Siemens Mobility GmbH

Management Report and Annual Financial Statements as of September 30, 2019

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1. Basic principles

1.1 Organization and basis of reporting

Siemens Mobility GmbH (hereinafter also referred to as the "Company") conducts major parts of the Strategic Company Mobility (hereinafter also referred to as "Mobility") of the Siemens Group (Siemens), operating from Germany. Mobility is one of the leading providers of intelligent mobility solutions in the world market for passenger and freight transportation.

The Company's Management Board also heads the Strategic Company Mobility. Siemens Mobility GmbH is an integral part of Mobility. Accordingly, information is provided in part from the point of view of Mobility, in accordance with the Management Board's perspective.

Fiscal 2018 was a shortened fiscal year. It lasted from November 27, 2017 to September 30, 2018. Siemens Mobility GmbH acquired its business operations from the sole shareholder Siemens AG as of August 1, 2018 by means of a contribution in kind. Accordingly, the period of operating activities in fiscal 2018 covered the period from August 1, 2018 to September 30, 2018.

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

1.2 Business model

The business model within Mobility is uniform and thus also extends to Siemens Mobility GmbH.

The Strategic Company Mobility combines all Siemens businesses in the area of passenger and freight transportation, including rail vehicles, rail automation systems, rail electrification systems, road traffic technology, digital solutions and related services. It also provides its customers with consulting, planning, financing, construction, service and operation of turnkey mobility systems. Moreover, Mobility offers integrated mobility solutions for networking of different types of traffic systems. It sells its products, systems and solutions through its worldwide network of sales units. The principal customers of Mobility are public and state-owned companies in the transportation and logistics sectors, so its markets are driven primarily by public spending. Customers usually have multi-year planning and implementation horizons, and their contract tenders therefore tend to be independent of short-term economic trends.

Trends in Mobility's markets are characterized by the need for solutions that make daily mobility simpler, faster, and more flexible, reliable and affordable. Cities and national economies face the challenge of reducing the costs, space requirements, noise and CO2 emissions of transportation. The pressure on mobility providers and policymakers to meet these mobility and transportation needs is growing as urban populations are expected to continuously rise.

Mobility's principal competitors are multinational companies. Consolidation among Mobility's competitors is continuing. In August 2019, a large Chinese competitor signed a contract to acquire a locomotives business in Germany, enabling the Chinese competitor to gain a foothold in Europe, in line with its ambitious growth and internationalization strategy. This will probably lead to significantly increased competitive pressure for all European rail transport businesses, including those of Mobility.

In March 2018, Siemens AG and Alstom S.A., France (Alstom), signed a Business Combination Agreement on the combination of Siemens' mobility business, including rail drives which, until the end of fiscal 2018, were part of the Process Industries and Drives Division, with the listed company Alstom. In February 2019, the European Commission announced its decision to prohibit the proposed combination of Alstom with Siemens' mobility business.

1.3 Research and development

Mobility's research and development (R&D) strategy is focused on ensuring maximum availability of trains and infrastructure, increasing customer return on investment and improving passenger comfort. Decarbonization and seamlessly interlinked (e-)mobility are key factors for the future of transport.

The main R&D focal points at Mobility are the development of

- efficient vehicle platforms with optimized life cycle costs and maximum customized flexibility,
- environmentally friendly alternative energy supplies for trains (batteries, fuel cells, dual mode) and trucks (eHighway or overhead power lines),

- digital services for railways via the Railigent[1] Application Suite based on MindSphere[2], cloud-based signaling technology in the form of a new system architecture for railway infrastructures and IoT/cloud-based concepts,
- solutions for more automated and autonomous rail and road travel, and
- digital technologies and solutions such as cyber security, connectivity, the digital twin, artificial intelligence and additive manufacturing or intermodal apps and platforms.

In fiscal 2019, research and development expenses at Siemens Mobility GmbH amounted to EUR 350,999 thousand (previous year: 70,215 thousand). The research intensity, which results from the ratio of research and development expenses to sales revenues, is 8.1% (previous year: 7.4%). Siemens Mobility GmbH does not capitalize any development costs as part of its accounting according to the German Commercial Code (HGB). This means that current development costs are recognized in the income statement as research and development expenses when incurred. In fiscal 2019, Siemens Mobility GmbH had an average of approximately 1,398 employees (whereby the term "employee" includes persons of all sexes) in research and development.

2. Economic report

2.1 Economic conditions

2.1.1 Overall economic conditions

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

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

Accordingly, the slowdown of the global economy in particular affected regions and countries where trade and industry are of high importance. In Europe, this was especially true for Germany and Italy, where industrial production (excluding construction) had already started to recede in calendar 2018. In addition, European economies suffered from continued uncertainties regarding the UK leaving the European Union (Brexit) and the budget clash between the European Commission and Italy's government, both weighing especially on the business investment environment. In the Americas, the slowdown was very pronounced in Mexico and Canada, and to a smaller extent in the more consumption-driven U.S. economy, where a fiscal boost helped the economy. In Asia, China continued on its announced path to gradually rebalance its economy, which has resulted in decelerating overall GDP growth. Government stimulus programs have partly buffered the Chinese economy from trade dispute headwinds, but the conflict is nevertheless taking a toll. Economic dynamics deteriorated markedly in India, where a decline in domestic consumption was the biggest drag on growth. Countries dependent on commodities and raw material exporting, notably Chile, Brazil and Argentina, saw declines in commodity prices in addition to other adverse factors including domestic political and financial instability. In advanced countries, calendar 2019 GDP growth is estimated at 1.6%, 0.7 percentage points lower than 2018. For emerging countries, the GDP growth rate is estimated to recede from 4.6% in 2018 to 4.1% in 2019.

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

2.1.2 Segment-specific economic conditions

Order growth reflected overall strong markets for Mobility in fiscal 2019, with different dynamics among the regions. Market development in Europe was characterized by continuing awards of mid-size and large orders, particularly in the UK, Germany and Austria. Within the C.I.S., large projects for high-speed trains and services were awarded in Russia. Demand in the Middle East and Africa was held back by ongoing uncertainties related to budget constraints and political climates. In the Americas region, stable investment activities were driven by demand for mainline and urban transport, especially in the U.S. and Canada. Within the Asia, Australia region, Chinese markets saw ongoing investments in high-speed trains, urban transport, freight logistics and rail infrastructure, while India continues to invest in modernizing the country's transportation infrastructure.

[1] Data analysis platform from Siemens Mobility Services; makes it possible to understand railway data, generate valuable information and increase the performance of the entire system.
[2] MindSphere is the cloud-based, open IoT operating system from Siemens that connects products, plants, systems and machines and makes it possible to use the wealth of data from the Internet of Things (IoT) through extensive analyses.

2.2 Business performance

2.2.1 Business performance Mobility

The key figures in the separate financial statements prepared in accordance with the German Commercial Code (HGB) are neither an internal control nor a planning parameter for Siemens Mobility GmbH. For this reason, the Mobility business as a Strategic Company of the Siemens Group shall be disclosed below as in the Siemens Annual Report.

Mobility's position in fiscal 2019 was as follows:

(EUR million)	2019	Fiscal year 2018	Change in % Act.	Change in % Comparable[1]
Orders	12,894	11,025	17%	16%
Revenue	8,916	8,821	1%	0%
Adjusted EBITA	983	958	3%	-
Adjusted EBITA margin	11.0%	10.9%		

[1] Excluding currency translation and portfolio effects

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

2.2.2 Business performance of Siemens Mobility GmbH

In fiscal 2019, Siemens Mobility GmbH was able to maintain its leading competitive position. Ongoing projects were executed predominantly according to plan, with business performance being characterized by major projects in the area of high-speed trains as well as commuter and long-distance transport. The main revenue drivers that influenced business development were the delivery of the fourth generation ICE (ICE 4) for Deutsche Bahn, the start of delivery of the DESIRO Rhine-Ruhr Express fleet to VRR (Verkehrsverbund Rhein-Ruhr) and the delivery of the last DESIRO trains to GTR Rockrail as part of the "Moorgate" project. In addition to the major contracts, the continuous delivery of Vectron locomotives to various customers made a significant contribution to the sales trend. There were no particular seasonal influences on order processing.

2.3 Position of the Company

2.3.1 Earnings position

In fiscal 2018, the operating activities of Siemens Mobility GmbH covered the period from August 1, 2018 to September 30, 2018. Explanatory comparisons with the previous year are therefore not made in the following section.

(EUR'000)	2019	Fiscal year 2018
Revenue	4,328,552	950,657
Income from business activity	65,572	88,344
Income margin	1.5%	9.3%

Siemens Mobility GmbH's revenue development in fiscal 2019 was highly dependent on the processing and final invoicing of major projects in the sectors high-speed trains, commuter and long-distance transportation. The main driver was the final acceptance of trains for the ICE 4 (EUR 0.8 billion), DESIRO Rhein-Ruhr-Express (EUR 0.4 billion) and DESIRO City Moorgate (EUR 0.2 billion) projects. The infrastructure business, characterized by many short- to medium-term projects as well as classic product supplies, generated revenue of EUR 1.1 billion.

The ratio of research and development expenses (EUR 350,999 thousand) to revenues is 8.1%. The main drivers are the development of the regional train platform "MIREO", the high-speed train platform "Velaro Novo" and the further development of the locomotive platform "Vectron". In the area of infrastructure, substantial amounts were spent last year on the "SINET" (digital signaling technology) development project.

Distribution costs as well as general administration expenses (EUR 308,121 thousand and EUR 70,059 thousand, respectively) account for 8.7% of revenues in the period under review.

Like revenue, earnings were mainly influenced by the processing of major projects for railcars. The projects in the signaling technology segment also made a positive contribution to earnings, but, at 26% (EUR 1,113 million), account for the lower share of sales. Earnings from operations (income from operations plus income from investments) was EUR 135,098 thousand, corresponding to an income margin of 3.1%.

Due to interest income and interest expenses (EUR 4,112 thousand and EUR 4,445 thousand, respectively) and other financial income/expenses of EUR -69,193 thousand, mainly due to interest-related increases in pension provisions (EUR 70,265 thousand), total earnings from Siemens Mobility GmbH's business activities were EUR 65,572 thousand (profit margin 1.5%).

The information presented still does not include any notable one-off effects.

2.3.2 Net assets position

Assets

(EUR'000)	2019	Sep. 30 2018
Non-current assets	**3,708,761**	3,674,172
Intangible assets	31,481	32,375
Property, plant and equipment	179,254	192,193
Financial assets	3,498,026	3,449,604
Current assets	**1,505,150**	741,873
Total inventories (net)	0	0
Receivables and other assets	1,497,408	731,640
Cash and cash equivalents	7,742	10,233
Prepaid expenses	5,867	1,400
Active difference resulting from offsetting	5,960	1,874
Total Assets	**5,225,738**	4,419,319

Property, plant and equipment mainly includes machinery for the production sites, test facilities and laboratory as well as office equipment. Property, plant and equipment fell by EUR 12,939 thousand to EUR 179,254 thousand as of the balance sheet date.

