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SPEECH FOR PRESS CALL

Q3 2020

"STRONG TEAM PERFORMANCE IN CHALLENGING TIMES – STRATEGY CONCEPT VISION 2020+ GAINS TRACTION"

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Check against delivery.

[Joe Kaeser]

Good morning, ladies and gentlemen, and thank you for joining us, particularly at this time of year when so many people are on vacation. I hope you and your families are well in these unusual and difficult times.

We're now looking back on three very eventful – some might even say historical – months. The pandemic has taken the whole world by surprise and hit with full force. We'll be dealing with the social and economic consequences of the global lockdowns for a long time to come since the pandemic is still far from over.

We're living at a time when societies, people and organizations around the world must show a great capacity to integrate and adapt – and prove their ability to take action. Some are having greater success in this, others less.

Germany has gotten a lot right. We have a good chance of emerging from this crisis in a strong position. For this to happen, we'll have to focus on our strengths and shape the future. Innovative strength is the lifeblood of the German economy. We have to recognize tomorrow's export successes today and develop them. Fostering forward-looking technologies and business models must have priority.

Backward-looking subsidies and support for non-competitive industries and companies are the wrong way to go. That's why we're pleased that the substantial funding now being made available is focused on sustainable energy sources, efficient mobility infrastructures, advanced healthcare and internationally leading education and training programs. Here, the adage that every crisis is also an opportunity is proving true. You just have to see the opportunity and, most importantly, seize it.

A lot has happened at Siemens, too – both operationally and strategically. I'm proud of, and grateful for, the way the global Siemens team has mastered one of the most difficult quarters in peacetime. While constantly prioritizing the health and safety of people in and outside Siemens, we've delivered a relatively strong operating performance while also reaching significant and transformational milestones. The transaction at Siemens' healthcare business will change the rules of the game.

Let's take a quick look now at the figures for Q3.

- Orders were down seven percent year-over-year to €14.4 billion, while revenue declined five percent to €13.5 billion.

- The book-to-bill ratio was 1.07 – that is, it remained well above 1.
- Adjusted EBITA in the Industrial Businesses gained eight percent. The margin increased to 14.3 percent. Here, our carefully planned investments – including shrewdly chosen, value-adding strategic investments – in Digital Industries' software business paid off. They made a very solid contribution to an impressive margin performance and compensated for cyclical weaknesses in the product business.
- Smart Infrastructure, too, saw significant improvements compared to Q2.
- Only Mobility – which is usually flushed with success – was disappointing, reporting a considerable margin decline despite a slight increase in revenue. However, we can expect a significant improvement again here in Q4.

All in all, our operating performance reflects the fact that we held our own well in a difficult environment – also and above all when compared to our competitors.

We also learned a great deal.

- Things we wouldn't have considered doable ended up working well. They enabled us to accelerate our company's own digital transformation once again.
- In Q3, we delivered our products reliably. To a great extent, service operations also ran smoothly thanks to our digitally assisted remote maintenance. Even in the crisis, we've remained a close, reliable partner for our customers.
- We're using artificial intelligence to detect and reduce risks in our global supply chains at an early stage. As a result, we were able to minimize constraints within our supply chains.

In the midst of all these activities, we never lost sight of Siemens' liquidity and profitability, while the health and safety of our employees, partners and customers was and is our primary consideration and top priority.

Our experience with increasing the flexibility of our work models was also positive. As you know, many of our colleagues at Siemens locations around the world will be able to work away from the office two to three days a week, from whatever location they choose. This new rule will remain in place for the long term – that is, also after the pandemic has passed.

We've also made progress when it comes to enhancing our networks of collaborative partnerships or "ecosystems." For example, we've established a widely acclaimed partnership with Salesforce. Roland Busch will tell you more about that.

Over the last few months, we've also taken major steps to advance Siemens' strategic realignment. Let me mention a few milestones.

- One milestone was the vote by our shareholders to spin off our energy business – with an approval rate of 99.36 percent. We're right on track with our original plan to complete the listing by the end of this fiscal year.

- Another transformational milestone in executing Vision 2020+ is the planned acquisition of Varian by Healthineers. A lot has already been said and written about this acquisition, but my colleague Ralf Thomas is better positioned to discuss it and will tell you more about it in a second.

  What's clear, however, is that such a transformational step would never have been possible within the former conglomerate structure of the old Siemens AG.

