Siemens Energy Annual Report 2022

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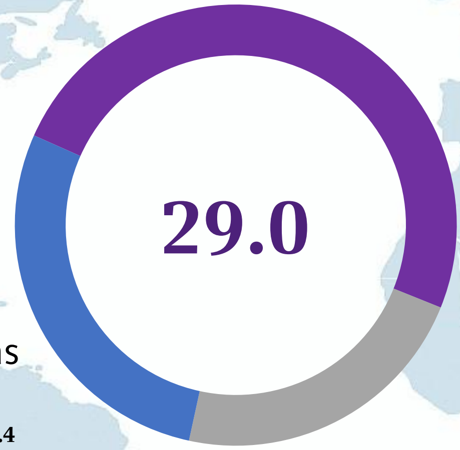
Siemens Energy Group at a glance

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



Adjusted EBITA margin before Special items	Adjusted EBITA (in millions of €)	Net income (loss) (in millions of €)
1.3%	**(75)**	**(647)**
Order Backlog (in billions of €)	Orders (in billions of €)	Book-to-bill ratio
97	**38.3**	**1.3**
Free cash flow pre tax (in millions of €)	Basic EPS (in €)	Employees ∅ (in thousands)
1,503	**(0.56)**	**91**

Content

Introduction to the Annual Report

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Letter from the Executive Board

Dear Shareholders,

On the morning of our 2022 Annual General Meeting, February 24, 2022, the war in Ukraine began. Not only does this day represent a deep cut in the European security architecture, it is also the day that the issue of energy security became the center of public interest – in Germany, in Europe and in many regions of the world.

The affordable and reliable supply of energy is at the heart of the debate. Nevertheless, we can only achieve energy security in the long term if electricity is not only affordable and reliably available, but also generated sustainably. The latest report by the Intergovernmental Panel on Climate Change (IPCC) has made this very clear once again: Without major changes, global warming will rise to 3.2° C on average. To limit it to 1.5° C, greenhouse gas emissions must be reduced by 45% by 2030 compared to 2019 levels – mainly through a significant reduction in fossil fuels.

Siemens Energy has the technologies and capabilities needed to shape the energy transition today. As an energy technology company with a team of about 91,000 employees worldwide, we support our customers along the entire value chain. Represented in more than 90 countries, around one sixth of the world's electricity generation is based on our technologies.

In the past fiscal year, we laid the foundations for a new corporate structure. Officially launched on October 1, 2022, this will ensure clearer structures, a holistic market access, operational excellence and improved transparency regarding the capital market. With our Gas Services, Grid Technologies and Transformation of Industry business areas, we have consistently positioned our business along three pillars: low- or zero-emission power generation, transport and storage of energy, and reduction of greenhouse gas emissions and energy consumption in industrial processes.

With our majority stake in Siemens Gamesa Renewable Energy S.A. (SGRE), we also have a leading supplier of onshore and offshore wind energy in-house. On May 21, 2022, we announced a voluntary tender offer for all outstanding shares in SGRE which has been authorized by Spain's National Securities Market Commission ("CNMV") on November 7, 2022. Following the successful completion of the transaction, we intend to delist SGRE from the Spanish stock exchanges and fully integrate it into Siemens Energy. The planned integration will allow us to actively address the current challenges at SGRE. In addition, a successful delisting of SGRE will enable us to simplify structures and to establish a holistic market approach. As a result, we expect to realize estimated cost synergies of up to €300 million annually within three years of full integration. For Siemens Energy, this integration is an important strategic step. Our goal is to play a decisive role in shaping the energy transition as a leading energy technology company.

The course has therefore been set for a successful, profitable future for our company. Only as a strong and profitable company can we make a decisive contribution to the energy transition and thus to energy security worldwide. But how did Siemens Energy develop in the past fiscal year?

Fiscal year 2022 was a challenging year for our company. At the beginning of the year, we pointed out the expected impairments of global supply chains in our forecast. The war in Ukraine further intensified this negative dynamic. The result was additional supply bottlenecks, further increases in raw material prices and energy costs, and rising inflation. At the same time, we saw continued strong demand for our products and solutions.

Following the outbreak of war in Ukraine, we reacted quickly and discontinued almost all business activities in Russia. The restructuring of our business activities in Russia continued and resulted in a charge of €200 million, which was reported under special items. The restructuring of Siemens Energy's business activities in Russia continues to progress and the measures are expected to be completed without further significant financial impacts in the first quarter of fiscal year 2023.

At €38 billion, Siemens Energy's order intake increased significantly compared with the previous year (2021: €33 billion). The order backlog again exceeded the record level of the previous year and was €97 billion at the end of the fiscal year (2021: €84 billion). Siemens Energy's revenue was €29 billion (2021: €28 billion), a moderate decline on a comparable basis (adjusted for currency translation and portfolio effects). Our Adjusted EBITA was sharply lower at minus €75 million (2021: minus €12 million). Adjusted EBITA before Special items deteriorated to €379 million (2021: €661 million). This resulted in an after-tax loss at Siemens Energy of minus €647 million (2021: minus €560 million) and corresponding negative basic earnings per share of minus €0.56 (2021: minus €0.63).

Our SGRE reporting segment contributed to the deterioration in earnings. Various factors, such as the launch of the onshore 5.X platform or higher costs due to price increases for raw materials and pressure on logistics chains, have negatively impacted profitability at SGRE. These factors were mainly responsible for the need to adjust our revenue and earnings guidance for Siemens Energy as a whole. We have responded to the situation at SGRE. Jochen Eickholt, previously a member of the Executive Board of Siemens Energy, a proven expert in turning around companies in difficult situations, took over as CEO on March 1, 2022.

In contrast, the Gas and Power (GP) segment demonstrated resilience in fiscal year 2022. The basis for this was the consistent execution of our Accelerating Impact program since our company became independent. Through efficiency enhancements, process optimization and portfolio streamlining, we strengthened our operating performance and cut costs. The stronger order intake of GP also demonstrates the central importance of our portfolio for the energy transition.

However, it is also clear that we cannot be satisfied with the development of our share price. In the coming fiscal year, we will therefore offer our investors greater transparency. The levers for this are our new corporate structure, the planned delisting of SGRE and its integration, and the consistent improvement of our operating performance.

We are confident that our strategic and operational measures will further strengthen Siemens Energy's resilience in fiscal year 2023 and will lead to stronger growth in comparable revenue and higher profitability for Siemens Energy compared to fiscal year 2022. We expect for Siemens Energy a comparable revenue growth (excluding currency translation and portfolio effects) in fiscal year 2023 in a range of 3% to 7% and a profit margin before special items of 2% to 4%. Furthermore, we expect a sharp reduction of Net loss compared to fiscal year 2022. In this way, we aim to generate the necessary funds to shape the energy world with our technologies.

But it is not only with our existing technologies that we can and want to drive the energy transition worldwide. Innovations are more crucial than ever, as 45% of all emissions savings in 2050 will come from technologies that are not yet on the market today. We have therefore set ourselves five fields of action that we are convinced will make a decisive contribution to actively shaping the energy world of tomorrow: decarbonized heat and industrial processes, energy storage, Power-to-X, stable, resilient grids and reliability, and condition-based service interventions. To make these technologies market-ready, we rely on our partners. Starting from our global innovation centers in the USA, Germany, the United Arab Emirates and China, we are driving forward our five fields of action together with external partners from industry and science.

Only a company that also consistently acts sustainably in-house can make a decisive contribution to the energy transition. For Siemens Energy, sustainability is a business opportunity and therefore a central component of our strategy. As a result, we have set ourselves ambitious sustainability targets. We aim to achieve net zero emissions along the value chain in line with the 1.5° C target. By 2025, we aim to reduce our greenhouse gas emissions in our own operations by 46% and be climate neutral by 2030. We have made good progress toward our goal of using only green electricity in our own operations by 2023. Our efforts are paying off: We further improved our score in the EcoVadis and MSCI ESG ratings compared with the previous year.

But sustainability means more to us than decarbonizing our portfolio and our operations. Sustainability also includes responsibility for our employees. We are committed to gender diversity and aim to have 25% women in top management positions by 2025 (30% in 2030). In addition, we have introduced the highest standards to ensure health and safety in the workplace. Our goal is to become a leader in our industry in health and safety through activities under our Zero Harm program.

Finally, sustainability includes strict compliance with regulations. At Siemens Energy, we have a zero tolerance policy toward corruption, fair competition violations and other legal offenses. When misconduct occurs, we act quickly and consistently. Our integrity is the foundation of our business principles.

As you can see, we have set ourselves ambitious goals. Because we want to make a decisive contribution to the energy transition and thus to energy security worldwide. We can only do this as a strong and profitable company. That's what we're working on. We would be delighted if you would accompany us on this journey and thank you very much for your trust.

Chairman of the Executive Board

Christian Bruch


Anne-Laure Parrical de Chammard
Member of the Executive Board
Karim Amin
Member of the Executive Board
Tim Holt
Member of the Executive Board
Christian Bruch
President and Chief Executive Officer
Maria Ferraro
Chief Financial Officer
Vinod Philip
Member of the Executive Board

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 30. September 2022 including the Group non-financial statement in chapter **2.10 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 **4.5 Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code** as well as the **4.6 Compensation Report pursuant to Section 162 of the Stock Corporation Act of Siemens Energy AG for fiscal year 2022**. 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 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 **4.2 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 **2.7 Report on expected developments** and **2.8 Report on the internal control and risk management and 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 standards 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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2.1 Business description

2.1.1 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 a Stock Corporation (Aktiengesellschaft) 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).

Until September 30, 2022, Siemens Energy's (SE) reporting structure was comprised of two reportable segments, Gas and Power (GP) and Siemens Gamesa Renewable Energy (SGRE). As of September 30, 2022, shares of Siemens Gamesa Renewable Energy S.A., Spain (together with its subsidiaries - SGRE) are listed on the Spanish stock exchanges of Madrid, Barcelona, Valencia, and Bilbao and are included in the Spanish IBEX 35 index. Siemens Energy held approximately 67% of the shares in SGRE S.A as of September 30, 2022.

Reconciliation to Consolidated Financial Statements includes items which management does not consider to be indicative of the segments' performance – mainly centrally carried pension expenses, eliminations, Treasury activities and other central items. For further information, see **Note 25 Segment information** in **3.6 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).

Siemens Energy has introduced a new organizational structure at the beginning of fiscal year 2023. In the future, the GP business segment will be divided into three Business Areas: Gas Services, Grid Technologies and Transformation of Industry. See also **2.3.2 Events and developments responsible for the course of business** for further information.

2.1.2 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 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 submitted at the time of this decision. 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 service and solutions 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. Hence, our results of operations and margins 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 the service business as a major pillar of Siemens Energy's sustainable business success and are seeking to enlarge and leverage it even more in the future.

Gas and Power (GP)

GP, or the three new Business Areas from October 1, 2022 respectively, 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 industrial process applications. Furthermore, the Business Areas develop and market new technologies in the field of decarbonization. GP was split into the three divisions **Transmission, Generation** and **Industrial Applications**, and the business unit **Other Operations** until September 30, 2022.

The business, which was bundled in the **Transmission** division until September 30, 2022, offers a wide range of products, systems, solutions, and services for power transmission. The product portfolio comprises amongst others flexible AC transmission systems, offshore windfarm grid connections, high voltage direct current transmission systems, high voltage substations, air- and gas-insulated switchgear, transformers, digital solutions and components. Products were offered individually or as part of tailor-made systems and solutions together with services relating to power transmission of high and, to a lesser extent, medium voltage levels. 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, and operators of data centers, airports, and railway companies. Competitors in the transmission business consist mainly of a small number of large multinational companies, increasingly joined by smaller, fast-growing manufacturers in countries such as China, India, and South Korea.

The Transmission business generally benefits from major trends and changes in global electrical power systems, in particular decarbonization, digitalization, and global electrification. Decarbonization is shifting the focus of generation to both central and decentral renewables. This shift increases demand for offshore connectivity and grid stability, requiring environmentally friendly products and systems. The integration of wind power, photovoltaics, biomass, storage, and other intermittent or distributed energy resources into efficient and reliable power networks increases grid complexity. Holistic asset transparency to increase 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 power with minimal losses from the location of generation to different demand load centers, some of which may even be located in other countries.

The business, which was part of the **Generation** division until September 30,2022, 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. The Generation division supports a wide range of customers, including utilities, independent power producers, power plant contractors and industrial companies.

The ongoing transition to 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 the support for renewable energy, the security of supply through capacity markets or strategic reserve capacity, carbon pricing and climate change targets, as well as the modernization of energy and electricity markets. A further trend is the development of hydrogen-ready gas turbines that are capable of burning higher percentages of green hydrogen for which Siemens Energy has a wide portfolio capable of burning 30% to 75% of hydrogen today and which will be developed for the use of 100% hydrogen by 2030.

The business, which until the end of fiscal year 2022 was combined in the **Industrial Applications** division, supports companies in a broad range of industries while meeting the challenges of the energy transition. The comprehensive technology portfolio enables customers to find the right balance between sustainability and operational reliability, both in terms of power supply and distribution and in a wide range of industrial processes. The thermal turbomachinery offered is critical to many of these processes. The reliability and availability of the turbomachines is maintained over their entire life cycle with a comprehensive service portfolio. Through continuous optimization of equipment and services with offerings in the areas of electrification, automation and digitalization, customers are provided a holistic approach to ensuring safe, reliable and efficient asset operations and optimization at both plant and fleet level.

The major field of technology offered by Industrial Applications includes rotating equipment, electrification, automation and digitization supplemented by the 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 customer industries 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 including submarines).

Competitors to the business conducted via the Generation and Industrial Applications divisions mainly include two groups: a relatively small number of OEM, some with very strong positions in their domestic markets, and many EPC contractors (engineering, procurement and construction).

Other Operations included our New Energy Business and certain at-equity investments. The New Energy Business complements the portfolio of Siemens Energy by developing new technologies in the field of decarbonized energy and storage systems. The focus of the New Energy Business is to contribute to the green hydrogen economy and decarbonization. To this end, electrolysis products are developed that use electricity from renewable energy sources to produce green hydrogen. The green hydrogen can be deployed in, for example, Power-to-X applications to generate carbon-neutral synthetic (power) fuels. The 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.

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. In addition, SGRE is exploring opportunities in adjacent renewable business fields, which in many cases are 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 farm 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 for global offshore markets.

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 by the Segment to 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 change. We expect the offshore and service shares of revenue to increase.

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 be accelerated by the latest announced plans of several countries to reduce greenhouse gas emissions (see **2.3.2 Events and developments responsible for the course of business**). 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.

2.1.3 Research and development

In fiscal year 2022, we reported research and development (R&D) expenses of €1,078 million (2021: €1,155 million). The resulting R&D intensity, defined as the ratio of R&D expenses to revenue, was 3.7% (2021: 4.1%). Additions to capitalized development expenses amounted to €193 million in fiscal year 2022 (2021: €188 million). As of September 30, 2022, Siemens Energy held approximately 18,300 granted patents worldwide in its continuing operations (2021: around 18,300). In fiscal year 2022, Siemens Energy employed an average number of 5,300 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 future Segments (respectively 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. Another key objective is to improve the leverage of our large service potential and the competitiveness of our current products based on strict quality criteria. Furthermore, we will enhance our electrolyzer product line to grow revenues.

We continue to develop our five fields of action focusing on the energy landscape transformation and decarbonization:

- Decarbonized heat and industrial processes: high-temperature heat pumps, fuel cells, industrial waste heat recovery
- Power-to-X: direct air capture, offshore hydrogen, CO_2 neutral fuels (e-chemicals/fuels)
- Resilient and reliable power transmission: asynchronous rotating energy system stabilizers (ARESS), grid automation, Sens-X^2, remote operations services
- Condition-based service interventions: digital twins for energy consumption, remote controlled operation, reliability of microgrids
- Energy storage: li-ion batteries, long duration energy storage, redox batteries

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 the Transmission business, 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.

The Generation business' 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 business, R&D activities are strongly focused on decarbonization to support our customers under the changed market conditions. Here, increasing efficiency, availability and flexibility of the equipment used, and reducing greenhouse gas emissions, including increasing the use of 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 "QWARK^3 project" in Berlin (Climate-friendly heat generation by means of a high-temperature large-scale heat pump). In June 2022, we announced a joint venture with the French gas network operator "Air Liquide" to build a multi-gigawatt factory for our electrolysis modules ("stacks") in Berlin. Based on proton-exchange-membrane electrolysis technology, these stacks will be highly efficient and ideally suited to harvest volatile renewable energy. 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 focus on product digitalization, power electronics, software-driven power control, environmentally friendly products and systems, and grid stabilization. Moreover, one of GP's long-established innovation fields is additive manufacturing. As of September 30, 2022, 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.

GP joins forces with other industry participants and (or) research institutions to advance research projects. Prominent partners include

International Renewable Energy Agency (IRENA), AGTurbo, EUTurbines, Karlsruhe Institute of Technology or our participation in the Research Association for Combustion Engines (Forschungsvereinigung Verbrennungskraftmaschinen). The four new global innovation centers announced and already partly established by GP in fiscal 2022 in Berlin, Orlando, Abu Dhabi and Shenzhen, whose aim is to nurture innovation and accelerate the energy transition, also work within the framework of a partnership model with both academic and industrial partners.

SGRE launched the "RecyclableBlade" in the reporting period. The world's first wind turbine blade that can be recycled at the end of its life cycle, a crucial step towards the goal of making wind turbines fully recyclable by 2040. In addition, SGRE continues to develop innovative new wind turbine models and software, optimizing each component performance through better, more cost-effective products, solutions and services. SGRE's R&D activities also focus primarily on:

- the modularization and standardization of technologies, tools and processes across the wind portfolio,
- exploring new market opportunities, e.g. by integrating electrolyzers into offshore wind turbines to produce green hydrogen,
- making the ramp-up of the SG 5.X onshore platform more efficient, and
- the SG 14-222 DD offshore wind turbine.

2.2 Financial performance system

2.2.1 Financial Framework

Siemens Energy's Financial Framework includes performance indicators (PIs) and targets that we aim to achieve over a three-year period or beyond (mid-term). Due to the realignment of our organizational structure, we will update this framework in fiscal year 2023.

The reporting and analysis of PIs are related to our strategic goals. The PIs are designed to help achieve these goals on an operational level and aim to strike a balance between the factors of growth, profitability, and liquidity. They serve as a measure of target attainment for managers and thus can influence Executive Board remuneration. The most important of these PIs (key performance indicators, KPIs) are forecast for the next fiscal year. For more details see **2.7 Report on expected developments**.

Some of the PIs described below are alternative performance measures (APMs), which are not defined or listed in IFRS (non-GAAP measures). 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 they are not always comparable due to possibly different calculation methods.

2.2.2 Growth

Siemens Energy measures, manages and controls the development of its business volume using comparable growth figures for orders and revenue. The KPI **comparable revenue growth** shows the development of revenue net of currency translation effects that result from the external environment outside of our control and portfolio effects that relate to 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. To calculate the percentage change year-on-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-on-year change in revenue resulting specifically from the transaction. To calculate the percentage change, the absolute change is divided by revenue for the comparative period.

For orders, we apply the same approach to the calculation of currency translation and portfolio effects as described above. 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 considered. The book-to-bill ratio is the ratio of orders to revenue.

2.2.3 Profitability

In fiscal year 2022, we used the KPI **Adjusted EBITA margin before Special items** to measure the profitability of operating activities of Siemens Energy. To calculate the Adjusted EBITA margin before Special items, Adjusted EBITA before Special items is divided 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. 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.

Starting in fiscal 2023, the Adjusted EBITA margin before Special Items will be replaced by the **Profit margin before Special Items**. Compared to our previous earnings definition used in fiscal year 2022 (Adjusted EBITA), our more advanced definition of **Profit** also excludes the financial result from operations.

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

- **Restructuring and integration costs** – Restructuring costs mainly refer to personnel measures leading to severance charges. They 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** – This includes major asset impairments and write-downs (as well as any subsequent reversals) related to strategic portfolio decisions of Siemens Energy Group.

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

For our new Business Areas (see **2.3.2 Events and developments responsible for the course of business** for further information) we aim to achieve Profit margin ranges for fiscal year 2025 as shown below:

Profit margin ranges for fiscal year 2025

Gas Services	10 – 12%
Grid Technologies	8 – 10%
Transformation of Industry	6 – 8%

SGRE, as a separately managed, publicly listed company, has not published a Profit margin range for fiscal year 2025.

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

2.2.4 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.

Free cash flow pre tax is one of the targets used in determining the short-term variable compensation of the Executive Board.

2.2.5 Other financial performance indicators

An important aspect of liquidity management 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.

To provide an assessment of our ability to generate cash, and ultimately to pay dividends, we use the operational **Cash conversion rate (CCR)** as an ancillary measure. This is defined as the ratio of Free cash flow pre tax to Adjusted EBITA, with Adjusted EBITA being replaced by Profit starting in fiscal year 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 debt obligations over time. In addition, this rating 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 2.6.3 Financing and liquidity analysis. The ratio indicates the approximate number of years that would be needed to cover the Adjusted net debt through EBITDA. The EBITDA measure represents income (loss) before income taxes, before financial result and before amortization, depreciation and impairments. As general guidance, an Adjusted net cash/net debt to EBITDA ratio below 1.5 may be considered appropriate for a solid investment-grade rating. Starting in fiscal year 2023, Receivables from and Payables to Siemens Group from financing activities will no longer be included in calculating Adjusted (net cash)/ net debt due to materiality.

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.

2.3 Business performance in fiscal year 2022

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

Fiscal year 2022 was challenging for Siemens Energy. In our forecast at the start of the year, we had already noted that global supply chain constraints were expected to persist. However, the subsequent negative impact on our procurement markets as a result of the Ukraine conflict was not foreseeable. Consequently, our business performance was greatly influenced by the geopolitical and macroeconomic environment.

In our SGRE segment, the external challenges revealed many weaknesses, primarily in our onshore activities. It was largely for this reason that we were unable to meet our original expectations for fiscal year 2022 and had to reassess the revenue and profit forecast for the Siemens Energy Group as a whole. We reacted to the situation at SGRE. Jochen Eickholt, previously a member of the Executive Board of Siemens Energy, and a proven expert in the turnaround of companies in difficult situations took over as Chief Executive Officer. Under his leadership, the new "Mistral" program was developed to accelerate SGRE's turnaround. Implementation has already begun and showed initial positive effects. We are also planning to delist SGRE with the intention of a full integration into the Siemens Energy Group. We have made a corresponding offer to SGRE shareholders.

Our GP segment has proved to be resilient and, despite the challenges, has been able to fulfill its forecasts for the past fiscal year. The basis for this achievement was the consistent implementation of our "Accelerating Impact" program since the independence of Siemens Energy. Through efficiency gains, process optimizations and portfolio streamlining, we achieved an improvement in operational performance and cost savings. Moreover, GP's order intake, which increased by almost one quarter on a comparable basis (excluding currency translation and portfolio effects), clearly shows the central importance of GP's products and services for the energy transition.

It was especially due to GP's performance that, at the end of the fiscal year, the Siemens Energy Group posted an order backlog of more than €97 billion and increased revenue of €29 billion. The increase in Adjusted EBITA before Special items at GP could not compensate for the sharp increase in the loss at SGRE. However, it did contribute to substantially decreasing the Net loss (excluding Russia-related effects) compared to the prior-year level. Our Free cash flow pre tax continued to develop well and far and exceeding our expectations, despite the negative development at SGRE.

GP has developed in line with our expectations notwithstanding headwinds. With a new corporate structure effective October 1st, including the intended integration of SGRE, we have initiated further strategic development of the Siemens Energy Group. This measure, with our strong order backlog, a business portfolio that is essential for the success of the energy transition and our skilled and committed workforce create the foundation of our ambition to make Siemens Energy the world's most valued energy technology company.

Siemens Energy's business performance

Our business performance in the past fiscal year was strongly influenced by external factors. In contrast to the prior year, the direct effects of COVID-19 were very limited. However, the constraints in the global supply chain and the tense situation on the procurement markets caused by the pandemic continued. The war in Ukraine created an unprecedent negative dynamic which resulted in additional supply shortages, a further increase in raw material prices, steeply rising energy costs and a general inflation hike. At the same time, however, the energy crisis triggered by that development opened up a growing market potential for us.

At €38 billion, **orders** at Siemens Energy increased significantly on a comparable basis year-on-year; nominal growth was much stronger. Due to the growth in both segments, the **order backlog** again exceeded the record level of the prior year to reach more than €97 billion at the end of the fiscal year. **Revenue** at Siemens Energy amounted to €29 billion, a moderate decline on a comparable basis. On a nominal basis, revenues slightly exceeded the prior-year level as the increase at GP more than offset the decline at SGRE. Revenue development for the Siemens Energy service business was largely in line with the trend for total revenue. **Adjusted EBITA before Special items** at Siemens Energy declined sharply to €379 million from €661 million in the prior year. The decrease was primarily due to the loss at SGRE, originating especially in the development of the onshore activities, but mitigated by the sale of a portfolio of wind farm development projects in Southern Europe. The impact of Special items declined substantially. Although there were significant expenses due to strategic portfolio decisions in relation with the restructuring of the business in Russia (subsequently also Russia-related effects), these were mainly outweighed by the decline in restructuring and integration costs. As a result, the absolute decline in Adjusted EBITA before Special items was stronger than that of **Adjusted EBITA**. Adjusted EBITA for fiscal year 2022 was minus €75 million, compared with minus €12 million in the prior year. The sharp improvement at GP was offset by an even sharper decline in earnings at SGRE.

This resulted in a **Net loss** for the Siemens Energy Group of €647 million and correspondingly **Basic earnings per share** of minus €0.56. Excluding the expenses for restructuring the business in Russia, the loss after deduction of Russia-related Special items (after taxes) even significantly decreased. See 2.4 Results of operation for further information.

Free cash flow pre tax at Siemens Energy was €1,503 million, a significant increase compared to fiscal year 2021. Here, mainly the sharp improvement at GP outweighed the negative contribution of SGRE. Especially, the development of Free cash flow and, in addition, the issue of a mandatory convertible note led to an increase in our Adjusted net cash at the end of fiscal year 2022 to €2,180 million (2021: €1,596 million). See 2.6 Financial position for further information.

Despite the Net loss, **Equity** increased compared to the end of fiscal year 2021, especially due to the sharp increase in Other comprehensive income, net of income taxes and to the increase in the Capital reserve in relation with the issue of a mandatory convertible note. Thus, the equity ratio remained at the prior-year's level and amounted to 34% at the end of the past fiscal year (2021: 34%). See **2.5 Net assets, liabilities and equity**.

Comparison between the actual and forecast course of business

On January 20, 2022, we updated the forecasts for the SGRE segment and, as a consequence, for the Siemens Energy Group for comparable revenue growth and the Adjusted EBITA margin before Special items for fiscal year 2022 due to the business performance in the first quarter and the adjusted outlook for SGRE. Based on provisional figures, Siemens Gamesa Renewable Energy, S.A. had updated its expectations for the fiscal year, mainly because of the unexpectedly severe disruptions to supply chains and challenges in the launch of the SG 5.X onshore platform.

On April 19, 2022, Siemens Gamesa Renewable Energy, S.A. announced that, considering its earnings performance in the first half of the year and external uncertainties, the previous forecast was no longer valid, and that it was unable to make projections for the second half of the fiscal year with the customary detail and precision. However, efforts would continue to achieve comparable revenue growth in the range that had been previously communicated and an Adjusted EBITA margin before Special items at the lower end of the previous forecast. This development was mainly due to operational challenges, especially in relation with launching the SG 5.X onshore platform, supply chain constraints in the wind turbine business and ongoing pressure on prices for energy, raw materials and transport. Additional impacts on earnings were caused by the reassessment of wind turbine projects due to new assumptions for market and production conditions. For this reason and in light of the increasingly challenging environment for GP as well (due to the Ukraine war, among others), on May 11, 2022, in course of regular reporting for the second quarter, we adjusted the forecasts for comparable revenue growth and the Adjusted EBITA margin before Special items for both the GP segment and Siemens Energy to the lower end of the previous target ranges. We also reduced the outlook for Net income of the Siemens Energy Group.

On August 2 and 8, 2022, in course of regular third-quarter reporting, the forecasts for both Siemens Gamesa Renewable Energy, S.A. and Siemens Energy for fiscal year 2022 were updated again. For SGRE, the expectation for comparable revenue growth was specified as at the lower end of the previous target range and a lower value this time for the EBIT margin before purchase price allocation (PPA) and integration and restructuring costs was forecasted due to ongoing supply chain constraints and further increases in material and logistics costs. In addition, the ongoing operational challenges with the SG 5.X platform were exacerbated by increased costs, largely caused by failures in components and repairs to already installed onshore platforms. The existing forecasts for comparable revenue growth of GP and Siemens Energy Group were confirmed excluding the effects of the market environment in Russia caused by the restructuring of business activities. The Net loss forecast for the Siemens Energy Group was largely confirmed, again excluding those impacts resulting from the situation in Russia which were recorded as Special items.

We have largely met or overachieved the updated forecasts. Siemens Energy's Adjusted EBITA margin before Special items and SGRE's EBIT margin before purchase price allocation (PPA) and integration and restructuring costs fell slightly below our expectations. By contrast, Siemens Energy's Net loss (excluding effects in relation with the restructuring of the business in Russia) was lower than expected at the time of the updated forecast, as we had expected higher negative Special items, especially regarding restructuring costs at SGRE. The original forecast for Free cash flow pre tax was also not confirmed. We had assumed only an amount in the positive mid triple-digit million euro range and clearly exceeded this expectation positively as cash outflows for restructuring measures were not as high as expected, especially in Germany. However, the main reason was the unexpectedly high level of advance payments on projects from customers in relation with our strong orders in fiscal year 2022, in particular at GP.

Target achievement 2022	Initial position Fiscal year 2021	Expected development 2022	Target achievement Fiscal year 2022	Evaluation
Comparable revenue growth				
Siemens Energy	6.0%	(1)% to 3%		not achieved / updated
GP segment	4.1%	1% to 5%		not achieved / updated
SGRE segment	9.0%	(7)% to (2)%		not achieved / updated
		from January 20, 2022:		
Siemens Energy		(2)% to 3%		not achieved / updated
SGRE segment		(9)% to (2)%		achieved / updated
		from May 11, 2022:		
Siemens Energy		lower end of the range of (2)% to 3%		not achieved / updated
GP segment		lower end of the range of 1% to 5%		not achieved / updated
		from August 8,2022		
Siemens Energy		lower end of the range (excluding Russia-related effects) of (2)% to 3%	(1.2)%	achieved
GP segment		lower end of the range (excluding Russia-related effects) of 1% to 5%	2.2%	achieved
SGRE segment		lower end of the range of (9)% to (2)%	(7.5)%	achieved
Adjusted EBITA margin before Special items				
Siemens Energy	2.3%	3% to 5%		not achieved / updated
GP segment	4.6%	4.5% to 6.5%	4.9%	achieved
SGRE segment	(1.0)%	1% to 4%		not achieved / updated
		from January 20, 2022:		
Siemens Energy		2% to 4%		not achieved / updated
SGRE segment		(4)% to 1%		not achieved / updated
		from April 19 and May 11, 2022:		
Siemens Energy		lower end of the range of 2% to 4%	1.3%	not achieved
SGRE segment		lower end of the range of (4)% to 1%		not achieved / updated
		from August 2 and 8 ,2022:		
SGRE segment		EBIT margin pre PPA and integration and restructuring costs approximately (5.5)%	(5.9)%	not achieved
Net income (loss) of Siemens Energy	€(560) million	sharp increase		not achieved / updated
		from May 11, 2022: at prior year level		not achieved / updated
		from August 8 , 2022: approximately exceeding prior year's level by the impact from the restructuring of business in Russia reported as Special item.	€(464) million	overachieved
Free cash flow pre tax of Siemens Energy	€1,358 million	in a range of a positive mid-triple-digit million	€1,503 million	overachieved

Dividend

Our dividend policy is to pay out 40% to 60% of our Net income attributable to shareholders of Siemens Energy AG. In view of the earnings in fiscal year 2022, the Executive Board, in agreement with the Supervisory Board, has decided to propose to the Shareholders' Meeting not to distribute a dividend. A dividend of €0.10 per share was paid for fiscal year 2021.

2.3.2 Events and developments responsible for the course of business

Macroeconomic development

In fiscal year 2022, the COVID-19 pandemic initially continued to have an adverse effect on global economic development. However, the economy then benefited increasingly from the recovery of business activity and governmental support, although regional lockdowns, especially in China, continued to have a dampening effect on the economy and the tense situation on the global procurement markets deteriorated. Over the course of the year, the economy was further slowed down by the effects of the war in Ukraine and the resulting geopolitical uncertainties. Besides the energy crisis, which was associated with an energy price shock, a general increase in prices resulted in high inflation, especially in the USA and the European economies of particular significance to us.

Against this backdrop, global GDP growth expectations in calendar year 2022 were reduced to 3.2%, following growth of 6.0% in calendar year 2021. Growth of 2.4% is expected in the industrial nations. GDP of the emerging and developing economies is expected to increase by 3.7% in calendar year 2022.

The GDP figures shown here are based on data published by the International Monetary Fund (World Economic Outlook: Countering the Cost-of-Living Crisis, October 2022).

Inflation

In calendar year 2021, inflation began to rise above normal levels. Inflation of 7.2% for industrial and 9.9% for emerging and developing economies, respectively, are forecast for calendar year 2022. High inflation has largely been triggered by increased food and energy prices. An additional factor is the continuing imbalance between supply and demand, in part due to supply chain issues driven primarily by local lockdowns in China. Inflation in the Eurozone was intensified by the strength of the U.S. dollar over the euro. In the past fiscal year, the U.S. dollar gained 16% on the euro, reaching parity in July 2022. This was caused by the more rapid increase in interest rates in the USA and the fact that energy is traded in U.S. dollars. Various countries initiated programs aimed at curbing inflation. The USA, for example, introduced the Inflation Reduction Act 2022. These programs had no impact yet on Siemens Energy's business performance in the past fiscal year.

Energy crisis and energy market

Issues related to the security of energy supply and high energy prices as a result of the war in Ukraine and its impact affected especially industrial customers in Europe. There were also indirect effects in the Asia-Pacific region and other regions. The energy crisis and high energy prices have fostered short-term investment in fossil fuels and renewable energy generation in order to reduce dependency on Russian gas supplies. The European countries, in particular, announced additional investments in energy security, such as Germany's Easter package announced in April 2022, or expansions to existing investment measures, for example on the basis of the REPowerEU plan. This brought positive momentum to the energy market, from which also Siemens Energy benefited.

In the long term, the energy crisis and its effects will support the transition of the energy market away from fossil fuels towards the use of renewable energy sources. The transition of the energy market could actually accelerate even more, with associated market opportunities for Siemens Energy. Although we still anticipate that the rapid shift from fossil fuels to renewable energy will carry on in the industrial nations, we continue to expect that countries with access to fossil fuels will not shift directly from fossil to renewable power, but transition from coal to gas to lower emissions in the existing infrastructure.

Supply market situation

Material and 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, increased end-to-end risk sharing from supplier to customer contracts via indexation, supplier changes as well as globally balanced supplier footprints with sources in various regions, commodity hedging etc.

As previously explained, the challenges on the global raw material and commodity markets not only persisted, as expected in the prior fiscal year, but increased substantially. This was caused by the continued disparity between supply and demand from the prior 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, particularly in China, and by high inflation. The situation was further exacerbated by the war in Ukraine, the sanctions subsequently imposed on Russia and trade tensions. As in the prior year, market momentum was also negatively impacted by limited logistics resources and capacities, which resulted in higher logistics costs and longer delivery times.

Besides increased prices in supply markets, which continued especially for steel but also for nickel, copper, oil and fuel, supply chain tensions led to limited availability of materials (as in the prior year, especially electronic components, semiconductors, eSteel and chemicals). Market prices continued to rise from 2021 levels to new record highs worldwide.

The situation on the world's steel markets and steel prices are of particular significance to Siemens Energy. Prevailing supply restrictions and record energy prices as a result of the war in Ukraine and the subsequent sanctions, coupled with the uncertainty of gas supplies from Russia to Europe, have led to a shortage of resources on the steel markets and further pressure on prices. After the record levels observed in fiscal year 2021, prices stabilized in the past fiscal year. However, steel prices for wind turbine towers continued rising to new highs due to the war in Ukraine.

Siemens Energy was affected in various ways by the supply market situation. Although we experienced no gas shortages, we still initiated measures to reduce consumption in our own operations. At GP, the effects of the tense supply chain situation and increased market prices remained manageable in the past fiscal year. Impacts were noticeable only in short-term production operations. By contrast, SGRE was affected more severely, especially as a result of customer contracts concluded before the turmoil on the procurement markets. When now concluding new contracts, greater attention was paid to sharing the risk with customers by means of raw material price indexing.

Ukraine war and restructuring of business in Russia

Due to the war in Ukraine and the sanctions imposed on Russia, Siemens Energy immediately halted all new transactions in Russia and, as a result of the EU's fifth sanctions package against Russia, ceased almost all business activities there. Against this backdrop, the setup in Russia was reassessed, resulting in the decision to restructure our business activities in this country.

The measures adopted had a negative impact on revenue and Adjusted EBITA. The lost revenue previously expected amounted to around €0.4 billion. Adjusted EBITA was impacted by the restructuring of business. €200 million were reported as Special items from strategic portfolio decisions which resulted especially from the recognition of provisions for onerous contracts, impairments on non-current assets and the reversal of revenue. The restructuring of Siemens Energy's business activities in Russia continues to progress and the measures are expected to be completed without further significant financial impacts in the first quarter of fiscal year 2023.

Sale of onshore wind energy projects

On April 19, 2022, SGRE announced that an agreement to sell a portfolio of onshore wind energy development projects in Spain, France, Italy and Greece to SSE Renewables International Holdings Limited, United Kingdom was successfully signed. Wind farm development projects typically mainly comprise the permits, licenses, and authorizations that grant its owner the right to build, connect and operate a specific wind farm project at a certain location.

The transaction was closed in September 2022. The purchase price amounted to €613 million and was recognized as orders and revenue. The sale resulted in income of €565 million. The transaction also included the transfer of around 50 employees.

Operational excellence

In fiscal year 2022 we continued our "Accelerating Impact" program in the GP segment which will run until end of fiscal year 2025. We are fully on track regarding the target communicated in fiscal year 2020 of achieving total cost savings of more than €800 million at GP by fiscal year 2023. This also includes the further saving measures announced as part of the "Accelerating Impact" program, which are expected to lead to cost reductions of a minimum €300 million by fiscal year 2023 and job reductions of approximately 7,800 worldwide by the end of fiscal year 2025. Implementation of the announced saving measures is ongoing in all affected countries.

Going forward, beginning with fiscal year 2023, operational excellence will be even more of a focus than before in the context of the **strategic development of Siemens Energy** (see below).

Our operational excellence efforts specifically focus on the following

- Integrating global functions to generate synergies across Business Areas
- Supply chain excellence
- Process and data harmonization
- Global flexibility of execution resources

These efforts are aimed at driving revenues, profitability and cash flow and successfully navigating the energy market transformation.

In fiscal year 2022, SGRE introduced "Mistral", a new program which covers all areas of the business and prepares SGRE to meet the forecasted high demand in the wind energy industry. It is designed to lead SGRE to sustainable and profitable growth.

In the short-term, the "Mistral" program focuses on two product-related priorities:

- Product maturity of the SG 5.X onshore platform by solving technical issues. By advancing product maturity, completing projects and driving lessons learned into the organization, the aim is to reduce the non-conformance costs in the short-term.
- Cost security across all product lines by implementing a robust contract design with suppliers and customers. This is expected to ensure greater transparency and the best possible predictability along the entire value chain.

In the mid-term, the "Mistral" program is set to resolve challenges facing the changing wind energy industry:

- Streamlining the organization and sharpening the focus on its target markets:
  - For the onshore business, this entails streamlining the portfolio and focusing on nine selected target markets to reduce complexity and drive scale. Newly won projects will preferably include long-term service commitments.
  - For the offshore business, the main target is to maintain SGRE's leadership position in the market by driving next-generation wind turbines with lower maintenance demand.
- SGRE plans to improve competitiveness through a regional, cost-balanced structure of support functions and lean organizations focused on project execution. It is planned that more than half of the value added will be located in countries with low- or medium-level compensation. In addition, around 2,900 positions globally are to be reduced to adapt SGRE's footprint and capacity to market demands.

In the long-term, the "Mistral" program will address the changing demands of the wind energy industry over the next decade, taking into account the increased share of wind power in the global energy mix and the rising demand for storage capabilities, e.g. for hydrogen:

- The entire wind portfolio will be evaluated in line with a concise platform strategy so that components and modules serving multiple uses in different products can be standardized and replicated across the portfolio. This should improve serviceability, speed up learning curve effects and prove particularly beneficial when hydrolysis and advanced grid functions (e.g., grid-forming converters) become, as forecasted, an integral part of the wind energy portfolio.
- A common product strategy that ensures scalability, limited variants and cross-utilization of components, modules and services, will be developed as the foundation of the new operating model.
- Consolidation in the supply chain for units that achieve a high level of commoditization.

The following measures will be implemented step-by-step to ensure smooth business operations. The following measures have already been implemented in fiscal year 2022 and have achieved initial positive impacts:

- Manage material price increases and improve margins by renegotiating customer and supplier contracts and by increasing workforce share in best-cost countries.
- Improve site performance through a standardized portfolio and interfaces in the value chain (e.g., for rotor blades).
- Strengthen scalability and serviceability across all businesses by consolidating responsibility for all manufacturing and procurement

under the Chief Operating Officer. Consolidating responsibility for all R&D activities, including digitalization, under the Chief Technology Officer.
- Shift the regional setup to a "one-face-to-the-customer" approach for the entire business in the pre-sales and sales phases, creating also a single interface to regional suppliers.
- Strengthen the "one-company"-approach across businesses to leverage the organization's full capability.

The continuing strategic development of Siemens Energy

Siemens Energy's strategic development is based on the new corporate structure adopted in May 2022, which came into effect on October 1, 2022, at the beginning of fiscal year 2023. The reorganization measures are focused on reassigning the former divisions of the reportable segment GP to three Business Areas aligned with Executive Board responsibilities. The Business Areas will be disclosed in the segment reporting which will significantly increase the transparency of external reporting. Furthermore, a new operating model was introduced. With its implementation, a number of further changes were made to the internal organization in order to reduce the complexity of structures, implement leaner hierarchies and short decision-making paths, consolidate global corporate functions (such as Procurement, Logistics, and IT) and sharpen the focus of research and development activities. The aim is to strengthen the responsibility of each employee and achieve a closer alignment of business activities with operational excellence. Above all, however, we are seeking to further improve our customer focus with a holistic go-to-market approach. This should also be supported by the full integration of SGRE (see Tender offer for SGRE shares below).

Starting in fiscal year 2023, the Siemens Energy reporting structure will consist of four segments – the Business Areas Gas Services, Grid Technologies and Transformation of Industry (voluntarily presented as a reportable segment) plus SGRE – and the Reconciliation to Consolidated Financial Statements.

- **Gas Services (GS)** consolidates all business activities in relation with gas and large steam turbines and its related service business as well as heat applications.
- **Grid Technologies (GT)** comprises the former business of the Transmission division and, in future, will also include the energy storage activities that were previously assigned to Generation.
- **Transformation of Industry (TI)** is mainly focused on reducing energy consumption and CO_2 emissions in industrial processes and encompasses four independent business operations:
  - **Sustainable Energy Systems (SES)**, comprising the former New Energy Business and parts of Generation, is concerned with topics such as hydrogen, electrolyzers, Power-to-X and photovoltaics.
  - **Electrification, Automation, Digitalization (EAD)** was previously part of Industrial Applications and provides integrated EAD solutions, value-added services and consultancy services.
  - **Industrial Steam Turbines & Generators (STG)** includes parts of the Generation and Industrial Applications business portfolios such as industrial steam turbines up to 250 MW, including service, and industrial generators.
  - **Compression (CP)** was formally part of Industrial Applications and supplies turbo and reciprocating compressors, including service, as well as compressor trains and systems.

Tender offer for SGRE shares

On May 21, 2022, Siemens Energy AG announced a voluntary cash tender offer to acquire all outstanding shares in Siemens Gamesa Renewable Energy, S.A., i.e. shares not already owned by Siemens Energy AG. The offer was to be addressed to all minority shareholders, who together held approximately 32.9% of the shares in the capital stock at that time. The offer price will be €18.05 per share. Following a successful closing of the transaction, it is intended to delist Siemens Gamesa Renewable Energy, S.A. from the Spanish stock exchanges where it currently trades as a member of the Spanish IBEX-35 index and fully integrate the Group into the Siemens Energy Group.

As mentioned before, the integration is part of the strategic further development of Siemens Energy and, in addition to a simplified corporate structure, is expected to contribute to a holistic market approach of Siemens Energy and cost synergies of up to €300 million yearly within three years after full integration. In addition to other synergies, such as revenue synergies and easier access to financing for SGRE's business, the transaction is expected to provide SGRE with even better support in addressing the current economic challenges. The latter mainly means a closer involvement in the day-to-day business of SGRE and the transfer of expertise gained from the successful restructuring of GP, especially in the areas of production, supply chain, project and customer management.

