

Half-year Financial Report

First Half of Fiscal 2019

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Introduction

Siemens AG's Half-year Financial Report complies with the applicable legal requirements of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) and comprises condensed Half-year Consolidated Financial Statements, an Interim Group Management Report and a Responsibility statement in accordance with section 115 WpHG.

The Half-year Consolidated Financial Statements are in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU.

This Half-year Financial Report should be read in conjunction with our Annual Report for fiscal 2018, which includes a detailed analysis of our operations and activities as well as explanations of financial measures used. Beginning with fiscal 2019, the rail traction drives business was transferred from the Process Industries and Drives Division to the Mobility Division. Prior-period amounts are presented on a comparable basis.

A. Interim Group Management Report

A.1 Results of operations

A.1.1 Orders and revenue by regions

| Orders (location of customer)

(in millions of €)	First half		% Change	
	FY 2019	FY 2018	Actual	Comp.
Europe, C.I.S., Africa, Middle East	25,038	22,960	9%	10%
<i>therein: Germany</i>	6,778	5,452	24%	24%
Americas	14,711	12,124	21%	18%
<i>therein: U.S.</i>	10,046	8,439	19%	13%
Asia, Australia	9,030	9,711	(7)%	(7)%
<i>therein: China</i>	4,331	3,987	9%	8%
Siemens	48,779	44,794	9%	8%
<i>therein: emerging markets</i>	14,993	15,722	(5)%	(3)%

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Siemens worldwide

- Strong order intake for Siemens driven by a higher volume from large orders, particularly in Mobility and Energy Management; increases in the majority of industrial businesses; significant order decline in Siemens Gamesa Renewable Energy (SGRE)
- Currency translation effects added one percentage point, while portfolio transactions had a minimal effect on order growth year-over-year
- Strong book-to-bill ratio of 1.19; order backlog at €142 billion

Europe, C.I.S., Africa, Middle East

- Substantial growth in Mobility, including a €1.6 billion contract in the U.K., and in Energy Management was partially offset by a double-digit decline in SGRE
- Substantial order growth in Germany included several large orders in Mobility and a large high voltage direct current (HVDC) order in Energy Management

Americas

- Sharp order growth in Mobility, including a €0.8 billion order in Canada and a €0.7 billion order in the U.S., and in SGRE; in addition, double-digit growth in Power and Gas, Building Technologies and Process Industries and Drives
- In the U.S., increases in nearly all industrial businesses, led by sharp growth in Mobility and substantial growth in SGRE

Asia, Australia

- Sharp declines in SGRE and Mobility partly offset by a substantial increase in Energy Management
- Higher order intake in China driven by growth in Energy Management

Siemens worldwide

- Increase driven by growth in Siemens Healthineers, Process Industries and Drives, Digital Factory and SGRE; clear decline in Power and Gas
- Currency translation effects added one percentage point, while portfolio transactions had a minimal effect on revenue growth year-over-year

Europe, C.I.S., Africa, Middle East

- Revenue growth driven by substantial increase in SGRE
- Broad-based revenue increase in Germany, led by substantial growth in Mobility

Americas

- Revenue growth benefited from positive currency translation effects; increases in Siemens Healthineers and Energy Management, partially offset by a decline in SGRE
- Growth in the U.S. mainly from Energy Management, Siemens Healthineers and SGRE

Asia, Australia

- Growth in the majority of industrial businesses more than offset by substantial declines in Power and Gas and SGRE

| Revenue (location of customer)

(in millions of €)	First half		% Change	
	FY 2019	FY 2018	Actual	Comp.
Europe, C.I.S., Africa, Middle East	21,264	20,386	4%	5%
<i>therein: Germany</i>	5,907	5,369	10%	10%
Americas	11,088	10,771	3%	(1)%
<i>therein: U.S.</i>	8,416	7,634	10%	5%
Asia, Australia	8,700	8,806	(1)%	(2)%
<i>therein: China</i>	3,860	3,812	1%	1%
Siemens	41,052	39,964	3%	2%
<i>therein: emerging markets</i>	12,806	13,657	(6)%	(5)%

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A.1.2 Income

(in millions of €, earnings per share in €)	First half		% Change
	FY 2019	FY 2018	
Power and Gas	275	352	(22)%
Adjusted EBITA margin	4.9%	5.8%	
Energy Management	373	447	(16)%
Adjusted EBITA margin	6.4%	7.7%	
Building Technologies	314	325	(3)%
Adjusted EBITA margin	9.6%	10.3%	
Mobility	464	501	(7)%
Adjusted EBITA margin	10.8%	11.6%	
Digital Factory	1,308	1,289	2%
Adjusted EBITA margin	19.8%	20.5%	
Process Industries and Drives	345	248	39%
Adjusted EBITA margin	8.2%	6.4%	
Siemens Healthineers	1,148	1,072	7%
Adjusted EBITA margin	16.9%	16.7%	
Siemens Gamesa Renewable Energy	246	227	8%
Adjusted EBITA margin	5.3%	5.2%	
Industrial Business	4,474	4,462	0%
Adjusted EBITA margin	10.8%	11.1%	
Financial Services (SFS)	393	363	8%
Reconciliation to Consolidated Financial Statements	(1,070)	187	n/a
Income from continuing operations before income taxes	3,797	5,012	(24)%
Income tax expenses	(752)	(839)	10%
Income from continuing operations	3,044	4,173	(27)%
Income (loss) from discontinued operations, net of income taxes	(3)	56	n/a
Net income	3,041	4,229	(28)%
Basic earnings per share	3.50	5.07	(31)%
ROCE	12.2%	17.2%	

