SIEMENS energy

Annual Report 2020

Getting Started

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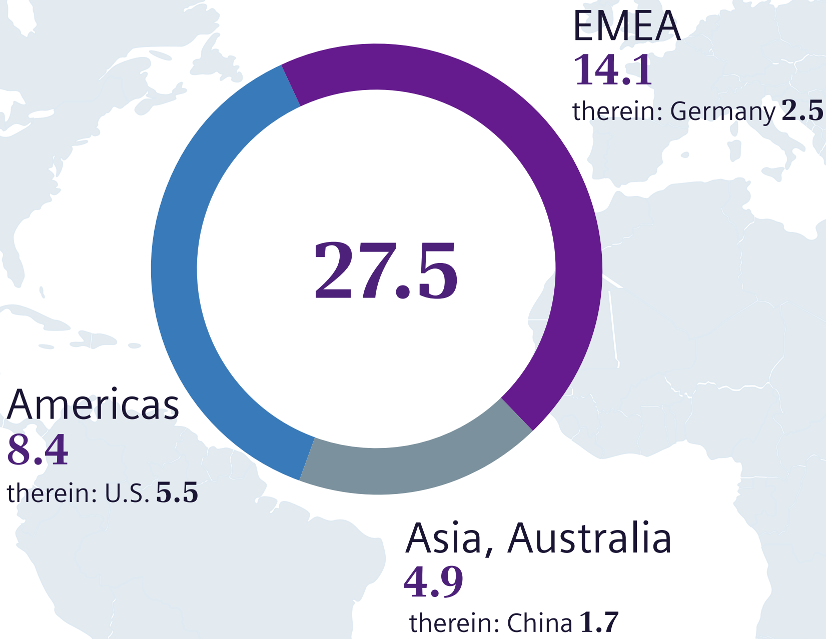
Siemens Energy Group at a glance

Revenue distribution
(in billions of €)



Adjusted EBITA margin before Special items
0.06%

Net income (loss)
(in millions of €)
(1,859)

Free cash flow pre tax
(in millions of €)
977

Order backlog
(in millions of €)
78,561

Orders
(in millions of €)
34,001

Cash conversion rate
(0.4)

Book-to-bill ratio
1.2

Basic EPS
€(2.21)

Employees Ø
(in thousands)
92

Content

Reference logic

Reference within the report

Link to an external reference

Letter to our Shareholders

Dear Shareholders

Many of you decided to remain owners of Siemens Energy AG following the Spin-Off from Siemens AG and our public listing in September 2020. Other investors have since joined us, and you all rightly expect us to help shape the energy world of tomorrow and create sustainable value as we do so. On behalf of our 93 thousand employees (Status: Sep. 30, 2020) at Siemens Energy, we thank you for your trust.

With the listing on September 28, 2020 on the Frankfurt Stock Exchange, we started a new chapter in Siemens' energy business. Siemens Energy AG is now an independent company that makes its own decisions and acts on them. Although technically we are a very young company, our tradition dates back to 1866, the year in which Werner von Siemens, engineer and company founder, discovered the dynamoelectric principle and laid the foundation for modern energy technology.

Siemens Energy will locate its Corporate Center in Berlin and thus return to the place where Siemens was originally founded. The company's registered seat will remain in Munich. The overall decentralized approach with functions at sites all over the world reflects the international setup of our businesses. Today, we are active in more than 90 countries, and around one-sixth of the world's energy generation is based on technology from Siemens Energy.

As a globally operating energy technology company, we bear special responsibility in the fight against climate change. We support our customers in meeting the growing demand for energy and help them reduce their emissions.

We are focusing our business on three areas. First, on power generation with its ever-lower emissions by, for example, improving efficiencies of gas turbines; by shifting from coal to gas; and by using wind power, eliminating emissions entirely. Second, on efficient transmission and storage of electricity in energy systems. And third, on the consumption side by reducing CO_2 emissions in entire sectors like the process industries. Overall, sustainable solutions already generate more than 50% of Siemens Energy's revenue.

The World Energy Outlook 2020 issued by the International Energy Agency (IEA) assumes that both electricity consumption and generation capacity will continue to increase in the coming decades. Depending on the scenario, the IEA expects electricity consumption to grow by up to 50% by 2040 compared to 2019. Industries will be progressively electrified, electromobility will steadily gain importance, and we must not forget that around 770 million people worldwide still have no access to electricity.

At the same time, we need to – step-by-step – gear the world toward sustainability. The share of renewables in the energy mix will continue to grow rapidly – and this is good. Yet for a transition period, we will still need conventional energy sources – primarily gas. Only then can we satisfy growing demand, secure supplies and drastically reduce emissions by, for example, modernizing outdated power plants.

As much as we would like it to happen, the global energy system will not be made climate-neutral overnight. Given this reality, we must embrace new answers but also have the courage for interim solutions. Siemens Energy has both. We offer everything from highly efficient gas turbines and efficient transmission technologies such as high-voltage, direct-current systems, to products and solutions supplying energy to industry, and cutting-edge technologies like electrolyzers for producing green hydrogen.

We adjusted our coal strategy. Siemens Energy will no longer participate in new tenders for pure coal-fired power plants. We will still meet the existing commitments for coal-fired power plant projects, including binding offers. And we will also continue our CO_2-reducing service and solutions business as well as our combined heat and power (CHP) projects. With this step, Siemens Energy is continuing its transformation toward a more sustainable and growth-oriented portfolio.

And how did fiscal 2020 turn out? Siemens Energy's operative business developed solidly for the year despite the COVID-19 pandemic and geopolitical uncertainties. We met our outlook. Order intake rose by one percent to €34 billion, while revenue was down five percent to €27.5 billion. Our order backlog at the end of the fiscal year was €79 billion. Our adjusted EBITA before Special items was a negative €17 million, slightly below break-even, while the adjusted EBITA margin before Special items was a negative 0.1 percent. Group loss was €1.9 billion, primarily due to impairments and write-downs for the business with aeroderivative gas turbines, severance charges and stand-alone costs adding up to around €1.5 billion. The free cash flow before taxes was a satisfying €977 million. Basic earnings per share was a negative €2.21.

Siemens Energy will not distribute a dividend for fiscal 2020. For the following fiscal years, we intend to propose at our Annual Shareholders' Meetings a dividend whose distribution volume is 40 to 60 percent of the Group's net income attributable to shareholders of Siemens Energy AG.

The support of our customers was secured at all times even in the face of the pandemic. Furthermore, we initiated a number of measures to improve our operational performance, including the optimization of our portfolio by increasing our stake in Siemens Gamesa to 67 percent and making adjustments in the aeroderivative gas turbine business due to the persisting low market demand. Our programs to increase efficiency and reduce costs, GP2020+ and PG2020, are continuing and rigorously implemented. We will also be setting further cost reduction targets in "Accelerating Impact", the first phase of our "Energy of Tomorrow" transformation program. They are necessary to raise Siemens Energy's profitability to a higher level.

"Energy of Tomorrow" is a journey of transformation over several years. In the first phase running up to 2023, we will concentrate on improving our business basis. This is quite often about the "how". In other words, how we approach things and how we can make things faster, better and more efficient, from our setup to the execution of projects. We will concentrate on three points: strengthening our operational performance; further expanding our cooperation with customers and partners in innovations; and optimizing our portfolio with a focus on sustainability and services for supporting the energy transition.

The second phase is called "Leading the Energy Transformation". We want to lead the transformation of the energy industry from a higher level of profitability. Our goal is to work with our customers to develop and implement sustainable energy solutions and shape energy systems in industries and entire countries. Companies that want to drive the transition of the energy industry must be data-driven. To this end, we will make better use of the opportunities offered by digitalization both in our own workflows and processes as well as for our customers.

Siemens Energy will focus even more intensively on growth fields and invest in these fields. We will continue expanding our service business because it secures solid margins, improves our resilience and provides better planning reliability.

We want to use 2021 and become faster, more agile and more efficient – all the while increasing our profitability. We aspire to be the most valued energy technology company in the world – and we are working toward that goal.

And what do we mean by "valued"? For customers, it means that we offer the best technologies and services. For employees, it means that we are an excellent employer that values safety, further trains and qualifies its people, and promotes diversity and inclusion. For society, it means that we live up to our responsibilities, that we are becoming climate- neutral by 2030 and helping our customers become climate-neutral as well. And for you, our shareholders, it means that we create sustainable value.

We made solid progress in the past fiscal year and reached important milestones with our Carve-Out, Spin-Off and public listing. Nevertheless, we cannot be satisfied with our earnings situation in the past fiscal year. 2021 is the first year as an independent company and a daily incentive for us to work on the transformation and profitability of our company. We have many plans and look forward to your support along the way. Let's get started – together.

For the Executive Board

Christian Bruch

Our leadership team

Christian Bruch
President and
Chief Executive Officer

Tim Holt
Member of the
Executive Board


Jochen Eickholt
Member of the
Executive Board
Maria Ferraro
Chief Financial
Officer

About this Report

This annual report contains the Consolidated Financial Statements and the Combined Management Report of Siemens Energy AG and its subsidiaries ('Siemens Energy Group,' 'Siemens Energy,' 'the Group,' 'the Company,' or 'we') for the year ended September 30, 2020, as well as further information. It complies with the annual financial reporting requirements of Section 114 of the German Securities Trading Act ("Wertpapierhandelsgesetz"). The Combined Management Report includes the management report for Siemens Energy AG in addition to the information on the Siemens Energy Group. This annual report also contains the **3.4 Corporate Governance Statement Pursuant to Sections 289f and 315d of the German Commercial Code.** Independently of this, as part of our focused corporate communications activities, we will also be reporting on sustainability issues within a dedicated sustainability report and non-financial group report **↗ www.siemens-energy.com/global/en/company/sustainability.html.**

Siemens Energy's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU) as well as with the additional requirements set forth in Section 315 e para. 1 German Commercial Code. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has audited the Consolidated Financial Statements and the Combined Management Report. The unqualified audit opinion can be found under **3.2 Independent Auditor's Report.**

Fiscal year 2020 for the Siemens Energy Group and Siemens Energy AG began on October 1, 2019, and ended on September 30, 2020. This document is a convenience translation of the original German-language document.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Unless otherwise stated, the number of employees is given in thousands of full-time equivalents (FTEs) as of reporting date.

Combined Management Report

1.1 Business description

1.1.1 Organization and reporting structure

Siemens Energy AG, parent company of the Siemens Energy Group (SE) and registered in Munich, is an Aktiengesellschaft (Stock Corporation) in accordance with German law. Additional information is included in **2.6 Notes to Consolidated Financial Statements in Note 1 Basis of presentation.** For information regarding the Spin-Off and listing procedures undertaken in fiscal year 2020, see description in **Spin-Off and listing.**

The Siemens Energy AG Executive Board is the body with overall responsibility for the management of the business in accordance with the German Stock Corporation Act (Aktiengesetz).

Siemens Energy's reporting structure in fiscal year 2020 comprises two reportable segments, Gas and Power (GP) and SGRE. Siemens Gamesa Renewable Energy S.A., Spain (together with its subsidiaries – SGRE) shares are listed on the Spanish stock exchanges of Madrid, Barcelona, Valencia, and Bilbao and included in the Spanish IBEX 35 index. Siemens Energy holds approximately 67% of the shares in SGRE S.A.

Reconciliation to Consolidated Financial Statements includes items which management does not consider to be indicative of the segments' performance – mainly Real Estate Services, centrally carried pension expense, Eliminations as well as Treasury activities and other central items. For further information, see **2.6 Notes to Consolidated Financial Statements in Note 25 Segment information.**

Siemens Energy supports its customers around the globe. The regional breakdown used for Siemens Energy's reporting purposes is **EMEA** (Europe, Commonwealth of Independent States, the Middle East and Africa), **Americas** (Canada, the United States as well as Central and South America), and **Asia, Australia** (the remaining countries of the Asian continent as well as Australia and New Zealand).

1.1.2 Business model

Siemens Energy is active along the entire energy technology and service value chain with comprehensive and differentiated products, solutions, and service offerings.

Our broad technology base, comprising fuel-efficient conventional as well as renewable energies, enables us to meet the increasing energy demand and to support at the same time efforts to reduce greenhouse gas emissions. We also offer digital business and intelligent service models to our customers. Therefore, we consider ourselves well positioned to shape the energy transition towards decarbonized energy technologies and to promptly react to customer needs worldwide through our global footprint.

A significant share of our business is executed via high volume projects and characterized by multi-year customer orders, especially in our solutions and service businesses. While orders for large projects may lead to volatility in order intake from reporting period to reporting period, revenue is generally less affected by such volatility. Large projects typically have longer development and construction phases whereas service orders often relate to long-term service contracts that therefore lead to steady revenue recognition over several reporting periods. Overall, our order backlog gives us a high level of visibility on future revenues.

Our profitability level differs among our portfolio elements. Therefore, during any given period, our results of operations are affected by the portfolio mix sold in each segment. Our service business typically has higher margins than the product and solutions businesses. Our results of operations and margins therefore depend on our ability to generate revenue from servicing our large installed fleet as it becomes subject to wear and tear, in particular the rotating equipment. We aim to maintain and expand the long lifespan of our large installed fleet in order to secure orders for service contracts, in particular for long-term service programs.

Thus, we see service as a major pillar of Siemens Energy's sustainable business success, which we strive to enlarge and leverage even more in the future.

Gas and Power (GP)

GP offers a wide range of products, systems, solutions and services in the fields of power transmission, conventional central and distributed power generation, as well as industrial applications for the oil and gas industry and for industrial process applications. Furthermore, GP develops and markets new technologies in the field of decarbonization. Its operations are split into the three divisions Transmission, Generation and Industrial Applications, and are complemented by its Other Operations.

Siemens Gamesa Renewable Energy (SGRE)

SGRE focuses on the design, development, manufacturing, supply and installation of products, as well as the provision of offering technologically advanced services in the renewable energy sector with a focus on wind turbines for various wind conditions. SGRE is also exploring opportunities in adjacent renewable business fields, which in many cases are also related to the wind turbine business. SGRE comprises the businesses Wind Turbines as well as Operations and Maintenance.

For more information on the business model, see the business description of the GP and SGRE segments in **1.4.1 Gas and Power** and **1.4.2 Siemens Gamesa Renewable Energy.**

1.1.3 Research and development

In fiscal year 2020, we reported research and development (R&D) expenses of €985 million (2019: €1,001 million). The resulting R&D intensity, defined as the ratio of R&D expenses and revenue, was 3.6% (2019: 3.5%). Additions to capitalized development expenses amounted to €191 million in fiscal year 2020 (2019: €163 million). In fiscal year 2020, Siemens Energy employed an average number of five thousand people working in the R&D area.

Our revenue is driven by our ability to provide innovative products, integrated systems, solutions, and services and to develop deep relationships with customers and project partners. We believe that sustainable economic value is created through continuous innovation and that investment in R&D is fundamental to our success.

Siemens Energy steers the R&D activities along a clearly defined strategy. We anticipate a shift in R&D spending between Divisions and the type of projects. We will develop the portfolio with clear focus on sustainability, service and new growth fields. So we decided in November 2020 to exit from coal and actively develop our portfolio to remove underperforming product lines. Another key objective is to improve our large service potential and the competitiveness of our current products on the basis of strict quality criteria. Furthermore, we will enhance our electrolyzer product line to grow revenues. We aim to explore new portfolio elements to tap into growth fields such as decarbonized energy systems, energy storage systems and Power-to-X technologies.

For more information on R&D, see the description of the R&D activities of the GP and SGRE segments in **1.4.1 Gas and Power** and **1.4.2 Siemens Gamesa Renewable Energy.**

1.2 Financial performance system

1.2.1 Financial framework

Siemens Energy's Financial framework includes performance indicators (PIs) and targets that we aim to achieve until fiscal year 2023 or beyond (mid-term).

The PIs are included in regular reports on business performance to the members of the Executive Board, who then report to the Supervisory Board. The reporting and analysis of PIs are related to our strategic goals, which are designed to help achieve these goals on an operational level and aim to find the balance between the interdependent factors of growth, profitability, and liquidity. They serve as a measure of target attainment for managers and thus can influence the remuneration of the Executive Board. The most important of these PIs (key performance indicators, KPIs) are generally determined at the level of the Siemens Energy Group. These KPIs are part of our outlook for the next fiscal year 1.7 Report on expected developments.

Some of the financial PIs described below are alternative performance measures (APMs), i.e., they are not defined or listed in IFRS (non-IFRS financial measures). These APMs supplement the figures calculated in accordance with IFRS rather than being an alternative to them. We believe that our APMs offer additional and useful information for our stakeholders, helping them to assess the business performance of Siemens Energy. Other companies may report similarly named indicators, but due to possibly different calculation methods, they are not always comparable.

1.2.2 Growth

In fiscal year 2020, Siemens Energy measures, manages and controls the development of its business volume using nominal growth figures for orders and revenue. Revenue growth is thereby a KPI for Siemens Energy. **Nominal revenue growth** as the percentage change year over year is calculated by dividing the absolute revenue difference between a base year and the previous period by the previous period revenue.

As soon as possible, nominal revenue growth will be complemented by comparable revenue growth as a KPI. This shows the development of the revenue net of currency translation effects, which arise from the external environment outside of our control, and portfolio effects, which involve business activities that are either new to our business or no longer a part of it.

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 disposal and is calculated as the year over year change in revenue resulting specifically from the transaction. For calculating the percentage change, this absolute change is divided by revenue for the comparison period. For orders, we will apply the same calculations for currency translation and portfolio effects as described above.

On the Group level, Siemens Energy focuses on profitable growth and aims to achieve mid-term a stable rolling 3-year-average comparable revenue growth of flat to 3%.

1.2.3 Profitability

Starting fiscal year 2020, the KPI used to measure Siemens Energy's profitability of operating activities is the **Adjusted EBITA margin before Special items**, which is calculated by dividing Adjusted EBITA before Special items by total revenue.

The PIs Adjusted EBITA and Adjusted EBITA margin are used by Siemens Energy as ancillary measures. Adjusted EBITA is defined as earnings before financing interest, income taxes, and amortization expenses related to intangible assets acquired in business combinations and goodwill impairments. Financing interest excluded from Adjusted EBITA is any interest income or expense other than the financial result from operations, meaning 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.

Reported Adjusted EBITA is modified for Special items as defined in **Special items.** Adjusted EBITA margin before Special items is one of the targets used in determining the short-term variable compensation of the Executive Board starting from fiscal year 2021.

Within the Siemens Energy Financial framework, we aim to achieve an Adjusted EBITA margin before Special items for the Group of 6.5% to 8.5% for fiscal year 2023, which we also allocate to our segments in order to achieve our Group target range. The targeted margin for our Segment SGRE reflects our expectations as a majority shareholder.

Target fiscal year 2023	Adj. EBITA margin before Special items
Siemens Energy	6.5 – 8.5%
Gas and Power	6.0 – 8.0%
SGRE	8.0 – 10.0%

For purposes of managing and controlling profitability at the Group level, we also use **Net income** as a KPI, beginning from fiscal year 2020 onwards. This KPI feeds into Basic earnings per share (Basic EPS), i.e. net income attributable to shareholders of Siemens Energy AG divided by the weighted average number of shares outstanding without any dilution. Basic EPS also impacts the level of long-term variable compensation of the Executive Board.

1.2.4 Liquidity

To provide an assessment of the Group's ability to generate cash, and ultimately to pay dividends, we use **Free cash flow pre tax**, beginning from fiscal year 2020, as a KPI. Free cash flow pre tax of the Group is defined as Cash flows from operating activities before income taxes paid, less additions to intangible assets and property, plant and equipment. Free cash flow of the segments 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 taxes and certain other payments and proceeds. Consequently, Free cash flow pre tax demonstrates the extent to which we are able to meet both recurring and specific cash outflows, such as payments for acquisitions, dividends, debt servicing or taxes, etc.

1.2.5 Other financial performance indicators

The following other financial PIs are used by us, **starting in fiscal year 2020:**

A cornerstone of liquidity is the thorough management of **Operating net working capital,** which is defined as the sum of Trade and other receivables, Contract assets, and Inventories, reduced by the sum of Trade payables and Contract liabilities.

Cash conversion rate (CCR) on Group level is used as an ancillary measure in order to manage our ability to generate cash, which enables us to grow and invest. CCR is one of the targets used in determining the short-term variable compensation of the Executive Board in fiscal year 2020 and 2021.

In fiscal year 2020 Siemens Energy used a CCR defined as Free Cash Flow divided by Adjusted EBITA on Siemens Energy Group level which will be replaced in fiscal year 2021 by the Group's CCR and the operational CCR. The Group's CCR will be defined as the ratio of Free cash flow to Net income. For operating purposes we will define the operational CCR as follows: Free cash flow pre tax divided by Adjusted EBITA. Following our financial framework, Siemens Energy generally aims at an operational CCR of 1 minus 3 years rolling CAGR (compound annual growth rate) of comparable revenue growth over the fiscal years 2021 to 2023.

According to its financial policy, Siemens Energy aims for a balanced capital structure that allows for a solid investment grade rating. This ensures sufficient flexibility for ready access to bank and capital markets, and to sustain the ability to repay and service its debt obligations over time. It also makes us a reliable partner for our customers. The PI used to assess our capital structure is the **Adjusted (net cash)/ net debt to EBITDA ratio**, which is shown in **1.5.3 Financing and liquidity analysis.** The ratio indicates the approximate number of years that would be needed to cover the Adjusted net debt through EBITDA, without taking into account interest, taxes, depreciation and amortization. As we strive for a solid investment grade rating, Siemens Energy does not steer its capital structure according to an explicit target ratio, however, as a general guidance, an Adjusted net cash/net debt to EBITDA ratio below 1.5 may be considered to be consistent with the aim of a solid investment grade rating.

EBITDA is defined as Income (loss) before income taxes as shown in the Consolidated Statements of Income, plus interest income/ expenses and other Financial income/ expenses and plus Amortization, depreciation and impairments.

Finally, we aim to provide an attractive return to our shareholders. Under the Siemens Energy Financial framework, our intention is to propose a **dividend** whose distribution volume is 40% to 60% of the Group's Net income attributable to shareholders of Siemens Energy AG. For this purpose, the Net income may be adjusted for extraordinary non-cash effects. Generally, we plan to fund the dividend payout from available Free cash flow considering dividend payments received from SGRE S.A., which intends to propose a dividend in a distribution volume of no less than 25% of its Net income.

The following other financial PI is used by us, **starting in fiscal year 2021:**

The Executive Board's short-term variable element of total compensation will include a **Return on capital employed (ROCE)** target **1.10 Compensation Report.** ROCE will be used for purposes of managing and controlling our capital efficiency and is calculated as Net income before financial result and taxes on financial result adjustments, less Financial income from operations, divided by the average Capital employed **1.6.2 Liabilities and equity.** Average Capital employed in the reporting period is defined as a five-point-average of Capital employed at the beginning of the reporting period, the respective balances as of the quarterly reporting dates, and the Capital employed at the end of the reporting period.

1.3 Business performance in fiscal year 2020

1.3.1 Overall assessment by the Executive Board of the current economic situation

Siemens Energy as a stand-alone enterprise is characterized by several transformation topics, for example becoming an independent company as well as decarbonization trends, and changes within a challenging global environment. The Spin-Off and timely public listing was accomplished throughout the COVID-19 pandemic which gave additional prominence to our strategic and operational repositioning. Being an independent player on an energy market in the midst of transformation adds further momentum, the necessity to mitigate risks and to take advantage of new opportunities.

Against this background, first achievements in our restructuring were accomplished while areas continue to exist that require further improvement. Our management of COVID-19 resulted in resilient operations but could not circumvent an unsatisfactory decrease in revenue. On the other hand, slightly growing order intakes across Siemens Energy have been contributing to our total order backlog of €79 billion. This underpins that the initiated optimization of operational performance is vital for our future profitability and ability to generate liquidity, both currently being below our target levels. Strategic portfolio decisions and restructuring additionally weigh on our profit performance in fiscal year 2020, but represent our clear focus on a selective and profitable go-to-market approach. Further measures consider our complete value creation cycle from supply chain excellence to customer relationship management, seeking for optimal operations as well as lean and simplified structures with a reduced cost basis. A transforming energy market induces challenges but also provides us with an even stronger incentive to allocate our R&D commitment consistently towards tangible returns and longer-term potentials, combined with a strong customer focus.

Our management of transformation and change rests on a strong foundation: We have a global diversified business, a strong order intake and order backlog, a net cash position, a solid investment grade rating, and a clear framework for value creation. This basis, combined with the capabilities and commitment of our global workforce, makes us very confident that Siemens Energy will be an attractive investment for our current and future shareholders.

We have fully achieved our fiscal year 2020 guidance and confirm our outlook for fiscal year 2021. With an outstanding and committed team we look forward to the transformation journey that lies ahead of us, as we are opening a new chapter as Siemens Energy.

Siemens Energy's business performance

Siemens Energy Group was adversely affected by the overall economic environment in fiscal year 2020. The macroeconomic conditions remained subdued from the beginning of our fiscal year starting October 1, 2019, and therefore did not provide a decisive stimulus for Siemens Energy's business. Subsequently, the COVID-19 pandemic was the all-determining factor for both social life and economic development globally. While our lines of business showed an intact foundation with solid business activities compared to fiscal year 2019, we faced a drastic macroeconomic collapse in our second and third quarter. During our final quarter the economy showed signs of recovery but was still well below pre-COVID-19 levels. This global scenario was a challenging backdrop to the continuing overall transformation of the energy market.

Order volume of Siemens Energy increased by 1% to €34,001 million compared to prior year. A clear decrease in the Segment GP was offset by significant growth at SGRE, which was driven by sharply increased service and offshore orders. **Revenues** of Siemens Energy were moderately down with €27,457 million compared to prior year with both segments contributing to the decline. Siemens Energy's revenue from service remained nearly stable year over year. Lower revenues followed by increased cost of sales were the major factor for the sharp drop of Siemens Energy's **Adjusted EBITA before Special items** from €1,517 million in fiscal year 2019 to negative €17 million in fiscal year 2020. Reported Adjusted EBITA declined as a result of sharply increased special items, particularly due to impacts in connection with strategic portfolio decisions. **Adjusted EBITA margin** at both GP and SGRE decreased sharply, driven by project outages or shifts, prolongations and terminations, under absorption of fixed costs, shutdowns of production and customer sites, related project charges and unfavorable commitments in many cases intensified or caused by COVID-19 at GP, and project delays as well as the slowdown in the Indian market at SGRE. For further information see 1.4.1 Gas and Power and 1.4.2 Siemens Gamesa Renewable Energy (SGRE). This development was reflected in Siemens Energy's income resulting in a **net loss** of €1,859 million and corresponding negative **Basic earnings per share (EPS)** of €2.21. Taking into account the economic background and our individual challenge of becoming independent, we consider our results of operation as a solid starting point for our performance in fiscal year 2021. This is, for example, reflected by the order backlog, see also 1.4 Result of operation.

Siemens Energy's **Free cash flow pre tax** was €977 million, which reflects a significant decline compared to fiscal year 2019. This was primarily a result of the clearly lower cash inflows from operating activities, as well as significantly higher additions to intangible assets and property, plant and equipment in fiscal year 2020. This development led to a **Cash conversion rate** related to the Group of negative 0.4 compared to 0.8 in fiscal year 2019. At the end of fiscal year 2020, we had Adjusted net cash of €1,309 million (2019: Adjusted net debt of €2,169 million), mainly due to capitalization measures of Siemens Group in the course of our Spin-Off 1.5 Financial position.

Total equity increased despite a decrease in the earnings development, reflected by total comprehensive loss and the effects of the share buyback were more than offset by increases which were primarily related to transactions in the course of the formation of the Group, resulting in a year over year higher equity ratio of 35.8% (2019: 29.1%).

Comparison between the actual and forecast course of business

	Initial position	Expected developments	Target achievement	
			Fiscal year	
Target achievement 2020	2019	2020	2020	Evaluation
Siemens Energy revenue growth	2.8%	(5)% – (2)%	(4.7)%	achieved
Siemens Energy Adjusted EBITA margin before Special items	5.3%	(1)% – 1%	(0.1)%	achieved

Dividend

In general, our regular dividend policy is to pay out 40% to 60% of our Net income attributable to shareholders of Siemens Energy AG. Due to the Net income of Siemens Energy AG amounting to €0 million no dividend will be paid for fiscal year 2020.

1.3.2 Events and developments responsible for course of business

Macroeconomic development

In fiscal year 2020, global gross domestic product (GDP) growth was strongly impacted by the global COVID-19 pandemic. After global GDP growth by 2.8% in calendar year 2019, economic performance saw a near global collapse within weeks in the first quarter of 2020, and is forecasted to contract sharply to negative 4.4% in calendar year 2020. In October 2019, global GDP growth had been forecast with positive 3.4%.

Drastic deteriorations were especially seen in countries with extensive and long-term measures to contain the infection. Advanced economies are projected to show a clear GDP decline of 5.8%. Most emerging countries had to cope with considerable effects as well – with the exception and highlight of the Chinese economy, which made up harsh losses at the beginning of the year in the second quarter. In total, the developing countries are forecast to have a GDP of negative 3.3% (China positive 1.9%) in calendar year 2020.

The COVID-19 pandemic and associated impacts dominated the economic landscape across all regions in 2020. Developments such as ongoing uncertainty over "Brexit" and the U.S.-China trade conflict were relevant to a much lesser degree.

The partly estimated figures presented here for GDP are based on data published by the International Monetary Fund (IMF) "World Economic Outlook: A long and Difficult Ascent", October 2020.

Energy market transformation

The energy sector encompasses all industries involved in the supply of energy and therefore plays a crucial role in infrastructure and the development of societies worldwide. Modern society consumes large amounts of different forms of energy (e.g., fuels, electricity (also referred to as "power"), heat, and hydrogen) supplied by energy systems which are based on fossil, nuclear, or renewable energy sources (also referred to as "renewables"). These energy systems target an affordable, reliable and sustainable energy supply.

Additionally, in calendar year 2020, the common goal to limit greenhouse gas (GHG) emissions in order to contain global warming – against the background of increasing energy demand – has led to a transition in the energy mix away from conventional fossil fuels and towards renewables. This change requires the integration of renewables and leads to additional complexity of the electricity grid. This transition is accelerating, driven by megatrends such as globalization and global economic growth, urbanization, population growth, climate change, and digitalization. These megatrends lead to four important developments in our markets. All of these provide opportunities as well as challenges for us.

- **Demand growth** driven by mega trends such as globalization and growth of international trade, urbanization and demographic change, which are expected to overcompensate increases in energy efficiency.

- **Decarbonization** based on global efforts to reduce GHG emissions is a driver for the transformation of the energy sector, supported by initiatives such as the Paris Agreement and the Intergovernmental Panel on Climate Change (IPCC) Report. An increasing number of governments are translating zero emissions or 100% clean energy goals into national strategy and laws.

- **Decentralization** and distributed energy generation is based on strong growth in wind turbines and solar photovoltaic installations. Distributed energy systems comprise not just decentral generation, but also local energy storage as well as demand response, which requires significant coordination and poses new challenges to the electricity grid and the distribution network. Decentralized, renewable energy consumption increasingly leads to consumers that are also producing their own energy (prosumers).

- **Digitalization** provides opportunities across all stages of the energy value chain, as interconnectivity, data availability, and the degree of automation continue to increase. The management of increasingly complex energy networks requires intelligent solutions to ensure stable transportation and storage of a greener bulk power with minimal losses.

While we anticipate the rapid shift from fossil-based fuels to renewables to continue in European countries, we expect countries with access to fossil fuels not to shift directly from fossil to renewable power, but to transition from coal to gas to lower emissions in the existing infrastructure.

Supporting a transition from coal to gas ties in with our efforts to contribute to a sustainable energy industry, which also includes a commitment to reach net-zero greenhouse gas emissions from our own business operations (climate neutrality) by 2030. In this context, we have decided to phase-out of our coal-related business activities in the long run. As part of the phase-out of our coal-related business activities, we will neither participate in tenders for new purely coal-fired power plants nor offer components for such projects. However, Siemens Energy will fulfill its existing obligations from coal-fired power plant projects and binding offers. The service business will also be continued. We want to use our business relationships with coal-fired power plant operators to offer, among other things, CO_2-reducing solutions that minimize the adverse effects of coal-fired power generation.

COVID-19 pandemic

During fiscal year 2020, Siemens Energy's business was adversely affected by the COVID-19 pandemic, as well as by its impact on the economic environment, our customers and suppliers. The repercussions of COVID-19 on our business varied between countries, regions, and even cities and communities. Primarily, we faced a decline in demand, shifted and cancelled orders, restricted access to customer sites, reduced capacity utilization of our manufacturing facilities due to lockdowns or other forms of restrictions, delayed project execution and services leading to additional costs, and challenges in certain segments of our supply chain. With regard to specific segments of our supply chain, we experienced longer lead times. A significant challenge for our supply chain was the shortage of freight services, leading to higher freight costs.

Impacts from COVID-19 were most pronounced in Europe in March and April 2020. During these months, not only in Europe government lockdowns and quarantines imposed on parts of GP's workforce mainly affected its manufacturing facilities and repair workshops, e.g., in France, India, and Italy, as well as to a lesser degree in Canada and Colombia. Reduced capacity utilization resulted in underabsorption of fixed costs. To mitigate the impact of COVID-19, GP implemented flexible working models, re-routed manufacturing to less impacted facilities and temporarily increased loads in such facilities. In addition, in its service business, GP switched to remote support services where possible as there was demand for technical risk assessments from customers whose equipment was operating beyond recommended service intervals. Despite COVID-19, only a limited number of scheduled outages were shifted or cancelled during fiscal year 2020.

At SGRE, mainly its Onshore activities within the wind turbine business were impacted by temporary closure of manufacturing facilities resulting from imposed lockdowns, e.g., in China, India, and Spain. The segment's supply chain was mainly affected by shortages of components and raw materials such as balsa wood, which had already been challenging to obtain in the first quarter of fiscal year 2020. Supply chain challenges also contributed to reduced capacity utilization of manufacturing facilities, which resulted in underabsorption of fixed costs. In the Onshore activities within the wind turbine business, the impact of COVID-19 contributed to delays in the execution of projects in Northern Europe, as well as to the continuing slow-down of the Indian market, resulting in a decline in revenue and additional costs. Orders were shifted into later periods, also attributable to delayed contract signings. Delays in project execution led to customer claims for damages. The Offshore activities within the wind turbine business and the service business were less impacted by COVID-19. To mitigate its impact, SGRE organized teams to ensure business continuity by leveraging its worldwide footprint to partly recover lost manufacturing capacity and mitigate challenges in specific markets.

In our Segment SGRE, the Chinese manufacturing facilities already resumed normal operations at the end of the second quarter of the fiscal year 2020, while manufacturing facilities in Spain followed in May 2020. The effect of COVID-19 tailed off in the fourth quarter of the fiscal year and was felt mainly in execution delays in onshore projects. In addition, both the supply chain and manufacturing activity are operating as normal.

Operational excellence

In line with our Siemens Energy Financial framework and the aim for an improved mid-term profitability, we have identified six main levers for a step change in our operational excellence ("Accelerating Impact"):

- Reshaping our footprint – we aim for a simpler footprint and logistics with less complexity and fewer sites including a factory network with eliminated overcapacities and an expansion in best-cost countries.

- Portfolio streamlining – we will make our product line-up leaner and simpler through implementing standardization, digitalization, and modularization.

- Project excellence – our rigorous focus lies on project excellence including a selective bidding for projects with a better risk/return ratio and a better project execution aiming at a reduction of non-conformance costs of at least 30% by fiscal year 2023.

- Supply chain excellence – we strive for a best-in-class procurement with significant material cost reductions in a partner ecosystem.

- Sustainable inventory reduction – complexity reduction through variants management, better management of customer demand, more platform business, optimization of safety stock levels and production optimization, among others.

- Getting closer to our customers – including an intensified key account management, a differentiated offering, customized project financing and clear end-to-end product responsibility.

Such measures must be seen against the background of the transformation of the energy market and the change of respective customer needs which require us to continuously adapt our business model in time. For further information see **Macroeconomic development.** In combination with certain areas of the aforementioned operational excellence initiatives, this ultimately leads to continuous restructuring and transformation efforts.

In fiscal year 2020, our **Segment GP** already had the "PG 2020" (launched in fiscal year 2018) and "GP 2020+" (initiated in fiscal year 2019) programs in place, which mainly focus on cost structure optimization and the resizing of production capacities, primarily in order to counter a negative market development. Both programs mainly target a reduction of employment positions worldwide, for the most part regarding production related employees, but also including corporate functions.

- During fiscal year 2020, we made a strategic portfolio decision (more details regarding strategic portfolio decisions can be found in **Special items**) to streamline our offering of aero derivative gas turbines. We will continue to service all such gas turbines and fulfill all existing orders, while phasing out the active marketing of our larger sized aero derivative gas turbines.

- In September 2020, we announced a restructuring of GP's Le Havre, France, facilities. The current plan foresees a headcount reduction of approximately 300, the closure of production activities while keeping certain operations. We estimate to incur personnel and non-personnel costs of about €70 million associated with the transformation measures. The negotiation with the employee representatives as per statutory requirements have not yet been concluded.

Moreover, in order to achieve our mid-term targets, GP aims for further global cost reductions by the end of fiscal year 2023 under the "Accelerating Impact" program which strives to exceed the originally targeted annual global cost reductions for fiscal year 2023.

In fiscal year 2020, our **Segment SGRE** completed its "L3AD2020" strategic plan, which was launched in fiscal year 2018 after the merger of Gamesa and Siemens Wind Power into SGRE (SGRE merger). Under the umbrella of "L3AD2020", during fiscal year 2020 the following restructuring measures were launched, among others:

- SGRE initiated restructuring measures relating to rotor blade and turbine manufacturing in Denmark as part of the implementation of the "one segment, one technology strategy". This measure was taken due to a challenging market environment and a highly competitive landscape characterized by price pressures affecting the production of direct drive onshore turbines and the onshore blade production.

- Furthermore, in November 2019, SGRE announced a reorganization program. Over a term of two years, the global white-collar staff will be reduced, affecting the wind turbines business and corporate areas. The implementation approach may vary by country and shall depend on the final discussions with employee representatives. So far, the process has been carried out according to SGRE's plans.

- In the first half of 2020, SGRE initiated a restructuring of its Indian operations to take account of the slower-than-expected recovery of the Indian wind market as well as to adapt to new market prospects and dynamics.

- In June 2020, SGRE decided to close the blade factory in Aoiz, Spain, due to competitiveness considerations.

Within the scope of its new "LEAP" program, our Segment SGRE plans to maintain its focus on innovation, productivity and asset management, as well as additional focus on operational excellence. As part of that approach, SGRE will be constantly analyzing footprint optimization measures in addition to fixed costs, including selling and general administrative expenses, among others, as their optimization is necessary for reaching target profitability levels. Moreover, the organization is pooling best practices and improving control over the order book following a full-scale review of risks and costs. Apart from these levers, in order to improve the performance of Onshore activities, it is necessary to prioritize returns over volume, with strict price control, and to reduce the operational risk profile by limiting the wind farm development business and strengthening engineering, procurement and construction (EPC) capabilities. SGRE is working on strengthening process and project execution discipline with the aim of achieving industry benchmark safety and quality levels.

SGRE is still investing in integration activities out of the SGRE merger in fields, such as closeout of post-merger IT-related projects or in integration of acquired European Senvion service business, among others. Additional information about acquisitions can be found in Major acquisitions. We expect to incur corresponding integration and restructuring costs throughout fiscal years 2021 to 2023, the majority of these costs are expected to be attributable to restructuring measures. A substantial portion of both integration and restructuring costs are expected to be incurred by the end of the fiscal year 2022. Although most of the impact is cash related, there are also non-cash elements.

Spin-Off and listing

In May 2019, Siemens AG announced its plan to build a focused energy powerhouse as a new major player on the energy market by giving its Gas and Power business complete independence and entrepreneurial freedom through a Spin-Off and a subsequent public listing, including the transfer of Siemens' SGRE stake into the new company.

As of March 31, 2020, the Carve-Out was substantially completed with the direct and indirect transfer of, among other things, the material assets, liabilities, and contractual relationships attributed to Siemens' Segment Gas and Power, excluding a limited number of transfers, which were completed after March 31, 2020.

On July 9, 2020, the Extraordinary Shareholders' Meeting 2020 of Siemens AG resolved on the approval of the Spin-Off and Transfer Agreement between Siemens AG and Siemens Energy AG with 99.36% of the votes.

On September 25, 2020, the Spin-Off was effective, and on September 28, 2020, public trading of the Siemens Energy AG shares began.

Activities regarding the preparation of our separation from Siemens Group and the formation of Siemens Energy as an independent enterprise also impacted our result in fiscal year 2020 and will to a certain extent continue to do so in the coming fiscal years. Please refer to Special items for further information.

Special items

We use the term "Special items" when we refer to the following topics:

- **Restructuring and integration costs** – Restructuring costs refer to personnel measures leading to severance charges, in the past mainly related to the Segment Gas and Power. Integration costs refer to the Segment SGRE only and are related mainly to the merger of Gamesa and Siemens Wind Power into SGRE S.A. and, to a lesser extent, to the acquisition of assets from Senvion.

- **Stand-alone costs** – Stand-alone costs relate to the preparation of our separation from Siemens Group and the formation of Siemens Energy as an independent enterprise. They relate to the Carve-Out and Spin-Off of Siemens Energy and include, among others, costs for information technology (IT) applications, external service providers, costs related to the listing, and personnel-related costs, such as retention and accelerated vesting of share-based compensation.

- **Strategic portfolio decisions** – Major asset impairments and write-downs related to Siemens Energy Group strategic portfolio decisions. For example, such management decisions included in fiscal year 2020 to streamline our offering of aero derivative gas turbines.

Siemens Energy Special items

(in millions of €)	Fiscal year 2020	2019	Change
Restructuring and integration costs	(376)	(388)	(3)%
therein: Gas and Power	(133)	(247)	(46)%
SGRE	(241)	(141)	71%
Reconciliation to Siemens Energy	(2)	–	n/a
Stand-alone costs	(195)	–	n/a
therein: Gas and Power	(121)	–	n/a
SGRE	–	–	n/a
Reconciliation to Siemens Energy	(74)	–	n/a
Strategic portfolio decisions	(956)	(65)	>200%
therein: Gas and Power	(735)	–	n/a
SGRE	(221)	(65)	>200%
Reconciliation to Siemens Energy	–	–	n/a
Siemens Energy special items	**(1,526)**	**(453)**	**>200%**
therein: Gas and Power	(988)	(247)	>200%
SGRE	(462)	(206)	124%
Reconciliation to Siemens Energy	(76)	–	n/a

Major acquisitions

In January 2020, SGRE acquired all shares of Senvion Deutschland GmbH, Germany, including the carved-out European Onshore service business of Senvion, related intellectual property, as well as additional assets. In April 2020, SGRE closed the acquisition of all the shares in Ria Blades, S.A., Portugal, an entity which owns and operates the wind turbine blades production facility in Vagos, Portugal, and certain additional assets associated to said business. This acquisition is in line with SGRE's strategy to grow its multibrand service business and its production capacities and strengthens SGRE's competitive position in Europe. The overall price to be paid in cash for the shares of Senvion Deutschland GmbH and Ria Blades, S.A. amounts to €200 million, subject to closing accounts confirmation adjustments.

In February 2020, Siemens AG acquired 8.1% non-controlling interest in SGRE from Iberdrola S.A., Spain, for a purchase price of €1,100 million. As part of the Carve-Out, Siemens AG transferred its shareholdings to Siemens Energy.

For more information see description in **2.6 Notes to Consolidated Financial Statements in Note 3 Acquisitions.**

1.4 Results of operation

1.4.1 Gas and Power

GP business description

Our Gas and Power segment comprises the three divisions Transmission, Generation and Industrial Applications complemented by Other Operations which all together offer a wide range of products, systems, solutions, and services in the fields of power transmission, power generation, and industrial applications for the oil and gas and processing industries, as well as new technologies in the field of decarbonization.

Transmission offers a wide range of products, systems, solutions, and services for power transmission. The product portfolio comprises Flexible AC Transmission Systems, Offshore Windfarm Grid Connections, High Voltage Direct Current Transmission Systems, High Voltage Substations, air- and gas-insulated switchgear, transformers, digitalized products, and other products such as bushings. The Transmission division offers its products individually or as part of tailor-made systems and solutions as well as services relating to power transmission of high (which includes ultra-, extra- and high-voltage layers) and, to a lesser extent, medium and low voltage levels as part of product bundles or solutions. 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.

Transmission 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.

Generation offers a broad portfolio of products, solutions, and services for central and distributed power generation. The product portfolio comprises gas and steam turbines, generators, and gas engines, as well as instrumentation and controls (I&C), and electrical systems. Products are sold individually or as part of solutions. A comprehensive set of services covering performance enhancements, long-term programs, operation and maintenance services, customer training, and professional consulting complement its products and solutions businesses.

In Generation, the ongoing growth in demand for power from renewables – 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. In general, the markets for GP 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, as well as 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. A further trend is that the development and execution of large projects increasingly requires financing by the OEM, including equity participation. In the mid term, the Siemens Energy Segment GP and Siemens AG agreed to fulfill this demand via Siemens Financial Services, which can offer customers a range of financing and equity options backed by domain know-how.

Industrial Applications offers products, integrated systems and solutions, comprising rotating equipment, integrated drive-train systems, electrification, automation and digital solutions for the on- and offshore industry, chemical industry, marine industry, the fiber industry, and water treatment solutions. It also provides services for Oil & Gas and distributed generation customers as well as other industries such as food and beverages, minerals and metals, industrial parks, and municipalities.

In Industrial Applications, 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, Industrial Applications 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.

Customers of Generation and Industrial Applications 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 a large number of EPC contractors.

Other Operations include our New Energy Business and certain at-equity investments. Our New Energy Business complements the portfolio of GP by developing new technologies in the field of decarbonized energy and storage systems. The current focus of the New Energy Business is to enable the green hydrogen economy and promote decarbonization, for instance by developing "Power-to-X" technologies which use electricity from renewable energy sources (also referred to as "renewables") for the production of low-CO_2 synthetic energy sources (power fuels).

Our Segment GP's **R&D** activities are steered to best address the challenges posed by the market-defining mega trends: digitalization, growing electricity demand, decarbonization, and decentralization. The R&D activities of our Transmission division focus on preparing the portfolio for a deregulated environment in which total cost of ownership is decisive. R&D activities of the Generation and Industrial Applications businesses concentrate on developing products and solutions for enhancing efficiency and flexibility and reducing greenhouse gas emissions. Recent development highlights include Topsides 4.0, the HL-class turbines, SF6-free switchgears, increasing hydrogen co-firing capabilities of our turbine fleet, and industrial-scale electrolyzers. In accordance with our R&D strategy, we allocate our R&D ressources selectively towards products and services in market growth segments.

GP is also intensifying R&D in innovative materials, advanced manufacturing methods, and plant optimization. Innovations accordingly focus on product digitalization, power electronics, software-driven power control, environmentally-friendly products and systems, and grid stabilization. Moreover, one of GP's long-established innovation fields is additive manufacturing. As of September 30, 2020, we can look back on more than ten years of user experience and development cooperations with, e.g., Werner-von-Siemens Centre, Göteborg Energi, IDEA, and Equinor.

Where appropriate, GP joins forces with other industry participants and (or) research institutions to advance research projects. Prominent examples include AGTurbo, EUTurbines, or our participation in the Research Association for Combustion Engines (Forschungsverbund Verbrennungskraftmaschinen).

The **investments** of Gas and Power in fiscal year 2020 continued to focus on the next generation product portfolio of gas turbines in Germany and the United States as well as to increase manufacturing and engineering capabilities regarding casting of turbine blades and vanes via a joint venture in the United States. Furthermore, we invested capital into a tooling and repair shop in Egypt and a customer plant project, where GP produces and supplies electricity to rural areas of Brazil without connection to the national power grid.

GP business development

GP Orders and Revenue	Fiscal year		
(in millions of €)	2020	2019	Change
Orders	19,337	21,187	(9)%
therein: Service	*8,006*	*8,893*	*(10)%*
Revenue	17,945	18,569	(3)%
therein: Service	*7,559*	*7,920*	*(5)%*

Orders

- Orders of GP clearly declined, as an effect of COVID-19, within a challenging market environment and particularly compared to several large orders in the prior year. The major orders in fiscal year 2020 include the supply of natural gas turbine technology and service for a 900MW natural gas combined cycle power plant in Canada and the construction of a high-efficiency HL-class power island for a new combined cycle power plant in South Korea, as well as a HVDC project in Greece to enable the exchange of electricity of up to 1GW and the seventh grid connection project in Germany with HVDC technology.

- GP's service business finished with a clear decrease in orders in line with the decrease in orders for new units due to negative COVID-19 effects.

- Based on the order intake, GP reached a Book-to-bill ratio in fiscal year 2020 above one with 1.07. The Book-to-bill ratio is referred to as the ratio of orders to revenue.

Revenue

- Despite negative COVID-19 effects, GP revenues only moderately decreased due to a growing solutions, products and service business. Lower revenues also resulted from the general price development and a lower volume of installation work within the projects.

- From a regional perspective, GP suffered a clear revenue decrease in the Americas only partly offset by slight revenue increases in Asia, Australia.

- GP's service share of revenue remained stable at 42%.

Profitability

GP profitability	Fiscal year		
(in millions of €)	2020	2019	Change
Adjusted EBITA	(734)	589	n/a
Adjusted EBITA margin	(4.1)%	3.1%	(7) p.p.
Special items	(988)	(247)	>200%
Restructuring and integration costs	(133)	(247)	(46)%
Stand-alone costs	(121)	–	n/a
Strategic portfolio decisions	(735)	–	n/a
Adjusted EBITA before Special items	254	836	(70)%
Adjusted EBITA before Special items margin	**1.4%**	**4.5%**	**(3) p.p.**

- Adjusted EBITA before Special items reflected the impact of COVID-19 and sharply declined to €254 million – the respective margin decreased to 1.4%.

- The sharp downturn of earnings was mostly influenced by project outages or shifts, prolongations and terminations, under absorption of fixed costs, shutdowns of production and customer sites as a result of the COVID-19 pandemic, related project charges and unfavorable commitments.

- Special items of €988 million were mostly related to strategic portfolio decisions such as the decision to streamline the offering of aero derivative gas turbines including an impairment of intangible assets acquired in business combinations in the amount of €476 million and Inventory write-downs of €207 million. Restructuring and Integration was mainly driven by a production site closure in France. Stand-alone costs resulted among others from expenses for employee benefits, in particular from the accelerated vesting of share-based payment programs from Siemens AG.

- Taking into account Special items, the Adjusted EBITA margin decreased to a negative 4.1%.

1.4.2 Siemens Gamesa Renewable Energy (SGRE)

SGRE business description

Our Segment SGRE comprises the **Wind Turbines** business (Onshore and Offshore) as well as **Operations and Maintenance** (service).

