SPEECH FOR PRESS CALL

Q2 2020

"ROBUST PERFORMANCE IN COMPLICATED TIMES"

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Check against delivery.

[Joe Kaeser]

Good morning, ladies and gentlemen, and thank you for joining us. I hope you and your families are well in these unusual and difficult times.

Today, May 8, we're commemorating an historic event of great significance for us all: the end of World War II in Europe 75 years ago. This important anniversary, which we're honoring in the midst of the coronavirus crisis, can hopefully remind us of essential things that transcend our current situation.

Peace, freedom, tolerance, understanding – these are the values of the post-war order that began on May 8, 1945. And these are values that not only endure, they can also guide us in an age of globalization, digitalization, climate change and growing nationalism and populism. Siemens will continue to foster these values. And at a time when the world is seeking stability and needs orientation, it's our job as individuals to foster them as well.

Some have referred to the coronavirus crisis as a war. But it's really something completely different: it's a challenge – but, even more, an opportunity – to show social cohesion, solidarity and our concern for one another. These nearly forgotten values characterized the period just after the war. They're the values that enabled our parents and grandparents in Germany to bring about the so-called German economic miracle. There'll be a period of reconstruction after corona, too. And despite all the losses and setbacks, it will be a great opportunity to build a better world – a sustainable and multilateral world based on the principles of an environmentally responsible, social market economy. This will be a challenge for our political leaders, but also for companies – and our economy and our society as a whole. But now, we have to master the crisis, without losing sight of the future.

This also applies to Siemens. And it applies at a time when we're in the midst of a realignment of historic dimensions. The tasks could not be greater. However, we're optimistic:

- We made good use of the time between 2014 and 2019 and now have both a strong market position and a solid financial basis.
- We have a strong and experienced management team – one that successfully mastered the 2008-2009 global financial crisis and our homemade existential crises of 2006-2007 and 2013.

- And we have an advanced, futureproof portfolio in the areas of energy, industry, infrastructure and healthcare for which more than 386,000 motivated colleagues are giving their best every day.

However, it's taking everything we've got to maintain our operational readiness along the entire value chain, and our organization is often stretched to its limits. This applies to procurement, customer relationships, sales and services, and thus to employment, people's security and safety, and interactions with governments and regulators around the world – to mention only a few areas. But in everything we do, one thing is clear: the health and safety of our employees and that of our partners are our top priority.

A time of crisis is also a time to show that we're responsible and ready to help. I'm very pleased that we're able to utilize our stable position and our portfolio to support others in this time of crisis. For only those who have can also give. Not only is Siemens honoring its social responsibility and what I called nearly two years ago our purpose, we're also doing so to an exceptional degree. Let me give you just a few examples:

- The expertise of Siemens Healthineers is particularly in demand. "Help wherever we can" – that's the motto of Bernd Montag's team. Healthineers has developed high-quality COVID-19 test kits. It's quickly supplying hospitals worldwide with medical equipment and helping medical professionals with complicated imaging – also remotely.
  In mid-April, we teamed up with Siemens Healthineers to donate a mobile clinic in Colombia that will support the treatment of COVID-19 patients. And there are many more examples as well.

- Our colleagues at Digital Industries are also lending a hand. For instance, they're helping manufacturers of protective equipment and medical devices convert or expand their production processes. We've also opened our 3D printing network for hospitals and healthcare organizations that are in urgent need of spare parts for medical equipment.

- In the UK, Siemens and Siemens Healthineers are participating in the VentilatorChallenge, an initiative by leading UK companies to produce medical ventilators in large numbers.

- In mid-April, Siemens set up an aid fund under the umbrella of its Caring Hands organization. This fund provides unbureaucratic help to medical institutions and individuals impacted by the coronavirus worldwide. Many employees and the

Managing Board have already made contributions. To date, donations to the fund total more than €12 million. I'd like to warmly thank all our colleagues for their generosity.

