

## Q2 – Robust performance in complicated times

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Analyst Call, May 8, 2020

# Notes and forward-looking statements



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Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

# Our agenda for today



## Covid-19 impact & Executing Vision 2020+



## Q2 FY 2020 Financials

# Covid-19 update: Operations up and running near normal levels

## Successful crisis management – Siemens with proven track record



### Covid-19 - Where we are

- **Priority #1: Employee health & safety**
- **Crisis proven leadership team and highly engaged employees**
- **Reliable partner with strong balance sheet, liquidity & rating**

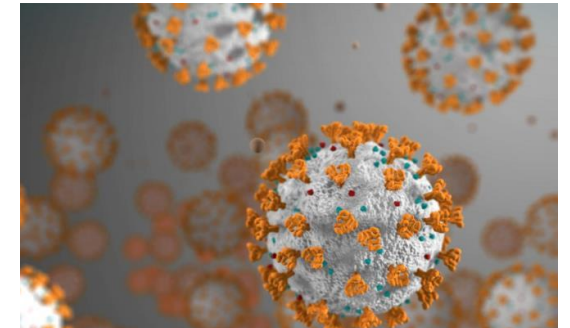
### Operations up and running near normal levels

- **Demand highly uncertain**
- **Global supply chains stressed**
- **24 factory sites closed, mainly in India**
- **~7.4k employees in short time work**
- **Further cost out initiated**

### We take social responsibility to fight Covid-19



**Siemens smart clinic for Colombia**



**Covid-19 tests released by** **SIEMENS Healthineers**

Siemens **Caring Hands e.V.**



**Covid-19 aid fund**



**Ramp up ventilator production in UK**

# Covid-19 impact not yet fully visible in FY Q2

## Orders

-9%



## Revenue

-1%



## IB Adj. EBITA margin

12.1%



## EPS

€0.80



## Free Cash Flow (IB)

€1.1bn

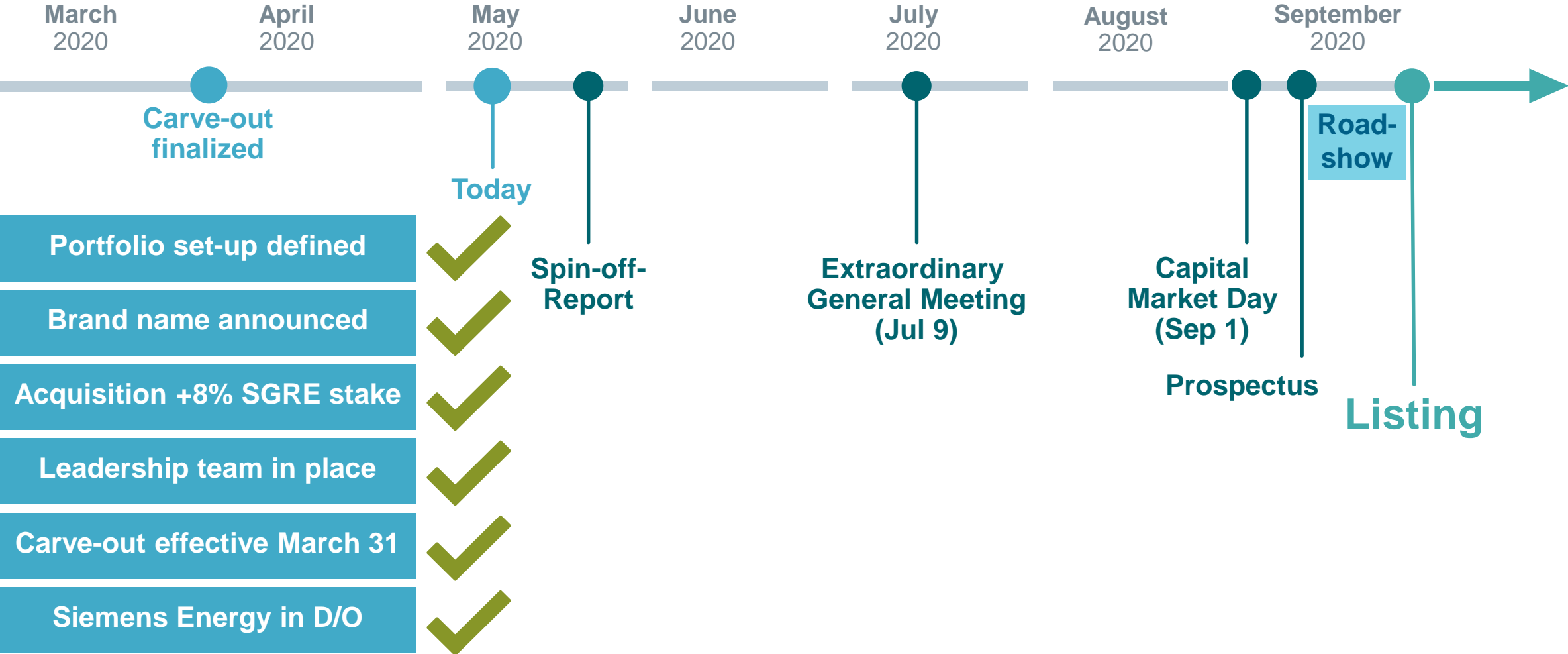


## Indust. ND/EBITDA

1.8x



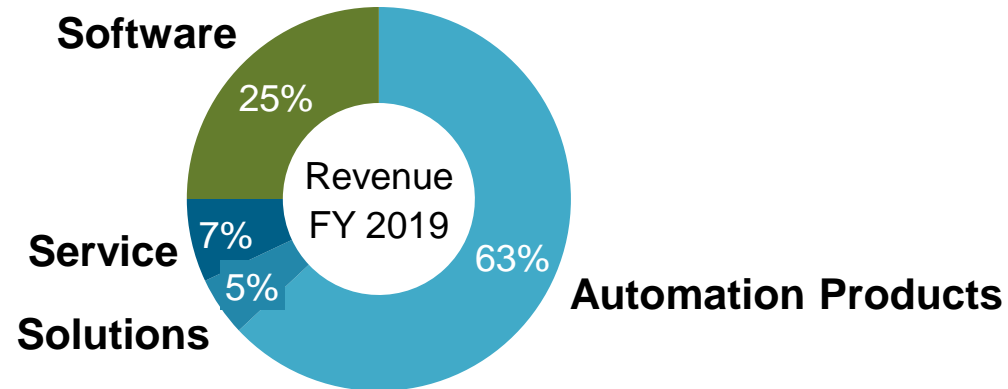
# Siemens Energy on track for listing end of September



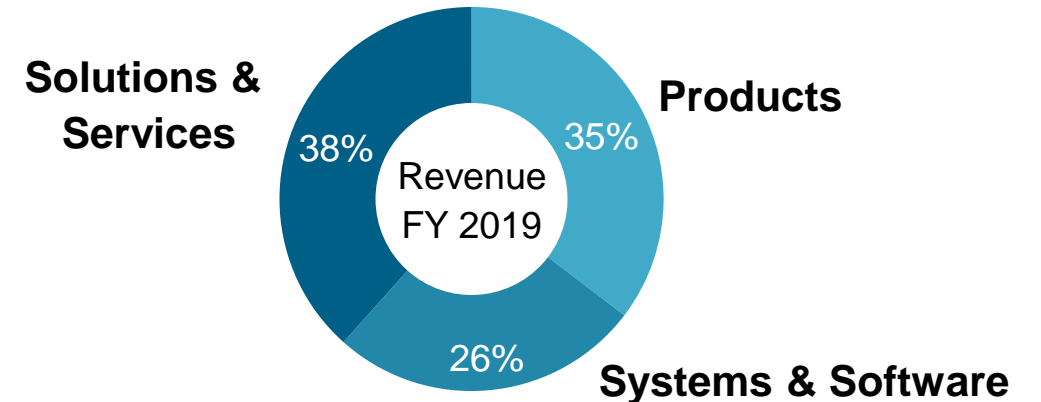
Note: In Q2-20 Siemens booked 3 LGT and 28 small turbines  
Unrestricted © Siemens 2020

