Annual Report 2019

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Combined Management Report

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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, conventional and renewable power generation and power distribution, smart mobility solutions for rail and road and medical technology and digital healthcare services.

Siemens comprises Siemens AG, a stock corporation under the Federal laws of Germany, as the parent company and its subsidiaries. Our Company is incorporated in Germany, with our corporate headquarters situated in Munich. As of September 30, 2019, Siemens had around 385,000 employees.

At the end of fiscal 2018, Siemens announced its "Vision 2020+" company strategy. The main aim of "Vision 2020+" is to give Siemens' individual businesses significantly more entrepreneurial freedom under the strong Siemens brand in order to sharpen their focus on their respective markets. As a result, we implemented a new organizational structure in fiscal 2019 consisting of the three Operating Companies **Digital Industries, Smart Infrastructure** and **Gas and Power**, and the three Strategic Companies **Mobility, Siemens Healthineers** and **Siemens Gamesa Renewable Energy**. These six industrial businesses are reportable segments, which together are reported as "Industrial Businesses". **Financial Services (SFS)**, which supports the activities of our industrial businesses and also conducts its own business with external customers, continues to be a reportable segment outside our Industrial Businesses. Furthermore, we report **Portfolio Companies**, which comprises businesses that are managed separately to improve their performance. For further information on the reorganization of our businesses, see → A.3 SEGMENT INFORMATION. In this Annual Report, we report financial results for fiscal 2019 according to the new company structure on a full year basis. Prior-period amounts are presented on a comparable basis.

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, 2019, NOTES 16, 17, 20, 21 and 25. These disclosures are not subject to a specific framework in order to inform the users of the financial reports in a focused manner – in contrast to the disclosures in our separately available "Sustainability Information 2019" 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 of the relevant business resulting specifically from the acquisition or disposition. For calculating the percentage change, this absolute change is divided by revenue for the comparison period. For orders, we apply the same calculations for currency translation and portfolio effects as described above.

A.2.3 Profitability and capital efficiency

Within the 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%
Gas and Power	8 – 12%
Mobility	9 – 12%
Siemens Healthineers	17 – 21%
Siemens Gamesa Renewable Energy	7 – 11%
Industrial Businesses	**11 – 15%**
Financial Services (ROE after tax)	17 – 22%

Margin ranges for Siemens Healthineers and Siemens Gamesa Renewable Energy reflect our expectations as a majority shareholder.

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

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

We 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 2019: to distribute a dividend of €3.90 on each share of no par value entitled to the dividend for fiscal year 2019 existing at the date of the Annual Shareholders' Meeting; to allocate €2,069 million to retained earnings; the remaining amount is to be carried forward. Payment of the proposed dividend is contingent upon approval by Siemens shareholders at the Annual Shareholders' Meeting on February 5, 2020. The prior-year dividend was €3.80 per share.

The proposed dividend of €3.90 per share for fiscal 2019 represents a total payout of €3.2 billion based on the estimated number of shares entitled to dividend at the date of the Annual Shareholders' Meeting. Based on Net income attributable to Shareholders of Siemens AG of €5.2 billion for fiscal 2019, the dividend payout percentage is 61%.

A.2.6 Calculation of return on capital employed

Calculation of ROCE

	Fiscal year	
(in millions of €)	2019	2018
Net income	**5,648**	6,120
Less: Other interest expenses/income, net[1]	**(529)**	(482)
Plus: SFS Other interest expenses/income	**763**	721
Plus: Net interest expenses related to provisions for pensions and similar obligations	**148**	164
Less: Interest adjustments (discontinued operations)	**–**	–
Less: Taxes on interest adjustments (tax rate (flat) 30%)	**(115)**	(121)
(I) Income before interest after tax	**5,916**	**6,401**
(II) Average capital employed	**53,459**	**50,715**
(I)/(II) ROCE	**11.1%**	**12.6%**

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: Financial Services 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

In fiscal 2019, global gross domestic product (GDP) growth lost its momentum. After GDP grew by 3.2% in calendar 2018, growth is expected to recede to 2.6% in calendar 2019. This cool-down was hardly expected at the beginning of fiscal 2019: in October 2018, GDP growth for calendar 2019 was forecast at 3.1%.

The main reason for this significant deceleration of the global economy was the escalating trade dispute between the U.S. and China. In addition, geopolitical tensions in the Middle East contributed to uncertainty, which weighed on capital investments. Global exchange of goods started to decline from October 2018, leading to near-stagnation of industrial production afterwards.

Accordingly, the slowdown of the global economy was attributable in particular to regions and countries where trade and industry are of high importance. In Europe, this was especially true for Germany and Italy, where industrial production (excluding construction) had started to recede already in calendar 2018. In addition, European economies suffered from continued uncertainties regarding the U.K. leaving the European Union (Brexit) and the budget clash between the European Commission and Italy's government, both weighing especially on business investment environment. In the Americas, the slowdown was very pronounced in Mexico and Canada, and to a smaller extent in the more consumption-driven U.S. economy, where a fiscal boost helped the economy. In Asia, China continued on its announced path to gradually rebalance its economy, which has resulted in decelerating overall GDP growth. Government stimulus programs have partly buffered the Chinese economy from trade dispute headwinds, but the conflict is nevertheless taking a toll. Economic dynamics deteriorated markedly in India, where a decline in domestic consumption was the biggest drag on growth. Countries dependent on commodities and raw material exporting, notably Chile, Brazil and Argentina, saw declines in commodity prices in addition to other adverse factors including domestic political and financial instability.

In advanced countries, calendar 2019 GDP growth is estimated at 1.6%, 0.7 percentage points lower than 2018. For emerging countries, the GDP growth rate is estimated to recede from 4.6% in calendar 2018 to 4.1% in 2019.

The partly estimated figures presented here for GDP are based on an IHS Markit report dated October 15, 2019.

A.3.2 Digital Industries

The Operating Company Digital Industries was formed in fiscal 2019, through a combination of the former Digital Factory Division (excluding the control products business) with the process automation and large drives businesses (excluding the industrial applications and traction businesses) of the former Process Industries and Drives Division. It 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 (including sensors measuring pressure, temperature, level, flow rate, distance or shape) and radio frequency identification systems. Furthermore, the Operating Company offers product and production lifecycle software, and software for simulation and testing of mechatronic systems, supplemented by the electronic design automation 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. To increase growth and accelerate adoption of MindSphere, Digital Industries acquired Mendix group (Mendix) at the beginning of fiscal 2019. Mendix is a pioneer and leader in cloud-native low-code application development, which can significantly reduce app development times through visual representation of underlying code (for more information on the acquisition of Mendix, see → NOTE 3 in B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS). Digital Industries also provides customers with lifecycle and data-driven services. Taken together, the Operating Company's offerings enable customers to optimize entire value chains from product design and development to 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. Among its most important customer segments are 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 strongly driven by macroeconomic cycles, and can lead to significant short-term fluctuation in the Operating Company's profitability. The competition for Digital Industries' business activities can be grouped into two categories: multinational companies that offer a relatively broad portfolio and companies that are active only in certain geographic or product markets.

Digital Industries sees three basic 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 to remain competitive. 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. Further, there is a trend from globalization to regionalization to either protect local economies 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, industrial 5G, autonomous handling systems and additive manufacturing into Digital Industries' extensive portfolio for industrial automation and digitalization. An example of this integrative approach is a new module with an integrated AI-capable chip for the Simatic S7-1500 programable logic controller, which enables the optimization of robot-based handling processes. Similarly, the latest version of Digital Industries' NX software has been enhanced with machine learning and AI capabilities, so it can predict next steps and help customers use the software more efficiently. In Digital Industries' own factories, AI has already been proven: The integration of edge computing, AI and MindSphere reduced the number of final inspection processes during X-ray inspection of printed circuit boards for Simatic products. Digital Industries, along with other Siemens units, is also running research projects for industrial 5G and establishing several 5G interoperability test centers under actual operational technology conditions. The Operating Company's latest machine tool controller, Sinumerik ONE, was developed entirely through virtualization of both the product's design and its manufacturing processes. The newly developed process control system, PCS neo, is designed for easy, efficient scaling from a small process module up to the largest process plants in the world. Major **investments** of Digital Industries in fiscal 2019 relate to the factory automation, motion control systems and process automation businesses, including capital expenditure in production facilities in China.

	Fiscal year		% Change	
(in millions of €)	2019	2018	Actual	Comp.
Orders	**15,944**	16,287	(2)%	(4)%
Revenue	**16,087**	15,587	3%	2%
therein: software business	***4,039***	*3,560*	*13%*	*8%*
Adjusted EBITA	**2,880**	2,898	(1)%	
Adjusted EBITA margin	**17.9%**	18.6%		

Orders for Digital Industries declined due to lower demand in the short-cycle factory automation and motion control businesses, which faced increasingly adverse market conditions during the course of the fiscal year, particularly in the automotive and machine building industries. These declines were only partly offset by clear growth in the process automation business and a moderate increase in the software business, which was due to positive currency translation effects and new volume from recent acquisitions, particularly including Mendix. The latter two businesses were also the drivers for **revenue** growth, as year-over-year revenue growth for the short-cycle businesses in the first half of fiscal 2019 gave way to declines in the second half. On a geographic basis, orders declined in the regions Europe, C.I.S., Africa, Middle East and in the Americas, only partly offset by an increase in the Asia, Australia region. Revenue rose in all three reporting regions. The software business strengthened its contribution to **Adjusted EBITA** with a double-digit increase. Higher expenses related to new cloud-based offerings were partly offset by a €50 million gain from the sale of an equity investment. The process automation business showed a moderate increase in Adjusted EBITA, due mainly to higher revenue. Nevertheless, Adjusted EBITA for Digital Industries overall came in slightly lower year-over-year due to clear declines in the short-cycle businesses. Severance charges were €92 million in fiscal 2019, up from €75 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 2020.

Digital Industries achieved its results in a **market** environment that lost momentum in the course of fiscal 2019. In particular, demand for investment goods eroded notably in the second half of the fiscal year. All regions were impacted by the slowdown, and countries with strong focus on investment goods and strong export ties to China suffered notably. While process industries still benefited from positive development of raw material prices, discrete industries faced headwinds from low demand including destocking effects. The automotive industry was hit by production cuts in Europe and weak demand in China. This, among other factors, also impacted the machine building industry, particularly affecting customers in Germany and Japan. Production growth in the pharmaceutical and chemicals industries flattened during the course of fiscal 2019, due in part to spillover effects from the automotive industry on related chemicals segments. The food and beverage industry grew modestly and global electronics and semiconductor production expanded but prices were under pressure. For fiscal 2020, the market environment for Digital Industries is expected to weaken further. Manufacturing investments are expected to decrease at least moderately but then begin to stabilize in the second half of fiscal 2020. An overall decline in investment sentiment caused by global trade tensions, among other factors, dampens short-term expectations and fuels increasing cautiousness for investments globally. A weakening of growth in China could lead to spillover effects in other Asian countries and also in Europe.

A.3.3 Smart Infrastructure

The Operating Company **Smart Infrastructure** supplies and intelligently connects energy systems and building technologies, to significantly improve efficiency and sustainability and support its customers to address major technology shifts. Smart Infrastructure was formed in fiscal 2019, through a combination of the former Building Technologies Division; the low- and medium-voltage products and systems and digital grid businesses of the former Energy Management Division; and the control products business of the former Digital Factory Division. Smart Infrastructure brings together energy supply – from intelligent control across the grid and low- and medium-voltage electrification and control products – with building technology: from building automation to fire safety and security to energy efficiency. At the grid edge, there are high growth markets in energy storage, distributed energy systems and prosumption, electric vehicle infrastructure and microgrids. The Operating Company serves its customers through a broad variety of channels, including its global product and systems sales organization, distributors, panel builders, original equipment manufacturers (OEM), value added resellers and installers, as well as 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 together with smaller manufacturers in emerging countries. Its solutions and services business also competes with local players such as system integrators and with facility management firms. The degree to which Smart Infrastructure's businesses are impacted by changes in the overall economic environment differs by customer segments. While customer demand in discrete manufacturing industries changes quickly and strongly with macroeconomic cycles, demand in infrastructure, construction, heavy industries and the utilities sector reacts more slowly to economic cycles. Overall, the Operating Company's regional and vertical markets diversification, its mix of products, systems, solutions and services businesses, and its participation in both long- and short-cycle markets, all provide a balanced and resilient business mix.

The markets served are experiencing shifts that offer opportunities where building technologies and electrification markets come together. Key **trends** include rising population and urbanization, increasing need for safe, secure and sustainable environments with interactive, comfortable spaces and low energy, operating and maintenance costs. These trends lead to cross-sector coupling, 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, and increasing the need for smart storage and efficient and reliable power networks. Both smarter buildings and the integration of more distributed energy sources into conventional power networks result in increasing complexity with 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 on the one hand focus 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 and to support increased efficiency of occupants, equipment and the use of building space. The Operating Company is expanding its digital offerings in its existing businesses while integrating recent acquisitions in the critical power control systems, power electronics and building IoT space. 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 permanently 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 develops data-driven applications and digital services with the Mindsphere in various cloud environments. Its **investments** relate to a large extent to the products businesses and its factories, with a strong focus on innovation.

	Fiscal year		% Change	
(in millions of €)	2019	2018	Actual	Comp.
Orders	**16,244**	15,198	7%	4%
Revenue	**15,225**	14,445	5%	3%
therein: product business	***5,530***	*5,302*	*4%*	*2%*
Adjusted EBITA	**1,500**	1,574	(5)%	
Adjusted EBITA margin	**9.9%**	10.9%		

Orders and revenue for Smart Infrastructure rose in all three businesses – solutions and services, systems and software, and the products business – and in all three reporting regions. Order growth was strongest in the solutions and services business on a sharply higher volume from large orders in the Americas and Europe, C.I.S., Africa, Middle East. Revenue rose most strongly in the systems and software and the solutions and services businesses, particularly in the Americas. Revenue growth in the product business was due to low voltage products, while revenue in the other products businesses came in close to prior-year levels due partly to less favorable conditions in short-cycle markets. Adjusted EBITA declined due mainly to the systems and software business including negative effects related to grid control projects early in the year. Adjusted EBITA also included higher expenses year-over-year related to expansion of smart building offerings and for grid edge activities. Severance charges were €48 million in fiscal 2019 compared to €34 million a year earlier. 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 2020.

Smart Infrastructure achieved its results in overall moderately growing markets in fiscal 2019. The grid markets benefited from the need for intelligent and flexible energy networks and for automation, particularly in Asia, Australia and the Americas. Heavy industries and the infrastructure industry also developed favorably during fiscal 2019, driven by investments in oil and gas markets, in data centers and in transportation infrastructure, such as for e-mobility. Discrete industries, which started strong in fiscal 2019, experienced a downturn in the second half of the fiscal year. Construction markets continued their stable growth during the fiscal year, particularly in the U.S. and China and in the non-residential construction market overall. Growth in the important building electrification and automation market was driven by demand for building performance and sustainability offerings, including strong demand for energy efficiency and digital services. In fiscal 2020, market growth overall is expected to be lower than in fiscal 2019, due to an expected continuation of the downturn in the short-cycle markets, economic uncertainty in a number of countries due to trade conflicts, and other factors.

Beginning with fiscal 2020, the distribution transformer business will be transferred to the Operating Company Gas and Power. If this organizational structure had already existed in fiscal 2019, Smart Infrastructure would have posted orders of €15.590 billion, revenue of €14.597 billion, Adjusted EBITA of €1.465 billion and an Adjusted EBITA margin of 10.0%.

A.3.4 Gas and Power

The Operating Company Gas and Power offers a broad spectrum of products and solutions for generating electricity, for production, transport and downstream operations involving oil and gas, and for installing and operating transmission grids. In addition, it offers a comprehensive set of services related to these products and solutions such as performance enhancements, maintenance services, customer training and professional consulting. Finally, Gas and Power offers comprehensive turnkey solutions that integrate the products and systems from its businesses. Gas and Power was formed in fiscal 2019 through a combination of the former Power and Gas and Power Generation Services Divisions with the transmission products, systems and solutions businesses of the former Energy Management Division. Due to the broad range of its offerings, the revenue mix for Gas and Power may vary from reporting period to reporting period depending on the share of revenue attributable to products, solutions and services. Because profitability levels typically differ among these three revenue sources, the revenue mix in a reporting period accordingly affects Adjusted EBITA of Gas and Power for that period.

In the power generation and oil and gas businesses, the portfolio includes gas turbines, steam turbines, generators for gas or steam power plants, turbo and reciprocating compressor trains, reciprocating engines, modular power supply and integrated power plant solutions, and instrumentation and control systems for power generation. Customers include public utilities and independent power producers; companies in engineering, procurement and construction (EPC) that serve utilities and power producers; sovereign and multinational oil companies; midstream operators; independent oil and gas, petrochemical and chemical companies, and industrial customers that generate power and heat for their own consumption (prosumers). The competition consists mainly of two groups: a relatively small number of original equipment manufacturers (OEM), some with very strong positions in their domestic markets, and on the other hand a large number of EPC contractors.

In the transmission business, the portfolio includes products, systems and solutions that enable multi-vendor and bidirectional flow of energy and information. These offerings are key building blocks of modernized energy grids, which must integrate renewable sources with their fluctuating levels of power generation and also incorporate efficient electrical storage and sophisticated load management. The portfolio also includes power transformers, high voltage switchgear and components, high-voltage direct current (HVDC) products and HVDC and grid access solutions as well as relevant transmission services. The transmission business serves a broad range of customers including power producers, transmission and distribution system operators, and industrial and infrastructure customers in industries such as oil and gas, chemicals, mining, data centers, airports, and rail companies. Competitors in the transmission business consist mainly of a small number of large multinational companies, increasingly joined by smaller, fast-growing manufacturers in emerging countries including China, India and Korea.

Several **trends** are affecting the businesses of the Operating Company. In the power generation business, the ongoing strong growth in demand for power from renewable sources – which come with associated short-term fluctuations in power generation levels – is shifting market demand from fossil baseload generation to more flexible, highly efficient and affordable gas power plants with low emissions, in particular in Europe, Latin America and Asia. A second trend is that the development and execution of large projects increasingly requires financing by the OEM, including equity participation. For Gas and Power, this role is fulfilled by Financial Services, which can offer customers a range of financing and equity options backed by domain know-how. In general, the markets for the Operating Company are strongly affected by changes in national energy regulations, such as support of renewable energy, the security of supply through capacity markets or strategic reserve capacity, carbon pricing and climate change targets, and modernization of energy and electricity markets. Fuel efficiency standards in the U.S. and the European Union are expected to weigh on future demand for fossil transportation fuels in these regions, contrasting with strong growth in transportation-related fuel use in other world regions, particularly in Asia.

In Oil and Gas, the role of natural gas compared to other fossil fuels is growing from the mid- to long-term perspective, facilitated by its lower carbon footprint. Furthermore, declining production from maturing oil and gas fields, or depletion, requires improved recovery technologies as well as additional mechanical and electrical power, necessitating continuous investments. At the same time, oil and gas companies increasingly focus on asset economics and emission footprint, requiring products and solutions offering an improved balance of high asset productivity with safety and environmental performance. Generally, our oil and gas business benefits from these major market trends. At the same time, our diversified and global presence across the oil and gas value chain and other industries – each following their own business cycles – offers stable opportunities for our business.

The transmission business generally benefits from major trends and changes in global electrical power systems, in particular decarbonization, digitalization and global electrification. Decarbonization is shifting the focus of generation to both central and decentral renewables. This shift increases demand for offshore connectivity and grid stability, requiring environmentally friendly products and systems. The integration of wind power, photovoltaics, biomass, storage and other intermittent or distributed energy resources into efficient and reliable power networks increases grid complexity. Holistic asset transparency to increase efficiency of existing grid assets and performance, enabled by digitalization, is becoming increasingly important. Digitalization involves increased product and system connectivity and providing intelligent solutions for the management of complex energy networks. Connected assets provide value potential for additional services and enhanced asset operation. The continuously growing demand for electricity worldwide requires stable transportation of greener bulk power with minimal losses from the location of generation to different demand load centers, some of which may even be located in other countries.

R&D activities of the power generation and oil and gas businesses concentrate on developing products and solutions for enhancing efficiency and flexibility, and for reducing greenhouse gas emissions in power generation and in the oil and gas industry. These products and solutions include turbomachinery – primarily high-performance, low-emission gas turbines for simple-cycle operation or for combined-cycle power plants – and compressor solutions combining electrical, automation, and digitalization offerings for oil and gas as well as process industries. A field of activity is using hydrogen as a renewable fuel in gas turbines. Gas and Power is also intensifying R&D in innovative materials, advanced manufacturing methods and plant optimization. In the transmission business, R&D activities focus on preparing the portfolio for a deregulated environment in which total cost of ownership is decisive. Innovations accordingly focus on product digitalization, power electronics, software-driven power control, environmentally friendly products and systems, and grid stabilization. The increasing infeed of renewable energy to power grids, with distributed generation on the rise, requires those grids to become more flexible and efficient. The **investments** of Gas and Power are focused on enhancing productivity through automation and increasing customer proximity via strategic localization of capacity. Investing activities mainly relate to gas turbines and turbine components.

	Fiscal year		% Change	
(in millions of €)	2019	2018	Actual	Comp.
Orders	**19,975**	18,451	8%	7%
Revenue	**17,663**	18,125	(3)%	(4)%
therein: service business	***8,025***	*7,756*	*3%*	*2%*
Adjusted EBITA	**679**	722	(6)%	
Adjusted EBITA margin	**3.8%**	4.0%		

Orders were up clearly year-over-year, due mainly to higher orders in the new-unit business. Volume from large orders increased significantly year-over-year; among the contract wins was a €0.4 billion order for a combined-cycle power plant, including service in France; a HVDC order worth €0.4 billion in Germany; a €0.3 billion order for a large offshore grid connection project in the U.K.; and a €0.3 billion order in the solutions business in Brazil. Order intake increased in all three reporting regions, with the Americas posting double-digit growth. Gas and Power's **revenue** decreased moderately year-over-year in a continuing difficult market environment as the new-unit businesses recorded lower revenue compared to fiscal 2018 following weak order entry in prior years. On a geographic basis, revenue decreased in the regions Europe, C.I.S., Africa, Middle East and Asia, Australia, partly offset by growth in the Americas. Despite a continuing strong contribution from the service business and positive effects from project execution and completion, **Adjusted EBITA** was down year-over-year on lower revenue, price declines and reduced capacity utilization. In addition, Adjusted EBITA in fiscal 2018 benefited from gains totaling €166 million from two divestments. Severance charges were €242 million in fiscal 2019 compared to €374 million in fiscal 2018. Gas and Power's order backlog was €51 billion at the end of the fiscal year, of which €13 billion are expected to be converted into revenue in fiscal 2020.

These results reflected a highly competitive **market** environment. We expect the power generation market overall to remain challenging with market volume stabilizing at the current level. After years of continuous decline, the volume of the gas turbine market in fiscal 2019 remained on the prior-year level, again being impacted by customer delays of large projects in Asia, Australia, particularly in China, and strong price pressure resulting from intense competition. Customers also showed restraint due to ongoing weak growth in demand for power, combined with uncertainty regarding regulatory developments. The gas turbine market is experiencing overcapacity among OEMs and EPC contractors, which is fostering market consolidation. In the market for large steam turbines for power generation, volume shrank further year-over-year from an already low basis of comparison due to an ongoing shift from coal-fired to gas-fired and renewable power generation, as well as to carbon emission regulation. We expect these developments to continue in fiscal 2020. In contrast, markets for industrial steam turbines were stable in fiscal 2019, and the market segment is expected to be flat in fiscal 2020.

Oil and gas markets developed positively in fiscal 2019, driven by a recovery in liquefied natural gas. They are expected to grow again in fiscal 2020, driven by the liquefied natural gas and upstream markets. Both markets for offshore and onshore exploration are anticipated to recover further based on a growing number of expected project approvals. Pipelines, downstream, and oil and gas-related markets are expected to remain stable in fiscal 2020.

Markets served by our transmission businesses grew slightly in fiscal 2019, recovering from the weakness a year earlier as customers continued their effort to strengthen transmission and distribution grids to integrate the growing amount of decentralized energy. We expect this growth to continue in fiscal 2020, with markets in Asia anticipated to show the highest growth rates. The Middle East is expected to benefit from a price recovery in the oil and gas markets and investments in large infrastructure projects. Tighter decarbonization goals and grid extensions are expected to drive growth in Europe, while utilities in North America are expected to strongly invest in grid modernization and optimization.

Effective with the beginning of fiscal 2020, several businesses will be transferred to Gas and Power: certain businesses previously included in Portfolio Companies; the distribution transformers business previously included in Smart Infrastructure; and the hydrogen solution unit and research activities within the technology field Power 2X and storage previously included in Corporate Items. If this organizational structure had already existed in fiscal 2019, Gas and Power would have posted orders of €21.711 billion, revenue of €19.304 billion, Adjusted EBITA of €732 million and an Adjusted EBITA margin of 3.8%.

A.3.5 Mobility

The Strategic Company **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 February 2019, the European Commission announced its decision to prohibit the proposed combination of Alstom SA, France (Alstom) with Siemens' mobility businesses. In August 2019, a large Chinese competitor signed a contract to acquire a locomotives business in Germany, enabling the Chinese competitor to gain a foothold in Europe, in line with its ambitious growth and internationalization strategy. If this transaction were to be carried out, the above described sequence of events would probably lead to significantly increased competitive pressure for all European rail transport businesses, including those of Mobility.

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

Mobility's **R&D** strategy is focused on providing maximum availability of trains and infrastructures, thereby increasing its customers' return on investment and improving passenger experience. 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 powered by MindSphere; "signaling in the cloud", a new system architecture for rail infrastructure and IoT/cloud-based concepts; solutions for higher automated and autonomous driving for rail and road; and digital technologies and solutions like cyber security, connectivity, digital twin, AI, additive manufacturing or intermodal apps and platforms. Mobility's **investments** focus mainly on maintaining or enhancing its production facilities and on meeting project demands.

	Fiscal year			% Change
(in millions of €)	2019	2018	Actual	Comp.
Orders	**12,894**	11,025	17%	16%
Revenue	**8,916**	8,821	1%	0%
Adjusted EBITA	**983**	958	3%	
Adjusted EBITA margin	**11.0%**	10.9%		

Orders at Mobility grew to a record high on a sharp increase in volume from large orders, which the Strategic Company won across the businesses, most notably in the rolling stock and the customer services businesses. Among the major contract wins were a €1.6 billion order for metro trains in the U.K., a €1.2 billion contract for high-speed trains including maintenance in Russia, a €0.8 billion order for trainsets including service in Canada, a €0.7 billion contract for diesel-electric locomotives including a service agreement in the U.S. and two orders in Germany worth €0.4 billion and €0.3 billion, respectively, for regional multiple-unit trainsets. In fiscal 2018, Mobility also gained a number of significant contracts across the regions. **Revenue** grew slightly as double-digit growth in the customer services business was largely offset by a decline in the rail infrastructure business. Revenue in the rolling stock business remained close to the prior-year level due to unfavorable timing effects related to the execution of large rail projects, which the business began to ramp up late in the fiscal year. On a geographic basis, revenue growth in the Asia, Australia region was held back by slight declines in Europe, C.I.S., Africa, Middle East and the Americas. Mobility continued to operate with high profitability in fiscal 2019, including a strong contribution to **Adjusted EBITA** from the services business. Severance charges were €20 million, up from €14 million in fiscal 2018. Mobility's order backlog was €33 billion at the end of the fiscal year, of which €8 billion are expected to be converted into revenue in fiscal 2020.

Order growth reflected overall strong **markets** for Mobility in fiscal 2019, with different dynamics among the regions. Market development in Europe was characterized by continuing awards of mid-size and large orders, particularly in the U.K., Germany and Austria. Within the C.I.S., large projects for high-speed trains and services were awarded in Russia. Demand in the Middle East and Africa was held back by ongoing uncertainties related to budget constraints and political climates. In the Americas region, stable investment activities were driven by demand for mainline and urban transport, especially in the U.S. 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. For fiscal 2020, we expect markets served by Mobility to grow moderately with increasing demand for digital solutions. 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.3.6 Siemens Healthineers

Siemens as majority shareholder holds 85% of the shares of the publicly listed **Siemens Healthineers** AG, Germany (Siemens Healthineers). 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. 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. This comprehensive portfolio supports customers along the care continuum, from prevention and early detection to diagnosis, treatment and follow-up care. Customers range from public and private healthcare providers to pharmaceutical companies and clinical research institutes. 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 internationally across market segments, but that also face competition from 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 as 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, including reimbursement, and on geopolitical developments, including regulatory topics, around the world.

The addressable markets of Siemens Healthineers are shaped by several major **trends**. The first is demographic, in particular the growing and aging global population. This development poses major challenges for global healthcare systems and, at the same time, offers opportunities as the demand for cost-efficient healthcare solutions continues to intensify. The second trend is the economic development in emerging countries, which opens up improved access to healthcare for many people. As the middle class continues to grow, significant investment in the expansion of private and public healthcare systems will 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 as well as environmental and lifestyle-related changes. This development creates additional pressure on health systems and leads to increased costs to address these challenges. The fourth global trend, the transformation of healthcare providers, is resulting from a combination of societal and market forces. These 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 its competitiveness. Particularly in the field of artificial intelligence, it has further expanded its activities and has more than 40 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 is also used in sample handling and classification in its Atellica Solution laboratory system. As part of growing its portfolio of digital services, the systematic expansion of the cloud-based Teamplay collaboration platform is a major step to support customers in their transition to outcome-focused care. In the future, it will cover clinical, operational and financial activities and functions in the healthcare field, and connect healthcare providers and solution providers as well as bringing together their data, applications and services. 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 for further products related to Atellica Solution.

	Fiscal year		% Change	
(in millions of €)	2019	2018	Actual	Comp.
Orders	**15,853**	14,506	9%	7%
Revenue	**14,517**	13,425	8%	6%
Adjusted EBITA	**2,461**	2,221	11%	
Adjusted EBITA margin	**17.0%**	16.5%		

Orders and **revenue** showed strong and similar development in fiscal 2019: clear growth; increases in all businesses led by the imaging business, and growth in all three reporting regions, notably including in China and in the U.S. which benefited from positive currency translation effects. **Adjusted EBITA** was clearly up compared to fiscal 2018, with increases in the imaging and advance therapies businesses. The diagnostics business recorded lower Adjusted EBITA year-over-year due mainly to increases in costs related to its Atellica Solution platform. Severance charges were €57 million in fiscal 2019 and €96 million in fiscal 2018. 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 2020.

While demand in the **markets** served by Siemens Healthineers continued to grow in fiscal 2019, these markets also showed price pressure on new purchases and increased utilization rates for installed systems. All major served markets were in a healthy state, which contributed to a slightly higher market growth in Europe, C.I.S., Africa, Middle East and the Americas, most notably in the imaging and advanced therapies markets. The markets in Asia, Australia grew moderately. Markets in the U.S. showed slight growth in the imaging and clear growth in the advanced therapies business, with continued moderate market growth in diagnostics. Still, the U.S. market environment remained challenging as pressure on reimbursement systems and the focus on more extended utilization of equipment at customers' sites persist. Government initiatives and programs, together with a growing private market segment contributed to the re-stabilization and growth of markets in China. For the healthcare industry as a whole, the trend towards consolidation continued in fiscal 2019, leading to higher utilization rates at customers' sites, which are counterbalancing procedure volume growth in developed markets. Competition among the leading healthcare companies remained at a high level. For fiscal 2020, Siemens Healthineers expects the imaging and advanced therapies equipment markets to stay on a moderate growth path, while the diagnostics market is expected to grow clearly. Siemens Healthineers' markets will continue to benefit from the long-term trends mentioned above, but are restricted by public spending constraints and by consolidation among healthcare providers. On a geographic basis, Siemens Healthineers expects markets in the region Asia, Australia to be the major growth driver. For China, Siemens Healthineers expects continuing strong growth due to rising government spending on healthcare, promotion of the private segment and wider access to healthcare services nationwide, pronounced effects of an aging population, and a growing incidence of chronic diseases. Growth in the U.S. is expected to be held back by continued pressure to increase utilization of existing equipment, reduced reimbursement rates and uncertainty about policies. For Europe, Siemens Healthineers expects slight growth, with a likely increased emphasis on equipment replacement and business with large customers such as hospital chains.

A.3.7 Siemens Gamesa Renewable Energy

Siemens as majority shareholder holds 59% of the shares of the publicly listed **Siemens Gamesa Renewable Energy**, S.A., Spain **(SGRE)**. SGRE designs, develops and manufactures wind turbines for various wind conditions, and is active in the development, construction and sale of wind farms. In addition, SGRE provides services for the management, operation and maintenance of wind farms. Its primary customers are large utilities and independent power producers. The competitive situation in wind power differs in the two major market segments. In the markets for onshore wind farms, competition is rather dispersed without any one company holding a dominant share of the market, while markets for offshore wind farms continue to be served by a few experienced players. Consolidation is moving forward in both on- and offshore markets. The key drivers of consolidation are scale as well as technology and market access challenges. SGRE's revenue mix may vary from reporting period to reporting period depending on the mix of onshore and offshore projects in the respective periods.

The share of renewable energy in the global energy mix is widely expected to increase, but the **trend** toward evaluating competing power sources using life-cycle costs continues to put pressure on the prices offered by wind power providers. In addition, price pressure arises from the introduction of auctions as a mechanism for allocating renewable energy capacity or production in electricity markets and the resulting increase in competition among wind turbine manufacturers. To address this trend, SGRE focuses on improving its supply chain and significantly decreasing costs by optimizing production within its manufacturing footprint, including the streamlining of its product portfolio. A higher share of renewable energy in electrical grids also increases the demand for predictability of the energy supply and increased capability for integrating it into the overall energy mix. Market development has in the past depended strongly on energy policy, including tax incentives in the U.S. and regulatory frameworks in the European Union. However, with continued technological progress and cost reduction, dependency on subsidy schemes is expected to continue to decrease.

SGRE's **R&D** efforts focus on developing the next generation of technology that leads to improved and more cost-effective products, solutions and services, including becoming a leading company in mastering the balance between power generation and power demand for the renewable sector. To accomplish that goal, SGRE is developing cost-effective energy storage solutions, and solutions for hybridization that are designed to help utility customers optimize utilization of renewable energy and thereby increase profitability. Another focus area is digitalization: advances in this field are expected to enable more intelligent monitoring and analysis of turbine conditions as well as smart diagnostic services. The investments of SGRE in fiscal 2019 focused on production equipment for new blade types and capacity expansion in its factories. Other investments were related to logistic and construction tools in the onshore business, and special equipment for testing and installation of newly launched products in the offshore business.

	Fiscal year		% Change	
(in millions of €)	2019	2018	Actual	Comp.
Orders	**12,749**	11,875	7%	7%
Revenue	**10,227**	9,122	12%	12%
Adjusted EBITA	**482**	483	0%	
Adjusted EBITA margin	**4.7%**	5.3%		

Order intake increased in all businesses year-over-year due to a higher volume from large orders. Sharp order growth in Asia, Australia included two large orders for offshore wind-farms including service in Taiwan totaling €2.3 billion. SGRE also recorded sharply higher orders in the Americas region, driven by several large orders in the onshore business mainly in the U.S. In contrast, orders came in substantially lower in the region Europe, C.I.S., Africa, Middle East which in the prior year had included an order for an offshore wind-farm, including service, in the U.K. worth €1.3 billion. Revenue was up significantly year-over-year, with substantial growth in the offshore and service businesses and clear growth in the onshore business. On a geographic basis, revenue rose substantially in Europe, C.I.S., Africa, Middle East, while it declined clearly in the other two reporting regions. Adjusted EBITA was on the prior-year level as positive effects from productivity improvements and higher revenue were offset by price declines, a less favorable project mix and higher expenses for integration costs and capacity adjustments including severance. Severance charges were €32 million in fiscal 2019 and €77 million in fiscal 2018. SGRE's order backlog was €26 billion at end of the fiscal year, of which €9 billion are expected to be converted into revenue in fiscal 2020.

These results were achieved in markets that grew substantially in fiscal 2019 in terms of installed capacity due to higher demand in both the onshore and offshore markets, with the latter growing faster. Market volume in euros was subject to adverse price development. On a regional basis, growth in the onshore business was again driven primarily by China where the largest national wind market in the world for onshore generation remains largely closed to foreign manufacturers, and secondarily by the U.S. In contrast, the onshore market in Germany declined significantly. In the offshore market, growth was driven by the U.K. and China. SGRE expects global onshore wind installations to grow clearly in fiscal 2020, driven by growth in the U.S. and India. Global offshore wind power markets are expected to grow in fiscal 2020. The driver of this growth is China which offsets a slight decline in European markets. Market volume in euros is expected to be subject to adverse price development in the offshore business, reflecting the trends discussed above, and currency translation effects.

A.3.8 Financial Services

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

	Fiscal year	
(in millions of €)	2019	2018
Earnings before taxes (EBT)	**632**	633
ROE (after taxes)	**19.1%**	19.7%
	Sep 30,	
(in millions of €)	2019	2018
Total assets	**29,901**	27,628

Financial Services again delivered strong earnings before taxes. While the equity business recorded higher results, the result from the debt business declined, amongst others due to higher credit hits. Total assets increased along with a growth in debt business and in part due to positive currency translation effects.

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

A.3.9 Portfolio Companies

Portfolio Companies was formed in fiscal 2019 and consists largely of businesses formerly included in the Divisions Process Industries and Drives (mechanical drives, process solutions, large drives applications) and Energy Management (subsea), along with certain other activities that were formerly reported in Centrally managed portfolio activities (Siemens Logistics business and the at-equity investments: Valeo Siemens eAutomotive GmbH, Primetals Technologies Limited, Ethos Energy Group Limited and

Voith Hydro Holding GmbH & Co. KG). Unrealized potential within these businesses, which are managed separately, requires adjustment in their approach with defined measures including internal re-organization, digitalization, cost improvements, and optimizing procurement, production and service activities. After achieving certain threshold performance targets, businesses may transfer to Siemens industrial businesses, combine with external business from the same industry or enter into an external private equity partnership.

Portfolio Companies consists of a broad range of businesses, which at the end of fiscal 2019 mainly included the following fully consolidated units: application specific solutions (process solutions), electric motors, converters and generators (large drive applications), gear units and couplings (mechanical drives) and sorting technology and solutions for mail, parcel, baggage and cargo handling (Siemens Logistics). Within the industries served by fully consolidated units, customer demand 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. The broad range of fully consolidated units and their heterogenous industrial customer base is reflected in its sales and marketing channels. While the mechanical drives business and Siemens Logistics require a dedicated sales approach based on in-depth understanding of specific industries and customer requirements, the large drives applications business and the process solutions business leverage the shared regional sales organization employed by the Siemens Operating Companies.

(in millions of €)	Fiscal year 2019	2018	% Change Actual	Comp.
Orders	**5,806**	5,569	4%	3%
Revenue	**5,526**	4,930	12%	11%
Adjusted EBITA	**(71)**	(305)	77%	
Adjusted EBITA margin	**(1.3)%**	(6.2)%		

Supported by a recovery in commodity-related markets, **orders** and **revenue** showed broad-based growth year-over-year with strongest increases in the mechanical drives business. Overall, Portfolio Companies businesses made good progress in achieving their targets. **Adjusted EBITA** improved in all fully consolidated units and turned positive in total, mainly driven by the large drives applications business. The result from equity investments in total also improved slightly, though it was negative in both periods under review. Severance charges decreased to €14 million, from €86 million in fiscal 2018. Portfolio Companies' order backlog was €5 billion at the end of the fiscal year, of which €3 billion are expected to be converted into revenue in fiscal 2020. Regarding Portfolio Companies' at-equity investments, volatile results are expected in coming quarters.

Markets for Portfolio Companies are generally impacted by rising uncertainties regarding geopolitical and economic developments, which weaken investment sentiment. Although the broad range of businesses are operating in diverse markets, overall, moderate growth is expected in the coming years for the main markets served by the Portfolio Companies.

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 will be transferred to the Operating Company Gas and Power. If this organizational structure had already existed in fiscal 2019, Portfolio Companies would have posted orders of €4.746 billion, revenue of €4.558 billion and Adjusted EBITA of €(115) million.

Mitsubishi-Hitachi Metals Machinery (MHMM) and Siemens AG reached an agreement in September 2019, that MHMM will acquire Siemens' stake in Primetals Technologies. Closing of the transaction is subject to customary conditions and is expected by the beginning of calendar 2020.

A.3.10 Reconciliation to Consolidated Financial Statements

Profit

(in millions of €)	Fiscal year 2019	2018
Real Estate Services	**145**	140
Corporate items	**(562)**	631
Centrally carried pension expense	**(264)**	(423)
Amortization of intangible assets acquired in business combinations	**(1,133)**	(1,164)
Eliminations, Corporate Treasury and other reconciling items	**(215)**	(318)
Reconciliation to Consolidated Financial Statements	**(2,028)**	(1,135)

The negative swing in **Corporate items** was mainly due to large positive effects in fiscal 2018 – the gain of €900 million resulting from the transfer of Siemens' shares in Atos SE to Siemens Pension-Trust e.V. and the gain of €655 million from the sale of OSRAM Licht AG shares. These effects substantially outweighed a positive result in fiscal 2019 from the measurement of a major asset retirement obligation, which was previously reported in Centrally managed portfolio activities. Severance charges within Corporate items were €99 million (€159 million in fiscal 2018).

A.4 Results of operations

A.4.1 Orders and revenue by region

Positive currency translation effects added one percentage point each to order and revenue growth; portfolio transactions had only minimal effects on volume growth year-over-year. The resulting ratio of orders to revenue (book-to-bill) for Siemens in fiscal 2019 was a strong 1.13, again well above 1. The order backlog was €146 billion as of September 30, 2019, a new high.

Orders (location of customer)

	Fiscal year		% Change	
(in millions of €)	2019	2018	Actual	Comp.
Europe, C.I.S., Africa, Middle East	**46,086**	46,495	(1)%	(1)%
therein: Germany	*12,021*	*11,254*	*7%*	*7%*
Americas	**29,812**	25,060	19%	14%
therein: U.S.	*21,166*	*18,106*	*17%*	*10%*
Asia, Australia	**22,101**	19,742	12%	11%
therein: China	*8,989*	*8,459*	*6%*	*6%*
Siemens	**97,999**	**91,296**	**7%**	**6%**
therein: emerging markets[1]	*31,720*	*30,564*	*4%*	*4%*

1 As defined by the International Monetary Fund.

Orders related to external customers were clearly up year-over-year on growth in nearly all industrial businesses, led by Mobility. Gas and Power, Siemens Healthineers, Smart Infrastructure and SGRE all posted clear growth, while orders declined slightly in Digital Industries. Volume from large orders for Industrial Businesses overall was up substantially due to a sharp increase at Mobility, but also due to a significant increase in SGRE and Gas and Power. Growth in emerging markets was driven by orders from China, and from Russia where Mobility won a €1.2 billion contract for high-speed trains including maintenance.

Order development was mixed in the **Europe, C.I.S., Africa, Middle East** region. The majority of industrial businesses posted order growth, led by double-digit growth in Mobility, which won several large contracts in the year under review. This increase was more than offset by a substantial decline in SGRE due mainly to a lower volume from large orders and a decrease in Digital Industries. In contrast to the region overall, orders were up clearly in Germany, driven by sharp growth in Gas and Power which recorded, among others, a large high voltage direct current (HVDC) order. Mobility recorded a significant increase in order intake in Germany, while the other industrial businesses posted declines.

Orders in the **Americas** region were up significantly year-over-year, benefiting from positive currency translation effects. Double-digit growth in nearly all industrial businesses was led by SGRE and Mobility with particularly sharp increases. The pattern of order development in the U.S. was largely the same as in the Americas region.

In the **Asia, Australia** region, orders also rose significantly due to growth in nearly all industrial businesses. The primary growth driver was SGRE, which recorded a sharply higher volume from large orders, including two large orders for offshore wind-farms including service in Taiwan totaling €2.3 billion. Orders for Mobility dropped substantially compared to the prior year. Clear growth in China included a majority of industrial businesses.

Revenue (location of customer)

	Fiscal year		% Change	
(in millions of €)	2019	2018	Actual	Comp.
Europe, C.I.S., Africa, Middle East	**44,360**	42,782	4%	4%
therein: Germany	*12,282*	*11,729*	*5%*	*4%*
Americas	**23,796**	22,115	8%	3%
therein: U.S.	*17,993*	*16,012*	*12%*	*6%*
Asia, Australia	**18,693**	18,147	3%	2%
therein: China	*8,405*	*8,102*	*4%*	*3%*
Siemens	**86,849**	**83,044**	**5%**	**3%**
therein: emerging markets[1]	*27,607*	*28,272*	*(2)%*	*(2)%*

1 As defined by the International Monetary Fund.

Revenue related to external customers went up moderately year-over-year on growth in nearly all industrial businesses. SGRE and Siemens Healthineers posted the highest growth rates, while revenue at Gas and Power declined moderately in a difficult market environment. The revenue decline in emerging markets was due mainly to lower revenue in Egypt, where in fiscal 2018 Gas and Power recorded sharply higher revenue from large orders.

Revenue in **Europe, C.I.S., Africa, Middle East** increased moderately on growth in a majority of industrial businesses, driven by substantial growth at SGRE. Gas and Power posted a clear decline in a difficult market environment. In Germany, revenue was up moderately with significant growth in Mobility and Gas and Power, partly offset by a decline in SGRE.

In the **Americas**, revenue came in clearly higher year-over-year, benefiting from positive currency translation effects. Siemens Healthineers, Smart Infrastructure and Gas and Power recorded the largest increases, while SGRE posted clearly lower revenue in the region. In the U.S., all industrial businesses posted higher revenues year-over-year, with SGRE and Smart Infrastructure recording the strongest growth rates.

Revenue in **Asia, Australia** rose moderately year-over-year on growth in the majority of industrial businesses, led by Siemens Healthineers and Digital Industries. Gas and Power and SGRE posted lower revenue year-over-year. In China, revenue was also up in the majority of industrial businesses, led by Siemens Healthineers. In contrast, SGRE posted substantially lower revenue year-over-year in that country.

