Combined Management Report

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2.1 Business description

2.1.1 Organization and reporting structure

Siemens Energy AG, parent company of the Siemens Energy Group ('Siemens Energy', 'the Group', 'the Company', or 'we') and registered in Munich, is a Stock Corporation (Aktiengesellschaft) in accordance with German law. The Executive Board of Siemens Energy AG is the body with overall responsibility for the management of the business in accordance with the German Stock Corporation Act (Aktiengesetz).

Siemens Energy's reporting structure in fiscal year 2024 comprises four Business Areas: Gas Services (GS), Grid Technologies (GT), Transformation of Industry (TI) and our Wind Power business Siemens Gamesa (SG). GS, GT and SG are reportable segments; TI will report voluntarily as if it were a reportable segment despite some differences in its economic characteristics (all the aforementioned are hereinafter referred to as segments).

Reconciliation to Consolidated Financial Statements includes items which management does not consider to be indicative of the segments' performance, mainly group management costs (management and corporate functions), other central items, treasury activities as well as eliminations. Other central items include Siemens brand fees, corporate services (e.g., management of the Group's real estate portfolio except SG), corporate projects, centrally held equity interests and other items. For further information, see **Note 25 Segment information** in **3.6 Notes to Consolidated Financial Statements**.

Siemens Energy supports its customers around the globe. The regional breakdown used for reporting purposes by Siemens Energy is **EMEA** (Europe, Commonwealth of Independent States (C.I.S), the Middle East and Africa), **Americas** (Canada, the United States as well as Central and South America), and **Asia, Australia** (the remaining countries of the Asian continent, as well as Australia and New Zealand).

2.1.2 Business model

Siemens Energy is active along the entire energy technology and service value chain with comprehensive and differentiated products, solutions and service offerings. Our broad product portfolio, comprising efficient conventional as well as renewable energies, enables us to meet the increasing demand for energy and support efforts to reduce greenhouse gas emissions at the same time. We also offer digital business and intelligent service models to our customers. We consider ourselves well positioned to shape the energy transition toward decarbonized energy technologies and promptly react to customer needs worldwide thanks to our global footprint.

Siemens Energy has not participated in any new tenders for pure coal-fired power plants since November 2020. Siemens Energy will still fulfill existing commitments for coal-fired power plant projects and the associated service contracts. The carbon-reducing service and solutions businesses, as well as combined heat and power (CHP) projects will also be continued.

A significant share of our business is executed via high-volume projects and characterized by multi-year customer orders, especially in our service and solutions businesses. While orders for large projects may lead to volatility in order intake from one reporting period to the next, revenue is generally less affected by such volatility. Large projects typically have longer development and construction phases. This, coupled with our often long-term service contracts, leads to stable and recurring revenue recognition over several reporting periods. Hence, our order backlog gives us a high degree of transparency regarding future revenues.

Our profitability level differs among our portfolio elements. Therefore, our results of operations are affected by the portfolio mix sold in each segment. Our service business typically has higher margins than the product and solutions businesses. Hence, our results of operations and margins depend on our ability to generate revenue from servicing our large installed fleet by modernization and upgrades as it becomes subject to wear and tear, in particular the rotating equipment. We aim to maintain and expand the long lifespan of our installed fleet to secure orders for service contracts, primarily focusing on long-term service programs. We see the service business as a major pillar of the sustainable business success of Siemens Energy and are seeking to enlarge and leverage this further in the future.

Gas Services

The **Gas Services** Business Area consolidates all the business activities relating to gas and large steam turbines, large generators, and heat pumps, as well as the associated control technology. The GS portfolio includes products, solutions, and services for central and distributed power generation. The business is focused on producing new gas and steam turbines as well as servicing the installed fleet. The wide-ranging service portfolio includes maintenance, performance enhancements, digitalization, and professional consulting.

GS supports a wide range of customers, from utilities, independent power producers, municipal energy producers, EPC (engineering, procurement, and construction) companies to industrial customers and customers in the oil and gas industry. Data centers are increasingly becoming key customers for GS' products and services across its entire portfolio of gas and steam turbines.

Reliable, efficient, and low-emission turbines enable the integration of renewable energy into grids by delivering fast dispatchable power supplementing the fluctuating supplies from renewable energy sources. GS is contributing to the decarbonization of power generation and supporting the achievement of its customers' net zero targets. To this end, the capabilities of the gas turbine portfolio for burning hydrogen and other green fuels are continuously being expanded. Individual types of gas turbines have already been approved for burning up to 75% hydrogen. As part of an EU-funded project, the combustion of 100% renewable hydrogen was successfully demonstrated in a pilot plant in the calendar year 2023 and

marks an important step on the way to the gradual decarbonization of the gas turbine portfolio. At the same time, carbon capture applications are being addressed via partnerships with key technology partners. The portfolio also includes other decarbonization technologies, such as heat pumps for industrial heat generation and district heating applications.

GS' competitors include a small number of multinational original equipment manufacturers (OEMs), some of which hold strong market positions in their home markets.

Grid Technologies

The **Grid Technologies** Business Area focuses its business activities on the most important market trends: demand growth of electricity, electrification, decarbonization, and digitalization. With the products, systems, solutions and services it offers, GT solves the challenges posed by the increasing complexity of grid infrastructure resulting from the integration of renewable energies and the trend towards decentralized energy generation. The product portfolio includes, among others, high-voltage direct current (HVDC) transmission systems, grid connections for offshore wind farms, flexible alternating current transmission systems (FACTS), high-voltage substations, air- and gas-insulated switchgear, transformers and storage solutions, as well as digital grid solutions, components and cyber security.

The GT Business Area serves a wide range of customers, including transmission and distribution system operators, independent power producers as well as industrial and infrastructure customers from sectors such as chemicals, mining, oil and gas, data center and airport operators, railroad companies and hydrogen producers. GT supports its customers on the path to decarbonization with a high level of technological expertise, a global production network, its own sales organization and sales partners.

GT's competitors mainly include a small number of large multinational companies as well as manufacturers from China, South Korea, and Japan, which are currently more focused on individual regions, but are increasingly positioning themselves globally.

Transformation of Industry

The **Transformation of Industry** Business Area comprises four operating but non-reportable segments (Sustainable Energy Systems (SES); Electrification, Automation, Digitalization (EAD); Industrial Steam Turbines & Generators (STG); and Compression (CP)), which are presented voluntarily as if they were a single reportable segment, despite some differences in their economic characteristics. The Business Area's activities are focused primarily on reducing energy consumption and greenhouse gas emissions in industrial processes. TI supports industrial customers in reducing their carbon footprint and achieving their individual decarbonization targets. The Business Area offers products, integrated systems and solutions as well as services for various process industries (e.g., oil and gas, chemicals, petrochemicals, mining, steel, pulp and paper), hydrogen and power generation as well as for the offshore and maritime industry.

TI contributes to reducing energy consumption and greenhouse gas emissions of the industrial sector by focusing on increasing the energy efficiency of existing assets, electrifying industrial processes to enable conversion from fossil fuels to electricity, and by providing solutions to produce and transport green hydrogen and clean fuels. The TI portfolio includes electrolyzers, industrial steam turbines, industrial generators, turbo and reciprocating compressors, compressor trains, drive systems and solutions, batteries and fuel cells, as well as service and digital offerings for the entire portfolio. TI's service offerings seek to extend the lifespan and availability of products, especially of steam turbines and compressors. TI is also scaling several novel decarbonization technologies, such as heat recovery solutions, compressed air energy storage, special hydrogen compressors, and CO_2 compressors for separating, using, and storing carbon.

Overall, TI benefits from the rising demand for carbon-optimized energy technologies, the transition towards a hydrogen-based economy, as well as the electrification, automation, and digitalization of industry. Reducing industrial emissions requires investment in decarbonization solutions, the optimization, improvement, and modification of processes, and the reduction and use of volatile emissions.

TI's main competitors are OEMs, EPC suppliers, as well as entities of industrial enterprises and start-ups that focus on Cleantech and hydrogen solutions.

Siemens Gamesa

Our Wind Power business **Siemens Gamesa** focuses on the design, development, manufacturing, and installation of products, as well as on the provision of technologically advanced services in the renewable energy sector, with a focus on onshore and offshore wind turbines for various wind conditions. Depending on customer requirements, the scope of involvement may include delivering either a full EPC project or, in some cases, just the supply of components for wind turbines. SG comprises the Wind Turbines (Onshore and Offshore) as well as Operation and Maintenance (Service) business fields.

SG offers the design, engineering, manufacturing, and installation of wind turbines based on both geared and direct drive technology. In addition, SG provides services for the operation and maintenance of windfarms by offering a comprehensive and flexible portfolio for the maintenance and optimization of wind turbines, thus covering the entire lifecycle. Complete asset management as well as technical support are offered for SG's wind turbines and expanded for third-party platforms.

Primary customers of SG are large utilities and independent power producers, as well as project developers. The onshore wind farm market is characterized by many different providers without a single company currently holding a dominant market share. The markets for offshore wind farms are served by a few experienced market players and are mainly driven by scale, technology as well as market access challenges.

SG's competitors are mainly a small number of large multinational companies, as well as manufacturers from China, which are becoming increasingly global.

2.1.3 Research and development

In fiscal year 2024, we reported research and development (R&D) expenses of €1,209 million (2023: €1,123 million). The resulting R&D intensity (ratio of R&D expenses to revenue) was 3.5 % (2023: 3.6%). In the past fiscal year, additions to capitalized development expenses amounted to €173 million (2023: €190 million), while amortization of capitalized development expenses amounted to €142 million (2023: €142 million). As of September 30, 2024, Siemens Energy held approximately 19,200 granted patents worldwide in its continuing operations (2023: around 18,700). In fiscal year 2024, Siemens Energy employed an average number of around 4,200 people in the area of R&D.

The success of the company is driven by our ability to deliver innovative products, integrated systems, solutions, and services, and to develop deep relationships with customers and partner companies. We are convinced that sustainable economic value is created through continuous innovation and that investment in R&D is fundamental to our success.

Siemens Energy steers the R&D activities based on a clearly defined strategy. R&D expenses are subject to regular reviews in line with Business Area requirements. We seek to develop our portfolio with a clear focus on decarbonized energy technologies, service, and new growth fields. Another key objective is the optimized use of our extensive service potential, and the increased competitiveness of our current products based on strict quality criteria. In addition, we continue to develop our fields of action focusing on energy transformation and decarbonization:

- Decarbonized heat and industrial processes
- Carbon and product circularity
- Resilient grids and reliability
- Condition-based service interventions
- 24/7 carbon-free energy

The R&D activities are aimed at best addressing the challenges posed by the market-defining mega trends: growing electricity demand, decarbonization, digitalization, and decentralization.

In the GT business, R&D activities are focused on accelerating the development of the SF_6 (sulfur hexafluoride)-free blue portfolio, technologies for future direct current grids, as well as digital products, systems, and solutions for resilient grids and battery energy storage to better support the energy transition. The GS business' R&D activities are focused on transitioning to a carbon-neutral portfolio by developing new services, distributed power generation applications, and carbon-neutral products and solutions. In the traditional GS businesses and in the TI business, R&D activities are strongly focused on decarbonization to support our customers in the changed market environment. Here, the main levers are increasing the efficiency, availability, and flexibility of the equipment used, and reducing greenhouse gas emissions, including increasing the use of hydrogen. At SG, our R&D activities focus on developing the next generation of technologies that will lead to improved and more cost-effective products, solutions, and services. SG aims to develop reliable and efficient wind turbines for both onshore and offshore applications and enable seamless integration into the power grid. This is intended to help utility companies optimize the use of renewable energy. An example of this is the commencement of production of the SG14-236. This new turbine, based on the proven DirectDrive design, targets global offshore markets and delivers 30% more power than its predecessor.

A number of major projects are evidence of the success of our R&D activities in the areas of energy transition and carbon-neutral technologies. Siemens Energy has entered into a joint development agreement with Saudi Aramco to develop a Direct Air Capture (DAC) demonstration unit that was delivered in fiscal year 2024 and shall be commissioned in Dhahran, Saudi Arabia, in the first quarter of fiscal year 2025. In addition, a FEED study (Front-End Engineering and Design Study) for a larger DAC pilot facility in Saudi Arabia is planned, which shall be realized in fiscal year 2025. DAC technology involves the extraction of carbon dioxide (CO_2) directly from ambient air using chemical processes, which can then be stored or utilized to combat climate change.

Industrial process heating is responsible for over 10% of global greenhouse gas emissions. Siemens Energy is developing a low-cost, highly efficient alternative for process heat that produces zero local emissions. Concurrently, the team is designing a full-scale, 7.5MW pilot heater to operate with molten salt. This pilot project, developed in collaboration with our partner AES, is slated to begin testing in summer 2025 and will validate the conversion of a 500MW AES coal power plant to 100% green electricity.

In accordance with our R&D strategy, we allocate our R&D resources selectively towards products and services in market growth segments. Siemens Energy focusses its R&D activities on innovative materials and advanced manufacturing methods. Furthermore, innovations also concentrate on product digitalization, power electronics, software-driven power control, environmentally friendly products and systems, and grid stabilization. Additive manufacturing is another innovation field in which Siemens Energy has long been active. As of September 30, 2024, we can look back on more than 15 years of user experience and development cooperation with, among others, Werner-von-Siemens Centre for Industry and Science e.V., Göteborg Energi and Equinor.

Siemens Energy works with other industry participants and research institutions to advance research projects. Prominent partners include the International Renewable Energy Agency (IRENA), DTU Copenhagen, the Karlsruhe Institute of Technology, the Georgia Institute of Technology, Khalifa University, the University of Sheffield, AGTurbo, and EUTurbines. The four global innovation centers in Berlin, Orlando, Abu Dhabi, and Shenzhen, whose aim is to nurture innovation and accelerate the energy transition, also work with both academic and industrial partners within the framework of a partnership model. About 230 customers from 25 countries and 170 companies have visited the Experience Days in the Innovation Center Berlin in June 2024 showcasing cutting-edge technology and innovative solutions.

2.2 Financial performance system

2.2.1 Financial Framework

Siemens Energy's Financial Framework includes performance indicators (PIs) and targets that we aim to achieve over a three-year period or beyond (mid-term).

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

Some of the PIs described below are alternative performance measures (APMs), which are not defined or listed in IFRS (non-GAAP measures). We believe that our APMs offer additional and useful information for our stakeholders helping them to assess the business performance of Siemens Energy. Other companies may report similarly named indicators, but they are not always comparable due to possibly different calculation methods.

2.2.2 Growth

Siemens Energy measures, manages, and controls the development of its business volume using comparable growth figures for orders and revenue. The KPI **comparable revenue growth** shows the development of revenue net of currency translation effects that result from the external environment outside of our control and portfolio effects that relate to business activities that are either new to our business or no longer a part of it.

Currency translation effects are the difference between revenue for the current period calculated using the exchange rates of the current period and revenue for the current period calculated using the exchange rates of the comparative period. To calculate the percentage change year-on-year, this absolute difference is divided by revenue for the comparative period.

A portfolio effect arises in the case of an acquisition or a disposal and is calculated as the year-on-year change in revenue resulting specifically from the transaction. To calculate the percentage change, the absolute change is divided by revenue for the comparative period.

At Group level, Siemens Energy focuses on profitable growth and aims to achieve a compound annual growth rate for revenue (based on fiscal year 2024, excluding currency translation and portfolio effects) in the high-single-digit or low-double-digit percentage range by fiscal year 2028.

For orders, we apply the same approach to the calculation of currency translation and portfolio effects as described above. The order backlog is calculated by adding the new orders from the current reporting period to the order backlog at the end of the previous reporting period and then subtracting the revenues realized in the current reporting period. Direct order value adjustments such as modifications, currency translations and portfolio effects are also considered. The book-to-bill ratio is the ratio of orders to revenue.

2.2.3 Profitability

We use the KPI **Profit margin before Special items** to measure the profitability of operating activities of Siemens Energy. To calculate the Profit margin before Special items, Profit before Special items is divided by total revenue.

Profit is defined as income (loss) before income taxes, interest income and expenses, and other financial income (expenses), net, adjusted for amortization of intangible assets acquired in business combinations and goodwill impairments.

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

- **Restructuring and integration costs**: Restructuring costs refer to personnel measures leading to severance charges, including costs for terminating service contracts with Siemens Group (Siemens AG and its subsidiaries). Integration costs that occur at SG are related to the integration of companies as well as in the course of the integration of SG into the Group and the corresponding transaction costs.
- **Stand-alone costs** relate to the separation from Siemens Group and the formation of Siemens Energy as an independent enterprise.
- Starting with fiscal year 2024, the definition of **strategic portfolio decisions** was specified more precisely. As a result, Special items relating to strategic portfolio decisions include significant expenses and income in connection with the acquisition, disposal or discontinuation of businesses.

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

We aim to achieve a Profit margin for the Group of 10 - 12% for fiscal year 2028. For our Business Areas we aim to achieve Profit margin ranges for fiscal year 2028 as shown below:

Profit margin ranges for fiscal year 2028

Gas Services	12 – 14%
Grid Technologies	13 – 15%
Transformation of Industry	10 – 12%
Siemens Gamesa	3 – 5%

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

2.2.4 Liquidity

To provide an assessment of the Group's ability to generate cash we use **Free cash flow pre tax** as a KPI. Free cash flow pre tax of the Group is defined as cash flows from operating activities before income taxes paid, less additions to intangible assets and property, plant and equipment. Free cash flow of the segments constitutes cash flows from operating activities less additions to intangible assets and property, plant and equipment. It excludes financing interest, except for cases where interest on qualifying assets is capitalized or classified as contract costs; it also excludes income taxes and certain other payments and proceeds. Consequently, Free cash flow pre tax demonstrates the extent to which we are able to meet both recurring and specific cash outflows, such as payments for acquisitions, dividends, debt servicing or taxes, etc.

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

2.2.5 Other financial performance indicators

An important aspect of liquidity management is the thorough management of **Operating net working capital**, which is defined as the sum of Trade and other receivables, Contract assets, and Inventories, reduced by the sum of Trade and other payables and Contract liabilities.

To provide an assessment of our ability to generate cash, we use the operational **Cash conversion rate (CCR)** as an ancillary measure. This is defined as the ratio of Free cash flow pre tax to Profit.

Siemens Energy aims for a capital structure according to an investment grade profile, in line with its financial policy. The PI used to assess our capital structure is **Adjusted net debt/ (net cash)**, which is shown in **2.6.3 Financing and liquidity analysis**. We also use the ratio Adjusted net debt to EBITDA. This ratio indicates the approximate number of years that would be needed to cover the Adjusted net debt through EBITDA. The EBITDA measure represents income (loss) before income taxes, before financial result and before amortization, depreciation and impairments.

We aim to provide an attractive return to our shareholders. Under the Siemens Energy Financial Framework, our intention is to propose a **dividend** equal to 40 to 60 % of the Group's Net income attributable to shareholders of Siemens Energy AG. For this purpose, the Net income may be adjusted for extraordinary non-cash effects.

In the mid-term, we use Return on capital employed (ROCE) to manage our capital efficiency. ROCE is calculated as operating income (loss) after tax divided by average capital employed. Average capital employed, as the sum of Adjusted net debt and total equity, is defined as a five-point average of capital employed at the beginning of the reporting period, the respective balances on the quarterly reporting dates and the capital employed at the end of the reporting period. At Group level, we aim to achieve a ROCE of more than 15% for the fiscal year 2028.

2.3 Business performance in fiscal year 2024

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

Siemens Energy Group can look back on a good performance in fiscal year 2024. We achieved or even exceeded all the financial targets originally set or raised during the year. The key to our success was the focus of our activities on three priorities: delivering on profitable growth, fixing the wind business and maintaining our solid financial foundation.

We have seized the opportunities presented by a positive market environment. The fast-growing electricity market needs a wide range of our products. In the past fiscal year, this benefited our grid technology (GT) and gas turbine (GS) businesses in particular. This has resulted in an unexpectedly strong order intake, which led to a record order backlog of €123 billion for Siemens Energy at the end of the fiscal year. The successful processing of our order backlog, coupled with a dynamic market demand contributed to the significant growth in revenue. Profit before Special items was positive amounting to €0.3 billion (2023: negative €2.8 billion) and Net income was over €1.3 billion (2023: Net loss of €4.6 billion).

We progressed as scheduled with the integration of SG as part of the continuing strategic development of Siemens Energy. We are also on track with the restructuring of our wind power business and committed to achieving the break-even in fiscal year 2026. Following the quality issues in the onshore activities in the prior fiscal year, ongoing analysis revealed no new technical findings. With respect to the ramp-up of our offshore activities, we were able to significantly increase productivity over the course of the past fiscal year.