With the business **Wind Turbines** SGRE designs, develops, manufactures, and installs wind turbines for various wind conditions. Depending on market requirements, SGRE's scope of involvement may include undertaking a full EPC (Engineering, Procurement and Construction) scope or wind power plant development activities, in some cases. While Onshore provides wind turbine design, engineering, manufacturing, and installation solutions for global onshore markets mainly focused on geared technology, which can be adapted to regional and local needs. Offshore provides customer-specific wind turbine equipment design, manufacturing, and installation based on direct drive technology.

In addition, with its **Operations and Maintenance** business, SGRE provides services for the management, operation, and maintenance of wind farms including a comprehensive and flexible portfolio for the maintenance and optimization of wind turbines, providing holistic lifetime care. Complete asset management as well as technical assistance is provided for the Segment SGRE's wind turbines and is also being expanded for third party platforms. The recent acquisition of the Senvion European service business is in line with SGRE's strategy to grow its multi-brand service business.

SGRE also explores opportunities in adjacent renewable business fields which, in many cases, are also related to the wind turbine business. However, these activities represent only a small fraction of SGRE's current business.

SGRE's revenue mix may vary from reporting period to reporting period depending on the regional as well as the onshore and offshore mix of projects, as well as on the service volume in the respective periods. However, in the upcoming years, SGRE's business mix (based on revenue share) is expected to shift towards a higher share of offshore and service, and consequently less onshore business.

SGRE's primary customers are large utilities and independent power producers. Competition in wind power differs in the two major market segments. In the markets for onshore wind farms, competition leads to ongoing concentration starting from a relatively dispersed supply side, also depending on region, without any one company currently holding a dominant market share. The markets for offshore wind farms continue to be served by a few experienced players. Consolidation is constantly moving forward in both on- and offshore markets. The key drivers of consolidation are scale as well as technology and market access challenges.

The share of renewable energy in the global energy mix is widely expected to increase. But despite this trend being intact, the widespread auction systems for wind power development are creating continuous pressure on the developers and thus also the turbine suppliers. Furthermore, competition with other power sources puts additional pressure on the life-cycle cost. To address this challenge, SGRE focuses on innovation, productivity and asset management, operational excellence, as well as sustainability and people. In addition, SGRE is investing in digitalization, which is considered a key differentiator. In the past, market development 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 in particular on the development of new wind turbine models, software, and the optimization of the components' performance that leads to the next generation of technology with improved and more cost-effective products, solutions, and services.

The **investments** of SGRE were concentrated in developing new services as well as onshore and offshore platforms, in tooling and equipment, and in the blade and nacelles. Offshore required investment to tap demand growth in coming years and represents more than half of the investment in the fiscal year. Other investments were related to logistics, construction tools, special equipment for testing and installation of newly launched products both in the onshore and offshore business. In fiscal year 2020, ongoing material investments were related to a new manufacturing facility for wind turbine blades as well as nacelles in France.

SGRE business development

SGRE Orders and Revenue	Fiscal year		
(in millions of €)	2020	2019	Change
Orders	14,736	12,749	16%
therein: Service	*4,151*	*2,736*	*52%*
Revenue	9,482	10,226	(7)%
therein: Service	*1,768*	*1,617*	*9%*

Orders

- On a geographical basis, orders sharply increased in the EMEA region, while the Asia, Australia region and the Americas region showed a substantial decline. The major orders in fiscal year 2020 include the supply of wind turbines for a 1.5GW offshore project in the Netherlands, for two offshore wind power projects in France with an installed capacity of 497MW respectively 496MW, as well as for a 342MW offshore wind power project in Germany.

- Service share of SGRE's orders in fiscal year 2020 was 28%, clearly above 21% in the prior year.

- Book-to-bill ratio stood at 1.55 due to strong performance by Offshore and service that offset lower order intake in Onshore, which was affected by the pandemic and, above all, by the slowdown in the Indian market. Order backlog increased by €4.7 billion primarily due to the acquisition of the Senvion' business with a strong focus on services, adding approximately €1.5 billion to order backlog, and reached a record of €30.2 billion.

Revenue

- Revenue clearly decreased due to COVID-19, delays in the execution of certain projects in Northern Europe, and the lower demand in India as a result of the continuous slowdown in that regional market. Lower revenues also resulted from the general price development and a lower volume of installation work within the projects.

- This decrease was partly offset by a clear growth of service revenue driven by the integration of Senvion.

- Geographically, a substantial decrease in EMEA was only partially offset by substantial growth in the Americas and a moderate increase in the Asia, Australia region.

Profitability

SGRE Earnings	Fiscal year		
(in millions of €)	2020	2019	Change
Adjusted EBITA	(711)	481	n/a
Adjusted EBITA margin	(7.5)%	4.7%	(12) p.p.
Special items	(462)	(206)	124%
Restructuring and integration costs	(241)	(141)	71%
Stand-alone costs	–	–	n/a
Strategic portfolio decisions	(221)	(65)	>200%
Adjusted EBITA before Special items	(249)	687	n/a
Adjusted EBITA before Special items margin	**(2.6)%**	**6.7%**	**(9) p.p.**

- The development of Adjusted EBITA before Special items reflected the impact of COVID-19, which mainly affected the onshore activity, the delays of certain projects in Northern Europe resulting in increased planned costs and the execution of projects from order backlog with lower margins and lower revenue, which were offset by improvements in productivity and fixed costs under the "L3AD2020" program, see 1.3.2 Events and developments responsible for course of business. The stated developments led to a negative Adjusted EBITA margin before Special items of 2.6%.

- Total Special items included integration costs associated with post-merger IT-related projects and integration initiatives linked to the acquisition of the Senvion business as well as costs related to a plant closure and capacity reductions in Spain and Denmark, respectively. For the most part, Special items related to a restructuring plan for India (included in strategic portfolio decisions) as a result of the slowdown in the regional onshore market, further accentuated by the pandemic. Defined measures resulted in Inventory and fixed assets write-downs in the amount of €137 million. Furthermore, an impairment of intangible assets in the amount of €82 million has been recognized.

- This development was further impacted by the effects of COVID-19, leading to considerable cost increases with charges related to projects which were partly mitigated by invoking force majeure and change of law clauses.
- A technical defect relating to gearboxes used in the SG 4.X wind turbine platform negatively affected Adjusted EBITA by approximately €69 million for future exchange costs, liquidated damages and write-offs of Inventory.

1.4.3 Orders and order backlog

Orders (location of customer)

(in millions of €)	Fiscal year 2020	2019	Change
Europe, C.I.S., Africa, Middle East	18,746	14,155	32%
therein: Germany	*3,383*	*2,075*	*63%*
Americas	8,722	11,350	(23)%
therein: U.S.	*4,919*	*6,498*	*(24)%*
Asia, Australia	6,533	8,229	(21)%
therein: China	*1,324*	*1,931*	*(31)%*
Siemens Energy	**34,001**	33,734	**1%**

- Order backlog is calculated by adding the orders from the current reporting period to the balance of the order backlog as at the end of the prior reporting period and then subtracting the revenue recognized in the current reporting period. Furthermore, direct order value adjustments such as modifications, currency translation, and portfolio effects are taken into account.
- GP's Order backlog clearly decreased to €48 billion as of September 30, 2020, compared to €52 billion in the prior year. SGRE's Order backlog reached a record of €30 billion compared to €26 billion in the prior year. Currency translation effects within order backlog amount to negative €2.8 billion for fiscal year 2020. In total, Order backlog increased slightly to €79 billion compared to prior year's €77 billion.
- Book-to-bill for Siemens Energy was at 1.2, based on our solid order intake primarily resulting from service orders in the Segment SGRE.
- Orders in the **EMEA** region increased substantially, despite effects of COVID-19. The growth is mainly based on new orders for SGRE projects in France, Germany, and the Netherlands.
- **Americas** had a substantial downturn in order intake impacted by COVID-19 and delayed contract signings especially in the U.S., compensated by a slight growth in Canada.
- In **Asia, Australia** we saw a substantial decline of orders, mostly driven by China with the earliest impact from the pandemic as well as large orders for SGRE projects in Taiwan in the prior year.

1.4.4 Revenue

Revenue (location of customer)

(in millions of €)	Fiscal year 2020	2019	Change
Europe, C.I.S., Africa, Middle East	14,149	15,756	(10)%
therein: Germany	*2,484*	*2,525*	*(2)%*
Americas	8,387	8,222	2%
therein: U.S.	*5,523*	*5,067*	*9%*
Asia, Australia	4,921	4,819	2%
therein: China	*1,680*	*1,466*	*15%*
Siemens Energy	**27,457**	**28,797**	**(5)%**

- Revenue in **EMEA** had a clear decline, besides the effects of COVID-19 mainly driven by SGRE and largely due to delays in the execution of certain projects in Northern Europe.

- In the **Americas** a slight revenue increase was driven by substantially higher revenue in the Segment SGRE, offsetting a clear revenue decline in GP.

- Revenue in **Asia, Australia** slightly increased, showing a resilient business development in both segments.

1.4.5 Profitability

(in millions of €, earnings per share in €)	Fiscal year 2020	2019	Change
Adjusted EBITA Siemens Energy before Special items	**(17)**	**1,517**	**n/a**
Adjusted EBITA margin before Special items	(0.1)%	5.3%	(5) p.p.
Special items	(1,526)	(453)	>200%
Restructuring and Integration	(376)	(388)	(3)%
Stand-alone costs	(195)	–	n/a
Strategic portfolio decisions	(956)	(65)	>200%
Adjusted EBITA Siemens Energy	**(1,543)**	**1,064**	**n/a**
Adjusted EBITA margin	(5.6)%	3.7%	(9) p.p.
Gas and Power	(4.1)%	3.1%	(7) p.p.
Siemens Gamesa Renewable Energy	(7.5)%	4.7%	(12) p.p.
Reconciliation to Consolidated Financial Statements	n/a	n/a	n/a
Amortization of intangible assets acquired in business combinations and goodwill impairments	(461)	(499)	(8)%
Financial result	(145)	(280)	(48)%
Financial result from operations	13	31	(58)%
Income (loss) before income taxes	(2,135)	317	n/a
Income tax (expenses)/ gains	276	(35)	n/a
Net income (loss)	**(1,859)**	**282**	**n/a**
Basic earnings per share	(2.21)	0.22	n/a

- As a stand-alone company, Siemens Energy finances itself at individual market conditions. Rising costs related to bank fees and the continuation of parent company guarantees provided by Siemens AG at arm's length beyond Spin-Off impacted the adjusted EBITA margin of both segments negatively.

- Adjusted EBITA of Reconciliation to Consolidated Financial Statements sharply decreased from negative €5 million in the prior year to negative €98 million due to Special items with regard to stand-alone costs. Stand-alone cost amounted to a negative €74 million (2019: €0 million).

- As a result of the development described for the segments and Reconciliation to Consolidated Financial Statements, Adjusted EBITA margin before Special items of Siemens Energy declined to a negative 0.1% (2019: 5,3%).

- Accordingly, Adjusted EBITA margin of Siemens Energy was negative 5,6% in fiscal year 2020 (2019: 3,7%).

- The financial result sharply improved as a result of lower interest expenses due to the termination and repayment of an outstanding loan granted by Siemens Group.

- The effective tax rate was 12.9% for fiscal year 2020 (2019: 11.0%) due to the fact that the major part of the loss before taxes of SGRE does not allow for the capitalization of deferred tax assets.

- The decline in Basic earnings per share reflects the decrease of Net income.

1.5 Financial position

1.5.1 Principles and objectives of financial management

- Although Siemens Energy and SGRE are independent in their financing activities and financial policies, both companies align their approach to the financial markets to the extent feasible.

- Until the Spin-Off from Siemens Group, Siemens Energy managed and controlled its financial risks in accordance with Siemens Group policies. Financial risk management for the Segment Gas and Power was steered by the central functions of Siemens Group. Financial risk management for the Segment SGRE was done on SGRE Group level.

- The main objectives of Siemens Energy's financial management are to ensure the safeguarding of the financial sustainability of Siemens Energy and its affiliate companies, a solid investment grade rating and supporting the business by providing corporate finance solutions. The protection of the Group's long-term financial stability and flexibility includes solvency of Group entities at any time, reduction of financial risks and a balanced capital structure.

- The Treasury & Corporate Finance organization is the governance owner for treasury and financing activities, including guarantees, letters of credit, insurance, pensions, sale of receivables, leasing, and supply chain finance.

- Certain treasury and financing activities are managed centralized by Treasury & Corporate Finance to the extent reasonable to ensure transparency and cost efficiency, e.g. liquidity and financing of the Group, bank relations, treasury infrastructure, financial risk management, pensions and pension service provider management, insurance (broking, advisory, claims management and provider management) and guarantees.

- Centralized coordination and management of market risks (foreign currencies, interest rates, commodities), bank partners, insurances and pensions ensures a comprehensive risk management approach. Treasury is the central partner for derivative hedging transactions entered into within Siemens Energy, as far as permissible under local foreign exchange regulations. Treasury is therefore largely responsible for entering into external hedging transactions with banks. SGRE uses a stand-alone Treasury function but is closely aligned with Siemens Energy Treasury on a governance level.

- The provision of treasury infrastructure involves, among others, cash pooling: A centralized cash management system enables excess liquidity at individual Group companies to be used to cover the financing requirements of other Group companies, which reduces both the volume of external financing and interest expenses.

- For further information on the extent and management of financial risks and on financing see **2.6 Notes to Consolidated Financial Statements in Note 21 Financial risk management.**

1.5.2 Cash flow and capital expenditure analysis

(in millions of €)	Fiscal year 2020	2019	Change
Free cash flow pre tax by segment			
Gas and Power	536	651	(18)%
Siemens Gamesa Renewable Energy	122	407	(70)%
Reconciliation to Consolidated Financial Statements	319	106	>200%
Free cash flow pre tax of Siemens Energy	**977**	**1,164**	**(16)%**
Therein: Additions to intangible assets and property, plant and equipment	*(927)*	*(818)*	*13%*
Cash flows from			
Operating activities	1,601	1,694	(6)%
Investing activities	(1,036)	(797)	30%
Financing activities	2,353	(1,597)	n/a

Free cash flow pre tax

- Beginning with fiscal year 2020, Siemens Energy adopted IFRS 16, Leases, applying the modified retrospective approach as described in more detail in **Notes to Consolidated Financial Statements in Note 2 Material accounting policies and critical accounting estimates.** As a result, the shift of lease payments from cash flows from operating activities to cash flows from financing activities had a positive effect on Free cash flow pre tax.

- Free cash flow pre tax decreased significantly by €187 million compared to fiscal year 2019, which is primarily a result of the clearly lower cash inflows from operating activities, as well as significantly higher additions to intangible assets and property, plant and equipment in fiscal year 2020, among others relating to transfers of real estate from Siemens Group.

- The reduction of **cash flows from operating activities** was mainly due to the negative net income, despite an improvement in Operating net working capital. This improvement was particularly due to the decrease of Contract assets, Receivables and Inventories. In total, the change in Operating net working capital resulted in net cash inflows in fiscal year 2020 of €1,612 million (2019: €938 million). Taxes paid amount to €303 million (2019: €287 million). This development was also reflected on segment level, especially within SGRE.

- Cash outflows from the change in other assets and liabilities decreased sharply to €17 million (2019: €784 million) for Siemens Energy, among others, due to the change in provisions for order-related losses and risks as well as due to provisions for warranties and miscellaneous topics.

- The Free cash flow development led to a Cash conversion rate of negative 0.4 in fiscal year 2020, compared to 0.8 in fiscal year 2019.

Additions to intangible assets and property, plant and equipment – by Segments	Fiscal year		
(in millions of €)	2020	2019	Change
Gas and Power	305	317	(4)%
Siemens Gamesa Renewable Energy	601	498	21%
Reconciliation to Consolidated Financial Statements	21	4	>200%
Additions to intangible assets and property, plant and equipment Siemens Energy	**927**	**818**	**13%**
Additions to intangible assets and property, plant and equipment – by Regions			
EMEA	630	561	12%
Americas	197	177	11%
Asia, Australia	100	80	25%

Cash flows from investing activities

- **Cash flows from investing activities** substantially decreased, mainly resulting from acquisitions of businesses, net of cash acquired, as SGRE acquired parts of the Senvion business in fiscal year 2020, see 1.3.2 Events and developments responsible for course of business, which led to cash outflows of €177 million.

- An increase in cash inflows from disposal of businesses related to the sale of minor business activities of the Segment Gas and Power in the U.S. and France, which is aimed at streamlining our business portfolio, was mostly offset by lower cash inflows from disposals of investments and financial assets due to a sale of two minority shareholdings in the prior year.

1.5.3 Financing and liquidity analysis

Cash flows from financing activities

- The improvement of Cash flows from financing activities was due to the change in debt and other financing activities, mostly related to financing activities of the SGRE segment as well as the change in other transactions/financing with Siemens Group due to a cash contribution of €2,580 million. In addition, lower interest paid to Siemens Group due to the termination of financing agreements had a positive effect on cash flows from financing activities. The stated developments were partially offset by the effects of the initial application of IFRS 16, Leases, resulting in a change of presentation of cash outflows for leases and other transactions with Siemens Group.

- The initiated program of Siemens Energy AG to repurchase shares described in Debt, credit facilities, capital structure and share buyback led to cash outflows of €162 million in September 2020.

Debt, credit facilities, capital structure and share buyback

Debt

- Our loans from banks in fiscal year 2020 mainly related to SGRE; otherwise Siemens Energy was substantially financed by Siemens Group during fiscal year 2020 and prior to our independence.

- In February 2020, our last outstanding loan granted by Siemens Group to Siemens Energy's subsidiary Dresser Rand Group Inc. in an amount of €1,571 million was terminated early and repaid.

- For further information about our debt see 2.6 Notes to Consolidated Financial Statements in Note 12 Debt.

Credit facilities

- In May 2020, a commitment letter for a new €3,000 million syndicated revolving credit facility has been signed for general corporate purposes to be available after Spin-Off with a tenor of three years and two one-year extension options at the discretion of the lenders (after year one and two). The first step of the syndication was completed by signing the facility agreement on July 7, 2020. In a second step, syndication was launched to an additional group of banks in July 2020, so as to complete the group of core banks for Siemens Energy and have the facility agreement signed by all banks by the end of August 2020.

- In December 2019, SGRE's syndicated loan facility was extended by one year. The €500 million fully drawn loan tranche will mature in 2022 and the €2,000 million unused revolving credit line tranche will mature in 2024. In January 2020, SGRE has signed two new loans amounting to €240 million, both with maturity in 2023. Additionally, during fiscal year 2020, SGRE has signed new bilateral credit lines amounting to €375 million, of which €50 million mature in December 2020, €275 mature in 2021 and €50 million mature in 2022.

Capital structure ratio

(Net cash)/ net debt

(in millions of €)	Sep 30, 2020	Sep 30, 2019
Short-term debt and current maturities of long-term debt	717	359
Plus: Long-term debt	1,669	547
Plus: Payables to Siemens Group from financing activities	161	4,535
Total debt	**2,546**	**5,441**
Cash and cash equivalents	4,630	1,871
Plus: Receivables from Siemens Group from financing activities	282	3,361
Total liquidity	**4,912**	**5,232**
(Net cash)/ net debt [1]	**(2,366)**	**209**
Plus: Provisions for pensions and similar obligations	1,057	1,960
Adjusted (net cash)/ net debt	**(1,309)**	**2,169**
EBITDA [2]	**60**	**1,806**
Adjusted (net cash)/ net debt to EBITDA ratio	**(21.8)**	**1.2**

[1] As of September 30, 2020, the net cash position is shown with a negative sign.
[2] EBITDA is defined as Income (loss) before income taxes as shown in the consolidated statements of income, plus interest income/expense and other Financial income/expense and plus Amortization, depreciation and impairments.

- The performance measure used to assess our capital structure is the Adjusted (net cash)/ net debt to EBITDA ratio which stood at negative 21.8 (2019: 1.2) as of September 30, 2020, being in line with the target established in our Siemens Energy Financial framework.

- The change year over year was due primarily to the decrease in total debt due to the capitalization of the Group and the decrease in provisions for pensions and similar obligations. EBITDA decreased sharply year over year driven by the developments described in 1.4 Results of operation.

- We strive to maintain our solid investment grade rating. As a general guidance, an Adjusted net debt to EBITDA ratio below 1.5 may be considered to be consistent with a solid investment grade rating.

- With our ability to generate positive operating cash flows, our total liquidity of €4,912 million, our unused lines of credit, and our credit rating 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.

Share buyback

- At the end of fiscal year 2020, Siemens Energy started a program to repurchase treasury shares to promote the equity culture in the company.

- The program will run until March 31, 2021, at the latest; during this period, shares shall be repurchased for up to €393 million, but not more than 72,664,519 shares. As of September 30, 2020, 9,242,660 shares were purchased for €200 million.

- The repurchase program will serve to distribute shares to members of the Executive Board and employees of the Siemens Energy Group.

Development of Net cash/ (net debt)

(in millions of €)	Sep. 30, 2020
(Net debt) as of September 30, 2019[1]	**(1,070)**
Adjusted EBITA Siemens Energy	**(1,543)**
Change in Operating net working capital	1,612
Other non-cash expenses	228
Income taxes paid	(303)
Amortization, depreciation and impairments	1,590
Other cashflows from operating activities	17
Additions to intangible assets, property, plant and equipment	(927)
Free cash flow Siemens Energy	**674**
Acquisitions, net of cash acquired	(177)
Purchase of treasury shares	(162)
Change in debt and other financing activities	110
Other transactions/ financing with Siemens	2,580
Other cash flows from investing and financing activities	411
Net cash as of September 30, 2020	**2,366**

[1] As of September 30, 2019, net debt of €209 million plus IFRS 16 adjustments in the amount of €860 million

1.5.4 Financing of pension plans and similar commitments

- Siemens Energy provides post-employment defined benefit plans or defined contribution plans to almost all domestic employees and the majority of foreign employees.

- The majority of Siemens Energy pension liabilities derives from three major countries: Germany, the U.S., and U.K.

- As of September 30, 2020, the **DBO** amounted to €3,392 million (thereof: Germany €1,544 million, U.S. €971 million, U.K. €326 million, and other countries €552 million).

- The **fair value of plan assets** was €2,378 million (thereof: Germany €1,123 million, U.S. €584 million, U.K. €330 million, and other countries €341 million).

- This led to an **underfunding** of €1,018 million (2019: €1,953 million). The year-over-year change is mainly related to the funding of the contractual trust arrangement in Germany from January 2020 with approximately €915 million.

- For more information see **2.6 Notes to Consolidated Financial Statements in Note 13 Post-Employment benefits/ Provisions for pensions and similar obligations.**

1.6 Net assets, liabilities and equity

1.6.1 Net assets

(in millions of €)	Sep 30, 2020	2019	Change
Total current assets	**22,554**	**24,917**	**(9)%**
Therein: Cash and cash equivalents	4,630	1,871	147%
Trade and other receivables	3,786	5,097	(26)%
Contract assets	4,607	5,230	(12)%
Inventories	6,530	7,148	(9)%
Total non-current assets	**20,477**	**20,124**	**2%**
Therein: Goodwill	9,376	9,815	(4)%
Other intangible assets	3,839	4,743	(19)%
Property, plant and equipment	4,877	3,275	49%
Total assets	**43,032**	**45,041**	**(4)%**

- **Cash and cash equivalents** increased sharply to €4,630 million, while **Receivables from Siemens Group** decreased sharply to €1,395 million (2019: €3,405 million), as Siemens Energy as a stand-alone company does not take part in cash-pooling with Siemens Group anymore and most balances with Siemens Group have been settled until Spin-Off. A further increase in cash and cash equivalents resulted from a cash contribution by Siemens Group of €2,580 million. This increase was partially offset by cash outflows for share buy backs and the acquisition of the service business of Senvion.

- **Components of Operating net working** capital significantly decreased due to successful asset management. Therefore, **Operating net working capital** substantially decreased to €301 million (2019: €3,440 million). Both segments contributed to this development. As a result, Siemens Energy also reduced its Operating net working capital as a percentage of its revenue to about 1% (2019: 12%).

- Other tax receivables decreased in line with the overall business development which resulted in a substantial decline in **Other current assets**.

- The decrease of **Goodwill** was mainly due to currency translation differences, partly offset by goodwill resulting from the acquisition of the European service business of Senvion.

- **Other intangible assets** declined as a result of regular amortizations, impairments of intellectual property rights in relation to intangible assets acquired in business combinations, and currency translation differences. Again, this decline was partly offset by additions resulting from the acquisition of the European service business of Senvion.

- **Property, plant and equipment** sharply increased due to Carve-Out-related asset transfers from Siemens Group, in particular land and buildings. Furthermore, the initial application of IFRS 16, Leases, led to the initial recognition of right-of-use assets in Property, plant and equipment under a modified retrospective approach. These increases were partly offset by currency translation effects.

- **Deferred tax assets** sharply increased due to Carve-Out-related tax benefits (e.g. taxable step ups, effects from the early termination, and repayment of the last outstanding loan of the Dresser-Rand loans and tax loss carryforwards).

- The proportion of non-current assets to total assets at fiscal year-end was 47.6% (2019: 44.7%)

1.6.2 Liabilities and equity

(in millions of €)	Sep 30, 2020	2019	Change
Total current liabilities	**21,669**	**23,487**	**(8)%**
Therein: Short-term debt and current maturities of long-term debt	717	359	100%
Trade payables	4,768	4,698	1%
Contract liabilities	9,853	9,337	6%
Current provisions	1,676	1,872	(10)%
Total non-current liabilities	**5,972**	**8,465**	**(29)%**
Therein: Long-term debt	1,669	547	>200%
Provisions for pensions and similar obligations	1,057	1,960	(46)%
Provisions	2,095	2,072	1%
Total liabilities	**27,641**	**31,952**	**(13)%**
Debt ratio	*64%*	*71%*	
Total equity	**15,390**	**13,089**	**18%**
Equity ratio	*36%*	*29%*	
Non-controlling interests	*448*	*1,233*	*(64)%*
Total liabilities and equity	**43,032**	**45,041**	**(4)%**

- Short-term debt and current maturities of long-term debt sharply increased primarily due to the first-time recognition of lease liabilities as a result of the initial application IFRS 16, Leases, and a transfer of lease liabilities from Siemens Group during the Carve-Out, respectively. Further additions resulted from bank loans in the amount of €240 million mainly driven by SGRE.

- Due to Carve-Out-related activities financing related balances with Siemens Group were sharply reduced, among others due to the early termination and repayment of the last outstanding loan, granted by Siemens Group to Siemens Energy's subsidiary Dresser-Rand Group Inc. in 2015, which occurred in February 2020.

- This was partly offset by changes in components of the Operating net working capital as a result of improved asset management (please refer to 1.6.1 Net assets).

- **Other current liabilities** significantly decreased from €3,267 million to €2,859 million mainly resulting from lower sales tax liabilities due to the overall business development.

- **Provisions for pensions and similar obligations** decreased to €1,057 million (2019: €1,960 million) mainly due to funding of the pension obligations of German Group companies by approximately €915 million. This was partly offset by the effect of changes in the discount rate and mortality table in Germany.

- **Deferred tax liabilities** sharply decreased due to, among others, impairments of intellectual property rights not recognized for tax purposes.

- **Total equity** increased despite a decrease in the earnings development, reflected by total comprehensive loss of €2,979 million and the effects of the share buyback. This was more than offset by increases mainly due to effects which were primarily related to transactions in the course of the formation of the Group, in particular (i) the funding of the pension obligations of the German Group entities, (ii) Carve-Out-related asset transfers, (iii) transactions for the purpose of achieving the envisaged capital structure and liquidity position of Siemens Energy and (iv) an increased share in SGRE reducing sharply the non-controlling interests.

- Equity ratio (total equity to total assets) as of September 30, 2020 increased to 35.8% (2019: 29.1%).

Off-balance-sheet commitments

- As of September 30, 2020, the undiscounted amount of maximum potential future payments related primarily to credit guarantees and guarantees of third-party performance amounting to €332 million.

Calculation of average capital employed

(in millions of €)	Sep 30, 2020	2019
Total equity	15,390	13,089
Plus: Long-term debt	1,669	547
Plus: Short-term debt and current maturities of long term debt	717	359
Plus: Payables to Siemens Group from financing activities	161	4,535
Plus: Provisions for pensions and similar obligations	1,057	1,960
Less: Cash and cash equivalents	(4,630)	(1,871)
Less: Receivables from Siemens Group from financing activities	(282)	(3,361)
Less: Adjustment for deferred taxes on net accumulated actuarial gains/losses on provisions for pensions and similar obligations	(205)	(161)
Average capital employed	**13,877**	**15,097**

1.7 Report on expected developments

1.7.1 Macroeconomic and industry development

The outlook for expansion of the world economy in fiscal year 2021 was relatively optimistic at the outset of the fiscal year. Global GDP was projected to expand by 5.2% in calendar year 2021, the highest rate of expansion since 2007. This expansion, however, would put absolute 2021 GDP only 0.6% ahead of 2019 levels.

The main strains on the global economy are expected to be driven by the lasting effects of the COVID-19 pandemic. Unemployment rates are expected to remain elevated globally. Social distancing is expected to continue, weighing on economic activity. Recovery is expected to be uneven and uncertain. Inequality is expected to rise globally, increasing the potential for instability.

Excluding China, emerging and developing economies are expected to experience a greater loss of GDP (more shrinking – less growing) over calendar years 2020 and 2021 from the COVID-19 pandemic than advanced economies. Emerging and developing countries in Latin America and the Caribbean, for example, are only expected to expand by 3.6% in calendar year 2021 after contracting 8.1% in calendar year 2020.

GDP in advanced economies is expected to expand 3.9% in calendar year 2021 after contracting 5.8% in calendar year 2020, leaving output below calendar year 2019 levels. Neither the United States, Eurozone, nor Japan, are expected to return to 2019 levels of output during calendar year 2021.

China is again expected to stand out positively, with GDP expected to rise by 8.2% in calendar year 2021 after a rise of 1.9% in calendar year 2020.

Beyond the pandemic, economic development could be more significantly influenced by "Brexit", trade tensions, or other unforeseen geopolitical developments.

The forecasts presented here for GDP are based on the "World Economic Outlook: A Long and Difficult Ascent", October 2020, from the International Monetary Fund (IMF). They are based on many assumptions, including the assumption that "social distancing will continue into 2021, but will subsequently fade over time as vaccine coverage expands and therapies improve".

All assessments regarding future developments and trends in the markets described in this chapter are subject to additional uncertainties relating to the impact of the COVID-19 pandemic, a major disruptive factor, and its various related effects. The pandemic creates significant and uncertain volatility in macroeconomic factors such as the development of the GDP, oil and natural gas prices, a pronounced decrease in energy demand, country and customer financial capacity, energy investment, government stimulus and energy policies, as well as volatility in the financial markets. In return, these factors are expected to have a further impact on the market drivers for our business.

1.7.2 Transformation of Siemens Energy in fiscal year 2021

Fiscal year 2021 marks the transformation year for Siemens Energy on our way to become the leading energy company of the world. We have initiated the first steps to this journey in 2020 and in 2021, we will continue in this direction with the Accelerating Impact program. We expect a successful execution of our strategies, including the successful implementation and execution of reorganization and cost-saving programs, as well as the introduction of potential further such programs. Moreover, we believe we will successfully implement operational improvement programs focused on higher-margin business and a reduction of non-conformance costs as described in **Operational excellence.**

For our segment GP, we expect that our savings ambitions resulting from the past programs and the first successes of our Accelerating Impact program will lead to a reduced cost basis in fiscal year 2021. Additionally, we assume that cumulative restructuring costs incurred in connection with the implementation of these programs and measures will be in the high triple-digit million euro range until fiscal year 2023.

Regarding our Segment SGRE, we expect the successful implementation of its new "LEAP" program, for further information see also **Operational excellence.** Moreover, with a view on our targets for fiscal year 2023 and our mid-term goals, we expect SGRE to achieve annual cost reductions, among others, also due to intensified cooperation between Siemens energy and Siemens as well as between our Segment SGRE and GP.

1.7.3 Expected revenue and profitability trends

We are basing our outlook for fiscal year 2021 for the Siemens Energy Group on the abovementioned expectations and assumptions regarding the overall economic situation as well as the specific market conditions we expect for our reportable segments, as described below. Overall, we expect global macroeconomic development to remain still subdued in fiscal year 2021, with risks particularly related to the further progress of the pandemic situation and the associated geopolitical and geoeconomic uncertainties. Nevertheless, we assume that measures will be implemented by the government to limit the consequences of COVID-19. We expect to maintain a resilient business with a gradually declining economic impact of the pandemic throughout fiscal year 2021.

This outlook excludes charges related to legal and regulatory matters.

Arising deviations from these assumptions as well as any opportunities and risks presented in 1.8 Report on material risks and opportunities may result in discrepancies between actual business performance and our following outlook.

Segments

Normalization in electricity demand, including a return to a more normal growth path, is expected to support markets for GP equipment in 2021 relative to 2020. Generation and Transmission markets in particular are linked to electricity. These markets are expected to trend toward longer term growth rates in 2021. Outside electricity, energy markets are expected to stabilize towards a growth path in fiscal year 2021, slowly recovering from the pandemic situation of fiscal year 2020. Both markets for offshore and onshore exploration are anticipated to recover based on a growing number of expected project approvals. Pipelines, downstream, and oil and gas-related markets are expected to remain stable in fiscal year 2021.

We assume that our order backlog is a solid basis for future revenue, as well as that our broad customer base and installed fleet contribute to the resilience of our business. Therefore, for the GP segment the future development of the nominal revenue growth rate for fiscal year 2021 between 2% and 11% is confirmed.

Adjusted EBITA margin before Special items is expected to stand at 3.5% to 5.5% for fiscal year 2021 as we assume to achieve positive impacts through cost efficiency and restructuring programs.

The global market for onshore wind installations is expected to grow moderately in fiscal year 2021, after the year of record installation in fiscal year 2020. The drop of the U.S. and China markets are expected to be overcompensated by a wide range of other countries, especially in Europe. The global offshore wind power market is expected to grow sharply in 2021, mostly driven by China.

SGRE confirms for fiscal year 2021 revenues between €10.2 billion to €11.2 billion; considering the reported revenues in fiscal year 2020 of €9.5 billion the nominal revenue growth rate amounts to 8% to 18%, driven by the conversion from our existing order backlog as well as a stable development of our service and product business. Adjusted EBITA margin before Special items is expected to be in a range of 3% to 5% in fiscal year 2021 based on the assumptions of achieving positive impacts through cost and productivity measures as well as synergies within Siemens Energy.

Revenue growth

The expected nominal revenue growth rate for SE Group is unchanged, resulting in a range of 2% to 12% for fiscal year 2021 as we assume growing energy demand and new business opportunities driven by decarbonization.

As of September 30, 2020, our order backlog totaled €79 billion, and we expect conversion from the backlog to support revenue growth in fiscal year 2021 with approximately €23 billion of past orders converted to current revenue.

Profitability

Besides the above-mentioned assumptions for our segments, our forecast for profitability takes into account a number of additional factors. We expect solid project execution to continue in fiscal year 2021, especially not interrupted by measures to fight COVID-19. On this basis, we expect Adjusted EBITA margin before Special items for the Siemens Energy Group to be in the range from 3% to 5% in fiscal year 2021.

For Siemens Energy we anticipate a sharp increase in net income for the fiscal year 2021 in comparison to fiscal year 2020. The increase assumes a stronger operational business performance and less special items than in the prior year.

1.7.4 Expected financing and planned capital expenditures

We expect capital expenditure of fiscal year 2021 approximately on level with fiscal year 2020. Capital expenditure in fiscal year 2021 for GP will focus on the capacity expansion of a manufacturing facility for dry-type transformers of the Transmission division in China and the capacity expansion of a facility for the manufacture of electrolyzers of the New Energy Business in Germany. In the course of its project business, GP also expects to contribute development funding and make equity investments in project undertakings on a selective basis. In the Segment SGRE, planned capital expenditures for material investments relate to the capacity expansion of a nacelle assembly facility for the offshore business in Taiwan.

We aim in general for a capital structure in line with a solid investment grade rating. Therefore, our capital structure, defined as the ratio of Adjusted net (cash)/ net debt to EBITDA, is oriented towards a ratio of up to 1.5.

Free Cash Flow pre tax

Because of the expected cyclicality of project business and the build-up in net working capital associated with large scale projects in Gas and Power and cash-outs related to restructuring and spin-off related one offs, we assume a sharp decrease of Free Cash Flow pre tax for fiscal year 2021 in comparison to fiscal year 2020 for Siemens Energy.

1.7.5 Overall assessment of expected developments

We expect global macroeconomic development to remain subdued in fiscal 2021, with risks particularly related to geopolitical and geoeconomic uncertainties. Our markets tend to have a limited effect to economic cycles and our businesses, especially our service business, is characterized by a high level of resilience. Nevertheless, we observe with concern the resurgence of the global COVID-19 pandemic and increasing local lockdown situations. In many countries our operations are deemed system critical and thus are exempted from measures imposed by authorities.

We confirm our guidance for fiscal year 2021 as presented at our Capital Market Day on September 1, 2020 and in our prospectus, which does not assume further negative impacts from COVID-19 in our financial guidance.

For Siemens Energy in fiscal year 2021, we expect nominal revenue growth rate to be in the range of 2%–12%, an Adjusted EBITA margin before Special items of 3%–5%, a sharp increase in net income and a sharp decrease of Free Cash Flow pre tax.

This guidance assumes no further financial impact from COVID-19 during fiscal year 2021. We are hence monitoring the recent spike in new infections with concern and evaluate appropriate measures as it pertains to our guidance.

This outlook excludes charges related to legal and regulatory matters.

1.8 Report on material risks and opportunities

1.8.1 Risk management system

Basic principles of risk management

Our risk management policy stems from a philosophy of creating economic value while managing appropriate opportunities and risks and avoiding inappropriate risks. As risk management is an integral part of how we plan and execute our business strategies, our group-wide risk management policy is set by the Executive 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.

Enterprise risk management process

Risk management at Siemens Energy builds on a comprehensive, interactive, and management-oriented Enterprise Risk Management (ERM) approach that is integrated into the organization and that addresses both opportunities and risks. 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), the ISO (International Organization for Standardization) Standard 31000 (2018), and is adapted to Siemens Energy 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, evaluation, and response to opportunities and risks 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 opportunities and risks remaining after the execution of existing control measures. 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. The processes and procedures implemented are intended to help ensure that the Executive Board and the Supervisory Board are fully informed about significant risks in a timely manner.

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, opportunities and risks are identified in a structured way, combining elements of both top-down and bottom-up approaches in order to ensure 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.

Reporting generally follows quarterly cycles but we complement this periodic reporting with an ad-hoc reporting process that aims to escalate critical issues in a timely manner. Relevant opportunities and risks are prioritized in terms of impact and likelihood, considering different perspectives, including business objectives, reputation and regulatory requirements. Responsibilities are assigned for all relevant opportunities and risks, with the hierarchical level of responsibility depending on the significance of the respective risk or opportunity. 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.

Risk management organization and responsibilities

To oversee the ERM process and further drive integration and harmonization of existing control activities to align with legal and operational requirements, the Executive Board established a Risk Management and Internal Control Organization, headed by the Head of Risk Management and Internal Control. In order to allow for a meaningful discussion of risk at the group level, this organization aggregates individual opportunities and risks of similar cause-and-effect nature into broader opportunity and risk topics. 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 topics. Thematic opportunity and risk assessments then form the basis for the evaluation of the company-wide opportunity and risk situation. The Head of

Risk Management and Internal Control reports quarterly to the Executive Board on matters relating to the implementation, operation, and oversight of the risk and internal control system and assists the Executive Board, for example, in reporting to the Audit Committee of the Supervisory Board.

1.8.2 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 Energy 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 reportable segments.

Strategic risks

Disruptive decarbonization trends – The trend towards decarbonization will have major effects on our portfolio, although these changes will be gradual, over several years or even decades. There is a risk that requirements will be driven in a much shorter timeframe by regulatory measures or public pressure (e.g. CO_2 taxes, financing restrictions for greenhouse gas emitting technologies, media campaigns) and might force us to review our strategy, organizational setup, and portfolio. The products, solutions, and services offered by our Gas and Power (GP) segment's Generation and Industrial Applications divisions serve, to a significant extent, conventional power generation using fossil fuels such as oil, gas, and coal. Fossil power generation is currently under pressure due to the prevailing trend towards more sustainable power generation using renewable energy sources or carbon-neutral fuels. There is a risk that the demand for fossil power plants and related infrastructure including highly efficient gas turbines will be lower than we expect due to a faster than expected transition towards renewables. An accelerated growth in new installations of solar and wind power due to their declining levelized cost of energy could result in decreasing demand for conventional power generation in some regions of the world. Also, a faster than expected development of competitive energy storage solutions could accelerate the change towards renewables by offsetting their disadvantage of not being able to respond flexibly to varying energy demands. These trends are impacted by several factors beyond our control, in particular by government intervention, public and private initiatives, the efficiency and cost of renewable energy technologies, as well as selectiveness of and restrictions for investors and lenders, and changing consumer preferences in energy consumption. Most of these interventions and initiatives are directed to limit global climate change. If these developments result in fewer orders for our offered products and solutions, there might also be fewer opportunities to conclude respective new service contracts. Our service backlog may be affected if customers decide to decommission conventional power plants, or to cancel or postpone modernizations, or if customers seek to renegotiate their long-term service contracts, which may result in less volume or less favorable conditions for us. Within renewables, we are offering wind power applications through our SGRE segment, but we have only limited products and services related to solar power generation or other renewable technologies in our portfolio. If the solar market or other renewable fields develop more dynamically than expected, e.g. through increasingly declining subsidy levels in the wind power industry, there can be no guarantee that SGRE will succeed in addressing the resulting challenges. Also in this case, fewer orders could affect our service business. We are offering our customers various pathways to transform their existing fleet of fossil fuel-based power generation technology into a less carbon-intensive one. Depending on governmental policy support and regulatory implementation, such markets may pick up earlier or later than expected. If we are too slow or if we fail to adapt our business model and our product portfolio to specific regional demand in time or at all, this may have a material adverse effect on our business, financial position, and results of operations.

ESG standards requirements – We must increasingly meet environmental, social, and governance (ESG) standards and expectations regarding environmental concerns (e.g., climate change and sustainability), social concerns (e.g., diversity and human rights), and corporate governance concerns (e.g., employee relations when making business and investment decisions). We may not always be able to identify and adequately assess the relevant concerns, which may result in failure to meet ESG standards and expectations of stakeholders or the public, which could adversely impact our reputation. At the same time, compliance with certain ESG standards, in particular environmental standards, may lead to additional costs and challenges in our business. There is a risk of insufficient funding or procurement of financing instruments or financial services such as securities, hedging instruments or insurance provided by banks, insurance companies, and other financial institutions for specific projects or our whole business operations, due to financial institutions' internal, industry-wide, or policy-driven prerequisites for all dimensions of ESG. Basically, our business and the businesses of our customers and suppliers require access to significant credit and guarantee lines and other financing instruments. Therefore, our business activities could be negatively affected if we are unable to meet such capital requirements in the future, for example as a result of a significant deterioration of our credit standing or if access to capital becomes more expensive. Our business activities could be similarly negatively affected if our customers or suppliers do not have access to financing on economically viable terms. Our ability to realize projects in the energy industry, whether conventional or renewable, may be negatively impacted by ESG standards. For example, we have been and may continue to be confronted with protests against our participation in coal or oil and gas projects from climate, environmental, or other civil groups which, in particular if such protests receive extensive media coverage, could have an impact on the willingness of important stakeholders to contribute or support such projects, which may have a material adverse effect on our business, financial position, reputation, and results of operations.

Technology/ portfolio gap against competitors – The markets in which we operate experience rapid and significant changes due to the introduction of innovative and disruptive technologies. Our operating results have in the past depended and will continue to depend to a significant extent on our ability to meet the evolving needs of current and prospective customers, our ability to anticipate and adapt to changes in our markets, and to optimize our cost base accordingly. While we constantly apply for new patents and actively manage our intellectual property portfolio to secure our technological position, there is a risk that we may not be successful in developing a portfolio of technologically advanced products, services, and solutions within the expected timeframe or at all, or at prices that allow our new developments to be competitive when compared to similar products, services, and solutions available in the market. Optimizing the levelized cost of energy of its products and its cost base is particularly important for our SGRE segment as many of its products are subject to significant price pressure. In addition, our SGRE segment's Onshore product competitiveness could suffer if its portfolio optimization plans encounter delays or its products may fail to meet market expectations. Our GP segment's new gas turbine class that is currently being developed may not fully enable us to compete against the offerings of our competitors with top-of-the-market efficiency levels, which are a key selling point for our customers, maybe also impacting our service revenues which depend to a large extent on our installed base of rotating equipment. Furthermore, the pace of technological change may result in the economic-life-cycle of certain of our products being shorter than anticipated. There is also a risk that certain markets do not materialize to a relevant size and we may not be able to recoup our investments.

Restructuring/ productivity programs – The markets in which we operate as a global supplier of technology for the energy and electricity sectors are subject to disruptive developments which have required us to adjust our organizational and manufacturing footprint, in order to adapt to changing market conditions, in particular market upswings or downswings, and may require us to make further adjustments in the future. Such further reorganizations and productivity programs may be required to adapt to a changing product portfolio or customer basis or to price pressure in the market. If we are unable to successfully implement planned potential reorganization, performance enhancement or cost savings measures or if these do not result in the planned savings, this could have a material adverse effect on our business, financial position and results of operations. The implementation of potential reorganization programs in response to downswings may from time to time require the reduction of personnel in some functional areas or reorganization of manufacturing sites and may require us to incur significant restructuring expenses (e.g., severance payments) that affect our results of operations. In addition, our ability to adapt our footprint or resize our support functions quickly may be limited due to labor law restrictions, in particular when compared to certain competitors. Furthermore, reorganization, performance enhancement, and cost savings measures may not yield the targeted results and the implementation may take longer than originally expected or ultimately fail, e.g., due to regulatory requirements varying from country to country. In our GP segment, we evaluate the implementation of further potential restructuring and optimization measures. For this purpose, the evaluation process is continuously focusing on shaping the exact scope and parameters, in particular for footprint optimization and project execution for footprint consolidation, resizing of functions and integration of previous acquisitions, and further measures needed to achieve profitability targets. Our SGRE segment is still investing in integration activities out of the merger that led to the formation of SGRE S.A. in fields such as IT or in integration of acquired European Senvion assets. Failure to implement potential reorganization measures, including productivity programs, in response to downswings could result in overcapacities, while failure to implement such measures in response to upswings may result in loss of businesses. We may also lose key personnel if we prove unable to adapt to changing market conditions. Strikes and disputes with unions and works councils may result in negative media coverage and delivery problems. Additionally, public criticism related to a reorganization might negatively impact our 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. This includes, for example, the active monitoring of employee attrition rates and execution of adequate countermeasures as well as increased management involvement, in maintaining an active dialogue with employees.

Market and price development – The worldwide markets for our products, solutions, and services are highly competitive. Factors such as pricing, product and service quality, product development and introduction time, customer relationships, financing terms, and the ability to quickly adapt to shifts in market demands play an important role in this market environment. For example, governments in some of our SGRE segment's key markets are moving towards auction models where a number of competing developers are submitting bids for projects, with awards being made based on the lowest entry price for the project. A permanently reduced oil price may lead to reduced demand for our Oil & Gas products, in addition countries depending on a high oil price (e.g. Russia) may reduce their investment in energy infrastructure and (or) may default on payments. We face strong established competitors and rising competitors from emerging markets, where many competitors have developed their offerings locally and are now expanding globally, and competitors from new industries such as digital industries, which may offer more advanced products or solutions or have a better cost structure. Some industry fields in which we operate are undergoing consolidation, which may result in stronger competitors or a change in our relative market position. Decreasing demand for our offerings as a result of a weaker market position could lead to increases in Inventory of finished or work-in-progress goods, or unexpected price erosion. Our SGRE segment may in the future face additional competition from Chinese manufacturers that may decide to enter global wind turbine markets, which may result in price decreases and a loss of market share for our SGRE segment. In our service business, we face competition from major established players and non-OEM suppliers targeting, in particular, our GP segment's turbine service business, which is a major source of profitable revenue. This risk is further exacerbated by the fact that we grant the non-exclusive right to certain companies to manufacture, sell and service certain of our products in specific territories, or to use certain of our intellectual property or design tools to develop their own product. These agreements are based on the assumption that it is beneficial to us if we are active in these markets via a partner. Should we decide to directly serve the respective market, we may be forced to compete with our partner. Some of these developments may prompt us to revise our strategy and product portfolio and there can be no assurance that such revisions yield the targeted results. If the Group is unable to compete effectively against its competitors or achieve satisfactory prices in negotiations with customers, this could have a material adverse effect on our business, financial position, and results of operations. 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.

Political instability and conflicts – As we are a globally operating Group, the imposition of barriers to free trade would negatively impact production costs and productivity along our value chains, as well as reduce the level of investment activity. Our business prospects and the execution of projects awarded to us may be negatively affected by political instability or international conflicts. For example, we may be forced to reorganize, reduce, or terminate business operations in geographical areas where our employees, partners, or subcontractors would otherwise be subject to unacceptable economic or personal risks, e.g., due to ongoing or threatened civil unrest, terror attacks, or war. Some of our current and planned projects and service activities are in regions which are exposed to a higher risk in this respect, e.g., in Libya, Iraq, and other countries. Furthermore, our business prospects or the execution of our order backlog may be negatively affected by changes in the political and economic framework, e.g., due to trade wars, punitive tariffs, sanctions, protectionist measures or boycotts. We believe a key risk in this regard is the simmering U.S.-China trade conflict which may further escalate. We are exposed to existing and potential new trade barriers which may impede our business with China and the U.S., and also our operations outside China and the U.S. could be affected due to potential supply chain disruptions as a consequence of such a trade conflict, particularly in our SGRE segment. In Iraq, depending on the overall political and military situation, as well as the potentially imposed sanctions by the U.S., we may not be able to execute as planned on the realization of the five-year "Iraq Roadmap," which could have a material adverse effect on our results of operations. Furthermore, the consequences of the United Kingdom (U.K.) withdrawing from the EU ("Brexit") remain unclear. If the EU and the U.K. fail to conclude a future trading framework which provides for trading terms substantially similar to the current terms, this may materially adversely affect our business operations and results. Siemens Energy's 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.

