SIEMENS

Speech for Press Conference Fiscal Year 2021 "Stellar performance and successful start as a focused technology company"

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Check against delivery.

[Roland Busch]

Ladies and gentlemen,

We're very pleased that you've taken the time to be here, and we'd like to welcome you – both in person and online – to our Annual Press Conference.

One year ago, Siemens started a new chapter. As a focused technology company, we support our customers in successfully shaping their sustainable and digital transformation. For this purpose, we focus on highly attractive growth markets – industry, infrastructure, mobility and healthcare. Not only are we the sole tech company equipped to combine technologies from the digital and real worlds, we also aspire to do more with fewer resources.

As we speak, world leaders are meeting in Glasgow to discuss how we can achieve the targets of the Paris Agreement. These discussions concern nothing less than the future of humanity. We must succeed in ensuring that the world will still be livable in the decades to come.

To achieve this goal, we need to do everything we can to limit the temperature increase to 1.5 degrees Celsius. However, we'll only succeed if we implement all the technologies at our disposal now and with full force and if, of course, we bring new technologies to the market quickly.

Only with innovations can we master the major challenges of our time – climate protection, digitalization, the ongoing pandemic, but also our ageing society. And we can only master these challenges together. No country and no company can master them by itself.

Siemens is contributing to this effort – and contributing very successfully – with a clear strategy and the ambition to further accelerate progress. It's with great pleasure – and a certain sense of pride – that I can tell you today that we delivered on all our promises in fiscal 2021 and created substantial value for all our stakeholders.

This achievement was only possible because of the outstanding performance of all our people worldwide – and their incredible commitment. I'd like to take this opportunity to thank each and every one of them for their magnificent efforts. My thanks also go to our customers and partners for their trust and solidarity in these extraordinary times.

Of course, the robust economic recovery across all regions and particularly in industries such as automotive, machine building, electronics and most infrastructure-related verticals provided fresh momentum. However, the macro environment is and will remain difficult. We're still facing challenges caused by the pandemic, supply chain risks, component shortages and cost inflation.

Against this backdrop, it's even more important that we at Siemens have mastered all these challenges very successfully and seized opportunities as they've arisen.

This brings me to our results. It was – in every sense – an outstanding fiscal year, in which we got off to a very successful start as a focused technology company.

We achieved or – in some cases – even exceeded our guidance, while, as you know, raising our outlook four times over the course of the year.

Comparable revenue grew an impressive 11.5 percent.

Orders from customers were up a substantial 21 percent year-over-year on a comparable basis. Here, we saw double-digit growth across all our businesses.

The book-to-bill ratio was 1.15 – a figure which bodes very well for the start of fiscal 2022.

The sharp increase in net income to €6.7 billion – a figure well above our guided range – is a particularly clear indication of how much our performance has improved.

I'm even more pleased with our historic, record-setting free cash flow of €8.2 billion. This is an all-time high and corresponds to an extraordinary cash conversion rate of 123 percent.

At our Industrial Businesses, we achieved a profit margin of 15 percent – a much higher level than in the past. This figure shows that our new setup is enabling us to generate more profit from our increased revenue.

Digital Industries and Smart Infrastructure fully achieved or even exceeded their growth and profitability guidance. This result impressively demonstrates our outstanding ability to deliver for our customers, despite supply chain difficulties.

Mobility was just shy of its targets. This result was due to pandemic-related effects primarily impacting our customers, many of whom are still operating at a low-capacity level.

I'd like to highlight at this point that all our businesses are again operating considerably above their pre-pandemic levels of fiscal 2019. In fiscal 2021, comparable revenue at our Industrial Businesses was up between 5 percent and 6 percent compared to two years ago. Not only have we made up for the setback, we've also grown and gained market share in very difficult times.

At our Capital Market Day, we presented our DEGREE framework, which addresses sustainability from every angle. We've set ourselves very ambitious targets in six core action fields. We're now working to achieve them, and we're seeing clear successes.

We'll report more details in our 2021 Annual Report in December. Let me give you some examples from the fourth quarter:

Our team in China launched a far-ranging zero-carbon initiative, with which Siemens is significantly exceeding the requirements set by the Chinese government. We want our operations in China to achieve carbon neutrality by 2030 – as we've achieved at our electrical products factory in Suzhou, which is already carbon neutral today.