Siemens Energy has again demonstrated and strengthened its financial foundation with the strong development of Free cash flow pre tax, as well as the progress made with disposals and the accelerated portfolio transformation. This is confirmed by our investment grade rating. Siemens Energy was able to report adjusted net cash again, after adjusted net debt in the prior year.

In the past fiscal year we achieved important progress on our path to becoming a profitable and value-creating company. Going forward, we will continue to focus consistently on the three priorities mentioned above. In the years ahead, we will invest significant funds in our growing power grid business to enable us to benefit from the strong momentum in the electricity sector and achieve market-leading profitability with our core business. Thanks to the substantial order backlog, adjusted net liquidity of Siemens Energy and the positive performance of the past fiscal year, we are continuing along our chosen path with confidence.

Siemens Energy's business performance

As in the prior year, business performance benefited from the ongoing strength in the energy market. The development was driven by the continuing transition of the energy market and, therefore, the increase in demand for electricity. This had a positive effect on the order intake and revenue as well as the Profit development.

At €50 billion, **orders** at Siemens Energy matched the high level of the prior year. With a book-to-bill ratio of 1.46, the prior-year record for the **order backlog** was exceeded once more and even clearly. At year end, the order backlog stood at €123 billion. On a comparable basis, **revenue** of Siemens Energy increased significantly to €34 billion. GS maintained the high level of the prior year, while all other segments improved, led by GT with a substantial increase. The growth in revenue in the Siemens Energy service business followed the overall trend for revenue. Following a loss in the prior year, **Profit before Special items** of Siemens Energy was again positive at €345 million. The prior-year value of negative €2,776 million was caused by a loss at SG, mainly due to quality issues with certain onshore wind turbines. The increase in Profit in the past fiscal year resulted mainly from a sharp reduction in the loss at SG and from the strong operating performance of the other segments. In the past fiscal year, Siemens Energy reported positive Special items of €2,038 million, mainly due to disposals and the accelerated portfolio transformation. As a result, **Profit** grew substantially more than Profit before Special items and amounted to €2,383 million, compared with negative €2,960 million a year earlier.

This resulted in a **Net profit** for Siemens Energy Group of €1,335 million (2023: Net loss of €4,588 million) and correspondingly **Basic earnings per share** of €1.37. See **2.4 Results of operation** for further information.

Due to the Net profit and despite negative Other comprehensive income, equity increased clearly compared with the end of fiscal year 2023. Due to strong execution of backlog, total assets have also increased clearly. The equity ratio at the end of the past fiscal year amounted to 18% (2023: 18%). See **2.5 Net assets, liabilities and equity** for further information.

Free cash flow pre tax at Siemens Energy was €1,859 million in the past fiscal year, compared to €784 million in the prior year. Here, the substantially higher negative contribution of SG was offset by in part sharp increases in the other segments. The development of liquidity, which was substantially influenced not only by the higher Free cash flow pre tax but also by cash inflows from disposals and the accelerated portfolio transformation, and the year-on-year decrease in debt resulted in adjusted net liquidity of €1,951 million at the end of fiscal year 2024 (2023: net debt of €759 million). See **2.6 Financial position** for further information.

Comparison between the actual and forecast course of business

On May 8, 2024, we raised the outlook for comparable revenue growth, the Profit margin before Special items and Free cash flow pre tax for fiscal year 2024 due to the business performance in the first half of the year. The updated outlook was based on adjusted assumptions for revenue

growth in all segments and a higher Profit assumption for GT. In the first half of the fiscal year, the product and service businesses of the GT and TI segments developed better than expected due to the strong market demand. We also anticipated that the revenue of SG would increase substantially more in the second half of the fiscal year than in the first half, especially due to the continuous ramp-up of the offshore activities. We assumed that all segments, with the exception of SG, would exceed the original expectations for Free cash flow pre tax. This was particularly the case for GS and GT, both of which were predicted to incur substantial cash inflows due to customer payments in connection with the continuing order momentum.

On August 7, 2024, the outlook for Free cash flow pre tax was adjusted again due to the good development in the first nine months of the fiscal year and the outlook was raised.

For all targets, we met or exceeded the raised outlook. The main factor that enabled us to exceed the targets for comparable revenue growth, Net profit and Free cash flow pre tax was the persistently favorable market environment for Siemens Energy, which supported growth of both order intake and revenue. This resulted in unexpectedly high advance payments from customers, which had a positive impact on the development of Free cash flow pre tax, while higher volume effects positively influenced the increase in Net profit.

Target achievement 2024	Initial position Fiscal year 2023	Expected development 2024	Target achievement Fiscal year 2024	Evaluation
Comparable revenue growth Siemens Energy	9.9%	3% to 7%		overachieved/ updated
		from May 8, 2024: 10% to 12%	12.8%	overachieved
Profit margin before Special items Siemens Energy	(8.9)%	(2)% to 1%		achieved/ updated
		from May 8, 2024: (1)% to 1%	1.0%	achieved
Net income (loss) Siemens Energy	€(4,588) million	Net income up to €1 billion	€1,335 million	overachieved
Free cash flow pre tax Siemens Energy	€784 million	negative Free Cashflow pre tax of around €1.0 billion		overachieved/ updated
		from May 8, 2024: positive up to €1.0 billion		overachieved/ updated
		from August 7, 2024: positive between €1.0 billion and €1.5 billion	€1,859 million	overachieved

Dividend

Our dividend policy is to distribute 40% to 60% of our Net income attributable to shareholders of Siemens Energy AG. The Executive Board and Supervisory Board have decided not to propose a dividend distribution at the Shareholders' Meeting. This proposal takes account of the conditions of the counter-guarantee agreement made with the German government in December 2023, which stipulate that no dividend may be distributed in fiscal years in which guarantees provided by a consortium of banks and secured by the counter-guarantee have been issued. For fiscal year 2023, no dividend was paid due to the loss reported.

2.3.2 Events and developments responsible for the course of business

2.3.2.1 Macroeconomic development

Gross domestic product and inflation

Global economic activity and trade recovered in fiscal year 2024, with trade boosted by substantial exports from Asia, especially in the technology sector. Additionally, consumer spending, global export activities, government spending, and easing fiscal and monetary policies are key drivers of gross domestic product (GDP) growth in calendar year 2024. However, the global economy remained affected by geopolitical uncertainties caused by the Ukraine war, the conflicts in the Middle East and tensions between China and Taiwan.

Whereas global GDP was 3.3% in calendar year 2023, the forecast for calendar year 2024 is slightly lower at 3.2%. Industrial nations are expected to achieve a growth rate of 1.8%, while emerging and developing economies are projected to grow at a rate of 4.2%.

As a result of the interest rate hikes by central banks in calendar year 2023, inflation in calendar year 2024 is likely to decline to 2.4% in the Eurozone and 3.0% in the United States. However, this would still mean that it remains above the long-term average. For calendar year 2024, global inflation is expected to be around 5.8%, compared with 6.7% a year earlier.

These inflation and GDP growth rates are based on data published by the International Monetary Fund in its World Economic Outlook in October 2024.

Energy market

The growth in demand for electricity increased at a sharply higher rate than in the prior year. Alongside the development of the economy, the transition of the energy market was the main factor in this because replacing fossil fuels with renewable energy is pushing up the demand for installed power generation capacity, despite greater energy efficiency and savings. The accelerated transition of the energy market continued, buoyed by various political and institutional measures such as the U.S. Inflation Reduction Act and the updates to the existing European REPowerEU initiative. These measures are mainly driving investment in clean energy and the necessary transmission systems.

Supply market conditions

In the past fiscal year, the aforementioned geopolitical uncertainties and tensions also impacted global supply chains, influencing prices especially and, to a lesser extent, the availability of materials. Additional pressure came from the ever increasing economic and political tension between the United States and China. Different supply markets were affected to a varying extent.

We continued to observe above-average inflation in the prices for services, while the prices for the different material categories trended both upward and downward. After a tense phase caused by product shortages and long lead times, electronic industry supply chains were characterized by a certain degree of stability. Compared with fiscal year 2023, the prices for steel raw materials such as iron ore and coking coal and for scrap were relatively stable. In the first half of the year, the prices for base materials such as aluminum, copper and nickel rose, peaking at the end of May 2024, but subsequently eased in some cases. After a substantial decline in the prices of critical materials in 2023 because the increase in supply outpaced demand, following a very strong increase in prices in the preceding two years, the fast-growing markets for critical materials remained turbulent in 2024.

Global logistics costs of air, land and sea freight have shown an upward trend after previously being at very low levels. This was partly due to rising demand, and in addition, attacks by Houthi rebels on ships in the Red Sea drove up freight rates and also caused delays in maritime traffic.

The information on the energy and supply markets are based primarily on the data published by the International Energy Agency in its World Energy Outlook Report 2024.

Impact on business performance at Siemens Energy

Similar to the prior year, the general development of the global economy had less impact on business performance at Siemens Energy than the specific situation in the energy market. In fiscal year 2024, our sales markets continued their positive development due to the accelerated transition of the energy market. In particular, our grid business benefited due to orders for grid connections and grid stabilization measures, as did our gas turbines business, among others with orders for efficient gas and steam turbine power plants.

Moreover, Siemens Energy profited from a better overall situation on the supply markets, despite the geopolitical risk situation. Apart from individual cases, there were no significant supply bottlenecks or we were able to restrict the effects of individual material shortages by taking suitable countermeasures. For the most part, increases in materials prices were passed on to customers in new contracts.

We continue to take account of the prevailing risk situation – in addition to the risks from political tensions, the relative scarcity of special raw materials (e.g., rare earths) as well as cybersecurity incidents remain among the biggest supply market risks – and challenges in supply markets through a wide range of monitoring and assessment programs which allow timely countermeasures. A wide range of instruments are used in risk mitigation: long-term supply contracts for standard materials, demand pooling, increasingly consistent risk sharing in supplier and customer contracts through indexing, supplier switching and balanced supplier portfolios with procurement sources in several regions, commodity hedging, etc.

2.3.2.2 Other events influencing the course of business

Continuing strategic development of Siemens Energy and complete integration of Siemens Gamesa

In fiscal year 2024, we pressed ahead with the complete integration of SG as part of the continuing strategic development of Siemens Energy by implementing the following measures:

- As of January 1, 2024, the central and global functions Accounting, Taxes, Treasury and Corporate Finance and parts of Human Resources at SG were integrated into the Siemens Energy structures and processes.
- As of June 1, 2024, this was followed by the integration of the central and global functions Assurance, Communication, Customs, Cybersecurity, EQS (Environment Health and Safety, Quality and Security), Human Resources (remaining parts), IT, Intellectual Property, Legal & Compliance, Logistics, Mergers & Acquisitions, Procurement, and Real Estate.
- We also dissolved the SG Board of Directors as of July 1, 2024.

- On August 1, 2024, the business allocation for SG passed from Christian Bruch to Vinod Philip, who assumed responsibility for the wind power business on the same date.

- Also as of August 1, 2024, we internally placed SG as the fourth Business Area of Siemens Energy, under the name Wind Power, on par with our other Business Areas. In order to create uniform internal reporting structures across all our Business Areas, the finance organization of the Wind Power business – which, unlike the central and global finance functions, served only this business – was integrated into the central Corporate Finance structure.

- In parallel with the changes made at Group level, we are moving ahead step by step with harmonizing regional structures. This envisages the legal combination of SG and Siemens Energy companies worldwide over a period of several years. Local characteristics will be observed, which will affect the duration of implementation. We successfully completed the first legal combination in Canada as of July 1, 2024.

With the aforementioned steps, we are continuing to streamline the structure of Siemens Energy and create the foundation for a holistic market approach. Thanks to the integration measures, synergies were already realized in various areas in the past fiscal year. In addition, SG is receiving additional support to overcome the current challenges described below, in its efforts to return the business to an economically successful path.

Quality issues, higher product costs and ramp-up challenges at Siemens Gamesa

In the previous year, Profit at SG had been affected by substantial negative impacts in connection with quality issues specifically relating to the 4.X and 5.X onshore wind turbines. In addition, there were increased product costs and ramp-up challenges in the offshore area of activities. As expected, SG's Profit was also negatively impacted by these issues in fiscal year 2024. The main reason for this was the effect of higher planned costs on project margins resulting from the quality issues with onshore wind turbines. Added to this were higher expenses in connection with the offshore ramp-up activities.

A group-wide task force with members from all functions and external technical experts was already deployed in the previous year to resolve the quality issues with the 4.X and 5.X platforms. Sales activities were suspended for both onshore platforms. As well as performing technical analyses of the quality issues and implementing remedial measures, further damage limitation and rectification measures were developed during the past fiscal year. In fiscal year 2024, the comprehensive root cause analysis of all the issues reported in the installed fleet revealed no new technical findings. Negative impacts resulted from the regular annual update of the statistical models used to evaluate the entire wind turbine fleet. In contrast, the adjustments to estimates in connection with new and existing customer contracts for large projects had an opposite effect. For the 4.X platform, all necessary steps were completed with the root cause analysis and the validation of solutions for serial production, so that the 4.X platform could be brought back to the market in September 2024. Sales activities for the revised 4.X platform and in future for the 5.X platform will focus on the core markets of Europe and the United States with opportunistic efforts in other countries. SG also concentrated on continuing to optimize the production network for the onshore activities.

In the offshore area, SG is significantly expanding its production facilities in view of the market growth in renewable energies. In this connection, due to the situation on the supply markets (including the personnel market) there were delays in ramping up new and modified capacities in the prior year, among others in France, Germany, Denmark and the United Kingdom. In fiscal year 2024, SG concentrated mainly on overcoming the bottlenecks on the supply markets and ramping up its factories. In addition, the development of a new offshore product generation was concluded; the new SG 14 MW turbine is already on the market.

Optimization of operational structures and processes at Siemens Gamesa

In fiscal year 2024, SG implemented the "Masterplan" for restructuring the wind power business. This plan builds on the Mistral program introduced in 2022. It is a general corporate program and the focal points of its activities are largely influenced by the quality issues at SG described above:

- Diligent clarification and elimination of the quality defects identified in parts of the installed onshore fleet; the findings will also be used as the basis for developing new products.

- Development of a suitable cost structure to restore competitiveness, improvement of product maturity by extending the portfolio cycle, and implementation of an optimized make-or-buy approach.

- Amendment of customer contracts to increase the profitability of new projects and reducing SG's risk exposure on existing projects; in the future, use of a selective bidder process to deliver an order backlog that ensures profitability.

- Serving a smaller number of markets and the corresponding implementation of measures to optimize production, concentrate on core technologies and adjust capacities, which depend on the individual business situations (i.e., expansion in offshore growth areas and reduction in onshore areas outside the core business).

- Support for change with a corporate culture program to improve the collaboration between the business units and departments on the one hand and to push forward with the integration of SG and Siemens Energy on the other hand.

A series of measures were already initiated in the past fiscal year to make progress in these areas. They include redesigning development processes, rules and regulations for a more selective bidder process, price adjustment clauses in customer contracts to reflect changes in the cost of raw materials, and higher margin requirements. In addition, at the start of fiscal year 2025, all service activities will be merged with the other activities of the onshore and offshore business to simplify communication with customers and accelerate the execution of projects.

Disposals and the accelerated portfolio transformation

In the past fiscal year, in order to sustain a solid financial basis and finance investment in profitable growth, Siemens Energy sold parts of its business and streamlined its business portfolio. On aggregate, the corresponding transactions made a substantial contribution to improving Siemens Energy's Profit in fiscal year 2024. Associated impacts on Profit were reported as Special items under Strategic portfolio decisions and totaled €2,179 million. The main transactions were the sale of an 18% stake in Siemens Limited, India, the sale of two other investments accounted for using the equity method (the 32% stake in Windar Renovables, S.A., Spain, the 20% stake in Maschinenfabrik Reinhausen GmbH, Germany) and the sale of Trench Group. In addition, it is planned to sell a 49% stake in Ethos Energy Group Limited, United Kingdom, which means that this equity interest was reported as "held for disposal" at the end of the fiscal year. The signing of the agreement for the sale took place on August 27, 2024. (see **Note 3 Disposals and assets held for disposal** and **Note 4 Interests in other entities** in **3.6 Notes to Consolidated Financial Statements** for further information on these transactions).

2.4 Results of operation

2.4.1 Orders and Revenue

Orders and revenue		Fiscal year		Orders Change		Fiscal year		Revenue Change
(in millions of €)	2024	2023	Actual	Comp.	2024	2023	Actual	Comp.
Gas Services	16,365	12,897	27%	28%	10,796	10,914	(1)%	1%
Grid Technologies	20,901	15,798	32%	34%	9,280	7,180	29%	32%
Transformation of Industry	6,413	5,569	15%	18%	5,109	4,438	15%	16%
therein								
Sustainable Energy Systems	*422*	*286*	*47%*	*47%*	*145*	*82*	*77%*	*77%*
Electrification, Automation, Digitalization	*1,303*	*1,624*	*(20)%*	*(20)%*	*1,425*	*1,151*	*24%*	*23%*
Industrial Steam Turbines & Generators	*1,709*	*1,612*	*6%*	*6%*	*1,530*	*1,427*	*7%*	*8%*
Compression	*3,027*	*2,123*	*43%*	*49%*	*2,069*	*1,810*	*14%*	*17%*
Siemens Gamesa	7,256	16,836	(57)%	(57)%	10,008	9,092	10%	11%
Total segments	**50,935**	**51,100**	**(0)%**	**1%**	**35,193**	**31,625**	**11%**	**13%**
Reconciliation to Consolidated Financial Statements	(708)	(654)	—	—	(727)	(506)	—	—
Siemens Energy	**50,226**	**50,446**	**(0)%**	**1%**	**34,465**	**31,119**	**11%**	**13%**

Orders and revenue (location of customer)	Orders				Revenue			
	Fiscal year		Change		Fiscal year		Change	
(in millions of €)	2024	2023	Actual	Comp.	2024	2023	Actual	Comp.
EMEA	30,391	25,466	19%	21%	18,087	14,775	22%	24%
therein Germany	*9,665*	*7,159*	*35%*	*35%*	*3,144*	*2,532*	*24%*	*24%*
Americas	14,933	16,260	(8)%	(6)%	10,258	9,986	3%	6%
therein U.S.	*10,233*	*11,830*	*(13)%*	*(11)%*	*6,919*	*5,764*	*20%*	*23%*
Asia, Australia	4,902	8,721	(44)%	(45)%	6,120	6,358	(4)%	(3)%
therein China	*1,422*	*1,680*	*(15)%*	*(11)%*	*1,516*	*1,502*	*1%*	*5%*
Siemens Energy	**50,226**	**50,446**	**(0)%**	**1%**	**34,465**	**31,119**	**11%**	**13%**

Orders

Siemens Energy

- Due to a moderate increase in volumes from large orders, order intake exceeded the high prior-year level on a comparable basis.
- This development was driven by the market environment for Siemens Energy, which continued to be influenced positively by the accelerated transition of the energy market and the increase in demand for electricity.
- All segments, with the exception of SG, contributed to the growth in order intake. GT had the most substantial increase.
- Nominal order intake, i.e., including negative currency translation and portfolio effects, decreased slightly.
- The service share of Siemens Energy's order amounted to 33% in fiscal year 2024 (2023: 32%).

Gas Services

- Order intake at GS substantially exceeded the already high prior-year level. In the third quarter of the fiscal year, GS recorded the highest order intake ever in a quarter. The sharp increase in demand from the Middle East including large orders and the significant increase in demand in America were the growth drivers in the past fiscal year.
- Due to negative currency translation and portfolio effects, the nominal increase in orders was lower than comparable growth.
- The percentage growth in order volumes for new units greatly exceeded a substantial increase in the service business. As a result, the share of services in GS order intake declined year-on-year to 69% (2023: 71%).

Grid Technologies

- Due to the positive market environment, GT was able to increase its order intake on a comparable basis by more than one third compared with the prior year. The largest increase was contributed by the product business, which saw sharp growth and benefited from strong global demand, especially in the United States and Germany. The substantial growth of the solutions business was driven mainly by large orders for high-voltage direct current (HVDC) transmission systems in countries including Germany and the United Kingdom. Overall, the volume contributed by large orders sharply exceeded the prior-year level. From a regional perspective, the Americas delivered the largest percentage growth. However, in absolute terms, the biggest increases came from the EMEA region.
- Nominal order intake, including negative currency translation and portfolio effects, also increased substantially.
- The growth in order volume was driven by the new units business as the service business volume at GT is less significant.

