SIEMENS

Press

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Further details on energy business spin-off

One Siemens Energy share for every two Siemens shares

- **Siemens AG to spin off 55 percent of Siemens Energy to Siemens shareholders**
- **Plans call for further reducing Siemens' stake significantly within 12 to 18 months after spin-off's effective date**
- **Siemens AG contractually obligated to ensure Siemens Energy's autonomy and independence**
- **Siemens Energy to have strong capital and liquidity base; solid investment-grade rating targeted**
- **Initial listing of new shares planned for September 28, 2020**

Siemens AG has today published key details of the spin-off of its energy business, together with the invitation to the Extraordinary Shareholders' Meeting on July 9, 2020. Issuance of the spin-off report marks another key milestone in the creation of an independent, world-leading energy pure play. Siemens shareholders are to automatically receive one share of Siemens Energy AG for every two shares of Siemens AG. Fifty-five percent of Siemens Energy will be spun off to Siemens shareholders. Depending on the strategic and operational development of the two companies, Siemens AG intends to further reduce its stake in Siemens Energy significantly within 12 to 18 months. In addition, Siemens has placed itself under a contractual obligation to refrain from exercising a controlling influence over the new company in the future. Subject to approval by the Extraordinary Shareholders' Meeting, plans call for the spin-off to take place, as announced, by the end of September 2020. The initial listing is to take place on September 28th, 2020.

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“Turning Siemens’ energy business into an independent company is a key milestone in the successful execution of our Vision 2020+ strategy program,” said Joe Kaeser, President and CEO of Siemens AG. “The considerable increase in the value of our healthcare business shows the huge potential we can tap by further sharpening the focus of our company. This applies to both, Siemens Energy and the ‘New Siemens AG,’ which is concentrating on our Industrial Businesses. We’ve now reached a major milestone in the overall realignment that is preparing the Siemens companies for the massive technological transformations that we are anticipating.”

Global player with unique setup in energy sector

The planned public listing of Siemens Energy will create a strong, focused, global company with operations spanning the entire energy value chain, including the service business. Thanks to its unique setup, Siemens Energy can react quickly to customer needs and thus help meet the globally rising demand for energy while significantly reducing carbon emissions. In the future, Siemens AG itself will concentrate on Digital Industries, Smart Infrastructure and Siemens Mobility. Siemens Healthineers, the company’s healthcare technology business – which has a sharp focus on diagnostic and therapeutic imaging, laboratory diagnostics, molecular medicine and health services – has been publicly listed as a separately managed company since March 2018.

The new Siemens Energy will have about 91,000 employees worldwide (as of March 31, 2020). Its products will include, among other things, combined cycle turbines, generators, transformers and compressors. In the area of wind turbines, Siemens Energy will be a world-market leader in renewable energies due to its 67 percent stake in Siemens Gamesa Renewable Energy. As of September 30, 2019, Siemens Energy’s order backlog stood at €77 billion. In fiscal 2019, Siemens Energy generated revenue of about €29 billion according to the Combined Financial Statements of Siemens Energy AG as of September 30, 2019, which were prepared on a voluntary basis. If severance charges of around €0.3 billion had been excluded, the adjusted EBITA would have been about €1.3 billion.

Investment-grade rating targeted for Siemens Energy

At its launch, Siemens Energy will be very solidly financed: the new company will have a large amount of capital and liquidity at its disposal right from the start. The aim is to meet the requirements for a solid investment-grade credit rating. According to the Combined Financial Statements of Siemens Energy AG as of March 31, 2020, which were prepared on a voluntary basis, equity totaled about €17.3 billion (IFRS), corresponding to an equity ratio of 37.8 percent. Siemens Energy has been provided with liquidity equivalent to about €6.2 billion. Of this amount, around €4.1 billion will be used to settle liabilities during the period leading up to the spin-off. In addition, a bank consortium has confirmed a revolving credit facility of €3.0 billion.

Outstanding strategic and financial position

“Siemens Energy is excellently positioned – not only operationally and strategically, but also financially,” said Ralf P. Thomas, Chief Financial Officer of Siemens AG. “The company will rigorously drive its strategy independently of Siemens AG and secure its own financing on the market. The spin-off will enable our shareholders to profit directly from the new company’s future successes. At the same time, we’re confident that the conglomerate discount on the Siemens AG share will also be reduced.”

“Global energy markets are undergoing a fundamental change,” added Christian Bruch, CEO of Siemens Energy AG. “The need for affordable and reliable energy continues to grow. Today, some 850 million people still lack access to electricity. While demand is constantly rising, we need to cut carbon emissions radically. This is a challenge, but above all an opportunity. With Siemens Energy, we’re creating an integrated energy company that offers solutions and can support customers in all segments of the value chain.”

