this recommendation, members of the Managing Board of a listed corporation shall not accept more than a total of three Supervisory Board mandates in non-group listed corporations or on the supervisory bodies of non-group entities that make similar requirements.

Siemens AG complies, and will continue to comply, with all the recommendations of the Government Commission on the German Corporate Governance Code in the version of December 16, 2019 ('2019 Code') published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (*Bundesanzeiger*), with the following exceptions:

- → Siemens AG does not comply with the recommendation in B.3. According to this recommendation, the first-time appointment of Managing Board members shall be for a period of not more than three years.
- → Siemens AG does not comply with the recommendations in C.4 and C.5. According to the recommendation in C.4, a Supervisory Board member who is not a member of any Managing Board of a listed company shall not accept more than five Supervisory Board mandates at non-group listed companies or comparable functions, with an appointment as chair of the Supervisory Board being counted twice. According to the recommendation in C.5, members of the Managing Board of a listed company shall not have, in aggregate, more than two Supervisory Board mandates in non-group listed companies or comparable functions, and shall not accept the chairmanship of a Supervisory Board in a non-group listed company.

Instead of regarding the recommended maximum period of the first-time appointment of Managing Board members and the recommended maximum number of mandates for Managing Board and Supervisory Board members as rigid upper limits, an assessment is to be possible in each individual case. While the period of the first-time appointment of a Managing Board member shall not, as a rule, exceed three years, an assessment is to be possible in each individual case in order to determine what period of appointment is deemed appropriate within the legally permissible period. This assessment is to consider the individual qualifications and experience of the Managing Board member to be appointed and, in particular, the qualifications and experience that he or she has acquired over many years in management positions within the Siemens Group. With regard to the number of mandates accepted by Managing Board and Supervisory Board members, an assessment is to be possible in each individual case in order to determine if the number of accepted mandates relevant within the meaning of the Code is deemed appropriate. This assessment is to consider the expected personal workload caused by the accepted mandates, which can vary from mandate to mandate.

Berlin and Munich, October 1, 2020

Siemens Aktiengesellschaft
The Managing Board The Supervisory Board"

This Declaration of Conformity is available on the Siemens Global Website at: WWW.SIEMENS.COM/DECLARATIONOFCONFORMITY. The website also provides access to the Declarations of Conformity for the last five years.

C.4.2.2 Information on corporate governance practices

SUGGESTIONS OF THE CODE

Siemens AG voluntarily complies with the Code's suggestions, with only the following exceptions:

According to the suggestion in A.5 of the Code, in the case of a takeover offer, the Managing 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.

According to the suggestion in D.8 sent. 2, participation by telephone or video conference in the meetings of the Supervisory Board and its committees should not be the rule. At Siemens AG, participation in meetings is, as a rule, in person. Participation by telephone takes place only in exceptional cases. Due to the special circumstances created by the COVID-19 pandemic, several meetings of the Supervisory Board and its committees in fiscal 2020 took place as virtual meetings or with the possibility of participation in a virtual format.

Further corporate governance practices applied beyond legal requirements are contained in our Business Conduct Guidelines.

THE COMPANY'S VALUES AND BUSINESS CONDUCT GUIDELINES

In the 173 years of its existence, our Company has built an excellent reputation around the world. Technical performance, innovation, quality, reliability, and international engagement have made Siemens a leading company in its areas of activity. It is top performance with the highest ethics that has made Siemens strong. This is what the Company will continue to stand for in the future.

The Business Conduct Guidelines provide the ethical and legal framework within which we want to conduct our activities and remain on course for success. 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 Company values: "Responsible" – "Excellent" – "Innovative."

C.4.2.3 Operation of the Managing Board and the Supervisory Board, and composition and operation of their committees

A general description of the composition and operation of the Managing Board, the Supervisory Board and their committees, including the Supervisory Board's self-assessment, can be found in chapter ↗ C.4.1 MANAGEMENT AND CONTROL STRUCTURE. Further details can be derived from the bylaws for the governing bodies concerned.

C.4.2.4 Targets for the quota of women on the Managing Board and at the two management levels below the Managing Board; Information on Supervisory Board compliance with minimum gender quota requirements

At Siemens AG, the target for the proportion of women on the Managing Board has been set at a minimum of 25% until June 30, 2022.