Transformation of Industry

- The significant increase in order intake at TI on a comparable basis was supported by a sharp increase in volumes from large orders. With the exception of EAD, which saw a decline in order intake due to delayed project awards, all of the other businesses recorded increases. This growth was spearheaded by CP, which profited from factors such as an increase in large orders, especially from the Middle East which in the past fiscal year mainly drove the growth of the TI business.
- Due to negative currency translation and portfolio effects, the increase in orders on a nominal basis was lower than comparable growth.
- As the growth in the new units business was larger than the increase in the service business, the share of the service business in order volume in the past fiscal year declined to 41% (2023: 42%).

Siemens Gamesa

- As expected, SG experienced a reduction in order intake in fiscal year 2024. This was mainly due to the sharp decline in volumes from large orders. With the exception of one offshore order for the North Sea with a value of almost €2.9 billion, the other orders coming in were of lower values for the fiscal year. In addition, the order development was significantly impacted by the temporary interruption of sales activities for the 4.X and 5.X onshore platforms. The situation was exacerbated by delays in the award of orders and the selective acceptance of orders in the offshore area of the business. For this reason, order intake at SG dropped sharply overall on a comparable basis. All regions and businesses saw declines.
- Including negative currency translation effects, order intake on a nominal basis decreased even more substantially.

- As orders in the service business declined less substantially than in the new units business, the share of the service business in SG order intake in the past fiscal year rose to 29% (2023: 25%).

Regions (location of customer)

- In geographical terms, the increase in order intake by Siemens Energy in the EMEA reporting region more than offset the declines in the two other reporting regions on a comparable basis.
- The substantial growth in **EMEA** was primarily attributable to the order intake in the Middle East, which more than doubled. This was mainly due to various large orders in this region. The largest growth was recorded in Saudi Arabia and the United Arab Emirates, primarily due to the aforementioned large orders received by GS and TI. In addition, GT posted a sharp increase in Germany. SG order intake in EMEA decreased substantially due to the decline in Europe, especially France.
- In the **Americas** reporting region, order intake fell clearly. Significant growth in Latin America was outweighed by a larger decline in absolute terms in North America. For the most part, this was due to the decline in the United States, where the sharp increase at GT, mainly based on its product business, was outweighed by decreases at TI and SG. The drop at SG was particularly substantial because there were no comparable orders to the large orders received in the prior year.
- In **Asia, Australia**, declines in all other segments were offset by an increase at GT. Overall, order intake in the region fell sharply, mainly due to the decline at SG, primarily in Taiwan where there had been sharp growth in the previous year.

Revenue

Siemens Energy

- In fiscal year 2024, revenue of Siemens Energy rose significantly year-on-year on a comparable basis. This development was driven mainly by processing of the order backlog as of the end of the prior year. Moreover, a considerable proportion of revenue in the past fiscal year was attributable to the substantial demand from customers in a favorable market environment. All segments contributed to growth, headed by a substantial increase at GT.
- Due to negative currency translation and portfolio effects, the increase in nominal revenue was lower than on a comparable basis.
- As the absolute growth in revenue in the new units business by far exceeded the development of the service business, the share of revenue accounted for by the service business at Siemens Energy was below the prior-year figure at 35% (2023: 36%).

Gas Services

- Revenue development at GS was based primarily on the successful processing of the order backlog and the strength of the service business. Viewed overall, revenue on a comparable basis rose slightly, with a significant decline in the new units business offset by a clear increase in the service business.
- Due to negative currency translation and portfolio effects, GS revenue on a nominal basis was slightly below the prior-year level.
- As a result of the development of revenue in the new units and service businesses, the share of GS revenue accounted for by the service business increased to 66% (2023: 61%).

Grid Technologies

- On a comparable basis, GT recorded substantial year-on-year growth in revenue. By far the largest contribution came from processing the order intake from prior years. Revenues for all businesses rose, with the highest (absolute) increases recorded by the solutions and product businesses.
- Due to negative currency translation and portfolio effects, the increase in the nominal revenue of GT was slightly lower than comparable growth.
- The service business contributed 6% to GT's revenue in the past year (2023: 7%).

Transformation of Industry

- The significant growth in revenue at TI on a comparable basis was mainly due to the successful processing of the order backlog as well as to the ongoing momentum in the service business. All of the separate businesses posted increases. The highest (absolute) contribution came from EAD, followed by CP and STG.
- The increase in TI's revenue on a nominal basis was lower than on a comparable basis due to negative currency translation and portfolio effects, but the increase was still significant.
- Revenue from the service business grew faster than that from the new units business. The service business therefore contributed 47% to TI's revenue in the past year (2023: 46%).

Siemens Gamesa

- On a comparable basis, revenue of SG was significantly higher than in the prior year. This development was primarily due to processing the order backlog. In addition, the production ramp-up in the offshore area had a tangible effect. The increase also reflected the reduced basis for year-on-year comparison, due to the reversal of revenue in connection with the quality issues in the onshore area and the circumstances associated with the ramp-up of the offshore activities (in both cases, see **2.3.2 Events and developments responsible for the course of business**). Significant growth in the service business exceeded the increase in the Wind Turbines business.
- Revenue growth on a nominal basis was lower than the comparable growth due to negative currency translation and portfolio effects.
- The service business contributed 24% to SG's revenue in the past year (2023: 23%).

Regions (location of customer)

- On a comparable basis, revenue in the EMEA and Americas reporting regions increased; it decreased moderately in Asia, Australia.
- Led by substantial growth at GT and GS, all segments contributed to the substantial increase in the **EMEA** reporting region.
- The clear increase in revenue in the **Americas** resulted mainly from the substantial growth at GT, primarily in the United States. Taken together with the increases at TI and SG, this more than offset a significant decline at GS in the region, notably in Latin America.
- In **Asia, Australia**, revenue remained moderately below the prior-year figure. The pattern of development mirrored that seen in the Americas reporting region. Whereas the revenue of GS decreased substantially year-on-year, mainly due to the decline in the Asia-Pacific area, all other segments recorded increases.

Book-to-bill ratio and order backlog

- Due to the aforementioned developments, the book-to-bill ratio at Siemens Energy was 1.46. The decline compared with the prior-year figure of 1.62 resulted from the fact that revenue increased more than order intake. The book-to-bill ratio of all segments except SG was clearly above 1, with GT above 2 due to the substantial increase in order intake. By segment, the book-to-bill ratio was 1.52 (2023: 1.18) at GS, 2.25 (2023: 2.20) at GT, 1.26 (2023: 1.25) at TI and 0.72 (2023: 1.85) at SG.
- At the end of the fiscal year, the order backlog of Siemens Energy reached a new record of €123 billion (2023: €112 billion). The growth was affected by negative currency translation effects. The order backlog amounted to €45 billion (2023: €41 billion) at GS, €33 billion (2023: €23 billion) at GT and €8 billion (2023: €7 billion) at TI. At €38 billion, the SG order backlog was below the record prior-year figure of €42 billion.
- The service share of the Siemens Energy order backlog was 48% at the end of the fiscal year (2023: 51%).

2.4.2 Profitability

(in millions of €, earnings per share in €)	Fiscal year 2024	2023	Change
Profit Siemens Energy before Special items	**345**	**(2,776)**	**n/a**
Gas Services	1,021	1,035	(1)%
Grid Technologies	976	545	79%
Transformation of Industry	380	229	66%
Siemens Gamesa	(1,781)	(4,347)	59%
Reconciliation to Consolidated Financial Statements	(251)	(238)	(6)%
Profit margin Siemens Energy before Special items	1%	(9)%	10 p.p.
Gas Services	9%	9%	0 p.p.
Grid Technologies	11%	8%	3 p.p.
Transformation of Industry	7%	5%	2 p.p.
Siemens Gamesa	(18)%	(48)%	30 p.p.
Special items (for details see table below)	**2,038**	**(184)**	**n/a**
Profit Siemens Energy	**2,383**	**(2,960)**	**n/a**
Gas Services	1,018	1,053	(3)%
Grid Technologies	1,197	520	130%
Transformation of Industry	392	210	87%
Siemens Gamesa	(1,734)	(4,439)	61%
Reconciliation to Consolidated Financial Statements	1,509	(303)	n/a
Profit margin Siemens Energy	7%	(10)%	16 p.p.
Gas Services	9%	10%	0 p.p.
Grid Technologies	13%	7%	6 p.p.
Transformation of Industry	8%	5%	3 p.p.
Siemens Gamesa	(17)%	(49)%	32 p.p.
Amortization of intangible assets acquired in business combinations and goodwill impairments	(258)	(297)	13%
Financial result	(303)	(130)	(134) %
Income (loss) before income taxes	**1,822**	**(3,387)**	**n/a**
Income tax gains/ (expenses)	(487)	(1,202)	59%
Net income (loss)	**1,335**	**(4,588)**	**n/a**
Basic earnings per share	1.37	(5.47)	n/a

Profit and Profit before Special items

Siemens Energy

- The improvement in Profit at Siemens Energy was mainly due to the following material factors and developments. The situation at SG stabilized due to the clear progress made, in line with expectations, in overcoming both the quality issues in the onshore area and the ramp-up problems in connection with the offshore activities (see **2.3.2 Events and developments responsible for the course of business**). While the situation at SG had a considerable impact on Siemens Energy in the past fiscal year, the negative Profit decreased sharply. In addition, disposals and the accelerated portfolio transformation (see **2.3.2 Events and developments responsible for the course of business**) made a considerable contribution to Profit that was reported as a Special item under Strategic portfolio decisions and totaled €2,179 million. Profit was also influenced substantially by higher revenue and a substantial improvement in the operating performance of the other segments. Alongside the easing of supply markets and economies of scale resulting from higher volumes, process improvements especially contributed to a substantial improvement in project execution and increased cost efficiency. This development was offset by a sharp increase in license fees for the Siemens brand and significant one-time costs in connection with legacy projects at GS and TI. Due to these factors, Profit at Siemens Energy turned around from negative €2,960 million in the prior year to positive €2,383 million in the past fiscal year.
- As well as disposals and the accelerated portfolio transformation, Special items were impacted above all by the decline in stand-alone costs, the positive follow-on effects of strategic portfolio decisions and lower integration costs at SG.
- Due to the positive Special items, the improvement in Profit before Special items of Siemens Energy was much smaller than the improvement in Profit. The same applied to the development of the Profit margin before Special items.

Gas Services

- GS was moderately behind the strong prior-year Profit. The higher contribution from the service business and the improved operating performance almost offset a negative project-related one-time effect of a low-triple-digit million-€-amount due to a legal case in connection with a legacy gas turbine project in the United States.
- On aggregate, Profit included negligible negative Special items. In the prior year, positive Special items resulted from changed estimates in connection with restructuring and cost-reduction measures.
- Due to the development of Special items, Profit before Special items of GS almost matched the prior-year level. The corresponding margin matched the prior-year level.

Grid Technologies

- Profit at GT more than doubled, with the product business making the largest contribution and the solution business recording a sharp increase. In addition, Profit benefited from the gain of the sale of the stake in Maschinenfabrik Reinhausen GmbH (see **2.3.2 Events and developments responsible for the course of business**) that was reported as a Special item. The improvement in Profit was mainly due to a clearly improved operating performance, the increased volume and the higher margin for the processed order backlog compared with the prior year. Added to this were favorable currency effects.
- The positive Special items resulted mainly from the aforementioned gain from a sale, offset by expenses in connection with the sale of Trench Group (see **2.3.2 Events and developments responsible for the course of business**).
- Due to the positive Special items, the improvement in Profit before Special items of GT was slightly smaller than the improvement in Profit. The same applies to the corresponding margin, which increased by three percentage points before Special items.

Transformation of Industry

- Profit at TI almost doubled compared with the prior-year period, mainly due to the increased contribution to Profit from the CP business, followed by EAD and STG. The investment-intensive future business SES reduced substantially its negative Profit margin from the prior-year level, as the business is ramping up. Viewed overall, the segment's Profit growth was attributable to higher revenue, especially in the service business, improved pricing and higher margins for the processed order backlog and, above all, an improved operating performance. A one-time charge in connection with a legacy project had an offsetting effect.
- The negative Special items in the prior year were offset by aggregated positive Special items in the past fiscal year due to positive follow-on impacts relating to Russia (reported under Strategic portfolio decisions).
- Due to the development of Special items, Profit before Special items of TI grew slightly less than Profit. The same applies to the corresponding margin, which increased by two percentage points before Special items.

Profit margin Transformation of Industry before Special Items

	Fiscal year		
	2024	2023	Change
Transformation of Industry	**7.4%**	**5.1%**	**2.3 p.p.**
therein			
Sustainable Energy Systems	(64.0)%	(86.4)%	22.3 p.p.
Electrification, Automation, Digitalization	7.5%	5.8%	1.7 p.p.
Industrial Steam Turbines & Generators	10.3%	10.2%	0.1 p.p.
Compression	10.1%	4.7%	5.3 p.p.

Siemens Gamesa

- Profit at SG improved sharply, however was negative as expected. In the prior year, negative impacts on Profit totaled around €2.7 billion in connection with quality issues with onshore turbines and ramp-up problems in the offshore area of activities (see **2.3.2 Events and developments responsible for the course of business**). The main factors in Profit in the past fiscal year were the project margins impacted by higher planned costs because of the aforementioned quality issues and the increased product costs and challenges associated with the ramp-up of the offshore activities. In addition, the regular annual update of the statistical models used to evaluate the entire wind turbine fleet had a negative effect. The gain from the sale of the stake in Windar Renovables, S.A., which was reported as a Special item (see **2.3.2 Events and developments responsible for the course of business**), and the adjustments to estimates in connection with new and existing customer orders for large projects had an opposite effect.
- The negative Special items due to restructuring and integration costs in the prior year were offset by aggregated positive Special items in the past fiscal year. This was primarily due to the aforementioned gain from a sale, as well as declining restructuring and integration costs.
- Due to the developments described above, SG's Profit before Special items and the corresponding margin also improved sharply.

Reconciliation to Consolidated Financial Statements

- Reconciliation to Consolidated Financial Statements includes items which management does not consider to be indicative of the segments' performance, mainly group management costs (management and corporate functions), other central items, Treasury activities as well as eliminations. Other central items include Siemens brand fees, corporate services (e.g., management of the Group's real estate portfolio, except SG), corporate projects, centrally held equity interests and other items.
- The positive year-on-year change in the result of Reconciliation to Consolidated Financial Statements was attributable to the gain of €1,728 million from the sale of the stake in Siemens Limited, India, that was reported as a Special item, and the effect on Profit from the planned sale of Ethos Energy Group Limited (see **2.3.2 Events and developments responsible for the course of business**).
- Following negative Special items in the prior year, this gain from a sale resulted in overall positive Special items in the past fiscal year. The decline in stand-alone costs also had a favorable effect.
- The Profit before Special items declined year-on-year.

Net income (loss) and basic earnings per share

- In the past fiscal year, the negative Financial Result increased sharply. This was primarily due to expenses in connection with discounted non-current provisions; income was reported in this connection in the prior year. Added to this was a temporarily negative development in the fair values of transaction-related derivatives. The higher negative Financial Result was offset by a significant decline in the amortization of intangible assets acquired in business combinations as well as goodwill impairments.
- Overall, the positive swing in Income (loss) before income taxes was due to the developments responsible for the increase in Profit at Siemens Energy as described above.
- The tax rate of Siemens Energy in the past fiscal year was 27% (2023: negative 35%). It reflected losses without corresponding tax relief at SG, with offsetting effects from tax-free gains in connection with disposals and the accelerated portfolio transformation as well as from tax income due to the integration of SG.
- Due to the developments described above, Siemens Energy Group reported a Net income in the past fiscal year, following a Net loss a year earlier. This is reflected accordingly in the development of basic earnings per share.

Siemens Energy Special items

(in millions of €)	Fiscal year 2024	2023	Change
Restructuring and integration costs	(129)	(130)	(0)%
Gas Services	*(17)*	*27*	*n/a*
Grid Technologies	*0*	*(8)*	*n/a*
Transformation of Industry	*(13)*	*(4)*	*200%*
Siemens Gamesa	*(44)*	*(92)*	*(52)%*
Reconciliation to Consolidated Financial Statements	*(56)*	*(52)*	*7%*
Stand-alone costs	(12)	(60)	(80)%
Gas Services	*—*	*(14)*	*n/a*
Grid Technologies	*—*	*(6)*	*n/a*
Transformation of Industry	*—*	*(6)*	*n/a*
Siemens Gamesa	*—*	*—*	*n/a*
Reconciliation to Consolidated Financial Statements	*(12)*	*(34)*	*(66)%*
Strategic portfolio decisions	2,179	6	>200%
Gas Services	*14*	*4*	*>200%*
Grid Technologies	*221*	*(11)*	*n/a*
Transformation of Industry	*25*	*(8)*	*n/a*
Siemens Gamesa	*91*	*—*	*n/a*
Reconciliation to Consolidated Financial Statements	*1,828*	*21*	*>200%*
Siemens Energy Special items	**2,038**	**(184)**	**n/a**
Gas Services	*(3)*	*17*	*n/a*
Grid Technologies	*221*	*(25)*	*n/a*
Transformation of Industry	*12*	*(19)*	*n/a*
Siemens Gamesa	*48*	*(92)*	*n/a*
Reconciliation to Consolidated Financial Statements	*1,761*	*(66)*	*n/a*

2.5 Net assets, liabilities and equity

(in millions of €)	Sep 30, 2024	Sep 30, 2023	Change
Total current assets	**30,079**	**26,567**	**13%**
therein			
Cash and cash equivalents	6,363	4,588	39%
Trade and other receivables	7,072	6,537	8%
Contract assets	4,190	4,153	1%
Inventories	9,792	8,961	9%
Total non-current assets	**20,795**	**21,339**	**(3)%**
therein			
Goodwill	9,461	9,982	(5)%
Other intangible assets	2,811	3,169	(11)%
Property, plant and equipment	6,220	5,724	9%
Total assets	**50,874**	**47,907**	**6%**

(in millions of €)	Sep 30, 2024	Sep 30, 2023	Change
Total current liabilities	**33,471**	**31,599**	**6%**
therein			
Short-term debt and current maturities of long-term debt	479	1,591	(70)%
Trade and other payables	6,293	6,658	(5)%
Contract liabilities	18,867	15,984	18%
Current provisions	3,163	2,901	9%
Total non-current liabilities	**8,040**	**7,520**	**7%**
therein			
Long-term debt	3,287	3,190	3%
Provisions for pensions and similar obligations	600	519	16%
Provisions	2,880	2,682	7%
Total equity	**9,364**	**8,787**	**7%**
Total liabilities and equity	**50,874**	**47,907**	**6%**

- As of September 30, 2024, **total assets** of Siemens Energy increased clearly year-on-year. The changes in both assets and liabilities mainly reflected the positive development of the operating business. This was offset by considerable negative currency translation effects.
- The growth in **assets** was primarily due to the development of current assets resulting from the increase in cash and cash equivalents and in the asset components of the operating net working capital. Non-current assets decreased, mainly as a result of negative currency translation effects, while declines in connection with disposals and the accelerated portfolio transformation were offset primarily by an increase in property, plant and equipment due to higher investment. As a result, the share of non-current assets in total assets decreased to 41% (2023: 45%). The negative currency translation effects totaled €1.5 billion. The increase on the **liabilities side** was mainly due to the rise in liability components of the operating net working capital and the growth in equity. This was offset primarily by a decline in debt.
- The substantial increase in **cash and cash equivalents** was mainly attributable to the positive Free cash flow and cash inflows from disposals and the accelerated portfolio transformation (see **2.6.2 Analysis of cash flow and investments**).
- In the **operating net working capital**, a clear increase in the **asset components** was accompanied by an even more pronounced rise in the **liability components**. The significant increase in contract liabilities, mainly due to advance payments on projects, exceeded by far the growth in inventories, especially in connection with the high business volume, and in trade and other receivables. As a result, the negative operating net working capital increased further as of the fiscal year-end to minus €4,107 million (2023: minus €2,991 million). This was mainly due to the development at GT, offset by the year-on-year decrease in negative operating net working capital at SG. The operating net working capital (as a percentage of revenue) was minus 12% at fiscal year-end (2023: minus 10%).
- **Other current assets** increased to €1,295 million (2023: €1,058 million), largely due to the increase in prepaid expenses and other tax receivables.
- **Goodwill** decreased, mainly as the result of foreign currency translation and due to disposals.
- **Other intangible assets** decreased. Amortization, depreciation and impairments relating to intangible assets acquired in business combinations and negative currency translation effects which more than offset the additions to internally generated technology for product development at SG.
- **Property, plant and equipment** increased clearly in connection with investments in technical plant and machinery, as well as advance payments made and plants under construction.
- **Investments accounted for using the equity method** decreased substantially due to disposals and the accelerated portfolio transformation, primarily in connection with the disposal of the stakes in Siemens Limited, India, and Maschinenfabrik Reinhausen GmbH.
- The sharp increase in **deferred tax assets** and **deferred tax liabilities** to €692 million (2023: €488 million) and €415 million (2023: €296 million), respectively, resulted primarily from the capitalization of deferred tax assets previously not accounted for in connection with the integration of SG and from higher deferred tax liabilities in connection with the accounting of large long-term projects.
- At the end of the fiscal year, **short-term debt** and **long-term debt** of Siemens Energy amounted to €3,767 million (2023: €4,781 million) and thus decreased substantially year-on-year. This was primarily attributable to the redemption of securities under the commercial paper program and to the (short-term) syndicated bridge facility that was concluded to finance the acquisition of the outstanding shares in Siemens Gamesa Renewable Energy S.A. (see **2.6.3 Financing and liquidity analysis**).
- The rise in **other current liabilities** to €3,681 million (2023: €3,375 million) was primarily due to personnel-related liabilities.
- The **provisions for pensions and similar obligations** increased significantly, mainly due to a decline in the weighted average discount rate (see also **2.6.3 Financing and liquidity analysis** and **Note 13 Post-employment benefits/ Provisions for pensions and similar obligations** in **3.6 Notes to Consolidated Financial Statements**).
- Provisions increased to a total of €6,044 million (2023: €5,583 million), mainly due to the establishment of short-term and long-term provisions for warranties at SG.
- **Equity** of Siemens Energy increased clearly due to the rise in the portion of equity attributable to the shareholders of Siemens Energy AG. This resulted from Net income, offset by negative Other comprehensive income.
- The equity ratio (equity to total assets) at the fiscal year-end amounted to 18% (2023: 18%).

