A.1

Organization of the Siemens Group and basis of presentation

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

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

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

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

NON-FINANCIAL MATTERS OF THE GROUP AND SIEMENS AG

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

A.2
Financial performance system

A.2.1 Overview

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

A.2.2 Revenue growth

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

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

A.2.3 Profitability and capital efficiency

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

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

Margin ranges

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

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

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

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

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

A.2.4 Capital structure

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

A.2.5 Liquidity and dividend

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

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

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

A.2.6 Calculation of return on capital employed

Calculation of ROCE

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

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

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

Calculation of capital employed

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

A.3 Segment information

A.3.1 Overall economic conditions

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

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

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

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

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

A.3.2 Digital Industries

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

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

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

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

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

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

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

A.3.3 Smart Infrastructure

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

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

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

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

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

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

A.3.4 Mobility

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

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

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

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

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

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

A.3.5 Siemens Healthineers

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

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

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

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

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

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

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

A.3.6 Siemens Financial Services

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

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

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

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

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

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

A.3.7 Portfolio Companies

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

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

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

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

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

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

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

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

A.3.8 Reconciliation to Consolidated Financial Statements

Profit

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

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

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

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

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

A.4
Results of operations

A.4.1 Orders and revenue by region

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

Orders (location of customer)

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

1 As defined by the International Monetary Fund.

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

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

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

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

Revenue (location of customer)

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

1 As defined by the International Monetary Fund.

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

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

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

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

A.4.2 Income

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

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

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

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

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

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

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

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

A.4.3 Research and development

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

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

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

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

A.5

Net assets position

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

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

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

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

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

A.6

Financial position

A.6.1 Capital structure

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

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

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

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

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

CAPITAL STRUCTURE RATIO

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

DEBT AND CREDIT FACILITIES

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

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

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

OFF-BALANCE-SHEET COMMITMENTS

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

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

Irrevocable loan commitments amounted to €3.8 billion. A considerable portion of these commitments resulted from asset-based lending transactions, meaning that the respective loans can be drawn only after the borrower has provided sufficient collateral.

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

SHARE BUYBACK

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

A.6.2 Cash flows

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

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

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

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

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

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

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

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

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

We report Free cash flow as a supplemental liquidity measure:

Free cash flow

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

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

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

INVESTING ACTIVITIES

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

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

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

A.7

Overall assessment of the economic position

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A.8

Report on expected developments and associated material opportunities and risks

A.8.1 Report on expected developments

A.8.1.1 Worldwide economy

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

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

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

A.8.1.2 Siemens Group

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

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

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

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

SEGMENTS

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

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

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

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

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

REVENUE GROWTH

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

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

PROFITABILITY

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

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

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

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

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

CAPITAL EFFICIENCY

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

CAPITAL STRUCTURE

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

A.8.1.3 Overall assessment

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

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

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

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

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

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

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

A.8.2 Risk management

A.8.2.1 Basic principles of risk management

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

A.8.2.2 Enterprise risk management process

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

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

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

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

A.8.2.3 Risk management organization and responsibilities

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

A.8.3 Risks

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

A.8.3.1 Strategic risks

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

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

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

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

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

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

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

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

A.8.3.2 Operational risks

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

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

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

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

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

A.8.3.3 Financial risks

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

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

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

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

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

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

A.8.3.4 Compliance risks

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

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

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

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

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

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

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

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

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

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

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

A.8.3.5 Assessment of the overall risk situation

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

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

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

A.8.4 Opportunities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A.9
Siemens AG

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

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

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

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

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

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

A.9.1 Results of operations

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

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

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

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

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

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

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

A.9.2 Net assets and financial position

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

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

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

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

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

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

A.9.3 Corporate Governance statement

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

A.10
Compensation Report

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

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

A.10.1 Compensation of Managing Board members

A.10.1.1 Compensation system

RESPONSIBILITY FOR ESTABLISHING MANAGING BOARD COMPENSATION

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

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

BASIC PRINCIPLES OF THE MANAGING BOARD COMPENSATION SYSTEM

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

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

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

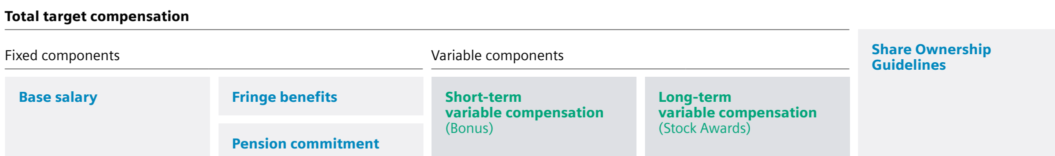
COMPONENTS AND STRUCTURE OF MANAGING BOARD COMPENSATION

