Siemens Energy Annual Report 2021

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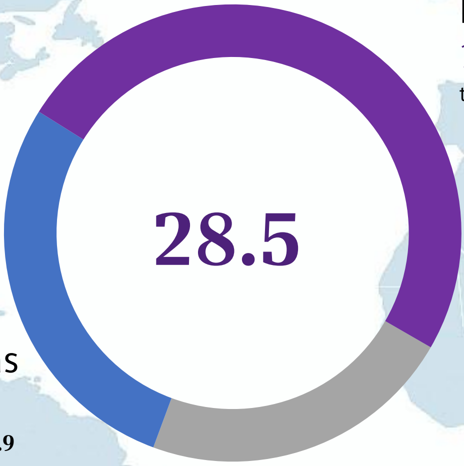
Siemens Energy Group at a glance

Revenue distribution (location of customer)
(in billions of €)



EMEA
14.1
therein Germany **2.4**

Americas
8.1
therein U.S. **4.9**

Asia, Australia
6.4
therein China **1.6**

Adjusted EBITA margin before Special items
2.3%

Adjusted EBITA
(in millions of €)
(12)

Net income (loss)
(in millions of €)
(560)

Order Backlog
(in billions of €)
84

Orders
(in billions of €)
33

Book-to-bill ratio
1.2

Free cash flow pre tax
(in millions of €)
1,358

Basic EPS
(in €)
(0.63)

Employees ∅
(in thousands)
92

Content

Letter from the Executive Board

Dear Shareholders,

On September 28, 2020, Siemens Energy was listed for the first time on the Frankfurt Stock Exchange. Just a few months later, on March 22, 2021, we joined the ranks of companies listed in Germany's blue-chip index, the former DAX30. Our rapid ascension, achieved so soon after our initial listing, is a remarkable tribute to our company and the dedication of our 92 thousand employees. On behalf of our employees, I would like to thank you for the confidence you have placed in us over the past year.

Siemens Energy is a young company with a long tradition. In 1866, engineer and entrepreneur Werner von Siemens discovered the dynamo-electric principle. With it, he laid the foundation for modern electrical engineering and started the electrification of the world. Today, as a global player, we do business in more than 90 countries. We contribute to more than 16% of global power generation. It is important to bear in mind that more than half of our portfolio is already based on technologies that are relevant in a decarbonized energy world. To expand our leading position and advance sustainable technologies of the future, we invest €1 billion per year in research and development.

We are a reliable partner who actively helps our customers bring about their own energy transition. Our segments Gas and Power, and Siemens Gamesa Renewable Energy (SGRE) use sustainable technologies to carry out projects along the entire energy-supply value chain.

At Gas and Power, this is the responsibility of the Generation, Industrial Applications and Transmission divisions and the New Energy Business unit. Generation is driving power generation with the goal of producing ever lower levels of emissions or even none at all. Industrial Applications serves our customers in the process industry with low-emission industrial applications. Transmission ensures the efficient transmission and storage of electricity. New Energy Business mainly bundles our activities in electrolysis for the purpose of producing hydrogen, among other things.

SGRE is a world leader in wind energy and has installed 107 gigawatts in 75 countries to date. The company, in which we hold a 67% stake, is listed on stock exchanges in Madrid, Barcelona, Valencia and Bilbao.

How successful was Siemens Energy in the past fiscal year?

Development of orders and cash flow was convincing in the past fiscal year. In spite of the challenging business environment we faced, we significantly improved our profitability. I am very proud of our global team and our success for this very reason. We now have a robust order book. I am also confident that the measures we have taken will continue to pay off and that we will make further progress in fiscal year 2022. I am equally confident about our targets for 2023 and beyond as well.

Let's now take a detailed look at our figures: Our incoming orders declined moderately by 3% to €33.0 billion (2020: €34.0 billion). But they still remained high. On a comparable basis (excluding currency translation and portfolio effects), orders decreased only slightly. The order backlog at the end of the fiscal year increased to €84 billion. Revenue increased moderately by 4% to €28.5 billion (2020: €27.5 billion). Siemens Energy's adjusted EBITA almost reached the profit zone with a €12 million loss (2020: loss of €1,543 million). This was mainly due to a sharp decline in special items and operating improvements. Adjusted EBITA before Special items improved to €661 million (2020: minus €17 million) with a margin of 2.3%.

The loss after tax was €560 million for fiscal year 2021, a very strong improvement from the loss of €1,859 million in the previous year. Basic earnings per share were minus €0.63 (2020: minus €2.21).

We made progress in the Gas and Power segment in the past fiscal year. The measures initiated to increase competitiveness are having an impact, and we are well on our way to achieving our targets for fiscal year 2023. Progress is also evident at Siemens Gamesa Renewable Energy in the offshore and service businesses. We have initiated improvement measures in the onshore area.

Business conditions for our company are good. Global demand for energy is rising. In particular, the increasing electrification of industry and mobility could double global electricity consumption by 2040 – currently more than 750 million people still do not have any access to electricity. At the same time, demand for climate-neutral solutions is growing.

For Siemens Energy, this means excellent growth opportunities. However, it also brings immense challenges. For example, we face risks due to delays in supply chains and rising raw material prices. In addition, the conventional energy business remains challenging. The Energy of Tomorrow strategy that we presented at the Capital Market Day in September 2020 addresses these challenges. It envisages a systematic alignment of our portfolio towards sustainability. It also involves reducing our cost base by more than €300 million by fiscal year 2023. We plan to achieve some of these savings by lowering material costs and streamlining internal processes. Nonetheless, we will also have to cut jobs in our traditional business, a decision we announced at the beginning of February 2021. After extensively carrying out these plans in many countries, we were able to conclude negotiations with employee representatives in Germany in September 2021. The result was an agreement on a reconciliation of interests and a framework social plan.

We have thus laid the foundation for long-term reductions in our cost base and improved profitability. Our goal is an adjusted EBITA margin before special items of 6.5% to 8.5% in 2023. Over the medium term, we aim to achieve an adjusted EBITA margin after special items of at least 8%. These gains will enable us to generate the funds we need to develop new business models and technologies, and tap new markets. Or simply: to shape the energy world of tomorrow.

The energy world of tomorrow will be shaped by the development of sustainable technologies. They are the essential aspect of our effort to counter climate change and help decarbonize our energy supply. We are at a turning point in human history. The Intergovernmental Panel on Climate Change's (IPCC) forecast in August 2021 that the average global temperature could rise by more than 1.5 degrees Celsius as early as 2030. The result would be extreme weather events unlike anything we have seen before. Last summer's natural disasters in China, North America, Russia, southern Europe, Germany and many other regions of the world offer a glimpse of what may occur.

We must act now and move “from a decade of thinking about climate change to a decade of implementation,” as the initiators of the 26th UN Climate Change Conference in Glasgow (COP26) put it. Declarations of intent alone are no longer enough – no matter how good and appropriate the objectives of more than 130 countries in the world are to become climate-neutral by 2050.

A company that is determined to help lead its customers down the path toward the energy transition must also pursue this goal systematically itself. And that is just what we have done. By 2023, we at Siemens Energy want to increase our use of green power from 78% of our total consumption to 100%. SGRE is already well ahead of us, having achieved this goal in 2020. We at Siemens Energy intend to be climate neutral in our own operations by 2030. SGRE reached this climate neutrality goal in 2019 and aims to be the first energy technology company ever to achieve net zero emissions by 2040. This will then include the emissions of its products and solutions at customer sites.

With these ambitious targets in mind, we are assuming our social responsibility as a global player. But our responsibility extends well beyond our efforts to decarbonize as well. Our ambition is greater: We intend to become the world's leading energy technology company in the areas of environment, social and governance. Leading sustainability agencies have confirmed that we are on the right track.

These efforts include providing our employees with equal opportunities and the best-possible professional growth opportunities. Lifelong learning is a key success factor in an industry that is undergoing and will continue to undergo profound change. At the same time, the safety and health of our employees are a top priority for us. Our goal is to prevent occupational accidents to the greatest degree possible.

In terms of inclusion and diversity, we aim to increase the proportion of women in senior management positions at Gas and Power from 21% to 25% by 2025. We aim to reach 30% by 2030. SGRE is working to increase the proportion of women at the senior management level from 12% to 25% by 2025. At Siemens Energy, we believe that diverse teams are more effective and that inclusion and diversity are reasons why young people choose an employer.

Acting responsibly is the basis of our corporate governance. This includes the highest standards of integrity and compliance in everything we do. If misconduct occurs, we will act swiftly and consistently to address it. Our integrity is the foundation of our business principles.

As you can see, we have set our sights high. And we look forward to having you join us on this journey. Thank you for the trust you have put in Siemens Energy.

Chairman of the Executive Board

Christian Bruch


Jochen Eickholt
Member of the
Executive Board
Christian Bruch
President and
Chief Executive Officer
Tim Holt
Member of the
Executive Board
Maria Ferraro
Chief Financial Officer
MONTAGESTAND

About this Report

This Annual Report contains the Consolidated Financial Statements and the Combined Management Report of Siemens Energy AG and its subsidiaries ('Siemens Energy Group,' 'Siemens Energy,' 'the Group,' 'the Company,' or 'we') for the year ended September 30, 2021 including the Group non-financial statement for the first time in chapter 1.10 Group non-financial statement of the Combined Management Report, as well as further information. It complies with the annual financial reporting requirements of Section 114 of the German Securities Trading Act ("Wertpapierhandelsgesetz"). The Combined Management Report includes the management report for Siemens Energy AG in addition to the information on the Siemens Energy Group. This Annual Report also contains the 3.5 Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code as well as the 3.6 Compensation Report pursuant to Section 162 of the Stock Corporation Act of Siemens Energy AG for fiscal year 2021. Independently of this, as part of our focused corporate communications activities, we will also be reporting on sustainability matters within a dedicated sustainability report (available with the beginning of January 25, 2022 under www.siemens-energy.com).

The Siemens Energy's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU) as well as with the additional requirements set forth in Section 315 e para. 1 German Commercial Code. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has audited the Consolidated Financial Statements and the Combined Management Report. The unqualified independent auditor's report can be found under 3.2 Independent Auditor's Report. The Independent Auditor's Report also includes a "Report on the assurance in accordance with Section 317 (3a) HGB on the electronic reproduction of the Consolidated Financial Statements and the group management report prepared for publication purposes" ("ESEF Report"). The audit subject underlying the ESEF Report (ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed or accessed at www.siemens-energy.com.

This document contains statements related to our future business and financial performance and future events or developments involving Siemens Energy, that may constitute forward-looking statements. These statements may be identified by words such as "expect", "look forward to", "anticipate", "intend", "plan", "believe", "seek", "estimate", "will", "project" or words of similar meaning. We may also make forward-looking statements in other reports, prospectuses, presentations, material delivered to shareholders and press releases. In addition, our representatives may from time to time make verbal forward-looking statements. Such statements are based on the current expectations and certain assumptions of Siemens Energy's management, of which many are beyond Siemens Energy's control. These are subject to a number of risks, uncertainties and factors, including, but not limited to those described in disclosures, in particular in the chapters 1.7 Report on expected developments and 1.8 Report on material risks and opportunities of the Annual Report. Should one or more of these risks or uncertainties materialize, should acts of force majeure, such as pandemics, occur, or should underlying expectations including future events occur at a later date or not at all, or should assumptions prove incorrect, Siemens Energy's actual results, performance, or achievements may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. Siemens Energy neither intends, nor assumes any obligation to update or revise these forward-looking statements in light of developments, which differ from those anticipated.

This document includes in the applicable financial reporting framework not clearly defined supplemental financial measures, that are or may be alternative performance measures (non-GAAP-measures). These supplemental financial measures should not be viewed in isolation, or as alternatives to measures of Siemens Energy's net assets and financial positions or results of operations as presented in accordance with the applicable financial reporting framework in its Consolidated Financial Statements. Other companies, that report or describe similarly titled alternative performance measures, may calculate them differently.

The Consolidated Financial Statements have been prepared and published in millions of euro (€ million). Due to rounding, numbers presented throughout this and other documents, may not add up precisely to the totals provided, and percentages may not precisely reflect the absolute figures.

This document is an English language translation of the German document. In case of discrepancies, the German language document is the sole authoritative version.

For technical reasons, there may be differences between the accounting records appearing in this document and those published pursuant to legal requirements.

Combined Management Report

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1.1 Business description

1.1.1 Organization and reporting structure

Siemens Energy AG, parent company of the Siemens Energy Group (hereinafter also referred to as Siemens Energy) and registered in Munich, is an Aktiengesellschaft (Stock Corporation) in accordance with German law.

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

Siemens Energy's (SE) reporting structure in fiscal year 2021 comprises two reportable segments, Gas and Power (GP) and Siemens Gamesa Renewable Energy (SGRE). Siemens Gamesa Renewable Energy S.A., Spain (together with its subsidiaries - SGRE) shares are listed on the Spanish stock exchanges of Madrid, Barcelona, Valencia, and Bilbao and are included in the Spanish IBEX 35 index. Siemens Energy holds approximately 67% of the shares in SGRE S.A.

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

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

1.1.2 Business model

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

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

As already communicated in November 2020, Siemens Energy no longer participates in new tenders for pure coal-fired power plants. Siemens Energy will still meet the existing commitments for coal-fired power plant projects, including binding offers. Also continued are the CO_2-reducing service and solutions business as well as combined heat and power (CHP) projects.

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

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

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

Gas and Power (GP)

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

Transmission offers a wide range of products, systems, solutions, and services for power transmission. The product portfolio comprises flexible AC transmission systems, offshore windfarm grid connections, high voltage direct current transmission systems, high voltage substations, air- and gas-insulated switchgear, transformers, other products, digital solutions and components. The Transmission division offers its products individually or as part of tailor-made systems and solutions as well as services relating to power transmission of high (which includes ultra-, extra- and high-voltage layers) and, to a lesser extent, medium and low voltage levels as part of product bundles or solutions. The transmission business serves a broad range of customers including power producers, transmission, and distribution system operators, and industrial and infrastructure customers in industries such as oil and gas, chemicals, mining, data centers, airports, and rail companies. Competitors in the transmission business consist mainly of a small number of large multinational companies, increasingly joined by smaller, fast-growing manufacturers in emerging countries including China, India, and Korea.

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

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

At Generation, the ongoing push for clean energy and the consequent growth in demand for power from renewables – which come with associated short-term fluctuations in power generation levels – is shifting market demand from fossil baseload generation to more flexible, highly efficient and affordable gas power plants with low emissions, in particular in Europe, Latin America and Asia. In general, the markets for GP are strongly affected by changes in national energy regulations, such as support of renewable energy, the security of supply through capacity markets or strategic reserve capacity, carbon pricing and climate change targets, as well as modernization of energy and electricity markets. Fuel efficiency standards in the U.S. and the European Union are expected to weigh on future demand for fossil transportation fuels in these regions, contrasting with strong growth in transportation related fuel use in other world regions, particularly in Asia. A further trend is that the development and execution of large projects increasingly requires financing by the original equipment manufacturer (OEM) or contractor, including equity participation, which is supported by Siemens Energy via a range of financial solutions.

Industrial Applications supports companies in a broad range of industries while meeting the challenges of the energy transition. With a comprehensive technology portfolio, we provide the right balance for our customers between sustainability and reliability of operations for both power generation and a wide range of industrial processes. With our rotating equipment being mission critical to many such operations. Reliability and availability of our turbomachinery in the field is maintained throughout its lifecycle based on a comprehensive suite of services. We also optimize both our equipment and services with electrical, automation and digital offerings that provide a holistic approach to ensuring safe, reliable, and efficient asset operations.

Major fields of technology offered by Industrial Applications include rotating equipment, electrification, automation and digitization supplemented by respective services. Our lifecycle services group supports our customers with spare parts, repairs, on-site maintenance, automation and digitization services, modernization and upgrades, long-term service contracts, operations and maintenance services, and cyber security solutions. The rotating equipment portfolio comprises industrial and aero-derivative gas turbines, turbo- and reciprocating compressors, power generation and compression trains and modules. A broad spectrum of solutions in the fields of electrification, automation and digitization, plant safety, plant security, and water treatment complete the offerings.

Major target markets are oil & gas upstream (on- and offshore upstream including drilling, production, and processing of oil and natural gas), midstream (gas liquefaction, pipeline systems (incl. hydrogen) and gas storage), downstream (processing of oil and natural gas to intermediates and final products in refineries and petrochemical plants), fibers (pulp, paper, boards and tissues processing plants), chemicals (such as fertilizers and chemical processing plants), air separation, synthetic fuels (hydrogen based and other green fuels produced using regenerative energies), metallurgy and mining (blast furnaces and direct reduced iron) as well as marine applications (commercial and special vessels incl. submarines).

The competition of Generation and Industrial Applications consists mainly of two groups: a relatively small number of OEM, some with very strong positions in their domestic markets, and a large number of EPC contractors (engineering, procurement and construction).

Other Operations include our New Energy Business and certain at-equity investments. Our New Energy Business complements the portfolio of GP by developing new technologies in the field of decarbonized energy and storage systems. The current focus of the New Energy Business is to enable the green hydrogen economy and promote decarbonization, for which it is developing electrolysis products that use electricity from renewable sources to produce green hydrogen. This can be deployed in, for example, Power-to-X applications to generate carbon-neutral synthetic (power) fuels. The current focus is on technological refinements, establishing a hydrogen partner network, building an automated production facility and corresponding supply chain, and conducting early projects to serve as references. In fiscal year 2021, for example, ground was broken on the world's first integrated commercial facility to produce carbon-neutral fuel in Chile, the "Haru Oni" lighthouse project, which has received funding from Germany's Federal Ministry for Economic Affairs and Energy. Our partner, sports car manufacturer Porsche, has initiated a demonstration project and will be using near carbon-neutral e-fuels in motor sport from 2022 and in its own combustion engine vehicles in the future

Siemens Gamesa Renewable Energy (SGRE)

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

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

In addition, with its **Operation and Maintenance** business, SGRE provides services for the operation and maintenance of wind farms including a comprehensive and flexible portfolio for the maintenance and optimization of wind turbines, providing holistic lifetime care. Complete asset management as well as technical assistance is provided for the Segment SGRE's wind turbines and is also being expanded for third party platforms.

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

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

The share of renewable energy in the global energy mix is widely expected to increase. This trend may even accelerate by the latest announced plans of several countries to reduce greenhouse gas (see **1.3.2 Events and developments responsible for the course of business/ Energy market transformation**). Nevertheless, the wide-spread auction systems for wind power development are creating continuous pressure on the developers and therefore also the turbine suppliers. Furthermore, competition with other power sources puts additional pressure on the life-cycle cost. To address this challenge, SGRE focuses on innovation, productivity and asset management, operational excellence, as well as sustainability and people. In addition, SGRE is investing in digitalization, which is considered a key differentiator.

1.1.3 Research and development

In fiscal year 2021, we reported research and development (R&D) expenses of €1,155 million (2020: €985 million). The resulting R&D intensity, defined as the ratio of R&D expenses and revenue, was 4.1% (2020: 3.6%). Additions to capitalized development expenses amounted to €188 million in fiscal year 2021 (2020: €191 million). As of September 30, 2021, Siemens Energy held approximately 18,300 granted patents worldwide in its continuing operations (2020: 16.600). In fiscal year 2021, Siemens Energy employed an average number of five thousand people working in the R&D area.

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

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

Our GP Segment's R&D activities are steered to best address the challenges posed by the market-defining mega trends: digitalization, growing electricity demand, decarbonization, and decentralization. In Transmission, R&D activities are focused on accelerating the development of the SF_6 (Sulfur hexafluoride)-free Blue portfolio as well as digital products, systems, and solutions to better support the energy transition. Generation's R&D activities are focused on transforming its portfolio into a carbon-neutral portfolio by developing new services, distributed generation applications, and carbon-neutral products and solutions. To this end, products being developed include grid stabilizers, large-scale heat pumps, storage and hybrid solutions. In the traditional Generation businesses and in the Industrial Applications division, R&D activities are strongly focused on decarbonization to support our customers under the changed market conditions. Here, increasing efficiency, availability and flexibility, and reducing greenhouse gas emissions, including increasing hydrogen, are the main levers.

The success of our R&D activities in the areas of energy transition and carbon-neutral technologies is reflected in several key projects, such as the "HYflexpower" project (EU cooperation project to demonstrate the performance of gas turbines with 100% hydrogen) and "Haru Oni" in Chile (the world's first integrated commercial large-scale plant for the production of synthetic, climate-neutral fuels, so-called eFuels). In accordance with our R&D strategy, we allocate our R&D resources selectively towards products and services in market growth segments.

GP is also intensifying R&D in innovative materials and advanced manufacturing methods. Innovations accordingly focus on product digitalization, power electronics, software-driven power control, environmentally-friendly products and systems, and grid stabilization. Moreover, one of GP's long-established innovation fields is additive manufacturing. As of 2021, we can look back on more than fifteen years of user experience and development cooperation with, among others, Werner-von-Siemens Centre for Industry and Science e.V., Göteborg Energi and Equinor.

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

SGRE's R&D efforts continue to focus especially on the development of new wind turbine models, software, and the optimization of the components' performance that leads to the next generation of technology with improved and more cost-effective products, solutions, and services. In particular, SGRE is currently focused on the launch of its new wind turbine generation SG 5.X. and the new wind turbine SG 14 DD in Onshore and Offshore respectively. Especially within the Onshore activities, SGRE R&D team is devoting efforts to further support and strengthen SG 5.X. ramp-up and to make it efficient. Furthermore, SGRE R&D team is actively exploring diverse new market opportunities (e.g. integration of electrolyzer into offshore wind turbines to produce green hydrogen).

1.2 Financial performance system

1.2.1 Financial framework

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

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

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

1.2.2 Growth

Siemens Energy measures, manages and controls the development of its business volume using nominal growth figures for orders and revenue. In fiscal year 2021, revenue growth was a KPI for Siemens Energy. **Nominal revenue growth** as the percentage change year-over-year is calculated by dividing the absolute revenue difference between the reporting year and the previous period by the previous period revenue.

Starting in fiscal year 2022 nominal revenue growth will be replaced by comparable revenue growth as a KPI. This shows the development of the revenue net of currency translation effects, which arise from the external environment outside of our control, and portfolio effects, which involve business activities that are either new to our business or no longer a part of it.

Currency translation effects are the difference between revenue for the current period calculated using the exchange rates of the current period and revenue for the current period calculated using the exchange rates of the comparative period. For calculating the percentage change year-over-year, this absolute difference is divided by revenue for the comparative period.

A portfolio effect arises in the case of an acquisition or a disposal and is calculated as the year over year change in revenue resulting specifically from the transaction. For calculating the percentage change, the absolute change is divided by revenue for the comparative period. For orders, we apply the same calculations for currency translation and portfolio effects as described above.

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

1.2.3 Profitability

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

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

To increase comparability year on year, we use Adjusted EBITA before Special items for a transparent presentation. Special items refer to the following topics:

- **Restructuring and integration costs** – Restructuring costs mainly refer to personnel measures leading to severance charges. They related and relate to several restructuring programs both at GP and SGRE. Integration costs refer only to SGRE.
- **Stand-alone costs** – Stand-alone costs relate to the separation from Siemens Group and the formation of Siemens Energy as an independent enterprise.
- **Strategic portfolio decisions** – Major asset impairments and write-downs (including reversals) related to Siemens Energy Group strategic portfolio decisions.

Adjusted EBITA margin before Special items is one of the targets used in determining the short-term variable compensation of the Executive Board.

We aim to achieve an Adjusted EBITA margin before Special items for the Group of 6.5 – 8.5% for fiscal year 2023 and a mid-term target of ≥8%. For our Segment GP we aim to achieve an Adjusted EBITA margin before Special items for fiscal year 2023 of 6.0 – 8.0%. SGRE maintains its target of an 8 – 10% long-term adjusted EBITA margin before Special items, which it expects to achieve in fiscal year 2024/ 2025 (previously fiscal year 2023), due to the transitory impact of current challenges.

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

1.2.4 Liquidity

To provide an assessment of the Group's ability to generate cash we use **Free cash flow pre tax** as a KPI. Free cash flow pre tax of the Group is defined as cash flows from operating activities before income taxes paid, less additions to intangible assets and property, plant and equipment. Free cash flow of the segments constitutes cash flows from operating activities less additions to intangible assets and property, plant and equipment. It excludes financing interest, except for cases where interest on qualifying assets is capitalized or classified as contract costs; it also excludes income taxes and certain other payments and proceeds. Consequently, Free cash flow pre tax demonstrates the extent to which we are able to meet both recurring and specific cash outflows, such as payments for acquisitions, dividends, debt servicing or taxes, etc.

1.2.5 Other financial performance indicators

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

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

Beginning with fiscal year 2021, the Group's CCR is defined as the ratio of Free cash flow divided by Net income instead of by Adjusted EBITA. For operating purposes, the operational CCR additionally was defined as the ratio of Free cash flow pre tax divided by Adjusted EBITA. Following our financial framework, Siemens Energy generally aims at an operational CCR of one minus three years rolling CAGR (compound annual growth rate) of comparable revenue growth over fiscal years 2021 to 2023.

According to its financial policy, Siemens Energy aims for a balanced capital structure that allows for a solid investment grade rating. This ensures sufficient flexibility for ready access to banks and capital markets and to sustain the ability to repay and service its debt obligations over time. It also makes us a reliable partner for our customers. The PI used to assess our capital structure is the **Adjusted (net cash)/ net debt to EBITDA ratio**, which is shown in **1.6.3 Financing and liquidity analysis**. The ratio indicates the approximate number of years that would be needed to cover the Adjusted net debt through EBITDA. As we strive for a solid investment grade rating, Siemens Energy does not steer its capital structure according to an explicit target ratio, however, as a general guidance, an Adjusted net cash/net debt to EBITDA ratio below 1.5 may be considered to be consistent with the aim of a solid investment grade rating.

The EBITDA measure represents earnings before financial result, income taxes, and amortization, depreciation and impairments.

Finally, we aim to provide an attractive return to our shareholders. Under the Siemens Energy Financial framework, our intention is to propose a **dividend** in the mid-term whose distribution volume is 40% to 60% of the Group's Net income attributable to shareholders of Siemens Energy AG. For this purpose, the Net income may be adjusted for extraordinary non-cash effects.

In fiscal year 2021, the Executive Board's short-term variable element of total compensation included a **Return on capital employed (ROCE) target** on a one-time basis, which will be replaced by Free cash flow pre tax in fiscal year 2022. ROCE is used for the purpose of managing and controlling our capital efficiency and is calculated as Net income before financing interest, considering taxes on financing interest adjustments, divided by the average Capital employed. Average Capital employed in the reporting period is defined as a five-point-average of Capital employed at the beginning of the reporting period, the respective balances as of the quarterly reporting dates, and the Capital employed at the end of the reporting period.

Calculation of capital employed

Total equity
Plus: Long-term debt
Plus: Short-term debt and current maturities of long-term debt
Plus: Payables to Siemens Group from financing activities
Plus: Provisions for pensions and similar obligations
Less: Cash and cash equivalents
Less: Receivables from Siemens Group from financing activities
Less: Adjustment for deferred taxes on net accumulated actuarial gains/ losses on provisions for pensions and similar obligations
Capital employed

1.3 Business performance in fiscal year 2021

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

The course of business at Siemens Energy Group was solid in fiscal year 2021. While the performance of our GP Segment was convincing, the development of business in the SGRE Segment was not satisfactory. This impacted the margin of Siemens Energy Group, which thus fell short of our expectations for the past fiscal year.

When it came to growing our revenue, we benefited from the brightening macroeconomic environment, especially the improved COVID-19 situation. Excluding currency translation and portfolio effects, our revenue increased significantly in organic terms. At the end of the fiscal year, the order backlog clearly exceeded the prior-year level.

The Onshore activities of SGRE developed unsatisfactorily, which encountered a delay in the segment's business turnaround. This also meant that, due to the considerably lower expectations for earnings at SGRE, we had to lower our earnings guidance for Siemens Energy Group as a whole at the end of the third quarter. We achieved this adjusted guidance.

We are making progress with our restructuring measures to increase the competitiveness of GP, which advanced significantly, especially in the regions outside Germany. In the fourth quarter of the past fiscal year, we reached agreement with the Works Council concerning workforce reductions in Germany.

Compared with the prior year, we ended fiscal year 2021 with a sharply reduced net loss. Key to this were lower special items, although we had to bear considerable special charges in connection with our restructuring measures. In addition, improvements in the operating business had a positive effect, which made it possible to increase adjusted EBITA before special items to €661 million, following a loss the previous year.

Our Free cash flow pre tax developed favorably. A solid year-end quarter led to a substantial increase compared with prior year against our expectations.

In summary, Siemens Energy has achieved the first key milestones in its transformation. We are satisfied with the course of business in fiscal year 2021 and consider the Group to be ideally placed to face the challenges ahead thanks to its strong order backlog, net cash and solid equity ratio, coupled with a committed and skilled workforce.

Siemens Energy's business performance

While COVID-19 continued to impact our business performance in the first months of the past fiscal year, the global economic recovery had an increasingly favorable influence as the year progressed. The upward macroeconomic trend was curbed by supply bottlenecks and industry-specific material shortages. In some cases, this resulted in increased raw material prices and project delays. The challenges caused by the on-going overall energy market transformation again continued unabated in fiscal year 2021.

Compared with the strong prior year, **orders** of Siemens Energy decreased moderately to €33 billion. On a comparable basis, orders were nearly level with prior year. The **order backlog** increased clearly year on year to €84 billion. Both segments contributed to this growth, and SGRE exceeded its record at the end of the prior fiscal year. **Revenue** of Siemens Energy stood at €28,482 million, representing moderate nominal growth compared with the prior year. Both segments contributed to this development. Siemens Energy revenue from the service business rose slightly from the prior-year level. The higher revenue and especially operational improvements together with lower negative non-recurring items in comparison to the prior year were the main factors in the sharp increase in the **Adjusted EBITA before Special items** of Siemens Energy from minus €17 million in the prior year to €661 million in fiscal year 2021.

The improvement was held back by the challenges in SGRE's onshore activities. The impact of special items declined sharply. Although restructuring costs increased sharply due to measures under GP's competitiveness program, particularly the charges resulting from strategic portfolio decisions in the prior year were not matched in fiscal year 2021. As a result, **Adjusted EBITA** and the corresponding margin of Siemens Energy rose sharply and were nearly in a positive range. Both GP and SGRE posted sharp improvements. However, in contrast to GP, adjusted EBITA of SGRE was again negative. These developments impacted the earnings of Siemens Energy, resulting in a sharp year-on-year reduction in the **Net loss** to €560 million and correspondingly negative **Basic earnings per share** of €0.63. See **1.4 Results of operation** for further information.

Siemens Energy's **Free cash flow pre tax** was €1,358 million, which reflects a substantial rise compared to fiscal year 2020. The increase was primarily attributable to the development at the segment GP which more than doubled prior-year's figure. Especially, the Free cash flow development let substantially rise our Adjusted net cash at the end of fiscal year 2021 to €1,596 million (2020: €1,303 million). See **1.6 Financial position** for further information.

The slight decrease of **Total equity** compared with the end of fiscal year 2020 was driven by the earnings development. This resulted in an equity ratio of 34% (2020: 36%) at the end of the fiscal year.

Comparison between the actual and forecast course of business

Target achievement 2021	Initial position Fiscal year 2020	Expected development 2021	Target achievement Fiscal year 2021	Evaluation
Nominal revenue growth				
Siemens Energy	(4.7)%	2.0% to 12.0%		updated
GP segment	(3.4)%	2.0% to 11.0%		updated
SGRE segment	(7.3)%	8.0% to 18.0%		updated
		from Mai 5, 2021:		
Siemens Energy		3.0% to 8.0%	3.7%	achieved
GP segment		2.0% to 6.0%	1.5%	not achieved
SGRE segment		8.0% to 11.0%		updated
		from July 14 and August 4,2021 lower end of the range		
SGRE segment		of 8.0% to 11.0%	7.5%	not achieved[1]
Adjusted EBITA margin before special items				
Siemens Energy	(0.1)%	3.0% to 5.0%		updated
GP segment	1.4%	3.5% to 5.5%	4.6%	achieved
SGRE segment	(2.6)%	3.0% to 5.0%		updated
		from July 14 and August 4,2021		
Siemens Energy		2.0% to below 3.0%	2.3%	achieved
SGRE segment		(1.0)% to 0.0%	(1.0)%	achieved
Net income (loss) of Siemens Energy	€(1,859) million	sharp increase	€(560) million	achieved
Free cash flow pre tax of Siemens Energy	€977 million	sharp decrease	€1.358 million	not achieved

[1] The revenue guidance of €10,200 million made by SGRE in its financial communication for the subgroup in absolute values was achieved.

Against the background of the business performance in the first half of the fiscal year, coupled with better predictability for the rest of the fiscal year, we refined the guidance for nominal revenue growth for Siemens Energy and both segments on May 5, 2021. The broader ranges for the expected growth rates contained in the original guidance reflected the high degree of uncertainty caused by factors such as COVID-19.

On July 14, 2021, we amended the guidance for the adjusted EBITA margin before Special items on account of the performance of SGRE's onshore activities in the third quarter and the substantially lower earnings expectations for the SGRE Segment and for Siemens Energy Group for the fiscal year. On the basis of provisional figures, Siemens Gamesa Renewable Energy, S.A. decided to update the guidance for the fiscal year. This was mainly due to provisions for onerous contracts, resulting from a strong increase in raw material prices and higher start-up costs for the SG 5.X platform at SGRE, especially in Brazil. On August 4, 2021, in the course of regular third-quarter reporting, we published updated guidance for the adjusted EBITA margin before special items of Siemens Energy Group. The anticipated performance of the GP Segment was confirmed.

Our refined guidance for nominal revenue growth remained essentially unchanged. Only for SGRE, we detailed our guidance to the lower end of the range. Revenue growth at GP and SGRE did not completely meet our expectations.

At GP, this was driven by the fact, that revenue growth of the second half of the fiscal year, particularly in the strong year-end quarter, did not exceed the decreases in the first two quarters to the extent needed to comply with our growth guidance. In the first half, revenue development was impacted by effects from the COVID-19 pandemic which, in part, caused delays in the project execution. At SGRE, supply chain and project execution bottlenecks as well as currency translation effects had the result that the revenue growth forecast could not be achieved.

Our original guidance for net income and Free cash flow pre tax also remained unchanged. We had expected a very strong increase in net income. Business development confirmed our profit forecast. Free cash flow pre tax of Siemens Energy sharply increased compared with prior year. We expected a sharp decrease, amongst others due to a build-up in net working capital in GP and anticipated cash outflows related to restructuring. Both expectations did not materialize. Due to a successful asset management and early customer payments, operating net working capital of GP was reduced compared with end of fiscal year 2020. Since an agreement with the Workers' Council concerning workforce reductions at GP was only reached in September 2021, related measures were delayed and cash outflows associated with restructuring were not incurred in fiscal year 2021 as expected.

Dividend

Our dividend policy is to pay out 40% to 60% of our Net income attributable to shareholders of Siemens Energy AG. Despite the Net loss in fiscal year 2021, the Executive Board, in agreement with the Supervisory Board, will propose to the Shareholders’ Meeting of Siemens Energy AG to distribute a dividend for fiscal year 2021 of €0.10 for each share entitled to dividend on the day of the Shareholders’ Meeting due to the solid balance sheet and the overall positive operating development in this fiscal year. This corresponds to an expected total payment of approximately €72 million, based on the estimated number of shares entitled to dividends on the day of the Shareholders’ Meeting. Payment of this proposed dividend is dependent on the approval by Siemens Energy shareholders at the Shareholders' Meeting on February 24, 2022. For fiscal year 2020, no dividend was paid.

1.3.2 Events and developments responsible for the course of business

Macroeconomic development

In fiscal year 2021, global gross domestic product (GDP) growth was still impacted by the global COVID-19 pandemic. Global GDP growth in calendar year 2020 ended at negative 3.1%. The first two quarters of calendar year 2021 started with positive GDP development due to the roll-out of vaccination programs, less cases and other positive effects from the markets.

Projections for calendar year 2021 show global GDP growth of 5.9%, where advanced economies are projected to increase GDP by 5.2%. All emerging countries will show recovery after a difficult calendar year 2020. In total in calendar year 2021, the developing countries are forecast to show a GDP growth of 6.4%. GDP growth recovery was supported by different financial and policy measures announced to fight the pandemic. Examples are the American Rescue Plan (estimated cost of 1,844 billion US$) and the German Bridging Assistance I, II, III and III Plus.

The partly estimated figures presented here for GDP are based on data published by the International Monetary Fund (IMF) "World Economic Outlook: Recovery During a Pandemic", October 2021.

Supply market situation

Material costs (including energy costs) account for a major proportion of Siemens Energy’s cost of sales. As a consequence, developments on global supply markets have a substantial impact on our results of operation. The anticipated risks and the challenges that arise are monitored and evaluated by various programs and corresponding measures are initiated. Multiple procurement levers are applied, including long-term supply contracts for standard materials, requirements pooling, supplier changes as well as globally balanced supplier footprints with sources in various regions, commodity hedging etc.

In the past fiscal year, the challenges on the world’s raw material markets increased significantly. This was caused by the growing disparity between supply and demand from the start of the second quarter of the fiscal year, which resulted from a decline in supply as well as increasing consumption and inventory replenishment. Whereas the increase in demand was especially due to the general economic recovery following the COVID-19 pandemic, additionally driven by extensive economic stimulus packages, the supply side was still weakened by COVID-19 measures.

The situation was further exacerbated by customs duties, trade tensions and protectionism. Market momentum was additionally impacted by limited logistics resources and capacities, which resulted in higher logistics costs and longer delivery times.

Siemens Energy was affected by the supply market situation. Alongside increased prices in supply markets, especially for steel but also for nickel, copper, oil and fuel, supply chain tensions led to the limited availability of materials such as electronic components, semiconductors, electrical steel, and chemicals. Market prices reached record levels worldwide and the steel market price has increased in fiscal year 2021 up to two and three fold. The situation on the world’s steel markets and steel prices are of particular significance to Siemens Energy. There is a shortage of resources on the steel markets due to the prevailing supply restrictions.

While the effects of this situation on GP were largely limited in the past fiscal year, SGRE was more strongly impacted from raw material prices.

COVID-19 pandemic

The COVID-19 pandemic continued to influence the economic environment, our customers and suppliers, and the Siemens Energy business in the past fiscal year as well. Due to the different strategies and measures implemented by government and municipal authorities, the effects of the pandemic on our business varied by country and region and in some cases also by city and municipality. Viewed overall, however, the effects were tangibly lower than in the prior year and mostly localized. For example, some of SGRE’s onshore projects in Brazil were impacted by the ongoing effects of the pandemic.

Energy market transformation

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

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

While we anticipate the rapid shift from fossil-based fuels to renewables to continue in advanced economies, we expect countries with access to fossil fuels not to shift directly from fossil to renewable power, but to transition from coal to gas to lower emissions in the existing infrastructure. We also expect natural gas to replace coal in power generation plants during a multi-decade transition.

Examples of plans to reduce greenhouse gas emissions announced in fiscal year 2021 are:

- the European Green Deal to cut greenhouse gas emissions by 55% by 2030 (vs 1990 levels),
- the intention of the USA to cut greenhouse gas emissions by 50% by 2030 (vs 2005 levels) and have a carbon-free power system by 2035,
- the UK hydrogen strategy to help to achieve net zero by 2050,
- China's ambition to peak carbon emissions by 2030 and to become carbon neutral by 2060 as announced by president Xi Jinping.

Operational excellence

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

- Reshaping our footprint – we aim for a simpler footprint and logistics with less complexity and fewer sites including a factory network with no overcapacities and expansion in best-cost countries.
- Portfolio streamlining – we will make our product line-up leaner and simpler through implementing standardization, digitalization, and modularization.
- Project excellence – our rigorous focus lies on project excellence including a selective bidding for projects with a better risk/return ratio and a better project execution aiming at a reduction of non-conformance costs of at least 30% by fiscal year 2023.
- Supply chain excellence – we are striving to achieve best-in-class procurement with significant material cost reductions in a partner ecosystem.
- Sustainable inventory reduction – complexity reduction by activities including variant management, better management of customer demand, more platform business, optimization of safety stock levels and production optimization, among others.
- Getting closer to our customers – including an intensified key account management, a differentiated offering, customized project financing and clear end-to-end product responsibility.

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

In February 2021, the Executive Board of Siemens Energy provided details about its previously announced plans to reduce costs by a minimum of €300 million in its **GP segment** until fiscal year 2023 as part of the Accelerating Impact program. This is in addition to programs already under implementation, as for example PG2020 and GP2020+. The measures are designed to improve the company's competitiveness by enhancing the long-term cost structure.

As announced in February 2021, optimized processes, leaner structures, the reduction of overcapacities and portfolio adjustments will result in the reduction of approximately 7,800 jobs around the world in the GP segment – around three-quarters of which will be made in management, administration, and sales. The reductions are planned by the end of fiscal year 2025, with a large part to be implemented by the end of fiscal year 2023.

Implementation of the announced savings measures has started in all countries except for Germany. The negotiations with the employee representatives in Germany were concluded in September 2021 with an agreement on a reconciliation of interest on the reduction of 2,567 positions in Germany and related to this a framework social plan. Implementation in Germany started in October 2021.

In August 2020, our **SGRE segment** announced its company-wide strategic program called LEAP – Lead Accelerator Program. The program was created with the dual objective of returning Onshore business to sustainable profitability and strengthening profitable future growth in Offshore and Service business areas.

The LEAP acceleration program is shaped around three main pillars:

- Innovation – Striving for technology leadership and business model innovation, both in terms of product portfolio and business offering.
- Productivity & Asset Management – Through continuous focus on cost optimization and stringent cash management and control.
- Operational excellence – Strengthening process and project execution discipline,
- while achieving industry benchmark safety and quality levels.

Digitalization, sustainability, and people are at the heart of the LEAP program, as enablers and differentiating factors across all business areas.

The program has a key focus on improving the competitiveness of the products, enhancing the supply chain, optimizing fixed costs including selling, general and administrative expense, improving operational processes from sales to project execution, as well as optimizing the working capital.

LEAP program is already generating positive impact in the company, helping to mitigate other negative effects (e.g. recent raw materials price increases), thanks to the productivities achieved during fiscal year 2021 due to a very strong focus on productivity ideation and maturation.

In fiscal year 2021, **SGRE** completed the first year of LEAP and of the new integration and restructuring plan 2021-2023, with which the Company expects to achieve its long-term vision. Actions taken include notably:

- Focusing Onshore commercial activity on projects with a better risk/return profile.
- Simplifying the Onshore organization by optimizing resources and enhancing their allocation.
- Introducing a standard project management manual in all regions, promoting the exchange of operating best practices between businesses, and reinforcing quality criteria both internally and for contractors.
- Improving the supplier management process through a global IT tool that allows monitoring the status of each supplier, executing audits and verifying health and safety standards.
- Consolidating operational capacity in EMEA with the closure of the Somozas and Cuenca (both Spain) plants and the start-up of the Vagos (Portugal) blade plant reducing reliance on China as a global supply cluster.
- Restructuring in India with the closure of the Halol plant and adapting capacity to the new market size, ceasing new development and solar activities, and launching in that country of the SG 3.4-145 wind turbine, with contracts for 623 MW signed in July 2021.

1.4 Results of operation

1.4.1 Orders and revenue

Orders and revenue			Orders			Revenue
		Fiscal year			Fiscal year	
(in millions of €)	2021	2020	Change	2021	2020	Change
Gas and Power	20,880	19,337	8%	18,386	18,120	1%
Siemens Gamesa Renewable Energy	12,185	14,736	(17)%	10,198	9,483	8%
Total segments	**33,064**	**34,072**	**(3)%**	**28,584**	**27,603**	**4%**
Reconciliation to Consolidated Financial Statements	(64)	(71)	(10)%	(101)	(147)	(31)%
Siemens Energy	**33,001**	**34,001**	**(3)%**	**28,482**	**27,457**	**4%**

Orders

Siemens Energy

- Siemens Energy's order intake remained at a high level but declined moderately in fiscal year 2021, as expected. Despite the gradual easing of the impact on business from the COVID-19 pandemic and, as a result, the improving economic situation, the macroeconomic environment remained challenging overall for Siemens Energy, partly due to the short-term efforts required by the ongoing transformation of the energy markets. The main reason for the decline in orders was the significant decrease at SGRE, whereas orders at GP showed a clear increase.
- The development of orders was impacted by negative currency translation effects of more than two percentage points. On a comparable basis, i.e., excluding currency translation effects, orders only declined slightly.
- At Siemens Energy, services accounted for 35% of orders (2020: 36%).

Gas and Power

- GP benefited from the recovering market environment and posted a clear year-on-year increase in orders, mainly due to a significant increase in the volume of large orders. All businesses posted growth, with Transmission delivering the strongest increase.
- Excluding currency translation effects, GP orders grew by 11%.
- The large orders included for Transmission several large orders in the United States and with a total value of approx. €1.5 billion several large orders in Germany, two Generation projects in Hong Kong and Taiwan with a joint order volume of nearly €600 million, as well as, among others, two Industrial Applications projects in Brazil worth more than €500 million.
- GP grew both its new units and service business, with the considerably stronger increase in orders in the new units business. Services accounted for 40% of orders (2020: 41%) at GP.

Siemens Gamesa Renewable Energy

- At SGRE, orders were impacted by the anticipated volatility of the offshore market. Overall, SGRE saw a significant decrease in orders. This was primarily attributable to the significant decline in the offshore business, which was especially due to the downturn in large order volume. Additionally, onshore and service order volumes decreased significantly.
- Excluding currency translation effects, orders at SGRE declined by 16%.
- In the year under review, the largest orders related to offshore and included a project in the United Kingdom with a volume of almost €1.4 billion, new contracts in the United States worth more than €1.5 billion, and orders for wind farms including services in the Netherlands and France with a value of more than €1.1 billion and nearly €1 billion, respectively.
- The service share remained unchanged at 28% (2020: 28%).

Regions (location of customer)

- In geographical terms, there was significant growth in the **Americas** reporting region and a slight increase in the **Asia, Australia** region compared with a significant decline in the **Europe, CIS, Middle East, and Africa (EMEA)** region.
- The main reason for the development in **EMEA** was the substantial decrease at SGRE, primarily as the result of the lower large order volume in Germany, among other countries. The negative trend in the region was reinforced by a slight decline at GP.
- The increase in the **Americas** region resulted from significant growth at SGRE, driven by orders in the United States, and from a clear increase at GP, mainly due to large orders in Brazil, the United States and Canada.
- In the **Asia, Australia** region, the sharp percentage decline at SGRE outweighed the substantial growth at GP. In the current fiscal year, there were no large orders with a comparably high volume to those received by SGRE in fiscal year 2020, especially in Taiwan. Orders in China, Hong Kong and Taiwan were the main drivers of the substantial growth at GP.

Revenue

Siemens Energy

- On account of the improving economic environment and solid execution of order backlog, Siemens Energy saw a moderate increase in revenue in fiscal year 2021. Both segments contributed to this growth.
- On a comparable basis, there was a clear revenue increase by 6%.
- The service business revenue grew slightly year-on-year. Its contribution to Siemens Energy revenue decreased to 33% (2020: 34%).

Gas and Power

- GP only posted a slight increase in revenue due to negative currency translation effects of nearly three percentage points and lower orders in the previous reporting periods. Growth was based on an increase at Transmission and Generation, which outweighed the decline at Industrial Applications.
- On a comparable basis, GP revenue moderately grew by 4%, with all three businesses contributing to this growth.
- The moderate increase in revenue from the new units business was partly offset by a slight nominal decline in the service business, which contributed 41% to GP revenue in the year under review (2020: 42%).

Siemens Gamesa Renewable Energy

- Compared with the prior year, revenue at SGRE clearly increased due to growth in all businesses. The significant increase in offshore was accompanied by a clear increase in service and a slight increase in onshore business.
- On a comparable basis, revenue rose by 9%.
- The service business contributed 19% to SGRE revenue in the fiscal year (2020: 19%).

Regions

- The pattern of revenue development in the reporting regions differed from order development. An increase in **Asia, Australia** was accompanied by declines in the **Americas** and **EMEA**.
- In the **EMEA** reporting region, a moderate decline at SGRE more than offset slight growth at GP leading to a slight decrease overall.
- The moderate decrease in revenue in the **Americas** region affected both segments, but GP especially, and was primarily attributable to the decline in the United States.
- Substantial growth in **Asia, Australia** was driven by increases in both segments, although SGRE saw a sharp rise – especially in Taiwan due to the high order level in the prior year – which exceeded the significant growth at GP.

			Orders			Revenue
Orders and revenue (location of customer)		Fiscal year			Fiscal year	
(in millions of €)	**2021**	2020	Change	**2021**	2020	Change
Europe, C.I.S., Middle East, Africa	16,571	18,746	(12)%	14,078	14,149	(1)%
therein Germany	*3,127*	*3,383*	*(8)%*	*2,367*	*2,484*	*(5)%*
Americas	9,838	8,722	13%	8,050	8,387	(4)%
therein U.S.	*5,390*	*4,919*	*10%*	*4,929*	*5,523*	*(11)%*
Asia, Australia	6,592	6,533	1%	6,354	4,921	29%
therein China	*1,582*	*1,324*	*20%*	*1,594*	*1,680*	*(5)%*
Siemens Energy	**33,001**	**34,001**	**(3)%**	**28,482**	**27,457**	**4%**

Book-to-bill ratio and order backlog

- The book-to-bill ratio is the ratio of orders to revenue.
- The order backlog is calculated by adding the new orders from the current reporting period to the order backlog at the end of the previous reporting period and then subtracting the revenues realized in the current reporting period. Direct order value adjustments such as modifications, currency translations and portfolio effects are also taken into account.
- Due to the aforementioned developments, the book-to-bill ratio at Siemens Energy was 1.16. The decline from the high prior-year level of 1.24 was primarily attributable to the decrease in orders at SGRE. The book-to-bill ratio of both segments was above 1; it was 1.14 at GP (2020: 1.07) and 1.19 at SGRE (2020: 1.55).
- At the end of the fiscal year, the order backlog at Siemens Energy increased clearly to €84 billion, compared to €79 billion in the prior year. The order backlog at GP rose to €51 billion from €48 billion in 2020, whereas it amounted to €33 billion at SGRE, exceeding the record value of €30 billion in the prior year.
- The share of the service business in the order backlog at Siemens Energy was 60% at the end of the fiscal year (2020: 60%).

1.4.2 Profitability

	Fiscal year		
(in millions of €, earnings per share in €)	**2021**	**2020**	**Change**
Adjusted EBITA Siemens Energy before Special items	**661**	**(17)**	**n/a**
Gas and Power	*849*	*254*	*>200%*
Siemens Gamesa Renewable Energy	*(99)*	*(249)*	*(60)%*
Reconciliation to Consolidated Financial Statements	*(89)*	*(22)*	*>200%*
Adjusted EBITA margin Siemens Energy before Special Items	2%	(0)%	2 p.p.
Gas and Power	*5%*	*1%*	*3 p.p.*
Siemens Gamesa Renewable Energy	*(1)%*	*(3)%*	*2 p.p.*
Special items (for details see table below)	(673)	(1,526)	(56)%
Adjusted EBITA Siemens Energy	**(12)**	**(1,543)**	**(99)%**
Gas and Power	*377*	*(734)*	*n/a*
Siemens Gamesa Renewable Energy	*(296)*	*(711)*	*(58)%*
Reconciliation to Consolidated Financial Statements	*(93)*	*(98)*	*(5)%*
Adjusted EBITA margin Siemens Energy	(0)%	(6)%	6 p.p.
Gas and Power	*2%*	*(4)%*	*6 p.p.*
Siemens Gamesa Renewable Energy	*(3)%*	*(7)%*	*5 p.p.*
Amortization of intangible assets acquired in business combinations and goodwill impairments	(382)	(461)	(17)%
Financial result	(108)	(145)	(25)%
Financial result from operations	37	13	179%
Income (loss) before income taxes	**(465)**	**(2,135)**	**(78)%**
Income tax (expenses)/ gains	(95)	276	n/a
Net income (loss)	**(560)**	**(1,859)**	**(70)%**
Basic earnings per share	(0.63)	(2.21)	(71)%

Adjusted EBITA and Adjusted EBITA before Special items

Siemens Energy

- The adjusted EBITA of Siemens Energy was primarily influenced by a sharp reduction in negative special items and, in addition, operational improvements, a change to the project mix and lower costs compared to the prior year. It also benefited from temporary positive impacts. The year-on-year improvement in Adjusted EBITA was curbed by project-related expenses at SGRE.
- As a result of the above mentioned net positive changes compared to the prior year, Adjusted EBITA of Siemens Energy improved sharply, almost becoming positive. The same was true of the Adjusted EBITA margin of Siemens Energy.
- Due to a reduction in special items, the increase in Adjusted EBITA before Special items of Siemens Energy and the corresponding margin was lower than the improvement in Adjusted EBITA.

Gas and Power

- GP saw a sharp increase in Adjusted EBITA which was clearly in a positive range after being negative in the prior year. The segment improved the corresponding margin by more than six percentage points.
- This was primarily attributable to the sharp reduction in special items. An additional contribution came from positive non-recurring effects in connection with a settlement with a customer and with the completion of a project, which more than offset the impact of delays in another project. Moreover, GP achieved operational improvements in all businesses, which resulted in cost reductions. Further impact stemmed from cautious spending behavior.
- In the fiscal year, special items resulted in particular from restructuring costs, primarily in connection with the execution of the GP competitiveness program. In connection with the Spin-Off from Siemens AG and the IPO in the prior fiscal year, the year under review saw material trailing stand-alone costs, approximately at the prior-year level, especially expenses for employee programs and information technology (IT). In 2020, by far the largest proportion of special items concerned strategic portfolio decisions and resulted from the decision to streamline the range of aero-derivative gas turbines.
- Adjusted EBITA before Special items of GP therefore improved to deliver a more than three-fold increase; the corresponding margin rose by more than three percentage points.

Siemens Gamesa Renewable Energy

- The equally sharp increase in Adjusted EBITA of SGRE resulted primarily from the fact that the prior-year period had been impacted by substantial negative effects in connection with project delays in northern Europe, COVID-19 and a weakening of the onshore wind market in India. In the fiscal year, SGRE was also affected by a sharp reduction in negative special items. The performance in fiscal year 2021 additionally benefited from volume effects in the offshore business, a change to the assessment of inventory marketability as well as the reversal of provisions related to warranty costs in connection with lower default rates and lower maintenance costs.
- The improvement in Adjusted EBITA was impacted by provisions of €298 million for onerous contracts mainly due to increased raw material and transportation prices as well as higher ramp-up costs for the SG 5.X onshore platform at SGRE, especially in respect of projects in Brazil and Northern Europe. These factors were even magnified by COVID-19 in the Brazilian projects.
- The special items in the fiscal year concerned exclusively restructuring and integration costs, including those in connection with the closure of two sites in Spain and the acquisition of the Senvion business in fiscal year 2020. A year earlier, in addition to restructuring and integration costs, expenses were recorded in connection with a restructuring plan in India (reported under strategic portfolio decisions).
- Compared with the negative result in 2020, SGRE sharply improved Adjusted EBITA before Special items but was still negative.

Reconciliation to Consolidated Financial Statements

- The Reconciliation to Consolidated Financial Statements includes items which management does not consider to be significant to assessing the segments’ performance, especially GP segment’s Real Estate Services and centrally carried pension expense, treasury activities, eliminations and other central items. The negative Adjusted EBITA of Reconciliation to Consolidated Financial Statements declined moderately, especially because increased general administration expenses at GP segment’s Real Estate Services and corporate headquarter were more than offset by sharply lower negative special items, in particular stand-alone costs in relation with the Carve-Out. Therefore, the negative Adjusted EBITA before Special items of Reconciliation to Consolidated Financial Statements sharply increased.

Net income (loss), basic earnings per share and ROCE

- The financial result outside the segments improved substantially, mainly driven by a substantial reduction in interest expenses for financial liabilities including loans from banks, in particular due to the last outstanding loan from Siemens AG, which was repaid in the previous year.
- The tax rate of Siemens Energy Group in the year under review was negative 20% (2020: 13%). The negative tax rate was mainly due to losses without corresponding tax relief at SGRE.
- Due to the developments described above, Siemens Energy Group continued to post a loss in fiscal year 2021, however showed a sharp improvement on the prior year, which is reflected in the development of basic earnings per share.
- In fiscal year 2021 ROCE was a negative 4%.

Siemens Energy Special items

(in millions of €)	Fiscal year 2021	2020	Change
Restructuring and integration costs	(558)	(376)	48%
Gas and Power	*(360)*	*(133)*	*172%*
Siemens Gamesa Renewable Energy	*(197)*	*(241)*	*(19)%*
Reconciliation to Consolidated Financial Statements	*(1)*	*(2)*	*(30)%*
Stand-alone costs	(116)	(195)	(40)%
Gas and Power	*(114)*	*(121)*	*(6)%*
Siemens Gamesa Renewable Energy	—	—	*n/a*
Reconciliation to Consolidated Financial Statements	*(3)*	*(74)*	*(97)%*
Strategic portfolio decisions	1	(956)	n/a
Gas and Power	*1*	*(735)*	*n/a*
Siemens Gamesa Renewable Energy	—	*(221)*	*n/a*
Reconciliation to Consolidated Financial Statements	—	—	*n/a*
Siemens Energy Special items	**(673)**	**(1,526)**	**(56)%**
Gas and Power	*(472)*	*(988)*	*(52)%*
Siemens Gamesa Renewable Energy	*(197)*	*(462)*	*(57)%*
Reconciliation to Consolidated Financial Statements	*(4)*	*(76)*	*(95)%*

1.5 Net assets, liabilities and equity

(in millions of €)	Sep 30, 2021[1]	Sep 30, 2020[1]	Change
Total current assets	**23,397**	**22,548**	**4%**
therein			
Cash and cash equivalents	5,333	4,630	15%
Trade and other receivables	5,110	4,963	3%
Contract assets	4,913	4,545	8%
Inventories	6,146	6,527	(6)%
Total non-current assets	**20,744**	**20,484**	**1%**
therein			
Goodwill	9,538	9,376	2%
Other intangible assets	3,561	3,839	(7)%
Property, plant and equipment	5,104	4,877	5%
Total assets	**44,141**	**43,032**	**3%**

(in millions of €)	Sep 30, 2021[1]	Sep 30, 2020[1]	Change
Total current liabilities	**22,602**	**21,552**	**5%**
therein			
Short-term debt and current maturities of long-term debt	551	718	(23)%
Trade and other payables	5,764	5,127	12%
Contract liabilities	10,350	9,853	5%
Current provisions	1,991	1,676	19%
Total non-current liabilities	**6,319**	**6,089**	**4%**
therein			
Long-term debt	2,177	1,672	30%
Provisions for pensions and similar obligations	830	1,057	(21)%
Provisions	1,968	2,095	(6)%
Total equity	**15,220**	**15,390**	**(1)%**
Total liabilities and equity	**44,141**	**43,032**	**3%**

[1] In the Consolidated Statements of Financial Position as of September 30, 2021, compared with the Consolidated Financial Statements as of September 30, 2020 amounts included in receivables from and payables to Siemens Group have been reclassified to those balance sheet items to which they belong in accordance with their nature. The prior year amounts have been adjusted accordingly for the purpose pf comparability.

