

**ANNUAL PRESS CONFERENCE 2019**  
**SIEMENS DELIVERS STRONG Q4,**  
**FISCAL-YEAR GUIDANCE FULLY ACHIEVED**  
**IN ALL RESPECTS**

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Check against delivery

**[Joe Kaeser]**

Good morning, ladies and gentlemen, and welcome to our Annual Press Conference here at Wittelsbacherplatz. Good morning as well to all of you who've joined us today via the Internet. Today, you see before you a relaxed and satisfied CFO. That's always a good sign. In fact, we can look back on what was, above all, relatively speaking a successful fiscal 2019 and are very well positioned for the future.

I say a relatively good fiscal year because the weakening of the global economy accelerated considerably during fiscal 2019. Nevertheless, we were again able to showcase Siemens' performance capabilities with a brilliant fourth quarter. We fully achieved our fiscal-year guidance in all respects, despite the headwinds!

Our Vision 2020+ strategy concept is beginning to gain traction. It includes, in particular, the planned public listing of Siemens Energy. This move is a high priority. That's why Michael Sen has joined us today and will report on the progress we're making in this important matter.

In a moment, Ralf Thomas will discuss the fourth quarter and our individual businesses in greater detail.

But first, I'd like to give you an overview of the full fiscal year.

- On a comparable basis, orders increased by a substantial six percent year-over-year to €98 billion. With growth of 16 percent, Mobility, in particular, made a significant contribution this regard.
- Revenue grew a moderate three percent to €87 billion, on a comparable basis, fueled in part by a very strong fourth quarter.
- The book-to-bill ratio, the relation of orders to revenue, was a very solid 1.13 and gave us another record order backlog.

The company's profitability also remains at a high level. Net income was €5.6 billion.

This figure is indeed below the prior-year level. However, net income in fiscal 2018 included positive effects like the transfer of our Atos shares to the Siemens Pension Trust and the sale of Osram shares with a value of €1.5 billion.

- Excluding severance charges, our Industrial Businesses achieved an adjusted EBITA margin of 11.5 percent, placing us right in the middle of our guidance range of 11 percent to 12 percent.
- Basic earnings per share, excluding severance charges, were €6.93. In fiscal 2018, basic earnings per share – excluding the Atos and Osram effects that I just mentioned – were €6.01. That's an increase of 15 percent.

We fully achieved our fiscal-year guidance. As a result, we can put a green checkmark next to all four of our guidance values.

While many other industrial companies had to revise their outlooks, and some conglomerates had to struggle even more to survive, we kept our word.

And we've been doing it for quite some time. These financial statements mark the sixth year in a row that we've either reached or exceeded our guidance, even when we raised it during the year – as we did from 2016 to 2018. This wasn't always the case at Siemens. We can be proud of our current winning streak.

Without a strong, concerted team effort, something like this would have been inconceivable. I'd like to take this opportunity to express my sincere thanks to all our more than 385,000 employees worldwide for their contributions!

More and more new members are joining this great team. In the past fiscal year, we brought more than 43,000 new employees on board, including 5,300 in Germany. All in all, we increased the net size of our workforce by more than 6,000.

We hire, we train, and we seek and find perspectives for company locations that are undergoing structural change – locations like our facility in Görlitz, Germany. Even though finding a solution for Görlitz first required my direct involvement.

Fiscal 2019 was a special year in many respects. Politically, technologically, macroeconomically – and also at Siemens.

With our Vision 2020+ company concept, we initiated the biggest transformation in our company's 172-year history. This is a significant – perhaps even historic – milestone: structurally, economically and emotionally.

While tackling this task, which is tremendous in every respect, we haven't lost sight of our ongoing business or, above all, of our customers. Because customer interfaces, in particular, are the most sensitive part of any realignment. This aspect requires particular caution.

That's why we've been paying very close attention to our customers. And we're pleased by what the customer satisfaction metrics show.

Since 2013, we've improved our Net Promoter Score – our so-called recommendation rate – by more than 70 percent. From 2018 to 2019, we raised it again significantly.

Today, 70 percent of Siemens customers consider us their most trusted partner. And this trust takes a tangible form. It's reflected in very concrete orders.

Our order backlog has reached the new record level of €146 billion. By way of comparison: in fiscal 2013, it was still at €100 billion. And in terms of their margins, today's orders are also at a high qualitative level.