When filling managerial positions at the Company, the Managing Board takes diversity into account and, in particular, aims for an appropriate consideration of women and internationality. In 2017, the Managing Board set the target for the percentage of women at each of the two management levels below the Managing Board at 20%, applicable in each case until June 30, 2022.

The composition of the Supervisory Board fulfilled the legal requirements regarding the minimum gender quota in the reporting period.

C.4.2.5 Diversity concept for the Managing Board and long-term succession planning

In September 2018, the Supervisory Board approved the following diversity concept for the composition of the Managing Board:

"The goal is to achieve a composition that is as diverse as possible and comprises individuals who complement one another in a Managing Board that provides strong leadership as well as to ensure that, as a group, the members of the Managing Board have all the knowhow and skills that are considered essential in view of Siemens' activities.

When selecting members of the Managing Board, the Supervisory Board pays close attention to candidates' personal suitability, integrity, convincing leadership qualities, international experience, expertise in their prospective areas of responsibility, achievements to date and knowledge of the Company as well as their ability to adjust business models and processes in a changing world. Diversity with respect to such characteristics as age and gender as well as professional and educational background is an important selection criterion for appointments to Managing Board positions. When selecting members of the Managing Board, the Supervisory Board also gives special consideration to the following factors:

- → In addition to the expertise and the management and leadership experience required for their specific tasks, the Managing Board members shall have the broadest possible range of knowledge and experience and the widest possible educational and professional backgrounds.
- → Taking the Company's international orientation into account, the composition of the Managing Board shall reflect internationality with respect to different cultural backgrounds and international experience (such as extensive professional experience in foreign countries and responsibility for business activities in foreign countries in areas that are relevant for Siemens).
- → As a group, the Managing Board shall have experience in the business areas that are important for Siemens – in particular, in the industry, energy, healthcare and infrastructure sectors.
- → As a group, the Managing Board shall have many years of experience in technology (including information technology and digitalization), research and development, procurement, manufacturing and sales, finance, law (including compliance) and human resources.
- → When selecting individuals for Managing Board positions, the targets set by the Supervisory Board for the proportion of women on the Managing Board shall be taken into account. The Supervisory Board has established as a target that – until June 30, 2022 – 25% of the Managing Board positions are to be held by women.
- → It is considered helpful if different age groups are represented on the Managing Board. In accordance with the recommendation of the Code, the Supervisory Board has defined an age limit for the members of the Managing Board. In keeping with this limit, the members of the Managing Board are, as a rule, to be not older than 63 years of age.

When making an appointment to a specific Managing Board position, the decisive factor is always the Company's best interest, taking into consideration all circumstances in the individual case."

STATUS OF IMPLEMENTATION OF THE DIVERSITY CONCEPT FOR THE MANAGING BOARD

The diversity concept for the Managing Board is implemented as part of the process for making appointments to the Managing Board. When selecting candidates and/or making proposals for the appointment of Managing Board members, the Supervisory Board and the Chairman's Committee of the Supervisory Board take into account the requirements defined in the diversity concept for the Managing Board.

The Managing Board members have a broad range of knowledge, experience and educational and professional backgrounds as well as international experience. The Managing Board has all the knowledge and experience that is considered essential in view of Siemens' activities.

As a group, the Managing Board has experience in the business areas that are important for Siemens – in particular, in the industry, energy, healthcare and infrastructure sectors – as well as many years of experience in technology (including information technology and digitalization), research and development, procurement, manufacturing and sales, finance, law (including compliance) and human resources.

During fiscal 2020, Lisa Davis, Janina Kugel and Michael Sen left the Managing Board. In the summer of 2020, the Supervisory Board appointed Judith Wiese and Matthias Rebellius to the Managing Board as of October 1, 2020, taking into account the diversity concept and the Company's best interest. The target for June 30, 2022, has been retained. The appropriate consideration of women is a key component of long-term succession planning for the Managing Board. Different age groups are represented on the Managing Board. No Managing Board member is currently older than 63 years of age.

