SIEMENS

SIEMENS PLC
Annual report and financial statements
Registered number 727817
September 30, 2023

SIEMENS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

COMPANY INFORMATION

Directors	C Ennis S H Kahanov J Murnieks
Registered number	727817
Registered office	Pinehurst 2 Pinehurst Road Farnborough Hampshire GU14 7BF United Kingdom
Independent auditor	Ernst & Young LLP 1 More London Place London SE1 2AF

SIEMENS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

CONTENTS

SIEMENS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

The directors of Siemens plc ("the Company") present the annual report containing a strategic report, directors' report and the financial statements for the year ended September 30, 2023.

STRATEGIC REPORT

Principal activities

Siemens plc is engaged in the manufacture, installation and sale of products in the area of industrial and building automation and drive technology. The Company also owns and leases property which is rented mainly to other group companies and affiliates through a workplace management arrangement providing fully serviced and managed office equipment. The Company also provides IT and other business infrastructure services to other Siemens group companies in the UK.

General business review

The Directors work closely with management to anticipate risks from economic or global factors and plan accordingly. Like many businesses we have been affected by disruption to global supply chains and face inflationary pressures, exacerbated by geo-political uncertainty. The directors continue to monitor and take steps to mitigate these issues.

In accordance with the Siemens Group's decision, on October 1, 2023 the Company disposed of its Digital Industries Low Voltage Motors, Geared Motors and Weiss Spindeltecnologie business to Innomotics Motors and Large Drives Limited, another Siemens Group company. The Digital Industries Low Voltage Motors, Geared Motors and Weiss Spindeltecnologie business is presented in these financial statements as assets and liabilities classified as held for sale. For further details see note 3.

During the year, the Company acquired the trade and assets of Senseye Limited and certain trade and assets of Kaco New Energy Gmbh. The Company also disposed of the trade and assets of the Portfolio Large Drives business, as part of the Siemens Group's decision to Innomotics Motors and Large Drives Limited. For further details see note 3.

Review of Statement of Income

Year on year revenue rose by 13% (£73m). The main growth area is in the Digital Industries business (27%), due to delivering on the large order backlog at the end of the previous year (see note 4 for further details).

Cost of sales also increased in line with revenue by £67m (13%) leading to an overall gross profit of £90m (2022: £84m).

The Company's operating profit increased by £10m. This is mainly due to achieving a higher overall gross profit and other operating income (see note 6 for further details).

Net interest income increased by £11m mainly due to higher interest rates on intercompany deposits, sustained throughout the year.

Other income of £36m in the year relates to the profit on disposal of the Portfolio Large Drives business.

Review of Statement of Financial Position

Total assets decreased by £56m (6%), largely due to pension plan re-measurements (see note 24, for further details).

Total liabilities decreased overall by £36m (7%) in the year primarily due to lower deferred tax liabilities on the pension plan (see note 10, for further details) and repayments of long term debt.

Equity has decreased by £20m mainly due to pension plan re-measurements, offset by the profit on disposal of the Portfolio Large Drives business.

Review of Statement of Cash Flows

Cash flows from operating activities show an inflow of £56m in the current year compared to an outflow of £5m in the prior year due to changes in working capital.

Cash flows from investing activities have resulted in an inflow of £41m compared to £13m inflow in the prior year. The main driver of the increased inflow compared to the prior year is due to the disposal of the Portfolio Large Drives business.

Cash flows from financing activities show an outflow of £98m as compared to an outflow of £8m in the prior year. This outflow is mainly due to changes in intercompany cash (intercompany receivable) held during the year.

Analysis of Financial Key Performance Indicators

Siemens plc measures its performance on a number of key performance indicators, including revenue, profit from operations and net cash from operations as discussed above. In addition, new orders received are considered to be a key performance indicator.

New orders received

New orders received in the year were £628m, a decrease of £46m (7%) compared to the prior year. The higher volume of new orders in the prior year was due to increased ordering by our distribution partners because of the increased lead times for products due to global supply chain disruptions.

Principal risks and uncertainties

The Company has implemented a co-ordinated set of risk management and control systems, including strategic planning, assessing ESG risk in our downstream value chain, and management reporting, to help anticipate, measure, monitor and manage its exposure to risk. Risks which the Company faces include price and product competition, integration and disposals of acquired businesses, performance risks under long term fixed price contracts, climate related risks, loss of supply of product components, changes in the regulatory and legal environment, and credit and interest rate risks, which may increase due to the global shortage of credit. The Company has a diversified range of customers, revenue streams, products and services.

Statement related to Section 172 of Companies Act 2006 (known as Section 172 statement)

The Directors of the Company must act in accordance with a set of general duties. These include a duty under s.172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members, and in doing so have regard (amongst other matters) to:

1) the likely consequences of any decision in the long term;
2) the interests of the Company's employees;
3) the need to foster the Company's business relationships with suppliers, customers and others;
4) the impact of the Company's operations on the community and the environment;
5) the desirability of the Company maintaining a reputation for high standards of business conduct; and
6) the need to act fairly as between members of the Company.

Understanding the perspectives of the Company's stakeholders and building good relationships enables their views to be taken into account in Senior Leadership Team ("SLT") discussions, discussions among the board of directors of the Company ("Board") and decision-making. All Board members are members of the SLT which is designated as a committee of the Board to support the Chief Executive Officer in the performance of his duties. The SLT plays an important business-focused and commercial role in the UK operations with representatives from each of the main businesses as well as leaders from corporate and governance functions including People & Organisation, EHS and Business Development. An explanation of how the Board of Siemens plc operates is detailed in the Corporate Governance Statement. Given the size and nature of Siemens in the UK stakeholder engagement often takes place at both an operational and senior management level as well as by the Board. Further information and examples of how the Company engages with its key stakeholders is provided below.

Employees

Striving to be an employer of choice, Siemens places value on creating a culture of learning, promoting diversity and fostering equality

<u>Engagement</u>

As a Siemens company Siemens plc succeeds through its people. Fostering the health and performance of Siemens employees as well as safeguarding their working conditions are core to Siemens' social and business commitment.

All our employees including apprentices and graduates are supported in growing and developing in their roles by the availability of comprehensive training programmes to equip them for both current and future roles. In addition to technical training, much development is employee-led under the 'Own Your Career' and 'My Learning World' initiatives through which employees help drive their and the Company's future.

The views of our employees are critical in helping us continually improve ourselves as an organisation, and regular employee engagement surveys enable us to both further understand our employees' perspective and generate ideas which can benefit everyone.

Employees can also make their views known through employee representative bodies, whether at a local site level or business wide. These bodies provide a mechanism for ongoing dialogue between Company management and the employees' representatives on all aspects of the Company's operation. Furthermore, a confidential whistle-blowing hotline called 'Tell Us' enables employees to raise concerns about any aspect of Company practices or behaviour.

The Board is responsible for overseeing the Company's progress in closing the gender pay gap and publishes each year a Gender Pay Gap report. An evidence based action plan has been implemented in response to the Gender Pay Gap outcomes. In FY23, the Company participated in the Siemens AG Gender

<u>Key topics, decisions and outcomes influenced by this stakeholder group</u>

The Company commits to supporting the wellbeing of all employees. It works closely with its Occupational Health and Employee Assistance Programme suppliers, together with external partners to ensure that employees feel equipped to cope with the stresses and strains of life. Across the Company, employees have access to services and resources to support their mental and physical wellbeing, such as counselling, workplace assessments, physiotherapy helpline, wellbeing training courses, menopause & neurodiversity awareness and nutrition & physical activity advice. These resources, together with Mental Health First Aiders and Wellbeing Champions, are part of a strategic approach to employee wellbeing, which aims to equip our managers and employees to care for their mental and physical health.

Siemens has always been committed to flexibility in the workplace and has brought together a number of initiatives in line with Siemens AG to promote mobile/hybrid working which is built on the aim for employees to work on a mobile basis 2/3 days per week if practical and feasible to do so. This has been supported by a revised Flexible Working Policy and is actively encouraged and led by the SLT.

The Board recognises that further work needs to be done to ensure diversity, equity and inclusion is truly embedded in everything the Company does and several initiatives, policies and programmes are underway to achieve this. The Board has appointed a person to lead on diversity, equity and inclusion and, has developed an DE&I Standard against which several parts of the business have assessed their progress against this Standard and implemented roadmaps of actions. In addition, the insights gained have led to the development of a DEI data dashboard and manager training in Equity which is now a requirement for

Equity Program and developed its own actions to enable it to achieve the commitments around equitable promotion and also recruitment of more women into technical roles.

Diversity, Equity and Inclusion initiatives have focused on inclusive culture, LGBT inclusion, racial and gender equality and equal opportunities for people with disabilities. Siemens has sought to influence these topics externally through influencing and collaboration with customers, suppliers and other Siemens businesses with workshops, hosting webinars and on social media.

The Company has signed up to the Race at Work Charter, an initiative, developed in partnership with Business in the Community (BiTC) and the UK Government, designed to improve outcomes for Black, Asian and Minority Ethnic employees in the UK. The Race at Work Charter embodies the same common values Siemens shares on diversity, inclusion and respect for all its staff members. In these changing times it is apt for responsible organisations to make their commitments more pronounced and public on important issues such as racial equality.

managers to have completed in order to recruit.

In addition, the Company has signed up to the Change the Race Ratio which focusses specifically on achieving ethnic and racial diversity in leadership teams and on the Board. As part of this commitment, Siemens has introduced reverse mentoring between Black, Asian and Minority Ethnic colleagues and leaders, as well as an accelerator development programme for talented employees with potential from racial minority backgrounds. There is a plan to publish an Ethnicity Pay Gap report within the next year.

The Company is a Disability Confident Employer which focusses attention on providing equal opportunities for disabled talent and ensures our existing employees have all the necessary adjustments in place to support their work, as well as ensuring that Siemens benefits from the talents which disabled employees bring.

Siemens continues to collaborate and promote best practice with external organisations. In FY23, we continued to partner with organisations including BiTC, MAKE UK, CBI participating in panel discussions and workshops to share best practise. We regularly invite external participants (customers, suppliers) to our events such as during Black History Month, International Day for People with Disabilities and International Women's Day and we also take part in other Siemens AG campaigns. We continue to work with temporary worker suppliers to monitor and set ambitions for the diversity of the temporary workforce and share best practice.

Customers, Suppliers and Business Partners

Business relationships with the Company's customers, suppliers, and other business partners are fundamental to Siemens

<u>Engagement</u>

Customers are always at the centre of our thinking with regard to technology, innovation and how to best consult and support them. Our main goal is to establish ourselves as the partner of choice for our customers by fostering close and trusted partnerships.

Siemens is part of the Buy Social Corporate Challenge, an initiative aimed at embedding positive social and environmental impact into everyday business spend. The UK Government-backed Challenge sees a group of businesses committed to collectively spend £1 billion by 2026 with social enterprise suppliers. As of 2023 the 30 corporate partners have achieved a cumulative spend of £354 million. As part of Siemens' commitment to the Challenge it has now included over 60 Social Enterprises into its supply chain, these range from recycled wood, hotels in London, coffee with Change Please and office supplies through WildHearts. Siemens is proud to be supporting the Social Value 2032 programme.

<u>Key topics, decisions and outcomes influenced by this stakeholder group</u>

Siemens continues to collaborate and promote best practice with external organisations. Utilities and engineering bosses as well as Metro Mayors were among leaders to lend Siemens their voice on digital transformation for a new report published by Siemens, The Digital Transformation Imperative. The report explores how businesses can overcome major challenges with the help of digitalisation and found that more collaboration is needed across sectors like utilities, engineering and manufacturing as firms look to their peers to understand how they can meet ambitions like net-zero with the help of digital tools.

Siemens has continued to keep its customers and suppliers informed of its ongoing supply chain resilience planning which has been overseen by the SLT to ensure business continuity. Actions have included resource planning, reviewing, and where necessary, adjusting our systems and processes and working with our supply chain in order to minimise disruption to our operations.

To strengthen our DE&I approach within our Supply Chain we have driven a number of initiatives, examples include; we have this year partnered with MSDUK, the UK's leading supplier diversity advocacy organisation working for inclusion of ethnic minority businesses, we're working on the actions required in order to obtain accreditation to the Prompt Payment Code and are actively influencing our Supply Chain to adopt the Real Living Wage.

Communities and Environment

Siemens serves society wherever it operates and as a globally active company with innovative and investment capabilities Siemens shares responsibility for sustainable development worldwide.

Engagement	Key topics, decisions and outcomes influenced by this stakeholder group
Siemens supports charitable endeavours of its employees and customers. In pursuit of its educational goals to help enrich and enhance teaching and learning and to nurture engineering talent for the future Siemens offers on its website curriculum lesson plans, interactive games, insights into STEM careers and information about the STEM experience opportunities it supports. These Siemens educational resources continue to be well utilised with over 36,000 downloads in FY23. Siemens is also focused on supporting "greening the curriculum" by bringing its knowledge and understanding of the climate crisis and Net Zero Transition to its work with schools and teachers through sustainability themes for teaching Apps to young people and as competition topics such as The Big Bang Competition and Wildhearts' Micro-Tyco project. Siemens has focused on reaching disadvantaged young people and creating programmes that are accessible by all so they can participate in the transition to a decarbonized economy. Siemens has a number of national partnerships with organisations such as Teach First, the National Literacy Trust and Greenpower Education Trust, as well as developing carbon specific materials to share via the Siemens Education Portal. Siemens holds memberships with various sustainability member bodies including ICER, IEMA and the Aldersgate Group and regularly participates in forums to promote the business case for sustainability initiatives. Siemens is committed to the Science Based Targets Initiative to reach Net Zero in line with the 1.5-degree pathway. Siemens has also signed up to EP100, EV100 and RE100 commitments by the Climate Group on a global level which will also be implemented in the UK. Siemens publishes its annual carbon report on its website for customers and suppliers to access.	Every employee is offered two paid volunteering days every year to participate in community initiatives. At Siemens we recognise the importance of helping the most vulnerable communities and supported the DEC Turkey-Syria Earthquake Appeal to deliver lifesaving aid and support survivors to help earthquake survivors get urgent aid. We reopened our employee payroll giving portal and all employee donations to this cause were match funded £1 for £1. Partnering with Springpod, a careers platform which connects young people with employers and education providers, Siemens offers a series of bespoke and interactive virtual work experience programmes for nearly 10,000 young people over the last two years. Through partnering Teach First who address the inequality of teaching expertise in areas of socio-economic disadvantage, Siemens have supported 10 STEM teachers through their teacher training, created a Green Skills Treasure Hunt resource used by 170 trainees, a Keogh and Naylor training resource used by 190 trainees and 40 Careers Leaders at the Programme Launch event. As a result over 76,000 pupils have benefitted from this support. Siemens have supported Apps For Good with training for teachers on App development and the creation of an Innovate for Climate Change competition which has reached 53 schools, 79 teachers and 1,848 students, 58% of schools being in challenging areas. Mr James Murnieks, our UK CFO, is part of the Climate Action Leadership team within BiTC and is supporting the movement to create positive environmental change within UK communities. Regionally Siemens is also represented to support the North West Leadership Board.

Government, Regulators and Trade Associations

Continuous dialog with policy-makers is extremely important for the success of a global company like Siemens

Engagement

Siemens is politically neutral, but we operate in markets which are shaped by UK Government policy, either directly or indirectly. We are also providers of solutions to some of the most pressing issues facing the planet, such as digitization, climate change and urbanization. As a result, we are regularly consulted on economic and policy issues by governments, business associations and civil society.

Our external engagement is governed in full accordance with our Company commitment to responsible and sustainable business.

Key topics, decisions and outcomes influenced by this stakeholder group

Siemens engages in discussions on public policy issues, where they relate to our business strategy or wider industry issues. Siemens also participates directly in a number of Government advisory groups. In 2023, for example, Mr Carl Ennis, our CEO, joined the Energy Efficiency Taskforce (EETF), and the Net Zero Council. The EETF is charged with making proposals to help improve the energy efficiency of the nation's homes and buildings and, with it, cutting the country's energy use. The Net Zero Council will support industry to help cut emissions and develop greener practices. These two groups bring together experts across industry and academia to build partnerships to address climate change and drive forward industry's transition to net zero. In addition, the MD of Siemens Digital Industries UK and SLT member, Mr Brian Holliday, is co-chair of Made Smarter, the national digitalisation movement to drive productivity, growth and sustainability in manufacturing.

Siemens has regular interactions with other relevant parts of Government. These discussions cover topical issues, such as the economy and longer-term policy areas like infrastructure investment, innovation funding, and skills. We also regularly engage with the Devolved Administrations, MPs and the Opposition Parties.

Siemens is a member of many business and sector bodies, often participating in their policy committees, for example, responding to economic and policy surveys, and attending hosted events with policy-makers.

Siemens AG Group Companies

The Siemens Group is setting the course for long-term value creation through accelerated growth and stronger profitability with a simplified and leaner company structure.

Engagement

The strategic decisions of the Siemens AG Group influence the decisions taken by the Board and SLT which, in turn, adapts the Group strategy for the UK market taking into account UK customer and employee needs. The Directors and SLT have strong relationships with all key stakeholders across the wider Siemens Group to ensure the global strategy and expectations are understood and considered as part of the Company's strategic decisions for the UK.

Key topics, decisions and outcomes influenced by this stakeholder group

The Board and SLT participate in Siemens forums and conferences at a global and UK level. Employees are also able to join regular webinar updates given by Siemens management with regard to the Company's strategy and performance. These take place at a global, country and business level.

Dividend proposals are also a key decision made each year with the Board having regard to the ability of the Company to make a dividend taking into account, amongst other considerations, the needs of the parent company.

Task Force on Climate-Related Financial Disclosures (TCFD)

Introduction

Siemens plc is a leading sustainable technology company working in the fields of smart infrastructure, e-mobility, automation and digitalisation. This is our first disclosure; we are committed to developing and improving our internal processes and associated disclosures in the coming years. To do so, Siemens plc recognises the recommendations and guidance on mandatory climate-related financial disclosures, which sit alongside our own sustainability targets and climate-related risks and opportunities set out in the Siemens Sustainability Report 2023.

Governance

Sustainability is at the heart of our business activities, and it plays a key role in our decision-making processes. It determines our responsible business practices, our risk management approach and our technological contribution to climate protection, resource conservation and product eco-efficiency in the interest of future generations.

Role of the Siemens AG board and its committees

Strategic sustainability activities are overseen by the Siemens AG Chief Sustainability Officer (CSO), who is a member of the Siemens Managing Board and chairs the Siemens Sustainability Board (SSB) and the Sustainability Executive Committee (EC SUS). The SSB is composed of representatives of the businesses, countries, and units with governance responsibilities (technical and professional functions). The SSB is the central steering committee for the strategic development of sustainability at Siemens and makes decisions regarding key sustainability and climate-related matters. Where necessary, the Managing Board addresses climate-related risks and opportunities of strategic and company-wide importance and adopts appropriate measures. The Siemens AG Board delegates responsibility to Country and Business CEO's who are responsible for implementing sustainability in their operations. This responsibility includes taking sustainability and climate-related aspects strategically into account across all business activities. Throughout the organisation, sustainability is further anchored by the global network of Country Sustainability Managers. Further details on Siemens governance structure around climate protection can be found on pages 136 and 137 of the Siemens Sustainability Report 2023[1].

Role of Siemens plc management and its committees

Our CEO is responsible for sustainability and climate-related issues at Siemens plc. As outlined above our CEO is supported by the Sustainability and Environment, Health and Safety (EHS) Director, who takes on the role of 'Country Sustainability Manager' and is responsible for overseeing climate-related matters and provides updates to the CEO as required. Input is also provided by the Siemens Sustainability Board UK (SSB UK). The SSB UK is a committee consisting of Senior Leadership Team (SLT) members, Finance Leadership Team (FLT) members, business, strategy and subject matter experts, sales and corporate representatives who meet quarterly to discuss sustainability topics and targets, including climate-related issues. The members of the SLT such as the Siemens plc CEO, CFO and Sustainability and EHS Director sit on the SSB UK, to ensure they have an oversight of climate-related risks and opportunities. SSB UK members feed into Siemens AG across multiple functions, for example, our CEO reports directly to the Siemens AG CEO of Smart Infrastructures (SI), who also sits on the Siemens AG Managing Board. Sustainability and climate-related issues pertinent to all businesses within Siemens plc are regularly discussed during their one-to-one meetings. The Sustainability and EHS Director also sits on the SLT, the SSB UK and reports into the Siemens AG Sustainability and EHS departments.

The function of the SSB UK is to represent businesses participating in the design and delivery of sustainability and climate action to make Siemens a leading sustainable enterprise and leverage the competitive advantages this brings. Its role is to provide strategic direction, and to support the subject matter experts in the course of their roles related to sustainability and climate. Our understanding of climate action is fully based on our company values – responsible, excellent, innovative. At Siemens, we define sustainable development as the means to achieve profitable and long-term growth. In doing so, we, externally, align ourselves with the goals of the United Nations' 2030 Agenda for Sustainable Development while, internally, striving to balance people, environment and profit.

1 Siemens AG Sustainability Report FY2023

The purpose of the SSB UK in relation to climate is to:

- Review sustainability topics with specific focus on our strategic goals and climate-related risks and opportunities.
- Monitor climate related risks and opportunities.
- Track progress against Siemens plc sustainability targets related to climate action.
- Take a long-term overarching view of our climate related risks and opportunities and how it affects the company.
- Challenge our businesses on climate action progress and future climate actions towards the 2030 net zero target, including cost-benefit analysis.

The role of SSB UK members in relation to the climate is to:

- Understand the strategic implications and outcomes of initiatives being proposed to address climate-related risks and opportunities.
- Represent the views of the business area or governance function on climate action.
- Be an advocate for climate action throughout all areas of the business.
- Be committed to, and actively involved in, pursuing climate-related objectives.

