

Ralf P. Thomas | Member of the Managing Board and CFO

Sustainable value generation based on solid financials

Siemens Capital Market Day | Berlin, December 9, 2014

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 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 Risks in the Annual Report. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur 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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All underlying margins are calculated by adjusting margins for the effects reported for the respective businesses in the relevant period. These effects are provided to assist in the analysis of the businesses’ results year-over-year and may vary from period to period. Underlying margins are not necessarily indicative of future performance. Other companies may calculate similar measures differently.

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.

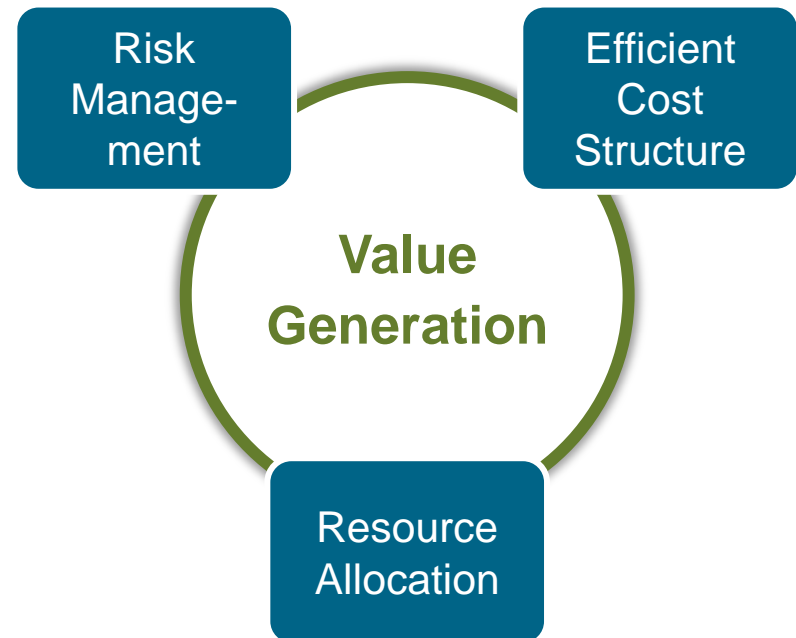
Vision 2020 sets the course for capital efficient growth

