

Investments in digital industry making an impact

Ralf P. Thomas, CFO | Lisa Davis, Member of the Managing Board
Q2 FY 2018 Analyst Call | Munich, May 9, 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.

Q2 FY 2018

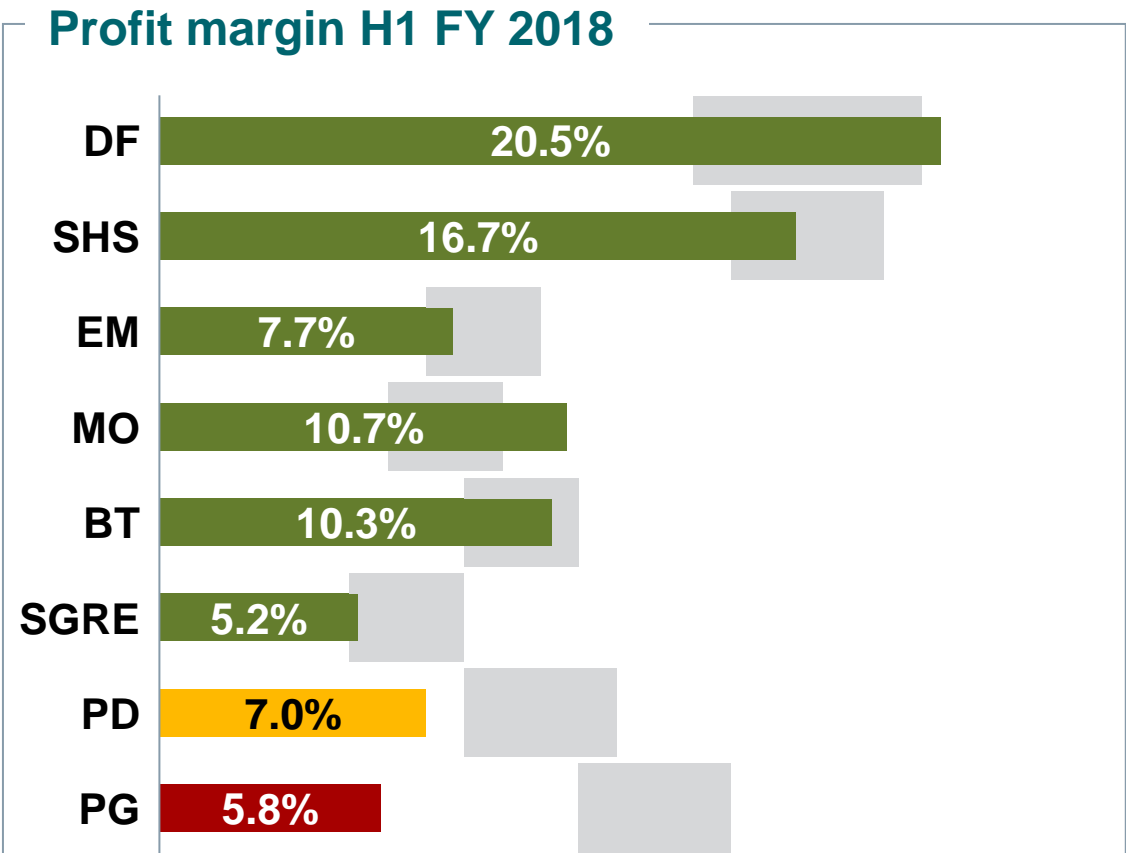
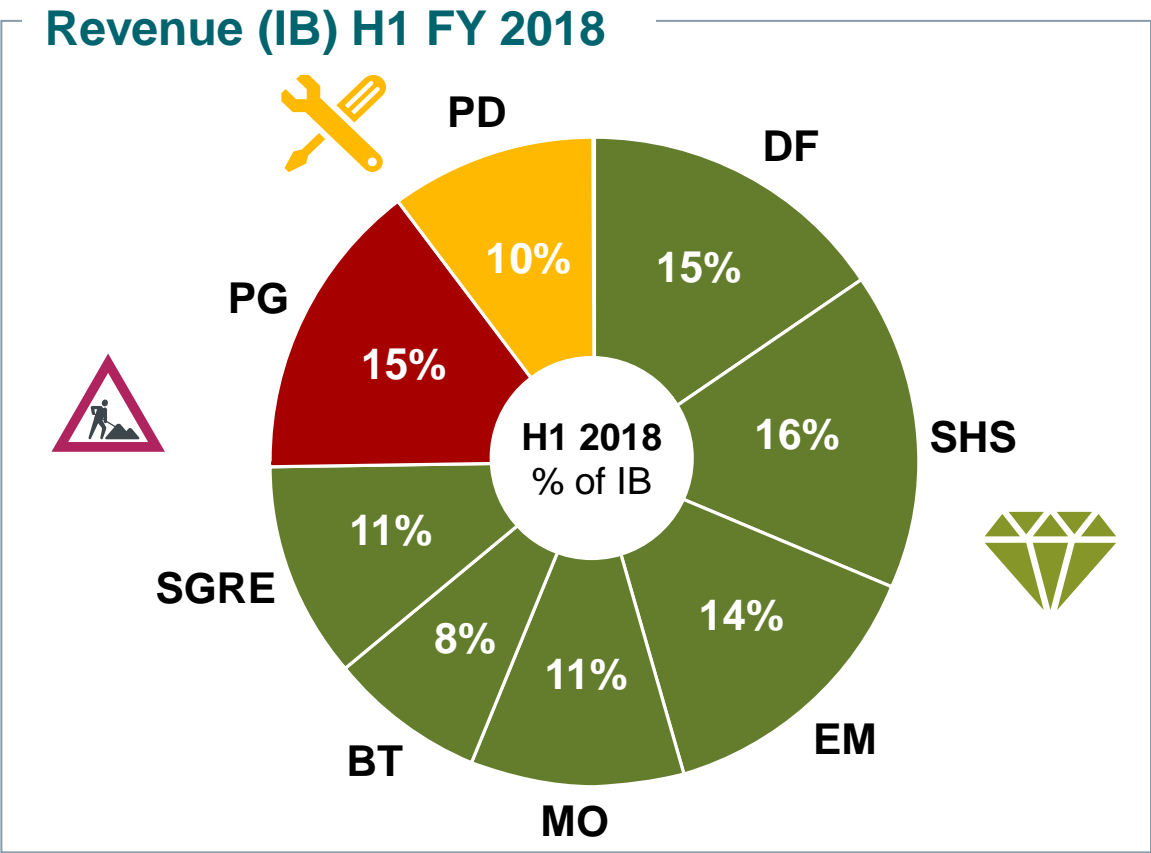
Overall strong performance - tough markets in PG continue



- ☐ **Strong book-to-bill at 1.11x despite weakness in new business at Power Gen**
- ☐ **Revenue growth in most businesses offsetting weakness in PG**
- ☐ **Outstanding performance in DF secures IB profit margin of 11.0%**
- ☐ **Six businesses in or above target range**
- ☐ **Net income up 39% to €2.0bn; EPS at €2.39, up 36%**
- ☐ **More than 300,000 employee shareholders after Profit Sharing**
- ☐ **Successful Siemens Healthineers IPO and subsequent outperformance**

