

PRESS CONFERENCE SPEECH Q2/2019

“SUCCESSFUL FIRST HALF SETS UP STRONG FISCAL YEAR”

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Check against delivery.

[Joe Kaeser]

Good morning, ladies and gentlemen! And thank you for joining us today, whether you're taking part in person here in our conference room at Wittelsbacherplatz – which is usually where the Supervisory Board and Managing Board hold their meetings – or have joined by dialing in by phone or connecting via the Internet.

Yesterday evening we provided you with key details of our Vision 2020+ strategy program and the further transformation of Siemens.

Over the past few months, we've not only set ourselves up as well as possible for the next-generation Siemens but have worked just as hard to conduct business as usual by keeping focused on our work and providing our customers worldwide with the best possible support day by day.

Our team of 383,000 employees did a great job in the second quarter. We delivered on our promises again this quarter, and even exceeded expectations in many areas. Now, in the second half of the fiscal year, we're entering a new era to become an even stronger and more focused Siemens.

This is exactly why we initiated Vision 2020+ in August 2018: We want to make each of our businesses a world leader.

In recent months, each Siemens business has defined its setup and the corresponding measures it needs to take to get there and ensure sustainable, long-term success.

The official launch of this new organization was on April 1, and it was a success. We are highly confident that our businesses will reach their ambitious goals. They now have all the resources and entrepreneurial freedom needed to optimally address their customers and markets. This freedom, however, comes with responsibilities: Our businesses are accountable for their actions and responsible for their development.

We were able to win important orders in many of our businesses in recent months. I'd like to highlight some of them here:

- Power and Gas was awarded a major contract for an integrated **LNG-to-power project** in Brazil. This project, which is the largest of its kind in Latin America, will turn liquified natural gas into electricity.

We'll be delivering a 1.3-gigawatt combined cycle power plant as well as providing its long-term service, including operation and maintenance. This project marks the first time our H-class gas turbines will be used in Brazil.

The H-class turbine celebrated a notable anniversary in the second quarter: It reached the mark of one million operating hours since its market launch a decade ago. With 70 turbines in operation and close to 100 units sold, the H-class is now the market leader for gas turbines in this performance class.

- Another energy business success: Last week, we signed an agreement with the Iraqi Ministry of Electricity to implement the **Energy Roadmap for Iraq**. This agreement paves the way for ensuring a reliable and affordable electricity supply for millions of people in Iraq.

For Phase 1 (out of 4), we were able to win orders worth €700 million, including one for the turnkey construction of a 500-megawatt gas-fired power plant.

With the Energy Roadmap for Iraq, we're following up on what we've achieved with the Egypt megaproject: modernizing the energy supply for an entire country. These projects also demonstrate the capabilities of our energy business, which we discussed in detail yesterday.

- **Siemens Mobility** has again demonstrated that it's the best mobility company in the world. One major success among many was an order to supply 56 Mireo and Desiro HC trains for the regional rail network for Augsburg, Germany.
- One milestone for our business in the industrial sector: **Volkswagen** has chosen us as its integration partner for the **industrial cloud**. With this contract, we're supporting one of the world's largest car manufacturers with our open IoT platform MindSphere. MindSphere and our automation platforms are enabling machines, production systems and equipment in the 122 Volkswagen factories worldwide to be networked more closely than before. This integration will further increase production efficiency and flexibility while continuing to improve product quality.

In addition, this cooperation will impact a large share of the company's tier-1 suppliers.

Not only does the "Who's Who" of the automobile industry see us as a pioneer and thought leader for industrial digitalization. At the **Hannover Messe** in early April, we again demonstrated that we are "thinking industry further." In other words, we're expanding our digital portfolio to include future-oriented technologies like 3D printing, artificial intelligence,

edge computing and cloud solutions.

The added value for our customers is obvious: greater efficiency, increased flexibility and more security – all combined with significantly shorter time-to-market. We welcomed more than 100,000 visitors to our booth, including prominent guests such as German Chancellor Angela Merkel.

We also increased the number of leads, or relevant customer contacts, by 12 percent over the very successful previous year.

And now let me turn to the figures for the second quarter:

- On a comparable basis, excluding portfolio and currency translation effects, **orders** increased four percent compared to the prior-year quarter.

The **order backlog** is now at a record high of €142 billion.

- **Revenue** grew slightly by two percent on a comparable basis. Siemens Healthineers, Siemens Gamesa and Process Industries and Drives posted the strongest growth in revenue, while there was a decline at Power and Gas.

- The **book-to-bill ratio** – the ratio of orders to revenue – was a strong 1.13.

The **Industrial Business adjusted EBITA margin**, excluding severance charges, reached a solid 11.7 percent. **Earnings per share**, also excluding severance charges, amounted to €2.32. **Net income** remained more or less stable near the prior-year level, at €1.9 billion. Digital Factory and Siemens Healthineers made the largest contributions to earnings.

- The **cash conversion rate** was 0.43. **Free cash flow** from the Industrial Business was just over €1 billion.

