SIEMENS

Press

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Capital Market Day 2021

Siemens to accelerate high-value growth as a focused technology company

- **Creating maximum customer impact by uniquely combining the real and digital worlds**
- **Focus on sustainability with ambitious “DEGREE” framework**
- **Updated Financial Framework with new financial targets for accelerated, high-value growth**
- **Comparable annual revenue growth of 5 percent to 7 percent over the business cycle (previously: 4 percent to 5 percent)**
- **Annual increase in earnings per share before purchase price allocations (EPS pre PPA) in high-single-digit percentage range**
- **Progressive dividend policy; new share buyback program of up to €3 billion – to begin in fiscal 2022 and run until 2026**
- **Outlook Fiscal 2021: Net income continues to be expected in the range of €5.7 billion to €6.2 billion, however now including the previously announced burdens in connection with the acquisition of Varian**

As part of its virtual Capital Market Day entitled “Accelerating High Value Growth,” Siemens AG is presenting its new growth strategy today. This strategy is also reflected in ambitious new Financial Framework targets, and it includes a comprehensive sustainability agenda.

“Our customers benefit from our ability to combine the real and digital worlds. This unique capability enables Siemens to support its customers in a way that no other company can,” says Roland Busch, President and CEO of Siemens AG. “Digitalization, automation and sustainability are growth engines for our business.

Here, our core business and our digital business reinforce each other in a virtuous cycle. This effect forms the foundation of our growth strategy for achieving more profitable growth. As a focused technology company, we want to strengthen our position in all our markets and enter adjacent profitable markets. And we're now making our commitment to sustainability clearer than ever. Thus, in times of major global challenges, we're creating clear added value for our customers, our stakeholders and society."

"After successfully transforming into a focused technology company, we are now setting ourselves ambitious new financial targets: We want to further accelerate our profitable growth and are simultaneously placing an even sharper focus on our free cash flow. In addition, we are providing even greater transparency and clarity that also extends beyond our Industrial Businesses," adds Ralf P. Thomas, Chief Financial Officer of Siemens AG. "Our strong investment-grade rating is an important success factor on our path to accelerated high-value growth, and we are clearly committing ourselves to maintaining this rating. Furthermore, Siemens continues to stand for an attractive total shareholder return – based on the continuation of our share buyback program and of a progressive dividend policy."

"Sustainability is in our very DNA. It's not an option. It's a business imperative," explains Judith Wiese, Chief Human Resources Officer, Chief Sustainability Officer and member of the Managing Board of Siemens AG. "Based on our successful track record, we're now setting ourselves even more ambitious targets. We'll accelerate our efforts and raise the bar to create considerably more value for all our stakeholders. Sustainable business growth goes hand in hand with the value we create for people and our planet."

Siemens is uniquely positioned to help its customers achieve their sustainability goals – with outstanding offerings for resource efficiency and decarbonization.

Focus on the digital transformation as a key challenge

Following the spin-off of Siemens Energy (2020), today's Siemens is a focused technology company that is addressing industry, infrastructure, transportation, and healthcare. As a result, Siemens is active in sectors that form the backbone of the global economy and offer great potential for digital transformation and enhanced sustainability – the major challenges of our time. Siemens has the technologies needed to enable companies and economies to boost their productivity, efficiency, flexibility and sustainability.

The addressable markets for Digital Industries, Smart Infrastructure, Mobility and Siemens Healthineers alone amount to a volume of €440 billion (with 2020 as the base year). These markets are set to grow 4 percent to 5 percent per year until 2025. Through close interplay between profound domain knowhow and digital capabilities, Siemens has ideal prerequisites for further expanding its position in these markets, and the company is striving to continue to grow profitably in them.

At the same time, Siemens intends to enter highly attractive adjacent markets with an additional volume of €120 billion. To tap these markets, the company is focusing on a combination of organic and inorganic growth. The acquisition of Supplyframe – a leading global marketplace for electronic components – and the transformational acquisition of Varian are impressive examples here.

