SIEMENS

Speech for Press Call

Q2 2021

"Excellent results across all businesses – Guidance raised again"

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Munich, May 7, 2021

Check against delivery.

[Roland Busch]

Ladies and gentlemen,

Thank you for taking time today for our second-quarter results.

It's a great pleasure and a great honor for me to lead this company, which has incredible opportunities for shaping the future. In times when societies and markets are changing dramatically, our technologies provide crucial momentum for helping our customers and partners tackle the concrete challenges they face. Siemens is perfectly positioned to shape the digital transformation successfully. And today's figures demonstrate this point impressively.

I'm extremely pleased that we delivered another outstanding quarter. My thanks go to all the people in Team Siemens worldwide for their dedication and for always embracing a growth mindset.

In Q2, we made substantial progress in execution as we pursue our strategic and operational goals:

- Our portfolio is even stronger and more focused.
- Our competitiveness programs are fully on track.
- And our offerings are ideally suited to support our customers' digital transformation and create sustainable customer impact.

The industrial recovery has continued and was clearly visible in key verticals, such as automotive, machine building, electronics, chemicals and pharma. Part of the strong manufacturing rebound is due to catch-up effects and to measures for strengthening resilience in increasingly strained supply chains.

Industrial output in China is now clearly above its pre-pandemic levels. The recovery in Europe and the United States is gaining traction with vaccination now progressing at a faster pace.

Over the medium term, broad-based fiscal stimulus will support efforts to modernize infrastructure and reduce greenhouse gas emissions. I very much welcome this development, and I see major opportunities for our business in this area.

All in all, the economic environment is improving – albeit with large regional differences depending on the pandemic's impact.

All these factors are leading to profitable growth and excellent free cash flow. We expect this momentum to continue in the second half of fiscal 2021. At the same time, we'll continue to manage risks and opportunities prudently in light of the pandemic-related uncertainties.

In line with a further opening of economies, we expect an uptick in spending in areas such as travel and tradeshow expenses. In addition, we plan to selectively invest in further digital applications and vertical offerings guided by demand from the market and our customers. We'll also continue to optimize our sales channels. After all, we want to grasp the emerging opportunities.

We're keeping a close eye on our supply chains. So far, our teams have been doing a great job here. They're working hard to further mitigate risks from electronics shortages and price increases in certain categories.

Currently, we're also seeing supply tensions in areas such as steel, plastics and freight capacities. As a result, in individual cases, we may face production constraints and prolonged delivery lead times to customers in the months ahead.

Let's turn now to our guidance: Based on our strong first-half performance and significant portfolio gains, we're again raising our full-year guidance for fiscal 2021:

- We expect our book-to-bill ratio to be above 1.
- We expect revenue growth of 9 percent to 11 percent, on a comparable basis, for the Siemens Group.
- And we now expect to see net income in the range of €5.7 billion to €6.2 billion.

Please note: These numbers don't include any effects from Siemens Healthineers' acquisition of Varian because that transaction closed after our second quarter ended.

Now, let me elaborate on the topics I touched on in my introduction. Regarding our strong portfolio:

As I just mentioned, Siemens Healthineers closed its acquisition of Varian three weeks ago and has started its integration – a milestone in the company's strategic development. For many millions of cancer patients worldwide, this move will improve care in all stages of diagnosis and treatment.

We're very pleased with Varian's excellent strategic fit, sound financing structure and synergy potential. I'm sure that our 75 percent stake in Siemens Healthineers will become even more valuable.

Smart Infrastructure has closed its acquisition of C&S Electric. This move is fully in line with our strategy to grow in Asia. As a result, our customers in India can offer more reliable and more efficient products on the fast-growing market for low-voltage power distribution and electrical installation technology. At the same time, C&S will serve as an export hub for further markets within this region.

In some regions – and especially in India – the pandemic is raging particularly violently these days. My thoughts are with all our colleagues and all who are affected by the serious consequences. Our management teams, especially in India, are doing everything possible to protect our employees. We're supporting these efforts from here as best we can. I hope that international aid will have an impact soon and that vaccinations will increase rapidly in the country.

It's been a long time since we talked about our global venture firm Next47. Five years after its founding, I can certainly say that we're very pleased with its progress. Next47 invests capital in startups for us and provides great insights for developing our business.

Today, Next47 is invested in more than 30 promising ventures. Siemens benefits from these startups by collaborating with them in attractive technology fields that are relevant for us and, above all, for our customers.

