SIEMENS

SPEECH FOR PRESS CALL

Q1 2024

“SUCCESSFUL START TO FISCAL 2024”

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Check against delivery.

[Roland Busch]

Ladies and gentlemen,

Good morning everyone. Thank you for taking the time on the day of our Annual Shareholders' Meeting to discuss Siemens' Q1 performance.

Siemens again delivered strong results. Despite the weak macroeconomic situation and the challenging geopolitical environment, we're continuing on our growth trajectory.

As our robust topline momentum highlights once again, we have our customers' full confidence. We're supporting them in their digital and sustainable transformations.

The book-to-bill ratio reached a strong 1.21, pushing the order backlog to an all-time high of €113 billion – despite negative currency translation effects.

Orders grew 2 percent organically to €22.3 billion, driven significantly by Mobility, where several large orders generated an enormous increase of 92 percent.

Orders at Smart Infrastructure remained at a high level, even slightly exceeding last year's record level on a comparable basis.

At Digital Industries, demand at our short-cycle automation businesses normalized as expected. Customers and channel partners continued destocking. Inventories are still at elevated levels, particularly in China. However – and just as anticipated – demand showed a sequential improvement after the trough in Q4 2023.

We expect this trend to continue in the quarters ahead.

We're rigorously working through our order backlog. As a result, revenue totaled €18.4 billion, a considerable increase of 6 percent.

Mobility, which was up 12 percent, and Smart Infrastructure, which saw a 9 percent increase, delivered the highest growth contributions. Siemens Healthineers grew 6 percent.

Revenue at Digital Industries declined slightly. Its automation business was weaker than in the strong prior-year quarter. However, this weakness was mostly offset by significant growth at our software business.

I'm particularly proud of Smart Infrastructure's electrification business, which delivered excellent growth of 20 percent and showed great competitive strength.

High customer demand in the power distribution and data center verticals continues.

Profit Industrial Business totaled €2.7 billion – a record high for the first quarter of a fiscal year. The profit margin of the Industrial Business was a strong 15.8 percent – even better than in Q1 2023! We also saw a significant year-over-year improvement in free cash flow, which totaled a solid €1.3 billion.

Based on this strong first quarter, we're confirming our guidance for fiscal 2024.

I have great confidence in the operational strength of our businesses. We've also got the right, most advanced technologies for future growth, especially growth in artificial intelligence, or AI. My many discussions with customers and partners in Davos confirmed that we're ideally positioned with regard to this key technology – in all our markets.

Our position was also confirmed by our presence at the Consumer Electronics Show, or CES, in Las Vegas – one of the most important global tradeshows for innovations.

We spoke at the CES about AI and the industrial metaverse just under a month ago. Together with partners from our ecosystem, we presented tangible customer examples. I'll give you more details in a minute.

I'll also have more to say about the progress we've made at our software-as-a-service, or SaaS, business. As you know, we're transitioning the business model at Digital Industries' product lifecycle management, or PLM, software business.

We've further reduced our stake in Siemens Energy to 17.1 percent by transferring another 8 percent to the Siemens pension fund. In addition to the announced changes on Siemens Energy's supervisory board, this move led to a change in the accounting method used for our stake. For this reason, we don't expect any further impact on our profit and loss statement. This development marks a significant milestone. As announced in November, we closed the acquisition of an 18 percent stake in Siemens Limited India. As a result, we're accelerating the unbundling of the business activities of Siemens AG and Siemens Energy in India.

In addition, we closed some smaller bolt-on acquisitions. These included Heliox – a specialist in fast charging solutions for electric buses and electric trucks. At Innomotics – our world-class champion for motors and large drives – preparations for complete independence are progressing well. We're continuing to evaluate all the options in this regard.

Here's an overview of our key figures. Revenue growth was regionally broad-based: Europe, the Middle East and Africa, or EMEA for short, and the Americas were up 7 percent, while Asia and Australia grew 2 percent, held back by softness in China.

