SIEMENS

SPEECH FOR PRESS CALL

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“Flying start to fiscal 2023 – Guidance raised”

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Check against delivery.

[Roland Busch]

Ladies and gentlemen,

Good morning everyone. I'm delighted that you've joined us on the day of our Annual Shareholders' Meeting and that you're interested in our first-quarter results.

Before I turn to our figures, I'd like to talk about the awful earthquake in Syria and Türkiye. Our thoughts are with the victims, with their families, with all those affected. Siemens and Siemens Healthineers have provided €1 million in immediate assistance. We're currently surveying the situation to see what else we can do.

Let's now turn to our results. For Siemens, the new fiscal year 2023 got off to a flying start. We're very pleased since the economic environment remains difficult and volatile.

The impressive growth at our businesses once again shows how much our customers trust us – trust our performance and our portfolio.

All our businesses have seized the opportunities in their markets. They're all benefiting from the strong demand for electrification, automation, digitalization and sustainability.

Orders showed sequential growth and totaled €22.6 billion. And we have an outstanding book-to-bill ratio of 1.25. The order backlog reached a record level of €102 billion. I'll tell you more about our high order backlog later on.

We've focused on processing the orders. We're benefiting from the fact that bottlenecks in the supply chains are easing.

Our clear goal is to shorten delivery times. This approach has led to strong revenue growth of 8 percent to more than €18 billion. Digital Industries and Smart Infrastructure both grew an excellent 15 percent.

Up an impressive 23 percent, Digital Industries' automation business once again set the pace among its peers. We gained further market share.

Due to strong demand for our portfolio, our businesses have relaxed their operating and capital expenditures. They're making gradual, targeted investments.

We're managing these investments very closely, keeping an eye on current developments and regularly adjusting our scenarios.

Profit in our Industrial Business amounted to €2.7 billion. That's a first-quarter record. A truly outstanding result and a top performance by Team Siemens. And the profit margin is also very strong: 15.6 percent.

We continue to deliver good results. And we're executing our strategy rigorously and successfully.

We're also continuing to simplify our portfolio. This quarter, we completed the divestment of Commercial Vehicles – a unit from our Portfolio Companies. And, as announced in November, we're creating a leading supplier for integrated motors and large drives. We're making good progress here.

In the first quarter, revenue in our digital business amounted to €1.7 billion. We're very confident that we'll achieve double-digit growth in fiscal 2023.

The transition to the new software-as-a-service business model is on track. Annual recurring revenue (ARR) grew 14 percent. Our cloud ARR business tripled year-over-year to €650 million and represents an 18 percent share of total ARR.

After our flying start to fiscal 2023, we will further leverage our exceptional order backlog and execution strength. This gives a high confidence level despite a volatile environment.

Driven by excellent operational performance, we raise our guidance for fiscal 2023 for both revenue growth and earnings. We are now guiding for revenue growth in a range of 7 percent to 10 percent, up by 100 basis points, and raising our guidance for basic EPS before PPA accounting by 20 cents.

Ralf Thomas will give you more details in a moment.

We're very strong operationally. Also because we have the right strategy: we combine the real and the digital worlds like no other company. That's how we're helping our customers master their digital and sustainable transformation.

We think long-term. Many of today's developments will have a positive impact on our business tomorrow. I'll go into this aspect in more detail later at the Annual Shareholders' Meeting.

For this reason, I'll be brief: our customers are very willing to change. This attitude was very clear again at the World Economic Forum in Davos. In addition, many countries have launched investment programs. To strengthen their own industries – for example, in semiconductors – or to combat climate change with green technologies.

For Siemens, this is a tailwind. We're globally positioned to be locally successful.

Here's an overview of the key figures:

Ralf Thomas will go into more detail on free cash flow. One thing I can say right now: free cash flow will increase significantly over the course of the fiscal year.

Earnings per share before purchase price allocation accounting (EPS pre PPA) were €2.08. This figure reflects our excellent operational performance and an unpleasant surprise due to our Siemens Energy stake.

Our attractive order backlog is making us strong and resilient in fiscal 2023. It's also giving us transparency. The backlog stands at €102 billion. Excluding negative currency translation effects, this figure would be €4 billion higher. On a comparable basis, our backlog has reached a record level.

A look at our full order books shows very clearly what the rest of fiscal 2023 has in store for us. Especially in our short-cycle product businesses at Digital Industries and Smart Infrastructure.

I'm confident that we'll reach our growth targets.

The high, longer-term order backlog for the project and service business at Mobility and Healthineers also comes with healthy gross margins.

Once again, I'd like to single out our supply chain teams. What they do is world-class. Thanks to their long-term and trust-based relationships with our suppliers and partners, they manage to procure electronic components and intermediate products even though supply continues to be tight.