Siemens sustainability and climate-related governance structure

Management Level	Forum	Attendees	Objectives relating to climate risks and opportunities	Frequency
Siemens AG Board	Management Board Meetings	Board Members including the CSO.	To address climate-related risks and opportunities of strategic and company-wide importance, and adopts appropriate measures, when necessary.	Monthly
SLT Siemens plc	SSB	• Chaired by the CSO • Representatives of the businesses, countries (Siemens plc Sustainability and EHS Director represents the UK), and units with governance responsibilities (technical and professional functions)	The SSB is the central steering committee for the strategic development of sustainability at Siemens, and makes decisions regarding key sustainability matters.	Quarterly
FLT Siemens plc Siemens plc Businesses/ functions	SSB UK	• CEO Siemens plc (SLT) • CFO Siemens plc (SLT, FLT) • Managing Director Digital Industries (SLT) • Sustainability and EHS Director (SLT) • Subject matter experts • Business and function representatives • Representatives from SI and DI	• Review sustainability topics with a focus on our strategic goals and climate-related risks and opportunities. • Monitor climate related risks and opportunities • Track progress against sustainability targets related to climate action • Take a long-term overarching view of our climate related risks and opportunities • Challenge our businesses on climate action progress and future climate actions towards the 2030 net zero target	Quarterly

Management's role in assessing and managing climate-related risks and opportunities

As part of our governance process the SLT are given quarterly updates on risks and opportunities through the Enterprise Risk Management (ERM) process, which includes climate-related risks and opportunities where applicable. Any significant risks are then escalated to the Siemens AG Managing Board (see "Risk management" section). Our Risk and Internal Control (RIC) system is also utilised to manage sustainability and climate-related risks and opportunities. This provides a certain degree of assurance that our business objectives are being met and key risks adequately managed, for more information see the 'Risk Management' section of this report.

Climate-related issues are considered in decision-making and performance objectives but there are opportunities to strengthen this, which we are working towards. We are also reviewing our process for monitoring climate-related issues to ensure they are robust and capture relevant climate-related risks and opportunities. As part of this review, in fiscal year 2024 we will have our first sustainability management review with members of the SLT including the CEO and CFO. The management review will include inter alia, our governance structure, and climate-related risks and opportunities. This provides an opportunity to evaluate what processes are in place and their effectiveness to ensure transparency and continual improvement.

Strategy

Sustainability, including climate action, is a key part of Siemens AG strategy, so much so that environmental change and resource efficiency has been identified as one of our five Megatrends. It is embedded in our business activities, investment decision-making, financial planning and governance. This commitment is reflected in the DEGREE[2] framework, which includes the sustainability and climate-related topics important to Siemens, including decarbonisation and resource efficiency, for which ambitious targets (see section "Metrics and targets") have been set. These targets apply to Siemens' own operations as well as to our supply chain. Siemens AG have embedded sustainability as a strategic imperative in all our investment decisions – from company acquisitions and customer projects to the assessment of suppliers. Siemens plc feeds into the Siemens AG strategy through the governance processes outlined in this disclosure, our risk management process (see section "Risk Management") and through aggregating Siemens plc's performance against metrics and targets to parent company level.

Siemens portfolio is focused on the technologies that are driving the digital transformation of industry, intelligent infrastructure and sustainable transportation. All of which is making a key contribution to the transition to a low-carbon economy, examples of projects that Siemens plc have contributed towards this in the UK include:

- Proposing a roadmap for decarbonising Trafford Park, one of Europe's largest industrial estates, to support Trafford Council's aims for the Greater Manchester borough to achieve net zero by 2038[3]

- Forming a strategic partnership with the University of East London to create net zero campuses by 2030[4]

- Partnering with Electric Vehicle (EV) charge point operators, EV, Blink Charging and Evyve to deliver metering services, which will enable a faster installation of the EV charging infrastructure[5]

- Siemens plc is supporting full-scale demonstrations to test new technologies through "living labs", working with universities to test integrated energy systems at their campuses. Siemens plc have worked with the University of Keele to turn the whole campus into a living laboratory, exploring next-level energy-intelligent energy systems[6]. A similar project has been undertaken with the University of Hull. Siemens plc is helping the university to become carbon neutral by 2027, by becoming a "living laboratory"[7]

- Siemens Digital Industries (DI) Research and Design (R&D) is supported through partnerships with universities. For example, Siemens DI collaborated with University of Sheffield and Yorkshire Water. Yorkshire Water used Siemens technologies including artificial intelligence (AI) and the Internet of Things (IoT) to improve the performance of its sewer network

In fiscal year 2022, Siemens Xcelerator was launched, an open digital business platform that will accelerate digital transformation and drive innovation. Digital transformation will become faster, simpler, and scalable for customers (in the areas of industry, buildings, power grids, and transportation, while digital solutions will make their companies more flexible, resilient, efficient, and sustainable. An example of how Xcelerator is being used in the UK is our partnership with the University of Birmingham[8] to make its campuses in Birmingham and Dubai the smartest net zero campuses in the world.

The process for identifying and assessing Siemens plc climate-related risks and opportunities

To identify and assess the materiality of climate-related risks and opportunities relevant to Siemens plc, we have worked with a leading global sustainability consultancy. An initial qualitative scenario analysis assessment has been completed enabling us to understand the potential future materiality and timings of significant climate-related risks and opportunities. This was done by reviewing publicly available information and information/data shared by Siemens plc, which was used to identify climate-related risks and opportunities and to assign a preliminary rating for the associated inherent risk. Market and sector insights and experience were used as inputs to further assess climate change risks and opportunities.

The assessment covers 2025, 2030, 2040 and 2050 timeframes and uses scenario datasets where the temperature outcomes align with the trends of the following two International Energy Agency (IEA) scenarios:

---

2 https://www.siemens.com/global/en/company/sustainability/sustainability-figures.html#DEGREE

3 https://news.siemens.co.uk/news/siemens-completes-study-to-decarbonise-major-uk-industrial-estate-by-2038

4 https://www.siemens.com/global/en/industries/urban-communities/references/university-of-east-london.html

5 https://news.siemens.co.uk/news/new-metering-deals-set-to-fast-track-10-000-new-electric-vehicle-charging-points

6 https://new.siemens.com/global/en/products/energy/references/send-keele-university-smart-energy-management.html

7 https://www.hulldailymail.co.uk/news/education/siemens-university-hull-carbon-neutral-4345521

8 https://www.siemens.com/global/en/industries/urban-communities/references/university-of-birmingham.html

- **'Stated Policies Scenario (STEPS)'**: A high carbon scenario that accounts for current/stated climate-related policies, but which does not forcefully pursue decarbonisation, leading to an implied global climate warming of approximately 2.6 °C in 2100.

- **'Net Zero Emissions by 2050 (NZE)'**: A pathway that shows a narrow but achievable pathway for achieving 1.5 °C by 2050. This results in advanced economies reaching net zero ahead of others and accounts for Sustainable Development Goals (SDGs). The scenario limits global temperature rise to 1.5°C without a temperature overshoot with 50% probability.

Timeframe specification is based on an understanding of current market trends, which could be enhanced by a faster transition aligned with limiting global warming to 2°C. When selecting our timeframes, we selected the short-term timeframe of 2025 to align with the shorter-term business planning cycle and risk management cycle. The medium-term time horizon of 2030 was chosen to align with our DEGREE framework and Climate Group initiatives. The longer-term horizons of 2040 onwards were selected as this aligns with the lifespan of many asset types Siemens plc are involved with.

Scenario indicator data comes primarily from the IEA World Energy Outlook 2021, supplemented with the UK Climate Change Committee (CCC) 6th Carbon Budget (2020) for UK-specific data. Scenario indicators are mapped to each risk and opportunity.

The analysis is qualitative rather than quantitative and is based on the relative financial significance of the business units, or how much of the Siemens plc business could be impacted by the identified risk (or opportunity). Following the identification of our climate-related risks and opportunities we held separate workshops with the SSB UK and the FLT to identify our key risks and opportunities, these are detailed in the transition risks and opportunities table below.

Transition risks and opportunities

Category	Key area	Commentary	Time horizon[9]	Financial Driver	Potential Impact	Mitigation approaches
Market	Renewable energy capacities	• Increasing development of offshore wind and solar PV (among other renewable energies). • Underestimating or overestimating the demand for renewable energy and potential shortages in supply chain if the demand is high.	Short term	OPEX	Higher risk/ opportunity	• Siemens Smart Infrastructure (SI) has a significant opportunity for entering key markets, especially related to renewable energy generation (e.g., smart grid). The opportunity associated with the use of alternative energy sources (especially in industry) increases over time. • Monitor the renewable energy market. • To ensure renewable energy is considered in our consultancy advice.
Technology	Cyber Security	Digitalisation to deliver decarbonisation brings higher costs and customer expectations for cyber security of the data. Cybersecurity in an increasingly digital world could increase brand awareness and competitive positioning	Short term	OPEX	Higher risk/ smaller opportunity	Industrial security is of the highest priority for successful digitalisation, this is regarded as a key focus when designing innovative products, solutions, and services. Siemens takes a holistic approach to cyber security, ensuring all our systems are 'Secure by Design'.
Policy and Legal	Potential exposure to litigation	Legal action against Siemens plc for not taking sufficient action against climate change	Long term	Revenue/ OPEX	Higher risk	We continue to closely monitor existing and new climate related legislation. We are committed to delivering our net zero targets.
Policy and Legal/ Reputation	Scope 3 emissions	Scope 3 emissions are coming under increasing scrutiny as companies are being asked to consider emissions throughout the value chain. Inaction, in terms of doing nothing to limit emissions in the supply chain, is a risk factor.	Medium term	Revenue/ OPEX	Higher risk	Our supply chain management (SCM) teams have targets in place that relate to scope 3. Further work will be done to improve our scope 3 emissions, a key part of this will be ensuring data visibility and quality.
Energy source	Decarbonisation of the built environment	Smart buildings and technology-enablement of the built environment	Medium term	Revenue/ OPEX	Higher opportunity	Siemens designs and implements building efficiency and sustainability improvement programs that are commensurate with the customers' own constraints and goals.
Energy Source	Net zero Industrial clusters	The development of low carbon industrial clusters provides an opportunity for a number of Siemens UK business areas	Medium term	Revenue/ OPEX	Higher opportunity	Siemens are a member of NetZero Northwest which are looking at decarbonised industrial clusters to drive a sustainable economy.

9 Short – within five years, Medium – up to 2030, Long- beyond 10 years

Products and Services	Digitalisation	Based on the Siemens UK business model, there are a very large number of opportunities associated with increasing digitalisation and the IoT	Short term	Revenue	Higher opportunity	We are delivering on our responsibility to utilise technology to provide future focused solutions and improvements for communities. Our solutions connect data across all operating technologies and the IoT. Siemens Xcelerator approach makes digital transformation more effective.
Products and Services	Electrification of transport	Mobility solutions for a low carbon transport system, for example charging infrastructure.	Medium term	Revenue	Higher opportunity	We are improving the EV charging infrastructure at Siemens plc locations using our own technology. Our eMobility business also offers a tailored and continued support throughout the charging equipment's lifecycle.
Reputation	Workforce retention and talent acquisition	A quickly growing market for certain technical skillsets and capabilities, driven by new technology applications and developments, could mean accessing and retaining top talent is a risk relating to the low carbon transition. Being at the forefront of the transition *could* mean attracting and retaining top talent	Medium term	Revenue/ OPEX	Moderate risk/ opportunity	• As well as assisting with our transition to a lower carbon economy the DEGREE framework also includes Employability, with targets to enable our employees to stay resilient and relevant in a forever changing environment. • Long Term Incentive (LTI) for senior managers based on Greenhouse Gas (GHG) emissions. • Siemens plc has longstanding apprenticeship, intern and graduate schemes, which have been *highly successful*. • A Green Skills framework has been mapped and is awaiting approval
Reputation	Reputational risks	A very large number of potential reputational risks associated with many of the other risks listed here, as well as generally around climate change inaction, or action that is seen to be detrimental to climate	Medium term	Revenue/ OPEX	Higher risk	To continue to monitor and manage the transition risks, to make progress on our DEGREE and Climate group 100 commitments.

Risk identification and assessment of physical risks

The assessment used different climate event types to give a 'headline' view of physical climate-related risk across the company. The significance of these event types to Siemens plc are considered using relevance weightings and climate data, to show the trends in key event types in relation to specific scenarios, out to future time horizons. The assessment intended to provide a review across our four main UK sites, to allow the identification of relevant risks for further investigation. The results from the assessment were used in collaboration with site representatives to aid the identification of key physical climate-related risks which may materially impact each site's operations, using existing risk assessment framework.

The timeframes and climate scenario included in the assessment are:

- 2030 and 2050, using the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP) 8.5. This represents a 'business as usual' scenario which assumes that, through limited coordinated action, the world continues emitting significant amounts of carbon through the century, with warming continuing through to 2100. It is the closest aligned scenario to current trends in the actual emissions trajectory and the current rate of warming.

The physical risks were grouped into two categories:

- Acute, these are extreme events such as, severe flooding events thunderstorms, droughts, heatwaves, and wildfires.
- Chronic, these are gradual changes such as, rising sea levels or continued changes to temperature and rainfall.

Physical risks

Category	Event type	Climate Conditions	Risk Rationale	2030 Risk	2050 Risk	Current Mitigation approach
Acute and Chronic	Extreme Heat	Baseline analysis suggests that none of the assessed sites are at risk from extreme heat. However, there is a projected increase in extreme heat events, suggesting that heatwaves and increasing average temperatures could become an issue for Siemens UK in the future.	The research conducted suggests that Siemens UK's sites are resilient to extreme heat. However, possible risks by 2030 and 2050 could include: • Staff needing more breaks and not working during the hottest part of the day. • Increase of heat stress and other heat-related illness. • Reduction in staff productivity	Moderate Risk	High Risk	• Ensuring staff have adequate breaks and hydration. • Business continuity plans • Risk Assessments in place • New sites need to meet the green lease criteria. • Ventilation
Acute	Flooding	Baseline analysis suggests that none of the assessed sites are at risk from surface water flooding, and some are also not at risk from river flooding. However, some of our sites located near rivers may be affected by river flooding. There is a projected increase in two kinds of precipitation: • short, heavy periods of precipitation, associated with surface water flooding. • longer duration rainfall over a 5-day period, driving river flooding.	Sites in proximity to rivers may experience more frequent and intense river floods. All sites may also experience an increase in surface water flood occurrence, despite this hazard not being material during the baseline period, as it does not depend on a site's proximity to a river. This could lead to: • Access issues for repairs, maintenance, and emergency response services. • Increased risk of site shutdowns due to damaged machinery or equipment. • Delays in manufacturing due to flooding of key transport routes disrupting the supply of raw materials	Low Risk	Moderate Risk	• Water assessments are completed at relevant sites in line with Siemens water strategy. • All new sites are subject to legal checks to ensure sites are not at risk of flooding. • Site drainage
Acute	Storms	There is a projected increase in storm intensity by both 2030 and 2050 and storms are indicated to affect all sites.	The high wind speeds associated with storms could lead to: • Damage to Siemens UK's above-ground infrastructure resulting in increased need for repairs. • Disruption to emergency response and repair services if transport networks are impacted.	Moderate Risk	Moderate Risk	• Business continuity plans • Site drainage

The impact of climate-related risks and opportunities on our strategy

Siemens plc is most significantly exposed to reputation risks (monitoring of Scope 3 emissions), mainly through its value chain. These risks are expected to become even more dominant in the future, as external stakeholders and customers actively consider the impacts of the company's supply chain on the environment. Policy and legal is the second largest risk category, at almost the same scale as reputation risks in the short term. With the growing long-term reputational pressure, the relative risk contribution decreases. These risks have been addressed, among other things, in the context of our sustainability framework DEGREE (see Metrics and Targets), in which ambitious targets have been set to address our climate related risks and opportunities. Further measures to reduce climate-related risks include, for example, our decarbonisation strategy as well as engagement in the supply chain.

The opportunities for Siemens plc are primarily related to existing products and services. The demand for Siemens products, enabling the use of new technologies and energy efficiency improvements in multiple sectors (buildings, industry, power generation, and transmission), is expected to grow rapidly in a low-carbon scenario. This is why, although the impact of climate-related changes is uncertain, we consider the transition to a low-carbon economy to be an opportunity. Through enabling our customers to reduce their own GHG emissions utilising our portfolio and by reducing CO_2 emissions in our own operations, we support the transition towards a low-carbon economy.

Resilience of our strategy

To leverage climate-related opportunities, sustainability and decarbonisation have been included in the Siemens AG strategy review, where action plans were drawn up by business units, to support customers in achieving their sustainability and decarbonisation goals. This and the findings from the scenario analysis, indicate that our business model strategy will be resilient to the transition to a lower carbon economy. Siemens AG have undertaken a qualitative assessment of different climate scenarios (including a Paris Agreement-aligned scenario) to stress test Siemens strategy. We have tested the resilience of our strategy against different climate scenarios for our EV opportunity in Siemens Infrastructure (SI). We would look to replicate this exercise in for our other risks and opportunities to ensure our strategy is resilient across the board. This is something we are looking to do, as whilst the assessment done by Siemens AG is highly relevant to our strategy, we want to ensure we have a resilient process in place for climate-related risks and opportunities material to Siemens plc. At Siemens plc we have considered the impact on operational costs for achieving our climate change targets, however further work is needed to assess the financial impact of climate-related issues across the value chain.

Whilst physical climate change poses risks to our operations and supply chain, after conducting the assessments and evaluating the physical risks to our sites, these were deemed to not be material. This is because existing strategies and mitigations have been deemed sufficient. An example of an existing process in place is the Siemens AG water strategy, which aims to minimise the negative local impact of water consumption and use. It also considers, among other things, factors such as water scarcity, water pollution, flooding, ambient fire risk, and the results of climate change. Two of Siemens plc's key manufacturing sites have completed the water assessment, with controls documented. We will continue to monitor and review climate related physical risks to Siemens plc to ensure our strategy and mitigations are adequate.

We have started work towards quantifying some of our material risks and opportunities, which will allow us to quantify our other climate-related risks and opportunities in more detail. We chose to pursue the market related opportunities arising from increased electrification and the transition to EV within SI, as the most quantifiable due to the quality of data inputs and because these opportunities are expected to have high materiality from 2025. The scenarios used for the quantification were IEA STEPS and NZE, we also looked the Key National Grid Indicators:

- **Leading the Way scenario** – In the short term (2035), shows lower levels of residential charging. Presents lower opportunity for Siemens software/hardware sales in the home charging market.

- **Falling Short scenario** – In the short term (2035), shows higher levels of residential charging- Presents greater opportunity for Siemens software/hardware sales in the home charging market.

This was presented to the SI management team who evaluated how we would perform under these different climate scenarios and quantified the opportunity. Our strategy in these scenarios was found to be resilient even for the worst-case scenario, as it is scalable to market demand.

We are in the early stages of assessing our current mitigation measures for our transition risks and opportunities. We are looking to manage the climate-related risks identified and we have detailed our existing mitigations, further work will be done on our mitigation approaches to understand whether they are sufficient. We are positioned favourably in terms of our opportunities and work has been done to look at how we can maximise our most significant opportunities, this also will be extended to other identified opportunities.

Risk Management

Identification of key climate-related risks

In assessing our climate-related risks and opportunities, we have followed the categories outlined by the TCFD. To identify climate-related risks, we conduct initial risk assessments (through workshops) looking at all potential risks and opportunities and decide which are relevant to Siemens plc. The Sustainability and EHS Director is the risk owner for climate change risks and updates the risks every quarter. Input from business units on specific risks is considered as part of the second quarter of the fiscal year risk review before risks are reported to corporate during the fourth quarter. This involves approaching business units and asking for detailed information regarding a specific risk and potential cost implications.

Additional workshops were held to upskill Siemens plc senior leaders and key stakeholders on climate risk and TCFD. The workshops covered climate science, risk, financial implications and an introduction to TCFD.

Assessing climate-related risks

Climate-related opportunities and risks are integrated into our company-wide ERM process. ERM is a framework of methods and processes used to manage risks and pursue opportunities related to the achievement of Siemens business objectives. The (ERM) categorisation model provides a scheme to identify and aggregate the organisation's business risks, including climate-related risks. It covers a broad spectrum of 'topics' and 'sub-topics'. These topics are reflected in four dimensions – Strategic, Operations, Financial and Compliance. The topics are aligned with the structure of the Policy and Control Master Book (PCMB).

Climate change is not treated as a separate category within the ERM approach but is considered within the four topic areas of strategic, operational, financial, and compliance-related risks. Risk processes have been implemented upstream throughout the company to assess potential climate-related net risks for ERM reporting. Material opportunities and risks are disclosed on an aggregated basis within the above-mentioned four topic areas in the Siemens AG annual report.

Our assessment of climate-related risk and opportunity pertinent to Siemens plc projected up to 2050. Within the ERM Framework is ERM radar, which is a long-term forward-looking feature to enable the monitoring of emerging risks and opportunities and potential game-changing topics going beyond the normal three-year time horizon. Assessment is based on impact and velocity[10] with very low formal requirements. Entries are monitored on local level and are not supposed to be tracked on the next higher level. To review a longer timeframe, we have also adopted the Sustainability and Environmental Early Warning System, developed by the Siemens AG Environment Department which integrates the ERM model, focuses on a longer time frame of 10 years and considers the risk of climate change to our own operation and supply chain.

Integrating climate-related risks

Through the ERM framework, climate-related risks and opportunities are integrated into our strategic decision making. Climate change considerations are part of how we operate, and climate is included in our bottom-up operational risk management process, providing an overview of climate-related risks across Siemens.

In addition to ERM, RIC control 1.4.1.2-3 is in place for sustainability, to ensure that sustainability aspects are strategically considered along the entire value chain within their business activities. This means to systematically integrate both sustainability-related business opportunities and business risks in decisions, strategies, portfolio, processes, and systems. Climate-related opportunities and risks are considered within this RIC control, which is reviewed yearly by the control requirement owner, for Siemens plc this is the Sustainability and EHS Director.

Our risk management approach to climate-related opportunities and risks

Risk management at Siemens builds on a comprehensive, interactive and management oriented ERM approach that is integrated into the organisation and that addresses both risks and opportunities. ERM at Siemens is based on a net risk approach in which the risks and opportunities are addressed that remain after the implementation of existing, effective measures and controls. Identified climate risks are assessed, and measures for risk prevention, transfer, or mitigation are devised for all relevant risks. Our ERM process aims for early identification and evaluation of, and response regarding, risks and opportunities that could materially affect the achievement of our strategic, operational, financial, and compliance objectives. The time horizon is typically three to five years, addressing risks and opportunities remaining after the execution of existing and effective measures and controls.

[10] Risk Velocity can be defined as the speed of occurrence of a particular risk impacting the organisation

All relevant risks and opportunities are prioritised in terms of impact and likelihood, considering quantitative and/or qualitative perspectives. The bottom-up identification and prioritisation process is supported by workshops with the respective management. The top-down perspective is cascaded from corporate to Business level and ensures that potential new risks and opportunities are discussed on management level and are included in the subsequent reporting process, if found to be applicable. Reported bottom-up, risks and opportunities are analysed regarding potential cumulative effects and are aggregated on the next higher level. The reporting and escalation process aims at providing the management at each organisational level with relevant information regarding the respective risk and opportunity landscape. Risks are reviewed as part of the annual Siemens plc budget process and are reviewed quarterly with senior management.

