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Siemens Aktiengesellschaft Österreich, Vienna

Financial Statements
as of September 30, 2019 (Translation)

Siemens Aktiengesellschaft Österreich, Vienna

Balance sheet as of September 30, 2019

Assets

	9/30/2019 €	9/30/2018 €000
A. Fixed assets		
I. Intangible assets	69,654,627	88,169
II. Property, plant, and equipment	186,459,611	192,856
III. Financial assets	827,961,128	846,609
	1,084,075,366	**1,127,634**
B. Current assets		
I. Inventories		
1. Raw materials and supplies	50,357,824	47,307
2. Work in process	7,628,138	8,464
3. Finished goods and merchandise	3,168,652	3,897
4. Services not yet chargeable	926,807,585	842,884
5. Advance payments made	38,556,950	38,160
6. Advances received from customers	-592,555,455	-530,204
	433,963,694	***410,508***
II. Accounts receivable and other assets		
1. Accounts receivable – trade	131,075,831	176,124
thereof with a maturity of more than one year: € 12,156,510; 2018: € 14,364 thousand		
2. Accounts receivable – affiliated companies	367,187,985	882,229
thereof with a maturity of more than one year: € 0; 2018: € 0 thousand		
3. Accounts receivable – associated companies	907,925	458
thereof with a maturity of more than one year: € 0; 2018: € 0 thousand		
4. Other receivables and assets	85,431,733	67,187
thereof with a maturity of more than one year: € 3,423,120; 2018: € 4,892 thousand		
	584,603,474	***1,125,998***
III. Cash on hand, cash in banks	***10,804,404***	***9,467***
	1,029,371,572	**1,545,973**
C. Deferred items	**3,030,882**	**3,378**
D. Deferred tax assets	**33,380,000**	**25,241**
	2,149,857,820	**2,702,226**

Equity and liabilities

	9/30/2019 €	9/30/2018 €000
A. Shareholders' equity		
I. Subscribed, called-up, and paid-in capital stock	***125,925,000***	***125,925***
II. Capital reserves		
1. Restricted	265,603,867	265,604
2. Non-restricted	362,467,774	345,393
	628,071,641	***610,997***
III. Retained earnings		
1. Unappropriated reserves	***9,053,311***	***9,053***
IV. Net profit	***164,186,336***	***609,005***
thereof profit carried forward: € 5,441; 2018: € 123,775 thousand		
	927,236,288	**1,354,980**
B. Provisions		
1. Provisions for termination benefits	100,669,020	94,702
2. Provisions for post-employment benefits	34,592,558	35,138
3. Accrued income tax	15,551,394	13,521
4. Other provisions	455,429,101	461,807
	606,242,073	**605,168**
C. Liabilities		
1. Bank loans	0	10
thereof with a maturity of up to one year: € 0; 2018: € 10 thousand		
thereof with a maturity of more than one year: € 0; 2018: € 0 thousand		
2. Advances received from customers	191,949,932	239,357
thereof with a maturity of up to one year: € 191,949,932; 2018: € 239,357 thousand		
thereof with a maturity of more than one year: € 0; 2018: € 0 thousand		
3. Accounts payable – trade	101,555,238	121,218
thereof with a maturity of up to one year: € 101,555,238; 2018: € 121,218 thousand		
thereof with a maturity of more than one year: € 0; 2018: € 0 thousand		
4. Accounts payable – affiliated companies	196,260,091	251,704
thereof with a maturity of up to one year: € 190,692,071; 2018: € 246,799 thousand		
thereof with a maturity of more than one year: € 5,568,020; 2018: € 4,905 thousand		
5. Other liabilities	115,823,833	117,737
thereof with a maturity of up to one year: € 88,147,716; 2018: € 86,115 thousand		
thereof with a maturity of more than one year: € 27,676,117; 2018: € 31,622 thousand		
thereof due to taxes: € 26,089,954; 2018: € 17,226 thousand		
thereof with a maturity of up to one year: € 26,089,954; 2018: € 17,226 thousand		
thereof with a maturity of more than one year: € 0; 2018: € 0 thousand		
thereof due to social security: € 17,253,469; 2018: € 18,095 thousand		
thereof with a maturity of up to one year: € 17,253,469; 2018: € 18,095 thousand		
thereof with a maturity of more than one year: € 0; 2018: € 0 thousand		
Total liabilities	**605,589,094**	**730,026**
thereof with a maturity of up to one year: € 572,344,957; 2018: € 693,499 thousand		
thereof with a maturity of more than one year: € 33,244,137; 2018: € 36,527 thousand		
D. Deferred items	**10,790,365**	**12,052**
	2,149,857,820	**2,702,226**

Siemens Aktiengesellschaft Österreich, Vienna

Income statement

Fiscal years ended September 30, 2019, and September 30, 2018

	2019 €	2018 €000
1. Revenue	1,794,147,952	2,536,114
2. Cost of sales	-1,628,636,165	-2,386,998
3. Gross profit on sales	165,511,787	149,116
4. Marketing and selling expenses	-140,865,920	-185,186
5. General administrative expenses	-3,455,620	-3,835
6. Other operating income	38,813,651	63,874
7. Other operating expenses	-2,490,474	-3,067
8. Subtotal of lines 3 to 7 (operating result)	***57,513,424***	***20,902***
9. Income from investments in affiliated and associated companies thereof from affiliated companies: € 132,433,770; 2018: € 128,235 thousand	132,433,770	128,237
10. Income from other securities classified as financial assets thereof from affiliated companies: € 0; 2018: € 0 thousand	34,531	24
11. Other interest income and similar income thereof from affiliated companies: € 322,976; 2018: € 183 thousand	773,029	1,303
12. Income from the disposal and write-up of financial assets	22,329,776	44,249
13. Expenses arising from financial assets thereof a) write-downs: € 14,457,593; 2018: € 890 thousand b) expenses arising from affiliated companies: € 13,652,887; 2018: € 0 thousand	-14,457,593	-1,516
14. Interest and similar expenses thereof for affiliated companies: € 1,759,693; 2018: € 3,507 thousand	-25,408,336	-16,850
15. Subtotal of lines 9 to 14 (financial result)	***115,705,177***	***155,447***
16. Earnings before taxes	**173,218,601**	**176,349**
17. Result from mergers	0	-18,816
18. Income tax	-9,037,706	-14,723
19. Earnings after taxes = Net profit for the year	**164,180,895**	**142,810**
20. Increase in net assets due to carve-out	0	342,420
21. Profit carried forward	5,441	123,775
22. Net profit	**164,186,336**	**609,005**

Notes for
Siemens Aktiengesellschaft Österreich
for fiscal year 2019

1. General

The annual financial statements of Siemens Aktiengesellschaft Österreich as of September 30, 2019, were prepared in accordance with the Austrian Commercial Code (UGB) as amended. The income statement was prepared on the basis of the cost-of-sales accounting format.

Certain reportable items were aggregated in the balance sheet and the income statement. These items are disclosed in the following notes.

The following notable transactions occurred in fiscal year 2019:

Capital increase for Siemens Transformer (Guangzhou) Co. Ltd., Guangzhou

A dividend received by Siemens Transformer (Guangzhou) Co. Ltd., Guangzhou, in fiscal year 2019 was reinvested and led to an increase in the book value of the shareholding by €20,748 thousand.

Sale of Mobility holdings

The sale of the Mobility holding Siemens Mobility S.R.L., Bucharest, in accordance with the contract dated June 7, 2018, took legal effect when it was entered into the commercial register on October 16, 2018. In addition, Siemens Mobility, s.r.o., Prague, was sold by way of a contract dated May 31, 2018, and the sale took legal effect on October 1, 2018. In total, this resulted in a profit of €20,682 thousand taking all retroactive purchase price adjustments into account.

Dividend-induced write-down for Priamos Grundstücksgesellschaft m.b.H., Vienna

Based on a shareholders' resolution dated June 20, 2019, Siemens Aktiengesellschaft Österreich received a dividend in the amount of €20,726 thousand. This was followed by a dividend-induced write-down in the amount of €13,473 thousand. The company was subsequently sold at book value to KDAG Beteiligungen GmbH, Vienna.

Contribution in kind of Trench Austria GmbH, Leonding

In an agreement regarding the contribution and assignment of shares dated September 2, 2019, Trench Austria GmbH, Leonding, was transferred from Siemens Konzernbeteiligungen GmbH, Vienna, to Siemens Aktiengesellschaft Österreich as a contribution in kind without the granting of shares at the amortized book value in the amount of € 15,686 thousand. The effective date for the contribution was set as June 30, 2019. This resulted in an increase of the book value of the financial assets of Siemens Aktiengesellschaft Österreich as well as an increase in the non-restricted capital reserve in the same amount.

2. Recognition and measurement principles

The financial statements were prepared in accordance with generally accepted accounting principles as well as general standards to present a true and fair view of the company's assets, liabilities, and financial and earnings position.

The principles of completeness and individual valuation were adhered to, and the going concern principle was applied.

The principle of prudence was adhered to by applying the imparity principle. Only those profits are reported that were realized and earned as of the balance sheet date, and adequate provisions have been made for all risks and potential losses foreseeable on the balance sheet date and at the time that the financial statements were prepared.

Intangible assets are valued at their acquisition cost less straight-line amortization, with the half-year method applying in the year of acquisition. Impairment charges are recorded when the fair value at the balance sheet date is below book value and the decrease in value is other than temporary.

Property, plant, and equipment are valued at their acquisition cost or production cost, less straight-line depreciation where depreciable, and less impairment charges where required. The depreciation is calculated on a straight-line basis over the useful life of the respective asset, with the half-year method applying in the year of acquisition. The definition of production costs for the valuation of self-produced property, plant, and equipment corresponds to that applied for inventories.

Amortization and depreciation are based on the following rates:

	%
Intangible assets	20–33.34
Goodwill	arithmetic-degressive
Buildings	3–20
Technical equipment and machinery	10–20
Other equipment, plant, and office equipment	20–50
Special tools, low-value assets, standard tools	100
Leased equipment	20–25 or based on the contract duration

Impairment charges are recorded when the fair value at the balance sheet date is below book value and the decrease in value is other than temporary.

Financial assets are valued as follows:
– Investments in affiliated companies and other shareholdings at historical cost, reduced where appropriate to recognize a decline other than temporary in the value of the investments and increased by impairment charge reversals when the reason for the impairment no longer applies. The valuation approaches applied are the discounted cash flow method and the income approach.
– Financial investments at their historical cost taking into account the reduction of any premium contained in the purchase price using straight-line amortization or at lower exchange prices prevailing on the balance sheet date.

Raw materials and supplies are valued at their average historical cost according to the moving average price method or at the lower values prevailing on the balance sheet date.

Work in process and finished goods are valued at their production cost. The production costs include direct materials and direct labor as well as an appropriate portion of material and production overhead as well as expenses for social benefits as defined in § 203 (3) UGB, but not directly attributable interest on borrowings.

Merchandise is valued at average historical cost according to the moving average price method or at the lower value prevailing on the balance sheet date.

Services not yet chargeable are valued in the same manner as merchandise. Neither the proportional administrative and selling expenses nor interest on borrowings are capitalized. Advance payments received from customers are deducted from the finished work.

Inventory risks arising from extended storage and reduced usability are accounted for by reasonable allowances.

Appropriate provisions are made to cover expected losses from pending transactions.

Accounts receivable and other assets are reported at their nominal value, or in the event of foreseeable risks, at their lower fair value. Accounts receivable denominated in foreign currencies are covered against exchange rate risk for the most part and valued at the lower of cost or market using the average closing exchange rate as of the balance sheet date. Appropriate provisions are determined on the basis of standard, group-wide customer and sector ratings to cover general credit risks. Non-interest bearing or low-interest bearing receivables are reduced to their discounted value using a standard market interest rate.

Deferred taxes are formed pursuant to § 198 (9) and (10) UGB using the balance sheet approach and without a discount, based on the current corporate income tax rate of 25 percent (2018: 25 percent).