And this concept is paying off: In the second quarter, two of the companies – ChargePoint and Aeva – were listed in the U.S. After ChargePoint's listing, the re-rating of our stake in this company created a gain of more than €200 million, which was transferred to the Siemens Pension-Trust.

And as a final note before I move on: We closed our sale of Flender to Carlyle – an important step to further sharpen Siemens' focus. This divestment generated a higher-than-expected gain of almost €900 million.

I talked about digital transformation opportunities at the beginning: One very good example here is Hannover Messe, which just held its second virtual edition a few weeks ago. Some of you might have taken a virtual 3D-tour of our digital enterprise offerings. Around 3,500 of my

Siemens colleagues looked after and engaged in discussions with thousands of customers.

The focus of our exhibits and presentations was on how we can combine the real and digital worlds and how we use artificial intelligence, edge computing and data to provide the best possible support to our customers as they drive their digital transformations.

Along the way, we can make production and manufacturing processes more sustainable – and achieve more while using fewer resources!

Our PLM software is a key part of our digitalization offering. We're proud that our Teamcenter portfolio was recognized by the well-known Forrester Research firm as the leader in the discrete manufacturing space.

When we started the new chapter of Siemens, I told you that we'd substantially strengthen and amplify our environment, social and governance (or ESG) program.

Sustainability is at the core of our business. It's always part of our offering when we talk to customers, governments and investors. We recently committed to four new and ambitious sustainability initiatives to support the Paris Agreement and contribute to limiting global warming to 1.5 degrees.

Between now and 2030, we want to drive decarbonization by:

- aiming for 100 percent electric vehicles in our fleet
- using 100 percent renewable electricity
- owning or leasing only buildings that have net-zero carbon emissions and
- achieving a 20 percent reduction in our supply chain's emissions.

We'll provide you with further details at our Capital Market Day on June 24.

One true "lighthouse for sustainability" is our Digital Factory in Amberg, Germany. Due to its systematic digital transformation program, our Amberg facility has joined our factory in Chengdu, China, in becoming part of the World Economic Forum's Global Lighthouse Network.

Our team in Amberg seamlessly integrates data from suppliers and customers, which make this facility a prime example of a lean factory.

The outcome: a 140 percent boost in factory output without an increase in the consumption of electricity or other resources – and this with twice as much diversity among the variants being manufactured.

A good example of how we support our customers is our strategic partnership with Mercedes-Benz AG. We'll jointly redesign the Mercedes-Benz factory site in Berlin-Marienfelde, Germany.

What exactly will we do? We'll digitalize the entire production process and boost energy efficiency. One key component will also involve measures for enabling employees to acquire further qualifications. Mercedes-Benz plans to roll out this blueprint for sustainable and digital production globally throughout its entire production network.

Creating sustainable customer impact is one of our strategic priorities. Let me highlight a few examples:

Time-to-market has never been more important than in the fight against the pandemic. Here, I'm referring to vaccines. We helped BioNTech SE convert its existing location in Marburg, Germany, to produce its COVID-19 vaccine – all in the record time of five months.

We collaborated closely to implement our technologies for use in areas such as process control and manufacturing execution systems as rapidly as possible. Production has now been digitalized from end to end, and its documentation is paperless.

Then there's the field of electric vehicles (EVs): Our Smart Infrastructure Business is continuously expanding its portfolio of EV charging infrastructure. The trend toward emission-free vehicles is accelerating in the truest sense of the word. We see good opportunities to grow our business here substantially.

Customers such as major oil companies are upgrading their filling stations with electrical charging infrastructure. Other customers include local utilities, municipalities, fleet operators and residential enterprises.

Another highlight: our Mobility Business received an order worth about AU$190 million to upgrade and modernize the New South Wales rail network in Australia. Our traffic management and new signaling solutions will increase the network's capacity, reliability and availability.

So how does all of this impact our financials? This is what our business looked like in the second quarter:

Orders rose 11 percent on a comparable basis to €15.9 billion, with a strong book-to-bill ratio of 1.08. At Siemens Healthineers and Smart Infrastructure, growth was in the double digits.

At €14.7 billion, revenue was up 9 percent on a comparable basis across all businesses and regions. This top-line growth was stronger than expected.

Our business in China, where we were up sharply 44 percent year-over-year, made a significant contribution here. But growth was broad based. Top-line growth in Germany, for example rose 7 percent.