Financial assets include in particular the carrying amounts of shareholdings in affiliated companies and investments in the Siemens Mobility companies in the UK (EUR 1,376,879 thousand), the U.S. (EUR 934,369 thousand), Switzerland (EUR 392,680 thousand) and Austria (EUR 339,872 thousand). The increase in financial assets is mainly due to a capital increase at the Siemens Mobility subsidiary in Turkey and the acquisition of the Siemens Mobility subsidiary in Russia.

The increase in current assets to EUR 1,505,150 thousand resulted primarily from the introduction of Mobility Cash Management (EUR 831,929 thousand). In December 2018, Siemens Mobility GmbH established the Siemens Mobility Cash-Management-System, which in turn participates in the Siemens AG Cash-Management-System. In this context, Siemens Mobility GmbH has enabled its subsidiaries and other companies that are affiliated with Siemens AG pursuant to sections 15 et seq. AktG and are to be attributed to Mobility to participate in the Siemens Mobility Cash-Management-System in accordance with applicable laws and official regulations. The establishment of the Siemens Mobility Cash-Management-System resulted in financial receivables from and financial liabilities to these companies, with corresponding effects on the Siemens Mobility GmbH balance sheet.

Due to the offsetting of advance payments received (EUR 4,181,580 thousand) against inventories, the excess of advance payments reported under liabilities amounts to EUR 535.856 thousand.

Gross inventories break down as follows:

(EUR'000)	2019	Sep. 30 2018
Total inventories (gross)	**3,645,724**	**3,530,538**
Raw materials, consumables and supplies	195,479	137,635
Work in progress, finished goods and merchandise	370,650	393,233
Uncharged deliveries and services	2,578,261	2,429,946
Advance payments made	501,334	569,724

Uncharged deliveries and services essentially comprise capitalized expenses incurred in connection with the provision of deliveries and services for projects in the plant business that had not yet been invoiced to the customer as of the balance sheet date. The increase is driven by normal project progress.

Receivables and other assets break down as follows:

(EUR'000)	2019	Sep. 30 2018
Receivables and other assets	**1,497,408**	**731,640**
Trade receivables	100,622	41,076
Receivables from affiliated companies	1,305,830	660,286
Receivables from companies in which shareholding interests are held	2,154	2,713
Other receivables and other assets	88,801	27,565

The increase in other receivables mainly relates to tax prepayments made for the first time in fiscal 2019.

The liabilities side of the balance sheet is as follows:

Shareholders' equity and liabilities

(EUR'000)	2019	Sep. 30 2018
Shareholders' equity	**1,650,064**	**1,600,626**
Subscribed capital	50,000	50,000
Capital reserve	1,494,053	1,494,053
Unappropriated net income	106,011	56,573
Provisions	1,420,849	1,461,941
Liabilities	2,134,303	1,335,395
Deferred income	20,522	21,357
Total shareholders' equity and liabilities	**5,225,738**	**4,419,319**

Shareholders' equity increased due to the net profit for the year of EUR 49,438 thousand, while provisions declined slightly by EUR 41,092 thousand. Liabilities increased by EUR 798,908 thousand to EUR 2,134,303 thousand, mainly due to the takeover of the Mobility Cash-Management-System.

Provisions mainly consist of provisions for pensions and similar obligations in the amount of EUR 658,117 thousand (previous year: EUR 588,823 thousand) and provisions for warranty obligations of EUR 334,945 thousand (previous year: EUR 391,294 thousand). The increase in provisions for pensions and similar obligations mainly resulted from interest rate effects.

The item liabilities totaling EUR 2,134,303 thousand is composed of the surplus of customer prepayments compared to inventories of EUR 535,856 thousand, trade payables of EUR 534,202 thousand, liabilities to affiliated companies of EUR 845,972 thousand and other liabilities of EUR 218,273 thousand.

2.3.3 Financial position

As of the balance sheet date, the Company had cash and cash equivalents of EUR 7,742 thousand (previous year: EUR 10,233 thousand).

Financing is provided through advance payments received and the liquidity of the Siemens Group. Accordingly, the Company assumes that it will be able to meet its payment obligations.

Mobility's investments result primarily from project requirements and from the maintenance and expansion of production facilities.

2.3.4 Non-financial performance indicators

Employee issues

Working at Siemens Mobility GmbH

As of September 30, 2019, Siemens Mobility GmbH had 13,038 employees (active employees, not including inactive employees, apprentices, student trainees, interns). More than 96% of our employees have permanent contracts.

The proportion of female employees is 21% (previous year: 20%).

In fiscal 2019, 816 new employees were hired (191 of them female) and 451 employees (70 of them female) terminated their employment.

Age structure at Siemens Mobility GmbH

The age structure as of September 30, 2019 (as a percentage of the total number of employees) is shown in the following table:

				2019				2018
Age category	**< 35 years**	**35 – 44 years**	**45 – 54 years**	**> 54 years**	**< 35 years**	**35 – 44 years**	**45 – 54 years**	**> 54 years**
Percentage	22.7%	22.2%	33.3%	21.8%	21.6%	22.1%	35.6%	20.7%

As of September 30, 2019, the average age was 45 years (previous year: 45 years).

Use of working time models

As of September 30, 2019, 1,063 employees were working part-time (previous year: 950), and 555 were inactive (previous year: 554).

Diversity of employees

Diversity has become a central component of our hiring, global recruitment and promotion processes. Siemens Mobility made a conscious decision to promote the diversity of its workforce. By employing staff with a variety of experience, backgrounds and skills, we are better able to meet a wide range of challenges and foster innovation. We want to strengthen our Company by recruiting diverse people who can uniquely create value for the Company, our customers and partners, and society as a whole.

Our geographic reach is in line with our staff diversity strategy: Employees of 81 nationalities (previous year: 73) work for us. In addition, we have taken a number of steps to promote and strengthen the diversity of our workforce, such as promoting gender balance, taking action against unconscious prejudice, supporting Ability @ Siemens – For People with Disabilities, strengthening the value of globalization and ensuring an inclusive corporate culture that values contributions by people from diverse backgrounds.

With these principles, we promote and develop a working environment that promotes high-quality performance and individual commitment through diverse teams.

Like many of our competitors in the plant and project business, however, we face a particular challenge when it comes to recruiting more women and supporting them in their professional development.

Employees in managerial positions

We are committed to ensuring the diversity of the candidate pool for top positions and in the teams that decide on recruitment and promotions. We will continue to strive for a strong culture of integration.

As of September 30, 2019, Siemens Mobility GmbH had 1,019 employees in managerial positions (previous year: 976). Employees in managerial positions include all executives with disciplinary responsibility and project managers. The proportion of women in managerial positions was 13% (previous year: 12%).

Education and training

Siemens Mobility GmbH is an important training company for school leavers. As of September 30, 2019, the number of apprentices and student trainees enrolled in so-called dual courses – programs that are common in Germany – was around 580 (previous year: approx. 600).

Siemens Mobility GmbH procures training and continuing education opportunities from the Siemens Group. The Siemens Global Learning Campus (SGLC) is an ongoing training program that enables employees around the globe to receive continuous training. The courses help employees to further develop their own skills, support executives in team development and help those responsible for central processes to think strategically and change procedures and processes. The core program provides the skills employees need to perform their tasks effectively, systematically improving the quality of our workforce. It addresses challenges in various areas of our business. These include sales, project management, procurement, development, manufacturing, service, product management and quality management. New learning techniques (such as hackathons, impulse workshops and digital business labs) contribute to the digital transformation of the Company. All employees have access to the new online platform Digitalization Learning World, which provides digital training materials.

The Siemens Professional Education (SPE) program comprises technical education and training as well as commercial training, including corresponding bachelor's degrees. Around 180 new apprentices and student trainees are due to start in 2020.

In cooperation with the Siemens business units, the Siemens Product Schools provide comprehensive continuous development for employees to build long-term expertise on specific products and solutions. Traditional training methods (such as online and classroom training) are complemented by innovative distance learning and mobile courses as well as virtual classrooms. These highly practical courses help employees keep pace with product changes and new technologies.

Environmental protection, health management and safety at work (EHS)

With our integrated management system for environmental protection, health and safety at work, we have created the foundations that allow us to meet legal, customer and other requirements at all times and with foresight.

The German production and office locations as well as our testing and validation center in Wegberg-Wildenrath have a certified EHS management system pursuant to ISO 14001 and OSHAS 18001. We are recertified annually by the external provider DNV GL.

The 2019 reporting period covers fiscal 2019 from October 1, 2018 to September 30, 2019 with a total of twelve months. The previous fiscal year was a shortened fiscal year. Operating activities only covered the period from August 1, 2018 to September 30, 2018. In order to facilitate comparability of the key figures disclosed below, the key figures for a 12-month period are provided, deviating from previous year's management report. These relate to Mobility's operating activities in Germany in the period from October 1, 2017 to September 30, 2018.

Decarbonization

Climate change is a key challenge that affects us all. In 2016, the transport sector contributed about 30% to CO2 emissions in OECD countries and 16% in non-OECD countries, with an upward trend[3]. Siemens Mobility is committed to making an important contribution to the decarbonization of the global economy. Along the entire value chain, we work both internally and together with our customers to optimize energy and resource efficiency throughout the entire product life cycle. In this context, we also focus on reducing greenhouse gas emissions – in the supply chain, at our own facilities and through the products and services we provide to our customers, such as trains with alternative drives, automatic train operation, predictive maintenance, etc.

We are committed to the global Siemens AG "CO2-Neutral" program. Based on a positive business scenario, we intend to halve the CO2 footprint of our own operations by 2020 compared with 2014 and to be climate-neutral by 2030. The "CO2-Neutral" program enables us not only to protect the environment and reduce costs, but also to gain experience and strengthen our expertise in eco-friendly technologies that may benefit our suppliers and customers.

3 ITF (2019), Transport Outlook 2019, OECD Publishing, Paris, p.49; https://doi.org/10.1787/transp_outlook-en-2019-en

Environmental portfolio

With our environmental portfolio, we make a significant contribution to mitigating climate change and provide answers to one of main challenges of our times. The environmental portfolio comprises products, systems, solutions and services which are at least 20% more energy-efficient than comparable reference solutions. Examples of our environmental portfolio are:

- **Battery or fuel-cell assisted drive systems**
  The Mireo Plus multiple-unit train developed by Siemens with such a climate-friendly hybrid drive allows CO2-neutral operation on non-electrified regional lines.