In May 2022, Siemens Energy signed an unused syndicated bridge credit facility amounting to a total of €4,200 million to acquire the outstanding shares in SGRE. In June 2022, the bridge facility was reduced to €2,900 million to reflect the fact that a cash collateral in the amount of €1,148 million was deposited in favor of the Spanish Securities and Exchange Commission in relation with the proposed transaction. In September 2022, Siemens Energy issued a subordinated mandatory convertible note in the aggregate nominal amount of €960 million, the net proceeds of which are intended to be used to partially fund the proposed tender offer. For more information on the new issue and the tender offer for the SGRE shares, see 2.6 Financial position and Note 30 Subsequent events in 3.6 Notes to the Consolidated Financial Statements.

2.4 Results of operation

2.4.1 Orders and revenue

Orders and revenue (in millions of €)	Orders				Revenue			
	Fiscal year		Change		Fiscal year		Change	
	2022	2021	Actual	Comp.	2022	2021	Actual	Comp.
Gas and Power	26,883	20,888	29%	24%	19,280	18,395	5%	0%
Siemens Gamesa Renewable Energy	11,598	12,185	(5)%	(8)%	9,814	10,198	(4)%	(8)%
Total segments	**38,481**	**33,073**	**16%**	**12%**	**29,093**	**28,593**	**2%**	**(3)%**
Reconciliation to Consolidated Financial Statements	(169)	(73)	—	—	(96)	(110)	—	—
Siemens Energy	**38,312**	**33,001**	**16%**	**12%**	**28,997**	**28,482**	**2%**	**(3)%**

Orders

Siemens Energy

- In fiscal year 2022, order intake at Siemens Energy increased significantly on a comparable basis.
- The development of orders was favored by the general macroeconomic recovery following the COVID-19 pandemic. The geopolitical and macroeconomic challenges of the past fiscal year had no significant negative impacts on Siemens Energy markets, except for the business in Russia. On the contrary, the Ukraine war and the energy crisis triggered by its political consequences positively influenced the development in demand.
- The main factor in the growth of order intake was the increase at GP, which offset the decline at SGRE many times over.
- In nominal terms, i.e. including positive currency translation effects, orders also increased significantly.
- The service share of Siemens Energy's orders amounted to 32% (2021: 35%).

Gas and Power

- GP benefited from the market environment and posted substantial year-on-year growth in orders on a comparable basis. This growth was based on both large orders and base orders. All businesses reported double-digit percentage growth in order intake, with Transmission recording the biggest increase of more than one third.
- Among the largest orders were three large orders for Transmission: two offshore wind farm grid connections in Germany and a high-voltage direct current (HVDC) transmission system for the first power link between the United Kingdom and Germany. Also worth mentioning is the framework agreement for a gas turbine compressor signed by Industrial Applications in Qatar with a volume of more than €300 million.
- On a nominal basis, including currency translation effects, order intake also increased substantially.
- Order volumes increased in both the service and new units business, with the growth in orders in the new units business far exceeding the growth in the service business. As a result, the share of the service business in GP orders declined year-on-year to 36% (2021: 40%).

Siemens Gamesa Renewable Energy

- Markets at SGRE were characterized by customers' deferred investment decisions and lengthy contract negotiations in an inflationary environment. In addition, the clear decline in orders at SGRE on a comparable basis resulted from selective order acceptance based on the risk/return profile. The volume of large orders decreased after an unusually strong prior year while base orders recorded an increase. Overall, all businesses recorded declines. The largest of these was the decrease in the service business because of lower order intake for new wind farms, which was associated with clear and slight declines in the onshore and offshore businesses, respectively. Orders of €613 million were related to the sale of a portfolio of wind farm development projects in Southern Europe (see 2.3.2 Events and developments responsible for the course of business).
- As in the prior year, the largest orders were received in the offshore business and included a contract with a volume of around €1.2 billion in the U.S. as well as two further wind farm projects in the United Kingdom and Germany, which have a joint volume of more than €1.8 billion. In addition, SGRE was awarded a service contract worth more than €400 million in Germany.
- Due to positive currency translation effects, nominal order intake declined only moderately.
- The service share of SGRE's orders was 24% (2021: 28%).

Regions (location of customer)

- In geographical terms, comparable growth in the **Europe, C.I.S., Middle East, Africa (EMEA)** and **Americas** reporting regions was offset by a decline in **Asia, Australia**.
- In the **EMEA** reporting region, orders increased significantly, with shifts in some European countries, mainly due to single large orders. The largest growth was recorded in Denmark and Germany. Substantial growth at GP in the reporting region was held back by the discontinuation of new business in Russia and a moderate decline at SGRE.
- In the **Americas** reporting region, the main contribution to the clear growth resulted from the USA and specifically from the Transmission

business. Overall, the substantial growth at GP was offset by a substantial decline in volumes at SGRE.
- The moderate decline in orders in the **Asia, Australia** reporting region was due to a clear decrease at GP. There were no large orders with a comparably high volume to those recognized by GP in the prior fiscal year, especially in Hong Kong and Taiwan. SGRE reported a significant increase, especially due to large orders from India and Japan.

Revenue

Siemens Energy

- The development of revenue at Siemens Energy in fiscal year 2022 was significantly influenced by external factors. The decline at SGRE was responsible for the moderate decrease on a comparable basis.
- Due to positive currency translation effects of more than five percentage points, nominal revenue was slightly above the prior-year level.
- Revenue from the service business rose clearly. Its contribution to Siemens Energy revenue increased to 35% (2021: 33%).

Gas and Power

- Performance at GP was held back above all by the loss of revenue in Russia. The sanctions imposed on Russia in response to the war in Ukraine and the end of our business activities in Russia negatively impacted revenue by around €0.4 billion in lost expected revenue. In addition, performance was curbed by the sequence of processing large projects at Generation. Overall, GP revenue on a comparable basis was level with the prior year. Clear increases at Transmission and Industrial Applications were offset by a slight decline at Generation.
- Nominal revenue at GP showed moderate growth of more than four percentage points due to positive currency translation effects.
- Revenue development in the new units and service businesses followed a similar trend. Therefore, the service business made an unchanged contribution of 41% to GP revenue in the past fiscal year (2021: 41%).

Siemens Gamesa Renewable Energy

- Revenue at SGRE was clearly below the prior-year level. This was due above all to global supply chain constraints affecting the availability of both materials and logistics capacities and to operational challenges in the market launch of the SG 5.X onshore platform. Revenue of €613 million was generated by the sale of a portfolio of wind farm development projects in Southern Europe (see **2.3.2 Events and developments responsible for the course of business**).
- The Wind Turbines business reported a decline in both the onshore and offshore businesses, although the service business grew significantly.
- Including positive currency translation effects, revenue decreased on a nominal basis moderately.
- The service business contributed 22% to SGRE revenue in the past fiscal year (2021: 19%).

Regions

- The pattern of revenue development in the reporting regions differed from order development. A comparable increase in **EMEA** was offset by decreases in **Americas** and **Asia, Australia**.
- The moderate increase in the **EMEA** reporting region was attributable to a significant increase in revenue at SGRE, largely due to the aforementioned sale of a portfolio of wind farm development projects. This was offset by a slight decline at GP, due especially to the Russia business.
- The moderate decrease in revenue in **Americas** resulted primarily from the anticipated sharp decline reported by SGRE in the USA. This offset the clear increase reported by GP in the reporting region, due especially to significant growth in Latin America.
- Revenue decreased significantly in **Asia, Australia**. The main reason for this was the substantial decline at SGRE, especially in Taiwan, due to a decrease from the high revenue reported a year earlier, whereas revenue at GP was slightly above the prior-year level.

Orders and revenue (location of customer)	Orders				Revenue			
	Fiscal year		Change		Fiscal year		Change	
(in millions of €)	2022	2021	Actual	Comp.	2022	2021	Actual	Comp.
Europe, C.I.S., Middle East, Africa	19,933	16,571	20%	20%	14,672	14,078	4%	3%
therein Germany	*4,061*	*3,127*	*30%*	*30%*	*2,716*	*2,367*	*15%*	*15%*
Americas	11,726	9,838	19%	8%	8,489	8,050	5%	(4)%
therein U.S.	*6,561*	*5,390*	*22%*	*8%*	*4,371*	*4,929*	*(11)%*	*(20)%*
Asia, Australia	6,654	6,592	1%	(3)%	5,836	6,354	(8)%	(13)%
therein China	*1,750*	*1,582*	*11%*	*2%*	*1,544*	*1,594*	*(3)%*	*(10)%*
Siemens Energy	**38,312**	**33,001**	**16%**	**12%**	**28,997**	**28,482**	**2%**	**(3)%**

Book-to-bill ratio and order backlog

- Due to the aforementioned developments, the book-to-bill ratio at Siemens Energy was 1.32. The increase from the prior-year value of 1.16 was primarily attributable to the significant increase in orders. The book-to-bill ratio of both segments was clearly above 1; it was 1.39 at GP (2021: 1.14) and 1.18 at SGRE (2021: 1.19).
- By the end of the fiscal year, the order backlog at Siemens Energy increased significantly to €97 billion, compared to €84 billion in the prior year. The growth benefited from positive currency translation effects. The order backlog at GP rose to €63 billion from €51 billion in the prior year. At €35 billion, SGRE exceeded the prior-year value of €33 billion. Both segments thus posted new order backlog records.
- The service share of Siemens Energy's order backlog was 57% at the end of the fiscal year (2021: 60%).

2.4.2 Profitability

	Fiscal year		
(in millions of €, earnings per share in €)	**2022**	**2021**	**Change**
Adjusted EBITA Siemens Energy before Special items	**379**	**661**	**(43)%**
Gas and Power	943	834	13%
Siemens Gamesa Renewable Energy	(526)	(99)	<(200%)
Reconciliation to Consolidated Financial Statements	(39)	(74)	48%
Adjusted EBITA margin Siemens Energy before Special Items	1%	2%	(1) p.p.
Gas and Power	5%	5%	0 p.p.
Siemens Gamesa Renewable Energy	(5)%	(1)%	(4) p.p.
Special items (for details see table below)	(453)	(673)	(33)%
Adjusted EBITA Siemens Energy	(75)	(12)	<(200%)
Gas and Power	633	362	75%
Siemens Gamesa Renewable Energy	(663)	(296)	(124)%
Reconciliation to Consolidated Financial Statements	(45)	(78)	42%
Adjusted EBITA margin Siemens Energy	(0)%	(0)%	0 p.p.
Gas and Power	3%	2%	1 p.p.
Siemens Gamesa Renewable Energy	(7)%	(3)%	(4) p.p.
Amortization of intangible assets acquired in business combinations and goodwill impairments	(386)	(382)	1%
Financial result	(29)	(108)	73%
Financial result from operations	(28)	37	n/a
Income (loss) before income taxes	**(518)**	**(465)**	**(12)%**
Income tax gains/ (expenses)	(128)	(95)	(35)%
Net income (loss)	**(647)**	**(560)**	**(15)%**
Basic earnings per share	(0.56)	(0.63)	11%

Adjusted EBITA and Adjusted EBITA before Special items

Siemens Energy

- The development of Adjusted EBITA at Siemens Energy was mainly influenced by the decrease in earnings at SGRE, which offset both the operational improvements at GP and the declining effect of Special items. GP demonstrated resilience to the macroeconomic challenges in the past fiscal year, whereas the negative external influences significantly impacted business performance at SGRE, also because SGRE's internal operational problems were amplified.
- As a result, Adjusted EBITA at Siemens Energy decreased sharply into the clearly negative range after being close to break-even a year earlier. The same was true of the Adjusted EBITA margin of Siemens Energy.
- Due to declining Special items, the absolute decrease in Adjusted EBITA before Special items was stronger than that in Adjusted EBITA.

Gas and Power

- GP saw a sharp increase of 75% in Adjusted EBITA. The segment improved the corresponding margin by 1.3 percentage points. This was mainly due to operational improvements, which resulted in lower costs, increased volumes and a substantial decline in the impact of Special items. Profitability was raised in the new units business especially. The positive performance was curtailed by less favorable purchasing conditions resulting from the independence of Siemens Energy as well as by the effects of the tense supply chain situation and higher material prices in the short-cycle product business. Added to this were Special items amounting to €200 million relating to the restructuring of our business activities in Russia, which were reported as Special items from strategic portfolio decisions (see 2.3.2 Events and developments responsible for the course of business).
- Thus, most of the Special items in the past fiscal year resulted from strategic portfolio decisions. The strategic portfolio decisions also included an impairment in relation with the planned divestment of a business. As in the prior year, an offsetting effect was contributed by a positive non-recurring item from the sale of assets which had been written off before in relation with the decision to streamline the offer of aero-derivative gas turbines. The overall decrease in Special items resulted from a sharp reduction in restructuring and stand-alone costs.
- Due to the reduced impact of Special items, Adjusted EBITA before Special items at GP did not increase as strong as Adjusted EBITA. Nevertheless, the improvement was significant. The corresponding margin increased by 0.4 percentage points.

Siemens Gamesa Renewable Energy

- The sharp decline in Adjusted EBITA at SGRE was primarily due to the decrease in revenue (including related negative effects from fixed cost degression), the tense situation on the global procurement markets and operational problems. In addition to unexpectedly severe supply chain disruptions, price pressure in the energy, raw materials and transport markets had a negative impact on profit development of the Wind Turbines business. In addition to the known ramp-up challenges with the SG 5.X onshore platform, there were cost burdens due to component failures and repairs to already installed onshore platforms and in connection with the start-up of the new SG 11-200 DD offshore turbine. Furthermore, the result was impacted negatively by new assumptions for market and production conditions in the Wind Turbines business, requiring a reassessment of projects. Profit development was positively affected by a clear increase of the result in the service business and, above all, by income of €565 million generated by a sale of a portfolio of wind farm development projects in Southern Europe (see 2.3.2 Events and developments responsible for the course of business).
- In the past fiscal year, negative Special items declined substantially. As in the prior year, they resulted solely from restructuring and integration costs. The decline primarily related to integration costs. The restructuring costs in fiscal year 2022 were mainly related to adjustments of the global footprint and the reduction of capacities in the onshore business. Among others, they were linked to plant closures in Morocco and the USA.
- Due to the developments described above, Adjusted EBITA before Special items at SGRE deteriorated sharply.

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 centrally carried pension expenses, treasury activities and other central items as well as eliminations. Beginning with fiscal year 2022, GP segment's Real Estate Service, formerly disclosed under Reconciliation to Consolidated Financial Statements, has been assigned to segment GP. The negative Adjusted EBITA of the Reconciliation to Consolidated Financial Statements decreased year-on-year, above all due to elimination effects. Due to the negligible impact of Special items, this was also a main factor in the development of Adjusted EBITA before Special items.

Net income (loss) and basic earnings per share

- The financial result improved sharply, mainly due to income from discounting in connection with non-current provisions, which was reported in other financial income (expenses), net. Interest income and interest expense both increased substantially and significantly, respectively, compared to the prior year.
- The main factor explaining the Net loss at Siemens Energy was the Adjusted EBITA as the sum of other earnings components changed only slightly.
- The tax rate of Siemens Energy Group in the past fiscal year was negative 25% (2021: negative 20%). The negative tax rate was mainly due to losses without corresponding tax relief at SGRE. The sale of a windfarm portfolio in Southern Europe had a compensating effect on these losses. In addition, the non-tax-deductible expenses of the Russia-related charges at GP had a smaller impact.
- Due to the developments described above, the Siemens Energy Group also reported a Net loss in the past fiscal year, which was significantly higher than a year earlier. Since the portion of the loss attributable to non-controlling interests more than doubled compared to the prior year, the portion attributable to the shareholders of Siemens Energy AG decreased significantly. This was reflected accordingly in the development of Basic earnings per share.

Siemens Energy Special items

(in millions of €)	2022	2021	Change
	Fiscal year		
Restructuring and integration costs	(173)	(558)	(69)%
Gas and Power	*(35)*	*(360)*	*(90)%*
Siemens Gamesa Renewable Energy	*(137)*	*(197)*	*(30)%*
Reconciliation to Consolidated Financial Statements	*(0)*	*(1)*	*n/a*
Stand-alone costs	(49)	(116)	(58)%
Gas and Power	*(49)*	*(114)*	*(57)%*
Siemens Gamesa Renewable Energy	*—*	*—*	*n/a*
Reconciliation to Consolidated Financial Statements	*(0)*	*(3)*	*n/a*
Strategic portfolio decisions	(232)	1	n/a
Gas and Power	*(226)*	*1*	*n/a*
Siemens Gamesa Renewable Energy	*—*	*—*	*n/a*
Reconciliation to Consolidated Financial Statements	*(6)*	*—*	*n/a*
Siemens Energy Special items	**(453)**	**(673)**	**(33)%**
Gas and Power	*(310)*	*(472)*	*(34)%*
Siemens Gamesa Renewable Energy	*(137)*	*(197)*	*(30)%*
Reconciliation to Consolidated Financial Statements	*(6)*	*(4)*	*56%*

2.5 Net assets, liabilities and equity

(in millions of €)	Sep 30, 2022	2021	Change
Total current assets	**28,665**	**23,397**	**23%**
therein			
Cash and cash equivalents	5,959	5,333	12%
Trade and other receivables	5,572	5,110	9%
Contract assets	4,718	4,913	(4)%
Inventories	7,983	6,146	30%
Total non-current assets	**22,508**	**20,744**	**9%**
therein			
Goodwill	10,456	9,538	10%
Other intangible assets	3,592	3,561	1%
Property, plant and equipment	5,435	5,104	6%
Total assets	**51,173**	**44,141**	**16%**

(in millions of €)	Sep 30, 2022	2021	Change
Total current liabilities	**27,941**	**22,602**	**24%**
therein			
Short-term debt and current maturities of long-term debt	749	551	36%
Trade and other payables	6,782	5,764	18%
Contract liabilities	13,010	10,350	26%
Current provisions	2,129	1,991	7%
Total non-current liabilities	**6,045**	**6,319**	**(4)%**
therein			
Long-term debt	2,474	2,177	14%
Provisions for pensions and similar obligations	570	830	(31)%
Provisions	1,799	1,968	(9)%
Total equity	**17,187**	**15,220**	**13%**
Total liabilities and equity	**51,173**	**44,141**	**16%**

- As of September 30, 2022, **total assets** of Siemens Energy Group were significantly higher than at the end of the prior year, whereby the majority of the increase related to current assets. As a result, the share of non-current assets in total assets decreased to 44% (2021: 47%). The change in current assets was mainly attributable to an increase in cash and asset components of the operating net working capital. A quarter of the increase in current assets resulted from currency translation effects. The increase in non-current assets was almost exclusively due to currency translation effects. On the liabilities side, current liabilities increased, primarily due to the increase in liability components of the operating net working capital and other current financial liabilities. Non-current liabilities decreased, mainly as a result of lower provisions and provisions for pensions and similar obligations.
- The significant increase in **cash and cash equivalents** resulted mainly from the positive development of Free cash flow (see **2.6.2 Analysis of cash flow and investments**) and from the issue of a mandatory convertible note. An offsetting effect resulted from the reclassification of cash deposits of €1,148 million provided to Spain's National Securities Market Commission to other current financial assets.
- In the **operating net working capital**, a significant increase in the **asset components** was accompanied by even more substantial growth in the **liability components**. The substantial increase in contract liabilities alone, mainly due to advance payments on projects, exceeded the growth primarily in inventories, partly in connection with factors such as supply chain constraints, and in trade and other receivables. As a result, operating net working capital declined to negative €1,520 million at fiscal year-end (2021: positive €55 million). A sharp decrease at GP was accompanied by a substantial reduction in operating net working capital at SGRE. As a result, the operating net working capital was negative 5% of revenue at fiscal year-end (2021: less than 1%).
- **Other current financial assets** rose sharply to €2,559 million (2021: €590 million). This was caused by the aforementioned reclassification of cash and cash equivalents, the development of fair values of derivative financial instruments, as well as the interim financing of a power plant construction project.
- **Assets classified as held for disposal** increased to €318 million (2021: €81 million) primarily in relation with the restructuring of business activities in Russia.
- **Goodwill** clearly rose, due to positive currency translation effects. **Other intangible assets** remained at the prior-year level; positive currency translation effects and additions to internally generated technology for product development at SGRE were offset by the corresponding amortization, depreciation and impairments related to intangible assets acquired in business combinations.
- Debt at Siemens Energy increased significantly year-on-year to €3,224 million (2021: €2,728 million). This was due to a corresponding rise in both **short-term** and **long-term debt** primarily because of increased loans from banks, mainly at SGRE (see also **2.6.3 Financing and liquidity analysis/ Debt, credit facilities and capital structure**).
- **Other current financial liabilities** increased sharply to €1,431 million (2021: €482 million). This was primarily related to the development of fair values for derivative financial instruments.
- **Liabilities associated with assets classified as held for disposal** amounted to €289 million at the end of the fiscal year (2021: €– million) and were mainly related to the restructuring of the business in Russia.
- **Provisions for pensions and similar obligations** declined substantially, mainly due to an increase in the weighted average discount rate (see also **2.6.3 Financing and liquidity analysis/ Financing of pension plans and similar obligations** and **3.6 Notes to Consolidated Financial Statements** in **Note 13 Post-employment benefits/ Provisions for pensions and similar obligations**).
- **Equity** of Siemens Energy Group increased significantly. Despite the net loss, the equity attributable to the shareholders of Siemens Energy AG was significantly above the prior-year level. This was primarily due to the sharp increase in Other comprehensive income, primarily from currency translation effects, and the increase in the Capital reserve, which included an amount of €793 million recorded in relation with the issue of the mandatory convertible note. Non-controlling interests declined sharply due to the Net loss and dividend payments.
- Despite the significant increase in total assets, the equity ratio (equity to total assets) at fiscal year-end was level with the prior year at 34% (2021: 34%) due to the increase of equity.

Off-balance-sheet commitments

- At the end of the fiscal year, the maximum liability amount – resulting primarily from credit and contractual performance guarantees for third-party services – was a nominal €293 million (2021: €352 million).

2.6 Financial position

2.6.1 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 aligned with Siemens Energy.
- 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, as well as management of financial risks, pensions, pension service providers, insurances (broking, advisory, claims management and provider management) and guarantees.
- The centralized coordination and management of market risks (foreign currencies, interest rates, commodities), bank partners, insurance 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 **Note 21 Financial risk management** in **3.6 Notes to Consolidated Financial Statements**.

2.6.2 Analysis of cash flow and investments

(in millions of €)	Fiscal year 2022	2021	Change
Free cash flow pre tax by segment			
Gas and Power	2,354	1,369	72%
Siemens Gamesa Renewable Energy	(809)	227	n/a
Reconciliation to Consolidated Financial Statements	(41)	(238)	83%
Free cash flow pre tax of Siemens Energy	**1,503**	**1,358**	**11%**
therein Additions to intangible assets and property, plant and equipment	*(1,157)*	*(987)*	*(17)%*
Cash flows from			
Operating activities	2,218	1,946	14%
Investing activities	(1,118)	(958)	(17)%
Financing activities	(568)	(340)	(67)%

Free cash flow pre tax

- **Free cash flow pre tax** at Siemens Energy improved significantly compared with fiscal year 2021, which was due to the significant increase in cash inflows from operating activities (excluding income taxes paid), up from €2,345 million in the prior year to €2,661 million. This was also partly offset by significantly increased cash outflows for additions to intangible assets and property, plant and equipment in fiscal year 2022.
- In the **cash inflows from operating activities**, the profit decline was more than offset by a net cash inflow of €1,861 million due to the change in **operating net working capital** (2021: €1,071 million), mainly as a result of the sharp increase in advance payments from customers. Consequently, the net cash inflow was influenced by the change in contract liabilities. In addition, in contrast to the prior year, cash was released by the change in contract assets which was partly offset by the changes in inventories and trade and other receivables. The cash inflow from operating net working capital was partly offset by a sharp increase in cash outflows resulting from the change in other assets and liabilities, from €20 million in the prior year to €458 million in fiscal year 2022. Compared to the prior year, cash flows changed primarily for personnel-related provisions and liabilities as well as warranty-related and onerous loss provisions.
- The significant increase in **additions to intangible assets and property, plant and equipment** was predominantly attributable to increased investments at SGRE. However, compared with fiscal year 2021, GP also increased investments substantially but to a lower extent.
- **Investments** by GP in fiscal year 2022 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, most of which related to the new units business. Capital expenditure at Industrial Applications was used above all to improve competitiveness and the footprint of Industrial Applications. In this context, expenditure was focused mainly on replacement investments and efficiency-improving measures for equipment and tools. Investments by SGRE mainly related to leases (primarily for vessels) and a new production plant in France. There was also a focus on improvements in various factories and prototypes in Denmark, as well as maintenance capital expenditure in different countries.
- At the segment level, there was a sharp increase in Free cash flow pre tax at GP but a decline at SGRE. The main factor at GP was a sharp year-on-year increase in cash inflow from the change in operating net working capital. At SGRE, in addition to the deterioration in earnings, this was mainly due to cash outflows from changes in warranty-related and onerous loss provisions. In addition, the Reconciliation to Consolidated Financial Statements showed a sharp improvement. In the prior year, the negative amount was primarily attributable to a non-recurring shift in the settlement of derivatives.

Additions to intangible assets and property, plant and equipment

	Fiscal year		
(in millions of €)	**2022**	**2021**	**Change**
by Segments			
Gas and Power	374	310	20%
Siemens Gamesa Renewable Energy	783	677	16%
Reconciliation to Consolidated Financial Statements	0	0	n/a
Additions to intangible assets and property, plant and equipment Siemens Energy	**1,157**	**987**	**17%**
by Regions			
EMEA	928	758	22%
Americas	138	127	9%
Asia, Australia	91	103	(11)%

Cash flows from investing activities

- **Cash outflows from investing activities** increased significantly, due to increased investment in intangible assets and property, plant and equipment. Further cash outflow of €142 million related to the aforementioned interim financing of a power plant construction project. This was partly offset by a cash inflow from the divestment of an investment accounted for using the equity method. There were no comparable cash flows for either item in the prior year.

Cash flows from financing activities

- The sharp increase in cash outflows in the **cash flows from financing activities** was primarily due to the pledge of cash collateral related to the voluntary cash tender offer to acquire all outstanding SGRE S.A. shares, which resulted in a cash outflow of €1,148 million in the past fiscal year (2021: €– million). In addition, there was a cash outflow of €72 million due to the dividend payment to shareholders of Siemens Energy AG for fiscal year 2021.
- By contrast, cash inflows of €959 million were generated from the issuance of a mandatory convertible note.
- During the reporting period, there were no cash flows comparable to the prior-year cash outflows of €231 million for the buyback of shares and the cash inflows of €164 million from transactions with the Siemens Group.

2.6.3 Financing and liquidity analysis

Debt, credit facilities and capital structure

Debt

- As in the prior year, the loans from banks in fiscal year 2022 mainly related to the SGRE business.
- As of September 30, 2022, no securities had been issued under the Siemens Energy commercial paper program.
- In September 2022, Siemens Energy issued a subordinate mandatory convertible note in the total nominal amount of €960 million, of which €793 million were allocated to capital reserves and €152 million to financial liabilities. The note issued in this context can be converted into shares of Siemens Energy AG that are to be newly issued or into existing shares. It is intended that the net proceeds of the note issuance will be used to partially finance the voluntary cash tender offer for the outstanding shares in SGRE that was announced in May 2022 (see 2.3.2 Events and developments responsible for the course of business).
- Further information about the Company's debt can be found in Note 12 Debt in 3.6 Notes to Consolidated Financial Statements.

Credit facilities

- As of September 30, 2021, Siemens Energy had an undrawn syndicated revolving credit facility of €3,000 million for general corporate purposes. In the past fiscal year, the first of two one-year extension options was exercised. The credit facility now has a term until 2025 with a further one-year extension option subject to the lenders' consent.
- Moreover, in May 2022, Siemens Energy agreed an unused syndicated bridge credit facility of €4,200 million for the acquisition of the outstanding shares in SGRE. The credit facility has a term of twelve months with two extension options of six months each. Following the provision of a cash deposit to Spain's National Securities Market Commission, the bridge credit facility was reduced to €2,900 million in June 2022.
- As of September 30, 2022, SGRE had a multi-currency revolving credit facility of €2,500 million, which was unchanged from the prior year. The facility includes a fully drawn term loan tranche of €500 million maturing in December 2023 and a revolving credit line tranche of €2,000 million maturing in 2026, €200 million of which were drawn by SGRE in the past fiscal year.
- In addition, SGRE had credit lines in euros for a total amount of €788 million and credit lines in other currencies for an amount equivalent to €583 million, of which €45 million and €340 million, respectively, were drawn at the end of the fiscal year.

Capital structure ratio

(Net cash)/ net debt

(in millions of €)	Sep 30, 2022	Sep 30, 2021
Short-term debt and current maturities of long-term debt[1]	749	551
Plus: Long-term debt[1]	2,474	2,177
Plus: Payables to Siemens Group from financing activities	15	189
Total debt	**3,239**	**2,917**
Cash and cash equivalents	5,959	5,333
Plus: Receivables from Siemens Group from financing activities	107	99
Total liquidity	**6,066**	**5,432**
(Net cash)/ net debt[2]	**(2,827)**	**(2,515)**
Plus: Provisions for pensions and similar obligations	570	830
Plus: Credit guarantees	77	89
Adjusted (net cash)/ net debt	**(2,180)**	**(1,596)**
EBITDA[3]	**1,144**	**1,106**
Adjusted (net cash)/ net debt to EBITDA ratio[3]	**(1.9)**	**(1.4)**

[1] Includes the present values of the coupons of the mandatory convertible note in the amount of €152 million (2021: €0 million).
[2] As of September 30, 2022 and September 30, 2021, the net cash position is shown with a negative sign.
[3] EBITDA represents earnings before financial result, income taxes and amortization, depreciation and impairments.

- Despite existing and as yet planned borrowing in relation with the purchase of outstanding SGRE shares, Siemens Energy aims to maintain a solid investment-grade rating. A Net cash position enabled the Company to achieve this general aim in both the reporting period and the prior fiscal year.
- The substantial year-on-year growth in Adjusted net cash was mainly attributable to the increase in cash and cash equivalents, long-term and short-term debt and to the decline in provisions for pensions and similar obligations. Excluding the cash collateral deposited to the Spanish National Securities Market Commission (see 2.5 Net assets, liabilities and equity), Adjusted net cash at fiscal year-end would have amounted to €3,328 million.
- With our ability to generate positive operating cash flows, our liquidity of €6,066 million, our undrawn lines of credit and our credit rating at fiscal year-end, we believe that we have sufficient flexibility to fund our capital requirements. This also applies if the intended purchase of the outstanding SGRE shares is considered. Likewise, we are of the opinion that our operating net working capital is sufficient for our present requirements.

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 pension obligations at Siemens Energy derive from three countries: Germany, the United States and the United Kingdom.
- As of September 30, 2022, the **defined benefit obligation (DBO)** amounted to €2,812 million (thereof: Germany €1,268 million, United States €828 million, United Kingdom €201 million and other countries €515 million).
- The **fair value of plan assets** was €2,356 million (thereof: Germany €1,214 million, United States €558 million, United Kingdom €209 million and other countries €375 million).
- This led to **underfunding** of €487 million (2021: €790 million), a year-on-year decrease that was largely due to an increase in the weighted average discount rate.
- Further information can be found in **Note 13 Post-employment benefits/ Provisions for pensions and similar obligations** in **3.6 Notes to Consolidated Financial Statements**.

2.7 Report on expected developments

2.7.1 Overall macroeconomic development

Gross domestic product and inflation

The outlook for the global economy assumes for calendar year 2023 that the economic development will be influenced by the Ukraine war and its repercussions, challenging supply security, general price increases and, in particular, high energy prices. Following global GDP growth of 3.2% expected for calendar year 2022, growth of 2.7% is assumed for calendar year 2023.

For the advanced economies, GDP growth in calendar year 2023 is expected at 1.1% (expectation for 2022: 2.4%) and for the emerging and developing economies at 3.7% (expectation for 2022: 3.7%). However, due to the current geopolitical and macroeconomic developments, this outlook is exceptionally uncertain.

Inflation started to rise to above-average levels already during calendar year 2021, continued this trend in 2022, and is expected to decrease to 4.4% in calendar year 2023 (down 2.8 percentage points from expectations for 2022) in advanced economies and to 8.1% in emerging and developing economies (down 1.8 percentage points from expectations for 2022).

The mentioned forecasts for GDP and inflation are based on data from the International Monetary Fund ("World Economic Outlook: Countering the Cost-of-Living Crisis," October 2022).

All estimates presented in this chapter concerning future market developments and trends are subject to additional uncertainties regarding the overall geopolitical risks and, in particular, the consequences of the Ukraine war, higher-than-expected inflation, energy supply security, risks in supply markets, the COVID-19 pandemic – all by themselves significant disruptive factors – and related impacts. These factors, in turn, are likely to have an additional impact on the market drivers for our business.

Energy crisis and energy market

In the first half of calendar year 2022, many energy markets, especially in Europe, saw further increases in energy prices due to deep uncertainty around fossil fuel supplies (mainly regarding Russian natural gas). Particularly, European countries announced new or updated set of measures to push the transition to clean energy and reduce dependence on Russian imports. However, in the short term, energy security in some countries requires a partial shift in power generation from gas to coal. Growth of global electricity demand is expected to return to pre-COVID-19 levels in calendar years 2022 and 2023. Thereby, renewable power generation in calendar year 2023 is expected to grow faster than assumed in calendar year 2021.

Supply market environment

Forecasts for the overall economic situation point towards a moderate economic growth, which is expected to be held back by higher interest rates, material shortages and logistics bottlenecks. Although the raw materials market is expected to ease gradually, the situation in downstream supply chains is likely to lead to further price increases and, to a greater extent, challenges in material availability. This is due to increasing demand for certain components in relation with the ramp-up of production capacities. Despite the easing of gas price situation at the end of fiscal year 2022 and the beginning of fiscal year 2023, the energy price level is expected to further increase. In addition, we see a considerable risk of a renewed acceleration in general inflation due to rising energy prices.

Longer lead times for some pre-materials (e.g., eSteel and epoxy) and also possible supplier failures are expected 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. Air freight capacities are expected to stay at a low level and sea freight is likely to remain impacted by shortage of containers and capacity bottlenecks as well as the prospective continuation of port congestion and the closure of several ports. Road transport is likely to continue to be affected by the shortage of truck drivers.

We are continually monitoring the supply market situation and, where necessary, our procurement department is applying alternative solutions – if feasible – to ensure the best possible availability of materials.

Expected impact on the business development of Siemens Energy

We expect the global economy to continue to grow in fiscal year 2023. However, there are considerable risks due to geopolitical and macroeconomic challenges. In particular, the situation on the supply markets could prove challenging for us, especially in the first half of fiscal year 2023. In contrast, we see a favorable change in the market environment of Siemens Energy due to the current energy crisis. Addressing the energy trilemma – ensuring a sustainable, affordable and secure energy supply at the same time – will, in our view, accelerate investments and also make them more predictable. Based on our broad technology portfolio as well as present and ongoing measures to position Siemens Energy in line with the challenges of the energy transition, we expect to benefit from this situation.

Although, we expect continuing burdens from price increases on the supply markets (including energy costs), particularly in the project area, partly because long-term hedging agreements are increasingly expiring. However, we expect to more than offset this – and the loss of revenues due to the restructuring of our business activities in Russia – through further structural cost savings because of our efficiency-enhancing measures and improved project execution. In addition, we generally expect to be able to adequately reflect inflation-related cost increases in new contracts with customers.

2.7.2 Strategic development and increase in competitiveness

With the new corporate structure of Siemens Energy effective from the beginning of fiscal year 2023 and the plan to fully integrate SGRE, as well as GP's "Accelerating Impact" program and SGRE's "Mistral" program (see **2.3.2 Events and developments responsible for the course of business**), we have laid the foundation for a future-proof alignment of Siemens Energy and are continuing our measures to increase our competitiveness.

We expect a successful implementation of our plans and measures in this regard. This particularly relates to the implementation of the ongoing restructuring and cost-cutting programs and the integration of SGRE, including the acquisition of the outstanding shares in Siemens Gamesa Renewable Energy, S.A. and the planned subsequent delisting from the Spanish stock exchanges. With the integration of SGRE, we intend on the one hand to achieve appropriate synergies and, on the other hand, to provide SGRE with even better support in overcoming the current challenges. We consider the timing for the implementation of this project to be favorable, as important initiatives have already been launched. We expect to have realized corresponding progress when the prospects for wind investments improve again. The integration of SGRE is expected to result in transaction and financing costs in the low three-digit million € range in fiscal year 2023.

For the successor segments of GP – Gas Services (GS), Grid Technologies (GT) and Transformation of Industry (TI) – we expect that the savings ambitions based on the present successes of our "Accelerating Impact" program and the measures we have taken as part of our strategic development will lead to a further reduced cost base in fiscal year 2023.

2.7.3 Expected revenue and profitability development

Segments

With the new corporate structure and the planned full integration of SGRE, we intend to further increase profitability and growth of our segments GS, GT and TI and lay the foundations to be able to drive the turnaround at SGRE even more actively.

The return of electricity demand to the pre-COVID-19 growth path is expected to further stabilize the markets of the **GS segment** in fiscal year 2023. The markets will be influenced by the development of the electricity sector. Electricity consumption is likely to grow as the general economic recovery continues, also due to economic stimulus programs. However, there are high uncertainties related to several interrelated factors: GDP growth, high inflation, high and volatile fossil fuel prices due to the energy crisis, energy security, supply chain challenges, and the ongoing Ukraine war. Demand in calendar year 2022 is expected to exceed 2019 levels and further increase in calendar year 2023. High gas prices, which are expected to cause a partial switch from gas to coal, will result in only moderate decline in gas-based generation globally, as growth in North America and the Middle East is likely to partially offset declines in Europe and Asia-Pacific.

Against this macroeconomic background, the GS segment expects a normalization of order intake, which is expected to be below the strong level of the past fiscal year. Favored by the strong order intake in the past fiscal year, a solid revenue development is expected. It is assumed that in fiscal year 2023 around €7 billion of the order backlog at the end of the past fiscal year will turn into revenue. Profit development is expected to be impacted by increased material and energy costs. However, it is assumed that the higher costs and the loss of revenue in Russia will be more than offset by savings from the “Accelerating Impact” program and a more favorable composition of the project portfolio, leading to an increased profitability compared to the past fiscal year. As a result, GS plans to achieve a comparable revenue growth of 0% to 4% (2022: negative 0.7%) and a Profit margin before Special items of 9% to 11% (2022: 7.2%).

The macroeconomic background described for GS applies equally to the **GT segment.** In addition, GT's markets are expected to continue to develop positively in fiscal year 2023 due to capacity expansions and required grid connections from renewable sources of power generation as well as via energy storage and grid stabilization measures. Further modernization and expansion of existing transmission infrastructure should support this.

Nevertheless, GT expects a decline in order intake compared to the exceptionally high level in the past fiscal year. GT assumes that around €6 billion of the order backlog at the end of the past fiscal year will turn into revenue, thus accounting for the majority of the assumed revenues. GT expects that the profit development will reflect operational improvements and burdens from procurement issues will sharply reduce compared to the past fiscal year. Therefore, GT plans to achieve a comparable revenue growth of 5% to 9% (2022: 3.3%) as well as a Profit margin before Special items of 6% to 8% (2022: 3.6%).

Outside the electricity sector, the energy markets of the **TI segment** are expected to continue to stabilize. We anticipate positive growth trends and a continued slow recovery from the effects of the COVID-19 pandemic in fiscal year 2023. In addition, we expect a stable to improved development in pipeline, downstream, and other oil and gas-related markets, mainly related to a shift in supply from Russia to European countries.

In this market environment, TI expects order intake to be lower than in the strong past fiscal year, but solid. It is assumed that the expected growth in revenue will be driven by the order intake in the past fiscal year. Around €4 billion of the order backlog at the end of the past fiscal year is expected to turn into revenue in fiscal year 2023. Profit is expected to improve sharply, supported by the revenue growth and operational improvements. Overall, TI plans to achieve a comparable revenue growth of 5% to 9% (2022: negative 0.3%) and a Profit margin before Special items of 3% to 5% (2022: 1.4%).

Since Siemens Gamesa Renewable Energy, S.A., as an independent listed company, did not provide an outlook for fiscal year 2023, we, therefore, base our outlook for Siemens Energy Group on the assumptions of the business plan for the **SGRE segment** which has been the foundation for a valuation report ("Independent valuation report of Siemens Gamesa Renewable Energy, S.A." dated October 25, 2022) prepared by PwC, Munich (Germany) and Madrid, Barcelona (Spain) in connection with Siemens Energy AG's voluntary tender offer for all outstanding shares in Siemens Gamesa Renewable Energy, S.A. Scenario 1, which is the relevant scenario for the valuation in the business plan, assumes revenues of €10,571 million for SGRE in fiscal year 2023 and an EBIT margin before purchase price allocation (PPA) effects and integration and restructuring costs of negative 4.2%. We expect SGRE to generate revenue and profitability in fiscal year 2023 in line with the business plan. For more information on the purchase offer for the SGRE shares, please refer to **2.3.2 Significant developments and events in the course of business**, **2.6 Financial position** and **Note 30 Events after the balance sheet date** in **3.6 Notes to the Consolidated Financial Statements**.

Outside the segments, we expect a sharp increase of the negative results in the **reconciliation of the Consolidated Financial Statements** (2022: negative €91 million). The main reason for this is the new corporate structure as central items reported in the past within the former GP segment will be reported under reconciliation of the Consolidated Financial Statements from fiscal year 2023 onwards in addition to the recent central items. Furthermore, there will be higher negative effects from central topics, also partly in connection with the structural adjustments. In addition, we expect a sharp increase in Special items, mainly due to restructuring costs (2022: negative €47 million).

The figures for the past fiscal year presented in this section for the segments and reconciliation of the Consolidated Financial Statements were determined on a comparable basis reflecting the segment structure of Siemens Energy Group valid as of the beginning of fiscal year 2023.

Siemens Energy Group

Based on the expected development of business volume in our segments, we expect Siemens Energy Group to achieve a comparable revenue growth in a range of 3% to 7% for fiscal year 2023. As of September 30, 2022, our order backlog amounted to €97 billion. We expect the processing of our order backlog to support the revenue development by around €27 billion.

Based on the expected development of profitability in our segments we expect Siemens Energy Group to achieve a Profit margin before Special items of 2% to 4% in fiscal year 2023.

We assume that the expected profitability will have a positive impact on Siemens Energy's Net income further strengthened by declining Special items. As a result, we expect a sharp reduction of Net loss compared to fiscal year 2022.

2.7.4 Expected financing and planned capital expenditures

We assume **Siemens Energy**'s Free cash flow pre tax in fiscal year 2023 to decline sharply compared to the past fiscal year. We expect Free cash flow pre tax to be in a negative range of low- to mid-triple-digit € million. This expectation takes into account our assumption on the development of the order intake, whose strong development in the past fiscal year with the corresponding customer advance payments was mainly responsible for the increase in Free cash flow pre tax in the past fiscal year. Furthermore, we expect a very strong increase in capital expenditure on intangible assets and property, plant and equipment in fiscal year 2023 compared with the level in 2022, which will also impact Free cash flow pre tax.

In addition, we assume, outside the Free cash flow pre tax in fiscal year 2023, cash outflows in the amount of approx. €0.4 billion for the acquisition of certain equity interests in various countries that have not yet been transferred to the Siemens Energy Group upon the Spin-Off from Siemens. In addition, the financial position of Siemens Energy will most likely be affected by the planned financing measures in the course of the acquisition of the shares in Siemens Gamesa Renewable Energy, S.A. (see **2.3.2 Significant developments and events affecting the course of business**, under **2.6 Financial position** and Note **30 Subsequent events in 3.6 Notes to the Consolidated Financial Statements**). Overall, this is expected to lead to a sharp decrease in the Net cash of Siemens Energy Group compared to the level at the end of the past fiscal year.

Nevertheless, we expect to maintain a solid financial profile in fiscal year 2023, providing sufficient financing scope for all business requirements in the coming fiscal year. In doing so, we will continue to strive for a capital structure that corresponds to a solid investment grade rating. This is generally compatible with an adjusted net debt to EBITDA ratio of up to 1.5, to which we continue to adhere.

2.7.5 Overall assessment of expected developments

We expect the global economy to grow at a subdued pace in the coming year and global supply chains to continue to be disrupted, impacting our business activities especially in the first half of our fiscal year. Nevertheless, we are confident that our strategic and operational measures will further strengthen Siemens Energy's resilience and will lead to stronger growth in comparable revenue and higher profitability for Siemens Energy compared to fiscal year 2022.

Therefore, **Siemens Energy** is expected to achieve a comparable revenue growth in a range of 3% to 7% and a Profit margin before Special items of 2% to 4% in fiscal year 2023. In addition, we expect a sharp reduction of Net loss compared to fiscal year 2022. We expect Free cash flow pre tax to be in a negative range of low- to mid-triple-digit million €.

This outlook for Siemens Energy assumes no major negative financial impacts from COVID-19 or other pandemic related events, no further deterioration in the supply chain and raw material cost environment, and excludes charges related to legal and regulatory matters.

Overall assumptions per Business Area

- **GS** plans to achieve a comparable revenue growth of 0% to 4% and a Profit margin before Special items of 9% to 11%.
- **GT** plans to achieve a comparable revenue growth of 5% to 9% and a Profit margin before Special items of 6% to 8%.
- **TI** plans to achieve a comparable revenue growth of 5% to 9% and a Profit margin before Special items of 3% to 5%.

The assumptions for GS, GT and TI confirm the target of former GP segment for Adjusted EBITA margin before Special items within a range of 6% and 8%. We assume that **SGRE's** revenue and profitability will be in line with its business plan.

Actual developments may differ from our forecasts due to the risks **and opportunities** described in **2.8 Report on the Internal Control and Risk Management System and Significant Risks and Opportunities** or in the event that our assumptions do not materialize.

