

Vision 2020+ Shaping the future Siemens

Joe Kaeser, President and CEO
Press and Analyst Conference | Munich, August 2, 2018

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.

This document includes – in the applicable financial reporting framework not clearly defined – supplemental financial measures that are or may be alternative performance measures (non-GAAP-measures). These supplemental financial measures should not be viewed in isolation or as alternatives to measures of Siemens’ net assets and financial positions or results of operations as presented in accordance with the applicable financial reporting framework in its Consolidated Financial Statements. Other companies that report or describe similarly titled alternative performance measures may calculate them 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.

Why now?

**Goals of Vision 2020
have been largely achieved –
Siemens in a strong position**

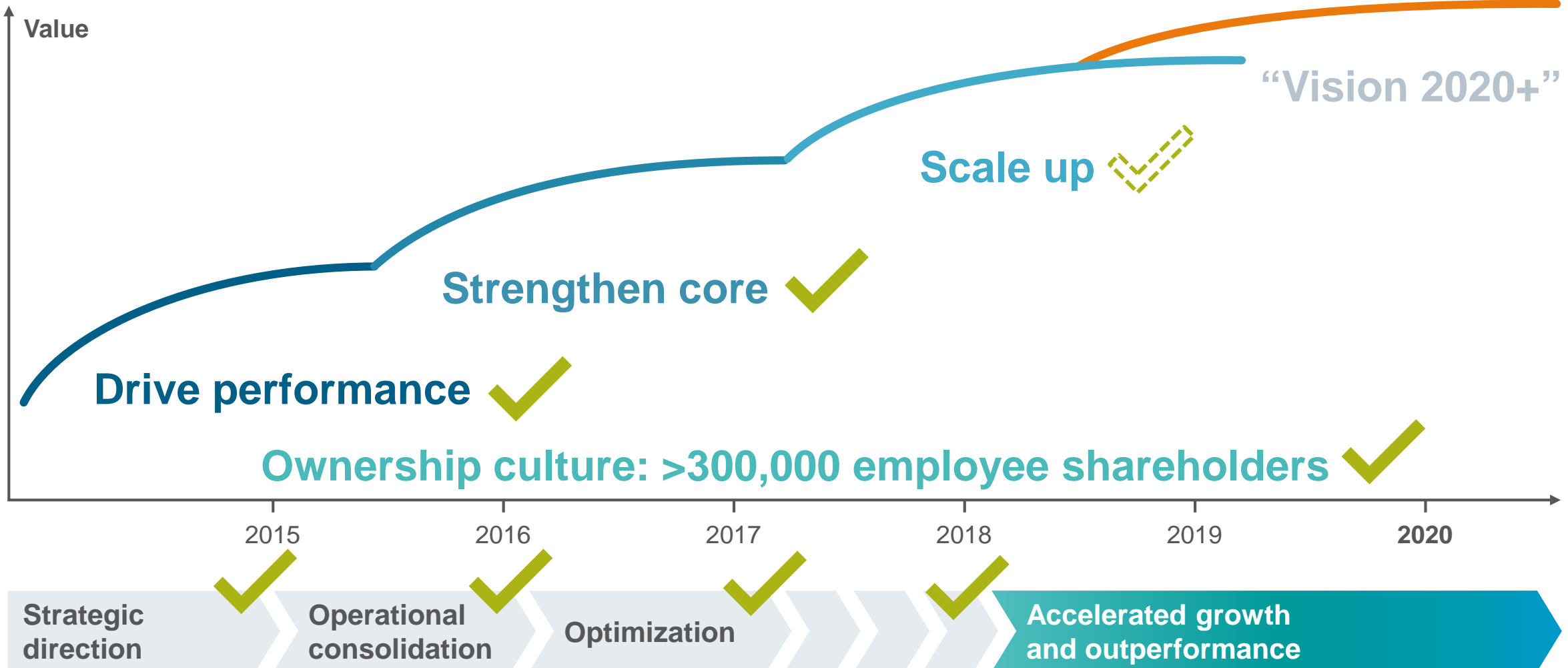
**The best time to reinvent yourself
is when you're strong**

