SIEMENS

Speech for Press Call

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"Outstanding Start to Fiscal 2021 – Guidance Raised"

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Check against delivery.

[Joe Kaeser]

Good morning, ladies and gentlemen. A warm welcome from me, too. And I don't think it's ever too late – this year especially – to wish you all a healthy 2021.

We're very pleased you could join us at such an early hour. The circumstances are different from those at our last ordinary Annual Shareholders' Meeting in 2020.

It's correct: the health and safety of everyone is more important than any tradition. This applies particularly to events such as press conferences and annual shareholders' meetings, which can also be held in a virtual format.

I know there's been a lot of debate about this format recently – in particular, because it doesn't allow shareholders to ask questions or make contributions in person. The technology is partly to blame, but so is an unclear legal framework.

In any case, if annual shareholders' meetings will also be held online after COVID-19, we'll have to find solutions that enable real-time dialogue. I'll discuss this topic in greater detail later at the Annual Shareholders' Meeting.

But let's turn now to the first quarter of 2021: I don't think it's an exaggeration to say that our Siemens team delivered an outstanding performance this quarter – both in terms of market expectations and compared to our key competitors. This applies particularly to Digital Industries – which is also the main driver of our stock market rating – a well as to Healthineers, which is fully consolidated at Siemens AG. But Smart Infrastructure and Mobility also delivered gratifying results.

If you can achieve a 15 percent surge in orders, a seven percent increase in revenue and a 39 percent jump in Adjusted EBITA Industrial Businesses compared to a still corona-free prior-year quarter, then you must be doing something right. In this regard, the first quarter of 2021 was a gratifying continuation of the dynamization of our company's economic strength that was already apparent in fiscal 2020.

The global Siemens team has really done an outstanding job of implementing our strategic realignment. I'd particularly like to thank all our employees for their commitment and tremendous support – not only in 2020, the year of the coronavirus – but also in the years before. The fact that we're so strong today is the result of long, hard and, often, painstaking work.

Our huge efforts have paid off. Siemens is well prepared for the future – in terms of both strategy and operations. But there's still a lot to do.

In terms of operations, for instance, this means also focusing on the administrative and support area. And in terms of strategy, it means focusing on the businesses and investments that are critical to successfully transform the "industrial Siemens."

Even though there's still a lot to do, all three Siemens companies are ready for ultimate value creation. This process has already been initiated with the spin-off of Siemens Energy.

The power and speed of our rerating took us by surprise although the trend had started right after the approval of the Siemens Energy spin-off at our Extraordinary Shareholders' Meeting in July 2020.

On the first day of the spin-off, the share price of the "new Siemens AG" rose nine percent on a comparable basis, resulting in a full €7 billion increase in market capitalization. And the trend continued. A further all-time high was thus expected. The increase in Siemens Energy's share price – which peaked at 60 percent after initial weaknesses due largely to technical problems – is a gratifying side-effect.

It's much more important that Healthineers continues to see robust growth and that the planned Varian acquisition is fully on track. As things now stand, somewhat better than originally planned.

All three Siemens companies are showing their best sides. They're operating at the upper edge of their historic ratings and reporting relatively outstanding figures. All three have a plan for how they want to shape the future – and they've got excellent teams.

The heads of these companies not only understand good, inclusive leadership. They also have, above all, an in-depth understanding of their businesses – something that's indispensable in times of disruptive transformation. In the age of binary-acting digitalization, there's not a big margin for error. That's why they're the best people to lead these companies. And one of them is sitting right next to me and will soon – in every sense of the word – take over.

This is the last time we'll hear and virtually see each other in this constellation. Many of you have been with me for a long time – while I was Chief Financial Officer and then President and CEO. We've said, done and written a lot together – facts, opinions, conjectures, sentiments. Mostly with and sometimes against the tide. But seldom outside the realm of the possible.

In any case, I’ve always been particularly pleased when you’ve been a constructive audience for my concern for and advocacy of tolerance, freedom, openness and fairness. Because numbers are quickly outdated – while opposition to radical nationalism, exclusion and racism is and will always be our common responsibility.

And with that, I’ll turn the floor over to Roland.

[Roland Busch]

A warm welcome to all of you from me, too. And thank you, Joe, for your trust and support over the past months and the last 15 years.

Siemens started a new chapter on October 1, and I’m happy to say: We’ve made a very good start. Our first quarter results clearly show how strong and agile Siemens can be when it comes to grasping market opportunities.