Adjusted EBITA for our four Industrial Businesses rose substantially to €2.1 billion – benefiting from strong, top-line driven profit momentum.

In addition, structural improvements are paying off, and our discretionary spending remained at very low levels. But this effect will decline.

The more progress is made toward bringing the pandemic under control, the more individual countries will re-open, and travel and marketing expenses will rise as activities will pick-up.

Altogether, we had an excellent margin of 15.1 percent, including about one percentage point of severance charges. This margin translates into strong earnings per share of €2.82, a figure that also benefited clearly from the sale of Flender.

Ralf and I are extremely satisfied with the fact that our free cash flow has been consistently high: €1.2 billion of free cash flow in the second quarter was a very strong performance. And I promise that we'll keep our eye on the ball here.

Before I hand over to Ralf, I'd like to express my appreciation again for the tremendous support that the new Managing Board team has been receiving from the entire company. The large amount of positive and encouraging feedback shows that we're on the right track: We're a focused technology company that's geared toward growth markets, and we're ideally equipped to support our customers.

I'm firmly convinced that Siemens is among the companies that will emerge from the crisis stronger than before:

- because we know our customers very well and provide them with genuine added value
- because we develop and offer the technologies that are relevant today and will be relevant tomorrow
- because we're fast and flexible, and have a positive mindset and finally
- because we have very highly motivated employees.

Thank you!

[Ralf P. Thomas]

Ladies and gentlemen,

Before we take a detailed look at our excellent results for Q2 fiscal 2021, I would like – as always – to refer you to our Earnings Release. There, you will find the results of all our businesses, including the figures for Siemens Healthineers, which have already been published.

Please bear in mind here that all changes in volume that I will be expressing as a percentage have been adjusted for currency translation and portfolio effects.

Let us turn now to our Industrial Businesses, starting with Digital Industries.

Two of our key customer markets – the automotive industry and machine building – continued to recover at a fast pace.

Orders rose across all automation businesses: Growth was in double digits in discrete automation and was up moderately in process automation. Our automation businesses saw sharp 45 percent order growth in China; however – due to pandemic-related shutdowns in the prior-year quarter – the basis for comparison was relatively low in this case.

The short-cycle businesses also benefited from inventory restocking in many areas.

We are very pleased that revenue saw double-digit growth in the second quarter across all Digital Industries businesses. The mid-teen increase at our discrete automation business was mainly due to exceptional strength in China. Thanks to improved investment sentiment, process automation returned to growth in all key regions.

Revenue grew across the entire automation business, especially in China, where it was up as much as 61 percent compared to the low level in Q2 fiscal 2020. However, we expect this extreme growth to slow down in the quarters to come.

We also see positive sequential momentum for a return to growth in Europe. A substantial revenue increase in the U.S. was mainly attributable to the solution business.

Thanks to electronic design automation (or EDA) software, and to Mendix, the software business was up 11 percent. Among customers of our PLM business, we saw broad-based improvement in the willingness to invest.

The Adjusted EBITA margin at Digital Industries reached an excellent 20.1 percent, which, as expected, was impacted by 200 basis points for severance charges accrued due to the previously announced ongoing structural optimizations.

We are pleased that we could also convert higher revenue in the short-cycle businesses into significantly higher profitability. Here, the significant decline in travel and marketing expenses year-over-year due to the COVID-19 pandemic also had a positive impact.

As we have mentioned several times, our programs for boosting competitiveness are also bearing fruit.

The software business, driven by the EDA segment, made a major contribution to the margin at Digital Industries. Investments in cloud technology and integration expenses negatively impacted second-quarter profit by 110 basis points – and therefore at the level of the prior quarters.

We are extremely pleased that, for the first time ever, Digital Industries achieved free cash flow of more than €1 billion in a single quarter – which is an extraordinarily impressive result! Above all, this record result is based on our stringent working capital management and early customer payments in the software business.

Let us take a look now at Digital Industries' key end markets and regions. I have already given you an overview of the geographical distribution of orders and revenue.

In our key vertical end markets, we expect the recovery to continue and investment sentiment to improve in a wide range of industries over the next few quarters. Yet, we are fully aware that the development of the pandemic is still leading to uncertainty. And – as Roland Busch has just highlighted – our team is working particularly hard to mitigate the risks of supply shortages in areas such as electronic components and plastics.

We expect supply chains to remain strained for months to come. Therefore, we have also taken potential negative impacts of rising commodity prices into account in our assumptions.

