

A blurred photograph of a modern office hallway with large glass windows and people walking. The Siemens logo is in the top left corner.

**SIEMENS**

Joe Kaeser, President and CEO

Ralf P. Thomas, CFO

Lisa Davis, Member of the Managing Board

# Fiscal Year guidance achieved Execution of Vision 2020 begun

Q4 FY 2014, Analyst Call  
Berlin, November 6, 2014

# Notes and Forward Looking Statement

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 IFRS not clearly defined – supplemental financial measures that are or may be non-GAAP financial 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 IFRS in its Consolidated Financial Statements. Other companies that report or describe similarly titled financial measures may calculate them differently.

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.

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## Revenue growth - Performance against competition (FY2014)

To illustrate management’s perspective on the Company’s performance against competition, Siemens compares its own revenue growth rate with the weighted average revenue growth rate of its Sectors’ most relevant competitors, including, among others, ABB, GE, Philips, Rockwell and Schneider. Revenue growth for Siemens and its competitors is calculated as the actual growth rate over a rolling four quarter period compared to the same period a year earlier. Siemens competitors revenue growth is derived as the weighted average growth rate of dedicated competitor baskets defined for each Siemens Sector. Each Sector basket’s growth rate is based upon the most recent reported competitor revenues publicly available at the time of calculation. The Sector competitor baskets revenue growth rates are weighted by the revenue of the respective Siemens Sector.

This measure may provide useful information to investors with respect to management’s view on Siemens’ growth compared to competitor growth. However, we caution investors, that this measure is subject to certain limitations, which include the following: The metric is defined by Siemens and, as such, is not based on a generally accepted framework that is also relevant for other companies; accordingly, other companies may define a similarly titled measure differently. In calculating this measure, Siemens relies on data published by its competitors for which Siemens assumes no responsibility. In addition, the data may not be directly comparable as a result of differing presentation currencies and reporting standards being used by our competitors in the data’s presentation. Furthermore, subject to limited exceptions, no adjustments are made for currency translation effects, portfolio changes and changes in reporting structure for either the Siemens or the competitor data. Because the public availability of relevant competitors’ data at the time of calculation may not coincide with the availability of Siemens’ data, some competitor data used may relate to a different time period than the Siemens data.

## **Our agenda for today**

**Delivering on targets – key financials Q4 Fiscal 2014**

**Driving value for shareholders**

**Execution of “Siemens – Vision 2020” started**

**Setting clear priorities to achieve targets in Fiscal 2015 and beyond**

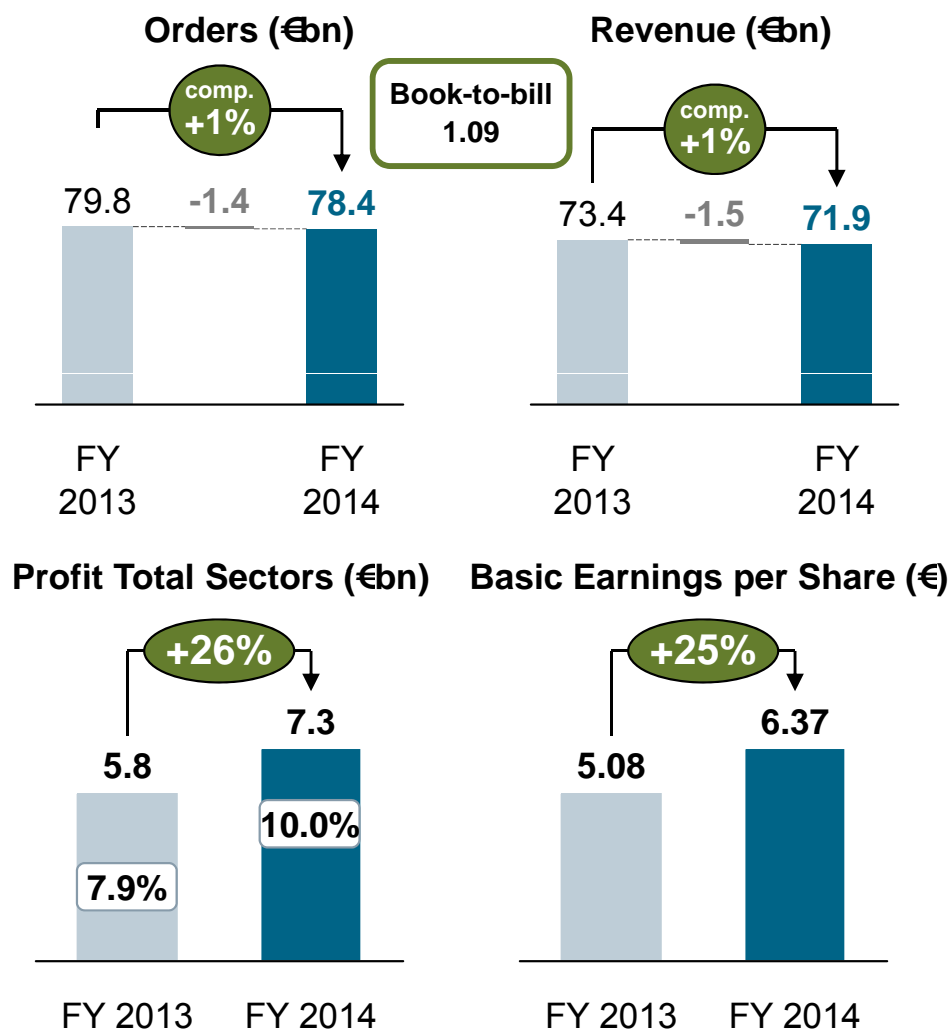
# We delivered on our FY 2014 targets

## FY 2014 Outlook

- We expect **revenue** on an **organic basis** to **remain level year-over-year**, and orders to exceed revenue for a **book-to-bill ratio above 1**. ✓
- Given these developments and financial results for the first nine months, we expect **basic earnings per share (Net Income)** for fiscal 2014 to **grow by at least 15%** from **€5.08** in fiscal 2013. ✓
- Annual Report 2013: We expect a substantial increase in Total Sectors profit year-over-year, and that **Total Sectors profit margin will rise to 9.5% to 10.5%**. ✓

This outlook is based on shares outstanding of 843 million as of September 30, 2013. Furthermore, it excludes impacts related to legal and regulatory matters.

## FY 2014 Actual Performance



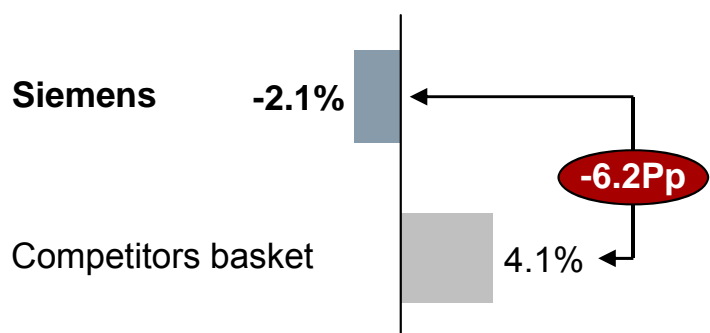
# One Siemens cockpit – FY 2014

## Capital efficiency back in target range

### Financial target system

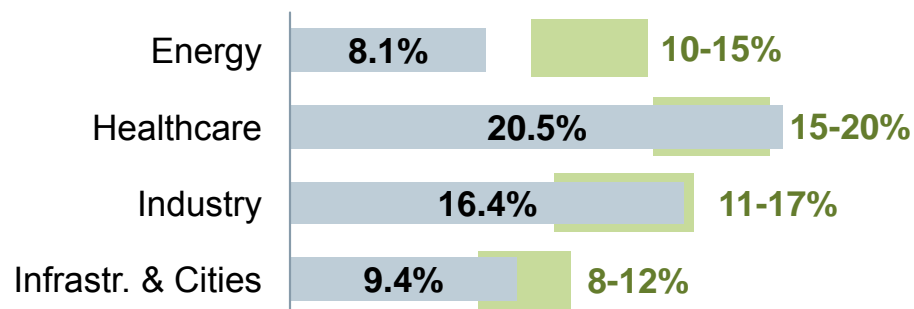
#### Growth<sup>1)</sup>

Revenue growth (rolling 4 quarters FY 14)