Off-balance-sheet commitments

At the end of the fiscal year, the maximum liability amount – resulting from credit guarantees, contractual performance guarantees for third-party services and other guarantees (including for compensation obligations in connection with the sale of business units) – was a nominal €208 million (2023: €303 million).

2.6 Financial position

2.6.1 Principles and objectives of financial management

- The main objectives of Siemens Energy's financial management are to ensure the financial sustainability of Siemens Energy and its affiliated companies, an investment-grade rating and support for the business by providing corporate finance solutions. The protection of the Group's long-term financial stability and flexibility includes the solvency of Group entities at any time, the reduction of financial risks and a balanced capital structure.
- The Treasury & Corporate Finance organization of Siemens Energy manages treasury and financing activities, including guarantees, letters of credit, insurance, pensions, sale of receivables, leasing, and supply chain finance.
- Certain treasury and financing activities are managed centrally by Treasury & Corporate Finance to the extent reasonable to ensure transparency and cost efficiency, e.g., liquidity and financing of the Group, bank relations, treasury infrastructure, as well as management of financial risks, pensions, pension service providers, insurances (broking, advisory, claims management and provider management) and guarantees.
- The centralized coordination and management of market risks (foreign currencies, interest rates, commodities), bank partners, insurance and pensions ensures a comprehensive risk management approach. Treasury is the central partner for derivative hedging transactions entered into by Siemens Energy, as far as this is permissible under local foreign exchange regulations. Treasury is therefore largely responsible for entering into external hedging transactions with banks.
- The provision of Treasury infrastructure involves cash pooling, among other things. A centralized cash management system enables the use of excess liquidity at individual Group entities to cover the financing requirements of other Group entities, which reduces both the volume of external financing and interest expenses on Group level.
- The external financing of Siemens Energy comes primarily from a group of international banks and from the capital markets. The principle of internal financing applies within the Group. Wherever possible and economically feasible, the financing requirements of subsidiaries are covered via internal loan arrangements. In addition and as necessary, local credit facilities are agreed with banks to reflect legal, fiscal or other requirements, provided this is economically feasible.
- For further information on the extent and management of financial risks and on financing, see **Note 21 Financial risk management** in **3.6 Notes to Consolidated Financial Statements**.

2.6.2 Analysis of cash flow and investments

	Fiscal year		
(in millions of €)	**2024**	2023	Change
Free cash flow pre tax by segment			
Gas Services	1,393	970	44%
Grid Technologies	2,228	1,236	80%
Transformation of Industry	411	192	114%
Siemens Gamesa	(2,123)	(1,604)	(32)%
Reconciliation to Consolidated Financial Statements	(50)	(10)	<(200)%
Free cash flow pre tax of Siemens Energy	**1,859**	**784**	**137%**
therein Additions to intangible assets and property, plant and equipment	*(1,514)*	*(1,228)*	*(23)%*
Cash flows from			
Operating activities	2,889	1,622	78%
Investing activities	1,250	(1,633)	n/a
Financing activities	(2,258)	(1,132)	(100)%

Free cash flow pre tax

- Compared with fiscal year 2023, **Free cash flow pre tax** of Siemens Energy rose sharply. This is attributable to the sharp increase in cash inflows from operating activities (excluding income taxes paid), to €3,372 million from €2,012 million in the prior year. This was offset by a substantial increase in cash outflows for additions to intangible assets and property, plant and equipment in fiscal year 2024.
- The increase in **cash inflows from operating activities** was primarily due to the increased Profit. An opposing effect came from the development in the change in other assets and liabilities (from plus €2,059 million in the prior year to plus €859 million in the past fiscal year). The high prior-year figure resulted from the increase primarily in warranty-related and onerous loss provisions at SG (see **2.3.2 Events and developments responsible for the course of business**). In addition, the year-on-year decline of €892 million (2023: €1,318 million) in net cash inflow resulted from the change in **operating net working capital**. The main opposing developments were as follows. While there were cash inflows to contract assets in the prior year, cash outflows were recorded in the past fiscal year in connection with project execution, especially at SG. The same applied to trade and other payables. Moreover, cash inflows for contract liabilities declined moderately compared with the high prior-year figure. They were offset by lower cash inflows from the change in trade and other receivables.
- The substantial increase in the **additions to intangible assets and property, plant and equipment** was attributable to higher investment in all segments and the Reconciliation to Consolidated Financial Statements. GS and GT recorded the biggest increases in percentage terms, while SG saw the largest absolute growth in investment. As a result, clearly more than half of Siemens Energy's investments in the prior fiscal year were made at SG.
- In the past fiscal year, **investments** by GS mainly related to maintenance and replacement, especially of tools and equipment. Investments were also made in connection with dual-sourcing measures to mitigate procurement risks. Moreover, GS also invested in expanding capacities for large gas turbines to safeguard its market share in a positive environment. The substantially higher GT investment budget focused mainly on expanding production capacities for certain products, especially in North America and Western Europe. Investments were also made in the context of selected research and development projects such as the further technological development and production preparation of an SF_6-free product portfolio and of transformer solutions for renewable energy. TI concentrated its increased investment on the development and manufacture of sustainable technologies, mainly electrolyzers. It also focused on replacement investments to maintain availability and increase productivity and energy efficiency, particularly on tools and equipment for deployment in both the new units and service businesses. Most of SG's investments related to the offshore area of activities. As well as investing in internally generated technology, capital was mainly invested in tools and equipment to transport and install nacelles and rotor blades, as well as in connection with capacity expansions for the production ramp-up.
- At the segment level, there were sharp increases in Free cash flow pre tax in all segments offset by a substantial decline at SG. Alongside higher investments, the main factor at SG was the change in operating net working capital with a prior-year cash inflow offset by a cash outflow in the past fiscal year. By contrast, the decline in negative Profit did not play a significant role because prior-year Profit had no cash effect due to the level of warranty-related and onerous loss provisions. GT achieved the most substantial (absolute) improvement in Free cash flow pre tax, mainly based on its increased Profit and the larger positive impact of the cash effect due to the change in operating net working capital. GS also recorded a sharp increase but the difference compared with the prior year was mainly due to the change in other assets and liabilities. TI more than doubled Free cash flow pre tax, mainly due to the improved Profit.

Additions to intangible assets and property, plant and equipment

	Fiscal year		
(in millions of €)	2024	2023	Change
by Segments			
Gas Services	241	162	49%
Grid Technologies	197	142	39%
Transformation of Industry	71	62	13%
Siemens Gamesa	818	724	13%
Reconciliation to Consolidated Financial Statements	188	138	36%
Additions to intangible assets and property, plant and equipment Siemens Energy	**1,514**	**1,228**	**23%**
by Regions			
EMEA	1,211	1,010	20%
Americas	183	126	45%
Asia, Australia	120	92	31%

Cash flows from investing activities

- Cash inflows in the **cash flows from investing activities** mainly resulted from disposals and the accelerated portfolio transformation (see **2.3.2 Events and developments responsible for the course of business**), which were reflected in the disposal of parts of its business and investments. At €2,079 million, by far the largest cash inflow was contributed by the sale of the stake in Siemens Limited, India. This and the sales of Maschinenfabrik Reinhausen GmbH, Windar Renovables, S.A. and Trench Group resulted in a total cash inflow of €2,886 million (for information about these transactions, see also **Note 3 Disposals and assets held for disposal** and **Note 4 Interests in other entities** in **3.6 Notes to Consolidated Financial Statements**). This was offset by the substantial increase in additions to intangible assets and property, plant and equipment.

Cash flows from financing activities

- Cash outflows in the **cash flows from financing activities** increased sharply. In the prior year, cash inflows and cash outflows in connection with the acquisition of the outstanding shares in Siemens Gamesa Renewable Energy S.A. mainly offset each other. The cash outflow for the acquisition (€2,933 million) was offset by cash inflows from a capital increase (€1,243 million), the placement of a green bond (€1,490 million) and the issuance of short-term debt instruments (€426 million). In the past fiscal year, the main items were the redemption of notes and bonds (€426 million), higher cash outflows from the change in debt of €1,262 million (2023: €940 million) and higher interest payments of €332 million (2023: €192 million).
- In both fiscal years, there was a cash outflow of €130 million for the buyback of shares. Further information about the share buyback can be found in **Note 15 Equity** in **3.6 Notes to Consolidated Financial Statements**.

2.6.3 Financing and liquidity analysis

Debt, credit facilities and capital structure

Debt

- The debt structure was largely unchanged compared with the prior year. As of September 30, 2024, most of the debt consisted of notes and bonds, primarily the green bond with an aggregate nominal amount of €1,500 million placed in April 2023 and loans from banks.
- Securities of €432 million issued under the Siemens Energy commercial paper program and outstanding at the end of the prior year were redeemed in the past fiscal year. For this reason, the full amount of the program (€3,000 million) was available as of September 30, 2024.
- In the prior year, Siemens Energy had a fully drawn syndicated bridge facility of €620 million to finance the acquisition of all outstanding shares in Siemens Gamesa Renewable Energy S.A. This was repaid in full in December 2023.
- Further information about the Company's debt can be found in **Note 12 Debt** in **3.6 Notes to Consolidated Financial Statements**.

Credit facilities

- In February 2024, Siemens Energy entered into a new syndicated revolving credit facility of €4,000 million for general corporate purposes. This facility has a term of five years with two one-year extension options that can be exercised after one and two years at the discretion of the lenders. The credit facility was unused at the end of the fiscal year.
- The two syndicated revolving credit facilities of €3,000 million (Siemens Energy) and €2,000 million (SG) that were unused at the end of the prior year were terminated in February 2024.

Capital structure ratio

Net debt/ (net cash) (in millions of €)	Sep 30, 2024	2023
Short-term debt and current maturities of long-term debt[1]	479	1,591
Plus: Long-term debt[1]	3,287	3,190
Total debt	**3,767**	**4,781**
Cash and cash equivalents	6,363	4,588
Total liquidity	**6,363**	**4,588**
Net debt/ (net cash)[2]	**(2,596)**	**193**
Plus: Provisions for pensions and similar obligations	600	519
Plus: Credit guarantees	45	47
Adjusted net debt/ (net cash)	**(1,951)**	**759**
EBITDA	**3,636**	**(1,742)**
Adjusted net debt to EBITDA[3]	**n/a**	**n/a**

[1] Includes the present values of the coupons of the mandatory convertible note amounting to €53 million as of September 30, 2024 (2023: €103 million).

[2] As of September 30, 2024, the net cash position is shown with a negative sign.

[3] The ratio cannot be interpreted in a meaningful way if the sign becomes negative. Therefore, no values are shown.

- Siemens Energy's objective is to maintain an investment grade rating. This aim was achieved in both the prior and the past fiscal year. On July 10, 2023, the rating was reduced to BBB- with stable outlook. At the end of November 2023, the outlook of the long-term issuer rating was changed from "stable" to "negative". The investment grade rating BBB- remained unchanged.
- The change from net debt in the prior year to net cash as of September 30, 2024, was mainly due to the increase in cash and cash equivalents because of cash inflows from operating and investing activities; cash outflows for financing activities were largely in connection with the redemption of short-term debt (see explanations of both above).

Financing of pension plans and similar commitments

- Siemens Energy provides post-employment defined benefit plans or defined contribution plans to almost all employees in Germany and to most employees outside Germany.
- The majority of pension obligations at Siemens Energy derive from three countries: Germany, the United States and the United Kingdom.
- As of September 30, 2024, the **defined benefit obligation (DBO)** amounted to €3,012 million (thereof: Germany €1,678 million, United States €721 million, United Kingdom €206 million and other countries €407 million).
- The **fair value of plan assets** was €2,473 million (thereof: Germany €1,500 million, United States €498 million, United Kingdom €208 million and other countries €267 million).
- This led to **underfunding** of €558 million (2023: €384 million). The year-on-year increase was mainly due to a decline in the weighted average discount rate.
- Further information can be found in **Note 13 Post-employment benefits/ Provisions for pensions and similar obligations** in **3.6 Notes to Consolidated Financial Statements**.

2.7 Report on expected developments

2.7.1 Overall macroeconomic development

Gross domestic product, inflation and interest rates

Global GDP growth of 3.2% is forecasted for the calendar year 2024, and growth at the same level of 3.2% is also expected for the calendar year 2025. One of the main reasons for the subdued outlook is the continued restrictive monetary policy of the central banks, which is intended to contain high inflation. A slowdown in monetary easing, particularly in the United States and other industrial nations, could increase volatility in the financial markets and call the GDP growth forecast into question given the ongoing uncertainties surrounding global economic development. The ongoing conflicts in Ukraine and the Middle East remain among the greatest risks to the global economy.

The GDP in the eurozone is expected to grow by 0.8% in the calendar year 2024. Lowered key interest rates, among other things, will contribute to a gradual recovery. GDP growth in the eurozone is expected to rise to 1.2% in the calendar year 2025. This development is likely to be driven by growth in Spain and France, while economic output growth in Germany should have a dampening effect. GDP growth in the United States is expected to fall from 2.8% in calendar year 2024 to 2.2% in calendar year 2025. In China, a moderate slowdown is expected with GDP growth of 4.8% in calendar year 2024 and 4.5% in calendar year 2025.

Despite a continued decline compared to the peak in 2022, inflation has remained at an above-average level in the 2024 calendar year to date. Consumer prices in the eurozone are expected to rise by 2.0% in the calendar year 2025, which represents a decline compared to the expected figure of 2.4% for 2024. For the United States, an inflation rate of 1.9% is expected for the calendar year 2025, following a forecast of 3.0% in calendar year 2024.

The future development of key interest rates is likely to depend largely on these inflation forecasts. The European Central Bank and the Federal Reserve in the United States are aiming to reduce inflation to 2% and keep it at this level. The European Central Bank has started to cut key interest rates from mid-2024. Interest rates were also lowered in the United States in calendar year 2024. Nevertheless, the still high cost of financing will continue to hold back investment and consumer spending.

The forecasts for GDP and inflation are based on data published by the International Monetary Fund in its World Economic Outlook in October 2024.

All estimates presented in this chapter regarding future developments and trends in the market are subject to uncertainties, particularly with regard to general geopolitical risks, especially the consequences of the war in Ukraine and developments in the Middle East, increased inflation, the continued comparatively high and volatile prices for fossil fuels, risks on the supply markets and energy security as well as the associated effects.

Energy market

The current trends in the energy sector are expected to continue. Economic and population growth is increasing primary energy demand worldwide. Decarbonization and technological development in particular are increasing the degree of electrification and thus the demand for electricity. The increasing use of low-carbon power generation technologies and digitalization are also increasing the need for structural modernization of the electrical infrastructure.

The demand for electricity from data centers, including those that support applications for artificial intelligence, is expected to increase further in the fiscal year 2025 and beyond. This growth is anticipated on a global scale, especially in markets with a strong focus on data centers, such as the United States.

Against this backdrop, and based on the expectations for macroeconomic development outlined above, we assume that demand for electricity will continue to rise in fiscal year 2025. As a result, we expect a stable market environment for GS. For GT, we expect the expansive market development to continue in fiscal year 2025 due to the modernization and expansion of the existing transmission infrastructure, in particular through capacity expansions and grid connections of new power generation projects in the area of renewable energies. SG's market environment is likely to remain positive in connection with the energy transition. We also expect the energy markets outside the electricity sector to develop positively, which should benefit TI. This applies in particular to the pipeline, downstream and other oil and gas-related markets. Other global developments, such as the increasing demand for energy for electromobility and for heating and cooling, as well as local initiatives such as Saudi Arabia Vision 2030, will open up additional sales potential for our business areas in fiscal year 2025 and beyond.

Supply market conditions

For fiscal year 2025, it can be assumed that the commodity markets will be influenced primarily by developments in China. On the one hand, due to the declining growth of the Chinese economy, but also because of the trade war between the US and China due to tensions over Taiwan, among other things. The development of the war in Ukraine and the conflicts in the Middle East are also likely to have a significant impact. Finally, increased decarbonization is likely to have an impact on the supply situation for certain materials.

Demand for critical minerals recorded strong growth in fiscal year 2024 and this trend is expected to continue in fiscal year 2025. Driven by the increased interest in critical minerals, new legal regulations are being introduced worldwide, which are likely to affect the price and availability of the respective materials. Although the market is currently well supplied, the recent fall in prices has put pressure on investments in new projects to increase capacity. In this respect, the price and availability risks for critical materials have increased. An upward trend is expected for aluminum

and copper prices due to rising global demand, which is also influenced by the US Federal Reserve's interest rate policy. We anticipate lower price volatility and a more stable market situation for steel. Overall, material shortages cannot be ruled out due to the current geopolitical context and possible additional trade barriers, e.g. for rare earths and semiconductors. Siemens Energy is carefully monitoring the situation in order to be able to react promptly to market and price developments and, above all, to ensure availability.

The information on the energy and supply markets is essentially based on data published by the International Energy Agency in its World Energy Outlook 2024.

Expected impact on the business development of Siemens Energy

We assume that the general economic development of the global economy in fiscal year 2025 will have less of an impact on our business performance than the situation on the energy market like the last two fiscal years. For fiscal year 2025, we assume generally favorable conditions in the relevant market environment for Siemens Energy. The expected strong growth in electricity consumption and the requirements of the energy transition will necessitate investments in energy infrastructure, which will benefit all of Siemens Energy's businesses. We assume that Siemens Energy will be able to benefit from this situation in a similar way to the previous year.

We also assume that the situation on the supply markets will generally continue to ease and that the risk of bottlenecks in materials will continue to decrease. However, we expect general cost increases, partly due to higher real wages. We assume, however, that we will be able to adequately take this into account. In particular, we assume that Siemens Energy will be able to pass on most of the effects of inflation in new contracts with customers or offset them through productivity improvements.

2.7.2 Strategic development, including solving operational issues

We expect to make further progress with the integration of SG in fiscal year 2025, underpinning the intended cost synergies of up to €300 million yearly within three years post full integration.

With respect to the quality issues at onshore, we expect further stabilization of the onshore platforms 4.X and 5.X, including the lifting of the temporary suspension of sales activities for the 5.X platform, in course of fiscal year 2025. In the offshore activities, we expect to see further progress in the expansion of its production facilities in response to the market growth in renewable energies. At the beginning of fiscal year 2025, all service activities will be merged with the other activities of the onshore and offshore business, which will enable us to focus even more strongly on customer benefit. Independently of this, we will continue to implement the SG “Masterplan” that was implemented in the past fiscal year, primarily to restore SG's overall competitiveness (see **2.3.2 Events and developments responsible for the course of business**).