A growth catalyst at all our businesses is sustainability. Our customers want to continue to make fast progress here.

That's why we have many examples of how we create real customer impact. By combining hardware and software. And by using our domain expertise to offer targeted services.

To 80 Acres Farms, for example, a pioneer in indoor farming – that is, automated vertical farming. A market that's currently growing by around 25 percent a year.

An investment by Siemens Financial Services has turned into a strategic partnership. With our technologies, the startup wants to be feeding millions of people in a few years. Digital Industries and Smart Infrastructure are delivering industrial automation, digital twins, energy supply and facility management.

Our technologies will ensure that the crops get the best growth conditions. With minimal water use, without pesticides.

We're also helping 80 Acres Farms with their digital transformation: optimizing and scaling up operations at their production locations in the U.S.

Mobility won the largest order in the first quarter – a turnkey metro system in Australia. We'll link Sydney to the new Western Sydney Airport, which is scheduled to open in three years.

For €900 million, we'll supply fully automated, driverless trains and a completely digital rail infrastructure.

Siemens Xcelerator – our open, digital business platform – will help optimize operations. We'll use Railigent X – part of Siemens Xcelerator – to service the trains across a 15-year maintenance contract.

All these examples demonstrate how strategically relevant sustainability is for us and how it drives our growth.

Because our customers demand decarbonization and environmental protection.

Because they bought Siemens technologies in fiscal 2022, our customers will avoid 150 million tons of CO_2 – calculated over the technologies' entire lifetimes.

Our own operations are to be carbon neutral by 2030. We've been reducing our emissions for years. We've already cut them 46 percent compared to 2019. In December, we set ourselves new and more ambitious targets. To reach them, we'll increasingly use our own technologies and invest €650 million. We want to reduce emissions on our own by 90 percent by consuming even less energy and using it even more efficiently.

An excellent example of efficiency is our factory in Amberg, Germany, where we manufacture products for automation. Our team stands out again and again with brilliant ideas. Because, for years, we’ve been increasing productivity in Amberg while reducing our carbon footprint. The factory has now been recognized by the World Economic Forum as a Sustainability Lighthouse.

The strategic transition to software-as-a-service (SaaS) continues to make good progress. Around 5,450 customers have signed on to the new business model. The share of startups and small and medium-sized enterprises is growing. Seventy percent are new customers. We’re therefore expanding our customer base. We receive regular payments from customers instead of a one-time license fee, thus increasing our ARR.

We’re promoting the new model to our customers, and we’re educating them about its benefits: faster cycles for updates means greater speed for their innovations and more cybersecurity.

Customers who adopted the SaaS model early on like it. They place follow-up orders with us and expand the number of users, functions and additional applications.

Thank you!

[Ralf P. Thomas]

Ladies and gentlemen,

Good morning, everyone. Let me jump right into the further details on how we used our first quarter to make full use of the growth momentum and have raised our outlook for fiscal 2023.

At Digital Industries, or DI, we saw continued demand at high levels across our core end markets, leading to order growth compared to the fourth quarter of fiscal 2022. Investment sentiment continues to be healthy. This positive sentiment not only applies to discrete industries, but also to hybrid verticals, such as food and beverage or pharma.

As expected, and as indicated before, we saw some normalization of order patterns in the automation business compared to the extraordinarily high level of the prior-year quarter.

DIs' orders were down 13 percent overall yet still substantially exceeded revenue with a book-to-bill at 1.24. Therefore, our record-high order backlog at Digital Industries further increased to more than €14 billion overall.

We expect about €10 billion of this backlog to convert into revenue in fiscal 2023. This situation makes us very confident and gives us a comparatively high level of visibility for the remainder of the fiscal year.

Orders in our discrete automation business normalized somewhat, while our process automation business was close to the prior-year level.

Orders in the software business were up modestly, with several larger deals in the product lifecycle management, or PLM, business.

We expect that order patterns will continue to normalize during fiscal 2023 and that this normalization will lead to a book-to-bill ratio below 1. Partly as a result of easing supply chain challenges, DI will gradually reduce its order backlog, and delivery times will shorten again.

Let's turn now to revenue at Digital Industries. In the automation businesses, revenue rose 23 percent on broad-based strength.

Supply chain constraints continued to ease, and the team – again – did an excellent job of running the factories at high utilization and with optimized production output.

Still, we are keeping a very close eye on potential disruptions in component availability and on coronavirus infection rates in China following New Year travel.

The software business was, as expected, 6 percent lower. This reduction reflects flat PLM revenue due to the ongoing momentum of our software-as-a-service, or SaaS, transition. At the same time, our electronic design automation, or EDA, business recorded – in line with our expectations – lower volumes from larger orders.

