

Investments in digital industry making an impact

Ralf P. Thomas, CFO

Exane European CEO Conference | Paris, June 12, 2018

Notes and forward-looking statements

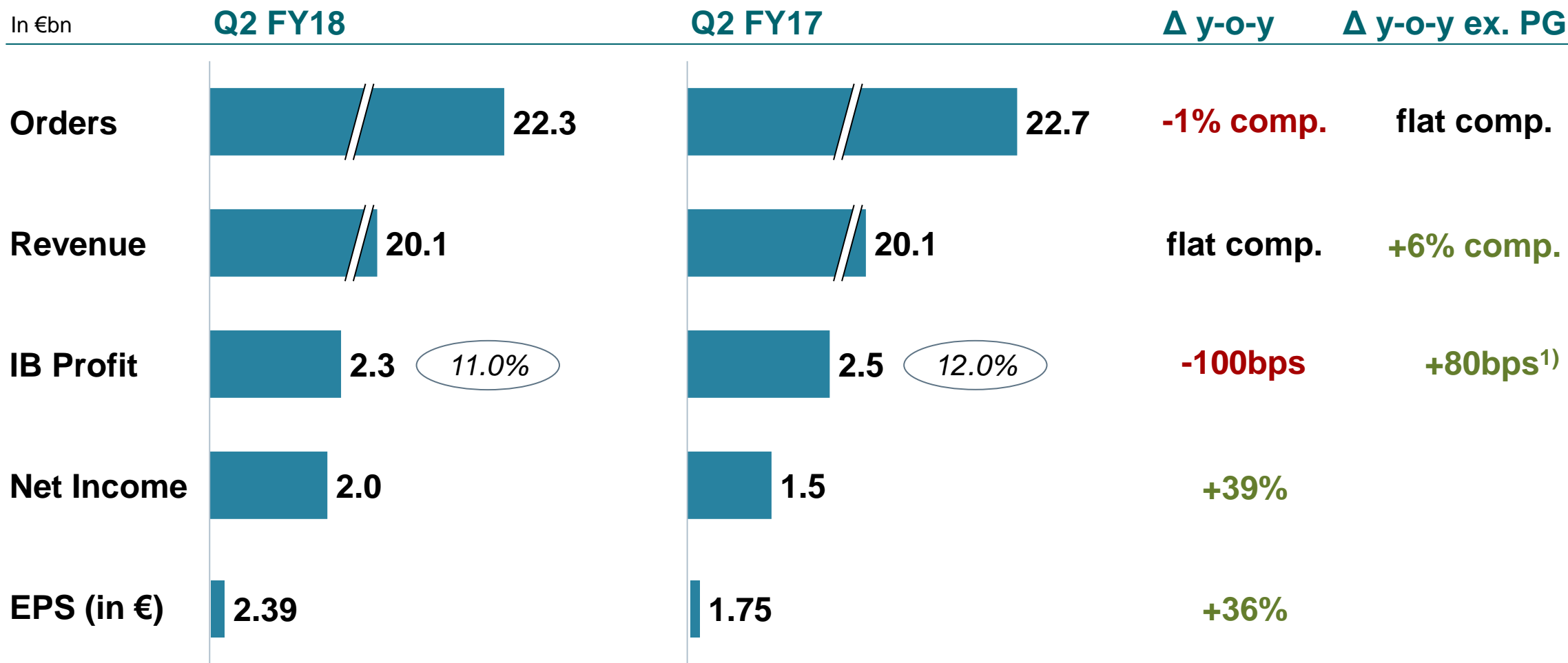


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This document includes – in the applicable financial reporting framework not clearly defined – supplemental financial measures that are or may be alternative performance measures (non-GAAP-measures). These supplemental financial measures should not 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.

Strong performance across all divisions except PG

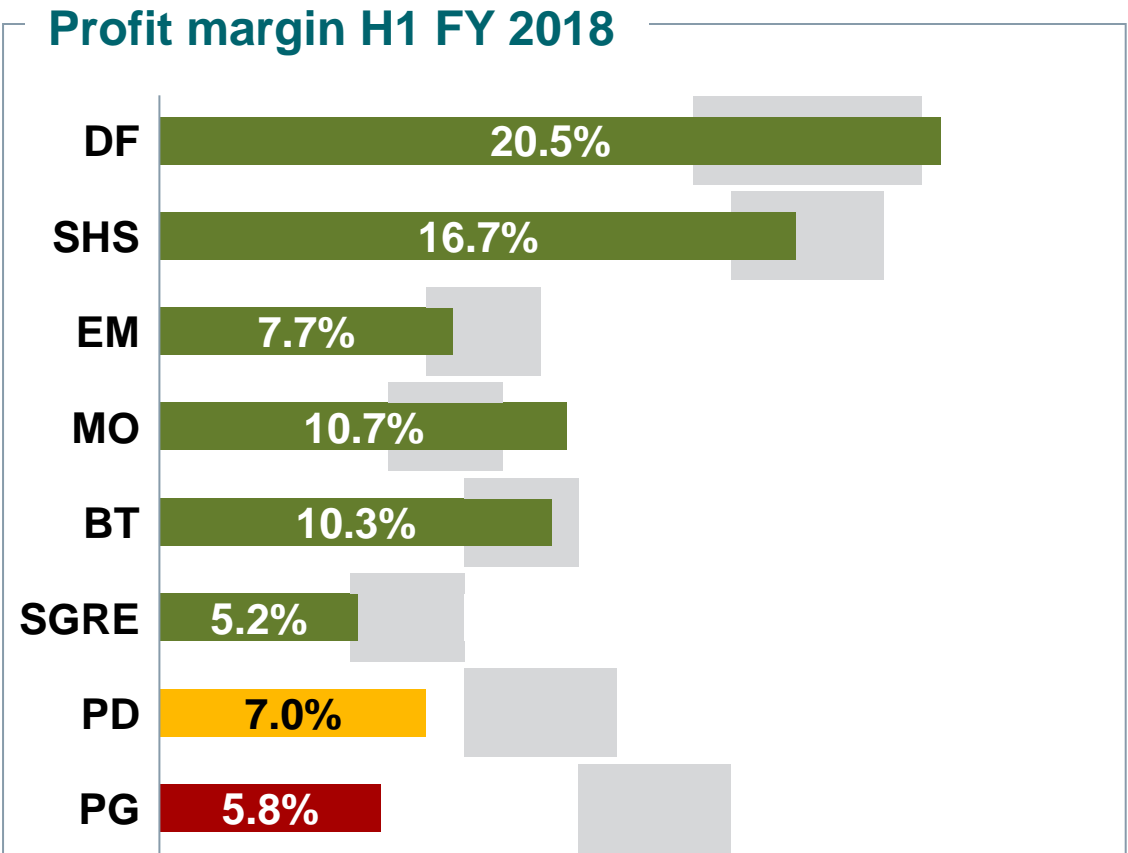
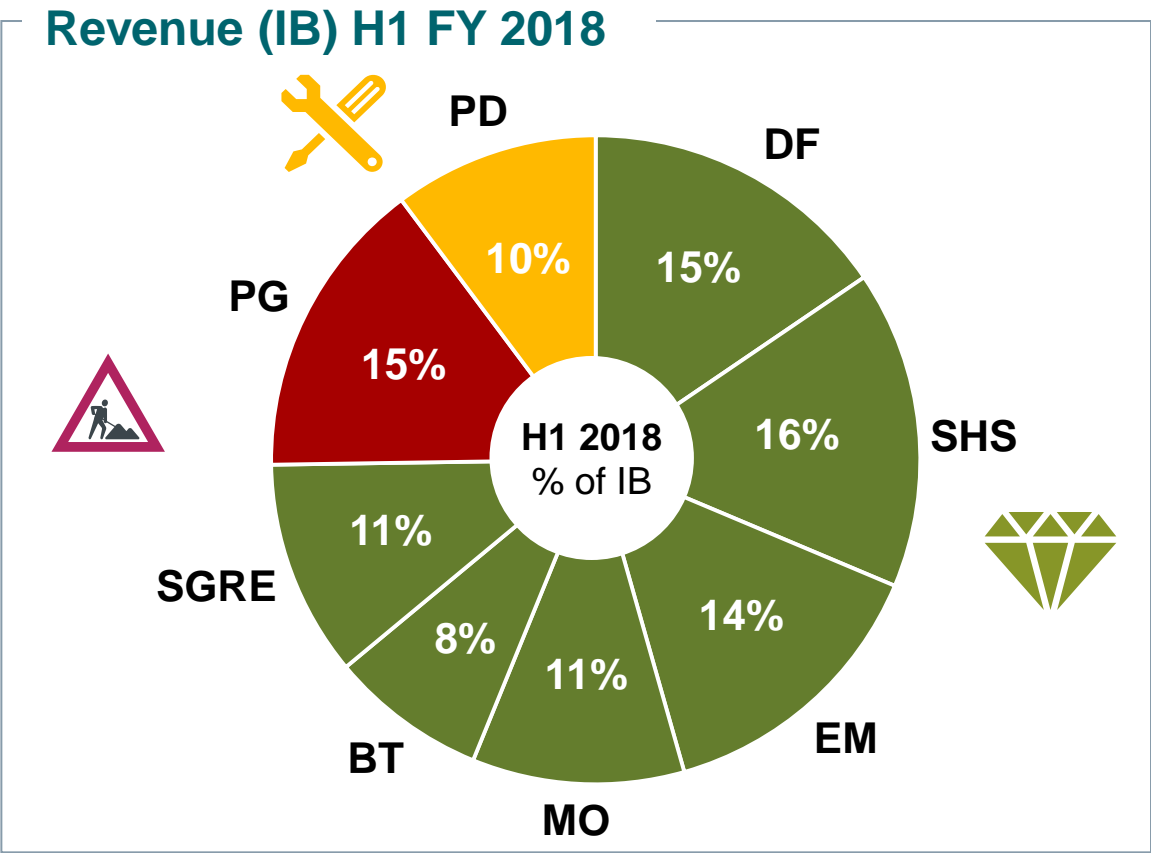


1) Q2 FY17 excl. positive one-time pension effect of €138m, ~80bp on IB margin ex. PG

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Siemens portfolio in strong shape

Structural challenges in Power and Gas



Most divisions with excellent performance in or above margin targets

Breakthrough in restructuring achieved

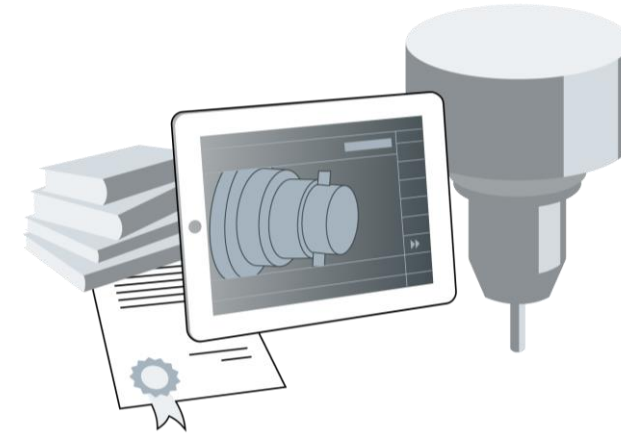
Framework agreement for restructuring



- ☐ Covers German PG and PD sites
- ☐ Cost reduction targets retained
- ☐ Job cuts unavoidable
- ☐ Negotiations finalized end of FY18
- ☐ Savings completed in 2020