For the third quarter of fiscal 2021 at Digital Industries, we expect – from today's point of view – significant comparable revenue growth.

Based on this expectation, we assume that the Adjusted EBITA margin for the third quarter will be slightly below that of the second quarter. The Q3 margin will also be impacted by a gradual increase in travel and marketing expenses and by targeted investments to capture future growth opportunities in the automation and software businesses.

Let us move on now to Smart Infrastructure, which delivered strong Q2 performance across all metrics. We saw two major drivers for the solid volume growth: First, further recovery in industrial end markets supported strength in the short-cycle electrical products business. Second, the systems business benefited from strong demand for power distribution – particularly in connection with the construction of datacenters and the integration of renewable sources of energy.

Orders at Smart Infrastructure were up 10 percent, driven most notably by a rapid high-teen increase at the Electrical Products Business Unit. Here, supply chain constraints and rising commodity prices at some distributors contributed to the noticeable restocking of inventories in Q2.

The solutions and service business returned to moderate growth – in line with its later-cycle market recovery in non-residential end markets.

Smart Infrastructure achieved revenue growth of 6 percent across all major regions. In China, we saw an impressive 48 percent increase due the low prior-year comparables related to the pandemic. Germany was up 3 percent, and the U.S. 2 percent.

The product business increased significantly by 13 percent, and the systems business also grew considerably. The solutions and service business was moderately down, reaching its growth trough as expected. For this business, we expect growth to return in the future.

The Adjusted EBITA margin of 11 percent benefited from higher capacity utilization and structural improvements due to our competitiveness programs.

As at Digital Industries, the impact of the increase in commodity prices has been limited so far for Smart Infrastructure, too. In addition, profit was supported by the fact that travel and marketing expenses were again significantly below the prior-year quarter in the second quarter – albeit owing to the pandemic. However, it will be impossible to maintain this level over the long term.

We expect the positive momentum in our short-cycle product business to continue and to enable our solution business to also pick up in the second half of fiscal 2021. As a result, we expect the comparable growth rate for revenue to even be in the low teens for the third quarter.

In this connection, we expect the Adjusted EBITA margin for the third quarter to be slightly above the second quarter’s level.

Let us turn now to our third Industrial Business: Mobility. In a persistently difficult market environment with pandemic-related restrictions at our factories and limited access to our customer locations, Mobility delivered another solid set of numbers in the second quarter.

Orders decreased 8 percent, impacted – among other things – by several major orders being delayed to the second half of fiscal 2021.

Revenue, on the other hand, was up 3 percent, driven by the rail infrastructure business and a moderate increase in the service business, while the rolling stock business was down slightly in the second quarter.

With an Adjusted EBITA margin of 9.2 percent, Mobility again operated at a profitability level well above that of its competitors.

We are confident that Mobility will see sharp order growth in the second half of fiscal 2021 because the Mobility team has already booked some of the delayed orders and can expect to win several major orders from its extremely strong project pipeline.

The current growth momentum in revenue will accelerate, and we will see growth in the mid-single-digit percentage range in the second half of fiscal 2021.

We expect the Adjusted EBITA margin to remain at the Q2 level again in Q3. Free cash flow, on the other hand, is expected to rebound significantly in the second half of fiscal 2021, and there are indications that the largest increase will be in the fourth quarter.

Next, I would like to give you an insight into several profitability factors outside (or below, as we like to say) our Industrial Businesses and assess their impact on the full-year results for fiscal 2021. This description still will not include effects from the Varian acquisition, which I will discuss shortly.

Let us start with the outstanding performance at Siemens Financial Services in the second quarter. Due to a very low level of credit hits, the debt business was extraordinarily strong.

Taking all opportunities and risks into consideration, we expect earnings before taxes at SFS in the second half of fiscal 2021 to be somewhat below the first half.

For this reason, our full-year guidance for fiscal 2021 remains unchanged: we expect SFS to improve significantly compared to fiscal 2020 but to still remain below the pre COVID 19 levels.

As expected, our Portfolio Companies continue to execute their full-potential plans, in part to achieve further structural optimizations, which led to severance charges of €63 million in the second quarter.

For fiscal 2021 overall, we expect the losses from our participation in the Valeo Siemens joint venture – which are, unfortunately, persisting – to clearly overcompensate for the positive contributions from the fully consolidated businesses.

Regarding our Siemens Energy investment, significant negative effects resulting from purchase price allocation (PPA), which amount to around minus €200 million for fiscal 2021, still overcompensate the positive operational results.

