Siemens Mobility GmbH

Management Report and Annual Financial Statements as of September 30, 2018

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

1. Basic principles

1.1 Organization and basis of reporting

Siemens Mobility GmbH (hereinafter also referred to as the "Company") conducts major parts of the Siemens Group (Siemens) Mobility Division business, operating from Germany. Siemens Mobility GmbH took over this business from Siemens AG by contribution in kind on August 1, 2018 in view of the planned merger of the Mobility business with Alstom S.A., France (Alstom). Further information on the planned merger is provided in part 1.2.

In the shortened fiscal year from November 27, 2017 to September 30, 2018, Siemens Mobility GmbH's active operations therefore cover the period from August 1, 2018 to September 30, 2018.

As a "global enterprise", a Siemens Group Division has global business responsibility. The Company's Management Board also heads the Mobility Division (hereinafter also referred to as "Mobility"). Siemens Mobility GmbH is an integral part of the Mobility Division. Accordingly, information is provided in part from the point of view of the Mobility Division, in accordance with the Management Board's perspective.

1.2 Business model

The business model within Mobility is uniform throughout the Division and thus also includes Siemens Mobility GmbH. The Mobility Division comprises all Siemens operations that deal with the transportation of people and goods. This includes rail vehicles, railway automation, railway electrification, road traffic technology, digital solutions and related services. Mobility also offers its customers consulting services as well as the planning, financing, commissioning, servicing and operation of turnkey mobility systems. Integrated mobility solutions for interconnecting different traffic systems round off the offers. Mobility sells its products, systems and solutions through its worldwide network of sales units. Mobility's main customers are public and state-owned companies in the transport and logistics sector. The markets served by Mobility are therefore primarily dependent on public spending. Mobility's customers typically have planning and implementation horizons that extend over many years, and their tenders are largely unaffected by short-term economic developments. Mobility's main competitors are multinational companies. Consolidation among Mobility's competitors continues to progress. The consolidation has already resulted in a strong market leader in China who is planning to expand its international business. This is likely to change global market dynamics.

In March 2018, Siemens AG and Alstom S.A., France (Alstom), signed a Business Combination Agreement on the merger of Siemens' Mobility business, including rail drives which, until the end of the 2018 fiscal year, were part of the Process Industries and Drives Division, with the listed company Alstom. The two entities largely complement each other in terms of their operations and geographical locations. The merged company is expected to offer a greatly expanded range of products, systems, solutions and services. Under the Business Combination Agreement, Siemens will receive newly issued shares in the merged company representing at least 50% of Alstom's share capital, calculated on the basis of a full dilution through the exercising of all potentially dilutive securities and stock-based remuneration plans. Siemens will also receive subscription rights for the acquisition of Alstom shares to the amount of two percentage points of the share capital, which can be exercised at the earliest four years after the closing of the transaction. In July 2018, Alstom's shareholders approved the proposed merger at the company's annual general meeting. In preparation for the merger, Siemens initiated the carve-out of the Mobility business. The merger is subject to approval by the relevant antitrust authorities. The transaction is expected to close in the first half of the 2019 calendar year. Upon closing of the transaction, the merged businesses will form the strategic company "Siemens Alstom".

1.3 Research and development

The Mobility Division's research and development strategy is geared to the customers' needs for maximum availability, high throughput and improved passenger comfort. Despite a growing need for global mobility, the possibilities for building new roads and railways are limited. Therefore, intelligent solutions are needed that make traffic more efficient and at the same time safe and environmentally friendly. Decarbonization and seamlessly interlinked intermodal (e-)mobility are key factors for the future of transport. Therefore, a major focus of Mobility's research and development activities is on digitization to develop modern mobility solutions for road and rail in combination with new business models, such as Availability as a Service[1] (AaaS) based on our data analysis platform Railigent[2] and other MindSphere[3]-based applications. Together with next47[4], Mobility and other partners are investing in the future of the mobility landscape in areas such as sensor technology, connectivity/ IoT solutions, software for intermodal transport and additive manufacturing.

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[1] Performance-based contracts including digital services for vehicles and infrastructure

[2] Data analysis platform from Siemens Mobility Services; makes it possible to understand railway data, generate valuable information and increase the performance of the entire system.

[3] MindSphere is the cloud-based, open IoT operating system from Siemens that connects products, plants, systems and machines and makes it possible to use the wealth of data from the Internet of Things (IoT) through extensive analyses.

[4] Independent unit of Siemens to promote disruptive ideas more strongly and to advance new technologies more quickly. With next47, Siemens is bundling its commitment to start-ups.

In fiscal 2018, research and development expenses at Siemens Mobility GmbH amounted to EUR 70,215 thousand. The research intensity, which results from the ratio of research and development expenses to sales revenues, was 7.4%. Siemens Mobility GmbH does not capitalize any development costs as part of its financial statements according to the German Commercial Code (HGB). This means that current development costs are recognized in the income statement as research and development expenses when they are incurred. In fiscal 2018, Siemens Mobility GmbH had an average of approximately 1,333 employees (whereby the term "employee" includes persons of all sexes) in research and development.

2. Economic report

2.1 Economic environment

2.1.1 Macroeconomic environment

Following global gross domestic product (GDP) growth of 3.2% in 2017, the global economy continued to grow at the beginning of fiscal 2018. Subsequently, disruptive developments began to have an adverse impact, first on the mood, and then on the economy itself. Therefore, GDP growth for 2018 is expected to remain at the level of 3.2% (based on market exchange rates).

In 2018, GDP growth in the industrialized countries is expected to remain unchanged from the previous year at 2.3%, primarily influenced by the U.S. economy which benefited from extensive tax cuts. The emerging markets, on the other hand, are expected to record a slight decline in GDP growth to 4.6%, compared to 4.7% in 2017. This relatively small difference, however, conceals significant adverse developments. Emerging markets that had to contend with currency devaluation and tightening lending terms experienced an outflow of international capital. This applies in particular to Argentina and Turkey whose economies were subject to substantial strains. This situation, together with various country-specific effects, was exacerbated by the monetary policy of the U.S. whose central bank continued its monetary tightening to a greater extent than expected. In addition, the announcement and introduction of new and higher tariffs led to fears of a global trade war and also significantly increased uncertainty about future economic developments. In the Middle East region, political tensions increased due to the reintroduction of U.S. sanctions against Iran.

In Europe, the negotiations on the UK's withdrawal from the European Union created considerable uncertainty. A lack of clarity about the future arrangement weighed on the propensity to invest. In addition, the significant disagreement between the European Commission and the new Italian government over an Italian budget proposal gave rise to fears of another euro crisis and led financial markets to react with increasing concern.

Overall, these unfavorable influences led to a weakening at the end of calendar year 2018 of the economic recovery seen at the beginning of the year.

The partly estimated GDP data presented here are based on a report by IHS Markit dated October 15, 2018.

2.1.2 Sector-specific environment

In the 2018 fiscal year, Mobility's markets recorded continued strong demand overall, although there were regional differences. Market development in Europe was characterized by the continued award of medium and large contracts. This was particularly evident in Germany, France and the UK. Demand from the Middle East and Africa was impacted by continued uncertainties related to budget constraints and the political environment. The stable investment activity in the Americas region was mainly driven by demand for long-distance and commuter trains. This applied in particular to the U.S. In the Asia/Australia region, markets in China recorded continued investment in high-speed trains, commuter transit and rail infrastructure. India is continuing to invest in the modernization of the country's transport infrastructure.

