SIEMENS

SPEECH FOR PRESS CALL

Q2 2022

“STRONG OPERATIONAL PERFORMANCE AND GROWTH – OUTLOOK CONFIRMED”

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CFO

Munich, May 12, 2022

Check against delivery.

[Roland Busch]

Ladies and gentlemen,

I'd like to present to you today our strong operational performance, which we've delivered in a very challenging environment. I'd also like to discuss the difficult decision we've made to completely wind down our industrial business in Russia. And I'll explain why we're sticking to our guidance for the Siemens Group. Because, all in all, our growth story is fully intact: we've been very successful with our strategy, which is focused on digitalization and sustainability.

Let me begin with the war in Ukraine. This is a turning point in history. The awful events concern me very much – they concern us all.

We – as a company – have clearly and strongly condemned this war and have been trying – wherever we can – to help the people in Ukraine and the war's many refugees.

We've been particularly concerned about the safety and well-being of our 180 Ukrainian colleagues.

I'm thinking, for example, of Andrej, our head of security in Ukraine, who continues to sit tight in Kiev – in his basement. While bombs were falling, he and many others worked to get our people, their children and their families to safety and to organize convoys to the western border. For this reason, we owe Andrej and his team our deepest gratitude.

We're also working to facilitate the refugees' arrival in the West. We're organizing accommodation, work and kindergarten places. For example, we've converted one of our buildings in Warsaw into a shelter for 150 people.

From the very beginning, we've provided financial support for the work of aid organizations. At the start of the attack on Ukraine, we donated €2 million via our Siemens Caring Hands organization.

We've provided a total of €14 million so far. In addition to immediate disaster relief, the company has matched the more than €4.5 million in donations from Siemens employees and provided contributions in kind for technical solutions.

These efforts have been accompanied by many private initiatives, which are providing accommodation, for example.

Unfortunately, this isn't the time to give a more detailed report. But I'd just like to say this: I'm very grateful for what's being done and achieved here, and it shows once again the incredible sense of solidarity at Siemens.

We're all moved by the war as human beings. And financial figures must take a back seat in the face of the tragedy. Nevertheless, like many other companies, we're feeling the impact on our business.

We have around 3,000 colleagues in Russia. Before the war, our operations in the country accounted for roughly 1 percent of Siemens AG's total revenue.

Mobility had the largest local footprint with various long-term projects and related service business. Digital Industries and Smart Infrastructure, on the other hand, focused on sales and local services.

After the war started, Siemens put on hold all new business in Russia and all deliveries to Russia.

The comprehensive international sanctions as well as current and potential additional countermeasures are significantly impacting our business activities in Russia – particularly, above all, Mobility's rail service and maintenance business.

After thoroughly assessing the entire situation, Siemens has decided to completely wind down its industrial business on the Russian market.

Despite our clear stance on the war, this was not an easy decision for us to make. After all, we've been active in Russia for 170 years. We have close customer relationships there. We also have a responsibility to our 3,000 people in the country. And – I'd like to make this clear – we'll continue to support these colleagues to the best of our ability even after this decision.

The decision is already being implemented. We've started winding down our remaining operations and all our industrial business activities.

This move doesn't apply to the business activities of Siemens Healthineers, which are focused on healthcare.

Siemens Financial Services' leasing business in Russia accounts for about 3 percent of its total portfolio. At the end of February, SFS also put all new business on hold and is currently honoring only existing contracts. We're evaluating all options here in line with regulatory requirements.

In Q2, the impact on net income amounted to around €600 million, due mostly to non-cash accounting impairments, write-offs and charges.

The largest impact was recorded at Mobility. Ralf Thomas will give you further details in a moment.

From today’s perspective, we foresee further potential risks for net income in the low- to mid-triple-digit million range – although we can’t define an exact timeframe.

Potential effects are mostly non-cash charges related, for example, to the wind down of legal entities, the valuation of assets at SFS and restructuring measures.

It’s difficult to predict the timing since the wind down of legal entities also depends on factors beyond our control – not least local regulations that can quickly change.

Exiting the Russian market has significant consequences. That’s why I’d like to stress all the more that we’re confirming the guidance for the Siemens Group we announced at the start of fiscal 2022.