A.4.2 Income

(in millions of €, earnings per share in €)	Fiscal year 2019	2018	% Change
Digital Industries	**2,880**	2,898	(1)%
Smart Infrastructure	**1,500**	1,574	(5)%
Gas and Power	**679**	722	(6)%
Mobility	**983**	958	3%
Siemens Healthineers	**2,461**	2,221	11%
Siemens Gamesa Renewable Energy	**482**	483	0%
Industrial Businesses	**8,986**	**8,857**	**1%**
Adjusted EBITA margin Industrial Businesses	***10.9%***	*11.1%*	
Financial Services	**632**	633	0%
Portfolio Companies	**(71)**	(305)	77%
Reconciliation to Consolidated Financial Statements	**(2,028)**	(1,135)	(79)%
Income from continuing operations before income taxes	**7,518**	**8,050**	**(7)%**
Income tax expenses	**(1,872)**	(2,054)	9%
Income from continuing operations	**5,646**	**5,996**	**(6)%**
Income from discontinued operations, net of income taxes	**3**	124	(98)%
Net income	**5,648**	**6,120**	**(8)%**
Basic earnings per share	**6.41**	7.12	(10)%
ROCE	**11.1%**	12.6%	

As a result of the development described for the segments, **Income from continuing operations before income taxes** declined 7%. Severance charges for continuing operations were €619 million, of which €492 million were in Industrial Businesses. Accordingly, Adjusted EBITA margin Industrial Businesses excluding severance charges was 11.5% in fiscal 2019. In fiscal 2018, severance charges for continuing operations were €923 million, of which €669 million were in Industrial Businesses.

The tax rate of 25% for fiscal 2019 was below the tax rate of 26% for the prior year, benefiting mainly from the reversal of income tax provisions outside Germany. As a result, **Income from continuing operations** declined 6%.

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

The decline in **basic earnings per share** reflects the decrease of Net income attributable to Shareholders of Siemens AG, which was €5,174 million in fiscal 2019 compared to €5,807 million in fiscal 2018, partially offset by a lower number of weighted average shares outstanding. Basic earnings per share excluding severance charges was €6.93.

As expected, **ROCE** at 11.1% was below the target range set in our Siemens Financial Framework, reflecting in particular the effects from portfolio transactions in recent years, including the acquisitions of Mentor and Mendix at Digital Industries and the merger of Siemens' wind power business with Gamesa Corporación Tecnológica, S.A. that created SGRE. The decline year-over-year was due both to lower income before interest after tax and to higher average capital employed.

A.4.3 Research and development

In fiscal 2019, we reported research and development (R&D) expenses of €5.7 billion, compared to €5.6 billion in fiscal 2018. The resulting R&D intensity, defined as the ratio of R&D expenses and revenue, was 6.5% (fiscal 2018: 6.7%). Additions to capitalized development expenses amounted to €0.4 billion in fiscal 2019, compared to €0.3 billion in fiscal 2018. As of September 30, 2019, Siemens held approximately 68,300 granted patents worldwide in its continuing operations. As of September 30, 2018, we held approximately 65,000 granted patents. On average, we had 45,100 R&D employees in fiscal 2019.

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 2018 the following technologies were the focus in fiscal 2019: 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 fore-knowledge enables Siemens and our customers to grow and thrive in the age of digitalization.

A.5 Net assets position

(in millions of €)	Sep 30, 2019	2018	% Change
Cash and cash equivalents	12,391	11,066	12%
Trade and other receivables	18,894	18,455	2%
Other current financial assets	10,669	9,427	13%
Contract assets	10,309	8,912	16%
Inventories	14,806	13,885	7%
Current income tax assets	1,103	1,010	9%
Other current assets	1,960	1,707	15%
Assets classified as held for disposal	238	94	154%
Total current assets	**70,370**	**64,556**	**9%**
Goodwill	30,160	28,344	6%
Other intangible assets	9,800	10,131	(3)%
Property, plant and equipment	12,183	11,381	7%
Investments accounted for using the equity method	2,244	2,579	(13)%
Other financial assets	19,843	17,774	12%
Deferred tax assets	3,174	2,341	36%
Other assets	2,475	1,810	37%
Total non-current assets	**79,878**	**74,359**	**7%**
Total assets	**150,248**	**138,915**	**8%**

Our total assets at the end of fiscal 2019 were influenced by positive currency translation effects of €4.0 billion (mainly **goodwill**), primarily involving the U.S. dollar.

The increase in **other current financial assets** was driven by higher loans receivable at SFS, which were mainly due to new business and reclassification of non-current loans receivable from other financial assets. While higher loans receivable and receivables from finance leases from new business at SFS contributed also to growth in **other financial assets**, a large extent of the overall increase resulted from increased fair values of derivative financial instruments.

Inventories increased in several industrial businesses, with the build-up most evident at SGRE, Mobility and Siemens Healthineers.

Assets classified as held for disposal increased mainly due to reclassification of two investments from **investments accounted for using the equity method**.

The increase in **goodwill** included the acquisition of Mendix.

Deferred tax assets increased mainly due to income tax effects related to remeasurement of defined benefits plans.

The increase in **other assets** was driven mainly by higher net defined benefit assets from actuarial gains.

A.6 Financial position

A.6.1 Capital structure

(in millions of €)	Sep 30, 2019	2018	% Change
Short-term debt and current maturities of long-term debt	**6,034**	5,057	19%
Trade payables	**11,409**	10,716	6%
Other current financial liabilities	**1,743**	1,485	17%
Contract liabilities	**16,452**	14,464	14%
Current provisions	**3,682**	3,931	(6)%
Current income tax liabilities	**2,378**	3,102	(23)%
Other current liabilities	**9,023**	9,118	(1)%
Liabilities associated with assets classified as held for disposal	**2**	1	54%
Total current liabilities	**50,723**	**47,874**	**6%**
Long-term debt	**30,414**	27,120	12%
Provisions for pensions and similar obligations	**9,896**	7,684	29%
Deferred tax liabilities	**1,305**	1,092	19%
Provisions	**3,714**	4,216	(12)%
Other financial liabilities	**986**	685	44%
Other liabilities	**2,226**	2,198	1%
Total non-current liabilities	**48,541**	**42,995**	**13%**
Total liabilities	**99,265**	**90,869**	**9%**
Debt ratio	***66%***	*65%*	
Total equity attributable to shareholders of Siemens AG	**48,125**	**45,474**	**6%**
Equity ratio	***34%***	*35%*	
Non-controlling interests	**2,858**	2,573	11%
Total liabilities and equity	**150,248**	**138,915**	**8%**

The increase in **short-term debt and current maturities of long-term debt** was due mainly to reclassifications of long-term euro and U.S. dollar instruments totaling €3.9 billion from long-term debt. This was partly offset by €3.3 billion resulting from the repayment of U.S. dollar instruments.

The decrease in **current income tax liabilities** was driven mainly by the reversal of income tax provisions outside Germany and tax payments in the context of the carve-out activities related to Siemens Healthineers.

Long-term debt increased due primarily to the issuance of euro instruments totaling €6.5 billion and currency translation effects for bonds issued in the U.S. dollar. This was partly offset by the above-mentioned reclassifications of euro and U.S. dollar instruments.

The increase in **provisions for pensions and similar obligations** was due mainly to a lower discount rate. This effect was partly offset by a positive return on plan assets, among other factors.

The main factors for the increase in **total equity attributable to shareholders of Siemens AG** were €5.2 billion in net income attributable to shareholders of Siemens AG; the re-issuance of treasury shares of €1.6 billion; and positive other comprehensive income, net of income taxes of €0.4 billion, resulting mainly from positive currency translation effects of €1.8 billion, partly offset by negative effects from remeasurements of defined benefit plans of €1.1 billion. This increase was partly offset by dividend payments of €3.1 billion (for fiscal 2018) and the repurchase of 13,532,557 treasury shares at an average cost per share of €99.78, totaling €1.4 billion (including incidental transaction charges).

Capital structure ratio

Our capital structure ratio as of September 30, 2019 increased to 0.6 from 0.4 a year earlier, both results being in line with the target established in our Siemens Financial Framework. The change was due primarily to the above-mentioned increases in long-term debt and in provisions for pensions and similar obligations.

Debt and credit facilities

As of September 30, 2019, we recorded, in total, €33.2 billion in notes and bonds (maturing until 2047), €2.3 billion in loans from banks (maturing until 2037), €0.9 billion in other financial indebtedness (maturing until 2029) and €0.1 billion in obligations under finance leases. Notes and bonds were issued mainly in the U.S. dollar and euro, and to a lower extent in the British pound.

We have credit facilities totaling €10.0 billion, thereof €9.5 billion unused as of September 30, 2019.

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, 2019, the undiscounted amount of maximum potential future payments related primarily to credit guarantees and guarantees of third-party performance amounted to €3.1 billion.

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

Future payment obligations under non-cancellable operating leases amounted to €3.5 billion.

Irrevocable loan commitments amounted to €3.1 billion. A considerable portion of these commitments resulted from asset-based lending transactions, meaning that the respective loans can be drawn only after the borrower has provided sufficient collateral.

Share buyback

Out of the above-mentioned treasury shares repurchased in fiscal 2019, 3,343,479 treasury shares were repurchased under the share buyback initiated in November 2015, which was thus completed with a total volume of €3.0 billion. The amount of 10,189,078 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.

A.6.2 Cash flows

(in millions of €)	Fiscal year 2019
Cash flows from operating activities	
Net income	5,648
Change in operating net working capital	636
Other reconciling items to cash flows from operating activities – continuing operations	2,198
Cash flows from operating activities – continuing operations	**8,482**
Cash flows from operating activities – discontinued operations	(27)
Cash flows from operating activities – continuing and discontinued operations	**8,456**
Cash flows from investing activities	
Additions to intangible assets and property, plant and equipment	(2,610)
Acquisitions of businesses, net of cash acquired	(958)
Purchase of investments and financial assets for investment purposes	(1,971)
Change in receivables from financing activities of SFS	(1,161)
Other disposals of assets	1,689
Cash flows from investing activities – continuing operations	**(5,012)**
Cash flows from investing activities – discontinued operations	1
Cash flows from investing activities – continuing and discontinued operations	**(5,011)**
Cash flows from financing activities	
Purchase of treasury shares	(1,407)
Re-issuance of treasury shares and other transactions with owners	1,044
Issuance of long-term debt	6,471
Repayment of long-term debt (including current maturities of long-term debt)	(3,205)
Change in short-term debt and other financing activities	(753)
Interest paid	(1,123)
Dividends paid to shareholders of Siemens AG	(3,060)
Dividends attributable to non-controlling interests	(246)
Cash flows from financing activities – continuing operations	**(2,277)**
Cash flows from financing activities – discontinued operations	–
Cash flows from financing activities – continuing and discontinued operations	**(2,277)**

The main contributors to **Cash flows from operating activities** were Digital Industries, followed by Siemens Healthineers and Smart Infrastructure, in line with their contributions to Adjusted EBITA. Regarding cash inflows associated with operating net working capital, a decline in operating net working capital was driven mainly by an increase in contract liabilities. This factor was partly offset by cash outflows related to a buildup of contract assets and inventories, most evidently at SGRE.

Cash outflows from **acquisitions of businesses, net of cash acquired**, mainly included payments of €0.5 billion related to the acquisition of Mendix.

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.

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

Cash inflows from **other disposals of assets** mainly included disposals of above-mentioned eligible collateral and to a minor extent proceeds from real estate disposals, from the sale of businesses or from other investments.

Cash inflows from the **re-issuance of treasury shares and other transactions with owners** mainly included €1.1 billion from the exercise of warrants in connection with US$1.5 billion bonds with warrant units.

Cash outflows from the **change in short-term debt and other financing activities** mainly included repayments of loans from banks.

We report Free cash flow as a supplemental liquidity measure:

Free cash flow

			Fiscal year 2019
(in millions of €)	Continuing operations	Discontinued operations	Continuing and discontinued operations
Cash flows from operating activities	8,482	(27)	8,456
Additions to intangible assets and property, plant and equipment	(2,610)	–	(2,610)
Free cash flow	**5,872**	**(27)**	**5,845**

The Free cash flow for the Industrial Businesses amounted to €8,000 millions, resulting in a cash conversation rate of 0.89.

Beginning with fiscal 2020, Siemens adopts IFRS 16, Leases, applying the modified retrospective approach as described in more detail in → NOTE 2 in B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. As a result, the shift of lease payments from cash flows from operating activities to cash flows from financing activities will have a positive effect on Free cash flow.

With our ability to generate positive operating cash flows, our total liquidity (defined as cash and cash equivalents plus current interest-bearing debt securities) of €13.7 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 €2.6 billion in fiscal 2019. Within the industrial Businesses, ongoing investments related mainly to technological innovations; maintaining and extending our capacities for designing, manufacturing and marketing new solutions including strategic localization; improving productivity; and replacements of fixed assets. These investments amounted to €2.1 billion in fiscal 2019. The remaining portion related mainly to Real Estate Services, including significant amounts for projects such as new office buildings in Germany. Real Estate Services 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, SGRE and the carved-out real estate of Mobility.

With regard to capital expenditures for continuing operations, we expect a significant increase in fiscal 2020. In the coming years, up to €0.6 billion are to be invested in "Siemensstadt 2.0". This new project 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 the 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

In fiscal 2019, as part of our new "Vision 2020+" company strategy, we set Siemens' future course by introducing a new organizational structure consisting of three Operating Companies – Digital Industries, Smart Infrastructure and Gas and Power – and three Strategic Companies: Mobility, Siemens Healthineers and SGRE. With this new setup, we are deepening our ownership culture and giving our businesses considerably more entrepreneurial freedom and responsibility under the strong Siemens brand. "Vision 2020+" is primarily a strategic growth concept aimed at further improving the profitability of Siemens' Companies through innovation and efficiency gains. As part of "Vision 2020+," we have set ourselves even more ambitious targets for revenue growth and the Adjusted EBITA margin ranges of our Companies. With "Vision 2020+," we also intend to further strengthen our portfolio through investments in new growth fields such as IoT integration services, distributed energy management and solutions for electric mobility infrastructure. As part of this strategy, we made several acquisitions during the fiscal year, the most important being Mendix, a pioneer and leader in cloud-native low-code application development. The acquisition of Mendix and our entry into the IoT integration services business is enabling us to further expand our market leadership in industrial digitalization. As a next step of "Vision 2020+," we announced our plan to carve out Gas and Power and to publicly list the business under the name Siemens Energy by the end of fiscal 2020, to give it even more independence and entrepreneurial freedom in a rapidly changing market environment. As part of this transaction, Siemens plans to contribute its stake in SGRE to Siemens Energy. As a result, the next generation of Siemens will be made up of three Siemens companies: the industrial Siemens, comprising Digital Industries, Smart Infrastructure and Mobility; Siemens Healthineers, which we successfully listed publicly in fiscal 2018; and Siemens Energy.

Despite increasing macroeconomic headwinds in the course of the fiscal year, particularly for our short-cycle businesses, we again achieved strong results – also in most of our industrial businesses and in Financial Services – and reached all the targets set for our primary measures for fiscal 2019. We achieved revenue growth of 3% net of currency translation and portfolio effects. We delivered basic EPS from net income of €6.41, which included impacts from severance charges amounting to (€0.52) per share. At 11.1%, return on capital employed (ROCE) was in the double-digit range; and our capital structure ratio came in at 0.6.

Orders rose 7% year-over-year to €98.0 billion, for a book-to-bill-ratio of 1.13, thus fulfilling our expectation of a ratio above 1. Five of our six industrial businesses increased orders year-over-year. These increases were led by double-digit growth at Mobility, which again won significant contracts, such as for the new generation of trains for the London Tube and for Velaro RUS high-speed trains, including services, in Russia, and recorded its highest order intake ever. Order growth in Gas and Power was driven by the new-unit business and included significantly higher volume from large orders year-over-year. Siemens Healthineers and Smart Infrastructure achieved broad-based order growth, the former including particularly strong demand for its imaging solutions, the latter including large contract wins in its solutions and services business. Orders in Digital Industries came in slightly lower year-over-year due mainly to increasingly adverse market conditions in key manufacturing industries. Excluding currency translation and portfolio effects, orders for Siemens rose 6%.

Revenue also was higher in five of our industrial businesses and rose to €86.8 billion, up 5% year-over-year. The strongest increase came from SGRE, which posted double-digit growth, driven by its offshore and service businesses. Siemens Healthineers achieved clear revenue growth on increases in all businesses, particularly in its imaging business. Following weak order intake in prior years, revenue at Gas and Power came in moderately lower. Excluding currency translation and portfolio effects, revenue for Siemens grew 3%. For fiscal 2019, we had forecast moderate growth in revenue, net of currency translation and portfolio effects.

Adjusted EBITA Industrial Businesses rose slightly to €9.0 billion, due mainly to double-digit growth in Siemens Healthineers on the strength of its imaging and advanced therapies businesses and to a lesser extent to a moderate increase in Mobility. These increases were partly offset by declines in Gas and Power, due mainly to lower capacity utilization and price declines, and in Smart Infrastructure, due mainly to negative effects related to grid control projects at the beginning of fiscal 2019. Adjusted EBITA in Digital Industries came in close to the strong prior-year-level, despite increasing headwinds in the markets for its short-cycle businesses in the course of the fiscal year. Overall, Adjusted EBITA Industrial Businesses was burdened by severance charges of €0.5 billion, substantially lower than a year earlier. Approximately half of these severance charges were booked at Gas and Power. As planned, we further increased R&D expenses in our industrial businesses, in order to strengthen our capacity for innovation.

The Adjusted EBITA margin of our Industrial Businesses was 10.9%, down from 11.1% in fiscal 2018. Four of our six industrial businesses were within their margin range or – as in the case of Smart Infrastructure – close to it. Excluding severance charges, Adjusted EBITA margin Industrial Businesses was 11.5%, clearly in the range of 11% to 12%, which we had expected it to reach. Financial Services, which is reported outside our Industrial Businesses, concluded another strong fiscal year with a return on equity after tax of 19.1%, which was within its margin range.

The loss outside the Industrial Businesses came in substantially higher year-over-year despite a number of positive developments, including a positive effect related to the measurement of a major asset retirement obligation, a lower loss at Portfolio Companies, lower Centrally carried pension expenses and higher income from Corporate Treasury activities. However, the positive factors were substantially larger in fiscal 2018, most notably a €0.9 billion gain related to the transfer of Siemens' shares in Atos SE to Siemens Pension-Trust e.V. and a €0.7 billion gain from the sale of shares in OSRAM Licht AG.

Net income was €5.6 billion, down 8% year-over-year, and basic EPS from net income declined by €0.71 to €6.41. These declines were due mainly to the aforementioned largely tax-free portfolio gains, which contributed €1.87 per share to basic EPS from net income in fiscal 2018. Basic EPS from net income in fiscal 2019 was burdened by severance charges amounting to €0.52 per share. With basic EPS from net income excluding severance charges of €6.93, we thus met our forecast, which was to achieve basic EPS from net income excluding severance charges in the range of €6.30 to €7.00.

ROCE for fiscal 2019 was 11.1%, down from 12.6% in fiscal 2018. This decline was due to a combination of lower net income and an increase in average capital employed, with the latter being impacted by recent acquisitions, among them Mendix. We thus met our forecast, which 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. For fiscal 2019, this ratio was 0.6, compared to 0.4 in fiscal 2018. We thus reached our forecast, which was to achieve a ratio of up to 1.0.

Free cash flow from continuing and discontinued operations for fiscal 2019 was €5.8 billion, level with the prior year.

We intend to continue providing an attractive return to shareholders. The Siemens Managing Board, in agreement with the Supervisory Board, proposes a dividend of €3.90 per share, up from €3.80 a year earlier.

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

A.8.1 Report on expected developments

A.8.1.1 WORLDWIDE ECONOMY

The outlook for the world economy in fiscal 2020 was subdued at the outset of the fiscal year. Global GDP is projected to expand by 2.5% in calendar 2020, the lowest growth rate since the global financial crisis in 2008/09. Fixed investments should grow by 2.9%, level with 2019.

The main strains on the global economy are expected to be the continued U.S.-China trade conflict and remaining uncertainties from Brexit. Yet fears of a global recession, fueled in part by yield curve inversions in the U.S. in calendar 2019, seem overdone. In most countries domestic demand should remain sound with unemployment on a low level, inflation modest and wages increasing while monetary policy has again taken a more supportive stance.

Despite some moderation, the U.S. economy is expected to be solid and a main pillar of global growth, with GDP expanding 2% supported by strong domestic demand, low unemployment and increasing disposable incomes. China's economy is expected to decelerate markedly, with GDP growth going down from 6.2% in calendar 2019 to 5.7% in calendar 2020. The room for monetary easing is constrained by high debt levels in the economy. GDP growth in Europe is expected to further slow also, to 1.0% in calendar 2020, after 1.2% in calendar 2019. The industrial recession in Europe is expected to end during calendar 2020.

GDP in advanced countries should increase by 1.4% in calendar 2020, after 1.6% in calendar 2019, and for emerging countries by 4.2% in calendar 2020, after 4.1% in calendar 2019, assuming that risk factors (e.g. further escalation of the trade conflict or Brexit, financial crisis in emerging markets or in Eurozone countries, geopolitical conflicts) do not materialize and the industrial recession does not spill over to the rest of the economy.

The forecasts presented here for GDP and fixed investments are based on a report from IHS Markit dated October 15, 2019.

A.8.1.2 SIEMENS GROUP

We are basing our outlook for fiscal 2020 for the Siemens Group and its reportable segments on the above-mentioned expectations and assumptions regarding the overall economic situation as well as the specific market conditions we expect for our respective industrial businesses, as described in → A.3 SEGMENT INFORMATION. Overall, we expect global macroeconomic development to remain subdued in fiscal 2020, with risks particularly related to geopolitical and geoeconomic uncertainties. We assume a moderate decline in market volume for our short-cycle businesses. Also, we assume that a public listing of Siemens Energy will be finalized according to plan by the end of fiscal 2020.

This outlook excludes charges related to legal and regulatory matters.

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 2020, 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 2020. Based on currency exchange rates as of the beginning of November 2019, we expect negative currency translation effects, reducing nominal order and revenue growth slightly in fiscal 2020. We anticipate even smaller currency-related impacts on the Adjusted EBITA margin for our Industrial Businesses in fiscal 2020.

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

Segments

Digital Industries expects fiscal 2020 comparable revenue to remain level compared to the prior year, outperforming the broader market, despite continued weakness in its most important short-cycle markets, particularly the automotive and machine building industries. Adjusted EBITA margin is expected at 17% to 18%.

Smart Infrastructure expects to achieve moderate comparable revenue growth in fiscal 2020, driven by its longer-cycle solutions and service business, even as its short-cycle industrial products business faces headwinds from a market slowdown. Adjusted EBITA margin is expected at 10% to 11%.

Economic cycles have limited impact on the markets for Mobility, which anticipates mid-single-digit comparable revenue growth in fiscal 2020 driven by its rolling stock business, which ramped up several large rail projects towards the end of fiscal 2019. Adjusted EBITA margin is expected at 10% to 11%.

Siemens Healthineers expects to achieve comparable revenue growth in a mid-single-digit range in fiscal 2020, led by its imaging and advanced therapies businesses. Adjusted EBITA margin for Healthineers excluding severance charges and acquisition-related transaction costs is expected at 17% to 18% in fiscal 2020.

While energy markets are assumed to remain challenging with some signs of stabilization, Gas and Power expects a moderate comparable revenue growth particularly including execution on its large order backlog. Adjusted EBITA margin is expected at 2% to 5%.

SGRE expects comparable revenue growth in the low-single-digit range in fiscal 2020, driven mainly by the onshore business. Adjusted EBITA is expected to be impacted by €200 million in integration and restructuring costs. As a result, Adjusted EBITA margin is expected to come in below its target margin range of 7% to 11% in fiscal 2020.

Financial Services is expected to achieve a return on equity (ROE) (after tax) in its margin range of 17% to 22% in fiscal 2020.

Revenue growth

We expect the Siemens Group to again achieve moderate growth in comparable revenue, net of currency translation and portfolio effects, and a book-to-bill ratio above 1 in fiscal 2020.

As of September 30, 2019, our order backlog totaled €146 billion, and we expect conversion from the backlog to strongly support revenue growth in fiscal 2020. From Siemens' backlog, we expect to convert approximately €50 billion of past orders into current revenue in fiscal 2020. For 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 its equity investments are expected to be volatile and to continue to generate losses. We anticipate that Real Estate Services will continue with real estate disposals depending on market conditions. Expenses for Corporate items and Centrally carried pension expenses are estimated to be in a range of approximately €1.2 billion to €1.4 billion in fiscal 2020, including significant costs associated with the carve-out of Gas and Power. Amortization of intangible assets acquired in business combinations, which was €1.1 billion in fiscal 2019, and Eliminations, Corporate Treasury and other reconciling items, which were a negative €0.2 billion in fiscal 2019, are expected to remain on similar levels, respectively, in fiscal 2020. We anticipate that net income and corresponding basic EPS will be impacted by sharply higher tax expenses due largely to the planned carve-out of Gas and Power.

As previously announced, we plan to carve out Gas and Power and to contribute our 59% stake in SGRE to create a new entity, Siemens Energy. For this entity, we plan a spin-off and public listing before the end of fiscal 2020, with Siemens Energy becoming part of discontinued operations prior to the spin-off. We expect this to result in substantial positive effects within discontinued operations, including a substantial gain at spin-off, which cannot yet be reliably quantified.

For our EPS guidance we assume these positive effects will offset carve-out costs and tax expenses related to the spin-off and Group-wide severance charges for the fiscal year. Taken together with our previously mentioned expectations for fiscal 2020, we expect this to result in basic EPS from net income in the range from €6.30 to €7.00 compared to €6.41 in fiscal 2019.

Our forecast for net income and corresponding basic EPS takes into account a number of additional factors. We expect the solid project execution to continue in fiscal 2020, and we plan to slightly increase R&D expenses year-over-year to strengthen our capacity for innovation. Severance charges, which were €619 million in fiscal 2019, are expected to be on a similar level in fiscal 2020.

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, we expect ROCE to continue to show a double-digit result in fiscal 2020 but to come in below our target range. In addition, we expect effects on ROCE related to the above-mentioned planned spin-off and public listing of Siemens Energy, which cannot yet be reliably quantified.

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, and expect to achieve this in fiscal 2020. Effects from adoption of IFRS 16, Leases, beginning with fiscal 2020, result in an increase in the ratio as described in more detail in → NOTE 2 in B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. In addition, we expect effects on capital structure related to the above-mentioned planned spin-off and public listing of Siemens Energy, which cannot yet be reliably quantified.

A.8.1.3 OVERALL ASSESSMENT

We expect global macroeconomic development to remain subdued in fiscal 2020, with risks particularly related to geopolitical and geoeconomic uncertainties. We assume a moderate decline in market volume for our short-cycle businesses. Given the foregoing, we expect the Siemens Group to again achieve moderate growth in comparable revenue, net of currency translation and portfolio effects, and a book-to-bill ratio above 1.

As previously announced, we plan to carve out Gas and Power and to contribute our 59% stake in SGRE to create a new entity, Siemens Energy. For this entity, we plan a spin-off and public listing before the end of fiscal 2020, with Siemens Energy becoming part of discontinued operations prior to the spin-off. We expect this to result in substantial positive effects within discontinued operations, including a substantial gain at spin-off, which cannot yet be reliably quantified.

For our EPS guidance we assume these positive effects will offset carve-out costs and tax expenses related to the spin-off and Group-wide severance charges for the fiscal year. Taken together with our previously mentioned expectations for fiscal 2020, we expect this to result in basic EPS from net income in the range from €6.30 to €7.00 compared to €6.41 in fiscal 2019.

This outlook excludes charges related to legal and regulatory matters.

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

A.8.2 Risk management

A.8.2.1 BASIC PRINCIPLES OF RISK MANAGEMENT

Our risk management policy stems from a philosophy of pursuing sustainable growth and creating economic value while managing appropriate risks 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. This includes our listed Strategic Companies Siemens Healthineers and SGRE, which are also subject to our group-wide principles for risk management and individually responsible for adhering to those principles.

A.8.2.2 ENTERPRISE RISK MANAGEMENT PROCESS

We have implemented and coordinated a set of risk management and control systems which support us in the early recognition of developments that could jeopardize the continuity of our business. The most important of these systems include our enterprise-wide processes for strategic planning and management reporting. Strategic planning is intended to support us in considering potential risks well in advance of major business decisions, while management reporting is intended to enable us to monitor such risks more closely as our business progresses. Our internal auditors regularly review the adequacy and effectiveness of our risk management. 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 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. This top-down element ensures that potential new risks and opportunities are discussed at the management level and are included in the subsequent reporting process, if found to be relevant. Reported risks and opportunities are analyzed regarding potential cumulative effects and are aggregated within and for each of the organizations mentioned above.

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

A.8.2.3 RISK MANAGEMENT ORGANIZATION AND RESPONSIBILITIES

To oversee the ERM process and to further drive the integration and harmonization of existing control activities to align with legal and operational requirements, the Managing Board established a Risk Management and Internal Control Organization, headed by the 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

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. We see a risk, especially in the energy market, that long-term customer contracts are becoming subject to renegotiation, which might result in less favorable conditions for Siemens. 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, exporting from low-cost countries to price-sensitive markets, 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.

Economic, political and geopolitical conditions (macroeconomic environment): We see increasing uncertainty regarding the global economic outlook. Despite recent relaxation in the U.S.-Chinese trade conflict, the key risk for the global economic cycle is a further escalation to a full-fledged global trade war, with a significant deterioration of global growth. In particular, protectionist measures taken so far have already caused immense economic damage on global growth. 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. The recent agreement between the U.K. and the European Union on a revised Withdrawal Agreement lowered risk of a "No-Deal" Brexit. However, the renewed Article 50 extension of the European Union Treaty is spilling over damaging impact on economic activity into fiscal 2020. If the risk of a "No-Deal" Brexit heightens again, increasing business and consumer uncertainty, particularly in the European Union and the U.K., this would reduce investment activity, and pose risks to financial markets. A further and massive loss of economic confidence and a prolonged period of reluctance in investment decisions and awarding of new orders would negatively impact our businesses. We have established a task force continuously monitoring the exit process and coordinating our local and global mitigation measures. We are depending on the economic momentum of specific industries, especially on continued weakness in the automotive sector, caused by both, cyclical and structural forces. Further business risk results from an abrupt weakening of Chinese economic growth. A terrorist mega-attack or a significant cybercrime incident, or a series of such attacks or incidents in major economies, could depress economic activity globally and undermine consumer and business confidence. Further significant risks stem from geopolitical tensions (in particular in the Middle East, but also Hong Kong), the economic vulnerability of several emerging economies (among others Argentina, Turkey, Venezuela), political upheavals, and from an increasing vulnerability of the connected global economy to natural disasters.

In general, due to the significant proportion of long-cycle businesses in our operating 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 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.

Company transformation: There are risks in substantially changing company structures, policies or management in the interest of enhancing our speed, agility or company culture. These risks include increased costs, missed financial or performance targets, loss of key personnel, loss of (cost) synergies, and reduced customer and investor confidence. This particularly applies to Gas and Power, for which a spin-off is planned for fiscal 2020. We have set up a team within "Vision 2020+" which closely monitors the transformation process. This includes, for example, the active monitoring of employee attrition rates and execution of adequate counter measures as well as increased management involvement – in maintaining an active dialogue with employees. Furthermore, we implemented a continuous quality monitoring process for critical IT solutions (infrastructure, applications and platforms) and projects.

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 or duplicates of ours.

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.

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 equity investments, other investments and strategic alliances, which may have a negative effect on our business. In addition, joint ventures bear the risk of difficulties that may arise when integrating people, operations, technologies and products. Strategic alliances may also pose risks for us because we compete in some business areas with companies with which we have strategic alliances. Besides other measures, we handle these risks with standardized processes as well as dedicated roles and responsibilities in the areas of mergers, acquisitions, divestments and carve-outs. This includes the systematic treatment of all contractual obligations and post-closing claims.

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. There can be no assurance that the measures aimed at protecting our Intellectual Property (IP) and portfolio will address these threats under all circumstances. There is a risk that confidential information may 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 are facing active cyber threats from sophisticated adversaries that are supported by organized crime and nation-states engaged in economic espionage or even sabotage. We attempt to mitigate these risks by employing a number of measures, including employee training, comprehensive monitoring of our networks and systems through Cyber Security Defense Centers, and maintenance of backup and protective systems such as firewalls and virus scanners. We initiated the industrial "Charter of Trust", signed by a growing group of global companies, which sets out principles for building trust in digital technologies and creating a more secure digital world. Nonetheless our systems, products, solutions and services, as well as those of our service providers, remain potentially vulnerable to attacks. Such attacks could potentially lead to the publication, manipulation or leakage of information such as through industrial espionage. 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.

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

Interruption of the supply chain: The financial performance of our 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 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, 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.

Operational failures and quality problems in our value chain processes: Our value chains comprise all steps in the product life-cycle, from research and development to supply chain management, production, marketing, sales and services. Operational failures in our value chain processes could result in quality problems or potential product safety, labor safety, regulatory or environmental risks. Such risks are particularly present in our operating units in relation to our production and manufacturing facilities, which are located all over the world and have a high degree of organizational and technological complexity. From time to time products we sell could have quality issues resulting from the design or manufacture of these products or the commissioning of these products or the software integrated into them. In addition, we may not be able to fully meet regulatory requirements. Siemens Healthineers, for example, is subject to regulatory authorities including the U.S. Food and Drug Administration and the European Commission's Health and Consumer Policy Department, which require specific efforts to safeguard product safety. If any of our units are not able to comply with regulatory requirements, our business and reputation may be adversely affected. We have established multiple measures for quality improvement and claim prevention. The increased use of quality management tools is improving visibility and enables us to strengthen our root cause and prevention processes.

Cost overruns or additional payment obligations related to the management of our long-term, fixed-priced or turnkey projects and service contracts: A number of our segments conduct activities, especially large projects, under long-term contracts that are awarded on a competitive bidding basis. Such contracts typically arise at Gas and Power, SGRE, 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 capabilities of our project management personnel. For very complex projects we conduct dedicated risk assessments in very early stages of the sales phase before we decide to hand over a binding offer to our customer.

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 the diversity of our workforce. Our future success depends in part on our continued ability to identify, assess, hire, integrate, develop and retain engineers, digital talent and other qualified personnel. We address this risk for example by strengthening the capabilities and skills of our talent-acquisition teams and have defined a strategy of proactive search for people with the required skills in our respective industries and markets. Technology and digitalization help us to be more effective in attracting and selecting diverse talent as well as improving the efficiency of our processes. Furthermore, we have a focus on structured succession planning, gender diversity, retention and career management.

A.8.3.3 FINANCIAL RISKS

Market price risks: We are exposed to fluctuations in exchange rates, especially between the U.S. dollar and the euro, because a high percentage of our business volume is conducted 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 (particularly U.S. dollar) 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 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. Financial Services in particular bears credit risks due to such financing activities if, for example, customers are unable to repay such financing.

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

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.

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

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 internal audit activities.

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

Regulatory risks and potential sanctions: As a globally operating organization, we conduct business with customers in countries which are subject to export control regulations, embargoes, economic sanctions, 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, 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. Risks arising from Cyber/Information Security are the most significant challenge for us.

While our assessments of individual risks have changed during fiscal 2019 due to developments in the external environment, effects of our own mitigation measures and the revision of our plans for assessing risk, the overall risk situation for Siemens did not change significantly as compared to the prior year.

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

A.8.4 Opportunities

Within our ERM we regularly identify, evaluate and respond to opportunities that present themselves in our various fields of activity. Below we describe our most significant opportunities. Unless otherwise stated, the opportunities described relate to all 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 by innovation (e.g. automation and digitalization): We drive innovation by investing significantly in R&D in order to develop sustainable solutions for our customers while also strengthening our own competitiveness. Being an innovative company and constantly inventing new technologies that we expect will meet future demands arising from the megatrends of demographic change, urbanization, climate change and globalization is one of our core purposes. We are granted thousands of new patents every year and continuously develop new concepts and 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 undisputed strength in the "Digital Enterprise". Foremost, our cloud-based MindSphere platform enhances the availability of our customers' digital products and systems and improves their productivity and efficiency. We see also significant opportunities to generate additional volume and profit from innovative digital products, services and solutions, including cyber security, applications for optimized energy consumption and operation of highly efficient energy grids and scalable solutions for distributed and renewable energy generation. We see growth opportunities in opening up access to new markets and customers through new marketing and sales strategies, which we implement in our operating units and share with our Strategic Companies. 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 bundling 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.

Favorable political and regulatory environment: We see opportunities for 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.

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.

Climate change: In line with the global agreement in Paris (COP21) that entered into force in November 2016, Siemens strives to support a trend towards reducing CO_2 emissions both in our own operations and for our customers, based on technologies from our environmental portfolio such as low-carbon power generation from renewable energy sources. As such the transition to a low-carbon economy represents an opportunity for Siemens.

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

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

While our assessments of individual opportunities have changed during fiscal 2019 due to developments in the external environment, 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.

Our listed Strategic Companies Siemens Healthineers and SGRE are also subject to our group-wide principles for the accounting-related internal control and risk management system and are individually responsible for adhering to those principles. The management of Siemens Healthineers and SGRE provide periodic sign-offs to the Managing Board of Siemens AG, certifying the effectiveness of their respective accounting-related internal control systems as well as the completeness, accuracy, and reliability of the financial data reported to us.

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. Our listed Strategic Companies have their own internal audit departments and annual audit plans. Topics from the respective annual audit plan of our listed Strategic Companies that are also relevant for our Managing Board and Audit Committee first have to be mandated by the listed Strategic Company's Managing Board/Board of Directors 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 the respective Strategic Company's internal audit function; thus reflecting the interest of both Siemens AG and the respective listed Strategic Company. In addition, the Audit Committee is integrated into our control system. In particular, it oversees the accounting and accounting process and the effectiveness of the internal control system, the risk management system and the internal audit system. Moreover, we have rules for accounting-related complaints.

A.9 Siemens AG

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

Siemens AG is the parent company of the Siemens Group. At the end of fiscal 2019, results for Siemens AG comprise the fields of business activities mainly of Digital Industries, Smart Infrastructure, Gas and Power as well as the activities of Portfolio Companies and are significantly influenced by directly or indirectly owned subsidiaries and investments. The business development of Siemens AG is fundamentally subject to the same risks and opportunities as the Siemens Group. Due to the interrelations between Siemens AG and its subsidiaries and the relative size of Siemens AG within the Group, the outlook of the Group also largely reflects our expectations for Siemens AG. Therefore, the foregoing explanations for the Siemens Group apply also for Siemens AG. We expect that income from investments or profit transfer agreements with affiliated companies will significantly influence the profit of Siemens AG.

We intend to continue providing an attractive return to shareholders. Therefore, we intend to propose a dividend whose distribution volume is within a dividend payout range of 40% to 60% of net income of the Siemens Group attributable to shareholders of Siemens AG, which we may adjust for this purpose to exclude selected exceptional non-cash effects. For fiscal 2020, we expect that net income of Siemens AG will be sufficient to fund the distribution of a corresponding dividend. In connection with the planned listing of Siemens Energy, we expect a significant impact on the annual financial statements of Siemens AG: The carve-out of Gas and Power business activities is expected to result in an increase in financial assets and decreases in other assets positions and liabilities. Income and expenses, most notably revenue and cost of sales, are expected to decrease as well. Subject to the approval of the planned spin-off by an extraordinary Siemens shareholders' meeting we expect also a significant withdrawal from retained earnings of Siemens AG, offsetting the disposal of financial assets.

In January 2019, Siemens AG transferred the trademark "Siemens," consisting of a portfolio of trademarks with the component "Siemens," by way of a contribution in kind, to the affiliated company Siemens Trademark GmbH & Co. KG, Germany. Additions to shares in Siemens Trademark GmbH & Co. KG were measured at the fair value of the transferred trademark rights in the amount of €9.5 billion. The contribution resulted in other operating income in the same amount. This was partially offset by a related deferred tax expense of €1.5 billion. Siemens Trademark GmbH & Co. KG has granted Siemens AG a royalty-bearing right to use the trademarks. Expenses of €0.6 billion related to the ongoing royalty for the use of the right are recognized in selling expenses. The contract has an indefinite duration.

As of September 30, 2019, the number of employees was 74,700.

A.9.1 Results of operations

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

	Fiscal year		
(in millions of €)	2019	2018	% Change
Revenue	**22,104**	28,185	(22)%
Cost of Sales	**(15,825)**	(21,074)	25%
Gross profit	**6,279**	7,111	(12)%
as percentage of revenue	***28%***	*25%*	
Research and development expenses	**(2,362)**	(2,788)	15%
Selling and general administrative expenses	**(3,979)**	(3,767)	(6)%
Other operating income (expenses), net	**9,469**	1	n/a
Financial income, net *thereof Income from investments, net 3,754 (prior year 5,381)*	***3,188***	*4,643*	*(31)%*
Income from business activity	**12,596**	5,199	142%
Income taxes	**(1,377)**	(653)	(111)%
Net income	**11,219**	4,547	147%
Profit carried forward	**170**	134	27%
Allocation to other retained earnings	**(6,005)**	(1,451)	> (200)%
Unappropriated net income	**5,384**	3,230	67%

Beginning of August 2018, Siemens AG carved out its mobility business to Siemens Mobility GmbH by way of singular succession. The decreases in revenue, cost of sales, gross profit and research and development (R&D) expenses were mainly driven by this carve-out.

On a geographical basis, 75% of revenue was generated in the Europe, C.I.S., Africa, Middle East region, 18% in the Asia, Australia region and 7% in the Americas region. Exports from Germany accounted for 62% of overall revenue. In fiscal 2019, orders for Siemens AG amounted to €21.6 billion. Within Siemens AG, the development of revenue depends strongly on the completion of contracts, primarily in connection with large orders.

The R&D intensity (R&D as a percentage of revenue) increased by 0.8 percentage points year-over-year. The research and development activities of Siemens AG are fundamentally the same as for its fields of business activities within the Siemens Group, respectively. On an average basis, we employed 9,000 people in R&D in fiscal 2019.

The decrease in Financial income, net was primarily attributable to lower income from investments, net. The main factor for this decrease was a significant income from the profit transfer agreement with Siemens Beteiligungen Inland GmbH, Germany, in fiscal 2018.

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, 2019	2018	% Change
Assets			
Non-current assets			
Intangible and tangible assets	**1,884**	1,894	(1)%
Financial assets	**73,158**	55,747	31%
	75,043	57,641	30%
Current assets			
Receivables and other assets	**19,752**	18,236	8%
Cash and cash equivalents, other securities	**4,489**	3,177	41%
	24,241	21,413	13%
Prepaid expenses	**147**	163	(10)%
Deferred tax assets	**829**	2,064	(60)%
Active difference resulting from offsetting	**68**	62	9%
Total assets	**100,328**	81,344	23%
Liabilities and equity			
Equity	**30,428**	22,049	38%
Special reserve with an equity portion	**668**	671	0%
Provisions			
Provisions for pensions and similar commitments	**12,343**	11,885	4%
Provisions for taxes and other provisions	**5,616**	6,011	(7)%
	17,959	17,896	0%
Liabilities			
Liabilities to banks	**27**	53	(49)%
Advance payments received	**1,841**	1,504	22%
Trade payables, liabilities to affiliated companies and other liabilities	**49,079**	38,863	26%
	50,947	40,420	26%
Deferred income	**326**	308	6%
Total liabilities and equity	**100,328**	81,344	23%

The increase in financial assets was mainly due to additions to shares in affiliated companies driven by the above-mentioned trademark transfer and by contributions to affiliated companies in connection with reorganization of intra-group financing activities.

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

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

The increase in equity was attributable to net income for the year of €11.2 billion, and the issuance of treasury stock related to the fulfillment of exercised warrants in the amount of €1.1 billion and our share-based payments and employee share programs in the amount of €0.4 billion. These factors were partly offset by dividends paid in fiscal 2019 (for fiscal 2018) of €3.1 billion. In addition, equity was reduced due to share buybacks during the year amounting to €1.4 billion. The equity ratio as of September 30, 2019 and 2018 was 30% and 27%, respectively. For the disclosures in accordance with Section 160 para. 1 no. 2 of the German Stock Corporation Act (Aktiengesetz) about treasury shares we refer to ↗ NOTE 15 of our Annual Financial Statements of Siemens AG for the fiscal year ended September 30, 2019.

The increase in trade payables, liabilities to affiliated companies and other liabilities was due primarily to higher liabilities to affiliated companies mainly as a result of a contribution to an affiliated company in connection with the reorganization of intra-group financing activities.

A.9.3 Corporate Governance statement

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

A.10 Compensation Report

This report is based on the recommendations of the German Corporate Governance Code ("Code") and the requirements of the German Commercial Code (*Handelsgesetzbuch*), German Accounting Standards (*Deutsche Rechnungslegungsstandards*) and International Financial Reporting Standards (IFRS). It also incorporates elements of the requirements that can be foreseen from the currently pending transposition of the European Shareholder Rights Directive into German law, on the basis of the regulations proposed in the German Act Implementing the Second Shareholder Rights Directive (ARUG II).

A.10.1. Compensation of Managing Board members

This report describes the compensation system for the Managing Board members as well as the compensation of the Supervisory Board of Siemens AG for fiscal 2019. It provides detailed and individualized explanations of the structure and amount of the individual components of compensation paid to the members of these bodies.

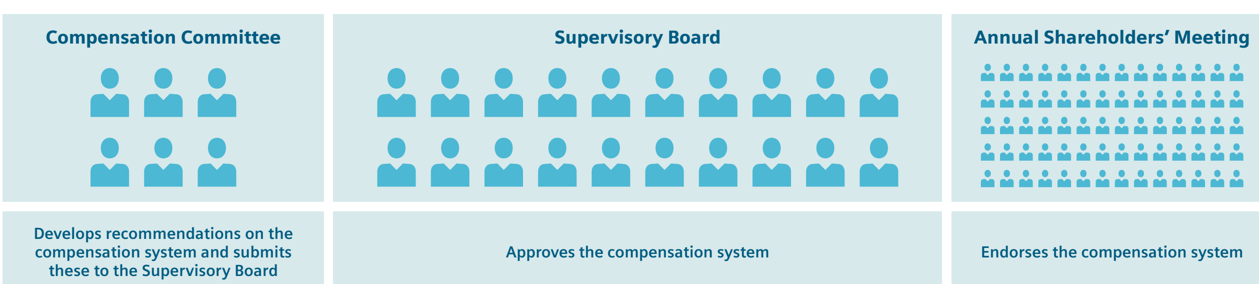
Chapter → 10.1.1 describes the system for remunerating Managing Board members in general. Chapter → 10.1.2 provides comprehensive information about the compensation granted and paid to the Managing Board in fiscal 2019, together with an outlook for fiscal 2020. Chapter → 10.2 describes Supervisory Board compensation.