Operational risks

Pandemic diseases – We are a globally active Group and, as such, directly and, through our customers and suppliers, indirectly exposed to various risks arising out of or in relation to global and local spreads of infectious diseases, such as the recent outbreak of the COVID-19 pandemic, or other forms of public health crises. Risks stem not only from the immediate effect of such crises, but also from any measures aimed at limiting their impact, including, but not limited to, restrictions on travel, imposition of quarantines, prolonged closures of workplaces and schools, curfews or other social distancing measures, including the social impact of such measures. There can be no guarantee that such measures, or a combination thereof, are effective means to combat such an outbreak and the implications resulting therefrom. A continuing public health crisis due to the inefficiency of relevant measures as well as the effects of the countermeasures themselves may have material adverse effects on our business, financial position, and results of operations. In particular, we are subject to the risk of interruption or shutdown of our production or project sites and the risk of disrupted supply chains. We could therefore not be able to fulfil our obligations towards our customers in a timely manner, resulting in claims of non-performance or damages against us. The impact of public health crises could have severe effects on global and national economies and even lead to a prolonged recession and an increased global debt level, adversely affecting demand for our offerings.

Technical and quality issues – Certain products that we sold in the past had, and may in the future have, quality issues resulting from the design or manufacture of these products or the commissioning of these products or the software integrated into them. Such risks are particularly present in our engineering, production, and project sites, which are located all over the world and have a high degree of organizational and technological complexity. A failure or malfunction of one of our products may extend to other products, or affect whole production facilities or plants, or could affect an entire product line e.g., of gas turbines which may already be installed or planned to be installed at customer sites. Potential consequences of quality issues could be a shutdown of power plants, delays in project commissioning, property damage, customers pursuing claims against us, and detrimental effects on our reputation. There is no guarantee that our quality assurance measures will be effective enough to detect and adequately respond to every quality assurance issue in a timely manner or at all, especially in relation to new technologies which are typically in an early phase of implementation and, because operational data is rare, whose lifetime cannot be reliably predicted. Any of the described cost increasing effects, claims, liabilities, or reputational damages would have a material adverse effect on our business, financial position, and results of operations.

Environment, health and safety (EHS) adverse events – The majority of the industries in which we operate are highly regulated. For example, certain of our, or our suppliers', production processes require, and certain of our products contain, chemicals or other substances which are subject to various laws and regulations, and we have to adhere to stringent occupational health and safety laws and regulations not only in our production facilities but also, among others, on project sites and at customer locations. Current and future EHS 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, due to the high risk profile of some of our work we see the risk of potential EHS incidents as well as potential non-compliance with EHS regulations affecting Siemens Energy and our contractors, resulting for example in serious injuries, penalties, loss of reputation, and internal or external investigations as well as project delays. We could also face liability for damage or remediation for environmental contamination at the facilities we own, lease, design, or operate. This risk is further exacerbated by the fact that much of the real estate used by Siemens Energy was acquired when such real estate had already been in industrial use. Siemens Energy, thus, cannot guarantee that such real estate was always operated in line with EHS regulations, but may, nevertheless, be held responsible for the consequences of a failure to do so. We may incur environmental losses beyond the insurance limits, or outside the coverage of such insurance, and such losses may have a material adverse effect on our business, financial position, and results of operations.

Risk related to project execution – We regularly engage in large and complex projects which may be worth, or even exceed a value of, several hundred million euros and whose execution may take several years. Such contracts are awarded on a competitive bidding basis and in many cases we are responsible for the design and construction of an entire turnkey plant, including wind power plants. Some of these contracts are inherently risky because we may assume substantially all risks associated with completing a project and meeting post-completion warranty obligations. This is particularly true in projects with untested or new technology that have never been executed before, or when we bid for projects in countries where we have no or only limited experience from previous projects. In certain cases, we 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 or technical problems, unforeseen developments at the project sites, unforeseen changes or difficulties in the regulatory or political environment, performance problems relating to our suppliers, subcontractors and consortium partners, or logistical difficulties. When developing new projects, we regularly incur upfront investments that may be lost if the project does not materialize as planned or at all. The materialization of any such project-specific risks, planning miscalculations, or other unexpected delays or disruptions could lead to significant increases in project costs, negatively affect the performance of projects and could have a material adverse effect on our business, financial position, and results of operations. Where projects fail or are delayed, we may face claims for penalties or damages from our partners or customers, which also could lead to a legal dispute. To address those risks related to the acquisition and execution of large complex contracts we have established a global project excellence organization to define and monitor a transparent risk assessment and approval process for bid submission, a standard model for project execution, a curriculum to systematically improve the capabilities of our project management personnel as well as a continuous improvement program focused on lessons learned in order to prevent failure repetition.

Critical supply chain – The financial performance of our operating units depends on reliable and effective supply chain management for components, subassemblies, 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 quality assurance, product delivery schedules, and costs. Unanticipated increases in the price of components or raw materials due to market shortages or other reasons could also adversely affect performance. Besides other measures, we mitigate price fluctuation in global raw material markets with various hedging instruments. Although we work closely with our suppliers to avoid supply-related problems, there can be no assurance that we will not encounter supply problems. Market dynamics may also make it more difficult for us to find alternative sources of supply at reasonable costs or at all. In the past, we have experienced supply chain constraints regarding blades and vanes required for the operation of our turbines. Due to the expected low demand for turbines and the accompanying price pressure, our suppliers may seek customers from other industries and, thus, the overall number of our potential suppliers may be reduced. Such constraints can, for example, lead to delays or the inability to deliver spare parts. This in turn may affect our ability to perform our contractual obligations, which may subject us to claims of non-performance or damages. In addition, many of the parts we require for the manufacturing of our products need to undergo a qualification process, which may take longer than expected, for example, as a result of the increasing complexity of our turbine blades, vanes, and electrolyzers. For quality improvement and claim prevention we have established multiple measures. The increased use of quality management tools is improving visibility and enables us to strengthen our root cause identification and prevention processes. We are exposed to the risk of delays and interruptions in the supply chain because of catastrophic events, including e.g. adverse weather conditions or fire. In addition, cyber incidents or suppliers' financial difficulties or insolvencies can cause supply chain disruptions, particularly if we are unable to identify alternative sources of supply or means of transportation in a timely manner. The need to seek alternative sources of supply may also arise if our competitors acquire critical suppliers. The realization of any such unexpected developments within the supply chain could significantly increase costs and have a material adverse effect on our business, financial position, and results of operations.

Key personnel – Competition for diverse and highly qualified personnel remains intense in the industries and regions in which we operate. We have an ongoing need for highly skilled employees and a need to enhance the diversity of our workforce. Our conventional energy activities may reduce our appeal to the personnel we seek to hire or retain. Also, there may be individually perceived uncertainties linked to any potential future reorganization plans. There is therefore a risk that we may not continue to be able to hire, integrate, develop, and retain engineers, digital talents, experienced legal personnel, and other qualified personnel on all levels. 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.

Cyber-security failures including product security – Information technologies (IT) are deeply integrated into our business portfolio, and we depend on their uninterrupted and efficient functioning. In addition, we rely on third-party IT service providers. We observe a global increase of cybersecurity threats and higher levels of professionalism in cybercrime, which pose a risk to the security of products, systems, and networks and the confidentiality, availability, and integrity of our data. Our IT environment could be compromised, e.g., by attacks on our own or our IT service providers' networks that may also include cloud services, social engineering, data manipulations in critical applications, and a loss of critical resources. There can be no assurance that our own or our IT service providers' measures aimed at safeguarding the uninterrupted and efficient functioning of IT will address these threats under all circumstances. Any such attack or disruption may adversely affect our business operations. Risks from cyberattacks on our products and services can have particularly serious consequences because they are often part of critical infrastructure whose limited functionality or total failure can have far-reaching consequences. For example, we sell products and systems with digital capabilities and offer digital solutions such as for remote operation of assets or onsite operations such as instrumentation and controls for power plants. If such products, systems and solutions are compromised or disrupted, including due to any of the events described above, we may be held liable by our customers for damages and may also suffer damage to our reputation. In addition, there is a risk that confidential or private information, including third-party information, may be leaked, stolen, or manipulated or compromised in other ways, including due to any of the events mentioned above. Leakage or theft of information about our IP rights could affect our competitive position and results of operations. If confidential or private information is compromised, we may also be subject to contractual penalties or claims for administrative fines, or other sanctions under secrecy or data protection laws and regulations. Cyberattacks and other disruptions could also result in deliberate improper access and use of our sites or systems, as well as production downtimes and supply shortages, with potential adverse effects on our reputation, our competitiveness, and results of operations. These risks are further exacerbated by the fact that our potential attackers are increasingly sophisticated and often supported by organized crime or even 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 teams, and maintenance of backup and protective systems such as firewalls and virus scanners.

Financial risks

Goodwill and other impairment – A significant share of our total assets as presented in our Consolidated Statements of Financial Position reflects the carrying value of Goodwill, as well as the carrying value related to Other intangible assets. Certain factors, amongst them deterioration in performance, adverse market conditions, adverse changes in applicable laws or regulations may cause an impairment of Goodwill and Other intangible assets if they have a lasting negative impact on our business. The amount of any quantified impairment must be expensed immediately as a charge to our results of operations. In the future, we may not realize the full value of our Goodwill or Other intangible assets. Any determination of impairment of Goodwill or Other intangible assets could have a material adverse effect on our business, financial condition, results of operations, and, in addition, may significantly deteriorate the confidence of important stakeholders.

Adverse developments in financial and bank markets – Since the energy industry is subject to considerable technological change, our future capital requirements for the development and industrialization of new products, future acquisitions, investments, and necessary reorganization measures may be significant. Our ability to obtain debt financing, guarantees, or hedging instruments from financial institutions at commercially acceptable terms, including volume and costs, could depend on several factors, some of which are beyond our control, such as general economic conditions, the availability of credit from financial institutions, interest rates, market volatility and market disruptions, global and EU monetary policy and financial markets regulation. In addition, deterioration in our business results, financial position, or credit ratings of Siemens Energy and (or) SGRE, could lead to higher financing and hedging costs, reduced availability of credit, hedging and guarantee lines, reduced access to funding sources, other commercially unfavorable terms, or an acceleration of loans or provision of security. Furthermore, our SGRE segment and the other Siemens Energy Group companies will be treated as a so-called "single borrower unit" ("Kreditnehmereinheit") under the large exposure regulation for banks under the German Banking Act ("Kreditwesengesetz"). Any indebtedness taken on by our SGRE segment as well as any deterioration of its credit ratings may, therefore, limit the ability of Siemens Energy as a whole to borrow funds, having access to hedging lines and obtaining guarantees and vice versa. Our business activities could be similarly negatively affected if our customers or suppliers do not have access to financing on economically viable terms or if they or their lenders rate our ability to execute capital intensive turnkey projects worse due to a deterioration of our financial position, results of operation, or credit ratings. Prior to our separation from Siemens, we benefitted from the strong credit ratings and financing abilities of Siemens AG, e.g., as the issuer of parent company guarantees. With respect to ESG, increasingly strict financial institutions' internal, industry-wide or policy-driven prerequisites for all dimensions of ESG may negatively impact Siemens Energy's capabilities to procure funding, guarantees, hedging instruments, insurance or other financial services from banks, insurance companies and other financial institutions. Furthermore, financial institutions demand representations in financing contracts with regard to compliance with sanctions or other export control measures. Failure to comply with sanctions and other control regimes may adversely impact our financing ability. We believe these risks are particularly relevant with a view to our Oil & Gas and conventional generation activities and will make the financing for such projects more difficult. Absent sufficient future cash flows and available financing and other credit lines, such as guarantee and hedging lines, we may not be able to adequately finance our normal business activities and to realize new investments or acquisitions or continue our daily operations, which could in turn have a material adverse effect on our growth prospects, our competitive position and our business, financial position, and results of operations. Finally, there can be no assurance that Siemens Energy will be able to maintain adequate insurance coverage on commercially reasonable terms in the future. The provisions for pensions and similar obligations may be affected by changes in actuarial assumptions, including life expectancy as well as the discount rate. Actual developments may differ from prior assumptions, e.g., due to changing market and economic conditions, thereby resulting in an increase or decrease in the actual obligations. Significant fluctuations in the financial markets or a change in the portfolio mix of plan assets can result in significant increases or decreases in the attributable fair value of plan assets over time. A significant increase in underfunding may have a negative effect on our capital structure and rating, and thus may tighten refinancing options and increase costs. If legal conditions governing our pension obligations are subject to changes in applicable legislation, we may incur new or more extensive pension obligations in the future, or changes may negatively impact previous calculations with respect to our pension obligations. Furthermore, we may face the risk of increasing cash outflows if local pension regulations require higher funding levels. Due to the global scale of our business, our results of operations are affected to a significant extent by foreign currency exchange rate movements. The largest project execution, engineering, production, and research and development hubs of our business are in Germany, the U.S., the U.K., Spain, Denmark, and China, while our sales are global. This means that while income is generated in various currencies, costs are predominately denominated in euro, U.S. dollar, British pound, Danish krone, and Chinese renminbi. Appreciable changes in euro exchange rates could materially change our competitive position. We are also exposed to fluctuations in interest rates and commodity prices. 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. Furthermore, we may incur unexpected losses in financial instruments if the credit quality of our contractual partners deteriorates or if they default on, or fall behind schedule with, their payment obligations to us, that is on trade receivables from the sale of goods and services.

Compliance risks

Allegation of Compliance violations – 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 position and results of operations. 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. Siemens Energy 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, we have established a state-of-the-art global compliance organization that conducts, among other things, compliance risk mitigation processes such as compliance risk assessments or internal audit activities.

Impact of legal proceedings – Siemens Energy is, and potentially will be in the future, involved in several administrative, legal, and arbitration proceedings in various jurisdictions. Such proceedings may, amongst others, relate to claims from or against project partners and customers regarding delays and disruptions, non-performance as well as labor disputes, antitrust issues, product liability, warranty claims, and IP rights. The significance and outcome of these proceedings can vary greatly and many of these cases could have considerable negative consequences for us. These proceedings could result in Siemens Energy being subject to, e.g., payment of contractual penalties or damages (including punitive damages), equitable remedies or sanctions, fines or disgorgement of profit. In individual cases, legal disputes may also lead to formal or informal exclusion from tenders or the revocation or refusal to renew or grant business licenses or permits. Some of these legal disputes and proceedings could result in adverse decisions for Siemens Energy, 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. High-profile proceedings can also divert management attention, result in significant litigation and arbitration costs, as well as negative publicity, and harm our reputation. In some cases, our reputation may suffer regardless of the merits of the claim and the outcome of the proceedings. We maintain liability insurance for certain liability risks at levels our management believes are appropriate and consistent with industry practice. However, Siemens Energy may incur losses relating to legal proceedings beyond the limits, or outside the coverage of its insurance, or exceeding any provisions made for losses related to legal proceedings.

For additional information related to specific litigations please see **2.6 Notes to Consolidated Financial Statements in Note 18 Legal proceedings.**

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 disruptive development such as the trend towards decarbonization, including the requirements from certain ESG standards, are the most significant challenge for us.

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

1.8.3 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 Energy 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.

Execution of the Siemens Energy Spin-Off value proposition – Against the background of the changing market environment, the operational requirements for the Siemens Energy business are changing accordingly. Its separation from the Siemens Group gives the Siemens Energy Group the required entrepreneurial flexibility to directly and continuously adjust the strategic focus and business model to those changes. Furthermore, the framework conditions for both the Siemens Group and the Siemens Energy Group individually to implement their own strategy improve. Each enterprise develops and pursues its own independent strategy, diversifies its respective business activities independently in terms of customers, technologies, risks and markets, and adjusts necessary processes to the changing market conditions in an even more agile and more targeted manner. Also, Siemens Energy is able to establish a more focused profile. Its own regular reporting and investor relations work will allow Siemens Energy to better define its corporate profile and its perception in the greater public and present Siemens Energy's position in the market in a transparent and detailed manner during this important phase of change in the global energy markets. In addition, there is the opportunity for Siemens Energy to directly access the capital market, thus providing the Siemens Energy business with the benefit of additional sources of financing. Siemens Energy has the opportunity to independently procure financing via the capital market and will be able to decide about using the financing without taking into account the additional approval requirements that were previously to be taken into account in the broader-based Siemens Group. Furthermore, as an independent company, Siemens Energy is able to increase its focus on the identified core fields of business, which strengthens the investment and risk profile of the Siemens Energy share and which therefore may attract new investors that thus far have not held any Siemens shares.

Digital growth – The opportunity to position Siemens Energy as a leader for digitalization in the energy industry can create additional growth beyond our existing business plans by expanding our digital product and solution portfolio. We invest significant R&D to drive innovations that result in sustainable solutions for our customers and increase our own competitiveness. Our innovations will help us to address the megatrends of climate change, urbanization, and globalization. We are continuously granted new patents and actively manage our intellectual property (IP) portfolio to secure proprietary technologies, and we continuously develop new concepts and convincing new digital and data-driven business models. We see also opportunities to generate additional volume and profit from innovative digital products, services, and solutions, including applications for optimized energy consumption and operation of highly efficient energy grids and scalable solutions for distributed and renewable energy generation.

New business fields – Disruptive developments in the energy markets, such as the decarbonization trend, bear the opportunity for us to accelerate the introduction of products and solutions to the energy market, which are less carbon-intensive or carbon-free. Accordingly, several new business fields and new business models are being developed to scale into large businesses. Thus, we develop products along the hydrogen value chain from H2 production, e.g. PEM (Proton Exchange Membrane) electrolyzer, to H2 compression and storage, and finally the hydrogen consumption in fuel cells or enhanced H2 capable gas turbines. Changes in the regulatory framework e.g., the Renewable Energy Directive II, the German EEG (Erneuerbare-Energien-Gesetz), or the increase of CO_2 price will promote hydrogen and other renewable based energy forms. Hence, we improve competitiveness of green hydrogen production for usage in e.g. steel, refineries, and other energy intensive industries, where carbon emissions are hard to abate. Power-to-X enables the export of energy from renewable rich regions to other, consuming countries. Grid services and energy storage solutions to use electric surplus power, typically during periods where fluctuating renewable energy generation exceeds load, come on top. The introduction of e-fuels in addition will be key to decarbonize the mobility sector especially aviation, ships, trains, heavy load trucks, and buses.

Recovery of politically unstable regions – We are continuously monitoring 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. Various regions are currently still suffering from civil unrest and (or) financial distress and (or) political instability and conflicts (e.g. Iraq, Libya, Afghanistan). A recovery in any such country bears the opportunity for us to participate in the rebuilding and developing of local energy infrastructure.

Extension of service business beyond own fleet – We pursue the opportunity of our GP segment to extend our service business beyond our own fleet of gas and steam turbines. Our approach leverages on existing capabilities, similar technologies, supply chain management relationships, internal investments, and potential third-party collaboration or M&A activity, all of that resulting in a potential increase in market share, additional order entry, and margin. Simultaneously, we aim to enable other growth initiatives to serve specific client demand and to protect our own fleet.

Business opportunities in B2G (business-to-government) and G2G (government-to-government) markets – We see the opportunity to participate in the reconstruction and development of energy infrastructure through pursuit of joint generation (including renewable energy), transmission, and distribution expansion programs led by government or state-owned utilities.

Assessment of the overall opportunities situation – The most significant opportunity for Siemens Energy is the successful execution of the Siemens Energy Spin-Off value proposition as described above.

1.8.4 Key features 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 Energy Group as well as the Annual Financial Statements of Siemens Energy 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 Energy 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 Energy AG and other companies within the Siemens Energy Group required to prepare financial statements in accordance with German Commercial Code (Handelsgesetzbuch), 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 Energy AG and its subsidiaries. The preparation of the closing data of most of our entities is supported by shared services organizations, in many cases still by shared services organizations of Siemens AG. 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 IFRS closing data to the Annual Financial Statements of Siemens Energy 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 Energy's corporate headquarters and reports on the effectiveness of the related control systems.

Our separately listed SGRE segment is also subject to our group-wide principles for the accounting-related internal control and risk management system and is individually responsible for adhering to those principles. The management of SGRE provides periodic sign-offs to the Executive Board of Siemens Energy 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 is set up to review, amongst others, financial reporting integrity, the effectiveness of the control system and the risk management system, and adherence to our compliance policies. Our separately listed SGRE segment has its own internal audit department and annual audit plan. Topics from the respective annual audit plan of our separately listed SGRE segment that is also relevant for our Executive Board and Audit Committee first have to be mandated by SGRE's Executive Board/ Board of Directors and Audit Committee and subsequently be mandated by our Executive Board and Audit Committee. The audit procedures for these topics will be generally executed in joint teams of our and the respective SGRE's internal audit function; thus, reflecting the interest of both Siemens Energy AG and SGRE. 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.

1.9 Siemens Energy AG

1.9.1 Overview

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

Siemens Energy AG is the parent company of the Siemens Energy Group and acts as a strategic management holding company. Its results are significantly influenced by its directly or indirectly owned subsidiaries. The business development of Siemens Energy AG is fundamentally subject to the same risks and opportunities as the Siemens Energy Group. The outlook of the Group directly affects our expectations for Siemens Energy AG. Therefore, the foregoing explanations for the Siemens Energy Group also apply for Siemens Energy AG.

Siemens Energy AG was formed as a limited liability company and acquired by Siemens Beteiligungen Inland GmbH (SBI GmbH) on August 9, 2016, which at that time was the sole shareholder. Siemens AG as parent company of SBI GmbH resolved to change the legal form to a stock corporation as well as the name to Siemens Energy AG and the Company's articles of association were adopted. The new name and the revised version of the articles of association took effect as of their entry in the Commercial Register on April 3, 2020.

With economic effect from April 1, 2020, Siemens AG, by way of a contribution agreement dated May 22, 2020, contributed its interest in Siemens Energy Global GmbH & Co. KG (until October 15, 2020: Siemens Gas and Power GmbH & Co KG) capital stock – corresponding to 32.98% shares in Siemens Energy Global GmbH & Co. KG with a notional interest of €1.00 each – and 32.98% of its shares in Siemens Energy Management GmbH KG's (until October 12, 2020: Siemens Gas and Power Management GmbH) to Siemens Energy AG. SBI GmbH transferred 12.02% of Siemens Energy Global GmbH & Co. KG and 12.02% of its shares in Siemens Energy Management GmbH. As consideration for these contributions, Siemens AG and SBI GmbH received new shares in the Company. The resolution on the capital increase took effect as of its entry in the Commercial Register on September 4, 2020.

In the course of the Spin-Off, Siemens AG – effective on September 25, 2020, and in accordance with the Spin-Off and Transfer Agreement dated May 22, 2020 – transferred its 55.00% interest in Siemens Gas and Power GmbH & Co. KG and its 55.00% interest in Siemens Energy Management GmbH to Siemens Energy AG as the receiving legal entity by way of a Spin-Off by absorption in accordance with the German Reorganization and Transformation Act (Umwandlungsgesetz). As consideration, Siemens Energy AG granted new shares in Siemens Energy AG to the shareholders of Siemens AG, free of charge. For every two shares of Siemens AG, one share of Siemens Energy AG has been granted to the shareholders of Siemens AG. The Siemens Energy AG shares originated from a non-cash capital increase. Siemens Energy AG holds 100.0% interest in Siemens Energy Global GmbH & Co. KG and Siemens Energy Management GmbH.

After going public, Siemens AG together with its direct and indirect subsidiaries and together with Siemens Pension Trust e.V. holds 45% of the share capital of Siemens Energy AG. Siemens AG holds a direct interest of 23.08%, while SBI GmbH, a 100% subsidiary of Siemens AG, holds another 12.02% of Siemens Energy AG. Another 9.90% of the shares in Siemens Energy AG are held by Siemens Pension Trust e.V. As of September 28, 2020, the shares of Siemens Energy AG are listed on the Frankfurt Stock Exchange.

1.9.2 Results of operations

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

	Fiscal year	
(in thousands of €)	2020	2019
General administrative expenses	(188)	(14)
Other operating income	350	16
Other operating expenses	(40)	–
Income (loss) from operations	**122**	**1**
Income (loss) from investments, net	200,252	–
Interest income	(9)	(1)
Income (loss) from business activity	**200,365**	**1**
Other taxes	(350)	–
Net income (loss)	**200,015**	**1**
Loss carried forward	(15)	(16)
Allocation to capital reserve	(9,243)	–
Offsetting the difference in the amount of own shares acquired	(190,757)	–
Unappropriated net income (loss)	**–**	**(15)**

- The Other operating expenses line item included expenses in connection with the share buyback in the amount of €40 thousand (2019: €0 thousand).
- The increase in income from investments, net, was mainly due to a withdrawal from Siemens Energy Global GmbH & Co. KG.
- In the course of the share buyback, €9,243 thousand of net income was transferred to the capital reserve in accordance with Section 237 para. 5 of the German Stock Corporation Act (AktG). This corresponds to the nominal amount openly deducted from the subscribed capital in accordance with Section 272 para. 1a of the German Commercial Code (HGB).

1.9.3 Net assets and financial position

Statement of financial position of Siemens Energy AG in accordance with German Commercial Code (condensed)

	Sep 30,	
(in thousands of €)	2020	2019
Assets		
Non-current assets	**13,021,313**	–
Financial assets	13,021,313	–
Current assets	**38,591**	189
Receivables from affiliated companies	203	88
Other receivables and other assets	355	–
Cash and cash equivalents	38,033	101
Total assets	**13,059,904**	**189**
Shareholders' equity and liabilities		
Shareholders' equity	**13,021,328**	**185**
Provisions	**158**	-–
Other provisions	158	–
Liabilities	**38,418**	**3**
Trade payables	35	3
Other liabilities	38,383	–
Total shareholders' equity and liabilities	**13,059,904**	**189**

- On the one hand, the addition to the financial assets line item is the result of the contribution agreement mentioned above. With economic effect from April 1, 2020, financial assets therefore rose by €327,076 thousand. On the other hand, the increase was due to the Spin-Off from Siemens AG taking effect on September 25, 2020, leading to an increase of €12,694,237 thousand.
- Equity rose by €13,021,143 thousand, from €185 thousand to €13,021,328 thousand. The increase is due to the contributions in kind and the Spin-Off mentioned above. An offsetting effect resulted from the purchase of treasury shares in the amount of €200,000 thousand for future share-based payments programs.

Opportunities and risks

Siemens Energy AG's business development is largely subject to the same opportunities and risks as that of the Siemens Energy Group. In principle, Siemens Energy AG's exposure to the risks of its subsidiaries and investments corresponds directly or indirectly to its equity interest in each case, see 1.7 Report on expected developments. As the parent company of the Siemens Energy Group, Siemens Energy AG is included in the group-wide risk management system, see 1.8.1 Risk management systems.

Outlook

Upon the Spin-Off becoming effective, Siemens Energy AG is the sole limited partner of Siemens Energy Global GmbH & Co. KG and holds all shares in the Siemens Energy Management GmbH as its sole general partner. In this structure withdrawals from Siemens Energy Global GmbH & Co. KG, which Siemens Energy AG receives, will lead to income from investments for Siemens Energy AG, provided the fair value of Siemens Energy Global GmbH & Co. KG exceeds the carrying amount of the investment. In addition, changes in the valuation of these participations may affect the asset position and results of operations of Siemens Energy AG. In the future, Siemens Energy AG will incur expenses for the remuneration of its Executive Board and Supervisory Board members, for tax payments, for financing drawn upon, and for its own holding organization. Furthermore, Siemens Energy AG will recognize income for providing services to other Group companies.

Due to its interrelationships with the companies in the Group, the general expectations for Siemens Energy AG are reflected in the forecast for the Group. Siemens Energy AG's net assets, financial position, and results of operations are dependent on the results made by Group companies. For more details refer to 1.7 Report on expected developments.

1.9.4 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 3.4 Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code and is published on our website ↗ www.siemens-energy.com/global/en/company/investor-relations/corporate-governance.html#GermanCorporateGovernanceCode.

1.10 Compensation Report

This report is based on requirements of the German Commercial Code (Handelsgesetzbuch), German Accounting Standards (Deutsche Rechnungslegungsstandards) and International Financial Reporting Standards (IFRS). Further, the report includes on a voluntary basis selected disclosures in line with the requirements of the Second Shareholder Rights Directive (ARUG II) dated December 12, 2019.

Dr. Jochen Eickholt and Tim Holt were appointed to the Executive Board as of April 1, 2020, and Dr.-Ing. Christian Bruch and Maria Ferraro as of May 1, 2020. From their appointment until September 30, 2020 ("2020 term of office"), the members of the Executive Board as of September 30, 2020, were also Managing Directors of Siemens Energy Management GmbH, which is the sole general partner of Siemens Energy Global KG, the legal entity that housed the Siemens Gas and Power Segment's operational business (sole general partner). With the exception of Tim Holt, who also received compensation from Siemens Energy Inc. in the United States, the members received their compensation for the 2020 term of office from the sole general partner. In addition, a portion of their grants of Siemens Stock Awards at the beginning of fiscal 2020 is attributable to the 2020 term of office. They did not receive any additional compensation from Siemens Energy AG for their duties as members of the Executive Board. As of October 1, 2020, the Executive Board members' compensation was transferred from the sole general partner to Siemens Energy AG. The members of the Executive Board in office from October 1, 2019, until March 31, 2020, were employees of Siemens AG and did not receive any additional compensation for their work on the Executive Board.

Sections 1.10.1 through 1.10.3 outline the compensation of members of the Executive Board and Supervisory Board for the 2020 term of office. Section 1.10.4 gives an outlook on the compensation system for members of the Executive Board to be presented for approval at the 2021 general shareholders' meeting and describes how the system has been applied for fiscal year 2021.

1.10.1 Compensation of the members of the Executive Board in fiscal year 2020

Structure and components of compensation for fiscal year 2020

Until completion of the Spin-Off, the sole general partner belonged to the Siemens Group. The compensation granted to the sole general partner's Managing Directors (i.e. the members of the Executive Board) therefore followed the compensation policies and practices for top executives of the Siemens Group. This compensation comprised fixed components granted independently of performance, including base salary, fringe benefits and retirement benefits, and variable components linked to performance, including short-term variable compensation (bonus) and long-term variable compensation (Siemens Stock Awards).

Due to his responsibilities for Siemens Energy's business in North America, for the 2020 term of office Tim Holt received a portion of his compensation from Siemens Energy, Inc., a U.S. subsidiary of the Company. This compensation comprised 70% of his base salary and bonus, as well as pension contributions and fringe benefits. The remaining 30% of his base salary and bonus, as well as selected fringe benefits and the target value of his long-term variable compensation, were granted by the sole general partner.

Fixed components

Base salary

During the 2020 term of office, each member of the Executive Board received a base salary from the sole general partner, paid out in monthly installments. Tim Holt received a portion of his base salary for fiscal year 2020 from Siemens Energy Inc., which was paid out in biweekly installments.

Fringe benefits

For the 2020 term of office, members of the Executive Board were granted fringe benefits by the sole general partner. Some of the benefits granted to Tim Holt are attributable to Siemens Energy Inc. The value of these benefits amounted to between €20,359 and €43,868 per member of the Executive Board and included expenses for benefits-in-kind and other fringe benefits, such as the provision of a company car, allowances for insurance policies, and storage and school fees, including tax gross ups.

Pension benefits

As Managing Directors of the sole general partner, the members of the Executive Board were eligible to participate for the 2020 term of office in the Siemens Group's defined contribution pension plan (BSAV). Under the plan, the Supervisory Board had the option to grant contributions to the Executive Board members' individual pension accounts. In line with the decision to grant a pension substitute for fiscal year 2021, the Supervisory Board of Siemens Energy AG elected not to make contributions under the BSAV for fiscal year 2020, including the 2020 term of office. Instead, members of the Executive Board (with the exception of Tim Holt) were granted cash payments. For the 2020 term of office, members of the Executive Board were granted per decision of the Supervisory Board of Siemens Energy AG on November 9, 2020, cash payments amounting to €0.4 million.

Owing to his place of employment in the United States, Tim Holt participates in two local retirement benefit plans administered by Siemens Energy Inc., a tax-optimized savings plan as well as a deferred compensation plan. Tim Holt received matching contributions from Siemens Energy Inc. in the amount of €2,625 under these retirement benfit plans during the 2020 term of office.

Maria Ferraro has a pension commitment under the BSAV that was transferred from Siemens AG upon her appointment as Managing Director of the sole general partner. Her pension account is credited with an annual interest payment (guaranteed interest) on January 1 of each year. The guaranteed interest rate is currently 0.90%. As of September 30, 2020, the defined benefit obligation for Maria Ferraro's pension commitment amounted to €0.2 million.

Variable components

Short-term variable compensation (Bonus)

The bonus for the members of the Executive Board for the 2020 term of office is tied to the operational performance of the Siemens Group, and in particular the Segment Gas and Power. Payouts made to the members of the Executive Board were conditional upon attaining targets in three equally weighted components. These comprised two financial components as well as individual targets.

The two financial components are each measured by a performance indicator: the undiluted earnings per share (all in) of Siemens AG, measured over a three-year period, and the adjusted EBITA margin of Siemens' Gas and Power segment. These performance indicators represent operational management metrics for the Siemens Group and are derived from Siemens AG's strategy.

In addition, individual quantitative and qualitative targets were set for each Executive Board member.

Targets set under each component can be attained within a range of 0% to 200%. Target attainment can be adjusted by way of a "Siemens Factor," which can have a value between 0.75 and 1.25, resulting in a maximum payout amount of 250% of the target amount (cap). The Siemens Factor takes consideration of the performance of the entire Siemens Group and applies universally for all Siemens Group Senior Managers and Top Managers worldwide. For the 2020 term of office, the Siemens Factor was equal to 1.

Determination of the bonus payout amount (FY 2020)

Weighted Ø of target attainment (0%–200%)
- 1/3 Siemens EPS
- 1/3 GP Adj. EBITA margin
- 1/3 Individual targets

× Siemens Factor (0.75–1.25) × Target amount = Bonus payout amount (max. 250%)

For fiscal year 2020, which is applicable for the 2020 term of office, the following targets and target attainment levels were set:

Bonus 2020 term of office

Target parameter	0% target	100% target	200% target	ACTUAL	Target attainment	Siemens Factor	Overall target attainment
1/3 Siemens Earnings per Share (EPS)[1,2], undiluted	€5.49	€6.99	€8.49	€6.18	46%		
1/3 Segment GP Adjusted EBITA margin	−0.40%	2.60%	5.60%	0.97%	46%		
1/3 Individual targets					160–180%		
Dr. Christian Bruch					170%	1.00	87%
Dr. Jochen Eickholt					160%		84%
Maria Ferraro					170%		87%
Tim Holt					180%		91%

Individual targets FY 2020:
- GP Cash Conversion Rate (all members)
- Listing according to time plan (all members)
- Guaranteeing of business continuity (all members)
- Guaranteeing of organizational readiness (all members)
- Successful investor roadshows (Dr. Christian Bruch/ Maria Ferraro)
- Market share gas turbines (Dr. Jochen Eickholt/Tim Holt)
- Transfer rate to GP[3] > 90% (Dr. Jochen Eickholt/Tim Holt)

1 Continued and discontinued operations.
2 The 100% target is equal to the average Siemens EPS values recorded for the fiscal years 2017–2019. The actual value is calculated by taking the average of EPS values for fiscal years 2018–2020.
3 Share of nominated Siemens Group employees who agreed to be transferred to Siemens Segment Gas and Power prior to the Spin-Off.

Long-term variable compensation (Siemens Stock Awards)

Except for the President and CEO, Dr. Christian Bruch, at the beginning of the fiscal year 2020, members of the Executive Board were granted Siemens Stock Awards (2020 Tranche) in connection with their functions at the time in the Siemens Group. A Siemens Stock Award confers the right to receive one Siemens share following the completion of a vesting period of approximately four years, depending on the degree to which pre-defined performance targets are attained. For the 2020 term of office, these targets comprised the total shareholder return of Siemens AG compared with the MSCI World Industrials, a global sector index of industrial companies, (80%) and ESG targets (20%).

The number of Siemens Stock Awards granted was calculated by multiplying the target amount by the maximum possible target attainment of 200%. This figure is then divided by the price of Siemens shares at grant, defined as the closing price in Xetra trading, less expected dividends during the four-year vesting period ("grant price"). The four-year vesting period begins with the grant.

Upon appointment as Managing Director of the sole general partner from May 1, 2020, Dr. Christian Bruch received an unrestricted cash payment equal to the pro-rata target value of his contractually guaranteed Siemens Stock Awards grant. Maria Ferraro's target compensation was adjusted upon appointment as Managing Director from

May 1, 2020. Target compensation for Dr. Jochen Eickholt and Tim Holt was adjusted effective April 1, 2020. These adjustments included a higher target value for Siemens Stock Awards than had been granted at the beginning of fiscal year 2020. As compensation for this difference, Maria Ferraro, Dr. Jochen Eickholt and Tim Holt were granted unrestricted cash payments in lieu of a further grant of Siemens Stock Awards. The decision to grant cash payments instead grants of Siemens Stock Awards was made in consideration of the planned Spin-Off, under which all unvested Siemens Stock Awards were to be settled according to the conditions described in the following.

The members of the Executive Board left the Siemens Group with completion of the Spin-Off on September 25, 2020. In accordance with Sections 23, 125 of the German Transformation Act, Executive Board members' claims arising from the 2020 tranche of Siemens Stock Awards were settled in cash, as foreseen in the relevant provisions of the Siemens Stock Awards program if a company is no longer fully consolidated in the Siemens Group. The cash settlement for each Siemens Stock Award is equal to the closing price of the Siemens share in Xetra trading on the day on which the Spin-Off was legally completed, less the value of dividends expected up until the end of the vesting period. Target attainment of 100% is assumed for calculating the cash settlement. Outstanding tranches of equity-based compensation, which include the 2020, 2019, 2018, and 2017 tranches of Siemens Stock Awards, as well as the 2020, 2019, and 2018 tranches of the Siemens Share Matching Program, were settled in cash according to the aforementioned terms.

Spin-Off incentive

Prior to the Spin-Off, the members of the Executive Board were granted a one-time performance-based Spin-Off incentive as part of their role as Managing Directors of the sole general partner. Target amounts equaled €1,500,000 for the President and CEO, Dr. Christian Bruch, and €750,000 for all other members of the Executive Board.

Any potential payout from the Spin-Off Incentive was linked to the attainment of two performance conditions, the first relating to the financial result of the Spin-Off, and the second to Siemens Energy AG's stock market value during the first 120 calendar days after Listing.

The Supervisory Board of Siemens Energy AG confirmed in a resolution on November 9, 2020, that the first performance condition was not met. As a result, no payouts will occur under the Spin-Off Incentive.

Total compensation

For the 2020 term of office, total compensation for all current members of the Executive Board amounts to €8.5 million according to applicable accounting provisions.

Payments and benefits granted and made for the 2020 term of office

The following tables show individually for each Executive Board member the benefits granted for the 2020 term of office. The actual amounts paid out are reported under "Benefits received."

Target compensation for short-term variable compensation (bonus), including the floor and cap, is reported under Benefits granted. The figures for individual maximum for the bonus reflect the possible maximum value for the 2020 term of office – that is, 250% of the respective target amount. As described above, for the 2020 term of office, further members of the Executive Board received cash payments in lieu of Siemens Stock Awards grants under the long-term variable compensation. Minimum and maximum compensation for this component is thus equal to the value of the cash payment.

Total compensation in accordance with the applicable accounting standards is also reported under Benefits granted. Instead of the target amount for short-term variable compensation (bonus), this figure includes the actual bonus and excludes the pension service cost.

The payments made for and entitlements arising from the 2020 term of office are reported under Payments and Benefits received.

Dr. Christian Bruch – President and CEO (Appointed May 2020)		Payments and benefits granted			Payments and benefits received
	(in thousand of €)	**2020**	**2020 (min)**	**2020 (max)**	**2020**
Fixed compensation	Base salary	600	600	600	600
	Fringe benefits	20	20	20	20
	Other[1]	3,205	3,205	3,205	3,205
	Total	**3,825**	**3,825**	**3,825**	**3,825**
Variable compensation	**Annual variable compensation** Bonus[2]	600	0	1,500	523
	Multi-year variable compensation Other[3]	800	800	800	800
	Total non-performance/performance-based compensation	**5,225**	4,625	**6,125**	5,149
	Pension service cost[4]	236	236	236	236
	Total compensation	**5,461**	4,861	**6,361**	5,385
Compensation according to applicable reporting standards					
Performance-based compensation	**Annual variable compensation** Bonus (paid out amount)	523			
	Total compensation (HGB)	**5,149**			

1 Dr. Christian Bruch received a one-time compensatory payment of €3,205,016 to account for the value of unvested equity awards from his previous employer that were forfeited as a consequence of his appointment as designated President and CEO of Siemens Energy.

2 The Bonus payment represents the Bonus amount that was determined for the 2020 term of office and will be paid out in January 2021.

3 In lieu of Siemens Stock Awards, Dr. Christian Bruch received a cash payment in May 2020 in the amount of €800,000. This amount corresponds to the pro-rata target value of his long-term compensation as a Managing Director of the sole general partner.

4 The Supervisory Board elected to grant Dr. Christian Bruch a cash payment of €236,000 in lieu of a contribution to the BSAV for fiscal year 2020. The full value of the contribution is attributable to the 2020 term of office.

Maria Ferraro – Chief Financial Officer (CFO)
(Appointed May 2020)

	(in thousand of €)	Payments and benefits granted 2020	2020 (min)	2020 (max)	Payments and benefits received 2020
Fixed compensation	Base salary	300	300	300	300
	Fringe benefits	44	44	44	44
	Other	0	0	0	0
	Total	**344**	**344**	**344**	**344**
Variable compensation	**Annual variable compensation**				
	Bonus[1]	300	0	750	262
	Multi-year variable compensation				
	Siemens Stock Awards[2]	151	151	151	151
	Other[3]	252	252	252	252
	Total non-performance/performance-based compensation	**1,047**	**747**	**1,497**	**1,008**
	Pension service cost[4]	80	80	80	80
	Total compensation	**1,127**	**827**	**1,577**	**1,089**
Compensation according to applicable reporting standards					
Performance-based compensation	**Annual variable compensation**				
	Bonus (paid out amount)	262			
	Total compensation (HGB)	**1,008**			

1 The Bonus payment represents the Bonus amount that was determined for the 2020 term of office and will be paid out in January 2021.

2 At the beginning of fiscal year 2020, Maria Ferraro received a Siemens Stock Awards grant as part of her role at the time within the Siemens Group (2020 tranche). The fair market of this grant amounted to €437,874, of which €182,447 is attributable to the 2020 term of office on a pro-rata basis. An entitlement to a cash settlement of all outstanding equity grants arose with the completion of the Spin-Off on September 25, 2020 and departure from the Siemens Group. For Maria Ferraro, the value of this cash settlement amounted to €362,608 for the 2020 tranche of Siemens Stock Awards, of which €151,087 is attributable to the 2020 term of office. Maria Ferraro is entitled to a cash settlement for all remaining equity grants that were granted by Siemens AG prior to the 2020 term of office amounting to €855,315. The cash settlements are to be paid out in fiscal 2021.

3 In lieu of a further grant Siemens Stock Awards for the 2020 term of office, Maria Ferraro received a cash payment in May 2020 in the amount of €251,667. This amount corresponds to the pro-rata difference in the target value of Ms. Ferraro’s long-term variable compensation following her appointment as a Managing Director of the sole general partner.

4 The Supervisory Board elected to grant Maria Ferraro a cash payment of €193,000 in lieu of a contribution to the BSAV for fiscal year 2020. Of the contribution, €80,417 is attributable pro-rata to the 2020 term of office.

Dr. Jochen Eickholt – Member of the Executive Board (Appointed April 2020)		Payments and benefits granted			Payments and benefits received
	(in thousand of €)	2020	2020 (min)	2020 (max)	2020
Fixed compensation	Base salary	355	355	355	355
	Fringe benefits	25	25	25	25
	Other	0	0	0	0
	Total	**380**	**380**	**380**	**380**
Variable compensation	**Annual variable compensation**				
	Bonus[1]	355	0	888	298
	Multi-year variable compensation				
	Siemens Stock Awards[2]	205	205	205	205
	Other[3]	272	272	272	272
	Total non-performance/performance-based compensation	**1,212**	**857**	**1,744**	**1,155**
	Pension service cost[2]	126	126	126	126
	Total compensation	**1,338**	**983**	**1,870**	1,281
Compensation according to applicable reporting standards					
Performance-based compensation	**Annual variable compensation**				
	Bonus (paid out amount)	298			
	Total compensation (HGB)	**1,155**			

1 The Bonus payment represents the Bonus amount that was determined for the 2020 term of office and will be paid out in January 2021.

2 At the beginning of fiscal year 2020, Dr. Jochen Eickholt received a Siemens Stock Awards grant as part of his role at the time within the Siemens Group (2020 tranche). The fair market of this grant amounted to €495,517, of which €247,759 is attributable to the 2020 term of office on a pro-rata basis. An entitlement to a cash settlement of all outstanding equity grants arose with the completion of the Spin-Off on September 25, 2020 and departure from the Siemens Group. For Dr. Jochen Eickholt, the value of this cash settlement amounted to €410,324 for the 2020 tranche of Siemens Stock Awards, of which €205,162 is attributable to the 2020 term of office. Dr. Jochen Eickholt is entitled to a cash settlement for all remaining equity grants that were granted by Siemens AG prior to the 2020 term of office amounting to €1,501,586. The cash settlements are to be paid out in fiscal 2021.

3 In lieu of a further grant Siemens Stock Awards for the 2020 term of office, Dr. Jochen Eickholt received a cash payment in May 2020 in the amount of €271,908. This amount corresponds to the pro-rata difference in the target value of Dr. Jochen Eickholt's long-term variable compensation following the adjustment of his target compensation effective April 1, 2020.

4 The Supervisory Board elected to grant Dr. Jochen Eickholt a cash payment of €189,000 in lieu of a contribution to the BSAV for the period in fiscal year 2020 during which Dr. Jochen Eickholt was a managing director of the sole general partner (January 1 – September 30, 2020). Of the contribution, €126,000 is attributable pro-rata to the 2020 term of office.

Tim Holt – Member of the Executive Board[1] (Appointed April 2020)		**Payments and benefits granted**			**Payments and benefits received**
	(in thousand of €)	**2020**	**2020 (min)**	**2020 (max)**	**2020**
Fixed compensation	Base salary	350	350	350	350
	Fringe benefits	43	43	43	43
	Other	0	0	0	0
	Total	**394**	**394**	**394**	**394**
Variable compensation	**Annual variable compensation**				
	Bonus[2]	353	0	882	319
	Multi-year variable compensation				
	Siemens Stock Awards[3]	255	255	255	255
	Other[4]	230	230	230	230
	Total non-performance/performance-based compensation	**1,231**	878	**1,760**	1,198
	Pension service cost[5]	3	3	3	3
	Total compensation	**1,234**	881	**1,763**	1,200
Compensation according to applicable reporting standards					
Performance-based compensation	**Annual variable compensation**				
	Bonus (paid out amount)	319			
	Total compensation (HGB)	**1,198**			

[1] Tim Holt was granted approximately 70% of his base salary, bonus, and selected fringe benefits by Siemens Energy Inc. (USA) in U.S. dollars. Recurring payments are converted from U.S. dollars into euros using the respective average monthly exchange rate according to the European Central Bank. Target and paid out bonus amounts are converted using the average exchange rate for the 2020 term of office (€1 = $1.1350).

[2] The Bonus payment represents the Bonus amount that was determined for fiscal year 2020 and will be paid out in January 2021.

[3] At the beginning of fiscal year 2020, Tim Holt received a Siemens Stock Awards grant as part of his role at the time within the Siemens Group (2020 tranche). The fair market of this grant amounted to €615,076, of which €307,538 is attributable to the 2020 term of office on a pro-rata basis. An entitlement to a cash settlement of all outstanding equity grants arose with the completion of the Spin-Off on September 25, 2020 and departure from the Siemens Group. For Tim Holt, the value of this cash settlement amounted to €509,368 for the 2020 tranche of Siemens Stock Awards, of which €254,684 is attributable to the 2020 term of office. Tim Holt is entitled to a cash settlement for all remaining equity grants that were granted by Siemens AG prior to the 2020 term of office amounting to €1,536,605. The cash settlements are to be paid out in fiscal 2021.

[4] In lieu of a further grant Siemens Stock Awards for the 2020 term of office, Tim Holt received a cash payment in May 2020 in the amount of €230,000. This amount corresponds to the pro-rata difference in the target value of Mr. Holt's long-term variable compensation following the adjustment of his target compensation effective April 1, 2020.

[5] Due to his participation in retirement plans in the United States, Tim Holt was not granted a cash payment in lieu of BSAV contributions. Mr. Holt received matching contributions amounting to €93,156 under these plans for fiscal year 2020 (conversion from U.S. dollars at the respective average monthly exchange rate). Of these contributions, €2,625 was made during the 2020 term of office.

Additional disclosures on equity-based compensation instruments

2020 term of office

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

	Siemens Stock Awards grants and matching shares[1]						Expenses for stock-based compensation (in €)[3]
(Amounts in number of units)	Balance at beginning of 2020 term of office[2]	Granted during term of office	Adjustment for ESG target attainment	Vested and settled during term of office	Forfeited during term of office	Balance at end of 2020 term of office	2020 term of office
Executive Board members in office as of September 30, 2020							
Dr. Christian Bruch	0	0	0	0	0	0	0
Maria Ferraro	19,702	0	(802)	18,900	0	0	325,262
Dr. Jochen Eickholt	27,449	0	(908)	26,541	0	0	333,332
Tim Holt	30,885	0	(1,128)	29,757	0	0	1,603,638
Total	**78,035**	**0**	**(2,838)**	**75,197**	**0**	**0**	**2,626,232**

1 Includes Siemens Stock Awards as well as matching shares granted as part of employee share purchase programs in which employees and senior managers of Siemens AG are eligible to participate.

2 Includes 26,510 Siemens Stock Awards and 319 matching shares granted during fiscal year 2020 prior to the beginning of the 2020 term of office (total of 26,829 awards and matching shares): 7,661 Siemens Stock Awards and 319 matching shares for Maria Ferraro, 8,410 Siemens Stock Awards for Dr. Jochen Eickholt, and 10,439 Siemens Stock Awards for Tim Holt.

3 Expenses shown for the 2020 term of office. In addition, in fiscal year 2020, expenses for Tim Holt amounting to €25,837 were recognized for the period prior to the 2020 term of office. Siemens Energy accounts for Tim Holt's share-based payment plans as cash-settled plans and for Maria Ferraro and Dr. Jochen Eickholt as equity-settled plans since the latter are classified as Siemens AG grants. The expenses recognized for Tim Holt are not comparable due to different accounting treatment for share-based payment plans settled in cash.

1.10.2 Supervisory Board compensation

The three employees of Siemens AG who served as members of the Supervisory Board in the 2020 term of office (until September 25, 2020) did not receive any additional compensation for their work on the Supervisory Board. Supervisory Board members in office as of September 30, 2020, were appointed effective September 26, 2020, and due to the convening of a meeting of the Supervisory Board on September 29, 2020, received compensation for this period on a pro-rata temporis basis, including additional compensation for work on the Audit Committee and the Presiding Committee. Attendance fees were also paid for members present for the meeting on September 29, 2020.