The provisions for termination benefits and anniversary bonuses are computed using the projected unit credit method according to IAS 19. The calculation was performed using an interest rate of 0.80 percent (interest rate as of the balance sheet date; 2018: 1.89 percent) and a growth rate of 3.00 percent (2018: 3.00 percent) of the relevant assessment basis, based on the AVÖ 2018-P mortality tables for salaried employees (2018: AVÖ 2018-P mortality tables).

The retirement age was computed based on a calculated retirement age of 62 years for women and men, taking into account the transitional provisions according to the 2011 Finance Act (Budgetbegleitgesetz 2011) and the Federal Constitutional Law on Age Limits (BVG Altersgrenzen) for women. Any individual retirement dates of which the company has been notified were taken into account. The end of financing applied is the earlier of the calculated retirement age or the 25th year of service (for termination benefits). Age-dependent fluctuation rates of 0.41 percent to 8.49 percent (2018: 0.44 percent to 7.84 percent) were also applied.

The provisions for post-employment benefits are computed using the projected unit credit method according to IAS 19. The calculation was performed using an interest rate of 0.80 percent (interest rate as of the balance sheet date; 2018: 1.89 percent) and a growth rate for the current benefits of 0.00 percent or 2.00 percent (2018: 0.00 percent or 2.00 percent), based on the AVÖ 2018-P mortality tables for salaried employees (2018: AVÖ 2018-P mortality tables). As in the previous year, the provisions for post-employment benefits do not pertain to any active employees.

The provisions for other long-term employee benefits are computed using the projected unit credit method according to IAS 19. The calculation was performed using an interest rate of 0.80 percent (interest rate as of the balance sheet date; 2018: 1.89 percent) and a growth rate of 3.00 percent (2018: 3.00 percent) of the relevant assessment basis, based on the AVÖ 2018-P mortality tables for salaried employees (2018: AVÖ 2018-P mortality tables). The retirement age was computed based on a calculated retirement age of 62 years for women and men, taking into account the transitional provisions according to the 2011 Finance Act (Budgetbegleitgesetz 2011) and the Federal Constitutional Law on Age Limits (BVG Altersgrenzen) for women. Any individual retirement dates of which the company has been notified were taken into account.

The option to recognize the actuarial interest in the financial result was employed for the recognition of the provisions for termination benefits, post-employment benefits, anniversary bonuses, and other long-term employee benefits.

In keeping with the concept of prudence, the item other provisions is composed of provisions for all other foreseeable risks as well as for liabilities for which the existence or amount is uncertain on the balance sheet date and at the time the financial statements were prepared in an amount deemed necessary and reasonable to cover them. They consist of provisions for warranties, other project-related provisions and deferred items, personnel expenses, and other risks.

The non-current provisions are discounted using a matched-maturity interest rate published by Deutsche Bundesbank.

Liabilities are reported at their repayment amounts. Liabilities denominated in foreign currencies are covered against exchange rate risk for the most part and valued at the higher of cost or market using the average closing exchange rate on the balance sheet date.

The derivative financial instruments used in the reporting period consisted of forward exchange transactions and commodity hedges. The values were calculated as of the balance sheet date based on changes in forward exchange rates and commodity forward prices. No valuation units were formed with the hedged underlying transactions. Thus, the derivatives were valued according to the imparity principle. Forward exchange transactions and commodity hedges were only conducted with Siemens Aktiengesellschaft, Berlin and Munich.

3. Notes to the balance sheet

Fixed assets

The breakdown of and changes in the aggregate fixed assets reported in the balance sheet for fiscal year 2019 can be found in Annex 1, “Changes in fixed assets.”

The item Licenses, industrial property rights, and similar rights and licenses to such rights includes the goodwill recognized pursuant to § 203 (5) UGB in fiscal year 2012 in connection with the merger of Siemens Transformers Austria GmbH & Co KG (STA KG), Vienna, with Siemens Aktiengesellschaft Österreich. A useful life of 15 years has been applied on the basis of the expected duration of the acquired company, the stability of the industry, and the product cycles. Because of the higher loss of value for the capitalized goodwill at the beginning of the term, arithmetic-degressive amortization will be applied over the 15-year useful life. The book value as of September 30, 2019, was €69,650 thousand (2018: €88,151 thousand).

Information about the most important equity holdings in affiliated companies and other shareholdings can be found in the “Summary of investments in affiliated and associated companies” (Annex 2).

The other financial investments break down as follows:

	9/30/2019 Book value €000	**9/30/2019 Fair value €000**	9/30/2018 Book value €000	9/30/2018 Fair value €000
Financial investments	10,520	11,077	10,591	10,591

Accounts receivable and other assets

Information on the maturity and structure of receivables can be found in the “Summary of accounts receivable” (Annex 3).

The major item in the other receivables and assets after allowances is receivables from tax authorities amounting to €71,853 thousand (2018: €52,819 thousand).

Other receivables and assets include income in the amount of €68,004 thousand (2018: €48,664 thousand) for which cash will be received after the balance sheet date.

Deferred tax assets

The deferred tax assets are the result of differences in value according to the Austrian generally accepted accounting principles and tax law that mainly pertain to provisions for post-employment benefits, provisions for termination benefits, and other provisions, set off against the deferred tax liabilities allocated to the goodwill of STA KG recognized in the 2012 fiscal year.

The recognized deferred tax assets can be considered recoverable.

Capital stock

The company's capital stock consists of 1,725,000 fully paid-up bearer shares at zero par value and totals €125,925 thousand (2018: €125,925 thousand).

Capital reserves

The statutory reserve is allocated in the required amount and contained in the restricted capital reserve.

In fiscal year 2019, the capital reserve increased by €15,686 thousand due to the contribution in kind of Trench Austria GmbH, Leonding, by Siemens Konzernbeteiligungen GmbH, Vienna.

In addition, a contribution was made by Siemens Konzernbeteiligungen GmbH, Vienna, the direct parent company of Siemens Aktiengesellschaft Österreich, to the second-tier subsidiary Aspern Smart City Research GmbH & Co KG, Vienna, which led to an increase in the non-restricted capital reserves in the amount of €1,389 thousand.

The non-restricted capital reserves include an amount excluded from distribution totaling €14,746 thousand (2018: €14,746 thousand) from business combinations.

Provisions

The total benefit obligation for pension benefits that have been outsourced and are covered by planned assets amounts to €34,901 thousand (2018: €35,201 thousand). In connection with planned assets in the amount of €21,239 thousand (2018: €20,117 thousand), this results in an accumulated benefit obligation of €13,662 thousand (2018: €15,084 thousand).

Other provisions consist of the following items:

	2019 €000	2018 €000
Personnel expenses	175,570	163,561
Project-related provisions and deferred items	153,101	182,664
Warranties	78,359	82,032
Other	48,399	33,550
	455,429	**461,807**

An amount of €37,591 thousand (2018: €31,582 thousand) is recognized in the other provisions for restructuring measures that have been approved and are being implemented in the individual Operating Companies.

Liabilities

Information on the maturity and structure of the liabilities can be found in the "Summary of liabilities" (Annex 4).

The major items in other liabilities include liabilities to employees in the amount of €66,472 thousand (2018: €73,367 thousand), liabilities to tax authorities totaling €26,090 thousand (2018: €17,226 thousand), and liabilities to regional healthcare authorities in the amount of €17,253 thousand (2018: €18,095 thousand).

Other liabilities include expenses amounting to €91,982 thousand (2018: €100,636 thousand) that will be paid after the balance sheet date.

Deferred items

This item primarily shows deferred income from rental and maintenance activities.

Hedging transactions

Derivative instruments were held for the purpose of hedging foreign currency risk and commodity futures for the purpose of hedging the development of raw materials prices as follows on the current balance sheet date and on the balance sheet date for the previous fiscal year:

Currency hedging transactions	Forward currency sales €000	Forward currency purchases €000	Positive fair values €000	Negative fair values €000
9/30/2019	353,970	31,827	2,319	-16,654
9/30/2018	311,657	54,846	2,092	-9,191

Commodity hedges	Hedging volume Sale in €000	Hedging volume Purchase in €000	Positive fair values €000	Negative fair values €000
9/30/2019	0	3,052	23	-70
9/30/2018	0	7,807	43	-359

The positive market values were not recognized in the annual financial statements in accordance with the imparity principle. Other provisions were formed in the amount of € 16,724 thousand (2018: € 9,550 thousand) for the negative fair values.

Contingent liabilities and obligations arising from the use of property, plant, and equipment not recognized on the balance sheet

The contingent liabilities break down as follows:

	2019 €000	2018 €000
Guaranty commitments	16,700	16,860
Trade commitments	229,067	565,955
	245,767	**582,815**

The guaranty commitments for affiliated companies contained in this amount break down as follows:

	2019 €000	2018 €000
Guaranty commitments	16,700	16,860
Trade commitments	189,086	518,952
	205,786	**535,812**

The decline in trade commitments was primarily due to the reduction of guarantees assumed in the previous year for Siemens Mobility Austria GmbH, Vienna (formerly: Siemens Mobility GmbH, Vienna).

No collateral for third-party obligations had been provided as of the balance sheet date or in the previous year.

Payment obligations from the utilization of property, plant, and equipment not recognized on the balance sheet from rental, tenancy, and lease agreements will total €9,829 thousand (2018: €9,097 thousand) for the coming fiscal year and €26,316 thousand (2018: €32,252 thousand) for the coming five fiscal years. In the case of both the current reporting period and the prior year, this item does not include any liabilities to affiliated companies for the coming fiscal year or the coming five fiscal years.

4. Notes to the income statement

Revenue

Revenue can be broken down as follows by sales market:

	2019 €000	2018 €000
Domestic revenue	859,072	1,230,443
Foreign revenue thereof EU €592,244 thousand (2018: €941,773 thousand) thereof non-EU €342,832 thousand (2018: €363,898 thousand)	935,076	1,305,671
	1,794,148	**2,536,114**

Revenue can be broken down according to operations as follows:

	2019 €000	2018 €000
Digital Industries	344,017	385,005
Siemens Industrial Manufacturing, Engineering and Applications	136,618	174,748
Smart Infrastructure	580,569	529,028
Gas and Power	581,226	540,346
Mobility	0	740,201
Portfolio Companies	60,760	83,642
Other	90,958	83,144
	1,794,148	**2,536,114**

The breakdown of revenues by business area corresponds to the restructuring of Siemens Group that went into effect as of April 1, 2019. In order to ensure comparability, the figures for the previous fiscal year are also presented in accordance with the new structure.

Due to the carve-out, the Strategic Company Mobility was only included in the books of Siemens Aktiengesellschaft Österreich for the first three quarters in the prior year.

Manufacturing, selling, and general administrative expenses

The functional costs (manufacturing, selling, and general administrative expenses) were computed from the operational accounts according to cost center allocation.

They can be broken down into the following cost categories:

	2019 €000	2018 €000
Cost of raw materials, supplies, and merchandise	1,017,403	1,576,617
Cost of purchased services	197,490	290,152
Personnel expenses	496,780	721,821
Amortization and depreciation on intangible and tangible assets	45,371	55,833
Changes in valuation allowances and other provisions	-783	69,074
Other operational expenses/expense adjustments	102,732	93,394
Other internally produced and capitalized assets	-3,843	-1,292
Inventory changes	-82,192	-229,580
	1,772,958	**2,576,019**

The functional costs can be broken down as follows:

	2019 €000	2018 €000
Manufacturing expenses	1,628,636	2,386,998
Marketing and selling expenses	140,866	185,186
General administrative expenses	3,456	3,835
	1,772,958	**2,576,019**

The manufacturing expenses are presented less funding received for research.

Personnel

Average number of employees (full-time equivalents:
not including employees completing compulsory military service, employees on parental leave, and apprentices):

	2019	2018
Wage earners	1,064	1,932
Salary earners	3,560	4,762
	4,624	**6,694**

The average number of employees for the prior year also includes the employees involved in the mobility activities up until the legal effectiveness of the carve-out as of July 3, 2018.