- As of September 30, 2021, **total assets** of Siemens Energy Group were moderately higher than the prior year, whereby the majority of asset changes stemmed from currency translation differences. Non-current assets accounted for 47% of assets (2020: 48%). The year-on-year change was attributable to the moderate growth of current assets, mainly due to the increase in cash and cash equivalents. On the liabilities side, current liabilities in particular grew, primarily due to the increase in liability components in operating net working capital.
- The significant increase in **cash and cash equivalents** resulted mainly from the development of Free cash flow (see **1.6.2 Analysis of cash flow and investments**).
- **Operating net working capital** decreased to €55 million (2020: €1,056 million) due to ongoing asset management, which contributed to a €381 million decrease in inventories, and early customer payments. SGRE contributed by far the larger proportion of this decrease. A moderate increase in the **asset components** was accompanied by clear growth of the **liability components**. As a result, the operating net working capital was below 1% of revenue at the end of fiscal year (2020: 4%).
- **Other current financial assets** decreased substantially to €590 million (2020: €825 million). This was due to the complete settlement of receivables from the Siemens Group and the development of the fair values of derivative financial instruments.
- **Other intangible assets** clearly decreased as a result of amortization, depreciation and impairments in relation to intangible assets acquired in business combinations. This decline was partly offset by additions resulting from internally generated technology for product development at SGRE.
- Debt at Siemens Energy increased significantly year-on-year to €2,728 million (2020: €2,391 million). This was primarily due to the significant rise in **long-term debt** resulting from increased loans from banks, especially at SGRE (see also **1.6.3 Financing and liquidity analysis/ Debt, credit facilities, capital structure and share buyback**).
- **Other current financial liabilities** decreased sharply to €482 million (2020: €1,005 million). This was related, among other things, to the development of fair values for derivative financial instruments, the decrease in liabilities from share buybacks, and the decrease in liabilities from the premature exercising of Siemens AG share-based compensation programs.
- **Current provisions** increased significantly mainly due to higher provisions for order related losses and risks at SGRE.
- **Other current liabilities** clearly increased to €3,074 million (2020: €2,859 million), mostly due to the rise in liabilities to personnel and accruals for pending invoices.
- **Provisions for pensions and similar obligations** declined substantially, mainly caused by a positive performance of the fair value of plan assets and an increase in the weighted average discount rate (see also **1.6.3 Financing and liquidity analysis/ Financing of pension plans and similar commitments** and **2.6 Notes to Consolidated Financial Statements** in **Note 13 Post-employment benefits/ Provisions for pensions and similar obligations**).
- **Equity** of Siemens Energy Group decreased slightly. Despite the net loss, the equity attributable to the shareholders of Siemens Energy AG was at the prior-year level due to other comprehensive income. Non-controlling interests declined sharply due to the loss after tax and dividend payments.
- As a result, the equity ratio (total equity to total assets) at the end of the fiscal year was 34% (2020: 36%).

Off-balance-sheet commitments

- At the end of the fiscal year, the maximum liability amount – stemming primarily from credit and contractual performance guarantees for third-party services – was a nominal €352 million (2020: €332 million).

1.6 Financial position

1.6.1 Principles and objectives of financial management

- Although Siemens Energy and SGRE are independent in their financing activities and financial policies, both companies align their approach to the financial markets to the extent feasible.
- The main objectives of Siemens Energy's financial management are to ensure the financial sustainability of Siemens Energy and its affiliated companies, a solid investment-grade rating and support for the business by providing corporate finance solutions. The protection of the Group's long-term financial stability and flexibility includes the solvency of Group entities at any time, the reduction of financial risks and a balanced capital structure.
- The Treasury & Corporate Finance organizations of Siemens Energy and SGRE independently manage treasury and financing activities, including guarantees, letters of credit, insurance, pensions, sale of receivables, leasing, and supply chain finance. With regard to governance issues, SGRE is closely aligned with Siemens Energy Treasury.
- Certain treasury and financing activities are managed centrally by Treasury & Corporate Finance to the extent reasonable to ensure transparency and cost efficiency, e.g. liquidity and financing of the Group, bank relations, treasury infrastructure, financial risk management, pensions and pension service provider management, insurance (broking, advisory, claims management and provider management) and guarantees.
- The centralized coordination and management of market risks (foreign currencies, interest rates, commodities), bank partners, insurances and pensions ensure a comprehensive risk management approach. Treasury is the central partner for derivative hedging transactions entered into by Siemens Energy, as far as this is permissible under local foreign exchange regulations. Treasury is therefore largely responsible for entering into external hedging transactions with banks.
- The provision of Treasury infrastructure involves cash pooling, among other things. A centralized cash management system enables excess liquidity at individual Group entities to be used to cover the financing requirements of other Group entities, which reduces both the volume of external financing and interest expenses on Group level.
- For further information on the extent and management of financial risks and on financing, see 2.6 Notes to Consolidated Financial Statements in Note 21 Financial risk management

1.6.2 Analysis of cash flow and investments

	Fiscal year		
(in millions of €)	**2021**	**2020**	**Change**
Free cash flow pre tax by segment			
Gas and Power	1,206	536	125%
Siemens Gamesa Renewable Energy	227	122	87%
Reconciliation to Consolidated Financial Statements	(75)	319	n/a
Free cash flow pre tax of Siemens Energy	**1,358**	**977**	**39%**
therein Additions to intangible assets and property, plant and equipment	*(987)*	*(927)*	*6%*
Cash flows from			
Operating activities	1,946	1,601	22%
Investing activities	(958)	(1,036)	(8)%
Financing activities	(340)	2,353	n/a

Free cash flow pre tax

- **Free cash flow pre tax** at Siemens Energy improved substantially compared with fiscal year 2020, which was due to the substantial increase in cash inflows from operating activities (excluding income taxes paid), up from €1,904 million in the prior year to €2,345 million. This was partly offset by increased cash outflows for additions to intangible assets and property, plant and equipment in fiscal year 2021.
- **Cash flows from operating activities** resulted from the positive earnings development, accompanied by a net cash inflow of €1,071 million due to the change in **operating net working capital** (2020: €1,612 million) as a result of, among other things, ongoing asset management and advance customer payments. The net cash inflow was attributable to the decrease in inventories and an increase in trade payables and contract liabilities. Inflows at SGRE by far outweighed cash flow generation at GP. This was partly offset by a substantial increase in income taxes paid from €303 million in the prior year to €400 million in fiscal year 2021.
- The clear increase in **additions to intangible assets and property, plant and equipment** was attributable to a significant year-on-year increase in investments at SGRE, while at GP, a strict prioritization of investments in fiscal year 2021 led to a clear decline.
- **Investments** by GP in fiscal year 2021 were not focused on major individual projects and differed between the businesses. Transmission primarily invested capital to expand its production capacities for certain products and within the context of selected research and development projects. Generation mainly focused on maintenance and replacement investments. The largest proportion of capital expenditure at Industrial Applications was used for initiatives to improve competitiveness and strengthen core competencies in manufacturing, packaging and testing. SGRE's investments focused on both the development of new wind turbine models, new software, performance optimization of current components, as well as new and improved production facilities and the construction of prototypes. In France, construction continued on the new production facility for offshore wind turbines, which includes the manufacture of wind turbine blades, nacelles and generators. In Denmark, installation of the prototype offshore wind turbine was started.
- At the segment level, the two segments sharply increased their Free cash flow pre tax, which was largely due to improved earnings at both GP and SGRE. In each case, this effect was offset by a lower net cash inflow from changes in operating net working capital compared to the prior year. The Reconciliation to Consolidated Financial Statements showed a sharp downturn, which was primarily attributable to derivatives due in the prior year which were partly settled in fiscal year 2021 with a delay of one or two workdays due to technical reasons.

Additions to intangible assets and property, plant and equipment

	Fiscal year		
(in millions of €)	**2021**	**2020**	**Change**
by Segments			
Gas and Power	280	305	(8)%
Siemens Gamesa Renewable Energy	677	601	13%
Reconciliation to Consolidated Financial Statements	31	21	49%
Additions to intangible assets and property, plant and equipment Siemens Energy	**987**	**927**	**6%**
by Regions			
EMEA	758	630	20%
Americas	127	197	(36)%
Asia, Australia	103	100	3%

Cash flows from investing activities

- Cash outflows from investing activities clearly dropped despite the increase in investment in intangible assets and property, plant and equipment. This was driven by a decrease in cash outflows from acquisitions of businesses, net of cash acquired. The prior-year included cash outflows of €177 million in connection with the acquisition of businesses, primarily for the acquisition by SGRE of selected parts of the Senvion business in Europe. There were no comparable cash outflows in the current year. This was partly offset by the fact that there were no comparable cash inflows in fiscal year 2021 after prior-year cash inflows of €40 million from the disposal of businesses related to the sale of minor GP business activities in the United States and France.

Cash flows from financing activities

- The sharp downturn in cash flows from financing activities was primarily due to the sharp decline in cash inflows from transactions with Siemens Group. Siemens Group had contributed cash of €2,580 million a year earlier.
- Additionally, there was a year-on-year increase in cash outflows for the purchase of treasury shares. In the year under review, the share buyback program described in 1.6.3 Financing and liquidity analysis/ Debt, credit facilities, capital structure and share buyback resulted in cash outflows of €231 million (2020: €162 million).
- Furthermore, change in debt and other financing activities led to a cash outflow of €80 million in the current year, whereas cash in an amount of €110 million was generated in the prior year.
- Lease liabilities resulted in a cash outflow of €245 million (2020: €223 million).
- Cash inflows on the contrary were generated from the raising of loans in the amount of €199 million (2020: €381 million).

1.6.3 Financing and liquidity analysis

Debt, credit facilities, capital structure and share buyback

Debt

- The loans from banks in fiscal year 2021 mainly related to the SGRE business.
- In fiscal year 2021, SGRE has signed two new loans totaling €350 million from the European Investment Bank. Both loans have a term of five years and the purpose of funding SGRE's research and development activities.
- In September 2021, Siemens Energy set up a commercial paper program to enhance its financing flexibility. Under this program, securities with a maximum volume of €3,000 million can be issued. As of September 30, 2021, no commercial papers were outstanding under the program.
- Further information about the Company's debt can be found in 2.6 Notes to Consolidated Financial Statements in Note 12 Debt.

Credit facilities

- As of September 30, 2021, Siemens Energy had an undrawn syndicated revolving credit facility of €3,000 million for general corporate purposes. With effect from March 2021, the term of this facility was extended to 2024 with two one-year extension options subject to the lenders' consent.
- As of September 30, 2021, SGRE had a multi-currency revolving credit facility of €2,500 million. The facility includes a fully drawn term loan tranche of €500 million maturing in December 2022 and an unused revolving credit line tranche of €2,000 million maturing in 2025 with a one-year extension option.
- In addition, as of September 30, 2021, SGRE had undrawn bilateral credit lines in euros for a total amount of €743 million and credit lines in Indian Rupees for an amount equivalent to €498 million, of which €213 million was drawn at the end of the fiscal year.

Capital structure ratio

(Net cash)/ net debt (in millions of €)	Sep 30, 2021	2020
Short-term debt and current maturities of long-term debt	551	718
Plus: Long-term debt	2,177	1,672
Plus: Payables to Siemens Group from financing activities	189	161
Total debt	**2,917**	**2,552**
Cash and cash equivalents	5,333	4,630
Plus: Receivables from Siemens Group from financing activities	99	282
Total liquidity	**5,432**	**4,912**
(Net cash)/ net debt [1]	**(2,515)**	**(2,360)**
Plus: Provisions for pensions and similar obligations	830	1,057
Plus: Credit guarantees	89	—
Adjusted (net cash)/ net debt	**(1,596)**	**(1,303)**
EBITDA [2]	**1,106**	**60**
Adjusted (net cash)/ net debt to EBITDA ratio	**(1.4)**	**(21.7)**

[1] As of September 30, 2021 and September 30, 2020, the net cash position is shown with a negative sign.

[2] EBITDA represents earnings before financial result, income taxes and amortization, depreciation and impairments.

- The performance measure used to assess the capital structure is the ratio of adjusted net cash/net debt to EBITDA. Siemens Energy aims to maintain a solid investment-grade rating. As general guidance, an adjusted net debt to EBITDA ratio below 1.5 is considered to be consistent with a solid investment-grade rating. Figures for both the current fiscal year and the prior year were in line with the general guidance established in the Siemens Energy Financial Framework.
- The year-on-year change was primarily due to the increase in liquidity and the sharp improvement in EBITDA (see the developments described in 1.4 Results of operation).
- With our ability to generate positive operating cash flows, our liquidity of €5,432 million, our unused lines of credit and our credit rating at year-end, we believe that we have sufficient flexibility to fund our capital requirements. We are also of the opinion that our operating net working capital is sufficient for our present requirements.

Share buyback

- At the end of fiscal year 2020, Siemens Energy started a program to repurchase treasury shares to promote the Company's equity culture.
- This program ended on March 31, 2021. In fiscal year 2021, 7,691 thousand treasury shares were purchased for approximately €193 million (excluding incidental transaction charges).
- The buyback program was conducted so that shares could be distributed to members of the Executive Board and employees of Siemens Energy Group.
- Further information can be found in 2.6 Notes to Consolidated Financial Statements in Note 15 Equity.

Financing of pension plans and similar commitments

- Siemens Energy provides post-employment defined benefit plans or defined contribution plans to almost all employees in Germany and to most employees outside Germany.
- The majority of Siemens Energy pension liabilities derive from three major countries: Germany, the United States and the United Kingdom.
- As of September 30, 2021, the **defined benefit obligation (DBO)** amounted to €3,407 million (thereof: Germany €1,602 million, United States €939 million, United Kingdom €323 million, and other countries €543 million).
- The **fair value of plan assets** was €2,634 million (thereof: Germany €1,300 million, United States €636 million, United Kingdom €328 million, and other countries €370 million).
- This led to **underfunding** of €790 million (2020: €1,018 million), a year-on-year decrease which was largely due to a positive performance of the fair value of plan assets, employer contributions and an increase in the weighted average discount rate.
- Further information can be found in 2.6 Notes to Consolidated Financial Statements in Note 13 Post-employment benefits/ Provisions for pensions and similar obligations.

1.7 Report on expected developments

1.7.1 Macroeconomic and industry development

The outlook for the world economy for calendar year 2022 assumes that the recovery will continue at a slightly slower pace. It is expected that global GDP will grow by 4.9%. However, growth prospects will be dampened by ongoing supply bottlenecks and the spread of the more contagious delta variant of the coronavirus.

In calendar year 2022, GDP growth of 4.5% (2021: 5.2%) is expected for the industrial nations and 5.1% (2021: 6.4%) for the emerging and developing economies.

The course of the world economy's recovery from the COVID-19 crisis is likely to remain uneven. The industrial nations should return to their pre-pandemic growth paths significantly sooner than the emerging economies, where recovery is likely to be comparatively sluggish.

It is anticipated that China will develop particularly strongly, with GDP expected to grow by 5.6% in calendar year 2022 following growth of 8.0% in calendar year 2021. Among the emerging and developing economies, only India is expected to post higher GDP growth of 8.5% in calendar year 2022.

Apart from the COVID-19 pandemic, trade disputes or other unforeseen geopolitical developments could significantly impact economic development. However, the biggest risks to the world economy are likely to come from the ongoing turmoil on the international supply chain markets; see 1.7.2 Supply chain market situation.

The GDP forecasts outlined here are based on "World Economic Outlook: Recovery During a Pandemic" (October 2021) by the International Monetary Fund (IMF). They are underpinned by many assumptions including the supposition that "the average price of oil will be $65.68 per barrel in 2021 and $64.52 per barrel in 2022 and will remain unchanged in real terms over the medium term."

All the estimates presented in this chapter concerning future market developments and trends are subject to additional uncertainties regarding the consequences of the COVID-19 pandemic, which is a significant disruptive factor, and the various associated impacts. The pandemic is resulting in substantial volatility and thus uncertainty in respect of macroeconomic factors such as the development of GDP, oil and gas prices, energy demand, the financial performance of countries and customers, energy investments, government economic stimulus measures and energy policy, and financial market volatility. In turn, these factors are likely to additionally influence the markets for our business.

1.7.2 Supply market situation

While it is assumed that the overall economic situation will continue to recover, growth will likely be curbed by material shortages and logistics bottlenecks. Although it is expected that the raw material markets will gradually ease, the situation in downstream supply chains is likely to show further price increases and, to a greater extent, material availability challenges. This is due to a rising demand for certain components while production capacities are ramping up. In addition, the general price level is expected to go up especially due to energy price inflation.

Longer lead times for some pre-materials (e.g., electrical steel and epoxy) are likely to represent a greater challenge to business development than increasing material costs. The risk of delays in completing projects could be further aggravated by insufficient logistics capacities. Airfreight capacities are expected to stay at a low level and sea freight is likely to remain impacted by the shortage of containers and capacity bottlenecks. Added to this are the prospective continuation of port congestion and the closure of some ports. Road transport will probably continue to be affected by the shortage of truck drivers.

We are continually monitoring the supply market situation and, where necessary, our Procurement is applying alternative solutions to ensure the best possible material availability.

1.7.3 Transformation of Siemens Energy in fiscal year 2022

Fiscal year 2021 has marked the first transformation year for Siemens Energy on our way to become the leading energy company of the world. We have initiated the first steps to this journey in fiscal year 2020, continued along this path in fiscal year 2021 and we will pursue the direction we have taken with the Accelerating Impact program in fiscal year 2022. We expect the successful execution of our strategies, including the successful implementation and execution of reorganization and cost-saving programs, as well as the introduction of potential further measures. In fiscal year 2022, we are planning to further optimize the Company's portfolio with a view to increasing profitability and future viability as well as to reduce non-conformance and procurement costs.

For our segment GP, we expect that our savings ambitions resulting from the past programs and the first successes of our Accelerating Impact program will lead to a reduced cost basis in fiscal year 2022.

For SGRE, we expect to be able to carry forward the positive effects that were already achieved with the LEAP program in fiscal year 2021. The program is helping to mitigate the negative effects of recent price increases on the supply chain markets and in logistics, among other things. Regarding our mid-term targets, we expect to achieve further annual cost savings by way of measures such as strengthening the collaboration between Siemens Energy and Siemens and between GP and SGRE.

1.7.4 Expected revenue and profitability trends

Our forecast for Siemens Energy Group for fiscal year 2022 is based on the aforementioned expectations and assumptions for the overall economic situation and the specific market conditions for our reportable segments as described below. Overall, we are assuming that the world economy will continue to recover in fiscal year 2022. Risks exist especially in respect of the further development of supply bottlenecks and the associated price situation on the supply chain markets. The COVID-19 situation remains a factor of uncertainty for the global macroeconomic environment. We consider the opportunity/ risk potential to be balanced. The risk that the further spread of the more contagious delta variant could lead to greater restrictions of public and economic life is counteracted by the possibility that the economic upturn could be stronger than expected due to a rapid improvement in the pandemic situation. As far as the development of our business is concerned, we assume that, in fiscal year 2022, Siemens Energy will pursue the corporate transformation it has begun, especially by successfully implementing our restructuring program, and expect solid project execution.

This outlook excludes charges related to legal and regulatory matters.

Actual performance may deviate from our forecasts due to the risks and opportunities described in **1.8 Report on material risks and opportunities** or because our expectations do not materialize.

Segments

The progressive return of electricity demand to its pre-COVID-19 growth path is likely to further boost the **GP segment's** markets in fiscal year 2022 compared with 2021. Our markets are influenced by the performance of the electricity sector. Electricity consumption is likely to grow as the general economic recovery continues, due also to economic stimulus programs. It is expected that demand in calendar year 2021 will be above the 2019 level and will increase still further in calendar year 2022. Outside the electricity sector, the energy markets are likely to stabilize further and see positive growth trends in fiscal year 2022, continuing their slow recovery from the impact of the pandemic. Based on the growing number of anticipated order placements, we expect the markets for offshore and onshore oil and gas development projects to recover. Moreover, we expect stable development in the pipelines, downstream and other oil- and gas-related markets in fiscal year 2022.

We assume that the increased order backlog at GP due to the positive development of order levels will provide a solid foundation and that its execution in fiscal year 2022 will support revenue growth. We anticipate that around €14 billion of the GP order backlog will generate revenue in fiscal year 2022. Despite our cautious revenue expectation for the Generation service business, we assume that the GP service business will deliver a stable contribution to revenue growth overall. Moreover, we expect Transmission especially to expand revenue, primarily due to growth of orders. Therefore, we are assuming comparable revenue growth (excluding currency translation and portfolio effects) of 1% to 5% for GP in fiscal year 2022. We expect the adjusted EBITA margin before Special items of GP in fiscal year 2022 to be between 4.5% and 6.5%. At the same time, we are assuming a not insignificant impact on the margin from less favorable purchasing conditions resulting from the independence of Siemens Energy. However, these should be more than offset by the long-term cost savings, operational improvements and anticipated reduction of non-conformance costs we are targeting. In addition, the development is likely to be buoyed by the continued selective acceptance of orders. The consistent focus on higher-margin orders and beneficial market trends in the past fiscal year already contributed to improving the structure of the order backlog. Against this backdrop, we are expecting a further improvement in profitability across all businesses.

For the market environment of the **SGRE segment**, we expect the global market for onshore wind power installations to remain largely stable in fiscal year 2022, following high installation volumes in fiscal year 2021. A decline in the U.S. market is expected to be offset by positive development in a wide range of other countries, especially in the Asia-Pacific region. The global market for offshore wind power is expected to decline in fiscal year 2022. The key factor here is likely to be the expiry of government subsidy programs in China. This will probably not be offset by the expected moderate growth in the markets outside China.

The expected market environment described above is likely to have a negative impact on the development of SGRE's business volume overall. In addition, we expect negative impacts due to government market intervention and customers' deferred investment decisions. The supply chain disruptions, which are expected to continue, are likely to have an additional negative impact. As a result, we expect SGRE to experience a comparable decline in revenue of between 2% and 7% in fiscal year 2022, based on the assumption that €9 billion of the SGRE order backlog will generate revenue in fiscal year 2022. This is expected to be reflected in SGRE's earnings performance through negative fixed cost degression effects. In addition, we expect rising raw material and freight costs as well as increasing trade tensions to have a dampening effect. Nevertheless, we expect to be able to increase profitability compared with fiscal year 2021. We expect SGRE's Adjusted EBITA margin before Special items to be in the range of 1% to 4%.

Siemens Energy Group

On the basis of the anticipated growth in our segments' business volume, we expect comparable revenue growth of between negative 1% and positive 3% for Siemens Energy Group in fiscal year 2022. As of September 30, 2021, our order backlog stood at €84 billion. We expect the execution of our order backlog to support the growth of revenue overall in fiscal year 2022. At the same time, we are assuming that around €23 billion of the order backlog will generate revenue in fiscal year 2022.

In light of the anticipated development of our segments' profitability, we expect an adjusted EBITA margin before Special items of 3% to 5% for Siemens Energy Group in fiscal year 2022. The expected improvement compared with fiscal year 2021 is based on growth in both segments, although the development of SGRE overall will be curbed by the delayed turnaround in the onshore business.

We assume that the expected profitability will have a positive impact on the earnings performance of Siemens Energy and that this will be strengthened further by the reduction in Special items. We expect a sharp increase from the net loss in fiscal year 2021 for Siemens Energy Group towards the target of Net income.

1.7.5 Expected financing and planned capital expenditures

We assume that the Free cash flow pre tax of **Siemens Energy** in fiscal year 2022 will be in the positive mid-triple-digit million euro range. This assumption is based on the fact that the unusually strong performance in the fiscal year under review was partly due to circumstances that will have a negative impact or will not occur to a comparable extent in fiscal year 2022. This applies to the customer payments that were brought forward in the fiscal year under review and to the cash outflows that will materialize in fiscal year 2022, e.g., in connection with restructuring measures in Germany.

In fiscal year 2021, our ongoing asset management contributed considerably to the excellent Free cash flow pre tax. In this respect, we consider ourselves to be on a positive course but, due to operational requirements, will be unable to sustain the same pace for an indefinite period of time. This applies especially at SGRE, the current assets of which are already financed to a large extent by customer payments in particular.

Moreover, the development of Free cash flow pre tax in the fiscal year ahead is likely to be curbed by the substantial increase in capital expenditures. We are assuming growth in capital expenditures for both segments. SGRE fundamentally accounts for a larger share of the Siemens Energy investment budget and this also applies to the expected increase in spending in fiscal year 2022. In the fiscal year ahead, capital expenditures by GP will concentrate above all on growth fields and innovation. It is also intended to deploy significant funds in connection with the transformation of Siemens Energy. SGRE will focus its capital expenditures on new products and capacity expansions (e.g. at plants in the UK and Portugal). Further funds will be used to gain presence in new markets - especially in the offshore sector (e.g. through a new factory for rotor blades in France), with the aim of strengthening the segment's global presence.

In fiscal year 2022, we assume that Siemens Energy will again demonstrate a very solid finance profile that gives the Company sufficient financial headroom to cover all its business needs in the fiscal year ahead. We continue to target a capital structure that gives us a solid investment-grade rating. This is fundamentally consistent with an adjusted net cash/net debt to EBITDA ratio of up to 1.5, which remains our target.

1.7.6 Overall assessment of expected developments

We expect the global economy to continue to grow in the coming year and note that global supply chain constraints are likely to persist. Therefore, we cannot exclude that a shortage of materials and components and/ or a lack of freight capacity may have an impact on our business, especially as it pertains to the on-time execution of large projects. COVID-19 also remains a factor of uncertainty. However, we believe the overall situation will remain more or less stable and do not expect major negative impacts on our business activity from COVID-19. Overall, we are confident that the measures we have taken as part of our transformation will lead to higher profitability at Siemens Energy in fiscal year 2022.

For **Siemens Energy** in fiscal year 2022, we expect comparable revenue development to be in a range of negative 1% to positive 3% and an Adjusted EBITA margin before Special items of 3% to 5%. We expect a sharp improvement towards our target of Net income. We expect Free cash flow pre tax to be in a range of a positive mid-triple-digit million.

For the **GP segment** in fiscal year 2022, we target comparable revenue growth to be in a range of 1% to 5% and Adjusted EBITA margin before Special items to be between 4.5% and 6.5%.

For the **SGRE segment**, we expect in fiscal year 2022 a comparable decline of revenue between negative 2% and negative 7%. Adjusted EBITA margin before Special items is expected to be in a range of 1% to 4%.

This guidance assumes no major financial impacts from COVID-19 on our business activity and excludes charges related to legal and regulatory matters.

1.8 Report on material risks and opportunities

1.8.1 Risk management system

Basic principles of risk management

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

Enterprise risk management process

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

Our ERM process aims for early identification, evaluation, and response to opportunities and risks that could materially affect the achievement of our strategic, operational, financial, and compliance objectives. The time horizon is typically three years, and we take a net risk approach, addressing opportunities and risks remaining after the execution of existing control measures. Our internal auditors regularly review the adequacy and effectiveness of our risk management. Accordingly, if deficits are detected, it is possible to adopt appropriate measures for their elimination. The processes and procedures implemented are intended to help ensure that the Executive Board and the Supervisory Board are fully informed about significant risks in a timely manner.

If risks have already been considered in plans, budgets, forecasts or the Consolidated Financial Statements (e.g., as a provision or risk contingency), they are 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) are considered. In order to provide a comprehensive view of our business activities, opportunities and risks are identified in a structured way combining elements of both top-down and bottom-up approaches in order to ensure that potential new risks and opportunities are discussed at the management level and are included in the subsequent reporting process, if found to be relevant.

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

Risk management organization and responsibilities

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

1.8.2 Risks

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

Strategic risks

Climate Change and decarbonization trend – The impacts of climate change might have significant effects on our company throughout the entire value chain, such as markets, technologies, policy and legal, reputation, as well as climate-related physical impacts (e.g., from increasing extreme weather events) on our sites, portfolio or supply chains. These changes will be gradual over several years or decades. In particular the trend towards decarbonization in the energy market might force Siemens Energy to review its strategy, organizational setup and portfolio. There is a risk that requirements will be driven in a much shorter timeframe by regulatory measures or public pressure (e.g., CO_2 taxes, financing restrictions for greenhouse gas emitting technologies, media campaigns). To mitigate related technology/ portfolio risks and ensure timely actions we are continuously screening market developments and reviewing our portfolio. The products, solutions and services offered by our Gas and Power (GP) segment's Generation and Industrial Applications divisions serve, to a significant extent, conventional power generation using fossil fuels such as oil, gas, and coal. Fossil power generation is currently under pressure due to the prevailing trend towards more sustainable power generation using renewable energy sources or carbon-neutral fuels. There is a risk that the demand for fossil power plants and related infrastructure including highly efficient gas turbines will be lower than we expect due to a faster than expected transition towards renewables. An accelerated growth in new installations of solar and wind power due to their declining levelized cost of energy could result in decreasing demand for conventional power generation in some regions of the world. Also, a faster than expected development of competitive energy storage solutions could accelerate the change towards renewables by offsetting their disadvantage of not being able to respond flexibly to varying energy demands. These trends are impacted by several factors beyond our control, in particular by government intervention, public and private initiatives, the efficiency and cost of renewable energy technologies, as well as selectiveness of and restrictions for investors and lenders, and changing consumer preferences in energy consumption. Most of these interventions and initiatives are directed to limit global climate change. If these developments result in fewer orders for our offered products and solutions, there might also be fewer opportunities to conclude respective new service contracts, or existing service contracts could be cancelled. Within renewables, we are offering wind power applications through our SGRE segment, but we have only limited products and services related to solar power generation or other renewable technologies in our portfolio. If renewable fields develop more dynamically than expected e.g., through increasingly declining subsidy levels in the wind power industry, there can be no guarantee that SGRE will succeed in addressing the resulting challenges. Also in this case, fewer orders could affect our service business.

We are offering our customers various pathways to transform their existing fleet of fossil fuel-based power generation technology into a less carbon-intensive one. Depending on governmental policy support and regulatory implementation, such markets may pick up earlier or later than expected. If we are too slow or if we fail to adapt our business model and our product portfolio to specific regional demand in time or at all, this may have a material adverse effect on our business, financial position, and results of operations. We are constantly screening for climate-related developments e.g., decarbonization programs of our customers, investor requirements, regulatory frameworks and identifying critical projects through a Sustainability Check to derive risk exposure and share relevant findings within our Sustainability Council to derive further action in the respective area of responsibility. Furthermore, we create transparency on ESG performance for stakeholders e.g., through Sustainability report or contribution to relevant ESG ratings.

Market and price development – The worldwide markets for our products, solutions and services are highly competitive. Factors such as pricing, product and service quality, product development and introduction time, customer relationships, financing terms and the ability to quickly adapt to shifts in market demands play an important role in this market environment. For example, governments in some of our SGRE segment's key markets are moving towards auction models where a number of competing developers are submitting bids for projects, with awards being made based on the lowest entry price for the project. A permanently reduced oil price may lead to reduced demand for our Oil & Gas products, in addition countries depending on a high oil price (e.g., Russia) may reduce their investment in energy infrastructure and (or) may default on payments. On the other hand, higher natural gas prices may constrain demand for natural gas power generation. This could lead to lower utilization of turbines served by GP segment's profitable service business, and less need to service those turbines. These developments are influenced by climate-related market transitions. Inflation in supply costs may necessitate that we increase prices to maintain profit levels. We may not be able to increase prices and (or) higher prices may lead to lower demand for our products, services, and solutions. We face strong established competitors and new competitors from emerging markets, where many of them have developed their offerings locally and are now expanding globally, and competitors from new industries such as digital industries, which may offer more advanced products or solutions or have a better cost structure. Some industry fields in which we operate are continuously undergoing consolidation, which may result in stronger competition or a change in our relative market position. Decreasing demand for our offerings, as a result of a weaker market position could lead to increases in Inventory of finished or work-in-progress goods, or unexpected price erosion. Our SGRE segment may in the future face additional competition from further manufacturers that may decide to enter global wind turbine markets, which may result in price decreases and/or a loss of market share for our SGRE segment. In our service business, we face competition from major established players and non-OEM suppliers targeting, in particular, our GP segment's turbine service business, which is a major source of profitable revenue. This risk is further exacerbated by the fact that we grant the non-exclusive right to certain companies to manufacture, sell and service certain of our products in specific territories, or to use certain of our intellectual property or design tools to develop their own product.

These agreements are based on the assumption that it is beneficial to us if we are active in these markets via a partner. Should we decide to directly serve the respective market, we may be forced to compete with our partner. Some of these developments may prompt us to revise our strategy and product portfolio and there can be no assurance that such revisions yield the targeted results. If the Group is unable to compete effectively against its competitors or achieve satisfactory prices in negotiations with customers, this could have a material adverse effect on our business, financial position, and results of operations. We address these risks with various measures, for example benchmarking, strategic initiatives, sales push initiatives, executing productivity measures and target cost projects, rightsizing of our footprint, outsourcings, mergers and joint ventures, exporting from low-cost countries to price-sensitive markets, and optimizing our product and service portfolio, with a focus on decarbonization. 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.

Technology/ portfolio gap against competitors – The markets in which we operate are experiencing rapid and significant changes due to the introduction of innovative and disruptive technologies to meet the accelerating demand for sustainable (green) energy. Our operating results have in the past depended and will continue to depend to a significant extent on our ability to meet the evolving needs of current and prospective customers in a timely manner, our ability to anticipate and adapt to changes in our markets, and to optimize our cost base accordingly. We do this by continuously creating new Intellectual Property as well as actively managing our intellectual property portfolio to secure our technological position. At the same time, it is important to note that, there is a potential risk that we may not be successful in developing a portfolio of technologically advanced products, services, and solutions within the expected timeframe or at all, or at prices that allow our new developments to be competitive when compared to similar products, services, and solutions available in the market. Optimizing the levelized cost of energy of its products and its cost base is particularly important for our SGRE segment as many of its products are subject to significant price pressure both from the market/customer side as well as from the supplier side. In addition to this pricing challenge, the SGRE segment product competitiveness could suffer, if its portfolio optimization plans and new product launches encounter delays, ramp-up challenges or its products may fail to meet market expectations from a performance perspective. The GP segment’s new gas turbine class that is currently being developed may not fully enable us to compete against the offerings of our competitors with top-of-the-market efficiency levels, which are a key selling point for our customers, maybe also impacting our mainly gas turbine driven service revenues. Furthermore, the pace of technological change may result in the economic lifecycle of certain of our products being shorter than anticipated as well as operating hours reducing due to greater renewable capacity and generation around the world. In the GP segment, related new technologies and portfolio elements are strongly required for the global decarbonization path whereas economic viability for our clients is highly reliant on market boundary conditions which are handled differently by countries in the various regions of the world. There is also a risk that certain markets do not materialize to a relevant size and we may not be able to recoup our investments.

Restructuring/ productivity programs – The markets in which we operate as a global supplier of technology for the energy and electricity sectors are subject to disruptive developments. These developments have required us to adjust our organizational and manufacturing footprint, to adapt to changing market conditions, in particular market upswings or downswings. Reorganizations and productivity programs are required to adapt to a changing product portfolio or customer basis or to price pressure in the market. If we are unable to successfully implement planned reorganization, performance enhancement or cost savings measures or if these do not result in the planned savings, this could have a material adverse effect on our business, financial position, and results of operations. The implementation of reorganization programs in response to downswings requires the reduction of personnel in some areas or reorganization of manufacturing sites and to incur significant restructuring expenses (e.g., severance payments) that affect our results of operations. In addition, our ability to adapt our footprint or resize our support functions quickly may be limited due to labor law restrictions, also when compared to certain competitors. Furthermore, reorganization, performance enhancement, and cost savings measures may not yield the targeted results and the implementation may take longer than originally expected or ultimately fail, e.g., due to regulatory requirements varying from country to country. In our GP segment, we have set-up the Accelerating Impact Program to respond to the required capacity adjustments and cost saving needs. This program comprises specific strategic implementation roadmaps in Divisions and Functions with specific scenario plans for required capacity. The execution of these scenarios depends partially on alignment with local workers councils and unions. A delay of such decision or a delay of required workers councils and unions alignment or adjustments to the plan would endanger on time action. A project has therefore been set up to ensure the implementation of the program to increase competitiveness. Regular reporting is made to the Executive Board. We continuously assess whether it is necessary to define further optimization measures to ensure that our profitability target is achieved.

ESG standards requirements – It is important for Siemens Energy to take a leading position in the industry in the area of sustainability. In order to stay competitive, we must increasingly meet environmental, social and governance (ESG) standards and expectations regarding environmental concerns (e.g., climate change), social concerns (e.g., diversity and human rights), and corporate governance concerns (e.g., employee relations when making business and investment decisions). We may not always be able to identify and adequately assess the relevant concerns, which may result in failure to meet ESG standards and expectations of stakeholders or the public, which could adversely impact our reputation. At the same time, compliance with certain ESG standards, in particular environmental standards, may lead to additional costs and challenges in our business. There is a risk of insufficient funding or procurement of financing instruments or financial services such as securities, hedging instruments or insurance provided by banks, insurance companies, and other financial institutions for specific projects or our whole business operations, due to financial institutions’, industry-wide or policy-driven prerequisites for all dimensions of ESG. Basically, our business and the businesses of our customers and suppliers require access to significant credit and guarantee lines and other financing instruments. Therefore, our business activities could be negatively affected if we are unable to meet such capital requirements in the future, for example, as a result of a significant deterioration of our credit standing or if access to capital becomes more expensive. Our business activities could be similarly negatively affected if our customers or suppliers do not have access to financing on economically viable terms.

Our ability to realize projects in the energy industry, whether conventional or renewable, may be negatively impacted by ESG standards, which may have a material adverse effect on our business, financial position, reputation, and results of operations. In that regard we create transparency on ESG performance for stakeholders e.g., through Sustainability report or contribution to relevant ESG ratings and continuously monitor current and emerging regulations. Furthermore, we defined a process to identify critical projects early to ensure mitigation actions are identified and implemented in a timely manner.

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

Political instability and conflicts – As we are a globally operating Group, the imposition of barriers to free trade would negatively impact production costs and productivity along our value chains, as well as reduce the level of investment activity. Our business prospects and the execution of projects awarded to us may be negatively affected by political instability or international conflicts. For example, we may be forced to reorganize, reduce or terminate business operations in geographical areas where our employees, partners or subcontractors would otherwise be subject to unacceptable economic or personal risks, e.g., due to ongoing or threatened civil unrest, terror attacks, or war. Some of our current and planned projects and service activities are in regions, which are exposed to a higher risk in this respect e.g., in Libya, Afghanistan and Iraq. Furthermore, our business prospects or the execution of our order backlog may be negatively affected by changes in the political and economic framework, e.g., due to trade wars, punitive tariffs, sanctions, protectionist measures or boycotts. We believe a key risk in this regard is the simmering U.S.-China trade conflict which may further escalate. We are exposed to existing and potential new trade barriers which may impede our business with China and the U.S., and also our operations outside China and the U.S. could be affected due to potential supply chain disruptions as a consequence of such a trade conflict, particularly in our SGRE segment. In Iraq, with the current overall political and military situation as well as financial boundary conditions, we see first effects that we are not able to execute as planned on the realization of the five-year "Iraq Roadmap," which will have a material adverse effect on our results of operations. Furthermore, the consequences of the United Kingdom (U.K.) withdrawing from the EU ("Brexit") remain not entirely clear, though less concerning as the Trade and Cooperation Agreement (TCA) between the UK and the EU has been reached in December 2020. We are continuing to review the operational and strategic impact of the TCA on our business; however, the impact seems now manageable. Siemens Energy's global setup with operations in almost all relevant economies, our wide range of offerings with varied exposures to business cycles, and our balanced mix of business models (e.g., equipment, components, systems, software, services and solutions) help us to absorb impacts from adverse developments in any single market.

Operational risks

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

Technical and quality issues – Certain products that we sold in the past had, and may in the future have, quality issues resulting from the design or manufacture of these products or the commissioning of these products or the software integrated into them. Such risks are particularly present in our engineering, production, and project sites, which are located all over the world and have a high degree of organizational and technological complexity. A failure or malfunction of one of our products may extend to other products, or affect whole production facilities or plants, or could affect an entire product line e.g., of gas turbines in our GP segment or onshore turbines in our SGRE segment which may already be installed or planned to be installed at customer sites. Potential consequences of quality issues could result in shutdown of operations, delays in project commissioning, property damage, customers pursuing claims against us, and detrimental effects on our reputation.

There is no guarantee that our quality assurance measures will be effective enough to detect and adequately respond to every quality assurance issue in a timely manner or at all, especially in relation to new technologies which are typically in an early phase of implementation and, because operational data is rare, whose lifetime cannot be reliably predicted. Any of the described cost increasing effects, claims, liabilities, or reputational damages would have a material adverse effect on our business, financial position, and results of operations.

Risk related to project execution – We regularly engage in large and complex projects up to full turnkey delivery which may be worth, or even exceed a value of, several hundred million euros and whose execution may take several years. These contracts bear risks which are for every project identified and evaluated. Nevertheless, we may see deviations from our execution plan and its related calculated cost. This is particularly true in projects with untested or new technology that have never been executed before, or when we bid for projects in countries where we have no or only limited experience from previous projects. In certain cases, we bear the risk of unanticipated project modifications, shortage of key personnel, quality problems, financial difficulties of our customers and (or) significant partners, cost overruns or contractual penalties caused by delays or unexpected technological problems, unforeseen developments at the project sites, unforeseen changes or difficulties in the regulatory or political environment, performance problems relating to our suppliers, subcontractors and consortium partners, or logistical difficulties. This could lead to significant increases in project costs, negatively affect the performance of projects and could have a material adverse effect on our business, financial position, and results of operations. In some cases, this also could lead to a legal dispute. To address those risks related to the acquisition and execution of large complex contracts we have established a global project excellence organization to monitor a transparent risk assessment and approval process for bid submission, a standard model for project execution, a curriculum to systematically improve the capabilities of our project management personnel as well as a continuous improvement program focused on lessons learned, in order to prevent failure repetition.

Pandemic diseases – We are a globally active group and through our activities and contact with our customers and suppliers, the business is directly and indirectly exposed to various risks arising from both the global and local spread of infectious disease such as, the ongoing COVID-19 pandemic, or other forms of public health crises. Risk stems from the effect of such crises and the impact of measures introduced to reduce infection rates. Measures include, but are not limited to, risk assessment, restrictions on travel, self-isolation, social distancing, working from home, temporary closure of workplaces and, encouraging local vaccination. There can be no guarantee that such measures, or a combination thereof, are effective means to combat such an outbreak and the implications resulting therefrom. Continuing public health crises such as COVID-19, introduce adverse risks to the business impacting on our contractual obligations, customer commitments, our operations and financial position. Measures limit the ongoing impacts, nevertheless the business remains subject to the risk of interruption or shutdown of our production or project sites and the risk of disrupted supply chains, due to continuing infection, new outbreaks, and the emergence of variants. The impact of the current pandemic has introduced severe effects on global and national economies and potentially this could lead to a prolonged recession and an increased global debt level, adversely affecting demand for our offerings.

Environment, health and safety (EHS) adverse events – The majority of the industries in which we operate are highly regulated and as a business we adhere to stringent environmental and occupational health and safety laws and regulations not only in our production facilities but also, among others, on project sites and at customer locations. Current and future EHS laws and regulations, or amendments, may require us to change the way we run our operations and could result in significant increases in our operating or production costs. Furthermore, due to the high-risk profile of some of our work activities we see the risk of potential incidents as well as potential non-compliance with EHS regulations affecting Siemens Energy and our contractors, resulting for example in serious injuries, penalties, loss of reputation, and internal or external investigations as well as project delays. EHS programs establish a global framework that sets high level standards and expectations, including principles, behaviors, and essentials for environment, health and safety. For example, the Zero Harm program and the assessment of the arrangements, and activities for occupational health and wellbeing. We could also face liability for damage or remediation for environmental contamination at the facilities we own, lease, design, or operate. This risk is further exacerbated by the fact that much of the real estate used by Siemens Energy was acquired when such real estate had already been in industrial use. Siemens Energy, thus, cannot guarantee that such real estate was always operated in line with EHS regulations, but may, nevertheless, be held responsible for the consequences of a failure to do so. We may incur environmental losses beyond the insurance limits, or outside the coverage of such insurance, and such losses may have a material adverse effect on our business, financial position, and results of operations.

Cyber-security threats including product and solution security – Information technologies (IT) are deeply integrated into our business portfolio, and we depend on their uninterrupted and efficient functioning. Furthermore, we rely on third-party IT service providers, suppliers and vendors. Over the past years, we observe a global increase of amplified cybersecurity threats and higher levels of professionalism in cybercrime, which pose a risk to the security of products, systems, and networks and the confidentiality, availability, and integrity of our data. Our IT environment could be compromised, e.g., by advanced persistent attacks on our own or our IT service providers' networks that may also include external-hosted cloud services, social engineering, data manipulations in critical applications, and a non-availability of critical resources. There can be no assurance that our own or our IT service providers' measures aimed at safeguarding the uninterrupted and efficient functioning of IT will address all of these threats under all circumstances. Any such attack or disruption may adversely affect our business operations. Risks from cyberattacks on our products and services can have particularly serious consequences because they are often part of critical infrastructure whose limited functionality or total failure can have far-reaching consequences. For example, we sell products and systems with digital capabilities and offer digital solutions such as for remote operation of customer systems or onsite operations such as instrumentation and controls for power plants. If such products, systems and solutions are compromised or disrupted, including due to any of the events described above, we may be held liable by our customers for damages and may also suffer damage to our reputation. In addition, there is a risk that confidential or personal information, including third-party information, may be leaked, stolen, or manipulated or compromised in other ways, including due to any of the events mentioned above. Leakage or theft of information or data about our Intellectual Property rights could affect our competitive position and results of operations. If confidential, personal or third-party information is compromised, we may also be subject to contractual penalties or claims for administrative fines or other sanctions under secrecy or data protection laws and regulations.

Cyberattacks and other disruptions could also result in deliberate improper access and use of our sites or systems, as well as production downtimes and supply shortages, with potential adverse effects on our reputation, our competitiveness, and results of operations. These risks are further exacerbated by the fact that potential attackers are increasingly sophisticated and often supported by organized crime or even nation-states engaged in economic espionage or even sabotage. We attempt to increase the overall Cybersecurity resilience by employing proven Cybersecurity professionals and by utilizing several measures, including awareness measures for our staff on a global scale, target-oriented employee training, comprehensive monitoring of our networks and systems through cyber-security defense teams, and upgrading backup and protective systems such as firewalls and virus scanners.

Inventory risk – We may have built up, or in the future may build up, inventories (both work-in-progress and finished goods) that cannot be sold or can only be sold at lower-than-calculated prices, either because there is insufficient demand from the market (e.g., due to an overall economic recession or technological obsolescence) or intense competition. This may require us to write down the carrying value of such inventory, negatively impacting our profit and financial position. The risk of write-downs is particularly present in the case of goods with longer lead times and where we are unable to quickly adapt our supply chain (e.g., deliveries received for parts and components) to the current load situation. Impairment charges may also have to be recognized in respect of developed products and associated production lines, plants, real estate, production tooling and other assets. Furthermore, we have in the past manufactured products in anticipation of orders which failed to materialize. In some of these instances, we were required to write down the resulting inventory and there can be no guarantee that we will be able to avoid such cases in the future. We execute dedicated sales initiatives and have a strict release process for production implemented. Shortened lead times help us to reduce inventory risk and to meet market required delivery times and to allow fast track projects.

Financial risks

Adverse developments in financial and bank markets – Since the energy industry is subject to considerable technological change, our future capital requirements for the development and industrialization of new products, acquisitions, investments and necessary reorganization measures may be significant. Our ability to obtain financing, guarantees, or hedging instruments from financial institutions at commercially acceptable terms, could depend on several factors beyond our control. These include e.g., general economic conditions due to the ongoing pandemic, Global/EU monetary policy and financial markets regulations, industry-wide or policy-driven prerequisites for all dimensions of ESG, credit availability from financial institutions, interest rates, market volatility and market disruptions. Additionally, the deterioration in our business results, financial position, or credit ratings of Siemens Energy and (or) SGRE could lead to higher financing and hedging costs, reduced availability of credit, hedging and guarantee lines, funding sources, commercially unfavorable terms or an acceleration of loans or provision of security. In the absence of sufficient future cash flows and available financing and other credit lines, such as guarantee and hedging lines, we may not be able to adequately finance our normal business activities and to realize new investments or acquisitions or continue our daily operations. This could in turn have a material adverse effect on our growth prospects, our competitive position and our business, financial position and results of operations. Due to the global scale of our business, our results of operations are affected to a significant extent by foreign currency exchange rate movements.

The largest project execution, engineering, production, and research and development hubs of our business are in Germany, the U.S., the U.K., Spain, Denmark, and China, while our sales are global. This means that while income is generated in various currencies, costs are predominately denominated in euro, U.S. dollar, British pound, Danish krone and Chinese renminbi. Significant changes in euro exchange rates could materially change our competitive position. We are also exposed to fluctuations in interest rates and commodity prices. Even hedging activities to mitigate such risks may result in an adverse 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. Our SGRE segment and the other Siemens Energy Group companies are being treated as a so-called "single borrower unit" ("Kreditnehmereinheit") under the large exposure regulation for banks under the German Banking Act ("Kreditwesengesetz"). Any indebtedness taken on by our SGRE segment/Group companies may limit the ability of Siemens Energy as a whole to borrow funds or having access to hedging/guarantee lines and vice versa. Our business activities could be negatively affected if our customers or suppliers do not have access to financing on economically viable terms. Furthermore, we may incur unexpected losses in financial instruments if the credit quality of our contractual partners deteriorates or if they default on, or fall behind schedule with, their payment obligations to us, that is on trade receivables from the sale of goods and services. Prior to our separation from Siemens, we benefitted from the strong credit ratings and financing abilities of Siemens AG, e.g., as the issuer of parent company guarantees. Financial institutions demand representations in financing contracts with regard to compliance with sanctions or other export control measures. Failure to comply with sanctions and other control regimes may adversely impact our financing ability. We believe these risks, including ESG risks, are particularly relevant with a view to our Oil & Gas and conventional generation activities and will make the financing for such projects more difficult in the future. Furthermore, there can be no assurance that Siemens Energy will be able to maintain adequate insurance coverage on commercially reasonable terms in the future, which may have a negative effect on our financial position and operational results. The provisions for pensions and similar obligations may be affected by changes in actuarial assumptions, including life expectancy and discount rates. Actual developments may differ from prior assumptions, e.g., changing market and economic conditions, may result in an increase/ decrease of the actual obligations. Fluctuations in the financial markets or a change in the portfolio mix of plan assets may result in significant increase/ decrease in the attributable fair value of plan assets over time. A significant increase in underfunding may have a negative effect on our capital structure, rating, refinancing and costs. If legal conditions governing our pension obligations are subject to changes via applicable legislations, we may incur new or more extensive pension obligations in the future. Furthermore, we may face the risk of increasing cash outflows if local pension regulations require higher funding levels.

Compliance risks

Allegation of Compliance violations – As a diversified company with global businesses we are exposed to various product- and country-related regulations, laws, and policies influencing our business activities and processes. We monitor the political and regulatory landscape in all our key markets to anticipate potential problem areas, with the aim of quickly adjusting our business activities and processes to changed conditions. However, any changes in regulations, laws, and policies could adversely affect our business activities and processes as well as our financial position and results of operations. Proceedings against us or our business partners regarding allegations of corruption, of antitrust violations, and of other violations of law may lead to fines as well as penalties, sanctions, injunctions against future conduct, profit disgorgements, disqualifications from directly and indirectly engaging in certain types of business, the loss of business licenses or permits, other restrictions and legal consequences, as well as negative public media coverage. Accordingly, we may, among other things, be required to comply with potential obligations and liabilities arising in connection with such investigations and proceedings, including potential tax penalties. Siemens Energy conducts a large share of its business with governments and government-owned enterprises. We also participate in a number of projects funded by government agencies and inter-governmental and supranational organizations, such as multilateral development banks. Ongoing or potential future investigations into allegations of corruption, antitrust violations or other violations of law could as well impair relationships with such parties or could result in our exclusion from public contracts. Such investigations may also adversely affect existing private business relationships and our ability to pursue potentially important strategic projects and transactions, such as strategic alliances, joint ventures or other business alliances, or could result in the cancellation of certain of our existing contracts. Moreover, third parties, including our competitors, could initiate significant litigation. In addition, future developments in ongoing and potential future investigations, such as responding to the requests of governmental authorities and cooperating with them, could divert management's attention and resources from other issues facing our business. Furthermore, we might be exposed to compliance risks in connection with recently acquired operations that are in the ongoing process of integration. Along with other measures, we have a state-of-the-art global compliance organization in place to mitigate these risks, that conducts among other things, compliance risk mitigation processes such as comprehensive compliance trainings, compliance risk assessments and internal audit activities.

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

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

Assessment of the overall risk situation

The most significant challenges have been mentioned first in each of the four risk categories – strategic, operational, financial, and compliance. The risk arising from Critical supply chain is the most significant challenge for us.

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

1.8.3 Opportunities

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

Climate-related opportunity from portfolio and markets – We see the opportunity to significantly accelerate Siemens Energy's growth by developing a green product portfolio which meets the market trend towards net-zero emissions. We strengthen our decarbonization portfolio and we grow markets while we continuously adapt our business models and our product, service and solutions portfolio to the changing customer and market behavior. New products/projects comprise e.g., H_2 production, SF_6-free high-voltage equipment, decarbonized heat, H_2 fired gas turbines or energy storage for our clients in existing power plants, as standalone solutions for grids, and in combination with renewable energies like PV (photovoltaic) or wind. We accompany our customers on their energy transformation journey and continuously monitor and adapt our portfolio to customer and market needs. We closely observe the market and regulatory developments, with focus on applications with earlier expected market maturity. We invest in targeted R&D activities that support our Energy of Tomorrow strategy and respective five Fields of Action to transform the future: Power-to-X, Energy Storage, Decarbonized Heat & Industrial Processes, Condition-based Service Interventions and Resilient Grids & Reliability. In addition, we have defined dedicated nine technology fields driven across Siemens Energy in order to improve the sustainability dimension of our product, solution and service portfolio and to strengthen its core. We explore market opportunities to set the foundation for new business e.g., focus on building up our H_2 related business with electrolyzer systems and solutions for the production of green hydrogen on the basis of renewable energy and water. Our SGRE segment's wind power portfolio supports this path to clean energy and to transform the future.

Successful Execution of Accelerating Impact Program – As an independent company we have the entrepreneurial flexibility to adjust the strategic focus and business model directly and continuously to changes in the global energy markets. The framework conditions for the Siemens Energy Group to implement our own strategy individually improved with the successful Spin-Off. We develop and pursue our own strategy, diversify our respective business activities independently in terms of customers, technologies, risks, and markets, and adjust necessary processes to the changing market conditions in an even more agile and more targeted manner. Furthermore, Siemens Energy can increase its focus on the identified core fields of business, which strengthens the investment and risk profile of the Siemens Energy share and which therefore may attract new investors that thus far have not held any Siemens shares. By executing the Accelerating Impact Program, we intend to create a powerful pure play provider in the energy and electricity sector with a lean and integrated set up. With this, we ensure our GP segment can adapt with full focus to the fast-changing market environment through a more agile and targeted manner, stringent capital allocation and execution of strategy. The Carve-Out and Spin-Off including listing on the German stock market have been successfully executed. The Energy of Tomorrow strategy has been defined for the next ten years and serves as our strategic response plan. Furthermore, the specific implementation plan for the first phase of Energy of Tomorrow strategy, Accelerating Impact, has been defined through specific roadmaps and masterplans in Divisions and Support Functions.

Business opportunities in B2G (business-to-government) and G2G (government-to-government) markets – We see the opportunity to participate in the reconstruction and development of energy infrastructure through pursuit of joint generation (including renewable energy), transmission, and distribution expansion programs led by government or state-owned utilities. The growing global trend to decarbonization with several international initiatives might result in an additional demand for our energy generation solutions.

Digital growth – The opportunity to position Siemens Energy as a leader for digitalization in the energy industry can create additional growth beyond our existing business plans by expanding our digital product and solution portfolio. We invest significant R&D to drive innovations that result in sustainable solutions for our customers and increase our own competitiveness. We continuously develop new concepts and convincing new digital and data-driven business models. We see also opportunities to generate additional volume and profit from innovative digital products, services, and solutions, including applications for optimized energy consumption, asset management and operation of highly efficient energy grids and scalable solutions for distributed and renewable energy generation, including Cybersecurity and flexibility across the industries. Siemens Energy is combining its domain know-how and data access by expanding its partnering network and innovating the business model from a strong technology backbone across the Verticals.

Recovery of politically unstable regions – We are continuously monitoring opportunities for improvement in the geopolitical policy environment, which could quickly restore a more positive industrial investment sentiment that supports the growth of our markets. In addition, government initiatives and subsidies (including tax reforms among others) may lead to more government spending (e.g., infrastructure or digitalization investments) and ultimately result in an opportunity for us to participate in ways that increase our revenue and profit. Various regions are currently still suffering from civil unrest and (or) financial distress and (or) political instability and conflicts (e.g., Iraq, Libya, Afghanistan). A recovery in any such country bears the opportunity for us to participate in the rebuilding and developing of local energy infrastructure.

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

Assessment of the overall opportunities situation – The most significant opportunity for Siemens Energy is the Climate-related opportunity from portfolio and markets as described above.

1.8.4 Key features of the accounting-related internal control and risk management system

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

Our accounting-related internal control system is based on the internationally recognized "Internal Control – Integrated Framework" (2013) developed by COSO. The COSO frameworks link the ERM process with our internal control system. Both systems complement each other.

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

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

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

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

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

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

Our internal audit function is set up to review, amongst others, financial reporting integrity, the effectiveness of the control system and the risk management system, and adherence to our compliance policies. Our SGRE segment has its own internal audit department and annual audit plan. Topics from the respective annual audit plan of our SGRE segment which are also relevant for our Executive Board and Audit Committee first have to be mandated by SGRE's Executive Board / Board of Directors and Audit Committee and subsequently be mandated by our Executive Board and Audit Committee. The audit procedures for these topics will be generally executed in joint teams of our and the respective SGRE's internal audit function. 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. In addition, it is possible to make accounting-related reports as part of compliance complaints, e.g. anonymously and directly via the "Speak Up" system or via an ombudsperson.