Industrial Business

- Majority of industrial businesses in or above their respective ranges for Adjusted EBITA margin; strong performances by Digital Factory and Siemens Healthineers, which made the largest contributions to Adjusted EBITA
- Severance charges for Industrial Business were €147 million (first half FY 2018: €190 million), reducing Industrial Business Adjusted EBITA margin by 0.4 percentage points
- Despite strong contributions from the service business, Adjusted EBITA at Power and Gas down significantly due mainly to lower revenue, price declines and reduced capacity utilization; global energy trends continue to structurally reduce demand in markets for the Division's offerings, resulting in declining new-unit large turbine business and corresponding price pressure due to structural overcapacities and aggressive competitive behavior
- Adjusted EBITA at Energy Management declined due including to a less favorable revenue mix in the transmission products business
- Higher Adjusted EBITA at Process Industries and Drives included an improved operational performance in nearly all businesses

Income from continuing operations before income taxes

- In the first half of FY 2018, Reconciliation to Consolidated Financial Statements included a gain of €900 million resulting from the transfer of Siemens' shares in Atos SE (Atos) to Siemens Pension-Trust e.V. in Germany and a gain of €655 million from the sale of OSRAM Licht AG (OSRAM) shares; these positive effects were partly offset by an impairment loss of €154 million related to an equity investment
- Severance charges for continuing operations were €193 million (first half FY 2018: €258 million)

Income from continuing operations

- Tax rate of 20% benefited from the reversal of income tax provisions outside Germany
- Tax rate of 17% in the first half of FY 2018 benefited from positive effects from reassessment of tax positions, including a net positive effect of €435 million following the U.S. tax reform, and the largely tax-free gains from the Atos and OSRAM share transactions mentioned above; these factors were only partly offset by negative income tax effects related to establishing the Siemens Healthineers Group

Net income, Basic earnings per share, ROCE

- Basic earnings per share (EPS) came in lower primarily because the first half of fiscal 2018 included the Atos and OSRAM gains mentioned above; basic EPS in the first half of fiscal 2019 was burdened by €0.16 from severance charges
- ROCE declined and came in below the target range due mainly to lower Net income

A.1.3 Selected information based on new organizational structure

Beginning with the second half of fiscal 2019, we will report financial results according to our new organizational structure as described in our Annual Report for fiscal 2018. The tables below present selected information based on the new structure. In February 2019, the European Commission announced its decision to prohibit the proposed combination of Alstom SA with Siemens' mobility business.

(in millions of €)	Orders			Revenue		
	First half		Fiscal year	First half		Fiscal year
	FY 2019	FY 2018	2018	FY 2019	FY 2018	2018
Digital Industries	8,196	8,281	16,287	7,915	7,547	15,587
Smart Infrastructure	7,889	7,390	15,198	7,126	6,814	14,445
Gas and Power	10,169	8,560	18,451	8,273	8,794	18,125
Mobility	8,070	5,663	11,025	4,290	4,307	8,821
Siemens Healthineers	7,151	6,693	14,506	6,806	6,422	13,425
Siemens Gamesa Renewable Energy	5,007	5,956	11,875	4,651	4,368	9,122
Industrial Businesses	46,483	42,543	87,341	39,061	38,251	79,526
Financial Services	420	414	825	420	414	825
Portfolio Companies	3,097	2,907	5,569	2,565	2,278	4,930
Reconciliation to Consolidated Financial Statements	(1,221)	(1,070)	(2,438)	(994)	(979)	(2,237)
Siemens (continuing operations)	48,779	44,794	91,296	41,052	39,964	83,044

(in millions of €)	Profit (Industrial Businesses: Adjusted EBITA)			Adjusted EBITA margin		
	First half		Fiscal year	First half		Fiscal year
	FY 2019	FY 2018	2018	FY 2019	FY 2018	2018
Digital Industries	1,532	1,451	2,898	19.4%	19.2%	18.6%
Smart Infrastructure	588	684	1,574	8.2%	10.0%	10.9%
Gas and Power	432	514	722	5.2%	5.8%	4.0%
Mobility	464	501	958	10.8%	11.6%	10.9%
Siemens Healthineers	1,148	1,072	2,221	16.9%	16.7%	16.5%
Siemens Gamesa Renewable Energy	246	227	483	5.3%	5.2%	5.3%
Industrial Businesses	4,410	4,450	8,857	11.3%	11.6%	11.1%
Financial Services	380	348	633			
Portfolio Companies	(23)	(167)	(305)			
Reconciliation to Consolidated Financial Statements	(970)	381	(1,135)			
Income from continuing operations before income taxes	3,797	5,012	8,050			
Income tax expenses	(752)	(839)	(2,054)			
Income from continuing operations	3,044	4,173	5,996			
Income (loss) from discontinued operations, net of income taxes	(3)	56	124			
Net income	3,041	4,229	6,120			

Severance charges for Industrial Businesses were €141 million in the first half of fiscal 2019, compared to €183 million in the first half of fiscal 2018. In fiscal 2018, severance charges for Industrial Businesses were €669 million.