LONG-TERM SUCCESSION PLANNING FOR THE MANAGING BOARD

Jointly with the Managing Board and with the support of the Chairman's Committee, the Supervisory Board conducts long-term succession planning for the Managing Board. In its long-term succession planning, the Supervisory Board considers the target it has defined for the proportion of women on the Managing Board and the criteria set out in the diversity concept it has approved for the Managing Board's composition as well as the requirements of the German Stock Corporation Act (*Aktiengesetz*), the Code and the Bylaws for the Chairman's Committee. Considering the concrete qualification requirements and the above-mentioned criteria, the Chairman's Committee prepares an ideal profile, on the basis of which it compiles a shortlist of the available candidates. Structured interviews are then conducted with these candidates. After the interviews, a proposal is submitted to the Supervisory Board for approval. When developing the profile of requirements and selecting candidates, the Supervisory Board and the Chairman's Committee are supported, if necessary, by external consultants.

C.4.2.6 Objectives regarding the Supervisory Board's composition as well as the profile of required skills and expertise and the diversity concept for the Supervisory Board

In September 2020, the Supervisory Board approved changes to the objectives for its composition including the profile of required skills and expertise and the diversity concept:

"The composition of the Supervisory Board of Siemens AG shall be such that the Supervisory Board's ability to effectively monitor and advise the Managing Board is ensured. In this connection, mutually complementary collaboration among members with a wide range of personal and professional backgrounds and diversity with regard to internationality, age and gender are considered helpful.

PROFILE OF REQUIRED SKILLS AND EXPERTISE

The candidates proposed for election to the Supervisory Board shall have the knowledge, skills and experience necessary to carry out the functions of a Supervisory Board member in a multinational company oriented toward the capital markets and to safeguard the reputation of Siemens in public. In particular, care shall be taken in regard to the personality, integrity, commitment and professionalism of the individuals proposed for election.

The goal is to ensure that, in the Supervisory Board, as a group, all knowhow and experience is available that is considered essential in view of Siemens' activities. This includes, for instance, knowledge and experience in the areas of technology (including information technology and digitalization), procurement, manufacturing and sales, finance, law (including compliance) and human resources. In addition, the members of the Supervisory Board shall collectively have knowledge and experience in the business areas that are important for Siemens, in particular, in the areas of industry, energy, healthcare and infrastructure. As a group, the members of the Supervisory Board are to be familiar with the sector in which the Company operates.

At least one independent member of the Supervisory Board shall have knowledge and expertise in the areas of accounting or the auditing of financial statements and specific knowledge and experience in applying accounting principles and internal control processes. In particular, the Supervisory Board shall also include members who have leadership experience as senior executives or members of a supervisory board (or comparable body) at a major company with international operations.

When a new member is to be appointed, a review shall be performed to determine which of the areas of expertise deemed desirable for the Supervisory Board are to be strengthened.

INTERNATIONALITY
Taking the Company's international orientation into account, care shall be taken to ensure that the Supervisory Board has an adequate number of members with extensive international experience. The goal is to make sure that the present considerable share of Supervisory Board members with extensive international experience is maintained.

DIVERSITY
With regard to the composition of the Supervisory Board, attention shall be paid to achieving sufficient diversity. Not only is appropriate consideration to be given to women. Diversity of cultural heritage and a wide range of different educational and professional backgrounds, experiences and ways of thinking are also to be promoted. When considering possible candidates for new elections or for filling Supervisory Board positions that have become vacant, the Supervisory Board shall give appropriate consideration to diversity at an early stage in the selection process.

In accordance with the German Stock Corporation Act, the Supervisory Board is composed of at least 30% women and at least 30% men. The Nominating Committee shall continue to include at least one female member.

INDEPENDENCE
The Supervisory Board shall include what the shareholder representatives on the Supervisory Board consider to be an appropriate number of independent shareholder representatives. More than half of the shareholder representatives shall be independent of the Company and its Managing Board. Substantial – and not merely temporary – conflicts of interest are to be avoided.

No more than two former members of the Managing Board of Siemens AG shall belong to the Supervisory Board.

The Supervisory Board members shall have sufficient time to exercise their mandates with the necessary regularity and diligence.

