S&P Global
Ratings

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Siemens AG

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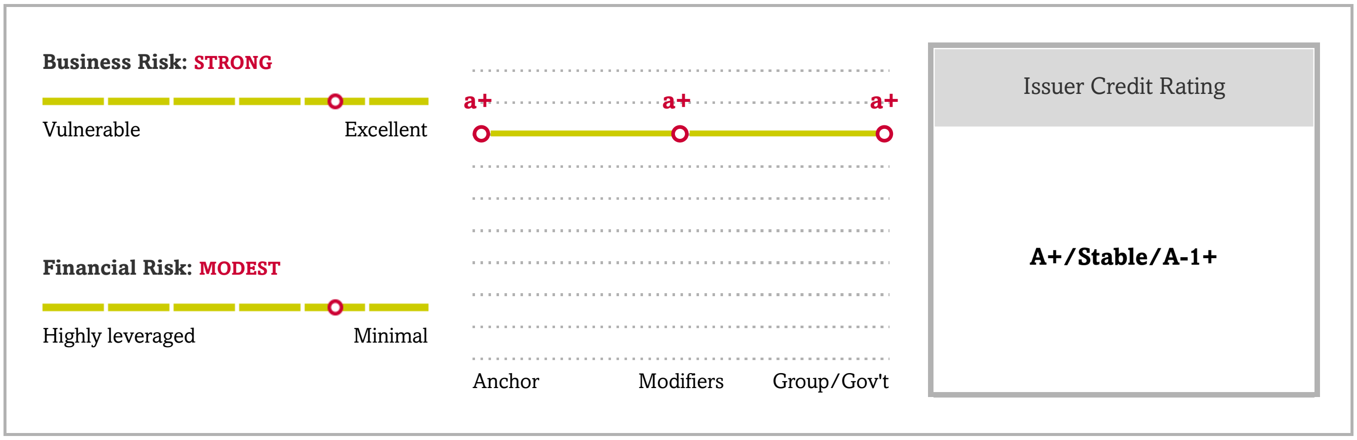
Table Of Contents

Siemens AG



Credit Highlights

Overview

Key strengths	Key risks
Leading market positions (No. 1 or No. 2) in all its business divisions (Digital Industries, Smart Infrastructure, Mobility, and Siemens Healthineers [SHS]).	Ongoing company and industry transformation, which bears execution and operational risks.
Strong technological capabilities across all covered product segments and world-leading position in digitalized solutions for industrial production supported by large research and development (R&D) investments of about 7.5%-8.0% of sales.	Significant cash outflow through shareholder distributions via dividends and share buybacks, as well as acquisitions.
A large, diverse, and very competitive global product portfolio, with revenue exceeding €61 billion and S&P Global Ratings-adjusted EBITDA of more than €9.0 billion in fiscal 2021 (ended Sept. 30, 2021).	
Notably reduced exposure to highly cyclical energy- and commodity-related end markets, with the spinoff of Siemens Energy completed in fiscal 2020.	
Conservative financial policy, including a cap on industrial net debt to EBITDA of 1.5x.	
Abundant liquidity, with sound cash flow generation through the cycle providing a high degree of financial flexibility.	

