

# Guidance fully achieved again – another strong year

Joe Kaeser, President and CEO | Ralf P. Thomas, CFO  
Q4 FY 2018 Analyst Call | Munich, November 8, 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.

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# Our agenda for today



**FY 2018: Delivered on our promises – position of strength**



**Guidance FY 2019: Implementation year ahead**

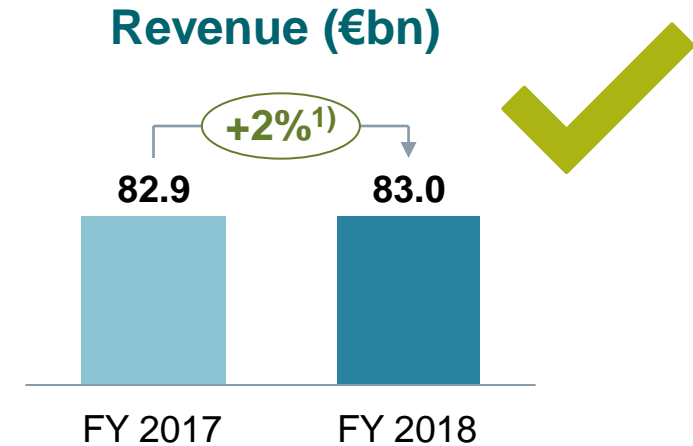
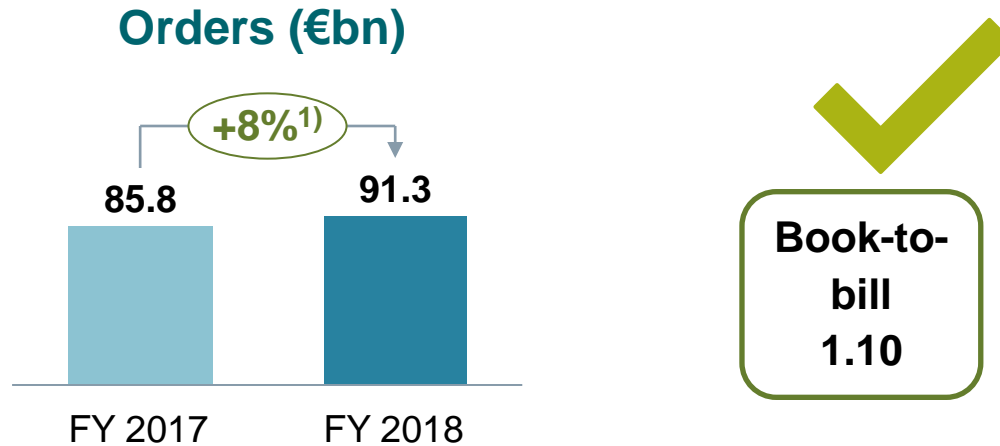


**Key growth initiatives paying off**

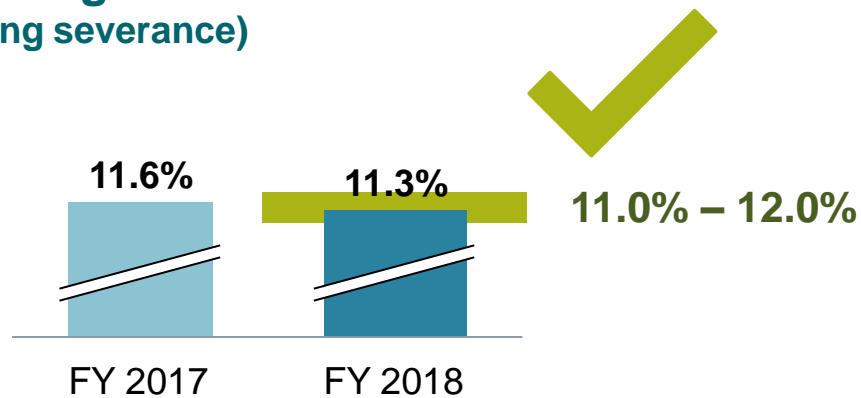


**Vision 2020+ raising the bar for value creation**

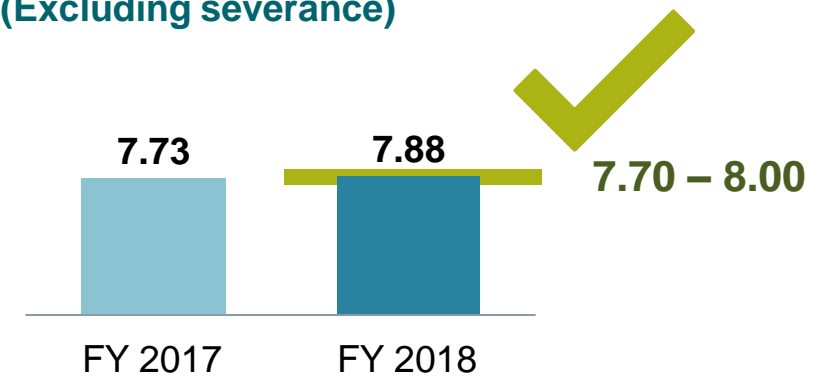
# FY 2018 – Guidance achieved on all levels



## Profit margin Industrial Business (Excluding severance)



## Basic Earnings per Share (€) (Excluding severance)

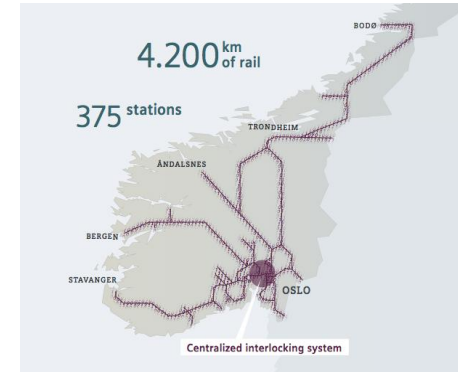


1) Comparable, i.e. adjusted for currency translation and portfolio effects

# Excellent progress on strategic priorities in FY 2018



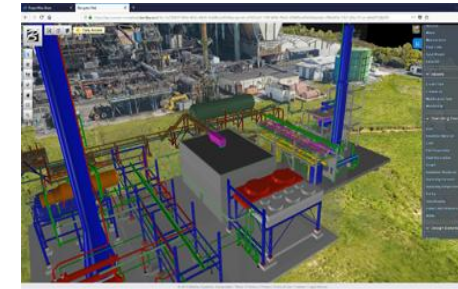
## Completion of Megaproject in Egypt



## Digitalization of entire Norwegian railway network



## MindSphere – Leading cloud based IoT platform



## Joint digital product launches with Bentley Systems

# Q4 2018 – Strong finish of Fiscal 2018

Orders up due to strength  
at MO, DF, PG and SHS

+5%



Revenue growth  
accelerated

+5%



IB profit margin excl.  
severance up 100 bps

11.3%



EPS lower on tax and  
severance

€0.69



Strong free cash flow of  
€3.3bn

+38%



Healthy capital structure  
Industrial net debt/EBITDA

0.4x

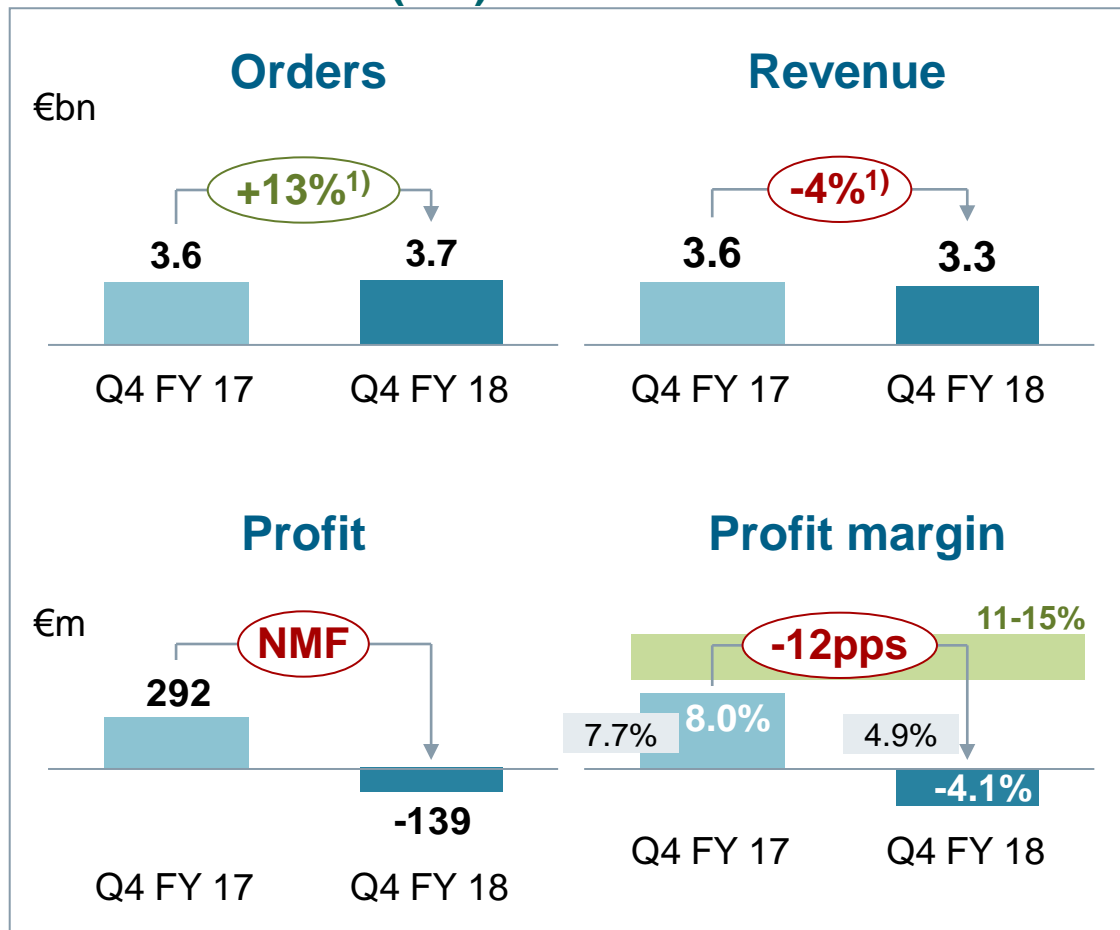


Orders and Revenue growth comparable

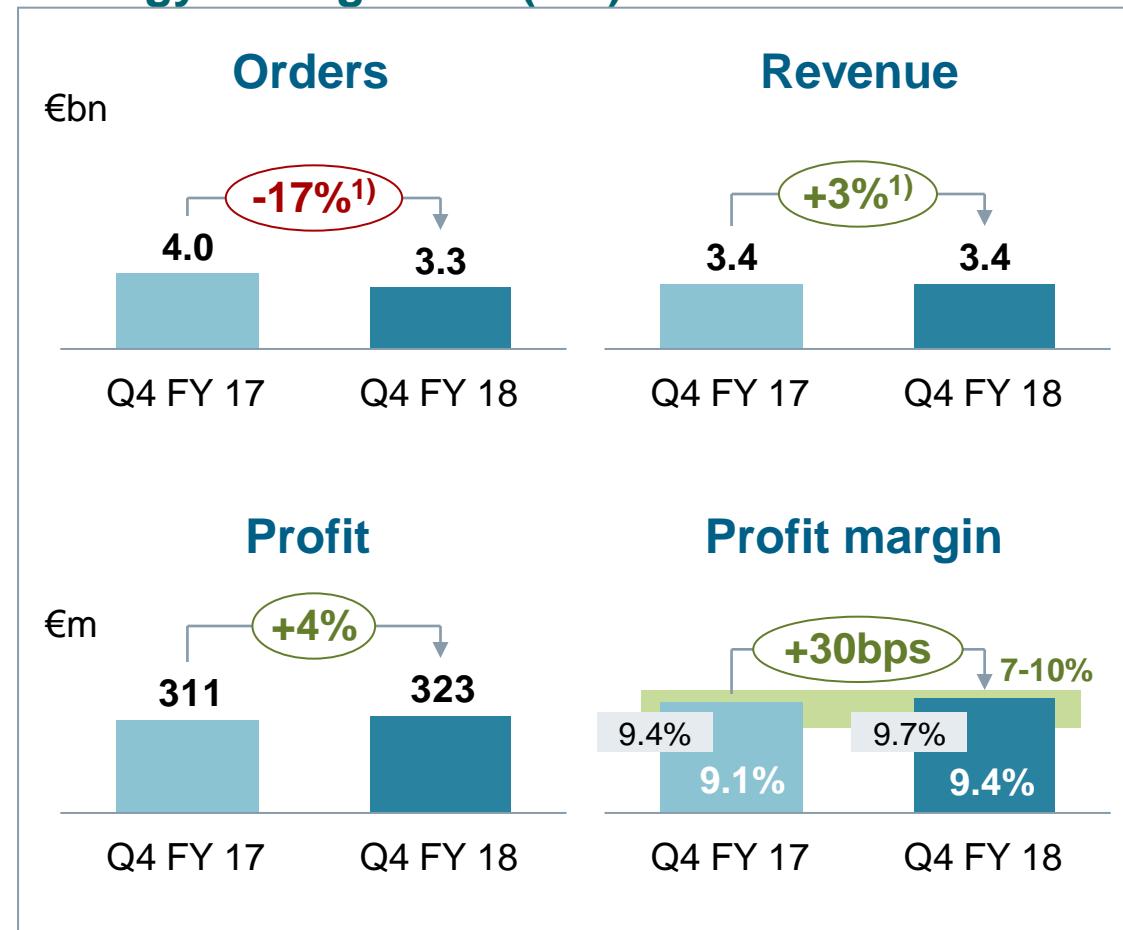
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# Customer confidence in a structurally challenged PG-business