Successful completion of FY 2014

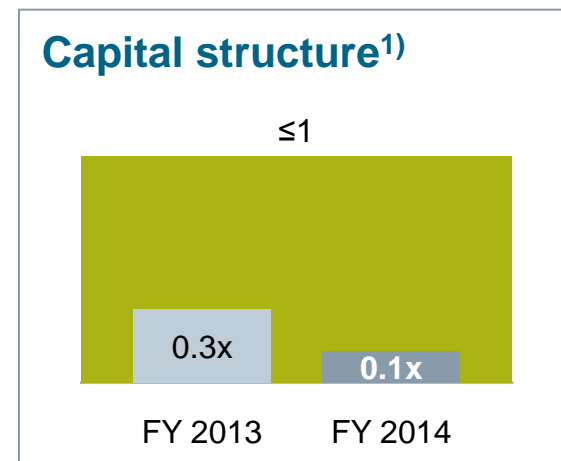
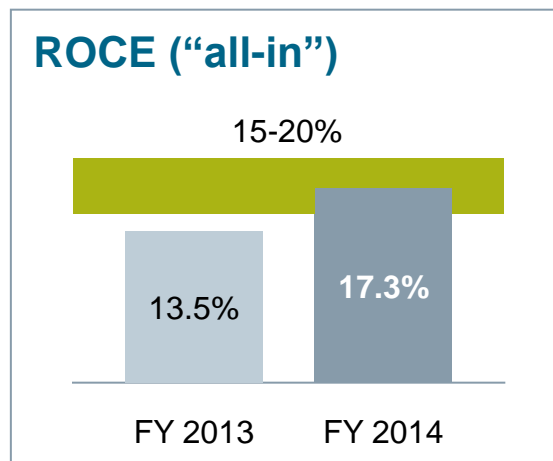
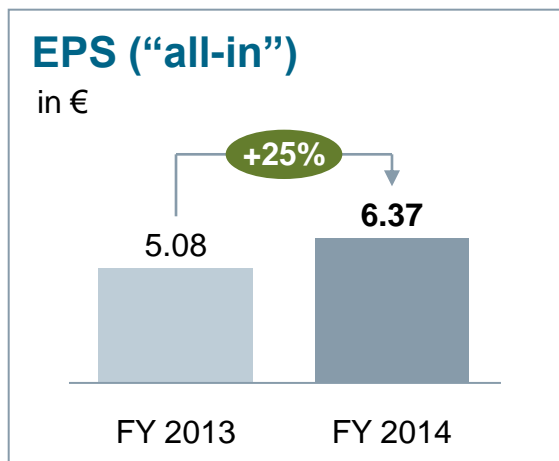
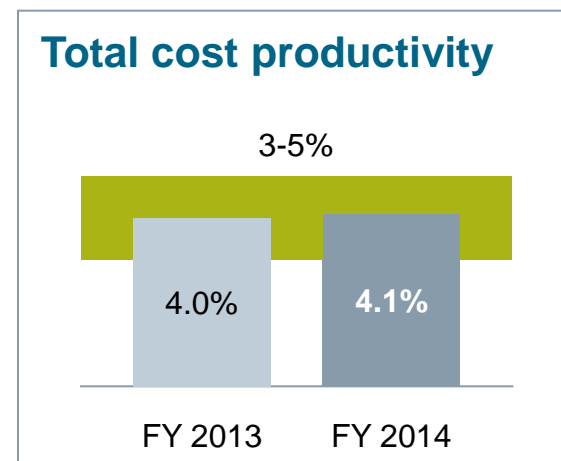
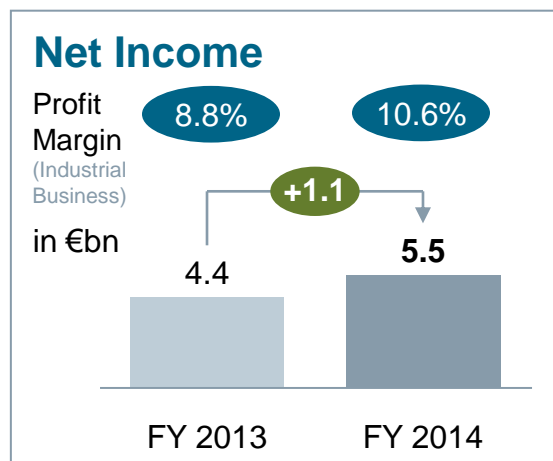
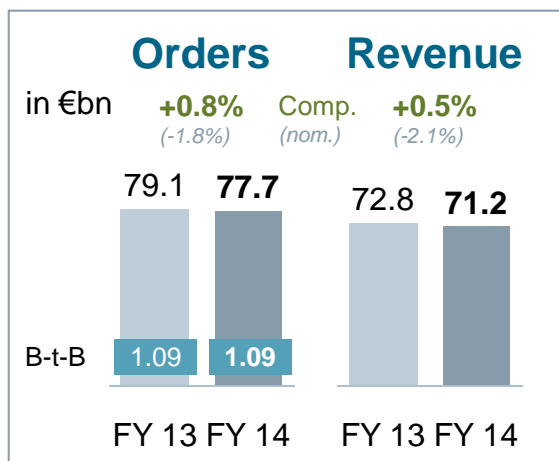
- ✓ We delivered the results we promised in our guidance
- ✓ We made substantial progress strengthening our portfolio
- ✓ We are delivering attractive shareholder returns