But to us it's even more important to decarbonize entire supply chains across many industries: We'll support more than 500 of our most important suppliers and more than 10,000 customers in China in accelerating their journey toward carbon neutrality. Our team in China offers comprehensive solutions, from consulting to planning and implementation to optimization. We ensure the necessary transparency, for example, through our offering of digital twins for the entire process.

Our electronics factory in Erlangen, Germany, has received the Lean & Green Management Award for the second time. The Erlangen factory is a trailblazer in sustainable and digital production.

In the course of the pandemic, we at Team Siemens have developed a fully new approach to the way we learn and further grow. More than 150,000 employees are already using our interactive digital learning platform.

Customers benefit, of course, from our activities in the sustainability area, but our sustainability portfolio also opens up great business opportunities for us.

One example is located in Wunsiedel, a town in northern Bavaria with 10,000 inhabitants. Thanks to Smart Infrastructure, an independent, distributed energy system is being installed in the town, thus creating a blueprint for many other towns and communities around the world. Wunsiedel, which is receiving funding from Siemens Financial Services, will use only renewable resources.

Producers and consumers are linked in the town’s new smart energy grid, which connects power, heating and mobility systems via state-of-the-art storage technologies such as hydrogen and batteries.

We estimate that – in Germany alone – the market for carbon neutrality already includes more than 100 towns and communities. The demand for such distributed energy systems will increase sevenfold worldwide by 2030. And this development has huge potential for Siemens.

Another example is from an industry that is currently experiencing a major expansion: vertical farming – in other words, the decentralized and highly resource-efficient production of food in indoor farms. We’re already collaborating with U.S.-based 80 Acres Farms, whose offerings include salad blends, tomatoes and microgreens. I almost want to call these “superfoods,” all of which are grown without pesticides, are freshly harvested and stay fresher longer, using a minimal amount of space and short food miles. It’s all about healthy and sustainably produced food for the future.

Vertical farming is a growth market for our automation and digitalization businesses. In this area, we’re expecting annual growth over the next five years of around 25 percent. We want to capture a significant share of this growth. Along with other investors, Siemens Financial Services has also participated in 80 Acres Farms through an equity investment in a Series B financing round.

Many companies are struggling with supply chain problems. Our teams very successfully managed to limit the impact of component shortages. As a result, we’ve been able to keep deliveries at a high level.

The resilience of our supply chains, manufacturing activities and services is supported by the extraordinary power of Siemens.

What's behind this resilience? We pool demand for raw materials and components, which ensures our ranking as a relevant partner for more than 1,500 strategic suppliers. And we continually collaborate with our suppliers in order, for example, to improve availability, innovation, productivity and sustainability.

We aim to optimize total cost of ownership rather than focus only on price. For this purpose, we're using our own technologies to make our inventories transparent in real-time and to fully digitalize our production and capacity planning – on a daily basis and across multiple factories. As a result, our global production network is and will remain flexible and agile.

Looking ahead, we expect delivery times to remain longer – at least in the first half of fiscal 2022 – because we need to process our large order backlog and because there'll be component shortages. We'll also experience headwinds from cost inflation in materials, increased transport costs and a lack of experts in some areas.

But we're confident we can limit the impact on our profitability by adjusting prices throughout the year.

Targeted investments in innovation and core technologies are the key to our future success.

We'll further increase our R&D intensity in order to develop new applications, boost our competitive strength and increase our profitability. Part of this increase in fiscal 2021 is related to the Varian and Supplyframe acquisitions, which have a high R&D intensity.

Around half of our R&D investments are allocated to software and IoT. A key focus of these investments is the transition already underway toward Software-as-a-Service, a new business model for part of our software portfolio.

And we're again investing around €500 million in the advance development of current and future growth areas for companywide technologies such as artificial intelligence, digital twins and simulation, edge technologies and additive manufacturing.

We want to further strengthen Siemens as a focused technology company. For this purpose, we're also continuously sharpening and optimizing our portfolio.

