

**“VISION 2020+
SHAPING THE FUTURE SIEMENS”
PRESS AND ANALYST CONFERENCE**

Joe Kaeser

President and CEO of Siemens AG

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Check against delivery.

Ladies and Gentlemen,

Our Q3 figures show that Siemens is in great shape. Most of our businesses are performing well; some are even outstanding. We are heading toward another year with record operating results.

So, why change? And why now?

It's simple. Thanks to a great global team that has done an excellent job executing our strategy program Vision 2020, Siemens is in a very strong position right now. And the best time to take on the next level is when you're strong.

But already Charles Darwin discovered that it's not the strongest or most intelligent species that survive and evolve, but those that best adapt to an ever-changing environment.

This has never been as true as today, when the speed and magnitude of change are unprecedented. Yet, the more dynamic the change, the more cautious transformation should be. And this takes time. That's why it's crucial to adapt early – when there's still enough time to guide transformation and enable stakeholders to embrace it.

And that's why I believe now is the right time to make changes at Siemens.

Our aspiration is to create a company that is not only successful today, but well prepared for the decade to come.

Today, we will explain how we intend to take Siemens to this next level. We will provide details on the "Next Generation Siemens" or, what we call it officially, Vision 2020+.

It will be a company that is inspired by its purpose, obsessed with serving customers better in every interaction, and a company that relentlessly drives impact and innovation. And a company that is unified by the values and the power of its ownership culture.

When we presented Vision 2020 four years ago, Siemens was not exactly in great shape – neither strategically, nor operationally, and certainly not from the point of view of business leadership. With huge uncertainties in the organization and credibility in the market at all-time lows, it was necessary to

- Provide strategic direction,
- Rebuild trust and credibility,
- Stabilize the operating system,
- And strengthen the “inner order” of the company.

In this situation, there was no point in delegating more responsibility to the businesses. They were struggling with basic tasks, such as selling, developing, and manufacturing. A strong corporate regime was unavoidable.

Vision 2020 was our plan for addressing these issues and for reorienting the company in terms of purpose and performance.

We defined seven goals, ranging from stringent governance and strengthening our portfolio to fostering an ownership culture throughout the whole company.

For five years – almost to the day – we worked very hard to achieve our goals. And we did that. We made good on what we promised – in many areas ahead of time, thanks to a great team effort.

We brought growth back to Siemens and profitability increased by 40 percent. In most of our businesses, margin quality has improved significantly. On top of all of this, we increased our investment in innovation by 20 percent.

And we managed to increase our customer satisfaction index by 55 percent over 2013.

We've also proven that we can complete large projects on time. Ralf already mentioned the successful completion of the world's three largest combined cycle power plants in Egypt in record time. No other company in the world has ever accomplished that!

But we not only made progress from an operational perspective; we also systematically sharpened our portfolio, with targeted acquisitions in future growth areas. A decisive step forward was the strategic development of our renewable energy, healthcare, and mobility businesses.

Siemens started early and developed diligently a powerful industry-shaping and fast-growing industrial software business.

These efforts are paying off in a big way:

- Our digital business has grown 80 percent in three years. In fiscal 2017, it generated revenue of 5.2 billion euros. And we expect a further substantial increase in the current fiscal year.

Today, Siemens is the leader in industrial software. There's no getting around Siemens.

Siemens offers the most holistic digital twin along the entire value chain of design, production, and service.

We first launched MindSphere, our cloud-based operating system for the Internet of Things in 2016. Since then, a lot has happened.

- Worldwide, 50 MindSphere Application Centers are already in operation.
- We founded “MindSphere World,” together with 18 partner companies.
- More than one million assets are already connected to MindSphere. And our end-to-end security concept protects these assets. It's called “Defense in Depth” and features encryption, protected access, and a suite of robust industrial security services.

We are on track in further building out MindSphere, the world’s largest industrial Internet platform.

But the real customer value will come from the fast and effective development of applications.