A.10.1.1 COMPENSATION SYSTEM

Responsibilities and principles for establishing Managing Board compensation

The compensation system for Siemens' Managing Board is established by the Supervisory Board, based on a proposal by the Compensation Committee. After approval by the Supervisory Board, the compensation system is submitted to the Annual Shareholders' Meeting for endorsement ("say on pay").

Process for establishing the compensation system



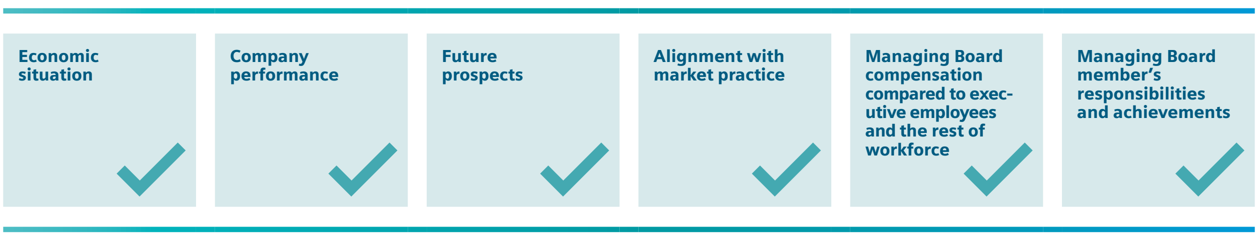
The current system of Managing Board compensation was endorsed at the Annual Shareholders' Meeting on January 27, 2015, by a majority of about 93%.

Managing Board compensation is based on the following principles:

- **Focus on successful, sustainable management of the Company**
  Managing Board members are expected to make a long-term commitment to and on behalf of the Company. As a result, they can benefit from any sustained increase in the Company's value. For this reason, a substantial portion of their total compensation is linked to the long-term performance of the Siemens share.
- **Compensation linked to performance**
  The Company's size and economic position is also to be reflected in Managing Board compensation. Exceptional achievements are to be adequately rewarded, while falling short of targets results in an appreciable reduction in compensation.
- **Ensuring competitiveness**
  In order to attract outstanding candidates for the Managing Board of Siemens AG and to retain them for the long term, compensation should be attractive compared to that offered by competitors.

On the basis of these principles, the Supervisory Board determines the structure, amount and weighting of the individual components of compensation. Regular review by the Supervisory Board ensures that the amount of compensation is appropriate. Several criteria are applied for this purpose:

Criteria for review of appropriateness of compensation



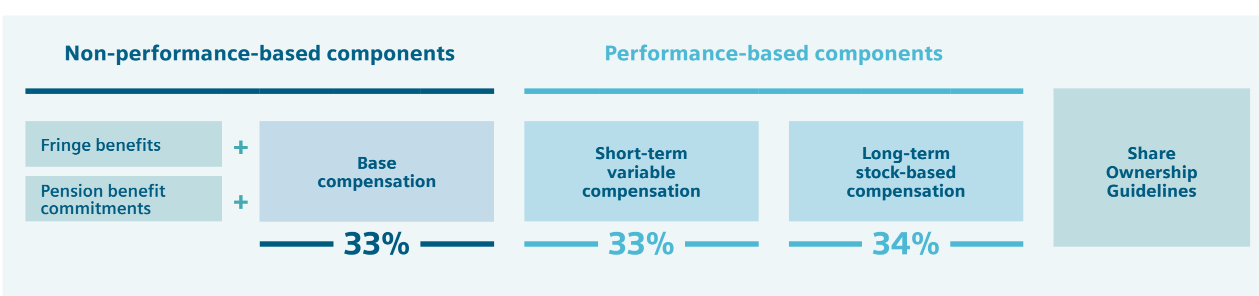
The review of appropriateness is generally based on a comparison with other German companies. The target compensation and the maximum compensation for the Managing Board are first compared to management compensation at the companies listed in the German blue-chip stock index, the DAX. To account for Siemens' international nature, size and complexity, the compensation paid to Managing Board members is also compared to management compensation at companies in the STOXX Europe 50 index. In addition, the Supervisory Board takes account of the evolution of Managing Board compensation in relation to the compensation paid to Siemens' workforce in Germany. In this vertical comparison, the Supervisory Board determines the ratio of Managing Board compensation to the compensation paid to Siemens' executive employees and the rest of the workforce and performs a market comparison with other DAX companies. For this purpose, the Supervisory Board has defined Siemens' executive employees as the employees in the Senior Management and Top Management contract groups. The rest of the workforce comprises both Siemens employees who are and those who are not covered by collective bargaining agreements.

Structure and components of Managing Board compensation

Managing Board compensation comprises both non-performance-based and performance-based elements and is divided into three main, equally weighted components: base compensation, short-term variable compensation and long-term stock-based compensation. Fringe benefits and pension commitments are also part of the compensation system.

The Share Ownership Guidelines, which are a further key component of the compensation system, obligate Managing Board members to continuously hold Siemens shares worth a defined multiple of their base compensation and to acquire additional shares if their holdings fall below the required figure.

Components of the Managing Board compensation system



Non-performance-based components

Non-performance-based compensation comprises base compensation as well as fringe benefits and pension benefit commitments.

Base compensation

Each member of the Managing Board receives base compensation for performing his or her Managing Board duties. This compensation is paid in 12 monthly installments.

Fringe benefits

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

Pension benefit commitments

Like the employees of Siemens AG in Germany, the members of the Managing Board are included in the Siemens Defined Contribution Pension Plan (BSAV). Under the BSAV, Managing Board members receive contributions that are credited to their individual pension accounts. The level of these annual contributions is based on a predetermined percentage related to their base compensation and the target amount of their Bonuses. The Supervisory Board decides on this percentage annually (most recently 28%). In making its decision, the Supervisory Board takes account of the intended level of benefits for each individual and the length of time he or she has been a Managing Board member as well as the annual and long-term service cost to the Company resulting from those benefits.

Special pension contributions may also be granted to Managing Board members on the basis of individual decisions by the Supervisory Board. Such contributions may be intended, for example, to compensate for forfeited pension entitlements from a previous employer. To the extent that a member of the Managing Board earned a pension benefit entitlement from the Company before the BSAV was introduced, a portion of his or her contributions goes toward financing that prior commitment.

The following table summarizes further significant features of the BSAV for Managing Board members.

Entitlement	› On request, on or after reaching the age of 62, for pension commitments made on or after January 1, 2012 › On request, on or after reaching the age of 60, for pension commitments made before January 1, 2012
Non-forfeitability	› As a rule, 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: a smaller number of installments, a lump sum payment or an annuitization with or without survivors' benefits as well as a combination of these options
Guaranteed interest	› Annual guaranteed interest credited to pension accounts until benefits are first drawn (currently 0.90%)
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.

Due to Lisa Davis's tax status in the U.S., some of the details of her pension benefit commitment – particularly, those regarding funding – differ from the standard provisions.

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

Performance-based components

In keeping with the abovementioned principles, Managing Board compensation is to be coupled with business performance and with sustainable management of the Company. To take due account of both factors, the performance-based component of Managing Board compensation comprises both a short-term and a long-term element: a short-term variable component (Bonus) and a long-term stock-based component (Siemens Stock Awards). The final amount of these two components depends on the extent to which defined targets are attained. If these targets are not attained, the performance-based components may be reduced to zero. If, however, the targets are significantly exceeded, target attainment is subject to a ceiling or "cap."

Short-term variable compensation (Bonus)

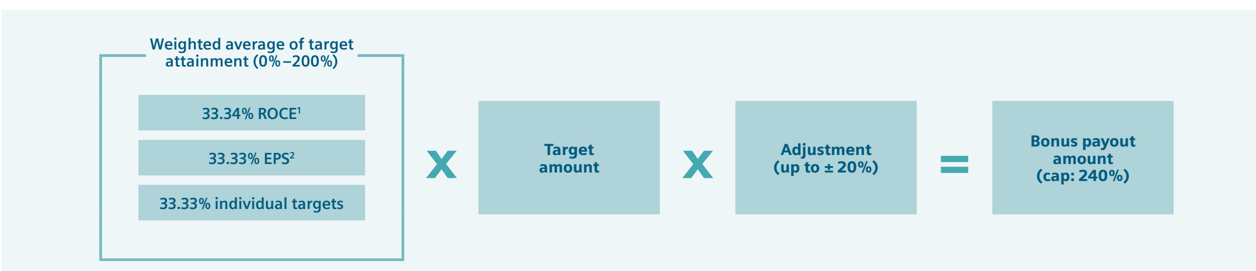
The target amount for the short-term variable component of compensation (Bonus) – that is, the amount paid for 100% target attainment – is currently equal to the amount of a Managing Board member's base compensation. The payout amount of the Bonus depends on the Company's business performance during the past fiscal year, as measured in terms of the attainment of three equally weighted target parameters.

Two of these target parameters are financial parameters that reflect the Company's capital efficiency, measured in terms of return on capital employed (ROCE), and profit, measured in terms of earnings per share (EPS). These parameters constitute operational steering parameters based on the Company's strategic focus and are included in external financial reporting, see Chapter → A.2 FINANCIAL PERFORMANCE SYSTEM.

Based on a proposal by the Compensation Committee, the Supervisory Board also sets a minimum of two and a maximum of five individual, qualitative targets for each member of the Managing Board.

The range of target attainment for these target parameters is 0% to 200% (cap). The Supervisory Board may also adjust the Bonus payout amount upward or downward by as much as 20%, so that the maximum payout for the Bonus is 240% of the target amount. The decision on an adjustment may take account not only of the Company's economic situation but also of such factors as the results of employee or customer satisfaction surveys as well as the Managing Board members' individual achievements.

Determination of Bonus payout amount



1 Return on capital employed
2 Earnings per share

The Supervisory Board can review and, if appropriate, reduce Bonus payout amounts in the event of a breach of duty or a violation of compliance regulations (clawback).

Long-term stock-based compensation (Siemens Stock Awards)

The Managing Board is expected to make a long-term commitment to and on behalf of the Company. For this reason, a substantial portion of each member's total compensation is tied to the long-term performance of the Siemens share.

At the start of each fiscal year, Siemens grants "Stock Awards" as long-term stock-based compensation. Each Stock Award represents the right to one share of Siemens stock. Stock Awards are settled by the transfer of shares at the end of a defined vesting period of about four years. Subject to target attainment, Managing Board members receive one Siemens share per Stock Award.

Granting of Stock Awards

The annual target amount for a grant of Stock Awards, on the basis of 100% target attainment, is contractually agreed upon with each individual Managing Board member.

The number of Stock Awards actually granted to a Managing Board member at the beginning of a fiscal year is determined by extrapolating the target amount to 200% target attainment ("maximum grant value"). This maximum grant value is then converted to a maximum number of Stock Awards by dividing it by the grant price. These awards are then granted to the Managing Board member. A roughly four-year vesting period begins on the grant date. The grant price is defined as the closing price of the Siemens share in Xetra trading on the grant date, less the discounted estimated dividends during the roughly four-year vesting period.

Since fiscal 2015, the Supervisory Board has had the option of increasing the target amount for each Managing Board member, on an individual basis, by as much as 75% for one fiscal year at a time. This option is intended to take account of each Managing Board member's individual accomplishments and experience as well as the scope and demands of his or her function.

Performance criterion

The number of shares that are actually transferred after the vesting period ends depends on one performance criterion: the performance of the Siemens share compared to the performance of the shares of relevant competitors. Following an initial 12-month "reference" period, stock performance is measured over a subsequent 36-month "performance" period.

More specifically, a starting price, the "reference" price, is first determined for each competitor during the reference period, which is the first 12 months of the vesting period. The 12 end-of-month prices are averaged for Siemens and for each competitor.

During the subsequent three-year performance period, an average price is again calculated from the 36 end-of-month prices for Siemens and each competitor; this is the "performance" price.

Determination of target attainment

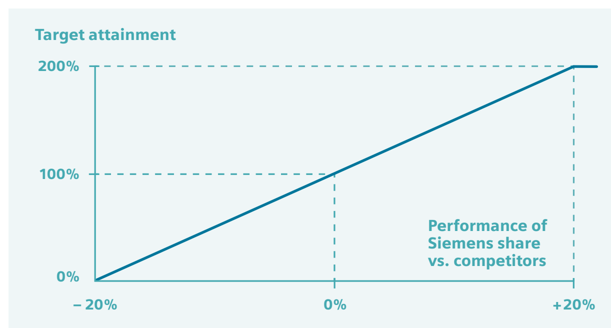
At the end of the vesting period, the Supervisory Board determines the extent to which the performance of the Siemens share price has surpassed or lagged behind that of the share prices of relevant competitors. It then derives target attainment for the relevant Stock Awards tranche on this basis. For this purpose, the reference prices for Siemens and for each competitor are compared to the respective performance prices, and a relative deviation is calculated for each company. In a further step, these deviations are averaged for all competitors. To determine target attainment, the average relative change in the competitors' share prices is then compared to the relative change in the Siemens share price, and the difference is calculated.

Target attainment may vary between 0% and 200% (cap).

- If, during the vesting period, the Siemens share performs ≥20 percentage points better than the share price of the relevant competitors, target attainment is 200%.
- If, during the vesting period, the Siemens share performs the same as the share price of the relevant competitors, target attainment is 100%.
- If, during the vesting period, the Siemens share performs ≥20 percentage points worse than the share price of the relevant competitors, target attainment is 0%.

If the Siemens share performs somewhere between the percentage points cited above, target attainment is determined by a linear interpolation.

Linear curve for determining Stock Award target attainment

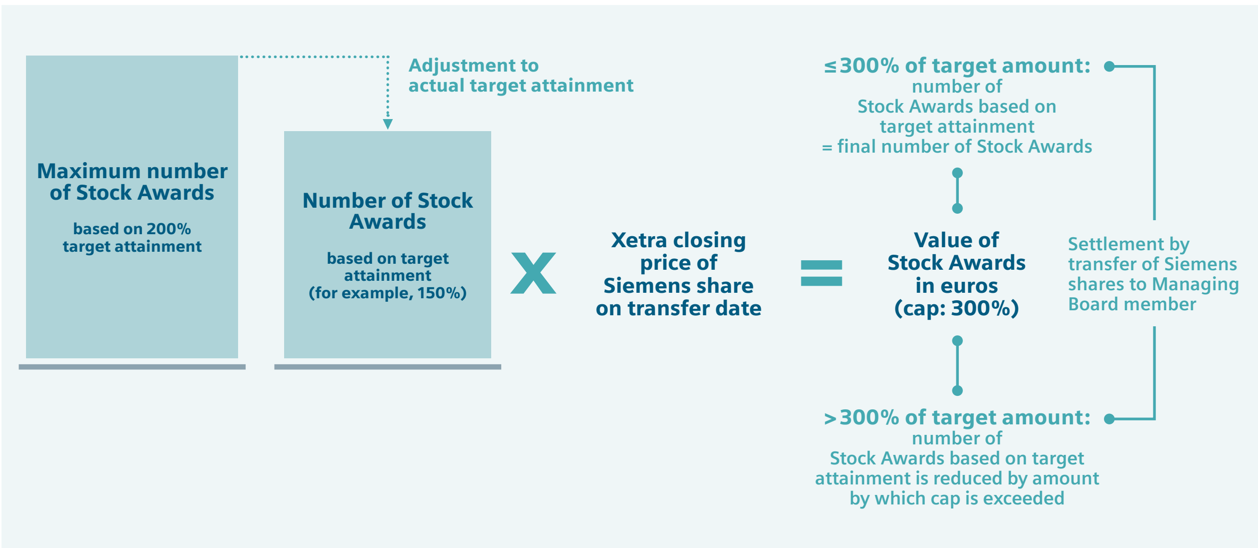


Target attainment is used to determine whether, and to what extent, the maximum number of Stock Awards is to be reduced. For a target attainment of less than 200%, a number of Siemens Stock Awards equivalent to the shortfall are forfeited without refund or replacement.

In addition, the total value (in euros) of the Siemens shares to be transferred is capped at 300% of the relevant target amount. If this cap is exceeded, a corresponding number of Stock Awards are 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 long-term stock-based compensation

If the relevant competitors undergo significant changes during the period under consideration, the Supervisory Board may take these changes into account when compiling the comparison values for those competitors and/or calculating their relevant share prices. In the event of extraordinary, unforeseen developments that impact the Siemens share price, the Supervisory Board may decide to reduce the number of granted Stock Awards retroactively or to pay cash compensation for a defined, limited amount in lieu of a transfer of Siemens shares or to postpone the transfer of Siemens shares for payable Stock Awards until the developments have ceased to impact the share price.

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

If a Managing Board member's employment contract begins during a fiscal year, an equivalent number of Siemens Phantom Stock Awards will be granted instead of Stock Awards, and only a cash equivalent will be paid at the end of the vesting period. Apart from this exception, the same provisions agreed upon for Stock Awards will apply.

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

Maximum amount of total compensation

In addition to the caps for the Bonus and the Siemens Stock Awards, a maximum amount of total compensation has been agreed upon. This maximum amount is 1.7 times target compensation – which comprises base compensation, the target amount for the Bonus and the target amount for long-term stock-based compensation – plus the maximum expected value of fringe benefits and pension benefit commitments. This latter value corresponds to the fringe benefits and pension benefit commitments from the previous fiscal year multiplied by a factor of 2.0.

If compensation exceeds this maximum, a number of Siemens Stock Awards equivalent in value to the amount by which the maximum was exceeded will be forfeited without refund or replacement.

Share Ownership Guidelines

The Siemens Share Ownership Guidelines are an integral part of the compensation system for the Managing Board and senior executives. These guidelines oblige the Managing Board members – after a four-year build-up phase – to continuously hold Siemens shares worth a multiple of their base compensation – 300% for the President and CEO, 200% for the other members of the Managing Board – throughout their terms of office. The decisive figure in this context is the average base compensation that a member of the Managing Board has received over the four years before the applicable date of proof of adherence. Hence, changes that have been made to base compensation in the meantime are included.

Adherence to these guidelines must be proven for the first time after the four-year build-up phase and thereafter annually. If the value of a Managing Board member's accrued holdings falls below the required minimum due to fluctuations in Siemens' share price, he or she must acquire additional shares.

Secondary activities of Managing Board members

Members of the Managing Board may take on secondary activities – for example, supervisory board positions outside the Company – only with the approval of the Chairman's Committee of the Supervisory Board.

If a Managing Board member holds a position in another Siemens company, no separate compensation is paid since holding such positions is considered to be covered by contractual Managing Board compensation. As a rule, Managing Board members are obligated to waive any compensation that may be due to them in connection with such positions. Should a waiver not be possible, for example, owing to the legal or tax regulations applicable to a Siemens company, the compensation paid to a Managing Board member in connection with such a position will be deducted from the compensation due to him or her in connection with his or her Managing Board activities.

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 in connection with the termination of Managing Board membership

The compensation system also governs the amount of compensation paid to a Managing Board member when membership on the Managing Board is terminated early.

When a member leaves office, his or her short-term variable compensation (Bonus) is calculated on a pro rata basis after the end of the fiscal year and is granted on the regular payout date.

If an employment contract is terminated, Stock Awards are governed by the following rules:

- Stock Awards for which the vesting period has not yet ended will be forfeited without refund or replacement if the employment contract is not renewed at the end of a term of office at the Managing Board member's request or if there is serious cause that entitles the Company to revoke the member's appointment or terminate his or her employment contract.
- Stock Awards will not be forfeited, however, if the employment contract is terminated by mutual agreement at the Company's request or in the event of retirement, disability or death or in connection with a spin-off, a transfer to a different company or a change of activity within the Group. Likewise, Stock Awards will not be forfeited if the Managing Board member terminates his or her employment contract for good cause in connection with a change of control at the Company.
- Stock Awards granted at the beginning of the fiscal year in which the Managing Board member leaves office will be calculated and reduced on a pro rata basis.
- When a Managing Board member leaves the Company, any existing Stock Awards will only be transferred at their due date.

The following rules also apply when a Managing Board member leaves office and vary depending on the reason for contract termination:

1. Termination due to regular expiration of the term of office

No severance payments or special BSAV contributions are made.

2. 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 compensation plus Bonus(es) actually received in the last fiscal year prior to the end of employment, and granted long-term stock-based compensation (annual 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 BSAV contribution; one-time	Based on the BSAV 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 10% if the term of office still has more than six months to run (a lump sum allowance for discounting and for amounts earned elsewhere). Reduction affects only the portion of the severance payment calculated excluding the first six months of the remaining term of office. Non-monetary benefits are compensated for by a payment of 5% of the severance amount.

3. Early termination by mutual agreement at the request of the Managing Board member or if there is serious cause that entitles the Company to terminate the appointment

No severance payments or special BSAV contributions are made.

4. Change of control

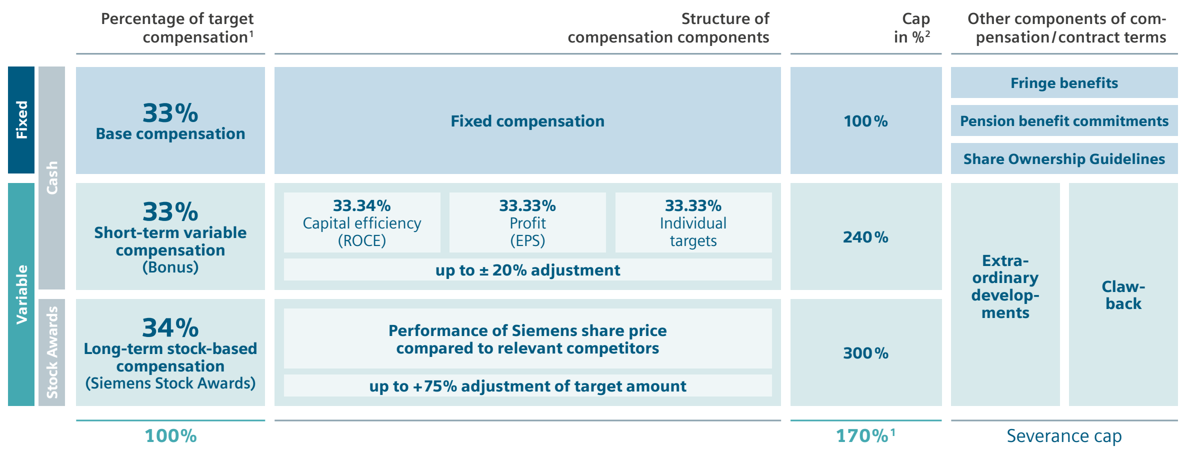
In the event of a change of control that results in a substantial change in a Managing Board member's position, the Managing Board member has the right to terminate his or her employment contract with the Company. A change of control exists if one shareholder or multiple shareholders acting in concert acquire a majority of the voting rights in Siemens AG and exercise a controlling influence or if Siemens AG becomes a dependent enterprise as a result of entering into an intercompany agreement within the meaning of Section 291 of the German Stock Corporation Act (*Aktiengesetz*) or if Siemens AG is to be merged into another entity. There is no right of termination if the change of control takes place within 12 months before the member retires. 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 compensation plus the target amount for the Bonus and the Stock Awards, each based on the last fiscal year before the end of employment (annual compensation)
Limit (severance cap)	Two years' annual compensation
Payment	In the month of departure Benefits are forfeited if the Managing Board member receives benefits from third parties due to or in connection with a change of control.
Increase/discount	10% reduction and 5% increase, as in the terms for termination of membership by mutual agreement (see Item 2 "Termination by mutual agreement")

The compensation system at a glance

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

The compensation system for Managing Board members at a glance



1 Excluding fringe benefits and pension benefit commitments 2 Basis: target amount (based on 100% target attainment)

A.10.1.2 MANAGING BOARD COMPENSATION FOR FISCAL 2019

The following section provides detailed information and background regarding total Managing Board compensation and individualized disclosures regarding the compensation of each Managing Board member for fiscal 2019.

Total compensation

In accordance with the applicable accounting principles, Managing Board compensation for fiscal 2019 totaled €33.04 million. This amount was 4.2% more than the year before (2018: €31.72 million). Of the total for fiscal 2019, €21.97 million (2018: €21.93 million) was attributable to cash compensation and €11.07 million (2018: €9.79 million) to stock-based compensation.

For fiscal 2019, each Managing Board member's base compensation and the target amount for his or her Bonus and Stock Awards underwent a regular adjustment of +2.0%. This increase was oriented in part on adjustments made to the compensation of other employee groups within Siemens.

Base compensation

Since October 1, 2018, base compensation has been as follows:

- €2,205,000 per year for President and CEO Joe Kaeser
- €1,101,600 per year for the other Managing Board members.

Fringe benefits

Managing Board members were granted fringe benefits for fiscal 2019. Depending on the Managing Board member, these benefits totaled between €16,732 and €751,054.

Pension benefit commitments

For fiscal 2019, Managing Board members were granted contributions under the BSAV totaling €5.6 million (2018: €5.4 million), based on a Supervisory Board decision from November 7, 2019. Of this amount, €0.02 million (2018: €0.03 million) relates to the funding of pension commitments earned prior to the transfer to the BSAV.

The expense recognized in fiscal 2019 as a service cost under IFRS for Managing Board members' entitlements under the BSAV in fiscal 2019 totaled €5.4 million (2018: €5.3 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 2019 as well as the defined benefit obligations for pension commitments:

(in €)	Total contributions for		Defined benefit obligation for all pension commitments excluding deferred compensation[1]	
	2019	2018	2019	2018
Managing Board members in office as of September 30, 2019				
Joe Kaeser	**1,234,800**	1,210,440	**14,299,267**	12,970,960
Dr. Roland Busch	**616,896**	604,800	**6,071,233**	5,121,226
Lisa Davis[2]	**616,896**	604,800	**5,701,811**	5,322,537
Klaus Helmrich	**616,896**	604,800	**6,473,904**	5,714,522
Janina Kugel	**616,896**	604,800	**2,674,432**	2,157,427
Cedrik Neike	**616,896**	604,800	**2,349,895**	1,757,258
Michael Sen	**616,896**	604,800	**1,862,660**	1,239,785
Prof. Dr. Ralf P. Thomas	**616,896**	604,800	**6,184,498**	5,235,121
Total	**5,553,072**	5,444,040	**45,617,700**	39,518,836

1 Deferred compensation totals €4,125,612 (2018: €4,115,237), including €3,703,123 for Joe Kaeser (2018: €3,694,439), €361,494 for Klaus Helmrich (2018: €362,606) and €60,995 for Prof. Dr. Ralf P. Thomas (2018: €58,192).

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

In fiscal 2019, 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 totaling €21.09 million (2018: €39.9 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, 2019, amounted to €175.7 million (2018: €168.2 million). This figure is included in → NOTE 17 in B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Short-term variable compensation (Bonus)

Since October 1, 2018, the Bonus target amounts have been as follows:

- €2,205,000 per year for President and CEO Joe Kaeser
- €1,101,600 per year for the other Managing Board members.

Target parameter "capital efficiency"

The target setting and target attainment for fiscal 2019 for the target parameter "capital efficiency," which is measured in terms of return on capital employed (ROCE), were as follows:

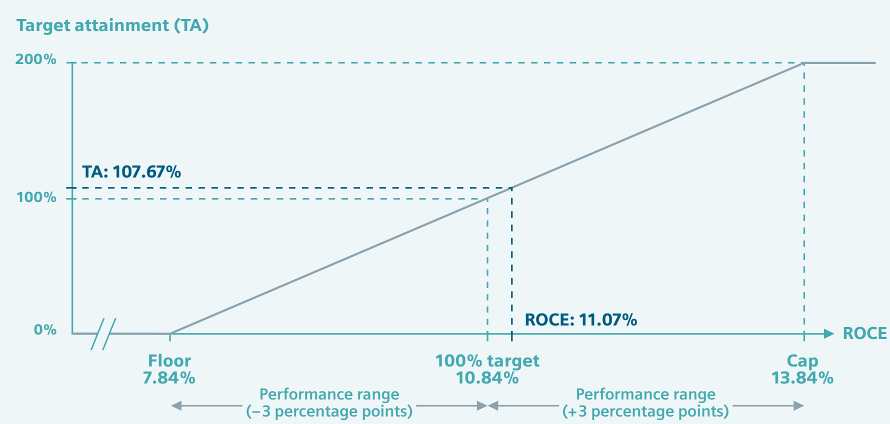
100% target, floor and cap

For fiscal 2019, the ROCE value that would result in 100% target attainment (ROCE target value) was set by the Supervisory Board at 10.84%. The ROCE values that would result in 0% target attainment and 200% target attainment were set for fiscal 2019 at 7.84% and 13.84%, respectively.

Determination of target attainment

ROCE for fiscal 2019 amounted to 11.07%, resulting in target attainment of 107.67%.

Determining target attainment for ROCE



Target parameter "profit"

The target setting and target attainment for fiscal 2019 for the target parameter "profit," measured in terms of earnings per share (EPS), were as follows:

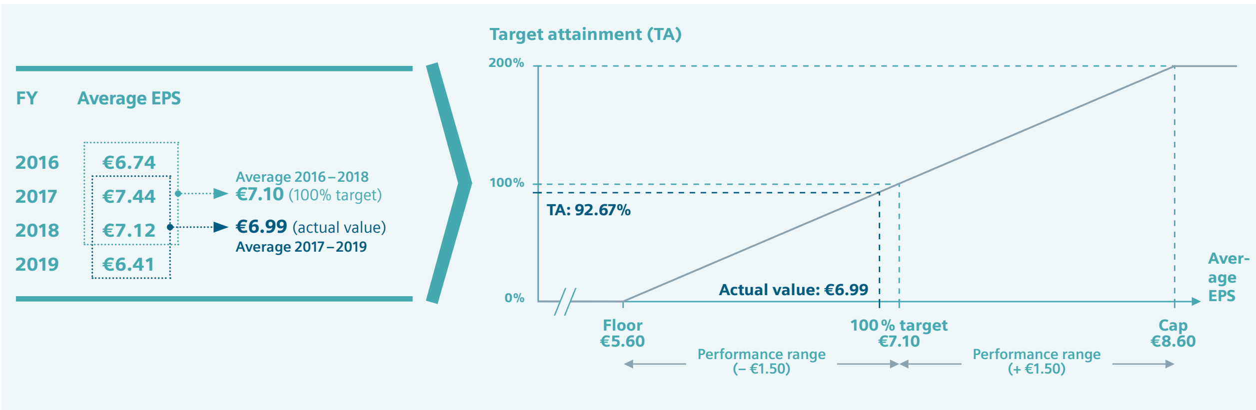
100% target, floor and cap

The EPS value that would result in target attainment of 100% (EPS target value) corresponds to the average of the EPS values for the prior three fiscal years (2016, 2017 and 2018) and amounted to €7.10. The EPS values for target attainment of 0% and 200% were set for fiscal 2019 as follows: an EPS of €5.60 would yield target attainment of 0%, and an EPS of €8.60 would yield target attainment of 200%.

Determination of target attainment

To determine EPS target attainment for fiscal 2019, the EPS target of €7.10 – which is the average of the EPS values for 2016, 2017 and 2018 – was compared to the average of the EPS values for fiscal 2017, 2018 and 2019, which amounted to €6.99. This comparison yielded target attainment of 92.67% for the financial target EPS. The two averages take account of the Company's long-term performance and provide incentives for a sustainable increase in profit.

Determining target attainment for EPS



The target setting and target attainment for the Bonus target parameters for fiscal 2019 are summarized in the following table.

Target attainment for short-term variable compensation (Bonus)

Target parameter	Target value (based on 100% target attainment)	Actual value	Target attainment	Total target attainment
33.34% Return on capital employed (ROCE)[1]	10.84%	11.07%	107.67%	
33.33% Earnings per share (EPS),[1, 2] basic	€7.10	€6.99	92.67%	
33.33% Individual targets			110% – 140%	
		Joe Kaeser		113%
		Dr. Roland Busch		107%
		Lisa Davis		103%
		Klaus Helmrich		110%
		Janina Kugel		103%
		Cedrik Neike		110%
		Michael Sen		107%
		Prof. Dr. Ralf P. Thomas		113%

Focus topics 2019:

- Implementation of "Vision 2020+"
- Market coverage
- Business performance
- Optimization/efficiency enhancement

1 Continuing and discontinued operations

2 The target value equals the average EPS value for fiscal 2016, 2017 and 2018. The actual value results from the average EPS values for fiscal 2017, 2018 and 2019.

In fiscal 2019, the Supervisory Board did not exercise its option to adjust target attainment upward or downward by up to 20%.

Long-term stock-based compensation (Siemens Stock Awards)

Information about the grant of the 2019 tranche

Since October 1, 2018, the target amounts for long-term stock-based compensation have been as follows:

- €2,278,000 per year for President and CEO Joe Kaeser
- €1,140,000 per year for the other Managing Board members.

In fiscal 2019, the Supervisory Board exercised its option to increase the target amount for the Stock Awards on an individual basis by as much as 75%. The target amounts for Michael Sen and Prof. Dr. Ralf P. Thomas for fiscal 2019 were increased by 25% on a one-time basis in recognition of their individual accomplishments and experience as well as the scope and demands of their functions, including appointments to positions at Siemens companies that are not entailed by the Managing Board responsibilities directly assigned to them.

The grant price applicable for the 2019 tranche was €85.03. The Supervisory Board set the grant date at November 9, 2018. The target amounts, the maximum grant values and the maximum number of Stock Awards granted to each Managing Board member were, accordingly, as follows:

Information on grant of the 2019 Stock Awards tranche

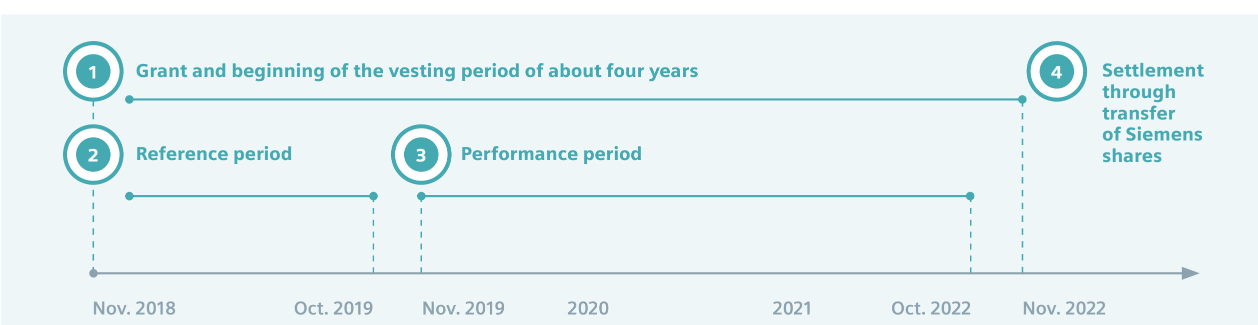
	Target amount (based on 100% target attainment)	Maximum grant value (based on 200% target attainment)	Maximum number of Stock Awards (based on 200% target attainment)
Joe Kaeser	€2,278,000	€4,556,000	53,582
Dr. Roland Busch	€1,140,000	€2,280,000	26,815
Lisa Davis	€1,140,000	€2,280,000	26,815
Klaus Helmrich	€1,140,000	€2,280,000	26,815
Janina Kugel	€1,140,000	€2,280,000	26,815
Cedrik Neike	€1,140,000	€2,280,000	26,815
Michael Sen	€1,425,000	€2,850,000	33,518
Prof. Dr. Ralf P. Thomas	€1,425,000	€2,850,000	33,518

For the 2019 tranche, the Supervisory Board decided to use the stock listings of the following competitors for its comparison of share performance:

- ABB Ltd. (Swiss Exchange, Zürich)
- Eaton Corporation plc. (New York Stock Exchange)
- General Electric Co. (New York Stock Exchange)
- Mitsubishi Heavy Industries Ltd. (Tokyo Stock Exchange)
- Schneider Electric S.A. (Euronext, Paris).

This list of competitors is unchanged from fiscal 2018.

Timetable for the 2019 Stock Awards tranche



Information about the transfer of the 2014 and 2015 tranches

In past years, Managing Board members received Siemens Stock Awards for every fiscal year. Starting with the 2015 tranche, the plan duration of Siemens Stock Awards was reduced to four years, in alignment with prevailing market practices. This reduction resulted in a one-time transfer of two tranches – the 2014 and the 2015 tranches – in November 2018. The increase in paid compensation in fiscal 2019 is primarily attributable to this transfer.

Determination of target attainment for the 2014 tranche

Up to and including the 2014 tranche, the grant of one-half of the Siemens Stock Awards was linked to basic (undiluted) earnings per share (EPS). In November 2014, 50% of the Stock Awards' target amount was adjusted in accordance with the attainment of the EPS target and thereafter converted into a corresponding number of Stock Awards. The remaining 50% of the target amount depended on the performance of the Siemens share compared to the share performance of relevant competitors during the roughly four-year vesting period, which lasted from November 2014 through October 2018.

Target attainment for the 2014 Siemens Stock Awards tranche

50% EPS

EPS target attainment was calculated in November 2014 using the average EPS values for fiscal 2012, 2013 and 2014.

EPS target attainment: 96 %

50% share price performance

	Reference price	Performance price	Reference price vs. performance price
ABB	CHF19.89	CHF21.07	5.92%
Alstom	€25.64	€29.60	15.43%
GE	$26.14	$24.50	(6.29%)
Rockwell	$117.49	$141.48	20.41%
Schneider	€60.66	€62.40	2.87%
Competitors (average)			7.67%
Siemens AG	€95.49	105.11	10.08%

Δ = 2.41 percentage points

Share price target attainment:[1] 100 %

Total target attainment: 98%

1 Up to and including the 2014 tranche of the Siemens Stock Awards, the following target attainment curve applied: a deviation (Δ) of +/– 7.5 percentage points yielded target attainment of 100%.

The following table provides a summary of the key parameters of the 2014 Siemens Stock Awards tranche, which was settled in cash:

Overview of the 2014 Siemens Stock Awards tranche

	Target amount (based on 100% target attainment)		EPS SPP[1]	Target attainment: EPS	Target amount per component		Grant price November 7, 2014		Number of SSA[2] granted	Target attainment: SPP[1]	Final number of SSA[2]		Xetra closing price November 12, 2018		Cash payment (in €)
Managing Board members in office as of September 30, 2019															
Joe Kaeser	€1,900,000	x	50%	96%	€912,000	/	€72.30	=	12,615	→	12,615	x	€100.16	=	€1,263,518
			50%	→	€950,000				13,140	100%	13,140			=	€1,316,102
Dr. Roland Busch	€1,000,000	x	50%	96%	€480,000	/	€72.30	=	6,639	→	6,639	x	€100.16	=	€664,962
			50%	→	€500,000				6,916	100%	6,916			=	€692,707
Lisa Davis[3]	€1,814,035	x	50%	96%	€870,737	/	€72.30	=	12,044	→	12,044	x	€100.16	=	€1,206,327
			50%	→	€907,018				12,546	100%	12,546			=	€1,256,607
Klaus Helmrich	€1,000,000	x	50%	96%	€480,000	/	€72.30	=	6,639	→	6,639	x	€100.16	=	€664,962
			50%	→	€500,000				6,916	100%	6,916			=	€692,707
Prof. Dr. Ralf P. Thomas	€1,000,000	x	50%	96%	€480,000	/	€72.30	=	6,639	→	6,639	x	€100.16	=	€664,962
			50%	→	€500,000				6,916	100%	6,916			=	€692,707

1 SPP: share price performance
2 SSA: Siemens Stock Awards
3 The target amount disclosed for Lisa Davis (at 100% target attainment) comprises an amount that was granted to her to compensate for the forfeiture of entitlements granted by her previous employer (€1,647,368.73) as well as a pro-rata grant of Siemens Stock Awards for fiscal 2014 (€166,666.67) in accordance with her employment contract.

Determination of target attainment for the 2015 tranche

Starting with the 2015 tranche, the Siemens Stock Awards were subject to only one performance criterion – the performance of the Siemens share compared to the share performance of relevant competitors during the roughly four-year vesting period, which lasted from November 2014 through October 2018.

Target attainment for the 2015 Siemens Stock Awards tranche

100 % share price performance

	Reference price	Performance price	Reference price vs. performance price
ABB	CHF18.58	CHF21.90	17.87%
GE	$26.04	$23.98	(7.88%)
MHI/Toshiba[1]	¥6,605.00	¥4,243.35	(37.22%)
Rockwell	$114.49	$150.47	31.42%
Schneider	€59.96	€63.21	5.42%
Competitors (average)			1.92%
Siemens AG	€93.62	€108.95	16.37%

Δ = 14.45 percentage points

Target attainment: 172%

1 The reported relative deviation of (37.22%) also takes into account Toshiba's performance, which is factored into the reported deviation on a weighted basis for 19 months. Toshiba's reference price was ¥4,382.08, and its performance price was ¥2,694.00, yielding a relative deviation of (38.52%). MHI's relative deviation was (35.76%), with a weighting of 17 months.

The following table provides a summary of the key parameters of the 2015 Siemens Stock Awards tranche, which was settled in cash:

Overview of the 2015 Siemens Stock Awards tranche

	Target amount (based on 100% target attainment)		Grant price November 7, 2014		Number of SSA[1] granted		Target attainment: share price performance		Final number of SSA[1]		Xetra closing price November 12, 2018		Cash payment (in €)
Managing Board members in office as of September 30, 2019													
Joe Kaeser	€1,950,000	/	€72.30	=	26,971	x	172%	=	46,391	x	€100.16	=	€4,646,523
Dr. Roland Busch	€1,040,000	/	€72.30	=	14,385	x	172%	=	24,743	x	€100.16	=	€2,478,259
Lisa Davis	€1,040,000	/	€72.30	=	14,385	x	172%	=	24,743	x	€100.16	=	€2,478,259
Klaus Helmrich	€1,040,000	/	€72.30	=	14,385	x	172%	=	24,743	x	€100.16	=	€2,478,259
Janina Kugel[2]	€693,333	/	€72.30	=	9,590	x	172%	=	16,495	x	€100.16	=	€1,652,139
Prof. Dr. Ralf P. Thomas	€1,040,000	/	€72.30	=	14,385	x	172%	=	24,743	x	€100.16	=	€2,478,259

1 SSA: Siemens Stock Awards

2 Janina Kugel was appointed to the Managing Board effective February 1, 2015. In addition to the Siemens Phantom Stock Awards granted upon her appointment for a portion of fiscal 2015 (see table), Siemens Stock Awards in the amount of €51,300 were granted to her from the 2015 tranche for her position as a member of Top Management.

Information about current target attainment for the 2016 to 2019 tranches

As of October 2019, target attainment for the 2016 to 2019 tranches of the Siemens Stock Awards was as follows:

Target attainment for the 2016 to 2019 Stock Awards tranches (as of October 2019)

Tranche	Vesting period	Reference period	Performance period	Target attainment
2016	Nov. 2015 – Nov. 2019	Nov. 2015 – Oct. 2016	Nov. 2016 – Oct. 2019	131%
2017	Nov. 2016 – Nov. 2020	Nov. 2016 – Oct. 2017	Nov. 2017 – Oct. 2020	95%
2018	Nov. 2017 – Nov. 2021	Nov. 2017 – Oct. 2018	Nov. 2018 – Oct. 2021	83%
2019	Nov. 2018 – Nov. 2022	Nov. 2018 – Oct. 2019	Nov. 2019 – Oct. 2022	–

Share Ownership Guidelines

The deadlines by which the individual Managing Board members must first verify compliance with the Siemens 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, 2019, the following table shows the number of Siemens shares each held as of the March 2019 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 toward future deadlines.

Obligations under Share Ownership Guidelines

	Required			Verified		
	Percentage of base compensation[1]	Value[1] in €	Number of shares[2]	Percentage of base compensation[1]	Value[2] in €	Number of shares[3]
Managing Board members in office as of September 30, 2019, and required to verify compliance as of March 8, 2019						
Joe Kaeser	300%	6,254,813	61,672	340%	7,092,605	69,933
Dr. Roland Busch	200%	2,118,100	20,884	217%	2,298,583	22,664
Lisa Davis	200%	2,118,100	20,884	251%	2,658,421	26,212
Klaus Helmrich	200%	2,118,100	20,884	214%	2,261,767	22,301
Janina Kugel	200%	2,043,275	20,147	227%	2,315,317	22,829
Prof. Dr. Ralf P. Thomas	200%	2,118,100	20,884	203%	2,154,262	21,241
Total		**16,770,488**	**165,355**		**18,780,956**	**185,180**

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

2 Based on the average Xetra opening price of €101.42 for the fourth quarter of 2018 (October – December)

3 As of March 8, 2019 (date of verification)

Other

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

Benefits granted and payments made in fiscal 2019

The following tables show individually for each Managing Board member the benefits granted in fiscal 2019 and fiscal 2018. The actual amounts paid out are reported under "Benefits received."

The amounts of base compensation, the Bonus and fringe benefits relate to fiscal 2019 and fiscal 2018.

Target compensation for one-year variable compensation (Bonus), including floors and caps, is reported under "Benefits granted." The amounts for multi-year variable compensation (Siemens Stock Awards) granted in fiscal 2019 reflect the fair value on the grant date. The figures for individual maximums for one-year variable compensation (Bonus) and multi-year variable compensation (Siemens Stock Awards) reflect the possible maximum value in accordance with the maximum amounts agreed upon for fiscal 2019 – that is, 240% and 300% of the applicable target amounts. Total maximum compensation for fiscal 2019, which is reported as "Total compensation (Code)," represents the contractual maximum amount of total compensation. The maximum amount of total compensation was 1.7 times target compensation for fiscal 2019 plus two times the value of the fringe benefits and pension commitments in fiscal 2018. The figure of 1.7 times target compensation is reported separately as maximum compensation under "Total non-performance-based/performance-based compensation." Target compensation equals the total of base compensation, the target amount for the one-year variable compensation (Bonus) and the target amount for multi-year variable compensation (Siemens Stock Awards).