Our path to sustainable value generation



Profit Margin and ROCE increase in low growth environment

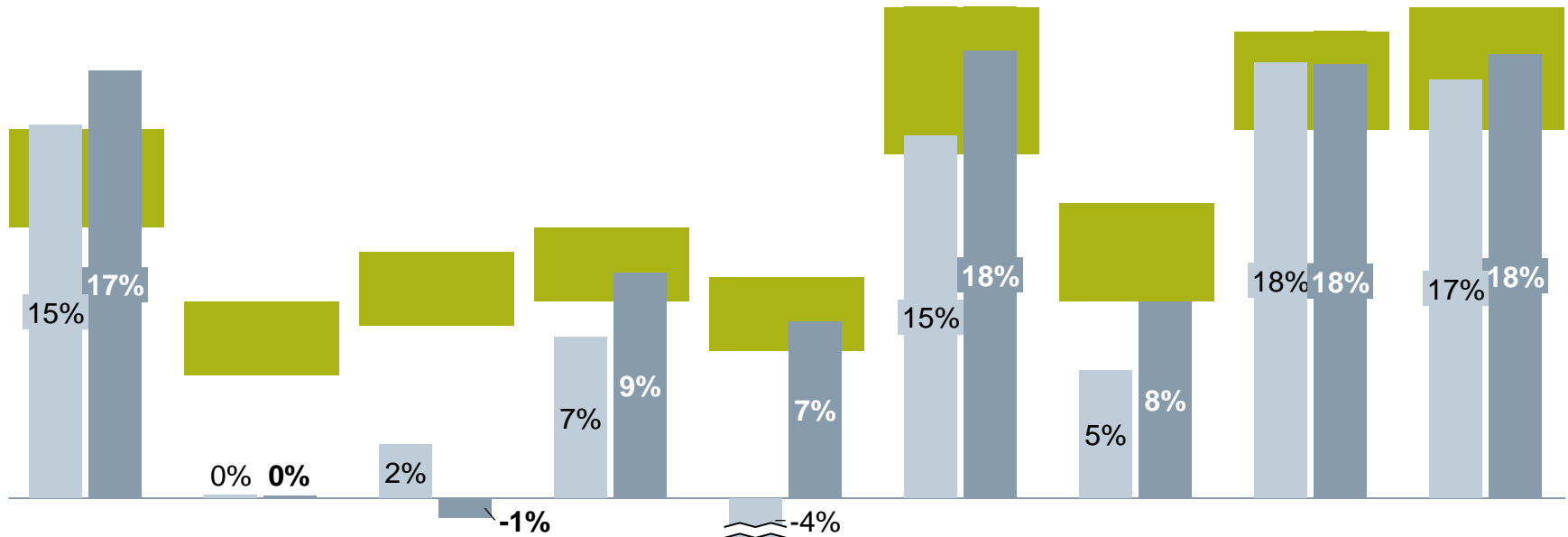


1) Industrial Net Debt/EBITDA; EBITDA is without the elimination of income or loss from investments accounted for using the equity method

New structure along value chain of electrification provides further room for value generation

Profit margins of businesses

Power and Gas	Wind Power & Renewables	Energy Management	Building Technologies	Mobility	Digital Factory	Process Industries & Drives	Healthcare	SFS ¹⁾
11-15%	5-8%	7-10%	8-11%	6-9%	14-20%	8-12%	15-19%	15-20%



■ FY 2013 ■ FY 2014

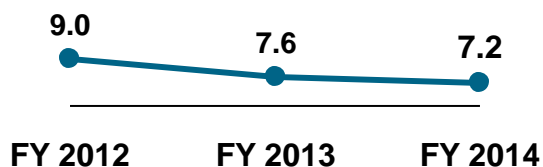
1) SFS based on Return on equity after tax

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Another year with more than five billion FCF, despite continuing trend of lower advance payments