At 22.5 percent, Digital Industries' profit margin was outstanding, driven by the automation businesses, in particular. As expected and previously announced, the software business, on the other hand, had a slower start to fiscal 2023.

With high capacity utilization and optimized production volumes, we also achieved strong conversion of revenue into profit across all automation businesses.

This conversion was also supported by a very favorable product mix due to improved availability of components – in particular, for high-margin products.

Through productivity gains and price increases from previous quarters, we more than compensated for cost inflation in Q1.

However, effects from higher wages and salaries as well as other cost dynamics will increase over the next quarters. Nevertheless, we are confident and very well prepared to keep the so-called "economic equation" net positive overall throughout fiscal 2023.

Our investments in cloud technologies accounted for €67 million in Q1, equaling 130 basis points of margin impact on Digital Industries. From today's perspective, we expect around €300 million in cloud investments for the full fiscal year.

Regarding free cash flow, Digital Industries had a softer start to the fiscal year following an extraordinarily strong fourth quarter; the cash conversion rate was at the prior year's level.

DI's operating working capital increased: given the rise in revenue, there was a clear increase in receivables due to high billings to customers toward the end of the calendar year. In addition, we temporarily built up our inventories in an intentional and targeted manner to safeguard our revenue growth.

Beginning in the second quarter, however, we already expect to see a material catch-up effect in cash generation.

Let's look now at how our key vertical end-markets are developing. For the upcoming quarters, we expect continuing growth momentum that will also be driven by price inflation.

We monitor the underlying real investment sentiment very closely in this regard. So far, this sentiment has remained positive in our customer industries.

Yet, we will remain very alert in tracking the overall macroeconomic situation, which is still rather ambiguous globally.

And, as Roland said: we will continue to manage costs in a way that is appropriate for the situation.

Now, let me give you the regional perspective on our excellent performance in terms of orders and revenue in the automation business:

Demand remained robust despite the very high level of the prior-year quarter, which the accompanying slide also shows again.

This development was most notably visible in Europe. There, the high demand in the first quarter of fiscal 2022 had been characterized particularly strongly by uncertainty over the reliability of supply, and this uncertainty had shaped our customers’ ordering patterns.

In China, demand rebounded from the softer fourth quarter and rose clearly compared to that quarter. As a result, order intake decreased only 7 percent there compared to the peak orders one year ago.

The outstanding double-digit revenue growth in the automation business was broad-based across all regions. The accompanying slide shows details.

As Roland said, our teams are very well prepared for market developments, and they are determined to leverage the improved global component availability to convert our backlog in a stringent and optimized manner.

Since Digital Industries achieved fantastic momentum in the first quarter, which we expect to continue, we raise our guidance for revenue growth by 200 basis points to 12 to 15 percent for the full fiscal year 2023.

And we lift the profit guidance on the lower end by one percentage point towards 20 to 22 percent.

From today’s perspective for the second quarter, we anticipate, that DI will achieve revenue growth and profit margin towards the upper end of the raised corridors.

Q2 will be again driven by strong backlog execution in automation.

We expect the software business to show improved revenue growth on easy comparables, while profitability will continue being impacted by SaaS-transition and EDA orders.

For the second half year, we expect clear revenue growth acceleration and improving profitability in the Software business.

In the software business, we expect revenue growth to improve compared to the rather soft prior-year quarter. On the other hand, the SaaS-transition will continue to impact profitability, which will also be characterized by a comparatively low level of orders in the EDA business.

For the second half of the fiscal year, we expect the EDA business, and the software business overall, to see clear acceleration in revenue growth as well as improving profitability.

Let's turn now to Smart Infrastructure, or SI, which achieved an outstanding first-quarter performance. The SI team delivered excellent growth in orders and revenue and boosted profitability to a quarterly all-time high.

In total, orders were up 16 percent, driven most notably by 33 percent growth in the electrification business. This rise was mainly fueled by larger projects with scalable solutions, such as in the semiconductor vertical, and by a strong base business. The buildings business showed 13 percent growth, and the electrical products business was up 3 percent.

Revenue growth reached 15 percent overall, with the largest contributions coming from the electrical products business, which was up 24 percent, and from the electrification business, which was up 20 percent.

The SI team managed supply-chain bottlenecks very successfully again in the first quarter.

This was SI's best quarter ever, with a profit margin of 15.3 percent. The margin was up 270 basis points year-over-year.

This strong result was aided in part by higher capacity utilization and in part by structural cost improvements from our competitiveness program.

Productivity gains and pricing actions and enabled us to more than compensate for headwinds from rising material prices and other cost inflation.

Positive currency translation effects contributed around 50 basis points to margin improvement.