#### Margins compared to industry benchmarks

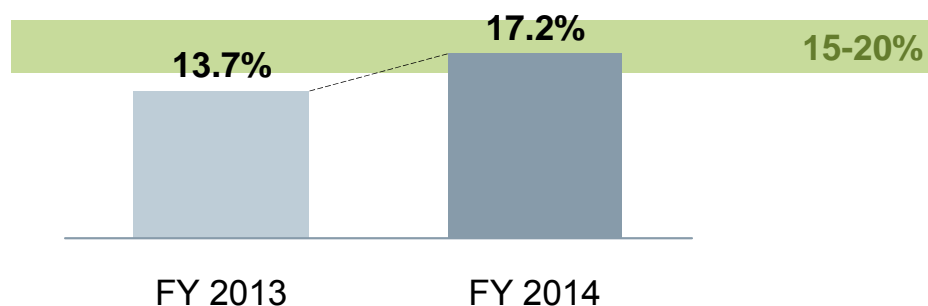
EBITDA Margins (FY 2014)



EBITDA margins of respective markets throughout business cycles

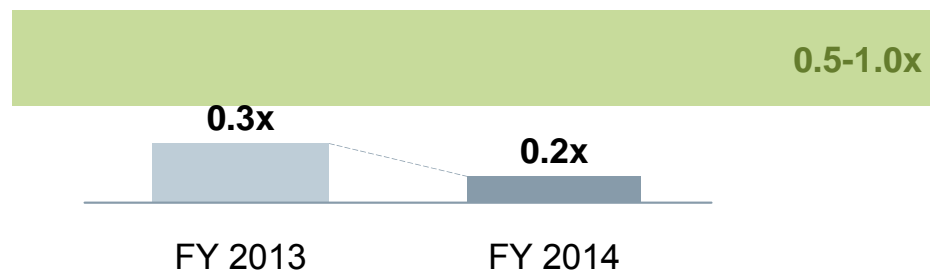
#### Capital efficiency

ROCE adjusted (continuing operations)



#### Capital structure

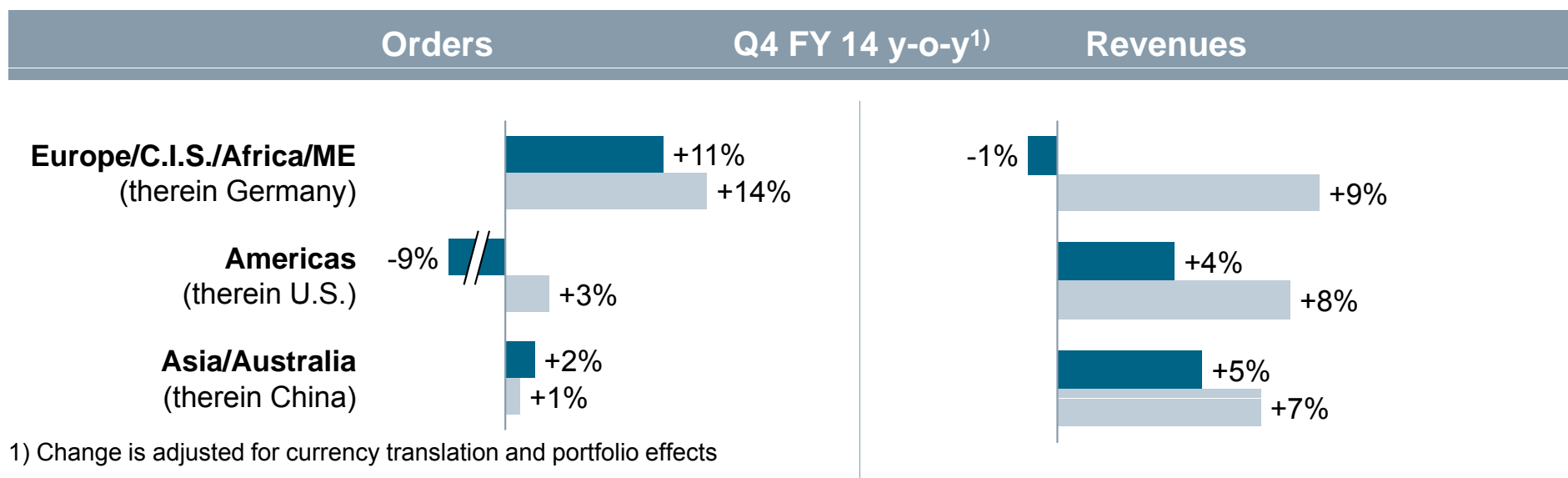
Adjusted industrial net debt/EBITDA



1) As reported

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# Large contract wins in the US Rail and European Wind Power business lift orders



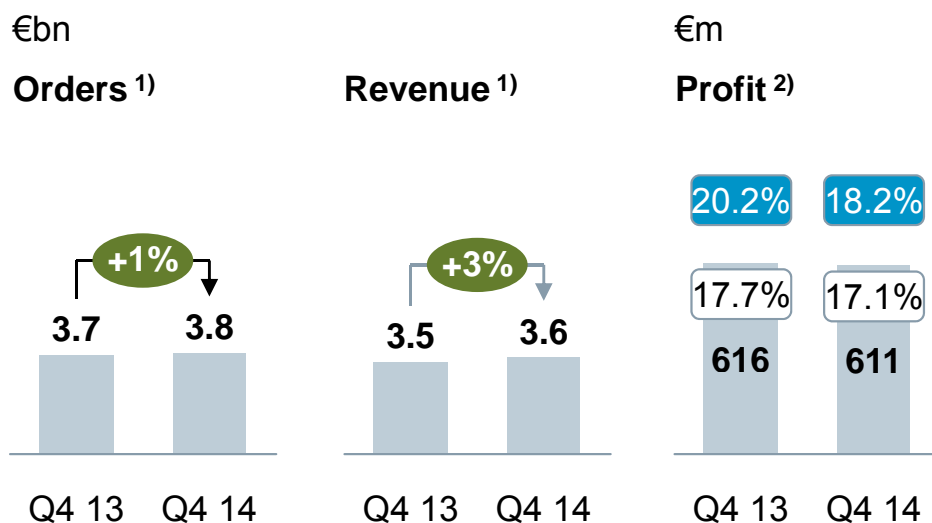
## Key developments

- Europe:**
  - Large offshore wind orders; Export industry drives Germany orders
  - Slow recovery in low growth environment impacts revenues
- Americas:**
  - Transportation & Logistics in U.S. compensates for lower power orders
  - Strong Power Generation and Wind, boost U.S. revs
- Asia / Australia:**
  - China shows strength in Infrastructure orders, increasing softness in Healthcare
  - Strong Infrastructure revenues, growth in Industry and Healthcare in China



# Healthcare – Strong profit contribution continues

## Key Figures Healthcare



## Main developments in Q4

- **Order growth in Europe/CAME<sup>3)</sup> and Americas offset softness in China**
- **Slightly lower profit margin on tough comparables and continued currency effect**
- **Diagnostics** – Solid growth in China; on track with platform development
- **Hospital information system** business in discontinued operations as of Q4 FY 14

| Division    | Orders y-o-y <sup>1)</sup> | Revenue y-o-y <sup>1)</sup> | Profit margin | Underl. profit margin |
|-------------|----------------------------|-----------------------------|---------------|-----------------------|
| Diagnostics | 2%                         | 2%                          | 10.6%         | 14.5%                 |

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

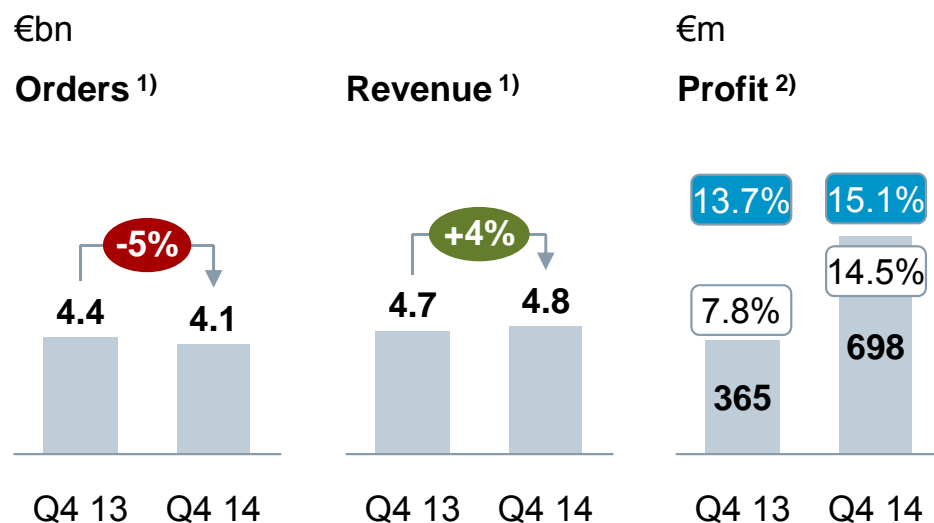
% Profit margin % Underlying Profit margin