Updated margin ranges (new organizational structure)

	Margin range
Digital Industries	17 - 23%
Smart Infrastructure	10 - 15%
Gas and Power	8 - 12%
Mobility	9 - 12%
Siemens Healthineers	17 - 21%
Siemens Gamesa Renewable Energy	7 - 11%
Industrial Businesses	11 - 15%
Financial Services (ROE after tax)	17 - 22%

A.2 Net assets position

(in millions of €)	Mar 31, 2019	Sep 30, 2018	% Change
Current assets	65,391	64,556	1%
<i>therein: cash and cash equivalents</i>	8,885	11,066	(20)%
Non-current assets	77,537	74,359	4%
Total assets	142,928	138,915	3%
Current liabilities	50,783	47,874	6%
Non-current liabilities	45,031	42,995	5%
Equity	47,114	48,046	(2)%
Total liabilities and equity	142,928	138,915	3%

Increase in total assets influenced by positive currency translation effects totaling €2.9 billion (with an impact on goodwill amounting to €0.7 billion), primarily involving the U.S. dollar

Current assets

- Higher inventories in almost all industrial businesses, with the build-up most evident at SGRE

Non-current assets

- Acquisitions of businesses, primarily the acquisition of Mendix, Inc., were the main factor for additions to goodwill and other intangible assets
- Increase in other financial assets included higher loans receivable

Current liabilities

- Short-term debt and current maturities of long-term debt increased due primarily to the reclassification of €2.7 billion in bonds and €0.9 billion in loans from banks from long-term debt, and also due to an increase in commercial paper; partly offset by the redemption of US\$-bonds totaling €0.6 billion

Non-current liabilities

- Long-term debt increased due primarily to the issuance of €3.0 billion in bonds along with currency translation effects mainly for bonds issued in the US\$; partly offset by the above-mentioned reclassification of bonds and loans from banks to short-term debt and current maturities of long-term debt
- Provisions for pensions and similar obligations as of March 31, 2019: €9.4 billion (September 30, 2018: €7.7 billion); increase due mainly to a lower discount rate assumption, partly offset by positive returns on plan assets; weighted-average discount rate as of March 31, 2019: 1.9% (September 30, 2018: 2.4%)

Equity

- Main factors for the decrease related primarily to dividend payments, remeasurements of defined benefit plans, and the purchase of treasury shares; these factors were partly offset by net income and positive currency translation effects

A.3 Financial position

Cash flows

	First half FY 2019		
(in millions of €)	Continuing operations	Discontinued operations	Continuing and discontinued operations
Cash flows from:			
Operating activities	1,286	(12)	1,274
Investing activities	(2,378)	1	(2,377)
<i>therein: Additions to intangible assets and property, plant and equipment</i>	(1,125)	-	(1,125)
Free cash flow	161	(12)	149
Financing activities	(1,306)	-	(1,306)

Cash flows from operating activities

- Five out of eight of our industrial businesses posted cash inflows from operating activities, with strong conversion of profit into cash by Mobility and Building Technologies, and three reported cash outflows
- Cash outflows of €0.8 billion related to the change in operating net working capital, with the biggest factor being a build-up of inventories, mostly by SGRE

Cash flows from investing activities

- Cash outflows of €0.5 billion for the acquisition of Mendix, Inc. in October 2018

Cash flows from financing activities

- Cash outflows of €3.1 billion for dividends paid to shareholders of Siemens AG
- Cash inflows of €3.0 billion for the issuance of eurobonds with varied maturities up to 20 years and of €1.2 billion related to outstanding US\$ commercial paper
- Cash outflows of €0.9 billion for purchase of 8,723 thousand treasury shares at a weighted average price of €101.98 per share
- Cash outflows of €0.6 billion for the repayment of US\$ bonds

A.4 Outlook

We confirm our financial expectations for fiscal 2019. We assume a continued favorable market environment, particularly for our short-cycle businesses, with limited risks related to geopolitical uncertainties. For fiscal 2019, we expect moderate growth in revenue, net of currency translation and portfolio effects. We further anticipate that orders will exceed revenue for a book-to-bill ratio above 1. We expect a profit margin of 11.0% to 12.0% for our Industrial Business based on our current organizational structure, excluding severance charges. Furthermore we expect basic EPS from net income in the range of €6.30 to €7.00 also excluding severance charges. Fiscal 2018 basic EPS from net income of €7.12 benefited from €1.87 per share in portfolio gains related to our stakes in Atos SE and OSRAM Licht AG and was burdened by €0.76 from severance charges, resulting in €6.01 excluding these factors.