We can confirm this guidance because we’ve delivered a strong operational performance in the first half of our fiscal year. Combined with positive portfolio effects, we can generally weather the one-time impact from exiting the Russian market.

The positive effects I’ve mentioned include, for example, the divestment of Siemens Logistics’ mail and parcel business, which we’re now set to close in the second half of this fiscal year. Ralf will tell you more about this later on.

Looking at the highlights of our core business in Q2, I can say that I’m very satisfied with how we’re driving our strategic initiatives. With the clear aim of strengthening our digital and sustainable business – and simplifying our portfolio further. Siemens is achieving profitable growth despite turbulent times!

Our customers are continuing to invest massively in their digital transformation and in energy and resource efficiency – particularly in the wake of rapidly increasing energy and materials prices.

In addition, our automation and software solutions are becoming even more relevant due to tight labor markets and increasing complexity in manufacturing, energy grids and infrastructure.

All these factors supported our order growth of 22 percent on a comparable basis. Our strong momentum here continues across most verticals. There's still a certain amount of pre-ordering due to longer lead times.

Overall, revenue grew a strong 9 percent on a comparable basis – excluding the effects related to Russia.

I'm particularly proud of the result at our Digital Industries' automation business. With revenue growth of 16 percent on a comparable basis, we're continuing to gain market share here. This result is also evidence of our team's agile and successful supply chain management.

We're also extremely proud of Siemens' consistently very strong free cash flow all-in. At €1.3 billion, we've delivered in this regard once again.

Together with the proceeds from our divestments, we're strengthening our balance sheet further and creating scope for accelerating our share buyback program and further deleveraging.

However, the macroeconomic environment remains very volatile. The war is amplifying cost inflation and constraints on supply chains. The situation remains very dynamic.

During Q2, the pandemic partially impacted productivity in the U.S. and Europe.

However, recent Omicron outbreaks and the lockdowns in Shanghai and Shenzhen, among other cities, pose a risk for the third quarter.

Non-delivery of goods from Shanghai is having a knock-on effect across China and the rest of the world. There are disruptions in supply chains and logistics. We're supporting our people in the affected areas by providing food and other necessities to ensure their health and safety.

Our factories in Shanghai are working either in close-loop production or are in the process of ramping up again. However, the situation is changing every day, and we don't expect production to fully recover in the third quarter.

We continue to work relentlessly with our network of suppliers and in our own factories to master these challenges. We want to keep the impact on our customers to a minimum.

And we'll continue to balance cost inflation with appropriate price increases.

Overall, we delivered a strong operational performance with continuing growth momentum.

Orders reached an impressive level of €21 billion, up organically by 22 percent. As a result, our order backlog hit a record level of €94 billion.

In addition, our book-to-bill ratio of 1.23 was, again, excellent.

Revenue grew 7 percent to €17 billion. Siemens Healthineers led this development with a 16 percent increase. Digital Industries and Smart Infrastructure posted high single-digit-percentage growth. At Mobility, we saw a reduction due to the situation in Russia.

The main contributions to this growth came from Germany, up 10 percent, and the U.S., which posted 17 percent growth. China was unchanged – the prior-year quarter was extraordinarily strong in this region.

Excluding the Russia-related burden of 360 basis points, operational profitability at the Industrial Business was a strong 14.6 percent.

Earnings per share before purchase price allocation (EPS pre PPA) came in at €1.50. Excluding the impacts from Russia, this figure would have been €0.71 higher. We benefited in the previous year from the divestment of Flender.

As I mentioned before, we're seeing strong secular growth trends in all our businesses. Our addressable markets now have a total volume of €465 billion, complemented by an additional €130 billion in the adjacent markets of digitalization and IoT.

We're now rigorously assessing the various short- and long-term effects on medium-term market growth. We're still convinced that digitalization, automation, decarbonization, resource efficiency and the related investment and stimulus measures will very clearly continue to be the drivers of our growth.

A real source of our strength and resilience is our record order backlog of €94 billion. That's more than €20 billion above the figure for the prior-year quarter.

This means that the largest share of our revenue for the second half-year is already on our books.

The priority now is to realize these orders as revenue through stringent execution and continued supply chain excellence.