The compensation regulations applicable to the Supervisory Board are contained in Section 12 of the Company's Articles of Association and will be presented to shareholders for approval at the 2021 Annual Shareholders' Meeting. Supervisory Board compensation consists solely of fixed compensation and reflects the level of responsibility and scope of activities required of members. The Chairman, Deputy Chairman, as well as the Chair and Members of the Presiding Committee, Audit Committee, Finance and Innovation Committee, and Related Party Transactions Committee receive additional compensation.

Compensation of members of Supervisory Board and committees

Fixed compensation of Supervisory Board

Chairman
€240,000

Deputy Chairman
€180,000

Member
€120,000

Additional compensation for committee work

Audit Committee	Presiding Committee	Innovation and Finance Committee	Related Party Transaction Committee
Chair €120,000	**Chair** €120,000	**Chair** €70,000	**Chair** €70,000
Member €60,000	**Member** €60,000	**Member** €40,000	**Member** €40,000

For participation in Supervisory Board meetings and committee meetings, each member receives €1,500 per meeting but no more than €3,000 per day in case more than one of such meetings is held on the same day. Members of the Supervisory Board and (or) its committees who have held office for less than a full fiscal year receive their compensation on a pro rata temporis basis.

Members of the Supervisory Board are reimbursed for expenses incurred in the course of performing their duties, including any taxes applicable to those expenses. The Chairman of the Supervisory Board is also provided an office with administrative support and entitlement to use a chauffeur service. Members of the Supervisory Board do not receive any loans or advances.

	2020			
	Base compen-sation	Additional compen-sation for committee work	Attendance fees	Total
Supervisory Board members in office as of September 30, 2020				
Joe Kaeser (Chairman)	20,000	15,000	1,500	36,500
Dr. Christine Maria Bortenlänger	10,000	5,000	1,500	16,500
Sigmar Gabriel	10,000	–	1,500	11,500
Geisha Jimenez Williams	10,000	–	1,500	11,500
Dr.-Ing. Hubert Lienhard (Deputy Chairman)	15,000	5,000	1,500	21,500
Hildegard Müller	10,000	–	1,500	11,500
Laurence Mulliez	10,000	5,000	1,500	16,500
Matthias E. Rebellius	10,000	–	1,500	11,500
Prof. Dr. Ralf P. Thomas	10,000	10,000	1,500	21,500
Randy Zwirn	10,000	–	1,500	11,500
Total	**115,000**	**40,000**	**15,000**	**170,000**

1.10.3 Other

The Company provides a directors' and officers' liability group insurance policy for Supervisory and Executive Board members and certain other employees of the Siemens Energy Group. The policy is taken out for one year at a time and 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. With effect from their appointment as members of the Executive Board, they are subject to a mandatory deductible that complies with the requirements of the German Stock Corporation Act.

1.10.4 Compensation system for the Executive Board from fiscal year 2021

The compensation system for the members of the Executive Board, which takes effect starting with fiscal year 2021, is established by the Supervisory Board. The Presiding Committee makes recommendations on the compensation system to the Supervisory Board. After approval by the Supervisory Board, the compensation system is submitted to the Annual Shareholders' Meeting for approval ("say on pay"). The system will be presented to shareholders for approval at Siemens Energy's first Annual Shareholders' Meeting on February 10, 2021.

The following core principles drive the design of Executive Board compensation:

- The compensation system for members of the Executive Board should contribute to implementing the Company's strategy by setting appropriate incentives.

- Focus on successful, sustainable management of the Company: Executive Board members are expected to make a long-term commitment to the Company. For this reason, a substantial portion of their total compensation is linked to the performance of the Siemens Energy Group over a multi-year period.

- Compensation linked to performance: The Company's size, complexity, and operational performance should be reflected in the Executive Board's compensation. Exceptional achievements are to be adequately rewarded, while failing to meet targets results in an appreciable reduction in compensation.

Based on these principles, the Supervisory Board determines the structure, amount, and relative 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 assessing the appropriateness of Executive Board compensation

The review is generally based on a comparison with other German companies, primarily those listed in the DAX and MDAX German stock indices. In addition, the Supervisory Board takes account of the evolution of Executive Board compensation in relation to the compensation paid to Siemens Energy's workforce in Germany. In this vertical comparison, the Supervisory Board determines the ratio of Executive Board compensation to the compensation paid to top executives (Senior Management contract group) and the rest of the workforce (employees covered by collective bargaining agreements and employees outside of those agreements).

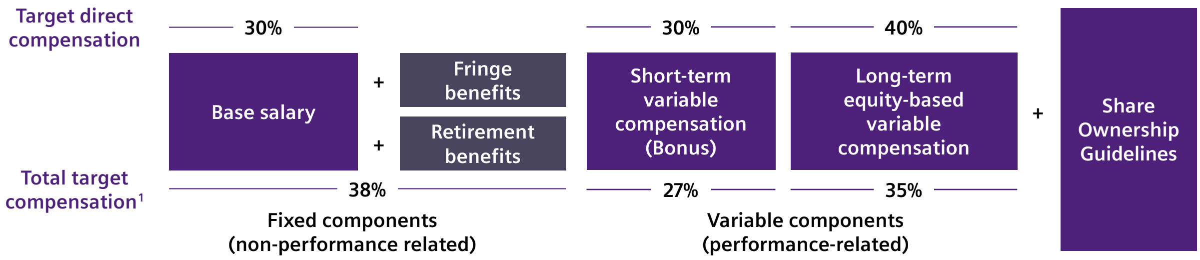
Structure and components of Executive Board compensation

Executive Board compensation comprises both non-performance-based and performance-based elements and is divided into three main components: fixed compensation (base salary, fringe benefits, and retirement benefits), short-term variable compensation and long-term equity-based variable compensation. Variable compensation comprises approximately 60% of each Executive Board member's total target compensation, and a substantial majority of variable compensation is tied to multi-year performance as well as to Siemens Energy's share price, thus aligning the Executive Board's compensation with the Company's long-term, sustainable development.

Maximum compensation for a fiscal year is defined according to Section 87a of the Stock Corporation Act (AktG) as part of the Executive Board's compensation system. From fiscal year 2021, maximum compensation for the President and CEO amounts to €9,950,000 and for the remaining members of the Executive Board, €4,950,000.

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

Components of the Executive Board's compensation system



[1] Can vary depending on value of benefits, in particular for Executive Board members whose place of employment is located outside of Germany.

In general, Executive Board members' compensation is defined in euros; however, the Supervisory Board may set compensation in local currency for Executive Board members whose primarily place of employment or permanent residence is located outside of the Eurozone. Compensation for Tim Holt, whose primary place of employment is in the United States, is defined in euros. For his base salary, target bonus, and selected benefits, these euro amounts are converted at the beginning of each fiscal year into U.S. dollars using the average exchange rate in the month of August according to the European Central Bank. For fiscal year 2021, the relevant exchange rate is €1.00 = $1.1828.

Fixed components

Base salary

Each member of the Executive Board receives base compensation for performing his or her Executive Board duties. This compensation is paid in 12 monthly installments. For Executive Board members residing outside of Germany, the frequency of payments may differ in accordance with local practice. For fiscal year 2021, annual base salary amounts to:

- €1,440,000 for the President and CEO, Dr. Christian Bruch,
- €720,000 for Maria Ferraro and Dr. Jochen Eickholt, and
- €720,000 for Tim Holt ($851,616 at €1.00 = $1.1828).

Fringe benefits

Members of the Executive Board receive fringe benefits in line with market practice, including, for example, the provision of a company car, contributions toward the cost of insurance policies, and reimbursement of expenses for legal and tax advice, and accommodation and moving expenses upon first appointment or change of primary location of employment, including a gross-up provided by the Company for any taxes due in this regard.

Prior to the beginning of a fiscal year, the Supervisory Board defines for each member of the Executive Board a maximum monetary value of fringe benefits as a percentage of base salary. In the event that a member of the Executive Board resides outside of his or her home country, the Supervisory Board may define an additional amount by which the maximum monetary value of fringe benefits is increased in order to take account of additional expenses, for example, reimbursement for taxation in multiple countries.

For fiscal year 2021, the Supervisory Board established a maximum monetary value of 8% of base salary. For Tim Holt, additional benefits related to residence in a foreign country, including any tax gross ups, may be reimbursed up to a maximum of €400,000. The Supervisory Board also resolved to exclude from consideration under the maximum monetary value of individual contractual commitments that were made to Maria Ferraro and assumed by the Company from the sole general partner. These comprise reimbursement of school fees, storage costs, and tax advisory services for a roughly two-year period beginning in May 2020.

Retirement benefits

The members of the Executive Board are eligible to participate in a pension plan, in which the Company can provide contributions – which are defined in terms of a fixed euro amount – to their individual pension accounts. Under consideration of market appropriateness, the Supervisory Board decides each year whether and in what amount to grant contributions. In place of a pension contribution, the Supervisory Board may elect to grant an unrestricted cash amount (pension substitute).

Entitlement	Completion of age 62
Non-forfeiture	In principle, in line with the legal requirements of the German Company Pension Law
Payment	12 yearly installments; further payment options are available upon request: a lower number of installments, lump-sum payment, as well as conversion into an annuity with or without survivors' benefits, or a combination of these payment options
Guaranteed interest	Up until occurrence of a covered event, guaranteed annual interest payment credited to the pension account (currently: 0.9%)
Disability/death	Risk coverage for covered event due to invalidity or death prior to age 60 via crediting of additional annual contributions for the years between the covered event and age 60

In order to comply with local tax regulations, different pension rules may apply to Executive Board members whose place of employment is outside of Germany.

For fiscal year 2021, in lieu of contributions to the pension plan, all members of the Executive Board have been granted a pension substitute in the following amounts:

- €500,000 for the President and CEO, Dr. Christian Bruch,
- €250,000 for Maria Ferraro, Dr. Jochen Eickholt and Tim Holt

Tim Holt participates in local retirement plans offered in the United States; the value of Company contributions to these plans on behalf of Tim Holt are credited against the pension substitute.

Variable components

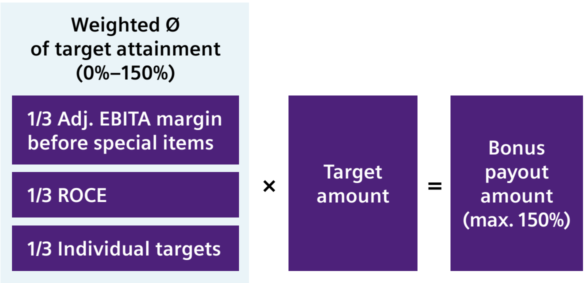
Short-term variable compensation (Bonus)

A substantial portion of the Executive Board members' compensation is tied to Siemens Energy's annual performance (bonus). For fiscal year 2021, the annual target bonus amounts to

- €1,440,000 for the President and CEO, Dr. Christian Bruch,
- €720,000 for Maria Ferraro and Dr. Jochen Eickholt, and
- €720,000 for Tim Holt ($851,616 at €1.00 = $1.1828)

The final payout amount depends on the attainment of financial and non-financial targets and may not exceed 150% of the target amount (cap). Targets are divided into three equally weighted components: Adjusted EBITA margin before Special items, Return on Capital Employed (ROCE), and individual targets. Adjusted EBITA margin before Special items and ROCE reflect the short-term financial performance of the Siemens Energy Group.

Determination of bonus payout amount



For the individual targets, prior the beginning of the respective fiscal year, the Supervisory Board selects between two and four targets. The following individual targets were selected for the fiscal year 2021 bonus:

Individual targets for fiscal year 2021 (Bonus)

	Target 1: Financial	Target 2: Non-financial	Target 3: Non-financial
Dr. Christian Bruch	Cash Conversion Rate	Implementation of strategic priorities	Succession planning/ talent management
Maria Ferraro			Diversity
Dr. Jochen Eickholt			Optimization/efficiency gains
Tim Holt			Digitalization

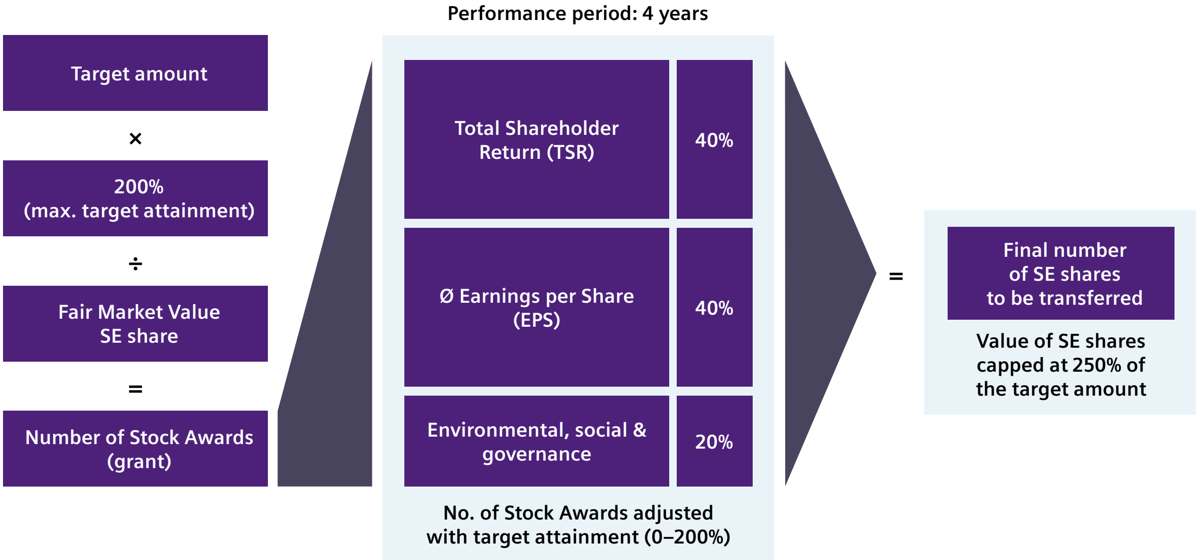
It is intended that the target values representing 0%, 100%, and 150% target attainment for Adjusted EBITA margin before Special items and ROCE and their actual target attainment for fiscal year 2021, as well as the actual target attainment for individual targets, will be disclosed in the Compensation Report for fiscal year 2021.

Long-term equity-based variable compensation

At the beginning of a fiscal year, long-term equity-based variable compensation is granted to the members of the Executive Board in the form of Stock Awards. Each Stock Award confers the right to receive one Siemens Energy share after a vesting period of approximately four years, contingent upon attaining pre-defined performance targets. The annual target value of a Stock Awards grant is contractually agreed with each member of the Executive Board. For fiscal year 2021, the annual target amount for long-term equity-based variable compensation equals

- €1,920,000 for the President and CEO, Dr. Christian Bruch,
- €960,000 for Maria Ferraro and Dr. Jochen Eickholt, and
- €960,000 for Tim Holt (grant in euros; no conversion to U.S. dollars)

Stock Awards – Determination of target attainment and number of shares



The number of stock awards to be granted is calculated by multiplying the maximum possible degree of target attainment – 200% – by the target amount and then dividing this figure by the price of Siemens Energy shares on the grant date in Xetra trading, discounted for the value of estimated dividends during the four-year vesting period (Fair Market Value). After the end of the vesting period, members of the Executive Board are entitled to receive one Siemens Energy share for each Stock Award, whereby the final number of Stock Awards is determined by the attainment of the following targets during the performance period:

- **Total Shareholder Return (TSR):** TSR reflects the change in value of a company's share over a defined period of time (in this case, four years), including any dividends paid during this period. Siemens Energy's TSR is compared against the respective TSR of two sector indices of international companies, the STOXX Global 1800 Industrial Goods and Services (70%) and the MVIS US Oil Services 25 (30%) or comparable successor indices.

- **Earnings per Share (EPS):** Siemens Energy's earnings per share EPS are measured according to the average earnings per share from continuing operations of the Siemens Energy Group over the four fiscal years during the vesting period.

- **Environmental, social & governance (ESG):** Three non-financial targets are selected that reflect strategic ESG priorities for Siemens Energy. These targets are part of the Company's regular reporting on sustainability.

	Target setting	Performance measurement
TSR	If Siemens Energy AG's TSR during the performance period: • Exceeds the comparison index by 20 percentage points or more, target attainment = 200%. • Equals that of the comparison index, target attainment = 100%. • Is 20 percentage points or more below that of the comparison index, target attainment = 0%. Performance between these values is determined via linear interpolation.	For Siemens Energy AG and the comparison indices, TSR is measured by comparing the average value of the month-end return index over the first 12 months of the performance period with the average month-end return index over the following 36 months. Once a change in TSR has been determined for Siemens Energy AG and the comparison indices, Siemens Energy AG's TSR is compared with the respective index's TSR.
EPS	At the beginning of a Stock Awards tranche, the Supervisory Board defines a target value for the average EPS from continuing operations over the four fiscal years of the vesting period, as well as EPS values representing 0% and 200% target attainment.	Target attainment for the EPS component is determined by comparing the actual value with the target corridor set at the beginning of the tranche.
ESG	At the beginning of a Stock Awards tranche, the Supervisory Board selects up to three performance indicators for the ESG component. These performance indicators can be equally weighted, or the Supervisory Board can assign each a higher or lower weighting. The Supervisory Board sets targets for each performance indicator to be achieved by the end of the performance period, as well as values representing 0% and 200% target attainment.	After the end of the performance period, target attainment is determined for each performance indicator. Total target attainment represents the weighted average of the target attainment for each ESG performance indicator.

The following ESG targets have been selected for the 2021 Stock Awards tranche:

	Target definition	Weighting
Environmental	Decarbonization target set based on direct greenhouse gas emissions that arise from sources in the Company's ownership or under its control (Scope 1) and the consumption of purchased electrical energy and district heating (Scope 2).	33.34%
Social	Employee engagement target measured as the employee net promoter score (eNPS), set on the basis of the results of a global survey of Siemens Energy's employees.	33.33%
Governance	Target for share of women in leadership positions (defined according functional value) based on the Company's long-term target of 25% by 2025.	33.33%

The monetary value of the final number of Stock Awards may not exceed 250% of the target amount (cap). Any corresponding number of Stock Awards in excess will be forfeited without replacement.

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

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

Malus and clawback regulations for variable compensation

The Supervisory Board has the option of withholding (malus) or reclaiming (clawback) the short-term and long-term variable compensation in the following cases. In cases of severe breaches of duty or compliance and (or) severely unethical behavior, the Supervisory Board may review the payout amount of short-term variable compensation and reduce it to as little as zero, depending on the extent of the violation, at its duty-bound exercised discretion. In such cases, it also has the option of allowing the long-term variable compensation to be forfeited in full or in part without refund or replacement, depending on the severity of the breach.

In the event that an Executive Board member commits a grossly negligent or willful breach of the duty of care expected of a prudent and conscientious manager according to Section 93 para. 1 German Stock Corporation Act (Aktiengesetz), the Company is entitled to reclaim the variable remuneration components already paid out (bonus and (or) stock awards granted) in full or in part for the respective assessment period in which the breach of duty occurred, or to declare that Stock Awards will be forfeited.

If variable compensation components (bonus and (or) Stock Awards) based on the achievement of specific objectives were unduly paid out on the basis of incorrect data, the Company is entitled to reclaim the difference in compensation resulting from the recalculation of the variable compensation in comparison to the original payment made. The Company has to demonstrate that the underlying data used in the calculation of the compensation was incorrect and that therefore the variable compensation of the member of the Executive Board member was too high.

The possibilities to claim repayment of granted variable compensation or enforce damage claims also apply if the appointment or employment relationship with the member of the Executive Board has already ended at the time that this claim can be made. Claims for damages against the member of the Executive Board remain unaffected.

Share Ownership Guidelines

According to Siemens Energy's Share Ownership Guidelines, members of the Executive Board are required to hold Siemens Energy shares equal in value to a multiple of their base salary – 300% for the President and CEO and 200% for all other members. Members of the Executive Board are given a build up over a period of approximately four years to acquire the required number of shares. If changes in the share price of Siemens Energy causes the value of the acquired holdings to fall below the required threshold, members of the Executive Board must purchase additional shares.

Commitments in connection with termination of an Executive Board member's term of office

The compensation system also governs the amount of compensation paid to an Executive Board member when his or her term of office on the Executive 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 Executive 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, in the event of death or in connection with a Spin-Off, but will instead be settled with a cash payment. If the termination is in connection with retirement, invalidity or a transfer to a different company within the group, Stock Awards remain unaffected.

- Stock Awards granted at the beginning of the fiscal year in which the Executive Board member leaves office will be calculated and reduced on a pro rata basis. When an Executive Board member leaves the Company, any existing Stock Awards will only be transferred at their due date.

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

- **Termination due to regular expiry of the term of office**
  No severance payments or special pension contributions or pension substitutes are made.

- **Termination by mutual agreement without cause**
  In the event of early mutual termination of membership on the Executive Board without cause, Executive Board contracts provide for a compensatory payment:

Basis for calculation	• Base salary plus bonus(es) received in the last fiscal year prior to the end of employment, and granted long-term equity-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
Payout	• In the month of departure
Special one-time pension contribution/ pension substitute	• Based on the pension contribution or pension substitute that the Executive Board member received in the prior year and on the remaining term of his or her appointment • Limited to not more than the contributions/ pension substitute 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.

- **Early termination at the request of the Executive Board member or in the event of termination for cause by the Company**
  None of the benefits listed in the table above will be provided.

- **Change of control**
  There are no special regulations that apply in the event of a change of control.

Other

Members of the Executive Board do not receive any loans or advances from the Company

1.11 Takeover-relevant information

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

1.11.1 Composition of common stock

As of September 30, 2020, the Company's common stock amounted to a total of €726,645,193. The capital stock is divided into 726,645,193 ordinary registered shares with 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.

1.11.2 Restrictions on voting rights or transfer of shares

At a 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.

Under the Deconsolidation Agreement of May 22, 2020, Siemens Aktiengesellschaft and Siemens Beteiligungen Inland GmbH undertake vis-à-vis the Company to a level of self-restraint regarding the use of their voting rights in the Company in order to ensure that they will not be able to carry a vote on their own in respect of certain essential matters. The maximum number of voting rights exercisable by Siemens Aktiengesellschaft and Siemens Beteiligungen Inland GmbH shall be determined by deducting from the other shareholders' voting presence (i) votes corresponding to 10% of the other shareholders' voting presence and (ii) votes attached to present shares that are deemed shares attributable to Siemens Aktiengesellschaft (primarily shares held by Siemens Pension-Trust e.V.). Such matters include (i) the appointment and removal of the Supervisory Board members, (ii) management measures pursuant to Sections 83, 111 para. 4, s. 3 to 5, 111b para. 4, 119 para. 2 or 179a of the German Stock Corporation Act, (iii) discharge of the Executive and Supervisory Board members (Entlastung) and a vote of no confidence (Vertrauensentzug) in respect of Executive Board members, (iv) board compensation matters including possible reduction of the compensation pursuant to Section 87 para. 4 of the German Stock Corporation Act and (v) the approval of the annual financial statements if the Shareholders' Meeting resolves on such approval by way of exception. In the election, re-election, and vote on the dismissal of a Supervisory Board Member to be designated by the Supervisory Board of Siemens Energy AG, Siemens Aktiengesellschaft and Siemens Beteiligungen Inland GmbH have undertaken to vote with a further reduced voting weight.

Under the Siemens Energy Share Ownership Guidelines, the Executive Board Members shall be obligated to continually hold Siemens Energy AG shares of an amount equal to a multiple of their base salary – 300% for the CEO and 200% for the other Members of the Executive Board – during their term of office. An initial approximately four-year build-up phase beginning with the trading of the shares on the Frankfurt Stock Exchange allows Executive Board Members to acquire the necessary shares over time.

Under the Direct Match Program, members of executive bodies (Organmitglieder) and employees of Siemens Energy in Germany may invest part of their income in Siemens Energy AG shares, whereby they will receive in respect of an investment of €100.00 for every acquired Siemens Energy AG share, additionally two further shares (matching shares) and, in the case of a further investment of €160.00 for every acquired Siemens Energy share, additionally one further matching share; the acquired and the additional matching shares are not subject to any holding or vesting period. In respect of any investment beyond that and in respect of members of the executive bodies and employees who are employed on the relevant effective dates by any Group company with its registered office abroad and participating in the programs, they will receive one additional matching share for every three Siemens Energy AG shares acquired; in this regard, both the acquired and the additional matching shares are subject to a holding period of one year.

1.11.3 Shareholdings in the Company that represent more than 10% of the voting rights

As of September 30, 2020, Siemens Aktiengesellschaft, Berlin and Munich, directly held 167,744,527 shares and thus directly 23.08% of the voting rights in Siemens Energy AG. As of September 30, 2020, Siemens Beteiligungen Inland GmbH, Munich, a wholly owned subsidiary of Siemens Aktiengesellschaft, held 87,307,936 shares and thus 12.02% of the voting rights in Siemens Energy AG. Further, Siemens Pension-Trust e.V., Munich, held 71,937,874 shares and thus 9.90% of the voting rights as of September 30, 2020. The voting rights held by Siemens Beteiligungen Inland GmbH and Siemens Pension-Trust e.V. are attributable to Siemens Aktiengesellschaft pursuant to Section 34 German Securities Trading Act, so that Siemens Aktiengesellschaft directly and indirectly held in aggregate 45% of the voting rights in Siemens Energy AG by way of attribution as of September 30, 2020. Siemens Energy AG has not been notified of any other direct or indirect interests in the share capital of Siemens Energy AG that exceed 10% of the voting rights, nor is it aware of any other such interests.

1.11.4 Legislation and provisions of the Articles of Association applicable to the appointment and removal of members of the Executive Board and governing amendment to the Articles of Association

The appointment and removal of members of the Executive 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. Pursuant to Section 5 para. 1 of the Articles of Association, the Executive Board is comprised of several members, the number of which is determined by the Supervisory Board.

Pursuant 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 9 para. 4 of the Articles of Association. In addition, by resolution of the Shareholders' Meeting, 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 capital, and after expiration of the authorization period applicable at the time.

Resolutions of the Shareholders' Meeting require a simple majority vote, unless a greater majority is required by law or by the Articles of Association. Pursuant to Section 179 para. 2 of the German Stock Corporation Act, amendments to the Articles of Association require a majority of at least three quarters of the capital stock represented at the time of the casting of the votes, unless another capital majority is prescribed by the articles of association. The Articles of Association of Siemens Energy AG do not prescribe another majority.

1.11.5 Powers of the Executive Board to issue and repurchase shares

The Executive Board has been authorized by resolution of the Shareholder's Meeting on September 18, 2020, to increase, with the approval of the Supervisory Board, the capital stock until July 31, 2025, by €363,322,596 through the issuance of 363,322,596 ordinary registered shares with no par value against cash contributions and (or) contributions in kind (Authorized capital 2020). With the approval of the Supervisory Board, the Executive Board has been authorized to exclude shareholders' subscription rights in the event of capital increases against contributions in cash, (i) in order to grant shares to the employees of the Company and its affiliates (employee shares), (ii) as far as this is necessary for fractional amounts resulting from the subscription ratio, (iii) in order to grant holders/creditors of conversion or option rights on the Company's shares or of respective conversion obligations from bonds issued or guaranteed by the Company or any of its consolidated subsidiaries subscription rights as compensation against effects of dilution to the extent to which they would be entitled upon exercising such conversion or option rights or fulfilling such conversion obligations, (iv) provided that the issue price of the new shares is not significantly lower than the stock exchange price of the Company's listed shares, and (v) through the implementation of what is known as a share dividend. For details on this authorization, please refer to Section 4 para. 5 of the Articles of Association. This authorization had not been utilized as of September 30, 2020.

By resolution of the Shareholders' Meeting on September 18, 2020, the Executive Board is authorized to issue until expiry of July 31, 2025, convertible bonds/warrant bonds in the total nominal amount of up to €4 billion and, in this context, to grant/impose conversion and (or) option rights and conversion obligations in respect of ordinary registered shares with no par value in Siemens Energy AG representing a pro rata amount in its capital stock totaling to €72,664,519. The convertible bonds/warrant bonds may be issued against contribution in cash and (or) in kind. For details, please refer to the resolution of the Shareholder's Meeting. Generally, the convertible bonds/warrant bonds must be offered for subscription to the shareholders. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude the subscription right of the shareholders, (i) provided that the convertible bonds/warrant bonds are issued against cash payment and the issue price of a convertible bond/warrant bond is not significantly lower than its theoretical market price computed in accordance with generally accepted actuarial methods, (ii) to the extent necessary for fractional amounts resulting from the subscription ratio, and (iii) in order to grant holders/creditors of conversion or option rights to shares of the company or of conversion obligations under convertible bonds/warrant bonds issued or guaranteed by Siemens Energy AG or any of its Group companies subscription rights as compensation against effects of dilution in the amount in which they would be entitled to such rights upon exercising such conversion or option rights or fulfilling any conversion obligations. As of September 30, 2020, the Executive Board had not utilized this authorization.

In order to grant shares of stock to holders/creditors of convertible bonds/warrant bonds, which are issued by Siemens Energy AG or one of its consolidated subsidiaries until the end of July 31, 2025, on the basis of the authorization of the Executive Board through the Shareholder's Meeting of September 18, 2020, the capital stock was conditionally increased by €72,664,519 (Conditional capital 2020). The details are set out in Section 4 para. 6 of the Articles of Association.

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 September 18, 2020, the Shareholders' Meeting authorized the Company to acquire until the end of July 31, 2025, for any permissible purpose, treasury shares in an amount of up to 10% of the capital stock existing at the time this authorization takes effect or – if this amount is lower – of the capital stock existing at the time the authorization is exercised. The aggregate of shares of Siemens Energy AG repurchased under this authorization and any other Siemens Energy AG 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 Energy AG shares shall be accomplished at the discretion of the Executive Board either (i) by acquisition over the stock exchange, (ii) through a public share repurchase offer, or (iii) through a public offer to swap Siemens Energy AG shares for shares in a listed company within the meaning of Section 3 para. 2 of the German Stock Corporation Act.

In addition to selling shares over the stock exchange or through a public sales offer to all shareholders in the proportion of their shareholdings, the Executive Board is authorized by resolution of the Shareholders' Meeting on September 18, 2020, to also use Siemens Energy AG shares repurchased on the basis of this authorization for every permissible purpose, in particular as follows:

- The shares can be retired.
- The shares may be 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.
- The shares may be sold, with the approval of the Supervisory Board, to third parties against payment in cash if the price at which such Siemens Energy AG shares are sold is not significantly lower than the market price of Siemens Energy stock. The notional pro rata amount of the capital stock attributable to shares used in this way must not exceed 10% of the capital stock.
- The shares can be used to service or secure obligations or rights to acquire Siemens Energy AG shares specifically under, or in connection with, convertible bonds and warrant bonds issued by the Company or its Group companies.
- The shares may be used to float shares of the Company on foreign stock exchanges on which they are currently not listed.

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 Energy AG shares that were or will be agreed with members of the Executive Board within the framework of rules governing Executive Board compensation.

In September 2020, the Company announced that it would carry out a share buyback of up to €393 million in volume until March 31, 2021, at the latest. The buyback commenced on September 28, 2020, using the authorizations given by the Shareholders' Meeting on September 18, 2020. Under this share buyback, Siemens Energy repurchased 9,242,660 shares by September 30, 2020. The total consideration paid for these shares amounted to about €200 million (excluding incidental transaction charges). The buyback has the exclusive purpose of issuing shares to employees, board members of affiliated companies and members of the Executive Board of Siemens Energy AG. As of September 30, 2020, the Company held 9,242,660 shares of stock in treasury.

The details on the authorizations referred to above, especially with the restrictions to exclude subscription rights, are set out in the relevant resolution and in Section 4 of the Articles of Association.

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

Siemens Energy AG derives its right to use the name "Siemens Energy" as well as further names and brands owned by Siemens Aktiengesellschaft from a trademark license agreement entered into between its subsidiary Siemens Energy Global GmbH & Co. KG and Siemens Aktiengesellschaft. The trademark license agreement provides for a termination right exercisable by Siemens Aktiengesellschaft if a material competitor of Siemens Aktiengesellschaft directly or indirectly, acting solely or jointly with a third party, acquires 15% or more of Siemens Energy Global GmbH & Co. KG 's capital or voting rights, or if any other third party directly or indirectly, acting solely or jointly with a third party, acquires 25% or more of Siemens Energy Global GmbH & Co. KG 's capital or voting rights. Subject to graded transitional periods, the right to use the name "Siemens Energy" as well as further names and brands ceases to exist upon termination of the trademark license agreement.

No other significant agreements of Siemens Energy AG which are subject to a change of control clause upon a takeover bid existed as of September 30, 2020.

1.11.7 Other takeover-relevant information

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. The Company has not entered into any compensation agreements with Members of the Executive Board or employees in the event of a takeover bid.

1.12 Further information

Corporate Governance Statement

The corporate governance declaration in accordance with Sections 289f and 315d of the German Commercial Code is a component of the Combined Management Report and is published on our website ↗ www.siemens-energy.com/global/en/company/investor-relations/corporate-governance.html#GermanCorporateGovernanceCode. The corporate governance declaration in accordance with Sections 289f and 315d of the German Commercial Code can also be found in 3.4 Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code.

Relationships with affiliated companies

The Executive Board of Siemens Energy AG has prepared a report on relations with affiliated companies in accordance with Section 312 (1) Stock Corporation Act. This report includes the following final declaration:

"We declare that, as regards the legal transactions and other measures during the reporting period from October 1, 2019, to September 25, 2020, set out in the report on the relations with affiliated companies, Siemens Energy AG received appropriate consideration for each legal transaction and did not suffer any disadvantage by any measure being taken or refrained from based on the circumstances of which we were aware at the point in time the legal transactions were entered into or the measures were taken or refrained from."

Group Non-Financial Report

Siemens Energy will publish a separate Group Non-Financial Report that contains the information for Siemens Energy, at the following website: ↗ www.siemens-energy.com/financial-publications. This Group Non-Financial Report was prepared in accordance with Section 315b German Commercial Code in conjunction with Sections 289b to 289e German Commercial Code.

Consolidated Financial Statements

2.1 Consolidated Statements of Income

(in millions of €, earnings per share in €)	Note	Fiscal year 2020	Fiscal year 2019
Revenue	2, 25	27,457	28,797
Cost of sales		(25,318)	(24,615)
Gross profit		**2,139**	**4,181**
Research and development expenses		(985)	(1,001)
Selling and general administrative expenses		(3,103)	(2,647)
Other operating income	5	68	61
Other operating expenses	5	(122)	(108)
Income (loss) from investments accounted for using the equity method, net	4	12	111
Operating income (loss)[1]		**(1,991)**	**597**
Interest income		39	107
Interest expenses		(176)	(355)
Other financial income (expenses), net		(7)	(32)
Income (loss) before income taxes		**(2,135)**	**317**
Income tax (expenses) benefits	6	276	(35)
Net income (loss)		**(1,859)**	**282**
Attributable to:			
Non-controlling interests		(253)	123
Shareholders of Siemens Energy AG[2]		(1,606)	158
Basic earnings per share	**24**	**(2.21)**	**0.22**
Diluted earnings per share	**24**	**(2.21)**	**0.22**

[1] Includes impairment losses on financial instruments of €213 million (2019: €125 million).
[2] In fiscal year 2019: Siemens Group

2.2 Consolidated Statements of Comprehensive Income

(in millions of €)	Note	Fiscal year 2020	2019
Net income (loss)		**(1,859)**	**282**
Remeasurements of defined benefit plans	13	(42)	(176)
therein: Income tax effects		*(4)*	*66*
Remeasurements of equity instruments		–	–
therein: Income tax effects		–	–
Income (loss) from investments accounted for using the equity method, net		(1)	(2)
Items that will not be reclassified to profit or loss		**(43)**	**(178)**
Currency translation differences		(991)	457
Derivative financial instruments		(58)	(84)
therein: Income tax effects		*36*	*22*
Income (loss) from investments accounted for using the equity method, net		(28)	3
Items that may be reclassified subsequently to profit or loss		**(1,077)**	**376**
Other comprehensive income (loss), net of income taxes		**(1,120)**	**197**
Total comprehensive income (loss)		**(2,979)**	**479**
Attributable to:			
Non-controlling interests		(363)	209
Shareholders of Siemens Energy AG[1]		(2,616)	270

[1] In fiscal year 2019: Siemens Group

2.3 Consolidated Statements of Financial Position

(in millions of €)	Note	Sep 30, 2020	Sep 30, 2019	Oct 01, 2018
Assets				
Cash and cash equivalents		4,630	1,871	2,544
Trade and other receivables	19	3,786	5,097	5,446
Other current financial assets	19	550	730	409
Contract assets	7	4,607	5,230	4,590
Receivables from Siemens Group	27	1,395	3,402	5,138
Inventories	8	6,530	7,148	6,607
Current income tax assets	6	295	329	431
Other current assets		763	1,093	833
Assets classified as held for disposal		–	16	–
Total current assets		**22,554**	**24,917**	**25,999**
Goodwill	9	9,376	9,815	9,462
Other intangible assets	10	3,839	4,743	4,967
Property, plant and equipment[1]	10	4,877	3,275	3,085
Investments accounted for using the equity method	4	753	818	784
Other financial assets	19	318	437	427
Other receivables from Siemens Group	27	–	3	3
Deferred tax assets	6	1,057	742	688
Other assets		257	291	342
Total non-current assets		**20,477**	**20,124**	**19,758**
Total assets		**43,032**	**45,041**	**45,757**
Liabilities and equity				
Short-term debt and current maturities of long-term debt[1]	12	717	359	1,000
Trade payables		4,768	4,698	4,303
Other current financial liabilities	19	963	614	375
Payables to Siemens Group	27	519	2,960	3,958
Contract liabilities	7	9,853	9,337	8,077
Current provisions	14	1,676	1,872	2,089
Current income tax liabilities	6	314	372	373
Other current liabilities	11	2,859	3,267	3,244
Liabilities associated with assets classified as held for disposal		–	8	–
Total current liabilities		**21,669**	**23,487**	**23,418**
Long-term debt[1]	12	1,669	547	877
Provisions for pensions and similar obligations	13	1,057	1,960	1,622
Deferred tax liabilities	6	426	1,102	1,195
Provisions	14	2,095	2,072	2,400
Other financial liabilities		141	447	359
Other liabilities		584	729	615
Other payables to Siemens Group	27	–	1,608	4,576
Total non-current liabilities		**5,972**	**8,465**	**11,643**
Total liabilities		**27,641**	**31,952**	**35,061**
Equity	15			
Issued capital		727	–	–
Capital reserve		12,324	–	–
Retained earnings/Net assets[2]		2,906	11,472	9,396
Other components of equity		(814)	384	100
Treasury shares, at cost		(200)	–	–
Total equity attributable to shareholders of Siemens Energy AG[3]		**14,942**	**11,856**	**9,496**
Non-controlling interests		448	1,233	1,200
Total equity		**15,390**	**13,089**	**10,696**
Total liabilities and equity		**43,032**	**45,041**	**45,757**

[1] Initial application of IFRS 16, Leases. For further details, please also refer to Note 2 Material accounting policies and critical accounting estimates.

[2] As of September 30, 2019, and October 1, 2018, Siemens Energy was no legally separate group for which Consolidated Financial Statements had to be prepared according to IFRS 10, Consolidated Financial Statements. Therefore, Combined Financial Statements were prepared in which net assets attributable to the Siemens Group were presented. For further details, please also refer to Note 1 Basis of presentation.

[3] As of September 30, 2019, and October 1, 2018: Siemens Group.

2.4 Consolidated Statements of Cash Flows

	Fiscal year	
(in millions of €)	2020	2019
Cash flows from operating activities		
Net income (loss)	(1,859)	282
Adjustments to reconcile Net income (loss) to cash flows from operating activities		
Amortization, depreciation and impairments	2,051	1,209
Income tax expenses (benefits)	(276)	35
Interest (income) expenses, net	138	248
(Income) loss related to investing activities	(28)	(43)
Other non-cash (income) expenses	228	21
Change in Operating net working capital		
Contract assets	91	(527)
Inventories	230	(406)
Trade and other receivables	13	412
Trade payables	366	299
Contract liabilities	912	1,160
Change in other assets and liabilities	(17)	(784)
Income taxes paid	(303)	(287)
Dividends received	26	51
Interest received	30	25
Cash flows from operating activities	**1,601**	**1,694**
Cash flows from investing activities		
Additions to intangible assets and property, plant and equipment	(927)	(818)
Acquisitions of businesses, net of cash acquired	(177)	–
Purchase of investments and financial assets	(12)	(32)
Disposal of intangibles and property, plant and equipment	39	21
Disposal of businesses, net of cash disposed	40	(50)
Disposal of investments and financial assets	2	82
Cash flows from investing activities	**(1,036)**	**(797)**
Cash flows from financing activities		
Purchase of treasury shares	(162)	–
Change in debt and other financing activities	110	(965)
Interest paid	(89)	(56)
Dividends attributable to non-controlling interests	(33)	(25)
Interest paid to Siemens Group	(52)	(183)
Other transactions/financing with Siemens Group	2,580	(367)
Cash flows from financing activities	**2,353**	**(1,597)**
Effect of changes in exchange rates on cash and cash equivalents	**(160)**	**26**
Change in cash and cash equivalents	**2,759**	**(673)**
Cash and cash equivalents at beginning of period	**1,871**	**2,544**
Cash and cash equivalents at end of period	**4,630**	**1,871**

2.5 Consolidated Statements of Changes in Equity

(in millions of €)	Issued capital	Capital reserved	Retained earnings/ Net assets[1]
Balance as of September 30, 2018	**–**	**–**	**9,400**
Effect of retrospectively adopting IFRS 9	–	–	(3)
Balance as of October 1, 2018	–	–	9,396
Net income (loss)	–	–	158
Other comprehensive income (loss), net of income taxes	–	–	(173)
Total comprehensive income (loss)	–	–	(15)
Dividends & profit and loss transfer with owners	–	–	(255)
Share-based payment	–	–	–
Purchase of treasury shares	–	–	–
Other changes in equity	–	–	2,346
Balance as of September 30, 2019	**–**	**–**	**11,472**

(in millions of €)	Issued capital	Capital reserved	Retained earnings/ Net assets[1]
Balance as of September 30, 2019	–	–	**11,472**
Effect of retrospectively adopting IFRS 16	–	–	2
Balance as of October 1, 2019	–	–	11,474
Net income (loss)	–	–	(1,606)
Other comprehensive income (loss), net of income taxes	–	–	(39)
Total comprehensive income (loss)	**–**	**–**	**(1,645)**
Dividends & profit and loss transfer with owners	–	–	(222)
Share-based payment	–	21	–
Purchase of treasury shares	–	–	–
Other transactions with non-controlling interests	–	–	(956)
Other changes in equity	–	–	7,283
Allocation of net assets according to legal structure	727	12,303	(13,029)
Balance as of September 30, 2020	**727**	**12,324**	**2,906**

[1] As of September 30, 2018 and September 30, 2019, Siemens Energy AG was no legally separate subgroup for which Consolidated Financial Statements had to be prepared according to IFRS 10, Consolidated Financial Statements. Therefore, combined financial statements were prepared in which net assets attributable to the Siemens Group were presented. For further information, please refer to **Note 1 Basis of presentation.**

	Currency translation differences	Equity instruments	Derivative financial instruments	Treasury shares at cost	Total equity attributable to Siemens Group	Non-controlling interests	Total equity
	71	**–**	**28**	**–**	**9,499**	**1,202**	**10,701**
	–	–	–	–	(3)	(2)	(5)
	71	–	28	–	9,496	1,200	10,696
	–	–	–	–	158	123	282
	350	–	(66)	–	112	86	198
	350	–	(66)	–	270	209	479
	–	–	–	–	(255)	(31)	(287)
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	–	–	–	2,346	(145)	2,201
	422	**–**	**(37)**	**–**	**11,856**	**1,233**	**13,089**

	Currency translation differences	Equity instruments	Derivative financial instruments	Treasury shares at cost	Total equity attributable to Siemens Energy AG	Non-controlling interests	Total equity
	422	**–**	**(37)**	**–**	**11,856**	**1,233**	**13,089**
	–	–	–	–	2	–	2
	422	–	(37)	–	11,858	1,233	13,091
	–	–	–	–	(1,606)	(253)	(1,859)
	(912)	–	(59)	–	(1,010)	(110)	(1,120)
	(912)	**–**	**(59)**	**–**	**(2,616)**	**(363)**	**(2,979)**
	–	–	–	–	(222)	(26)	(248)
	–	–	–	–	21	–	21
	–	–	–	(200)	(200)	–	(200)
	–	–	–	–	(956)	(114)	(1,070)
	(269)	–	42	–	7,056	(282)	6,774
	–	–	–	–	–	–	–
	(759)	**–**	**(55)**	**(200)**	**14,942**	**448**	**15,390**

2.6 Notes to Consolidated Financial Statements

NOTE 1 Basis of presentation

The accompanying Consolidated Financial Statements as of September 30, 2020, present the operations of Siemens Energy AG with registered office in Munich, Germany (registry number HRB 252581), and its subsidiaries.

First-time Consolidated Financial Statements

On May 7, 2019, Siemens Aktiengesellschaft ("Siemens AG") announced its plans to publicly list the Siemens Energy business (hereafter "Siemens Energy") in the form of a Spin-Off by issuing Siemens Energy shares to shareholders of Siemens AG and a subsequent listing of these shares.

Siemens Energy has been separated from Siemens AG and its subsidiaries ("Siemens Group") in several steps. In an initial step, activities that had not been conducted by separate companies were transferred to separate legal entities, either by carving out the Siemens Energy businesses of existing Siemens entities (Carve-Out) or by carving out the businesses that remain in Siemens Group (reverse Carve-Out). All activities that form the Siemens Energy business were placed under the control of Siemens Gas and Power GmbH & Co. KG. At the time of the Spin-Off, Siemens AG and Siemens Beteiligungen Inland GmbH (SBI) contributed their respective stake in Siemens Gas and Power GmbH & Co. KG to Siemens Energy AG against shares in Siemens Energy AG, of which Siemens AG spun-off a majority portion to the shareholders of Siemens AG as a final step. In order to prevent Siemens AG from controlling the Company after Spin-Off completion, the Company and Siemens AG entered into a deconsolidation agreement ("Entherrschungsvertrag") which, inter alia, restricts the exercise of the voting rights attached to the existing shares.

The parent company of Siemens Energy, and thus the issuer of the shares, is Siemens Energy AG (until April 3, 2020: Kyros 52 Aktiengesellschaft) with registered office in Munich, Germany (registry number HRB 252581). The Company became economically active on April 1, 2020 (before this date and until Spin-Off, the Company did not have any operating business). Since completion of the determined transaction structure, Siemens Energy AG has been the parent company of the Siemens Energy Group and has directly held 100% of the partnership interest of Siemens Gas and Power GmbH & Co. KG and 100% of the interest of Siemens Gas and Power Management GmbH. Siemens Gas and Power GmbH & Co. KG was incorporated in fiscal year 2019 and directly and indirectly holds shares in all Siemens Energy companies. Siemens AG retains a minority stake in Siemens Energy.

According to the Commission Delegated Regulation (EU) 2019/980 of March 14, 2019, Annex I, item 18.1.1., supplementing Regulation (EU) 2017/1129, an issuer must present historical financial information covering the latest three fiscal years in its securities prospectus. Furthermore, according to Commission Delegated Regulation (EU) 2019/980 of March 14, 2019, Article 18 para. 1 in connection with Article 18 para. 3, Siemens Energy AG, as the issuer, has a "Complex Financial History" as of the share issuance date and needs to prepare additional financial information. Therefore, Siemens Energy has prepared historical financial information in line with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) for the fiscal years from October 1, 2018, to September 30, 2019, from October 1, 2017, to September 30, 2018, and from October 1, 2016, to September 30, 2017, representing the Siemens Energy business under the control of Siemens AG.

Since the Spin-Off, all net assets of Siemens Energy business have been controlled by Siemens Energy AG within the meaning of IFRS 10, Consolidated Financial Statements. The first-time Consolidated Financial Statements have been prepared in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, for the reporting period ended September 30, 2020, including an additional opening balance sheet as of October 1, 2018. As Consolidated Financial Statements previously were not prepared for the combined Siemens Energy business, no reconciliation for consolidated equity and for consolidated total comprehensive income is required pursuant to IFRS 1.

In accordance with IFRS 1.18 in conjunction with IFRS 1.D16(a), Siemens Energy applied the predecessor accounting approach by using the carrying amounts (including goodwill) recognized in the IFRS Consolidated Financial Statements of Siemens AG. No other exemptions permitted under IFRS 1 were used in the Consolidated Financial Statements presented here.

Legal transfers of the business activities of Siemens Group to Siemens Energy were presented as transactions under common control using the book value method. In addition, prior-year comparative information required by IFRS was presented as if the legal structure of Siemens Energy, after taking into account the legal transfers of the business activities, had already existed in the past. Accordingly, disclosures in the published Combined Financial Statements can be consulted for comparative information as of October 1, 2018.

Information on the Consolidated Financial Statements

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU) as well as with the additional requirements set forth in Section 315e para. 1 German Commercial Code (HGB). The Consolidated Financial Statements were authorized for issue by the Executive Board on November 27, 2020.

The Consolidated Financial Statements have been prepared and published in millions of euro (€ million). Rounding differences may occur in respect of individual amounts or percentages.

Siemens Energy is one of the largest suppliers of technology in the energy and electricity sector, with an integrated setup that encompasses the entire scope of the energy market. It provides a portfolio along the entire energy value chain in both conventional and renewable energy, supported by a complete set of training and service offerings. This comprehensive portfolio supports public- and private-sector customers along the continuum of energy – from power generation to power transmission and the related services businesses.

Description of reportable segments

Siemens Energy has two reportable segments:

- Gas and Power (GP), which offers a broad spectrum of products and solutions for the generation of energy along the entire value chain in the oil and gas industry, as well as the construction and operation of power transmission networks. The revenue for this reportable segment is disaggregated in the activities New units and Service contracts and in the type of business Transmission, Generation and Industrial Applications. Service contracts contains the maintenance, operation, and repair of our installed fleet including also the selling of spare parts;

- Siemens Gamesa Renewable Energy (SGRE), which offers on- and offshore wind turbines as well as services throughout the whole life cycle of wind turbines. The revenue for this reportable segment is disaggregated in the activities Wind Turbines and Operation and Maintenance.

NOTE 2 Material accounting policies and critical accounting estimates

Key accounting estimates and judgments – 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 results of operations, financial positions, and cash flows of Siemens Energy. Critical accounting estimates could also involve estimates where Siemens Energy reasonably could have used a different estimate in the current accounting period. Siemens Energy cautions that future events often vary from forecasts and that estimates routinely require adjustment.