2.2 Business performance

2.2.1 Business performance of the Siemens Mobility Division

The key figures in the separate financial statements prepared in accordance with the German Commercial Code (HGB) are neither an internal control nor a planning parameter for Siemens Mobility GmbH. For this reason, the business of the Siemens Mobility Division is discussed below, as it is presented in the Siemens Group financial statements.

	Siemens fiscal year		Change	
(EUR million)	2018	2017	Act.	Comparable[5]
Orders	10,959	8,963	22%	25%
Revenue	8,758	8,104	8%	11%
Income	872	747	17%	
Income margin	10.0%	9.2%		

Orders in the Mobility Division rose sharply in the period from October 1, 2017 to September 30, 2018 due to a higher volume of major orders. The Division acquired these orders across businesses and regions, particularly in Europe, the CIS, Africa and the Middle East. Major orders in Siemens' past fiscal year (from October 1, 2017 to September 30, 2018) included a EUR 0.9 billion order for commuter trains (including servicing) in Israel, the largest rail infrastructure order in Siemens' history worth EUR 0.7 billion (including servicing) in Norway, a EUR 0.6 billion order for additional ICE 4 trains and railcars in Germany, and the first call-

[5] Excluding currency translation and portfolio effects

off in the amount of EUR 0.4 billion from a major framework agreement for passenger carriages in Austria. In the 2017 fiscal year, the Division again won a number of major orders in all three reporting regions. Due to the successful processing of major projects, revenues increased in all areas of operations. Geographically, revenue growth was driven by a double-digit percentage increase in Europe, the CIS, Africa, the Middle East and the Asia/Australia region. In the Americas, revenue declined due to negative currency translation effects. Revenue growth was particularly strong in Germany, where the first ICE 4 high-speed trains from the largest train order in the history of Siemens successfully went into regular service. Income rose considerably. With continued strong operational implementation, all Mobility businesses contributed double-digit percentage income growth and higher profitability year-on-year. Personnel restructuring expenses fell to EUR 13 million, down from EUR 46 million in fiscal 2017. Mobility's order backlog amounted to EUR 28 billion at the end of the fiscal year, of which EUR 7 billion is expected to be recognized as revenue in the 2019 fiscal year.

The growth in orders reflected the generally strong Mobility markets in the period between October 1, 2017 and September 30, 2018, which, however, differed in their regional dynamics. Market development in Europe was characterized by the continued placement of medium and large orders. This was particularly evident in Germany, France and the UK. Demand from the Middle East and Africa was impacted by continued uncertainties related to budget constraints and the political environment. The stable investment activity in the Americas region was mainly driven by demand for long-distance and commuter trains; this applied in particular to the U.S. In the Asia/Australia region, markets in China recorded continued investment in high-speed trains, commuter transit and rail infrastructure. India is continuing to invest in the modernization of the country's transport infrastructure.

2.2.2 Business performance of Siemens Mobility GmbH

On August 1, 2018, Siemens Mobility GmbH acquired net assets of EUR 1,243,928 thousand from Siemens AG by way of a contribution in kind and thus commenced operations as of that date. In this context, the share capital was increased by EUR 49,975 thousand to EUR 50,000 thousand. The net assets acquired consist primarily of property, plant and equipment in the amount of EUR 185,136 thousand, financial assets in the amount of EUR 3,245,337 thousand, trade receivables in the amount of EUR 320,579 thousand, provisions for pensions and similar obligations in the amount of EUR 568,521 thousand, other provisions in the amount of EUR 869,888 thousand, advance payments received in the amount of EUR 575,292 thousand (net liabilities), trade payables in the amount of EUR 430,540 thousand and other liabilities in the amount of EUR 142,603 thousand.

The following statements relate to the period during which operating activities were carried out. Siemens Mobility GmbH commenced active business operations on August 1, 2018.

In August and September 2018, Siemens Mobility GmbH was able to maintain its leading competitive position.

Ongoing projects continued to be executed according to plan, with business performance being characterized by the scheduled completion of major projects in the area of high-speed trains as well as commuter and long-distance transport. The main revenue drivers that influenced business performance in August and September 2018 were the delivery of the fourth generation ICE (ICE 4) for Deutsche Bahn and the final acceptance of the Velaro Eurostar for Eurostar International Limited.

There are no particular seasonal influences on order processing.

2.3 Position of the Company

2.3.1 Earnings position

Due to the shortened period under review, the informative value of the income statement is reduced. The information presented does not include any notable one-off effects.

	Fiscal year 2018 EUR’000
Revenue	950,657
Income from business activity	88,344
Income margin	9.3%

Siemens Mobility GmbH's revenue development in the past fiscal year was highly dependent on the processing and final invoicing of major projects in the sectors high-speed trains, commuter and long-distance transport. The main driver in August and September was the final acceptance of trains for the ICE 4 and Velaro Eurostar projects.

Distribution costs as well as general administration expenses (EUR 44,065 thousand and EUR 17,585 thousand, respectively) accounted for 6.5% of revenues in the period under review.

The ratio of research and development expenses (EUR 70,215 thousand) to revenues was 7.4%.

Like revenue, income from business activities was positively influenced by the processing of major projects for railcars. The projects in the signal technology sector also made a positive value contribution, but, at 20% (EUR 191,403 thousand), account for the lower share of sales.

2.3.2 Net assets position

Assets	Sep. 30, 2018 EUR'000
NON-CURRENT ASSETS	**3,655,689**
Intangible assets	13,892
Property, plant and equipment	192,193
Financial assets	3,449,604
CURRENT ASSETS	**741,873**
Total inventories (net)	0
Receivables and other assets	731,640
Cash and cash equivalents	10,233
Prepaid expenses	19,883
Active difference resulting from offsetting	1,874
TOTAL ASSETS	**4,419,319**

Property, plant and equipment mainly includes machinery for the production sites, test and laboratory equipment as well as office equipment.

Financial assets include in particular the carrying amounts of shareholdings in affiliated companies and investments in the Siemens Mobility companies in the United Kingdom (EUR 1,376,879 thousand), the United States (EUR 934,368 thousand), Switzerland (EUR 392,680 thousand) and Austria (EUR 339,872 thousand).

Due to the offsetting of advance payments received (EUR 3,800,720 thousand) against inventories, the excess of advance payments reported under liabilities amounts to EUR 270,182 thousand.

Gross inventories break down as follows:

	Sep. 30, 2018 EUR'000
Total inventories (gross)	**3,530,538**
Raw materials, consumables and supplies	137,635
Work in progress and finished goods	393,233
Uncharged deliveries and services	2,429,946
Advance payments on inventories	569,724

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

Receivables and other assets break down as follows:

	Sep. 30, 2018 EUR'000
Receivables	**731,640**
Trade receivables	41,076
Receivables from affiliated companies	660,286
Other receivables and other assets	30,278

The liabilities side of the balance sheet is as follows:

Shareholders' equity and liabilities	Sep. 30, 2018 EUR'000
SHAREHOLDERS' EQUITY	**1,600,626**
Subscribed capital	50,000
Capital reserve	1,494,053
Unappropriated net income	56,573
Provisions	1,461,941
Liabilities	1,335,395
Deferred income	21,357
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**4,419,319**

Provisions mainly consist of provisions for pensions and similar obligations (EUR 588,823 thousand) and provisions for warranties (EUR 391,294 thousand).