Mendix will help us do exactly that!

The acquisition of Mendix will broaden our capabilities in the highly attractive growth field of low-code and mobile application development. It will enable us to massively expand the support we provide to customers in the digital transformation of their businesses.

This acquisition meets our strategic criteria.

- With growth rates of more than 40 percent over the next years, the market Mendix addresses is highly attractive.
- The company earns margins typical in the software industry.
- The business model is subscription-based. More than 90 percent of Mendix's revenue is recurring.

What exactly does Mendix do? In essence, it provides a platform for developers to create apps up to ten times faster than with regular programming.

The acquisition will add a highly motivated team of about 400 employees to our software business. The leadership of Mendix has a pronounced entrepreneurial mindset.

We plan to merge MindSphere and Mendix's platform. This will enable us to shorten the release times of application development by more than 50 percent.

Also, Mendix's more than 50,000 application developers are a key asset.

Engaging them in the MindSphere ecosystem will deliver huge benefits for our customers and for us. In return, Mendix will receive access to our global customer base and sales channels.

With a purchase price of about 600 million euros, the transaction multiples are in line with peer valuations and other deals in this high-growth industry. We expect the transaction to be EPS-accretive in year 4 after closing. Mendix will become part of our industrial software business.

To summarize, we've largely met the goals of Vision 2020, in some cases even earlier than planned. Vision 2020 is a success story.

The Siemens share price reflects that. And this success results from the hard work of 376,000 employees. They made Vision 2020 real. probably shouldn't say this, but... They made Siemens great again.

And all stakeholders are benefiting from this.

When we summarize the last five years, we believe it is not an exaggeration to say that we've built a company that is better than it was in 2013.

So, wouldn't this be a good time to rest on our laurels and wait and see?

Well, maybe. But we on the management team made a different choice. We decided that it's time to raise the bar. And we are well advised to do so because a lot is changing in the world around us.

- First: In the geopolitical arena, alliances and international agreements that have been rock-solid for decades can no longer be taken for granted.
- Second: The resurgence of nationalism and protectionism is affecting our markets. Localization – that is creating local value – is becoming more and more important.
- Third: It's likely that the next decade will be marked by the greatest technological and societal transformation in history, and that its magnitude and speed will be unprecedented.
- Fourth: Global megatrends are causing paradigm shifts that will affect all of our businesses. And while we have to accept that the future is uncertain, we decided to start shaping it in our area of influence.

It's not difficult to connect the dots between the megatrends and Siemens.

- The global fight against climate change is a big opportunity for our energy businesses. Photovoltaic and wind power generation will increase six-fold by 2050. Siemens Gamesa Renewable Energy will play a major role here.

- An even more important opportunity is that mobility will massively increase as global trade and the global population grow. And at some point, mobility will be all electric – a feast of opportunities for our Electrification – Automation – Digitalization system of products, solutions, and services.

All of our markets are affected by these paradigm and market shifts.

Most of them create attractive growth opportunities for us.

In some, however, we need to manage transformation challenges. And that's exactly what we will do.

In our Power and Gas business, we see a massive shift of investments from conventional fossil power generation to renewable sources and distributed energy systems. Yet there are still pockets of opportunity we are apt to capture.

However, we expect Power Service to be resilient in the foreseeable future, due also to opportunities arising from digital services and a modern installed fleet, like the power plants we just commissioned in Egypt.

By 2023, more than two thirds of investments are expected to flow into distributed energy systems and electrification. This opens up many opportunities for us to expand in adjacent areas such as combined heat and power, energy storage, e-mobility infrastructure, and load management.

More and more infrastructure assets are being connected. Our new setup will reflect this convergence and we expect to benefit from these growth areas going forward.

There is no factual doubt that Siemens has enlarged its lead in the area of Industrial Automation and the Digital Enterprise. Our market share gains with the Digital Factory Division are compelling evidence of this strength. This market continues to enjoy high growth over the cycle, and we will double down on our success story.