In fiscal year 2020, Siemens Energy's business and economic environment was adversely affected by the spread of the COVID-19 pandemic, though certain mitigating effects materialized due to the various measures taken by governments or states globally, including favorable financial support. As the outbreak continues to evolve, it is challenging to predict its duration and its impact on assets, liabilities, results of operations, and cash flows. In the Consolidated Financial Statements as of September 30, 2020, Siemens Energy cautiously based financial information-related estimates and assumptions on existing knowledge and the best information available and applied a scenario assuming that no significant negative effects will result from a second COVID-19 wave in fiscal year 2021. COVID-19 related impacts on Siemens Energy's Consolidated Financial Statements may, inter alia, result from delays in order placements as well as in executing orders and contracts, termination of contracts, adjusted or modified revenue and cost patterns, limited usage of assets, volatility in financial and commodity markets, limited or no access to customer facilities, interest rate adjustments in various countries, increasing volatility in foreign currency exchange rates, deteriorating creditworthiness, credit default or delayed payments, and hardship in preparing predictions and forecasts due to uncertainties in the amount and timing of cash flows. Those factors may impact fair value and carrying amounts of assets and liabilities as well as the amount and timing of results of operations and cash flows. These circumstances require complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Siemens Energy believes that assumptions applied appropriately reflect the current situation. As regards specific singular impacts related to COVID-19, please refer to Note 8 Inventories and Note 10 Other intangible assets and property, plant and equipment.

Basis of consolidation – The Consolidated Financial Statements include the accounts of Siemens Energy AG and its subsidiaries over which the Company has control. Siemens Energy controls an investee if it has power over the investee. In addition, Siemens Energy is exposed to, or has rights to, variable returns from the involvement with the investee and Siemens Energy is able to use its power over the investee to affect the amount of Siemens Energy's 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 an 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 Energy AG has the ability to exercise significant influence regarding 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 Energy's 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 Energy's share of losses in an associate equals or exceeds its interest in the associate, Siemens Energy does not recognize further losses, unless it incurs obligations or makes payments on behalf of the associate. The interest in an associate is the carrying amount of the investment in the associate together with any long-term interests that, in substance, form part of Siemens Energy's net investment in the associate.

Joint ventures – Joint ventures are entities over which Siemens Energy 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 Flows are translated at average exchange rates during the period, whereas cash and cash equivalents are translated at the spot exchange rate at the end of the reporting period.

Foreign currency transaction – Transactions that are denominated in a currency other than the functional currency of an entity are recorded at that functional currency, applying the spot exchange rate at the date when the underlying transactions are initially recognized. At the end of the reporting period, monetary assets and liabilities denominated in a foreign currency 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 transactions denominated in a foreign currency which are classified as non-monetary are remeasured using the historical spot exchange rate. Siemens Energy applies Hyperinflation accounting in Venezuela, Argentina, and Iran.

Revenue recognition – Siemens Energy 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, among other things, collectability of consideration is probable, taking into account customer's creditworthiness). Revenue is the transaction price Siemens Energy 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 Energy. 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, Siemens Energy reasonably estimates them. 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 Energy 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.

Revenue 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 Energy's intellectual property, payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

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 the 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 accordance with 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 Net income attributable to the shareholders of Siemens Energy AG by the weighted average number of outstanding shares of Siemens Energy AG. 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. SGRE is tested one level below the segment. This is the lowest level at which goodwill is monitored for internal management purposes.

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

The determination of the recoverable amount of a cash-generating unit or a Group of cash-generating units to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced, for example, 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 – Siemens Energy 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, trademarks, and technology. Useful lives in specific acquisitions range from six to 20 years for customer relationships and from five to 20 years for technology.

Property, plant and equipment – Property, plant and equipment, including right of use assets, 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 for property, plant and equipment owned by Siemens Energy:

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

Right-of-use assets are depreciated under the straight-line method over the shorter of the lease term and the useful life of the underlying assets. Extension options are included in the lease term, and thus in the measurement of the right-of-use asset and corresponding lease liability, if their exercise is reasonably certain. Remeasurements reflect changes in the assessment of options.

Impairment of property, plant and equipment and other intangible assets – Siemens Energy 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.

Non-current assets/ liabilities held for disposal – Non-current assets and liabilities are held for disposal if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Income taxes – Tax positions under respective local tax laws, relevant court decisions, and tax authorities' views can be complex and subject to different interpretations by taxpayers 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 Energy evaluates the recoverability of deferred tax assets, generally based on five-year projections of 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 Energy believes it is probable that Siemens Energy will realize the benefits of these deductible differences. As future developments are uncertain and partly beyond Siemens Energy'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 Energy presents a contract asset, a contract liability, or a receivable depending on the relationship between Siemens Energy's performance and the customer's payment. Contract assets and liabilities are presented as current since they arised 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. Net realizable value corresponds to the estimated selling price net of remaining costs of completion and selling. Determining net realizable value of Inventories involves accounting estimates for quantity, technical and price risks.

Defined benefit plans – Siemens Energy measures the entitlements by applying the projected unit credit method. The approach reflects an actuarially calculated net present value of the future benefit entitlement for services already rendered. In determining the net present value of the future benefit entitlement for service already rendered (Defined Benefit Obligation, DBO), the expected rates of future salary increase and expected rates of future pension progression are considered. The assumptions used for the calculation of the DBO as of the period-end of the preceding fiscal year are used to determine the calculation of service cost and interest income and expense of the following year. 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 Energy offsets the fair value of the plan assets with the DBO. Siemens Energy 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 Siemens Energy 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 warranty costs, onerous contracts, legal and regulatory proceedings, as well as governmental investigations (legal proceedings). The measurement of warranty provisions reflects whether the underlying obligation results from a single obligation or a larger population of items. The amounts provided are based on the best available information but may vary from actual claims. Siemens Energy 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 because of the long timeframe over which future cash outflows are expected to occur including the respective interest accretion.

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 Energy may incur charges in excess of the recorded provisions for such matters. The outcome of legal proceedings may have a material effect on Siemens Energy's 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 of 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.

Cash and cash equivalents – Siemens Energy 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 amortized cost. Short-term deposits and overdraft facilities granted in connection with intercompany clearing transactions within Siemens Group were not included in cash and cash equivalents. Changes in these items were presented as financing activities in the Consolidated Statements of Cash Flows, as these arrangements have served to finance the operating activities of Siemens Energy.

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, and Contract assets. Regular way purchases or sales of financial assets are accounted for at the trade date. Siemens Energy 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 fair value through profit or loss. 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 or 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 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 and Contract assets by applying their lifetime expected credit losses.

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

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

Credit guarantees – 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 Energy measures financial liabilities at amortized cost using the effective interest method.

Lease liabilities – Lease liabilities are measured at the present value of the lease payments payable over the lease term, generally discounted using the incremental borrowing rate unless the rate implicit in the lease can be readily determined. Lease liabilities are subsequently measured at amortized cost using the effective interest method. They are remeasured in case of modifications or reassessments of the lease.

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 the 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.

Cash flow hedges – The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges are recognized in the 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 – Before Spin-Off, share-based payment awards at Siemens Energy were predominately classified as cash-settled. Fair value was measured at grant date, updated each quarter, and expensed over the vesting period. Fair value was determined as the market price of Siemens AG shares, considering dividends during the vesting period the grantees are not entitled to, as well as conditions and non-vesting conditions, if applicable.

After Spin-Off, share-based payment awards at Siemens Energy 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 to which the grantees are not entitled as well as market conditions and non-vesting conditions, if applicable.

Prior-year information – The presentation of certain prior-year information has been reclassified to conform to the current year presentation. The comparative information presented in the Consolidated Financial Statements is labelled as "consolidated" and derived from the Combined Financial Statements.

Recently adopted accounting pronouncements

IFRS 16, Leases, was adopted as of October 1, 2019, by applying the modified retrospective approach using practical and transition related expedients, (i.e., comparative figures for the preceding year are not adjusted). IFRS 16 replaces the previous lease accounting according to IAS 17 and IFRIC 4, whereby the previous classification model for lessee's lease contracts as either operating or finance leases is eliminated. IFRS 16 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 and if the underlying asset is not of low value.

As of October 1, 2019, right-of-use assets of €1,003 million were recognized in property, plant and equipment, generally measured at the amount of the lease liability (in total: €896 million) adjusted by any prepaid or accrued lease payments. Most of the transition effect relates to real estate leased by Siemens Energy. The difference between future payment obligations under operating leases as of September 30, 2019, of €1,559 million and the gross lease liability as of October 1, 2019, of €1,045 million mostly results from the application of transition-related expedients. For leases between Siemens Real Estate and Siemens Energy that were to be transferred during fiscal year 2020, no right-of-use assets and lease liabilities were recognized prior to the transfer.

The future lease payments from leases under the right-of-use model as of October 1, 2019, were discounted using incremental borrowing rates (weighted average incremental borrowing rate as of October 1, 2019: 1.7%).

On October 1, 2019, Siemens Energy retrospectively adopted IFRIC 23, Uncertainty over Income Tax Treatments. The adoption had no material impact on the Consolidated Financial Statements.

Recent accounting pronouncements not yet adopted

Published financial reporting pronouncements that have not yet been adopted by Siemens Energy

The following pronouncements, issued by the IASB, are not yet effective (or have not been endorsed by the European Union) and have not yet been adopted by Siemens Energy:

Amendments to standards/ interpretations		Mandatory application	Expected initial adoption	Anticipated effect
Conceptual Framework	Amendments to references to the Conceptual Framework in IFRS Standards	Jan 1, 2020	Oct 1, 2020	not material
IFRS 3	Definition of a business (amendment to IFRS 3)	Jan 1, 2020	Oct 1, 2020	not material
IFRS 9, IAS 39, IFRS 7	Interest rate benchmark reform (amendments to IFRS 9, IAS 39 and IFRS 7)	Jan 1, 2020	Oct 1, 2020	not material
IAS 1, IAS 8	Definition of material (amendments to IAS 1 and IAS 8)	Jan 1, 2020	Oct 1, 2020	not material
IFRS 17	Insurance contracts (new standard)	Jan 1, 2023	Oct 1, 2023	not material
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	Jan 1, 2023	Oct 1, 2023	not material

NOTE 3 Acquisitions

Acquisitions

On October 20, 2019, Senvion GmbH i.L. and Siemens Gamesa Renewable Energy Eólica, S.L. Unipersonal (S.L. Unipersonal, hereafter "S.L.U.") signed an Investment Agreement to acquire the operation and maintenance business in Europe (Senvion Deutschland GmbH), wind turbine blades production business in Vagos (Portugal) and certain additional assets (Ria Blades, S.A.) from Senvion.

On January 9, 2020, Siemens Gamesa Renewable Energy Eólica, S.L.U. acquired all the shares of Senvion Deutschland GmbH (Senvion European Onshore Services), an entity which owns the carved-out European onshore service business of Senvion and certain additional assets associated to the business, including certain related intellectual property.

On April 30, 2020, Siemens Gamesa Renewable Energy, S.A. (hereafter "SGRE Portugal") acquired all the shares of Ria Blades, S.A., an entity which owns and operates a wind turbine blades production business in Vagos (Portugal) and certain additional assets associated to said business.

The shares have been transferred free of any security, encumbrances, or charges of any nature whatsoever.

These acquisitions have been consummated after the fulfilment of all the closing conditions, such as the consent of the competent authorities, the implementation of the Carve-Out, the completion of full security release, and the operational readiness of the relevant target entities.

These acquisitions are in line with SGRE's strategy to grow its multibrand service business and its production capacities and to strengthen SGRE's competitive position in Europe. As stipulated in the Investment Agreement, the overall price to be paid in cash for the shares of Senvion Deutschland GmbH and Ria Blades, S.A. amounts to €200 million, subject to closing-accounts-confirmation adjustments. The closing-accounts-related adjustment mechanism for working capital, debt, maintenance cost, and backlog deviations between June 30, 2019, and January 9, 2020, has different caps and leads to a maximum overall price to be paid by SGRE of €215 million, in case of positive adjustments, and a minimum overall cash consideration of €180 million, in case of negative adjustments, considering that SGRE could be entitled to further obtain, under certain circumstances, up to €10 million of additional current assets without change in the consideration paid.

The price adjustment amount, within the established limits, is expected to be resolved in the first quarter of fiscal year 2021, once the term for the confirmation of the closing accounts has elapsed, and is related to the transaction as a whole. At the time the final price adjustment is determined, the allocation of the resulting total price to the different parts of the transaction will also be completed. The preliminary breakdown of the consideration transferred is €122 million for Senvion European Onshore Services and €60 million for the wind turbine blade production business in Vagos (Portugal) and certain additional assets associated with said business. These amounts had been fully paid as of September 30, 2020.

The transaction costs of €13 million have been recognized in selling and general administrative expenses in the Consolidated Statements of Income.

Acquisition of the Senvion European Onshore Services

The assets and liabilities of Senvion Deutschland GmbH and its subsidiaries are included in the Consolidated Financial Statements at their acquisition date fair values. The following figures result from the preliminary purchase price allocation as of the acquisition date: other intangible assets €146 million (related to the fair value of order backlog and customer relationships); property, plant and equipment €36 million; trade and other receivables €58 million; inventories €26 million; other current and non-current financial assets €3 million; cash and cash equivalents €4 million; other current and non-current assets €3 million; contract assets €12 million; financial debt €14 million; trade payables €2 million; contract liabilities €34 million; other current financial liabilities €5 million; current and non-current provisions €133 million; other current and non-current liabilities €49 million; current income tax liabilities net €8 million; and deferred tax assets net €5 million.

The goodwill allocated to the goodwill carrying unit Operation and Maintenance has been provisionally determined in an amount of €74 million.

The acquired business has contributed revenues of €124 million and a negative net result of €12 million (pre-purchase price allocation impacts) to Siemens Energy for the period from acquisition to September 30, 2020. The revenue and profit of the combined entity for the current reporting period as though the acquisition date amounted to €167 million as of the beginning of the annual reporting period, with a negative net result of €7 million (pre-purchase price allocation impacts).

The consideration paid for this business combination amounts to €122 million (€118 million net of cash acquired).

The accounting for this business combination has been determined provisionally as of September 30, 2020, due to the fact that the measurement of the acquired assets and liabilities has not yet been completed, as well as the fact that the twelve-month period since the acquisition of Senvion Deutschland GmbH established by IFRS 3, Business Combinations, has not elapsed.

Acquisition of Senvion's wind turbine blade production business in Vagos (Portugal)

The assets and liabilities of Ria Blades, S.A. and associated additional assets are included in the Consolidated Financial Statements at their acquisition date fair values. The following figures result from the preliminary purchase price allocation as of the acquisition date: property, plant and equipment €58 million; inventories €4 million; other current and non-current financial assets €1 million; other current and non-current assets €1 million; trade payables €1 million; current and non-current provisions €4 million; other current and non-current liabilities €2 million; current income tax assets net €1 million; and deferred tax assets net €2 million.

No goodwill has been provisionally determined to be allocated to the goodwill carrying unit Wind Turbines.

The acquired business contributed revenues of €1 million and a negative net result of €6 million (pre-purchase price allocation impacts) to Siemens Energy for the period from acquisition to September 30, 2020. The revenue and profit of the combined entity for the current reporting period as though the acquisition date amounted to €18 million as of the beginning of the annual reporting period and €1 million, respectively (pre-purchase price allocation impacts).

The consideration paid for this business combination amounts to €60 million (€60 million net of cash acquired).

The accounting for this business combination has been determined provisionally as of September 30, 2020, due to the fact that the measurement of the acquired assets and liabilities has not yet been completed, as well as the fact that the twelve-month period since the acquisition of Ria Blades, S.A. and associated additional assets established by IFRS 3, Business Combinations, has not elapsed.

Acquisition of non-controlling interests in Siemens Gamesa Renewable Energy

As a result of Siemens AG's acquisition of the 8.1% non-controlling interest in SGRE from Iberdrola S.A. for a purchase price of €1,100 million in February 2020, the non-controlling interest and the equity reflect the relative change in Siemens Energy's interest in SGRE.

NOTE 4 Interests in other entities

Investments accounted for using the equity method

(in millions of €)	Fiscal year 2020	2019
Share of profit (loss), net	22	54
Gains (losses) on sales, net	1	55
Impairment and reversals of impairment	(10)	1
Income (loss) from investments accounted for using the equity method, net	**12**	**111**

In fiscal year 2019, the Gain on sales of €55 million was related to the partial sale of an at-equity investment presented in the Gas and Power segment.

Since there is a significant influence, Siemens Limited, India, is included in the Consolidated Financial Statements of Siemens Energy as an associated company accounted for using the equity method and is presented in the Gas and Power segment. The company offers products, integrated solutions for industrial applications for manufacturing industries, drives for process industries, intelligent infrastructure and buildings, efficient and clean power generation from fossil fuels and oil and gas applications, and transmission and distribution of electrical energy for passenger and freight transportation, including rail vehicles, rail automation and rail electrification systems. Summarized financial information for the associate Siemens Limited, India, is presented below.

(in millions of €)	Siemens Limited, Registered in Mumbai, India Mar 31, 2020	Sep 30, 2019
Percentage ownership interest (%)	24%	24%
Non-current assets (100%)	382	326
Current assets (100%)	1,474	1,665
Non-current liabilities (100%)	69	38
Current liabilities (100%)	684	769
Net assets (100%)	**1,103**	**1,185**
Group's share of net assets (24%)	**265**	**284**
Goodwill (24%)	**89**	86
Carrying amount of interest in associate (24%)	**354**	**370**
Reconciliation to Carrying amount as of Sep 30, 2020	(12)	n/a
Carrying amount as of Sep 30, 2020	342	n/a

(in millions of €)	Apr 1, 2019 to Mar 31, 2020	Fiscal year 2019
Revenue (100%)	1,575	1,699
Income (loss) from continuing operations after tax (100%)	128	126
Other comprehensive income (100%)	(8)	–
Total comprehensive income (100%)	120	126
Group's share of total comprehensive income (24%)	**29**	**30**
Reconciliation Group's share of total comprehensive income for fiscal year 2020	(12)	n/a
Group's share of total comprehensive income for fiscal year 2020	17	n/a
Dividends received by the Group	**–**	**7**

The Fair Value of the investment in the associate amounts to € 1,252 million as of September 30, 2020 (2019: € 1,679 million).

As of September 30, 2020, the carrying amount of all individually not material associates amounted to €325 million (2019: €327 million), and the carrying amount of all individually not material joint ventures amounted to €86 million (2019: €121 million). Summarized financial information for all individually not material associates and joint ventures, adjusted for the percentage of ownership held by Siemens Energy, is presented below. Items included in the Statements of Comprehensive Income are presented for the twelve-month period applied under the equity method.

Associates

(in millions of €)	Fiscal year 2020	2019
Income (loss) from continuing operations	10	5
Other comprehensive income, net of income taxes	(5)	(9)
Total comprehensive income	**5**	**(4)**

Joint ventures

(in millions of €)	Fiscal year 2020	2019
Income (loss) from continuing operations	1	25
Income (loss) from discontinued operations, net of income taxes	–	(9)
Other comprehensive income, net of income taxes	(2)	1
Total comprehensive income	**(1)**	**17**

Subsidiaries with material non-controlling interests

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

(in millions of €)	Siemens Gamesa Renewable Energy S.A., registered in Zamudio, Spain Sep 30, 2020	2019
Ownership interests held by non-controlling interests	33%	41%
Accumulated non-controlling interests	186	668
Current assets	6,929	7,899
Non-current assets	9,403	8,790
Current liabilities	8,335	7,968
Non-current liabilities	3,062	2,449

(in millions of €)	Fiscal year 2020	2019
Net income attributable to non-controlling interests	(319)	57
Dividends paid to non-controlling interests	12	7
Revenue	9,483	10,227
Income (loss) from continuing operations, net of income taxes	(919)	141
Other comprehensive income, net of income taxes	(392)	214
Total comprehensive income, net of income taxes	(1,311)	355
Total cash flows	(28)	(729)

Non-current assets of Siemens Gamesa Renewable Energy include the full goodwill resulting from the merger with the publicly listed company Gamesa Corporación Tecnológica, S. A., in April 2017.

NOTE 5 Other operating income and expense

In fiscal year 2020 and fiscal year 2019, Other operating income essentially included gains on sales of intangible assets as well as property, plant and equipment, gains on disposals of businesses, payments in settlement of liquidated damages, and reversal of impairment losses recorded for intangible assets and property, plant and equipment.

In fiscal year 2020, Other operating expenses mainly consisted of expenses related to the Spin-Off. In fiscal year 2019, Other operating expenses included a loss of €54 million from the sale of a site for packaging and service of rotating equipment in Hengelo, Netherlands.

NOTE 6 Income taxes

Income tax expenses (benefit) consists of the following:

(in millions of €)	Sep 30, 2020	2019
Current tax	283	469
Deferred tax	(559)	(434)
Income tax expenses (benefits)	**(276)**	**35**

The current income tax expenses in fiscal year 2020 and 2019 include adjustments recognized for current tax of prior years in the amount of €(6) million and €44 million, respectively. The deferred tax (benefit) in fiscal year 2020 and 2019 includes tax effects of the origination and reversal of temporary differences of €(478) million and €149 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.

Actual income tax benefit (2019: expense) differs from the amounts computed by applying a combined statutory German income tax rate of 31% as follows:

(in millions of €)	Sep 30, 2020	2019
Income (loss) before tax	(2,135)	317
Expected income tax expenses (benefit)	(662)	98
Increase (decrease) in income taxes resulting from:		
Non-deductible losses and expenses	44	117
Tax-free income	(26)	(62)
Taxes for prior years	28	(1)
Non-recognition and change in realizability of deferred tax assets and tax credits	235	9
Change in tax rates	9	(40)
Foreign tax rate differential	54	(123)
Tax effect of investments accounted for using the equity method	(3)	(15)
Other, net	45	52
Actual income tax expenses (benefit)	**(276)**	**35**

Withholding taxes in fiscal year 2020 and 2019 are included in “Other, net” in the amount of €40 million and €50 million.

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

(in millions of €)	Sep 30, 2020	2019
Deferred taxes due to temporary differences		
Intangible assets	(790)	(1,079)
Pensions and similar obligations	392	248
Current assets and liabilities	(14)	(47)
Non-current assets and liabilities	317	–
Tax loss carryforwards, other loss carryforwards	637	430
Tax credits	89	88
Total deferred taxes, net	**631**	**(359)**

Deferred tax liabilities relating to intangible assets decreased due to regular amortization of step-up amounts resulting from purchase price allocations as well as impairments. Deferred tax assets from Carve-Out effects such as taxable step-ups and the early termination of a Siemens loan are included in the line items Non-current assets and liabilities and other loss carryforwards.

With regard to deferred tax assets relating to tax loss carryforwards and to tax credit carryforwards, which are mainly recorded by companies in Spain, Germany, the United States, and Brazil, their recoverability is reasonably assured by the probable existence of sufficient future taxable profits.

Deferred tax balances developed as follows in fiscal year 2020 and 2019:

(in millions of €)	Sep 30, 2020	2019
Balance at begin of fiscal year of deferred tax assets (liabilities)	(359)	(509)
Income taxes presented in the Consolidated Statements of Income	559	433
Changes in items of the Consolidated Statements of Comprehensive Income	32	87
Income taxes treated as contributions or transfers from reserves by shareholders	450	(354)
Other	(51)	(16)
Balance at end of fiscal year of deferred tax assets (liabilities)	**631**	**(359)**

Income taxes treated as contributions or transfers from reserves by shareholders in the table above in fiscal year 2020 mainly related to Carve-Out effects and further changes from the formation of the Siemens Energy Group. In fiscal year 2019, they related mainly to deferred tax assets on loss carryforwards of Siemens Energy entities and operations that did not constitute a separate tax payer until their legal Carve-Out (separate tax return approach).

Deferred tax assets have not been recognized with respect of the following items (gross amounts) in fiscal year 2020 and 2019:

(in millions of €)	Fiscal year 2020	2019
Deductible temporary differences	368	256
Tax loss carryforwards	3,483	2,911
Tax credits	253	240

Out of the total amount of unrecognized tax loss carryforwards as of September 30, 2020, an amount of €1,123 million will expire in the following years until 2029, and €1,682 million will expire in 2030 and onwards.

Out of the total amount of unrecognized tax loss carryforwards as of September 30, 2019, an amount of €426 million will expire in the following years until 2028, and €1,568 million will expire in 2029 and onwards.

As of September 30, 2020, and 2019, €232 million and €220 million of the unrecognized tax credits will expire over the periods to 2043.

Siemens Energy did not recognize deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of €4,991 million in fiscal year 2020 (2019: €6,279 million) because the earnings are intended to be permanently reinvested in the subsidiaries.

NOTE 7 Contract assets and liabilities

As of September 30, 2020, amounts expected to be settled after twelve months were €1,148 million for Contract assets (2019: €1,087 million) and €3,591 million for Contract liabilities as of September 30, 2020 (2019: €2,378 million).

In fiscal year 2020, €14 million were included in revenue, relating to performance obligations satisfied in previous periods (2019: €76 million).

In fiscal year 2020, revenue included €5,885 million which was included in Contract liabilities at the beginning of the fiscal year (2019: €4,650 million).

NOTE 8 Inventories

(in millions of €)	Sep 30, 2020	2019
Raw materials and supplies	1,805	1,867
Work in progress	2,855	2,936
Finished goods and products held for resale	1,538	1,938
Advances to suppliers	333	408
Total inventories	**6,530**	**7,148**

Cost of sales includes Inventories recognized as expense as of September 30, 2020, amounting to €24,659 million (2019: €24,094 million). Compared to the prior year write-downs increased by €279 million (2019: decreased by €16 million) as of September 30, 2020.

In fiscal year 2020, GP had to recognize inventory write-downs of €206 million (therein: finished goods €156 million) related to a strategic portfolio decision on certain small gas turbine platforms due to a change in addressing segments of the industrial application market. SGRE recognized a write-down of Inventories in an amount of €126 million as a result of the deterioration of the Indian market and the corresponding restructuring plan.

NOTE 9 Goodwill

	Fiscal year	
(in millions of €)	**2020**	**2019**
Cost		
Balance at begin of fiscal year	9,851	9,498
Translation differences and other	(511)	359
Acquisitions and purchase accounting adjustments	74	–
Dispositions and reclassifications to assets classified as held for disposal	(2)	(6)
Balance at fiscal year-end	**9,413**	**9,851**
Accumulated impairment losses and other changes		
Balance at begin of fiscal year	(36)	(36)
Translation differences and other	(1)	–
Impairment losses recognized during the period (including those relating to disposal groups)	–	–
Dispositions and reclassifications to assets classified as held for disposal	–	–
Balance at fiscal year-end	**(37)**	**(36)**
Carrying amount		
Balance at begin of fiscal year	9,815	9,462
Balance at fiscal year-end	**9,376**	**9,815**

Siemens Energy performs the mandatory annual impairment test in the three months ending September 30. The recoverable amounts for the annual impairment test 2020 for Siemens Energy's cash-generating units or groups of cash-generating units were estimated to be higher than the carrying amounts. In fiscal year 2019, goodwill, was tested for impairment based on the cash-generating unit structure used at that time by Siemens AG to monitor goodwill as the new reporting structure had not existed in the past. No goodwill impairment was recognized. Key assumptions on which Siemens Energy 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 1.4% in fiscal year 2020 (2019: 1.7%) and after-tax discount rates of 8.0% to 8.5% in fiscal year 2020 (2019: 8.0% to 8.5%).

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 each group of cash-generating units. Discount rates are based on the Weighted Average Cost of Capital (WACC). 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 each 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 cash-generating units or groups of cash-generating units to which a significant amount of goodwill is allocated:

	Sep 30, 2020		
(in millions of €)	Goodwill	Terminal value growth rate	After-tax discount rate
Gas and Power	6,588	1.3%	8.0%
Wind Turbines	1,102	1.4%	8.5%
Operation and Maintenance	1,687	1.4%	8.5%

The table below includes the key assumptions used for the goodwill attributable to the Siemens Energys' business on September 30, 2019, that was transferred from the Siemens Group to Siemens Energy during the legal reorganization:

	Sep 30, 2019		
(in millions of €)	Goodwill	Terminal value growth rate	After-tax discount rate
Gas and Power	6,942	1.7%	8.0%
Wind Turbines	1,164	1.4%	8.5%
Operation and Maintenance	1,709	1.4%	8.5%

Revenue figures in the five-year planning period of the cash-generating units or groups of cash-generating units are based on average revenue growth rates (excluding portfolio effects) of between 2.9% and 11.8% (2019: 2.3% and 9.8%). Siemens Energy, as a critical infrastructure provider, expects a stable contribution from the services business, as well as a stable market share in the product and solution business, while dealing with challenging structural global energy market trends, in particular for large gas turbines. The ongoing transformation of the energy markets requires the ability to adapt business models and cost structures accordingly. The expectation that Siemens Energy will make the necessary adaptations is reflected in its business planning, which forms the basis for the cash flows for the five-year planning period and the cash flows used to derive the terminal values for its cash-generating units or groups of cash-generating units to which a significant amount of goodwill is allocated.

The sensitivity analysis for the cash-generating units or groups of cash-generating units 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 Energy concluded that no impairment loss would need to be recognized on goodwill in any of these groups of cash-generating units.

NOTE 10 Other intangible assets and property, plant and equipment

(in millions of €)	Gross carrying amount Oct 1, 2019	Transfer from/ to Siemens Group	Translation differences	Additions through business combinations
Internally generated technology	632	1	(5)	–
Acquired technology including patents, licenses and similar rights	2,581	9	(47)	–
Customer relationships and trademarks	4,344	–	(298)	146
Other intangible assets	**7,557**	**10**	**(350)**	**146**
Land and buildings	2,477	810	(130)	71
thereof right-of-use assets	*835*	*65*	*(45)*	*13*
Technical machinery and equipment	4,269	36	(191)	17
thereof right-of-use assets	*148*	–	*(1)*	–
Furniture and office equipment	1,951	62	(59)	5
thereof right-of-use assets	*31*	–	*(3)*	–
Advances to suppliers and construction in progress	447	17	(17)	–
Property, plant and equipment	**9,144**	**925**	**(397)**	**94**

(in millions of €)	Gross carrying amount Oct 1, 2018	Transfer from/ to Siemens Group	Translation differences	Additions through business combinations
Internally generated technology	466	–	4	–
Acquired technology including patents, licenses and similar rights	2,560	–	20	–
Customer relationships and trademarks	4,143	–	202	–
Other intangible assets	**7,169**	**–**	**226**	**–**
Land and buildings	1,413	259	31	–
Technical machinery and equipment	3,898	–	73	–
Furniture and office equipment	1,791	17	23	–
Advances to suppliers and construction in progress	393	4	12	–
Property, plant and equipment	**7,495**	**280**	**138**	**–**

Additions	Reclassification	Retirements	Gross carrying amount Sep 30, 2020	Accumulated depreciation/ amortization and impairment	Carrying amount Sep 30, 2020	Depreciation/ amortization and impairment in fiscal year 2020
191	–	(14)	804	(334)	469	(66)
83	–	(15)	2,611	(1,635)	976	(552)
–	–	(78)	4,114	(1,721)	2,394	(495)
274	**–**	**(108)**	**7,529**	**(3,690)**	**3,839**	**(1,113)**
541	55	(115)	3,709	(1,126)	2,583	(267)
502	–	*(76)*	*1,295*	*(185)*	*1,111*	*(182)*
188	139	(154)	4,305	(3,054)	1,251	(401)
47	–	*(20)*	*175*	*(46)*	*128*	*(50)*
251	85	(118)	2,177	(1,660)	517	(270)
48	–	*(14)*	*63*	*(19)*	*44*	*(23)*
361	(279)	(3)	526	–	526	–
1,342	**–**	**(391)**	**10,717**	**(5,840)**	**4,877**	**(938)**

Additions	Reclassification	Retirements	Gross carrying amount Sep 30, 2019	Accumulated depreciation/ amortization and impairment	Carrying amount Sep 30, 2019	Depreciation/ amortization and impairment in fiscal year 2019
163	–	(1)	632	(288)	345	(49)
3	–	(3)	2,581	(1,110)	1,471	(234)
–	–	–	4,344	(1,416)	2,928	(267)
166	**–**	**(4)**	**7,557**	**(2,814)**	**4,743**	**(551)**
17	16	(31)	1,703	(555)	1,148	(63)
184	150	(182)	4,122	(2,870)	1,252	(327)
187	60	(156)	1,921	(1,492)	429	(265)
275	(225)	(12)	447	(3)	444	(3)
662	**–**	**(382)**	**8,194**	**(4,919)**	**3,275**	**(658)**

Intangible assets relate substantially to customer relationships and technology acquired in the Dresser-Rand Group Inc. and SGRE business acquisition. Due to strategic portfolio decisions, intangible assets relating to Rolls-Royce Energy business acquisition were completely written down in Q3 2020. The customer relationships that relate to the Dresser-Rand acquisition are amortized over a period of 20 years. With the Dresser-Rand acquisition, Siemens Energy has a comprehensive portfolio of equipment and capability for the oil and gas industry and a much-expanded installed base, allowing Siemens Energy to address the needs of the market with products, solutions, and services. Technology related to the Dresser-Rand acquisition is substantially amortized over a period of 20 to 25 years.

Intangible assets associated with the SGRE acquisition mainly relate to technology, customer relationships, and trademarks and are substantially being amortized over a period of six to 20 years. With SGRE, Siemens Energy acquired a leading supplier of wind turbines and services for both onshore and offshore market segments.

As of September 30, 2020, the gross carrying amount of advances to suppliers and construction in progress included mainly machinery and equipment under construction. As of September 30, 2020, contractual commitments for purchases of property, plant and equipment were €304 million (2019: €148 million). The increase was mainly caused by €120 million in contractual commitments for purchases of property, plant and equipment to build a factory in Le Havre, France, for the SGRE business.

In the GP segment, an impairment of intangible assets acquired in business combinations in the amount of €476 million has been recognized on a level 3 discounted cash flow (DCF) valuation model. To determine the recoverable amount, cash flow projections were used that take into account past experience and represent management's best estimate about future developments. The calculation is based on a terminal value growth rate of 0.0% and an after-tax discount rate of 9.6%.

As a result of the deterioration of the Indian market and the corresponding restructuring plan, intangible assets in the SGRE segment were completely written down in the amount of €82 million.

In fiscal year 2020, expenses recognized for short-term and low-value leases not accounted for under the right-of-use model were €200 million.

NOTE 11 Other current liabilities

	Sep 30,	
(in millions of €)	2020	2019
Liabilities to personnel	1,605	1,546
Deferred income	43	72
Accruals for pending invoices	562	667
Reservation fees	194	222
Sales tax liabilities	153	527
Other	301	233
Total other current liabilities	**2,859**	**3,267**

NOTE 12 Debt

	Current debt		Non-current debt	
	Sep 30,		Sep 30,	
(in millions of €)	2020	2019	2020	2019
Loans from banks	434	325	732	494
Lease liabilities	279	2	928	37
Other financial indebtedness	4	32	9	17
Total debt	**717**	**359**	**1,669**	**547**

Changes in liabilities arising from financing activities

(in millions of €)	Oct 1, 2019[1]	Cash flows	Non-cash changes (Acquisi-tions)/ Dispositions	Non-cash changes Foreign currency translation	Non-cash changes Reclassifi-cations and other changes	Sep 30, 2020
Loans from banks (current and non-current)	822	381	34	(72)	–	1,165
Lease liabilities (current and non-current)	896	(223)	74	(41)	501	1,207
Other financial indebtedness (current and non-current)	49	(48)	1	–	12	13
Total debt	**1,766**	**110**	**109**	**(113)**	**513**	**2,385**

[1] Initial application of IFRS 16, Leases. For further details, please also refer to Note 2 Material accounting policies and critical accounting estimates.

(in millions of €)	Oct 1, 2018	Cash flows	Non-cash changes (Acquisi-tions)/ Dispositions	Non-cash changes Foreign currency translation	Non-cash changes Reclassifi-cations and other changes	Sep 30, 2019
Loans from banks (current and non-current)	1,778	(975)	–	16	–	819
Lease liabilities (current and non-current)	65	(10)	–	3	(19)	39
Other financial indebtedness (current and non-current)	34	20	(6)	–	–	49
Total debt	**1,877**	**(965)**	**(6)**	**19**	**(19)**	**906**

In fiscal year 2020, annual weighted-average interest rates for loans from banks were 3.39% (2019: 2.56%).

Credit facilities

As of September 30, 2020, Siemens Energy had an unused €3,000 million syndicated revolving credit facility for general corporate purposes with a tenor of three years and two one-year extension options at the discretion of the lenders (after year one and two).

As of September 30, 2020, SGRE had a multi-currency revolving credit facility, including a loan tranche, amounting to a total of €2,500 million. The facility includes a fully drawn term loan tranche of €500 million maturing in 2022 and an unused revolving credit line tranche of €2,000 million maturing in 2024 with two one-year extension options.

During fiscal year 2020, SGRE signed new bilateral credit lines in euro amounting to €375 million, of which €50 million mature in December 2020, €275 million mature in 2021, and €50 million mature in 2022. In addition, from the bilateral credit lines signed in fiscal year 2019 amounting to €512 million, an amount of €482 million is still outstanding, of which €50 million mature in December 2020, €212 million mature in 2021, and €220 million are extendable by tacit agreement until 2022. As of September 30, 2020, SGRE had not drawn any amount out of these Euro credit lines.

In addition, during fiscal year 2020, SGRE signed credit lines in other currencies than the euro, mostly in Indian rupees for an amount equivalent to €116 million with maturity in 2021. As of September 30, 2020, SGRE had drawn from existing bilateral credit lines in India with annual maturities for an amount of €273 million (September 30, 2019: €304 million).

Loans

The debt in the balance sheet as of September 30, 2020, mainly related to loans from banks related to the SGRE business. SGRE's multi-currency revolving credit facility includes a fully drawn term loan tranche of €500 million. This loan may be used for general corporate purposes and to refinance outstanding debt.

Additionally, in January 2020, SGRE signed two new loans amounting to €240 million, both with maturity in 2023, to finance the acquisition of Senvion.

Lease liabilities

In fiscal year 2020, the expenses relating to variable lease payments not included in the measurement for lease liabilities amounted to €112 million. Due to the constant use and volume of the leases, no significant increase in variable future lease payments is expected. Moreover, future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities include, among others, the following items: in fiscal year 2020, leases not yet commenced to which the lessee is committed of €290 million and outflows arising from extension options of €156 million.

NOTE 13 Post-employment benefits/ Provisions for pensions and similar obligations

Siemens Energy provides post-employment defined benefit plans and defined contribution plans to almost all domestic employees and the majority of the foreign employees.

Defined benefit plans

Defined benefit plans which are open to new entrants are based predominantly on contributions made by Siemens Energy. Only to a certain extent are those plans affected by longevity, inflation, and compensation increases and take into account country-specific differences. Siemens Energy's major plans are mostly funded with assets in segregated entities. In accordance with local laws and bilateral agreements with benefit trusts (trust agreement), those plans are managed in the interest of the beneficiaries. In fiscal year 2020, the defined benefit plans covered an average number of 56,000 participants, including 46,000 actives, 3,000 deferreds with vested benefits, and 7,000 retirees and surviving dependents in around 50 countries.

As the majority of the Siemens Energy pension liabilities derives from three major countries, the pension landscape in these three countries is described in detail below.

Germany

In Germany, pension benefits are provided through the following plans: BSAV (Beitragsorientierte Siemens Altersversorgung), closed legacy plans, and 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 legacy plans were modified to substantially eliminate the effects of compensation increases. However, the legacy plans still expose Siemens Energy 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.

In the second quarter of fiscal year 2020, Siemens transferred assets with a fair value of approximately €915 million as at January 2, 2020, to fund a contractual trust arrangement acting as pension trust (GP Trust e.V.) for German Siemens Energy employees.

United States of America

The majority of the defined benefit plans in the U.S. have been frozen to new entrants and to future benefit accruals, except for interest credits on cash balance accounts. 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 required contributions are calculated by independent actuaries.

In the U.S. prior to the setup of separate pension plans, Siemens Energy participated, among others, in the Siemens Pension Plan as the main pension plan for the Siemens Group in the U.S. A separate pension trust for the U.S. entities (the "Siemens Energy U.S. Trust") to which the pension liabilities and related assets will be transferred from the Siemens Trust in the U.S. (the "Siemens U.S. Trust") is expected to be funded by the end of 2020. The allocation of the U.S. pension assets currently held by the Siemens U.S. Trust for the Siemens Pension Plan to be transferred to the Siemens Energy U.S. Trust will be calculated in accordance with Internal Revenue Code Section 414 (l). The result of the 414 (l) calculation determines the final amount of assets which will be physically transferred to the Siemens Energy U.S. Trust. Until the physical transfer of assets to the Siemens Energy U.S. Trust, plan assets have been split between Siemens Group and Siemens Energy based on a preliminary 414 (l) calculation.

United Kingdom

Pension benefits are mainly offered through the VA Tech U.K. Pension Scheme. The scheme provides benefits on retirement and death of its members and is closed to future accruals. The required funding is determined by a funding valuation carried out every third year based on legal requirements. From April 2013, the Trustee arranged investments in insurance policies covering pension payments due to members, which significantly reduced the longevity and investment risks for the scheme and provided additional security for members.

Development of the defined benefit plans

	Defined benefit obligation (DBO) (I) Fiscal year		Fair value of plan assets (II) Fiscal year		Net defined benefit balance (I – II)[1] Fiscal year	
(in millions of €)	2020	2019	2020	2019	2020	2019
Balance at begin of fiscal year	3,310	2,831	1,357	1,236	1,953	1,599
Current service cost	107	95	–	–	107	95
Interest expenses	60	80	–	–	60	80
Interest income	–	–	38	41	(38)	(41)
Other[2]	(12)	4	(4)	(2)	(7)	6
Components of defined benefit costs recognized in the Consolidated Statements of Income	**156**	**178**	**34**	**39**	**122**	**140**
Return on plan assets excluding amounts included in net interest income and net interest expenses	–	–	37	82	(37)	(82)
Actuarial (gains) losses	72	327	–	–	72	327
Remeasurements recognized in the Consolidated Statements of Comprehensive Income	**72**	**327**	**37**	**82**	**39**	**242**
Employer contributions	–	–	85	12	(85)	(12)
Plan participants' contributions	15	11	15	11	–	–
Benefits paid	(106)	(105)	(76)	(77)	(30)	(29)
Settlement payments	(1)	–	–	–	(1)	–
Business combinations, disposals and other	78	(2)	1,023	9	(946)	(11)
Foreign currency translation effects	(132)	69	(97)	44	(35)	25
Other reconciling items	**(146)**	**(28)**	**950**	**–**	**(1,096)**	**(28)**
Balance at fiscal year-end	**3,392**	**3,310**	**2,378**	**1,357**	**1,018**	**1,953**
thereof:						
Germany	*1,544*	*1,457*	*1,123*	*106*	*421*	*1,350*
U.S.	*971*	*972*	*584*	*623*	*387*	*348*
U.K.	*326*	*333*	*330*	*336*	*(3)*	*(3)*
Other countries	*552*	*549*	*341*	*292*	*213*	*257*
Total	**3,392**	**3,310**	**2,378**	**1,357**	**1,018**	**1,953**
thereof provisions for pensions and similar obligations					*1,057*	*1,960*
thereof net defined benefit assets (presented in Other assets)					*(39)*	*(7)*

[1] As of September 30, 2020, and 2019, the increasing effects of asset ceiling of €4 million or €0 million, respectively, were included. During fiscal year 2020 and 2019, the increasing effects of the asset ceiling were subject to no significant changes.

[2] Includes past service benefits/costs, settlement gains/losses, and administration costs related to liabilities

The position Business combinations, disposals and other includes mainly the asset transfer in Germany as well as changes of the scope in the Siemens Energy population.

Net interest expenses related to provisions for pensions and similar obligations in fiscal year 2020 amounted to €23 million (2019: €39 million). In fiscal year 2020, the DBO attributable to active employees stood at 65% (2019: 68%), the DBO attributable to former employees with vested rights stood at 7% (2019: 7%), and the DBO attributable to retirees and surviving dependents stood at 28% (2019: 25%).

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

	Fiscal year	
(in millions of €)	**2020**	**2019**
Changes in demographic assumptions	32	(21)
Changes in financial assumptions	33	347
Experience (gains) losses	8	1
Total	**72**	**327**

Actuarial assumptions

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

	Sep 30,	
	2020	**2019**
Discount rate	1.9%	2.1%
EUR	1.3%	1.0%
USD	2.3%	3.1%
GBP	1.7%	2.0%

The discount rates for the main currency zones are determined by adopting a yield curve approach reflecting the duration of the underlying liabilities. The yield curve approach builds on a spot rate yield curve which is derived from the yield of high quality corporate bonds in the respective currency zone. The discount rates are obtained by combining the spot rate yield curve with the applicable duration of the liability. In currency zones with no deep market for high-quality corporate bonds, the discount rate is directly determined based on yields for government bonds.

In fiscal year 2020, Siemens Energy changed the global provider for the calculation of the discount rates for the main currency zones. Differences in the calculation methodology by the providers led to a decreasing effect of €61 million.

Applied mortality tables are:

Mortality table	**2020**	**2019**
Germany	Heubeck-Richttafeln 2018 G	Siemens-specific tables (Siemens Bio 2017)
U.S.	Pri-2012 with generational projection from the U.S. Social Security Administration's Long Range Demographic Assumptions	Pri-2012 with generational projection from the U.S. 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)	SAPS S2 (Standard mortality tables for Self Administered Pension Schemes with allowance for future mortality improvements)

In fiscal year 2020, Siemens Energy applied for Germany Heubeck-Richttafeln 2018 G instead of Siemens-specific tables (Siemens Bio 2017), which led to an increasing effect of €32 million.

The rate of pension progression with significant effects is shown in the following table. Inflation effects, if applicable, are included in the assumptions below:

	Sep 30,	
Pension progression	**2020**	**2019**
Germany	1.3%	1.3%
U.K.	2.4%	2.5%

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			
	increase	**decrease**	**increase**	**decrease**
			Sep 30,	
(in millions of €)	**2020**		**2019**	
Discount rate	(216)	243	(209)	246
Rate of pension progression	79	(72)	79	(72)

The DBO effect of a 10% reduction in mortality rates for all beneficiaries would be an increase of €76 million as of September 30, 2020 (2019: €79 million).

During the periods presented, 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

A decline in the plans' funded status due to adverse developments of plan assets and (or) defined benefit obligations resulting from changing parameters is considered a significant risk. For this reason, the investment strategy for the plan assets is derived from the structure and characteristics of the defined benefit obligations and is based for most plans on asset liability management studies. As part of a liability-driven investment (LDI) concept, interest rate hedge ratios are defined for most plans to reduce the volatility of the funding level. The investment strategy, the hedging requirements, and the development of the funding level are regularly reviewed with the involvement of external experts from the international asset management industry in order to assess the overall picture of the interaction between plan assets and defined benefit obligations. The asset allocation of a plan is evaluated by taking into account the maturity profile of the corresponding defined benefit obligations and by analyzing trends and events that can affect the assets in order to initiate suitable measures at a very early stage.

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 the risk management.

Disaggregation of plan assets

Some of the participating entities' plan assets are not separately managed; for those plans, the respective plan assets have been allocated to the different asset classes proportionally to the plan asset allocation of Siemens Group.

	Sep 30,	
(in millions of €)	**2020**	**2019**
Equity securities	334	241
Fixed income securities	1,072	680
Government bonds	*286*	*160*
Corporate bonds	*786*	*520*
Alternative investments	56	3
Multi strategy funds	442	54
Insurance policies	311	301
Cash and cash equivalents	128	24
Other assets	33	56
Total	**2,378**	**1,357**

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 majority of the fixed income securities are traded in active markets and are rated 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.

Future cash flows

Employer contributions expected to be paid to defined benefit plans in fiscal year 2021 are €93 million. Over the next ten fiscal years, average annual benefit payments of €154 million were expected as of September 30, 2020 (2019: €148 million). The weighted average duration of the DBO for Siemens Energy defined benefit plans was 14 years as of September 30, 2020 (2019: 14 years).

Defined contribution plans and state plans

The amount recognized as expense for defined contribution plans amounted to €215 million in fiscal year 2020 (2019: €201 million). Contributions to state plans amounted to €450 million in fiscal year 2020 (2019: €431 million).

NOTE 14 Provisions

(in millions of €)	Warranties	Order related losses and risks	Other	Total
Balance as of October 1, 2019	**2,930**	**743**	**270**	**3,944**
thereof non-current	*1,717*	*270*	*84*	*2,072*
Additions	893	280	164	1,337
Usage	(647)	(239)	(84)	(970)
Reversals	(473)	(66)	(68)	(607)
Translation differences	(49)	(20)	(18)	(87)
Accretion expense and effect of changes in discount rates	1	–	–	1
Other changes	93	6	56	154
Balance as of September 30, 2020	**2,748**	**705**	**319**	**3,771**
thereof non-current	*1,669*	*304*	*123*	*2,095*

The majority of the Company's provisions are generally expected to result in cash outflows during the next one to ten years.

Warranties relate to completed projects and products sold, and are determined based on repair and replacement costs resulting from component defects or functional errors, which are covered during the warranty period. In addition to this, non-recurring provisions are recorded derived from various factors, such as customer claims and quality issues that, in general, relate to situations in which the expected failure rates are above normal levels.

Order related losses and risks are provided for anticipated losses and risks on uncompleted construction and sales.

Other includes 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 as of September 30, 2020, amounted to €87 million (2019: €106 million).

NOTE 15 Equity

Siemens Energy's issued capital is divided into 726,645,193 registered shares with no par value and a notional value of €1.00 per share as of September 30, 2020. The shares are fully paid in. At the general Shareholders' Meeting, each share has one vote and accounts for the shareholders' proportionate share in the Company's Net income. In principle, all shares confer the same rights and obligations. Shares held by Siemens AG (direct and indirect) are subject to the restrictions arising from the existing deconsolidation agreement ("Entherrschungsvertrag").

In May 2020, in advance of the Spin-Off, the issued capital of Siemens Energy AG was increased from €0.1 million to €327 million by issuing 326,890,337 shares (direct and indirect) to Siemens AG, the then sole shareholder, against contribution of 45% of the Siemens Energy business. In September 2020, in the course of the Spin-Off, the share capital of Siemens Energy AG was further increased from €327 million to €727 million by issuing 399,654,856 shares to the shareholders of Siemens AG against contribution of the remaining 55% of the Siemens Energy business.

In September 2020, Siemens Energy announced a share-buyback program of up to €393 million, but not more than 72,664,519 shares, to be executed until March 31, 2021, at the latest.

In fiscal year 2020, the Company repurchased 9,242,660 Siemens Energy shares. In fiscal year 2020, no Siemens Energy treasury shares were transferred to employees. As of September 30, 2020, the Company had treasury shares of 9,242,660.

Share-based payment expenses increased capital reserve by €21 million in fiscal year 2020.

As of September 30, 2020, total authorized capital of Siemens Energy AG was €363 million in nominal terms. Based on the authorization resolved by the Shareholders' Meeting, up to 363,322,596 registered shares with no-par value can be issued according to the authorization. In addition, as of September 30, 2020, Siemens Energy AG's conditional capital was €73 million in nominal terms (72,664,519 shares). It can be used for serving convertible bonds or warrants under warrant bonds that can be issued based on the authorization approved by the Shareholders' Meeting.