It's helpful that we have high visibility regarding our revenue development due to the order backlog in our short-cycle product businesses at Digital Industries and Smart Infrastructure, supported by a high level of advance reservation payments.

In certain areas, substantial orders on hand extend into the first half of fiscal 2023.

At Mobility, we have a project and service backlog that promises us attractive gross margins.

A key lever for further value creation is our goal to grow our digital business by about 10 percent a year until 2025.

Here, we're fully on track. Our revenue in the first half-year exceeded €3 billion.

Digital Industries is accelerating the transition to software-as-a-service, SaaS. We're also experiencing rapid growth at Mendix and Supplyframe.

We're on the right course and continuing to work intensively to implement our ambitious growth targets. To achieve this goal, we've now taken further organizational steps.

In January, Smart Infrastructure set up a dedicated software team comprising around 2,500 software and technology experts, who are collaborating in this unit to make power grids smarter and more efficient. Their aim: to be the leading software provider for digital power grids. The team launched a first comprehensive grid software suite a week ago.

In a similar move, we bundled all of Mobility's software businesses – HaCon, Sqills and Bytemark – into one unit. The aim is to offer users a seamless, comprehensive solution for railways, buses and rental vehicles that will also accelerate profitable growth for us.

At Digital Industries, the transition to software-as-a-service in our product lifecycle management (or PLM) business is strategically crucial. As the Q2 figures show, we've succeeded in transitioning the business even faster than planned.

Our annual recurring revenue – so-called ARR – increased 13 percent compared to the prior-year quarter to €3.1 billion and thus exceeded our medium-term target of 10 percent annual growth.

In Q2 alone, the key indicator, ARR in the cloud business, grew 3 percentage points to 9 percent overall.

Our sales team is very active, and customer feedback has been very positive.

Many contract renewals in this PLM business have adopted the new model. The flip rate is now 44 percent – more than expected. They account for almost 70 percent of the total contract volume. But this success also has a flip side: the transition translated, as expected, into lower revenue and profitability in the previous quarter.

Overall, around 1,250 customers have signed on to our SaaS business model in the first half of the fiscal year. In Q2 alone, around 50 percent of those customers were small and medium-sized companies, which include many new customers. We're very pleased by this development since our ambition is, ultimately, to expand our customer base with the new business model.

Q2 was the strongest quarter to date for software renewals in the PLM portfolio, and our plan is to continue serving our customers' appetite for software-as-a-service.

With our technology and domain knowhow, we're helping our customers transform their businesses and drive sustainability. Highlights in Q2 include software for trucks, power grid management systems and high-speed locomotives.

Sustainable food production provides a particularly good example of how we're combining the real and the digital worlds. Some companies have now made it their aim to cultivate food on the seafloor in the future. To make this idea economically feasible, we've developed a complete digital twin for underwater farms.

In Nemo's Garden on the Italian Riviera, plants are growing completely self-sufficiently at a depth of several meters. With our digital technologies, we're helping ensure that the underwater greenhouses anchored there are constructed and operated efficiently. We're also utilizing artificial intelligence to optimize plant growth.

Decarbonization, resource efficiency and sustainability – these are decisive trends that will also create momentum for our business.

And we're continuing to rigorously execute on DEGREE, our sustainability framework. I'd like to highlight two initiatives. In fiscal 2021, the share of renewable energies in our energy mix stood at 78 percent. We're going to increase this ratio further. In Germany, we've concluded an agreement to purchase solar power for a further 10 years.

The war in Ukraine is also being fought on the Internet. There, too, attacks are taking place, making it even clearer to everyone how vital cybersecurity is. It's a must-have for all companies and public authorities and also a business opportunity. We've expanded the offering for our customers with, for example, a cybersecurity center for critical infrastructure in Canada, primarily for utility customers.

In the long run, no company can counter this growing threat on its own. That's why I'm very pleased that the Digital Trust Forum, to which organizations like the Federation of German Industry and Plattform Industrie 4.0 belong, is merging with the Charter of Trust. Launched by Siemens, this cybersecurity initiative now has 17 members, including Bosch and Deutsche Post.

At Siemens, we have more than 1,300 cybersecurity experts operating at five global hubs. These experts are working harder than ever to protect our customers and Siemens against cyberattacks.

Thank you!