- Last but not least, while protective masks were still in short supply, Siemens rapidly utilized its global procurement network to purchase two million masks in addition to those needed to meet its own requirements. Of these additional masks, we donated one million to the state of Bavaria and one million to the German government.

Siemens is now doing everything in its power to overcome the crisis. And we'll continue to do so in the future.

Of course, the crisis also poses major challenges for us on the sales side – challenges that impact our entire company. Many of our key markets and key sectors – for example, the automobile and machine building industries – have been strongly affected. As have other factors ranging from the financial feasibility of major projects to maintenance and service at customer locations. Different regulations in different countries are also influencing business.

For these reasons, we don't expect to experience the full impact of the worldwide shutdown – and thus the bottoming out of demand – until the third quarter. Due, above all, to the multicausal character of the factors involved, it's still too early to predict how long this situation will last and when the world economy will recover. Therefore, we can no longer confirm our original guidance for fiscal 2020 and will refrain from providing a new one until further notice. Ralf Thomas will discuss the changes in our outlook in greater detail in his presentation. However, we're convinced that Siemens can emerge from the crisis stronger than before.

We're a world leader in automation and industrial digitalization. In the future, these technology trends will be in even greater demand when the global value chains have been rethought and redesigned.

Healthcare technology will also be rethought. Different medical procedures will converge. Siemens Healthineers is the only company in its sector to have integrated imaging, laboratory diagnostics and digital intelligence under one roof.

The energy sector will also have to change. When the global economy is rebuilt, this sector will have to be sustainable and resource-friendly in the areas of power generation, transmission and consumption. No company is better equipped than Siemens Energy to drive this transition.

The national economies of China and the U.S. will – rightly or wrongly – emerge from the crisis stronger than before. In both these markets, Siemens companies are better positioned than any other foreign competitor.

Last but not least, we've become a robust and focused company that is strongly positioned for the future – in terms of both our structure and our portfolio.

A look at the differentials of the 2007-2009 and the 2017-2020 cycles illustrates how robustly our share performed on a comparative basis in 2020, despite its implicit cyclicality. This robustness is also reflected in the substantial improvement in total shareholder return over the last few years. Due to the public listing of Siemens Energy, we'll clearly outpace our main competitors in this respect in 2020 as well.

In this connection, it's particularly gratifying that – with nearly 300,000 employee shareholders – our workforce is also profiting from this development. In addition, we're building an energy company that – with an order backlog of over €80 billion and more than 90,000 employees – will be attractive over the long term.

Let's take a quick look now at the development of our businesses. We've delivered a robust quarter given the serious circumstances. I am particularly impressed with my global team that we are able to keep the original timeline for the spin-off of our energy business. In Q2, we're reporting the businesses of Siemens Energy for the first time as discontinued operations. Therefore, they're no longer included in our Industrial Businesses.

- Orders declined nine percent on a comparable basis to €15.1 billion. This was primarily due to a lower volume from major orders at Siemens Mobility.

- At €150 billion, the order backlog for the entire Siemens Group reached a new all-time high.

- Today, over 386,000 people work at Siemens worldwide – that's about 3,000 more than only a year ago. And we currently have nearly 9,000 job vacancies, of which a third are in Germany.

- At 1.06, the book-to-bill ratio was well above 1.

- The adjusted EBITA of our Industrial Businesses was €1.6 billion for an operating margin of 12.1 percent – marking continued strong results given the current market environment and the related decline in revenue at our high-margin, short-cycle businesses.

As I've already mentioned, we completed the carve-out of Gas and Power, as originally planned, in Q2, despite the difficult conditions. Siemens Energy was launched with a strong team, as planned, on April 1. And our Extraordinary Shareholders' Meeting can be held as planned and in a new format on July 9.

As you can see, we're dealing with these extraordinary circumstances in a focused and rigorous manner, but also respectfully and as cautiously as possible. We, too, don't know how long or how intensively this pandemic and its impact will continue to occupy us. Everything we can influence, we've understood well. But we're surrounded by huge imponderables – by too many things that we can't influence. We're aware of this, and we're taking it into account in our actions.