Liabilities consist of the excess of advance payments received over inventories (EUR 270,182 thousand), trade payables (EUR 403,265 thousand), liabilities to affiliated companies (EUR 439,191 thousand) and other liabilities (EUR 222,757 thousand). Liabilities to affiliated companies mainly exist in relation to the sole shareholder Siemens AG.

2.3.3 Financial position

As of the balance sheet date, the Company had cash and cash equivalents of EUR 10,233 thousand.

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

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

2.3.4 Non-financial performance indicators

Employee issues

Working at Siemens Mobility GmbH

At Siemens Mobility, we know that our employees make us who we are. We do everything in our power to attract and retain the best employees worldwide. We want to be the employer of choice, and one of the ways we do that is by empowering and motivating our employees within a culture focused on excellence, lifelong learning and personal development. We strive to create a work environment characterized by respect, inclusion and diversity.

At Siemens Mobility GmbH, we are convinced that talent and commitment should be the driving force behind professional development. Everyone should be able to rely on fair treatment regardless of race, sexual orientation, gender, age, disability, professional background or other personal characteristics. We aim to create an environment in which people are treated with respect and in which their individual strengths are valued.

Globalization, demographic change and digitalization are changing the world of work. This creates opportunities, but also involves challenges – especially for those who were used to earlier models of workplace design. The uninterrupted connectivity and intensification of work blurs the boundaries between work and private life.

As part of its family-friendly corporate policy, Siemens Mobility GmbH supports employees in Germany with tax-free childcare benefits of up to EUR 1,200 per child and year for external childcare, for instance in a kindergarten.

As of September 30, 2018, Siemens Mobility GmbH had 12,480 employees (active employees, not including inactive employees, apprentices, student trainees, interns). More than 96% of our employees – women and men alike – have permanent contracts.

The proportion of female employees is 20%.

The number of new employees since the transfer of business to Siemens Mobility GmbH (August 1, 2018) was 161 as of September 30, 2018 (of which 40 are female employees), with 39 employees (including 9 female employees) leaving the company.

Age structure at Siemens Mobility GmbH

The age structure as of September 30, 2018 (in % of the total number of employees) is shown in the following table:

Age category	< 35 years	35 – 44 years	45 – 54 years	> 54 years
Percentage	21.6	22.1	35.6	20.7

The average age was 45 years on September 30, 2018.

Use of working time models

As of September 30, 2018, 950 employees were working part-time and 554 were inactive.

Diversity of employees

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

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

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

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

Staff members in managerial positions

As of September 30, 2018, Siemens Mobility GmbH had 976 employees in managerial positions. Employees in managerial positions include all executives with disciplinary responsibility and project managers. The proportion of women in managerial positions was 12%.

Diversity has become a central element of our hiring, global recruitment and promotion processes. We are committed to ensuring the diversity of the candidate pool for top positions and in the teams that decide on recruitment and promotions. We will continue to strive for a strong culture of integration.

Recruitment, development and retention of talent

Our employees make our company what it is. We must inspire, develop and retain the brightest minds in order to be successful. Our talent acquisition efforts are focused on finding the best people, wherever they may be. Our development and retention programs help employees achieve their personal goals.

Ownership culture and employee retention

We contribute to the long-term financial stability of our employees through personal financial planning and awareness programs. We grant our employees an occupational pensions scheme and at the same time offer early retirement.

In response to the multi-faceted workforce, flexible additional benefits are a key issue on the list of benefits.

We believe that employees who hold shares in their company identify more strongly with it and act accordingly. Employees of Siemens Mobility GmbH are entitled to participate in a special stock option plan and can acquire shares in Siemens AG through this plan. One additional free share will be granted for every three shares acquired.

The prerequisite for this is that the employees keep the acquired shares for the prescribed period of two to three years and continue to be on the Siemens payroll. This means that every employee of Siemens Mobility GmbH can participate in the program, regardless of his or her income level.

We are always aware that employees are an integral part of our corporate culture. The process is becoming increasingly important for executives. Those who promote the ownership culture and act as role models are rewarded accordingly, because it is not just the result that counts, but also how it was achieved.

Leadership and training

To have the right employees with the right skills in the right place at the right time is important for our Company's success.

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

Siemens Mobility GmbH is an important training company for school leavers. As of September 30, 2018, the number of apprentices and student trainees enrolled in so-called dual courses – programs that are common in Germany – was around 600.

The Siemens Professional Education (SPE) program comprises technical education and training as well as commercial training, including bachelor's degrees. Around 160 new apprentices and student trainees are due to start in 2019.

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

Siemens creates networks among employees around the globe through expert communities, development programs and social media groups on topics of common interest. Many employees are active in various groups on our Siemens Social Network. The network promotes the exchange of knowledge, intercultural understanding and cooperation beyond national borders.

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

EHS management system

With our integrated management system for environmental protection and occupational health and safety, we create the basis for meeting legal and other internal and external requirements as well as customer requirements at all times and with foresight, and for continuously improving our EHS performance.

The German production and office locations as well as our testing and validation center in Wegberg-Wildenrath have a certified EHS management system that meets the requirements of the International Organization for Standardization ISO 14001 and OSHAS 18001. In Germany, we are audited and/or recertified annually by the external company DNV GL as part of surveillance audits.

Energy management is taken into account within the framework of ISO 14001. In addition, energy audits in accordance with DIN EN 16247-1 are carried out to implement the Energy Services Act (*Energiedienstleistungsgesetz*) in Germany.

We check EHS performance internally through EHS system audits in accordance with ISO 14001 and OSHAS 18001 as well as through occupational safety audits by our internal audit department.

The following key figures – with the exception of the accident figures – are shown on the basis of the average values for the period from October 1, 2017 to September 30, 2018, calculated for the period of operating activity from August 1, 2018 to September 30, 2018 (reporting period).

At Siemens Mobility GmbH, we have set up programs on occupational safety ("Zero Harm Culture"), environmental protection ("Serve the Environment" and "Product Eco Excellence") and health management ("Healthy@Siemens").

Occupational safety and health protection

As a responsible company, we are committed to society and our employees. We therefore attach particular importance to ergonomic and safe workplaces and thus contribute to the health and safety of our employees, as both we as a company and each individual employee are responsible for ensuring a safe working environment for everyone. This is critical for management, executives, employees, customers, suppliers, regulators and other stakeholders. These topics are also covered by the international framework agreement between Siemens Mobility GmbH and the trade unions.

"Zero Harm Culture" program

Our "Zero Harm Culture" program pursues three principles:

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

Management has made the program one of its priorities. For example, "Zero Harm Culture" training courses are held for executives and employees.

In particular in the project business, the occupational safety practiced by contractors is an important concern for us, as is evident from the selection process and the mandatory involvement of safety experts in project management.

Accident rates

There were no fatal accidents in the reporting period.

Accident rates	Reporting period
LTIFR	0.89

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

However, since we have set ourselves the goal of “Zero Harm – No Accidents”, we are not satisfied with our accident rates and are continuing to work on reducing accidents.