Total compensation in accordance with the applicable accounting standards is also reported under "Benefits granted." Instead of the target amount for one-year variable compensation (Bonus) specified by the Code, this figure includes the actual Bonus paid out and excludes the pension service cost.

The payments made in 2019 and 2018 are reported under "Benefits received." The payouts for stock-based compensation refer to grants for fiscal 2015, 2014 and 2013. The benefits received for 2019 are significantly higher because in fiscal 2019 there was a one-time transfer of two tranches of the Siemens Stock Awards (for details, see "Information about the transfer of the 2014 and 2015 tranches").

Joe Kaeser
Appointed: May 2006
President and CEO since August 2013

(Amounts in thousands of €)		Benefits granted 2019	2019 (Min)	2019 (Max)	2018	Benefits received 2019	2018
Non-performance-based compensation	Fixed compensation (base compensation)	**2,205**	2,205	2,205	2,162	**2,205**	2,162
	Fringe benefits	**115**	115	115	115	**115**	115
	Total	**2,320**	2,320	2,320	2,277	**2,320**	2,277
Performance-based compensation	**One-year variable compensation**						
	Bonus	**2,205**	0	5,292	2,162	**2,502**	2,505
	Multi-year variable compensation						
	Stock Awards 2019 (Vesting period: 2018 – 22)	**2,330**	0	6,834	–	**–**	–
	Stock Awards 2018 (Vesting period: 2017 – 21)	**–**	–	–	2,175	**–**	–
	Stock Awards 2015 (Vesting period: 2014 – 18)	**–**	–	–	–	**4,647**	–
	Stock Awards 2014 (Vesting period: 2014 – 18)	**–**	–	–	–	**2,580**	–
	Stock Awards 2013 (Vesting period: 2013 – 17)	**–**	–	–	–	**–**	2,800
	Bonus Awards 2014 (Waiting period: 2014 – 18)	**–**	–	–	–	**931**	–
	Bonus Awards 2013 (Waiting period: 2013 – 17)	**–**	–	–	–	**–**	809
	Other	**–**	–	–	–	**–**	–
Total non-performance/performance-based compensation		**6,854**	2,320	11,370	6,613	**12,978**	8,391
Pension service cost		**1,271**	1,271	1,271	1,207	**1,271**	1,207
Total compensation (Code)		**8,125**	3,590	14,021	7,820	**14,249**	9,597

Compensation according to applicable reporting standards

		2019	2018
Performance-based compensation	**One-year variable compensation**		
	Bonus (payout amount)	**2,502**	2,505
	Total compensation	**7,151**	6,956

Dr. Roland Busch
Appointed: April 2011
Deputy CEO since October 2019

(Amounts in thousands of €)		Benefits granted 2019	2019 (Min)	2019 (Max)	2018	Benefits received 2019	2018
Non-performance-based compensation	Fixed compensation (base compensation)	**1,102**	1,102	1,102	1,080	**1,102**	1,080
	Fringe benefits	**57**	57	57	55	**57**	55
	Total	**1,159**	1,159	1,159	1,135	**1,159**	1,135
Performance-based compensation	**One-year variable compensation**						
	Bonus	**1,102**	0	2,644	1,080	**1,176**	1,216
	Multi-year variable compensation						
	Stock Awards 2019 (Vesting period: 2018 – 22)	**1,166**	0	3,420	–	**–**	–
	Stock Awards 2018 (Vesting period: 2017 – 21)	**–**	–	–	1,088	**–**	–
	Stock Awards 2015 (Vesting period: 2014 – 18)	**–**	–	–	–	**2,478**	–
	Stock Awards 2014 (Vesting period: 2014 – 18)	**–**	–	–	–	**1,358**	–
	Stock Awards 2013 (Vesting period: 2013 – 17)	**–**	–	–	–	**–**	1,577
	Bonus Awards 2014 (Waiting period: 2014 – 18)	**–**	–	–	–	**559**	–
	Bonus Awards 2013 (Waiting period: 2013 – 17)	**–**	–	–	–	**–**	628
	Other	**–**	–	–	–	**–**	–
Total non-performance/performance-based compensation		**3,426**	1,159	5,683	3,303	**6,730**	4,556
	Pension service cost	**566**	566	566	593	**566**	593
Total compensation (Code)		**3,992**	1,725	7,004	3,896	**7,296**	5,149

Compensation according to applicable reporting standards

		2019	2018
Performance-based compensation	**One-year variable compensation**		
	Bonus (payout amount)	**1,176**	1,216
	Total compensation	**3,501**	3,439

Lisa Davis[1]

Appointed: August 2014

(Amounts in thousands of €)		Benefits granted 2019	Benefits granted 2019 (Min)	Benefits granted 2019 (Max)	Benefits granted 2018	Benefits received 2019	Benefits received 2018
Non-performance-based compensation	Fixed compensation (base compensation)	**1,102**	1,102	1,102	1,080	**1,102**	1,080
	Fringe benefits[2]	**751**	751	751	401	**729**	401
	Total	**1,853**	1,853	1,853	1,481	**1,830**	1,481
Performance-based compensation	**One-year variable compensation** Bonus	**1,102**	0	2,644	1,080	**1,140**	1,180
	Multi-year variable compensation Stock Awards 2019 (Vesting period: 2018 – 22)	**1,166**	0	3,420	–	**–**	–
	Stock Awards 2018 (Vesting period: 2017 – 21)	**–**	–	–	1,088	**–**	–
	Stock Awards 2015 (Vesting period: 2014 – 18)	**–**	–	–	–	**2,478**	–
	Stock Awards 2014 (Vesting period: 2014 – 18)[3]	**–**	–	–	–	**2,463**	–
	Stock Awards 2013 (Vesting period: 2013 – 17)	**–**	–	–	–	**–**	–
	Bonus Awards 2014 (Waiting period: 2014 – 18)	**–**	–	–	–	**58**	–
	Bonus Awards 2013 (Waiting period: 2013 – 17)	**–**	–	–	–	**–**	–
	Other	**–**	–	–	–	**–**	–
	Total non-performance/performance-based compensation	**4,120**	1,853	5,683	3,649	**7,969**	2,661
	Pension service cost	**611**	611	611	581	**611**	581
	Total compensation (Code)	**4,731**	2,464	7,696	4,230	**8,580**	3,242

Compensation according to applicable reporting standards

		2019	2018
Performance-based compensation	**One-year variable compensation** Bonus (payout amount)	**1,140**	1,180
	Total compensation	**4,158**	3,749

1 Lisa Davis's compensation is paid out in Germany in euros. It has been agreed that any tax liability that arises due to tax rates that are higher in Germany than in the U. S. will be reimbursed. In addition, a currency adjustment payment was granted for base compensation in calendar years 2017 and 2018 as well as for the Bonus for fiscal years 2017 and 2018.

2 The fringe benefits reported under "Benefits granted" (fiscal 2019) also include fringe benefits of €22,288, which will be paid out in October 2019 (fiscal 2020).

3 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.

Klaus Helmrich

Appointed: April 2011

(Amounts in thousands of €)		Benefits granted 2019	Benefits granted 2019 (Min)	Benefits granted 2019 (Max)	Benefits granted 2018	Benefits received 2019	Benefits received 2018
Non-performance-based compensation	Fixed compensation (base compensation)	**1,102**	1,102	1,102	1,080	**1,102**	1,080
	Fringe benefits	**45**	45	45	44	**45**	44
	Total	**1,147**	1,147	1,147	1,124	**1,147**	1,124
Performance-based compensation	**One-year variable compensation** Bonus	**1,102**	0	2,644	1,080	**1,213**	1,288
	Multi-year variable compensation Stock Awards 2019 (Vesting period: 2018 – 22)	**1,166**	0	3,420	–	**–**	–
	Stock Awards 2018 (Vesting period: 2017 – 21)	**–**	–	–	1,088	**–**	–
	Stock Awards 2015 (Vesting period: 2014 – 18)	**–**	–	–	–	**2,478**	–
	Stock Awards 2014 (Vesting period: 2014 – 18)	**–**	–	–	–	**1,358**	–
	Stock Awards 2013 (Vesting period: 2013 – 17)	**–**	–	–	–	**–**	1,577
	Bonus Awards 2014 (Waiting period: 2014 – 18)	**–**	–	–	–	**483**	–
	Bonus Awards 2013 (Waiting period: 2013 – 17)	**–**	–	–	–	**–**	619
	Other	**–**	–	–	–	**–**	–
Total non-performance / performance-based compensation		**3,415**	1,147	5,683	3,291	**6,679**	4,608
Pension service cost		**618**	618	618	593	**618**	593
Total compensation (Code)		**4,033**	1,765	6,980	3,884	**7,297**	5,201

Compensation according to applicable reporting standards

		2019	2018
Performance-based compensation	**One-year variable compensation** Bonus (payout amount)	**1,213**	1,288
	Total compensation	**3,526**	3,499

Janina Kugel
Appointed: February 2015

(Amounts in thousands of €)		Benefits granted 2019	2019 (Min)	2019 (Max)	2018	Benefits received 2019	2018[1]
Non-performance-based compensation	Fixed compensation (base compensation)	**1,102**	1,102	1,102	1,080	**1,102**	1,080
	Fringe benefits	**41**	41	41	40	**41**	40
	Total	**1,142**	1,142	1,142	1,120	**1,142**	1,120
Performance-based compensation	**One-year variable compensation** Bonus	**1,102**	0	2,644	1,080	**1,140**	1,144
	Multi-year variable compensation Stock Awards 2019 (Vesting period: 2018–22)	**1,166**	0	3,420	–	–	–
	Stock Awards 2018 (Vesting period: 2017–21)	–	–	–	1,088	–	–
	Stock Awards 2015 (Vesting period: 2014–18)	–	–	–	–	**1,652**	–
	Stock Awards 2014 (Vesting period: 2014–18)	–	–	–	–	–	–
	Stock Awards 2013 (Vesting period: 2013–17)	–	–	–	–	–	–
	Bonus Awards 2014 (Waiting period: 2014–18)	–	–	–	–	–	–
	Bonus Awards 2013 (Waiting period: 2013–17)	–	–	–	–	–	–
	Other[2,3]	–	–	–	–	**258**	453
	Total non-performance/performance-based compensation	**3,410**	1,142	5,683	3,288	**4,192**	2,718
	Pension service cost	**584**	584	584	577	**584**	577
	Total compensation (Code)	**3,994**	1,727	6,974	3,865	**4,777**	3,295

Compensation according to applicable reporting standards

		2019			2018
Performance-based compensation	**One-year variable compensation** Bonus (payout amount)	**1,140**			1,144
	Total compensation	**3,448**			3,352

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

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

3 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).

Cedrik Neike[1]

Appointed: April 2017

(Amounts in thousands of €)		Benefits granted 2019	2019 (Min)	2019 (Max)	2018	Benefits received[2] 2019	2018
Non-performance-based compensation	Fixed compensation (base compensation)	**1,102**	1,102	1,102	1,080	**1,102**	1,080
	Fringe benefits	**17**	17	17	29	**17**	29
	Total	**1,118**	1,118	1,118	1,109	**1,118**	1,109
Performance-based compensation	**One-year variable compensation** Bonus	**1,102**	0	2,644	1,080	**1,213**	1,144
	Multi-year variable compensation Stock Awards 2019 (Vesting period: 2018 – 22)	**1,166**	0	3,420	–	**–**	–
	Stock Awards 2018 (Vesting period: 2017 – 21)	**–**	–	–	1,088	**–**	–
	Stock Awards 2015 (Vesting period: 2014 – 18)	**–**	–	–	–	**–**	–
	Stock Awards 2014 (Vesting period: 2014 – 18)	**–**	–	–	–	**–**	–
	Stock Awards 2013 (Vesting period: 2013 – 17)	**–**	–	–	–	**–**	–
	Bonus Awards 2014 (Waiting period: 2014 – 18)	**–**	–	–	–	**–**	–
	Bonus Awards 2013 (Waiting period: 2013 – 17)	**–**	–	–	–	**–**	–
	Other	**–**	–	–	–	**–**	1,457
Total non-performance/performance-based compensation		**3,386**	1,118	5,683	3,277	**2,331**	3,710
	Pension service cost	**568**	568	568	553	**568**	553
Total compensation (Code)		**3,954**	1,686	6,951	3,830	**2,899**	4,263

Compensation according to applicable reporting standards

		2019			2018
Performance-based compensation	**One-year variable compensation** Bonus (payout amount)	**1,213**			1,144
	Total compensation	**3,497**			3,341

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 one-year variable compensation reported here (see "Benefits received"), an amount of €262,260 (2018: €514,725) was granted and paid by Siemens Ltd. China and deducted from the compensation for his Managing Board activities at Siemens AG. Of the multi-year variable compensation and fringe benefits reported here (see "Benefits granted"), amounts of €131,359 (2018: €261,625) and €10,842 (2018: €13,409), respectively, were granted and paid by Siemens Ltd. China. In addition, it has been agreed that Siemens AG will offset, as a net amount, any personal tax burden that, due to Cedrik Neike's two employment relationships, exceeds the burden that he would incur if he paid tax solely on the benefits granted to him under his employment contract with Siemens AG in Germany. Siemens AG will also offset, as a net amount, any burdens due to charges and contributions to social insurance or comparable statutory systems in China additional to those he incurs in Germany. To date, no such offset payments have been made.

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

Michael Sen

Appointed: April 2017

(Amounts in thousands of €)		Benefits granted 2019	2019 (Min)	2019 (Max)	2018	Benefits received 2019	2018
Non-performance-based compensation	Fixed compensation (base compensation)	**1,102**	1,102	1,102	1,080	**1,102**	1,080
	Fringe benefits	**170**	170	170	510	**170**	510
	Total	**1,272**	1,272	1,272	1,590	**1,272**	1,590
Performance-based compensation	**One-year variable compensation** Bonus	**1,102**	0	2,644	1,080	**1,176**	1,252
	Multi-year variable compensation Stock Awards 2019 (Vesting period: 2018 – 22)	**1,457**	0	4,275	–	**–**	–
	Stock Awards 2018 (Vesting period: 2017 – 21)	**–**	–	–	1,088	**–**	–
	Stock Awards 2015 (Vesting period: 2014 – 18)	**–**	–	–	–	**–**	–
	Stock Awards 2014 (Vesting period: 2014 – 18)	**–**	–	–	–	**–**	–
	Stock Awards 2013 (Vesting period: 2013 – 17)	**–**	–	–	–	**–**	–
	Bonus Awards 2014 (Waiting period: 2014 – 18)	**–**	–	–	–	**–**	–
	Bonus Awards 2013 (Waiting period: 2013 – 17)	**–**	–	–	–	**–**	–
	Other	**–**	–	–	–	**–**	–
	Total non-performance/performance-based compensation	**3,831**	1,272	6,168	3,757	**2,448**	2,841
	Pension service cost	**562**	562	562	559	**562**	559
	Total compensation (Code)	**4,393**	1,834	8,397	4,316	**3,010**	3,400

Compensation according to applicable reporting standards

		2019	2018
Performance-based compensation	**One-year variable compensation** Bonus (payout amount)	**1,176**	1,252
	Total compensation	**3,906**	3,929

Prof. Dr. Ralf P. Thomas

Appointed: September 2013

(Amounts in thousands of €)		Benefits granted 2019	2019 (Min)	2019 (Max)	2018	Benefits received 2019	2018
Non-performance-based compensation	Fixed compensation (base compensation)	**1,102**	1,102	1,102	1,080	**1,102**	1,080
	Fringe benefits	**69**	69	69	72	**69**	72
	Total	**1,171**	1,171	1,171	1,152	**1,171**	1,152
Performance-based compensation	**One-year variable compensation** Bonus	**1,102**	0	2,644	1,080	**1,250**	1,216
	Multi-year variable compensation Stock Awards 2019 (Vesting period: 2018 – 22)	**1,457**	0	4,275	–	**–**	–
	Stock Awards 2018 (Vesting period: 2017 – 21)	**–**	–	–	1,088	**–**	–
	Stock Awards 2015 (Vesting period: 2014 – 18)	**–**	–	–	–	**2,478**	–
	Stock Awards 2014 (Vesting period: 2014 – 18)	**–**	–	–	–	**1,358**	–
	Stock Awards 2013 (Vesting period: 2013 – 17)	**–**	–	–	–	**–**	751
	Bonus Awards 2014 (Waiting period: 2014 – 18)	**–**	–	–	–	**483**	–
	Bonus Awards 2013 (Waiting period: 2013 – 17)	**–**	–	–	–	**–**	24
	Other	**–**	–	–	–	**–**	–
Total non-performance/performance-based compensation		**3,730**	1,171	6,168	3,319	**6,740**	3,143
Pension service cost		**586**	586	586	596	**586**	596
Total compensation (Code)		**4,315**	1,756	7,521	3,915	**7,325**	3,738

Compensation according to applicable reporting standards

		2019		2018
Performance-based compensation	**One-year variable compensation** Bonus (payout amount)	**1,250**		1,216
	Total compensation	**3,878**		3,455

A.10.1.3 ADDITIONAL DISCLOSURES ON STOCK-BASED COMPENSATION INSTRUMENTS IN FISCAL 2019

The following table shows changes in the balance of the Stock Awards held by Managing Board members in fiscal 2019. The table also includes the expenses for each individual Managing Board member arising from stock-based compensation recognized in accordance with IFRS in fiscal 2019 and fiscal 2018.

	Balance at beginning of fiscal 2019		Granted during fiscal year[1]	Vested and settled during fiscal year	Forfeited during fiscal year	Balance at end of fiscal 2019[2]		Expenses for stock-based compensation (in €)	
(Amounts in number of units)	Non-forfeit-able Bonus Awards grants	Forfeitable Stock Awards grants	Forfeitable Stock Awards grants	Bonus Awards and Stock Awards grants	Stock Awards grants	Non-forfeit-able Bonus Awards grants	Forfeitable Stock Awards grants	2019	2018
Managing Board members in office as of September 30, 2019									
Joe Kaeser	**9,296**	**127,189**	53,582	62,022	–	**–**	**128,045**	1,231,410	3,474,486
Dr. Roland Busch	**5,578**	**65,441**	26,815	33,518	–	**–**	**64,316**	606,684	1,785,096
Lisa Davis	**576**	**76,476**	26,815	39,551	–	**–**	**64,316**	605,764	1,701,198
Klaus Helmrich	**4,824**	**65,441**	26,815	32,764	–	**–**	**64,316**	606,940	1,785,401
Janina Kugel	**–**	**48,135**	26,815	11,656	–	**–**	**63,294**	578,552	1,566,652
Cedrik Neike[3]	**–**	**17,192**	26,815	–	–	**–**	**44,007**	557,575	419,403
Michael Sen	**–**	**22,394**	33,518	–	–	**–**	**55,912**	716,334	653,500
Prof. Dr. Ralf P. Thomas	**4,824**	**65,441**	33,518	32,764	–	**–**	**71,019**	679,797	1,855,216
Total	**25,098**	**487,709**	254,693	212,275	–	**–**	**555,225**	5,583,058	13,240,953

1 The resulting fair value per awarded share at grant date in fiscal 2019 was €43.48.

2 The figures take into account the Stock Awards granted in November 2018 for fiscal 2019.

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.

In fiscal 2019, a gain from stock-based compensation for former members of the Managing Board amounting to €928,067 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 Stock Awards and Bonus Awards that were transferred in fiscal 2019 or exceeded the provisions required for the portions of the 2016 and 2017 tranches to be settled in cash. Settlement of Stock Awards for former Managing Board members via the transfer of Siemens shares typically takes place after the expiration of the relevant vesting period.

A.10.1.4 OUTLOOK FOR FISCAL 2020

Due to the strategic realignment of the Siemens Group under "Vision 2020+," the draft version of the German Corporate Governance Code of May 9, 2019, and the draft of the act transposing the second European Shareholder Rights Directive into German law (ARUG II), the compensation system for Managing Board members was thoroughly reviewed and further developed in fiscal 2019. The Compensation Committee prepared a recommendation for a revision of the compensation system that was submitted to the Supervisory Board and approved by that body on September 18, 2019. The revised compensation system applies to all members of the Managing Board in office as of October 1, 2019, and to all new appointments and reappointments thereafter. Plans call for submitting the revised compensation system to the Annual Shareholders' Meeting for endorsement in February 2020.

The key changes in the compensation system for Managing Board members are explained below.

Overview of changes in Managing Board compensation

Compensation system until fiscal 2019	Aspect	Compensation system starting in fiscal 2020	
Uniform allocation of target direct compensation: Base compensation 33% Bonus 33% Stock Awards 34%	**Compensation structure**	› Reinforcement of long-term focus by increasing percentage of Stock Awards › Supervisory Board can differentiate compensation structure by function as long as long-term focus is guaranteed	
■ 33.33% EPS ■ 33.34% ROCE ■ 33.33% individual targets Adjustment option up to ± 20% Payout cap: 240%	**Bonus**	**Functional responsibilities** ■ 33.34% Group (generally EPS) ■ 33.33% Group (generally ROCE) ■ 33.33% individual targets No adjustment option Payout cap: 200%	**Business responsibilities** ■ 33.34% Group (generally EPS) ■ 33.33% business (generally profit margin) ■ 33.33% individual targets
100% share price performance vs. comparison group of five competitors	**Stock Awards**	80% based on TSR vs. MSCI World Industrials 20% based on a Siemens-internal ESG / Sustainability Index comprising three key performance indicators, such as CO_2 emissions	
Bonus and Stock Awards	**Malus/clawback**	Bonus and Stock Awards, expanded scope	
Expense reimbursement	**Fringe benefits**	Expense reimbursement up to an amount defined by the Supervisory Board	
BSAV contribution as percentage of target cash compensation	**Pension benefit commitments**	Defined BSAV contribution in euros; option for new appointees to receive amount for use at their discretion	

"Vision 2020+"/sustainable company development

With "Vision 2020+," Siemens has set the course for sustainable value creation through accelerated growth and stronger profitability. The aim of "Vision 2020+" is to give the Company's individual businesses considerably more entrepreneurial freedom and more responsibility for their results. This realignment requires a Managing Board compensation system that takes greater account of Managing Board members' individual achievements and responsibilities and provides incentives for Siemens' sustainable, profitable development as a whole. As an important step in the move to tie compensation more closely to long-term Company development, the proportion of Stock Awards in target total compensation will be increased for all Managing Board members. In addition, the Share Ownership Guidelines, which are already ambitious, will be retained.

In addition, the following key changes will be made to the system:

- The short-term variable component (Bonus) will continue to be based on two key financial figures, each of which will have a one-third weighting. For Managing Board members with responsibilities for an individual business one of these two key figures will be measured at the level of that business in order to take due account of the operational implementation of the Company strategy. For Managing Board members with primarily functional responsibilities (for example, finance), both key financial figures will continue to be measured at the Group level. Individual targets will still have a one-third weighting.
- For long-term stock-based compensation (Stock Awards), the performance of Siemens AG on the capital market will be compared to a broad sector index (MSCI World Industrials) on the basis of total shareholder return (TSR). In view of the planned and announced changes in the business portfolio of Siemens AG, MSCI World Industrials offers a stable, strategically relevant metric over the term of a tranche. By taking account of share price performance and dividends paid, TSR reflects the overall performance of the Siemens share.
- To anchor environmental, social & governance (ESG) factors and sustainability in the Managing Board compensation system, a second performance criterion will be introduced for the Stock Awards in the form of a Siemens-internal ESG/Sustainability Index, which is based on three equally weighted metrics. The ESG metrics will reflect relevant strategic and sociopolitical topics.

Compensation caps/contract provisions

The Managing Board compensation system is intended to comply with regulatory requirements as well as to be appropriate and in line with prevailing market practice. As a result, the following adjustments to the design of the compensation system have been or will be implemented as of fiscal 2020:

- The current caps of 200% of the target amount for the Bonus and 300% of the target amount for Stock Awards will be retained. In addition, the Supervisory Board of Siemens AG has defined maximum Managing Board compensation for fiscal 2020.
- The Supervisory Board's option to adjust the Bonus payout amount upwards or downwards by as much as 20% at its duty-bound discretion has been eliminated. As a result, the maximum Bonus payout amount has been reduced from 240% to 200% of the target amount.
- A maximum amount of fringe benefits has been defined relative to base salary. This amount caps the benefits that can be paid to a Managing Board member.
- In the future, the pension benefit contribution will be set as a fixed amount rather than in relation to base compensation plus the Bonus target amount. Furthermore, in lieu of a defined contribution to pension benefits, the Supervisory Board may grant newly appointed Managing Board members an amount to be used at the member's discretion.
- Newly appointed Managing Board members and members whose employment contracts are renewed are not entitled to a severance payment if they terminate their employment in the event of a change of control.
- The existing scope of the clawback and malus regulations will be expanded for both the Bonus and the Stock Awards.

Transparency

With its revised compensation system for the Managing Board and in line with regulatory requirements and feedback from various stakeholders, Siemens has further enhanced its level of transparency. Shareholders and other stakeholders should always be able to understand clearly how the system for compensating Managing Board members helps implement the Company's strategy and fosters its sustainable development.

In the future, the Compensation Report will include the relevant performance criteria for the following fiscal year's Bonus, together with the corresponding key figures. The key figures for the Siemens ESG/Sustainability Index that have been selected for the new tranche of Stock Awards will also be published.

The target values, target ranges and target attainment for the Bonus-related key financial figures in a reporting year will be published retroactively in the Compensation Report. The target values, target ranges and target attainment measured in terms of capital market performance and of the Siemens ESG/Sustainability Index will be published for the relevant Stock Awards tranches after the expiration of the vesting period.

Targets for fiscal 2020

On September 18, 2019, the Supervisory Board of Siemens AG approved the following performance criteria for the short-term variable compensation component (Bonus) for fiscal 2020:

- 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) for Managing Board members with primarily functional responsibility, and in terms of the profit margin of the relevant business for Managing Board members with business responsibility.

The Supervisory Board also approved the following performance criteria for the 2020 Siemens Stock Awards tranche (vesting period: November 2019 to November 2023):

- "long-term value creation," measured in terms of total shareholder return (TSR) relative to the MSCI World Industrials index
- "sustainability," measured in terms of the Siemens ESG/Sustainability Index and taking into account the following three equally weighted key factors: CO_2 emissions (environmental), 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 €280,000

Deputy Chairs €220,000

Member €140,000

Additional compensation for committee work

Audit Committee	Chairman's Committee	Compensation Committee	Innovation and Finance Committee	Compliance Committee
Chair €160,000	**Chair** €120,000	**Chair** €100,000	**Chair** €80,000	**Chair** €80,000
Member €80,000	**Member** €80,000	**Member** €60,000	**Member** €40,000	**Member** €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. The compensation shown in the following table was determined for each Supervisory Board member for fiscal 2019 (individualized disclosure).

	2019				2018			
(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, 2019								
Jim Hagemann Snabe	280,000	280,000	52,500	612,500	245,000	240,000	51,000	536,000
Birgit Steinborn[1]	220,000	200,000	51,000	471,000	220,000	200,000	57,000	477,000
Werner Wenning	220,000	140,000	37,500	397,500	220,000	140,000	43,500	403,500
Dr. Werner Brandt	140,000	160,000	24,000	324,000	105,000	120,000	15,000	240,000
Michael Diekmann	140,000	60,000	15,000	215,000	140,000	60,000	16,500	216,500
Dr. Andrea Fehrmann[1]	140,000	–	9,000	149,000	105,000	–	7,500	112,500
Bettina Haller[1]	140,000	80,000	24,000	244,000	140,000	80,000	24,000	244,000
Robert Kensbock[1]	140,000	180,000	28,500	348,500	140,000	180,000	31,500	351,500
Harald Kern[1]	140,000	80,000	19,500	239,500	140,000	80,000	24,000	244,000
Jürgen Kerner[1]	140,000	200,000	51,000	391,000	140,000	200,000	54,000	394,000
Dr. Nicola Leibinger-Kammüller	140,000	80,000	25,500	245,500	140,000	80,000	28,500	248,500
Benoît Potier	132,222	–	9,000	141,222	105,000	–	7,500	112,500
Hagen Reimer[1,2]	105,000	–	4,500	109,500	–	–	–	–
Dr. Norbert Reithofer	132,222	37,778	12,000	182,000	134,167	38,333	16,500	189,000
Dame Nemat Shafik (DPhil)	132,222	–	7,500	139,722	105,000	–	7,500	112,500
Dr. Nathalie von Siemens	140,000	40,000	13,500	193,500	140,000	30,000	15,000	185,000
Michael Sigmund	140,000	–	9,000	149,000	140,000	–	12,000	152,000
Dorothea Simon[1]	140,000	–	9,000	149,000	140,000	–	12,000	152,000
Matthias Zachert	140,000	80,000	24,000	244,000	105,000	60,000	12,000	177,000
Gunnar Zukunft[1]	140,000	–	9,000	149,000	105,000	–	7,500	112,500
Former members of the Supervisory Board								
Reinhard Hahn[1,2]	46,667	–	4,500	51,167	140,000	–	12,000	152,000
Total[3]	**3,088,333**	**1,617,778**	**439,500**	**5,145,611**	**2,849,167**	**1,508,333**	**454,500**	**4,812,000**

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 Hagen Reimer was elected a member of the Supervisory Board, effective at the end of the Annual Shareholders' Meeting on January 30, 2019. He succeeded Reinhard Hahn, who left the Supervisory Board, effective the same date.

3 Compared to the amounts reported in the 2018 Compensation Report, this amount does not include compensation totaling €543,667 for former Supervisory Board members Olaf Bolduan, Dr. Gerhard Cromme, Dr. Hans Michael Gaul, Gérard Mestrallet, Güler Sabançi and Sibylle Wankel.

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.

A.11 Takeover-relevant information

(pursuant to Sections 289a para. 1 and 315a para. 1 of the German Commercial Code) and explanatory report

A.11.1 Composition of common stock

As of September 30, 2019, the Company's common stock totaled €2.550 billion. The capital stock is divided into 850 million registered shares of no par value. The shares are fully paid in. All shares confer the same rights and obligations. The shareholders' rights and obligations are governed in detail by the provisions of the German Stock Corporation Act, in particular by Sections 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act.

A.11.2 Restrictions on voting rights or transfer of shares

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

Shares issued to employees worldwide under the employee share 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 program, however, in order to receive one matching share free of charge for each three shares purchased, participants are required to hold the shares purchased by them for a vesting period of several years, during which the participants have to be continuously employed by Siemens AG or another Siemens company. The right to receive matching shares is forfeited if the purchased shares are sold, transferred, hedged on, pledged or hypothecated in any way during the vesting period.

The von Siemens-Vermögensverwaltung GmbH (vSV) has, on a sustained basis, powers of attorney allowing it to exercise the voting rights for 9,862,275 shares (as of September 30, 2019) on behalf of members of the Siemens family. These shares are part of the total number of shares held by the family's members. The powers of attorney are based on an agreement between the vSV and, among others, members of the Siemens family. The shares are voted together by vSV, taking into account the proposals of a family partnership established by the family's members or of one of this partnership's governing bodies.

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

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

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

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

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

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

Furthermore, the Managing Board is authorized to increase, with the approval of the Supervisory Board, the capital stock until January 29, 2024 by up to €510 million through the issuance of up to 170 million registered shares of no par value against cash contributions and/or contributions in kind (Authorized Capital 2019).

As of September 30, 2019, 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 registered shares of no par value.

By resolutions of the Shareholders' Meetings on January 27, 2015 and January 30, 2019, the Managing Board is authorized to issue bonds with conversion, exchange or option rights or with warrants attached, or a combination of these instruments, each entitling the holders to subscribe to up to 80 million registered shares of Siemens AG of no par value. Based on these two authorizations, the Company or consolidated subsidiaries of the Company may issue bonds until January 26, 2020 and January 29, 2024, 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 2015 and 2019, each by up to 80 million registered shares of no par value (Conditional Capitals 2015 and 2019), i.e. in total by up to €480 million through the issuance of up to 160 million registered shares of no par value.

The new shares under Authorized Capital 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 Capital 2019 by a total of more than 10% of the capital stock existing at the time of the Shareholders' Meeting on January 30, 2019, 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 authorization approved on January 30, 2019 with shareholders' subscription rights excluded. This commitment ends no later than January 29, 2024.

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

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

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

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

In November 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' Meeting on January 27, 2015. Under this share buyback Siemens repurchased 10,189,078 shares by September 30, 2019. The total consideration paid for these shares amounted to about €982 million (excluding incidental transaction charges). The buyback has the exclusive purposes of retirement, of issuing shares to employees, board members of affiliated companies and members of the Managing Board of Siemens AG, and of servicing/securing the obligations or rights to acquire Siemens shares arising particularly from or in connection with convertible bonds and warrant bonds. As of September 30, 2019, the Company held 37,232,048 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, 2019, Siemens AG maintained a line of credit in an amount of €7 billion, which provides its lenders with a right of termination in the event that (1) Siemens AG becomes a subsidiary of another company or (2) a person or a group of persons acting in concert acquires effective control over Siemens AG by being able to exercise decisive influence over its activities (Art. 3(2) of Council Regulation (EC) 139/2004).

In addition, in March 2013 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. Each agreement provides its respective lender with a right of termination in the event that (1) Siemens AG becomes a subsidiary of another company or (2) a person or a group of persons acting in concert acquires effective control over Siemens AG by being able to exercise decisive influence over its activities (Art. 3(2) of Council Regulation (EC) 139/2004).

Framework agreements concluded by Siemens AG under International Swaps and Derivatives Association Inc. documentation (ISDA Agreements) grant 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

As of September 30, 2019, the contracts with the members of the Managing Board 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 shall not contain such right of termination in the future.

A.11.7 Other takeover-relevant information

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

Consolidated Financial Statements

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B.1 Consolidated Statements of Income

(in millions of €, per share amounts in €)	Note	2019	Fiscal year 2018
Revenue	2, 30	**86,849**	83,044
Cost of sales		**(60,922)**	(58,181)
Gross profit		**25,927**	24,863
Research and development expenses		**(5,670)**	(5,558)
Selling and general administrative expenses		**(13,345)**	(12,941)
Other operating income	5	**442**	500
Other operating expenses	6	**(466)**	(678)
Income (loss) from investments accounted for using the equity method, net	4	**199**	(3)
Interest income		**1,634**	1,481
Interest expenses		**(1,129)**	(1,089)
Other financial income (expenses), net		**(74)**	1,475
Income from continuing operations before income taxes		**7,518**	**8,050**
Income tax expenses	7	**(1,872)**	(2,054)
Income from continuing operations		**5,646**	**5,996**
Income from discontinued operations, net of income taxes		**3**	124
Net income		**5,648**	**6,120**
Attributable to:			
Non-controlling interests		**474**	313
Shareholders of Siemens AG		**5,174**	5,807
Basic earnings per share	28		
Income from continuing operations		**6.41**	6.97
Income from discontinued operations		**–**	0.15
Net income		**6.41**	**7.12**
Diluted earnings per share	28		
Income from continuing operations		**6.32**	6.86
Income from discontinued operations		**–**	0.15
Net income		**6.32**	**7.01**

B.2 Consolidated Statements of Comprehensive Income

(in millions of €)	Note	2019	Fiscal year 2018
Net income		**5,648**	6,120
Remeasurements of defined benefit plans	17	**(1,163)**	(360)
therein: Income tax effects		***624***	*(305)*
Remeasurements of equity instruments		**(15)**	–
therein: Income tax effects		***3***	–
Income (loss) from investments accounted for using the equity method, net		**(6)**	–
Items that will not be reclassified to profit or loss		**(1,184)**	(360)
Currency translation differences		**1,841**	(287)
Available-for-sale financial assets		**–**	(1,819)
therein: Income tax effects		***–***	*24*
Derivative financial instruments		**(177)**	(63)
therein: Income tax effects		***69***	*24*
Income (loss) from investments accounted for using the equity method, net		**(8)**	(2)
Items that may be reclassified subsequently to profit or loss		**1,656**	(2,170)
Other comprehensive income, net of income taxes		**472**	(2,530)
Total comprehensive income		**6,120**	3,590
Attributable to:			
Non-controlling interests		**540**	259
Shareholders of Siemens AG		**5,581**	3,330

B.3 Consolidated Statements of Financial Position

(in millions of €)	Note	2019	Sep 30, 2018
Assets			
Cash and cash equivalents		12,391	11,066
Trade and other receivables	8	18,894	18,455
Other current financial assets	9	10,669	9,427
Contract assets	10	10,309	8,912
Inventories	11	14,806	13,885
Current income tax assets	7	1,103	1,010
Other current assets		1,960	1,707
Assets classified as held for disposal		238	94
Total current assets		70,370	64,556
Goodwill	12	30,160	28,344
Other intangible assets	13	9,800	10,131
Property, plant and equipment	13	12,183	11,381
Investments accounted for using the equity method	4	2,244	2,579
Other financial assets	14, 23	19,843	17,774
Deferred tax assets	7	3,174	2,341
Other assets		2,475	1,810
Total non-current assets		79,878	74,359
Total assets		150,248	138,915
Liabilities and equity			
Short-term debt and current maturities of long-term debt	16	6,034	5,057
Trade payables		11,409	10,716
Other current financial liabilities		1,743	1,485
Contract liabilities	10	16,452	14,464
Current provisions	18	3,682	3,931
Current income tax liabilities		2,378	3,102
Other current liabilities	15	9,023	9,118
Liabilities associated with assets classified as held for disposal		2	1
Total current liabilities		50,723	47,874
Long-term debt	16	30,414	27,120
Provisions for pensions and similar obligations	17	9,896	7,684
Deferred tax liabilities	7	1,305	1,092
Provisions	18	3,714	4,216
Other financial liabilities		986	685
Other liabilities		2,226	2,198
Total non-current liabilities		48,541	42,995
Total liabilities		99,265	90,869
Equity	19		
Issued capital		2,550	2,550
Capital reserve		6,287	6,184
Retained earnings		41,818	41,014
Other components of equity		1,134	(352)
Treasury shares, at cost		(3,663)	(3,922)
Total equity attributable to shareholders of Siemens AG		48,125	45,474
Non-controlling interests		2,858	2,573
Total equity		50,984	48,046
Total liabilities and equity		150,248	138,915

B.4 Consolidated Statements of Cash Flows

(in millions of €)	2019	Fiscal year 2018
Cash flows from operating activities		
Net income	**5,648**	6,120
Adjustments to reconcile net income to cash flows from operating activities – continuing operations		
Income from discontinued operations, net of income taxes	**(3)**	(124)
Amortization, depreciation and impairments	**3,494**	3,419
Income tax expenses	**1,872**	2,054
Interest (income) expenses, net	**(505)**	(392)
(Income) loss related to investing activities	**(358)**	(1,792)
Other non-cash (income) expenses	**605**	943
Change in operating net working capital from		
Contract assets	**(984)**	(171)
Inventories	**(614)**	(81)
Trade and other receivables	**85**	(1,432)
Trade payables	**465**	1,033
Contract liabilities	**1,684**	140
Additions to assets leased to others in operating leases	**(671)**	(599)
Change in other assets and liabilities	**(1,486)**	(309)
Income taxes paid	**(2,589)**	(2,061)
Dividends received	**299**	270
Interest received	**1,540**	1,396
Cash flows from operating activities – continuing operations	**8,482**	**8,415**
Cash flows from operating activities – discontinued operations	**(27)**	10
Cash flows from operating activities – continuing and discontinued operations	**8,456**	**8,425**
Cash flows from investing activities		
Additions to intangible assets and property, plant and equipment	**(2,610)**	(2,602)
Acquisitions of businesses, net of cash acquired	**(958)**	(525)
Purchase of investments and financial assets for investment purposes	**(1,971)**	(1,958)
Change in receivables from financing activities	**(1,161)**	(1,620)
Disposal of intangibles and property, plant and equipment	**238**	261
Disposal of businesses, net of cash disposed	**(33)**	362
Disposal of investments and financial assets for investment purposes	**1,484**	2,338
Cash flows from investing activities – continuing operations	**(5,012)**	**(3,741)**
Cash flows from investing activities – discontinued operations	**1**	(33)
Cash flows from investing activities – continuing and discontinued operations	**(5,011)**	**(3,774)**
Cash flows from financing activities		
Purchase of treasury shares	**(1,407)**	(1,409)
Re-issuance of treasury shares and other transactions with owners	**1,044**	4,064
Issuance of long-term debt	**6,471**	2,734
Repayment of long-term debt (including current maturities of long-term debt)	**(3,205)**	(3,530)
Change in short-term debt and other financing activities	**(753)**	333
Interest paid	**(1,123)**	(1,002)
Dividends paid to shareholders of Siemens AG	**(3,060)**	(3,011)
Dividends attributable to non-controlling interests	**(246)**	(126)
Cash flows from financing activities – continuing operations	**(2,277)**	**(1,946)**
Cash flows from financing activities – discontinued operations	**–**	–
Cash flows from financing activities – continuing and discontinued operations	**(2,277)**	**(1,946)**
Effect of changes in exchange rates on cash and cash equivalents	**157**	(29)
Change in cash and cash equivalents	**1,325**	2,677
Cash and cash equivalents at beginning of period	**11,066**	8,389
Cash and cash equivalents at end of period	**12,391**	11,066
Less: Cash and cash equivalents of assets classified as held for disposal and discontinued operations at end of period	**–**	–
Cash and cash equivalents at end of period (Consolidated Statements of Financial Position)	**12,391**	**11,066**

B.5 Consolidated Statements of Changes in Equity

(in millions of €)	Issued capital	Capital reserve	Retained earnings
Balance as of October 1, 2017	2,550	6,368	35,794
Net income	–	–	5,807
Other comprehensive income, net of income taxes	–	–	(366)
Dividends	–	–	(3,011)
Share-based payment	–	(222)	(79)
Purchase of treasury shares	–	–	–
Re-issuance of treasury shares	–	38	–
Changes in equity resulting from major portfolio transactions	–	–	2,884
Other transactions with non-controlling interests	–	–	(11)
Other changes in equity	–	–	(5)
Balance as of September 30, 2018	**2,550**	**6,184**	**41,014**
Balance as of September 30, 2018 (as previously reported)	**2,550**	**6,184**	**41,014**
Effect of retrospectively adopting IFRS 9	**–**	**–**	**(7)**
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)**
Other transactions with non-controlling interests	**–**	**–**	**(3)**
Other changes in equity	**–**	**–**	**(9)**
Balance as of September 30, 2019	**2,550**	**6,287**	**41,818**

	Currency translation differences	Equity instruments (prior year: available-for-sale financial assets)	Derivative financial instruments	Treasury shares at cost	Total equity attributable to shareholders of Siemens AG	Non controlling interests	Total equity
	(181)	1,845	1	(3,196)	43,181	1,438	44,619
	–	–	–	–	5,807	313	6,120
	(262)	(1,821)	(27)	–	(2,476)	(53)	(2,530)
	–	–	–	–	(3,011)	(133)	(3,144)
	–	–	–	–	(300)	–	(300)
	–	–	–	(1,468)	(1,468)	–	(1,468)
	–	–	–	743	781	–	781
	92	–	–	–	2,977	1,005	3,981
	–	–	–	–	(11)	5	(6)
	–	–	–	–	(5)	(2)	(6)
	(350)	24	(26)	(3,922)	45,474	2,573	48,046
	(350)	**24**	**(26)**	**(3,922)**	**45,474**	**2,573**	**48,046**
	–	**(57)**	**–**	**–**	**(64)**	**(1)**	**(65)**
	(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**

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 December 3, 2019.

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

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

NOTE 2 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.

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

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

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

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

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

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

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

The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required 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 operating leases: Operating lease income for equipment rentals is recognized on a straight-line basis over the lease term.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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, 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. Siemens does not use the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (Fair Value Option). Initially, financial instruments are recognized at fair value and net of transaction costs, if not categorized at FVTPL. Receivables from finance leases are recognized at an amount equal to the net investment in the lease. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned to:

Financial assets measured at fair value through profit and loss (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.

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, 12-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.

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.

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.

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 9, Financial Instruments, was adopted retrospectively as of October 1, 2018. Fiscal 2018 information is measured under IAS 39; amounts are not adjusted in accordance with IFRS 9 transitional provisions. The adoption had no material impact on the Consolidated Financial Statements. IFRS 9 changed the classification of financial instruments, mainly regarding the former available-for-sale category: most debt instruments previously held in available-for-sale are notes and bonds meeting the solely payments of principal and interest criterion, accordingly, those were reclassified to amortized cost. Equity instruments were assessed on a case-by-case basis whether measurement at FVOCI or FVTPL applies. Debt instruments not satisfying the solely payments of principal and interest criterion were reclassified from loans and receivables and available-for-sale to FVTPL.

In fiscal 2018, under IAS 39, loans and receivables were measured at amortized cost using the effective interest method less any impairment loss. Available-for-sale financial assets were measured at fair value, if reliably measurable, and changes in fair value other than impairment losses were recognized in Other comprehensive income, net of income taxes; upon derecognition, gains and losses accumulated in Equity were reclassified. If fair value was not reliably measurable, available-for-sale assets were measured at cost. Impairments were based on the incurred loss model.

IAS 39 measurement category (in millions of €)	IAS 39 Sep 30, 2018	Reclassifications	Remeasurements	IFRS 9 Oct 1, 2018	IFRS 9 measurement category
Loans and receivables	41,773	1,216	(53)	**42,936**	Financial assets at amortized cost
Available-for-sale financial assets (measured through OCI)	2,001	(1,567)	6	**440**	Financial assets at FVOCI
Financial assets at fair value through profit and loss	1,882	351	(13)	**2,220**	Financial assets at FVTPL
Loan Commitments and Financial Guarantees	(34)	–	(27)	**(61)**	Loan Commitments and Financial Guarantees

Available-for-sale assets (IAS 39) reclassified to amortized cost (IFRS 9) that are still held have a fair value of €462 million as of September 30, 2019.

