SIEMENS

SPEECH FOR PRESS CALL
Q1 2025

“PROMISING FIRST QUARTER GENERATES POSITIVE MOMENTUM”

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Check against delivery.

[Roland Busch]

Ladies and gentlemen,

Good morning, everyone and thank you for joining us today to discuss our first quarter performance ahead of our virtual Annual Shareholders' Meeting.

We delivered a promising start to fiscal 2025, generating clear momentum for continued high-value growth for our stakeholders.

Our strong strategic position in attractive markets – coupled with a balanced global footprint – is a solid foundation for mastering the ongoing macroeconomic uncertainties. Even in the face of the current, politically motivated tariff regimes and potential countermeasures.

In a time of rapidly accelerating technological progress, our technologies are helping customers combine the real and the digital worlds in order to improve their competitiveness, their resilience and their sustainability.

At the World Economic Forum, my Managing Board colleagues and I held many discussions with partners, customers and opinion leaders. A key topic of these discussions was artificial intelligence or AI, and, more and more, its concrete applications in industry.

And Siemens is right in the sweetspot. Due to our leadership in industrial AI, we can offer customers concrete results. Our technologies provide practically the operating system for industrial production and all related sectors. And with AI, we're raising this system's performance to a new level. I'll have more to say about this in a moment.

But first, some highlights of the first quarter.

Our solid topline performance testifies to the trust our customers place in us.

Book-to-bill was 1.09. The order backlog rose to a record high of €118 billion.

Orders totaled €20.1 billion, 8 percent below the level of Q1 2024. We again saw strong momentum at Smart Infrastructure, where orders increased significantly compared to the already high level of Q1 2024.

At Mobility, orders were solid despite the very high volume from large contracts in Q1 2024.

As expected, orders at Digital Industries started to recover. The book-to-bill ratio was above 1 for the first time in two years.

The automation business delivered a significant increase compared to Q1 2024.

The recovery was driven primarily by China, where we expect our customers to have largely finished destocking by the end of Q2.

However, overall economic activity was still sluggish and investment sentiment soft in core industries such as automotive and machine building.

Europe, our key region, continued to lag. Germany, in particular, was still in crisis mode, with companies and society urgently awaiting clarity and action from a new government.

Overall, revenue grew 3 percent, with strong contributions from Mobility and Smart Infrastructure, which, in particular, again achieved double-digit growth at its electrification business.

At Digital Industries, revenue at the automation business remained low due to the ongoing destocking already mentioned. However, the decline was partially offset by a 15 percent increase at the software business.

The Region Americas grew 17 percent, fueled by strong momentum in the U.S., while Europe, the Middle East and Africa, or EMEA, stagnated, and Asia and Australia declined 4 percent due to weak demand in China.

But what really counts in the end is high-value growth. And here we delivered again – despite the headwinds at our automation business:

- Our solid profit of €2.5 billion at the Industrial Business exceeded market expectations.
- Basic earnings per share before purchase price allocation accounting, or EPS pre PPA, reached €2.22, excluding the gain on the Innomotics divestment.
- And a clear highlight: strong free cash flow all-in was €1.6 billion.

We also made considerable progress in sustainability. We've expanded our leading position – particularly in helping customers decarbonize.

The products we sold to customers in fiscal 2024 will avoid around 144 million tons of CO2 equivalents over their lifetimes. This amount is much higher than the 121 million tons of emissions that we generated along our entire value chain from Scopes 1, 2 and 3 in fiscal 2024.

And regarding our own emissions, we're making great progress. We reduced the CO2-equivalent emissions in our own operations by 60 percent compared to fiscal 2019, thus reaching our 55 percent target for 2025 ahead of time.

This achievement is also reflected in the designation of our location in Fürth, Germany, as a Sustainability Lighthouse by the World Economic Forum, or WEF for short.

And since all good things come in threes, our F80 location in Erlangen, Germany, has been designated a WEF Digital Lighthouse Factory alongside our locations in Amberg, Germany, and Chengdu, China.

With our digital and sustainable technologies, the team in Erlangen has increased productivity by 69 percent and cut energy consumption in four years by 42 percent.

In more than 100 use cases, we've used AI to raise the location's digital twin to a new performance level.

At this Erlangen location – which is part of our €2 billion investment program – we're building the industrial metaverse.

You're familiar with our ONE Tech Company program – and with our North Star. A company with stronger customer focus, faster innovations and higher profitable growth – that's our goal.

The acquisition of Altair – a move that will expand our strong industrial software business – is a cornerstone of our ONE Tech Company program.