2) for underlying margin calculation please refer to Flashlight document

3) Europe, Commonwealth of Independent States, Africa, Middle East

# Industry – Better mix and effective growth conversion lift earnings and margins

## Key Figures Industry



## Main developments in Q4

- **Lower volume of large orders** in long cycle business of Drive Technologies; **broad based revenue growth**
- **Industry Automation** – Growth conversion drives underlying profit margin
- **Drive Technologies** – Productivity and higher margin Motion Control business boost profit

| Division            | Orders y-o-y <sup>1)</sup> | Revenue y-o-y <sup>1)</sup> | Profit margin | Underl. profit margin |
|---------------------|----------------------------|-----------------------------|---------------|-----------------------|
| Industry Automation | 2%                         | 4%                          | 18.1%         | 18.9%                 |
| Drive Technologies  | -9%                        | 4%                          | 10.7%         | 11.0%                 |

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

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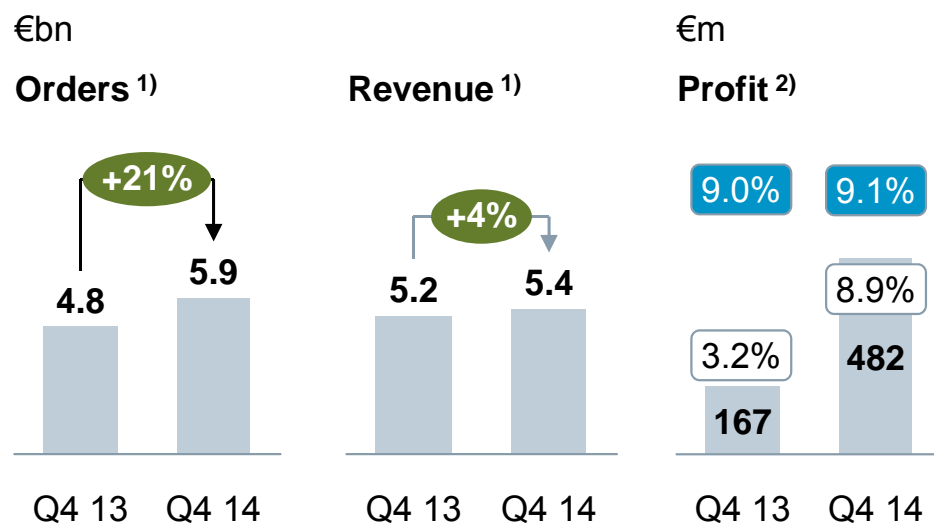
% Profit margin % Underlying Profit margin

2) for underlying margin calculation please refer to Flashlight document



# Infrastructure & Cities – Stringent execution drives excellent profit development

## Key Figures Infrastructure & Cities



| Division                        | Orders y-o-y <sup>1)</sup> | Revenue y-o-y <sup>1)</sup> | Profit margin | Underl. profit margin |
|---------------------------------|----------------------------|-----------------------------|---------------|-----------------------|
| Transportation & Logistics      | 54%                        | 10%                         | 4.9%          | 5.6%                  |
| Power Grid Solutions & Products | -2%                        | 4%                          | 11.6%         | 11.6%                 |
| Building Technologies           | 2%                         | -3%                         | 12.4%         | 12.4%                 |

## Main developments in Q4

- **Major orders in Transportation & Logistics (U.S. and UK)** drive bookings
- **Transportation & Logistics** – Profit rises on higher revenues and stringent project execution
- **Power Grid Solutions & Products** – Higher productivity and revenue growth lift margins; Low Voltage products with double-digit margin, successful launch of new platform
- **Building Technologies** – Strong profit performance on lower revenues due to phase out of lower margin business

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

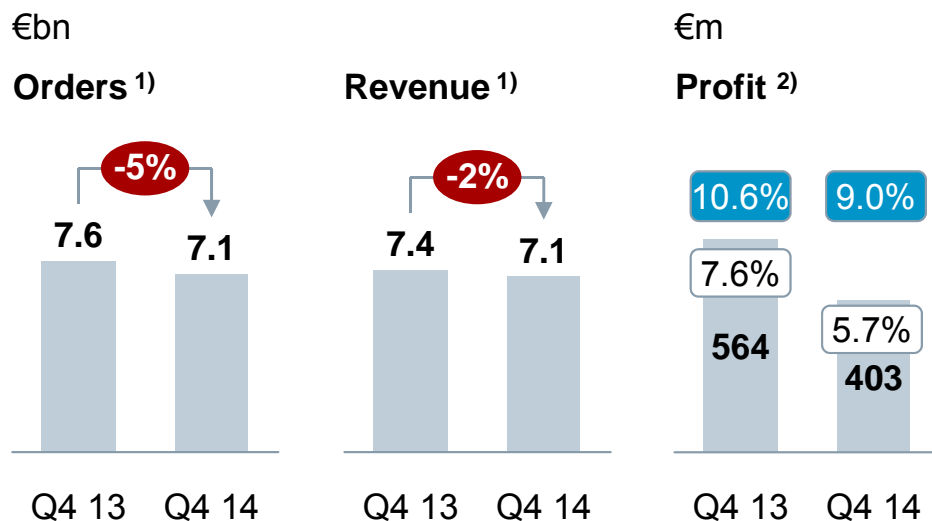
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% Profit margin % Underlying Profit margin

2) for underlying margin calculation please refer to Flashlight document

# Energy – Pressure on growth and profit

## Key Figures Energy



| Division           | Orders y-o-y <sup>1)</sup> | Revenue y-o-y <sup>1)</sup> | Profit margin | Underl. profit margin |
|--------------------|----------------------------|-----------------------------|---------------|-----------------------|
| Power Generation   | -10%                       | 2%                          | 13.0%         | 13.0%                 |
| Wind Power         | 17%                        | 0%                          | -4.0%         | 6.7%                  |
| Power Transmission | -14%                       | -11%                        | -4.3%         | -0.1%                 |

## Main developments in Q4

- **Market environment** remains **competitive in all areas**
- **Lower orders** driven by a **decline** in the **Americas**
- **Power Generation** – Strong profit contribution from service business; challenges in increasingly competitive large gas turbine markets
- **Wind** – €223m charges due to main bearing and blade erosion issues; €48m gain on equity investment
- **Transmission** – Continuing execution of low margin solution projects; project charges of €41m; North Sea offshore grid connection projects reach several milestones

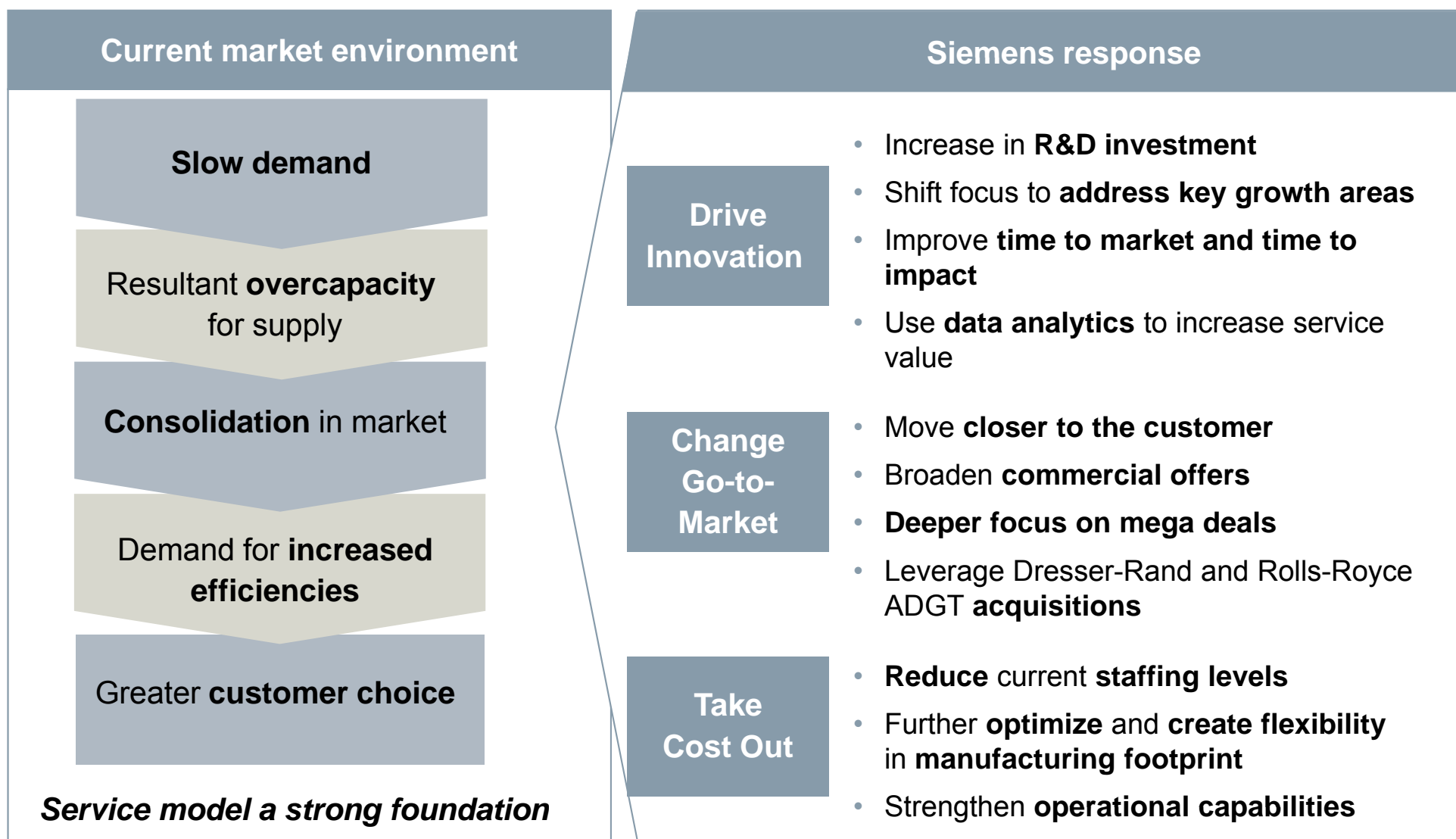
1) Comparable, i.e. adjusted for currency translation and portfolio effects