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

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

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

Components comprising the Managing Board compensation system



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

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

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

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

FIXED COMPENSATION COMPONENTS

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

Base salary

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

Fringe benefits

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

Pension commitment

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

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

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

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

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

VARIABLE COMPENSATION COMPONENTS

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

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

Performance criteria for variable compensation

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

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

Short-term variable compensation (Bonus)

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

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

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

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

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

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

Bonus design and calculation of payout amount

Long-term variable compensation (Stock Awards)

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

Granting of Stock Awards

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

Performance criteria

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

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

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

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

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

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

The following applies for the determination of target attainment:

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

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

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

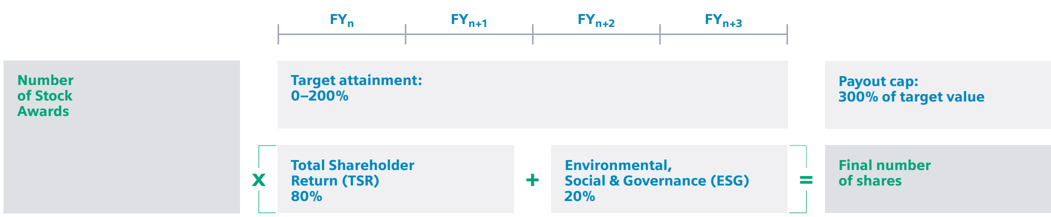
Determination of total target attainment

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

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

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

Calculation of the number of Siemens shares



Further provisions for Stock Awards

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

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

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

MAXIMUM COMPENSATION LIMITS

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

SHARE OWNERSHIP GUIDELINES

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

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

DEDUCTION OF COMPENSATION FOR MANAGING BOARD MEMBERS' SECONDARY ACTIVITIES

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

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

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

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

→ **Compensation for the loss of benefits from the previous employer**
  Depending on whether the compensation and/or benefits granted by a previous employer (for example, long-term variable compensation grants or pension commitments) are lost by reason of moving to Siemens AG, the Supervisory Board may grant compensation in the form of (usually Phantom) Stock Awards, special contributions within the scope of the BSAV or cash payments.

→ **Moving expenses**
  If the appointment as a member of the Managing Board or a change of the regular place of work at the request of the Company requires the Managing Board member to move to a new residence, moving expenses will be reimbursed up to an appropriate maximum amount to be specified in the individual employment contract.

COMMITMENTS IN CONNECTION WITH THE TERMINATION OF MANAGING BOARD APPOINTMENTS

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

Termination due to regular expiration of term of office

No severance payments or special pension contributions are made.

Termination by mutual agreement

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

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

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

No severance payments or special pension contributions are made.

Change of control

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

The following is applicable for existing Managing Board employment contracts:

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

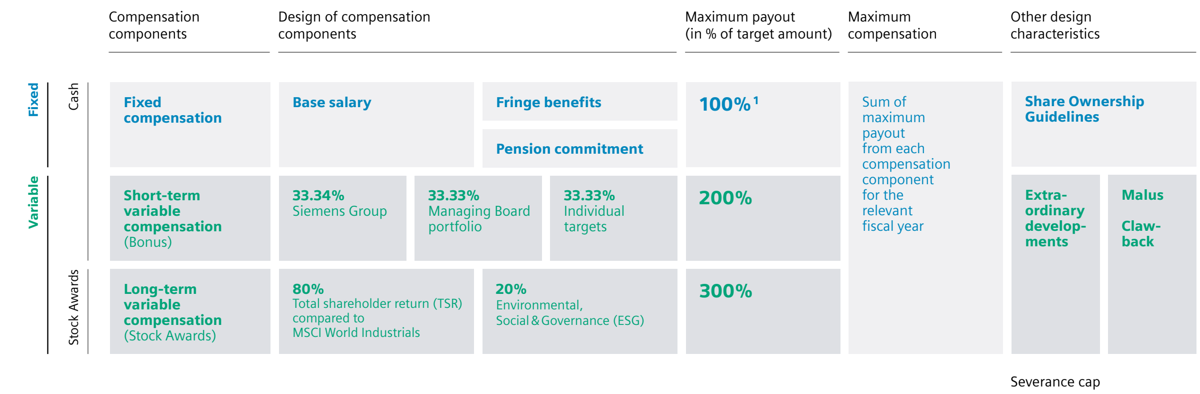
Basis for calculation	→ Base salary plus the target amount for the Bonus and the target amount for Stock Awards, each based on the values for the last fiscal year before contract termination
Limit (severance cap)	→ Two years' annual compensation
Increase/discount	→ Severance payment will be reduced by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