- **ICE 4, the high-speed train for Deutsche Bahn**
  The flexibly deployable ICE 4 sets new standards in inter-city and long-distance transportation. Thanks to an optimized track-friendly design of the bogie, it has a higher capacity with 5% less weight and saves 30% energy compared to the predecessor model thanks to an aerodynamic design.

With our environmental portfolio, we aim to help our customers reduce their carbon dioxide emissions, lower their energy costs and increase their business success through higher productivity. In addition to the environmental benefits, our environmental portfolio enables us to compete successfully in attractive markets and to achieve profitable growth. These solutions allowed our customers to save a total of 2.11 megatons of CO2 equivalent in the reporting period. In fiscal 2019, more than 92% of revenues worldwide were generated from our environmental portfolio.

Protection of resources

We are committed to meeting our customers' requirements whilst also strengthening our position as a sustainable company, particularly by improving energy and resource efficiency. We are also working to meet a growing number of environmental protection requirements worldwide.

"Serve the Environment" program

In the reporting period, primary energy consumption (natural gas/liquid gas, fuel oil, coal, petrol/diesel) was 249,606 gigajoules and secondary energy consumption (electricity, district heating) was 250,074 gigajoules. The total energy consumption of 499,680 gigajoules was thus 11% higher than in the previous fiscal year. The reason for this was the increase in the number of units produced, which overcompensated for savings measures. In addition, an additional facility in Erlangen has been transferred to the responsibility of Siemens Mobility GmbH and has accordingly been included in the reporting. Both events have an impact both on CO2 emissions and waste volumes; the increase in water consumption is mainly attributable to the new facility.

Our target under the "CO2 Neutral" program of halving CO2 emissions by 2020 compared with 2014 was already achieved in fiscal 2018. The emission reductions primarily are the result of energy efficiency measures at our production sites and the procurement of CO2-neutral electricity. During the reporting period, 98.7% of power requirements for production sites in Germany was covered by CO2-neutral electricity.

		Fiscal year
CO2 emissions (in tons of CO2 equivalent)	**2019**	**2018**
Scope 1 (direct GHG emissions): from sources owned or controlled by the Company	13,953	14,232
Scope 2 (indirect GHG emissions): Use of purchased electricity and district heating	3,329	2,718

With a recycling share of 88% of the total waste volume, we contribute to the conservation of resources.

		Fiscal year
Waste (in tons)	**2019**	**2018**
Non-hazardous waste	5,127	4,245
Hazardous waste	784	692
Total	5,911	4,937
Recycling share of total waste volume	88%	87%

Our business has few water-intensive processes. The largest share of our water consumption results from sanitary water requirements.

Water consumption (in m³)	2019	Fiscal year 2018
Water consumption	123,394	93,834

Product stewardship

Product stewardship means assuming responsibility for the environmental impact of a product and minimizing this impact over its entire life cycle. With this in mind, we focus on the optimum use of resources in the development and production process. This includes intelligent product design, the right choice of materials and efficient application of the materials used. We strive to develop and manufacture more "smart" products with less negative environmental impact. A good example of this is the high-speed train Velaro Novo, whose optimized aerodynamics and design not only increase capacity by 10% but also reduce overall energy consumption by 30% compared to Velaro Turkey.

The closed-loop economy has gained in importance due to increasing customer requirements and stricter legal standards. We are responding to these developments by increasingly offering services to preserve the value of products and resources, for example through services that extend the useful product life or through digital solutions. Examples for optimizing the use of resources of existing infrastructures (availability / throughput) in our solution portfolio are:

- **Automatic train operation**
  The Trainguard ATO (Automatic Train Operation) train control system increases line and transport capacity by reducing the distance between trains, improving timetable stability and punctuality through reproducible driving behavior, saving energy through an optimized driving style and reducing mechanical stress, wear and noise through smooth driving with fewer braking processes.

- **Railigent**
  A digital service solution that increases train availability, reliability and profitability – through predictive maintenance, optimized asset management and efficient operation.

Looking to the future, we intend to take further steps towards a closed-loop economy.

“Product Eco Excellence” program

The Product Eco Excellence program defines an integrated approach to improving resource efficiency and increasing transparency of product-related environmental information for our stakeholders.

Through product-related environmental information, we ensure greater transparency with regard to ingredients used, eco-compatible designs, labeling requirements and the ecological footprint of products. This transparency serves our goal of fulfilling legal and, going beyond this, customer-related requirements. This creates added value for our customers, our business and the environment.

Occupational safety and health protection

Occupational safety and health management are central components of our business practices and our commitment to sustainability. They are reflected in our Business Conduct Guidelines and internal monitoring systems, in risk management and in internal controls.

“Zero Harm Culture”

As a responsible company, we are committed to society and our employees. We therefore attach particular importance to maintaining and promoting the health of our employees and to a safe working environment. We follow three principles:

- Zero accidents - That is our goal!
- No compromises: Health and safety of all employees is our top priority!
- We look after each other, intervene in dangerous situations and set a good example!

There were no fatal accidents in the reporting period. Our LTIFR[4] was 0.75 in the reporting period, 10% lower than in the previous year. "Zero accidents" remains our goal. We will therefore continue working towards a reduction of accidents. In order to achieve this, we held "Zero Harm Culture" training courses for executives, project managers and employees.

Accident rates	2019	Fiscal year 2018
LTIFR	0.75	0.83

[4] Lost Time Injury Frequency Rate (LTIFR): Number of lost time injuries (LTIs) × 200,000 / hours worked; LTIs are accidents that result in at least one day lost.

"Healthy @ Siemens"

Digitalization and demographic change are changing the world of work and affect almost all workplaces. In order to promote the health of our employees in a sustainable manner, we proactively offer health activities. Our employees benefit from services such as health consultations and checks, vaccinations, health spa treatments and fitness programs. In addition, social counseling is offered at three facilities.

2.3.5 Overall assessment

Siemens Mobility GmbH had a high order backlog as of the balance sheet date and was profitable in fiscal 2019. The revenue level of three to four billion EUR forecast in the previous year was achieved. In addition, as forecast in the previous year, earnings were affected slightly by under-utilization in the production of long-distance trains. The Company is financed solidly through advance payments received from customers and the liquidity of the Siemens Group.

Mobility's profit margin (Adjusted EBITA/revenues, both in accordance with IFRS) was 11.0% in fiscal 2019 (previous year: 10.9%), and thus within the defined Siemens margin target range of between 9% to 12%. Siemens Mobility GmbH, a key component of Mobility, also contributed to this favorable trend. According to IFRS, the Company generated revenues of EUR 4.6 billion and adjusted EBITA of EUR 0.3 billion.

3. Report on expected developments and associated material opportunities and risks

3.1 Report on expected developments

Worldwide economy

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

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

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

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

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

Segments

For fiscal 2020, we expect markets served by Mobility to grow moderately with increasing demand for digital solutions. Overall, rail transport and intermodal mobility solutions are expected to remain a focus as urbanization continues to progress around the world. In emerging countries, rising incomes are expected to result in greater demand for public transport solutions.

Siemens Mobility GmbH

It can be assumed that Siemens Mobility GmbH and the market as a whole will grow, generate solid earnings contributions and generate liquidity from its operations. The revenue target corridor for the next twelve months for Siemens Mobility GmbH is approximately between four and five billion EUR. However, there may be short-term fluctuations on the revenues side and thus also on the earnings side, since under HGB accounting the realization of revenues and earnings in the plant business is delayed in comparison with the ongoing processing of orders. As of fiscal 2020, profitability will be additionally strained by the first-time charging of a license fee for the use of the "SIEMENS" brand. The expected additional net expenses, i.e. after passing expenses on to other Mobility companies, for fiscal 2020 are between EUR 40 - 50 million.

3.2 Risk report

3.2.1 Risk management

Our risk policy is in line with our efforts to achieve sustainable growth and increase the value of the Company while managing appropriate risks and opportunities and avoiding inappropriate risks. Our risk management is an integral part of the planning and implementation of our business strategies, and our risk policy is defined by the Management Board.

In accordance with our organizational and responsibility hierarchy, the management of the respective Siemens Mobility organizational unit is required to implement a risk management system that is tailored to its specific business and responsibilities and complies with the overarching principles. Siemens Mobility GmbH continues to be integrated into the Siemens organization, in particular into the group-wide risk management system.

We make use of a number of coordinated risk management and control systems that support us in identifying at an early stage developments that could jeopardize the continuation of our business. Our company-wide processes for strategic corporate planning and internal reporting are the most important aspects in this context. Strategic corporate planning is intended to help us assess potential risks long before major business decisions are made. Internal reporting enables us to monitor such risks more closely in the course of operations. The internal audit department reviews the appropriateness and effectiveness of our risk management at regular intervals. This allows us to initiate appropriate measures to remedy any deficiencies that may be discovered. In this way, we want to ensure that the Management Board and the Supervisory Board are fully and promptly informed of material risks. Mobility's risk management system is based on a comprehensive, interactive and management-oriented enterprise risk management (ERM) approach that is integrated into the Company's organization and addresses both risks and opportunities. Our ERM approach is based on the globally recognized COSO (Committee of Sponsoring Organizations of the Treadway Commission) standard "Enterprise Risk Management – Integrating with Strategy and Performance" (2017) and ISO (International Organization for Standardization) standard 31000 (2018) and is adapted to the requirements of Mobility.

Our ERM process aims to identify, assess and manage at an early stage risks and opportunities that may have a significant impact on the achievement of the Company's strategic, operational, financial and compliance goals. The reporting period under the ERM approach is usually three years. Our ERM is based on a net principle that addresses the risks and opportunities that remain after existing control measures have been implemented. If risks have already been recorded in planning, budgets, forecasts or annual financial statements (e.g. in the form of provisions or risk allowances), their financial impact is already reflected in the business objectives of the individual units. As a consequence, only additional risks relating to the same topic, such as deviations from business objectives or different risk dimensions, should be recorded in the ERM. In order to provide a comprehensive view of our business activities, risks and opportunities are identified in a structured process that combines elements of a top-down and a bottom-up approach. Reporting is generally carried out on a quarterly basis, with this regular reporting process being supplemented by ad hoc reporting in order to escalate critical issues in a timely manner. Relevant risks and opportunities are prioritized according to impact and probability of occurrence from different perspectives such as business objectives, reputation and regulatory issues. The bottom-up identification and prioritization process is supported by work meetings with the respective management of our organizational units. This top-down element ensures that potential new risks and opportunities are discussed at management level and then included in the reporting if relevant. The reported risks and opportunities are analyzed for possible cumulative effects and aggregated at the respective organizational level as described above.