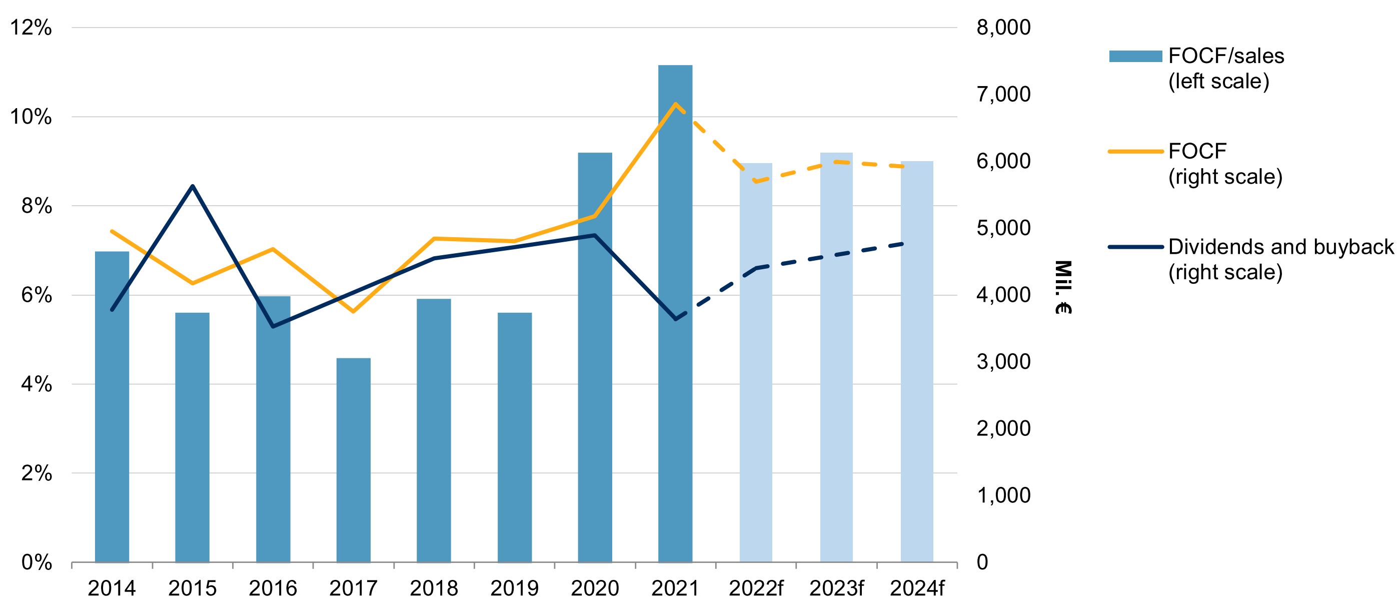
S&P Global Ratings expects Siemens' operating performance will continue improving in fiscals 2022 and 2023, on the back of sustained economic recovery and an increasing order backlog. We expect the positive trend in operating performance in fiscal 2021 and first-quarter fiscal 2022 will continue over the next 24 months, supported by the expected continued recovery in economic activity fueled by global stimulus packages and the group's healthy book-to-bill ratio of 1.23x over the past 12 months bringing the order backlog to €93 billion at the end of first-quarter fiscal 2022. Although Siemens had an outstanding start to fiscal 2022, reflected in a 1.47x book-to-bill ratio as per end of the first quarter, we expect this momentum will slow. For fiscal 2022, we therefore expect revenue will increase about 1%-4% to about €62 billion-€64 billion. We estimate the S&P Global Ratings-adjusted EBITDA margin will increase by 10.0-80.0 basis points to about 15.8%-16.5% in fiscal 2022 on the back of improving volumes and cost-saving initiatives. We assume continued impacts from higher prices of raw materials, components, wage increases, and supply chain constraints should be largely mitigated by adjusting product prices and various hedging instruments. We also note that Siemens is less affected by supply chain constrains than peers with no material production disruptions, thanks to its strong and established partnerships with its main suppliers and flexible production setup.

Overall, we anticipate Siemens' operating performance will improve such that S&P Global Ratings-adjusted debt to EBITDA for fiscal 2022 declines to about 1.2x from 1.4x in fiscal 2021, including funds from operations (FFO) to debt of about 60%-65% in fiscal 2022, up from 52.4% in fiscal 2021. Leverage should further steadily strengthen thereafter.

We expect continued substantial free operating cash flow (FOCF). Siemens is generally capable of generating significant FOCF over the industry investment cycle, enabling it to invest in growth through acquisitions and return cash to its shareholders via dividends and share buybacks. This was also demonstrated in fiscal 2020, where adjusted FOCF of about €5.0 billion, compared to €4.8 billion in fiscal 2019 despite the Siemens Energy spinoff and recessionary environment. Further, adjusted FOCF increased to €6.9 billion in fiscal 2021 supported by higher profitability coupled with stringent working capital management. We expect Siemens will continue to generate significant adjusted FOCF above €5.5 billion per year over fiscals 2022-2023 due to strong EBITDA generation.

Chart 1

Siemens AG: Free Operating Cash Flow



e--Estimate. FOCF--Free operating cash flow. Source: S&P Global Ratings and Siemens AG annual reports.

Siemens' track record of strong credit metrics and commitment to an 'A+' rating and conservative financial policy continue to support the rating. We understand that management remains committed to it financial policy and our 'A+' rating. We therefore estimate that the group will refrain from any further large-scale debt-funded acquisitions over the next two years. We also expect that shareholder remunerations, in particular share buybacks, will be carefully matched with free cash flow generation to ensure its deleveraging and achievement of an FFO-to-debt ratio of at least 45%. The conservative financial policy is underlined by the group's track record of strong credit metrics over the past 15 years, during which FFO to debt remained above 60% most of the time.

We see no material direct impact coming from the Russia's military conflict with Ukraine due to the very limited exposure to these markets (Russia and Ukraine account only for 1% of Siemens' global revenues). In response to Russian invasion of Ukraine, Siemens has halted all new business including international deliveries to Russia. Ensuring strict adherence to sanctions, Siemens will however continue to perform local service and maintenance-related activities. Due to its very limited footprint in Russia (approximately 1% of its total sales are generated in Russia and Ukraine), the economic impact remains restrained. Therefore, we expect no immediate effect on the operating performance coming from the Russia-Ukraine conflict.