Forecast for fiscal year 2023

	Initial position fiscal year 2022	Expected development 2023
Comparable revenue growth Siemens Energy Group	(2.5)%	3% to 7%
Profit margin before Special items Siemens Energy Group	1.2%	2% to 4%
Net income (loss) Siemens Energy Group	€(647) million	Sharp reduction of the loss
Free cash flow pre tax Siemens Energy Group	€1,503 million	in a negative range of low- to mid-triple-digit million €

2.8 Report on the internal control and risk management system and material risks and opportunities

2.8.1 Key features of the internal control and risk management system and statement on the appropriateness and effectiveness of these systems

Internal control and risk management systems are designed to address risks appropriately, not to eliminate them completely. They do not provide absolute assurance but do provide a degree of assurance that the Company's business objectives are being met and that material risks are being appropriately addressed and mitigated. This includes, for example, that the Company’s assets are safeguarded, that financial reporting is reliable, and that legal or regulatory requirements are complied with. The internal control and risk management system is based on an ongoing process aimed at identifying and prioritizing risks to the achievement of business objectives and at addressing these risks effectively and efficiently. This includes the establishment of control objectives, the regular review of risks and control objectives, and the review of the achievement of control objectives and the adequacy and effectiveness of significant controls designed to mitigate risk. Any projections of any evaluation of the appropriateness and effectiveness of an internal control and risk management system to future periods are subject to the risk that controls may become inadequate because of changes in circumstances, or that the degree of compliance with the policies or procedures may deteriorate.

The core elements on which our internal control and risk management system is based include:

- Risk and Control Framework (RCF): The Risk and Control Framework is a central point of reference for all globally binding control objectives set by the process owners to safeguard against risks identified centrally at Group level. It provides a clear and consistent list of control objectives, enabling management and employees to exercise appropriate control in their respective areas of responsibility. A modified approach applies to our independently listed segment Siemens Gamesa Renewable Energy (SGRE), as only control objectives related to specific mandatory areas predefined by Siemens Energy are binding for SGRE. Additional SGRE-specific control objectives are defined and applied based on SGRE management's own risk analysis. 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 control objectives are organized into the four categories of strategic, operations, financial and compliance to enable the organization to break down its control environment into manageable aspects and work towards achieving its control objectives.

- Internal Control Process (IC Process): An integrated IC process is in place that considers the core elements of the internationally acknowledged "Internal Control - Integrated Framework" (2013) developed by COSO to review the effectiveness of internal controls in relation to strategic, operations, financial and compliance control objectives. The control objectives contained in the Risk and Control Framework form the basis for the annual assessment. Any internal control deficiencies identified through this process are evaluated and appropriate remediation actions are initiated by management. Among other things, this process also includes sustainability-related control objectives, such as the correct presentation of sustainability-related financial data as defined by the EU Taxonomy Regulation. A modified approach applies to SGRE with regard to the scope and timing of the reported data: The assessment results of the control objectives at corporate level and the assessment results of additional control objectives defined by SGRE are reported by SGRE to Siemens Energy AG at predefined dates following the IC process schedule. The results of the overall internal control process are regularly reported to the Executive Board.

- Internal certification process: A quarterly certification process is in place that requires the management of all companies and selected units to confirm internally the accuracy, completeness and compliance of financial reporting for their respective areas of responsibility. This process forms the basis for the responsibility statement of the Executive Board of Siemens Energy AG and for the representation letters of the Executive Board of Siemens Energy AG to the external auditor.

- Enterprise Risk Management (ERM): In addition to conducting operational risk management activities across the entire company, our ERM system provides a standardized methodology for identifying significant company-wide risks and for recording information about their impact and likelihood of occurrence. Furthermore, there are clear responsibilities and procedures for managing these risks. The identification and management of risks are embedded in the day-to-day management of our business. Our ERM system is based on the COSO standard "Enterprise Risk Management - Integrating with Strategy and Performance" (2017) and is adapted to the requirements of Siemens Energy AG by structuring the organization's objectives into five categories: strategic, operations, financial, compliance and climate. In addition, it complies with ISO standard 31000 “Enterprise Risk Management” (2018) issued by the International Organization for Standardization.

- Compliance Management System: Our Siemens Energy Compliance System is divided into three levels of action: prevent, detect and respond. Preventive measures include compliance risk management, policies and procedures, and comprehensive employee training and counseling. Siemens Energy has implemented a whistleblower system and appointed an ombudsperson to receive information about compliance violations. To identify and resolve misconduct, Siemens Energy conducts internal investigations, compliance risk analyses, in-process controls and regular and ad-hoc audits. Appropriate responses follow any detected misconduct. The compliance management system is continuously updated to adequately address risks arising from changes in market conditions and business activities.

The Executive Board is supported in its duties as part of the internal control and risk management system by, among others, the following departments and committees with defined responsibilities:

- Risk and Internal Control supports the Executive Board in its responsibility to establish an integrated internal control and risk management system and to monitor its appropriateness and effectiveness. This includes reporting by the head of Risk and Internal Control quarterly to the Executive Board and biannually to the Audit Committee of Siemens Energy AG on matters relating to the implementation, execution and monitoring of an appropriate internal control and risk management system, and thus the promotion of risk awareness, risk management and control strategies company-wide.

- Internal Audit performs independent reviews of specifically selected audit areas based on an audit plan of identified risk areas of Siemens Energy AG and its affiliates. It reports regularly to the Executive Board and Audit Committee.

- Legal and Compliance ensures, among other things, the consistent implementation of the Siemens Energy Business Conduct Guidelines and the related guidelines and controls on anti-corruption, antitrust law, data protection, anti-money laundering and export control. The Group Compliance Officer reports quarterly to the Executive Board and the Audit Committee of Siemens Energy AG on key figures and essential elements of the compliance management system, including significant developments in compliance cases. As part of the compliance management system, compliance-related control objectives have been defined in the Risk and Control Framework to support the organization in reporting and managing corresponding risks and in monitoring the effectiveness of internal control in this area.

- The Ad-hoc Committee examines whether, under certain circumstances, information / facts could have a significant impact on the share price of Siemens Energy AG and therefore need to be disclosed by means of an ad-hoc announcement and prepares such mandatory information / facts subject to disclosure for release.

All management of reportable segments, selected Siemens Energy corporate functions and management (or equivalent positions) of entities reporting to the aforementioned are responsible for complying with the control objectives, including all relevant guidance, and for establishing and maintaining an effective internal control and risk management system within their respective areas of responsibility.

In reviewing the appropriateness and effectiveness of our internal control and risk management system and in formulating the comments set forth below, the Executive Board considered a variety of information, including reports on the results of the accounting-related internal control system, reports on the results of the IC process and reports on the results of the ERM process, internal audit reports, reports on current issues identified by our legal and compliance departments, confirmations of the appropriateness and effectiveness of the risk management and control system by global process owners and reporting segments including Siemens Gamesa Renewable Energy S.A. (in-control statements) and confirmations of the implementation of all Group requirements for the risk management and control system of fully consolidated companies (in-control certifications).

Based on the above information, it is investigated whether a critical internal control weakness could exist. Critical internal control weaknesses are either individual internal control weaknesses that have been identified with critical effects or groupings of similar internal control weaknesses that may have critical effects in their entirety. A single definition of a critical internal control weakness is not possible. Deciding whether a particular weakness or group of weaknesses falls into this category is a matter of judgment. Factors in our judgment include whether a weakness could seriously impair or prevent the achievement of a key business objective (strategic, operations, financial, compliance, climate), or whether a weakness could seriously damage the organization's reputation, or whether a weakness could have a material effect on accounting.

In the ERM process, we operate a systematic management of risks and opportunities which is integrated into the entire business organization. The Executive Board defines the business strategy and thus the Group-wide risk policy and risk tolerance with the aim of managing risks and opportunities appropriately. This includes the execution of mitigation measures to reduce the potential impact of risks on the Company to an appropriate level.

To the best of our knowledge, and according to the information provided to us resulting from our internal control and risk management monitoring system previously described, there are no critical internal control weaknesses as of September 30, 2022, that could have a material impact on our business. To the best of our knowledge, as of September 30, 2022, there is no material issue that threatens the achievement of key business objectives (strategic, operations, financial, compliance, climate) that has not been adequately addressed through our ERM process. Based on the results of our internal control and risk management system, no matters have come to our attention that cause us to believe that our enterprise-wide internal control and risk management system is not appropriate or that our internal control and risk management system was not operating effectively as of September 30, 2022.

2.8.2 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 COSO framework “Internal Control – Integrated Framework” (2013). In addition, our ERM process is linked to our internal control system via the COSO standard "Enterprise Risk Management - Integrating with Strategy and Performance" (2017). Both systems complement each other.

At the end of the fiscal year, our management assesses both the appropriateness and the effectiveness of the control system in place based on all available information. For this purpose, we have a standardized procedure under which necessary controls are defined, documented in accordance with uniform standards, and tested regularly for their appropriateness and effectiveness.

Our Consolidated Financial Statements are prepared on the basis of a centrally issued conceptual framework which primarily consists of uniform financial reporting guidelines in line with the International Financial Reporting Standards (IFRS) and a chart of accounts. For Siemens Energy AG and other companies within the Siemens Energy Group that are 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 to 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. Furthermore, other accounting activities, such as governance and monitoring activities, are usually bundled on a regional level. In certain 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 financial statement information must undergo certain authorization processes. 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 confirmation from the management of entities under their responsibility, confirms the accuracy of the financial data that has been reported to Siemens Energy's corporate headquarters and compliance with the relevant regulatory framework.

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.

Our internal audit function is set up to review, among other things, financial reporting integrity, the effectiveness of the control and risk management systems, and adherence to our compliance policies. Regular reports are made to the Executive Board and Audit Committee on the results of the audits and the agreed remedial action in the event of findings. Our SGRE segment has its own internal audit department and annual audit plan. Topics from the respective annual audit plan of our SGRE segment that are also relevant for our Executive Board and Audit Committee first are mandated by SGRE's Executive Board/Board of Directors and Audit Committee and subsequently mandated by our Executive Board and Audit Committee. The audit procedures for these topics will be generally executed in joint teams from our and SGRE's internal audit functions.

The Audit Committee is integrated into our internal control and risk management system. In particular, it oversees accounting and the accounting process and the effectiveness of the internal control, risk management and internal audit systems.

In addition, it is possible to submit accounting-related reports when there are complaints relating to compliance, e.g., anonymously and directly via the "Speak Up" system or via an ombudsperson.

2.8.3 Risk management

Basic principles of risk management

Our risk management policy stems from a philosophy of increasing the enterprise value while managing appropriate risks and opportunities and avoiding inappropriate risks. As risk management is an integral part of how we plan and execute our business strategies, our Group-wide risk management policy is set by the Executive Board. Our organizational and accountability structure requires the respective management 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

The risk management system at Siemens Energy builds on a comprehensive, interactive, and management-oriented enterprise risk management (ERM) approach that is integrated into the organization and addresses both risks and opportunities. Our ERM approach is based on the COSO Standard "Enterprise Risk Management – Integrating with Strategy and Performance" (2017) and ISO Standard 31000 "Enterprise Risk Management" (2018) and has been 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, compliance with relevant laws and regulations as well as the transition to a decarbonized economy and the physical impacts of climate change to be equally important.

Our ERM process aims for early identification, evaluation, and response to risks and opportunities that could materially affect the achievement of our strategic, operational, financial, compliance, and climate-related objectives. The time horizon is typically three years, and up to 30 years for climate-related risks and opportunities. We take a net risk approach, addressing the risks and opportunities remaining after the execution of existing control measures. Our ERM process is designed to 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 individual 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, risks and opportunities 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 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, which aims to escalate critical issues in a timely manner. Relevant risks and opportunities are prioritized in terms of impact and likelihood, considering different perspectives, including business objectives, reputation, and regulatory requirements. 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.

We regularly review our risk-bearing capacity on the basis of internal and external indicators in order to identify at an early stage any developments that could endanger our ability to continue as a going concern.

Risk management organization and responsibilities

To oversee the ERM process and further drive the 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 at Group level, this organization aggregates individual risks and opportunities of similar cause-and-effect nature into broader risk and opportunity topics. This aggregation naturally results in a mixture of risks/opportunities, including those with a primarily qualitative assessment and those with a primarily quantitative risk/opportunity assessment. Accordingly, we do not adopt a purely quantitative assessment of risk/opportunity topics. Thematic risk and opportunity assessments then form the basis for the evaluation of the company-wide risk and opportunity 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 in reporting to the Audit Committee of the Supervisory Board. Our ERM aims to identify relevant business risks throughout the organization as potential deviations from corporate objectives. The management of each of our defined organizational reporting units is responsible for providing all relevant risks for the respective unit. Sustainability-related risks and opportunities are analyzed as part of our specific ERM process as well as other operational processes, e.g., in the area of environment, health, and safety (EHS), resulting in, for example, property risk engineering analyses for detailed site-specific EHS risks (e.g., fires, floods, storms). Key risks currently being assessed in ERM include disruptive decarbonization trends that will impact our portfolio over several years or even decades, including the risk of not meeting all the requirements of ESG (environment, social, governance) standards related to, among other things, climate change. This is taken into account in the ERM process to the extent that it affects the risks and opportunities in the various areas assessed, e.g., in relation to corporate sustainability, EHS, supply chain or financing activities.

2.8.4 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 five 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

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 adapt quickly to shifts in market demands and trends play an important role in this market environment. Changing energy prices and availability may lead to shifts in investments and alter the demand for our products and solutions. For example, persistently high natural gas prices, and potential gas shortages, exacerbated by the war in Ukraine, pose additional risks in particular for the market for large gas turbines, including the service market, which could see utilization impacted by the switch away from gas to other fuels in the case of increasing renewables penetration or coal prices falling faster than gas prices. These developments are influenced by climate-related market transitions, macro-economic changes, and unforeseen geopolitical developments like the Russian war in Ukraine. An increased risk of recession, or persistent inflation, raises risk across all Siemens Energy markets in the mid-term. Inflation may require that we increase prices to cover our own costs and maintain profit levels or it may increase the risk of lower profitability, if we are unable to increase our prices. An extended period of higher inflation may cause stagflation or recession, postponing energy-related investments or moving them to other areas of the economy or other geographical regions where we have less presence or our competitiveness is lower. 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 inventories of finished goods or work-in-progress or to unexpected price erosion. In the future, our SGRE segment may face additional competition from other manufacturers that might 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 our turbine service business, which is a major source of profitable revenue. Some of these developments may prompt us to revise our strategy and product portfolio and there can be no assurance that such realignment will yield the intended 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 promotion initiatives, executing productivity measures and target cost projects, inclusion of price adjustment clauses in our sales contracts, 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 react to such changes.

Political instability and conflicts – As we are a globally operating Group, the imposition of barriers to free trade would negatively impact production costs and productivity along our value chains, as well as reduce the level of investment activity. Our business prospects and the execution of projects awarded to us may be negatively affected by political instability or international conflicts. For example, we may be forced to reorganize, reduce, or terminate business operations in geographical areas where our employees, partners or subcontractors would otherwise be subject to unacceptable economic or personal risks, e.g., due to ongoing or threatened civil unrest, terror attacks, or wars. Some of our current and planned projects and service activities are in regions, that are exposed to a higher risk in this respect e.g., in Ukraine, Russia, Libya, Afghanistan and Iraq. Furthermore, our business prospects or the processing 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. The main risks in this area are, in the Middle East, the possible adverse impact on the implementation of the five-year roadmap for Iraq and tensions with Iran over compliance with the Iran nuclear deal; in the South China Sea, tensions between Taiwan and China and between Japan and Russia; and the continuing simmering trade conflict between the USA and China. The global setup of Siemens Energy 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. We continuously monitor all relevant geopolitical developments to identify and assess potential risks to the Siemens Energy business in good time. With the Ukraine war and the resulting significant impact on our business, not only in this region, we are intensifying our monitoring capabilities and linking their results even more closely to our daily business activities. In addition, we are also observing further countries such as Kazakhstan, Uzbekistan, and Georgia.

Technology/ portfolio gap compared with 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, 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 planned timeframe or at all or at prices that allow our new developments to be competitive when compared with 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's product competitiveness could suffer if its portfolio optimization plans and new product launches encounter delays, ramp-up activities face challenges or its products fail to meet market expectations from a performance perspective. In our rotating equipment business, there is a risk of being unable to keep pace with the rapid changes in the market across the entire gas turbine portfolio given the high development costs and risks and uncertainties of the technologies needed in the future. This relates not only to the constant drive toward higher efficiencies but also to the need to decarbonize and increase operating flexibility. 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 being reduced due to greater renewable capacity and generation around the world. In the Gas and Power (GP) segment, related new technologies and portfolio elements are urgently required for the global decarbonization path whereas economic viability for our clients is highly dependent on market conditions, which are handled differently by countries in the various regions of the world. There is also a risk that certain markets do not mature to a relevant size so we may not be able to recoup our investments.

Impairment of goodwill and other assets – A significant share of our total assets as presented in our consolidated statements of financial position reflects the carrying amounts of goodwill and other intangible assets. Certain factors, including deterioration in earnings or failure to achieve mid-term margin targets, changes in valuation parameters, adverse market conditions and adverse changes in applicable laws or regulations, may cause impairment losses on 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. We may not realize the full value of our goodwill or other intangible assets in the future. Any determination of impairment of goodwill or other intangible assets could have a material adverse effect on our business, financial position, and results of operations.

Failure of the SGRE cash tender offer – In May 2022, we announced a voluntary cash tender offer for all outstanding shares in SGRE. There is a risk that our transaction objective of delisting SGRE and gaining full control will not be achieved if we do not succeed in increasing our shareholding to at least 75% through the offer. The main potential impacts would be that transaction costs (including SGRE share acquisition costs) and reputational damage would be incurred, and the intended operational control and synergy would not be realized.

Restructuring/ productivity programs – The markets in which we operate as a global technology provider for the energy and electricity sector are shaped by disruptive developments. We therefore need to modernize our organizational and manufacturing structures so that we can adapt to changing market conditions, in particular any market upswings and downswings. Restructuring and productivity programs are necessary to enable us to respond to changes in the product portfolio or customer base or to price pressure in the market. If we are unable to successfully implement such planned measures or if they do not achieve the intended savings, this could have a significant negative impact on our business, financial position, and results of operations. In order to implement possible restructuring programs in response to downward trends, it may sometimes be necessary to reduce personnel in certain functional areas or to restructure or relocate production sites. This may require us to incur significant restructuring expenses (e.g., severance payments). In addition, the speed with which we can adjust our corporate structures, or the size of our support functions could be limited by labor law restrictions or regulatory requirements that vary by country, particularly compared with other competitors. We have implemented programs to respond to required capacity adjustments and cost savings. These programs include specific time plans for strategic implementation measures with specific scenario plans for the required capacities. The implementation of these scenarios depends in part on consultation with local works councils and unions, and a delay in such consultation and decisions could jeopardize the initiation of timely measures. We continuously assess whether it is necessary to define further optimization measures to ensure that our profitability target is achieved. Regular reports are submitted to the responsible management and the Executive Board of Siemens Energy.

Requirements arising from ESG (environment, social, governance) standards – It is important for Siemens Energy to take a leading position in the area of sustainability in the industry. In order to stay competitive, we increasingly meet ESG standards and expectations regarding environmental concerns (e.g., climate change and sustainability), social concerns (e.g., diversity and human rights), and corporate governance concerns (e.g., employee relations when making business and investment decisions). We may not always be able to identify and adequately assess the relevant concerns, which may result in failure to meet ESG standards and the expectations of stakeholders or the public, which could in turn 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, policy- or regulatory-driven requirements 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, reputation, financial position, and results of operations. In this context, we create transparency on ESG performance for stakeholders by producing our sustainability report or participating in relevant ESG ratings, and continuously monitor current and emerging regulations. Furthermore, we have defined a process for identifying critical projects early to ensure mitigation actions are identified and implemented in a timely manner.

Operational risks

Critical supply chain – The financial performance of our operating units depends on reliable and effective management of our supply and logistics chain for components, parts, materials and services. Capacity constraints and supply bottlenecks resulting from ineffective management of the supply and logistics chain could lead to production bottlenecks, delivery delays, additional inventory requirements, and additional costs. Third-party manufacturing, assembly, and functional testing of our products may reduce our immediate ability to influence quality assurance, delivery schedules, and costs. Unexpected increases in component or raw material prices due to market bottlenecks or other reasons could also adversely affect our results of operations. Since the onset of the COVID-19 pandemic in early 2020, we have faced ongoing supply chain challenges and disruptions. Complexity has increased due to a combination of logistical bottlenecks, supplier capacity constraints, material and energy shortages (e.g., gas and oil), extended delivery times, especially for semiconductors and electronic products, and not least the Russia-Ukraine conflict. Added to this are further political and economic conflicts, the increasing number of unforeseeable events (such as floods, hurricanes, earthquakes, fires), and an increased risk of supplier insolvencies and cyber incidents at our suppliers. In order to identify risks at an early stage, initiate measures to minimize risks, and ensure material availability in our production facilities, customer projects and service business, we have introduced systematic supply chain risk and resilience management. Since the start of the COVID-19 pandemic, a crisis management system and various task forces have also been established at top management level to manage the particularly challenging situation. With the support of the experts in our market intelligence team and various forecasting tools, we try to identify developments in the markets and supply chains at an early stage and take action as early as possible. However, the longer the global crises, the pandemic, and the Russia-Ukraine conflict continue, the more difficult it will be to manage and mitigate all potential risks. In addition to the challenges in material availability, we have been facing rising or increased material and raw material prices and logistics costs for some time. Costs due to inadequate delivery quality and the long development and qualification times for alternative suppliers due to the high complexity of our products represent a further risk. We have introduced several measures to improve quality and prevent losses. The increased use of quality management tools improves transparency, enables us to strengthen root cause analysis, and serves as a preventive measure. We continuously monitor our suppliers and supply chains to identify trends at an early stage and initiate countermeasures.

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 may affect whole production facilities or plants or an entire product line, which may already be installed or planned to be installed at customer sites. Potential consequences of quality issues could result in the shutdown of power plants, delays in project commissioning, property damage, customer claims, 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.

Threats to cybersecurity, 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. The global increase in cybersecurity threats and higher levels of professionalism in cybercrime pose a risk to the security of products, systems and networks and to 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, which may also include externally 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, the limited functionality or total failure of which 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 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 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 cybersecurity defense teams, and by using security systems such as firewalls and virus scanners. Furthermore, serious financial losses caused by a cybersecurity breach or cyberattack are considered by our cyber insurance policy that covers not only our company's first party loss, but also partly cyber liability (third party claims).

Risk related to project execution – We regularly engage in large and complex projects up to full turnkey delivery that may be worth, or even exceed a value of, several hundred million euros and whose execution may take several years. These contracts are exposed to risks, which are identified and evaluated for every projects. 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, there are risks of unforeseeable project-related changes in critical personnel, quality, financial problems of customers and/or partners, cost overruns or contractual penalties due to delays or unexpected technical problems, unforeseen developments at the project sites, effects of legal or political conditions, performance problems with suppliers, contractors and consortium partners, or logistical difficulties. This could lead to significant increases in project costs, negatively affect the performance of projects and 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, we have established a global project excellence organization in our GP segment 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 – Our 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 effects of such crises and the impact of measures introduced to reduce infection rates. Measures include risk assessment, restrictions on travel, self-isolation, social distancing, working from home, temporary closure of workplaces and local vaccination campaigns. There can be no guarantee that such measures, or a combination thereof, are effective means to combat such an outbreak and its implications. Continuing public health crises such as COVID-19 introduce adverse risks to the business impacting on our contractual obligations, customer commitments, operations and financial position. While measures limit the ongoing impacts, the business still remains subject to the risk of interruption or closure of our production or project sites and the risk of disrupted supply chains due to continuing infection, new outbreaks and the emergence of variants.

Adverse environment, health, and safety (EHS) 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 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 potential of some of our work profiles 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, internal or external investigations and 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. 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 therefore 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.

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 on commercially acceptable terms, could depend on several factors beyond our control. These include, e.g., general economic conditions due to the ongoing pandemic, geopolitical events, 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 the 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 the need to provide security. In the absence of sufficient future cash flows and available financing and other credit lines, such as guarantee and hedging lines, (which could be triggered by e.g., a loss of the investment grade credit rating) we may not be able to adequately finance our normal business activities and to realize new investments or acquisitions or continue our daily operations. In turn, this could 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 volatility in foreign exchange rates, interest rates, and commodity prices. Our SGRE segment and the other Siemens Energy Group companies are being treated as what is known as “single borrower unit” (“Kreditnehmereinheit”) under the large loan exposures and million loans regulation (Großkredit- und Millionenkreditverordnung) 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 to have 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 on 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, arising from trade receivables. Financial institutions demand representations in financing contracts regarding 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 and gas and conventional power 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 results of operations. 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, and may therefore result in an increase/decrease in the actual obligations. Fluctuations in the financial markets or a change in the portfolio mix of plan assets may result in a significant increase/decrease in the fair value attributable to 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 in relevant legislation, 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.

For additional information related to the use of financial instruments, please see **Note 20 Derivative financial instruments and hedging activities** and **Note 21 Financial risk management** in **3.6 Notes to the Consolidated Financial Statements.**

Compliance risks

Potential 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, for example, through the impact of sanctions imposed on Russia. Proceedings against us or our business partners regarding allegations of corruption, antitrust violations, and 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. Siemens Energy conducts a large share of its business with governments and government-owned enterprises. We also participate in a number of projects funded by government agencies and intergovernmental and supranational organizations, such as multilateral development banks. Ongoing or potential future investigations into allegations of corruption, antitrust violations, or other violations of law could also 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. In addition, third parties, including our competitors, could initiate significant litigation. Furthermore, we might be exposed to compliance risks in relation to recently acquired operations that are in the process of integration. Along with other measures, we have a state-of-the-art global compliance organization in place to mitigate these risks, which 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, among other things, relate to claims from or against project partners and customers regarding delays and disruptions, non-performance, 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 may also divert management attention, result in significant litigation and arbitration costs, 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 **Note 18 Legal proceedings in 3.6 Notes to the Consolidated Financial Statements**.

Climate-related 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 of the energy market has a significant impact on the strategy, organizational setup and portfolio of Siemens Energy. There is a risk that requirements will be driven in a much shorter timeframe than expected 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 GP segment's Generation and Industrial Applications divisions serve, to a significant extent, conventional power generation using fossil fuels. Fossil power generation is currently under pressure due to the prevailing trend toward 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 toward 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 toward renewables by offsetting their disadvantage of not being able to respond flexibly to varying energy demands. These trends are impacted by several factors largely beyond our control, in particular by government intervention, public and private initiatives, the efficiency and cost of renewable energy technologies, the selectiveness of and restrictions for investors and lenders and changing consumer preferences in energy consumption. Most of these interventions and initiatives are directed at limiting global climate change. If these developments result in fewer orders for our 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. Moreover, 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 determine risk exposure and share any relevant findings in our Sustainability Council to formulate further action in the respective area of responsibility. Furthermore, we create transparency on ESG performance for stakeholders through our sustainability report or by participating in relevant ESG ratings.

Assessment of the overall risk situation

The most significant challenges are described first in each of the five risk categories – strategic, operations, financial, compliance, and climate. As in the previous year, the risk arising from the 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.

2.8.5 Opportunities

Within our ERM, we also 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 opportunities described 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.

Achieve full synergies from the SGRE integration - The acquisition of the remaining shares in SGRE holds the opportunity to exploit the full underlying synergy potential, which lies above all in achieving greater strategic alignment between the two businesses in order to improve the overall management of their global operations. To this end, we want to simplify and improve the organization of the Siemens Energy Group by establishing a simpler structure and a unified management organization, applying common reporting, control and governance processes to all Group companies, including Siemens Gamesa and its subsidiaries, and with a single listed company as the head of the Group, which is expected to result in lower communication, management and reporting costs by reducing the costs and complexity inherent in maintaining a listed company. Furthermore, we want to maximize the opportunities arising from the size of the Group and avoid unnecessary duplication, in particular enhancing the cooperation between the respective Groups in relation to their approach to customers, increasing cross-selling activities and allowing Siemens Gamesa more immediate and efficient access to the capabilities of Siemens Energy in the GP segment, in particular its global customer portfolio, and in the growing Siemens Energy new technologies business. Also, we could improve the efficiency in supplier relations and the unified management of larger purchasing volumes, facilitating further cost savings while improving the Group's ability to cope with supply chain disruptions. These, together with further integration measures could generate estimated synergies of up to €300 million EBIT impact per year on a run-rate basis within three years after full integration. Several initiatives form the basis for this estimation, such as supply chain and logistics synergies from integrating the purchasing activities of Siemens Energy and Siemens Gamesa and integrating the service and logistics networks. We plan to reduce total expenditure through joint and integrated R&D efforts and an optimized administrative setup, including the centralization of certain administrative functions and harmonization of IT systems. Furthermore, we concentrate on project execution excellence through improved project selection and bidding, the proven expertise of Siemens Energy in managing large and complex projects and the introduction of a more project-focused organizational structure. On top of the cost synergies, the company expects additional growth-related revenue synergies in the mid-triple digit million range by the end of the decade through a joint go-to-market approach and a fully integrated energy technology offering with a focus on value-added capabilities. Based on the revenue and cost synergies we expect to obtain due to the implementation of the targeted integration initiatives and under a unified management, we strive for an overall improved financial profile of the Siemens Energy Group.

Climate-related opportunities from portfolio and markets – We see the opportunity to significantly accelerate growth at Siemens Energy by developing a green product portfolio that meets the market trend towards net-zero emissions. We strengthen our decarbonization portfolio and grow markets short-, mid-, and long-term, while continuously adapting our business models and our product, service and solution portfolio to changing customer and market behaviors. 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 energy sources like PV (photovoltaic) or wind. We accompany our customers on their energy transformation journey and continuously monitor and adapt our portfolio to meet customer and market needs. We closely observe the market and regulatory developments, with a focus on applications with earlier expected market maturity. We invest in targeted R&D activities that support our Energy of Tomorrow strategy and the corresponding five fields of action to transform the future: Decarbonized Heat & Industrial Processes, Power-to-X, Resilient Grids & Reliability, Condition-based Service Interventions, and Energy Storage. For this, selected technology fields have been defined and are being driven forward across the company in order to improve the sustainability dimension of our product, solution, and service portfolio and to strengthen our core business. We explore market opportunities to create 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 is another essential element on this path to clean energy and to transform the future.

Consistent implementation of the new operating model - The new Siemens Energy operating model, implemented as of October 1, 2022, is designed to simplify the organization, improve market access, strengthen project execution, define clearer responsibilities, and increase transparency for the capital market. As part of the implementation of the new operating model, the number of management positions has been reduced and a flatter hierarchy has been created, enabling a holistic sales approach and central project execution. This should lead to more efficient structures, a unified customer approach, and a higher net promoter score. The Company is also aiming for a significant reduction in NCC (non-conformance costs), harmonized processes and IT, more accountability, and faster decision making. In addition, transparency for the capital market should be increased through the clear market-oriented organizational structure.

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 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 Siemens Energy shares and may therefore attract new investors that thus far have not held any Siemens Energy 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. On this basis, we ensure our GP segment can fully focus on adapting to the fast-changing market environment in a more agile and targeted manner, with stringent capital allocation and execution of strategy. The Energy of Tomorrow strategy has been defined for the next ten years and serves as our strategic action plan. Furthermore, we continue to implement our concrete plan for the first phase of our Energy of Tomorrow strategy, Accelerating Impact, defined by specific roadmaps and master plans in divisions and support functions.

Recovery of politically unstable regions – An improvement in the geopolitical environment could quickly lead to a revival of a more positive investment climate that would support the growth trajectory in our markets. In addition, government initiatives and subsidies (including tax reforms, among other things) may lead to more government spending (e.g., infrastructure and 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., Yemen, Iraq, Libya, Afghanistan). Stabilization in any of these countries holds the opportunity for us to participate in the rebuilding and developing of local energy infrastructure.

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 to a significant extent in R&D to drive innovations that result in sustainable solutions for our customers and increase our own competitiveness. We continuously develop new concepts and new digital and data-driven business models. We see also opportunities for generating additional volume and profit from innovative digital products, services, and solutions, including applications for optimized energy consumption, and the 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.

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 by pursuing 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 additional demand for our energy generation solutions (e.g., Oman, Qatar, United Arab Emirates, Kingdom of Saudi Arabia, Brazil, Mexico).

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 which may result in a potential increase in market share, additional new orders and margin. Simultaneously, we aim to enable other growth initiatives to serve specific client demand and to protect our own fleet.

Assessment of overall opportunities

The most significant opportunity for Siemens Energy is the achievement of full synergies from the SGRE integration as described above and new in this fiscal year.

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

2.9.1 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 share-holdings fundamentally subject to the same risks and opportunities as the Siemens Energy Group. The outlook of the Group directly affects our expectations for Siemens Energy AG. Therefore, the foregoing explanations for the Siemens Energy Group also apply for Siemens Energy AG.

As part of its activities as a listed holding company of the Siemens Energy Group, Siemens Energy AG entered into service agreements with Siemens Energy Global GmbH & Co KG. These intercompany services result in the recognition of revenue and cost of sales.

As of September 30, 2022, Siemens Energy AG employed 44 employees, including members of the Executive Board.

Siemens Energy AG allows employees and members of the Managing Board to participate in share-based payment programs. For the purpose of servicing share-based payment programs, Siemens Energy AG also delivers Siemens Energy shares, which have been granted by affiliated companies. 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 year 2022, Siemens Energy AG re-issued in total 4,839,941 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 €4,840 thousand and 0.7% of the capital stock.

On September 14, 2022, the Siemens Energy Group issued a mandatory convertible note in the aggregate nominal amount of €960,000 thousand without granting subscription rights to existing shareholders of the Company to use the net proceeds to partially finance the voluntary tender offer for the outstanding SGRE shares announced in May 2022 (see also 2.3.2 Events and developments responsible for the course of business). The note, denominated in units of €100 thousand, was issued by Siemens Energy Finance B.V., Zoeterwoude, Netherlands, under the subordinated guarantee of Siemens Energy AG. Siemens Energy AG grants each notesholder the right to exchange the mandatory convertible notes for shares in Siemens Energy AG in accordance with the terms of the note. The minimum conversion price for the mandatory convertible notes is €13.22 per share (72,617,246 shares), and the maximum conversion price is €15.53 per share (61,815,840 shares). At maturity on September 14, 2025, the outstanding amount of the note will be mandatorily converted into registered no par value shares of Siemens Energy AG. The proceeds received from the issuance of the mandatory convertible note were forwarded group-internally by means of two group-internal loans from Siemens Energy Finance B.V., Zoeterwoude, Netherlands, past Siemens Energy AG to Siemens Energy Global GmbH & Co. KG. At Siemens Energy AG, this transaction led to significant changes in the net assets and financial position.

2.9.2 Results of operations

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

	Fiscal year		
(in thousands of €)	2022	2021	Change
Revenue	**38,254**	**30,849**	**24%**
Cost of sales	(36,949)	(28,132)	31%
Gross profit	**1,305**	**2,716**	**(52)%**
as percentage of revenue	*3.4%*	*8.8%*	
General administrative expenses	(23,794)	(13,485)	76%
Other operating income (expenses), net	15,363	6,534	135%
Income (loss) from operations	**(7,126)**	**(4,235)**	**68%**
Financial income, net	19,370	194,251	(90)%
thereof Income (loss) from investments, net	*17,305*	*193,000*	*(91)%*
Income (loss) from business activity	**12,244**	**190,015**	**(94)%**
Income taxes	(18,169)	(18,749)	(3)%
Other taxes	(48)	248	n/a
Net income (loss)	**(5,972)**	**171,513**	**n/a**
Profit (loss) carried forward	18,611	—	n/a
Allocation to capital reserve	—	(7,691)	n/a
Release of capital reserve	4,840	4,975	(3)%
Offsetting the difference resulting from treasury shares acquired	—	(78,666)	n/a
Unappropriated net income (loss)	**17,479**	**90,131**	**(81)%**

- Revenue in the amount of €36,340 thousand (2021: €29,570 thousand) resulted from providing management services to affiliated companies, as well as from fees received from Group companies for guarantees given to customers in connection with the provision of services in the amount of €1,914 thousand (2021: €1,279 thousand). The substantial increase was mainly due to the development of cost of sales and a change in presentation. In the prior year, personnel-related expenses charged on to Group companies in the amount of €4,141 thousand were shown under other operating income or general administrative expenses respectively. In the financial year 2022, corresponding expenses in the amount of €5,022 thousand were recognized in revenue as part of the compensation for management services and in cost of sales.
- Cost of sales essentially included personnel expenses resulting from the provision of management services to affiliated companies. The substantial increase resulted from the above-mentioned change in presentation and from higher allocated personnel expenses year-on-year, as most employees in fiscal year 2021 were not taken over from Siemens Energy Global GmbH & Co. KG until December 1, 2020.
- General administrative expenses increased sharply due to higher expenses for services purchased, expenses for the Supervisory Board and expenses related to D&O insurance policies compared to the prior year.
- Other operating income (expenses), net increased sharply despite the above-mentioned change in presentation mainly due to higher recharges of expenses to Group companies. It included other operating income totaling €15,508 thousand (2021: €6,691 thousand) resulting from recharges of expenses to Group companies and from the reversal of provisions for share-based payment in the amount of €2,569 thousand (2021: €0 thousand). The recharges essentially comprised expenses for purchased consulting services, mainly in connection with the voluntary tender offer for the outstanding SGRE shares announced in May 2022, and expenses related to D&O insurance policies. This was offset by other operating expenses in connection with share-based payment in the amount of €142 thousand (2021: €157 thousand).
- The financial income, net decreased sharply and was primarily due to the income from investments, which showed in fiscal year 2022 a withdrawal from Siemens Energy Global GmbH & Co. KG in the amount of €17,305 thousand (2021: €193,000 thousand) in accordance with the provisions in the articles of association to ensure the recognition of income taxes in the balance sheet of Siemens Energy AG. In fiscal year 2022, the withdrawal was also reflected in income taxes. In the prior year, a withdrawal was made from Siemens Energy Global GmbH & Co. KG for purposes of the share buyback program.
- Income taxes exclusively comprised current domestic and foreign income taxes. The income taxes included the withdrawal in the amount of €17,305 thousand from Siemens Energy Global GmbH & Co. KG which is reflected in the income (loss) from investments. 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 issue of treasury shares in connection with share-based payments and employee share programs €4,840 thousand (2021: €4,975 thousand) was reversed in analogous application of Section 237 para. five of the German Stock Corporation Act (AktG).

2.9.3 Net assets and financial position

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

(in thousands of €)	2022	Sep 30, 2021	Change
Assets			
Non-current assets	**13,023,870**	**13,023,877**	**(0)%**
Property, plant and equipment	15	22	(31)%
Financial assets	13,023,855	13,023,855	—
Current assets	**1,173,127**	**175,045**	**>200%**
Receivables and other assets	1,172,696	174,660	>200%
Receivables from affiliated companies	1,167,897	171,800	>200%
Other assets	4,799	2,860	68%
Cash and cash equivalents	431	385	12%
Prepaid expenses	**51**	**12**	**>200%**
Active difference resulting from offsetting	**14**	**21**	**(31)%**
Total assets	**14,197,062**	**13,198,954**	**8%**
Shareholders' equity and liabilities			
Shareholders' equity	**13,164,093**	**13,136,578**	**0%**
Provisions	**19,838**	**16,447**	**21%**
Provisions for pensions and similar commitments	12,329	10,791	14%
Provisions for taxes	2,491	—	n/a
Other provisions	5,019	5,655	(11)%
Liabilities	**1,013,131**	**45,930**	**>200%**
Trade payables	3,610	777	>200%
Liabilities to affiliated companies	962,705	21,437	>200%
Other liabilities	46,816	23,716	97%
Total shareholders' equity and liabilities	**14,197,062**	**13,198,954**	**8%**

- Financial assets consisted of 100% of the shares in Siemens Energy Global GmbH & Co. KG and Siemens Energy Management GmbH.
- Receivables from affiliated companies increased sharply mainly due to a receivable from Siemens Energy Global GmbH & Co. KG in the amount of €960,000 thousand (2021: €0 thousand). The receivable resulted from the fact that the proceeds received in the course of the mandatory convertible note issued by Siemens Energy Finance B.V., Zoeterwoude, Netherlands, were forwarded on to Siemens Energy Global GmbH & Co. KG via intercompany loan and are reported under receivables from affiliated companies until the mandatory convertible note matures in September 2025. In addition, receivables from affiliated companies included receivables from cash pooling with Siemens Energy Global GmbH & Co. KG, which were primarily related to share-based payments granted by affiliated companies.
- As in the prior year, other assets essentially included receivables from tax authorities relating to capital gains tax.
- Shareholders' equity increased due to the issuance of treasury shares under share-based payments and employee share programs. This was mainly offset by the dividend payment in the amount of €71,520 thousand for fiscal year 2021.
- Provisions for pensions and similar commitments increased significantly mainly due to changed assumptions for payout options, pension trends and income dynamics.
- Other provisions decreased significantly mainly due to lower provisions for share-based compensation of €1,784 thousand

(2021: €3,421 thousand). This decrease outweighed the increase in other personnel-related provisions of €3,218 thousand (2021: €2,105 thousand).
- Trade payables increased sharply mainly due to consultancy services not yet settled in connection with the voluntary tender offer for the outstanding SGRE shares announced in May 2022.
- Liabilities to affiliated companies increased sharply due to an amount of €960,000 thousand from the mandatory convertible note issued by Siemens Energy Finance B.V., Zoeterwoude, Netherlands, which was forwarded group-internally as a loan to Siemens Energy AG and is reported under liabilities to affiliated companies until the maturity of the mandatory convertible note.
- Other liabilities increased sharply due to increased liabilities to personnel amounting to €18,395 thousand (2021: €15,544 thousand), sales tax liabilities to the tax authorities amounting to €24,210 thousand (2021: €4,236 thousand) and outstanding Supervisory Board compensation in the amount of €4,100 thousand (2021: €3,734 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 **2.7 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 **2.8.3 Risk management**.

Alongside the opportunities and risks of the Group, Siemens Energy AG is also exposed to the risk of impairment of investments in subsidiaries. As investments in subsidiaries represent nearly the entire total assets, this risk is of great importance for Siemens Energy AG. The recoverability of investments in subsidiaries is influenced by the development and success of the subsidiaries and their investments. Adverse effects on subsidiaries or indirect investments may consequently lead to an impairment of the investment in subsidiaries in Siemens Energy AG's Annual Financial Statements. Income from investments significantly influences the net income of Siemens Energy AG.

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 2023, we expect an income (loss) after taxes to be in the range of fiscal year 2022. 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 **2.7 Report on expected developments**.

2.9.4 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 **4.5 Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code** and is also published on our website **https://www.siemens-energy.com/german-corporate-governance-code**.

2.10 Group non-financial statement

2.10.1 Basis of preparation

This Group non-financial statement of the Siemens Energy Group (Siemens Energy) has been prepared in accordance with Section 315 b to 315 c German Commercial Code 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 is also the Group's CEO. Our Sustainability Department is anchored in the Strategy Function and responsible for driving sustainability within the Siemens Energy Group and for steering the company-wide sustainability activities, programs and measures. Whereas the approach to the reportable aspects is aligned throughout the Group as a whole, any segment-specific characteristics are highlighted as such if they are material in accordance with Section 315 c in conjunction with Section 289 c para. 3 German Commercial Code.

In fiscal year 2022, Siemens Energy was required for the first time to report in accordance with Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088. Details are provided in chapter **2.10.2.6 EU Taxonomy**.

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 made it necessary to abstract from other reporting frameworks such as 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 the legal requirements for this Group non-financial statement, we refer to our separate **Sustainability Report**.

The reportable contents presented in this Group non-financial statement have been identified on the basis of the Group's **materiality assessment** in fiscal year 2022 in accordance with Section 315 c para. 2 German Commercial Code. Therefore, this statement concentrates on those topics that are necessary 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 have or will 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 offering of products, solutions and services. A detailed description of our **business model** is included in chapter **2.1.2 Business Model** of this combined management report. With the exception of this cross-reference, any references 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 **4.3 Independent auditor's report on a limited assurance engagement**.

2.10.2 Reportable aspects

2.10.2.1 Environmental matters

Global energy markets are changing, presenting our customers with a multitude of structural, disruptive 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. Public and regulatory pressure to reduce greenhouse gas (GHG) emissions is growing.

This will result in 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, based on our innovative technologies.

For a successful transition, **interim solutions** will be required. Shifting from coal to natural gas as a fuel for energy production could be one such interim solution on the path 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.

Targets

We are committed to decarbonization in our supply chain, our own operations, and the use phase of our products. During fiscal year 2022, Siemens Energy announced its aspiration of achieving net zero along the entire value chain (Scope-1, -2 and -3) in line with a 1.5°C pathway.

GP aims to be climate neutral by 2030. This includes the reduction of absolute Scope-1 and -2 GHG emissions by at least 46% by 2025 (from a 2019 base year), which is even more ambitious than our original target year of 2030, as validated by the Science Based Targets initiative (SBTi). As part of the science-based target GP commits to increase annual sourcing of renewable electricity to 100% by 2023. In 2021, the SBTi also validated the absolute GHG reduction targets for our sold products (Scope-3 category 11: 28% by 2030 from a 2019 base year). It confirms that our targets are in line with the Paris Climate Agreement.