As was the case at DI, SI also deliberately allowed for temporarily higher inventory levels to avoid endangering its growth momentum. In addition, increased revenue at the end of the calendar year drove up accounts receivable, which resulted in weaker free cash flow for Q1. This situation will improve massively in Q2.

At SI, too, we are seeing stable demand with real growth in all key verticals. Both public institutions and commercial customers are investing in ecofriendly, sustainable offerings, such as energy efficiency and intelligent buildings.

Further important verticals – more related to renewable energy integration and IT infrastructure – continue to show robust growth.

Looking at the regional development, we saw strong momentum in order growth everywhere; the only exception with a decline was China, which – as you know – was impacted by the wave of coronavirus infections.

In Germany, order growth benefited from a rather technical effect of around 27 percentage points: service agreements that, in the past, had regularly been booked in the second quarter have now already been booked in the first quarter.

The U.S. was the main growth engine, with orders up by a remarkable 20 percent.

Revenue, too, increased on a broad basis. Here, again, growth in the U.S., which was up 25 percent, was particularly impressive. Among other things, SI benefited from the rapidly growing data center business.

Building on an outstanding start and ongoing momentum at Smart Infrastructure, we raise our guidance for revenue growth by 100 basis points to 9 to 12 percent and lift the profit guidance by 50 basis points to 13.5 to 14.5 percent.

For the second quarter we see the comparable revenue growth rates within our upgraded full year growth guidance, strongly supported by order backlog.

We anticipate the second quarter margin to be in the raised margin corridor.

Mobility started the fiscal year with a solid first quarter. Orders, at €3 billion, included the major order for the Sydney metro project mentioned earlier and led to a book-to-bill ratio of 1.21.

The order backlog stands at €36 billion overall, with continuing healthy gross margins. And our sales funnel looks very promising for the upcoming quarters, across all business activities.

Among other things, we expect to book the recently announced large order for locomotives in India for around €3 billion in Q2.

Revenue was up 7 percent in Q1. The rail infrastructure business saw double-digit growth, while the rolling stock business was up moderately.

Mobility’s profit margin was still impacted by supplier delays in delivering materials and components and by a less favorable revenue mix. These effects were largely offset by positive effects, mainly related to the sale of inventories that had previously been written down.

Overall, the profit margin was at 8 percent.

In terms of free cash flow, Mobility had a soft start to the fiscal year due to the timing of large customer payments, which shifted into the second quarter. However, we expect a material catch-up in the second quarter.

Our assumption for revenue growth for Q2 is double-digit, due to a low basis of comparison from one time Russia effects.

Second quarter margin is expected around the level of the first quarter, also depending on gradually easing material supply constraints.

On page 23 in the appendix to the presentation, you will find the full earnings bridge for our activities below our Industrial Businesses. Here, I will make only a few comments on this topic:

Siemens Financial Services delivered a solid first quarter in line with our expectations.

Sustainable value creation at our Portfolio Companies continued: We realized a gain of €140 million through the divestment of our commercial vehicle business. On top, we again saw very solid operational performance in Q1 at the other businesses within the Portfolio Companies.

The disappointing performance of our Siemens Energy investment led to a negative impact of €187 million. In addition, Siemens Energy had to lower its expectations regarding profit development for full fiscal 2023, which will be reflected in our at-equity result.

Our free cash flow performance in the first quarter reflected our strong growth momentum, which will continue throughout the year.

Operating working capital was up, driven by higher accounts receivable and by a temporary inventory build-up, each rising by around €1 billion compared to the level on September 30, 2022.

Due to these increased inventory levels, we are well prepared to execute our backlog in the upcoming quarters. In turn, we will reduce our working capital gradually and increase our free cash flow accordingly.

As a result, we expect a material catch-up in free cash flow performance to already take place in the second quarter and another strong performance in free cash flow for full fiscal 2023.

As a result, we remain confident that we will continue our deleveraging path even further.

Before we turn to our outlook, I would like to briefly recall Roland's slide on our order backlog.

We consistently pursued and achieved the goals that we had set for ourselves in November and can now look back on a successful first quarter. We started the fiscal year by generating the expected strong momentum by converting our backlog into revenue and driving profitability.

At the same time, our visibility for the remainder of fiscal 2023 has further improved. In the coming three quarters alone, we expect to generate €40 billion in revenue from our strong order backlog.

Following the flying start into fiscal 2023, we raise our guidance.

On Siemens Group level we now anticipate 7 to 10 percent comparable revenue growth, up by 100 basis points and a book-to-bill ratio above 1.

We expect profitable growth of our industrial businesses to drive basic EPS from net income before PPA accounting to a range of 8 Euros 90 Cents to 9 Euros 40 Cents in fiscal 2023, up from the previous range of 8 Euros 70 Cents to 9 Euros 20 Cents.

Thank you!

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