Siemens portfolio in strong shape

Structural challenges in Power and Gas

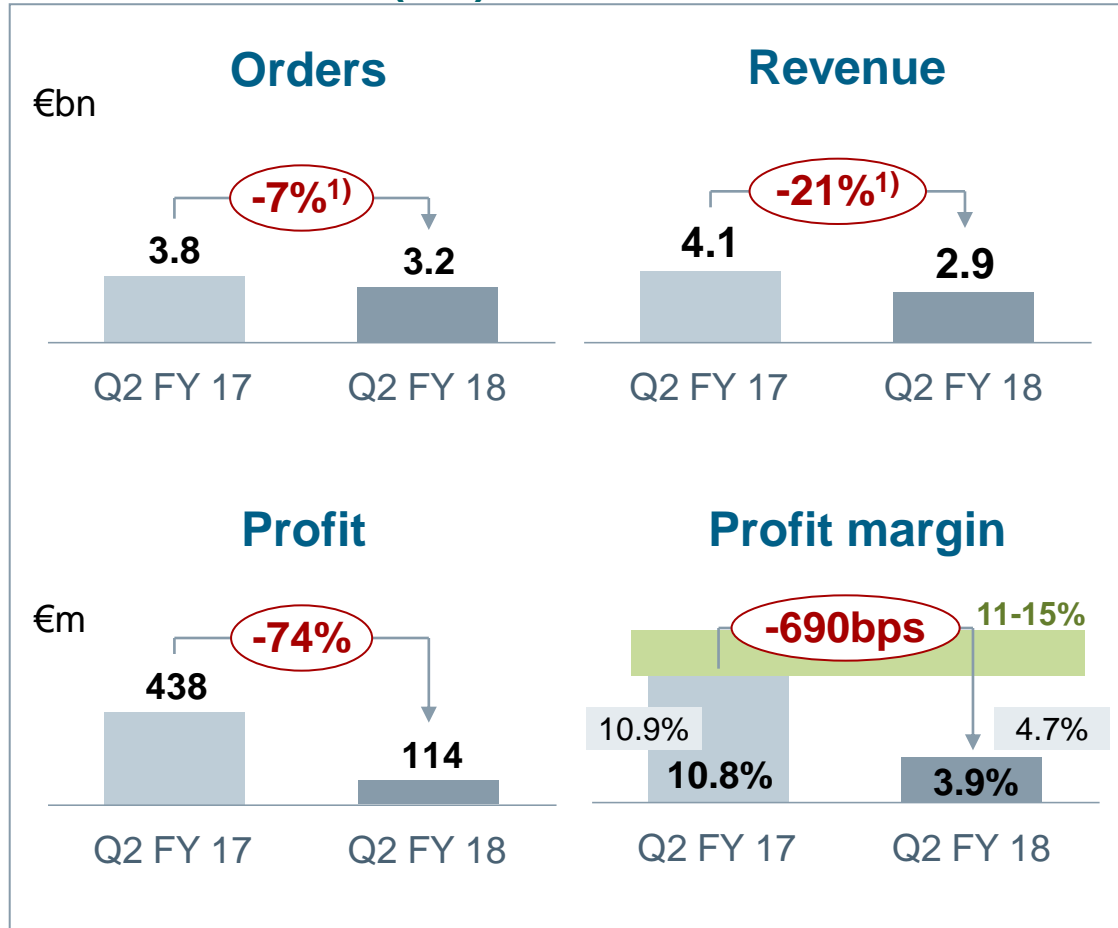


Most divisions with excellent performance in or above margin targets

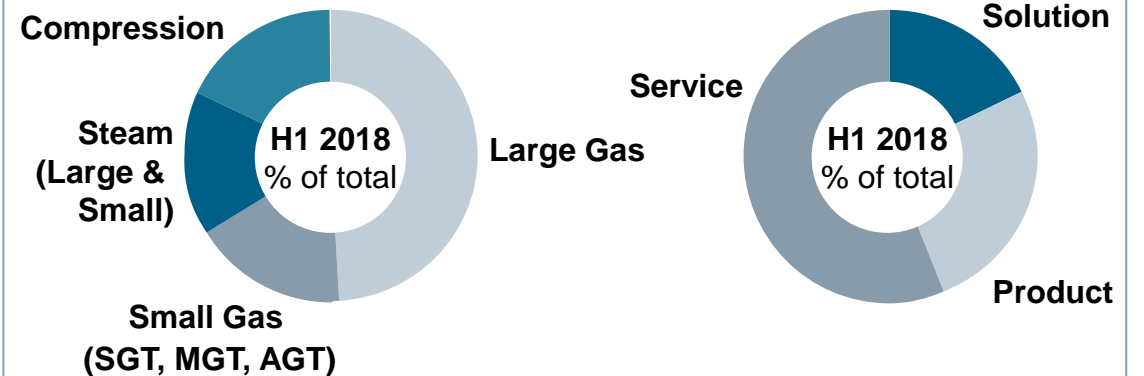
PG: Solid service business

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

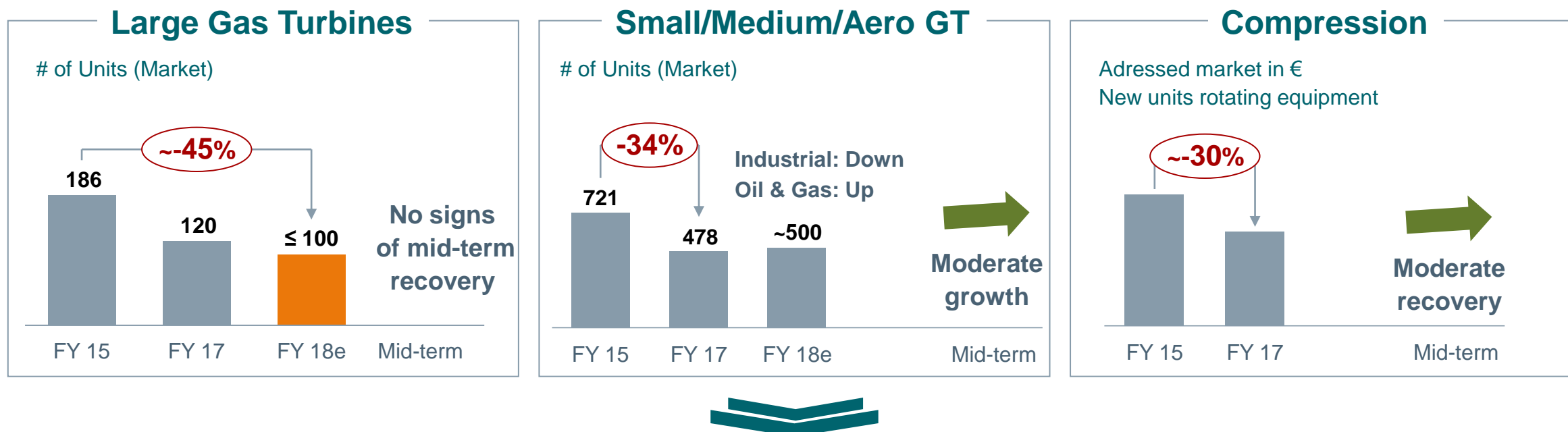
1) Comparable, i.e. adjusted for currency translation and portfolio effects

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

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Ingenuity for life



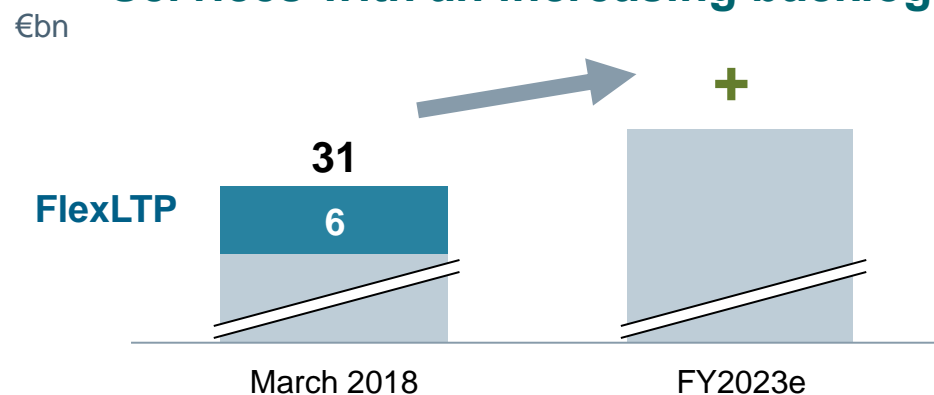
- ❑ Rightsizing of manufacturing and service footprint
- ❑ Significant cost-out measures across fleet through design-to-cost and sourcing
- ❑ Selective investment in strengthening performance
- ❑ Consolidation of solution resources and bundling of expertise
- ❑ Invest in digital twin and design automation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

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

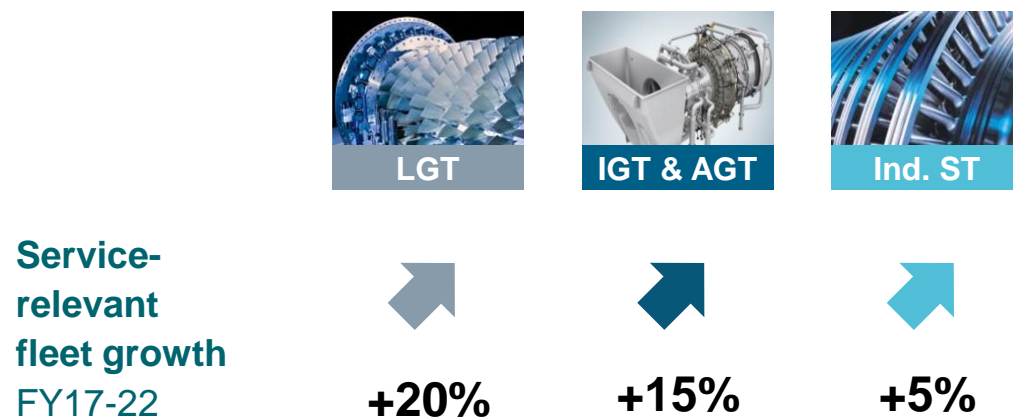
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Services with an increasing backlog ...

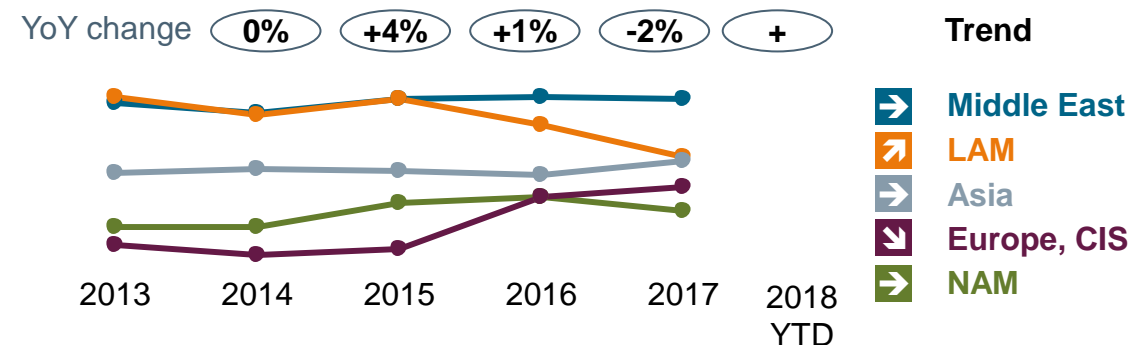


... from a growing fleet



... a resilient regional mix

Gas turbine utilization (in %)