In addition to these attractive growth areas, customer demand for IoT integration services is huge and rapidly growing across all of our businesses. These services range from consulting to designing and implementing new applications and platforms.

The market is expected to almost triple by 2025 with quite a rich profit pool. We intend to participate in this field. We will concentrate our existing domain know-how resources in our new unit “IoT Integration Services”. This will give us a head start and enable us to capture growth in an adjacent field with an attractive business profile.

I'd like to emphasize that we're not starting from scratch here:

- We can build on our own experience in industrial digitalization and in the implementation of new business models.
- We have deep vertical domain know-how and a huge installed base with more than 45 million assets in the industrial field alone.
- We can leverage state-of-the-art capabilities in fields like cyber security and artificial intelligence.

Ladies and Gentlemen,

So much at this point on where we see areas of profitable growth. Before we come to the new entrepreneurial concept, let me touch on something that has had a considerable impact on our Vision 2020+ concept.

It is the question: What drives us? How will a digital world where all things are connected resonate with analog humans?

Or, in other words, how do we hold together a society that will be divided even more in the digital world?

Why is competence in this area so important to Siemens?

Science and technology will drive and enable change, but society will determine whether and how change will be embraced and accepted. The changes to and interactions with business and society will be fundamental:

1. Climate change, smart grids, smart cities, and rising energy demand will enable and accelerate the shift from centralized to decentralized energy systems.
2. The automation of everything, the maker economy, and the logistics Internet will drive industrial digitalization and the connection of IoT devices.
3. Technological unemployment and the need to reskill or upskill the workforce will have a massive impact on providers of training and education and on the labor market.
4. The aging of the population, longer life expectancy, and life extension will lead not only to dynamic growth in healthcare but also to change in the value system of society.
5. Enterprises of the future will be characterized by the decentralization of everything and the empowerment economy. Ownership culture will be the standard.

6. As Millennials enter the workforce and gain influence, the purpose of a company and the value it creates for society will determine who wins the war for talent. Because that's what inspires Generation Y and convinces them to accept change.

Ladies and Gentlemen,

This is how science, technology, and society are likely to develop and interact in the future. And that's why we will fundamentally change the setup of our company:

The business of our business is to serve society and create value for all stakeholders based on economic benchmarks.

That is our purpose. As we fulfill it, we will integrate socio-economic factors that foster broader acceptance of a best-in-class economic aspiration.

We make real what matters. This is what holds Siemens together at the highest level of acceptable integration.

So, what will the Next Generation Siemens look like?

We will shift from a one-size-fits-all setup to a purpose-driven and market-focused setup that can readily create and adapt to disruption and foster consolidation.

All six Siemens Companies will have full entrepreneurial responsibility and accountability, although way they implement that will differ. As a consequence, we will allocate as many support and operational functions as possible to the companies.

In 2013, the businesses were not ready to take on more responsibility and, therefore, accountability. Now they are.

It is imperative for all Siemens Companies to sharpen their focus. When in doubt, focus takes precedence over synergy. They have full control in shaping their business to achieve superior performance, which will be measured against the best in each industry.

- The future Siemens will consist of 6 companies:
Three Operating Companies – Gas and Power, Smart Infrastructure, and Digital Industries – and three now majority-owned Strategic Companies – Siemens Healthineers, Siemens Gamesa Renewable Energy, and Siemens Alstom.
- The Regions are now part of the respective Siemens Companies and the primary interface to customers. But every Siemens Company can design its own, most effective go-to-market model.
For the most relevant markets China, Germany, India, and the United States, we are establishing so-called “Corporate Countries” – with a broader responsibility to integrate our market, socio-economic, and politic interests.
- Corporate Development (CD) contains functions that are relevant to more than one business. Thus, Corporate Development optimizes the joint interests of multiple companies based on an agreed outcome, for example, to set up joint operations or to start future adjacent businesses.
It holds the company together as an innovation powerhouse; its mission is to develop the company technologically.
In addition, we will bundle all businesses that require a small and medium-sized setup in a unit called Small and Medium-sized Enterprises.