**Adaptability is a key prerequisite in
the digital age**

Siemens Vision 2020

We delivered on what we promised, execution ahead of time

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Ingenuity for life

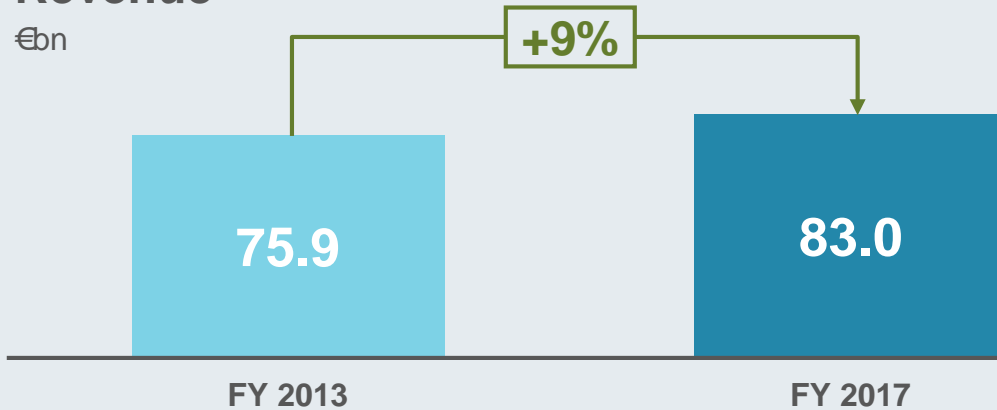


Drive Performance: Profitable growth and significant invest in innovation



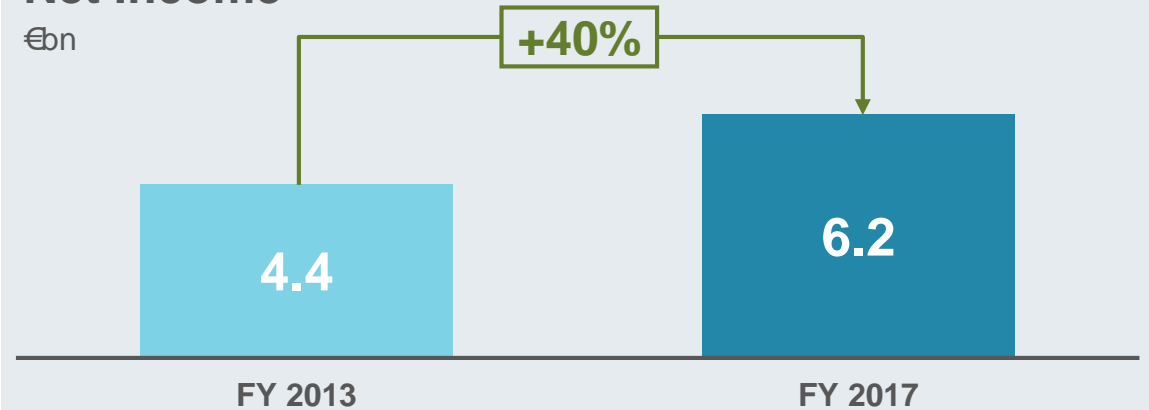
Revenue

€bn



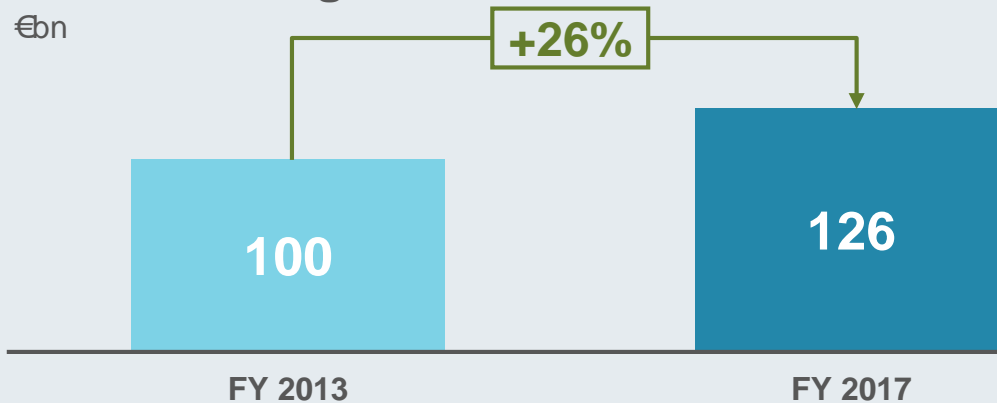
Net Income

€bn



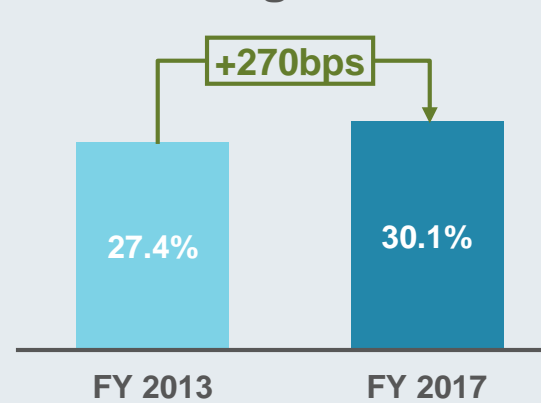
Order Backlog

€bn



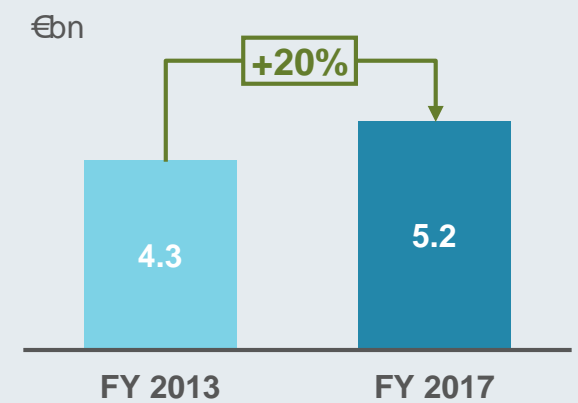
Gross Margin

€bn



R&D

€bn



Strengthen Core: Setting the course for renewable energy, mobility and healthcare businesses for long-term value creation

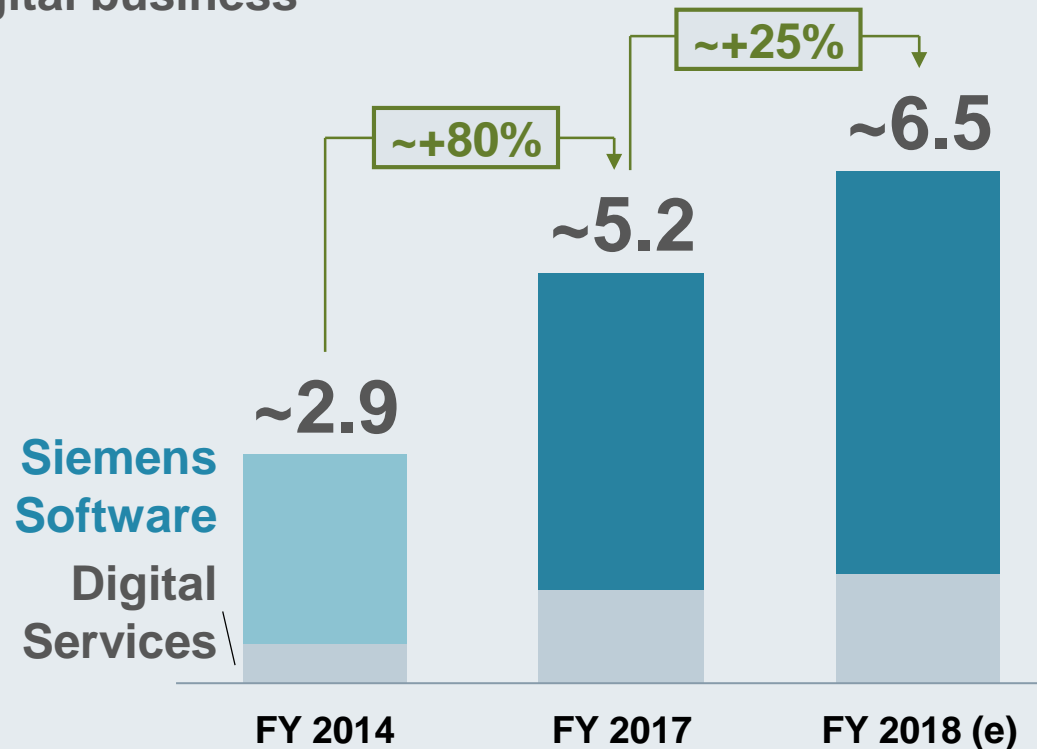


Scale up: Strengthen leadership in Industrial Digitalization across domains



Rapid growth of digital business

€bn



- **Continued value creation** through market outperformance and margin expansion mostly in Digital Factory
- **Holistic digital twin** along the value chain (Design / Production / Service)
- **MindSphere** as the leading open IoT operating system
- **50+ MindSphere Application Centers** globally
- Shaping industrial **Cyber Security** with Charter of Trust

mendix is uniquely positioned to boost our digital offerings



mendix at a glance



Company: Leading low-code platform

Rapid Application Development allows apps created 10x faster based on low-code

Founded 2005, >400 Employees



Customer: >90% recurring revenues;
~80% Gross Margin



Ecosystem:

500+ customers, 50,000+ developers
and 100+ solution partners

Siemens Transaction figures



Purchase price €0.6bn

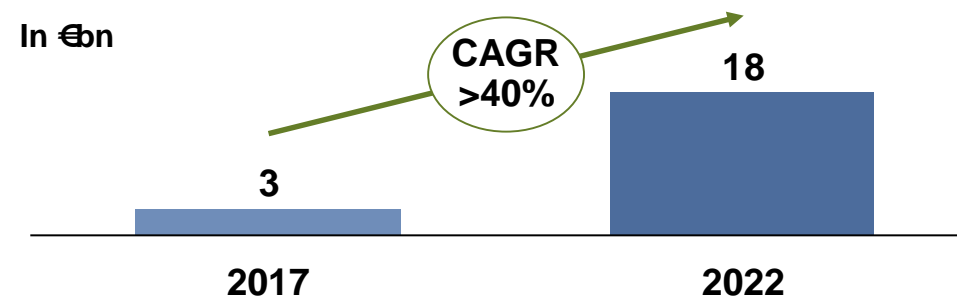
Multiples in line with comparable deals

EPS accretive in year 4

Closing expected in Q1 FY2019¹

Attractive market growth ...