"Healthy @ Siemens” program

Digitalization and demographic change are changing the world of work and affect almost all workplaces. In order to promote the health and well-being of our employees in a sustainable manner, we proactively offer health activities. Our employees therefore benefit from services such as health consultations and checks, vaccinations, health spa treatments and fitness programs.

Environmental protection

Climate change is a key challenge that affects us all. Along the entire value chain, we work both internally and together with our customers to improve energy and resource efficiency and to optimize resource consumption throughout the entire product life cycle. In this context, we also focus on reducing greenhouse gas emissions – in the supply chain, at our own facilities and through the products and services we provide to our customers.

Environmental portfolio

Our environmental portfolio represents our greatest contribution to mitigating climate change. The environmental portfolio comprises products, systems and solutions which are at least 20% more energy-efficient than a comparable reference solution. This will help our global customers reduce their carbon dioxide emissions and lower their energy costs. In the period under review, this amounted to a total of 2.2 megatons of CO_2 equivalent. In fiscal 2018, more than 92% of sales worldwide were generated from our environmental portfolio.

“Serve the Environment” program

The improvement of energy and resource efficiency as well as the reduction of waste to be disposed of is one of the declared goals of Siemens Mobility GmbH which we are driving forward with the help of the “Serve the Environment” program. It defines targets and measures for reducing adverse environmental impacts at the facilities.

Energy consumption

In the reporting period, primary energy consumption (natural gas/liquid gas, fuel oil, coal, petrol/diesel) was 42,450 gigajoules and secondary energy consumption (electricity, district heating) was 32,860 gigajoules.

Greenhouse gas emissions (GHG emissions)

Our target of halving CO_2 emissions by 2020 compared with 2014 has already been achieved this year. The emission reductions primarily are the result of energy efficiency measures at our production sites and the purchase of CO_2-neutral electricity. In the reporting period, 99.5% of the electricity required for production sites in Germany was covered by CO_2-neutral electricity.

CO_2 emissions (in tonnes of CO_2 equivalent)	Reporting period
Scope 1 (direct GHG emissions): from sources owned or controlled by the Company	2,360
Scope 2 (indirect GHG emissions): use of purchased electricity and district heating	453

Waste

The groups of hazardous and non-hazardous waste are each divided into recycling and disposal waste. With a recycling share of 86% of the total waste volume, we contribute to the conservation of resources.

Waste (in tonnes)	Reporting period
Non-hazardous waste	680
Hazardous waste	117
Total	797
Recycling share of total waste volume	86%

Water

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

Water consumption (in m^3)	Reporting period
Water consumption	15,639

Environmental incidents and fines

In the year under review, we recorded no environmental incidents or fines.

Product stewardship

For us, product stewardship means strengthening awareness of recycling management. With this in mind, we focus our attention on materials and components that have a particular influence on the environmental impact of our products, and initiate improvements there.

“Product Eco Excellence” program

The “Product Eco Excellence” program aims to improve our efficiency in the use of resources and provide more transparency for our stakeholders through product-related environmental information. This also serves our commitment to guarantee legal and customer-related requirements with regard to environmentally compatible designs, labeling obligations and the ecological footprint of products.

2.3.5 Overall assessment

Siemens Mobility GmbH had a sufficient order backlog as of the balance sheet date and was profitable in fiscal 2018. The Company is financed solidly through advance payments received from customers and the liquidity of the Siemens Group.

The income margin (according to IFRS) of the Siemens Mobility Division was 10.0% for the first time in fiscal year 2018, thus exceeding the defined target corridor of 6% to 9%. Siemens Mobility GmbH, a key component of the Division, also contributed to this favorable trend.

3. Subsequent events report

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

4. Forecast, opportunities and risk report

4.1 Forecast report

Macroeconomic expectations

In the 2019 fiscal year, the global economy is expected to develop on a solid growth path with a slight weakening compared with the 2018 financial year. Global GDP is expected to grow by 3.1% in 2019. Capital investments are forecast to grow by 4.0%, after 4.2% in 2018.

Supported by strong domestic demand, low unemployment and lower corporate taxes as a result of the 2017 tax reform, the U.S. is expected to be a mainstay of global growth with a GDP growth of 2.8%. Only minor adverse effects on GDP growth and inflation are expected from new trade tariffs.

New tariffs are likely to have a more serious impact on China with its more trade-dependent economy. A significant slowdown in GDP growth from 6.7% in 2018 to 6.1% in 2019 is forecast, although the Chinese government began at the end of 2018 to take political measures against the weakening growth.

Overall GDP in emerging markets is expected to grow by 4.4%, after 4.6% in 2018, provided that problems related to currency devaluation and U.S. dollar-denominated external debt can be contained.

A significant slowdown in GDP growth compared with 2018 is also forecast for Europe, with the growth rate declining by 0.5 percentage points to 1.6%. This is due in particular to the uncertainty surrounding Brexit and the new measures taken by the Italian Government.

Overall, macroeconomic developments in fiscal 2019 could depend to a large extent on government policy decisions. Uncertainty over government decisions already slowed global growth in 2018. A fast resolution of key issues could remove these burdens and give new impetus to the economy.

The forecast data for GDP and fixed capital investments presented here are based on a report by IHS Markit dated October 15, 2018.

Sector-specific expectations

Mobility's markets are expected to grow moderately in the 2019 fiscal year. The main growth trends of the 2018 fiscal year are likely to continue. Mobility also expects demand for digital solutions to rise.

Expectations for Siemens Mobility GmbH

It can be assumed that Siemens Mobility GmbH and the market as a whole will grow, generate solid earnings contributions and generate liquidity from its operations. The sales target corridor for the next twelve months for Siemens Mobility GmbH is between three and four billion euros. However, there may be short-term fluctuations on the sales side and thus also on the income side, since under HGB accounting the realization of sales and income in the plant business is delayed in comparison with the current processing of orders. Furthermore, short-term over-capacities in the production of long-distance trains are expected in fiscal 2019, driven by the completion of major projects in the past fiscal year and the normal start of production of new orders.

As described, the data shown for the 2018 fiscal year only relate to the months of August and September. Due to the short period under review, it is not possible to derive the figures for the 2019 financial year.

4.2 Risk report

4.2.1 Risk management

Our risk policy is in line with our efforts to achieve sustainable growth and increase the value of the Company while managing appropriate risks and opportunities and avoiding inappropriate risks. Our risk management is an integral part of the planning and implementation of our business strategies, and our risk policy is defined by the Management Board. In accordance with our organizational and responsibility hierarchy, the management of the respective Siemens Mobility business of the regions and functions is required to implement a risk management system that is tailored to its specific business and responsibilities and complies with the overarching principles. Siemens Mobility GmbH will continue to be integrated into the Siemens organization, in particular into the group-wide risk management system.