Future pact to shape structural transformation



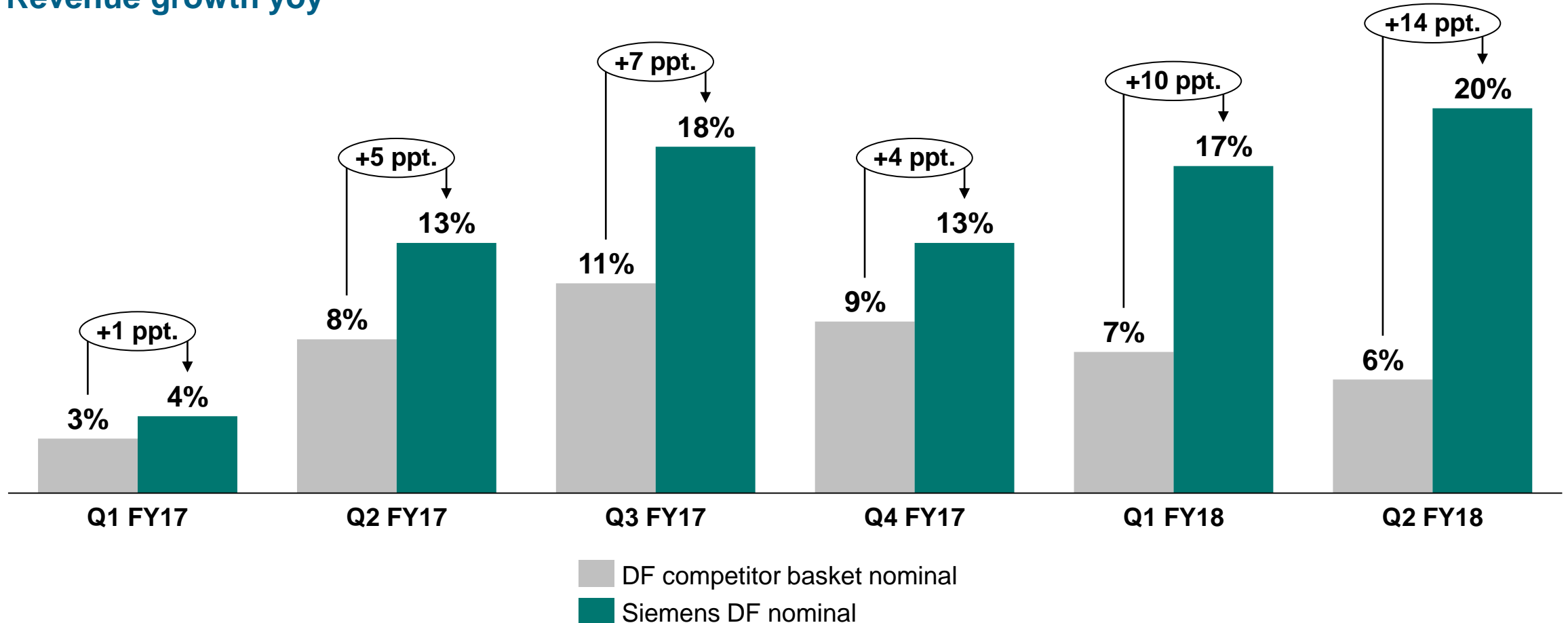
- ☐ Structural challenges across certain markets
- ☐ Opportunities from digitalization
- ☐ Re-qualification of workforce required
- ☐ €500m annual invest for education & training
- ☐ Up to €100m additional invest over four years

Digital Factory leads the way in Digital Enterprise

Consistent market share gains – M&A strategy pays off



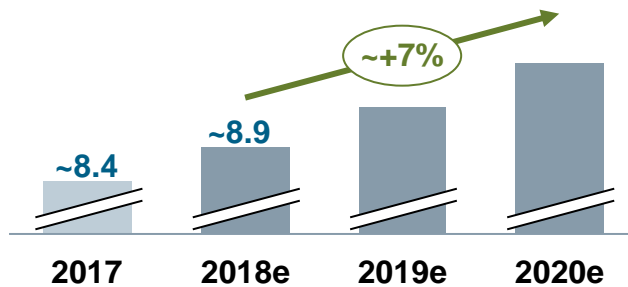
Revenue growth yoy



Mentor – more than a great asset

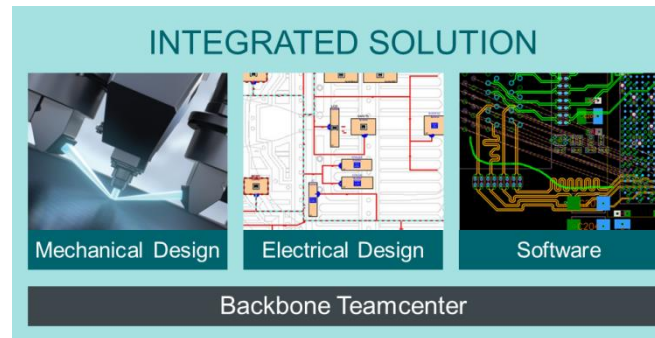
Strong market

Electronic Design Automation market
€bn



- ❑ Key growth drivers: Miniaturization, AI & Machine Learning, IoT, Autonomous Driving and Integrated Systems Design
- ❑ Strong semiconductor market
- ❑ Bolt-on acquisitions to strengthen Mentor's technology position

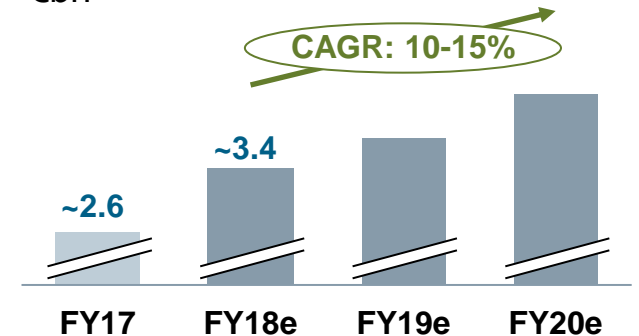
Excellent fit



- ❑ Broadest software portfolio with market leading automation for Smart Products
- ❑ Excellent cultural match
- ❑ Combined portfolio leads to joint sales success

Profitable growth

DF Software Revenue
€bn



- ❑ On track to achieve FY 18 revenue target despite negative FX
- ❑ Strong profitability increase FY 18e despite ongoing invest in MindSphere & SaaS
- ❑ Synergies > €100m confirmed for FY 19 - ahead of plan

SGRE with significant customer wins

Stringent execution of roadmap continues



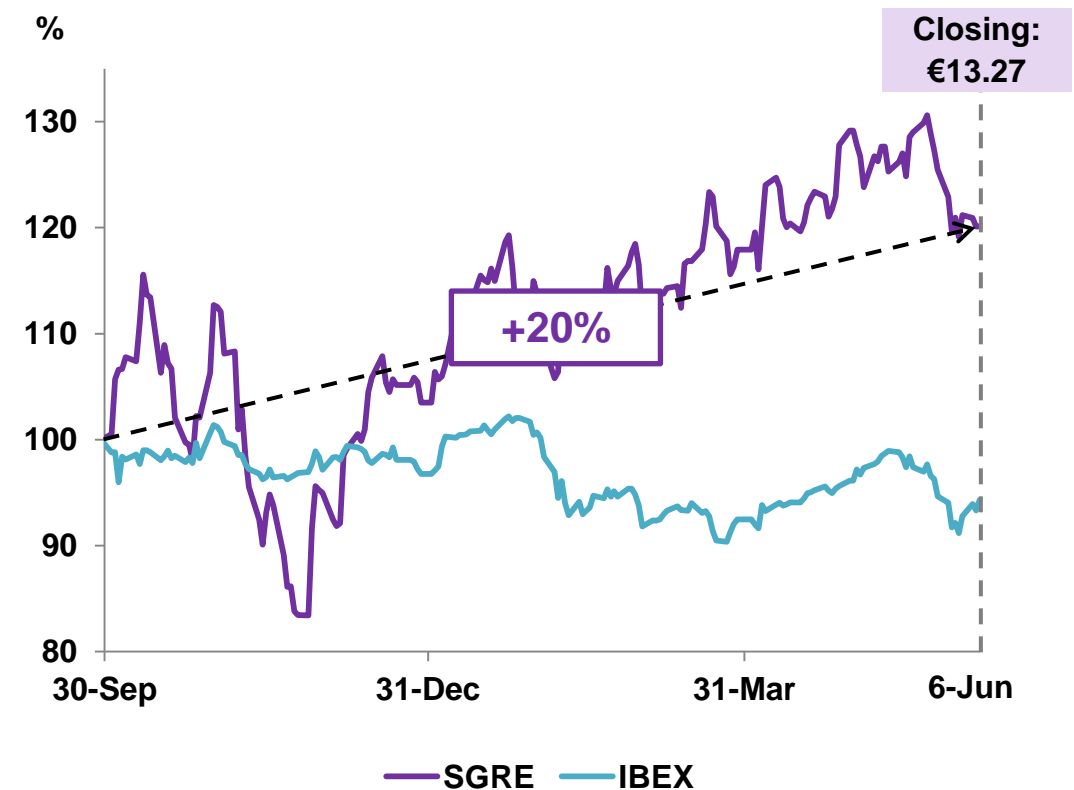
Performance highlights

- ❑ >84GW installed based
- ❑ Order intake of €10bn in last 12 months
- ❑ Q2 with strong book-to-bill of 1.4x
- ❑ Preferred supplier of largest offshore wind farm (1.4GW for Ørsted in the UK)
- ❑ Clear roadmap with L3AD2020 program

MAKE study confirms SGRE leading position

- ❑ Global #1 with 8.8 GW of new capacity in 2017
- ❑ Clear # 1 in Offshore & # 2 in Onshore
- ❑ Market share gain +3.3ppts