- Three Service Companies will support the Siemens Companies: Financial Services (FS), the financing unit for all our businesses; Global Business Services (GBS); and Real Estate Services (RE).

The Siemens Companies will decide to what extent they utilize these transactional services. This will make costs more transparent for the businesses and easier to control. By the same token, the Service Companies will provide synergetic value by bundling similar transactions.

- A lean, simplified, but robust Governance will set the frame, for example, from a legal, compliance, and accounting perspective. There will be no compromises in areas like compliance. Only clean business is Siemens business. That applies without exception. No compromises will be made here.

This is about clarity and integrity. That's what we stand for as individuals, and that's what we stand for as a company. Our integrity is non-negotiable.

Now, let's move on to how we will structure our businesses.

The existing eight Divisions will be integrated into three Operating Companies and three Strategic Companies, all of which have the mission to be leaders in the markets they address. And leadership is measured by market share and sustainable benchmark profitability.

Let me now give you a rundown of our Operating Companies.

Gas and Power will focus on central power generation, on oil and gas, as well as on high-voltage transmission and the respective verticals.

The go-to-market approach will consist of a dedicated hub and a field sales structure. The goals are greater market share and a streamlined support structure.

We also combined these businesses to better leverage competencies such as project management and service.

There's no doubt that the overcapacities and structural changes in this market are challenges for our energy units going forward.

So, here we have the big task of bring costs down and co-innovating with customers in order to create a win-win scenario.

Fortunately, we've been able to earn the trust and attention of customers. In a time when reliable and financially stable partners have become scarce, Siemens has positioned itself as a partner of choice in most areas of the Gas and Power spectrum.

As Ralf alluded to, we expect a significant deterioration of performance in fiscal 2018 and 2019 compared to fiscal 2017 due to the former Power and Gas units.

One example of co-innovation and customer trust in us is the recently agreed Memorandum of Understanding with China's SPIC. It calls for technical cooperation in the development of a heavy-duty gas turbine.

With a highly capable and committed management team, and a robust backlog of about 45 billion euros, I have no doubt, that this business has a sustainable future and that it will serve the interests of our customers as well as our stakeholders.

The Smart Infrastructure Company is in a very different situation. It operates in a 170-billion-euro market that is expected to grow at a healthy rate of about 5 percent in the years to come.

The businesses involved here have a strong track record of continuous improvement of both, the top and the bottom line, and we expect this to accelerate.

All three verticals – power grids, infrastructure, and buildings – are converging and creating new opportunities, specifically at the intersection of smart buildings and grids. Buildings will become smart spaces and are key energy prosumers closely linked to the grid.

Distributed energy systems, electric charging, and energy storage will drive growth and value.

For the first time, we will bring the product businesses of all three of these verticals together. We expect that to deliver significant scale effects.

We will optimize the go-to-market and sales channels on a much stronger combined regional footprint.

And, finally, we will combine the leading building and grid automation technologies, which is the basis for enhanced digital services.

All these actions will lead to accelerated growth and higher margin quality like for like.

Now let me turn to a trendsetting powerhouse with an unmatched portfolio – Digital Industries. The design of the footprint of this new entity is based on the Digital Factory setup.

Here, we are doubling down on transferring our winning formula for the manufacturing to process industries and drives products.

The unique combination of industrial software, automation, and drive products will enable us to offer end-to-end solutions to our customers and to outgrow the market while further enhancing margins over the cycle.

While the IPO of our healthcare businesses was part of our Vision 2020, we maintained our pace to strengthen some businesses by combining them with third-party assets.

Our approach here was to achieve this without spending billions on having the control to exercise options over time. In our view, a liquid asset traded on stock exchanges is a value on its own.

While we agree that managing these assets involves greater effort, the approach is paying off. We are an active shareholder, governing the companies through supervisory board structures. This means we have knowledge of the strategy, organization, performance, and leadership of these companies.