We make use of a number of coordinated risk management and control systems that support us in identifying at an early stage developments that could jeopardize the continuation of our business. Our company-wide processes for strategic corporate planning and internal reporting are the most important aspects in this context. Strategic corporate planning is intended to help us assess potential risks long before major business decisions are made. Internal reporting enables us to monitor such risks more closely in the course of operations. The internal audit department reviews the appropriateness and effectiveness of our risk management system at regular intervals. This allows us to initiate appropriate measures to remedy any deficiencies that may be discovered. In this way, we want to ensure that the Management Board and the Supervisory Board are fully and promptly informed of material risks. Siemens Mobility's risk management system is based on a comprehensive, interactive and management-oriented enterprise risk management (ERM) approach that is integrated into the Company's organization and addresses both risks and opportunities. Our ERM approach is based on the globally recognized concept Enterprise Risk Management - Integrated Framework (2004) developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and is adapted to the requirements of Siemens Mobility. It also conforms to ISO (International Organization for Standardization) Standard 31000 (2009). Our ERM process aims to identify, assess and manage at an early stage risks and opportunities that may have a significant impact on the achievement of the Company's strategic, operational, financial and compliance objectives. The period under review under the ERM approach is usually three years. Our ERM is based on a net principle that addresses the risks and opportunities that remain after existing control measures have been implemented. If risks have already been recorded in planning, budgets, forecasts or annual financial statements (e.g. in the form of provisions or risk allowances), their financial impact is already reflected in the business objectives of the individual units. As a consequence, only additional risks on the same topic, such as deviations from business objectives or in the case of different risk dimensions, should be recorded in the ERM. In order to provide a comprehensive view of our business activities, risks and opportunities are identified in a structured process that combines elements of a top-down and a bottom-up approach. Reporting is generally carried out on a quarterly basis, with this regular reporting process being supplemented by ad hoc reporting in order to escalate critical issues in good time. Relevant risks and opportunities are prioritized according to impact and probability of occurrence from different perspectives such as business objectives, reputation and regulatory issues. The bottom-up identification and prioritization process is supported by working meetings with the respective management of the Siemens Mobility business, regions and functions. This top-down element ensures that potential new risks and opportunities are discussed at management level and then included in the reporting if relevant. The reported risks and opportunities are analyzed for possible cumulative effects and aggregated at the respective organizational level as described above.

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

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

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

4.2.2 Risks

Strategic risks

Economic, political and geopolitical framework (macroeconomic environment)

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

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

Protectionist trade policies (for example, in China and the U.S.) and changes in the political and regulatory environment in the markets in which Siemens Mobility operates, such as import and export controls, customs duties and other trade barriers, may affect our business, financial and earnings position and result in penalties, other sanctions and damage to our reputation. In order to counter these risks, we continuously monitor the political situation and its indicators in order to identify critical cases. We do this with the aim of adapting our processes and our business model to possible protectionist changes and to sensitize the organization to these changes.

Events of force majeure and natural disasters (including seismic and severe weather events) may also have adverse consequences such as personal injury, damage to plant or equipment or delays or cancellations of orders and deliveries.

Planned mergers

With regard to the planned merger to form Siemens Alstom, we see that the organization and management must pay particular attention to issues outside the normal course of business. This and the additional burden on the organization may have an impact on business operations. In addition, potential measures required by antitrust authorities may place additional demands on management and the organization. We counter these risks, for example, with structured working groups.

Competitive environment

The mobility market is highly competitive in terms of pricing, products, solutions and services, product development and innovation. Siemens Mobility's business is confronted with a number of strong existing competitors as well as new competitors from emerging markets (mainly Asia). Some of them are trying to expand their rail business worldwide with a strategic focus on favorable manufacturing and financing conditions.

The consolidation process in which we find ourselves in the railway industry may lead to increased competition, a change in our relative market position or unexpected price erosion.

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

Operational risks

Approval processes in the railway industry (homologation)

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

Lack of qualified staff

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

Cyber and information security

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

Financial risks

Market risks

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

Liquidity and cash management

The Siemens Group's liquidity management is based on the financing policy of the Siemens Group which is geared to a balanced financing portfolio, a diversified maturity profile and a comfortable liquidity cushion.

Siemens Mobility GmbH participated in the cash management of the Siemens Group in fiscal year 2018. The ability of Siemens Mobility GmbH to meet future payment obligations is ensured as the bank accounts participate in the cash pool of Siemens Corporate Treasury, including the possibility to draw on liquidity from Siemens Corporate Treasury and to use the Siemens payment infrastructure.

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

Liquidity and financing risks

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

Risks from pensions and similar obligations

The pension obligations may be affected both by a change in actuarial assumptions and by a change in the discount rate. A significant increase in the obligation may have an adverse impact on our capital structure and thus reduce refinancing opportunities and increase refinancing costs.

Compliance risks

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

Proceedings against us regarding allegations of corruption, cartels or other violations of the law may result in criminal or civil-law fines, penalties, sanctions, court orders regarding future conduct, profit-skimming, exclusion from direct or indirect participation in certain transactions, loss of trade licenses or other restrictions and legal consequences. Accordingly, we may be required, among other things, to comply with certain performance obligations in connection with these investigations and proceedings, including potential tax penalties. In addition, a detection of cases of public corruption may jeopardize our dealings with government agencies and intergovernmental and supranational organizations, may lead to the appointment of additional supervisory bodies to review our future business practices, and may otherwise require us to change our business practices and our compliance program.

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

Regulatory risks and potential sanctions

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

Changes to regulations, laws and policies

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

Protectionism (including localization)

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

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

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

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

Current or future legal disputes

Siemens Mobility GmbH is and will continue to be affected by legal disputes or proceedings in various jurisdictions in the ordinary course of business. This also includes legal disputes arising from contracts with regard to which a transfer within the framework of the legal carve-out of the Mobility business was only possible economically, and for which Siemens Mobility GmbH is liable economically on the basis of intra-group agreements. Such legal disputes may, in particular, result in Siemens Mobility GmbH being ordered to pay damages or punitive damages, fulfill other claims and decisions on criminal or civil-law sanctions, fines or skimming of benefits. In individual cases, this may also result in formal or informal exclusion from tenders or the revocation or loss of the trade or operating license. Furthermore, further legal disputes may be initiated or existing legal disputes may be expanded. Claims asserted as a result of legal disputes are generally subject to interest. Some of these legal disputes may result in negative decisions that may have a material impact on the company's net assets, financial position and earnings situation. Certain legal risks are covered by insurance under Siemens AG's group policies. However, insurance cover does not protect the Company from damage to its reputation. In addition, legal disputes may result in losses in excess of the sum insured or not covered by the insurance or in excess of any provisions for litigation losses. Finally, it cannot be guaranteed that Siemens Mobility GmbH will continue to be able to procure adequate insurance cover at economically reasonable terms in the future.

4.2.3 Summary of the risk situation

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

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

4.3 Opportunities report

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

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

Positive results from innovations in digitization

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

Mergers, acquisitions, participations, partnerships

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

Excellent project handling

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

4.4 Risk reporting relating to the use of financial instruments

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

5. Corporate governance declaration

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

At least the current level of 5/16 (equivalent to 31.25%) should be maintained in the Supervisory Board. The same applies to the Management Board for the current level of 1/3 (corresponds to approx. 33.3%).