Metrics and Targets

Net zero is at the forefront of Siemens strategy. By joining the Science Based Targets initiative (SBTi), Siemens has pledged to reduce emissions from its own operations (Scope 1 and 2) by 55% by 2030 and its Scope 3 emissions (upstream and downstream) by 20% compared to 2019. These targets highlight our commitment towards limiting global warming to 1.5℃ and to containing climate change. In addition, our pledge to reduce GHG emissions in our own operations is a key part of our DEGREE sustainability framework and is embedded in our target of net zero operations by 2030. In Siemens plc we have reduced our Scope 1 and Scope 2 (market-based electricity) emissions by a total of 45% since fiscal year 2019. When we account for the green gas certificate [11] purchased this increases to a 55% reduction.

Metrics and targets used to assess climate-related risks and opportunities

Metric	Target Type	Target	Key Risk/Opportunity	Progress to date
Improve our energy efficiency [12]	Absolute	10% reduction by 2030	Decarbonisation of the built environment, through using our own technology	45% reduction from our baseline.
RE100[13]	Absolute	Complete conversion to green electricity	Reputational risks, litigation, and renewable energy.	• Some of our key manufacturing sites and offices are already on a green electricity tariff, including our headquarters in Manchester. • We are looking to invest in Solar PV at some of our manufacturing sites, with work underway to draw up project proposals. • Using green electricity ensures we are doing the right thing; we can also utilise our own expertise to ascertain what can be done at our own sites.
EV100[14]	Absolute	100% of company leased or owned vehicles to be EV by 2030	Electrification of transport, using our own technology and expertise	6% of our Siemens Vehicle Plan (SVP) are EV[15]. Plans are being put in place to achieve EV100 by 2030 with interim targets agreed. We are also improving the charging infrastructure at our key sites using Siemens technology.
EP100[16]	Absolute	Net zero emission buildings	Reputational risks, litigation and renewable energy.	One of our manufacturing sites is carbon neutral and our other sites are working towards this goal. Sites that are added to our portfolio must meet our green lease criteria. We can utilise our own expertise to ascertain what can be done at our own sites.
Net zero operations[17]	Absolute	By 2030, with 55% emissions reduction by 2025 and 90% by 2030	Decarbonisation of the built environment	67% reduction in Scope 1 and 2 emissions from the FY2019 baseline.
Net zero supply chain	Absolute	By 2050, 20% emissions reduction by 2030	Scope 3 emissions	Scope 3 figures are included in the Siemens plc carbon report. Further work is being done to improve our data quality.

11 2836 Mwh of green gas certificates were purchased equalling 523 tCO_2e

12 This is calculated using the energy baseline (gas and electric) in fiscal year 2021 for Siemens plc sites and comparing it to the energy figures in fiscal year 2023 to calculate the reduction in absolute energy usage.

13 https://www.there100.org/

14 https://www.theclimategroup.org/ev100

15 This is calculated based on the percentage of EV in our SVP.

16 https://www.theclimategroup.org/ep100

17 Metrices are linked to the LTI

Next-level Robust Eco Design[18]	Absolute	For 100% of relevant Siemens product families by 2030	Reputational risks, potential exposure to litigation, RED pursues the vision of a product life cycle that is as environmentally compatible as possible, and in which all materials are recycled. At the same time, material and energy flows and losses are to be reduced to a necessary minimum	This is currently tracked at Siemens AG level. The degree of implementation of our RED specifications in the relevant product families is 51%, compared to 26% in the base year 2021.
Natural resource decoupling[19]	Absolute	Increased purchase of secondary materials for metals and resins	Reputational risks, potential exposure to litigation, secondary materials require fewer resources to produce.	This was done at a Siemens-wide procurement level, where it was confirmed in fiscal year 2022 sustainability report that we were sourcing 35% secondary metals and <1% resins.
Circularity through waste-to-landfill[20]	Absolute	Reduction of 50% by 2025 and towards zero landfill waste by 2030	Reputational risks, potential exposure to litigation, reducing waste to landfill reduces pollution and increases resource efficiency.	This target has been exceeded as Siemens plc is zero waste to landfill with our main waste contractors and works proactively with waste services providers to continually move materials up the waste hierarchy

The reduction of GHG emissions has been integrated into the Long-term Incentive (LTI) compensation as part of a Siemens internal ESG/Sustainability index, applicable for members of the Managing Board and UK SLT. The anchoring of the reduction of GHG emissions in this system and the responsibility of each of our businesses for the reduction of its pro-rated emissions are key elements of our management approach and require regular monitoring.

Siemens considers climate-related risks and opportunities along the entire value chain. Accordingly, we define metrics for the reduction of greenhouse gas emissions in the supply chain, in the company's own operations, and for the goods and services we provide to our customers. Our membership of the Climate Group's RE100, EV100, and EP100 initiatives, is strengthening our climate protection strategy. Interim targets have been set globally, which Siemens plc are in the process of implementing to ensure we meet the target by 2030 for our SVP and commercial vehicles.

By 2030, we have an intensity target to improve our energy efficiency compared to the base year 2021 by 10%. This is further supported by our ISO 50001 certification for Siemens plc, in which our key manufacturing sites and offices have achieved ISO 50001 certification. Since 2021 we have reduced our absolute energy usage at our sites by 44%, through energy efficiency initiatives such as replacing fluorescent lighting with LEDs and installing an air source heat pump at one of our manufacturing sites. The reduction of our property portfolio has also had a significant impact, for example we vacated our registered office at Frimley and moved to a smaller more energy efficient site.

Siemens plc have an internal carbon price in place, which was implemented in 2019 for our Scope 1 and 2 emissions. The price for 2023 was set by the SSB UK to align with the BEIS central carbon pricing pathway and around the mean of UK Emission Trade Scheme current price of carbon. Aligned with the Siemens DEGREE framework, the internal carbon price helps accelerate the transition to net zero by 2030. The internal carbon price incentivises carbon reduction projects, assessing the performance and resilience of operations. In addition to supporting the science-based targets with the SBTi, 1.5°C commitment. This funding has already been used to improve our EV charging infrastructure at UK sites, to install Omniflow[21] at our Manchester office and to deliver an energy management project which established and tested a process to identify and then lower our sites' energy baseload. In addition to UK internal carbon price, Siemens AG incorporated carbon tax into the ERM process, specifically for the SI supply chain. This is now the responsibility of SI supply chain management to monitor this risk. Siemens AG have also integrated product carbon footprint into the ERM process.

[19] See pages 9, 19, 71-75 and 127 of the Siemens AG Sustainability Report 2023

[20] The waste data provided by our waste contractors is reviewed by waste description, European Waste Code (EWC) and the waste treatment facility the waste was sent to for example, recycling or energy recovery. Waste Duty of care audits are periodically carried out to ensure compliance.

[18] See pages 9, 71-75, 123 and 143 of the Siemens AG Sustainability Report 2023

[21] Omniflow - Smart energy platform powered by wind and solar with built-in energy storage (siemens.com)

Scope 1 and 2 greenhouse gas footprint and energy efficiency

The Scope 1 GHG emissions for Siemens plc are generated through the direct burning of fuel (predominately natural gas) mainly *through heating our sites and through driving company cars. They are calculated using the latest UK government conversion factors* available during the fiscal year to calculate the tonnes of carbon dioxide equivalent (CO_{2e}). For location-based gas the conversion factor used is the Gaseous Fuel, Natural Gas (Gross CV) figure (Kg CO_{2e}).

Scope 2 GHG emissions for Siemens plc arise from the use of electricity in our offices, manufacturing processes and our EVs. For our location-based electricity the conversion factor is the UK electricity generated figure (Kg CO_{2e}) from the latest UK government conversion factors. For market-based electricity the conversion factor would be zero as all sites on the Siemens energy contract are 100% renewable and have a zero-carbon conversion factor. For all our remaining sites and EV fleet the Market Based Co_{2e}will be the same as the Location Based CO_{2e}. This is why we are seeing an increase in our market-based emissions on our FY19 baseline, as our fleet transitions from Internal Combustion Engines (ICE) to EV. See the SECR reports for a further breakdown of our carbon data, including the amount of RGGO and REGO purchased.

Category	2018/19 (Baseline)	2019/20	2020/21	2021/22	2022/23
Scope 1(combustion of gas and fuel for transport)	5595 tCO2e	5,513 tCO_2e	4,432 tCO_2e	3,280 tCO_2e	2,774 tCO_2e
Scope 2 (Location-based electricity)	3,625 tCO_2e	3,302 tCO_2e	1,562 tCO_2e	1,401 tCO_2e	1,465 tCO_2e
Scope 2 (Market based electricity)	41 tCO_2e	26 tCO_2e	27 tCO_2e	270 tCO_2e	307 tCO_2e

We have a carbon reduction plan for all our Siemens plc sites, with all sites eliminating natural gas energy sources by 2030 in favour of renewable energy sources. New Siemens plc sites must have streamlined office space, be highly energy efficient, and be capable of becoming net zero energy usage. Our six key sites and our fleet are certified to ISO50001:2018. Actions taken within the ISO 50001management system include designing in energy efficiency to the planned refurbishment of offices and linking a key manufacturing site to a local hydro power project. A carbon dashboard is being developed for our Scope 1 and 2 emissions from our sites and fleet. This will allow us to monitor our performance more closely and accurately, thus assisting with our decarbonisation and energy efficiency targets.

Scope 3 GHG emissions

In line with our SBTi commitments and DEGREE targets, we are actively working on reducing our scope 3[22] supply chain carbon emissions and have been reporting on key categories in our Siemens plc carbon report which fulfils the PPN 06/21 requirements for government procurement contracts. We are continuing to improve data quality and transparency across our supply chain and are collaborating with key suppliers and other stakeholders.

Category	2019/20 (Baseline)	2020/21	2021/22	2022/23
Scope 3.4 & 3.9 Upstream transport and distribution	(Baseline FY21)	11,029 tCO2e	11,493 tCO2e	14,430 tCO2e
Scope 3.5 Operations generated waste	40 tCO2e	22 tCO2e	22 tCO_2e	28 tCO_2e
Scope 3.6 Business Travel	5,701 tCO2e	1,716 tCO_2e	471tCO2e	1,070 tCO_2e
Scope 3.7[23] Employee commuting	859 tCO2e	1,187 tCO_2e	1,167 tCO_2e	446 tCO_2e
Total Emissions (scope 3 upstream)	6,600 tCO2e	18,644 tCO_2e	13,153 tCO_2e	15,974 tCO_2e

22 Scope 3 calculations include Electrium Sales Ltd and Siemens Financial Services Ltd data as historically these have been reported together and some of the figures are difficult to separate. Going forwards this data will be separated out for Siemens plc where possible.

23 Includes homeworking.

Scope 3 emissions are calculated through various methodologies ranging from a spend-based methodology (aligned to GHG Corporate Value Chain Accounting and Reporting Standard) to supplier specific data. Where possible we work closely with our suppliers to refine the data accuracy and quality and use up to date GHG conversion factors to calculate upstream scope 3 emissions.

Value Chain Emissions

Carbon Web Assessments (CWA) enables suppliers to learn about their own carbon emissions; a second step also provides detailed possibilities to reduce them. Measures already taken to reduce carbon in our supply chain include:

- Switching to office supplies with a lower carbon footprint
- A financial carbon incentive to drive the selection of low carbon company cars.
- Adapting our crane hire model to create a >80% reduction in CO_2 associated with their hire.
- The company is zero waste to landfill and works proactively with waste services providers to continually move materials up the waste hierarchy.

Siemens plc collects and reports scope 1 & 2 (and relevant Scope 3) data to calculate its operational carbon footprint. Category 14 is not applicable as we do not have any franchises and categories 3 and 8 have been explored and deemed to be immaterial to our UK carbon footprint. No figures are available for the other unreported scope 3 categories yet largely due to data being unreliable or inaccessible. This is something we are working towards improving as Scope 3 emissions throughout the value chain is one of our higher transition risks.

Approved by the board of directors on February 29, 2024 and signed on its behalf by

Kahanov Sharon
Digitally signed by Kahanov Sharon
DN: cn=Kahanov Sharon, c=DE, o=Siemens, email=sharon.kahanov@siemens.com
Date: 2024.03.01 15:31:44

S H Kahanov

Company Secretary

DIRECTORS' REPORT

The directors who served the Company during the year and subsequently were as follows:

C Ennis

S H Kahanov

J Murnieks

None of the directors holding office at September 30, 2023 had notified a beneficial interest in any contract to which the Company were a party during the financial year.

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

DIVIDENDS

During the year the directors declared and paid a dividend of £nil to its immediate parent company Siemens Holdings plc (2022: £110m).

RESEARCH AND DEVELOPMENT

The Company continues to invest in research and development in the UK. During the year, the Company received a net credit of £804k (2022: £678k) on research and development.

FINANCIAL INSTRUMENTS

The Company's financial risk management objectives and policies, including the exposure to market risk, credit risk and liquidity risk are set out in note 29 to the financial statements.

GOING CONCERN

The Directors continue to monitor the potential impact of the UK and global economy and geo-political uncertainty on the future financial results and have prepared a going concern assessment and cash flow projections for the business. The current trading is in line with the updated forecasts and the valuation of assets and liabilities are not expected to have an adverse impact in the short term. The Directors do not foresee any future impact on the ongoing trading performance of the Company. The Directors expect the business to operate under profitable conditions for the foreseeable future with limited cash flow implications on the business and have assessed the potential impact on its business in the short term to be manageable. This view is underpinned by business continuity planning, risk management and an integrated internal control framework. Nonetheless, the Directors acknowledge the long-term view remains a challenge and continue to monitor developments and prepare accordingly.

The directors have performed a detailed review of the Company's cash flow forecasts, including severe downside scenarios, and consider that the Company will have sufficient funds available over the going concern period to March 1, 2025 to meet its liabilities as they fall due, subject to its ability to access the Siemens AG cash pooling facility described below.

Siemens AG operates a cash pooling facility across its worldwide group. Cash generated by the Company is passed to other Siemens AG group companies. The Company is then able to draw down on these balances, if required. The Company has set out its financial risk management policies, including management of liquidity, in note 29 to the accounts.

The Company is reliant on its ability to continue to access this cash pooling facility in order to meet its liabilities as they fall due over the going concern period, through to March 1, 2025. The Directors have considered the Company's rights under the cash pooling agreement and have made enquiries of the management of Siemens AG to satisfy themselves that the Company has an unconditional right to access this cash through the going concern period and that Siemens AG will have sufficient liquidity through the going concern period to provide cash under this agreement when required.

Based on their assessment of the Company's financial position, future performance, liquidity and risks and the Siemens AG cash pooling arrangement, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence through to March 1, 2025. Thus, the Company continues to adopt the going concern basis of accounting.

STREAMLINED ENERGY & CARBON REPORTING (SECR)

All the SECR data requirements for unquoted 'large' companies have been met and the energy consumption and emissions are reported below. This includes UK consumption of electricity, gas and transport fuels where the Company is responsible for the fuels. The methodology used to calculate emissions is the WBCSD/WRI Greenhouse Gas Protocol: a corporate accounting standard: revised edition.

UK Government greenhouse gas emissions conversion factors for 2023 have been applied. An operational control approach has been taken.

Scope 2 emissions from purchased electricity have been calculated using the location-based and market-based approaches.

	2023	2022
Energy consumption used to calculate emissions: kWh – optional to provide separate figures for gas, electricity, transport fuel and other energy sources	19,738,671	24,210,182
Gas Consumption (kWh)	4,479,472	7,086,876
Electricity Consumption (kWh)	6,416,775	6,924,664
Transport fuel (kWh)	8,842,424	10,198,643
Emissions from combustion of gas tCO2e (Scope 1)	820	1,294
Emissions from combustion of fuel for transport purposes tCO2e (Scope 1)	1,954	1,986
Emissions from business travel in rental cars or employee -owned vehicles where company is responsible for purchasing the fuel tCO2e (Scope 3)	389	357
Emissions from purchased electricity tCO2e (Scope 2, location -based)	1,465	1,401
Emissions from purchased electricity tCO2e (Scope 2, market -based)	307	270
Total gross CO2e based on above	4,628	5,038
Intensity ratio: tCO2e gross figure based from mandatory fields above/ £100,000 turnover	0.0071	0.0086

Energy Efficiency Action:

Siemens continues on its journey to Net Zero inline with it's 1.5C aligned science-based targets and commitments it has made to EV100, EP100 and RE100.

In FY23 the Company raised it's Internal Carbon Price to £50/tonne to support further investments in the technologies required to decarbonise our operations. Funds have been used to install Siemens VersiCharge EV charge points at our office locations, providing vital charging infrastructure to enable a smooth and rapid transition to a full electric fleet by 2030.

The Company has continued to be certified to ISO50001:2018 for five key sites and its fleet. The overarching objective is to be more energy efficient year-on-year in addition to meeting the Siemens AG and Siemens plc energy efficiency targets. Actions taken include replacing lighting with energy efficient LEDs and implementing energy sensors to support energy analysis . In the period covered by the report the Company has purchased 5,684 MWh of renewable electricity via a REGO green tariff and 2836 MWh of Green Gas Certificates. We also generated 244 MWh of renewable electricity via the Havannah Weir Hydro project and Omniflow PV and wind powered streetlighting at two locations.

Further information on our approach to Sustainability can be found at new.siemens.com/uk/en/company/sustainability.html

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

For the financial year ended 30 September 2023, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies. The Wates Principles offer the Company an opportunity to demonstrate good practice and assess its corporate governance arrangements and set out below are details of how these six broad Principles are applied throughout its business.

Principle 1 - Purpose and Leadership

The Company is a member of the Siemens AG group of companies ("Group") and as such the strategic decisions of the Group have a major influence on the decisions of the Company. The purpose of Siemens is to create meaningful, positive change that shapes the world we want to live in.

The board of directors of the Company ("Board") is responsible for developing and promoting the Group's purpose in the UK and ensuring that the following values, strategy and culture align with that purpose:-

- Values - to act responsibly, excellent and innovative.
- Strategy - the Group's four strategic priorities are: customer impact (anticipating customer needs Siemens); empowered people (driving progress through empowering customers, partners and employees); technology with purpose (innovative technology will remain at the core of the future we're building) and growth mindset (building tomorrow by learning and being open to change).
- Ownership Culture - comprises of five elements: values; behaviours; leadership; people orientation and equity. These elements and the power of fostering an ownership culture are a unifying force within Siemens. The Group strives to further improve ratings in employee surveys for aspects of leadership, openness, diversity and innovation.

Siemens is a technology company focused on industry, infrastructure, transport and healthcare. By combining the real and digital worlds, Siemens empowers customers to master their digital transformation and sustainability challenges. Siemens' own commitment to sustainability includes a Group wide DEGREE framework which sets clear priorities and has intensified the focus of all Siemens businesses on ambitious sustainability goals,comprising of targets for environmental, social sustainability as well as good governance.

Further details on the Company's Board and the way it engages with stakeholders in relation to its purpose can be found in the Strategic Report and other sections of this statement.

Principle 2 - Board Composition

Board membership is comprised of the Chief Executive Officer, Chief Financial Officer and General Counsel who have high levels of experience and knowledge of their respective functions and bring together business, commercial, financial and legal skills and expertise. The Board believe that its size, diversity and experience are appropriate to meet the strategic needs and challenges of the business and to enable effective decision-making. The Board has ultimate responsibility for promoting diversity, equity and inclusion and whilst this is evident at Board level with the Board being gender and ethnically diverse it recognises that further work needs to be done to ensure it is truly embedded in everything the Company does and several initiatives, policies and programmes are underway to achieve this. By way of example the CFO co-chairs the Women into Leadership program with the Siemens UK Head of People and Organisation and the Company has also signed up to the Change the Race Ratio which focusses specifically on achieving ethnic and racial diversity in leadership teams and on the Board.

Principle 3 - Director Responsibilities

The directors occupy positions of authority within the Siemens organisation and are jointly responsible for the management of the Company, leading and directing the affairs of the Company having regard to its business policy and corporate strategy in making decisions for the long-term success of the Company and its stakeholders. The Board has reserved certain principal matters for its own approval whilst the day-to-day management of the Company is undertaken by the CEO and the Senior Leadership Team ("SLT"). All Board members are members of the SLT which is designated as a committee of the Board to support the CEO in the performance of his duties. The SLT plays an important business-focused and commercial role in the UK operations with representatives from each of the main businesses as well as leaders from corporate and governance functions. The SLT receives regular updates on business and financial performance, people and organisation, legal, compliance and environmental, health and safety matters.

Following a governance review the board implemented recommended changes regarding the allocation and responsibility of reserved matters and focus topics across the board, its committees and working groups to ensure effective decision making and independent challenge.

Further corporate governance practices applied beyond legal requirements are contained in the recently updated Siemens Business Conduct Guidelines ("BCG") which are binding for all Siemens employees. The BCG set out the fundamental principles governing how we treat each other as colleagues, how we treat our external partners and our responsibility to society and the environment. The BCG provide the ethical and legal framework within which Siemens wants to conduct its activities and give expression to its company values: "Responsible" - "Excellent" - "Innovative."

The Siemens compliance system aims to ensure that its business practices comply with the BCG and obey all applicable laws. To this end, and to protect against compliance risks, the Siemens compliance system combines strong governance at company and group level with the presence of dedicated compliance officers. They work closely with management and indeed all employees who assume personal responsibility for compliance in their respective areas. Secure reporting channels are in place for all employees and external stakeholders to report violations of external and internal rules.

Principle 4 - Opportunities and Risk

The Board follows the Group's values when considering the impact of key decisions. The Group is setting the course for long-term value creation through accelerated growth and stronger profitability with a simplified and leaner company structure.

Risk management at Siemens builds on a comprehensive, interactive and management-oriented Enterprise Risk Management (ERM) approach that is integrated into the organization and that addresses both risks and opportunities. Our ERM process aims for early identification and evaluation of, and response regarding, risks and opportunities that could materially affect the achievement of our strategic, operational, financial and compliance objectives. The time horizon is typically three years, and we take a net risk approach, addressing risks and opportunities remaining after the execution of existing control measures. 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. Reporting generally follows a quarterly cycle; we complement this periodic reporting with an ad-hoc reporting process that aims to escalate critical issues in a timely manner. Relevant risks and opportunities are prioritized in terms of impact and likelihood, considering different impact perspectives, including business objectives, reputation and regulatory requirements. The bottom-up identification and prioritization process is supplemented by workshops with the respective management. The top-down element ensures that potential new risks and opportunities are discussed at different management levels and are included in the subsequent reporting process, if found to be relevant.