SBTi also verified that SGRE's GHG emission reduction targets (Scope-1 and -2) are aligned to meet the Paris Climate Agreement goal of limiting global warming to 1.5°C. SGRE achieved carbon neutrality in its own operations in 2019, including offsetting unavoidable emissions. It now aims to go beyond carbon neutrality to become a carbon sink (carbon positive, i.e. more GHG is removed than emitted) in its own operations and achieve a zero-emission supply chain by 2040.

In order to advance climate neutrality across the entire value chain, we are also working on concepts to reduce GHG emissions in the supply chain. We encourage our **suppliers** to take action to protect the climate. For GP, we intend to reduce our relative Scope-3 GHG emissions from purchased goods and services as well as from transportation and distribution by 30% per procurement volume (€ spent) by 2030.

SGRE commits that 30% of its suppliers by spend covering purchased goods and services, and transportation and distribution, will have science-based targets (SBTi) by 2025. Based on this short-term target SGRE aims to reach at least 50% by 2040.

Measures

The greatest potential for reducing **GHG emissions** is in our portfolio of products, solutions and services. By pursuing this focus, Siemens Energy will continue to transform its portfolio and concentrate on building the company based on three strategic pillars:

- Low- or zero-emission power generation:
  We are continually developing new products and technologies that have either zero emissions or significantly lower emissions, in both service and new units.
- Transport and storage of electricity:
  We are developing new products, services and solutions for the transport and storage of electricity, thereby expanding our transmission and hydrogen businesses.
- Reducing GHG footprint and energy consumption in industrial processes:
  We are helping our process industry customers to decarbonize their brownfield facilities and ensure sustainable concepts for future installations.

Our **research and development (R&D)** activities are key to the development of the three pillars. For GP, we have identified five fields of action in R&D as the basis for transforming the Siemens Energy portfolio, which are:

- Decarbonized heat and industrial processes: high temperature heat pumps, fuel cells, industrial waste heat recovery
- Power-to-X: direct air capture, offshore hydrogen, e-chemicals/fuels
- Resilient grids and reliability: asynchronous rotating energy system stabilizers (ARESS), grid automation, SensproductsTM, remote operations services
- Condition-based service interventions: digital twins for energy consumption, autonomous operation, reliability or microgrids
- Energy storage: li-ion batteries, long duration energy storage, redox flow batteries

R&D at SGRE is focused on developing the next generation of technology that will lead to improved and more cost-effective products, solutions and services. SGRE is developing reliable and efficient wind turbines for both onshore and offshore applications to reduce the Levelized Cost of Energy (LCoE), as well as cost-effective energy storage solutions, and solutions for hybridization that are designed to help utility customers optimize the use of renewable energy. SGRE is also exploring 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.

Another focus area across all businesses is **digitalization**, which is facilitating new and promising approaches to new ways of working, e.g., 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 addition to transforming our portfolio, measures are focused on our own operations. The strongest levers for achieving climate neutrality are:

- Reducing energy consumption, including substitution and efficiency measures
- Using renewable electricity
- Reducing SF_6 emissions
- New mobility concepts

Our suppliers are an important part of the value chain. In fiscal year 2022, GP encouraged more than 2,000 suppliers who are covering more than 75% of the carbon footprint in its supply chain to participate on its **Decarbonization Due Diligence Assessment** and report on their decarbonization measures.

SGRE has taken further steps in its area in respect of its supplier-related targets. After identifying key suppliers, SGRE developed new requirements to incorporate sustainability commitments into its contracts. As part of this initiative, new supplier agreements include a decarbonization annex to promote the implementation of science-based targets and a carbon management framework by SGRE suppliers. Thus, a supplier's carbon maturity and commitments have also become a part of the supplier selection process to incentivize sustainability improvements along the SGRE supply chain.

Performance indicators

Use of sold products (Scope-3) emissions

These emissions make up more than 99% of the overall Siemens Energy carbon footprint and are 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. The level of GHG emissions varies depending on product type, fuel type, and application mode.
- Indirect emissions: GHG emissions are basically generated by large electrical consumers (e.g., motors, drives, pumps) or by power losses (e.g., transformers). To a minor extent, the transmission portfolio emits CO_2 equivalents via SF_6 gas leakages at customers' sites.

The calculation methodology for Scope-3 emissions comprises the emissions from products over their expected use-phase and the expected operating hours per year. With the order intake, the total level of related 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 in Scope-3 downstream.

During the reporting period, total Scope-3 emissions from the use of sold products at Siemens Energy was 1.3 billion tons of CO_2e. This is a decrease of 46 million tons compared to fiscal year 2021. The main reason for this decline is the coal exit announced in November 2020, according to which Siemens Energy will no longer participate in new tenders for pure coal-fired power plants. Having received an order for a large coal-fired power plant in Indonesia in fiscal year 2021 (this project-related commitment to the customer was made before our decision to phase out coal), there was no corresponding order intake in fiscal year 2022. However, the positive effect of the coal exit is mostly offset by a strong order intake for large and industrial gas turbines.

Scope-3 emissions from the use of sold products (1,000 metric tons of CO_2 equivalent) and intensity	Fiscal year 2022	2021
Scope-3 emissions from the use of sold products[1]	1,323,012	1,369,163
Intensity (t CO_2e/€ of order intake)	0.035	0.041

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

Own operations (Scope-1 and Scope-2 emissions)

Siemens Energy's total energy consumption during the reporting period was 5.8 million gigajoules. Compared with fiscal year 2021, this is a decrease of 8%, which is partly attributable to the implementation of energy efficiency projects.

In fiscal year 2022, green electricity accounted for 90% of our electricity consumption compared with 76% in 2021.

In GP, we have implemented a new global reporting tool and increased the number of locations reporting actual data, in order to achieve better data transparency. Over the reporting period, Siemens Energy collected the following data regarding the level of Scope-1 and Scope-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 Scope-2 emissions (1,000 metric tons of CO_2 equivalent) and intensity	Fiscal year 2022	2021
Scope-1	188	206
Scope-2[1]	27	67
Total	**215**	**273**
Intensity (t CO_2e/€ of revenue)	$7.42x10^{-6}$	$9.57x10^{-6}$

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

2.10.2.2 Employee matters

We are a global employer with a workforce of around 150 nationalities. Our employees and our company culture, as well as our people strategy aligned with our company strategy, values, and behaviors are a strong foundation with which we aim to be the differentiator in the market for our customers, investors, suppliers, partners, employees, and society. We strive to be the employer of choice in the energy industry and we focus on creating diverse, inclusive, and welcoming workplaces that are attractive to internal and external talents. Our workplace environment is open to everybody regardless of their ethnic origin, religion, world view, age, disability, gender, sexual orientation, gender identity and expression.

In addition, a key objective for Siemens Energy is to provide a safe and healthy working environment for all employees, partners, contractors and suppliers, amongst other things, by focusing our attention on avoiding accidents and occupational illnesses.

To underline that people are a top management priority for Siemens Energy, HR is directly reporting to the CEO. The operational responsibility for topics such as talent management or compensation and benefits lies with the Centers of Competence, which regularly report to the Executive Board. To emphasize the relevance of Inclusion and Diversity (I&D) for Siemens Energy, our Chief Financial Officer, Maria Ferraro, is also Chief Inclusion and Diversity Officer.

To enable and prepare the company for the future, GP is pursuing its People Agenda, our people strategy. Including its solutions and strategic initiatives, it is designed around three main building blocks: Thriving Environment, Game-changing Leaders and Vibrant Workforce.

SGRE's purpose of empowering people to lead the future and its Culture of Trust program are essential to its business model. They are core to the business strategy, organization, hiring and decision-making process, daily operations, and how the company and employees grow. The SGRE people management model is committed to professional excellence and work-life quality and is structured around three main pillars: Leadership Excellence, Diversity and Inclusion and Global Footprint.

Targets

Inclusion and Diversity

With our focus on I&D, 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.

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.

People Development

Siemens Energy's goal is to continuously develop a robust workforce that is prepared for the challenges of the energy transition. People development is one of our top strategic priorities. The Siemens Energy Development Landscape offers a variety of options to enable the self-driven and targeted development of both leaders and employees.

Health and Safety

Siemens Energy's key objective is to prevent accidents while performing work activities.

To achieve the key objective our priority is to permanently foster a strong zero harm culture with responsible health and safety practices across the organization. The focus on safe working and healthy employees with prevention is our key strategy.

Measures

Inclusion and Diversity

At GP, amongst others, the following measures were taken in fiscal year 2022, in addition to the measures established in the last years:

- The I&D Coalition of Allies was established. It is chaired by the Chief Inclusion and Diversity Officer and meets on a quarterly basis to develop action plans.
- We launched a pilot of Female Leadership@Scale program to accelerate the development of future female leaders. This is in addition to our Catalysta female development program.
- Diversity KPIs are shown and measured across our key succession pipelines in a succession dashboard.
- Facility upgrades of 40 offices were initiated (to be completed by the end of calendar year 2022) to provide a barrier-free workplace for employees and visitors.
- In cooperation with our partner, Catalyst, one pilot of MARC (Men Advocating Real Change) session was completed for our executive team in Europe, to encourage male leaders to become better allies for women in the workplace.
- An Ombudsperson was appointed to investigate complaints made by employees who feel they have been mistreated or experienced discrimination.

SGRE's Diversity and Inclusion (D&I) strategy is set over a two-year period and cascaded across the business. Strategic objectives are backed by specific action plans. SGRE´s efforts have been recognized by Bloomberg Gender Equality Index for the third year in a row. Over the last year, progress was made in several areas:

- The D&I Governance Board, chaired by the Global Head of D&I, was founded and regional D&I Councils were established.
- A global program was initiated on preventing workplace harassment and discrimination that includes a formal complaint process and company-wide training.
- New flexible working models (including working from home part of the week) and improved digital disconnection guidelines were established.
- An inclusive leadership training was delivered for 55% of senior managers and a high rate of participation in D&I courses in LinkedIn Learning achieved.
- Equal Opportunities plan implemented to increase the participation of women and other underrepresented groups.
- Transparency was created on the gender pay gap by professional category and relevant locations.

People Development

People development takes place across a broad spectrum at Siemens Energy. Some examples of our measures are:

- Siemens Energy continues to run several leadership pipeline and development programs, targeting leaders at different stages of their career in order to build a strong and diverse leadership pipeline.
- The performance management processes at GP and SGRE are designed to accelerate individual development and create high-performing teams. They are built around constant dialogue and feedback, individual goals and regular "Check ins" throughout the year.
- Structural workforce changes are being addressed via Strategic Workforce Planning (SWP) to be able to ensure critical roles and future-relevant skills are distributed appropriately across all levels and locations. In 2022, GP developed and soft-launched a 4-step SWP process including toolbox. Three pilots were run to test the approach.
- The strategic upskilling framework at GP – Energy Skills4 Tomorrow (ES4T) – has been launched in 2022. It consists of personal, digital, technical and functional skills which build the foundation and a common language for SWP, learning offerings or competency management.
- In 2022, GP began offering self-insight tools like Multi-Source Feedback, self-driven coaching questions or personality questionnaires via My Growth to allow reflection on individual strengths and development areas.
- The GP learning platform provides a single point of entry for online and classroom training in multiple languages for all employees worldwide with access to a computer.
- The learning policy at SGRE was released in fiscal year 2022 and is aligned with SGRE values. It covers product learning, which embraces SGRE specific learning on processes, tools, and products to ensure operational excellence, and standard learning, which covers all non-SGRE specific learning.

Health and Safety

To support the fundamental requirements for good Occupational Health and Safety (OHS), GP's Environment, Health and Safety (EHS) Policy aligns with our Zero Harm principles and behaviors. The GP Zero Harm Framework is intended to drive a strong Zero Harm culture, placing responsibility on each local manager to develop and implement the Zero Harm Framework and to discuss with their teams' 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 regulations, laws, standards, and practices are observed and complied with wherever we operate. This standard provides a basis for effective management, identification of potential risks as well as internal audit and review. Contractors and temporary workers are expected to work to the same standards as those of Siemens Energy employees. We discuss incidents involving the contractors with them and hold meetings with suppliers with the highest level of incidents. All relevant data is shared with the Executive Board. GP continues with the proven practice **"Eye on Safety Reviews"** which are held monthly with a member of the Siemens Energy Executive Board and are accessible to all employees on the Siemens Energy Environmental, Health, Safety, Quality, and Security (EQS) Share Point. GP completed internal Occupational Safety Audits related to a location's risk factors. Audits were conducted at site and organizational levels to maintain and increase the effectiveness of our safety risk management at manufacturing, service and project sites.

SGRE aims to promote a strong safety culture across the entire business. The company has launched initiatives which were continued in fiscal year 2022 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.

- In fiscal year 2022, SGRE created a strategic plan with the aim of developing an Environment, Health, and Safety (EHS) culture focused on prevention and based on scientific facts to achieve Zero Harm in EHS and to continuously improve the wellbeing of employees. The strategic plan was built around three main pillars: Engage, Empower and Ensure.

Performance indicators

Inclusion and Diversity

GP reached a share of 22% women in top leadership positions by September 30, 2022 (2021: 21%). A new organizational structure was implemented at the beginning of fiscal year 2023. A systematic placement process was applied across all management levels at GP, which leads to an increase in women in top leadership positions.

SGRE reached a share of 20% women in headcount by September 30, 2022 (2021: 19%), and a share of 14% women in leadership positions by September 30, 2022 (2021: 13%).

People Development

In fiscal year 2022, Siemens Energy spent around €69 million on further education (2021: €~58 million), an average of €753 per employee (2021: €632).

Siemens Energy employees spent an average of 10.3 hours on formal learning activities in fiscal year 2022 (2021: 8.6 hours).

Health and Safety

The overall Lost Time Injury Frequency Rate (LTIFR) for employees was 1.15 at the end of fiscal year 2022 (2021: 1.15) and is based on the total number of lost time injuries per 1 million hours worked. The overall Total Recordable Injury Rate (TRIR) for employees was 2.17 at the end of fiscal year 2022 (2021: 2.47). 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 three work-related fatal accidents. (2021: five). Two of the fatal accidents were related to electrical shock, one was related to contact with a crane. Each serious event or fatal accident causes grief for families, friends, and colleagues, and as a company we have initiated investigation measures and will derive measures that will prevent such accidents from happening again.

	Fiscal year	
	2022	2021
TRIR[1]		
TRIR of employees[2]	2.17	2.47

1 Total Recordable Injury Rate: Number of recordable injuries (TRI) x 1,000,000/work hours performed. Recordable injuries are accidents that result in lost time, restricted work, or medical treatment.

2 Incl. temporary workers; excl. Contractors

	Fiscal year	
	2022	2021
LTIFR[1]		
LTIFR of employees[2]	1.15	1.15

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

2 Incl. temporary workers; excl. contractors

	Fiscal year	
	2022	2021
Fatalities[1]		
Employees	1	0
Contractors	2	5

1 Excluding cases beyond Siemens Energy's influence (e.g., force majeure, third-party violence) or outside of Siemens Energy's scope of responsibility, e.g. factory of contractor impacting contractor staff.

2.10.2.3 Social matters

Siemens Energy does not just view **societal engagement** as 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 as well.

The approach taken by Siemens Energy to societal engagement combines a **global framework linked to the UN Sustainable Development Goals (SDG),** with autonomy for local implementation in the countries in which we operate. In order to concentrate our activities and increase our impact, **three focus areas** have been defined on the basis of our strategic context, our core competencies, the global targets for sustainable development and the influence of various global mega-trends (demographics, urbanization, climate change, globalization and digitalization) on our industry and our business:

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

This approach is also underpinned by employee volunteering activities.

Targets

In addition to positively impacting the communities in which we operate, the specific targets for our societal engagement activities are to:

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

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 implementation of the approach.

Measures

In fiscal year 2022, Siemens Energy contributed to societal development all over the world through activities including the following projects within the defined focus areas.

Driving the Energy Transition – SGRE launched the Forests of Siemens Gamesa, a sustainable development initiative in an effort to mitigate climate change and reduce CO_2 emissions. Since its inception, 26 forests and almost 100,000 trees have been planted by volunteers in 13 countries (Germany, Denmark, United States, Spain, Morocco, France, United Kingdom, Mexico, Brazil, China, India, Uganda and Ethiopia), contributing to the removal of more than 7,100t CO_2.

Access to Education – In South Africa, the inaugural GP Just Energy Transition (JET) hackathon gave a group of secondary school students the opportunity to brainstorm ideas for the country's transition to a net-zero future. The winning school team suggested a clever mix of technologies including solar, wind, biomass and biogas, and considered the costs of their proposal.

Planet Rescuers, SGRE's educational videogame in the Minecraft Education Edition that is available for free in four languages worldwide, has reached more than 200,000 children in around 1,000 schools.

SGRE designed a robotics program for students with FIRST Lego League to develop early engineering skills with real-world applications. In 2022 the program benefited more than 4,800 children in Mexico, Morocco, Germany, Spain, and UK.

Sustaining Communities – In March 2022, both GP and SGRE initiated a company-matching donation campaign to benefit the victims of the war in Ukraine. The GP donation (employees and 1:1 company match) to the Red Cross totaled over €1.5 million. SGRE also matched employee donations to the International Red Cross 2:1 for a total of CHF 0.5 million.

In fiscal year 2022, donations from Siemens Energy totaled €3.6 million (2021: €4.7 million) across the company's societal engagement priorities.

2.10.2.4 Human rights protection

Siemens Energy 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 entire 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**;
- **International Labour Organization (ILO)** Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, ILO Declaration on Fundamental Principles and Rights at Work (in particular: 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**;
- **UN Global Compact principles**, to which we are a signatory.

Targets

We are dedicated to responsible business conduct and committed to ensuring respect for human rights within our spheres of influence. Identifying and managing our human rights impacts and mitigating risks along our entire value chain is therefore imperative.

Measures

Siemens Energy has identified human rights topics as material from the following perspectives: "supply chain", "workplace" and "customer projects", which in summary reflect our value chain. These material human rights topics were identified on the basis of a specific internal human rights materiality analysis performed in 2021. This included input from our human rights due diligences on customer projects, our internal exchanges with the functions Procurement, Environmental Protection, Health Management, Quality and Safety, Human Resources and Sustainability, as well as the experiences of our global Compliance team with critical and controversial projects. Where relevant in daily business, identified risks related to the material topics are further analyzed, and potential weaknesses mitigated with corresponding actions in order to protect human rights. In the reporting period Siemens Energy maintained its regular exchange with networks such as econsense, a German sustainability network of internationally operating companies, particularly with a view to the Supply Chain Due Diligence Act.

Our commitment to respect human rights is written into Siemens Energy's **Business Conduct Guidelines** (BCGs), with special emphasis on the **company's values** caring, agile, respectful and accountable. 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. BCGs are binding on all executives and employees worldwide, who must actively accept them and are trained in their content via **mandatory** web-based training sessions. In fiscal year 2022, GP raised awareness of human rights in business with a training video on the topic. Following a gap-analysis in respect of the requirements of the Supply Chain Due Diligence Act, the Siemens Energy Executive Board and the Sustainability Council were briefed on the next steps in connection with implementing the Act.

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 the prohibition of discrimination, forced labor and child labor.

To further strengthen GP's Supplier Sustainability Risk Management System, we initiated the calculation of (social) risk hours for our suppliers and their scope of supply in the supply chain. These are working hours in our supply chain that might be exposed to social risks, such as human rights or health and safety. This risk indication is not limited to country risk but also includes commodity specific risks. It additionally supports buyers by prioritization and nomination of high-risk suppliers for conducting external sustainability audits.

A dedicated team at Siemens Energy conducts human rights due diligence in **customer projects**. This is mandatory in the sales phase of 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 crucial to 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 communication channels such as our **"Speak Up"** reporting system and ombudsperson.

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 implemented its **Responsible Minerals Sourcing Policy** which 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 member of the **Responsible Minerals Initiative's Steering Committee (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. Siemens Energy conducted supply chain due diligence beyond Tin, Tungsten, Tantalum and Gold and expanded the scope of minerals to Cobalt and Copper. Siemens Energy also entered a new partnership with **The Copper Mark** to actively support responsible production and sourcing practices in Copper supply chains.

SGRE has revised its Rare Earth Due Diligence Program to allow for close sustainability monitoring throughout the permanent magnet supply chain.

2.10.2.5 Anti-corruption and bribery matters

Siemens Energy operates globally with customers from a wide range of industries in the private and public sectors. Therefore, the company is confronted with complex regulatory requirements. Compliance with these regulations and integrity are the foundation for all our decisions and activities. Siemens Energy top management supports this with a strong tone from the top regarding Integrity and Compliance, which is mirrored throughout the organization.

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.

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 are 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 Group Compliance Officer has direct access to the Executive Board and Supervisory Board and reports regularly on GP and SGRE compliance matters. Compliance at Siemens Energy 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 to compliance violations** that requires continuous effort to maintain and develop its holistic compliance system, consisting of measures to ensure that business is always conducted in full accordance with the law as well as our internal principles and rules. In this way, we are seeking 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, 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 to counter anti-competitive practices and conflicts of interest. In addition, we are consistently modernizing our respective tool landscape.

Our global compliance training program requires all managers and employees in positions with a specific risk profile to complete compliance training. It consists of instructor-led as well as e-learning courses and is continuously adapted to the changing risks facing our business. We aim to maintain ongoing compliance awareness.

As **compliance risk management** is an integral part of our compliance approach, an annual Compliance Risk Assessment (CRA) is conducted for GP. At SGRE, the regular Risk Assessment is performed biennially, most recently also in fiscal year 2022. The risks identified were addressed through both 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 against the employees concerned. We evaluate and define consequences through disciplinary processes at central or local level, and systematically monitor implementation.

Siemens Energy Compliance indicators	Fiscal year 2022	2021
Compliance cases reported	118	103
Disciplinary sanctions[1]	188	49
thereof		
warnings	*55*	*29*
dismissals	*110*	*18*
other[2]	*23*	*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 operate, and the wide range of different geographical regions, we do not regard the number of incidents as unusual. With respect to disciplinary sanctions, the year-over-year increase in overall number is mainly due to cases in SGRE India.

Siemens Energy is not aware that it has been convicted of any corruption, bribery, or antitrust violations during fiscal year 2022.

2.10.2.6 EU Taxonomy

The EU taxonomy is a central component of the European Union's Green Deal and Sustainable Finance Action Plan, which aim to achieve climate neutrality in the EU by 2050. To achieve the goals of the Green Deal, capital flows are to be directed specifically into sustainable projects and companies. The Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 and the supplementing delegated acts, hereafter referred to as Taxonomy Regulation, serve as a standardized and binding classification system to determine which economic activities in the EU are considered "environmentally sustainable."

The Taxonomy Regulation distinguishes between "taxonomy-eligible" and "taxonomy-aligned" activities. Taxonomy-eligible activities can be assigned to one of the activity descriptions within the criteria catalog of the Taxonomy Regulation. Activities are taxonomy-aligned (and thus environmentally sustainable) if they meet the taxonomy criteria for the corresponding activity by making a significant contribution to at least one of the six environmental objectives defined by the Taxonomy Regulation, while not significantly impairing any of the other environmental objectives and meeting minimum standards regarding occupational safety, social standards, and human rights.

All companies that are obliged to prepare a non-financial statement in accordance with Sections 289 b and 315 b of the German Commercial Code must include information on the EU taxonomy in their reporting as from January 1, 2022. In accordance with a simplified approach allowed by the EU for first-time application, Siemens Energy discloses the shares of taxonomy-eligible economic activities in revenues, capital expenditures, and operating expenses related to the environmental objectives of climate change mitigation and climate change adaption for fiscal year 2022. As part of initial reporting, information on the prior year is omitted.

Starting from fiscal year 2023, the reporting requirement will extend to the taxonomy-aligned shares of revenues, capital expenditures, and operating expenses.

Taxonomy-eligible activities

Based on the delegated acts of the EU taxonomy for the environmental objectives of climate change mitigation and climate change adaption, an in-depth analysis revealed that climate change mitigation is the environmental objective to be considered relevant for Siemens Energy. The following economic activities at Siemens Energy constitute the largest share of taxonomy-eligible economic activities in revenue, capital expenditures and operating expenses:

- 3.1 Production of renewable energy technologies
  (e.g., wind turbines, heat pumps, control solutions for hydropower plants)
- 4.9 Transmission and distribution of electricity
  (e.g., flexible AC transmission systems, offshore windfarm grid connections, high voltage direct current transmission systems, high voltage substations, air- and gas-insulated switchgear, transformers)
- 7.6 Installation, maintenance and repair of renewable energy technologies
  (e.g., services for the operation and maintenance of wind farms)
- 7.7 Acquisition and ownership of buildings

A portfolio such as that of the Transmission Division is an absolute prerequisite for meeting the requirements of a complex and global network for the transmission and distribution of electricity. The respective products are individually designed according to customer-specific technical requirements and are part of tailor-made systems or solutions, both for high-voltage transmission and for all voltage levels of the distribution systems. Transmission offers a wide range of services that enable and ensure stable and efficient operation of the power grid (see also 2.1.2 Business model). The description of economic activity 4.9 includes the "construction and operation of transmission systems that transport the electricity on the extra high-voltage and high-voltage interconnected system" as well as the "construction and operation of distribution systems that transport electricity on high-voltage, medium-voltage and low-voltage distribution systems". However, the terms "construction" and "operation" are not clearly defined in the activity description. From Siemens Energy's perspective, given the transmission business and in view of each of the activities identified in the technical screening criteria, these terms require an interpretation. In Siemens Energy's understanding, the term "construction" includes activities such as the creation of customer-specific designs, the manufacture and the installation of products and solutions. The term "operation" includes activities such as commissioning, maintenance, and retrofitting, which are necessary for the functionality and performance of an efficiently operating network. The Transmission Division's portfolio of products and services includes all these activities. Long-term service contracts in particular ensure continuous grid availability. The portfolio of the Transmission Division is thus considered by Siemens Energy to be taxonomy-eligible under economic activity 4.9 based on a teleological interpretation.

Siemens Energy's activities that are currently not yet covered by the EU taxonomy are generally reported as non-taxonomy-eligible, although these activities may be in line with the EU's environmental objectives. They include certain natural gas and nuclear power activities, which will fall under the EU taxonomy starting from January 1, 2023.

Determination of taxonomy key figures

The taxonomy key figures are based on the consolidated financial statement of Siemens Energy in accordance with IFRS. All fully consolidated Group companies are included in this analysis.

Revenues, capital expenditures, and operating expenses were allocated to the taxonomy-eligible activities on the basis of the information in the financial reporting systems. Various verification steps (including the documentation of data generation and the reconciliation with other financial information) prevent any double counting of economic activities. In the case of non-research and development related operating expenses, appropriate keying was made on the basis of taxonomy-eligible revenues or, in the case of real estate related operating expenses, on the basis of taxonomy-eligible capital expenditures.

The **revenue** reported in the consolidated income statement of Siemens Energy amounted to €28,997 million in fiscal year 2022. Thereof, €16,613 million was taxonomy-eligible, which corresponds to a share of 57%.

Capital expenditures under the EU taxonomy are based on additions to tangible and intangible assets during the fiscal year (before depreciation and any revaluations for the respective fiscal year), including those resulting from business combinations. Expenditure on acquired goodwill is not included, while acquired rights of use arising from leases are to be included in the EU taxonomy key figure.

For fiscal year 2022, total capital expenditures to be considered according to the EU taxonomy amounted to €1,573 million (see also **3.6 Notes to Consolidated Financial Statements** in **Note 10 Other intangible assets and property, plant and equipment**). Thereof, €1,239 million was taxonomy-eligible, which corresponds to a share of 79%.

Operating expenses according to the EU taxonomy are defined as direct, non-capitalized costs for research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenses related to the day-to-day servicing of property, plant and equipment by the company or third parties.

For fiscal year 2022, total operating expenses to be considered according to the EU taxonomy amounted to €1,309 million. Thereof, €530 million was taxonomy-eligible, which corresponds to a share of 40%.

EU Taxonomy Reporting for Fiscal Year 2022 (in millions of €)	Total	Taxonomy-eligible	%	Taxonomy-non-eligible	%
Revenue	28,997	16,613	57%	12,385	43%
Capital expenditures	1,573	1,239	79%	334	21%
Operating expenses	1,309	530	40%	780	60%

2.11 Takeover-relevant information

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

2.11.1 Composition of common stock

As of September 30, 2022 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.

2.11.2 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 5,267,185 shares (as of September 30, 2022) 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.

2.11.3 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.

2.11.4 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.

2.11.5 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, 2022.

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. Further details are specified in 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. On September 6, 2022, Siemens Energy AG placed a subordinated mandatory convertible note with an aggregate principal amount of €960 million. The notes issued by Siemens Energy Finance B.V., The Netherlands (Issuer) thereunder and guaranteed by Siemens Energy AG, with a denomination of €100,000 are convertible into newly issued or existing no-par value name shares of Siemens Energy AG. The shareholders' subscription right in relation to the notes has been excluded. At maturity on 14 September 2025, all outstanding notes will be mandatorily converted into shares. The terms and conditions of the notes also provide for customary conversion rights of the noteholders and the Issuer prior to maturity. The minimum conversion price has been set to initially €13.22, the maximum conversion price to initially €15.5335.

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 2021). 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.

Using the authorizations given by the Shareholders' Meeting on September 18. 2020, between September 28, 2020, and March 18, 2021, the Company purchased 16,933,496 own shares for a total consideration of about €393 million (excluding incidental transaction costs). The buyback had the exclusive purpose of issuing shares to employees and members of the Executive Board of the Company, as well as to employees and board members of affiliated companies in the framework of share-based compensation or employee share programs. During the reporting period, no own shares were purchased. As of September 30, 2022, the Company held 7,118,997 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.

2.11.6 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.

Siemens Energy granted the noteholders of a subordinated mandatory convertible note with an aggregate principal amount of €960 million placed on September 6, 2022, the right to request the conversion of the notes into no-par value name shares in the event of an acquisition of ownership or take-over bid. In this event Siemens Energy AG must pay in addition a "make-whole amount", any accrued interest and any outstanding arrears of interest. The "make-whole amount" is a compensation for the value of the option right embedded in the notes. An "*acquisition of ownership*" is deemed to have occurred at each time that any person or persons acting in concert within the meaning of Section 30 para. 2 WpÜG (other than Siemens AG or its subsidiaries) at any time directly or indirectly (within the meaning of Section 30 WpÜG) acquire(s) or come(s) to own, other than as a consequence of or in connection with a Take-over Bid, such number of the shares in the capital of Siemens Energy AG carrying 30% or more of the voting rights of Siemens Energy AG. "*Take-over Bid*" means any voluntary take-over bid for the ordinary shares according to the 29 WpÜG or – in case Siemens Energy AG is not or no longer subject to the WpÜG but to a comparable takeover regulation of another jurisdiction – according to this comparable takeover regulation, which is addressed to holders of ordinary shares of Siemens Energy AG by any person or partnership other than Siemens Energy AG.

As of September 30, 2022, two consolidated subsidiaries of Siemens Energy AG with Siemens Energy AG as guarantor maintained a line of credit in an amount of €3 billion. In May 2022, a consolidated subsidiary of Siemens Energy AG with Siemens Energy AG as guarantor entered into a credit and guarantee facility in an initial amount of €4.2 billion, which was reduced to €2.9 billion in June 2022, to bridge finance its voluntary purchase bid for all outstanding shares in Siemens Gamesa Renewable Energy S.A. The above credit lines provide 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). In relation to the credit and guarantee facility in an original amount of €4.2 billion also best efforts shall be used to procure that guarantees are released.

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, 2022.

2.11.7 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.

2.12 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 **4.5 Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code**.

Consolidated Financial Statements

3

3.1 Consolidated Statements of Income

(in millions of €, earnings per share in €)	Note	Fiscal year 2022	2021
Revenue	2, 7, 25	28,997	28,482
Cost of sales		(25,572)	(25,066)
Gross profit		**3,425**	**3,417**
Research and development expenses		(1,078)	(1,155)
Selling and general administrative expenses		(2,778)	(2,682)
Other operating income	5	100	85
Other operating expenses	5	(262)	(75)
Income (loss) from investments accounted for using the equity method, net	4	104	53
Operating income (loss) [1]		**(489)**	**(357)**
Interest income		55	45
Interest expenses		(147)	(126)
Other financial income (expenses), net		62	(27)
Income (loss) before income taxes		**(518)**	**(465)**
Income tax (expenses) benefits	6	(128)	(95)
Net income (loss)		**(647)**	**(560)**
Attributable to:			
Non-controlling interests		(242)	(107)
Shareholders of Siemens Energy AG		(404)	(453)
Basic earnings per share	24	**(0.56)**	**(0.63)**
Diluted earnings per share	24	**(0.56)**	**(0.63)**

[1] Includes impairment gains from financial instruments of €16 million (2021: impairment losses of €34 million).

3.2 Consolidated Statements of Comprehensive Income

(in millions of €)	Note	Fiscal year 2022	2021
Net income (loss)		**(647)**	**(560)**
Remeasurements of defined benefit plans	13	219	166
therein Income tax effects		*(92)*	*(46)*
Remeasurements of equity instruments		0	—
Income (loss) from investments accounted for using the equity method, net		0	(1)
Items that will not be reclassified to profit or loss		**219**	**165**
Currency translation differences		1,506	268
Derivative financial instruments		(106)	77
therein Income tax effects		*20*	*(19)*
Income (loss) from investments accounted for using the equity method, net		45	(11)
Items that may be reclassified subsequently to profit or loss		**1,445**	**334**
Other comprehensive income (loss), net of income taxes		**1,664**	**499**
Total comprehensive income (loss)		**1,017**	**(61)**
Attributable to:			
Non-controlling interests		(209)	(74)
Shareholders of Siemens Energy AG		1,226	13

3.3 Consolidated Statements of Financial Position

(in millions of €)	Note	Sep 30, 2022	2021
Assets			
Cash and cash equivalents		5,959	5,333
Trade and other receivables	19	5,572	5,110
Other current financial assets	19, 20	2,559	590
Contract assets	7	4,718	4,913
Inventories	8	7,983	6,146
Current income tax assets	6	467	344
Other current assets		1,090	880
Assets classified as held for disposal	3	318	81
Total current assets		**28,665**	**23,397**
Goodwill	9	10,456	9,538
Other intangible assets	10	3,592	3,561
Property, plant and equipment	10	5,435	5,104
Investments accounted for using the equity method	4	833	720
Other financial assets	19, 20	555	352
Deferred tax assets	6	1,254	1,130
Other assets		384	338
Total non-current assets		**22,508**	**20,744**
Total assets		**51,173**	**44,141**
Liabilities and equity			
Short-term debt and current maturities of long-term debt	12	749	551
Trade and other payables		6,782	5,764
Other current financial liabilities	19, 20	1,431	482
Contract liabilities	7	13,010	10,350
Current provisions	14	2,129	1,991
Current income tax liabilities	6	431	391
Other current liabilities	11	3,120	3,074
Liabilities associated with assets classified as held for disposal	3	289	—
Total current liabilities		**27,941**	**22,602**
Long-term debt	12	2,474	2,177
Provisions for pensions and similar obligations	13	570	830
Deferred tax liabilities	6	156	254
Provisions	14	1,799	1,968
Other financial liabilities	19, 20	383	389
Other liabilities		661	702
Total non-current liabilities		**6,045**	**6,319**
Total liabilities		**33,986**	**28,921**
Equity	15		
Issued capital		727	727
Capital reserve		13,262	12,418
Retained earnings		2,453	2,605
Other components of equity		915	(511)
Treasury shares, at cost		(168)	(281)
Total equity attributable to shareholders of Siemens Energy AG		**17,189**	**14,958**
Non-controlling interests		(2)	262
Total equity		**17,187**	**15,220**
Total liabilities and equity		**51,173**	**44,141**

3.4 Consolidated Statements of Cash Flows

(in millions of €)	Fiscal year 2022	2021
Cash flows from operating activities		
Net income (loss)	(647)	(560)
Adjustments to reconcile net income (loss) to cash flows from operating activities		
Amortization, depreciation and impairments	1,633	1,463
Income tax expenses (benefits)	128	95
Interest (income) expenses, net	92	81
(Income) loss related to investing activities	(123)	(30)
Other non-cash (income) expenses	99	209
Change in operating net working capital		
Contract assets	491	(322)
Inventories	(1,549)	485
Trade and other receivables	(151)	0
Trade and other payables	810	532
Contract liabilities	2,260	376
Change in other assets and liabilities	(458)	(20)
Income taxes paid	(442)	(400)
Dividends received	32	16
Interest received	42	20
Cash flows from operating activities	**2,218**	**1,946**
Cash flows from investing activities		
Additions to intangible assets and property, plant and equipment	(1,157)	(987)
Acquisitions of businesses, net of cash acquired	(2)	1
Purchase of investments and financial assets	(147)	(19)
Disposal of intangibles and property, plant and equipment	57	50
Disposal of businesses, net of cash disposed	—	(2)
Disposal of investments and financial assets	131	0
Cash flows from investing activities	**(1,118)**	**(958)**
Cash flows from financing activities		
Purchase of treasury shares	—	(231)
Other transactions with non-controlling interests	(13)	—
Pledge of cash collateral related to the voluntary cash tender offer to acquire all outstanding SGRE S.A. shares	(1,148)	—
Issuance of mandatory convertible note	959	—
Change in debt and other financing activities	(88)	(80)
Interest paid	(109)	(93)
Dividends paid to shareholders of Siemens Energy AG	(72)	—
Dividends attributable to non-controlling interests	(97)	(100)
Other transactions/ financing with Siemens Group	—	164
Cash flows from financing activities	**(568)**	**(340)**
Effect of changes in exchange rates on cash and cash equivalents	**156**	**55**
Change in cash and cash equivalents	**687**	**703**
Cash and cash equivalents at beginning of period	**5,333**	**4,630**
Cash and cash equivalents at end of period	**6,020**	**5,333**
Less: Cash and cash equivalents of assets classified as held for disposal at end of period	61	—
Cash and cash equivalents at end of period (Consolidated Statements of Financial Position)	**5,959**	**5,333**

3.5 Consolidated Statements of Changes in Equity

(in millions of €)	Issued capital	Capital reserve	Retained earnings	Currency translation differences	Equity instruments	Derivative financial instruments	Treasury shares at cost	Total equity attributable to shareholders of Siemens Energy AG	Non-controlling interests	Total equity
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
Balance as of October 1, 2021	**727**	**12,418**	**2,605**	**(523)**	**(0)**	**11**	**(281)**	**14,958**	**262**	**15,220**
Net income (loss)	—	—	(404)	—	—	—	—	(404)	(242)	(647)
Other comprehensive income (loss), net of income taxes	—	—	205	1,524	0	(98)	—	1,631	33	1,664
Total comprehensive income (loss)	—	—	(200)	1,524	0	(98)	—	1,226	(209)	1,017
Dividends	—	—	(72)	—	—	—	—	(72)	(96)	(168)
Share-based payment	—	157	(0)	—	—	—	—	156	(1)	156
Re-issuance of treasury shares	—	(106)	(8)	—	—	—	114	—	—	—
Issuance of mandatory convertible note	—	793	—	—	—	—	—	793	—	793
Other transactions with non-controlling interests	—	—	136	—	—	—	—	136	46	182
Other changes in equity	—	—	(10)	—	—	—	—	(10)	(4)	(13)
Balance as of September 30, 2022	**727**	**13,262**	**2,453**	**1,002**	**—**	**(87)**	**(168)**	**17,189**	**(2)**	**17,187**

3.6 Notes to Consolidated Financial Statements

NOTE 1 Basis of presentation

The accompanying Consolidated Financial Statements as of September 30, 2022, 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.

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 in both conventional and renewable energy along the entire energy value chain, from power generation to power transmission, complemented by a comprehensive set of training and service offerings, aimed at both the public- and private sector.

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 administration, operation and maintenance of wind turbines.

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 para. 1 German Commercial Code ("Handelsgesetzbuch"). The Consolidated Financial Statements also comply with IFRS as published by the International Accounting Standards Board (IASB). The Consolidated Financial Statements were authorized for issue by the Executive Board on December 2, 2022.

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

Certain prior-year figures have been restated. Beginning with fiscal year 2022, GP segment's Real Estate Portfolio, formerly shown under Reconciliation to Consolidated Financial Statements, is assigned to the correspondent segment. Related prior year information has been reclassified to conform to the current year presentation

NOTE 2 Material accounting policies and critical accounting estimates

Key accounting estimates and judgments – Some of the accounting policies used are critical accounting estimates and judgments and 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. Such critical accounting estimates could change from period to period and have a material impact on the net assets, financial position, and results of operations of Siemens Energy. Critical accounting estimates could also be based on estimates where Siemens Energy reasonably could have used a different estimate in the current accounting period. Siemens Energy cautions that future events often vary from forecasts and that estimates routinely require adjustment. In addition to the explanations about the war in Ukraine, the COVID-19 pandemic, the macroeconomic environment, and the transition to a lower carbon economy, further critical accounting estimates and judgments are provided in the sections on material accounting policies.

As a result of the war in Ukraine and the sanctions imposed on Russia, Siemens Energy immediately stopped all new business in Russia and, due to the fifth EU sanctions package against Russia, discontinued almost all business activities. Against this background, the business setup was fundamentally reviewed and it was resolved to restructure the business activities in Russia. The assumptions and estimates used in this context were taken into account, in particular in the recognition of onerous loss provisions, the impairment testing of assets, the classification of non-current assets as held for disposal, and in project accounting, resulting in effects on the recognition and measurement of revenues, cost of sales, contract assets and liabilities. For further information, please refer to the relevant sections of the Notes to the Consolidated Financial Statements. The restructuring of Siemens Energy's business activities in Russia continues to progress and the measures are expected to be completed without further significant financial impacts in the first quarter of fiscal year 2023.

The war in Ukraine also had negative impacts on the availability and price development of raw materials, energy, or supplier products, including their logistical capacities. At present, it is not possible to make any reliable statements on the continuation of the war in Ukraine. The uncertainties in this connection are complex and mainly relate to production costs, pricing, product and service quality, investment activities, customer relationships, financing terms, market demands and -trends. To counter these uncertainties, competitor, market, and industry data as well as geopolitical developments are continuously monitored and analyzed to be able to better anticipate changes in the environment rather than merely react to them. This information has been considered in determining cash flows, discount rates, recoverable amounts of assets and provisions, among other things. However, as existing supply chain disruptions may potentially intensify, further effects on the net assets, financial position, and results of operations cannot be ruled out.

In the past fiscal year, the direct effects of the COVID-19 pandemic on Siemens Energy's business performance were very limited. In the Consolidated Financial Statements as of September 30, 2022, Siemens Energy cautiously based estimates and assumptions related to the financial information on existing knowledge, insights from previous months, and the information available, and used as its basis a scenario that assumes that no significant negative impact will result from the further course of the COVID- 19 pandemic. However, due to continued infections, new outbreaks, and the emergence of virus variants, there is a risk of interruptions or shutdowns of production or project sites and the risk of disrupted supply chains. This could have negative consequences for Siemens Energy's business activities, which could then affect contractual obligations, customer commitments, operations, and consequently the net assets, financial position, and results of operations.

The subsequent effects of the COVID-19 pandemic and the war in Ukraine have led to unprecedented dynamics in the macroeconomic environment, including additional supply bottlenecks, rising raw material prices, steeply rising energy costs due to the energy crisis, and generally increasing inflation. Inflation in the Eurozone was intensified by the strength of the U.S. dollar against the euro, caused by the more rapid increase in interest rates in the USA. These factors have been considered in the critical accounting estimates and have a particular impact on the accounting for revenue from contracts with customers, employee benefits, and financial instruments, as well as on the asset impairment testing. Relevant areas are changes in transaction prices due to contractually agreed price escalation clauses, the recognition of provisions for onerous contracts, rates of future salary increases, expected rates of future pension progression, and discount rates used as the basis for actuarial expertise, rating-based impairment testing of receivables, and the determination of future cash flows and interest rates used in impairment testing of non-current assets.

The existing political efforts to reduce greenhouse gas emissions, considering current geopolitical developments, also with regard to gas supply, are a driving force in the transformation of the energy market and may 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, 2022, 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 and their impact on Siemens Energy's business development 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, 2022.

The consequences of the geopolitical and regulatory environment require complex and subjective judgments and the use of assumptions that may be subject to change over time. The assumptions regarding the war in Ukraine including sanctions, the development of the COVID-19 pandemic and the macroeconomic environment as well as the transition to a lower carbon economy are, therefore, constantly reviewed and possible scenarios as well as their effects are continuously adjusted to the current situation. Siemens Energy believes that the 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 reporting 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 reporting 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 in 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 this 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 and Turkey.

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.

Separate special purpose entities are set-up for the development and sale of wind farms. The non-current assets of the wind farms, the shares of which are fully consolidated, are presented as inventories. Their carrying amount is considered in the calculation of the percentage of completion as project costs, so that the accounting treatment, in line with the economic substance of the transaction, is the same as that for a wind farm sales contract with a customer without the existence of a separate legal entity.

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 in accordance with 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 of disposal 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 of disposal 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 and the remaining criteria in accordance with IFRS 5, Non-current assets held for sale and discontinued operations, are met. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The determination of the fair value less costs to sell includes the use of estimates and assumptions that tend to be uncertain.

Income taxes – Tax positions under respective local tax laws, relevant court decisions, and 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. The so-called initial recognition exemption is also considered. As a significant application of the initial recognition exemption in the current fiscal year, no deferred taxes were recognized for deductible temporary differences arising in connection with issuing the mandatory convertible bond. 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 recognizes 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 recognized 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 the 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 to 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 investment 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.

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.

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 recognized 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.

The valuation allowance for loans and other long-term debt instruments is measured according to a three-stage impairment approach:

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

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

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

Financial assets are written off as uncollectible if recovery appears unlikely. Generally, 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.