[Ralf P. Thomas]

Ladies and gentlemen,

And good morning ladies and gentlemen from me as well. Allow me to begin by referring you, as always, to our Earnings Release, where you will find the results for all businesses, including Siemens Healthineers' figures, which have already been announced.

With that, we will turn directly to a detailed overview of our performance in a very eventful second quarter. We will begin with the results for Digital Industries (or DI).

Our key markets – such as the automotive, machine-building and electronics industries – continued to show strong underlying growth momentum, albeit with some signs of a certain normalization.

Still, a considerable portion of the excellent order growth in our short-cycle factory automation and motion control businesses was influenced by our customers' expectations that delivery times would be prolonged.

The remarkable book-to-bill ratio of 1.3 has now boosted DI's order backlog to more than €11.5 billion.

All automation businesses showed massive order growth, up by 38 percent in total. Orders in the software business were up by a percentage in the mid-teens without closing large deals during the second quarter.

We are very pleased by the growth in revenue at our automation businesses: Since the ongoing supply-chain constraints were mitigated extremely well again in the second quarter, we achieved record production output and a 16 percent increase in revenue.

Even though we remained in a position to mitigate supply chain shortages step by step, we currently expect the situation to remain critical beyond fiscal 2022 – also depending on how the COVID-19 situation develops in China.

Revenue in discrete automation was up 20 percent. Process automation continued its recovery and achieved 7 percent revenue growth.

As Roland Busch explained, revenue in the software business was down 11 percent. This decline was due in part to the momentum of our accelerated transition to software-as-a-service (or SaaS) in the product lifecycle management (or PLM) segment and in part to the absence of larger contracts in the lumpy electronic design automation (or EDA) business.

While PLM was moderately lower, by 4 percent, the EDA business showed a decrease by a percentage in the mid-twenties compared to the strong prior-year quarter. We are pleased that Mendix, on the other hand, continued its substantial growth path well above 30 percent.

Digital Industries’ profit margin was, at 18.1 percent, lower than we had originally expected. This difference was due to the accelerated SaaS transition, which had 100 basis points of additional negative impact. Higher incentive accruals due to continued order strength, and a non-cash write-down of current assets in Russia further burdened profitability by a total of around 80 basis points.

In addition, our important and ongoing investments in cloud technology accounted, at €61 million, for around 130 basis points of negative impact on Digital Industries’ margin level in the second quarter and will, as previously announced, gradually increase further throughout fiscal 2022.

We are extremely pleased that Digital Industries achieved stellar free cash flow of more than €1 billion.

Higher advance payments made it possible to pre-finance the higher inventories needed in the automation business to stabilize the supply chain. Thanks to excellent management of payment terms, the team also successfully reduced liabilities.

In addition, the software business made a considerable contribution to this success in the second quarter with its strong cash cycle, as is typical for the season.

Looking at our key vertical end markets for the next quarters, we expect continuing positive momentum, based on sound investment sentiment and strong fundamentals in most of our key industries.

We expect the automotive industry to see increasing normalization on a high level. However, it is likely that our customers in many industries will continue to be restricted by constraints in their supply chains.

Now let me give you the regional perspective on the dynamic growth in orders and revenue in Digital Industries' automation business:

All regions showed double-digit order growth, with Europe and China leading the way: In China, we grew rapidly by 27 percent, while orders in Germany and Italy even soared 37 percent.

However, we expect further normalization of demand going forward and a gradual reduction of order backlog.

Revenue growth in the automation businesses was broad based, with a strong increase of 25 percent in China. In Germany, up by 8 percent, growth was mainly driven by the motion control business. Italy showed 23 percent revenue growth overall on strength in discrete automation, in particular. In the U.S., process automation saw a double-digit increase.

Although the order backlog is at a record level, providing a qualified outlook for the third quarter is a very demanding task. This outlook largely depends on global component availability as well as on the length and impact of lockdowns in Shanghai and other regions in China.

Manufacturing at our most important factories for Digital Industries in Nanjing and Chengdu is running. However, their manufacturing output and ability to deliver are increasingly being burdened by disruptions in local supply chains and by the availability of components from suppliers based in and around Shanghai, as well as by the general logistical constraints being experienced nearly everywhere.