Personnel expenses

Total personnel expenses can be broken down as follows:

	2019 €000	2018 €000
Wages	65,286	107,320
Salaries	316,306	443,886
Expenses for social benefits	115,188	170,615
	496,780	**721,821**

The wages and salaries include expenses for the changes in the provision for anniversary bonuses in the amount of €431 thousand (2018: €3,767 thousand) and in the restructuring provisions in the amount of €10,116 thousand (2018: €21,833 thousand) recognized through profit or loss.

The expenses for social benefits can be broken down as follows:

	2019 €000	2018 €000
Expenses for pension plans	8,405	17,187
Expenses for termination benefits and contributions to employee welfare funds	6,883	9,087
Expenses for mandatory social security contributions, payroll-related benefits, and other mandatory contributions	92,152	130,995
Other personnel-related expenses	7,748	13,346
	115,188	**170,615**

The expenses for pension plans include pension fund contributions and income from the changes in the provision for other long-term employee benefits in the amount of €12,647 thousand (2018: €13,199 thousand) as well as pension payments and income from the changes in the provision for post-employment benefits in the amount of € 4,242 thousand (2018: expenses of € 3,988 thousand).

The expenses for termination benefits and contributions to employee welfare funds include expenses for termination benefits in the amount of € 2,724 thousand (2018: € 3,513 thousand).

The expenses for termination benefits and post-employment benefits can be broken down as follows:

	2019 **€000**	2018 €000
Members of the Managing Board and managerial employees as per § 80 (1) AktG	1,233	1,455
Other employees	9,896	19,245
	11,129	**20,700**

Other operating income

Other operating income can be broken down as follows:

	2019 **€000**	2018 €000
Income from the sale of fixed assets excluding financial assets	4,378	2,921
Income from the release of provisions	34,086	58,636
Other income	350	2,317
	38,814	**63,874**

The decline in income from the release of provisions resulted primarily from changes in provisions for warranties.

Income from the disposal and write-up of financial assets

This item primarily consists of the proceeds from the sale of the Mobility holdings in Czechia and Romania as well as a retroactive purchase price adjustment for the Mobility holding in Slovenia amounting to € 20,682 thousand in total (2018: € 38,405 thousand).

In addition, an impairment charge reversal on an associated company in the amount of € 2,983 thousand was reported under this item in the prior year.

Expenses arising from financial assets

This item primarily consists of a dividend-induced write-down on Priamos Grundstücksgesellschaft m.b.H., Vienna, in the amount of €13,473 thousand. The company was subsequently sold at book value.

Interest and similar expenses

This item primarily contains the actuarial interest for the provisions for termination benefits, post-employment benefits, anniversary bonuses, and other long-term employee benefits in the amount of €23,205 thousand (2018: €10,189 thousand).

The interest expenses also include negative interest from intragroup financial deposits in the amount of €1,605 thousand (2018: €3,175 thousand).

In addition, this item includes the expenses in the amount of €420 thousand (2018: €2,964 thousand) resulting from the compounding of the other non-current provisions.

Result from mergers

The merger of Siemens Liegenschaftsverwaltung GmbH, Vienna, effective February 7, 2018, resulted in a merger loss in the amount of €19,121 thousand in the prior year.

The merger of Liegenschaftsverwaltung Kraußstraße 1–7 GmbH, Vienna, was entered into the commercial register on March 10, 2018, and led to a merger profit of €305 thousand in the prior year.

Therefore, the aggregated result from mergers in the prior year was a loss of €18,816 thousand.

Income tax

The company has been a member of the tax group parented by Siemens Konzernbeteiligungen GmbH, Vienna, pursuant to § 9 KStG since fiscal year 2005.

The fiscal results of the group members are allocated to the group parent. Assessments as defined in the tax consolidation agreement were applied for fiscal earnings adjustments between the group parent and each individual group member. Under this agreement, group members transferring a tax loss to the group parent (Siemens Konzernbeteiligungen GmbH, Vienna) receive compensation in the amount of 16 percent of the loss. Group members transferring a positive tax result benefit from the group's aggregate advantage on a pro rata basis.

Taxes on income include the tax expense from group allocations in the amount of € 12,926 thousand (2018: € 6,945 thousand).

Of the total income taxes, € 248 thousand pertain to earnings from previous periods (2018: expenses of € 5,565 thousand).

The income from the change in deferred tax assets totals € 8,139 thousand (2018: € 4,439 thousand).

Increase in net assets due to carve-out

In the previous year, the carve-out of mobility activities into Siemens Mobility Austria GmbH, Vienna, resulted in a demerger gain of € 320,093 thousand. The expenses and income for the mobility activities were included in the original income and expense items of Siemens Aktiengesellschaft Österreich's income statement up until the recognition of the carve-out and in aggregate resulted in a loss of € 22,327 thousand. This was transferred to Siemens Mobility Austria GmbH, Vienna, via the item Increase in net assets due to carve-out, such that a positive result from the carve-out in the total amount of € 342,420 thousand was reported under this item.

	2019 €000	2018 €000
Increase in net assets due to carve-out		
Mobility demerger profit	0	320,093
Mobility result transfer	0	22,327
	0	**342,420**

Expenses for the financial auditor

Due to the inclusion of Siemens Aktiengesellschaft Österreich in the consolidated financial statements of Siemens Aktiengesellschaft, Berlin and Munich, and the disclosure of the expenses for the financial auditor in these consolidated financial statements, this information is not being provided in these annual financial statements.

Proposal for the appropriation of profits

For fiscal year 2019, the Managing Board proposes a dividend in the amount of € 164,186 thousand from the net profit for 2019, which must be confirmed by the Annual Shareholders' Meeting.

Material events after the balance sheet date

Due to the political changes that occurred in Bolivia after the balance sheet date, there are uncertainties regarding the further execution of several combined cycle power plant projects. The financial effects cannot be predicted at the time of the preparation of these annual financial statements.

No other events occurred after the balance sheet date that have an impact on the financial position of the company as of September 30, 2019.

5. Other information

Supervisory Board, Managing Board

Supervisory Board

Klaus Helmrich, Dipl.-Ing. (FH)
Chairman of the Supervisory Board

Josef Pröll, Dipl.-Ing.
Deputy Chairman of the Supervisory Board

Helmut Draxler, Dipl.-Ing. Dr.

Sabine Herlitschka, Dipl.-Ing. Dr. MBA

Monika Kircher, Mag. Dr. h. c.

Karl Sevelda, Mag. Dr.

Ralf P. Thomas, Prof. Dr. rer. pol.

Gabriele Zuna-Kratky, Dr.

Elected by the Works Council*

Andreas Ecker, Ing.
Chairman of the Central Works Council

Regina Assigal

Paul Lauermann, Ing.

Christian Schaller

Managing Board

Wolfgang Hesoun, Ing.
Chief Executive Officer

Wolfgang Wrumnig, Mag.
Chief Financial Officer

* Elected to the Supervisory Board by the Works Council pursuant to § 110 (1) of the Austrian Labor Constitution Act.

Remuneration of board members

	2019 €000	2018 €000
Members of the Managing Board (active and former)	3,045	2,712
Members of the Supervisory Board	142	143

Stock awards

The company grants stock awards to members of the Managing Board and managerial employees.

Stock awards are subject to a vesting period of roughly four years and provide an entitlement to shares in Siemens Aktiengesellschaft, Berlin and Munich, that are transferred to the recipient upon expiration of the vesting period without payment being effected.

Stock awards are linked to performance criteria. The annual target amount for stock awards can be tied to the average earnings per share (EPS, undiluted) for the last three fiscal years and/or solely to the development of Siemens’ share price compared with the share price of five key competitors during the four-year vesting period. The range for the achievement of the performance criteria is from 0 percent to 200 percent. If the achievement rate of the future price development target for the Siemens share compared with the five key competitors exceeds 100 percent, an additional cash payment is made based on the level of exceedance up until the 2018 tranche. Starting with the 2019 tranche, stock awards will be granted for the entire range for Siemens’ achievement of the performance criteria and will be fulfilled in the form Siemens shares.

In the 2019 fiscal year, stock awards with a vesting period from 2014 to 2018 (2018: 2013–2017) and amounting to €3,714 thousand (2018: €3,353 thousand) were transferred to the members of the Managing Board and managerial employees.

Information regarding the exemption from preparing consolidated financial statements

The company is a consolidated affiliate of Siemens Aktiengesellschaft, Berlin and Munich. The company is included in the consolidated accounts of Siemens Aktiengesellschaft, Berlin and Munich, which prepares consolidated financial statements for the largest and smallest group of companies. Due to the inclusion of Siemens Aktiengesellschaft Österreich in the consolidated financial statements of Siemens Aktiengesellschaft, Berlin and Munich, Siemens Aktiengesellschaft Österreich is not required to prepare separate consolidated financial statements.

The consolidated financial statements of Siemens Aktiengesellschaft, Berlin and Munich, are filed with the commercial register of the Vienna Commercial Court under the number 252377v for Siemens Konzernbeteiligungen GmbH, Vienna.

Vienna, November 26, 2019

The Managing Board

Wolfgang Hesoun m.p. Chief Executive Officer	Wolfgang Wrumnig m.p. Chief Financial Officer

Siemens Aktiengesellschaft Österreich, Vienna

Changes in fixed assets

Attachment 1

Figures in €000	Acquisition/production costs					Accumulated amortization/depreciation					Net book value	
Fixed asset items	As of 10/1/2018	Transfers	Additions	Disposals	As of 9/30/2019	As of 10/1/2018	Transfers	Additions	Disposals	As of 9/30/2019	As of 9/30/2019	As of 9/30/2018
I. Intangible assets												
1. Licenses, industrial property rights, and similar rights and licenses to such rights	2,532	0	0	8	2,524	2,521	6	0	8	2,519	5	11
2. Goodwill	261,831	0	402	1,045	261,188	173,673	18,909	0	1,044	191,538	69,650	88,158
	264,363	0	402	1,053	263,712	176,194	18,915	0	1,052	194,057	69,655	88,169
II. Property, plant, and equipment												
1. Land, equivalent rights to property, and buildings including buildings on land not owned												
a) Property value	21,447	0	0	1,418	20,029	1,069	0	0	0	1,069	18,960	20,378
b) Building value	254,450	11	10	17	254,454	134,711	6,401	0	5	141,107	113,347	119,739
2. Technical equipment and machinery	140,708	2,545	4,393	1,680	145,966	104,860	9,427	0	1,300	112,987	32,979	35,848
3. Other equipment, plant, and office equipment	113,720	1,331	9,360	10,734	113,677	102,777	10,222	0	10,620	102,379	11,298	10,943
4. Leased equipment	5,554	0	2,753	137	8,170	5,255	406	0	137	5,524	2,646	299
5. Construction in process	2,963	-2,355	5,003	0	5,611	0	0	0	0	0	5,611	2,963
6. Advance payments	2,686	-1,532	464	0	1,618	0	0	0	0	0	1,618	2,686
	541,528	0	21,983	13,986	549,525	348,672	26,456	0	12,062	363,066	186,459	192,856
III. Financial assets												
1. Investments in affiliated companies	2,050,207	0	36,524	58,243	2,028,488	1,226,807	13,653	1,633	13,473	1,225,354	803,134	823,400
2. Investments in associated companies	24,207	0	3,969	0	28,176	11,589	2,280 1)	0	0	13,869	14,307	12,618
3. Financial investments	10,605	0	0	85	10,520	14	0	14	0	0	10,520	10,591
	2,085,019	0	40,493	58,328	2,067,184	1,238,410	15,933	1,647	13,473	1,239,223	827,961	846,609
	2,890,910	0	62,878	73,367	2,880,421	1,763,276	61,304 1)	1,647	26,587	1,796,346	1,084,075	1,127,634

1) Including € 1,476 thousand for the shares in Aspern Smart City Research GmbH & Co KG, Vienna, held in trust