Due to the Unappropriated net income of Siemens Energy AG amounting to €0 million no dividend will be paid for fiscal year 2020.

Other changes

During the period presented in the Consolidated Financial Statements, the line item Other changes, as included in the Consolidated Statements of Changes in Equity, mainly contained effects in connection with the funding of the Group.

These effects resulted in a net increase of total equity of €6,774 million and were mainly related to transactions in the course of the formation of the Group, in particular the funding of the pension obligations of the German Group entities, Carve-Out-related asset transfers, and transactions for the purpose of achieving the envisaged capital structure and liquidity position of Siemens Energy.

NOTE 16 Additional capital disclosures

Capital structure management

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. Until Spin-Off, Siemens Energy was included in the capital structure management by Siemens Group. After Spin-Off, and with financing separate from Siemens Group, the performance measure used to assess our capital structure is the Adjusted (Net cash)/ Net debt to EBITDA ratio. The main target is to maintain our solid investment grade rating.

(Net Cash)/ Net Debt

(in millions of €)	Sep 30, 2020	2019
Short-term debt and current maturities of long-term debt	717	359
Plus: Long-term debt	1,669	547
Plus: Payables to Siemens Group from financing activities	161	4,535
Total debt	**2,546**	**5,441**
Cash and cash equivalents	4,630	1,871
Plus: Receivables from Siemens Group from financing activities	282	3,361
Total liquidity	**4,912**	**5,232**
(Net Cash)/Net Debt[1]	**(2,366)**	**209**
Plus: Provisions for pensions and similar obligations	1,057	1,960
Adjusted (Net Cash)/Net Debt	**(1,309)**	**2,169**
EBITDA[2]	**60**	**1,806**
Adjusted (Net Cash)/ Net Debt to EBITDA ratio	**(21.8)**	**1.2**

[1] As of September 30, 2020, the net cash position was shown with a negative sign.
[2] EBITDA is defined as income (loss) before income taxes as shown in the Consolidated Statements of Income, plus interest income/ expense and other financial income/ expense, and plus amortization, depreciation, and impairments.

External credit rating

Siemens Energy has earned a solid investment grade rating from the Standard & Poor's global rating agency. In July 2020, the Company received a preliminary long-term investment grade rating of "BBB" with stable outlook, which turned into a long-term issuer credit rating of Siemens Energy after Spin-Off completion in September 2020.

NOTE 17 Commitments and contingencies

Siemens Energy issues guarantees of third-party performance, which mainly include performance bonds and guarantees of advanced payments in a consortium. In the event of a claim under the guarantees, Siemens Energy will be required to pay up to the agreed-upon maximum amount of €272 million as of September 30, 2020 (September 30, 2019: €147 million). The increase is mainly due to obligations that Siemens Energy provides for Siemens Group business in reverse Carve-Out entities. These agreements typically have terms of up to ten years. Besides the guarantees issued by Siemens Energy during the periods presented, Siemens Group provided additional guarantees for Siemens Energy business for which Siemens Group has a recourse right to Siemens Energy in case of any drawing on the guarantees.

In addition, the Company issued other guarantees, including indemnifications in connection with dispositions of business. To the extent future claims are not considered remote, maximum future payments from these obligations amounted to €60 million as of September 30, 2020 (September 30, 2019: €10 million).

Moreover, the Company acts as a partner in commercial partnerships and as such has capital contribution obligations and is jointly and severally liable for the partnerships' liabilities.

NOTE 18 Legal proceedings

The following legal proceedings relate to the Siemens Energy business even if Siemens AG is, for procedural reasons, partially still mentioned as party to the 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 defended themselves against the claimed and for their part claimed payment in a lower three-digit million euro amount in local currency.

Proceedings out of or in connection with alleged compliance violations

In September 2011, the Israeli Antitrust Authority requested that Siemens AG present its legal position regarding an alleged anti-competitive arrangement between 1988 and 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 1999 to 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 was dismissed by the court in fiscal year 2015. The remaining class action seeks compensation for alleged damages amounting to ILS 2.8 billion (approximately €739 million as of September 2019). In addition, the Israel Electric Corporation (IEC) filed a separate ILS 3.8 billion (approximately €997 million as of September 2019) claim with an Israeli State Court at the end of December 2013 for damages against Siemens AG and other companies that allegedly formed a cartel in the Israeli gas-insulated switchgear market. A settlement agreement concluded in December 2018 was approved by the Israeli Court and became final in June 2020, following which Siemens Energy paid a mid double-digit million euro amount.

Siemens AG received credible information in 2017 that four gas turbines intended for a project in Taman, Russia, which were delivered by OOO Siemens Gas Turbines Technologies (SGTT) to its customer OAO VO TechnoPromExport in summer of 2016, had been allegedly brought to Crimea against contractual agreements with SGTT. Allegedly, these four gas turbines had been sold by OAO VO TechnoPromExport to OOO VO TechnoPromExport, and had then been locally modified and moved to Crimea, a location under sanctions. The Hamburg public prosecutor initiated criminal proceedings against former and current Siemens AG and Siemens Energy employees in regard of alleged violations of the German Foreign Trade and Payments Act. Siemens AG has been cooperating with the authorities and both, Siemens AG and Siemens Energy, intend to do so going forward.

Other proceedings and relevant compliance investigations

At the end of July 2020, General Electric Company ("GE") filed an intellectual property related claim against Siemens Gamesa Renewable Energy GmbH & Co. KG, Germany, and Siemens Gamesa Renewable Energy Management GmbH, Germany ("SGRE Germany"), with the District Court (Landgericht) in Düsseldorf, Germany, asserting a patent violation and seeking an injunction in relation to the manufacturing, offering, and marketing of the relevant wind turbine generators and components in Germany as well as a declaratory judgment on SGRE Germany's obligation to compensate GE for (unquantified) damages that have allegedly been incurred and will be incurred by the infringing actions since July 15, 2020. SGRE Germany is defending itself against the claim.

Furthermore, at the end of July 2020, GE filed a complaint with the U.S. International Trade Commission against Siemens Gamesa Renewable Energy Inc., USA, Siemens Gamesa Renewable Energy S/A, Denmark, and Gamesa Electric, S.A.U., Spain, ("SGRE entities") asserting a violation of two patents and seeking an exclusion order against the SGRE entities' importation of certain wind turbine equipment into the United States. The SGRE entities are defending themselves against the complaint.

SGRE is currently investigating a number of possible compliance violations mainly relating to its Indian subsidiary. To date, in India, only violations of internal policies, procedures, and internal controls have been identified, and it is not yet clear whether there have been additional compliance violations and if there is a legal impact from these potential violations. Therefore, given the current stage of these investigations it is too early to predict the final outcome or quantify their potential impact.

Siemens Energy is involved in numerous legal proceedings in various jurisdictions and is conducting internal investigations with regards to allegations of compliance violations which could lead to such legal proceedings. These legal proceedings could result, in particular, in Siemens Energy 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, among other things, 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 Energy, 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 19 Additional disclosures on financial instruments

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

	Sep 30,	
(in millions of €)	**2020**	**2019**
Loans, receivables and other debt instruments measured at amortized cost[1]	5,470	8,860
Cash and cash equivalents	4,630	1,871
Derivatives designated in a hedge accounting relationship	126	145
Financial assets measured at FVTPL[2]	452	664
Financial assets	**10,679**	**11,541**
Financial liabilities measured at amortized cost[3]	8,190	10,388
Derivatives not designated in a hedge accounting relationship[4]	410	623
Derivatives designated in a hedge accounting relationship[4]	177	223
Financial liabilities	**8,777**	**11,234**

1 Reported in the following line items of the Statements of Financial Position: Trade and other receivables, Other current financial assets, Receivables from Siemens Group and Other financial assets, except for separately disclosed €38 million equity instruments in Other financial assets and €531 million derivative financial instruments (thereof in Other financial assets: €168 million), as well as €9 million debt instruments measured at FVTPL in Other financial assets; includes €3,786 million trade receivables from the sale of goods and services, thereof €247 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, Payables to Siemens Group and Other liabilities to Siemens Group, except for separately disclosed derivative financial instruments of €587 million; includes €4,768 million in Trade payables, thereof €20 million with a term of more than twelve months

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

As of September 30, 2020, cash and cash equivalents includes €16 million which are not available for use by Siemens Energy, mainly due to convertibility restrictions in Argentina (2019: €1 million).

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

	Sep 30, 2020		Sep 30, 2019	
(in millions of €)	Fair value	Carrying amount	Fair value	Carrying amount
Loans from banks	1,180	1,165	828	819
Other non-derivative financial liabilities[1]	570	571	5,839	4,733
Other financial indebtedness	13	13	49	49

[1] Included in Other current financial liabilities and Other financial liabilities (except credit guarantees), as well as Other liabilities to Siemens Group (except Payables to Siemens Group)

Fixed-rate and variable-rate receivables with a remaining term of more than twelve months are evaluated by Siemens Energy 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 other non-derivative financial liabilities, loans from banks, and other financial indebtedness is estimated by discounting future cash flows using rates currently available for debt of similar terms and remaining maturities (Level 2).

Siemens Energy uses the following hierarchy to determine and disclose fair values based on the input factors used in the method to measure their fair values:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

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

	Sep 30, 2020			
(in millions of €)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	**–**	**531**	**47**	**578**
Equity instruments measured at FVTPL	–	–	38	38
Debt instruments measured at FVTPL	–	–	9	9
Derivative financial instruments	–	531	–	531
Not designated in a hedge accounting relationship (including embedded derivatives)	*–*	*405*	*–*	*405*
In connection with cash flow hedges	*–*	*126*	*–*	*126*
Financial liabilities measured at fair value – Derivative financial instruments	**–**	**587**	**–**	**587**
Not designated in a hedge accounting relationship (including embedded derivatives)	*–*	*410*	*–*	*410*
In connection with cash flow hedges	*–*	*177*	*–*	*177*

(in millions of €)	Level 1	Level 2	Level 3	Sep 30, 2019 Total
Financial assets measured at fair value	**1**	**756**	**51**	**807**
Equity instruments measured at FVTPL	1	–	32	33
Debt instruments measured at FVTPL	–	–	18	18
Derivative financial instruments	–	756	–	756
Not designated in a hedge accounting relationship (including embedded derivatives)	–	*610*	–	*610*
In connection with cash flow hedges	–	*145*	–	*145*
Financial liabilities measured at fair value – Derivative financial instruments	**–**	**846**	**–**	**846**
Not designated in a hedge accounting relationship (including embedded derivatives)	–	*623*	–	*623*
In connection with cash flow hedges	–	*223*	–	*223*

Fair values of derivative financial instruments are 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. Fair values of foreign currency derivatives are based on forward exchange rates. No compensating effects from underlying transactions (e.g., firm commitments and forecast transactions) are taken into consideration.

The fair value of equity instruments measured at fair value is estimated by discounting future cash flows using current market interest rates. The fair value of debt instruments is estimated by discounting future cash flows using current market interest rates.

Net gains (losses) of financial instruments are:

(in millions of €)	Fiscal year 2020	2019
Cash and cash equivalents	(6)	2
Loans, receivables and other debt instruments measured at amortized cost	(134)	(30)
Financial liabilities measured at amortized cost	(22)	(65)
Financial assets and financial liabilities at FVTPL	143	(76)

Amounts presented include foreign currency gains and losses from realizing and measuring financial assets and liabilities. Net gains (losses) on financial assets and financial liabilities measured at fair value through profit or loss consist of changes in the fair value, including interest payments, of derivative financial instruments for which hedge accounting is not applied and of debt instruments measured at fair value through profit or loss. Moreover, changes in the fair value of equity instruments measured at fair value through profit or loss, including dividend payments, are shown here.

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

(in millions of €)	Fiscal year 2020	2019
Total interest income on financial assets	32	99
Total interest expenses on financial liabilities	(145)	(311)

Valuation allowances for expected credit losses

Valuation allowances on financial instruments measured at amortized cost represent lifetime expected credit losses and changed as follows:

(in millions of €)	Trade receivables	Contract assets	Trade receivables	Contract assets
	Fiscal year 2020		Fiscal year 2019	
Valuation allowance at beginning of fiscal year	381	166	369	115
Change in valuation allowances recorded in the Consolidated Statements of Income in the current period	213	–	72	46
Write-offs charged against the allowance	(66)	–	(53)	–
Recoveries of amounts previously written off	1	–	2	–
Foreign exchange translation differences and other changes	(45)	(10)	(10)	5
Valuation allowances at fiscal year-end	**484**	**156**	**381**	**166**

Impairment losses on financial instruments are presented in line items Cost of sales and Selling and general administrative expenses. Net losses in fiscal year 2020 are €213 million (2019: €125 million).

Offsetting

Siemens Energy enters into master netting agreements and similar agreements for derivative financial instruments providing protection from the risk of a counterparty's insolvency. Potential offsetting effects are as follows:

(in millions of €)	Financial assets Sep 30, 2020	2019	Financial liabilities Sep 30, 2020	2019
Amounts in the Statement of Financial Position	343	449	498	666
Related amounts not offset in the Statement of Financial Position	60	97	60	97
Net amounts	**282**	**352**	**438**	**569**

NOTE 20 Derivative financial instruments and hedging activities

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

	Sep 30, 2020		Sep 30, 2019	
(in millions of €)	Asset	Liability	Asset	Liability
Foreign currency exchange contracts	334	497	448	643
therein: included in cash flow hedges	*126*	*177*	*145*	*201*
Other (embedded derivatives, interest rate swaps, commodity swaps)	198	90	308	203

Foreign currency cash flow hedges

Siemens Energy's units apply hedge accounting to certain significant forecast transactions and firm commitments denominated in foreign currencies. Particularly, Siemens Energy 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. To hedge foreign currency exchange 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, etc.) in a critical term match, which ensures an economic relationship between hedging instruments and hedged items suitable for hedge accounting.

Hedge ineffectiveness can occur when the characteristics between the hedging instrument and the hedged item do not exactly match. In principle, sources of ineffectiveness are the effect of credit risk on the fair value and timing differences between the underlying exposures. In the reporting period, no material ineffective portions were recognized in Net income.

The hedged foreign currency risks at the reporting date were mainly related to foreign currency fluctuations between EUR/DKK and EUR/USD, resulting from contracts from Siemens Energy's operating units entering into long-term contracts. The following table presents the average hedged rate of either a forward purchase or a forward sale for those foreign currencies together with the respective average remaining maturity:

Fiscal year 2020

Instrument	Buy/ sell foreign currency	Average rate	Average remaining maturity
EUR/DKK	Buy	7.4410	2021
EUR/DKK	Sell	7.4319	2022
EUR/USD	Buy	1.1675	2021
EUR/USD	Sell	1.2528	2023

Fiscal year 2019

Instrument	Buy/ sell foreign currency	Average rate	Average remaining maturity
EUR/DKK	Buy	7.4435	2020
EUR/DKK	Sell	7.4283	2020
GBP/DKK	Buy	8.0543	2020
GBP/DKK	Sell	8.2632	2020
EUR/USD	Buy	1.1798	2020
EUR/USD	Sell	1.3254	2023

As of September 30, 2020, the nominal amounts of hedging instruments up to twelve months were €6,413 million (2019: €5,272 million); the nominal amounts of hedging instruments more than twelve months were €3,823 million (2019: €2,433 million).

The cash flow hedge reserve for foreign currency hedges reconciles as follows (net of deferred taxes):

(in millions of €)	2020	2019
Balance at beginning of fiscal year	(21)	44
Hedging gains (losses) presented in OCI	(50)	(12)
Reclassification to Net income	13	(53)
Balance at fiscal year-end	**(57)**	**(21)**
thereof: discontinued hedge accounting relationships	*(2)*	*18*

Reclassifications of foreign currency risk hedges with operative business purposes are presented as functional costs.

Derivative financial instruments not designated in a hedging relationship

As far as hedge accounting is not applied on the level of Siemens Energy's operating units, Siemens Energy manages risks associated with fluctuations in foreign currency denominated receivables, payables, debt, firm commitments, and forecast transactions centrally.

Under this approach, the 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.

NOTE 21 Financial risk management

Until the Spin-Off from Siemens Group, Siemens Energy managed and controlled its financial risks in accordance with Siemens Group policies. Financial risk management for the Gas and Power segment was steered by the central functions of Siemens Group. Financial risk management for the segment Siemens Gamesa Renewable Energy was done on Siemens Gamesa Group level.

Since the Spin-Off, Siemens Energy has managed its financial risks independently from Siemens Group, but with substantially similar procedures and policies.

Market risk

Increasing market fluctuations may result in significant earnings and cash flow volatility risk for Siemens Energy. The Siemens Energy business, as well as its investment and financing activities, are affected particularly by changes in foreign exchange rates and interest rates. Siemens Energy 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 Energy calculates forward-looking sensitivities based on the economically open risk positions, which are also used for internal risk management. Actual results that are included in the Consolidated Statements of Income or Consolidated Statements of Comprehensive Income may differ substantially from sensitivity 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 sensitivity figures are calculated from a purely financial perspective and represent the potential financial gain/ loss that will occur economically on the open risk position.

Any market-sensitive instruments, including equity and interest-bearing investments, related to Siemens Energy pension plans are not included in the following quantitative and qualitative disclosures.

Foreign currency exchange rate risk

Transaction risk

Each Siemens Energy 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 Energy entities are exposed to foreign currency exchange rate fluctuations, particularly between Danish krone and the euro, as well as 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.

The operating units are prohibited from borrowing or investing in foreign currencies on a speculative basis. Financing from Siemens Energy Group or investments of operating units are preferably carried out in their functional currency or on a hedged basis.

According to the Siemens Energy Group policy, Siemens Energy units are responsible for recording, evaluating, and monitoring their foreign currency transaction exposure. The net foreign currency position of Siemens Energy 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 Siemens Energy units concluded their hedging activities with Siemens Group until Spin-Off from Siemens Group. Since the Spin-Off, Siemens Energy units have concluded their hedging activities either with Siemens Energy Inhouse Treasury or directly with external financial institutions. Siemens Energy Inhouse Treasury hedges its foreign currency exchange rate risks with external counterparties and limits them.

The exposure to foreign currency transaction risk for each currency is measured based on the net foreign currency position for each foreign currency, taking into account forecast transactions and monetary balance sheet items in foreign currency as well as hedging derivatives. The sensitivities of the largest net foreign currency positions after hedging to foreign exchange rate movements are shown in the following table:

	Fiscal year 2020	
(in millions of €)	Appreciation of 10% towards EUR	Devaluation of 10% towards EUR
THB	(22)	22
SEK	21	(21)
USD	16	(16)
AED	(13)	13
EGP	(9)	9

(in millions of €)	Fiscal year 2019 Appreciation of 10% towards EUR	Devaluation of 10% towards EUR
THB	(23)	23
SEK	20	(20)
HRK	(12)	12
NOK	10	(10)
USD	10	(10)

Translation risk

Many Siemens Energy units are located outside the Eurozone. Because the financial reporting currency of Siemens Energy 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.

Until Spin-Off from Siemens Group, Siemens Energy's exposure to the risk of changes in market interest rates related in most parts to financial investments and borrowings from or to Siemens Group, mainly with fixed rates of interest. Long-term liabilities mainly related to loans with Siemens Group and external loans of the Siemens Gamesa Renewable Energy segment. Since the Spin-Off from Siemens Group, Siemens Energy's exposure to the risk of changes in market interest rates has mostly related to external financings of the Siemens Gamesa Renewable Energy segment, mainly with fixed rates of interest.

Until Spin-Off, interest rate risk management for the Gas and Power segment was performed at the level of Siemens Group. Since the Spin-Off, Siemens Energy has continuously analyzed the split of external financing at variable and fixed rates to optimize its interest rate risk exposure.

Siemens Energy also uses derivative financial instruments to perform a comprehensive interest rate risk management when appropriate.

The exposure to interest rate risk is measured based on the open interest rate position for interest rates in the major currencies. The sensitivities to interest rate movements in the particular currencies, calculated as a fair value change on the open interest rate position, are shown in the following table:

(in millions of €)	Fiscal year 2020 +100bp	−100bp
EUR interest rates	11	(12)

(in millions of €)	Fiscal year 2019 +100bp	−100bp
EUR interest rates	(16)	16
USD interest rates	315	(362)

Liquidity risk

Liquidity risk is the risk that Siemens Energy is not able to meet its financial liabilities. Until the Spin-Off from Siemens Group, Siemens Energy was largely financed by Siemens Group and invested excess liquidity using Siemens Group's cash pooling and cash management systems. Since the Spin-Off from Siemens Group, Siemens Energy has used its own cash pooling and cash management systems and has invested excess liquidity with financial institutions. Siemens Energy mitigates liquidity risk through the implementation of effective working capital and cash management as well as the arrangement of credit facilities with financial institutions.

The following table reflects Siemens Energy's 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 Energy could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on the conditions existing at September 30, 2020.

(in millions of €)	2021	2022	2023 to 2025	2026 and there-after
				Fiscal Year
Non-derivative financial liabilities	6,446	258	1,159	452
Loans from banks	468	3	741	–
Other financial indebtedness	5	4	3	1
Lease liabilities	266	216	408	450
Trade payables	5,158	20	–	–
Other financial liabilities	549	14	7	–
Derivative financial liabilities	277	73	70	78
Credit guarantees[1]	6	–	–	–

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

Credit risk

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

The effective monitoring and controlling of credit risk through credit evaluations and ratings is a core competency of Siemens Energy's risk management system. Until the Spin-Off from Siemens Group, Siemens Energy was bound to the credit policy implemented by Siemens Group. Since the Spin-Off, Siemens Energy has developed a credit policy independent from Siemens Group.

Siemens Group maintains a Credit Risk Intelligence Unit at Siemens Bank to which numerous operating units of Siemens Energy regularly transfer business partner data as a basis for a centralized rating and credit limit recommendation process. Due to the identification, quantification, and active management of credit risks, credit risk transparency is increased. Since the Spin-Off, Siemens Energy has continued to receive such information from Siemens Bank under a service level agreement.

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 credit default experiences. The ratings used consider appropriate forward-looking information significant to the specific financial instrument such as expected changes in the obligor's financial position, shareholders, management or operational risks, as well as broader forward-looking information, such as expected macroeconomic, industry-related, and competitive developments. A country-specific risk component derived from external country credit ratings is also considered.

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

To analyze and monitor credit risks, Siemens Energy 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, particularly to incorporate latest developments.

The carrying amount is the maximum exposure to a financial assets' credit risk. 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.

As of September 30, 2020, collaterals of €60 million (2019: €97 million) related to financial assets measured at fair value. Those collaterals were provided in connection with netting agreements for derivatives providing protection from the risk of a counterparty's insolvency. As of September 30, 2020, collaterals held for financial assets measured at amortized cost were €188 million (2019: €333 million), comprising mostly letters of credit and credit insurance policies. As of September 30, 2020, collaterals held for Contract assets were €7 million (2019: €14 million), comprising mostly letters of credit.

As of September 30, 2020, the gross carrying amount (before valuation allowances) of trade receivables from the sale of goods and services amounted to €5,462 million (2019: €5,500 million). Based on rating information from Siemens Bank, 45% (2019: 38%) were rated with an investment grade rating and 55% (2019: 62%) with a non-investment grade rating. Contract assets (gross carrying amount: €4,763 million) generally share similar risk characteristics (2019: €5,395 million). Amounts above do not represent economic credit risks, since they neither consider collaterals held nor valuation allowances already recognized.

NOTE 22 Share-based payment

Share-based payment awards granted in fiscal year 2020 were based on Siemens AG shares affected by the Spin-Off in September 2020 and Siemens Energy AG shares that have been granted based on new Siemens Energy share-based payment programs.

General implications of the Spin-Off for share-based payment plans based on Siemens AG shares

Regarding share-based payment plans relating to shares of Siemens AG, the completed Spin-Off of Siemens Energy AG from Siemens AG constitutes a change of control. Granted but not yet vested share-based payment plans of Siemens Energy's plan participants are forefeited. Already partly (pro rata temporis) vested shares will be paid out prematurely. The amount of the cash paid out takes into account the number of (vested) shares and the closing share price of Siemens AG on the day of the Spin-Off.

Siemens Energy carries the contractual obligation against its employees to settle the share-based payment transactions. Siemens Energy accounts for these share-based payment plans as cash-settled plans. Siemens Energy accounts for the settlement as an acceleration of vesting and recognizes immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period. The carrying amount of liabilities from share-based payment transactions, included in the line item Other liabilities and Other current liabilities, was €14 million as of September 30, 2020 (2019: €100 million). Total pretax expense for share-based payment of former Siemens AG's plans amounted to €159 million for the year ended September 30, 2020 (2019: €44 million).

Stock awards of Siemens AG

Siemens Energy granted Siemens AG stock awards to members of the senior management and other eligible employees. Stock awards were subject to a restriction period of about four years and entitled the beneficiary to receive Siemens AG shares without payment of consideration following the restriction period.

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

In fiscal year 2020, 547,827 stock awards settled in shares were granted to members of the senior management and other eligible employees relating to the 80% TSR target with a fair value of €27 million; 136,931 stock awards settled in shares were granted relating to the 20% ESG target with a fair value of €13 million. In fiscal year 2019, 3,751,556 stock awards were granted with a fair value of settlement in shares stock awards of €168 million contingent upon attaining the prospective performance-based target of Siemens stock relative to five competitors.

Fair value of stock awards granted in fiscal year 2020 (TSR-related) and 2019 were calculated applying a valuation model. In fiscal year 2020 and 2019, inputs to that model include an expected weighted volatility of Siemens shares of 21.58% and 21.73%, respectively, and a market price of €116.02 and €98.82 per Siemens share. Expected volatility was determined by reference to historic volatilities. The model applies a risk-free interest rate of up to (0.26)% in fiscal year 2020 and up to 0.16% in fiscal year 2019, and an expected dividend yield of 3.31% in fiscal year 2020 and 3.84% in fiscal year 2019. Assumptions on correlations between the Siemens share price and a) the development of the MSCI Index in fiscal year 2020 respectively or b) the share prices of the competitor basket in fiscal year 2019 were based on historic correlations. Due to Siemens Energy employees being part of a divestment and leaving the Siemens AG Group, the vesting period ends prematurely and all non-vested awards expire. Therefore, the Siemens Energy employees are entitled to a cash-out payment depending on the number of vested awards and the Siemens AG's share closing price at the date of the Carve-Out. The target attainment is set to 100%.

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

	Fiscal year	
	2020	2019
Non-vested, beginning of period	**1,702,767**	**1,264,608**
Granted	703,138	797,719
Vested and fulfilled	(289,255)	(204,922)
Forfeited	(90,252)	(153,728)
Settled	(1,905,202)	(910)
Non-vested, end of period	**121,196**	**1,702,767**

Share Matching Program and its underlying plans of Siemens AG

In fiscal year 2020, Siemens AG 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 AG 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 receive one Siemens AG 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 AG Group – including, at that time, subsidiaries of 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 AG 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 Executive Board decides that shares acquired under the Monthly Investment Plan are to be 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 Executive Board decided that shares acquired under the tranches issued in fiscal year 2019 and 2018 were to be transferred to the Share Matching Plan as of February 2020 and February 2019, respectively.

Base Share Program

Under the Base Share Program, employees of participating Siemens Energy companies may invest a fixed amount of their compensation in Siemens AG shares; in addition, the same amount is 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 €7 million in fiscal year 2020 (2019: €7 million).

Resulting Matching Shares

	Fiscal year	
	2020	2019
Outstanding, beginning of period	**340,393**	**320,698**
Granted	195,515	182,740
Vested and fulfilled	(105,852)	(133,015)
Forfeited	(27,989)	(25,756)
Settled	(397,114)	(4,274)
Outstanding, end of period	**4,953**	**340,393**

The weighted average fair value of matching shares granted in fiscal year 2020 amounting to €90.17 per share (2019: €76.81 per share) was determined as the market price of Siemens AG 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 Siemens AG shares. There were 876 thousand entitlements to jubilee shares outstanding for Siemens Energy employees in Germany as of September 30, 2020 (2019: 906 thousand).

Siemens Energy Share Programs

Share-based payment awards may be settled in treasury shares of Siemens Energy AG or in cash. Share-based payment awards may be forfeited if the employment of the beneficiary is terminated prior to the expiration of the vesting period. At Siemens Energy Group level, these share-based payment plans are predominantly designed and accounted for as plans with settlement in shares. Total pretax expense for share-based payments of Siemens Energy plans amounted to €19 million for the year ended September 30, 2020.

Building Siemens Energy Incentive Program

Under the Building Siemens Energy Incentive Program, a low triple-digit number of key employees who contributed essentially to the preparation of the Spin-Off were granted a one-time Spin-Off incentive. The initial value of the incentive consists of a percentage of the beneficiary's base salary at the grant date ("BSEI Target Amount"). It consists of two elements: a short-term cash component that corresponds to 25% of the BSEI target amount and will be paid following Spin-Off completion, and a long-term equity component which corresponds to 75% of the BSEI target amount and is composed of forfeitable stock awards ("BSEI Stock Awards"). The number of BSEI stock awards will be determined by dividing 75% of the BSEI target amount by the volume-weighted average price (VWAP) of the shares during the first 120 trading days after the listing. Each BSEI stock award entitles the holder to one share in the Company or, in exceptional cases, an equivalent payment in cash. The BSEI stock awards will be settled after a vesting period of three years starting with Spin-Off completion. The settlement of the BSEI stock awards is subject to the development of the share price during the first three years following the listing. The number of BSEI stock awards settled can range from a minimum of 33% to a maximum of 300%. The minimum number of stock awards will be settled if the VWAP of the shares during the last 60 trading days of the vesting period is lower than the VWAP during the first 120 trading days after the listing. The maximum number of stock awards will be settled if the price of the shares has at least doubled, whereas a value cap of 4.75 times the BSEI target amount applies. The fair value on grant date is estimated based on a Monte Carlo simulation over different scenarios to take into account the development of the VWAP and the cap. The unobservable market input is the Siemens Energy AG VWAP at grant date; therefore, the grant date fair value reflects a probability of satisfying the market condition and the cap. The volatility used in the model is based on peer-group data. These stock awards are subject to a restriction period of about three years. The grant date fair value amounted in total to €15 million in fiscal year 2020.

All Employee Program

In certain jurisdictions, similar employee Spin-Off incentive programs are set up that provide for stock awards on substantially the same terms, but without a short-term cash component (the "All Employee Program").

Employees of participating companies in Germany will receive Siemens Energy AG shares at the end of November without any additional payment (the "2020 special payment"). Under the 2020 special payment, eligible employees will receive shares with a value of 2.6% of their total target cash as of September 1, 2020, or at least €1,000.

In addition, eligible employees in Germany and the rest of the world will receive stock awards with a value of 3% of the total target cash of each participant as of September 1, 2020 ("Target Amount") (the "Employee Spin-Off Incentive Program"). The number of shares transferred to each participant is subject to the share price development over a time frame of three years after the listing of Siemens Energy. The number of Siemens Energy AG shares transferred can range in Germany from a minimum of 0% (rest of the world: 100%) to a maximum of 200% (rest of the world: 300%). The minimum occurs if the VWAP of the shares during the last 60 trading days prior to September 25, 2023 is lower than 150% of the VWAP during the first 120 trading days after the listing. The maximum number of shares will be settled if the price of the shares has at least doubled, whereas a value cap of 2.0 times of the target amount (rest of the world: 4.0 times) applies.

For the All Employee Program, the beginning of the service period is September 2020, extends to November 2020 (Employee Spin-Off Incentive Program: September 2020 to September 2023), and starts before the grant date. The fair value of the 2020 special payment in Germany is estimated based on Siemens Energy shares to the value of 2.6% of their total target cash or at least €1,000. The fair value used for the Employee Spin-Off Incentive Program is estimated based on a Monte Carlo simulation over different scenarios to take into account the development of the VWAP and the cap. The unobservable market input is the Siemens Energy AG VWAP. Therefore, the fair value estimate reflects a probability of satisfying the market condition and the cap. These stock awards are subject to a restriction period of about three years. The fair value amounted in total to €138 million in fiscal year 2020.

NOTE 23 Personnel costs

(in millions of €)	Fiscal year 2020	2019
Wages and salaries	6,663	6,296
Statutory social welfare contributions and expenses for optional support	950	918
Expenses relating to post-employment benefits	314	311
Total personnel costs	**7,927**	**7,525**

In fiscal year 2020, severance charges amounted to €189 million (2019: €280 million).

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

(in thousands)	Fiscal year 2020	2019
Manufacturing and services	69	69
Sales and marketing	13	13
Research and development	5	5
Administration and general services	5	3
Total	**92**	**89**

NOTE 24 Earnings per share

(in millions of €; shares in thousands; earnings per share in €)	Fiscal year 2020	2019
Income (loss)	(1,859)	282
Less: Portion attributable to non-controlling interest	(253)	123
Income (loss) to shareholders of Siemens Energy AG	(1,606)	158
Weighted average shares outstanding – Basic	726,260	726,645
Effect of dilutive share-based payment	63	–
Weighted average shares outstanding – diluted	726,323	726,645
Basic earnings per share	**(2.21)**	**0.22**
Diluted earnings per share	**(2.21)**	**0.22**

Until the completion of the legal separation of Siemens Energy, 726,645,193 shares were used for calculating Basic earnings per share.

NOTE 25 Segment information

	Total revenue		External revenue		Intersegment revenue	
	Fiscal year		Fiscal year		Fiscal year	
(in millions of €)	2020	2019	2020	2019	2020	2019
Gas and Power	18,120	18,709	17,945	18,569	175	140
Siemens Gamesa Renewable Energy	9,483	10,227	9,482	10,226	1	1
Total segments	**27,603**	**28,936**	**27,428**	**28,795**	**176**	**141**
Reconciliation to Consolidated Financial Statements	(147)	(140)	30	2	(176)	(141)
Siemens Energy	**27,457**	**28,797**	**27,457**	**28,797**	**–**	**–**

(in millions of €)	Orders		Adj. EBITA	
	Fiscal year		Fiscal year	
	2020	2019	2020	2019
Gas and Power	19,337	21,187	(734)	589
Siemens Gamesa Renewable Energy	14,736	12,749	(711)	481
Total segments	**34,072**	**33,936**	**(1,445)**	**1,069**
Reconciliation to Consolidated Financial Statements	(71)	(202)	(98)	(5)
Siemens Energy	**34,001**	**33,734**	**(1,543)**	**1,064**

(in millions of €)	Assets		Free cash flow		Additions to intangible assets and property, plant and equipment	
	Sep 30,		Fiscal year		Fiscal year	
	2020	2019	2020	2019	2020	2019
Gas and Power	9,423	11,549	536	651	305	317
Siemens Gamesa Renewable Energy	2,913	3,698	122	407	601	498
Total segments	**12,336**	**15,247**	**657**	**1,058**	**906**	**815**
Reconciliation to Consolidated Financial Statements	30,696	29,794	17	(182)	21	4
Siemens Energy	**43,032**	**45,041**	**674**	**876**	**927**	**818**

(in millions of €)	Amortization, depreciation and impairments		Investments accounted for using the equity method	
	Fiscal year		Sep 30,	
	2020	2019	2020	2019
Gas and Power	1,042	547	687	748
Siemens Gamesa Renewable Energy	844	647	66	71
Total segments	**1,886**	**1,194**	**753**	**818**
Reconciliation to Consolidated Financial Statements	165	16	–	–
Siemens Energy	**2,051**	**1,209**	**753**	**818**

Reconciliation to Consolidated Financial Statements

Real Estate Services – manages the GP segment's real estate business portfolio, operates the properties, and is responsible for building projects and the purchase and sale of real estate.

Centrally carried pension expense – includes the Company's income (expense) related to pension obligations not allocated to the segments as well as the centrally managed pension assets and liabilities.

Eliminations, Treasury and other central items – comprise consolidation of transactions between the segments, treasury activities and certain reconciliation and reclassification. They also include interest income and expense, such as interest not allocated to segments and interest related to treasury activities.

Measurement – segments

Accounting policies for segment information are generally the same as those used for the Consolidated Financial Statements. Intersegment transactions are based on market prices.

Revenue

Revenue includes revenue from contracts with customers. Both segments recognize revenue predominantly over time due to the nature of their long-term contracts.

Adjusted EBITA

Siemens Energy Management is responsible for assessing the performance of the segments (chief operating decision maker). The profitability measure of the segments is Adjusted EBITA. Adjusted EBITA is defined as earnings before financing interest, income taxes, amortization expenses related to intangible assets acquired in business combinations, and goodwill impairments. Prior-year figures are presented on a comparable basis.

Financing interest excluded from Adjusted EBITA is any interest income or expense other than the financial result from operations (i.e., 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).

Furthermore, Adjusted EBITA primarily includes amounts related to service cost of pension plans only, while all other regularly recurring pension related costs are included in reconciliations in the line item Eliminations, Treasury and other central items. Costs for group functions are primarily allocated to the segments.

Adjusted EBITA for Siemens Energy (i.e., total segments Adjusted EBITA plus elements of Real Estate Services as well as Eliminations, Treasury and other central items that meet the definition of Adjusted EBITA) resulted in a negative amount of €1,543 million in fiscal year 2020 (2019: Positive amount of €1,064 million).

Asset measurement principles

Management has determined Assets (net capital employed) as a measure to assess capital intensity of the segments. Its definition corresponds to the Adjusted EBITA measure except for amortization expenses of intangible assets acquired in business combinations and goodwill impairments, which are not part of Adjusted EBITA. However, the related intangible assets are included in the segments' assets. Segment assets are based on Total assets of the Consolidated Statements of Financial Position, primarily excluding Financing receivables from Siemens Group, Tax-related assets, pension assets, and assets of discontinued operations, since the corresponding positions are excluded from Adjusted EBITA. The remaining assets are reduced by non-interest-bearing liabilities other than tax related liabilities (e.g., Trade payables and Contract liabilities), to derive Assets. Assets of SGRE include real estate, while real estate of GP is carried centrally at Real Estate Services.

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 Energy considers termination rights and customer's creditworthiness.

As of September 30, 2020, order backlog totaled €79 billion (2019: €77 billion); thereof GP €48 billion (2019: €52 billion) and SGRE €30 billion (2019: €26 billion). As of September 30, 2020, Siemens Energy expected to convert approximately €23 billion of the order backlog into revenue within one year (2019: €23 billion); thereof GP approximately €13 billion (2019: €13 billion) and SGRE approximately €10 billion (2019: €9 billion).

Free cash flow before tax definition

Free cash flow of the segments 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 taxes as well as certain other payments and proceeds.

Amortization, depreciation and impairments

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

Reconciliation to Consolidated Financial Statements

Adjusted EBITA

(in millions of €)	Fiscal year 2020	2019
Total segments	**(1,445)**	**1,069**
Real Estate Services	1	13
Eliminations, Treasury and other central items	(99)	(18)
Reconciliation to Adjusted EBITA Siemens Energy	(98)	(5)
Siemens Energy – Adjusted EBITA	(1,543)	1,064
Amortization of intangible assets acquired in business combinations and goodwill impairments	(461)	(499)
Financial result[1]	(145)	(280)
Financial result from operations[2]	13	31
Income (loss) before income taxes	**(2,135)**	**317**

[1] Financial result represents the sum of (i) interest income, (ii) interest expenses, and (iii) other financial income (expenses), net.

[2] Financial result from operations refers to interest income related to receivables from customers, from cash allocated to the segments, and interest expenses on payables to suppliers.

Assets

(in millions of €)	Sep 30, 2020	2019
Assets Real Estate Services	1,252	464
Asset-based adjustments:		
Financing receivables from Siemens Group	*282*	*3,361*
Tax-related assets	*1,351*	*1,071*
Liability-based adjustments	23,399	22,996
Eliminations, Treasury and other central items	4,412	1,901
Reconciliation to Consolidated Financial Statements	**30,696**	**29,794**

Disaggregation of revenue

(in millions of €)	Sep 30, 2020	2019
Type of activities in reportable segment Gas and Power		
New units	10,386	10,648
Service contracts	7,559	7,920
Type of business in reportable segment Siemens Gamesa Renewable Energy		
Wind Turbines	7,714	8,609
Operation and Maintenance	1,768	1,617
Type of business in reportable segment Gas and Power		
Transmission	5,480	5,674
Generation	7,409	7,920
Industrial Applications	5,051	4,965
Other/ Consolidation	6	9

NOTE 26 Information about geographies

	Revenue by location of customer		Revenue by location of companies		Non-current assets	
	Fiscal year		Fiscal year		Sep 30,	
(in millions of €)	2020	2019	2020	2019	2020	2019
Europe, C.I.S., Africa, Middle East	14,149	15,756	15,845	17,581	8,758	7,689
therein: Germany	*2,484*	*2,525*	*6,020*	*6,196*	*2,275*	*1,819*
Americas	8,387	8,222	8,315	7,796	7,052	7,613
therein: U.S.	*5,523*	*5,067*	*5,975*	*5,723*	*6,441*	*6,973*
Asia, Australia	4,921	4,819	3,296	3,420	2,283	2,531
therein: China	*1,680*	*1,466*	*1,363*	*1,154*	*755*	*726*
Siemens Energy	**27,457**	**28,797**	**27,457**	**28,797**	**18,093**	**17,833**
therein: countries outside of Germany	*24,973*	*26,272*	*21,437*	*22,601*	*15,818*	*16,014*

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

NOTE 27 Related party transactions

Transactions with Siemens Group

Sales of goods and services and other income, as well as purchases of goods and services and other expense from transactions with Siemens Group (excluding Siemens Group Associates and Joint Ventures), are presented in the following table:

	Sales of goods and services and other income		Purchase of goods and services and other expenses	
	Fiscal year		Fiscal year	
(in millions of €)	2020	2019	2020	2019
Siemens Group	617	381	2,255	2,801

Supply and delivery agreements exist between Siemens Energy and Siemens Group. Siemens Energy is supplied by and delivers to Siemens Group goods and services on a case by case basis. In certain countries, Siemens Energy's gas and power business is carried out under agency and distributorship agreements that were concluded between Siemens Gas and Power GmbH & Co. KG and the respective local Siemens Group companies.

During the Carve-Out, some contracts could not be or were not yet legally transferred from Siemens Group to Siemens Energy. These contracts are generally subcontracted from Siemens Group to Siemens Energy with recourse to Siemens Energy in respect of such risks. Provisions that Siemens Energy has recognized for warranties, litigations, and other project-related risks relating to such contracts amounted to €700 million as of September 30, 2020.

Siemens Group provided Siemens Energy with central corporate services, such as tax, legal, IT, corporate communications, HR, accounting, and financial services, as well as treasury, in an amount of €919 million as of September 30, 2020 (2019: €1,238 million). Additionally, Siemens Energy pays a fee for the use of the Siemens brand.

Other material relationships with Siemens Group

Share-based payments

Siemens Energy's employees participated in share-based payment awards implemented by Siemens AG. Siemens AG delivered the respective shares on behalf of Siemens Energy and was reimbursed by Siemens Energy. For further details, please also refer to Note 22 Share-based payments.

Guarantees and other commitments

Siemens Group has issued guarantees and similar declarations of liability in favor of Siemens Energy and Siemens Energy's investments. The volume amounted to €27,956 million as of September 30, 2020 (2019: €48,943 million).

Siemens Energy issued guarantees for Siemens Group entities and Siemens Energy's own joint ventures amounting to €294 million as of September 30, 2020 (2019: €144 million). The increase was mainly due to obligations that Siemens Energy provided for Siemens Group Business in reverse Carve-Out entities.

Additionally, Siemens Energy has commitments related to two transactions with related parties in the amount of €245 million; €220 million of this amount relates to an agreement between Siemens Energy and Siemens AG that obliges Siemens Energy to acquire the share of 40% in the joint venture Shanghai Electric Power Generation Equipment Co. LTD., Shanghai, China, in fiscal year 2021 (subject to the consent of the joint venture partner). The expected purchase price of €220 million for the share has been contributed in cash by the Siemens Group to Siemens Energy in advance. The remaining €25 million of the total of €245 million relate to the acquisition of the Siemens Energy business in Bangladesh.

Transactions with pension schemes and pension entities

In some countries, mainly in the U.K. and U.S., Siemens Energy participates in Siemens Group pension plans and trusts. For further details, please also refer to **Note 13 Post-employment benefits/ Provisions for pensions and similar obligations.**

Insurances

Siemens Energy (excluding SGRE) is covered by the group insurance of Siemens Group. Since the Spin-Off, Siemens Energy has continued to be covered under the industrial insurances of Siemens Group but has had its own financial insurance. Furthermore, there are additional contracts for individual insurance services between companies of Siemens Energy and Siemens Group, the costs for which are borne by Siemens Energy.

Receivables from and payables to Siemens Group

Receivables from and payables to Siemens Group (excluding Siemens Group Associates and Joint Ventures) are presented in the following table:

	Receivables		Payables	
	Sep 30,		Sep 30,	
(in millions of €)	2020	2019	2020	2019
Siemens Group	1,395	3,405	519	4,568
therein:				
from financing activities	*282*	*3,361*	*161*	*4,535*
other items	*1,113*	*44*	*358*	*33*

Financing activities

Until the Spin-Off, Siemens Energy (excluding SGRE) was included in Siemens Group's cash pooling and cash management and invested excess short-term liquidity with Siemens Group Corporate Treasury. Moreover, Siemens Energy was granted overdraft facilities and loans from Siemens Group for financing its operational activities.

By the reporting date, all intercompany loans and major parts of the intercompany financial receivables and payables with Siemens Group had been settled in connection with the Spin-Off. Certain balances from the separation of Siemens Energy from Siemens Group intercompany clearing remained as receivables and payables at the reporting date and were settled in October 2020.

Leasing

As of September 30, 2020, the carrying amount of right-of-use assets and lease liabilities recognized for leases between Siemens Group and Siemens Energy amounted to €325 million and €329 million, respectively. The leases included real estate, IT equipment, and cars.

Hedging

Until the Spin-Off, Siemens Energy hedging activities were performed mainly via Siemens Corporate Treasury of Siemens AG. The related derivatives are contracted at market rates. The market value at the reporting date are included as receivables and payables in the line item Other current financial assets and Other current financial liabilities in the Consolidated Statements of Financial Positions.

The hedging portfolio was transferred from Siemens Corporate Treasury to external banks in connection with Spin-Off activities partly before and partly after the reporting date. Certain short-term hedging instruments contracted with Siemens Corporate Treasury will be held until maturity.

Transactions with joint ventures, associates, and their affiliates

Siemens Energy has relationships with Siemens Group joint ventures and associates as well as own joint ventures and associates, whereby Siemens Energy buys and sells a variety of products and services generally on arm's length terms.

Only until the Spin-Off date, Siemens Group associates were related parties; therefore, sales of goods and services and other income, as well as purchases of goods and services and other expenses, are presented as related party transactions.

Receivables and liabilities against Siemens Group associates recognized as of September 30, 2020, are therefore not presented in the following table:

	Sales of goods and services and other income		Purchases of goods and services and other expenses		Receivables		Liabilities	
	Fiscal year		Fiscal year		Sep 30,		Sep 30,	
(in millions of €)	2020	2019	2020	2019	2020	2019	2020	2019
Siemens Group joint ventures	300	408	4	3	145	91	139	125
Siemens Group associates	92	163	1	2	0	12	0	111
Siemens Energy joint ventures	62	68	111	104	11	13	10	11
Siemens Energy associates	173	128	127	153	2	1	19	89
Total	**627**	**767**	**244**	**262**	**157**	**117**	**168**	**337**

Related individuals

Siemens Energy is managed by the Executive Board of Siemens Energy AG. In addition, the key management includes the Supervisory Board of Siemens Energy AG. Prior to the Spin-Off, Siemens Energy did not exist as a separate legal group, and thus there was no key management personnel for this group. Therefore, the members of the Executive Board and Supervisory Board of Siemens AG have been identified as key management personnel, as they have been responsible for planning, directing, and controlling the activities of the Siemens Energy operations.

Furthermore, the members of the Board of Directors and remaining Senior Management staff (who are not members of the Board of Directors) of Siemens Gamesa Renewable Energy S.A, a listed company in Spain, have also been identified as key management personnel, as they have been responsible for planning, directing, and controlling the activities of a significant portion of Siemens Energy operations, acting independently from its majority shareholder Siemens Energy AG.

Disclosures relating to the Executive Board and Supervisory Board of Siemens Energy AG

In fiscal year 2020, the members of the Executive Board received cash compensation of €9 million. The fair value of share-based payments granted in fiscal year 2020 amounted to €2 million for 26,829 Stock Awards in fiscal year 2020. Pension contributions and pension substitute payments in cash amounted to €1 million in fiscal year 2020. Thus, total compensation and benefits granted in fiscal year 2020 amounted to €12 million. Expenses related to share-based payments in fiscal year 2020 amounted to €3 million.

From their appointment to the Executive Board of Siemens Energy AG until September 30, 2020, total compensation of the members of the Executive Board amounted to €8 million. The pro-rata fair value share-based payments attributable to this period amounted to €1 million. Expenses related to share-based payments during the period between their appointment and September 30, 2020, amounted to €2 million.

For the members of the Executive Board, any unvested long-term share-based remuneration tranches under which stock awards were granted in fiscal years 2017, 2018, 2019 and 2020 were settled in cash with Siemens Energy leaving the Siemens Group. Expenses related to the cash payout are included in expenses related to share-based payments as mentioned above.

Compensation attributable to members of the Supervisory Board comprised a base compensation and additional compensation for committee work and amounted (including meeting fees) in fiscal year 2020 to €0.2 million.

Information regarding the remuneration of the members of the Executive Board and Supervisory Board of Siemens Energy AG is disclosed on an individual basis in chapter 1.10 Compensation Report in the Combined Management Report.

Disclosures relating to the Executive Board and Supervisory Board of Siemens AG

The following disclosures show the total compensation of the Executive Board and the Supervisory Board of Siemens AG, as published on the Siemens Group financial statements.

In fiscal year 2020, the members of the Executive Board of Siemens AG received a total cash compensation of €15 million (2019: €22 million). The fair value of stock-based compensation amounted to €11 million for 203,460 Stock Awards in 2020 (2019: €11 million for 254,693 Stock Awards). In fiscal year 2020, contributions under the BSAV granted to members of the Executive Board amounted to €4 million (2019: €6 million). Therefore, the total compensation and benefits of the Executive Board of Siemens AG amounted to €31 million in fiscal year 2020 (2019: €39 million). In fiscal year 2020, expense related to share-based payments amounted to €18 million (2019: €5 million).

Compensation attributable to members of the Supervisory Board consisted in fiscal year 2020 of a base compensation and additional compensation for committee work and amounted to €5 million (including meeting fees) (2019: €5 million).

The amount attributable to Siemens Energy is at a similar level as in the previous year (2019: 29%).

Disclosures relating to the Board of Directors and remaining Senior Management of Siemens Gamesa Renewable Energy S.A.

In fiscal year 2020, the Directors of Siemens Gamesa's Board earned compensation for membership on the Board and the Board's committees amounting to approximately €5 million (2019: €3 million).