I’m very proud of our more than 290,000 colleagues. I’d like to thank all of them very much for their dedication and for the outstanding job they’ve done. And I express this deep appreciation on behalf of the entire Managing Board, as well.

We’re getting through the pandemic well and have achieved excellent performance at the same time. And a big thanks goes to all our customers and partners, as well.

After the fourth quarter, Ralf and I promised that we would seize all the opportunities that arise for us. And we’ve delivered on this promise.

Some of the industries we lead have recovered clearly faster than expected. This was the case in the automotive and machinery industries, for example. Particularly in December, customer demand for our offerings was much stronger, and we were able to meet this demand. Today, our profits reflect the boom in these high-margin businesses.

China stood out clearly here: The Chinese economy has recovered from the downturn, and its gross domestic product is now higher than it was before the pandemic. Demand in China is strong – both from its domestic market and from export markets. The country is currently winning global market share in manufacturing, and our customers trust Siemens to help them in this area.

Trust is built long term. During this crisis we benefitted from these long-standing relationships. We helped Chinese customers modernize and expand their capacities.

But it was not all China. Take Germany, for example. The export industry here also recovered faster than expected. Due to COVID-19, however, there will still be much uncertainty in the months to come. So we remain cautious. The pandemic is not yet over. It is impossible to predict the effects from the second and from the third wave. And we don’t know how fast vaccinations will make a difference.

But no matter what comes, we will stand by our customers and do everything we can to empower them. We will deliver innovative and sustainable solutions. And we will support our customers’ digital transformation, as well.

A couple of recent highlights:

Just a few weeks ago, we signed a landmark memorandum of understanding with the Egyptian government. Together with partners, we will be building that country’s first high-speed rail system.

Over the last couple of years, Siemens has built three huge power plants in the country to supply energy to 40 million people – on a very, very tight schedule.

The transportation sector is next: We and our partners will help the country build a state-of-the art railway system: connecting cities, cutting journey times, reducing pollution and creating jobs for highly qualified professionals in Egypt.

This project includes a variety of different trains, the accompanying rail infrastructure, and systems integration. On top, it comes with an attractive 15-year maintenance contract. Our expertise in digital rail automation and predictive maintenance based on data analytics was a crucial factor in enabling us to secure this contract. These capabilities enable us to ensure high availability – as we do, for example, for the German rail company Deutsche Bahn or for Thameslink in London.We expect first orders to be booked in fiscal 2022, and we will keep you updated on the progress.

But let’s get back to China for a moment. We often talk about the benefits of combining the digital and real worlds. Here are two examples that show how we use our domain knowhow and digital offerings to create customer impact:

- We’re helping the automotive joint venture BMW Brilliance in its major project for increasing capacity.

- For Asia's largest glass manufacturer, Guangdong Huaxing Glass, we developed a "blueprint" for digital factories. This solution will now be rolled out across 15 of their factories. As a result, our customer can produce more flexibly, in higher quantities and at higher quality.

Another highlight: our Smart Infrastructure business won several multi-million orders for data centers. This business is booming around the world, in part because COVID-19 is driving e-commerce, and more processing and storage capacity is needed. We've adapted and optimized our building automation systems, together with our electrical infrastructure systems, to meet the needs of data centers. In this way, we can reduce energy consumption and operating costs for our customers. Our customers in this area are the major Internet platforms and the operators of these data centers.

So how does all of this translate into our financials?

Let me give you a brief overview for the first quarter: Orders were up 15 percent to €15.9 billion. The book-to-bill ratio was a strong 1.13.

All our core businesses contributed to this increase. Mobility's large orders in Germany and Austria were key drivers here. For example, there is an order for digitalizing the German rail infrastructure. And there is more to come here!

Revenue rose – and did so across all businesses and Regions. We posted a seven percent increase. In total, that amounts to €14.1 billion.

In particular in China and in Germany, things went better than expected. Compared with the same quarter in fiscal 2019, revenue was 21 percent higher in China and eight percent higher in Germany.

Driven by higher revenue volume, particularly in our short-cycle businesses, the Adjusted EBITA of our four Industrial Businesses rose sharply to €2.1 billion.

In addition, our profitability was supported by structural improvements. In part, it was also supported by very low discretionary spending. Just to give you one data point here: Our travel expenses were down by 64 percent year-on-year. We certainly won't be able to maintain this low level of expenses going forward. Altogether, this led to an excellent margin of 16.0 percent and translates into strong earnings per share of €1.72.