The regulatory approval process is on track. Altair's shareholders approved the transaction a few weeks ago.

Depending on the progress of the regulatory approval process, the transaction may close in the first half of calendar year 2025. For current planning purposes, we're still assuming that closing won't take place until the second half of the calendar year.

We'll continue to provide you with updates on the other tracks of the ONE Tech Company program and will give you a strategy update at our Capital Market Day on December 9.

Some people wonder if AI isn't just a lot of hype. But I can state very clearly: in our world – in our automation, mobility, infrastructure and healthcare businesses – that is definitely not the case.

And every advance that makes the development and training of large language models more

efficient will accelerate the adoption of industrial AI.

In this area, Siemens is the ideal partner. With our domain knowhow and our strong partners like Microsoft, AWS, SAP and NVIDIA, our customers can apply AI at scale. Our own AI applications and those of our partners are already accessible via Siemens Xcelerator, our open digital business platform.

By intensively applying industrial AI, we're supercharging the digital transformation in all industries. With the help of our AI, customers can use their data to make better and faster decisions, boost their productivity, reduce complexity, speed up time-to-market and use their resources more efficiently.

At this year's Consumer Electronics Show in Las Vegas, we launched a new series of industrial AI products. With our partner NVIDIA, for example, we launched a photorealism-enhanced digital twin – that is, the industrial metaverse at the push of a button. I'll tell you more about this innovation at the Annual Shareholders' Meeting.

We're collaborating with JetZero, a startup led and backed by aviation specialists, to develop and produce a revolutionary aircraft whose wings are designed to improve fuel efficiency by 50 percent.

JetZero will use our latest AI-powered industrial software and automation technologies to achieve its ambitious goal by 2030 – something that will only be possible, said JetZero CEO Tom O'Leary, with Siemens technologies and AI.

Here are a few more examples of long-term partnerships in which we're combining Siemens Xcelerator and our domain knowhow to strengthen our customers.

For 20 years – starting from Day One – Siemens has been a technology partner to multi-championship winning Red Bull Racing. During this period, we've jointly pushed the boundaries of the latest digital twin technology for design, engineering, testing and manufacturing.

We've signed a multi-year agreement with U.S.-based Compass Datacenters to support their aggressive scaling targets for data center construction.

Smart Infrastructure will supply up to 1,500 prefabricated units for a medium-voltage solution. Due to their customized and modular design, products can be more easily deployed, require less maintenance and are, as a result, cheaper.

Finally, a great example from our Mobility Business: high-speed rail transport for the UK.

HS2 has awarded Siemens several key infrastructure and long-term maintenance contracts for up to 15 years, with a total value of £560 million. For the first time, we're using Automatic Train Operation over the European Train Control System in the UK's national high-speed rail system. This innovation will improve capacity, punctuality and energy efficiency.

The transition of a major part of Digital Industries' software business to software as a service continues its successful advance. I'm very pleased at this development. The growth of annual recurring revenue, or ARR for short, again reached a very healthy level of 14 percent compared to Q1 2024.

The cloud portion stands at €1.9 billion or 42 percent of ARR. The team aims to approach the 50 percent mark by the end of fiscal 2025.

All indicators – the number of customers, the share of small and medium-sized enterprises and customer transformation rates – continue to be headed in the right direction.

With these positive perspectives, I'll turn the floor over to you, Ralf.

[Ralf P. Thomas]

Ladies and gentlemen,

A warm welcome to our press conference call from me as well. It's now my pleasure to share further details with you on our promising first quarter of fiscal 2025 and on our expectations for how our business will develop over the rest of the fiscal year.

We will begin with Digital Industries, or DI. At €4.2 billion, orders for Digital Industries were 6 percent above the prior-year quarter. DI's book-to-bill ratio was 1.04 – and was thus above 1 again for the first time in two years.

It was encouraging to see that all of DI's automation businesses showed material improvement year-over-year and a book-to-bill ratio above 1.

DI's software business continued its path of clear growth, with orders exceeding €1.3 billion for a book-to-bill ratio close to 1. This increase was mainly driven by strength in the electronic design automation, or EDA, space.

As Roland mentioned, underlying market dynamics and manufacturing output were still muted in important customer industries, and investment sentiment was soft in key regions, especially in Europe.

However, DI saw further progress in destocking in China. We continue to expect that, for the most part, the stock levels of DI’s customers and distributors will largely return to normal levels by the end of the second quarter of fiscal 2025.

Our order backlog at Digital Industries increased moderately to €9.6 billion. DI’s software business, which was also supported by a strengthening U.S. dollar, accounted for 5.7 billion of this backlog.