Responsibilities are defined for all relevant risks and opportunities. The hierarchical level of responsibility depends on the significance of the respective risk or opportunity. As a first step, assuming responsibility for a specific risk or opportunity requires the definition of one of our general response strategies. In terms of risk, our strategies include the following alternatives: Avoiding, transferring, reducing or accepting risks. In terms of opportunities, our general response strategy is to fully realize them. In a second step, responsibility for risks and opportunities also includes developing, initiating and monitoring appropriate measures in accordance with the selected response strategy. In order to enable effective risk management, these response measures must be specifically tailored. For this reason, we have developed a large number of response measures with different characteristics.

Below, we describe risks that may have a material adverse effect on our business, financial (including effects on assets, liabilities and cash flows) and earnings position as well as on our reputation. The order of the risks presented within the four categories reflects the current assessment of the relative risk level for Mobility and therefore provides an indication of the current significance of these risks for us. Additional risks that we are not currently aware of, or risks that we currently consider to be insignificant, may also adversely affect our business activities and objectives.

The following risks are primarily presented from Mobility’s perspective, but apply equally to Siemens Mobility GmbH due to the integration of Siemens Mobility GmbH into Mobility's supply and service network.

3.2.2 Risks

Strategic risks

Economic, political and geopolitical framework (macroeconomic environment)

We see a high degree of uncertainty with regard to the future development of the global economy. Major risks result, for example, from increasing economic instability, geopolitical tensions (e.g. in Ukraine, Russia, Turkey, Africa and the Middle East) and trade wars. These may lead to a deterioration of the investment climate, delays or cancellations of orders and may affect infrastructure projects.

A significant business risk also results from the consequences of the Brexit negotiations. The exit process may, among other things, increase business and consumer uncertainty, lead to restrictions on imports and exports between the UK and the countries of the European Union (EU), affect our relationships with existing and future customers, suppliers and employees, reduce investment in the UK, lead to competitive disadvantages due to increased volatility in the GBP/EUR exchange rate and a need for greater localization of business in the UK. We continuously monitor the exit process and have, for example, set up a working group to coordinate our local and global activities.

Protectionist trade policies (for example, in China and the U.S.A.), increased populist behavior towards contractors in the context of public contracts, increasing localization requirements and changes in the political and regulatory environment in the markets in which Mobility operates, such as import and export controls, customs duties, laws, regulations and other trade barriers, may have a negative impact on our business, financial and earnings position and result in penalties, other sanctions and damage to our reputation. In order to counter these risks, we continuously monitor the political situation and its indicators in order to identify critical cases at an early stage. We do this with the aim of adapting our processes and our business model to possible changes and of increasing awareness of these changes within the organization.

Events of force majeure and natural disasters may also have adverse consequences such as personal injury, damage to plant or equipment, delays or cancellations of orders and deliveries.

Competitive environment

The mobility market is highly competitive in terms of pricing, products, solutions and services, product development and innovation. Mobility's business is confronted with a number of strong existing competitors as well as new competitors from emerging markets (mainly Asia). Some of them are trying to expand their rail business worldwide with a strategic focus on favorable manufacturing and financing conditions. The consolidation process in which we find ourselves in the railway industry may lead to increased competition, a change in our relative market position or unexpected price erosion.

In addition, increasing competition from Chinese players in the European markets poses a growing threat and could have an impact on Mobility's future prospects and business activities.

We counter these risks with a variety of measures. For example, we monitor both existing and known potential competitors and market entry barriers, continuously monitor and analyze market and competition data, carry out benchmarking activities, strategic initiatives and sales initiatives, and exchange information, for example with industry associations.

Operational risks

Competition for qualified staff

Competition for highly qualified staff, such as specialists, experts or talents in the fields of production, development, project management and digitalization, continues to be intense in the industry and regions in which we do business. We are constantly in need of highly qualified staff. Our future success depends in part on the extent to which we succeed in hiring, integrating, developing and retaining engineers and other skilled personnel. We counter this risk, for example, with structured succession planning, an improvement in our perception as an attractive employer, measures to promote employee loyalty and career management. We are also strengthening the capabilities of our talent acquisition team and have defined a strategy for proactively seeking the skills we need in the marketplace.

Approval processes in the railway industry (homologation)

The marketing of our rail products requires compliance with rail safety standards which vary widely at a global level and are regulated and monitored by various regulatory authorities. This creates a complex process to ensure the homologation of trains. The procedure is very costly and may lead to delays and be more expensive than initially expected due to the scope of the audits and evidence required by the competent authorities, which may change over time. Delays caused by the homologation process or additional engineering or production costs associated with the approval may result in delays in delivery, cost overruns and contractual penalties or even the full or partial termination of contracts.

Cyber and information security

Our business is dependent on digital technologies. The worldwide increase in threats to information security that we have observed and greater professionalism in cybercrime lead to risks relating to the security of products, systems and networks as well as risks relating to the confidentiality, availability and reliability of data. We take a number of measures to minimize risk, including employee training, comprehensive monitoring of our networks and information systems by the Cyber Defense Center and use of security and protection systems such as firewalls and virus scanners. However, our Company's systems, products, solutions and services remain potentially vulnerable to attack. This may lead to disclosure, falsification or loss of information, misuse of information systems, product defects, production downtime and supply bottlenecks, with potentially adverse effects on our reputation, competitiveness and business.

Disruptions in the supply chain

The results of our business depend on a reliable and effective supply chain for components, parts, materials and services. Delays and interruptions in the supply chain, for example due to financial difficulties of one or more suppliers or partners or due to services provided by one or more of our consortium partners, may impair our ability to meet our obligations to customers and adversely affect our business objectives.

Financial risks

Market risks

We are subject to the influence of exchange rate fluctuations, particularly between the British pound and the euro and between the US dollar and the euro, as a large proportion of our exports is transacted in countries that use the British pound or the US dollar as their clearing currency. An appreciation or depreciation of the euro may impact our competitive position. We are also exposed to interest rate fluctuations. Adverse developments on the financial markets and changes in central bank policies may have an adverse impact on our results. We seek to manage and control these risks primarily through our ongoing operating and financing activities and use derivative financial instruments in order to hedge these market risks where appropriate.

Liquidity and financing risks, cash management

Liquidity management is based on the financing policy of the Siemens Group which is geared to a balanced financing portfolio, a diversified maturity profile and an adequate liquidity buffer.

With respect to our treasury and financing activities, adverse developments may arise in connection with the financial markets, such as (1) limited availability of funds and hedging instruments, (2) a change in the credit ratings, in particular of rating agencies, (3) effects of more restrictive regulations in the financial sector, central bank policies and the use of financial instruments, (4) termination of financing by Siemens AG or other Siemens Group units or a deterioration in the financial situation of our main financier, Siemens AG. A widening of credit spreads due to uncertainties and risk aversion in the financial markets may lead to adverse changes in our financial assets, in particular our derivative financial instruments.

Siemens Mobility GmbH participated in the cash management of the Siemens Group in fiscal year 2019. The ability of Siemens Mobility GmbH to meet future payment obligations is ensured as the bank accounts participate in the cash pool of Siemens Corporate Treasury, including the possibility of drawing on liquidity from Siemens Corporate Treasury and to use the Siemens payment infrastructure.

Siemens AG has issued letters of comfort in favor of banks - partly for regulatory reasons - to the extent that these banks have provided Siemens Mobility GmbH and its subsidiaries with loans or guarantee facilities.

Risks from contingent liabilities

Siemens Mobility GmbH has entered into contingent liabilities in favor of customers to secure the delivery and performance obligations of its foreign subsidiaries and sister companies. These contingent liabilities are managed on the basis of the financial and risk policies of the Siemens Group.

Risks from pensions and similar obligations

Provisions for pensions and similar obligations may be affected both by a change in actuarial assumptions and by a change in the discount rate. They are also subject to legal risks (e.g. with regard to the design of the plans). A significant increase in these obligations may have an adverse impact on Siemens Group's capital structure and thus reduce its refinancing opportunities and increase refinancing costs. Higher refinancing costs for Siemens may lead to higher refinancing costs for Siemens Mobility GmbH.

Compliance risks

Ongoing and future investigations into allegations of corruption or cartels and other violations of the law

Proceedings against us regarding allegations of corruption, cartels or other violations of the law may have a variety of legal consequences, including fines, penalties, sanctions, court orders regarding future conduct, disgorgement of profit, exclusion from direct or indirect participation in certain transactions, loss of trade licenses or negative press coverage. Accordingly, we may be required, among other things, to comply with certain performance obligations in connection with such proceedings, including potential tax penalties. In addition, the detection of cases of public corruption may jeopardize our business with government and inter-governmental agencies and supranational organizations and lead to the appointment of supervisors to review our future business practices. We may also be asked to change our business practices and our compliance program.

With regard to a significant proportion of our business, we cooperate with governments and government-owned companies. We are also involved in various projects funded by public and inter-governmental bodies or supranational organizations such as multilateral development banks. Pending and possible future investigations into allegations of corruption or cartels or other violations of the law may have adverse effects on our relationships with such clients, including exclusion from public contracts. They may also adversely affect existing private business relationships and the possibility of attracting new private business partners for potentially significant strategic projects and transactions such as strategic alliances, joint ventures or other forms of business cooperation. Such investigations may also lead to the termination of existing contracts, and third parties, such as customers and competitors, may initiate significant legal proceedings against us. In addition, future developments in ongoing or potential future proceedings, such as responses to regulatory requests and cooperation with authorities, may divert the management's attention and resources from other business matters. In addition, we may face compliance risks in connection with recently acquired businesses that are still in the integration process. In addition to other measures, Mobility has established a worldwide compliance organization that, among other things, conducts compliance risk reduction processes, such as compliance risk assessments. The Mobility Compliance System is part of the global Siemens Compliance System.

Regulatory risks and potential sanctions

As a global company, we conduct business with customers in countries that are subject to export control regulations, embargoes, economic sanctions or other forms of trade restrictions (hereinafter referred to as "sanctions") imposed by the U.S., the EU or other countries or organizations. New or extended sanctions in countries in which we do business may result in a restriction of our existing business activities in these countries or indirectly in other countries. Also, policies of national authorities and institutional investors, such as pension funds and insurance companies, are in place that prohibit investments in and transactions with companies or that require the sale of shares in companies if such companies do business with countries identified by the U.S. Department of State as state sponsors of terrorism. In addition, we may be exposed to claims or other actions by customers due to the termination of our business in sanctioned countries. Finally, our reputation may also suffer due to our dealings with counterparties in such countries or with counterparties associated with such countries.

Changes to regulations, laws and policies

As a company with a broad portfolio and global operations, we are exposed to a variety of product- and country-specific regulations, laws and policies that affect our business activities and processes. We monitor the political and regulatory situation in all our major markets to identify potential problem areas and to adapt our business activities and processes to changing framework conditions at an early stage. Nevertheless, changes in regulations, laws and policies may have adverse effects on our business activities and processes as well as on our assets, financial position and earnings situation.