Strong share price performance



Successful IPO of Siemens Healthineers unlocks value potential

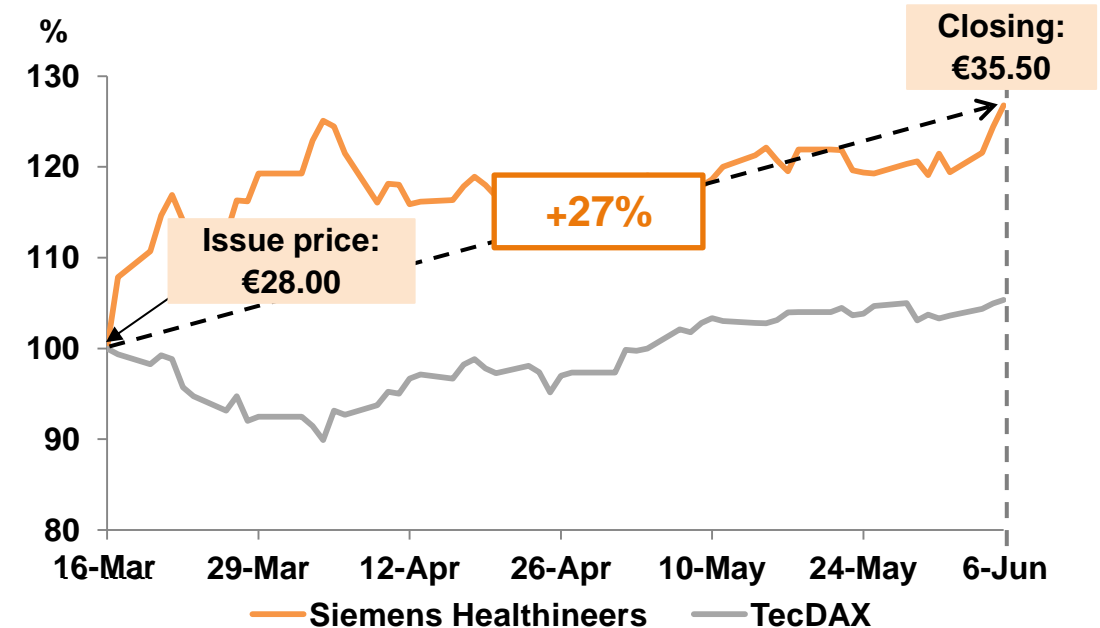


Siemens Healthineers (SHS)



- ❑ 15% share floated at placement price of €28
- ❑ Gross proceeds of €4.2bn
- ❑ Siemens as long-term majority shareholder

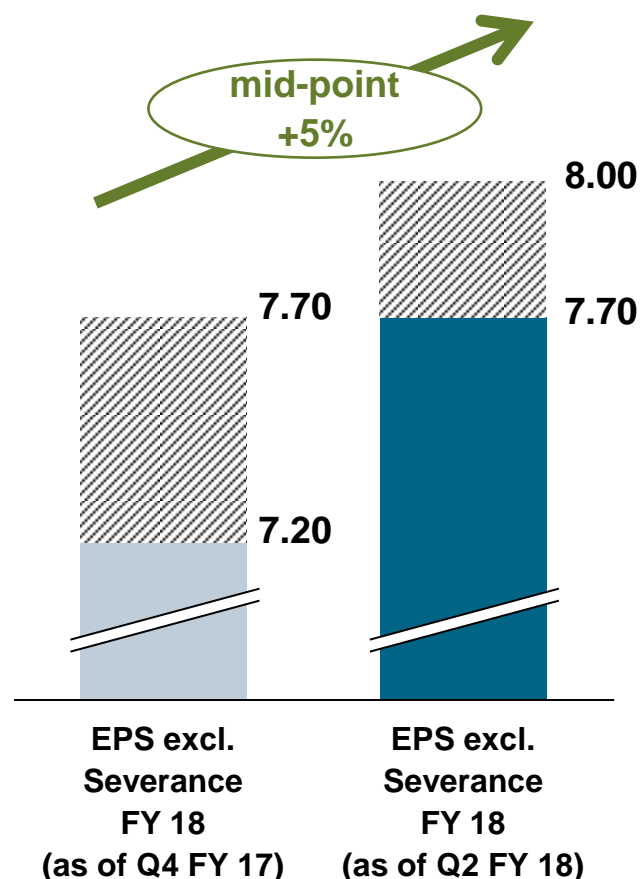
Strong share price performance



- ❑ Entrepreneurial flexibility
- ❑ Strategy 2025 on track for growth and margin expansion
- ❑ Expand leading role to shape the future of healthcare

Guidance FY 18 raised

Earnings per share (in €)



Guidance update

We continue to expect **geopolitical uncertainties** such as **trade restrictions** that may affect investment sentiment.

Following the strong results achieved in the first half of fiscal 2018, we **raise our outlook for basic EPS from net income** to the **range of €7.70 to €8.00, excluding severance charges**, up from the range of €7.20 to €7.70.

Furthermore we confirm our expectation of **modest growth in revenue**, net of effects from currency translation and portfolio transactions, and continue to anticipate that **orders will exceed revenue** for a **book-to-bill ratio above 1** for the full fiscal year.

We continue to expect a **profit margin of 11.0% to 12.0% for our Industrial Business** also **excluding severance charges**.

This outlook **excludes charges related to legal and regulatory matters** and **potential effects** which may follow the introduction of a **new strategic program**.

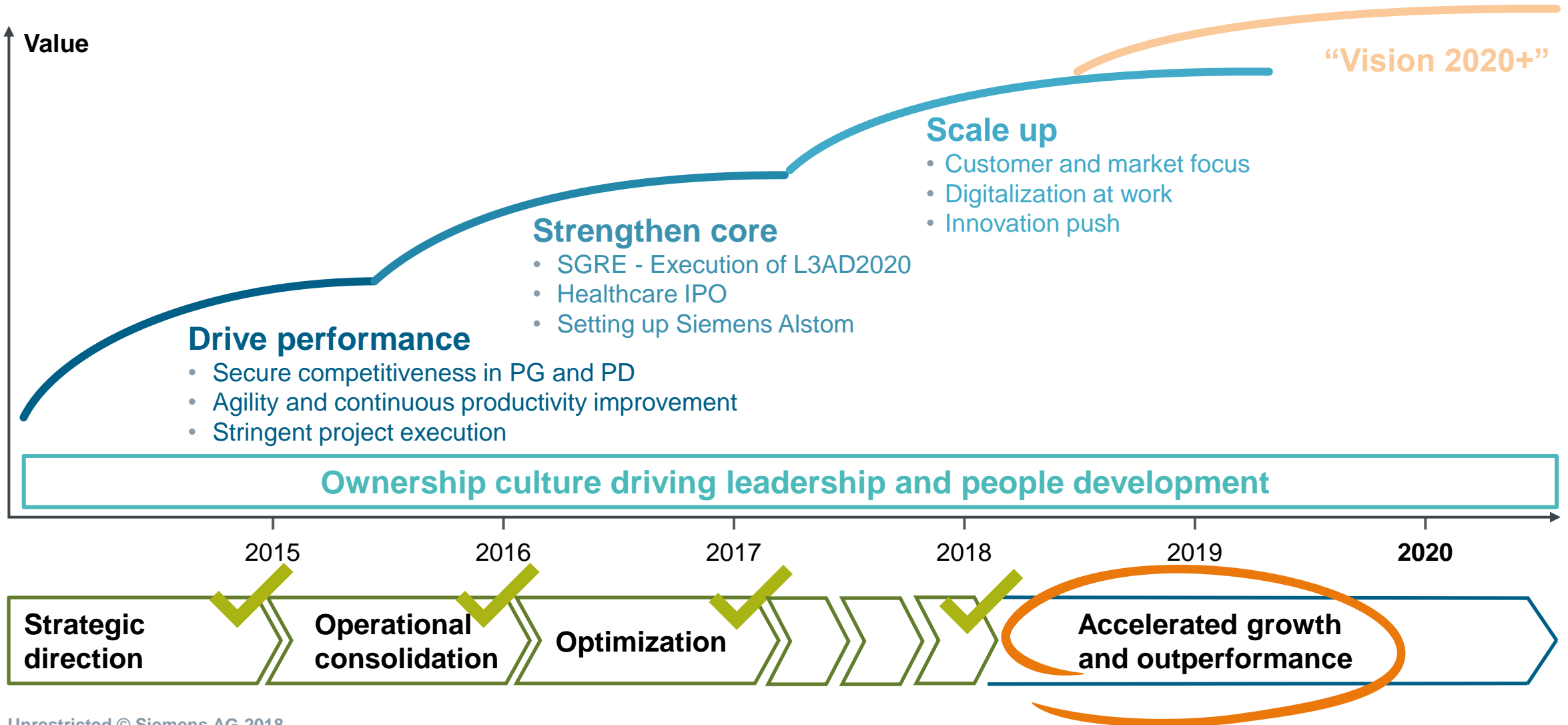
Note: FY 2017 weighted average number of shares of ~812.2m

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Siemens Vision 2020 execution well advanced

FY 2018 – Delivering results and setting direction for next level

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Appendix



One Siemens Financial Framework

Clear targets to measure success and accountability



One Siemens Financial Framework

Siemens

Growth:
**Siemens > most
relevant competitors¹⁾**

(Comparable revenue growth)

Capital efficiency
(ROCE²⁾)

15 – 20%

Total cost productivity³⁾
3 – 5% p.a.

Capital structure
(Industrial net debt/EBITDA)

up to 1.0x

Dividend payout ratio
40 – 60%⁴⁾

Profit Margin ranges of businesses (excl. PPA)⁵⁾

PG
11 – 15%

EM
7 – 10%

MO
6 – 9%

PD
8 – 12%

SFS⁶⁾
15 – 20%

SGRE
5 – 8%

BT
8 – 11%

DF
14 – 20%

SHS
15 – 19%

1) ABB, GE, Schneider, MHI, Eaton, weighted; 2) Based on continuing and discontinued operations; 3) Productivity measures divided by functional costs (cost of sales, R&D, SG&A expenses) of the group; 4) Of net income excluding exceptional non-cash items; 5) Excl. acquisition related amortization on intangibles; profit margin ranges will be reviewed and updated with Vision2020+ 6) SFS based on return on equity after tax

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Siemens Vision 2020 - Execution well underway, most targets already achieved by FY 2017