## Power and Gas (PG)



## Energy Management (EM)



1) Comparable

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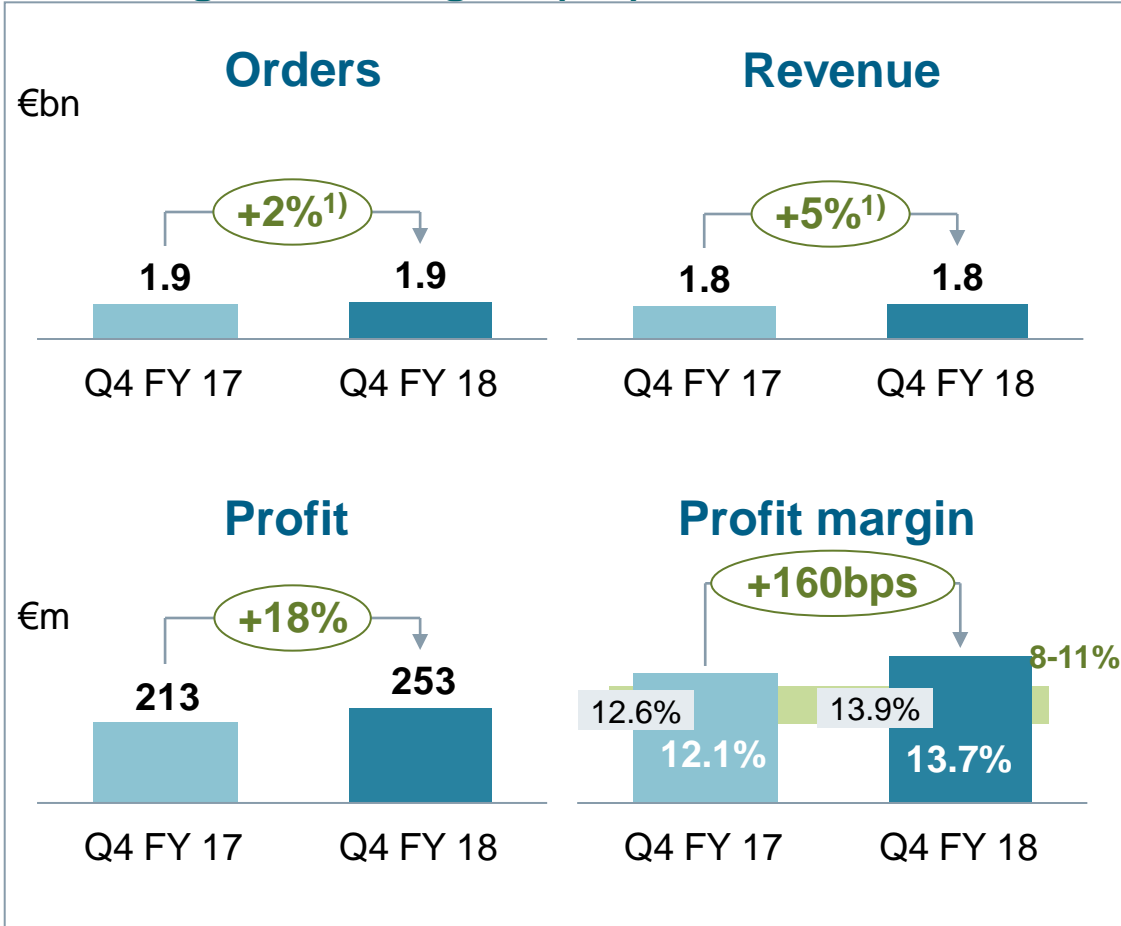
x.x% Margin excl. severance

# BT: Success story continues – margin expansion on solid growth

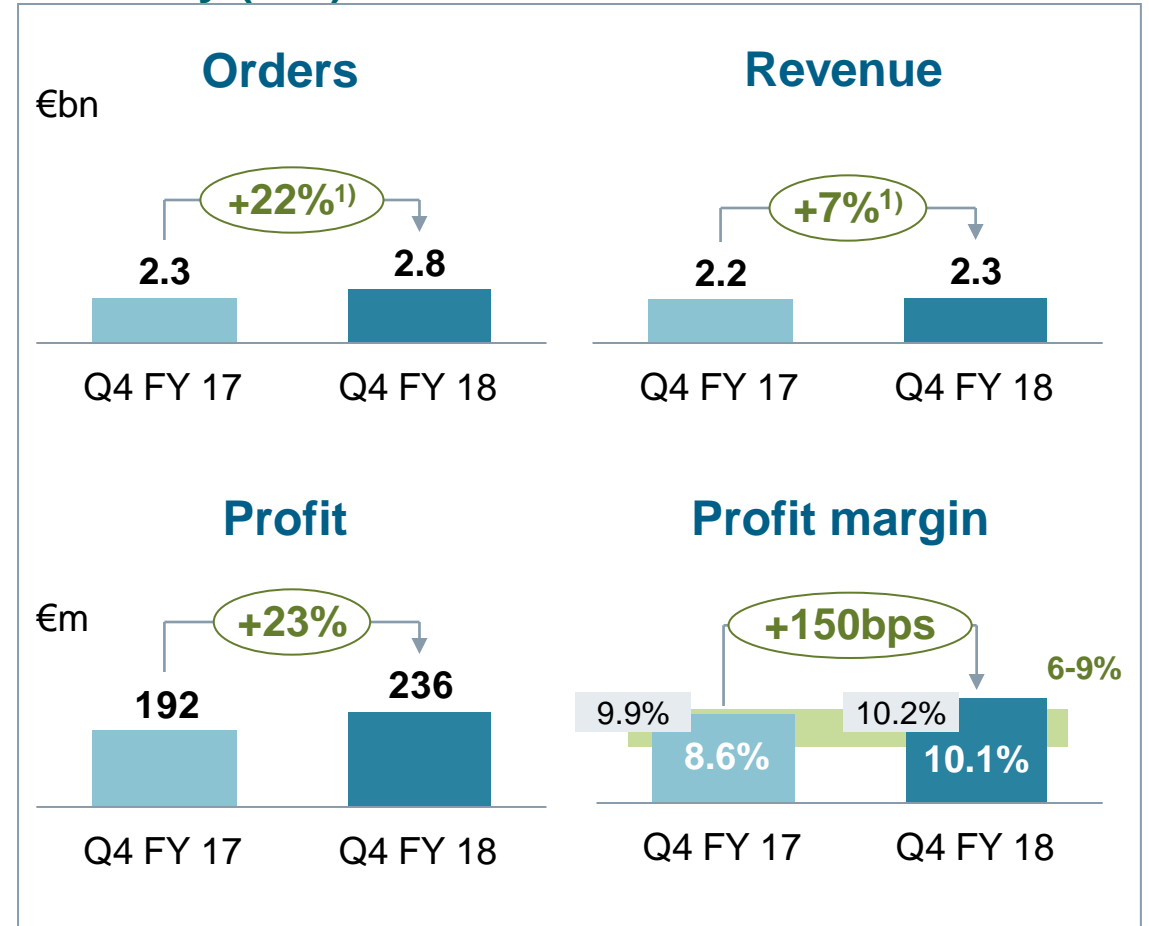
## MO: Performing on all levels – ready for the Future of Mobility



### Building Technologies (BT)



### Mobility (MO)



1) Comparable

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x.x% Margin excl. severance

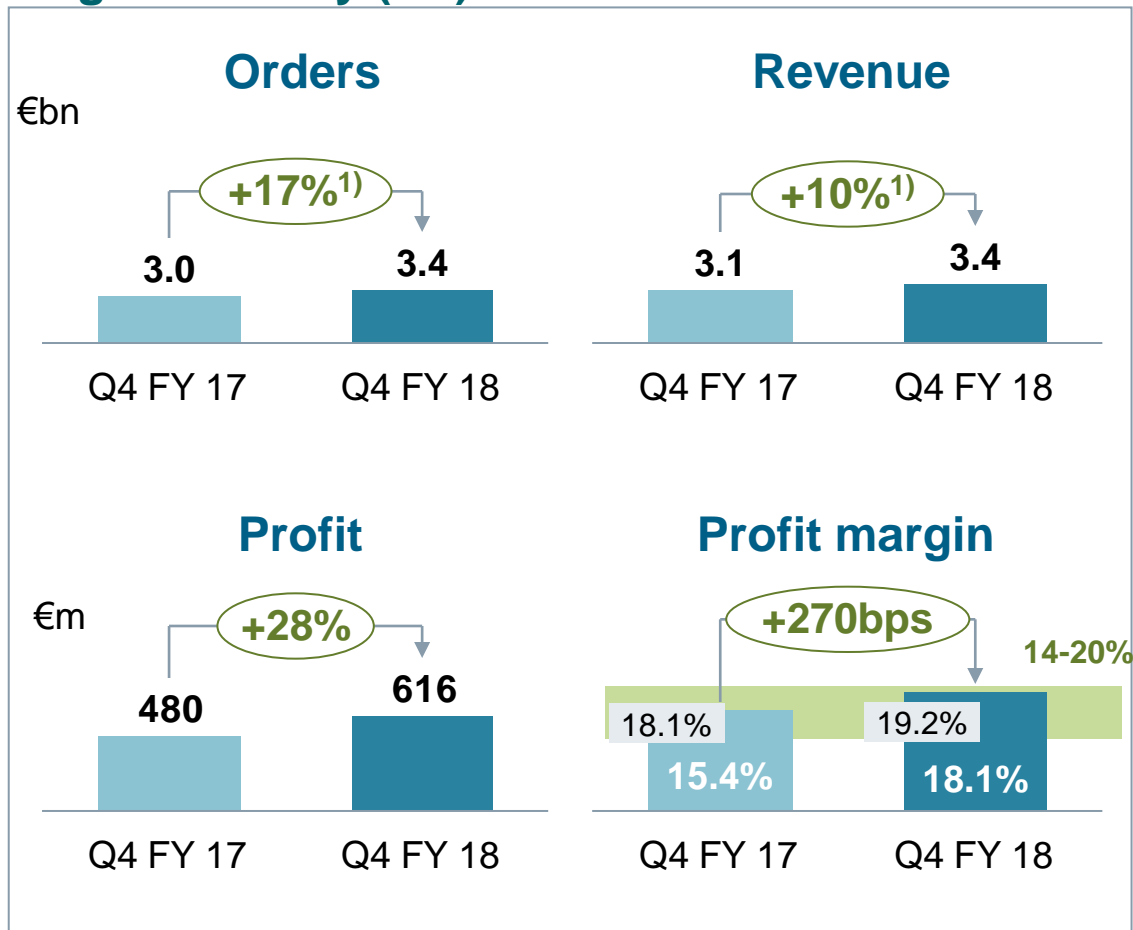


# DF: Another impressive demonstration of leadership in the sector

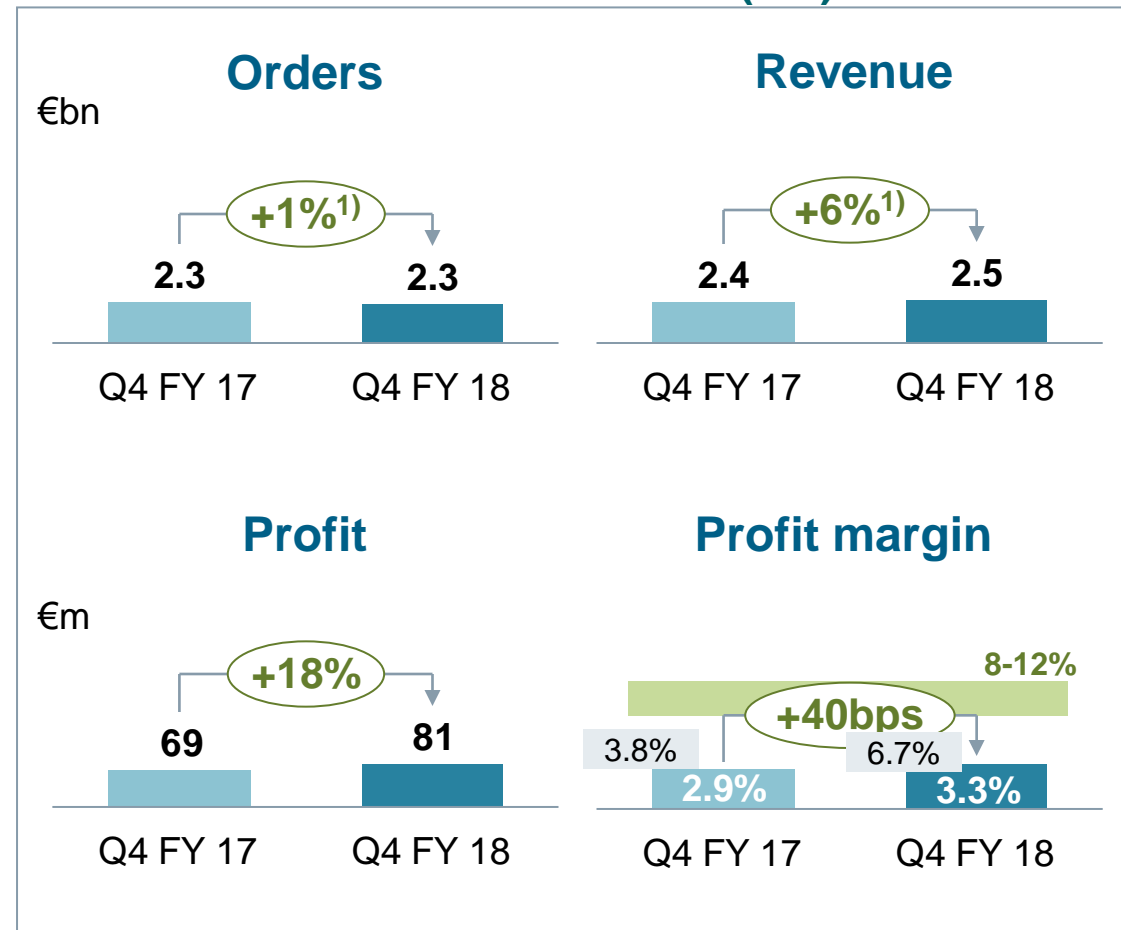
## PD: Ready for the changes in Vision 2020+