This outlook excludes charges related to legal and regulatory matters.

A.5 Risks and opportunities

In our Annual Report for fiscal 2018 we described certain risks, which could have a material adverse effect on our business, financial condition (including effects on assets, liabilities and cash flows), results of operations and reputation, our most significant opportunities as well as the design of our risk management system.

During the reporting period, we identified no further significant risks and opportunities besides those presented in our Annual Report for fiscal 2018 and in this Half-year Financial Report. Additional risks and opportunities not known to us or that we currently consider immaterial could also affect our business operations. At present, no risks have been identified that either individually or in combination with other risks could endanger our ability to continue as a going concern. We refer also to C.3 Notes and forward-looking statements.

B. Half-year Consolidated Financial Statements

B.1 Consolidated Statements of Income

(in millions of €, per share amounts in €)	First half	
	FY 2019	FY 2018
Revenue	41,052	39,964
Cost of sales	(28,608)	(27,698)
Gross profit	12,444	12,266
Research and development expenses	(2,679)	(2,619)
Selling and general administrative expenses	(6,448)	(6,206)
Other operating income	232	199
Other operating expenses	(243)	(325)
Income (loss) from investments accounted for using the equity method, net	227	(26)
Interest income	781	721
Interest expenses	(549)	(544)
Other financial income (expenses), net	31	1,545
Income from continuing operations before income taxes	3,797	5,012
Income tax expenses	(752)	(839)
Income from continuing operations	3,044	4,173
Income (loss) from discontinued operations, net of income taxes	(3)	56
Net income	3,041	4,229
Attributable to:		
Non-controlling interests	219	87
Shareholders of Siemens AG	2,823	4,142
Basic earnings per share		
Income from continuing operations	3.50	5.00
Income from discontinued operations	–	0.07
Net income	3.50	5.07
Diluted earnings per share		
Income from continuing operations	3.46	4.92
Income from discontinued operations	–	0.07
Net income	3.46	4.99

B.2 Consolidated Statements of Comprehensive Income

(in millions of €)	Note	First half	
		FY 2019	FY 2018
Net income		3,041	4,229
Remeasurements of defined benefit plans		(1,199)	(501)
<i>therein: Income tax effects</i>		469	(274)
Remeasurements of equity instruments	1	(7)	–
Income (loss) from investments accounted for using the equity method, net		–	2
Items that will not be reclassified to profit or loss		(1,207)	(499)
Currency translation differences		1,426	(721)
Available-for-sale financial assets	1	–	(1,825)
<i>therein: Income tax effects</i>		–	28
Derivative financial instruments		(151)	(15)
<i>therein: Income tax effects</i>		56	12
Income (loss) from investments accounted for using the equity method, net		(17)	(30)
Items that may be reclassified subsequently to profit or loss		1,258	(2,592)
Other comprehensive income, net of income taxes		51	(3,091)
Total comprehensive income		3,092	1,138
Attributable to:			
Non-controlling interests		278	24
Shareholders of Siemens AG		2,814	1,114

B.3 Consolidated Statements of Financial Position

(in millions of €)	Note	Mar 31, 2019	Sep 30, 2018
Assets			
Cash and cash equivalents		8,885	11,066
Trade and other receivables		18,424	18,455
Other current financial assets		9,806	9,427
Contract assets		9,543	8,912
Inventories		15,634	13,885
Current income tax assets		1,120	1,010
Other current assets		1,922	1,707
Assets classified as held for disposal		58	94
Total current assets		65,391	64,556
Goodwill		29,647	28,344
Other intangible assets		10,131	10,131
Property, plant and equipment		11,766	11,381
Investments accounted for using the equity method		2,508	2,579
Other financial assets		18,672	17,774
Deferred tax assets		2,757	2,341
Other assets		2,056	1,810
Total non-current assets		77,537	74,359
Total assets		142,928	138,915
Liabilities and equity			
Short-term debt and current maturities of long-term debt	3	8,992	5,057
Trade payables		10,259	10,716
Other current financial liabilities		1,513	1,485
Contract liabilities		16,007	14,464
Current provisions		3,684	3,931
Current income tax liabilities		2,510	3,102
Other current liabilities		7,817	9,118
Liabilities associated with assets classified as held for disposal		1	1
Total current liabilities		50,783	47,874
Long-term debt	3	27,479	27,120
Provisions for pensions and similar obligations		9,426	7,684
Deferred tax liabilities		982	1,092
Provisions		4,146	4,216
Other financial liabilities		864	685
Other liabilities		2,134	2,198
Total non-current liabilities		45,031	42,995
Total liabilities		95,814	90,869
Equity	4		
Issued capital		2,550	2,550
Capital reserve		6,162	6,184
Retained earnings		39,446	41,014
Other components of equity		763	(352)
Treasury shares, at cost		(4,448)	(3,922)
Total equity attributable to shareholders of Siemens AG		44,472	45,474
Non-controlling interests		2,641	2,573
Total equity		47,114	48,046
Total liabilities and equity		142,928	138,915