- Finally, in Q3, we entered a strategic partnership with SAP. In the future, we plan to cooperate more closely on software solutions in PLM and in supply-chain and asset management.

  This partnership will further expand Siemens' leading role in the automated world of the Fourth Industrial Revolution.

We've made it through an eventful quarter – one that required a lot of hard work. Despite the severe global crisis, we delivered impressive operating performance – compared to our competitors – while rigorously driving Siemens' realignment forward. Our Vision 2020+ strategy concept is gaining traction, and Healthineers is testimony that shows the program's inherent strategic and transformational power.

All our employees and our partners have my deep gratitude and respect. Together, we've set an impressive benchmark for dedication and performance. The timing of the trailblazing transaction in our healthcare business and the rigorous implementation of the original plan for spinning off Siemens Energy has shown our courage. We've also made it clear that there'll be a future post COVID-19. It's now time to shape this future and thus provide guidance and confidence.

With that I'll turn the floor over to Roland Busch.

[Roland Busch]

Good morning, ladies and gentlemen, and welcome!

Joe Kaeser has already outlined Siemens' key figures for you. I'd now like to give you a detailed report on our operations – that is, Digital Industries, Smart Infrastructure and Siemens Mobility. I'll then present the future setup of Siemens AG after October 1 and comment on the recently published announcement of the new setup of our management team.

As expected, the coronavirus pandemic impacted all our businesses in Q3. Nonetheless, our performance improved – and in some areas improved significantly – compared to what we anticipated three months ago. Whether working from home, in manufacturing or in sales and service, our employees have performed superbly over the last few months.

In the crisis, Siemens has again proved itself to be a robust company. Our customer relationships are very resilient. In the course of many conversations, my management colleagues and I have witnessed the high level of trust that our customers place in us.

Especially during the pandemic, we've largely succeeded in supporting our customers, supplying them with the technologies they need to keep their businesses running – businesses that often provide critical infrastructures and processes. This focus on our customers' requirements has a very positive impact on our performance. We also have a diversified portfolio that reflects different investment cycles.

Partnerships are extremely important, particularly in these difficult times. In the future, we'll focus even more intensively on cooperating with our customers and partners in ecosystems. Our partnerships with SAP and Salesforce are good examples of what I mean. Digitalization is accelerating, and we can find viable solutions faster by working together. I'll tell you more about these partnerships in a minute.

Let's take a look now at the numbers. Joe Kaeser has already provided you with the key figures. I'd like to underscore once again our strong cash flow and strong industrial margin.

Orders at Digital Industries declined four percent on a comparable basis. Revenue was down five percent. At the same time, we posted a ten percent plus at our software business. This growth was driven in particular by demand in the semiconductor industry, with larger orders at Mentor Graphics. Our automation business suffered more, posting a ten percent decline. The automotive, machinery and aviation industries were particularly hard hit, and we don’t see any signs of recovery in these industries in the near future.

There were also strong regional variations. Growth in the software business was highest in the U.S. as well as in China, where overall demand rebounded. However, in other Regions – in Europe, in particular – orders and revenue declined significantly.

The profit margin at Digital Industries was 24.5 percent. This figure includes the impact of a revaluation of our stake in Bentley Systems, which resulted in a substantial profit contribution of €211 million. In the prior-year quarter, this revaluation still had a negative impact. But even without this significant positive effect, the margin would still have been 18.8 percent. Another contribution was made by cost savings due to pandemic restrictions. However, the high margin demonstrates impressively how successfully our team is steering its way through the crisis!

Digital Industries has developed an application to enable our customers to maintain production despite the restrictions related to the coronavirus pandemic. Intelligently combining simulation software, small wearable localization devices and communications technology, the application warns customers when their employees run a risk of infection at production locations.

We’re using this system ourselves at a production facility in Houston. It’s also being piloted at other customers. The system measures the distance between employees and sounds an alarm if a risk arises. In an emergency, customers can trace the contacts of an infected individual and take appropriate action.

As Joe Kaeser has already mentioned, we’ve also entered a partnership with SAP. This move will enable us to broaden our approach as a comprehensive, digital company. We’re creating a continuous “digital thread” from design to operations. Joining forces here are two leaders in their fields: SAP in supply chain software, for instance, and Siemens in software for product lifecycle management. SAP will offer Siemens’ Teamcenter software as a core component of data management systems and cooperation throughout the entire product lifecycle, while we’ll offer parts of SAP’s portfolio.