Ralf and I are particularly satisfied that we are making progress in achieving a more consistent free cash flow development throughout the year. €1.0 billion of free cash flow in the first quarter is an excellent start. And I promise, we will keep our eyes on the ball.

For many companies, a pandemic is not a time for growth. But some of our businesses and Regions saw conditions improving.

For this reason, we are raising our outlook for fiscal 2021 – based on the assumption that this improvement will continue in the coming quarters, particularly for our short-cycle businesses.

We continue to expect a book-to-bill ratio above 1, mid- to high-single-digit comparable growth in revenue, and net income in the range of €5.0 billion to €5.5 billion.

Before I hand the call over to Ralf in just a moment, please allow me to make just a few personal comments.

Siemens is a unique technology company. We have excellent positioning. We operate in attractive growth markets, and our innovations are world-class. I'm convinced that, together with our customers, we can transform the everyday and thus improve the lives of billions of people. I'm very much looking forward to that!

And I feel honored and humbled to be able to take on the leadership of this great company upon conclusion of today's Annual Shareholders' Meeting.

[Ralf P. Thomas]

Thank you, Roland. And good morning everyone.

Since most business financials were already pre-released, let me give you some more color on key reasons for our outstanding first quarter performance in fiscal 2021. As usual, the complete overview of all businesses is, of course, available in our Earnings Release.

Let's begin with Digital Industries. As Roland Busch has already explained, demand from the automotive and machinery industries, two of our key customer segments, rebounded faster than anticipated.

The automation business returned to order growth, while the software business was lower year-over-year due to tough comparables from the extraordinarily strong first quarter of fiscal 2019.

Our automation businesses saw stunning 34 percent order growth in China. This change – as with all volume changes on a percentage basis that follow – has been adjusted for currency translation and portfolio effects. Germany was up 13 percent, benefiting from a short-cycle recovery in export-driven end markets. The revenue growth in our automation businesses was driven by China, up by 27 percent. In our assessment, around one-third of this massive growth in China is attributable to restocking on the part of customers and distributors.

The software business grew by five percent on strength in the electronic design automation (or EDA, for short) and Mendix segments. The business with our PLM software continues to see a cautious investment attitude at their customers, for example in the aerospace industry.

The profit margin for Digital Industries, including severance charges, reached a quarterly record of 22.5 percent, due to a fairly unique accumulation of tailwinds. The main individual reasons were strong growth and higher capacity utilization in short-cycle product businesses for Factory Automation and Motion Control, combined with a product mix that had a very favorable impact on the margin.

Another strong contribution came from the software business, driven by the EDA segment, whereas our continued investments in cloud technology and our integration investments accounted for around 120 basis points of negative impact in the first quarter.

Besides the COVID-19-related effects, such as the lower level of travel and marketing costs, accelerated implementation of our DI One cost out program also had a clearly visible positive impact on our bottom line.

On top, significantly lower severance charges compared to Q1 of fiscal 2019 also had positive impact. I would also like to highlight that we very much like the fact that Digital Industries generated more than €500 million of free cash flow in the first quarter, which is typically seasonally weaker.

Let’s now take quick look at the very special role that December played in connection with these results.

Historically, revenue distribution in our automation business has been rather evenly split in the first quarter. The last month of the quarter, which is typically stronger, is normally

dampened in our first quarter by the reduced number of working days due to the Christmas holidays.

This year, however, the faster industrial recovery, a certain amount of pent-up demand among our customers, and noticeable restocking on the part of some of our sale partners led to a situation in which December’s revenue share of 36 percent accounted for an extraordinarily large portion of the overall quarterly revenue.

As a result, we were close to €100 million above our own revenue expectations!

On the left side of the slide, you see our expectations for our key vertical markets in the next quarters; above all, we see further recovery in the automotive and machinery industries.

Yet, we know the situation is still fragile in terms of how the pandemic may develop. As a result, we stay particularly alert to various aspects, including weaker market momentum and short-term volatility. For Digital Industries’ second quarter, we still expect currency effects to have a similar negative impact on the top line, and an even higher impact on the profit margin compared to the first quarter.

From today’s point of view, we anticipate further clear revenue growth in the second quarter. Based on this, we foresee an Adjusted EBITA margin between 19 percent and 20 percent, including our plan to record a high double-digit million amount of severance charges due to further structural optimization efforts. In addition, we expect travel and marketing costs, which have been lower due to the pandemic, to gradually return to their previous levels, and we will selectively invest to capture additional growth opportunities.