Here are a few examples of our new orders and the highlights of fiscal 2019:

Let's start with our Industrial Core:

- At **Digital Industries**, we forged and expanded a number of important partnerships. One key, forward-looking partnership is with Volkswagen. As an integration partner, we're leveraging MindSphere, our open IoT platform, and our automation platforms to support Volkswagen in developing a new industrial cloud at all 122 of its plants.
- At **Smart Infrastructure**, too, there were a large number of outstanding orders and extraordinary customer successes during the year. In the standard products business, there are always too many highlights to single out any one individually.
- Our strong **Mobility business** has also proven that it continues to be the first choice for customers throughout the world. I'd like to highlight just two major orders from among many: the order from Russian Railways for Velaro RUS trains and the new metro trains for the London Tube. Together, these two orders have a volume of €2.8 billion.

And now, to our energy business:

- The market environment remained challenging and price pressure was enormous. Nevertheless, we overcame a great deal of opposition – including some in very high quarters – to win orders for the Energy Roadmap for Iraq. We're rebuilding energy supplies in a region that urgently needs a functioning infrastructure and prospects for the future.

Customer satisfaction generates orders. And innovation ensures that they'll continue in the future and can be profitably executed. In fiscal 2019, we invested €5.7 billion in research and development, over 40 percent more than in 2014. This also means that the substantial improvements in our margins since 2013 haven't been at the expense of our future.

For fiscal 2020, we expect to see a further increase to €5.8 billion.

We're making focused investments in innovation – in particular, in the specific business areas that have strong growth prospects.

For example, we're expanding our industrial digitalization portfolio to include artificial intelligence, edge computing, 5G and cloud solutions and are thus also expanding our digital services.

With the presentation of Vision 2020+ in August 2018, we became the world's first major industrial company to put its "purpose" at the forefront of its business activities. Serving society. That's our purpose. It makes society our fourth stakeholder – alongside our employees, our customers and our shareholders.

And it's a good sign that nearly 200 top CEOs in the U.S., who've joined forces in the Business Roundtable, have now committed their companies to the service of society – something we did some time ago.

We're pleased that our commitment to sustainability and our understanding of "inclusive capitalism" are finding followers and recognition. And we're particularly pleased that the world agrees with our approach: *Fortune* magazine in the U.S. has ranked us "the most admired company" in our industry for the fourth year in a row. The Siemens brand is more highly regarded today than ever before! And we'd like it to keep it that way in 2020.

But the prerequisite for social relevance is economic strength. And this strength Siemens has.

My Managing Board colleague Ralf Thomas will now tell you about the fourth quarter and our individual businesses in greater detail.

[Ralf P. Thomas]

Thank you and good morning everyone.

Today, I have the pleasure of presenting the key figures and highlights of the fourth quarter, which provided a strong finish to a challenging fiscal year.

- On a comparable basis, orders rose two percent and revenue grew considerably by six percent.
- The main contributor to order intake, which was again very strong in Q4, was a significantly higher volume from major orders. Gas and Power and Siemens Gamesa posted the strongest increases.
- All Industrial Businesses posted revenue increases in Q4. Siemens Healthineers and Siemens Gamesa made particularly strong contributions. With revenue totaling €24.5 billion, our book-to-bill ratio for the fourth quarter was 1.01.
- Excluding severance charges, the adjusted EBITA margin rose for all our Industrial Businesses except Siemens Gamesa. The most important contributions were made by Digital Industries, with its strong software business, and by Siemens Healthineers, with its imaging business.
- Excluding severance charges, basic earnings per share were a substantial €1.90.
- “Cash is king,” as they say, and that was certainly the case at Siemens in Q4. Free cash flow reached an outstanding €5.3 billion. This increase is due primarily to significant improvements in our businesses’ asset management.
- For our Industrial Businesses, the cash conversion rate – that is, the ratio between profit and what actually lands in our till – was an outstanding 1.98 in Q4.

Let’s take a look now at the results at our individual businesses. Since you already know the figures for Siemens Gamesa and Siemens Healthineers, I won’t discuss them now in detail.

As usual, you’ll find a detailed overview of all our businesses in the Earnings Release.

Let’s start with **Digital Industries**, which finished up strong at yearend, despite the challenging market environment.

High growth rates in the software and process automation businesses contributed to a slight overall increase in revenue on a comparable basis – an outstanding achievement in this market environment.

In fact, demand deteriorated considerably at our short-cycle businesses – that is, our factory automation and motion-control businesses. This deterioration was again clearly visible particularly in the automotive and machine-building industries.

DI's adjusted EBITA margin was a very solid 19.5 percent in Q4. This figure shows that our experienced management team led by Klaus Helmrich is also in a position to take effective action at short notice in order to accommodate changed market conditions.