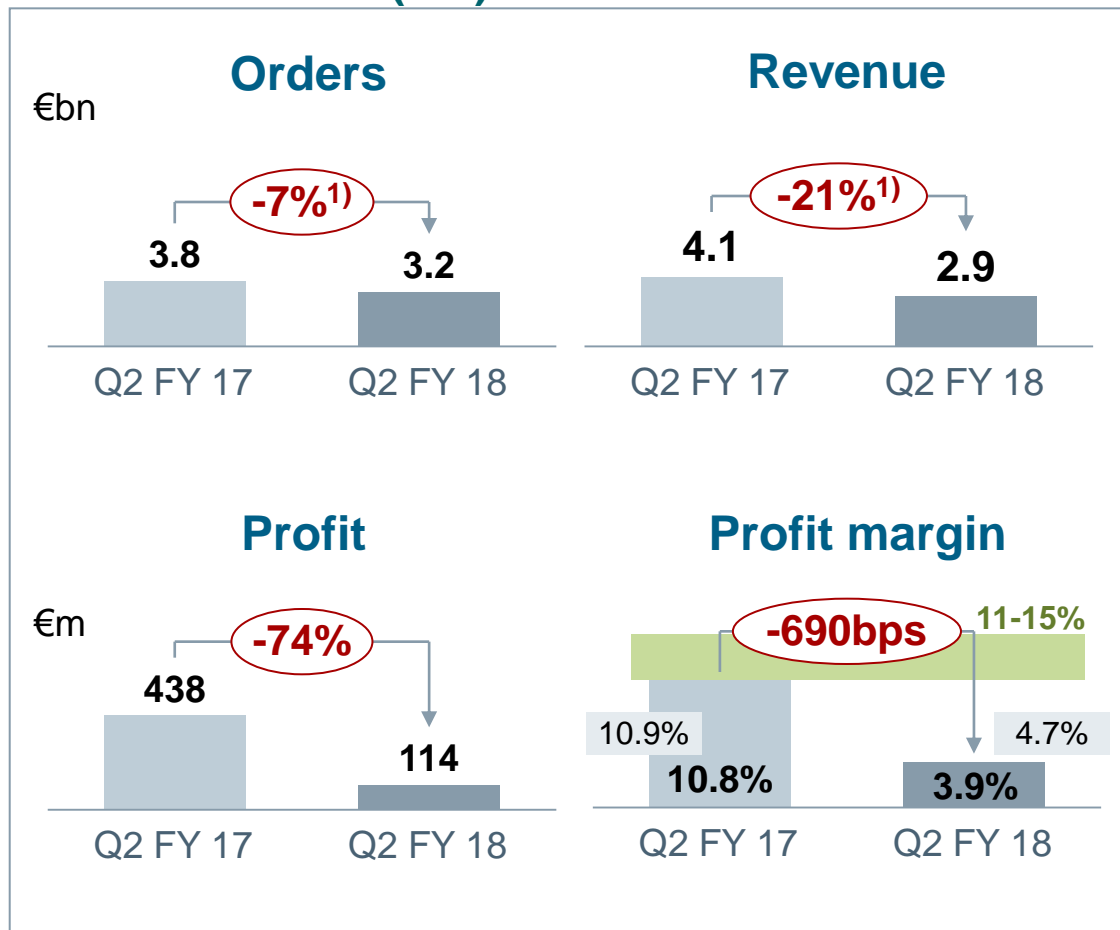


GOAL	INTENT	KPI	
1 Implement stringent company governance with effective support functions	Live lean governance and drive continuous optimization		€1bn cost savings by FY 2016 achieved ✓
2 Strengthen portfolio	Sharpen our business focus in electrification, automation, and digitalization		Tap growth fields > 8% margin in underperforming businesses ✓
3 Execute financial target system	Grow our company value		15-20% ROCE Growth > most relevant competitors ✓
4 Expand global management	Get closer to our customers and markets		> 30% of Division and Business Unit management outside Germany ✓
5 Be a partner of choice for our customers	Foster an intimate and trusting partnership with our customers		≥ 20% improvement in Net Promoter Score ✓
6 Be an employer of choice	Unleash the full potential of our people		> 75% approval rating in leadership and diversity in global employee survey ✓
7 Foster Ownership Culture	Ignite pride and passion for Siemens, through a new mindset and equity ownership		≥ 50% increase in number of employee shareholders ✓

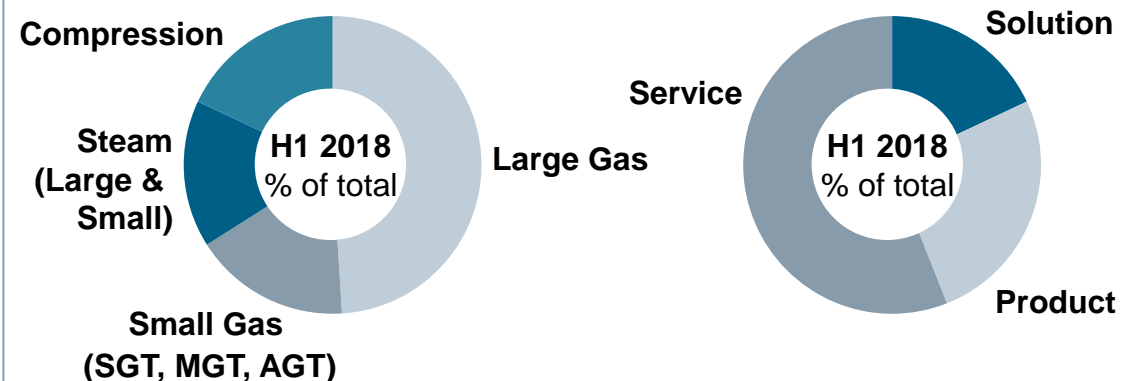
PG: Solid service business

Contracting markets require further rightsizing of capacities

Power and Gas (PG)



Business Mix (Revenue)



Key actions

- ☐ Rigorous productivity and product cost out focus
- ☐ Footprint restructuring and support functions reduction
- ☐ Selective portfolio simplification and R&D investment
- ☐ Consistent project execution
- ☐ Innovation in product and customer delivery
- ☐ New revenue stream focus

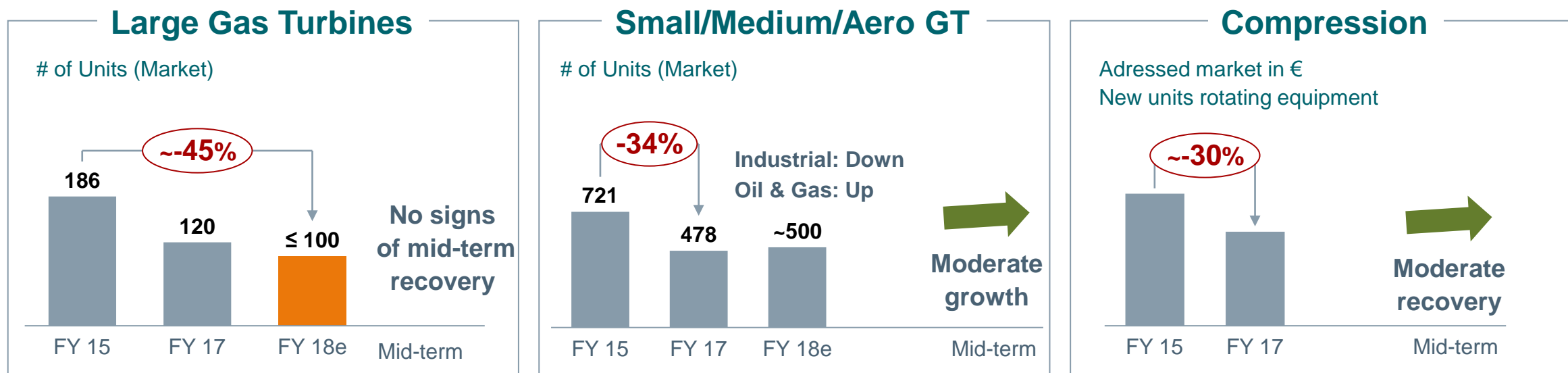
x.x% Margin excl. severance

¹⁾ Comparable, i.e. adjusted for currency translation and portfolio effects

PG: Industry overcapacities creating pricing pressure in all product lines – PG with market share gains

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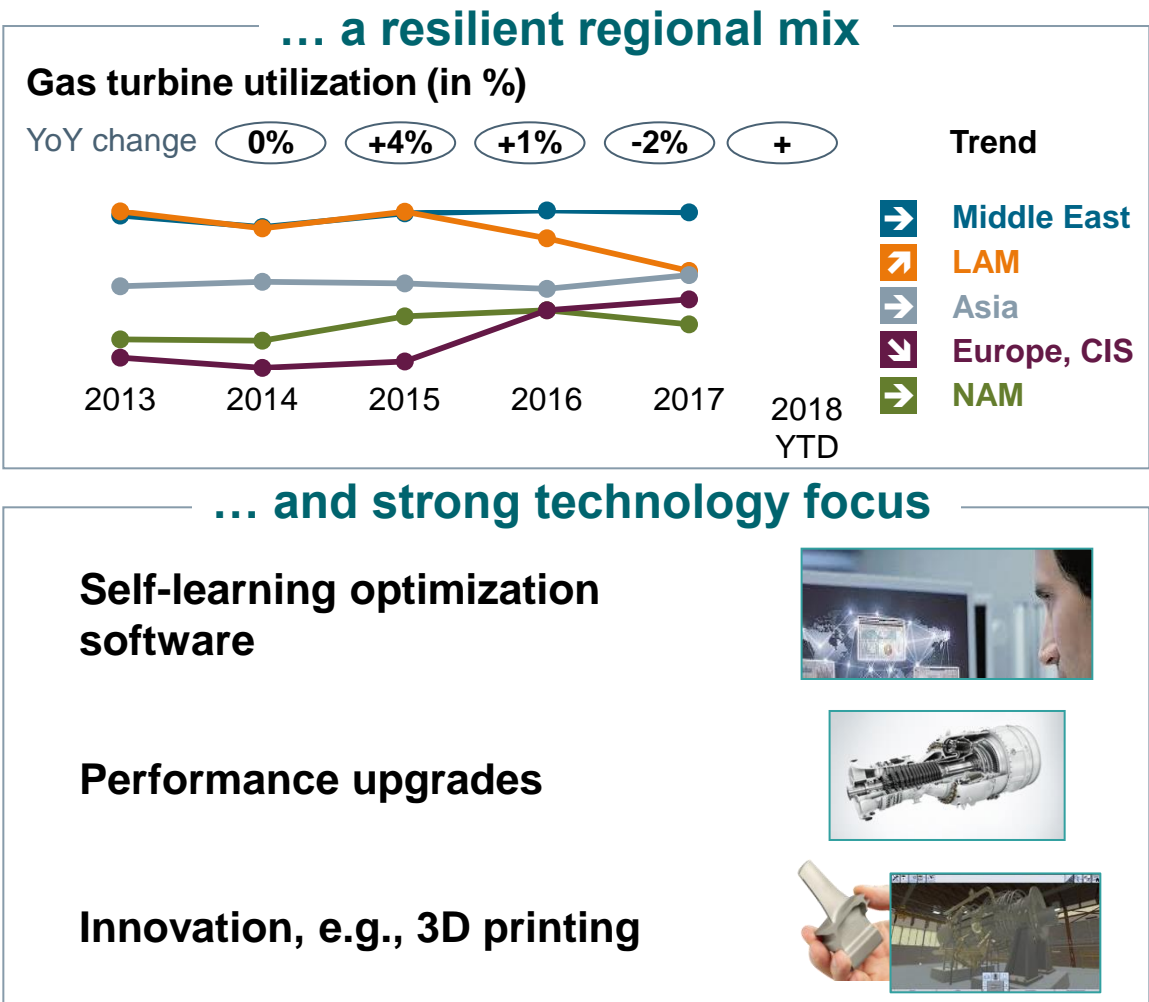
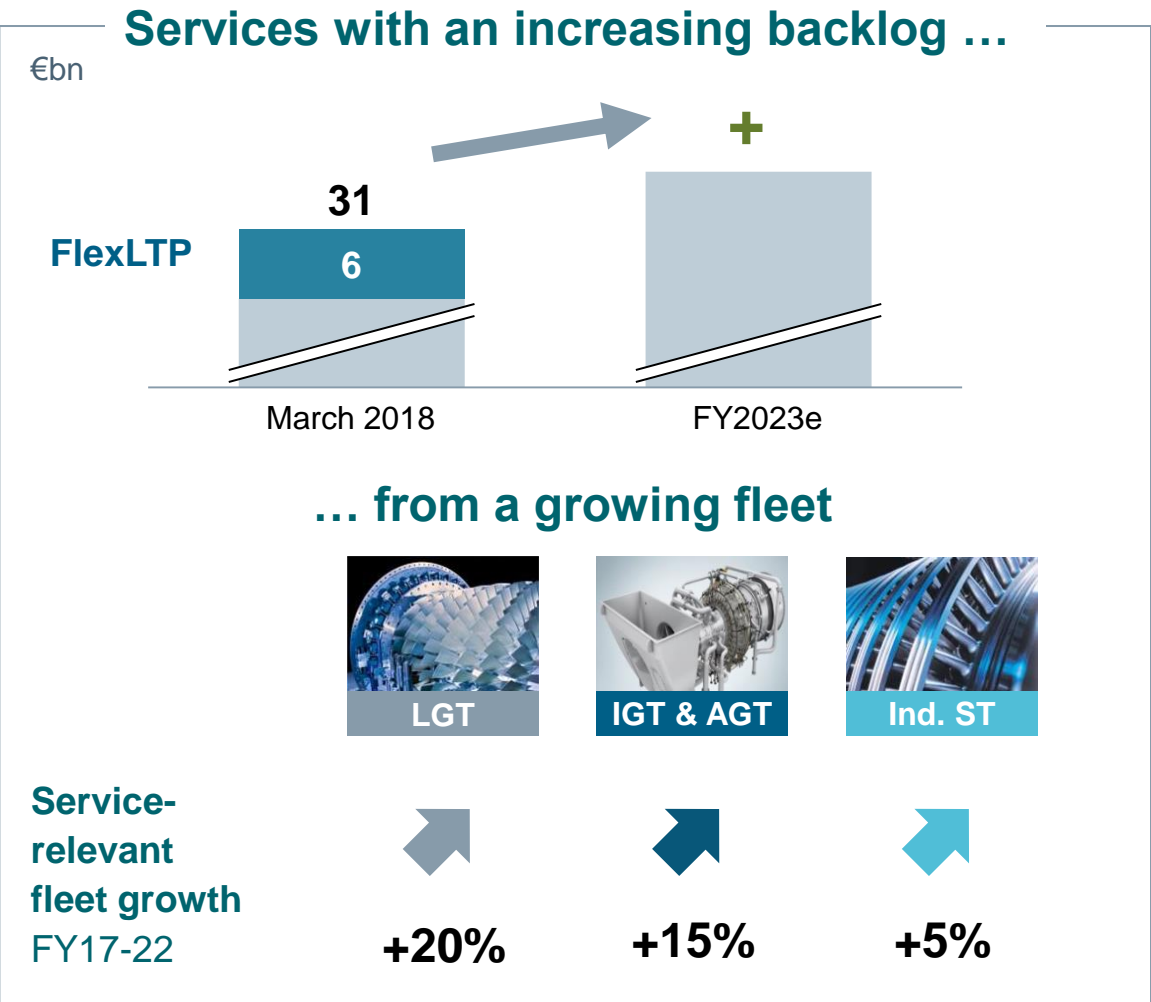
Ingenuity for life