Earnings per share before purchase price allocation, or EPS pre PPA, totaled €3.19. This amount included €0.61 from the positive effects of our Siemens Energy stake. Excluding these effects, we were at €2.58.

Looking ahead to the rest of fiscal 2024, I'm particularly pleased with our order backlog, which is again at a record high: €113 billion. This backlog is the source of our resilience and gives us transparency in our systems, solutions and service businesses. As already mentioned, we're witnessing a continuing normalization of short-cycle orders.

We anticipate regional differences in the way customers ultimately reduce their inventories to normal levels. Depending on the speed and scale of its economic recovery, China might take somewhat longer.

The current logistical restrictions in the Red Sea have had practically no impact on us to date. In such a situation, it's the experience of our teams – coupled with the most advanced data analytics – that's helping us overcome this challenge.

Overseen by world-class supply chain teams, our strategically localized value chains are a key success factor in mitigating risks.

At the opening of the CES, I spoke about how Siemens creates technology to transform the everyday, for everyone. The industrial metaverse is a central building block. For us, it's the place for innovation in all our industries: more sustainable product design, more efficient development, lower resource consumption – in all phases of product, plant and infrastructure lifecycles. The industrial metaverse combines the real and the digital worlds. A virtual space – photorealistic and in real time – in which people can work together to solve real problems. In this space, we make it easier to develop and use technology – together with our customers in our ecosystem and with the help of AI. Our recently expanded partnership with Amazon Web Services, or AWS, is a great example of how we're creating this space. We have a shared vision. We want to democratize generative AI: to make it more accessible and easier to use – for companies of all sizes and across all industries.

How are we doing it? We're integrating Amazon Bedrock into Mendix, our leading low-code development platform. Bedrock is a service from AWS that combines high-performing foundation models from leading AI providers.

More than 50 million users are already working with Mendix. More than 200,000 Mendix apps from a wide range of industries are already running today in the AWS cloud – this is a strong foundation for scaling.

The integration of Bedrock will enable our customers to create new applications and leverage the advantages and possibilities of generative AI to upgrade existing applications.

We've announced another high-profile partnership with Sony: we're combining NX, our leading design and development software, with Sony's new data glasses to create 3D content. With a display right in front of the eyes and easy-to-use controllers, customers can intuitively interact with 3D objects. Designers and engineers can use 3D content to create and jointly explore new design concepts in a borderless, immersive workspace. I see great potential for accelerating innovation in this simpler collaboration in the industrial metaverse.

As the next milestone for Siemens Xcelerator, our open digital business platform, we've launched a development portal. On this platform, developers have easy access to application programming interfaces and other resources from Siemens and our partners. Because the simpler we make the platform, the more it will scale.

Now let's turn to the important topic of sustainability. I'd like to highlight two examples here.

First, we've announced an important agreement with Intel: we want to collaborate to drive digitalization and sustainability in microelectronics manufacturing – globally, across this industry's entire value chain. We'll optimize chip design and factory operations in semiconductor manufacturing. Joint teams are working on a broad variety of topics such as energy management and carbon footprint reduction. We also want to enhance efficiency and factory yields with high-tech automation and data analytics. This continuous digital chain in production will enable us to ensure the highest quality.

Second, we started small in sustainability and are now big in business at our long-standing customer HEINEKEN. A consulting project has turned into a comprehensive decarbonization program for the entire company. The program began with joint teams using an energy digital twin to first simulate and then analyze a HEINEKEN brewery. They found that a typical HEINEKEN brewery can cut energy consumption by up to 20 percent and achieve an average CO2 reduction of 50 percent. Based on this result, HEINEKEN has made us a long-term partner. We'll reduce energy consumption and the carbon footprint at more than 15 locations worldwide. And there's potential for more. To realize it, we'll implement a wide range of scalable solutions and services from the Siemens Xcelerator portfolio. As a result, we're supporting HEINEKEN's ambitious net-zero target.