The considerable increase in the profitability of our software business also supported the year-over-year increase in the margin. Adjusted EBITA benefited, in addition, from currency translation effects.

Now to **Smart Infrastructure**: due mainly to several major orders at its solutions and services business, SI posted increases in both orders and revenue. Due to their higher revenue, these orders also had a positive impact on profitability in Q4.

The adjusted EBITA margin was well within its target range. This increase is even more noteworthy considering that Cedrik Neike and his team are continuing to make significant investments in expanding the technologies of the future at the grid edge – in other words, at the point where smart grids meet smart buildings.

**Mobility** continued its successful course in Q4 2019, although the volume of major orders declined, as expected, compared to the very strong Q4 2018.

In the prior-year quarter, Mobility booked €1 billion from major orders in Germany and Austria.

On a comparable basis, Mobility's revenue rose moderately due primarily to double-digit growth at its rolling-stock and customer services businesses.

At an excellent 12.3 percent, Mobility's adjusted EBITA margin was actually above its ambitious margin range. This result means that Mobility's winning streak, which is unique in its industry, is continuing: Mobility's profit margin has now been within, or even above, its target range for 24 quarters in a row. The Mobility team is doing a truly great job – and has been for more than six years now!

Let's turn now to **Gas and Power**. As Joe Kaeser has already noted: the market and competitive environment here is characterized by high price pressure, but also by major opportunities.

GP posted a substantial growth in orders. We celebrated a major success in France: the GP team led by Michael Sen and Lisa Davis will be building a 450-megawatt combined cycle power plant in Brittany.

The total order value is about €450 million and includes operation and maintenance of the powerplant for 20 years.

In addition, further major orders in the Americas drove considerable growth in the new-unit business.

Gas and Power's revenue rose slightly year-over-year. The increase was driven primarily by the service business, which remained strong. Services again made an important contribution to profitability as well.

The adjusted EBITA margin improved slightly to 5.6 percent.

The owners of our company – our shareholders – should, of course, also profit from our company's success.

For this reason, at our Annual Shareholders' Meeting on February 5, 2020, we'll propose a Dividend of €3.90 for fiscal 2019. This is yet another increase – the sixth in a row. The dividend yield is thus a respectable 4.0 percent. As you can see, Siemens' dividend policy is not only attractive; it's also reliable.

Share buybacks are another lever for increasing value for our shareholders. Between 2012 and 2018, we repurchased shares with a total value of about €10 billion.

And with our latest program, we're continuing this course: we've set up a share buyback program that has a volume of up to €3 billion and will run until November 2021.

Since the program began, we've invested €1 billion in share buybacks. As a result, we're fully on track to fulfill our plan.

And with that, I'll turn the floor over to my Managing Board colleague Michael Sen.



[Michael Sen]

Thank you very much. Good morning, ladies and gentlemen.

In the future, Siemens Energy will be one of three publicly listed Siemens companies. As a pure play energy enterprise, we'll focus on the dynamics of energy systems worldwide and have the flexibility needed to create value for our customers, our investors and, of course, for ourselves.

A lot has already happened in the five weeks since I took on my new role:

- In the middle of October, we announced our name. "Siemens Energy" describes exactly what we do and what we stand for.
- Last week, we announced most of our future leadership team. It's an international team with many years of industry experience and a skill set that perfectly fits the task ahead of us: to make Siemens Energy a world-class energy company.

This is also what our employees want. I've experienced their enthusiasm during my visits to our German locations over the last few weeks – even at facilities that are being and have been impacted by painful cuts.

This is exactly the attitude that will enable us to drive our company forward and make it even more successful.

In my view, there are five very persuasive reasons why Siemens Energy will achieve success:

- First, the world needs a sustainable, affordable and reliable energy supply. The demand for energy – more precisely, for electrification – is growing. At the same time, there's an energy transformation taking place worldwide. Siemens Energy is the company with the right solutions – no matter where our customers' journeys begin.
- Second, Siemens Energy will be a driving force in decarbonization. Why? Because in all the areas where we're active, we help customers become more efficient and reduce their carbon footprint. Because we offer high-efficiency power generation in all performance classes. Because power transmission will play a key role in the future since it's directly linked to the expansion of renewable energies and is becoming increasingly digital. And because our portfolio also includes renewables, hydrogen technologies and synthetic fuels.
- Third, Siemens Energy will play a leading role in the energy market. Siemens Energy is relevant for our customers everywhere in the world. After all, one-fifth of global power generation is based on Siemens technology. We're active worldwide – Joe mentioned

Iraq and Brazil, Ralf mentioned France. We also enjoy a high level of customer trust, as our order backlog of some €70 billion impressively demonstrates.