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

THE COMPENSATION SYSTEM AT A GLANCE

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

Overview of the compensation system for Managing Board members



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

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

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

TOTAL COMPENSATION

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

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

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

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

BASE SALARY

Base salary in fiscal 2020 was as follows:

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

FRINGE BENEFITS

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

PENSION BENEFIT COMMITMENT

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

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

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

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

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

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

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

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

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

SHORT-TERM VARIABLE COMPENSATION (BONUS)

The Bonus target amounts for fiscal 2020 were as follows:

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

"Siemens Group" target dimension

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

"Managing Board portfolio" target dimension

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

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

"Individual targets" target dimension

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

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

Determination of target attainment

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

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

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

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

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

LONG-TERM VARIABLE COMPENSATION (STOCK AWARDS)

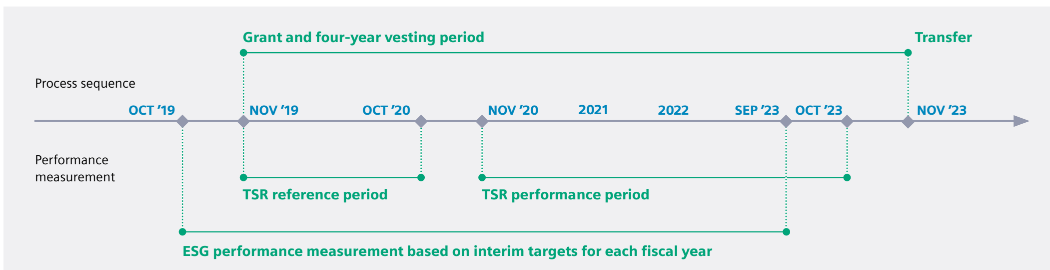
Information on the granting of the 2020 tranche

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

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

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

Time sequence for the 2020 Stock Awards tranche



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

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

Information on the grant of the 2020 Stock Awards tranche

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

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

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

Determination of target attainment for the 2016 tranche

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

Target attainment for the 2016 Stock Awards tranche

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

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

Target attainment: 131%

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

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

Overview of the 2016 Stock Awards tranche

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

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

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

Provisional target attainment for the 2017 to 2020 tranches

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

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

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

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

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

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

Review of the maximum amount of total compensation

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

Share Ownership Guidelines

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

Obligations under the Share Ownership Guidelines

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

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

BENEFITS IN CONNECTION WITH THE TERMINATION OF MANAGING BOARD APPOINTMENTS

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

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

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

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

OTHER

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

BENEFITS GRANTED AND PAYMENTS MADE IN FISCAL 2020

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

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

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

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

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

Joe Kaeser

Appointed: May 2006; President and CEO since August 2013

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

Compensation according to applicable accounting standards

		2020		2019
Performance-based compensation	**Short-term variable compensation** Bonus (Payout amount)	**1,626**		2,502
Total compensation (HGB)		**6,850**		7,151

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

Dr. Roland Busch

Appointed: April 2011; Deputy CEO since October 2019

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

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

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

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

Lisa Davis[1, 2]

Appointed: August 2014; Left: February 2020

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

Compensation according to applicable accounting standards

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

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

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

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

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

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

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

Klaus Helmrich

Appointed: April 2011

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

Compensation according to applicable accounting standards

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

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

Janina Kugel

Appointed: February 2015; Left: January 2020

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

Compensation according to applicable accounting standards

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

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

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

Cedrik Neike[1]

Appointed: April 2017

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

Compensation according to applicable accounting standards

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

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

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

Michael Sen[1]

Appointed: April 2017; Left: March 2020

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

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

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

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

Prof. Dr. Ralf P. Thomas

Appointed: September 2013

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

Compensation according to applicable accounting standards

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

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

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

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

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

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

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

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

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

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

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

A.10.1.4 Outlook for target-setting in fiscal 2021

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

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

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

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

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

A.10.2 Compensation of Supervisory Board members

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

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

Compensation of members of the Supervisory Board and its committees

Base compensation of Supervisory Board

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

Additional compensation for committee work

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

Compensation for work on the Chairman's Committee counts toward compensation for work on the Compensation Committee. No additional compensation is paid for work on the Compliance Committee if a member of that committee is already entitled to compensation for work on the Audit Committee.

If a Supervisory Board member is absent from any Supervisory Board meetings, one-third of the aggregate compensation due to that member is reduced by the percentage of Supervisory Board meetings he or she does not attend in relation to the total number of Supervisory Board meetings held during the fiscal year. In the event of changes in the composition of the Supervisory Board or its committees, compensation is paid on a pro-rata basis, rounding up to the next full month.