Under the assumption that the economic activities – and, above all, the factories – in Shanghai can be ramped back up during the course of May, and that there is no material deterioration in the situation in other regions in China, comparable revenue growth at Digital Industries will be around 10 percent in the third quarter.

This growth will be supported by, among other things, a positive contribution from the software business, where we expect larger contracts in the EDA business to more than offset continuing SaaS-transition effects in the PLM business.

We expect the profit margin for DI's third quarter to be around 20 percent. The quality of this result will, as I said, be highly dependent on the developments in China and on the speed of the SaaS migration.

Now, let's move on to Smart Infrastructure (or SI).

The SI team delivered strong growth in orders and revenue in favorable end markets. Margins were up despite being held back by headwinds from the COVID-19 pandemic and despite the sanctions imposed on Russia.

In total, orders were up 22 percent, driven most notably by more than 30 percent growth in the electrical products business, which benefited from ongoing industrial demand.

In addition, the electrification business grew by more than 20 percent due to larger order wins for data centers, such as an order from a world-leading social media company, and due to strong demand from the semiconductor industry.

The buildings business was up around 15 percent on continuing strength in the products business and on accelerating solutions and services activity.

Revenue grew 8 percent in total, with the largest contribution coming from the electrical products business, up by 15 percent.

The SI team again succeeded in mitigating major constraints in the supply chain and in keeping factory utilization on a high level.

The profit margin of 11.1 percent was up 30 basis points year over year, benefiting from higher capacity utilization as well as cost savings from rigorous implementation of our competitiveness program, which is fully on track.

Headwinds from rising commodities prices as well as from component and logistics cost inflation were, to a large degree, mitigated by pricing actions. However, this effect was partially burdened by the consequences of the pandemic. In particular, the solutions and service business was negatively impacted by the pandemic. Here, too, we also felt initial effects from the lockdown in Shanghai, where two factories were temporarily closed at times in March.

Around 40 basis points of negative impact was recorded from write-downs and impairments on assets in Russia.

Another aspect that we are very pleased with: Smart Infrastructure made further progress in optimizing its portfolio. For instance, an agreement was reached on the sale of the Austrian company “Siemens Gebäudemanagement und Services GmbH” (or SGS for short). This transaction is expected to close in the course of the third quarter, subject to regulatory approval.

Smart Infrastructure’s free cash flow was solid overall, although – given tight supply chains – a conscious decision was made to accept higher inventories in order to secure production capabilities.

Looking at regional topline development, we saw strong, broad-based order momentum. All major regions were up, led by the U.S. with a remarkable 39 percent increase.

Revenue increased in all regions except for China. There was impressive 10 percent revenue growth in the U.S. The service business delivered 7 percent revenue growth, led by clear increases in Europe and the Americas.

As with Digital Industries, we also want to give you an overview for Smart Infrastructure that shows the market trends in the most important vertical end markets.

We see some moderation in commercial buildings due to the knock-on effects from the war in Ukraine. Other important verticals, such as power distribution, electronics, healthcare and data centers, show healthy and sustainable growth.

Based on this situation, we expect to see a comparable revenue growth rate in the third quarter that is in line with our guidance for the full fiscal year.

We anticipate that the third-quarter profit margin will be at the upper end of the full-year guidance range of 12 percent to 13 percent, including a positive effect in the mid-double-digit millions from the divestment of SGS.

These expectations are based on the assumption that, on the one hand, the lockdown situation in Shanghai will ease during May and, on the other hand, the situation with supply chain frictions, and with the cost inflation that is partly related to these frictions, will not deteriorate further.

For the third quarter, we expect a slightly negative impact from the relationship between cost inflation versus our own price increases.

However, we then expect to see improvement here in the fourth quarter of fiscal 2022.

As Roland Busch mentioned, Mobility's financials in the second quarter were massively affected by sanctions imposed on Russia, while the underlying operational performance was, nevertheless, quite solid.

Orders grew 13 percent to €2.5 billion. This increase was primarily driven by a higher volume from large orders, mainly in the rolling stock business, including an order for 50 Vectron locomotives for Czech Railways.

We also booked an order for 18 additional subway trains from the so-called "second option" for Munich. The rail infrastructure business was up by an amount in the mid-single digits.