- Fourth, as an independent company, we'll be able to bundle our strengths and concentrate on what we do best: energy. We'll also be considerably faster since we'll have the freedom to make our own strategy and investment decisions. In a market that's changing so radically and so rapidly, this is an extremely important prerequisite for success.
- And fifth, Siemens Energy is Siemens. The new company shares Siemens' DNA. It also shares Siemens' proud history and characteristics like reliability, innovative power and customer proximity.

Siemens Energy is also set to develop further.

The schedule up to our public listing is ambitious. But we're on track. The next steps are as follows:

- We'll announce the location of our new company headquarters at the beginning of next year.
- The carveout – that is, the legal separation of all Siemens Energy activities from Siemens AG – is to be essentially completed by March or April of 2020.
- An Extraordinary Shareholders' Meeting of Siemens AG is scheduled for July 2020.
- It will be followed by a Capital Market Day in September.
- The public listing will take place soon afterwards.

And with that, I'll pass the floor back to Joe Kaeser.

[Joe Kaeser]

I'd like to turn now to our outlook for fiscal 2020 and, first of all, to the assumptions on which it's based. They're set out in detail in the Earnings Release.

As was already the case in 2019, our customers' investment behavior will be influenced by geopolitical developments. And 2020 is, of course, not a completely insignificant election year.

Machine-building production in the most important export nations – Germany, Japan, China and the U.S. – is a widely followed parameter for the global economy. The best-case scenario for 2020 assumes a certain degree of stabilization.

As previously announced in our Vision 2020+ strategy concept, we'll continue on our course of focused investment and growth. In other words, we'll maintain our high level of investment in research and development, in sales, and in property, plant and equipment and raise the level even further through the use of focused resource allocation.

In addition, we plan to spin off Siemens Energy and list it on the stock market even before the end of fiscal 2020.

Due to the relevant accounting requirements, Siemens Energy will be reclassified to "discontinued operations" prior to the spinoff. We expect this to result in substantial positive effects within discontinued operations, including a substantial gain at spinoff, which cannot yet be reliably quantified.

For our EPS guidance, we assume these positive effects will offset the carveout costs and tax expenses related to the spinoff and the Group-wide severance charges for the fiscal year.

And now to our outlook. What's new here is that we are, for the first time, discussing our businesses – in other words, DI, SI, Mobility and GP – individually. This approach enables us to create even more transparency for our businesses and implement our new organizational principle of decentralized responsibility. What does this mean for Siemens overall?

First of all, we assume a slight decline in market volume for our short-cycle businesses.

Given the foregoing, we expect the Siemens Group to again achieve moderate growth in comparable revenue and a book-to-bill ratio above 1. With the help of these factors, we therefore intend to win market share again in 2020.

We expect basic earnings per share (EPS) from net income in the range from €6.30 to €7.00, compared to €6.41 in fiscal 2019.

This outlook excludes charges related to legal and regulatory matters.

Focus, accountability, adaptability: this is what Vision 2020+ is all about. We've now made these characteristics more specific. By bundling our activities in power generation, oil and gas, and power transmission in Siemens Energy, we're creating a focused and unique full-service supplier in the energy market: Siemens Energy.

By creating the separate units Digital Industries, Smart Infrastructure and Mobility, we're establishing and strengthening accountability.

And adaptability means shaping the company culture of next-generation Siemens so that we can adapt more quickly and more effectively to rapidly changing framework conditions. We call this approach Ownership Culture.

Since fiscal 2014, when we launched Vision 2020, we've invested more than €30 billion in research and development; some €17 billion in property, plant and equipment; and over €15 billion in acquisitions. These substantial investments imply greater ambitions. We want to grow faster and generate higher margins. We've concretized this concept in Vision 2020+.

We're now in the transformation phase and making good progress.

When we're done, the Siemens brand will no longer be a conglomerate of the conventional type. Instead, it will comprise three companies, each focused on its own sector.

One is the Industrial Siemens, comprising Digital Industries, Smart Infrastructure and Mobility. One is Siemens Healthineers. And one is Siemens Energy.

These three strong Siemens companies will work together in one ecosystem.

This system will be held together by the values of the strong Siemens brand and supported by shared interests.

All in all, the global Siemens team did an outstanding job again in 2019. In addition to our strong operating performance, we've successfully launched the biggest transformation in our company's history.

I'm proud of this extraordinary team, and I look forward to tackling our tasks together in the new fiscal year!