Outlook: Stable

The stable outlook reflects our view that Siemens' operating performance will continue to improve over the next 24 months, on the back of the expected recovery of its end markets and the overall economy. In particular, we expect positive dynamics from its high-margin Digital Industries division and SHS will support the group's profitability, translating into S&P Global Ratings-adjusted EBITDA margins exceeding 15% and FFO to debt of more than 50% by fiscal 2022.

Furthermore, we expect that Siemens will use FOCF generation to deleverage its balance sheet and balance shareholder remuneration and acquisitions in line with its conservative financial policy, which supports the rating.

Downside scenario

We could lower the rating on Siemens if its credit metrics fall below our expectations, such that FFO to debt declines below 45% and its EBITDA margin falls below 15% on a prolonged basis. Such a development could occur

- If Siemens' FOCF generation does not materialize as expected--for example if the economy fell back into a recession due to a resurgence of COVID-19, leading to moderated order intake, or if the development of the group's highest-margin divisions, SHS and Digital Industries, lag our expectations, including the realization of synergies and earnings contributions from Varian Medical Systems (VMS).
- If we observe a change in Siemens' financial policy or commitment to maintain the current rating--for example via higher-than-currently-expected shareholder remuneration or an unwillingness to reduce its share buybacks in case of weaker-than-anticipated cash generation.

We could also lower the rating if the group gives up control of SHS, which is the most stable of its operating divisions given the strong margins and steady cash flow.

Upside scenario

We could raise the rating as a result of a revenue increase and EBITDA margins rising toward 20%, as well as continuous growth of the group's highest margin divisions, SHS and Digital Industries. An upgrade could also result from a more conservative financial policy, which could lead to FFO to debt remaining permanently above 60%.

Our Base-Case Scenario

Assumptions

- Global economy real growth of 3.4% in 2022 and 3.2% in 2023, following an estimated rebound in 2021 of 5.6%. The economic activity could however be dampened by the rising geopolitical tensions and the prospect for higher borrowing costs due to tighter-than-expected monetary policies by major central banks. For eurozone, we forecast a growth of 3.2% in 2022, 3.2% for the U.S., and 4.8% for China (compared to 5.1%, 5.5%, and 8.0% in 2021, respectively). GDP growth for 2023 to decelerate further at 2.4% for the eurozone, 2.3% for the U.S., and 5.0% for China.
- No material direct impact on operating performance relating to the Russia-Ukraine conflict due to the very limited exposure to these markets (Russia and Ukraine account only for 1% of Siemens' global revenue).
- We forecast revenue growth of 1%-4% in fiscal 2022 and 1%-3% in fiscal 2023 on the back of strong order book growth seen over the past 12 months. The order backlog position of about €93 billion at the end of first-quarter fiscal 2022 provides good revenue visibility. We expect its industrial business segments to expand by about 6%, while we expect the contribution from portfolio companies will decline over the years and reach zero by fiscal 2024.
- We expect adjusted EBITDA margins will improve to about 15.8%-16.5% in fiscal 2022 and about 17.0% in fiscal 2023 from 15.7% in fiscal 2021, supported by improving volumes, margin expansion in Digital Industries and SHS, synergies from VMS, and several cost-cutting measures. We also expect a gradual reduction in other corporate costs from fiscal 2023, such as reconciliation and adjustments to consolidated financial statements, will benefit profits in the later years.
- Capital expenditure (capex) of about 2.7%-2.9% of revenue over the next two years.
- Working capital outflows of about €1.0 billion-€1.5 billion per year.
- Dividend distribution (including to minorities) of about €3.5 billion in fiscal 2022, which is a payout ratio of 52% proposed for fiscal 2021. A 50 euro cent dividend increase (to €4.00 from €3.50) reflects Siemens' recently announced progressive dividend policy. For fiscal 2023, we estimate a further increase in dividend distributions to about €3.8 billion (including minorities).
- Cash inflows of more than €2.0 billion estimated in fiscals 2022 and 2023, including the €950 million sale proceeds from the international road traffic business Yunex Traffic (closing of sale expected by September 2022), an exit from the Valeo Siemens eAutomotive joint venture with expected closing in July 2022, the sale of its parcel logistics business and the sale proceeds of portfolio companies, but nothing contracted as of now.
- Acquisition budget of €1.5 billion-€2.5 billion per year.
- Cash outflow of up to €800 million per year toward share repurchases under the new share buyback program with a volume of €3.0 billion to be executed between fiscal 2022 to fiscal 2026.
- No changes in financial policy. We expect the group will adjust future acquisition-related spending or share buybacks to its annual cash generation and its leverage targets.