But we also know there'll be a time after corona. And we're making preparations and creating the prerequisites for a successful period of reconstruction. And this may come soon. After all, it's always darkest just before the dawn.

My colleagues Roland Busch and Ralf Thomas will now provide you with an in-depth overview of our performance in Q2.

[Roland Busch]

Thank you, Joe. Good morning from me as well, ladies and gentlemen, and welcome!

Joe Kaeser has just spoken about how the coronavirus crisis is impacting us. Whether in manufacturing, services or major projects or when working from home, I have tremendous respect for how our employees are handling this extreme situation. While we can't predict the future, we can manage how we deal with this crisis – and that's going very well. Although very many of us are working from home, none of us is working alone.

Our business is proving to be solid. On a comparable basis, revenue in Q2 declined by only one percent thanks to our very healthy portfolio mix, which reflects short- and long-term investment cycles. And we have a growing share of high-margin businesses such as services and software. We also operate in a very wide range of sectors. Some are being hit harder by the crisis, while others are even seeing an increase in demand. Siemens Healthineers, for example, is taking in more orders for computed tomography (CT) scanners.

At Digital Industries (DI), demand is up in essential industries such as food and beverages, hygienic products and pharmaceuticals. Despite social distancing measures, DI is continuing to serve its customers by, for example, enabling machines and systems to be remotely inspected and approved or put into operation by experts working online. We're seeing similar effects at Smart Infrastructure as well. The demand for remote maintenance is growing. We're also increasing our revenue with customers that operate hospitals, data centers and other critical infrastructures.

The high level of our order backlog – which currently totals €69 billion, not including Siemens Energy – also fills me with confidence. Siemens Mobility accounts for the biggest share of this figure.

I see two trends for the future when the coronavirus crisis has ended.

- First, digitalization will pervade businesses to an even greater extent and provide a competitive edge. Digital technologies are already playing a major role in combating the crisis. I'm convinced that in particular those companies that were early adapters of digitalization will emerge from this crisis stronger.

- Second, the crisis will – in some areas – lead to an extensive readjustment of manufacturing and supply chains. The crisis has clearly shown how vulnerable such chains are. I'm confident that companies in high-wage countries will once again be able to produce competitively by adopting more automation and IoT technologies – that is, by connecting the real and digital worlds.

Needless to say, the next few months will be an immense challenge and demand the utmost from us all. But this crisis also presents great opportunities for Siemens over the long term. All the market developments we've been focusing on for quite some time, especially digitalization, will accelerate as a result, and technology will play an ever-greater role.

Another important point: without, of course, suspecting the possibility of a pandemic, we'd already introduced Vision 2020+ in order to significantly strengthen our focus on customers and markets, increase our agility and initiate cost-cutting programs. We're now benefiting from all these measures.

In response to the effects of the pandemic, Digital Industries and Smart Infrastructure have further accelerated their cost optimization programs. Increasing in-house digitalization, streamlining processes and optimizing regional structures are their most important levers. Compared with the announcement at our Capital Market Day in May 2019, we're now planning to achieve cost reductions totaling around €475 million by fiscal 2021, marking an additional increase of €165 million. Digital Industries will account for €135 million of these additional savings and €30 million will come from Smart Infrastructure. We're also right on track to achieve our savings target of approximately €300 million by 2021 through lean and effective governance.

I'd now like to turn to what is for me an especially pleasing topic: Siemens Mobility is defying the coronavirus crisis. We have a market-leading, vertically integrated portfolio, and Siemens Mobility is an integral part of Siemens AG. Although we announced that we'd give you a strategy update in Q2, we've postponed this to Q4 due to the current situation. We're under no time pressure here. We're keeping a very close eye on market consolidation. We'll selectively strengthen our portfolio whenever opportunities arise, as we've done very successfully in the past with, for example, Invensys Rail and with HaCon, a leading software provider for the mobility sector.