With regard to disposals and the restructuring of the portfolio, we assume that, following the sale of a significant portion of our stake in Siemens Limited, India, we will be able to complete the legal restructuring of the businesses in India. In fiscal year 2025, a spin-off of the energy business of Siemens Limited, India, is intended. We expect a non-cash profit from this, which, among other things, depends on the performance of the shares of Siemens Limited, India, traded on the stock exchange and which will be reported as a special item under Strategic portfolio decisions. In addition, we expect to complete the sale of Ethos Energy Group Limited, United Kingdom, in the next fiscal year.

Our forecast is based on the assumption that our plans and measures for the strategic further development of Siemens Energy will be implemented successfully.

2.7.3 Expected business development of Siemens Energy

Expected revenue and profit development of the segments

The **GS** segment expects order intake to normalize in a stable market environment after an exceptionally strong past fiscal year with unusually high orders, particularly projects in the Middle East. Orders in fiscal year 2025 are expected to be below the level of the past fiscal year. The book-to-bill ratio is likely to decline but remain above 1. It is assumed that revenue development will follow the strong order intake of previous years. GS expects comparable revenue growth of 7% to 9% for fiscal year 2025, with around €10 billion of the order backlog at the end of the past fiscal year expected to result in revenue. GS plans to achieve an improved Profit margin before Special items of between 10% and 12%, primarily due to higher margins in the new units business and productivity improvements.

GT expects to continue leveraging the current market dynamics in fiscal year 2025, partly due to the accelerated transformation of the energy market, and to remain on its growth path. The order volume should at least reach the high level of the past fiscal year. GT anticipates comparable revenue growth of between 23% and 25%. It is assumed that around €10 billion of the order backlog at the end of the past fiscal year will result in revenue, therefore accounting for the vast majority of the anticipated revenue. GT expects that the higher margin of the order backlog to be processed and cost degression effects will positively impact Profit development, and it anticipates a Profit margin before Special items of between 10% and 12%.

Despite the unusual large orders at CP in the past fiscal year, which led to an exceptionally strong order intake for **TI** overall, TI expects to reach the high level of fiscal year 2024 again in view of the expected market environment. It is assumed that primarily the growth of CP, due to the above-mentioned large orders, will again lead to a double-digit increase in revenue. TI expects comparable revenue growth in a range of 11% to 13%. Overall, around €4 billion from the order backlog at the end of the past fiscal year is expected to turn into revenue in fiscal year 2025. Productivity

improvements and degression effects should result in higher cost efficiency and hence an improvement in Profit. TI expects to achieve a Profit margin before Special items of 8% to 10% in fiscal year 2025.

The business performance of the **SG** segment in fiscal year 2025 is likely to be determined by the existing internal challenges. Despite the resumption of sales activities for the 4.X turbine in the past fiscal year, order intake in the onshore area is expected to be significantly impacted by the aftereffects or continuation of the temporary interruption of sales activities for the 4.X and 5.X turbines. However, due to developments in the offshore area of activities, order intake is expected to grow. Revenue is likely to be affected by the sharply decreased order intake in the past fiscal year, and the expected growth in the offshore activities will not be able to compensate for the decline in onshore activities. Therefore, SG expects comparable revenue growth of negative 9% to negative 5% for fiscal year 2025. Around €9 billion from the order backlog at the end of the past fiscal year is expected to convert to revenue. The development of Profit is likely to continue to be significantly influenced by the follow-on effects of quality issues in the onshore area and cost increases related to the ramp-up in the offshore area, although these costs are expected to decrease significantly compared to the past fiscal year. SG expects a negative Profit before Special items of around €1.3 billion for fiscal year 2025.

Outside the segments, we expect a significantly increased negative Profit for the **Reconciliation to Consolidated Financial Statements** compared to the level of fiscal year 2024. This is likely to reflect higher costs for central corporate functions, largely related to the increased business volume, as well as the absence of profit contributions from divested centrally held investments.

Expected revenue and profit development of Siemens Energy

Based on the expected development of business volume in our segments, we anticipate comparable revenue growth of between 8% and 10% for **Siemens Energy** in the fiscal year 2025. As of September 30, 2024, our order backlog amounted to €123 billion. We expect that the processing of our order backlog will support the recognition of total revenue of around €33 billion.

Against the backdrop of the expected profitability development for our segments, we anticipate a Profit margin before Special items for Siemens Energy between 3% and 5% in the fiscal year 2025.

We assume that the expected profitability will result in Siemens Energy achieving a Net income to be around break-even in the fiscal year 2025. This excludes assumed positive Special items subsequent to the demerger of the energy business from Siemens Limited, India.

Expected financing and planned capital expenditures

In the fiscal year 2025, we expect a Free cash flow pre tax up to €1 billion for **Siemens Energy**. This expectation reflects our assumptions regarding the development, particularly in order intake and Profit of the segments GS, GT and TI. We assume that customer payments and an improved Profit will support the development of Free cash flow pre tax, which is expected to be constrained by the cash outflow at SG – although sharply decreased compared to the previous fiscal year and mainly related to the development of Profit and the cash impact of provisions recorded for quality issues – and by sharply increasing investments in intangible assets and property, plant, and equipment.

In addition, we do not expect any significant cash inflows from disposals or the restructuring of the portfolio, nor from financing activities, outside of Free cash flow pre tax in the fiscal year 2025. Overall, this is likely to result in a decline in net liquidity of Siemens Energy compared to the level at the end of the past fiscal year. Nevertheless, we assume that we will also have a solid financial profile in the fiscal year 2025, which will provide sufficient financial flexibility for all business requirements of the next fiscal year. In doing so, we continue to aim for a capital structure that is in line with an investment grade rating.

Overall assessment of expected developments

We assume that in fiscal year 2025, no impulses will come from the general economic development and that our business activities will be determined primarily by our direct market environment, as in the past fiscal year. We continue to assume overall favorable conditions for all our businesses. Regarding SG, our approach is clearly defined, and we expect to successfully continue on our path to reach break-even in fiscal year 2026. The following forecast for Siemens Energy is derived from this:

	Initial position Fiscal year 2024	Expected development 2025
Comparable revenue growth Siemens Energy Group	12.8%	8% to 10%
Profit margin before Special items Siemens Energy Group	1.0%	3% to 5%
Net income (loss) Siemens Energy Group	€1,335 million	Net income around break-even excluding assumed positive Special items subsequent to the demerger of the energy business from Siemens Limited, India
Free cash flow pre tax Siemens Energy Group	€1,859 million	up to €1 billion

The outlook for Siemens Energy does not include any charges in connection with legal and regulatory matters. The forecast is based on the assumptions for our Business Areas set out below.

Overall assumptions per Business Area

- **GS** expects comparable revenue growth of 7% to 9% and a Profit margin before Special items of 10% to 12%.
- **GT** plans to achieve comparable revenue growth of 23% to 25% and a Profit margin before Special items of 10% to 12%.
- **TI** assumes comparable revenue growth of 11% to 13% and a Profit margin before Special items of 8% to 10%.
- **SG** expects comparable revenue growth of negative 9% to negative 5% and a negative Profit before Special items of around €1.3 billion.

Actual developments may differ from our forecasts due to the risks and opportunities described in **2.8 Report on the internal control and risk management system and material risks and opportunities** or in the event that our assumptions do not materialize.

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

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

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

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

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

- Risk and Control Framework (RCF): The Risk and Control Framework is a central point of reference for all control objectives which are set by the process owners to safeguard against risks identified centrally at Group level and which are generally binding worldwide. It provides a clear and consistent list of control objectives, enabling management and employees to exercise appropriate control in their respective areas of responsibility. Based on the globally accepted COSO standard (Committee of Sponsoring Organizations of the Treadway Commission) "Enterprise Risk Management - Integrating with Strategy and Performance" (2017), the control objectives are organized into the four categories of strategic, operations, financial and compliance to enable the organization to break down its control environment into manageable aspects and work towards achieving its control objectives.

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

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

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

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

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

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

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

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

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

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

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

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

We are working on the ongoing advancement of the internal control and risk management system in order to eliminate identified weaknesses and ensure the continuous improvement of processes and systems. Based on the results of our internal control and risk management system, no matters have come to our attention that cause us to believe that our company-wide internal control and risk management system is not appropriate or that our internal control and risk management system was not operating effectively as of September 30, 2024.

2.8.2 Key features of the accounting-related internal control and risk management system

The overarching objective of our accounting-related internal control and risk management system is to ensure that financial reporting is conducted in a proper manner, such that the Consolidated Financial Statements and the Combined Management Report of Siemens Energy Group as well as the Annual Financial Statements of Siemens Energy AG as the parent company are prepared in accordance with all relevant accounting regulations.

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

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

Our Consolidated Financial Statements are prepared on the basis of a centrally issued conceptual framework which primarily consists of uniform financial reporting guidelines in line with the International Financial Reporting Standards (IFRS) and a chart of accounts. For Siemens Energy AG and other companies within the Siemens Energy Group that are required to prepare financial statements in accordance with German Commercial Code, (Handelsgesetzbuch), this conceptual framework is complemented by mandatory regulations specific to the German Commercial Code. The need for adjustments to the conceptual framework due to regulatory changes is analyzed on an ongoing basis. Accounting departments are informed quarterly about current topics and deadlines from an accounting and closing process perspective.

The base data used in preparing our financial statements consists of the closing data reported by the operations of Siemens Energy AG and its subsidiaries. The preparation of the closing data of most of our entities is supported by external shared services organizations. Furthermore, other accounting activities, such as governance and monitoring activities, are usually bundled on a regional level. In certain cases, such as valuations relating to post-employment benefits, we use external experts. The reported closing data is used to prepare the financial statements in the consolidation system. The steps necessary to prepare the financial statements are subject to both manual and automated controls.

Qualification of employees involved in the accounting process is ensured through appropriate selection processes and training. As a fundamental principle, based on materiality considerations, the "four eyes" principle applies, and financial statement information must undergo certain authorization processes. Additional control mechanisms include target-performance comparisons and analyses of the composition of and changes in individual line items, both in the closing data submitted by reporting units and in the Consolidated Financial Statements. In line with our information security requirements, accounting-related IT systems contain defined access rules protecting them from unauthorized access. The manual and system-based control mechanisms referred to above generally also apply when reconciling the IFRS closing data to the Annual Financial Statements of Siemens Energy AG according to German Commercial Code.

On a quarterly basis, we execute an internal certification process. Management at different levels of our organization, supported by confirmation from the management of entities under their responsibility, confirms the accuracy of the financial data that has been reported to Siemens Energy's corporate headquarters and compliance with the relevant regulatory framework.

Our internal audit function is set up to review, among other things, financial reporting integrity, the effectiveness of the control and risk management systems, and adherence to our compliance policies. Regular reports are submitted to the Executive Board and Audit Committee on the results of the audits and the agreed remedial action in the event of findings.

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

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

2.8.3 Risk management

Basic principles of risk management

Our risk management policy stems from a philosophy of increasing the enterprise value while managing risks and opportunities adequately. As risk management is an integral part of how we plan and execute our business strategies, our Group-wide risk management policy is set by the Executive Board. Our organizational and accountability structure requires the respective management of our organizational units to implement risk management programs that are tailored to their specific industries and responsibilities, while being consistent with the overall policy.

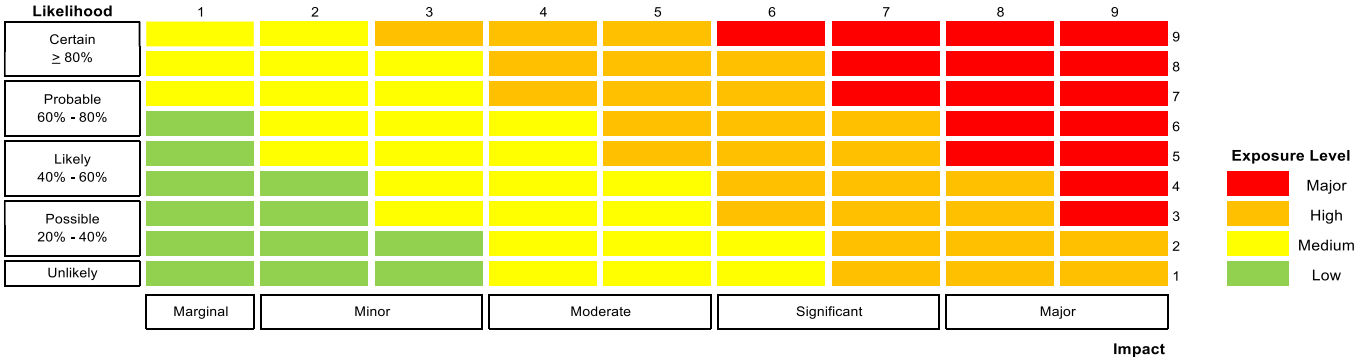
Enterprise risk management process

The risk management system at Siemens Energy builds on a comprehensive, interactive, and management-oriented enterprise risk management (ERM) approach that is integrated into the organization and addresses both risks and opportunities. Our ERM approach is based on the COSO Standard "Enterprise Risk Management – Integrating with Strategy and Performance" (2017) and has been adapted to Siemens Energy requirements. The frameworks connect the ERM process with our financial reporting process and our internal control system. They consider a company's strategy, the efficiency and effectiveness of its business operations, the reliability of its financial reporting, compliance with relevant laws and regulations as well as the transition to a decarbonized economy and the physical impacts of climate change to be equally important.

Our ERM process aims for early identification, evaluation, and response to risks and opportunities that could materially affect the achievement of our strategic, operational, financial, compliance, and climate-related objectives. The time horizon is three years, and up to 30 years for climate-related risks and opportunities. We take a net risk approach, addressing the risks and opportunities remaining after the execution of existing control measures.

If risks have already been considered in plans, budgets, forecasts or the Consolidated Financial Statements (e.g., as a provision or risk contingency), they are incorporated with their financial impact in the individual entity's business objectives. As a consequence, only additional risks arising from the same subject (e.g., deviations from business objectives, different impact perspectives) are considered. In order to provide a comprehensive view of our business activities, risks and opportunities are identified in a structured way, combining elements of both top-down and bottom-up approaches in order to ensure that potential new risks and opportunities are discussed at the management level and included in the subsequent reporting process, if found to be relevant.

All risks and opportunities are systematically evaluated using predefined scale values for their impact and likelihood of occurrence. Both determinations then result in a calculated overall exposure score for each risk or opportunity. We distinguish between the four exposure levels "Low", "Medium", "High" and "Major":



The impact can be evaluated qualitatively or quantitatively. In the case of a qualitative assessment, various perspectives such as business objectives, reputation and regulatory matters are taken into account. In the case of a valuation using quantitative equivalents, the individual impact classes correspond to the profit ranges of €0 to €10 million (Marginal), €10 million to €40 million (Minor), €40 million to €80 million (Moderate), €80 million to €125 million (Significant) and over €125 million (Major).

In principle, there is no threshold below which a risk is not recorded. The decision to report a risk therefore lies with the management. In this context, the spread of the impact scale is an expression of our risk appetite, as is the method of calculating the overall exposure score, in which an overweighting of the impact compared to the likelihood of occurrence is applied so that extreme events i.e., risks with a high impact but a very low likelihood, are also taken into account adequately.

Our ERM process is designed to ensure that the Executive Board and the Supervisory Board are fully informed about significant risks in a timely manner. In order to allow for a meaningful discussion at Group level, this organization aggregates individual risks and opportunities of similar cause-and-effect nature into broader risk and opportunity topics. This aggregation naturally results in a mixture of risks/ opportunities, including those with a primarily qualitative assessment and those with a primarily quantitative risk/ opportunity assessment. Accordingly, we do not adopt a purely quantitative assessment of risk/ opportunity topics. Thematic risk and opportunity assessments then form the basis for the evaluation of the company-wide risk and opportunity situation.

Reporting generally follows quarterly cycles but we complement this periodic reporting with an ad-hoc reporting process, which aims to escalate critical issues in a timely manner. Responsibilities are assigned for all relevant opportunities and risks, with the hierarchical level of responsibility depending on the significance of the respective risk or opportunity. Our general response strategies with respect to risks are avoidance, transfer, reduction, or acceptance of the relevant risk. Our general response strategy with respect to opportunities is to fully "seize" the relevant opportunity.

We regularly review our risk-bearing capacity, which is defined as the maximum risk position that the company can bear without endangering its continued existence. Our overall risk position is compared with internal and external risk-bearing capacity indicators, such as our liquidity reserves, in order to identify at an early stage any developments that could jeopardize our ability to continue as a going concern.

Risk management organization and responsibilities

To oversee the ERM process and further drive the integration and harmonization of existing control activities to align with legal and operational requirements, the Executive Board established a risk management and internal control organization, headed by the Head of Risk Management and Internal Control. The latter reports quarterly to the Executive Board on matters relating to the implementation, operation, and oversight of the risk and internal control system and assists the Executive Board in reporting to the Audit Committee of the Supervisory Board. Our ERM aims to identify relevant business risks throughout the organization as potential deviations from corporate objectives. The management of each of our defined organizational reporting units is responsible for providing all relevant risks for the respective unit. Sustainability-related risks and opportunities are analyzed as part of our specific ERM process as well as other operational processes, e.g., in the area of environment, health, and safety (EHS), resulting in, for example, property risk engineering analyses for detailed site-specific EHS risks (e.g., fires, floods, storms). Key risks currently being assessed in ERM include disruptive decarbonization trends that will impact our portfolio over several years or even decades, including the risk of not meeting all the requirements of ESG (environment, social, governance) standards related to, among other things, climate change.

2.8.4 Risks

Below we describe the risks that could have a material adverse effect on our business situation, financial position (including effects on assets, liabilities, and cash flows), results of operations, and reputation. In order to increase the clarity and transparency of the risk report, the individual risks are grouped into categories of similar risks. In addition, the order in which the risks are presented in each of the five categories reflects the currently estimated relative exposure based on impact and likelihood for Siemens Energy associated with these risks and thus provides an indication of the risk's current importance to us. We limit ourselves to the presentation of those risks that carry the highest exposure levels, "Major" or "High". After each risk title, the exposure level is shown in brackets, making it possible to classify the risks across the main categories. Additional risks not known to us or that we currently consider immaterial may also negatively impact our business objectives and operations. Unless otherwise stated, the risks described below relate to all our reportable segments.

Strategic risks

Political instability and conflicts (High) - As we are a globally operating Group, the imposition of barriers to free trade would negatively impact production costs and productivity along our value chains, as well as influencing the investment activity levels of our customers and partners. Our business prospects and the execution of awarded projects may be negatively affected by political instability or international conflicts. For example, we may be forced to reorganize, reduce, or terminate business operations in geographical areas where our employees, partners or subcontractors would otherwise be subject to unacceptable economic or personal risks, e.g., due to ongoing or threatened civil unrest, terror attacks, or wars. Some of our current and planned projects and service activities are in regions that are exposed to a higher risk in this respect e.g., in the Middle East and in Ukraine. Furthermore, our business prospects or the processing of our order backlog could be adversely affected by changes in the political and economic environment, for example as a result of trade wars, punitive tariffs, sanctions, protectionist measures or boycotts. Main risks in this area are the Middle East conflicts, which could significantly delay or jeopardize the execution of planned projects and contracts, and in the South China Sea the tensions between the People's Republic of China and the Republic of China (Taiwan) as well as the ongoing trade conflict between the USA and the People's Republic of China, both of which carry a high risk potential for the introduction of trade-restricting barriers and disruptions to relevant supply chains. The global setup of Siemens Energy with operations in almost all relevant economies, our wide range of offerings with varied exposures to business cycles, and our balanced mix of business models (e.g., equipment, components, systems, software, services and solutions) help us to absorb impacts from adverse developments in any single market. We continuously monitor all relevant geopolitical developments to identify and assess potential risks to the Siemens Energy business in good time. With the Ukraine war and the resulting significant impact on our business, not only in this region, we are intensifying our monitoring capabilities and linking their results even more closely to our daily business activities.

Technology/ portfolio gap compared with competitors (High) - The markets in which we operate are experiencing rapid and significant changes due to the introduction of innovative and disruptive technologies to meet the accelerating demand for sustainable (green) energy. We may not be successful in developing a portfolio of technologically advanced products, services, and solutions within the planned timeframe or at prices that allow our new developments to be competitive when compared with similar products, services and solutions available in the market. Continuously creating new intellectual property and actively managing our intellectual property portfolio are key measures which enable us to secure our technological position. The product competitiveness of our SG segment could suffer if its portfolio optimization plans and new product launches or developments encounter delays or are no longer feasible, if ramp-up activities face challenges, or if its products fail to meet market expectations from a performance perspective. This could lead to reduced activities in certain markets. In our rotating equipment business, there is a risk that we may be unable to keep pace with the rapid changes in the market across the entire gas turbine portfolio given the high development costs and uncertainties around the technologies required in the future. Furthermore, in our GS, GT and TI business areas, related new technologies and portfolio elements are urgently required for the global decarbonization path whereas economic viability for our clients is highly dependent on market conditions, which are handled differently by countries in the various regions of the world. There is also a risk that certain markets do not mature to a relevant size, and we may not be able to recoup our investments.