1.9 Explanations to the Financial Statements of Siemens Energy AG (Holding)

1.9.1 Overview

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

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

In order to commence its activities as a listed holding company of the Siemens Energy Group, Siemens Energy AG entered into various agreements with Siemens Energy Management GmbH and Siemens Energy Global GmbH & Co. KG. Therefore, as of October 1, 2020 and December 1, 2020, Siemens Energy AG took over personnel from with Siemens Energy Management GmbH and Siemens Energy Global GmbH & Co. KG. As of September 30, 2021, 42 employees were employed. In the course of this, Siemens Energy AG also took over compensation obligations for members of the Executive Board, which were borne by Siemens Energy Management GmbH until September 30, 2020 and were expensed there. In addition to the personnel transfers, service agreements were concluded with Siemens Energy Global GmbH & Co. KG with effect from October 1, 2020.

The personnel expenses and income from the provision of services to affiliated companies associated with the commencement of activities as a listed holding company resulted in a significant change in the net assets, financial position and results of operations compared to the previous year. In particular, the transfer of personnel resulted in the recognition of pensions and similar obligations as well as personnel-related other liabilities. The provision of services within the Group resulted in the recognition of revenue and cost of sales.

On September 9, 2020, Siemens Energy announced a share buyback with a volume of up to €393,000 thousand ending March 31, 2021, at the latest. In fiscal year 2021, Siemens Energy AG repurchased a total of 7,690,836 treasury shares, thus completing the treasury share repurchase program 2020/ 2021 on March 18, 2021. This represents a nominal amount of €7,691 thousand or 1.06% of the share capital as of September 30, 2021. For this purpose, €193,000 thousand were spent excluding incidental transaction charges in fiscal year 2021. The treasury shares purchased under the share buybacks may be exclusively used for the purpose of issuing shares to employees and members of the Company's Executive Board as well as to employees and board members of affiliated companies in the context of share-based compensation or employee share programs. In fiscal 2021, Siemens Energy AG re-issued in total 4,974,558 treasury shares under the exclusion of subscription rights in connection with share-based payments and employee share programs in the Group, equaling a nominal amount of €5 million and 0.7% of the capital stock.

1.9.2 Results of operations

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

(in thousands of €)	Fiscal year 2021	2020	Change
Revenue	**30,849**	—	**n/a**
Cost of sales	(28,132)	—	n/a
Gross profit	**2,716**	—	**n/a**
as percentage of revenue	*8.8%*	—	
General administrative expenses	(13,485)	(188)	>200%
Other operating income (expenses), net	6,534	310	>200%
Income (loss) from operations	**(4,235)**	**122**	**n/a**
Financial income, net	194,251	200,243	(3)%
thereof Income (loss) from investments, net	*193,000*	*200,252*	*(4)%*
Income (loss) from business activity	**190,015**	**200,365**	**(5)%**
Income taxes	(18,749)	—	n/a
Other taxes	248	(350)	n/a
Net income (loss)	**171,513**	**200,015**	**(14)%**
Loss carried forward	—	(15)	n/a
Allocation to capital reserve	(7,691)	(9,243)	(17)%
Release of capital reserve	4,975	—	n/a
Offsetting the difference resulting from treasury shares acquired	(78,666)	(190,757)	(59)%
Unappropriated net income (loss)	**90,131**	—	**n/a**

- Revenue in the amount of €29,570 thousand (2020: €0 thousand) resulted from providing management services to affiliated companies, as well as from received fees from group companies for guarantees given to customers in connection with the provision of services in the amount of €1,279 thousand (2020: €0 thousand).
- Cost of sales included the personnel expenses required to provide the management services.
- General administrative expenses mainly comprised expenses for personnel, expenses for the Supervisory Board and expenses related to D&O insurance policies.
- The Other operating income (expenses) mainly contained recharges of expenses to Group companies in the amount of €6,691 thousand (2020: €350 thousand). This was offset by other operating expenses in connection with share-based payment in the amount of €157 thousand (2020: €40 thousand).
- The financial income was primarily due to the income from investments and showed a withdrawal from Siemens Energy Global GmbH & Co. KG in the amount of €193,000 thousand (2020: €200,252 thousand) to ensure the share buyback.
- Income taxes exclusively comprised current domestic and foreign income taxes. The surplus of deferred tax assets was not recognized due to the exercise of the option under Section 274 para. 1 s. 2 German Commercial Code.
- In the course of the share buyback and the issue of treasury shares, €7,691 thousand of net income was transferred to the capital reserve and €4,975 thousand was reversed in analogous application of Section 237 para. 5 of the German Stock Corporation Act (AktG). The remaining net income was offset against the difference resulting from treasury shares acquired. The appropriation of net income resulted in an unappropriated net income of €90,131 thousand (2020: €0 thousand).

1.9.3 Net assets and financial position

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

(in thousands of €)	Sep 30, 2021	2020	Change
Assets			
Non-current assets	**13,023,877**	13,021,313	**0%**
Property, plant and equipment	22	—	n/a
Financial assets	13,023,855	13,021,313	0%
Current assets	**175,045**	38,591	**>200%**
Receivables and other assets	174,660	558	>200%
Receivables from affiliated companies	171,800	203	>200%
Other receivables and other assets	2,860	355	>200%
Cash and cash equivalents	385	38,033	(99)%
Prepaid expenses	**12**	—	**n/a**
Active difference resulting from offsetting	**21**	—	**n/a**
Total assets	**13,198,954**	13,059,904	**1%**
Shareholders' equity and liabilities			
Shareholders' equity	**13,136,578**	13,021,328	**1%**
Provisions	**16,447**	158	**>200%**
Provisions for pensions and similar commitments	10,791	—	n/a
Other provisions	5,655	158	>200%
Liabilities	**45,930**	38,418	**20%**
Trade payables	777	35	>200%
Liabilities to affiliated companies	21,437	—	n/a
Other liabilities	23,716	38,383	(38)%
Total shareholders' equity and liabilities	**13,198,954**	13,059,904	**1%**

- Financial assets consisted of 100% of the shares in Siemens Energy Global GmbH & Co. KG and Siemens Energy Management GmbH and increased due to a contribution to Siemens Energy Management GmbH in connection with the transfer of personnel.
- Receivables from affiliated companies mainly included receivables from cash pooling with Siemens Energy Global GmbH & Co. KG and primarily resulted in connection with the accounting of share-based payments.
- The previous year's cash and cash equivalents were mainly used to execute the share buyback program.
- Shareholders' equity increased as a result of the unappropriated net income generated in line with the appropriation of net income and the issuance of treasury shares under share-based payments and employee share programs.
- The transfer of personnel including corresponding compensation obligations from Siemens Energy Management GmbH and Siemens Energy Global GmbH & Co. KG led on December 1, 2020 to the initial recognition of provisions for pensions and similar commitments in the fiscal year.
- Liabilities to affiliated companies essentially resulted from liabilities to Siemens Energy Global GmbH & Co. KG in connection with paid taxes.
- Other liabilities mainly consisted of liabilities to personnel amounting to €15,544 thousand (2020: €0 thousand), sales tax liabilities to the tax authorities amounting to €4,236 thousand (2020: €0 thousand) and outstanding Supervisory Board compensation in the amount of €3,734 thousand (2020: €0 thousand).

Opportunities and risks

Siemens Energy AG's business development is largely subject to the same opportunities and risks like the Siemens Energy Group. In this context, the opportunity and risk potential of Siemens Energy AG with respect to its subsidiaries and equity investments is generally proportional to the respective directly or indirectly held capital shares in each individual case, see **1.7 Report on expected developments**. As the parent company of the Siemens Energy Group, Siemens Energy AG is included in the Group-wide risk management system, see **1.8.1 Risk management system**.

Outlook

Siemens Energy AG is the sole limited partner of Siemens Energy Global GmbH & Co. KG and holds all shares in the Siemens Energy Management GmbH as its sole general partner. In this structure withdrawals from Siemens Energy Global GmbH & Co. KG, which Siemens Energy AG receives, will lead to income from investments for Siemens Energy AG, provided the fair value of Siemens Energy Global GmbH & Co. KG exceeds the carrying amount of the investment. In addition, changes in the valuation of these participations may affect the asset position and results of operations of Siemens Energy AG. In the future, Siemens Energy AG will continue to incur expenses for the remuneration of its Executive Board and Supervisory Board members as well as other personnel, for tax payments, for financing drawn upon, and for its own holding organization. Furthermore, Siemens Energy AG will recognize income for providing services to other Group companies. For fiscal year 2022, we target an unappropriated net income, which allows a Dividend at or above this year's level of €0.10 per share. Our mid-term target is a payout ratio of 40% to 60% of Siemens Energy Group's net income attributable to shareholders.

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

1.9.4 Corporate Governance Statement

The Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code is an integral part of the Combined Management Report **3.5 Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code** and is also published on our website **www.siemens-energy.com/global/en/company/investor-relations/corporate-governance.html#GermanCorporateGovernanceCode**.

1.10 Group non-financial statement

1.10.1 Basis of Preparation

This group non-financial statement of Siemens Energy Group (Siemens Energy) has been prepared in accordance with Section 315 b to 315 c German Commercial Code ("Handelsgesetzbuch") in conjunction with Section 289 c to 289 e German Commercial Code and the specifying reporting requirements of GAS 20 (German Accounting Standard; "Deutscher Rechnungslegungs Standard").

The reportable aspects **environmental, employee** and **social matters, human rights protection** as well as **anti-corruption and bribery matters** represent cornerstones of the Group's comprehensive Sustainability Program, led by our Chief Sustainability Officer (CSO), Dr.-Ing. Christian Bruch, who also holds the role of the Group's CEO. Our Sustainability Department is anchored in the Strategy Function and responsible for driving sustainability within Siemens Energy Group and for steering the company-wide sustainability activities, programs and measures. This includes a close coordination with our segments Gas and Power (GP) and Siemens Gamesa Renewable Energy (SGRE). Whereas the approach to the reportable aspects is aligned throughout the Group as a whole, any company-specific characteristics are highlighted as such, if material in accordance with Section 315 c in conjunction with Section 289 c para. 3 German Commercial Code.

This group non-financial statement has been designed to provide for a concise and focused summary of our targets, implemented measures and monitoring of target achievements based on suitable performance indicators. This intention required to abstract from other reporting frameworks like the GRI (Global Reporting Initiative) standards for sustainability reporting or the structural orientation towards the UN Global Compact or the UN Sustainable Development Goals. Without limiting the informative coherence and compliance with legal requirements for this group non-financial statement according to the German Commercial Code, we refer to our separate **Sustainability Report**.

The reportable contents presented in this group non-financial statement and subsumed under the reportable aspects have been identified based on the Group's **materiality assessment** in fiscal year 2021 in accordance with Section 315 c para. 2 German Commercial Code. Therefore, this statement concentrates on those topics that are relevant for an understanding of the Group's development, financial performance and position, and our operational activities impacting the reportable aspects. We did not identify any **risks** associated with our business activities, relationships and offerings that are material to understanding the course of business, financial result and position and very likely may have or have severe adverse impacts on the reportable aspects.

Siemens Energy is active along almost the entire energy technology and service value chain with a comprehensive and differentiated products, solutions and services offering. A detailed description of our **business model** is included in chapter **1.1.2 Business Model** of this combined management report. With the exception of this cross-reference, any referrals to non-mandatory information presented outside this statement do not form part of the group non-financial statement. This group non-financial statement is subject to a voluntary limited assurance engagement according to ISAE 3000 (revised) – Assurance Engagements Other Than Audits Or Reviews Of Historical Financial Information. The Independent Auditor's Limited Assurance Report is reproduced in chapter **3.3 Independent auditor's limited assurance report on the group non-financial statement**.

1.10.2 Reportable aspects

1.10.2.1 Environmental matters

Global energy markets are changing, presenting our customers with a multitude of structural changes along the **energy value chain** – whether due to the need for decarbonization, increasing decentralization or digitalization and because of the resulting demands on their flexibility.

Many of our customers are confronted with long-term, disruptive changes in their business models. The trend away from regulated, centralized markets toward market-oriented, decentralized structures is accompanied by growing public and regulatory pressure to reduce greenhouse gas (GHG) emissions, which will lead to wide-spread decarbonization of the energy landscape in the coming decades.

This will also bring about long-term changes to the relevance of traditional energy technologies and at the same time, create opportunities in new areas of business, such as increased electrification, renewables, hydrogen technologies and Power-to-X technologies. Our mission is to support our customers in this transition to a more sustainable world, by providing a reliable, affordable and sustainable energy supply, based on our innovative technologies and our project execution capabilities.

Our efforts are enabled by our portfolio serving the entire energy value chain – from products, services and solutions for the process industry, oil and gas sector, to conventional and renewable energy generation, energy transmission and decentralized energy solutions – coupled with our increased customer orientation.

For a successful transition, **interim solutions** will be required. The shift from coal to natural gas could be one such interim solution on the way to creating a sustainable energy landscape. Combining conventional and renewable energy systems is key to meeting the world's need for sustainable, reliable and affordable energy. Green hydrogen will also play a major role in our future energy mix.

Therefore, in November 2020 with immediate effect, Siemens Energy announced that it will no longer participate in new tenders for power plants which will run exclusively on coal; commitments already entered into before the announcement will be fulfilled.

Targets

Siemens Energy is committed to accompanying our customers on their way to a more **sustainable energy world**. We are driving decarbonization along the entire value chain: from the supply chain to our own operations, and especially in our portfolio. In doing so, we aim to be the partner of choice for our customers and to support them in their **transition** to a sustainable energy world.

In GP, we are working diligently to achieve **climate neutrality** in our **own operations** and intend to be climate neutral by 2030. SGRE achieved climate neutrality at the end of fiscal year 2019, including offsetting of unavoided emissions. In fiscal year 2020, it successfully transitioned its electricity supply to 100% renewables and in fiscal year 2021 further expanded its ambitions by setting a net-zero emissions target covering the complete value chain by 2040.

As countries around the world set ambitious carbon neutrality targets, investors are watchful that also companies adhere to short, mid- and long-term targets across the value chain that comply with the Paris Agreement. Siemens Energy set absolute emission reduction targets for its own operations and the use of sold products. The Science Based Targets initiative validated these reduction targets in April 2021: GP commits to a 46% reduction in absolute scope-1 and -2 GHG emissions (emissions from company operations) by 2030 from a 2019 base year and commits to increase annual sourcing of renewable electricity from 59% in 2019 to 100% by 2023, in addition, it is committed to reduce absolute scope-3 GHG emissions from use of sold products by 28% by 2030 from a 2019 base year.

SGRE's science-based targets were already verified in fiscal year 2020. They are committed to reduce scope-1 and scope-2 GHG emissions by 70% per MW installed by 2025 from a 2017 base year. SGRE commits that 30% of its suppliers by spend covering purchased goods and services, and transportation and distribution, will have science-based targets by 2025. Based on this short-term target SGRE aims to reach 50% by 2040.

The targets concerning greenhouse gas emissions from company operations (scope-1 and -2) are consistent with the reductions required to limit global warming to 1.5 degrees Celsius.

In order to advance climate neutrality across the entire value chain, we are also working on concepts to reduce CO_2 emissions in the supply chain. As an important part of the value chain, we encourage our **suppliers** to take action to protect the climate. Carbon reduction is already part of their supply chain management and we therefore continue to encourage them to increase their efforts.

Measures

The greatest potential for reducing **GHG emissions** is in our products, solutions and services. Focusing on our customers and their business challenges not only allows us to seize business opportunities, expand existing business and develop new business but also leads to ongoing progress towards decarbonization. While this applies to value chains in the energy industry in particular, it is also relevant to other sectors such as industry and transportation. Drawing on our broad **technology and solutions expertise**, we aim to make a significant contribution to the energy transition. With our new market- and **customer-oriented organization** as well as **key account management (KAM)** we are anticipating our customers' needs and ensuring our proximity to them. This is also leading to an increased focus on **co-creation** and **partnering for innovation**. One example is the Werner-von-Siemens Centre for Industry and Science e.V. (WvSC), of which Siemens Energy is an important partner. WvSC is a research and development collaboration involving 24 partners from industry and science, small and medium-sized enterprises, young companies and start-ups. It addresses important topics of the future such as the energy transformation, mobility and production technology. The WvSC facilitates co-located collaboration as a way of accelerating innovation in the focus areas addressed.

Our **research and development (R&D)** activities are aimed at developing innovative and sustainable solutions for both our customers and our business. Therefore, we intend to invest approximately €1 billion per year in R&D with an emphasis on sustainability and service – in order to maintain our innovative edge. In addition to the renewable energy portfolio offered by SGRE, we have identified five areas of action for GP to form the basis for transforming the Siemens Energy portfolio, reducing our carbon footprint, and to becoming a sustainability leader in the industry. These five fields of action are:

- Power-to-X, e.g., Power to Hydrogen, E-Fuels
- Energy Storage, e.g., Batteries, Thermal Storage
- Decarbonized Heat and Industrial Processes, e.g., Heat Pumps, Waste Heat Recovery
- Condition-based Service Interventions, e.g., Artificial Intelligence (AI), Machine learning, Connectivity
- Resilient Grids and Reliability, e.g., Power Electronics, Power System Management

Across all businesses, **digitalization** is facilitating new and promising approaches to new ways of working, for example technology-based services such as remote operations or remote services, resulting not only in better performance throughout product and equipment life cycles but also more efficient operation with lower emissions.

In the energy market for CO_2-free power generation, continuous investment in R&D is allowing SGRE to optimize its competitiveness and supply its customers with superior turbine technologies for both on- and offshore applications. SGRE's R&D efforts are focused on developing the next generation of technology that will lead to improved and more cost-effective products, solutions and services. To accomplish this goal, SGRE is developing **reliable and efficient operating wind turbines**, cost-effective energy storage solutions, and solutions for hybridization that are designed to help utility customers optimize the use of renewable energy, thereby increasing profitability.

Product improvements (upgrades) as well as product and service innovations (new design) for onshore and offshore wind turbines are being launched to suit our customers' situations and reduce the Levelized Cost of Energy (LCoE). Another focus area is digitalization: Advances in this field enable more intelligent monitoring and analysis of turbine conditions as well as smart diagnostic services. SGRE is also exploring profitable opportunities in adjacent business fields, including other renewable energy sources, hybrid parks and storage in order to deliver solutions for the system integration of renewables.

In GP we also offer innovative products, services, and solutions to cater to the needs of a decarbonized world. With a focus on decarbonization, Siemens Energy will continue to transform its portfolio of products, services, and solutions and concentrate on building the company based on three key pillars:

- Low- or zero-emission power generation:
  To meet growing energy demand our customers need power generation that is both sustainable and climate friendly. This need leads to products and technologies that are either zero in emissions or significantly lower in emissions, in both service and new units. Our strategic alliance with SGRE is playing an essential role in the transition to zero-emissions power generation.
- Transport of energy and storage:
  As global energy systems expand in capacity and complexity, developing new products, services, and solutions for the transport and storage of energy will be a key success factor for our company. Our transmission business and growing hydrogen business put us in a very good starting position upon which we can build.
- Reducing CO_2 footprint and energy consumption in industrial processes:
  The large installed base of industrial production facilities and processes cannot be simply replaced with newer environmentally friendly products and technologies. We will therefore work to help our process industry customers decarbonize their brownfield facilities and ensure sustainable concepts for future installations.

In fiscal year 2020 we were still part of the Siemens AG Environmental Portfolio (EP) reporting, an Annual Report which indicates how much CO_2 is reduced by our products and solutions which qualify as Environmental Portfolio Elements and how much revenue they generate. We are preparing for EU Taxonomy reporting requirements and for the first-time application fiscal year end September 2022. As the EU Taxonomy is a legally required classification system to identify sustainable business activities along a comprehensive set of environmental and social criteria to create transparency and comparability for investors, we decided to discontinue the EP.

GP launched its Climate Neutral Program based on a decision taken by the Executive Board and aims to be climate neutral by 2030. This includes the reduction of absolute scope-1 and -2 GHG emissions by at least 46% by 2030 from a 2019 base year, which is in line with a 1.5 degrees Celsius pathway and has been validated by the Science Based Targets initiative. In the program, we push for the reduction of emissions e.g. by various measures on division level. The strongest levers for achieving climate neutrality by 2030 are:

- **Reducing energy consumption**: Energy efficiency projects at our own locations, including installation of LED lighting (dimmers, motion sensors), installation of smart meters to increase transparency, building automation systems (e.g. heating, ventilation, air conditioning).
- **Using renewable electricity**: 100% of Siemens Energy's global electricity consumption is to be met by power from renewable sources by 2023.
- **Reducing SF_6 emissions**: SF_6 emissions in our own operations relate to products from our transmission business. In fiscal year 2021 transparency on SF_6 emissions on site level was increased and reduction targets and pathways were developed.
- **New mobility concepts**: We intend to continuously reduce our vehicle fleet's emissions and we are aiming for 100% CO_2 neutral benefit cars by 2030. The details of an appropriate global car policy have been worked out and will now be applied locally. SGRE also implemented local country specific mobility and transportation policies, thereby ensuring that e-mobility is the preferred option for internal transportation and promoting the transition of service vehicles to electric drives.

In fiscal year 2020, GP initiated a **Carbon Reduction@Suppliers** pilot project, cooperating with an external service provider who had worked with Siemens AG to develop an economic model that identifies the CO_2 footprint of all suppliers. Based on this model, in fiscal year 2020 we encouraged 35 global focus suppliers to share their implemented and planned CO_2 reduction measures. 80% of the suppliers we surveyed responded to our Carbon Web Assessment. This confirms their awareness of and interest in the matter, as they outline CO_2 reduction measures already implemented and further plans for the upcoming years. The analysis of our pilot program showed that with reasonable efforts the transparency of decarbonization engagement of focused suppliers could be essentially increased. On this basis, GP worked with an external service provider to calculate its upstream carbon footprint for 2020 and identified its 100 suppliers with the highest carbon footprint. In 2021, GP conducted a Carbon Web Assessment which had been further refined. After analyzing the data and methodology and evaluating the lessons learned, we plan to further develop our approach to reducing emissions in collaboration with our suppliers.

SGRE is planning to engage with key suppliers and encourage them to reduce their scope-1 and scope-2 emissions related to the products and services they supply to SGRE. SGRE commits that 30% of its suppliers by spend covering purchased goods and services, and transportation and distribution, will have science-based targets by 2025 and 50% by 2040.

Performance indicators

Own operations

In order to track the success of our Climate Neutral Program, we monitor energy consumption at our office locations and manufacturing facilities which is calculated by adding the primary and secondary consumption of fuels and electricity.

Siemens Energy's total energy consumption during the reporting period was 6.3 million gigajoules. Compared with fiscal year 2020, this is an increase of 9%, which is partly attributable to the specification of the extrapolation method of the consumption of smaller office locations and manufacturing facilities.

In fiscal year 2021, green electricity accounted for 76% of our electricity consumption compared to 78% in 2020. Here, the specification of the extrapolation method resulted in a calculative offset of the achieved progress in increasing our share of green electricity since the previous fiscal year. We aim to achieve 100% by 2023.

Over the reporting period, Siemens Energy collected the following data regarding the level of scope-1 and -2 emissions related to its business activities:

- **Scope-1 (direct) emissions**: Direct GHG emissions arise from sources in the company's ownership or under its control.
- **Scope-2 (indirect) emissions**: Indirect GHG emissions refer to the consumption of purchased electrical energy and district heating.

Scope-1 and -2 Emissions (1,000 metric tons of CO_2 equivalent)	Fiscal year 2021	2020
Scope-1	206	221
Scope-2[1]	67	71
Total	**273**	**292**

[1] We calculate our emissions resulting from electrical consumption based on carbon emission factors of our local sites according to the market-based approach.

Scope-3 (use of sold products) emissions:

Scope-3 emissions from the use of sold products make up more than 99% of the overall Siemens Energy carbon footprint. To increase transparency for our stakeholders we decided to publicly disclose the figure from fiscal year 2021 onwards and report on our progress towards achieving our related reduction targets.

Our scope-3 emissions from the use of sold products have been calculated on the basis of the GHG protocol standards. The main drivers for GHG emissions are the direct combustion of fuels (e.g. natural gas) in our products and the electricity consumption and power losses of our products. The emissions include:

Direct emissions: GHG emissions are basically generated through the direct combustion of fossil fuels (e.g. natural gas in a gas turbine). The amount of GHG emissions varies depending on product type e.g. gas turbine, gas engine, the type of fuel (e.g. natural gas, coal, oil), and the application mode (simple cycle power plant, combined cycle power plant, or cogeneration plant).

Indirect emissions: GHG emissions are basically generated by large electrical consumers (e.g. motors, drives, pumps) or from power losses (e.g. transformers) from the used products. To a minor extent the transmission portfolio is emitting CO_2 equivalents via SF_6 gas leakages at customers' sites.

The calculation methodology for scope-3 emissions from the use of sold products comprises the emissions from products over their expected use-phase and the expected operating hours per year. With the order intake, the total of respective emissions is determined and reported. GHG emissions that occur during other phases of a product's lifecycle, such as in the supply chain, production or end-of-life disposal, are not accounted for and reported on in scope-3 downstream (use of sold products).

Siemens Energy's total scope-3 emissions from the use of sold products during the reporting period was 1.4 billion tons CO_2. Compared to fiscal year 2020 this is an increase of 442 million tons. The main reason for this increase is the order entry for a 2-gigawatt coal-fired power plant in Indonesia; the project-related commitment towards the customer was entered into before our decision to exit bidding for new coal-fired power plants.

	Fiscal year	
Scope-3 emissions from the use of sold products (1,000 metric tons of CO_2 equivalent)	**2021**	2020
Scope-3 emissions from the use of sold products[1]	1,369,163	927,476

[1] Well-to-tank emissions are included, biogenic emissions have been excluded.

1.10.2.2 Employee matters

Siemens Energy is a global employer with a workforce with nationalities from around 150 countries. Our vision is to become the most valued energy technology company in the world. To fulfill that vision, we need to transition to a sustainable future by leading the energy transition from a people perspective. Our people and culture are the strong foundation to make the difference with our customers, investors, suppliers, partners, employees, and society.

To achieve this vision, a holistic Human Resources strategy for GP, called the People Agenda, was further developed in fiscal year 2021.

The Human Resources strategy is designed to support the strategic business transformation and to create an inclusive and diverse culture within our company which is based on our four values (**caring, agile, respectful, accountable**), our behaviors and Leadership essentials. The Human Resources strategy will set the stage for achieving our business priorities through our qualified people. Leading the energy transition from the people perspective means leveraging our strengths and further enhancing our company's strategic "People & Culture" foundation with three main pillars:

- **Thriving environment:** We are creating an environment for people to be self-directed, to have responsibility, and find meaning in their work. We guide this by setting standards through our Inclusion and Diversity Framework, applying new ways of working, and establishing cross-organizational networks.
- **Game-changing leaders**: Leaders navigate through changing situations by providing clarity and direction in uncertain conditions. They bring new strategies, new mindsets, and business transformation to life, triggered by outside market changes and rolemodelling our Leadership Essentials.
- **Vibrant workforce**: Our ambition is to become the employer of choice in the Energy industry. We do this by investing in Employer Branding, Learning and Development, Strategic Workforce Planning, and a Recognition & Performance Management system. All elements contribute to the implementation of our strategy and anchor our values and behaviors.

SGRE's purpose of **"Empowering People to lead the Future"** and its program **Culture of Trust** are essential to their business model. They are core to the business strategy, organization, hiring and decision-making process, daily operations, and how the company and employees grow.

Targets

Inclusion and Diversity

At Siemens Energy, we strive to create safe, welcoming workplaces that encourage equality, belonging and engaging dialogue throughout the whole organization.

We want everyone at Siemens Energy to bring their whole self to work and reach their full potential. Therefore, we aim to create a workplace environment that is open to everybody regardless of their ethnic origin, religion, world view, age, disability, gender and sexual orientation. We strive to offer our employees equal treatment in a non-discriminatory work setting.

With our focus on inclusion and diversity, Siemens Energy aims to:

- have access to broader talent pools from which to source the diverse capabilities we need to power our innovation,
- bring together different experiences and perspectives to solve the complex challenges in our industry,
- become more productive through faster, effective decisions with less cognitive bias and
- enhance our reputation while being representatives of the communities we serve.

At Siemens Energy there are three focused drivers that serve as the foundation for our global and local programs of action for Inclusion and Diversity:

- **Equal Opportunity**: we are committed to fair and transparent practices for the attraction, promotion, development and retention of diverse people with different skills, abilities and ideas
- **Belonging**: we strive to create an inclusive culture where people feel respected, engaged, able to speak up and be themselves
- **Society and Partnerships**: we work together, internally and externally, with customers and partners to support us in becoming more diverse and inclusive

GP aims to reach a share of 25% women in top leadership positions by September 30, 2025, and a share of 30% women in top leadership positions by September 30, 2030.

SGRE aims to reach a share of 25% women in headcount and in leadership positions by September 30, 2025, and a share of 30% women in headcount and leadership positions by September 30, 2030.

Training and Learning

The opportunity to learn and grow is a core component of the experience we want to provide to our employees. We aim to be a learning organization where everyone has access to digital, real-time and personalized best-in-class training.

At Siemens Energy, our goal is to lead the energy transition. Our learning landscape supports this goal strategically by enhancing employees' skills and developing long-term capabilities. Thus we continuously foster the performance of our employees and prepare them for future challenges.

Training at GP concentrates on two areas:

- Product learning in order to keep up to date with our portfolios and technologies to run the businesses successfully.
- Management and employee training to build the skills they need to be successful in their everyday work, including leadership topics, strategy development, digitalization with new business and service models, change management, collaboration and team communication.

Learning 2.0 at SGRE aspires to make learning a competitive advantage by providing learners with a user-centric learning universe, which enables them to acquire new skills with speed and ease.

Health and Safety

Providing a safe and healthy working environment for all employees, partners, contractors and suppliers is a key objective for Siemens Energy. We want our employees to be able to work in a safe environment that promotes health and we focus our attention on avoiding accidents and occupational illnesses.

Occupational Health and Safety (OHS) standards are anchored in all GP business practices and are aligned with the GP Environment, Health and Safety (EHS) Principles and Core Responsibilities as well as our Business Conduct Guidelines. We use these as a foundation for the development of our EHS management approach and processes.

To support the fundamental requirements for good OHS, GP revised the EHS Policy in March 2021 to align with our Zero Harm principles and behaviors to meet our transformation goals:

- Strong leadership, ownership, and commitment,
- Promotion of good health and safety conduct,
- Commitment to continuous improvement,
- Hazard identification, risk assessment and prevention,
- Develop locally and share globally.

Together with the SGRE Business Conduct Guidelines, the SGRE Policy provides clear direction and specific objectives with regards to Quality, Health, Safety and Environment. It consists of six pillars which form the basis of how the global EHS strategy is defined across the company and it is periodically reviewed and updated accordingly. The policy applies to all SGRE activities worldwide and is mandatory for all employees working for the company, on its behalf or under its authority.

Measures

Inclusion and Diversity

To support our ambition, we developed a holistic Inclusion and Diversity framework and our activities contribute to the promotion of **Inclusion** and **Diversity**. Some examples of our activities in fiscal year 2021 are:

- We established an Inclusion & Diversity (I&D) Council for GP which is responsible for providing strategic direction and is acting as a representative both internally and externally. The council is chaired by the Chief Inclusion and Diversity Officer (CIDO), Maria Ferraro (CFO), and meets on a bi-monthly basis. Its members represent our businesses, countries and employee networks.
- As part of our family-friendly corporate policy, GP employees for example in Germany are offered a range of opportunities to tailor their working times and location to their needs, such as part-time and remote working, and the flexibility to care for children or sick relatives. In numerous countries, we offer employees additional support for family and children, for example through school vouchers, allowances or additional time off.

To support an impactful implementation, we have developed a Global Inclusion and Diversity dashboard for GP to measure our progress. It includes performance indicators covering multivariant diversity such as the share of women, age groups, and non-local nationalities in management, hiring and exits, the number of employee networks in all dimensions of inclusion and employee survey results. We also consistently measure our employees' perception in our bi-yearly survey.

SGRE's Diversity and Inclusion Strategy is set over a two-year period and it is cascaded across the business. Strategic objectives are backed by specific action plans. Over the last year we have seen progress in a number of areas:

- We pay close attention to how we attract and assess talent at every step of the recruitment and hiring process. One way we have done this is to advertise all roles internally and widen the pool of candidates. Our job offers contain a diversity and inclusion statement endorsing our diverse, inclusive and flexible culture.
- We have developed our Equal Opportunities Policy that defines positive action to increase the representation of underrepresented groups in our workforce, e.g., no posts are reserved for the nationals of any specific country to ensure a fair spread of ethnicities and nationalities throughout the workforce and at all levels of the organization.
- We have implemented Smart Working as an innovative means of organizing and working using information and communication technologies that allow employees to perform their duties in an environment other than their official workplace.
- In seeking to enhance gender diversity across our organization, it is important to take stock of gender inequalities, including gender pay gaps. We have analyzed the gender pay gap in our relevant locations and have included this metric into our reporting system.

SGRE's efforts have been recognized by Bloomberg Gender Equality Index 2021 for the second year in a row and by being included in TOP30 Spanish Companies with best practices in Diversity and Inclusion.

Training and Learning

Learning takes place on a wide variety of levels, from the job through interactions with colleagues to formal internal or external learning activities.

In fiscal year 2021 we expanded the Siemens Energy internal Learning Platform, which was launched in October 2020. The platform offers GP employees worldwide access to e-learning modules in different languages. It integrates a learning ecosystem of internal and external sources to ensure that our employees receive up-to-date and relevant knowledge. These sources include learning libraries, selected global and regional training providers and Siemens Energy experts.

Over 5,400 selected e-learning modules in different languages are available on the platform and are accessible to all GP employees worldwide with access to a computer. Centrally purchased licenses allow employees to work through the learning modules at their own pace. A further 1,100 e-learning modules provide content on energy products and solutions. For interactive learning with trainers, 2,900 courses are available worldwide, both in the virtual classroom and as face-to-face events.

Furthermore, GP runs four leadership pipeline and development programs, targeting leaders at different stages of their career – from early talents to senior managers just one step away from, or already hold, a key Siemens Energy role.

All programs are designed around our values, behaviours and Leadership Essentials with the aim that all of them speak the same language and role-model the same behaviours while at the same time driving our transformation. It is one important element in order to build up a strong and diverse leadership pipeline.

In fiscal year 2021 SGRE has also invested in new learning platforms, which improve community-based learning and support SGRE employees in their performance.

To achieve digitalization in learning Siemens Gamesa has run several strategic initiatives in fiscal year 21 that can be clustered as follows:

- Implementation of a new digital platform for delivery of Product Learning.
- Creation of digital resources and Running Digital classroom delivery for our internal trainers
- Contract signed with global digital standard learning provider.

Health and Safety

GP's "Zero Harm approach" is part of our Safety concept. This framework places the responsibility for development and implementation on each local manager. Managers discuss the Zero Harm Framework with their teams to choose the elements that will be included in their program, then reinforce them as part of daily work.

Alongside the EHS Policy, the ISO 45001 standard provides guidance so that international and local regulation, laws, standards, and practices are observed and complied with wherever Siemens Energy operates. This standard provides a basis for effective management, identification of potential risks as well as internal audits.

Contractors and temporary workers are expected to work to the same standards as those of Siemens Energy employees. GP regularly prepares an overview of contractor incidents that is shared with business procurement to develop further improvements. We also discuss these with the contractors themselves and hold meetings with suppliers with the highest level of incidents. All relevant data is shared with the Executive Board.

GP implemented **"Eye on Safety Reviews"** which are held monthly with the Director of Labor and member of the Siemens Energy Executive Board and are accessible to all employees on the SE intranet. Incidents are selected to share root causes and corrective, and preventative actions that have been implemented by the respective business.

GP completed Corporate Assurance Occupational Safety audits based on risk factors by location. Audits were conducted (partially remote) on site and organizational levels to increase the effectiveness of our safety risk management at manufacturing, service and project sites. OS audits and their results will continue to be analyzed, providing details for the effective implementation of optimization measures, lessons learned and continuous improvement recommendations.

SGRE aims to promote a strong safety culture across the entire business. The company has launched initiatives to foster and promote a high level of safety awareness specific to the hazards potentially created by the day to day working environment of SGRE. This is supported by a combination of stringent policies and procedures combined with guidance on softer skills to raise Safety awareness at all levels. Some of these initiatives include:

- "Safety is My Choice", an ethos which aims to bring focus to individual behaviors within their working remit by reminding employees of their own role and responsibility for health and safety in the working environment and beyond.
- Ten Life-Saving Rules, introduced globally, are used to raise awareness of safety hazards through workplace incidents and to eliminate their recurrence. The ten key focus areas of these rules are: Permit to work, Energy isolation, Safety guards, Driving safety, Moving of equipment or vehicles, Suspended loads, Dropped Objects, Alcohol & Drugs, Working at height and Use of personal protective equipment and tools.

Performance indicators

Inclusion and Diversity

GP reached a share of 21% women in top leadership positions by September 30, 2021.

SGRE reached a share of 19% women in headcount by September 30, 2021, and a share of 13% women in leadership positions by September 30, 2021.

Training and Learning

In fiscal year 2021, Siemens Energy spent around €58 million on further education (2020: €~60 million), an average of €632 per employee (2020: €654).

Health and Safety

The overall Lost Time Injury Frequency Rate[1] (LTIFR) for employees[2] was 0.23 at the end of fiscal year 2021 (2020: 0.27) and is based on the total number of lost time injuries per 200,000 hours worked. The overall Total Recordable injury Frequency Rate[3] (TRIR) for employees[4] was 0.49 at the end of fiscal year 2021. Siemens Energy has included the TRIR in fiscal year 2021 to drive focus and attention on all recordable injuries. During the reporting period, Siemens Energy regrettably had five work-related fatal accidents. (2020: five). Two of the fatal accidents were related to electrical shock, one was related to an arc flash. One fatal accident was related to a fall from elevated work platform, and another one to a fallen internal elevator. All fatal accidents involved SGRE contractors. Each serious event or fatal accident causes grief for families, friends, and colleagues, and as a company we will investigate, assess and derive measures that will prevent such accidents from happening again.

[1] Lost Time Injury Frequency Rate: Number of Lost Time Injuries (LTI) x 200 000/work hours performed. LTIs are accidents that result in at least one lost day of work.

[2] Incl. temporary workers; excl. contractors

[3] Total Recordable Injury Frequency Rate (TRIR): Total number of work-related Fatalities, Lost Time Injuries (LTI), Restricted Work Injuries (RWI), and Medical Treatment Cases (MTC) x 200.000/work hours performed.

[4] Incl. temporary workers; excl. contractors

1.10.2.3 Social matters

Societal engagement has been embedded in our DNA since Werner von Siemens founded the company in 1847 and will continue to be of relevance for Siemens Energy in the future. For us, **societal engagement** is not only a charitable endeavor; it creates value, is a source of opportunity and provides a competitive advantage. We believe that doing good things for the world is good for our business.

GP established a societal engagement approach that combines a **global framework** with selected local activities in the countries in which we operate and is being rolled out globally. In order to focus our activities and increase our impact, **three focus areas** were defined based on our strategic context, our core competencies, the global targets for sustainable development and the influence various global megatrends (demographics, urbanization, climate change, globalization and digitalization) have on our industry and our business:

- **Driving the Energy Transition** – Support sustainable energy research and development,
- **Access to Education** – Promote STEM subjects (Science, Technology, Engineering and Mathematics) and climate education (especially for underrepresented demographics),
- **Sustaining Communities** – Disaster recovery (especially related to electricity supply).

SGRE strives to collaborate in the sustainable development of the communities in which it operates, with long-term acceptance by local communities its main priority and being an active part of the community activities its goal. SGRE has put in place its own **Social Commitment Strategy** linked to the **UN Sustainable Development Goals (SDG)**.

Targets

On the basis of societal engagement activities in the three focus areas, GP's targets are to:

- Enhance relationships with customers and partners,
- Boost employee engagement,
- Generate awareness of our brand and
- Support the company's competitive context.

In order to maintain lean reporting processes, we do not intend to implement detailed reporting systems at this time. Instead, we will use existing financial systems and, where possible, time and attendance systems to monitor the implementation of the approach.

SGRE's social commitment goals are to:

- actively reduce poverty,
- combat the effects of climate change,
- promote technological education, especially in STEM.

The approach is underpinned by its Social Commitment Strategy and aims to address the desire of employees to engage with society through volunteer activities.

Measures

Siemens Energy contributes to societal development all over the world through a range of projects that play well into the defined focus areas:

Driving the Energy Transition – As climate change continues to place greater demands on all aspects of our society, we draw on our core competencies and resources to support **clean energy research & development and projects**.

SGRE launched the Forests of Siemens Gamesa reforestation initiative in an effort to mitigate climate change and reduce CO_2 emissions. Since its inception, 20 forests have been planted with almost 100,000 trees in ten different countries (Germany, Denmark, US, Spain, Morocco, France, UK, Mexico, Brazil and China). More than 2,000 employees have volunteered in events to plant trees.

Access to Education – We work to extend educational opportunities to more people, especially in STEM subjects. Siemens Energy leverages its competencies to spark interest in STEM subjects, reduce skills gaps, and match industry requirements, especially for underrepresented demographics.

In August 2021 GP hosted the inaugural "Girls with Energy Hackathon" in Mexico. The goal was to develop a product or service related to energy in STEM using learning games such as Kahoot and Skribbl.

Sustaining Communities – Access to basic provisions is essential for sustaining communities. Our community-related activities focus on serving local needs and include immediate relief and rehabilitation support in the wake of disasters (both natural and man-made).

In February 2021 following the disastrous winter storm, record cold temperatures and subsequent power outages in the US state of Texas, GP and Siemens AG launched the Texas Freeze Disaster Relief Program whereby the company matched employee donations, raising US$41,615 for the employees affected.

Following the devastating floods in Germany in August 2021, GP matched employee donations, providing a total of €550,000 to the German Red Cross to assist the communities affected.

At SGRE, the Siemens Gamesa Impact Program allows employees to propose a community project related to its social commitment strategy. Current projects include empowerment of communities of 37 impoverished areas in Urban Surat, India, and promoting reading and management of community libraries as a space of knowledge sharing for vulnerable children in the Brazilian Amazon.

1.10.2.4 Human rights protection

Siemens Energy is a global company that affects people and the environment all around the world, especially in the course of large energy projects. We are conscious of the **responsibility** that this global impact brings and consider respect for human rights to be a core element of responsible business conduct along the whole value chain. Siemens Energy is thus committed to ensuring respect for human rights which goes beyond compliance with applicable laws and regulations and includes our commitment to:

- **International Bill of Human Rights**, consisting of the Universal Declaration of Human Rights; the International Covenant on Civil and Political Rights; and the International Covenant on Economic, Social and Cultural Rights;
- **European Convention on Human Rights**;
- **ILO** (International Labour Organization) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, ILO Declaration on Fundamental Principles and Rights at Work (in particular, on the following topics: elimination of child labor, abolition of forced labor, prohibition of discrimination, freedom of association and the right to collective bargaining) and fundamental freedoms;
- **UN Sustainable Development Goals (SDG)**, specifically SDG 8 "Decent Work and Economic Growth", which we have defined as one of our priority SDGs;
- **United Nations Guiding Principles on Business and Human Rights** (UNGPs);
- **OECD Guidelines for Multinational Enterprises** as well as
- **UN Global Compact principles**, to which we are a signatory.

Targets

We are committed to ensuring respect for human rights within our spheres of influence along the entire **value chain**. Siemens Energy has identified human rights issues as material from the following perspectives: "supply chain", "workplace" and "customer projects", which in summary reflect our value chain.

Measures

The material human rights topics have been identified on the basis of an internal materiality analysis, including input from our Human Rights Due Diligences on customer projects, our internal exchanges with the functions Supply Chain Management, Environmental Protection, Health Management and Safety, Human Resources and Sustainability, as well as the experiences of our global Compliance team with critical and controversial projects. The material topics identified will be further analyzed and potential weaknesses mitigated with respective actions in order to protect human rights. In the reporting period Siemens Energy maintained its regular exchange with existing networks, in particular with a view to the new German Supply Chain Due Diligence law.

Our commitment to respect human rights is written into Siemens Energy's **Business Conduct Guidelines** (BCGs), with special emphasis on Siemens Energy's **company values** caring, agile, respectful and accountable. The BCGs are binding on all executives and employees worldwide, who have to actively accept them and are being trained in their content via **mandatory** web-based training sessions. In the reporting period awareness of human rights issues was raised in the newly founded Siemens Energy Sustainability Council. Furthermore, the Executive Board as well as the Supervisory Board were briefed on relevant topics, like for example with a view to the implementation of the new German Supply Chain Due Diligence Law.

Due to its legal independence, SGRE has implemented its own BCGs, which, in line with the Group-wide approach and underpinned by a human rights policy, aim to define respect for human rights as an integral part of corporate responsibility. To enforce this commitment, employees are trained in the use of BCGs, evaluation and approval processes considering human rights are mandatory in the sales function, compliance risk assessments are carried out, complemented with an ongoing monitoring process and reporting routines by SGRE's Chief Compliance Officer.

Human rights at Siemens Energy's **workplaces** relate to health and safety standards, fair working conditions and the prohibition of discrimination, all of these being at the heart of our Human Resources activities summarized in chapter **1.10.2.2 Employee matters**.

During the reporting period, business partners in the **supply chain** were required to comply with the **Code of Conduct for Suppliers** and **Third-Party Intermediaries**. With regards to human rights, the Code emphasizes respect for the basic human rights of employees, including fair remuneration, freedom of assembly, health and safety standards, and prohibition of discrimination, forced labor and child labor. In addition, Siemens Energy is committed to preventing the use of minerals from conflict-affected and high-risk areas that impose a threat on human rights. Therefore, Siemens Energy adopted Siemens AG's **Responsible Minerals Sourcing Policy** (formerly "Conflict Minerals Policy") and integrated it into its procurement process. This policy provides a uniform, group-wide supply chain management standard in this area and follows the risk-based requirements of the OECD Due Diligence Guidance. To determine the use, sources and origin of these minerals in our supply chains, we investigate the smelters involved. Siemens Energy is active member of the Responsible Minerals Initiative (RMI), which provides audit programs for smelters. Over 400 industrial companies are part of the RMI. In addition, Siemens Energy is a strategic partner of the European Partnership for Responsible Minerals (EPRM) and therefore supporting due diligence projects on mine sites in conflict-affected and high-risk areas.

A dedicated team at Siemens Energy conducts human rights due diligence in **customer projects**. This due diligence is mandatory in the sales phase for projects that meet defined risk criteria. In these activities, Siemens Energy relies on external Environmental, Social and Governance (ESG) databases focusing on country, customer and project related risks. The results of the due diligence are decisive for the project's decision-making process.

Any violations of human rights associated with our areas of influence can be reported via our **grievance mechanisms**, including our communication channels such as our **"Speak Up"** reporting system and ombudsperson.

1.10.2.5 Anti-corruption and bribery matters

Siemens Energy operates globally with customers from a wide range of industries in the private and public sectors. Therefore, Siemens Energy is confronted with complex regulatory requirements while pursuing a zero-tolerance approach toward corruption, violations of the principles of fair competition and other breaches of the law.

Anti-corruption measures combined with strong compliance systems protect companies as well as their employees and shareholders from the risk of possible misconduct. The elimination of bribery and corruption in all their forms promotes fair competition which benefits innovation-driven companies like Siemens Energy and fosters economic growth and social development which benefits entire countries, regions and their populations.

Integrity is the foundation for all our decisions and activities. Our fundamental premise which applies worldwide and to all levels of our organization is: **100% Energy, 100% Compliance**. Siemens Energy top management supports this with a strong tone from the top for Integrity and Compliance, which is mirrored throughout the organization.

The Siemens Energy wide compliance approach is based on the three levels of action "prevent, detect, respond", centering around management's responsibility, and comprising focus areas such as Anti-Corruption, Anti-Money Laundering, Antitrust, Data Privacy, Export Control, Human Rights and (for GP only) Collective Action, which is also reflected in the Business Conduct Guidelines. SGRE, in turn, has implemented its own compliance system and Business Conduct Guidelines that are in line with the GP approach.

The Legal and Compliance Department falls directly under the purview of our CEO and reports directly to him. The Siemens Energy Chief Compliance Officer has direct access to the Executive Board and Supervisory Board and reports regularly on GP and SGRE compliance matters. Siemens Energy Compliance combines strong central governance with the work of qualified compliance officers who ensure that the compliance system is implemented world-wide. They work closely with employees and managers who assume personal responsibility for compliance in their respective areas.

Targets

Siemens Energy pursues a **zero-tolerance approach** that requires continuous effort to maintain and develop its holistic compliance system, consisting of measures to ensure that business is always carried out in full accordance with the law as well as our internal principles and rules. Hereby, we want to ensure that our values and reputation are protected.

Measures

We continuously adapt and improve our compliance system to mitigate challenges and risks arising from changing market conditions and inherent in our business activities. Preventive measures include the Siemens Energy compliance training program, communication channels such as our **"Speak Up"** reporting system and **ombudsperson**, compliance risk management, and guidelines and procedures such as the **Siemens Energy Business Conduct Guidelines** which lay the foundations for internal regulations and give expression to the values, compliance-related responsibilities and behavioral framework for all managers, employees and Executive Board members worldwide. Our **Code of Conduct** is mandatory for our business partners and covers legal compliance in general and our anti-corruption policies in particular, including provisions against anti-competitive practices and conflicts of interest. In addition, we consistently modernize our respective tool landscape.

At Siemens Energy, we offer all employees and external third parties protected reporting channels such as the "Speak Up" hotline and the external ombudsperson for reporting violations of external and internal rules confidentially and anonymously as needed.

Our **global compliance training program** was revised and consists of in person and e-learning courses and requires all managers and employees in positions with a specific risk profile to complete compliance training. Our objective is to continuously adapt our training material to the changing risks our business faces and permanently maintain awareness of compliance issues.

Compliance risk management is an integral part of the company-wide Enterprise Risk Management (ERM) program enabling us to rapidly and continuously identify potential risk scenarios and take appropriate action. This enables the compliance organization to help the company achieve its goals. In this context, the bi-annual Compliance Risk Assessment (CRA) was conducted for GP and separately for SGRE in fiscal year 2020. The risks identified in the process were addressed through local and central measures and followed-up in dedicated annual workshops.

Performance indicators

Siemens Energy responds to all allegations of possible violations of external and internal rules in accordance with the applicable formal company-wide processes and takes appropriate disciplinary action in the event of proven violations. Once a compliance investigation has been completed and compliance violations have been identified, our internal processes provide guidance to ensure that appropriate action is taken with the employees concerned. We evaluate and define consequences through disciplinary processes at central or local level, and systematically monitor implementation.

	Fiscal year	
Siemens Energy Compliance indicators	**2021**	**2020**
Compliance cases reported	103	143
Disciplinary sanctions[1]	49	65
thereof		
warnings	*29*	*33*
dismissals	*18*	*30*
other[2]	*2*	*2*

[1] Numbers for disciplinary sanctions in a fiscal year do not necessarily correspond to cases reported during that period: Sanctions are frequently not implemented in the same year in which the case was reported or the investigation – that follows a due process – was completed. In addition, a single case may result in multiple sanctions, or none at all.

[2] Includes loss of variable and voluntary compensation components, transfer and suspension, but not the revocation of signatory rights.

From our point of view, the evidence demonstrates once again that our compliance system is well-designed and being implemented effectively. Based on the nature of our businesses, the environments in which we work, and the wide range of different geographical regions, we do not regard the number of incidents as unusual.

Siemens Energy is not aware that it has been convicted of any corruption, bribery, or antitrust violations during fiscal year 2021.

1.11 Takeover-relevant information

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

1.11.1 Composition of common stock

As of September 30, 2021, the Company's common stock amounted to a total of €726,645,193. The capital stock is divided into 726,645,193 ordinary registered shares with no par value. The shares are fully paid in. All shares confer the same rights and obligations. The shareholders' rights and obligations are governed in detail by the provisions of the German Stock Corporation Act, in particular by Sections 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act.

1.11.2 Restrictions on voting rights or transfer of shares

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

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

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

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

The von Siemens-Vermögensverwaltung GmbH (vSV) has, on a sustained basis, powers of attorney allowing it to exercise the voting rights for 5,214,846 shares (as of September 30, 2021) 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.

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

As of the reporting date, Siemens AG, Berlin and Munich, directly held more than 10% of the voting rights in Siemens Energy AG. Furthermore, as of the reporting date Siemens Beteiligungen Inland GmbH, Munich, a wholly owned subsidiary of Siemens AG, held more than 10% of the voting rights in Siemens Energy AG; these voting rights are attributable to Siemens AG pursuant to Section 34 German Securities Trading Act. Lastly, pursuant to Section 34 German Securities Trading Act, the voting rights held by Siemens Pension-Trust e.V., Munich, which by itself did not reach or exceed the 10% threshold as of the reporting date, are likewise attributable to Siemens AG. Siemens Energy AG has not been notified of any other direct or indirect interests in the share capital of Siemens Energy AG that exceed 10% of the voting rights, nor is it aware of any other such interests.

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

The appointment and removal of members of the Executive Board is subject to the provisions of Sections 84 and 85 of the German Stock Corporation Act and Section 31 of the German Codetermination Act. Pursuant to Section 5 para. 1 of the Articles of Association, the Executive Board is comprised of several members, the number of which is determined by the Supervisory Board.

Pursuant to Section 179 of the German Stock Corporation Act, any amendment to the articles of association requires a resolution of the Shareholders' Meeting. The authority to adopt purely formal amendments to the Articles of Association was transferred to the Supervisory Board under Section 9 para. 4 of the Articles of Association. In addition, by resolution of the Shareholders' Meeting, the Supervisory Board has been authorized to amend Section 4 of the Articles of Association in accordance with the utilization of the Authorized and Conditional capital, and after expiration of the authorization period applicable at the time.

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

1.11.5 Powers of the Executive Board to issue and repurchase shares

The Executive Board has been authorized by resolution of the Shareholder's Meeting on September 18, 2020 to increase, with the approval of the Supervisory Board, the capital stock until July 31, 2025 by €363,322,596 through the issuance of 363,322,596 ordinary registered shares with no par value against cash contributions and (or) contributions in kind (Authorized capital 2020). With the approval of the Supervisory Board, the Executive Board has been authorized to exclude shareholders' subscription rights in the event of capital increases against contributions in cash, (i) in order to grant shares to the employees of the Company and its affiliates (employee shares), (ii) as far as this is necessary for fractional amounts resulting from the subscription ratio, (iii) in order to grant holders/ creditors of conversion or option rights on the Company's shares or of respective conversion obligations from bonds issued or guaranteed by the Company or any of its consolidated subsidiaries subscription rights as compensation against effects of dilution to the extent to which they would be entitled upon exercising such conversion or option rights or fulfilling such conversion obligations, (iv) provided that the issue price of the new shares is not significantly lower than the stock exchange price of the Company's listed shares, and (v) through the implementation of what is known as a share dividend. For details on this authorization, please refer to Section 4 para. 5 of the Articles of Association. This authorization had not been utilized as of September 30, 2021.

By resolution of the Shareholders' Meeting on September 18, 2020, the Executive Board is authorized to issue until expiry of July 31, 2025 convertible bonds/ warrant bonds in the total nominal amount of up to €4 billion and, in this context, to grant/ impose conversion and (or) option rights and conversion obligations in respect of ordinary registered shares with no par value in Siemens Energy AG representing a pro rata amount in its capital stock totaling to €72,664,519. The convertible bonds/ warrant bonds may be issued against contribution in cash and (or) in kind. For details, please refer to the resolution of the Shareholder's Meeting. Generally, the convertible bonds/ warrant bonds must be offered for subscription to the shareholders. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude the subscription right of the shareholders, (i) provided that the convertible bonds/ warrant bonds are issued against cash payment and the issue price of a convertible bond/ warrant bond is not significantly lower than its theoretical market price computed in accordance with generally accepted actuarial methods, (ii) to the extent necessary for fractional amounts resulting from the subscription ratio, and (iii) in order to grant holders/ creditors of conversion or option rights to shares of the company or of conversion obligations under convertible bonds/ warrant bonds issued or guaranteed by Siemens Energy AG or any of its Group companies subscription rights as compensation against effects of dilution in the amount in which they would be entitled to such rights upon exercising such conversion or option rights or fulfilling any conversion obligations. As of September 30, 2021 the Executive Board had not utilized this authorization.

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

The Company may not repurchase its own shares unless so authorized by a resolution duly adopted by the shareholders at a general meeting or in other very limited circumstances set forth in the German Stock Corporation Act. On September 18, 2020, the Shareholders' Meeting authorized the Company to acquire until the end of July 31, 2025 for any permissible purpose treasury shares in an amount of up to 10% of the capital stock existing at the time this authorization takes effect or – if this amount is lower – of the capital stock existing at the time the authorization is exercised. The aggregate of shares of Siemens Energy AG repurchased under this authorization and any other Siemens Energy AG shares previously acquired and still held in treasury by the Company or attributable to the Company pursuant to Sections 71d and 71e of the German Stock Corporation Act may at no time exceed 10% of the then existing capital stock. Any repurchase of Siemens Energy AG shares shall be accomplished at the discretion of the Executive Board either (i) by acquisition over the stock exchange, (ii) through a public share repurchase offer, or (iii) through a public offer to swap Siemens Energy AG shares for shares in a listed company within the meaning of Section 3 para. 2 of the German Stock Corporation Act.

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

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

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

In September 2020, the Company announced that it would carry out a share buyback of up to €393 million in volume until March 31, 2021 at the latest. The buyback commenced on September 28, 2020, using the authorizations given by the Shareholders' Meeting on September 18, 2020. Under this share buyback, Siemens Energy repurchased 7,690,836 shares by September 30, 2020. The total consideration paid for these shares amounted to about €200 million (excluding incidental transaction charges). Furthermore, in the period from October 1, 2020 to March 18, 2021, Siemens Energy repurchased additional 7,690,836 shares for a consideration of approximately €193 million (excluding incidental transaction changes). The share buyback announced in September 2020 is therefore completed. The buyback has the exclusive purpose of issuing shares to employees, board members of affiliated companies and members of the Executive Board of Siemens Energy AG. As of September 30, 2021, the Company held 11,958,938 shares of stock in treasury.

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

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

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

As of September 30, 2021, two consolidated subsidiaries of Siemens Energy AG with Siemens Energy AG as guarantor maintained a line of credit in an amount of €3 billion, which provides each lender with a right to cancel its credit commitment and to request for prepayment of loans in the event that (1) Siemens Energy AG becomes a subsidiary of any other company or (2) any person or group of persons acting together acquires control over Siemens Energy AG (Art. 3(2) of Council Regulation (EC) 139/2004).

No other significant agreements of Siemens Energy AG which are subject to a change of control clause upon a takeover bid existed as of September 30, 2021.