Key Metrics

Siemens AG--Key Metrics*				
	--Fiscal year ended September. 30--			
	2020a	2021a	2022f	2023f
(Bil. €)				
Revenue	56.5	61.6	62.2-64.0	64.6-65.9
Revenue growth (%)	(34.4)	9.1	1.0-4.0	1.0-3.0
EBITDA	7.8	9.6	9.8-10.5	About 11.0
EBITDA margin (%)	13.8	15.7	15.8-16.5	About 17.0
Debt to EBITDA (x)	1.6	1.4	About 1.2	About 1.2
FFO to debt (%)	47.6	52.4	60.0-65.0	60.0-65.0

*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast. FFO--Funds from operations. FY--Fiscal year ending September 30.

We expect Siemens' sales will continue increasing in fiscals 2022 and 2023, albeit with slowing momentum. Following the pandemic-induced recession of 2020, global economic rebound from 2021 is supporting growth in the capital goods sector. We expect capex in many of the industry's end markets will continue to pick up in 2022, supporting further revenue growth and earnings expansion, but with somewhat slowing momentum given supply chain constraints. In addition, the recent U.S. infrastructure bill and EU recovery fund should provide a tailwind to capital goods activity over the next several years.

This was also evidenced in the solid sales performance of Siemens' industrial businesses, which increased by about 9.1% in fiscal 2021, mainly due to improving business conditions for and contributions from VMS, partially offset by the elimination of the Flender contribution. We expect this momentum in its revenue performance will carry on in fiscals 2022 and 2023, but slow somewhat. Top-line performance for the coming two years should be supported by the strong order backlog, which stood at €93 billion at end-December 2022. Accordingly, we forecast revenue will increase by about 1.0%-4.0% per year in fiscals 2022 and 2023, supported by increases across the industrial businesses and led by the trends toward digitalization and sustainability in its key markets, but mitigated by the announced disposals. Siemens should also benefit from considerable economic recovery and continuing growth, particularly in key markets (including automotive, machine building, and most infrastructure-related sectors) as well as continued high demand for its health care products. The Mobility division might take longer than others to catch up, but will benefit from various infrastructure and fiscal stimulus plans in Europe and the U.S. We expect the company will successfully manage any headwind risks from the continued complex macroeconomic environment influenced by COVID-19 and ongoing supply chain constraints, as has been the case since in fiscal 2021.

Overall, we see Siemens as well positioned to benefit from long-term opportunities related to increased automation, electrification, and emission reductions in industrial processes.

We expect S&P Global Ratings' adjusted EBITDA margins will improve to about 15.8%-16.5% in fiscals 2022 and to about 17.0% in fiscal 2023, from 15.7% in fiscal 2021. Capital goods issuers faced cost inflation in raw materials, logistics, and labor in 2021, and these headwinds will likely persist in 2022. We currently expect supply chain headwinds to ease by the second half of 2022, but there is a risk that these could spill over into 2023, hurting EBITDA margins for the sector.

Benefits from the exclusion of the weak-margin energy business and from the acquisition of VMS and its synergies started reflecting in Siemens' profitability margins in fiscal 2021 and first-quarter fiscal 2022 as sales volumes improve with the recovering business. S&P Global Ratings' adjusted EBITDA margins therefore improved from 13.8% in fiscal 2020 to 15.7% in fiscal 2021, despite the inflationary economic environment. We expect profitability will increase in the coming years underpinned by rising volumes, margin expansion in SHS, synergies from VMS, and several cost-cutting measures, partially offset by strategic transition costs to Software-as-a-Service (SaaS) in parts of its large software business. Furthermore, although Siemens might not be able to completely avoid margin headwinds from cost inflation and supply chain constraints, we expect it will be able to pass through most of its cost increases. We also expect a gradual reduction in other corporate costs, such as reconciliation and adjustments to consolidated financial statements, will benefit profits from fiscal 2023.

Company Description

Siemens AG, founded in 1847, is one of the world's leading electronic engineering and manufacturing companies, with its focus on electrification, automation, and digitalization.

Siemens AG provides hardware and software, as well as expertise to companies from a wide range of industries.

In September 2020, Siemens completed the spinoff of its energy business (oil and gas, conventional power generation, power transmission, and renewable energies) to a separately managed publicly listed company. Siemens retained a 35% stake, which is subject to a lock-up until March 2022.

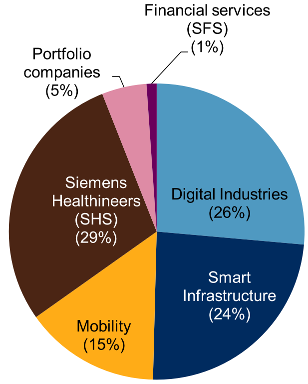
The company's principal divisions post the spinoff are split into Digital Industries, Smart Infrastructure, Mobility, and SHS.