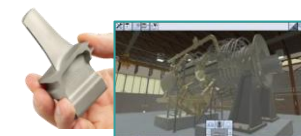


... and strong technology focus

Self-learning optimization software

Performance upgrades

Innovation, e.g., 3D printing



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

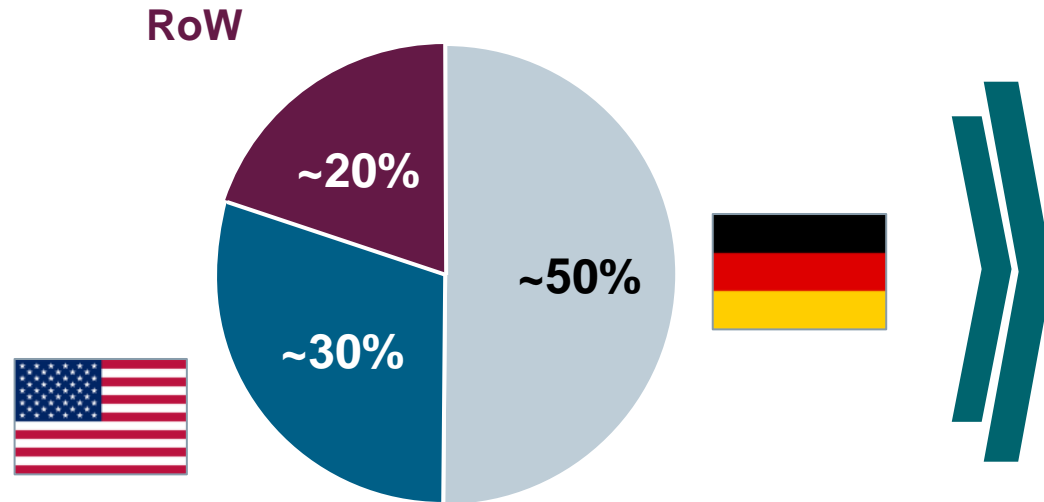
Significant invest in 3D-Printing



- ❑ €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

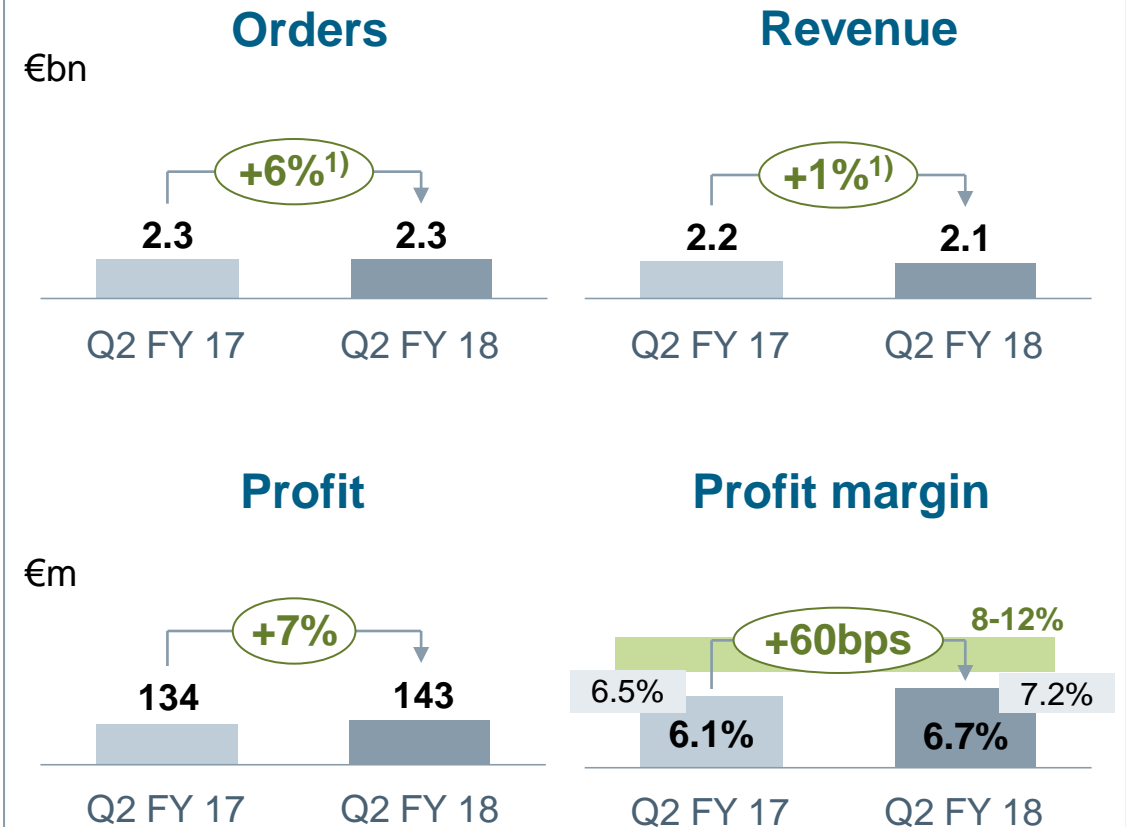
PD: Implementation of turnaround measures well underway



Digital Factory (DF)



Process Industries and Drives (PD)



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

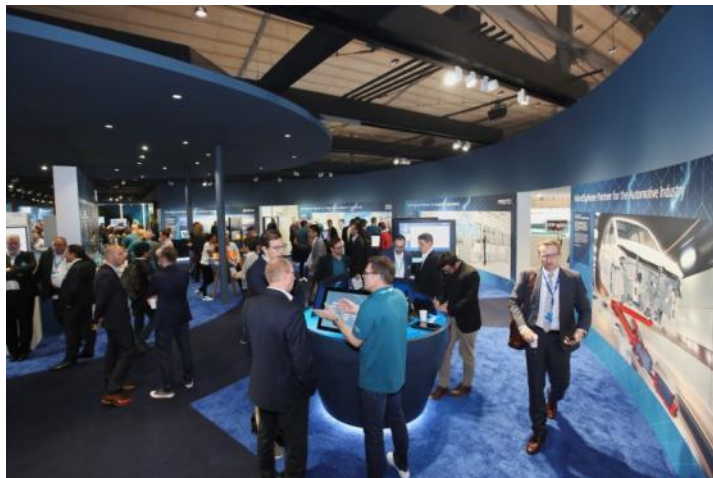
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x.x% Margin excl. severance

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

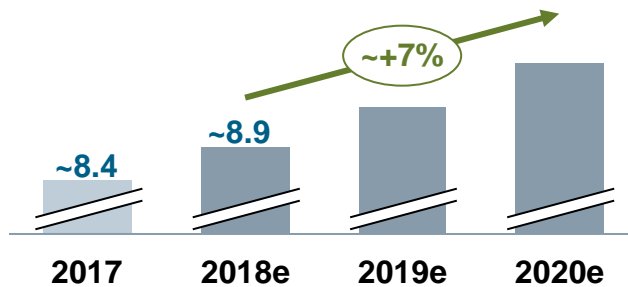


“At this year’s Hanover Fair, it’s clear that practical solutions to embrace digitalization transformation are available NOW. Siemens’ industry use cases show how taking a holistic approach to optimizing the entire value chain bears fruit....Our industry has never been more exciting” (David W. Humphrey,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