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% Profit margin % Underlying Profit margin

2) for underlying margin calculation please refer to Flashlight document

# Power Generation: Ensuring competitiveness



# Wind Power: Growth and operational excellence

## Performance and challenges



- **Clear #1 in Offshore** – the strongest growing segment
- **Cost-out focus driving to grid parity in Onshore**
- **Continued positive view** on future wind market
- **Innovation leadership**



- **Q4 profit impacted by provisions** for bearing and blade repairs
- **Manufacturing process inefficiencies** result in underlying profitability below expectation

## Current activities

### Engineering Changes & Repairs

- **Focus on Engineering and SCM processes** to drive corrective and preventive actions
- **Utilize growing service business** to learn from existing fleet
- Implemented **Zero-Defect program** to ensure **quality mindset**

### Underlying profitability

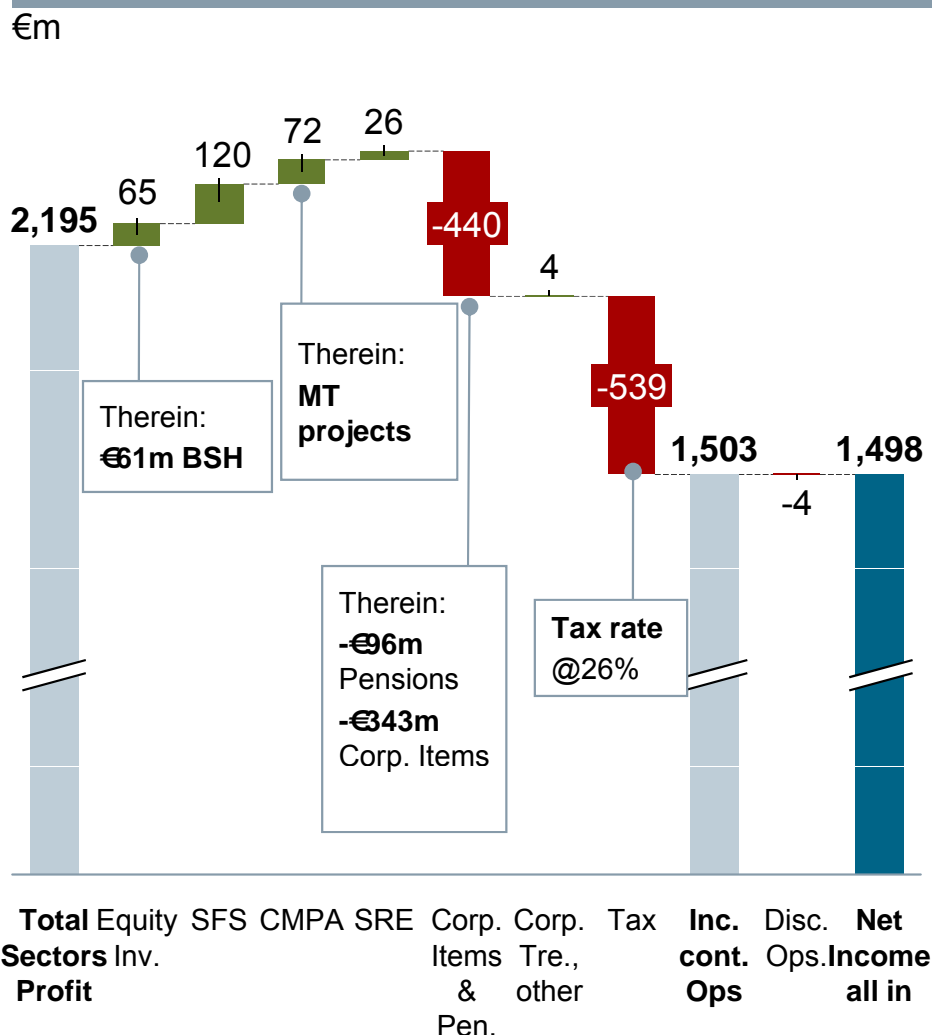
- Continue focus on **Industrialization and Cost Out**
- Program underway to reduce **LCoE<sup>1)</sup> of Offshore** to <10 €ct/kWh by 2020
- New product initiative with significantly **higher performing turbines** in market in 2016
- Continue to **grow installed base** with increasing share of **long-term service contracts**

1) LCoE – Levelized Cost of Electricity

# Below Total Sectors

## Significant structural changes for FY 2015

### Q4 FY 2014 'Below Total Sectors'



### What to expect in FY 2015?

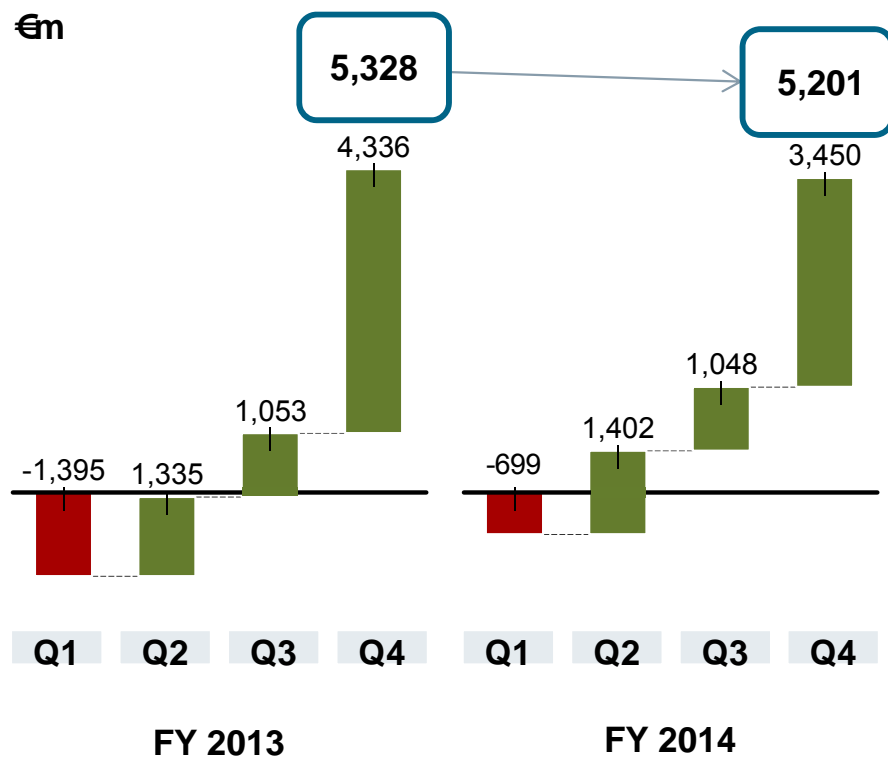
Execution of Vision 2020 will have significant positive influence on Net income due to portfolio optimization; realization and quantification of effects depend on negotiations

- **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; dependent 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 HC IT, Audiology, Metals