In €bn



...with strong opportunities



Expand MindSphere with market proven platform components from mendix



Accelerate Siemens cloud offerings

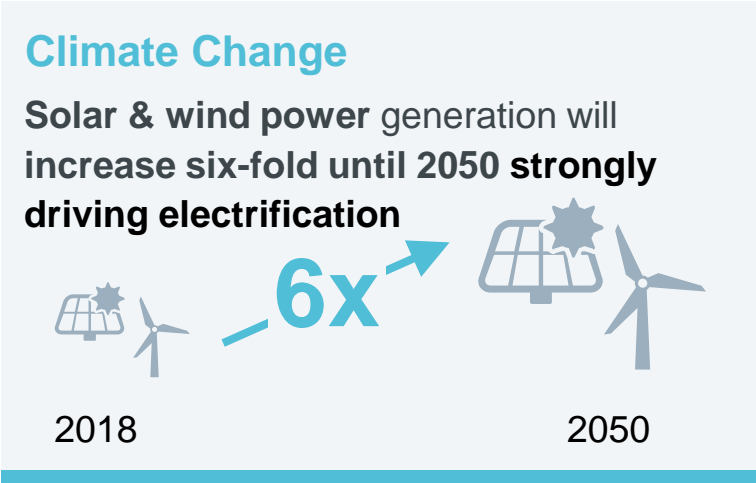
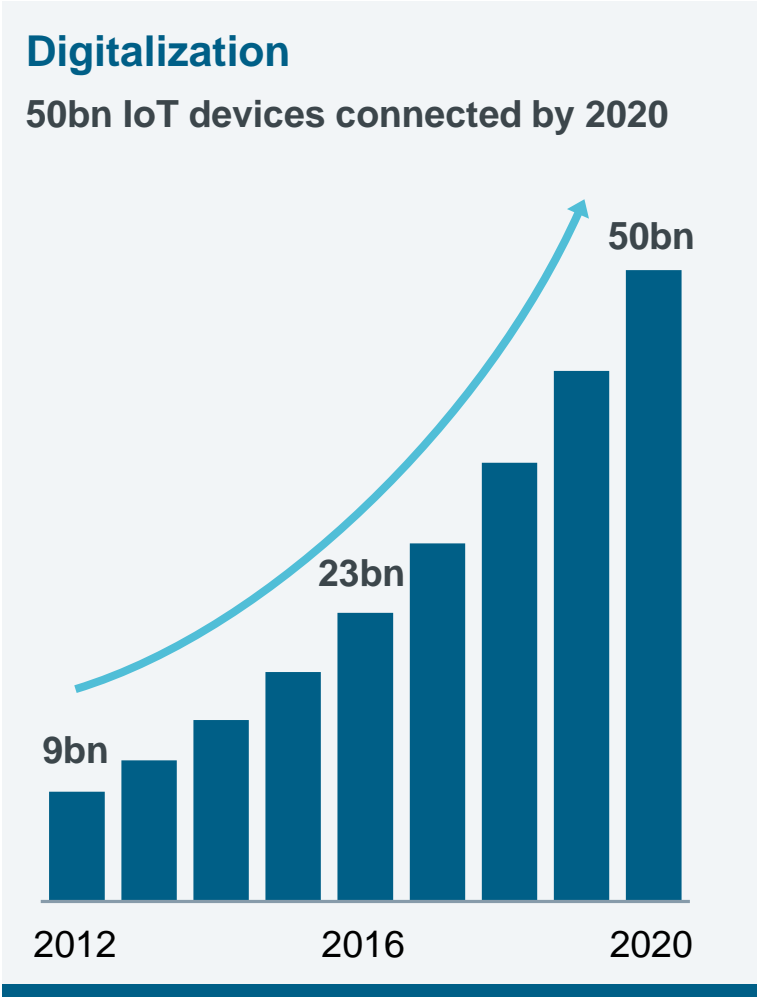
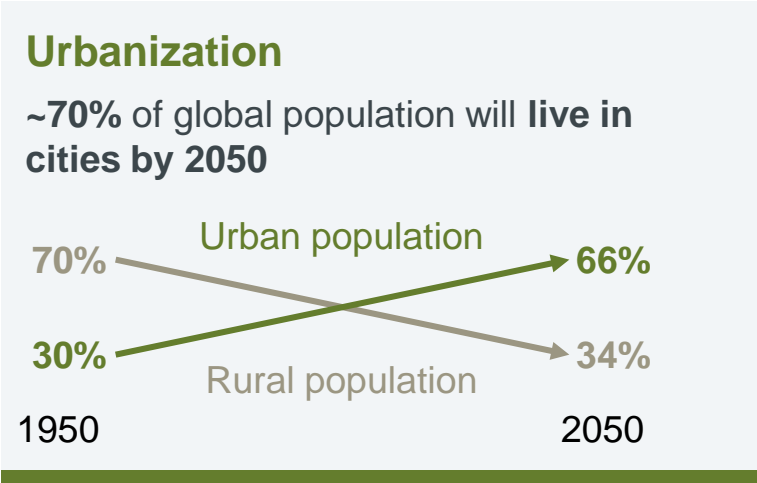
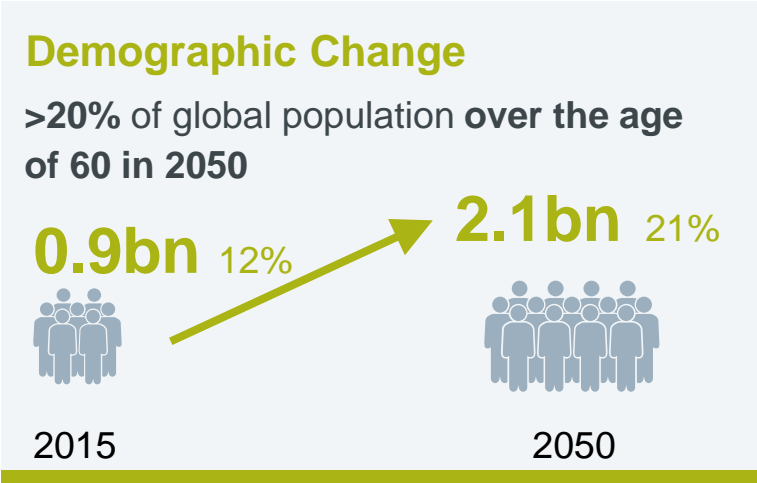