Principle 5 - Remuneration

The executive remuneration is set by Siemens AG and structures are aligned.across all Global Senior Managers (Senior Manager). Criteria considered for the appropriateness of remuneration are economic situation, company performance, future prospects and alignment with market practice. Furthermore it is based on the following principles:

Compensation linked to impact and growth: The Company's size and economic position is also to be reflected in Senior Manager's compensation. Exceptional achievements are to be adequately rewarded, while falling short of targets results in an appreciable reduction in compensation.

Ensuring competitiveness: In order to attract outstanding candidates for the Senior Manager roles and to retain them for the long term, compensation should be attractive compared to that offered by competitors.

Focus on successful, sustainable management of the Company: Senior Managers are expected to make a long-term commitment to and on behalf of the Company. As a result, they can benefit from any sustained increase in the Company's value. For this reason, a substantial portion of their total compensation is linked to the long-term performance of the Siemens shares.

Based on these principles Senior Manager's remuneration comprises both non-performance-based and performance-based elements and is divided into three main components: base compensation, short-term variable compensation and long-term stockbased compensation.

Base compensation: Each Senior Manager receives base compensation for performing his or her duties. This compensation is paid in 12 monthly instalments. Base compensation is defined taking into consideration individual performance and salary benchmark of the role.

Short-term variable compensation (Bonus): The Management Bonus scheme is mandatorily applied to all Senior Managers globally. The plan design is focusing on high level business targets in line with external market trends and consistent to the bonus system of the Siemens AG Managing Board. Each Senior Manager will be given an on-target Bonus that is defined as a percentage of basic compensation. The percentage depends on the internal and external benchmark of the role. The payout amount of the Bonus depends on the Company's business performance during the past fiscal year.

Long-term stock-based compensation (Siemens Stock Awards): Senior Managers are expected to make a long-term commitment to and on behalf of the Company. For this reason, a substantial portion of each Senior Manager's total compensation is tied to the long-term performance of the Siemens AG share.

Benefits: Siemens offers a broad portfolio of benefits to all employees such as pensions, private medical, employee discounts to name a few.

Similar principles and remuneration structures are applied to the rest of the Siemens workforce as appropriate.

Principle 6 - Stakeholder Relationship and Engagement

A range of mechanisms have been established to ensure the perspectives of the Company's stakeholders are understood and taken into account in decision-making. Further detail is set out in the section 172(1) statement set out in the Strategic Report.

SUBSEQUENT EVENTS

On October 1, 2023 the assets and liabilities of the Digital Industries Low Voltage Motors, Geared Motors and Weiss Spindeltecnologie business were sold to Innomotics Motors and Large Drives Limited (formerly Siemens Large Drives Limited), another Siemens group company, for consideration of £5.8m, resulting in a pre-tax gain on disposal of £4.2m.

STATEMENT OF ENGAGEMENT WITH EMPLOYEES

The directors continue to encourage employee engagement and participation within the Company. The Siemens' Leadership and management development programmes provide a basis for inclusive leadership that values the contribution made by all employees. This style of leadership includes team briefings, bulletins, 'townhall" meetings which are open to all employees, and access to information and learning on our intranet pages and through our global learning platform. We recognise and support the right of our employees to seek and enjoy representation. Our Siemens Employee Council (SEC, Employee Representative Committee (ECC) provide employees with opportunities for meaningful engagement and dialogue with the Company on matters of concern to them. Through our wide range of opportunities or engagement and participation, we encourage suggestions and ideas for innovation and improvement and in turn we commit to, and do, provide timely responses. More information can be found in the section 172 statement on pages 3 to 6.

STATEMENT OF ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS IN A BUSINESS RELATIONSHIP WITH THE COMPANY

Business relationships with the customers, suppliers, and other business partners are fundamental to Siemens. The Group maintains business relationships only with reputable partners who comply with the law. The Group protects the interests of its customers through the careful selection of suppliers and other business partners and through the standards set for its own actions. The Group only works with suppliers who are prepared to eliminate problems or implement risk reduction measures. That is why the Group cooperates with excellent partners worldwide. Amongst others, the Group's Code of Conduct is based on the UN Global Compact and the principles of the International Labour Organisation, and it reflects the Siemens Business Conduct Guidelines, which apply to the entire Group. More information can be found in the section 172 statement on pages 3 to 6.

We support all our suppliers through our "Sustainability in the Supply Chain" and " Code of Conduct for Siemens Suppliers and Third-Party Intermediaries" brochures, and the basis of all our supplier relationships is the commitment of our suppliers to observe the principles of the code. In addition, we explicitly encourage them to extend these values further into their own supply chain to create a network of interactions and business relations that are built on trust. As well as reflecting our Business Conduct Guidelines, our supplier code is based on the UN Global Compact and principles of the International Labour Organisation.

GROUP POLICIES

Environmental

As a leading global company, Siemens has a responsibility to comply with the highest ethical and legal standards while protecting the environment and benefiting society as a whole. These principles are embedded in our DEGREE ESG framework, the environmental elements of which focus on Decarbonisation and Resource Efficiency. Through Siemens Eco Efficiency programme, the Company drives its ambition levels around three pillars: Responsible Product Development (including Robust Eco Design), Clean Supply Chain (including purchase of recycled materials) and Efficient Own Operations (covering energy efficiency and waste hierarchy shift). The business has set science based (SBTi) carbon reduction targets and remains focused on continual improvements in energy efficiency. By moving waste up the waste hierarchy and eliminating waste where possible, the organisation is embedding circular economy principles in the way it does business.

There are a number of initiatives, such as Siemens STAR Awards, which recognises and rewards contribution to Siemens ownership culture covering Living Our Values, Doing What Matters, Taking The Lead and Working Together.

In addition to our long-term Eco Efficiency programme and the DEGREE framework, we also look at how we can improve our environmental impact through our onsite biodiversity initiatives.

Equal opportunities

We aim to create an equal work environment for everyone. We will not discriminate against anyone due to a characteristic, recognising the specific legislative protected characteristics; age, disability, sex, gender, gender reassignment, sexual orientation, marriage or civil partnership, maternity or pregnancy, race, religion or belief. In addition, it is against the law to prejudice a person in any way because of a spent conviction, unless it is for safeguarding needs. As well as the legislative requirements, we additionally seek to create equality for all individuals irrespective of diverse backgrounds and experience such as socio-economic background, family status and caring responsibilities, trade union membership and education level. We aim to create equal access to opportunities and promoting fairness and use positive action to overcome any disadvantage that an individual or group may inherently have owing to discrimination or bias, and the provision of reasonable adjustments to support them in conducting their role. We are committed to maintaining a diverse workforce at every stage of their employment. This refers to recruitment, selection and training; promotion, transfer and pay; terms and conditions of employment, including grievance and disciplinary procedures; training and development; termination of employment, including dismissal, redundancy or retirement.

POLITICAL DONATIONS

The Company did not make any political donations during the current or preceding year.

DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who held office at the date of approval of this annual report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all steps that ought to have been taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

Ernst & Young LLP have notified the directors that they will not be seeking re-appointment. In accordance with s489 of the Companies Act 2006, a resolution for the appointment of PricewaterhouseCoopers LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors on February 29, 2024 and signed on its behalf by

Kahanov Sharon

Digitally signed by Kahanov Sharon
DN: cn=Kahanov Sharon, c=DE, o=Siemens, email=sharon.kahanov@siemens.com
Date: 2024.03.01 15:59:03

S H Kahanov
Company Secretary

SIEMENS PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

The directors are responsible for preparing the annual report and financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK-adopted international accounting standards ("IAS").

Under company law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Company for that period.

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK-adopted IASs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with UK-adopted IASs in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIEMENS PLC

Opinion

We have audited the financial statements of Siemens Plc for the year ended 30 September 2023 which comprise the Statement of Income, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 34, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 September 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of management's going concern assessment process and engaged with management early to ensure that relevant key factors were identified and considered in its assessment;
- We obtained management's going concern assessment, which covers the period to 1 March 2025;
- We tested the factors and assumptions included in the cash flow forecast, considered the appropriateness of the methods used to calculate the cash flow forecast and determined through inspection and testing of the methodology, integrity of the model and calculations that the methods utilised were appropriately sophisticated to be able to make an assessment for the entity;
- We inspected the company's cash pooling arrangement, operated by Siemens AG, to consider whether the company has an unconditional right to access cash through the going concern period and evaluated management's assessment of Siemens AG's ability to provide such cash through the going concern period; and
- We read the company's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 1 March 2025.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIEMENS PLC

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (UK adopted international accounting standards and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the company has to comply with laws and regulations including health and safety, employees, data protection and anti-bribery and corruption.

- We understood how the company is complying with those frameworks by making enquiries of management and those charged with governance to understand how the company maintains and communicates its policies and procedures in these areas and corroborated this by reading supporting documentation. We also read correspondence with relevant authorities.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue to be a fraud risk. We incorporated data analytics into our testing of manual journals and revenue recognition. We tested specific transactions back to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions. For revenue recognised over time we inspected contracts with customers, considered management's estimates of costs to complete each contract and checked that revenue had been correctly calculated based on the percentage of completion method.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing journals identified by specific risk criteria.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIEMENS PLC

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Ernst + Young LLP
81F446ACB1974A1...

Jon Killingley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 01 March 2024

SIEMENS PLC

STATEMENT OF INCOME

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

	Note	2023	2022
Revenue	4	**652,715**	579,932
Cost of sales		**(563,068)**	(496,306)
Gross profit		**89,647**	83,626
Research and development credit, net		**804**	678
Marketing and distribution expenses		**(49,587)**	(48,211)
Administrative expenses		**(10,432)**	(13,353)
Other operating income	6	**2,526**	1
Operating profit	5	**32,958**	22,741
Interest income	9	**12,861**	1,940
Interest expenses	9	**(9,381)**	(9,688)
Interest income from pension plans and similar commitments, net	9	**14,066**	10,161
Other income	3	**35,565**	-
Income from continuing operations before income taxes		**86,069**	25,154
Income tax expense	10	**(3,492)**	(7,176)
Income from continuing operations, net of income taxes		**82,577**	17,978
Net income for the financial year		**82,577**	17,978

SIEMENS PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

	Note	2023	2022
Net income for the financial year		**82,577**	17,978
Items that will not be reclassified to profit or loss			
Remeasurements losses on defined benefit plans	24	**(137,085)**	(347,710)
Deferred tax credit on remeasurement losses		**34,272**	86,928
Total items that will not be reclassified to profit or loss		**(102,813)**	(260,782)
Other comprehensive loss, net of income taxes		**(102,813)**	(260,782)
Total comprehensive loss		**(20,236)**	(242,804)
Attributable to: Owners of the Company		**(20,236)**	(242,804)

SIEMENS PLC

STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

	Note	2023	2022
ASSETS			
Trade and other receivables	11	**443,452**	370,047
Other current financial assets	12	**3,398**	680
Contract assets	13	**41,586**	45,221
Inventories	14	**40,356**	41,908
Current income tax assets		**-**	683
Other current assets	15	**4,051**	5,145
Assets classified as held for disposal	3	**1,245**	5,005
Total current assets		**534,088**	468,689
Goodwill	16	**150,592**	148,402
Other intangible assets	17	**20,353**	17,444
Property, plant and equipment	18	**40,985**	46,113
Other financial assets	19	**23,335**	24,105
Pension plans and similar assets	24	**140,623**	261,711
Other assets		**30**	25
Total non-current assets		**375,918**	497,800
Total assets		**910,006**	966,489
LIABILITIES AND EQUITY			
Short-term debt	23	**33,421**	31,073
Trade and other payables	21	**78,494**	86,091
Other current financial liabilities	20	**1,912**	1,658
Contract liabilities	13	**22,814**	18,044
Current provisions	25	**3,193**	2,905
Current income tax liabilities		**6,102**	-
Other current liabilities	22	**61,144**	54,135
Liabilities associated with assets classified as held for disposal	3	**223**	2,356
Total current liabilities		**207,303**	196,262
Long-term debt	23	**207,433**	226,138
Post-employment benefits	24	**628**	-
Provisions	25	**3,676**	4,361
Other liabilities		**3,290**	3,452
Deferred tax liabilities	10	**31,046**	59,570
Total non-current liabilities		**246,073**	293,521
Total liabilities		**453,376**	489,783

SIEMENS PLC

STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

	Note	2023	2022
Equity			
Share capital	26	**1,000**	1,000
Capital contribution reserve		**418,690**	418,530
Retained earnings		**36,940**	57,176
Total equity		**456,630**	476,706
Total liabilities and equity		**910,006**	966,489

These financial statements were approved and authorised for issue by the board of directors on February 29, 2024 and were signed on their behalf by:

Murnieks James
Digitally signed by Murnieks James
DN: cn=Murnieks James, c=DE, o=Siemens, email=james.murnieks@siemens.com
Date: 2024.02.29 12:41:41

J Murnieks
Director
Siemens plc
Registered number: 727817

SIEMENS PLC

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

	Note	2023	2022
Cash flows from operating activities			
Net income for the financial year		**82,577**	17,978
Adjustments to reconcile net income to cash flows from operating activities			
Depreciation and amortisation	5, 17, 18	**15,055**	18,102
Income tax expenses	10	**3,492**	7,176
Interest (income) / expenses, net	9	**(3,480)**	7,748
Defined benefit pension income in Statement of Income	24	**(13,818)**	(9,413)
(Gains) on sales of investments / operations	3, 6	**(35,565)**	-
Gains on disposal of property, plant and equipment, net	6	**(2,615)**	(539)
Operating profit before changes in working capital and provisions		**45,646**	41,052
Changes in assets and liabilities			
Inventories		**2,239**	(9,223)
Contract assets		**4,589**	(11,574)
Trade and other receivables		**5,802**	(8,411)
Other current assets		**(1,620)**	(1,190)
Trade payables and accrued expenses		**(2,127)**	12,023
Contract liabilities		**3,255**	1,612
Current provisions		**387**	(6,402)
Other current liabilities		**4,277**	(9,895)
Long term assets		**(11)**	85
Long term liabilities		**(16,297)**	(13,677)
Cash generated from / (used in) operations		**46,140**	(5,600)
Research and Development tax credit		**(55)**	(67)
Income taxes received		**9,256**	-
Interest received		**2,697**	3,132
Defined benefit pension contributions paid	24	**(1,551)**	(2,020)
Cash flows from / (used in) operating activities		**56,487**	(4,555)
Cash flows from investing activities			
Additions to intangible assets and property, plant and equipment	17, 18	**(13,779)**	(3,756)
Disposal of intangibles and property, plant and equipment	17, 18	**7,750**	853
Disposals of businesses, net of cash disposed	3	**38,214**	-
(Purchase) of trade and assets of other entities	3	**(2,327)**	-
Finance lease repayment receipts		**11,406**	15,776
Cash flows from investing activities		**41,264**	12,873

SIEMENS PLC

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

	Note	2023	2022
Cash flows from financing activities			
Change in financing from other group companies		**(81,680)**	115,648
Repayment of lease liabilities		**(16,071)**	(13,967)
Dividends paid	34	-	(110,000)
Cash flows used in financing activities		**(97,751)**	(8,319)
Change in cash and cash equivalents		-	(1)
Cash and cash equivalents at the beginning of the year		-	1
Cash and cash equivalents at the end of the year		-	-

Siemens AG operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to Siemens AG and companies are able to draw down on these facilities if required. Therefore, apart from any accounts held with local banks, amounts invested with/drawn down from the Siemens AG accounts are shown as an intercompany balance. Changes in the balances on these facilities are included in cash flows from financing activities in the Statement of Cash Flows. An increase in cash that is loaned to the cash pool is shown as a cash outflow from financing activities, and an increase in cash borrowed from the cash pool is shown as a cash inflow from financing activities.

Also included within the change in financing from other group companies are the balances due from other group companies arising from the sale of investments and goodwill and receipt of dividends, as well as loans to other group companies.

SIEMENS PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

	Note	Share capital	Capital contribution reserve	Retained earnings	Total equity
Brought forward October 1, 2021		1,000	418,957	409,980	829,937
Net income for the financial year		-	-	17,978	17,978
Other comprehensive loss, net of income taxes		-	-	(260,782)	(260,782)
Total comprehensive loss for the financial year		-	-	(242,804)	(242,804)
Equity settled share based payments		-	391	-	391
Recharge from ultimate parent undertaking		-	(391)	-	(391)
Deferred Tax on share based payments		-	(427)	-	(427)
Dividends to equity holders	34	-	-	(110,000)	(110,000)
Balance at September 30, 2022		1,000	418,530	57,176	476,706
Brought forward October 1, 2022		**1,000**	**418,530**	**57,176**	**476,706**
Net income for the financial year		-	-	**82,577**	**82,577**
Other comprehensive loss, net of income taxes		-	-	**(102,813)**	**(102,813)**
Total comprehensive loss for the financial year		-	-	**(20,236)**	**(20,236)**
Equity settled share based payments		-	**851**	-	**851**
Recharge from ultimate parent undertaking		-	**(851)**	-	**(851)**
Deferred Tax on share based payments		-	**160**	-	**160**
Balance at September 30, 2023		**1,000**	**418,690**	**36,940**	**456,630**

Capital contribution reserve: Certain directors and senior managers of the Company are eligible for share options and stock awards and all employees are eligible to join the share matching plan in the ultimate parent undertaking, Siemens AG. These share options are awarded directly by the ultimate parent undertaking, who requires the Company to make a payment (equal to the fair value of the options at grant date or the costs incurred by the ultimate parent undertaking, depending on the grant date) to reimburse it for the granting of these rights. The capital contribution reserve is used to recognise the Company's share-based payment expense in respect of the share matching plan. The payments made to Siemens AG are deducted from this reserve to the extent that the costs have already been recognised. Any additional payments are charged directly to the Statement of Income. Further details in respect of share-based payment plans are available in note 28.

Dividends to equity holders: A dividend of £nil was paid in the year (2022: £110m).

Other changes in equity: These are credits reflecting the tax deduction arising on the exercise of share options which have previously been accounted for within equity.

1. Basis of presentation

The accompanying financial statements present the operations of the Company and have been prepared and approved by the directors in accordance with UK-adopted International Accounting Standards (IASs) and applied in accordance with the requirements of the Companies Act 2006. The financial statements were authorised for issue by the Board of Directors on February 29, 2024. The financial statements are generally prepared on the historical cost basis, except as stated in note 2.

Siemens plc has prepared and reported its financial statements in Great British Pounds (GBP or £) and the financial information is disclosed in thousands of £, except where stated otherwise. 'k' denotes thousands of '£' and 'm' denotes millions of £. Due to rounding, numbers presented may not add up precisely to totals provided. Siemens plc is a United Kingdom based company incorporated in England and Wales with a balanced portfolio of activities. The registered office is located at Pinehurst 2, Pinehurst road, Farnborough, Hampshire, GU14 7BF.

The Company applied all standards and interpretations issued by the International Accounting Standards Board ('IASB') that were effective as of September 30, 2023. In these financial statements, the term 'Group' refers to all companies for whom the ultimate parent undertaking is Siemens AG. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The Directors continue to monitor the potential impact of the UK and global economy and geo-political uncertainty on the future financial results and have prepared a going concern assessment and cash flow projections for the business. The current trading is in line with the updated forecasts and the valuation of assets and liabilities are not expected to have an adverse impact in the short term. The Directors do not foresee any future impact on the ongoing trading performance of the Company. The Directors expect the business to operate under profitable conditions for the foreseeable future with limited cash flow implications on the business and have assessed the potential impact on its business in the short term to be manageable. This view is underpinned by business continuity planning, risk management and an integrated internal control framework. Nonetheless, the Directors acknowledge the long-term view remains a challenge and continue to monitor developments and prepare accordingly.

The directors have performed a detailed review of the Company's cash flow forecasts, including severe downside scenarios, and consider that the Company will have sufficient funds available over the going concern period to March 1, 2025 to meet its liabilities as they fall due, subject to its ability to access the Siemens AG cash pooling facility described below.

Siemens AG operates a cash pooling facility across its worldwide group. Cash generated by the Company is passed to other Siemens AG group companies. The Company is then able to draw down on these balances, if required. The Company has set out its financial risk management policies, including management of liquidity, in note 29 to the accounts.

The Company is reliant on its ability to continue to access this cash pooling facility in order to meet its liabilities as they fall due over the going concern period, through to March 1, 2025. The Directors have considered the Company's rights under the cash pooling agreement and have made enquiries of the management of Siemens AG to satisfy themselves that the Company has an unconditional right to access this cash through the going concern period and that Siemens AG will have sufficient liquidity through the going concern period to provide cash under this agreement when required.

Based on their assessment of the Company's financial position, future performance, liquidity and risks and the Siemens AG cash pooling arrangement, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence through to March 1, 2025. Thus, the Company continues to adopt the going concern basis of accounting.

2. Summary of significant accounting policies and critical accounting estimates

Business combinations — Business combinations (other than those from Siemens group companies) are accounted for under the acquisition method. Siemens plc as the acquirer and the acquiree may have a relationship that existed before they contemplated the business combination, referred to as a pre-existing relationship. If the business combination in effect settles a pre-existing relationship, Siemens plc as the acquirer recognises a gain or loss for the pre-existing relationship. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange. Any contingent consideration to be transferred by Siemens plc as the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured; subsequent settlement is accounted for within equity. Acquisition-related costs are expensed in the period incurred. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Non-controlling interests are measured at the proportional fair value of assets acquired and liabilities assumed (partial goodwill method). If there is no loss of control, transactions with non-controlling interests are accounted for as equity transactions not affecting profit and loss. At the date control is lost, any retained equity interests are remeasured to fair value.

Business integrations from Siemens group companies are accounted for either:

- at cost in the acquiring company and goodwill is only recorded by the acquiring company if the goodwill was already an asset on the acquired company's Statement of Financial Position, or if the goodwill value was previously included in the carrying value of the acquiring company's investment in the subsidiary undertaking from which the trade has been purchased.

- at the fair value of the assets acquired and liabilities incurred or assumed at the date of exchange ('fair value'). Goodwill is recorded by the acquiring company as the difference between the fair value and the consideration paid to the selling company.

