

gas, chemicals, mining, data centers, airports, and rail companies. Competitors in the transmission business consist mainly of a small number of large multinational companies, increasingly joined by smaller, fast-growing manufacturers in emerging countries including China, India and Korea.

Several **trends** are affecting the businesses of the Operating Company. In the power generation business, the ongoing strong growth in demand for power from renewable sources – which come with associated short-term fluctuations in power generation levels – is shifting market demand from fossil baseload generation to more flexible, highly efficient and affordable gas power plants with low emissions, in particular in Europe, Latin America and Asia. A second trend is that the development and execution of large projects increasingly requires financing by the OEM, including equity participation. For Gas and Power, this role is fulfilled by Financial Services, which can offer customers a range of financing and equity options backed by domain know-how. In general, the markets for the Operating Company are strongly affected by changes in national energy regulations, such as support of renewable energy, the security of supply through capacity markets or strategic reserve capacity, carbon pricing and climate change targets, and modernization of energy and electricity markets. Fuel efficiency standards in the U.S. and the European Union are expected to weigh on future demand for fossil transportation fuels in these regions, contrasting with strong growth in transportation-related fuel use in other world regions, particularly in Asia.

In Oil and Gas, the role of natural gas compared to other fossil fuels is growing from the mid- to long-term perspective, facilitated by its lower carbon footprint. Furthermore, declining production from maturing oil and gas fields, or depletion, requires improved recovery technologies as well as additional mechanical and electrical power, necessitating continuous investments. At the same time, oil and gas companies increasingly focus on asset economics and emission footprint, requiring products and solutions offering an improved balance of high asset productivity with safety and environmental performance. Generally, our oil and gas business benefits from these major market trends. At the same time, our diversified and global presence across the oil and gas value chain and other industries – each following their own business cycles – offers stable opportunities for our business.

The transmission business generally benefits from major trends and changes in global electrical power systems, in particular decarbonization, digitalization and global electrification. Decarbonization is shifting the focus of generation to both central and decentral renewables. This shift increases demand for offshore connectivity and grid stability, requiring environmentally friendly products and systems. The integration of wind power, photovoltaics, biomass, storage and other intermittent or distributed energy resources into efficient and reliable power networks

increases grid complexity. Holistic asset transparency to increase efficiency of existing grid assets and performance, enabled by digitalization, is becoming increasingly important. Digitalization involves increased product and system connectivity and providing intelligent solutions for the management of complex energy networks. Connected assets provide value potential for additional services and enhanced asset operation. The continuously growing demand for electricity worldwide requires stable transportation of greener bulk power with minimal losses from the location of generation to different demand load centers, some of which may even be located in other countries.

R&D activities of the power generation and oil and gas businesses concentrate on developing products and solutions for enhancing efficiency and flexibility, and for reducing greenhouse gas emissions in power generation and in the oil and gas industry. These products and solutions include turbomachinery – primarily high-performance, low-emission gas turbines for simple-cycle operation or for combined-cycle power plants – and compressor solutions combining electrical, automation, and digitalization offerings for oil and gas as well as process industries. A field of activity is using hydrogen as a renewable fuel in gas turbines. Gas and Power is also intensifying R&D in innovative materials, advanced manufacturing methods and plant optimization. In the transmission business, R&D activities focus on preparing the portfolio for a deregulated environment in which total cost of ownership is decisive. Innovations accordingly focus on product digitalization, power electronics, software-driven power control, environmentally friendly products and systems, and grid stabilization. The increasing infeed of renewable energy to power grids, with distributed generation on the rise, requires those grids to become more flexible and efficient. The **investments** of Gas and Power are focused on enhancing productivity through automation and increasing customer proximity via strategic localization of capacity. Investing activities mainly relate to gas turbines and turbine components.

(in millions of €)	Fiscal year		% Change	
	2019	2018	Actual	Comp.
Orders	19,975	18,451	8%	7%
Revenue	17,663	18,125	(3)%	(4)%
<i>therein: service business</i>	8,025	7,756	3%	2%
Adjusted EBITA	679	722	(6)%	
Adjusted EBITA margin	3.8%	4.0%		

Orders were up clearly year-over-year, due mainly to higher orders in the new-unit business. Volume from large orders increased significantly year-over-year; among the contract wins