### Digital Factory (DF)



### Process Industries and Drives (PD)



1) Comparable

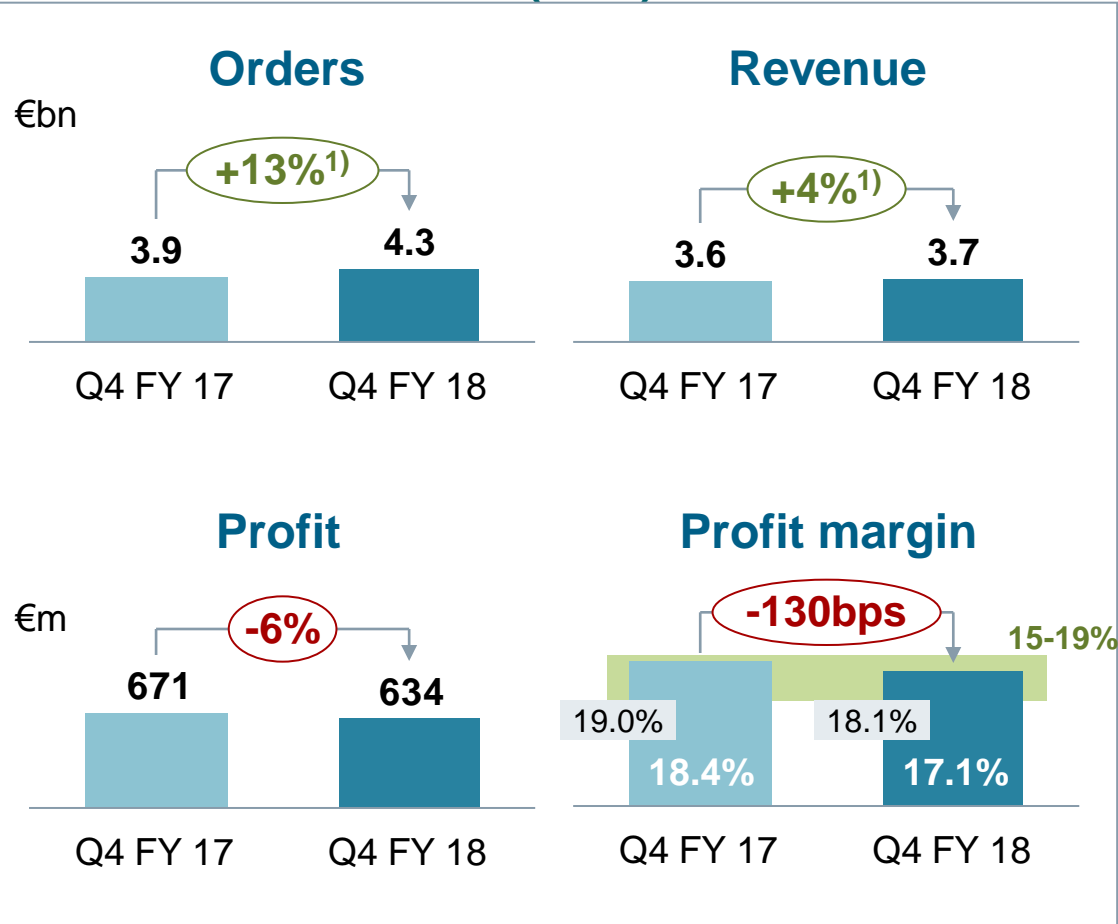
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x.x% Margin excl. severance

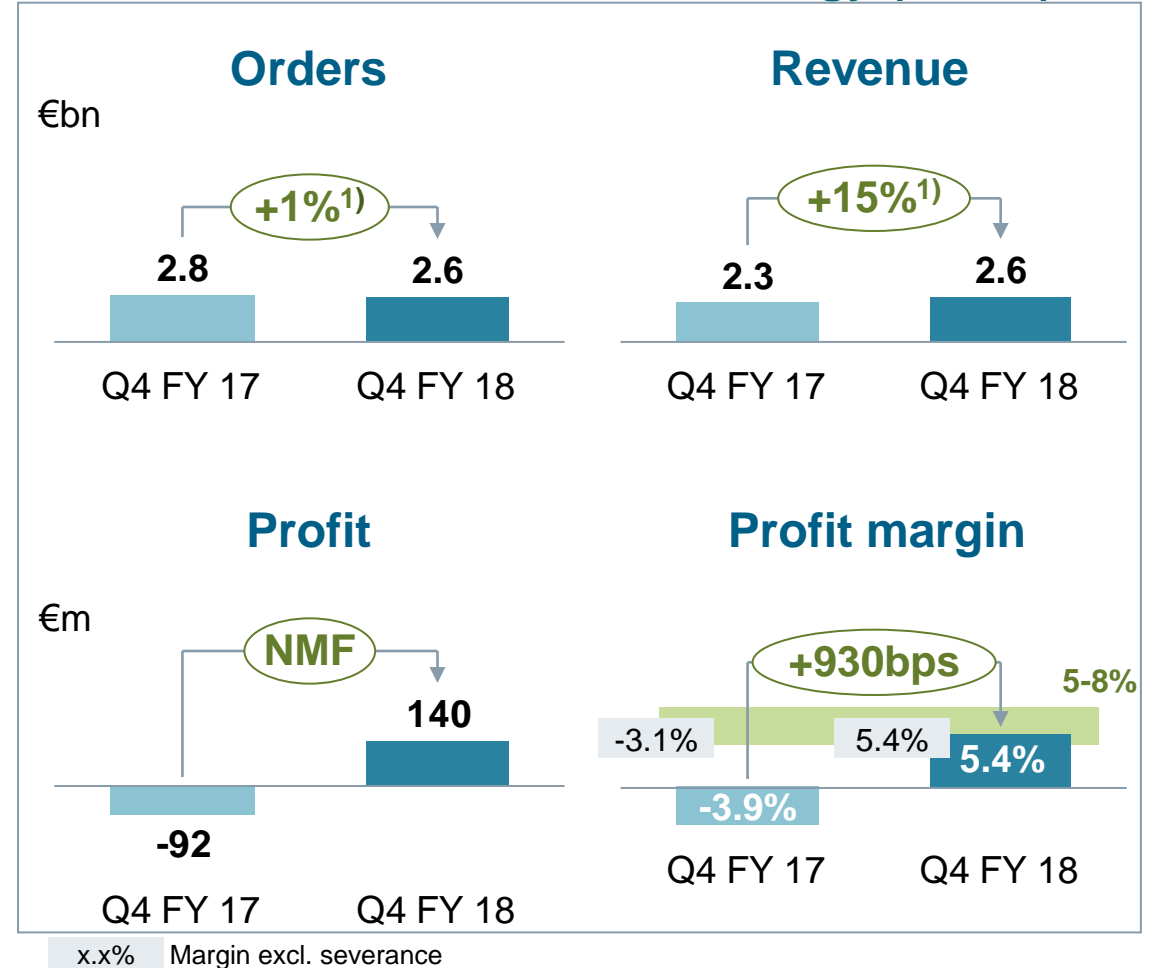
# Strategic companies are mastering their challenges well



## Siemens Healthineers (SHS)



## Siemens Gamesa Renewable Energy (SGRE)



1) Comparable

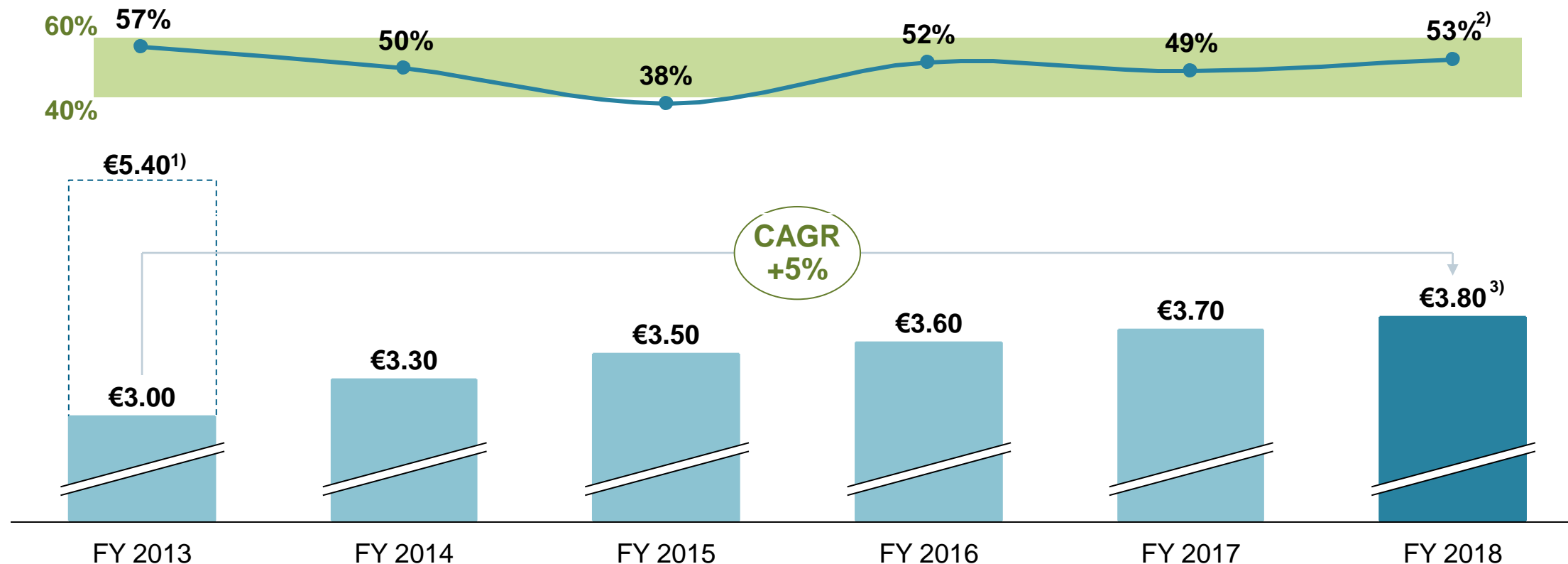
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# Delivering sustainable shareholder returns

## Raising dividends for five years in a row



Payout ratio: 40-60% of net income



- 1) OSRAM stock distribution of €2.40 per share; not reflected in dividend payout ratio
- 2) Assumes 808m shares outstanding at AGM; based on new financial framework
- 3) Proposed dividend for approval at Annual Shareholders' Meeting on January 30, 2019