# Free cash flow

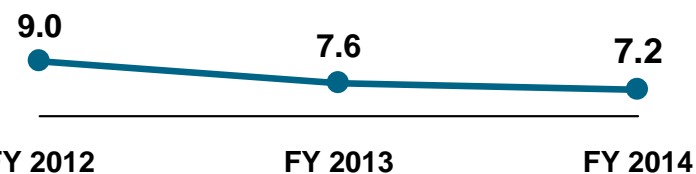
## Seasonal strong finish in Fiscal Q4

### Free cash flow development ("all-in")

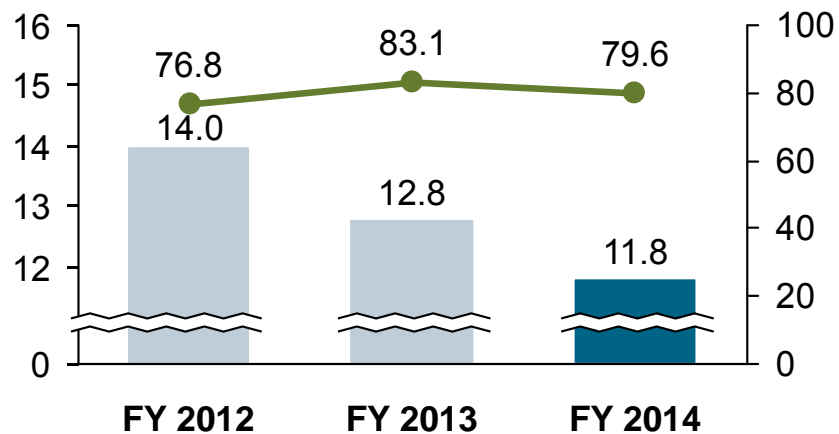


### Key drivers free cash flow (Total Sectors)

#### Operating Working Capital turns Total Sector



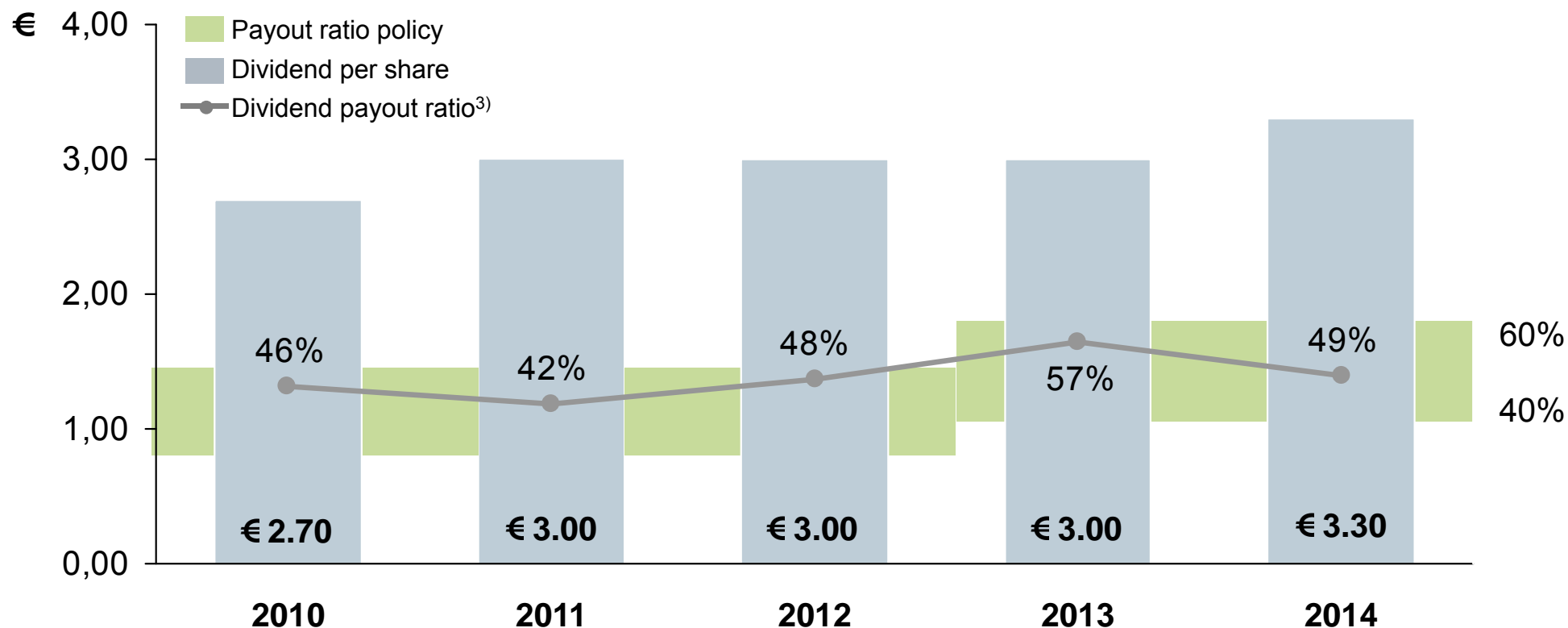
#### Advance payments & BiE (in €bn)



as reported

Focus on more consistent quarterly cash flow distribution remains

# Attractive shareholder return driven by stable dividend policy



Dividend paid in €m

|                     |       |       |       |       |                     |
|---------------------|-------|-------|-------|-------|---------------------|
| 2010                | 2,356 | 2,629 | 2,528 | 2,533 | 2,706 <sup>1)</sup> |
| Yield <sup>2)</sup> | 2.9%  | 3.9%  | 3.6%  | 3.0%  | 3.5%                |

1) Shares outstanding assumption of 820m (at AGM 2015)

2) Calculation based on share price at AGM; for 2014 on closing share price of €94.37 on Sept. 30, 2014

3) Net Income all-in adjusted for exceptional non-cash items: Impairments at DX (2010), Impairments at Solar and NSN Restructuring (2012)

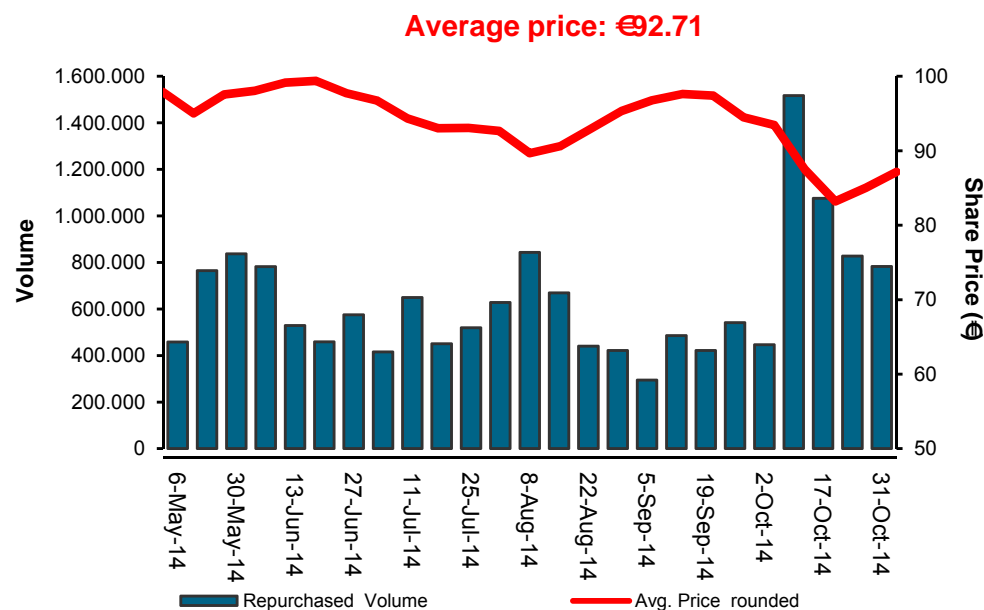
Note: Net income as reported in each relevant year



# ... and through consistent execution of share buyback

## Current status of share buyback

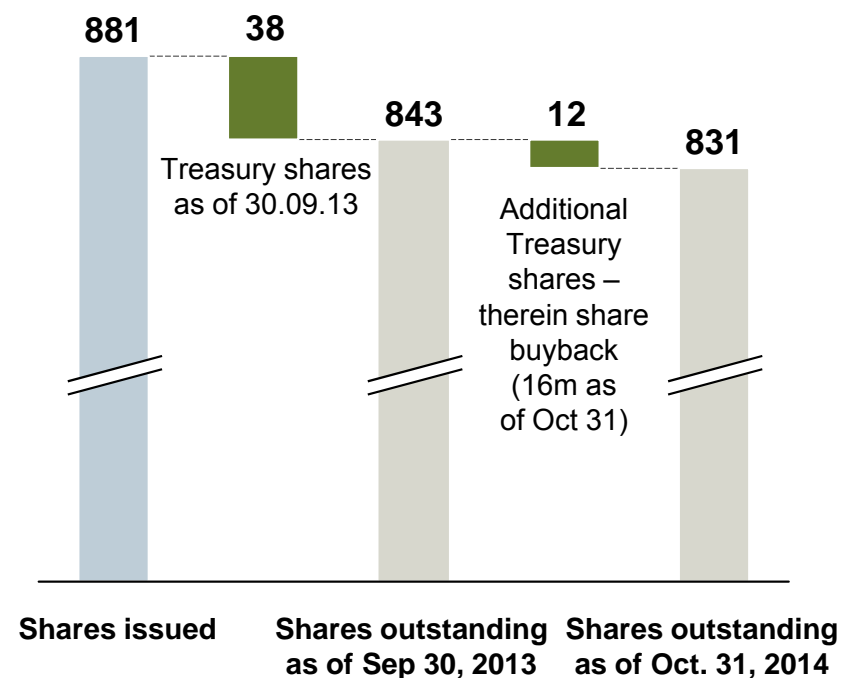
Share price and weekly repurchase volume May 12 – Oct 31, 2014