B.4 Consolidated Statements of Cash Flows

(in millions of €)	First half	
	FY 2019	FY 2018
Cash flows from operating activities		
Net income	3,041	4,229
Adjustments to reconcile net income to cash flows from operating activities - continuing operations		
(Income) loss from discontinued operations, net of income taxes	3	(56)
Amortization, depreciation and impairments	1,665	1,692
Income tax expenses	752	839
Interest (income) expenses, net	(232)	(177)
(Income) loss related to investing activities	(330)	(1,683)
Other non-cash (income) expenses	265	308
Change in operating net working capital from		
Contract assets	(279)	379
Inventories	(1,554)	(822)
Trade and other receivables	443	(143)
Trade payables	(648)	(737)
Contract liabilities	1,253	696
Additions to assets leased to others in operating leases	(312)	(260)
Change in other assets and liabilities	(2,213)	(1,522)
Income taxes paid	(1,442)	(849)
Dividends received	125	116
Interest received	747	673
Cash flows from operating activities - continuing operations	1,286	2,681
Cash flows from operating activities - discontinued operations	(12)	25
Cash flows from operating activities - continuing and discontinued operations	1,274	2,706
Cash flows from investing activities		
Additions to intangible assets and property, plant and equipment	(1,125)	(1,043)
Acquisitions of businesses, net of cash acquired	(837)	(350)
Purchase of investments and financial assets for investment purposes	(894)	(873)
Change in receivables from financing activities	(319)	(257)
Disposal of intangibles and property, plant and equipment	117	90
Disposal of businesses, net of cash disposed	(81)	194
Disposal of investments and financial assets for investment purposes	762	1,620
Cash flows from investing activities - continuing operations	(2,378)	(619)
Cash flows from investing activities - discontinued operations	1	(19)
Cash flows from investing activities - continuing and discontinued operations	(2,377)	(638)
Cash flows from financing activities		
Purchase of treasury shares	(945)	(836)
Re-issuance of treasury shares and other transactions with owners	(45)	3,618
Issuance of long-term debt	2,980	–
Repayment of long-term debt (including current maturities of long-term debt)	(624)	(414)
Change in short-term debt and other financing activities	1,095	275
Interest paid	(503)	(459)
Dividends paid to shareholders of Siemens AG	(3,060)	(3,011)
Dividends attributable to non-controlling interests	(202)	(82)
Cash flows from financing activities - continuing operations	(1,306)	(909)
Cash flows from financing activities - discontinued operations	–	–
Cash flows from financing activities - continuing and discontinued operations	(1,306)	(909)
Effect of changes in exchange rates on cash and cash equivalents	227	33
Change in cash and cash equivalents	(2,182)	1,192
Cash and cash equivalents at beginning of period	11,066	8,389
Cash and cash equivalents at end of period	8,885	9,581
Less: Cash and cash equivalents of assets classified as held for disposal and discontinued operations at end of period	–	–
Cash and cash equivalents at end of period (Consolidated Statements of Financial Position)	8,885	9,581

B.5 Consolidated Statements of Changes in Equity

	Issued capital	Capital reserve	Retained earnings	Currency translation differences	Equity instruments (prior year: available-for-sale financial assets)	Derivative financial instruments	Treasury shares at cost	Total equity attributable to shareholders of Siemens AG	Non controlling interests	Total equity
(in millions of €)										
Balance as of October 1, 2017	2,550	6,368	35,794	(181)	1,845	1	(3,196)	43,181	1,438	44,619
Net income	–	–	4,142	–	–	–	–	4,142	87	4,229
Other comprehensive income, net of income taxes	–	–	(495)	(713)	(1,825)	6	–	(3,027)	(63)	(3,091)
Dividends	–	–	(3,011)	–	–	–	–	(3,011)	(89)	(3,100)
Share-based payment	–	(320)	(73)	–	–	–	–	(393)	–	(393)
Purchase of treasury shares	–	–	–	–	–	–	(842)	(842)	–	(842)
Re-issuance of treasury shares	–	26	–	–	–	–	646	672	–	672
Changes in equity resulting from major portfolio transactions	–	–	2,884	92	–	–	–	2,977	1,053	4,029
Other transactions with non-controlling interests	–	–	2	–	–	–	–	2	(1)	1
Other changes in equity	–	–	(27)	–	–	–	–	(27)	1	(26)
Balance as of March 31, 2018	2,550	6,074	39,216	(802)	20	7	(3,392)	43,672	2,426	46,098
Balance as of September 30, 2018 (as previously reported)	2,550	6,184	41,014	(350)	24	(26)	(3,922)	45,474	2,573	48,046
Effect of retrospectively adopting IFRS 9	–	–	(7)	–	(57)	–	–	(64)	(1)	(65)
Balance as of October 1, 2018	2,550	6,184	41,007	(351)	(33)	(26)	(3,922)	45,410	2,571	47,981
Net income	–	–	2,823	–	–	–	–	2,823	219	3,041
Other comprehensive income, net of income taxes	–	–	(1,181)	1,343	(8)	(162)	–	(8)	59	51
Dividends	–	–	(3,060)	–	–	–	–	(3,060)	(213)	(3,273)
Share-based payment	–	(22)	(106)	–	–	–	–	(128)	3	(126)
Purchase of treasury shares	–	–	–	–	–	–	(890)	(890)	–	(890)
Re-issuance of treasury shares	–	–	–	–	–	–	363	363	3	366
Disposal of equity instruments	–	–	(2)	–	–	–	–	(2)	–	(2)
Transactions with non-controlling interests	–	–	(19)	–	–	–	–	(19)	(8)	(27)
Other changes in equity	–	–	(16)	–	–	–	–	(16)	7	(9)
Balance as of March 31, 2019	2,550	6,162	39,446	992	(41)	(188)	(4,448)	44,472	2,641	47,114