Siemens Aktiengesellschaft Österreich, Vienna

Summary of investments in affiliated and associated companies

Attachment 2

Company, registered headquarters	(Negative) equity capital €000	Shareholding %	Profit/loss for the period €000	Last reporting date
Aspern Smart City Research GmbH, Vienna	51	44.10	7	12/31/2018
Aspern Smart City Research GmbH & Co KG, Vienna	10,471	44.10	-5,277	12/31/2018
E-Mobility Provider Austria GmbH, Vienna	39	20.00	0	12/31/2018
KDAG Beteiligungen GmbH, Vienna	7,700	100.00	372	09/30/2018
Oil and Gas ProServ LLC, Baku	3,609	25.00	250	12/31/2018
Siemens (Austria) Proiect Spital Coltea S.R.L., Bucharest	-94	100.00	-5	12/31/2018
Siemens d.d., Zagreb	16,761	100.00	3,046	09/30/2018
Siemens d.o.o. Beograd, Belgrade	28,441	100.00	2,886	09/30/2018
Siemens d.o.o., Podgorica	364	100.00	3	12/31/2018
Siemens d.o.o. Sarajevo, Sarajevo	588	100.00	-605	09/30/2018
Siemens d.o.o., Ljubljana	5,137	100.00	3,039	09/30/2018
Siemens EOOD, Sofia	11,342	100.00	2,936	12/31/2018
Siemens Gas and Power d.o.o. Beograd, New Belgrade [1)]	-	100.00	-	-
Siemens Gas and Power d.o.o., Ljubljana [1)]	-	100.00	-	-
Siemens Gas and Power d.o.o., Zagreb [1)]	-	100.00	-	-
Siemens Gas and Power EOOD, Sofia [1)]	-	100.00	-	-
Siemens Gas and Power Kft., Budapest [1)]	-	100.00	-	-
Siemens Gas and Power S.R.L, Bucharest [1)]	-	98.36	-	-
Siemens Gas and Power, s.r.o., Prague [1)]	-	100.00	-	-
Siemens Gebäudemanagement & -Services G.m.b.H., Vienna	4,903	100.00	3,689	09/30/2018
Siemens Metals Technologies Vermögensverwaltungs GmbH, Vienna	71,152	100.00	6,198	09/30/2018
Siemens Personaldienstleistungen GmbH, Vienna	7,517	100.00	1,276	09/30/2018
Siemens S.R.L., Bucharest	19,278	98.36	6,100	09/30/2018
Siemens s.r.o., Bratislava	71,428	100.00	49,267	09/30/2018
Siemens Transformer (Guangzhou) Co. Ltd., Guangzhou	100,857	63.00	35,936	12/31/2018
Siemens Ukraine, Kiev	5,053	100.00	641	12/31/2018
Siemens, s.r.o., Prague	82,277	100.00	33,689	09/30/2018
Siemens Zrt., Budapest	18,289	100.00	4,591	09/30/2018
SIMEA SIBIU S.R.L., Sibiu	8,166	99.93	3,520	09/30/2018
SMATRICS GmbH & Co KG, Vienna	8,999	20.00	-4,029	12/31/2018
Trench Austria GmbH, Leonding	7,727	100.00	2,604	09/30/2018
VA TECH T & D Co. Ltd., Riyadh	1,473	51.00	-30	09/30/2018
VVK Versicherungs-Vermittlungs- und Verkehrs-Kontor GmbH, Vienna	2,732	100.00	23	09/30/2018

1) Established in fiscal year 2019 - no annual financial statments available

Siemens Aktiengesellschaft Österreich, Vienna

Summary of accounts receivable

Attachment 3

Figures in €000	Net book value 9/30/2019	Thereof maturity of more than one year	General-provisions	Net book value 9/30/2018	Thereof maturity of more than one year	General-provisions
1. Accounts receivable - trade	131,076	12,157	319	176,124	14,364	696
2. Accounts receivable - affiliated companies						
- Advances paid	54,100	0	0	99,404	0	0
- Trade	27,606	0	0	30,462	0	0
- Financial deposits	280,371	0	0	747,042	0	0
- Other receivables and assets	5,111	0	0	5,321	0	0
	367,188	0	0	882,229	0	0
3. Accounts receivable - associated companies						
- Advances paid	0	0	0	0	0	0
- Trade	908	0	0	458	0	0
- Financial deposits	0	0	0	0	0	0
- Other receivables and assets	0	0	0	0	0	0
	908	0	0	458	0	0
4. Other receivables and assets	85,431	3,423	0	67,187	4,892	0
Total receivables	**584,603**	**15,580**	**319**	**1,125,998**	**19,256**	**696**

No receivables were collateralized by bill of exchange as of September 30, 2019, or September 30, 2018.

Siemens Aktiengesellschaft Österreich, Vienna

Summary of liabilities

Attachment 4

Figures in €000	**Net book value 9/30/2019**	**Thereof maturity of up to one year**	**Thereof maturity of one to five years**	**Net book value 9/30/2018**	**Thereof maturity of up to one year**	**Thereof maturity of one to five years**
1. Bank loans	0	0	0	10	10	0
2. Advances received from customers	191,950	191,950	0	239,357	239,357	0
3. Accounts payable - trade	101,555	101,555	0	121,218	121,218	0
4. Accounts payable - affiliated companies						
- Advances from customers	133,191	133,191	0	132,781	132,781	0
- Trade	1,649	1,649	0	47,743	47,743	0
- Financial liabilities	1,999	1,999	0	2,499	2,499	0
- Other liabilities	59,421	53,853	5,568	68,681	63,776	4,905
(thereof due to taxes)	*24,551*	*24,551*	*0*	*45,738*	*45,738*	*0*
	196,260	190,692	5,568	251,704	246,799	4,905
5. Other liabilities	115,824	88,148	27,676	117,737	86,115	31,622
Liabilities	**605,589**	**572,345**	**33,244**	**730,026**	**693,499**	**36,527**

No receivables were collateralized by bill of exchange as of September 30, 2019, or September 30, 2018.

Management's discussion and analysis for Siemens Aktiengesellschaft Österreich for fiscal year 2019

1. Report on the development of business and economic conditions

1.1. Development of business

1.1.1. Economic conditions

After the boom phase seen in recent years, the global economy has steadily lost momentum since the fall of 2018 and is currently in a phase of moderate growth. While global economic expansion still came to 3.6 percent as measured by gross domestic product (GDP) last year, economists expect it to slow to around 3.0 percent this year.[1] The escalating trade conflict between the U.S.A. and China, the still uncertain outcome of the Brexit negotiations, and geopolitical tensions are casting a shadow over the global economy. In addition, the economic cycle appears to have peaked in many industrialized and developing countries, although the economic conditions differ from region to region. While economic development slowed in Europe and Latin America, for example, the situation was considerably better in the U.S.A. and China. Nevertheless, these two economies are also showing signs that growth is leveling off.

In the eurozone, the economic downturn is spread out broadly among the various countries. After GDP expanded by 1.9 percent last year, growth is expected to decline to 1.2 percent for this year and 1.3 percent next year.[2] One particularly notable factor this year has been the deceleration of the German economy, which is having a significant impact on the development of the eurozone. The drivers of this trend include the problems with the implementation of new standards for measuring emissions in the automotive industry and the decline in exports and industrial output – which are key segments for Germany – caused by the waning of global investment activity. In other countries such as France and Spain, the downswing has been less pronounced thus far. By contrast, Italy will approach zero growth this year.[2]

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[1] Institute for Advanced Studies (IHS), October 2019

[2] Austrian Institute of Economic Research (WIFO) forecast, October 2019

The situation is quite different in the countries of Central and Southeastern Europe, which are key markets for Austrian exports. Many of the countries in the region are in the midst of an economic boom. Although economic activity is also cooling off in general due to the global conditions, growth in the EU-CEE region (Central and Southeastern European countries in the EU) in particular has decoupled from the downturn in the eurozone, and the region is expected to expand its growth advantage slightly.[3] In the CEE 5 subgroup (Poland, Hungary, Slovakia, Slovenia, and Czechia), which is also important for Siemens Aktiengesellschaft Österreich, economic growth totaled 4.5 percent last year. GDP is projected to expand by 3.8 percent this year and 3.0 percent next year.[1, 2] Economic development is being dampened in nearly all of the EU-CEE countries by the increasing lack of qualified personnel, which can be attributed to the shrinking working-age population as well as to emigration. Fears that the shortage of labor may pose a risk to the region's status as an investment location have not yet come to fruition. A positive effect is being observed in the resulting increase in the automation and digitalization of work processes.

After Austria outpaced the eurozone average with GDP growth of 2.4 percent last year, the global economic downturn is also impacting the Austrian economy.[1, 2] Against this backdrop, the Institute for Advanced Studies (IHS) and the Austrian Institute of Economic Research (WIFO) project GDP growth of 1.5 percent[1] and 1.7 percent[2], respectively, for this year. This decline can especially be attributed to the slump in industry, which is being hit by the drop in exports. While exports increased by 5.9 percent in total in 2018, growth is expected to come in at just 2.3 percent this year.[2]

By contrast, private consumption has provided stable support for the domestic economy with an increase of 1.5 percent so far this year, and this is expected to continue next year.[1, 2] This robust trend is being driven by the positive employment situation, wage increases, and the introduction of the Family Bonus at the beginning of the year.

Economic growth is expected to stabilize again next year, albeit at a modest level with a projected rate of 1.3 percent[1] or 1.4 percent[2].

In line with the deterioration of international economic conditions, corporate investment activity also decelerated compared with the high growth rates seen in recent years. While the growth in gross capital formation came to 3.9 percent in 2018, it is projected to retreat to plus 2.5 percent[1] or plus 2.9 percent[2] this year. Investments in equipment were hit harder by the flagging economy than construction investments, which enjoyed positive momentum due the strong demand in the building construction segment. Moving forward, however, investments in equipment and construction investments are expected to expand at

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[1] Institute for Advanced Studies (IHS), October 2019

[2] Austrian Institute of Economic Research (WIFO) forecast, October 2019

[3] Vienna Institute for International Economic Studies (WIIW), July 2019

roughly the same rate. The relatively high capacity utilization and the persistently attractive financing conditions are counteracting a substantial potential decline. The forecasts for next year call for gross capital formation to increase by 1.1 percent[1] or 1.5 percent[2].

Economic conditions have not yet led to a reversal of the trend on the Austrian job market, which has seen positive development this year. According to the national definition, the unemployment rate is projected to come to 7.4 percent for 2019.[1]

Inflation has slowed over the course of the year, with the segments of housing, water, energy, restaurants, and hotels being the biggest price drivers. The current economic developments should not lead to significant inflationary pressure, so an inflation rate of 1.6 percent[2] is anticipated for 2019.

[1] Institute for Advanced Studies (IHS), October 2019

1.1.2. General

The new company structure based on the Vision 2020+ strategy went into effect on April 1, 2019. By introducing a simplified and leaner corporate structure, Siemens set the course for long-term value creation through accelerated growth and stronger profitability. The main aim of the Vision 2020+ strategy is to give the individual businesses significantly more entrepreneurial freedom under the strong Siemens brand in order to sharpen their focus on their respective markets. To this end, the organizational level of the former Divisions was eliminated, the company headquarters streamlined, and the regional organization realigned to further increase its customer orientation. Below the group level, there are now three Operating Companies, three Strategic Companies, and six Portfolio Companies. The Business Units of the former Divisions were newly set up in a more focused manner and integrated into the various companies.