**Total buyback volume until Oct. 31: ~€1.5bn**

## Shares issued and shares outstanding

Number of shares in million (rounded)



# Siemens – Vision 2020

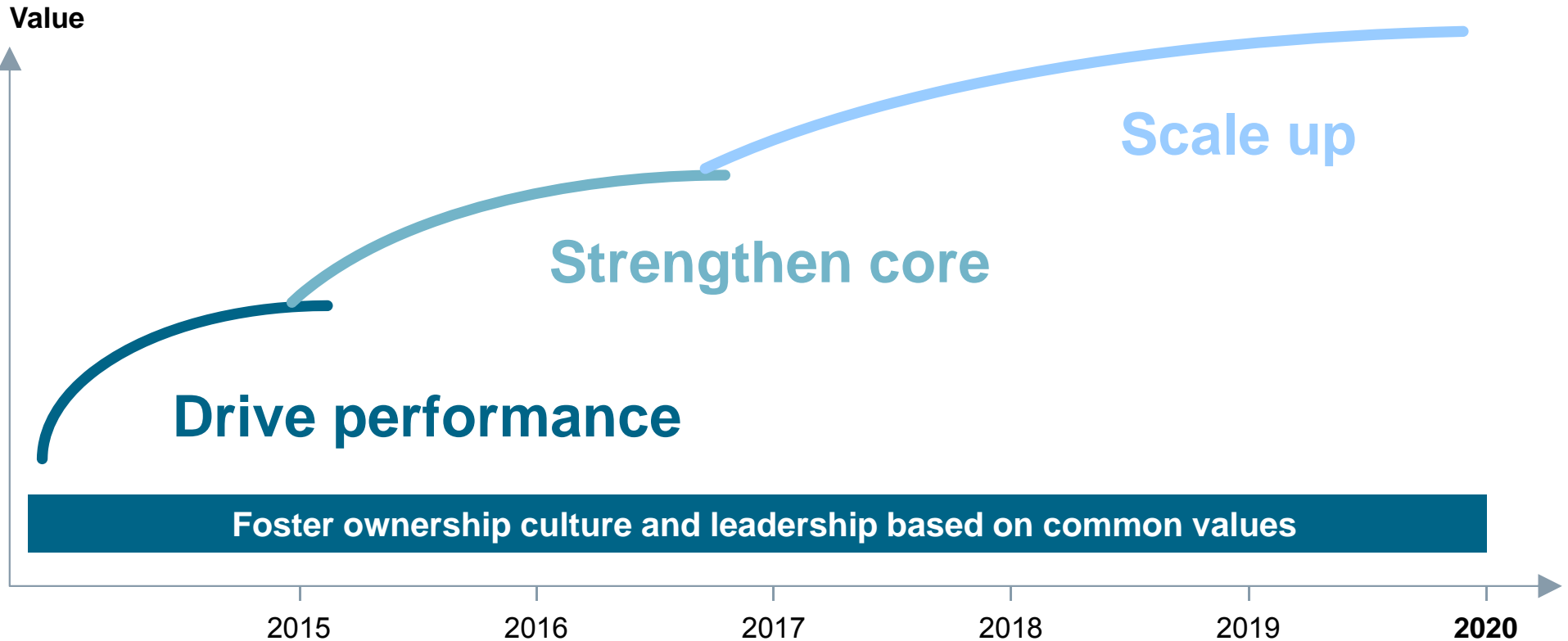
## Clear milestones until 2016

| Until   | Execution steps  |   |
|---------|--|---|
| Q4 2014 | Execution of 'Siemens 2014' measures   | ✓ |
|         | Implementation of new organization, start in new structure on Oct 1          | ✓ |
|         | Introduction of Incentive System 2015  | ✓ |
|         | Sharpening brand message starting in Oct 2014                                | ✓ |
| Q2 2015 | Update on cost reduction (stringent governance, efficient support functions) |   |
|         | Progress update on portfolio optimization                                    |   |
| Q4 2015 | Update on cost reduction (stringent governance, efficient support functions) |   |
|         | Update on performance in growth fields                                       |   |
|         | Share buy-back executed (up to €4bn)   |   |
| Q4 2016 | Update on portfolio optimization and cost reduction                          |   |