Even post the spinoff, Siemens remains large scale with topline of more than €61 billion and adjusted EBITDA of more than €9.0 billion in fiscal 2021.

We view the group's captive finance operations, including Siemens Financial Services GmbH (A+/Stable/A-1+), as neutral in terms of the group's credit profile, reflecting the historical low loss rates and leverage of its captive finance operations.

Chart 2

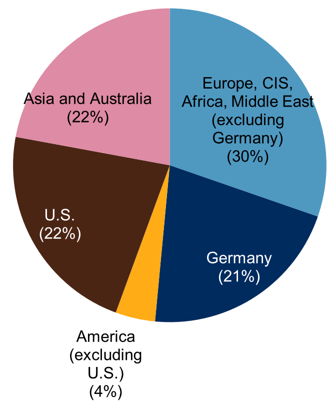
Siemens AG: Revenue By Business Segment (Fiscal 2021)



Source: Siemens AG annual report 2021.

Chart 3

Siemens AG: Revenue By Geography (Fiscal 2021)



CIS--Commonwealth of Independent States. Source: Siemens AG annual report 2021.

Peer Comparison

Table 1

Siemens AG--Peer Comparison

Industry sector: Capital Goods/Diversified					
	Siemens AG	**ABB Ltd.**	**General Electric Co.**	**Schneider Electric S.E.**	**Koninklijke Philips N.V.**
Ratings as of March 11, 2022	A+/Stable/A-1+	A-/Stable/A-2	BBB+/Watch Neg/A-2	A-/Stable/A-2	BBB+/Stable/A-2
	--Fiscal year ended--				
	Sept. 30, 2021	**Dec. 31, 2020**	**Dec. 31, 2020**	**Dec. 31, 2020**	**Dec. 31, 2021**
(Mil. €)					
Revenue	61,602.0	21,363.9	59,757.5	25,159.0	17,156.0
EBITDA	9,644.0	2,641.3	4,465.1	4,149.0	1,808.0
Funds from operations (FFO)	7,132.6	1,726.3	1,108.3	3,238.0	1,408.0
Interest expense	426.0	216.9	1,209.3	173.0	160.0
Cash interest paid	419.0	175.2	1,356.4	126.0	151.0
Cash flow from operations	8,286.0	1,670.7	(704.1)	4,156.0	1,368.0
Capital expenditure	1,431.0	567.3	1,407.7	506.0	502.0
Free operating cash flow (FOCF)	6,855.0	1,103.4	(2,111.8)	3,650.0	866.0
Discretionary cash flow (DCF)	3,219.0	(2,874.5)	(2,207.4)	2,075.0	(1,254.0)
Cash and short-term investments	10,677.0	4,402.9	18,972.8	6,913.0	2,303.0
Debt	13,570.1	2,911.3	26,849.1	10,222.0	4,454.0
Equity	46,501.0	13,078.8	15,040.7	23,727.0	14,474.0
Adjusted ratios					
EBITDA margin (%)	15.7	12.4	7.5	16.5	10.5
Return on capital (%)	11.7	7.3	19.8	9.8	3.4
EBITDA interest coverage (x)	22.6	12.2	3.7	24.0	11.3
FFO cash interest coverage (x)	18.0	10.9	1.8	26.7	10.3
Debt/EBITDA (x)	1.4	1.1	6.0	2.5	2.5
FFO/debt (%)	52.6	59.3	4.1	31.7	31.6
Cash flow from operations/debt (%)	61.1	57.4	(2.6)	40.7	30.7
FOCF/debt (%)	50.5	37.9	(7.9)	35.7	19.4
DCF/debt (%)	23.7	(98.7)	(8.2)	20.3	(28.2)

Business Risk: Strong

Our view of Siemens' business risk profile is supported by the group's strong industry, geographic, and customer diversification, leading market positions as a systems provider rather than as a component supplier, and supportive long-term demand characteristics in most of its business lines.

With more than €61 billion in revenue, Siemens benefits from economies of scale and geographical and customer diversification. The group is exposed to a wide variety of industries and their related risks, primarily within the traditional capital goods area. Even with the spinoff of the energy business, Siemens AG retains a diversified global industrial portfolio with operations across multiple end markets like building technologies, mobility, and digitalization and automation. Its portfolio also includes activities unrelated to the industrial investment cycle, in particular health care. In addition, the group's applications across short-cycle and long-cycle segments result in a resilient business mix, which ensures some earnings stability during the economic cycle. The majority holding in SHS reflects the diversification benefits the group enjoys from the less cyclical and highly profitable health care operations.