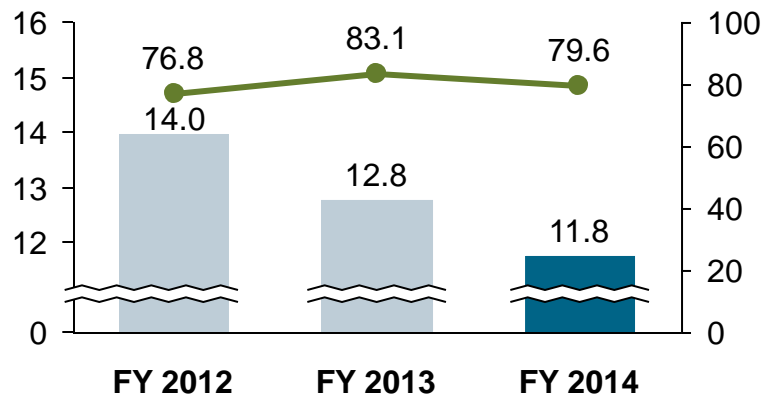
Key drivers free cash flow

Operating Working Capital turns Total Sectors



Advance payments & BiE in €bn

Total Sectors, as reported

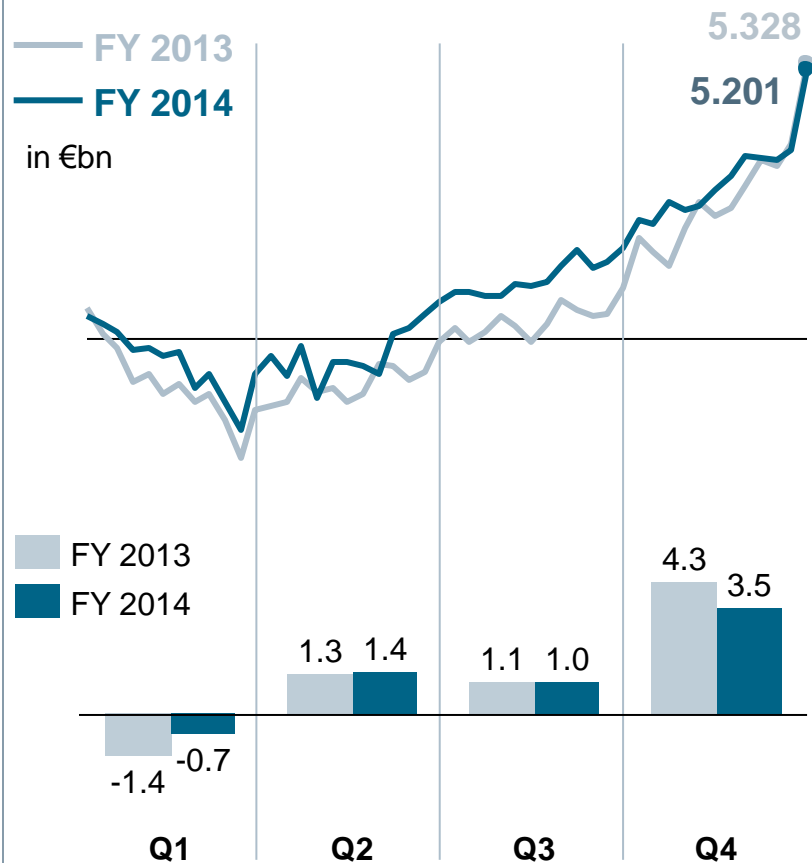


FCF development (“all-in”)