RECENT ACCOUNTING PRONOUNCEMENTS, NOT YET ADOPTED

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

In January 2016, the IASB issued IFRS 16, Leases. IFRS 16 eliminates the current classification model for lessee's lease contracts as either operating or finance leases and, instead, introduces a single lessee accounting model requiring lessees to recognize right-of-use assets and lease liabilities for leases with a term of more than twelve months. This brings the previous off-balance leases on the balance sheet in a manner largely comparable to current finance lease accounting. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Siemens will adopt the standard for the fiscal year beginning as of October 1, 2019, by applying the modified retrospective approach, i.e. comparative figures for the preceding year will not be adjusted. It is intended to use most of the simplifications available under IFRS 16. Currently, it is expected that the majority of the transition effect relates to real estate leased by Siemens. Regarding the adoption of IFRS 16, Leases, Siemens expects an increase of approximately 2% in Total assets as well as in Total liabilities and equity as of October 1, 2019 (opening balance sheet). In addition, straight-line operating lease expenses will be replaced by depreciation expenses on right-of-use assets and interest expenses on lease liabilities resulting in an increase of EBITDA. As the positive effect on EBITDA will be more than offset by the increase in industrial net debt the ratio of industrial net debt to EBITDA will increase. Furthermore, applying IFRS 16 results in a deterioration in cash flows from financing activities, an improvement in cash flows from operating activities and accordingly an increase in Free Cash Flow.

In May 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments. The interpretation clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. In assessing the uncertainty, an entity shall consider whether it is probable that a taxation authority will accept or revise the uncertain tax treatment. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019, while earlier application is permitted. Siemens expects an increase in current income tax assets and Equity in the middle three-digit million Euro range due to the adoption of IFRIC 23.

NOTE 3 Acquisitions

ACQUISITIONS

In October 2018, Siemens acquired the Mendix group for a consideration transferred of €515 million in cash. The final purchase price allocation as of the acquisition date resulted in Other Intangible assets of €152 million mainly relating to customer relationships, and Goodwill of €448 million. Including earnings effects from purchase price allocation and integration costs, the acquired business contributed revenue of €57 million and a net income of €(109) million to Siemens for the period from acquisition to September 30, 2019.

In addition, Siemens acquired several businesses in fiscal 2019 and 2018 for a total purchase price of €429 million and €571 million, respectively, mainly paid in cash. The (preliminary) purchase price allocations resulted in Other intangible assets of €124 million and €215 million and Goodwill of €311 million and €350 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.

NOTE 4 Interests in other entities

Investments accounted for using the equity method

	Fiscal year	
(in millions of €)	2019	2018
Share of profit (loss), net	**17**	142
Gains (losses) on sales, net	**186**	58
Impairment and reversals of impairment	**(4)**	(202)
Income (loss) from investments accounted for using the equity method, net	**199**	(3)

As of September 30, 2019 and 2018, the carrying amount of all individually not material associates amounts to €1,577 million and €1,867 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.

	Fiscal year	
(in millions of €)	2019	2018
Income (loss) from continuing operations	**166**	176
Other comprehensive income, net of income taxes	**(34)**	(3)
Total comprehensive income	**132**	172

SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

	Siemens Healthineers AG registered in Munich, Germany		Siemens Gamesa Renewable Energy S.A. registered in Zamudio, Spain	
(in millions of €)	Sep 30, 2019	Sep 30, 2018	Sep 30, 2019	Sep 30, 2018
Ownership interests held by non-controlling interests	**15%**	15%	**41%**	41%
Accumulated non-controlling interests	**1,469**	1,310	**668**	606
Current assets	**7,779**	7,199	**7,899**	7,349
Non-current assets	**13,650**	12,559	**8,790**	8,804
Current liabilities	**5,605**	5,303	**7,968**	7,104
Non-current liabilities	**6,043**	5,780	**2,449**	3,118
	Fiscal year 2019	six months ended Sep 30, 2018	Fiscal year 2019	Fiscal year 2018
Net income attributable to non-controlling interests	**245**	130	**57**	22
Dividends paid to non-controlling interests	**118**	–	**7**	–
Revenue	**14,518**	7,004	**10,227**	9,122
Income (loss) from continuing operations, net of income taxes	**1,586**	666	**141**	70
Other comprehensive income, net of income taxes	**254**	218	**214**	(229)
Total comprehensive income, net of income taxes	**1,840**	884	**355**	(159)
Total cash flows	**367**	346	**(729)**	813

Non-current assets of Siemens Gamesa Renewable Energy include the full goodwill resulting from the merger in 2017.

NOTE 5 Other operating income

In fiscal 2019 and 2018, Other operating income includes gains related to the sale of businesses of €50 million and €171 million and gains on sales of property, plant and equipment of €146 million and €103 million, respectively.

NOTE 6 Other operating expenses

Other operating expenses in fiscal 2019 and 2018 include losses on sales of property, plant and equipment, transaction costs as well as effects from insurance, legal and regulatory matters.

NOTE 7 Income taxes

Income tax expense (benefit) consists of the following:

	Fiscal year	
(in millions of €)	2019	2018
Current tax	**1,842**	2,619
Deferred tax	**30**	(564)
Income tax expenses	**1,872**	2,054

The current income tax expenses in fiscal 2019 and 2018 includes adjustments recognized for current tax of prior years in the amount of €(369) and €(980) million, respectively. The deferred tax expense (benefit) in fiscal 2019 and 2018 includes tax effects of the origination and reversal of temporary differences of €398 million and €(241) million, respectively.

In Germany, the calculation of current tax is based on a combined tax rate of 31%, consisting of a corporate tax rate of 15%, a solidarity surcharge thereon of 5.5% and an average trade tax rate of 15%. For foreign subsidiaries, current taxes are calculated based on the local tax 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 expense differs from the amounts computed by applying a combined statutory German income tax rate of 31% as follows:

	Fiscal year	
(in millions of €)	2019	2018
Expected income tax expenses	2,330	2,496
Increase (decrease) in income taxes resulting from:		
Non-deductible losses and expenses	962	2,041
Tax-free income	(330)	(715)
Taxes for prior years	(400)	(833)
Change in realizability of deferred tax assets and tax credits	(85)	(20)
Change in tax rates	(26)	(450)
Foreign tax rate differential	(540)	(438)
Tax effect of investments accounted for using the equity method	9	(34)
Other, net	(49)	8
Actual income tax expenses	**1,872**	**2,054**

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

	Sep 30,	
(in millions of €)	2019	2018
Deferred taxes due to temporary differences		
Intangible assets	(2,496)	(2,407)
Pensions and similar obligations	3,540	2,799
Current assets and liabilities	(169)	168
Non-current assets and liabilities	(144)	(42)
Tax loss carryforwards and tax credits	1,138	731
Total deferred taxes, net	**1,869**	**1,249**

Deferred tax balances and expenses (benefits) developed as follows in fiscal 2019 and 2018:

	Fiscal year	
(in millions of €)	2019	2018
Balance at begin of fiscal year of deferred tax (assets) liabilities	(1,249)	(648)
Income taxes presented in the Consolidated Statements of Income	30	(564)
Changes in items of the Consolidated Statements of Comprehensive Income	(696)	(56)
Additions from acquisitions not impacting net income	34	21
Other	12	(1)
Balance at end of fiscal year of deferred tax (assets) liabilities	**(1,869)**	**(1,249)**

As of September 30, 2019, the Company has certain tax losses subject to significant limitations. For those losses deferred tax assets are not recognized, as it is not probable that gains will be generated to offset those losses.

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

	Sep 30,	
(in millions of €)	2019	2018
Deductible temporary differences	524	1,240
Tax loss carryforwards	5,062	4,165
	5,586	5,405

As of September 30, 2019 and 2018, €2,186 million and €1,931 million of the unrecognized tax loss carryforwards expire over the periods to 2031.

Siemens has not recognized deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of €34,075 million and €37,498 million, respectively in fiscal 2019 and 2018 because the earnings are intended to be permanently reinvested in the subsidiaries.

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

(in millions of €)	Fiscal year 2019	2018
Continuing operations	**1,872**	2,054
Discontinued operations	**21**	(32)
Income and expenses recognized directly in equity	**(698)**	250
	1,195	2,272

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 €)	Sep 30, 2019	2018
Trade receivables from the sale of goods and services	**16,928**	16,582
Receivables from finance leases	**1,966**	1,874
	18,894	18,455

In fiscal 2019 and 2018, the long-term portion of receivables from finance leases is reported in Other financial assets amounting to €4,210 million and €3,867 million, respectively.

Minimum future lease payments to be received are as follows:

(in millions of €)	Sep 30, 2019	2018
Within one year	**2,354**	2,308
After one year but not more than five years	**4,008**	3,563
More than five years	**751**	738
	7,112	6,608

Minimum future lease payments reconcile to the gross and net investment in leases and to the present value of the minimum future lease payments receivable as follows:

(in millions of €)	Sep 30, 2019	2018
Minimum future lease payments	**7,112**	6,608
Plus: Unguaranteed residual values	**239**	223
Gross investment in leases	**7,352**	6,831
Less: Unearned finance income	**(992)**	(926)
Net investment in leases	**6,360**	5,904
Less: Allowance for doubtful accounts	**(184)**	(164)
Less: Present value of unguaranteed residual value	**(92)**	(73)
Present value of minimum future lease payments receivable	**6,084**	5,667

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

	Gross investment in leases		Present value of minimum future lease payments receivable	
(in millions of €)	2019	Sep 30, 2018	2019	Sep 30, 2018
Within one year	**2,368**	2,322	**1,930**	1,911
One to five years	**4,064**	3,610	**3,497**	3,129
Thereafter	**920**	899	**657**	627
	7,352	6,831	**6,084**	5,667

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

NOTE 9 Other current financial assets

(in millions of €)	Sep 30, 2019	2018
Loans receivable	**7,893**	6,863
Interest-bearing debt securities	**1,331**	1,271
Derivative financial instruments	**775**	594
Other	**669**	699
	10,669	9,427

NOTE 10 Contract assets and liabilities

As of September 30, 2019 and 2018, amounts expected to be settled after twelve months are €2,106 million and €1,954 million for contract assets and €3,626 million and €3,118 million for contract liabilities, respectively. In fiscal 2019 and 2018, €63 million and €21 million are included in revenue, relating to performance obligations satisfied in previous periods. In fiscal 2019 and 2018, revenue includes €9,449 million and €9,271 million, respectively, which was included in contract liabilities at the beginning of the fiscal year.

NOTE 11 Inventories

(in millions of €)	2019	Sep 30, 2018
Raw materials and supplies	**3,726**	3,165
Work in progress	**5,902**	6,024
Finished goods and products held for resale	**4,258**	3,932
Advances to suppliers	**921**	763
	14,806	13,885

Cost of sales includes inventories recognized as expense amounting to €60,189 million and €57,029 million, respectively, in fiscal 2019 and 2018. Compared to prior year, write-downs increased (decreased) by €70 million and €(19) million as of September 30, 2019 and 2018.

NOTE 12 Goodwill

(in millions of €)	2019	Fiscal year 2018
Cost		
Balance at begin of fiscal year	**30,213**	29,754
Translation differences and other	**1,152**	(140)
Acquisitions and purchase accounting adjustments	**742**	629
Dispositions and reclassifications to assets classified as held for disposal	**(9)**	(31)
Balance at fiscal year-end	**32,098**	30,213
Accumulated impairment losses and other changes		
Balance at begin of fiscal year	**1,868**	1,847
Translation differences and other	**72**	17
Impairment losses recognized during the period (including those relating to disposal groups)	**1**	4
Dispositions and reclassifications to assets classified as held for disposal	**(3)**	–
Balance at fiscal year-end	**1,938**	1,868
Carrying amount		
Balance at begin of fiscal year	**28,344**	27,906
Balance at fiscal year-end	**30,160**	28,344

As of April 1, 2019, Siemens adjusted its organizational and reporting structure. Goodwill has been reallocated to the reorganized reporting structure generally based on relative values. The reallocation did not result in goodwill impairments. Fiscal 2018 disclosures are based on the reporting structure before reorganization.

Siemens performs the mandatory annual impairment test in the three months ended September 30. The recoverable amounts for the annual impairment test 2019 for Siemens' cash-generating units or groups of cash-generating units were estimated to be higher than the carrying amounts. Key assumptions on which

Siemens based its determinations of the fair value less costs to sell for the cash-generating units or groups of cash-generating units include terminal value growth rates up to 1.7% in fiscal 2019 and 1.7% in fiscal 2018, respectively and after-tax discount rates of 5.5% to 8.5% in fiscal 2019 and 6.5% to 8.5% in fiscal 2018.

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

The fair value less costs to sell is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Both assumptions are determined individually for each cash-generating unit or group of cash-generating units. Discount rates are based on the weighted average cost of capital (WACC). 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. 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, 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%**

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 2.3% and 6.2% (0.3% and 8.9% in fiscal 2018). For Gas and Power, Siemens expects a stable contribution from the services business as well as a stable market share in the products and solutions businesses, while dealing with challenging structural global energy market trends, in particular for large gas turbines.

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

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 10/01/2018	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**	(254)
Acquired technology including patents, licenses and similar rights	7,573	173	97	88	–	(923)	7,008	(3,702)	**3,306**	(652)
Customer relationships and trademarks	8,898	405	183	–	–	(52)	9,434	(4,919)	**4,515**	(547)
Other intangible assets	**19,938**	**663**	**279**	**504**	**–**	**(1,059)**	**20,326**	**(10,526)**	**9,800**	**(1,453)**
Land and buildings	8,372	171	11	158	137	(185)	8,664	(4,046)	**4,619**	(262)
Technical machinery and equipment	8,716	151	8	357	327	(355)	9,205	(6,495)	**2,710**	(609)
Furniture and office equipment	6,651	121	5	754	154	(535)	7,150	(5,515)	**1,635**	(830)
Equipment leased to others	3,097	67	–	671	19	(387)	3,467	(1,704)	**1,763**	(336)
Advances to suppliers and construction in progress	1,205	39	1	873	(638)	(18)	1,461	(4)	**1,457**	(3)
Property, plant and equipment	**28,040**	**549**	**26**	**2,812**	**–**	**(1,480)**	**29,948**	**(17,765)**	**12,183**	**(2,041)**

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

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

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

The gross carrying amount of Advances to suppliers and construction in progress includes €1,335 million and €1,074 million, respectively of property, plant and equipment under construction in fiscal 2019 and 2018. As of September 30, 2019 and 2018, contractual commitments for purchases of property, plant and equipment are €676 million and €652 million, respectively.

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

(in millions of €)	2019	Sep 30, 2018
Within one year	**336**	352
After one year but not more than five years	**705**	653
More than five years	**164**	136
	1,204	1,142

NOTE 14 Other financial assets

(in millions of €)	2019	Sep 30, 2018
Loans receivable	**12,304**	11,747
Receivables from finance leases	**4,210**	3,867
Derivative financial instruments	**2,239**	1,287
Equity instruments	**890**	715
Other	**200**	157
	19,843	17,774

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

NOTE 15 Other current liabilities

(in millions of €)	2019	Sep 30, 2018
Liabilities to personnel	**5,839**	5,867
Deferred Income	**156**	174
Accruals for pending invoices	**1,204**	1,162
Other	**1,824**	1,914
	9,023	9,118

NOTE 16 Debt

	Current debt		Non-current debt	
(in millions of €)	2019	Sep 30, 2018	2019	Sep 30, 2018
Notes and bonds (maturing until 2047)	**4,029**	3,142	**29,176**	25,210
Loans from banks (maturing until 2037)	**1,187**	1,218	**1,076**	1,717
Other financial indebtedness (maturing until 2029)	**803**	683	**72**	98
Obligations under finance leases	**16**	14	**90**	95
Total debt	**6,034**	5,057	**30,414**	27,120

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

			Non-cash changes				
(in millions of €)	10/01/2018	Cash flows	(Acquisitions)/ Dispositions	Foreign currency translation	Fair value changes	Reclassi-fications 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 indebtness (current and non-current)	781	(72)	(6)	171	–	–	**875**
Obligations under finance leases (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.

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

In addition, other financing activities resulted in €9 million cash flows in fiscal 2018.

Interest rates in this Note are per annum. In fiscal 2019 and 2018, weighted-average interest rates for loans from banks, other financial indebtedness and obligations under finance leases were 4.4% (2018: 2.1%), 1.5% (2018: 1.8%) and 6.3% (2018: 6.6%), respectively.

CREDIT FACILITIES

As of September 30, 2019 and 2018, Siemens has €9.95 billion and €9.5 billion lines of credit, thereof unused €9.45 billion and €8.3 billion, respectively. The facilities are for general corporate purposes. In February 2019 the existing €4.0 billion unused syndicated credit facility and the US$3.0 billion unused syndicated credit facility were cancelled following the signing of a new and unused €7.0 billion syndicated credit facility maturing in 2024. The unused €450 million revolving bilateral credit facility was extended to September 2020. Included in lines of credit is a subsidiary's €2.5 billion syndicated multi-currency term and revolving credit facility which contains a fully drawn term credit facility tranche of €500 million maturing in 2021 and an unused revolving credit facility tranche of €2.0 billion maturing in 2023 with two one-year extension options; it may be used to refinance the subsidiary's outstanding debt.

NOTES AND BONDS

(interest/issued/maturity)	Sep 30, 2019 Currency Notional amount (in millions)		Carrying amount in millions of €[1]	Sep 30, 2018 Currency Notional amount (in millions)		Carrying amount in millions of €[1]
US$3 m LIBOR+1.4%/2012/February 2019/US$ floating-rate instruments	–	–	–	US$	400	346
1.5%/2012/March 2020/EUR fixed-rate instruments	€	1,000	1,000	€	1,000	999
2.75%/2012/September 2025/GBP fixed-rate instruments	£	350	394	£	350	393
3.75%/2012/September 2042/GBP fixed-rate instruments	£	650	721	£	650	719
1.75%/2013/March 2021/EUR fixed-rate instruments	€	1,250	1,263	€	1,250	1,267
2.875%/2013/March 2028/EUR fixed-rate instruments	€	1,000	997	€	1,000	997
3.5%/2013/March 2028/US$ fixed-rate instruments	US$	100	90	US$	100	85
2013/June 2020/US$ floating-rate instruments	US$	400	367	US$	400	345
2014/March 2019/US$ floating-rate instruments	–	–	–	US$	300	259
2014/September 2021/US$ floating-rate instruments	US$	400	367	US$	400	345
0.375%/2018/September 2023/EUR fixed-rate instruments	€	1,000	997	€	1,000	996
1.0%/2018/September 2027/EUR fixed-rate instruments	€	750	746	€	750	745
1.375%/2018/September 2030/EUR fixed-rate instruments	€	1,000	993	€	1,000	993
0.3%/2019/February 2024/EUR fixed-rate instruments	€	750	767	–	–	–
0.9%/2019/February 2028/EUR fixed-rate instruments	€	650	689	–	–	–
1.25%/2019/February 2031/EUR fixed-rate instruments	€	800	875	–	–	–
1.75%/2019/February 2039/EUR fixed-rate instruments	€	800	938	–	–	–
0%/2019/September 2021/EUR fixed-rate instruments	€	1,000	1,005	–	–	–
0%/2019/September 2024/EUR fixed-rate instruments	€	500	504	–	–	–
0.125%/2019/September 2029/EUR fixed-rate instruments	€	1,000	992	–	–	–
0.5%/2019/September 2034/EUR fixed-rate instruments	€	1,000	990	–	–	–
Total Debt Issuance Program			**14,695**			**8,489**
6.125%/2006/August 2026/US$ fixed-rate instruments	US$	1,750	1,892	US$	1,750	1,823
2.15%/2015/May 2020/US$-fixed-rate-instruments	US$	1,000	918	US$	1,000	863
2.90%/2015/May 2022/US$-fixed-rate-instruments	US$	1,750	1,605	US$	1,750	1,509
3.25%/2015/May 2025/US$-fixed-rate-instruments	US$	1,500	1,432	US$	1,500	1,290
4.40%/2015/May 2045/US$-fixed-rate-instruments	US$	1,750	1,587	US$	1,750	1,491
US$3 m LIBOR+0.32%/2016/September 2019/US$ floating-rate instruments	–	–	–	US$	350	302
1.30%/2016/September 2019/US$-fixed-rate-instruments	–	–	–	US$	1,100	949
1.70%/2016/September 2021/US$-fixed-rate-instruments	US$	1,100	1,009	US$	1,100	948
2.00%/2016/September 2023/US$-fixed-rate-instruments	US$	750	685	US$	750	644
2.35%/2016/October 2026/US$-fixed-rate-instruments	US$	1,700	1,554	US$	1,700	1,461
3.30%/2016/September 2046/US$-fixed-rate-instruments	US$	1,000	910	US$	1,000	856
US$3 m LIBOR+0.34%/2017/March 2020/US$ floating-rate instruments	US$	800	734	US$	800	690
2.20%/2017/March 2020/US$-fixed-rate-instruments	US$	1,100	1,010	US$	1,100	949
2.70%/2017/March 2022/US$-fixed-rate-instruments	US$	1,000	940	US$	1,000	852
US$3 m LIBOR+0.61%/2017/March 2022/US$ floating-rate instruments	US$	850	780	US$	850	733
3.125%/2017/March 2024/US$-fixed-rate-instruments	US$	1,000	946	US$	1,000	861
3.40%/2017/March 2027/US$-fixed-rate-instruments	US$	1,250	1,144	US$	1,250	1,075
4.20%/2017/March 2047/US$-fixed-rate-instruments	US$	1,500	1,364	US$	1,500	1,282
Total US$ Bonds			**18,511**			**18,577**
1.65%/2012/August 2019/US$ fixed-rate instruments	–	–	–	US$	1,500	1,285
Total Bonds with Warrant Units			–			1,285
			33,205			**28,352**

1 Includes adjustments for fair value hedge accounting.

Debt Issuance Program – The Company has a program for the issuance of debt instruments in place under which instruments up to €15.0 billion can be issued as of September 30, 2019 and 2018, respectively. As of September 30, 2019 and 2018, €14.5 billion and €8.5 billion in notional amounts were issued and are outstanding. Siemens redeemed the 3m LIBOR+1.4% US$400 million floating-rate instrument and the US$300 million floating-rate instrument at face value as due. In February 2019, Siemens issued instruments totaling €3 billion in four tranches. In September 2019, Siemens issued instruments totaling €3.5 billion in four tranches.

US$ Bonds – In fiscal 2019, Siemens redeemed the 3M-LIBOR+0.32% US$350 million floating-rate instruments and the 1.3% US$1.1 billion fixed-rate instruments at face value as due.

Bond with Warrant Units – The US$1.5 billion instruments were issued with 6,000 detachable warrants exercisable until August 1, 2019. As of September 30, 2019, all warrants except 26 were exercised. The holders received 11.6 million Siemens AG shares and 102 thousand OSRAM Licht AG shares for a total price of €1.1 billion. The 1.65% US$1.5 billion fixed-rate instruments were redeemed at face value as due.

ASSIGNABLE AND TERM LOANS

As of September 30, 2019 and 2018, two bilateral US$500 million term loan facilities (in aggregate €918 million and €864 million respectively) are outstanding, one until March 26, 2020; the second term loan facility was extended to June 27, 2024.

As of September 30, 2019, a subsidiary has outstanding loans of €346 million.

COMMERCIAL PAPER PROGRAM

Siemens has a US$9.0 billion (€8.3 billion as of September 30, 2019) commercial paper program in place including US$ extendible notes capabilities. As of September 30, 2019 and 2018, US$700 million (€643 million) and US$700 million (€605 million), respectively, were outstanding. Siemens' commercial papers have a maturity of generally less than 90 days. Interest rates ranged from 1.85% to 2.75% in fiscal 2019 and from 1.08% to 2.33% in fiscal 2018.

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 493,000 participants, including 224,000 actives, 81,000 deferreds with vested benefits and 188,000 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

	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 €)	2019	2018	2019	2018	2019	2018	2019	2018
Balance at begin of fiscal year	**35,893**	36,871	**28,764**	27,668	**86**	62	**7,215**	9,265
Current service cost	**534**	534	**–**	–	**–**	–	**534**	534
Interest expenses	**712**	675	**–**	–	**3**	4	**715**	679
Interest income	**–**	–	**580**	523	**–**	–	**(580)**	(523)
Other[1]	**12**	131	**(12)**	(30)	**–**	–	**24**	162
Components of defined benefit costs recognized in the Consolidated Statements of income	**1,257**	1,340	**568**	493	**3**	4	**692**	851
Return on plan assets excluding amounts included in net interest income and net interest expenses	**–**	–	**2,601**	(107)	**–**	–	**(2,601)**	107
Actuarial (gains) losses	**4,448**	(65)	**–**	–	**–**	–	**4,448**	(65)
Effects of asset ceiling	**–**	–	**–**	–	**(60)**	27	**(60)**	27
Remeasurements recognized in the Consolidated Statements of Comprehensive Income	**4,448**	(65)	**2,601**	(107)	**(60)**	27	**1,787**	69
Employer contributions	**–**	–	**568**	2,824	**–**	–	**(568)**	(2,824)
Plan participants' contributions	**130**	124	**130**	124	**–**	–	**–**	–
Benefits paid	**(1,811)**	(1,817)	**(1,678)**	(1,674)	**–**	–	**(133)**	(143)
Settlement payments	**(84)**	(529)	**(84)**	(529)	**–**	–	**–**	–
Business combinations, disposals and other	**48**	4	**56**	(8)	**–**	–	**(8)**	12
Foreign currency translation effects	**436**	(36)	**383**	(27)	**4**	(7)	**56**	(15)
Other reconciling items	**(1,281)**	(2,254)	**(626)**	710	**4**	(7)	**(652)**	(2,970)
Balance at fiscal year-end	**40,317**	35,893	**31,307**	28,764	**33**	86	**9,042**	7,215
Germany	***24,398***	*22,067*	***16,588***	*15,885*	**–**	–	***7,811***	*6,182*
U.S.	***4,073***	*3,553*	***3,341***	*2,949*	**–**	–	***732***	*604*
U.K.	***6,064***	*5,413*	***6,764***	*5,786*	***19***	*16*	***(682)***	*(356)*
CH	***3,574***	*3,027*	***3,424***	*3,103*	**–**	*32*	***150***	*(45)*
Other countries	***2,207***	*1,834*	***1,190***	*1,042*	***14***	*38*	***1,031***	*829*
Total	**40,317**	35,893	**31,307**	28,764	**33**	86	**9,042**	7,215
thereof provisions for pensions and similar obligations							***9,896***	*7,684*
thereof net defined benefit assets (presented in Other assets)							***854***	*470*

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

Net interest expenses related to provisions for pensions and similar obligations amounted to €148 million and €164 million, respectively, in fiscal 2019 and 2018. The DBO is attributable to actives 32% and 31%, to deferreds with vested benefits 14% and 14% and to retirees and surviving dependents 54% and 55%, respectively, in fiscal 2019 and 2018.

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

(in millions of €)	Fiscal year 2019	2018
Changes in demographic assumptions	(173)	(67)
Changes in financial assumptions	4,569	(37)
Experience (gains) losses	52	39
Total	**4,448**	(65)

Remeasurements in fiscal 2019 include an actuarial gain in the amount of €768 million due to a change in financial assumptions in connection with payment options at the start of retirement in Germany.

Actuarial assumptions

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

	Sep 30, 2019	2018
Discount rate	1.3%	2.4%
EUR	0.8%	2.0%
USD	3.1%	4.2%
GBP	2.0%	2.9%
CHF	0.2%	1.1%

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)
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) 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, 2019	2018
Compensation increase		
U.K.	3.5%	3.7%
CH	1.4%	1.3%
Pension progression		
Germany	1.4%	1.4%
U.K.	2.8%	3.0%

Sensitivity analysis

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

	Effect on DBO due to a one-half percentage-point			
	Sep 30, 2019		Sep 30, 2018	
(in millions of €)	increase	decrease	increase	decrease
Discount rate	(2,410)	2,740	(2,068)	2,307
Rate of compensation increase	104	(94)	91	(85)
Rate of pension progression	1,826	(1,541)	1,539	(1,371)

The DBO effect of a 10% reduction in mortality rates for all beneficiaries would be an increase of €1,318 million and €1,031 million, respectively, as of September 30, 2019 and 2018.

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 €)	2019	Sep 30, 2018
Equity securities	**3,910**	4,300
Fixed income securities	**16,292**	13,938
Government bonds	***5,239***	*4,475*
Corporate bonds	***11,053***	*9,463*
Alternative investments	**4,181**	3,985
Multi strategy funds	**3,259**	2,853
Derivatives	**577**	595
Cash and cash equivalents	**749**	933
Other assets	**2,340**	2,162
Total	**31,307**	**28,764**

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. Multi strategy funds mainly comprise absolute return funds and diversified growth funds that invest in various asset classes within a single fund and aim to stabilize return and reduce volatility. Derivatives predominantly consist of financial instruments for hedging interest rate risk and inflation risk. Other assets include an insured annuity contract valued at €1,344 million and €1,269 million, respectively, as of September 30, 2019 and 2018.

Future cash flows

Employer contributions expected to be paid to defined benefit plans in fiscal 2020 are €1,013 million. Over the next ten fiscal years, average annual benefit payments of €1,862 million and €1,843 million, respectively, are expected as of September 30, 2019 and 2018. The weighted average duration of the DBO for Siemens defined benefit plans was 13 years as of September 30, 2019 and twelve years as of September 30, 2018.

DEFINED CONTRIBUTION PLANS AND STATE PLANS

Amounts recognized as expense for defined contribution plans is €661 million and €643 million in fiscal 2019 and 2018, respectively. Contributions to state plans amount to €1,850 million and €1,748 million in fiscal 2019 and 2018, respectively.

NOTE 18 Provisions

(in millions of €)	Warranties	Order related losses and risks	Asset retirement obligations	Other	Total
Balance as of October 1, 2018	4,575	1,475	776	1,320	8,147
Thereof non-current	*2,390*	*575*	*762*	*489*	*4,216*
Additions	1,621	449	3	468	2,541
Usage	(1,060)	(502)	(8)	(346)	(1,915)
Reversals	(1,131)	(159)	(239)	(262)	(1,791)
Translation differences	53	29	3	16	101
Accretion expense and effect of changes in discount rates	35	2	163	3	202
Other changes	206	(180)	2	82	110
Balance as of September 30, 2019	**4,300**	**1,114**	**700**	**1,282**	**7,396**
Thereof non-current	***2,107***	***425***	***687***	***494***	***3,714***

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, 2019, 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, the asset retirement has been completed and intermediate storage has been set up. On September 21, 2006, the Company received official notification from the authorities that the Hanau facility has been released from the scope of application of the German Atomic Energy Act and that its further use is unrestricted. The ultimate costs of the remediation are contingent on the decision of the federal government on the location of the final storage facilities and the date of their availability. Several parameters relating to the development of a final storage facility for radioactive waste are based on the assumptions for the so called Schacht Konrad final storage. The valuation uses assumptions to reflect the current and detailed cost estimates, price inflation and discount rates as well as a continuous outflow until the 2060's related to the costs for dismantling as well as intermediate and final storage. The estimated cash outflows related to the asset retirement obligation could alter significantly if political developments affect the government's timeline to finalize the so called Schacht Konrad. For discounting the cash outflows, the Company uses current interest rates as of the balance sheet date.

As of September 30, 2019 and 2018, the provision totals €630 million and €710 million, respectively, including advance payments to the federal government for the construction of the final storage facility in the amount of €95 million and €85 million, respectively, which were capitalized. The decrease in the carrying amount is mainly due to new cost estimates of the federal government and taking into account the current trend in the long-term inflation rate. The provision is recorded net of a present value discount of €103 million and €338 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 €407 million and €375 million as of September 30, 2019 and 2018, respectively.

NOTE 19 Equity

Siemens' issued capital is divided into 850 million registered shares with no par value and a notional value of €3.00 per share as of September 30, 2019 and 2018, respectively. The shares are fully paid in. At the Shareholders' Meeting, each share has one vote and accounts for the shareholders' proportionate share in the Company's net income. All shares confer the same rights and obligations.

In fiscal 2019 and 2018, Siemens repurchased 13,532,557 shares and 13,248,262 shares, respectively. In fiscal 2019 and 2018, Siemens transferred 16,251,968 and 7,777,923 treasury shares, respectively. As of September 30, 2019 and 2018, the Company has treasury shares of 37,232,048 and 39,951,459 respectively.

Share based payment expenses increased Capital reserve by €294 million and €306 million (including non-controlling interests), respectively in fiscal 2019 and 2018. In connection with the settlement of share based payment awards Siemens treasury shares (at cost) were transferred to employees of €188 million in fiscal 2019 and €506 million in fiscal 2018 which decreased Capital reserve and Retained earnings by €132 million and €56 million, respectively in 2019 and by €468 million and €38 million in fiscal 2018.

As of September 30, 2019 and 2018, total authorized capital of Siemens AG is €600 million and €618.6 million, respectively, nominal issuable in installments based on various time-limited authorizations, by issuance of up to 200 million and 206.2 million registered shares of no par value. In addition, as of September 30, 2019 and 2018, Siemens AG's conditional capital is €1,080.6 million nominal or 360.2 million shares. It can primarily be used for serving convertible bonds or warrants under warrant bonds that could or can be issued based on various time-limited authorizations approved by the respective Shareholders' Meeting.

Dividends paid per share were €3.80 and €3.70, respectively, in fiscal 2019 and 2018. The Managing Board and the Supervisory Board propose to distribute a dividend of €3.90 per share entitled to the dividend, in total representing approximately €3.2 billion in expected payments. Payment of the proposed dividend is contingent upon approval at the Shareholders' Meeting on February 5, 2020.

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

NOTE 20 Additional capital disclosures

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

(in millions of €)	Sep 30, 2019	2018
Short-term debt and current maturities of long-term debt	6,034	5,057
Plus: Long-term debt	30,414	27,120
Less: Cash and cash equivalents	(12,391)	(11,066)
Less: Current interest bearing debt securities	(1,331)	(1,271)
Net debt	**22,726**	19,840
Less: Financial Services debt[1]	(25,959)	(24,047)
Plus: Provisions for pensions and similar obligations	9,896	7,684
Plus: Credit guarantees	447	389
Less: Fair value hedge accounting adjustment[2]	(706)	(319)
Industrial net debt	**6,404**	3,548
Income from continuing operations before income taxes	7,518	8,050
Plus/Less: Interest income, interest expenses and other financial income (expenses), net	(430)	(1,867)
Plus: Amortization, depreciation and impairments	3,494	3,419
EBITDA	**10,582**	9,602
Industrial net debt/EBITDA	**0.6**	0.4

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

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

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

(in millions of €)	Sep 30, 2019	2018
Allocated equity	2,864	2,630
Financial Services debt	25,959	24,047
Debt to equity ratio	9.06	9.14

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, 2019		Sep 30, 2018	
	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 €)	Sep 30, 2019	2018
Credit guarantees	447	389
Guarantees of third-party performance	2,644	2,454
Miscellaneous guarantees	–	200
	3,090	3,043

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 and 7 years, respectively, in fiscal 2019 and 2018. The Company held collateral mainly through inventories and trade receivables. Siemens accrued €35 million and €35 million relating to credit guarantees as of September 30, 2019 and 2018, respectively.

Furthermore, Siemens issues guarantees of third-party performance, which mainly include performance bonds and guarantees of advanced payments in a consortium. In the event of non-fulfillment of contractual obligations by the consortium partner(s), Siemens will be required to pay up to an agreed-upon maximum amount. These agreements typically have terms of up to ten years. Generally, consortium agreements provide for fallback guarantees as a recourse provision among the consortium partners. As of September 30, 2019 and 2018, the Company accrued €3 million and €3 million, respectively, relating to performance guarantees.

In addition to guarantees disclosed in the table above, the Company issued other guarantees. To the extent future claims are not considered remote, maximum future payments from these obligations amount to €413 million and €492 million as of September 30, 2019 and 2018, 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, 2019 and 2018, the accrued amount for such other commitments is €146 million and €204 million, respectively.

Future payment obligations under non-cancellable operating leases are:

(in millions of €)	Sep 30, 2019	2018
Within one year	887	839
After one year but not more than five years	1,767	1,588
More than five years	864	765
	3,518	3,193

Total operating rental expenses for the years ended September 30, 2019 and 2018 were €1,208 million and €1,249 million, respectively.

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

NOTE 22 Legal proceedings

PROCEEDINGS OUT OF OR IN CONNECTION WITH ALLEGED BREACHES OF CONTRACT

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.

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. The City amended its lawsuit in November 2019 and alleges more than US$450 million (approximately €409 million) in damages in addition to further substantial unspecified future losses, interest and punitive damages. Siemens is defending itself against the action.

PROCEEDINGS OUT OF OR IN CONNECTION WITH ALLEGED COMPLIANCE VIOLATIONS

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

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

Based on the above mentioned conclusion of the Israeli Antitrust Authority, two electricity consumer groups filed motions to certify a class action for cartel damages against a number of companies including Siemens AG with an Israeli State Court in September 2013. One of the class actions has been dismissed by the court in fiscal year 2015. The remaining class action seeks compensation for alleged damages amounting to ILS2.8 billion (approximately €739 million as of September 2019). In addition, the Israel Electric Corporation (IEC) filed at the end of December 2013 with an Israeli State Court a separate ILS3.8 billion (approximately €997 million as of September 2019) 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 which is subject to approval.

As previously reported, in May 2013, Siemens Ltda., Brazil (Siemens Ltda.) entered into a leniency agreement with the Administrative Council for Economic Defense (CADE) and other relevant Brazilian authorities relating to possible antitrust violations in connection with alleged anticompetitive irregularities in metro and urban train projects, in which Siemens Ltda. and partially Siemens AG, as well as a number of other companies participated as contractor. In July 2019, CADE completed the administrative proceedings, confirming the reported misconduct. Due to its cooperation, Siemens was granted full immunity from administrative fines for the misconduct. In connection with the above mentioned metro and urban train projects, several Brazilian authorities continue to investigate alleged criminal acts (corruptive payments, anti-competitive conduct, undue influence on public tenders).

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

As previously reported, in May 2014, the Public Affairs Office (Ministério Público) São Paulo initiated a lawsuit against Siemens Ltda. as well as other companies and several individuals claiming, inter alia, damages in an amount of BRL2.5 billion (approximately €552 million as of September 2019) 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 €108 million as of September 2019) 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 €203 million as of September 2019) 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.

As previously reported, four gas turbines intended for a project in Taman, Russia, which were delivered by OOO Siemens Gas Turbines Technologies (SGTT) to its customer OAO VO TechnoPromExport in summer of 2016, had against contractual agreements with SGTT been allegedly brought to Crimea, a location under sanctions. The Hamburg public prosecutor initiated criminal proceedings against Siemens employees in regard of alleged violations of the German Foreign Trade and Payments Act. Siemens cooperates with the authorities.

Siemens is 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 €)	Sep 30, 2019
Loans receivables and other debt instruments measured at amortized cost[1]	45,467
Cash and cash equivalents	12,391
Derivatives designated in a hedge accounting relationship	798
Financial assets measured at FVTPL[2]	2,626
Equity instruments measured at FVOCI[1]	513
Financial assets	**61,797**
Financial liabilities measured at amortized cost[3]	49,315
Derivatives not designated in a hedge accounting relationship[4]	889
Derivatives designated in a hedge accounting relationship[4]	384
Financial liabilities	**50,587**

1 Reported in the following line items of the Statements of Financial Position: Trade and other receivables, Other current financial assets and Other financial assets, except for separately disclosed €890 million equity instruments in Other financial assets (thereof €513 at FVOCI) and €3,014 million derivative financial instruments (thereof in Other financial assets €2,239) as well as €34 million debt instruments measured at FVPL in Other financial assets. Includes €16,928 million trade receivables from the sale of goods and services, thereof €889 million with a term of more than twelve months.

2 Reported in line items other current financial assets and other financial assets.

3 Reported in the following line items of the Statements of Financial Position: Short-term debt and current maturities of long-term debt, Trade payables, Other current financial liabilities, Long-term debt and Other financial liabilities, except for separately disclosed derivative financial instruments of €1,273 million.

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

Fiscal 2018 amounts are not comparable, since those are under IAS 39:

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

1 Reported in the following line items of the Statements of Financial Position: Trade and other receivables, Other current financial assets and Other financial assets, except for separately disclosed €715 million available-for-sale financial assets and €1,882 million derivative financial instruments. Includes €16,044 million trade receivables from the sale of goods and services, thereof €810 million with a term of more than twelve months.

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

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

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

Cash and cash equivalents includes €142 million and €200 million as of September 30, 2019 and 2018, respectively, which are not available for use by Siemens mainly due to minimum reserve requirements with banks. As of September 30, 2019 and 2018, the carrying amount of financial assets Siemens pledged as collateral is €127 million and €126 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:

(in millions of €)	Fair value	Sep 30, 2019 Carrying amount	Fair value	Sep 30, 2018 Carrying amount
Notes and bonds	**34,758**	**33,205**	28,383	28,352
Loans from banks and other financial indebtedness	**3,138**	**3,137**	3,705	3,716
Obligations under finance leases	**176**	**106**	166	110

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

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

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

(in millions of €)	Level 1	Level 2	Level 3	Sep 30, 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***

(in millions of €)	Level 1	Level 2	Level 3	Sep 30, 2018 Total
Financial assets under IAS 39 measured at fair value	6	3,259	327	3,592
Available-for-sale financial assets: equity instruments	6	165	253	425
Available-for-sale financial assets: debt instruments	–	1,270	15	1,286
Derivative financial instruments	–	1,823	58	1,882
Not designated in a hedge accounting relationship (including embedded derivatives)	–	*1,556*	*58*	*1,615*
In connection with fair value hedges	–	*22*	–	*22*
In connection with cash flow hedges	–	*245*	–	*245*
Financial liabilities under IAS 39 measured at fair value – Derivative financial instruments	–	738	–	738
Not designated in a hedge accounting relationship (including embedded derivatives)	–	*567*	–	*567*
In connection with cash flow hedges	–	*165*	–	*165*

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.

Level 3 financial assets increased due to equity instruments previously measured at cost which were reclassified to fair value measurement upon adopting IFRS 9 as of October 1, 2018. Furthermore, Level 3 financial assets include venture capital investments of €291 million entered into by the Siemens venture capital business Next47. In fiscal 2019, new investments and purchases of investments amounted to €153 million.

The largest equity instrument allocated to level 3 of the fair value hierarchy is an investment in an offshore wind farm. The Company chose to recognize fair value changes in Other comprehensive income since that classification is considered more relevant due to the nature of the investment. The fair value of €228 million as of September 30, 2019 is determined based on discounted cash flow calculations. The most significant unobservable input used to determine its fair value is the cash flow forecast, which is mainly based on the future power generation income. This income is generally subject to future market developments and thus price volatility. Since a long-term power purchase agreement is in place that mitigates price volatility, significant changes to the cash flow forecast are unlikely and thus, no significant effects on Other comprehensive income, net of income taxes, are expected.

Net gains (losses) of financial instruments are:

(in millions of €)	Fiscal year 2019
Cash and cash equivalents	**33**
Loans, receivables and other debt instruments measured at amortized cost	**(97)**
Financial liabilities measured at amortized cost	**(1,383)**
Financial assets and financial liabilities at FVTPL	**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 comprise fair value changes of derivative financial instruments, including interest income and expense, for which hedge accounting is not applied, as well as dividends on equity instruments measured at FVTPL.

Fiscal 2018 net gains (losses) of financial instruments are not comparable since those are under IAS 39:

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

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

(in millions of €)	Fiscal year 2019	2018
Total interest income on financial assets	**1,583**	1,454
Total interest expenses on financial liabilities	**(973)**	(946)

VALUATION ALLOWANCES FOR EXPECTED CREDIT LOSSES

	Loans, receivables and other debt instruments measured at amortized cost					
	Loans and other debt instruments under the general approach					
(in millions of €)	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 2019 are €267 million, including €20 million on loan commitments and financial guarantees. Impairment losses of €113 million are mostly attributable to the SFS business and presented in Other financial income (expenses), net.

In fiscal 2018, valuation allowances of current and long-term receivables under the IAS 39 incurred loss model developed as follows:

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

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 €)	2019	Sep 30, 2018	2019	Sep 30, 2018
Gross amounts	**2,575**	1,610	**1,056**	664
Amounts offset in the Statement of Financial Position	**7**	3	**7**	3
Net amounts in the Statement of Financial Position	**2,568**	1,606	**1,049**	661
Related amounts not offset in the Statement of Financial Position	**835**	550	**658**	457
Net amounts	**1,733**	1,057	**391**	204

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, 2019	
(in millions of €)	Up to 12 months	More than 12 months
Foreign currency exchange contracts	**7,803**	**8,248**
Interest rate swaps	**–**	**7,842**
therein: included in cash flow hedges	**–**	***1,195***
therein: included in fair value hedges	**–**	***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, 2019		Sep 30, 2018	
(in millions of €)	Asset	Liability	Asset	Liability
Foreign currency exchange contracts	**942**	**792**	717	548
therein: included in cash flow hedges	***341***	***340***	*213*	*161*
Interest rate swaps and combined interest and currency swaps	**1,639**	**248**	888	71
therein: included in cash flow hedges	**–**	***42***	*30*	–
therein: included in fair value hedges	***457***	**–**	*22*	*6*
Other (embedded derivatives, options, commodity swaps)	**434**	**233**	277	119
	3,014	**1,273**	1,882	738

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, 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 and from the standard product business. The risk is hedged against the Euro at an average rate of 1.1972 EUR/US$ (forward purchases of US$) and 1.2547 EUR/US$ (forward sales of US$). The hedging transactions have an average remaining maturity until 2020 (forward purchases of US$) as well as 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' and SGRE's 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 SGRE businesses remains to be managed separately, considering the term structure of SFS' and SGRE's financial assets and liabilities on a portfolio basis. Neither approach qualifies for hedge accounting treatment. Net cash receipts and payments in connection with interest rate swap agreements are recorded as interest expense in Other financial income (expenses), net.

Cash flow hedges of floating-rate commercial papers

Siemens applies cash flow hedge accounting to a revolving portfolio of floating-rate commercial papers of nominal US$700 million. Siemens pays a fixed rate of interest and receives a variable rate of interest, offsetting future changes in interest payments of the underlying floating-rate commercial papers. Net cash receipts and payments are recorded as interest expenses. The Company had interest rate swap contracts to receive variable rates of interest of an average of 2.11% and 2.37% as of September 30, 2019 and 2018, respectively and paid fixed rates of interest (average rate of 1.95% and 1.95%, as of September 30, 2019 and 2018, respectively).