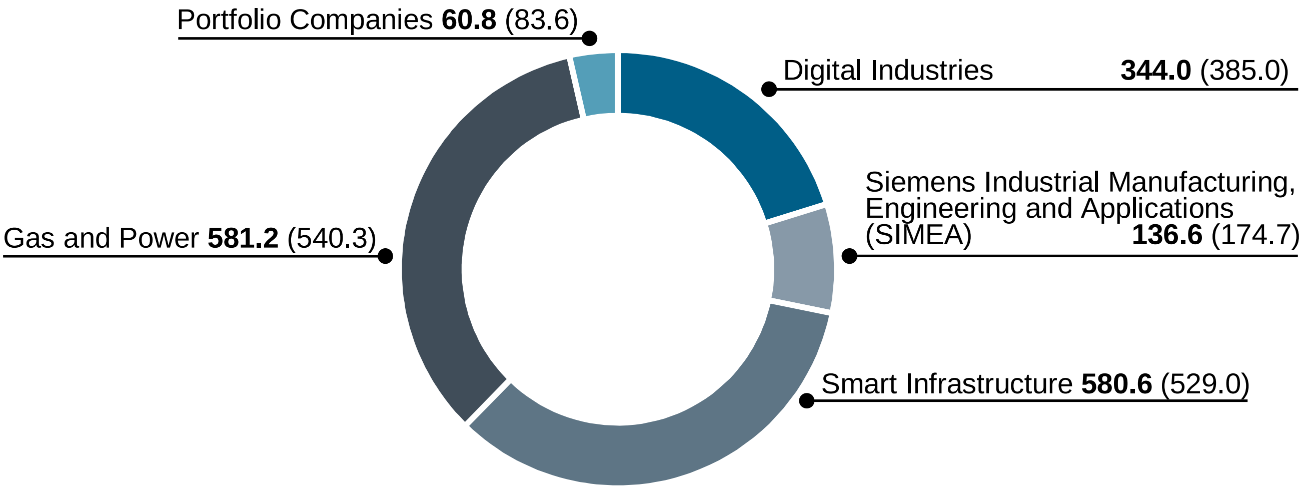
The Strategic Companies consist of Siemens Healthineers and Siemens Gamesa Renewable Energy – two fully consolidated companies in which Siemens holds a majority stake – as well as Siemens Mobility.

The Building Technologies and Energy Management Divisions, which previously operated separately, were combined to form the Operating Company Smart Infrastructure (SI). The newly established Operating Company Digital Industries (DI) resulted from the merger of the former Digital Factory and Process Industries & Drives Divisions. The third Operating Company, Gas and Power (GP), largely comprises the former Power and Gas Division as well as parts of the Energy Management Division.

The operating business of the two Portfolio Companies within Siemens Aktiengesellschaft Österreich, Large Drives Applications (LDA) and Process Solutions (SLN), primarily stems from the former Process Industries & Drives Division.

1.1.3. Operating and Portfolio Companies of Siemens Aktiengesellschaft Österreich

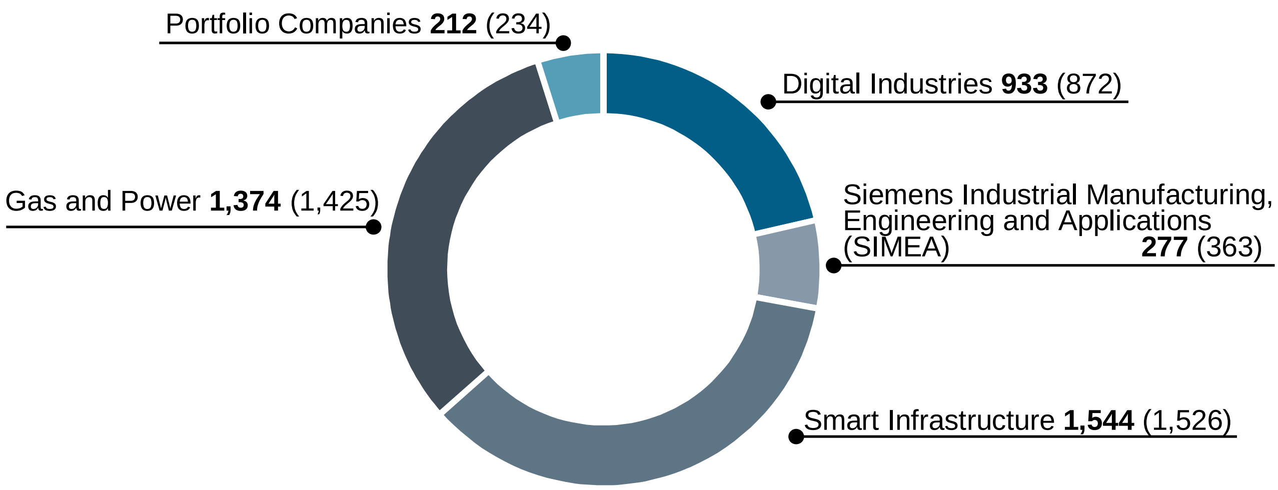
Revenue by Operating and Portfolio Company (in € millions)
(prior-year figures in parentheses*)



* The breakdown of revenues by business area corresponds to the restructuring of Siemens Group that went into effect as of 4/1/2019. In order to ensure comparability, the figures for the previous fiscal year are also presented in accordance with the new structure.

Not included: Mobility (carved out effective 7/3/2018) and others

Number of employees by Operating and Portfolio Company
(this figure represents the headcount, which corresponds to the number of employees regardless of their working hours – prior-year figures in parentheses**)



** The breakdown of employees by business area corresponds to the restructuring of Siemens Group that went into effect as of 4/1/2019. In order to ensure comparability, the figures for the previous fiscal year are also presented in accordance with the new structure.

Not included: Mobility (carved out effective 7/3/2018) and others

Digital Industries (DI)

The Operating Company Digital Industries further expanded its market position with customers in the process industry and discrete industries in the core fields of electrification, automation, and digitalization in fiscal year 2019. In addition, important focuses in digitalization were developed further, thus laying the foundation for future business success.

The Factory Automation Business Unit can look back on a successful fiscal year with regard to product and solutions business. New portfolio elements in the field of digitalization were received particularly well by customers, including edge computing and virtual commissioning. The digitalization of processes in the factory enabled Rosendahl Nextrom, a special-purpose machine manufacturer for cable, optical fiber, and battery production technologies, to reach a new level of output, quality, and performance. Thanks to simulation, entire steps in the development and manufacturing process can be skipped, allowing the desired result to be achieved more quickly.

The Process Automation Business Unit also had quite a year, particularly as the general contractor for the electrical, automation, and instrumentation packages for the first large-scale solar-powered seawater desalination plant on the Persian Gulf. Due to concerns about the effects of climate change, the sun is being used as a power source for this energy-intensive process for the first time. Seawater desalination is one of the biggest causes of carbon dioxide emissions in the Middle East. The unit’s impressive performance was rewarded with eight follow-up orders for seawater desalination plants (together with the Operating Company Smart Infrastructure). The food production process at the Attnang-Puchheim site operated by the long-established company Spitz was digitalized with the help of a software solution from Siemens. The end-to-end integrated solution not only increases process stability and product quality, but also minimizes potential sources of errors. Process Automation also achieved growth in product business despite the stagnating economy. The introduction of the new process control system SIMATIC PCS neo was met with great interest on the market, which promises positive business development for the coming years.

In the course of the implementation of Vision 2020+, the Motion Control Business Unit primarily expanded its portfolio in the low-voltage drive segment. Although the machine tool segment was confronted with difficult market conditions, the budgeted volumes were achieved. Positive impetus came from the presentation of Sinumerik ONE, the first digital native CNC (computerized numerical control), with which Siemens is advancing the digital transformation of the machine tool industry. The new control system enables the seamless interaction of the virtual sphere and the real world for significant productivity gains in the production and use of machine tools.

Siemens Industrial Manufacturing, Engineering and Applications (SIMEA)

SIMEA is Siemens Aktiengesellschaft Österreich’s unit for the development and manufacture of complex high-tech products for industrial automation applications and industrial drives. The unit operates a site in Vienna and also has a Romanian subsidiary, SIMEA SIBIU S.R.L., which operates sites in Sibiu and Buziaş.

Following the consistently strong development of industrial activity in recent years, the growth trend in the process automation segment (power products) did not continue and revenue came in slightly below the prior-year level.

The development of the first devices from the new PSU6200 power supply series was completed in fiscal year 2019, and the first products were presented to industry professionals at SPS IPC Drives 2018 in Nuremberg. Siemens introduced a number of add-on modules at the Hannover Messe 2019 industrial fair, such as the RED1200 redundancy module and the SEL1200 selectivity module. The planned investments with regard to the further automation and digitalization of production processes were projected and commissioned.

In line with the group-wide PD2020 program, the large drives segment was closed as planned at SIMEA after the business activities were shifted to other Siemens units.

In addition to its business with power supplies, the Romanian subsidiary achieved a further increase in revenue primarily through the production of printed circuit boards for process instrumentation and gas analysis. At the same time, the capacities in the surface-mount technology (SMT) segment were expanded by adding a new line.

Smart Infrastructure (SI)

The Operating Company Smart Infrastructure continued to grow in fiscal year 2019. The main drivers of the uptrend were large-scale projects in the segment of industry and critical infrastructure for customers such as Vienna International Airport and Borbet Austria. Additional growth contributions came from the continued expansion of the power grids and the increasing automation and digitalization of grid components in order to meet the higher demands, for example with regard to transmission capacities, efficiency, and flexibility.

In line with the global restructuring, SI provides customers with building technologies as well as end-to-end infrastructure and power supply solutions. This means further optimization and a stronger focus on the segments of energy efficiency and emissions reduction, for example.

One growth field in the area of building infrastructure is the lifecycle solutions segment. This consists of solutions that ensure sustainability through a holistic concept – from project development and planning to construction consulting. The efficient planning, construction, and operation of a building are made possible with the support of building information modeling (BIM). Smart Infrastructure gained extensive know-how in the fields of BIM and digital building twins in cooperation with the Vienna Business Agency during the Technology Center 2 project at Seestadt Aspern in Vienna.

During the fiscal year, Smart Infrastructure worked on projects in the building segment for customers including Tirol Kliniken, the Salzburg State Theater, Pappas and Europark in Salzburg, Haus der Musik in Innsbruck, the municipality of Wildschönau, and Schule am See in Hard.

The globally active Fire Safety Application Center in Vienna further expanded its international responsibility for fire protection and extinguishing applications and successfully conducted systems business in South America, Asia, and the Middle East.

Austrian expertise also served as the basis for exports in the energy distribution segment. Smart Infrastructure received an order to supply medium- and low-voltage distribution systems for eight solar-powered seawater desalination plants in Saudi Arabia in fiscal year 2019 – Digital Industries is also involved in this project. This is the follow-up order to the Al Khafji project – the world's first solar-powered seawater desalination plant – that was successfully completed for the same customer (A3C consortium) in 2018.

In November 2018, the first phase of the largest smart meter project in the German-speaking region was launched for Wiener Netze in Vienna, with Siemens serving as the lead partner and technology partner (in a consortium with Landis+Gyr and Iskraemeco). The first 30,000 of nearly 1.3 million smart meters in total were installed and integrated into the IT systems of Wiener Netze via a meter data management system. Further smart meter projects in Styria, Upper Austria, Tyrol, and Carinthia are also under way.

The distribution transformer plant in Weiz is supplying transformers for the 94 wind turbines at the Borssele 1 and 2 offshore wind farm located off the coast of the Netherlands. The 66-kilovolt units, which are integrated into the nacelles, will be installed in the 8-megawatt wind turbines by Siemens Gamesa Renewable Energy. The new wind farm operated by the Danish power company Ørsted will supply roughly one million households with electricity.

Smart Infrastructure also supports sustainable and economical energy management in the private residential segment. With the Junelight Smart Battery, Siemens offers a battery solution for the storage and use of self-generated electricity (e.g. from photovoltaic systems). This lithium-ion storage system, which has been available in Austria since April 2019, combines functions for intelligent and secure energy management with a modern design.

Gas and Power (GP)

The Operating Company Gas and Power once again received strong market signals in fiscal year 2019, with numerous projects being landed from every part of its expanded portfolio.