1.11.7 Other takeover-relevant information

There are no shares with special rights conferring powers of control. Shares of stock issued by Siemens AG to employees under its employee share program and (or) as share-based compensation are transferred to the employees. The beneficiary employees who hold shares of employee stock may exercise their control rights in the same way as any other shareholder in accordance with applicable laws and the articles of association. The Company has not entered into any compensation agreements with Members of the Executive Board or employees in the event of a takeover bid.

1.12 Further information

Corporate Governance Statement

The corporate governance declaration in accordance with Sections 289f and 315d of the German Commercial Code is a component of the Combined Management Report and is published on our website **www.siemens-energy.com/global/en/company/investor-relations/-corporate-governance.html#GermanCorporateGovernanceCode**.

The corporate governance declaration in accordance with Sections 289f and 315d of the German Commercial Code can also be found in **3.5 Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code**.

Consolidated Financial Statements

2

2.1 Consolidated Statements of Income

(in millions of €, earnings per share in €)	Note	Fiscal year 2021	2020
Revenue	2, 25	28,482	27,457
Cost of sales		(25,066)	(25,318)
Gross profit		**3,417**	**2,139**
Research and development expenses		(1,155)	(985)
Selling and general administrative expenses		(2,682)	(3,103)
Other operating income	5	85	68
Other operating expenses	5	(75)	(122)
Income (loss) from investments accounted for using the equity method, net	4	53	12
Operating income (loss)[1]		**(357)**	**(1,991)**
Interest income		45	39
Interest expenses		(126)	(176)
Other financial income (expenses), net		(27)	(7)
Income (loss) before income taxes		**(465)**	**(2,135)**
Income tax (expenses) benefits	6	(95)	276
Net income (loss)		**(560)**	**(1,859)**
Attributable to:			
Non-controlling interests		(107)	(253)
Shareholders of Siemens Energy AG		(453)	(1,606)
Basic earnings per share	24	**(0.63)**	**(2.21)**
Diluted earnings per share	24	**(0.63)**	**(2.21)**

[1] Includes impairment losses on financial instruments of €34 million (2020: €213 million).

2.2 Consolidated Statements of Comprehensive Income

(in millions of €)	Note	Fiscal year 2021	2020
Net income (loss)		**(560)**	**(1,859)**
Remeasurements of defined benefit plans	13	166	(42)
therein Income tax effects		*(46)*	*(4)*
Remeasurements of equity instruments		—	—
therein Income tax effects		—	—
Income (loss) from investments accounted for using the equity method, net		(1)	(1)
Items that will not be reclassified to profit or loss		**165**	**(43)**
Currency translation differences		268	(991)
Derivative financial instruments		77	(58)
therein Income tax effects		*(19)*	*36*
Income (loss) from investments accounted for using the equity method, net		(11)	(28)
Items that may be reclassified subsequently to profit or loss		**334**	**(1,077)**
Other comprehensive income (loss), net of income taxes		**499**	**(1,120)**
Total comprehensive income (loss)		**(61)**	**(2,979)**
Attributable to:			
Non-controlling interests		(74)	(363)
Shareholders of Siemens Energy AG		13	(2,616)

2.3 Consolidated Statements of Financial Position

(in millions of €)	Note	Sep 30, 2021[1]	Sep 30, 2020[1]
Assets			
Cash and cash equivalents		5,333	4,630
Trade and other receivables	19	5,110	4,963
Other current financial assets	19	590	825
Contract assets	7	4,913	4,545
Inventories	8	6,146	6,527
Current income tax assets	6	344	295
Other current assets		880	763
Assets classified as held for disposal		81	—
Total current assets		**23,397**	**22,548**
Goodwill	9	9,538	9,376
Other intangible assets	10	3,561	3,839
Property, plant and equipment	10	5,104	4,877
Investments accounted for using the equity method	4	720	753
Other financial assets	19	352	318
Deferred tax assets	6	1,130	1,057
Other assets		338	264
Total non-current assets		**20,744**	**20,484**
Total assets		**44,141**	**43,032**
Liabilities and equity			
Short-term debt and current maturities of long-term debt	12	551	718
Trade and other payables		5,764	5,127
Other current financial liabilities	19	482	1,005
Contract liabilities	7	10,350	9,853
Current provisions	14	1,991	1,676
Current income tax liabilities	6	391	314
Other current liabilities	11	3,074	2,859
Liabilities associated with assets classified as held for disposal		—	—
Total current liabilities		**22,602**	**21,552**
Long-term debt	12	2,177	1,672
Provisions for pensions and similar obligations	13	830	1,057
Deferred tax liabilities	6	254	426
Provisions	14	1,968	2,095
Other financial liabilities		389	254
Other liabilities		702	584
Total non-current liabilities		**6,319**	**6,089**
Total liabilities		**28,921**	**27,642**
Equity	15		
Issued capital		727	727
Capital reserve		12,418	12,324
Retained earnings		2,605	2,906
Other components of equity		(511)	(814)
Treasury shares, at cost		(281)	(200)
Total equity attributable to shareholders of Siemens Energy AG		**14,958**	**14,942**
Non-controlling interests		262	448
Total equity		**15,220**	**15,390**
Total liabilities and equity		**44,141**	**43,032**

[1] In the Consolidated Statements of Financial Position as of September 30, 2021, compared with the Consolidated Financial Statements as of September 30, 2020, amounts included in receivables from and payables to the Siemens Group have been reclassified to the balance sheet items to which they belong in accordance with their nature. The prior year amounts have been adjusted accordingly for the purpose of comparison.

2.4 Consolidated Statements of Cash Flows

(in millions of €)	Fiscal year 2021	2020
Cash flows from operating activities		
Net income (loss)	(560)	(1,859)
Adjustments to reconcile net income (loss) to cash flows from operating activities		
Amortization, depreciation and impairments	1,463	2,051
Income tax expenses (benefits)	95	(276)
Interest (income) expenses, net	81	138
(Income) loss related to investing activities	(30)	(28)
Other non-cash (income) expenses	209	228
Change in operating net working capital		
Contract assets	(322)	91
Inventories	485	230
Trade and other receivables	0	13
Trade and other payables	532	366
Contract liabilities	376	912
Change in other assets and liabilities	(20)	(17)
Income taxes paid	(400)	(303)
Dividends received	16	26
Interest received	20	30
Cash flows from operating activities	**1,946**	**1,601**
Cash flows from investing activities		
Additions to intangible assets and property, plant and equipment	(987)	(927)
Acquisitions of businesses, net of cash acquired	1	(177)
Purchase of investments and financial assets	(19)	(12)
Disposal of intangibles and property, plant and equipment	50	39
Disposal of businesses, net of cash disposed	(2)	40
Disposal of investments and financial assets	0	2
Cash flows from investing activities	**(958)**	**(1,036)**
Cash flows from financing activities		
Purchase of treasury shares	(231)	(162)
Change in debt and other financing activities	(80)	110
Interest paid	(93)	(141)
Dividends attributable to non-controlling interests	(100)	(33)
Other transactions/ financing with Siemens Group	164	2,580
Cash flows from financing activities	**(340)**	**2,353**
Effect of changes in exchange rates on cash and cash equivalents	**55**	**(160)**
Change in cash and cash equivalents	**703**	**2,759**
Cash and cash equivalents at beginning of period	**4,630**	**1,871**
Cash and cash equivalents at end of period	**5,333**	**4,630**

2.5 Consolidated Statements of Changes in Equity

(in millions of €)	Issued capital	Capital reserve	Retained earnings[1]	Currency translation differences	Equity instruments	Derivative financial instruments	Treasury shares at cost	Total equity attributable to shareholders of Siemens Energy AG[2]	Non-controlling interests	Total equity
Balance as of September 30, 2019	—	—	11,472	422	—	(37)	—	11,856	1,233	13,089
Effect of retrospectively adopting IFRS 16	—	—	2	—	—	—	—	2	—	2
Balance as of October 1, 2019	—	—	11,474	422	—	(37)	—	11,858	1,233	13,091
Net income (loss)	—	—	(1,606)	—	—	—	—	(1,606)	(253)	(1,859)
Other comprehensive income (loss), net of income taxes	—	—	(39)	(912)	—	(59)	—	(1,010)	(110)	(1,120)
Total comprehensive income (loss)	—	—	(1,645)	(912)	—	(59)	—	(2,616)	(363)	(2,979)
Dividends & profit and loss transfer with owners	—	—	(222)	—	—	—	—	(222)	(26)	(248)
Share-based payment	—	21	—	—	—	—	—	21	—	21
Purchase of treasury shares	—	—	—	—	—	—	(200)	(200)	—	(200)
Other transactions with non-controlling interests	—	—	(956)	—	—	—	—	(956)	(114)	(1,070)
Other changes in equity	—	—	7,283	(269)	—	42	—	7,056	(282)	6,774
Allocation of net assets according to legal structure	727	12,303	(13,029)	—	—	—	—	—	—	—
Balance as of September 30, 2020	727	12,324	2,906	(759)	—	(55)	(200)	14,942	448	15,390
Balance as of October 1, 2020	727	12,324	2,906	(759)	—	(55)	(200)	14,942	448	15,390
Net income (loss)	—	—	(453)	—	—	—	—	(453)	(107)	(560)
Other comprehensive income (loss), net of income taxes	—	—	163	236	(0)	66	—	466	33	499
Total comprehensive income (loss)	—	—	(289)	236	(0)	66	—	13	(74)	(61)
Dividends	—	—	—	—	—	—	—	—	(102)	(102)
Share-based payment	—	231	(1)	—	—	—	—	230	1	230
Purchase of treasury shares	—	—	—	—	—	—	(193)	(193)	—	(193)
Re-issuance of treasury shares	—	(136)	25	—	—	—	112	—	—	—
Other transactions with non-controlling interests	—	—	(35)	—	—	—	—	(35)	(16)	(51)
Other changes in equity	—	0	1	—	—	—	—	1	5	6
Balance as of September 30, 2021	727	12,418	2,605	(523)	(0)	11	(281)	14,958	262	15,220

[1] As of September 30, 2019, Siemens Energy AG was not a legally separate subgroup for which Consolidated Financial Statements had to be prepared according to IFRS 10, Consolidated Financial Statements. Therefore, Combined Financial Statements were prepared in which the net assets attributable to the Siemens Group were presented.

[2] September 30, 2019: Siemens Group

2.6 Notes to Consolidated Financial Statements

NOTE 1 Basis of presentation

The accompanying Consolidated Financial Statements as of September 30, 2021, present the operations of Siemens Energy AG with registered office at Otto-Hahn-Ring 6, 81739 Munich, Germany (registry number HRB 252581), and its subsidiaries.

Information on the Consolidated Financial Statements

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU) as well as with the additional requirements set forth in Section 315e para. 1 German Commercial Code ("Handelsgesetzbuch"). The Consolidated Financial Statements were authorized for issue by the Executive Board on November 24, 2021.

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

Siemens Energy is one of the largest suppliers of technology in the energy and electricity sector, serving the entire scope of the energy market. It provides a portfolio along the entire energy value chain in both conventional and renewable energy, complemented by a complete set of training and service offerings. This comprehensive portfolio is aimed at public- and private-sector customers along the continuum of energy – from power generation to power transmission and related services.

Description of reportable segments

Siemens Energy has two reportable segments:

- Gas and Power (GP), which offers a broad spectrum of products, solutions and services for the generation of energy along the entire value chain in the oil and gas industry, as well as the construction and operation of power transmission networks. The revenue for this reportable segment is disaggregated in the activities New units and Service contracts and in the types of business Transmission, Generation and Industrial Applications. Service contracts contains the maintenance, operation, and repair of our installed fleet including also the selling of spare parts;
- Siemens Gamesa Renewable Energy (SGRE), which offers on- and offshore wind turbines as well as services throughout the whole life cycle of wind turbines. The revenue for this reportable segment is disaggregated in the activities Wind Turbines and Service. Service contains the operation and maintenance of wind turbines.

NOTE 2 Material accounting policies and critical accounting estimates

In the Consolidated Financial Statements as of September 30, 2021, compared with the Consolidated Financial Statements as of September 30, 2020, amounts included in receivables from and payables to Siemens Group have been reclassified to those balance sheet items to which they belong in accordance with their nature. The prior-year amounts have been adjusted accordingly for the purpose of comparison.

Key accounting estimates and judgments – Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on the results of operations, financial positions, and cash flows of Siemens Energy. Critical accounting estimates could also involve estimates where Siemens Energy reasonably could have used a different estimate in the current accounting period. Siemens Energy cautions that future events often vary from forecasts and that estimates routinely require adjustment.

The intensified political efforts to reduce greenhouse gas emissions are a driving force in the transformation of the energy market and might have significant effects on Siemens Energy. The impact of the transition to a lower carbon economy and the resulting consequences for Siemens Energy's business environment observable as of September 30, 2021, were considered in the relevant critical accounting estimates, such as the determination of expected useful lives and future cash flows. The implementation of plans to reduce greenhouse gas emissions is expected to take place over the long-term and is currently unfolding very differently in the various markets in which Siemens Energy operates. Assumptions related to climate change and decarbonization trends are screened constantly by the Company. These Consolidated Financial Statements were prepared using the assumption that Siemens Energy will make the necessary changes to its business models, product portfolio and cost structures and that therefore no material effects will occur that would have to be recorded in the Consolidated Financial Statements as of September 30, 2021.

In fiscal year 2021 Siemens Energy's business and economic environment was again adversely affected by the spread of the COVID-19 pandemic, though certain mitigating effects materialized due to the various measures taken by governments or states globally, including the provision of financial support and making vaccines available. Despite the overall improved COVID-19 situation, it is challenging to predict its duration and its impact on assets, liabilities, results of operations and cash flows, in particular due to regional differences. In the Consolidated Financial Statements as of September 30, 2021, Siemens Energy cautiously based estimates and assumptions related to financial information on existing knowledge, insights from the last months and the information available and took a scenario as a basis assuming that no significant negative effects will result from a further COVID-19 wave.

Furthermore, risk of interruption or shutdown of production or project sites and the risk of disrupted supply chains, due to continuing infection, new outbreaks, and the emergence of variants continues to exist. In fiscal year 2021, the COVID-19 pandemic particularly impacted the reliable and effective supply chain and logistics management for components, subassemblies, and materials.

COVID-19-related impacts on Siemens Energy's Consolidated Financial Statements may result from, inter alia, delays in order placements as well as in executing orders and contracts, termination of contracts, adjusted or modified revenue and cost patterns, limited usage of assets, volatility in financial and commodity markets, limited or no access to customer facilities, interest rate adjustments in various countries, increasing volatility in foreign currency exchange rates, deteriorating creditworthiness, credit default or delayed payments and difficulties in preparing predictions and forecasts due to uncertainties in the amount and timing of cash flows. Those factors may impact fair value and carrying amounts of assets and liabilities as well as the amount and timing of results of operations and cash flows. These circumstances require complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Siemens Energy believes that assumptions applied appropriately reflect the current situation.

Basis of consolidation – The Consolidated Financial Statements include the accounts of Siemens Energy AG and its subsidiaries over which the Company has control. Control exists when Siemens Energy has power over the investee. In addition, Siemens Energy is exposed to, or has rights to, variable returns from the involvement with the investee and Siemens Energy is able to use its power over the investee to affect the amount of the Company's return.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Earnings per share – Basic earnings per share are computed by dividing Net income attributable to the shareholders of Siemens Energy AG by the weighted average number of outstanding shares of Siemens Energy AG. Diluted earnings per share are calculated by assuming conversion or exercise of all potentially dilutive securities and share-based payment plans.

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

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

The determination of the recoverable amount of a cash-generating unit or a group of cash-generating units to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced, for example, by the successful integration of acquired entities, the volatility of capital markets, interest rate developments, foreign exchange rate fluctuations and the anticipated economic trends. In determining recoverable amounts, discounted cash flow calculations use five-year projections that are based on financial forecasts. Cash flow projections take into account past experience and represent management's best estimate about future developments.

Cash flows after the planning period are extrapolated using individual growth rates and an expected long-term inflation rate. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates and weighted average cost of capital. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment.

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

Property, plant and equipment – Property, plant and equipment, including right-of-use assets, is valued at cost less accumulated depreciation and impairment losses. Depreciation expense is recognized using the straight-line method. The following useful lives are assumed for property, plant and equipment owned by Siemens Energy:

Factory and office buildings	20 to 50 years
Other buildings	5 to 10 years
Technical machinery & equipment	generally 10 years
Furniture & office equipment	generally 5 years

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

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

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

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

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

Inventories – Inventories are valued at the lower of acquisition or production costs and net realizable value, costs generally being determined on the basis of an average or first-in, first-out method. Net realizable value corresponds to the estimated selling price net of remaining costs of completion and selling. Determining net realizable value of Inventories involves accounting estimates for quantity, technical, and price risks.

Trade and other payables – Siemens Energy invites suppliers to participate in Supply Chain Financing Programs in order to benefit from accelerated payment compared with Siemens Energy's regular payment terms. Such payables represent payables for goods and services that are incurred within the Company's normal operating cycle and are part of the Company's working capital. Suppliers must formally agree to participate in such programs. Therefore, the corresponding payables are still shown in line item Trade and other payables.

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

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

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

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

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

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

Significant estimates are involved in determining provisions related to warranty costs, onerous contracts, legal and regulatory proceedings, as well as governmental investigations (legal proceedings). The measurement of warranty provisions reflects whether the underlying obligation results from a single obligation or a larger population of items. The amounts provided are based on the best available information but may vary from actual claims. Siemens Energy records a provision for onerous contracts with customers when current estimates of total estimated costs exceed estimated revenue.

Onerous contracts with customers are identified by monitoring the progress of the project and updating the estimates, which requires significant judgment relating to achieving certain performance standards as well as estimates involving warranty costs and estimates regarding project delays, including the assessment of responsibility splits between the contract partners for these delays. Uncertainties regarding asset retirement obligations include the estimated costs of decommissioning because of the long timeframe over which future cash outflows are expected to occur, including the respective interest accretion.

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

Personnel restructuring measures – Expenses for restructuring measures are recognized if a detailed formal plan for the restructuring has been developed, which has raised a valid expectation in those affected that the restructuring measures will be carried out by starting to implement the plan or announcing its main features to those affected by it. The determination of expenses is based on various assumptions that also require judgements and estimates and may therefore contain uncertainties in this respect. These include in particular the acceptance rate, the underlying salary and length of service. If employees are offered severance packages, the benefits are measured on the basis of the expected number of employees who will accept the offer.

Termination benefits – Termination benefits are provided as a result of an entity's offer made in order to encourage voluntary redundancy before the regular retirement date or of an entity's decision to terminate the employment. Termination benefits in accordance with IAS 19, Employee Benefits, are recognized as a liability and an expense when the entity can no longer withdraw the offer of those benefits.

Cash and cash equivalents – Siemens Energy considers all highly liquid investments with a maturity of less than three months from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at amortized cost. In the prior year, short-term deposits and overdraft facilities granted in connection with intercompany clearing transactions with Siemens Group were not included in cash and cash equivalents. Changes in these items were presented as financing activities in the Consolidated Statements of Cash Flows, as these arrangements have served to finance the operating activities of Siemens Energy.

Financial instruments – A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Based on their contractual cash flow characteristics and the business model they are held in, financial instruments are classified as financial assets and financial liabilities measured at cost or amortized cost, measured at fair value, loan commitments and credit guarantees, and Contract assets. Regular way purchases or sales of financial assets are accounted for at the trade date. Siemens Energy does not use the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (fair value option). Initially, financial instruments are recognized at fair value and net of transaction costs, if they are not categorized at fair value through profit or loss. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned.

Financial assets measured at fair value through profit or loss (FVTPL) – Debt financial assets are measured at FVTPL if the business model they are held in is not a hold-to-collect or a hold-and-sell business model, or if their contractual cash flows do not represent solely payments of principal and interest. Equity instruments are measured at FVTPL unless the option to recognize fair value changes in other comprehensive income has been exercised (FVOCI option).

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

Valuation allowances are set up for expected credit losses, representing a forward-looking estimate of future credit losses involving significant judgment. Expected credit loss is the gross carrying amount less collateral, multiplied by the probability of default and a factor reflecting the loss in the event of default. Valuation allowances are not recognized when the gross carrying amount is sufficiently collateralized. Probabilities of default are mainly derived from rating grades. A simplified approach is used to assess expected credit losses from trade receivables and Contract assets by applying their lifetime expected credit losses.

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

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

Credit guarantees – Credit guarantees are recognized at the higher of consideration received for granting the guarantee and expected credit losses determined.

Financial liabilities – Except for derivative financial instruments, Siemens Energy measures financial liabilities at amortized cost using the effective interest method.

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

Derivative financial instruments – Derivative financial instruments, such as foreign currency exchange contracts and interest rate swap contracts, are measured at fair value. Changes in the fair value of derivative financial instruments are recognized either in Net income or, in the case of a cash flow hedge, in the Other comprehensive income line item, net of income taxes (applicable deferred income tax). Certain derivative instruments embedded in host contracts are also accounted for separately as derivatives.

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

Share-based payment – Before Spin-Off, share-based payment awards at Siemens Energy were predominately classified as cash-settled. The fair value was measured at grant date, updated each quarter, and expensed over the vesting period. The fair value was determined as the market price of Siemens AG shares, considering dividends during the vesting period to which the grantees are not entitled, as well as market and non-vesting conditions, if applicable.

After Spin-Off, share-based payment awards at Siemens Energy are predominately designed as equity-settled. The fair value is measured at the grant date and expensed over the vesting period. The fair value is determined as the market price of the underlying shares, considering dividends during the vesting period to which the grantees are not entitled, as well as market and non-vesting conditions, if applicable.

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

Recently adopted accounting pronouncements

On October 1, 2020, Siemens Energy adopted the amendments to IFRS 3, Definition of a business, IAS 39/ IFRS 7/ IFRS 9, Interest rate benchmark reform – phase 1 and to IAS 1/ IAS 8, Definition of material. The adoption had no material impact on the Consolidated Financial Statements.

Recent accounting pronouncements – not yet adopted

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

Amendments to standards/ interpretations		Mandatory application	Expected initial adoption	Anticipated effect
IAS 39, IFRS 4, IFRS 7, IFRS 9, IFRS 16	Interest rate benchmark reform – phase 2 (amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9, IFRS 16)	Jan 1, 2021	Oct 1, 2021	not material
IFRS 9	Fees in the '10 percent' test for derecognition of financial liabilities (amendment to IFRS 9)	Jan 1, 2022	Oct 1, 2022	not material
IAS 37	Onerous contracts – cost of fulfilling a contract (amendments to IAS 37)	Jan 1, 2022	Oct 1, 2022	not material
IAS 16	Property, Plant and Equipment: proceeds before intended use (amendments to IAS 16)	Jan 1, 2022	Oct 1, 2022	not material
IFRS 1	Subsidiary as a first-time adopter (amendment to IFRS 1)	Jan 1, 2022	Oct 1, 2022	not material
IAS 41	Taxation in fair value measurements (amendment to IAS 41)	Jan 1, 2022	Oct 1, 2022	not material
Conceptual Framework IFRS 3	Updating a reference to the Conceptual Framework (amendments to IFRS 3)	Jan 1, 2022	Oct 1, 2022	not material
IFRS 17	Insurance contracts (new standard)	Jan 1, 2023	Oct 1, 2023	not material
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	Jan 1, 2023	Oct 1, 2023	not material
IAS 12	Limitation of initial recognition exemption (IRE) (amendments to IAS 12)	Jan 1, 2023	Oct 1, 2023	not material
IAS 1, Practice Statement 2	Amendments to presentation of financial statements, making materiality judgments as well as accounting policies (amendments to IAS 1, Practice Statement 2)	Jan 1, 2023	Oct 1, 2023	not material
IAS 8	Amendments to accounting estimates and errors (amendments to IAS 8)	Jan 1, 2023	Oct 1, 2023	not material

NOTE 3 Acquisitions

For the acquisitions of Senvion Deutschland GmbH (Senvion European Onshore Services) and of Senvion's wind turbine blade production business in Vagos (Portugal) as well as certain additional assets (Ria Blades, S.A.) in fiscal year 2020, the adjustment of the total purchase price within the established limits was resolved in March 2021, once the term for the confirmation of the closing accounts had elapsed. The total price amounted to €182 million, having recognized negative adjustments in the closing accounts confirmation, reaching the price floor. Likewise, the allocation of the resulting total price to the different parts of the transaction has been completed. The breakdown of the consideration transferred is €122 million for Senvion European Onshore Services and €60 million for the wind turbine blades production business in Vagos (Portugal) and certain additional assets associated with said business. These amounts were already paid during fiscal year 2020.

The transaction costs associated with both transactions amounted to €13 million and were recorded mainly in the Consolidated Statements of Income for fiscal year 2020.

Acquisition of Senvion European Onshore Services

The assets and liabilities of Senvion Deutschland GmbH and its subsidiaries have been included in the Consolidated Financial Statements at their acquisition date fair values since fiscal year 2020. The following table summarizes the consideration paid, the fair values of the assets and liabilities at their acquisition date and the generated goodwill.

(in millions of €)

Consideration paid	**122**
Cash and cash equivalents	4
Trade and other receivables	59
Contract assets	12
Inventories	26
Other intangible assets	147
Property, plant and equipment	35
Other current and non-current financial assets	3
Deferred tax assets, net	5
Other current and non-current assets	3
Trade and other payables	(2)
Contract liabilities	(57)
Other current financial liabilities	(5)
Financial debt	(14)
Current and non-current provisions	(146)
Other current and non-current liabilities	(23)
Current income tax liabilities, net	(11)
Fair value of net assets	**36**
Goodwill	**86**
Allocated to the Operation and Maintenance segment	*86*

The accounting for this business combination was finalized in fiscal year 2021.

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

The assets and liabilities of Ria Blades, S.A. and associated additional assets have been included in the Consolidated Financial Statements at their acquisition date fair values since fiscal year 2020. The following table summarizes the consideration paid, the fair values of the assets and liabilities at their acquisition date and the generated goodwill.

(in millions of €)	
Consideration paid	**60**
Inventories	4
Property, plant and equipment	58
Other current and non-current financial assets	1
Current income tax asset, net	1
Deferred tax asset, net	2
Other current and non-current assets	1
Trade and other payables	(1)
Current and non-current provisions	(4)
Other current and non-current liabilities	(2)
Fair value of net assets	**60**
Goodwill	**—**

The accounting for this business combination was finalized in fiscal year 2021.

NOTE 4 Interests in other entities

Investments accounted for using the equity method

(in millions of €)	Fiscal year 2021	2020
Share of profit (loss), net	57	22
Gains (losses) on sales, net	(4)	1
Impairment and reversals of impairment	—	(10)
Income (loss) from investments accounted for using the equity method, net	**53**	**12**

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

(in millions of €)	Siemens Limited, registered in Mumbai, India Mar 31, 2021	Mar 31, 2020
Percentage ownership interest (%)	24%	24%
Non-current assets (100%)	594	382
Current assets (100%)	1,458	1,474
Non-current liabilities (100%)	92	69
Current liabilities (100%)	807	684
Net assets (100%)	**1,153**	**1,103**
Group's share of net assets (24%)	**277**	**265**
Goodwill (24%)	76	89
Carrying amount of interest in associate (24%)	**353**	**354**
Reconciliation to carrying amount as of Sep 30	14	(12)
Carrying amount as of Sep 30	**367**	**342**

(in millions of €)	Apr 1, 2020 to Mar 31, 2021	Apr 1, 2019 to Mar 31, 2020
Revenue (100%)	1,262	1,575
Income (loss) from continuing operations after tax (100%)	109	128
Other comprehensive income (100%)	7	(8)
Total comprehensive income (100%)	116	120
Group's share of total comprehensive income (24%)	**28**	**29**
Reconciliation Group's share of total comprehensive income for fiscal year 2021/ 2020	2	(12)
Group's share of total comprehensive income for fiscal year 2021/ 2020	30	17
Dividends received by the Group	**7**	**—**

The fair value of the investment in the associate amounted to €2,114 million as of September 30, 2021 (2020: €1,252 million).

As of September 30, 2021, the carrying amount of all individually non-material associates amounted to €243 million (2020: €325 million), and the carrying amount of all individually non-material joint ventures amounted to €110 million (2020: €86 million). Summarized financial information for all individually non-material associates and joint ventures, adjusted for the percentage of ownership held by Siemens Energy, is presented below. Items included in the Statements of Comprehensive Income are presented for the twelve-month period reported using the equity method.

Associates

(in millions of €)	Fiscal year 2021	2020
Income (loss) from continuing operations	25	10
Other comprehensive income, net of income taxes	1	(5)
Total comprehensive income	**26**	**5**

Joint ventures

(in millions of €)	Fiscal year 2021	2020
Income (loss) from continuing operations	23	1
Other comprehensive income, net of income taxes	2	(2)
Total comprehensive income	**24**	**(1)**

Subsidiaries with material non-controlling interests

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

	Siemens Gamesa Renewable Energy S.A., registered in Zamudio, Spain	
	Sep 30,	
(in millions of €)	2021	2020
Ownership interests held by non-controlling interests	33%	33%
Accumulated non-controlling interests	5	186
Current assets	6,929	6,929
Non-current assets	9,702	9,403
Current liabilities	8,729	8,335
Non-current liabilities	3,442	3,062

	Fiscal year	
(in millions of €)	2021	2020
Net income (loss) attributable to non-controlling interests	(210)	(319)
Dividends paid to non-controlling interests	0	12
Revenue	10,198	9,483
Income (loss) from continuing operations, net of income taxes	(626)	(919)
Other comprehensive income, net of income taxes	140	(392)
Total comprehensive income, net of income taxes	(486)	(1,311)
Total cash flows	306	(28)

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

NOTE 5 Other operating income and expense

In fiscal year 2021, Other operating income included, among other things, liquidated damages, gains on sales of intangible assets and property, plant and equipment as well as a compensation due to the renouncement of a project participation. In fiscal year 2020, Other operating income essentially comprised gains on sales of intangible assets as well as property, plant and equipment, gains on disposals of businesses, liquidated damages, and reversals of impairment losses recorded for intangible assets and property, plant and equipment.

In fiscal year 2021, Other operating expenses were incurred in connection with, among other things, share-based payments from the Direct Match Program as well as sales of intangible assets and property, plant and equipment. In fiscal year 2020, Other operating expenses mainly consisted of expenses related to the Spin-Off.

NOTE 6 Income taxes

Income tax (expenses) benefits consist of the following:

	Fiscal year	
(in millions of €)	**2021**	**2020**
Current tax	(422)	(283)
Deferred tax	327	559
Income tax (expenses) benefits	**(95)**	**276**

The current income tax expenses in fiscal year 2021 include adjustments recognized for current tax of prior years in the amount of €34 million; the current income tax benefits in fiscal year 2020 include adjustments recognized for current tax of prior years in the amount of €6 million. The deferred tax benefits in fiscal years 2021 and 2020 include tax effects of the origination and reversal of temporary differences of €344 million and €478 million, respectively.

In Germany, the calculation of current tax in fiscal year 2021 is based on a combined tax rate of 32%, consisting of a corporate tax rate of 15%, a solidarity surcharge thereon of 5.5%, and an average trade tax rate of 16%. In fiscal year 2020 the calculation of current tax is based on a combined tax rate of 31%, consisting of a corporate tax rate of 15%, a solidarity surcharge thereon of 5.5%, and an average trade tax rate of 15%. For foreign subsidiaries, current taxes are calculated on the basis of local tax law and applicable tax rates in the individual foreign countries. Deferred tax assets and liabilities in Germany and abroad are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Actual income tax expenses differ from the amounts computed by applying a combined statutory German income tax rate of 32% in fiscal year 2021 and 31% in fiscal year 2020, respectively, as follows:

	Fiscal year	
(in millions of €)	**2021**	**2020**
Income (loss) before income taxes	(465)	(2,135)
Expected income tax benefits	149	662
(Increase) decrease in income taxes resulting from:		
Non-deductible losses and expenses	(76)	(44)
Tax-free income	47	26
Taxes for prior years	(69)	(28)
Non-recognition and change in realizability of deferred tax assets and tax credits	(189)	(235)
Change in tax rates	(20)	(9)
Foreign tax rate differential	122	(54)
Tax effect of investments accounted for using the equity method	12	3
Other, net	(71)	(45)
Actual income tax (expenses) benefits	**(95)**	**276**

An expense for withholding taxes in fiscal years 2021 and 2020 is included in item "Other, net" in the amount of €58 million and €40 million, respectively.

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

	Sep 30,	
(in millions of €)	**2021**	**2020**
Deferred taxes due to temporary differences		
Intangible assets	(670)	(790)
Pensions and similar obligations	380	392
Non-current assets and liabilities	411	317
Current assets and liabilities	71	(14)
Tax loss carryforwards, other loss carryforwards	588	637
Tax credits	96	89
Total deferred taxes, net	**876**	**631**

Deferred tax liabilities relating to intangible assets decreased due to regular amortization of step-up amounts resulting from purchase price allocations.

The recoverability of net deferred tax assets in the United States, Spain and Germany in the amount of €377 million is reasonably assured by the probable existence of sufficient future taxable profits, despite the companies' current loss situation.

Depending on the specific situation of the companies the existence of future taxable income is supported by positive earnings in prior years, the increase in order backlog, the adaptation of the business model and non-recurring one-time effects, which are negatively affecting the current taxable income.

Deferred tax balances developed as follows in fiscal years 2021 and 2020:

	Fiscal year	
(in millions of €)	**2021**	**2020**
Balance at beginning of fiscal year of deferred tax assets (liabilities)	631	(359)
Income taxes presented in the Consolidated Statements of Income	327	559
Changes in items of the Consolidated Statements of Comprehensive Income	(65)	32
Income taxes treated as contributions or transfers from reserves by shareholders	—	450
Other	(17)	(51)
Balance at end of fiscal year of deferred tax assets (liabilities)	**876**	**631**

Income taxes treated as contributions or transfers from reserves by shareholders in the table above in fiscal year 2020 mainly related to Carve-Out effects and further changes resulting from the formation of Siemens Energy Group.

"Other" mainly includes effects from currency translation and an offsetting effect in fiscal year 2021 resulting from the utilization of a tax loss carryforward, shown in income before income taxes due to specific legal regulations.

Deferred tax assets were not recognized with respect to the following items (gross amounts) in fiscal years 2021 and 2020:

	Sep 30,	
(in millions of €)	**2021**	**2020**
Deductible temporary differences	864	368
Tax loss carryforwards	4,060	3,483
Tax credits	221	253

Out of the total amount of unrecognized tax loss carryforwards as of September 30, 2021, an amount of €1,426 million will expire in the following years until 2030, and €1,660 million will expire in 2031 and onwards.

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

Out of the total amount of unrecognized tax credits as of September 30, 2021, an amount of €61 million will expire in the following years until 2030, and €142 million will expire in 2031 and onwards.

Out of the total amount of unrecognized tax credits as of September 30, 2020, an amount of €53 million will expire in the following years until 2029, and €179 million will expire in 2030 and onwards.

Siemens Energy did not recognize deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of €5,260 million in fiscal year 2021 (2020: €4,991 million) because the earnings are intended to be permanently reinvested in the subsidiaries.

NOTE 7 Contract assets and liabilities

As of September 30, 2021, amounts expected to be settled after twelve months were €1,183 million for Contract assets (2020: €1,148 million) and €2,917 million for Contract liabilities (2020: €3,591 million).

In fiscal year 2021, €15 million were included in revenue, relating to performance obligations satisfied in previous periods (2020: €14 million).

In fiscal year 2021, revenue included €6,436 million which was included in Contract liabilities at the beginning of the fiscal year (2020: €5,885 million).

NOTE 8 Inventories

	Sep 30,	
(in millions of €)	**2021**	**2020**
Raw materials and supplies	1,659	1,805
Work in progress	2,768	2,855
Finished goods and products held for resale	1,248	1,535
Advances to suppliers	470	333
Total inventories	**6,146**	**6,527**

The Cost of sales includes Inventories recognized as expenses as of September 30, 2021, amounting to €24,238 million (2020: €24,651 million). Compared with the prior year, write-downs decreased by €52 million (2020: increased by €279 million).

In the GP segment, inventory write-offs amounting to €206 million were recognized in the in fiscal year 2020 in connection with strategic portfolio decisions for aeroderivative gas turbines. Despite further negative developments in fiscal year 2021 when some targeted orders did not materialize and resulted in further write-downs on gas turbines, purchase agreements were concluded for some of these gas turbines on stock resulting in a partial reversal of the respective write-offs.

In the SGRE segment, a reassessment of the marketability of inventories, which were assigned to customer contracts in the previous, resulted in a positive impact of approximately €110 million.

NOTE 9 Goodwill

(in millions of €)	Fiscal year 2021	2020
Cost		
Balance at beginning of fiscal year	9,413	9,851
Translation differences and other	142	(511)
Acquisitions and purchase accounting adjustments	21	74
Dispositions and reclassifications to assets classified as held for disposal	(0)	(2)
Balance at end of fiscal year	**9,576**	9,413
Accumulated impairment losses and other changes		
Balance at beginning of fiscal year	(37)	(36)
Translation differences and other	(1)	(1)
Impairment losses recognized during the period (including those relating to disposal groups)	—	—
Dispositions and reclassifications to assets classified as held for disposal	—	—
Balance at end of fiscal year	**(38)**	(37)
Carrying amount		
Balance at beginning of fiscal year	9,376	9,815
Balance at end of fiscal year	**9,538**	9,376

Siemens Energy performs the mandatory annual impairment test in the three months ending September 30. In the annual impairment test 2021, the recoverable amounts for the Company's cash-generating units or groups of cash-generating units were estimated to be higher than the carrying amounts. Key assumptions on which Siemens Energy based its determinations of the fair value less costs to sell for the cash-generating units or groups of cash-generating units included terminal value growth rates up to 1.4% in fiscal year 2021 (2020: 1.4%) and after-tax discount rates of 8.0% to 9.0% in fiscal year 2021 (2020: 8.0% to 8.5%).

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

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

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

			Sep 30, 2021
(in millions of €)	Goodwill	Terminal value growth rate	After-tax discount rate
Gas and Power	6,694	1.3%	8.0%
Wind Turbines	1,118	1.4%	9.0%
Operation and Maintenance	1,726	1.4%	9.0%

Revenue figures in the five-year planning period of the cash-generating units or groups of cash-generating units are based on average revenue growth rates (excluding portfolio effects) of between 3.3% and 11.6% (2020: 2.9% and 11.8%).

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

The margin expectations included in the business planning which forms the basis for the cash flows for the five-year planning period and the cash flows used to derive the terminal value for the GP segment also represent an additional sensitive assumption. Starting with the current operational profitability levels for the GP segment, Siemens Energy anticipates marked margin improvements in the coming years with a commensurate contribution from cost saving and restructuring efforts. Siemens Energy, as a critical infrastructure provider, additionally expects a stable contribution from the services business, as well as a stable market share in the product and solution business, while dealing with challenging structural global energy market trends, in particular for large gas turbines as a result of continuing decarbonization. These changes will be gradual over several years or decades and require the ability to adapt business models and cost structures accordingly while simultaneously offering the opportunity to position the Company with new products in a growing market amid an expected global increase in energy demand. The expectation that Siemens Energy will make the necessary adaptations with regard to these changes to respond to the risks and opportunities of climate change and decarbonization trends is reflected in its business planning, which forms the basis for the cash flows for the five-year planning period and the cash flows used to derive the terminal values for its cash-generating units or groups of cash-generating units to which a significant amount of goodwill is allocated.

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

NOTE 10 Other intangible assets and property, plant and equipment

(in millions of €)	Gross carrying amount Oct 1, 2020	Transfer from/ to Siemens Group	Translation differences	Additions through business combinations	Additions	Reclassi-fication	Retirements	Gross carrying amount Sep 30, 2021	Accumulated depreciation/ amortization and impairment	Carrying amount Sep 30, 2021	Depreciation/ amortization and impairment in fiscal year 2021
Internally generated technology	804	—	2	—	188	2	(49)	947	(392)	555	(105)
Acquired technology including patents, licenses and similar rights	2,611	—	17	2	9	(2)	(6)	2,631	(1,864)	767	(220)
Customer relationships and trademarks	4,114	—	69	3	—	(0)	(6)	4,181	(1,941)	2,239	(184)
Other intangible assets	**7,529**	**—**	**88**	**5**	**197**	**—**	**(61)**	**7,758**	**(4,197)**	**3,561**	**(509)**
Land and buildings	3,709	—	76	(1)	239	46	(162)	3,907	(1,393)	2,515	(299)
therein right-of-use assets	*1,295*	*—*	*32*	*1*	*197*	*(0)*	*(92)*	*1,433*	*(375)*	*1,059*	*(205)*
Technical equipment and machinery	4,305	—	83	—	406	177	(209)	4,762	(3,322)	1,440	(381)
therein right-of-use assets	*175*	*—*	*2*	*—*	*227*	*—*	*(22)*	*382*	*(88)*	*294*	*(59)*
Furniture and office equipment	2,177	—	33	1	241	58	(232)	2,279	(1,752)	527	(272)
therein right-of-use assets	*63*	*—*	*2*	*0*	*48*	*(0)*	*(18)*	*94*	*(41)*	*53*	*(29)*
Advances to suppliers and construction in progress	526	—	8	0	384	(281)	(13)	624	(1)	623	(1)
Property, plant and equipment	**10,717**	**—**	**200**	**1**	**1,270**	**—**	**(615)**	**11,573**	**(6,468)**	**5,104**	**(954)**

(in millions of €)	Gross carrying amount Oct 1, 2019	Transfer from/to Siemens Group	Translation differences	Additions through business combinations	Additions	Reclassi-fication	Retirements	Gross carrying amount Sep 30, 2020	Accumulated depreciation/ amortization and impairment	Carrying amount Sep 30, 2020	Depreciation/ amortization and impairment in fiscal year 2020
Internally generated technology	632	1	(5)	—	191	—	(14)	804	(334)	469	(66)
Acquired technology including patents, licenses and similar rights	2,581	9	(47)	—	83	—	(15)	2,611	(1,635)	976	(552)
Customer relationships and trademarks	4,344	—	(298)	146	—	—	(78)	4,114	(1,721)	2,394	(495)
Other intangible assets	**7,557**	**10**	**(350)**	**146**	**274**	**—**	**(108)**	**7,529**	**(3,690)**	**3,839**	**(1,113)**
Land and buildings	2,477	810	(130)	71	541	55	(115)	3,709	(1,126)	2,583	(267)
therein right-of-use assets	*835*	*65*	*(45)*	*13*	*502*	—	*(76)*	*1,295*	*(185)*	*1,111*	*(182)*
Technical equipment and machinery	4,269	36	(191)	17	188	139	(154)	4,305	(3,054)	1,251	(401)
therein right-of-use assets	*148*	—	*(1)*	—	*47*	—	*(20)*	*175*	*(46)*	*128*	*(50)*
Furniture and office equipment	1,951	62	(59)	5	251	85	(118)	2,177	(1,660)	517	(270)
therein right-of-use assets	*31*	—	*(3)*	—	*48*	—	*(14)*	*63*	*(19)*	*44*	*(23)*
Advances to suppliers and construction in progress	447	17	(17)	—	361	(279)	(3)	526	—	526	—
Property, plant and equipment	**9,144**	**925**	**(397)**	**94**	**1,342**	**—**	**(391)**	**10,717**	**(5,840)**	**4,877**	**(938)**

Intangible assets relate substantially to customer relationships and technology acquired in the Dresser-Rand Group Inc. and SGRE business acquisitions. The customer relationships that relate to the Dresser-Rand acquisition will be amortized over a period of 20 years. Through the Dresser-Rand acquisition, Siemens Energy has a comprehensive portfolio of equipment and capability for the oil and gas industry and a much-expanded installed base, allowing Siemens Energy to address the needs of the market with products, solutions, and services. Technology related to the Dresser-Rand acquisition will be substantially amortized over a period of 20 years.

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

As of September 30, 2021, the gross carrying amount of advances to suppliers and construction in progress included mainly machinery and equipment under construction. As of September 30, 2021, contractual commitments for purchases of property, plant and equipment were €344 million (2020: €304 million).

In fiscal year 2020 in the GP segment, an impairment in the amount of €476 million has been recognized for intangible assets acquired in business combinations related to a strategic portfolio decision in respect of certain small gas turbine platforms. Furthermore, as a result of the deterioration of the Indian market and the corresponding restructuring plan, intangible assets of €82 million were completely written down in the SGRE segment in fiscal year 2020.

In fiscal year 2021, expenses recognized for short-term and low-value leases not accounted for under the right-of-use model were €263 million (2020: €200 million).

NOTE 11 Other current liabilities

	Sep 30,	
(in millions of €)	2021	2020
Liabilities to personnel	1,769	1,605
Deferred income	16	43
Accruals for pending invoices	710	562
Reservation fees	77	194
Sales tax liabilities	204	153
Other	297	301
Total other current liabilities	**3,074**	**2,859**

NOTE 12 Debt

	Current debt		Non-current debt	
	Sep 30,		Sep 30,	
(in millions of €)	2021	2020	2021	2020
Loans from banks	277	434	1,088	732
Lease liabilities	271	281	1,084	932
Other financial indebtedness	3	4	5	9
Total debt	**551**	**718**	**2,177**	**1,672**

Changes in liabilities arising from financing activities

(in millions of €)	Oct 1, 2020	Cash flows	Non-cash changes: Acquisitions/ Dispositions	Non-cash changes: Foreign currency translation	Non-cash changes: Reclassifi-cations and other changes	Sep 30, 2021
Loans from banks (current and non-current)	1,165	199	—	0	(0)	1,364
Lease liabilities (current and non-current)	1,212	(245)	1	24	363	1,355
Other financial indebtedness (current and non-current)	13	(34)	—	—	29	8
Total debt	**2,391**	**(80)**	**1**	**24**	**392**	**2,728**

(in millions of €)	Oct 1, 2019	Cash flows	Non-cash changes: Acquisitions/ Dispositions	Non-cash changes: Foreign currency translation	Non-cash changes: Reclassifi-cations and other changes	Sep 30, 2020
Loans from banks (current and non-current)	822	381	34	(72)	0	1,165
Lease liabilities (current and non-current)	896	(223)	80	(41)	501	1,212
Other financial indebtedness (current and non-current)	49	(48)	1	(0)	12	13
Total debt	**1,766**	**110**	**114**	**(113)**	**513**	**2,391**

In fiscal year 2021, the weighted average interest rate for loans from banks was 1.33% (2020: 3.39%).

Credit facilities

As of September 30, 2021, and September 30, 2020, Siemens Energy had an unused €3,000 million syndicated revolving credit facility for general corporate purposes. The term of the facility was adjusted effective March 2021. It will now mature in 2024 with two one-year extension options subject to the lenders' consent.

As of September 30, 2021 and September 30, 2020, SGRE had a multi-currency revolving credit facility, including a loan tranche, amounting to a total of €2,500 million. The facility includes a fully drawn term loan tranche of €500 million maturing in 2022 and an unused revolving credit line tranche of €2,000 million maturing in 2025 with a remaining one-year extension option.

Additionally, SGRE had bilateral credit lines in euros for a total amount of €743 million as of September 30, 2021 (2020: €858 million), of which no amount was drawn. Moreover, as of September 30, 2021, SGRE had credit lines in Indian rupees for an amount equivalent to €498 million (2020: €472 million), of which €213 million (2020: €273 million) were drawn.

Loans

The debt in the balance sheet as of September 30, 2021, and September 30, 2020, mainly related to loans from banks in the SGRE business. SGRE's multi-currency revolving credit facility includes a fully drawn term loan tranche of €500 million. This loan may be used for general corporate purposes and to refinance outstanding debt. Two loans totaling €240 million are outstanding, both with maturity in 2023, to finance the acquisition of Senvion. Additionally, SGRE signed two new loans with the European Investment Bank in fiscal year 2021, amounting to a total of €350 million. Both loans have a maturity of five years and the purpose of funding SGRE's research and development activities.

Commercial paper program

In September 2021, Siemens Energy established a commercial paper program with a maximum volume of €3,000 million for general corporate purposes. As of September 30, 2021, no commercial papers were outstanding under the program.

Lease liabilities

In fiscal year 2021, the expenses relating to variable lease payments not included in the measurement of lease liabilities amounted to €82 million (2020: €112 million). Due to the constant use and volume of the leases, no significant increase in variable future lease payments is expected. Moreover, future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities include, among others, the following items: in fiscal year 2021, leases not yet commenced to which the lessee is committed of €2 million (2020: €227 million) and outflows arising from extension options of €231 million (2020: €160 million).

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

Siemens Energy provides post-employment defined benefit plans and defined contribution plans to almost all employees in Germany and the majority of employees outside Germany.

Defined benefit plans

Defined benefit plans which are open to new entrants are based predominantly on contributions made by Siemens Energy. Only to a certain extent are those plans affected by longevity, inflation, and compensation increases and take into account country-specific differences. Siemens Energy's major plans are mostly funded with assets in segregated entities. In accordance with local laws and bilateral agreements with benefit trusts (trust agreement), those plans are managed in the interest of the beneficiaries. In fiscal year 2021, the defined benefit plans covered an average number of 57,000 participants, including 45,000 actives, 4,000 deferreds with vested benefits, and 8,000 retirees and surviving dependents in around 50 countries.

The majority of Siemens Energy pension liabilities relate to Germany, the United States of America and the United Kingdom. The pension landscapes in these three countries are described in detail below.

Germany

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

United States of America

The majority of the defined benefit plans in the U.S. have been frozen to new entrants and to future benefit accruals. Siemens Energy has appointed the Benefits Committee as the named fiduciary for the management of the assets of the plan. The plan's assets are held in the Trust and the Trustee of the Trust is responsible for the administration of the assets of the Trust, taking directions from the Benefits Committee. The plans are subject to the funding requirements under the Employee Retirement Income Security Act (ERISA) of 1974 as amended. There is a regulatory requirement to maintain a minimum funding level of 80% in the defined benefit plans in order to avoid benefit restrictions. At their discretion, sponsoring employers may contribute in excess of this regulatory requirement. Annual required contributions are calculated by independent actuaries.

In the United States prior to the setup of separate pension plans, Siemens Energy participated, amongst others, in the Siemens Pension Plan as the main pension plan for the Siemens Group. A separate pension trust for our U.S. entities (the "Siemens Energy U.S. Trust") was established prior to the Spin-Off date to which our pension liabilities and related assets were transferred in accordance with Internal Revenue Code Section 414(l) in the first quarter of fiscal year 2021.

United Kingdom

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

Development of the defined benefit plans

(in millions of €)	Defined benefit obligation (DBO) (I) Fiscal year 2021	2020	Fair value of plan assets (II) Fiscal year 2021	2020	Net defined benefit balance (I - II)[1] Fiscal year 2021	2020
Balance at beginning of fiscal year	**3,392**	**3,310**	**2,378**	**1,357**	**1,018**	**1,953**
Current service cost	114	107	—	—	114	107
Interest expenses	63	60	—	—	63	60
Interest income	—	—	46	38	(46)	(38)
Other[2]	(1)	(12)	(2)	(4)	1	(7)
Components of defined benefit costs recognized in the Consolidated Statements of Income	**175**	**156**	**44**	**34**	**132**	**122**
Return on plan assets excluding amounts included in net interest income and net interest expenses	—	—	127	37	(127)	(37)
Actuarial (gains) losses	(98)	72	—	—	(98)	72
Remeasurements recognized in the Consolidated Statements of Comprehensive Income	**(98)**	**72**	**127**	**37**	**(212)**	**39**
Employer contributions	—	—	113	85	(113)	(85)
Plan participants' contributions	13	15	13	15	—	—
Benefits paid	(123)	(106)	(82)	(76)	(42)	(30)
Settlement payments	(1)	(1)	(0)	—	(1)	(1)
Business combinations, disposals and other	(1)	78	(1)	1,023	(0)	(946)
Foreign currency translation effects	50	(132)	43	(97)	8	(35)
Other reconciling items	**(62)**	**(146)**	**86**	**950**	**(148)**	**(1,096)**
Balance at end of fiscal year	**3,407**	**3,392**	**2,634**	**2,378**	**790**	**1,018**
thereof						
Germany	*1,602*	*1,544*	*1,300*	*1,123*	*302*	*421*
U.S.	*939*	*971*	*636*	*584*	*303*	*387*
U.K.	*323*	*326*	*328*	*330*	*(3)*	*(3)*
Other countries	*543*	*552*	*370*	*341*	*188*	*213*
Total	**3,407**	**3,392**	**2,634**	**2,378**	**790**	**1,018**
thereof provisions for pensions and similar obligations					*830*	*1,057*
thereof net defined benefit assets (presented in Other assets)					*(39)*	*(39)*

[1] As of September 30, 2021 increasing effects of asset ceiling of €17 million (2020: €4 million) were included. The increase during fiscal year 2021 relates to remeasurement effects, for fiscal year 2020 increasing effects of asset ceiling were subject to no significant changes.

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

Net interest expenses related to provisions for pensions and similar obligations in fiscal year 2021 amounted to €19 million (2020: €23 million). In fiscal year 2021, the DBO attributable to active employees stood at 62% (2020: 65%), the DBO attributable to former employees with vested rights stood at 9% (2020: 7%), and the DBO attributable to retirees and surviving dependents stood at 29% (2020: 28%).

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

(in millions of €)	Fiscal year 2021	2020
Changes in demographic assumptions	4	32
Changes in financial assumptions	(147)	33
Experience (gains) losses	45	8
Total	**(98)**	72

Actuarial assumptions

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

	Sep 30, 2021	2020
Discount rate	2.1%	1.9%
EUR	1.4%	1.3%
USD	2.6%	2.3%
GBP	2.0%	1.7%

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

Applied mortality tables are:

Mortality table	2021	2020
Germany	Heubeck-Richttafeln 2018 G	Heubeck-Richttafeln 2018 G
U.S.	Pri-2012 with generational projection from the U.S. Social Security Administration's Long Range Demographic Assumptions	Pri-2012 with generational projection from the U.S. Social Security Administration's Long Range Demographic Assumptions
U.K.	SAPS S2 (Standard mortality tables for Self Administered Pension Schemes with allowance for future mortality improvements)	SAPS S2 (Standard mortality tables for Self Administered Pension Schemes with allowance for future mortality improvements)

The rate of pension progression and respective countries, in which this rate has significant effects, is shown in the following table. Inflation effects, if applicable, are included in the assumptions below:

Pension progression	Sep 30, 2021	2020
Germany	1.3%	1.3%
U.K.	2.7%	2.4%

Sensitivity analysis

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

	Effect on DBO due to a one-half percentage-point			
	Increase	Decrease	Increase	Decrease
(in millions of €)	Sep 30, 2021		Sep 30, 2020	
Discount rate	(202)	226	(216)	243
Rate of pension progression	73	(69)	79	(72)

The DBO effect of a 10% reduction in mortality rates for all beneficiaries would be an increase of €72 million as of September 30, 2021 (2020: €76 million).

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

Asset liability matching strategies

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

Independent asset managers are selected based on quantitative and qualitative analyses, which include their performance and risk evaluation. Derivatives are used to reduce risks as part of the risk management.

Disaggregation of plan assets

	Sep 30,	
(in millions of €)	**2021**	**2020**
Equity securities	347	334
Fixed income securities	1,216	1,072
Government bonds	*372*	*286*
Corporate bonds	*844*	*786*
Real Estate	55	56
Multi strategy funds	632	442
Insurance policies	321	311
Cash and cash equivalents	32	128
Other assets	31	33
Total	**2,634**	**2,378**

Virtually all equity securities have quoted prices in active markets. The fair value of fixed income securities is based on prices provided by price service agencies. The majority of the fixed income securities are traded in active markets and are rated investment grade. Multi strategy funds mainly comprise absolute return funds and diversified growth funds that invest in various asset classes within a single fund and aim to stabilize return and reduce volatility.

Future cash flows

Employer contributions expected to be paid to defined benefit plans in fiscal year 2022 amount to €68 million. Over the next ten fiscal years, average annual benefit payments of €167 million were expected as of September 30, 2021 (2020: €154 million). The weighted average duration of the DBO for Siemens Energy defined benefit plans was 15 years as of September 30, 2021 (2020: 14 years).

Defined contribution plans and state plans

The amount recognized as expense for defined contribution plans amounted to €212 million in fiscal year 2021 (2020: €215 million). Contributions to state plans amounted to €458 million in fiscal year 2021 (2020: €450 million).

NOTE 14 Provisions

(in millions of €)	Warranties	Order related losses and risks	Other	Total
Balance as of October 1, 2020	**2,748**	**705**	**319**	**3,771**
therein non-current	*1,669*	*304*	*123*	*2,095*
Additions	863	480	213	1,556
Usage	(526)	(238)	(54)	(817)
Reversals	(483)	(48)	(61)	(591)
Translation differences	17	5	5	26
Accretion expense and effect of changes in discount rates	(1)	—	0	(1)
Other changes	15	7	(7)	15
Balance as of September 30, 2021	**2,634**	**911**	**415**	**3,959**
therein non-current	*1,594*	*241*	*132*	*1,968*

In general, the Company's provisions are expected to result in cash outflows predominantly within the next ten years. For the majority of non-current provisions, we expect a cash outflow during the next five years.

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

Order-related losses and risks are provided for anticipated losses and risks on uncompleted construction and sales. The increase in the provision for contingent losses is mainly due to delays in SG 5.X product development affecting ongoing projects and other increases in estimated costs in Brazil and Northern Europe. As of September 30, 2021, this resulted in a provision for contingent losses of €314 million.

Other includes provisions for legal proceedings, as far as the risks that are subject to such legal proceedings are not already covered by project accounting. Provisions for legal proceedings as of September 30, 2021, amounted to €124 million (2020: €87 million).

NOTE 15 Equity

As of September 30, 2021 and 2020, the issued capital of Siemens Energy is divided into 726,645,193 registered shares with no par value and a notional value of €1.00 per share. The shares are fully paid in. At the Shareholders' Meeting, each share has one vote and accounts for the shareholders' proportionate share in the Company's Net income. In principle, all shares confer the same rights and obligations. Shares held by Siemens AG (direct and indirect) are subject to the restrictions arising from the existing deconsolidation agreement ("Entherrschungsvertrag").

In September 2020, Siemens Energy announced a share buyback with a volume of up to €393 million, but not more than 72,664,519 shares, ending March 31, 2021, at the latest. The share buyback started on September 28, 2020, and was completed on March 18, 2021.

In fiscal year 2021, Siemens Energy repurchased 7,690,836 shares (2020: 9,242,660) and transferred 4,974,558 shares (2020: 0) to employees. As of September 30, 2021 the Company held 11,958,938 treasury shares (2020: 9,242,660).