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

The members of the Supervisory Board are reimbursed for out-of-pocket expenses incurred in connection with their duties and for any value-added taxes to be paid on their compensation. For the performance of his duties, the Chairman of the Supervisory Board is also entitled to an office with secretarial support and the use of a car service. No loans or advances from the Company are provided to members of the Supervisory Board.

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

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

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

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

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

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

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

A.10.3 Other

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

A.11

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

A.11.1 Composition of common stock

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

A.11.2 Restrictions on voting rights or transfer of shares

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

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

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

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

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

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

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

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

The Managing Board is authorized to increase, with the approval of the Supervisory Board, the capital stock until January 25, 2021 by up to €90 million through the issuance of up to 30 million Siemens shares against contributions in cash (Authorized Capital 2016). Subscription rights of existing shareholders are excluded. The new shares shall be issued under the condition that they are offered exclusively to employees of the Company and any of its affiliated companies. To the extent permitted by law, such employee shares may also be issued in such a manner that the contribution to be paid on such shares is covered by that part of the annual net income which the Managing Board and the Supervisory Board may allocate to other retained earnings under Section 58 para. 2 of the German Stock Corporation Act.

Furthermore, the Managing Board is authorized to increase, with the approval of the Supervisory Board, the capital stock until January 29, 2024 by up to €510 million through the issuance of up to 170 million Siemens shares against cash contributions and/or contributions in kind (Authorized Capital 2019).

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

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

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

→ The issue price of the new shares/bonds is not significantly lower than the stock market price of the Siemens shares already listed or the theoretical market price of the bonds computed in accordance with generally accepted actuarial methods (exclusion of subscription rights, limited to 10% of the capital stock, in accordance with or by mutatis mutandis application of Section 186 para. 3 sentence 4 German Stock Corporation Act).

→ The exclusion is necessary with regard to fractional amounts resulting from the subscription ratio.
→ The exclusion is used to grant holders of conversion or option rights or conversion or option obligations on Siemens shares a compensation for the effects of dilution.

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

The Company may not repurchase its own shares unless so authorized by a resolution duly adopted by the shareholders at a general meeting or in other very limited circumstances set forth in the German Stock Corporation Act. On February 5, 2020, the Shareholders' Meeting authorized the Company to acquire until February 4, 2025 up to 10% of its capital stock existing at the date of adopting the resolution or – if this value is lower – as of the date on which the authorization is exercised. The aggregate of shares of stock of Siemens AG repurchased under this authorization and any other Siemens shares previously acquired and still held in treasury by the Company or attributable to the Company pursuant to Sections 71d and 71e of the German Stock Corporation Act may at no time exceed 10% of the then existing capital stock. Any repurchase of Siemens shares shall be accomplished at the discretion of the Managing Board either (1) by acquisition over the stock exchange, (2) through a public share repurchase offer or (3) through a public offer to swap Siemens shares for shares in a listed company within the meaning of Section 3 para. 2 German Stock Corporation Act. The Managing Board is additionally authorized to complete the repurchase of Siemens shares in accordance with the authorization described above by using certain derivatives (put and call options, forward purchases and any combination of these derivatives). In exercising this authorization, all stock repurchases based on the derivatives are limited to a maximum volume of 5% of Siemens' capital stock existing at the date of adopting the resolution at the Shareholders' Meeting. A derivative's term of maturity may not, in any case, exceed 18 months and must be chosen in such a way that the repurchase of Siemens shares upon exercise of the derivative will take place no later than February 4, 2025.

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

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

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

- → used to service or secure obligations or rights to acquire Siemens shares arising particularly from or in connection with convertible bonds or warrant bonds of the Company or its affiliated companies (exclusion of subscription rights, limited to 10% of the capital stock, by mutatis mutandis application of Section 186 para. 3 sentence 4 German Stock Corporation Act). Moreover, the Managing Board is authorized to exclude subscription rights in order to grant holders/creditors of conversion or option rights or respective conversion or option obligations on Siemens shares subscription rights as compensation against effects of dilution to the extent to which they would be entitled after exercise of such rights or fulfillment of such obligations, and to use Siemens shares to service such subscription rights.

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

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

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

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

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

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

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

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

The lines of credit, the bridge facility and the loan agreements mentioned above provide their respective lenders with a right of termination in the event that (1) Siemens AG becomes a subsidiary of another company or (2) a person or a group of persons acting in concert acquires effective control over Siemens AG by being able to exercise decisive influence over its activities (Art. 3(2) of Council Regulation (EC) 139/2004).

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

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

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

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

A.11.7 Other takeover-relevant information

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