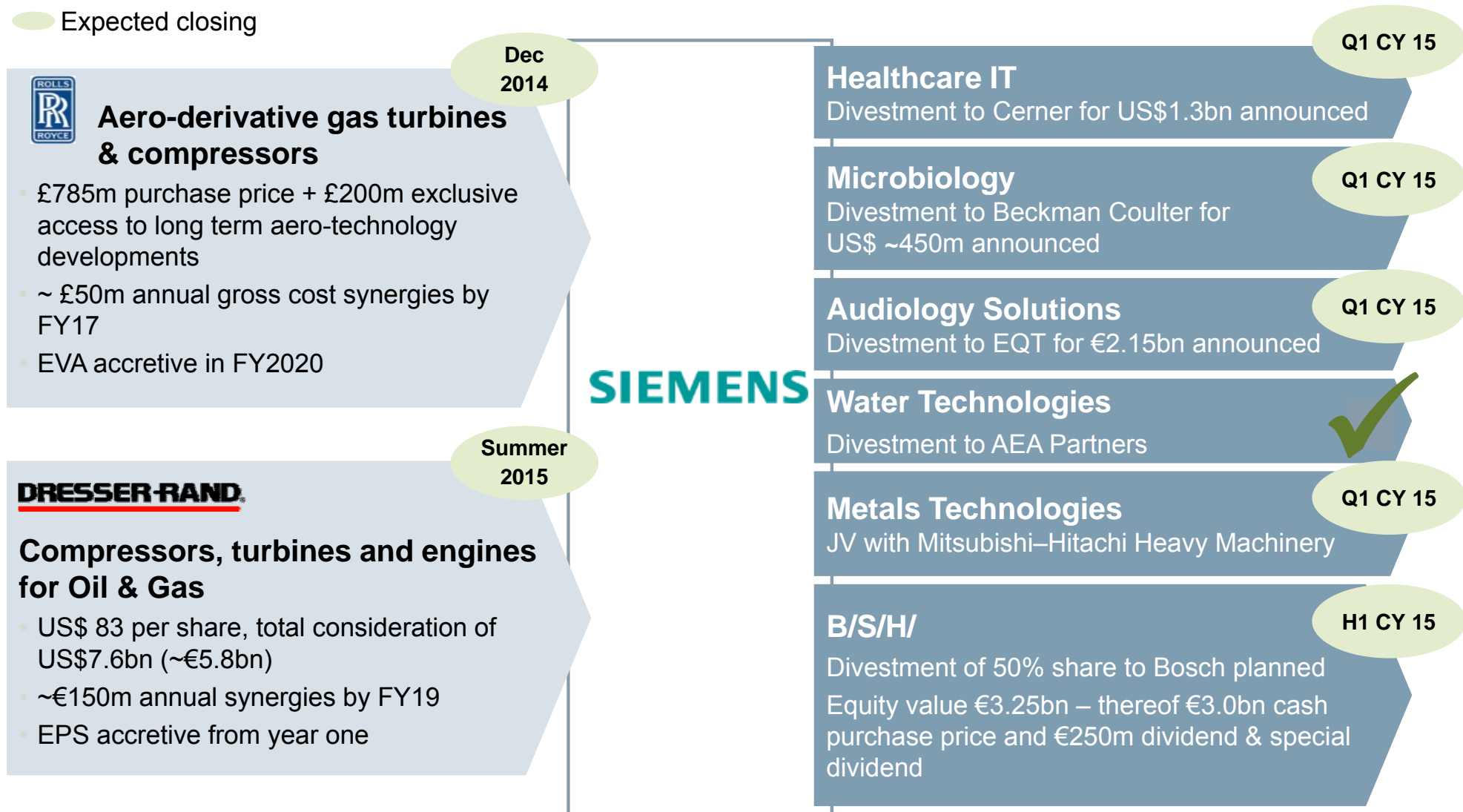
# Siemens – Vision 2020

## Value creation & Cultural change

### "Siemens Vision 2020"








# Executing Siemens – Vision 2020 by strengthening the strategic core



# Executing Siemens – Vision 2020

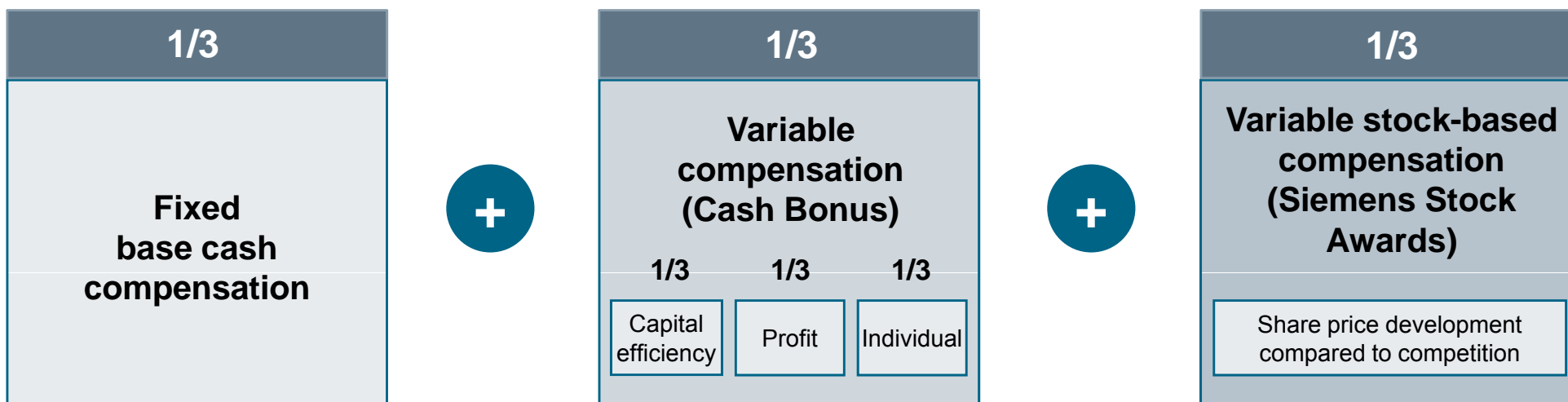
## Divestment of Audiology Solutions for €2.15bn

| Vision 2020                   | Strategic rationale  | Key transaction facts   |
|-------------------------------|--|---|
| <p>Area of growth?</p>        | <ul style="list-style-type: none"> <li>▪ <b>A leading global player;</b> strong in emerging markets </li> <li>▪ <b>Market growth ~3-4% p.a.</b></li> </ul>                 | <ul style="list-style-type: none"> <li>▪ <b>Divestment to EQT and family Struengmann – growth investors with strong industrial concept</b></li> <li>▪ <b>Enterprise value €2.15bn plus earn-out component</b></li> <li>▪ <b>Siemens re-investment of €0.2bn via preferred equity</b></li> <li>▪ <b>Solid financing: ~50% equity</b></li> <li>▪ Continued use of <b>Siemens product brand over the medium term</b></li> <li>▪ Expected <b>closing: Q1 CY 2015</b> subject to regulatory approvals</li> </ul> |
| <p>Potential profit pool?</p> | <ul style="list-style-type: none"> <li>▪ <b>High margin business</b> </li> </ul>   |   |
| <p>Why Siemens?</p>           | <ul style="list-style-type: none"> <li>▪ <b>Technological differentiation</b> possible </li> <li>▪ Increasingly <b>integrated with consumer electronics</b></li> </ul>     |   |
| <p>Synergetic value?</p>      | <ul style="list-style-type: none"> <li>▪ <b>No significant synergies in technology nor distribution channels</b> </li> </ul>   |   |
| <p>Paradigm shift</p>         | <ul style="list-style-type: none"> <li>▪ <b>Forward integration in retail chains</b> </li> <li>▪ <b>Competitor investments in adjacencies</b> (e.g. implants)</li> </ul> |   |
|                               |  | <p><b>Audiology key figures (FY2014)</b></p> <ul style="list-style-type: none"> <li>▪ Revenue: €693m</li> <li>▪ EBITDA: €145m</li> <li>▪ Employees: ~5,000</li> </ul>   |

# Executing Siemens – Vision 2020

## Simplified and fully integrated compensation system

### Compensation system for Managing Board as of FY 2015



### Key imperatives for setting up the system

- **Transparency** through **simplicity**
- **Performance** related incentives based on **internal** and **external benchmarks**
- Emphasis on **sustainability** through **share ownership guidelines** and **long-term stock-based compensation** component
- **System** is **consistent** with next management levels

## Leadership priorities 2015

**Capture growth opportunities through market driven organization**

**Simplification of processes and rigorous implementation of business excellence & risk management**

**Successful execution of portfolio priorities and integration of acquisitions**

**Stringent capital allocation for businesses and investments**

**Foster ownership culture across all levels**



# Assumptions Fiscal 2015

## Macroeconomic environment

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

## Volume and pricing

- Book-to-bill >1 mainly driven by Energy Management and Power & Gas
- Pricing pressure around 2.5% of revenue

## Productivity

- 3 – 4% of cost base

## Investments

- Investment in organic growth and go-to-market ~€400m (Selling & Marketing expenses) and innovation ~€400m (R&D expenses)
- Industrial Capex slightly above FY 2014 level

## Extraordinary items

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

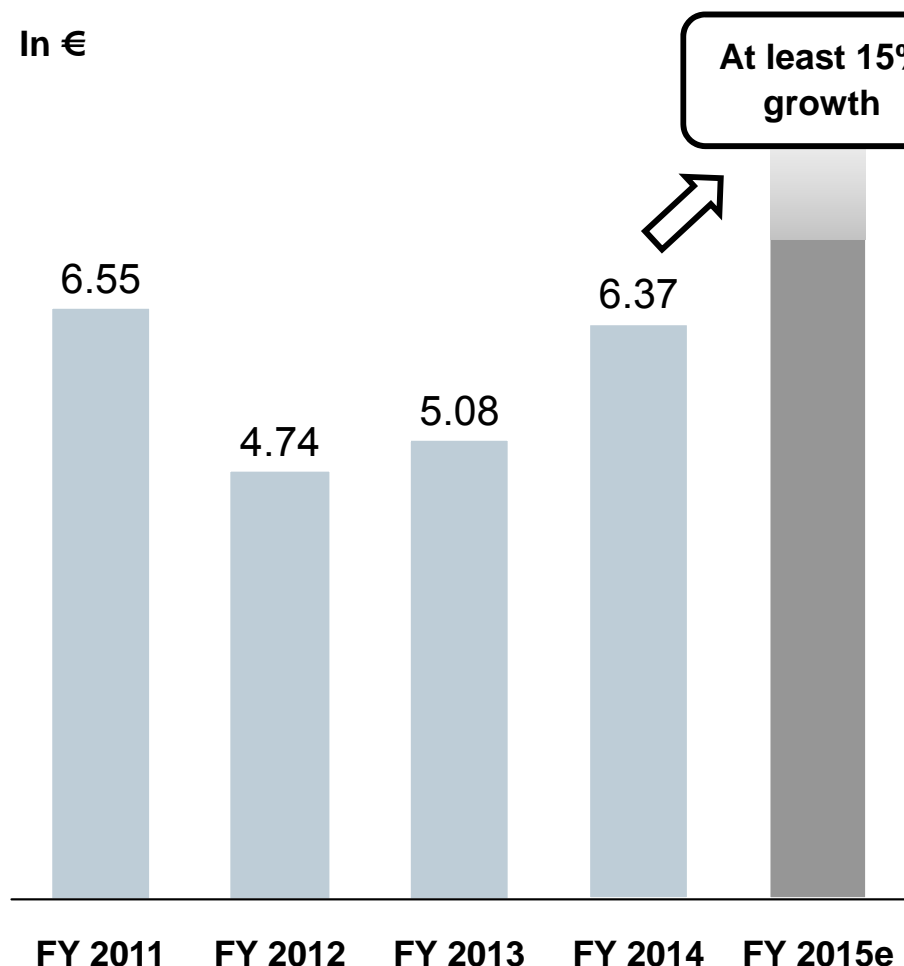
## FX

- Limited FX tailwind due to hedging policy

# Outlook Fiscal 2015

## Basic earnings per share (Net income)

In €



- We believe that our business **environment will be complex in fiscal 2015**, among other things due to **geopolitical tensions**.
- We expect **revenue** on an **organic basis** to remain **flat year-over-year**, and orders to exceed revenue for a **book-to-bill ratio above 1**.
- Furthermore, we expect that **gains from divestments** will enable us to **increase basic earnings per share (EPS) from net income by at least 15% from €6.37 in fiscal 2014**.
- For our **Industrial Business**, we expect a **profit margin\* of 10–11%**.
- This outlook excludes impacts from legal and regulatory matters.