At the close of Q2 2020, Siemens Mobility had a very strong order backlog of €32 billion. During the crisis, we've succeeded in keeping operations running despite limitations in projects and in access to customers. Ralf Thomas will go into detail on this shortly. I'd like to take this opportunity to once again highlight Siemens Mobility's strong long-term performance: over the past five years, this business has delivered a compound annual growth rate of four percent!

I'm also delighted by the huge improvements we've made to our processes over the years. We've now had our new Mireo regional train certified for operation in record time: 38 months. That's six months faster than customary in the industry. The train will be operated by DB Regio and run through the Rhine valley between Karlsruhe and Basel. The final approval for the seven-car variant of the ICE 4, which we also received recently, was just as fast! And this week, we sold our 1,000th Vectron locomotive. We owe this particular success story to our systematic platform strategy. These highly flexible locomotives have been built in Munich-Allach since 2012 and have accumulated more than 300 million kilometers of service.

Finally, I'd like to say a few words about our Portfolio Companies. As you'll recall, these are units that we've removed from our Industrial Business to give them greater entrepreneurial freedom. Since April 2019, we've made great progress in improving the operational performance of these Portfolio Companies. Our strategic plans to enable each unit to tap its full potential are taking effect. The fully consolidated units are no longer in the red and are on track for growth.

Flender, a separately managed company since 2017, has performed particularly well. We've therefore developed a two-stage plan to position Flender even better on the market. First, we intend to integrate the POC unit Wind Energy Generation into the Flender business. This unit is a leader in generators and components for direct drives for the wind power industry. With this first step, we'll create a strong unit with around 8,500 employees and roughly €2 billion in revenue. With this move, we'll be improving our offering as a systems supplier for the wind power industry, an ecologically and economically important sector currently undergoing a major technological transformation. The second step of the plan calls for Flender to be publicly listed via a spin-off. Siemens' shareholders will vote on this proposal at the ordinary Annual Shareholders' Meeting in February 2021.

Before I turn the floor over to my Managing Board colleague, Ralf Thomas, I'd like to add that the past few weeks have made me even more aware of what Siemens stands for and of what we're achieving. I'm proud of our employees, who are giving their all in this time of crisis. There's a great feeling of togetherness at Siemens. That's especially important, since we can only overcome this crisis as a team. The trust of our customers is also very perceptible, primarily because we're ensuring that many of them can continue to reliably operate their critical infrastructures and processes even in the crisis.

[Ralf P. Thomas]

Thank you, and good morning, ladies and gentlemen!

Let's take a closer look now at the results for our individual businesses.

As already mentioned, we've reclassified Siemens Energy – that is, Gas and Power together with Siemens Gamesa – as discontinued operations in our reporting at the end of the first half of fiscal 2020. This step, which is required by the applicable accounting regulations, marks a further important milestone on our way to the public listing of Siemens Energy. As a result, my remarks today won't include a detailed discussion of the results for Gas and Power and Siemens Gamesa.

The same applies to the figures for Siemens Healthineers, which you already know from Healthineers' own reporting. As always, you'll find a detailed overview of all our businesses in our Earnings Release.

Let’s begin with Digital Industries.

We won several large contracts in our factory automation solutions business and our software business in Q2. In addition, many customers increased their inventories. As a result, orders at Digital Industries rose slightly overall on a comparable basis despite the difficult business environment. From a geographical perspective, this included double-digit growth in China.

Revenue, however, declined considerably on a comparable basis. Customer demand, particularly in the short-cycle businesses, cooled noticeably due to the coronavirus crisis, with China and Germany posting the sharpest declines.

Lower revenue held back the profitability of the short-cycle businesses in particular. Overall, the profit margin for Digital Industries was well below the prior-year quarter. However, at 15.9 percent – or 16.9 percent, excluding severance charges – it can still be considered very solid. Nevertheless, we expect the coronavirus pandemic to have an even stronger negative impact in Q3, especially in the high-margin, short-cycle businesses.

Now let’s turn to the results for Smart Infrastructure.

On a comparable basis, orders declined moderately compared to the strong prior-year quarter. Demand cooled particularly strongly in Asia and Australia due to the coronavirus crisis.