FY 2013

FY 2014

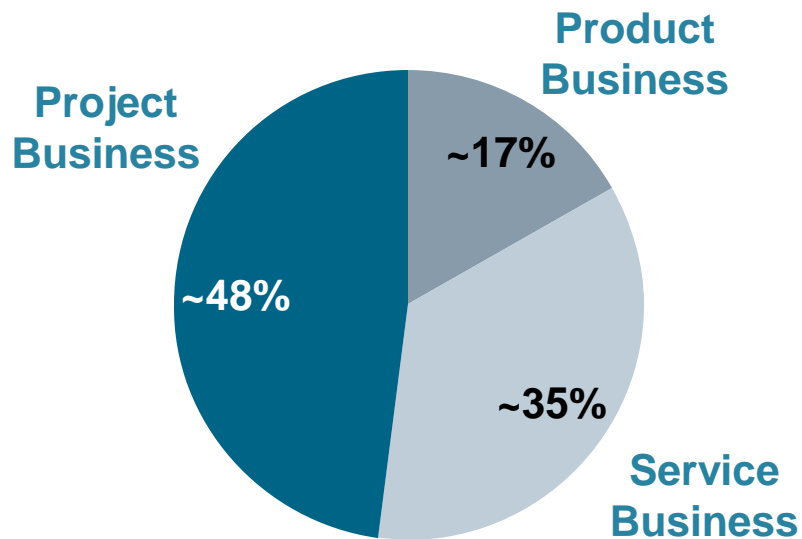
in €bn



Improved backlog quality from new orders; legacy projects phasing out

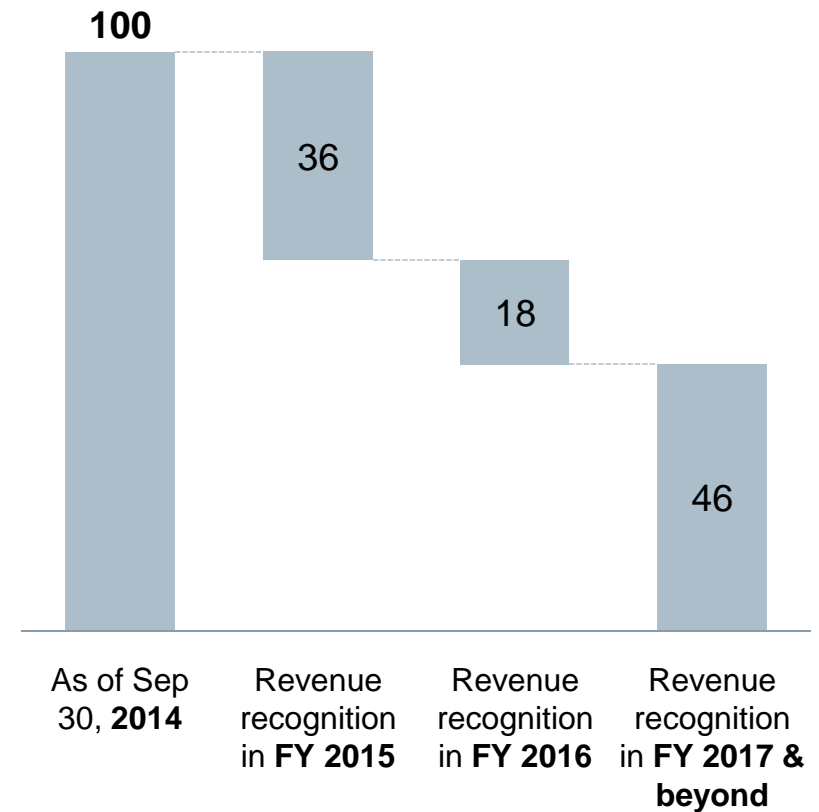
Order backlog portfolio (Sep 30, 2014)

Order backlog Industrial Business: €100bn



Order backlog revenue recognition

in €bn



Major milestones of legacy projects achieved; majority will be completed 2017



Estimated project completion

2015

~2016/17

~2017

beyond 2017

Offshore grid connections – North Sea
PoC ca. 75%-90%



HVDC links – Canada and UK
PoC ca. 40%-50%



Rail projects – Germany and UK
Velaro D PoC ca. 80%,
Velaro Eurostar PoC ca. 55%



Olkiluoto 3 – Finland



"Corporate Memory" established for improving risk mitigation and reducing project charges

Lessons learned



High Speed Trains



Offshore Grid Connections



HVDC Links

Typical risk pitfalls

First-of-its-kind technical challenges

Specific regional conditions/partnering

Low Siemens value add



Intensification of ...

... identification of risks and root causes

... early warning mechanisms

... project approval process

... mitigation measures for contingent events

... business proximity of management

"Corporate Memory"