# Resilient business portfolio – Ability to weather the storm

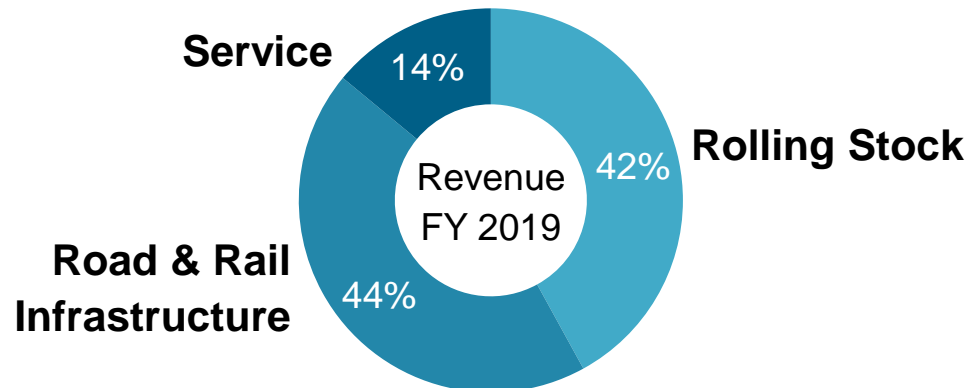
## Digital Industries – €16.1bn



## Smart Infrastructure – €14.6bn



## Mobility – €8.9bn



## Resilient business portfolio

- **Healthy short- and long-cycle business mix**
- **Balanced exposure to customer verticals**
- **Leading digital offerings**
- **Growing service and software share**
- **Strong order backlog**

# Competitiveness programs accelerated

## Contingency cost measures expanded



### CMD 2019 View

	Digital Industries	Smart Infrastructure
Cost optimization Operating Companies	<div>~ €320<sub>m</sub> by FY 2023</div> <div>~ €160<sub>m</sub> by FY 2021</div>	<div>~ €300<sub>m</sub> by FY 2023</div> <div>~ €150<sub>m</sub> by FY 2021</div>
Global Business Services	<div>€90<sub>m</sub> by FY 2021</div>	
Lean and effective governance	<div>~ €500<sub>m</sub> by FY 2023</div> <div>~ €300<sub>m</sub> by FY 2021</div>	

### Updated View Q2 FY 20

	Digital Industries	Smart Infrastructure
Cost optimization Operating Companies	<div>~ €320<sub>m</sub> by FY 2023</div> <div>~ €295<sub>m</sub> by FY 2021</div>	<div>~ €300<sub>m</sub> by FY 2023</div> <div>~ €180<sub>m</sub> by FY 2021</div>
Global Business Services	<div>€90<sub>m</sub> by FY 2021</div>	
Lean and effective governance	<div>~ €500<sub>m</sub> by FY 2023</div> <div>~ €300<sub>m</sub> by FY 2021</div>	

€50m to be delivered by Siemens Energy

# A leading vertically-integrated mobility player and integral part of Siemens AG

**SIEMENS**

*Ingenuity for life*

**Strategy update in FY Q4**

## Siemens Mobility

Key figures FY 2019: €12.9bn Orders | €8.9bn Revenue | 11% Adj. EBITA margin | 37k employees | €32bn Backlog (March 31, 2020)

### Rolling Stock



### Rail & Road Infrastructure



### Customer Services



### Turnkey



### Leading integrated set-up + excellent strategic fit in Siemens

- Vertical market with attractive secular growth trends and profit pool, allowing superior capital efficiency
- Covering entire customer value chain with mutually-reinforcing businesses
- Lead digital transformation, benefitting from Siemens IoT ecosystem and platform

### Strong execution continues despite Covid-19 impact

- Resilient performance supported by high order backlog
- Stringent execution despite customer access restrictions
- Delays & shifts of project awards weigh on order growth
- Revenue CAGR > 5% | Adj. EBITA-margin mid-term > 11%
- ROCE accretive to Siemens target

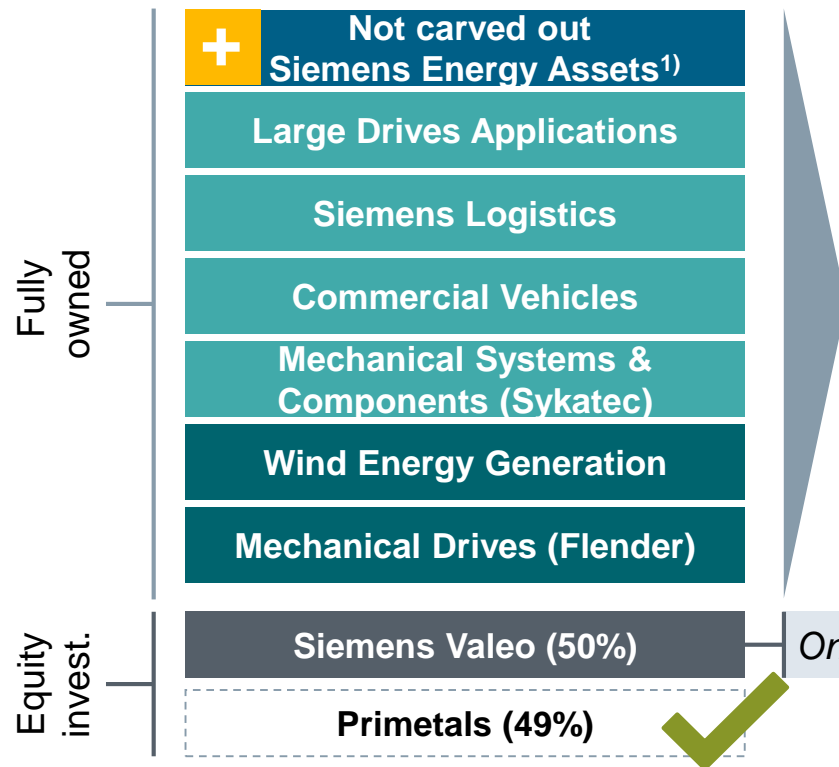
# Portfolio Companies:

## Stringent execution of strategy – Flender spin-off planned

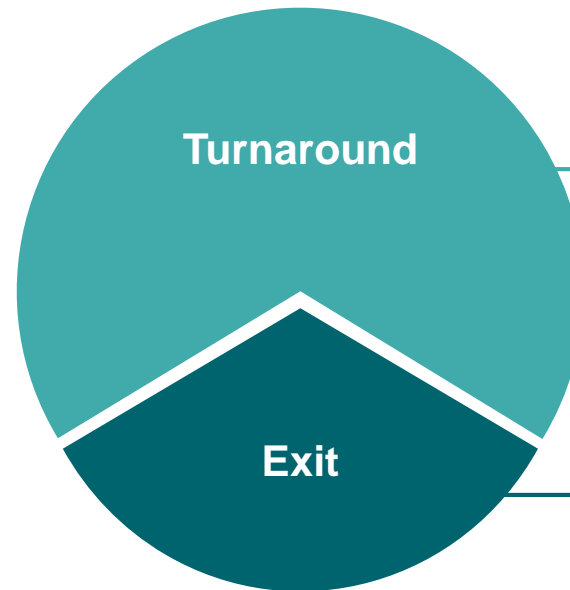
### Portfolio Companies (POC)

H1 FY 20: Revenue: €2.7bn

Adj. EBITA margin: 0.4%



### PE / Value creation approach



#### Turnaround

- Execute **full potential plans** FY19-FY22
- **Master Covid-19 challenges**
- Target **FY22: >5% Adj. EBITA**

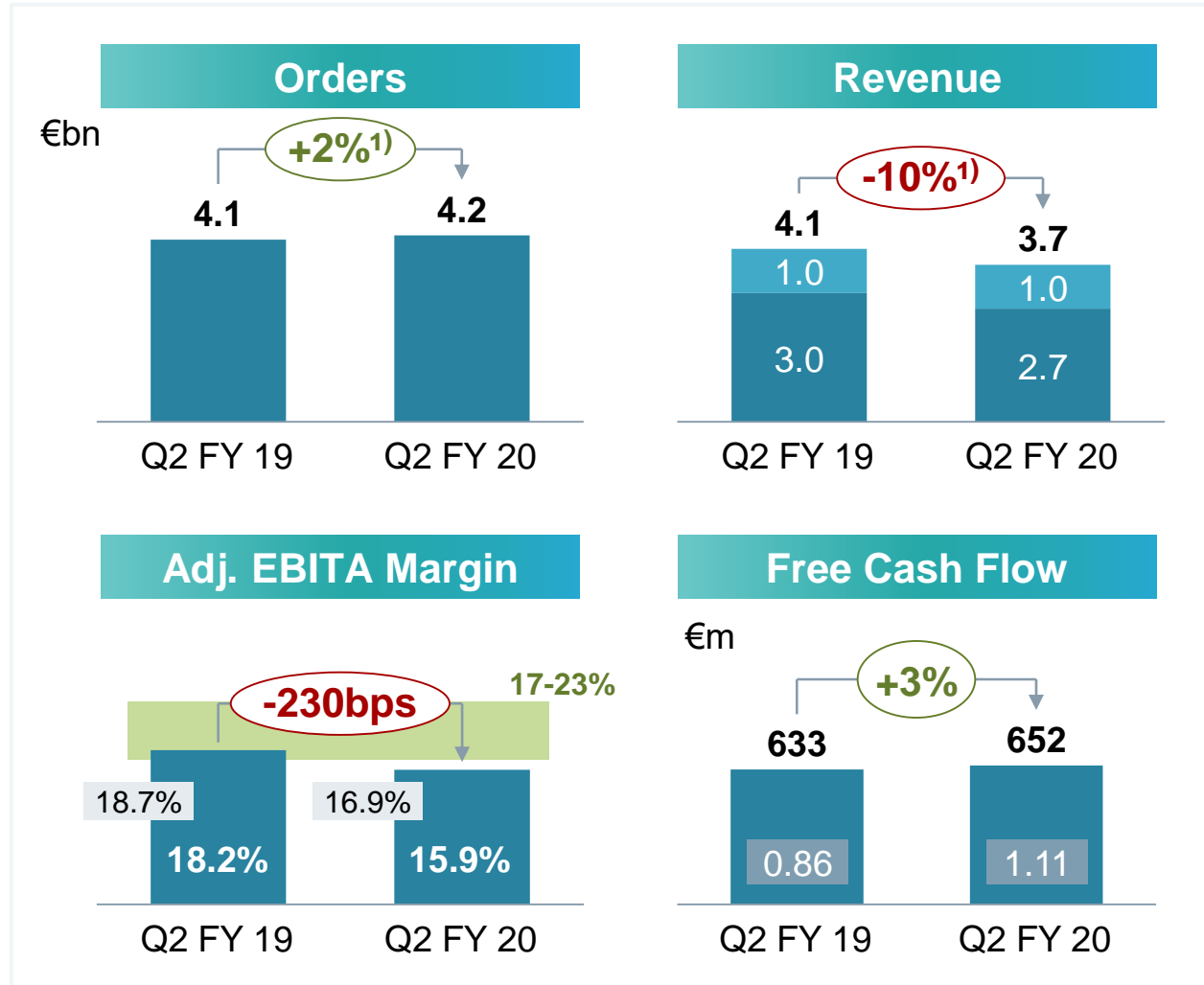
#### Exit

- **Integration of Wind Energy Generation into Flender** planned
- **Spin-off and listing of Flender:** Decision by SAG AGM on Feb 3, 2021 – preparation started

1) Siemens Energy Assets (SEA) transferred into POC during Q2 FY20, containing certain remaining regional business activities of Gas and Power, which were not carved out to Siemens Energy due to country-specific regulatory restrictions or economic considerations

# Digital Industries (DI)

## Holding up in Q2, further decline expected in Q3 FY 20



### Orders:

Up on safety stocking & larger contract wins

### Revenue:

Short cycle significantly down  
Software moderately lower



### Margin:

Holding up, stringent execution of cost measures



### Free cash flow:

Effective working capital management

<sup>1)</sup> Comparable therein Software x.x% Adj. EBITA margin excl. severance x.x Cash Conversion Rate

# Covid-19 putting additional headwinds on challenging economic environment

## DI revenue share in vertical end markets



## Q2 FY 2020 - Key regions Automation (excl. Software)



**Orders +1% | Revenue -13%**  
Discrete & Process Automation down  
Limited Covid-19 impact in Q2



**Orders +10% | Revenue -18%**  
Q2 impacted by lockdown measures to fight Covid-19  
March with growth momentum due to restart of production