Build cloud-native team and competence

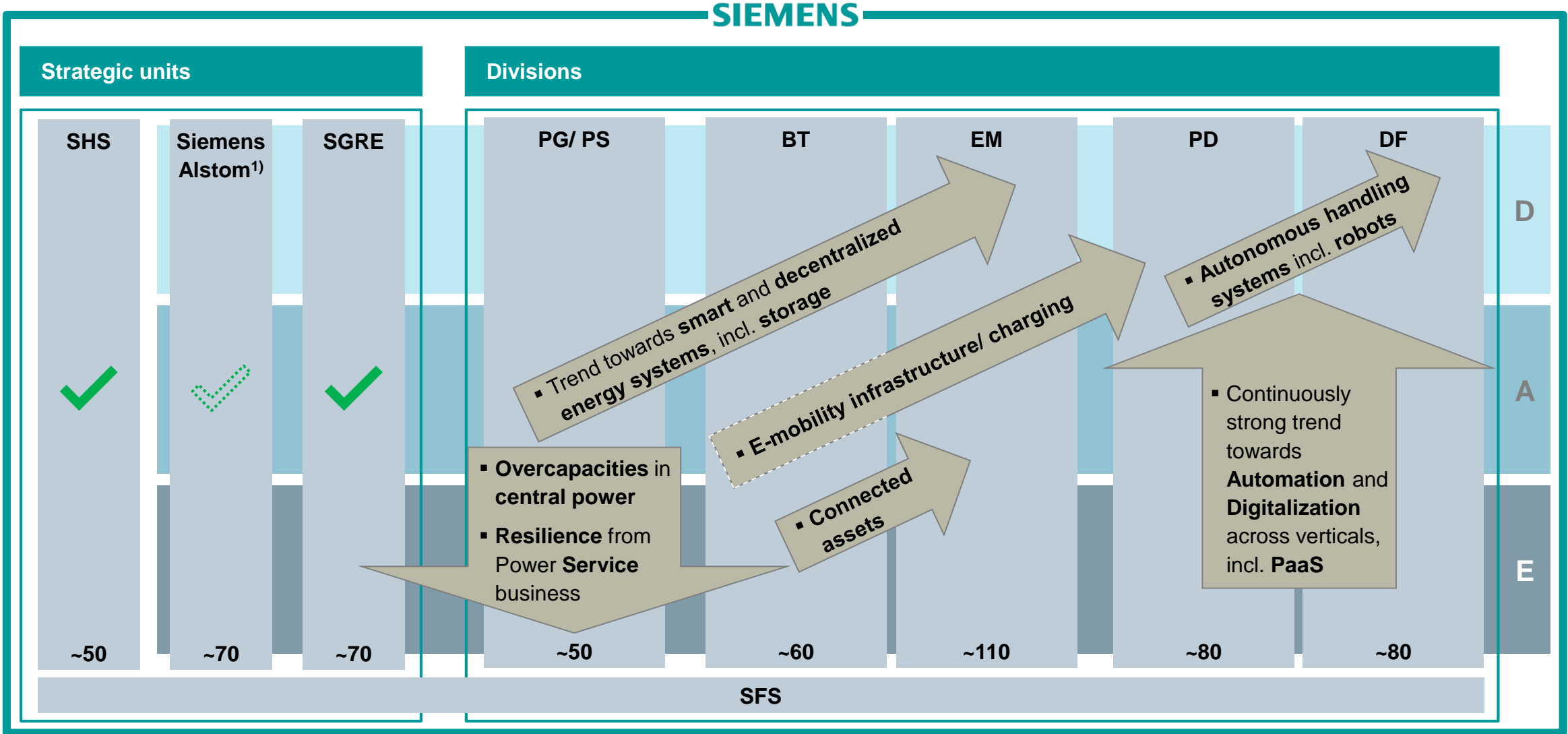
Goals of Vision 2020 largely achieved

Goal	KPI	
1 Implement stringent corporate governance		€1 billion in cost savings achieved by FY 2016 ✓
2 Strengthen portfolio		Tap growth fields > 8% margin in underperforming businesses ✓
3 Execute financial target system		ROCE 15-20% Growth > most-relevant competitors ✓
4 Expand global management		> 30% of Division and Business Unit management outside Germany ✓
5 Be a partner of choice for our customers		≥ 20% improvement in Net Promoter Score ✓
6 Be an employer of choice		> 75% approval rating in “leadership” and “diversity” areas in global employee survey ✓
7 Strengthen Ownership Culture		≥ 50% increase in number of employee shareholders ✓

Global megatrends shaping our future markets



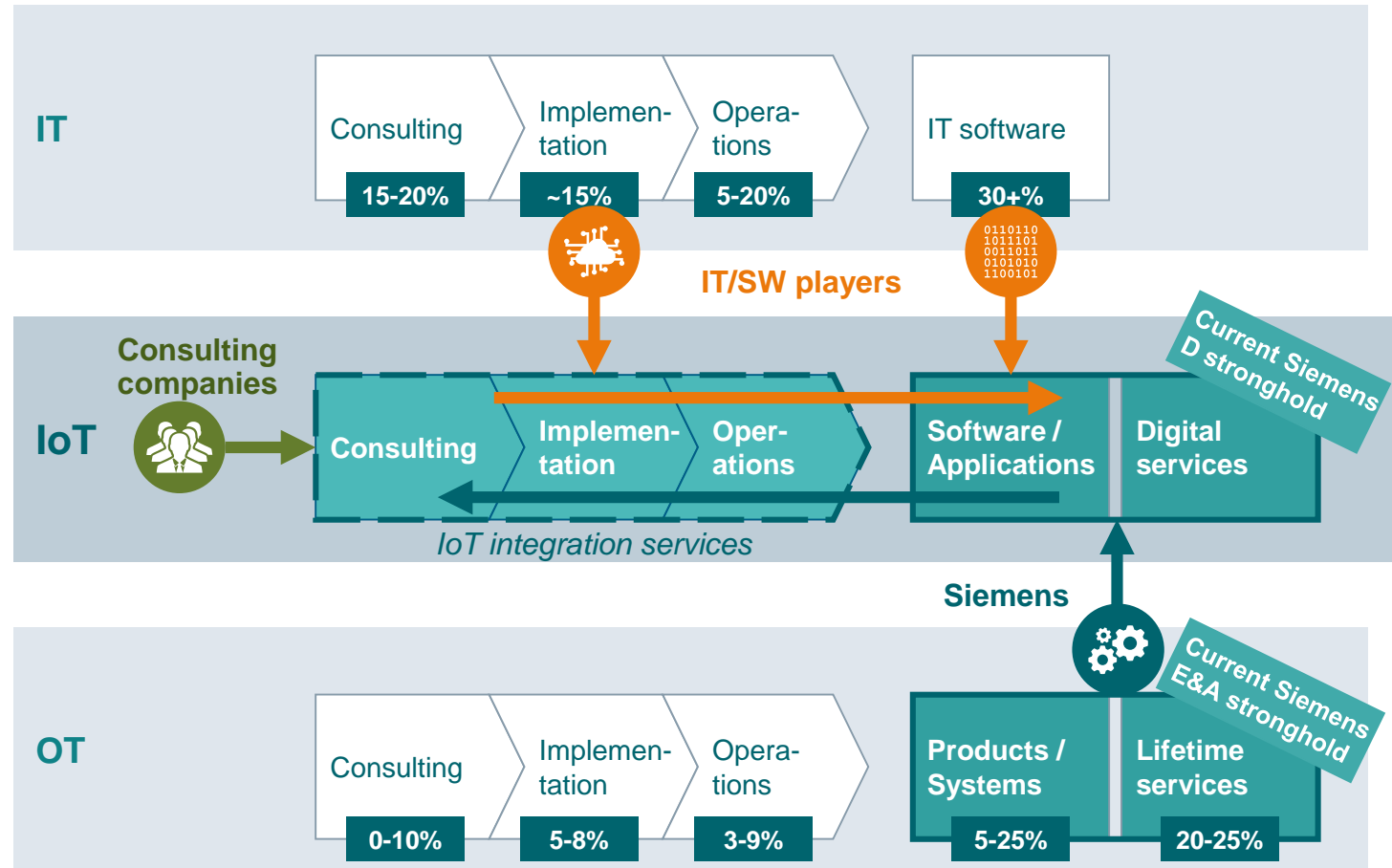
Paradigm shifts create mostly opportunities for growth



A fast growing and attractive IoT integration services market is emerging to realize the IoT world