- ❑ Rightsizing of manufacturing and service footprint
- ❑ Significant cost-out measures across fleet through design-to-cost and sourcing
- ❑ Selective investment in strengthening performance
- ❑ Consolidation of solution resources and bundling of expertise
- ❑ Invest in digital twin and design automation for faster time-to-market

PG: Our increasing and resilient Services backlog is complemented by technology infusion

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PG: Customer proximity and innovation key drivers for success



First H-Class for China mainland



- ❑ Two H-Class gas turbines for customer Huadian Fuxin
- ❑ After completion end of 2019 most efficient gas fired power plant in China
- ❑ 65 H-class in operation with ~650,000 fired hours

Integrated solution for FPSO vessel



- ❑ Six aeroderivative Gas Turbine packages for Petrobras FPSO
- ❑ Large installed offshore fleet in Brazil: 128 ADGT and 189 compressors

FPSO: Floating production, storage and offloading
ADGT: Aeroderivative Gas Turbine

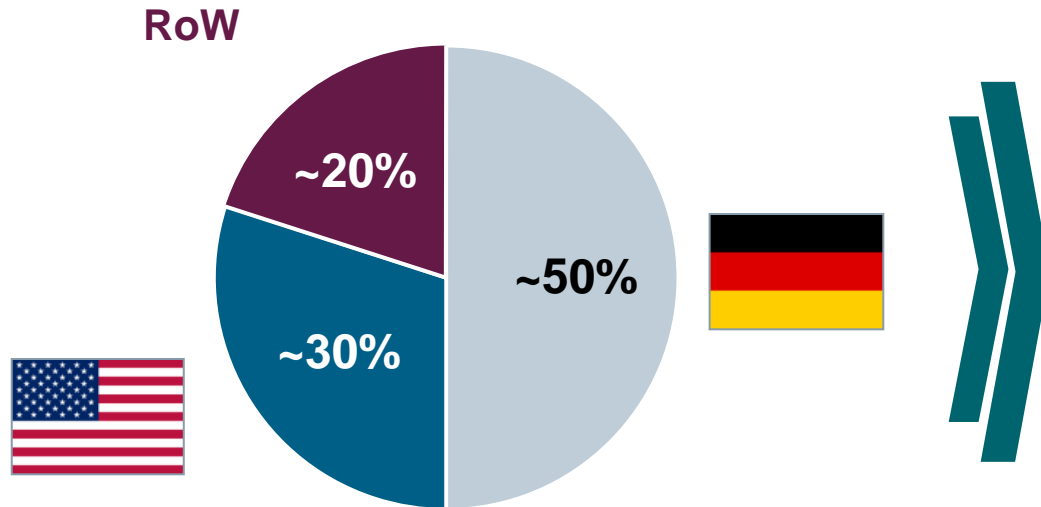
Significant invest in 3D-Printing



- ❑ €30m invest in Materials Solutions Ltd. factory
- ❑ Double additive manufacturing footprint
- ❑ Fully powered by Digital Enterprise solutions

PG: Savings are delivered at different speeds dependent on country – material impact on bottom line expected in FY 2020

Share of 6,100 announced job reductions



Status and expected financial impact

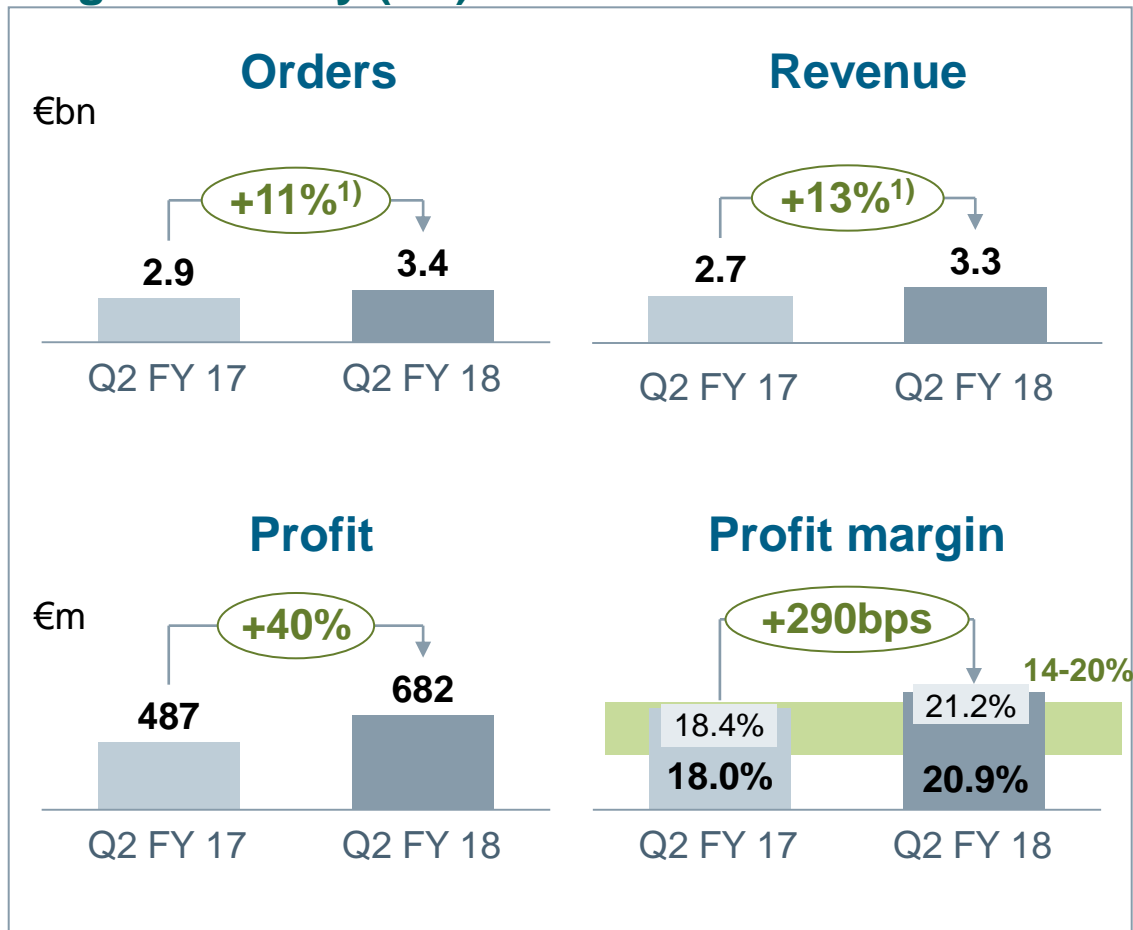
- ❑ Significantly lower FY 18 revenue vs. FY 17
- ❑ Ramp up of savings:
US – implementation well on track, savings starting in FY 18 until FY 20

Germany – negotiations ongoing, agreement expected in the current fiscal year
- ❑ PG margin excluding severance:
Mid to high single digit in FY 18 and FY 19