As you can see, we strengthened all our businesses in fiscal 2021 with targeted, bolt-on acquisitions – something we'll continue to do in the future. At the same time, we're constantly searching for the best owner for each business. Here, too, we made visible progress in fiscal 2021.

The Flender divestment was a prime example of how a private equity approach is enabling us to create value at our Portfolio Companies.

We also successfully completed the Yunex carve-out in fiscal 2021. Yunex, which is the only global player in a highly fragmented market, firmly established itself as a strong brand at this year's ITS World Congress.

We're also working on splitting Siemens Logistics into two businesses – a business offering logistics for postal and parcel services and an airport logistics business – because these markets have fundamentally different requirements and dynamics.

In addition, we'll carve out Siemens Large Drives. We'll give this business greater entrepreneurial freedom in order to boost its performance.

Just a few weeks ago, we took another significant step toward creating substantial value by profiting from the successful public listing of Fluence Energy. A joint venture between Siemens and the global power supplier AES, Fluence Energy develops battery storage solutions and is therefore active in a key high-growth future market.

One of our strategic priorities is to empower our customers to master the major challenges they face. An excellent example of this approach is the landmark order for a new comprehensive rail system for high-speed, regional and freight trains in Egypt. We're building a Suez Canal on rails.

We signed the first contract for the 660-kilometer line between the Mediterranean and the Red Sea at the beginning of September. The contract includes not only rail infrastructure and trains, but also the related services. The order volume totals around US$3 billion, the major portion of which will be booked after the financial close in fiscal 2022.

Negotiations for two further contracts are in full swing. The entire network will cover 1,800 kilometers.

How will Egypt benefit from this project?

- More than 30 million passengers are expected to use the new rail system every year, with average travel times cut by a full 50 percent.
- Compared to car and bus travel, emissions are to decrease by 70 percent.

- And the consortium as a whole will create a total of 15,000 new jobs in Egypt. We'll also invest heavily in training and continuing education.

With this project, we're transforming the backbone of an entire country's transportation system and thereby the everyday lives of millions of people.

And as the IAA Mobility motor show in Munich made clear, we're doing this not only in Egypt and in the area of rail transport.

At the IAA, we showcased our cutting-edge design and simulation software as well as our automation solutions.

Electromobility is a key growth market for Smart Infrastructure. As a technology partner, our charging stations were not just on display all around Munich. Far more importantly, they were also in use. What's more, our approach was highly innovative: we demonstrated how robots can automatically charge autonomous vehicles in the future – cars, buses and heavy-load vehicles.

We also showcased our Mobility-as-a-Service solutions, which enable people to easily book and seamlessly use bus, rail and rental-car services and other modes of transport.

Siemens is already playing a central role in the world of new mobility. And this is just the beginning.

At Expo 2020 in Dubai, a city of the future, you can also see how great the potential is and how we're contributing to transforming people's everyday lives. Buildings account for a full 80 percent of all energy consumption in the Middle East.

With our technologies, we're helping make energy use in the region more efficient. For this purpose, we connected more than 130 buildings on our IoT platform at the Expo and installed digital building management solutions.

The result was lower energy consumption, fewer emissions and higher levels of comfort and safety. Our technologies will remain a nucleus of the future sustainable smart city on Dubai's Expo grounds. This project highlights how we can help make cities around the world more sustainable and more livable.

Our contribution at Expo 2020 is just one of many examples of what sets Siemens apart as a focused technology company: our unique ability to combine the digital and real worlds.

Our hardware business and our digital business – software, digital services and IoT consulting – support and reinforce each other. They build on our strong foundation of deep and comprehensive domain knowhow, our technology portfolio and the many partners in our ecosystem.

As we announced at our Capital Market Day, we expect our digital business to achieve average annual revenue growth of about 10 percent through fiscal 2025.

Revenue increased to €5.6 billion already in fiscal 2021. Supported by the business model shift at Digital Industries' software business, this growth will further accelerate after fiscal 2023.

The transition to Software-as-a-Service at our product lifecycle management (PLM) business has started as planned. I'm confident that this move will be a success story.

To gain further momentum in fiscal 2022, we made significant investments in product availability, customer success management and sales enablement already in Q4 2021.

We're in close contact with our customers and are explaining to them the advantages of downloading software via the cloud, how contracts are designed and how secure their data is.