Mentor – more than a great asset

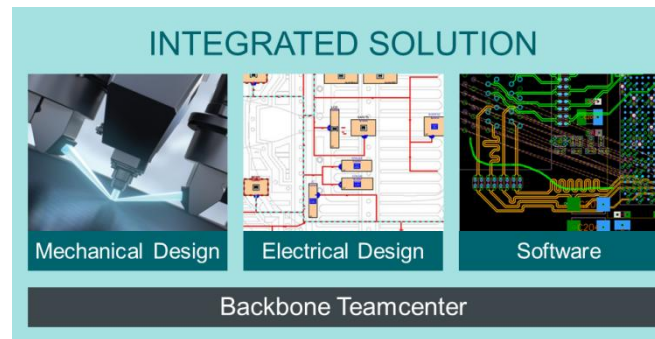
Strong market

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

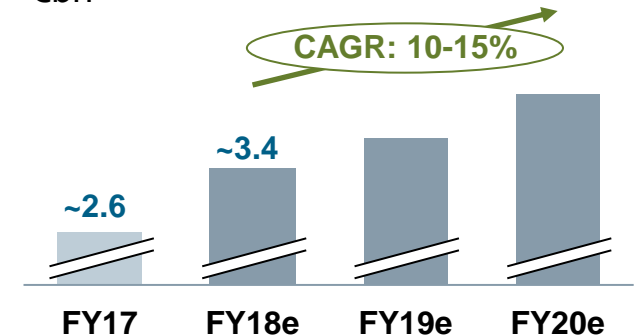
Excellent fit



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

Profitable growth

DF Software Revenue
€bn

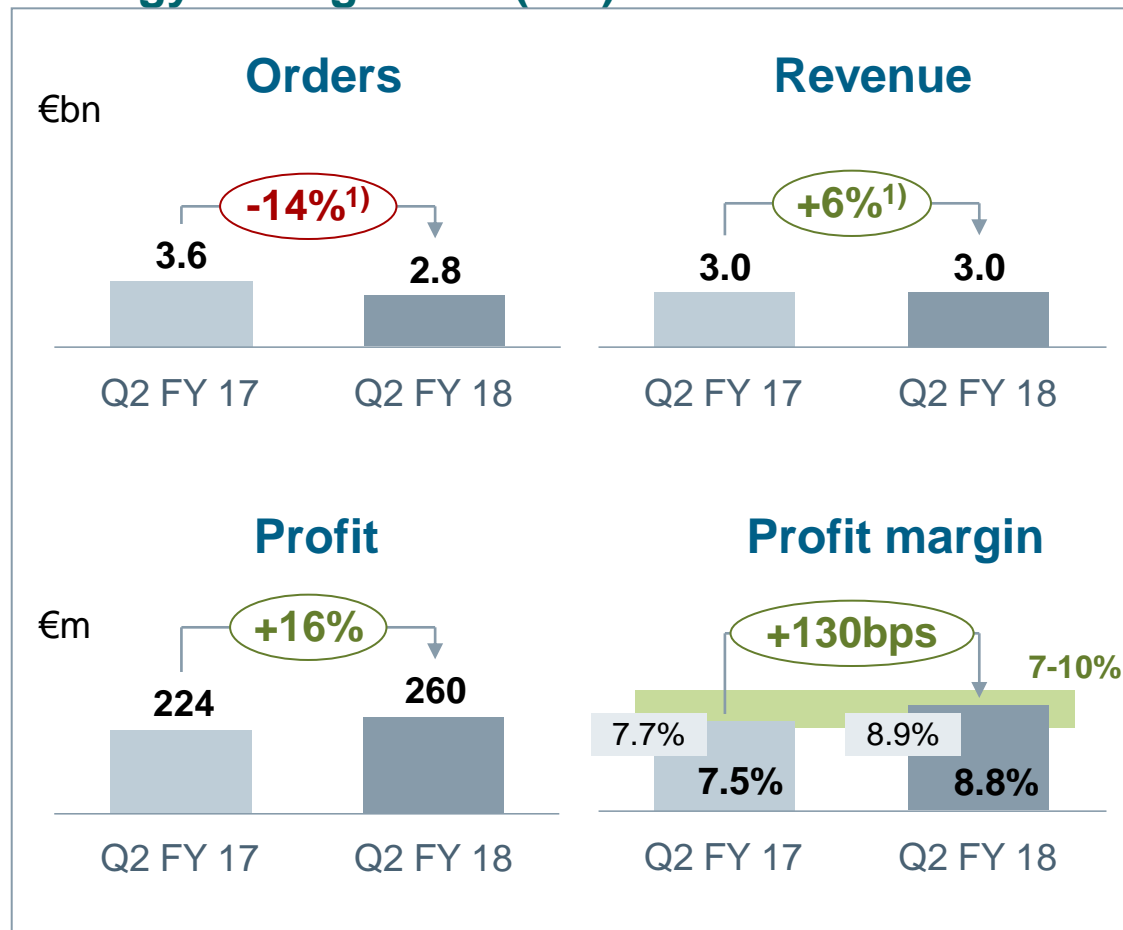


- ❑ On track to achieve FY 18 revenue target despite negative FX
- ❑ Strong profitability increase FY 18e despite ongoing invest in MindSphere & SaaS
- ❑ Synergies > €100m confirmed for FY 19 - ahead of plan

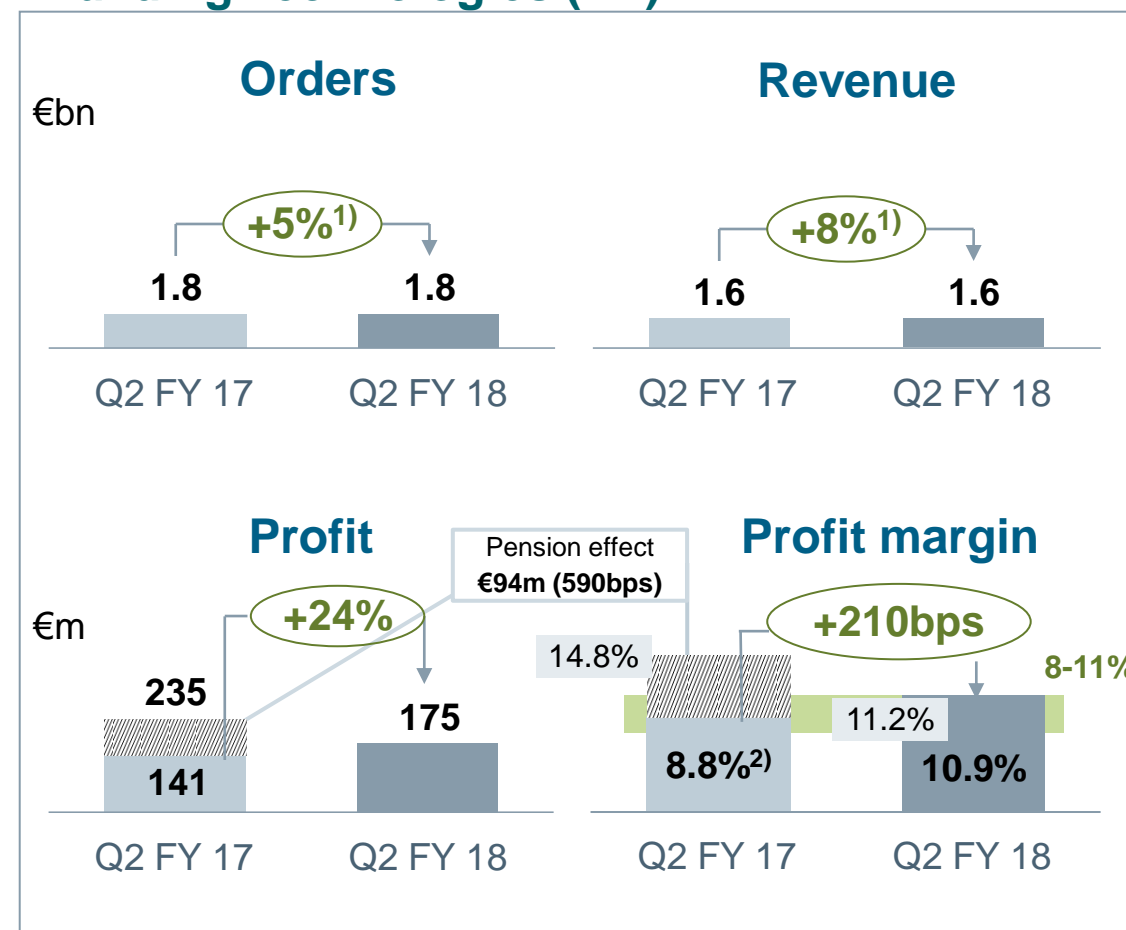
EM: Broad based improvement confirms positive trajectory

BT: Great performance – operational margin expansion

Energy Management (EM)



Building Technologies (BT)



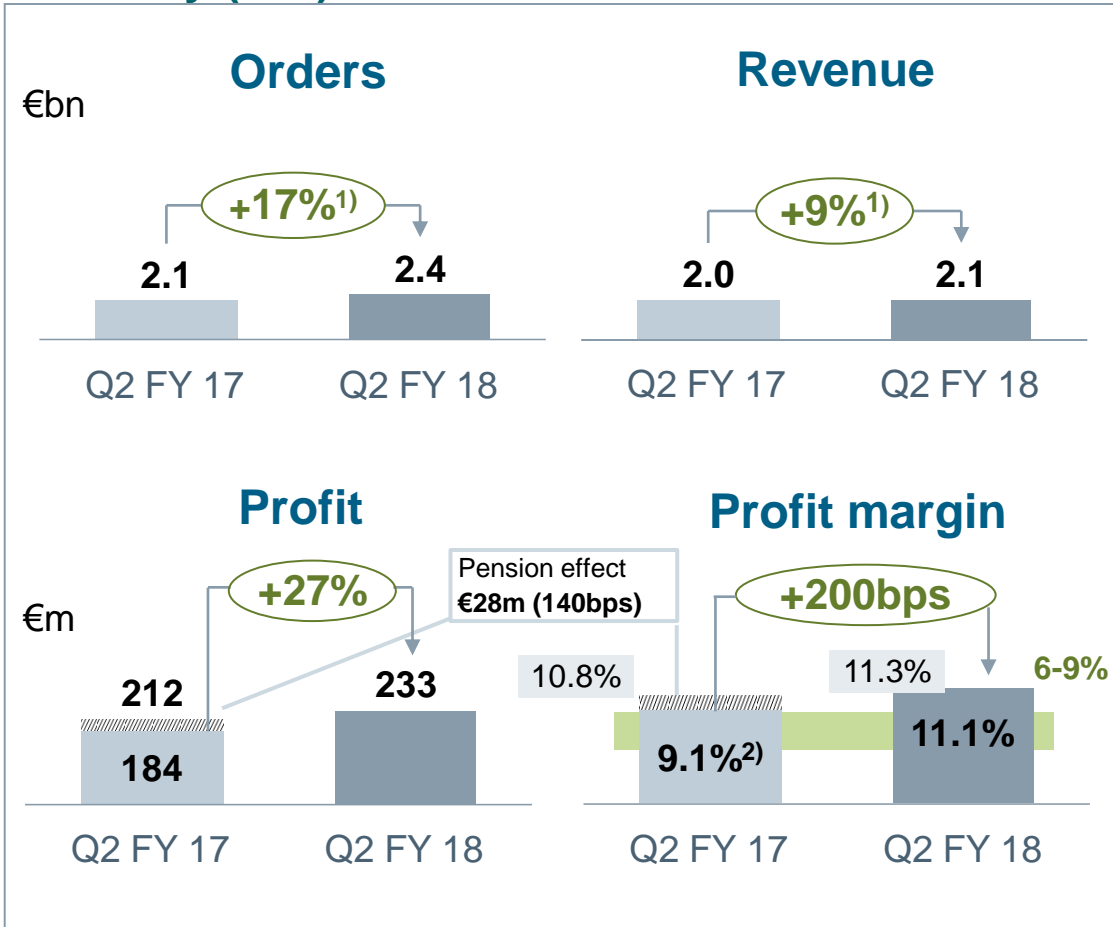
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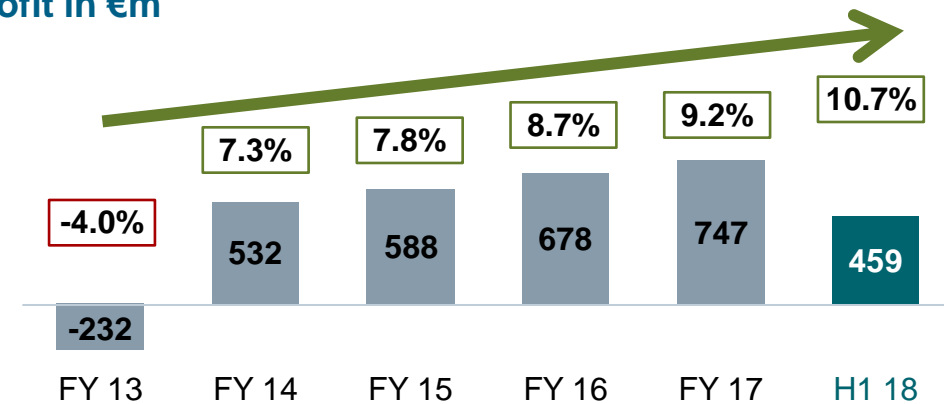
x.x% Margin excl. severance 2) adjusted for pension effect +94m (590bps) in Q2 FY17