Siemens has leading market positions in all its business divisions further complemented by strong technological capabilities. For example, SHS recently launched the world's first photon-counting computed tomography (CT) scanner, after being cleared for clinical use in the U.S. and Europe. This pioneering technology is a major advancement compared to the standard CT detectors, as it provides higher precision and comprehensive examinations at significantly reduced radiation dose and lower doses of contrast media. It ranks No. 1 or No. 2 in all its major industry end markets. Its market position is particularly strong in discrete industrial automation and digital factory solutions (we currently see the company as the global No. 1 provider), and health care equipment, with additional world-leading positions in process automation, electrification, building technologies, and in rail transportation. In rail transportation Siemens remains the largest European provider of rail equipment and automation and globally No. 2 behind China's CRRC Corp. Ltd. (A+/Stable/--). In all these fields Siemens has strong technological capabilities, global scale of operations, and high entry barriers provided by technology, the need for high levels of R&D investment, and a track record as a global leader. In fiscal 2021, Siemens spent about €4.9 billion in R&D or about 7.8% of revenue, with Digital Factory and SHS accounting for about 75% of spending. In fiscal 2021, it filed more than 2,500 patents worldwide, and holds about 43,400 issued patents in total.

Siemens has reoriented its industrial portfolio toward higher growth and margin segments under its Vision 2020+ strategy. The VMS acquisition (engaged in the stable health care business) completed in April 2021 fits well with Siemens' strategy to steer its industrial portfolio toward higher growth segments with high technological barriers, less cyclicality, and higher margins. The shift in strategy has also been underlined by the spinoff of its highly volatile energy business Siemens Energy; multiple larger acquisitions including Mentor Graphics and Varian Medical Systems as well as by smaller acquisitions like Supplyframe and Sqills; and continuous investments in its own product lifecycle management software and cloud services. Additionally, the sale of Flender (mechanical and electric drive systems) and the announcement for the carve-out of Siemens Large Drives, Siemens Logistics, and Yunex Traffic, which is engaged in international road traffic business, confirms this shift in strategy. In February 2022, Siemens announced another two milestones in line with its goal to streamline its businesses: the sale of its post and parcel division as well as its plan to exit Valeo Siemens eAutomotive joint venture. In our view, Siemens' execution of its strategy and the increasing contribution from SHS have strengthened the group's business profile. We estimate the group's profitability will further improve, with S&P Global Ratings' adjusted EBITDA margins reaching about 15.8%-16.5% in fiscal 2022 and about 17.0% in fiscal 2023, which is considered at the higher end of average profitability for capital good companies.

Financial Risk: Modest

We base our assessment of Siemens' financial risk profile on the group's otherwise strong balance sheet, exceptional liquidity, and strong FOCF generation through the cycle. At fiscal year-end 2021 (ended Sept. 30, 2021), Siemens' adjusted debt was at about €13.6 billion, up from €12.4 billion at fiscal year-end 2020. This increase was largely due to the partly debt-financed €13.9 billion acquisition of VMS in fiscal 2021, paid in cash, of which, about €8.5 billion was funded through debt at Siemens AG and transferred to SHS via intragroup loans. However, this was largely offset by disposal proceeds from the sale of the Flender business in March 2021 for about €1.8 billion, discretionary cash flow generation of about €4.0 billion following the group's strong operating performance in fiscal 2021, and the pension funding with Bentley shares in the amount of €1.0 billion and ChargePoint Holdings in the amount of €0.3 billion reducing the group's pension deficit to nil in fiscal 2021.

We forecast that leverage will improve to about 1.2x in fiscals 2022 and 2023 from 1.4x in fiscal 2021. FFO to debt should recover to 60%-65% over the same period from 52.4% in fiscal 2021. This is primarily due to an expected improvement in EBITDA generation from revenue growth and margin improvements from fiscal 2022, as well as meaningful FOCF generation.

In our adjusted debt calculation, we exclude about €26.5 billion of debt at the group's captive finance operations, and deduct about €8.5 billion of surplus cash.

We view the group's captive finance operations, including Siemens Financial Services, as neutral in terms of the group's credit profile. The credit quality of Siemens' captive finance unit is highlighted by its historical losses of less than 1% for the past decade, which we assess as an indication of excellent portfolio quality. Leverage in the captive finance operations (reported debt to equity) was about 7x as of Sept. 30, 2021. Although the leverage is slightly higher than historical levels, we expect that it will remain well below the upper limit of 12x for our current assessment of the asset leverage risk of the group's captive finance operations. Given that leverage is commensurate for the group's portfolio quality, Siemens' captive finance division does not modify our view of the group's overall financial risk.