The feedback has been positive. We're currently slightly ahead of schedule in terms of customer numbers. We'll have more details for you in the quarters to come.

A key indicator of a healthy software business is annual recurring revenue (ARR). Here, we're on the right track: ARR grew 10 percent to €2.9 billion in fiscal 2021.

During fiscal 2022, we expect the share of ARR from cloud-based services to increase materially from today's 5 percent.

How the capital market rates our strategy as a focused technology company is, of course, also important to us.

Here, we can draw a very positive conclusion one year after the spin-off of Siemens Energy.

As of September 30, 2021, total shareholder return was at a strong 45 percent following the Siemens Energy spin-off and thus well ahead of comparable sector indices.

And we're very confident that our shareholders will continue to be very pleased with their Siemens shares in the future.

Let me conclude with a few words about our fourth-quarter figures:

At €19.1 billion, orders were up by a strong 16 percent year-over-year on a comparable basis. This increase was driven by double-digit growth at Mobility and Digital Industries, which led to a very healthy book-to-bill ratio of 1.09.

Revenue climbed 10 percent on a comparable basis to €17.4 billion. We recorded growth across all our businesses, with a double-digit increase at Digital Industries and Siemens Healthineers. Revenue rose across all regions:

Germany was up 17 percent and the U.S. 9 percent. In China, revenue growth totaled 12 percent, an impressive result in view of the strong prior-year quarter.

Adjusted EBITA for our four Industrial Businesses totaled €2.3 billion. Our structural improvement measures are continuing to pay off.

As expected, travel and marketing expenses as well as targeted investments picked up from the low level of the prior-year quarter.

Our stellar performance resulted in higher provisions for the variable compensation of our workforce. The abovementioned cost increases in some areas also impacted profitability.

All these factors resulted in a solid profit margin of 13.8 percent, which is on a par with the prior-year level, when we exclude portfolio effects.

Earnings per share were €1.45. Here, we profited, among other things, from a revaluation of our stake in Thoughtworks.

Ralf and I are very proud of our free cash flow development throughout the year. At Group level, free cash flow in the fourth quarter totaled €3.8 billion, demonstrating again that Siemens can also turn an outstanding business performance into cash.

Our strong performance is also reflected in the key performance indicator for our capital structure. With a ratio of industrial net debt to EBITDA of 1.5, we're achieved our target range a year earlier than expected.

This brings me to the end of my remarks. Ralf will provide you with a more detailed overview of the figures and the outlook for 2022 in a minute.

I assumed operational responsibility for the company a year ago and was appointed President and CEO in February. It's been an outstanding, historic year for Siemens – not just in terms of our great results. We've achieved a great deal. I'm grateful and proud of what we've accomplished.

We owe our success to our over 300,000 colleagues around the world. I'm seeing huge support for our strategy, for our transformed culture and for our new way of working. But also – and especially – for our focus on what makes Siemens an exceptional company: technology. Technology with purpose.

The commitment, the passion of people to support our customers is incredible. Together, we've shown what's possible when Siemens is at its best.

Thank you!

[Ralf P. Thomas]

Ladies and gentlemen,

And good morning ladies and gentlemen from me as well.

Before we begin, I would like – as always – to refer you to our Earnings Release. There, you will find the results of all our businesses, including the figures for Siemens Healthineers, which have already been published.

And now I'm very pleased to share further details regarding our very convincing performance in the fourth quarter of fiscal 2021 and in fiscal 2021 overall.

Please bear in mind here that all changes in volume that I will be expressing as a percentage have been adjusted for currency translation and portfolio effects.

Let's begin with Digital Industries.

Our key markets for Digital Industries (or DI) – in particular, automotive and machine-building – continued to show strong positive momentum in Q4. This momentum was also reflected in the orders for automation products, although parts of the production at some of our customers' factories were impacted by constraints in the customers' supply chains.

The strong rise in demand was also partially caused by the fact that some of our customers were concerned about extended delivery times and expected further price increases. Since experience has shown that such effects normally weaken again, we expect this situation to lead to a certain normalization of our customers' order activity during fiscal 2022.