**Orders +1% | Revenue -13%**  
Covid-19 intensifying headwinds for  
Machinery & Automotive



**Orders -2% | Revenue -9%**  
Q2 heavily impacted from Covid-19 shutdown

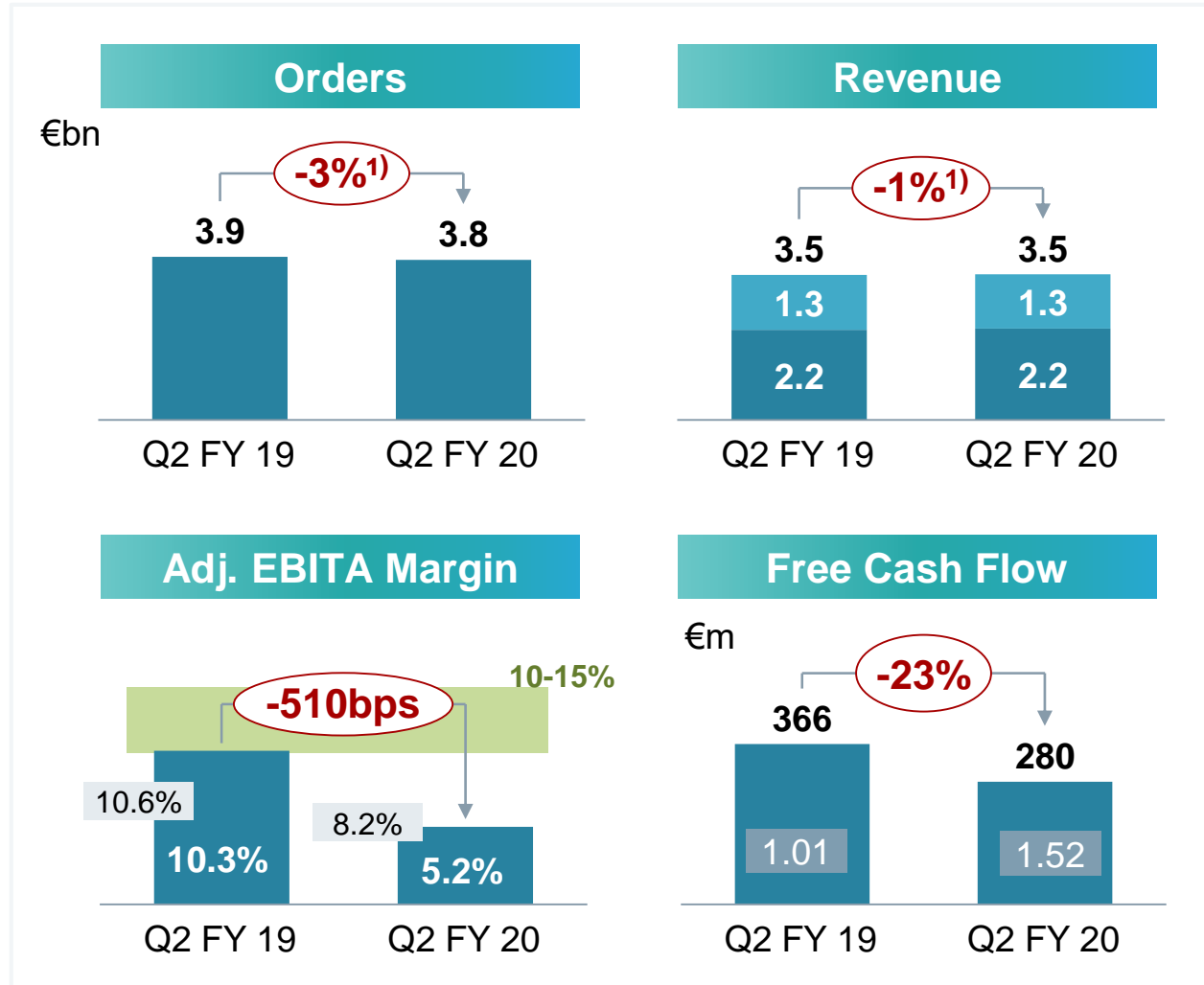
## Q2 FY 2020 - Software



**Revenue -3% on tough comps**  
FY 2020e modest growth vs PY

# Smart Infrastructure (SI)

## Stringent implementation of competitiveness program



### Orders:

Negative impact, mainly in solutions & services

### Revenue:

Product business down in short-cycle industries



### Margin:

Severance (300bps) & grid edge investments continuing



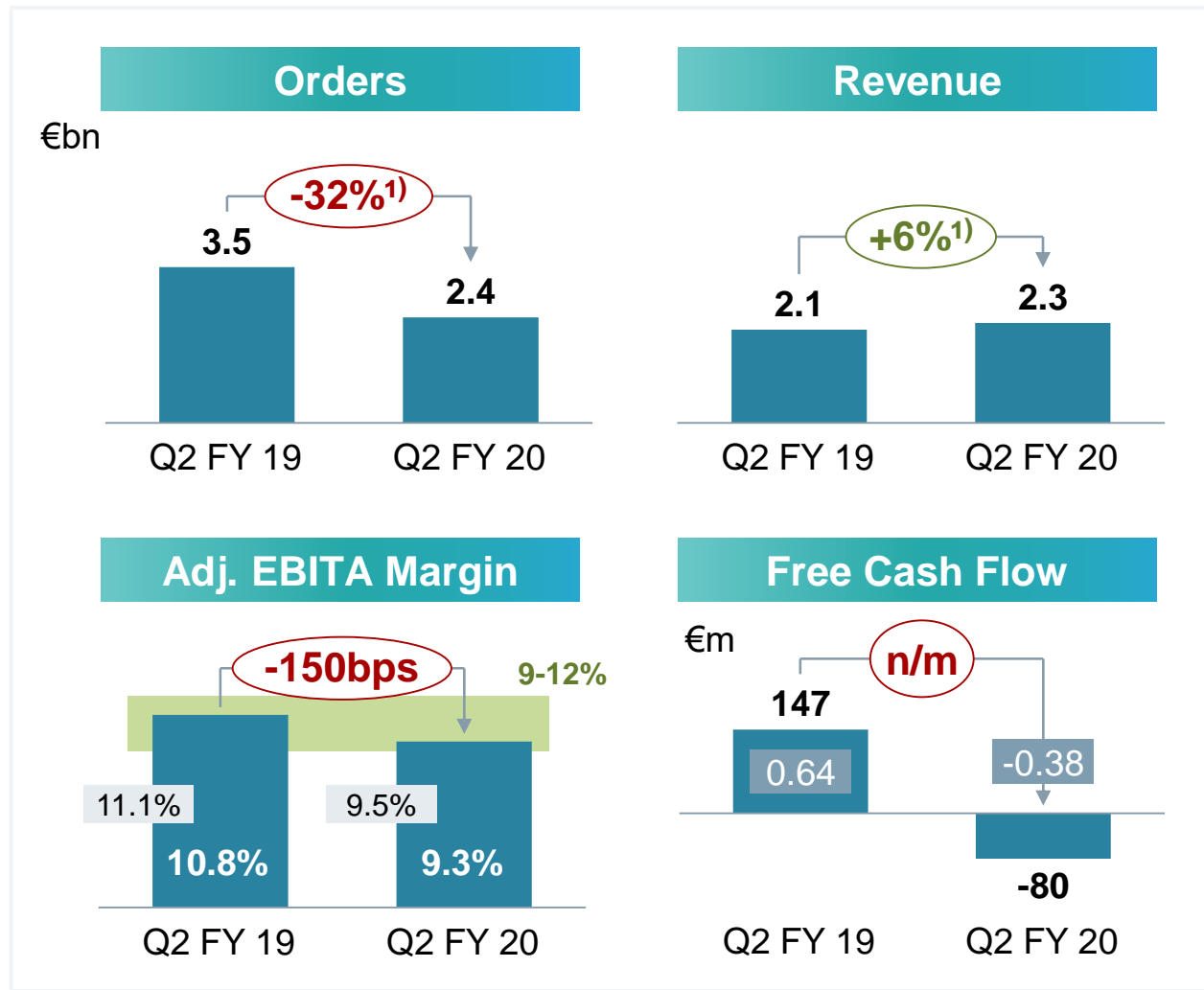
### Free cash flow:

Stringent working capital management in difficult environment

<sup>1)</sup> Comparable therein Products x.x% Adj. EBITA margin excl. severance x.x Cash Conversion Rate