At our first-quarter press conference, we mentioned that we had to improve with respect to cash.

At the Capital Market Day following this press conference, Ralf Thomas will again specifically address this topic. I cordially invite you to follow the Capital Market Day webcast beginning at 9:30 a.m.

There is currently considerable talk about possible downturn scenarios, and indeed, the economic forecasts have recently been revised downward for some economies.

We're doing well in the ongoing volatile geopolitical and geo-economic environment. With this, let me hand over to our CFO Ralf Thomas.

[Ralf P. Thomas]

Thank you, Joe, and good morning, ladies and gentlemen.

I'd now like to briefly go through the individual Divisions with you and report for the last time within the framework of this company structure.

I won't go into the figures for Siemens Gamesa and Siemens Healthineers since they've already been announced.

For a detailed overview of all our businesses, our earnings release is available as usual.

We can speak of a very good second quarter, with revenue growing in six out of eight of our industrial businesses. The same number of businesses lay within or even above their respective target margin ranges.

And now to the individual Divisions:

Power and Gas held up well in the ongoing challenging market environment in the second quarter. Orders rose slightly, while revenue declined, primarily due to weaker orders for new plants in prior quarters. The Division's adjusted EBDITA margin improved year-over-year.

The **Energy Management** Division posted considerable order growth spanning almost the entire EM portfolio, and profited particularly from several larger orders in the product business for high-voltage power transmission. The slight increase in revenue resulted from continuing growth in the business with low- and medium-voltage products. This was partially offset by declines in the products and solutions businesses in the transmission sector.

The adjusted EBITA margin of nine percent was clearly within the Division's margin range. The adjusted EBITA also benefited from a gain of €55 million from the sale of a stake in an equity investment.

The **Building Technologies** Division maintained its successful track record, with growth in orders and revenue. In terms of geographic regions, the strongest growth momentum came from the Americas and Europe. The adjusted EBITA margin of 10.5 percent remained at the upper end of the Division's margin range. Profitability was affected by ongoing investments in smart building solutions and associated IoT offerings. We're continuing to strengthen the digital future of our smart infrastructure business with these investments.

We were again especially pleased with the performance of **Mobility**. On a comparable basis, orders rose an impressive 42 percent due, among other things, to several large contract wins. Joe already mentioned the order for Augsburg's regional rail network. We won another major contract from our U.S. customer Amtrak, which ordered 75 diesel-electric locomotives. This order, worth around €740 million, also includes a long-term service agreement. Revenue at Mobility remained close to the level of the strong prior-year quarter. The Division's profitability, at 10.8 percent, remained at the highest level in the industry and again exceeded the target margin range, despite some timing effects related to the execution of large projects.

Let's turn now to **Digital Factory**. DF's strong software business again drove orders and revenue in the second quarter, while demand for automation solutions cooled, particularly in the automotive and machine building industries. Overall, revenue increased two percent to €3.4 billion, with the automation business remaining at the previous year's level. With an adjusted EBITA of €663 million, DF is well prepared to continue its success story, now as part of Digital Industries; here, too, the software business made a growing contribution. With an excellent adjusted EBITA margin of 19.6 percent, the Division remained at the top end of its target range, despite higher ongoing expenses for new cloud-based offerings.

Now to the **Process Industries and Drives** Division, which continues to make solid progress. Revenue rose nine percent year-over-year across all businesses, most strongly in the wind power components businesses. Orders remained stable. The adjusted EBITA margin grew 6.8 percent, also driven by ongoing operational improvements in the large drives business. The efforts being undertaken at PD are paying off and the team has again done a very good job. We're firmly convinced that we'll much more effectively leverage the potential of these businesses in the new setup.

Finally, **Financial Services** continues to make an impressive contribution to the success of our industrial businesses worldwide with its customized financing solutions. Return on equity rose year-over-year to 30.3 percent. This result was strongly influenced by a gain of €57 million from the sale of a stake in an equity investment.

Allow me now to briefly comment on our non-industrial activities, which we refer to as our activities **Below Industrial Business**. Our assessments from last November – when we presented our figures for fiscal 2018 and the outlook for 2019 – are still valid, with one exception: We now assume that the tax rate for the current fiscal year will be only 24 to 28 percent, rather than the 25 to 31 percent that was given at the time.

So much for our businesses in the second quarter, based on our former organizational and reporting structure.

As of the third quarter, we will report based on the new organizational setup – that is, with figures for our **Operating Companies** Gas and Power, Digital Industries, and Smart Infrastructure, and for the **Strategic Companies** Mobility, Siemens Gamesa and Siemens Healthineers.

You'll already find our business figures for the first and second quarters reported on a comparable basis for the new structure on our Investor Relations homepage.

We got off to a good start in the first quarter; we've maintained our profitable growth course in the second quarter, laying the foundation for a strong fiscal 2019.

We confirm the financial expectations for fiscal 2019 as presented to you in November 2018.