Protectionism (including localization)

Protectionism in trade policy and changes in the political and regulatory environment in markets in which we do business, such as import and export controls, customs regulations and other barriers to trade, including exclusion from certain markets, as well as price or currency restrictions, may influence our operations in various national markets and affect our business, assets, financial position, earnings situation and cash flows. We may also be exposed to fines, other sanctions and reputational damage. In addition, uncertainty in the legal environment in some regions may limit our ability to enforce our rights and cause us to be subject to increasing costs for appropriate compliance programs.

Laws and regulations relating to environmental protection, health and safety and other official regulations

The Mobility industry is in part heavily regulated. Current or future regulations regarding environmental, health and safety issues or other government regulations or changes of such regulations may require an adjustment of our operations and may result in a significant increase in our operating and production costs. In addition, we are aware of the risk of possible environmental, health or safety incidents as well as risks from non-compliance with environmental, health or safety regulations by Mobility and our contractual partners or suppliers, which may result, for example, in serious injuries or damage to property, penalties, loss of reputation as well as internal or external investigations.

Although we have procedures in place to ensure that we comply with applicable government regulations when conducting our business, we cannot rule out the risk that we or third parties with whom we contract and whose actions may be attributed to us – including suppliers and service providers – may violate applicable government regulations. Any such violation exposes us to the risk of liability, reputational damage or loss of licenses and permits that are important to our business. In particular, we may be subject to obligations arising from environmental pollution or from the decontamination of polluted production facilities built or operated by us. Siemens Mobility GmbH is included in the group insurance policies of Siemens AG. For certain environmental risks, insurance cover is therefore provided in the form of liability insurance. However, we may incur losses due to environmental damage that go beyond the insured sums or that may not be covered by the relevant insurance, and such losses may have adverse effects on our business, assets, financial position and earnings situation.

Current or future legal disputes

Siemens Mobility GmbH is and will continue to be involved in legal disputes or similar proceedings in various jurisdictions in the course of its normal business. This also includes legal proceedings arising from contracts with regard to which a transfer within the framework of the legal carve-out of the Mobility business was only possible economically, and for which Siemens Mobility GmbH is liable economically on the basis of intra-group agreements. Such legal proceedings could result in particular in Siemens Mobility GmbH being subject to payment of damages and punitive damages, equitable remedies or criminal or civil sanctions, fines or disgorgements of profit, or having to bear similar consequences due to the Group's internal obligation to assume liability. In individual cases, this may also lead to formal or informal exclusion from tenders or the revocation or loss of business licenses or permits. In addition, further legal proceedings may be commenced or the scope of pending legal proceedings may be expanded. Claims asserted as a result of legal proceedings are generally subject to interest. Some of these legal proceedings could result in adverse decisions that may have material effects on the Company's financial position, the results of its operation and / or its cash flows. Certain legal risks are covered by insurance under Siemens AG's group policies. However, insurance cover does not protect the Company from damage to its reputation. In addition, legal proceedings may result in losses in excess of the sum insured or not covered by the insurance or going beyond any existing litigation provisions. Finally, it cannot be guaranteed that Siemens Mobility GmbH will continue to be able to procure adequate insurance cover at economically reasonable terms in the future.

3.2.3 Summary of the risk situation

The greatest challenges were first identified in each of the four categories of strategic risk, operational risk, financial risk and compliance risk, with the risks resulting from the economic, political and geopolitical environment currently being the most significant for us.

At present, no risks have been identified that, either individually or in their entirety, may jeopardize the continuation of our Company.

3.3 Opportunities report

As part of our Enterprise Risk Management approach, we regularly identify and assess the opportunities arising in our business segments and act accordingly. In the following, we shall describe our most important opportunities. The following opportunities are primarily presented from Mobility’s perspective, but apply equally to Siemens Mobility GmbH due to the integration of Siemens Mobility GmbH into Mobility's supply and service network.

The order of the opportunities presented reflects the current assessment of the relative dimension for Mobility and therefore provides an indication of the current significance of these opportunities for us. The opportunities described are not necessarily the only ones we have. Furthermore, our assessment of opportunities is subject to change as the Company, our markets and our technologies continue to evolve. Also, opportunities we see today may never materialize.

Climate change

While climate change represents a serious risk for the economy and society, we see an opportunity for additional business volume in the mitigation of its effects through initiatives to reduce CO2 emissions, such as the German government's climate protection program Klimaschutzprogramm 2030, for instance in areas such as rail vehicles, signaling technology and service and maintenance.

Positive results from innovations in digitalization

Innovations are a central component of Mobility's entrepreneurial concept. We promote innovation by investing significantly in research and development to develop sustainable mobility solutions for our customers while reinforcing our competitiveness. We are an innovative company and invent new technologies that – in our opinion – meet the future requirements arising from megatrends such as climate change, urbanization and interconnected intermodal mobility. With new and innovative digital products, solutions and services, we, for example, intend to make trains and infrastructure intelligent, increase the availability of infrastructures, optimize route usage, enable operators to use rail data intelligently to optimize maintenance and operation, reduce the need for hardware installations with cloud-based solutions (“interlocking in the cloud”), improve passenger comfort and strengthen cyber security for our customers, thus generating additional revenue and earnings.

Mergers, acquisitions, participations, partnerships

We continuously monitor our current and future markets with regard to opportunities for strategic mergers, acquisitions, participations or partnerships that complement our organic growth. Such activities can help us strengthen our position in our current markets, develop new or underserved markets, or complement our technology portfolio in selected areas.

Excellent project handling

By increasing our project management efforts and learning from our mistakes in the course of project handling through formalized “lessons learned” approaches, we see an opportunity to continuously reduce our non-conformance costs and to ensure on-time completion of our projects and solutions. Also, stringent risk and opportunities management in the projects as well as highly professional management of our suppliers helps us avoid contractual penalties, thus improving our earnings position.

Favorable political and regulatory environment

Government initiatives and subsidies can, for example, lead to increased investment in infrastructure (such as the Chinese "New Silk Road" initiative) or digitalization, and provide an opportunity for us to participate in ways that increase our revenues and earnings.

3.4 Risk reporting relating to the use of financial instruments

To hedge the risks arising from fluctuations in foreign currencies, we follow the binding guidelines of the Siemens Group and hedge our net foreign currency position in a range between 75% and 100%. Project business is almost completely hedged.

4. Corporate Governance Declaration

On November 5, 2018, the Supervisory Board of Siemens Mobility GmbH set targets for the proportion of women on the Supervisory Board and among the Managing Directors for the period up to October 31, 2023.

As a minimum, the level of 5/16 (equivalent to 31.25%) achieved at the time of the resolution should be maintained in the Supervisory Board. The same applies to the Management Board for the level of 1/3 (corresponds to approx. 33.3%) achieved at the time of the resolution.

On November 23, 2018, the Management Board set the following targets for the proportion of women in the two management levels below the Management Board defined on the basis of the concrete reporting lines, which has in part already been achieved:

Management level	**First**	**Second**
Percentage of women globally as per Sept. 30, 2019	5.0%	31.1%
Percentage of women Germany as per Sept. 30, 2019	20.0%	28.8%
Percentage of women target Sept. 30, 2023	25.0%	25.0%

Siemens Mobility GmbH

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Balance Sheet

(EUR'000)	2019	Sep. 30 2018
Assets		
Non-current assets	**3,708,761**	**3,674,172**
Intangible assets	31,481	32,375
Property, plant and equipment	179,254	192,193
Financial assets	3,498,026	3,449,604
Current assets	**1,505,150**	**741,873**
Inventories	3,645,724	3,530,538
Advance payments received	(3,645,724)	(3,530,538)
	0	0
Trade receivables	100,622	41,076
Receivables from affiliated companies	1,305,830	660,286
Receivables from companies in which shareholding interests are held	2,154	2,713
Other receivables and other assets	88,801	27,565
Cash and cash equivalents	7,742	10,233
Prepaid expenses	**5,867**	**1,400**
Active difference resulting from offsetting	**5,960**	**1,874**
Total Assets	**5,225,738**	**4,419,319**
Shareholders' equity and liabilities		
Shareholders' equity	**1,650,064**	**1,600,626**
Subscribed capital	50,000	50,000
Capital reserve	1,494,053	1,494,053
Unappropriated net income	106,011	56,573
Provisions	**1,420,849**	**1,461,941**
Provisions for pensions and similar obligations	658,117	588,823
Other provisions	762,733	873,118
Liabilities	**2,134,303**	**1,335,395**
Advance payments received on orders	535,856	270,182
Trade payables	534,202	403,265
Liabilities to affiliated companies	845,972	439,191
Other liabilities	218,273	222,757
Deferred income	**20,522**	**21,357**
Total shareholders' equity and liabilities	**5,225,738**	**4,419,319**

Income Statement

(EUR'000)	Fiscal year 2019	Shortened Fiscal year 2018
Revenue	**4,328,552**	**950,657**
Cost of sales	(3,492,821)	(719,083)
Gross profit	**835,730**	**231,574**
Research and development expenses	(350,999)	(70,215)
Selling expenses	(308,121)	(44,065)
General administrative expenses	(70,059)	(17,585)
Other operating income	1,570	0
Other operating expenses	(27,633)	(1,048)
Income from operations	**80,488**	**98,661**
Income from investments	54,610	0
Interest income	4,112	(132)
Interest expenses	(4,445)	(588)
Other financial income(expenses), net	(69,193)	(9,597)
Income from business activity	**65,572**	**88,344**
Income taxes	(16,134)	(31,771)
Net income	**49,438**	**56,573**
Appropriation of net income		
Net income	**49,438**	**56,573**
Profit carried forward from previous year	**56,573**	**0**
Unappropriated net income	**106,011**	**56,573**

Notes

General information

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

The object of the business of Siemens Mobility GmbH is research and development, manufacture, sale and distribution as well as the operation and maintenance of products, systems, installations and solutions in the mobility sector, in particular related to electrification, automation and digitalization, as well as the provision of related services.

The fiscal year starts on October 01 of one year and ends on September 30 of the following year. The 2018 fiscal year was a shortened fiscal year. It started on November 27, 2017 and ended on September 30, 2018.

Siemens Mobility GmbH acquired its business operations from the sole shareholder Siemens AG, registered offices in Berlin and Munich, by contribution in kind against the granting of corporate rights, with effect as of August 1, 2018.

These financial statements were prepared in accordance with sections 242 et seq. and 264 et seq. of the Commercial Code (HGB), the relevant provisions of the Limited Liability Companies Act (GmbHG) and the articles of association. The regulations for large corporations apply.

Amounts are presented in EUR'000. Due to rounding, individual numbers may not add up exactly to the sum indicated.

The income statement is presented using the cost-of-sales method.

In order to improve the clarity of presentation, individual items of the balance sheet and income statement have been combined and are therefore broken down and explained separately in these notes. For the same reason, information on the allocation to other items and information on sub-items is also provided in the notes.