Refined project categorization

Intensified technical risk assessments

Portfolio risk management

Company-wide transfer of people, knowledge and expertise

& Implementation

Extended risk and opportunity workshops in early bid phase

Independent internal view from experienced project leaders

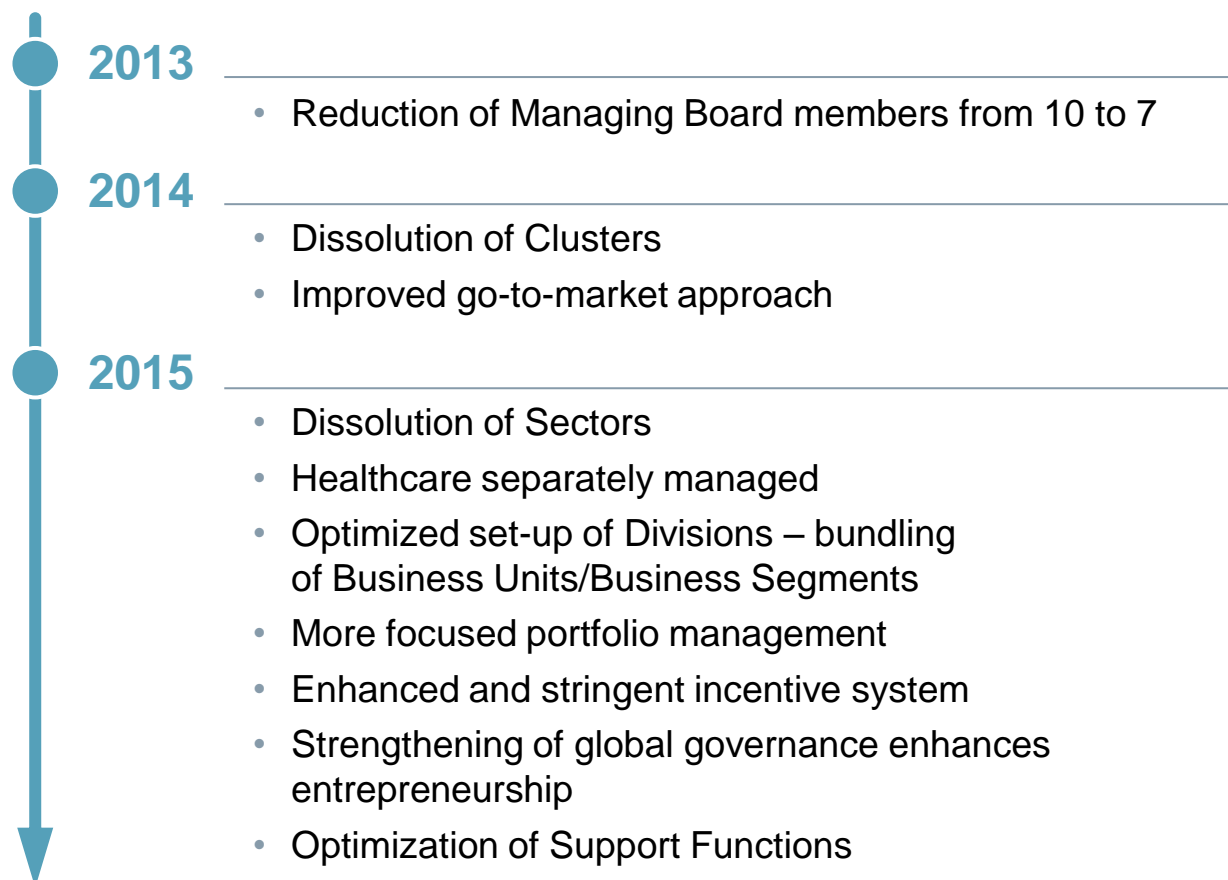
Risk-adjusted business models

Improved terms and conditions



Efficient cost structure, consequently driving down cost

Stringent execution of organizational streamlining



**Ramp-up of
additional
productivity
of €1bn on
track**



Continuous productivity improvements serve as countermeasure for price change and cost inflation

Levers for productivity improvement

Supply Chain



- Global value sourcing
- Second sourcing/multiple sourcing
- Demand bundling
- eBidding/eAuctions
- ...

**Base productivity
3-5% p.a.**

Design-to-cost



- Re-design
- Standardization
- Modularization
- Simplification
- ...



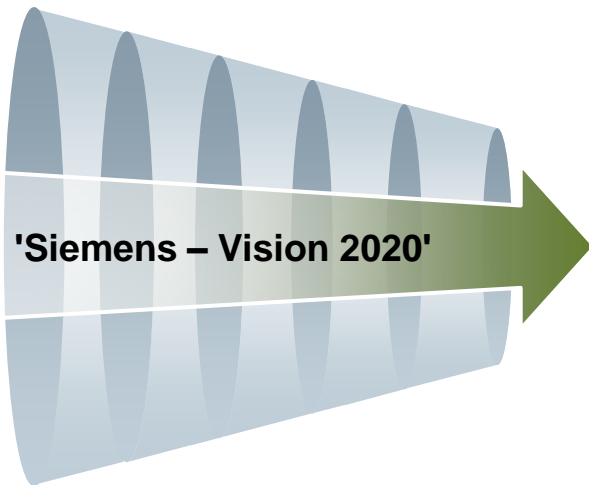
Siemens value-add

- Process optimization
- Outsourcing
- Optimization of global footprint
- ...

Capital allocation with clear priorities

Criteria to strengthen core ...

- 1| Areas of growth?
- 2| Potential profit pool?
- 3| Why Siemens?
- 4| Synergetic value?
- 5| Paradigm shifts?



... by continuous focus on portfolio ...

Investments

- Dresser-Rand
- Rolls-Royce

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Divestments

- B/S/H/
- Audiology
- Healthcare IT
- ...