I'm very pleased with the transformation of the largest part of our software business to SaaS business – that is, to software-as-a-service business. Growth in annual recurring revenue, or ARR, reached a very healthy 15 percent year-over-year. The Cloud ARR portion already stands at €1.3 billion, corresponding to 33 percent of total ARR. We expect to reach the 40 percent target a year ahead of schedule. Twelve-thousand six-hundred customers – a vast share of whom are small and medium-sized enterprises – have now opted for our SaaS business model.

And with that, I'll hand over to Ralf Thomas, who'll provide you with further details on our operational performance.

Thank you!

[Ralf P. Thomas]

Ladies and gentlemen,

A warm welcome to our press call from me, as well. Allow me to start, as always, by briefly referring you to our Earnings Release. There, you will find the results for all our businesses, including Siemens Healthineers. I am now looking forward to sharing further details with you on our successful start to the new fiscal year.

We will begin with the results for Digital Industries, or DI.

DI's automation business saw, as expected, sequential order growth after bottoming out in Q4 of fiscal 2023.

As expected, DI recorded ongoing normalization of order patterns in its short-cycle automation business.

As Roland mentioned, our customers and distributors continued to reduce their inventory levels. In addition, they were affected by muted economic activity and restrained investment sentiment in key regions, such as Europe and China.

In total, orders for DI were, at €4 billion, down 31 percent compared to the strong prior-year quarter. The book-to-bill ratio was at 0.87. Order normalization was most pronounced in the discrete automation businesses.

DI's software business, on the other hand, again achieved a book-to-bill ratio above 1. After an exceptionally strong fourth quarter, and as indicated before, orders were below the prior-year level due to a lower volume from large contracts.

Overall, our order backlog at Digital Industries decreased to €10.4 billion. The software business accounted for around €5 billion of this amount. In the automation business, the order backlog stood at €5.4 billion – which was about €700 million lower than in the fourth quarter. This development shows that DI's order-backlog reach is moving further toward the pre-pandemic level.

Let's turn now to revenue for Digital Industries, which was down slightly, by 1 percent.

This figure included a moderate 4 percent decline in the automation businesses. This decline impacted discrete automation and process automation at similar levels and was caused by a lower contribution from fast-turning orders, which are short-cycle orders that are delivered and charged directly in connection with the order.

DI's software business got off to a sound start in fiscal 2024 and showed clear growth of 8.5 percent, driven by the product lifecycle management – or PLM – business, which was up 13 percent.

As we had expected and indicated last November, revenue in the electronic design automation – or EDA – business, was flat year-over-year and was sequentially lower compared to the exceptionally strong performance in the fourth quarter of fiscal 2023.

At 19.6 percent, the profit margin was at the level for which we had guided in November. This level reflects lower capacity utilization in the automation businesses as well as a less favorable product mix.

Digital Industries recorded a neutral net result for our “economic equation” in the first quarter. Productivity gains and price increases from previous quarters enabled DI to offset first-quarter cost inflation, which was mainly driven by higher wages and salaries. As indicated, further productivity measures will lead to a net-positive economic equation throughout fiscal 2024.

Our investments in cloud technologies in Q1 accounted for 120 basis points of impact on Digital Industries’ margin, which we also expect to see as the full-year impact level for fiscal 2024.

Digital Industries improved its cash conversion rate over the prior year to 0.68, which also reflected a typical seasonal pattern due to incentive-related payouts in the first quarter. Operating working capital remained on the level of the prior quarter. As in the prior year, we expect a gradual increase in cash generation beginning in the second quarter.

Now, let me give you the regional perspective:

As mentioned, compared to the strong prior-year quarter, demand in the automation business saw further normalization across our key regions. In addition, the rather sluggish economic environment weighed on orders.

As we expected and announced in November, this development remained most visible in China, where our customers’ continuing destocking might extend into the second half of fiscal 2024.