The service business made a major contribution to boosting the efficiency of existing power generation facilities with extensive refurbishment orders for steam turbines, gas turbines, and compressors for customers in the industrial and energy sectors. In the digital services segment, success was achieved with the solutions for the flexible management of volatile grid conditions, the dynamic simulation of plant processes, and the refitting of power plant control systems for projects by OMV, voestalpine, and Wien Energie.

Numerous project milestones were reached for the commissioning of the gas-fired power plants in Israel, Bolivia, and Argentina. For example, the contractual acceptance was completed for the Alon Tavor project in Israel. A new order was received for an engineering package for the San Pedro project in Argentina. In the small-scale hydropower segment, orders were received for the modernization of the Gosaukette and Wald im Pinzgau power plants, along with other orders.

The transformer plant in Weiz continued its successful export activities to the U.S.A. – for example, it manufactured low-maintenance transformers for long-standing customer and partner The Southern Company during the fiscal year. The Weiz plant made a reliable contribution to the expansion of wind energy in the U.S.A. with transformers for the distribution of this renewable energy for ONCOR.

The strong position in the U.S.A. was supplemented in fiscal year 2019 by a promising new order from Austrian Power Grid (APG) in connection with the completion of the Austrian 400-kilovolt ring.

In addition, the leadership in the offshore wind market was further solidified with a record delivery volume of over 400 transformers. The Weiz transformer plant also contributes to green energy in industry with transformers that are filled with natural ester.

The transformer plant in Linz also expanded its export activities to North America. Along with power utilities, customers from the segments of data processing and infrastructure, for example from the railway industry, rely on the plant’s long-standing transformer expertise. One example of innovative strength is the resilience generator step-up transformer, which is designed and manufactured in Linz.

Due to plant modernization measures, rising capacity requirements, and the rapid regional growth of renewable energy, the Transmission Products unit received multiple orders for gas-insulated switchgears, for example at APG’s Zaya transformer station. Additional successful projects in the fiscal year included the complete overhaul of the 220-kilovolt switchgear at the Kühtai power plant operated by TIWAG and the power supply for the new Infineon plant at the Auen transformer station operated by Kärntner Netz GmbH.

Portfolio Companies

The Portfolio Company Large Drives Applications (LDA) maintained its market position and further expanded its market shares once again in fiscal year 2019. As a result, the unit is still the market leader in the high-voltage drive technology segment, especially with the core portfolio elements of high-voltage motors and frequency converters. The innovative new product lines for frequency converters and motors were also well received by the market. They have already been used in the realization of initial large-scale projects, in part for very demanding applications and for use under critical environmental conditions. The new SINAMICS Perfect Harmony medium-voltage converters are being successfully used in the first solar-powered water desalination plant in Saudi Arabia as well as in other projects. In combination with the constantly expanding service portfolio with an emphasis on digitalization and Industry 4.0, customers are provided with significant competitive advantages.

The Portfolio Company Process Solutions (SLN) very successfully placed its portfolio in the electrical power supply/drive technology, automation, and digitalization segments on the market and further expanded its strong position, especially in the pulp and paper and oil and gas sectors. This more than offset cyclical weaknesses in some market segments, especially in the mining and cement industries. In addition, significant progress was made on the further development of the digitalization portfolio, which was continuously optimized in the course of numerous pilot projects and co-creation projects with key customers. Particularly the SIWELL Artificial Lift Suite (next-generation borehole automation system for oil and gas fields with artificial intelligence, smart devices, cloud computing, and IoT) received international recognition (finalist in the 2019 World Oil Awards).

1.2. Report on the branches

On September 30, 2019, Siemens Aktiengesellschaft Österreich had branches in the following countries in relation to individual projects: Bosnia and Herzegovina, Georgia, Montenegro, Romania, and Syria. The branch in Sri Lanka was closed on May 16, 2019.

1.3. Financial and non-financial performance indicators

1.3.1. Financial position

New orders totaled €1.792 billion in fiscal year 2019 (2018: €2.529 billion). The decline can be attributed primarily to the carve-out of the Mobility Division in the previous year. New orders for the Operating and Portfolio Companies saw a slight decline of 0.7 percent compared with the prior year. The allocation of new orders to the individual Operating Companies and Portfolio Companies was changed in line with the new corporate structure during the fiscal year, and the comparative figures for the prior year have already been adjusted to the new structure (see section 1.1.2.).

Digital Industries recorded a decline in new orders of 8.7 percent during the reporting period. The most significant new order in fiscal year 2019 was for the delivery of eight solar-powered seawater desalination plants for the western coast of Saudi Arabia (€26.2 million).

Smart Infrastructure increased its new orders by nearly 16 percent in fiscal year 2019, with orders amounting to €658.0 million in nominal terms. Noteworthy new orders included the deliveries in connection with the smart meter rollout for the supply area of Wiener Netze (€21.2 million), the delivery of transformers for Austrian Power Grid (€18.2 million), and the production, delivery, and installation of phase shifters for the Hamburg Ost transformer station (€17.8 million).

The key new orders for Gas and Power included the delivery of transformers for the Borssele offshore wind farm projects in the Netherlands (€17.0 million) as well as the delivery and installation of transformers for Consolidated Edison in the U.S.A. (€15.9 million).

Revenue came to €1.794 billion in fiscal year 2019. Here as well, the decline is largely a result of the carve-out of the Mobility Division in the previous year. The allocation of revenues to the individual Operating Companies and Portfolio Companies was changed in line with the new corporate structure during the fiscal year, and the comparative figures for the prior year have already been adjusted to the new structure (see section 1.1.3.).

The largest nominal revenue contributions came from the Operating Companies Gas and Power and Smart Infrastructure. The most significant settlements for Gas and Power included the construction of the heat recovery steam generator (HRSG) for the Petronas refinery in Pengerang, Malaysia (€36.0 million), the acceptance of the Alon Tavor power plant project in Israel (€29.7 million), and the modernization of the Simmering power plant in Vienna (€20.4 million). The highest revenues for Smart Infrastructure came from the delivery of transformers for PSE&G for its Newark site in the U.S.A. (€16.4 million), transformers for Innogy Renewables UK (€16.1 million), and smart meters for Energie AG Oberösterreich (€14.3 million).

Digital Industries saw a decline in revenues of 10.6 percent in fiscal year 2019. The most notable individual settlements were automotive projects for the end customers Audi (€7.5 million) and Porsche (€4.5 million) as well as the retrofitting of final assembly lines at MAGNA Steyr Fahrzeugtechnik in Graz (€4.8 million).

Foreign revenue came to €0.935 billion in the reporting period (2018: €1.306 billion), and the most important foreign markets apart from Germany included the United States of America, Denmark, Switzerland, and Great Britain.

An operating result of €57.5 million was generated in fiscal year 2019 (2018: €20.9 million). The increase in the result can be attributed primarily to the stable revenue (down 0.1 percent versus the previous year without taking Mobility into account) as well as the simultaneous decline in production costs and marketing and selling expenses. The formation of restructuring provisions in the amount of €12.1 million for Gas and Power and €0.5 million for Smart Infrastructure is also reflected in the result.

In order to calculate the return on sales, the operating result is adjusted to reflect the write-downs on goodwill and orders on hand in connection with the integration of business entities in previous fiscal years (primarily Siemens Transformers Austria GmbH & Co KG, Vienna, as well as Siemens Transportation Systems GmbH & Co KG, Vienna, in 2018). The combination of the rise in the operating result and the reduction of the adjusted operating assets resulted in a higher return on sales than in the previous year, at 4.3 percent.

Return on sales

Operating result* / Revenue

* Adjusted for write-downs on goodwill and orders on hand

	2019 €000	2018 €000
Operating result	57,513	20,902
+ write-downs on goodwill and orders on hand	18,913	21,145
= adjusted operating result	*76,426*	*42,047*
Revenue	1,794,148	2,536,114
Return on sales	**4.3%**	**1.7%**

The financial result fell by €39.7 million compared with the prior year. At €132.4 million, income from dividends was in line with the prior-year level (€128.2 million). This includes the dividend from Priamos Grundstücksgesellschaft m.b.H., Vienna. The stake in this company was subsequently reduced by way of a dividend-induced write-down. The change in the interest rate situation resulted in interest expenses of €23.2 million in the personnel provisions for the reporting period (compared to interest expenses of €10.2 million in the prior year). In addition, the sale of the Mobility holdings during the fiscal year led to a total profit of €20.7 million (2018: €38.4 million).

The earnings before taxes totaled €173.2 million, a decline of €3.1 million compared with the previous year. In combination with the slightly higher shareholders' equity at the beginning of the fiscal year, this resulted in a return on equity of 23.2 percent.

Return on equity

Earnings before taxes
Shareholders’ equity (after dividend)*

* At the start of the fiscal year

	2019 **€000**	2018 €000
Earnings before taxes	173,219	176,349
Shareholders’ equity at the start of the fiscal year	1,354,980	1,229,439
- dividend	-609,000	-360,000
= shareholders’ equity (after dividend)	*745,980*	*869,439*
Return on equity	**23.2%**	**20.3%**

The company’s total assets at the end of the reporting period were €552.4 million lower than at the end of the previous fiscal year, at €2.150 billion.

On the assets side of the balance sheet, this was primarily due to the reduction of fixed assets by €43.6 million, the decrease in accounts receivable from affiliated companies by €515.0 million (thereof €466.7 million from intragroup financial deposits), and the drop in trade receivables from third parties by €45.0 million.

The shareholders’ equity of Siemens Aktiengesellschaft Österreich totaled €0.927 billion for the reporting period (2018: €1.355 billion).

There were material changes on the liabilities side of the balance sheet due to a decline in net profit resulting from the dividend in the amount of €609.0 million and due to a reduction of the accounts payable to affiliated companies by €55.4 million (primarily trade payables).

Following the adjustment of the total assets to reflect the advance payments received recognized under liabilities, the equity ratio for the 2019 fiscal year comes to 50.8 percent.

Equity ratio

Shareholders' equity
Adjusted total capital*

* Total assets less advance payments received recognized under liabilities

	9/30/2019 €000	9/30/2018 €000
Shareholders' equity	927,236	1,354,980
Total assets	2,149,858	2,702,226
- advance payments received recognized under liabilities	*-325,141*	*-372,138*
= adjusted total capital	*1,824,717*	*2,330,088*
Equity ratio	**50.8%**	**58.2%**

Net short-term current assets decreased by € 46.3 million during the reporting period (primarily due to the decline in trade receivables from third parties). In combination with the reduction in net short-term debt amounting to € 100.1 million (thereof € 65.8 million due to the decrease in short-term trade payables to affiliated companies and third parties), this resulted in a 22.1 percent improvement of working capital to minus € 190.2 million.

Financing needs are covered by the available liquidity, the expected net cash from operations in fiscal year 2020, and, if needed, by the use of refinancing measures offered within Siemens Group.

Working capital (without income taxes or financial positions)

	9/30/2019 €000	9/30/2018 €000
Current assets (including deferred items)	1,032,403	1,549,351
- long-term current assets	-15,641	-19,632
= *short-term current assets*	*1,016,762*	*1,529,719*
- short-term financial assets	-280,371	-747,042
- short-term tax receivables	-110	-110
= net short-term current assets	***736,281***	***782,567***
Debt (including deferred items)	1,222,622	1,347,246
- long-term debt	-261,346	-258,868
= *short-term debt*	*961,276*	*1,088,378*
- short-term financial liabilities	-1,999	-2,509
- short-term income tax provisions and liabilities	-32,799	-59,259
= net short-term debt	***926,478***	***1,026,610***
Working capital	**-190,197**	**-244,043**

The long-term assets cover ratio declined to 108.1 percent in fiscal year 2019, primarily due to the decline in net profit resulting from the dividend in the amount of € 609.0 million.

Long-term assets cover ratio

Equity and long-term debt
Non-current assets

	9/30/2019 €000	9/30/2018 €000
Shareholders' equity	927,236	1,354,980
+ long-term debt	261,346	258,868
= long-term capital	***1,188,582***	***1,613,848***
Fixed assets	1,084,075	1,127,634
+ long-term current assets	15,641	19,632
= non-current assets	***1,099,716***	***1,147,266***
Long-term assets cover ratio	**108.1%**	**140.7%**

The cash flow statement for fiscal year 2019 shows a negative cash flow of €465.4 million.