In its automation business, the order backlog stood at €3.8 billion and has thus nearly returned to a normal level.

Let’s turn now to Digital Industries’ revenue, which was 11 percent lower, in keeping with the tendency that we had announced.

In this area, DI’s software business achieved significant growth of 15 percent compared to the weak prior-year quarter. Growth was particularly strong in the EDA business, which was up more than 30 percent. The product lifecycle management, or PLM, business was up 8 percent.

On the other hand, revenue in DI’s automation business was down 19 percent to €2.7 billion. We assume that this result means that we have now also reached the trough.

Discrete automation declined 24 percent and was again most notably affected by destocking at our customers and distributors in the short-cycle factory automation business. Process automation was down just 2 percent.

Digital Industries’ profit margin reached 14.5 percent, with robust conversion in its software business.

Lower revenue in DI’s automation business led to reduced capacity utilization and consequently to margin contraction, as expected.

As announced at our Annual Press Conference last November, DI’s teams have already been achieving solid progress in executing capacity adjustments in some regions.

In the first quarter, these measures led to severance charges of €52 million, which burdened DI's profit margin by 130 basis points.

We expect that we will soon finalize the full assessment process regarding the required adjustments and the necessary measures for training and continuing education.

Productivity gains in connection with continuing stringent pricing discipline supported a net positive "economic equation" for Digital Industries in Q1, which we also aim to maintain for the overall fiscal 2025 year.

In the first quarter, Digital Industries achieved solid free cash flow of more than €600 million, benefiting greatly from lower receivables.

Now, let me give you the regional perspective of DI's business performance: As mentioned, recovery in orders for DI's automation business gained some traction.

In China, DI's orders rose sharply compared to Q4 of fiscal 2024; compared to the very weak Q1 of fiscal 2024, DI's orders increased 14 percent.

DI's key sales markets in Europe were also up sequentially, despite muted economic conditions.

In line with a low level of short-cycle orders in DI's automation business in previous quarters and further destocking, DI's revenue in all key regions declined materially, as expected and announced. This decline was most notable in Europe and China.

The assumptions we laid out back in November 2024 regarding the development of DI's business are also still valid. We confirm our fiscal 2025 guidance for comparable revenue growth at Digital Industries in the range of minus 6 percent to plus 1 percent and for its profit margin to be within the target corridor of 15 percent to 19 percent.

From today's perspective, we anticipate that – once destocking is completed everywhere – demand will increasingly improve in the second half of fiscal 2025. This trend will support both the top and bottom line.

As you can see on page 17 of the appendix, official sources point to the emergence of further "green shoots" in typical early-cycle verticals such as electronics and semiconductors.

However, we will continue to closely monitor if, and how, conceivable tariff disputes will impact the macro environment.

For the second quarter, we expect Digital Industries' orders to be close to the level of the prior-year quarter. In this connection, we assume that orders will improve in DI's automation business while a clear decrease in volume is expected for its EDA software business.

For Digital Industries' revenue growth, we expect a decline at a percentage in the high single digits.

In addition, we expect revenue in DI's automation business to grow sequentially, whereas its software business is expected to be flattish. In this connection, we expect the decline in the EDA business to offset the increase in the strong PLM business.

We expect DI's profit margin for Q2 to be at about the level of Q1.

Now let's turn to Smart Infrastructure, or SI, which delivered outstanding performance again in the first quarter.

The SI team achieved strong growth in orders and revenue in healthy end markets and supplied further evidence for continuous improvement of the operating profit margin. In this area, SI has achieved year-over-year improvement for the 17th quarter in a row.

In total, Smart Infrastructure's orders rose 5 percent to a record level of €6.2 billion. This gain was driven most notably by 10 percent growth in its electrification business. That business benefited again from a series of larger contracts, primarily for data centers, as well as from customers in the energy and industrial sectors.

SI's book-to-bill ratio reached an impressive level of 1.17.

Smart Infrastructure's order backlog rose to an all-time-high of €19.8 billion – and thus provides excellent visibility for the remainder of fiscal 2025.

Revenue growth at SI was broad-based and reached 8 percent, in line with our expectations. The largest contribution came from its electrification business, which was up 12 percent.

At 9 percent, SI's electrical products business also continued its consistent growth path from a high level.

Its buildings business showed 5 percent revenue growth, which was driven in part by a healthy service business.

SI's stringent backlog execution again led to further expansion of its operating profit margin by 50 basis points year-over-year to 16.9 percent.

Smart Infrastructure's excellent performance continued to benefit from economies of scale made possible by higher revenue and higher capacity utilization.