Share-based payment expenses increased Capital reserve by €167 million in fiscal 2021 (2020: €21 million). In connection with the settlement of share-based payment awards Siemens Energy treasury shares (at cost) with a value of €112 million were transferred to employees in fiscal 2021 (2020: €0 million), which decreased Capital reserve by €136 million (2020: €0 million) and increased Retained earnings by €25 million (2020: €0 million).

As of September 30, 2021, the total authorized capital of Siemens Energy AG was €363 million in nominal terms. Based on the authorization approved by the Shareholders' Meeting, up to 363,322,596 registered shares with no-par value can be issued according to the authorization. In addition, as of September 30, 2021, the conditional capital of Siemens Energy AG was €73 million in nominal terms (72,664,519 shares). It can be used for serving convertible bonds or warrants under warrant bonds that can be issued on the basis of the authorization approved by the Shareholders' Meeting.

As the Unappropriated net income of Siemens Energy AG amounted to €0 million in 2020, no dividend was paid in fiscal year 2021. For fiscal year 2021, the Executive Board and the Supervisory Board propose to distribute a dividend of €0.10 per share to shareholders entitled to dividends, in total representing approximately €72 million in expected payments. Payment of the proposed dividend is contingent upon approval at the Shareholders' Meeting on February 24, 2022.

NOTE 16 Additional capital disclosures

Capital structure management

A key consideration of the capital structure management of Siemens Energy is to maintain ready access to capital markets through various debt instruments and to sustain the ability to repay and service the Company's debt obligations over time. The performance measure used to assess the capital structure of Siemens Energy is the Adjusted (net cash)/ net debt to EBITDA ratio. The main target is to maintain a solid investment-grade rating.

(Net cash)/ net debt		Sep 30,
(in millions of €)	2021	2020
Short-term debt and current maturities of long-term debt	551	718
Plus: Long-term debt	2,177	1,672
Plus: Payables to Siemens Group from financing activities	189	161
Total debt	**2,917**	**2,552**
Cash and cash equivalents	5,333	4,630
Plus: Receivables from Siemens Group from financing activities	99	282
Total liquidity	**5,432**	**4,912**
(Net cash)/ net debt [1]	**(2,515)**	**(2,360)**
Plus: Provisions for pensions and similar obligations	830	1,057
Plus: Credit guarantees	89	—
Adjusted (net cash)/ net debt	**(1,596)**	**(1,303)**
EBITDA [2]	**1,106**	**60**
Adjusted (net cash)/ net debt to EBITDA ratio	**(1.4)**	**(21.7)**

[1] As of September 30, 2021, and September 30, 2020, the net cash position is shown with a negative sign.
[2] EBITDA represents earnings before financial result, income taxes and amortization, depreciation and impairments.

External credit rating

The Company's current corporate credit ratings are:

Standard & Poor's Global Ratings		Sep 30,
	2021	2020
Long-term debt	BBB	BBB
Short-term debt	A-2	n/a

NOTE 17 Commitments and contingencies

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

(in millions of €)	Sep 30, 2021	2020
Credit guarantees	89	—
Guarantees of third-party performance	202	272
Other guarantees	61	60
Total	**352**	332

The item Credit guarantees covers the financial obligations of third parties. Credit guarantees generally provide that, in the event of default or non-payment by the primary debtor, Siemens Energy will be required to settle such financial obligations. The maximum amount of these guarantees is equal to the maximum amount of the underlying credits that can be drawn. The credit guarantees shown in the table are guarantees for the external financial liabilities of an associated company. The remaining term of these guarantees is up to five years.

Siemens Energy also issues guarantees of third-party performance, which mainly include performance bonds and guarantees of advance payments in consortium arrangements. In the event of a claim under the guarantees, Siemens Energy will be required to pay up to an agreed maximum amount. These agreements typically have terms of up to ten years. Besides the guarantees issued by Siemens Energy during the periods presented, Siemens Group has provided additional guarantees for the Siemens Energy business for which Siemens Group has a right of recourse against Siemens Energy in case the guarantees are drawn on.

In addition, Siemens Energy issued other guarantees, including indemnifications in connection with the disposal of businesses. The table above shows the maximum future payments from these obligations to the extent that future claims are not considered unlikely.

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

NOTE 18 Legal proceedings

The following legal proceedings relate to the Siemens Energy business even if Siemens AG is, for procedural reasons, in some cases still mentioned as party to the proceedings.

Proceedings out of or in connection with alleged breaches of contract

In March 2019, a Brazilian company asserted claims for payment of a higher triple-digit million euro amount in local currency against a consortium of contractors and each member of the consortium, including Siemens Ltda., Brazil (now Siemens Energy Brasil Ltda.), in a lawsuit relating to the construction of a power plant in Brazil that was completed in 2016. The members of the consortium are jointly and severally liable; Siemens Energy Brasil Ltda. has a share of less than 3% in the consortium. The consortium and its members are defending themselves against the claims and for their part are claiming payment of a lower triple-digit million euro amount in local currency. In April 2021, the parties adjusted their claims for inflation and interest, resulting in a significant increase in the claims against the consortium and its members.

Proceedings out of or in connection with alleged compliance violations

In September 2011, the Israeli Antitrust Authority requested that Siemens AG present its legal position regarding an alleged anti-competitive arrangement between 1988 and 2004 in the field of gas-insulated switchgear. In September 2013, the Israeli Antitrust Authority concluded that Siemens AG was a party to an illegal restrictive arrangement regarding the Israeli gas-insulated switchgear market between 1988 and 2004, with an interruption from 1999 to 2002. The Company appealed against this decision in May 2014. In May 2021, the Israeli Competition Tribunal approved a joint motion that was filed by Siemens AG along with Alstom and the Israeli Antitrust Authority regarding the revocation of the aforementioned determination and the withdrawal of the appeals. As a result of the Competition Tribunal's ruling, the determination was repealed and the appeals were withdrawn.

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

Other proceedings and relevant compliance investigations

In January 2021, General Electric Company (GE) filed a complaint against Siemens Energy, Inc., USA (SEI) in a U.S. federal court asserting various claims regarding the receipt of confidential competitor information and seeking unspecified damages. SEI defended itself against the claims. In September 2021, GE and SEI resolved their dispute.

At the end of July 2020, GE filed a complaint with the U.S. International Trade Commission (ITC) against Siemens Gamesa Renewable Energy Inc., USA, Siemens Gamesa Renewable Energy S/A, Denmark, and Gamesa Electric, S.A.U., Spain, (SGRE entities) asserting a violation of two patents and seeking an exclusion order against the SGRE entities' importation of certain wind turbine equipment into the United States. The SGRE entities are defending themselves against the complaint. In September 2021, an initial determination was issued finding an infringement of one of the patents, which expires in May 2023, and recommending that the ITC issues a limited exclusion order barring the importation into the US of the products that allegedly infringe this patent. The initial determination found that the other patent is unenforceable. The final determination by the ITC is expected at the beginning of the calendar year 2022.

Furthermore, GE has filed intellectual property-related claims against various SGRE entities before courts in Germany, the United Kingdom, Spain and the United States based on the patents or their national counterparts which are the subject of the ITC complaint, seeking injunctive relief and unquantified damages. SGRE is defending itself against the claims.

SGRE has investigated a number of allegations and indications of potential violations of internal policies and procedures, as well as of statutory laws. The investigations did mainly concern the Indian subsidiary, and a limited number of other jurisdictions. The respective internal investigations have been completed and revealed violations that have an immaterial impact in the Consolidated Financial Statements as of September 30, 2021. In the course of these investigations a few isolated new allegations emerged which are currently investigated as new cases, but at the current stage are not assessed to be material. Should new relevant facts with regard to allegations of compliance violations emerge relating to either the finalized, or any current or future investigations, this could result in SGRE or its respective subsidiaries being subject to payment of damages, equitable remedies, fines, penalties, profit disgorgements, disqualifications from engaging in certain types of business as well as additional liabilities.

Siemens Energy is involved in numerous legal proceedings in various jurisdictions and is conducting internal investigations with regards to allegations of compliance violations which could lead to such legal proceedings. These legal proceedings could result, in particular, in Siemens Energy being subject to the payment of damages and punitive damages, equitable remedies or sanctions, fines, or disgorgement of profit. In individual cases, this may also lead to, among other things, formal or informal exclusion from tenders or the revocation or loss of business licenses or permits. In addition, further legal proceedings may be commenced or the scope of pending legal proceedings may be extended. Asserted claims are generally subject to interest rates.

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

For legal proceedings, information required under IAS 37, Provisions, Contingent Liabilities and Contingent Assets, is not disclosed if the Company concludes that disclosure can be expected to seriously prejudice the position of the entity in a dispute with other parties.

NOTE 19 Additional disclosures on financial instruments

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

(in millions of €)	Sep 30, 2021	2020
Loans, receivables and other debt instruments measured at amortized cost[1]	5,438	5,470
Cash and cash equivalents	5,333	4,630
Derivatives designated in a hedge accounting relationship	162	126
Financial assets measured at FVTPL[2]	453	452
Financial assets	**11,386**	**10,679**
Financial liabilities measured at amortized cost[3]	8,886	8,190
Derivatives not designated in a hedge accounting relationship[4]	351	410
Derivatives designated in a hedge accounting relationship[4]	124	177
Financial liabilities	**9,361**	**8,777**

[1] Reported in the following line items of the Statements of Financial Position as of September 30, 2021: Trade and other receivables, Other current financial assets and Other financial assets, except for equity instruments of €35 million disclosed separately in Other financial assets and derivative financial instruments of €570 million (thereof in Other financial assets: €245 million), as well as debt instruments of €9 million measured at FVTPL in Other financial assets; includes €5,110 million in trade receivables from the sale of goods and services, thereof €318 million with a term of more than twelve months.

[2] Reported in the Other current financial assets and Other financial assets line items.

[3] Reported in the following line items of the Statements of Financial Position as of September 30, 2021: Short-term debt and current maturities of long-term debt, Trade and other payables, Other current financial liabilities, Long-term debt and Other financial liabilities, except for derivative financial instruments of €475 million disclosed separately; includes €5,764 million in Trade and other payables, thereof €15 million with a term of more than twelve months.

[4] Reported in the Other current financial liabilities and Other financial liabilities line items.

As of September 30, 2021, cash and cash equivalents included €6 million which were not available for use by Siemens Energy, mainly margin accounts for commodity derivatives (2020: €16 million).

Generally, the carrying amount of financial assets and financial liabilities is approximately equivalent to their fair value. As of September 30, 2021, the fair value of loans from banks measured at cost or amortized cost amounted to €1,379 million (2020: €1,180 million). The carrying amount of loans from banks amounted to €1,364 million as of September 30, 2021 (2020: €1,165 million).

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

The fair value of other non-derivative financial liabilities, loans from banks, and other financial indebtedness is estimated by discounting future cash flows using rates currently available for debt with similar terms and remaining maturities (Level 2).

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

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

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

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

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

				Sep 30, 2021
(in millions of €)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value[1]	**—**	**570**	**44**	**614**
Equity instruments measured at fair value through profit or loss	—	—	35	35
Debt instruments measured at fair value through profit or loss	—	—	9	9
Derivative financial instruments	—	570	—	570
thereof not designated in a hedge accounting relationship (including embedded derivatives)	—	*408*	—	*408*
thereof in connection with cash flow hedges	—	*162*	—	*162*
Financial liabilities measured at fair value – Derivative financial instruments[2]	**—**	**475**	**—**	**475**
thereof not designated in a hedge accounting relationship (including embedded derivatives)	—	*351*	—	*351*
thereof in connection with cash flow hedges	—	*124*	—	*124*

[1] Reported in line items Other current financial assets and Other financial assets

[2] Reported in line items Other current financial liabilities and Other financial liabilities

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

[1] Reported in line items Other current financial assets and Other financial assets.

[2] Reported in line items Other current financial liabilities and Other financial liabilities.

Siemens Energy measures the fair values of derivative financial instruments in accordance with the specific type of instrument. The fair values of derivative interest rate contracts are estimated by discounting the expected future cash flows using current market interest rates and yield curves over the remaining term of the instrument. The fair values of foreign currency derivatives are based on forward exchange rates. Compensating effects from underlying transactions (e.g., firm commitments and forecast transactions) are not taken into consideration.

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

Net gains (losses) on financial instruments are:

	Fiscal year	
(in millions of €)	2021	2020
Cash and cash equivalents	9	(6)
Loans, receivables and other debt instruments measured at amortized cost	(198)	(134)
Financial liabilities measured at amortized cost	179	(22)
Financial assets and financial liabilities at FVTPL	(5)	143

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

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

	Fiscal year	
(in millions of €)	2021	2020
Total interest income on financial assets	24	32
Total interest expenses on financial liabilities	(104)	(145)

Valuation allowances for expected credit losses

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

(in millions of €)	Trade receivables	Contract assets	Trade receivables	Contract assets
		Fiscal year 2021		Fiscal year 2020
Valuation allowance at beginning of fiscal year	484	156	381	166
Change in valuation allowances recorded in the Consolidated Statements of Income in the current period	47	(13)	213	0
Write-offs charged against the allowance	(59)	—	(66)	—
Recoveries of amounts previously written off	1	—	1	—
Foreign exchange translation differences and other changes	5	1	(45)	(10)
Valuation allowances at end of fiscal year	**478**	**143**	**484**	**156**

Impairment losses on financial instruments are presented in the Cost of sales and Selling and general administrative expenses line items.

Offsetting

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

		Financial assets		Financial liabilities
		Sep 30,		Sep 30,
(in millions of €)	2021	2020	2021	2020
Gross amounts	406	343	364	498
Amounts offset in the Statement of Financial Position	1	—	1	—
Net amounts in the Statement of Financial Position	405	343	363	498
Related amounts not offset in the Statement of Financial Position	204	60	204	60
Net amounts	**200**	**282**	**159**	**438**

NOTE 20 Derivative financial instruments and hedging activities

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

	Sep 30, 2021		Sep 30, 2020	
(in millions of €)	Asset	Liability	Asset	Liability
Foreign currency exchange contracts	392	353	337	497
therein included in cash flow hedges	*162*	*124*	*126*	*177*
Other (embedded derivatives, interest rate swaps, commodity swaps)	175	123	198	90

Foreign currency cash flow hedge accounting

The operating units of Siemens Energy apply hedge accounting to certain significant forecast transactions and firm commitments denominated in foreign currencies. Particularly, Siemens Energy entered into foreign currency exchange contracts to reduce the risk of variability of future cash flows resulting from forecast sales and purchases as well as firm commitments. Derivatives designated in foreign currency cash flow hedge accounting are contracted to achieve a 1:1 hedge ratio so that the main characteristics match the underlying hedged items (e.g., nominal amount, maturity, etc.) in a critical term match, which ensures an economic relationship between hedging instruments and hedged items suitable for hedge accounting.

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

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

		Fiscal year 2021	
Instrument	Buy/ sell foreign currency	Average rate	Average remaining maturity
EUR/DKK	Buy	7.4386	2022
EUR/DKK	Sell	7.4292	2023
EUR/USD	Buy	1.1963	2022
EUR/USD	Sell	1.1987	2022

		Fiscal year 2020	
Instrument	Buy/ sell foreign currency	Average rate	Average remaining maturity
EUR/DKK	Buy	7.4410	2021
EUR/DKK	Sell	7.4319	2022
EUR/USD	Buy	1.1675	2021
EUR/USD	Sell	1.2528	2023

As of September 30, 2021, the nominal amounts of hedging instruments up to twelve months were €6,362 million (2020: €6,413 million); the nominal amounts of hedging instruments more than twelve months were €4,961 million (2020: €3,823 million).

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

(in millions of €)	2021	2020
Balance at beginning of fiscal year	(57)	(21)
Hedging gains (losses) presented in OCI	67	(50)
Reclassification to Net income	13	13
Balance at end of fiscal year	**23**	**(57)**
therein discontinued hedge accounting relationships	*3*	*(2)*

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

Derivative financial instruments not designated in a hedge accounting relationship

Derivative financial instruments not designated in a hedge accounting relationship are mostly embedded foreign currency derivatives separated from non-financial host contracts and the respective hedging derivatives as well as foreign currency hedges for smaller exposures.

Additionally, the foreign currency exposure aggregated over the Siemens Energy units is monitored centrally and derivative financial instruments may be utilized to hedge foreign currency risks on a central level. Such a strategy does not qualify for hedge accounting treatment.

NOTE 21 Financial risk management

Market fluctuations may result in significant earnings and cash flow volatility risk for Siemens Energy. The Siemens Energy business, as well as its investment and financing activities, are affected particularly by changes in foreign exchange rates and interest rates. Siemens Energy seeks to manage and control these risks by way of binding internal regulations primarily through its regular operating and financing activities and uses derivative financial instruments if deemed appropriate.

In order to quantify market risks, Siemens Energy calculates forward-looking sensitivities on the basis of the economically open risk positions, which are also used for internal risk management. Actual results that are included in the Consolidated Statements of Income or Consolidated Statements of Comprehensive Income may differ substantially from sensitivity figures due to fundamental conceptual differences. While the Consolidated Statements of Income and Consolidated Statements of Comprehensive Income are prepared in accordance with IFRS, the sensitivity figures are calculated from a purely financial perspective and represent the potential financial gain/ loss that will occur economically on the open risk position.

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

Foreign currency exchange rate risk

Transaction risk

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

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

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

The Siemens Energy units conclude their hedging activities either with Siemens Energy Inhouse Treasury or directly with external financial institutions. Siemens Energy Inhouse Treasury hedges its foreign currency exchange rate risks with external counterparties within the internal counterparty limits.

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

	Fiscal year 2021	
(in millions of €)	Appreciation of 10% against EUR	Devaluation of 10% against EUR
SEK	12	(12)
DKK	(7)	7
JPY	7	(7)
CNY	(3)	3
USD	(3)	3

	Fiscal year 2020	
(in millions of €)	Appreciation of 10% against EUR	Devaluation of 10% against EUR
SEK	18	(18)
USD	11	(11)
JPY	8	(8)
CNY	(6)	6
TND	2	(2)

Translation risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This risk arises whenever interest terms of financial assets and liabilities are different.

The exposure to the risk of changes in market interest rates mostly relates to external financings of the Siemens Gamesa Renewable Energy segment, mainly with fixed rates of interest.

Siemens Energy continuously analyzes the split of external financing at variable and fixed rates to optimize its interest rate risk exposure. Siemens Energy can use derivative financial instruments to perform a comprehensive interest rate risk management when appropriate.

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

	Fiscal year 2021	
(in millions of €)	**+100bp**	**-100bp**
EUR interest rates	13	(13)

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

Liquidity risk

Liquidity risk is the risk that Siemens Energy is not able to meet its financial liabilities. Siemens Energy mitigates liquidity risk through the implementation of effective working capital and cash management as well as the arrangement of credit facilities with financial institutions and the establishment of a commercial paper program. Liquidity risk from gross-settled derivatives is mitigated by way of netting agreements and the active diversification of derivatives across several partner banks.

The following table reflects Siemens Energy's contractually fixed pay-offs for settlement, repayments, and interest. The disclosed expected undiscounted net cash outflows from derivative financial liabilities are determined on the basis of each particular settlement date of an instrument and the earliest date on which Siemens Energy could be required to pay.

Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on the conditions existing at September 30, 2021. The cash outflows for trade and other payables include amounts from Supply Chain Finance Programs. The participation of suppliers in the programs does not change the originally agreed payment terms so the due dates for payment remain unchanged.

	Fiscal year			
(in millions of €)	2022	2023	2024 to 2026	2027 and thereafter
Non-derivative financial liabilities	6,658	516	1,269	577
thereof				
Loans from banks	302	245	854	—
Other financial indebtedness	3	3	1	1
Lease liabilities	291	217	413	576
Trade and other payables	5,794	15	—	—
Other financial liabilities	267	37	1	—
Derivative financial liabilities	229	93	20	22
Credit guarantees[1]	89	—	—	—

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

Credit risk

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

Credit risk is already limited during the customer acceptance process in which the customer creditworthiness is assessed before entering into a business relationship. Each entity is responsible for ensuring robust credit risk management practices in its own operating activities.

The effective monitoring and controlling of credit risk during the lifetime of customer relationships is ensured through credit valuations using external ratings. As a rule, external ratings are obtained from Siemens Bank which maintains a Credit Risk Intelligence Unit to which numerous Siemens Energy operating units regularly transfer business partner data as the basis for a rating and credit limit recommendation process.

Siemens Bank ratings and individually defined credit limits are based on generally accepted rating methodologies, with information obtained from customers, external rating agencies, data service providers, and credit default experiences. The ratings used consider appropriate forward-looking information significant to the specific financial instrument such as expected changes in the obligor's financial position, shareholder structure, management or operational risks, as well as broader forward-looking information, such as expected macro-economic, industry-related, and competitive developments. A country-specific risk component derived from external country credit ratings is also considered.

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

The carrying amount is the maximum exposure to a financial assets' credit risk. Collateral reduces the valuation allowance to the extent it mitigates credit risk. Collateral needs to be specific, identifiable, and legally enforceable to be taken into account.

As of September 30, 2021, collaterals of €204 million (2020: €60 million) related to financial assets measured at fair value. Those collaterals were provided in connection with netting agreements for derivatives providing protection from the risk of a counterparty's insolvency. As of September 30, 2021, collaterals held for financial assets measured at amortized cost were €303 million (2020: €188 million), comprising mostly letters of credit and credit insurance policies. As of September 30, 2021, collaterals held for Contract assets were €10 million (2020: €7 million), comprising mostly letters of credit.

As of September 30, 2021, the gross carrying amount (before valuation allowances) of trade receivables from the sale of goods and services amounted to €5,606 million (2020: €5,462 million). Based on rating information from Siemens Bank, 42% (2020: 45%) were rated with an investment-grade rating and 58% (2020: 55%) with a non-investment-grade rating. Contract assets (gross carrying amount: €5,056 million) generally share similar risk characteristics (2020: €4,763 million). The amounts described above do not represent economic credit risks, since they neither consider collaterals held nor valuation allowances already recognized.

NOTE 22 Share-based payment

Share-based payment awards granted in fiscal year 2021 were based on Siemens Energy AG shares that have been granted on the basis of existing and new Siemens Energy share-based payment programs.

Siemens Energy share-based payment programs

Share-based payment awards may be settled in treasury shares of Siemens Energy AG or in cash. They may be forfeited if the beneficiary's employment is terminated prior to expiration of the vesting period. At Siemens Energy Group level, these share-based payment plans are predominantly designed and accounted for as plans with settlement in shares. Total pretax expense for share-based payments from Siemens Energy plans amounted to €167 million for the year ended September 30, 2021 (2020: €19 million).

Building Siemens Energy Incentive Program

Under the Building Siemens Energy Incentive (BSEI) Program, a low triple-digit number of key employees who made key contributions to preparing the Spin-Off were granted a one-time Spin-Off incentive in fiscal year 2020. The initial value of the incentive consists of a percentage of the beneficiary's base salary at the grant date (BSEI target amount). It consists of two elements: a short-term cash component that corresponds to 25% of the BSEI target amount, and a long-term equity component that corresponds to 75% of the BSEI target amount and is composed of forfeitable stock awards (BSEI stock awards).

The cash component, totaling €5 million, was paid out in fiscal year 2021.

The number of BSEI stock awards were determined by dividing 75% of the BSEI target amount by the volume-weighted average price (VWAP) of the shares during the first 120 trading days after the listing. Each BSEI stock award entitles the holder to one share in the Company or, in exceptional cases, an equivalent cash payment. The BSEI stock awards will be settled after a vesting period of three years starting on completion of the Spin-Off. The settlement of the BSEI stock awards is subject to the performance of the share price during the first three years following the listing. The number of BSEI stock awards settled can range from a minimum of 33% to a maximum of 300%. The minimum number of stock awards will be settled if the VWAP of the shares during the last 60 trading days of the vesting period is lower than the VWAP during the first 120 trading days after the listing. The maximum number of stock awards will be settled if the price of the shares has at least doubled; a value cap of 4.75 times the BSEI target amount applies. The fair value was estimated on the basis of a Monte Carlo simulation over different scenarios to take into account the development of the VWAP and the cap. The volatility used in the model is based on peer-group data. The stock awards are subject to a vesting period of three years starting on completion of the Spin-Off. The fair value on the grant date totaled €15 million.

Changes in the number of stock awards in fiscal year 2021 are:

	Fiscal year 2021
Balance at beginning of fiscal year (not vested)	**1,737,759**
Forfeited	(15,657)
Balance at end of fiscal year (not vested)	**1,722,102**

All Employee Program

In certain jurisdictions, similar employee Spin-Off incentive programs were set up to provide stock awards on substantially the same terms, but without a short-term cash component (the All Employee Program or AEP). The All Employee Program is a one-time incentive granted in fiscal year 2021.

At the end of November 2020, employees of participating companies in Germany received Siemens Energy AG shares with a value of 2.6% of their individual target amount as of September 1, 2020, or at least €1,000 without any additional payment (the 2020 special payment). A total of 2,128,740 shares were issued at an average price of €21.52 per share.

In addition, eligible employees in Germany and the rest of the world will receive stock awards with a value of 3% of their individual total target cash amount as of September 1, 2020 (the target amount). The number of shares transferred to each participant is subject to the share price performance over a period of three years after the listing of Siemens Energy. The number of Siemens Energy AG shares transferred can range in Germany from a minimum of 0% (rest of the world: 100%) to a maximum of 200% (rest of the world: 300%). The minimum occurs if the VWAP of the shares during the last 60 trading days prior to September 25, 2023, is lower than 150% of the VWAP during the first 120 trading days after the listing. The maximum number of shares will be settled if the share price has at least doubled; a value cap of 4.0 times (rest of the world: 6.0 times) the target amount applies.

For the All Employee Program, the service period began in September 2020, extends to September 2023 and began before the grant date. The fair value used for the All Employee Program for the rest of the world is estimated on the basis of a Monte Carlo simulation over different scenarios to take into account the development of the VWAP and the cap. These stock awards are subject to a lock-in period of about three years.

The fair value amounted in total to € 138 million in fiscal year 2020.

Changes in the number of stock awards in fiscal year 2021 are:

	Fiscal year 2021
Balance at beginning of fiscal year (not vested)	**—**
Granted	9,379,550
Forfeited	(161,481)
Settled	(3,120)
Balance at end of fiscal year (not vested)	**9,214,949**

Performance-oriented stock awards Program

Siemens Energy grants stock awards to senior managers and Executive Board members. The stock awards are subject to a vesting period of four years and entitle the beneficiary to receive Siemens Energy shares without payment of consideration following the vesting period. A cash settlement is possible in exceptional cases.

The stock awards are tied to performance criteria. For stock awards granted in fiscal year 2021 (2021 tranche), 40% of the target amount is linked to the relative total shareholder return (TSR) of Siemens Energy (TSR target). The TSR is calculated as follows: 70% compared with the total shareholder return of the STOXX Global 1800 Industrial Goods and Services and 30% compared with the MVIS US-Listed Oil Services. A further 40% of the target amount is linked to the basic earnings per share (EPS target). The remaining 20% of the target amount is linked to an internal Siemens Energy sustainability target based on environment, social and governance targets (ESG targets). The target attainment for each performance criterion ranges between 0% and 200%.

In fiscal year 2021, senior managers and Executive Board members were granted 1,381,758 stock awards settled in shares with a fair value of €28 million.

The fair value of the TSR-based stock awards granted in fiscal year 2021 was calculated using an option price model on the basis of a Monte Carlo simulation. In addition to the expected EUR interest rates, share volatility based on peer-group data is also considered. On this basis, a Siemens Energy share volatility of 30.96% and a risk-free interest rate of up to -0.50% were applied.

Changes in the number of stock awards held by senior managers and Executive Board members are:

	Fiscal year 2021
Balance at beginning of fiscal year (not vested)	—
Granted	1,381,758
Forfeited	(18,971)
Adjustments due to vesting conditions other than market conditions	21,221
Balance at end of fiscal year (not vested)	**1,384,008**

Direct Match Program

In certain countries, employee participation programs have been established for the purchase of Siemens Energy shares, which are then matched by additional stock awards without any further payment (the Direct Match Program).

Under the global Direct Match Program, employees may invest a certain proportion of their compensation in Siemens Energy shares (investment shares). The shares are purchased at the market price on a predetermined date in the second quarter of the fiscal year. Plan participants have the right to receive one Siemens Energy share (matching share) for every three investment shares. Employees are entitled to participate if they have worked without interruption for the Siemens Energy Group throughout the vesting period of around three months. Both the investment shares and the matching shares are subject to a lock-in period of one year. The investment amount is up to 5% of the annual gross salary calculated for each country.

The employees of participating companies in Germany are entitled to receive two matching shares per investment share for an investment of €100 in Siemens Energy shares and one additional free matching share per investment share for a further investment of €160. Neither the investment shares nor the additional matching shares are subject to a vesting period. For each further investment participants have the right to receive one free matching share for every three investment shares.

Changes in the matching shares resulting from the Direct Match Program are:

	Fiscal year 2021
Balance at beginning of fiscal year (not vested)	—
Granted	818,579
Vested and fulfilled	(818,579)
Balance at end of fiscal year (not vested)	—

Ratable Stock Awards Program

The Ratable Stock Awards Program is used to make special stock awards to selected employees. These stock awards entitle the employees to receive one Siemens Energy share without payment of consideration at the end of a lock-in period. These special stock awards may be granted up to three times in a fiscal year. The shares that make up the award are vested gradually which means that one quarter of the stock awards become exercisable each year (known as graded vesting). The fair value of the stock awards on the grant date is determined as the market price of the Siemens Energy share on the grant date less the present value of expected dividends. Due to the vesting structure, each tranche is accounted for as a separate share-based payment component. The total fair value of ratable stock awards granted in 2021 amounted to €43 million. The weighted average fair value of shares granted in fiscal year 2021 amounted to €25.50 per share and was determined as the market price of the Siemens Energy share less the present value of expected dividends.

Changes in the number of stock awards held by selected employees are:

	Fiscal year 2021
Balance at beginning of fiscal year (not vested)	—
Granted	1,702,648
Forfeited	(47,624)
Settled	(2,692)
Balance at end of fiscal year (not vested)	**1,652,332**

Jubilee Share Program

Following the successful Spin-Off of Siemens Energy AG, a new Jubilee Share Award policy came into force on October 1, 2020.

The new program for awarding jubilee shares for 25th, 40th and 50th service anniversaries are a modification of the previous awards made by Siemens AG. Whereas Siemens Energy previously accounted for these awards as cash-settled plans, they are being accounted for as equity-settled stock awards from fiscal year 2021. The jubilee shares for a 10th service anniversary represent a new award that will be granted from October 1, 2020.

For their tenth service anniversary, eligible employees will receive Siemens Energy jubilee shares worth €800; for each of their 25th, 40th and 50th service anniversaries, eligible employees will receive Siemens Energy jubilee shares worth €4,000. For each of their 25th, 40th and 50th service anniversaries, certain senior managers will receive Siemens Energy jubilee shares worth €18,000. Depending on the share price at the time, these amounts will result in the award of different numbers of shares. There were 3,687,310 entitlements to jubilee shares outstanding as of September 30, 2021.

Siemens AG stock awards

Regarding share-based payment plans relating to shares of Siemens AG, the completed Spin-Off of Siemens Energy AG from Siemens AG constituted a change of control. Siemens Energy thus has the contractual obligation to its employees to settle the share-based payment transactions. Siemens Energy accounts for these share-based payment plans as cash-settled plans. In fiscal year 2020, most of the settlement was accounted for as accelerated vesting and the amount that otherwise would have been recognized for services received over the remainder of the vesting period was recognized immediately. The carrying amount of liabilities from share-based payment transactions, included in the Other liabilities and Other current liabilities line item, was €0 million as of September 30, 2021 (2020: €14 million). Total pretax expense for share-based payment of Siemens AG plans amounted to €0 million for fiscal year 2021 (2020: €159 million).

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

	Fiscal year	
	2021	2020
Balance at beginning of fiscal year (not vested)	**121,196**	**1,702,767**
Granted	—	703,138
Vested and fulfilled	—	(289,255)
Forfeited	(2,257)	(90,252)
Transfer Siemens AG	(118,939)	—
Settled	—	(1,905,202)
Balance at end of fiscal year (not vested)	**—**	**121,196**

Until fiscal year 2020, under the Share Matching Plan, senior managers could invest a specified part of their variable compensation in Siemens AG shares (investment shares). Plan participants were entitled to receive one Siemens AG share (matching share) for every three investment shares. Changes in the resulting matching shares are:

	Fiscal year	
	2021	2020
Balance at beginning of fiscal year (not vested)	**4,953**	**340,393**
Granted	—	195,515
Vested and fulfilled	—	(105,852)
Forfeited	(35)	(27,989)
Transfer Siemens AG	(4,918)	—
Settled	—	(397,114)
Balance at end of fiscal year (not vested)	**—**	**4,953**

NOTE 23 Personnel costs

(in millions of €)	Fiscal year 2021	2020
Wages and salaries	(6,906)	(6,663)
Statutory social welfare contributions and expenses for optional support	(973)	(950)
Expenses relating to post-employment benefits	(330)	(314)
Total personnel costs	**(8,210)**	**(7,927)**

In fiscal year 2021, severance charges amounted to €419 million (2020: €189 million). This includes expenses from the "Accelerating Impact Program" (AIP). The AIP is expected to be completed by the end of fiscal year 2025. The related expenses are recognized in the balance sheet under other liabilities. Benefits relating to a period of more than twelve months after the balance sheet date are recognized at present value.

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

(in thousands)	Fiscal year 2021	2020
Manufacturing and services	68	69
Sales and marketing	12	13
Research and development	5	5
Administration and general services	6	5
Total	**92**	**92**

NOTE 24 Earnings per share

(in millions of €; shares in thousands; earnings per share in €)	Fiscal year 2021	2020
Income (loss)	(560)	(1,859)
Less: Portion attributable to non-controlling interest	(107)	(253)
Income (loss) to shareholders of Siemens Energy AG	(453)	(1,606)
Weighted average shares outstanding - Basic	714,747	726,260
Effect of dilutive share-based payment	5,382	63
Weighted average shares outstanding - diluted	720,129	726,323
Basic earnings per share	**(0.63)**	**(2.21)**
Diluted earnings per share	**(0.63)**	**(2.21)**

NOTE 25 Segment information

(in millions of €)	Revenue Fiscal year 2021	Revenue Fiscal year 2020	External revenue Fiscal year 2021	External revenue Fiscal year 2020	Intersegment revenue Fiscal year 2021	Intersegment revenue Fiscal year 2020
Gas and Power	18,386	18,120	18,273	17,945	113	175
Siemens Gamesa Renewable Energy	10,198	9,483	10,197	9,482	0	1
Total segments	**28,584**	**27,603**	**28,471**	**27,428**	**113**	**176**
Reconciliation to Consolidated Financial Statements	(101)	(147)	12	30	(113)	(176)
Siemens Energy	**28,482**	**27,457**	**28,482**	**27,457**	**—**	**—**

(in millions of €)	Orders Fiscal year 2021	Orders Fiscal year 2020	Adj. EBITA Fiscal year 2021	Adj. EBITA Fiscal year 2020
Gas and Power	20,880	19,337	377	(734)
Siemens Gamesa Renewable Energy	12,185	14,736	(296)	(711)
Total segments	**33,064**	**34,072**	**81**	**(1,445)**
Reconciliation to Consolidated Financial Statements	(64)	(71)	(93)	(98)
Siemens Energy	**33,001**	**34,001**	**(12)**	**(1,543)**

(in millions of €)	Assets Sep 30, 2021	Assets Sep 30, 2020	Free cash flow Fiscal year 2021	Free cash flow Fiscal year 2020	Additions to intangible assets and property, plant and equipment Fiscal year 2021	Additions to intangible assets and property, plant and equipment Fiscal year 2020
Gas and Power	8,962	9,423	1,206	536	280	305
Siemens Gamesa Renewable Energy	2,532	2,913	227	122	677	601
Total segments	**11,494**	**12,336**	**1,434**	**657**	**957**	**906**
Reconciliation to Consolidated Financial Statements	32,647	30,696	(475)	17	31	21
Siemens Energy	**44,141**	**43,032**	**959**	**674**	**987**	**927**

(in millions of €)	Amortization, depreciation and impairments Fiscal year 2021	Amortization, depreciation and impairments Fiscal year 2020	Investments accounted for using the equity method Sep 30, 2021	Investments accounted for using the equity method Sep 30, 2020
Gas and Power	512	1,042	642	687
Siemens Gamesa Renewable Energy	757	844	78	66
Total segments	**1,269**	**1,886**	**720**	**753**
Reconciliation to Consolidated Financial Statements	193	165	—	—
Siemens Energy	**1,463**	**2,051**	**720**	**753**

Reconciliation to Consolidated Financial Statements

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

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

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

Measurement – segments

Accounting policies for segment information are generally the same as those used for the Consolidated Financial Statements. However, for internal and segment reporting purposes intercompany lease transactions are classified as operating leases by the lessor and are accounted off-balance by the lessee. Intersegment transactions are based on market prices.

Revenue

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

Adjusted EBITA

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

Financing interest excluded from Adjusted EBITA is any interest income or expense other than the financial result from operations (i.e., any interest income or expense other than interest income related to receivables from customers, from cash allocated to the segments, and interest expenses on payables to suppliers).

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

Adjusted EBITA for Siemens Energy (i.e., total Adjusted EBITA of the segments plus elements of Real Estate Services as well as Eliminations, Treasury and other central items that meet the definition of Adjusted EBITA) totals in a negative amount of €12 million in fiscal year 2021 (2020: negative amount of €1,543 million).

Asset measurement principles

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

Orders

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

As of September 30, 2021, the order backlog totaled €84 billion (2020: €79 billion), thereof GP €51 billion (2020: €48 billion) and SGRE €33 billion (2020: €30 billion). As of September 30, 2021, Siemens Energy expected to convert approximately €23 billion of the order backlog into revenue within one year (2020: €23 billion), thereof GP approximately €14 billion (2020: €13 billion) and SGRE approximately €9 billion (2020: €10 billion).

Free cash flow before tax definition

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

Amortization, depreciation and impairments

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

Reconciliation to Consolidated Financial Statements

Adjusted EBITA

(in millions of €)	Fiscal year 2021	2020
Total segments	**81**	**(1,445)**
Real Estate Services	(16)	1
Eliminations, Treasury and other central items	(77)	(99)
Reconciliation to Adjusted EBITA Siemens Energy	**(93)**	**(98)**
Siemens Energy - Adjusted EBITA	**(12)**	**(1,543)**
Amortization of intangible assets acquired in business combinations and goodwill impairments	(382)	(461)
Financial result[1]	(108)	(145)
Financial result from operations[2]	37	13
Income (loss) before income taxes	**(465)**	**(2,135)**

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

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

Assets

(in millions of €)	Sep 30, 2021	2020
Assets Real Estate Services	1,268	1,252
Asset-based adjustments:		
Financing receivables from Siemens Group	*99*	*282*
Tax-related assets	*1,474*	*1,351*
Liability-based adjustments	24,688	23,399
Eliminations, Treasury and other central items	5,118	4,412
Reconciliation to Consolidated Financial Statements	**32,647**	**30,696**

Disaggregation of external revenue

(in millions of €)	Fiscal year 2021	2020
Type of activities in reportable segment Gas and Power		
New units	10,783	10,393
Service contracts	7,490	7,553
Types of businesses in reportable segment Siemens Gamesa Renewable Energy		
Wind Turbines	8,272	7,714
Operation and Maintenance ("Service")	1,926	1,768
Types of businesses in reportable segment Gas and Power		
Transmission	5,604	5,480
Generation	7,684	7,409
Industrial Applications	4,962	5,051
Other/ Consolidation	24	6

NOTE 26 Information about geographies

	Revenue by location of customer		Revenue by location of companies		Non-current assets[1]	
	Fiscal year		Fiscal year		Sep 30,	
(in millions of €)	2021	2020	2021	2020	2021	2020
Europe, C.I.S., Middle East, Africa	14,078	14,149	15,489	15,845	8,911	8,758
therein Germany	*2,367*	*2,484*	*5,459*	*6,020*	*2,225*	*2,275*
Americas	8,050	8,387	7,963	8,315	6,945	7,052
therein U.S.	*4,929*	*5,523*	*5,559*	*5,975*	*6,284*	*6,441*
Asia, Australia	6,354	4,921	5,030	3,296	2,347	2,283
therein China	*1,594*	*1,680*	*1,979*	*1,363*	*821*	*755*
Siemens Energy	**28,482**	**27,457**	**28,482**	**27,457**	**18,203**	**18,093**
therein countries outside of Germany	*26,115*	*24,973*	*23,023*	*21,437*	*15,978*	*15,818*

[1] Non-current assets consist of property, plant and equipment; goodwill; and other intangible assets.

NOTE 27 Related party transactions

Transactions and contracts with Siemens Group

Sales of goods and services and other income, as well as purchases of goods and services and other expense from transactions with Siemens Group (excluding Siemens Group joint ventures and associates), are presented in the following table:

	Sales of goods and services and other income		Purchase of goods and services and other expenses	
	Fiscal year		Fiscal year	
(in millions of €)	2021	2020	2021	2020
Siemens Group	602	617	1,655	2,255

Supply and delivery agreements exist between Siemens Energy and Siemens Group. Siemens Energy is supplied by and delivers to Siemens Group goods and services. In certain countries, Siemens Energy's Gas and Power business is carried out under agency and distributorship agreements that were concluded between Siemens Energy Global GmbH & Co. KG and the respective local Siemens Group companies. A preferred financing agreement governs the cooperation in the financing of Siemens Energy customers and their projects by Siemens.

During the Carve-Out, some contracts could not be or were not yet legally transferred from Siemens Group to Siemens Energy. These contracts are generally subcontracted from Siemens Group to Siemens Energy with recourse to Siemens Energy in respect of risks. Provisions that Siemens Energy has recognized for warranties, litigations, and other project-related risks relating to such contracts amounted to €956 million as of September 30, 2021 (2020: €919 million).

In fiscal year 2021, Siemens Energy received central corporate services from Siemens Group resulting in expenses of €400 million (2020: €919 million). Included therein are expenses of €50 million in fiscal year 2021 (2020: €53 million) for the use of the Siemens brand.

Other material relationships with Siemens Group

Share-based payment

In fiscal year 2020, Siemens Energy's employees participated in share-based payment awards implemented by Siemens AG. Siemens AG delivered the respective shares on behalf of Siemens Energy and was reimbursed by Siemens Energy. For further details, please also refer to Note 22 Share-based payment.

Guarantees and other commitments

Siemens Group has issued guarantees and similar declarations of liability in favor of Siemens Energy for which Siemens Group has a right of recourse against Siemens Energy in case the guarantees are drawn on. The volume amounted to €14,821 million as of September 30, 2021 (2020: €27,956 million).

Siemens Energy issued guarantees for Siemens Group entities amounting to €87 million as of September 30, 2021 (2020: €157 million).

Additionally, Siemens Energy has a commitment relating to an agreement between Siemens Energy and Siemens Group that obliges Siemens Energy to acquire a 40% share in the joint venture Shanghai Electric Power Generation Equipment Co. LTD., Shanghai, China, (subject to the consent of the joint venture partner). For the purchase of the share, Siemens Group contributed €220 million in cash to Siemens Energy in advance, with any difference to be repaid to Siemens Group should the purchase price be less than €220 million. The commitment in connection with the acquisition of the Siemens Energy business in Bangladesh from Siemens Group was settled in the first half of fiscal year 2021. The purchase price was €23 million.

Transactions with pension schemes and pension entities

In some countries, mainly in Switzerland and Canada, Siemens Energy participates in Siemens Group pension plans and trusts. In the U.S., the pension liabilities and related assets were transferred to Siemens Energy's own pension trust in the first quarter of fiscal year 2021. For further details, please also refer to Note 13 Post-employment benefits/ Provisions for pensions and similar obligations.

Insurances

Siemens Energy (excluding SGRE) is covered by the Group insurance of Siemens Group. Siemens Energy is covered under the industrial and cyber insurances of Siemens Group but has its own financial insurance. Furthermore, there are additional contracts for individual insurance services between companies of Siemens Energy and Siemens Group, the costs of which are borne by Siemens Energy.

Receivables, Contract assets, Payables and Contract liabilities from transactions with Siemens Group (excluding Siemens Group joint ventures and associates)

	Receivables and contract assets		Payables and contract liabilities	
	Sep 30,		Sep 30,	
(in millions of €)	2021	2020	2021	2020
Siemens Group	1,264	1,395	506	519
thereof				
from financing activities[1]	*99*	*282*	*189*	*161*
other items	*1,165*	*1,113*	*317*	*358*

[1] Receivables are reported in line item Other current financial assets of the Statement of Financial Position. Payables are reported in line items Other current financial liabilities and Other financial liabilities of the Statement of Financial Position.

In connection with the Spin-Off, the last remaining balances from the separation of Siemens Energy from Siemens Group intercompany clearing were settled in October 2020. The remaining receivables and payables from financing activities as of September 30, 2021, are mainly related to contractual agreements with Siemens AG in relation to the Carve-Out that are still to be settled.

Leasing

As of September 30, 2021, leases with Siemens Group mainly included real estate. The carrying amounts of the recognized right-of-use assets and lease liabilities amounted to €246 million and €262 million respectively, as of September 30, 2021. As of September 30, 2020, the carrying amounts of right-of-use assets and lease liabilities recognized for real estate, IT equipment and car leases between Siemens Group and Siemens Energy amounted to €325 million and €329 million, respectively.

Hedging

In October 2020, a further part of the hedging portfolio contracted with Siemens Corporate Treasury was transferred to external banks. Some short-term hedging instruments remained with Siemens Corporate Treasury and matured during fiscal year 2021. As of September 30, 2021, Siemens Energy does not have any hedging activities with Siemens Group.

Transactions with joint ventures, associates, and their affiliates

Siemens Energy has relationships with Siemens Group joint ventures and associates as well as its own joint ventures and associates, whereby Siemens Energy buys and sells a variety of products and services generally on arm's length terms.

Siemens Energy issued guarantees for its own joint ventures and associates amounting to €144 million as of September 30, 2021 (2020: €137 million).

Siemens Group associates were related parties only until the Spin-Off; therefore, sales of goods and services and other income, as well as purchases of goods and services and other expenses, are presented as related party transactions for fiscal year 2020. Receivables, Contract assets, payables and Contract liabilities from transactions with Siemens Group associates recognized as of September 30, 2021, are therefore not presented in the following table:

	Sales of goods and services and other income		Purchases of goods and services and other expenses		Receivables and contract assets		Payables and contract liabilities	
	Fiscal year		Fiscal year		Sep 30,		Sep 30,	
(in millions of €)	2021	2020	2021	2020	2021	2020	2021	2020
Siemens Group joint ventures	682	300	4	4	228	145	64	139
Siemens Group associates	—	92	—	1	—	—	—	—
Siemens Energy joint ventures	66	62	84	111	27	11	6	10
Siemens Energy associates	103	173	215	127	41	2	39	19
Total	**851**	627	**304**	244	**295**	157	**109**	168

Related individuals

Prior to the Spin-Off in fiscal year 2020, Siemens Energy did not exist as a separate legal group, and thus there was no key management personnel for this group. Therefore, the members of the Executive Board and Supervisory Board of Siemens AG were identified as key management personnel in fiscal year 2020 until the Spin-Off, as they were responsible for planning, directing, and controlling the activities of the Siemens Energy operations until then.

Furthermore, the members of the Board of Directors and remaining Senior Management staff (who are not members of the Board of Directors) of Siemens Gamesa Renewable Energy S.A were also identified as key management personnel until the Spin-Off in fiscal year 2020, as they were responsible for planning, directing and controlling the activities of a significant portion of the Siemens Energy operations, acting independently from its majority shareholder Siemens Energy AG.

Since the Spin-Off Siemens Energy is managed by the Executive Board of Siemens Energy AG. In addition, the key management includes the Supervisory Board of Siemens Energy AG.

Disclosures relating to the Executive Board and Supervisory Board of Siemens Energy AG

In fiscal year 2021, the members of the Executive Board received cash compensation of €8 million (2020: €9 million). The fair value of share-based payments granted in fiscal year 2021 amounted to €6 million (2020: €2 million) for 340,429 Stock Awards in fiscal year 2021 (2020: 26,829). Pension contributions and pension substitute payments in cash amounted to €1 million in fiscal year 2021 (2020: €1 million). Thus, total compensation and benefits granted in fiscal year 2021 amounted to €15 million (2020: €12 million). Expenses related to share-based payments in fiscal year 2021 amounted to €1 million (2020: €3 million). In fiscal year 2020, expenses included those related to the cash payment of stock awards that were granted in fiscal years 2017, 2018, 2019 and 2020 and not transferred.

Compensation attributable to members of the Supervisory Board comprised base compensation and additional compensation for committee work and (including meeting fees) amounted to €4 million in fiscal year 2021 (2020: €0.2 million).

Disclosures relating to the Executive Board and Supervisory Board of Siemens AG

The following disclosures show the total compensation of the Executive Board and the Supervisory Board of Siemens AG, as published in the Siemens Group financial statements for fiscal year 2020.

In fiscal year 2020, the members of the Executive Board of Siemens AG received total cash compensation of €15 million. The fair value of stock-based compensation amounted to €11 million for 203,460 Stock Awards in 2020. In fiscal year 2020, contributions under the BSAV granted to members of the Executive Board amounted to €4 million. Therefore, the total compensation and benefits of the Executive Board of Siemens AG amounted to €31 million in fiscal year 2020. In fiscal year 2020, expenses related to share-based payments amounted to €18 million.

In fiscal year 2020, compensation attributable to members of the Supervisory Board consisted of base compensation and additional compensation for committee work and amounted to €5 million (including meeting fees).

The amount attributable to Siemens Energy was 29% in fiscal year 2020.

Disclosures relating to the Board of Directors and remaining Senior Management of Siemens Gamesa Renewable Energy S.A.

In fiscal year 2020, the members of the SGRE Board of Directors, who were identified as key management personnel until the Spin-Off in fiscal year 2020, earned compensation for their membership on the Board and the Board's committees amounting to €5 million.

Until the Spin-Off, no advances or loans were granted to current or prior Board members, and there are no pension obligations in respect of them. Only the CEO received contributions for pensions included in the total earned compensation shown above. Additionally, in fiscal year 2020, the previous CEO received cash compensation amounting to €1 million in relation to rights to Siemens AG shares, granted prior to the merger and hence with no cost for Siemens Gamesa. Moreover, in fiscal year 2020, expenses related to share-based payments amounted to €0.5 million.

Furthermore, remaining Senior Management staff who are not members of the Board of Directors received compensation amounting to €7 million in fiscal year 2020. Expenses related to long-term incentives amounted to €1 million in fiscal year 2020.

In fiscal years 2021 and 2020, no other major transactions took place between Siemens Energy and its key management personnel.

NOTE 28 Principal accountant fees and services

Fees in connection with professional services rendered by the Company's principal accountant, Ernst &Young (EY), for fiscal year 2021 were:

	Fiscal year	
(in millions of €)	2021	2020
Audit services	21	21
Other attestation services	2	1
Total	**23**	22

In fiscal years 2021 and 2020, 41% and 36%, respectively, of the total fees related to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Germany.

Audit services primarily comprise services provided by EY for auditing Siemens Energy's Consolidated Financial Statements, for auditing financial statements of Siemens Energy AG and its subsidiaries, for reviews of interim financial statements being integrated into the audit, as well as for project-accompanying IT audits. Other attestation services primarily include attestation services related to employee benefit plans, the sustainability reporting, the Group non-financial statement, the EU-taxonomy, the compensation report and other attestation services required under regulatory requirements, contractually agreed or requested on a voluntary basis.

NOTE 29 Corporate governance

The Executive and Supervisory Boards of Siemens Energy AG provided the declaration required by Section 161 German Stock Corporation Act (AktG) as of September 2021, and made it publicly available under the following link on the Siemens Energy website: **https://www.siemens-energy.com/global/en/company/investor-relations/corporate-governance.html#GermanCorporateGovernanceCode**

NOTE 30 Subsequent events

No material subsequent events occurred.

NOTE 31 List of subsidiaries and associated companies pursuant to Section 313 para. 2 German Commercial Code

Siemens Energy Global GmbH & Co. KG, Munich, Germany, and Siemens Energy Management GmbH, Munich, Germany, are exempt from the obligation to prepare, have audited, and publish annual financial statements and a management report in accordance with the provisions applicable to corporations pursuant to Section 264b German Commercial Code and Section 264 German Commercial Code, respectively. The Consolidated Financial Statements of Siemens Energy AG release Siemens Energy Global GmbH & Co. KG and Siemens Energy Management GmbH from the requirement that would otherwise apply.

September 30, 2021 Subsidiaries	Equity interest in %	
Germany (21 companies)		
Adwen Blades GmbH, Stade	100	
Blitz 20-548 GmbH, Munich	100	[7]
Gamesa Wind GmbH, Aschaffenburg	100	
HSP Hochspannungsgeräte GmbH, Troisdorf	100	[7]
Kyros 60 GmbH, Munich	100	
SGRE Real Estate GmbH & Co. KG, Hamburg	100	[6]
Siemens Energy Branch Business GmbH, Erlangen	100	[7]
Siemens Energy Compressors GmbH, Leipzig	100	[7]
Siemens Energy Global GmbH & Co. KG, Munich	100	[6]
Siemens Energy Insulation Center GmbH & Co. KG, Zwönitz	100	[6]
Siemens Energy Management GmbH, Munich	100	[7]
Siemens Energy Power Control GmbH, Langen	100	[7]
Siemens Energy Real Estate GmbH & Co. KG, Grünwald	100	[6]
Siemens Energy Real Estate Management GmbH, Grünwald	100	[4]
Siemens Gamesa Renewable Energy Deutschland GmbH, Bremerhaven	100	
Siemens Gamesa Renewable Energy GmbH & Co. KG, Hamburg	100	[6]
Siemens Gamesa Renewable Energy Management GmbH, Hamburg	100	[4]
Siemens Gamesa Renewable Energy Service GmbH, Hamburg	100	

September 30, 2021 Subsidiaries	Equity interest in %	
Siemens Insulation Center Verwaltungs-GmbH, Zwönitz	100	[4]
Trench Germany GmbH, Bamberg	100	[7]
Windkraft Trinwillershagen Entwicklungsgesellschaft mbH i.L., Wiepkenhagen	100	
Europe, Commonwealth of Independent States (C.I.S.), Middle East, Africa (without Germany) (258 companies)		
Siemens Energy S.A., Luanda/ Angola	51	
Siemens Energy Austria GmbH, Vienna/ Austria	100	
Siemens Gamesa Renewable Energy Austria GmbH, Ernstbrunn/ Austria	100	
Siemens Gamesa Renewable Energy GmbH, Vienna/ Austria	100	
Trench Austria GmbH, Leonding/ Austria	100	
Siemens Gamesa Renewable Energy Limited Liability Company, Baku/ Azerbaijan	100	
Limited Liability Company Siemens Energy, Minsk/ Belarus	100	
Siemens Energy S.A./N.V., Beersel/ Belgium	100	
Siemens Gamesa Renewable Energy NV, Beersel/ Belgium	100	
Siemens Energy EOOD, Sofia/ Bulgaria	100	
Siemens Gamesa Renewable Energy EOOD, Sofia/ Bulgaria	100	
Siemens Energy SARL, Abidjan/ Côte d'Ivoire	100	
Koncar-Energetski Transformatori, d.o.o., Zagreb/ Croatia	51	
Siemens Energy d.o.o., Zagreb/ Croatia	100	

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[3] Significant influence due to contractual arrangements or legal circumstances.
[4] Not consolidated due to immateriality.
[5] Not accounted for using the equity method due to immateriality.
[6] Exemption pursuant to Section 264 b German Commercial Code.
[7] Exemption pursuant to Section 264 (3) German Commercial Code.
[8] A consolidated affiliated company of Siemens Energy AG is a shareholder with unlimited liability of this company.
[9] Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens Energy fiscal year.
[10] Legal ownership 0%, whereas economic ownership has already been transferred from Siemens Group to Siemens Energy Group.