Impairment of goodwill and other assets (High) - A significant share of our total assets as presented in our consolidated statements of financial position reflects the carrying amounts of goodwill and other intangible assets. Certain factors, including deterioration in earnings or failure to achieve mid-term margin targets, changes in valuation parameters, adverse market conditions and adverse changes in applicable laws or regulations, may cause impairment losses on goodwill and other intangible assets if they have a lasting negative impact on our business. The amount of any quantified impairment must be expensed immediately as a charge to our results of operations. We may not realize the full value of our goodwill or other intangible assets in the future. Any determination of impairment of goodwill or other intangible assets could have a material adverse effect on our business, financial position, and results of operations. This risk is partly influenced by external factors we have no influence on e.g., interest rates, or macroeconomic development. Internally, our business areas strive to adhere to their respective business plans in order to mitigate the risk. Further, a regular annual impairment testing is taking place as well as monitoring on a quarterly basis, and it is regularly verified if there is sufficient buffer for the goodwill.

Increasing requirements from ESG (environment, social, governance) standards (High) - We meet ESG standards and expectations regarding environmental (e.g., climate change and circular economy), social (e.g., diversity and human rights), and governance topics (e.g., corporate supply chain due diligence). In light of a rapidly changing environment we are constantly identifying, assessing and reviewing all relevant requirements to meet the growing stakeholder and public expectations on ESG standards, which could potentially impact our reputation. The risk of not fulfilling ESG requirements (e.g., upcoming sustainability regulations, public and investor requirements) or not achieving good ESG ratings might negatively impact our operational performance (e.g., exclusion from tenders, less investor involvement, financial and/ or reputational damage). This could be further impacted by the risk that insufficient resources are assigned to the ESG requirements to address increasing demand from political regulations (e.g., EU Taxonomy, CSRD (Corporate Sustainability Reporting Directive), Supply Chain Due Diligence Act) and/ or from financial markets and public supporting programs (e.g., export financing). With the potential for ESG standards to impact our ability to realize projects (potentially

impacting our business, reputation, financial position, and results of operations), we create transparency on ESG performance for stakeholders by disclosing our sustainability report and participating in relevant ESG ratings. Furthermore, we have defined a process for identifying critical projects early to ensure mitigation actions are identified and implemented in a timely manner. In addition, we also face other ESG related risks such as a risk of insufficient funding or procurement of financing instruments and services (including securities, hedging instruments, or insurance) for specific projects or our whole business operations, due to high ESG requirements. These are predominantly driven by financial institutions' internal and include industry-wide or policy-driven prerequisites for all dimensions of ESG, for example, the lending criteria of the European Investment Bank ("EIB") or the European Union's taxonomy (Regulation (EU) 2020/852) which established a framework to facilitate sustainable investment (also known as "EU Taxonomy").

Market and price development (High) - The worldwide markets for our products, solutions and services are highly competitive. Factors such as pricing, product and service quality, product development and introduction time, customer relationships, financing terms and the ability to adapt quickly to shifts in market demands and trends play an important role in this market environment. Changing energy prices and availability may lead to shifts in investments and alter the demand for our products and solutions. These developments are influenced by climate-related market transitions, macro-economic changes, and unforeseen geopolitical developments like the Russian war in Ukraine or the Middle East conflicts. Inflation may require that we increase prices to cover our own costs and maintain profit levels or it may increase the risk of lower profitability if we are unable to increase our prices. We face strong established competitors and new competitors from emerging markets (e.g., Asia), where many of them have developed their offerings locally and are now expanding globally. Industry fields in which we operate may undergo consolidation, which may result in stronger competition or a change in our relative market position. In the future, our SG segment may face additional competition from other manufacturers that might decide to enter global wind turbine markets. This may result in price decreases and/ or a loss of market share for our SG segment. In our service business, we face competition from major established players and non-OEM suppliers targeting our turbine service business, which is a major source of profitable revenue. Some of these developments may prompt us to revise our strategy and product portfolio and there can be no assurance that such realignment will yield the intended results. If the Group is unable to compete effectively against its competitors or achieve satisfactory prices in negotiations with customers, this could have a material adverse effect on our business, financial position, and results of operations. We address these risks with various measures, for example, benchmarking, strategic initiatives, executing productivity measures and target cost projects, inclusion of price adjustment clauses in our sales contracts, rightsizing of our footprint, outsourcings, mergers, and joint ventures, exporting from low-cost countries to price-sensitive markets, and optimizing our product and service portfolio, with a focus on decarbonization. We continuously monitor and analyze competitive, market and industry information, in order to be able to anticipate unfavorable changes in the competitive environment rather than merely react to such changes.

Operational risks

Technical and quality issues (Major) - Certain products that we sold in the past had, and may in the future have, quality issues resulting from the design or manufacture of these products or the commissioning of these products or the software integrated into them. Such risks are particularly present in our engineering, production, and project sites, which are located all over the world and have a high degree of technological complexity. A failure or malfunction of one of our products may extend to other products or may affect whole production facilities or plants or entire product lines, which may already be installed or planned to be installed at customer sites. Potential consequences of quality issues could result in the shutdown of power plants, shutdown of wind farms, delays in project commissioning, property damage, customer claims, and detrimental effects on our reputation. There is a risk that our quality assurance measures will be not effective enough to detect and adequately respond to every quality assurance issue in a timely manner or at all, especially in relation to new technologies, which are typically in an early phase of implementation and, because operational data is rare, whose lifetime cannot be reliably predicted. Any of the described cost-increasing effects, claims, liabilities, or reputational damages would have a material adverse effect on our business, financial position, and results of operations. Particularly in our SG segment the risks of technical problems and quality incidents affecting the entire fleet or parts of a fleet cannot be completely excluded in the future either. The introduction of new platforms in Onshore and Offshore together with the factory capacity ramp-up could lead to increased Nonconformity Costs and execution delays. In addition, existing accruals may not fit to changing failure rates due to the long contract time of service contracts. Furthermore, addressing identified technical and quality-related problems could take longer than expected and cause higher costs than originally assumed due to greater complexity. To mitigate the aforementioned issues, action items are being implemented and monitored through e.g., cross-functional task force, weekly workstreams and Steering Committee. Regarding new bids, critical serial defect clauses are under review by Legal Department and our contractual position with suppliers will be strengthened. SG is further focusing on an ambitious cost-out program.

Business interruption due to cyberattack (Major) - Information technologies (IT) are deeply integrated into our business portfolio, and we depend on their uninterrupted and efficient functioning. Furthermore, we rely on third-party IT service providers, suppliers and vendors. The global increase in cybersecurity threats and higher levels of professionalism in cybercrime pose a risk to the security of products, systems, and networks. Our IT environment could be compromised, e.g., by advanced persistent attacks on our own or our IT service providers' networks, which may also include externally hosted cloud services. There can be no assurance that our own or our IT service providers' measures aimed at safeguarding the uninterrupted and efficient functioning of IT will address all of these threats under all circumstances. Any such attack or disruption may adversely affect our business operations. Risks from cyberattacks on our products and services can have particularly serious consequences because they are often part of critical infrastructure, the limited functionality or total failure of which can have far-reaching consequences. For example, we sell products and systems with digital capabilities and offer digital solutions such as instrumentation and controls for power plants. If such products, systems, and solutions are compromised or disrupted, we may be held liable by our customers for damages and may also suffer damage to our reputation. Cyberattacks and other disruptions could also result in deliberate improper access and use of our sites or systems, as well as production downtimes and supply shortages, with potential adverse effects on our reputation, our competitiveness, and results of operations. We attempt to increase overall cybersecurity resilience by employing proven cybersecurity professionals and by utilizing several measures, including awareness measures for our staff on a global scale, target-oriented employee training, comprehensive monitoring of our networks and systems through cybersecurity defense teams, and by using security systems such as firewalls and virus scanners. Furthermore, serious financial losses caused by a

cybersecurity breach or cyberattack are considered by our cyber insurance policy that covers not only our company's first party loss, but also partly cyber liability (third party claims).

Siemens Gamesa cost out savings (Major) - Our SG segment is consistently implementing the "Master Plan" productivity program it has introduced. The program includes numerous activities running in parallel, taking different approaches and targeting short-, medium-, and long-term improvements. These include restructuring through the introduction of a project- and process-oriented operating model which is oriented at the project lifecycle, increasing sales prices in conjunction with more selective bidding, adjusting contract clauses, and stabilizing the supply chain and production rate. In the event that the expected cost savings from synergy and productivity measures are not fully realized in a timely manner, this lack of productivity improvements or failure to achieve cost reductions could result in a material impact on SG's profitability. Ongoing remedial actions include regular analysis of projected cost savings (including evaluation of reasons for deviations), as well as continuous development of existing productivity measures and the creation of new ones (including consideration of the degree of implementation).

Risks related to project execution (High) - We regularly engage in large and complex projects up to full turnkey delivery that may be worth, or even exceed a value of, several hundred million euros and whose execution may take several years. These contracts are exposed to risks, which are identified and evaluated for every projects. Nevertheless, we may see deviations from our execution plan and its related calculated cost. This is particularly the case in projects with untested or new technology or when we bid for projects in countries where we lack or have only limited experience based on previous projects. In certain cases, there are risks of unforeseeable project-related changes in critical personnel and its availability in the labor market, quality, financial difficulties faced by customers and/ or partners, cost overruns or contractual penalties due to delays or unexpected technical problems, unforeseen developments at the project sites, effects of legal, market or political framework conditions, performance problems with suppliers, contractors and consortium partners, or logistical difficulties. Furthermore, pandemic, geopolitical and climatic developments may constitute additional risks, in particular if, e.g. due to approval processes, the execution schedules are significantly extended. This may result in considerable increases in project expenses, adversely impacting project performance, and causing a substantial unfavorable effect on our business, financial position, and results of operations. In some cases, this also could lead to a legal dispute. To address those risks, we have established a global project excellence organization in our business areas GS, GT and TI as well as in our global function PE (project entity for handling large and complex projects) to monitor a transparent risk assessment and approval process for bid submission, a standard model for project execution, a curriculum to systematically improve the capabilities of our project management personnel as well as a continuous improvement program focused on lessons learned, in order to prevent failure repetition. The SG business is characterized by long-term contracts, carried out in and outside Europe. Possible risks from cost changes are cushioned by contractually fixed indexing, contractual risk allocation and/ or calculated risk evaluations. Numerous already confirmed long-term contracts, however, in particular in the offshore segment, contain fixed prices. We try to cover existing and potential further cost increases by renegotiating these contracts. Productivity measures are aimed at further risk reduction. They include product cost improvement (mainly by reducing purchase prices for supplier parts/ materials), factory and footprint optimization, effectiveness in operations and project execution, and quality enhancements as well as overall fixed cost reductions. Beyond this, technical product risks cannot be excluded, but they shall be successively reduced through adjustments to contractual terms and conditions (also through successful renegotiations). This includes risk-adequate caps on liquidated damages as well as a liability limitation for SG regarding these technical risks. Furthermore, the offered product variants are reduced, and SG is focusing on selected onshore markets for bidding.

Data leakage due to cyberattack (High) - The confidentiality and integrity of our data, as well as that of our customers and business partners, are essential to our business operations. Modern cyberattack methods often not only lead to business interruptions, but confidential or private data, including that of third parties, is simultaneously exposed, stolen, manipulated, or otherwise compromised through data leaks. These risks are further exacerbated by the fact that potential attackers are increasingly sophisticated and are often supported by organized crime or even nation states engaged in industrial espionage or sabotage. If information relating to our intellectual property rights is leaked or stolen, this could adversely affect our competitive position. The leakage of information on current project terms or pricing structures may represent a direct short- to medium-term impact on revenue. Our digital products and services process and store data from our customers and business partners. This includes particularly sensitive data that is essential, for example, for the security of energy networks. If this were to be compromised, this could have a particularly negative impact on our reputation as a service provider for critical infrastructures. In addition, if confidential or private data or data of third parties were compromised, we might have to pay contractual or regulatory penalties or face other sanctions in connection with non-disclosure agreements or data protection laws and regulations. Mitigation of these risks include targeted protection measures for our IT systems, networks, and products and services based on the criticality of their data and business processes. This is complemented by programs for classifying data, monitoring data flows, and ultimately targeted prevention of data outflows, which we carry out in close cooperation with our IT and specialized service providers. Since the human factor often plays a decisive role in these attack scenarios, we support our employees with targeted training measures and recurring campaigns to increase awareness of the correct handling of data. If financial losses incur because of data privacy and confidentiality breaches, these are covered by our cyber insurance policy.

Supply chain risks (High) - The financial performance of our operating units depends on reliable and effective management of our supply and logistics chain for components, parts, materials and services. Capacity constraints and supply bottlenecks resulting from ineffective management of the supply and logistics chain could lead to production bottlenecks, delivery delays, additional inventory requirements, and additional costs. Third-party manufacturing, assembly, and functional testing of our products may reduce our immediate ability to influence quality assurance, delivery schedules, and costs. Unexpected increases in component or raw material prices due to market bottlenecks or other reasons could also adversely affect our results of operations. Since the onset of the COVID-19 pandemic in early 2020, we have faced ongoing supply chain challenges and disruptions. Complexity has increased due to a combination of supplier capacity constraints, material and energy shortages, extended delivery times, and not least the geopolitical and economic conflicts (such as Russia/ Ukraine, USA/ China, China/ Taiwan, and in the Middle East). Added to this are the increasing number of unforeseeable events (such as natural disasters), cyber incidents at our suppliers, a continuing high risk of supplier insolvencies as well as increased regulatory requirements (such as restricting the use of environmentally harmful gases and chemicals), which can lead to risks in the availability of materials. In order to identify risks at an early stage, initiate measures to minimize risks, and ensure material availability in our production facilities, customer projects and service business, we have introduced systematic supply chain risk and resilience

management. Since the start of the COVID-19 pandemic, a crisis management system and various task forces have also been established at top management level to manage the particularly challenging situation. With the support of the experts in our market intelligence team and various forecasting tools, we try to identify developments in the markets and supply chains at an early stage and take action as early as possible. In addition to the challenges in material availability, we have been confronted for some time with material and raw material prices and logistics costs at a higher level. Costs due to inadequate delivery quality and the long development and qualification times for alternative suppliers due to the high complexity of our products represent a further risk. We have introduced several measures to improve quality and prevent losses. For example, the increased use of quality management tools improves transparency, enables us to strengthen root cause analysis, and serves as a preventive measure. We also continuously monitor our suppliers and supply chains to identify trends at an early stage and initiate countermeasures.

Unavailability of key personnel (High) - We currently experience a favorable order intake in our business areas GS, GT and TI, which leads to increased recruiting demands. In SG there is the risk that the announced reorganization and restructuring may lead to higher fluctuation rate in key positions and markets. At the same time, the competition for diverse and highly qualified personnel remains intense for many talent segments and regions in which our businesses operate. The lead time for hiring and onboarding might delay project execution activities and could potentially impact business operations and customer satisfaction. We try to provide sufficient recruiting capacity, also via third-party providers, supported by recruiting campaigns as well as targeted candidate approaches. Based on strategic workforce planning of the businesses, targeted measures can be initiated, such as building up in growth areas, deriving and implementing retraining and qualification measures.

Adverse environment, health, and safety (EHS) events (High) - The majority of the industries in which we operate are highly regulated and as a business we adhere to stringent environmental and occupational health and safety laws and regulations, not only in our production facilities but also on project and service sites and at customer locations. Current and future EHS laws and regulations, or amendments, may require us to change the way we run our operations and could result in significant increases in our operating or production costs. Furthermore, due to the high risk potential of some of our work profiles we see the risk of potential incidents as well as potential non-compliance with EHS regulations affecting Siemens Energy and our contractors, resulting for example in serious injuries, penalties, loss of reputation, internal or external investigations and project delays. EHS programs establish a global framework that sets high-level standards and expectations, including principles, behaviors, and essentials for environment, health and safety. We could also face liability for damage or remediation for environmental contamination at the facilities we own, lease, design, or operate. This risk is further exacerbated by the fact that much of the real estate used by Siemens Energy was acquired when such real estate had already been in industrial use. Siemens Energy therefore cannot guarantee that such real estate was always operated in line with EHS regulations, but may, nevertheless, be held responsible for the consequences of a failure to do so. We may incur environmental losses beyond the insurance limits, or outside the coverage of such insurance, and such losses may have a material adverse effect on our business, financial position, and results of operations.

Data management (High) - Efficient, standardized, and automated processes and solutions for effective data management are required to address risks of data security breaches, non-compliance with new data protection laws and regulations, inconsistent decision making, lost productivity, and erosion of customer trust. To address these risks, the Data & AI organization has been set up to drive and maintain SE's data strategy. Its mandate is to establish the standards, guidelines and best practices for data management, to ensure data is easily accessible, accurate, secure, well-managed and of high quality. For this purpose, key data roles across Siemens Energy are defined and operationalized to formally manage key company data, and enhancements in central data capabilities are being developed to further enhance our products, solutions, services, and internal processes.

Financial risks

Credit Rating downgrade to sub investment grade (High) - There is a risk of adverse financial performance that is not commensurate with key financial ratios and performance indicators needed to maintain the rating BBB- by our credit rating agency S&P Global. A one notch downgrade to our investment grade rating to BB+ (non-investment grade) could result in severely limited financial flexibility, increased financial costs and significant restrictions e.g., covenants, collateral. Capital market capacity would reduce with substantially higher costs of funding and a narrower investor base. Access to capital markets could even be completely shut in times of market volatility. Banks could end their relationship with Siemens Energy. Many banks might stop issuing guarantees and parent company guarantees would have a lower acceptance level. In order to mitigate the risk of a downgrade, Siemens Energy has strengthened its balance sheet through strategic portfolio divestments (e.g., Trench and Siemens Limited, India). In addition, we are in regular dialogue with S&P Global to provide them with updates on developments and measures.

Compliance risks

Potential compliance violations (High) - As a diversified company with global businesses we are exposed to various product- and country-related regulations, laws, and policies influencing our business activities and processes. We monitor the political and regulatory landscape in all our key markets to anticipate potential problem areas, with the aim of quickly adjusting our business activities and processes to changed conditions. However, any changes in regulations, laws, and policies could adversely affect our business activities and processes as well as our financial position and results of operations, for example, through the impact of imposed financial and economic sanctions. Proceedings against us, our former parent company Siemens AG as far as they relate to business carved out to Siemens Energy, or our business partners regarding allegations of corruption, antitrust violations, and other violations of law may lead to fines as well as penalties, sanctions, injunctions against future conduct, liabilities due to settlements with authorities, disgorgements, disqualifications from directly and indirectly engaging in certain types of business, the loss of business licenses or permits, other restrictions and legal consequences. Siemens Energy conducts a large share of its business with governments and government-owned enterprises. We also participate in a number of projects funded by government agencies and intergovernmental and supranational organizations, such as multilateral development banks. Ongoing or potential future investigations into allegations of corruption, antitrust violations, or other violations of law could also impair relationships with such parties or could result in our exclusion from public contracts. Such investigations may also adversely affect existing private business relationships and our ability to pursue potentially important strategic projects and transactions, such as strategic alliances, joint ventures or other business alliances. In addition, third parties, including our competitors, could initiate significant litigation. Furthermore, we might be exposed to compliance risks in relation to recently acquired operations that are in the

process of integration. Along with other measures, we have established a global compliance organization to mitigate these risks, which conducts, among other things, compliance risk mitigation processes such as comprehensive compliance trainings, compliance risk assessments, and internal audit activities.