We continue to view Siemens' financial policy as conservative, reflecting the group's commitment to a strategy focusing on low leverage, including its publicly communicated leverage target of 1.5x industrial net debt to EBITDA, long-term funding, access to undrawn committed bank facilities, and ample liquid funds. We expect Siemens will continue to follow its leverage guidance in the long term and allocate its capital according to group principles of investment and shareholder remuneration. The conservative financial policy is underlined by the group's track record of strong credit metrics over the past 15 years when FFO to debt remained above 60% most of the time.

Financial summary

Table 2

Siemens AG--Financial Summary					
Industry sector: Capital goods/diversified					
	--Fiscal year ended Sep. 30--				
	2021	**2020**	**2019**	**2018**	**2017**
(Mil. €)					
Revenue	61,602.0	56,472.0	86,072.0	82,232.0	82,275.0
EBITDA	9,644.0	7,784.0	11,389.0	11,025.0	11,994.5
Funds from operations (FFO)	7,132.6	5,897.9	8,224.4	8,469.0	9,451.4
Interest expense	426.0	494.7	986.8	1,048.5	1,070.7
Cash interest paid	419.0	417.7	823.8	783.5	804.7
Cash flow from operations	8,286.0	6,292.0	6,970.8	7,060.0	5,753.5
Capital expenditure	1,431.0	1,112.0	2,167.0	2,215.0	2,003.0
Free operating cash flow (FOCF)	6,855.0	5,180.0	4,803.8	4,845.0	3,750.5
Discretionary cash flow (DCF)	3,219.0	281.0	90.8	299.0	(281.5)
Cash and short-term investments	10,677.0	15,297.0	13,722.0	12,352.0	9,617.0
Gross available cash	10,677.0	12,673.0	13,722.0	12,352.0	9,617.0
Debt	13,570.1	12,389.4	8,219.2	5,826.0	12,453.8
Equity	46,501.0	37,151.0	48,119.0	45,389.0	41,919.0
Adjusted ratios					
EBITDA margin (%)	15.7	13.8	13.2	13.4	14.6
Return on capital (%)	11.7	8.3	14.4	13.1	15.7
EBITDA interest coverage (x)	22.6	15.7	11.5	10.5	11.2
FFO cash interest coverage (x)	18.0	15.1	11.0	11.8	12.7
Debt/EBITDA (x)	1.4	1.6	0.7	0.5	1.0
FFO/debt (%)	52.6	47.6	100.1	145.4	75.9
Cash flow from operations/debt (%)	61.1	50.8	84.8	121.2	46.2
FOCF/debt (%)	50.5	41.8	58.4	83.2	30.1
DCF/debt (%)	23.7	2.3	1.1	5.1	

Reconciliation

Table 3

Siemens AG--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €)

	--Fiscal year ended Sept. 30, 2021--								
Siemens AG reported amounts									
	Debt	**Shareholders' equity**	**Revenue**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Capital expenditure**
	45,771.0	44,374.0	62,265.0	9,570.0	6,495.0	644.0	9,644.0	10,109.0	1,730.0
S&P Global Ratings' adjustments									
Cash taxes paid	--	--	--	--	--	--	(2,324.0)	--	--
Cash interest paid	--	--	--	--	--	--	(704.0)	--	--
Reported lease liabilities	2,929.0	--	--	--	--	--	--	--	--
Postretirement benefit obligations/deferred compensation	--	--	--	10.0	10.0	45.0	--	--	--
Accessible cash and liquid investments	(8,541.6)	--	--	--	--	--	--	--	--
Capitalized development costs	--	--	--	(277.0)	(69.0)	--	--	(277.0)	(277.0)
Share-based compensation expense	--	--	--	294.0	--	--	--	--	--
Dividends received from equity investments	--	--	--	238.0	--	--	--	--	--
Captive finance operations	(26,519.0)	(2,774.0)	(663.0)	(191.0)	(1,032.0)	(285.0)	516.6	(842.0)	(22.0)
Asset-retirement obligations	577.0	--	--	--	--	22.0	--	--	--
Nonoperating income (expense)	--	--	--	--	1,005.0	--	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	--	--	(704.0)	--
Noncontrolling interest/minority interest	--	4,901.0	--	--	--	--	--	--	--
Debt: Guarantees	365.7	--	--	--	--	--	--	--	--
Debt: Other	(1,012.0)	--	--	--	--	--	--	--	--
Total adjustments	(32,200.9)	2,127.0	(663.0)	74.0	(86.0)	(218.0)	(2,511.4)	(1,823.0)	(299.0)
S&P Global Ratings' adjusted amounts									
	Debt	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Capital expenditure**
Adjusted	13,570.1	46,501.0	61,602.0	9,644.0	6,409.0	426.0	7,132.6	8,286.0	1,431.0

Liquidity: Exceptional

The short term rating is 'A-1+', derived from our long-term issuer credit rating and liquidity assessment. We regard Siemens' liquidity as exceptional, with an expectation that liquidity sources will continuously exceed uses by 2x over the next 24 months. We also view the company's bank relationships as well established, its credit market standing as high, and its financial risk management as very prudent.