Foreign currency transaction — Transactions that are denominated in a currency other than the functional currency of the entity, are recorded at that functional currency applying the spot exchange rate at the date when the underlying transactions are initially recognised. At the end of the reporting period, foreign currency-denominated monetary assets and liabilities are revalued to functional currency applying the spot exchange rate prevailing at that date. Gains and losses arising from these foreign currency revaluations are recognised in the Statement of Income. Those foreign currency-denominated transactions which are classified as non-monetary are remeasured using the historical spot exchange rate.

Revenue recognition: The Company recognises revenue, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits, provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account the customer's creditworthiness. Revenue is the transaction price the Company expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that a significant reversal of revenue will not occur once associated uncertainties are resolved. The amount of variable consideration is calculated by either using the expected value or the most likely amount depending on which is expected to better predict the amount of variable consideration. Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and there is a significant financing benefit either to the customer or the Company. If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not observable, the Company reasonably estimates those. Revenue is recognised for each performance obligation either at a point in time or over time.

Sales from construction-type contracts: Revenues are recognised over time under the percentage-of-completion method, based on the percentage of costs incurred to date compared to total estimated costs. An expected loss on the contract is recognised as an expense immediately. Payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These significant estimates include total estimated costs, total estimated revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, changes in estimates may lead to an increase or decrease of revenue. In addition, the Company needs to assess whether the contract is expected to continue or to be terminated. In determining whether the continuation or termination of a contract is expected to be the most likely scenario, all relevant facts and circumstances relating to the contract are considered on an individual basis.

Revenues from services: Revenues are recognised over time on a straight-line basis or, if the performance pattern is other than straight-line, as services are provided, i.e. under the percentage-of-completion method as described above. Payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

Sale of goods: Revenues are recognised at a point in time when control of the goods passes to the buyer, usually upon delivery of the goods. Invoices are issued at that point in time and are usually payable within 30 days. For licensing transactions granting the customer a right to use Siemens' intellectual property, payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

Income from interest - Interest is recognised using the effective interest rate method.

Income from royalties: Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

Government grants — Government grants are recognised when there is reasonable assurance that the conditions attached to the grants are complied with and the grants will be received. Grants awarded for the purchase or the production of fixed assets (grants related to assets) are generally offset against the acquisition or production costs of the respective assets and reduce future depreciations accordingly. Grants awarded for other than non-current assets (grants related to income) are reported in the Statement of Income under the same functional area as the corresponding expenses. They are recognised as income over the periods necessary to match them on a systematic basis to the costs that are intended to be compensated. Government grants for future expenses are recorded as deferred income.

Product-related expenses — Provisions for estimated costs related to product warranties are recorded in Cost of sales at the time the related sale is recognised.

Research and development costs — Costs of research activities are expensed as incurred.

Costs for development activities are capitalised when the recognition criteria in IAS 38 are met. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses with an amortisation period of generally three to ten years.

Government grants for research and development activities are offset against research and development costs. They are recognised as income over the periods in which the research and development costs incur that are to be compensated. Government grants for future research and development costs are recorded as deferred income.

Investments — Investments are stated at their historic cost to the Company less provisions for any impairment. The determination of the recoverable amount of an investment involves the use of estimates by management. The Company uses discounted cash flow-based methods applied to the cash-generating unit underlying the investment. These discounted cash flow calculations typically use five-year projections that are based on the financial plans. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions which management has based its determination of fair value less costs to sell and value in use include estimated growth rates, weighted average cost of capital and tax rates. These estimates, including the methodology used, can have a material impact on the values and ultimately the amount of any investment impairment.

Dividends: Dividends are recognised when the right to receive payment is established.

Goodwill — Goodwill is not amortised, but instead tested for impairment annually, as well as whenever there are events or changes in circumstances (triggering events) which suggest that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses.

The goodwill impairment test is performed at the level of a cash-generating unit represented by a Division or equivalent, which is the lowest level at which goodwill is monitored for internal management purposes.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit that is expected to benefit from the synergies of the business combination. If the carrying amount of the cash-generating unit, to which the goodwill is allocated, exceeds its recoverable amount, an impairment loss on goodwill allocated to this cash-generating unit is recognised. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and its value in use. If either of these amounts exceeds the carrying amount, it is not always necessary to determine both amounts. The Company determines the recoverable amount of a cash-generating unit based on its fair value less costs to sell. These values are generally determined based on discounted cash flow calculations. Impairment losses on goodwill are not reversed in future periods.

The determination of the recoverable amount of a cash-generating unit or a group of cash-generating units to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced e.g. by the successful integration of acquired companies, volatility of capital markets, interest rate developments, foreign exchange rate fluctuations and the outlook on economic trends. In determining recoverable amounts, discounted cash flow calculations use five-year projections that are based on financial forecasts. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. See note 16 for further information.

Other intangible assets — The Company amortises intangible assets with finite useful lives on a straight-line basis over their respective estimated useful lives to their estimated residual values. Estimated useful lives for software, patents, licenses and other similar rights generally range from three to five years, except for intangible assets with finite useful lives acquired in business combinations. Intangible assets acquired in business combinations primarily consist of customer relationships and technology. Useful lives in specific acquisitions ranged from four to twenty years for customer relationships and from five to twenty-five years for technology.

Investment property — These are freehold properties held to earn rental income or gain capital appreciation. Leasehold properties are shown gross of the leasehold payables (which are accounted for as finance lease obligations). The properties are first measured at cost (including transaction costs), and subsequently held at cost at each Statement of Financial Position date. Additions include costs of a capital nature, and depreciation is provided based on the property's estimated useful life. The fair value disclosed for investment property is primarily based on a discounted cash flow approach except for certain cases which are based on appraisal values.

The gain or loss arising on the sale of a property is the difference between sales proceeds, less selling costs, and the brought forward carrying amount (plus additions in the period). This is recognised in the Statement of Income.

Property, plant and equipment — Property, plant and equipment, is valued at cost less accumulated depreciation and impairment losses. Depreciation expense is recognised using the straight-line method. The following useful lives are assumed:

Factory and office buildings	20 to 50 years
Investment properties	40 to 50 years
Other buildings	5 to 10 years
Leasehold improvements	2 to 15 years
Technical machinery & equipment	generally 10 years
Furniture & office equipment	generally 5 years
Equipment leased to others	generally 3 to 7 years

Impairment of property, plant and equipment and other intangible assets — The Company reviews property, plant and equipment and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets with indefinite useful lives as well as intangible assets not yet available for use are subject to an annual impairment test. Impairment testing of property, plant and equipment and other intangible assets involves the use of estimates in determining the assets' recoverable amount which can have a material impact on the respective values and ultimately the amount of any impairment.

The Company's property, plant and equipment and other intangible assets to be disposed of are recorded at the lower of carrying amount or fair value less costs to sell and depreciation is ceased.

Discontinued operations and non-current assets held for disposal — Discontinued operations are reported when a component of an entity is classified as held for disposal or has been disposed of, if the component represents a separate major line of business or geographical area of operations and is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. In the Statement of Income, income (loss) from discontinued operations is reported separately from income and expenses from continuing operations; prior periods are presented on a comparable basis. In the Statement of Cash Flow, the cash flows from discontinued operations are presented separately from cash flows of continuing operations; prior periods are presented on a comparable basis.

The Company classifies a non-current asset or a disposal group (outside discontinued operations) as held for disposal if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets classified as held for disposal and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation and amortisation ceases. The determination of the fair value less costs to sell includes the use of estimates and assumptions that tend to be uncertain.

Income taxes — The Siemens Group operates in various tax jurisdictions and therefore has to determine tax positions under respective local tax laws and tax authorities' views which can be complex and subject to different interpretations of tax payers and local tax authorities. Under the liability method, deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognised if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and established tax planning opportunities. As of each period-end, management evaluates the recoverability of deferred tax assets, based on projected future taxable profits. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, Siemens believes it is probable the Company will realise the benefits of these deductible differences. As future developments are uncertain and partly beyond management's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption.

Inventories — Inventories are valued at the lower of acquisition or production costs and net realisable value, cost being generally determined on the basis of an average or first-in, first-out method.

Contract assets, contract liabilities, receivables – When either party to a contract with customers has performed, the Company presents a contract asset, a contract liability or a receivable depending on the relationship between Company's performance and the customer's payment. Contract assets and liabilities are presented as current since incurred in the normal operating cycle. Receivables are recognised when the right to consideration becomes unconditional. Valuation allowances for credit risks are made for contract assets and receivables in accordance with the accounting policy for financial assets measured at amortised cost.

Provisions — A provision is recognised in the Statement of Financial Position when it is probable that the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognised at present value by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. When a contract becomes onerous, the present obligation under the contract is recognised as a provision.

Significant estimates are involved in the determination of provisions related to onerous contracts, warranty costs, asset retirement obligations, legal and regulatory proceedings. The Company records a provision for onerous sales contracts when current estimates of total contract costs exceed expected contract revenue. Onerous sales contracts are identified by monitoring the progress of the project and updating the estimate of total contract costs which also requires significant judgment relating to achieving certain performance standards, as well as estimates involving warranty costs and estimates regarding project delays including the assessment of responsibility splits between the contract partners for these delays. Uncertainties regarding asset retirement obligations include the estimated costs of decommissioning and final waste storage because of the long time frame over which future cash outflows are expected to occur including the respective interest accretion. The estimated cash outflows could be impacted significantly by changes of the regulatory environment.

Legal proceedings often involve complex legal issues and are subject to substantial uncertainties. Accordingly, considerable judgment is part of determining whether it is probable that there is a present obligation as a result of a past event at the end of the reporting period, whether it is probable that such a legal proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. Internal and external counsels are generally part of the determination process. Due to new developments, it may be necessary, to record a provision for an ongoing legal proceeding or to adjust the amount of a previously recognised provision. Upon resolution of a legal proceeding, the Company may incur charges in excess of the recorded provisions for such matters. The outcome of legal proceedings may have a material effect on the Company's financial position, its results of operations and or its cash flows.

For further explanation of the movement in provisions in the year see note 25.

Termination benefits — Termination benefits are provided as a result of an entity's offer made in order to encourage voluntary redundancy before the normal retirement date or from an entity's decision to terminate the employment. Termination benefits in accordance with IAS 19, Employee Benefits, are recognised as a liability and an expense when the entity can no longer withdraw the offer of those benefits.

Financial instruments — A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Based on their contractual cash flow characteristics and the business model they are held in, financial instruments are classified as financial assets and financial liabilities measured at cost or amortised cost and financial assets and financial liabilities measured at fair value and as receivables from finance leases. For additional information refer to note 29.

Regular way purchases or sales of financial assets are accounted for at the trade date.

Initially, financial instruments are recognised at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only recognised in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Receivables from finance leases are recognised at an amount equal to the net investment in the lease. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned to:

Financial assets measured at amortised cost – Loans, receivables and other debt instruments held in a hold-to-collect business model with contractual cash flows that represent solely payments of principal and interest are measured at amortised cost using the effective interest method less valuation allowances for expected credit losses.

Valuation allowances are set up for expected credit losses, representing a forward-looking estimate of future credit losses involving significant judgment. Expected credit loss is the gross carrying amount less collateral, multiplied by the probability of default and a factor reflecting the loss in the event of default. The movement on the valuation allowance is given in note 11. Valuation allowances are not recognised when the gross carrying amount is sufficiently collateralised. Probabilities of default are mainly derived from rating grades determined by Siemens Financial Services Limited (SFS), another group company. A simplified approach is used to assess expected credit losses from trade receivables, lease receivables and contract assets by applying their lifetime expected credit losses. The valuation allowance for loans and other long-term debt instruments primarily held at SFS is measured according to a three-stage impairment approach:

Stage 1: At inception, 12-month expected credit losses are recognised based on a twelve months probability of default.

Stage 2: If the credit risk of a financial asset increases significantly without being credit-impaired, lifetime expected credit losses are recognised based on a lifetime probability of default. A significant increase in credit risk is determined for each individual financial instrument using credit ratings provided by SFS. A rating deterioration does not trigger a transfer into Stage 2, if the credit rating remains within the investment grade range. More than 30 days past due payments will not be transferred into Stage 2, if the delay is not credit-risk-related.

Stage 3: If the financial asset is credit-impaired, valuation allowances equal lifetime expected credit losses. A financial asset is considered credit-impaired when there is observable information about significant financial difficulties and a high vulnerability to default, however, the definition of default is not yet met. Impairment triggers include liquidity problems, a request for debt restructuring or a breach of contract. A credit-risk driven contractual modification always results in a credit-impaired financial asset.

Financial assets are written off as uncollectible if recovery appears unlikely. Generally, if the limitation period expired, when a debtor's sworn statement of affairs is received, or when the receivable is not pursued due to its minor value. Receivables are written off when bankruptcy proceedings close.

Financial liabilities — The Company measures financial liabilities, except for derivative financial instruments, at amortised cost using the effective interest method.

Cash and cash equivalents — The Company considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost. The Company is part of a cash pooling arrangement across the worldwide Siemens group. Balances within this facility are classified as *Receivables from group companies* and *Amounts due to group companies.*

Derivative financial instruments — Derivative financial instruments, such as foreign currency exchange contracts, are measured at fair value and classified as held for trading unless they are designated as hedging instruments, for which hedge accounting is applied. Changes in the fair value of derivative financial instruments are recognised either in the Statement of Income or, in the case of a cash flow hedge, in line item *Other comprehensive income*, net of income taxes (applicable deferred income tax). Certain derivative instruments embedded in host contracts are also accounted for separately as derivatives.

Fair value hedges — The carrying amount of the hedged item is adjusted by the gain or loss attributable to the hedged risk. Where an unrecognised firm commitment is designated as the hedged item, the subsequent cumulative change in its fair value is recognised as a separate financial asset or liability with corresponding gain or loss recognised in net income. For hedged items carried at amortised cost, the adjustment is amortised until maturity of the hedged item. For hedged firm commitments the initial carrying amount of the assets or liabilities that result from meeting the firm commitments are adjusted to include the cumulative changes in the fair value that were previously recognised as separate financial assets or liabilities.

Cash flow hedges — The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges are recognised in line item *Other comprehensive income*, net of income taxes (applicable deferred income tax), and any ineffective portion is recognised immediately in net income. Amounts accumulated in equity are reclassified into net income in the same periods in which the hedged item affects net income.

Leases

The company leases properties, fleet cars and IT equipment and further sub leases it to other Siemens group companies, affiliates and external parties. Under IFRS 16, a contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lessee

Initial recognition

At the commencement date a lessee recognises a right-of-use asset and a lease liability

At the commencement date a lessee measures a right-of-use asset at cost. The cost of the right of use asset includes-

- the initial measurement of the lease liability measured at the present value of the lease payments payable over the lease term, discounted at the implicit rate in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee will use their incremental borrowing rate
- the lease payments made before or after commencement, less the lease incentives received
- any initial direct costs incurred by the lessee and
- an estimate of the costs incurred by the lessee upon disassembling and eliminating the underlying asset, restoring the place where it was located or restoring the underlying asset to the condition required by the terms of the lease.

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively.

Subsequent measurement of the right-of-use asset

After the commencement date, the Company measures its right-of-use asset using a cost model and depreciation is recognised on a straight-line basis over the lease period. Adjustments are made to the carrying value of the right-of-use asset where the lease liability is re-measured, as stated in the below. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in Impairment of property, plant and equipment and other intangible assets.

Subsequent measurement of the lease liability

After the commencement date, the Company measures a lease liability:

- increasing the carrying amount to reflect the interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- measuring the carrying amount again to reflect the new measurements or changes in the lease and to reflect the in-substance fixed lease payments that have been reviewed.

Lessor

The Company leases mainly land and buildings along with motor vehicles and IT equipment. Rental contracts are typically made for fixed periods and lease terms are negotiated on an individual basis and contain a wide range of difference terms.

Leases are classified as either finance or operating leases, determined based on whether substantially all the risks and rewards incidental to ownership of an underlying asset are transferred. If this is the case, the lease is classified as a finance lease; if not, it is an operating lease. Receivables from finance leases are recognised at an amount equal to the net investment in the lease. The assets underlying the operating leases are presented in Property, plant and equipment and depreciated on a straight-line basis over their useful lives or to their estimated residual value. Operating lease income is recognised on a straight-line basis over the lease term.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head-lease, not with reference to the underlying asset. If a head-lease is a short-term lease to which the Company applies the practical expedients in IFRS 16, it classifies the sub-lease as an operating lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Although the risks associated with rights that the Company retains in underlying assets are not considered to be significant, the Company employs strategies to further minimise these risks. For example, any risks such as wear and tear would be recovered through inter-company recharging in order to manage these risks.

Income from lease arrangements: Operating lease income for equipment rentals is recognised on a straight-line basis over the lease term. An arrangement that is not in the legal form of a lease is accounted for as a lease if it is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Receivables from finance leases, in which Siemens as the lessor transfers substantially all the risks and rewards incidental to ownership to the customer are recognised at an amount equal to the net investment in the lease. Finance income is subsequently recognised based on a pattern reflecting a constant periodic rate of return on the net investment using the effective interest rate method. A selling profit component on manufacturing leases is recognised based on the policies for outright sales. Profit from sale and leaseback transactions is recognised immediately if significant risks and rewards of ownership have passed to the buyer, the leaseback results in an operating lease and the transaction is established at fair value.

Lease incentives and initial costs are amortised on a straight-line basis over the lease term and receipts that were not fixed at lease inception are booked as income when earned. Surrender premiums received in the period are included in rental income. Revenue from utilities is recognised when the services are delivered to the tenant.

Extension options for leases: When the entity has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

Pension costs and other post-retirement benefits

Defined contribution plan — The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the Statement of Income represents the contributions payable to the scheme in respect of the accounting period and represents the full extent of the Company's liability.

Defined benefit plans — The Company measures the entitlements by applying the projected unit credit method. The approach reflects an actuarially calculated net present value of the future benefit entitlement for services already rendered. In determining the net present value of the future benefit entitlement for service already rendered (Defined Benefit Obligation (DBO)), the expected rates of future salary increase and expected rates of future pension progression are considered. The assumptions used for the calculation of the DBO as of the period-end of the preceding financial year are used to determine the calculation of service cost and interest income and expense of the following year. The net interest income or expense for the financial year will be based on the discount rate for the respective year multiplied by the net defined liability (asset) at the preceding financial year's period-end date.

Service cost and past service cost for post-employment benefits and administration costs unrelated to the management of the plan assets are allocated among functional costs. Past service costs and settlement gains and losses are recognised immediately in the Statement of Income. For unfunded plans, the amount of the line item Post-employment benefits equals the DBO. For funded plans, the Company offsets the fair value of the plan assets with the DBO. The Company recognises the net amount, after adjustments for effects relating to any asset ceiling.

Remeasurements comprise of actuarial gains and losses, as well as the difference between the return of plan assets and the amounts included in net interest on the net defined benefits liability or asset. They are recognised by the Company in the Statement of Comprehensive Income, net of income taxes.

Actuarial valuations rely on key assumptions including discount rates, expected compensation increases, rates of pension progression and mortality rates. Discount rates used are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available discount rates are based on government bonds yields. Due to changing market, economic and social conditions the underlying key assumptions may differ from actual developments. For a discussion of the current funded status see note 24.

Borrowing costs — The Company pays or receives interest on its intercompany cash balances. These are recognised within interest in the Statement of Income when incurred or receivable. All costs directly attributable to the cost of a qualifying asset are capitalised.

Share–based payment — The Company participates in equity-settled share-based payment plans established by its ultimate parent undertaking, Siemens AG. In accordance with IFRS 2, the fair value of awards/share matching granted is recognised as an employee expense with a corresponding increase in the capital contribution reserve in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the awards. The fair value of share-based awards such as stock awards and matching shares is determined as the market price of Siemens AG shares, taking into consideration, if applicable, dividends during the vesting period the grantees are not entitled to and certain non-vesting conditions.

A small number of the Company's directors and senior managers are eligible for share options, stock awards and share matching under the plans.

Any expected payments to be made to the Company's ultimate parent undertaking, Siemens AG, in respect of these plans is deducted from the capital contribution reserve in equity over the vesting period, to the extent that expenses have been recorded. Any additional payments are charged directly to the Statement of Income.

Guarantees — In the ordinary course of business, the Company provides financial guarantees, consisting of letters of credit, guarantees and facility commitments. Financial guarantees are initially recognised in the financial statements (within trade and other payables) at fair value, being the premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in the Statement of Income or recoverable value. The premium received is recognised in the Statement of Income in revenue on a straight-line basis over the life of the guarantee.

New and amended standards effective for the year ended September 30, 2023:

References to the Conceptual Framework - Amendments to IFRS 3

In 2018, the IASB issued a revised Conceptual Framework and most references to the Framework included in IFRS Standards were updated to the 2018 Conceptual Framework at that time. However, one paragraph of IFRS 3 continued to refer to the 1989 Framework, as updating this paragraph could have caused conflicts for entities applying IFRS 3.

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the IASB adds to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022, however there was no impact on transition.

Proceeds before Intended Use - Amendments to IAS 16

IAS 16 specifies that directly attributable costs include the costs of testing whether an asset is functioning properly, after deducting the net proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Entities had applied the requirements in IAS 16 differently-some entities deducted only proceeds from selling items produced while testing, others deducted all sales proceeds until the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management (i.e. available for use). For some entities, the proceeds deducted from the cost of an item of property, plant and equipment could be significant and could exceed the costs of testing

The IASB decided to amend IAS 16 to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The IASB also decided to clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are effective for annual periods beginning on or after 1 January 2022, however there was no impact on transition.

Onerous Contracts - Cost of Fulfilling a Contract - Amendments to IAS 37

IAS 37 does not give any guidance on which costs an entity considers in assessing whether a contract is onerous. For some contracts, differing interpretations of the onerous contract requirements in IAS 37 could have a material effect on entities that enter into those contracts.

The IASB decided to amend IAS 37 by specifying that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are effective for annual periods beginning on or after 1 January 2022, however there was no impact on transition

Annual Improvements to IFRS Standards 2018-2020Cycle - Amendments to IFRS 1, IFRS 9, IFRS 16

Paragraph D16(a) of IFRS 1 First-time Adoption of International Financial Reporting Standards allows subsidiaries that become a first-time adopter later than its parent to measure its assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements. The amendment extends this relief to the cumulative translation differences for all foreign operations. For those, the subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a). The amendment is effective for annual periods beginning on or after 1 January 2022, however there was no impact on transition.