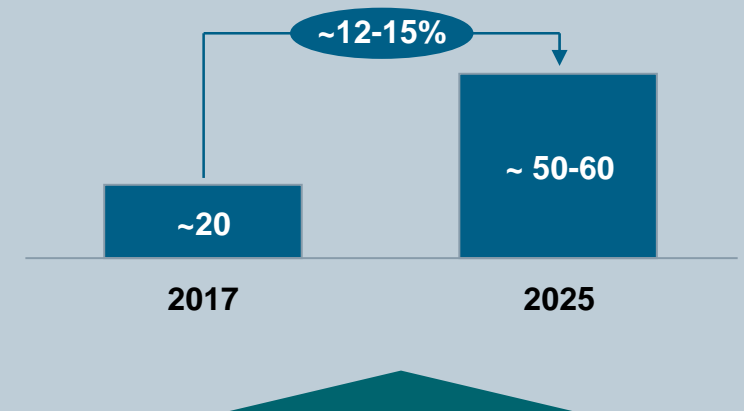


IoT integration services are essential in convergence of IT and OT



Large, high growth market emerging

IoT integration services market¹⁾, in €bn



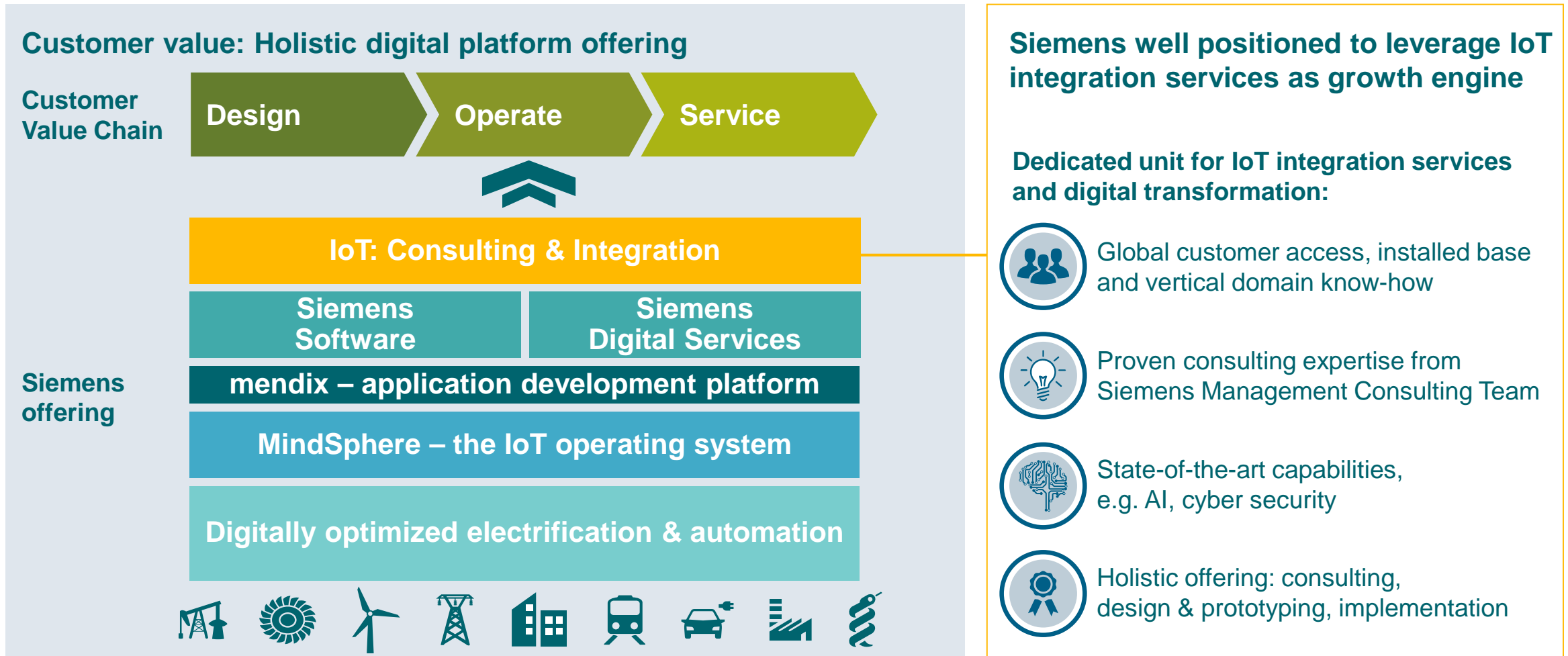
- High growth market driven by consulting, design & prototyping and implementation
- Holistic offering essential to realize IoT
- Attractive profit pool of 12-18%

1) Source: Gartner

Siemens is expanding its IoT platform offering: Integration Services to support the digital transformation of our customers

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Vision 2020+: Technology is the enabler – the purpose makes the difference

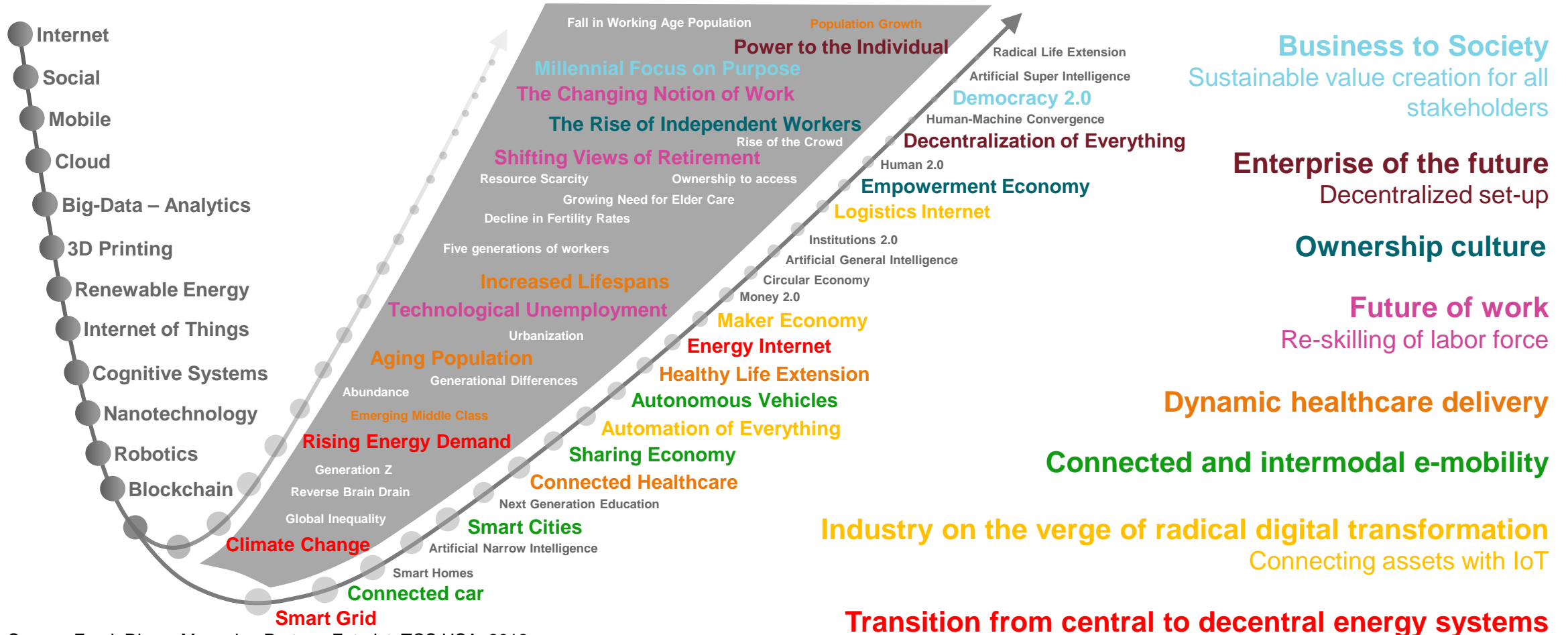


SCIENCE AND TECHNOLOGY

SOCIO-ECONOMIC FACTORS

FUTURE SCENARIOS

VISION 2020+



Source: Frank Diana, Managing Partner, Futurist, TCS USA, 2016

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Operating model based on purpose and ownership culture

Purpose
Business to Society
Value creation for all stakeholders
We make real what matters