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

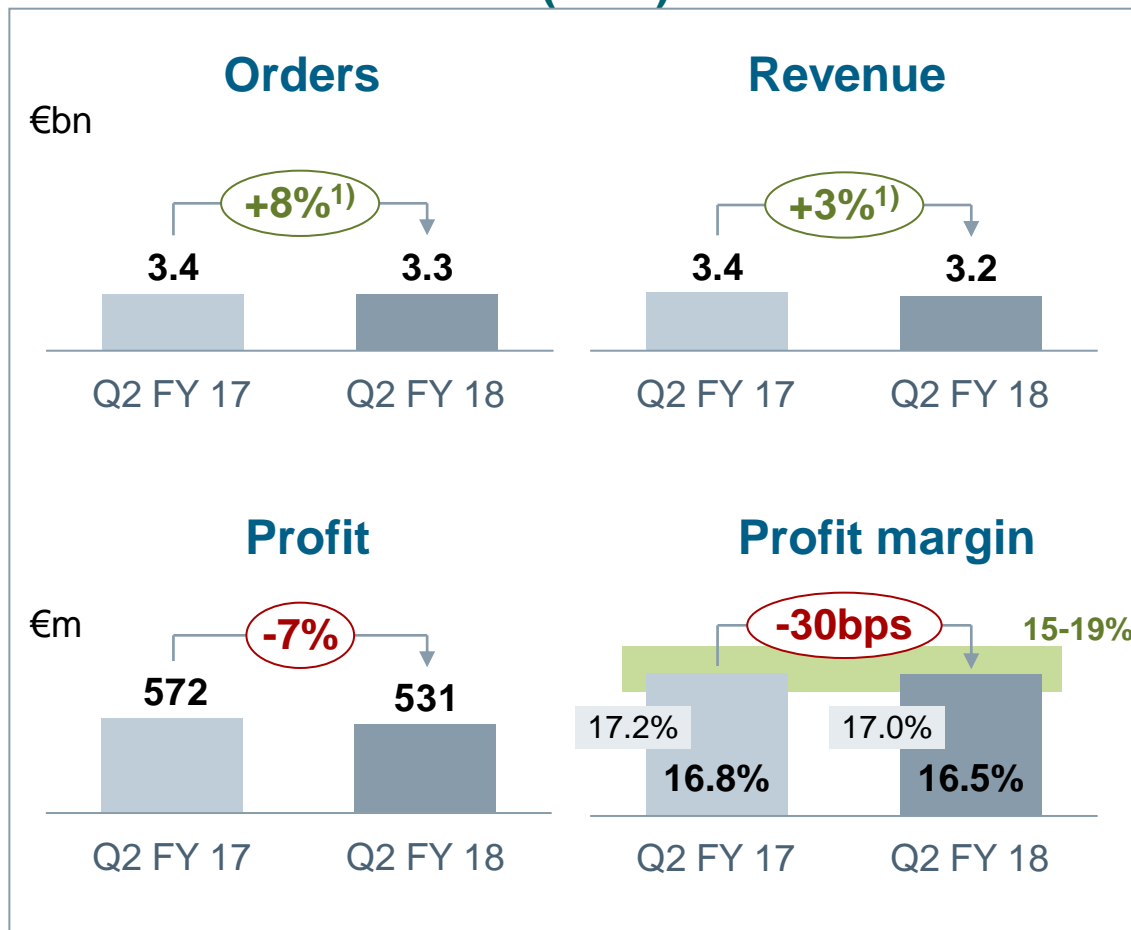
1) Comparable, i.e. adjusted for currency translation and portfolio effects

Despite significant FX-headwind solid Q2-performance

Successful IPO of Siemens Healthineers unlocks value potential



Siemens Healthineers (SHS)



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

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Strong share price performance

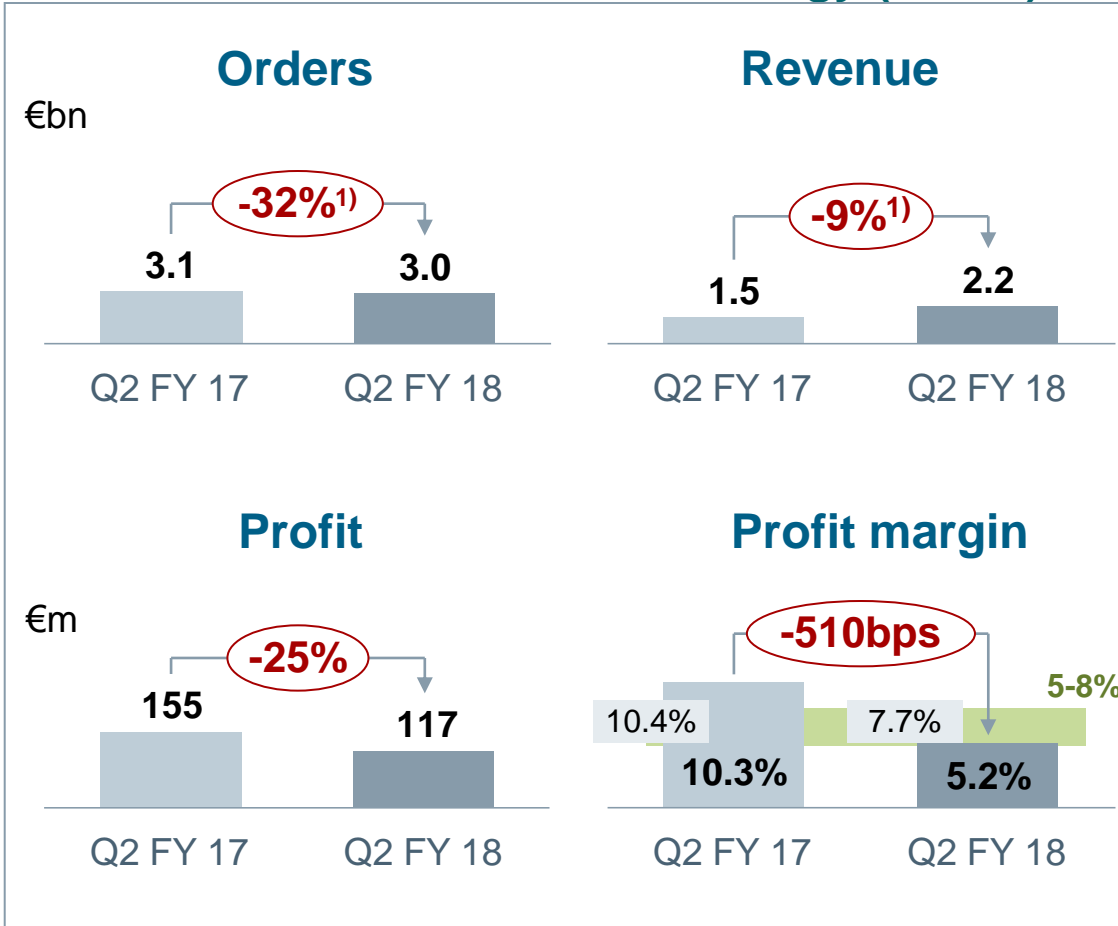


- ☐ Entrepreneurial flexibility
- ☐ Strategy 2025 on track for growth and margin expansion
- ☐ Expand leading role to shape the future of healthcare

x.x% Margin excl. severance

SGRE – Stringent execution of roadmap continues

Siemens Gamesa Renewable Energy (SGRE)

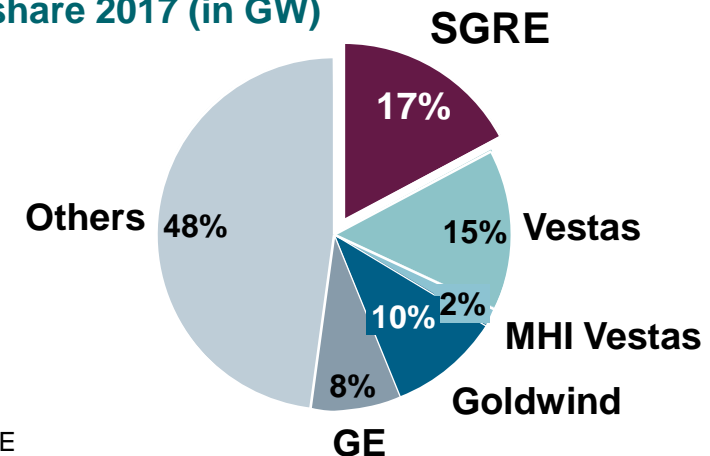


1) Comparable, i.e. adjusted for currency translation and portfolio effects

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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)