# Value creation for all stakeholders

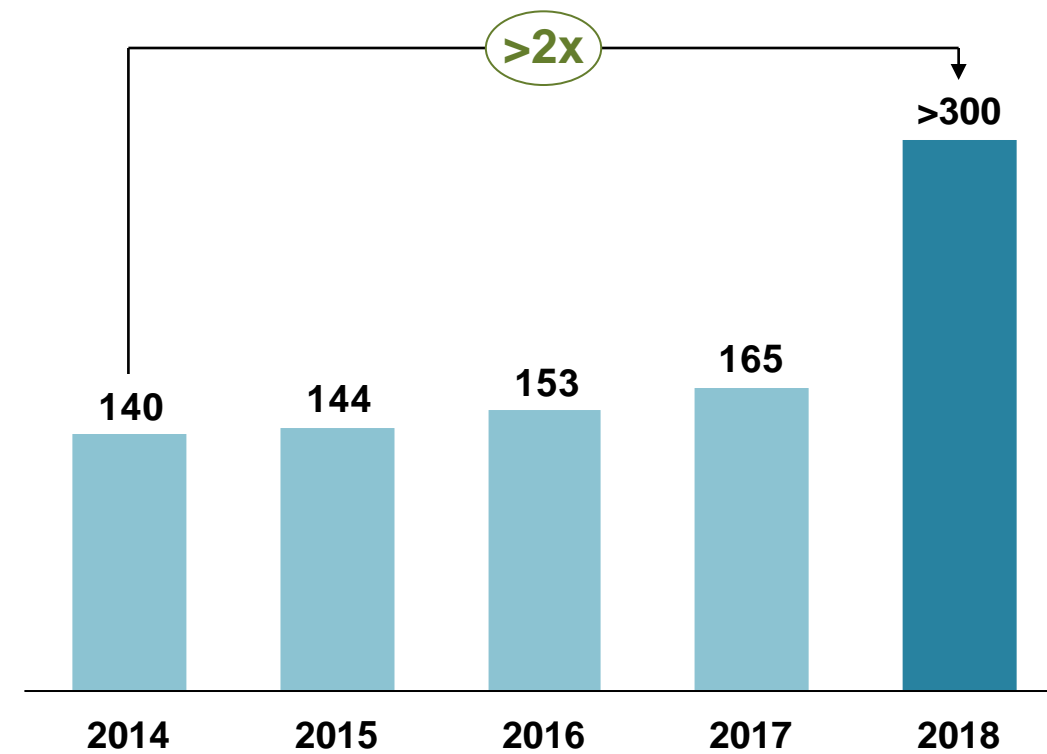
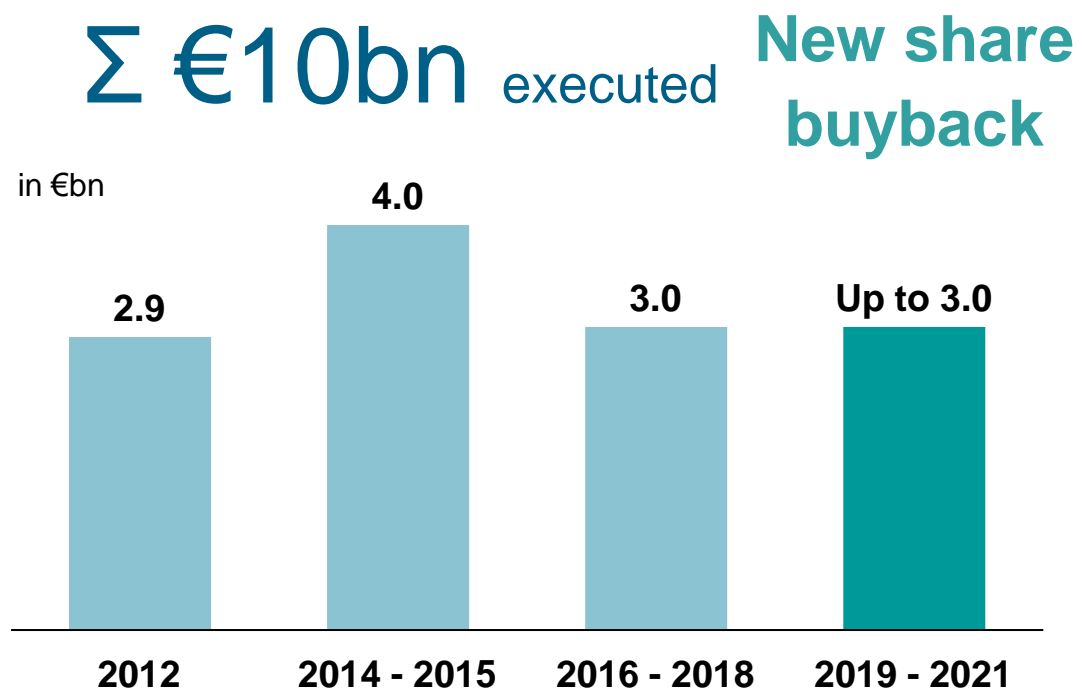
## New share buyback program of up to €3bn until Nov. 2021 launched



Committed to further share buyback

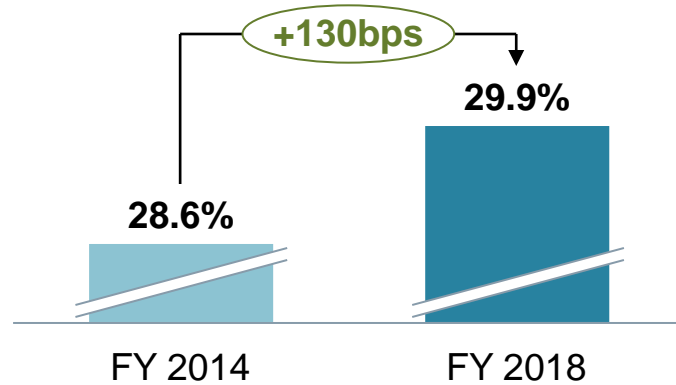
Profit sharing fosters equity culture

# of employee shareholders (in thousand)



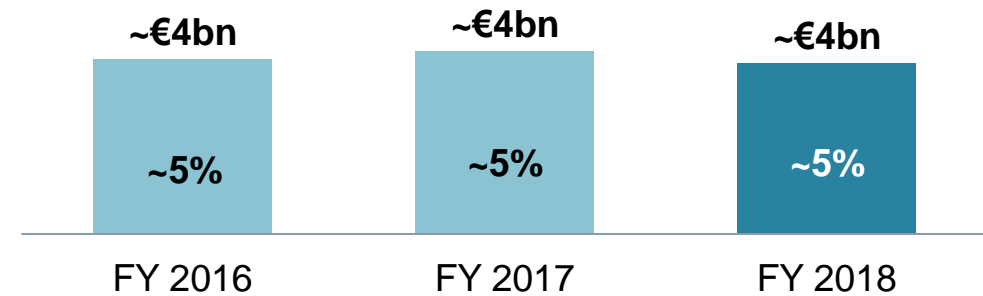
# Continued focus on rigorous execution

## Gross margin improved



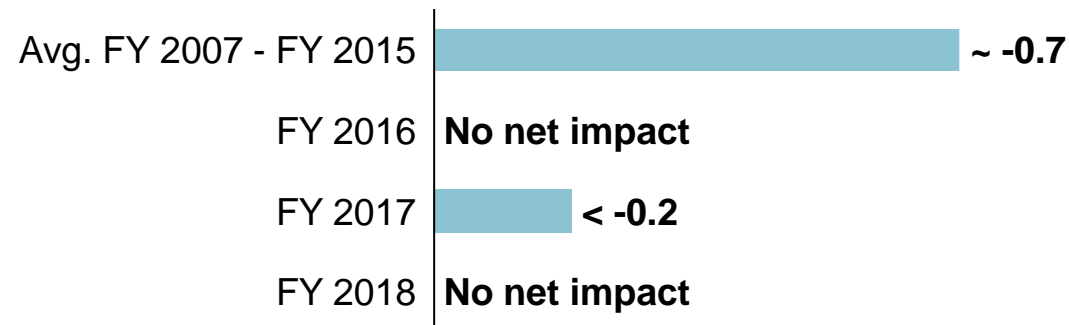
## Consistent productivity efforts

in % of total cost base<sup>1)</sup>



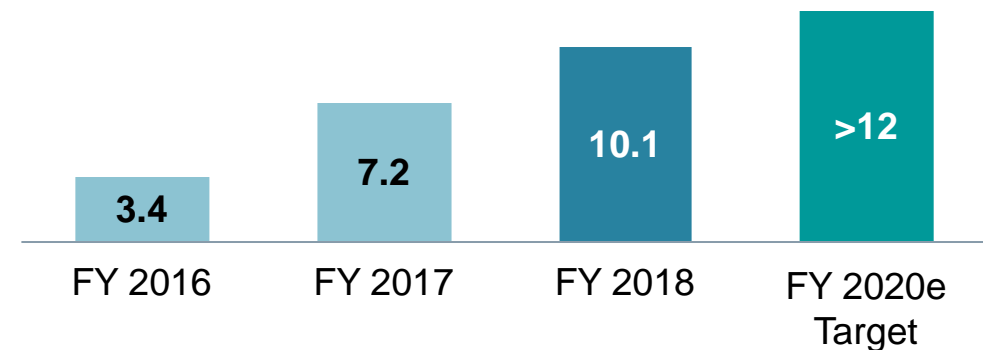
## Net project charges reduced

Impact in €bn



## Cost and Value Engineering ahead of plan

in €bn, total production cost



1) Total cost base: Sum of cost of sales, R&D and SG&A expenses

# Guiding assumptions for Fiscal 2019



## Macroeconomic environment

No material impact for the businesses from geopolitical risk and macroeconomic factors



## Pricing pressure

2 - 3% of revenue  
Stable on short cycle  
Ongoing pricing pressure in power generation businesses