Businesses
drive our purpose

Regions
are part of the business

Corporate Development
holds us together

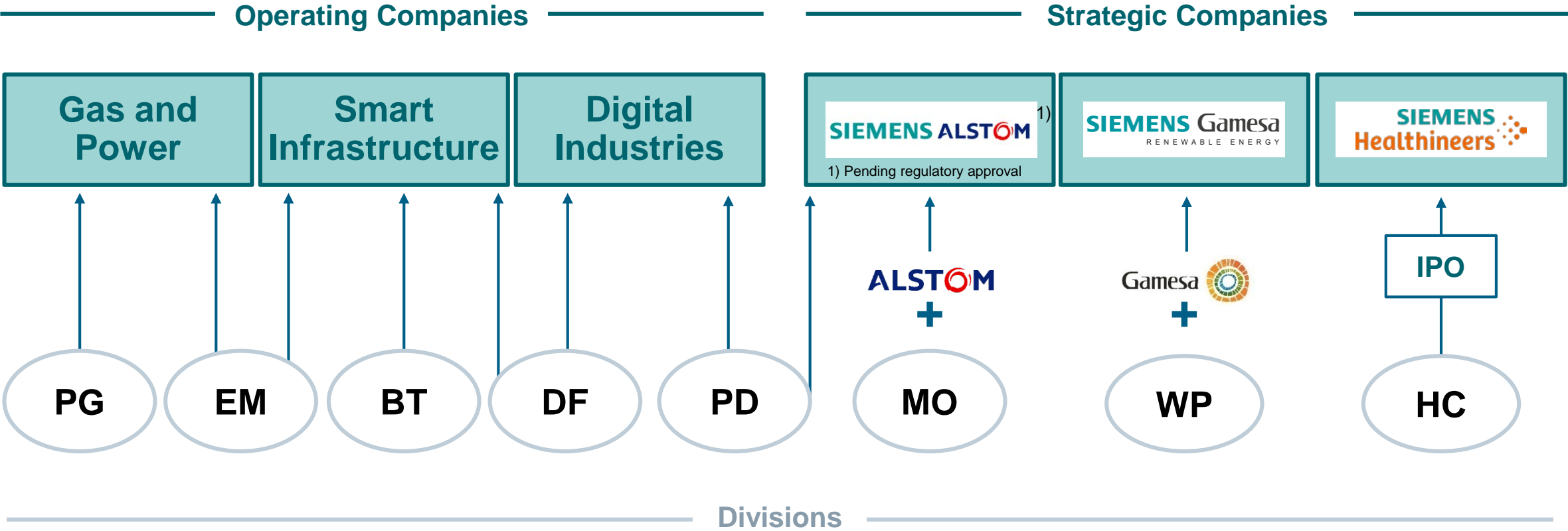
Services
enable and support

Governance sets the frame

Ownership Culture connects and leads our actions

Siemens Industrial Businesses

Focus drives value creation



Gas and Power

Managing for value in a low growth environment



Gas and Power (GP)

Power Generation
Operations

Power Generation

Oil & Gas

HV Transmission Products

EPC Projects

Service & Digital

FY 2017: Revenue: ~€21bn | Profit margin: ~9% | Employees: ~71 thousand



- **Key target verticals: Utilities, IPPs, TSOs, O&G and Industrial Power**
- **Sharper focus on go-to-market and customers through localization**
- **Technology leadership and innovation to drive customer value**
- **Better leverages competence and capabilities**
- **Enables a support structure that fits business needs**
- **Right-sizing and optimization delivers competitive financial performance**

Smart Infrastructure

Accelerating growth building on a strong core



Smart Infrastructure (SI)

Regional Solutions & Services

Digital Grid

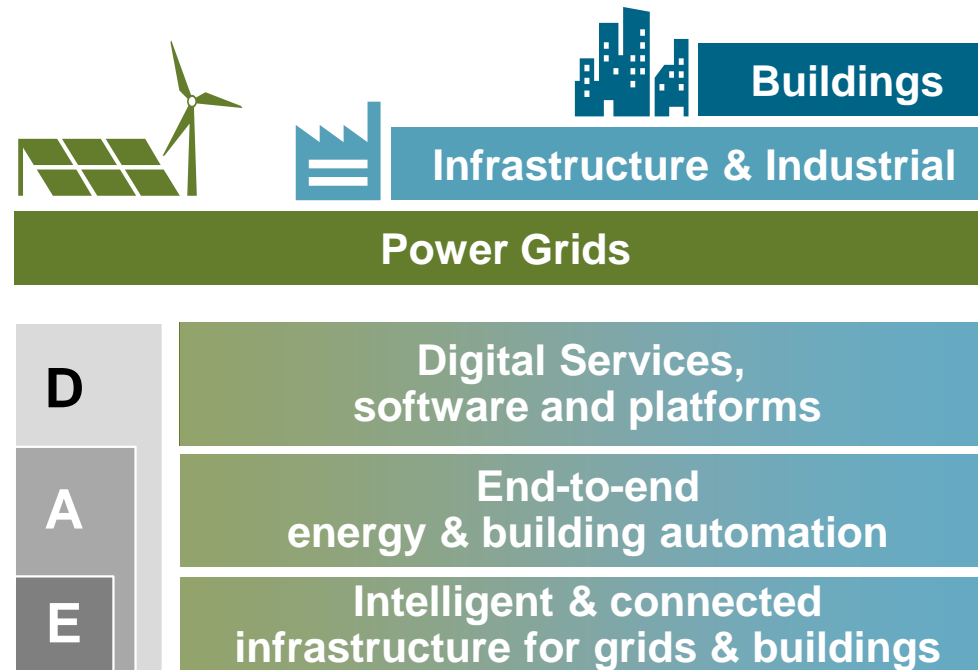
Distribution Systems

Low Voltage Products

Control Products

Building Products

FY 2017: Revenue: ~€14bn | Profit margin: ~11% | Employees: ~71 thousand



- Fast-growing infrastructure markets at intersection of smart buildings & grids
- Merge of physical and digital offerings required

Balanced revenue mix

- Services & Digital ~20%
- Solutions ~20%
- Systems ~20%
- Products ~40%

Digital Industries

Driving the digital transformation of discrete and process industries



Digital Industries (DI)