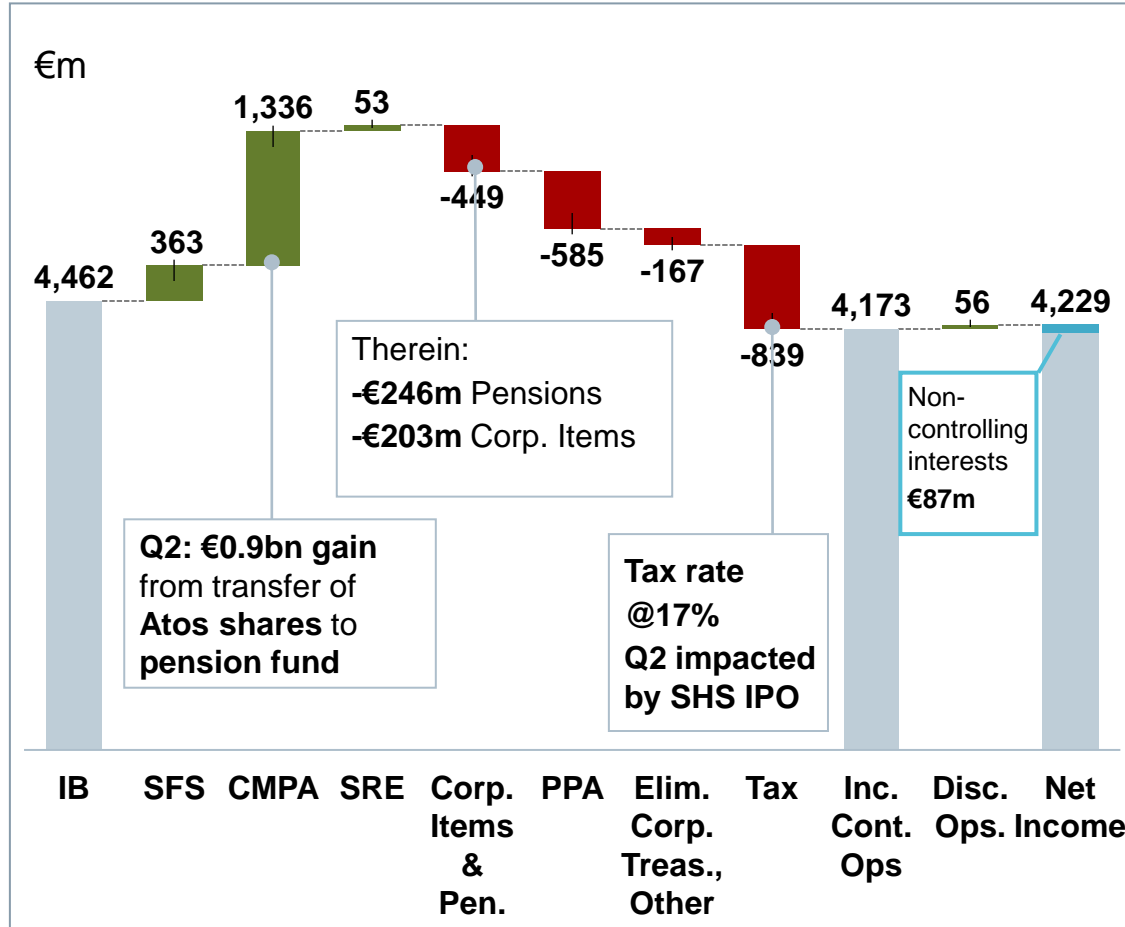


Source: MAKE

x.x% Margin excl. severance

H1 18 with large one time gains from Osram sale and Atos share transfer

Below Industrial Business – H1 FY 2018



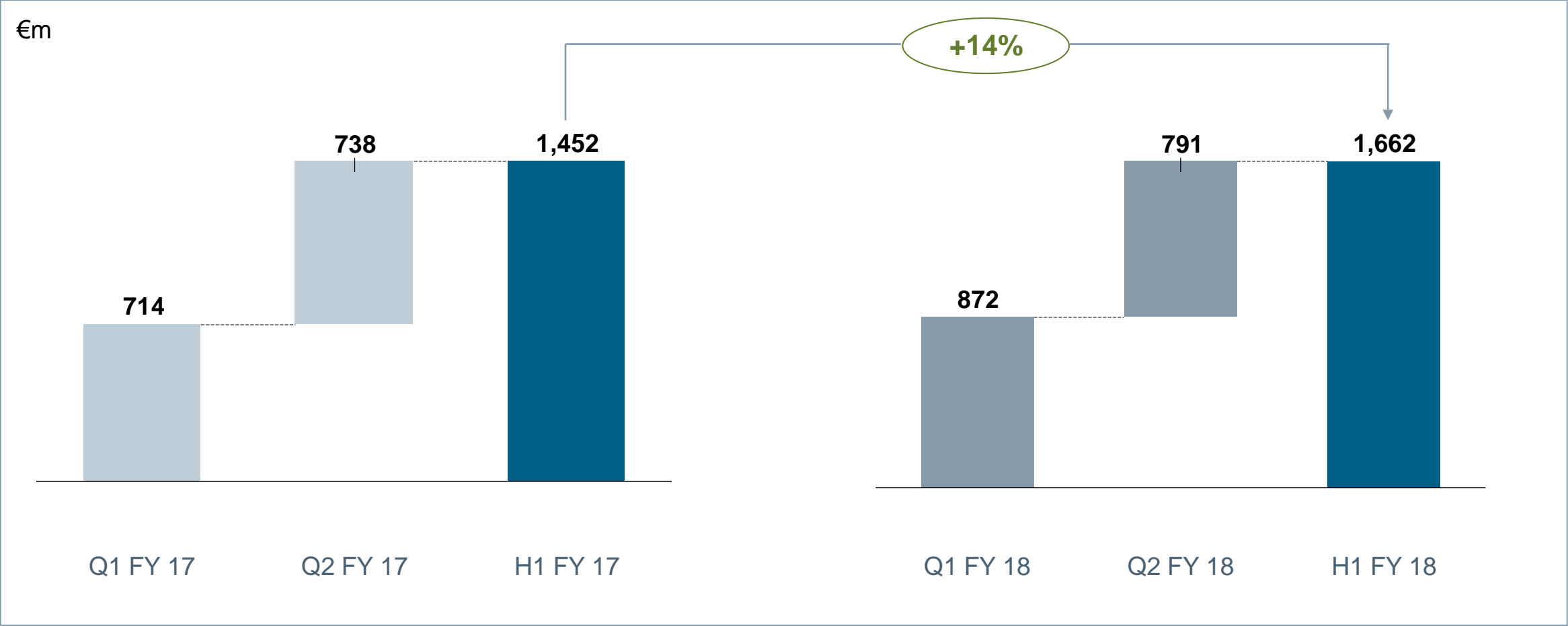
Expectations for H2 FY 2018

- **SFS:** FY 18 in line with FY 17
- **CMPA:** Volatility remains, negative in H2 impacted by carve-out related topics
- **SRE:** FY 18 in line with FY 17, dependent on disposal gains
- **Corporate Items: H2 > H1** on central innovation invest
- **Pension:** FY 18 in line with FY 17
- **PPA:** ~€300m per quarter
- **Elimination, Corporate Treasury, Other:** FY 18 in line with FY 17
- **Tax rate:** FY 18 expect 24% – 29%
- **Non controlling interests:** higher than in FY 17 due to Siemens Healthineers

Solid free cash flow development

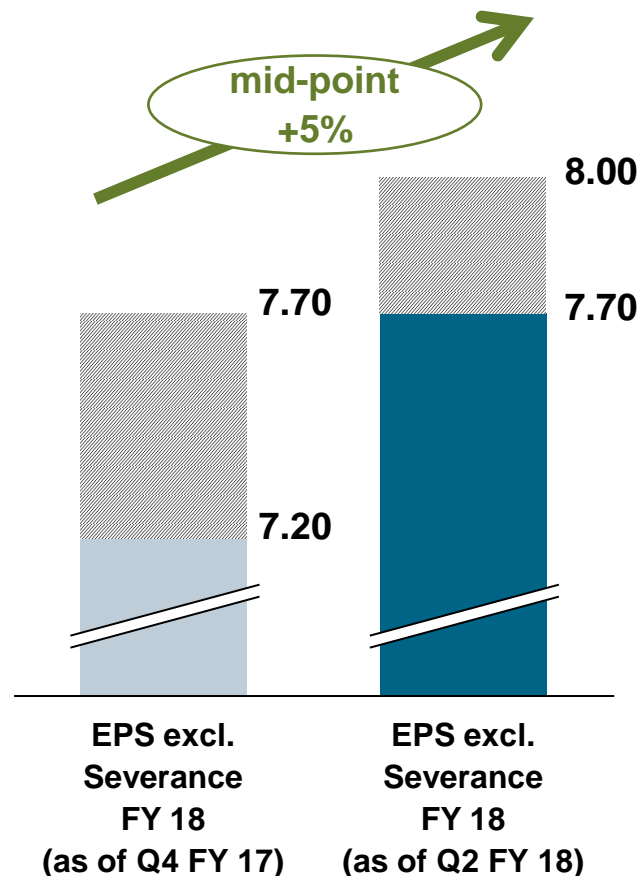


Free cash flow (cont. and disc. operations)