September 30, 2021 Subsidiaries	Equity interest in %	
Siemens Gamesa Renewable Energy d.o.o., Zagreb/ Croatia	100	
Siemens Gamesa Renewable Energy Limited, Nicosia/ Cyprus	100	
Siemens Energy, s.r.o., Brno/ Czech Republic	100	
Siemens Energy A/S, Ballerup/ Denmark	100	
Siemens Gamesa Renewable Energy A/S, Brande/ Denmark	100	
Siemens Gamesa Renewable Energy Djibouti SARL, Djibouti/ Djibouti	100	
Siemens Energy S.A.E., Cairo/ Egypt	90	
Siemens Gamesa Renewable Energy Egypt LLC, Cairo/ Egypt	100	
Siemens Energy Oy, Espoo/ Finland	100	
Siemens Gamesa Renewable Energy Oy, Helsinki/ Finland	100	
Dresser-Rand SAS, Le Havre/ France	100	
Siemens Energy S.A.S., Saint-Denis Cedex/ France	100	
Siemens Gamesa Renewable Energy France SAS, Saint-Priest/ France	100	
Siemens Gamesa Renewable Energy S.A.S., Courbevoie Cedex/ France	100	
Siemens Gamesa Renewable Energy Service S.A.S., Courbevoie Cedex/ France	100	
Société d'Exploitation du Parc Eolien de Bonboillon SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Bouclans SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Broyes SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Chaintrix-Bierges SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Champeaux SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Champlong SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Champsevraine, SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Chepniers SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Dampierre Prudemanche SAS, Saint-Priest/ France	100	

September 30, 2021 Subsidiaries	Equity interest in %	
Société d'Exploitation du Parc Eolien de Germainville SAS, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Guerfand SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de la Belle Dame SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de la Brie des Etangs SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de la Gartempe SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de la Monchot SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de la Pièce du Moulin SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de la Tête des Boucs SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Mailly-le-Camp SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Maindoie SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Margny SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Messeix SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Moulins du Puits SAS, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Orge et Ornain SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Pouilly-sur-Vingeanne SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Pringy SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Saint Amand SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Saint Loup de Saintonge SAS, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Saint-Lumier en Champagne SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Sceaux SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Souvans SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Trépot SARL, Saint-Priest/ France	100	

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[3] Significant influence due to contractual arrangements or legal circumstances.
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[5] Not accounted for using the equity method due to immateriality.
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[7] Exemption pursuant to Section 264 (3) German Commercial Code.
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September 30, 2021 Subsidiaries	Equity interest in %	
Société d'Exploitation du Parc Eolien de Vaudrey SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Vernierfontaine SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Villiers-aux-Chênes SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien des Fontaines SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien des Six Communes SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien des Voies de Bar SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien d'Omécourt SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien d'Orchamps SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien du Mont Égaré SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien du Vireaux SAS, Saint-Priest/ France	100	
Société d'Exploitation du Parc Photovoltaïque de Messeix SARL, Saint-Priest/ France	100	
Trench France SAS, Saint-Louis/ France	100	
Siemens Energy Oil & Gas Equipment Limited, Accra/ Ghana	90	
Siemens Energy, Ghana, Accra/ Ghana	100	
Enerfarm 3 Single Member SA Renewable Energy Sources, Filothei-Psychiko/ Greece	100	
ENERGIAKI KLEIDI SINGLE MEMBER SOCIETE ANONYME, Filothei-Psychiko/ Greece	100	
ENERGIAKI MAVROVOUNIOU IDIOTIKI KEFALEOUCHIKI ETERIA, Filothei-Psychiko/ Greece	100	
ENERGIAKI MESOVOUNIOU SINGLE MEMBER ANONYMOS ETAIRIA, Filothei-Psychiko/ Greece	100	
ENERGIAKI PLATORRAHIS SINGLE MEMBER SOCIETE ANONYME, Filothei-Psychiko/ Greece	100	
ENERGIAKI VELANIDIAS SINGLE MEMBER ANONYMOS ETAIRIA, Filothei-Psychiko/ Greece	100	
ENERGIAKI VOURSANA SINGLE MEMBER SOCIETE ANONYME, Filothei-Psychiko/ Greece	100	
Siemens Gamesa Renewable Energy Greece E.P.E., Filothei-Psychiko/ Greece	100	
Siemens Gamesa Renewable Energy MAE, Filothei-Psychiko/ Greece	100	

September 30, 2021 Subsidiaries	Equity interest in %	
Fieldstone Project Kft., Budapest/ Hungary	100	[4]
Siemens Energy Kft., Budapest/ Hungary	100	
Siemens Gamesa Megújuló Energia Hungary Kft, Budapest/ Hungary	100	
Siemens Gamesa Renewable Energy Kft., Budapest/ Hungary	100	
Siemens Gamesa Energy Tajdidpazir SSK, Teheran/ Iran	100	
Siemens Sherkate Sahami (Khass), Teheran/ Iran	100	
Siemens Energy Limited, Dublin/ Ireland	100	
Siemens Gamesa Renewable Energy Ireland Limited, Dublin/ Ireland	100	
Siemens Gamesa Renewable Energy Limited, Dublin/ Ireland	100	
Siemens Energy Ltd., Rosh HaAyin/ Israel	100	
Siemens Energy Projects Ltd., Rosh HaAyin/ Israel	100	[4]
Siemens Gamesa Renewable Energy Ltd, Tel Aviv/ Israel	100	
Parco Eolico Banzy S.r.l., Rome/ Italy	100	
Parco Eolico Manca Vennarda S.r.l., Rome/ Italy	100	
Siemens Energy S.r.l., Milan/ Italy	100	
Siemens Energy Transformers S.r.l., Trento/ Italy	100	
Siemens Gamesa Renewable Energy Italia S.r.l., Milan/ Italy	100	
Siemens Gamesa Renewable Energy Italy, S.P.A., Rome/ Italy	100	
Siemens Gamesa Renewable Energy Wind S.R.L., Rome/ Italy	100	
SPV Parco Eolico Tramontana, S.R.L., Rome/ Italy	100	
Trench Italia S.r.l., Savona/ Italy	100	
Siemens Energy Limited Liability Partnership, Almaty/ Kazakhstan	100	
Siemens Gamesa Renewable Energy Limited, Nairobi/ Kenya	100	
Siemens Electrical & Electronic Services K.S.C.C., Kuwait City/ Kuwait	49	[1]
D-R Luxembourg International SARL, Luxembourg/ Luxembourg	100	
Siemens Gamesa Renewable Energy, SARL, Nouakchott/ Mauritania	100	

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[3] Significant influence due to contractual arrangements or legal circumstances.
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[5] Not accounted for using the equity method due to immateriality.
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[7] Exemption pursuant to Section 264 (3) German Commercial Code.
[8] A consolidated affiliated company of Siemens Energy AG is a shareholder with unlimited liability of this company.
[9] Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens Energy fiscal year.
[10] Legal ownership 0%, whereas economic ownership has already been transferred from Siemens Group to Siemens Energy Group.

September 30, 2021 Subsidiaries	Equity interest in %	
Siemens Gamesa Renewable Energy, Ltd, Cybercity/ Mauritius	100	
SIEMENS ENERGY DOO PODGORICA, Podgorica/ Montenegro	100	
Guascor Maroc, S.A.R.L., Agadir/ Morocco	100	
Siemens Energy SARL, Tangier/ Morocco	100	
Siemens Gamesa Renewable Energy Blades, SARL AU, Tangier/ Morocco	100	
Siemens Gamesa Renewable Energy Morocco SARL, Tangier/ Morocco	100	
Siemens Gamesa Renewable Energy SARL, Casablanca/ Morocco	100	
Dresser-Rand B.V., Spijkenisse/ Netherlands	100	
Siemens D-R Holding B.V., The Hague/ Netherlands	100	
Siemens D-R Holding III B.V., The Hague/ Netherlands	100	
Siemens Energy B.V., Zoeterwoude/ Netherlands	100	
Siemens Energy Finance B.V., Zoeterwoude/ Netherlands	100	
Siemens Gamesa Renewable Energy B.V., The Hague/ Netherlands	100	
Siemens Gas and Power Holding B.V., Zoeterwoude/ Netherlands	98	
Siemens Gas Turbine Technologies Holding B.V., The Hague/ Netherlands	65	
SIEMENS GAMESA RENEWABLE ENERGY SARL, Nouméa/ New Caledonia	100	
Dresser-Rand (Nigeria) Limited, Lagos/ Nigeria	100	
Siemens Energy Ltd., Lagos/ Nigeria	100	
Dresser-Rand AS, Kongsberg/ Norway	100	
Siemens Energy AS, Oslo/ Norway	100	
SIEMENS GAMESA RENEWABLE ENERGY AS, Oslo/ Norway	100	
Siemens Energy L.L.C., Muscat/ Oman	51	
Siemens Gamesa Renewable Energy (Private) Limited, Karachi/ Pakistan	100	
Osiek Sp. z o.o. w Likwidacji, Warsaw/ Poland	100	
Siemens Energy Sp. z o.o., Warsaw/ Poland	100	
Siemens Gamesa Renewable Energy Service Sp.z.o.o, Warsaw/ Poland	100	
Siemens Gamesa Renewable Energy Sp. z o.o., Warsaw/ Poland	100	

September 30, 2021 Subsidiaries	Equity interest in %	
Smardzewo Windfarm Sp. z o.o., Slawno/ Poland	100	
Siemens Energy Unipessoal Lda., Amadora/ Portugal	100	
Siemens Gamesa Renewable Energy Blades, S.A., Sosa/ Portugal	100	
Siemens Gamesa Renewable Energy, S.A., Lisbon/ Portugal	100	
Siemens Energy W.L.L, Doha/ Qatar	55	
SIEMENS ENERGY S.R.L., Bucharest/ Romania	100	
Siemens Energy Services S.R.L., Bucharest/ Romania	100	
Siemens Gamesa Renewable Energy Romania S.R.L., Bucharest/ Romania	100	
OOO Siemens Gas Turbine Technologies, Leningrad/ Russian Federation	100	
Siemens Energy Limited Liability Company, Moscow/ Russian Federation	100	
Siemens Energy Transformers LLC, Voronezh/ Russian Federation	100	
Siemens Gamesa Renewable Energy LLC, Leningrad/ Russian Federation	100	
Dresser-Rand Arabia LLC, Al Khobar/ Saudi Arabia	50	[1]
Siemens Energy Ltd., Riyadh/ Saudi Arabia	51	
VA TECH T & D Co. Ltd., Riyadh/ Saudi Arabia	51	
Siemens Energy d.o.o. Beograd, New Belgrade/ Serbia	100	
Siemens Gamesa Renewable Energy d.o.o. Beograd - Stari Grad, Belgrade/ Serbia	100	
Siemens Energy, s.r.o., Bratislava/ Slovakia	100	
SIEMENS Energy d.o.o., Ljubljana/ Slovenia	100	
Dresser-Rand Property (Pty) Ltd., Midrand/ South Africa	100	[4]
Dresser-Rand Service Centre (Pty) Ltd., Midrand/ South Africa	100	
Dresser-Rand Southern Africa (Pty) Ltd., Midrand/ South Africa	100	
Gamesa Wind South Africa (Proprietary) Limited, Cape Town/ South Africa	100	
Linacre Investments (Pty) Ltd., Kenilworth/ South Africa	—	[2]
S'Energy Employee Share Ownership Trust, Johannesburg/ South Africa	—	[2]
Siemens Energy (Pty) Ltd, Midrand/ South Africa	100	

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September 30, 2021 Subsidiaries	Equity interest in %	
SIEMENS GAMESA RENEWABLE ENERGY (PTY) LTD, Midrand/ South Africa	70	
Siemens Wind Power Employee Share Ownership Trust, Midrand/ South Africa	—	[2]
Adwen Offshore, S.L., Zamudio/ Spain	100	
Estructuras Metalicas Singulares, S.A. Unipersonal, Tajonar/ Spain	100	
Gamesa Electric, S.A. Unipersonal, Zamudio/ Spain	100	
Gamesa Energy Transmission, S.A. Unipersonal, Zamudio/ Spain	100	
Gerr Grupo Energético XXI, S.A. Unipersonal, Barcelona/ Spain	100	
Guascor Promotora Solar, S.A., Vitoria-Gasteiz/ Spain	100	
International Wind Farm Developments II, S.L., Zamudio/ Spain	100	
International Wind Farm Developments IX, S.L., Zamudio/ Spain	100	
Parque Eolico Dos Picos, S.L.U., Zamudio/ Spain	100	
SIEMENS ENERGY ENGINES SA, Zumaia/ Spain	100	
Siemens Energy S.A., Vitoria-Gasteiz/ Spain	100	
SIEMENS ENGINES R&D, S.A.U., Vitoria-Gasteiz/ Spain	100	
Siemens Gamesa Renewable Energy 9REN, S.L., Madrid/ Spain	100	
Siemens Gamesa Renewable Energy Apac, S.L., Sarriguren/ Spain	100	
Siemens Gamesa Renewable Energy Digital Services, S.L., San Sebastián/ Spain	100	
Siemens Gamesa Renewable Energy Eolica, S.L., Valle de Egues/ Eguesibar/ Spain	100	
Siemens Gamesa Renewable Energy Europa S.L., Zamudio/ Spain	100	
Siemens Gamesa Renewable Energy Innovation & Technology, S.L., Sarriguren/ Spain	100	
Siemens Gamesa Renewable Energy International Wind Services, S.A., Zamudio/ Spain	100	
Siemens Gamesa Renewable Energy Invest, S.A., Zamudio/ Spain	100	
Siemens Gamesa Renewable Energy Latam, S.L., Sarriguren/ Spain	100	
Siemens Gamesa Renewable Energy S.A., Zamudio/ Spain	67	

September 30, 2021 Subsidiaries	Equity interest in %	
Siemens Gamesa Renewable Energy Wind Farms, S.A., Zamudio/ Spain	100	
Sistemas Energéticos Ábrego, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Argañoso, S.L. Unipersonal, Zamudio/ Spain	100	
Sistemas Energéticos Argestes, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Arinaga, S.A. Unipersonal, Las Palmas de Gran Canaria/ Spain	100	
Sistemas Energéticos Balazote, S.A. Unipersonal, Zamudio/ Spain	100	
Sistemas Energéticos Boreas, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Boyal, S.L., Zaragoza/ Spain	60	
Sistemas Energéticos Cabezo Negro, S.A. Unipersonal, Zaragoza/ Spain	100	
Sistemas Energéticos Carril, S.L. Unipersonal, Zamudio/ Spain	100	
Sistemas Energéticos Céfiro, S.L, Zamudio/ Spain	100	
Sistemas Energéticos Cuerda Gitana, S.A. Unipersonal, Sevilla/ Spain	100	
Sistemas Energéticos Cuntis, S.A. Unipersonal, Santiago de Compostela/ Spain	100	
Sistemas Energéticos de Tarifa, S.L. Unipersonal, Zamudio/ Spain	100	
Sistemas Energéticos del Sur S.A., Zamudio/ Spain	100	
Sistemas Energéticos Eolo, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Erbania 1, S.L., Las Palmas de Gran Canaria/ Spain	100	
Sistemas Energéticos Erbania 2, S.L., Las Palmas de Gran Canaria/ Spain	100	
Sistemas Energéticos Finca San Juan, S.L.U., Las Palmas de Gran Canaria/ Spain	100	
Sistemas Energéticos Fonseca, S.A. Unipersonal, Zamudio/ Spain	100	
Sistemas Energéticos Gregal, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Júpiter, S.L., Zamudio/ Spain	100	
Sistemas Energéticos La Cámara, S.L., Sevilla/ Spain	100	
Sistemas Energéticos La Plana, S.A., Villanueva de Gállego/ Spain	90	
Sistemas Energéticos Ladera Negra, S.A. Unipersonal, Las Palmas de Gran Canaria/ Spain	100	
Sistemas Energéticos Loma del Reposo, S.L. Unipersonal, Zamudio/ Spain	100	

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September 30, 2021 Subsidiaries	Equity interest in %	
Sistemas Energéticos Mansilla, S.L., Villarcayo de Merindad de Castilla la Vieja/ Spain	78	
Sistemas Energéticos Marte, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Mercurio, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Monte Genaro, S.L.U., Zamudio/ Spain	60	
Sistemas Energéticos Neptuno, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Oberón, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Plutón, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Saturno, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Sierra de Las Estancias, S.A. Unipersonal, Sevilla/ Spain	100	
Sistemas Energéticos Sierra de Valdefuentes, S.L.U., Zamudio/ Spain	100	
Sistemas Energéticos Siroco, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Tablero Tabordo, S.L., Las Palmas de Gran Canaria/ Spain	100	
Sistemas Energéticos Terral, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Titán, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Tomillo, S.A. Unipersonal, Las Palmas de Gran Canaria/ Spain	100	
Sistemas Energéticos Urano, S.L., Zamudio/ Spain	100	
Sistemas Energéticos Venus, S.L., Zamudio/ Spain	100	
Fanbyn2 Vindenergi AB, Stockholm/ Sweden	100	
Lindom Vindenergi AB, Solna/ Sweden	100	
Lingbo SPW AB, Stockholm/ Sweden	100	
Senvion Scandinavia AB, Västeras/ Sweden	100	
Siemens Energy AB, Finspång/ Sweden	100	
Siemens Gamesa Renewable Energy AB, Stockholm/ Sweden	100	
SIEMENS GAMESA RENEWABLE ENERGY SWEDEN AB, Stockholm/ Sweden	100	
Dresser Rand Sales Company GmbH, Zurich/ Switzerland	100	
Siemens Energy AG, Zurich/ Switzerland	100	
Siemens Power Holding AG, Zug/ Switzerland	100	
Siemens Enerji Sanayi ve Ticaret Anonim Sirketi, Istanbul/ Turkey	100	
SIEMENS GAMESA RENEWABLE ENERJI ANONIM SIRKETI, Kartal/ Istanbul/ Turkey	100	

September 30, 2021 Subsidiaries	Equity interest in %	
SIEMENS GAMESA YENILENEBILIR ENERJI IC VE DIS TICARET LIMITED SIRKETI, Menemen/ Izmir/ Turkey	100	
Dresser-Rand Turkmen Company, Ashgabat/ Turkmenistan	90	
Siemens Energy LLC, Kiev/ Ukraine	100	
Siemens Gamesa Renewable Energy LLC, Kiev/ Ukraine	100	
Dresser-Rand Field Operations Middle East LLC, Abu Dhabi/ United Arab Emirates	49	[1]
Gulf Steam Generators L.L.C., Dubai/ United Arab Emirates	100	
Siemens Energy LLC, Abu Dhabi/ United Arab Emirates	49	[1]
Industrial Turbine Company (UK) Limited, Frimley, Surrey/ United Kingdom	100	
Materials Solutions Limited, Frimley, Surrey/ United Kingdom	100	
Sellafirth Renewable Energy Park Limited, Frimley, Surrey/ United Kingdom	100	
Siemens Energy Industrial Turbomachinery Ltd., Frimley, Surrey/ United Kingdom	100	
Siemens Energy Limited, Frimley, Surrey/ United Kingdom	100	
Siemens Gamesa Renewable Energy B9 Limited, Frimley, Surrey/ United Kingdom	100	
Siemens Gamesa Renewable Energy Limited, Frimley, Surrey/ United Kingdom	100	
Siemens Gamesa Renewable Energy Service Limited, Edinburgh, Midlothian/ United Kingdom	100	
Siemens Gamesa Renewable Energy UK Limited, Frimley, Surrey/ United Kingdom	100	
Siemens Gamesa Renewable Energy Wind Limited, Frimley, Surrey/ United Kingdom	100	
Americas (69 companies)		
Artadi S.A., Buenos Aires/ Argentina	100	
Guascor Argentina, S.A., Buenos Aires/ Argentina	100	
Siemens Energy S.A., Buenos Aires/ Argentina	100	
VA TECH International Argentina SA, Buenos Aires/ Argentina	100	
Siemens Energy S.A., Santa Cruz de la Sierra/ Bolivia	100	
Chemtech Servicos de Engenharia e Software Ltda., Rio de Janeiro/ Brazil	100	

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[5] Not accounted for using the equity method due to immateriality.
[6] Exemption pursuant to Section 264 b German Commercial Code.
[7] Exemption pursuant to Section 264 (3) German Commercial Code.
[8] A consolidated affiliated company of Siemens Energy AG is a shareholder with unlimited liability of this company.
[9] Values according to the latest available local GAAP financial statements; the underlying fiscal year may differ from the Siemens Energy fiscal year.
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September 30, 2021 Subsidiaries	Equity interest in %	
Dresser-Rand do Brasil Ltda., Santa Bárbara D'Oeste/ Brazil	100	
Guascor do Brasil Ltda., São Paulo/ Brazil	100	
Industrial Turbine Brasil Geracao de Energia Ltda., Duque de Caxias/ Brazil	100	
Jaguarí Energética, S.A., Jaguari/ Brazil	89	
Junergy Ltda., Jundiai/ Brazil	100	[4]
Siemens Energy Brasil Ltda., São Paulo/ Brazil	100	
Siemens Gamesa Energia Renovável Ltda., Camaçari/ Brazil	100	
Dresser-Rand Canada Limited, Vancouver/ Canada	100	[8]
Siemens Energy Canada Limited, Oakville/ Canada	100	
Siemens Energy Transformers Canada Inc., Trois-Rivières/ Canada	100	
Siemens Gamesa Renewable Energy Limited, Oakville/ Canada	100	
Trench Limited, Saint John/ Canada	100	
Wheelabrator Air Pollution Control (Canada) Inc., Oakville/ Canada	100	
Siemens Energy SpA, Santiago de Chile/ Chile	100	
Siemens Gamesa Renewable Energy Chile SpA, Santiago de Chile/ Chile	100	
Dresser-Rand Colombia S.A.S., Bogotá/ Colombia	100	
Siemens Energy S.A.S., Tenjo/ Colombia	100	
SIEMENS GAMESA RENEWABLE ENERGY S.A.S., Bogotá/ Colombia	100	
SIEMENS GAMESA RENEWABLE ENERGY, S.R.L., San José/ Costa Rica	100	
Gamesa Dominicana, S.A.S., Santo Domingo/ Dominican Republic	100	
Siemens Energy S.R.L., Santo Domingo/ Dominican Republic	100	
SIEMENS GAMESA RENEWABLE ENERGY INSTALLATION & MAINTENANCE COMPAÑÍA LIMITADA, Guatemala/ Guatemala	100	
SIEMENS GAMESA RENEWABLE ENERGY, S.A., Tegucigalpa/ Honduras	100	
Central Eólica de México S.A. de C.V., Mexico City/ Mexico	100	
Gesa Oax I Sociedad Anomima de Capital Variable, Mexico City/ Mexico	100	

September 30, 2021 Subsidiaries	Equity interest in %	
Gesa Oax II Sociedad de Responsabilidad Limitada de Capital Variable, Mexico City/ Mexico	100	
Gesa Oax III Sociedad Anomima de Capital Variable, Mexico City/ Mexico	100	
Gesacisa Desarolladora, S.A. de C.V., Mexico City/ Mexico	100	
Gesan I S.A.P.I de C.V., Mexico City/ Mexico	100	
Siemens Energy, S. de R.L. de C.V., Mexico City/ Mexico	100	
Siemens Gesa Renewable Energy México, S. de R.L. de C.V., Mexico City/ Mexico	100	
Siemens Gesa Renewable Energy Soluciones Técnicas, S. de R.L. de C.V., Mexico City/ Mexico	100	
Siemens Gesa Renewable Energy, S.A. de C.V., Mexico City/ Mexico	100	
Siemens Gesa Renewables Energy Services S. de R.L. de C.V., Mexico City/ Mexico	100	
Siemens Gamesa Renewable Energy, Sociedad Anónima, Managua/ Nicaragua	100	
Siemens Energy S.A., Panama City/ Panama	100	
Siemens Energy S.A.C., Lima/ Peru	100	
Siemens Gamesa Renewable Energy S.A.C., Lima/ Peru	100	
Siemens Energy Unlimited, Couva/ Trinidad and Tobago	100	[8]
Advanced Airfoil Components LLC, Wilmington, DE/ United States	51	
Cedar Cap Wind, LLC, Dover, DE/ United States	100	
Diversified Energy Transmission, LLC, Salem, OR/ United States	100	
D-R Steam LLC, Wilmington, DE/ United States	100	
Dresser-Rand Company, Olean, NY/ United States	100	
Dresser-Rand Global Services, Inc., Wilmington, DE/ United States	100	
Dresser-Rand Group Inc., Wilmington, DE/ United States	100	
Dresser-Rand LLC, Wilmington, DE/ United States	100	
EcoHarmony West Wind, LLC, Minneapolis, MN/ United States	100	
Pocahontas Prairie Holdings, LLC, Wilmington, DE/ United States	100	

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September 30, 2021 Subsidiaries	Equity interest in %	
Pocahontas Prairie Wind, LLC, Dover, DE/ United States	100	
Siemens Energy Demag Delaval Turbomachinery, Inc., Wilmington, DE/ United States	100	
Siemens Energy Generation Services Company, Wilmington, DE/ United States	100	
Siemens Energy Service Company, Ltd., Wilmington, DE/ United States	100	
Siemens Energy Staffing, Inc., Wilmington, DE/ United States	100	
Siemens Energy, Inc., Wilmington, DE/ United States	100	
Siemens Gamesa Renewable Energy PA, LLC, Wilmington, DE/ United States	100	
Siemens Gamesa Renewable Energy, Inc., Wilmington, DE/ United States	100	
Wheelabrator Air Pollution Control Inc., Baltimore, MD/ United States	100	
Wind Portfolio Memberco, LLC, Dover, DE/ United States	100	
Siemens Energy S.A., Montevideo/ Uruguay	100	
SIEMENS GAMESA RENEWABLE ENERGY S.R.L., Montevideo/ Uruguay	100	
Gamesa Eólica VE, C.A., Caracas/ Venezuela	100	
Siemens Energy S.A., Caracas/ Venezuela	100	
Asia, Australia (102 companies)		
CARMODY'S HILL INVESTMENT COMPANY PTY LTD, Bayswater/ Australia	100	
Siemens Energy Pty. Ltd., Bayswater/ Australia	100	
Siemens Gamesa Renewable Energy Australia Pty Ltd, Melbourne/ Australia	100	
Siemens Gamesa Renewable Energy Pty Ltd, Bayswater/ Australia	100	
Siemens Bangladesh Ltd., Dhaka/ Bangladesh	100	
Gamesa Blade (Tianjin) Co., Ltd., Tianjin/ China	100	
Ganquan Chaiguanshan Wind Power Co., Ltd., Yan'an City/ China	100	
Inner Mongolia Gamesa Wind Co., Ltd., Wulanchabu/ China	100	
Jilin Gamesa Wind Co., Ltd., Da'an/ China	100	
Siemens Energy Co., Ltd., Shanghai Pilot Free Trade Zone/ China	100	
Siemens Energy Electric Equipment (Changzhou) Ltd., Changzhou/ China	100	
Siemens Gamesa Renewable Energy (Beijing) Co., Ltd., Beijing/ China	100	
Siemens Gamesa Renewable Energy (Shanghai) Co., Ltd., Shanghai/ China	100	
Siemens Gamesa Renewable Energy Technology (China) Co., Ltd., Tianjin/ China	100	
Siemens Gas Turbine Components (Jiangsu) Co., Ltd., Yixing/ China	100	
Siemens High Voltage Circuit Breaker Co., Ltd., Hangzhou, Hangzhou/ China	51	
Siemens High Voltage Switchgear Co., Ltd., Shanghai, Shanghai/ China	51	
Siemens Industrial Turbomachinery (Huludao) Co. Ltd., Huludao/ China	84	
Siemens Power Plant Automation Ltd., Nanjing/ China	100	
Siemens Surge Arresters Ltd., Wuxi/ China	100	
Siemens Transformer (Guangzhou) Co., Ltd., Guangzhou/ China	63	
Siemens Transformer (Jinan) Co., Ltd, Jinan/ China	90	
Siemens Transformer (Wuhan) Company Ltd., Wuhan City/ China	100	
Trench High Voltage Products Ltd., Shenyang, Shenyang/ China	65	
International Wind Farm Development I Limited, Hong Kong/ Hong Kong	100	
International Wind Farm Development IV Limited, Hong Kong/ Hong Kong	100	
Siemens Energy Limited, Hong Kong/ Hong Kong	100	
Anantapur Wind Farms Private Limited, Chennai/ India	100	
Bapuram Renewable Private Limited, Chennai/ India	100	
Beed Renewable Energy Private Limited, Chennai/ India	100	
Bhuj Renewable Private Limited, Chennai/ India	100	
Channapura Renewable Private Limited, Chennai/ India	100	
Chikkodi Renewable Power Private Limited, Chennai/ India	100	
Devarabanda Renewable Energy Private Limited, Chennai/ India	100	

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September 30, 2021 Subsidiaries	Equity interest in %	
Dhone Renewable Private Limited, Chennai/ India	100	
Dresser-Rand India Private Limited, Navi Mumbai/ India	100	
Gadag Renewable Private Limited, Chennai/ India	100	
Gagodar Renewable Energy Private Limited, Chennai/ India	100	
Gangavathi Renewable Private Limited, Chennai/ India	100	
Ghatpimpri Renewable Private Limited, Chennai/ India	100	
Gudadanal Renewable Private Limited, Chennai/ India	100	
Hattarwat Renewable Private Limited, Chennai/ India	100	
Haveri Renewable Power Private Limited, Chennai/ India	100	
Hungund Renewable Energy Private Limited, Chennai/ India	100	
Jalore Wind Park Private Limited, Chennai/ India	100	
Jamkhandi Renewable Private Limited, Chennai/ India	100	
Kadapa Wind Farms Private Limited, Chennai/ India	100	
Kanigiri Renewable Private Limited, Chennai/ India	100	
Kod Renewable Private Limited, Chennai/ India	100	
Kollapur Renewable Private Limited, Chennai/ India	100	
Koppal Renewable Private Limited, Chennai/ India	100	
Kurnool Wind Farms Private Limited, Chennai/ India	100	
Kutch Renewable Private Limited, Chennai/ India	100	
Maski Renewable Energy Private Limited, Chennai/ India	100	
Mathak Wind Farms Private Limited, Chennai/ India	100	
Nandikeshwar Renewable Energy Private Limited, Chennai/ India	100	
Neelagund Renewable Private Limited, Chennai/ India	100	
Nellore Renewable Private Limited, Chennai/ India	100	
Nirlooti Renewable Private Limited, Chennai/ India	100	
Osmanabad Renewable Private Limited, Chennai/ India	100	
Poovani Wind Farms Private Limited, Chennai/ India	100	
Powerplant Performance Improvement Ltd., New Delhi/ India	50	[2][10]
Rajgarh Windpark Private Limited, Chennai/ India	99	

September 30, 2021 Subsidiaries	Equity interest in %	
Rangareddy Renewable Private Limited, Chennai/ India	100	
Rayachoty Renewable Private Limited, Chennai/ India	100	
RSR Power Private Limited, Chennai/ India	100	
Sankanur Renewable Energy Private Limited, Chennai/ India	100	
SANTALPUR RENEWABLE POWER PRIVATE LIMITED, Gujarat/ India	99	
Saunshi Renewable Energy Private Limited, Chennai/ India	100	
Shivamogga Renewable Energy Private Limited, Chennai/ India	100	
Siemens Gamesa Renewable Energy Engineering Centre Private Limited, Chennai/ India	100	
SIEMENS GAMESA RENEWABLE ENERGY PROJECTS PRIVATE LIMITED, Chennai/ India	100	
Siemens Gamesa Renewable Power Private Limited, Chennai/ India	100	
Sindhanur Renewable Energy Private Limited, Chennai/ India	100	
Thoothukudi Renewable Energy Private Limited, Chennai/ India	100	
Tirupur Renewable Energy Private Limited, Chennai/ India	100	
Tuljapur Wind Farms Private Limited, Chennai/ India	100	
Umrani Renewable Private Limited, Chennai/ India	100	
Uppal Renewable Private Limited, Chennai/ India	100	
Vempalli Renewable Energy Private Limited, Chennai/ India	100	
Viralipatti Renewable Private Limited, Chennai/ India	100	
Zalki Renewable Private Limited, Chennai/ India	100	
PT Dresser-Rand Services Indonesia, Cilegon/ Indonesia	100	
PT Siemens Gamesa Renewable Energy, Jakarta/ Indonesia	95	
PT Siemens Industrial Power, Kota Bandung/ Indonesia	100	
Siemens Energy K.K., Tokyo/ Japan	100	
Siemens Gamesa Renewable Energy K.K., Tokyo/ Japan	100	
Siemens Energy Ltd., Seoul/ Korea, Republic of	100	

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September 30, 2021 Subsidiaries	Equity interest in %	
Siemens Gamesa Renewable Energy Limited, Seoul/ Korea, Republic of	100	
Siemens Energy Sdn. Bhd., Petaling Jaya/ Malaysia	100	
Siemens Energy, Inc., Manila/ Philippines	100	
Siemens Gamesa Renewable Energy, Inc., Makati City/ Philippines	100	
Siemens Energy Pte. Ltd., Singapore/ Singapore	100	
Siemens Gamesa Renewable Energy Singapore Private Limited, Singapore/ Singapore	100	
Siemens Gamesa Renewable Energy Lanka (Private) Limited, Colombo/ Sri Lanka	100	
Siemens Energy Limited, Taipei/ Taiwan, Province of China	100	
Siemens Gamesa Renewable Energy Offshore Wind Limited, Taipei/ Taiwan, Province of China	100	
Siemens Energy Limited, Bangkok/ Thailand	99	
Siemens Gamesa Renewable Energy (Thailand) Co., Ltd., Bangkok/ Thailand	100	
Siemens Gamesa Renewable Energy Limited, Bangkok/ Thailand	100	
Siemens Energy Limited Company, Ho Chi Minh City/ Viet Nam	100	
Siemens Gamesa Renewable Energy LLC, Ho Chi Minh City/ Viet Nam	100	

September 30, 2021 Associated companies and joint ventures	Equity interest in %	
Germany (5 companies)		
Infineon Technologies Bipolar GmbH & Co. KG, Warstein	40	
Infineon Technologies Bipolar Verwaltungs-GmbH, Warstein	40	[5]
Maschinenfabrik Reinhausen GmbH, Regensburg	20	[3][10]
Voith Hydro Holding GmbH & Co. KG, Heidenheim	35	
Voith Hydro Holding Verwaltungs GmbH, Heidenheim	35	[5]
Europe, Commonwealth of Independent States (C.I.S.), Middle East, Africa (without Germany) (14 companies)		
COELME - Costruzioni Elettromeccaniche S.p.A., Santa Maria di Sala/ Italy	25	
GLT-PLUS V.O.F, Sappemeer/ Netherlands	40	[5][8]
Wirescan AS, Trollaasen/ Norway	36	[5]
Ardora, S.A., Vigo/ Spain	35	[5]
Desgasificación de Vertederos, S.A, Madrid/ Spain	50	[5]
Energías Renovables San Adrián de Juarros, S.A., San Adrián de Juarros/ Spain	45	
SIGLO XXI SOLAR, SOCIEDAD ANONIMA, Ciudad Real/ Spain	25	[5]
SISTEMAS ENERGETICOS DE TENERIFE, S.A., Santa Cruz de Tenerife/ Spain	20	[5]
Sistemes Electrics Espluga, S.A., Barcelona/ Spain	50	
Tusso Energía, S.L., Sevilla/ Spain	50	[5]
Windar Renovables, S.L., Avilés/ Spain	32	
Ethos Energy Group Limited, Aberdeen, Aberdeenshire/ United Kingdom	49	
RWG (Repair & Overhauls) Limited, Aberdeen, Aberdeenshire/ United Kingdom	50	
Joint Venture Service Center, Chirchik/ Uzbekistan	49	[5]
Americas (5 companies)		
Gas Natural Acu Infraestructura S.A, Rio de Janeiro/ Brazil	7	[3]
Energia Eólica de Mexico S.A. de C.V., Mexico City/ Mexico	50	
Baja Wind US LLC, Wilmington, DE/ United States	50	[5]
First State Marine Wind, LLC, Newark, DE/ United States	31	[5]
Empresa Nacional De Maquinas Eléctricas ENME, S.A., Caracas/ Venezuela	40	[5]

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September 30, 2021 Associated companies and joint ventures	Equity interest in %	
Asia, Australia (4 companies)		
Beijing Jingneng International Energy Technology Co., Ltd., Beijing/ China	45	
Siemens Limited, Mumbai/ India	24	
PT Trafoindo Power Indonesia, Jakarta/ Indonesia	49	
Advance Gas Turbine Solutions SDN. BHD., Kuala Lumpur/ Malaysia	43	

September 30, 2021 Other investments [9]	Equity interest in %		Net income in millions of €	Equity in millions of €
Europe, Commonwealth of Independent States (C.I.S.), Middle East, Africa (without Germany) (1 company)				
Uhre Vindmollelaug I/S, Brande/ Denmark	19	[8]	0	0

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Additional information

3

3.1 Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group Management Report, which has been combined with the Management Report for Siemens Energy AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Munich, November 24, 2021

Siemens Energy AG

The Executive Board

Christian Bruch	Maria Ferraro	Jochen Eickholt	Tim Holt

3.2 Independent Auditor's Report

To Siemens Energy AG, Munich

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of Siemens Energy AG, Munich, and its subsidiaries (the Group), which comprise the consolidated statements of income and comprehensive income for the fiscal year from October 1, 2020 to September 30, 2021, the consolidated statements of financial position as of September 30, 2021, the consolidated statements of cash flows and changes in equity for the fiscal year from October 1, 2020 to September 30, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Siemens Energy AG, which is combined with the management report of Siemens Energy AG, for the fiscal year from October 1, 2020 to September 30, 2021. In accordance with the German legal requirements, we have not audited the content of the **Corporate Governance Statement** pursuant to Secs. 289f and 315d HGB ["Handelsgesetzbuch": German Commercial Code], which is published on the website stated in the group management report, reproduced in chapter **3.5** of the Annual Report and is part of the group management report, or the content of the **Group Non-Financial Statement** pursuant to Sec. 315b HGB contained in chapter **1.10** of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB as well as with full IFRSs as issued by the International Accounting Standards Board (IASB), and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of September 30, 2021 and of its financial performance for the fiscal year from October 1, 2020 to September 30, 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the Corporate Governance Statement or the Group Non-Financial Statement referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as »EU Audit Regulation«) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). In conducting the audit of the consolidated financial statements we also complied with International Standards on Auditing (ISA). Our responsibilities under those requirements, principles and standards are further described in the »Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report« section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from October 1, 2020 to September 30, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

Impairment testing of goodwill

Reasons why the matter was determined to be a key audit matter: We consider the impairment test of goodwill to be an area posing a significant risk of material misstatement and accordingly a key audit matter as the determination of the recoverable amount of assets is highly dependent on management's assessment of future cash flows, the discount rates used and growth rates and thus requires corresponding estimates and assumptions that are subject to uncertainties. Particularly the assumptions related to the long-term development of the underlying earnings contributions are subject to judgment and have a significant impact on the recoverability of goodwill.

Auditor's response: In the course of our audit procedures, we obtained an understanding of the process for the preparation of the multi-year plan in the Group and for the cash-generating units and examined compliance with internal requirements.

We evaluated the methodology and the valuation models for performing the impairment tests with the assistance of internal specialists who have expertise in business valuation and assessed the appropriateness of the future cash inflows used for the calculations by, among other procedures, comparing this information against the five-year plans prepared by management as well as by comparing the internal growth and earnings forecasts with general and industry-specific market expectations and significant competitors. Furthermore, we analyzed the key assumptions and value drivers of the plans, placing a special focus on the transformation of the energy markets, including the expected impacts from climate change and decarbonization trends, planned strategic measures and considering significant changes in planning assumptions compared to the prior year, obtained explanations on the key value drivers of the plans from management and examined the consistency and plausibility of significant assumptions in the multi-year plans. In addition, we reperformed the calculation of the carrying amounts of the cash-generating units.

As part of our audit, we also obtained an understanding of the sustainable earnings contributions and long-term growth rates used after the end of the detailed planning period by referring to observable market data and market expectations and assessed the appropriateness of the methodology used for derivation as well as the appropriateness of the weighted average cost of capital rates.

Furthermore, we obtained an understanding of and evaluated the methodology of the alternative valuation models used by management to test the plausibility of the impairment test and the value indicators derived therefrom (such as valuations based on peer group multiples, market values derived from estimates by analysts or from the market capitalization of Siemens Energy AG and Siemens Gamesa Renewable Energy S.A.).

To account for the existing forecast uncertainties, we walked through the sensitivity analyses prepared by management and performed supplementary sensitivity analyses of our own in order to estimate any impairment risk associated with a reasonably possible change in a significant assumption used in the valuation.

We also evaluated the disclosures on goodwill in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations relating to the impairment testing of goodwill.

Reference to related disclosures: With regard to the recognition and measurement policies applied for the impairment test of goodwill, refer to **Note 2 Material accounting policies and critical accounting estimates** and **Note 9 Goodwill** in the notes to the consolidated financial statements.

Revenue recognition on construction contracts

Reasons why the matter was determined to be a key audit matter: The Group conducts a significant portion of its business under construction contracts. Revenue from long-term construction contracts is recognized in accordance with IFRS 15, Revenue from Contracts with Customers, generally over time under the percentage-of-completion method. We consider the accounting for construction contracts to be an area posing a significant risk of material misstatement (including the potential risk of management override of internal controls) and accordingly a key audit matter, because management's assessments significantly impact the determination of the extent of progress towards completion. These assessments include, in particular, the scope of deliveries and services required to fulfill contractually defined obligations, total estimated contract costs, remaining costs to completion and total estimated contract revenues, as well as contract risks including technical, political, regulatory and legal risks. Revenues, total estimated contract costs and profit recognition may deviate significantly from original estimates based on new knowledge about cost overruns and changes in project scope over the term of a construction contract. Furthermore, as in the prior year, the effects of the coronavirus pandemic (COVID-19) on the project business, such as delays in project execution due to access restrictions at customer sites or short-term interruptions to supply chains as well as the invocation of force majeure or change in law clauses with regard to compensation for damages or contractual penalties for delays in delivery and their accounting treatment were of key significance for our audit in fiscal year 2021.

Auditor's response: As part of our audit, we obtained an understanding of the Group's internally established methods, processes and control mechanisms for project management in the bid and execution phase of construction contracts. In this regard, we assessed the design and operating effectiveness of the accounting-related internal controls in the project business by obtaining an understanding of business transactions specific to construction contracts, from the initiation of the transaction through presentation in the consolidated financial statements. We also tested internal controls on management level including project reviews and controls addressing the timely assessment of changes in cost estimates and the timely and complete recognition of such changes in the project calculation.

As part of our substantive audit procedures, we evaluated management's estimates and assumptions based on a risk-based selection of a sample of contracts. Our sample particularly included projects that are subject to significant future uncertainties and risks, such as fixed-price or turnkey projects, projects using new technologies and/or with complex technical requirements, a large portion of materials and services to be provided by (local) suppliers, subcontractors or consortium partners, cross-border projects, and projects with changes in cost estimates (e.g., due to an increase in material prices), delays and/or low or negative margins. Our audit procedures included, among others, review of the contracts and their terms and conditions including contractually agreed partial deliveries and services, termination rights, penalties for delay and breach of contract as well as liquidated damages. In order to evaluate whether revenues were recognized on an accrual basis for the selected projects, we analyzed billable revenues and corresponding cost of sales to be recognized in the statement of income in the reporting period considering the extent of progress towards completion, and examined the accounting for the associated items in the statement of financial position. Considering the requirements of IFRS 15, we also assessed the accounting for contract amendments or contractually agreed options.

We further performed inquiries of project management (both commercial and technical project managers) with respect to the development of the projects including the effects of COVID-19 on project execution, the reasons for deviations between planned and actual costs, the current estimated costs to complete the projects, and management's assessments on probabilities that contract risks will materialize. To identify anomalies in the development of margins throughout the projects' execution, we also applied data analysis procedures. Furthermore, we obtained evidence from third parties for selected projects (e.g., project acceptance documentation, contractual terms and conditions, and legal confirmations regarding alleged breaches of contract and asserted claims).

Due to the large contract volume and risk profile, in particular with respect to the developments of the power generation markets, our audit procedures especially focused on large contracts for the turnkey construction of power plants, high-voltage-direct-current solutions, and the construction of onshore and offshore wind farms.

Our audit procedures did not lead to any reservations relating to revenue recognition on construction contracts.

Reference to related disclosures: With regard to the recognition and measurement policies applied in accounting for construction contracts, refer to **Note 2 Material accounting policies and critical accounting estimates** in the notes to the consolidated financial statements. With respect to contract assets and liabilities as well as provisions for order related losses and risks, refer to **Note 7 Contract assets and liabilities** and **Note 14 Provisions** in the notes to the consolidated financial statements.

Uncertain tax positions and deferred taxes

Reasons why the matter was determined to be a key audit matter: Siemens Energy operates in numerous countries with different local tax legislation. The accounting for uncertain tax positions as well as deferred taxes requires management to exercise considerable judgment and make estimates and assumptions, and was therefore a key audit matter. In particular, this affects the measurement and completeness of uncertain tax positions, the recoverability of deferred tax assets as well as the measurement and completeness of deferred tax liabilities.

Auditor's response: With the assistance of internal tax specialists who have knowledge of relevant local tax law, we examined the processes installed by management and obtained an understanding of internal controls for the identification, recognition and measurement of tax positions. In the course of our audit procedures relating to uncertain tax positions, we evaluated whether management's assessment of the tax implications of significant business transactions or events in fiscal year 2021, which could result in uncertain tax positions or influence the measurement of existing uncertain tax positions, was in compliance with tax law. In particular, this includes tax implications arising from findings of tax field audits, transactions and cross-border matters, such as determining transfer prices. In order to assess measurement and completeness, we also obtained confirmations from external tax advisors and inspected expert legal or tax opinions and assessments commissioned by management. Further, we evaluated management's assessments with respect to the prospects of success of appeal and tax court proceedings by inquiring of the employees of the Siemens Energy tax department and by considering current tax case law.

In assessing the recoverability of deferred tax assets, we particularly analyzed management's assumptions with respect to tax planning strategies and projected future taxable income and compared them to internal business plans. In the course of our audit procedures regarding deferred tax liabilities, we examined in particular the assumptions regarding reinvestment of subsidiaries' retained profits for an indefinite period and assessed these taking into account dividend planning. We also analyzed the (negative) tax rate taking into account tax profits or losses in Germany and abroad.

Our audit procedures did not lead to any reservations relating to the accounting for uncertain tax positions and deferred taxes.

Reference to related disclosures: With regard to the recognition and measurement policies applied in accounting for income taxes, refer to **Note 2 Material accounting policies and critical accounting estimates** in the notes to the consolidated financial statements. With respect to disclosures for deferred tax assets and liabilities, refer to **Note 6 Income taxes** in the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the **Report of the Supervisory Board** in chapter **3.4** of the Annual Report 2021. Management and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the Corporate Governance Code, which is part of the **Corporate Governance Statement** in chapter **3.5**, and for the **Compensation Report** in chapter **3.6**. In all other respects, management is responsible for the other information. The other information comprises the Corporate Governance Statement and the Group Non-Financial Statement mentioned above. In addition, the other information comprises parts to be included in the Annual Report, of which we received a version prior to issuing this auditor's report, in particular:

- the sections »**Siemens Energy Group at a glance**«, »**Letter from the Executive Board**«, »**Our leadership team**« and »**About this Report**« of the Annual Report 2021,
- the **Responsibility Statement** in chapter **3.1** of the Annual Report 2021,
- the **Report of the Supervisory Board** in chapter **3.4** of the Annual Report 2021,
- the **Compensation Report pursuant to Section 162 of the Stock Corporation Act of Siemens Energy AG for fiscal year 2021** in chapter **3.6** of the Annual Report 2021,
- **TCFD Index** in chapter **3.8** of the Annual Report 2021.

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

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

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

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

Responsibilities of management and the Supervisory Board for the consolidated financial statements and the group management report

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB as well as with full IFRSs as issued by the IASB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR THE PUBLICATION PURPOSES IN ACCORDANCE WITH Sec. 317 (3a) HGB

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file "Siemens_Energy_2021.zip" (SHA-256-checksum: 04d727205385 ee6a4bd15fbf7ea6c886bd734983b72e48885b98f2c073ff8076) and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from October 1, 2020 to September 30, 2021, contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (10.2021) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of management and the Supervisory Board for the ESEF documents

The management of the Company is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the management of the Company is responsible for such internal control as it has determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual Shareholders' Meeting on February 10, 2021. We were engaged by the Supervisory Board on February 10, 2021. We have been the group auditor of Siemens Energy AG without interruption since the fiscal year from October 1, 2019 to September 30, 2020.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format - including the versions to be published in the Bundesanzeiger [German Federal Gazette] - are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Thomas Spannagl.

Munich, November 24, 2021

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Spannagl	Müller
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

3.3 Independent auditor's limited assurance report on the group non-financial statement

To Siemens Energy AG, Munich

We have performed a limited assurance engagement on the group non-financial statement of Siemens Energy AG, Munich, according to § 315b HGB ("Handelsgesetzbuch": German Commercial Code) including the chapter 1.1.2 „Business Model" in the combined management report being incorporated by reference for the reporting period from October 1, 2020 to September 30, 2021 (hereafter non-financial statement).

MANAGEMENT'S RESPONSIBILITY

The legal representatives of Siemens Energy AG are responsible for the preparation of the non-financial statement in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the non-financial statement as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a non-financial statement that is free from – intended or unintended - material misstatement.

AUDITOR'S DECLARATION RELATING TO INDEPENDENCE AND QUALITY CONTROL

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW (Institut der Wirtschaftsprüfer in Deutschland e.V.) Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the non-financial statement based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the non-financial statement has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement, the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between June and November 2021, we performed amongst others the following assurance and other procedures:

- Inquiries of employees and inspection of documents regarding the selection of topics for the non-financial statement, the risk assessment and the concepts for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial statement, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial statement,
- Identification of likely risks of material misstatement in the non-financial statement,
- Inspection of relevant documentation of the systems and processes for compiling, aggregating and validating data in the reporting period and testing such documentation on a sample basis,
- Analytical measures at Group level and at the level of the segments Gas and Power and Siemens Gamesa Renewable Energy regarding the quality of the reported data,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data and disclosures,
- Evaluation of the presentation of disclosures in the non-financial statement.

ASSURANCE CONCLUSION

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the group non-financial statement of Siemens Energy AG for the period from October 1, 2020 to September 30, 2021 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

INTENDED USE OF THE ASSURANCE REPORT

We issue this report on the basis of the engagement agreed with Siemens Energy AG. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

ENGAGEMENT TERMS AND LIABILITY

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (**www.de.ey.com/general-engagement-terms**). In addition, please refer to the liability provisions contained therein no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, November 24, 2021

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Spannagl	Johne
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

3.4 Report of the Supervisory Board

Munich, Germany, December 6, 2021

Dear Shareholders,

During this past year, the COVID-19 pandemic and the increasingly evident implications of climate change have changed the lives of everyone on our planet. At the same time, they have underscored the importance of a reliable, affordable and sustainable energy supply for economies and societies to function even under the most difficult conditions. As a global leader in energy technology, Siemens Energy AG, together with customers and partners, is making an important contribution towards achieving climate goals and limiting global warming – while also meeting the growing energy demand in an environmentally friendly way.

Many economies and economic regions focused even more strongly on sustainability in this past fiscal year. To name just a few: The U.S. rejoined the Paris Climate Agreement. With "Fit for 55", the EU set new and higher targets. China has pledged to hit peak emissions by 2030 and become climate neutral by 2060. Customer requirements are also changing. The imperatives have been identified. The task now is to develop solutions and implement them reliably.

With innovative products and solutions, Siemens Energy can play a decisive role in shaping the implementation of the energy transition worldwide. The Supervisory Board supports the "Energy of Tomorrow" strategy. In fiscal year 2021, Siemens Energy was able to move forward on sustainability and climate neutrality. It has set itself ambitious ESG targets ("environmental, social, and governance"). Various ESG ratings attest to the company's good progress in achieving its goals. The renowned Science Based Targets Initiative (SBTi) has confirmed on a scientific basis that Siemens Energy's CO_2 reduction targets are in line with the goals of the Paris Climate Agreement. Siemens Energy aims to achieve climate neutrality in its own operations by 2030. The company wants to reach this goal by transitioning its own electricity consumption to 100% green energy by 2023 as well as investing in its own operations (Scope 1 & 2). Compared to 2019, greenhouse gas emissions from products sold (Scope 3) in the Gas and Power segment are to be reduced by 27.5% over their entire lifetime.

Just as the financial and strategic targets, the ESG targets must be ambitious as well as transparent and measurable. Achieving them is an important management task. Hence, they are part of the compensation system for Executive Board members and selected managers at Siemens Energy. Part of the compensation is tied to firmly defined ESG targets, such as decarbonization or diversity. The Compensation Report in chapter **3.6 Compensation Report pursuant to Section 162 of the Stock Corporation Act of Siemens Energy AG for fiscal year 2021** provides a detailed description of these targets and the link between the Executive Board's compensation and the strategy.

Siemens Energy has been an independent company since September 2020, which is ensured by the deconsolidation agreement with Siemens AG and Siemens Beteiligungen Inland GmbH. Independence on the Supervisory Board is very important to us. It was therefore essential to address your potential concerns. Dr.-Ing. Hubert Lienhard is a special independent Supervisory Board member who explicitly watches over your interests. This special position is modeled after the role and responsibility of a Lead Independent Director. Additionally, as was announced prior to the last annual Shareholders' Meeting, Prof. Dr. Ralf Thomas, who, being a member of the Managing Board of Siemens AG, does not qualify as independent, has resigned from his position as Chair of the Audit Committee. An independent member of the Supervisory Board has assumed the position of the Chair.

The first fiscal year was an eventful one for Siemens Energy. The transformation from conventional to renewable energy requires courage and strength. Likewise, it requires consistent but prudent action in dealing with the massive structural change. Given the circumstances, we can be satisfied with the progress made so far. At the same time, the fiscal year was however marked by operational challenges at Siemens Gamesa Renewable Energy (SGRE), in which Siemens Energy holds 67% of the shares. Problems, primarily in the onshore business at SGRE, showed the need for action. Due to repeated growth and profit warnings, the original Group margin forecast for Siemens Energy could no longer be achieved.

Given the global conditions in this transitional year, the company has established itself well on the market. All colleagues worked extremely hard and provided excellent support to customers during the pandemic. Management is making progress in restructuring the company and investing in innovation and productivity for a sustainable future. Important decisions were made, such as the exit from new business with coal-fired power plants. The inclusion in the German Stock Index DAX on March 22, 2021, was a success – just a few months after the initial listing on the Frankfurt Stock Exchange. This promotion to the "DAX league" and the DAX 40 is both an incentive and recognition.

On behalf of the Supervisory Board, I would like to thank the members of the Executive Board, the employees of Siemens Energy AG and all Group companies for their commitment in these particularly challenging times. I look forward to continuing our close and trusting cooperation in the coming fiscal year.

In the following section, you will find the report of the Supervisory Board on its activities in fiscal year 2021.

Stay healthy!

On behalf of the Supervisory Board

Joe Kaeser

Chairman

Monitoring and Advisory Activities of the Supervisory Board

In the reporting period, the Supervisory Board of Siemens Energy AG performed in full the duties incumbent upon it in accordance with the law, the articles of association, and the bylaws. In doing so, the Supervisory Board continually advised and monitored the Executive Board in managing the Company, providing advice and assistance especially on issues of strategic importance for the continuing development of the Company. This was based on the detailed reports of the Executive Board at meetings of the Supervisory Board and its Committees on the relevant economic developments of the Group and the business segments. During the period under review, the Executive Board provided regular information, both orally and in writing, on the course of business, the situation of the Company, key financial data, and corporate planning. It continually gave details of the macroeconomic situation, trends in the sales and procurement markets, the economic and political environment, capital market trends and changes in the share price. The Executive Board reported regularly on the risk exposure, the audit activities conducted by Internal Audit and compliance issues, the latest developments in significant legal disputes, as well as the impact of the COVID-19 pandemic on the Company and the measures taken. In particular, the work of the Supervisory Board focused on the technological and strategic development of the Company as a driver of the energy transition against the backdrop of the challenges of zero- or low-emission power generation, sustainability targets, and growing demand for renewable energies. Another focus area was the Accelerating Impact Program aimed at saving costs and increasing profitability.

The Supervisory Board and its Committees were involved in all decisions of fundamental importance at an early stage. To the extent that Supervisory Board approval of the decisions and measures of Company management was required by law, the articles of association, or the bylaws, the members of the Supervisory Board issued such approval after intensive review and discussion. The Supervisory Board critically reviewed the reports and proposed resolutions of the Executive Board, ensuring in this process the lawfulness, fitness for purpose, and compliance of the Company's management. Likewise, the Chairman of the Supervisory Board – as well as the Chairman of the Audit Committee – was in regular contact with the Executive Board outside Supervisory Board meetings. The Chairman of the Executive Board provided information on events that are significant to the Company without delay, regardless of the schedule of meetings. The Supervisory Board held regular meetings, partially without the Executive Board in attendance, dealing especially with agenda items that concern the Executive Board itself or internal Supervisory Board matters.

Focus of Activities at Plenary Meetings of the Supervisory Board

The Supervisory Board held seven regular meetings in the reporting period. In addition, the Supervisory Board passed two resolutions by written circulation. Due to the exceptional circumstances of the COVID-19 pandemic, most meetings of the Supervisory Board and its Committees were held virtually or as face-to-face meetings with the option of virtual attendance.

At the meeting on November 9, 2020, we discussed the key financial data of the fourth quarter and of the 2020 fiscal year. Other issues discussed at the meeting were corporate governance matters, in particular the Declaration of Conformity with the German Corporate Governance Code ("Code") and the independence of the shareholder representatives on the Supervisory Board. We resolved the objectives for the composition of the Supervisory Board, including the profile of required skills and expertise and the diversity concept for the Supervisory Board, which are explained in chapter **3.5 Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code**. Furthermore, in accordance with the recommendation of the Presiding Committee, we specified, on the basis of the target achievement determined, the compensation of the Executive Board members for fiscal year 2020 and resolved the targets to be set and maximum compensation for fiscal year 2021 as well as the annexes to the Executive Board contracts.

On December 4, 2020, following the legal appointment of the employee representatives, the full 20-member Supervisory Board held its constituent meeting. At that meeting, we elected the Chairman and the Deputy Chairmen of the Supervisory Board, the members of the Committees, and the Labor Director (Arbeitsdirektor) pursuant to Section 33 of the German Codetermination Act (Mitbestimmungsgesetz, MitbestG), and resolved amendments to the bylaws for the Executive Board and the Supervisory Board. With the involvement of the independent auditor, who attended the meeting, we dealt with and approved the financial statements and the Combined Management Report for Siemens Energy AG and the Group as of September 30, 2020. In addition, we reviewed the separate nonfinancial Group report and the dependent company report. We discussed the 2020 Annual Report, including the Report of the Supervisory Board, the Corporate Governance Report in the Corporate Governance Statement, and the Compensation Report, as well as the agenda for the general Shareholders' Meeting on February 10, 2021. The Executive Board reported on the course of business in fiscal year 2020 and on the beginning of fiscal year 2021. Furthermore, we concerned ourselves with the Annual Report of the Chief Compliance Officer. On the Presiding Committee's recommendation, we resolved the compensation system for Executive Board members described in the invitation to the general Shareholders' Meeting effective October 1, 2020 and again discussed the maximum compensation for Executive Board members in fiscal year 2021 and the Spin-Off incentive. In addition, we approved the internal control procedures for related-party transactions.

At the meeting on February 1, 2021, the Supervisory Board discussed the course of business, the effects of the COVID-19 pandemic, and the results of the first quarter. One focus point of the deliberations was the Accelerating Impact Program to improve the business base, secure competitiveness, and allow the required structural changes at Siemens Energy. We also dealt with updating the Declaration of Conformity.

At the general Shareholders' Meeting on February 10, 2021, ten shareholder representatives were reelected. In accordance with the provisions of the deconsolidation agreement with Siemens AG and Siemens Beteiligungen Inland GmbH, the Supervisory Board designated Dr.-Ing. Lienhard as special independent member, and for this reason only a significantly reduced number of votes was available to Siemens AG in his election. At the meeting following the general Shareholders' Meeting, the Chairman and Deputy Chairmen of the Supervisory Board and the members of the Committees and their Chairs were elected.

On May 4, 2021, the Executive Board explained the key financial data and provided a summary of non-conformity costs. There were very intense discussions of the Company's technology strategy, especially with regard to renewable energies and hydrogen. Adjustments to the Executive Board service contracts were also resolved.

At our meeting on August 3, 2021, the Executive Board reported on the current business and financial situation after the end of the third quarter, explained the profit warning published on July 14, 2021, and described the progress with implementing the Accelerating Impact Program. The business situation, performance, and strategic orientation of Siemens Gamesa Renewable Energy were discussed in detail. On the Presiding Committee's recommendation, we resolved an amendment to the bylaws for the Executive Board and approved an Executive Board resolution on a funding measure.

The main focus of the meeting on September 21, 2021 was the future strategy of Siemens Energy AG, which we debated at great length. Other issues discussed at the meeting were corporate governance matters, in particular the Declaration of Conformity with the Code, as well as the engagement of Ernst & Young for the substantive audit of the Compensation Report. Moreover, we discussed the appropriateness of Executive Board compensation and, in response to a proposal of the Presiding Committee, the target and maximum compensation and the performance criteria for the short-term and long-term variable compensation for fiscal year 2022. Finally, we held in-depth discussions on the results of the efficiency review of our activities.