Fair value hedges of fixed-rate debt obligations

Under interest rate swap agreements outstanding in fiscal 2019 and 2018, 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, 2019 and 2018, the carrying amounts of €7,050 million and €1,320 million, respectively, of fixed-rate debt obligations (presented in Long-term debt) are designated in fair value hedges, including €416 million and €10 million cumulative fair value hedge adjustments. Unamortized fair value hedge adjustments of €281 million and €307 million as of September 30, 2019 and 2018, 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 €405 million and €29 million, respectively, in fiscal 2019 and 2018 are included in Other financial income (expenses); the related swap agreements resulted in gains (losses) of €(417) million and €(27) million, respectively, in fiscal 2019 and 2018. 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 0.825% and 1.4% as of September 30, 2019 and 2018, respectively and received fixed rates of interest (average rate of 1.523% and 2.3%, as of September 30, 2019 and 2018, respectively). The notional amount of indebtedness hedged as of September 30, 2019 and 2018 was €6,664 million and €1,314 million, respectively. This changed 22% and 5% of the Company's underlying notes and bonds from fixed interest rates into variable interest rates as of September 30, 2019 and 2018, 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, 2019 and 2018 was €428 million and €17 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, 2019 and 2018, the VaR relating to foreign currency exchange rates was €79 million and €103 million. This VaR was calculated under consideration of items of the Consolidated Statement of Financial Position in addition to firm commitments, which are denominated in foreign currencies, as well as foreign currency denominated cash flows from forecast transactions for the following twelve months. The decrease in the VaR resulted mainly from a lower net foreign currency position after hedging activities and a lower volatility between the U.S. dollar and the euro.

Translation risk

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

INTEREST RATE RISK

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

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

As of September 30, 2019 and 2018, the VaR relating to the interest rate was €722 million and €191 million. The increase was driven mainly by higher interest rate volatilities, in particular for the U.S. dollar, and an increase in interest rate sensitivity for the euro, related to the €3.5 billion instruments issued in September 2019.

LIQUIDITY RISK

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

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

The following table reflects our contractually fixed pay-offs for settlement, repayments and interest. The disclosed expected undiscounted net cash outflows from derivative financial liabilities are determined based on each particular settlement date of an instrument and based on the earliest date on which Siemens could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on the conditions existing at September 30, 2019.

				Fiscal year
(in millions of €)	2020	2021	2022 to 2024	2025 and thereafter
Non-derivative financial liabilities				
Notes and bonds	4,789	4,323	8,863	22,799
Loans from banks	1,263	99	1,019	7
Other financial indebtedness	806	8	62	3
Obligations under finance leases	23	20	35	103
Trade payables	11,388	17	3	2
Other financial liabilities	1,047	130	183	39
Derivative financial liabilities	741	180	207	206
Credit guarantees[1]	447	–	–	–
Irrevocable loan commitments[2]	2,747	220	121	2

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, 2019 and 2018, collateral of €835 million and €550 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, 2019, collateral held for credit-impaired receivables from finance leases amounted to €55 million. As of September 30, 2019 and 2018, collateral held for financial assets measured at amortized cost amounted to €3,948 million and €3,608 million, respectively, including €86 million 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, 2019 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	6,615	54	n/a	481	n/a	n/a	2,051
Non-Investment Grade Ratings	12,551	647	234	2,125	131	14	4,061

Trade receivables of operating units are generally rated internally; approximately 42% have an investment grade rating and 58% 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.

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 2019 and 2018 expense from equity-settled awards are €294 million and €306 million; cash-settled awards resulted in a gain of €28 million in fiscal 2019 and expense of €80 million in fiscal 2018. The carrying amount of liabilities from share-based payment transactions is €88 million and €176 million, respectively, as of September 30, 2019 and 2018.

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. The annual target amount for stock awards can be bound to the average of earnings per share (EPS, basic) of the past three fiscal years and/or to the share price performance of Siemens relative to the share price performance of five important competitors during the four-year restriction period. The target attainment for the performance criteria ranges between 0% and 200%. 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 and for awards granted until fiscal 2014, five years.

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

Since related taxation was not entirely certain until May 2019, Stock Awards of Siemens AG that vested in November 2018 and 2017 were settled in cash rather than in equity instruments; the fair values at modification date of €96 million and €89 million, respectively, were reclassified from equity to liabilities.

Commitments to members of the Managing Board

In fiscal 2019 and 2018, agreements were entered into which entitle members of the Managing Board to stock awards most of which are contingent upon attaining the prospective performance-based target of Siemens stock relative to five competitors. The fair value of these entitlements amounting to €11 million and €10 million, respectively, in fiscal 2019 and 2018, was calculated by applying a valuation model. In fiscal 2019 and 2018, inputs to that model include, for the majority of the stock awards granted, an expected weighted volatility of Siemens shares of 21.72% and 22.12%, respectively, and a market price of €102.42 and €114.50 per Siemens share. Expected volatility was determined by reference to historic volatilities. The model applies a risk-free interest rate of up to 0.14% and 0.08% in fiscal 2019 and 2018, respectively, and an expected dividend yield of 3.71% in fiscal 2019 and 3.24% in fiscal 2018. Assumptions concerning share price correlations were determined by reference to historic correlations.

Commitments to members of the senior management and other eligible employees

In fiscal 2019 and 2018, 3,751,556 and 1,898,517 stock awards, respectively, were granted contingent upon attaining the prospective performance-based target of Siemens stock relative to five competitors. The fair value of equity-settled stock awards amounted to €168 million and €137 million, respectively, in fiscal 2019 and 2018; fair value was calculated by applying a valuation model. In fiscal 2019 and 2018 inputs to that model include an expected weighted volatility of Siemens shares of 21.73% and 22.17%, respectively, and a market price of €98.92 and €114.80 per Siemens share. Expected volatility was determined by reference to historic volatilities. The model applies a risk-free interest rate of up to 0.16% in fiscal 2019 and up to 0.05% in fiscal 2018 and an expected dividend yield of 3.84% and 3.23% in fiscal 2019 and 2018, respectively. Assumptions concerning share price correlations were determined by reference to historic correlations.

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

	Fiscal year	
	2019	2018
Non-vested, beginning of period	**6,641,400**	6,416,946
Granted	**3,751,556**	1,898,517
Vested and fulfilled	**(603,572)**	(545,225)
Forfeited	**(386,041)**	(271,362)
Modified	**(643,619)**	(780,193)
Settled	**(17,505)**	(77,283)
Non-vested, end of period	**8,742,219**	6,641,400

SHARE MATCHING PROGRAM AND ITS UNDERLYING PLANS

In fiscal 2019, 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 2018 and 2017 are transferred to the Share Matching Plan as of February 2019 and February 2018, 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 €37 million in fiscal 2019 and 2018, respectively.

Resulting Matching Shares

	Fiscal year 2019	2018
Outstanding, beginning of period	**1,692,909**	1,850,052
Granted	**943,399**	739,238
Vested and fulfilled	**(702,125)**	(758,548)
Forfeited	**(105,092)**	(99,487)
Settled	**(43,178)**	(38,346)
Outstanding, end of period	**1,785,913**	1,692,909

The weighted average fair value of matching shares granted in fiscal 2019 and 2018 amounting to €76.76 and €89.75 per share 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 4.23 million and 4.24 million entitlements to jubilee shares outstanding as of September 30, 2019 and 2018, respectively.

NOTE 27 Personnel costs

(in millions of €)	Fiscal year 2019	2018
Wages and salaries	**25,972**	25,316
Statutory social welfare contributions and expenses for optional support	**3,984**	3,809
Expenses relating to post-employment benefits	**1,263**	1,368
	31,219	30,493

In fiscal 2019 and 2018, severance charges amount to €619 million and €923 million, respectively, thereof at Gas and Power €242 million and €374 million. Personnel costs for continuing and discontinued operations amount to €31,222 million and €30,497 million, respectively, in fiscal 2019 and 2018.

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

	Continuing operations		Continuing and discontinued operations	
	Fiscal year		Fiscal year	
(in thousands)	2019	2018	2019	2018
Manufacturing and services	**232**	231	**232**	231
Sales and marketing	**69**	67	**69**	67
Research and development	**45**	42	**45**	42
Administration and general services	**37**	37	**37**	37
	383	377	**383**	377

NOTE 28 Earnings per share

(shares in thousands; earnings per share in €)	Fiscal year 2019	2018
Income from continuing operations	**5,646**	5,996
Less: Portion attributable to non-controlling interest	**474**	313
Income from continuing operations attributable to shareholders of Siemens AG	**5,172**	5,683
Weighted average shares outstanding – basic	**807,273**	815,063
Effect of dilutive share-based payment	**10,657**	11,600
Effect of dilutive warrants	**380**	1,653
Weighted average shares outstanding – diluted	**818,309**	828,316
Basic earnings per share (from continuing operations)	**6.41**	6.97
Diluted earnings per share (from continuing operations)	**6.32**	6.86

NOTE 29 Segment information

(in millions of €)	Orders		External revenue		Intersegment Revenue		Total revenue	
	2019	Fiscal year 2018	2019	Fiscal year 2018	2019	Fiscal year 2018	2019	Fiscal year 2018
Digital Industries	**15,944**	16,287	**15,319**	14,761	**769**	826	**16,087**	15,587
Smart Infrastructure	**16,244**	15,198	**14,422**	13,627	**803**	819	**15,225**	14,445
Gas and Power	**19,975**	18,451	**17,473**	17,950	**190**	175	**17,663**	18,125
Mobility	**12,894**	11,025	**8,870**	8,770	**45**	51	**8,916**	8,821
Siemens Healthineers	**15,853**	14,506	**14,412**	13,315	**105**	110	**14,517**	13,425
Siemens Gamesa Renewable Energy	**12,749**	11,875	**10,225**	9,119	**2**	3	**10,227**	9,122
Industrial Businesses	**93,659**	87,341	**80,720**	77,542	**1,915**	1,984	**82,635**	79,526
Financial Services	**832**	825	**777**	778	**55**	46	**832**	825
Portfolio Companies	**5,806**	5,569	**4,971**	4,377	**555**	554	**5,526**	4,930
Reconciliation to Consolidated Financial Statements	**(2,298)**	(2,438)	**380**	346	**(2,525)**	(2,584)	**(2,144)**	(2,237)
Siemens (continuing operations)	**97,999**	91,296	**86,849**	83,044	**–**	–	**86,849**	83,044

NEW ORGANIZATIONAL STRUCTURE

In fiscal 2019, Siemens changed its organizational structure and adjusted the composition of its reportable segments. The previous Divisions were substituted by the Operating and Strategic Companies to give Siemens' individual businesses more entrepreneurial freedom under the strong Siemens brand in order to sharpen their focus on their respective markets. Prior year information was recast to conform to the fiscal 2019 segment reporting format.

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 and support its customers to address major technology shifts,
- Gas and Power, offers a broad spectrum of products, solutions and services for generating electricity, for producing and transporting oil and gas, as well as for downstream and oil and gas-related operations, and for installing and operating transmission grids,
- 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 a supplier of technology to the healthcare industry and a leader in diagnostic imaging and laboratory diagnostics
- Siemens Gamesa Renewable Energy, designs, develops and manufactures wind turbines, and is active in the development, construction and sale of wind farms; it provides services including management, operation and maintenance of wind farms,
- Financial Services (SFS) supports its customers' investments with leasing solutions and equipment, project and structured financing in the form of debt and equity investments.

In May 2019, Siemens announced its plans to carve out Gas and Power into a separately managed company and to spin-off the new company in connection with a subsequent public listing of the new company while maintaining significant influence. Prior to the spin-off, Siemens plans to contribute its stake in Siemens Gamesa Renewable Energy S.A. to the new company. The public listing is planned before the end of fiscal 2020.

PORTFOLIO COMPANIES (POC)

consists of a broad range of businesses, which, at the end of fiscal 2019, mainly include the business types application specific solutions (process solutions), electric motors, converters and generators (large drive applications), gear units and couplings (mechanical drives) and sorting technology and solutions for mail, parcel, baggage and cargo handling (Siemens Logistics). POC also includes at-equity investments.

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
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
2,880	2,898	10,626	9,993	2,635	2,610	316	341	668	639
1,500	1,574	5,071	4,702	1,572	1,128	247	236	273	241
679	722	12,103	12,107	863	301	309	330	533	604
983	958	3,045	2,933	903	998	175	143	184	174
2,461	2,221	13,889	12,392	1,618	1,673	575	512	620	519
482	483	3,703	3,823	408	375	498	415	647	645
8,986	8,857	48,438	45,949	8,000	7,084	2,120	1,977	2,924	2,823
632	633	29,901	27,628	621	553	27	35	220	208
(71)	(305)	1,915	1,685	45	(14)	77	88	110	121
(2,028)	(1,135)	69,995	63,653	(2,794)	(1,809)	387	500	240	267
7,518	8,050	150,248	138,915	5,872	5,814	2,610	2,602	3,494	3,419

RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS

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

Corporate items – includes corporate costs, such as group managing costs, basic research of Corporate Technology, IoT, Siemens Global Business services, corporate projects and results of corporate-related derivative activities. Corporate items also include equity interests, activities generally intended for closure as well as activities remaining from divestments and discontinued operations.

Centrally carried pension expense – includes the Company's pension related income (expense) not allocated to the segments, POC or Real Estate Services.

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. Lease transactions, however, are classified as operating leases for internal and segment reporting purposes. Intersegment transactions are based on market prices.

Revenue

Revenue includes revenue from contracts with customers and revenue from leasing activities. In fiscal 2019 and 2018, lease revenue is generated mainly at Siemens Healthineers amounting to €233 million and €179 million, Financial Services €259 million and €247 million, and Siemens Real Estate €72 million and €77 million, respectively. In fiscal 2019 and 2018, Digital industries recognized €4,039 million and €3,560 million revenue, respectively, from its software business, Smart Infrastructure recognized €5,530 million and €5,302 million in its product business and Gas and Power recognized €8,025 million and €7,756 million in its service 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. Assets of Mobility include the project-specific intercompany financing of a long-term project. Assets of Siemens Gamesa Renewable Energy and Siemens Healthineers include real estate, while real estate of all other Siemens segments is carried at SRE, except for carved-out real estate of Mobility.

Orders

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

As of September 30, 2019 and 2018, order backlog totaled €146 billion and €132 billion; thereof Digital Industries €5 billion and €5 billion, Smart Infrastructure €10 billion and €9 billion, Gas and Power €51 billion and €47 billion, Mobility €33 billion and €29 billion, Siemens Healthineers €18 billion and €16 billion and Siemens Gamesa Renewable Energy €26 billion and €23 billion. In fiscal 2020, Siemens expects to convert approximately €50 billion of the September 30, 2019 order backlog into revenue; thereof at Digital Industries approximately €4 billion, Smart Infrastructure approximately €7 billion, Gas and Power approximately €13 billion, Mobility approximately €8 billion, Siemens Healthineers approximately €6 billion and Siemens Gamesa Renewable Energy approximately €9 billion.

Free cash flow definition

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

Amortization, depreciation and impairments

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

MEASUREMENT – POC AND REAL ESTATE SERVICES

POC follows the measurement principles of the segments except for SFS. Real Estate Services applies the measurement principles of SFS.

RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS

Profit

(in millions of €)	Fiscal year 2019	2018
Real Estate Services	145	140
Corporate items	(562)	631
Centrally carried pension expense	(264)	(423)
Amortization of intangible assets acquired in business combinations	(1,133)	(1,164)
Eliminations, Corporate Treasury, and other reconciling items	(215)	(318)
Reconciliation to Consolidated Financial Statements	**(2,028)**	**(1,135)**

In fiscal 2019 and 2018, Profit of SFS includes interest income of €1,331 million and €1,220 million, respectively and interest expenses of €564 million and €495 million, respectively.

Assets

(in millions of €)	Sep 30, 2019	2018
Assets Real Estate Services	3,678	3,625
Assets Corporate items and pensions	(114)	(1,277)
Asset-based adjustments:		
Intragroup financing receivables	52,771	55,352
Tax-related assets	4,170	3,236
Liability-based adjustments	49,191	46,850
Eliminations, Corporate Treasury, other items	(39,702)	(44,133)
Reconciliation to Consolidated Financial Statements	**69,995**	**63,653**

NOTE 30 Information about geographies

	Revenue by location of customers		Revenue by location of companies		Non-current assets	
(in millions of €)	Fiscal year 2019	2018	Fiscal year 2019	2018	Sep 30, 2019	2018
Europe, C.I.S., Africa, Middle East	44,360	42,782	48,002	46,682	25,065	24,514
Americas	23,796	22,115	22,992	21,452	21,795	20,395
Asia, Australia	18,693	18,147	15,854	14,909	5,284	4,946
Siemens	**86,849**	**83,044**	**86,849**	**83,044**	**52,143**	**49,856**
thereof Germany	*12,282*	*11,729*	*18,332*	*17,270*	*8,701*	*8,343*
thereof countries outside of Germany	*74,567*	*71,315*	*68,517*	*65,773*	*43,442*	*41,513*
therein U.S.	*17,993*	*16,012*	*18,516*	*16,470*	*20,296*	*18,767*

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

NOTE 31 Related party transactions

JOINT VENTURES AND ASSOCIATES

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

	Sales of goods and services and other income		Purchases of goods and services and other expenses	
	Fiscal year		Fiscal year	
(in millions of €)	2019	2018	2019	2018
Joint ventures	629	1,574	121	124
Associates	304	264	245	244
	933	1,838	366	368

	Receivables		Liabilities	
		Sep 30,		Sep 30,
(in millions of €)	2019	2018	2019	2018
Joint ventures	175	116	171	178
Associates	42	40	216	243
	218	156	388	421

As of September 30, 2019 and 2018, guarantees to joint ventures and associates amounted to €470 million and €438 million, respectively. As of September 30, 2019 and 2018, guarantees to joint ventures amounted to €328 million and €261 million, respectively. As of September 30, 2019 and 2018, loans given to joint ventures and associates amounted to €679 million and €485 million, therein €662 million and €469 million related to joint ventures, respectively. The related book values amounted to €481 million and €388 million, therein €477 million and €385 million related to joint ventures, respectively. Valuation adjustments recognized in fiscal 2019 and 2018 reduced book values by €100 million and €17 million, therein €100 million and €21 million related to joint ventures, respectively. As of September 30, 2019 and 2018, the Company had commitments to make capital contributions of €145 million and €14 million to its joint ventures and associates, therein €127 million and €4 million related to joint ventures, respectively. As of September 30, 2019 and 2018, there were loan commitments to joint ventures amounting to €361 million and €178 million, respectively.

RELATED INDIVIDUALS

In fiscal 2019 and 2018, members of the Managing Board received cash compensation of €22.0 million and €21.9 million. The fair value of stock-based compensation amounted to €11.1 million and €9.8 million for 254,693 and 100,511 stock awards, respectively, in fiscal 2019 and 2018. For awards granted in fiscal 2019 settlement will be in shares only corresponding to the actual target attainment. Awards granted in fiscal 2018, target outperformances in excess of 100% will be settled in cash. In fiscal 2019 and 2018, the Company granted contributions under the BSAV to members of the Managing Board totaling €5.6 million and €5.4 million, respectively.

Therefore in fiscal 2019 and 2018, compensation and benefits, attributable to members of the Managing Board amounted to €38.6 million and €37.1 million in total, respectively.

In fiscal 2019 and 2018, expense related to share-based payment amounted to €4.7 million and €13.6 million, respectively.

Former members of the Managing Board and their surviving dependents received emoluments within the meaning of Section 314 para. 1 No. 6 b of the German Commercial Code totaling €21.1 million and €39.9 million in fiscal 2019 and 2018, 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, 2019 and 2018 amounted to €175.7 million and €168.2 million, respectively.

Compensation attributable to members of the Supervisory Board comprises in fiscal 2019 and 2018 of a base compensation and additional compensation for committee work and amounted to €5.1 and €5.4 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 2019 and 2018, 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 2019 and 2018 are:

	Fiscal year	
(in millions of €)	2019	2018
Audit services	**51.1**	50.6
Other attestation services	**6.1**	12.9
Tax services	**0.1**	0.2
	57.3	63.7

In fiscal 2019 and 2018, 35% and 48%, 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, attestation services related to the sustainability reporting, audits of employee benefit plans, 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, 2019, and September 30, 2019, 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 2019, Siemens Healthineers acquired Corindus Vascular Robotics, Inc., USA, which develops and provides robotic systems for minimally invasive endovascular procedures. The acquired business will be integrated into Siemens Healthineers. By combining Siemens Healthineers' cardiovascular and neurointerventional therapy systems with Corindus' innovative technology, Siemens Healthineers is able to drive procedure optimization for image-based minimally invasive therapies. The purchase price paid in cash is €1.0 billion as of the acquisition date. The purchase price allocation as of the acquisition date is not yet available. It is expected that the major part of the purchase price will be allocated to Other intangible assets and Goodwill. Resulting Other intangible assets will mainly relate to technology for robotic systems. Goodwill will comprise intangible assets that are not separable such as employee know-how and synergy effects expected by combining Corindus' robotic systems with Siemens Healthineers' therapy systems as well as its digitization and artificial intelligence solutions.

In November 2019, Siemens Healthineers acquired 75% of the ownership interest of ECG Management Consultants (ECG), a leading consulting company based in the US specializing in healthcare and providing a comprehensive suite of advisory services around strategic, financial, operational and technology-related challenges facing healthcare providers today. The business will be integrated into Siemens Healthineers and will allow its global Enterprise Services business to tap into adjacent growth markets. The preliminary purchase price paid in cash amounted to US$261 million (€234 million as of the acquisition date). In addition, financial liabilities of ECG of US$143 million (€129 million as of the acquisition date) were redeemed by Siemens Healthineers. The purchase price allocation as of the acquisition date is not yet available. It is expected that the major part of the purchase price will be allocated to Goodwill, which comprises intangible assets that are not separable such as employee know-how. The non-controlling interests of 25% will be measured at the proportionate share in the amounts of the acquired net assets (excluding goodwill).

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

September 30, 2019	Equity interest in %
SUBSIDIARIES	
Germany (136 companies)	
Adwen Blades GmbH, Stade	100
Adwen GmbH, Bremerhaven	100
Airport Munich Logistics and Services GmbH, Hallbergmoos	100[10]
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
EBV Holding Verwaltung GmbH, Oldenburg	100
eos.uptrade GmbH, Hamburg	100
evosoft GmbH, Nuremberg	100[10]
FACTA Grundstücks-Entwicklungsgesellschaft mbH & Co. KG, Munich	100[9]
Flender GmbH, Bocholt	100[10]
Flender Industriegetriebe GmbH, Penig	100[10]
Gamesa Wind GmbH, Aschaffenburg	100
HaCon Ingenieurgesellschaft mbH, Hanover	100
HSP Hochspannungsgeräte GmbH, Troisdorf	100[10]
ILLIT Grundstücksverwaltungs-Management GmbH, Grünwald	85
IPGD Grundstücksverwaltungs-Gesellschaft mbH, Grünwald	100
KACO new energy GmbH, Neckarsulm	100
KompTime GmbH, Munich	100[10]
Kyros 52 Aktiengesellschaft, Hanover	100[7]
Kyros 54 GmbH, Munich	100[7]
Kyros 58 GmbH, Munich	100[7]
Kyros 60 GmbH, Munich	100[7]
Kyros 61 GmbH, Munich	100[7]

September 30, 2019	Equity interest in %
Kyros 62 GmbH, Munich	100[7]
Kyros 63 GmbH, Munich	100[7]
Lincas Electro Vertriebsgesellschaft mbH, Grünwald	100[10]
Mentor Graphics (Deutschland) GmbH, Munich	100
Munipolis GmbH, Munich	100
NEO New Oncology GmbH, Cologne	100
Next47 GmbH, Munich	100[10]
Next47 Services GmbH, Munich	100[10]
Omnetric GmbH, Munich	100
OPTIO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Tübingen KG, Grünwald	100[9]
Partikeltherapiezentrum Kiel Holding GmbH i. L., Erlangen	100
Project Ventures Butendiek Holding GmbH, Erlangen	100[10]
Projektbau-Arena-Berlin GmbH, Grünwald	100[10]
R&S Restaurant Services GmbH, Munich	100
REMECH Systemtechnik GmbH, 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 1 GmbH & Co. KG, Grünwald	100[9]
Siemens Campus Erlangen Objekt 2 GmbH & Co. KG, Grünwald	100[9]
Siemens Campus Erlangen Objekt 3 GmbH & Co. KG, Grünwald	100[9]
Siemens Campus Erlangen Objekt 4 GmbH & Co. KG, Grünwald	100[9]
Siemens Campus Erlangen Objekt 5 GmbH & Co. KG, Grünwald	100[9]
Siemens Campus Erlangen Objekt 6 GmbH & Co. KG, Grünwald	100[9]
Siemens Campus Erlangen Objekt 7 GmbH & Co. KG, Grünwald	100[9]

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4 No control due to contractual arrangements or legal circumstances.
5 No significant influence due to contractual arrangements or legal circumstances.
6 Significant influence due to contractual arrangements or legal circumstances.
7 Not consolidated due to immateriality.
8 Not accounted for using the equity method due to immateriality.
9 Exemption pursuant to Section 264b German Commercial Code.
10 Exemption pursuant to Section 264 (3) German Commercial Code.
11 Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens fiscal year.
12 Siemens AG is a shareholder with unlimited liability of this company.
13 A consolidated affiliated company of Siemens AG is a shareholder with unlimited liability of this company.

September 30, 2019	Equity interest in %
Siemens Campus Erlangen Objektmanagement GmbH, Grünwald	100[7]
Siemens Campus Erlangen Verwaltungs-GmbH, Grünwald	100[7]
Siemens Compressor Systems GmbH, Leipzig	100[10]
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 Gamesa Renewable Energy GmbH & Co. KG, Hamburg	100[9]
Siemens Gamesa Renewable Energy Management GmbH, Hamburg	100[7]
Siemens Gas and Power GmbH & Co. KG, Munich	100[7]
Siemens Gas and Power Management GmbH, Munich	100[7]
Siemens Gas and Power Real Estate GmbH & Co. KG, Grünwald	100[7,9]
Siemens Gas and Power Real Estate Management GmbH, Grünwald	100[7]
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	85
Siemens Healthineers Beteiligungen GmbH & Co. KG, Kemnath	100
Siemens Healthineers Beteiligungen Verwaltungs-GmbH, Kemnath	100[7]
Siemens Immobilien GmbH & Co. KG, Grünwald	100[9]
Siemens Immobilien Management GmbH, Grünwald	100[7]
Siemens Industriepark Karlsruhe GmbH & Co. KG, Grünwald	100[9]
Siemens Industry Software GmbH, Cologne	100
Siemens Insulation Center GmbH & Co. KG, Zwönitz	100[9]
Siemens Insulation Center Verwaltungs-GmbH, Zwönitz	100[7]
Siemens Liquidity One, Munich	100
Siemens Logistics GmbH, Constance	100[10]
Siemens Medical Solutions Health Services GmbH, Grünwald	100
Siemens Middle East Holding GmbH & Co. KG, Grünwald	100[7]
Siemens Middle East Management GmbH, Grünwald	100[7]
Siemens Mobility GmbH, Munich	100

September 30, 2019	Equity interest in %
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
Siemens Power Control GmbH, Langen	100[10]
Siemens Private Finance Versicherungsvermittlungs-gesellschaft mbH, Munich	100[10]
Siemens Project Ventures GmbH, Erlangen	100[10]
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, Grünwald	100[9]
Siemens Technopark Nürnberg GmbH & Co. KG, Grünwald	100[9]
Siemens Technopark Nürnberg Verwaltungs GmbH, Grünwald	100
Siemens Traction Gears GmbH, Penig	100
Siemens Trademark GmbH & Co. KG, Kemnath	100[9]
Siemens Trademark Management GmbH, Kemnath	100[7]
Siemens Treasury GmbH, Munich	100[10]
Siemens Venture Capital Fund 1 GmbH, Munich	100[7]
Siemens-Fonds C-1, Munich	100
Siemens-Fonds Pension Captive, Munich	100
Siemens-Fonds S-7, Munich	100
Siemens-Fonds S-8, Munich	100
Siemensstadt Grundstücks-GmbH & Co. KG, Grünwald	100[9]
Siemensstadt Management GmbH, Grünwald	100[7]
SILLIT Grundstücks-Verwaltungsgesellschaft mbH, Munich	100
SIM 2. Grundstücks-GmbH & Co. KG, Grünwald	100[9]
SIMAR Nordost Grundstücks-GmbH, Grünwald	100[10]
SIMAR Nordwest Grundstücks-GmbH, Grünwald	100[10]
SIMAR Ost Grundstücks-GmbH, Grünwald	100[10]
SIMAR Süd Grundstücks-GmbH, Grünwald	100[10]
SIMAR West Grundstücks-GmbH, Grünwald	100[10]
SIMOS Real Estate GmbH, Munich	100[10]
SYKATEC Systeme, Komponenten, Anwendungstechnologie GmbH, Erlangen	100[10]

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September 30, 2019	Equity interest in %
Trench Germany GmbH, Bamberg	100[10]
VMZ Berlin Betreibergesellschaft mbH, Berlin	100
VVK Versicherungsvermittlungs- und Verkehrskontor GmbH, Munich	100[10]
Weiss Spindeltechnologie GmbH, Maroldsweisach	100
Windfarm 33 GmbH, Oldenburg	100
Windfarm 35 GmbH, Oldenburg	100
Windfarm 40 GmbH, Oldenburg	100
Windfarm 41 GmbH, Oldenburg	100
Windfarm Groß Haßlow GmbH, Oldenburg	100
Windfarm Ringstedt II GmbH, Oldenburg	100
Windkraft Trinwillershagen Entwicklungsgesellschaft mbH, Wiepkenhagen	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) (525 companies)	
ESTEL Rail Automation SPA, Algiers/Algeria	51
Siemens Spa, Algiers/Algeria	100
Siemens S.A., Luanda/Angola	51
Mentor Graphics Development Services CJSC, Yerevan/Armenia	100
ETM professional control GmbH, Eisenstadt/Austria	100
Flender GmbH, Vienna/Austria	100
Hochquellstrom-Vertriebs GmbH, Vienna/Austria	100
ITH icoserve technology for healthcare GmbH, Innsbruck/Austria	69
KDAG Beteiligungen GmbH, Vienna/Austria	100
Omnetric GmbH, Vienna/Austria	100
Siemens Aktiengesellschaft Österreich, Vienna/Austria	100
Siemens Gamesa Renewable Energy GmbH, Vienna/Austria	100
Siemens Gas and Power GmbH, Vienna/Austria	100[7]
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

September 30, 2019	Equity interest in %
Siemens Metals Technologies Vermögensverwaltungs GmbH, Vienna/Austria	100
Siemens Mobility GmbH, Vienna/Austria	100
Siemens Personaldienstleistungen GmbH, Vienna/Austria	100
Steiermärkische Medizinarchiv GesmbH, Graz/Austria	52
Trench Austria GmbH, Leonding/Austria	100
VVK Versicherungs-Vermittlungs- und Verkehrs-Kontor GmbH, Vienna/Austria	100
Siemens Gamesa Renewable Energy Limited Liability Company, Baku/Azerbaijan	100
Siemens W.L.L., Manama/Bahrain	51
Limited Liability Company Siemens Technologies, Minsk/Belarus	100
Dresser-Rand Machinery Repair Belgie N.V., Antwerp/Belgium	100[7]
Flender S.P.R.L., Beersel/Belgium	100
Samtech SA, Angleur/Belgium	100
Siemens Gamesa Renewable Energy Belgium BVBA, Beersel/Belgium	100
Siemens Gamesa Renewable Energy BVBA, Beersel/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 Gamesa Renewable Energy EOOD, Sofia/Bulgaria	100
Siemens Gas and Power EOOD, Sofia/Bulgaria	100[7]
Siemens Healthcare EOOD, Sofia/Bulgaria	100
Siemens Mobility EOOD, Sofia/Bulgaria	100
Siemens SARL, Abidjan/Côte d'Ivoire	100
Koncar-Energetski Transformatori, d.o.o., Zagreb/Croatia	51
Siemens d.d., Zagreb/Croatia	100
Siemens Gamesa Renewable Energy d.o.o., Zagreb/Croatia	100
Siemens Gas and Power d.o.o., Zagreb/Croatia	100[7]
Siemens Healthcare d.o.o., Zagreb/Croatia	100

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September 30, 2019	Equity interest in %
Siemens Gamesa Renewable Energy Limited, Nicosia/Cyprus	100
OEZ s.r.o., Letohrad/Czech Republic	100
Siemens Electric Machines s.r.o., Drasov/Czech Republic	100
Siemens Gas and Power, s.r.o., Prague/Czech Republic	100[7]
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 Gamesa Renewable Energy A/S, Brande/Denmark	100
Siemens Gas & Power 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 Gamesa Renewable Energy Egypt LLC, New Cairo City/Egypt	100
Siemens Healthcare Logistics LLC, Cairo/Egypt	100
Siemens Healthcare S.A.E., Cairo/Egypt	100
Siemens Mobility Egypt LLC, Cairo/Egypt	100
Siemens Technologies S.A.E., Cairo/Egypt	90
Mentor Graphics (Finland) OY, Espoo/Finland	100
Siemens Gamesa Renewable Energy Oy, Helsinki/Finland	100
Siemens Healthcare Oy, Espoo/Finland	100
Siemens Mobility Oy, Espoo/Finland	100
Siemens Osakeyhtiö, Espoo/Finland	100
VIBECO – Virtual Buildings Ecosystem Oy, Espoo/Finland	100[7]
Adwen France SAS, Puteaux/France	100
Aimsun SARL, Paris/France	100
D-R Holdings (France) SAS, Le Havre/France	100
Dresser-Rand SAS, Le Havre/France	100
Flender-Graffenstaden SAS, Illkirch-Graffenstaden/France	100
KACO new energy SARL, Croissy-Beaubourg/France	100
Mentor Graphics (France) SARL, Meudon La Forêt/France	100
Mentor Graphics Development (France) SAS, Paris/France	100

September 30, 2019	Equity interest in %
Mentor Graphics Development Crolles SARL, Monbonnot-Saint-Martin/France	100
Meta Systems SARL, Meudon La Forêt/France	100
MG P&S France SAS, Grenoble/France	100[7]
PETNET Solutions SAS, Lisses/France	100
Siemens Financial Services SAS, Saint-Denis/France	100
Siemens France Holding SAS, Saint-Denis/France	100
Siemens Gamesa Renewable Energy France SAS, Saint-Priest/France	100
Siemens Gamesa Renewable Energy S.A.S., Saint-Denis Cedex/France	100
Siemens Gamesa Renewable Energy Wind SARL, Saint-Priest/France	100
Siemens Healthcare SAS, Saint-Denis/France	100
Siemens Industry Software SAS, Châtillon/France	100
Siemens Lease Services SAS, Saint-Denis/France	100
Siemens Logistics SAS, Paris/France	100
Siemens Mobility SAS, Châtillon/France	100
Siemens SAS, Saint-Denis/France	100
Société d'Exploitation du Parc Eolien de Bonboillon SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Bouclans SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Broyes SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Cernon SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Chaintrix-Bierges SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Champsevraine, SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Chepniers SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Clamanges SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Coupetz SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Dampierre Prudemanche SAS, Saint-Priest/France	100

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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, 2019	Equity interest in %
Société d'Exploitation du Parc Eolien de Germainville SAS, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Guerfand SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de la Brie des Etangs SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de la Loye SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de la Tête des Boucs SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Landresse SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Longueville-sur-Aube SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Mailly-le-Camp SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Mantoche SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Margny SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Moulins du Puits SAS, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Orge et Ornain SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Plancy l'Abbaye SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Pouilly-sur-Vingeanne SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Pringy SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Romigny SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Saint Amand SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Saint Bon SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Saint Loup de Saintonge SAS, Saint-Priest/France	100

September 30, 2019	Equity interest in %
Société d'Exploitation du Parc Eolien de Saint-Lumier en Champagne SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Sambourg SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Savoisy SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Sceaux SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Sommesous SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Songy SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Soude SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Source de Sèves SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Souvans SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Trépot SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Vaudrey SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien de Vernierfontaine SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien d'Orchamps SARL, Saint-Priest/France	100
Société d'Exploitation du Parc Eolien du Vireaux SAS, Saint-Priest/France	100
Trench France SAS, Saint-Louis/France	100
Siemens Oil & Gas Equipment Limited, Accra/Ghana	100
Siemens A.E., Electrotechnical Projects and Products, Athens/Greece	100
Siemens Gamesa Renewable Energy AE, Filothei-Psychiko/Greece	100
Siemens Gamesa Renewable Energy Greece E.P.E., Filothei-Psychiko/Greece	100
Siemens Healthcare Industrial and Commercial Société Anonyme, Chalandri/Greece	100

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Siemens Mobility Rail and Road Transportation Solutions Société Anonyme, Athens/Greece	100
evosoft Hungary Szamitastechnikai Kft., Budapest/Hungary	100
Mentor Graphics Magyarország Kft., Budapest/Hungary	100
Siemens Gamesa Megújuló Energia Hungary Kft, Budapest/Hungary	100
Siemens Gamesa Renewable Energy Kft., Budapest/Hungary	100
Siemens Gas and Power Kft., Budapest/Hungary	100[7]
Siemens Healthcare Kft., Budapest/Hungary	100
Siemens Mobility Kft., Budapest/Hungary	100
Siemens Zrt., Budapest/Hungary	100
Siemens Gamesa Energy Tajdidpazir SSK, Teheran/Iran, Islamic Republic of	100
Siemens Sherkate Sahami (Khass), Teheran/Iran, Islamic Republic of	97
Mentor Graphics (Holdings) Unlimited Company, Shannon, County Clare/Ireland	100[13]
Mentor Graphics (Ireland) Limited, Shannon, County Clare/Ireland	100
Mentor Graphics Development Services Limited, Shannon, County Clare/Ireland	100
Siemens Gamesa Renewable Energy Ireland Limited, Dublin/Ireland	100
Siemens Gamesa Renewable Energy Limited, Dublin/Ireland	100
Siemens Healthcare Diagnostics Manufacturing Limited, Swords, County Dublin/Ireland	100
Siemens Healthcare Medical Solutions Limited, Swords, County Dublin/Ireland	100
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 Gamesa Renewable Energy Ltd, Tel Aviv/Israel	100
Siemens HealthCare Ltd., Rosh HaAyin/Israel	100
Siemens Industrial Israel Ltd., Rosh HaAyin/Israel	100[7]
Siemens Industry Software Ltd., Airport City/Israel	100

September 30, 2019	Equity interest in %
Siemens Israel Ltd., Rosh HaAyin/Israel	100
Siemens Israel Projects Ltd., Rosh HaAyin/Israel	100[7]
Siemens Mobility Ltd., Rosh HaAyin/Israel	100
UGS Israeli Holdings (Israel) Ltd., Airport City/Israel	100
Flender Italia S.r.l., Milan/Italy	100
KACO new energy Italia S.r.l., Bracciano/Italy	100
Mentor Graphics Torino S.R.L., Turin/Italy	100
Parco Eolico Banzy S.r.l., Rome/Italy	100
Parco Eolico Manca Vennarda S.r.l., Rome/Italy	100
Siemens Gamesa Renewable Energy Italia S.r.l., Milan/Italy	100
Siemens Gamesa Renewable Energy Italy, S.P.A., Rome/Italy	100
Siemens Gamesa Renewable Energy Wind S.R.L., Rome/Italy	100
Siemens Gas and Power S.r.l., Milan/Italy	100[7]
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 Renting s.r.l. in Liquidazione, Milan/Italy	100
Siemens S.p.A., Milan/Italy	100
Siemens Transformers S.r.l., Trento/Italy	100
Trench Italia S.r.l., Savona/Italy	100
Siemens Healthcare Limited Liability Partnership, Almaty/Kazakhstan	100
Siemens TOO, Almaty/Kazakhstan	100
Siemens Gamesa Renewable Energy Limited, Nairobi/Kenya	100
Siemens Electrical & Electronic Services K.S.C.C., Kuwait City/Kuwait	49[2]
Crabtree (Pty) Ltd, Maseru/Lesotho	100
D-R Luxembourg Holding 1, SARL, Luxembourg/Luxembourg	100
D-R Luxembourg Holding 2, SARL, Luxembourg/Luxembourg	100
D-R Luxembourg Holding 3, SARL, Luxembourg/Luxembourg	100
D-R Luxembourg International SARL, Luxembourg/Luxembourg	100
Dresser-Rand Holding (Delaware) LLC, SARL, Luxembourg/Luxembourg	100

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September 30, 2019	Equity interest in %
FAST TRACK DIAGNOSTICS LUXEMBOURG S.à r.l., Esch-sur-Alzette/Luxembourg	100
Siemens Mobility Holding SARL, Luxembourg/Luxembourg	100
TFM International S.A. i.L., Luxembourg/Luxembourg	100
Fast Track Diagnostics Ltd, Sliema/Malta	100
FTD Europe Ltd, Sliema/Malta	100
Siemens Gamesa Renewable Energy, SARL, Nouakchott/Mauritania	100
Siemens Gamesa Renewable Energy, Ltd, Cybercity/Mauritius	100
Siemens d.o.o., Podgorica/Montenegro	100
Guascor Maroc, S.A.R.L., Agadir/Morocco	100
Mentor Graphics Morocco SARL, Sala Al Jadida/Morocco	100
Siemens Gamesa Renewable Energy Blades, SARL AU, Tangier/Morocco	100
Siemens Gamesa Renewable Energy Morocco SARL, Tangier/Morocco	100
Siemens Gamesa Renewable Energy SARL, Casablanca/Morocco	100
Siemens Healthcare SARL, Casablanca/Morocco	100
Siemens Plant Operations Tahaddart SARL, Tangier/Morocco	100
Siemens S.A., Casablanca/Morocco	100
Castor III B.V., Amsterdam/Netherlands	100
Dresser-Rand B.V., Spijkenisse/Netherlands	100
Dresser-Rand International B.V., The Hague/Netherlands	100
Dresser-Rand Services B.V., Spijkenisse/Netherlands	100
Enlighted International B.V., Amsterdam/Netherlands	100
Flender B.V., Rotterdam/Netherlands	100
Flowmaster Group NV, Eindhoven/Netherlands	100
Mendix Technology B.V., Rotterdam/Netherlands	100
Mentor Graphics (Netherlands) B.V., Eindhoven/Netherlands	100
Minicare B.V., Amsterdam/Netherlands	100
Omnetric B.V., The Hague/Netherlands	100
Pollux III B.V., Amsterdam/Netherlands	100
Roos Holding B.V., The Hague/Netherlands	100
Siemens D-R Holding B.V., The Hague/Netherlands	100

September 30, 2019	Equity interest in %
Siemens D-R Holding II B.V., The Hague/Netherlands	100
Siemens D-R Holding III B.V., The Hague/Netherlands	100
Siemens Finance B.V., The Hague/Netherlands	100
Siemens Financieringsmaatschappij N.V., The Hague/Netherlands	100
Siemens Gamesa Renewable Energy B.V., The Hague/Netherlands	100
Siemens Gas and Power Holding B.V., The Hague/Netherlands	100
Siemens Gas Turbine Technologies Holding B.V., The Hague/Netherlands	65
Siemens Healthcare Nederland B.V., The Hague/Netherlands	100
Siemens Healthineers Holding III B.V., The Hague/Netherlands	100
Siemens Heat Transfer Technology B.V., Zoeterwoude/Netherlands	100
Siemens Industry Software and Services B.V., Rijswijk/Netherlands	100
Siemens Industry Software B.V., 's-Hertogenbosch/Netherlands	100
Siemens Industry Software Holding II B.V., The Hague/Netherlands	100
Siemens International Holding B.V., The Hague/Netherlands	100
Siemens Medical Solutions Diagnostics Holding I B.V., The Hague/Netherlands	100
Siemens Mobility B.V., The Hague/Netherlands	100
Siemens Mobility Holding B.V., The Hague/Netherlands	100
Siemens Nederland N.V., The Hague/Netherlands	100
TASS International B.V., Helmond/Netherlands	100
TASS International Holding B.V., Helmond/Netherlands	100
SIEMENS GAMESA RENEWABLE ENERGY SARL, Nouméa/New Caledonia	100
Dresser-Rand (Nigeria) Limited, Lagos/Nigeria	100
Siemens Ltd., Lagos/Nigeria	100
Dresser-Rand AS, Kongsberg/Norway	100
Siemens AS, Oslo/Norway	100

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September 30, 2019	Equity interest in %
SIEMENS GAMESA RENEWABLE ENERGY AS, Oslo/Norway	100
Siemens Healthcare AS, Oslo/Norway	100
Siemens Mobility AS, Oslo/Norway	100
Siemens L.L.C., Muscat/Oman	51
Mentor Graphics Pakistan Development (Private) Limited, Lahore/Pakistan	100
Siemens Gamesa Renewable Energy (Private) Limited, Karachi/Pakistan	100
Siemens Healthcare (Private) Limited, Lahore/Pakistan	100
Siemens Pakistan Engineering Co. Ltd., Karachi/Pakistan	75
Mentor Graphics Polska Sp. z o.o., Poznan/Poland	100
Osiek Sp. z o.o. w Likwidacji, Warsaw/Poland	100
Siemens Digital Logistics Sp. z o.o., Wroclaw/Poland	100
Siemens Finance Sp. z o.o., Warsaw/Poland	100
Siemens Gamesa Renewable Energy Poland Sp. z o.o., Warsaw/Poland	100
Siemens Gamesa Renewable Energy Sp. z o.o., Warsaw/Poland	100
Siemens Gas and Power Sp. z o.o., Warsaw/Poland	100[7]
Siemens Healthcare Sp. z o.o., Warsaw/Poland	100
Siemens Industry Software Sp. z o.o., Warsaw/Poland	100
Siemens Mobility Sp. z o.o., Warsaw/Poland	100
Siemens Sp. z o.o., Warsaw/Poland	100
Smardzewo Windfarm Sp. z o.o., Slawno/Poland	100
Ujazd Sp. z o.o., Warsaw/Poland	100
Siemens Gamesa Renewable Engergy, S.A., Venda do Pinheiro/Portugal	100
SIEMENS HEALTHCARE, UNIPESSOAL, LDA, Amadora/Portugal	100
SIEMENS MOBILITY, UNIPESSOAL LDA, Amadora/Portugal	100
Siemens Postal, Parcel & Airport Logistics, Unipessoal Lda, Lisbon/Portugal	100
Siemens S.A., Amadora/Portugal	100
Siemens W.L.L., Doha/Qatar	40[2]
GER Baneasa, S.R.L., Bucharest/Romania	100
GER Baraganu, S.R.L, Bucharest/Romania	100
GER Independenta, S.R.L., Bucharest/Romania	100
J2 Innovative Concepts Europe SRL, Bucharest/Romania	100