As of March 31, the order backlog stood at €36 billion, with consistently healthy gross margins. This figure was impacted by order cancellations amounting to about €4 billion, which arose in connection with the winding down of our industrial business activities in Russia.

And we are pleased that our sales funnel also continues to look very promising for the quarters ahead.

Revenue declined 9 percent in the second quarter. As a result of the sanctions imposed on Russia, revenue recognized in prior periods had to be reduced by more than €200 million.

If we excluded this effect of around 10 percentage points along with the revenue not recognized for work already performed in the second quarter, Mobility would show moderate growth.

As a result of the sanctions imposed on Russia, Mobility's profit was burdened with impairments, write-downs and other charges of, in total, €567 million. This amount equals around minus 25.7 percentage points of profitability impact.

Meanwhile, the operational business beyond these Russia effects achieved a solid 8.4 percent profit margin, still impacted by lower productivity due to the pandemic and supply-chain frictions.

Since the write-downs and charges from Russia were mostly non-cash, they had only minor impact on free cash flow in the second quarter. Mobility therefore delivered a solid cash performance of €140 million.

For the second half of the fiscal year, we expect continuously positive contributions to free cash flow from Mobility. Yet nonreceipt of payments from Russian customers will lead to a cash conversion rate clearly below 1 for the full fiscal year.

For the third quarter, we assume revenue growth will be in the low-to-mid single digits because it will still be affected by nonreceipt of revenue from Russian projects.

We expect the third-quarter profit margin to be around 7 percent. Nonreceipt of contributions from Russia-related projects, as well as strained material supply and logistic constraints, will continue to have a negative impact on profit.

I will keep the perspective on our results below the Industrial Businesses crisp.

In the appendix, on page 28 of the presentation, you will find the full earnings bridge with all details. Here, I would just like to say this:

Siemens Financial Services (or SFS) showed a robust performance, strongly influenced by charges of €57 million related to the sanctions imposed on Russia. The business with equity investments made a very positive contribution to the results in the second quarter.

We are still very successfully pursuing our goal of creating sustainable value at our Portfolio Companies. This success was impressively demonstrated in the second quarter by a €292 million revaluation gain in connection with the announced divestment of Siemens' stake in the Valeo Siemens eAutomotive joint venture.

In addition, all fully consolidated units improved their earnings.

A higher loss from our at-equity Siemens Energy Investment has once again been a very unsatisfactory development for us.

The item “Financing, eliminations and other items” included a positive – but, unfortunately, only temporary – net effect that amounted to €177 million in connection with Corporate Treasury hedging activities related to the Russian ruble.

This effect was partially offset by, among other things, a revaluation loss of €119 million on our stake in Thoughtworks.

The tax rate of 31 percent was temporarily higher in the second quarter due to non-tax-deductible items related to Russia.

Let’s turn now to our excellent free cash flow: Our performance in the second quarter very impressively highlights our ability to deliver strong and consistent free cash flow throughout the year thanks to stringent working capital management.

We are confident that we will be able to continue on this path despite the existing supply chain constraints.

I already want to point out now that the upcoming proceeds from the sale of the mail and parcel business of Siemens Logistics and the sale of Yunex Traffic will not be recognized in free cash flow.

In the second quarter, net income was burdened to a considerable extent by effects related to Russia.

This impact was also reflected in two other important parameters from the Siemens Financial Framework.

First, the return on capital employed (ROCE), excluding Varian-related M&A effects of 11.1 percent, was outside the target corridor. This result was due to the Russia effect already mentioned, which had a negative impact of 460 basis points on ROCE in the second quarter.

For the full fiscal year, we expect clear improvement in this key performance indicator.

And second, at 1.6x, the ratio of industrial net debt to earnings before interest, taxes, depreciation and amortization (EBITDA) was slightly above our maximum target. With strong operational free cash flow and substantial proceeds from the sale of Yunex Traffic and of the mail and parcel business of Siemens Logistics in the second half of the fiscal year, we will continue our deleveraging path and further reduce our debt level.

As Roland Busch highlighted, we will clearly accelerate our existing share buyback program and will literally do so as of tomorrow.

The pension deficit was, as of March 31, reduced further to a historic low of €2.2 billion. However, we expect the actuarial assessments at fiscal year-end to reflect the effects from inflation in the opposite direction.