Register information

The Company is registered under the name Siemens Mobility GmbH, registered offices in Munich, in the commercial register of the local court (Amtsgericht) of Munich under number HRB 237219.

Accounting and measurement principles

The following accounting and measurement principles were used to prepare the annual financial statements.

Revenue comprises income from the sale of products, the provision of services, the rental of products and the granting of licenses.

Negative interest from financial investments is shown under **interest income**, positive interest from borrowing under **interest expenses** as a deductible item.

Intangible assets acquired for consideration are capitalized at cost and depreciated on a straight-line basis over a maximum of the longer of five years or the contractual useful life. In the year of acquisition, depreciation takes place *pro rata temporis*.

The capitalization option is not exercised for internally generated intangible fixed assets.

Goodwill acquired against consideration is generally depreciated over the expected useful life of 15 years. This is based on the expected benefit of the acquired businesses and is determined in particular by economic factors such as future growth and profit expectations, synergy effects and headcount.

Property, plant and equipment: The composition of production costs is described in the context of the notes on inventories. Property, plant and equipment is generally depreciated using the straight-line method. In certain cases, the declining balance method of depreciation is applied. In these cases, the straight-line depreciation method is used as soon as this leads to higher depreciation. In the year of acquisition, depreciation takes place *pro rata temporis*.

Independently usable movable fixed assets of up to EUR 250 that are subject to wear and tear are immediately expensed at cost. Additions whose acquisition or manufacturing costs amount to more than EUR 250 but not more than EUR 800 are capitalized and fully depreciated in the year of acquisition.

Useful life of property, plant and equipment	In years
Factory and commercial buildings	20 to 50
Other buildings	5 to 10
Technical equipment and machinery	predominantly 10
Other equipment, factory and office equipment	3 to 8
Leased products	predominantly 3 to 5

Financial assets: Impairment losses are recorded if a decline in value is expected to be permanent. This is the case when objective evidence, in particular events or changed circumstances, indicate a significant or prolonged decline in value. Loans that do not bear interest or bear interest below market rates are discounted to their present value.

Inventories are carried at the lower of average acquisition/manufacturing cost or current market value. In addition to direct costs, production costs also include appropriate portions of production and material overheads as well as decline in value of fixed assets. General administration expenses and expenses for company social facilities, voluntary social benefits and occupational pensions are not capitalized. Write-downs are made for inventory risks resulting from reduced usability and technical obsolescence as well as in the context of the loss-free valuation of uncharged deliveries and services in the plant and service business.

Allowances on **receivables** are recognized according to the probability of default and according to country risk.

Deferred taxes: Deferred tax liabilities are recognized to the extent that differences between the valuation according to the commercial code and the valuation according to tax law are expected to result in an overall future tax burden. If the deferred tax assets correspond to the existing deferred tax liabilities, the amount after offsetting is recorded. An excess of deferred tax assets over deferred tax liabilities is not recognized if it results in an overall tax credit, thus exercising the option under section 274 (1) HGB. Deferred taxes were measured at a tax rate of 31.60%. Deferred taxes are mainly based on differences in the valuation of goodwill, inventories, prepaid expenses, provisions for pensions and similar obligations, other provisions and non-current liabilities.

Offsetting of assets, income and expenses: Assets which exclusively serve to meet pension obligations and residual partial retirement obligations and which are not available to all other creditors are measured at fair value. Income and expenses from these assets are offset against the costs from the reversal of discounting of the corresponding liabilities, and are reported under other financial income/expenses.

Pensions and similar obligations: Siemens Mobility GmbH measures the payment obligations from pension commitments on the basis of biometric probabilities at the settlement amount determined using the projected-unit-credit method. Benefit entitlements from plans based on investment income from underlying assets are generally measured at the current market value of the underlying assets on the balance sheet date. If the development of the value of the underlying assets is lower than a promised return, the contributions are accumulated with the promised return and discounted to their present value in order to determine the pension provision. Discounting is based on the respective average market interest rate published by Deutsche Bundesbank for a remaining term of 15 years.

Other provisions include appropriate and sufficient individual provisions for all identifiable risks from uncertain liabilities and for impending losses from pending transactions, taking into account the settlement amount required according to prudent business judgment. Material provisions with a remaining term of more than one year are discounted at the average market interest rate for the appropriate term as determined and published by Deutsche Bundesbank.

Currency translation: Receivables, other assets, securities, cash and cash equivalents, provisions and liabilities (excluding advance payments received on orders) as well as contingent liabilities in foreign currencies are generally valued at the mean spot exchange rate on the balance sheet date. Balance sheet items in foreign currencies that are part of the valuation unit used to hedge foreign currency risk are valued at the average spot exchange rate on the transaction date. Fixed assets and inventories acquired in foreign currencies are translated at the average spot exchange rate on the transaction date.

Derivative financial instruments are used exclusively for hedging purposes and, if the conditions are met, are combined with the hedged underlying transactions to form valuation units. When valuation units are formed, the changes in value or cash flows from the underlying and hedging transactions are compared with each other; only a negative surplus from the ineffective portion of the market value changes is provided for. The unrealized gains and losses on the effective portion are fully offset and are neither recognized in the balance sheet nor in the income statement.

Notes to the balance sheet

Non-current assets

The development of the individual fixed asset items is shown in the following statement of changes in fixed assets, together with depreciation for the fiscal year.

As of September 30, 2018, in view of the provisional nature of the purchase price allocation, the difference between the consideration and the value of the individual assets at the time of the acquisition less the liabilities from the acquisition of the Taiwanese plant was recognized as prepaid expenses. Upon completion of the purchase price allocation, the final goodwill was reclassified to non-current assets. The previous year's figures were adjusted accordingly.

	Acquisition or production costs					Accumulated depreciation				Book values	
(EUR'000)	Oct. 01, 2018	Additions	Reclassifications	Disposals	Sep. 30, 2019	Oct. 01, 2018	Depreciation	Disposals	Sep. 30, 2019	Sep. 30, 2019	Sep. 30, 2018
Intangible assets											
Licenses and industrial property rights	6,013	5,552	0	0	11,565	(391)	(3,300)	5	(3,686)	7,879	5,622
Goodwill	27,073	0	0	0	27,073	(320)	(3,151)	0	(3,471)	23,602	26,754
Total	**33,086**	**5,552**	**0**	**0**	**38,638**	**(711)**	**(6,451)**	**5**	**(7,157)**	**31,481**	**32,375**
Property, plant and equipment											
Land, land rights and buildings, including buildings on third-party land	2,364	3,029	(23)	0	5,370	(71)	(604)	0	(675)	4,695	2,293
Technical equipment and machinery	115,760	5,784	1,274	(2,706)	120,111	(2,707)	(15,918)	63	(18,562)	101,550	113,053
Other equipment, factory and office equipment	61,469	24,023	2,365	(1,955)	85,902	(4,373)	(25,153)	1,749	(27,777)	58,126	57,096
Leased products	8,316	0	0	(4,209)	4,107	(59)	(295)	151	(204)	3,903	8,257
Advance payments made and assets under construction	11,494	3,105	(3,616)	(2)	10,981	0	0	0	0	10,981	11,494
Total	**199,403**	**35,941**	**0**	**(8,872)**	**226,472**	**(7,210)**	**(41,970)**	**1,963**	**(47,218)**	**179,254**	**192,193**
Financial assets											
Shares in affiliated companies	3,321,573	52,685	0	(51)	3,374,207	0	(616)	0	(616)	3,373,590	3,321,573
Shares in investments	127,800	4,543	0	(8,136)	124,207	0	0	0	0	124,207	127,800
Loans	231	0	0	(3)	228	0	0	0	0	228	231
Total	**3,449,604**	**57,228**	**0**	**(8,190)**	**3,498,642**	**0**	**(616)**	**0**	**(616)**	**3,498,026**	**3,449,604**
Non-current assets	**3,682,093**	**98,721**	**0**	**(17,062)**	**3,763,752**	**(7,921)**	**(49,038)**	**1,968**	**(54,991)**	**3,708,761**	**3,674,172**

Information on shareholdings

(EUR'000)	Shareholding in %	Equity	Income (expenses)
Germany			
eos.uptrade GmbH, Hamburg	100	(701)	(98)[1]
HaCon Ingenieurgesellschaft mbH, Hanover	100	26,186	6,108[2]
Siemens Traction Gears GmbH, Penig	100	12,688	2,439[2]
Sternico GmbH, Wendeburg	45	387	(610)
IFTEC GmbH & Co. KG, Leipzig	50	8,557	1,158
Elsewhere			
Bytemark, Inc., New York, NY	95	51	(5,263)
ESTEL Rail Automation SPA, Algiers	51	2,489	492
Siemens Mobility, Inc, Wilmington, DE	100	897,770	25,937[1]
Siemens Mobility Limited, Frimley, Surrey	100	774,260	108,976
Siemens Mobility LLC, Moscow	100	29,572	5,703[2]
Siemens Mobility AG, Wallisellen	100	18,310	3[2]
Siemens Mobility Austria GmbH, Vienna (formerly Siemens Mobility GmbH)	100	245,658	(132,012)[2]
Siemens Mobility S.A., Munro	10	3	0[2]
Siemens Mobility Ulasim Sistemleri Anonim Sirketi, Istanbul	100	11,916	1,780
Ural Locomotives Holding Besloten Vennootschap, The Hague	50	102,576	4,767
Wi-Tronix Group Inc., Dover, DE	30	15,982	(4,179)

[1] Shortened fiscal year
[2] The Company entered into a profit-and-loss-transfer agreement with Siemens Mobility GmbH during the fiscal year; figures provided for the fiscal year ended September 30, 2018.

Insofar as the disclosures are of minor significance for the presentation of assets, liabilities, financial position and income situation, they are not made, in accordance with section 286 (3) No. 1 HGB.

Inventories

(EUR'000)	2019	Sep. 30 2018
Raw materials, consumables and supplies	195,479	137,635
Unfinished products	264,438	285,106
Finished products and merchandise	106,212	108,127
Uncharged deliveries and services	2,578,261	2,429,946
Advance payments made	501,334	569,724
Total	**3,645,724**	**3,530,538**

Uncharged deliveries and services essentially comprise capitalized expenses incurred in connection with the provision of deliveries and services for projects in the plant business that had not yet been invoiced to the customer as of the balance sheet date.