## Personnel cost inflation

3 - 4% increase



## Capex

Clear increase over FY 2018 levels

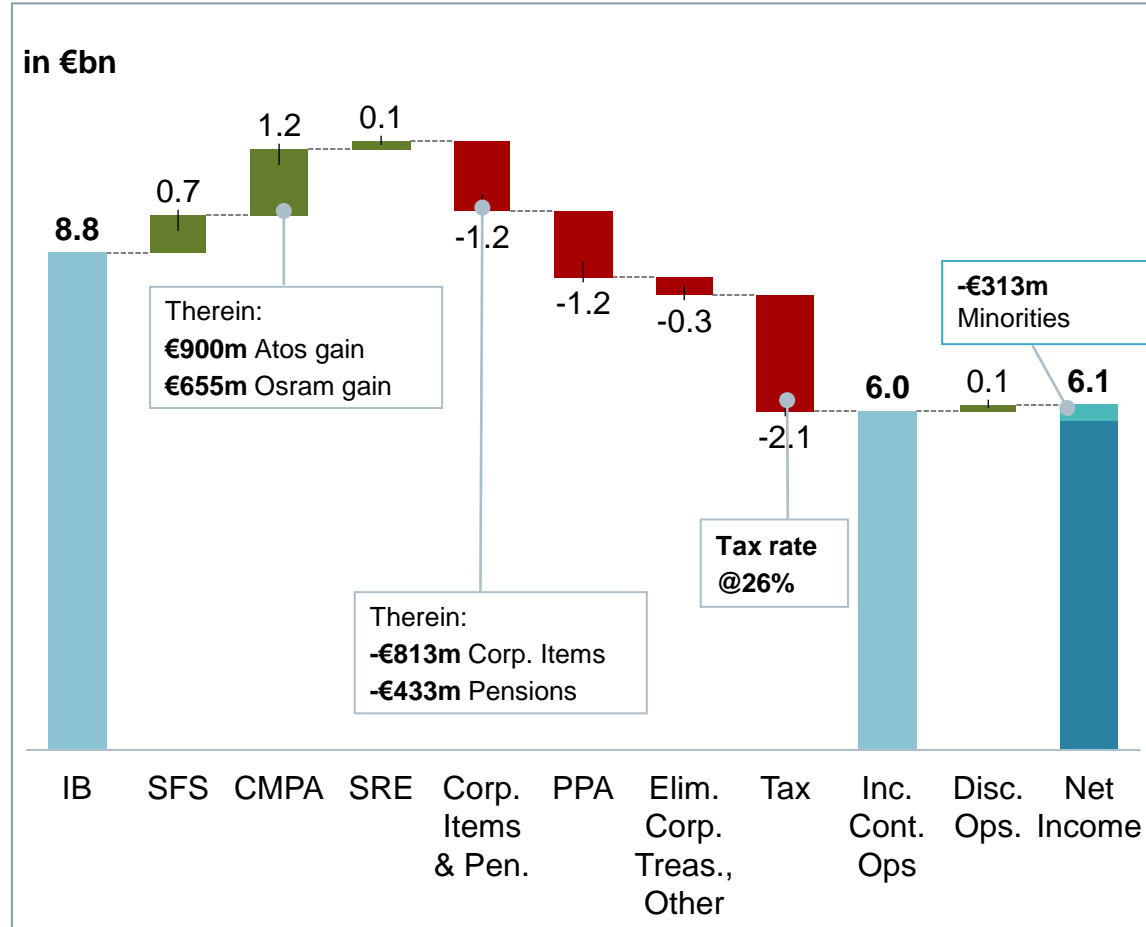


## Foreign exchange

Continuing adverse effects mainly from emerging markets

# Fiscal 2019 – Significant swing in CMPA

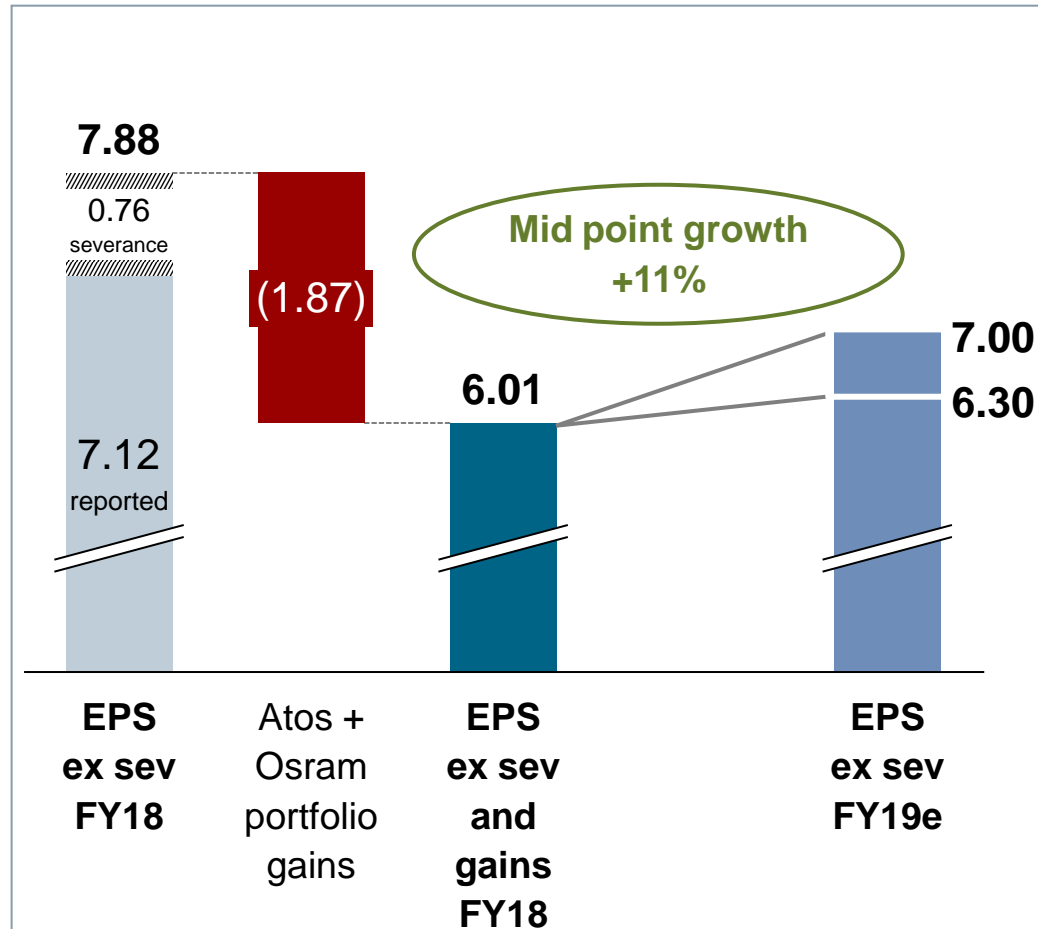
## Below Industrial Business – FY 2018



## Expectations for FY 2019

- **SFS:** ~ FY 2018 level
- **CMPA:** volatile, negative, no material divestment gains expected
- **SRE:** dependent on disposal gains
- **Corporate Items & Pensions:** ~€250m per quarter, H2 > H1
- **PPA:** ~ FY 2018 level
- **Eliminations, Corp. Treasury, Others:** ~ FY 2018 level
- **Tax rate:** 25% – 31%
- **Minorities:** significant increase due to full year Healthineers
- **Discontinued Operations:** immaterial impact

# Outlook FY 2019



We expect a **continued favorable market environment, particularly for our short-cycle businesses**, with **limited risks related to geopolitical uncertainties**.

For fiscal 2019, we expect **moderate growth in revenue**, net of currency translation and portfolio effects. We further anticipate that orders will exceed revenue for a **book-to-bill ratio above 1**.

We expect a **profit margin of 11.0% to 12.0%** for our Industrial Business **based on our current organizational structure, excluding severance charges**.

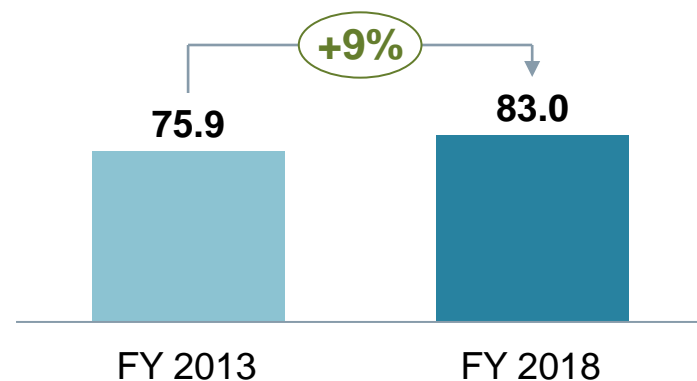
Furthermore we **expect basic EPS from net income in the range of €6.30 to €7.00** also excluding severance charges.

This outlook excludes charges related to legal and regulatory matters and post-closing results from combining our mobility business with Alstom SA, which we expect to close in the first half of calendar 2019.

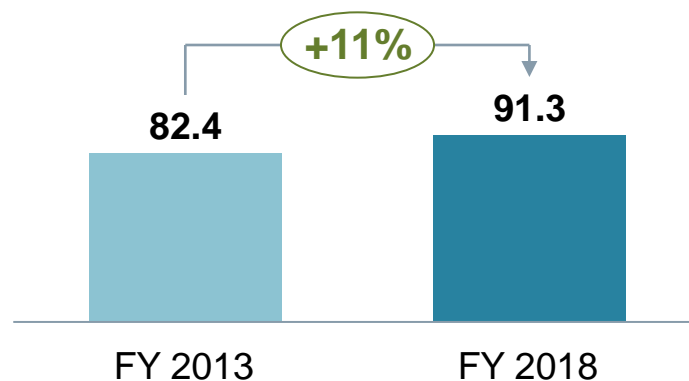


# We have achieved a lot with Vision 2020

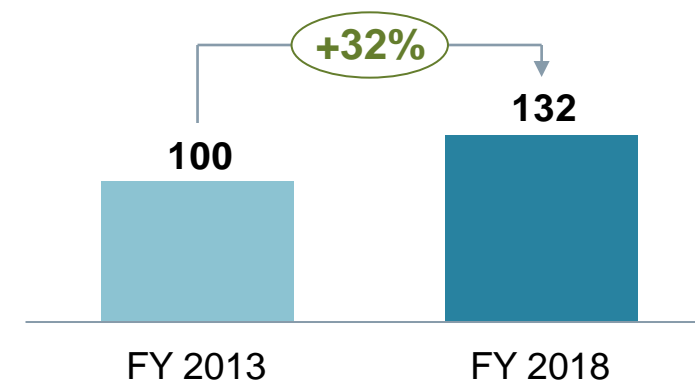
## Revenue (in €bn)



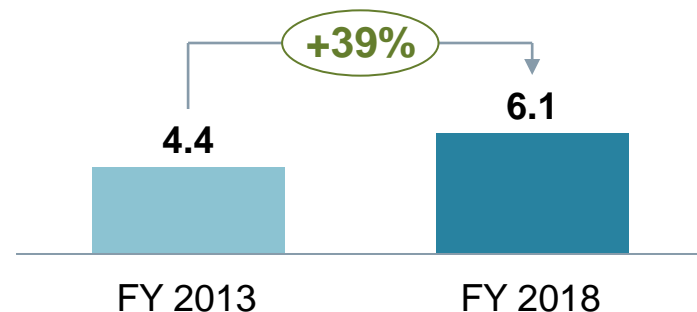
## Order Intake (in €bn)



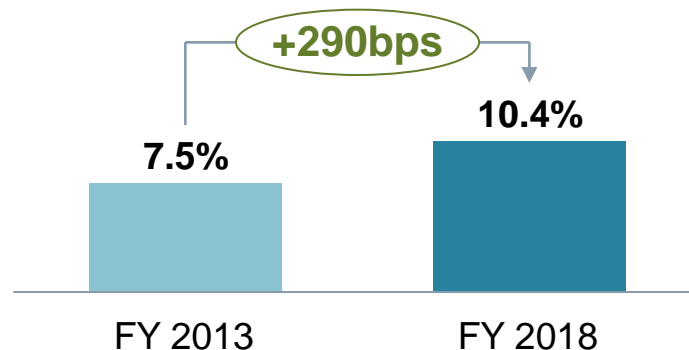
## Order Backlog (in €bn)



## Net Income (in €bn)



## Profit margin IB



Significant increase since 2013 in  
**Net Promoter Score and  
Employee satisfaction**



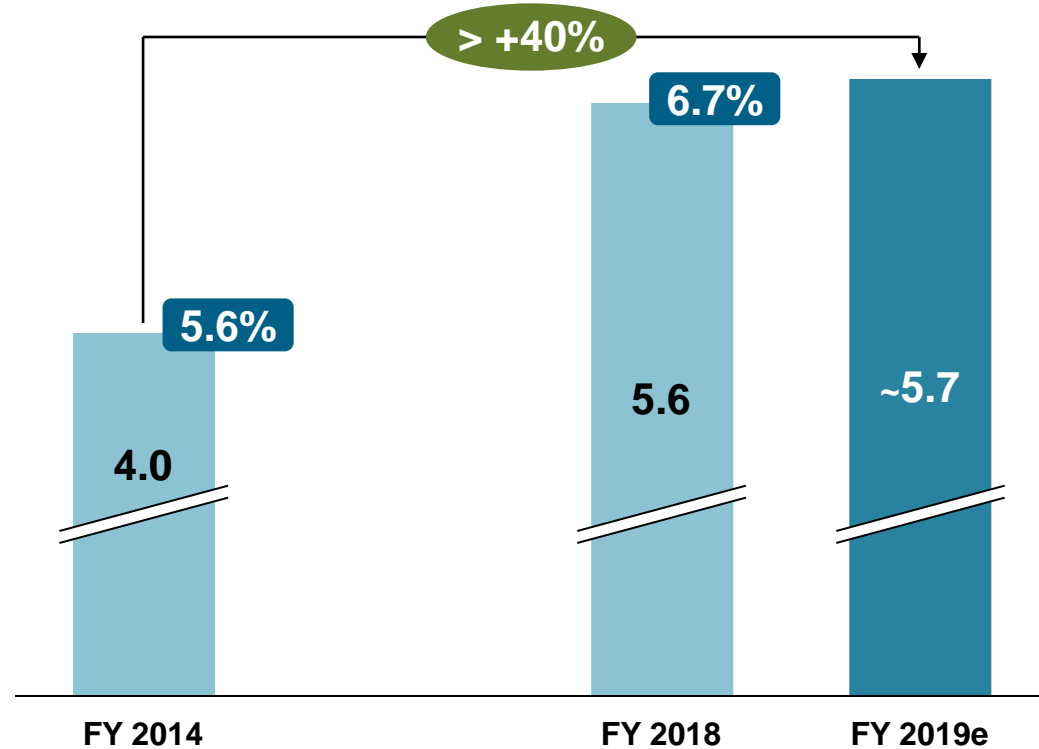
Growth rates nominal

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# Push for innovation drives growth and customer value

## Increasing R&D investment...

€bn (% of revenue)



## ... to stay ahead



### Digital Factory

- Low code platform (Mendix) to speed up application development
- Edge functionality for PLC portfolio
- Vertical applications: F&B, Batteries



### Siemens Healthineers

- Successful Atellica ramp up – 990+ systems shipped
- Digital and AI applications e. g. for Precision Medicine and Services



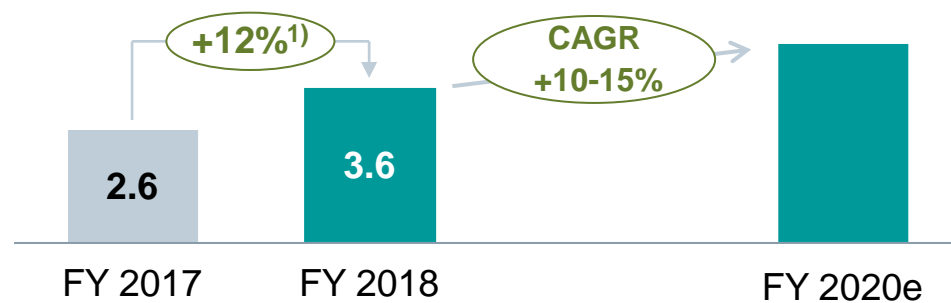
### Core Technologies, e. g.

