SIEMENS

Press

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Business development in Q3

Siemens on successful path in uncertain times

- **Adjusted EBITA in Industrial Businesses climbs 8 percent to €1.8 billion**
- **Adjusted EBITA margin rises to 14.3 percent**
- **Strong free cash flow of more than €2.1 billion in Industrial Businesses providing liquidity and security**
- **Orders down 7 percent to €14.4 billion and revenue down 5 percent to €13.5 billion year-over-year**
- **Global uncertainties continuing in Q4**

Despite major uncertainties due to the global COVID-19 pandemic, Siemens AG maintained its course very successfully in Q3 of fiscal 2020, both strategically and operationally. In a challenging macroeconomic environment, the company's Industrial Businesses generated a strong EBITA margin of 14.3 percent. Adding 1.7 percentage points to this margin was a positive effect of €211 million at Digital Industries. Siemens successfully avoided major supply chain bottlenecks in connection with the COVID-19 crisis despite taking precautionary measures, which were in some cases substantial, to prioritize workforce health and safety. With free cash flow of more than €2.1 billion in its Industrial Businesses (€2.5 billion at Group level), Siemens has sufficient liquidity to master the COVID-19 crisis effectively – or to emerge from it even stronger than before.

Revenue and net income were both below their prior-year levels, but exceeded market expectations and outpaced competitors – in some cases significantly. In a persistently uncertain environment, Siemens confirms the second-quarter estimates of its outlook for fiscal 2020 and expects a moderate decline in revenue on a comparable basis. The book-to-bill ratio – that is, the ratio of orders to revenue – is expected to remain above 1. Due to the continuing volatility of sales markets and to regulatory uncertainties in connection with measures for combating the COVID-19 pandemic, the company refrains from giving guidance for basic earnings per share from net income for fiscal 2020.

“Despite the global crisis, which remains very severe, we’re maintaining our course successfully and delivered strong operating performance in Q3,” said Joe Kaeser, President and CEO of Siemens AG. “At the same time, we rigorously drive our company’s realignment forward. Our strategy concept Vision 2020+ is gaining traction, and Healthineers is testimony that shows the program’s strategic and transformational power. Our employees and our partners have my deep gratitude and respect for this outstanding performance under extremely difficult circumstances.”

Revenue and net income down year-over-year

At €13.5 billion, the Group’s revenue declined five percent in Q3, with Siemens Mobility posting a slight increase. In total, adjusted EBITA in the Industrial Businesses – the core of the future Siemens AG, comprising Digital Industries, Smart Infrastructure, Siemens Mobility and Siemens Healthineers – climbed eight percent year-over-year to €1.8 billion. This increase was partly due to a strong performance at Digital Industries – specifically in the software business. In addition, a revaluation of Siemens’ stake in Bentley Systems, Inc. resulted in a positive profit contribution of €211 million.

Discontinued operations reported a loss of €451 million (Q3 2019: a positive €78 million). This figure mainly reflects a large loss at SGRE. This loss has already been reported by SGRE. However, adjusted EBITA before special items was slightly positive at Siemens Gas and Power.

In addition, a higher income tax rate reduced the Group’s net income to €535 million, a 53 percent decline. At €14.4 billion, order intake was seven percent lower on a comparable basis due to the COVID-19 crisis, despite an increase in major orders. This decline was primarily the result of softer demand at Siemens Healthineers and Smart Infrastructure due to the COVID-19 crisis.

Strong free cash flow

Free cash flow – which is extremely important particularly in times of crisis – significantly improved in Q3 to a positive €2.5 billion at Group level (Q3 2019: €0.4 billion). All units, but most notably Siemens Mobility, contributed to this substantial improvement. Discontinued operations achieved a positive free cash flow of €433 million (Q3 2019: a negative €287 million). The primary driver of this improvement was a series of asset management measures at Siemens Energy.

Individual Industrial Businesses

Despite substantial COVID-19 effects, the decline in orders at Digital Industries was cushioned above all by China's economic recovery and major contract wins in the software business. Revenue at the automation business fell significantly. Cost savings and a significant rise in revenue at the software business boosted profit considerably. A groundbreaking partnership with SAP aims to develop an integrated solution for the end-to-end management of products and assets across their lifecycles. This partnership will drive digitalization and deliver a comprehensive solution for the Fourth Industrial Revolution (*Industrie 4.0*).

In an environment marked by challenging market conditions, orders also declined at Smart Infrastructure. Lower revenue in the high-margin product business impacted both profit and profitability in Q3.

In contrast, orders and revenue at Siemens Mobility developed positively. The increase in orders was due to a large number of new major orders in different areas of the unit's business. This positive momentum was supported, in particular, by the €1.1 billion order from German railway operator Deutsche Bahn (DB). Beginning in 2022, 30 new high-speed trains from Siemens will reinforce DB's long-distance fleet. Revenue also increased in Q3, driven primarily by growth in the rolling stock business. The unsatisfactory profit level in Q3 will improve again and be within its target range in Q4.

Global uncertainties due to pandemic continuing in Q4

Siemens expects the economic consequences of the COVID-19 pandemic to continue to strongly impact its fiscal fourth quarter financial results. However, the macroeconomic developments and their influence on Siemens still cannot be reliably assessed.

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

The company is adhering to its plan to complete the spin-off and public listing of Siemens Energy before the end of fiscal 2020. Siemens expects to record a spin-off gain within discontinued operations, the amount of which cannot yet be reliably forecast. The company continues to expect material impacts on net income from spin-off costs and tax expenses related to the carve-out and sub-group creation of Siemens Energy.

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Contacts for journalists

Florian Martens
Phone: +49 89 636 22804; e-mail: florian.martens@siemens.com

Wolfram Trost
Phone: +49 89 636-34794; e-mail: wolfram.trost@siemens.com

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