Receivables and other assets

(EUR'000)	2019	Sep. 30 2018
Trade receivables	100,622	41,076
of which with residual maturities of more than 1 year	*23,638*	*28*
Receivables from affiliated companies	1,305,830	660,286
of which with residual maturities of more than 1 year	*0*	*0*
Receivables from companies in which shareholding interests are held	2,154	2,713
of which with residual maturities of more than 1 year	*1,166*	*1,500*
Other receivables and other assets	88,801	27,565
of which with residual maturities of more than 1 year	*68*	*13,492*
Total	**1,497,408**	**731,640**

Receivables and other assets include EUR 856,984 thousand (previous year: EUR 470,266 thousand) in receivables from the sole shareholder Siemens AG. Of this amount, EUR 241,362 thousand (previous year: EUR 387,526 thousand) relates to receivables resulting from customer contracts that were transferred to Siemens Mobility GmbH only economically, but not legally, as part of the contribution in kind of the business operations. The contracting parties have objected or not yet agreed to the legal transfer of these contracts.

Of the receivables from affiliated companies, a partial amount of EUR 61,000 thousand (previous year: EUR 4,619 thousand) relates to trade receivables.

In December 2018, Siemens Mobility GmbH established the Siemens Mobility Cash-Management-System, which in turn participates in the Siemens AG Cash-Management-System. In this context, Siemens Mobility GmbH has enabled its subsidiaries and other companies that are affiliated with Siemens AG pursuant to sections 15 et seq. AktG and are to be attributed to the Siemens mobility business to participate in the Siemens Mobility Cash-Management-System in accordance with applicable laws and official regulations. The establishment of the Siemens Mobility Cash-Management-System in 2018 resulted in financial receivables from and payables to these companies, which are reported under receivables from and payables to affiliated companies.

Active difference resulting from offsetting

The active difference results from the offsetting in accordance with section 246 (2) 2 HGB of assets that exclusively serve to meet pension obligations (deferred compensation) or similar liabilities with long-term maturity (partial retirement program) and that are not accessible to all other creditors (plan assets as defined in section 246 (2) 2 HGB) with such liabilities.

Information on offsetting pursuant to section 246 (2) 2 HGB:

(EUR'000)	Sep. 30 2019
Acquisition costs of assets	88,217
Fair value of assets	90,488
Settlement amount of offset liabilities	84,528
Active difference resulting from offsetting	**5,960**

Shareholders' equity - amounts subject to dividend payout restriction

The valuation at fair value of assets to be netted in connection with partial retirement agreements does not result in amounts subject to a dividend payout restriction.

The difference that is subject to a dividend payout restriction between the recognition of provisions for pension obligations in accordance with the corresponding average market interest rate from the past ten and seven fiscal years amounts to EUR 82,144 thousand.

The difference that is subject to a dividend payout restriction between the plan assets as defined in section 246 (2) 2 HGB and the acquisition cost of these assets (profits not realized and not netted) amounts to EUR 2,578 thousand.

Unappropriated net income

Unappropriated net income includes income carried forward of EUR 56,573 thousand; reference is also made to the proposal for the appropriation of net income.

Provisions for pensions and similar obligations

Siemens Mobility GmbH provides pension benefits through the Siemens Defined Contribution Pension Plan (BSAV), frozen plans with old commitments (vested benefits) and Deferred Compensation Plans. The majority of active employees participate in the BSAV. The benefits under this plan are mainly based on the nominal contributions by the Company and their investment income from the underlying assets, with the Company guaranteeing a minimum rate of return. In the course of the introduction of the BSAV, the effect of salary increases was largely eliminated for benefits from the frozen plans with old commitments, so that valuation assumptions for salary increases including the career trend no longer have any material significance for the Siemens Mobility GmbH pension obligations. The plans are covered by assets via fiduciary structures of Siemens AG. Siemens Mobility GmbH does not yet have its own trust structure; the beneficial owner of the trust assets is Siemens AG.

The actuarial valuation of the settlement amount was based, *inter alia*, on a discount rate of 2.82% and a pension trend of 1.50%; a pension trend of 1.00% was assumed for the obligations under the BSAV. As of September 30, 2019, the mortality tables used in Germany (Siemens Bio 2017) are based primarily on data from the German Siemens population and, to a lesser extent, on data from the German Federal Statistical Office, using a set of formulas that comply with recognized actuarial rules.

Other provisions

Other provisions amounting to EUR 762,733 thousand (previous year: EUR 873,118 thousand) include miscellaneous provisions of EUR 724,176 thousand (previous year: EUR 841,541 thousand) and tax provisions of EUR 38,556 thousand (previous year: EUR 31,577 thousand).

Miscellaneous provisions mainly relate to provisions for warranties in the amount of EUR 334,945 thousand, provisions for personnel expenses in the amount of EUR 154,331 thousand, provisions for outstanding invoices for goods and services in the amount of EUR 121,468 thousand and for losses on orders in the amount of EUR 70,096 thousand.

Liabilities

The remaining maturities of the liabilities are shown in detail in the following statement of changes in liabilities.

(EUR'000)	**Sep. 30**	**of which with a residual maturity of**			**Sep. 30**	**of which with a residual maturity of**		
Type of liability	**2019**	**up to 1 year**	**1 to 5 years**	**more than 5**	**2018**	**up to 1 year**	**1 to 5 years**	**more than 5**
1. Advance payments received on orders	535,856				270,182			
2. Trade payables	534,202	534,143	60	0	403,265	402,841	424	0
3. Liabilities to affiliated companies	845,972	783,316	62,655	0	439,191	211,638	227,553	0
4. Liabilities to companies in which shareholding interests are held	11	11	0	0	21	21	0	0
5. Other liabilities	218,262	159,479	8,911	49,872	222,736	164,171	8,693	49,872
of which from taxes	*27,537*				*35,034*			
of which social security liabilities	*10,159*				*11,242*			
Total	**2,134,303**	**1,476,948**	**71,626**	**49,872**	1,335,395	778,671	236,670	49,872

Liabilities to affiliated companies amount to EUR 231,654 thousand (previous year: EUR 426,040 thousand) and are in relation to the sole shareholder Siemens AG. The liabilities to the shareholder include a loan liability for the ICE 4 project amounting to EUR 227,554 thousand (previous year: EUR 374,184 thousand).

Of the liabilities to affiliated companies, a partial amount of EUR 4,310 thousand (previous year: EUR 3,986 thousand) relates to trade receivables.

Notes to the Income Statement

Breakdown of revenues

Siemens Mobility GmbH operates in the following two areas of business:

- "Infrastructure" supplies products, solutions and complete systems for the automation and optimization of rail and road traffic. This business unit also includes complete solutions for rail and road traffic as well as rail electrification solutions.
- "Rolling Stock" is a leading supplier of rail vehicles for regional and long-distance transport as well as for urban passenger transport. The portfolio includes both product and system solutions.

In both business areas, information is also disclosed on the respective "Customer Service" as a worldwide service provider for the provision of maintenance services for rail vehicles, railway and road infrastructure as well as for complete systems.

Revenue

(EUR'000)	2019	Fiscal year 2018
- by area of activity		
Infrastructure	1,133,802	191,403
Rolling Stock	3,188,285	753,562
Others	6,465	5,693
Total	**4,328,552**	**950,657**
- by region		
Germany	2,022,095	391,764
Americas	67,304	12,907
Asia, Australia	306,787	55,062
Europe, CIS, Africa, Middle East	1,932,366	490,924
Total	**4,328,552**	**950,657**

Cost of materials and personnel expenses

The cost of materials in the fiscal year amounts to EUR 2,889,988 thousand and is broken down as follows:

(EUR'000)	2019	Fiscal year 2018
Cost of raw materials, consumables and supplies and of purchased merchandise	(1,485,624)	(263,144)
Cost of purchased services	(1,404,364)	(257,786)
Cost of materials	**(2,889,988)**	**(520,930)**

The personnel expenses incurred in the 2019 fiscal year amounted to EUR 1,354,213; these expenses are broken down as follows:

(EUR'000)	2019	Fiscal year 2018
Wages and salaries	(1,168,967)	(172,971)
Social security, pension and other benefit costs	(185,246)	(37,977)
of which for pensions	*(3,775)*	*(10,006)*
Personnel expenses	(1,354,213)	(210,948)

Income from investments

Income from investments in the 2019 fiscal year amounts to EUR 54,610 thousand and is broken down as follows:

(EUR'000)	2019	Fiscal year 2018
Income from shareholdings	41,694	0
of which in affiliated companies	*35,941*	*0*
Income from profit-and-loss-transfer agreements with affiliated companies	11,592	0
Depreciation on shareholdings in affiliated companies	(616)	0
Income from the disposal of shareholdings	6,303	0
Expenses from the disposal of shareholdings	(4,363)	0
Income/expenses from investments	**54,610**	**0**

Depreciation on shareholdings in affiliated companies is unscheduled depreciation.

Interest income, interest expenses

Interest income from affiliated companies amounts to EUR 3,455 thousand (previous year: EUR -201 thousand), and includes expenses in the amount of EUR 1,906 thousand (previous year: 262 thousand) due to negative interest from investments.

Interest expenses to affiliated companies amount to EUR 4,759 thousand (previous year: EUR 495 thousand), and includes income in the amount of EUR 1,586 thousand (previous year: 0 thousand) due to positive interest from borrowings.

Other financial income/expenses

Other financial income/expenses consist of interest expenses for pensions in the amount of EUR 70,265 thousand (previous year: EUR 8,942 thousand), income in connection with deferred compensation (employee-financed pension plan) in the amount of EUR 2,734 thousand (previous year: expenses of EUR 217 thousand), as well as accrued interest on provisions in the amount of EUR 1,748 thousand (previous year: EUR 438 thousand).

Expenses and income relating to periods other than the period under review

The Siemens Mobility GmbH income statement includes expenses relating to other periods in the amount of EUR 3,780 thousand (previous year: EUR 0 thousand) and income relating to other periods in the amount of EUR 166,477 thousand (previous year: EUR 0). Income relating to other periods is mainly attributable to the reversal of provisions.

Other information

Contingent liabilities

(EUR'000)	Sep. 30 2019
Liabilities from guarantees	32,780
Warranty obligations	61,557
of which in the supply and service business of affiliated companies	61,326
of which miscellaneous	232
Contingent liabilities	**94,337**

The warranty obligations include obligations of Siemens Mobility GmbH to affiliated companies in the amount of EUR 61,326 thousand.

Siemens Mobility GmbH enters into contingent liabilities only after careful consideration of the risks involved and only in connection with its own business activities or those of affiliated companies. Siemens Mobility GmbH currently assumes that the obligations underlying the contingent liabilities can be met by the respective principal debtors; this opinion is based on a continuous evaluation of the risk situation of the contingent liabilities entered into and takes into account any findings obtained up to the time of preparation of these financial statements. Siemens Mobility GmbH therefore considers the risk of claims as unlikely for all the contingent liabilities listed.

Off-balance sheet transactions

From fiscal year 2020 onwards, the Company has undertaken to pay its shareholder Siemens AG a revenue-related license fee for the use of the "SIEMENS" brand. The fee amounts to one percent of the external net sales of all Mobility companies, calculated in accordance with the Siemens Group accounting rules. In this context, the Mobility companies include the Company itself, Siemens Mobility SAS, France, Siemens Mobility Holding B.V., Netherlands, Siemens Mobility Real Estate GmbH & Co. KG and Siemens Mobility Real Estate Management GmbH as well as the subsidiaries of the aforesaid. The Company will pass on part of the fee to other Mobility companies.