No advances or loans were granted to current or prior Board members, and there are no pension obligations with them. Only the CEO received contributions for pensions included in the total earned compensation above. Additionally, in fiscal year 2020, the previous CEO received a cash compensation amounting to €1 million in relation to rights on Siemens shares, granted prior to the merger and hence with no cost for Siemens Gamesa (2019: €1 million). Moreover, in fiscal year 2020, expenses related to share-based payments amounted to €0.5 million (2019: €0.3 million).

Furthermore, remaining Senior Management staff who are not members of the Board of Directors received compensation in fiscal year 2020, amounting to €7 million (2019: €7 million). Expenses related to long-term incentives amounted to €1 million (2019: €1 million).

In fiscal year 2020 and 2019, no other major transactions took place between Siemens Energy and its key management personnel.

NOTE 28 Principal accountant fees and services

Fees in connection with professional services rendered by the Company's principal accountant, Ernst & Young (EY), for fiscal year 2020 were:

	Fiscal year
(in millions of €)	**2020**
Audit services	21
Other attestation services	1
Total	**22**

In fiscal year 2020, 36% of the total fees related to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Germany.

Audit services primarily comprise services provided by EY for auditing Siemens Energy's Consolidated Financial Statements, for auditing financial statements of Siemens Energy AG and its subsidiaries, for reviews of interim financial statements being integrated into the audit, as well as for project-accompanying IT audits. Other attestation services primarily include attestation services related to the sustainability reporting, comfort letters, and other attestation services required under regulatory requirements, contractually agreed or requested on a voluntary basis, among others in connection with the Carve-Out of the Gas and Power business.

NOTE 29 Corporate governance

The Managing and Supervisory Boards of Siemens Energy AG provided the declaration required by Section 161 German Stock Corporation Act (AktG) as of November, 2020, and made them publicly available under the following link on the Siemens Energy website: ↗ www.siemens-energy.com/global/en/company/investor-relations/corporate-governance.html#GermanCorporateGovernanceCode

NOTE 30 Subsequent events

No material subsequent events occurred.

NOTE 31 List of subsidiaries and associated companies pursuant to Section 313 para. 2 German Commercial Code

Pursuant to Section 264b German Commercial Code (HGB), Siemens Gas and Power GmbH & Co. KG, Munich, Germany, is exempt from the obligation to prepare, have audited, and publish annual financial statements and a management report in accordance with the provisions applicable to corporations. The Consolidated Financial Statements of Siemens Energy AG release Siemens Gas and Power GmbH & Co. KG from the requirement that would otherwise apply.

September 30, 2020 Subsidiaries	Equity interest in %	
Germany (21 companies)		
Adwen Blades GmbH, Stade	100	
Blitz 20-548 GmbH, Munich	100	
Gamesa Wind GmbH, Aschaffenburg	100	
HSP Hochspannungsgeräte GmbH, Troisdorf	100	[8]
Kyros 60 GmbH, Munich	100	
Siemens Compressor Systems GmbH, Leipzig	100	[8]
Siemens Energy Branch Business GmbH, Erlangen	100	
Siemens Gamesa Renewable Energy Deutschland GmbH, Bremerhaven	100	
Siemens Gamesa Renewable Energy GmbH & Co. KG, Hamburg	100	[7]
Siemens Gamesa Renewable Energy Management GmbH, Hamburg	100	[5]
Siemens Gamesa Renewable Energy Real Estate GmbH & Co. KG, Hamburg	100	
Siemens Gamesa Renewable Energy Service GmbH, Hamburg	100	
Siemens Gas and Power GmbH & Co. KG, Munich	100	[7]
Siemens Gas and Power Management GmbH, Munich	100	[5]
Siemens Gas and Power Real Estate GmbH & Co. KG, Grünwald	100	
Siemens Gas and Power Real Estate Management GmbH, Grünwald	100	[5]
Siemens Insulation Center GmbH & Co. KG, Zwönitz	100	
Siemens Insulation Center Verwaltungs-GmbH, Zwönitz	100	[5]
Siemens Power Control GmbH, Langen	100	
Trench Germany GmbH, Bamberg	100	[8]
Windkraft Trinwillershagen Entwicklungsgesellschaft mbH, Wiepkenhagen	100	

[5] Not consolidated due to immateriality
[7] Exemption pursuant to Section 264 b German Commercial Code
[8] Exemption pursuant to Section 264 para. 3 German Commercial Code[

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September 30, 2020 Subsidiaries	Equity interest in %	
Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany) (254 companies)		
Siemens Energy S.A., Luanda/ Angola	51	
Senvion Austria GmbH, Ernstbrunn/ Austria	100	
Siemens Energy Austria GmbH, Vienna/ Austria	100	
Siemens Gamesa Renewable Energy GmbH, Vienna/ Austria	100	
Trench Austria GmbH, Leonding/ Austria	100	
Siemens Gamesa Renewable Energy Limited Liability Company, Baku/ Azerbaijan	100	
Limited Liability Company Siemens Energy, Minsk/ Belarus	100	
Siemens Energy S.A./N.V., Beersel/ Belgium	100	
Siemens Gamesa Renewable Energy NV, Beersel/ Belgium	100	
Siemens Energy EOOD, Sofia/ Bulgaria	100	
Siemens Gamesa Renewable Energy EOOD, Sofia/ Bulgaria	100	
Siemens Energy SARL, Abidjan/ Cote d'Ivoire	100	
Koncar-Energetski Transformatori, d.o.o., Zagreb/ Croatia	51	
Siemens Energy d.o.o., Zagreb/ Croatia	100	
Siemens Gamesa Renewable Energy d.o.o., Zagreb/ Croatia	100	
Siemens Gamesa Renewable Energy Limited, Nicosia/ Cyprus	100	
Siemens Energy, s.r.o., Brno/ Czech Republic	100	
Siemens Energy A/S, Ballerup/ Denmark	100	
Siemens Gamesa Renewable Energy A/S, Brande/ Denmark	100	
Siemens Gamesa Renewable Energy Djibouti SARL, Djibouti/ Djibouti	100	
Siemens Gamesa Renewable Energy Egypt LLC, Giza/ Egypt	100	
Siemens Technologies S.A.E., Cairo/ Egypt	90	
Siemens Energy Oy, Espoo/ Finland	100	

September 30, 2020 Subsidiaries	Equity interest in %	
Siemens Gamesa Renewable Energy Oy, Helsinki/ Finland	100	
D-R Holdings (France) SAS, Le Havre/ France	100	
Dresser-Rand SAS, Le Havre/ France	100	
Siemens Energy S.A.S., Saint-Denis Cedex/ 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 Service S.A.S., Courbevoie/ France	100	
Siemens Gamesa Renewable Energy Wind SARL, Saint-Priest/ 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 Chaintrix-Bierges SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Champeaux SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Champlong 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 Dampierre Prudemanche SAS, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Germainville SAS, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Guerfand SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de la Belle Dame SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de la Brie des Etangs SARL, Saint-Priest/ France	100	

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September 30, 2020 Subsidiaries	Equity interest in %
Société d'Exploitation du Parc Eolien de la Gartempe SARL, Saint-Priest/ France	100
Société d'Exploitation du Parc Eolien de la Monchot SARL, Saint-Priest/ France	100
Société d'Exploitation du Parc Eolien de la Pièce du Moulin 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 Mailly-le-Camp SARL, Saint-Priest/ France	100
Société d'Exploitation du Parc Eolien de Maindoie 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 Messeix 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 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 Saint Amand SARL, Saint-Priest/ France	100
Société d'Exploitation du Parc Eolien de Saint Loup de Saintonge SAS, Saint-Priest/ France	100
Société d'Exploitation du Parc Eolien de Saint-Lumier en Champagne SARL, Saint-Priest/ France	100
Société d'Exploitation du Parc Eolien de Sceaux 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 de Villiers-aux-Chênes SARL, Saint-Priest/ France	100

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September 30, 2020 Subsidiaries	Equity interest in %
Société d'Exploitation du Parc Eolien des Fontaines SARL, Saint-Priest/ France	100
Société d'Exploitation du Parc Eolien des Six Communes SARL, Saint-Priest/ France	100
Société d'Exploitation du Parc Eolien des Voies de Bar SARL, Saint-Priest/ France	100
Société d'Exploitation du Parc Eolien d'Omécourt 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 Mont Égaré SARL, Saint-Priest/ France	100
Société d'Exploitation du Parc Eolien du Vireaux SAS, Saint-Priest/ France	100
Société d'Exploitation du Parc Photovoltaïque de Messeix SARL, Saint-Priest/ France	100
Trench France SAS, Saint-Louis/ France	100
Siemens Energy, Ghana, Accra/ Ghana	100
Siemens Oil & Gas Equipment Limited, Accra/ Ghana	90
ENERGIAKI MAVROVOUNIOU IDIOTIKI KEFALEOUCHIKI ETERIA, Filothei-Psychiko/ Greece	100
ENERGIAKI MESOVOUNIOU SINGLE MEMBER ANONYMOS ETAIRIA, Filothei-Psychiko/ Greece	100
ENERGIAKI VELANIDIAS SINGLE MEMBER ANONYMOS ETAIRIA, Filothei-Psychiko/ Greece	100
Siemens Gamesa Renewable Energy AE, Filothei-Psychiko/ Greece	100
Siemens Gamesa Renewable Energy Greece E.P.E., Filothei-Psychiko/ Greece	100
Siemens Energy Kft., Budapest/ Hungary	100
Siemens Gamesa Megújuló Energia Hungary Kft, Budapest/ Hungary	100
Siemens Gamesa Renewable Energy Kft., Budapest/ Hungary	100
Siemens Gamesa Energy Tajdidpazir SSK, Teheran/ Iran, Islamic Republic of	100
Siemens Sherkate Sahami (Khass), Teheran/ Iran, Islamic Republic of	98
Siemens Energy Limited, Dublin/ Ireland	100
Siemens Gamesa Renewable Energy Ireland Limited, Dublin/ Ireland	100

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September 30, 2020 Subsidiaries	Equity interest in %	
Siemens Gamesa Renewable Energy Limited, Dublin/ Ireland	100	
Siemens Energy Ltd., Rosh HaAyin/ Israel	100	
Siemens Gamesa Renewable Energy Ltd, Tel Aviv/ Israel	100	
Siemens Israel Projects Ltd., Rosh HaAyin/ Israel	100	[5]
Parco Eolico Banzy S.r.l., Rome/ Italy	100	
Parco Eolico Manca Vennarda S.r.l., Rome/ Italy	100	
Siemens Energy S.r.l., Milan/ Italy	100	
Siemens Gamesa Renewable Energy Italia S.r.l., Milan/ Italy	100	
Siemens Gamesa Renewable Energy Italy, S.P.A., Rome/ Italy	100	
Siemens Gamesa Renewable Energy Service S.R.L., Milan/ Italy	100	
Siemens Gamesa Renewable Energy Wind S.R.L., Rome/ Italy	100	
Siemens Transformers S.r.l., Trento/ Italy	100	
SPV Parco Eolico Aria del Vento, Srl, Rome/ Italy	100	
Trench Italia S.r.l., Savona/ Italy	100	
Siemens Gas and Power LLP, Almaty/ Kazakhstan	100	
Siemens Gamesa Renewable Energy Limited, Nairobi/ Kenya	100	
Siemens Electrical & Electronic Services K.S.C.C., Kuwait City/ Kuwait	49	[2][11]
D-R Luxembourg International SARL, Luxembourg/ Luxembourg	100	
Siemens Gamesa Renewable Energy, SARL, Nouakchott/ Mauritania	100	
Siemens Gamesa Renewable Energy, Ltd, Cybercity/ Mauritius	100	
SIEMENS ENERGY DOO PODGORICA, Podgorica/ Montenegro	100	
Guascor Maroc, S.A.R.L., Agadir/ Morocco	100	
Siemens Energy SARL, Tangier/ Morocco	100	
Siemens Gamesa Renewable Energy Blades, SARL AU, Tangier/ Morocco	100	

September 30, 2020 Subsidiaries	Equity interest in %	
Siemens Gamesa Renewable Energy Morocco SARL, Tangier/ Morocco	100	
Siemens Gamesa Renewable Energy SARL, Casablanca/ Morocco	100	
Dresser-Rand B.V., Spijkenisse/ Netherlands	100	
Siemens D-R Holding B.V., The Hague/ Netherlands	100	
Siemens D-R Holding III B.V., The Hague/ Netherlands	100	
Siemens Energy B.V., Zoeterwoude/ Netherlands	100	
Siemens Energy Finance B.V., Zoeterwoude/ Netherlands	100	
Siemens Gamesa Renewable Energy B.V., The Hague/ Netherlands	100	
Siemens Gas and Power Holding B.V., Zoeterwoude/ Netherlands	98	
Siemens Gas Turbine Technologies Holding B.V., The Hague/ Netherlands	65	
SIEMENS GAMESA RENEWABLE ENERGY SARL, Nouméa/ New Caledonia	100	
Dresser-Rand (Nigeria) Limited, Lagos/ Nigeria	100	
Siemens Energy Ltd., Lagos/ Nigeria	100	
Dresser-Rand AS, Kongsberg/ Norway	100	
Siemens Energy AS, Oslo/ Norway	100	
SIEMENS GAMESA RENEWABLE ENERGY AS, Oslo/ Norway	100	
Siemens Energy L.L.C., Muscat/ Oman	51	
Siemens Gamesa Renewable Energy (Private) Limited, Karachi/ Pakistan	100	
Osiek Sp. z o.o. w Likwidacji, Warsaw/ Poland	100	
Siemens Energy Sp. z o.o., Warsaw/ Poland	100	
Siemens Gamesa Renewable Energy Poland Sp. z o.o., Warsaw/ Poland	100	
Siemens Gamesa Renewable Energy Service Sp.z.o.o, Warsaw/ Poland	100	
Siemens Gamesa Renewable Energy Sp. z o.o., Warsaw/ Poland	100	
Smardzewo Windfarm Sp. z o.o., Slawno/ Poland	100	

[2] Control due to rights to appoint, reassign, or remove members of the key management personnel
[5] Not consolidated due to immateriality
[11] Legal ownership 0%, whereas economic ownership has already been transferred from the Siemens Group to the Siemens Energy Group

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September 30, 2020 Subsidiaries	Equity interest in %	
Ria Blades S.A., Sosa/ Portugal	100	
Siemens Energy Unipessoal Lda., Amadora/ Portugal	100	
Siemens Gamesa Renewable Energy II Service Unipessoal, Lda., Oliveira de Frades/ Portugal	100	
Siemens Gamesa Renewable Energy, S.A., Venda do Pinheiro/ Portugal	100	
Siemens Energy W.L.L, Doha/ Qatar	55	
GER Baneasa, S.R.L., Bucharest/ Romania	100	
GER Baraganu, S.R.L, Bucharest/ Romania	100	
GER Independenta, S.R.L., Bucharest/ Romania	100	
SIEMENS ENERGY S.R.L., 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	
OOO Siemens Gas Turbine Technologies, Leningrad region/ Russian Federation	100	
OOO Siemens Transformers, Voronezh/ Russian Federation	100	
Siemens Gamesa Renewable Energy LLC, Leningrad region/ Russian Federation	100	
Siemens Gas and Power LLC, Moscow/ Russian Federation	100	
Dresser-Rand Arabia LLC, Al Khobar/ Saudi Arabia	50	[1]
Siemens Energy Ltd., Dammam/ Saudi Arabia	51	
VA TECH T & D Co. Ltd., Riyadh/ Saudi Arabia	51	
Siemens Energy d.o.o. Beograd, New Belgrade/ Serbia	100	
Siemens Gamesa Renewable Energy d.o.o. Beograd - Stari Grad, Belgrade/ Serbia	100	
Siemens Energy, s.r.o., Bratislava/ Slovakia	100	
SIEMENS Energy d.o.o., Ljubljana/ Slovenia	100	
Dresser-Rand Property (Pty) Ltd., Midrand/ South Africa	100	[5]
Dresser-Rand Service Centre (Pty) Ltd., Midrand/ South Africa	100	

September 30, 2020 Subsidiaries	Equity interest in %	
Dresser-Rand Southern Africa (Pty) Ltd., Midrand/ South Africa	100	
Gamesa Wind South Africa (Proprietary) Limited, Cape Town/ South Africa	100	
Linacre Investments (Pty) Ltd., Kenilworth/ South Africa	–	[3]
S'Energy Employee Share Ownership Trust, Johannesburg/ South Africa	–	[3]
Siemens Energy (Pty) Ltd, Midrand/ South Africa	100	
SIEMENS GAMESA RENEWABLE ENERGY (PTY) LTD, Midrand/ South Africa	70	
Siemens Wind Power Employee Share Ownership Trust, Midrand/ South Africa	–	[3]
Adwen Offshore, S.L., Zamudio/ Spain	100	
Estructuras Metalicas Singulares, S.A. Unipersonal, Tajonar/ 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 Isolux AIE, Vitoria-Gasteiz/ Spain	60	[5][9]
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	
Parque Eolico Dos Picos, S.L.U., Zamudio/ Spain	100	
Siemens Energy S.A., Vitoria-Gasteiz/ 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	

[1] Control due to a majority of voting rights
[3] Control due to contractual arrangements to determine the direction of the relevant activities
[5] Not consolidated due to immateriality
[9] A consolidated affiliated company of Siemens Energy AG is a shareholder with unlimited liability of this company

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September 30, 2020 Subsidiaries	Equity interest in %	
Siemens Gamesa Renewable Energy Digital Services, S.L., San Sebastián/ Spain	100	
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	67	
Siemens Gamesa Renewable Energy Wind Farms, S.A., Zamudio/ Spain	100	
Sistemas Energéticos Ábrego, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Argañoso, S.L. Unipersonal, Zamudio/ Spain	100	
Sistemas Energéticos Argestes, S.L., 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 Boreas, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Boyal, S.L., Zaragoza/ Spain	60	
Sistemas Energéticos Cabezo Negro, S.A. Unipersonal, Zaragoza/ Spain	100	
Sistemas Energéticos Carril, S.L. Unipersonal, Zamudio/ Spain	100	
Sistemas Energéticos Céfiro, S.L, Zamudio/ Spain	100	
Sistemas Energéticos Cuerda Gitana, S.A. Unipersonal, Sevilla/ Spain	100	
Sistemas Energéticos Cuntis, S.A. Unipersonal, Santiago de Compostela/ Spain	100	
Sistemas Energéticos de Tarifa, S.L. Unipersonal, Zamudio/ Spain	100	
Sistemas Energéticos del Sur S.A., Sevilla/ Spain	100	
Sistemas Energéticos Eolo, S.L., Zamudio/ 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 Gregal, S.L., 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 Mansilla, S.L., Villarcayo de Merindad de Castilla la Vieja/ Spain	78	
Sistemas Energéticos Monte Genaro, S.L.U., Zamudio/ Spain	60	
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 Siroco, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Tablero Tabordo, S.L., Las Palmas de Gran Canaria/ Spain	100	
Sistemas Energéticos Terral, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Tomillo, S.A. Unipersonal, Las Palmas de Gran Canaria/ Spain	100	
Fanbyn2 Vindenergi AB, Stockholm/ Sweden	100	
Lindom Vindenergi AB, Solna/ Sweden	100	
Lingbo SPW AB, Stockholm/ Sweden	100	
Senvion Scandinavia AB, Västeras/ Sweden	100	
Siemens Energy AB, Finspång/ Sweden	100	
Siemens Gamesa Renewable Energy AB, Stockholm/ Sweden	100	
SIEMENS GAMESA RENEWABLE ENERGY SWEDEN AB, Stockholm/ Sweden	100	
Dresser Rand Sales Company GmbH, Zurich/ Switzerland	100	

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September 30, 2020 Subsidiaries	Equity interest in %	
Siemens Energy AG, Zurich/ Switzerland	100	
Siemens Power Holding AG, Zug/ Switzerland	100	
Siemens Enerji Sanayi ve Ticaret Anonim Sirketi, Istanbul/ Turkey	100	
SIEMENS GAMESA RENEWABLE ENERJI ANONIM SIRKETI, Kartal/Istanbul/ Turkey	100	
SIEMENS GAMESA YENILENEBILIR ENERJI IC VE DIS TICARET LIMITED SIRKETI, Menemen/Izmir/ Turkey	100	
Dresser-Rand Turkmen Company, Ashgabat/ Turkmenistan	-100	[3][11]
Siemens Energy LLC, Kiev/ Ukraine	100	
Siemens Gamesa Renewable Energy LLC, 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	
Siemens LLC, Abu Dhabi/ United Arab Emirates	49	[2]
12441150 Limited, Frimley, Surrey/ United Kingdom	100	[5]
Dresser-Rand (U.K.) Limited, Frimley, Surrey/ United Kingdom	100	
Industrial Turbine Company (UK) Limited, Frimley, Surrey/ United Kingdom	100	
Materials Solutions Limited, Frimley, Surrey/ United Kingdom	100	
Sellafirth Renewable Energy Park Limited, Frimley, Surrey/ United Kingdom	100	
Siemens Energy Limited, Frimley, Surrey/ 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 Service Limited, Edinburgh/ United Kingdom	100	
Siemens Gamesa Renewable Energy UK Limited, Frimley, Surrey/ United Kingdom	100	

September 30, 2020 Subsidiaries	Equity interest in %	
Siemens Gamesa Renewable Energy Wind Limited, Frimley, Surrey/ United Kingdom	100	
Siemens Industrial Turbomachinery Ltd., Frimley, Surrey/ United Kingdom	100	
Americas (70 companies)		
Artadi S.A., Buenos Aires/ Argentina	100	
Guascor Argentina, S.A., Buenos Aires/ Argentina	100	
Siemens S.A., Buenos Aires/ Argentina	100	
VA TECH International Argentina SA, Buenos Aires/ Argentina	100	
Siemens Energy 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	
Jaguarí Energética, S.A., Jaguari/ Brazil	89	
Siemens Gamesa Energia Renovável Ltda., Camaçari/ Brazil	100	
Siemens Ltda., São Paulo/ Brazil	100	
Dresser-Rand Canada, ULC, Vancouver/ Canada	100	[9]
Siemens Energy Canada Limited, Oakville/ Canada	100	
Siemens Gamesa Renewable Energy 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 Energy SpA, Santiago de Chile/ Chile	100	
Siemens Gamesa Renewable Energy Chile SpA, Santiago de Chile/ Chile	100	

[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
[5] Not consolidated due to immateriality
[9] A consolidated affiliated company of Siemens Energy AG is a shareholder with unlimited liability of this company
[11] Legal ownership 0%, whereas economic ownership has already been transferred from the Siemens Group to the Siemens Energy Group

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September 30, 2020 Subsidiaries	Equity interest in %	
Siemens Wind Power SpA, Santiago de Chile/ Chile	100	
Dresser-Rand Colombia S.A.S., Bogotá/ Colombia	100	
Siemens Energy S.A.S., Tenjo/ Colombia	100	
SIEMENS GAMESA RENEWABLE ENERGY S.A.S., Bogotá/ Colombia	100	
SIEMENS GAMESA RENEWABLE ENERGY, S.R.L., San José/ Costa Rica	100	
Gamesa Dominicana, S.A.S., Santo Domingo/ Dominican Republic	100	
Siemens Energy S.R.L., Santo Domingo/ Dominican Republic	100	
SIEMENS GAMESA RENEWABLE ENERGY INSTALLA-TION & MAINTENANCE COMPAÑÍA LIMITADA, Guatemala/ Guatemala	100	
SIEMENS GAMESA RENEWABLE ENERGY, 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	
Siemens Energy Servicios, S. de R.L. de C.V., Mexico City/ Mexico	100	
Siemens Energy, S. de R.L. de C.V., Mexico City/ Mexico	100	
Siemens Gesa Renewable Energy México, S. de R.L. de C.V., Mexico City/ Mexico	100	
Siemens Gesa Renewable Energy Soluciones Técnicas, 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	

September 30, 2020 Subsidiaries	Equity interest in %	
Siemens Gamesa Renewable Energy, Sociedad Anónima, Managua/ Nicaragua	100	
Siemens Energy S.A., Panama City/ Panama	100	
Siemens Energy S.A.C., Lima/ Peru	100	
Siemens Gamesa Renewable Energy S.A.C., Lima/ Peru	100	
Dresser-Rand Trinidad & Tobago Unlimited, Couva/ Trinidad and Tobago	100	[9]
Advanced Airfoil Components LLC, Wilmington, DE/ United States	51	
Cedar Cap Wind, LLC, Dover, DE/ United States	100	
Diversified Energy Transmission, 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	
Pocahontas Prairie Holdings, LLC, Wilmington, DE/ United States	100	
Pocahontas Prairie Wind, LLC, Dover, DE/ United States	100	
Siemens Demag Delaval Turbomachinery, Inc., Wilmington, DE/ United States	100	
Siemens Energy, Inc., Wilmington, DE/ United States	100	
Siemens Field Staffing, 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 Power Generation Service Company, Ltd., Wilmington, DE/ United States	100	

[9] A consolidated affiliated company of Siemens Energy AG is a shareholder with unlimited liability of this company

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September 30, 2020 Subsidiaries	Equity interest in %
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 Uruguay S.A., Montevideo/ Uruguay	100
Gamesa Eólica VE, C.A., Caracas/ Venezuela, Bolivarian Republic of	100
Siemens Energy S.A., Caracas/ Venezuela, Bolivarian Republic of	100
Asia, Australia (106 companies)	
CARMODY'S HILL INVESTMENT COMPANY PTY LTD, Bayswater/ Australia	100
Siemens Energy Pty. Ltd., Bayswater/ Australia	100
Siemens Gamesa Renewable Energy Australia Pty Ltd, Melbourne/ Australia	100
Siemens Gamesa Renewable Energy Pty Ltd, Bayswater/ Australia	100
Gamesa Blade (Tianjin) Co., Ltd., Tianjin/ China	100
Ganquan Chaiguanshan Wind Power Co., Ltd., Yan'an City/ China	100
Inner Mongolia Gamesa Wind Co., Ltd., Wulanchabu/ China	100
Jilin Gamesa Wind Co., Ltd., Da'an/ China	100
Shuangpai Majiang Wuxingling Wind Power Co., Ltd, Yongzhou/ China	100
Siemens Energy Co., Ltd., Shanghai Pilot Free Trade Zone/ China	100
Siemens Energy Electric Equipment (Changzhou) Ltd., Changzhou/ 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

September 30, 2020 Subsidiaries	Equity interest in %
Siemens High Voltage Circuit Breaker Co., Ltd., Hangzhou, Hangzhou/ China	51
Siemens High Voltage Switchgear Co., Ltd., Shanghai, Shanghai/ China	51
Siemens Industrial Turbomachinery (Huludao) Co. Ltd., Huludao/ China	84
Siemens Power Plant Automation Ltd., Nanjing/ China	100
Siemens Surge Arresters Ltd., Wuxi/ China	100
Siemens Transformer (Guangzhou) Co., Ltd., Guangzhou/ China	63
Siemens Transformer (Jinan) Co., Ltd, Jinan/ China	90
Siemens Transformer (Wuhan) Company Ltd., Wuhan City/ China	100
Trench High Voltage Products Ltd., Shenyang, Shenyang/ China	65
Yongzhou Shuangpai Daguping Wind Power Co., Ltd., Longbo town, Yongzhou city/ China	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 Energy 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
Channapura Renewable Private Limited, Chennai/ India	100
Chikkodi Renewable Power Private Limited, Chennai/ India	100
Devarabanda Renewable Energy Private Limited, Chennai/ India	100

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September 30, 2020 Subsidiaries	Equity interest in %	
Dhone Renewable Private Limited, Chennai/ India	100	
Dresser-Rand India Private Limited, Navi 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	
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	

September 30, 2020 Subsidiaries	Equity interest in %	
Osmanabad Renewable Private Limited, Chennai/ India	100	
Poovani Wind Farms Private Limited, Chennai/ India	100	
Powerplant Performance Improvement Ltd., New Delhi/ India	-50	[3][11]
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 Gamesa Renewable Energy Engineering Centre Private Limited, Chennai/ India	100	
SIEMENS GAMESA RENEWABLE ENERGY PROJECTS PRIVATE LIMITED, Chennai/ India	100	
Siemens Gamesa Renewable Power Private Limited, Chennai/ India	100	
Sindhanur Renewable Energy Private Limited, Chennai/ India	100	
Thoothukudi Renewable Energy Private Limited, Chennai/ India	100	
Tirupur Renewable Energy Private Limited, Chennai/ India	100	
Tuljapur Wind Farms Private Limited, Chennai/ India	100	
Umrani Renewable Private Limited, Chennai/ India	100	
Uppal Renewable Private Limited, Chennai/ India	100	
Vempalli Renewable Energy Private Limited, Chennai/ India	100	
Viralipatti Renewable Private Limited, Chennai/ India	100	

[3] Control due to contractual arrangements to determine the direction of the relevant activities
[11] Legal ownership 0%, whereas economic ownership has already been transferred from the Siemens Group to the Siemens Energy Group

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September 30, 2020 Subsidiaries	Equity interest in %	
Zalki Renewable Private Limited, Chennai/ India	100	
PT Dresser-Rand Services Indonesia, Cilegon/ Indonesia	100	
PT Siemens Gamesa Renewable Energy, Jakarta/ Indonesia	95	
PT Siemens Industrial Power, Kota Bandung/ Indonesia	100	
Siemens Energy K.K., Tokyo/ Japan	100	
Siemens Gamesa Renewable Energy Japan K.K., Kanagawa/ Japan	100	
Siemens Energy Ltd., Seoul/ Korea, Republic of	100	
Siemens Gamesa Renewable Energy Limited, Seoul/ Korea, Republic of	100	
Siemens Energy Sdn. Bhd., Petaling Jaya/ Malaysia	100	
Siemens Gamesa Renewable Energy New Zealand Limited, Auckland/ New Zealand	100	
Siemens Gamesa Renewable Energy, Inc., Makati City/ Philippines	100	
Siemens Power Operations, Inc., Manila/ Philippines	100	
Siemens Energy Pte. Ltd., Singapore/ Singapore	100	
Siemens Gamesa Renewable Energy Singapore Private Limited, Singapore/ Singapore	100	
Siemens Gamesa Renewable Energy Lanka (Private) Limited, Colombo/ Sri Lanka	100	
Siemens Energy Limited, Taipei/ Taiwan, Province of China	100	
Siemens Gamesa Renewable Energy Offshore Wind Limited, Taipei/ Taiwan, Province of China	100	
Siemens Energy Limited, Bangkok/ Thailand	99	
Siemens Gamesa Renewable Energy (Thailand) Co., Ltd., Bangkok/ Thailand	100	
Siemens Gamesa Renewable Energy Limited, Bangkok/ Thailand	100	
Siemens Gamesa Renewable Energy LLC, Ho Chi Minh City/ Viet Nam	100	
Siemens Gas and Power Limited Company, Ho Chi Minh City/ Viet Nam	100	

September 30, 2020 Associated companies and joint ventures	Equity interest in %	
Germany (5 companies)		
Infineon Technologies Bipolar GmbH & Co. KG, Warstein	40	
Infineon Technologies Bipolar Verwaltungs-GmbH, Warstein	40	[6]
Maschinenfabrik Reinhausen GmbH, Regensburg	20	[4][11]
Voith Hydro Holding GmbH & Co. KG, Heidenheim	35	
Voith Hydro Holding Verwaltungs GmbH, Heidenheim	35	[6]
Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany) (17 companies)		
OIL AND GAS PROSERV LLC, Baku/ Azerbaijan	25	[4][6][11]
COELME - Costruzioni Elettromeccaniche S.p.A., Santa Maria di Sala/ Italy	25	
GLT-PLUS V.O.F, Sappemeer/ Netherlands	40	[6][9]
Wirescan AS, Trollaasen/ Norway	36	[6]
ZAO Interautomatika, Moscow/ Russian Federation	46	[4][11]
Ardora, S.A., Vigo/ Spain	35	[6]
Desgasificación de Vertederos, S.A, Madrid/ Spain	50	[6]
Energías Renovables San Adrián de Juarros, S.A., San Adrián de Juarros/ Spain	45	
EXPLOTACIONES Y MANTEMIENTOS INTEGRALES S.L., Getxo/ Spain	50	[6]
SIGLO XXI SOLAR, SOCIEDAD ANONIMA, Ciudad Real/ Spain	25	[6]
SISTEMAS ENERGETICOS DE TENERIFE, S.A., Santa Cruz de Tenerife/ Spain	20	[6]
Sistemes Electrics Espluga, S.A., Barcelona/ Spain	50	
Tusso Energía, S.L., Sevilla/ Spain	50	[6]
Windar Renovables, S.L., Avilés/ Spain	32	
Ethos Energy Group Limited, Aberdeen/ United Kingdom	49	
RWG (Repair & Overhauls) Limited, Aberdeen/ United Kingdom	50	
Joint Venture Service Center, Chirchik/ Uzbekistan	49	[6]

[4] Significant influence due to contractual arrangements or legal circumstances
[6] Not accounted for using the equity method due to immateriality
[9] A consolidated affiliated company of Siemens Energy AG is a shareholder with unlimited liability of this company
[11] Legal ownership 0%, whereas economic ownership has already been transferred from the Siemens Group to the Siemens Energy Group

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September 30, 2020 Associated companies and joint ventures	Equity interest in %	
Americas (5 companies)		
Gas Natural Acu Infraestructura S.A, Rio de Janeiro/ Brazil	5	[4]
Energia Eólica de Mexico S.A. de C.V., Mexico City/ Mexico	50	
Baja Wind US LLC, Wilmington, DE/ United States	50	[6]
First State Marine Wind, LLC, Newark, DE/ United States	31	[6]
Empresa Nacional De Maquinas Eléctricas ENME, S.A., Caracas/ Venezuela, Bolivarian Republic of	40	[6]

September 30, 2020 Associated companies and joint ventures	Equity interest in %	
Asia, Australia (4 companies)		
Beijing Jingneng International Energy Technology Co., Ltd., Beijing/ China	45	
Siemens Limited, Mumbai/ India	24	
PT Trafoindo Power Indonesia, Jakarta/ Indonesia	49	
Advance Gas Turbine Solutions SDN. BHD., Kuala Lumpur/ Malaysia	43	

September 30, 2020 Other investments [10]	Equity interest in %		Net income in millions of €	Equity in millions of €
Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany) (1 company)				
Uhre Vindmollelaug I/S, Brande/ Denmark	19	[9]	0	0

[4] Significant influence due to contractual arrangements or legal circumstances
[6] Not accounted for using the equity method due to immateriality
[9] A consolidated affiliated company of Siemens Energy AG is a shareholder with unlimited liability of this company
[10] Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens Energy fiscal year.

Additional Information

3.1 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 Energy AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Munich, November 27, 2020

Siemens Energy AG
The Executive Board

Christian Bruch Maria Ferraro Jochen Eickholt Tim Holt

3.2 Independent Auditor's Report

To Siemens Energy AG, 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 Energy AG, Munich, and its subsidiaries (the Group), which comprise the consolidated statements of income and comprehensive income for the fiscal year from October 1, 2019 to September 30, 2020, the consolidated statements of financial position as of September 30, 2020, the consolidated statements of cash flows and changes in equity for the fiscal year from October 1, 2019 to September 30, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Siemens Energy AG, which is combined with the management report of Siemens Energy AG, for the fiscal year from October 1, 2019 to September 30, 2020. In accordance with the German legal requirements we have not audited the content of chapter 1.9.4 Corporate Governance Statement of the Combined Management Report, including chapter 3.4 of the Annual Report 2020 referred to in chapter 1.9.4.

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

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] as well as with full IFRSs as issued by the International Accounting Standards Board (IASB), and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of September 30, 2020 and of its financial performance for the fiscal year from October 1, 2019 to September 30, 2020, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the Corporate Governance Statement referred to above.

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

Basis for the opinions

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

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from October 1, 2019 to September 30, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

Impairment of goodwill and other intangible assets

Reasons why the matter was determined to be a key audit matter: We consider the impairment test of goodwill and other intangible assets to be an area posing a significant risk of material misstatement and accordingly a key audit matter as the determination of the recoverable amount of assets is highly dependent on management's assessment of future cash flows, the discount rates used and growth rates and thus requires corresponding estimates and assumptions that are subject to uncertainties. Particularly the assumptions related to the long-term development of the underlying earnings contributions are subject to judgment and have a significant impact on the recoverability of goodwill.

Auditor's response: In the course of our audit procedures, we obtained an understanding of the process for the preparation of the multi-year plan in the Group and for the cash-generating units and examined compliance with internal requirements.

We evaluated the methodology and the valuation models for performing the impairment tests with the assistance of internal specialists who have expertise in business valuation and assessed the appropriateness of the future cash inflows used for the calculations by, among other procedures, comparing this information against the five-year plans prepared by management as well as by comparing the internal growth and earnings forecasts with general and industry-specific market expectations and significant competitors. Furthermore, we analyzed the key assumptions and value drivers of the plans, placing a special focus on the planned strategic measures and considering significant changes in planning assumptions compared to the prior year, obtained explanations on the key value drivers of the plans from management and examined the consistency and plausibility of significant assumptions in the multi-year plans. In addition, we reperformed the calculation of the carrying amounts of the cash-generating units.

As part of our audit, we also obtained an understanding of the sustainable earnings contributions and long-term growth rates used after the end of the detailed planning period by referring to observable market data and market expectations and assessed the appropriateness of the methodology used for derivation as well as the appropriateness of the weighted average cost of capital rates.

Furthermore, we obtained an understanding of the opinion on the fair value of Siemens Energy prepared by an independent expert and used by management to test the plausibility of the impairment test of the Gas and Power group of cash-generating units, and assessed management's plausibility considerations on the fair value of the Gas and Power cash-generating unit in terms of methodology.

To account for the existing forecast uncertainties, we walked through the sensitivity analyses prepared by management and performed supplementary sensitivity analyses of our own in order to estimate any impairment risk associated with a reasonably possible change in a significant assumption used in the valuation.

The focus of our audit of the impairment test of other intangible assets was on obtaining an understanding of the impairment losses on intangible assets at Gas and Power recognized as part of a strategic portfolio decision to streamline the aeroderivative gas turbine offering and impairment losses on intangible assets at Siemens Gamesa Renewable Energy in connection with the restructuring of business activities in India.

We also evaluated the disclosures on goodwill and intangible assets in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations relating to the impairment of goodwill and other intangible assets.

Reference to related disclosures: With regard to the recognition and measurement policies applied for the impairment test of goodwill and other intangible assets, refer to **Note 2 Material accounting policies and critical accounting estimates** and **Note 9 Goodwill** as well as **Note 10 Other intangible assets and property, plant and equipment** in the notes to the consolidated financial statements.

Revenue recognition on construction contracts

Reasons why the matter was determined to be a key audit matter: The Group conducts a significant portion of its business under construction contracts. Revenue from long-term construction contracts is recognized in accordance with IFRS 15, Revenue from Contracts with Customers, generally over time under the percentage-of-completion method. We consider the accounting for construction contracts to be an area posing a significant risk of material misstatement (including the potential risk of management override of internal controls) and accordingly a key audit matter, because management's assessments significantly impact the determination of the extent of progress towards completion. These assessments include, in particular, the scope of deliveries and services required to fulfill contractually defined obligations, total estimated contract costs, remaining costs to completion and total estimated contract revenues, as well as contract risks including technical, political, regulatory and legal risks. Revenues, total estimated contract costs and profit recognition may deviate significantly from original estimates based on new knowledge about cost overruns and changes in project scope over the term of a construction contract. Furthermore, in fiscal year 2020 the effects of the coronavirus pandemic (COVID-19) on the project business, such as delays in project execution due to access restrictions at customer sites or short-term interruptions to supply chains as well as the invocation of force majeure or change in law clauses with regard to compensation for damages or contractual penalties for delays in delivery and their accounting treatment were of key significance for our audit.

Auditor's response: As part of our audit, we obtained an understanding of the Group's internally established methods, processes and control mechanisms for project management in the bid and execution phase of construction contracts. In this regard, we assessed the design and operating effectiveness of the accounting-related internal controls in the project business by obtaining an understanding of business transactions specific to construction contracts, from the initiation of the transaction through presentation in the consolidated financial statements. We also tested internal controls on management level including project reviews and controls addressing the timely assessment of changes in cost estimates and the timely and complete recognition of such changes in the project calculation.

As part of our substantive audit procedures, we evaluated management's estimates and assumptions based on a risk-based selection of a sample of contracts. Our sample particularly included projects that are subject to significant future uncertainties and risks, such as fixed-price or turnkey projects, projects with complex technical requirements or with a large portion of materials and services to be provided by suppliers, subcontractors or consortium partners, cross-border projects, projects in regions particularly affected by the COVID-19 pandemic and projects with changes in cost estimates, delays and/or low or negative margins. Our audit procedures included, among others, review of the contracts and their terms and conditions including contractually agreed partial deliveries and services, termination rights, penalties for delay and breach of contract as well as liquidated damages. In order to evaluate whether revenues were recognized on an accrual basis for the selected projects, we analyzed billable revenues and corresponding cost of sales to be recognized in the statement of income in the reporting period considering the extent of progress towards completion, and examined the accounting for the associated items in the statement of financial position. Considering the requirements of IFRS 15, we also assessed the accounting for contract amendments or contractually agreed options. We further performed inquiries of project management (both commercial and technical project managers) with respect to the development of the projects including the effects of COVID-19 on project execution, the reasons for deviations between planned and actual costs, the current estimated costs to complete the projects, and management's assessments on probabilities that contract risks will materialize. To identify anomalies in the development of margins throughout the projects' execution, we also applied data analysis procedures. In designing our audit procedures, we also considered results from project audits conducted by the internal audit function. Furthermore, we obtained evidence from third parties for selected projects (e.g., project acceptance documentation, contractual terms and conditions, and lawyers' confirmations regarding alleged breaches of contract and asserted claims) and inspected plant and project locations.

Due to the large contract volume and risk profile, in particular with respect to the developments of the power generation markets, our audit procedures especially focused on large contracts for the turnkey construction of power plants, high-voltage-direct-current solutions, and the construction of onshore and offshore wind farms.

Our audit procedures did not lead to any reservations relating to revenue recognition on construction contracts.

Reference to related disclosures: With regard to the recognition and measurement policies applied in accounting for construction contracts, refer to **Note 2 Material accounting policies and critical accounting estimates** in the notes to the consolidated financial statements. With respect to contract assets and liabilities as well as provisions for order related losses and risks, refer to **Note 7 Contract assets and liabilities** and **Note 14 Provisions** in the notes to the consolidated financial statements.

Uncertain tax positions and deferred taxes

Reasons why the matter was determined to be a key audit matter: Siemens Energy operates in numerous countries with different local tax legislation. The accounting for uncertain tax positions as well as deferred taxes requires management to exercise considerable judgment and make estimates and assumptions, and was therefore a key audit matter. In particular, this affects the measurement and completeness of uncertain tax positions, the recoverability of deferred tax assets as well as the measurement and completeness of deferred tax liabilities. In addition, management's assessments regarding the tax implications of the COVID-19 pandemic were of particular significance.

Auditor's response: With the assistance of internal tax specialists who have knowledge of relevant local tax law, we examined the processes installed by management and obtained an understanding of internal controls for the identification, recognition and measurement of tax positions. In the course of our audit procedures relating to uncertain tax positions, we evaluated whether management's assessment of the tax implications of significant business transactions or events in fiscal year 2020, which could result in uncertain tax positions or influence the measurement of existing uncertain tax positions, was in compliance with tax law. In particular, this includes the tax implications arising from the acquisition of company shares, corporate (intragroup) restructuring activities, carve-outs, especially in connection with the legal separation of the Siemens Energy Business, findings of tax audits and cross-border matters, such as determining transfer prices. In order to assess measurement and completeness, we also obtained confirmations from external tax advisors and inspected expert legal or tax opinions and assessments commissioned by management. Further, we evaluated management's assessments with respect to the prospects of success of appeal and tax court proceedings by inquiring of the employees of the Siemens Energy tax department and by considering current tax case law.

In assessing the recoverability of deferred tax assets, we above all analyzed management's assumptions with respect to tax planning strategies and projected future taxable income, particularly in view of the implications of the COVID-19 pandemic, and compared them to internal business plans. In the course of our audit procedures regarding deferred tax liabilities, we examined in particular the assumptions regarding reinvestment of subsidiaries' retained profits for an indefinite period and assessed these taking into account dividend planning. We also examined the first-time application of IFRIC 23 Uncertainty over Income Tax Treatments.

Our audit procedures did not lead to any reservations relating to the accounting for uncertain tax positions and deferred taxes.

Reference to related disclosures: With regard to the recognition and measurement policies applied in accounting for income taxes, refer to **Note 2 Material accounting policies and critical accounting estimates** in the notes to the consolidated financial statements. With respect to disclosures for deferred tax assets and liabilities, refer to **Note 6 Income taxes** in the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board in chapter **3.3** of the Annual Report 2020. Management and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the Corporate Governance Code, which is part of the Corporate Governance Statement in chapter **3.4.** In all other respects, management is responsible for the other information. The other information comprises the Corporate Governance Statement referred to above. In addition, the other information comprises parts to be included in the Annual Report, of which we received a version prior to issuing this auditor's report, in particular:

- the sections **»Siemens Energy Group at a glance«**, **»Letter to our Shareholders«**, **»Our leadership team«**, and **»About this Report«** of the Annual Report 2020,
- the Responsibility Statement in chapter **3.1** of the Annual Report 2020,
- the Report of the Supervisory Board in chapter **3.3** of the Annual Report 2020,
- Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code in chapter **3.4** of the Annual Report 2020, and
- Notes and forward-looking statements in chapter **3.5** of the Annual Report 2020.

The other information also comprises the group non-financial report, of which we received a version prior to issuing this auditor's report.

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 April 1, 2020. We were engaged by the Supervisory Board on August 25, 2020. We have been the group auditor of Siemens Energy AG since the fiscal year from October 1, 2019 to September 30, 2020.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Thomas Spannagl.

Munich, November 27, 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Spannagl
Wirtschaftsprüfer
[German Public Auditor]

Müller
Wirtschaftsprüferin
[German Public Auditor]

3.3 Report of the Supervisory Board

Munich, Germany, December 4, 2020

Dear Shareholders,

For Siemens Energy AG, the fiscal year ending September 30, 2020 was predominantly defined by the process of the Spin-Off from Siemens Aktiengesellschaft, which was completed with the admission to public trading of Siemens Energy AG. Prior to September 2020, the Company did not conduct its own business operations and was a wholly owned subsidiary of Siemens Aktiengesellschaft. As of the Spin-Off taking effect on September 25, 2020, Siemens Energy AG became the parent company of the legally and financially independent Siemens Energy Group.

As a leading technology company in the field of energy generation and transmission, Siemens Energy has stepped up to accept one of the greatest challenges for society in modern era: to satisfy rising energy demand while protecting the climate and being economically successful.

With its "Energy of Tomorrow" strategy, the Siemens Energy Group has set the course to actively shape this transition of the energy markets. A major part of this strategy is to optimize the company's portfolio, focusing on sustainability and services. In this context, the Supervisory Board would like to specifically highlight the Executive Board's decision to, while meeting existing commitments, no longer participate in new projects for pure coal-fired power plants – a decision that affirms the company's serious commitment to the United Nation's sustainable development goals.

Against this background, the Supervisory Board also welcomes the company's activities regarding the development of new business fields such as "Power-to-X" with a focus along hydrogen value chain.

The Supervisory Board supports the Executive Board's strategy and encourages the Executive Board in its operative implementation, which includes the Executive Board's innovation and efficiency targets and the initiated portfolio measures.

On behalf of the Supervisory Board, I would like to thank the members of the Executive Board and the employees of Siemens Energy AG and of all Group companies for their outstanding work under most difficult conditions. The Supervisory Board is looking forward to a close and constructive collaboration in the next fiscal year.

In the following section, you will find the report of the Supervisory Board on its activities in fiscal year 2020.

For the Supervisory Board

Joe Kaeser
Chairman

In the reporting period, the Supervisory Board performed in full the duties incumbent upon it in accordance with the law, the articles of association, and the bylaws. The Supervisory Board monitored and advised the Executive Board in its management of the Company. In addition, there was a regular exchange of information between the Supervisory Board and the Chairman of the Executive Board as well as the other members of the Executive Board. This included in particular reports and commentary on the status of the preparations for the Spin-Off of the Siemens Energy business by Siemens Aktiengesellschaft and for the admission to public trading of the Siemens Energy AG shares. The Supervisory Board was directly involved in all decisions of fundamental importance to the Company at an early stage. Insofar as the approval of the Supervisory Board was required by law, the articles of association, or the bylaws for management decisions or measures, the members of the Supervisory Board approved these after intensive examination and discussion.

The first Supervisory Board of Siemens Energy AG was formed when the Company was transformed into a stock corporation (Aktiengesellschaft) in August 2019. During the preparations for the Spin-Off and public listing, it was composed of three representatives of the then sole shareholder Siemens Aktiengesellschaft. The three members resigned from the Supervisory Board by mutual agreement when the Spin-Off took effect on September 25, 2020. The Supervisory Board in its current composition of ten members was established on September 29, 2020.

ITEMS ON THE AGENDA OF THE SUPERVISORY BOARD'S PLENARY MEETINGS

Nine meetings of the first Supervisory Board were held in the reporting year. The regular discussions focused in particular on measures in connection with, and in preparation for, the Spin-Off and the admission to trading on the stock exchange. Prior to the Spin-Off taking effect on September 25, 2020, the operating companies of the Siemens Energy Group were not yet affiliated companies of Siemens Energy AG and Siemens Energy AG also did not conduct any material business operations.

On December 23, 2019, the Supervisory Board awarded the audit contract for the financial statements for the fiscal years ended September 30, 2017, and September 30, 2018, to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany. The audit contract for the financial statements for the fiscal year ending September 30, 2019, was already awarded in fiscal year 2019. The Supervisory Board also authorized the Chairman to conclude mandate agreements with the auditor for the audits of the financial statements for the fiscal years ended September 30, 2017, September 30, 2018, and September 30, 2019.

In its meeting on April 1, 2020, the Supervisory Board endorsed the financial statements for the fiscal year ended September 30, 2019, prepared by the Executive Board and audited by the independent auditor who is issued an unqualified opinion thereon, and resolved the Report of the Supervisory Board to the general Shareholders' Meeting. On the same day, Dr.-Ing. Jochen Eickholt and Tim Holt were appointed to the Executive Board of Siemens Energy AG as of April 1, 2020, and Dr.-Ing. Christian Bruch and Maria Ferraro were appointed as of May 1, 2020.

In its meeting on May 18, 2020, the Supervisory Board endorsed the interim financial statements of Siemens Energy AG as of March 31, 2020, and acknowledged the activities of the members of the Company's Executive Board as members of the Executive Board of Siemens Gas and Power Management GmbH (since October 12, 2020: Siemens Energy Management GmbH) and the amendments to the respective executive employment contracts.