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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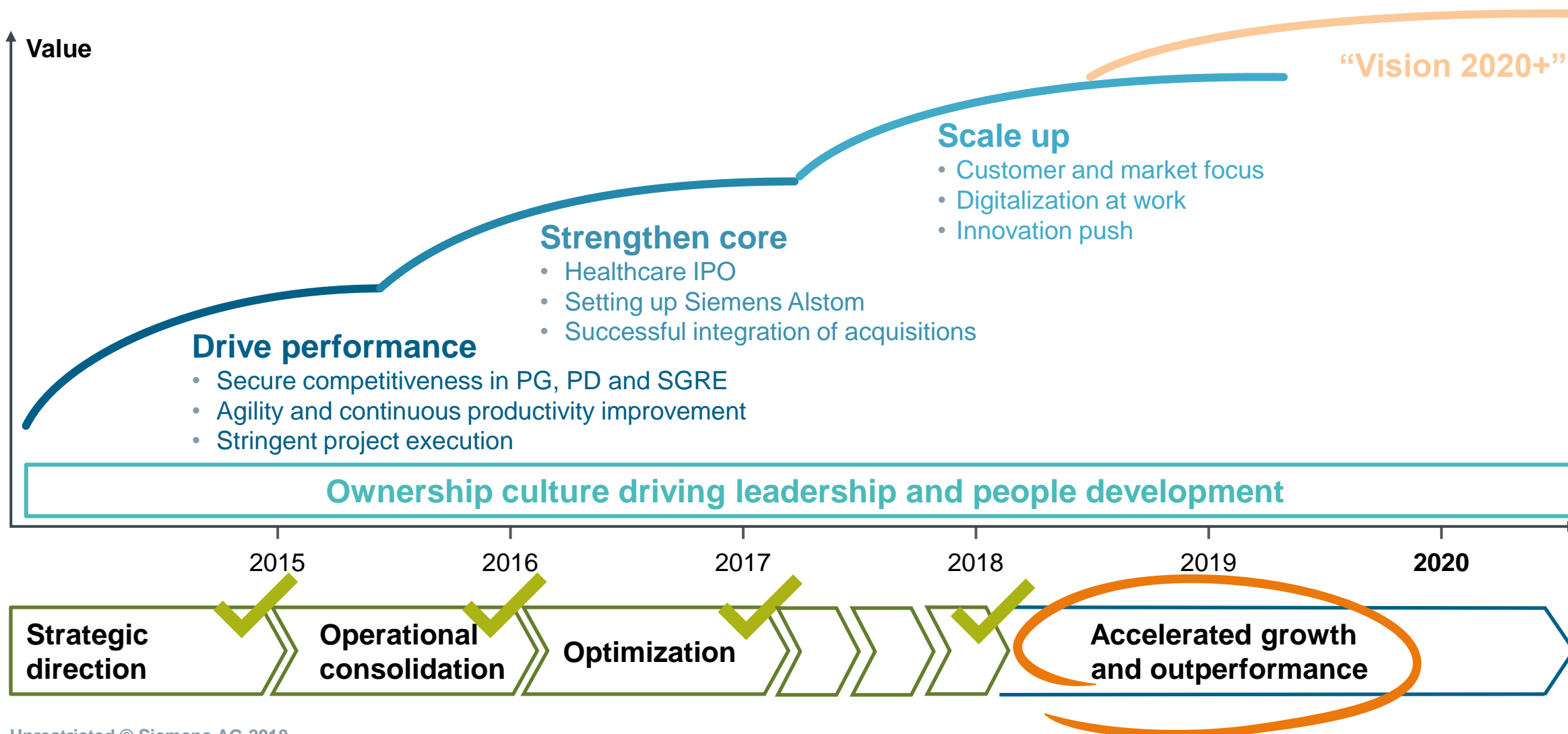
Appendix



Siemens Vision 2020 execution well advanced

FY 2018 – Delivering results and setting direction for next level

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One Siemens Financial Framework

Clear targets to measure success and accountability



One Siemens Financial Framework

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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%

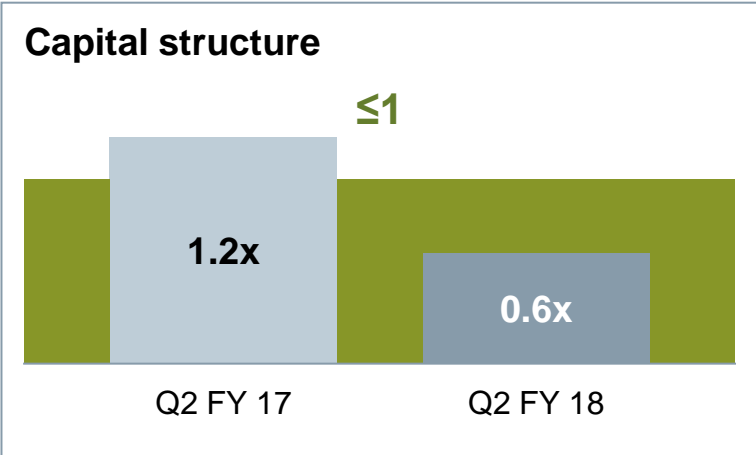
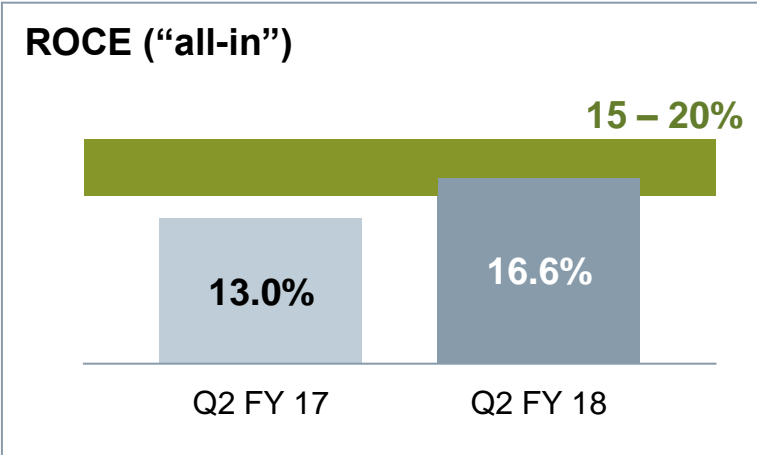
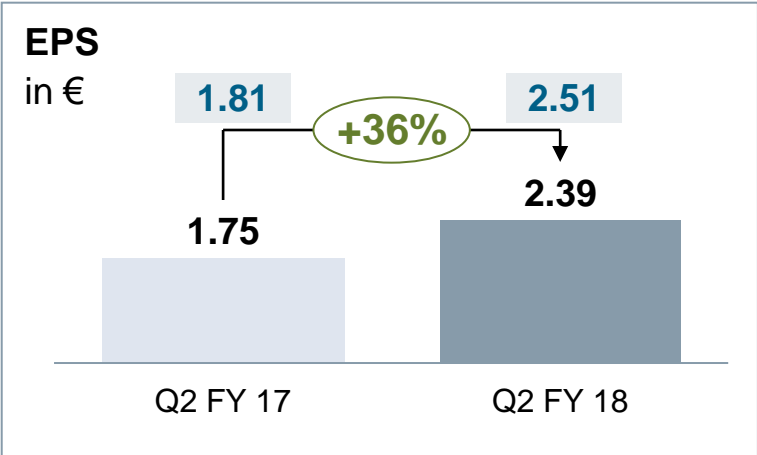
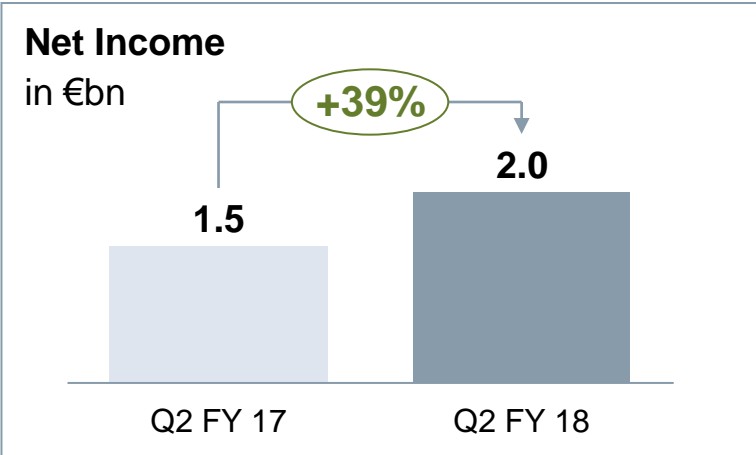
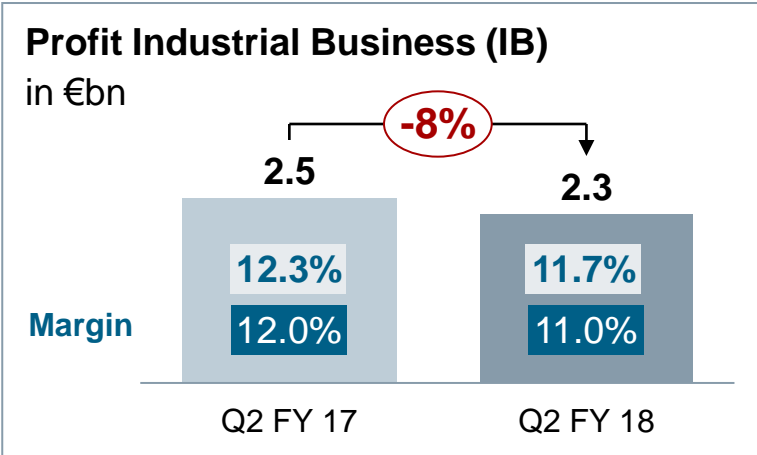
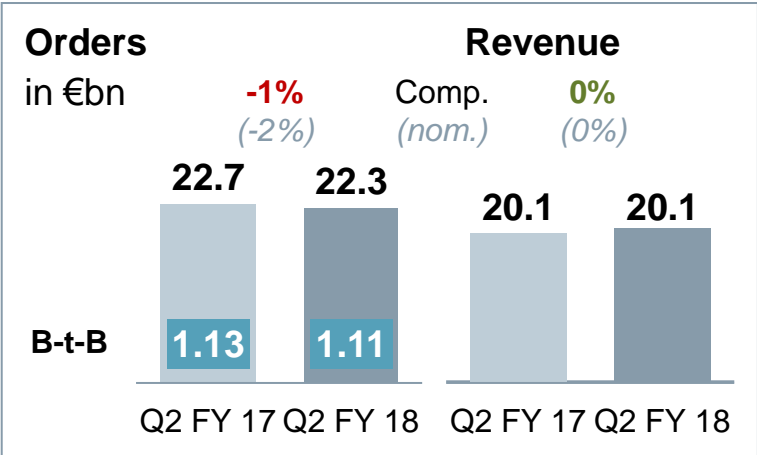
1) ABB, GE, Schneider, MHI, Eaton, weighted; 2) Based on continuing and discontinued operations; 3) Productivity measures divided by functional costs (cost of sales, R&D, SG&A expenses) of the group; 4) Of net income excluding exceptional non-cash items; 5) Excl. acquisition related amortization on intangibles;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

