SPEECH FOR PRESS CONFERENCE Q1 2020

"STRONG DEMAND DELIVERS RECORD HIGH FOR ORDER BACKLOG – FOCUS ON ENERGY BUSINESSES"

Joe Kaeser
President and CEO

Ralf P. Thomas
CFO, Member of the Managing Board

Roland Busch
Deputy CEO, CTO, CHRO,
Member of the Managing Board

Michael Sen
Co-CEO Gas and Power,
Member of the Managing Board

Munich, February 5, 2020

Check against delivery.

[Joe Kaeser]

Good morning, ladies and gentlemen. Thank you very much for joining us, both here in the Olympiahalle and via phone and Internet. With me today are Ralf Thomas, who'll take you through our individual businesses, Roland Busch, who'll explain the progress of Vision 2020+, and Michael Sen, who'll be available at the end to answer questions about our energy business. Yesterday, we made an important decision about Siemens Gamesa.

These are eventful and exciting times. The UK left the EU five days ago. For a company with 14 locations and 15,000 employees in the United Kingdom, it's of course important to know quickly what the future legal and economic framework conditions will be.

For the last few days, the new coronavirus has been threatening to become a pandemic. This is not the time to speculate about the impact of its spread on public health and the domestic and global economy. It's time for action. That's why Siemens Healthineers has delivered two ultrasound scanners and a CT scanner for use in pulmonary examinations at two hospitals in Wuhan.

Two weeks ago, we were at the Global Economic Forum in Davos. We met customers, business partners, investors and political leaders from all around the world.

This year's meeting was entirely dominated by discussions of sustainability, environmental protection and a new, inclusive type of capitalism.

The environmental organizations and activists weren't the only ones outdoing one another with their demands, warnings and promises.

Five years ago, Siemens announced that it would be climate neutral by 2030 and would reduce its emissions by 50 percent by 2030. We've made very good progress here. In my speech at the Annual Shareholders' Meeting, we'll discuss further-reaching concepts and thereby underscore once again how serious we are about combating climate change.

For this reason, it seems almost grotesque that a large number of environmental activists have targeted us because of a signaling systems project in Australia. We'll certainly hear and see more about this project again today both outside and at the Annual Shareholders' Meeting.

A lot has been said and written about the project. We've reviewed the situation, made a decision and explained the reasoning behind it. If we were again in a situation in which we could freely decide, the outcome would certainly be different.

But none of this changes the fact that the signaling system we're delivering for safe and secure rail service is irrelevant as far as the commissioning of the controversial mine is concerned.

What has yet again been underscored by Davos and our own experiences is that environmental, social and governance (ESG) topics are key strategic factors that must be an integral part of business and company planning.

Siemens Energy will play a key role in the worldwide transition from conventional power generation to renewable energies. It will also make important contributions to the transition from fossil fuels to synthetic fuels and energy source systems based on "green hydrogen."

In this connection, a robust, profitable and innovative business in the renewable energy field is a key prerequisite for success. For us, this business is Siemens Gamesa Renewable Energy or SGRE for short.

As we informed you yesterday, Siemens AG will acquire Iberdrola's entire 8.1 percent stake in SGRE. This transaction will increase our stake in the company to about 67 percent.

We've also signed a cooperation agreement with Iberdrola and SGRE. This agreement covers certain projects for wind power generation and for improving distribution grids.

Furthermore, we expect that additional annual savings of up to €100 million can be realized by unwinding the shareholder agreement and through intensified cooperation between Siemens and SGRE, resulting in net present value of €900 million.

As part of the spinoff and subsequent public listing of our Gas and Power business, we'll contribute all our shares in SGRE to the new Siemens Energy company.

Siemens and Gamesa broke new ground nearly three years ago by combining their wind businesses and thus proactively shaping the consolidation of this vital industry. Now, we're taking the next step and strengthening Siemens Gamesa as a key cornerstone in the transformation at Siemens Energy.

We're right on track with the realignment of Siemens Energy and its planned public listing in September. The time plan looks like this:

- We'll soon be making a decision on the location of the company's headquarters.
- By the end of March, we expect the carveout – that is, the legal separation of all Siemens Energy activities from other Siemens activities – to be complete to the greatest extent possible.
- On July 9, we're planning to hold an Extraordinary Shareholders' Meeting of Siemens AG here in Munich. At this meeting, we'll explain the carveout of a majority stake in Siemens Energy and put the transaction to a vote.
- And for September, we're planning a Capital Market Day.