The Company uses supplier consignment warehouses to ensure that urgently needed parts are made available close to the production facilities. As a result, the Company is restricted to certain suppliers, but there are no delivery times for parts held in these warehouses and the investment cost and/or capital commitment is lower compared with company-owned warehouses for goods or components. As of September 30, 2019, consignment stocks totaled EUR 3,597 thousand.

The Company purchases services from affiliated companies, e.g. in procurement, information technology or financial accounting. This serves to achieve cost synergies within the Group. The fees for these services are included in the functional costs.

Other financial obligations

Leasing and rental agreements in place as of the balance sheet date result in future payment obligations in the amount of EUR 112,068 thousand. This includes EUR 65,732 thousand due to affiliated companies. Of the total payment obligations arising from leasing and rental agreements, EUR 30,934 thousand relate to the upcoming fiscal year; the obligations to affiliated companies amount to EUR 17,201 thousand. The objects of these contracts are in particular rents for buildings and land.

In the course of its normal business operations, Siemens Mobility GmbH is involved in numerous legal and regulatory proceedings as well as governmental investigations (Legal Proceedings) in various jurisdictions. These Legal Proceedings could result in particular in Siemens Mobility GmbH being subject to payment of damages and punitive damages, equitable remedies or criminal or civil sanctions, fines or disgorgements of profit. In individual cases, this may also lead to formal or informal exclusion from tenders or the revocation or loss of business licenses or permits. In addition, further Legal Proceedings may be commenced or the scope of pending Legal Proceedings may be expanded. Some of these Legal Proceedings could result in adverse decisions for Siemens Mobility GmbH that may have material effects on its financial position, the results of its operation and / or its cash flows in the respective reporting period. As far as not recognized in the financial statements, Siemens Mobility GmbH does currently not expect any material negative effects on its financial position, the results of its operations and / or its cash flows.

Derivative financial instruments

Siemens Mobility GmbH's worldwide business activities expose it in particular to risks from exchange rate fluctuations which are managed within the framework of a proven risk management system, taking into account specified risk limits. Siemens Mobility GmbH uses foreign exchange forwards to hedge exchange rate fluctuations.

Siemens Mobility GmbH is also exposed to risks from changes in raw material prices. Siemens Mobility GmbH uses commodity forward contracts without physical delivery (financial hedges) for hedging purposes. Hedges for aluminum, lead and copper existed at the balance sheet date.

The contracting partner of all hedging contracts is Siemens AG.

The following table shows the hedging contracts in place at the balance sheet date:

(EUR'000)	**Nominal amount Sep. 30 2019**	**Market value Sep. 30 2019**
Foreign exchange forwards	1,038,081	(46,392)
Commodity forwards	22,064	(577)
Existing derivative financial instruments	**1,060,145**	**(46,969)**

The nominal amount corresponds to the contract values of the individual derivative financial instruments, which – irrespective of the type of transaction concluded (purchase or sale) – are shown without netting (gross nominal amounts).

The valuation of derivative financial instruments and the determination of fair values depend on the type of instrument. For currency derivatives, it is determined on the basis of the fluctuations in the relevant exchange rates. If the conditions are met, derivative financial instruments are combined with the hedged underlying transactions to form valuation units. The effectiveness of the valuation unit is either guaranteed by risk management or demonstrated both prospectively and retrospectively on the basis of the relevant methods for measuring effectiveness (e.g. dollar-offset method, regression analysis, sensitivity analysis).

Valuation unit for hedging foreign exchange risk

The expected cash flows in foreign currency in the project business (plant and service business) are almost fully hedged and combined into valuation units (micro hedges).

The remaining net foreign currency position is hedged within a range of at least 75% but not more than 100% with the Siemens AG Treasury.

The net foreign currency position (before hedging) is combined with the offsetting currency hedging transactions to form a macro valuation unit. Underlying and hedging transactions are measured for this purpose using the underlying discounted cash flows. Incoming and outgoing payments resulting from currency hedging transactions and from pending and anticipatory transactions are shown net in the following table.

The derivative financial instruments have a maximum term up until 2033.

The net foreign currency position before and after hedging was as follows on the balance sheet date:

(EUR'000)	Sep. 30 2019
Foreign currency risk from balance sheet items	37,575
of which assets	*171,097*
of which liabilities	*(133,522)*
Foreign currency risk from pending transactions and anticipatory transactions	916,535
Net foreign currency position (before hedging)	**954,110**
Currency hedging transactions	**(1,038,081)**
of which with external contracting partners	*0*
of which with affiliated companies	*(1,038,081)*
Net foreign currency position (after hedging)	**(83,971)**

As of 30 September 2019, the foreign currency portfolio reaches a hedging degree (ratio of the absolute amounts of hedging transactions to underlying transactions) of 94%. It was not necessary to set up a provision for impending losses from pending transactions.

Corporate bodies

Supervisory Board

Alia Al Refai	Head of Shareholder Controlling, Siemens AG
Dr. Roland Busch - Chairman of the Supervisory Board, from August 01, 2019	Deputy Chief Executive Officer, Chief Technology Officer, Labor Director & Member of the Managing Board, Siemens AG
Thorsten Gröger	IG Metall District Manager - District of Lower Saxony and Saxony-Anhalt
Nina Günther	Head of Labor Law, Employment Conditions, Communication, Siemens AG
Bettina Haller - Deputy Chairwoman of the Supervisory Board	Deputy Chairwoman of the Works Council, Siemens Mobility GmbH, Berlin
Silke Holzschuh-Reick	Head of Business Administration Mobility Customer Services Lifecycle Services, Siemens Mobility GmbH
Torsten Kaminski	Deputy Chairman of the Works Council, Siemens Mobility GmbH, Braunschweig
Peter Kastenmeier, until July 31, 2019	Head of Shareholder Controlling Region Germany, Siemens AG
Dr. Horst J. Kayser, since August 01, 2019	Corporate Vice President, Chief Strategy Officer, Siemens AG
Anatoli Klassen	Trade Union Secretary on the IG Metall executive board
Martina Maier, since August 01, 2019	Chief Compliance Officer, Siemens S.A./N.V.
Dr. Christian Pfeiffer	Member of the Works Council, Siemens Mobility GmbH, Erlangen
Matthias Rebellius, since August 01, 2019	Chief Operating Officer of the Operating Company Smart Infrastructure, Siemens Schweiz AG
Sabine Reichel	Head of Investor Relations, Siemens AG
Wolfram Seiler, until July 31, 2019	Head of Strategic Planning and Portfolio, Siemens AG
Robert Spangler, until July, 31 2019	Head of Tax Planning, Siemens AG
Heinz Spörk	Chairman of the Works Council, Siemens Mobility GmbH, Krefeld
Anton Steiger - Chairman of the Supervisory Board, until July 31, 2019	Head of Legal Mergers & Acquisitions, Corporate, Siemens AG
Dr. Jürgen Wagner, since August 01, 2019	Corporate Vice President & Corporate Financial Controller, Siemens AG
Klaus-Dieter Weber	Chairman of the Works Council, Siemens Mobility GmbH, Munich-Allach
Hardi Zajewski, until July 31, 2019	Head of Mergers & Acquisitions Team 3, Siemens AG

Management Board

The following were members of the Management Board in fiscal 2019:

- Karl Blaim, Chief Financial Officer
- Michael Peter, Chief Executive Officer
- Sabrina Soussan, Chief Executive Officer

Total remuneration of the Management Board

The remuneration for the Management Board for the 2019 fiscal year amounted to EUR 3,692 thousand.

Total remuneration of the Supervisory Board

The members of the Supervisory Board do not receive any remuneration for their activities as members of the Supervisory Board.

Employees

The staff members employed on average held the following positions:

	Fiscal year 2019
Production	10,156
Research and development	1,398
Sales	1,826
Administration and general services	455
Employees	**13,835**

Group relations

The annual financial statements of Siemens Mobility GmbH are included in the consolidated financial statements of Siemens AG, Berlin and Munich.

Siemens AG, Berlin and Munich, prepares consolidated financial statements for the largest and the smallest sets of companies. These statements are published in the German Federal Gazette.

Siemens Mobility GmbH was not required to prepare consolidated financial statements as per September 30, 2019, as Siemens AG prepares consolidated financial statements and a consolidated management report as of September 30, 2019, with exempting effect for Siemens Mobility GmbH; these can be obtained from the registered office of Siemens AG in Munich.

Auditor's fees

The auditor's fees charged for the fiscal year need not be disclosed as they are included in the Siemens AG consolidated financial statements.

Supplementary statement

There were no events of particular significance after the balance sheet date that had material financial impact.

Proposal for the appropriation of net income

The Management Board proposes to carry forward the unappropriated net income of EUR 106,010,960.72 to the new period.

Munich, December 02, 2019

The Management Board

Karl Blaim Michael Peter Sabrina Soussan

Independent Auditor's Report – Translation from the German Language

To Siemens Mobility GmbH

Opinions

We have audited the annual financial statements of Siemens Mobility GmbH, Munich, which comprise the balance sheet as of September 30, 2019, and the income statement for the fiscal year from October 1, 2018 to September 30, 2019, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Siemens Mobility GmbH for the fiscal year from October 1, 2018 to September 30, 2019. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to Sec. 289f (4) HGB ["Handelsgesetzbuch": German Commercial Code] (disclosures on the quota for women on executive boards) in Section 4 of the management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of September 30, 2019 and of its financial performance for the fiscal year from October 1, 2018 to September 30, 2019 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the statement on corporate governance pursuant to Sec. 289f (4) HGB referred to above (disclosures on the quota for women on executive boards).

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 annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and the management report in accordance with Sec. 317 HGB and German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Other information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to Sec. 289f (4) HGB included in Section 4 of the management report (disclosures on the quota for women on executive boards).

Our opinions on the annual financial statements and on the 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 annual financial statements, with the management report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a 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 management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual 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 annual financial statements and on the 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 in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) 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 annual financial statements and this 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 annual financial statements and of the 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 annual financial statements and of arrangements and measures (systems) relevant to the audit of the 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 of the Company;
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures;
- Conclude on the appropriateness of the executive directors' 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 Company'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 annual financial statements and in the 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 Company to cease to be able to continue as a going concern;
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles;
- Evaluate the consistency of the management report with the annual financial statements, its conformity with law, and the view of the Company's position it provides;
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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.

Munich, December 02, 2019

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Bostedt	Süppel
Wirtschaftsprüfer [German Public Auditor]	Wirtschaftsprüferin [German Public Auditor]