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

Management level	First	Second
Percentage of women globally as per Sept. 30, 2018	7.7%	19.5%
Percentage of women Germany as per Sept. 30, 2018	16.7%	17.3%
Percentage of women target Sept. 30, 2023	25.0%	25.0%

Siemens Mobility GmbH, Munich

Balance Sheet as of September 30, 2018

(EUR'000)	Sep 30, 2018	Nov 27, 2017
Assets		
Non-current assets	**3,655,689**	**0**
Intangible assets	13,892	0
Property, plant and equipment	192,193	0
Financial assets	3,449,604	0
Current assets	**741,873**	**0**
Inventories	3,530,538	0
Advance payments received	(3,530,538)	0
Receivables and other assets	**731,640**	**0**
Trade receivables	41,076	0
Receivables from affiliated companies	660,286	0
Other receivables and other assets	30,278	0
Cash and cash equivalents	10,233	25
Prepaid expenses	**19,883**	**0**
Active difference resulting from offsetting	**1,874**	**0**
Total assets	**4,419,319**	**25**
Shareholders' equity and liabilities		
Shareholders' equity	**1,600,626**	**25**
Subscribed capital	50,000	25
Capital reserve	1,494,053	0
Unappropriated net income	56,573	0
Provisions	**1,461,941**	**0**
Provision for pension and similar commitments	588,823	0
Other provisions	873,118	0
Liabilities	**1,335,395**	**0**
Advance payments received on orders	270,182	0
Trade payables	403,265	0
Liabilities to affiliated companies	439,191	0
Other liabilities	222,757	0
Deferred income	**21,357**	**0**
Total shareholders' equity and liabilities	**4,419,319**	**25**

Siemens Mobility GmbH, Munich

Income Statement

for the shortened fiscal year from November 27, 2017 to September 30, 2018

(EUR'000)	
Revenue	950,657
Cost of sales	(719,083)
Gross profit	**231,574**
Research and development expenses	(70,215)
Selling expenses	(44,065)
General administrative expenses	(17,585)
Other operating expenses	(1,048)
Income from operations	**98,661**
Interest income	(132)
Interest expenses	(588)
Other financial income (expenses), net	(9,597)
Income from business activity	**88,344**
Income taxes	(31,771)
Net income	**56,573**
Appropriation of net income	
Net income	**56,573**
Unappropriated net income	**56,573**

General information

Siemens Mobility GmbH, formerly Blitz 17-575 GmbH, was entered in the commercial register on November 27, 2017.

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

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

Siemens Mobility GmbH acquired its business operations from the sole shareholder Siemens AG, registered offices in Berlin and Munich, by contribution in kind against the granting of corporate rights, with effect as of August 1, 2018. Accordingly, the income statement essentially comprises income and expenses for the period from August 1, 2018 to September 30, 2018.

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

Amounts are presented in EUR’000.

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

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

Register information

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

Accounting and measurement principles

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

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

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

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

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

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

Property, plant and equipment: Property, plant and equipment is recognized at cost and, if depreciable, reduced by scheduled depreciation. In addition to direct costs, the manufacturing costs of self-constructed assets also include *pro rata* overheads and depreciation caused by the manufacturing process. Property, plant and equipment is generally depreciated using the straight-line method. In certain cases, the declining balance method of depreciation is applied. In these cases, the straight-line depreciation method is used as soon as this leads to higher depreciation. In the year of acquisition, depreciation takes place *pro rata temporis*.

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

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

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

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

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

Deferred taxes: Deferred tax liabilities are recognized to the extent that differences between the valuation according to the commercial code and the valuation according to tax law are expected to result in an overall future tax burden. If the deferred tax assets correspond to the existing deferred tax liabilities, the amount after offsetting is recorded. An excess of deferred tax assets over deferred tax liabilities is not recognized if it results in an overall tax credit, thus exercising the option under section 274 (1) HGB. Deferred taxes were measured at a tax rate of 31.59%. Deferred taxes are mainly based on differences in the valuation of goodwill, inventories, provisions for pensions and similar obligations, other provisions and non-current liabilities.

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

Pensions and similar obligations: Siemens Mobility GmbH measures the payment obligations from pension commitments on the basis of biometric probabilities at the settlement amount determined using the projected-unit-credit method. Discounting is based on the respective average market interest rate published by Deutsche Bundesbank for a remaining term of 15 years.

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

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

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

Notes to the balance sheet

Fixed assets

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

(EU'000)	Acquisition or production costs					Accumulated depreciation				Book values	
	Nov. 27, 2017	Additions	Reclassifications	Disposals	Sep. 30, 2018	Nov. 27, 2017	Depreciation	Disposals	Sep. 30, 2018	Sep. 30, 2018	Nov. 27, 2017
Intangible assets											
Licenses and industrial property rights	0	6,013	0	0	6,013	0	(391)	0	(391)	5,622	0
Goodwill	0	8,590	0	0	8,590	0	(320)	0	(320)	8,270	0
	0	**14,603**	**0**	**0**	**14,603**	**0**	**(711)**	**0**	**(711)**	**13,892**	**0**
Property, plant and equipment											
Land, land rights and buildings, including buildings on third-party land	0	2,364	0	0	2,364	0	(71)	0	(71)	2,293	0
Technical equipment and machinery	0	115,513	603	(356)	115,760	0	(3,032)	325	(2,707)	113,053	0
Other equipment, factory and office equipment	0	59,508	2,459	(498)	61,469	0	(4,746)	373	(4,373)	57,096	0
Leased products	0	8,316	0	0	8,316	0	-59	0	(59)	8,257	0
Advance payments made and assets under construction	0	14,556	(3,062)	0	11,494	0	0	0	0	11,494	0
	0	**200,257**	**0**	**(854)**	**199,403**	**0**	**(7,908)**	**698**	**(7,210)**	**192,193**	**0**
Financial assets											
Shares in affiliated companies	0	3,321,573	0	0	3,321,573	0	0	0	0	3,321,573	0
Shares in investments	0	127,800	0	0	127,800	0	0	0	0	127,800	0
Loans	0	231	0	0	231	0	0		0	231	0
	0	**3,449,604**	**0**	**0**	**3,449,604**	**0**	**0**	**0**	**0**	**3,449,604**	**0**
Fixed assets	**0**	**3,664,464**	**0**	**(854)**	**3,663,610**	**0**	**(8,619)**	**698**	**(7,921)**	**3,655,689**	**0**

Information on shareholdings

	Shareholding	Equity	Income (expenses)
	%	EUR'000	EUR'000
Germany			
HaCon Ingenieurgesellschaft mbH, Hanover	100	20,078	1,119 [2]
Siemens Traction Gears GmbH, Penig	100	[1]	[1] [2]
Sternico GmbH, Wendeburg	40	(-65)	(830)
Hubject GmbH, Berlin	11	9,041	(1,957)
IFTEC GmbH & Co. KG, Leipzig	50	8,714	1,358
Elsewhere			
Bytemark, Inc., New York, NY	79	52	(5,310)
ESTEL Rail Automation SPA, Algier	51	2,303	963
Sensys Networks, Inc., Berkeley, CA	13	(190)	(12)
Siemens Mobility, Inc, Wilmington, DE	100	[1]	[1] [2]
Siemens Mobility Limited, Frimley, Surrey	100	206,452	59,942 [2]
Siemens Mobility GmbH, Vienna	100	[1]	[1] [2]
Siemens Mobility AG, Wallisellen	100	[1]	[1] [2]
Siemens Mobility Ulasim Sistemleri Anonim Sirketi, Istanbul	100	[1]	[1] [2]
Ural Locomotives Holding Besloten Vennootschap, Den Haag	50	71,307	17,765
Wi-Tronix Group Inc., Dover, DE	30	19,356	(1,226)