A carmaker, for example, can then link data from its digital models with real-time information from the supply chain and also with performance data from real-world operations. If problems occur – at a supplier, for instance – the supply chain can be immediately adjusted and production can continue. This partnership will enable us to help our customers further accelerate digital connectivity in their companies.

Moving on to Smart Infrastructure. Orders here were ten percent lower than in the prior-year quarter. Revenue dropped six percent – significantly less than we'd anticipated.

Demand was weak in Europe, Asia and Australia. This decline was mainly attributable to the product business. Production facilities in India also had to close due to the coronavirus pandemic. Both profit and margin suffered due to lower revenue in the product business.

Compared to Q2, however, we saw an improvement in adjusted EBITA and in the margin, despite lower revenue. We're also very pleased with the high cash flow, which – as is also the case at Digital Industries – we owe to a rigorous focus on working capital management.

To enable our customers to facilitate their employees' gradual return to the workplace during the coronavirus pandemic, we've entered a partnership with Salesforce. Millions of employers face the challenge of protecting their employees while following constantly changing regulations. This is a big responsibility for our customers and for us as well. It's also an opportunity to implement innovative office concepts for the future of work.

That's why we're combining our industry-leading IoT technology for analyzing building utilization with a Salesforce solution. As a result, we're helping companies get their employees back into the workplace with smart, digital technologies that enable new, safe ways of working.

Comfy, a smart workplace app from Siemens, is also part of this collaboration. We're rolling the app out at 600 locations worldwide. Around 100,000 employees in 30 countries will then be able to digitally connect with our office buildings via their smartphones. If, for example, an employee at Digital Industries in Nuremberg is planning to work here at Munich headquarters for a few days, she'll receive up-to-date health information for this location on her smartphone. She'll also be able to view local desk occupancy and reserve a workplace or conference room – and thus ensure compliance with distancing requirements.

These technologies are enabling us to protect our employees, so they can feel confident when returning to the workplace. By deploying them, we're also paving the way for our employees to work more flexibly and with greater mobility in the future – that is, post-pandemic.

Siemens Mobility reported a two percent increase in both orders and revenue, proof that it's been able to maintain a high level of stability during the crisis. Due to the restrictions relating to the coronavirus, our high-margin service and infrastructure business didn't have its usual access to customers. This development impacted revenue and was reflected in profit.

We also had to take restrictive measures at our own production facilities in order to protect our employees' health. As a result, Mobility's profit margin was around seven percent. We expect the business to be back in its target range again as early as Q4. Cash flow of €500 million was gratifying.

In Q3, our customer Deutsche Bahn awarded us a major €1.1 billion order for 30 new ICE trains. There are three reasons why this order is of huge importance for our customer and partner Deutsche Bahn, for Germany and for Siemens:

First, it shows that in times of crisis we can join forces to achieve great things even faster than before since the first trains will be operational as early as the end of 2022.

Second, we're securing jobs. The order will provide work for thousands of employees at several Siemens plants and for the employees of around 50 suppliers in Germany.

And third, it marks a milestone in the transformation of transportation. Faster trains, better connections, more comfortable travel – we're helping sustainably restructure transportation systems and thus providing the basis for a new growth phase while reducing resource consumption.

In view of these overall positive market perspectives and developments at our mobility business, we reaffirm that Siemens Mobility is an integral part of Siemens AG.

You're familiar with our Vision 2020+ strategy, with which we've focused our company more intensively on customers and markets. We've also initiated measures to strengthen competitiveness at Digital Industries and Smart Infrastructure.

Both Operating Companies have further accelerated their programs. The overall target is also higher. In Q2, we announced cost reductions of around €475 million by fiscal 2021. We'll now achieve €35 million more by that time – that is, €510 million in total.

Digital Industries plans to reach its overall target of €320 million as early as 2021. According to our original plans, we wouldn't achieve this target until 2023.

Smart Infrastructure has increased its target to €340 million from €300 million and expects savings of €190 million by fiscal 2021.

We’re also right on track to achieve our savings target of about €300 million by 2021 through lean and effective governance.

Let’s turn now to the future of Siemens AG. A new chapter in Siemens’ history will begin on October 1, 2020. Digital Industries, Smart Infrastructure and Siemens Mobility will form one company that can offer its customers advanced technologies and thus make a contribution to society.