September 30, 2019	Equity interest in %
Mentor Graphics Romania SRL, Bucharest/Romania	100
SIEMENS (AUSTRIA) PROIECT SPITAL COLTEA SRL, Bucharest/Romania	100
Siemens Gamesa Renewable Energy Romania S.R.L., Bucharest/Romania	100
Siemens Gamesa Renewable Energy Wind Farms S.R.L., Bucharest/Romania	100
Siemens Gas and Power SRL, Bucharest/Romania	100[7]
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 Gas Turbine Technologies, Leningrad region/Russian Federation	100
OOO Siemens Industry Software, Moscow/Russian Federation	100
OOO Siemens Transformers, Voronezh/Russian Federation	100
Siemens Finance and Leasing LLC, Vladivostok/Russian Federation	100
Siemens Gamesa Renewable Energy LLC, Leningrad region/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
Dresser-Rand Arabia LLC, Al Khobar/Saudi Arabia	50[1]
ISCOSA Industries and Maintenance Ltd., Dammam/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
VA TECH T&D Co. Ltd., Riyadh/Saudi Arabia	51
Siemens d.o.o. Beograd, New Belgrade/Serbia	100

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Siemens Gas and Power d.o.o. Beograd, New Belgrade/Serbia	100[7]
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 Gas and Power d.o.o., Ljubljana/Slovenia	100[7]
Siemens Healthcare d.o.o., Ljubljana/Slovenia	100
Siemens Mobility d.o.o., Ljubljana/Slovenia	100
Crabtree South Africa Pty. Limited, Midrand/South Africa	100
Dresser-Rand Property (Pty) Ltd., Midrand/South Africa	100[7]
Dresser-Rand Service Centre (Pty) Ltd., Midrand/South Africa	100
Dresser-Rand Southern Africa (Pty) Ltd., Midrand/South Africa	100
Flender (Pty) Ltd, Johannesburg/South Africa	100
Gamesa Wind South Africa (Proprietary) Limited, Cape Town/South Africa	100
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 GAMESA RENEWABLE ENERGY (PTY) LTD, Midrand/South Africa	70
Siemens Gas & Power (Pty) Ltd, Midrand/South Africa	100[7]
Siemens Healthcare Employee Share Ownership Trust, Midrand/South Africa	0[3]
Siemens Healthcare Proprietary Limited, Halfway House/South Africa	75

September 30, 2019	Equity interest in %
SIEMENS INDUSTRY SOFTWARE SA (PTY) LTD, Centurion/South Africa	100
Siemens Mobility (Pty) Ltd, Randburg/South Africa	100
Siemens Proprietary Limited, Midrand/South Africa	70
Siemens Wind Power Employee Share Ownership Trust, Midrand/South Africa	0[3]
Adwen Offshore, S.L., Zamudio/Spain	100
Aimsun S.L., Barcelona/Spain	100
Dresser-Rand Holdings Spain S.L.U., Vitoria-Gasteiz/Spain	100
Estructuras Metalicas Singulares, S.A. Unipersonal, Tajonar/Spain	100
Fábrica Electrotécnica Josa, S.A.U., Tres Cantos/Spain	100
FLENDER IBERICA SL, Tres Cantos/Spain	100
FLOVEA SOLAR, S.L.U., Vitoria-Gasteiz/Spain	100
Gamesa Electric, S.A. Unipersonal, Zamudio/Spain	100
Gamesa Energy Transmission, S.A. Unipersonal, Zamudio/Spain	100
Gerr Grupo Energético XXI, S.A. Unipersonal, Barcelona/Spain	100
Guascor Explotaciones Energéticas, S.A., Vitoria-Gasteiz/Spain	100
Guascor Ingenieria S.A., Vitoria-Gasteiz/Spain	100
Guascor Isolux AIE, Vitoria-Gasteiz/Spain	60[7,13]
Guascor Promotora Solar, S.A., Vitoria-Gasteiz/Spain	100
International Wind Farm Developments II, S.L., Zamudio/Spain	100
International Wind Farm Developments IX, S.L., Zamudio/Spain	100
INVERSIONES SAMIAC 30, S.L.U., Vitoria-Gasteiz/Spain	100[7]
Mentor Graphics (España) SL, Madrid/Spain	100
Parque Eolico Dos Picos, S.L.U., Zamudio/Spain	100
SIEMENS ENGINES R&D, S.A.U., Vitoria-Gasteiz/Spain	100
SIEMENS ENGINES SA, Zumaia/Spain	100
Siemens Gamesa Renewable Energy 9REN, S.L., Madrid/Spain	100
Siemens Gamesa Renewable Energy Apac, S.L., Sarriguren/Spain	100

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Siemens Gamesa Renewable Energy Eolica, S.L., Valle de Egues/Eguesibar/Spain	100
Siemens Gamesa Renewable Energy Europa S.L., Zamudio/Spain	100
Siemens Gamesa Renewable Energy Iberica S.L., Tres Cantos/Spain	100
Siemens Gamesa Renewable Energy Innovation & Technology, S.L., Sarriguren/Spain	100
Siemens Gamesa Renewable Energy International Wind Services, S.A., Zamudio/Spain	100
Siemens Gamesa Renewable Energy Invest, S.A., Zamudio/Spain	100
Siemens Gamesa Renewable Energy Latam, S.L., Sarriguren/Spain	100
Siemens Gamesa Renewable Energy S.A., Zamudio/Spain	59
Siemens Gamesa Renewable Energy Wind Farms, S.A., Zamudio/Spain	100
SIEMENS 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
Sistemas Energéticos Argañoso, S.L. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos Arinaga, S.A. Unipersonal, Las Palmas de Gran Canaria/Spain	100
Sistemas Energéticos Balazote, S.A. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos Boyal, S.L., Zaragoza/Spain	60
Sistemas Energéticos Cabanelas, S.A. Unipersonal, Santiago de Compostela/Spain	100
Sistemas Energéticos Cabezo Negro, S.A. Unipersonal, Zaragoza/Spain	100
Sistemas Energéticos Carril, S.L. Unipersonal, Zamudio/Spain	100

September 30, 2019	Equity interest in %
Sistemas Energéticos Cuerda Gitana, S.A. Unipersonal, Sevilla/Spain	100
Sistemas Energéticos Cuntis, S.A. Unipersonal, Santiago de Compostela/Spain	100
Sistemas Energéticos de Tarifa, S.L. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos del Sur S.A., Sevilla/Spain	70
Sistemas Energéticos El Valle, S.L., Sarriguren/Spain	100
Sistemas Energéticos Finca San Juan, S.L.U., Las Palmas de Gran Canaria/Spain	100
Sistemas Energéticos Fonseca, S.A. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos Jaralón, S.A. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos La Cámara, S.L., Sevilla/Spain	100
Sistemas Energéticos La Plana, S.A., Villanueva de Gállego/Spain	90
Sistemas Energéticos Ladera Negra, S.A. Unipersonal, Las Palmas de Gran Canaria/Spain	100
Sistemas Energéticos Loma del Reposo, S.L. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos Loma del Viento, S.A. Unipersonal, Sevilla/Spain	100
Sistemas Energéticos Mansilla, S.L., Villarcayo de Merindad de Castilla la Vieja/Spain	78
Sistemas Energéticos Monte Genaro, S.L.U., Zamudio/Spain	100
Sistemas Energéticos Serra de Lourenza, S.A. Unipersonal, Zamudio/Spain	100
Sistemas Energéticos Sierra de Las Estancias, S.A. Unipersonal, Sevilla/Spain	100
Sistemas Energéticos Sierra de Valdefuentes, S.L.U., Zamudio/Spain	100
Sistemas Energéticos Tablero Tabordo, S.L., Las Palmas de Gran Canaria/Spain	100
Sistemas Energéticos Tomillo, S.A. Unipersonal, Las Palmas de Gran Canaria/Spain	100
Telecomunicación, Electrónica y Conmutación S.A., Madrid/Spain	100

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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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September 30, 2019	Equity interest in %
Fanbyn2 Vindenergi AB, Stockholm/Sweden	100
Lindom Vindenergi AB, Solna/Sweden	100
Lingbo SPW AB, Stockholm/Sweden	100
Mentor Graphics (Scandinavia) AB, Kista/Sweden	100
Siemens AB, Solna/Sweden	100
Siemens Financial Services AB, Stockholm/Sweden	100
Siemens Gamesa Renewable Energy AB, Stockholm/Sweden	100
SIEMENS GAMESA RENEWABLE ENERGY SWEDEN AB, Stockholm/Sweden	100
Siemens Healthcare AB, Solna/Sweden	100
Siemens Industrial Turbomachinery AB, Finspång/Sweden	100
Siemens Industry Software AB, Solna/Sweden	100
Siemens Mobility AB, Solna/Sweden	100
Dresser Rand Sales Company GmbH, Zurich/Switzerland	100
Huba Control AG, Würenlos/Switzerland	100
Komykrieng AG in Liquidation, Zurich/Switzerland	100
Mentor Graphics (Schweiz) AG, Kilchberg/Switzerland	100
Polarion AG, Zurich/Switzerland	100
Siemens Healthcare AG, Zurich/Switzerland	100
Siemens Industry Software GmbH, Zurich/Switzerland	100
Siemens Logistics AG, Zurich/Switzerland	100
Siemens Mobility AG, Wallisellen/Switzerland	100
Siemens Power Holding AG, Zug/Switzerland	100
Siemens Schweiz AG, Zurich/Switzerland	100
Siemens Tanzania Ltd. i.L., Dar es Salaam/Tanzania, United Republic of	100
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 GAMESA RENEWABLE ENERJI ANONIM SIRKETI, Kartal/Istanbul/Turkey	100
Siemens Gamesa Turkey Yenilenebilir Enerji Limited Sirketi, Kartal/Istanbul/Turkey	100

September 30, 2019	Equity interest in %
SIEMENS GAMESA YENILENEBILIR ENERJI IC VE DIS TICARET LIMITED SIRKETI, Menemen/Izmir/Turkey	100
Siemens Gas and Power Enerji Anonim Sirketi, 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
Dresser-Rand Turkmen Company, Ashgabat/Turkmenistan	100
100% foreign owned subsidiary "Siemens Ukraine", Kiev/Ukraine	100
Siemens Gamesa Renewable Energy LLC, Kiev/Ukraine	100
Siemens Gas and Power LLC, Kiev/Ukraine	100[7]
SIEMENS HEALTHCARE LIMITED LIABILITY COMPANY, Kiev/Ukraine	100
Dresser-Rand Field Operations Middle East LLC, Abu Dhabi/United Arab Emirates	49[2]
Gulf Steam Generators L.L.C., Dubai/United Arab Emirates	100
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 LLC, Abu Dhabi/United Arab Emirates	49[2]
Siemens Middle East Limited, Masdar City/United Arab Emirates	100
SIEMENS MOBILITY LLC, Dubai/United Arab Emirates	49[2]
Adwen UK Limited, Kingston Upon Hull, Yorkshire/United Kingdom	100
AIMSUN LIMITED, London/United Kingdom	100
Bargrennan Renewable Energy Park Limited, Frimley, Surrey/United Kingdom	100
ByteToken, Ltd, Edinburgh/United Kingdom	100
D-R Holdings (UK) Ltd., Frimley, Surrey/United Kingdom	100
Dresser-Rand (U.K.) Limited, Frimley, Surrey/United Kingdom	100

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6 Significant influence due to contractual arrangements or legal circumstances.
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September 30, 2019	Equity interest in %
Dresser-Rand Company Ltd., Frimley, Surrey/United Kingdom	100
Electrium Sales Limited, Frimley, Surrey/United Kingdom	100
FAST TRACK DIAGNOSTICS RESEARCH LIMITED, Dunblane/United Kingdom	100
Flender Limited, Frimley, Surrey/United Kingdom	100
Flomerics Group Limited, Frimley, Surrey/United Kingdom	100
Glenouther Renewables Energy Park Limited, Frimley, Surrey/United Kingdom	100
GyM Renewables Limited, Frimley, Surrey/United Kingdom	100
GyM Renewables ONE Limited, Frimley, Surrey/United Kingdom	100
Industrial Turbine Company (UK) Limited, Frimley, Surrey/United Kingdom	100
Lightwork Design Limited, Frimley, Surrey/United Kingdom	100
LIGHTWORKS SOFTWARE LIMITED, Frimley, Surrey/United Kingdom	100
Materials Solutions Holdings Limited, Frimley, Surrey/United Kingdom	100
Materials Solutions Limited, Frimley, Surrey/United Kingdom	100
Mendix Technology Limited, Frimley, Surrey/United Kingdom	100
Mentor Graphics (UK) Limited, Frimley, Surrey/United Kingdom	100
MRX Rail Services UK Limited, Frimley, Surrey/United Kingdom	100[7]
MRX Technologies Limited, Frimley, Surrey/United Kingdom	100
next47 Fund 2018, L.P., London/United Kingdom	100
Next47 Fund 2019, L.P., London/United Kingdom	100
Next47 Fund 2020, L.P., London/United Kingdom	100
Preactor International Limited, Frimley, Surrey/United Kingdom	100
Project Ventures Rail Investments I Limited, Frimley, Surrey/United Kingdom	100
SBS Pension Funding (Scotland) Limited Partnership, Edinburgh/United Kingdom	57[3]

September 30, 2019	Equity interest in %
Sellafirth Renewable Energy Park Limited, Frimley, Surrey/United Kingdom	100
Siemens Financial Services Holdings Ltd., Stoke Poges, Buckinghamshire/United Kingdom	100
Siemens Financial Services Ltd., Stoke Poges, Buckinghamshire/United Kingdom	100
Siemens Gamesa Renewable Energy B9 Limited, Frimley, Surrey/United Kingdom	100
Siemens Gamesa Renewable Energy Limited, Frimley, Surrey/United Kingdom	100
Siemens Gamesa Renewable Energy UK Limited, Frimley, Surrey/United Kingdom	100
Siemens Gamesa Renewable Energy Wind Limited, Frimley, Surrey/United Kingdom	100
Siemens Healthcare Diagnostics Ltd., Frimley, Surrey/United Kingdom	100
Siemens Healthcare Diagnostics Manufacturing Ltd, Frimley, Surrey/United Kingdom	100
Siemens Healthcare Diagnostics Products Ltd, Frimley, Surrey/United Kingdom	100
Siemens Healthcare Limited, Frimley, Surrey/United Kingdom	100
Siemens Holdings plc, Frimley, Surrey/United Kingdom	100
Siemens Industrial Turbomachinery Ltd., Frimley, Surrey/United Kingdom	100
Siemens Industry Software Computational Dynamics Limited, Frimley, Surrey/United Kingdom	100
Siemens Industry Software Limited, Frimley, Surrey/United Kingdom	100
Siemens Industry Software Simulation and Test Limited, Frimley, Surrey/United Kingdom	100
Siemens Mobility Limited, Frimley, Surrey/United Kingdom	100
Siemens Pension Funding (General) Limited, Frimley, Surrey/United Kingdom	100
Siemens Pension Funding Limited, Frimley, Surrey/United Kingdom	100
Siemens plc, Frimley, Surrey/United Kingdom	100

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September 30, 2019	Equity interest in %
Siemens Postal, Parcel & Airport Logistics Limited, Frimley, Surrey/United Kingdom	100
Siemens Rail Automation Limited, Frimley, Surrey/United Kingdom	100
Siemens Rail Systems Project Holdings Limited, Frimley, Surrey/United Kingdom	100
Siemens Rail Systems Project Limited, Frimley, Surrey/United Kingdom	100
Siemens Transmission & Distribution Limited, Frimley, Surrey/United Kingdom	100
The Preactor Group Limited, Frimley, Surrey/United Kingdom	100
VA TECH (UK) Ltd., Frimley, Surrey/United Kingdom	100
VA TECH T&D UK Ltd., Frimley, Surrey/United Kingdom	100
Americas (171 companies)	
Artadi S.A., Buenos Aires/Argentina	100
Guascor Argentina, S.A., Buenos Aires/Argentina	100
Siemens Healthcare S.A., Buenos Aires/Argentina	100
Siemens Industrial S.A., Buenos Aires/Argentina	100[7]
Siemens IT Services S.A., Buenos Aires/Argentina	100
Siemens Mobility S.A., Munro/Argentina	100
Siemens S.A., Buenos Aires/Argentina	100
VA TECH International Argentina SA, Buenos Aires/Argentina	100
Siemens Soluciones Tecnologicas S.A., Santa Cruz de la Sierra/Bolivia, Plurinational State of	100
Chemtech Servicos de Engenharia e Software Ltda., Rio de Janeiro/Brazil	100
Dresser-Rand do Brasil, Ltda., Santa Bárbara D'Oeste/Brazil	100
Guascor do Brasil Ltda., São Paulo/Brazil	100
Industrial Turbine Brasil Geracao de Energia Ltda., Duque de Caxias/Brazil	100
Iriel Indústria e Cómercio de Sistemas Eléctricos Ltda., Canoas/Brazil	100
Jaguarí Energética, S.A., Jaguari/Brazil	89
Siemens Gamesa Energia Renovável Ltda., Camaçari/Brazil	100
Siemens Healthcare Diagnósticos Ltda., São Paulo/Brazil	100

September 30, 2019	Equity interest in %
Siemens Industry Software Ltda., São Caetano do Sul/Brazil	100
Siemens Infraestrutura e Indústria Ltda., São Paulo/Brazil	100[7]
Siemens Ltda., São Paulo/Brazil	100
Siemens Mobility Soluções de Mobilidade Ltda., São Paulo/Brazil	100
Siemens Participações Ltda., São Paulo/Brazil	100
Siemens Wind Power Energia Eólica Ltda., São Paulo/Brazil	100
Bytemark Canada Inc., Saint John/Canada	100
Dresser-Rand Canada, ULC, Vancouver/Canada	100[13]
EPOCAL INC., Toronto/Canada	100
KACO NEW ENERGY CANADA INC., Guelph/Canada	100[7]
Mentor Graphics (Canada) ULC, Vancouver/Canada	100[13]
Siemens Canada Limited, Oakville/Canada	100
Siemens Financial Ltd., Oakville/Canada	100
Siemens Gamesa Renewable Energy Canada ULC, Halifax/Canada	100[13]
Siemens Gamesa Renewable Energy Limited, Oakville/Canada	100
Siemens Gas and Power Limited, Oakville/Canada	100[7]
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
Siemens Transformers Canada Inc., Trois-Rivières, Québec/Canada	100
Trench Limited, Saint John/Canada	100
Wheelabrator Air Pollution Control (Canada) Inc., Oakville/Canada	100
Siemens Healthcare Diagnostics Manufacturing Limited, Grand Cayman/Cayman Islands	100
Flender S.p.A., Santiago de Chile/Chile	100
Nimbic Chile S.p.A., Las Condes/Chile	100
Siemens Gamesa Renewable Energy Chile SpA, Santiago de Chile/Chile	100
Siemens Healthcare Equipos Médicos Sociedad por Acciones, Santiago de Chile/Chile	100
Siemens Mobility S.p.A., Santiago de Chile/Chile	100
Siemens S.A., Santiago de Chile/Chile	100

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September 30, 2019	Equity interest in %
Siemens Wind Power SpA, Santiago de Chile/Chile	100
Dresser-Rand Colombia S.A.S., Bogotá/Colombia	100
SIEMENS GAMESA RENEWABLE ENERGY S.A.S., Bogotá/Colombia	100
Siemens Gas and Power S.A.S., Tenjo/Colombia	100[7]
Siemens Healthcare S.A.S., Tenjo/Colombia	100
Siemens Mobility S.A.S., Tenjo/Colombia	100
Siemens S.A., Tenjo/Colombia	100
SIEMENS GAMESA RENEWABLE ENERGY, S.R.L., San José/Costa Rica	100
Siemens Healthcare Diagnostics S.A., San José/Costa Rica	100
Siemens S.A., San José/Costa Rica	100
Gamesa Dominicana, S.A.S., Santo Domingo/Dominican Republic	100
Siemens Mobility, S.R.L., Santo Domingo/Dominican Republic	100
Siemens, 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 GAMESA RENEWABLE ENERGY INSTALLATION & MAINTENANCE COMPAÑÍA LIMITADA, Guatemala/Guatemala	100
Siemens S.A., Guatemala/Guatemala	100
SIEMENS GAMESA RENEWABLE ENERGY, S.A., Tegucigalpa/Honduras	100
Siemens S.A., Tegucigalpa/Honduras	100
Central Eólica de México S.A. de C.V., Mexico City/Mexico	100
Gesa Oax I Sociedad Anomima de Capital Variable, Mexico City/Mexico	100
Gesa Oax II Sociedad de Responsabilidad Limitada de Capital Variable, Mexico City/Mexico	100
Gesa Oax III Sociedad Anomima de Capital Variable, Mexico City/Mexico	100
Gesacisa Desarolladora, S.A. de C.V., Mexico City/Mexico	100
Gesan I S.A.P.I de C.V., Mexico City/Mexico	100

September 30, 2019	Equity interest in %
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 Gas and Power Servicios, S. de R.L. de C.V., Mexico City/Mexico	100[7]
Siemens Gas and Power, S. de R.L. de C.V., Mexico City/Mexico	100[7]
Siemens Gesa Renewable Energy México, S. de R.L. de C.V., Mexico City/Mexico	100
Siemens Gesa Renewable Energy, S.A. de C.V., Mexico City/Mexico	100
Siemens Gesa Renewables Energy Services S. de R.L. de C.V., Mexico City/Mexico	100
Siemens Healthcare Diagnostics, S. de R.L. de C.V., Mexico City/Mexico	100
Siemens Healthcare Servicios S. de R.L. de C.V., Mexico City/Mexico	100
Siemens Industry Software, S.A. de C.V., Mexico City/Mexico	100
Siemens Inmobiliaria S.A. de C.V., Mexico City/Mexico	100
Siemens 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
Gamesa Eólica Nicaragua S.A., Managua/Nicaragua	100
Siemens S.A., Panama City/Panama	100
Siemens Gamesa Renewable Energy S.A.C., Lima/Peru	100
Siemens Healthcare S.A.C., Surquillo/Peru	100
Siemens Mobility S.A.C., Lima/Peru	100
Siemens S.A.C., Lima/Peru	100
Dresser-Rand Trinidad & Tobago Unlimited, Couva/Trinidad and Tobago	100[13]
Advanced Airfoil Components LLC, Wilmington, DE/United States	51
Aimsun Inc., Dover, DE/United States	100
Building Robotics Inc., Wilmington, DE/United States	100
Bytemark Inc., New York, NY/United States	95
CD-adapco Battery Design LLC, Dover, DE/United States	50[2]

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Cedar Cap Wind, LLC, Dover, DE/United States	100
Corpus Merger, Inc., Wilmington, DE/United States	100
Dedicated2Imaging LLC, Wilmington, DE/United States	80
Diversified Energy Transmissions, LLC, Salem, OR/United States	100
D-R Steam LLC, Wilmington, DE/United States	100
Dresser-Rand Company, Olean, NY/United States	100
Dresser-Rand Global Services, Inc., Wilmington, DE/United States	100
Dresser-Rand Group Inc., Wilmington, DE/United States	100
Dresser-Rand LLC, Wilmington, DE/United States	100
EcoHarmony West Wind, LLC, Minneapolis, MN/United States	100
eMeter Corporation, Wilmington, DE/United States	100
Enlighted, Inc., Wilmington, DE/United States	100
Flender Corporation, Wilmington, DE/United States	100
J2 Innovations, Inc., Diamond Bar, CA/United States	100
KACO New Energy, Inc., Wilmington, DE/United States	100
Mannesmann Corporation, New York, NY/United States	100
Mentor Graphics Corporation, Wilsonville, OR/United States	100
Mentor Graphics Global Holdings, LLC, Wilmington, DE/United States	100
Next47 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 TTGP, L.L.C., Wilmington, DE/United States	100
Nimbus Technologies, LLC, Bingham Farms, MI/United States	100
Omnetric Corp., Wilmington, DE/United States	100
P.E.T.NET Houston, LLC, Austin, TX/United States	51
PETNET Indiana, LLC, Indianapolis, IN/United States	50[1]
PETNET Solutions Cleveland, LLC, Wilmington, DE/United States	63
PETNET Solutions, Inc., Knoxville, TN/United States	100
Pocahontas Prairie Holdings, LLC, Wilmington, DE/United States	100

September 30, 2019	Equity interest in %
Pocahontas Prairie Wind, LLC, Dover, DE/United States	100
Russelectric Inc., Hingham, MA/United States	100
Siemens Capital Company LLC, Wilmington, DE/United States	100
Siemens Corporation, Wilmington, DE/United States	100
Siemens Credit Warehouse, Inc., Wilmington, DE/United States	100
Siemens Demag Delaval Turbomachinery, Inc., Hamilton, NJ/United States	100
Siemens Electrical, LLC, Wilmington, DE/United States	100
Siemens Energy, Inc., Wilmington, DE/United States	100
Siemens Field Staffing, Inc., Wilmington, DE/United States	100
Siemens Financial Services, Inc., Wilmington, DE/United States	100
Siemens Financial, Inc., Wilmington, DE/United States	100
Siemens Gamesa Renewable Energy PA, LLC, Wilmington, DE/United States	100
Siemens Gamesa Renewable Energy, Inc., Wilmington, DE/United States	100
Siemens Generation Services Company, Wilmington, DE/United States	100
Siemens Government Technologies, Inc., Wilmington, DE/United States	100
Siemens Healthcare Diagnostics Inc., Los Angeles, CA/United States	100
Siemens Healthcare Laboratory, LLC, Wilmington, DE/United States	100
Siemens Heat Transfer Technology Corp., Wilmington, DE/United States	100
Siemens Industry, Inc., Wilmington, DE/United States	100
Siemens Logistics LLC, Wilmington, DE/United States	100
Siemens Medical Solutions USA, Inc., Wilmington, DE/United States	100
Siemens Mobility, Inc, Wilmington, DE/United States	100
Siemens Molecular Imaging, Inc., Wilmington, DE/United States	100
Siemens Power Generation Service Company, Ltd., Wilmington, DE/United States	100

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September 30, 2019	Equity interest in %
Siemens Product Lifecycle Management Software Inc., Wilmington, DE/United States	100
Siemens Public, Inc., Wilmington, DE/United States	100
Siemens USA Holdings, Inc., Wilmington, DE/United States	100
SMI Holding LLC, Wilmington, DE/United States	100
Synchrony, Inc., Glen Allen, VA/United States	100
Wheelabrator Air Pollution Control Inc., Baltimore, MD/United States	100
Wind Portfolio Memberco, LLC, Dover, DE/United States	100
SIEMENS GAMESA RENEWABLE ENERGY S.R.L., Montevideo/Uruguay	100
Siemens S.A., Montevideo/Uruguay	100
Siemens Uruguay S.A., Montevideo/Uruguay	100
Dresser-Rand de Venezuela, S.A., Maracaibo/Venezuela, Bolivarian Republic of	100
Gamesa Eólica VE, C.A., Caracas/Venezuela, Bolivarian Republic of	100
Siemens Healthcare S.A., Caracas/Venezuela, Bolivarian Republic of	100[7]
Siemens Rail Automation, C.A., Caracas/Venezuela, Bolivarian Republic of	100
Siemens S.A., Caracas/Venezuela, Bolivarian Republic of	100
Dade Behring Hong Kong Holdings Corporation, Tortola/Virgin Islands, British	100
Asia, Australia (234 companies)	
Aimsun Pty Ltd, Sydney/Australia	100
Australia Hospital Holding Pty Limited, Bayswater/Australia	100
Bytemark Australia Pty Ltd, Wayville/Australia	100
CARMODY'S HILL INVESTMENT COMPANY PTY LTD, 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
Exemplar Health (SCUH) 3 Pty Limited, Bayswater/Australia	100[7]
Exemplar Health (SCUH) 4 Pty Limited, Bayswater/Australia	100[7]

September 30, 2019	Equity interest in %
Exemplar Health (SCUH) Holdings 3 Pty Limited, Bayswater/Australia	100
Exemplar Health (SCUH) Holdings 4 Pty Limited, Bayswater/Australia	100
Exemplar Health (SCUH) Trust 3, Bayswater/Australia	100
Exemplar Health (SCUH) Trust 4, Bayswater/Australia	100
Flender Pty. Ltd., Bayswater/Australia	100
J.R.B. Engineering Pty Ltd, Bayswater/Australia	100
Siemens Gamesa Renewable Energy Australia Pty Ltd, Melbourne/Australia	100
Siemens Gamesa Renewable Energy Pty Ltd, Bayswater/Australia	100
Siemens Healthcare Pty. Ltd., Melbourne/Australia	100
Siemens Industry Software Pty Ltd, Bayswater/Australia	100
Siemens Ltd., Bayswater/Australia	100
Siemens Mobility Pty Ltd, Bayswater/Australia	100
SIEMENS RAIL AUTOMATION PTY. LTD., Bayswater/Australia	100
Siemens Bangladesh Ltd., Dhaka/Bangladesh	100
Siemens Healthcare Ltd., Dhaka/Bangladesh	100
Beijing Siemens Cerberus Electronics Ltd., Beijing/China	100
Camstar Systems Software (Shanghai) Company Limited, Shanghai/China	100
Dresser-Rand Engineered Equipment (Shanghai) Co., Ltd., Shanghai/China	100
Flender Ltd., China, Tianjin/China	100
Gamesa Blade (Tianjin) Co., Ltd., Tianjin/China	100
Ganquan Chaiguanshan Wind Power Co., Ltd., Yan'an City/China	100
IBS Industrial Business Software (Shanghai), Ltd., Shanghai/China	100
Inner Mongolia Gamesa Wind Co., Ltd., Wulanchabu/China	100
Jilin Gamesa Wind Co., Ltd., Da'an/China	100
Mentor Graphics (Shanghai) Electronic Technology Co., Ltd., Shanghai/China	100
Mentor Graphics Technology (Shenzhen) Co., Ltd., Shenzhen/China	100
MWB (Shanghai) Co Ltd., Shanghai/China	65

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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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September 30, 2019	Equity interest in %
Shuangpai Majiang Wuxingling Wind Power Co., Ltd, Yongzhou/China	100
Siemens Building Technologies (Tianjin) Ltd., Tianjin/China	70
Siemens Business Information Consulting Co., Ltd, Beijing/China	100
Siemens Circuit Protection Systems Ltd., Shanghai, Shanghai/China	75
Siemens Computational Science (Shanghai) Co., Ltd, Shanghai/China	100
Siemens Eco-City Innovation Technologies (Tianjin) Co., Ltd., Tianjin/China	60
Siemens Electrical Apparatus Ltd., Suzhou, Suzhou/China	100
Siemens Electrical Drives (Shanghai) Ltd., Shanghai/China	100
Siemens Electrical Drives Ltd., Tianjin/China	85
Siemens Factory Automation Engineering Ltd., Beijing/China	100
Siemens Finance and Leasing Ltd., Beijing/China	100
Siemens Financial Services Ltd., Beijing/China	100
Siemens Gamesa Renewable Energy (Beijing) Co., Ltd., Beijing/China	100
Siemens Gamesa Renewable Energy (Shanghai) Co., Ltd., Shanghai/China	100
Siemens Gamesa Renewable Energy Technology (China) Co., Ltd., Tianjin/China	100
Siemens Gas Turbine Components (Jiangsu) Co., Ltd., Yixing/China	100
Siemens Healthcare Diagnostics Manufacturing Ltd., Shanghai, Shanghai/China	100
Siemens Healthineers Diagnostics (Shanghai) Co., Ltd., Shanghai/China	100
Siemens Healthineers Ltd., Shanghai/China	100
Siemens High Voltage Circuit Breaker Co., Ltd., Hangzhou, Hangzhou/China	51
Siemens High Voltage Switchgear Co., Ltd., Shanghai, Shanghai/China	51
Siemens Industrial Automation Products Ltd., Chengdu, Chengdu/China	100

September 30, 2019	Equity interest in %
Siemens Industrial Turbomachinery (Huludao) Co. Ltd., Huludao/China	84
Siemens Industry Software (Beijing) Co., Ltd., Beijing/China	100
Siemens Industry Software (Shanghai) Co., Ltd., Shanghai/China	100
Siemens International Trading Ltd., Shanghai, Shanghai/China	100
Siemens Investment Consulting Co., Ltd., Beijing/China	100
Siemens 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 [7]
Siemens Mobility Equipment (China) Co., Ltd, Shanghai Pilot Free Trade Zone/China	100
Siemens Mobility Rail Equipment (Tianjin) Ltd., Tianjin/China	100
Siemens Mobility Technologies (Beijing) Co., Ltd, Beijing/China	100
Siemens Numerical Control Ltd., Nanjing, Nanjing/China	80
Siemens Power Automation Ltd., Nanjing/China	100
Siemens Power Plant Automation Ltd., Nanjing/China	100
Siemens 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 Surge Arresters Ltd., Wuxi/China	100
Siemens Switchgear Ltd., Shanghai, Shanghai/China	55
Siemens Technology Development Co., Ltd. of Beijing, Beijing/China	90
Siemens Transformer (Guangzhou) Co., Ltd., Guangzhou/China	63

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September 30, 2019	Equity interest in %
Siemens Transformer (Jinan) Co., Ltd, Jinan/China	90
Siemens Transformer (Wuhan) Company Ltd., Wuhan City/China	100
Siemens Venture Capital Co., Ltd., Beijing/China	100
Siemens Wiring Accessories Shandong Ltd., Zibo/China	100
Siemens X-Ray Vacuum Technology Ltd., Wuxi, Wuxi/China	100
TASS International Co. Ltd., Shanghai/China	100
Trench High Voltage Products Ltd., Shenyang, Shenyang/China	65
Yangtze Delta Manufacturing Co. Ltd., Hangzhou, Hangzhou/China	51
Yongzhou Shuangpai Daguping Wind Power Co., Ltd., Longbo town, Yongzhou city/China	100
Camstar Systems (Hong Kong) Limited, Hong Kong/Hong Kong	100
International Wind Farm Development I Limited, Hong Kong/Hong Kong	100
International Wind Farm Development II Limited, Hong Kong/Hong Kong	100
International Wind Farm Development IV Limited, Hong Kong/Hong Kong	100
International Wind Farm Development VII Limited, Hong Kong/Hong Kong	100
Siemens Gas and Power Limited, Hong Kong/Hong Kong	100[7]
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
Anantapur Wind Farms Private Limited, Chennai/India	100
Bapuram Renewable Private Limited, Chennai/India	100
Beed Renewable Energy Private Limited, Chennai/India	100
Bhuj Renewable Private Limited, Chennai/India	100
Bytemark India LLP, Bangalore/India	100
Bytemark Technology Solutions India Pvt Ltd, Bangalore/India	100
Channapura Renewable Private Limited, Chennai/India	100
Chikkodi Renewable Power Private Limited, Chennai/India	100

September 30, 2019	Equity interest in %
Devarabanda Renewable Energy Private Limited, Chennai/India	100
Dhone Renewable Private Limited, Chennai/India	100
Dresser-Rand India Private Limited, Navi Mumbai/India	100
Enlighted Energy Systems Pvt Ltd, Chennai/India	100
Fast Track Diagnostics Asia Private Limited, New Delhi/India	100
Flomerics India Private Limited, Mumbai/India	100
Gadag Renewable Private Limited, Chennai/India	100
Gagodar Renewable Energy Private Limited, Chennai/India	100
Gangavathi Renewable Private Limited, Chennai/India	100
Ghatpimpri Renewable Private Limited, Chennai/India	100
Gudadanal Renewable Private Limited, Chennai/India	100
Hattarwat Renewable Private Limited, Chennai/India	100
Haveri Renewable Power Private Limited, Chennai/India	100
Hungund Renewable Energy Private Limited, Chennai/India	100
Jalore Wind Park Private Limited, Chennai/India	100
Jamkhandi Renewable Private Limited, Chennai/India	100
Kadapa Wind Farms Private Limited, Chennai/India	100
Kanigiri Renewable Private Limited, Chennai/India	100
Kod Renewable Private Limited, Chennai/India	100
Kollapur Renewable Private Limited, Chennai/India	100
Koppal Renewable Private Limited, Chennai/India	100
Kurnool Wind Farms Private Limited, Chennai/India	100
Kutch Renewable Private Limited, Chennai/India	100
Maski Renewable Energy Private Limited, Chennai/India	100
Mathak Wind Farms Private Limited, Chennai/India	100
Mentor Graphics (India) Private Limited, New Delhi/India	100
Mentor Graphics (Sales and Services) Private Limited, New Delhi/India	100
Nandikeshwar Renewable Energy Private Limited, Chennai/India	100
Neelagund Renewable Private Limited, Chennai/India	100
Nellore Renewable Private Limited, Chennai/India	100
Nirlooti Renewable Private Limited, Chennai/India	100
Osmanabad Renewable Private Limited, Chennai/India	100
PETNET Radiopharmaceutical Solutions Pvt. Ltd., Mumbai/India	100
Poovani Wind Farms Private Limited, Chennai/India	100

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September 30, 2019	Equity interest in %
Powerplant Performance Improvement Ltd., New Delhi/India	50[1]
Preactor Software India Private Limited, Bangalore/India	100
Rajgarh Windpark Private Limited, Chennai/India	99
Rangareddy Renewable Private Limited, Chennai/India	100
Rayachoty Renewable Private Limited, Chennai/India	100
RSR Power Private Limited, Chennai/India	100
Sankanur Renewable Energy Private Limited, Chennai/India	100
SANTALPUR RENEWABLE POWER PRIVATE LIMITED, Gujarat/India	99
Saunshi Renewable Energy Private Limited, Chennai/India	100
Shivamogga Renewable Energy Private Limited, Chennai/India	100
Siemens Factoring Private Limited, Navi Mumbai/India	100
Siemens Financial Services Private Limited, Mumbai/India	100
Siemens Gamesa Renewable Energy Engineering Centre Private Limited, Navi Mumbai/India	100
SIEMENS GAMESA RENEWABLE ENERGY PROJECTS PRIVATE LIMITED, Chennai/India	100
Siemens Gamesa Renewable Power Private Limited, Chennai/India	100
Siemens Healthcare Private Limited, Mumbai/India	100
Siemens Industry Software (India) Private Limited, New Delhi/India	100
Siemens Industry Software Computational Dynamics India Pvt. Ltd., Bangalore/India	100
Siemens Logistics India Private Limited, Navi Mumbai/India	100
Siemens Ltd., Mumbai/India	75
Siemens Rail Automation Pvt. Ltd., Navi Mumbai/India	100
Siemens Technology and Services Private Limited, Navi Mumbai/India	100
Sindhanur Renewable Energy Private Limited, Chennai/India	100
Thoothukudi Renewable Energy Private Limited, Chennai/India	100
Tirupur Renewable Energy Private Limited, Chennai/India	100
Tuljapur Wind Farms Private Limited, Chennai/India	100
Umrani Renewable Private Limited, Chennai/India	100

September 30, 2019	Equity interest in %
Uppal Renewable Private Limited, Chennai/India	100
Vempalli Renewable Energy Private Limited, Chennai/India	100
Viralipatti Renewable Private Limited, Chennai/India	100
Zalki Renewable Private Limited, Chennai/India	100
P.T. Siemens Indonesia, Jakarta/Indonesia	100
PT Dresser-Rand Services Indonesia, Cilegon/Indonesia	100
PT SAMUDIA BAHTERA, Jakarta/Indonesia	100
PT Siemens Gamesa Renewable Energy, Jakarta/Indonesia	95
PT Siemens Mobility Indonesia, Jakarta/Indonesia	100
PT. Siemens Industrial Power, Kota Bandung/Indonesia	100
Acrorad Co., Ltd., Okinawa/Japan	96
Mentor Graphics Japan Co., Ltd., Tokyo/Japan	100
Siemens Gamesa Renewable Energy Japan K.K., Kanagawa/Japan	100
Siemens Healthcare Diagnostics K.K., Tokyo/Japan	100
Siemens Healthcare K.K., Tokyo/Japan	100
Siemens K.K., Tokyo/Japan	100
Siemens PLM Software Computational Dynamics K.K., Yokohama/Japan	100
Mentor Graphics (Korea) LLC, Bundang-gu, Seongnam-si, Gyeonggi-do/Korea, Republic of	100
Siemens Gamesa Renewable Energy Limited, Seoul/Korea, Republic of	100
Siemens Healthineers Ltd., Seoul/Korea, Republic of	100
Siemens Industry Software Ltd., Seoul/Korea, Republic of	100
Siemens Ltd. Seoul, Seoul/Korea, Republic of	100
Siemens Mobility Ltd., Seoul/Korea, Republic of	100
Dresser-Rand Asia Pacific Sdn. Bhd., Kuala Lumpur/Malaysia	100
Siemens Gas and Power Sdn. Bhd., Petaling Jaya/Malaysia	100[7]
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 Gamesa Renewable Energy New Zealand Limited, Auckland/New Zealand	100

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September 30, 2019	Equity interest in %
Siemens Healthcare Limited, Auckland/New Zealand	100
Siemens Gamesa Renewable Energy, Inc., Makati City/Philippines	100
Siemens Healthcare Inc., Manila/Philippines	100
Siemens Power Operations, Inc., Manila/Philippines	100
Siemens, Inc., Manila/Philippines	100
Aimsun Pte Ltd, Singapore/Singapore	100
Flender Pte. Ltd., Singapore/Singapore	100
Mentor Graphics Asia Pte Ltd, Singapore/Singapore	100
Siemens Gamesa Renewable Energy Singapore Private Limited, Singapore/Singapore	100
Siemens Gas and Power Pte. Ltd., Singapore/Singapore	100 [7]
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
Siemens Gamesa Renewable Energy Lanka (Private) Limited, Colombo/Sri Lanka	100
Siemens Gamesa Renewable Energy Offshore Wind Limited, Taipei/Taiwan, Province of China	100
Siemens Gas and Power Limited, Taipei/Taiwan, Province of China	100 [7]
Siemens Healthcare Limited, Taipei/Taiwan, Province of China	100
Siemens Industry Software (TW) Co., Ltd., Taipei/Taiwan, Province of China	100
Siemens Limited, Taipei/Taiwan, Province of China	100
Dresser-Rand (Thailand) Limited, Rayong/Thailand	100
Siemens Gamesa Renewable Energy (Thailand) Co., Ltd., Bangkok/Thailand	100
Siemens Gamesa Renewable Energy Limited, Bangkok/Thailand	100
Siemens Healthcare Limited, Bangkok/Thailand	100
Siemens Limited, Bangkok/Thailand	99
Siemens Logistics Automation Systems Ltd., Bangkok/Thailand	100

September 30, 2019	Equity interest in %
Siemens Mobility Limited, Bangkok/Thailand	100
Siemens Gamesa Renewable Energy LLC, Ho Chi Minh City/Viet Nam	100
Siemens Healthcare Limited, Ho Chi Minh City/Viet Nam	100
Siemens Ltd., Ho Chi Minh City/Viet Nam	100
ASSOCIATED COMPANIES AND JOINT VENTURES	
Germany (29 companies)	
Alchemist Accelerator Europe Fund I GmbH & Co. KG, Grünwald	100 [4,8]
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
Infineon Technologies Bipolar GmbH & Co. KG, Warstein	40
Infineon Technologies Bipolar Verwaltungs-GmbH, Warstein	40 [8]
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]
Magazino GmbH, Munich	28
Maschinenfabrik Reinhausen GmbH, Regensburg	20
MetisMotion GmbH, Munich	23 [8]
MeVis BreastCare GmbH & Co. KG, Bremen	49
MeVis BreastCare Verwaltungsgesellschaft mbH, Bremen	49 [8]
Nordlicht Holding GmbH & Co. KG, Frankfurt	33
Nordlicht Holding Verwaltung GmbH, Frankfurt	33 [8]
OWP Butendiek GmbH & Co. KG, Bremen	23
Siemens EuroCash, Munich	5 [6]
Sternico GmbH, Wendeburg	45 [8]
Valeo Siemens eAutomotive GmbH, Erlangen	50

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Veja Mate Offshore Project GmbH, Oststeinbek	20
Voith Hydro Holding GmbH & Co. KG, Heidenheim	35
Voith Hydro Holding Verwaltungs GmbH, Heidenheim	35[8]
Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany) (62 companies)	
Armpower CJSC, Yerevan/Armenia	40
Aspern Smart City Research GmbH, Vienna/Austria	44[8]
Aspern Smart City Research GmbH & Co KG, Vienna/Austria	44
E-Mobility Provider Austria GmbH, Vienna/Austria	20[8]
SMATRICS GmbH & Co KG, Vienna/Austria	20
OIL AND GAS PROSERV LLC, Baku/Azerbaijan	25[8]
Meomed s.r.o., Prerov/Czech Republic	47[8]
BioMensio Oy, Tampere/Finland	23[8]
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
COELME – Costruzioni Elettromeccaniche S.p.A., Santa Maria di Sala/Italy	25
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
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]
GLT-PLUS V.O.F, Sappemeer/Netherlands	40[8,13]
Infraspeed EPC Consortium V.O.F., Zoetermeer/Netherlands	50[8,13]
Infraspeed Maintainance B.V., Dordrecht/Netherlands	50
Locomotive Workshop Rotterdam B.V., Zoetermeer/Netherlands	50
Screenpoint Medical B.V., Nijmegen/Netherlands	21[8]

September 30, 2019	Equity interest in %
Ural Locomotives Holding Besloten Vennootschap, The Hague/Netherlands	50
ZeeEnergie C.V., Amsterdam/Netherlands	20[6,13]
ZeeEnergie Management B.V., Eemshaven/Netherlands	20[8]
Wirescan AS, Trollaasen/Norway	36[8]
Rousch (Pakistan) Power Ltd., Islamabad/Pakistan	26
OOO Transconverter, Moscow/Russian Federation	35[8]
OOO VIS Automation mit Zusatz „Ein Gemeinschaftsunternehmen von VIS und Siemens“, Moscow/Russian Federation	49
ZAO Interautomatika, Moscow/Russian Federation	46
Impilo Consortium (Pty.) Ltd., La Lucia/South Africa	31
Ardora, S.A., Vigo/Spain	35[8]
Desgasificación de Vertederos, S.A, Madrid/Spain	50[8]
Energías Renovables San Adrián de Juarros, S.A., San Adrián de Juarros/Spain	45
EXPLOTACIONES Y MANTEMIENTOS INTEGRALES S.L., Getxo/Spain	50[8]
Gate Solar Gestión, S.L. Unipersonal, Vitoria-Gasteiz/Spain	50[8]
Hydrophytic, S.L., Vitoria-Gasteiz/Spain	50[8]
Nertus Mantenimiento Ferroviario y Servicios S.A., Madrid/Spain	51[4]
Nuevas Estrategias de Mantenimiento, S.L., San Sebastián/Spain	50
SIGLO XXI SOLAR, SOCIEDAD ANONIMA, Ciudad Real/Spain	25[8]
SISTEMAS ENERGETICOS DE TENERIFE, S.A., SANTA CRUZ DE TENERIFE/Spain	20[8]
Sistemes Electrics Espluga, S.A., Barcelona/Spain	50
Tusso Energía, S.L., Sevilla/Spain	50[8]
Windar Renovables, S.L., Avilés/Spain	32
WS Tech Energy Global S.L., Viladecans/Spain	49
Certas AG, Zurich/Switzerland	50
Interessengemeinschaft TUS, Männedorf/Switzerland	50[13]
Cross London Trains Holdco 2 Limited, London/United Kingdom	33
Ethos Energy Group Limited, Aberdeen/United Kingdom	49

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Galloper Wind Farm Holding Company Limited, Swindon, Wiltshire/United Kingdom	25
Lincs Renewable Energy Holdings Limited, London/United Kingdom	50
Plessey Holdings Ltd., Frimley, Surrey/United Kingdom	50 [8]
Primetals Technologies, Limited, London/United Kingdom	49
RWG (Repair & Overhauls) Limited, Aberdeen/United Kingdom	50
Studio Novitas Ltd., Berkhamsted, Hertfordshire/United Kingdom	21 [8]
Joint Venture Service Center, Chirchik/Uzbekistan	49 [8]
Americas (21 companies)	
Gas Natural Acu Infraestructura S.A, Rio de Janeiro/Brazil	5 [6]
GNA 1 Geração de Energia S.A., São João da Barra/Brazil	33
Micropower Comerc Energia S.A., São Paulo/Brazil	20
Union Temporal Recaudo y Tecnologia, Santiago de Cali/Colombia	20 [13]
Akuo Energy Dominicana, S.R.L, Santo Domingo/Dominican Republic	33
Energia Eólica de Mexico S.A. de C.V., Mexico City/Mexico	50
Baja Wind US LLC, Wilmington, DE/United States	50 [8]
CEF-L Holding, LLC, Wilmington, DE/United States	27
DeepHow Corp., Princeton, NJ/United States	23 [8]
First State Marine Wind, LLC, Newark, DE/United States	31 [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

September 30, 2019	Equity interest in %
Empresa Nacional De Maquinas Eléctricas ENME, S.A., Caracas/Venezuela, Bolivarian Republic of	40 [8]
Asia, Australia (24 companies)	
Exemplar Health (NBH) Partnership, Melbourne/Australia	50
Exemplar Health (SCUH) Partnership, Sydney/Australia	50
PHM Technology Pty Ltd, Melbourne/Australia	37 [8]
Beijing Jingneng International Energy Technology Co., Ltd., Beijing/China	45
DBEST (Beijing) Facility Technology Management Co., Ltd., Beijing/China	25
Guangzhou Suikai Smart Energy Co., Ltd., Guangzhou/China	35
Saitong Railway Electrification (Nanjing) Co., Ltd., Nanjing/China	50 [8]
Shanghai Electric Power Generation Equipment Co., Ltd., Shanghai/China	40
Shanghai Meiling Medical Imaging Diagnosis Center Co., Ltd., Shanghai/China	49
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
PT Asia Care Indonesia, Jakarta/Indonesia	40
PT Trafoindo Power Indonesia, Jakarta/Indonesia	49
Advance Gas Turbine Solutions SDN. BHD., Kuala Lumpur/Malaysia	43
Power Automation Pte. Ltd., Singapore/Singapore	49

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

September 30, 2019	Equity interest in %	Net income in millions of €	Equity in millions of €
OTHER INVESTMENTS[11]			
Germany (2 companies)			
BSAV Kapitalbeteiligungen und Vermögensverwaltungs Management GmbH, Grünwald	100[4,5]	18	268
Kyros Beteiligungsverwaltung GmbH, Grünwald	100[4,5]	62	519
Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany) (2 companies)			
Uhre Vindmollelaug I/S, Brande/Denmark	19[13]	0	1
Unincorporated Joint Venture Gwynt y Mor, Swindon, Wiltshire/United Kingdom	10	N/A	N/A
Americas (2 companies)			
Bentley Systems, Incorporated, Wilmington, DE/United States	12	N/A	N/A
ChargePoint, Inc., Campbell, CA/United States	5	(95)	150

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

Additional Information

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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, December 3, 2019

Siemens Aktiengesellschaft
The Managing Board

Joe Kaeser

Dr. Roland Busch

Lisa Davis

Klaus Helmrich

Janina Kugel

Cedrik Neike

Michael Sen

Prof. Dr. Ralf P. Thomas

C.2 Independent Auditor's Report

To Siemens Aktiengesellschaft, Berlin and Munich

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

OPINIONS

We have audited the consolidated financial statements of Siemens Aktiengesellschaft, Berlin and Munich, and its subsidiaries (the Group), which comprise the consolidated statements of income and comprehensive income for the fiscal year from October 1, 2018 to September 30, 2019, the consolidated statements of financial position as of September 30, 2019, the consolidated statements of cash flows and changes in equity for the fiscal year from October 1, 2018 to September 30, 2019, 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, 2018 to September 30, 2019. 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 2019 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, 2019 and of its financial performance for the fiscal year from October 1, 2018 to September 30, 2019, 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, 2018 to September 30, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

Revenue recognition on construction contracts

Reasons why the matter was determined to be a key audit matter: The Group conducts a significant portion of its business under construction contracts, particularly in the Operating Company Gas and Power and in the Strategic Companies Mobility and Siemens Gamesa Renewable Energy. 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.