Innovative technologies – In use across the entire company

Siemens' unique ability to combine the real and digital worlds is based on three elements: Using its experts' profound domain knowhow, Siemens is developing digital applications for specific industries. In addition, Siemens is pooling expertise to drive the core technologies that are used across the company. And thanks to a strong ecosystem including customers, partners and startups, Siemens can outpace its competitors in bringing customer-oriented innovations to market.

To accomplish this, the company is rapidly driving its technology portfolio: software and automation solutions and a leading IoT platform, plus core technologies in areas such as artificial intelligence (AI), digital twins, 5G, industrial edge and cybersecurity. Since Siemens' core business and its digital business will increasingly reinforce each other in the future, the company expects to see profitable growth above the market average. For the future, Siemens expects its fiscal 2020 digital revenue of €5.3 billion to grow at a compound annual growth rate of around 10 percent over the business cycle until 2025.

Transforming the business model to software-as-a-service (SaaS)

Starting in fiscal 2022, Digital Industries (DI) will begin a fundamental business model transformation as it transitions a significant part of its software business to Software as a Service (SaaS) and – in addition to the established performance indicators – begins reporting annual recurring revenue (ARR). DI Software plans to introduce new SaaS offerings that will offer greater accessibility, effortless collaboration and unlimited scalability to help customers accelerate digital transformation. For Siemens, the SaaS transition will lead to more resilient and predictable revenue for DI and drive growth by opening access to new vertical markets, users and customers, especially in small and medium-sized companies who can reduce investment in complex IT infrastructure.

DEGREE – Clear commitment to sustainability with ambitious targets

Siemens is underscoring its commitment to sustainability with its new framework called DEGREE, which stands for decarbonization, ethics, governance, resource efficiency, equity and employability. This new framework will apply to all activities across the company's businesses worldwide.

Siemens is backing its ambitions in sustainability with systematized, measurable and specific long-term targets for environment, social and governance (ESG) dimensions. In addition, the company is officially adopting the topic of sustainability as an additional strategic imperative for its investment decisions.

Leveraging its technology portfolio, Siemens can support the public and private sectors in the digital transformation of industrial operations, building and grid infrastructure, transportation, and healthcare, while offering innovative solutions with a compelling business case to drive the transition to a carbon-neutral economy. These technologies help customers achieve their goals while using fewer resources.

In 2015, Siemens became one of the first industrial companies worldwide to commit to achieving carbon neutrality in its own business operations by 2030. The company has since cut its CO_2 emissions by more than half. In the meantime, Siemens has been intensifying its existing activities for physical decarbonization throughout its entire value chain and is pursuing the data-driven reduction pathway that the Science-Based Targets initiative advocates. This approach ensures that the company's climate-protection efforts are in harmony with the Paris Agreement's highest aspiration levels. In its supply chain, Siemens is committing itself to reducing emissions by 20 percent by 2030, and the company aims to achieve a carbon-neutral supply chain by 2050. By the end of this decade, Siemens also intends to make even greater progress toward achieving circularity and, for example, clearly increase the purchase of secondary materials for metals and resins.

DEGREE includes numerous other targets – for example, for safeguarding the long-term employability of the people who work for the company and for fostering inclusion, respect and equal treatment. The company is pursuing its declared goal of ensuring that women account for 30 percent of the people at the top management level by 2025. At the same time, Siemens will continue to invest in education and training for all its employees. The company spends about €250 million a year (not including Siemens Healthineers AG) on such measures worldwide.

New, ambitious financial targets for accelerated high-value growth

Siemens also presents an updated Financial Framework that, beginning in fiscal 2022, will set even more ambitious financial targets while providing more transparency and clarity. Siemens is aiming, among other things, to achieve comparable annual growth of 5 percent to 7 percent (previously: 4 percent to 5 percent) for Group revenue over its business cycle of three to five years. As a result, the company plans to grow at a rate that clearly outpaces the market. Earnings per share before purchase price allocations (EPS pre PPA) are to grow at an annual rate in the high-single-digit percentage range. From a relative perspective, therefore, pre-PPA EPS is to grow faster than revenue. In addition, the company will continue to rigorously pursue the goal of converting profit into free cash flow. Siemens is lifting its target for the cash conversion rate to the Group level to make the overall accountability clear. As part of its updated Financial Framework, the company is committing to a progressive dividend policy.