Let me briefly summarize now my assessment of Q1. The key figures are set out in our presentation. And Ralf Thomas will discuss the individual businesses in even greater detail.

As expected, we got off to a somewhat slow start into the new fiscal year after the powerful finish in Q4 2019.

Nonetheless, order intake was robust and only marginally lower than in the record prior-year quarter.

At 1.22, the resulting book-to-bill ratio – that is, the ratio of orders to revenue – is very gratifying.

With regard to profitability, Digital Industries (DI), Smart Infrastructure (SI) and Mobility (MO) – the key elements of the new "industrial" Siemens – met our expectations.

In our software business, in our low-voltage business and in China, developments were actually very positive.

We're not the only ones dissatisfied with Q1 profit development at Siemens Gamesa and Healthineers. However, growth at our healthcare business was gratifying, and management confirmed its full-year targets.

At Siemens Gamesa, we assume that – after the change in the ownership structure – management will again have more capacity to focus on improving profitability.

Gas and Power has to close the gap due primarily to an unfavorable mix between new business and services and concentrate on measures to achieve a successful public listing on schedule.

And with that, I'd like to turn the floor over to Roland Busch, who'll update you on the progress we've made in implementing Vision 2020+. In this connection, he has a lot of good things to report.

[Roland Busch]

Ladies and gentlemen, a very good morning from me as well, and welcome!

By launching Vision 2020+, we initiated one of the biggest transformations in our company's history.

In the first phase, we changed Siemens' setup to give it an even sharper focus on our customers and markets, and we laid the groundwork for clear areas of responsibility and accountability. Our company must have the agility it needs to adapt to the rapid changes we're seeing in all our markets. That's exactly the ability that will be crucial to our company's future success.

The best example of how we've been executing this strategy is our planned spinoff of Siemens Energy. Right now, the both the energy and the oil-and-gas markets are undergoing a disruptive transformation at high speed. The ten- to twenty-year market and technology cycles we were used to have been contracting radically. The driving forces behind this change are decarbonization, decentralization and digitalization.

The planned spinoff of Siemens Energy, which is to take place before the end of fiscal 2020, will give us the foundation for "focus, accountability and adaptability."

Another goal is to give Siemens a leaner and thus more agile setup and reduce our costs in all areas. We're taking the long view in implementing these changes. We're also giving careful thought to the interests of all our stakeholders – customers, suppliers, employees and owners alike.

It's important for me to emphasize that Vision 2020+ is far more than just a cost-cutting project.

Vision 2020+ is a program that aims to generate added value for our customers and make us more competitive over the long term – thus enabling us to grow faster than both the market and the competition…

… and, on top of that, we want to become more profitable!

That's the only way we'll have the leeway we need to invest in Siemens' future:

- in our technological leadership in hardware and software – that is, in our products and software
- in our portfolio for the Internet of Things in the fields of industry, infrastructure, mobility, healthcare technology and energy
- in the digital transformation of our businesses
- in expanding our businesses in new growth markets
- and, finally, also in acquisitions.

To do this successfully, we'll need to maintain and even intensify our focus on providing excellent education and training for our employees. When we invest in people and their talent, we're investing in Siemens.

But let's take a brief look now at how we've been implementing our cost optimization measures. After all, we'd like to provide you here – as promised – with complete transparency.

All our measures for optimizing our costs are progressing as planned. We're reconfirming our target figures, as you can see from the four green checkmarks here.

At Digital Industries, we were actually able to accelerate implementation. All measures in our DI ONE program and in the Digital Industries program for Region Germany have been discussed with the employee representatives, and we're now implementing them by mutual agreement.

We're also making good progress at Smart Infrastructure. In the quarters to come, the SI team will execute the measures as planned. This will result in higher severance charges.

We're also progressing well at Global Business Services, and we're confident we'll be able to achieve savings of about €90 million.

In implementing lean and effective governance, we're aiming to achieve savings of around €500 million. Here, too, we're on track.

We'll be able to be more specific about target achievement when Siemens Energy has been fully carved out.

Siemens' employees did a superb job in Q1 2020. We're very proud of our global Siemens team.

Financial reporting often focuses on our Operating and Strategic Companies.

For this reason, I'd also like to say a few words now about our Portfolio Companies – that is, units reported outside our so-called Industrial Business. After all, we're talking here about a portfolio that generates nearly €5 billion in revenue.