In other regions, such as Europe and the U.S., we assume that our customers’ stock levels will mostly be back to normal by mid fiscal 2024.

In line with lower orders in the fast-turning automation business as well as further backlog normalization, revenue in our key regions has been moderating compared to the prior year’s high levels.

Looking at our key end markets for the next quarters, we expect rather muted growth momentum for our customers’ production output, particularly in export-driven industries such as machine building.

Our DI teams continue to see this development as transitional and expect an improvement – driven by secular demand trends and brightening investment sentiment – to begin to materialize in the second half of fiscal 2024.

As indicated before, we are executing targeted and prudent investments in industry-specific applications to increase customer value and stimulate growth.

At the same time, DI is closely managing costs and rigorously implementing its productivity measures. We confirm our revenue growth outlook for Digital Industries for fiscal 2024 of between 0 percent and 3 percent as well as a targeted profit-margin range of 20 percent to 23 percent.

As indicated in November with our full-year guidance for fiscal 2024, this outlook assumes that global demand in the automation business, especially in China, will pick up again in the second half of the fiscal year.

From today's perspective – after a first quarter that, as expected, was soft – we will see further sequential improvement in DI's orders in the second quarter. Yet, we expect its orders to still be clearly lower year-over-year.

We assume that DI's revenue for Q2 will be moderately below the level of the strong prior-year quarter. Growth in DI's software business is expected to be strongly driven by higher EDA revenue, which will partially compensate for the weaker growth in DI's automation business.

We see DI's profit margin for the second quarter at the lower end of the full-fiscal-year guidance of 20 percent to 23 percent again, compared to a very strong prior-year quarter with an extremely favorable product mix and a high level of capacity utilization.

Now, let's turn to Smart Infrastructure, or SI, which again achieved a truly outstanding first-quarter performance. The SI team delivered excellent top-line growth in robust end markets and improved the operational profit margin year-over-year for the 13th quarter in a row.

In total, orders were up 1 percent compared to the strong prior-year quarter, driven most notably by 4 percent growth in the buildings business. Orders in both the electrification business and the electrical products business again benefited from a series of larger projects, especially in the data center business.

The electrification business remained at the level of the strong prior-year quarter, while the electrical products business was down 3 percent.

Smart Infrastructure's order backlog increased further to €17 billion – and thus to a new record level. SI's revenue growth reached 9 percent overall. The electrification business, up by a remarkable 20 percent, delivered the largest contribution.

The buildings business, with 6 percent, and the electrical products business, with 4 percent, also continued their growth trajectories.

SI’s profit margin reached a new record level of 18.3 percent in connection with higher revenue and increased capacity utilization. It also benefited from a 190-basis-point increase from a partial reversal of a liability related to past portfolio activities.

Productivity gains and the impact of pricing actions from prior periods enabled us to more than compensate for headwinds from cost inflation, which were mainly caused by higher increases in wages and salaries. SI expects to continue to overcome these headwinds throughout the rest of fiscal 2024.

Free cash flow and the cash conversion rate at SI for the start of the fiscal year were robust and improved materially over the prior-year period. Operating working capital was seasonally up. SI deliberately accepted higher inventories in order to safeguard further growth momentum.

As in the previous years, cash generation will rise strongly in the quarters to come.

Looking at the regional development, we saw the U.S. leading the way with 4 percent order growth, driven by the buildings business and by large wins for data centers.

Key growth engines for revenue were the U.S. and Europe, excluding Germany. This strength was mainly due to stringent backlog execution and to the accompanying double-digit growth rates in these regions. Business in China continued to show softness on muted demand.

As in prior quarters, we continue to see growth in real terms in SI’s key markets. In this connection, our customers’ investments in sustainability are important drivers in almost all market segments – for instance, in electrification and in renewables integration.

After a strong start, we confirm our full-year SI guidance for comparable revenue growth in the range of 7 percent to 10 percent as well as for a profit margin in the range of 15 percent to 17 percent.