Hybrid instruments are analyzed to determine whether these should be accounted for entirely as debt or split into an equity component and a debt component. For the mandatory convertible note issued in September 2022, Siemens Energy's early conversion right, which allows conversion of the nominal amount into a fixed number of shares, was identified as an important criterion. Siemens Energy considers the early conversion right to be economically substantial for capital and rating management purposes and hence accounts for the mandatory convertible note as a compound financial instrument. The debt component corresponds to the present value of the coupons and is reported under financial liabilities. Proportionate directly attributable transaction costs allocated to the debt component are amortized to interest expense over the term to maturity. The remaining amount, after deduction of proportionate directly attributable transaction costs, is the equity component, which is reported in capital reserves.

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 – At Siemens Energy, share-based payment awards are classified 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.

Recently adopted accounting pronouncements

Since October 1, 2021, Siemens Energy has applied the amendments to IAS 39/ IFRS 4/ IFRS 7/ IFRS 9/ IFRS 16, Interest rate benchmark reform – phase 2. These amendments 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
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
Framework, IFRS 3	Updating a reference to the 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 and disposals

Acquisitions

No material acquisitions took place in fiscal year 2022.

Disposals

The following transactions are reported in the GP segment in fiscal year 2022:

Sale of the gas engines business

On April 14, 2022, Siemens Energy signed an agreement for the sale of Guascor Energy S.A., headquartered in Zumaia, Spain, and certain related assets to Mutares Holding-57 GmbH. The business produces high-efficiency, low-emission gas engines and gensets for various applications such as power generation, cogeneration, and waste to energy. The closing of the transaction occurred on October 31, 2022.

The assets and liabilities associated with the transaction were classified as "held for disposal" as of September 30, 2022. The measurement of the disposal group at the lower of its carrying amount and fair value less costs to sell resulted in an impairment loss of €36 million as well as a provision for onerous contracts of €10 million, which were both recognized in Other operating expenses in the Consolidated Statements of Income.

Sale of Voronezh Transformer LLC

On July 20, 2022, Siemens Energy signed an agreement for the sale of 100% of the shares in Voronezh Transformers LLC, located in Voronezh, Russia, to RAO Intertech B.V., a subsidiary of Inter RAO UES. The business manufactures and sells power transformers and traction transformers. The closing of the transaction occurred on October 12, 2022.

The assets and liabilities associated with the transaction were classified as "held for disposal" as of September 30, 2022. The measurement of the disposal group at the lower of its carrying amount and fair value less costs to sell resulted in an impairment loss of €29 million as well as a provision for onerous contracts of €6 million, which were both recognized in Other operating expenses in the Consolidated Statements of Income.

Sale of Modern Gas Turbine Technologies Holding B.V.

On July 27, 2022, Siemens Energy signed an agreement for the sale of its 65% share in Modern Gas Turbine Technologies Holding B.V., headquartered in Zoeterwourde, the Netherlands, to RAO Intertech B.V., a subsidiary of Inter RAO UES. The business supplies gas turbines and related services to customers in Russia through its wholly-owned subsidiary OOO Modern Gas Turbine Technologies, located in the Leningrad region, Russia. The closing of the transaction occurred on October 5, 2022.

The assets and liabilities associated with the transaction were classified as "held for disposal" as of September 30, 2022. The measurement of the disposal group at the lower of its carrying amount and fair value less costs to sell resulted in an impairment loss of €30 million, which was recognized in Other operating expenses in the Consolidated Statements of Income.

The major classes of assets and liabilities of Modern Gas Turbine Technologies Holding B.V. and its subsidiary as well as other disposal groups are as follows:

	Sep 30, 2022	
(in millions of €)	Modern Gas Turbine Technologies Holding B.V. and its subsidiary	Other disposal groups
Cash and cash equivalents	56	5
Trade and other receivables	14	14
Contract assets	—	20
Inventories	36	90
Property, plant and equipment	30	3
Deferred tax assets	33	4
Remaining assets	4	9
Total assets	**172**	**146**
Short-term debt and current maturities of long-term debt	0	13
Trade and other payables	5	58
Contract liabilities	114	25
Current provisions	1	26
Other current liabilities	1	14
Remaining liabilities	11	21
Total liabilities	**132**	**157**

Acquisition of non-controlling interest in Siemens Gamesa Renewable Energy

On May 21, 2022, Siemens Energy announced a voluntary cash tender offer for all outstanding shares in SGRE, i.e., approx. 32.9% of SGRE's share capital not yet owned by Siemens Energy. SGRE's minority shareholders will be offered €18.05 per share in cash. The offer was publicly launched on November 8, 2022. The acceptance period is expected to end on December 13, 2022.

NOTE 4 Interests in other entities

Investments accounted for using the equity method

(in millions of €)	Fiscal year 2022	2021
Share of profit (loss), net	88	57
Gains (losses) on sales, net	16	(4)
Income (loss) from investments accounted for using the equity method, net	**104**	**53**

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.

	Siemens Limited, registered in Mumbai, India	
	Mar 31,	
(in millions of €)	2022	2021
Percentage ownership interest (%)	24%	24%
Non-current assets (100%)	556	594
Current assets (100%)	1,660	1,458
Non-current liabilities (100%)	65	92
Current liabilities (100%)	888	807
Net assets (100%)	**1,264**	**1,153**
Group's share of net assets (24%)	**303**	**277**
Goodwill (24%)	82	76
Carrying amount of interest in associate (24%)	**385**	**353**
Reconciliation to carrying amount as of Sep 30	52	14
Carrying amount as of Sep 30	**437**	**367**

(in millions of €)	Apr 1, 2021 to Mar 31, 2022	Apr 1, 2020 to Mar 31, 2021
Revenue (100%)	1,692	1,262
Income (loss) from continuing operations after tax (100%)	123	109
Other comprehensive income (100%)	(2)	7
Total comprehensive income (100%)	121	116
Group's share of total comprehensive income (24%)	**29**	**28**
Reconciliation Group's share of total comprehensive income for fiscal year 2022/ 2021	17	2
Group's share of total comprehensive income for fiscal year 2022/ 2021	46	30
Dividends received by the Group	**8**	**7**

The fair value of the investment in the associate amounted to €2,982 million as of September 30, 2022 (2021: €2,114 million).

As of September 30, 2022, the carrying amount of all individually non-material associates amounted to €286 million (2021: €243 million), and the carrying amount of all individually non-material joint ventures amounted to €108 million (2021: €110 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 2022	2021
Income (loss) from continuing operations	32	25
Other comprehensive income, net of income taxes	4	1
Total comprehensive income	**36**	**26**

Joint ventures

(in millions of €)	Fiscal year 2022	2021
Income (loss) from continuing operations	12	23
Other comprehensive income, net of income taxes	(6)	2
Total comprehensive income	**6**	**24**

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 €)	2022	2021
Ownership interests held by non-controlling interests	33%	33%
Accumulated non-controlling interests	(299)	5
Current assets	7,382	6,929
Non-current assets	10,266	9,702
Current liabilities	10,396	8,729
Non-current liabilities	3,389	3,442

(in millions of €)	Fiscal year 2022	2021
Net income (loss) attributable to non-controlling interests	(307)	(210)
Dividends paid to non-controlling interests	(1)	0
Revenue	9,814	10,198
Income (loss) from continuing operations, net of income taxes	(939)	(626)
Other comprehensive income, net of income taxes	348	140
Total comprehensive income, net of income taxes	(591)	(486)
Total cash flows	(732)	306

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

NOTE 5 Other operating income and expense

In fiscal year 2022, other operating income mainly arose from the sales of intangible assets as well as property, plant and equipment and other outputs. In fiscal year 2021, other operating income included, among other things, payments received due to the non-fulfillment of contractual agreements by a contractual partner, gains on sales of intangible assets and property, plant and equipment as well as compensation for agreeing not to participate in a project.

In fiscal year 2022, other operating expenses mainly consisted of the following items: Expenses related to the restructuring of the business activities in Russia in the amount of €107 million, expenses from planned disposals of a business amounting to €78 million, and expenses in connection with share-based payments from the Direct Match Program. 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.

NOTE 6 Income taxes

Income tax (expenses) benefits consist of the following:

	Fiscal year	
(in millions of €)	2022	2021
Current tax	(375)	(422)
Deferred tax	247	327
Income tax (expenses)	**(128)**	**(95)**

The current income tax expenses in fiscal year 2022 and 2021 include adjustments recognized for current tax of prior years in the amount of €14 million and €34 million, respectively. The deferred tax in fiscal years 2022 and 2021 include tax effects of the origination and reversal of temporary differences of €197 million (expense) and €344 million (income), respectively.

In Germany, the calculation of current tax in fiscal year 2022 is based on a combined tax rate of 32%, as in the prior year, consisting of a corporate tax rate of 15%, a solidarity surcharge thereon of 5.5%, and an average trade tax rate of 16%. 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% as follows:

	Fiscal year	
(in millions of €)	2022	2021
Income (loss) before income taxes	(518)	(465)
Expected income tax benefits	166	149
(Increase) decrease in income taxes resulting from:		
Non-deductible losses and expenses	(114)	(76)
Tax-free income	51	47
Taxes for prior years	(47)	(69)
Non-recognition and change in realizability of deferred tax assets and tax credits	(277)	(189)
Change in tax rates	19	(20)
Foreign tax rate differential	77	122
Tax effect of investments accounted for using the equity method	27	12
Other, net	(30)	(71)
Actual income tax expenses	**(128)**	**(95)**

An expense for withholding taxes in fiscal years 2022 and 2021 is included in item "Other, net" in the amount of €45 million and €58 million, respectively.

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

	Sep 30,	
(in millions of €)	2022	2021
Deferred taxes due to temporary differences		
Intangible assets	(679)	(670)
Pensions and similar obligations	253	380
Non-current assets and liabilities	398	411
Current assets and liabilities	89	140
Tax loss carryforwards, other loss carryforwards	933	519
Tax credits	104	96
Total deferred taxes, net	**1,098**	**876**

The change in the (net) deferred tax assets relating to pensions and similar obligations corresponds to the changes in actuarial gains and losses from pensions. Other loss carryforwards mainly include interest carryforwards.

The recoverability of net deferred tax assets in the United States, Germany, Spain and Brazil in the amount of €644 million (2021: €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 a high profitability achieved in current fiscal year, existing order backlog, the adaptation of the business model and by the fact that the current taxable income has been negatively affected by one-time effects. In addition, a sustainable increase in earnings will result from tax strategies both already implemented and currently in implementation. Possible loss utilization and interest deduction limitations have been considered in the projection of future taxable income.

The analysis of availability of future taxable income – to realize the deferred tax assets – reflects beside the above-mentioned positive influencing factors also macroeconomic risks and company-specific risks through appropriate deductions. The assessment period for future taxable income is usually five years and in specific cases up to ten years.

Deferred tax balances (on a net basis) developed as follows in fiscal years 2022 and 2021:

	Fiscal year	
(in millions of €)	2022	2021
Balance at beginning of fiscal year of deferred tax assets	876	631
Income taxes presented in the Consolidated Statements of Income	247	327
Changes in items of the Consolidated Statements of Comprehensive Income	(72)	(65)
Other	47	(17)
Balance at end of fiscal year of deferred tax assets	**1,098**	**876**

"Other" mainly includes effects from currency translation and an offsetting effect in fiscal year 2022 resulting from a reclassification of assets and liabilities held for disposal and 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 2022 and 2021:

	Sep 30,	
(in millions of €)	2022	2021
Deductible temporary differences	1,031	864
Tax loss carryforwards	4,812	4,060
Tax credits	129	221

Out of the total amount of unrecognized tax loss carryforwards as of September 30, 2022, an amount of €1,645 million will expire in the following years until 2031, and €1,848 million will expire in 2032 and onwards.

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 credits as of September 30, 2022, an amount of €46 million will expire in the following years until 2031, and €65 million will expire in 2032 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.

Siemens Energy did not recognize deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of €5,946 million in fiscal year 2022 (2021: €5,260 million) because the earnings are intended to be permanently reinvested in the subsidiaries.

NOTE 7 Contract assets, liabilities and revenues

As of September 30, 2022, amounts expected to be settled after twelve months were €901 million for Contract assets (2021: €1,183 million) and €3,325 million for Contract liabilities (2021: €2,917 million).

In fiscal year 2022, €7 million were included in revenue, relating to performance obligations satisfied in previous periods (2021: €15 million).

In fiscal year 2022, revenue included €6,700 million which was included in Contract liabilities at the beginning of the fiscal year (2021: €6,436 million).

Revenues of €613 million resulted from the sale of a portfolio of windfarm development assets of SGRE in Southern Europe. Within the consolidated statement of cash flows, the resulting cash inflow is reported in cash flow from operating activities. The related costs were recognized in cost of sales in the amount of €35 million and in general, selling and administrative expenses in the amount of €13 million as transaction costs.

In fiscal year 2022, the existence of contracts with customers had to be reassessed on an event-driven basis in connection with the restructuring of business activities in Russia. Due to the partial loss of economic substance, some contracts are no longer considered identifiable for accounting purposes. This led to the derecognition of contract assets, in some cases to the reversal or recognition of revenues and to the corresponding change in cost of sales with a negative effect in a high double-digit amount. Furthermore, contract liabilities of a mid double-digit amount resulting from these contracts had to be reclassified to other financial liabilities.

NOTE 8 Inventories

	Sep 30,	
(in millions of €)	2022	2021
Raw materials and supplies	2,246	1,659
Work in progress	3,557	2,768
Finished goods and products held for resale	1,625	1,248
Advances to suppliers	554	470
Total inventories	**7,983**	**6,146**

The Cost of sales includes Inventories recognized as expenses as of September 30, 2022, amounting to €25,044 million (2021: €24,238 million). Compared with the prior year, write-downs decreased by €143 million (2021: decreased by €52 million).

In the SGRE segment, a reassessment of the marketability of inventories, which were assigned to customer contracts in the prior year, resulted in a positive impact of approximately €110 million in fiscal year 2021.

NOTE 9 Goodwill

(in millions of €)	Fiscal year 2022	2021
Cost		
Balance at beginning of fiscal year	9,576	9,413
Translation differences and other	934	142
Acquisitions and purchase accounting adjustments	7	21
Disposals and reclassifications to assets classified as held for disposal	(23)	(0)
Balance at end of fiscal year	**10,494**	**9,576**
Accumulated impairment losses and other changes		
Balance at beginning of fiscal year	(38)	(37)
Translation differences and other	(0)	(1)
Impairment losses recognized during the period (including those relating to disposal groups)	(23)	—
Disposals and reclassifications to assets classified as held for disposal	23	—
Balance at end of fiscal year	**(38)**	**(38)**
Carrying amount		
Balance at beginning of fiscal year	9,538	9,376
Balance at end of fiscal year	**10,456**	**9,538**

Siemens Energy performs the mandatory annual impairment test in the three months ending September 30. In the annual impairment test 2022, the recoverable amounts for the Group's cash-generating units or groups of cash-generating units were estimated to be higher than the carrying amounts. For Wind Turbines and Operation and Maintenance the fair value less costs of disposal, and for Gas and Power the value in use of the cash-generating unit or group of cash-generating units were calculated.

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

The fair value less costs of disposal as well as the value in use 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 of disposal or value in use for impairment test purposes for the cash-generating units or groups of cash-generating units:

					Sep 30, 2022
(in millions of €)	Goodwill	Terminal value growth rate	After-tax discount rate	Pre-tax discount rate	Average revenue growth rate in the planning period
Gas and Power	7,416	1.1%	—	11.0%	4.4%
Wind Turbines	1,195	1.4%	9.0%	—	16.9%
Operation and Maintenance	1,845	1.4%	9.0%	—	8.3%

	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%

In fiscal year 2021, revenue figures in the five-year planning period of the cash-generating units or groups of cash-generating units were based on average revenue growth rates (excluding portfolio effects) of between 3.3% and 11.6%.

A further key assumption for the GP segment is the expected long-term Adjusted EBITA margin. Considering the increased geopolitical uncertainties, the transformation of the energy market and the current margin level, a long-term Adjusted EBITA margin approaching 8% was applied.

Based on the current reported Adjusted EBITA margin in the GP Segment, Siemens Energy anticipates marked margin improvements in the coming years with a commensurate contribution from cost saving and the ongoing 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. Considering current geopolitical developments, also with regard to gas supply, the Group is dealing with challenging structural global energy market trends, in particular for large gas turbines as a result of continuing decarbonization.

A further key assumption for the SGRE goodwill-carrying units is the long-term Adjusted EBITA margin. For impairment testing purposes, a long-term Adjusted EBITA margin remaining at around 20% for Operation and Maintenance and a gradual improvement in the combined long-term Adjusted EBITA margin to around 8% were applied. Siemens Energy expects a stable contribution from Operation and Maintenance, as well as a stable market share in Wind Turbines, while also dealing with challenging structural global energy market trends.

These changes described above for Siemens Energy are anticipated to 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 Group 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. As part of the planning process various external studies such as those from S&P Global (previously IHS Markit) and the International Energy Agency regarding scenarios for the development of the global energy system were considered.

The sensitivity analysis for the cash-generating units or groups of cash-generating units was based on a reduction of 10% in future cash flows, or an increase of one percentage point in 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 the cash-generating units or groups of cash-generating units.

NOTE 10 Other intangible assets and property, plant and equipment

(in millions of €)	Gross carrying amount Oct 1, 2021	Translation differences	Additions through business combinations	Additions	Reclassi-fication	Retirements	Gross carrying amount Sep 30, 2022	Accumulated depreciation/ amortization and impairment	Carrying amount Sep 30, 2022	Depreciation/ amortization and impairment in fiscal year 2022
Internally generated technology	947	15	—	193	(0)	(10)	1,145	(481)	*665*	(81)
Acquired technology including patents, licenses and similar rights	2,631	93	2	5	(0)	(32)	2,699	(2,089)	*610*	(216)
Customer relationships and trademarks	4,181	507	2	—	—	(31)	4,659	(2,343)	*2,317*	(209)
Other intangible assets	**7,758**	**615**	**4**	**198**	**(0)**	**(72)**	**8,504**	**(4,912)**	*3,592*	**(506)**
Land and buildings	3,907	173	0	417	207	(196)	4,509	(1,725)	*2,783*	(381)
therein right-of-use assets	*1,433*	*43*	—	*336*	*(1)*	*(85)*	*1,727*	*(563)*	*1,164*	*(208)*
Technical equipment and machinery	4,762	268	0	173	217	(331)	5,089	(3,658)	*1,431*	(415)
therein right-of-use assets	*382*	*(0)*	—	*32*	—	*(27)*	*387*	*(139)*	*247*	*(70)*
Furniture and office equipment	2,279	81	0	281	114	(226)	2,530	(1,915)	*615*	(307)
therein right-of-use assets	*94*	*5*	*0*	*36*	*(0)*	*(23)*	*112*	*(63)*	*49*	*(33)*
Advances to suppliers and construction in progress	624	24	—	499	(537)	(6)	605	(0)	*605*	(1)
Property, plant and equipment	**11,573**	**546**	**0**	**1,371**	**2**	**(759)**	**12,733**	**(7,298)**	**5,435**	**(1,104)**

(in millions of €)	Gross carrying amount Oct 1, 2020	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)**

Intangible assets mainly relate 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 amortized primarily over a period of 20 years.

Intangible assets associated with the SGRE acquisition mainly relate to technology und customer relationships and are being amortized primarily over a period of six to 20 years.

As of September 30, 2022, the gross carrying amount of advances to suppliers and construction in progress included mainly machinery and equipment under construction. As of September 30, 2022, contractual commitments for purchases of property, plant and equipment were €330 million (2021: €344 million).

In fiscal year 2022, expenses recognized for short-term and low-value leases not accounted for under the right-of-use model were €240 million (2021: €263 million).

In connection with the restructuring of the business activities in Russia and with planned disposals of a business, impairment losses of €84 million were recognized on other intangible assets and property, plant and equipment in fiscal year 2022.

NOTE 11 Other current liabilities

	Sep 30,	
(in millions of €)	**2022**	2021
Liabilities to personnel	1,679	1,769
Deferred income	14	16
Accruals for pending invoices	750	710
Reservation fees	89	77
Sales tax liabilities	245	204
Other	343	297
Total other current liabilities	**3,120**	3,074

NOTE 12 Debt

	Current debt		Non-current debt	
	Sep 30,		Sep 30,	
(in millions of €)	**2022**	2021	**2022**	2021
Loans from banks	432	277	1,220	1,088
Lease liabilities	263	271	1,151	1,084
Notes and bonds	52	—	100	—
Other financial indebtedness	2	3	3	5
Total debt	**749**	551	**2,474**	2,177

Changes in liabilities arising from financing activities

(in millions of €)	Oct 1, 2021	Cash flows	Non-cash changes: Acquisitions/ Disposals	Non-cash changes: Foreign currency translation	Non-cash changes: Reclassifi-cations and other changes	Sep 30, 2022
Loans from banks (current and non-current)	1,364	283	—	17	(12)	1,652
Lease liabilities (current and non-current)	1,355	(300)	0	20	339	1,415
Notes and bonds (current and non-current)	—	154	—	—	(2)	152
Other financial indebtedness (current and non-current)	8	(70)	—	—	67	5
Total debt	**2,728**	**68**	**0**	**37**	**392**	**3,224**

(in millions of €)	Oct 1, 2020	Cash flows	Non-cash changes: Acquisitions/ Disposals	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 fiscal year 2022, the weighted average interest rate for loans from banks was 2.40% (2021: 1.33%).

Credit facilities

As of September 30, 2022, and September 30, 2021, Siemens Energy had an unused syndicated revolving credit facility of €3,000 million for general corporate purposes. In fiscal year 2022, the first of two one-year extension options was exercised. The credit facility will now mature in 2025 with a remaining one-year extension option subject to the lenders' consent.

Additionally, in May 2022, Siemens Energy signed an unused syndicated bridge credit facility amounting to €4,200 million to acquire all outstanding shares in SGRE. The credit line has a maturity of twelve months with two extension options of six months each. In June 2022, the bridge facility was reduced to €2,900 million to reflect the fact that a cash collateral has been deposited with the Spanish National Securities Market Commission.

As of September 30, 2022 and September 30, 2021, SGRE had a multi-currency revolving credit facility amounting to €2,500 million. The facility includes a fully drawn term loan tranche of €500 million maturing in December 2023 and a revolving credit line tranche of €2,000 million. In December 2021, SGRE exercised the second of two one-year extension options. The credit line will now mature in 2026. As of September 30, 2022, SGRE has drawn €200 million of the credit line tranche.

As of September 30, 2022 SGRE had euro-denominated credit lines for a total amount of €788 million (September 30, 2021: €743 million), of which €45 million had been drawn (September 30, 2021: €0 million). In addition, SGRE had credit lines in non-euro currencies for a total amount of €583 million as of September 30, 2022 (September 30, 2021: €609 million), of which €340 million had been drawn (September 30, 2021: €246 million).

Loans

The debt in the statement of financial position as of September 30, 2022 and September 30, 2021, was 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.

To finance the Senvion acquisition, SGRE raised two loans. As of September 30, 2022, €175 million were outstanding (September 30, 2021: 240 million) with maturity in 2024.

Additionally, two loans with the European Investment Bank amounting to a total of €350 million were outstanding as of September 30, 2022 and September 30, 2021. Both loans have a tenure of five years and can be used to fund the research and development activities of SGRE.

Commercial paper program

As of September 30, 2022 and September 30, 2021, no commercial papers were outstanding under the program, which has a maximum volume of €3,000 million.

Mandatory convertible note

On September 14, 2022, Siemens Energy issued a subordinated mandatory convertible note in the aggregate nominal amount of €960 million, which will be converted into no par value shares of the Company at maturity. The Company intends to use the net proceeds from the issue to partially fund the voluntary cash tender offer for all outstanding SGRE shares announced by the Company in May 2022. The mandatory convertible note was accounted for as compound financial instrument. Only the present value of the coupons amounting to €152 million was recognized as financial liability.

Lease liabilities

In fiscal year 2022, the expenses relating to variable lease payments not included in the measurement of lease liabilities amounted to €83 million (2021: €82 million). Since both the use and volume of the leases are constant, 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 2022, leases not yet commenced to which the lessee is committed of €163 million (2021: €2 million) and outflows arising from extension options of €252 million (2021: €231 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 consider 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 2022, the defined benefit plans covered an average number of 59,000 participants, including 45,000 actives, 5,000 deferreds with vested benefits, and 9,000 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 closed to new entrants and frozen 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.

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 for new entrants and frozen 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 2022	2021	Fair value of plan assets (II) Fiscal year 2022	2021	Net defined benefit balance (I - II)[1] Fiscal year 2022	2021
Balance at beginning of fiscal year	**3,407**	**3,392**	**2,634**	**2,378**	**790**	**1,018**
Current service cost	108	114	—	—	108	114
Interest expenses	77	63	—	—	79	63
Interest income	—	—	63	46	(63)	(46)
Other[2]	(11)	(1)	(3)	(2)	(8)	1
Components of defined benefit costs recognized in the Consolidated Statements of Income	**174**	**175**	**60**	**44**	**116**	**132**
Return on plan assets excluding amounts included in net interest income and net interest expenses	—	—	(555)	127	555	(127)
Actuarial (gains) losses	(877)	(98)	—	—	(877)	(98)
Remeasurements recognized in the Consolidated Statements of Comprehensive Income	**(877)**	**(98)**	**(555)**	**127**	**(310)**	**(212)**
Employer contributions	—	—	133	113	(133)	(113)
Plan participants' contributions	18	13	18	13	—	—
Benefits paid	(136)	(123)	(88)	(82)	(47)	(42)
Settlement payments	(1)	(1)	(0)	(0)	(0)	(1)
Business combinations, disposals and other	(1)	(1)	(0)	(1)	(1)	(0)
Foreign currency translation effects	226	50	156	43	73	8
Other reconciling items	**107**	**(62)**	**218**	**86**	**(108)**	**(148)**
Balance at end of fiscal year	**2,812**	**3,407**	**2,356**	**2,634**	**487**	**790**
thereof						
Germany	*1,268*	*1,602*	*1,214*	*1,300*	*54*	*302*
U.S.	*828*	*939*	*558*	*636*	*270*	*303*
U.K.	*201*	*323*	*209*	*328*	*(5)*	*(3)*
Other countries	*515*	*543*	*375*	*370*	*168*	*188*
Total	**2,812**	**3,407**	**2,356**	**2,634**	**487**	**790**
thereof provisions for pensions and similar obligations					*570*	*830*
thereof net defined benefit assets (presented in Other assets)					*(83)*	*(39)*

[1] As of September 30, 2022 increasing effects of asset ceiling of €32 million (2021: €17 million) were included. The increase during fiscal year 2022 and 2021 relates to remeasurement effects.

[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 2022 amounted to €19 million (2021: €19 million). In fiscal year 2022, the DBO attributable to active employees stood at 58% (2021: 62%), the DBO attributable to former employees with vested rights stood at 8% (2021: 9%), and the DBO attributable to retirees and surviving dependents stood at 34% (2021: 29%).

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

(in millions of €)	Fiscal year 2022	2021
Changes in demographic assumptions	(6)	4
Changes in financial assumptions	(779)	(147)
Experience (gains) losses	(92)	45
Total	**(877)**	**(98)**

Actuarial assumptions

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

	Sep 30, 2022	2021
Discount rate	4.9%	2.1%
EUR	4.1%	1.4%
USD	5.4%	2.6%
GBP	5.0%	2.0%

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	2022	2021
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, 2022	2021
Germany	1.4%	1.3%
U.K.	2.9%	2.7%

Sensitivity analysis

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

	Effect on DBO due to a half-percentage-point			
	Increase	Decrease	Increase	Decrease
(in millions of €)	Sep 30, 2022		Sep 30, 2021	
Discount rate	(128)	141	(202)	226
Rate of pension progression	43	(39)	73	(69)

The DBO effect of a 10% reduction in mortality rates for all beneficiaries would be an increase of €44 million as of September 30, 2022 (2020: €72 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 in order to assess the overall picture of the interaction between plan assets and defined benefit obligation.

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

(in millions of €)	Sep 30, 2022	2021
Equity securities	301	347
Fixed income securities	1,070	1,216
Government bonds	*369*	*372*
Corporate bonds	*701*	*844*
Real estate	60	55
Multi strategy funds	602	632
Insurance policies	238	321
Cash and cash equivalents	83	32
Other assets	3	31
Total	**2,356**	**2,634**

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 invest in various asset classes depending on market environment. They aim to generate a certain absolute return at a given risk.

Future cash flows

Employer contributions expected to be paid to defined benefit plans in fiscal year 2023 amount to €55 million. Over the next ten fiscal years, average annual benefit payments of €195 million were expected as of September 30, 2022 (2021: €167 million). The weighted average duration of the DBO for Siemens Energy defined benefit plans was twelve years as of September 30, 2022 (2021: 15 years).

Defined contribution plans and state plans

The amount recognized as expense for defined contribution plans amounted to €239 million in fiscal year 2022 (2021: €212 million). Contributions to state plans amounted to €477 million in fiscal year 2022 (2021: €458 million).

NOTE 14 Provisions

(in millions of €)	Warranties	Order related losses and risks	Other	Total
Balance as of October 1, 2021	**2,634**	**911**	**415**	**3,959**
therein non-current	*1,594*	*241*	*132*	*1,968*
Additions	701	450	245	1,396
Usage	(466)	(273)	(125)	(864)
Reversals	(452)	(82)	(93)	(626)
Translation differences	71	73	15	159
Accretion expense and effect of changes in discount rates	(57)	(10)	0	(67)
Other changes	(6)	(1)	(21)	(28)
Balance as of September 30, 2022	**2,425**	**1,067**	**436**	**3,928**
therein non-current	*1,365*	*278*	*156*	*1,799*

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. As in the previous year, the increase in the provision for contingent losses is mainly due to deviations at SGRE in Brazil, North of Europe and North America mainly related to the SG 5.X product development affecting ongoing projects as well as to other increases in estimated costs in projects. As of September 30, 2022, this resulted in a provision for contingent losses of €455 million (2021: €338 million). In fiscal year 2022 onerous loss provisions in the amount of €122 million were recognized in connection with the restructuring of the business activities in Russia.

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, 2022, amounted to €93 million (2021: €124 million).

NOTE 15 Equity

As of September 30, 2022 and 2021, the issued capital of Siemens Energy was 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 (directly and indirectly) are subject to the restrictions arising from the existing deconsolidation agreement ("Entherrschungsvertrag").

The following table presents the development of treasury shares:

	Fiscal year	
(in number of shares)	**2022**	**2021**
Treasury shares, beginning of fiscal year	11,958,938	9,242,660
Share buyback	—	7,690,836
Issuance under share-based payment and employee share programs	(4,839,941)	(4,974,558)
Treasury shares, end of fiscal year	**7,118,997**	**11,958,938**

Share-based payment expenses increased Capital reserve by €105 million in fiscal year 2022 (2021: €167 million). In connection with the settlement of share-based payment awards, Siemens Energy treasury shares (at cost) with a value of €114 million were transferred to employees in fiscal year 2022 (2021: €112 million), which decreased the Capital reserve and Retained earnings by €106 million (2021: €136 million) and €8 million (2021: increase €25 million), respectively.

As of September 30, 2022, 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 details set out in the authorization. In addition, as of September 30, 2022, the conditional capital of Siemens Energy AG was €73 million in nominal terms (72,664,519 shares). It can be used for converting convertible bonds or warrants under warrant bonds, which can be issued on the basis of the authorization approved by the Shareholders' Meeting.

On September 14, 2022, Siemens Energy issued a mandatory convertible note in the aggregate nominal amount of €960 million without granting subscription rights to existing shareholders of the Company. The minimum conversion price for the mandatory convertible notes is €13.22 per share (72,617,246 shares), and the maximum conversion price is €15.53 per share (61,815,840 shares). Upon maturity on September 14, 2025, the outstanding notes will be mandatorily converted into registered no-par shares of the Company. The terms and conditions of the mandatory convertible note also provide for standard market conversion rights for the holders and the issuer prior to maturity of the note. After consideration of proportionate transaction costs of €15 million, the mandatory convertible notes were allocated to capital reserves in the amount of €793 million and in the amount of €152 million to financial liabilities.

In fiscal year 2022, dividends paid per share were €0.10 (2021: €0.00). For fiscal year 2022, the Executive Board and the Supervisory Board propose not to distribute a dividend. This is contingent upon approval by the Shareholders' Meeting on February 7, 2023.

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 €)	**2022**	**2021**
Short-term debt and current maturities of long-term debt[1]	749	551
Plus: Long-term debt[1]	2,474	2,177
Plus: Payables to Siemens Group from financing activities	15	189
Total debt	**3,239**	**2,917**
Cash and cash equivalents	5,959	5,333
Plus: Receivables from Siemens Group from financing activities	107	99
Total liquidity	**6,066**	**5,432**
(Net cash)/ net debt[2]	**(2,827)**	**(2,515)**
Plus: Provisions for pensions and similar obligations	570	830
Plus: Credit guarantees	77	89
Adjusted (net cash)/ net debt	**(2,180)**	**(1,596)**
EBITDA[3]	**1,144**	**1,106**
Adjusted (net cash)/ net debt to EBITDA ratio[3]	**(1.9)**	**(1.4)**

[1] Includes the present values of the coupons of the mandatory convertible note amounting to €152 million as of September 30, 2022 (2021: €0 million).
[2] As of September 30, 2022, and September 30, 2021, the net cash position is shown with a negative sign.
[3] EBITDA represents earnings before financial result, income taxes and amortization, depreciation and impairments.

External credit rating

The Company's current corporate credit ratings are:

	Sep 30,	
Standard & Poor's Global Ratings	**2022**	**2021**
Long-term debt	BBB	BBB
Short-term debt	A-2	A-2

NOTE 17 Commitments and contingencies

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

	Sep 30,	
(in millions of €)	**2022**	**2021**
Credit guarantees	77	89
Guarantees of third-party performance	211	202
Other guarantees	107	61
Total	**394**	**352**

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 lines of credit that can be drawn. The credit guarantees shown in the table are mostly 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 for third-party performance, which mainly include guarantees of advance payments and performance bonds 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 invoked.

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.

Besides that, some subsidiaries abroad have significant potential tax risks that were not recognized in the statement of financial position due to insufficient probability of occurrence. The potential tax risks result from a large number of individual cases involving indirect and direct taxes. Taken individually, the risks are not significant. In total, they amount to a mid three-digit million range.

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. Later, the amount of claims increased significantly due to adjustments for inflation and interest. 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 counterclaimed a lower triple-digit million euro amount in local currency. In February 2022, the arbitral tribunal dismissed the vast majority of the claims against the consortium and its members. It awarded a low double-digit million euro amount to the claimant and a low triple-digit million euro amount to the consortium and its members, both in local currency. The claimant and one member of the consortium have filed requests for clarification. In August 2022, the clarification requests were withdrawn and the arbitration was finally terminated.

Proceedings out of or in connection with alleged compliance violations

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; since July 2022: OOO Modern Gas Turbine Technologies) 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. In July 2018, 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

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. In January 2022, the ITC issued its final determination, finding only a limited infringement with regard to a software version no longer used by the SGRE entities. Consequently, none of the SGRE entities' current products were barred from importation into the US.

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 were the subject of the ITC complaint, seeking injunctive relief and unquantified damages. In February 2022, the German court of first instance found an infringement of one of the patents limited to some of SGRE's products. SGRE has appealed the decision. In June 2022, the court in Spain found that the patent on which GE relied in its claim was invalid and dismissed GE's claims. GE has appealed the decision.

SGRE has investigated some allegations and indications of potential violations of internal policies and procedures, as well as of statutory laws, that had emerged from the investigations closed at the end of the last fiscal year. These investigations did mainly concern the Indian subsidiary. The respective internal investigations have been completed during this fiscal year and revealed no violations with material impact in the Consolidated Financial Statements as of September 30, 2022. Currently, there are new allegations under investigation which, at the initial evaluation, are assessed not to have a material impact, if any, on the Consolidated Financial Statements.

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:

	Sep 30,	
(in millions of €)	**2022**	**2021**
Loans, receivables and other debt instruments measured at amortized cost[1]	7,380	5,438
Cash and cash equivalents	5,959	5,333
Derivatives designated in a hedge accounting relationship	351	162
Financial assets measured at FVTPL[2]	954	453
Financial assets	**14,644**	**11,386**
Financial liabilities measured at amortized cost[3]	10,326	8,886
Derivatives not designated in a hedge accounting relationship[4]	938	351
Derivatives designated in a hedge accounting relationship[4]	557	124
Financial liabilities	**11,821**	**9,361**

[1] Reported in the following line items in the Consolidated Statement of Financial Position as of September 30, 2022: Trade and other receivables, Other current financial assets and Other financial assets, except for equity instruments of €31 million disclosed separately in Other financial assets and derivative financial instruments of €1,260 million (therein in Other financial assets: €435 million), as well as debt instruments of €13 million measured at FVTPL in Other financial assets; includes €5,572 million in trade receivables from the sale of goods and services, thereof €346 million with a term of more than twelve months.

[2] Reported in line items Other current financial assets and Other financial assets in the Consolidated Statement of Financial Position.

[3] Reported in the following line items in the Consolidated Statements of Financial Position as of September 30, 2022: 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 €1,494 million disclosed separately; includes €6,782 million in Trade and other payables, therein €11 million with a term of more than twelve months.

[4] Reported in line items Other current financial liabilities and Other financial liabilities in the Consolidated Statement of Financial Position.

As of September 30, 2022, cash and cash equivalents included an amount of €109 million (2021: €6 million) that was not available for use by Siemens Energy, mainly bank balances that are reserved for the retention of own insured risks or that cannot be drawn down due to ongoing litigation with the minority shareholder of a subsidiary.

Additionally, as part of the voluntary cash tender offer for all outstanding SGRE shares, a cash collateral of €1,148 million (2021: €0 million) was pledged in favor of the Spanish National Securities Market Commission and reclassified to other current financial assets because it no longer met the requirements for cash and cash equivalents. Contractually, the funds will be used directly for the purchase of the shares without being released again to Siemens Energy if the purchase offer is accepted.

Generally, the carrying amount of financial assets and financial liabilities is approximately equivalent to their fair value. As of September 30, 2022, the fair value of loans from banks measured at cost or amortized cost amounted to €1,676 million (2021: €1,379 million), while the carrying amount amounted to €1,652 million (2021: €1,364 million).

Fixed-rate and variable-rate receivables with a remaining term of more than twelve months are measured by Siemens Energy based on parameters such as interest rates, specific country risk factors, the individual creditworthiness of the customer, and the risk characteristics of the financed project. On the basis of this measurement, 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, 2022
(in millions of €)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value[1]	**—**	**1,260**	**44**	**1,304**
Equity instruments measured at fair value through profit or loss	—	—	31	31
Debt instruments measured at fair value through profit or loss	—	—	13	13
Derivative financial instruments	—	1,260	—	1,260
thereof not designated in a hedge accounting relationship (including embedded derivatives)	—	*909*	—	*909*
thereof in connection with cash flow hedges	—	*351*	—	*351*
Financial liabilities measured at fair value – Derivative financial instruments[2]	**—**	**1,494**	**—**	**1,494**
thereof not designated in a hedge accounting relationship (including embedded derivatives)	—	*938*	—	*938*
thereof in connection with cash flow hedges	—	*557*	—	*557*

[1] Reported in line items Other current financial assets and Other financial assets in the Consolidated Statement of Financial Position.

[2] Reported in line items Other current financial liabilities and Other financial liabilities in the Consolidated Statement of Financial Position.

				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 in the Consolidated Statement of Financial Position.

[2] Reported in line items Other current financial liabilities and Other financial liabilities in the Consolidated Statement of Financial Position.

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

Net gains/ (losses) on financial instruments are:

	Fiscal year	
(in millions of €)	**2022**	**2021**
Cash and cash equivalents	(21)	9
Loans, receivables and other debt instruments measured at amortized cost	(4)	(198)
Financial liabilities measured at amortized cost	(104)	179
Financial assets and financial liabilities at FVTPL	(325)	(5)

The amounts presented include foreign currency gains/ (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 mainly consist of changes in the fair value of derivative financial instruments to which hedge accounting is not applied.

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 €)	**2022**	**2021**
Total interest income on financial assets	43	24
Total interest expenses on financial liabilities	(130)	(104)

Valuation allowances for expected credit losses

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

	Trade receivables	Contract assets	Trade receivables	Contract assets
(in millions of €)		**Fiscal year 2022**		**Fiscal year 2021**
Valuation allowances at beginning of fiscal year	478	143	484	156
Change in valuation allowances recorded in the Consolidated Statements of Income in the current period	(0)	(29)	47	(13)
Write-offs charged against the allowance	(52)	—	(59)	—
Recoveries of amounts previously written off	1	—	1	—
Foreign exchange translation differences and other changes	29	15	5	1
Reclassifications to Assets held for disposal and disposals of those entities	2	(0)	—	—
Valuation allowances at end of fiscal year	**458**	**129**	**478**	**143**

Additionally, as of September 30, 2022, valuation allowances of €13 million (2021: €1 million) were recognized on two loans to a customer project company in Brazil. The loans are assigned to stage 1 in the three-stage impairment approach (recognition of twelve month expected credit losses).

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 €)	2022	2021	2022	2021
Gross amounts	850	406	1,393	364
Amounts offset in the Statement of Financial Position	5	1	5	1
Net amounts in the Statement of Financial Position	845	405	1,388	363
Related amounts not offset in the Statement of Financial Position	664	204	664	204
Net amounts	**181**	**200**	**724**	**159**

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, 2022		Sep 30, 2021	
(in millions of €)	Assets	Liabilities	Assets	Liabilities
Foreign currency exchange contracts	828	1,335	392	353
therein included in cash flow hedges	*337*	*554*	*162*	*124*
Other (embedded derivatives, interest rate swaps, commodity swaps)	432	160	175	123

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, EUR/USD and EUR/GBP 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 2022
Instrument	Buy/ sell foreign currency	Average rate	Average remaining maturity
EUR/DKK	Buy	7.4381	2023
EUR/DKK	Sell	7.4283	2023
EUR/USD	Buy	1.1158	2023
EUR/USD	Sell	1.1083	2023
EUR/GBP	Buy	0.8831	2024
EUR/GBP	Sell	0.8831	2024

			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

As of September 30, 2022, the nominal amounts of hedging instruments with remaining maturities of up to twelve months were €8,833 million (2021: €6,362 million). The nominal amounts of hedging instruments with remaining maturities of more than twelve months were €5,525 million (2021: €4,961 million).

The Cash flow hedges reserve and the Cost of hedging reserve for foreign currency hedges reconciles as follows (net of deferred taxes):

	Cash flow hedges reserve		Cost of hedging reserve	
	Fiscal year		Fiscal year	
(in millions of €)	**2022**	2021	**2022**	2021
Balance at beginning of fiscal year	23	(57)	—	—
Hedging gains (losses) presented in OCI	(62)	67	17	—
Amounts reclassified into revenue (hedging of forecast sales)	9	11	—	—
Amounts reclassified into cost of sales (hedging of forecast purchases)	49	2	—	—
Amounts reclassified into other financial income (expense), net (financing related hedges)	(119)	—	—	—
Amounts reclassified into interest expenses (financing related hedges)	—	—	(8)	—
Balance at end of fiscal year[1]	**(100)**	23	**9**	—

[1] Therein Cash flow hedges reserve of discontinued hedge accounting relationships as of September 30, 2022 in the amount of €(14) million (2021: €3 million).

The hedging costs correspond to the forward element of forward contracts for hedging internal loans not designated in a hedging relationship. The hedging costs are recognized as interest expense on a straight-line basis as the hedged item is transaction-related.

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.

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, between the U.S. dollar and the euro as well as between the British pound and the euro. Foreign currency exchange rate exposure is partly offset 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 within 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, measuring, 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 statement of financial position 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:

(in millions of €)	Fiscal year 2022 Appreciation of 10% against EUR	Devaluation of 10% against EUR
DKK	(26)	26
SEK	11	(11)
USD	7	(7)
CAD	4	(4)
TND	2	(2)

(in millions of €)	Fiscal year 2021 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

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 SGRE 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:

(in millions of €)	Fiscal year 2022 +100bp	-100bp
EUR interest rates	12	(13)

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

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 cash outflows 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, 2022. 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. These programs serve to finance suppliers and therefore do not give rise to significant liquidity risks or concentration risks for Siemens Energy.

(in millions of €)	Fiscal year 2023	2024	2025 to 2027	2028 and thereafter
Non-derivative financial liabilities	7,977	1,244	818	702
thereof				
Loans from banks	519	890	357	—
Other financial indebtedness	2	2	1	0
Lease liabilities	277	239	400	702
Notes and bonds	54	54	54	—
Trade and other payables	6,813	10	1	—
Other financial liabilities	311	49	6	—
Derivative financial liabilities	1,135	195	75	22
Credit guarantees[1]	77	—	—	—

[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 on 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, reliable third-parties, 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 macroeconomic, industry-related, and competitive developments. A country-specific risk component is also considered.

An exposure is considered defaulted if the obligor is unwilling or unable to pay its 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 that it mitigates credit risk. Collateral needs to be specific, identifiable, and legally enforceable to be taken into account.

As of September 30, 2022, collateral of €664 million (2021: €204 million) related to financial assets measured at fair value. That collateral was provided in connection with netting agreements for derivatives providing protection from the risk of a counterparty's insolvency. As of September 30, 2022, collateral held for financial assets measured at amortized cost was €178 million (2021: €303 million), comprising mostly letters of credit and credit insurance policies. As of September 30, 2022, collateral held for Contract assets was €4 million (2021: €10 million), comprising mostly letters of credit.