- Siemens Healthineers made a strong debut on the capital market. Its valuation increased by about 36 percent since the listing in March and thus approached that of large diversified medtech peers.
- With the merger of Siemens Wind and Gamesa, we created a market leader using only a limited amount of cash. With a share of 17 percent, Siemens Gamesa today is the No. 1 company in the market.

Despite a somewhat bumpy start, Siemens Gamesa has stabilized, and synergies are starting to gain traction.

This business has a great purpose, and that makes it very attractive to new talents.

- With Siemens Alstom, we want to create a global champion. The numbers are impressive, and the concept is compelling. The fact that over 95 percent of Alstom shareholders voted for the merger a few weeks ago confirms that. We are working closely with antitrust authorities and concurrently performing the carve-out on our end.

One of the action items of Vision 2020 was to fix underperforming businesses.

While we made good on this for the most part, we did not fully achieve the desired outcome. One of the reasons for that was that we kept the businesses where they were, rather than giving them a more self-contained and suitable ecosystem.

These businesses typically operate in highly specialized markets. Thus, we believe they will be better off in an environment which supports medium-sized and specialized businesses to make them faster, more flexible, more efficient – and, ultimately, more profitable.

They will be managed by Jochen Eickholt, who has an outstanding track record in fixing businesses; for example, he led the turnaround of our mobility business.

Currently Small and Medium-sized Enterprises (SMEs) in total are negative contributors to our net income and EPS.

By fiscal 2023, we expect profitability to reach about 5 percent, and an operating break even by 2020.

Ladies and gentlemen,

Now let me summarize the intended outcome of our Vision 2020+ concept.

It is designed to emphasize the focus and the accountability of an enhanced portfolio and to accelerate growth and achieve higher profitability.

In the medium term, we see revenue growth of 2 percentage points compared to our current level.

We will provide our Operating and Strategic Companies with the entrepreneurial freedom and flexibility to optimize and focus their businesses and with support functions according to their specific needs. The respective CEOs and their management teams are responsible and fully accountable for their companies.

This together with a structurally enhanced portfolio will lift our current Industrial margin level by 2 percentage points.

Below Industrial Business, further value creation will result from fixing Small and Medium Enterprises, defined efficiency measures in our global service companies as well as significantly streamlined support efforts.

Therefore, we expect EPS to grow faster than revenue in the medium term.

The respective KPIs of the Financial Framework will reflect these outcomes.

Our updated Siemens Financial Framework defines our new and ambitious targets over the cycle. Much of this will look familiar to you, but

there is one big change. We're raising the bar for growth, margins, and cash performance.

- We've added a clear commitment to cash by setting a cash conversion target.
- A 4 to 5 percent comparable revenue growth target highlights our new growth ambitions.
- And a margin target range of 11 to 15 percent over the cycle for our Industrial Businesses reflects our ambition to raise margin quality. We measure them based on an adjusted EBITA margin which equals our current profit definition, so “before PPA.”

Our clear aspiration is to become or remain the leading company in every business we operate.

For our Operating Companies the margin targets are derived from a basket of our main competitors. The adjusted EBITA margin ranges are as follows:

- For Gas and Power, we set a range of 8 to 12 percent. Here, we're leaving quite a bit of room for further improvement on current levels.
- For Smart Infrastructure, the target range is 10 to 15 percent. That's significantly above the previous like-for-like target margin ranges for Building Technologies and Energy Management.
- The target range for Digital Industries is 17 to 23 percent, that's quite an aspirational level. The increase of 3 percentage points applies despite the reallocation of about 3 billion euros of revenue, mainly from Process Automation, that does not attain the current margin level of the Digital Factory Division.

While we are aware of how ambitious our target is, we believe we have the power, the strength, and the team to achieve it.

The adjusted EBITA margin ranges of our Strategic Companies reflect Siemens' expectations as the majority shareholder.