[1] The company was founded in the 2018 fiscal year so that no annual financial statements are available yet.
[2] Shortened fiscal year

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

Inventories

	Sep. 30, 2018	Nov. 27, 2017
	EUR'000	EUR'000
Raw materials, consumables and supplies	137,635	0
Unfinished products	285,106	0
Finished products and merchandise	108,127	0

	Sep. 30, 2018	Nov. 27, 2017
	EUR'000	EUR'000
Uncharged deliveries and services	2,429,946	0
Advance payments made	569,724	0
Total	**3,530,538**	**0**

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

Receivables and other assets

	Sep. 30, 2018	Nov. 27, 2017
	EUR'000	EUR'000
Trade receivables	41,076	0
of which with residual maturities of more than 1 year	*28*	*0*
Receivables from affiliated companies	660,286	0
of which with residual maturities of more than 1 year	*0*	*0*
Receivables from companies in which shareholding interests are held	2,713	0
of which with residual maturities of more than 1 year	*1,500*	*0*
Other receivables and other assets	27,565	0
of which with residual maturities of more than 1 year	*13,492*	*0*
Total	**731,640**	**0**

Receivables and other assets include EUR 470,266 thousand in receivables from the sole shareholder Siemens AG. Of this amount, EUR 387,526 thousand relates to receivables resulting from customer contracts that were transferred to Siemens Mobility GmbH only economically, but not legally, as part of the contribution in kind of the business operations. The contracting parties have not yet agreed to the legal transfer of these contracts. EUR 25,620 thousand is attributable to fund shares not yet transferred to Siemens Mobility GmbH which serve to secure the obligations relating to partial retirement schemes.

Of the receivables from affiliated companies, a partial amount of EUR 4,619 thousand relates to trade receivables.

Active difference resulting from offsetting

The active difference results from the offsetting in accordance with section 246 (2) 2 HGB of pension obligations with assets that exclusively serve to meet pension obligations and are not accessible to all other creditors (plan assets as defined in section 246 (2) 2 HGB).

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

	Sep. 30, 2018
	EUR'000
Acquisition costs of assets	54,024
Fair value of assets	53,828
Settlement amount of offset liabilities	51,954
Active difference resulting from offsetting	**1,874**

Shareholders' equity - amounts subject to dividend payout restriction

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

The valuation at fair value of assets to be netted in connection with pension obligations did not result in amounts subject to a dividend payout restriction either.

The difference that is subject to a dividend payout restriction between the recognition of provisions for pension obligations in accordance with the corresponding average market interest rate from the past ten and seven fiscal years amounts to EUR 91,945 thousand.

Unappropriated net income

Unappropriated net income includes income carried forward of EUR 0 thousand; reference is also made to the proposal for the appropriation of net income.

Provisions for pensions and similar obligations

Siemens Mobility GmbH provides pension benefits through the Siemens Defined Contribution Pension Plan (BSAV), frozen plans with old commitments (vested benefits) and Deferred Compensation Plans. The majority of active employees participate in the BSAV. The benefits under this plan are mainly based on the contributions made by the Company and the investment income from these contributions, with the Company guaranteeing a minimum rate of return. In the course of the introduction of the BSAV, the effect of salary increases was largely eliminated for benefits from the frozen plans with old commitments, so that valuation assumptions for salary increases including the career trend no longer have any material significance for the Siemens Mobility GmbH pension obligations. As of the balance sheet date, the plans are covered by assets via trust structures. Siemens Mobility GmbH does not yet have its own trust structure; the beneficial owner of the trust assets is Siemens AG. The assets are to be transferred to a separate trust structure in fiscal 2019, provided that the planned merger of the Siemens Mobility business with Alstom takes place.

The actuarial valuation of the settlement amount was based, *inter alia*, on a discount rate of 3.34% and a pension trend of 1.50%; a pension trend of 1.00% was assumed for the obligations under the BSAV. The mortality probabilities are based on Siemens-specific mortality tables with a mortality trend based on the Heubeck RT 2005 G tables.

Other provisions

Other provisions amounting to EUR 873,118 thousand include miscellaneous provisions of EUR 841,541 thousand and tax provisions of EUR 31,577 thousand.

Miscellaneous provisions mainly relate to provisions for warranties in the amount of EUR 391,294 thousand, provisions for personnel expenses in the amount of EUR 189,558 thousand, provisions for outstanding invoices for goods and services in the amount of EUR 100,752 thousand and for losses on orders in the amount of EUR 76,802 thousand.

Liabilities

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

EUR'000	Sep. 30, 2018			
		Residual maturity		
Type of liability		up to 1 year	1 to 5 years	more than 5 years
1. Advance payments received on orders	270,182			
2. Trade payables	403,265	402,841	424	0
3. Liabilities to affiliated companies	439,191	211,638	227,553	0

EUR'000	Sep. 30, 2018			
		Residual maturity		
Type of liability		up to 1 year	1 to 5 years	more than 5 years
4. Liabilities to companies in which shareholding interests are held	21	21	0	0
5. Other liabilities	222,736	164,171	8,693	49,872
- *of which from taxes*	*35,034*	-	-	-
- *of which social security liabilities*	*11,242*	-	-	-
Total	**1,335,395**	**778,671**	**236,670**	**49,872**

Liabilities to affiliated companies amount to EUR 426,040 thousand and are in relation to the sole shareholder Siemens AG. The liabilities to the shareholder include a loan liability for the ICE 4 project amounting to EUR 374,184 thousand and liabilities amounting to EUR 50,271 thousand resulting from contracts that were transferred to Siemens Mobility GmbH only economically, but not legally, as part of the contribution in kind of the business operations.

Of the liabilities to affiliated companies, a partial amount of EUR 3,986 thousand relates to trade payables.

Notes to the Income Statement

Breakdown of revenues

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

- "Infrastructure" supplies products, solutions and complete systems for the automation and optimization of rail and road traffic. This business unit also includes complete solutions for rail and road traffic as well as rail electrification solutions.

- "Rolling Stock" is a leading supplier of rail vehicles for regional and long-distance transport as well as for urban passenger transport. The portfolio includes both product and system solutions.

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

	2018
	EUR'000
Revenue	
- by area of activity	
Infrastructure	191,403
Rolling Stock	753,562
Others	5,693
Total	**950,657**
- by region	
Germany	391,764
Americas	12,907
Asia, Australia	55,062
Europe, CIS, Africa, Middle East	490,924
Total	**950,657**

Cost of materials and personnel expenses

The cost of materials in the fiscal year amounted to EUR 520,930 thousand and is broken down as follows:

	2018
	EUR’000
Cost of raw materials, consumables and supplies and of purchased merchandise	(263,144)
Cost of purchased services	(257,786)
Cost of materials	**(520,930)**

The personnel expenses incurred in the past fiscal year amounted to EUR 210,948 thousand and are broken down as follows:

	2018
	EUR’000
Wages and salaries	(172,971)
Social security, pension and other benefit costs	(37,977)
of which for pensions	*(10,006)*
Personnel expenses	**(210,948)**

Interest income, interest expenses

Interest income includes interest expenses to affiliated companies in the amount of EUR 201 thousand, in particular due to negative interest from investments in the amount of EUR 262 thousand.