We are convinced that Digital Industries is very well positioned, both in technology and geography, to continue to resolutely leverage the upcoming opportunities in the dynamic markets.

Let’s move on to Smart Infrastructure. Here, too, the excellent results in the first quarter are due to a combination of multiple factors. Worth highlighting is Smart Infrastructure’s extraordinarily strong short-cycle product business, supported by a recovery in industrial end markets that was earlier and faster than expected.

In total, Smart Infrastructure recorded a seven percent increase in orders, driven most notably by an increase north of 20 percent in orders for our Electrical Products Business Unit.

However, I would like to mention here, as I did for Digital Industries, that some of this growth may be due to customers having restocked inventories, in particular ahead of announced price increases.

Smart Infrastructure's revenue grew four percent, with growth momentum recorded in all major regions: China was up 20 percent, Germany was up five percent, and the United States grew by two percent.

The product business grew by a notable six percent. The systems business grew somewhat more moderately. Smart Infrastructure's profit margin reached 11.2 percent, including severance charges.

The margin was higher than in the prior-year quarter due to high profit contributions in the product business, to structural improvements enabled by previously announced competitiveness programs and to the pandemic-related decline in marketing and travel expenses.

We expect that this positive momentum in our short-cycle product business will continue and that our solution business will also pick up toward the second half of the fiscal year. While the non-residential building market is still soft, with gradual improvements expected throughout fiscal 2021, customer segments that are currently more robust – like power distribution, data centers and healthcare – will compensate for this to a certain extent.

For the second quarter, we continue to expect a strong negative currency impact on both the top and bottom line at Smart Infrastructure. In addition, we continue to expect moderate revenue growth.

Following the pandemic-related reduction, travel and marketing costs will also rise again in subsequent quarters at Smart Infrastructure, too, as will selective investments in additional growth opportunities. As a result, we expect the profit margin for the second quarter to be slightly below the first-quarter level.

Now to Mobility, which showed strong performance in a still difficult business environment; due to the pandemic, there were still restrictions at our factories and with regard to accessing customer sites. Nevertheless, the Mobility team once again delivered on its own ambitions regarding growth and profitability and continued to outperform the competition with industry-leading profit margins.

We are very confident that Mobility will continue to show substantial order growth again in the second quarter, based on a strong project pipeline, and that revenue will rise moderately.

Given the mix and cost structure of the projects being executed in the second quarter, the profit margin may be slightly below first quarter levels. Free cash flow, on the other hand is expected to see a clear rebound.

I'd like to briefly point out a few important topics that impact our results outside of Industrial Businesses, or "below the line," as we say internally.

Siemens Financial Services developed in line with our expectations and improved significantly quarter-over-quarter on a robust debt business.

Within the Portfolio Companies, the fully consolidated businesses kept on improving their operational performance. In this way, they mostly compensated for ongoing losses from the equity stake in the Valeo Siemens joint venture.

We continue to make progress in executing our full-potential plans for making structural improvements at our Portfolio Companies, and therefore expect the related severance charges to reach a high double-digit million amount in the second quarter.

Corporate Items benefited from positive effects related to the transfer of assets to the German Siemens Pension-Trust in the magnitude of €138 million, including the stake in Bentley Systems as indicated before.

With regard to the full year for fiscal 2021, we see – compared to the guidance we provided in the fourth quarter – some further upside potential in the development of our Siemens Energy Investment item and in the area of taxes.

As always, we will give you a detailed update on our outlook with our Q2 numbers in May.

Roland Busch has already explained that we have raised our guidance for the Siemens Group. I will now discuss the individual businesses.

Digital Industries now expects fiscal 2021 comparable revenue to grow clearly year-over-year instead of modestly. The expectation for Adjusted EBITA margin is now 19 percent to 20 percent, two percentage points higher.

Smart Infrastructure continues to expect to achieve moderate comparable revenue growth in fiscal 2021. The expectation for Adjusted EBITA margin is now 10.5 percent to 11.5 percent, 0.5 percentage points higher.

Mobility continues to anticipate mid-single-digit comparable revenue growth and an Adjusted EBITA margin at 9.5 percent to 10.5 percent in fiscal 2021.

Please note that effects related to Siemens Healthineers' planned acquisition of Varian are excluded from this outlook. We will, of course, assess these effects as soon as closing is achieved.

Thank you!