Impact of legal proceedings (High) - Siemens Energy is, and potentially will be in the future, involved in several administrative, legal, and arbitration proceedings in various jurisdictions. Such proceedings may, among other things, relate to claims from or against project partners and customers regarding delays and disruptions, non-performance, labor disputes, antitrust issues, product liability, warranty claims, and IP rights. The significance and outcome of these proceedings can vary greatly and many of these cases could have considerable negative consequences for us. These proceedings could result in Siemens Energy being subject to, e.g., payment of contractual penalties or damages (including punitive damages), equitable remedies or sanctions, fines, or disgorgement of profit. In individual cases, legal disputes may also lead to formal or informal exclusion from tenders or the revocation or refusal to renew or grant business licenses or permits. Some of these legal disputes and proceedings could result in adverse decisions for Siemens Energy, or decisions, assessments, or requirements of regulatory authorities could deviate from our expectations, which may have material effects on our business activities as well as our financial position, results of operations, and cash flows. High-profile proceedings may also divert management attention, result in significant litigation and arbitration costs, negative publicity, and harm our reputation. In some cases, our reputation may suffer regardless of the merits of the claim and the outcome of the proceedings. We maintain liability insurance for certain liability risks at levels our management believes are appropriate and consistent with industry practice. However, Siemens Energy may incur losses relating to legal proceedings beyond the limits, or outside the coverage, of its insurance, or exceeding any provisions made for losses related to legal proceedings.

For additional information related to specific litigations, please see **Note 18 Legal proceedings** in **3.6 Notes to the Consolidated Financial Statements**.

Climate-related risks

Climate change and decarbonization trend (High) - The impacts of climate change might have significant effects on our company throughout the entire value chain, such as markets, technologies, policy and legal, reputation, as well as climate-related physical impacts (e.g., from increasing extreme weather events) on our sites, portfolio or supply chains. These changes will be gradual over several years or decades. In particular, the trend towards decarbonization of the energy market has a significant impact on the strategy, organizational setup and portfolio of Siemens Energy. There is a risk that requirements will be driven in a much shorter timeframe than expected by regulatory measures or public pressure (e.g., CO_2 taxes, financing restrictions for greenhouse gas emitting technologies, media campaigns). To mitigate related technology/ portfolio risks and ensure timely actions, we are continuously screening market developments and reviewing our portfolio. The products, solutions and services offered by our business areas GS and TI serve, to a significant extent, conventional power generation using fossil fuels. Fossil power generation is currently under pressure due to the prevailing trend toward more sustainable power generation using renewable energy sources or carbon-neutral fuels. In addition, the trend towards decentralization may adversely impact markets for centralized power generation, including gas power plants and related power grids, e.g., high-voltage substations. If we are too slow or if we fail to adapt our business model and our product portfolio to specific regional demand in time or at all, this may have a material adverse effect on our business, financial position, and results of operations. There is also a risk that the demand for fossil power plants and related infrastructure including highly efficient gas turbines will be lower than we expect due to a faster than expected transition toward renewables. Such trends towards renewables can vary by country or region and are impacted by several factors largely beyond our control, in particular by government intervention, public and private initiatives, the efficiency and cost of renewable energy technologies, the selectiveness of and restrictions for investors and lenders and changing consumer preferences in energy consumption. These trends could result in a shift in our portfolio away from oil & gas products or solutions, or other industrial applications. Consequently, our service business might also suffer from fewer opportunities to conclude new service contracts, or if customers decide to decommission conventional power plants, other assets or to cancel or postpone modernizations our service backlog may be adversely affected. Within renewables, we offer wind power applications through our SG segment, but we have only limited products and services related to solar power generation or other renewable technologies in our portfolio. If other renewable fields develop more dynamically than expected, e.g., through increasingly declining subsidy levels in the wind power industry, there can be no guarantee that SG will succeed in addressing the resulting challenges. We are offering our customers various pathways to transform their existing fleet of fossil fuel-based power generation technology into a less carbon-intensive one. Depending on governmental policy support and regulatory implementation, such markets may pick up earlier or later than expected. If we are too slow or if we fail to adapt our business model and our product portfolio to specific regional demand in time or at all, this may have a material adverse effect on our business, financial position, and results of operations. We are constantly screening for climate-related developments, e.g., decarbonization programs of our customers, investor requirements, regulatory frameworks, and identifying critical projects through a sustainability check to determine risk exposure.

Assessment of the overall risk situation

The most significant challenges are described first in each of the five risk categories – strategic, operations, financial, compliance, and climate. We have adjusted our assessments of individual risks in fiscal year 2024 compared to the previous year due to the development of external conditions, adjustments in our business portfolio and the effect of our own countermeasures. The overall risk position for Siemens Energy has improved compared to the previous year. The risk arising from technical and quality issues is the most significant challenge for us, followed by the risk of a business interruption due to cyberattack.

At present, no risks have been identified that either individually or in combination could endanger our ability to continue as a going concern.

2.8.5 Opportunities

Within our ERM, we also regularly identify, evaluate, and respond to opportunities that present themselves in our various fields of activity. Below we describe our most significant opportunities. Unless otherwise stated, the opportunities described relate to all organizational units. The order in which the opportunities are presented reflects the currently estimated relative exposure for Siemens Energy associated with these opportunities and thus provides an indication of the opportunities' current importance to us. We limit ourselves to the presentation of those risks that carry the highest exposure levels, "Major" or "High". The opportunities described are not necessarily the only ones we encounter. In addition, our assessment of opportunities is subject to change because the Company, our markets, and technologies are constantly advancing. It is also possible that opportunities we see today will never materialize.

Achieve all synergies from the full integration of Siemens Gamesa (Major) - The complete integration of Siemens Gamesa Renewable Energy offers the opportunity to fully exploit the underlying synergy potential. This potential lies primarily in a stronger strategic alignment within the fully integrated company, aiming to enhance the overall control of our global activities. To this end, we are simplifying the organization of the Siemens Energy Group and unifying reporting, control, and governance processes for all companies within the Group, including SG and its subsidiaries. This is already resulting in lower management and reporting costs as we reduce the costs and complexity associated with leading a publicly listed company. Furthermore, we are leveraging opportunities arising from the size of the Group and gradually reducing unnecessary duplication of work. Our main focus is to improve collaboration between the respective units in terms of customer engagement, strengthen cross-selling activities, and provide SG with direct and efficient access to the strengths of Siemens Energy in the GS, GT, and TI business areas, particularly the global customer portfolio, and in the growing business of new technologies from Siemens Energy. Additionally, we could improve efficiency in supplier relationships and enhance the unified management of larger purchasing volumes, enabling further cost savings and simultaneously improving the Group's ability to address supply chain issues. Together with other integration measures, these activities are expected to generate synergies of approximately €300 million per year on a runtime basis within three years after full integration. Initial initiatives with synergy effects are already implemented, and various other projects are in the process of implementation. The main areas of these activities are supply chains and logistics through the integration of procurement activities and service and logistics networks, the centralization of certain administrative functions, and the harmonization of IT systems. We are also reducing overall expenses through joint and integrated R&D efforts and an optimized administrative structure. Furthermore, we are focusing on excellent project execution through improved project selection and tendering, leveraging Siemens Energy's proven expertise in managing large and complex projects, and introducing a more project-focused organizational structure. In addition to cost synergies, the company expects further growth-related revenue synergies in the mid-three-digit million range by the end of the decade through a unified go-to-market approach and a fully integrated energy technology offering focusing on value-adding capabilities. Based on the revenue and cost synergies expected from the implementation of the targeted integration initiatives and under unified management, we aim for an overall improved financial profile of the Siemens Energy Group.

Climate-related opportunities from portfolio (High) - We see the opportunity to significantly accelerate growth at Siemens Energy by developing a green product portfolio that meets the market trend towards net-zero emissions. We strengthen our decarbonization portfolio and grow markets short-, mid-, and long-term, while continuously adapting our business models and our product, service and solution portfolio to changing customer and market behaviors. New products/ projects comprise e.g., H_2 production, SF_6-free high-voltage equipment, decarbonized heat supply, H_2-fired gas turbines, or energy storage for our clients in existing power plants, as standalone solutions for grids and in combination with renewable energy sources like PV (photovoltaic) or wind. We accompany our customers on their energy transformation journey and continuously monitor and adapt our portfolio to meet customer needs. We closely observe the market and regulatory developments, with a focus on applications with earlier expected market maturity. Furthermore, we invest in targeted R&D activities that support our innovation strategy and the corresponding five fields of action to transform the future: Decarbonized heat and industrial processes, Carbon and product circularity, Resilient grids and reliability, Condition-based service interventions, and 24/7 carbon-free energy. In addition, selected technology fields have been defined and are being driven forward across the company to improve the sustainability dimension of our product, solution, and service portfolio and to strengthen our core business. We explore market opportunities to create the foundation for new business, e.g., focus on building up our H_2-related business with electrolyzer systems and solutions to produce green hydrogen on the basis of renewable energy and water. Our SG segment's wind power portfolio is another essential element on this path to clean energy and to transform the future.

Opportunity from market development (High) - We see an opportunity from accelerating growth in markets driven by decarbonization and net-zero emissions goals, supported by public investment programs (e.g., Inflation Reduction Act in the US, Net Zero Industry Act in the EU). In particular, proposed reforms to German and EU electricity markets may increase demand for our offerings. All of our Business Areas may benefit from accelerated decarbonization, whether through greater demand for wind turbines, grid transmission equipment, hydrogen-capable gas turbines, industrial decarbonization solutions, increased investments in energy efficiency, electrolyzers, other Siemens Energy technologies, or new portfolio elements. The increasing need for energy security and autonomy presents further opportunity for Siemens Energy to expand order entry and profitability. This could drive increased investment in energy infrastructure in countries that are seeking to reduce their dependence on imported energy sources. Incremental demand from data centers for GenAI (Generative Artificial Intelligence) provides additional opportunity. Our ability to capture these market opportunities may be limited by our ability to expand production and supply chain capacities, or by the other risk factors facing our business generally.

Public CAPEX funding (High) - There is an opportunity to increase the public and governmental funding support for our CAPEX investments in various countries, enabling us to increase our total CAPEX amount or to reduce our own CAPEX share accordingly, creating an improved business case for our factories. As a result, we could serve more customer demand than expected or serve demand at a better cost base than expected. These public funding initiatives are related to the global efforts for decarbonization and promote clean technology manufacturing enabling the green transition. Examples of highly relevant public funding instruments are: in EU the Temporary Crisis Transition Framework (TCTF) in which the grants, or tax incentives could be allocated to projects until the end of 2025; in US the Inflation Reduction Act (IRA).

Assessment of overall opportunities

We have adjusted our assessments of individual opportunities in fiscal year 2024 compared to the previous year due to the development of external conditions, adjustments in our business portfolio and our strategic focus setting. The overall opportunity position for Siemens Energy has improved compared to the previous year. The most significant opportunity for Siemens Energy is the achievement of all synergies from the full integration of SG as described above.

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

2.9.1 Overview

The Annual Financial Statements of Siemens Energy AG have been prepared in accordance with the rules set out in the German Commercial Code (Handelsgesetzbuch) and the German Stock Corporation Act (AktG).

Siemens Energy AG is the parent company of the Siemens Energy Group and acts as a strategic management holding company. Its results are significantly influenced by its directly or indirectly owned subsidiaries. The business development of Siemens Energy AG is through its shareholdings fundamentally subject to the same risks and opportunities as the Siemens Energy Group. The outlook of the Group directly affects our expectations for Siemens Energy AG. Therefore, the foregoing explanations for the Siemens Energy Group also apply for Siemens Energy AG.

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

As of September 30, 2024, Siemens Energy AG employed 38 employees, including members of the Executive Board.

Siemens Energy AG allows employees and members of the Managing Board to participate in share-based payment programs. For the purpose of servicing share-based payment programs, Siemens Energy AG also delivers Siemens Energy shares, which have been granted by affiliated companies. The treasury shares purchased under the share buybacks may be exclusively used for the purpose of issuing shares to employees and members of the Company's Executive Board as well as to employees and board members of affiliated companies in the context of share-based compensation or employee share programs. In fiscal year 2024, Siemens Energy AG re-issued in total 8,206,048 treasury shares under the exclusion of subscription rights in connection with share-based payments and employee share programs in the Group, equaling a nominal amount of €8,206 thousand and 1.0% of the capital stock.

On December 22, 2023, Siemens Energy announced a share buyback with a volume of up to €130,000 thousand, ending September 30, 2024, at the latest. In fiscal year 2024, Siemens Energy AG repurchased a total of 10,146,361 shares, thus completing the share buyback program on February 14, 2024. This represents a nominal amount of €10,146 thousand or 1.27% of the capital stock as of September 30, 2024. For this purpose, €130,000 thousand were spent excluding incidental transaction charges. This represents an average stock price of €12.81 per share.

2.9.2 Results of operations

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

	Fiscal year		
(in thousands of €)	2024	2023	Change
Revenue	**61,131**	**53,868**	**13%**
Cost of sales	(52,176)	(47,267)	10%
Gross profit	**8,955**	**6,600**	**36%**
as percentage of revenue	*14.6%*	*12.3%*	
General administrative expenses	(20,788)	(38,998)	(47)%
Other operating income (expenses), net	2,480	14,409	(83)%
Income (loss) from operations	**(9,353)**	**(17,989)**	**(48)%**
Financial income, net	123,519	79,362	56%
thereof Income (loss) from investments, net	*112,408*	*68,343*	*64%*
Income (loss) from business activity	**114,148**	**61,373**	**86%**
Income taxes	(25,522)	(13,827)	85%
Other taxes	(58)	(29)	104%
Net income (loss)	**88,568**	**47,517**	**86%**
Profit (loss) carried forward	64,941	17,479	>200%
Allocation to capital reserve	(10,146)	(6,573)	54%
Release of capital reserve	8,206	6,518	26%
Unappropriated net income (loss)	**151,568**	**64,941**	**133%**

- Revenue in the amount of €54,522 thousand (2023: €48,065 thousand) resulted from providing management services to affiliated companies, as well as from fees received from Group companies for guarantees given to customers in connection with the provision of services in the amount of €6,609 thousand (2023: €5,803 thousand). The significant increase was mainly due to the development of cost of sales, as management services are billed using the cost-plus method in accordance with the contractual terms. In addition, the volume of fees received from Group companies for guarantees given to customers in connection with the provision of services increased significantly. The fees received are only offset by a low amount of cost of sales.
- Cost of sales essentially included personnel expenses resulting from the provision of management services to affiliated companies. The clear increase resulted primarily from higher personnel expenses to be offset, due to a sharp increase in expenses for share-based payments in connection with the positive development of the share price.
- General administrative expenses mainly comprised expenses for purchased services, expenses for the Supervisory Board and expenses in connection with D&O insurance and decreased sharply due to the absence of the high expenses for purchased consultancy services in the prior year, which were in connection with the acquisition of the outstanding shares in Siemens Gamesa Renewable Energy S.A.
- Other operating income (expenses), net decreased sharply and included other operating income in the amount of €2,576 thousand (2023: €29,717 thousand) and other operating expenses in the amount of €97 thousand (2023: €15,308 thousand). Other operating income mainly included expenses charged on to Group companies in connection with D&O insurance and decreased sharply due to the absence of high expenses charged on in the prior year in connection with the acquisition of the outstanding Siemens Gamesa Renewable Energy S.A. shares. Other operating expenses included in the prior year transaction costs in connection with the capital increase carried out on March 15, 2023, in the amount of €15,185 thousand.
- The sharp increase in financial income, net was mainly due to the income from investments. In fiscal year 2024, it included a withdrawal from Siemens Energy Global GmbH & Co. KG in the amount of €112,408 thousand (2023: €68,343 thousand). Thereof, an amount of €75,000 thousand (2023: €50,000 thousand) was used to carry out the buyback of treasury shares. A further amount of €37,408 thousand (2023: €18,343 thousand) was used for the withdrawal in accordance with the provisions in the articles of association to ensure the recognition of income taxes in the balance sheet of Siemens Energy AG.
- Income taxes included domestic and foreign income taxes and increased sharply. The increase was mainly due to higher claims against tax authorities for withholding tax on capital income in the amount of €11,920 thousand (2023: €3,898 thousand). The withdrawal from Siemens Energy Global GmbH & Co. KG, which was reflected in the income (loss) from investments, accounted for expenses amounting to €37,408 thousand (2023: €18,343 thousand). The surplus of deferred tax assets was not recognized due to the exercise of the option under Section 274 para. 1 s. 2 German Commercial Code.
- In the course of the share buyback and the issue of treasury shares to employees, €10,146 thousand (2023: €6,573 thousand) was transferred from the net income to the capital reserve and €8,206 thousand (2023: €6,518 thousand) was reversed from the capital reserve in analogous application of Section 237 para. 5 of the German Stock Corporation Act (AktG).

2.9.3 Net assets and financial position

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

(in thousands of €)	2024	Sep 30, 2023	Change
Assets			
Non-current assets	**13,023,862**	**13,023,863**	**(0)%**
Property, plant and equipment	7	8	(19)%
Financial assets	13,023,855	13,023,855	—
Current assets	**2,559,425**	**2,454,501**	**4%**
Receivables and other assets	2,558,489	2,453,576	4%
Trade Receivables	26	—	n/a
Receivables from affiliated companies	2,486,738	2,444,793	2%
Other assets	71,724	8,783	>200%
Cash and cash equivalents	937	925	1%
Prepaid expenses	**60**	**12**	**>200%**
Active difference resulting from offsetting	**52**	**48**	**9%**
Total assets	**15,583,399**	**15,478,424**	**1%**
Shareholders' equity and liabilities			
Shareholders' equity	**14,520,799**	**14,449,693**	**0%**
Provisions	**52,405**	**22,784**	**130%**
Provisions for pensions and similar commitments	17,537	13,914	26%
Other provisions	34,868	8,869	>200%
Liabilities	**1,010,196**	**1,005,948**	**0%**
Trade payables	1,867	4,402	(58)%
Liabilities to affiliated companies	994,507	962,994	3%
Other liabilities	13,823	38,552	(64)%
Total shareholders' equity and liabilities	**15,583,399**	**15,478,424**	**1%**

- Financial assets consisted of 100% of the shares in Siemens Energy Global GmbH & Co. KG and Siemens Energy Management GmbH.
- Receivables from affiliated companies increased slightly due to the balance-sheet date and continue to include two significant receivables from Siemens Energy Global GmbH & Co. KG. Due to the mandatory convertible note issued in fiscal year 2022 by Siemens Energy Finance B.V., Zoeterwoude, Netherlands, two intercompany loans were concluded, by means of which the funds received were passed on to Siemens Energy Global GmbH & Co. KG. Siemens Energy AG reports a receivable from affiliated companies in the amount of €960,000 thousand (2023: €960,000 thousand) until the mandatory convertible note matures in September 2025. Also, Siemens Energy Global GmbH & Co. KG was granted an interest-free loan of €1,245,964 thousand to pass on the issue proceeds from the capital increase on March 15, 2023, for the purpose of acquiring the outstanding shares of Siemens Gamesa Renewable Energy S.A. In addition, receivables from affiliated companies included receivables from cash pooling with Siemens Energy Global GmbH & Co. KG, which were primarily related to share-based payments granted by affiliated companies.
- Other assets increased sharply due to higher receivables from tax authorities of €67,597 thousand (2023: €5,670 thousand) and included €4,000 thousand (2023: €3,000 thousand) applied research subsidies, which were recognized at the level of Siemens Energy AG as the tax group parent.
- Shareholders' equity increased by €112,538 thousand due to the issuance of treasury shares under various share-based payment and employee share programs and by €88,568 thousand due to the net income for the year. This was offset by the share buyback with a total volume of €130,000 thousand.
- Provisions for pensions and similar commitments increased substantially, mainly due to the vesting of new entitlements, the interest on entitlements and changes in financial assumptions.
- Other provisions increased sharply due to higher provisions for share-based payments of €28,001 thousand (2023: €5,328 thousand), which have risen sharply, mostly due to the positive development of the share price, and higher personnel-related provisions of €6,853 thousand (2023: €3,527 thousand).
- Trade payables decreased sharply compared to the prior year. The high amount of consulting services in connection with the acquisition of the outstanding shares of Siemens Gamesa Renewable Energy S.A, which had not yet been settled in the prior year, was not offset by any corresponding payables in fiscal year 2024.
- Liabilities to affiliated companies increased moderately and continued to include an amount of €960,000 thousand (2023: €960,000 thousand) from the mandatory convertible note issued by Siemens Energy Finance B.V., Zoeterwoude, Netherlands, which was forwarded group-internally as a loan to Siemens Energy AG and is reported under liabilities to affiliated companies until the maturity of the mandatory convertible note in September 2025.
- Other liabilities decreased sharply due to lower liabilities to personnel of €9,439 thousand (2023: €17,564 thousand) and lower sales tax liabilities to the tax authorities of €249 thousand (2023: €16,772 thousand) as of the balance-sheet date. The decrease of the sales tax liabilities at Siemens Energy AG as the sales tax group parent is due to the inherent fluctuations in the long-term project business of its tax group companies. In addition, other liabilities included outstanding Supervisory Board compensation of €4,020 thousand (2023: €4,105 thousand).
- With cash and cash equivalents of €937 thousand (2023: €925 thousand) and short-term receivables from cash pooling from Siemens Energy Global GmbH & Co. KG of €280,774 thousand (2023: €238,829 thousand), liquidity totaling €281,711 thousand (2023: €239,754 thousand) is available.