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 ✓

Financial cockpit – Q2 FY 2018

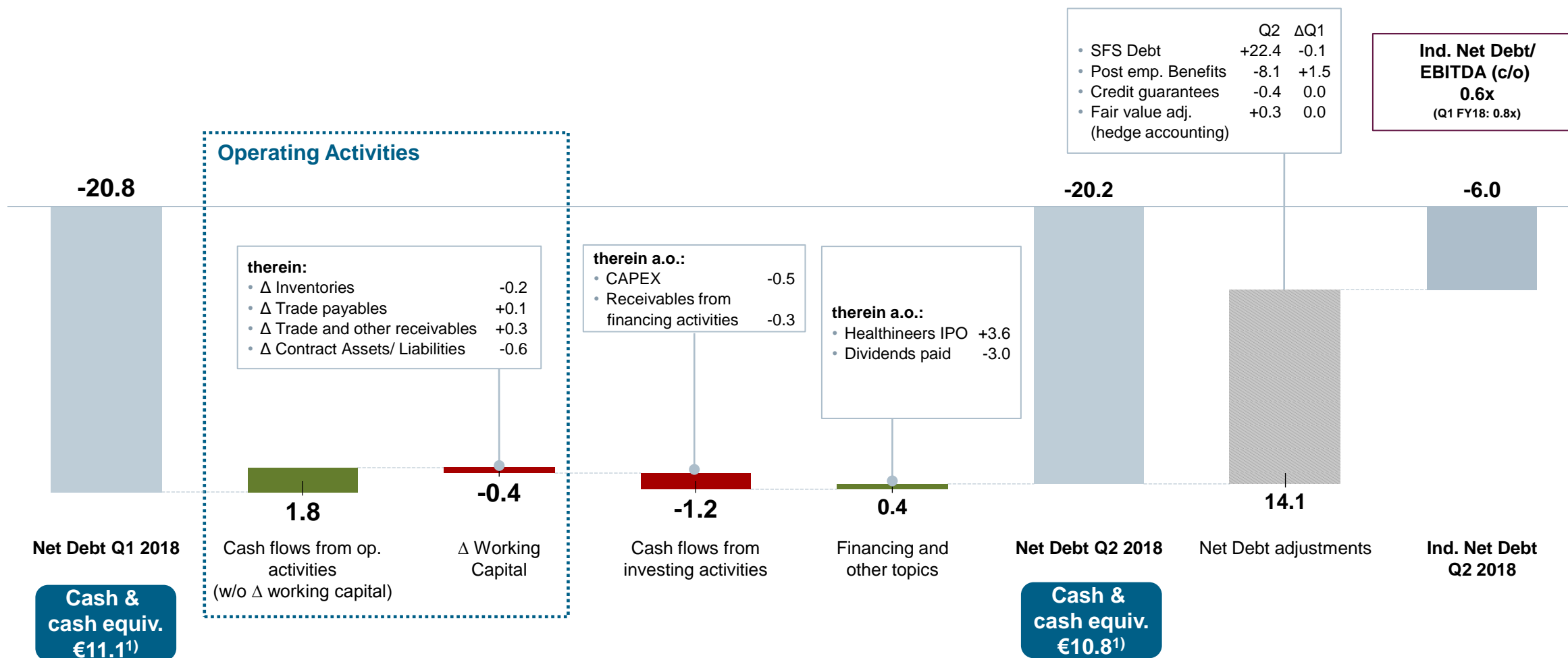


x.xx EPS excl. severance

x.x% as reported

x.x% excl. severance

Net debt bridge – Q2 FY 2018



1) Including current available-for-sale financial assets

Significant reduction of pension deficit driven by Atos share transfer in Germany

Q2 FY 2018 – Pensions and similar obligations

in €bn ¹⁾	FY 2015	FY 2016	FY 2017	Q1 FY 2018	Q2 FY 2018
Defined benefit obligation (DBO)²⁾	(36.8)	(42.2)	(36.9)	(36.9)	(36.5)
Fair value of plan assets²⁾	27.1	28.7	27.6	27.7	28.9
Provisions for pensions and similar obligations	(9.8)	(13.7)	(9.6)	(9.7)	(8.1)
Discount rate	3.0%	1.7%	2.4%	2.2%	2.3%
Interest Income	0.8	0.8	0.5	0.1	0.1
Actual return on plan assets	0.6	3.3	0.3	0.7	-0.1

1) All figures are reported on a continuing basis.

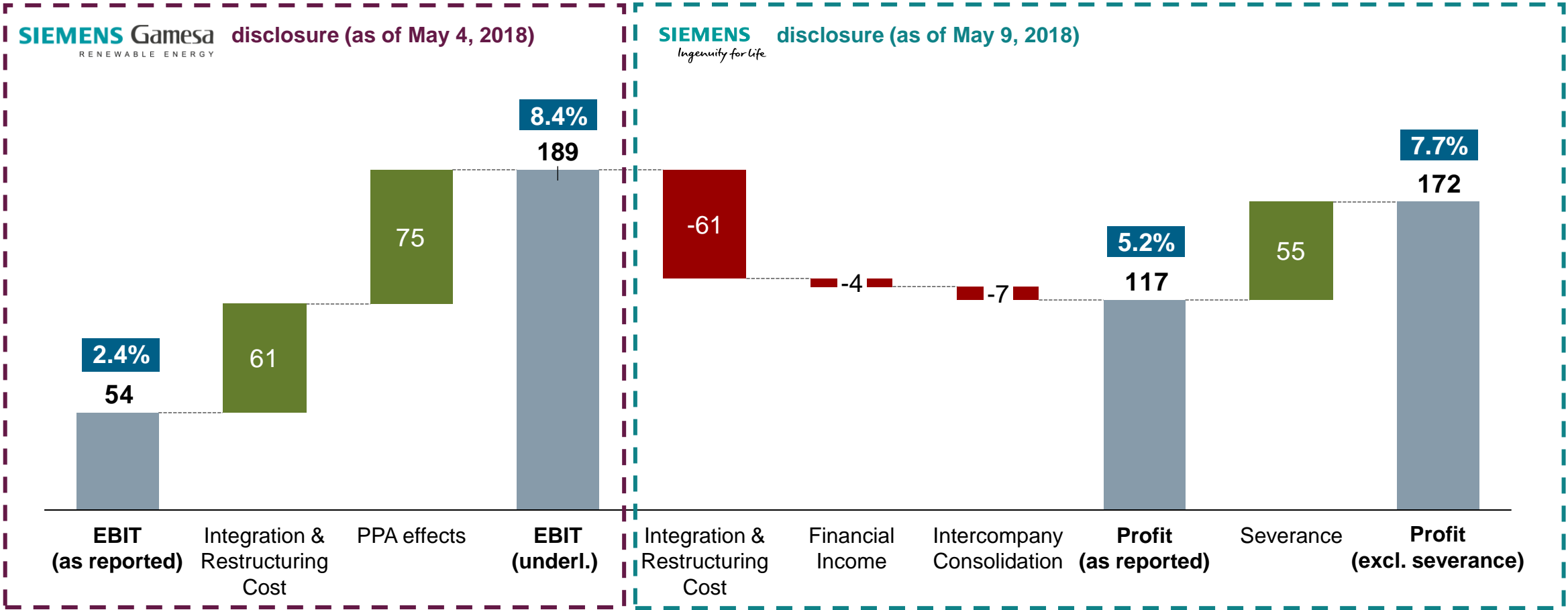
2) Fair value of plan assets including effects from asset ceiling (Q2 2018: €-0.1bn); difference between DBO and fair value of plan assets additionally resulted in net defined benefit assets (Q2 FY 2018: €+0.5bn); Defined Benefit Obligation (DBO), including other post-employment benefit plans (OPEB) of ~€0.6bn

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

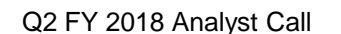
	H1 18	FY 18 ¹
Revenues (€m)	4,369 ✓	9,000 - 9,600
EBIT margin (in %) (pre-PPA, I&R cost)	7.4% ✓	7% - 8%
Working Capital to LTM Sales (in %)	2.8% ✓	-3% to +3%
CAPEX (in €m)	166 ✓	500

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.

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Siemens Healthineers

FY 2018 Guidance reaffirmed

as published by SHS May 3, 2018

	FY2017 (IFRS 15)	FY2018E	Comments on FY2018E
Revenue (€m)	13,677		
Comparable growth (%)	3.8% ¹⁾	3-4%	<ul style="list-style-type: none"> Comparable revenue growth on a q-o-q basis can fluctuate significantly Significant FX headwinds in FY2018E expected resulting in slightly decreasing reported revenue
Adj. Profit (€m)	2,458		
Adj. Profit margin (%)	18.0%	17-18%	<ul style="list-style-type: none"> 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)
Adj. net income (€m)	1,540		<ul style="list-style-type: none"> 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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Financial calendar

May

May 9, 2018

Q2 Earnings Release

May 16, 2018

Roadshow Germany (Frankfurt)

May 30 - 31, 2018

Bernstein Conference (New York) & Roadshow Canada (Toronto)

June

June 12, 2018

Exane Conference (Paris)

June 15, 2018

JP Morgan Conference (London)

August

August 2, 2018

Q3 Earnings Release



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