- Data analytics for new service models
- Applying simulation and digital twin across domains
- Cyber Security concepts

# Industrial software gaining further market share

## Excellent performance (DF Software business)

Revenue in €bn



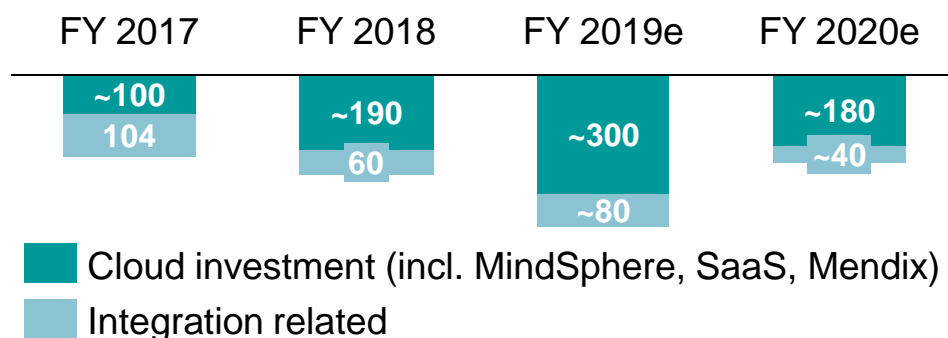
1) Comparable

## Important customer wins

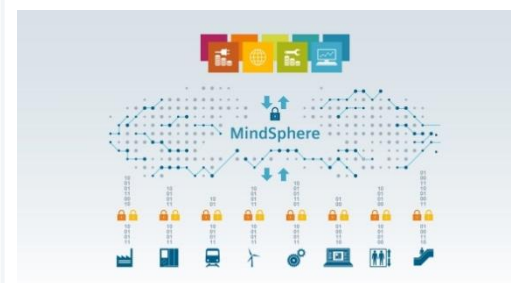


## Continued investments to drive growth

Profit impact in €m



## Rapid MindSphere expansion



- 57 MindSphere Application Centers for 20 verticals
- >200 partners in ecosystem
- >500 customers
- >250 applications and services

# Shaping the digital transformation across all industries



## Mobility



### Winning lighthouse project

First-of-its-kind data analytics enabled solution for Singapore Land Transport Authority

Guarantees increased availability and improved operational efficiency of entire rail system

## Power Generation Services



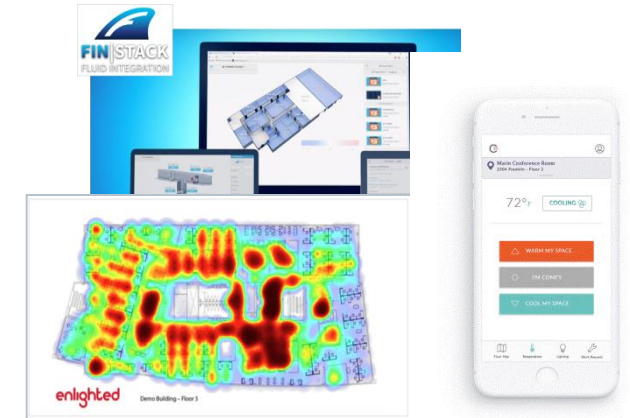
### Increasing offerings & capabilities

> 60 Digital products and services to optimize performance and life-time

~ 250 digital sales experts

~ 150 key specialists in MindSphere Application Centers

## Building Technologies



### Strengthen IoT competencies – recent bolt on M&A

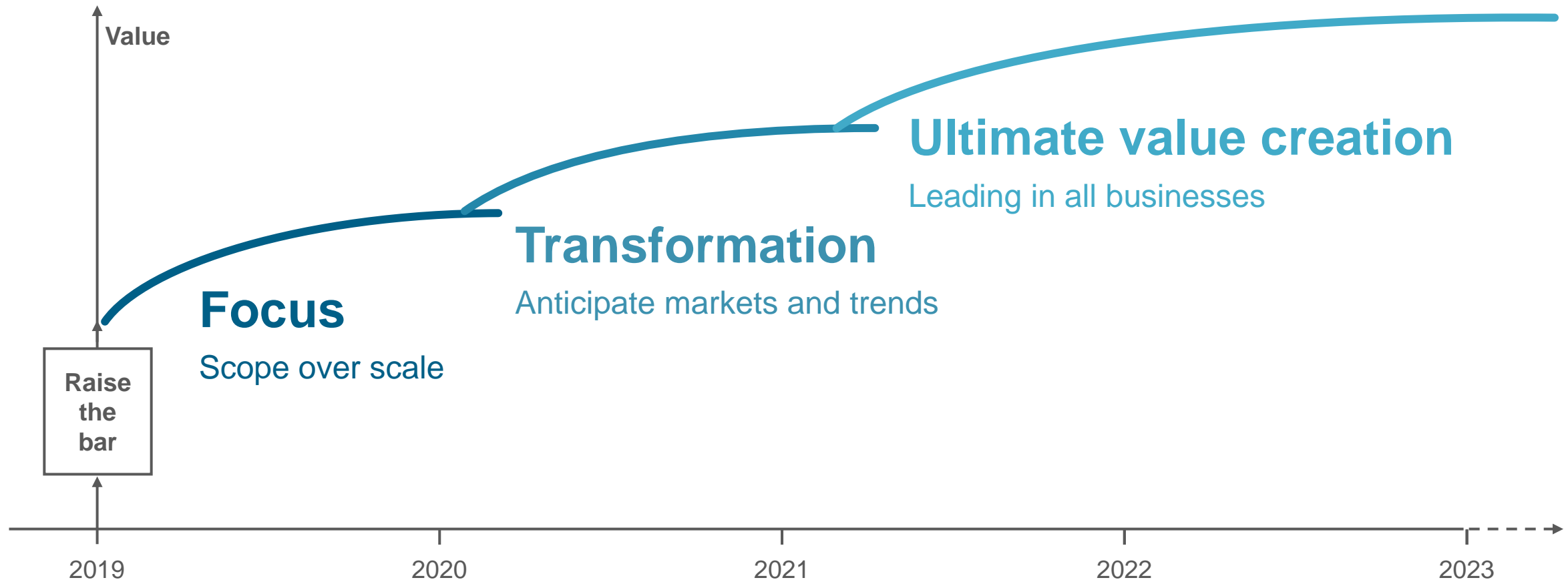
**Enlighted:** Multi-function sensor system for lighting control and Building IoT

**J2Innovations:** Building Automation software to increase engineering efficiency

**Comfy:** SaaS workplace engineering application for comfort control

## Vision 2020+ Raising the bar

**SIEMENS**  
*Ingenuity for life*



**Key: Foster Ownership Culture and strengthen entrepreneurial focus**

## Focus

Embrace entrepreneurial freedom - **best** in industry

Support functions part of **Operating Companies**

Transactional services **bundled** in **Global Business Services**

## Accountability

Dedicated responsibility and accountability

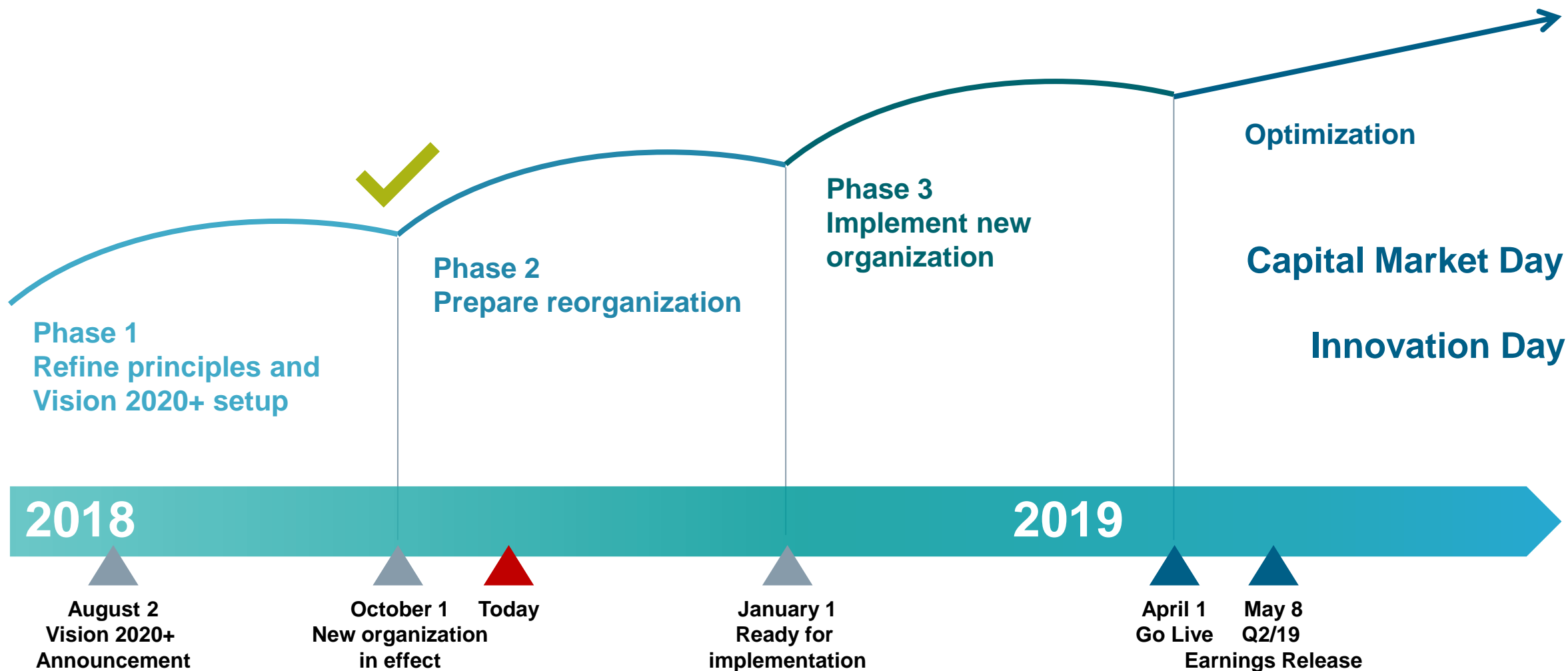
Clearly defined impact and **ambitious financial targets**

## Adaptability

From a “**one size fits all**” to a **purpose-driven** and **market-focused** approach

“**Impact over policy**” – **lean governance**

# Vision 2020+ implementation on track to go live April 1, 2019



# Appendix





# New Siemens Financial Framework (as of April 1, 2019)

## Ambitious financial goals based on benchmarks

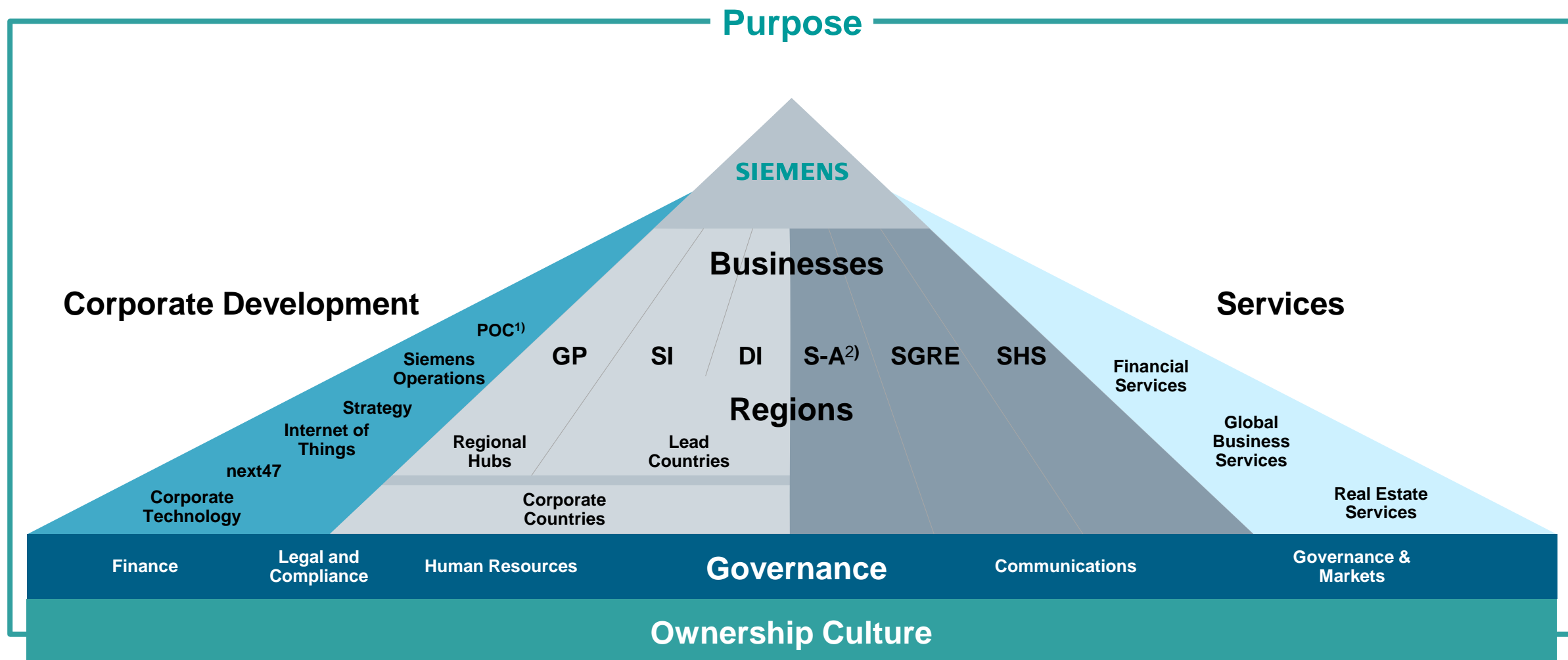


Siemens (targets over the cycle)						
<b>Growth Siemens</b> comparable revenue growth <b>4 – 5%</b>			<b>Industrial Businesses margin<sup>3)</sup></b>  <b>11 – 15%</b>		<b>Cash conversion</b> Cash conversion rate (CCR) <b>CCR = 1 – growth rate<sup>4)</sup></b>	
<b>Capital efficiency</b> ROCE <sup>1)</sup> <b>15 – 20%<sup>2)</sup></b>			<b>Capital structure</b> Industrial net debt/EBITDA <b>up to 1.0x</b>		<b>Dividend payout ratio</b>  <b>40 – 60%<sup>5)</sup></b>	
Operating Companies			Strategic Companies			Service Company
Adj. EBITA margin ranges <sup>3)</sup>			Adj. EBITA margin ranges <sup>3)</sup> – Siemens expectation			RoE <sup>7)</sup>
<b>Gas and Power</b> <b>8 – 12%</b>	<b>Smart Infrastructure</b> <b>10 – 15%</b>	<b>Digital Industries</b> <b>17 – 23%</b>	<b>Siemens Healthineers</b> <b>17 – 21%</b>	<b>Siemens Gamesa R. E.</b> <b>7 – 11%</b>	<b>Siemens Alstom<sup>6)</sup></b> <b>8 – 12%</b>	<b>Financial Services</b> <b>15 – 22%</b>