B.6 Notes to Half-year Consolidated Financial Statements

NOTE 1 Basis of presentation

The accompanying condensed Half-year Consolidated Financial Statements as of March 31, 2019 present the operations of Siemens AG and its subsidiaries (the Company or Siemens). These Half-year Consolidated Financial Statements are in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU and should be read in conjunction with the Siemens Consolidated Financial Statements as of September 30, 2018. The Half-year Consolidated Financial Statements apply the same accounting principles and practices as those used in the 2018 annual financial statements, except for the adoption of IFRS 9, Financial Instruments (IFRS 9) as of October 1, 2018. Results for the interim reporting period are not necessarily indicative of future results. In interim periods, tax expense is based on the current estimated annual effective tax rate of Siemens. The presentation of certain prior-year information has been reclassified to conform to the current year presentation. The Half-year Consolidated Financial Statements are unaudited and were authorized for issue by the Managing Board on May 7, 2019. For further information on changes in estimates (including income taxes and pensions), disaggregation of revenue and on segment information, see disclosures in the Interim Group Management Report. Due to rounding, numbers disclosed may not add up precisely to totals provided.

Recent accounting pronouncements, not yet adopted

Regarding the adoption of IFRS 16, Leases, Siemens expects an increase in a low single-digit percentage range in Total assets and in Total liabilities and equity as of October 1, 2019 (opening balance sheet).

Recently adopted pronouncements

IFRS 9, Financial Instruments, was adopted retrospectively as of October 1, 2018. Comparative figures are not adjusted in accordance with IFRS 9 transitional provisions. IFRS 9 changed the classification of financial instruments, mainly regarding the former available-for-sale category: a) most debt instruments are notes and bonds meeting the solely payments of principal and interest criterion; accordingly, as of October 1, 2018, their carrying amount of €1,271 million was reclassified to amortized cost under IFRS 9, b) IAS 39 available-for-sale equity instruments with a carrying amount of €297 million were reclassified to fair value through profit or loss and €440 million carrying amount to fair value through other comprehensive income. IFRS 9 increased valuation allowances by €82 million, mostly for lease receivables and loan commitments. Transition effects from adopting IFRS 9 were recognized cumulatively in Equity as of October 1, 2018.

NOTE 2 Proposed merger with Alstom SA

In February 2019, the European Commission announced its decision to prohibit the proposed combination of Alstom SA with Siemens' Mobility business.

NOTE 3 Debt

(in millions of €)	Current debt		Non-current debt	
	Mar 31, 2019	Sep 30, 2018	Mar 31, 2019	Sep 30, 2018
Notes and bonds	5,310	3,142	26,138	25,210
Loans from banks	1,663	1,218	1,146	1,717
Other financial indebtedness	2,004	683	101	98
Obligations under finance leases	15	14	94	95
Total debt	8,992	5,057	27,479	27,120

Credit facilities: in February 2019 the existing €4.0 billion unused syndicated credit facility and the US\$3.0 billion unused syndicated credit facility were cancelled following the signing of a new and unused €7.0 billion syndicated credit facility maturing in 2024.

Debt Issuance Program: in the six months ended March 31, 2019, the 3m LIBOR+1.4% US\$400 million floating-rate instrument and the US\$300 million floating-rate instrument were redeemed as due. In February 2019, Siemens issued instruments totaling €3.0 billion in four tranches: €750 million 0.30% due February 2024; €650 million 0.90% due February 2028; €800 million 1.25% due February 2031 and €800 million 1.75% due February 2039.

Bond with Warrant Units: in the six months ended March 31, 2019, terms to warrants exercisable until August 1, 2019 changed to receive 1,951.6314 Siemens AG shares per warrant at an exercise price of €96.2491 per share, terms for the not exchanged warrants changed to receive 1,859.2137 Siemens AG shares per warrant and 134.5455 OSRAM Licht AG shares at an exercise price of €187,842.81.

Commercial Paper Program: as of March 31, 2019 and September 30, 2018, US\$2.086 billion (€1.857 billion) and US\$700 million (€605 million) in commercial paper were outstanding, respectively.