As of September 30, 2022, the gross carrying amount (before valuation allowances) of trade receivables from the sale of goods and services amounted to €6,053 million (2021: €5,606 million). Based on rating information from Siemens Bank, 44% (2021: 42%) had an investment-grade rating and 56% (2021: 58%) had a non-investment-grade rating. Contract assets with a gross carrying amount of €4,847 million (2021: €5,056 million) generally share similar risk characteristics. Additionally, as of September 30, 2022, two loans to a customer project company in Brazil with a non-investment grade rating were recognized at a gross carrying amount (before valuation allowances) of €156 million (2021: €14 million). The amounts described above do not represent economic credit risks, since they take account of neither collateral held nor valuation allowances already recognized.

NOTE 22 Share-based payment

Share-based payment awards granted are based on Siemens Energy AG shares that have been granted based on 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 €105 million for the year ended September 30, 2022 (2021: €167 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, which 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 was 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 based on a Monte Carlo simulation over different scenarios to take into account the changes in the VWAP and the cap. The volatility used in the model is based on peer-group data. The fair value on the grant date totaled €15 million.

Changes in the number of stock awards are:

	Fiscal year	
	2022	2021
Balance at beginning of fiscal year (not vested)	**1,722,102**	1,737,759
Forfeited	(132,630)	(15,657)
Settled	(56,550)	—
Balance at end of fiscal year (not vested)	**1,532,922**	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 in fiscal year 2021 at an average price of €21.52 per share.

In addition, eligible employees in Germany and the rest of the world received 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 and extends to September 2023. 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 changes in the VWAP and the cap. These stock awards are subject to a lock-in period of about three years.

The fair value on the grant date totaled € 138 million.

Changes in the number of stock awards (excluding the 2020 special payment) are:

	Fiscal year	
	2022	2021
Balance at beginning of fiscal year (not vested)	**9,214,949**	—
Granted	—	9,379,550
Forfeited	(433,952)	(161,481)
Settled	(13,377)	(3,120)
Balance at end of fiscal year (not vested)	**8,767,620**	**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. In this context, 40% of the target amount is linked to the relative total shareholder return (TSR) of Siemens Energy (TSR target). For stock awards granted in fiscal year 2022 (2022 tranche), the TSR is calculated as follows: 50% compared with the total shareholder return of the STOXX Global 1800 Industrial Goods and Services (gross return) and 50% compared with the S&P Global Clean Energy Index (total return). For the 2021 tranche, the TSR is calculated as 70% compared to the Total Shareholder Return of the STOXX Global 1800 Industrial Goods and Services and 30% compared to 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 2022, senior managers and Executive Board members were granted stock awards settled in shares with a fair value of €21 million (2021: €28 million)

The fair value of the TSR-based stock awards granted was calculated using an option price model on the basis of a Monte Carlo simulation. In addition to the expected € interest rates, share volatility based on peer-group data is also considered. On this basis, in fiscal year 2022, a Siemens Energy share volatility of 33.71% (2021: 30.96%) and a risk-free interest rate of up to -0.18% (2021: -0,50%) were applied.

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

	Fiscal year	
	2022	2021
Balance at beginning of fiscal year (not vested)	**1,384,008**	—
Granted	1,269,727	1,381,758
Forfeited	(217,209)	(18,971)
Adjustments due to vesting conditions other than market conditions	(315,244)	21,221
Settled	(51,551)	—
Balance at end of fiscal year (not vested)	**2,069,731**	**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 additional investment, participants have the right to receive one free matching share for every three investment shares.

Under this program, matching shares are granted to a certain monetary value of €27 million (2021: €26 million). The fair value is therefore determined on the basis of a fixed amount on the grant date.

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

	Fiscal year	
	2022	2021
Balance at beginning of fiscal year (not vested)	—	—
Granted	1,257,170	818,579
Vested and fulfilled	(1,257,170)	(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 2022 amounted to €34 million (2021: €43 million). The weighted average fair value of shares granted in fiscal year 2022 amounted to €21.90 per share (2021: €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	
	2022	2021
Balance at beginning of fiscal year (not vested)	**1,652,332**	—
Granted	1,532,844	1,702,648
Forfeited	(100,383)	(47,624)
Vested and fulfilled	(410,863)	—
Settled	(4,239)	(2,692)
Balance at end of fiscal year (not vested)	**2,669,691**	**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 tenth 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 3,725,022 (2021: €3,687,310) entitlements to jubilee shares outstanding as of September 30, 2022.

NOTE 23 Personnel costs

(in millions of €)	Fiscal year 2022	2021
Wages and salaries	(6,844)	(6,906)
Statutory social welfare contributions and expenses for optional support	(1,029)	(973)
Expenses relating to post-employment benefits	(339)	(330)
Total personnel costs	**(8,212)**	**(8,210)**

In fiscal year 2022, severance charges amounted to €55 million (2021: €419 million). In the previous year, this included 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 statement of financial position under other liabilities. Benefits relating to a period of more than twelve months after the reporting date are recognized at present value.

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

(in thousands)	Fiscal year 2022	2021
Manufacturing and services	68	68
Sales and marketing	11	12
Research and development	5	5
Administration and general services	6	6
Total	**91**	**92**

NOTE 24 Earnings per share

(in millions of €; shares in thousands; earnings per share in €)	Fiscal year 2022	2021
Income (loss)	(647)	(560)
Less: Portion attributable to non-controlling interest	(242)	(107)
Income (loss) to shareholders of Siemens Energy AG	(404)	(453)
Weighted average shares outstanding - Basic	720,827	714,747
therein shares from mandatory convertible note	*3,382*	—
Effect of dilutive share-based payment	—	—
Weighted average shares outstanding - diluted	720,827	714,747
Basic earnings per share	**(0.56)**	**(0.63)**
Diluted earnings per share	**(0.56)**	**(0.63)**

In fiscal year 2022, 6,174 thousand (2021: 5,382 thousand) potential ordinary shares from share-based payment programs were anti-dilutive and therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share.

In September 2022, a mandatory convertible note in the aggregate nominal amount of €960 million was issued without granting subscription rights to existing shareholders of the Company. The weighted average number of shares increased from the date of issue by the maximum number of shares to be delivered to the holders of the mandatory convertible note.

NOTE 25 Segment information

(in millions of €)	Revenue Fiscal year 2022	2021	External revenue Fiscal year 2022	2021	Intersegment revenue Fiscal year 2022	2021
Gas and Power	19,280	18,395	19,183	18,282	97	113
Siemens Gamesa Renewable Energy	9,814	10,198	9,811	10,197	2	0
Total segments	**29,093**	28,593	**28,994**	28,480	**99**	113
Reconciliation to Consolidated Financial Statements	(96)	(110)	3	3	(99)	(113)
Siemens Energy	**28,997**	28,482	**28,997**	28,482	**0**	0

(in millions of €)	Orders Fiscal year 2022	2021	Adj. EBITA Fiscal year 2022	2021
Gas and Power	26,883	20,888	633	362
Siemens Gamesa Renewable Energy	11,598	12,185	(663)	(296)
Total segments	**38,481**	33,073	**(30)**	66
Reconciliation to Consolidated Financial Statements	(169)	(73)	(45)	(78)
Siemens Energy	**38,312**	33,001	**(75)**	(12)

(in millions of €)	Assets Sep 30, 2022	2021	Free cash flow Fiscal year 2022	2021	Additions to intangible assets and property, plant and equipment Fiscal year 2022	2021
Gas and Power	9,867	10,117	2,354	1,369	374	310
Siemens Gamesa Renewable Energy	2,731	2,532	(809)	227	783	677
Total segments	**12,598**	12,649	**1,545**	1,596	**1,157**	987
Reconciliation to Consolidated Financial Statements	38,575	31,492	(484)	(637)	0	0
Siemens Energy	**51,173**	44,141	**1,061**	959	**1,157**	987

(in millions of €)	Amortization, depreciation and impairments Fiscal year 2022	2021	Investments accounted for using the equity method Sep 30, 2022	2021
Gas and Power	793	705	739	642
Siemens Gamesa Renewable Energy	840	757	93	78
Total segments	**1,633**	1,463	**833**	720
Reconciliation to Consolidated Financial Statements	0	0	—	—
Siemens Energy	**1,633**	1,463	**833**	720

Reconciliation to Consolidated Financial Statements

The reconciliation to adjusted EBITA of Siemens Energy includes centrally carried pension expense. These include 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 Eliminations, Treasury and other central items that meet the definition of Adjusted EBITA) totals in a negative amount of €75 million in fiscal year 2022 (2021: negative amount of €12 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.

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, 2022, the order backlog totaled €97 billion (2021: €84 billion), thereof GP €63 billion (2021: €51 billion) and SGRE €35 billion (2021: €33 billion). As of September 30, 2022, Siemens Energy expected to convert approximately €27 billion of the order backlog into revenue within one year (2021: €23 billion), thereof order backlog of GP of approximately €17 billion (2021: €14 billion) and order backlog of SGRE of approximately €10 billion (2021: €9 billion).

Free cash flow pre 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 2022	2021
Total segments	**(30)**	**66**
Reconciliation to Adjusted EBITA Siemens Energy[1]	**(45)**	**(78)**
Siemens Energy - Adjusted EBITA	**(75)**	**(12)**
Amortization of intangible assets acquired in business combinations and goodwill impairments	(386)	(382)
Financial result[2]	(29)	(108)
Financial result from operations[3]	(28)	37
Income (loss) before income taxes	**(518)**	**(465)**

[1] Reconciliation to Adjusted EBITA represents Eliminations, Treasury and other central items.

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

[3] 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, 2022	2021
Asset-based adjustments:		
Financing receivables from Siemens Group	*107*	*99*
Tax-related assets	*1,721*	*1,474*
Liability-based adjustments	29,786	24,795
Eliminations, Treasury and other central items	6,961	5,124
Reconciliation to Consolidated Financial Statements	**38,575**	**31,492**

Disaggregation of external revenue

(in millions of €)	Fiscal year 2022	2021
Type of activities in reportable segment Gas and Power		
New units	11,276	10,792
Service contracts	7,907	7,490
Types of businesses in reportable segment Siemens Gamesa Renewable Energy		
Wind Turbines	7,616	8,272
Operation and Maintenance ("Service")	2,195	1,926
Types of businesses in reportable segment Gas and Power		
Transmission	6,127	5,604
Generation	7,634	7,684
Industrial Applications	5,381	4,962
Other	41	32

NOTE 26 Information about geographies

(in millions of €)	Revenue by location of customer		Revenue by location of companies		Non-current assets[1]	
	Fiscal year		Fiscal year		Sep 30,	
	2022	2021	2022	2021	2022	2021
Europe, C.I.S., Middle East, Africa	14,672	14,078	16,215	15,489	8,997	8,911
therein Germany	*2,716*	*2,367*	*5,885*	*5,459*	*2,249*	*2,225*
Americas	8,489	8,050	7,909	7,963	7,992	6,945
therein U.S.	*4,371*	*4,929*	*4,805*	*5,559*	*7,231*	*6,284*
Asia, Australia	5,836	6,354	4,873	5,030	2,493	2,347
therein China	*1,544*	*1,594*	*1,372*	*1,979*	*838*	*821*
Siemens Energy	**28,997**	**28,482**	**28,997**	**28,482**	**19,482**	**18,203**
therein countries outside of Germany	*26,281*	*26,115*	*23,112*	*23,023*	*17,233*	*15,978*

[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:

(in millions of €)	Sales of goods and services and other income		Purchase of goods and services and other expenses	
	Fiscal year		Fiscal year	
	2022	2021	2022	2021
Siemens Group	502	602	1,134	1,655

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 €904 million as of September 30, 2022 (2021: €956 million).

In March 2022, Siemens Energy entered into an agreement with Siemens Group to purchase the local Gas and Power business in Greece. The purchase price amounted to €13 million. The closing of the transaction took place in April 2022.

In connection with the Spin-Off, Siemens France Holding S.A.S. obtained a 1.7% minority share in Siemens Gas and Power Holding B.V. in the Netherlands with an option to sell the shares with effect from June 1, 2022. Siemens France Holding S.A.S. exercised their put option on June 29, 2022. The purchase price amounted to €58 million. The closing of the transaction took place on June 30, 2022.

As part of the Spin-Off in fiscal year 2020, Siemens Energy and Siemens Group also entered into an agreement that obliges Siemens Energy to acquire a 40% share in the joint venture Shanghai Electric Power Generation Equipment Co. LTD., Shanghai, China. The Local Equity Transfer Agreement was signed on June 29, 2022. The purchase price amounts to €329 million. The transaction is subject to approval by the relevant regulatory authorities as well as a waiver of the right of first refusal by the other shareholders and is expected to close in the first half of fiscal year 2023.

In fiscal year 2022, Siemens Energy received central corporate services from Siemens Group resulting in expenses of €420 million (2021: €400 million). Included therein are expenses of €53 million in fiscal year 2022 (2021: €50 million) for the use of the Siemens brand.

Other material relationships with Siemens Group

Guarantees

Siemens Group has issued guarantees and similar declarations of liability for the Siemens Energy business for which Siemens Group has a right of recourse against Siemens Energy in case the guarantees are invoked. As of September 30, 2022, the volume amounted to €8,784 million (2021: €14,821 million); of which €8,129 million (2021: €14,137 million) related to obligations of Siemens Energy companies and €655 million (2021: €685 million) to obligations of third parties.

Siemens Energy had issued guarantees for Siemens Group entities amounting to €114 million as of September 30, 2022 (2021: €87 million).

Transactions with pension schemes and pension entities

In some countries, mainly in Switzerland, Siemens Energy participates in Siemens Group pension plans and trusts.

Insurances

Siemens Energy (excluding SGRE) continued to be covered under the cyber insurance program of Siemens Group. Furthermore, there were additional contracts for individual insurance services between companies of Siemens Energy and Siemens Group. The costs are borne by Siemens Energy in each case.

Receivables, Contract assets, Payables and Contract liabilities from transactions with Siemens Group (excluding Siemens Group joint ventures and associates)

(in millions of €)	Receivables and contract assets Sep 30, 2022	2021	Payables and contract liabilities Sep 30, 2022	2021
Siemens Group	801	1,264	299	506
thereof				
from financing activities[1]	*107*	*99*	*15*	*189*
other items	*694*	*1,165*	*284*	*317*

[1] Receivables are reported in the Other current financial assets line item of the Statement of Financial Position. Payables are reported in the Other current financial liabilities line item of the Statement of Financial Position.

Receivables and payables from financing activities as of September 30, 2022, 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, 2022, leases with Siemens Group mainly related to real estate. The carrying amounts of the right-of-use assets and lease liabilities recognized amounted to €176 million and €194 million respectively, as of September 30, 2022 (2021: €246 million and €262 million).

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 €84 million as of September 30, 2022 (2021: €144 million).

(in millions of €)	Sales of goods and services and other income Fiscal year 2022	2021	Purchases of goods and services and other expenses Fiscal year 2022	2021	Receivables and contract assets Sep 30, 2022	2021	Payables and contract liabilities Sep 30, 2022	2021
Siemens Group joint ventures	213	682	1	4	37	228	33	64
Siemens Energy joint ventures	84	66	118	84	14	27	35	6
Siemens Energy associates	104	103	270	215	190	41	57	39
Total	**401**	851	**389**	304	**241**	295	**125**	109

Related individuals

Siemens Energy is managed by the Executive Board of Siemens Energy AG. In addition, the key management includes the Supervisory Board of Siemens Energy AG.

Disclosures relating to the Executive Board and Supervisory Board of Siemens Energy AG

In fiscal year 2022, the members of the Executive Board – including members who left during fiscal year 2022– received cash compensation of €8 million (2021: €8 million). The fair value of share-based payments granted in fiscal year 2022 amounted to €5 million (2021: €6 million) for 311,295 Stock Awards in fiscal year 2022 (2021: 340,429). Pension contributions and pension substitute payments in cash amounted to €1 million in fiscal year 2022 (2021: €1 million). Thus, total compensation and benefits granted in fiscal year 2022 amounted to €13 million (2021: €15 million). Expenses related to share-based payments in fiscal year 2022 amounted to €1 million (2021: €1 million).

Former members of the Executive Board received emoluments within the meaning of Section 314 para. 1 No. 6 b of the German Commercial Code totaling €1 million and €0 million in fiscal years 2022 and 2021, respectively.

Compensation attributable to members of the Supervisory Board comprised base compensation and additional compensation for committee work and (including meeting fees) amounted to €5 million in fiscal year 2022 (2021: €4 million).

In fiscal years 2022 and 2021, 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 2022 were:

	Fiscal year	
(in millions of €)	2022	2021
Audit services	24	21
Other attestation services	1	2
Total	**25**	23

In fiscal year 2022, 41% (2021: 41%) of the total fees related to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Germany.

Audit services primarily comprised services provided by EY for auditing Siemens Energy's Consolidated Financial Statements, for auditing financial statements of Siemens Energy AG and its subsidiaries as well as for reviews of interim financial statements integrated into the audit. Other attestation services primarily included attestation services related to employee benefit plans, the sustainability reporting, the compensation report, the Group non-financial statement, the EU-taxonomy 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 2022, 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

In addition to the closings of the transactions detailed in Note 3 Acquisitions and disposals for the sale of Guascor Energy S.A., headquartered in Zumaia, Spain, and certain related assets; 100% of the shares in Voronezh Transformer LLC, located in Voronezh, Russia; a 65% share in Modern Gas Turbine Technologies Holding B.V., headquartered in Zoeterwourde, the Netherlands, the following material transactions occurred in the period between the end of the reporting period and the date when the Consolidated Financial Statements were authorized for issue:

On November 7, 2022, the Spanish National Securities Market Commission ("CNMV") has approved the offer announced on May 21, 2022 (see also 2.3.2 Events and developments responsible for the course of business in the Combined Management Report) confirming that the offer price of €18.05 per share is equitable. This offer price reflects a premium of 27.7% over SGRE's last unaffected closing price of €14.13 on May 17, 2022 and exceeds the 6-month Volume Weighted Average Price (VWAP) of the SGRE share prior to the date of the intended tender offer's announcement, calculated in accordance with Spanish market practice and Spanish takeover regulations. The audit firm PwC was engaged as an independent valuator to issue a valuation report in order to comply with Spanish rules on delisting.

Assuming a 100% offer acceptance (i.e. by all SGRE minority shareholders), the transaction value amounts to approximately €4.0 billion. Siemens Energy is and remains committed to a solid investment grade credit rating. Therefore, the financing package is designed to support this key objective. Presuming the scenario that the offer is accepted in full, Siemens Energy intends to finance up to €2.5 billion of the transaction value with equity or equity like instruments. The remaining amount would be financed with debt as well as cash on hand. In this respect, a €960 million mandatory convertible note has already been issued, see also Note 12 Debt. On October 7, 2022, further cash collateral in the amount of the proceeds of the €960 million mandatory convertible note issued on September 14, 2022, was pledged in favor of the Spanish National Securities Market Commission. The bridge facility was reduced by the same amount.

The offer was publicly launched on November 8, 2022 with the acceptance period of 36 days (subject to extension by Siemens Energy within a limit of 70 days) until December 13, 2022.

SGRE's Board of Directors has issued its report on the offer on November 17, 2022 supporting the offer and recommending the shareholders to tender their shares.

After expiry of the acceptance period, the result of the offer will be announced and settlement will take place. Depending on the acceptance threshold reached, it is then intended to carry out a squeeze-out of the remaining minority shareholders or to have SGRE's shares delisted from the Spanish stock exchanges by resolution of SGRE's General Meeting.

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, 2022 Subsidiaries	Equity interest in %	
Germany (19 companies)		
Adwen Blades GmbH, Stade	100	
Blitz 20-548 GmbH, Munich	100	[7]
Gamesa Wind GmbH, Aschaffenburg	100	
HSP Hochspannungsgeräte GmbH, Troisdorf	100	[7]
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 Insulation Center Verwaltungs-GmbH, Zwönitz	100	[4]
Siemens Energy Management GmbH, Munich	100	[7]
Siemens Energy Power Control GmbH, Langen	100	[7]
Siemens Energy Real Estate GmbH, Munich	100	[7]
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	
Trench Germany GmbH, Bamberg	100	[7]
Windkraft Trinwillershagen Entwicklungsgesellschaft mbH i.L., Wiepkenhagen	100	

September 30, 2022 Subsidiaries	Equity interest in %	
Europe (without Germany), Commonwealth of Independent States (C.I.S.), Middle East, Africa (197 companies)		
Siemens Energy S.A., Luanda/ Angola	51	
Siemens Energy Austria GmbH, Vienna/ Austria	100	
Siemens Gamesa Renewable Energy GmbH, Vienna/ Austria	100	
Trench Austria GmbH, Leonding/ Austria	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	
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	
NIAT for Wind Energy, Cairo/ Egypt	100	

[1] Control due to rights to appoint, reassign, or remove members of the key management personnel.
[2] Control due to contractual arrangements to determine the direction of the relevant activities.
[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, 2022 Subsidiaries	Equity interest in %	
Siemens Energy S.A.E., Cairo/ Egypt	90	
Siemens Gamesa Renewable Energy Egypt LLC, New 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	
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 Champlong SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Champsevraine, SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Chepniers SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Dampierre Prudemanche SAS, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Guerfand 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 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 Orge et Ornain SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Pouilly-sur-Vingeanne SARL, Saint-Priest/ France	100	

September 30, 2022 Subsidiaries	Equity interest in %	
Société d'Exploitation du Parc Eolien de Saint Amand SARL, 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 Trépot SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien de Vaudrey SARL, Saint-Priest/ France	100	
Société d'Exploitation du Parc Eolien d'Omécourt SARL, 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	
SIEMENS ENERGY SINGLE MEMBER SOCIETE ANONYME, Chalandri/ Greece	100	
Siemens Gamesa Renewable Energy Greece E.P.E., Filothei-Psychiko/ Greece	100	
Siemens Gamesa Renewable Energy MAE, Filothei-Psychiko/ Greece	100	
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 Ha'ayin/ Israel	100	
Siemens Energy Projects Ltd., Rosh Ha'ayin/ Israel	100	[4]

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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, 2022 Subsidiaries	Equity interest in %	
Siemens Gamesa Renewable Energy Ltd, Tel Aviv/ Israel	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	
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]
Siemens Energy Services for Repair and Maintenance of Light and Heavy Equipment WLL, Kuwait City/ Kuwait	100	
D-R Luxembourg International SARL, Luxembourg/ Luxembourg	100	
Siemens Energy Protected Cell A22, Mriehel/ Malta	—	[2]
Siemens Gamesa Renewable Energy, SARL, Nouakchott/ Mauritania	100	
Siemens Gamesa Renewable Energy, Ltd, Ebene/ 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	

September 30, 2022 Subsidiaries	Equity interest in %	
Modern Gas Turbine Technologies Holding B.V., Zoeterwoude/ Netherlands	65	
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	100	
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	
Siemens Energy Sp. z o.o., Warsaw/ Poland	100	
Siemens Gamesa Renewable Energy Sp. z o.o., Warsaw/ 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., Oliveira de Frades/ 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	
Gas and Power Limited Liability Company, Moscow/ Russian Federation	100	
OOO Modern Gas Turbine Technologies, Leningrad/ Russian Federation	100	

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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, 2022 Subsidiaries	Equity interest in %	
Siemens Gamesa Renewable Energy LLC, Leningrad/ Russian Federation	100	
Voronezh Transformer Limited Liability Company, Voronezh/ Russian Federation	100	
Dresser-Rand Arabia LLC, Al Khobar/ Saudi Arabia	50	[1]
Siemens Energy Ltd., Riyadh/ Saudi Arabia	51	
Siemens Energy d.o.o. Beograd, 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	
SIEMENS GAMESA RENEWABLE ENERGY (PTY) LTD, Midrand/ South Africa	70	
The Siemens Gamesa Renewable Energy 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 ENERGY R&D, S.A., Vitoria-Gasteiz/ Spain	100	
GUASCOR ENERGY S.A., Zumaia/ Spain	100	
Guascor Promotora Solar, S.A., Vitoria-Gasteiz/ Spain	100	

September 30, 2022 Subsidiaries	Equity interest in %	
International Wind Farm Developments II, S.L., Zamudio/ Spain	100	
International Wind Farm Developments IX, S.L., Zamudio/ Spain	100	
Parque Eolico Dos Picos, S.L.U., Zamudio/ Spain	100	
Siemens Energy S.A., Madrid/ 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 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	
Siemens Gamesa Renewable Energy Wind Farms, S.A., Zamudio/ Spain	100	
Sistemas Energéticos Argañoso, S.L. Unipersonal, Zamudio/ Spain	100	
Sistemas Energéticos Arinaga, S.A. Unipersonal, Las Palmas de Gran Canaria/ Spain	100	
Sistemas Energéticos Balazote, S.A. Unipersonal, Zamudio/ Spain	100	
Sistemas Energéticos Boyal, S.L., Zaragoza/ Spain	60	
Sistemas Energéticos Cabezo Negro, S.A. Unipersonal, Zaragoza/ 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	

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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.
[10] Legal ownership 0%, whereas economic ownership has already been transferred from Siemens Group to Siemens Energy Group.

September 30, 2022 Subsidiaries	Equity interest in %	
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 La Cámara, S.L., Sevilla/ Spain	100	
Sistemas Energéticos La Plana, S.A., Villanueva de Gállego/ Spain	90	
Sistemas Energéticos Mansilla, S.L., Villarcayo de Merindad de Castilla la Vieja/ Spain	78	
Sistemas Energéticos Monte Genaro, S.L.U., Zamudio/ Spain	60	
Sistemas Energéticos 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 Venus, S.L., Zamudio/ Spain	100	
Fanbyn2 Vindenergi 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 Energy Schweiz Holding AG, Zug/ Switzerland	100	
Siemens Enerji Sanayi ve Ticaret Anonim Sirketi, Istanbul/ Türkiye	100	
SIEMENS GAMESA RENEWABLE ENERJI ANONIM SIRKETI, Kartal/ Istanbul/ Türkiye	100	
TASFIYE HALINDE SIEMENS GAMESA YENILENEBILIR ENERJI IC VE DIS TICARET LIMITED SIRKETI, Menemen/ Izmir/ Türkiye	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]
Siemens Energy LLC, Abu Dhabi/ United Arab Emirates	49	[1]
Industrial Turbine Company (UK) Limited, Newcastle upon Tyne, Tyne and Wear/ United Kingdom	100	
Materials Solutions Limited, Newcastle upon Tyne, Tyne and Wear/ United Kingdom	100	
Siemens Energy Industrial Turbomachinery Ltd., Newcastle upon Tyne, Tyne and Wear/ United Kingdom	100	
Siemens Energy Limited, Newcastle upon Tyne, Tyne and Wear/ United Kingdom	100	
Siemens Gamesa Renewable Energy B9 Limited, Frimley, Surrey/ United Kingdom	100	
Siemens Gamesa Renewable Energy Limited, Kingston upon Hull, Yorkshire/ United Kingdom	100	
Siemens Gamesa Renewable Energy Service Limited, Edinburgh, Midlothian/ United Kingdom	100	
Siemens Gamesa Renewable Energy UK Limited, Kingston upon Hull, Yorkshire/ United Kingdom	100	
Siemens Gamesa Renewable Energy Wind Limited, Kingston upon Hull, Yorkshire/ United Kingdom	100	
Americas (65 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	
Dresser-Rand do Brasil Ltda., Santa Bárbara D'Oeste/ Brazil	100	
Energy Assets 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	

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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, 2022 Subsidiaries	Equity interest in %	
Junergy Ltda., Jundiai/ Brazil	100	
Siemens Energy Brasil Ltda., São Paulo/ Brazil	100	
Siemens Gamesa Energia Renovável Ltda., Camaçari/ Brazil	100	
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	
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	
Siemens Energy S.R.L., Santo Domingo de Guzmán/ Dominican Republic	100	
SIEMENS GAMESA RENEWABLE ENERGY, S.A.S, Santo Domingo de Guzmán/ 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	
Gesa Oax II Sociedad de Responsabilidad Limitada de Capital Variable, Mexico City/ Mexico	100	
Gesa Oax III Sociedad Anomima de Capital Variable, Mexico City/ Mexico	100	
Gesacisa Desarolladora, S.A. de C.V., Mexico City/ Mexico	100	
Gesan I S.A.P.I de C.V., Mexico City/ Mexico	100	

September 30, 2022 Subsidiaries	Equity interest in %	
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, S.A. 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	100	
Cedar Cap Wind, LLC, Dover, DE/ United States	100	
Diversified Energy Transmission, LLC, Salem, OR/ United States	100	
D-R Steam LLC, Wilmington, DE/ United States	100	
Dresser-Rand Company, Olean, NY/ United States	100	
Dresser-Rand Global Services, Inc., Wilmington, DE/ United States	100	
Dresser-Rand Group Inc., Wilmington, DE/ United States	100	
Dresser-Rand LLC, Wilmington, DE/ United States	100	
EcoHarmony West Wind, LLC, Minneapolis, MN/ United States	100	
Pocahontas Prairie Holdings, LLC, Wilmington, DE/ United States	100	
Pocahontas Prairie Wind, LLC, Dover, DE/ United States	100	
Siemens 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	

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[2] Control due to contractual arrangements to determine the direction of the relevant activities.
[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, 2022 Subsidiaries	Equity interest in %	
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 (69 companies)		
CARMODY'S HILL INVESTMENT COMPANY PTY LTD, Bayswater/ Australia	100	
Siemens Energy Pty. Ltd., Bayswater/ Australia	100	
Siemens Gamesa Renewable Energy Pty Ltd, Burnley/ Australia	100	
Siemens Energy Bangladesh Ltd., Dhaka/ Bangladesh	100	
Gamesa Blade (Tianjin) Co., Ltd., Tianjin/ China	100	
Inner Mongolia Gamesa Wind Co., Ltd., Wulanchabu/ China	100	
Jilin Gamesa Wind Co., Ltd., Da'an/ China	100	
Siemens Energy (Shenzhen) Co. Ltd., Shenzhen/ China	100	[4]
Siemens Energy Co., Ltd., Shanghai Pilot Free Trade Zone/ China	100	
Siemens Energy Electric Equipment (Changzhou) Ltd., Changzhou/ China	100	
Siemens Energy Transformer (Wuhan) Company Ltd, Wuhan/ 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	

September 30, 2022 Subsidiaries	Equity interest in %	
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	
Trench High Voltage Products Ltd., Shenyang, Shenyang/ China	65	
International Wind Farm Development I Limited, Hong Kong/ Hong Kong	100	
Siemens Energy Limited, Hong Kong/ Hong Kong	100	
Beed Renewable Energy Private Limited, Chennai/ India	100	
Dhone Renewable Private Limited, Chennai/ India	100	
Haveri Renewable Power Private Limited, Chennai/ India	100	
Jalore Wind Park Private Limited, Chennai/ India	100	
Jamkhandi 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	
Neelagund Renewable Private Limited, Chennai/ India	100	
Powerplant Performance Improvement Ltd., New Delhi/ India	50	[2][10]
Rajgarh Windpark Private Limited, Chennai/ India	99	
Rangareddy 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	

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September 30, 2022 Subsidiaries	Equity interest in %	
Siemens Energy Industrial Turbomachinery India Private Limited, Navi Mumbai/ 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	
Umrani Renewable Private Limited, Chennai/ India	100	
Uppal 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	
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 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, 2022 Associated companies and joint ventures	Equity interest in %	
Germany (4 companies)		
Infineon Technologies Bipolar GmbH & Co. KG, Warstein	40	
Infineon Technologies Bipolar Verwaltungs-GmbH, Warstein	40	[5]
MakerVerse GmbH, Berlin	31	
Maschinenfabrik Reinhausen GmbH, Regensburg	20	[3][10]
Europe (without Germany), Commonwealth of Independent States (C.I.S.), Middle East, Africa (13 companies)		
COELME - Costruzioni Elettromeccaniche S.p.A., Santa Maria di Sala/ Italy	25	
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	

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September 30, 2022 Associated companies and joint ventures	Equity interest in %	
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 (6 companies)		
Gas Natural Acu Infraestructura S.A, Rio de Janeiro/ Brazil	7	[3]
UTE GNA II Geração de Energia S.A., Rio de Janeiro/ Brazil	34	
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]

September 30, 2022 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, 2022 Other investments [9]	Equity interest in %		Net income in millions of €	Equity in millions of €
Europe (without Germany), Commonwealth of Independent States (C.I.S.), Middle East, Africa (1 company)				
Uhre Vindmollelaug I/S, Brande/ Denmark	19	[8]	0	0

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[5] Not accounted for using the equity method due to immateriality.
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[10] Legal ownership 0%, whereas economic ownership has already been transferred from Siemens Group to Siemens Energy Group.

Additional information

4

4.1 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, December 2, 2022

Siemens Energy AG

The Executive Board

Christian Bruch	Maria Ferraro
Karim Ahmed Amin Aly Khalil	Tim Holt
Anne-Laure Parrical de Chammard	Vinod Philip

4.2 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, 2021 to September 30, 2022, the consolidated statements of financial position as of September 30, 2022, the consolidated statements of cash flows and changes in equity for the fiscal year from October 1, 2021 to September 30, 2022, 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, 2021 to September 30, 2022. 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 **4.5** of the Annual Report and is part of the group management report, chapter **2.8.1 "Key features of the internal control and risk management system and statement on the appropriateness and effectiveness of these systems"** in the group management report or the content of the **Group non-financial statement** pursuant to Sec. 315b HGB contained in chapter **2.10** 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, 2022 and of its financial performance for the fiscal year from October 1, 2021 to September 30, 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the Corporate Governance Statement referred to above, chapter **2.8.1 "Key features of the internal control and risk management system and statement on the appropriateness and effectiveness of these systems"** referred to above and 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, 2021 to September 30, 2022. 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 judgment and 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. A further reason why the matter was determined to be a key audit matter was the volatility and decrease in the market capitalization of Siemens Energy AG in fiscal year 2022.

Auditor's response: In the course of our audit procedures, we analyzed the process and design of internal controls 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 future cash inflows used for the calculations by, among other procedures, comparing this information with the five-year plans prepared by management as well as by comparing the internal growth and earnings forecasts with general and industry-specific market analyses and analyst expectations regarding Siemens Energy and significant competitors. Furthermore, we examined the key assumptions and data of the plans, placing a special focus on the uncertainties regarding the development of the economic environment, the transformation of energy markets, also with respect to the expected effects of climate change and decarbonization trends, and assessed the consistency with the planned strategic measures and obtained explanations from management and assessed whether they were consistent, plausible and coherent. In addition to this, we analyzed significant changes in planning assumptions compared to the prior year.

As part of our audit, we also assessed the sustainable earnings contributions and long-term growth rates used after the end of the detailed planning period by referring to market data and market expectations and the appropriateness of the methodology used for derivation of the weighted average cost of capital rates.

We also made use of the opinion, prepared by an independent expert who was engaged by management, of the methodology used for impairment testing of goodwill and for quantification of the plausible range of the recoverable amounts for the assets of the "Gas and Power" cash-generating unit.

To test the plausibility of the impairment test for the cash-generating units "Wind Turbines" and "Operation and Maintenance", we also made use of the range of the fair value of Siemens Gamesa Renewable Energy S.A. (SGRE) determined by independent experts in connection with the voluntary takeover bid for the shares outstanding in SGRE and assessed the plausibility considerations submitted to us by management in terms of methodology.

Our audit also included the assessment of the competence, capabilities and objectivity of the independent expert and the suitability of the opinion commissioned by management as audit evidence.

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).

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 an impairment risk associated with a reasonably possible change in a significant assumption used in the valuation.

We also assessed the disclosures on goodwill in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations concerning the assessment of 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, in fiscal year 2022 the effects of the Russia-Ukraine conflict including the adoption of sanctions against Russia, the disruptions in supply chains, the general increase in prices and costs as well as subsequent and further effects due to the coronavirus pandemic (COVID-19) on the project business and its accounting treatment were of key significance for our audit.

Auditor's response: As part of our audit, we obtained an understanding of the Group's internally established methods, processes and control mechanisms for project management in the bid and execution phase of construction contracts. In this regard, we assessed the design and operating effectiveness of the accounting-related internal controls in the project business by obtaining an understanding of business transactions specific to construction contracts, from the initiation of the transaction through presentation in the consolidated financial statements. We also tested internal controls on management level including project reviews and controls addressing the timely assessment of changes in cost estimates and the timely and complete recognition of such changes in the project calculation.

As part of our substantive audit procedures, we evaluated management's estimates and assumptions based on a risk-based selection of a sample of contracts. Our sample particularly included projects that are subject to significant future uncertainties and risks, such as fixed-price or turnkey projects, projects with new technologies and/or complex technical requirements, with 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., resulting from an increase in materials prices and logistics costs), delays and/or low or negative margins. A special focus was placed on management's reassessment of contracts with customers in Russia and on contracts where the goods sold and services rendered remain in Russia (as the end customer is located there). 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.

Based on the requirements of IFRS 15, we also assessed the accounting effects of contract amendments, contractually agreed options and the sanctions imposed against Russia. 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 disruptions in supply chains, general increases in prices and costs and 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, liabilities and revenues"** 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 2022 was in compliance with tax law. We involved transfer pricing specialists to examine tax consequences from cross-border transactions, such as determination of transfer prices. In order to assess measurement and completeness, we interviewed management regarding findings from ongoing tax field audits and obtained confirmations from external tax advisors. Further, we evaluated management's assessments regarding the prospects of success of appeal and tax court proceedings using confirmations from external tax advisors and by considering current tax case law.

We assessed the recoverability of deferred tax assets using the audit evidence of taxable temporary differences, additional forecast taxable profits and using tax planning. We above all compared the applied forecasts with internal business plans, discussed the assumptions with respect to the operating performance and the effects of economic uncertainties with the appropriate level of management and, among other things, compared the significant tax-free income components used for deriving taxable profits with the applicable legal requirements. In cases of a recent history of losses and recognition of net deferred tax assets at the same time, we critically reviewed the substantive evidence presented by management and required by IAS 12 of sufficient future taxable profits and assessed for plausibility (transparency, consistency, coherence). Regarding the realization of tax deductions, we also analyzed any legal restrictions on the use of tax interest and loss carryforwards and tax assets. We assessed the effect of tax planning strategies on the recoverability of deferred tax assets using the status of their implementation and economic impact.

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 **4.4** of the Annual Report 2022. 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 **4.5**, and for the **Compensation Report** in chapter **4.6**. In all other respects, management is responsible for the other information.

The other information comprises the Corporate Governance Statement, chapter **2.8.1 "Key features of the internal control and risk management system and statement on the appropriateness and effectiveness of these systems"** referred to above and the Group Non-Financial Statement, also referred to above. In addition, the other information comprises parts to be included in the Annual Report, of which we received a version prior to issuing this auditor's report, in particular:

- the chapters **»Siemens Energy Group at a glance«**, **»Letter from the Executive Board«**, **»Our leadership team«** and **»About this Report«** in the Annual Report 2022;
- the **Responsibility Statement** in chapter **4.1** of the Annual Report 2022;
- the **Report of the Supervisory Board** in chapter 4.**4** of the Annual Report 2022;
- the **Compensation Report pursuant to Section 162 AktG** of Siemens Energy AG for fiscal year 2022 in chapter **4.6** of the Annual Report 2022;
- **TCFD Index** in chapter **4.8** of the Annual Report 2022;

but not the consolidated financial statements, not the group management report disclosures whose content is audited and not our auditor's report thereon.

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 the management and the reasonableness of estimates made by the 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 Section. 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_2022.zip" 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 only extends 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 in this reproduction nor to any other information contained in the abovementioned electronic file.

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, 2021 to September 30, 2022 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 responsibilities under that standard are further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the requirements for quality control systems set forth in IDW Standard on Quality Control: "Requirements for Quality Control in Audit Firms" (IDW QS 1).

Responsibilities of management and the Supervisory Board for the ESEF documents

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 considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the process of preparation of 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 24, 2022. We were engaged by the Supervisory Board on March 1, 2022. 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 should always be read in conjunction with the audited consolidated financial statements and the audited group management report as well as the ESEF documents that have been subject to assurance. The consolidated financial statements and group management report converted to the ESEF format – including the versions to be published in the Bundesanzeiger [German Federal Gazette] – are merely electronic reproductions of the audited consolidated financial statements and audited group management report and do not replace them. In particular, the separate report on ESEF compliance and our assurance opinion contained therein may only be used in conjunction with the ESEF documents provided in electronic form that have been subject to assurance.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Thomas Spannagl.

Munich, December 2, 2022

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Spannagl	Müller
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

4.3 Independent auditor's report on a limited assurance engagement

To Siemens Energy AG, Munich

We have performed a limited assurance engagement on the group non-financial statement included in the chapter 2.10 "Group non-financial statement" of the combined management report of Siemens Energy AG, Munich (hereafter the Company), including the chapter 2.1.2 "Business Model" of the combined management report incorporated by reference, for the reporting period from October 1, 2021 to September 30, 2022 (hereafter the non-financial statement).

MANAGEMENT'S RESPONSIBILITIES

The legal representatives of the Company are responsible for the preparation of the non-financial statement in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB ["Handelsgesetzbuch": German Commercial Code] and Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder as well as in accordance with their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as set out in section "EU taxonomy" of the non-financial statement.

These responsibilities of the Company's legal representatives include the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal control as they have considered necessary to enable the preparation of a non-financial statement that is free from material misstatement, whether due to fraud (manipulation of the non-financial statement) or error.

The EU Taxonomy Regulation and the Delegated Acts adopted thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the legal representatives have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU taxonomy" of the non-financial statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

INDEPENDENCE AND QUALITY ASSURANCE OF THE AUDITOR'S FIRM

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements - in particular the BS WP/vBP ["Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer": Professional Charter for German Public Accountants/German Sworn Auditors] in the exercise of their Profession and the IDW Standard on Quality Management issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Audit Firm (IDW QS 1) and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

RESPONSIBILITIES OF THE AUDITOR

Our responsibility is to express a conclusion with limited assurance on the non-financial statement based on our assurance engagement.

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 any matters have come to our attention that cause us to believe that the Company's non-financial statement is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors disclosed in section "EU taxonomy" of the non-financial statement.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the auditor.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Inquiries of legal representatives and relevant employees involved in the preparation of the non-financial statement about the preparation process, about the internal control system related to this process, and about disclosures in the non-financial statement,
- 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 about 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,
- Analytical procedures on selected disclosures in the non-financial statement at group level and at the level of the segments Gas and Power and Siemens Gamesa Renewable Energy,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data and disclosures,
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and combined management report,
- Evaluation of the process to identify the economic activities and the corresponding disclosures in the non-financial statement,
- Evaluation of the presentation of disclosures in the non-financial statement.

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the legal representatives are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

ASSURANCE CONCLUSION

Based on the assurance procedures performed and the 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, 2021 to September 30, 2022 is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the legal representatives as disclosed in section "EU taxonomy" of the group non-financial statement.

RESTRICTION OF USE

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. As a result, it may not be suitable for another purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company alone. We do not accept any responsibility to third parties. Our assurance conclusion is not modified in this respect.

GENERAL ENGAGEMENT TERMS AND LIABILITY

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated January 1, 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 there in no. 9 and to the exclusion of liability towards third parties. We accept 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 will not update the 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 summarized result of our work contained in this report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, December 2, 2022

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Spannagl	Johne
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

4.4 Report of the Supervisory Board

Munich, December 9, 2022

Dear Shareholders,

The past fiscal year has demonstrated in the most dramatic way just how important energy is. As a result of the Russian war of aggression in Ukraine, energy security and affordability have become a serious challenge for the economy and society. At the same time, the effects of climate change such as dried-up rivers, forest fires, floods and other extreme weather events are urging us to consistently act in line with sustainability – a tough task for our country.

Siemens Energy has thus moved even closer to the center of the debate on the way energy is supplied, both now and in the future. Together with its partners and customers, the Company can play a role in shaping the energy transition worldwide.

In the second fiscal year since its public listing, Siemens Energy has achieved some key goals. The Gas and Power business improved its operational performance faster than originally planned. That was some hard work, and everyone involved deserves recognition for it. It is now a matter of building on this solid foundation.

Renewable energy is the future of the energy world. The transformation from fossil fuels to sustainable energy sources is the greatest challenge of our time. Companies that are able to operate in both world and that welcome the transformation are relevant and likely to have success. Siemens Energy is consistently pursuing its sustainability targets and is aspiring to reach net zero across the entire value chain, in line with a 1.5 degrees Celsius pathway. Crucial steps have been taken in this direction. The target of reducing absolute Scope 1 and 2 GHG emissions by at least 46% from the base year of 2019 was brought forward from 2030 to 2025. Moreover, the Company is working closely with its partners to support them on their path toward greater sustainability. You can read more about this in the Sustainability Report **www.siemens-energy.com/sustainability-report-2022**.

Siemens Gamesa Renewable Energy, S.A. ("SGRE"), in which Siemens Energy held a share of 67% as of September 30, 2022, plays an important role for the transformation. However, we cannot be satisfied with the current performance. Although SGRE has performed admirably by comparison with the competition, we fell short of achieving internal targets. In particular, the lack of integration of the onshore business as part of the merger calls the management and control efficiency into question during this time. The new management team, including a new CEO and COO, is correcting these failures and is working to systematically implement the measures defined by the Mistral strategy program.

During the past fiscal year, with a view to best ensuring the transformation efficiency of fossil (Siemens Energy Gas and Power) and renewable energy (SGRE), management made the crucial strategic decision of fully integrating SGRE into Siemens Energy. For further information please follow the link **https://www.siemens-energy.com/global/en/company/investor-relations/sgre.html**.