# Siemens Mobility (MO)

## Resilient performance despite Covid-19 headwinds



### Orders:

Down on tough comps due to large orders in prior year

### Revenue:

Growth on ramp up of large projects



### Margin:

Strong profitability continuing



### Free cash flow:

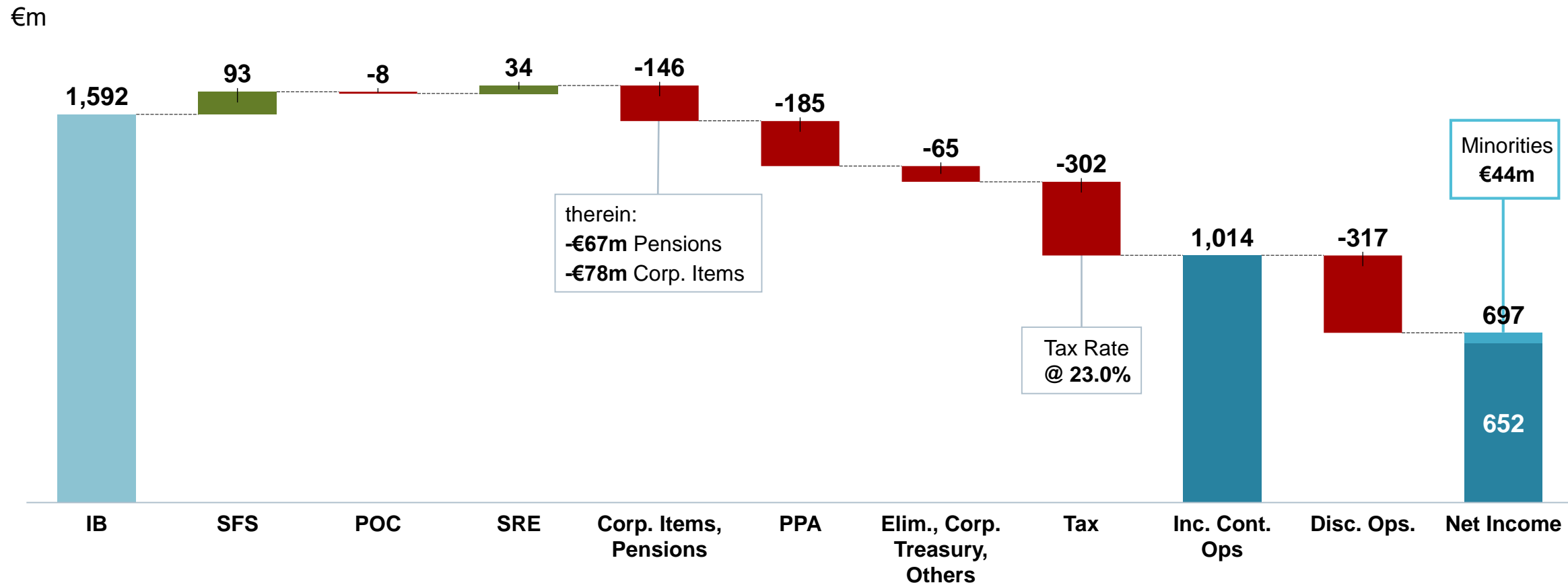
As expected, less payments on unfavorable milestone timing and lower orders

<sup>1)</sup> Comparable x.x% Adj. EBITA margin excl. severance x.x Cash Conversion Rate

# Q2 FY 2020 - Below Industrial Businesses



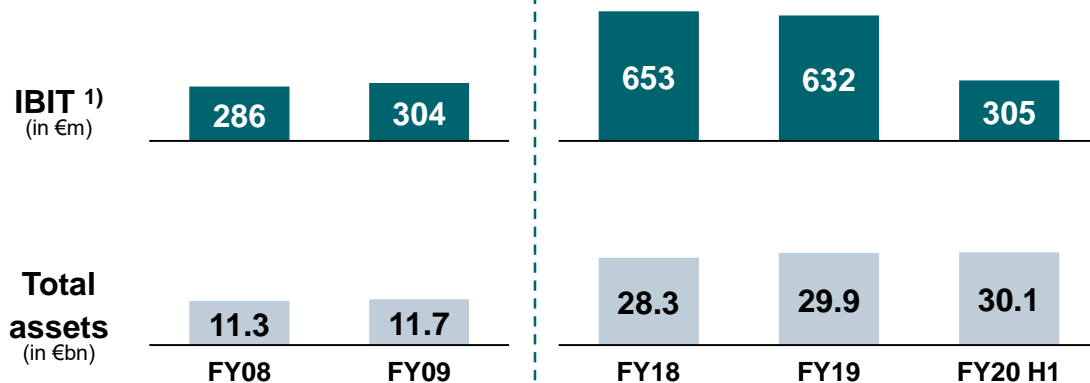
## Performance Q2 FY 2020



# SFS with strong track record and highly diversified portfolio



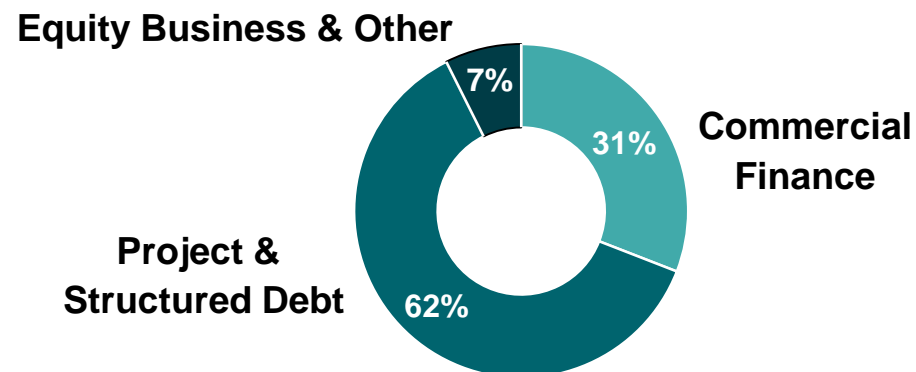
## Key figures



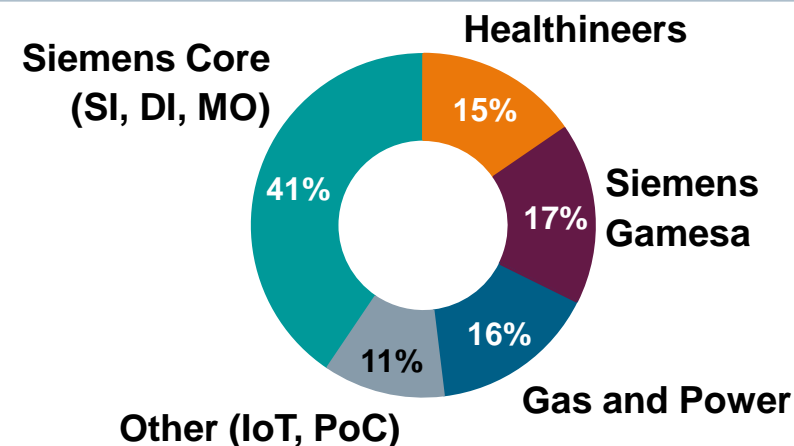
## Consistent execution of strategy

- Focus on Siemens domains - **combine financial and industrial expertise**
- **Well diversified portfolio** with a strong regional footprint in North America and Europe
- **Risk management culture** at **strict arms-length**
- **“Hold to maturity” investor** – no credit trading
- **Matched funding approach** limiting risks