SI's economic equation was again clearly positive. It was supported by prior measures for strong pricing and by sustainable productivity gains, which more than compensated for the impact of cost increases, especially in wages and salaries.

From a seasonal perspective, SI got off to an exceptionally good start to the new fiscal year for both its free cash flow and its cash conversion rate. This start was supported by, among other things, advance payments from larger orders.

Looking at the regional development, we saw robust demand, in part with strong order momentum. This development was driven by "Europe outside Germany" and by the Middle East on large order wins in various verticals.

Orders at Smart Infrastructure in the U.S. were up 9 percent, again benefiting from strong data-center demand.

SI's business in China continued to show soft topline development across all businesses in a challenging environment.

Fueled by strong backlog execution, SI's revenue grew in most regions.

In the U.S., Smart Infrastructure achieved outstanding 20 percent growth in revenue. Key growth engines were the electrification and electrical products businesses.

In its service business, SI delivered broad-based growth of 8 percent.

In SI's main verticals, we continue to expect very consistent and resilient growth momentum.

For the second quarter, we expect Smart Infrastructure's growth rate for comparable revenue to be at the upper end of its full-year growth guidance of 6 percent to 9 percent. In particular, the high backlog of scheduled orders gives us great confidence in this regard.

We also anticipate that SI's operating profit margin in the second quarter will come in at around the midpoint of the full-year target range of 17 percent to 18 percent.

In addition, we may see an extraordinary gain in Q2 related to the closing of the sale of the wiring accessories business.

Now let's turn to Mobility. Mobility started fiscal 2025 with solid performance.

As expected, Mobility's orders, at €2.7 billion, were lower than in the prior-year quarter, which had included a much higher volume from large order bookings. With its healthy margin profile, the accompanying base business led to further improvement in the gross margin for Mobility's order backlog, which currently stands at €49 billion.

This backlog includes more than €14 billion of attractive service business.

Mobility's revenue in Q1 was up 10 percent on broad-based growth, with a material contribution from the service business and successful execution of the backlog in the rolling stock business.

The profit margin for Mobility reached 8.4 percent. However, a decline in the rolling stock business, which was mainly due to a less favorable business mix, outweighed the revenue increase in the service business.

Mobility's free cash flow was rather soft in the first quarter after exceptionally strong free cash flow performance in the fourth quarter of fiscal 2024.

Looking at the expected project payment profiles and the foreseeable timing of order awards in the sales funnel, we expect Q2 to be soft again. Nevertheless, in the second half of fiscal 2025, we then expect Mobility to see a material catch-up in free cash flow, mainly driven by larger advance payments from new orders to come.

Our assumption for comparable revenue growth at Mobility for Q2 is trending toward the lower end of the full-year guidance of 8 percent to 10 percent.

In addition, we assume that Mobility's second-quarter profit margin will also come in toward the lower end of our full-year guidance of 8 percent to 10 percent.

Let me now very briefly address our activities below our industrial businesses.

Siemens Financial Services, or SFS, achieved rock-solid Q1 performance.

From today’s perspective, SFS’ second-quarter profit is forecasted to be higher year-over-year. In particular, it is expected to benefit from a strong profit contribution from SFS’ equity business, where we are expecting, as previously announced, the sale of a stake in an equity investment in India.

A major driver for Siemens’ net income in the first quarter was the €2.1 billion gain from divesting Innomotics to KPS Capital Partners. This gain was recorded in discontinued operations.

Siemens’ free cash flow performance in the first quarter was off to a seasonally very strong start into the new fiscal year, in particular due to the free cash flow of €1.7 billion from our Industrial Business.

Our global team’s stringent working-capital management contained the increase in operating working capital at €400 million, despite the favorable development in volume.

We are very confident that we will achieve an industry-benchmark level of cash return on revenue in the double-digit percentage range once again in fiscal 2025.

Liquidity outside our free cash flow was materially strengthened through €3.1 billion in proceeds from divesting Innomotics. Further inflows are also being recorded from the continuing sell down of our Siemens Energy stake, where we are now below a 15 percent shareholding.

Our capital structure measure – the ratio of “Industrial net debt” to EBITDA – was at 0.4 in Q1. In addition, we have an industry-leading “AA” investment-grade rating from S&P and Moody’s. As a result, we will remain able to act from a position of financial strength.

Following this promising start into fiscal 2025, we confirm our guidance.

However, we will, of course, continue to monitor macroeconomic volatility closely to be able to act swiftly, if need be.

The direction for all our actions is clear: We will continue to create value by growing profitably and by reliably and continuously generating high levels of free cash flow.

Thank you!

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