The potential for value creation is being facilitated by a simplified corporate structure, a unified strategy, integrated operations, an increased ability to adapt in a very dynamic environment and stronger access to financing for Siemens Gamesa Renewable Energy, benefiting customers, employees, you as our shareholders and society as a whole.

The Supervisory Board is actively supporting Siemens Energy in the integration and expansion of the relevant energy technologies and stands behind the strategy program of the management. This includes a new corporate structure as of October 1, 2022 (Project Volt), which has implications for reporting and accounting. The changes to the corporate structure are resulting in greater transparency in the Company's interactions with the capital markets and thus also with you, our shareholders. From the start of fiscal year 2023, we will have four reporting segments: Gas Services, Grid Technologies, Transformation of Industry and Siemens Gamesa Renewable Energy. This transparency requires clear responsibilities and accountability.

Our new board members – Karim Amin, Anne-Laure de Chammard and Vinod Philip – will also contribute to our success. My special thanks go to Dr. Jochen Eickholt, who left the Siemens Energy Executive Board to assume the role of CEO at SGRE.

In the past fiscal year, the Supervisory Board also concerned itself with the business in Russia. It supports the clear stance taken by the Executive Board and the courageous decision to restructure the business in Russia and exit the country, despite the fact that the business relationship dates back more than 170 years.

The Supervisory Board also discussed the selection of an auditor. As resolved by the Supervisory Board on the recommendation of the Audit Committee at its meeting on September 21, 2022, Siemens Energy intends to engage KPMG as the auditor of the annual and consolidated financial statements for fiscal year 2024. KPMG made an attractive bid that includes a convincing audit approach with a focus on digitalization and service quality. We will present a corresponding proposal to you for resolution at the Annual Shareholders' Meeting in 2024.

We were not satisfied with the development of the share price, and a number of factors play a crucial role in this regard. Management will keep a constant focus on those factors that Siemens Energy is able to influence itself. In the current fiscal year and in the years ahead, it is important that Siemens Energy – as a DAX company – successfully integrates and transforms SGRE, thereby improving its profitability in the long term and leveraging the enormous potential of the global energy markets.

I would like to thank the Company's management, customers, partners and around 92,000 employees. My gratitude also goes to departing Supervisory Board members Rüdiger Groß and Hagen Reimer, who have been with us from the start. And I welcome Manuel Bloemers and Thomas Pfann, who joined the Supervisory Board on September 1 2022.

I look forward to continuing our close and trust-based collaboration with all stakeholders. In the following section, you will find the report of the Supervisory Board on its activities in the year under review.

For 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 above all on the detailed oral and written reports presented by the Executive Board at meetings of the Supervisory Board and its Committees and on the written reports submitted to the Supervisory Board between meetings. The Executive Board provided the Supervisory Board with ongoing information about the significant business developments seen by the Company and its business areas, the course of business, the situation of the Company, the key financial data, the planned business policy and corporate planning. It also reported regularly about the macroeconomic situation, the Company's profitability and liquidity situation, the revenue and order position, trends in sales and procurement markets, developments on the capital markets and share price performance. One focus of reporting was the economic and political environment, particularly the impacts of the war in Ukraine and the sanctions against Russia and Belarus. The Executive Board also provided regular written reports on this subject between meetings. On an ongoing basis, the Executive Board reported on the risk exposure, the audit activities conducted by Internal Audit, compliance issues, the latest developments in significant legal disputes and the status of occupational safety at the Company, including the effects of the COVID-19 pandemic. In regular presentations, the Executive Board also discussed the status of the "Accelerating Impact Program" aimed at reducing costs and increasing profitability.

In the past fiscal year, the Supervisory Board focused particularly on the situation of SGRE and its performance capabilities and on submitting a cash tender offer for outstanding shares of SGRE, including its financing. A further key emphasis of the Supervisory Board's work was the new corporate structure for Siemens Energy (Project Volt), which became effective on October 1, 2022, and its impact on reporting and accounting. The Supervisory Board dealt in detail with the Company's strategic evolution to become an integrated energy technology company and its sustainability strategy. On account of the special significance of innovation to the Company's strategic capability and competitiveness, the Supervisory Board resolved that, in the future, it would discuss innovation strategy as an element of the Company's overall strategy at its plenary meetings. Moreover, also in light of the reallocation of Executive Board responsibilities as a result of Project Volt, the Supervisory Board dealt with succession planning for the Executive Board. In addition, deep dives during its meetings enabled the Supervisory Board to look in detail at the various Siemens Energy business areas and the regions in which the Company operates.

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 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 – in some cases prepared by the Committees – after intense review and discussion. The meetings of the Supervisory Board and its Committees were characterized by an open and constructive exchange of views between the members of the Supervisory Board and also between the Supervisory Board and the Executive Board. 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.

The Chairman of the Supervisory Board and the Chair of the Audit Committee were in regular contact with the Executive Board outside the 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 also met regularly without the Executive Board in attendance. At such meetings, it discussed in particular matters concerning the Executive Board itself or internal Supervisory Board matters. At the end of almost every meeting, the Supervisory Board conducted – without the participation of the Executive Board - a self-assessment of how to improve the efficiency of the Supervisory Board and its Committees. Prior to the ordinary meetings of the Supervisory Board, separate preparatory meetings were held with both the shareholder and employee representatives.

In addition, the Chairman of the Supervisory Board held virtual and face-to-face meetings with institutional investors and proxy advisors in order to discuss current governance and sustainability issues being dealt with by the Supervisory Board. These discussions focused on personnel decisions in respect of the Supervisory Board and Executive Board, adjustments to the compensation system and sustainability issues. The Chairman of the Supervisory Board presented a summary of his discussions with investors to the plenary meetings of the Supervisory Board.

Focus of Activities at Plenary Meetings of the Supervisory Board

The Supervisory Board held six regular meetings and one extraordinary meeting during the reporting period. In addition, the Supervisory Board passed one resolution via electronic boardroom.

At the meeting on November 9, 2021, the key financial data for the fourth quarter and for fiscal year 2021 were discussed and the budget for 2022 was approved. Acting on the recommendation of the Presiding Committee, the Supervisory Board defined the target attainment for the key performance criteria for Executive Board compensation in fiscal year 2021.

On December 6, 2021, the Supervisory Board discussed the financial statements and the Combined Management Report for Siemens Energy AG and the Group effective as of September 30, 2021, including the non-financial statement for the Group, the 2021 Annual Report, including the Report of the Supervisory Board, the Corporate Governance Statement and the Compensation Report, and the agenda for the Annual Shareholder's Meeting on February 24, 2022. It resolved on changes to the allocation of business responsibilities and to the bylaws for the Executive Board. On the recommendation of the Presiding Committee, a resolution was adopted concerning the targets for Executive Board compensation for fiscal year 2022. Furthermore, the Supervisory Board concerned itself with the Annual Report of the Chief Compliance Officer.

In line with the proposal made by the Presiding Committee, the Supervisory Board approved via electronic boardroom the termination of the Executive Board mandate of Dr.-Ing. Jochen Eickholt, who was appointed CEO of SGRE effective March 1, 2022.

At the Supervisory Board meeting on February 8, 2022, the Executive Board reported on the current course of business and financial position at the end of the first quarter and explained the ad-hoc release published on January 20, 2022. One focus of the Supervisory Board's discussions was Project Volt, aimed at achieving the fundamental realignment of the Company. The Executive Board gave a detailed presentation of the planned implementation of the Company's sustainability and climate targets. As proposed by the Presiding

Committee, the Supervisory Board appointed Karim Amin as a further member of the Executive Board.

Prior to the May meeting, various information discussions were held with smaller groups of Supervisory Board members to provide them with further information about decarbonization at Siemens Energy.

At the meeting on May 10, 2022, the Executive Board explained the key financial data for the second quarter and the ad-hoc release that was published on April 19, 2022. It also provided information about the status of Project Volt and presented the reporting planned for the Capital Markets Day on May 24, 2022. Other issues discussed at the meeting were the sustainability strategy, succession planning for the Executive Board and the engagement of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft to conduct the substantive audit of the Compensation Report.

At the extraordinary meeting on May 21, 2022, the Supervisory Board discussed in depth the situation at SGRE and the Executive Board's proposal for an offer to acquire the shares of SGRE minority shareholders with the aim of a delisting, as well as the financing of this offer.

At the meeting on August 5, 2022, the Executive Board reported on the current course of business and the financial position at the end of the third quarter, presented the status of Project Volt and explained the progress of the offer to acquire the outstanding shares in SGRE. On the recommendation of the Presiding Committee, the Supervisory Board resolved to appoint Vinod Philip and Anne-Laure de Chammard as new members of the Executive Board effective October 1, 2022, and November 1, 2022, respectively. It also concerned itself with the Annual Reports by the Head of Cybersecurity and the Head of M&A.

The meeting on September 21, 2022, focused on an intensive discussion of the Siemens Energy strategy. In addition, the Supervisory Board concerned itself with corporate governance matters, especially the most recent Declaration of Conformity with the German Corporate Governance Code and the independence of the shareholder representatives on the Supervisory Board. Changes to the bylaws for the Executive Board and the Supervisory Board and a change to the allocation of business responsibilities in the Executive Board were decided, as were new targets for the composition of the Supervisory Board, including the profile of required skills and the diversity concept for the Supervisory Board. The Supervisory Board also discussed the recommendation from the Audit Committee concerning the election of the new auditor at the Annual Shareholders' Meeting in 2024. On the recommendation of the Presiding Committee, it took a resolution on the targets and maximum compensation for the members of the Executive Board for fiscal year 2023 and discussed the appropriateness of Executive Board compensation and the performance criteria for variable compensation for fiscal year 2023. Other matters discussed at the meeting were the election of a new member of a Committee and the efficiency review of the activities of the Supervisory Board and its Committees.

Work in the Supervisory Board Committees

During the reporting period, the Supervisory Board had 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, the establishment of which is mandatory under Section 27 (3) of the German Codetermination Act. The Supervisory Board resolved that, in light of its importance to the Company's strategy and competitiveness, the innovation strategy would in future no longer be discussed by the Innovation and Finance Committee but would form part of the strategy discussion at plenary meetings of the Supervisory Board. At the same time, the Supervisory Board transferred responsibility for sustainability (ESG) to this Committee and, in its bylaws, consequently renamed the Innovation and Finance Committee the Sustainability and Finance Committee effective October 1, 2022.

The Committees prepare resolutions and matters for discussion at the plenary meetings of the Supervisory Board. To the extent permitted by law, the Supervisory Board has transferred decision-making powers to its Committees. 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 **4.5 Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code**.

The **Presiding Committee** convened 14 times in the past fiscal year. In addition, three resolutions were taken via electronic boardroom. Between meetings, the Chairman of the Supervisory Board discussed issues of special significance with the Presiding Committee members. The Presiding Committee dealt in detail with personnel matters and succession planning for the Executive Board and coordinated closely with the CEO on this. It prepared Supervisory Board resolutions concerning the definition of the performance criteria and targets for variable compensation, the determination of target attainment, the definition of Executive Board compensation and the review of its appropriateness, the approval of the compensation report and the appointment of the auditor of the compensation report for fiscal year 2022.

In addition, the Presiding Committee dealt with 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 self-assessment of the Supervisory Board. The Presiding Committee was informed of, or approved, matters relating to key personnel within the specified legal framework. The Presiding Committee also received regular information from the Chief Executive Officer about current issues concerning the Company.

The **Audit Committee** held six regular meetings, and, in the context of the selection procedure for the independent auditor for fiscal year 2024, one extraordinary meeting in the reporting period. Depending on the agenda item concerned, the heads of corporate departments attended 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, including the non-financial statement. The Audit Committee also 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 2022. The Committee awarded the audit engagement to the independent auditor elected for fiscal year 2022 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 quality of the audit and the auditor's performance, including the additional services rendered. 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 Chair 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 various court rulings related to the Wirecard case, 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 2023. For fiscal year 2024, the Audit Committee conducted a selection procedure in accordance with Art. 16 para. 3 of Regulation (EU) No 537/2014 and submitted its recommendation and its preference for the audit engagement to the Supervisory Board.

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 and the internal auditing system, as well as the reports on compliance matters and imminent or pending legal disputes, and enquired about related party transactions exceeding certain thresholds. 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 promoted.

The **Nominating Committee** did not convene in fiscal year 2022.

The **Innovation and Finance Committee** convened four times in the reporting period. In addition, two events were held to provide more in-depth information. The Committee's activity focused on its recommendation for the 2022 budget, discussion of the innovation strategy, deliberation of the strategic options for SGRE and the adoption of resolutions in connection with the placement of a subordinate mandatory convertible bond of 960 Mio. €. Other issues were the pension system and the Company's brand strategy.

The **Committee for Related-Party Transactions** held one meeting in the reporting period, at which it dealt with the status of related-party transactions and an outlook for fiscal year 2023.

The **Mediation Committee** did not have to be convened in fiscal year 2022.

The composition of the Committees and information about the respective Chairs can be found in the **Corporate Governance Statement** and online at **www.siemens-energy.com/sb-committees**.

Corporate Governance

In September 2022, the Executive Board and the Supervisory Board approved the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz). The most recent Declaration of Conformity and further information on corporate governance can be found in the **Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code.** The wording of the Declaration of Conformity for 2022 and past declarations of conformity are made permanently available to shareholders on the Company's website at **www.siemens-energy.com/german-corporate-governance-code**.

Self-Assessment of the Supervisory Board

The Supervisory Board regularly assesses how effectively the body as a whole and its Committees perform their duties. An extensive internal self-assessment was conducted in summer 2021. It was prepared by way of a questionnaire and the results were discussed by the Supervisory Board. Since November 2021, almost all meetings included an open feedback session to discuss the efficiency of the Supervisory Board. In summer 2022, the Supervisory Board discussed the implementation of the measures decided as a result of the self-assessments.

Review of Potential Conflicts of Interest

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 an advisory or governing body function at customers, suppliers and lenders of Siemens Energy AG or at other third parties.

Training and Development

Generally speaking, the members of the Supervisory Board make use of the training and development measures required to discharge their duties under their own responsibility with support from the Company. Deep dives are held during meetings of the Supervisory Board to provide specific training and enhance Company-specific expertise. Other internal information events are organized, as necessary. Onboarding events tailored to their interests and needs were held for new Supervisory Board members in order to familiarize them with the Company's business areas and, especially, provide them with more detailed information about the governance structures of the Siemens Energy Group and the key issues addressed by the Supervisory Board. As required, the Supervisory Board members are also provided with information about the regulatory environment that is relevant to the work of the Supervisory Board and other pertinent legal developments.

INDIVIDUAL DISCLOSURE OF MEETING ATTENDANCE

In the past fiscal year, the meetings of the Supervisory Board were held in hybrid form owing to pandemic-related restrictions. This meant that the members of the Supervisory Board were able to attend meetings in person or by video conference. Most Committee meetings were also held in hybrid form. Three meetings of the Presiding Committee were attended in person, while eight meetings of the Presiding Committee, one meeting each of the Audit Committee and the Innovation and Finance Committee and the meeting of the Committee for Related-party Transactions were held as entirely virtual video conferences. The attendance ratio of members at the meetings of the Supervisory Board and its Committees was 98,4%. The attendance record of each individual member at the meetings of the Supervisory Board and its Committees in fiscal year 2022 was as follows:

(Number of meetings / participation in%)	Supervisory Board plenary meetings		Presiding Committee		Audit Committee		Innovation and Finance Committee[1]		Related Party Transactions Committee	
	Number	in%	Number	in%	Number	in%	Number	in%	Number	in%
Joe Kaeser Chairman	7/7	100	14/14	100	7/7	100	4/4	100		
Robert Kensbock	7/7	100	14/14	100	7/7	100	4/4	100	1/1	100
Dr.-Ing. Hubert Lienhard Deputy Chair	7/7	100	14/14	100			4/4	100		
Günter Augustat	7/7	100					4/4	100		
Manfred Bäreis	7/7	100			7/7	100				
Manuel Bloemers (since September 1, 2022)	1/1	100								
Dr. Christine Maria Bortenlänger	7/7	100			7/7	100			1/1	100
Dr. Andrea Fehrmann	7/7	100			7/7	100				
Dr. Andreas Feldmüller	7/7	100							1/1	100
Nadine Florian	7/7	100			7/7	100				
Sigmar Gabriel	7/7	100							1/1	100
Rüdiger Groß (until August 31, 2022)	6/6	100					3/3	100		
Horst Hakelberg	7/7	100							1/1	100
Jürgen Kerner	7/7	100	13/14	93			3/4	75		
Thomas Pfann (since September 1, 2022)	1/1	100								
Hildegard Müller	7/7	100							1/1	100
Laurence Mulliez	7/7	100			7/7	100				
Matthias E. Rebellius	7/7	100					3/4	75		
Hagen Reimer (until August 31, 2022)	6/6	100								
Prof. Dr. Ralf Thomas	7/7	100			7/7	100				
Geisha Jimenez Williams	7/7	100					4/4	100		
Randy Zwirn	7/7	100								
		100		**98**		**100**		**94**		**100**

1 As of October 01, 2022, the Innovation and Finance Committee was renamed in the Bylaws of the Supervisory Board into Sustainability and Finance Committee.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS DISCUSSED IN DETAIL

The independent auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, (EY) audited the financial statements, Consolidated Financial Statements as well as the combined management report for Siemens Energy AG for fiscal year ending September 30, 2022, and issued an unqualified opinion respectively. EY has served as the independent auditors of the Siemens Energy Group since fiscal 2020, Kristin Müller and Thomas Spannagl have signed as auditors for the respective fiscal years. 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 14, 2022; the financial statements, the Consolidated Financial Statements and the Combined Management Report at the meeting of the Audit Committee on December 8, 2022. 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 statement 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 9, 2022. 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 proposes that the unappropriated net income of Siemens Energy AG for that fiscal year shall be carried forward to the next fiscal year. We consent to this proposal.

CHANGES TO THE SUPERVISORY BOARD AND EXECUTIVE BOARD

Dr.-Ing. Jochen Eickholt left the Executive Board effective midnight on February 28, 2022. He was appointed CEO of the Board of Directors of SGRE effective March 1, 2022. Also effective March 1, 2022, Karim Amin was appointed as his successor as an ordinary member of the Executive Board for a term of three years.

Against the background of the Company's reorganization effective October 1, 2022, as a result of Project Volt, the Supervisory Board adapted the allocation of Executive Board responsibilities to the new structure. Effective October 1, 2022, Vinod Philip was appointed as an ordinary member of the Executive Board for a term of three years with responsibility for the new Global Functions portfolio. Effective November 1, 2022, Anne-Laure de Chammard was appointed for three years with responsibility for the new Transformation of Industry portfolio.

Rüdiger Groß and Hagen Reimer left the Supervisory Board effective midnight on August 31, 2022. By order of the District Court of Munich dated August 2, 2022, Manuel Bloemers and Thomas Pfann were appointed to succeed them as members of the Supervisory Board representing the employees. Thomas Pfann was elected as the successor to Rüdiger Groß as a member of the Innovation and Finance Committee (from October 1, 2022: Sustainability and Finance Committee).

For the Supervisory Board

Joe Kaeser

Chairman

4.5 Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code

In this statement, the Executive Board and Supervisory Board report on the corporate governance of the Company and the Group in accordance with Sections 289 f and 315 d German Commercial Code and Principle 23 of the German Corporate Governance Code 2022 (Code). The Compensation Report can be found in chapter **4.6 Compensation Report pursuant to Section 162 of the Stock Corporation Act of Siemens Energy AG for fiscal year 2022**. 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):

"Declaration of Conformity by the Executive Board and the Supervisory Board of Siemens Energy AG with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act

Siemens Energy AG complies with all the recommendations of the Government Commission on the German Corporate Governance Code in the version dated April 28, 2022 ("2022 Code"), published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger), and will continue to comply with them in the future, with the following exceptions:

- Recommendations C.4 and C.5 are not complied with. 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.
  Rather than regarding the recommended maximum number of mandates for Executive Board and Supervisory Board members as a fixed upper limit, a judgment on whether the number of relevant mandates is appropriate as defined by the Code should be made on a case-by-case basis. This assessment should consider the anticipated workload arising from the accepted mandates, which may differ from case to case.
- Recommendation C.2 is not complied with. As per recommendation C.2, an age limit shall be specified for members of the Supervisory Board and disclosed in the Corporate Governance Statement.
  The suitability of a particular candidate depends on numerous factors that are taken into account on a case-by-case basis. It is the Supervisory Board's opinion that a candidate's age is not, per se, a criterion that would rule out the candidate's suitability. Further, the Supervisory Board believes that highly experienced members contribute to the Board's diversity.

Since submission of the last declaration of conformity in September 2021, Siemens Energy AG has complied with all the recommendations of the Government Commission on the German Corporate Governance Code in the version dated December 16, 2019 ("2019 Code"), published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette, with the exception of the aforementioned recommendations C.4 and C.5.

Up to December 3, 2021, the company deviated from the recommendations C.10 sentence 1 and D.4 sentence 1. Up to this time, Prof. Dr. Thomas had been Chairman of the Audit Committee. Given Prof. Dr. Thomas's function as a member of the Managing Board of Siemens AG, he could not be considered independent in accordance with the indicators defined by the Code. This deviation no longer persists as Prof. Dr. Thomas resigned as Chairman of the Audit Committee on December 3, 2021 to be replaced in this position by Ms. Mulliez as an independent member of the Supervisory Board.

Munich, September 2022

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. As a German stock corporation (Aktiengesellschaft), Siemens Energy AG, domiciled in Munich, registered at the commercial register at the district court of Munich under registry number HRB 252581, 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

As of September 30, 2022, the Executive Board of Siemens Energy AG was composed of four members. By Supervisory Board Resolution of 5 August 2022, two further Executive Board members were appointed effective as of October 1 and November 1, 2022, respectively 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 139.

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 rules for cooperation both within the Executive Board and between the Executive Board and the Supervisory Board. Without prejudice to the principle of the Executive Board members' joint responsibility and their obligation to peer cooperation, the Supervisory Board has issued a revised business allocation plan that, effective as of October 1, 2022, newly specifies the Executive Board portfolios and the individual Executive Board members' responsibilities. 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 **4.6 Compensation Report pursuant to Section 162 of the Stock Corporation Act of Siemens Energy AG for fiscal year 2022.**

Composition and operation of the Supervisory Board

The Supervisory Board consists of 20 members and 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 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 140.

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, including the innovation 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) and addresses the non-financial statement.

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 (as of October 1, 2022: Sustainability and Finance Committee) of the Supervisory Board.

The Supervisory Board conducts regular reviews – either internally or with the involvement of external consultants – in order to determine how effectively the Supervisory Board overall and its committees perform their duties. Already in fiscal year 2021, the Supervisory Board had performed an internal self-assessment on the basis of a comprehensive online questionnaire, the results of which had been discussed in detail by the Supervisory Board at its meeting on September 21, 2021. The results of the assessment confirmed the professional and constructive cooperation within the Supervisory Board and with the Executive Board. In fiscal year 2022, in furtherance of this process, the effectiveness of the Supervisory Board's and its Committees' work was regularly discussed in an open forum at the end of the Supervisory Board meetings and suggestions were acted upon. In the meeting of September 21, 2022, the implementation of the measures taken as a consequence of the self-assessments that had been conducted were subject of the discussion in the Supervisory Board. Among the measures were e.g. the implementation of monthly reports on material issues and even closer involvement of the Supervisory Board in strategic considerations.

Separate preparatory meetings of the shareholder representatives and of the employee representatives are held regularly in order to prepare the Supervisory Board meetings. The Supervisory Board also meets regularly without the 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 **4.4 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 **4.6 Compensation Report pursuant to Section 162 of the Stock Corporation Act of Siemens Energy AG for fiscal year 2022**.

Supervisory Board committees

The Supervisory Board has six committees: the Presiding Committee, the Audit Committee, the Innovation and Finance Committee (as of October 1, 2022: Sustainability 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 self-assessment of the effectiveness of the Supervisory Board and its committees. 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 statutory provisions and 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, including the appointment of the auditor. 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 for the composition of the Supervisory Board committees and for the positions of their chairs, as well as for the position of the chair of the Supervisory Board, 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, 2022, the Presiding Committee had the following members: Joe Kaeser (Chairman), Robert Kensbock, Jürgen Kerner and Dr. Hubert Lienhard.

The **Audit Committee** attends to auditing the accounts and overseeing the accounting process, the effectiveness of the internal control system and the risk management system, including the coverage of sustainability targets, the effectiveness of 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 Chair of the Audit Committee.

As of September 30, 2022, the Audit Committee had the following members: Laurence Mulliez (Chair), Manfred Bäreis, Dr. Christine Bortenlänger, Dr. Andrea Fehrmann, Nadine Florian, Joe Kaeser, Robert Kensbock and Prof. Dr. Ralf Thomas. 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. As per the Code, expertise in the field of accounting shall consist of special knowledge and experience in the application of accounting principles and internal control and risk management systems, and expertise in the field of auditing shall consist of special knowledge and experience in the auditing of financial statements, whereby accounting and auditing also comprise sustainability reporting and its audit. The chair of the audit committee shall have appropriate expertise in at least one of the two areas and shall be independent. The Audit Committee in its current composition meets these requirements. The chair of the Audit Committee, Ms. Laurence Mulliez, has more than five years of experience as audit committee chair at an international company listed in the European Union, and has served as a member on other audit committees; she therefore achieved special knowledge and experience both in accounting and in auditing, including mandatory sustainability reporting, through her professional activities. As per the Supervisory Board's assessment, Ms. Mulliez is also independent. Moreover, with Prof. Dr. Ralf P. Thomas the Audit Committee comprises at least one further member, who, through his years of work as Chief Financial Officer at a DAX (German Share Index) company, has obtained the required special knowledge and expertise in both areas.

Until September 30, 2022, the primary task of the **Innovation and Finance Committee (as of October 1, 2022: Sustainability and Finance Committee)** was, on the basis of the Company's overall strategy, to discuss the Company's innovation strategy. With effect as of October 1, 2022, the Committee was instead tasked with addressing sustainability matters (Environmental, Social, Governance – ESG). The responsibility for the Company's innovation strategy will be fully assumed by the full Supervisory Board as of said date. In addition, the Committee discusses and prepares the 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, and resolves in lieu of the Supervisory Board on the approval of transactions that require Supervisory Board approval and that do not exceed a volume of €600 million. Moreover, the Committee deals with the corporate, brand and design image of the Company.

As of September 30, 2022, the Innovation and Finance Committee had the following members: Joe Kaeser (Chairman), Günter Augustat, Robert Kensbock, Jürgen Kerner, Dr. Hubert Lienhard, Thomas Pfann, 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 expertise in the sustainability issues of importance to the Company, and the fulfillment of the profile of required skills and expertise developed by the Supervisory Board.

As of September 30, 2022, the Nominating Committee had the following members: Joe Kaeser (Chairman), Dr. Hubert Lienhard, Prof. Dr. Ralf Thomas, and Geisha Williams.

The **Mediation Committee** to be established in accordance with Section 27 para. 3 of the Co-Determination Act makes proposals to the Supervisory Board for the appointment of members of the Executive Board, if the majority of two thirds of the Supervisory Board members' votes as required by Section 31 para. 2 of the Co-Determination Act is not reached. As of September 30, 2022, the Mediation Committee, besides the Chair and the first Deputy Chair of the Supervisory Board, comprised of Jürgen Kerner and Dr. Hubert Lienhard.

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, 2022, 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 **3.6 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 24, 2022, 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, was held as a virtual Shareholders' Meeting without the physical attendance of the shareholders or their proxy representatives.

For Shareholders' Meetings convened by August 31, 2023, as per Art. 26n para. 1 of the Act introducing the Stock Corporation Act, the Executive Board may, subject to the Supervisory Board's approval, decide to conduct a virtual meeting without the physical attendance of the shareholders or their proxy representatives in accordance with the provisions of s. 118a of the Stock Corporation Act. In such case, the entire meeting is broadcast via audio and video. Shareholders may exercise their voting rights by way of electronic communication or by proxy representation, and may, within the limits of the statutory provisions by way of electronic communication, exercise their right to information and submit statements. Shareholders who participate electronically in the meeting may by way of electronic communication and within the limits of the statutory provisions file motions, make proposals for elections and exercise their right to speak, and may by way of electronic communication file an objection against a shareholders' resolution.

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/investorrelations. The Chairman of the Supervisory Board regularly attends Corporate Governance Roadshows and 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 exception:

Pursuant to suggestion A.8 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, including where such meeting is held virtually – 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.

Business Conduct Guidelines

The Business Conduct Guidelines provide the ethical and legal framework within which Siemens Energy AG and its group companies want to conduct their activities and remain on course for success. They contain the basic principles and rules for the conduct within the Company and in relation to our external partners and the general public. They set out how Siemens Energy AG and its group companies meet their 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.

The current composition of Siemens Energy AG's Executive Board complies with the requirements of Section 76 para. 3a AktG, as amended by the "Law on Supplementing and Amending the Provisions on Equal Participation of Women in Leadership Positions in the Private Sector and in Public Service" (Second Act on Leadership Positions – FüPoG II), according to which there is an obligation on stock-listed companies that are subject to parity co-determination and whose Executive Board comprises more than three members, to have at least one female and one male member on the executive board,

The target of at least 25% for the proportion of women on the Executive Board by August 31, 2025, set by the Supervisory Board, remains in place.

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 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 2022, 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 the minimum participation requirement specified by Germany's Second Management Positions Act. The average age of the Executive Board members stood at 50 years at the end of fiscal year 2022, whereby the youngest member was 45, and the oldest member 53 years old. As of November 1, 2022, the Executive Board, which was extended to six members, comprised two women and four men. The youngest member of the Executive Board is 40, the oldest 53 years old. The average age stands at 48 years. No Executive Board member was older than 63 years of age during the reporting period.

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 most recently in September 2022:

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 of the Supervisory Board shall have the personality and integrity needed to perform their duties properly. He or she shall put the interests of the Company at the heart of all their activities at all times and be aware of and comply with their statutory duty of confidentiality in particular.

- **Individual professional abilities**
  Each member of 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. Members of the Supervisory Board must be familiar with conditions on the capital markets and with the specific features of a company listed on the stock exchange. 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.

- **Availability**
  Each member of the Supervisory Board must have sufficient time to exercise the mandate with the necessary regularity and diligence. Consideration should be given to the fact that,
  - six Supervisory Board meetings are generally held every year;
  - sufficient time should be allowed for preparation of the meetings and, in particular for the detailed inspection of

documents pertaining to the Annual and Consolidated Financial Statements;
- members are required to attend the Annual Shareholders' Meeting;
- depending on any membership of further Supervisory Board committees, additional time and effort may be required to participate in and prepare committee meetings;
- additional extraordinary Supervisory Board and/or committee meetings may be necessary.

As a rule, a member of the Supervisory Board shall not accept more than five supervisory board mandates at listed companies or companies with comparable requirements; anyone who is an executive board member of such a company shall not accept more than two supervisory board mandates at listed companies or companies with comparable requirements. Serving as chair of a supervisory board counts twice. Mandates at companies domiciled abroad shall be considered equivalent to mandates within Germany. A judgment on whether the number of mandates is appropriate should be made on a case-by-case basis, considering the anticipated individual workload.

- **Limit restricting the number of terms on the Supervisory Board**
Recommendation for election by the Shareholders Meeting 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 shall 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, law, in particular corporate governance and compliance, and human resources.

Expertise in the sustainability issues of importance to the Company shall also be represented on the Supervisory Board; significant topics in this respect include decarbonization and climate protection, as well as responsible operations.

It must be ensured that the Supervisory Board possesses the necessary financial competence. At least one member of the Audit Committee must have expertise in the area of accounting and at least one further member of the Audit Committee must have expertise in the area of auditing. The expertise in the area of accounting shall comprise special knowledge of and experience in the application of accounting principles and internal control and risk management systems, and the expertise in the area of auditing shall comprise special knowledge of and experience in auditing. Accounting and auditing also include sustainability reporting and the auditing thereof. The Chair of the Audit Committee should have the appropriate expertise in at least one of these two areas.

The Supervisory Board shall also include members who have management or supervision experience as senior executives or members of a Supervisory Board or comparable body at a medium-sized or large company with international operations.

- **Diversity/internationality**
Siemens Energy is an open and innovative company that operates globally with a workforce stemming from numerous countries and a global customer and supplier base. With regard to the composition of the Supervisory Board, attention shall accordingly be paid to achieving sufficient diversity. In particular, this includes diversity in terms of cultural background and differences in educational and professional backgrounds, experience and ways of thinking. 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.

Diversity also includes the appropriate representation of the genders on the Supervisory Board. 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. The Nomination Committee shall include at least one female member.

- **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. The Chair of the Supervisory Board and the Chair of the Audit Committee shall be independent. Supervisory Board members shall not be members of governing bodies of, or exercise advisory functions at significant competitors 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 relevant 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 2022, 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.

The implementation status is shown in detail in the below qualification matrix.

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. Hubert Lienhard, Hildegard Müller, Laurence Mulliez, Sigmar Gabriel, Geisha Williams and Randy Zwirn. The regulation restricting the number of terms on the Supervisory Board is complied with.

Qualification Matrix

on the implementation status of the objectives regarding the Supervisory Board's composition, including the profile of required skills and expertise and the diversity concept

		Joe Kaeser	Robert Kensbock	Dr. Hubert Lienhard	Günter Augustat	Manfred Bäreis	Manuel Bloemers	Dr. Christine Bortenlänger	Dr. Andrea Fehrmann	Dr. Andreas Feldmüller	Nadine Florian
Duration of Membership	Member since	25/09/20	10/11/20	25/09/20	10/11/20	10/11/20	01/09/22	25/09/20	10/11/20	10/11/20	10/11/20
Personal ability	Personality and integrity	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Individual professional abilities	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Availability	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Independence*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Diversity / Internationality	Gender	male	male	male	male	male	male	female	female	male	female
	Year of birth	1957	1971	1951	1968	1962	1980	1966	1970	1962	1976
	Nationality	German	German	German	German	German	German	German	German	German	German
	International experience	✓	✓	✓	✓	✓				✓	✓
	Educational background	Business Administration	Technical Drawer	Studies of Chemistry	Chartered Engineer (TU) Energy and process Engineering	High School Diploma, Technician	Chemical Laboratory Technician, Economist	Banker, Certified Economist	Studies of Sociology, Doctorate (Dr. Phil)	Certified Mechanical Engineer, Doctorate (Dr.-Ing.)	Prof. Training as Office Administrator
Professional ability	Important business areas (esp. Energy generation, transmission, distribution)	✓	✓	✓	✓	✓		✓		✓	
	Stakeholder Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Change Management	✓		✓	✓	✓	✓	✓	✓	✓	✓
	Technological competence		✓	✓	✓	✓	✓		✓	✓	
	Strategy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Innovation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Manufacturing and production		✓	✓	✓	✓				✓	✓
	Marketing and sales	✓		✓	✓	✓		✓		✓	
	Law, esp. Corporate Governance and Compliance	✓	✓[1]	✓	✓[1]	✓[1]	✓[1]	✓	✓[1]	✓[1]	✓[1]
	Human resources (including Leadership Development, Personnel Development, Talent Management)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Sustainability, in particular decarbonization, climate protection and responsible operations	✓	✓[2]	✓	✓	✓	✓	✓	✓[2]	✓	✓[2]
	Management or supervision experience	✓	✓	✓	✓	✓	✓	✓		✓	✓
Financial competence	Expert accounting	✓		✓		✓					
	Expert auditing	✓		✓		✓		✓			

		Sigmar Gabriel	Horst Hakelberg	Jürgen Kerner	Laurence Mulliez	Hildegard Müller	Thomas Pfann	Matthias Rebellius	Prof. Dr. Ralf Thomas	Geisha Williams	Randy Zwirn
Duration of Membership	Member since	25/09/20	10/11/20	10/11/20	25/09/20	25/09/20	01/09/22	25/09/20	25/09/20	25/09/20	25/09/20
Personal ability	Personality and integrity	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Individual professional abilities	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Availability	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Independence*	✓	✓	✓	✓	✓	✓			✓	✓
Diversity / Internationality	Gender	male	male	male	female	female	male	male	male	female	male
	Year of birth	1959	1967	1969	1966	1967	1966	1965	1961	1961	1954
	Nationality	German	German	German	French	German	German	German / Swiss	German	U.S.	U.S.
	International experience	✓	✓	✓	✓	✓		✓	✓	✓	✓
	Educational background	Studies of German, Literature, Politics and Sociology	Chartered Engineer (TH) Electrical Engineering	Information Electronics Technician	MBA	Banker, Certified Economist	Professional Machine Fitter	Electrical Engineering	Business Administration	BSc Engineering, Master Business Administration	B.S. Economics, Brooklyn College, New York, USA
Professional ability	Important business areas (esp. Energy generation, transmission, distribution)	✓	✓		✓	✓	✓	✓	✓	✓	✓
	Stakeholder Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Change Management		✓	✓	✓	✓		✓	✓	✓	✓
	Technological competence		✓				✓	✓		✓	✓
	Strategy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Innovation		✓	✓	✓	✓	✓	✓	✓	✓	✓
	Manufacturing and production			✓	✓		✓	✓	✓		✓
	Marketing and sales		✓		✓			✓	✓	✓	✓
	Law, esp. Corporate Governance and Compliance	✓	✓[1]	✓[1]	✓		✓[1]	✓	✓		✓
	Human resources (including Leadership Development, Personnel Development, Talent Management)		✓	✓			✓	✓	✓		✓
	Sustainability, in particular decarbonization, climate protection and responsible operations	✓	✓	✓	✓	✓	✓[2]	✓	✓	✓	✓
	Management or supervision experience	✓	✓	✓	✓	✓	✓	✓	✓		✓
Financial competence	Expert accounting				✓				✓		✓
	Expert auditing				✓				✓		

✓ means that the criterion is met. The statements relating to professional ability are based on the Supervisory Board's self-assessment. A check equals at least "good knowledge" and accordingly the ability to well understand the facts of a matter and to make informed decisions, based on already existing qualification and additional trainings undergone by the Supervisory Board members. On a scale from 1 (highest) to 5 (lowest), this corresponds to a rating of at least 2.

* In accordance with the criteria specified by the German Corporate Governance Code.

[1] Law of co-determination (German Co-Determination Act, Works Constitution Act).

[2] Labor relations and social matters.

Members of the Executive Board and positions held by Executive Board members

In fiscal year 2022, the following members served or were elected to the **Executive Board**:

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, 2022)	Group company positions (as of September 30, 2022)
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]	Positions outside Germany: • Siemens Gamesa Renewable Energy S.A., Spain[1]
Karim Ahmed Amin Aly Khalil (called Karim Amin)	July 8, 1977	March 1, 2022	February 28, 2025	-	-
Dr.-Ing. Jochen Eickholt	January 26, 1962	April 1, 2020	February 28, 2022	German Positions[2]: • Voith Hydro Holding GmbH & Co. KG, Germany (Deputy Chairman)[3] • Voith Hydro Holding Verwaltungs GmbH, Germany (Deputy Chairman)[3] Positions outside Germany[2]: • EthosEnergy Group Ltd., U.K, (Deputy Chairman)	Positions outside Germany[2]: • Siemens Gamesa Renewable Energy S.A., Spain (Vice Chair)[1]
Maria Ferraro	May 21, 1973	May 1, 2020	November 30, 2027	Positions outside Germany: • Capgemini SE, France[1]	Positions outside Germany: • Siemens Gamesa Renewable Energy S.A., Spain[1]
Tim Holt	September 1, 1969	April 1, 2020	November 30, 2027	Positions outside Germany: 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] (until December 31, 2021)
Anne-Laure Parrical de Chammard (called Anne-Laure de Chammard)	June 8, 1982	November 1, 2022	October 31, 2025	Positions outside Germany[4]: • Léon Grosse SA, France	-
Vinod Mohan Philip	August 7, 1974	October 1, 2022	September 30, 2025	-	-

[1] Listed Company
[2] As of February 28, 2022
[3] Advisory Board
[4] As of November 1, 2022

Members of the Supervisory Board and positions held by Supervisory Board members

In fiscal year 2022, 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, 2022)
Joe Kaeser **Chairman**	Chairman of the Supervisory Board of Siemens Energy AG and Chairman of the Supervisory Board of Daimler Truck Holding AG	June 23, 1957	September 25, 2020	2025[1]	German positions: • Daimler AG, Stuttgart[2] (until October 1, 2021) • Daimler Truck AG, Stuttgart (Chair) • Daimler Truck Holding AG, Stuttgart (Chair)[2] (from December 10, 2022) • Siemens Energy Management GmbH, Munich (Chair) Positions outside Germany: • Linde plc., Ireland[2] (from November 1, 2021) • NXP Semiconductors N.V., The Netherlands (Deputy Chair)[2] (until June 1, 2022)
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. Hubert Lienhard **2. Deputy Chairman**	Supervisory Board Member of various German enterprises	January 12, 1951	September 25, 2020	2025[1]	German positions: • EnBW Energie Baden-Württemberg AG, Karlsruhe[2] • Heraeus Holding GmbH, Hanau • Kaefer Management SE, Bremen (from May 24, 2022) • Siemens Energy Management GmbH, Munich • SMS GmbH, Düsseldorf • SMS group GmbH, Düsseldorf • Voith GmbH & Co. KGaA, Heidenheim an der Brenz (until February 1, 2022)
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
Manuel Bloemers*	Trade Union Secretary at the Managing Board of IG Metall – Branch Office Düsseldorf	July 25, 1980	September 1, 2022	Appointed by court until regular elections acc. to Co-determination Act	German positions: • Aluminium Norf GmbH, Neuss • Salzgitter AG, Salzgitter[2] • Siemens Energy Management GmbH, Munich • Speira GmbH, Grevenbroich (Deputy Chair)
Dr. Christine Bortenlänger	Managing Director, Deutsches Aktieninstitut e.V.	November 17, 1966	September 25, 2020	2025[1]	German positions: • Covestro AG, Leverkusen[2] • Covestro Deutschland AG, Leverkusen • MTU Aero Engines AG, Munich[2] • 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, 2022)
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[2] • Siemens Energy Management GmbH, Munich
Dr. Andreas Feldmüller*	Director Local Hubs 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[1]	German positions: • Deutsche Bank AG, Frankfurt am Main[2] • GP Günter Papenburg AG, Hanover (until April 1, 2022) • Siemens Energy Management GmbH, Munich • Thyssenkrupp Steel Europe AG, Duisburg (Chair) (from April 7, 2022)
Rüdiger Groß*	Deputy Chairman of the Central Works Council, Siemens Energy Global GmbH & Co. KG	June 12, 1965	August 31, 2022[4]	Appointed by court until regular elections acc. to Co-determination Act	German positions[5]: • Siemens Energy Management GmbH, Munich
Horst Hakelberg*	Chairman of the Central Works Council and Chairman of the Works Council Hamburg of 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 Truck & Bus SE, Munich (Deputy Chair) • Premium Aerotec GmbH, Augsburg (Deputy Chair) • Siemens AG, Berlin und Munich[2] • Siemens Energy Management GmbH, Munich • ThyssenKrupp AG, Essen (Deputy Chair)[2] • Traton SE, Munich[2]
Hildegard Müller	President of the Managing Board of Verband der Automobilindustrie (VDA) e.V.	June 29, 1967	September 25, 2020	2025[1]	German positions: • RAG-Stiftung, Essen • Siemens Energy Management GmbH, Munich • Vonovia SE, Bochum[2]

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, 2022)
Laurence Mulliez	Chair of the Board of Voltalia SA and Chair of the Board of Globeleq Ltd.	February 6, 1966	September 25, 2020	2025[1]	German positions: • Siemens Energy Management GmbH, Munich Positions outside Germany: • Globeleq Ltd., United Kingdom (Chair) • Morgan Advanced Materials plc, United Kingdom[2] • Voltalia SA, France (Chair)[2]
Thomas Pfann*	Chairman of the Works Council Nuremberg K, Deputy Chairman of the Group Works Council of Siemens Energy AG, Deputy Chairman of the Central Works Council of Siemens Energy Global GmbH & Co. KG	February 1, 1966	September 1, 2022	Appointed by court until regular elections acc. to Co-determination Act	German positions: • Siemens Energy Management GmbH, Munich
Matthias Rebellius	Member of the Managing Board of Siemens AG and CEO Smart Infrastructure	January 2, 1965	September 25, 2020	2025[1]	German positions: • Siemens Energy Management GmbH, Munich Positions outside Germany: • Arabia Electric Ltd. (Equipment), Saudi Arabia (Deputy Chair)[3] • Siemens Ltd., Australia[3] (until June 30, 2022) • Siemens Ltd., India[2,3] • Siemens Ltd., Saudi Arabia (Deputy Chair)[3] • Siemens Qatar W.L.L., Qatar[3] • Siemens Schweiz AG, Switzerland (Chair)[3]
Hagen Reimer*	Trade Union Secretary of the Managing Board of IG Metall	April 26, 1967	November 10, 2020	August 31, 2022[4]	German positions[5]: • Siemens AG, Berlin und Munich[2] • 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[1]	German positions: • Siemens Energy Management GmbH, Munich • Siemens Healthcare GmbH, Munich (Chair)[3] • Siemens Healthineers AG, Munich (Chair)[2,3] Positions outside Germany: • Siemens Proprietary Limited, South Africa (Chair)[3]
Geisha Jimenez Williams	Chair of the Board at Osmose Utility Services	July 21, 1961	September 25, 2020	2025[1]	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[1]	German positions: • Siemens Energy Management GmbH, Munich Positions outside Germany: • Babcock Power Inc., U.S.A.