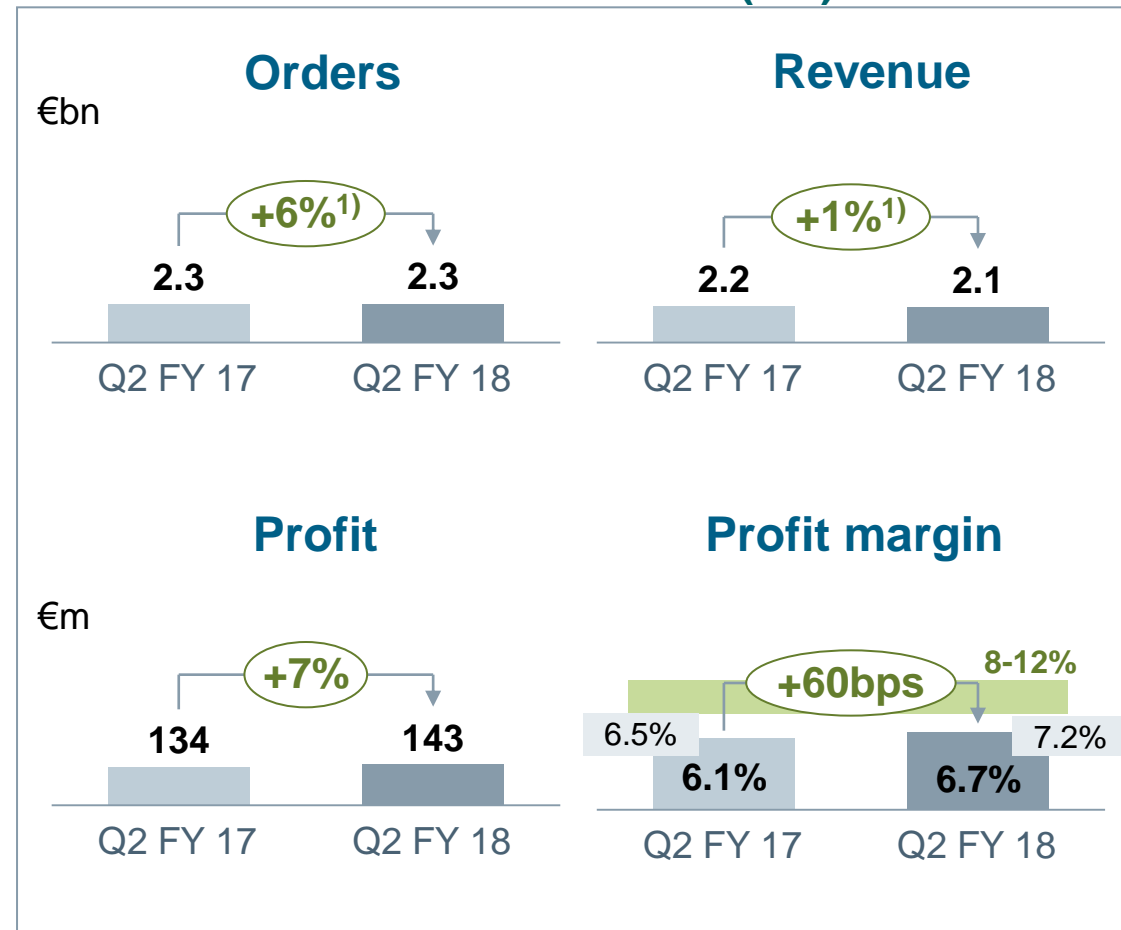
DF: World-class Digital Enterprise winning market share

PD: Implementation of turnaround measures well underway

Digital Factory (DF)



Process Industries and Drives (PD)



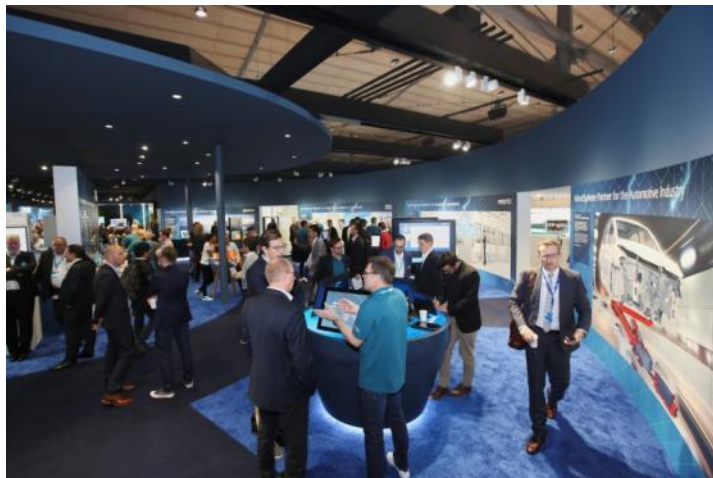
1) Comparable, i.e. adjusted for currency translation and portfolio effects

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Hanover Fair 2018

Digital Enterprise – implement now!

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Digital solutions can be deployed end-to-end in every industry and in companies of all sizes | **~7,400 Leads**

Rapidly growing MindSphere ecosystem
> 40 Partners | ~140 Applications | 20 MAC's

Broad Cybersecurity and seamlessly integrated Additive Manufacturing offering

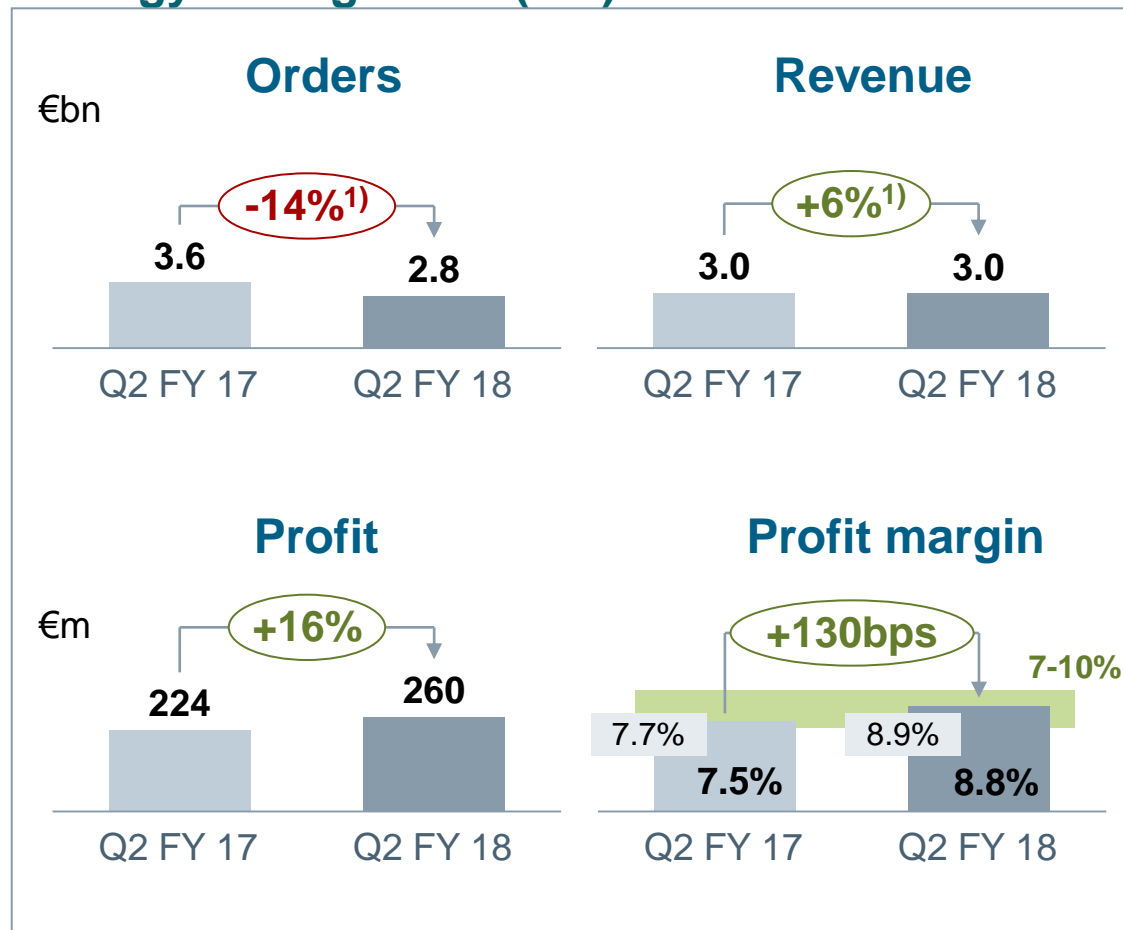


“At this year’s Hanover Fair, it’s clear that practical solutions to embrace digitalization transformation are available NOW. Siemens’ industry use cases show how taking a holistic approach to optimizing the entire value chain bears fruit....Our industry has never been more exciting” (David W. Humphrey, ARC Advisory Group)

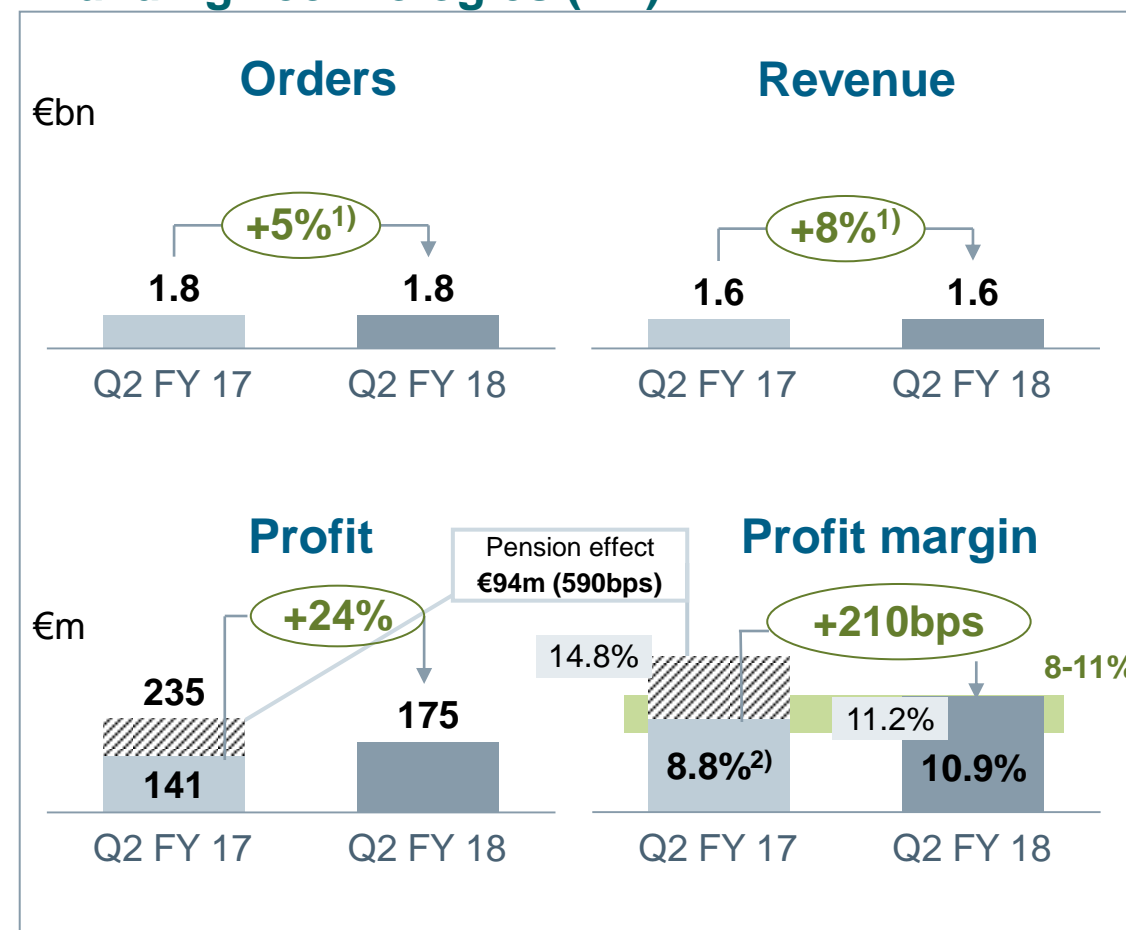
EM: Broad based improvement confirms positive trajectory