Factory Automation

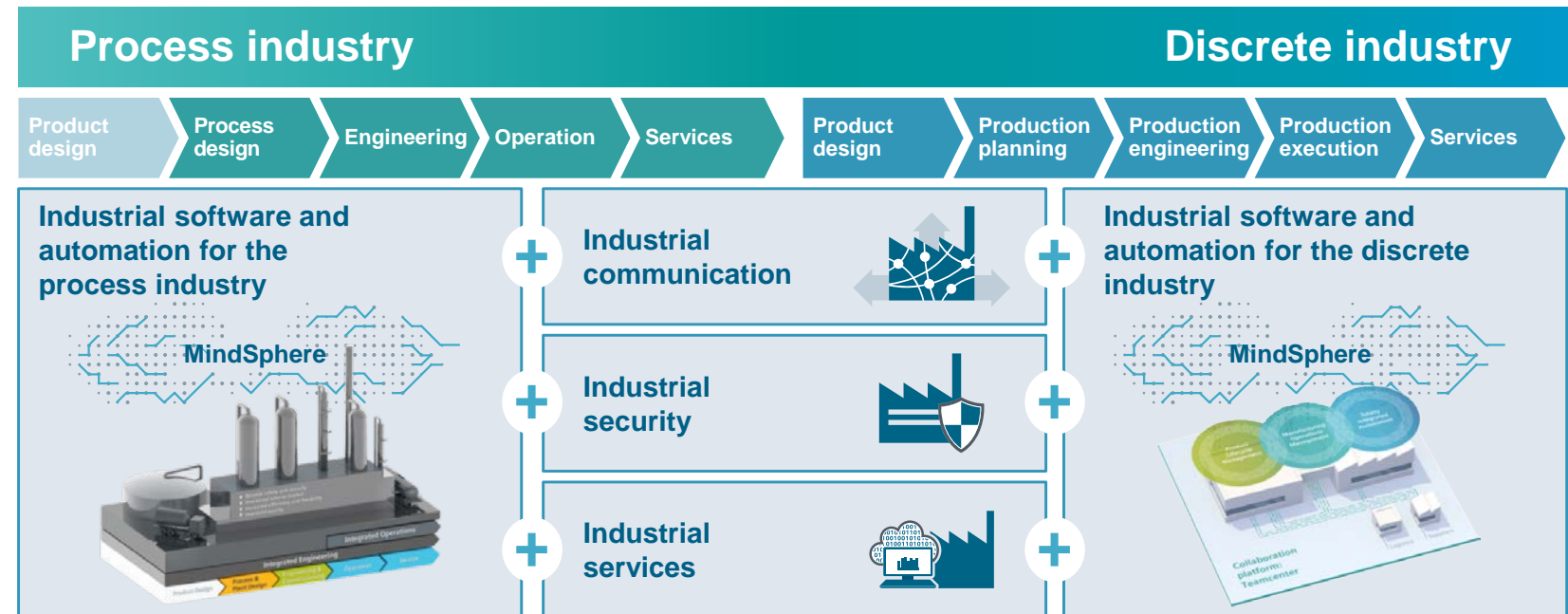
Motion Control¹⁾

Process Automation

Software

Customer Services

FY 2017: Revenue ~€14bn | Profit margin ~16% | Employees ~78 thousand



End-to-end portfolio for digital transformation across the entire value chain

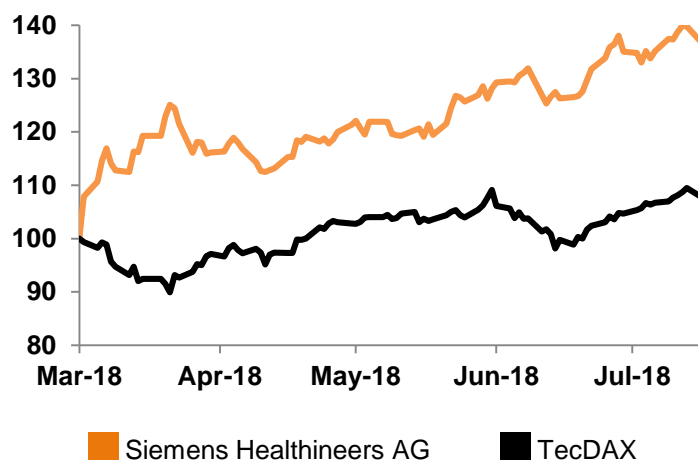
1) Motion Control new: DF Motion Control + PD Large Drives Products and Cranes business

Strategic companies already with full entrepreneurial flexibility Siemens governing with an industrial mindset & creating optionality

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Healthineers

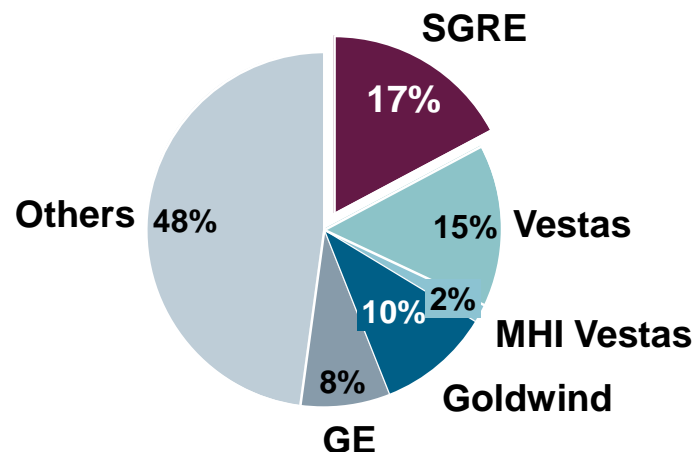
Share price (%)



- Enterprise Value ~€42bn (+~36% since listing in March 2018)
- Strategy 2025 on track for growth and margin expansion

SIEMENS Gamesa
RENEWABLE ENERGY

Market share 2017 (in GW)



Source: MAKE

- Clear roadmap to drive profitable growth with L3AD2020 program
- Build on 84GW installed base for enhanced service offerings

SIEMENS ALSTOM¹⁾

Combined financials (Sep 30, 2017)

Backlog (€bn)	59.3
Revenue (€bn)	15.6
Adj. EBIT (€bn)	1.2
Adj. EBIT margin	7.6%
Employees	~65,000

- Creation of a global mobility champion
- Merger control clearance ongoing

1) Pending regulatory approval

Small and Medium Enterprises will be managed for value creation



Small and Medium Enterprises SME

Siemens Postal, Parcel & Airport Logistics (SPPAL)

PD Mechanical Drives (Flender)

PD Solutions

PD Large Drives (partially)

EM Subsea Business

Equity investments

Valeo Siemens (50%)

Primetals (49%)

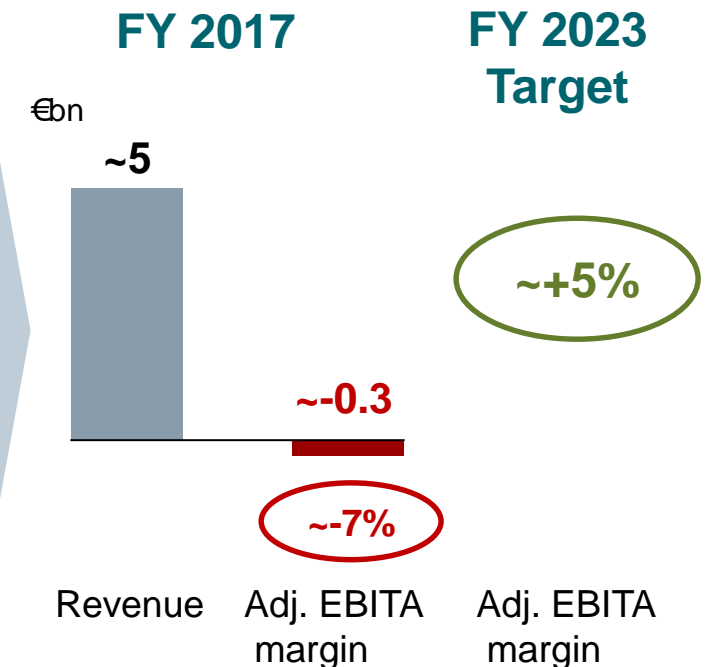
EthosEnergy (49%)

Voith Hydro (35%)

...

Strategic direction

- **Medium-sized business setup**
 - **Dedicated target setting**
 - **Accountability**
 - **Increased strategic flexibility**
-
- **Strong ramp up with Valeo in a growing e-mobility market**
 - **Other investments operate in challenging market environments**



Vision 2020+

Focus and growth drive value creation



Drivers

- **Core markets: business focus** leads to **market share gains**
- **Adjacent markets:** tapping **growth fields** driving structural growth
- Enhancing **business mix** drives **margin quality**
- **Operating Companies** drive **support function** optimization
- **New performance levels at Strategic Companies**
- **Fix SME** businesses
- **Optimization of Service Companies**
- **Corporate Development** will be impact-driven
- **Lean Corporate governance** sets the frame

Mid-term impact

Accelerated comp. revenue growth	+ 2 ppts CAGR
Margin lift at Industrial Businesses	+ 2 ppts
EPS growth ¹⁾	> revenue growth

1) on constant minority shareholdings

Siemens Financial Framework

Ambitious financial goals based on benchmarks



Siemens (targets over the cycle)						
Growth Siemens comparable revenue growth 4 – 5%			Industrial Businesses margin³⁾ 11 – 15%		Cash conversion Cash conversion rate (CCR) CCR = 1 – growth rate⁴⁾	
Capital efficiency ROCE ¹⁾ 15 – 20%²⁾			Capital structure Industrial net debt/EBITDA up to 1.0x		Dividend payout ratio 40 – 60%⁵⁾	
Operating Companies			Strategic Companies			Service Company
Adj. EBITA margin ranges ³⁾			Adj. EBITA margin ranges ³⁾ – Siemens expectation			RoE ⁷⁾
Gas and Power 8 – 12%	Smart Infrastructure 10 – 15%	Digital Industries 17 – 23%	Siemens Healthineers 17 – 21%	Siemens Gamesa R. E. 7 – 11%	Siemens Alstom⁶⁾ 8 – 12%	Financial Services 15 – 22%