## Product diversification<sup>2)</sup>

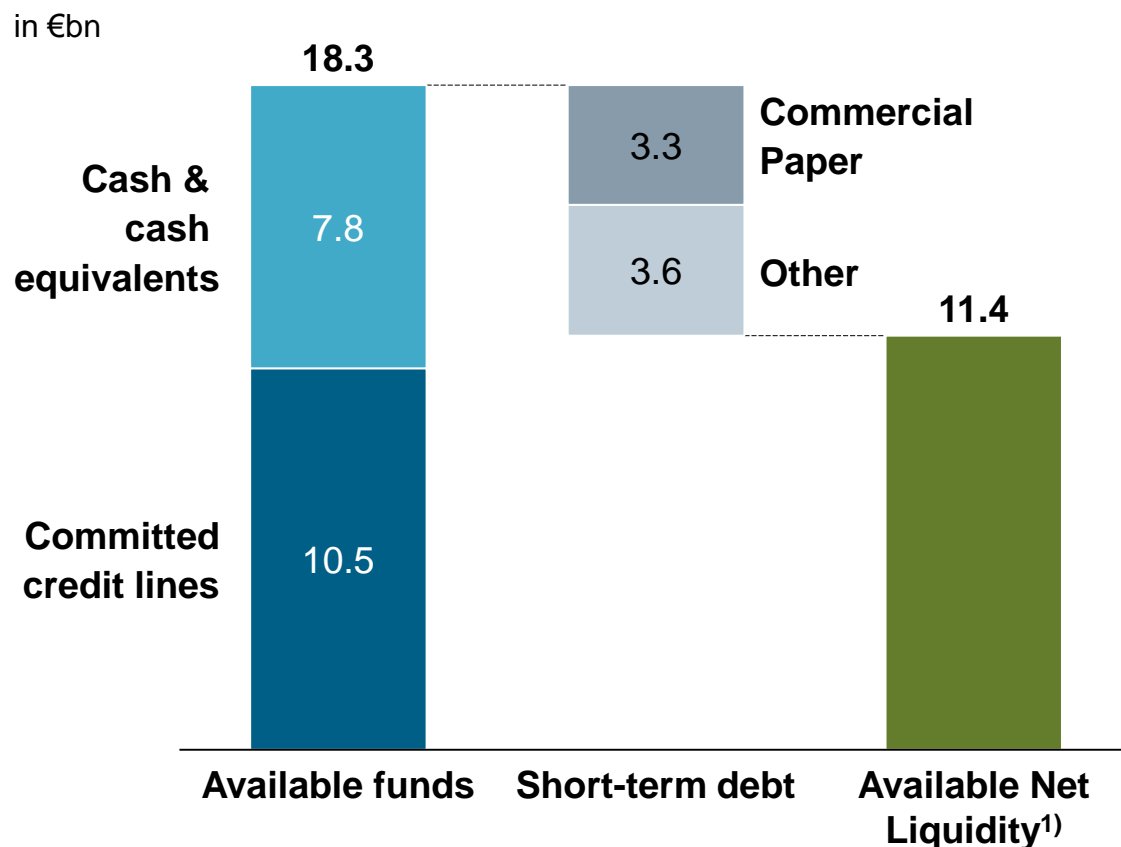


## Industry diversification<sup>3)</sup>



# Strong balance sheet, access to liquidity secured

## Strong liquidity position (March 31, 2020)



## Liquidity actively managed

- **Strong credit rating: A1 (Moody's), A+ (S&P)**
- **€5bn equivalent bond issuance executed in February** at highly attractive terms
- **New €3bn undrawn credit facility, adding to existing €7.5bn undrawn credit lines**
- **US Commercial Paper market substantially improved**, further source for liquidity under existing US\$9bn program
- **US\$1.4bn maturities** in remainder of FY 2020

**Note:** excluding Discontinued Operations Energy    1) excludes current interest bearing debt securities of €1.3bn

# FY 2020: Top line guidance revised, EPS guidance suspended



## FY 2020 Siemens Group

in €bn

58.5<sup>1)</sup>



Revenue  
FY 2019

- **Book-to-bill > 1**
- **Moderate comparable revenue decline**

1) Comparable revenue reflecting reclassification of Gas & Power & Siemens Gamesa Renewable Energy to Discontinued Operations

## Assumptions

- **COVID-19 pandemic** began to impact financial results in FY Q2
- Expect **even stronger impacts** from **pandemic** in FY Q3
- Beyond FY Q3, **macroeconomic developments** and **influence on Siemens** cannot be reliably assessed – **original guidance for FY 2020 no longer confirmed**
- Expect **FY 2020 moderate comparable revenue decline**, with **b-t-b >1**. **Decline in demand most strongly affects DI and SI.**
- **Completion of spin-off and public listing of Siemens Energy before end of FY 2020**
- Expect **spin-off gain** within **D/O**, amount **cannot yet be reliably forecast**
- Expect **material impacts** on **Net income** from **spin-off costs** and **tax expenses** related to **carve-out of Siemens Energy**
- **Guidance Basic EPS from Net income for FY 2020 suspended**

# Appendix



# DI: Covid-19 putting heavy headwinds on end markets

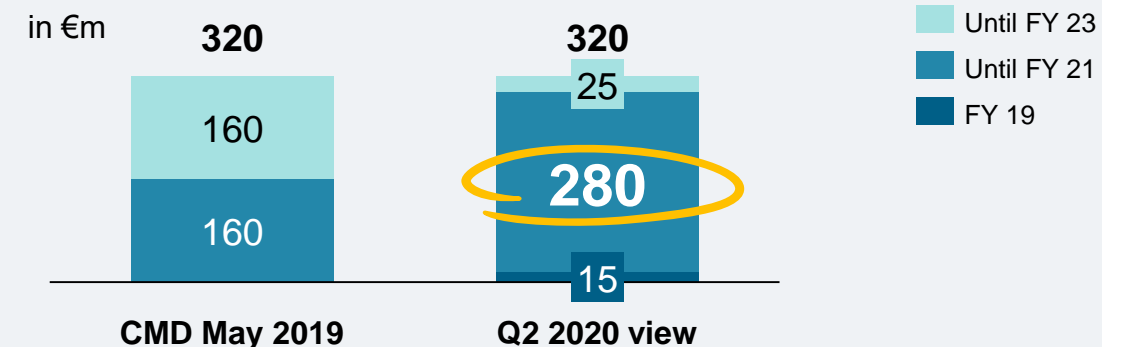
## Cost-out accelerated, contingency measures intensified

### Current situation

- Decline in key customer industries intensified in March, full impact in FY Q3 expected
- China in recovery, US & Europe still to see worse
- Key factories run close to normal capacity levels
- Daily review of SCM activities to ensure availability of components & transportation
- SW-Development centers impacted by local shutdowns in U.S. and India
- Best practice sharing with China to bring back white collar employees

### Key mitigating actions

#### 1 Acceleration of cost optimization program



#### 2 Contingency measures intensified

- Accelerate digitalization (commissioning, service)
- Short-time-work implemented across all businesses
- Flexible time frames to reduce overtime & capacity
- Cutbacks in discretionary spending
- Capex – Re-prioritization of projects
- Close management of receivables & payment terms