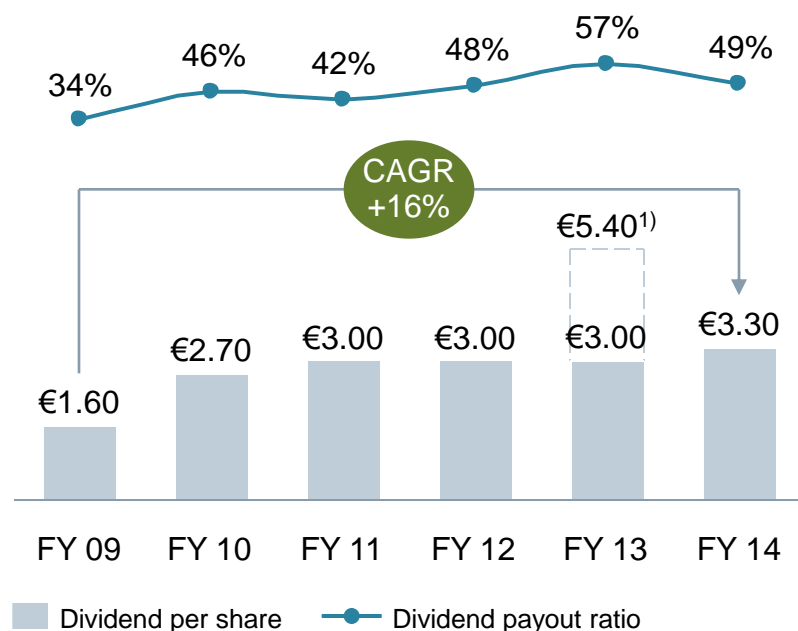
... and focused investments in ongoing business

	FY 2013	FY 2014	Focus for FY 2015
R&D	4.0	4.0	
% Revenue	5.5%	5.6%	<ul style="list-style-type: none"> • PG - Large Gas Turbine Technology • DF - Plant Data Services • HC - Next-Gen integrated platform
SG&A	10.6	10.2	
% Revenue	14.6%	14.3%	<ul style="list-style-type: none"> • PG - Growing sales force • DF - Sales invest China
Capex	2.2	2.2	
Capex ratio	100%	116%	<ul style="list-style-type: none"> • PG - Combustion Testcenter Berlin • HC - Next-Gen integrated platform

Sustainable value generation delivers attractive shareholder returns

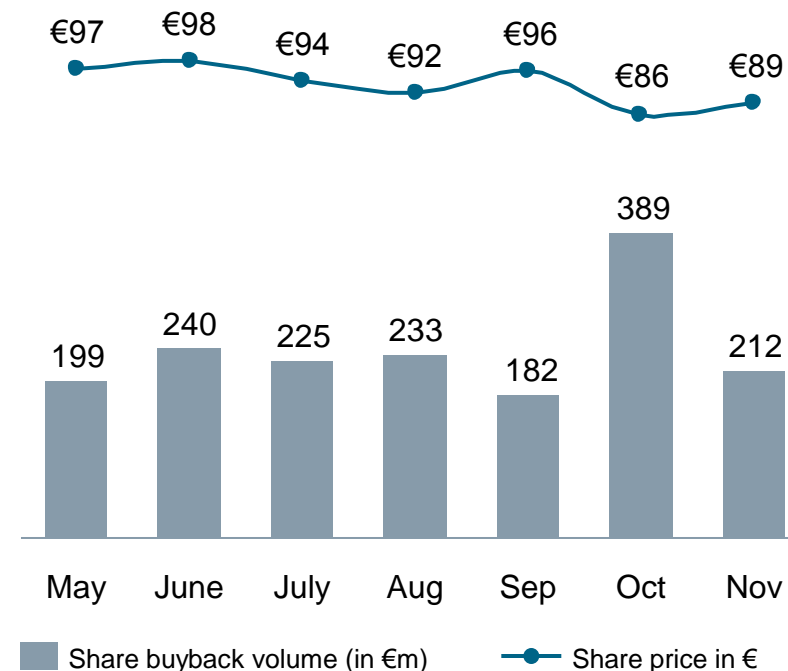
Attractive dividend yield

- Dividend increase by 10% to €3.30
- Payout ratio of 40-60% at high dividend yield



Share buyback

- Up to €4bn over 2 years
- Total buyback volume €1.7bn until Dec 8, 2014



1) Effect of OSRAM stock distribution to shareholders of €2.40 per share; not reflected in CAGR or dividend payout ratio

Assumptions FY 2015

Macroeconomic environment

- Complex market conditions impacted by geopolitical developments
- Modest growth for short cycle businesses expected

Execution of Vision 2020

- Significant gains from divestments cover restructuring charges and drive EPS growth