Principal liquidity sources	Principal liquidity uses
We estimate that principal liquidity sources include over the next 24 months: • Reported cash and cash equivalents of €12.2 billion on Dec. 31, 2021. • A total of €7.0 billion unused under the €7.0 billion committed revolving credit facilities (RCFs), maturing in 2026, and €2.0 billion from an unused subsidiary's credit facility maturing in 2024. • Positive FFO of about €9.0 billion-€9.5 billion per year over the next 24 months. • Proceeds from asset sales of more than €2.0 billion in the next 24 months, of which about €950 million from divestment of Yunex Traffic is already contracted for.	For the same period, we estimate that principal liquidity uses include: • Short-term debt maturities of about €7.1 billion in fiscal 2022, and maturities of about €4.6 billion in fiscal 2023. • Annual capex of about €1.5 billion-€2.0 billion. • Working capital outflow of about €1.0 billion-€1.3 billion per annum. • Dividend payment of €3.5 billion in fiscal 2022 and about €3.8 billion in fiscal 2023. • Share repurchases of about €800 million per year.

Other Credit Considerations

We expect that Siemens will remain the majority shareholder of SHS over the long term. We understand that management has no intention to give up control or sell down any further material stakes over the next two-to-three years, despite the dilution to about 75.4% from earlier 85.0%. We estimate that Siemens will continue to fully consolidate SHS, which we believe is the best representation of the group's business, economic, and financial ties. We note that the financing of SHS is based on intracompany loans (at arm's length) from Siemens.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	**G-1**	G-2	G-3	G-4	G-5

- N/A	- N/A	- Risk management, culture, and oversight

N/A--Not applicable. ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

Governance factors are a moderately positive consideration in our credit rating analysis of Siemens (G-1). This is because the company adheres to the highest standard of disclosure, and management is committed to long-term, sustainable organic growth. We also view positively the group's forward-looking strategic planning processes and ability to execute on its strategy. Environmental and social factors are an overall neutral consideration in our credit rating analysis (E-2; S-2). That said, Siemens is likely to benefit from the current sustainability trends through its smart infrastructure segment, providing energy saving infrastructure and services for buildings, and through its mobility segment, benefiting from government investments into less carbon-intense railway transportation infrastructure and from its software offering (digital twin) to design energy efficient production lines and products.

Sustainability is one of Siemens' core organizational values. The company has aligned its internal targets with the U.N.'s Sustainable Development Goals 2030. As a part of its environmental agenda, Siemens pledges its operations will be carbon neutral by 2030, by reducing in-house CO2 emissions.

Also Siemens targets net zero operations by 2030, waste-to-landfill reduction by 50% by 2025, and zero landfill waste by 2030. Through its health care segment, the group benefits from an aging population trend and advancement of medical systems and treatments.

Issue Ratings - Subordination Risk Analysis

Capital structure

Siemens' outstanding debt consists largely of senior unsecured obligations issued by a number of the group's financing entities.

Analytical conclusions

We consider the possibility of any lender being significantly disadvantaged compared with other lenders for issuers such as Siemens (with adjusted debt to EBITDA below 2x) as low. Therefore, we rate the senior unsecured long-term debt issued by Siemens at the same level as our issuer credit rating.

Ratings Score Snapshot

Issuer Credit Rating

A+/Stable/A-1+

Business risk: Strong

- **Country risk:** Low
- **Industry risk:** Intermediate
- **Competitive position:** Strong

Financial risk: Modest

- **Cash flow/leverage:** Modest

Anchor: a+

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Exceptional (no impact)
- **Management and governance:** Strong (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : a+

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology: The Impact Of Captive Finance Operations On Nonfinancial Corporate Issuers, Dec. 14, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	**Modest**	Intermediate	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	**a+/a**	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of March 11, 2022)*

Siemens AG		
Issuer Credit Rating		A+/Stable/A-1+
Issuer Credit Ratings History		
26-Apr-2021	*Foreign Currency*	A+/Stable/A-1+
04-Aug-2020		A+/Negative/A-1+
14-Nov-2012		A+/Stable/A-1+
26-Apr-2021	*Local Currency*	A+/Stable/A-1+
04-Aug-2020		A+/Negative/A-1+
14-Nov-2012		A+/Stable/A-1+
Related Entities		
RISICOM Rueckversicherung AG		
Financial Strength Rating		
Local Currency		A+/Stable/--
Issuer Credit Rating		
Local Currency		A+/Stable/--
Siemens Financial Services GmbH		
Issuer Credit Rating		A+/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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