In spite of their challenging environment, the business lines at our Portfolio Companies increased their orders in Q1 2020 by 3 percent year-over-year, and they even increased revenue by 14 percent on a comparable basis, while achieving an overall positive result for the first time. You may recall that, last fiscal year, we were still reporting a negative adjusted EBITA for these businesses of €115 million.

This improvement is a great success for our team. And I expressly want to thank all its members for their achievement.

Horst Kayser has headed the Portfolio Companies as an organization unit since December 1. He'll be applying his expertise and many years of operating experience to continue driving our "private equity approach."

As you know, Jochen Eickholt, his predecessor, will be playing a key role at Siemens Energy. I'd like to take this opportunity to warmly thank him for his dedication and outstanding achievements over the last few years!

As of February 1, Peter Körte has succeeded Horst Kayser as head of Siemens' Strategy Department. He'll be playing a major role in continuing the ongoing development of strategies for Siemens and in the digital transformation of our businesses.

And now, I'd like to turn the floor over to my fellow Managing Board member Ralf Thomas.

[Ralf P. Thomas]

I’d like to give you now an overview of our individual businesses – Digital Industries, Smart Infrastructure, Gas and Power, and Mobility. Since you’re already familiar with the figures for Siemens Gamesa and Siemens Healthineers, I won’t be addressing them in detail in my remarks today.

As always, I’d like to remind you that the Earnings Release provides a detailed overview of all our businesses.

Let’s begin with Digital Industries. With regard to orders, Digital Industries successfully continued its growth trajectory in the software business.

However, demand continued to cool considerably in the short-cycle product businesses, particularly in the automotive and machine building industries. From a geographic perspective, order growth at Digital Industries as a whole came from the Americas Region, where it was driven by the U.S.

Overall, DI’s orders rose modestly on a comparable basis.

Revenue declined, mainly due to the market downturn in the short-cycle businesses, in particular in Germany.

At 17.4 percent, excluding severance charges, the adjusted EBITA margin was down year-over-year. In Q1 2019, the margin had benefited, however, from the sale of an equity investment.

With €115 million in severance charges, Digital Industries is rapidly implementing the plan it announced last May. In Q1, DI also made massive investments again in future-oriented technologies. Digital Industries invested a total of €80 million in cloud solutions and in the integration of Mentor, which had an impact of 210 basis points on the margin.

Smart Infrastructure got off to a solid start in the new fiscal year. SI’s orders remained at the level of the very strong prior-year quarter.

Its systems and software business, in particular, made a positive contribution. From a regional perspective, Asia and Australia were especially strong.

It's gratifying that Smart Infrastructure achieved considerable revenue growth across its businesses and regions despite the reduced demand for products in the short-cycle industries.

The majority of Smart Infrastructure's businesses increased their profitability in Q1 with the support of currency effects.

At 8.8 percent, not including severance charges, adjusted EBITA was higher than in the prior-year quarter.

The Smart Infrastructure team is making solid progress with its profitability-enhancing measures. In the coming quarters, this progress will also be reflected in higher severance charges. Roland Busch has briefly discussed this matter already.

Now to our energy business, which continues to operate in a challenging environment.

At €5.6 billion, orders at Gas and Power were solid in Q1 but didn't reach the high level of the prior-year quarter, when we booked several large orders in the power transmission and service businesses.

Revenue remained at the level of the prior-year quarter. Here, significant growth at the power transmission business was offset by declines at the other businesses.

Overall, profitability at Gas and Power was held back by a less favorable business mix and additional expenses relating to the setup of Siemens Energy as an independent publicly listed company.

The service business, on the other hand, again made a solid contribution. The adjusted EBITA margin reached 1.7 percent, excluding severance charges.

Finally, let's take a look at Mobility, which – as expected – got off to a rather restrained start in the new fiscal year.

Orders were well below the very high level of the prior-year quarter, when the €1.6 billion order for the London Tube and an order in Canada with a volume of €800 million were booked.

With regard to revenue, Mobility maintained the high level of the prior-year quarter despite the decline at its rail infrastructure business. As already announced, revenue will pick up considerably in the coming quarters.

At 10.3 percent, excluding severance charges, or 10.0 percent as reported, the adjusted EBITA margin was well within the margin range for the 25th quarter in a row.

Let’s turn now to our outlook. To be brief: we’re on track to reach the ambitious targets we’ve forecast, and we confirm our outlook for fiscal 2020.