Corporate Governance

At the Supervisory Board meeting on November 9, 2020, the Supervisory Board for the first time resolved a Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) as well as the objectives for the composition of the Supervisory Board, including the profile of required skills and expertise and diversity concept, and the diversity concept for the Executive Board. Following Mr. Kaeser's departure from the Managing Board of Siemens AG, the Declaration of Conformity was updated at the Supervisory Board meeting held on February 1, 2021. At the meeting on September 21, 2021, the Supervisory Board approved the current version of the Declaration of Conformity. Information on corporate governance can be found in chapter **3.5 Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code.** The Declarations of Conformity are made permanently available to shareholders on the Company's website. The latest Declaration of Conformity can also be found in chapter **3.5 Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code**.

To ensure good corporate governance, the members of the Supervisory Board of Siemens Energy AG are obliged to disclose to the Supervisory Board as a whole any conflicts of interest, especially those arising as a result of advisory or governing body function at customers, suppliers, and lenders of Siemens Energy AG, or at other third parties.

Work in the Supervisory Board Committees

In order to discharge its duties efficiently, the Supervisory Board has established six Committees: the Presiding Committee, the Audit Committee, the Innovation and Finance Committee, the Nominating Committee, the Committee for Related-Party Transactions, and the Mediation Committee, whose establishment is mandatory under Section 27(3) of the German Codetermination Act. The Chairs of the Committees regularly provide comprehensive reports to the Supervisory Board on the work in the Committees. The tasks and members of the Committees are set out in detail in chapter **3.5 Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code**.

The **Presiding Committee** convened eight times. Between meetings, the Chairman of the Supervisory Board discussed issues of special significance with the members of the Presiding Committee. One focus of the work of the Presiding Committee was to prepare the resolutions of the Supervisory Board regarding the determination of Executive Board compensation, the review of its appropriateness, the definition of the performance criteria and targets for variable compensation, and the approval of the Compensation Report. Furthermore, the Presiding Committee dealt in particular with the succession planning for the composition of the Executive Board, corporate governance issues, the preparation of the corporate governance report in the Corporate Governance Statement and the Report of the Supervisory Board, the acceptance by Executive Board members of positions in other companies and institutions, and the preparation of the efficiency review. The Presiding Committee was informed of, or approved, matters relating to key personnel within the specified legal framework.

The **Audit Committee** held six regular meetings in the reporting period, which the heads of corporate departments attended, depending on the agenda item concerned, and made themselves available for questions from the members of the Audit Committee. In the presence of the independent auditor as well as the Chief Executive Officer and Chief Finance Officer, the Committee dealt with the financial statements and the Combined Management Report for Siemens Energy AG and the Group and discussed the Half-Year Financial Report and the quarterly statements with the Executive Board and the auditor. It furthermore discussed, in the presence of the auditor, the report on the review of the condensed interim Consolidated Financial Statements and interim Group Management Report for the first six months of 2021. The Committee awarded the audit engagement to the independent auditor elected for fiscal year 2021 by the general Shareholders' Meeting, determined the key audit areas, and specified the auditor's fee. It monitored the selection, independence, and qualification of the auditor and assessed the auditor's performance, including the additional services rendered. The Committee discussed the rotation of the auditor and assessed the quality of the audit of the financial statements. Against the background of the Wirecard case, it asked the auditor to provide ongoing reports on the latest development in the role of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as the auditor of Wirecard AG. The Chairman of the Audit Committee was in regular contact with the auditor about this, including between meetings. The Audit Committee questioned the auditor about its assessment of the final report of the Bundestag's committee of inquiry and of the measures the independent auditor has already taken or is planning to take to restore the confidence of the public and of stakeholders, which had been shaken by the Wirecard case. After extensive debate of the effects on Siemens Energy AG, no reasons came to light that would prevent the election of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as independent auditor for fiscal year 2022.

The Committee also concerned itself with the audit of the accounts and oversight over the accounting process, the effectiveness of the internal control system, the risk management system, the internal auditing system and the internal process for related-party transactions, as well as the reports on compliance matters and imminent or pending legal disputes. The Audit Committee asked for information on the status of the processes necessary to meet the reporting requirements of the EU Taxonomy and regularly requested separate reports on the effectiveness of the internal control system at Siemens Gamesa Renewable Energy. The practice of closed sessions without the Executive Board in attendance at the end of each meeting, which had been adopted as normal practice at the Committee's constituent meeting on November 9, 2020, was retained and the confidential communication between the Committee and the auditor continued to be promoted, also taking into account the German Financial Market Integrity Strengthening Act (Finanzmarktintegritätsstärkungsgesetz, FISG). On December 3, 2021, Prof. Dr. Ralf Thomas resigned from his position as Chair of the Audit Committee and the Audit Committee elected an independent candidate from amongst its members to chair the Committee. The composition of the Audit Committee and information regarding its Chairperson can be found on the Company's website at

www.siemens-energy.com/global/en/company/about/supervisory-board/committees.html.

The **Nominating Committee** held two meetings. It prepared the Supervisory Board's recommendations to the general Shareholders' Meeting concerning the election of members of the Supervisory Board representing shareholders. The Nominating Committee dealt with the succession planning for the Supervisory Board. In the selection of potential candidates and recommending resolutions, the Nominating Committee takes particular account of the targets approved by the Supervisory Board for its composition, including the profile of required skills and expertise and the diversity concept.

The **Innovation and Finance Committee** convened once in the reporting period. The meetings focused on debating the pension system and the brand strategy of the Company. At the beginning of fiscal year 2022, the Committee concerned itself with the annual budget for fiscal year 2022.

The **Committee for Related-Party Transactions** held one meeting in the reporting period, at which it discussed the parts of the process for related-party transactions that are relevant to the Committee.

The **Mediation Committee** did not convene in fiscal year 2021.

The members of the Supervisory Board make use of the training and development measures required to discharge their duties, such as on changes in the legal framework and on new trendsetting technologies, under their own responsibility with support from the Company. Internal information events are offered when needed to facilitate selected further training.

Special informational (onboarding) events were held in order to familiarize Supervisory Board members, and in particular members of the Audit Committee, with the Company's business model and the corporate structures of the Siemens Energy Group. They were given an in-depth insight into the particular aspects of Siemens Energy with regard to issues such as accounting, risk management and the internal control system, treasury, compliance, internal audit, auditing, and taxes, as well as into the legal framework of the Supervisory Board's work.

INDIVIDUAL DISCLOSURE OF MEETING ATTENDANCE

The attendance ratio of members at the meetings of the Supervisory Board and its Committees was 99% The attendance record of each individual member at the meetings of the Supervisory Board and its Committees in fiscal year 2021 was as follows:

	Supervisory Board plenary meetings		Chairman's Committee		Audit Committee		Innovation and Finance Committee		Nominating Committee		Related Party Transactions Committee	
(Number of meetings / participation in %)	**Number**	in %	**Number**	in %	**Number**	in %	**Number**	in %	**Number**	in %	**Number**	in %
Joe Kaeser Chair (since September 25, 2020)	7/7	100	8/8	100	6/6	100	1/1	100	2/2	100		
Dr.-Ing. Hubert Lienhard Deputy Chair (since September 25, 2020)	7/7	100	8/8	100			1/1	100	2/2	100		
Günter Augustat (since November 10, 2020)	6/6	100					1/1	100				
Manfred Bäreis (since November 10, 2020)	6/6	100			4/4	100						
Dr. Christine Maria Bortenlänger (since September 25, 2020)	7/7	100			6/6	100					1/1	100
Dr. Andrea Fehrmann (since November 10, 2020)	6/6	100			4/4	100						
Dr. Andreas Feldmüller (since November 10, 2020)	6/6	100									1/1	100
Nadine Florian (since November 10, 2020)	6/6	100			4/4	100						
Sigmar Gabriel (since September 25, 2020)	7/7	100									1/1	100
Rüdiger Groß (since November 10, 2020)	5/6	83					1/1	100				
Horst Hakelberg (since November 10, 2020)	6/6	100									1/1	100
Robert Kensbock (since November 10, 2020)	6/6	100	6/6	100	4/4	100	1/1	100			1/1	100
Jürgen Kerner (since November 10, 2020)	6/6	100	6/6	100			1/1	100				
Hildegard Müller (since September 25, 2020)	7/7	100									1/1	100
Laurence Mulliez (since September 25, 2020)	7/7	100			6/6	100						
Matthias E. Rebellius (since September 25, 2020)	7/7	100					1/1	100				
Hagen Reimer (since November 10, 2020)	6/6	100										
Prof. Dr. Ralf P. Thomas (since September 25, 2020)	7/7	100			6/6	100			2/2	100		
Geisha Jimenez Williams (since September 25, 2020)	7/7	100					1/1	100	2/2	100		
Randy Zwirn (since September 25, 2020)	7/7	100										
		99		100		100		100		100		100

AUDIT OF THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS DISCUSSED IN DETAIL

The independent auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, audited the financial statements, Consolidated Financial Statements, and Combined Management Report for Siemens Energy AG and the Group for fiscal year ending September 30, 2021, and issued an unqualified opinion. The financial statements of Siemens Energy AG and the Combined Management Report for Siemens Energy AG and the Group were issued in accordance with German legal requirements. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as applicable in the European Union (EU), and the additional requirements of German law pursuant to Section 315e (1) of the German Commercial Code (Handelsgesetzbuch). The Consolidated Financial Statements also comply with IFRS as published by the International Accounting Standards Board (IASB). The auditor conducted the audit in accordance with Section 317 of the German Commercial Code and the EU auditor directive, taking into account the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), and in supplementary compliance with the International Standards on Auditing (ISA). The Executive Board distributed the documents specified and the Executive Board's proposal for the appropriation of net income to us in advance. The preliminary dividend proposal was discussed in detail at the meeting of the Audit Committee on November 8, 2021; the financial statements, the Consolidated Financial Statements, and the Combined Management Report at the meeting of the Audit Committee on December 3, 2021. The Audit Committee addressed in particular the key audit matters described in the respective audit opinion, including the audit procedures performed. The audit by the Audit Committee also included the separate non-financial report for the Group. The reports of the independent auditor, including the audit report on the Compensation Report, were available to all members of the Supervisory Board and were discussed at length in the presence of the auditor at the Supervisory Board's meeting to approve the financial statements on December 6, 2021. The auditor reported on the scope, focus, and main results of its audit and in particular addressed the key audit matters and the audit procedures performed. No significant weaknesses of the internal control system and the risk management system were reported. At this meeting, the Executive Board explained the financial statements of Siemens Energy AG and the Consolidated Financial Statements of the Group, as well as the risk management system.

The Supervisory Board agrees with the results of the audit. No objections are to be raised following the final results of the audit by the Audit Committee and our own audit. The Compensation Report was compiled by the Executive Board and the Supervisory Board, and the annual financial statements and the Consolidated Financial Statements were prepared by the Executive Board. We have approved the financial statements and Consolidated Financial Statements. The financial statements are therefore adopted. The Executive Board has proposed that the net income be used to distribute a dividend of €0,10 per share entitled to a dividend and that the remaining net income be carried forward to the new account. We consent to this proposal.

CHANGES TO THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

When the Spin-Off from Siemens AG became effective on September 25, 2020, the Supervisory Board of Siemens Energy AG initially consisted of ten shareholder representatives, who were elected until the end of the first general Shareholders' Meeting of Siemens Energy AG. Following completion of the status proceedings concerning the composition of the Supervisory Board that were initiated as announced by the Executive Board on September 25, 2020, and the legal appointment of the employee representatives in November 2020, the Supervisory Board consists of 20 members and thus comprises an equal number of ten shareholder representatives and ten employee representatives in accordance with the German Codetermination Act. The members of the Supervisory Board representing shareholders were re-elected for a term of four years by the general Shareholders' Meeting on February 10, 2021.

There were no changes in the Executive Board in the reporting period.

For the Supervisory Board

Joe Kaeser

Chairman

3.5 Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code

The Executive Board and Supervisory Board report on the corporate governance of the Company in this statement in accordance with Sections 289 f and 315 d German Commercial Code and Principle 22 of the German Corporate Governance Code (Code). The Compensation Report can be found in chapter **3.6 Compensation Report pursuant to Section 162 of the Stock Corporation Act of Siemens Energy AG for fiscal year 2021** of the Combined Management Report. It is, along with the independent auditor's statement according to s. 162 of the Stock Corporation Act ("Aktiengesetz"), the current compensation system according to s. 87a para. 1 and 2 sentence 1 of the Stock Corporation Act, and the latest shareholders' resolution on compensation according to s. 113 para. 3 of the Stock Corporation Act, also available on our website at **www.siemens-energy.com/corpoprate-governance/remuneration-system**. More information on corporate governance is available online at **www.siemens-energy.com/corporate-governance**.

Declaration of conformity with the German Corporate Governance Code

The Executive Board and the Supervisory Board of Siemens Energy AG approved the following Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz) as of November 2020:

"Declaration of Conformity with the German Corporate Governance Code by the Executive Board and the Supervisory Board of Siemens Energy AG pursuant to Section 161 of the German Stock Corporation Act

Since submission of the last declaration of conformity in February 2021, Siemens Energy AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code in the version dated December 16, 2019 ("Code"), published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (Bundesanzeiger), and will continue to comply with them in the future, with the following exceptions:

- According to recommendation C.4, a Supervisory Board member who is not a member of any Executive Board of a listed company shall not accept more than five Supervisory Board mandates at non-group listed companies or comparable functions, with an appointment as chair of a Supervisory Board being counted twice. According to recommendation C.5, members of the Executive Board of a listed company shall not accept more than two Supervisory Board mandates in non-group listed companies or comparable functions, and shall not serve as the chair of a Supervisory Board in a non-group listed company.

  Instead of viewing the recommended maximum number of mandates for Executive Board and Supervisory Board members as a fixed upper limit, it should be assessed on a case-by-case basis whether the number of relevant mandates as defined by the Code is appropriate. This assessment should consider the expected personal workload caused by the accepted mandates, which may differ depending on the specific mandates.

- According to recommendations C.10 sentence 1 and D.4 sentence 1, the Chair of the Audit Committee should be independent from the Company and the Executive Board.

  Numerous material business relationships exist between Siemens Energy AG and its subsidiaries on the one hand, and the companies of the Siemens Group on the other hand due to their joint group affiliation prior to the Spin-Off becoming effective. Given the function of Prof. Dr. Thomas as a member of the Executive Board of Siemens AG, he therefore cannot be considered independent in accordance with the independence indicators defined by the Code. In the view of the Audit Committee and the Supervisory Board, it is advantageous and in the Company's interest to continue benefiting from the expertise and experience of Prof. Dr. Thomas as Chairman of the Audit Committee for a transition period.

  As already announced at the Company's ordinary Shareholders' Meeting on February 10, 2021, Prof. Dr. Thomas will resign his position as Chairman of the Audit Committee prior to the Company's next ordinary Shareholders' Meeting, which is planned for February 24, 2022, and an independent person will be appointed to the position. From that point in time, the Company will be in compliance with recommendations C.10 sentence 1 and D.4 sentence 1 of the Code.

Munich, September 2021

Siemens Energy AG

The Executive Board The Supervisory Board"

The latest Declaration of Conformity is available on the Siemens Energy AG website at **www.siemens-energy.com/german-corporate-governance-code**.

Corporate constitution (Unternehmensverfassung)

The term "Siemens Energy Group" refers to Siemens Energy AG and its Group companies. Siemens Energy AG is a stock corporation (Aktiengesellschaft) under the German Stock Corporation Act, registered in Munich, Germany. It has three governing bodies: the Executive Board, the Supervisory Board, and the Shareholders' Meeting. Their duties and powers are derived primarily from the Stock Corporation Act and the articles of association of Siemens Energy AG, as well as from the bylaws.

Composition and operation of the Executive Board

The Executive Board of Siemens Energy AG is composed of four members. The members of the Executive Board and their memberships to be disclosed in accordance with Section 285 No. 10 German Commercial Code can be found on page 149.

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

The Executive Board prepares the Company's quarterly statements and half-year financial report, the financial statements and Consolidated Financial Statements, and the Combined Management Report of Siemens Energy AG and the Group. In addition, the Executive Board ensures that the Company adheres to statutory requirements, official regulations and internal Company policies and works to achieve compliance with these provisions and policies within the Group. The Executive Board has established a comprehensive compliance management system. Protection is offered to employees and third parties who provide information on unlawful behavior within the Company. Details on the compliance management system are available on the Company's website at: **www.siemens-energy.com/global/en/company/about/compliance.html.**

The Supervisory Board has issued Bylaws for the Executive Board that contain the assignment of different portfolios and the rules for cooperation both within the Executive Board and between the Executive Board and the Supervisory Board. In accordance with these Bylaws, the Executive Board is divided into the portfolio of the President and CEO and a variety of Executive Board portfolios. The Supervisory Board has issued a business allocation plan which defines the Executive Board members who are responsible for the individual Executive Board portfolios. As the member with responsibility for the Human Resources portfolio, the Labor Director (Arbeitsdirektor) is appointed in accordance with the requirements of Section 33 of the German Codetermination Act (Mitbestimmungsgesetz). As a rule, first-time appointments to the Executive Board should not exceed three years. Members of the Executive Board shall, as a rule, not be over 63 years of age. Executive Board committees have not been set up.

As a rule, a portfolio assigned to an individual member is that member's own responsibility. Activities and transactions in a particular Executive Board portfolio that are considered to be extraordinarily important for the Company or associated with an extraordinary economic risk require the prior consent of the full Executive Board.

The same applies to activities and transactions for which the President or another member of the Executive Board demands a prior decision by the Executive Board. The President is responsible for the coordination of all Executive Board portfolios. Further details are available in the Bylaws for the Executive Board at: **www.siemens-energy.com/articles-of-association-&-bylaws**.

The Executive Board and the Supervisory Board cooperate closely for the benefit of the Company. The Executive Board informs the Supervisory Board regularly, comprehensively, and without delay on all issues of importance to the entire Company with regard to strategy, planning, business development, financial position and results of operations, compliance, and entrepreneurial risks. At regular intervals, the Executive Board also discusses the status of strategy implementation with the Supervisory Board.

The members of the Executive Board are subject to a comprehensive prohibition on competitive activity for the period of their employment at Siemens Energy AG. They are bound to serving the interest of the Company. When making their decisions, they may not be guided by personal interests nor may they exploit for their own advantage business opportunities offered to the Company. Executive Board members may conduct additional activities of material nature outside the company – in particular, Supervisory Board positions outside the Siemens Energy Group – only with the approval of the Presiding Committee of the Supervisory Board. The Supervisory Board is responsible for decisions regarding any adjustments to Executive Board compensation that are necessary in order to take account of possible compensation for secondary activities. Every Executive Board member is under an obligation to disclose conflicts of interest without delay to the Chair of the Supervisory Board and to the President of the Executive Board, and to inform the other members of the Executive Board thereof.

Information on the areas of responsibility and the curricula vitae of the members of the Executive Board are available on the Company's website at: **www.siemens-energy.com/global/en/company/about/executive-board.html**. Information on the compensation paid to the members of the Executive Board is provided in chapter **3.6 Compensation Report pursuant to Section 162 of the Stock Corporation Act of Siemens Energy AG for fiscal year 2021.**

Composition and operation of the Supervisory Board

When the Spin-Off from Siemens AG became effective on September 25, 2020, the Supervisory Board of Siemens Energy AG initially consisted of ten shareholder representatives, who were elected until the end of the first ordinary Shareholders' Meeting of Siemens Energy AG. Following completion of the status proceedings concerning the composition of the Supervisory Board that were initiated as announced by the Executive Board on September 25, 2020, and the legal appointment of the employee representatives in November 2020, the Supervisory Board consists of 20 members and thus comprises an equal number of ten shareholder representatives and ten employee representatives in accordance with the German Codetermination Act. The members of the Supervisory Board representing shareholders were re-elected for a term of four years by the ordinary Shareholders' Meeting on February 10, 2021.

The members of the Supervisory Board representing shareholders are elected by simple majority by the Shareholders' Meeting. Elections to the Supervisory Board are conducted, as a rule, on an individual basis. The Supervisory Board's employee representatives are elected in accordance with the provisions of the German Codetermination Act. The members of the Supervisory Board and their memberships to be disclosed in accordance with Section 285 No. 10 German Commercial Code can be found on page 150.

The Supervisory Board oversees and advises the Executive Board in its management of the Company's business. At regular intervals, the Supervisory Board discusses business development, planning, strategy, and strategy implementation. It reviews the financial statements and Consolidated Financial Statements, the Combined Management Report of Siemens Energy AG and the Group, and proposal for the appropriation of Net income. It approves the financial statements of Siemens Energy AG as well as the Consolidated Financial Statements, based on the results of the preliminary review conducted by the Audit Committee and taking into account the reports of the independent auditors. The Supervisory Board decides on the Executive Board's proposal for the appropriation of Net income and the Report of the Supervisory Board to the Shareholders' Meeting.

In addition, the Supervisory Board and the Audit Committee of the Supervisory Board monitor the Company's adherence to statutory provisions, official regulations and internal Company policies (compliance). The Supervisory Board also appoints the members of the Executive Board and determines each member's portfolios. The Supervisory Board approves – on the basis of a proposal by the Presiding Committee – the compensation system for Executive Board members and defines their concrete compensation in accordance with this system. It sets the individual targets for the variable compensation and the total compensation of each individual Executive Board member, reviews the appropriateness of total compensation, and regularly reviews the Executive Board compensation system. Important Executive Board decisions – such as those regarding major acquisitions, divestments, fixed asset investments, or financial measures – require Supervisory Board approval unless the bylaws for the Supervisory Board specify that such authority be delegated to the Innovation and Finance Committee of the Supervisory Board.

The Supervisory Board and its committees conduct regular reviews – either internally or with the involvement of external consultants – in order to determine how effectively they perform their duties.

The Supervisory Board performed an internal self-assessment in fiscal year 2021 on the basis of a comprehensive online questionnaire, the results of which were discussed in detail by the Supervisory Board at its meeting on September 21, 2021. The results of the assessment confirm the professional and constructive cooperation within the Supervisory Board and with the Executive Board, despite the establishment of the Board having been difficult as a consequence of the pandemic. The review yielded valuable feedback and suggestions, which are intended to be taken up in the following fiscal year.

Separate preparatory meetings of the shareholder representatives and of the employee representatives should be held regularly in order to prepare the Supervisory Board meetings. The Supervisory Board also meets regularly without the Executive Board in attendance. Every Supervisory Board member is under an obligation to disclose conflicts of interest to the Supervisory Board. Information regarding any conflicts of interest that have arisen and their handling is provided in the Report of the Supervisory Board. Special informational (onboarding) events are held in order to familiarize new Supervisory Board members with the Company's business model and the structures of the Siemens Energy Group.

Details regarding the work of the Supervisory Board are provided in chapter **3.4 Report of the Supervisory Board**. The curricula vitae of the members of the Supervisory Board are published on the Company's website at **www.siemens-energy.com/global/en/company/about/supervisory-board.html** and are updated annually. Information on the compensation paid to the members of the Supervisory Board is provided in chapter **3.6 Compensation Report pursuant to Section 162 of the Stock Corporation Act of Siemens Energy AG for fiscal year 2021**.

Supervisory Board committees

The Supervisory Board has six committees: the Presiding Committee, the Audit Committee, the Innovation and Finance Committee, the Nominating Committee, the Committee for Related-Party Transactions and the Mediation Committee in accordance with Section 27 para. 3 of the German Codetermination Act. Their duties, responsibilities, and procedures fulfill the requirements of the German Stock Corporation Act and the Code. The chairs of these committees provide the Supervisory Board with regular reports on their committees' activities.

The **Presiding Committee** coordinates the work of the Supervisory Board; it also prepares the Supervisory Board meetings and the review of its effectiveness. It discusses the long-term succession planning for the Executive Board, makes proposals regarding the appointment and dismissal of Executive Board members, and is responsible for concluding, amending, extending, and terminating employment contracts with members of the Executive Board. When making recommendations for first-time appointments, the Presiding Committee takes into account that these appointments should not exceed an initial term of three years. In preparing recommendations regarding the appointment of Executive Board members, the Presiding Committee takes into account the profile of requirements defined by the Supervisory Board, along with the diversity concept, and considers the age limit for Executive Board members defined by the Supervisory Board, the statutory minimum participation requirement, and the stipulated targets for the percentage of women. The Presiding Committee prepares the proposals for decisions at the Supervisory Board's plenary meetings regarding the system of Executive Board and Supervisory Board compensation, including the implementation of this system in Executive Board contracts, the definition of the targets for variable Executive Board compensation and the determination of whether these targets have been achieved, the determination and review of the appropriateness of the total compensation of individual Executive Board members, and the resolution on the annual Compensation Report. It was therefore not necessary to establish a separate compensation committee. The Presiding Committee concerns itself with questions regarding the Company's corporate governance and prepares the resolutions to be approved by the Supervisory Board regarding the Declaration of Conformity with the Code – including the explanation of deviations from the Code – and the Report of the Supervisory Board to the Shareholders' Meeting. Furthermore, the Presiding Committee submits recommendations to the Supervisory Board regarding the composition of the Supervisory Board committees and decides whether to approve contracts and business transactions with Executive Board members and parties related to them. Ultimately, the Presiding Committee is responsible for the decision if the Executive Board requires the approval of the Presiding Committee for the appointment or dismissal of management positions determined under its bylaws.

As of September 30, 2021, the Presiding Committee had the following members: Joe Kaeser (Chairman), Robert Kensbock, Jürgen Kerner and Dr.-Ing. Hubert Lienhard.

The **Audit Committee** attends to auditing the accounts and overseeing the accounting process, the effectiveness of the internal control system, the risk management system, the internal auditing system and the internal process for related-party transactions. It is responsible for preparing the Supervisory Board's audit of the financial statements, the Consolidated Financial Statements, and Combined Management Report of Siemens Energy AG and the Siemens Energy Group and for the audit of the Executive Board's proposal for the appropriation of Net income by the Supervisory Board. On the basis of the independent auditors' report on their audit of the financial statements, the Audit Committee makes, after its preliminary review, recommendations regarding Supervisory Board approval of the financial statements of Siemens Energy AG and the Consolidated Financial Statements. The Audit Committee discusses the quarterly statements and the half-year financial report with the Executive Board and the independent auditors and deals with the auditors' reports on the review of the half-year Consolidated Financial Statements and interim group management report. The Audit Committee attends to monitoring the Company's adherence to statutory provisions, official regulations, and internal Company policies (compliance), as well as the Group's separate non-financial statement.

The Audit Committee receives regular reports from the Internal Audit Department. It prepares the Supervisory Board's recommendation to the Shareholders' Meeting concerning the election of the independent auditors and submits the corresponding proposal to the Supervisory Board. It awards the audit contract to the independent auditors elected by the Shareholders' Meeting and monitors the independent audit of the financial statements, particularly the selection, independence, rotation and qualification of the auditor, as well as the quality of the audit, the auditor's performance and the additional services rendered. In doing so, it observes the applicable statutory provisions, particularly the requirements under Regulation (EU) 537/2014 regarding statutory audit. Outside its meetings, the Supervisory Board is also in regular communication with the independent auditors via the Chairman of the Audit Committee.

As of September 30, 2021, the Audit Committee had the following members: Prof. Dr. Ralf Thomas (Chairman), Manfred Bäreis, Dr. Christine Bortenlänger, Dr. Andrea Fehrmann, Nadine Florian, Joe Kaeser, Robert Kensbock and Laurence Mulliez. The members of the Audit Committee are, as a group, familiar with the sector in which the Company operates. Pursuant to the revised German Stock Corporation Act, at least one member of the Audit Committee must have expertise in the field of accounting and at least one other member must have expertise in auditing. The Audit Committee in its current composition meets this requirement. Pursuant to the Code, the chair of the Audit Committee shall have specific knowledge and experience in applying accounting principles and internal control procedures, shall be familiar with audits, and shall be independent. The Chairman of the Audit Committee, Prof. Dr. Ralf Thomas, meets these requirements, with the exception of the independence requirement.

The primary task of the **Innovation and Finance Committee** – based on the Company's overall strategy – is the discussion of the Company's innovation strategy and the preparation of negotiations and resolutions of the Supervisory Board on the financial situation and resources of the Company, including the annual budget, as well as investments in tangible assets and financial measures. In addition, the Innovation and Finance Committee resolves instead of the Supervisory Board on the approval of transactions that require Supervisory Board approval and that do not exceed €600 million. Moreover, the Innovation and Finance Committee deals with the corporate, brand and design image of the Company.

As of September 30, 2021, the Innovation and Finance Committee had the following members: Joe Kaeser (Chairman), Günter Augustat, Rüdiger Groß, Robert Kensbock, Dr.-Ing. Hubert Lienhard, Matthias Rebellius and Geisha Williams.

The **Nominating Committee** is responsible for making recommendations to the Supervisory Board on suitable candidates for election by the Shareholders' Meeting as shareholder representatives on the Supervisory Board. It is to be ensured that, besides possessing the necessary knowledge, skills, and expertise, the proposed candidates are familiar with the sector in which the Company operates. The objectives defined by the Supervisory Board for its composition should be taken into consideration, as should diversity and the fulfillment of the profile of required skills and expertise developed by the Supervisory Board. The target set by the Supervisory Board with respect to an appropriate participation of women and men is consistent with the legal requirements relating to the gender quota.

As of September 30, 2021, the Nominating Committee had the following members: Joe Kaeser (Chairman), Dr.-Ing. Hubert Lienhard, Prof. Dr. Ralf Thomas, and Geisha Williams.

The **Committee on Related Party Transactions** has the task of resolving instead of the Supervisory Board on the approval of transactions with related parties within the meaning of Sections 107 and 111a to 111c of the German Stock Corporation Act.

As of September 30, 2021, the **Committee on Related Party Transactions** had the following members: Hildegard Müller (Chairwoman), Dr. Christine Bortenlänger, Dr. Andreas Feldmüller, Sigmar Gabriel, Horst Hakelberg and Robert Kensbock.

More details are available in the bylaws for the Supervisory Board at: **www.siemens-energy.com/articles-of-association-&-bylaws**.

Share transactions by members of the Executive and Supervisory Boards

Pursuant to Article 19 of EU Regulation No. 596/2014 of the European Parliament and Council of April 16, 2014, on market abuse (Market Abuse Regulation), members of the Executive Board and the Supervisory Board are legally required to disclose all transactions conducted on their own account relating to the shares or debt instruments of Siemens Energy AG or to the derivatives or financial instruments linked thereto if the total value of such transactions entered into by a board member or any closely associated person reaches or exceeds € 20,000 in any calendar year. All transactions reported to Siemens Energy AG in accordance with this requirement are duly published and are available on the Company website at: **www.siemens-energy.com/managers-transactions**.

Details regarding transactions with members of the Executive and Supervisory Boards as related individuals are available in **2.6 Notes to Consolidated Financial Statements** in **Note 27 Related party transactions.**

Shareholders' Meeting and investor relations

Shareholders exercise their rights at the Shareholders' Meeting. An annual ordinary Shareholders' Meeting normally takes place within the first five months of each fiscal year. The Shareholders' Meeting decides, among other things, on the appropriation of Net income, the ratification of the acts of the Executive and Supervisory Boards, and the appointment of the independent auditors. Amendments to the articles of association and measures that change the Company's capital stock are approved at the Shareholders' Meeting and implemented by the Executive Board. The Executive Board facilitates shareholder participation in this meeting through electronic communications – in particular, via the internet – and enables shareholders who are unable to attend the meeting to vote by proxy. Proxies can also be reached during the Shareholders' Meeting. Furthermore, shareholders may exercise their right to vote in writing or by means of electronic communications (absentee voting). The Executive Board may enable shareholders to participate in the Shareholders' Meeting without the need to be present at the venue and without a proxy and to exercise some or all of their rights fully or partially by means of electronic communications. The Company enables shareholders to follow the entire Shareholders' Meeting via the internet. Shareholders may submit proposals regarding the proposals of the Executive and Supervisory Boards and may contest decisions of the Shareholders' Meeting. Shareholders owning stock with an aggregate notional value of € 100,000 or more may also demand the judicial appointment of special auditors to examine specific issues.

The reports, documents, and information required by law for the Shareholders' Meeting, including the Annual Report, can be downloaded from the Company website. The same applies to the agenda for the Shareholders' Meeting and to any counterproposals or shareholders' nominations that may require disclosure. For the election of shareholder representatives on the Supervisory Board, a detailed curriculum vitae of every candidate is published.

Due to the exceptional circumstances of the COVID-19 pandemic, the ordinary Shareholders' Meeting on February 10, 2021, was held as a virtual Shareholders' Meeting without the physical attendance of the shareholders or their proxy representatives in accordance with Section 1, para. 2 of the Act on Measures in Corporate Law, Cooperatives Law, Associations Law, Trust Law, and Residential Sectional Ownership Law to Combat the Effects of the COVID-19 Pandemic. As part of investor relations activities, investors are informed comprehensively about developments within the Company. For communication purposes, Siemens Energy AG makes extensive use of the Internet. We publish quarterly statements, half-year financial reports and Annual Reports, earnings releases, ad hoc announcements, analyst presentations, letters to shareholders, as well as the financial calendar for the current year, which contains the publication dates of significant financial communications and the date of the Shareholders' Meeting, at: **www.siemens-energy.com/financial-publications**. When required, the Chairman of the Supervisory Board discusses Supervisory-Board-specific topics with investors.

Further information on corporate governance practices

Suggestions of the Code

Siemens Energy AG voluntarily complies with the Code's suggestions, with the following exceptions:

Pursuant to suggestion A.5 of the Code, in the case of a takeover offer, the Executive Board should convene an extraordinary Shareholders' Meeting at which shareholders will discuss the takeover offer and may decide on corporate actions. The convening of a Shareholders' Meeting – even taking into account the shortened time frames stipulated in the German Securities Acquisition and Takeover Act ("Wertpapiererwerbs- und Übernahmegesetz") – is an organizational challenge for large publicly listed companies. It appears doubtful whether the associated effort is justified in cases where no relevant decisions by the Shareholders' Meeting are intended. The convening of an extraordinary Shareholders' Meeting should therefore be decided on a case-by-case basis.

Pursuant to suggestion D.8 sentence 2, participation in the Supervisory Board's and its committees' meetings by telephone or video conference should not be the rule. At Siemens Energy AG, personal attendance of meetings is envisaged as the norm. Participation by video or telephone should only take place under exceptional circumstances. Due to the exceptional circumstances of the COVID-19 pandemic, most meetings of the Supervisory Board and its committees in fiscal year 2021 were held virtually or as face-to-face meetings with the option of virtual attendance.

Business Conduct Guidelines

The Business Conduct Guidelines provide the ethical and legal framework within which we want to conduct our activities and remain on course for success. They contain the Basic principles and rules for our conduct within our Company and in relation to our external partners and the general public. They set out how we meet our ethical and legal responsibility as a Company.

Equal participation of men and women in management positions

During the reporting period, the composition of the Supervisory Board complied with the statutory requirements for the minimum participation of men and women.

Siemens Energy AG's Supervisory Board has set a target of at least 25% for the proportion of women on the Executive Board by August 31, 2025.

During the reporting period, Siemens Energy AG as the parent company of the Siemens Energy Group, and being a pure holding company, had no independent organizational structure. On the basis of a position evaluation system that is applied Group-wide, the Executive Board has therefore defined one management level for employees directly employed at Siemens Energy AG and has set a target of at least 25% for the proportion of women for this management level by September 30, 2025. The Executive Board takes diversity into account when filling management positions. Further information is available in the **Sustainability Report**.

Statutory provisions on equal participation of men and women in management positions that may be applicable to group companies other than Siemens Energy AG remain unaffected.

Diversity concept for the Executive Board

In November 2020, the Supervisory Board approved the following diversity concept for the composition of the Executive Board:

When making an appointment to a specific Executive Board position, the Supervisory Board's decision must be guided by the Company's best interest, taking into consideration all circumstances in the individual case. In the view of the Supervisory Board, the decisive criteria for the selection of members of the Executive Board are in particular their personal suitability, expertise in their prospective areas of responsibility, convincing leadership qualities, achievements to date, international experience, knowledge of the Company, and the ability to adjust business models and processes in a changing global environment. It must be ensured that the members of the Executive Board collectively have the knowledge, skills, and experience, as is required to optimally fulfill their duties as Executive Board members for a company active in the field of energy and technology, such as Siemens Energy.

When considering which personality would best complement the Executive Board, the Supervisory Board also pays attention to aspects of diversity, in particular age, gender, educational and professional background, and internationality. The aim is to achieve a composition that is diverse and comprises individuals who complement one another in an Executive Board that brings different perspectives to the management of the Company.

- The Supervisory Board considers it helpful if different age groups are represented on the Executive Board. In accordance with the recommendation of the German Corporate Governance Code, the Supervisory Board has defined an age limit for the members of the Executive Board. Accordingly, the members of the Executive Board shall, as a rule, not be older than 63 years of age.
- Diversity also means gender diversity. When selecting individuals for Executive Board positions, the targets set by the Supervisory Board for the proportion of women on the Executive Board must be taken into account. The Supervisory Board has established as a target that 25% of the Executive Board positions are to be held by women by August 31, 2025.
- In addition to the expertise and management and leadership experience required for their specific tasks, the Executive Board members are to have a broad range of knowledge and experience and wide educational and professional backgrounds.
- Collectively, the Executive Board shall have experience in the business areas that are important for Siemens Energy, namely energy generation, energy transmission, engineering and construction.
- The Executive Board shall collectively possess knowledge of, and experience in, the areas of technology, strategy, innovation, manufacturing and production, marketing and sales, finances, corporate social responsibility, law and compliance, as well as the development and management of human resources.
- Siemens Energy operates globally with a workforce stemming from numerous countries and global customer and supplier bases. Therefore, the composition of the Executive Board should take into account internationality of its members in the sense of different cultural backgrounds or international experience. The aim is to ensure that there is intercultural openness and the corresponding understanding and ability to assess international issues and contexts within the Executive Board.

Status of implementation of the diversity concept for the Executive Board

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

The current composition of the Executive Board largely fulfills the diversity concept adopted by the Supervisory Board. The members of the Executive Board cover a broad spectrum of knowledge and experience and exhibit diversity with regard to professional and educational background in the Executive Board’s current composition. The Executive Board has all the knowledge and experience that is considered essential in view of the activities of Siemens Energy. All Executive Board members have international experience. The various career paths and personalities within the Executive Board reflect the complex tasks it faces.

In fiscal year 2021, the Executive Board comprised one woman and three men. The proportion of women on the Executive Board thus met the target of 25% set by the Supervisory Board and also met the minimum participation requirement specified by Germany’s Second Management Positions Act. The average age of the Executive Board members stood at 53 years at the end of fiscal year 2021. The youngest member was 48 years old, with the oldest member aged 59. No Executive Board member is currently older than 63 years of age.

Jointly with the Executive Board and with the support of the Presiding Committee, the Supervisory Board conducts long-term succession planning for the Executive Board. In the process, the Supervisory Board considers the target it has defined for the proportion of women on the Executive Board and the criteria set out in the diversity concept it has approved for the Executive Board’s composition as well as the requirements of the German Stock Corporation Act, the Code and the bylaws for the Supervisory Board. Taking account of the specific qualification requirements and the aforementioned criteria, the Presiding Committee develops an ideal profile on the basis of which it compiles a short-list of available candidates.

Objectives for the composition of the Supervisory Board, Profile of Required Skills and Expertise, Diversity Concept

The diversity concept for the Supervisory Board, together with the objectives regarding the Supervisory Board’s composition and the profile of required skills and expertise for the Supervisory Board, were approved by the Supervisory Board in November 2020:

The Supervisory Board of Siemens Energy AG shall be composed so as to ensure that it is able to effectively monitor and advise the Executive Board.

- **Personality and integrity**
  Each member shall have the personality and integrity needed to perform their duties properly. Supervisory Board members must always place the interests of the Company at the center of their actions as a Supervisory Board member.

- **Individual professional abilities**
  The candidates proposed for election to the Supervisory Board must have the knowledge, skills, and experience necessary to carry out the functions of a Supervisory Board member in a multinational publicly traded company. Each member of the Supervisory Board should know and understand the main product groups, customer groups, and sales markets of the Company and its strategy.

- **Sufficient time**
  Each member of the Supervisory Board must have sufficient time to exercise the mandate with the necessary regularity and diligence.

- **Limits on age**
  In compliance with the age limit stipulated by the Supervisory Board in its bylaws, only individuals who are no older than 70 years of age shall, as a rule, be nominated for election to the Supervisory Board.

- **Limit restricting the number of terms on the Supervisory Board**
  Nominations shall take into account that the Supervisory Board has resolved, as a rule, to limit membership on the Supervisory Board to three full terms of office. The Supervisory Board considers it important to regularly exchange its members, while at the same time maintaining continuity within the Board, as long-standing board membership ensures that significant experience and knowledge is acquired, and promotes trustful cooperation within the Supervisory Board, and with the Executive Board.

- **Professional diversity**
  With regard to the composition of the Supervisory Board, care must be taken to ensure that its members collectively possess the professional skills required to fulfill their duties and that they have knowledge and experience in the business areas that are important for Siemens Energy, in particular those of energy generation, transmission, distribution, and storage. As a group, the members of the Supervisory Board must be familiar with the sector in which the Company operates.

In acting in the interests of the Company, the Supervisory Board as a whole shall be able to include the interests of all relevant stakeholders such as employees, customers, investors, and the general public, and actively support organizational and technical change.

Technological competence shall be appropriately represented on the Supervisory Board; in addition, it shall also possess expertise in those areas that are considered essential in view of the activities of Siemens Energy, in particular in the areas of strategy, innovation, manufacturing and production, marketing and sales, corporate social responsibility, law, in particular corporate governance and compliance, and human resources.

It must be ensured that the Supervisory Board possesses the necessary financial competence; at least one member of the Supervisory Board shall have expertise in the fields of accounting or auditing, as well as specialist knowledge and experience in the application of accounting principles and internal control processes.

The Supervisory Board shall also include members who have leadership experience as senior executives or members of a Supervisory Board (or comparable body) at a major company with international operations.

- **Diversity**
  With regard to the composition of the Supervisory Board, attention shall be paid to achieving sufficient diversity. This includes diversity in terms of cultural background and differences in educational and professional backgrounds, experience and ways of thinking, as well as the appropriate representation of the genders on the Supervisory Board as members. Pursuant to the German Stock Corporation Act, a Supervisory Board that is subject to co-determination must be made up of at least 30% women and at least 30% men. Until the statutory gender quota comes into force, the Supervisory Board has set a target of at least 30% for the proportion of women on the Supervisory Board. The Nominating Committee must include at least one female member.

- **Internationality**
  Siemens Energy operates globally with a workforce stemming from numerous countries and global customer and supplier bases. Having this in mind, the Supervisory Board shall include an appropriate number of members possessing international experience, so as to ensure that there is intercultural openness and the corresponding understanding, as well as the ability to assess international issues and contexts.

- **Independence**
  The Supervisory Board shall include an appropriate number of members representing the shareholders who are independent as determined by the shareholder representatives on the Supervisory Board. At least six shareholder representatives shall be independent of the Company and the Executive Board. Supervisory Board members shall not be members of governing bodies of, or exercise advisory functions at, significant competitors of the Company and shall not hold a personal relationship with a significant competitor. No more than two former members of the Executive Board of Siemens Energy AG shall belong to the Supervisory Board.

Implementation of the objectives regarding the Supervisory Board's composition as well as the profile of required skills and expertise and the diversity concept for the Supervisory Board; independent Supervisory Board members

In the process of selecting suitable candidates, the Nominating Committee of the Supervisory Board takes into account the objectives regarding the Supervisory Board's composition and the requirements defined in its diversity concept. Most recently, the Supervisory Board and the Nominating Committee have considered the objectives, including the skills profile and the diversity concept, when proposing the candidates for the election of the shareholder representatives at the 2021 Shareholders' Meeting.

When proposing new Supervisory Board members for election by the Shareholders' Meeting, the Nominating Committee of the Supervisory Board will make sure that the candidates have sufficient time to perform their duties.

The Supervisory Board is of the opinion that, with its current composition, it meets the objectives for its composition and fulfills the profile of required skills and expertise as well as the diversity concept. The Supervisory Board members have the specialist and personal qualifications considered necessary. As a group, they are familiar with the sector in which the Company operates and have the knowledge, skills, and experience essential for Siemens Energy. A considerable number of Supervisory Board members are engaged in international activities and/or have many years of international experience. Appropriate consideration has been given to diversity in the Supervisory Board. In fiscal year 2020, the Supervisory Board comprised six women, four of which among the shareholder representatives and two among the employee representatives. That results in a ratio of 30% female members on the Supervisory Board. Geisha Williams is a member of the Nominating Committee.

In the assessment of the Supervisory Board, at least eight of the Supervisory Board members representing the shareholders are independent and there are thus an appropriate number of independent members within the meaning of the Code. These Supervisory Board members are: Dr. Christine Bortenlänger, Joe Kaeser, Dr.-Ing. Hubert Lienhard, Hildegard Müller, Laurence Mulliez, Sigmar Gabriel, Geisha Williams and Randy Zwirn. The regulations establishing limits on age and restricting the number of terms on the Supervisory Board are complied with.

Members of the Executive Board and positions held by Executive Board members

In the fiscal year ended September 30, 2021, the **Executive Board** had the following members:

Name	Date of birth	First appointed	Term expires	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises External positions (as of September 30, 2021)	Group company positions (as of September 30, 2021)
Dr.-Ing. Christian Bruch President and Chief Executive Officer	April 7, 1970	May 1, 2020	April 30, 2025	Positions outside Germany: • Lenzing AG, Austria[1]	
Dr.-Ing. Jochen Eickholt	January 26, 1962	April 1, 2020	September 30, 2023	German Positions: • Voith Hydro Holding GmbH & Co. KG, Germany (Deputy Chairman)[2] • Voith Hydro Holding Verwaltungs GmbH, Germany (Deputy Chairman)[2] Positions outside Germany: • EthosEnergy Group Ltd., U.K, (Deputy Chairman)	
Maria Ferraro	May 21, 1973	May 1, 2020	September 30, 2023		Positions outside Germany: • Siemens Gamesa Renewable Energy S.A., Spain[1]
Tim Holt	September 1, 1969	April 1, 2020	September 30, 2023	Positions outside Germany: • EthosEnergy Group Ltd., U.K. (until May 19, 2021) • Siemens Ltd., India[1]	Positions outside Germany: • Siemens Energy Ltd., Saudi Arabia • Siemens Energy WLL, Qatar • Siemens Gamesa Renewable Energy S.A., Spain (Vice Chair)[1]

[1] Listed Company
[2] Advisory Board.

Members of the Supervisory Board and positions held by Supervisory Board members

In the fiscal year ended September 30, 2021, the **Supervisory Board** had the following members:

Name	Occupation	Date of birth	Member since	Term expires	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises (as of September 30, 2021)
Joe Kaeser **Chairman**	Chairman of the Supervisory Board of Siemens Energy AG[1]	June 23, 1957	September 25, 2020	2025[2]	German positions: • Daimler AG, Stuttgart[3, 4] • Daimler Truck AG, Stuttgart • Mercedes-Benz AG, Stuttgart (until April 22, 2021) • Siemens Energy Management GmbH, Munich (Chair) Positions outside Germany: • NXP Semiconductors N.V., The Netherlands (Deputy Chair)[3] • Siemens Ltd., India[3,5] (until February 12, 2021)
Robert Kensbock* **1. Deputy Chairman**	Chairman of the Central Works Council of Siemens Energy Global GmbH & Co. KG	March 13, 1971	November 10, 2020	Appointed by court until regular elections acc. to Co-determination Act	German positions: • Siemens Energy Management GmbH, Munich (Deputy Chair)
Dr.-Ing. Hubert Lienhard **2. Deputy Chairman**	Supervisory Board Member of various German enterprises	January 12, 1951	September 25, 2020	2025[2]	German positions: • EnBW Energie Baden-Württemberg AG, Karlsruhe[3] • Heraeus Holding GmbH, Hanau • Siemens Energy Management GmbH, Munich • SMS GmbH, Düsseldorf • SMS group GmbH, Düsseldorf • Voith GmbH & Co. KGaA, Heidenheim an der Brenz
Günter Augustat*	Member of the Central Works Council, Siemens Energy Global GmbH & Co. KG	June 1, 1968	November 10, 2020	Appointed by court until regular elections acc. to Co-determination Act	German positions: • Siemens Energy Management GmbH, Munich
Manfred Bäreis*	Chairman of the Works Council, Siemens Energy Global GmbH & Co. KG	August 24, 1962	November 10, 2020	Appointed by court until regular elections acc. to Co-determination Act	German positions: • Siemens Energy Management GmbH, Munich
Dr. Christine Bortenlänger	Managing Director, Deutsches Aktieninstitut e.V.	November 17, 1966	September 25, 2020	2025[2]	German positions: • Covestro AG, Leverkusen[3] • Covestro Deutschland AG, Leverkusen • MTU Aero Engines AG, Munich[3] • Osram GmbH, Munich (until February 23, 2021) • Osram Licht AG, Munich[3] (until February 23, 2021) • Siemens Energy Management GmbH, Munich • TÜV Süd AG, Munich

Name	Occupation	Date of birth	Member since	Term expires	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises (as of September 30, 2021)
Dr. Andrea Fehrmann*	Trade Union Secretary, IG Metall Regional Office for Bavaria	June 21, 1970	November 10, 2020	Appointed by court until regular elections acc. to Co-determination Act	German positions: • Siemens AG, Berlin und Munich[3] • Siemens Energy Management GmbH, Munich
Dr. Andreas Feldmüller*	Director Expanded Scope Solutions and Chairman of the Central Committee of Spokespersons, Siemens Energy Global GmbH & Co. KG	April 24, 1962	November 10, 2020	Appointed by court until regular elections acc. to Co-determination Act	German positions: • Siemens Energy Management GmbH, Munich
Nadine Florian*	Chairwoman of the European Works Council of Siemens Energy, member of the Central Works Council of Siemens Energy Global GmbH & Co. KG and Chairwoman of the Works Council Duisburg	August 23, 1976	November 10, 2020	Appointed by court until regular elections acc. to Co-determination Act	German positions: • Siemens Energy Management GmbH, Munich
Sigmar Gabriel	Former German Federal Minister, Author, Publicist	September 12, 1959	September 25, 2020	2025[2]	German positions: • Deutsche Bank AG, Frankfurt am Main[3] • GP Günter Papenburg AG, Hanover • Siemens Energy Management GmbH, Munich
Rüdiger Groß*	Deputy Chairman of the Central Works Council, Siemens Energy Global GmbH & Co. KG	June 12, 1965	November 10, 2020	Appointed by court until regular elections acc. to Co-determination Act	German positions: • Siemens Energy Management GmbH, Munich
Horst Hakelberg*	Deputy Chairman of the Works Council, Siemens Gamesa Renewable Energy GmbH & Co. KG	October 4, 1967	November 10, 2020	Appointed by court until regular elections acc. to Co-determination Act	German positions: • Siemens Gamesa Renewable Energy Management GmbH, Hamburg
Jürgen Kerner*	Chief Treasurer and Executive Member of the Managing Board of IG Metall	January 22, 1969	November 10, 2020	Appointed by court until regular elections acc. to Co-determination Act	German positions: • MAN SE, Munich (Deputy Chair) (until August 31, 2021)[3] • MAN Truck & Bus SE, Munich (Deputy Chair) • Premium Aerotec GmbH, Augsburg (Deputy Chair) • Siemens AG, Berlin und Munich[3] • Siemens Energy Management GmbH, Munich • ThyssenKrupp AG, Essen (Deputy Chair)[3] • Traton SE, Munich[3]
Hildegard Müller	President of the Managing Board of Verband der Automobilindustrie (VDA) e.V.	June 29, 1967	September 25, 2020	2025[2]	German positions: • RAG-Stiftung, Essen • Siemens Energy Management GmbH, Munich • Vonovia SE, Bochum[3]

Name	Occupation	Date of birth	Member since	Term expires	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises (as of September 30, 2021)
Laurence Mulliez	Chairwoman of the Board of Voltalia SA and President of Globeleq Ltd.	February 6, 1966	September 25, 2020	2025[2]	German positions: • Siemens Energy Management GmbH, Munich Positions outside Germany: • Globeleq Ltd., United Kingdom (Chair) • Morgan Advanced Materials plc, United Kingdom[3] • SBM Offshore N.V., The Netherlands[3] (until April 7, 2021) • Voltalia SA, France (Chair)[3]
Matthias Rebellius	Member of the Managing Board of Siemens AG and CEO Smart Infrastructure	January 2, 1965	September 25, 2020	2025[2]	German positions: • Siemens Energy Management GmbH, Munich • Siemens Mobility GmbH, Munich[5] (until May 15, 2021) Positions outside Germany: • Siemens Ltd., Australia[5] • Siemens Ltd., India[3,5] • Siemens Ltd., Saudi Arabia[5] • Siemens Schweiz AG, Switzerland[5] • Siemens W.L.L., Qatar[5]
Hagen Reimer*	Trade Union Secretary of the Managing Board of IG Metall	April 26, 1967	November 10, 2020	Appointed by court until regular elections acc. to Co-determination Act	German positions: • Siemens AG, Berlin und Munich[3] • Siemens Energy Management GmbH, Munich
Prof. Dr. rer. pol. Ralf P. Thomas	Chief Financial Officer and Member of the Managing Board of Siemens AG	March 7, 1961	September 25, 2020	2025[2]	German positions: • Siemens Energy Management GmbH, Munich • Siemens Healthcare GmbH, Munich (Chair)[5] • Siemens Healthineers AG, Munich (Chair)[3,5] Positions outside Germany: • Siemens Proprietary Limited, South Africa (Chair)[5]
Geisha Jimenez Williams	Interim CEO and Chair of the Board at Osmose Utility Services	July 21, 1961	September 25, 2020	2025[2]	German positions: • Siemens Energy Management GmbH, Munich Positions outside Germany: • Artera Services LLC, U.S.A. • Osmose Utility Services, Inc., U.S.A. (Chair)
Randy Zwirn	Member of the Board of Babcock Power Inc.	February 11, 1954	September 25, 2020	2025[2]	German positions: • Siemens Energy Management GmbH, Munich Positions outside Germany: • Babcock Power Inc., U.S.A.

* Supervisory Board member of the employees
[1] Until February 3, 2021, President and CEO of Siemens AG
[2] The term ends at the end of the ordinary Shareholders' Meeting
[3] Listed company
[4] Resignation from position with effect from October 1, 2021
[5] Group mandate of Siemens AG

3.6 Compensation Report pursuant to Section 162 of the Stock Corporation Act of Siemens Energy AG for fiscal year 2021

Munich, December 6, 2021

Dear Shareholders,

The entire Supervisory Board and in particular the Presiding Committee regard Executive Board compensation as a key tool for conducting oversight and supporting the Company's strategy. The Executive Board's compensation should not only help attract the best candidates to serve on the Board, but should also contribute to achieving operational targets and ensuring that the Company's strategy is robustly implemented.

Our strategy "Energy of Tomorrow" lays out several steps for Siemens Energy's path forward. It establishes short-term measures aimed at increasing the Company's performance and forming the basis for sustainable success. It also defines Siemens Energy's long-term goal of becoming the world's most valued energy technology company.

Executive Board compensation supports both aspects. With the annual bonus, which comprises around a quarter of total target compensation, operational improvements are rewarded through financial and non-financial targets. For fiscal year 2021, the Supervisory Board specifically set targets to incentivize continual improvement of profitability. Individual targets were employed to focus on further improving important strategic topics like operational excellence and digitalization.

The long-term share-based compensation – referred to as Stock Awards – link compensation to the sustainable success of Siemens Energy. With Stock Awards, members of the Executive Board and other senior leaders are given the task of ensuring that Siemens Energy creates more value for you, the shareholders, than other relevant industrial companies. Beyond this, strategically relevant targets for earnings per share (EPS) and environmental, social and governance (ESG) are anchored in the long-term equity-based compensation.

At our Annual Shareholders' Meeting in February 2021, a strong majority of you approved the compensation system for the members of the Executive Board, which forms the foundation for the members' compensation in each fiscal year. While your feedback on the system was mostly positive, some of you expressed criticism. The Presiding Committee took note of your engagement on this topic, carefully considered your points of criticism and developed corresponding recommendations for change. This resulted in the Supervisory Board employing the flexibility anchored in the compensation system and undertaking changes to variable compensation for fiscal year 2022.

What does this mean in detail? First, Free cash flow (pre-tax) will be used as a financial performance criterion for the Bonus. This metric will incentivize – alongside adjusted EBITA margin before Special Items – short-term improvement in profitability and cash flow. For fiscal year 2022, ESG criteria have been added to each Executive Board member's individual Bonus targets, further strengthening the Company's commitment to sustainability. This means that every member of the Executive Board will be measured in their Bonus against improvements in health & safety and customer satisfaction.

Secondly, the way that Siemens Energy's relative total shareholder return (TSR) is measured will be changed in the 2022 tranche of Stock Awards to take account of the growing market for solutions that reduce carbon emissions. This tranche will continue to measure Siemens Energy's TSR against the STOXX Global 1800 Industrial Goods & Services, a global index comprising around 300 companies from the industrial sector. The S&P Global Clean Energy Index, which consists of around 75 companies around the globe that derive a substantial portion of their revenue from clean energy activities, will replace the existing second TSR benchmark. Siemens Energy needs to succeed on the capital market against the best firms in this sector, and this should also be reflected in the Executive Board's compensation.

Further, the Supervisory Board decided to not make any adjustments to the Executive Board's target compensation for fiscal year 2022.

This report should allow you, the shareholders, to have a transparent view of compensation for the Executive and Supervisory Boards. Like all of my colleagues on the Supervisory Board, I look forward to continued dialogue with you on this important topic.

For the Presiding Committee of the Supervisory Board

Joe Kaeser

Chairman

This combined report by the Executive and Supervisory Boards is based on the requirements of Section 162 of the German Stock Corporations Act (Aktiengesetz) as well as relevant requirements in International Financial Reporting Standards (IFRS) and recommendations and suggestions in the German Corporate Governance Code. The compensation report includes individualized disclosure of compensation awarded or due to the members of the Executive Board and members of the Supervisory Board in fiscal year 2021 (October 1, 2020 to September 30, 2021) as well as other disclosures required by the German Stock Corporations Act. As of September 30, 2021, Siemens Energy AG did not have any former members of the Executive or Supervisory Boards that received compensation in fiscal year 2021. The report was subject to an audit by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft of the content of the compensation report as well as that the disclosures pursuant to Section 162 para. 1 and 2 AktG are made in all material respects (formal audit of the compensation report).