With these extremely strong orders and an impressive book-to-bill ratio of 1.16, Digital Industries reached an order backlog exceeding €7 billion as of the end of the fiscal year. Within this backlog, short-cycle products accounted for €3.3 billion, which is an all-time high.

All automation businesses showed massive order growth, with discrete automation up 54 percent and process automation up 23 percent.

As expected, DI's software business was up only modestly due to tough comparables from the prior-year quarter for electronic design automation (or EDA) software. The product lifecycle management (or PLM) business, on the other hand showed double-digit growth.

We are very pleased that automation revenue also developed well. It rose 17 percent year-over-year and achieved clear sequential growth over the third quarter.

From what we have seen so far from our competitors' reports during the current earnings season, these impressive growth figures speak a clear language: We are making important market share gains in our short-cycle businesses.

In discrete automation, revenue was even up 20 percent due to broad-based demand in the factory automation and motion control businesses.

Process automation achieved 8 percent revenue growth as well as sequential growth over the prior quarter. Here, customer demand has obviously continued to recover.

Software revenue was up, driven by 13 percent growth in the PLM segment. Overall, the software business grew 10 percent.

Investment sentiment among our software customers has thus clearly improved. The digitalization of our customer industries is obviously progressing.

As Roland said, the launch of our Software-as-a-Service (or SaaS) business model is entering the market at just the right time.

After strong growth in the first half of the fiscal year, our EDA business showed mid-single digit growth in Q4. Mendix, on the other hand, continued on its substantial double-digit growth trajectory.

On the profit side, Digital Industries reached strong 18.8 percent margin performance. This is an operational improvement of 90 basis points over the prior-year quarter, which had benefited from a positive effect related to the revaluation of the stake in Bentley Systems in the magnitude of 13.7 percentage points.

Higher revenue in our short cycle businesses in Q4 resulted in consistent margin improvement.

In addition, implementing our ongoing measures for structurally improving the cost base had a positive impact: We are fully on track with our competitiveness program as described in detail at our Capital Market Day in June.

Nevertheless, the business mix was somewhat less favorable in Q4 than in Q3.

In addition, higher material costs and the announced investments in targeted growth initiatives, alongside higher incentive accruals, affected margins.

Today, too, we would like to report transparently on our investments in cloud technologies and on our integration investments – as we do every quarter: in Q4, they accounted for 180 basis points of negative impact on the margin. For fiscal 2021 overall, these investments and expenditures amounted to around €220 million.

At almost €1.1 billion, the free cash flow that Digital Industries achieved in the fourth quarter is another literal “high point.”

We owe this truly exceptional performance with a cash conversion rate of 1.23 to extremely professional work done on working capital management across all businesses; we also benefited from advance payments made by some of our customers.

Let’s look now at what we expect to happen in our key vertical end markets for the next quarters.

We expect a continuing recovery and a more positive investment sentiment in most of our key industries.

Against the backdrop of the transformation toward more sustainability, the focus on resilient industrial supply chains, and the prevailing labor shortages in some areas, the main drivers for investment demand for automation and digitalization are intact – and will continue to be highly beneficial for Siemens.

Now I would like to also give you the regional perspective on our excellent growth in orders and revenue in our automation business:

China orders once more showed extraordinary growth on strong momentum in the short-cycle businesses, up by a tremendous 61 percent. Our businesses benefited in part from early customer orders while inventories in distributor channels are at usual levels. Here, too – as mentioned at the beginning – we expect a normalization of demand over the course of fiscal 2022.

European countries contributed again with exceptional growth rates: Germany was up 49 percent, and Italy delivered a 42 percent increase.

Revenue growth in automation businesses was very broad based, with strong increases across all major regions.

The extraordinary momentum in China remained on a high level – up 21 percent year-over-year, and up sequentially, too.

Germany and Italy both had a strong finish with double-digit revenue growth.

In the U.S., where there is a strong focus on process automation, it was, nevertheless, still possible to achieve revenue growth of 9 percent.

As Roland said, our team is working with determination again in fiscal 2022 to mitigate risks from supply shortages in areas such as electronic components.

We still also have to expect negative impact from higher commodity prices and general cost inflation. We intend to compensate for these increases over the course of the year with further increases in the prices for our products and services.