IFRS 9 Financial Instruments requires an entity to derecognise a financial liability and recognise a new financial liability when there is an exchange between an existing borrower and the lender of debt instruments with substantially different terms (including a substantial modification of the terms of an existing financial liability or part of it). The terms are substantially different if the discounted present value of the remaining cash flows under the new terms are at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability ('10 per cent' test). The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is effective for annual periods beginning on or after 1 January 2022, however there was no impact on transition.

New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended September 30, 2023, and have not been applied in preparing these financial statements. Those standards that have relevance to the Company are mentioned below:

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1

In January 2020, amendments were issued to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments will be effective for years beginning after 1 January 2024, however the Company is not expecting any material impact by these amendments on transition.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies

  And

- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments will be effective for years beginning after 1 January 2023, however the Company is not expecting any material impact by these amendments on transition.

Definition of Accounting Estimates -Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments will be effective for years beginning after 1 January 2023, however the Company is not expecting any material impact by these amendments on transition.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the IASB issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments will be effective for years beginning after 1 January 2023, however the Company is not expecting any material impact by these amendments on transition.

Lease Liability in a Sale and Leaseback - Amendments to IFRS 16

In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments will be effective for annual periods beginning on or after 1 January 2024, however the Company is not expecting any material impact by these amendments on transition.

Insurance Contracts - Amendments to IFRS 17

After concerns raised by stakeholders, in June 2020 the IASB issued 'Amendments to IFRS 17 (the Amendments). The aim of the amendments is to address these concerns and help entities to more easily transition and implement the Standard.

The main changes are:

- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023
- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination.
- Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.
- Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.
- Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held.
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.
- Several small amendments regarding minor application issues.

The amendment is effective for annual reporting periods beginning on or after 1 January 2023, however the Company is not expecting any material impact by these amendments on transition.

Lack of Exchangeability – Amendments to IAS 21

In August 2023, the IASB issued Lack of Exchangeability (Amendments to IAS 21). The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. If exchangeability is lacking, an entity should estimate the spot exchange rate at the measurement date reflecting the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments will be effective for annual reporting period beginning on or after 1 January 2025. Early adoption is permitted. The Company is not expecting any material impact by this amendment on transition.

International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

In May 2023, the Board issued amendments to IAS 12, which introduce a mandatory exception in IAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organisation for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top up taxes. The amendments require an entity to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. This temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon issue of the amendments. The Company is not expecting any material impact by this amendment on transition.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

3. Acquisitions and discontinued operations

On April 1, 2023 the Company acquired the trade and assets of Senseye Limited (another Siemens group company), a provider of outcome-oriented predictive maintenance solutions for manufacturing and industrial companies, for consideration of £2.1m, resulting in goodwill of £2m.

On June 1, 2023 the Company acquired certain trade and assets of Kaco New Energy Gmbh (another Siemens group company), a manufacturer and distributor of electrotechnical products, for consideration of €0.3m, resulting in goodwill of £0.2m.

The amounts held for disposal in the prior year relate to the sale of the Portfolio Large Drives business to Innomotics Motors and Large Drives Limited (formerly Siemens Large Drives Limited) on October 1, 2022, for consideration of £38.2m, resulting in a pre-tax gain on disposal of £35.6m.

a) Disposals after the year end

The assets and liabilities of the Digital Industries Low Voltage Motors, Geared Motors and Weiss Spindeltecnologie business were classified on the Statement of Financial Position as held for disposal at September 30, 2023, and measured at the lower of their carrying amount or fair value less costs to sell. On October 1, 2023 the assets and liabilities of the Digital Industries Low Voltage Motors, Geared Motors and Weiss Spindeltecnologie business were sold to Innomotics Motors and Large Drives Limited (formerly Siemens Large Drives Limited), another Siemens group company, for consideration of £5.8m, resulting in a pre-tax gain on disposal of £4.2m.

Amounts held for disposal at September 30, 2022 related to the Portfolio Large Drives business.

The following classes of assets and liabilities were classified as held for disposal as of September 30:

	Year ended September 30,	
	2023	2022
Trade and other receivables	**959**	3,597
Other current financial assets	-	103
Contract assets	-	954
Inventories	**234**	351
Property, plant and equipment	**52**	-
Assets classified as held for disposal	**1,245**	5,005
Trade payables	**38**	395
Other current financial liabilities	**1**	16
Current Provisions	**99**	-
Contract liabilities	-	1,515
Other current liabilities	**75**	373
Provisions	**10**	-
Other liabilities	-	57
Liabilities associated with assets classified as held for disposal	223	2,356

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

4. Revenue

Revenue is earned from and analysed into the following business categories & also further categorised as to whether the revenue recognition from customer sales is predominantly at a point in time, or over time:

Goods transferred at a point in time = PIT   Good transferred over time = OT

	Timing of revenue recognition	Year ended September 30, 2023	2022
Smart Infrastructure	OT	**265,681**	263,558
Digital Industries	PIT	**358,259**	281,814
Real Estate	OT	**16,389**	17,734
Portfolio Companies (POC)	OT	**-**	13,470
Other *		**12,386**	3,356
		652,715	579,932

Timing of revenue recognition
The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at 30 September 2023 are as follows:

	2023		2022	
	Within one year	More than one year	Within one year	More than one year
Smart Infrastructure	101,918	38,321	105,382	30,211
Digital Industries	77,457	-	128,260	3,742
Portfolio Companies (POC)	-	-	11,555	-
	179,375	38,321	245,197	33,953

Segmental information for the Siemens AG group is presented in the consolidated accounts of the ultimate parent company, Siemens AG.

*Other revenue includes service revenue mainly from other Siemens operating companies and affiliates in the UK. This revenue relates to services provided in the areas of professional services, IT support and solutions, facilities management and human resources.

5. Operating profit from continuing operations has been arrived at after charging / (crediting):

	Year ended September 30, 2023	2022
Net foreign exchange (gains) / loss	**(1,051)**	1,419
Research and development income	**(804)**	(678)
Depreciation of property, plant and equipment (note 18)	**12,308**	16,392
Amortisation of intangible assets (note 17)	**2,747**	1,710
Staff costs (see note 7)	**165,310**	155,304
Research and Development tax credit	**(55)**	(68)
Grants received	**(450)**	(521)
Auditor's remuneration:		
- audit of financial statements	**278**	339

Amounts payable to Ernst & Young LLP and their associates by the Company in respect of non-audit services were £nil (2022: £nil).

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

6. Other operating income

	Year ended September 30, 2023	2022
Profit on disposal of property, plant and equipment	**2,615**	539
Other	**(89)**	(538)
	2,526	1

7. Staff numbers and costs

	Year ended September 30, 2023	2022
Wages and salaries	**138,665**	129,082
Social security costs	**14,733**	14,100
Expenses relating to pension plans and employee benefits	**11,912**	12,122
	165,310	155,304

Expenses relating to pension plans and employee benefits include service costs for the period. Expected return on plan assets and interest costs are included in *interest income* and *interest expense* respectively.

The average number of employees (including executive directors) during 2023 and 2022 was 2,179 and 2,141, respectively. Part-time employees are included on a proportionate basis rather than being counted as full units. The employees were engaged in the following activities:

	Year ended September 30, 2023 Number	2022 Number
Manufacturing and services	**1,404**	1,330
Sales and marketing	**695**	727
Research and development	**80**	84
	2,179	2,141

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

8. Directors' emoluments

The directors' aggregate emoluments, including pension contributions, in respect of qualifying services were:

	Year ended September 30, 2023	2022
Emoluments receivable	**1,093**	1,264
Employer contributions to money purchase schemes	**28**	36
	1,121	1,300

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £489k (2022: £480k). At the year end three directors are members of the defined contributions pension scheme. None of the directors are active members of a defined benefit scheme. Share based payments are described in note 28. Three directors have qualifying services shares receivable from a long-term incentive scheme.

9. Interest income and interest expense

Interest expense is all for financial assets or liabilities which are not values at fair value through the Statement of Income.

The total amounts of interest income and expense were as follows:

	Year ended September 30, 2023	2022
Interest income**	**12,861**	1,969
Interest income - negative*	**-**	(29)
Interest income, net	**12,861**	1,940
Interest expense**	**(9,381)**	(9,688)
Interest expense	**(9,381)**	(9,688)
Interest income from pension plans and similar commitments	**153,301**	77,656
Interest expense from pension plans and similar commitments	**(139,235)**	(67,495)
Interest income from pension plans and similar commitments	**14,066**	10,161
Thereof: Interest expense of operations, net	**(334)**	(534)
Thereof: Other interest income/ (expense), net	**3,814**	(7,214)

*Since October 1, 2015 Siemens Group Treasury set negative interest rates for intercompany financing activities in various currencies. Negative interest means to pay interest on financial assets instead of receiving interest and respectively to receive interest on financial liabilities instead of paying interest.

**Interest in above table includes £1,428k (2022: £1,098k) interest received on finance leases and interest payable includes £1,422k (2022: £1,196k) interest on lease liabilities.

Interest expense of operations, net includes interest income and expense arising directly from operating activities primarily related to receivables from customers and payables to suppliers, interest on advances from customers and advanced financing of customer contracts. It also includes interest income from financing agreements within the context of construction contracts and interest income and expense primarily related to discontinuing of long-term provision, finance lease interest, receivables from customers and payables to suppliers. *Other interest expense, net* includes all other interest amounts primarily consisting of interest relating to corporate debt as well as interest income on corporate assets.

Service cost for pension plans and similar commitments are allocated among functional costs (*Cost of sales, Research and development expenses, Marketing and distribution expenses and administrative expenses*).

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

10. Taxes

The analysis below is in reference to the total tax expense included in the Statement of Income.

	Year ended September 30, 2023	2022
Current tax:		
UK corporation tax	**5,489**	4,045
Adjustments for prior years	**(7,903)**	(1,135)
	(2,414)	2,910
Deferred tax:		
Origination and reversal of temporary differences - current year	**6,606**	4,285
Origination and reversal of temporary differences - prior years	**(700)**	(19)
	5,906	4,266
Tax expense	**3,492**	7,176
Income tax expense in the Statement of Income is disclosed as follows:		
Income tax expense on continuing operations	**3,492**	7,176
	3,492	7,176

Of the deferred tax expense in 2023 and the deferred tax expense in 2022, £5,906k and £4,266k, respectively, relate to the origination and reversal of temporary differences.

For the years ended September 30, 2023, the Company was subject to UK corporation tax at a rate of 22% (September 30, 2022: 19%). The total tax expense or credit differs from the amounts computed by applying the statutory UK tax rate as follows:

	Year ended September 30, 2023	2022
Net income before tax (continuing operations)	**86,069**	25,154
Tax at 22% (2022: 19%)	**18,935**	4,779
Increase / (decrease) in income taxes resulting from:		
Non-deductible losses and expenses	**195**	2,523
Tax-free gains from sales of business	**(7,826)**	-
Over provided in prior years - deferred tax	**(700)**	(19)
Over provided in prior years - current tax	**(7,903)**	(1,135)
Rate change adjustment difference between Corporation Tax and Deferred Tax rate	**791**	1,028
Total income tax expense for the year	**3,492**	7,176

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the Statement of Financial Position date.

The Finance Act 2021 included an increase in the corporate tax rate to 25% effective from April 2023. The deferred tax assets and liabilities shown below have been measured at the enacted rate that is expected to apply when the asset is realised or the liability is settled.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

Deferred tax assets and liabilities on a gross basis are summarised as follows:

	September 30,	
	2023	2022
Deferred tax assets:		
Property, plant and equipment	**4,677**	6,108
Liabilities	**1,841**	1,589
Deferred tax assets	**6,518**	7,697
Deferred tax liabilities:		
Other intangible assets	**(2,565)**	(1,839)
Pension plans and similar commitments	**(34,999)**	(65,428)
Deferred tax liabilities	**(37,564)**	(67,267)
Total deferred tax liabilities, net	**(31,046)**	(59,570)

Deferred tax assets are reviewed at each reporting date. Management considers to what extent it is probable that the deferred tax assets will be realised in a reasonably foreseeable timeframe. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry forwards become deductible (including future taxable profit of the wider Siemens UK group to the extent that deferred tax attributes can be surrendered as permitted under tax legislation).

Short term timing differences are generally recognised ahead of losses and other tax attributes as they are likely to reverse more quickly.

Management do not expect climate related risks to have an impact on the recognition of deferred tax assets since the group's positioning as a focused technology company helping to pioneer a sustainable future across the globe is expected to generate future profitable growth opportunities.

Deferred tax balances and expenses (benefits) developed as follows in the current and previous financial year:

	2023	2022
Deferred tax liabilities balance as at October 1	**(59,570)**	(141,805)
Income tax presented in the Statement of income	**(5,906)**	(4,266)
Changes in items of the Statement of comprehensive income	**34,430**	86,501
Deferred tax liabilities balance as at September 30	**(31,046)**	(59,570)

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

11. Trade and other receivables

	September 30, 2023	2022
Trade receivables from the sale of goods and services	**80,349**	84,193
Receivables from group companies	**355,540**	276,417
Receivables from finance leases	**7,563**	9,437
	443,452	370,047

Trade receivables from the sales of goods and services include settlement discounts of £8k (2022: £11k).

As at September 30, 2023, *receivables from group companies* include a deposit of £280,000k (2022: £223,000k) with Siemens Finance B.V. Interest rates of which ranged from 1.85% to 5.53% during the financial year.

Changes to the valuation allowance of current and long-term receivables presented in this note, which belong to the class of Financial assets and liabilities measured at amortised cost are as follows (excluding receivables from finance leases):

	Year ended September 30, 2023	2022
Valuation allowance as at beginning of the year	**1,254**	3,969
Creation	**3,417**	733
Usage	**(2,079)**	(2,838)
Reversal	**(1,191)**	(610)
Transfer out to group companies	**24**	-
Valuation allowance as at end of the year	**1,425**	1,254

The ageing of trade receivables and the associated valuation allowance is as follows:

	September 30, Gross 2023	Allowance 2023	Gross 2022	September 30, Allowance 2022
Current	**69,672**	**(233)**	68,660	(200)
30 days overdue	**1,021**	**(8)**	8,476	(136)
31 - 60 days overdue	**2,409**	**(10)**	2,872	(130)
61 – 90 days overdue	**2,823**	**(7)**	1,713	(23)
91+ days overdue	**5,849**	**(1,167)**	3,726	(765)
	81,774	**(1,425)**	85,447	(1,254)

Receivables from finance leases are presented in the Statement of Financial Position as follows:

	September 30, 2023	2022
Receivables from finance leases, current	**7,563**	9,437
Receivables from finance leases, long-term portion (see note 19)	**23,332**	24,105
	30,895	33,542
Thereof: Land and buildings	**18,719**	25,147
Thereof: Technical machinery & equipment	**12,176**	8,395

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

Finance lease receivables balance relates to land and buildings and fleet cars which are sub leased to other Siemens group companies and affiliates in the United Kingdom.

Company as a lessor - contractual undiscounted / minimum future lease payments to be received as follows:

Year	2023
2024	8,615
2025	8,476
2026	6,523
2027	4,046
2028	1,046
Thereafter	7.552
Total	36,258

The following table shows a reconciliation of undiscounted / minimum future lease payments to net investment in lease:

	2023
Minimum future lease payments	36,258
Less: Unearned finance income	(5,363)
Net investment in lease	30,895

The gross investment in leases and the present value of undiscounted /minimum future lease payments receivable are due as follows:

	2023
Gross investment in leases	36,258
Within one year	8,615
One to five years	20,091
Thereafter	7,552
Minimum future lease payments	30,895
Within one year	7,563
One to five years	17,285
Thereafter	6,047

12. Other current financial assets

	September 30, 2023	2022
Derivative financial instruments	92	163
Other current financial assets	3,306	517
	3,398	680

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

13. Contract assets and liabilities

	September 30, 2023	2022
Contract assets	**41,586**	45,221
Contract liabilities	**22,814**	18,044
Contract assets to be settled after twelve months	**11,423**	**11,806**
Contract liabilities to be settled after twelve months	**4,249**	**3,277**

14. Inventories

	September 30, 2023	2022
Raw materials and supplies	**29,436**	26,856
Work in progress	**1,527**	3,205
Costs of unbilled contracts	**5,976**	4,873
Finished goods and products held for resale	**3,417**	6,974
	40,356	41,908

Cost of sales include inventories recognised as an expense amounting to £504,999k and £448,402k, respectively, in financial year 2023 and 2022.

15. Other current assets

	September 30, 2023	2022
Prepaid expenses	**3,106**	4,327
Other	**945**	818
	4,051	5,145

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

16. Goodwill

	2023	September 30, 2022
Cost		
Balance at beginning of year	**214,471**	214,471
Acquisitions through business combinations	**2,190**	-
Balance at end of year	**216,661**	214,471
Accumulated impairment losses		
Balance at beginning of year	**(66,069)**	(66,069)
Balance at end of year	**(66,069)**	(66,069)
Net book value		
Balance at beginning of year	**148,402**	148,402
Balance at end of year	**150,592**	148,402

Impairment of Goodwill

The carrying amount of goodwill across the various divisions as well as the impairment review process is detailed below:

	2023	September 30, 2022
Smart Infrastructure	**147,478**	147,263
Digital Industries	**3,114**	1,139
Balance at end of year	**150,592**	148,402

The Company performed the mandatory annual impairment test in the last three months of the financial year ended September 30, 2023 in accordance with the accounting policy stated in note 2. The recoverable amounts for the annual impairment test 2023 for all the Company's operating segments were estimated to be higher than the carrying amounts. Key assumptions on which management has based its determinations of the value in use for the divisions' carrying amount include terminal value growth rates up to 1.8% in 2023 (2022: 1.6%), and after-tax discount rates of 8.9% (pre-tax rate of 11.9%) for Smart Infrastructure and 10.0% (pre-tax rate of 13.3%) for Digital Industries in 2023 (2022: Smart Infrastructure 8.2%, Digital Industries 9.3%). Where possible, reference to market prices is made.

For the purpose of estimating the recoverable amount of the divisions, cash flows were projected for the next five years based on past experience, actual operating results and management's best estimate about future developments as well as market assumptions. The value in use is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Both assumptions are determined individually for each division or equivalent. Discount rates reflect the current market assessment of the risks specific to each division and are based on the weighted average cost of capital for the divisions. Terminal value growth rates take into consideration external macroeconomic sources of data and industry specific trends.

Sensitivity to change in assumptions

For all the divisions, the recoverable amount of the cash-generating units are higher than their carrying amounts as at September 30, 2023.

The terminal value growth rate used in estimating the recoverable amount for all the divisions was 1.8%. A reduction in the terminal value growth rate by 1.0% (2022: 1.0%) would not result in an impairment in the carrying value of goodwill in any divisions.

The after-tax discount rates used in estimating the recoverable amount for Smart Infrastructure was 8.9% and 10.0% for Digital Industries in 2023 (2022: Smart Infrastructure 8.2%, Digital Industries 9.3%). An increase in the after-tax discount rate of 1.0% would not result in an impairment in the carrying value of goodwill in any divisions.

Management considers that no reasonably possible change in the key assumptions applied would cause an impairment.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

17. Other intangible assets

	Development cost	Software	Patents, licenses & similar rights	Other	Total
Cost					
At October 1, 2021	112	25,119	3,809	38,537	67,577
Additions	-	3,756	-	-	3,756
Retirements	-	(713)	-	(28,537)	(29,250)
At September 30, 2022	112	28,162	3,809	10,000	42,083
At October 1, 2022	**112**	**28,162**	**3,809**	**10,000**	**42,083**
Additions	-	5,656	-	-	5,656
Retirements	-	(40)	(78)	-	(118)
At September 30, 2023	**112**	**33,778**	**3,731**	**10,000**	**47,621**
Amortisation					
At October 1, 2021	112	19,720	3,721	25,420	48,973
Charge for the year	-	1,710	-	-	1,710
Retirements	-	(712)	-	(25,332)	(26,044)
Transfers in/(out) from group companies	-	-	88	(88)	-
At September 30, 2022	112	20,718	3,809	-	24,639
At October 1, 2022	**112**	**20,718**	**3,809**	-	**24,639**
Charge for the year	-	2,747	-	-	2,747
Retirements	-	(40)	(78)	-	(118)
At September 30, 2023	**112**	**23,425**	**3,731**	-	**27,268**
Net book value					
At October 1, 2021	-	5,398	89	13,117	18,603
At September 30, 2022 and October 1, 2022	-	7,444	-	10,000	17,444
At September 30, 2023	-	**10,353**	-	**10,000**	**20,353**

Amortisation expense on intangible assets is included in *Cost of sales, Research and development expenses or Marketing, selling and general administrative expenses*, depending on the use of the asset.

The development cost relates to the development of data storage for metering within the Smart Infrastructure business. This development project is in full operational use and its expected useful life is 4 years. Development costs are described in note 2.