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, and projects with changes in cost estimates, delays and/or low or negative margins. Our audit procedures included, among others, review of the contracts and their terms and conditions including contractually agreed partial deliveries and services, termination rights, penalties for delay and breach of contract as well as liquidated damages. In order to evaluate whether revenues were recognized on an accrual basis for the selected projects, we analyzed billable revenues and corresponding cost of sales to be recognized in the statement of income in the reporting period considering the extent of progress towards completion, and examined the accounting for the associated items in the statement of financial position. Considering the requirements of IFRS 15, we also assessed the accounting for contract amendments or contractually agreed options. We further performed inquiries of project management (both commercial and technical project managers) with respect to the development of the projects, the reasons for deviations between planned and actual costs, the current estimated costs to complete the projects, and management's assessments on probabilities that contract risks will materialize. 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 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 decommissioning and final 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 development, 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, 2019, 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 assessment of the accounting implications of changes in US tax legislation as well as related administrative regulations published in this context was of relevance for our audit.

Auditor’s response: With the assistance of internal tax specialists who have knowledge of relevant local tax law, we examined the processes installed by management and 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 2019, 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 company shares, corporate (intragroup) restructuring activities, the intragroup transfer of trademark rights, results of examinations by tax authorities, 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 particularly analyzed management's assumptions with respect to tax planning strategies and projected future taxable income and compared them to internal business plans. In the course of our audit procedures regarding deferred tax liabilities, we examined in particular the assumptions regarding reinvestment of subsidiaries' retained profits for an indefinite period and assessed these taking into account dividend planning.

We also evaluated management's assessment of the accounting implications of the changes in US tax legislation and the related administrative regulations published in this context, consulting US tax specialists to do so.

In addition, we assessed the disclosures for income taxes in the notes to the consolidated financial statements including disclosures about the expected impact of the adoption of IFRIC 23, *Uncertainty over Income Tax Treatments*, for the fiscal year beginning October 1, 2019.

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.

Changes in segment reporting

Reasons why the matter was determined to be a key audit matter: As part of the implementation of the company strategy "Vision 2020+", the management of Siemens AG changed the internal organizational structure as of April 1, 2019. As part of the new group structure, Siemens bundled its industrial businesses in three Operating Companies and three Strategic Companies. Financial Services will continue to be a reportable segment outside the Industrial Businesses. We considered the change in the reportable segments to be a key audit matter due to the importance of the segment reporting as part of capital markets communication, the high complexity of the reporting structure transition process and the associated judgments made by management with respect to the determination of the reportable segments as well as of the amounts of goodwill and their allocation to the new goodwill-carrying units.

Auditor's response: As part of our audit, we obtained an understanding of management's process for determining the reportable segments. In this regard, we evaluated whether the segment definition is consistent with the internal reporting, the full Managing Board's assessment of performance as well as the allocation of resources as part of the budgeting process, in particular by inspecting the minutes of the meetings of the Managing Board. We further assessed the determination of the goodwill-carrying units and evaluated the consistency with the internal monitoring of goodwill. With the assistance of our internal valuation specialists, we also examined the conceptual approach as well as the valuation methods applied in reallocating goodwill and evaluated the assumptions and estimates used (such as growth rates and cost of capital).

By drawing on the expertise of IT-specialists, we verified the implementation of the new reporting structure in the IT-systems, including changes to the consolidation entries, and evaluated the presentation of the prior-year segment information on a comparable basis as well as the presentation of the segment information in the notes to the consolidated financial statements and the combined management report.

Our audit procedures did not lead to any reservations relating to the changes in segment reporting.

Reference to related disclosures: With regard to the disclosures for segment reporting, refer to → NOTE 29 SEGMENT INFORMATION. For information regarding goodwill, refer to → NOTE 12 GOODWILL. Additional disclosures regarding the segments are included in the combined management report in chapter → A.1 ORGANIZATION OF THE SIEMENS GROUP AND BASIS OF PRESENTATION and chapter → A.3 SEGMENT INFORMATION.

OTHER INFORMATION

The Supervisory Board is responsible for the Report of the Supervisory Board in chapter → C.3 of the Annual Report 2019. In all other respects, management is responsible for the other information.

The other information, of which we received a version prior to issuing this auditor's report, includes:

- the Responsibility Statement in chapter → C.1 of the Annual Report 2019,
- the Report of the Supervisory Board in chapter → C.3 of the Annual Report 2019,
- Corporate Governance in chapter → C.4 of the Annual Report 2019, and
- Notes and forward-looking statements in chapter → C.5 of the Annual Report 2019.

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

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

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

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

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

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB as well as with full IFRSs as issued by the IASB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, management is responsible for such internal control as management has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, management is responsible for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as management has considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation as well as in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the IDW and in supplementary compliance with ISA will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB as well as with full IFRSs as issued by the IASB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other legal and regulatory requirements

FURTHER INFORMATION PURSUANT TO ART. 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the Annual Shareholders' Meeting on January 30, 2019. We were engaged by the Supervisory Board on January 30, 2019. 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, December 3, 2019

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 4, 2019

Dear Shareholders,

Siemens is positioning itself for the future. With its Vision 2020+ strategy, the Company is giving its businesses greater entrepreneurial freedom and focus. Management and employees are driving this major transformation of the Company with great resolve. In fiscal 2019, the Supervisory Board closely advised the Managing Board throughout the implementation of "Vision 2020+". We support the landmark decision to publicly list an independent Siemens energy company that will shape the global energy transition.

In fiscal 2019, 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 Strategic Companies. A particular focus of our activities in fiscal 2019 was the Company's strategic realignment, which we dealt with in detail at several of our meetings. We support the measures necessary for this realignment. A further focus of our activities was succession planning for the Managing Board. Taking the Company's new alignment into account, we began setting its future course in personnel-related matters.

TOPICS AT THE PLENARY MEETINGS OF THE SUPERVISORY BOARD

We held a total of six regular plenary meetings in fiscal 2019. We also made one decision by written circulation. Topics of discussion at our regular plenary meetings were revenue and profit and employment development at Siemens AG and the Siemens Group as well as the Company's financial position and the results of its operations. In addition, we concerned ourselves, as occasion required, with acquisition and divestment projects and with risks to the Company. Further topics of discussion were portfolio measures – in particular, the planned carve-out and subsequent public listing of the Gas and Power Operating Company. We received regular updates on the status of the antitrust approval process in connection with the planned combination of Siemens' Mobility business with the publicly listed company Alstom SA, France. At our meeting on May 7, 2019, we acknowledged and discussed the results of this process. We also met regularly for short periods 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.

At our meeting on November 7, 2018, we discussed the Company's key financial figures for fiscal 2018 and approved the budget for fiscal 2019. On a recommendation of the Compensation Committee and on the basis of reported target achievement, we also defined the compensation of the Managing Board members for fiscal 2018. The appropriateness of this compensation was confirmed by an internal review. On the recommendation of the Compensation Committee, we also approved the targets for Managing Board compensation for fiscal 2019. At this meeting, we approved, in addition, a share buyback program, with a volume of up to €3 billion, to run until November 2021 as well as Managing Board decisions on financing measures.

On November 28, 2018, we discussed the financial statements and the Combined Management Report for Siemens AG and the Siemens Group as of September 30, 2018, the Annual Report for 2018 – including the Report of the Supervisory Board, the Corporate Governance Report and the Compensation Report – and the agenda for the Annual Shareholders' Meeting on January 30, 2019. The Managing Board informed us about the current status of acquisitions and divestments and about the business situation and business development of the Financial Services Division. In addition, we concerned ourselves with the annual report of the Chief Compliance Officer and the report of the Cybersecurity Officer. At this meeting, we also approved the Managing Board's decisions regarding investments in two gas-fired power plants in Brazil.

At our meeting on January 29, 2019, the Managing Board reported to us on the Company's current business and financial position following the conclusion of the first quarter and on strategic options for the Power and Gas Division.

At our meeting on May 7, 2019, the Managing Board reported to us on the Company's current business and financial position following the conclusion of the second quarter. It presented the

Digital Industries Operating Company in the structure implemented as of April 1, 2019, and reported on the Operating Company's business situation, development and strategic orientation. As part of a strategy focus, we dealt extensively and in detail with the status of the implementation of the Vision 2020+ strategy, Siemens' further strategic orientation and the strategic development of the Gas and Power Operating Company. We approved the Managing Board's proposal regarding the carve-out of the Gas and Power Operating Company and its public listing via a spin-off, including the contribution of Siemens' majority stake in Siemens Gamesa Renewable Energy (SGRE). We also concerned ourselves with succession planning for the Managing Board and with the efficiency review of Supervisory Board activities.

At our meeting on July 31, 2019, the Managing Board reported to us on the Company's current business and financial position following the conclusion of the third quarter. We also discussed in detail the status of the planned spin-off of the Gas and Power Operating Company and approved the contribution of additional businesses to the future unit. As part of an innovation focus, we discussed technology trends having an impact on the Company's future business and future priorities. Key topics of consideration were the industrial Internet of Things (IoT) – and, in particular, so-called IoT platforms – as well as critical and potentially disruptive fields of technology and innovation. In addition, we concerned ourselves again with succession planning for the Managing Board and decided to extend the appointment of Managing Board member Cedrik Neike for five years until May 31, 2025. In mutual agreement with Janina Kugel, we also decided not to extend her appointment as Managing Board member and Labor Director, which will expire on January 31, 2020.

Our meeting on September 18, 2019, was held in Zug, Switzerland, the global headquarters of Siemens' Smart Infrastructure Operating Company. During a tour of the facility and its Inspiration Center, we learned, among other things, about products and solutions for distributed energy systems and intelligent buildings. At this meeting, the Managing Board reported to us on the state of the Company, provided us with an overview of Siemens' industrial core and reported on the business situation, development and strategic orientation of the Smart Infrastructure Operating Company. As part of our regular review, we adjusted – after preparation by and on a recommendation of the Compensation Committee – the amount of Managing Board compensation at the start of fiscal 2020. Against the backdrop of changing regulatory conditions and the new Group structure based on the Vision 2020+ strategy, we approved – after preparation by and on the recommendation of the Compensation Committee – an adjustment of the Managing Board's compensation system, effective the start of fiscal 2020. After preparation by and on a recommendation of the Compensation Committee, we also defined the performance criteria for the Managing Board's variable compensation for fiscal 2020. Personnel-related decisions and succession planning for the Managing Board were a further focus of the meeting. On the recommendation of the Chairman's Committee, the Supervisory Board decided to appoint Roland Busch Deputy CEO, effective October 1, 2019, and successor to Janina Kugel as Labor Director of Siemens AG, effective December 1, 2019. In addition, we were informed of a decision by the Chairman's Committee to approve the appointment of Michael Sen as Chief Executive Officer (CEO) of the Gas and Power Operating Company, effective October 1, 2019, whereby he and Lisa Davis will serve as Co-CEOs of the Operating Company until the Annual Shareholders' Meeting in 2020. Matters relating to corporate governance and, in particular, the preparation of the Declaration of Conformity with the German Corporate Governance Code were also discussed at this meeting.

CORPORATE GOVERNANCE CODE

At our meeting on September 18, 2019, 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 289F AND 315D OF THE GERMAN COMMERCIAL CODE.

WORK IN THE SUPERVISORY BOARD COMMITTEES

The Supervisory Board has established seven standing committees, which prepare proposals and issues to be dealt with at its plenary meetings. Some of the Supervisory Board's decision-making powers have also been delegated to these committees within the permissible legal framework. The committee chairpersons report to the Supervisory Board on their committees' work at the subsequent Board meetings. A list of the members and a detailed explanation of the tasks of the individual Supervisory Board committees are contained in chapter → C.4.1 MANAGEMENT AND CONTROL STRUCTURE.

The **Chairman's Committee** met 11 times. Between meetings, some of which were in the form of conference calls, I also discussed topics of major importance with the members of the Chairman's Committee. The Committee concerned itself, in particular, with personnel-related matters, long-term succession planning for the composition of the Managing Board, corporate governance issues and the acceptance by Managing Board members of positions at other companies and institutions. At a workshop, the Chairman's Committee dealt in depth with long-term succession planning for the Managing Board – and, in particular, with succession planning for the position of President and CEO.

The personnel-related matters dealt with by the Chairman's Committee included the approval of the appointment of the CEOs and Chief Operating Officers (COOs) of the Operating Companies in connection with the Company's strategic realignment. In particular, the Chairman's Committee approved the appointment of Michael Sen as CEO of the Gas and Power Operating Company, effective October 1, 2019, whereby he and Lisa Davis will serve as Co-CEOs of the Operating Company until the Annual Shareholders' Meeting in 2020.

The **Nominating Committee** met once. It concerned itself with long-term succession planning for the Supervisory Board. With a view to the regular Supervisory Board elections scheduled for 2021 and 2023, the Nominating Committee defined the topics for its work over the next few years. The Committee also considered the regulatory framework for the composition of the Supervisory Board – and, in particular, 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.

The **Mediation Committee** had no need to meet.

The **Compensation Committee** met four times. It also made one decision by written circulation. The Committee prepared, in particular, proposals for the Supervisory Board regarding the definition of targets for variable compensation, the determination and review of the appropriateness of Managing Board compensation and the approval of the Compensation Report. Against the backdrop of changing regulatory conditions and the new Company structure based on Siemens' Vision 2020+ strategy, one focus of the work of the Compensation Committee was the preparation of a proposal to the Supervisory Board regarding the adjustment of the compensation system for the Managing Board as of fiscal 2020. Independent external consultants were involved in the preparation of this proposal.

The **Innovation and Finance Committee** met three times. The focuses of its meetings included the Committee's recommendation regarding the budget for fiscal 2019, the discussion of the pension system and the Company's strategy, including portfolio measures as well as the preparation and approval of investment and divestment projects and/or financial measures. For example, the Committee prepared proposals for the Supervisory Board regarding an investment in two gas-fired power plants in Brazil and a share buyback program, with a volume of up to €3 billion, to run until November 2021. It also approved the Managing Board's decision regarding the Siemens Campus Erlangen investment project. The relevant Managing Board members informed the Innovation and Finance Committee – within the limits set by the applicable regulatory framework – about measures and decisions of fundamental importance at the Strategic Companies.

The **Audit Committee** met six times. 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. It awarded the audit contract to the independent auditors for fiscal 2019, who had been elected by the Annual Shareholders' Meeting, defined the audit focal points and determined the auditors' fee. The Committee monitored the selection, independence, qualification, rotation and efficiency of the independent auditors as well as the services they provided. It also dealt with the Company's accounting and accounting process, the effectiveness of its internal control system, its risk management system and the effectiveness, resources and findings of its internal audit as well as with reports concerning potential and pending legal disputes.

The Supervisory Board members take part, on their own responsibility, in the educational and training measures necessary in order to perform their duties – measures relating, for example, to changes in the legal framework and new, groundbreaking technologies. They are supported in this regard by the Company. 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 expertise 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 99.77%. The participation rate of individual members in the meetings of the Supervisory Board and its committees is set out in the following chart:

(Number of meetings/ participation in %)	Supervisory Board (plenary meetings)		Chairman's Committee		Compensation Committee		Audit Committee		Compliance Committee		Innovation and Finance Committee		Nomination Committee	
	No.	in %	No.	in %	No.	in %	No.	in %	No.	in %	No.	in %	No.	in %
Jim Hagemann Snabe Chairman	6/6	100	11/11	100	4/4	100	6/6	100	4/4	100	3/3	100	1/1	100
Birgit Steinborn First Deputy Chairwoman	6/6	100	11/11	100	4/4	100	6/6	100	4/4	100	3/3	100		
Werner Wenning Second Deputy Chairman	6/6	100	11/11	100	4/4	100					3/3	100	1/1	100
Werner Brandt (Dr. rer. pol.)	6/6	100					6/6	100	4/4	100				
Michael Diekmann	6/6	100			4/4	100								
Andrea Fehrmann (Dr. phil.)	6/6	100												
Reinhard Hahn (until January 30, 2019)	3/3	100												
Bettina Haller	6/6	100					6/6	100	4/4	100				
Robert Kensbock	6/6	100			4/4	100	6/6	100			3/3	100		
Harald Kern	6/6	100							4/4	100	3/3	100		
Jürgen Kerner	6/6	100	11/11	100	4/4	100	6/6	100	4/4	100	3/3	100		
Nicola Leibinger-Kammüller (Dr. phil.)	6/6	100					6/6	100	4/4	100			1/1	100
Benoît Potier	5/6	83											1/1	100
Hagen Reimer (since January 30, 2019)	3/3	100												
Norbert Reithofer (Dr.-Ing. Dr.-Ing. E.h.)	5/6	83									3/3	100		
Dame Nemat Shafik (DPhil)	5/6	83												
Nathalie von Siemens (Dr. phil.)	6/6	100									3/3	100		
Michael Sigmund	6/6	100												
Dorothea Simon	6/6	100												
Matthias Zachert	6/6	100					6/6	100	4/4	100				
Gunnar Zukunft	6/6	100												
		98		100		100		100		100		100		100

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 2019 and issued unqualified opinions for each. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (Stuttgart, Germany) has served as independent auditors of Siemens AG and the Siemens Group since fiscal 2009. Katharina Breitsameter has signed as auditor since fiscal 2016, and Thomas Spannagl has signed as auditor responsible for the audit since fiscal 2014. The Annual Financial Statements of Siemens AG and the Combined Management Report for Siemens AG and the Siemens Group were prepared in accordance with the requirements of German law. The Consolidated Financial Statements of the Siemens Group were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and with the additional requirements of German law set out in Section 315e (1) of the German Commercial Code (*Handelsgesetzbuch*). The Consolidated Financial Statements of the Siemens Group also comply with the IFRS as issued by the International Accounting Standards Board (IASB). The independent auditors conducted their audit in accordance with Section 317 of the German Commercial Code and the EU Audit Regulation and German generally accepted standards for the audit of financial statements as promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as in supplementary compliance with the International Standards on Auditing (ISA). The abovementioned documents as well as the Managing Board's proposal for the appropriation of net income were submitted to us by the Managing Board in advance. The Audit Committee discussed the dividend proposal in detail at its meeting on November 5, 2019. It discussed the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group and the Combined Management Report in detail at its meeting on December 3, 2019. In this context, the Audit Committee concerned itself, in particular, with the key audit matters described in the independent auditors' respective opinions, including the audit procedures implemented. The Audit Committee's review also covered the nonfinancial information for Siemens AG and the Siemens Group that is included in the Combined Management Report. 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 4, 2019, 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 €3.90 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 2019 be carried forward.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY AND MANAGING BOARDS

There were no changes in the composition of the Managing Board in fiscal 2019. At our meeting on July 31, 2019, we decided – in mutual agreement with Janina Kugel – not to extend her appointment as Managing Board member and Labor Director, which will expire on January 31, 2020.

Reinhard Hahn left the Supervisory Board, effective the end of the Annual Shareholders' Meeting on January 30, 2019. He was succeeded by Hagen Reimer, who was appointed to the Supervisory Board by a decision of the Charlottenburg District Court, effective the end of the Annual Shareholders' Meeting on January 30, 2019.

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 2019.

For the Supervisory Board

Jim Hagemann Snabe
Chairman

C.4 Corporate Governance

C.4.1 Management and control structure

Siemens AG is subject to German corporate law. Therefore, it has a two-tier board structure, consisting of a Managing Board and a Supervisory Board.

C.4.1.1 MANAGING BOARD

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

The Managing Board prepares the Company's Quarterly Statements and Half-year Financial Report, the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group and the Combined Management Report of Siemens AG and the Siemens Group. In addition, the Managing Board ensures that the Company adheres to statutory requirements, official regulations and internal Company policies and works to achieve compliance with these provisions and policies within the Siemens Group. The Managing Board has established a comprehensive compliance management system. 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 as approved by the Supervisory Board. As the Managing Board member with responsibility for the Human Resources portfolio, the Labor Director (*Arbeitsdirektor*) is appointed in accordance with the requirements of Section 33 of the German Codetermination Act (*Mitbestimmungsgesetz*). As a rule, first-time appointments to the Managing Board do not exceed three years.

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, profit, 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 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 Chief Human Resources Officer, the Chief Financial Officer and, as a consultative member, the Chief of Staff of Siemens AG (position currently vacant). Its members (as of September 30, 2019) are Joe Kaeser (Chairman), Janina Kugel and Prof. Dr. Ralf P. Thomas.

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 2019, the Managing Board had the following members:

Name	Date of birth	First appointed	Term expires	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises External positions (as of September 30, 2019)	Group company positions (as of September 30, 2019)
Joe Kaeser President and Chief Executive Officer	June 23, 1957	May 1, 2006	At the end of the 2021 Annual Shareholders' Meeting	German positions: › Allianz Deutschland AG, Munich › Daimler AG, Stuttgart › Mercedes-Benz AG, Stuttgart Positions outside Germany: › NXP Semiconductors N.V., Netherlands	Positions outside Germany: › Siemens Ltd., India
Roland Busch (Dr. rer. nat.)	November 22, 1964	April 1, 2011	March 31, 2021	German positions: › European School of Management and Technology GmbH, Berlin › OSRAM Licht AG, Munich (Deputy Chairman) › OSRAM GmbH, Munich (Deputy Chairman) Positions outside Germany: › Atos SE, France	German positions: › Siemens Mobility GmbH, Munich (Chairman) › Siemens Postal, Parcel & Airport Logistics GmbH, Constance Positions outside Germany: › Arabia Electric Ltd. (Equipment), Saudi Arabia › ISCOSA Industries and Maintenance Ltd., Saudi Arabia (Deputy Chairman) › Siemens Ltd., Saudi Arabia › Siemens W.L.L., Qatar › VA TECH T&D Co. Ltd., Saudi Arabia
Lisa Davis	October 15, 1963	August 1, 2014	October 31, 2020	Positions outside Germany: › Penske Automotive Group, Inc., USA	Positions outside Germany: › Siemens Gamesa Renewable Energy, S.A., Spain › Siemens Proprietary Ltd., South Africa (Chairwoman)
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	January 12, 1970	February 1, 2015	January 31, 2020	German positions: › Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit, Cologne Positions outside Germany: › Konecranes Plc., Finland	German positions: › Siemens Healthcare GmbH, Munich
Cedrik Neike	March 7, 1973	April 1, 2017	May 31, 2025		Positions outside Germany: › Siemens France Holding S.A., France › Siemens Ltd., India › Siemens Pte. Ltd., Singapore › Siemens Schweiz AG, Switzerland (Chairman)

Name	Date of birth	First appointed	Term expires	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises External positions (as of September 30, 2019)	Group company positions (as of September 30, 2019)
Michael Sen	November 17, 1968	April 1, 2017	March 31, 2022		German positions: › Siemens Healthcare GmbH, Munich (Chairman) › Siemens Healthineers AG, Munich (Chairman) Positions outside Germany: › Siemens Gamesa Renewable Energy, S.A., Spain
Ralf P. Thomas (Prof. Dr. rer. pol.)	March 7, 1961	September 18, 2013	September 17, 2023		German positions: › Siemens Healthcare GmbH, Munich › Siemens Healthineers AG, Munich Positions outside Germany: › Siemens Aktiengesellschaft Österreich, Austria › Siemens Gamesa Renewable Energy, S.A., Spain

C.4.1.2 SUPERVISORY BOARD

The Supervisory Board oversees and advises the Managing Board in its management of the Company's business. At regular intervals, the Supervisory Board discusses business development, planning, strategy and strategy implementation. It reviews the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group, the Combined Management Report of Siemens AG and the Siemens Group, and the proposal for the appropriation of net income. It approves the Annual Financial Statements of Siemens AG as well as the Consolidated Financial Statements of the Siemens Group, based on the results of the preliminary review conducted by the Audit Committee and taking into account the reports of the independent auditors. The Supervisory Board decides on the Managing Board's proposal for the appropriation of net income and the Report of the Supervisory Board to the Annual Shareholders' Meeting. In addition, the Supervisory Board and the Compliance Committee of the Supervisory Board monitor the Company's adherence to statutory provisions, official regulations and internal Company policies (compliance). The Supervisory Board also appoints the members of the Managing Board and determines each member's portfolios. 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 is to be submitted to the Annual Shareholders' Meeting in February 2020 for approval. 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 to the Supervisory Board conflicts of interest – in particular, those that could arise through the performance of advisory or governing-body functions at customers, suppliers, lenders or other third parties. Information regarding any conflicts of interest that have arisen and their handling is provided in the Report of the Supervisory Board. 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 2019, 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, 2019)
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) Positions outside Germany: › A.P. Møller-Mærsk A/S, Denmark (Chairman)
Birgit Steinborn* First Deputy Chairwoman	Chairwoman of the Central Works Council of Siemens AG	March 26, 1960	January 24, 2008	2023	
Werner Wenning Second Deputy Chairman	Chairman of the Supervisory Board of Bayer AG	October 21, 1946	January 23, 2013	2021	German positions: › Bayer AG, Leverkusen (Chairman) › Henkel AG & Co. KGaA, Düsseldorf[2] › Henkel Management AG, Düsseldorf
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) › RWE AG, Essen (Chairman)
Michael Diekmann	Chairman of the Supervisory Board of Allianz SE	December 23, 1954	January 24, 2008	2023	German positions: › Allianz SE, Munich (Chairman) › Fresenius Management SE, Bad Homburg › Fresenius SE & Co. KGaA, Bad Homburg (Deputy Chairman)
Andrea Fehrmann (Dr. phil.)*	Trade Union Secretary, IG Metall Regional Office for Bavaria	June 21, 1970	January 31, 2018	2023	
Reinhard Hahn* (until January 30, 2019)	Trade Union Secretary of the Managing Board of IG Metall	June 24, 1956	January 27, 2015	2019	German positions:[3] › Siemens Healthcare 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*	Deputy Chairman of the Central Works Council of Siemens AG	March 13, 1971	January 23, 2013	2023	
Harald Kern*	Chairman of the Siemens Europe Committee	March 16, 1960	January 24, 2008	2023	

1 As a rule, the term of office ends upon completion of the (relevant) ordinary Annual Shareholders' Meeting.
2 Shareholders' Committee.
3 As of January 30, 2019.
4 Group company position.

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, 2019)
Jürgen Kerner*	Chief Treasurer and Executive Member of the Managing Board of IG Metall	January 22, 1969	January 25, 2012	2023	German positions: › Airbus Operations GmbH, Hamburg › Flender GmbH, Bocholt › MAN Energy Solutions SE, Augsburg › MAN SE, Munich (Deputy Chairman) › MAN Truck & Bus SE, Munich › Premium Aerotec GmbH, Augsburg (Deputy Chairman) › Traton SE, Munich
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	German positions: › Axel Springer SE, Berlin Positions outside Germany: › TRUMPF Schweiz AG, Switzerland[4]
Benoît Potier	Chairman and Chief Executive Officer of Air Liquide S.A.	September 3, 1957	January 31, 2018	2023	Positions outside Germany: › Air Liquide International S.A., France (Chairman and Chief Executive Officer)[4] › Air Liquide International Corporation (ALIC), USA (Chairman)[4] › American Air Liquide Holdings, Inc., USA[4] › Danone S.A., France › The Hydrogen Company S.A., France[4]
Hagen Reimer*	Trade Union Secretary of the Managing Board of IG Metall	April 26, 1967	January 30, 2019	2023	
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) › Henkel AG & Co. KGaA, Düsseldorf[2]
Dame Nemat Shafik (DPhil)	Director of the London School of Economics	August 13, 1962	January 31, 2018	2023	
Nathalie von Siemens (Dr. phil.)	Managing Director and Spokesperson of Siemens Stiftung	July 14, 1971	January 27, 2015	2023	German positions: › Messer Group GmbH, Sulzbach › Siemens Healthcare GmbH, Munich › Siemens Healthineers AG, Munich
Michael Sigmund*	Chairman of the Committee of Spokespersons of the Siemens Group 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
Matthias Zachert	Chairman of the Board of Management of LANXESS AG	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 Shareholders' Committee.

3 As of January 30, 2019.

4 Group company position.

Supervisory Board Committees

The Supervisory Board has seven committees, whose duties, responsibilities and procedures fulfill the requirements of the German Stock Corporation Act (*Aktiengesetz*) and the 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. 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 Report as well as the Report of the Supervisory Board to the Annual Shareholders' Meeting. Furthermore, the Chairman's Committee submits recommendations to the Supervisory Board regarding the composition of the Supervisory Board committees and decides whether to approve contracts and business transactions with Managing Board members and parties related to them.

As of September 30, 2019, 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, 2019, the Compensation Committee comprised Werner Wenning (Chairman), Michael Diekmann, Robert Kensbock, Jürgen Kerner, Jim Hagemann Snabe and Birgit Steinborn.

The **Audit Committee** oversees, in particular, the accounting and the accounting process and conducts a preliminary review of the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of the Siemens Group and the Combined Management Report of Siemens AG and the Siemens Group. On the basis of the independent auditors' report on their audit of the annual financial statements, the Audit Committee makes, after its preliminary review, recommendations regarding Supervisory Board approval of the Annual Financial Statements of Siemens AG and the Consolidated Financial Statements of the Siemens Group. The Audit Committee discusses the Quarterly Statements and Half-year Financial Report with the Managing Board and the independent auditors and deals with the auditors' 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. The Audit Committee receives regular reports from the Internal Audit Department. It prepares the Supervisory Board's recommendation to the Annual Shareholders' Meeting concerning the election of the independent auditors and submits the corresponding proposal to the Supervisory Board. Prior to submitting this proposal, the Audit Committee obtains a statement from the prospective independent auditors affirming that their independence is not in question. It awards the audit contract to the independent auditors elected by the Annual Shareholders' Meeting and monitors the independent audit of the financial statements as well as the auditors' selection, independence, qualification, rotation and efficiency and the services rendered by the auditors. 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, 2019, the Audit Committee comprised Dr. Werner Brandt (Chairman), Bettina Haller, Robert Kensbock, Jürgen Kerner, Dr. Nicola Leibinger-Kammüller, Jim Hagemann Snabe, Birgit Steinborn and Matthias Zachert. The members of the Audit Committee are, as a group, familiar with the sector in which the Company operates. Pursuant to the German Stock Corporation Act, the Audit Committee must include at least one Supervisory Board member with knowledge and experience in the areas of accounting or the auditing of financial statements. Pursuant to the Code, the chairman or chairwoman of the Audit Committee shall have specialist knowledge and experience in the application of accounting principles and internal control processes, shall be independent and may not be a former Managing Board member whose appointment ended less than two years ago. The Chairman of the Audit Committee, Dr. Werner Brandt, fulfills these requirements.

The **Compliance Committee** concerns itself, in particular, with monitoring the Company's adherence to statutory provisions, official regulations and internal Company policies (compliance).

As of September 30, 2019, the Compliance Committee comprised Jim Hagemann Snabe (Chairman), Dr. Werner Brandt, Bettina Haller, Harald Kern, Jürgen Kerner, Dr. Nicola Leibinger-Kammüller, Birgit Steinborn and Matthias Zachert.

The **Nominating Committee** is responsible for making recommendations to the Supervisory Board on suitable candidates for election by the Annual Shareholders' Meeting as shareholder representatives on the Supervisory Board. In preparing these recommendations, the objectives defined by the Supervisory Board for its composition and the approved diversity concept – in particular, independence and diversity – are to be appropriately considered, as are the proposed candidates' required knowledge, abilities and professional experience. Fulfillment of the required profile of skills and expertise is also to be aimed at. Attention shall be paid to an appropriate participation of women and men in accordance with the legal requirements relating to the gender quota as well as to ensuring that the members of the Supervisory Board are, as a group, familiar with the sector in which the Company operates.

As of September 30, 2019, 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, 2019, 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, 2019, the Innovation and Finance Committee comprised Jim Hagemann Snabe (Chairman), Robert Kensbock, Harald Kern, Jürgen Kerner, Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer, Dr. Nathalie von Siemens, Birgit Steinborn and Werner Wenning.

Supervisory Board efficiency review

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 2019, the Supervisory Board conducted an internal efficiency review. At its meeting on May 7, 2019, 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 reaches or exceeds €5,000 in any calendar year. All transactions reported to Siemens AG in accordance with this requirement have been duly published and are available on the 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 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 proposals regarding the proposals of the Managing and Supervisory Boards and may contest decisions of the Annual Shareholders' Meeting. Shareholders owning Siemens stock with an aggregate notional value of €100,000 or more may also demand the judicial appointment of special auditors to examine specific issues. The reports, documents and information required by law for the Annual Shareholders' Meeting, including the Annual Report, can be downloaded from 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.

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, 2019:

"Declaration 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, 2018, Siemens AG has complied, and will continue to comply, with all recommendations of the Government Commission on the German Corporate Governance Code ('Code') in the version of February 7, 2017, published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (*Bundesanzeiger*), with the following exception:

Since September 24, 2019, Siemens AG has not complied with the recommendation in Section 5.4.5 para. 1 sent. 2 of the 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 supervisory bodies of non-group entities that make similar requirements.

Instead of regarding the recommended maximum number of mandates as a rigid upper limit, it is to be possible to perform a case-by-case assessment to determine if the number of mandates accepted by a Managing Board member is deemed appropriate within the meaning of Section 5.4.5 para. 1 sent. 2 of the Code. This assessment is to consider the expected personal workload caused by the accepted mandates, which can differ depending on the specific mandates.

Berlin and Munich, October 1, 2019

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 one exception:

Pursuant to Section 3.7 para. 3 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.

Further corporate governance practices applied beyond legal requirements are contained in our Business Conduct Guidelines.

Our Company's values and Business Conduct Guidelines

In the 172 years of its existence, our Company has built an excellent reputation around the world. Technical performance, innovation, quality, reliability, and international engagement have made Siemens a leading company in electrification, automation and digitalization. It is top performance with the highest ethics that has made Siemens strong. This is what the Company will continue to stand for in the future.

The Business Conduct Guidelines provide the ethical and legal framework within which we want to 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 and the Supervisory Board and their committees can be found in chapter → C.4.1 MANAGEMENT AND CONTROL STRUCTURE. Further details can be derived from the bylaws for the corporate bodies concerned.

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 2/8 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 management and leadership experience required for their specific tasks, the Managing Board members shall have the broadest possible range of knowledge and experience and the widest possible educational and professional backgrounds.
- Taking the Company's international orientation into account, the composition of the Managing Board shall reflect internationality with respect to different cultural backgrounds and international experience (such as extensive professional experience in foreign countries and responsibility for business activities in foreign countries in areas that are relevant for Siemens).
- As a group, the Managing Board shall have experience in the business areas that are important for Siemens – in particular, in the industry, energy, healthcare and infrastructure sectors.
- As a group, the Managing Board shall have many years of experience in technology (including information technology and digitalization), research and development, procurement, manufacturing and sales, finance, law (including compliance) and human resources.
- When selecting individuals for Managing Board positions, the targets set by the Supervisory Board for the proportion of women on the Managing Board shall be taken into account. The Supervisory Board has established as a target that – until June 30, 2022 – 25% (2/8) of the Managing Board positions are to be held by women.
- It is considered helpful if different age groups are represented on the Managing Board. In accordance with the recommendation of the Code, the Supervisory Board has defined an age limit for the members of the Managing Board. In keeping with this limit, the members of the Managing Board are, as a rule, to be not older than 63 years of age.

When making an appointment to a specific Managing Board position, the decisive factor is always the Company's best interest, taking into consideration all circumstances in the individual case."

Status of implementation of the diversity concept for the Managing Board

The diversity concept for the Managing Board is implemented as part of the process for making appointments to the Managing Board. When selecting candidates and/or making proposals for the appointment of Managing Board members, the Supervisory Board and the Chairman's Committee of the Supervisory Board take into account the requirements defined in the diversity concept for the Managing Board.

With its current composition, the Managing Board meets all the requirements of its diversity concept. The Managing Board members have a broad range of knowledge, experience and educational and professional backgrounds as well as international experience. The Managing Board has all the knowledge and experience that is considered essential in view of Siemens' activities. As a group, the Managing Board has experience in the business areas that are important for Siemens – in particular, in the industry, energy, healthcare and infrastructure sectors – as well as many years of experience in technology (including information technology and digitalization), research and development, procurement, manufacturing and sales, finance, law (including compliance) and human resources.

In fiscal 2019, the Managing Board comprised two women and six men. In fiscal 2019, the proportion of women on the Managing Board therefore met the target that has been set by the Supervisory Board and will apply until June 30, 2022. Different age groups are represented on the Managing Board. No Managing Board member is currently older than 63 years of age.

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

The diversity concept for the Supervisory Board, together with the objectives regarding the Supervisory Board's composition and the profile of required skills and expertise for the Supervisory Board, were approved by the Supervisory Board in September 2018:

"The composition of the Supervisory Board of Siemens AG shall be such that the Supervisory Board's ability to effectively monitor and advise the Managing Board is ensured. In this connection, mutually complementary collaboration among members with a wide range of personal and professional backgrounds and diversity with regard to internationality, age and gender are considered helpful.

Profile of required skills and expertise

The candidates proposed for election to the Supervisory Board shall have the knowledge, skills and experience necessary to carry out the functions of a Supervisory Board member in a multinational company 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

An adequate number of independent members shall belong to the Supervisory Board. Material and not merely temporary conflicts of interest, such as advisory or governing-body functions at major competitors of the Company, shall be avoided. Under the presumption that the mere exercise of Supervisory Board duties as an employee representative gives no cause to doubt compliance with the independence criteria pursuant to Section 5.4.2 of the Code, the Supervisory Board shall have a minimum of 16 members who are independent in the meaning of the Code. In any case, the Supervisory Board shall be composed in such a way that a number of at least six independent shareholder representatives in the meaning of Section 5.4.2 of the Code is achieved.

No more than two former members of the Managing Board of Siemens AG shall belong to the Supervisory Board.

The Supervisory Board members shall have sufficient time to exercise their mandates with the necessary regularity and diligence.

Limits on age and on length of membership

In compliance with the age limit stipulated by the Supervisory Board in its Bylaws, only individuals who are no older than 70 years of age shall, as a rule, be nominated for election to the Supervisory Board. Nominations shall take into account the regular limit established by the Supervisory Board, which restricts membership on the Supervisory Board to a maximum of three full terms of office (15 years). 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. Most recently, the Supervisory Board took into account these objectives and requirements, including those relating to the profile of required skills and expertise, when proposing candidates for election as shareholder representatives to the Annual Shareholders' Meeting in 2018.

The 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 2019, the Supervisory Board had seven female members, of whom three are shareholder representatives and four are employee representatives. As a result, 35% of the Supervisory Board members are women. Dr. Nicola Leibinger-Kammüller is a member of the Nominating Committee.

The Supervisory Board is of the opinion that it also has an adequate number of independent members. In its estimation, there are currently at least 18 Supervisory Board members who are independent in the meaning of Section 5.4.2 of the Code. Of these independent members, at least eight – namely, Dr. Werner Brandt, Michael Diekmann, Benoît Potier, Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer, Dame Nemat Shafik (DPhil), Jim Hagemann Snabe, Werner Wenning and Matthias Zachert – are shareholder representatives. The regulations establishing limits on age and restricting membership in the Supervisory Board to three full terms of office (15 years) are complied with.

C.5 Notes and forward-looking statements

This document contains statements related to our future business and financial performance and future events or developments involving Siemens that may constitute forward-looking statements. These statements may be identified by words such as "expect," "look forward to," "anticipate," "intend," "plan," "believe," "seek," "estimate," "will," "project" or words of similar meaning. We may also make forward-looking statements in other reports, 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, 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 2019" which reports on Sustainability and Citizenship at Siemens is available at: WWW.SIEMENS.COM/INVESTOR/EN/

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