For the first quarter of fiscal 2022, we anticipate – from today's point of view – close to 10 percent comparable revenue growth for Digital Industries based on rigorous execution of the considerable order backlog already mentioned.

As we explained at our Capital Market Day in June, we expect software revenue to be rather flat year-over-year in fiscal 2022 due to the transition to Software-as-a-Service.

In the first quarter, we expect a clear negative impact on the top line due to this transition and to the expected volatility of the EDA business.

Given the announced increase in our investments to fully leverage our outstanding growth opportunities, we expect Digital Industries' profit margin for the first quarter to be at the same level as in Q4 of fiscal 2021.

Please note that, as of fiscal 2022, and as previously announced, we will use our new profit definition in line with our new Siemens Financial Framework. Based on this definition, profit no longer includes financial income. Although this change does not result in any material effects, we have made comparable figures available to you together with today's Earnings Release.

Now, let's move on to Smart Infrastructure (or SI). The SI team delivered very convincing top-line growth in better end markets and supplied the next proof point for a clear margin-expansion trajectory.

In total, orders were up 9.5 percent, driven most notably by high-teens growth at the Electrical Products Business Unit, which benefited from ongoing industrial demand.

In the systems business, we were able – among other things – to win attractive large orders in the U.S. from renowned semiconductor manufacturers. The data center vertical, too, continued to show healthy momentum.

The solutions and service business was flat year-over-year due to lower volume from large orders.

Revenue growth totaling 7 percent was driven by the products business, in particular, which was up 13 percent.

The systems business benefited from strong demand for distribution grids.

As expected, the late-cycle solutions and services business showed modest growth. It will continue to recover in the quarters ahead.

Smart Infrastructure’s margin performance of 12 percent benefited, among other things, from high capacity utilization and from cost savings that were enabled by rigorous execution of our SI’s competitiveness program. As we reported in detail at our Capital Market Day, execution of this plan is fully on track.

On the other hand, there were – as expected –headwinds from higher commodities prices and logistics costs.

A clear highlight in the fourth quarter was the free cash flow, which – due to consistent asset management – even topped the strong figure from the prior-year quarter.

Looking at the regional top-line development at SI, strong momentum in the U.S. and Germany stood out. Both countries posted double-digit order growth and a revenue increase in the high single digits.

Compared to the strong prior-year quarter, China showed a temporary softness in the product and systems business. However, revenue was sequentially stable versus the prior quarter.

I want to point out at this point that Smart Infrastructure, just like Digital Industries, did an excellent job of keeping its supply chains intact – a highly noteworthy achievement under truly challenging conditions. My thanks go to the team for this accomplishment!

As far as the market development is concerned, we expect the positive momentum in the end markets for our short-cycle electrical product business to continue.

We also expect our solutions business to pick up further – in line with gradually improving growth perspectives in the late-cycle real estate market.

The electrification market is on a solid growth trajectory with accelerating renewables integration and higher electricity consumption.

Based on this development, our expectation for the first quarter is that SI’s growth rate for comparable revenue will be in line with our growth guidance for the full fiscal year.

As Roland and I already highlighted, Smart Infrastructure has done an excellent job of mitigating the impact from strained supply chains.

However, as indicated before, we see continuing headwinds from higher raw material prices, which can only be compensated for over time by pricing actions on the customer end.

In total, we expect SI's first-quarter profit margin to improve compared to Q4 of fiscal 2021 but not yet reach the full-year guidance's expected margin-target range of 12 percent to 13 percent.

Let's turn now to Mobility, our third Industrial Business.

Due to several large rolling stock orders in Europe and to a strong finish in rail infrastructure, orders grew a substantial 31 percent.

Mobility's backlog stands at a record level of €36 billion, with consistently healthy gross margins. Around one-third of this backlog is comprised of highly attractive and resilient service business, which grew 11 percent year-over-year on a nominal basis.

And our sales funnel continues to look very promising for the quarters ahead, too.

Due largely to the pandemic, revenue was just shy of our expectations and grew 1 percent.

The rail infrastructure business showed clear growth, driven primarily by the mainline business. Rolling stock and customer services, on the other hand, were flat year-over-year.

This situation was mainly due to COVID-19 related restrictions that led to lower factory productivity and to lower ridership in public transportation.