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

# Vision 2020+

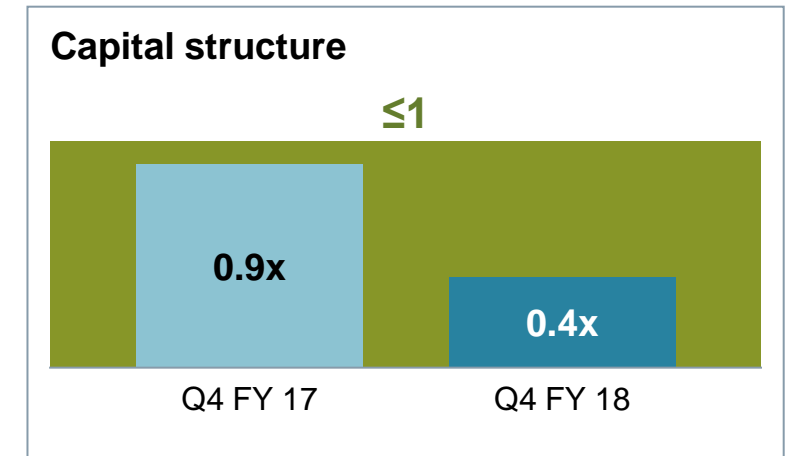
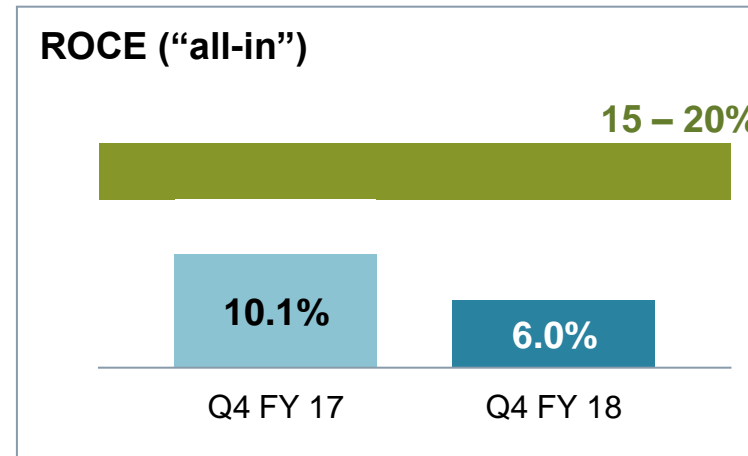
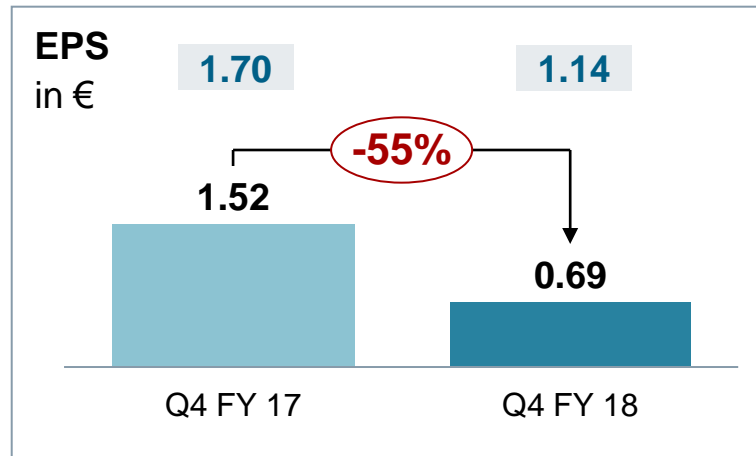
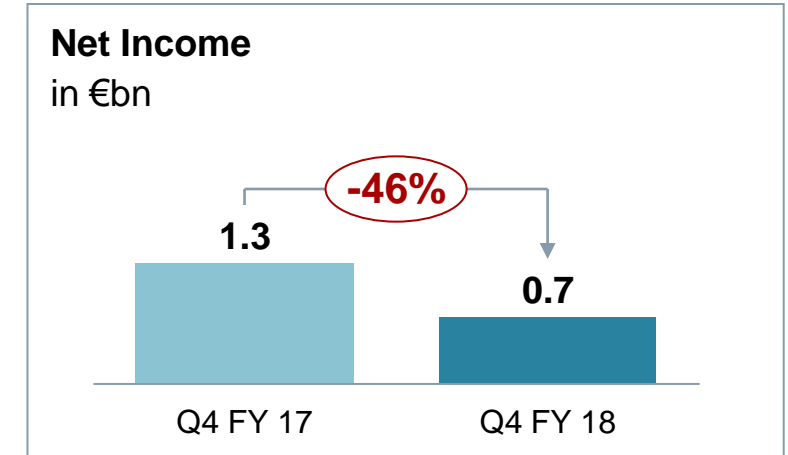
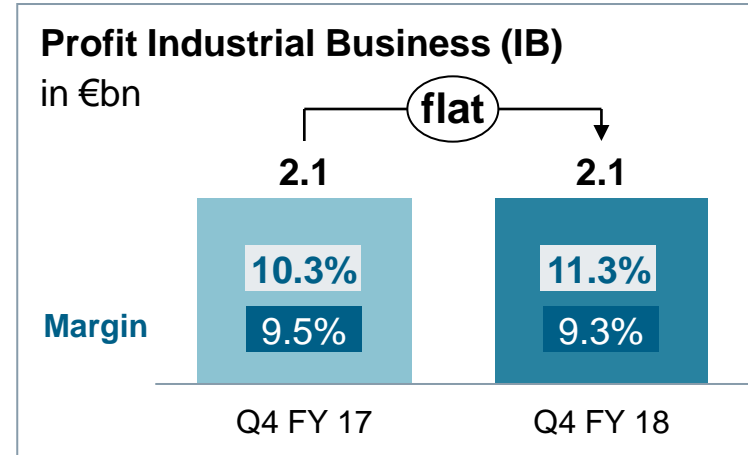
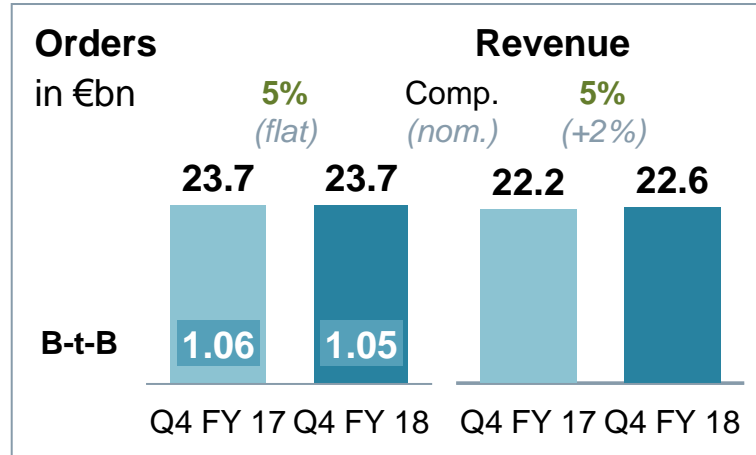
## Operating model based on purpose and ownership culture



1) Portfolio Companies 2) Depending on anti-trust approval

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# Financial cockpit – Q4 FY 2018



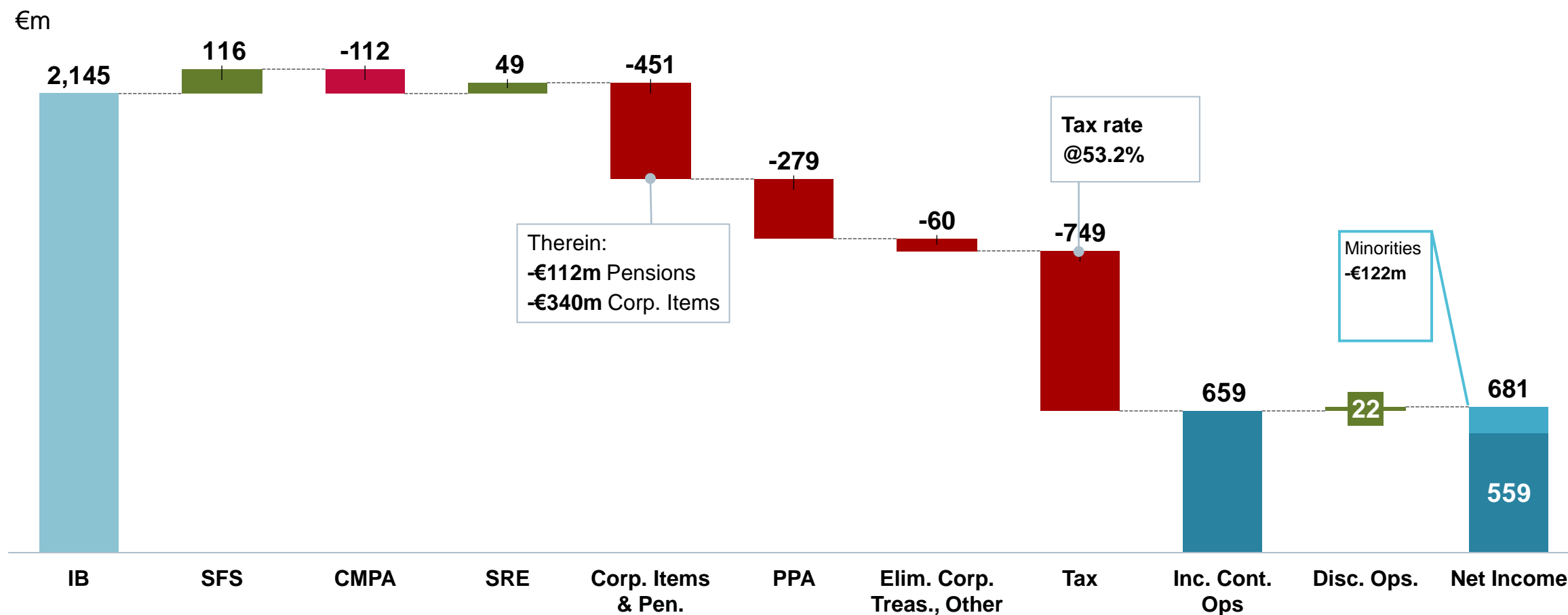
x.xx EPS excl. severance

x.x% as reported

x.x% excl. severance

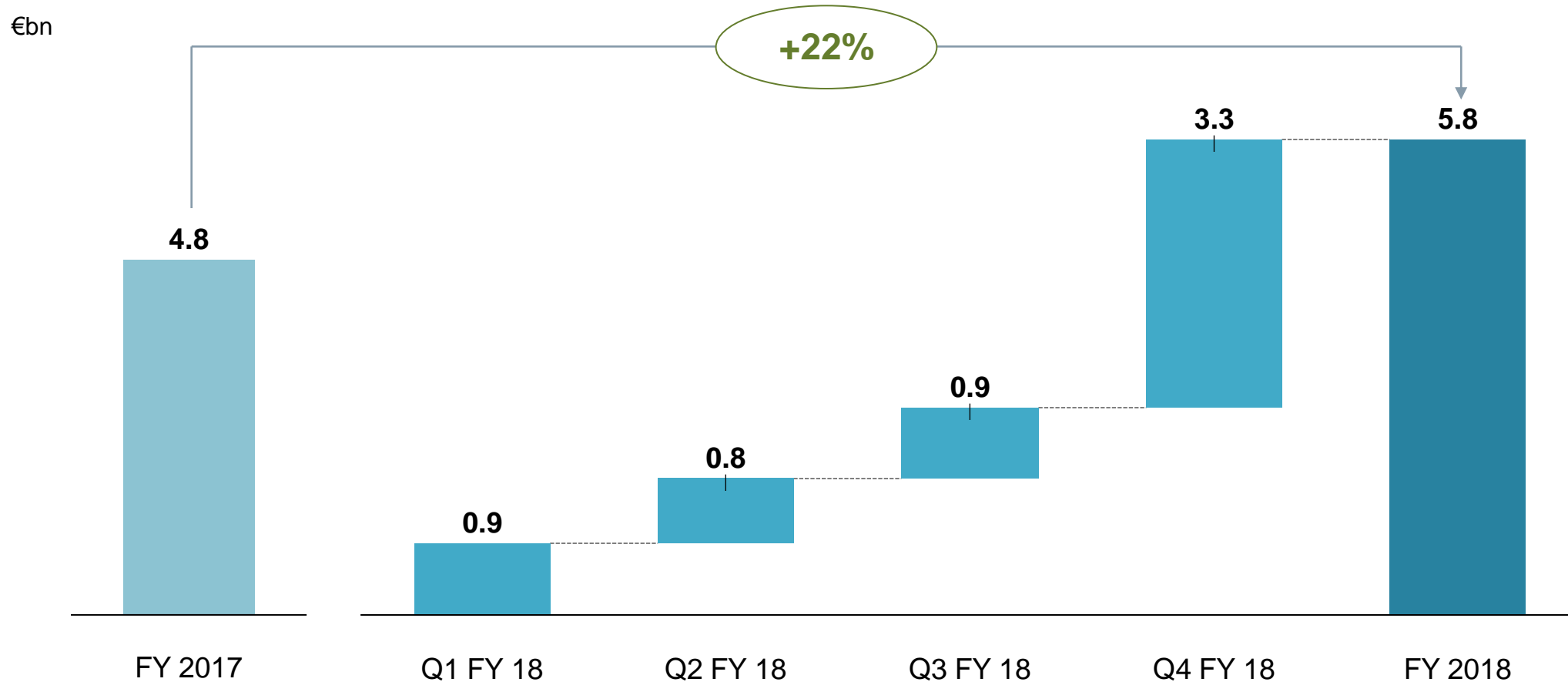
# Sharply higher income tax mainly from Mobility carve out