Interest expenses to affiliated companies amounted to EUR 495 thousand.

Other financial income/expenses

Other financial income/expenses consists of interest expenses for pensions in the amount of EUR 8,942 thousand, expenses in connection with deferred compensation (employee-financed pension plan) in the amount of EUR 217 thousand, as well as accrued interest on provisions in the amount of EUR 438 thousand.

Other information

Off-balance sheet transactions

The Company uses supplier consignment warehouses to ensure that urgently needed parts are made available close to the production facilities. As a result, the Company is restricted to certain suppliers, but there are no delivery times for parts held in these warehouses and the investment cost and/or capital commitment is lower compared with company-owned warehouses for goods or components. As of September 30, 2018, consignment stocks totaled EUR 4,732 thousand.

Financial obligations from leasing and rental agreements

Expenses from leasing and rental agreements where the economic ownership of the leased or rented asset was not attributable to Siemens Mobility GmbH and where Siemens Mobility GmbH therefore did not capitalize these assets amounted to EUR 14,464 thousand. Of this amount, EUR 12,070 thousand relate to obligations to affiliated companies. The objects of these contracts were in particular rents for buildings and land.

Future payment obligations from leasing and rental agreements amount to EUR 292,597 thousand. This includes EUR 287,504 thousand due to affiliated companies. Of the total payment obligations arising from leasing and rental agreements, EUR 56,573 thousand relate to the upcoming fiscal year; the obligations to affiliated companies amount to EUR 54,273 thousand.

Derivative financial instruments

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

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

The contracting partner for derivative financial instruments is Siemens AG.

The following table shows the existing derivative financial instruments:

	Sep. 30, 2018	
EUR'000	**Nominal amount**	**Market values**
Foreign exchange forwards	981,629	1,785
Commodity forwards	31,069	(401)
Existing derivative financial instruments	**1,012,698**	**1,384**

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

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

Valuation unit for hedging foreign exchange risk

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

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

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

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

EUR'000	Sep. 30, 2018
Foreign currency risk from balance sheet items	61,213
of which assets	*141,972*
of which liabilities	*(80,759)*
Foreign currency risk from pending transactions and anticipatory transactions	921,100
Net foreign currency position (before hedging)	**982,313**
Currency hedging transactions	**(981,629)**
of which with external contracting partners	*0*
of which with affiliated companies	*(981,629)*
Net foreign currency position (after hedging)	**684**

As of 30 September 2018, the foreign currency portfolio reached a hedging degree (ratio of the absolute amounts of hedging transactions to underlying transactions) of almost 100%. It was not necessary to set up a provision for impending losses from pending transactions.

Corporate bodies

Supervisory Board

Alia Al Rifai	Head of Shareholder Controlling, Siemens AG
Nina Günther	Head of Labor Law, Employment Conditions, Communication, Siemens AG
Peter Kastenmeier	Head of Shareholder Controlling Region Germany, Siemens AG
Sabine Reichel	Head of Investor Relations, Siemens AG
Wolfram Seiler	Head of Strategic Planning and Portfolio, Siemens AG
Robert Spangler	Head of Tax Planning, Siemens AG
Anton Steiger - Chairman of the Supervisory Board	Head of Legal Mergers & Acquisitions, Corporate, Siemens AG
Hardi Zajewski	Head of Mergers & Acquisitions Team 3, Siemens AG
Bettina Haller - Deputy Chairwoman of the Supervisory Board	Deputy Chairwoman of the Works Council, Siemens Mobility GmbH, Berlin
Klaus-Dieter Weber	Chairman of the Works Council, Siemens Mobility GmbH, Munich-Allach

Heinz Spörk	Chairman of the Works Council, Siemens Mobility GmbH, Krefeld
Dr. Christian Pfeiffer	Member of the Works Council, Siemens Mobility GmbH, Erlangen
Torsten Kaminski	Deputy Chairman of the Works Council, Siemens Mobility GmbH, Braunschweig
Silke Holzschuh-Reick	Head of Business Administration Mobility Customer Services Lifecycle Services, Siemens Mobility GmbH
Anatoli Classes	Trade Union Secretary on the IG Metall executive board
Thorsten Gröger	IG Metall District Manager - District of Lower Saxony and Saxony-Anhalt

Management Board

Randi Mette Selnes, from Nov. 27, 2017 to Nov. 30, 2017, Chief Executive Officer
Martin Rohbogner, from Dec. 11, 2017 to July 31, 2018, Chief Executive Officer
Wolfgang Seltmann, from Dec. 11, 2017 to July 31, 2018, Chief Executive Officer
Karl Blaim, since June 12, 2018, Chief Financial Officer
Michael Peter, since June 12, 2018, Chief Executive Officer
Sabrina Soussan, since June 12, 2018, Chief Executive Officer

Total remuneration of the Management Board

The remuneration for the Management Board for the 2018 fiscal year amounted to EUR 220 thousand.

Total remuneration of the Supervisory Board

In the 2018 fiscal year, the Supervisory Board members received no remuneration, as the Supervisory Board was not constituted until November 05, 2018.

Employees

Part-time employees were included on a *pro rata* basis in the average number of employees. In determining the number of employees, only the period of operating activities from August 1 to September 30, 2018 was considered. The employees held the following positions:

	2018
Production	10,009
Sales	1,777
Research and development	1,333
Administration and general services	408
Employees	**13,527**

Group relations

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

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

Consolidated financial statements for the largest number of companies are prepared by Siemens AG, Berlin and Munich and published in the German Federal Gazette.

Siemens Mobility GmbH was not required to prepare consolidated financial statements as per September 30, 2018, as Siemens AG prepares consolidated financial statements and a consolidated management report as of September 30, 2018, with exempting effect for Siemens Mobility GmbH; these can be obtained from the registered office of Siemens AG in Munich.

Auditor's fees

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

Supplementary statement

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

Proposal for the appropriation of net income

The Management Board proposes to carry forward the unappropriated net income of EUR 56,573 thousand to the new period.

Munich, December 19, 2018

The Management Board

[*signature*]	[*signature*]	[*signature*]
Karl Blaim	Michael Peter	Sabrina Soussan

Translation from the German language

Independent auditor's report

To Siemens Mobility GmbH

Opinions

We have audited the annual financial statements of Siemens Mobility GmbH, Munich, which comprise the balance sheet as of 30 September 2018, and the income statement for the shortened fiscal year from 27 November 2017 to 30 September 2018, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Siemens Mobility GmbH for the shortened fiscal year from 27 November 2017 to 30 September 2018. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to Sec. 289f (4) HGB ["Handelsgesetzbuch": German Commercial Code] (disclosures on the quota for women on executive boards) in Section 5 of the management report.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of 30 September 2018 and of its financial performance for the shortened fiscal year from 27 November 2017 to 30 September 2018 in compliance with German legally required accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the statement on corporate governance or the non-financial statement pursuant to Sec. 289f (4) HGB referred to above (disclosures on the quota for women on executive boards) in Section 5 of the management report.

- Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

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

Other information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to Sec. 289f (4) HGB included in section 5 of the management report (disclosures on the quota for women on executive boards).

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

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

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

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

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

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

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Munich, 19 December 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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