SIEMENS

Press

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Press Conference

First Quarter, Fiscal 2016

A strong start into the fiscal year

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President and CEO of Siemens AG

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Check against delivery.

Good morning, ladies and gentlemen, and a very warm welcome to our press conference for the first quarter of fiscal 2016. Thank you all for finding your way to the Olympiahalle at such an early hour.

Before I go into our key figures, I'd like to say a few words about our acquisition of the U.S. simulation software company CD-adapco. We informed you about this transaction yesterday evening.

As part of our Vision 2020 concept, we've undertaken to make Siemens a leading digital, high-performance industrial company that sets global standards throughout the complete system of electrification, automation and digitalization, a system that we call E-A-D. CD-adapco fits perfectly into this strategy.

Siemens is making targeted investments in the E-A-D system – and this includes vertical software, that is, software that is tailored to specific industries.

We began this process early, as long ago as 2007, when we acquired UGS, an industry software company that specializes in 3D design for product development. Then, in 2012, we strengthened our position with LMS, a company that concentrates on simulation software. Now, in 2016, we are adding CD-adapco. We expect to close the acquisition in the second half of the current fiscal year.

CD-adapco is a closely held U.S. simulation software company whose products and solutions place it in an excellent position in the growth market of industry software.

Its client list reads like a "Who's Who" of the automotive, energy, aerospace and marine industries. CD-adapco is a leader in computational fluid dynamics – that is, software that simulates and analyzes fluid and gas flows such as airflows along an airplane wing or across a car body.

The results help optimize design and development and eliminate the need for complicated, expensive testing on life-size models.

This saves money, and even more importantly, a great deal of time – as much as 35 percent. Because in today's manufacturing industry, time – or time to market – is the most critical factor.

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Our Digital Factory Division already offers a unique range of products and services for customers in key industries like automobiles and aerospace. CD-adapco further reinforces our leading role in industrial digitalization – Industrie 4.0.

For the sake of completeness, I'd like to mention two other portfolio topics.

We've completed the sale of our 49 percent stake in Unify to the French company Atos. This transaction marks a milestone in Siemens' history and completes our departure from the telecommunications business.

We've also sold our remaining stake in Sivantos, our former audiology business, to EQT for about €300 million.

Now let me turn to the first-quarter figures. We got off to a strong start into the new fiscal year, and we did that in the face of a difficult geopolitical and economic environment. You're all familiar with the headlines about the waves of refugees, the tensions in the Middle East, the New Normal in China and the developments in commodities prices.

Nevertheless, our hard and sometimes challenging work is beginning to pay off, and the course we're pursuing with our Vision 2020 continues to prove its worth.

Orders rose to €22.8 billion, a strong increase of 22 percent, excluding currency translation effects. All our Divisions gained ground here. I'd especially also like to mention a series of gratifying major orders in our energy business – especially from Egypt – and in our Mobility business. As a result, Siemens currently has an order backlog of €114 billion – our highest figure ever!

After several quarters in which revenue declined on an organic basis, we've begun the turnaround. Adjusted for currency translation effects, revenue rose four percent to €18.9 billion.

Our book-to-bill ratio – the ratio of orders to revenue – is an outstanding 1.21.

In our Industrial Business, we were able to increase profit significantly by €175 million to nearly €2 billion. Despite shifts in the mix, the margin is a gratifying 10.4 percent. Here, too, the productivity measures that we've implemented and our reliable project execution are proving effective.

Net income soared 42 percent to €1.6 billion. In addition to our Industrial Business, tailwinds from factors outside our operating business contributed to this result. In this regard, I'd especially like to mention the consistently strong performance of our Financial Services Division (SFS), which achieved an outstanding return on equity of 21.9 percent.

Every Division is in the black. Taken all together, they've contributed to a very successful kickoff for fiscal 2016.

Now let's turn to the individual Divisions.

Power and Gas operates in a market environment that continues to be challenging and is marked by intense competition as well as overcapacities and thus high price pressure.

With our "PG 2020" program, we're continuing to concentrate on improving our cost position and enhancing our productivity. Power and Gas has also changed the setup of its sales organization.

That's bringing us closer to our customers in growth markets. The integration of Dresser-Rand continues to make good progress.

In orders, the Division benefited last quarter from a major contract for a power plant in Egypt, including service. The total volume for the order is €1.6 billion. It's part of the project to modernize Egypt's entire energy system.

We're already seeing encouraging signals from our new sales setup. For example, in the first quarter alone, we signed contracts worldwide to deliver 12 H-Class turbines.

As expected, revenue at Wind Power and Renewables declined. This had a corresponding impact on profit development. But orders were up sharply. They included a major order in the UK: our volume for the Galopper offshore wind farm project is €1 billion and includes a long-term service contract.

Energy Management is continuing its turnaround story, with improvements in both orders and profitability. The Division's revenue remained stable.

At Energy Management, we're impressively demonstrating that we are well able to get our own businesses into shape.

Building Technologies likewise got off to a good start in the new fiscal year. The growth in orders and revenue was primarily driven by our strong business in the Americas.

Digital Factory continues to deliver first-class performance in a market environment that is currently rather difficult but is structurally intact. For the Division as a whole, strong orders from Europe compensated for lower demand from China. Short-cycle businesses decreased moderately, as expected.

But business in product lifecycle management (PLM) software performed especially well. It’s easy to see that software will increasingly be a success factor in manufacturing. The acquisition of CD-adapco will strengthen us further in precisely this segment.

At Process Industries and Drives, a new management team headed by Jürgen Brandes has the task of restoring the business to its former strength. That’s a difficult job, because this Division, much like Power and Gas, has to contend with substantial structural changes.

Last quarter, Process Industries and Drives profited from a sharp increase in orders from the wind-power industry. On the other hand, demand from all commodity industries was weak.

Today, our Mobility business, whose future viability has been the subject of much speculation, has performed brilliantly – especially because, over the past few years, we’ve developed this business from a manufacturer of trains and locomotives into a digital mobility provider. Mobility has a substantial order backlog, and will be one of the growth drivers at Siemens in fiscal 2016.

The Division landed several attractive large orders right across the board in all its businesses, including orders for Berlin’s subway system and for rail automation in Algeria.

Finally, let’s take a look at our Healthcare business. Our medical engineering segment delivered a very strong quarter on all levels. This can be seen especially clearly through a comparison with our competitors. Orders grew in every Region, especially China, and – driven primarily by the imaging business – revenue grew substantially. Profit was more than half a billion euros.

As you can see, we're off to a very good start in the current fiscal year. And – despite the continuing macroeconomic and geopolitical turbulence – we have good cause for confidence that 2016 will be a comparatively good year for Siemens. For this reason, after a strong start in the fiscal year, we're raising our previous outlook for basic earnings per share from net income to a range of €6.00 to €6.40. The previous range was from €5.90 to €6.20. All other information provided in our outlook for fiscal 2016 remains unchanged.

This year, we will also be commemorating Werner von Siemens' 200th birthday. Our company's founder embodied inventiveness, entrepreneurship and social responsibility as few other people have done. His values still serve as the basis for our aspirations today.

And this is what our new brand appearance, which we're presenting to the public today, is designed to express. From now on, the phrase "Ingenuity for life" will appear underneath the Siemens logo.

For us, "Ingenuity for life" means that we will always place our innovative strength at the service of society. And we intend to live up to this aspiration, today and in the future.