Cash flow from the results increased by €26.6 million compared with the previous year, primarily due to operating business. By contrast, cash flow from operating activities before taxes declined by €34.5 million to €44.6 million, in large part because of the reduction of provisions. Due to higher income tax payments in the amount of €37.8 million, cash flow from operating activities decreased by €67.6 million to €6.8 million in total during the reporting period.

Cash flow from investments was positive and amounted to €162.7 million in the reporting period, which represents a decline of €23.1 million versus the previous year. This change can be attributed primarily to lower dividend payments.

Cash flow from financing stemmed almost entirely from the dividend payment to Siemens Konzernbeteiligungen GmbH, Vienna.

Cash flow statement*

	2019 €000	2018 €000
Cash flow from the results		
Earnings before taxes	173,219	176,349
Depreciation on fixed assets	58,181	53,731
Profit/loss from the disposal of fixed assets	-24,870	-45,364
Income from investments in affiliated and associated companies, income from securities and loans classified as financial assets as well as other interest income and similar income/ interest and similar expenses	-107,834	-112,714
Changes due to mergers	0	45
	98,696	**72,047**
Cash flow from operating activities before taxes		
Changes in inventories	-40,564	-232,092
Changes in receivables	28,721	45,344
Changes in advance payments received	15,354	195,265
Changes in accounts payable	-56,618	-48,615
Changes in current provisions	-7,611	98,638
Changes in non-current provisions	6,662	-51,416
	44,640	**79,171**
Cash flow from operating activities		
Payments for income tax	-37,832	-4,793
	6,808	**74,378**
Cash flow from investments		
Investments in intangible assets and property, plant, and equipment	-21,984	-28,775
Proceeds from the sale of intangible assets and property, plant, and equipment	6,113	3,181
Investments in financial assets	-90	-18,996
Proceeds from the sale of financial assets	66,410	97,649
Purchase price from the purchase/sale of business units	-340	3,167
Payments received from income from investments in affiliated and associated companies, interest income, and income from securities	112,579	129,564
	162,688	**185,790**

Cash flow statement (continued)

	2019 €000	2018 €000
Cash flow from financing		
Dividend disbursement	-609,000	-360,000
Changes in financial liabilities	-510	2,509
Payments made for interest and similar expenses	-25,408	-16,850
	-634,918	**-374,341**
Disposal of cash funds from the merger of Siemens Liegenschaftsverwaltung GmbH	0	-28,822
Disposal of cash funds from the carve-out of Siemens Mobility Austria GmbH	0	-22
Changes in cash and cash equivalents	**-465,422**	**-143,017**
Cash as of the balance sheet date		
Cash on hand, cash in banks	10,804	9,467
Credit from investments in the group	280,371	747,042
Deposits at outside entities	398	486
	291,573	**756,995**

* The structure of the cash flow statement was adapted due to the revision of expert opinion KFS/BW2 “Cash flow statement as a supplement to the annual financial statements and a component of the consolidated financial statements” of the Expert Committee for Business Management of the Austrian Chamber of Tax Consultants and Accountants in April 2019. In order to ensure comparability, the figures for the previous fiscal year are also presented in accordance with the new structure.

1.3.2. Investments

Siemens Aktiengesellschaft Österreich invested €22.0 million in property, plant, and equipment during the fiscal year, 23.3 percent less than in the prior fiscal year.

1.3.3. Employees

The reporting period was marked by a change process affecting the entire company, which was initiated by the group-wide Vision 2020+ strategy. This process resulted in a complete restructuring of the company, which also led to changes in the job profiles and specifications for employees in some cases. The even stronger focus on competitive strength and the intensified efforts to achieve optimized cost efficiency put all employee management processes to the test and required new solutions that rely on digital methods and tools. A major source of leverage in this environment was the introduction of the new performance management tool, Workday, which replaced the previous one (called 4Success). This represented a further step towards establishing easy-to-use manager self-service systems, which enable managers to perform their management duties more effectively.

Professional leadership and long-term employee retention activities help to position Siemens as an “employer of choice” on the job market and make the company more attractive for potential future employees. This is also reflected in the numerous surveys that are conducted among school and university graduates at regular intervals, where Siemens is consistently ranked in the highest places (top three) among graduates of technical programs and in the upper mid-range among graduates of business and economics programs.

The equity activities in the area of employee participation were also increased during the reporting period. On a group-wide basis, Siemens employees currently hold roughly 3 percent of the Siemens shares, making them one of the biggest and most important shareholder groups along with the Siemens family (including the foundations established by the family). Globally, around 300,000 employees working in positions from production all the way up to management are currently part of the Siemens equity culture because they own stock through one of the Siemens share plans. One of these plans is the Share Matching Plan (SMP), in which employees receive an additional share of Siemens stock for every three they purchase in accordance with their investment after holding the shares for the required period. At the global level, 44.9 percent of the employees participate in the Share Matching Program. In Austria, the share of employees participating in the SMP rose from 25 percent to 28.9 percent. In the 2019 fiscal year, the employees once again participated in Siemens’ result for the 2018 fiscal year as a reward for their outstanding dedication. The success bonus that was distributed totaled € 7.1 million.

The initiative Cents4Sense was introduced as part of the dividend disbursement for 2019. Under this project, every employee shareholder was able to donate the value of the dividend for one share to a charitable cause and Siemens AG doubled the donation amount. In the end, roughly 30,000 employees around the world – including around 600 in Austria – participated with a donation in the amount of € 3.80, allowing Siemens to donate € 223,000 to projects of the Siemens Foundation. The money is to be used for the foundation’s work to support natural science and technical education, for clean water and hygiene, and for social entrepreneurship around the world.

A look at the development of the workforce reveals that 109 employees were hired by Siemens during the reporting period and 72 resigned from the company voluntarily. This resulted in a fluctuation rate of 1.5 percent (2018: 1.5 percent). As of September 30, 2019, Siemens Aktiengesellschaft Österreich had a total of 4,791 employees (2018: 4,885) in Austria (the headcount corresponds to the number of employees regardless of their working hours), plus 235 apprentices in training (2018: 243).

Employees by function as of the reporting date

	9/30/2019	9/30/2018
Research and development	782	641
Manufacturing, installation, maintenance, and service	2,542	2,773
Sales	947	933
Headquarters, service, and administration	520	538
TOTAL Siemens Aktiengesellschaft Österreich (without apprentices)	**4,791**	**4,885**

1.3.4. Environmental protection

Operational environmental protection is important at every Siemens facility. All Siemens manufacturing plants in Austria are ISO 14001 certified and all sites are ISO 50001 certified.

Siemens Aktiengesellschaft Österreich used energy with a carbon dioxide load of 10,427 metric tons during the previous fiscal year. The carbon dioxide load was reduced by 1,378 metric tons to 9,049 metric tons in the reporting period.

Another focus is the reduction of waste. In this context, the volume of unavoidable waste for disposal of 281 metric tons in the previous year was reduced by 57 metric tons to 224 metric tons in fiscal year 2019. The focus during the reporting period was on reducing hazardous waste. The quantity of such waste was cut by 414 metric tons from 558 tons in the previous year to 144 tons in fiscal year 2019.

Siemens Aktiengesellschaft Österreich invested around €1.6 million in environmental protection measures during the fiscal year. This included regular expenses for air pollution control, water protection, waste management, nature conservation and landscaping, and boosting energy efficiency.

The carbon dioxide emissions of Siemens Aktiengesellschaft Österreich’s vehicle fleet, which consists of passenger cars, trucks, and other utility vehicles, were reduced by roughly 4.5 percent compared with the previous fiscal year to 114 grams per vehicle and kilometer driven.

1.3.5. Quality management

The requirements of the quality (ISO 9001), environmental (ISO 14001), and occupational health and safety management system (ISO 45001) standards were fully incorporated into the integrated management system of Siemens Aktiengesellschaft Österreich and audited in the course of an independent certification process on a Business Unit basis. In addition to the requirements described above, Siemens Aktiengesellschaft Österreich meets the requirements for energy management systems according to ISO 50001 as well as specific customer and market requirements covered by other industry-specific system standards such as SCCP and ISO 27001.

In fiscal year 2019, 186 employees took part in conventional training in the field of project and quality management. The e-learning offerings in this area were expanded further, and 819 people took advantage of the expanded range of courses.

During the reporting period, an additional 77 candidates successfully completed the certification program for commercial or technical project managers. The training and certification partnership with the International Project Management Association (IPMA) Austria and Quality Austria was continued.

2. Report on the expected development and risks of the company

2.1. Expected development of the company

Once again in the coming fiscal year, Siemens Aktiengesellschaft Österreich believes that the main drivers of growth will be automation, electrification, and, in particular, digitalization.

In fiscal year 2020, the Operating Company Digital Industries will again focus on the topic of digitalization and help customers to be able to better react to the requirements of their markets with future technologies. The Living Lab Process Industries continues to work together with business partners from the pharmaceuticals, food and beverages, and chemicals industries to digitalize their production processes.

In the SIMEA (Siemens Industrial Manufacturing, Engineering and Applications) development and manufacturing unit, the development projects will focus on the further expansion of the PSU6200 power supply family. The next steps in terms of automation and digitalization are the commissioning of the first modules and the subsequent expansion of the production line for selectivity modules in the coming reporting period.

Digitalization will also be a key focus for the Operating Company Smart Infrastructure in the coming fiscal year. It is making buildings more intelligent, more efficient, better connected, more secure, and more comfortable. In the energy supply segment, new fields such as electromobility and storage systems offer growth opportunities that Smart Infrastructure will take advantage of with its innovative, continuously evolving portfolio (e.g. charging infrastructure and battery storage). Naturally, aspects such as distributed power generation are also influencing the requirements for the power grids, and Smart Infrastructure anticipates continued opportunities to deliver products and higher demand for solutions for the increasing digitalization of the power grids.

For the Operating Company Gas and Power, the next fiscal year will continue to be shaped by a highly competitive market environment. The primary drivers of investment will be modernization and efficiency-boosting measures for the power generation and transmission infrastructure as well as the implementation of digital software solutions. This is the result of a shift in demand in reaction to the medium- to long-term realignment of the energy market towards decarbonization and sustainability.

The Portfolio Company Large Drives Applications is extremely well positioned for the new market and customer requirements thanks to its innovative portfolio as well as the new organizational structure. Nevertheless, the goal is to continuously expand the current portfolio and to close any gaps that exist. New business models focusing on energy efficiency and digital services are also being developed in the service segment. This will make it possible to react to changing customer demands.

The Portfolio Company Process Solutions is countering the current economic downturn by further expanding its digitalization and service portfolio. The planned organizational change and the resulting synergies that are expected will provide additional support for the further development of industry-specific solutions with significant customer benefits.

Effective October 1, 2019, the Distribution Transformers business segment was transferred from Smart Infrastructure to Gas and Power. In addition, the Portfolio Company Process Solutions (with the exception of the Minerals segment) became the SLN Business Unit of Gas and Power as of this date. In the coming fiscal year, the Minerals segment of Process Solutions will become part of the Portfolio Company Large Drives Applications.

In fiscal year 2020, Siemens Gas and Power as a whole is scheduled to become an entirely independent company with full entrepreneurial freedom by way of a spinoff and subsequent public listing. The business includes the activities in the segments of oil and gas, conventional power generation, power transmission, and the related service businesses. In addition, Siemens AG, Berlin and Munich, plans to incorporate its majority stake (59 percent) in Siemens Gamesa Renewable Energy (SGRE), the market leader in the renewable energy business, into the new company. The aim is to achieve a public listing by September 2020. Siemens will give up the majority stake in the new company, but remain active as a strong anchor shareholder. An extraordinary shareholders' meeting, which will likely be held in June 2020, will decide on the spinoff and subsequent public listing.