On May 22, 2020, the Supervisory Board gave its approval for the transfer of the Siemens Energy business of the Siemens Group and the subsequent admission to public trading of Siemens Energy AG and for the contracts concluded in connection therewith by the Executive Board. In a further meeting on May 22, 2020, the Supervisory Board also dealt in detail with the post-formation reports regarding (i) the contribution agreement concluded on the same day between Siemens Aktiengesellschaft, Siemens Beteiligungen Inland GmbH, and Siemens Energy AG regarding (partial) limited partnership shares in Siemens Gas and Power GmbH & Co. KG and shares in Siemens Gas and Power Management GmbH, as well as (ii) the Spin-Off and transfer agreement concluded on the same day between Siemens Aktiengesellschaft and Siemens Energy AG regarding a limited partnership share in Siemens Gas and Power GmbH & Co. KG and shares in Siemens Gas and Power Management GmbH. After intensive discussion, the Supervisory Board decided to sign and execute the post-formation reports.

At its meeting on August 4, 2020, the Supervisory Board adopted a catalog of transactions and measures of the Company that require the approval of the Supervisory Board.

On August 25, 2020, the Supervisory Board initially addressed the securities prospectus of Siemens Energy AG and subjected it to a detailed plausibility check with regard to its completeness and accuracy. Reflecting the unanimous opinion of all Supervisory Board members, it was concluded that the statements in the draft prospectus are plausible with regard to completeness and accuracy and that the process for preparing and assuring the quality of the securities prospectus and the internal and external experts involved in this process guarantee that the securities prospectus contains the information needed to carry out a full and accurate assessment of the shares of Siemens Energy AG. In its meeting on August 25, 2020, the Supervisory Board also resolved, in accordance with the resolution by the general Shareholders' Meeting on April 1, 2020, to appoint Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, to audit the financial statements and the Consolidated Financial Statements for the fiscal year ending September 30, 2020. On August 25, 2020, after thorough review and discussion, the Supervisory Board also approved the accession of Siemens Energy AG as guarantor and additional borrower to the agreement on the syndicated credit facility taken out by Siemens Gas and Power GmbH & Co. KG on July 7, 2020. In addition, the Supervisory Board issued its approval on August 25, 2020, of a share buyback program on the condition that the shares are bought back on the basis of the authorization issued by the general Shareholders' Meeting in September 2020 and that the acquired treasury shares are intended for transfer to employees and members of the Company's Executive Board, as well as to employees and members of the executive boards of affiliated companies as part of share-based remuneration and employee share programs.

On September 21, 2020, the Supervisory Board adopted the bylaws for the Executive Board. The Supervisory Board also discussed and adopted a business allocation plan for the Executive Board. After detailed discussion on, among other things, potential threats to the independence of the auditor of Siemens Energy AG and the protective measures applied in this respect, the Supervisory Board also resolved the "Auditor Independence" circular including the preliminary approvals contained therein for specific services provided by the auditor.

ITEMS ON THE AGENDA OF THE CURRENT SUPERVISORY BOARD

The constituent meeting of the expanded Supervisory Board of ten members took place on September 29, 2020. The Chairman and the Deputy Chairman of the Supervisory Board were elected, the bylaws for the Executive Board and the schedule for the allocation of responsibilities for the Executive Board were acknowledged, and the bylaws for the Supervisory Board were adopted. In addition, three committees of the Supervisory Board were established and their members appointed. The Supervisory Board also addressed the target figures for the proportion of women on the Supervisory Board and Executive Board and the transfer of the employment contracts of the managing directors of Siemens Gas and Power Management GmbH to Siemens Energy AG as of October 1, 2020, and approved this transfer. The Supervisory Board also defined the performance criteria for the variable compensation of the Executive Board for the fiscal year ending September 30, 2020.

CORPORATE GOVERNANCE CODE

At the Supervisory Board meeting on November 9, 2020, the Supervisory Board addressed the German Corporate Governance Code, whose recommendations and suggestions are applicable to Siemens Energy AG as a result of the public listing. In particular, the Supervisory Board set targets for its composition in accordance with recommendation C.1 of the German Corporate Governance Code. The Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz) was resolved. Information on corporate governance is provided in chapter **3.4 Corporate Governance Statement Pursuant to Sections 289f and 315d of the German Commercial Code.** The Declaration of Conformity has been made permanently available to shareholders on the company website. A copy of the current Declaration of Conformity is also provided in Chapter **3.4 Corporate Governance Statement Pursuant to Sections 289f and 315d of the German Commercial Code.**

WORK IN SUPERVISORY BOARD COMMITTEES

At its meeting on September 29, 2020, the Supervisory Board established the Presiding Committee, the Audit Committee and the Nominating Committee. These committees prepare resolutions and topics to be dealt with in the Supervisory Board plenary meeting. To the extent permitted by law, decision-making powers of the Supervisory Board are transferred to committees. The chairs of the committees report to the Supervisory Board on the committee work at the respective subsequent meeting. Details of the tasks and members of these committees are provided in Chapter 3.4 Corporate Governance Statement Pursuant to Sections 289f and 315d of the German Commercial Code.

The **Audit Committee** did not meet in the reporting period, but in the new fiscal year it addressed the financial statements and the Combined Management Report for Siemens Energy AG and the Siemens Energy Group in the presence of the independent auditor as well as the President and CEO and the Chief Financial Officer. The Audit Committee discussed the quarterly report for Q4 2020 with the Executive Board and the auditor. The committee monitored the selection, independence, qualifications, rotation, and efficiency of the auditor and the services provided by the auditor. The committee also addressed the accounting and the accounting process, the effectiveness of the internal control system, the Company's risk management system, the effectiveness, equipment, and findings of the internal audit, as well as reports on pending and imminent litigation.

Against the backdrop of the Wirecard situation, the Audit Committee in particular discussed the role of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as the independent auditors of Wirecard AG. The Audit Committee posed questions to the independent auditors regarding this matter and evaluated the impact on Siemens Energy AG. No background details became known that would preclude Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, from being elected to serve as independent auditors for fiscal year 2021.

The **Nominating Committee** met on one occasion after the end of the fiscal year ending September 30, 2020, in order to prepare for the election of new shareholder representatives on the Supervisory Board by the Siemens Energy AG general Shareholders' Meeting on February 10, 2021. When proposing candidates to the Supervisory Board, the Nominating Committee took into account the requirements of the German Stock Corporation Act, the German Corporate Governance Code, and the bylaws of the Supervisory Board, as well as the objectives adopted by the Supervisory Board for its composition on November 9, 2020. In making its decision, the Nominating Committee paid particular attention to the personality, integrity, commitment, professionalism, and independence of the persons proposed for election. Taking the Company's international orientation into account, the Nominating Committee has taken care to ensure that the Supervisory Board has an adequate number of members with extensive international experience. The Nominating Committee also ensured that there was an appropriate participation of women and took into account that more than half of the members of the Supervisory Board should be independent within the meaning of recommendation C.7 of the German Corporate Governance Code. As a result, the Nominating Committee recommended that the Supervisory Board propose Dr. Christine Bortenlänger, Sigmar Gabriel, Geisha Jimenez Williams, Joe Kaeser, Dr. Hubert Lienhard, Hildegard Müller, Laurence Mulliez, Matthias Rebellius, Prof. Dr. Ralf P. Thomas, and Randy Zwirn to the general Shareholders' Meeting on February 10, 2021 as candidates for the election of shareholder representatives to the Supervisory Board, all of whom were already members of the Supervisory Board of Siemens Energy AG as shareholder representatives prior to the general Shareholders' Meeting.

The **Innovation and Finance Committee** and the **Committee for Related-Party Transactions** were first established after the end of the fiscal year ending September 30, 2020.

The members of the Supervisory Board are responsible for the training and further development measures required for their tasks, such as those relating to changes in the legal framework and new, future-oriented technologies, and are supported by the Company in this respect. If required, internal informational events will be provided for targeted further training. New members of the Supervisory Board can meet the members of the Executive Board and managers with specialist expertise to exchange views on fundamental and current issues and thereby gain an overview of the relevant topics of the company (onboarding).

INDIVIDUAL DISCLOSURE OF MEETING ATTENDANCE

The participation rate of the members of the Supervisory Board was 100%. The participation of the members of the Supervisory Board in the meetings of the Supervisory Board during fiscal year 2020 is disclosed individually as follows:

	Supervisory Board plenary meetings	
(Number of meetings / participation in %)	Number	in %
Peter Kastenmeier Chairman (until September 25, 2020)	9/9	100
Steffen Großberger (until September 25, 2020)	9/9	100
Christian Schmidt until September 25, 2020)	9/9	100
Joe Kaeser Chairman (since September 25, 2020)	1/1	100
Dr. Christine Maria Bortenlänger (since September 25, 2020)	1/1	100
Sigmar Gabriel (since September 25, 2020)	1/1	100
Geisha Jimenez Williams (since September 25, 2020)	1/1	100
Dr.-Ing. Hubert Lienhard (since September 25, 2020)	1/1	100
Hildegard Müller (since September 25, 2020)	1/1	100
Laurence Mulliez (since September 25, 2020)	1/1	100
Matthias E. Rebellius (since September 25, 2020)	1/1	100
Prof. Dr. Ralf P. Thomas (since September 25, 2020)	1/1	100
Randy Zwirn (since September 25, 2020)	1/1	100
		100

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS DISCUSSED IN DETAIL

The independent auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, audited the financial statements, Consolidated Financial Statements, and Combined Management Report for Siemens Energy AG and the Siemens Energy Group for fiscal year ending September 30, 2020, and issued an unqualified opinion. The financial statements of Siemens Energy AG and the Combined Management Report for Siemens Energy AG and the Group were issued in accordance with German legal requirements. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as applicable in the European Union (EU), and the additional requirements of German law pursuant to Section 315e (1) of the German Commercial Code (Handelsgesetzbuch). The Consolidated Financial Statements also comply with IFRS as published by the International Accounting Standards Board (IASB). The auditor conducted the audit in accordance with Section 317 German Commercial Code and the EU auditor directive, taking into account the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), and in supplementary compliance with the International Standards on Auditing (ISA). The aforementioned documents have been distributed to us in advance by the Executive Board. The preliminary dividend proposal was discussed in detail at the meeting of the Audit Committee on November 9, 2020; the financial statements, the Consolidated Financial Statements, and the Combined Management Report at the meeting of the Audit Committee on December 4, 2020. The Audit Committee addressed in particular the key audit matters described in the respective audit opinion, including the audit procedures performed. The audit by the Audit Committee also included the separate non-financial report for the Group. The audit reports of the auditor were available to all members of the Supervisory Board and were discussed in detail at the accounts meeting of the Supervisory Board on December 4, 2020, in the presence of the auditor. The auditor reported on the scope, focus, and main results of its audit and in particular addressed the key audit matters and the audit procedures performed. No significant weaknesses of the internal control system and the risk management system were reported. At this meeting, the Executive Board explained the financial statements of Siemens Energy AG and the Consolidated Financial Statements of the Group, as well as the risk management system.

The Supervisory Board agrees with the results of the audit. No objections are to be raised following the final results of the audit by the Audit Committee and our own audit. The Executive Board prepared the financial statements and the Consolidated Financial Statements. We have approved the financial statements and Consolidated Financial Statements. The financial statements are therefore adopted.

DEPENDENCY REPORT

In the fiscal year ending September 30, 2020, beginning on October 1, 2019, Siemens Energy AG was a dependent company of Siemens Aktiengesellschaft within the meaning of Section 312 German Stock Corporation Act until September 25, 2020. Hence, the Siemens Energy AG Executive Board prepared a report on relations with affiliated companies (dependency report) and presented it to the Supervisory Board along with the associated audit report prepared by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany. Based on the audit, which was completed without objections, the auditor issued the following audit opinion:

"Based on our professional audit, we confirm that

- the facts in the report are stated accurately,
- the consideration given by the Company for the transactions specified in the report was not unreasonably high,
- there are no circumstances in respect of the measures specified in the report that would justify an opinion materially different from the opinion of the Executive Board."

The dependency report and the related audit report were made available to all members of the Supervisory Board in good time and were discussed in detail in the presence of a representative of the auditor at the meeting on December 4, 2020. The auditor's representative reported on the main findings of his audit. After the final result of its own audit, the Supervisory Board raises no objections to the declaration of the Executive Board at the conclusion of the report on relations with affiliated companies and approves the dependency report of the Executive Board. The Supervisory Board approves the auditor's report on this matter.

CHANGES TO THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

The first Supervisory Board of Siemens Energy AG was formed when the Company was transformed into a stock corporation (Aktiengesellschaft) in August 2019 and was made up of three members in accordance with the articles of association. These three members were Peter Kastenmeier, Steffen Großberger, and Christian Schmid. The three members resigned from Siemens Energy AG's Supervisory Board by mutual agreement when the Spin-Off took effect on September 25, 2020. In the general Shareholders' Meeting on August 20, 2020, Dr. Christine Bortenlänger, Sigmar Gabriel, Geisha Jimenez Williams, Joe Kaeser, Dr. Hubert Lienhard, Hildegard Müller, Laurence Mulliez, Matthias Rebellius, Prof. Dr. Ralf P. Thomas, and Randy Zwirn were appointed members of the Supervisory Board subject to the Spin-Off becoming effective. On September 29, 2020, the members of the Supervisory Board elected Joe Kaeser as Chairman and Dr.-Ing. Hubert Lienhard as Deputy Chairman.

On September 25, 2020, the Executive Board of Siemens Energy AG initiated status proceedings regarding the composition of the Supervisory Board pursuant to Sections 97 et seqq. German Stock Corporation Act. Günter Augustat, Manfred Bäreis, Dr. phil Andrea Fehrmann, Dr. Andreas Feldmüller, Rüdiger Groß, Nadine Florian, Horst Hakelberg, Robert Kensbock, Jürgen Kerner, and Hagen Reimer have been appointed promptly by the judiciary as employee representatives.

Effective as of April 1, 2020, members of the Executive Board Wolfgang Seltmann und Martin Rohbogner resigned by mutual agreement. By resolution dated April 1, 2020, the Supervisory Board appointed Dr.-Ing. Jochen Eickholt and Tim Holt as members of the Executive Board of the Company with effect from the end of the Supervisory Board meeting on April 1, 2020, and Dr.-Ing. Christian Bruch and Maria Ferraro with effect as of May 1, 2020.

For the Supervisory Board

Joe Kaeser
Chairman

3.4 Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code

The Executive Board and Supervisory Board report on the corporate governance of the Company in this statement in accordance with Sections 289 f and 315 d German Commercial Code and Principle 22 of the German Corporate Governance Code (Code)[1]. The Compensation Report can be found in chapter 1.10 Compensation Report of the Combined Management Report. More information on corporate governance is available online at www.siemens-energy.com/global/en/company/investor-relations/corporate-governance.html.

Declaration of conformity with the German Corporate Governance Code

The Executive Board and the Supervisory Board of Siemens Energy AG approved the following Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz) as of November 2020:

"Declaration by the Executive Board and the Supervisory Board of Siemens Energy AG with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act

Siemens Energy AG shares have been listed on the stock exchange since September 25, 2020. As of this date, Siemens Energy AG ceased to be a part of the Siemens Group managed by Siemens Aktiengesellschaft and became a legally independent, publicly traded stock corporation to which the recommendations of the Government Commission on the German Corporate Governance Code in the version dated December 16, 2019 ("Code"), published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (Bundesanzeiger) apply.

The Supervisory Board of Siemens Energy AG currently comprises ten shareholder representatives. The Supervisory Board of Siemens Energy AG in the composition required by the German Codetermination Act will only be constituted once the sanctioning procedure, which was initiated directly on September 25, 2020, is complete; the first meeting of the co-determined Supervisory Board is scheduled for early December 2020.

At the first meeting of the current Supervisory Board on September 29, 2020, in particular the bylaws of the Executive Board and of the Supervisory Board were adopted, and the Presiding Committee, Audit Committee, and Nominating Committee were formed. At the second meeting of the Supervisory Board on November 9, 2020, the resolutions to the independence of the shareholders representatives, the Declaration of Conformity, the objectives (including the competence profile and the diversity concept) for the Supervisory Board and the diversity concept for the Executive Board were adopted.

Siemens Energy AG thus complies with all recommendations of the Code and will continue to comply with them in the future, with the following exceptions.

- According to recommendation B.3, the initial appointment of members of the Executive Board shall be for a maximum of three years. Even before Siemens Energy AG was listed on the stock exchange, Dr.-Ing. Christian Bruch was appointed to the Executive Board and Chairman of the Executive Board for five years. His individual qualifications and experience, particularly those acquired in long-term management positions, were taken into account in the decision for the longer appointment period. In making this appointment, it was particularly important to maintain continuity in the management of the Company. According to the bylaws of the Supervisory Board adopted on September 29, 2020, the initial appointment of members of the Executive Board will in future be for a maximum of three years.

- According to recommendation B.2, the Supervisory Board together with the Executive Board should ensure long-term succession planning. The Presiding Committee of the Supervisory Board will deal with the long-term succession planning for the Executive Board after the constitution of the co-determined Supervisory Board in December, when the employee representatives can be involved in the planning. Similarly, the resolution on the compensation system with the specifications provided for in rec- ommendation G.1 will be adopted at the constituent meeting of the co-determined Supervisory Board. The current employment contracts for the members of the Executive Board comply with the recommendations of the Code.

[1] The Corporate Governance statement is an unaudited integral part of the Combined Management Report.

- According to Recommendation D.13, the Supervisory Board shall assess, at regular intervals, how effective the Supervisory Board as a whole and its committees fulfil their tasks. The Supervisory Board shall report in the Corporate Governance Statement if (and how) the self-assessment was conducted. An efficiency review can only be sensibly carried out once the co-determined Supervisory Board has been constituted and started its work. The efficiency review is planned for the current fiscal year.

- Recommendation C.4 states that a Supervisory Board member who is not a member of any management board of a listed company shall not accept more than five Supervisory Board mandates at non-group listed companies or comparable functions, with an appointment as Chair of the Supervisory Board being counted twice. According to recommendation C.5, members of the management board of a listed company shall not have, in aggregate, more than two Supervisory Board mandates in non-group listed companies or comparable functions, and shall not accept the Chairmanship of a Supervisory Board in a non-group listed company.

  Instead of the recommended maximum number of mandates for the Executive Board and the Supervisory Board members as fixed upper limits, cases are to be judged on an individual basis as to whether the number of relevant mandates, as defined in the Code, is appropriate. This assessment is to consider the expected personal workload caused by the accepted mandates, which can differ depending on the specific mandates.

- According to recommendations C.10 Sentence 1 or D.4 Sentence 1, the Chairman of the Supervisory Board, the Chairman of the Audit Committee, and the Chairman of the committee that addresses Management Board remuneration are to be independent from the Company and the Executive Board.

  Prior to the Spin-Off becoming effective, numerous significant business relationships existed between Siemens Energy AG and its subsidiaries on the one hand, and the companies of the Siemens Group on the other hand due to their joint group affiliation. From the Company's point of view, it is advantageous to make still use of the com- prehensive knowledge and expertise of Joe Kaeser and Professor Dr. Ralf P. Thomas as members of the Managing Board of Siemens AG in their prominent position as Chairman of the Supervisory Board or Chairman of the Presiding Committee dealing with the compensation of the Executive Board and Chairman of the Audit Committee of Siemens Energy AG, respectively.

Munich, Germany, November 2020

Siemens Energy AG

The Executive Board The Supervisory Board"

The latest Declaration of Conformity is available on the Siemens Energy AG website at
↗ **www.siemens-energy.com/global/en/company/investor-relations/corporate-governance.html#GermanCorporateGovernanceCode.**

Corporate constitution (Unternehmensverfassung)

The term "Siemens Energy Group" refers to Siemens Energy AG and its Group companies. Siemens Energy AG is a stock corporation (Aktiengesellschaft) under the German Stock Corporation Act, registered in Munich, Germany. It has three governing bodies: the Executive Board, the Supervisory Board, and the general Shareholders' Meeting. Their duties and powers are derived primarily from the Stock Corporation Act and the articles of association of Siemens Energy AG, as well as from the bylaws.

Composition and operation of the Executive Board

The Executive Board of Siemens Energy AG is composed of four members. The members of the Executive Board and their memberships to be disclosed in accordance with Section 285 No. 10 German Commercial Code can be found on page 172.

As the top management body, the Executive Board is bound to serving the interests of the Company and achieving sustainable growth in company value. The members of the Executive 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 Executive Board prepares the Company's quarterly statements and half-year financial report, the financial statements and Consolidated Financial Statements, and the Combined Management Report of Siemens Energy AG and the Group. In addition, the Executive 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 Group. The Executive 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 Company's website at:
↗ **www.siemens-energy.com/global/en/company/about/compliance.html.**

The Supervisory Board has issued Bylaws for the Executive Board that contain the assignment of different portfolios and the rules for cooperation both within the Executive Board and between the Executive Board and the Supervisory Board. In accordance with these Bylaws, the Executive Board is divided into the portfolio of the President and CEO and a variety of Executive Board portfolios. The Supervisory Board has issued a business allocation plan which defines the Executive Board members who are responsible for the individual Executive Board portfolios. As the 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 Executive Board should not exceed three years. Members of the Executive Board shall, as a rule, not be over 63 years of age. Executive Board committees have not been set up.

As a rule, a portfolio assigned to an individual member is that member's own responsibility. Activities and transactions in a particular Executive 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 Executive Board.

The same applies to activities and transactions for which the President or another member of the Executive Board demands a prior decision by the Executive Board. The President is responsible for the coordination of all Executive Board portfolios. Further details are available in the Bylaws for the Executive Board at:
↗ **www.siemens-energy.com/global/en/company/investor-relations/corporate-governance.html#ArticlesofAssociationBylaws**

The Executive Board and the Supervisory Board cooperate closely for the benefit of the Company. The Executive 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 and results of operations, compliance, and entrepreneurial risks. At regular intervals, the Executive Board also discusses the status of strategy implementation with the Supervisory Board.

The members of the Executive Board are subject to a comprehensive prohibition on competitive activity for the period of their employment at Siemens Energy AG. They are bound 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. Executive Board members may conduct additional activities of material nature outside the company – in particular, supervisory board positions outside the Siemens Energy Group – only with the approval of the Presiding Committee of the Supervisory Board. The Supervisory Board is responsible for decisions regarding any adjustments to Executive Board compensation that are necessary in order to take account of possible compensation for secondary activities. Every Executive Board member is under an obligation to disclose conflicts of interest without delay to the Chair of the Supervisory Board and to the President of the Executive Board, and to inform the other members of the Executive Board thereof.

Information on the areas of responsibility and the curricula vitae of the members of the Executive Board are available on the Company's website at: ↗ **www.siemens-energy.com/global/en/company/about/executive-board.html.** Information on the compensation paid to the members of the Executive Board is provided in chapter **1.10 Compensation Report.**

Composition and operation of the Supervisory Board

Until the Spin-Off of Siemens Energy AG on September 25, 2020, the Siemens Energy AG Supervisory Board consisted of three members from the then sole shareholder Siemens Aktiengesellschaft. At the present time, the Supervisory Board consists of ten shareholder representatives who were elected with effect from the Spin-Off from Siemens Aktiengesellschaft. Effective as of the Spin-Off, Siemens Energy AG became the parent company of the legally and financially independent Siemens Energy Group. The Supervisory Board must therefore comprise an equal number of shareholder and employee representatives in accordance with the German Codetermination Act. The Executive Board announced the initiation on September 25, 2020, of the status proceedings concerning the composition of the Supervisory Board. Once the status proceedings are complete and the employee representatives have been legally appointed, the Supervisory Board will comprise an equal number of ten shareholder representatives and ten employee representatives in accordance with the German Codetermination Act. The members of the Supervisory Board representing shareholders will be elected by simple majority by the general Shareholders' Meeting – for the first time by the ordinary general Shareholders' Meeting on February 10, 2021. 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. The members of the Supervisory Board and their memberships to be disclosed in accordance with Section 285 No. 10 German Commercial Code can be found on page 172.

The Supervisory Board oversees and advises the Executive 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 financial statements and Consolidated Financial Statements, the Combined Management Report of Siemens Energy AG and the Group, and proposal for the appropriation of Net income. It approves the financial statements of Siemens Energy AG as well as the Consolidated Financial Statements, 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 Executive Board's proposal for the appropriation of Net income and the Report of the Supervisory Board to the general Shareholders' Meeting. In addition, the Supervisory Board and the Audit 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 Executive Board and determines each member's portfolios. The Supervisory Board approves – on the basis of a proposal by the Presiding Committee – the compensation system for Executive 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 Executive Board member, reviews the appropriateness of total compensation, and regularly reviews the Executive Board compensation system. Important Executive Board decisions – such as those regarding major acquisitions, divestments, fixed asset investments, or financial measures – require Supervisory Board approval unless the bylaws for the Supervisory Board specify that such authority be delegated to the Innovation and Finance Committee of the Supervisory Board.

The Supervisory Board and its committees will conduct regular reviews – either internally or with the involvement of external consultants – in order to determine how effectively they perform their duties. The first efficiency review is planned for the fiscal year ending September 30, 2021, due to the fact that the Supervisory Board was newly established as of the end of the fiscal year.

Separate preparatory meetings of the shareholder representatives and of the employee representatives should be held regularly in order to prepare the Supervisory Board meetings. The Supervisory Board also meets regularly without the Executive Board in attendance. Every Supervisory Board member is under an obligation to disclose conflicts of interest to the Supervisory Board. 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 Energy Group.

Details regarding the work of the Supervisory Board are provided in the chapter **3.3 Report of the Supervisory Board.** The curricula vitae of the members of the Supervisory Board are published on the Company's website at **www.siemens-energy.com/global/en/company/about/supervisory-board.html** and are updated annually. Information on the compensation paid to the members of the Supervisory Board is provided in chapter **1.10 Compensation Report.**

Supervisory Board committees

The Supervisory Board currently has three committees: the Presiding Committee, the Audit Committee, and the Nominating Committee. Their duties, responsibilities, and procedures fulfill the requirements of the German Stock Corporation Act and the Code. The chairs of these commit-tees provide the Supervisory Board with regular reports on their committees' activities. After completing the status proceedings, the Supervisory Board intends to form three further committees – an Innovation and Finance Committee, a Committee for Related-Party Transactions, and a Mediation Committee in accordance with Section 27 para. 3 of the German Codetermination Act.

The **Presiding Committee** coordinates the work of the Supervisory Board; it also prepares the Supervisory Board meetings and the review of its effectiveness. It discusses the long-term succession planning for the Executive Board, makes proposals regarding the appointment and dismissal of Executive Board members, and is responsible for concluding, amending, extending, and terminating employment contracts with members of the Executive Board. When making recommendations for first-time appointments, the Presiding Committee takes into account that these appointments should not exceed an initial term of three years. In preparing recommendations regarding the appointment of Executive Board members, the Presiding Committee takes into account the profile of requirements defined by the Supervisory Board, along with the diversity concept, and considers the age limit for Executive Board members defined by the Supervisory Board as well as the stipulated targets for the percentage of women. The Presiding Committee prepares the proposals for decisions at the Supervisory Board's plenary meetings regarding the system of Executive Board's and the Supervisory Board's compensation, including the implementation of this system in Executive Board contracts, the definition of the targets for variable Executive Board compensation and the determination of whether these targets have been achieved, the determination and review of the appropriateness of the total compensation of individual Executive Board members, and the approval of the annual Compensation Report. It 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 the Report of the Supervisory Board to the general Shareholders' Meeting. Furthermore, the Presiding 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 Executive Board members and parties related to them. Ultimately, the Presiding Committee is responsible for the decision if the Executive Board requires the approval of the Presiding Committee for the appointment or dismissal of management positions determined under its bylaws.

As of September 30, 2020, the Presiding Committee had the following members: Joe Kaeser (Chairman) and Dr.-Ing. Hubert Lienhard.

The **Audit Committee** oversees, in particular, the accounting and the accounting process and is responsible for preparing for the Supervisory Board's audit of the financial statements, Consolidated Financial Statements, and Combined Management Report of Siemens Energy AG and the Siemens Energy Group and for the audit of the Executive Board's proposal for the appropriation of Net income by the Supervisory Board. On the basis of the independent auditors' report on their audit of the financial statements, the Audit Committee makes, after its preliminary review, recommendations regarding Supervisory Board approval of the financial statements of Siemens Energy AG and the Consolidated Financial Statements. The Audit Committee discusses the quarterly statements and half-year financial report with the Executive 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 monitors the effectiveness of the internal control system, the risk management system, and the internal auditing system. The Audit Committee concerns itself with monitoring the Company's adherence to statutory provisions, official regulations, and internal Company policies (compliance), as well as with the Groups separate non-financial report. The Audit Committee receives regular reports from the Internal Audit Department. It prepares the Supervisory Board's recommendation to the general Shareholders' Meeting concerning the election of the independent auditors and submits the corresponding proposal to the Supervisory Board. It awards the audit contract to the independent auditors elected by the general Shareholders' Meeting and monitors the independent audit of the financial statements, particularly the selection, independence, rotation and qualification of the auditor, as well as the auditor's performance and the additional services rendered. In doing so, it observes the applicable statutory provisions, particularly the requirements under Regulation (EU) 537/2014 regarding statutory audit. Outside its meetings, the Supervisory Board is also in regular communication with the independent auditors via the Chairman of the Audit Committee.

As of September 30, 2020, the Audit Committee had the following members: Prof. Dr. Ralf Thomas (Chairman), Dr. Christine Bortenlänger, Joe Kaeser, and Laurence Mulliez. Prof. Dr. Thomas was elected Chairman at the Audit Committee meeting on November 9, 2020. The members of the Audit Committee are, as a group, familiar with the sector in which the Company operates. Pursuant to the German Stock Corporation Act, the Audit Committee must include at least one Supervisory Board member with knowledge and experience in the areas of accounting or the auditing of financial statements. Pursuant to the Code, the chair of the Audit Committee shall have specific knowledge and experience in applying accounting principles and internal control procedures, shall be familiar with audits, and shall be independent. The Chairman of the Audit Committee, Prof. Dr. Ralf Thomas, meets these requirements with the exception of the independence requirement, as the Code does not consider Supervisory Board members with professional responsibilities at a non-Group company that has a material business relationship with the Company to be independent.

The **Nominating Committee** is responsible for making recommendations to the Supervisory Board on suitable candidates for election by the general Shareholders' Meeting as shareholder representatives on the Supervisory Board. It is to be ensured that, besides possessing the necessary knowledge, skills, and expertise, the proposed candidates are familiar with the sector in which the Company operates. The objectives defined by the Supervisory Board for its composition should be taken into consideration, as should diversity and the fulfillment of the profile of required skills and expertise developed by the Supervisory Board. The target set by the Supervisory Board with respect to an appropriate participation of women and men is consistent with the legal requirements relating to the gender quota.

As of September 30, 2020, the Nominating Committee had the following members: Joe Kaeser (Chairman), Dr.-Ing. Hubert Lienhard, Prof. Dr. Ralf Thomas, and Geisha Williams.

More details are available in the bylaws for the Supervisory Board at: ↗ **www.siemens-energy.com/global/en/company/investor-relations/corporate-governance.html#ArticlesofAssociationBylaws**.

Share transactions by members of the Executive 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 Executive 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 Energy 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 €20,000 in any calendar year. All transactions reported to Siemens Energy AG in accordance with this requirement are duly published and are available on the Company website at: ↗ **www.siemens-energy.com/global/en/company/investor-relations/corporate-governance.html#Managers Transactions.**

Details regarding transactions with members of the Executive and Supervi-sory Boards as related individuals are available in **2.6 Notes to Consolidated Financial Statements in Note 27 Related party transactions.**

General Shareholders' Meeting and investor relations

Shareholders exercise their rights at the general Shareholders' Meeting. An annual general Shareholders' Meeting normally takes place within the first four months of each fiscal year. The general Shareholders' Meeting decides, among other things, on the appropriation of Net income, the ratification of the acts of the Executive 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 general Shareholders' Meeting and implemented by the Executive Board. The Executive 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 general Shareholders' Meeting. Furthermore, shareholders may exercise their right to vote in writing or by means of electronic communications (absentee voting). The Executive Board may enable shareholders to participate in the general 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 general Shareholders' Meeting via the internet. Shareholders may submit proposals regarding the proposals of the Executive and Supervisory Boards and may contest decisions of the general Shareholders' Meeting. Shareholders owning 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 general Shareholders' Meeting, including the annual report, can be downloaded from the Company website. The same applies to the agenda for the general Shareholders' Meeting and to any counter-proposals 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.

Due to the COVID-19 emergency legislation ("Gesellschaftsrechtliche COVID-19-Verordnung" of October 19, 2020), virtual general Shareholders' Meetings that make it possible to conduct general Shareholders' Meetings without the physical presence of shareholders may be held until the end of calendar year 2021.

As part of investor relations activities, investors are informed comprehensively about developments within the Company. For communication purposes, Siemens Energy AG makes extensive use of the Internet. We publish quarterly statements, half-year financial reports and annual reports, earnings releases, ad hoc announcements, analyst presentations, letters to shareholders, as well as the financial calendar for the current year, which contains the publication dates of significant financial communications and the date of the general Shareholders' Meeting, at: ↗ www.siemens-energy.com/global/en/company/investor-relations/publications-ad-hoc.html When required, the Chairman of the Supervisory Board discusses Supervisory-Board-specific topics with investors.

Further information on corporate governance practices

Suggestions of the Code

Siemens Energy AG voluntarily complies with the Codes' suggestions, with the following exceptions:

Pursuant to suggestion A.5 of the Code, in the case of a takeover offer, the Executive Board should convene an extraordinary Shareholders' Meeting at which shareholders will discuss the takeover offer and may decide on corporate actions. The convening of a general Shareholders' Meeting – even taking into account the shortened time frames 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.

Pursuant to suggestion D.8 sentence 2, participation in the Supervisory Board's and its committees' meetings by telephone or video conference should not be the rule. At Siemens Energy AG, personal attendance of meetings is envisaged as the norm. Participation by video or telephone should only take place under exceptional circumstances. Due to the exceptional circumstances of the COVID-19 pandemic, the first meetings of the Supervisory Board and its committees took place in part by video conference.

Business Conduct Guidelines

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.

Equal participation of men and women on the Supervisory Board and in management positions

To implement Germany's Law on the Equal Participation of Men and Women in Management Positions ("Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen"), the Supervisory Board has defined a target of at least 25% for the percentage of women by August 31, 2025, for the Executive Board.

Once the Supervisory Board is co-determined following completion of the status proceedings, the Supervisory Board will be composed of women at a minimum ratio of 30% and of men at a minimum ratio of 30% in accordance with Section 96 para. 2 Stock Corporation Act. Until the statutory gender quota comes into force, the Supervisory Board has set a target of 30% for the proportion of women on the Supervisory Board.

Because there was no management level below the Executive Board in the organizational structure of Siemens Energy AG (as the parent company) during the reporting period, the definition of targets for the proportion of women at such management levels was not applicable. The Executive Board takes diversity into account when filling managerial positions. Information regarding our voluntary targets can be found in our ↗ Sustainability Report.

Statutory provisions on equal participation of men and women in management positions that may be applicable to group companies other than Siemens Energy AG remain unaffected.

Diversity concept for the Executive Board

At its meeting on November 9, 2020, the Supervisory Board approved the following diversity concept for the composition of the Executive Board:

When making an appointment to a specific Executive Board position, the Supervisory Board's decision must be guided by the Company's best interest, taking into consideration all circumstances in the individual case. In the view of the Supervisory Board, the decisive criteria for the selection of members of the Executive Board are in particular their personal suitability, expertise in their prospective areas of responsibility, convincing leadership qualities, achievements to date, international experience, knowledge of the Company, and the ability to adjust business models and processes in a changing global environment. It must be ensured that the members of the Executive Board collectively have the knowledge, skills, and experience, as is required to optimally fulfill their duties as Executive Board members for a company active in the field of energy and technology, such as Siemens Energy.

When considering which personality would best complement the Executive Board, the Supervisory Board also pays attention to aspects of diversity, in particular age, gender, educational and professional background, and internationality. The aim is to achieve a composition that is diverse and comprises individuals who complement one another in an Executive Board that brings different perspectives to the management of the Company.

- The Supervisory Board considers it helpful if different age groups are represented on the Executive Board. In accordance with the recommendation of the German Corporate Governance Code, the Supervisory Board has defined an age limit for the members of the Executive Board. Accordingly, the members of the Executive Board shall should, as a rule, not be older than 63 years of age.

- Diversity also means gender diversity. When selecting individuals for Executive Board positions, the targets set by the Supervisory Board for the proportion of women on the Executive Board must be taken into account. The Supervisory Board has established as a target that 25% of the Executive Board positions are to be held by women by August 31, 2025.

- In addition to the expertise and management and leadership experience required for their specific tasks, the Executive Board members are to have a broad range of knowledge and experience and wide educational and professional backgrounds.

- Collectively, the Executive Board shall have experience in the business areas that are important for Siemens Energy, namely energy generation, energy transmission, engineering and construction.

- The Executive Board shall collectively possess knowledge of, and experience in, the areas of technology, strategy, innovation, manufacturing and production, marketing and sales, finances, corporate social responsibility, law and compliance, as well as the development and management of human resources.

- Siemens Energy operates globally with a workforce stemming from numerous countries and global customer and supplier bases. Therefore, the composition of the Executive Board should take into account internationality of its members in the sense of different cultural backgrounds or international experience. The aim is to ensure that there is intercultural openness and the corresponding understanding and ability to assess international issues and contexts within the Executive Board.

Status of implementation of the diversity concept for the Executive Board

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

The current composition of the Executive Board largely fulfills the diversity concept adopted by the Supervisory Board. The members of the Executive Board cover a broad spectrum of knowledge and experience and exhibit diversity with regard to professional and educational background in the Executive Board's current composition. The Executive Board has all the knowledge and experience that is considered essential in view of the activities of Siemens Energy. All Executive Board members have international experience. The various career paths and personalities within the Executive Board reflect the complex tasks it faces.

In the fiscal year 2020, the Executive Board comprised one woman and three men. The proportion of women on the Executive Board therefore met the target of 25% that has been set by the Supervisory Board. The average age of the Executive Board members stood at 52 years at the end of the fiscal year 2020. The youngest member was 47 years old, with the oldest member aged 58. No Executive Board member is currently older than 63 years of age.

Jointly with the Executive Board and with the support of the Presiding Committee, the Supervisory Board conducts long-term succession planning for the Executive Board. In the process, the Supervisory Board considers the target it has defined for the proportion of women on the Executive Board and the criteria set out in the diversity concept it has approved for the Executive Board's composition as well as the requirements of the German Stock Corporation Act, the Code and the bylaws for the Supervisory Board.

Objectives for the composition of the Supervisory Board, Profile of Required Skills and Expertise, Diversity Concept

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 on November 9, 2020:

The Supervisory Board of Siemens Energy AG shall be composed so as to ensure that it is able to effectively monitor and advise the Executive Board.

- **Personality and integrity**
  Each member shall have the personality and integrity needed to perform their duties properly. Supervisory Board members must always place the interests of the Company at the center of their actions as a Supervisory Board member.

- **Individual professional abilities**
  The candidates proposed for election to the Supervisory Board must have the knowledge, skills, and experience necessary to carry out the functions of a Supervisory Board member in a multinational publicly traded company. Each member of the Supervisory Board should know and understand the main product groups, customer groups, and sales markets of the Company and its strategy.

- **Sufficient time**
  Each member of the Supervisory Board must have sufficient time to exercise the mandate with the necessary regularity and diligence.

- **Limits on age**
  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.

- **Limit restricting the number of terms on the Supervisory Board**
  Nominations shall take into account that the Supervisory Board has resolved, as a rule, to limit membership on the Supervisory Board to three full terms of office. The Supervisory Board considers it important to regularly exchange its members, while at the same time maintaining continuity within the Board, as long-standing board membership ensures that significant experience and knowledge is acquired and promotes trustful cooperation within the Supervisory Board, and with the Executive Board.

- **Professional diversity**
  With regard to the composition of the Supervisory Board, care must be taken to ensure that its members collectively possess the professional skills required to fulfill their duties and that they have knowledge and experience in the business areas that are important for Siemens Energy, in particular those of energy generation, transmission, distribution, and storage. As a group, the members of the Supervisory Board must be familiar with the sector in which the Company operates.

  In acting in the interests of the Company, the Supervisory Board as a whole shall be able to include the interests of all relevant stakeholders such as employees, customers, investors, and the general public, and actively support organizational and technical change.

  Technological competence shall be appropriately represented on the Supervisory Board; in addition, it shall also possess expertise in those areas that are considered essential in view of the activities of Siemens Energy, in particular in the areas of strategy, innovation, manufacturing and production, marketing and sales, corporate social responsibility, law, in particular corporate governance and compliance, and human resources.

  It must be ensured that the Supervisory Board possesses the necessary financial competence; at least one member of the Supervisory Board shall have expertise in the fields of accounting or auditing, as well as specialist knowledge and experience in the application of accounting principles and internal control processes.

  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.

- **Diversity**
  With regard to the composition of the Supervisory Board, attention shall be paid to achieving sufficient diversity. This includes diversity in terms of cultural background and differences in educational and professional backgrounds, experience and ways of thinking, as well as the appropriate representation of the genders on the Supervisory Board as members. Pursuant to the German Stock Corporation Act, a Supervisory Board that is subject to co-determination must be made up of at least 30% women and at least 30% men. Until the statutory gender quota comes into force, the Supervisory Board has set a target of at least 30% for the proportion of women on the Supervisory Board. The Nominating Committee must include at least one female member.

- **Internationality**
  Siemens Energy operates globally with a workforce stemming from numerous countries and global customer and supplier bases. Having this in mind, the Supervisory Board shall include an appropriate number of members possessing international experience, so as to ensure that there is intercultural openness and the corresponding understanding, as well as the ability to assess international issues and contexts.

- **Independence**
  The Supervisory Board shall include an appropriate number of members representing the shareholders who are independent as determined by the shareholder representatives on the Supervisory Board. At least six shareholder representatives shall be independent of the Company and the Executive Board. Supervisory Board members shall not be members of governing bodies of, or exercise advisory functions at, significant competitors of the Company and shall not hold a personal relationship with a significant competitor. No more than two former members of the Executive Board of Siemens Energy AG shall belong to 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

In the process of selecting suitable candidates, the Nominating Committee of the Supervisory Board takes into account the objectives regarding the Supervisory Board's composition and the requirements defined in its diversity concept. The committee's recommendations to the Supervisory Board and the proposal of candidates for election as shareholder representatives to the general Shareholders' Meeting in 2021 take the defined targets and diversity concept into account and strive to fulfill the profile of skills and expertise.

When proposing new Supervisory Board members for election by the general Shareholders' Meeting, the Nomination Committee of the Supervisory Board will make sure that the candidates have sufficient time to perform their duties.

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 Energy. 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. As of September 30, 2020, the Supervisory Board was made up of four women (40%) and six men (60%). Geisha Williams 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 assessment, there are currently at least seven Supervisory Board members who are independent within the meaning of the Code. The regulations establishing limits on age and restricting the number of terms on the Supervisory Board are complied with.

Members of the Executive Board and positions held by Executive Board members

In the fiscal year ended September 30, 2020, the **Executive 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, 2020)	Group company positions (as of September 30, 2020)
Dr.-Ing. Christian Bruch President and Chief Executive Officer	April 7, 1970	May 1, 2020	April 30, 2025	Positions outside Germany: • Lenzing AG, Austria[1]	
Dr.-Ing. Jochen Eickholt	January 26, 1962	April 1, 2020	September 30, 2023	Positions outside Germany: • EthosEnergy Group Ltd., U.K. (Deputy Chairman) • Voith Hydro GmbH & Co. KG, Austria (Deputy Chairman)[2]	
Maria Ferraro	May 21, 1973	May 1, 2020	September 30, 2023		Positions outside Germany: • Siemens Gamesa Renewable Energy S.A., Spain[1]
Tim Holt	September 1, 1969	April 1, 2020	September 30, 2023	Positions outside Germany: • EthosEnergy Group Ltd., U.K. • Siemens Ltd., India[1]	Positions outside Germany: • Siemens Energy Ltd., Saudi Arabia • Siemens Gamesa Renewable Energy S.A., Spain[1] • Siemens Energy WLL, Qatar
Martin Rohbogner[3] *(until April 1, 2020)*	April 27, 1978	August 9, 2019	April 1, 2020		
Wolfgang Seltmann[3] *(until April 1, 2020)*	July 18, 1963	August 9, 2019	April 1, 2020		German positions:[4, 5] • evosoft GmbH Positions outside Germany:[4, 5] • evosoft Kft, Hungary

[1] Listed company.
[2] Advisory Board.
[3] Previously Managing Director of Kyros 52 GmbH (legal predecessor of Siemens Energy AG).
[4] As of April 1, 2020.
[5] Group company position as of April 1, 2020.

Members of the Supervisory Board and positions held by Supervisory Board members

In the fiscal year ended September 30, 2020, the Supervisory Board had the following members:

Name	Occupation	Date of birth	Member since	Term expires[1]	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises (as of September 30, 2020)
Joe Kaeser Chairman	President and Chief Executive Officer of Siemens Aktiengesellschaft	June 23, 1957	September 25, 2020	2021	German positions: • Daimler AG, Stuttgart, Germany[2] • Mercedes-Benz AG, Stuttgart, Germany • Siemens Energy Management GmbH, Munich, Germany (Chairman) Positions outside Germany: • NXP Semiconductors N.V., Netherlands[2] • Siemens Ltd., India[2,4]
Dr.-Ing. Hubert Lienhard Deputy Chairman	Member of the Supervisory Boards of various German enterprises	January 12, 1951	September 25, 2020	2021	German positions: • EnBW Energie Baden-Württemberg AG, Karlsruhe, Germany[2] • Heraeus Holding GmbH, Hanau, Germany • Siemens Energy Management GmbH, Munich, Germany • SMS GmbH, Düsseldorf • SMS group GmbH, Düsseldorf • Voith GmbH & Co. KGaA, Heidenheim an der Brenz, Germany[3]
Dr. Christine Bortenlänger	Managing Director Deutsches Aktieninstitut e. V.	November 17, 1966	September 25, 2020	2021	German positions: • Covestro AG, Leverkusen, Germany[2] • Covestro Deutschland AG, Leverkusen, Germany • MTU Aero Engines AG, Munich, Germany[2] • Osram GmbH, Munich, Germany • Osram Licht AG, Munich, Germany[2] • Siemens Energy Management GmbH, Munich, Germany • TÜV Süd AG, Munich, Germany
Sigmar Gabriel	Former German federal minister, author, publicist	September 12, 1959	September 25, 2020	2021	German positions: • Deutsche Bank AG, Frankfurt am Main, Germany[2] • GP Günter Papenburg AG, Hanover, Germany • Siemens Energy Management GmbH, Munich, Germany
Steffen Großberger (until September 25, 2020)	Senior Manager of Shareholder Controlling Germany at Siemens Aktiengesellschaft	April 26, 1972	August 9, 2019	September 25, 2020	German positions[6]: • Kyros 51 Aktiengesellschaft, Munich, Germany[4]
Peter Kastenmeier Chairman (until September 25, 2020)	Head of Shareholder Controlling Germany at Siemens Aktiengesellschaft	September 26, 1960	August 9, 2019	September 25, 2020	German positions[6]: • Flender GmbH, Bocholt, Germany[4] • Kyros 51 Aktiengesellschaft, Munich (Chairman), Germany[4] • Maschinenfabrik Reinhausen GmbH, Regensburg, Germany[4] • RISICOM Rückversicherung AG, Grünwald, Germany[4] • Siemens Gas and Power Management GmbH, Munich, Germany[4,7] • Siemens Logistics GmbH, Konstanz, Germany[4]

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Name	Occupation	Date of birth	Member since	Term expires[1]	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises (as of September 30, 2020)
Hildegard Müller	President of the Verband der Automobilindustrie e.V.	June 29, 1967	September 25, 2020	2021	German positions: • Siemens Energy Management GmbH, Munich, Germany • Vonovia SE, Bochum, Germany[2]
Laurence Mulliez	Chair of the Board of Directors of Voltalia SA and President of Globeleq Ltd.	February 6, 1966	September 25, 2020	2021	German positions: • Siemens Energy Management GmbH, Munich, Germany Positions outside Germany: • Globeleq Ltd., U.K. • Morgan Advanced Materials plc, U.K.[2] • SBM Offshore N.V., Netherlands[2] • Voltalia SA, France (Chairman)[2]
Matthias Rebellius	Member of the Managing Board of Siemens Aktiengesellschaft[5], CEO Siemens Smart Infrastructure and Chairman of Siemens Schweiz AG	January 2, 1965	September 25, 2020	2021	German positions: • Siemens Energy Management GmbH, Munich • Siemens Mobility GmbH, Munich, Germany[4] Positions outside Germany: • Siemens Ltd., Australia[4]
Christian Schmid (until September 25, 2020)	Senior Manager of Shareholder Controlling Germany at Siemens Aktiengesellschaft	December 7, 1961	August 9, 2019	September 25, 2020	German positions[6]: • Kyros 51 Aktiengesellschaft, Munich, Germany[4]
Prof. Dr. rer. pol. Ralf P. Thomas	Chief Financial Officer and member of the Managing Board of Siemens Aktiengesellschaft	March 7, 1961	September 25, 2020	2021	German positions: • Siemens Energy Management GmbH, Munich, Germany • Siemens Healthcare GmbH (Chairman), Munich, Germany[4] • Siemens Healthineers AG (Chairman), Munich, Germany[2,4] Positions outside Germany: • Siemens Proprietary Limited (Chairman), South Africa[4]
Geisha Jimenez Williams	Independent Energy advisor and consultant	July 21, 1961	September 25, 2020	2021	German positions: • Siemens Energy Management GmbH, Munich, Germany Positions outside Germany: • Osmose Utility Services, Inc., U.S.A.
Randy Zwirn	Member of the Board of Directors at Babcock Power Inc.	February 11, 1954	September 25, 2020	2021	German positions: • Siemens Energy Management GmbH, Munich, Germany Positions outside Germany: • Babcock Power Inc., U.S.A.

1 The term ends at the end of the ordinary general Shareholders' Meeting.
2 Listed company.
3 Shareholders' Committee.
4 Siemens Aktiengesellschaft group company.
5 From October 1, 2020.
6 As of September 25, 2020.
7 Now Siemens Energy Management GmbH. Mr. Kastenmeier left the Supervisory Board on September 25, 2020.

3.5 Notes and forward-looking statements

This document contains statements related to our future business and financial performance and future events or developments involving Siemens Energy 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 Energys’ management, of which many are beyond Siemens Energys’ 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 chapters 1.7 Report on expected developments and 1.8 Report on material risks and opportunities. 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 Energy may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. Siemens Energy 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 Energys’ 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

Siemens Energy AG
Otto-Hahn-Ring 6
81739 Munich

Media Relations: press@siemens-energy.com
Investor Relations: investorrelations@siemens-energy.com

siemens-energy.com