Opportunities and risks

Siemens Energy AG's business development is largely subject to the same opportunities and risks like the Siemens Energy Group. In this context, the opportunity and risk potential of Siemens Energy AG with respect to its subsidiaries and equity investments is generally proportional to the respective directly or indirectly held capital shares in each individual case, see **2.7 Report on expected developments**. As the parent company of the Siemens Energy Group, Siemens Energy AG is included in the Group-wide risk management system, see **2.8.3 Risk management**.

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

Outlook

Siemens Energy AG is the sole limited partner of Siemens Energy Global GmbH & Co. KG and holds all shares in the Siemens Energy Management GmbH as its sole general partner. In this structure withdrawals from Siemens Energy Global GmbH & Co. KG, which Siemens Energy AG receives, will lead to income from investments for Siemens Energy AG, provided the fair value of Siemens Energy Global GmbH & Co. KG exceeds the carrying amount of the investment. In addition, changes in the valuation of these participations may affect the asset position and results of operations of Siemens Energy AG. In the future, Siemens Energy AG will continue to incur expenses for the remuneration of its Executive Board and Supervisory Board members as well as other personnel, for tax payments, for financing drawn upon, and for its own holding organization. Furthermore, Siemens Energy AG will recognize income for providing services to other Group companies.

For fiscal year 2024, a net income of €47,517 thousand was expected, a similar figure to that for the fiscal year 2023. Primarily due to the development of the financial income, net because of the withdrawal for the share buyback, the expectation was exceeded and a net income of €88,568 thousand was achieved. For fiscal year 2025, we expect a net income at a similar level to the fiscal year 2024. Our mid to long-term target is a payout ratio of 40% to 60% of Siemens Energy Group's net income attributable to shareholders.

Due to its interrelationships with the companies in the Siemens Energy Group, the general expectations for Siemens Energy AG are reflected in the forecast for the Group. Siemens Energy AG's net assets, financial position, and results of operations are dependent on the results of the Group companies. For more details refer to **2.7 Report on expected developments**.

2.9.4 Corporate Governance Statement

The Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code is an integral part of the Combined Management Report **4.5 Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code** and is also published on our website **www.siemens-energy.com/corporate-governance.**

2.11 Takeover-relevant information

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

2.11.1 Composition of common stock

As of September 30, 2024 the Company's common stock amounted to a total of €799,309,712. The capital stock is divided into 799,309,712 ordinary registered shares with no par value. The shares are fully paid in. All shares confer the same rights and obligations. The shareholders' rights and obligations are governed in detail by the provisions of the German Stock Corporation Act, in particular by Sections 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act.

2.11.2 Restrictions on voting rights or transfer of shares

At a Shareholders' Meeting, each share of stock has one vote and accounts for the shareholders' proportionate share in the Company's net income. An exception to this rule applies with regard to treasury shares held by the Company, which do not entitle the Company to any rights. Under Section 136 of the German Stock Corporation Act the voting right of the affected shares is excluded.

Under the Deconsolidation Agreement of May 22, 2020, Siemens AG and Siemens Beteiligungen Inland GmbH undertake vis-à-vis the Company to a level of self-restraint regarding the use of their voting rights in the Company in order to ensure that they will not be able to carry a vote on their own in respect of certain essential matters. The maximum number of voting rights exercisable by Siemens AG and Siemens Beteiligungen Inland GmbH shall be determined by deducting from the other shareholders' voting presence (i) votes corresponding to 10% of the other shareholders' voting presence and (ii) votes attached to present shares that are deemed shares attributable to Siemens AG (primarily shares held by Siemens Pension-Trust e.V.). Such matters include (i) the appointment and removal of the Supervisory Board members, (ii) management measures pursuant to Sections 83, 111 para. 4, s. 3 to 5, 111b para. 4, 119 para. 2 or 179a of the German Stock Corporation Act, (iii) discharge of the Executive and Supervisory Board members (Entlastung) and a vote of no confidence (Vertrauensentzug) in respect of Executive Board members, (iv) board compensation matters including possible reduction of the compensation pursuant to Section 87 para. 4 of the German Stock Corporation Act and (v) the approval of the annual financial statements if the Shareholders' Meeting resolves on such approval by way of exception. In the election, re-election, and vote on the dismissal of a Supervisory Board Member to be designated by the Supervisory Board of Siemens Energy AG, Siemens AG and Siemens Beteiligungen Inland GmbH have undertaken to vote with a further reduced voting weight.

Under the Siemens Energy Share Ownership Guidelines, the Executive Board Members shall be obligated to continually hold Siemens Energy AG shares of an amount equal to a multiple of their base salary – 300% for the CEO and 200% for the other Members of the Executive Board – during their term of office. An initial build-up phase allows Executive Board Members to acquire the necessary shares over a period of several years.

Under the Direct Match Program, members of executive bodies (Organmitglieder) and employees of Siemens Energy in Germany may invest part of their income in Siemens Energy AG shares, whereby they will receive in respect of an investment of €100.00 for every acquired Siemens Energy AG share, additionally two further shares (matching shares) and, in the case of a further investment of €160.00 for every acquired Siemens Energy share, additionally one further matching share; the acquired and the additional matching shares are not subject to any holding or vesting period. In respect of any investment beyond that and in respect of members of the executive bodies and employees who are employed on the relevant effective dates by any Group company with its registered office abroad and participating in the programs, they will receive one additional matching share for every three Siemens Energy AG shares acquired; in this regard, both the acquired and the additional matching shares are subject to a holding period of one year.

The von Siemens-Vermögensverwaltung GmbH (vSV) has, on a sustained basis, powers of attorney allowing it to exercise the voting rights for 4,712,403 shares (as of September 30, 2024) on behalf of members of the Siemens family. These shares are part of the total number of shares held by the family's members. The powers of attorney are based on an agreement between the vSV and, among others, members of the Siemens family. The shares are voted together by vSV, taking into account the suggestions of a family partnership established by the family's members or of one of this partnership's governing bodies.

2.11.3 Shareholdings in the Company that represent more than 10% of the voting rights

As of the reporting date, Siemens Beteiligungen Inland GmbH, Munich, a wholly owned subsidiary of Siemens AG, Berlin and Munich, held more than 10% of the voting rights in Siemens Energy AG. The voting rights of Siemens AG did not reach or exceed the 10% threshold as of the reporting date. However, pursuant to Section 34 German Securities Trading Act, the voting rights held by Siemens Beteiligungen Inland GmbH are attributable to Siemens AG, so that Siemens AG directly and indirectly held more than 10% of the voting rights in Siemens Energy AG in total as of the reporting date. Siemens Energy AG has not been notified of any other direct or indirect interests in the share capital of Siemens Energy AG that exceed 10% of the voting rights, nor is it aware of any other such interests.

2.11.4 Legislation and provisions of the Articles of Association applicable to the appointment and removal of members of the Executive Board and governing amendment to the Articles of Association

The appointment and removal of members of the Executive Board is subject to the provisions of Sections 84 and 85 of the German Stock Corporation Act and Section 31 of the German Codetermination Act. Pursuant to Section 5 para. 1 of the Articles of Association, the Executive Board is comprised of several members, the number of which is determined by the Supervisory Board.

Pursuant to Section 179 of the German Stock Corporation Act, any amendment to the articles of association requires a resolution of the Shareholders' Meeting. The authority to adopt purely formal amendments to the Articles of Association was transferred to the Supervisory Board under Section 9 para. 4 of the Articles of Association. In addition, by resolution of the Shareholders' Meeting, the Supervisory Board has been authorized to amend Section 4 of the Articles of Association in accordance with the utilization of the Authorized and Conditional capital, and after expiration of the authorization period applicable at the time.

Resolutions of the Shareholders' Meeting require a simple majority vote, unless a greater majority is required by law or by the Articles of Association. Pursuant to Section 179 para. 2 of the German Stock Corporation Act, amendments to the Articles of Association require a majority of at least three quarters of the capital stock represented at the time of the casting of the votes, unless another capital majority is prescribed by the articles of association. The Articles of Association of Siemens Energy AG do not prescribe another majority.

2.11.5 Powers of the Executive Board to issue and repurchase shares

The Shareholder's Meeting of the Company, by resolution of February 26, 2024, authorized the Executive Board to increase, with the approval of the Supervisory Board, the capital stock until February 25, 2029 by €399,654,856 through the issuance of 399,654,856 ordinary registered shares with no par value against cash contributions and (or) contributions in kind (Authorized Capital 2024). Simultaneously, the Authorized Capital 2023 was cancelled. The Shareholders' Meeting further authorized the Executive Board, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in the event of capital increases against cash contributions in certain cases, amongst others if the issue price of the new shares is not significantly lower than the stock exchange price of the Company's listed shares. Under the authorization, the computational share of the capital stock relating to shares that are issued with exclusion of subscription rights under the Authorized Capital 2024 is limited in total to 10% of the capital stock at the time the authorization becomes effective or – if it is lower – at the time the authorization is utilized. Further details of the authorization and its limitations are specified in Section 4 para. 5 of the Articles of Association. As of September 30, 2024, this authorization had not been utilized.

Simultaneously cancelling the existing authorization of February 7, 2023, the Shareholders' Meeting of the Company, by resolution of February 26, 2024, authorized the Executive Board to issue until expiry of February 25, 2029 convertible bonds/ warrant bonds in the total nominal amount of up to €4 billion and, in this context, to grant/ impose conversion and (or) option rights and conversion obligations in respect of ordinary registered shares with no par value in Siemens Energy AG representing a pro rata amount in its capital stock totaling to €79,930,971. The convertible bonds/ warrant bonds may be issued against contribution in cash and (or) in kind. Generally, the convertible bonds/ warrant bonds must be offered for subscription to the shareholders. However, the Shareholders' Meeting authorized the Executive Board, with the approval of the Supervisory Board, to exclude the subscription rights of the shareholders (i) provided that the convertible bonds/ warrant bonds are issued against cash payment and the issue price of a convertible bond/ warrant bond is not significantly lower than its theoretical market price computed in accordance with generally accepted actuarial methods, (ii) to the extent necessary for fractional amounts resulting from the subscription ratio, (iii) in order to grant holders/ creditors of conversion or option rights to shares of the company or of conversion obligations under convertible bonds/ warrant bonds issued or guaranteed by Siemens Energy AG or any of its Group companies subscription rights as compensation against effects of dilution in the amount in which they would be entitled to such rights upon exercising such conversion or option rights or fulfilling any conversion obligations, and (iv) if the Bonds are issued against contributions in kind, particularly in connection with business combinations or the direct or indirect acquisition of companies, businesses, parts of companies, equity interests or other assets or rights to acquire assets, including receivables against the Company or its Group companies. Further details of the authorization and its limitations are specified in the Shareholders' resolution. Together with the aforementioned authorization and simultaneously cancelling the Conditional Capital 2024, on February 26, 2024 the Shareholders' Meeting resolved to conditionally increase the capital stock by up to €79,930,971 (Conditional Capital 2023) for the purpose of meeting option or conversion rights, or fulfilling conversion obligations under these bonds. The details are set out in Section 4 para. 6 of the Articles of Association. Until September 30, 2024, no use has been made of such authorization.

Already on September 6, 2022, Siemens Energy AG, still based on the Shareholders' Meeting's authorization of September 18, 2020, placed a subordinated mandatory convertible note with an aggregate principal amount of €960 million. The notes issued by Siemens Energy Finance B.V., The Netherlands (Issuer) thereunder and guaranteed by Siemens Energy AG, with a denomination of €100,000 are convertible into newly issued or existing no-par value name shares of Siemens Energy AG. The shareholders' subscription right in relation to the notes has been excluded. At maturity on 14 September 2025, all outstanding notes will be mandatorily converted into shares. The terms and conditions of the notes also provide for customary conversion rights of the noteholders and the Issuer prior to maturity. The minimum conversion price has been set to initially €13.22, the maximum conversion price to initially €15.5335. The conditional capital resolved by the Shareholders' Meeting of September 18, 2020 (Conditional Capital 2020) as specified in Section 4 para. 6 of the Articles of Association remains valid for the purpose of servicing the subordinated mandatory convertible note. In the course of granting the corresponding new authorization, the Executive Board's authorization to issue convertible

bonds / warrant bonds of September 18. 2020, to the extent not already utilized – such as through issuing the mandatory convertible note -, was cancelled by resolution of the Shareholders' Meeting on February 7, 2023.

The Company may not repurchase its own shares unless so authorized by a resolution duly adopted by the shareholders at a general meeting or in other very limited circumstances set forth in the German Stock Corporation Act. On February 26, 2024, the Shareholders' Meeting authorized the Company – under cancellation of the existing authorization granted by the Shareholders' Meeting on February 7, 2023 – to acquire until the end of February 25, 2029 for any permissible purpose treasury shares in an amount of up to 10% of the capital stock existing at the time this authorization takes effect or – if this amount is lower – of the capital stock existing at the time the authorization is exercised. The aggregate of shares of Siemens Energy AG repurchased under this authorization and any other Siemens Energy AG shares previously acquired and still held in treasury by the Company or attributable to the Company pursuant to Sections 71d and 71e of the German Stock Corporation Act may at no time exceed 10% of the then existing capital stock. Any repurchase of Siemens Energy AG shares shall be accomplished at the discretion of the Executive Board either (i) by acquisition over the stock exchange, (ii) through a public share repurchase offer, or (iii) through a public offer to swap Siemens Energy AG shares for shares in a listed company within the meaning of Section 3 para. 2 of the German Stock Corporation Act.

In addition to selling shares over the stock exchange or through a public sales offer to all shareholders in the proportion of their shareholdings or for the purpose of retiring the shares without further shareholders' resolution, the Executive Board is authorized by resolution of the Shareholders' Meeting on February 26, 2024, to also use Siemens Energy AG shares repurchased on the basis of this authorization, or on the basis of earlier authorizations, for every permissible purpose, in particular as follows, whereby the shareholders' subscription rights are excluded:

- The shares may be issued in connection with share-based compensation programs and (or) employee share programs of the Company or any of its group companies to individuals currently or formerly employed by the Company or any of its group companies as well as to Executive Board members of any group companies.
- The shares may be sold with the approval of the Supervisory Board to third parties against payment in cash if the price at which such Siemens Energy AG shares are sold is not significantly lower than the market price of Siemens Energy stock. The notional pro rata amount of the capital stock attributable to shares used in this way must not exceed 10% of the capital stock.
- The shares can be used to service or secure obligations or rights to acquire Siemens Energy AG shares specifically under or in connection with convertible bonds and warrant bonds issued by the Company or its Group companies.
- With the approval of the Supervisory Board, they may be offered and transferred in exchange for considerations in kind, particularly in connection with business combinations or the direct or indirect acquisition of companies, businesses, parts of companies, equity interests or other assets or rights to acquire assets, including receivables against the Company or its Group companies.
- The shares may be used to float shares of the Company on foreign stock exchanges on which they are currently not listed.

Furthermore, the Supervisory Board is authorized, under exclusion of the shareholders' subscription rights, to use shares acquired on the basis of the authorization to meet obligations or rights to acquire Siemens Energy AG shares that were or will be agreed with members of the Executive Board within the framework of rules governing Executive Board compensation.

The details on the authorizations referred to above, especially with the restrictions to exclude subscription rights, are set out in the relevant resolution and in Section 4 of the Articles of Association.

Using the authorization already given by the Shareholders' Meeting on February 7. 2023, between January 8, 2024, and February 14, 2024, the Company purchased 10,146,361 own shares for a total consideration of about €130 million (excluding incidental transaction costs). The buyback had the exclusive purpose of issuing shares to employees and members of the Executive Board of the Company, as well as to employees and board members of affiliated companies in the framework of share-based compensation or employee share programs. As of September 30, 2024, the Company held 9,114,474 shares of stock in treasury.

2.11.6 Significant agreements which take effect, alter or terminate upon a change of control of the Company following a takeover bid

Siemens Energy AG derives its right to use the name "Siemens Energy" as well as further names and brands owned by Siemens AG from a trademark license agreement entered into between its subsidiary Siemens Energy Global GmbH & Co. KG and Siemens AG. The trademark license agreement provides for a termination right exercisable by Siemens AG if a material competitor of Siemens AG directly or indirectly, acting solely or jointly with a third party, acquires 15% or more of Siemens Energy Global GmbH & Co. KG's capital or voting rights, or if any other third party directly or indirectly, acting solely or jointly with a third party, acquires 25% or more of Siemens Energy Global GmbH & Co. KG's capital or voting rights. Subject to graded transitional periods, the right to use the name "Siemens Energy" as well as further names and brands ceases to exist upon termination of the trademark license agreement.

Siemens Energy granted the noteholders of a subordinated mandatory convertible note with an aggregate principal amount of €960 million placed on September 6, 2022, the right to request the conversion of the notes into no-par value name shares in the event of an acquisition of ownership or take-over bid. In this event Siemens Energy AG must pay in addition a "make-whole amount", any accrued interest and any outstanding arrears of interest. The "make-whole amount" is a compensation for the value of the option right embedded in the notes. An "*acquisition of ownership*" is deemed to have occurred at each time that any person or persons acting in concert within the meaning of Section 30 para. 2 WpÜG (other than Siemens AG or its subsidiaries) at any time directly or indirectly (within the meaning of Section 30 WpÜG) acquire(s) or come(s) to own, other than as a consequence of or in connection with a Take-over Bid, such number of the shares in the capital of Siemens Energy AG carrying 30% or more of the voting rights of Siemens Energy AG. "*Take-over Bid*" means any voluntary take-over bid for the ordinary shares according to the 29 WpÜG or

– in case Siemens Energy AG is not or no longer subject to the WpÜG but to a comparable takeover regulation of another jurisdiction – according to this comparable takeover regulation, which is addressed to holders of ordinary shares of Siemens Energy AG by any person or partnership other than Siemens Energy AG.

On February 23, 2024, two consolidated subsidiaries of Siemens Energy AG with Siemens Energy AG as guarantor and additional borrower agreed on a line of credit in an amount of €4 billion. On December 22, 2023, a consolidated subsidiary of Siemens Energy AG with Siemens Energy AG as guarantor agreed on two guarantee facilities in an amount of €12 billion in total, and on July 9, 2024, on a guarantee facility in an amount of €1.2 billion. The above credit lines and guarantee facilities provide each lender with a right to cancel its credit commitment and to request for prepayment of loans in the event that (1) Siemens Energy AG becomes a subsidiary of any other company or (2) any person or group of persons acting together acquires control over Siemens Energy AG (Art. 3(2) of Council Regulation (EC) 139/2004).

In April 2023, a consolidated subsidiary of Siemens Energy AG issued bonds with Siemens Energy AG as guarantor for €1.5 billion, to finance its purchase of outstanding shares in Siemens Gamesa Renewable Energy S.A. and to refinance the existing debt of Siemens Gamesa Renewable Energy S.A.. The above bonds provide each noteholder with the option to require that the notes are redeemed at 101% of the principal amount in the event that (1) any person or persons acting in concert at any time directly or indirectly acquire(s) or come(s) to own (i) more than 50% of the issued ordinary share capital of Siemens Energy AG or (ii) such number of the shares in the capital of Siemens Energy AG carrying more than 50% of the voting rights and (2) within 90 days of such change of control the rating of Siemens Energy AG is downgraded (as defined) in respect of such change of control.

No other significant agreements of Siemens Energy AG which are subject to a change of control clause upon a takeover bid existed as of September 30, 2024.

2.11.7 Other takeover-relevant information

There are no shares with special rights conferring powers of control. Shares of stock issued by Siemens AG to employees under its employee share program and (or) as share-based compensation are transferred to the employees. The beneficiary employees who hold shares of employee stock may exercise their control rights in the same way as any other shareholder in accordance with applicable laws and the articles of association. The Company has not entered into any compensation agreements with Members of the Executive Board or employees in the event of a takeover bid.

2.12 Further information

Corporate Governance Statement

The corporate governance declaration in accordance with Sections 289f and 315d of the German Commercial Code is a component of the Combined Management Report and is published on our website **www.siemens-energy.com/german-corporate-governance-code**.

The corporate governance declaration in accordance with Sections 289f and 315d of the German Commercial Code can also be found in **4.5 Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code**.