It’s a new start for both Siemens and its management. A few weeks ago, we informed you that Judith Wiese had been appointed Chief Human Resources Officer and Labor Director of Siemens AG. Her appointment will take effect at the start of the new fiscal year. She’ll be responsible for Human Resources and Global Business Services – the unit that bundles services at our company.

Yesterday, we announced the new setup of our management team, effective October 1:

- As of fiscal 2021, Digital Industries will be headed by Cedrik Neike, who has outstanding experience in digitalization. In the past few years, he has driven strategic development at Smart Infrastructure.

- Klaus Helmrich, whose employment contract expires on March 31, 2021, will continue to be available during the transition. I’d like to take this opportunity to cordially thank Klaus Helmrich for his outstanding achievements. He has been at Siemens for 35 years and has played a key role in making us a world-market leader in the digital enterprise field.

- Matthias Rebellius has been appointed to the Managing Board of Siemens AG, also effective October 1. He’ll be responsible for Smart Infrastructure. Matthias Rebellius has been at Siemens for more than 30 years and has an in-depth knowledge of Smart Infrastructure’s business.

- Ralf Thomas, who’ll be providing you with further information about the figures in just a minute, will remain our Chief Financial Officer. He, too, has already been at Siemens for 25 years, and we’ve been working together in a very close and trusting relationship on the Managing Board since 2013.

I’m very pleased that our management team is now complete.

The coronavirus pandemic presents us with major challenges. But it also calls many things into question and gives us the opportunity to reshape our world.

One thing it has caused us to rethink is how and where we work. Siemens employees are supporting our customers under extremely difficult conditions. They've shown that it's possible to work outside the office on a large scale. We all appreciate the advantages – for example, fewer business trips and greater personal flexibility. And as Joe Kaeser has already mentioned, we've drawn the consequences: in the future, Siemens' employees will have the option of working on a mobile basis two to three days a week.

This approach will enable us to further develop our company culture. We have confidence in our employees and are empowering them to organize their work themselves. After all, our management style is oriented on results, not on time spent at the office.

Our new work model will enable us to motivate our people while enhancing Siemens' performance and strengthening its profile as a flexible and attractive employer.

I'm convinced that we can utilize technologies to improve the lives of many people – and thus use digital technologies to solve real-world problems.

We aim to make our customers successful in their respective sectors. Our employees are very dedicated to ensuring that our customers can rely on us even in difficult times. We give our people the tools they need to unleash their potential, assume responsibility and join forces to deliver outstanding results. These things are the keys to success.

Looking into the future and at the new Siemens, I'm very optimistic. And on that note, I'd like to turn the floor over now to my Managing Board colleague, Ralf Thomas.

[Ralf P. Thomas]

Good morning, ladies and gentlemen!

First of all, I'd like to take a look at the results outside our Industrial Businesses, or "below the line" as we like to call it. I'll begin with Siemens Financial Services, our company's financial arm.

The impact of the coronavirus pandemic was felt by Siemens Financial Services also in Q3 – as it was throughout the financial services industry. All the unit's businesses were affected.

Earnings before taxes were €36 million, which resulted in a return on equity significantly below the level of the prior-year quarter. Compared to the rest of the market, however, these were quite solid results given the circumstances.

Against the backdrop of the continuing uncertainties, the Q3 results were negatively impacted by two developments in particular: the impairment on an investment in South America and an increase in credit risk provisions. However, the volume of actual loan defaults has remained to date relatively low. Nonetheless, the coronavirus pandemic is expected to continue to have negative effects in the current Q4.

Like Siemens in general, Siemens' Financial Services is also continuing to rigorously execute its strategy. This unit supports Siemens' Industrial Businesses with tailored sales financing services and collaborates with them to develop innovative – and, in particular, digital – business models that help make our industrial offerings even more competitive.

One good example here is the partnership announced two weeks ago with Berkeley Energy Commercial Industrial Solutions, or BECIS, a provider of distributed energy solutions. As part of this partnership, Smart Infrastructure is providing advanced technologies and expertise in the area of distributed energy solutions, while Siemens' Financial Services is acquiring a stake in BECIS and contributing its in-depth financing knowhow. Together with BECIS, we're thus using a flexible "energy as a service" model to accelerate the uptake of distributed energy solutions in the rapidly expanding Asian-Pacific economic region.

Let's stay "below the line" for a moment – in other words, outside our core Industrial Businesses. Income from continuing operations before income taxes reached the impressively strong level of €1.4 billion, nearly matching the prior-year figure. In contrast, at €535 million, net income for the Siemens Group was significantly lower year-over-year. In this context, it should be noted that, as previously announced, there was a significant 30 percent increase in the income tax rate.