Compensation awarded or due to the members of the Executive and Supervisory boards in fiscal year 2020 is only disclosed in the comparative presentation (Section 3.6.4 Comparative presentation). Voluntary detailed disclosure of compensation awarded or due in fiscal year 2020 is not included in this report due to a lack of comparability with fiscal year 2021: In fiscal year 2020, members of the Executive and Supervisory Boards were only in office for part of the fiscal year, and, as management of a segment within Siemens AG, compensation for the members of the Executive Board was based on the Siemens Group's management compensation practices. Beginning with the compensation report for fiscal year 2022, the Executive and Supervisory Boards intend to provide voluntary detailed disclosure of compensation awarded or due in the previous fiscal year. The compensation report for fiscal year 2021 will be presented for approval to the Annual Shareholders' Meeting on February 24, 2022.

3.6.1 Compensation of the members of the Executive Board

This report explains how the compensation system in effect for the members of the Executive Board since October 1, 2020 was applied in fiscal year 2021. The compensation system was approved by the Annual Shareholders' Meeting on February 10, 2021 with 96.7% of the votes cast ("Say on Pay"). Shareholders will be asked to again approve the compensation system in the event of significant changes or, at the latest, at the Annual Shareholders' Meeting in 2025. A full description of the compensation system for the members of the Executive Board can be found in Siemens Energy AG's Notice of Annual Shareholders' Meeting 2021, which is available for download on the Company's internet site.

Each of the Executive Board members in office as of September 30, 2021 receive their compensation in accordance with an employment contract with Siemens Energy AG, which runs in parallel to their appointment as a member of the Executive Board. Due to his position as Chairman of Siemens Energy Inc., a subsidiary of the Company in the United States, Tim Holt receives a portion of his compensation (approximately 30%) from this entity. Compensation received from Siemens Energy AG is reduced accordingly so that his role with Siemens Energy Inc. does not lead to any additional compensation.

Key elements of Executive Board compensation

The compensation of the Executive Board in fiscal year 2021 complies with all applicable recommendations and suggestions in the version of the German Corporate Governance Code dated December 16, 2019. Executive Board compensation is based on the following principles:

Key principles of Executive Board compensation	
Contribution to the Company's strategy	The compensation system for members of the Executive Board should contribute to implementing the Company's strategy by setting appropriate incentives.
Sustainable orientation of compensation	Within the variable compensation, a substantial portion is determined based on performance measurement over a multi-year period. The focus on sustainability is further strengthened by anchoring performance criteria reflecting environmental, social and governance (ESG) factors in the long-term equity-based compensation.
Focus on industry-specific requirements	Executive Board compensation can be structured to reflect the Company's specific challenges, for example, by way of differentiation in compensation levels based on a specific function, or via the flexibility to adjust relative performance measurement in line with growing business segments.
Alignment of performance and pay	Exceptional performance should be rewarded appropriately in compensation. Performance under the established targets should lead to an appreciable reduction in compensation.
Consideration of Executive Board members' collective and individual performance	The compensation system offers the Supervisory Board the possibility to, on the one hand, take consideration of Executive Board members' individual responsibilities and, on the other hand, their overall performance as a governing body.
Consistency of compensation systems throughout the organization	The compensation system for members of the Executive Board is compatible with compensation systems for the management and employees of the Group.
Appropriateness of compensation	Executive Board members' compensation is appropriate for the market and takes consideration of the Company's size, complexity, and economic situation.

Overview of Executive Board compensation in fiscal year 2021

Compensation element	Description		Purpose/Link to strategy
Fixed components			
Base salary	Twelve monthly installments (exceptions permitted for place of employment outside of Germany)		Market-aligned base pay for carrying out Executive Board responsibilities
Fringe benefits	Benefits such as a company car, subsidies for insurance policies, tax advisory fees and housing and relocation expenses (first time appointment or change of place of employment), including any tax gross-ups covered by the Company		Costs covered up to an appropriate level
Retirement benefits	Pension substitute in the form of an unrestricted cash payment		Allows members to build up appropriate level of retirement savings on their own while minimizing risks for the Company
Variable components			
Short-term variable compensation (Bonus)	Main features: Performance period: 1 year Performance corridor: 0-150%		Incentives for excellent operational performance in line with the strategy
	Performance criteria	Adjusted EBITA margin before Special Items: 1/3	• Recognition for constant improvement to profitability and thereby execution of the long-term strategy
		Return on capital employed (“ROCE”): 1/3	• Assurance of capital efficiency at the Siemens Energy Group level
		Individual targets: 1/3	• Allows consideration of individual contributions in addition to the Board’s collective performance; focused on strategically important areas
Long-term variable compensation (Stock Awards)	Main features: Vesting period: 4 years Performance corridor: 0-200% Payout cap: 250% of the target amount Transfer: in shares		Orientation of Executive Board compensation toward sustainability; alignment between the performance of Siemens Energy’s share price and Executive Board compensation
	Performance criteria	Relative Total Shareholder Return (“TSR”): 40% • STOXX Global 1800 Industrial Goods & Services (70%) • MVIS US-Listed Oil Services 25 (30%)	• Alignment of compensation with a comparison versus relevant competitors on the capital market • Rewards successes on the path to becoming the world’s most valued energy technology company
		Earnings per share ("EPS"): 40%	• Generating profits over the medium term is a central strategic value driver and reflects sustainable improvements to operations
		Environmental, Social & Governance ("ESG"): 20% • CO_2 emissions (1/3) • Employee Engagement (1/3) • Share of women in leadership positions (1/3)	• Sustainability is an integral part of the Company’s strategy • The Supervisory Board has the possibility to use quantitative metrics to incentivize elements of sustainability over a multi-year period
Other			
Share Ownership Guidelines	**CEO**: 300% of base salary (€4,320,000) **Other members**: 200% of base salary (€1,440,000) Adherence after a build-up phase of around 4.5 years; purchase requirement if share price falls		Long-term commitment and further link to the Company’s success

Criteria for assessing the appropriateness of Executive Board compensation

The review of the appropriateness of Executive Board compensation generally is conducted based on a comparison with German companies of similar size and complexity. Siemens Energy is a member of the DAX index, which comprises 40 of the largest publicly listed German companies. Given its relative positioning on the basis of revenue, number of employees and market capitalization around the median of the DAX, this index represents a suitable basis for comparison for Siemens Energy.

The compensation system also foresees benchmarking against companies in the MDAX, of which Siemens Energy was a member for a period of time in fiscal year 2021. Due to the expansion of the DAX from 30 to 40 members as well as the inclusion of Siemens Energy in the DAX, no comparison with MDAX companies was carried out in fiscal year 2021.

In addition, the Supervisory Board takes account of Executive Board compensation in proportion to compensation for the workforce of Siemens Energy in Germany (Segment Gas and Power; "GP"), including any changes over time. For this vertical comparison, the Supervisory Board determines the ratio of the Executive Board's compensation to the compensation of top executives (Senior Management contract group) and the rest of the workforce (employees covered by the collective bargaining agreement as well as professionals outside of the collective bargaining agreement) of the Segment GP in Germany.

Composition of Executive Board compensation in fiscal year 2021

Executive Board compensation comprises both fixed and variable components. Target compensation represents the level of compensation that is realized if all targets are met and the price of Siemens Energy's shares remains constant. Target compensation thereby sets incentives for strong performance by the Company, the Executive Board as a whole and for each member. Failing to reach targets can lead to a substantial reduction in compensation, as each member of the Executive Board's target compensation is comprised mostly of variable compensation.

The following table shows the contractually agreed total target compensation for fiscal year 2021.

For fixed compensation as well as short- and long-term variable compensation, the compensation system for the members of the Executive Board defines ranges for each component as a percentage of total target compensation. The relative share of each compensation element was within the defined ranges for fiscal year 2021. The relative share of each compensation element in terms of compensation awarded or due can deviate from these figures according to the actual level of target attainment and the first possible transfer of Siemens Energy shares as part of the long-term variable compensation in fiscal year 2025. For the period up until the first transfer of a Stock Awards tranche, the relative share of variable compensation as a part of compensation awarded or due will remain lower than its share of total target compensation.

Total target compensation for fiscal year 2021		Fixed compensation				Variable compensation			Total
	(in k €)	Base salary	Pension substitute	Fringe benefits[1]	Sum	Bonus	Stock Awards Tranche 2021	Sum	
Dr.-Ing. Christian Bruch	Target amt.	1,440	500	35	1,975	1,440	1,920	3,360	5,335
	Share (%)	27%	9%	1%	37%	27%	36%	63%	100%
Maria Ferraro	Target amt.	720	250	55	1,025	720	960	1,680	2,705
	Share (%)	27%	9%	2%	38%	27%	35%	62%	100%
Dr.-Ing. Jochen Eickholt	Target amt.	720	250	41	1,011	720	960	1,680	2,691
	Share (%)	27%	9%	2%	38%	27%	36%	62%	100%
Tim Holt[2]	Target amt.	720	250	41	1,011	720	960	1,680	2,691
	Share (%)	27%	9%	2%	38%	27%	36%	62%	100%

[1] Target amounts for fringe benefits equal the value of benefits received in fiscal year 2021, excluding the monetary value of security installations in Executive Board members' regularly-used homes or rental properties, including any tax gross-ups covered by the Company. These installations were carried out according to Siemens Energy's current executive security framework. Values for fringe benefits including the monetary value of these installations, including any tax gross-ups covered by the Company, are disclosed in the table "Compensation awarded or due fiscal year 2021."

[2] Base salary, Bonus, pension substitute and selected fringe benefits for Tim Holt are paid out in US Dollars. Target amounts in US Dollars are determined prior to the respective fiscal year by converting the disclosed Euro amounts using the average Euro-US Dollar exchange rate in August of the respective year. For fiscal year 2021, the applicable exchange rate was €1 = $1.1828. Base salary and target Bonus each amounted to $851,616 after conversion. Stock Awards are granted on the basis of a Euro amount. Any contributions to retirement plans that Tim Holt receives as part of his employment with Siemens Energy Inc. are offset against the pension substitute.

Limits on individual compensation elements

At the beginning of the fiscal year the Supervisory Board sets a maximum value in Euro for each compensation element. Base salary and pension substitute are defined as a fixed amount and can therefore not amount to a higher value. Short-term and long-term variable compensation are capped at 150% and 250% of the target value in Euro, respectively.

For fringe benefits, the Supervisory Board sets a maximum monetary value – based on a percentage of base salary – at the beginning of the fiscal year for each member of the Executive Board. The Supervisory Board set maximum value of 8% of base salary for fiscal year 2021. According to the compensation system, this limit can be increased, in particular in the event of an Executive Board member with their place of employment outside of Germany.

For Tim Holt, whose place of employment is in the United States, the Supervisory Board increased the maximum value by €400,000 to account for additional benefits like tax equalization payments and expenses for tax advisory services, including any tax gross-ups covered by the Company. Further, the Supervisory Board elected – in line with the compensation system – to increase the maximum value of benefits for Maria Ferraro by €50,000 to account for time-limited benefits granted to her on an individual basis prior to the Spin-Off of Siemens Energy. These benefits, which were granted in May 2020 for a period of approximately two years, include expenses for tax advisory services and other benefits typical for Executive Board members working internationally, including any tax gross-ups covered by the Company.

Compliance with maximum compensation as defined by Section 87a German Stock Corporations Act

The Supervisory Board sets a binding annual maximum compensation amount for each member of the Executive Board, in line with Section 87a para. 1 s. 2 No. 1 of the German Stock Corporations Act. The final value of compensation for a particular fiscal year can only be determined after vesting occurs for the Stock Awards tranche granted for that fiscal year. Consequently, this will be possible for the tranche of Stock Awards granted in fiscal year 2021 in November 2024. However, the following table shows that the maximum possible value of compensation for fiscal year 2021 for each member of the Executive Board – which would result in the event of a payout from the Stock Awards tranche 2021 at 250% of the target value ("payout cap") – amounts to less than the respective applicable maximum compensation. Compliance with maximum compensation according to Section 87a of the German Stock Corporations Act for fiscal year 2021 is thus already assured.

Compliance with maximum compensation as defined under Section 87a of the German Stock Corporations Act for fiscal year 2021 (in k €)	Compensation awarded or due FY 2021 excluding Stock Awards Tranche 2021		Maximum value of the Stock Awards-Tranche 2021[1]		Maximum value of compensation for FY 2021		Maximum compensation as defined by Section 87a para. 1 s. 2 No. 1 German Stock Corporations Act
Dr.-Ing. Christian Bruch	3,418	+	4,800	=	8,218	<	9,950
Maria Ferraro	1,671	+	2,400	=	4,071	<	4,950
Dr.-Ing. Jochen Eickholt	1,715	+	2,400	=	4,115	<	4,950
Tim Holt	1,610	+	2,400	=	4,010	<	4,950

[1] The maximum value represents the value of the Stock Awards Tranche 2021 in Euros in the event that the value of the Stock Awards equals 250% of the target amount ("cap"). The vesting period for the Stock Awards Tranche 2021 ends in November 2024; if target attainment is greater than 0%, Siemens Energy shares will be transferred to the respective member of the Executive Board. A final review of compliance with the maximum compensation will occur at this time.

Variable compensation elements in fiscal year 2021

Short-term variable compensation (Bonus)

A substantial portion of Executive Board members' compensation is tied to the Siemens Energy Group's annual performance (Bonus). The final payout amount depends on the attainment of financial and non-financial targets. However, the overall payout amount is limited to 150% of the target amount (cap). Targets are divided into three equally-weighted components: two financial performance criteria – for fiscal year 2021 Adjusted EBITA Margin before Special Items and Return on Capital Employed (ROCE) – as well as individual targets, which can be either financial or non-financial in nature. Adjusted EBITA Margin before Special Items and ROCE reflect the short-term financial performance of the Siemens Energy Group.

The Supervisory Board approved the following target setting and target attainment levels for fiscal year 2021:

Bonus for fiscal year 2021 – Performance criteria		Performance corridor			Determination of target attainment	
		0% target	100% target	150% target	Actual	Target attainment
1/3	Adjusted EBITA Margin before Special Items[1]	0.05%	4.30%	6.43%	2.32%	53.41%
1/3	Return on Capital Employed (ROCE)[2]	(7.00)%	(1.00)%	2.00%	(3.61)%	56.50%
1/3	Individual targets					
(60%)	Cash Conversion Rate Group (Bruch, Ferraro, Holt)[3]	(0.40)	0.60	1.10	>1[5]	140%
	Cash Conversion Rate GP Segment (Eickholt)[4]	(1.05)	(0.05)	0.45	3.20	150%
(40%)	Non-financial targets (two; 20% each)	Qualitative target setting (see following table)			-	110 - 150%

	Payout range			Results for fiscal year 2021	
	0% target amount (k €)	100% target amount (k €)	150%-target amount (k €)	Overall target attainment	Amount paid out (k €)
Dr.-Ing. Christian Bruch	0	1,440	2,160	83.30%	1,200
Maria Ferraro	0	720	1,080	80.63%	581
Dr.-Ing. Jochen Eickholt	0	720	1,080	83.30%	600
Tim Holt[6]	0	720	1,080	80.63%	574

1 Adjusted EBITA margin before Special items is calculated by dividing adjusted EBITA before Special items by total revenue. Adjusted EBITA is defined as earnings before financing interest, income taxes, and amortization expenses related to intangible assets acquired in business combinations and goodwill impairments. Adjusted EBITA before Special items is calculated by excluding restructuring and integration costs (that is, costs that mainly refer to personnel measures leading to severance charges; these related and relate to several restructuring programs both at GP and SGRE, whereas integration costs refer only to SGRE), stand-alone costs (that is, costs that relate to the separation from Siemens Group and the formation of Siemens Energy as an independent enterprise) and strategic portfolio decisions (that is, major asset impairments and write-downs (including reversals) related to Siemens Energy Group strategic portfolio decisions).

2 ROCE is calculated as net income before financial result and taxes on financial result adjustments, less financial income from operations, divided by the average capital employed. Average capital employed in the reporting period is defined as a five-point-average of capital employed at the beginning of the reporting period, the respective balances as of the quarterly reporting dates, and the capital employed at the end of the reporting period.

3 Target set for Dr.-Ing. Christian Bruch, Maria Ferraro and Tim Holt on the basis of an operational Cash Conversion Rate (Free cash flow pre-tax of the Group divided by adjusted EBITA on a Group level). Free cash flow pre-tax of the Group is defined as cash flows from operating activities before income taxes paid, less additions to intangible assets and property, plant and equipment.

4 Target set for Dr.-Ing. Jochen Eickholt on the basis of Cash Conversion Rate for the Segment Gas and Power (Free cash flow pre-tax of the Segment GP divided by adjusted EBITA on a GP segment level). Free cash flow of the segments constitutes cash flows from operating activities less additions to intangible assets and property, plant and equipment.

5 In the present case of positive Free cash flow (pre-tax) and negative adjusted EBITA, Siemens nergy discloses the operational Cash Conversion Rate (Group) according to internal guidelines as ">1". An operational Cash Conversion Rate equal to "1" would lead mathematically to target attainment of 140%. The Supervisory Board views this target attainment level of 140% as appropriate and has decided to set target attainment accordingly. This determination rests especially on three factors: 1) At €1,358m, Free cash flow (pre-tax) was substantially above the amount budgeted at the beginning of fiscal year 2021. The Supervisory Board is thus of the view that in fiscal year 2021 the members of the Executive Board substantially exceeded the primary and original target, namely to generate cash at the Group level. 2) If adjusted EBITA had not been negative but instead a positive amount equal to the budgeted amount for fiscal year 2021, the operational Cash Conversion Rate (Group) would have had a value in excess of "1". 3) The Company's profit situation that led to a negative adjusted EBITA is already taken account of in the Bonus via two performance criteria, adjusted EBITA margin before Special Items and ROCE, the result of which is target attainment of 53.41% and 56.50%, respectively, leading to a substantial reduction in the Bonus amount to be paid out to each member. The Supervisory Board therefore does not believe that it is appropriate to again consider this circumstance in the context of determining target attainment for the operational Cash Conversion Rate (Group).

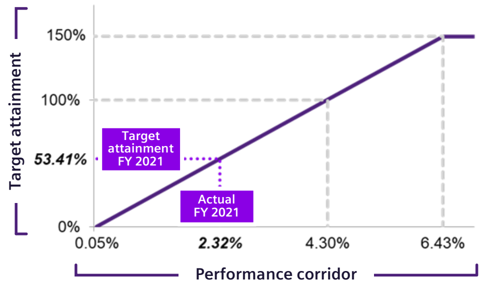
6 The amount to be paid out for fiscal year 2021 was determined based on the target amount in US Dollars and equals $686.658 (conversion into Euros at the average exchange rate in fiscal year 2021: € = $1.1954).

The performance corridors for the financial performance criteria are structured as linear increases between target values that correspond to a target attainment of 0%, 100% and 150%. Target attainment for Cash Conversion Rate on a Group and Segment GP level is also calculated according to this methodology:

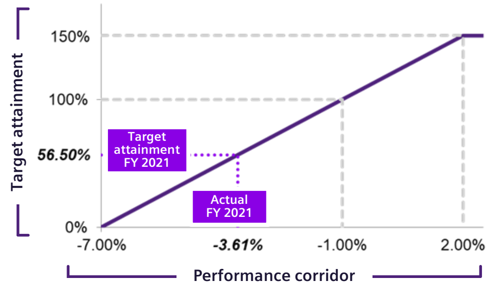
Bonus for fiscal year 2021 – Target corridors

Financial performance criteria

Adjusted EBITA Margin before Special Items

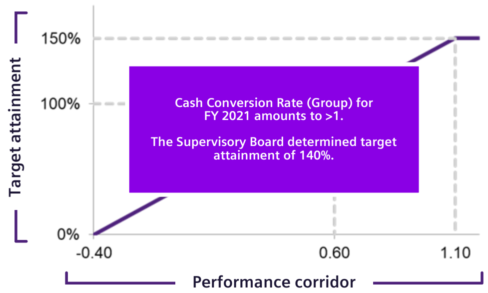


Return on Capital Employed (ROCE)

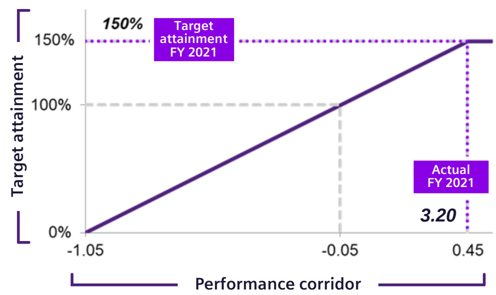


Individual targets

Cash Conversion Rate – Siemens Energy-Group



Cash Conversion Rate – Segment GP



The Supervisory Board uses individual, non-financial targets to set incentives for progress on strategically relevant topics. In light of the Company's Spin-Off from Siemens AG in September 2020, for fiscal year 2021 the Supervisory Board placed a focus on the development of a well-functioning, sustainable and inclusive organization. Non-financial individual targets, which are weighted within the individual targets at 20% each (that is, within the Bonus as a whole a weighting of 6.67% each), were determined at the beginning of the fiscal year. The Supervisory Board evaluated the attainment of these targets in a multi-step process.

First, each member of the Executive Board submitted a detailed self-evaluation. In the next step, the Chairman of the Presiding Committee conducted a preliminary evaluation based on these self-evaluations and an assessment of the Executive Board's work prepared by the President and CEO. With this as a foundation, the Presiding Committee of the Supervisory Board discussed the Executive Board's performance against the targets that had been set and proposed recommendations to the Supervisory Board. The Presiding Committee in particular recommended to the Supervisory Board to appropriately recognize the individual contribution of each member of the Executive Board to building a new and independent publicly-traded company. In a final step, the Supervisory Board approved the Presiding Committee's recommendations for target attainment levels.

Bonus for fiscal year 2021 – Non-financial targets	**Target 1**		**Target 2**	
	Target setting	Target attainment	Target setting	Target attainment
Dr.-Ing. Christian Bruch	Establish Siemens Energy's company culture and way of working	150%	Leadership Essentials and succession planning for executive management	130%
Maria Ferraro	Organizational development of the finance organization	110%	Develop a strategy for diversity and inclusion	130%
Dr.-Ing. Jochen Eickholt	Organizational development with respect to project excellence, project execution and engineering	140%	Efficiency gains at Generation/ Industrial Applications	110%
Tim Holt	Organizational development with respect to corporate functions	130%	Development of strategy for digitalization	110%

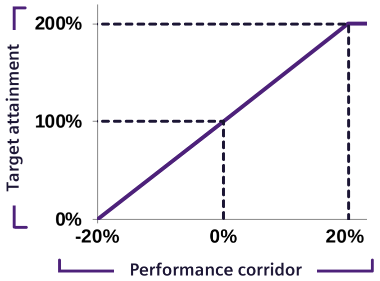
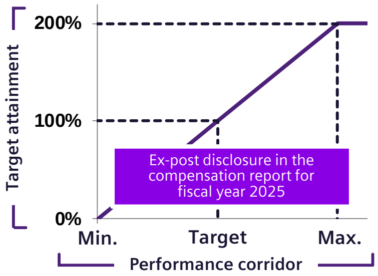
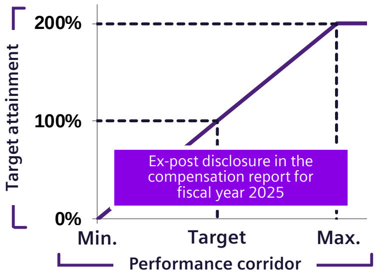
Long-term variable compensation (Stock Awards)

At the beginning of fiscal year 2021, the members of the Executive Board were granted long-term variable compensation in the form of Stock Awards (Stock Awards Tranche 2021). Each Stock Award confers the right to receive one Siemens Energy share. Stock Awards vest after a period of approximately four years, contingent upon attaining pre-defined performance targets. The vesting period for the Tranche 2021 begins in November 2020 and ends in November 2024. The number of Stock Awards to be granted is calculated by multiplying the maximum level of target attainment – 200% – by the target amount and then dividing this number by the price of Siemens Energy shares in Xetra trading on the grant date, less estimated discounted dividends during the approximately four-year vesting period ("grant price").

At the end of the vesting period, members of the Executive Board are entitled to receive one Siemens Energy share at no cost for each Stock Award. The final number of Stock Awards is determined by the degree to which the established targets are achieved during the performance period. If the monetary value of the final number of Stock Awards exceeds 250% of the target amount (cap), a corresponding number of Stock Awards for the amount exceeding the cap will be forfeited without replacement.

The following strategically relevant performance criteria are employed in the long-term variable compensation:

Stock Awards – Performance criteria Tranche 2021

Performance criterion	Total Shareholder Return ("TSR")	Earnings per Share ("EPS")	Environmental, Social & Governance ("ESG")
Weighting	40%	40%	20%
Target setting	For Siemens Energy and the comparison indices, change in share price plus dividends during the reference period (12 months) is compared to the corresponding value for the performance period (36 months). The difference in percentage points for Siemens Energy and respective index determines target attainment.	The Supervisory Board defines a 100% target value for the average EPS from continuing operations over the four fiscal years of the vesting period, as well as EPS values representing 0% and 200% target attainment.	Three equally weighted performance criteria for the ESG component are set at the beginning of the Tranche. The Supervisory Board also sets quantitative target values that correspond to a target attainment of 0%, 100% and 200%.
Performance corridor			

ESG targets, which each have a weighting of 1/3 within the performance criterion ESG (that is, a weighting within the Stock Awards overall of 6.67% each), were set as follows by the Supervisory Board for the 2021 Stock Awards tranche:

Stock Awards Tranche 2021– ESG targets

Targets		Target setting
1/3	Environmental ("E")	CO_2 emissions: Direct greenhouse gas emissions that arise from sources in the Company's ownership or under its control (Scope 1) and consumption of purchased electricity and district heating (Scope 2).
1/3	Social ("S")	Employee engagement based on the Employee Net Promoter Score (eNPS), which is determined based on a global survey of Siemens Energy's employees.
1/3	Governance ("G")	Target for share of women in leadership positions (defined according to functional value) based on the Company's long-term communicated target of 25% by 2025.

Disclosures on equity-based compensation in fiscal year 2021

The following table shows the Stock Awards "granted" in fiscal year 2021, that is, Stock Awards that were contractually granted to members of the Executive Board but are not yet due because of performance and vesting conditions, as well as Siemens Energy shares "awarded", that is, shares transferred to a member of the Executive Board. Because Siemens Energy Stock Awards were granted for the first time in November 2020, the first transfer of Siemens Energy shares will take place in November 2024, conditional upon the performance criteria described above being met.

Equity-based compensation granted and awarded FY 2021	Stock Awards-Tranche	Grant date	Number of Stock Awards granted in FY 2021[1]	Fair Market Value at grant (€)[2]	Vesting date[3]	Number of shares awarded in FY 2021	Value of shares awarded in FY 2021 (€)	Number of Stock Awards as of Sept. 30, 2021
Dr.-Ing. Christian Bruch	2021	Nov. 10, 2020	194,530	2,554,373	Nov. 2024	0	0	194,530
Maria Ferraro	2021	Nov. 10, 2020	97,265	1,277,199	Nov. 2024	0	0	97,265
Dr.-Ing. Jochen Eickholt	2021	Nov. 10, 2020	97,265	1,277,199	Nov. 2024	0	0	97,265
Tim Holt	2021	Nov. 10, 2020	97,265	1,277,199	Nov. 2024	0	0	97,265

[1] At the beginning of the vesting period of approximately four years, the maximum possible number of Stock Awards are conditionally granted. If target attainment is less than 200%, the number of Stock Awards is adjusted downward accordingly.

[2] To determine the fair market value, target attainment of 200% is assumed for the Total Shareholder Return (TSR) component and 100% target attainment for the Earnings per Share (EPS) and Environmental, Social & Governance (ESG) components.

[3] The vesting period ends on the day in November 2024 on which the financial results for fiscal year 2024 are published.

Malus and clawback rules for variable compensation

In certain cases, the Supervisory Board has the option of withholding (malus) or reclaiming (clawback) the short-term and long-term variable compensation, for example in the event of severe breaches of duty, compliance violations, and (or) severely unethical behavior, or in the event that variable compensation was paid out based on incorrect data.

In its meeting in November 2021, the Supervisory Board determined that it had no indication of circumstances that could lead to the application of malus or Clawback rules. As a consequence, the Supervisory Board did not make use of its authority to withhold or reclaim short-term variable compensation in fiscal year 2021.

Executive Board compensation levels in fiscal year 2021

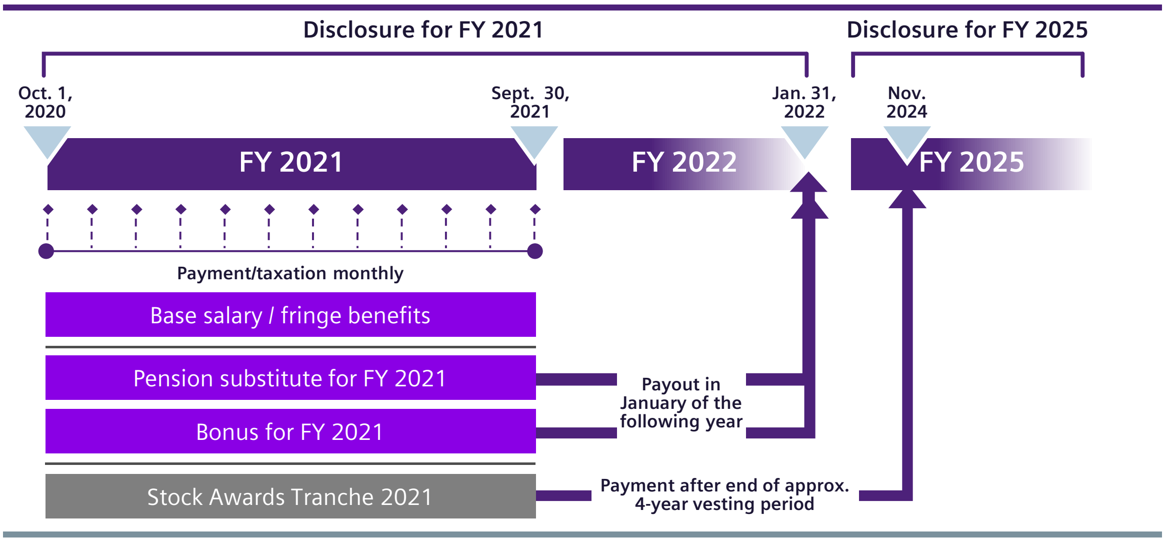
Compensation awarded or due

The following table offers individual disclosure of compensation "awarded" or "due" to the members of the Executive Board according to the definition in Section 162 para. 2 s. 1 of the German Stock Corporations Act. These definitions have been added to the Stock Corporations Act with the entry into force of the Second Shareholder Rights Directive (SRD II) and supplant the definitions for compensation laid out in the German Corporate Governance Code. The Code no longer recommends use of the "sample tables" that have been employed since 2014.

Compensation awarded covers compensation that actually was paid out to the member of the Executive Board during a fiscal year, that is, became the Executive Board member's personal assets. Compensation due refers to compensation that is owed but has not yet been paid out. For Siemens Energy's Executive Board compensation system, this means that short-term variable compensation that will be paid out in January 2022 is classified as "due" and disclosed as compensation for fiscal year 2021.

On the other hand, long-term variable compensation can only be potentially paid out after the end of a tranche's vesting period with the transfer of Siemens Energy shares to the member of the Executive Board. Disclosure as compensation awarded or due occurs therefore at the time at which this transfer takes place. Payout from the Stock Awards tranche 2021, which was granted in November 2020 and will be transferred in November 2024 after determination of the level of target attainment, will consequently be disclosed for fiscal year 2025. For clarity: compensation awarded or due in fiscal year 2021 is disclosed in summary as follows:

Disclosure of compensation elements for fiscal year 2021



Compensation awarded or due fiscal year 2021		**Dr.-Ing. Christian Bruch** **President and CEO** (Appointed May 2020)		**Maria Ferraro** **CFO** (Appointed May 2020)		**Dr.-Ing. Jochen Eickholt** **Member** (Appointed April 2020)		**Tim Holt** **Member** (Appointed April 2020)[1]	
		k €	Share (%)	k €	Share (%)	k €	Share (%)	k €	Share (%)
Fixed compen-sation	Base salary	1,440	42.1	720	43.1	720	42.0	720	44.7
	Fringe benefits[2]	278	8.1	120	7.2	145	8.4	68	4.2
	Pension substitute for FY 2021[3]	500	14.6	250	15.0	250	14.6	247	15.4
	Sum	**2,218**	**64.9**	**1,090**	**65.3**	**1,115**	**65.0**	**1,035**	**64.3**
Variable compen-sation	**Short-term variable compensation**								
	Bonus for FY 2021	1.200	35.1	581	34.7	600	35.0	574	35.7
	Long-term variable compensation								
	(first transfer Nov. 2024)	-	-	-	-	-	-	-	-
	Sum	**1.200**	**35.1**	**581**	**34.7**	**600**	**35.0**	**574**	**35.7**
	Other compensation[4]		-	-	-	-	-	-	-
	Total compensation	**3,418**	**100**	**1,671**	**100**	**1,715**	**100**	**1,610**	**100**

[1] Base salary, pension benefits, Bonus payments and selected fringe benefits for Tim Holt are paid out in US Dollars. Recurring payments are converted into Euros using the respective monthly average exchange rate published by the European Central Bank. The Bonus is converted into Euro using the average exchange rate during the fiscal year (fiscal year 2021: €1 = $1.1954).

[2] Disclosed values for fringe benefits include the value of security installations in regularly used homes and rental properties for the members of the Executive Board, including any tax gross-ups covered by the Company. These were carried out by Siemens Energy in accordance with the Company's current executive security policy. The monetary value of these installations, including tax gross-ups covered by the Company, are excluded from the maximum value of fringe benefits defined at the beginning of the fiscal year and amounted to €243,304 for Dr.-Ing. Christian Bruch, €65,566 for Maria Ferraro, €103,728 for Dr.-Ing. Jochen Eickholt and €26,702 for Tim Holt.

[3] The Supervisory Board decided to grant all members of the Executive Board a pension substitute in cash for fiscal year 2021. This will be paid out in January of the following year (Tim Holt: at the latest in June of the following year). During the fiscal year 2021, Tim Holt accrued to the right to receive contributions to retirements plans in connection with his Group employment as Chairman of Siemens Energy Inc. (USA) amounting to $160,959 (€134,649; fiscal year 2021: €1 = $1.1954). This amount is converted into Euros at the exchange rate of €1 = $1.1828, subtracted from the pension substitute granted to him, and finally converted back in US Dollars; the difference of $134,741 (€112,716; fiscal year 2021: €1 = $1.1954) will be paid out.

[4] With completion of the Spin-Off of Siemens Energy and its departure from the Siemens Group on September 25, 2020, Maria Ferraro, Dr.-Ing. Jochen Eickholt and Tim Holt were entitled to a cash settlement of all outstanding Siemens equity awards. These equity awards were granted fiscal years 2017, 2018, 2019 and 2020. All Siemens equity awards settled in cash were granted in connection with their management roles in the Siemens Group at the time. The value of these cash settlements amounted to €1,217,923 for Maria Ferraro, €1,911,910 for Dr.-Ing. Jochen Eickholt and €2,045,973 for Tim Holt. The cash settlements were paid out during fiscal year 2021.

Additional disclosures on Executive Board compensation in fiscal year 2021

Retirement benefits

For fiscal year 2021, the Supervisory Board elected to make use of its option to grant the members of the Executive Board an unrestricted cash payment ("pension substitute"). Alternatively, the compensation system provides the option for the members of the Executive Board to participate in the Company's defined contribution pension plan ("BSAV"), under which the Company can grant contributions – defined as a fixed amount in Euro – to a member's pension account.

Maria Ferraro has a pension commitment under the BSAV that was transferred from Siemens AG to Siemens Energy in connection with the Company's Spin-Off. The Company has not made any contributions to Maria Ferraro's pension account since it was transferred. Her pension account is credited with an annual interest payment (guaranteed interest) on January 1 of each year. The guaranteed interest rate is currently 0.90%.

As of September 30, 2021, the defined benefit obligation for Maria Ferraro's pension obligation according to IFRS amounted to €0.1 million.

Share Ownership Guidelines

According to Siemens Energy's Share Ownership Guidelines, members of the Executive Board are required to hold Siemens Energy shares equal in value to a multiple of their base salary – 300% for the President and CEO and 200% for all other members. Base salary is defined as the respective member's annual base salary for the month of September preceding the respective measurement date. Members of the Executive Board are allowed a build-up phase of around 4.5 years in order to acquire the required number of shares. If the value of the acquired shares falls below the holding requirement due to fluctuations in Siemens Energy's share price, the members of the Executive Board must purchase additional shares.

The first review of compliance with the requirements under the Share Ownership Guidelines for the current members of the Executive Board will take place in March 2025 following the completion of the approximately 4.5-year build-up phase.

Commitments in connection with early termination of the Executive Board mandate

If an Executive Board member leaves the Executive Board during the fiscal year, the Bonus is paid out on a pro-rata basis on the regular payout date. The number of Stock Awards granted at the beginning of the fiscal year in which the member of the Executive Board exits is reduced on a pro-rata basis. Depending on the circumstances of the departure from the Executive Board, unvested Stock Award grants can remain in place, be forfeited without replacement or be settled in cash.

A severance payment is typically made in the event of mutually agreed termination without cause. In line with the German Corporate Governance Code, this payment is limited to two years of annual compensation or the remaining value of the contract ("severance cap").

There are no special provisions for the event that a change of control event occurs, that is, neither special rights to terminate the contract nor severance payments. Further, Executive Board members' employment contracts do not include any post-contractual non-competition clause and therefore also do not foresee any compensation for this case.

Temporary deviations from the compensation system

In exceptional circumstances, the Supervisory Board may deviate from the elements defined in the compensation system if this is deemed necessary for the Company's long-term wellbeing. There were no deviations from the compensation system in fiscal year 2021.

Preview of Executive Board compensation for fiscal year 2022

The Supervisory Board annually selects performance criteria for the variable compensation for the upcoming fiscal year and also sets corresponding targets. In addition, the Supervisory Board continually reviews potential for improvement within the compensation system according to Section 87a of the German Stock Corporations Act that was approved by shareholders.

In the short-term variable compensation (Bonus), the Supervisory Board elected to make use of this option – which is outlined in Section G.1.1 of the compensation system for the members of the Executive Board – to make an adjustment to the financial performance criteria. For fiscal year 2022, in line with regular financial reporting, Free cash flow (pre-tax) will be included in the Bonus alongside the Adjusted EBITA Margin before Special Items. This will strengthen incentives for generating essential cash for the Company's transformation.

In the long-term variable compensation (Stock Awards), the Supervisory Board – in addition to its regular annual selection of ESG criteria (unchanged from Trance 2021) – reviewed the benchmark indices used for the relative total shareholder return. In light of the share of Siemens Energy's products and services aimed at reductions in greenhouse gases, a global stock index focused on renewable and clean energy was selected as the second comparison benchmark.

As for fiscal year 2021, target values and target attainment for the following performance criteria will be reported ex-post:

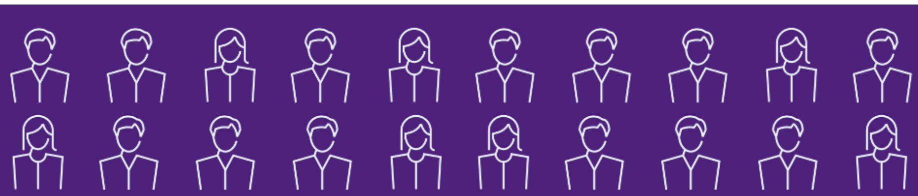
Performance criteria variable compensation FY 2022

Bonus		Change from FY 2021
1/3	Adjusted EBITA Margin before Special Items	None
1/3	Free cash flow (pre-tax)	Replaces ROCE as financial performance criterion
1/3	Individual targets (all members)	All targets are non-financial in nature
		Targets for customer satisfaction and health & safety
		Two further non-financial targets specific to each member's portfolio
Stock Awards		**Change from FY 2021**
40%	Relative Total Shareholder Return (TSR)	S&P Global Clean Energy (50% weighting) replaces MVIS US-Listed Oil Services 25 as 2nd TSR benchmark
40%	Earnings per Share (EPS)	None
20%	Environmental, Social & Governance (ESG)	None

3.6.2 Supervisory Board compensation

The compensation regulations applicable to the Supervisory Board are contained in Section 12 of the Company's Articles of Association and were confirmed by the Annual Shareholders' Meeting on February 10, 2021 with 98.9% of the votes cast. Supervisory Board compensation consists solely of fixed compensation and reflects the level of responsibility and scope of activities required of members. The Chairman, Deputy Chairman, as well as the Chair and Members of the Presiding Committee, Audit Committee, Finance and Innovation Committee and Related Party Transactions Committee receive additional compensation.

Fixed compensation of the Supervisory Board



Chair	Deputy Chairs	Member
€240,000	€180,000	€120,000

Additional compensation for committee work

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

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

Members of the Supervisory Board are reimbursed for expenses incurred in the course of performing their duties, including any taxes applicable on those expenses. The Chair of the Supervisory Board is also provided an office with administrative support.

For fiscal year 2021, the members of the Supervisory Board received the following compensation:

Compensation awarded or due fiscal year 2021

Members of the Supervisory Board in office as of September 30, 2021	Base compensation		Committee compenastion[4]		Attendance fees		Total
	In €	Share (%)	In €	Share (%)	In €	Share (%)	In €
Joe Kaeser[1] (Chair)	240,000	47.2	238,333	46.9	30,000	5.9	508,333
Robert Kensbock[2,3] (1st deputy chair)	165,000	46.2	166,667	46.7	25,500	7.1	357,167
Dr.-Ing. Hubert Lienhard[1] (2nd deputy chair)	180,000	60.2	93,333	31.2	25,500	8.5	298,833
Günter Augustat[2,3]	110,000	71.5	33,333	21.7	10,500	6.8	153,833
Manfred Bäreis[2,3]	110,000	62.9	50,000	28.6	15,000	8.6	175,000
Dr. Christine Maria Bortenlänger[1]	120,000	51.2	93,333	39.8	21,000	9.0	234,333
Dr. Andrea Fehrmann[2,3]	110,000	62.9	50,000	28.6	15,000	8.6	175,000
Dr. Andreas Feldmüller[3]	110,000	71.5	33,333	21.7	10,500	6.8	158,333
Nadine Florian[2,3]	110,000	62.9	50,000	28.6	15,000	8.6	175,000
Sigmar Gabriel[1]	120,000	72.6	33,333	20.2	12,000	7.3	165,333
Rüdiger Groß[2,3]	110,000	72.2	33,333	21.9	9,000	5.9	152,333
Horst Hakelberg[2,3]	110,000	71.5	33,333	21.7	10,500	6.8	153,833
Jürgen Kerner[2,3]	110,000	51.7	83,333	39.2	19,500	9.2	212,833
Hildegard Müller[1]	120,000	63.0	58,333	30.6	12,000	6.3	190,333
Laurence Mulliez[1]	120,000	60.2	60,000	30.1	19,500	9.8	199,500
Matthias Rebellius[1]	120,000	72.6	33,333	20.2	12,000	7.3	165,333
Hagen Reimer[2,3]	110,000	92.4	0	0.0	9,000	7.6	119,000
Prof. Dr. Ralf P. Thomas[1]	120,000	46.0	120,000	46.0	21,000	8.0	261,000
Geisha Jimenez Williams[1]	120,000	71.3	33,333	19.8	15,000	8.9	168,333
Randy Zwirn[1]	120,000	92.0	0	0.0	10,500	8.0	130,500
Total	**2,535,000**	61.1	**1,296,667**	31.2	**318,000**	7.7	**4,149,667**

[1] These shareholder representatives were appointed as members of the Supervisory Board of Siemens Energy AG via resolution of the Extraordinary Shareholders' Meeting on August 20, 2020 with effect from September 25, 2020. The Annual Shareholders' Meeting on February 10, 2021 elected these individuals each to a term of office that ends with the conclusion of the Annual Shareholders' Meeting that decides on the ratification of Supervisory Board acts for the third fiscal year following the beginning of their term of office. The fiscal year in which the term of office begins is not counted.

[2] These employee representatives on the Supervisory Board as well as representatives of the labor unions on the Supervisory Board have elected to transfer their compensation to the Hans Boeckler Foundation, in line with the guidelines of the Confederation of German Trade Unions.

[3] These employee representatives were appointed to the Supervisory Board of Siemens Energy AG by the Munich District Court, effective November 10, 2020. Their base compensation is determined on a pro-rata temporis basis, rounded up to the next full month (fiscal year 2021 = 11/12 months).

[4] The Finance and Innovation Committee and the Committee on Related Party Transactions were formed on December 3, 2020. Additional compensation for work on these committees is thus determined on a pro-rata temporis basis, rounded up to the next full month (fiscal year 2021 = 10/12 months). Following their appointment on November 10, 2020, employee representatives began their work on the Presiding Committee and Audit Committee on December 3, 2020. Additional compensation for work on these committees is thus determined on a pro-rata temporis basis, rounded up to the next full month (fiscal year 2021 = 10/12 months).

3.6.3 Other

The Company provides a directors' and officers' liability group insurance policy for Supervisory and Executive Board members and certain other employees of the Siemens Energy Group. The policy is taken out for and renewed one year at a time. It covers the personal liability of the insured individuals in cases of financial loss associated with their activities on behalf the Company. With effect from their appointment as members of the Executive Board, these individuals are subject to a mandatory deductible that complies with the requirements of the German Stock Corporations Act.

3.6.4 Comparative presentation

In accordance with Section 162 para. 1 s. 2 No. 2 of the German Stock Corporations Act, the following table shows the change in compensation for members of the Executive Board and members of the Supervisory Board in comparison to the workforce in Germany on a full-time equivalent basis. Further, change over time in the Company's financial performance is reported on the basis of two performance criteria that are used for managing the Group.

The comparative presentation is affected by exceptional effects in connection with the Spin-Off of Siemens Energy from the Siemens Group. None of the members of the Executive Board were in office for the entirety of fiscal year 2020, but rather were appointed with effect from April 1, 2020 or May 1, 2020. The members of the Supervisory Board who received compensation for fiscal year 2020 were appointed with effect from September 25, 2020 and thus received base compensation and compensation for work on board committees on a pro-rata temporis basis, rounded up to the next full month. In order to ensure comparability between fiscal years 2020 and 2021 and with compensation paid to the workforce in Germany, the compensation awarded or due to the members of the Executive and Supervisory for fiscal year 2020 was extrapolated for the full year.

Only two Supervisory Board committees were constituted in fiscal year 2020, the Presiding Committee and the Audit Committee. As a result, compensation for the members of the Finance and Innovation Committee and the Related Party Transaction Committee – which were constituted on December 3, 2020 – increased in fiscal year 2021 solely due to their work on committees that had not yet been formed in fiscal year 2020. No adjustments were made to the Supervisory Board compensation laid out in Section 12 of the Company's Articles of Association.

Comparative presentation – Change in the compensation of the members of governing bodies, the average compensation of employees and the profit situation of the Company[1]

		In k €	2020	2021	Δ in %
Compensation comparison	Executive Board[2]	Dr.-Ing. Christian Bruch (President and CEO)[3]	3,311	3,418	3%
		Maria Ferraro	1,646	1,671	1%
		Dr.-Ing. Jochen Eickholt	1,607	1,715	7%
		Tim Holt	1,426	1,610	13%
		Average	1,998	2,103	5%
	Supervisory Board[4]	Joe Kaeser (Chair)	438	508	16%
		Robert Kensbock (1st deputy chair)	-	357	-
		Dr.-Ing. Hubert Lienhard (2nd deputy chair)	258	299	16%
		Günter Augustat	-	154	-
		Manfred Bäreis	-	175	-
		Dr. Christine Maria Bortenlänger	198	234	18%
		Dr. Andrea Fehrmann	-	175	-
		Dr. Andreas Feldmüller	-	154	-
		Nadine Florian	-	175	-
		Sigmar Gabriel	138	165	20%
		Rüdiger Groß	-	152	-
		Horst Hakelberg	-	154	-
		Jürgen Kerner	-	213	-
		Hildegard Müller	138	190	38%
		Laurence Mulliez	198	200	1%
		Matthias Rebellius	138	165	20%
		Hagen Reimer	-	119	-
		Prof. Dr. Ralf P. Thomas	258	261	1%
		Geisha Jimenez Williams	138	168	22%
		Randy Zwirn	138	131	(5)%
		Average	204	207	2%
	Workforce[5]	Total workforce in Germany	100	104	4%
Development of the Company's profit situation		Adjusted EBITA Margin before Special Items	(0.1)%	2.3%	2.4 p.p.
		Undiluted Earnings per Share (EPS; in €)	(2.21)	(0.63)	1.58

[1] Due to the Spin-Off of the Siemens Energy Group from Siemens AG on September 25, 2020, the change over time is only shown beginning with fiscal year 2020.

[2] To ensure comparability with compensation awarded or due to the members of the Executive Board in fiscal year 2021, two compensation elements in connection with the mid-year appointment of the members of the Executive Board in April/ May 2020 and with the Spin-Off of Siemens Energy from the Siemens Group in September 2020 are not included in the compensation awarded or due in fiscal year 2020 disclosed above. First, Maria Ferraro, Dr.-Ing. Jochen Eickholt and Tim Holt received grants of Siemens Stock Awards at the beginning of fiscal year 2020 as part of their functions at the time within the Siemens Group. These grants were – along with all other Siemens equity awards for employees of Siemens Energy and in accordance with the applicable plan rules for Siemens Stock Awards – settled in cash following the Spin-Off of Siemens Energy from the Siemens Group. A portion of the value of these cash settlements is attributable to the period in fiscal year 2020 during which the members of the Executive Board were in office: for Maria Ferraro this amounted to €151,087, for Dr.-Ing Jochen Eickholt €205,162 and for Tim Holt €254,684. Further, the members of the Executive Board received cash payments in fiscal year 2020 in lieu of (additional) grants of Siemens Stock Awards. For the partial term of office in fiscal year 2020, this payment amounted to €800,000 for Dr.-Ing. Christian Bruch, €251,668 for Maria Ferraro, €271,908 for Dr.-Ing. Jochen Eickholt and €230,000 for Tim Holt. If the cash settlements for Siemens Stock Awards and the cash payments in lieu of (additional) Siemens Stock Awards grants are included, compensation awarded or due in fiscal year 2020 – adjusted to a full-year basis – would amount to €5.2 million for Dr.-Ing. Christian Bruch (Δ fiscal year 2021 = -35%), €2.6 million for Maria Ferraro (Δ fiscal year 2021 = -35%), €2.4 million for Dr.-Ing. Jochen Eickholt (Δ fiscal year 2021 = -28%) and €2.4 million for Tim Holt (Δ fiscal year 2021 = -33%).

[3] In fiscal year 2020, Dr.-Ing. Christian Bruch was awarded a compensatory payment in the amount of €3.2 million for forfeited compensation claims with his previous employer. A corresponding adjustment was made to Dr.-Ing. Christian Bruch's compensation awarded or due for fiscal year 2020. If the compensatory payment is considered, Dr.-Ing. Christian Bruch's compensation in fiscal year 2020 on a full-year basis amounts to €6.5 million. From this baseline, compensation for Dr.-Ing. Christian Bruch in fiscal year 2021 fell by 48%.

[4] Shareholder representatives were appointed as members of the Supervisory Board of Siemens Energy AG via resolution of the Extraordinary Shareholders' Meeting on August 20, 2020 with effect from September 25, 2020. Employee representatives were appointed to the Supervisory Board of Siemens Energy AG effective November 10, 2020.

[5] The disclosed total workforce in Germany comprises employees (full time equivalent as of September 30 of the fiscal year) of the Segment GP in Germany (fiscal year 2021: 22,424). This figure excludes interns, working students, doctoral students and trainees. Compensation for the workforce is calculated based on personnel expenses recorded for the fiscal year, less expenses for the Executive Board's compensation, divided by the number of employees. In order to maintain comparability with compensation for the Executive and Supervisory Boards, the disclosed average compensation of the workforce consists of the following elements: wages and salaries, variable compensation elements, capital accumulation benefits, one-off payments, specific allocations, employer contributions to social insurance plans, statutory accident insurance, employer allowance for health and invalidity insurance for privately insured and voluntarily publicly insured individuals, employer contributions to the public pension system, as well as expenses for shares that were transferred to employees as part of the Direct Match Program. One-off share awards to managers and employees under special programs in connection with the Spin-Off of Siemens Energy from the Siemens Group are not included since the Executive Board did not receive any similar payments or equity grants. If these programs were considered, the average compensation for the workforce in Germany would be €1,984 higher than disclosed above.

Munich, December 2021

Siemens Energy AG

The Executive Board   The Supervisory Board

3.7 Independent auditor’s report on the audit of the compensation report prepared to comply with Sec. 162 AktG [“Aktiengesetz”: German Stock Corporation Act]

To Siemens Energy AG, Munich

We have audited the compensation report of Siemens Energy AG, Munich, prepared to comply with Sec. 162 AktG [“Aktiengesetz”: German Stock Corporation Act] for the fiscal year from October 1, 2020 to September 30, 2021 and the related disclosures.

Responsibilities of the executive directors and the supervisory board

The executive directors and supervisory board of Siemens Energy AG are responsible for the preparation of the compensation report and the related disclosures in compliance with the requirements of Sec. 162 AktG. In addition, the executive directors and supervisory board are responsible for such internal control as they determine is necessary to enable the preparation of a compensation report and the related disclosures that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on this compensation report and the related disclosures based on our audit. We conducted our audit in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report and the related disclosures are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts in the compensation report and the related disclosures. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the compensation report and the related disclosures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the compensation report and the related disclosures in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the accounting policies used and the reasonableness of accounting estimates made by the executive directors and supervisory board, as well as evaluating the overall presentation of the compensation report and the related disclosures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, on the basis of the knowledge obtained in the audit, the compensation report for the fiscal year from October 1, 2020 to September 30, 2021 and the related disclosures comply, in all material respects, with the financial reporting provisions of Sec. 162 AktG.

Other matter – formal audit of the compensation report

The audit of the content of the compensation report described in this auditor’s report comprises the formal audit of the compensation report required by Sec. 162 (3) AktG and the issue of a report on this audit. As we are issuing an unqualified opinion on the audit of the content of the compensation report, this also includes the opinion that the disclosures pursuant to Sec. 162 (1) and (2) AktG are made in the compensation report in all material respects.

Limitation of liability

The “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungs¬gesellschaften [German Public Auditors and Public Audit Firms]” as issued by the IDW on January 1, 2017 are applicable to this engagement and also govern our responsibility and liability to third parties in the context of this engagement (**www.de.ey.com/general-engagement-terms**).

Munich, December 6, 2021

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Spannagl	Müller
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

3.8 TCFD Index

We are following the recommendations developed by the G20 Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) to provide transparency about our climate actions, especially how we address the risks and opportunities arising from climate change. The TCFD Index connects our publicly available publications with the corresponding TCFD disclosure recommendations. The referenced documents are the latest versions available on www.siemens-energy.com as of the date of issue of the TCFD Index and included in Siemens Energy's Annual Report 2021.

References to our Annual Report 2021 and to the Group Non-Financial Statement pursuant to Section 315b of the German Commercial Code included therein contain information and data for our 2020/2021 fiscal year ending on September 30, 2021. When referring to our Sustainability Report 2020, the underlying information and data relate to our 2019/ 2020 fiscal year. The Sustainability Report 2021[1] is expected to be publicly available by January 2022.

TCFD core elements	TCFD disclosure recommendations	TCFD disclosure	References containing information and data representing our 2020/ 2021 fiscal year ending on September 30, 2021	References containing information and data representing our 2019/ 2020 fiscal year ending on September 30, 2020
Governance	Disclose the organization's governance around climate related risks and opportunities	a. Disclose the board's oversight of climate related risks and opportunities.	**Annual Report 2021:** • Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code **Group Non-Financial Statement 2021:** • Basis of Preparation	**Sustainability Report 2020:** • Strategic focus • Annex - Task Force on Climate-Related Financial Disclosures (TCFD) (see Climate Change Governance)
		b. Describe management's role in assessing and managing climate-related risks and opportunities.	**Annual Report 2021:** • Risk Management* **Group Non-Financial Statement 2021:** • Basis of Preparation *(* covering only short-term climate related risks)*	**Sustainability Report 2020:** • Strategic focus • Decarbonization • Annex - Task Force on Climate-Related Financial Disclosures (TCFD) (see Climate Change Governance)
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	**Annual Report 2021:** • Risk Management* *(* covering only short-term climate related risks)*	**Sustainability Report 2020:** • Strategic Focus • Decarbonization • Annex - Task Force on Climate-Related Financial Disclosures (TCFD) (see table Climate-related Risks and Opportunities)
		b. Describe the impact of climate related risks and opportunities on the organization's businesses, strategy, and financial planning.	**Annual Report 2021:** • Risk Management* *(* covering only short-term climate related risks*	**Sustainability Report 2020:** • Strategic focus • Decarbonization • Customers and innovation • Annex - Task Force on Climate-Related Financial Disclosures (TCFD) (see Table Climate-related Risks and Opportunities)
		c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2 degrees Celsius or lower scenario.		**Sustainability Report 2020:** • Decarbonization • Annex - Task Force on Climate-Related Financial Disclosures (TCFD) (see Strategy Resilience and Climate Scenario Analysis)

TCFD core elements	TCFD disclosure recommendations	TCFD disclosure	References containing information and data representing our 2020/ 2021 fiscal year ending on September 30, 2021	References containing information and data representing our 2019/ 2020 fiscal year ending on September 30, 2020
Risk Management	Disclose how the organization identifies, assesses, and manages climate-related risks.	a. Describe the organization's processes for identifying and assessing climate-related risks.	**Annual Report 2021:** • Risk Management* *(* covering only short-term climate related risks)*	**Sustainability Report 2020:** • Decarbonization • Annex - Task Force on Climate-Related Financial Disclosures (TCFD) (see Risk Management Approach to Climate Related Risk and Opportunities)
		b. Describe the organization's processes for managing climate-related risks.	**Annual Report 2021:** • Risk Management* *(* covering only short-term climate related risks)*	**Sustainability Report 2020:** • Decarbonization • Annex - Task Force on Climate-Related Financial Disclosures (TCFD) (see Risk Management Approach to Climate-Related Risk and Opportunities)
		c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	**Annual Report 2021:** • Risk Management* *(* covering only short-term climate related risks)*	**Sustainability Report 2020:** • Strategic focus • Decarbonization
Metrics and Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. c.	a. Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.	**Group Non-Financial Statement 2021:** • Environmental matters	**Sustainability Report 2020:** • Decarbonization
		b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	**Group Non-Financial Statement 2021:** • Environmental matters	**Sustainability Report 2020:** • Decarbonization
		c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	**Annual Report 2021:** • Compensation Report **Group Non-Financial Statement 2021:** • Environmental matters	**Sustainability Report 2020:** • Decarbonization

[1] An updated TCFD Index will be part of the Sustainability Report 2021

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