* Supervisory Board member of the employees
[1] The term ends at the end of the ordinary Shareholders' Meeting
[2] Listed company
[3] Group mandate of Siemens AG
[4] Resigned
[5] As of August 31, 2022

4.6 Compensation Report pursuant to Section 162 of the Stock Corporation Act of Siemens Energy AG for fiscal year 2022

Munich, December 9, 2022

Dear Shareholders,

The entire Supervisory Board and in particular the Presiding Committee regards challenging and fair compensation for the Executive Board as a key tool for leadership and governance.

The Supervisory Board changed two key elements of the Executive Board's compensation for fiscal year 2022. First, free cash flow was added as a financial performance criterion alongside the adjusted EBITA margin before special items. Second, sustainability (ESG) took on an increased importance for compensation: Each member of the Executive Board is evaluated in their Bonus on customer satisfaction and health and safety. In addition, starting with fiscal year 2022, total shareholder return (TSR) is measured in the Siemens Energy Stock Awards with a weighting of 50% against the performance of the S&P Global Clean Energy Index. This choice addresses the demand for objective transparency and underlines that Siemens Energy benchmarks itself against the world's leading clean energy companies.

In a year replete with challenges, Siemens Energy strengthened its businesses. The Gas and Power (GP) segment again delivered solid results and improved its operational performance. However, the Siemens Energy Group's performance was held back by negative business developments at Siemens Gamesa Renewable Energy. This is also reflected in the Executive Board's compensation and in particular in the Bonus, which is tied primarily to the financial performance of the consolidated Group. While the Company demonstrated its resounding strength in cash generation, which positively impacted the Bonus, the adjusted EBITA margin before special items – which significantly trailed expectations – led to a substantial reduction in compensation.

The Supervisory Board assessed that, against the backdrop of enormous geopolitical and macroeconomic challenges, the entire Executive Board performed well in the areas it directly impacts, especially in further developing the structure and strategy of the Company. This is reflected in the assessment of their individual targets.

This particularly applies to the successful launch of a flat and transparent organizational structure on October 1, 2022 (Project Volt). The new organizational structure reduces complexity, increases flexibility, shortens the path for decision making and strengthens individual responsibility. Beyond that, the Supervisory Board recognizes the tangible improvement in health and safety and customer orientation. Both elements are particularly important given the largely project-driven nature of the business.

For fiscal year 2023, the Supervisory Board again reviewed the design of variable compensation made changes to further strengthen individual responsibility in the Executive Board. With Siemens Energy's new organizational structure in effect from October 1, 2022, each of the three Business Areas are led by a member of the Executive Board, apart from Siemens Gamesa Renewable Energy. To create an even clearer link between compensation and the performance of the Business Areas, the Supervisory Board made use of the option in the compensation system to set targets on the Business Area-level. For fiscal year 2023, members of the Executive Board with direct responsibility for a Business Area will have half of their financial targets in the Bonus linked to the performance of the respective Business Area. The goal of an integrated technology company is incentivized with the remaining 50% tied to Group targets.

The design of the long-term share, share-based compensation (Siemens Energy Stock Awards) was slightly adjusted for fiscal year 2023 by changing the measurement of employee engagement to a new KPI with higher validity. You will find a detailed description of these changes in the section "Outlook Executive Board Compensation for fiscal year 2023".

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 2022 (October 1, 2021 to September 30, 2022) and fiscal year 2021 (October 1, 2020 to September 30, 2021) as well as other disclosures required by the German Stock Corporations Act. The content of the report was subject to an audit by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.

The compensation report for fiscal year 2022 will be presented for approval to the Annual Shareholders' Meeting on February 7, 2023.

4.6.1 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 2022. The compensation system was approved by the Annual Shareholders' Meeting of Siemens Energy AG 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, 2022 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. Dr.-.Ing. Christian Bruch and Maria Ferraro receive their compensation exclusively from Siemens Energy AG, as do newly appointed Executive Board members Vinod Philip and Anne-Laure de Chammard, who began their terms on October 1 and November 1, 2022, respectively. Karim Amin and Tim Holt receive a portion of their compensation from Siemens Energy Group companies. For fiscal year 2022, Karim Amin received approximately 56% of his total target compensation from Siemens Energy LLC (United Arab Emirates), and Tim Holt receives around 32% of his total target compensation from Siemens Energy Inc. (United States). Tim Holt's and Karim Amin's compensation from Siemens Energy AG is reduced accordingly so that the employment with Siemens Energy Group companies does not lead to any additional compensation. In accordance with Section 162 para. 1 AktG, the table "Compensation awarded or due" discloses the total compensation from all group companies.

Key elements of Executive Board compensation

The compensation of the Executive Board in fiscal year 2022 complies with all applicable recommendations and suggestions in the version of the German Corporate Governance Code dated April 28, 2022. 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 2022

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: one 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
		Free cash flow (“FCF”) pre tax: 1/3	• Assurance the necessary cash is generated 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: four 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 (50%) • S&P Global Clean Energy Index (50%)	• 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, in particular in the clean energy sphere
		Earnings per share ("EPS"; undiluted): 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 **Other members**: 200% of base salary 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. As of September 30, 2022, 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 comparison group for Siemens Energy and serves as the basis for the market assessment of the appropriateness of compensation conducted in fiscal year 2022.

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 2022. Due to the re-inclusion of Siemens Energy in the DAX, no comparison with MDAX companies was carried out in fiscal year 2022 as part of the appropriateness review.

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 2022

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.

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 2022. 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.

The following table shows the contractually agreed total target compensation for fiscal year 2022.

Total target compensation Fiscal year 2022		**Fixed compensation**				**Variable compensation**			**Total**
Members of the Executive Board in office as of September 30, 2022	(in k. €)	Base salary	Pension substitute	Fringe benefits[1]	**Sum**	Bonus	Stock Awards Tranche 2022	**Sum**	
Dr.-Ing. Christian Bruch	Target amt.	1,440	500	41	1,981	1,440	1,920	3,360	5,341
	Share (%)	27%	9%	1%	37%	27%	36%	63%	100%
	Minimum	1,440	500	41	1,981	0	0	0	1,981
	Maximum	1,440	500	41	1,981	2,160	4,800	6,960	8,941
Maria Ferraro	Target amt.	720	250	36	1,006	720	960	1,680	2,686
	Share (%)	27%	9%	1%	37%	27%	36%	63%	100%
	Minimum	720	250	36	1,006	0	0	0	1,006
	Maximum	720	250	36	1,006	1,080	2,400	3,480	4,486
Tim Holt[2]	Target amt.	720	250	52	1,022	720	960	1,680	2,702
	Share (%)	27%	9%	2%	38%	27%	36%	62%	100%
	Minimum	720	250	52	1,022	0	0	0	1,022
	Maximum	720	250	52	1,022	1.080	2.400	3,480	4,502
Karim Amin (since March 2022)[3]	Target amt.	385	88	34	506	385	513	898	1,404
	Share (%)	27%	6%	2%	36%	27%	37%	64%	100%
	Minimum	385	88	34	506	0	0	0	506
	Maximum	385	88	34	506	578	1,283	1,861	2,367
Executive Board member who left during fiscal year 2022									
Dr.-Ing. Jochen Eickholt (until February 2022)[4]	Target amt.	300	104	29	433	300	400	700	1,133
	Share (%)	26%	9%	3%	38%	26%	35%	62%	100%
	Minimum	300	104	29	433	0	0	0	433
	Maximum	300	104	29	433	450	1,000	1,450	1,883

[1] Target amounts for fringe benefits equal the value of benefits received in fiscal year 2022, 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 2022."

[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 2022, the applicable exchange rate was €1 = $1.1772. Base salary and target Bonus each amounted to $847,557 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. The value of contributions owed to these retirement plans amounted to $159,049 (€135,108 at the applicable exchange rate of €1 = $1.1772 for converting target compensation) for fiscal year 2022. Due the difference between the applicable exchange rate and the exchange rates employed for disclosure (base salary = average exchange rate for the respective month; Bonus and Pension Substitute = average exchange rate for fiscal year 2022, €1 = $1.0841), the value of this compensation (in Euros) disclosed in the table "Compensation awarded or due" deviates from the amounts cited in the table above, with base salary amounting to €783,688, the Bonus €788,947 and the value of the Pension Substitute and contributions owed to retirement plans equaling €271,469.

[3] Pro-rata target compensation for fiscal year 2022 (7/12 months). With exception of base salary paid by Siemens Energy LLC (UAE), Karim Amin's compensation is paid out in Euros. Base salary paid by Siemens Energy LLC (UAE) is paid in UAE dirham in accordance with local regulations. A correction is performed at the end of the fiscal year to ensure that the compensation paid out in UAE dirhams corresponds to the target compensation in Euros. The average monthly Euro-Dirham exchange rate is applied for conversions.

[4] Pro-rata target compensation for fiscal year 2022 (5/12 months).

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 2022. According to the compensation system, this limit can be increased, in particular in the event of an Executive Board member having their place of employment outside of Germany.

For Tim Holt and Karim Amin, whose places of employment are in the United States and the United Arab Emirates, respectively, 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 2022 in November 2025. However, the following table shows that the maximum possible value of compensation for fiscal year 2022 for each member of the Executive Board – which would result in the event of a payout from the Stock Awards tranche 2022 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 2022 is thus already assured.

Compliance with maximum compensation as defined under Section 87a of the German Stock Corporations Act for fiscal year 2022 (in k €)

Executive Board members in office as of September 30, 2022	Compensation awarded or due FY 2022 excluding Stock Awards Tranche 2022		Maximum value of the Stock Awards-Tranche 2022[1]		Maximum value of compensation for FY 2022		Maximum compensation as defined by Section 87a para. 1 s. 2 No. 1 German Stock Corporations Act
Dr.-Ing. Christian Bruch	3,524		4,800		8,324	<	9,950
Maria Ferraro	1,720		2,400		4,120	<	4,950
Tim Holt	1,901		2,400		4,301	<	4,950
Karim Amin (since March 2022)	892	+	1,283	=	2,176	<	4,950
Executive Board member who left in fiscal year 2022							
Dr.-Ing. Jochen Eickholt (until February 2022)[2]	2,112		0		2,112	<	4,950

[1] The maximum value represents the value of the Stock Awards Tranche 2022 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 2022 ends in November 2025; 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.

[2] Dr-Ing. Jochen Eickholt's Stock Awards Tranche 2022 was settled in cash as part of his departure from the Executive Board. The value of this cash settlement is included in the disclosure under compensation awarded or due FY 2022.

Variable compensation elements in fiscal year 2022

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 2022 adjusted EBITA margin before Special Items and Free cash flow (FCF) pre tax – as well as individual targets, which can be either financial or non-financial in nature. Adjusted EBITA margin before Special Items and FCF pre tax 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 2022:

Bonus for fiscal year 2022 – 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]	0.10%	4.10%	6.10%	1.31%	30.25%
1/3	Free cash flow (pre tax) in m €[2]	0	590	885	1,503	150.00%
1/3	Individual targets	Qualitative target setting (see the following table)			-	100-150%

	Payout range			**Results for fiscal year 2022**	
Executive Board members in office as of September 30, 2022	**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	103.41%	1,489
Maria Ferraro	0	720	1,080	99.24%	715
Tim Holt[3]	0	720	1,080	100.91%	727
Karim Amin (since March 2022)	0	385	578	100.08%	385
Executive Board member who left in fiscal year 2022					
Dr-Ing. Jochen Eickholt (until February 2022)[4]	0	300	450	93.41%	280

[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] Free cash flow (FCF) pre tax is defined as cash flows from operating activities before income taxes paid, less additions to intangible asset and property, plant and equipment.

[3] The payout amount for Tim Holt is based on a target amount defined in US dollars, which amounted to $855,297 (conversion according to the contractually agreed exchange rate for fiscal year 2022: €1 = $1.1772).

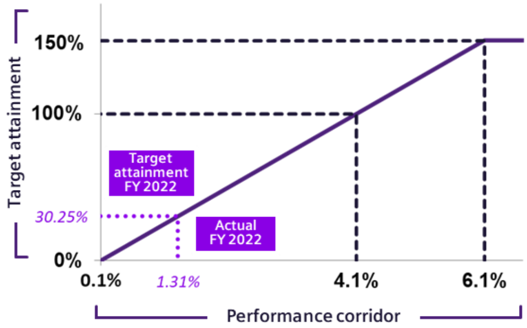
[4] Due to his departure from the Executive Board of Siemens Energy AG effective February 28, 2022, Dr.-Ing. Jochen Eickholt's Bonus has been reduced on a pro-rata basis and will be paid out following the end of the fiscal year.

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%:

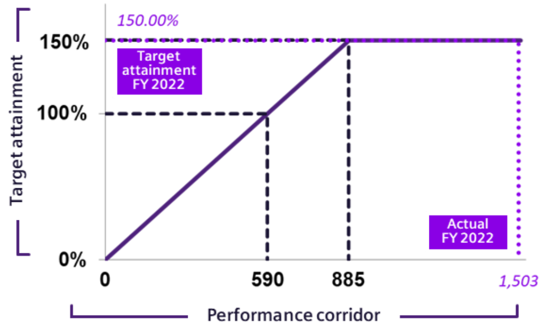
Bonus for fiscal year 2022 – Target corridors

Financial performance criteria

Adjusted EBITA margin before Special Items



Free cash flow (pre tax)



The Supervisory Board uses individual, non-financial targets to set incentives for progress on strategically relevant topics. For fiscal year 2022, the Supervisory Board placed a focus on two important aspects of sustainable management: health & safety and customer satisfaction. Additionally, the members of the Executive Board received two targets reflecting the current priorities of their respective portfolios. Non-financial individual targets, which are weighted within the individual targets at 25% each (that is, within the Bonus as a whole a weighting of 8.33% 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.

Bonus – Individual targets FY 2022

Executive Board members in office as of September 30, 2022		Evaluation – Sustainability targets		Target attainment
	Target	**Customer service (1)**	**Health & safety (2)**	
Dr.-Ing. Christian Bruch	Improvement of within the responsibilities and scope of influence of the respective EBM (customer satisfaction) and living and driving the six "Zero Harm" behaviors (health and safety)	Improvement of customer satisfaction across SE (excluding SGRE) in FY 2022	Improvement of the safety culture in the Company; focus on regular "Safety Moments"	(1) 130% (2) 120%
Maria Ferraro		Improvement of customer satisfaction across SE (excluding SGRE) in FY 2022	Focus on mental health, including within the finance leadership team; successful campaign carried out	(1) 110% (2) 130%
Tim Holt		Partnerships developed with key customers; improved customer satisfaction at Transmission in FY 2022	Monthly "Eye on Safety" calls; role model for the implementation of safety principles	(1) 110% (2) 130%
Karim Amin (from March 2022)		High level of customer satisfaction evident via improvement of order intake	Consistent engagement for health and safety, e.g. through "Eye on Safety" calls and other initiatives	(1) 130% (2) 120%
	Additional individual targets	Target setting	Evaluation	Target attainment
Dr.-Ing. Christian Bruch	Execution of strategic priorities	Introduction of a new operating model; compelling Equity Story at the Capital Markets Day (CMD)	New organization introduced on time as of October 1, 2022; successful CMD; successful placement of top management roles	150%
	Talent development	Succession planning and strengthening of the candidate pool for succession; talent development programs	International trainee program introduced; strategic workforce planning piloted; expert academies introduced	120%
Maria Ferraro	Execution of strategic priorities	Simplification of profit and loss entities; effective oversight of Siemens Gamesa Renewable Energy	Large reduction in the number of units; placement of mandatory convertible bond and successful S&P rating	120%
	Organizational development	Implementation of the new operating model for finance; reporting according to new segmentation	Reduction of levels of hierarchy and increase of the span of control; new operating model underpins FY 2023	110%
Tim Holt	Portfolio transformation	Growth plan for Transmission; New set up for the business in the United States	Growth plan developed and delivering initial results; enhanced profile in the United States	110%
	Organizational development	Implementation of the new operating model	Very successful execution in Grid Technologies with simplification of structures; handover of corporate functions	140%
Karim Amin (from March 2022)	Portfolio transformation	New split of business between Divisions; consolidation of businesses	Successful transfer of businesses and introduction of the new Business Areas; several divestments closed	100%
	Operational excellence	Execution of the Accelerating Impact Program (AIP) and securing of savings	AIP cost savings target exceeded; AIP measures secured with the new organizational structure	130%
Executive Board member who left in fiscal year 2022				Target attainment
Dr.-Ing. Jochen Eickholt (until February 2022)	Alongside customer satisfaction and health and safety, Dr.-Ing. Jochen Eickholt had targets on portfolio transformation and operational excellence. Due to his departure from the Executive Board after five months in fiscal year 2022, the Supervisory Board elected to set 100 % target attainment for all four targets.			100%

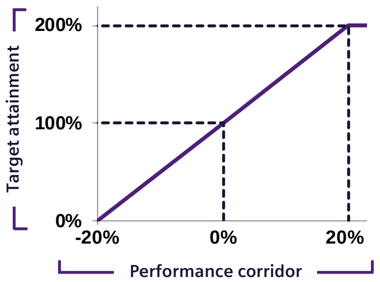
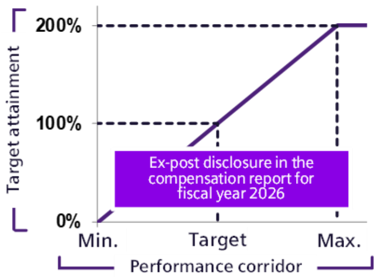
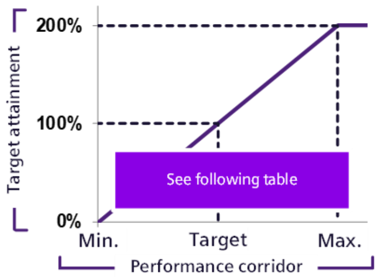
Long-term variable compensation (Siemens Energy Stock Awards)

At the beginning of fiscal year 2022, the members of the Executive Board were granted long-term variable compensation in the form of Siemens Energy Stock Awards (Stock Awards Tranche 2022). 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 2022 begins in November 2021 and ends in November 2025. 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 2022

Performance criterion	Total Shareholder Return ("TSR")	Earnings per Share ("EPS"), undiluted	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 2022 Stock Awards tranche:

Stock Awards Tranche 2022–
ESG performance criteria

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 and 30% by 2030.

Siemens Energy Stock Awards – Target setting ESG-performance criteria (all current tranches):			Target values (Assessment conducted at the end of the last fiscal year of the vesting period)					
			FY 2024			FY 2025		
	Performance criteria	Baseline value	0%	100%	200%	0%	100%	200%
Environmental („E")								
Tranche 2021	CO_2 Scope 1+2 (kt)	292	252	236	220	-	-	-
Tranche 2022	CO_2 Scope 1+2 (kt)	273	-	-	-	220	195	170
Social („S")								
Tranche 2021	eNPS (points)	-1.9	0	10	20	-	-	-
Tranche 2022	eNPS (points)	-10.4	-	-	-	0	5	10
Governance („G")								
Tranche 2021	Share of women in management (PC 64-72)[1]	22.4%	22%	25%	28%			
Tranche 2022	Share of women in management (PC 63-72)[1]	20.5%				22%	25%	28%

1. The relevant population for measuring the share of women in management includes functions in the Gas and Power (GP) segment, starting from fiscal year 2023 in the Gas Services, Grid Technologies and Transformation of Industry Business Areas, and is defined based on functional value, which is represented by position classes (PC). The population PC 64-72 comprises around 125 of the highest rated functions, and the population PC 63-72 around 180 such functions. For Tranche 2022, the population was changed in order to bring the basis for measurement in line with external and internal reporting.

Disclosures on equity-based compensation in fiscal year 2022

The following table shows the Stock Awards "granted" in fiscal year 2022 and 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. The fair market value at grant is determined according to "IFRS 2 – share-based compensation." The grant price for all grants except for Karim Amin amounted to €22.66; for Karim Amin the grant price was €11.29.

Equity-based compensation granted and awarded FY 2022 Members of the Executive Board in office as September 30, 2022	**Stock Awards-Tranche**	**Grant date**	**Number of Stock Awards granted[1]**	**Fair Market Value at grant (€)[2]**	**Vesting date[3]**	**Number of shares awarded in FY 2022**	**Value of shares awarded in FY 2022 (€)**	**Number of Stock Awards as of Sept. 30, 2022**
Dr.-Ing. Christian Bruch	2022	Nov. 10, 2021	157,120	1,714,965	Nov. 2025	0	0	157,120
	2021	Nov. 10, 2020	194,530	2,554,373	Nov. 2024	0	0	194,530
Maria Ferraro	2022	Nov. 10, 2021	78,560	857,482	Nov. 2025	0	0	78,560
	2021	Nov. 10, 2020	97,265	1,277,199	Nov. 2024	0	0	97,265
Tim Holt	2022	Nov. 10, 2021	78,560	857,504	Nov. 2025	0	0	78,560
	2021	Nov. 10, 2020	97,265	1,277,199	Nov. 2024	0	0	97,265
Karim Amin (since March 2022)	2022	March 1, 2022	51,905	244,738	Nov. 2025	0	0	51,905
Member of the Executive Board who left in fiscal year 2022								
Dr.-Ing. Jochen Eickholt (until February 2022)[4]	2022	Nov. 10, 2021	78,560	857,482	Nov. 2025	0	0	0
	2021	Nov. 10, 2020	97,265	1,277,199	Nov. 2024	0	0	0

[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. The fair market value at grant is calculated based on the date on which the terms and conditions of the grant were agreed upon. For the Tranche 2022, the relevant date is December 10, 2021 for Dr.-Ing. Christian Bruch, Maria Ferraro, Tim Holt and Dr.-Ing. Jochen Eickholt, and for September 20, 2022 for Karim Amin. For Tranche 2021, December 14, 2020 was the relevant date for all members of the Executive Board.

[3] The vesting period of the Stock Awards Tranche 2022 (2021) ends on the day in November 2025 (2024) on which the financial results for fiscal year 2025 (2024) are published.

[4] With his departure from the Executive Board of Siemens Energy and in order to maintain his independence in the role as CEO of Siemens Gamesa Renewable Energy S.A., all unvested Siemens Energy Stock Awards for Dr.-Ing. Jochen Eickholt were settled in cash. A target attainment of 100% and the average price of the Siemens Energy share during January 2022 (€21.52) were used for the calculation of the cash settlement. The cash settlement amounted to €1,398,800.

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 2022, the Supervisory Board determined that it had no indication of circumstances that could lead to the application of malus or Clawback rules. Consequently, the Supervisory Board did not make use of its authority to withhold or reclaim short-term variable compensation in fiscal year 2022.

Executive Board compensation levels in fiscal year 2022

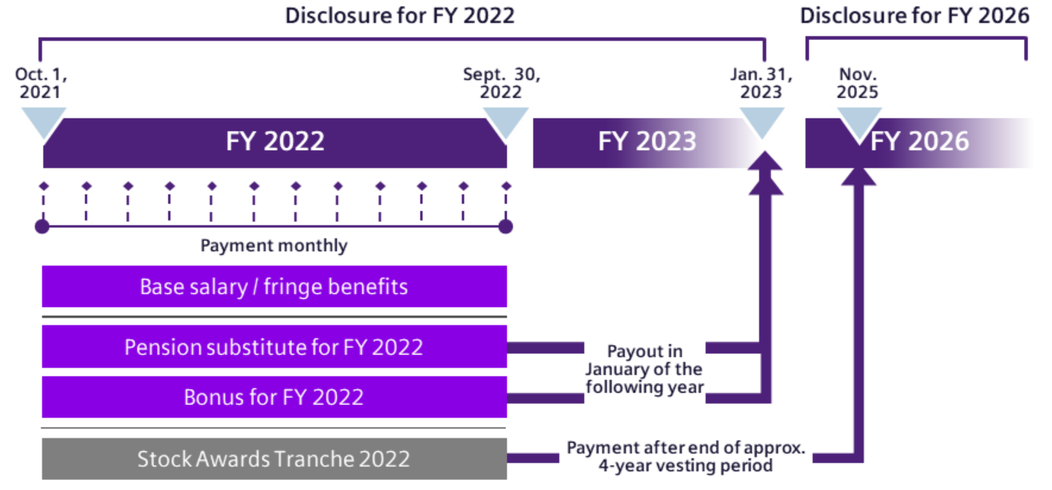
Compensation awarded or due

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 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 2023 is classified as "due" and disclosed as compensation for fiscal year 2022.

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 2022, which was granted in November 2021 and will be transferred in November 2025 after determination of the level of target attainment, will consequently be disclosed for fiscal year 2026. For clarity: compensation awarded or due in fiscal year 2022 is disclosed in summary as follows:

Disclosure of compensation elements for fiscal year 2022



Compensation awarded or due Members of the Executive Board in office as of September 30, 2022		Dr.-Ing. Christian Bruch President and CEO (Appointed May 2020)				Maria Ferraro Chief Financial Officer (CFO) (Appointed May 2020)			
Fiscal year		2021		2022		2021		2022	
		k €	Share (in %)	k €	Share (in %)	k €	Share (in %)	k €	Share (in %)
Fixed compen-sation	Base salary	1,440	42.1	1,440	40.9	720	43.1	720	41.9
	Fringe benefits[1]	278	8.1	95	2.7	120	7.2	36	2.1
	Pension substitute[2]	500	14.6	500	14.2	250	15.0	250	14.5
	Sum	**2,218**	**64.9**	**2,035**	**57.7**	**1,090**	**65.3**	**1,006**	**58.5**
Variable compen-sation	**Short-term variable compensation**								
	Bonus	1,200	35.1	1,489	42.3	581	34.7	715	41.5
	Long-term variable compensation								
	(first transfer Nov. 2024)	-	-	-	-	-	-	-	-
	Sum	**1,200**	**35.1**	**1,489**	**42.3**	**581**	**34.7**	**715**	**41.5**
	Other compensation		-	-	-	-	-	-	-
	Total compensation	**3,418**	**100**	**3,524**	**100**	**1,671**	**100**	**1,720**	**100**

[1] For Dr-Ing. Christian Bruch and Maria Ferraro, the disclosed values 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. For fiscal year 2022, these amounted to €53,697 for Dr.-Ing. Christian Bruch and for fiscal year 2021 to €243,304 for Dr.-Ing. Christian Bruch and €65,566 for Maria Ferraro.

[2] The Supervisory Board decided to grant Dr.-Ing. Christian Bruch and Maria Ferraro a pension substitute in cash for fiscal year 2022 as well as fiscal year 2021. This is typically paid out in January of the following year.

Compensation awarded or due Members of the Executive Board in office as of September 30, 2022 (*continued*)		Tim Holt Member of Executive Board (Appointed April 2020)[1]				Karim Amin Member of the Executive Board (Appointed March 2022)			
Fiscal year		2021		2022		2021		2022	
		k €	Share (in %)	k €	Share (in %)	k €	Share (in %)	k €	Share (in %)
Fixed compen-sation	Base salary	720	44.7	784	41.2	-	-	386	43.3
	Fringe benefits[2]	68	4.2	57	3.0	-	-	34	3.8
	Pension substitute[3]	247	15.4	271	14.3	-	-	88	9.8
	Sum	**1,035**	**64.3**	**1,112**	**58.5**	-	-	**507**	**56.8**
Variable compen-sation	**Short-term variable compensation**								
	Bonus	574	35.7	789	41.5	-	-	385	43.2
	Long-term variable compensation								
	(first transfer Nov. 2024)	-	-	-	-	-	-	-	-
	Sum	**574**	**35.7**	**789**	**41.5**	-	-	**385**	**43.2**
	Other compensation	-	-	-	-	-	-	-	-
	Total compensation	**1,610**	**100**	**1,901**	**100**	-	-	**892**	**100**

1 Base salary, pension benefits, Bonus payments and selected fringe benefits for Tim Holt are paid out in US Dollars. The target amounts in Euro are converted into US Dollars according to a guaranteed rate for each fiscal year, which is equal to the average Euro-US Dollar exchange rate in August of the respective year (for fiscal year 2022: €1 = $1.1772; for fiscal year 2021: €1 = $1.1828). Recurring payments are disclosed 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 2022: € 1 = $ 1.0841; fiscal year 2021: € 1 = $ 1.1954). Due the difference between these exchange rate, the value of this compensation (in Euros) disclosed in the table "Total target compensation fiscal year 2022" and "Bonus fiscal year 2022" deviates from the amounts cited in the table above.

2 For Tim Holt, the disclosed values 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. For fiscal year 2022 these amounted to €4,072 and for fiscal year 2021 €26,702.

3 The Supervisory Board decided for fiscal year 2021 and for fiscal year 2022 to grant Tim Holt and Karim Amin a pension substitute in cash. This is typically paid out in January of the following year. Tim Holt accrued the right to receive contributions to retirement plans in connection with his Group employment as Chairman of Siemens Energy Inc. (USA) amounting to $159,049 (€146,710) for fiscal year 2022 (€1 = $1.0841) and $160,959 (€134,649) for fiscal year 2021 (€1 = $1.1954). These amounts are converted into Euros at the exchange contractually applicable for the respective fiscal year (2022: €1 = $1.1772; 2021: €1 = $1.1828), subtracted from the pension substitute granted to him and finally converted back into US Dollars; the difference of $135,251 (€124,759; €1 = $1.0841) for fiscal year 2022 and $134,741 (€112,716; €1 = $1.1954) for fiscal year 2021 is paid out.

Compensation awarded or due Executive Board member who left in fiscal year 2022		Dr.-Ing. Jochen Eickholt Member of the Executive Board (Member of the Executive Board until February 2022)			
Fiscal year		2021		2022	
		k €	Share (in %)	k €	Share (in %)
Fixed compen-sation	Base salary	720	42.0	300	14.2
	Fringe benefits[1]	145	8.4	29	1.4
	Pension substitute[2]	250	14.6	104	4.9
	Sum	**1,115**	**65.0**	**433**	**20.5**
Variable compen-sation	**Short-term variable compensation**				
	Bonus	600	35.0	280	13.3
	Long-term variable compensation				
	(first transfer Nov. 2024)	-	-	-	-
	Sum	**600**	**35.0**	**280**	**13.3**
	Other compensation[3]	-	-	1,399	66.2
	Total compensation	**1,715**	**100**	**2,112**	**100**

[1] For Dr-Ing. Jochen Eickholt, the disclosed value for fiscal year 2021 includes 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. For fiscal year 2021, these amounted to €103,728.

[2] The Supervisory Board decided for fiscal year 2021 and for fiscal year 2022 to grant Dr.-Ing. Jochen Eickholt a pension substitute in cash. For fiscal year 2022, this was paid out on a pro-rata basis concurrently with his departure from the Executive Board in February 2022. For fiscal year 2021, the pension substitute was paid out in January 2022.

[3] With his departure from the Executive Board of Siemens Energy and in order to maintain his independence in the role as CEO of Siemens Gamesa Renewable Energy S.A., all unvested Siemens Energy Stock Awards for Dr.-Ing. Jochen Eickholt were settled in cash. A target attainment of 100% and the average price of the Siemens Energy share during January 2022 (€21.52) were used for the calculation of the cash settlement. The cash settlement amounted to €1,398,800.

Additional disclosures on Executive Board compensation in fiscal year 2022

Former members of the Executive Board

Dr.-Ing. Jochen Eickholt left the Executive Board by mutual agreement effective February 28, 2022 to become CEO of Siemens Gamesa Renewable Energy S.A. As part of the agreement to end his Executive Board appointment early and in order to maintain his independence from Siemens Energy, Dr-Ing. Jochen Eickholt received a cash settlement for his Siemens Energy Stock Awards Tranches 2021 and 2022, which were unvested at the time his contract was ended. This payment amounts to €1.4 million. Further, for the period March 1-September 30, 2022, Dr.-Ing. Jochen Eickholt received fringe benefits of €9 thousand in the form of continued use of his company car.

Retirement benefits

For fiscal year 2022, 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 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 one of each year. The guaranteed interest rate is currently 0.25%.

As of September 30, 2022, 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 will take place in March 2025 for Dr.-Ing. Christian Bruch, Maria Ferraro and Tim Holt and in October 2026 for Karim Amin, each 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 2022.

Preview of Executive Board compensation for fiscal year 2023

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 Siemens Energy's group reporting, starting with FY 2023 the Adjusted EBITA margin before Special Items will be replaced by Profit Margin before Special Items. The exclusion of the operational financial result from the Profit Margin represents the primary difference. The changeover simplifies the definition of the performance criterion and is more compatible with the definition used by the Siemens Gamesa Renewable Energy S.A. As a consequence, Adjusted EBITA margin before Special Items has been slightly changed and renamed Profit Margin before Special Items in the Bonus for members of the Executive Board from FY 2023.

Further, members of the Executive Board with responsibility for a Business Area will receive 50% of their targets at the Business Area level.

Target values and target attainment for the following performance criteria will be reported ex-ante (Stock Awards – ESG) or ex-post (Bonus, Stock Awards – EPS):

Performance criteria variable compensation FY 2023

Bonus		Change from FY 2022
1/3	Profit-Margin before Special Items	Change from Adjusted EBITA margin before Special Items to Profit Margin before Special Items in line with change to the Group reporting for FY 2023 For members with responsibility for a Business Area: 50% of target set on a Business Area level
1/3	Free cash flow (pre tax)	For members with responsibility for a Business Area: 50% of target set on a Business Area level
1/3	Individual targets (all members)	For all members: Health and safety and customer satisfaction as well as two portfolio-specific targets
Stock Awards		**Change from FY 2022**
40%	Relative Total Shareholder Return (TSR)	None
40%	Undiluted earnings per Share (EPS)	None
20%	Environmental, Social & Governance (ESG)	New definition for measuring employment engagement to be used in the Siemens Energy Stock Awards Tranche 2023. Employee Net Promoter Score (eNPS) will be replaced by the "Engagement Factor". The Engagement Factor calculated using the average of the results for four questions in the "SE Voices" employee survey

4.6.2 Supervisory Board compensation

The compensation regulations applicable to the Supervisory Board are contained in Section twelve 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, Innovation and Finance Committee and Related Party Transactions Committee receive additional compensation.

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.

Compensation of members of Supervisory Board and committees

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

* From October 1, 2022 the "Sustainability and Finance Committee"

For fiscal years 2022 and 2021, the members of the Supervisory Board received the following compensation:

Compensation awarded or due

Supervisory Board members in office as of September 30, 2022		Base compensation		Committee compenastion[4]		Attendance fees		Sum
	FY	In €	Share (%)	In €	Share (%)	In €	Share (%)	In €
Joe Kaeser[1] (Chair)	2022	240,000	44.9	250,000	46.7	45,000	8.4	535,000
	2021	240,000	47.2	238,333	46.9	30,000	5.9	508,333
Robert Kensbock[2,3] (1st deputy chair)	2022	180,000	42.2	200,000	46.9	46,500	10.9	426,500
	2021	165,000	46.2	166,667	46.7	25,500	7.1	357,167
Dr. Hubert Lienhard[1] (2nd deputy chair)	2022	180,000	56.7	100,000	31.5	37,500	11.8	317,500
	2021	180,000	60.2	93,333	31.2	25,500	8.5	298,833
Günter Augustat[2,3]	2022	120,000	68.0	40,000	22.7	16,500	9.3	176,500
	2021	110,000	71.5	33,333	21.7	10,500	6.8	153,833
Manfred Bäreis[2,3]	2022	120,000	59.7	60,000	29.9	21,000	10.4	201,000
	2021	110,000	62.9	50,000	28.6	15,000	8.6	175,000
Manuel Bloemers[2,5] (since Sept. 2022)	2022	10,000	87.0	0	0	1,500	13.0	11,500
Dr. Christine Maria Bortenlänger[1]	2022	120,000	49.5	100,000	41.2	22,500	9.3	242,500
	2021	120,000	51.2	93,333	39.8	21,000	9.0	234,333
Dr. Andrea Fehrmann[2,3]	2022	120,000	59.7	60,000	29.9	21,000	10.4	201,000
	2021	110,000	62.9	50,000	28.6	15,000	8.6	175,000
Dr. Andreas Feldmüller[3]	2022	120,000	69.8	40,000	23.3	12,000	7.0	172,000
	2021	110,000	71.5	33,333	21.7	10,500	6.8	153,833
Nadine Florian[2,3]	2022	120,000	59.7	60,000	29.9	21,000	10.4	201,000
	2021	110,000	62.9	50,000	28.6	15,000	8.6	175,000
Sigmar Gabriel[1]	2022	120,000	69.8	40,000	23.3	12,000	7.0	172,000
	2021	120,000	72.6	33,333	20.2	12,000	7.3	165,333
Horst Hakelberg[2,3]	2022	120,000	69.8	40,000	23.3	12,000	7.0	172,000
	2021	110,000	71.5	33,333	21.7	10,500	6.8	153,833
Jürgen Kerner[2,3]	2022	120,000	47.2	100,000	39.3	34,500	13.6	254,500
	2021	110,000	51.7	83,333	39.2	19,500	9.2	212,833
Hildegard Müller[1]	2022	120,000	59.4	70,000	34.7	12,000	5.9	202,000
	2021	120,000	63.0	58,333	30.6	12,000	6.3	190,333
Laurence Mulliez[1]	2022	120,000	47.8	110,000	43.8	21,000	8.4	251,000
	2021	120,000	60.2	60,000	30.1	19,500	9.8	199,500
Thomas Pfann[2,5] (since September 2022)	2022	10,000	67.4	3,333	22.5	1,500	10.1	14,833
Matthias Rebellius[1]	2022	120,000	68.6	40,000	22.9	15,000	8.6	175,000
	2021	120,000	72.6	33,333	20.2	12,000	7.3	165,333
Prof. Dr. Ralf P. Thomas[1]	2022	120,000	55.6	75,000	34.7	21,000	9.7	216,000
	2021	120,000	46.0	120,000	46.0	21,000	8.0	261,000
Geisha Jimenez Williams[1]	2022	120,000	68.0	40,000	22.7	16,500	9.3	176,500
	2021	120,000	71.3	33,333	19.8	15,000	8.9	168,333
Randy Zwirn[1]	2022	120,000	92.0	0	0	10,500	8.0	130,500
	2021	120,000	92.0	0	0	10,500	8.0	130,500
Supervisory Board members who left in fiscal year 2022								
Rüdiger Groß[2,3] (until September 2022)	2022	110,000	68.7	36,667	22.9	13,500	8.4	160,168
	2021	110,000	72.2	33,333	21.9	9,000	5.9	152,333
Hagen Reimer[2,3] (until September 2022)	2022	110,000	92.4	0	0.0	9,000	7.6	119,000
	2021	110,000	92.4	0	0.0	9,000	7.6	119,000

Compensation awarded or due

Supervisory Board members in office as of September 30, 2022		Base compensation		Committee compenastion[4]		Attendance fees		Sum
Total	2022	2,640,000	58.3	1,465,000	32.4	423,000	9.3	4,528,000
	2021	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 for fiscal year 2021 is determined on a pro-rata temporis basis, rounded up to the next full month (fiscal year 2021 = 11/12 months).

[4] The Innovation and Finance 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).

[5] These employee representatives were appointed to the Supervisory Board of Siemens Energy AG by a resolution of the Munich District Court on August 2, 2022, effective from September 1, 2022. Their base compensation for fiscal year 2022 is determined on a pro-rata temporis basis, rounded up to the next full month (fiscal year 2022 = 1/12 months).

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4.6.3 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.

4.6.4 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 Dr.-Ing. Christian Bruch, Maria Ferraro, Dr.-Ing. Jochen Eickholt and Tim Holt 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 Innovation and Finance 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 %	2022	Δ in %
Compensation comparison	Executive Board members in office as of September 30, 2022[2]	Dr.-Ing. Christian Bruch (President and CEO)[3]	3,311	3,418	3%	3,524	3%
		Maria Ferraro	1,646	1,671	1%	1,720	3%
		Tim Holt	1,426	1,610	13%	1,901	18%
		Karim Amin	-	-	-	892	-
	Executive Board member who left during fiscal year 2022[2]	Dr.-Ing. Jochen Eickholt	1,607	1,715	7 %	2,112	23%
	Supervisory Board[4]	Joe Kaeser (Chair)	438	508	16%	535	5%
		Robert Kensbock (1st Deputy Chair)	-	357	-	427	19%
		Dr. Hubert Lienhard (2nd Deputy Chair)	258	299	16%	318	6%
		Günter Augustat	-	154	-	177	15%
		Manfred Bäreis	-	175	-	201	15%
		Manuel Bloemers	-	-	-	12	-
		Dr. Christine Maria Bortenlänger	198	234	18%	243	3%
		Dr. Andrea Fehrmann	-	175	-	201	15%
		Dr. Andreas Feldmüller	-	154	-	172	12%
		Nadine Florian	-	175	-	201	15%
		Sigmar Gabriel	138	165	20%	172	4%
		Horst Hakelberg	-	154	-	172	12%
		Jürgen Kerner	-	213	-	255	20%
		Hildegard Müller	138	190	38%	202	6%
		Laurence Mulliez	198	200	1%	251	26%
		Thomas Pfann	-	-	-	15	-
		Matthias Rebellius	138	165	20%	175	6%
		Prof. Dr. Ralf P. Thomas	258	261	1%	216	(17)%
		Geisha Jimenez Williams	138	168	22%	177	5%
		Randy Zwirn	138	131	(5)%	131	0%
	Supervisory Board members who left in September 2022[4]	Rüdiger Groß	-	152	-	160	5%
		Hagen Reimer	-	119	-	119	0%
	Workforce[5]	Total workforce in Germany	100	104	4%	107	3%
Development of the Company's profit situation		Siemens Energy AG: Net profit (in m €)	200	172	(28)	(6)	(177)
		Siemens Energy Group: Adjusted EBITA margin before Special Items	(0.1)%	2.3%	2.4 PP	1.3%	(1.0) PP
		Siemens Energy Group: Undiluted Earnings per Share (EPS; in €)	(2.21)	(0.63)	1.58	(0.56)	0.07

[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. Manuel Bloemers and Thomas Pfann, who are employee representatives, were appointed to the Supervisory Board of Siemens Energy AG by a resolution of the Munich District Court on August 2, 2022, effective from September 1, 2022. Their base compensation for fiscal year 2022 is determined on a pro-rata temporis basis, rounded up to the next full month (fiscal year 2022 = 1/12 months). The remaining 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 2022: 21,882). This figure excludes interns, working students, doctoral students and trainees. Compensation for the workforce is calculated based on personnel expenses recorded for fiscal year 2022, less expenses for the Executive Board's compensation. 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 granted in fiscal year 2021 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 for fiscal year 2021 would be €1,984 higher than disclosed above. No such awards were granted in fiscal year 2022.

Munich, December 2022

Siemens Energy AG

The Executive Board   The Supervisory Board

4.7 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, 2021 to September 30, 2022 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, 2021 to September 30, 2022 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 9, 2022

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Spannagl	Müller
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

4.8 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 2022 and Sustainability Report 2022 available in English.

TCFD core elements	TCFD disclosure recommendations	TCFD disclosure	References containing information and data representing our fiscal year 2022 ending on September 30, 2022	
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 2022:** • Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code **Group Non-Financial Statement 2022:** • Basis of Preparation	**Sustainability Report 2022:** • 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 2022:** • Risk Management* **Group Non-Financial Statement 2022:** • Basis of Preparation *(* covering only short-term climate related risks)*	**Sustainability Report 2022:** • Strategic focus • Annex - Task Force on Climate-Related Financial Disclosures (TCFD) (see Climate Change Governance, Management approach to climate-related risks and opportunities)
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 2022:** • Risk Management* *(* covering only short-term climate related risks)*	**Sustainability Report 2022:** • Strategic Focus • 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 2022:** • Risk Management* *(* covering only short-term climate related risks*	**Sustainability Report 2022:** • 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 two degrees Celsius or lower scenario.		**Sustainability Report 2022:** • Decarbonization • Annex - Task Force on Climate-Related Financial Disclosures (TCFD) (see Strategic response, strategy resilience and climate scenario analysis)

TCFD core elements	TCFD disclosure recommendations	TCFD disclosure	References containing information and data representing our fiscal year 2022 ending on September 30, 2022	
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 2022:** • Risk Management* *(* covering only short-term climate related risks)*	**Sustainability Report 2022:** • Strategic Focus • Annex - Task Force on Climate-Related Financial Disclosures (TCFD) (see Management Approach to Climate Related Risk and Opportunities)
		b. Describe the organization's processes for managing climate-related risks.	**Annual Report 2022:** • Risk Management* *(* covering only short-term climate related risks)*	**Sustainability Report 2022:** • Decarbonization • Annex - Task Force on Climate-Related Financial Disclosures (TCFD) (see 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 2022:** • Risk Management* *(* covering only short-term climate related risks)*	**Sustainability Report 2022:** • Strategic focus • Decarbonization • Annex - Task Force on Climate-Related Financial Disclosures (TCFD) (see Management Approach to Climate-Related Risk and Opportunities)
Metrics and Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	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 2022:** • Environmental matters	**Sustainability Report 2022:** • Decarbonization • Annex - Task Force on Climate-Related Financial Disclosures (TCFD) (see Strategic response, strategy resilience and climate scenario analysis, Metrics and targets)
		b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	**Group Non-Financial Statement 2022:** • Environmental matters	**Sustainability Report 2022:** • Decarbonization • Annex - Task Force on Climate-Related Financial Disclosures (TCFD) (see Metrics and targets)
		c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	**Annual Report 2022:** • Compensation Report **Group Non-Financial Statement 2022:** • Environmental matters	**Sustainability Report 2022:** • Decarbonization • Annex - Task Force on Climate-Related Financial Disclosures (TCFD) (see Metrics and targets)

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