Let me now summarize some key items and expectations that underpin our outlook for fiscal 2022 based on our results for the first half-year.

Page 23 of the presentation shows the increasingly tangible effects from our strategy for optimizing our portfolio in fiscal 2022.

In total, we expect roughly €2.1 billion to €2.3 billion in gains at the net-income level from these four larger transactions. The exact amount will obviously depend on final closing of the transactions.

The sale of the mail and parcel business of Siemens Logistics and the sale of Yunex Traffic are both now expected to close in the second half of fiscal 2022. In both cases, the exact timing will, of course, be subject to the relevant regulatory approvals, which are still pending.

The presentation gives you an updated overview of all line items Below Industrial Businesses and of our corresponding expectations for fiscal 2022.

I want to point out a few important topics:

From today's perspective, – despite the Russia-related charges in the second quarter – we expect SFS' operational results in fiscal 2022 to be in the lower part of the target range of a 15 percent to 20 percent return on equity. At this point, however, we cannot exclude the possibility of further negative effects from the planned winding down of SFS' leasing business in Russia within the framework of the regulatory requirements.

Nevertheless, it is still too early for a reliable and qualified assessment.

For the Portfolio Companies, we expect a positive result of around €1.4 billion to €1.6 billion. This result is an impressive proof point showing that our strategy of creating long-term value at the Portfolio Companies is being executed successfully.

For the remaining fully consolidated units, we continue to constantly improve the margins and examine all strategic options.

For our at-equity Siemens Energy Investment, we anticipate – based on Siemens Energy's expectations – a limited improvement of our net income participation compared to the prior year.

We are by no means satisfied with the current performance. Siemens Energy's share price has been very volatile recently, and we hope to gain a clear perspective and more certainty for our planning from the upcoming Siemens Energy Capital Market Day on May 24.

As you are already aware, we continue to expect the relevant charges from the purchase price allocation at Siemens Energy for Siemens AG to amount to nearly €100 million in fiscal 2022.

Within the item "Amortization of intangible assets acquired in business combinations," which is the so-called purchase price allocation, or PPA, we now expect around €950 million due to the final assessment of the Varian transaction.

For the item "Financing, eliminations and other items," we assume a negative contribution of around €300 million for fiscal 2022.

We continue to expect the tax rate to be in the range of 25 percent to 29 percent. As always, this expectation does not include impact from potential tax reforms.

Let me now close with our outlook.

We confirm our financial targets for fiscal 2022 for the Siemens Group, which are based on continuing growth in global GDP and our expectation that the challenges to our businesses from COVID-19 and supply chain constraints will not worsen in the remainder of fiscal 2022. Under these conditions, we expect our Industrial Business to continue its profitable growth.

For the Siemens Group we expect 6 percent to 8 percent growth in comparable revenue and a book-to-bill ratio above 1.

Digital Industries expects for fiscal 2022 to achieve comparable revenue growth of 9 percent to 12 percent and a profit margin of 19 percent to 21 percent, including an expected reduction of up to two percentage points from fast ramp-up of the strategic transition to software-as-a-service (SaaS) in parts of its large software business.

Smart Infrastructure expects for fiscal 2022 comparable revenue growth of 6 percent to 9 percent. The profit margin is expected to be 12 percent to 13 percent.

Mobility, which previously expected fiscal 2022 comparable revenue growth of 5 percent to 8 percent, now expects revenue on the prior-year level. The profit margin is expected to be 10.0 percent to 10.5 percent, with the expected gain from the sale of Yunex Traffic being sufficient to balance impacts related to the sanctions imposed on Russia.

We continue to expect the profitable growth of our Industrial Business to drive an increase in basic EPS from net income before purchase price allocation accounting to a range of €8.70 to €9.10, up from €8.32 in fiscal 2021. Net income in fiscal 2021 included a positive contribution from divestments and other portfolio-related gains totaling €1.5 billion. We assume a similar positive contribution in fiscal 2022 from portfolio-related results net of burdens related to Russia. Portfolio-related results include the sales of Yunex Traffic, the mail and parcel-handling business of Siemens Logistics and our stake in Valeo Siemens eAutomotive.

As always, this outlook excludes burdens from legal and regulatory matters.

Thank you!

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