NOTE 4 Shareholders' equity

In the six months ended March 31, 2019 and 2018, Siemens repurchased 8,723 thousand and 7,539 thousand treasury shares, respectively. Siemens transferred a total of 3,667 thousand and 6,778 thousand shares of treasury stock, respectively, in the six months ended March 31, 2019 and 2018. In the second quarter of fiscal 2019, a dividend of €3.80 per share was paid.

NOTE 5 Commitments and contingencies

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

(in millions of €)	Mar 31, 2019	Sep 30, 2018
Credit guarantees	375	389
Guarantees of third-party performance	2,589	2,454
Miscellaneous guarantees	200	200
	3,164	3,043

In addition to guarantees disclosed in the table above, the Company issued other guarantees including indemnifications in connection with dispositions of businesses. To the extent future claims are not considered remote, maximum future payments from these obligations amount to €474 million and €492 million as of March 31, 2019 and September 30, 2018, respectively.

NOTE 6 Legal proceedings

In relation to the previously reported cartel damages claims in Israel filed by an electricity consumer group and the Israel Electric Corporation in relation to alleged anti-competitive behavior in the Israeli gas-insulated switchgear market, a settlement agreement was concluded in those proceedings in December 2018 which is subject to approval.

In March 2019, a Brazilian company asserted claims to pay an amount in a higher three-digit million euro amount in local currency against a consortium of contractors and each member of the consortium, including Siemens Ltda., Brazil (Siemens Ltda.) in a lawsuit relating to the construction of a power plant in Brazil that was completed in 2016. The members of the consortium are jointly and severally liable, Siemens Ltda.'s share in the consortium is below 3%. The consortium and its members defend themselves against the claim and for their part claim payment in a lower three-digit million euro amount in local currency.

NOTE 7 Financial instruments

Financial instruments measured at cost or amortized cost for which the carrying amount does not approximate fair value:

(in millions of €)	Mar 31, 2019		Sep 30, 2018	
	Fair value	Carrying amount	Fair value	Carrying amount
Notes and bonds	32,193	31,447	28,383	28,352
Loans from banks, other financial indebtedness and finance leases	5,064	5,023	3,872	3,825

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

(in millions of €)	Mar 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value, thereof:	4	2,289	751	3,045
<i>Equity instruments measured at fair value through profit and loss</i>	–	233	153	386
<i>Equity instruments measured at fair value through Other comprehensive income</i>	4	–	462	467
<i>Debt instruments measured at fair value through profit and loss</i>	–	–	74	74
<i>Derivative financial instruments</i>	–	2,056	61	2,117
Financial liabilities measured at fair value – Derivative financial instruments	–	847	–	847

Level 3 financial assets increased due to equity instruments previously measured at cost which were reclassified to fair value measurement upon adopting IFRS 9 as of October 1, 2018.

NOTE 8 Segment information

(in millions of €)	Orders		External revenue		Intersegment Revenue		Total revenue		Profit		Assets		Free cash flow		Additions to intangible assets and property, plant & equipment		Amortization, depreciation & impairments	
	First half		First half		First half		First half		First half		Mar 31,	Sep 30,	First half		First half		First half	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	2019	2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Power and Gas	6,805	6,236	5,651	6,052	21	33	5,672	6,085	275	352	10,854	10,087	(270)	(144)	84	78	214	285
Energy Management	6,905	5,639	5,553	5,515	294	260	5,846	5,774	373	447	5,140	4,535	129	37	93	86	101	102
Building Technologies	3,730	3,481	3,224	3,099	60	65	3,285	3,164	314	325	1,606	1,596	326	231	28	22	44	37
Mobility	8,071	5,663	4,273	4,278	17	29	4,290	4,307	464	501	2,849	2,933	583	468	82	54	89	76
Digital Factory	6,779	6,925	6,280	5,940	327	335	6,606	6,275	1,308	1,289	10,238	9,382	938	1,128	129	103	307	295
Process Industries and Drives	4,615	4,315	3,674	3,349	554	542	4,228	3,891	345	248	2,641	2,106	(107)	57	48	52	85	89
Siemens Healthineers	7,151	6,693	6,767	6,374	40	48	6,806	6,422	1,148	1,072	13,334	12,392	454	548	284	208	290	241
Siemens Gamesa Renewable Energy	5,007	5,956	4,650	4,367	1	1	4,651	4,368	246	227	4,541	3,823	(498)	(206)	189	166	295	317
Industrial Business	49,063	44,908	40,071	38,973	1,314	1,312	41,385	40,285	4,474	4,462	51,202	46,853	1,557	2,118	935	768	1,426	1,442
Financial Services (SFS)	489	479	418	411	71	69	489	479	393	363	29,142	28,281	395	371	11	17	110	104
Reconciliation to Consolidated Financial Statements	(773)	(593)	564	580	(1,386)	(1,380)	(822)	(800)	(1,070)	187	62,584	63,781	(1,790)	(852)	179	258	129	146
Siemens (continuing operations)	48,779	44,794	41,052	39,964	-	-	41,052	39,964	3,797	5,012	142,928	138,915	161	1,638	1,125	1,043	1,665	1,692

Segment information is disclosed for continuing operations. Segment measurement principles are the same as those described in the September 30, 2018 Annual Report. Revenue includes revenue from contracts with customers and revenue from leasing activities. In the six months ended March 31, 2019 and 2018, lease revenue is mainly generated at Siemens Healthineers €96 million and €70 million, Financial Services €129 million and €124 million, and Siemens Real Estate €35 million and €40 million, respectively. The Power and Gas, Siemens Gamesa Renewable Energy and Mobility segments recognize revenue predominantly over time due to the nature of their long-term contracts. All other segments generally recognize revenue at a point in time.