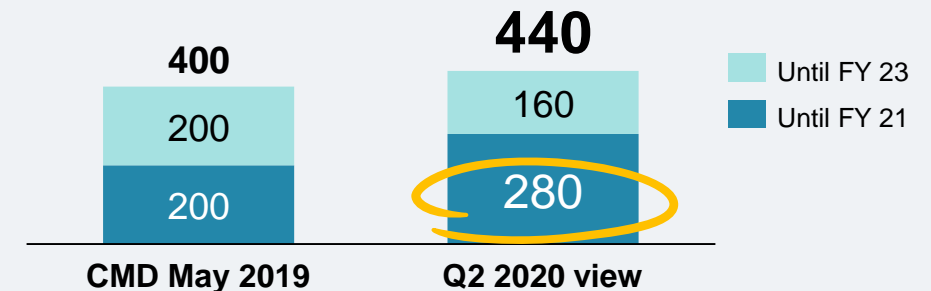
# SI: Competitiveness program accelerated Execution of Vision 2020+ on track

## Current situation

- **Heterogeneous** development in **vertical markets**
  - + Healthcare, critical infrastructure
  - Hospitality, education
- **Countries with different dynamics**  
**China recovering, U.S. and Europe challenging**
- Out of **70 factories**, **8 closed**, mainly in India
- **Solutions:** Many customer sites closed, expect strong negative Q3 impact
- **Service:** Promotion of new, remote & digital services
- **Products/Systems:** Order decline becomes visible

## Key mitigating actions

### 1 Competitiveness program enhanced & accelerated



Therein

business mix €100m



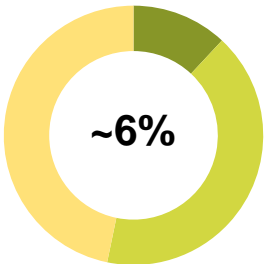
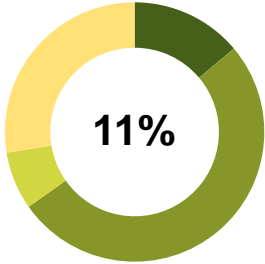


€140m

### 2 Additional contingency measures

- **Short-time work** & mandatory paid time off
- **Cost cutting** measures, e.g. delay of events and of non-critical IT-projects
- **Securing customer** & ensuring **supplier payments**
- **Prioritize** planned **Capex spending**

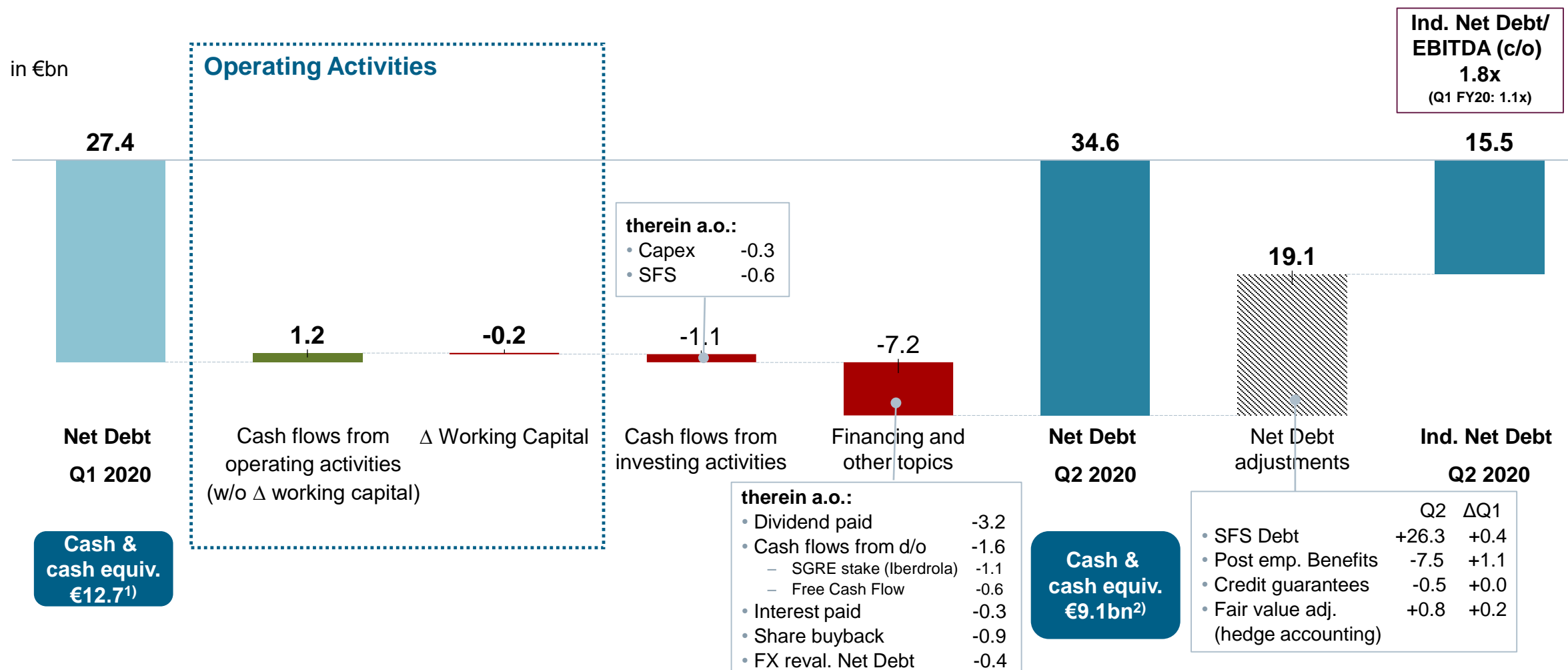
# Siemens Mobility – a valid contributor to Siemens' aspirations



	Mobility achievements	Mobility mid-term ambition	Siemens mid-term
<b>Revenue Growth</b>	 <b>4% CAGR over last 5 years</b>	<b>&gt; 5%</b> <ul style="list-style-type: none"> <li>Resilient market with &gt;3% growth supported by megatrends</li> <li>Enhancing growth momentum: metro, digitalization, service, growth regions</li> </ul>	<b>4 - 5%</b> 
<b>Adj. EBITA Margin</b>	<b>Profitability of portfolio</b> <div> <div> <div>~15%</div> <div>5-10%</div> <div>10-15%</div> <div>&lt;5%</div> </div> <div>  <p><b>~6%</b></p> <p><b>FY 2009</b></p> </div> <div>  <p><b>11%</b></p> <p><b>FY 2019</b></p> </div> </div>	<b>&gt; 11%</b> <ul style="list-style-type: none"> <li>Portfolio shift to higher margin &amp; recurring revenue business: components, products, platforms, digital services, signalling in the cloud</li> <li>Selective margin accretive portfolio moves</li> <li>Digitalization in own operations</li> </ul>	<b>11-15%</b> 
<b>ROCE</b>	<b>Accretive to Siemens target</b>	<b>Accretive to Siemens target</b>	<b>15-20%</b> 

# Q2 FY 2020

## Net debt bridge



Provisions decreased in Q2 mainly due to increased discount rate and D/O of Siemens Energy, partially offset by actual return on plan assets