Other intangible assets have arisen due to business integrations of other Siemens group companies into Siemens plc.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

18. Property, plant and equipment

	Land & buildings	Technical machinery & equipment	Equipment leased to others	Furniture & office equipment	Construction in progress	Total property, plant & equipment
Cost						
At October 1, 2021	66,384	43,825	140	56,775	1,387	168,511
Additions	3,795	5,632	-	3,392	86	12,905
Disposals	(14,213)	(9,315)	(140)	(4,457)	-	(28,125)
Transfers to / from group companies	-	750	-	-	-	750
Reclassifications of assets	822	108	-	129	(1,372)	(313)
At September 30, 2022	56,788	41,000	-	55,839	101	153,728
At October 1, 2022	**56,788**	**41,000**	-	**55,839**	**101**	**153,728**
Additions	**208**	**8,797**	-	**3,575**	**1,095**	**13,675**
Disposals	**(10,425)**	**(4,647)**	-	**(1,828)**	-	**(16,900)**
Transfers to / from group companies	-	**(5)**	-	**49**	-	**44**
Reclassification of asset	-	**881**	-	**(794)**	**(87)**	-
Reclassification to assets held for disposal	-	**(734)**	-	**(168)**	-	**(902)**
At September 30, 2023	**46,571**	**45,292**	-	**56,673**	**1,109**	**149,645**
Accumulated depreciation and impairment						
At October 1, 2021	43,102	24,301	98	50,292	-	117,793
Charge for the year	3,910	8,610	11	3,861	-	16,392
Disposals	(15,768)	(3,411)	(109)	(8,032)	-	(27,320)
Transfers to / from group companies	-	750	-	-	-	750
At September 30, 2022	31,244	30,250	-	46,121	-	107,615
At October 1, 2022	**31,244**	**30,250**	-	**46,121**	-	**107,615**
Charge for the year	**3,489**	**4,798**	-	**4,021**	-	**12,308**
Disposals	**(5,570)**	**(3,037)**	-	**(1,819)**	-	**(10,426)**
Transfers to / from group companies	-	**(5)**	-	**18**	-	**13**
Reclassification of asset	-	**43**	-	**(43)**	-	-
Reclassifications to assets held for disposal	-	**(694)**	-	**(156)**	-	**(850)**
At September 30, 2023	**29,163**	**31,355**	-	**48,142**	-	**108,660**

	Land & buildings	Technical machinery & equipment	Equipment leased to others	Furniture & office equipment	Construction in progress	Total property, plant & equipment
Net book value						
At October 1, 2021	23,282	19,526	42	6,482	1,386	50,718
At September 30, 2022	25,544	10,750	-	9,718	101	46,113
At September 30, 2023	**17,407**	**13,936**	-	**8,533**	**1,110**	**40,985**

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

Included in the above table are the below right of use assets -

	Land & buildings	Technical machinery & equipment	Total property, plant & equipment
Cost			
At October 1, 2021	**7,451**	**22,047**	**29,498**
Additions	177	4,998	5,175
Disposal	(1,099)	(11,294)	(12,393)
At September 30, 2022	**6,529**	**15,751**	**22,280**
At October 1, 2022	**6,529**	**15,751**	**22,280**
Additions	208	5,344	5,552
Disposal	(1,016)	(4,465)	(5,481)
At September 30, 2023	**5,721**	**16,630**	**22,351**
Accumulated depreciation			
At October 1, 2021	**1,778**	**11,334**	**13,112**
Charge for the year	1,934	3,867	5,801
Disposals	(781)	(7,195)	(7,976)
At September 30, 2022	**2,931**	**8,006**	**10,937**
At October 1, 2022	**2,931**	**8,006**	**10,937**
Charge for the year	1,122	4,017	5,139
Disposals	(1,011)	(2,700)	(3,711)
At September 30, 2023	**3,042**	**9,323**	**12,365**
Net Book value			
At October 1, 2021	5,673	10,713	16,386
At September 30, 2022	3,598	7,745	11,343
At September 30, 2023	**2,679**	**7,307**	**9,986**

The amount of borrowing costs capitalised in the year is £nil (2022: £nil). Borrowing costs relate to capitalised borrowing costs directly attributable to the costs of an asset where the borrowing costs have commenced on or after October 1, 2012 (see note 2).

As of September 30, 2023 contractual commitments for the purchase of plant, property and equipment amount to £429k (2022: £nil).

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

19. Other financial assets

	September 30, 2023	2022
Receivables from finance leases	**23,332**	24,105
Other financial assets	**3**	-
	23,335	24,105

20. Other current financial liabilities

	September 30, 2023	2022
Derivative financial instruments	**37**	217
Other financial liabilities	**1,875**	1,441
	1,912	1,658

21. Trade and other payables

	September 30, 2023	2022
Trade and other payables	**72,632**	79,429
Amounts due to group companies	**5,862**	6,662
	78,494	86,091

22. Other current liabilities

	September 30, 2023	2022
Payroll and social security taxes	**7,752**	5,773
Bonus obligations	**17,419**	17,740
Other employee related costs	**2,231**	2,905
Other tax liabilities	**9,064**	9,036
Deferred income	**4,813**	4,759
Other accrued liabilities	**19,865**	13,922
	61,144	54,135

Other employee related costs primarily include vacation payments, accrued overtime and service anniversary awards.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

23. Debt

	September 30, 2023	2022
Short-term debt		
Short-term debt	**18,644**	16,952
Liabilities under finance leases less than 1 year	**14,777**	14,121
	33,421	31,073
Long-term debt		
Long-term loan from group company	**178,375**	193,878
Liabilities under finance leases more than 1 year	**29,058**	32,260
	207,433	226,138

Short-term and Long-term debt above include a long-term loan held with Siemens Holdings plc. The amount outstanding is £193,878k (2022: £208,819k) with a remaining term of 118 months and a fixed rate of 3.6029% per annum. The current portion of this loan, included in short-term debt is £15,503k (2022: £14,941k), which represents the capital repayment due within the next 12 month period.

The following table shows the discounted lease liabilities with movements during the period and a maturity analysis of the contractual undiscounted lease payments:

	2023	2022
Balance at beginning of the year	**46,381**	57,797
Additions	12,103	1,299
Accretion of interest	1,422	1,252
Payments	(16,071)	(13,967)
Balance at the end of the year	**43,835**	46,381
Split as:		
Current	**14,777**	14,121
Non-current	**29,058**	32,260

Maturity analysis - contractual undiscounted cash flows payable

Year	2023	2022
One year	16,413	15,312
Two years	11,950	12,821
Three years	8,852	8,294
Four years	5,015	5,100
Five years	1,099	3,267
Thereafter	6,404	7,502

Amounts recognised in income statement

	September 30, 2023	2022
Depreciation expenses of right of use assets	5,139	5,801
Interest on lease liabilities	1,422	1,252
Expenses relating to short term leases	583	868
Expenses relating to low value assets	847	1,485

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

	2023	September 30, 2022
Total cash outflow for leases	**(16,071)**	(13,967)

Contractual obligations

The Company has no lease contracts that have not yet commenced as at September, 30, 2023. The future lease payment obligations for these non-cancellable signed lease contracts amounted to £429k.

Company as a lessor

Amounts recognised in income statement

	2023	September 30, 2022
Interest income	**1,428**	1,259

The Company leases its owned land and buildings to other Siemens group companies and affiliates in the UK and the maturity analysis of its operating lease payments receivable is as below:

Year	2023	2022
One year	-	472
Two years	-	478
Three years	-	485
Four years	-	491
Five years	-	244

The property which was owned and being leased out, was sold during the year.

For other information relating to finance lease receivables please refer to note 11.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

24. Post-employment benefits

Post-employment benefits provided by the Company are organised through defined benefit plans, a defined contribution plan and an annual compensation arrangement.

In the year the Company participated in two defined benefit plans, one defined contribution plan and one annual compensation arrangement.

Siemens Benefits Scheme

Defined benefit plan

Siemens Benefits Scheme ("Scheme") is a defined benefit scheme with assets held in separate trustee administrated funds. The amount of contributions to be paid is decided jointly by the employer and the trustees of the Scheme. Assets held in trust are governed by UK regulations and practice. The Scheme's investment strategy is decided by the trustees, in consultation with the employer. The board of trustees must be composed of representatives of the employer and Scheme participants in accordance with the Scheme's legal documentation. The Company is one of a number of companies that participate in this Scheme, which provides benefits based on final pensionable pay.

All members and their respective defined benefit obligations are allocated to individual participating employers, and assets are allocated on a similar basis. These allocations allow net defined benefit costs to be charged to each company. Contributions for ongoing accrual in respect of active members are based on each company's payroll, whilst the distribution of deficit and lump sum payments is the responsibility of the principal and main participating employers.

The Company's share of the Scheme is analysed below:

Movement in the Company's share of the net amount recognised:

	September 30, 2023	2022
Company's share of the net amount recognised of the Scheme at beginning of year	**261,711**	597,988
Current service cost	**(104)**	(248)
Past service cost	-	(500)
Other finance income	**14,066**	10,161
Contributions paid	**1,491**	2,020
Remeasurements included in Statement of Comprehensive Income	**(136,557)**	(347,710)
Company's share of the net amount recognised of the Scheme at end of year	**140,607**	261,711

The past service cost in the prior year relates to an additional liability for a small number of existing members.

The disclosures which follow are for the Siemens Benefits Scheme as a whole, except where otherwise stated.

The movement in the Scheme surplus is split between operating charges and finance items, which are charged to the Statement of Income, contributions paid are charged to the Statement of Cash flows and remeasurement gains and losses, which are charged to the Statement of Comprehensive Income.

The numbers shown in this disclosure have been based on calculations carried out by a qualified independent actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the Scheme at September 30, 2023. The Scheme's assets are stated at their market values at September 30, 2023.

The Group Scheme covers 27,898 participants, including 795 active employees, 13,783 former employees with vested benefits and 13,320 retirees and surviving dependents. There are 25,125 Siemens plc participants of which 549 are active employees, 12,562 former employees with vested benefits and 12,014 retirees and surviving dependents.

The valuation used for IAS 19 disclosures has been based on a full assessment of the liabilities of the Siemens Benefits Scheme as at September 30, 2023. The present values of the defined benefit obligation ("DBO"), the related current service cost and any past service costs were measured using the projected unit credit method.

The Scheme is closed to new entrants. The salary linkage ceased for continuing members on January 1, 2023 and the last remaining members stopped accruing defined benefits in the scheme on June 30, 2023.

Remeasurement gains and losses have been recognised in the period in which they occur, (but outside the Statement of Income), through the Statement of Comprehensive Income.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

Reconciliation of funded status to Statement of Financial Position:

	September 30, 2023	2022
Fair value of Scheme assets	**2,830,823**	3,252,128
Present value of funded defined benefit obligations	**(2,699,458)**	(2,986,793)
Funded Status recognised in the companies' Statement of Financial Position	**131,365**	265,335

The element of the above funded status recognised in the Company's Statement of Financial Position is £140,607k (2022: £261,711k).

Defined benefit costs are as follows:

	Year ended September 30, 2023	2022
Current service cost	**104**	248
Past service cost	**-**	500
Net interest expense	**150,413**	71,816
Net interest income	**(164,666)**	(82,304)
Components of defined benefit cost / (income) recognised in the Statement of Income	**(14,149)**	(9,740)
Losses on Scheme assets (excluding amounts included in net interest expense and net interest income)	**447,112**	1,695,648
Remeasurement gains	**(297,502)**	(1,318,746)
Remeasurements of defined benefit scheme recognised in the Statement of Comprehensive Income	**149,610**	376,902
Defined benefit costs	**135,461**	367,162

The past service cost in the prior year relates to an additional liability for a small number of existing members.

The Company's components of defined benefit cost / (income) recognised in the Statement of Income is (£13,962)k (2022: (£9,413)k).

The Company's remeasurements recognised in the Statement of Comprehensive Income is £136,557k (2022: £347,710k).

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

Changes to the present value of the defined benefit obligation during the year:

		September 30,
	2023	2022
Defined benefit obligation at beginning of year	**2,986,793**	4,266,900
Current service cost	**104**	248
Past service cost	**-**	500
Interest expense	**150,413**	71,816
Remeasurements:		
Remeasurement gains from changes in demographic assumptions	**(51,701)**	(3,110)
Remeasurement gains from changes in financial assumptions	**(308,519)**	(1,471,554)
Experience losses	**62,718**	155,918
Scheme participants' contributions	**1,164**	744
Benefits paid	**(141,514)**	(150,357)
Business combinations, disposals and other	**-**	115,688
Defined benefit obligation at end of year	**2,699,458**	2,986,793

The Company's defined benefit obligation at the end of the year was £2,500,685k (2022: £2,765,624k).

Business combinations, disposals and other in the prior year relate to the transfer of net pension assets to the Scheme from the Electrium Pension Scheme.

The total DBO at the end of the year 2023 includes £136,352k for active employees (2022: £172,053k), £969,560k for former employees with vested benefits (2022: £1,144,019k) and £1,593,546k for retirees and surviving dependents (2022: £1,670,721k).

The weighted average duration of the DBO was 12.0 years (2022: 14.4 years).

Changes to the fair value of Scheme assets during the year:

		September 30,
	2023	2022
Fair value of Scheme assets at beginning of year	**3,252,128**	4,878,131
Interest income	**164,666**	82,304
Remeasurements:		
Losses on Scheme assets excluding amounts included in interest income and interest expense	**(447,112)**	(1,695,648)
Employer contributions	**1,491**	2,020
Scheme participants' contributions	**1,164**	744
Benefits paid	**(141,514)**	(150,357)
Business combinations, disposals and other	**-**	134,934
Fair value of Scheme assets at end of year	**2,830,823**	3,252,128

The Company's scheme assets had a fair value of £2,641,292k (2022: £3,027,335k) at the year end date.

Business combinations, disposals and other in the prior year relate to the transfer of net pension assets to the Scheme from the Electrium Pension Scheme.

Actuarial assumptions:

The main assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below.

The assumptions used for the calculation of the DBO as of the period-end of the preceding year are used to determine the calculation of service cost and interest income and interest expense of the following year. The interest income and interest expense for the year will be based on the discount rate at the beginning of the respective year multiplied by the net of the fair value of Scheme assets and the DBO at the preceding year's period-end date. The fair value of Scheme assets and DBO, and thus the interest income on Scheme assets and the interest expense on DBO, are adjusted for significant events after the year end, such as a supplemental funding, Scheme changes or business combinations and disposals.

Assumed discount rates, compensation increase rates, pension progression rates used in calculating the DBO vary according to the economic conditions.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

Main financial assumptions:

	Year ended September 30, 2023 % p.a.	2022 % p.a.
Inflation (RPI)	**3.20**	3.50
Inflation (CPI)	**2.50**	2.80
Rate of general long-term increase in salaries	**N/A**	3.30
Rate of increase to pensions in payment		
- inflation capped at 5% (RPI)	**3.00**	3.20
- inflation capped at 3% (RPI)	**2.30**	2.40
- inflation with a floor of 3% and a cap of 5% (RPI)	**3.70**	3.80
Discount rate for Scheme liabilities	**5.48**	4.77

Mortality assumptions:

The post-retirement mortality assumptions used in valuing the liabilities of the Scheme are based on the standard SAPS S3 tables scaled by a factor of 99.0% (2022: 99.0%) for males and 99.0% (2022: 99.0%) for females. In addition, there is an allowance for future longevity improvements in line with the central CMI2022 (2022: CMI2021) projections with a long term rate of improvement of 1.25% p.a (2022: 1.25%). The changes in mortality assumptions were adopted to reflect up-to-date conditions as of the remeasurement date.

Sensitivity analysis:

A one-half-percentage-point change of the established assumptions mentioned before, used for the calculation of the DBO as of September 30, 2023, would result in the following increase (decrease) of the DBO:

	Effect on DBO as of September 30, 2023 due to	
	One-half % Increase	**One-half % Decrease**
Discount rate	**(149,410)**	**159,041**
Rate of compensation increase	**-**	**-**
Rate of pension progression	**127,638**	**(120,980)**

In order to determine the longevity risk, the mortality rates were reduced by 10% for all beneficiaries. The impact on the DBO amounts to £67,869k as of September 30, 2023. i.e. the adjustment of the mortality rates by 10% results in an increase of life expectancy depending on the individual age of each beneficiary. That means for example, that the life expectancy of a male employee aged 55 years as of September 30, 2023, increases by 0.8 years.

When calculating the sensitivity of the DBO to significant actuarial assumptions the same method (present value of the DBO calculated with the projected unit credit method) has been applied as when calculating the pension obligation recognised in the Statement of Financial Position. Increases and decreases in the discount rate, rate of compensation increase and rate of pension progression which are used in determining the DBO do not have a symmetrical effect on the DBO primarily due to the compound interest effect created when determining the net present value of the future benefit. If more than one of the assumptions were changed simultaneously, the cumulative impact would not necessarily be the same as if only one assumption was changed individually. Furthermore, the sensitivities reflect a change in the DBO only for a change in the assumptions in this exact magnitude, i.e. 0.5%. If the assumptions change at a different level, the effect on the DBO is not necessarily linear.

There were no changes in the methods used in preparing the sensitivity analyses.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

Disaggregation of Scheme assets:

The asset allocation of the Scheme is as follows:

	September 30, 2023			September 30, 2022		
Asset Class	**Quoted market price in active market**	**No quoted market price in active market**	**Total**	Quoted market price in active market	No quoted market price in active market	Total
Equity securities:						
International equities	**174,374**	**-**	**174,374**	-	-	-
	174,374	**-**	**174,374**	-	-	-
Fixed income securities:						
Government bonds	**765,581**	**-**	**765,581**	868,039	-	868,039
Corporate bonds	**170,446**	**-**	**170,446**	328,280	-	328,280
Other	**-**	**250,700**	**250,700**	-	219,000	219,000
	936,027	**250,700**	**1,186,727**	1,196,319	219,000	1,415,319
Alternative investments:						
Real estate	**-**	**21,126**	**21,126**	-	33,742	33,742
	-	**21,126**	**21,126**	-	33,742	33,742
Multi strategy funds	**269,020**	**-**	**269,020**	466,890	-	466,890
Derivatives:						
Interest risk	**-**	**(9,510)**	**(9,510)**	-	6,485	6,485
Foreign currency risk	**-**	**-**	**-**	-	(24,198)	(24,198)
Credit, Inflation and Price risk	**-**	**7,254**	**7,254**	-	(158)	(158)
	-	**(2,256)**	**(2,256)**	-	(17,871)	(17,871)
Cash and other assets	**56,128**	**1,125,704**	**1,181,832**	132,908	1,221,140	1,354,048
Total	**1,435,549**	**1,395,274**	**2,830,823**	1,796,117	1,456,011	3,252,128

The Scheme assets do not include any transferable financial instruments of the Company or property occupied by the Company.

The trustee of the Scheme has produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995. This statement sets out the trustee's investment objectives and strategy. The trustee sets investment strategy taking into account the Scheme's liabilities, the strength of the funding position and the trustee's appetite to risk, after taking appropriate investment advice. The trustee has allocated the Scheme's assets to a mix of asset classes, primarily bonds (fixed and index-linked gilts and other non-gilt bonds), but also other investments including (but not limited to) qualifying insurance policies, equities, infrastructure and property. Derivative contracts are used to manage a portion of the interest rate and inflation exposure of the liabilities and separately to manage exchange rate risk arising from the Scheme's investments outside of the UK.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

Future cash flows:

Employer contributions expected to be paid to the Scheme in 2024 are £1,425k, of which employer deficit funding contributions are £nil.

Under the Pension Act 2004, every UK defined benefit scheme is subject to a statutory funding objective which requires the scheme to hold sufficient and appropriate assets to cover it's "technical provisions". These provisions are determined at least every three years following agreement between the Company and the trustees of the scheme upon the assumptions to be used in the valuation. Assumptions agreed in this triennial process are not necessarily the same as those used in the annual IAS 19 calculations, where the Directors of the Company select the assumptions to be used.

Any technical provisions' shortfall arising is required to be remedied, and a recovery plan is agreed between the trustees and the Company, which will take into account financial and demographic factors for each scheme, as well as the financial strength (covenant) of participating employers. The timing and length of any recovery plan reflects the circumstances of each scheme, and results in a Schedule of Contributions which is signed by both Company and trustees (the employer contributions expected to be paid for the following year are stated above).

The effective date of the most recent triennial valuation for the Siemens Benefit Scheme was September 30, 2020.

A proportion of the employee contributions are made via a salary sacrifice arrangement. For the purposes of these disclosures, these notional employee contributions have been excluded from the service cost as have expected Age Related Rebates. They have also been excluded from the estimate of next year's employer contributions set out above.

Expected pension benefit payments:

	Year ended September 30,
2024	**157,502**
2025	**144,201**
2026	**152,601**
2027	**161,540**
2028	**170,282**
2029-2033	**913,522**

The High Court case of Virgin Media Ltd v NTL Pension Trustees II Ltd & Ors has ruled that amendments to UK contracted out pension schemes' rules made between 6 April 1997 and 5 April 2016 are invalid and void if the correct actuarial confirmation was not received at the time. An appeal hearing is scheduled for 25 June 2024.

The Company is aware of this ruling and has liaised with the pension scheme's Trustee (and their legal and actuarial advisors) on this matter, given that some sections of the Siemens Benefits Scheme were contracted out. The Company has no reason to believe that the required actuarial confirmation would not have been provided at the time of past changes to the Rules during that period and that any amendments are therefore valid. The requirement for actuarial confirmation was well known and the Trustee, in combination with its legal and actuarial advisors, had robust processes in place. The amounts and disclosures in these financial statements have therefore been prepared on this basis. The Company will continue to monitor the case and liaise with the Scheme Trustees as appropriate.

Siemens Electric Plan Section of the Mercer DB Master Trust

Defined benefit plan

The company set up a new section of the Mercer DB Master Trust in the year for 3 members.

For the year ending September 30, 2023 the pension scheme surplus of £16k is carried on the Statement of Financial Position.

The defined benefit cost / (credit) recognised in the Statement of Income is £10k.

The remeasurements gain recognised in the Statement of Comprehensive Income is £1k.

The employer contributions paid into the plan in the year were £25k.

Annual Compensation Payments

The company reports a post-employment arrangement for 6 former employees.

For the year ending September 30, 2023 the liability of £(628)k is carried on the Statement of Financial Position.

The defined benefit cost / (credit) recognised in the Statement of Income is £134k.

The remeasurements (loss) recognised in the Statement of Comprehensive Income is £(529)k.

The benefits paid in the year were £35k.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

Defined contribution plan

The Company participates in a defined contribution pension plan. The pension cost charge for the period represents contributions payable by the Company to the Scheme and amounted to £11,664k (2022: £11,374k).

25. Provisions

Provisions changed during 2023 as follows:

	Warranties	Order related losses and risks	Asset retirement obligations	Other	Total
Balance at beginning of year	3,912	48	871	2,435	7,266
Additions	1,885	26	-	714	2,625
Usage	(86)	(7)	(165)	(217)	(475)
Reversals	(2,055)	(42)	(264)	(176)	(2,537)
Reclassification to liabilities held for disposal	(9)	-	-	(1)	(10)
Balance at end of year	**3,647**	**25**	**442**	**2,755**	**6,869**
Current provisions					**3,193**
Non-current provisions					**3,676**

Warranties

Warranties relate to products and services sold. See note 2 for further information concerning the Company's policy for estimating warranty provisions.

Order related losses and risks

Provisions for order related losses and risks are recognised for anticipated losses on uncompleted construction, sales and other contracts.

Asset retirement obligation

Provisions for asset retirement obligations are the aggregate of the estimated discounted cash flows of obligations associated with the retirement of tangible long-lived assets.

Other provisions

Other provisions are estimated obligations for the dilapidations for the leased properties and legal matters.