Due to its profitable growth in attractive markets and to structural improvements, Siemens is raising its target profit-margin range for Smart Infrastructure and Mobility. Despite temporary burdens from its transition to a SaaS business model, Digital Industries is retaining its ambitious target profit-margin range of 17 percent to 23 percent. For the future, Smart Infrastructure is aiming for a profit-margin range of 11 percent to 16 percent (previously: 10 percent to 15 percent). Mobility is targeting a margin of 10 percent to 13 percent (previously: 9 percent to 12 percent).

Commitment to strong investment-grade rating

Siemens' strong investment-grade rating will remain a key success factor. It is also a prerequisite for enabling the company to retain access to financing options at extremely attractive conditions.

Siemens continues to stand for attractive total shareholder return

As part of its Capital Market Day, Siemens is announcing that it will launch a new five-year share buyback program of up to €3 billion, beginning in fiscal 2022. In addition, Siemens continues to ensure stringent capital allocation. Together with the progressive dividend policy, these factors should lead to an extremely attractive total shareholder return in the future, too.

Outlook Fiscal 2021

In the current quarter, the favorable business development continues. In addition, since mid-April, we are integrating Varian Medical Systems, Inc.; the effects from the Varian acquisition were previously excluded from the outlook. Our outlook for net income continues to be in the range of €5.7 billion to €6.2 billion, however now including the previously announced burdens in connection with the acquisition of Varian.

All documents on Siemens' Capital Market Day are available at www.siemens.com/press/CMD2021.

This press release is available at https://sie.ag/3xD4XTI

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Siemens AG (Berlin and Munich) is a technology company focused on industry, infrastructure, transport, and healthcare. From more resource-efficient factories, resilient supply chains, and smarter buildings and grids, to cleaner and more comfortable transportation as well as advanced healthcare, the company creates technology with purpose adding real value for customers. By combining the real and the digital worlds, Siemens empowers its customers to transform their industries and markets, to transform the everyday for billions of people. Siemens also owns a majority stake in the publicly listed company Siemens Healthineers, a globally leading medical technology provider shaping the future of healthcare. In addition, Siemens holds a minority stake in Siemens Energy, a global leader in the transmission and generation of electrical power.
In fiscal 2020, which ended on September 30, 2020, the Siemens Group generated revenue of €55.3 billion and net income of €4.2 billion. As of September 30, 2020, the company had around 293,000 employees worldwide. Further information is available on the Internet at www.siemens.com.

Notes and forward-looking statements
This document contains statements related to our future business and financial performance and future events or developments involving Siemens that may constitute forward-looking statements. These statements may be identified by words such as "expect," "look forward to," "anticipate," "intend," "plan," "believe," "seek," "estimate," "will," "project" or words of similar meaning. We may also make forward-looking statements in other reports, in prospectuses, in presentations, in material delivered to shareholders and in press releases. In addition, our representatives may from time to time make oral forward-looking statements. Such statements are based on the current expectations and certain assumptions of Siemens' management, of which many are beyond Siemens' control. These are subject to a number of risks, uncertainties and factors, including, but not limited to, those described in disclosures, in particular in the chapter Report on expected developments and associated material opportunities and risks of the Annual Report, and in the Half-year Financial Report, which should be read in conjunction with the Annual Report. Should one or more of these risks or uncertainties materialize, events of force majeure, such as pandemics, occur or should underlying expectations including future events occur at a later date or not at all or assumptions prove incorrect, actual results, performance or achievements of Siemens may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. Siemens neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.
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