## Q2 FY 2020 – Pensions and similar obligations

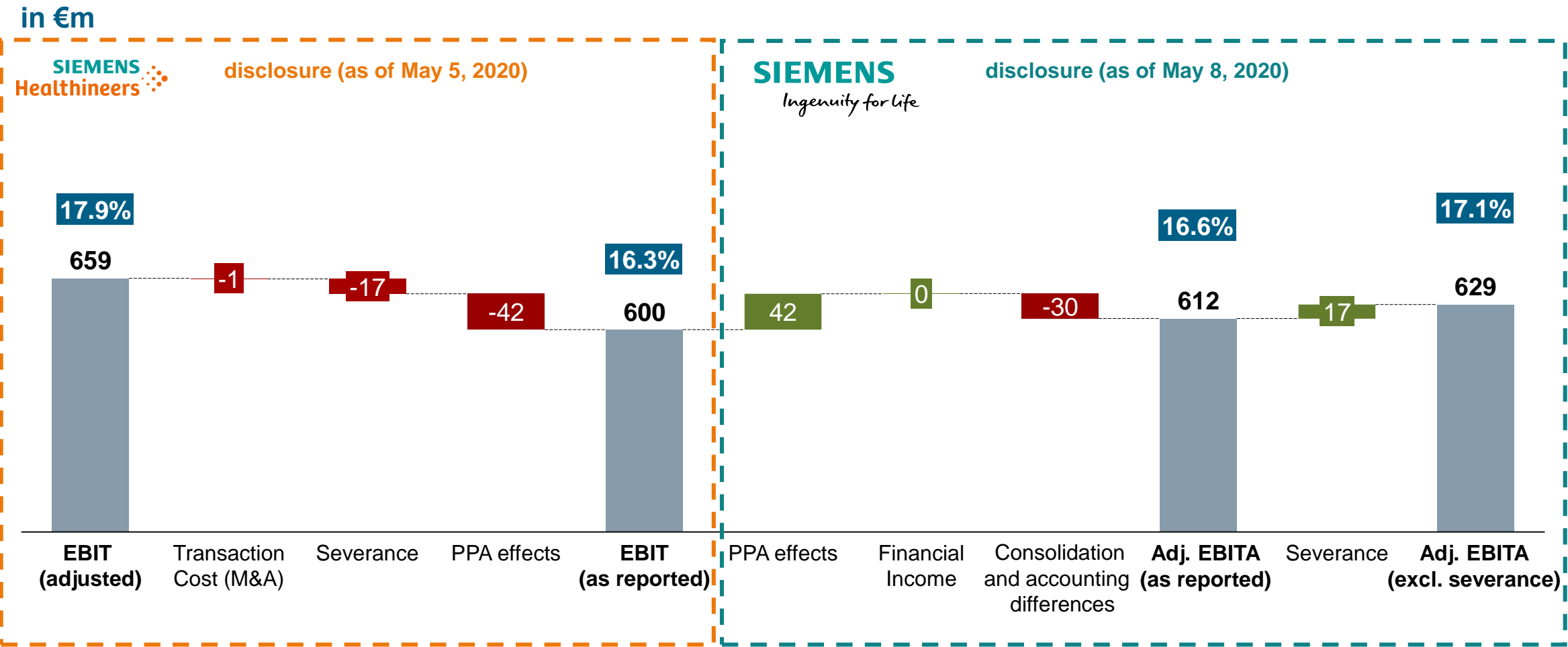
in €bn <sup>1</sup>	FY 2018	FY 2019	Q1 FY 2020	Q2 FY 2020	D/O S' Energy
Defined benefit obligation (DBO) <sup>2</sup>	-35.9	-40.3	-39.2	<b>-33.4</b>	<b>-3.1</b>
Fair value of plan assets <sup>2</sup>	28.7	31.3	31.2	<b>26.7</b>	<b>2.2</b>
Provisions for pensions and similar obligations	-7.7	-9.9	-8.6	<b>-7.5</b>	<b>-1.0</b>
Discount rate	2.4%	1.3%	1.5%	<b>1.8%</b>	
Interest income	0.5	0.6	0.1	<b>0.1</b>	
Actual return on plan assets	0.4	3.2	-0.5	<b>-1.6</b>	

1) All figures are reported on a continuing basis

2) Difference between DBO and fair value of plan assets additionally resulted in net defined benefit assets (Q2 2020: +€0.8bn); defined benefit obligation (DBO), including other post-employment benefit plans (OPEB) of -€0.4bn

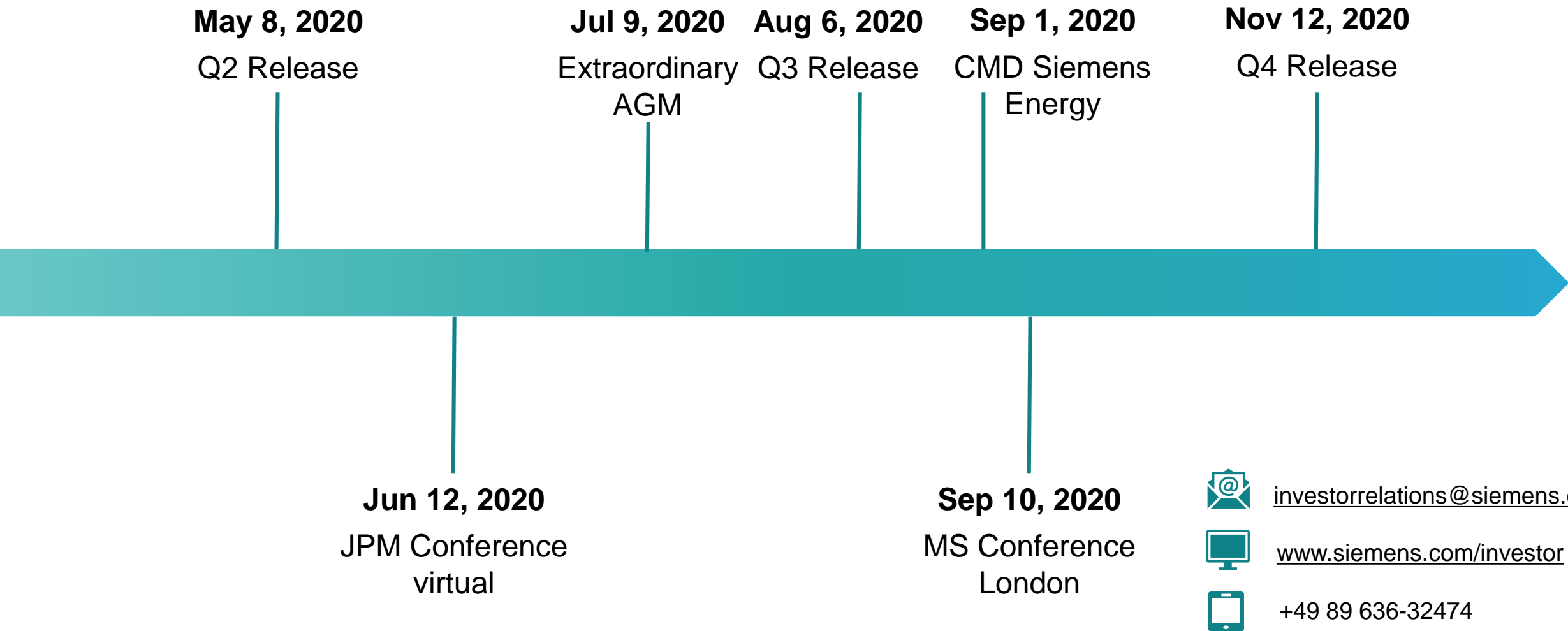
# Q2 FY20 Profit Bridge from SHS disclosure to SAG disclosure

Different profit definitions at SHS and SAG to be considered in models



x.x% Margin

# Financial calendar



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