As a result, life-cycle revenue, services, and the spare parts business are only recovering slowly.

The profit margin was again at an industry-leading level. However, it was also impacted by the effects that I just mentioned that are related to the coronavirus pandemic.

Mobility even exceeded our own high expectations with a free cash flow of more than €1.2 billion in the fourth quarter. Reaching major project milestones and receiving advance payments had a positive impact on this outstanding cash performance.

By the way, the cash conversion rate for fiscal 2021, which stands at 1.05, is also at a level that is clearly above our own targets.

Looking ahead into fiscal 2022, our assumption for revenue growth for the first quarter is in line with the full-year guidance range of 5 percent to 8 percent.

We expect the first-quarter profit margin to be a notch higher sequentially compared to the fourth quarter. However, we do not yet expect it to reach the new target margin corridor, the lower end of which begins at 10 percent.

At this point, let me briefly also highlight the more-than-solid operational performance of the Siemens Healthineers team, who disclosed their financials one week ago.

As majority shareholder, we are also pleased with the strong operational outlook and with the integration of Varian, which has begun successfully.

The negative impact of the Varian transaction on Siemens AG’s fully consolidated full-year net income reached €224 million for fiscal 2021. This impact was lower than originally expected – mainly due to effects from the purchase price allocation.

Siemens Financial Services delivered another very consistent performance in the fourth quarter. Its significant improvement over the prior-year quarter was mainly due to a clear reduction in credit-risk provisions.

Fully in line with its strategy, SFS also acts as a business enabler that uses its domain knowhow to support new business models while it is de risking its business profile.

As usual, in the appendix on page 34 of the presentation, you will find the complete Q4 earnings bridge for our activities below our Industrial Businesses.

Here, however, I just want to provide a few more details on two additional items below our Industrial Businesses:

For the first time in their current setup, our Portfolio Companies were in the black.

The fully consolidated units more than compensated for ongoing losses from our stake in the Valeo Siemens joint venture – which is a truly great achievement by the entire team.

In addition, within our Corporate Items, we recorded a €260 million revaluation gain on our stake in Thoughtworks following that company’s initial public offering in September.

Let’s turn now to my favorite topic, free cash flow. As mentioned, free cash flow performance in the fourth quarter was a truly stellar finish to an outstanding fiscal year.

We posted record highs, both at the Group level, where we reached €8.2 billion, and for our Industrial Businesses, where we reached close to €10 billion.

Despite strong revenue growth, all businesses achieved a cash conversion rate clearly above 1. This result is far ahead of our ambition over the business cycle, and it sets a high level of comparison for fiscal 2022, which is already underway.

We will do everything in our power to continue the fiscal-2021 success story in fiscal 2022, and we are we very confident that we will also accomplish this goal.

In fiscal 2021, our excellent performance, with profitable growth and stringent working capital management, was directly reflected in two very important metrics from our new Siemens Financial Framework.

First, our return on capital employed (or ROCE for short) for fiscal 2021 – excluding Varian-related M&A effects – came in at 15.1 percent. This means that our ROCE has already reached its target corridor of 15 percent to 20 percent, two years ahead of time.

And second, at 1.5 times, our capital structure metric “Industrial net debt over EBITDA” was already within our target range, a year ahead of time.

Another success story in this respect involves the financing of our pension plans, for which we sharply reduced the deficit to €2.8 billion despite the low-interest-rate environment.

As previously indicated, we will further optimize our capital structure by rigorously continuing our successful portfolio policy and by maintaining strong free cash flow in the future, too.

In line with our new progressive dividend policy, Siemens will propose to the Annual Shareholders’ Meeting a dividend of €4.00 per share, up €0.50 from the prior-year dividend.

This proposal represents an attractive dividend yield of 2.8 percent based on the September 30 closing share price.

It also reflects our stellar performance in fiscal 2021 and our great confidence in the future development of the company.

At the same time, we are very mindful and prudent when it comes to setting our capital allocation priorities.

In addition to dividends, the second important pillar of our total shareholder return is our share buyback program. The previous €3 billion program finished with a very beneficial outcome for our shareholders.

This month, as a next step, we will start a new long-term share buyback program of up to €3 billion that will run until 2026 to counter dilution caused by share-based compensation.