LIMITS ON AGE AND ON LENGTH OF MEMBERSHIP
In compliance with the age limit stipulated by the Supervisory Board in its Bylaws, only individuals who are no older than 70 years of age shall, as a rule, be nominated for election to the Supervisory Board. Nominations shall take into account the regular limit established by the Supervisory Board, which restricts membership on the Supervisory Board to a maximum of three full terms of office. It is considered helpful if different age groups are represented on the Supervisory Board."

IMPLEMENTATION OF THE OBJECTIVES REGARDING THE SUPERVISORY BOARD'S COMPOSITION AS WELL AS THE PROFILE OF REQUIRED SKILLS AND EXPERTISE AND THE DIVERSITY CONCEPT FOR THE SUPERVISORY BOARD; INDEPENDENT SUPERVISORY BOARD MEMBERS
Within the framework of the selection process and the nomination of candidates for the Supervisory Board, the Supervisory Board as well as the Nominating Committee of the Supervisory Board take into account the objectives regarding the Supervisory Board's composition and the requirements defined in its diversity concept. The Supervisory Board and the Nominating Committee have recently taken the objectives – including the profile of

required skills and expertise and the diversity concept – into consideration in the nominations of three shareholder representatives to be elected by the Annual Shareholders' Meeting in 2021.

The Supervisory Board is of the opinion that, with its current composition, it meets the objectives for its composition and fulfills the profile of required skills and expertise as well as the diversity concept. The Supervisory Board members have the specialist and personal qualifications considered necessary. As a group, they are familiar with the sector in which the Company operates and have the knowledge, skills and experience essential for Siemens. A considerable number of Supervisory Board members are engaged in international activities and/or have many years of international experience. Appropriate consideration has been given to diversity in the Supervisory Board. In fiscal 2020, the Supervisory Board had seven female members, of whom three are shareholder representatives and four are employee representatives. As a result, 35% of the Supervisory Board members are women. Dr. Nicola Leibinger-Kammüller is a member of the Nominating Committee.

In the estimation of the shareholder representatives, the Supervisory Board now has at least eight independent shareholder representatives – namely, Dr. Werner Brandt, Benoît Potier, Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer, Baroness Nemat Shafik, Dr. Nathalie von Siemens, Jim Hagemann Snabe, Werner Wenning and Matthias Zachert – and thus an appropriate number of members who are independent in the meaning of the Code. The regulations establishing limits on age and restricting membership in the Supervisory Board to three full terms of office are complied with.

C.5

Notes and forward-looking statements

This document contains statements related to our future business and financial performance and future events or developments involving Siemens that may constitute forward-looking statements. These statements may be identified by words such as "expect," "look forward to," "anticipate," "intend," "plan," "believe," "seek," "estimate," "will," "project" or words of similar meaning. We may also make forward-looking statements in other reports, in prospectuses, 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 Report on expected developments and associated material opportunities and risks in the Annual Report. Should one or more of these risks or uncertainties materialize, events of force majeure, such as pandemics, occur or should underlying expectations including future events occur at a later date or not at all or assumptions prove incorrect, actual results, performance or achievements of Siemens may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. Siemens neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

This document includes – in the applicable financial reporting framework not clearly defined – supplemental financial measures that are or may be alternative performance measures (non-GAAP-measures). These supplemental financial measures should not be viewed in isolation or as alternatives to measures of Siemens' net assets and financial positions or results of operations as presented in accordance with the applicable financial reporting framework in its Consolidated Financial Statements. Other companies that report or describe similarly titled alternative performance measures may calculate them differently.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

This document is an English language translation of the German document. In case of discrepancies, the German language document is the sole authoritative and universally valid version.

For technical reasons, there may be differences between the accounting records appearing in this document and those published pursuant to legal requirements.

The "Sustainability Information 2020" which reports on Sustainability and Citizenship at Siemens is available at:
WWW.SIEMENS.COM/INVESTOR/EN/

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Address Siemens AG
Werner-von-Siemens-Str. 1
80333 Munich
Germany
Internet www.siemens.com
Phone +49 89 636-33443 (Media Relations)
+49 89 636-32474 (Investor Relations)
Fax +49 89 636-30085 (Media Relations)
+49 89 636-1332474 (Investor Relations)
E-mail press@siemens.com
investorrelations@siemens.com