Contractually safeguarded independence

After the spin-off, Siemens Energy will be managed separately and independently. A so-called deconsolidation agreement signed with Siemens AG ensures this status. Under the terms of this agreement, Siemens AG has obligated itself to refrain from exercising any direct or indirect controlling influence over the new company. Among other things, the agreement requires that the Supervisory Board of Siemens Energy

AG include no more than three representatives of Siemens AG. In addition, voting rights will be limited to the extent that no decisions on certain topics – in particular, on the election of Supervisory Board members – can be implemented unilaterally against the wishes of the other shareholders of Siemens Energy AG.

High-caliber appointments to the Supervisory Board

After the spin-off, the Supervisory Board of Siemens Energy will have 20 members, ten representing the shareholders and ten representing employees. Before the spin-off, Siemens has already been able to enlist high-caliber individuals from the political domain, the business community and the energy industry to serve as shareholder representatives on the Supervisory Board: Dr. Christine Bortenlänger, Sigmar Gabriel, Geisha Jimenez Williams, Dr. Hubert Lienhard, Hildegard Müller, Laurence Mulliez and Randy Zwirn. Here, special consideration was not only given to securing the relevant competencies, but also to ensuring diversity and global mindset.

Joe Kaeser, Ralf P. Thomas and Matthias Rebellius, Chief Operating Officer of Smart Infrastructure, have been designated to serve as Siemens' representatives on the Supervisory Board of Siemens Energy AG. Plans call for Joe Kaeser to be elected Chairman of the Supervisory Board and for Ralf P. Thomas to head the Audit Committee.

Part of a strong Siemens ecosystem

Siemens and Siemens Energy have signed a variety of license and service agreements that are in line with industry standards. As part of the Siemens ecosystem, Siemens Energy will continue to use the "Siemens Energy" and "Siemens Gamesa" brands. Every year, Siemens Energy will pay a margin-based license fee of between 0.3 percent and 1.2 percent of revenue (excluding Siemens Gamesa) for use of the brand. The license fee to be paid for fiscal 2020 is expected to be in the mid-double-digit million range.

During a transition period, Siemens Energy will also use services provided by Siemens AG in areas such as human resources, accounting, purchasing and IT as well as in selected areas of research and development. For the entire period, the related transitional services agreements – most of which will run for several years – and long-term service agreements will have a total volume of about €1.0 billion.

Attractive dividend policy being pursued

In the first step, the shareholders of Siemens AG will hold a 55 percent stake in Siemens Energy AG. Siemens AG will hold a 35.1 percent stake, within which the wholly owned subsidiary Siemens Beteiligungen Inland (SBI) GmbH will hold 12.0 percent of Siemens Energy. A further 9.9 percent will be held by Siemens Pension-Trust e.V. In the future, Siemens Energy intends to distribute to shareholders annual dividends of between 40 percent and 60 percent of net income. As a result, Siemens Energy AG – like Siemens AG – stands for an attractive dividend policy. With the possible exception of any minimum dividend that might be required by law, Siemens Energy AG does not expect to pay a dividend for fiscal 2020.

New shares to be transferred automatically to Siemens shareholders' securities accounts

Due to the planned spin-off of Siemens Energy, shareholders of Siemens AG will hold shares in two publicly listed companies. As a result, they will be able to make decisions on their investment in each companies' businesses activities separately and independently. When the public listing is completed, the new shares of Siemens Energy AG will be automatically transferred to Siemens shareholders' securities accounts. Due to the allocation ratio of 2:1, Siemens shareholders who hold an odd number of shares will receive so-called fractional shares. These shareholders can then round off their holdings by placing a buy or sell order at the custodian bank hosting their securities account.

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Siemens AG (Berlin and Munich) is a global technology powerhouse that has stood for engineering excellence, innovation, quality, reliability and internationality for more than 170 years. The company is active around the globe, focusing on the areas of intelligent infrastructure for buildings and distributed energy systems, and automation and digitalization in the process and manufacturing industries. Through the separately managed companies Siemens Energy, the global energy business of Siemens, and Siemens Mobility, a leading supplier of smart mobility solutions for rail and road transport, Siemens is shaping the energy systems of today and tomorrow as well as the world market for passenger and freight services. Due to its majority stakes in the publicly listed companies Siemens Healthineers AG and Siemens Gamesa Renewable Energy (as part of Siemens Energy), Siemens is also a world-leading supplier of medical technology and digital healthcare services as well as environmentally friendly solutions for onshore and offshore wind power generation. In fiscal 2019, which ended on September 30, 2019, Siemens generated revenue of €86.8 billion and net income of €5.6 billion. At the end of September 2019, the company had around 385,000 employees worldwide. Further information is available on the Internet www.siemens.com.

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