Let's turn now to the fundamental assumptions behind our outlook.

For our outlook for fiscal 2022, we assume continuing healthy growth in global GDP, albeit with slowing momentum.

In addition, we assume that challenges that arise for our businesses from COVID-19 and from supply chain constraints will ease during fiscal 2022.

We also expect that, by the second half of fiscal 2022, pricing measures will, to the greatest possible extent, compensate for inflation in the costs of raw materials, components, and labor.

To continue to build on our strengths in automation, software, and digital transformation, and to tap specific growth markets, we will further expand our already high levels of investment in research and development. Here, we will place a strong focus on software and digital technologies.

In addition, we will selectively invest in go-to-market, digital sales channels, and new verticals.

Furthermore, the transition toward a Software-as-a-Service model in our large Digital Industries Software business will drive an increase in our operating expenses.

We assume severance charges will amount to about €150 million to €200 million in fiscal 2022, which is a substantially lower level compared to fiscal 2021.

Based on current rates, we anticipate only marginal effects from foreign exchange on our top line and profit margin.

As Roland pointed out, we will continue to rigorously execute our portfolio optimization strategy.

Based on our assumptions, this optimization's overall contribution to our net income will be on a similar level as in fiscal 2021.

In fiscal 2021, four major transaction-related special effects contributed about €1.5 billion to our net income. More specifically, this was:

- the sale of our Flender business
- gains from the transfer of Siemens' stakes in Bentley Systems and ChargePoint to our Pension Trust, and
- the recent revaluation of our stake in Thoughtworks after the company's successful IPO.

Although we obviously cannot yet talk about the planned transactions at this time, we will, of course, be fully transparent on the individual effects as they materialize.

An initial proof point for this impact is the gain from Fluence Energy's successful IPO, which Roland mentioned earlier. For Q1 of fiscal 2022, we anticipate an extraordinary pre-tax gain of nearly €300 million and a post-tax gain of around €200 million.

This amount will be booked below the Industrial Businesses in the Reconciliation to the Consolidated Financial Statements under the line item "Financing, Elimination and other items."

As a reference, page 36 in the appendix to the presentation contains all the details for our outlook for below our Industrial Businesses, presented in our new reporting structure as of fiscal 2022.

I'd like to point out a few important topics here:

We expect SFS' results in fiscal 2022 to be higher than in fiscal 2021, but we do not expect them to return to pre-COVID levels yet.

Within the Portfolio Companies, we expect that the results of the fully owned businesses will improve further, and that they will achieve their target margin of at least 5 percent in fiscal 2022.

We expect our equity investment in the Valeo Siemens joint venture to remain volatile and report a negative result.

For our at-equity investment in Siemens Energy, we anticipate a certain improvement of our participation in results, based on Siemens Energy's expectations. As indicated, we assume for fiscal 2022 that the corresponding burdens from the purchase price allocation for Siemens AG will decrease to nearly €100 million.

We expect our tax rate in fiscal 2022 to be in the range of 25 percent to 29 percent.

This range does not reflect any potential impact from larger tax reforms, such as those being discussed in the United States, for example.

A more comprehensive explanation of our outlook is available in our Earnings Release document.

Digital Industries expects for fiscal 2022 to achieve comparable revenue growth of 5 percent to 8 percent and a profit margin between 19 percent and 21 percent, including known headwinds of up to two percentage points in connection with the strategic transition to Software-as-a-Service in parts of its large software business.

Smart Infrastructure expects for fiscal 2022 comparable revenue growth of 5 percent to 8 percent. The profit margin is expected to be between 12 percent and 13 percent.

Mobility expects for fiscal 2022 comparable revenue growth of 5 percent to 8 percent. The profit margin is expected to be between 10.0 percent and 10.5 percent.

This margin trajectory is ambitious, especially compared with competitors. We assume it will be reached toward the end of the fiscal year.

For the Siemens Group, we expect mid-single-digit comparable revenue growth and, again, a book-to-bill ratio above 1.

We expect basic earnings per share – before purchase price allocation accounting – in the range of €8.70 to €9.10, compared to €8.32 in fiscal 2021.

Thank you!

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