BT: Great performance – operational margin expansion

Energy Management (EM)



Building Technologies (BT)



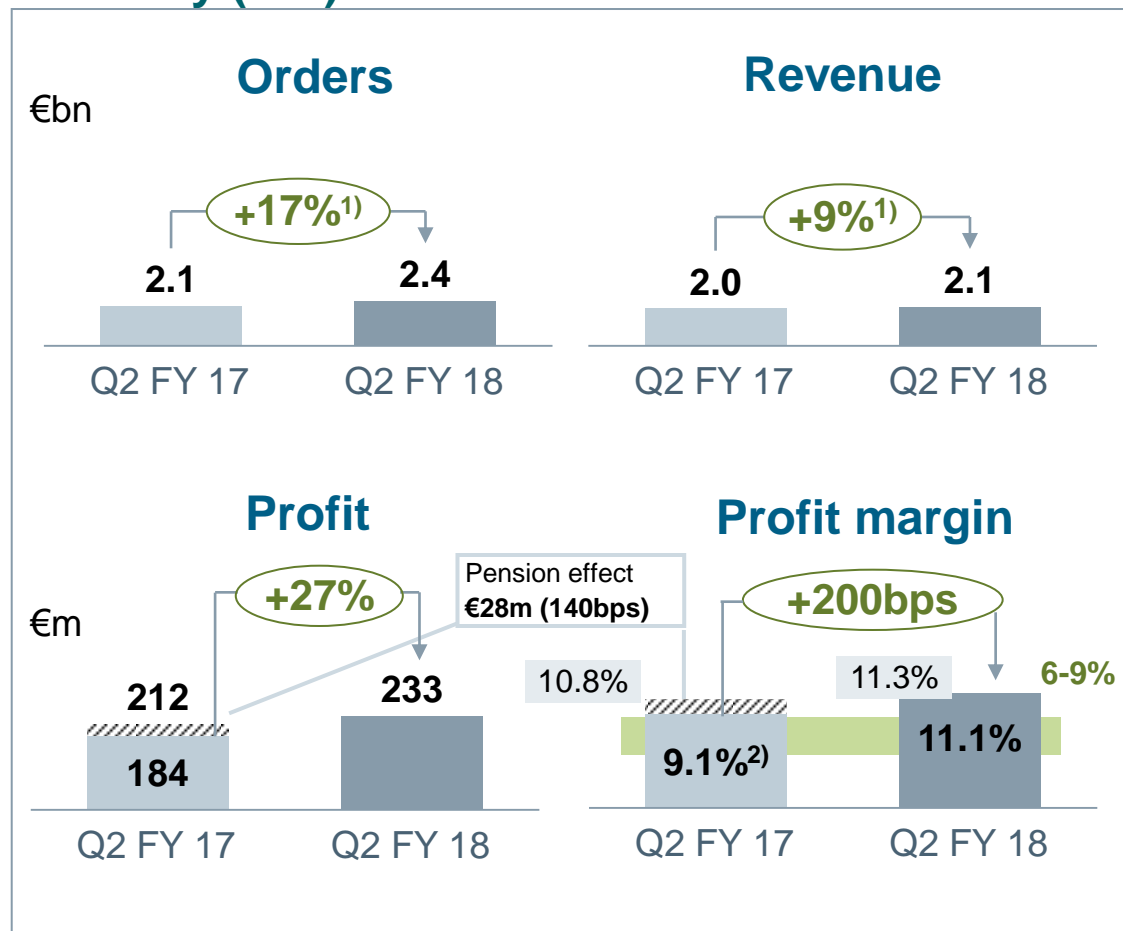
1) Comparable, i.e. adjusted for currency translation and portfolio effects

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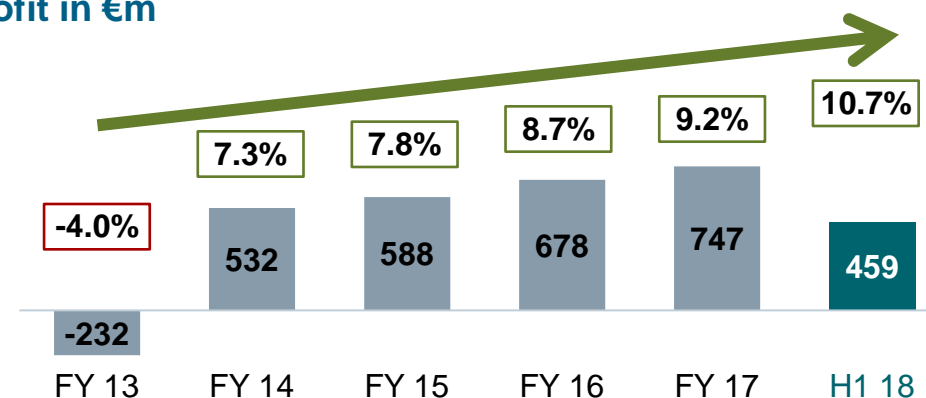
x.x% Margin excl. severance 2) adjusted for pension effect +94m (590bps) in Q2 FY17

MO: Excellent growth and industry leading margins

Mobility (MO)



Profit margin Profit in €m



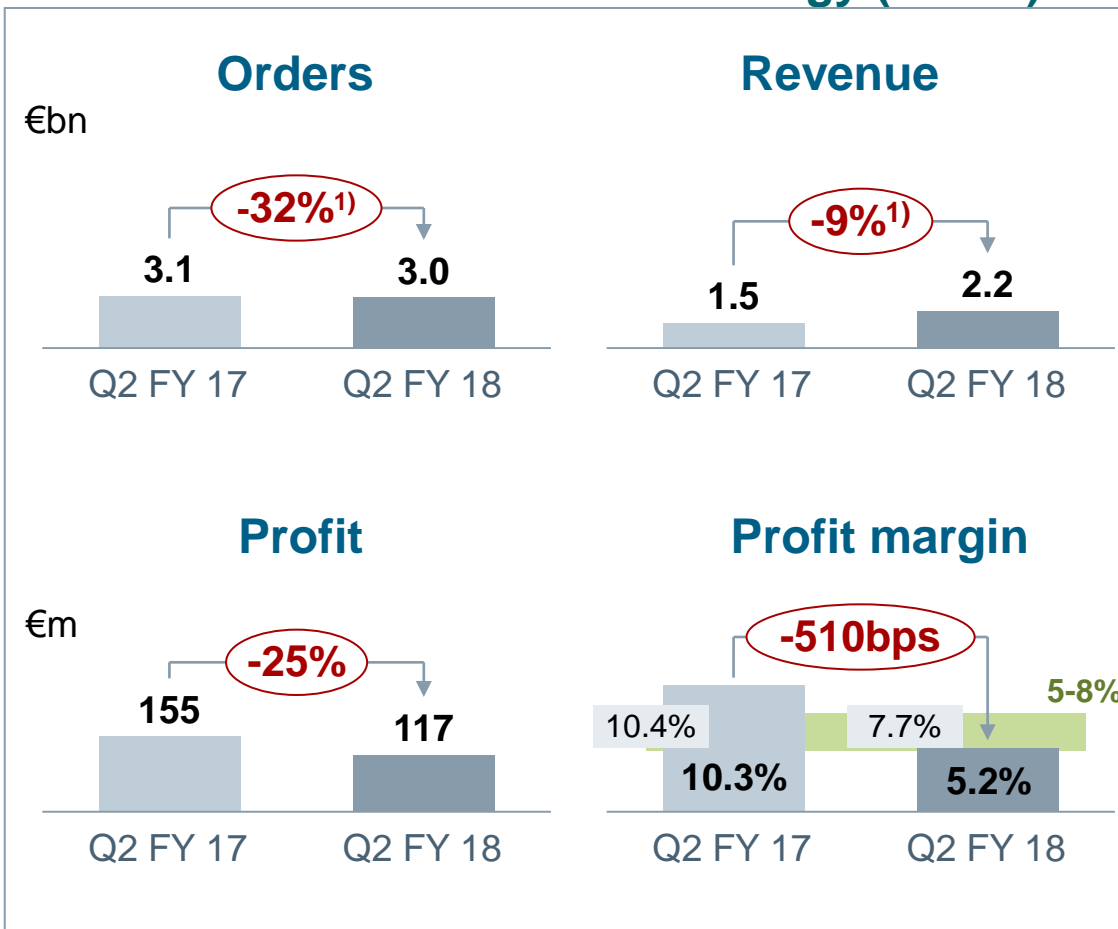
- Leading portfolio of Rolling Stock, Mobility Management, Rail Electrification and Services
- Healthy order backlog of ~€28bn
- Sustainably improved execution – substantially lower non-conformance cost

1) Comparable, i.e. adjusted for currency translation and portfolio effects

x.x% Margin excl. severance 2) adjusted for pension effect +28m (140bps) in Q2 FY17

SGRE – Stringent execution of roadmap continues

Siemens Gamesa Renewable Energy (SGRE)

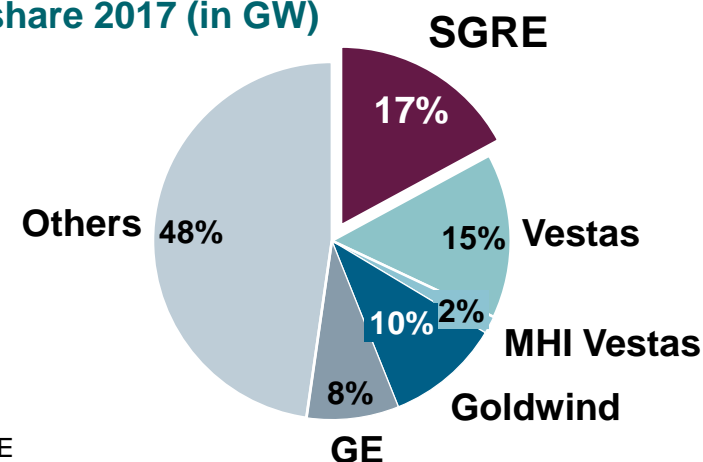


1) Comparable, i.e. adjusted for currency translation and portfolio effects

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- Clear roadmap with L3AD2020 program
- Global #1 with 8.8 GW of new capacity in 2017 ahead of competition
- SGRE clear # 1 in Offshore & # 2 in Onshore
- SGRE market share gain +3.3ppts

Market share 2017 (in GW)