Pricing

- Pricing pressure around 2.5% of revenue

Personnel cost inflation

- 3-4% increase

Productivity

- 3-4% of cost base

Foreign exchange

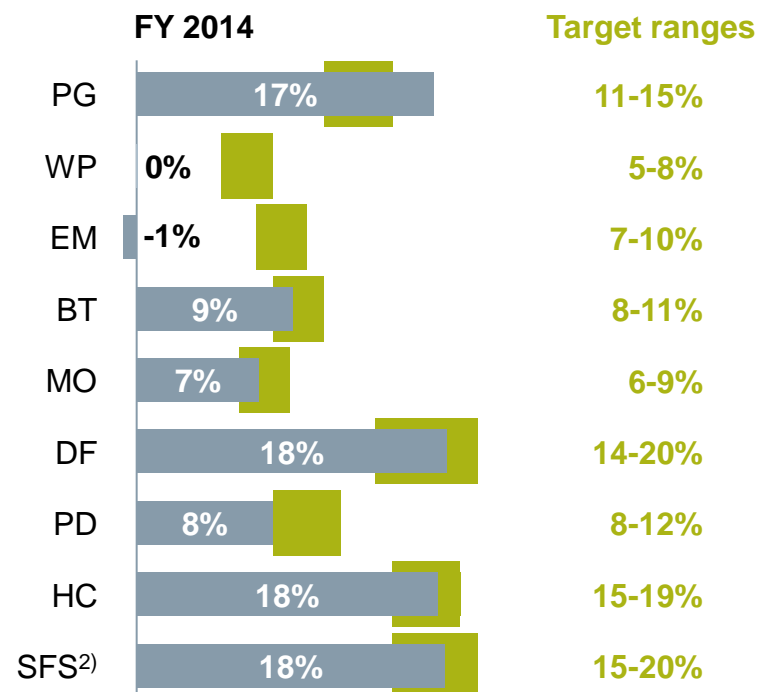
- Limited foreign exchange tailwind due to hedging policy

Cash Flow

- Continuing trend of low advance payments and billings in excess in project business
- Cash-outs for acquisitions of Dresser-Rand and Rolls-Royce higher than proceeds from sale of BSH, Audiology and Healthcare IT
- Cash-outs for ongoing share buyback and increased dividend

Nearly all businesses expected to be in their target ranges in 2015

Profit Margins



- **PG** margin expected at lower end of target range
- **WP** and **EM** margins expected to increase significantly

Outlook¹⁾ FY 2015

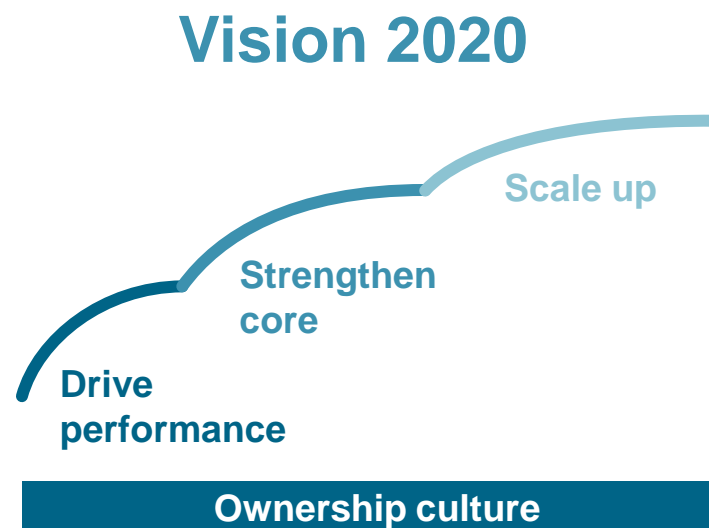
- **Revenue flat** on an organic basis
 - **Book-to-bill ratio above 1**
 - **Increase basic earnings per share at least 15%**
 - **Industrial Business profit margin of 10-11%**
-
- **SFS:** In line with FY 2014
 - **CMPA:** Gain from divestment BSH; includes other portfolio elements, e.g. Unify, Osram, Metals, Postal & Baggage Handling as of FY 2015
 - **SRE:** Lower than PY; dependant on disposal gains
 - **Corporate Items:** ~€150m per quarter, H2 > H1, volatility related to warrants, among others
 - **Pension:** ~€125m per quarter
 - **PPA:** In line with FY 2014 ~€500m
 - **Disc. Ops:** Includes results and gains from Healthcare IT, Audiology, Metals

1) This outlook excludes impacts from legal and regulatory matters; 2) SFS based on Return on equity after tax

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We are fully committed to sustainable value generation

- » **Delivering on our outlook**
- » **Significantly reducing project charges**
- » **Streamlining our organization**
- » **Efficiently allocating capital**



Disciplined execution of Vision 2020!