- For Siemens Healthineers, our expectation is a target margin range of 17 to 21 percent.
- For Siemens Gamesa, our expectation is a margin range of 7 to 11 percent.
- For the future Siemens Alstom, our expectation is a target margin range of 8 to 12 percent. That represents a significant increase relative to the current margin corridor of 6 to 9 percent of our mobility business. In the long term, we still expect a target range of 11 to 14 percent as announced with the merger.
- For Financial Services, the target range for return on equity after tax is 15 to 22 percent.

All Siemens Companies will have the necessary freedom and entrepreneurial flexibility to determine how they achieve their new target margin ranges.

What else is important?

Siemens shareholders can expect a dividend payout ratio between 40 to 60 percent of net income attributable to Siemens shareholders.

Capital efficiency remains a clear priority to us, as well as our conservative capital structure, although the market needs to be mindful about the fact that ROCE targets may take considerable time to be achieved.

Ladies and Gentlemen,

We've defined clear and measurable KPIs for the implementation of Vision 2020+. We will keep you updated as we implement them, but I would like to briefly explain them.

First: I already mentioned the medium-term financial ambitions set down in our updated financial framework. Our aim is profitable growth.

Second. The new setup will create a company that has a clear business focus. And that is electrification, automation, and digitalization within defined verticals.

Third: Customers are first! Their full satisfaction is our first priority. The Net Promoter Score is an indicator of customer satisfaction. In Vision 2020, our target was to increase this score by at least 20 percent. Well, we achieved an amazing 55 percent over the last four years.

And our obsession to win mind share and share of wallet won't stop here. Our target is an additional improvement of at least 20 percent over an already remarkable level.

Fourth: For many reasons, the trend toward "more local for local" is accelerating in our markets. Thus, we will further align our global footprint with the requirements of our markets. Therefore, more than 50 percent or more of our businesses will be headquartered outside Germany.

Fifth: Siemens Companies will be supported by a lean, but robust governance organization and an effective, impact-focused support structure.

Sixth: Highly engaged, motivated, and capable employees are the foundation of our success. We use the approval ratings of our annual Global Engagement Survey to measure the attractiveness of Siemens as an employer and set ambitious goals to improve further.

Seventh: One of the most impressive results of the most recent Global Engagement Survey was that the vast majority of our employees are willing to “go the extra mile.” I’m very, very proud of that. It shows how dedicated Siemens employees are.

I’m also proud of the fact that more than 300,000 employees are shareholders of our company. But our ownership culture is more than just equity participation. It’s about leadership, people orientation, respect, and values. It unites us as a team. It inspires us to fulfill our purpose and to achieve our goals. It’s the foundation for our aspirations and for our behavior.

Ladies and Gentlemen,

We have successfully completed Vision 2020, ahead of time. Most of our businesses are doing well, some are doing very well, a few even set the benchmark in their industries.

That’s a remarkable accomplishment considering where we came from when we introduced Vision 2020 in May of 2014.

Today, Siemens is a better company than it was in 2014 in many ways. Today, Siemens is truly a great company.

And that’s what I promised. That’s I what I wanted to be measured by. But accomplishing that was possible only with a great team. It’s the team that deserves a “Thank you.” It’s the team that deserves utmost respect.

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But the world won't wait for us to stop resting on our laurels. We have a responsibility for the next generation. And we have a purpose to fulfill. Now!

That's why we're raising the bar. And we have a plan for taking Siemens to the next level. It's called Vision 2020+.

We will launch the transformation of the organization on October 1, the beginning of our fiscal year. And our aim is to complete it by March 31, 2019.

Some of the milestones for the implementation of the new setup are listed here. We will keep you posted on our progress in reaching them.

Vision 2020+ is our vision for the future of Siemens. The Next Generation Siemens will be a focused and adaptive company, a company united by the larger purpose of serving society and creating value for all stakeholders.

We are a competent, committed and motivated global team. And we will build our company to last.

With that, Ralf and I are looking forward to your questions.