Reconciliation to Consolidated Financial Statements

Profit

(in millions of €)	First half	
	FY 2019	FY 2018
Centrally managed portfolio activities	(91)	1,336
Siemens Real Estate	68	53
Corporate items	(180)	(203)
Centrally carried pension expense	(140)	(246)
Amortization of intangible assets acquired in business combinations	(566)	(585)
Eliminations, Corporate Treasury, and other reconciling items	(162)	(167)
Reconciliation to Consolidated Financial Statements	(1,070)	187

Assets

(in millions of €)	Mar 31,	Sep 30,
	2019	2018
Assets Centrally managed portfolio activities	606	438
Assets Siemens Real Estate	3,620	3,625
Assets Corporate items and pensions	(308)	(945)
Asset-based adjustments:		
Intragroup financing receivables	51,184	54,617
Tax-related assets	3,739	3,209
Liability-based adjustments	46,502	46,843
Eliminations, Corporate Treasury, other items	(42,760)	(44,006)
Reconciliation to Consolidated Financial Statements	62,584	63,781

NOTE 9 Related party transactions

Siemens has relationships with many joint ventures and associates in the ordinary course of business whereby Siemens buys and sells a wide variety of products and services generally on arm's length terms. The transactions with joint ventures and associates were as follows:

(in millions of €)	Sales of goods and services and other income		Purchases of goods and services and other expenses		Receivables		Liabilities	
	First half		First half		Mar 31,	Sep 30,	Mar 31,	Sep 30,
	FY 2019	FY 2018	FY 2019	FY 2018	2019	2018	2019	2018
Joint ventures	250	970	50	61	136	116	126	178
Associates	158	130	111	115	61	40	188	243
	408	1,100	161	176	198	156	313	421

As of March 31, 2019 and September 30, 2018, guarantees for joint ventures and associates amounted to €430 million and €438 million, respectively. As of March 31, 2019 and September 30, 2018, loans given to joint ventures and associates amounted to €437 million and €363 million, therein €434 million and €360 million related to joint ventures, respectively. As of March 31, 2019 and September 30, 2018, the Company had commitments to make capital contributions of €155 million and €14 million to its joint ventures and associates, therein €133 million and €4 million related to joint ventures, respectively. As of March 31, 2019 and September 30, 2018 there were loan commitments to joint ventures amounting to €150 million and €178 million, respectively.

NOTE 10 Subsequent events

Siemens continues to consistently execute Vision 2020+. In May 2019, Siemens announced to further strengthen its Gas and Power business for the future. Siemens plans to carve out this business, and together with its 59% shareholding in Siemens Gamesa Renewable Energy, create a unique new company, offering conventional and renewable power generation, oil and gas solutions as well as grid technology for all power transmission. Siemens plans to partially spin-off this new company to the Siemens shareholders, to list it at the stock market, and to keep significant influence by retaining a shareholding in a range of more than 25% and less than 50%. The spin-off is subject to approval by a Siemens shareholders' meeting.

C. Additional information

C.1 Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for half-year financial reporting, the Half-year Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Munich, May 7, 2019

Siemens Aktiengesellschaft

The Managing Board

Joe Kaeser

Dr. Roland Busch

Lisa Davis

Klaus Helmrich

Janina Kugel

Cedrik Neike

Michael Sen

Prof. Dr. Ralf P. Thomas

C.2 Review report

To Siemens Aktiengesellschaft, Berlin and Munich

We have reviewed the half-year consolidated financial statements comprising the consolidated statements of income, comprehensive income, financial position, cash flows and changes in equity, and notes to half-year consolidated financial statements, and the interim group management report, of Siemens Aktiengesellschaft, Berlin and Munich for the period from October 1, 2018 to March 31, 2019 which are part of the half-year financial report pursuant to Sec. 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the half-year consolidated financial statements in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the half-year consolidated financial statements and the interim group management report based on our review.

We conducted our review of the half-year consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW - Institute of Public Auditors in Germany) and in supplementary compliance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the half-year consolidated financial statements are not prepared, in all material respects, in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed a financial statement audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the half-year consolidated financial statements are not prepared, in all material respects, in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Munich, May 7, 2019

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Spannagl

Wirtschaftsprüfer

[German Public Auditor]

Breitsameter

Wirtschaftsprüferin

[German Public Auditor]

C.3 Notes and forward-looking statements

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

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

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

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

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

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