In addition, discontinued operations posted a loss of €451 million, primarily due to the adverse impact of Siemens Gamesa. You're already aware of this impact since Siemens Gamesa reported it last week. Siemens Gas and Power had to deal with considerable write-downs, primarily on old inventories in the aeroderivative business. However, adjusted EBITA before special items was slightly positive.

Let me turn now to another area in which we've worked very hard across the entire company for several months.

Showing €2.1 billion at the Industrial Businesses and €2.5 billion at Group level, our free cash flow is one of our Q3 highlights. It’s an extremely valuable outcome when a company can generate liquidity from its own resources – particularly, in tough economic times like the ones we’re experiencing during the coronavirus pandemic.

This free cash flow marks a categorical improvement over the prior-year quarter and was driven by all our Industrial Businesses. At Group level, Siemens Energy and the businesses we call Portfolio Companies also made considerable positive contributions.

If you look at the sum of the first nine months of the fiscal year, free cash flow at the Industrial Businesses rose by a healthy 13 percent. At Group level, the figure more than quadrupled, in fact. Our rigorous and focused working capital management program has quite literally paid off here.

Let’s turn now to the spin-off of Siemens Energy. The planned transaction is right on schedule.

We recently reached important milestones such as obtaining an investment grade rating from Standard & Poor’s. This rating was an important step on the way to Siemens Energy’s independence. And – just as we said at our Capital Market Day in May 2019 – here, too, we’ve kept our word in every respect!

Joe Kaeser already mentioned our shareholders’ strong approval of the spin-off at the Extraordinary Shareholders’ Meeting. The next steps are:

- a virtual Capital Market Day on September 1. At this event, Siemens Energy’s Executive Board will present the impressive performance potential of the company’s portfolio.

- the initial listing of the Siemens Energy share on the Frankfurt Stock Exchange, which is scheduled for September 28.

In addition to the planned listing of Siemens Energy, we’re focusing the business activities in our Portfolio Companies as well.

As we informed you on May 8, we’d like to position Flender – which has been a separately managed company since 2017 – even better on the market and publicly list it as an independent company. We’re making solid progress in implementing this plan. At the next regular Annual Shareholders’ Meeting in February 2021, Siemens’ shareholders will vote on a detailed proposal to this effect.

Another milestone in the execution of Vision 2020+ was announced this past Sunday: Siemens Healthineers intends to acquire a 100 percent stake in the U.S. company Varian for a purchase price of $16.4 billion.

Varian is a global leader in cancer care and has been collaborating with Siemens Healthineers in a strategic partnership since 2012.

The acquisition of Varian will create considerable upside potential and a unique portfolio that will make cancer treatment worldwide more effective and efficient. Bernd Montag and Jochen Schmitz explained all the details to you last Sunday.

I'd now like to discuss what the planned business combination means for Siemens AG. Let me begin by emphasizing that Siemens AG expressly welcomes this step.

The transaction is being financed using a combination of equity and debt capital. Due to the increase in equity capital at Siemens Healthineers AG – in which Siemens AG will not participate – Siemens AG's stake in Siemens Healthineers AG will be reduced to about 72 percent from 85 percent. The additional debt capital is to be borrowed by Siemens AG in the form of bonds and then transferred to Siemens Healthineers as an intra-Group loan of up to $9 billion – at customary market conditions, of course.

By adopting this approach, Siemens AG's strong credit rating will result in lower debt-financing costs. There are further advantages from the fact that Siemens AG enjoys an excellent capital market reputation and can execute financing of this kind more quickly and routinely, as we've already proved several times in the past.

The acquisition of Varian by Siemens Healthineers AG will temporarily have a negative impact on earnings per share, return on capital employed and Siemens AG's capital structure.

However, we'll initiate appropriate measures to retain an A+ or A1 rating.

We've come now, last but not least, to our outlook.

While we expect the economic consequences of the COVID-19 pandemic to continue to strongly impact our fiscal fourth quarter financial results, macroeconomic developments and their influence on Siemens currently cannot be reliably assessed.

In addition, we can't yet reliably forecast the amount of the spin-off gain within discontinued operations.

We confirm our outlook for the book-to-bill ratio and revenue in fiscal 2020. We currently refrain from giving guidance for basic earnings per share from net income for fiscal 2020.

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