We will not see any further major disposal gains at Siemens Real Estate in fiscal 2021. Therefore, profit will – at a euro amount in the high double-digit millions – be well below the prior-year level.

In the second quarter, Corporate Items benefited from a gain of €222 million in connection with the transfer of the stake in ChargePoint to the Siemens Pension-Trust in Germany.

For fiscal 2021, we expect Corporate Items and Pensions to remain at the prior-year level – even when the effects from potentially higher performance-based annual bonuses across the whole company are taken into consideration.

For the PPA position, which is the scheduled amortization of intangible assets from purchase price allocations, we are expecting charges of around €600 million – excluding Varian.

We now expect Eliminations, Corporate Treasury and other reconciling items to be below the fiscal 2020 level due to lower interest expenses.

In addition, we are expecting a tax rate in the range of 24 percent to 28 percent.

Within discontinued operations, we recorded a higher-than-expected pre-tax disposal gain of €884 million for the Flender divestment in the first half of fiscal 2021. In addition, Flender delivered very strong operating results between October and the transaction's closing.

For the remainder of the year, we still expect lower Flender-related expenses after the close of the Flender sale, as well as minor subsequent costs from the spin-off of Siemens Energy. Hence, we expect to report a euro amount in the high triple-digit millions for discontinued operations at the end of fiscal 2021.

As already mentioned, free cash flow was truly fantastic in the second quarter. We can say with some pride that, more than ever before, our entire global team is geared for consistent cash conversion.

Our continuing focus on working capital management is, in my opinion, delivering impressive results. A cash conversion rate of 0.86 for our Industrial Businesses for the first half of the fiscal year – which is traditionally the weaker half – is truly remarkable.

Free cash flow "all-in" was also impressive – despite the impact of a substantial tax payment of €1.2 billion in the second quarter. This payment will largely normalize over the course of fiscal 2021 overall.

For Siemens Healthineers, the closing of its transformative acquisition of Varian at the start of the third quarter marked a key milestone in its company history. The strategic rationale for establishing a strong partner for customers and patients along the entire cancer-care continuum is more than compelling.

As the majority shareholder, Siemens strongly supported the project's financing by placing bonds amounting to US$10 billion at very competitive conditions and by providing an intercompany loan in compliance with the applicable legal requirements. After Siemens Healthineers' second capital increase, Siemens' stake in the company was diluted to around 75 percent.

As we have mentioned many times, we are fully committed to maintaining our strong credit rating for Siemens AG and have already taken extensive deleveraging actions. These measures are supported by strong operational free cash flow and portfolio-related cash considerations, such as those arising from the Flender divestment.

And our determination in this regard is paying off: One of the top rating agencies, Standard & Poor's, just recently upgraded the outlook for our rating one notch and thus returned it to "stable."

Let's turn now to our new outlook. As Roland already said, we are raising our expectations for comparable revenue for the Siemens Group to growth in the range of 9 percent to 11 percent. We now even expect net income in the range of €5.7 billion to €6.2 billion.

I will now briefly discuss the updated outlook for the individual Businesses:

Digital Industries now expects comparable revenue to grow in the range of 9 percent to 11 percent year-over-year.

The expectation for Adjusted EBITA margin is now 20 percent to 21 percent, an increase of one percentage point.

Smart Infrastructure expects to achieve comparable revenue growth of 5 percent to 7 percent in fiscal 2021. The expectation for Adjusted EBITA margin is 11 percent to 12 percent, which is an increase of half a percentage point over the previous expectation.

Mobility continues to anticipate mid-single-digit comparable revenue growth and an Adjusted EBITA margin of 9.5 percent to 10.5 percent.

As usual, I would like to point out here that this outlook excludes burdens from legal and regulatory issues.

At this stage, the effects expected in connection with Siemens Healthineers' acquisition of Varian are still excluded from the figures provided.

On May 3, 2021, Siemens Healthineers announced a preliminary assessment of the financial impact of the Varian acquisition for the second half of fiscal 2021. In addition to Varian's operational performance, a large part of this impact is related to accounting technicalities, such as aligning revenue recognition policies, purchase price allocation and transaction-related one-off items.

Based on these estimates from Siemens Healthineers, we expect a negative effect of €300 million to €500 million on our net income in the second half of fiscal 2021.

We will include a more precise assessment of these effects related to the Varian acquisition when we release our earnings for the third quarter.

Thank you!

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