For the second quarter, we see – based on the very strong prior-year quarter – a revenue growth rate of between 5 percent and 7 percent. Sequentially, this rate will rise clearly. We anticipate that SI’s second-quarter profit margin will tend to be toward the lower end of its fiscal-2024 guidance range.

Mobility started the fiscal year with strong performances in orders and revenue and also improved both profitability and free cash flow. At €5.6 billion, Mobility's orders were up 92 percent in the first quarter.

This amount included several large orders – for example, two orders in Austria that together totaled €1.3 billion. In addition, Mobility booked a further portion of the Egypt project amounting to roughly €700 million, after the contracts for the 2nd and 3rd lines legally went into effect at the end of December 2023.

Order backlog at Mobility increased further and is now at €47 billion. Mobility's revenue in Q1 was up 12 percent on double-digit growth in all businesses, based on strong backlog conversion. A clear highlight was the growth in the service business, which was up 20 percent.

This higher revenue supported the improvement in Mobility's profit margin to 9.3 percent. The margin also benefited from some Russia-related trailing effects of around one percentage point.

Mobility's free cash flow has improved materially compared to the prior year. Yet, free cash flow was still in negative territory due to the seasonally lower amount of milestone payments and to bonus payments. Here, we expect a clear catch-up in the second quarter.

For Q2, we expect comparable revenue growth in the high single-digit percentage range based on stringent execution of our order backlog. We expect Mobility's second-quarter profit margin to be in the range of between 8 percent and 9 percent.

Let's turn now briefly to our activities below our Industrial Businesses. As usual, you will find the detailed earnings bridge in the appendix on page 22 of the presentation.

Siemens Financial Services delivered exceptionally strong results in the first quarter, driven by the sale of an investment in the equity business, which closed as planned in the first quarter.

We were also very pleased with the continuing operational successes within our Portfolio Companies. Here, as we have explained several times, we are reviewing all strategic options for the best-possible owners for the business.

As Roland already touched upon, we booked a gain of €479 million from our Siemens Energy Investment. This gain resulted from the transfer of an 8 percent stake in Siemens Energy AG to Siemens Pension-Trust e.V. and from termination of the at-equity accounting method. As a result, this change will remove a major source of profit-and-loss volatility.

Free cash flow performance in the first quarter reflected sharp improvements year-on-year across all industrial businesses.

Operating working capital was seasonally up by €1 billion. This rise was mainly driven by a temporary increase in inventories, which will decrease again in the quarters to come through continuing revenue growth.

Based on our successful working capital management, we are very confident that we will continue to be able to set standards for our industry with a strong double-digit cash return on revenue, which is the ratio of free cash flow to revenue.

As Roland mentioned, outside our free cash flow, we saw impact from cash outflows amounting to €2.1 billion in connection with the acquisition of an 18 percent stake in Siemens Ltd. India, which you are already aware of.

Furthermore, in January 2024, we finished our €3 billion share-buyback program at a highly attractive average purchase price of €121.

And, as announced in November 2023, we will soon launch a new, upgraded share-buyback program of up to €6 billion, which is to run over the course of up to 5 years.Following the successful start into fiscal 2024, we confirm our guidance for the current fiscal year.

On the Siemens Group level, we anticipate 4 percent to 8 percent comparable revenue growth and a book-to-bill ratio above 1.

In fiscal 2024, we expect profitable growth of our Industrial Business to drive higher basic earnings per share before effects from purchase-price allocation accounting, excluding the Siemens Energy Investment, to a range of €10.40 to €11. As always, this outlook excludes burdens from legal and regulatory matters.

We continue to monitor macroeconomic volatility very closely, of course, in order to act swiftly if need be. Our priorities are clear: we will continue to deliver further value creation by growing profitably and by reliably generating high free cash flows.

In closing, I do not want to miss this opportunity to thank all our Siemens colleagues for the great commitment with which they contributed to this successful start to the fiscal year.

Thank you!

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