1) Based on continuing and discontinued operations; 2) Long-term goal; currently ROCE burdened by significant M&A; 3) EBITA adjusted for operating financial income, net and amortization of intangible assets not acquired in business combinations; 4) Based on Industrial Businesses and comparable revenue growth; 5) Of net income attributable to Siemens shareholders excluding exceptional non-cash items; 6) Siemens Alstom closing pending; 7) Return on equity after tax

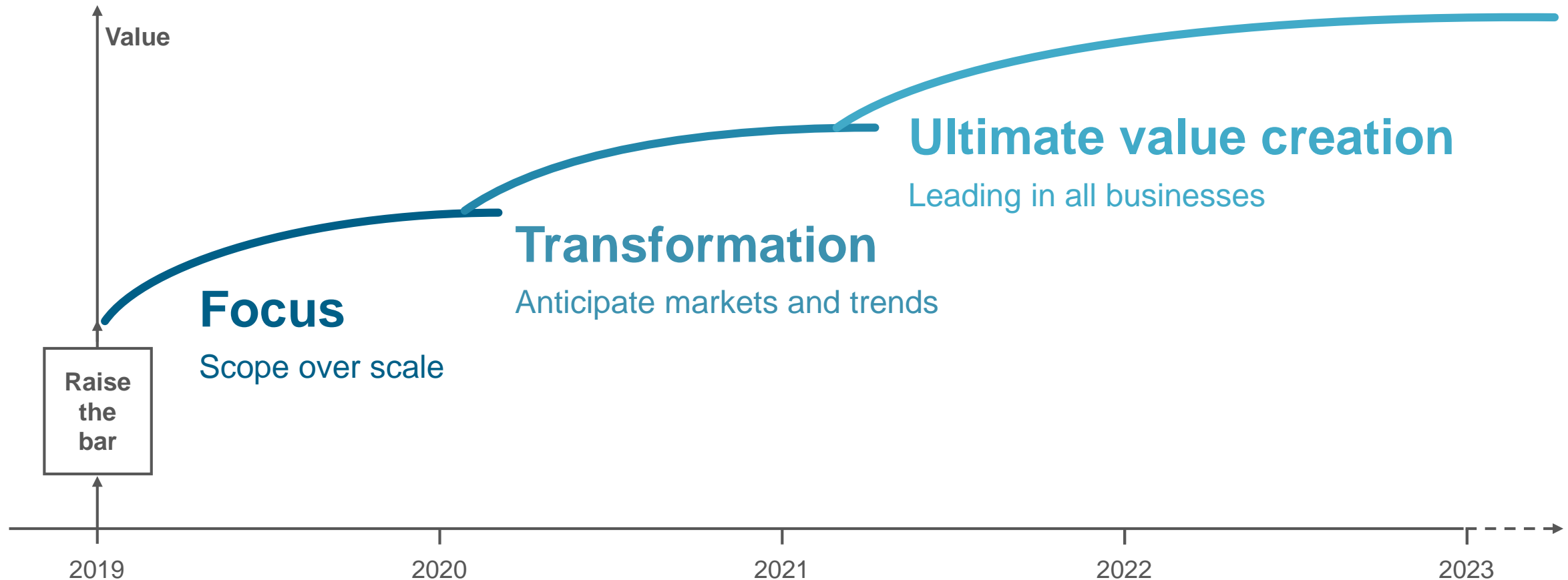
Tangible KPIs will define success

GOAL	KPI
1 Grow company value	<ul style="list-style-type: none">• Margin lift at Industrial Businesses + 2 pts• EPS growth > revenue growth¹⁾
2 Sharpen business focus in E-A-D	<ul style="list-style-type: none">• Accelerated comparable revenue growth + 2 pts CAGR
3 Be a partner of choice for our customers	<ul style="list-style-type: none">• > 20% improvement in customer satisfaction index
4 Get closer to our markets	<ul style="list-style-type: none">• > 50% of business HQs outside Germany
5 Live lean governance and drive continuous optimization	<ul style="list-style-type: none">• >20% efficiency improvement of support functions in scope• Global Business Services efficiency: +10-20% (fully operable)
6 Be an employer of choice	<ul style="list-style-type: none">• Approval rating in employee surveys for specific topics (e.g. diversity)
7 Ignite pride and passion for Siemens through Ownership Culture	<ul style="list-style-type: none">• Approval rating in employee surveys for specific topics (e.g. leadership)

1) on constant minority shareholdings

Vision 2020+ Raising the bar

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Key: Foster Ownership Culture and strengthen entrepreneurial focus

Milestones for implementation

- ☒ **Announcement of Vision 2020+ (Q3 FY 2018)**
- ☐ **Start transition to new organizational structure (October 1, 2018)**
- ☐ **New organization implemented (March 31, 2019)**
- ☐ **Capital Market Day (H1 FY 2019)**
- ☐ **SME break even FY 2020**
- ☐ **Support and services efficiency targets achieved until FY 2021**
- ☐ **IoT Integration Services revenues €1bn / 15% margin until FY 2022**

Appendix



Reporting structure

Current reporting structure

Power and Gas
Energy Management
Building Technologies
Mobility
Digital Factory
Process Industries & Drives
Siemens Healthineers
Siemens Gamesa
Industrial Business
Financial Services
Reconciliation to Consolidated Financial Statements
Siemens

Future reporting structure

Gas and Power
Smart Infrastructure
Digital Industries
Siemens Alstom (until closing: Mobility)
Siemens Healthineers
Siemens Gamesa
Industrial Businesses
Financial Services
Small and Medium Enterprises
Reconciliation to Consolidated Financial Statements
Siemens

Market oriented set-up of Operating Companies

Divisions

Old Structure

PG	Power Generation Products and Solutions Oil & Gas Power Generation Services
EM	Transmission Solutions HV Products, Transformers ¹⁾
	Digital Grid Medium Voltage & Systems ²⁾ , Low Voltage & Products
BT	Solution and Services Control Products and Systems
DF	Control Products
	Factory Automation, Motion Control Product Lifecycle Management Customer Services
PD	Process Automation
	Large Drives ³⁾
	Mechanical Drives Process Solutions

Operating Companies

New structure

GP	Power Generation Oil & Gas Transmission EPC Projects Service & Digital
SI	Regional Solutions & Services Digital Grid Distribution Systems Low Voltage Products Control Products Building Products
DI	Factory Automation Motion Control Process Automation Software Customer Services
SME	Small and Medium Enterprises

1) Distribution Transformers to be transferred to SI 2) Subsea to be transferred to SME

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3) Industrial Applications and Traction (excluding Rail Systems) to be transferred to SME

Acquisition mendix

Perfect fit to further expand leadership in IoT & Digital Enterprise

Rationale

Area of growth

- Highly attractive business for low-code development: CAGR >40% until 2022
- Large untapped market potential



Potential profit pool

- Strong margin profile with gross margin ~80% - typical for software companies
- Sustainability of earnings supported by high-value added engineering services and recurring business of > 90%



Why Siemens

- MindSphere integrated with mendix will accelerate ecosystem adoption
- Enables Siemens & customers to rapidly build applications with 50%+ shorter release time



Synergetic value

- Faster expansion of MindSphere through ecosystem adoption and rapid app development
- NPV of > €0.5bn
- Make use of Siemens global scale across industries & leading IoT platform MindSphere



Paradigm shifts

- Clear trend towards cloud enabled applications
- Digitalization of businesses and industries becomes a fundamental necessity
- Transformation from hardware to software driven business will continue