*\*Effective with fiscal 2015, our enhanced profit definition excludes amortization of intangible assets acquired in business combinations.*

# Appendix

## Q4 FY 2014 – Key figures

| Siemens (in €m)                                   | Q4 FY 13 | Q4 FY 14      | Change                 |
|---|----------|---------------|------------------------|
| <b>Orders</b>                                     | 20,298   | <b>20,733</b> | <b>2%<sup>1)</sup></b> |
| <b>Revenue</b>                                    | 20,559   | <b>20,621</b> | <b>1%<sup>1)</sup></b> |
| <b>Book-to-bill ratio</b>                         | 0.99x    | <b>1.01x</b>  |                        |
| <b>Total Sectors profit</b>                       | 1,711    | <b>2,195</b>  | <b>28%</b>             |
| <b>Net income</b>                                 | 1,068    | <b>1,498</b>  | <b>40%</b>             |
| <b>Basic earnings per share net income (in €)</b> | 1.19     | <b>1.72</b>   | <b>44%</b>             |
| <b>Free cash flow (continuing operations)</b>     | 4,328    | <b>3,400</b>  | <b>-21%</b>            |

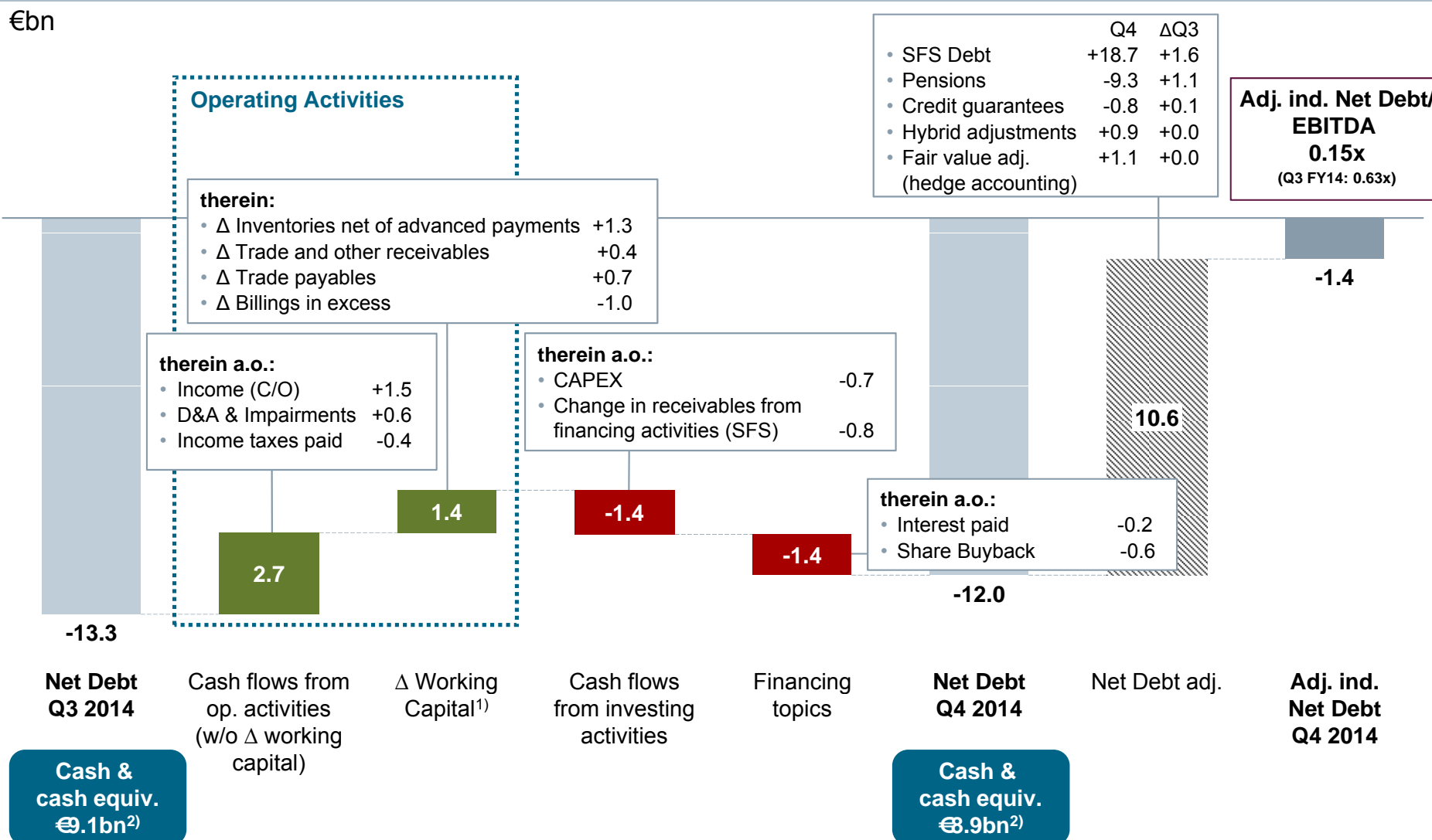
1) Change is adjusted for portfolio and currency translation effects

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# North Sea offshore grid connection projects reach average percentage of completion >80%

|                | Order entry | Construction platform | Construction land station | Equipping platform | Installation baseframe | Installation platform | Commissioning | Commercial operation |
|----------------|-------------|-----------------------|---------------------------|--------------------|------------------------|-----------------------|---------------|----------------------|
|                |             |                       |                           |                    |                        |                       |               |                      |
| <b>HelWin1</b> | <b>2010</b> | ✓                     | ✓                         | ✓                  | ✓                      | ✓                     |               | <b>2014</b>          |
| <b>BorWin2</b> | <b>2010</b> | ✓                     | ✓                         | ✓                  | ✓                      | ✓                     |               | <b>2015</b>          |
| <b>SylWin1</b> | <b>2011</b> | ✓                     | ✓                         | ✓                  | ✓                      | ✓                     |               | <b>2015</b>          |
| <b>HelWin2</b> | <b>2011</b> | ✓                     | ✓                         | ✓                  | ✓                      | ✓                     |               | <b>2015</b>          |
| <b>BorWin3</b> | <b>2014</b> |                       |                           |                    |                        |                       |               | <b>2019</b>          |

# Net Debt Bridge as of Q4 FY14



1) Includes cash flows from inventories net of advanced payments received, cash flows provided by trade and other receivables, cash flows provided by trade payables and cash flows used in billings in excess of cost and in estimated earnings on uncompleted contracts and related advances (included in the consolidated statements of cash flow in change in other assets and liabilities)  
 2) Including available-for-sale financial assets

# One Siemens Financial Framework sets the aspiration

## One Siemens Financial Framework

Siemens

**Growth:**  
**Siemens > most relevant competitors<sup>1)</sup>**  
 (Comparable revenue growth)

**Capital efficiency**  
 (ROCE<sup>2)</sup>)

**15-20%**

**Total cost productivity<sup>3)</sup>**  
**3-5% p.a.**

**Capital structure**  
 (Industrial net debt/EBITDA)

**up to 1.0x**

**Dividend payout ratio**  
**40-60%<sup>4)</sup>**

Profit Margin ranges of businesses (excl. PPA)<sup>5)</sup>

**PG**  
**11-15%**

**EM**  
**7-10%**

**MO**  
**6-9%**

**PD**  
**8-12%**

**SFS<sup>6)</sup>**  
**15-20%**

**WP**  
**5-8%**

**BT**  
**8-11%**

**DF**  
**14-20%**

**HC**  
**15-19%**

1) ABB, GE, Rockwell, Schneider and Toshiba, 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 6) SFS based on Return on equity after tax



## Financial calendar

### November

**November 6, 2014**

Q4 Earnings Release / Analyst Call, Roadshow Germany (Frankfurt)

**November 7, 2014**

Roadshow UK (London)

**November 10, 2014**

Roadshow France (Paris)

**November 13, 2014**

Goldman Sachs Conference, Roadshow U.S. (Boston)

### December

**December 8 - 9, 2014**

Capital Market Day Vision 2020 (Berlin)

### January

**January 12, 2015**

Commerzbank German Investment Seminar (New York)

**January 27, 2015**

Q1 Earnings Release; Annual General Meeting

# Siemens Investor Relations contacts



## Investor Relations

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