26. Share capital

Allotted, called up and fully paid:

	September 30, 2023	2022
1,000,000 (2022: 1,000,000) Ordinary Shares of £1 each	**1,000**	1,000

27. Commitments and contingencies

Guarantees and other commitments

The Company issued guarantees or indemnified the issuers of performance bonds in respect of contractual obligations totalling £17,723k (2022: £34,036k). These agreements have terms typically ranging between 1 and 7 years.

Included in the 2023 figure is £17,723k in relation to businesses which have previously been disposed of where the guarantee has not yet been novated (2022: £27,660k). The Company has indemnities in place to cover these guarantees.

Contingent liabilities

As of September 30, 2023 and 2022 there were no contingent liabilities to disclose.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

28. Share-based payments

Share-based payment awards may be settled in newly issued shares of capital stock of Siemens AG, in treasury shares or in cash. Share-based payment awards may forfeit if the employment of the beneficiary terminates prior to the expiration of the vesting period. Total pre tax expense for share-based payment recognised in Siemens plc net income for continuing and discontinued operations amounted to £1,206k and £1,112k for the year ended September 30, 2023 and 2022 respectively, and refers primarily to equity-settled awards.

Stock awards

The Company grants stock awards to members of the Managing Board, members of the senior management and other eligible employees. Stock awards are subject to a restriction period of about four years and entitle the beneficiary to Siemens shares without payment of consideration following the restriction period.

Stock awards are tied to performance criteria. The annual target amount for stock awards can be bound to the average of earnings per share (EPS, basic) of the past three years and / or to the share price performance of Siemens relative to the share price performance of five important competitors during the four-year restriction period. The target attainment for the performance criteria ranges between 0 % and 200 %. If the target attainment of the prospective performance-based target of Siemens stock relative to five competitors exceeds 100 %, an additional cash payment results corresponding to the outperformance.

In the year ended September 30, 2023 Siemens AG granted 21,761 (2022: 18,881) stock awards to 188 employees (2022: 262 UK employees). Details on stock award activity and weighted average grant-date fair value are summarised in the table below:

	Year ended September 30,		Year ended September 30,	
	Awards	**Weighted average grant-date fair value (€)**	Awards	Weighted average grant-date fair value (€)
	2023	**2023**	2022	2022
Non-vested, beginning of period	**73,180**	**59.63**	72,721	52.57
Granted	**21,761**	**80.42**	18,881	93.16
Vested	**(9,285)**	**50.89**	(9,924)	66.27
Forfeited	**(19,644)**	**81.36**	(8,498)	73.07
Merger	**(1,001)**	**60.91**	-	-
Non-vested, end of period	**65,011**	**70.63**	73,180	59.63
Weighted average vesting period (in years)		1.18		1.30

Fair value was determined as the market price of Siemens shares less the present value of dividends expected during the four year or three year vesting period. Total fair value of stock awards granted in 2023 and 2022 amounted to €1,750k and €1,759k respectively.

Share-matching program and its underlying plan

In year 2023, Siemens issued a new tranche under each of the plans of the Share Matching Program.

Share - matching plan

Under the Share Matching Plan senior managers may invest a specified part of their variable compensation in Siemens shares (investment shares). The shares are purchased at the market price at a predetermined date in the second quarter. Plan participants receive the right to one Siemens share without payment of consideration (matching share) for every three investment shares continuously held over a period of about three years (vesting period) provided the plan participant has been continuously employed by Siemens until the end of the vesting period.

Monthly Investment Plan

Under the Monthly Investment Plan employees other than senior managers may invest a specified part of their compensation in Siemens shares on a monthly basis over a period of twelve months. Shares are purchased at market price at a predetermined date once a month. If the Managing Board decides that shares acquired under the Monthly Investment Plan are transferred to the Share Matching Plan, plan participants will receive the right to matching shares under the same conditions applying to the Share Matching Plan described above.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

Share Incentive Plan

Siemens Share Incentive Plan was introduced in financial year 2019 for the UK employees. The concept was similar to the Share Matching Program whereby if you buy three shares in Siemens AG, you get an additional free matching share. It was a tax advantaged share ownership program designed to encourage employee share ownership in the UK. The maximum investment amount was £1,800 or 10% of your annual salary (if this was lower). Matching shares were allocated together with the acquisition of investment shares. If the investment shares and the matching shares were held for another two years in addition to a three year vesting period (five years in total), these were free of income tax and NIC when withdrawn from the plan. The Share Incentive Plan finished in February 2023.

In the year ended September 30, 2023 Siemens AG granted 2,665 (2022: 2,574) shares to 528 (2022: 587) UK employees.

Details on share matching plan activity and weighted average grant-date fair value are summarised in the table below:

	Year ended September 30,		**Year ended September 30,**	
	Awards	**Weighted average grant-date fair value (€)**	Awards	Weighted average grant-date fair value (€)
	2023	**2023**	2022	2022
Non-vested, beginning of period	**5,616**	**106.73**	7,625	81.18
Granted	**2,665**	**105.14**	2,574	124.65
Vested	**(2,894)**	**93.08**	(3,879)	69.67
Forfeited	**626**	**111.94**	704	100.86
Merger	**(112)**	**112.29**	-	-
Non-vested, end of period	**4,649**	**113.46**	5,616	106.73
Weighted average vesting period (in years)		**0.72**		0.86

Fair value was determined as the market price of Siemens shares less the present value of expected dividends taking into account non-vesting conditions. Total fair value of shares granted under the share matching plan in 2023 and 2022 amounted to €280k and €321k respectively.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

29. Additional disclosures on financial instruments

This section gives a comprehensive overview of the significance of financial instruments for the Company and provides additional information on Statement of Financial Position items that contain financial instruments.

The following table presents the carrying amounts of each category of financial assets and liabilities:

	September 30, 2023	2022
Financial assets		
Financial assets measured at amortised cost	**470,093**	394,669
Derivatives not designated in a hedge accounting relationship	**92**	163
	470,185	394,832
Financial liabilities		
Financial liabilities measured at amortised cost	**321,223**	344,743
Derivatives not designated in a hedge accounting relationship	**37**	217
	321,260	344,960

The following table presents the fair values and carrying amounts of financial assets and liabilities measured at cost or amortised cost:

	September 30, 2023		2022	
	Fair value	Carrying value	Fair value	Carrying value
Financial assets measured at cost or amortised cost				
Trade and other receivables	**443,452**	**443,452**	370,047	370,047
Other current financial assets	**3,306**	**3,306**	517	517
Other assets	**23,335**	**23,335**	24,105	24,105
	470,093	**470,093**	394,669	394,669
Financial liabilities measured at cost or amortised cost				
Trade and other payables	**78,494**	**78,494**	86,091	86,091
Other current financial liabilities	**35,296**	**35,296**	32,514	32,514
Other financial liabilities	**207,433**	**207,433**	226,138	226,138
	321,223	**321,223**	344,743	344,743

The fair values of cash and cash equivalents, current receivables, other current financial assets, other assets, trade payables and other liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

Fixed-rate and variable-rate receivables, including receivables from finance leases, are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As of September 30, 2023 and 2022, the carrying amounts of such receivables, net of allowances, approximate their fair values.

Financial assets and liabilities measured at fair value are presented in the following table:

	September 30,	
	2023	2022
Financial assets measured at fair value		
Derivative financial instruments	**92**	163
Not designated in a hedge accounting relationship	***92***	*163*
Financial liabilities measured at fair value		
Derivative financial instruments	**37**	217
Not designated in a hedge accounting relationship	***37***	*217*

The Company limits default risks from derivative instruments by a careful counterparty selection. Derivative instruments are generally transacted with financial institutions with investment grade credit ratings. The fair valuation of derivative financial instruments at Siemens incorporates all factors that market participants would consider, including the counterparties' credit risks. The exact calculation of fair values for derivative financial instruments depends on the specific type of instrument:

Derivative currency contracts — The fair value of forward foreign exchange contracts is based on forward exchange rates. Currency options are valued on the basis of quoted market prices or on estimates based on option pricing models.

In determining the fair values of the derivative financial instruments, no compensating effects from underlying transactions (e.g. firm commitments and forecast transactions) are taken into consideration.

Fair value hierarchy

The Company analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted price in active markets for identical assets or liabilities,
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices): and
- Level 3: inputs for assets and liabilities, not based on observable market data.

All of the Company's derivative financial instruments as at September 30, 2023 and 2022 are categorised as level 2.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

Net gains / (losses) of financial instruments are as follows:

		September 30,
	2023	2022
Loans and receivables	**(384)**	(602)
Derivatives without a hedging relationship	**(44)**	133
Financial assets / (liabilities) measured at amortised cost	**1,220**	(1,386)

Net losses on loans and receivables contain changes in valuation allowances, gains or losses on derecognition as well as recoveries of amounts previously written off.

Net (losses) / gains on derivatives without a hedging relationship consist of changes in the fair value of derivative financial instruments (including interest income and expense), for which hedge accounting is not applied.

Net gains / (losses) on financial assets and liabilities measured at amortised cost include gains and losses on financial receivables and payables from group companies, gains and losses on other monetary Statement of Financial Position items, denominated in foreign currency. It also includes losses and recoveries of write offs on receivables, miscellaneous assets and liquid assets.

Net gains / (losses) on financial assets and liabilities measured at amortised cost are comprised of gains or losses from derecognition and the ineffective portion of fair value hedges.

Collateral

The Company does not hold any collateral that can be sold or re-pledged in the absence of default by the owner on contractual terms. Nor does the Company pledge its financial assets as collateral to third parties.

Derivative financial instruments and hedging activities

The following is a summary of the Company's risk management strategies and the effect of these strategies on the financial statements.

Foreign currency exchange risk management

As part of the Company's risk management program, a variety of derivative financial instruments are used to reduce risks resulting primarily from fluctuations in foreign currency exchange rates, as well as to reduce credit risks.

The fair value of each type of derivative financial instrument recorded as financial assets or financial liabilities is as follows:

		2023		2022
	Asset	**Liability**	Asset	Liability
Foreign currency exchange contracts without hedging relationship	**92**	**37**	163	217
	92	**37**	163	217

The Company's significant transactions in foreign currencies expose it to significant foreign currency exchange risks in the ordinary course of business. The Company employs various strategies, discussed below, involving the use of derivative financial instruments to mitigate or eliminate certain of those exposures.

Derivative financial instruments not designated in a hedging relationship

The Company manages its risks associated with fluctuations in foreign currency denominated receivables, payables, debt, firm commitments and forecast transactions primarily through a Company-wide portfolio approach. Under this approach the Company-wide risks are aggregated centrally, and various derivative financial instruments, primarily foreign exchange contracts, are utilised to minimise such risks. Where hedge accounting does not apply, all such derivative financial instruments are recorded at fair value on the Statement of Financial Position, either in line items *Other current financial assets* or *Other current financial liabilities,* and changes in fair values are charged to *net income or loss.*

The Company also has foreign currency derivative instruments, which are embedded in certain sale and purchase contracts denominated in a currency that is neither the functional currency of the substantial parties to the contract nor a currency which is commonly used in the economic environment in which the contract takes place. Gains or losses relating to such embedded foreign currency derivatives are reported in Cost of sales in the Statement of Income. 2023: £nil (2022: £nil).

Hedging activities

The Company applies hedge accounting for certain significant anticipated transactions and firm commitments denominated in foreign currency. Particularly, the Company entered into foreign currency exchange contracts to reduce the risk of variability of future cash flows resulting from forecast sales and purchases and firm commitments. This risk results mainly from contracts denominated in U.S dollars, DKK and Euros both from Siemens' business units entering into long-term contracts, for example project business, and from standard product business.

Cash flow hedges — The effective portion of the changes in fair value of forward exchange contracts that were designated as foreign currency cash flow hedges are recorded in *Other Comprehensive Income.* The ineffective portion is recorded in the Statement of Income. During the years ended *September 30, 2023* and *2022, £nil* and *£nil* respectively were reclassified from *Other Comprehensive Income* into net income because the occurrence of the related hedged forecasted transaction was no longer probable.

As of September 30, 2023 the maximum length of time over which the Company is hedging its future cash flows associated with foreign currency forecasted transactions is 3 months.

Financial risk management

Market risk

Market fluctuations may result in significant cash flow and profit volatility risk for Siemens plc. Its UK and worldwide operating business as well as its investment and financing activities are affected by changes in foreign exchange rates, interest rates and equity prices. To optimise the allocation of the financial resources across the Company, as well as to secure an optimal return for its shareholder, the Company identifies, analyses and proactively manages the associated financial market risks.

The Company seeks to manage and control these risks primarily through its regular operating and financing activities and uses derivative instruments when deemed appropriate.

Management of financial market risk is a key priority for the Company's key management and directors. As a member of the Company's management, the Finance Director or Chief Financial Officer covers the specific responsibility for this part of the overall risk management system. At the highest level, the directors retain ultimate accountability. For practical business purposes, the directors delegate responsibilities to key management.

Any market sensitive instruments, including equity and interest bearing investments that the Company's pension plans hold, are not included in the following quantitative and qualitative disclosure. For additional information see note 24.

Credit risk

The Company is exposed to credit risk in connection with its external sales. Credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligations in due time, if the value of financial uncertainty may cause customer default rates to increase and collateral values to decline. The effective monitoring and controlling of credit risk is a core competency of the Company's risk management system. Customer ratings, analysed and individual customer limits, are based on generally accepted rating methodologies, the input from external rating agencies and Siemens default experiences. Credit evaluations and ratings are performed on all customers with an exposure or requiring credit beyond a defined limit and are carefully considered in determining the conditions under which direct or indirect financing will be offered to customers. The Company's customers are principally large commercial or public sector organisations that have low credit risk. Credit risk is recorded and monitored on an ongoing basis.

Concerning trade receivables and other receivables, as well as other receivables included in *Other financial assets* that are neither impaired nor past due, there were no indications as of September 30, 2023, that defaults in payment obligations will occur.

Interest rate risk

The Company's interest rate risk exposure is mainly related to interest-bearing deposits held with local banks and amounts invested with / drawn down from Siemens AG as part of the cash pooling facility across the worldwide group.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

The approximate impact on the Statement of Income of a 1% fluctuation in interest rates would be £603k in 2023.

Equity price risk

The Company does not hold investments in publicly traded companies. No equity price risk is therefore foreseen for the Company.

Foreign currency exchange rate risk

Transaction risk and currency management

Transaction risk and currency management risk from Siemens' international operations expose the Company to foreign currency exchange risks in the ordinary course of business. The Company employs various strategies discussed above involving the use of derivative financial instruments to mitigate or eliminate certain of those exposures.

Foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. If the Company is conducting business with international counterparties that leads to future cash flows denominated in a currency other than its functional currency it is exposed to the risk from changes in foreign exchange rates. The risk is mitigated by closing all types of business transactions (sales and procurement of products and services as well as investment and financing activities) mainly in the functional currency. In addition, the foreign currency exposure is partly balanced by purchasing of goods, commodities and services in the respective currencies as well as production activities and other contributions along the value chain in the local markets.

The Company does not borrow or invest in foreign currencies on a speculative basis.

The Group has established a foreign exchange risk management system that has an established track record for years. The Company is responsible for recording, assessing, monitoring, reporting and hedging its foreign currency transaction exposure.

The Company defines foreign currency exposure generally as balance sheet items in addition to firm commitments which are denominated in foreign currencies, as well as foreign currency denominated cash inflows and cash outflows from anticipated transactions for the following three months.

The tables below show the net foreign exchange transaction exposure by major currencies as of September 30, 2023 and 2022:

As at September 30, 2023	**US$**	**Euro**	**Other**	**Total**
Gross Statement of Financial Position exposure	**(31)**	**(3,104)**	-	**(3,135)**
Thereof: Financial asset	-	*94*	-	*94*
Thereof: Financial liabilities	*(31)*	*(3,198)*	-	*(3,229)*
Gross exposure from firm commitments and anticipated transactions	**(372)**	**(11,398)**	**(3)**	**(11,773)**
Foreign exchange transaction exposure	**(403)**	**(14,502)**	**(3)**	**(14,908)**
Economically hedged exposure	**(443)**	**831**	-	**388**
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	(85)	(1,367)	-	(1,452)

As at September 30, 2022	**US$**	**Euro**	**Other**	**Total**
Gross Statement of Financial Position exposure	**(552)**	**(4,998)**	**(1)**	**(5,551)**
Thereof: Financial liabilities	*(552)*	*(4,998)*	*(1)*	*(5,551)*
Gross exposure from firm commitments and anticipated transactions	(376)	(17,550)	(18)	(17,944)
Foreign exchange transaction exposure	**(928)**	**(22,548)**	**(19)**	**(23,495)**
Economically hedged exposure	-	4,690	-	4,690
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	(93)	(1,786)	(2)	(1,881)

It is Siemens AG's group policy to use 10% to analyse the sensitivity of currency fluctuations.

Liquidity risk

Liquidity risk results from the Company's potential inability to meet its financial liabilities, e.g. settlement of its financial debt, paying its suppliers and settling finance lease obligations. Beyond effective net working capital and cash management, the Company mitigates liquidity risk by arranging borrowing facilities with other Siemens companies. Amounts payable to other group companies are repayable on demand, but historically other Siemens companies have not demanded repayment of these intercompany balances.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

The following table reflects all contractually fixed undiscounted pay-offs for settlement, repayments and interest resulting from recognised financial liabilities.

	2023	2024	2025 to 2027	2028 and thereafter
Non derivative financial liabilities	115,426	11,950	14,966	6,404
Obligations under leases	16,413	11,950	14,966	6,404
Trade and other payables	78,494	-	-	-
Other financial liabilities	20,519	-	-	-

Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at September 30, 2023.

The Company has £5,862k (2022: £6,662k) amounts due to group companies included in trade payables. Historically other group companies have not demanded repayment of these intercompany balances.

Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the Company's ongoing operations such as property, plant, equipment and investments in working capital – e.g. inventories and trade receivables. These assets are considered in the Company's overall liquidity risk.

To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, Siemens has established a comprehensive risk reporting covering its worldwide business units.

The balanced view of liquidity and financial indebtedness is stated in the calculation of the net liquidity amount and is used for internal management. It results from the total amount of cash and cash equivalents, amounts receivable from and due to group companies within the group cash pooling facility and finance leases with Siemens Financial Services as stated on the Statement of Financial Position. The amounts receivable and due to group companies reported below are held with Siemens AG (Siemens Financial Services division) in the group cash pooling facility. For further information, refer to the *Statement of Cash Flows.*

The following table reflects the calculation of the Company's net liquidity:

	September 30, 2023	2022
Receivables from group companies	60,331	39,425
Total liquidity	60,331	39,425
Short term debt and current maturities of long term debt	(18,644)	(16,952)
Liabilities under leases	(43,835)	(46,381)
Amounts due to group companies	(5,862)	(6,662)
Long term debt	(178,375)	(193,878)
Total debt	(246,716)	(263,873)
Net debt	(186,385)	(224,448)

In addition to the balances above, which are held with Siemens AG in the group cash pooling facility, receivables from Siemens group companies of £295,208k (2022: £236,992k), and amounts due to Siemens group companies of £5,605k (2022: £6,406k) are held outside this facility. Historically other Siemens group companies have not demanded repayment of these intercompany balances.

Capital Management

The Company defines its capital structure as net debt and equity. The primary objective of the Company's capital management is to ensure that it makes optimal use of the working capital generated from its trading profits. The Company's management focus is on generating positive cash flow from operations and maintaining a positive relationship of the Company's current assets and current liabilities.

The current ratio for 2023 was 2.58 (2022: 2.39). The Company also has access to Siemens AG cash pooling arrangement when necessary.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

30. Related party transactions

Transactions between the Company and its subsidiaries and associates are disclosed below.

(a) During the year, the Company entered into the following transactions with related parties:

	Sales of goods		Rental income and other services sold		Purchases of goods		Rental expense and other services purchased		Interest income		Interest expense	
	Year ended 2023	Year ended 2022	**Year ended 2023**	Year ended 2022	**Year ended 2023**	Year ended 2022	**Year ended 2023**	Year ended 2022	**Year ended 2023**	Year ended 2022	**Year ended 2023**	Year ended 2022
Parent company	**-**	-	**972**	1,016	**-**	-	**-**	-	**-**	-	**7,254**	7,784
Other Siemens group companies	**133,029**	92,341	**76,421**	56,433	**231,848**	214,212	**1,270**	2,723	**12,322**	(1,870)	**656**	582

Sales of goods to related parties were made at the Company's usual list prices. Purchases were made at market price.

	Transfers of other assets		Transfers of research and development	
	Year ended 2023	Year ended 2022	**Year ended 2023**	Year ended 2022
Other Siemens group companies	**(8)**	-	**6,143**	5,505

(b) Year end balances arising from sales / purchases of goods:

	Amounts owed by related parties		Amounts owed to related parties	
	2023	2022	**2023**	2022
Other Siemens group companies	**12**	202	**1,084**	2,191

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

The amounts owed to group companies for purchases of goods given above are disclosed within inventory in 2023 and 2022.

(c) Year end balances arising from loans to / from related parties:

	Amounts owed by related parties		Amounts owed to related parties	
	2023	2022	**2023**	2022
Parent company	**-**	-	**195,658**	210,736
Other Siemens group companies	**355,531**	276,376	**3,526**	2,805

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of £)

31. Remuneration of key management personnel

The remuneration of the key management personnel of the Company is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	Year ended September 30,	
	2023	2022
Short-term employee benefits	**1,093**	1,264
Post-employment benefits	**28**	36

32. Subsequent events

On October 1, 2023 the assets and liabilities of the Digital Industries Low Voltage Motors, Geared Motors and Weiss Spindeltecnologie business were sold to Innomotics Motors and Large Drives Limited (formerly Siemens Large Drives Limited), another Siemens group company, for consideration of £5.8m, resulting in a pre-tax gain on disposal of £4.2m.

33. Ultimate parent undertaking

The ultimate parent undertaking is Siemens AG, incorporated in Germany. Siemens AG is the only group undertaking of which the Company is a member for which group financial statements are prepared. Copies of the group financial statements are available on the internet at https://www.siemens.com/global/en/company/investor-relations/events-publications-ad-hoc/annualreports.html or obtained from:

Siemens AG
Werner-von-Siemens-Strasse 1
D-80333 Munich
Germany

The immediate parent undertaking is Siemens Holdings plc, a company incorporated in England and Wales.

34. Dividends paid

	Year ended September 30,	
	2023	2022
Dividends paid	-	110,000

In 2022 a dividend of £110m was paid to the immediate parent undertaking (see note 33) of £110 per share. No dividends were paid in 2023.