On a comparable basis, Smart Infrastructure posted a slight revenue decline of one percent. The solutions and service business in the U.S. generated noticeable growth momentum. In other Regions – in particular Asia and Australia – revenue was already down significantly due to the coronavirus pandemic. Here as well, weaker demand from customers in short-cycle industries dampened the normally high-margin product business.

Roland Busch has already mentioned our program for boosting Smart Infrastructure’s competitiveness: the business’s highly experienced leadership team is making solid progress with this program. In addition to the impacts of the coronavirus pandemic, the severance charges related to this program – which took away three percentage points – weighed heavily on Smart Infrastructure’s margin in Q2 of 5.2 percent. For the upcoming third-quarter results, we expect the pandemic to have an even stronger negative impact on profitability in this business.

Despite diverse headwinds, Siemens Mobility successfully sustained its business in Q2. And, for the most part, its results were correspondingly robust.

The substantial decline in orders primarily reflects the extraordinarily high level of major orders in the prior-year quarter, as we reported a year ago. We were also able to celebrate several noteworthy successes in Q2. In Germany, for example, we received major orders for regional trains based on our highly successful Mireo platform. Among the Mireo orders was our first for battery-powered trains, which will operate in the southern German state of Baden-Württemberg. Siemens Mobility's very solid 1.06 book-to-bill ratio has further strengthened its already very sound order backlog of €32 billion.

Thanks to its rolling stock business, Siemens Mobility's revenue rose considerably, climbing more than six percent on a comparable basis. Several large rolling stock and service projects began successfully ramping up during the quarter.

With its robust profit margin of 9.3 percent, Siemens Mobility remained within its target margin range.

The challenges posed by the coronavirus crisis are clearly noticeable, but our financial stability puts us in a good position to handle them. One crucial key figure in this connection is our net available liquidity. At €11.4 billion, we're in a very favorable position in this regard.

Due to our strong rating, we have many options available when it comes to liquidity management, which we engage in continuously and very actively. In February, for instance, we took advantage of what were then still favorable conditions on the financing market and issued bonds with a volume of €5 billion. The high demand for these securities was another clear expression of the trust people place in our financial strength, and it impressively confirms our excellent reputation on the capital market.

A further example is our long-standing credit line of more than €7.5 billion, to which we added another €3 billion in March. Since these two credit lines are both currently undrawn, we have additional flexibility should the need arise.

Through our active liquidity management, we ensure on a day-to-day basis that we're making the best possible use of all financing sources and options.

Before moving on, I'd like to make a brief remark about our current share buyback program. To date, we've purchased shares worth €2.4 billion as part of this program. Given the regulatory requirements in connection with the upcoming spin-off of Siemens Energy, we've put the current buyback program on hold for now. However, we'll resume our buyback activities after the spin-off.

Now, let's turn to our outlook.

Siemens performed solidly in the second quarter of fiscal 2020 even as the economic consequences of the COVID-19 pandemic began to impact our operations and our financial results.

We expect even stronger impacts from the pandemic on business development in our fiscal third quarter. Beyond the third quarter of fiscal 2020, macroeconomic developments and their influence on Siemens currently cannot be reliably assessed. Therefore, as Joe Kaeser already mentioned, we can no longer confirm our original guidance for fiscal 2020.

We now expect a moderate decline in comparable revenue in fiscal year 2020, net of currency translation and portfolio effects, with the book-to-bill ratio remaining above 1. The decline in demand most strongly affects our Operating Companies, Digital Industries and Smart Infrastructure.

We adhere to our plan to complete the spin-off and public listing of Siemens Energy before the end of fiscal 2020. We expect to record a spin-off gain within discontinued operations, the amount of which cannot yet be reliably forecast.

We continue to expect material impacts on net income from spin-off costs and tax expenses related to the carve-out and subgroup creation of Siemens Energy.

Given the above-mentioned circumstances, we currently refrain from giving guidance for basic EPS from net income for fiscal 2020.

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