Source: MAKE

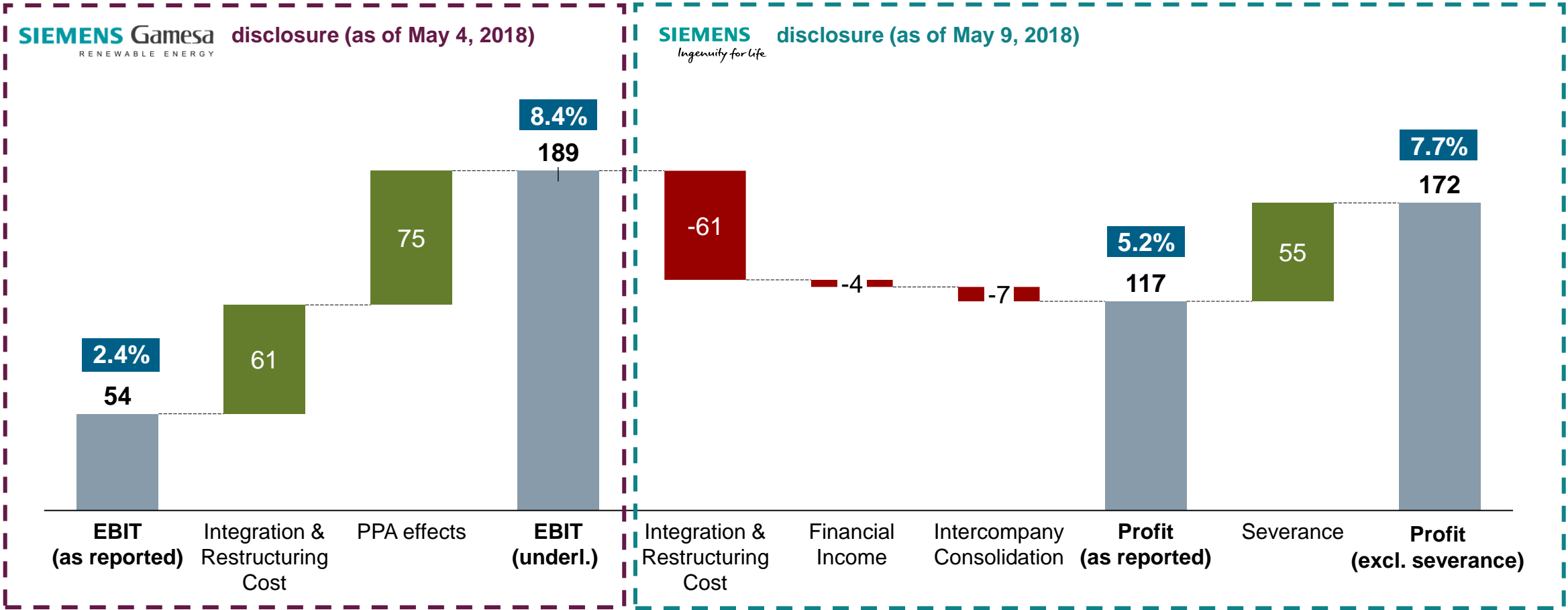
x.x% Margin excl. severance

Q2 FY18 Profit Bridge from SGRE disclosure to SAG disclosure

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



in €m



x.x% Margin

Q2 18 performance aligned with FY18 guidance

as published by SGRE May 4, 2018

Guidance FY2018

	H1 18	FY 18 ¹
Revenues (€m)	4,369 ✓	9,000 - 9,600
EBIT margin (in %) (pre-PPA, I&R cost)	7.4% ✓	7% - 8%
Working Capital to LTM Sales (in %)	2.8% ✓	-3% to +3%
CAPEX (in €m)	166 ✓	500

Comments

- Low end of revenue guidance fully covered by order backlog as of March 2018
- Synergies of 1.5% of revenues targeted by YE 2018 included in margin expectations
- Estimated impact of PPA amortization of intangible fair value of €321m for FY 18: €158m in H1 18 and €75 M in Q2 18
- Expected integration and restructuring costs of €160m in FY 2018: €75m in H1 18 and €61m in Q2 18
- Stronger H2 driven by project timing and cost optimization programs and expected synergy delivery in H2 18

1) This outlook excludes charges related to legal and regulatory matters and it is given at constant FX rates.

SGRE has set clear profitable growth targets for 2020



Top line growth: faster than the market in MW and EUR



8-10 % EBIT margin excl. PPA, integration and restructuring costs



CAPEX < 5% of sales



Positive cash flow generation every year



8-10% ROCE: enhance capital efficiency



25 % of net income as dividend policy

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Siemens Healthineers

FY 2018 Guidance reaffirmed

as published by SHS May 3, 2018

	FY2017 (IFRS 15)	FY2018E
Revenue (€m)	13,677	
Comparable growth (%)	3.8% ¹⁾	3-4%
Adj. Profit (€m)	2,458	
Adj. Profit margin (%)	18.0%	17-18%
Adj. net income (€m)	1,540	

Comments on FY2018E

- Comparable revenue **growth on a q-o-q basis can fluctuate** significantly
- **Significant FX headwinds in FY2018E expected** resulting in slightly decreasing reported revenue
- **Adjusted for severance and external costs related to the IPO**
- **€50m of €240m cost savings from stand-alone setting and organizational efficiency program** to materialize in **FY2018E** (additional part in FY2019E and beyond)
- **Adjusted for severance, external costs** related to the **IPO** and **PPA**
- Estimated **net financial result** for 2018E of **€140-170m; significantly lower interest expenses** post implementation of **new capital structure**
- **Effective tax rate: 28-30%**

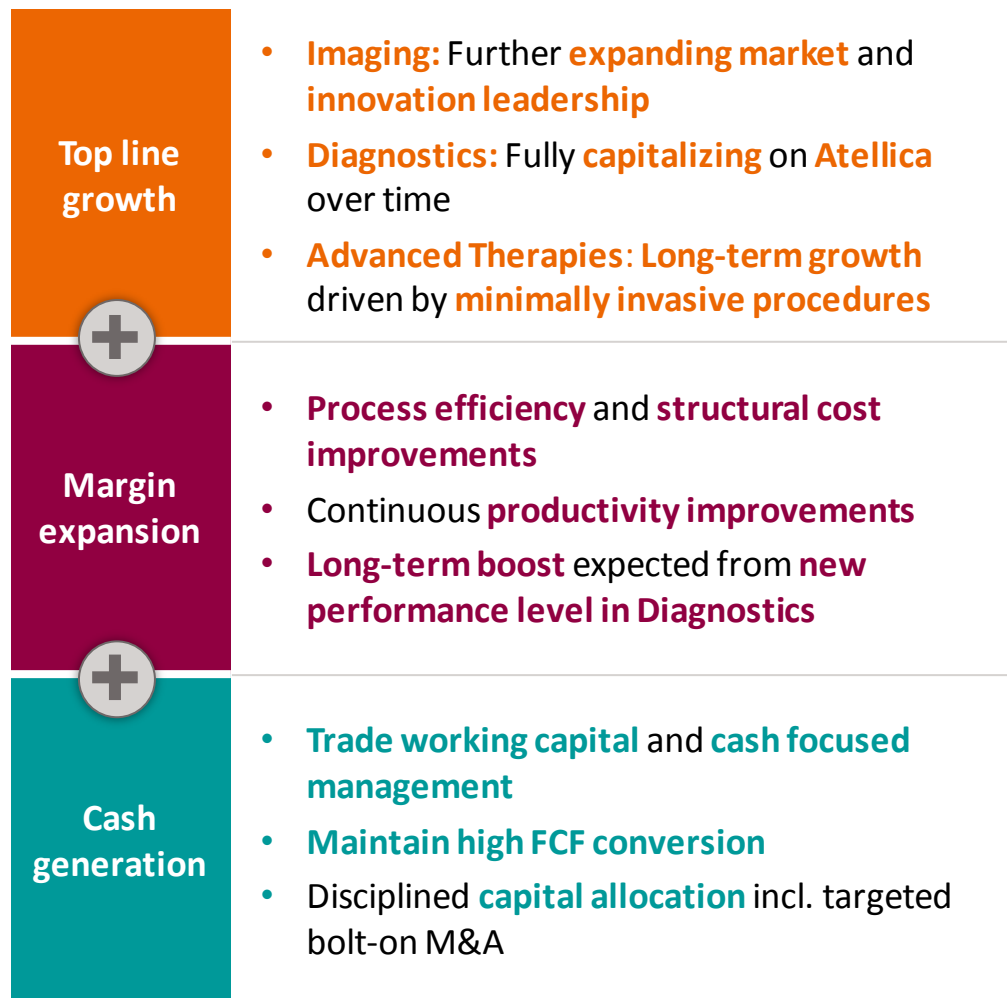
Note: Comparable growth defined as growth net of currency translation effects and portfolio effects.

1) Refers to comparable revenue CAGR from FY2015 to FY2017 under old IFRS.

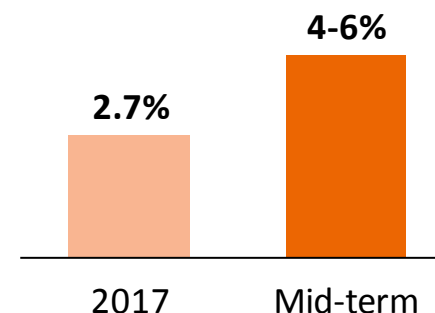
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Siemens Healthineers

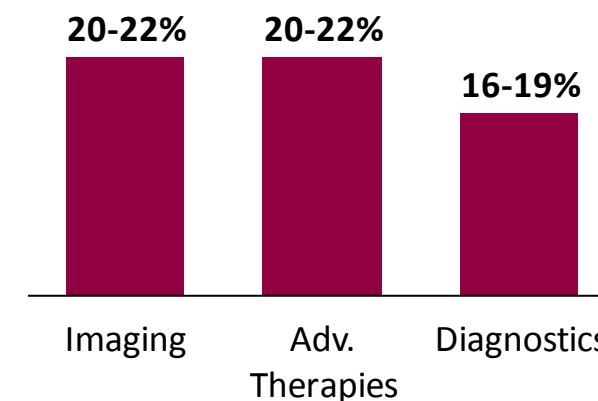
Clear agenda to drive earnings growth – mid-term goals



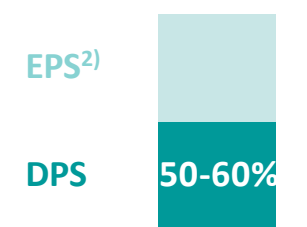
Mid-term comp. revenue growth target



Mid-term profitability¹⁾ targets



Dividend policy



Capital structure

Solid investment grade rating as a minimum

Note: Comparable growth defined as growth net of currency translation effects and portfolio effects.

1) Margin of earnings before financing interest, certain pension costs, income taxes and amortization expenses of intangible assets acquired in business combinations, adj. for severance.

2) Dividend policy refers to 50-60% of (reported) net income.

June

June 12, 2018
Exane Conference (Paris)
June 15, 2018
JP Morgan Conference (London)

August

August 2, 2018
Q3 Earnings Release