In line with this, the plan for Austria is to carve the Operating Company Gas and Power out of Siemens Aktiengesellschaft Österreich and into a separate company in the course of the 2020 fiscal year.

2.2. Basic principles and material risks and uncertainties

2.2.1. Basic principles

Siemens Aktiengesellschaft Österreich is a company that completes major projects in many countries in Central and Southeastern Europe as well as on other continents, that offers financing concepts and operator models, and that constantly brings new technical innovations to the market. This diverse range of activities entails a large number of business risks. Therefore, comprehensive risk management is absolutely essential in order to identify, assess, and manage all of these risks in a targeted manner.

At Siemens Aktiengesellschaft Österreich, risk management is aligned centrally by the Managing Board and is an integral part of the planning and implementation of the company's business strategies. In accordance with the organizational hierarchy and assignment of responsibilities at Siemens, the management of the given unit is required to implement a risk management system that is tailored to the specific business and the associated responsibilities, and that also meets the relevant overarching principles.

The risk management system of Siemens is based on a comprehensive, interactive and management-oriented enterprise risk management (ERM) approach that is integrated into the company organization and addresses both risks and opportunities. The ERM approach is based on the internationally recognized Enterprise Risk Management – Integrated Framework (2004) that was developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Opportunities and risks are evaluated and documented on a quarterly basis in order to identify developments that could put the continued existence of Siemens Aktiengesellschaft Österreich at risk as early as possible and take appropriate countermeasures.

The ability of Siemens Aktiengesellschaft Österreich to constantly develop new products and services in order to keep pace with technological change in its fields of business plays a significant role in the company's competitive strength. The introduction and implementation of the Vision 2020+ strategic program represents a key aspect and building block for the positive development of the company. This program emphasizes technical innovations and growth in the areas of digitalization, automation, and electrification.

2.2.2. General risks

Siemens Aktiengesellschaft Österreich operates in markets that are extremely competitive for its products and solutions in terms of product and service quality, customer service and financing conditions, pricing, product development times and time to market, disruptive technologies, and shifts in market demand.

The value creation chain of Siemens Aktiengesellschaft Österreich encompasses research and development, all stages of sourcing, supply chain management, production, marketing, distribution, and the provision of services. The company's competitive strength may be impacted by disruptions in this value creation chain that lead to quality problems as well as potential product, occupational safety, and environmental risks. In particular, such risks may arise in the industrial segment with regard to Siemens Aktiengesellschaft Österreich's production and manufacturing sites, which are located all over the world and exhibit a high degree of organizational and technological complexity. The products sold by Siemens Aktiengesellschaft Österreich may occasionally exhibit quality problems resulting from their development, production, commissioning, or the software integrated into them. Siemens Aktiengesellschaft Österreich is also dependent upon third-party suppliers in the provision of preliminary products, components, and services. The production, installation, and functional testing of products by third parties reduces the company's ability to directly influence productivity, quality assurance, delivery dates, and costs. Siemens Aktiengesellschaft Österreich has introduced various quality improvement and damage prevention measures. The consistent use of quality management tools improves transparency, facilitates thorough cause analysis, and also has a preventative effect.

The business activity of Siemens Aktiengesellschaft Österreich is dependent upon digital technologies. The global increase in threats to information security and the higher level of professionalism in computer-related crime are giving rise to risks pertaining to the security of the company's products, systems, and networks and risks with regard to the confidentiality, availability, and reliability of data. The company takes a variety of measures to minimize risk, including the extensive monitoring of its networks and information systems by cybersecurity operation centers, the use of security and protection systems such as firewalls and virus scanners, and employee training.

There were no material changes in the risk landscape for Siemens Aktiengesellschaft Österreich compared with the previous year. At this time, no risks have been identified that could jeopardize the continued existence of the company either individually or in combination.

2.2.3. Financial and hedging instruments

The company employs derivative financial instruments to protect against risks, primarily those arising from exchange rate fluctuations. Derivative transactions hedged 99.7 percent of the currency risk to which the company was exposed as of September 30, 2019 (2018: 99.9 percent).

To mitigate customer default risk, we rate the creditworthiness of all of our customers, actively manage our receivables, and agree advance payments for the construction of major systems. In addition to our hedging instruments, we also make use of facilities offered by Oesterreichische Kontrollbank, bank guarantees, and letters of credit for export transactions.

We encounter the risk of price changes primarily in our business in building large-scale systems. This applies especially to the prices of materials and components that we must purchase and that are determined by the prices of the necessary raw materials (such as copper) on the global market. This risk is predominantly managed by attempting to pass the conditions in our contracts with our customers on to our suppliers, and by concluding supply agreements with fixed prices for the required period (in part including advance payments). We also employ commodity hedges to a limited extent as needed.

Siemens Aktiengesellschaft Österreich's liquidity risk is currently assessed as being extremely low because of the company's existing liquidity and its involvement in the worldwide Siemens Group's cash-pooling system.

2.2.4. Risks and uncertainties of the Operating and Portfolio Companies

During the reporting period, the industrial business of the Digital Factory and Process Industries and Drives Divisions was integrated into the Operating Company Digital Industries as of April 1, 2019, in order to continue focusing on the digital industrial market. Risks due to delivery delays for some products in the drive and automation technology segment that were caused by supply shortages in the plants at the beginning of the year were eliminated again. The emerging decline in business with the automotive industry was also offset by substitute business from other industrial sectors. In the service segment, there are still prospects for the conclusion of new integrated plant management contracts.

SIMEA (Siemens Industrial Manufacturing, Engineering and Applications) was not able to continue the positive growth seen in the industrial power supply segment in recent years. The quantities produced in fiscal year 2019 roughly corresponded to those in fiscal year 2018. The production capacities were adapted to the demand in the course of the operational plant management. Shortages on the supply market such as those seen in 2018 were prevented using supplier management.

Austria's energy strategy and the implementation of the climate and energy targets have a material influence on the business of the Operating Companies Gas and Power and Smart Infrastructure. The central elements of the #Mission2030 climate and energy strategy published by the Austrian Federal Government are the use of renewable energy sources, energy efficiency, and supply security. The objective defined in this strategy of covering 100 percent of the national total electricity consumption (national balance) with renewable energy sources by 2030 requires investments in distributed solutions for balancing and control energy in the power generation segment, flexible grid management, and the provision of secured supply capacity. In addition, solutions for sector coupling will become necessary. Due to the high level of innovation required for such solutions, the willingness of market participants to invest is still limited. This represents a major challenge for the portfolio strategy of the Operating Companies and the associated technical reorientation and training that is required in order to minimize a potential staff reduction. Increased security requirements for energy and information communication networks will continue to be a key focus area.

The requirements for digital models pertaining to solutions and services for buildings and infrastructure are constantly increasing. Continuity is a critical factor here, starting in the design phase all the way through to the provision of services. This is decisive for effective implementation and optimized operation. In this context, a higher level of penetration for open models (open BIM) and the increased use of internationally recognized standards such as IFC are required in order to facilitate cooperation across processes and disciplines. Suitable platforms and working models are available for this. However, the lack of appropriate contract awarding models geared towards digitalization would mean a reduction of competitive strength for the Austrian market.

3. Report on research and development (R&D)

3.1. Intellectual property rights

Employees of Siemens Aktiengesellschaft Österreich reported 88 inventions within the company in fiscal year 2019. A total of 74 patent applications were filed for these inventions and other Austrian inventions from the previous year during the period – 4 at the Austrian Patent Office, another 64 at the European Patent Office, and 6 in Germany. Siemens Aktiengesellschaft Österreich's entire portfolio of intellectual property rights in Austria encompasses 35 patents.

3.2. Research and development (R&D)

Some 780 people worked in research and development at Siemens Aktiengesellschaft Österreich in fiscal year 2019, including roughly 120 researchers distributed among seven research groups in the central research and development unit Corporate Technology (CT). Scientists and engineers from various disciplines as well as mathematicians and software developers work hand in hand with the Business Units at CT. They all have a common goal: to discover the technologies of tomorrow and harness them for Siemens. To this end, CT and the Operating Company Digital Industries (DI) jointly operate a unique living lab for the process industry in Vienna in order to lay the foundation for individualized products. At the living lab for cyber-physical systems operated together with SIMEA in Vienna, machines and products are communicating with one another to enable them to control themselves and to flexibly react to changes. In the future, this living lab will be expanded to include generative design solutions, and initial prototype applications will be integrated into a pilot production line at SIMEA.

CT's research activities in Austria focus on the digitalization of the process industry and the power grids, the individualized configuration of products, drone-based image analysis, software and system architecture for industrial applications, wireless communication, design solutions for embedded electronics, and communication networks for industry, mobility, energy systems, and buildings.

The Industrial Internet of Things (IoT) will play an essential role in the power grid of the future. System updates have to be installed during ongoing operations while ensuring the highest level of system stability. Researchers in Vienna are working on ways to guarantee this for large-scale software rollouts. Improvements in supply security are also being delivered by air: With the help of automated analysis methods, 3D image data for power lines, for example, is collected by drones and analyzed in order to identify faults that have been undetectable to the human eye up to now.

Numerous publicly funded research projects, such as the two cited above, as well as research partnerships with institutions of higher learning, non-university research institutions, and partner companies make an important contribution to CT’s successful innovations. Key examples here are the partnerships with the Graz University of Technology, which is one of eight Siemens Centers of Knowledge Interchange located all over the world, and with TU Wien, which is a Siemens Principal Partner.

Aspern Smart City Research GmbH & Co KG (ASCR)

The research company Aspern Smart City Research (ASCR) has been operating one of Europe’s most innovative energy efficiency demonstration projects since 2013. In 2018, the shareholders of the research company approved the extension of the successful collaboration. A budget of €45 million will be available to the ASCR 2023 project phase for further research from 2019 to 2023.

Under the umbrella of ASCR, Siemens is researching the complex interrelationships of the future energy system together with its partners Wien Energie, Wiener Netze, the Vienna Business Agency, and Wien 3420. They are not only optimizing individual components, but creating economical and scalable end-to-end solutions.

Following the conclusion of the first project phase at the end of 2018, in which roughly 70 research questions were answered, the objectives and structure for the second phase of the research program were defined. During this phase, various new business models for distributed energy systems will be evaluated and the use of new technologies related to the IoT and cloud and edge devices will be tested along with artificial intelligence applications.

More than 100 monitoring devices keep tabs on the current state of the grid at Seestadt Aspern and, together with sensors in the buildings, weather data, and other information, deliver a total of approximately 1.5 million measured values per day. The major challenge is to use this wealth of data to draw conclusions that create added value. The new funding project PoSyCo (Power System Cognification) deals with software-controlled protection systems in the medium- and low-voltage grid.

Vienna, November 26, 2019

The Managing Board

Wolfgang Hesoun m.p.	Wolfgang Wrumnig m.p.
Chief Executive Officer	Chief Financial Officer

TRANSLATION

AUDITOR'S REPORT

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of

Siemens Aktiengesellschaft Österreich, Vienna.

These financial statements comprise the balance sheet as of September 30, 2019, the income statement for the fiscal year then ended and the notes.

Based on our audit the accompanying financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Company as of September 30, 2019 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles.

Basis for Opinion

We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical 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 opinion.

TRANSLATION

Responsibilities of Management and of the Audit Committee for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles, for them to present a true and fair view of the assets, the financial position and the financial performance of the Company and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. 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 financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

TRANSLATION

We also:

- identify and assess the risks of material misstatement of the financial statements, 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 opinion. 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 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 the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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 continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee 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.

TRANSLATION

Comments on the Management Report

Pursuant to Austrian Generally Accepted Accounting Principles, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

Opinion

In our opinion, the management report for the Company was prepared in accordance with the valid legal requirements and is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the thus obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Vienna, November 26, 2019

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Marainer Jeschke mp	Mag. Johanna Hobelsberger-Gruber mp
Wirtschaftsprüfer / Certified Public Accountant	Wirtschaftsprüferin / Certified Public Accountant