## Below Industrial Business – Q4 FY 2018

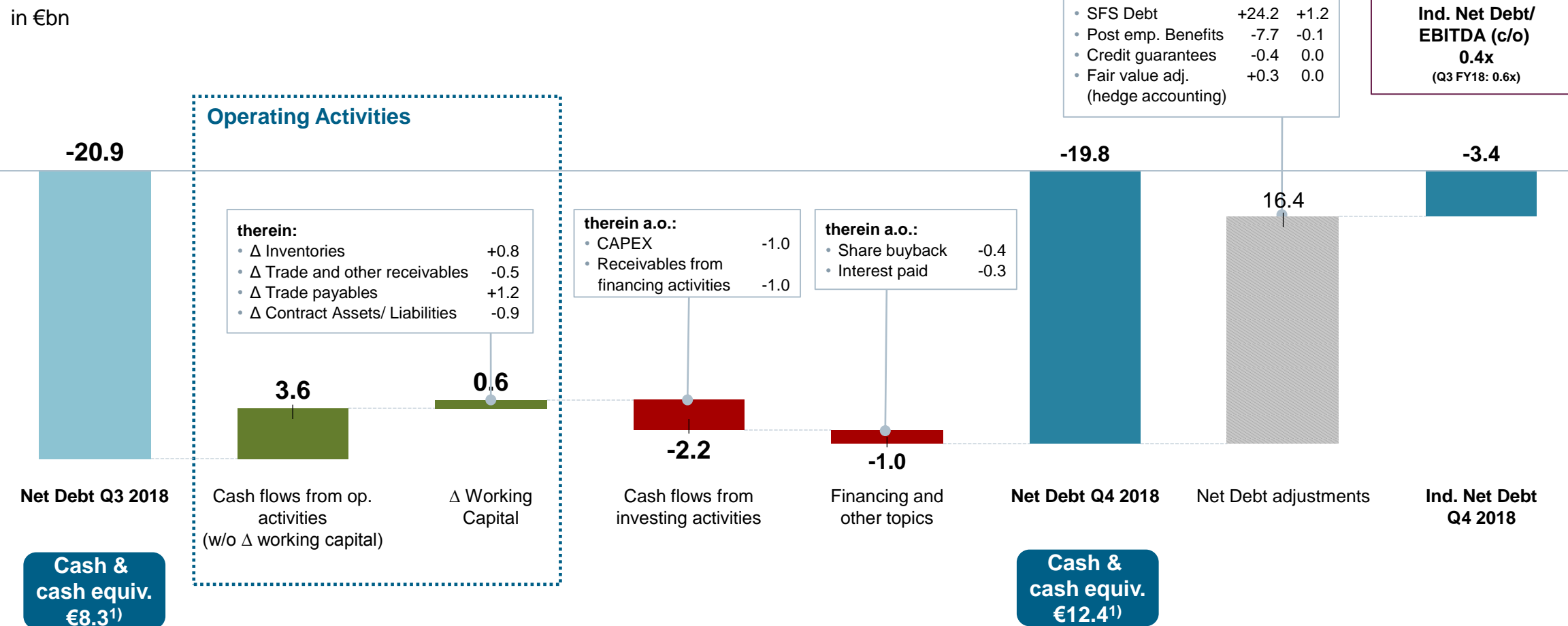


# Substantial „all-in“ free cash flow improvement of +22%

## Free cash flow (“all-in”)



# Net debt bridge – Q4 FY 2018



1) Including current available-for-sale financial assets

# FY 2018 deficit reduction mainly due to extraordinary fundings in Germany and USA



## Q4 FY 2018 – Pensions and similar obligations

in €bn <sup>1)</sup>	FY 2016	FY 2017	FY 2018	Q1 FY 2018	Q2 FY 2018	Q3 FY 2018	Q4 FY 2018
<b>Defined benefit obligation (DBO)<sup>2)</sup></b>	(42.2)	(36.9)	(35.9)	(36.9)	(36.5)	(36.2)	(35.9)
<b>Fair value of plan assets<sup>2)</sup></b>	28.7	27.6	28.7	27.7	28.9	29.1	28.7
<b>Provisions for pensions and similar obligations</b>	<b>(13.7)</b>	<b>(9.6)</b>	<b>(7.7)</b>	<b>(9.7)</b>	<b>(8.1)</b>	<b>(7.6)</b>	<b>(7.7)</b>
<b>Discount rate</b>	1.7%	2.4%	2.4%	2.2%	2.3%	2.3%	2.4%
<b>Interest Income</b>	0.8	0.5	0.5	0.1	0.1	0.1	0.1
<b>Actual return on plan assets</b>	3.3	0.3	0.4	0.7	-0.1	0.0	-0.2

1) All figures are reported on a continuing basis.

2) Difference between DBO and fair value of plan assets additionally resulted in net defined benefit assets (Q4 2018: +€0.5bn); fair value of plan assets including effects from asset ceiling (Q4 2018: -€0.1bn); Defined Benefit Obligation (DBO), including other post-employment benefit plans (OPEB) of ~-€0.6bn

# Q4 FY18 Profit Bridge from SGRE to SAG disclosure

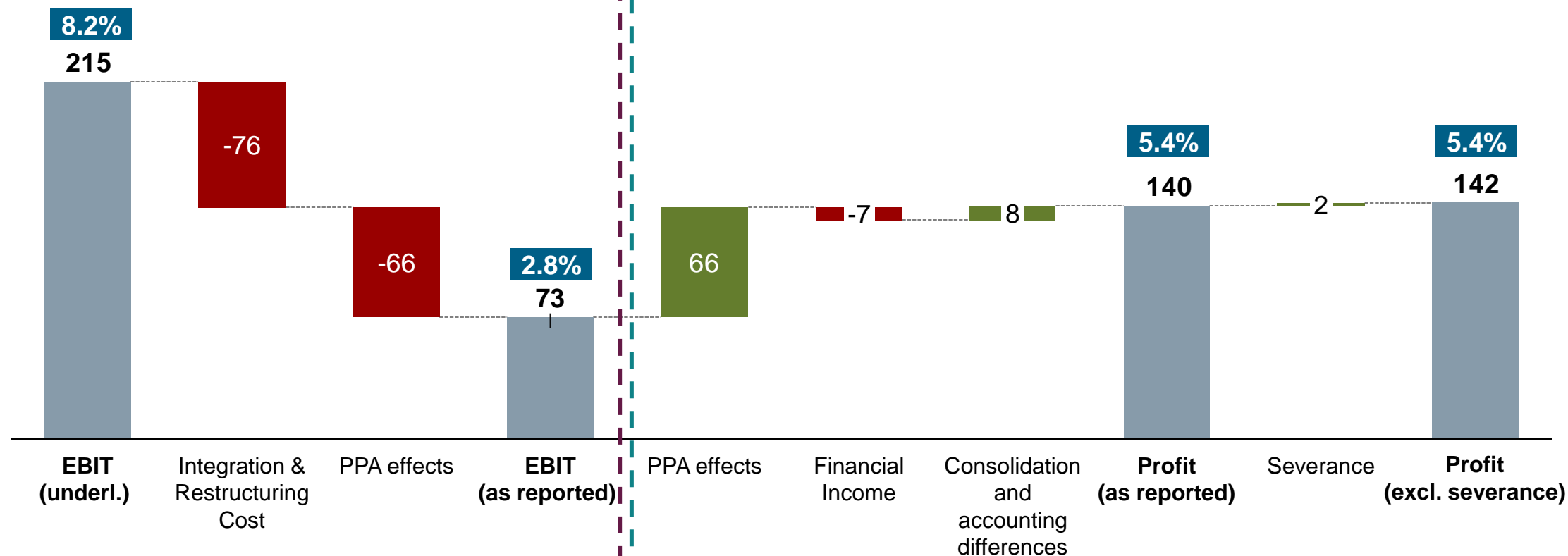
Different profit definitions at SGRE and SAG to be considered in models



in €m

**SIEMENS Gamesa** disclosure (as of Nov 6, 2018)  
RENEWABLE ENERGY

**SIEMENS** disclosure (as of Nov 8, 2018)  
Ingenuity for life





## Guidance FY 19

	FY 18	FY 19 E <sup>1</sup>
<b>Revenue</b> (in €m)	9,122	10,000 - 11,000
<b>EBIT margin pre PPA and I&amp;R costs</b> (in %)	7.6%	7% - 8.5%

## Comments

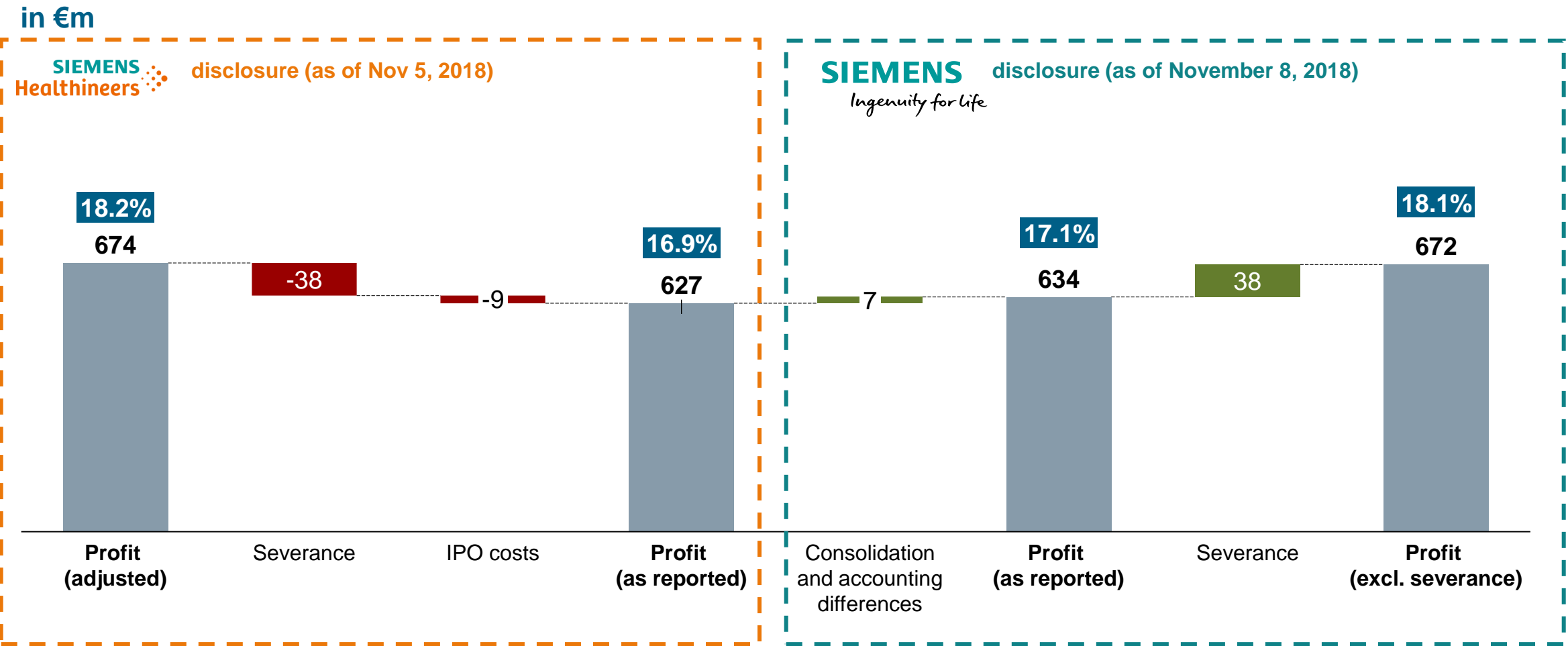
- FY 19 revenue coverage of 80%<sup>2</sup>
- Additional synergies of 1.2% of revenues by fiscal year end 2019 included in margin expectations
- Estimated impact of PPA amortization of intangible fair value of €250m for FY 19
- Expected integration and restructuring costs of €130m in FY 19
- Strong seasonality expected throughout the year with a stronger second half driven by project execution timing and costs optimization programs
- Margin guidance range driven by
  - FY 19 headwinds incl. commodity pricing and emerging market volatility
  - Productivity measures and speed on the execution of the transformation program

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

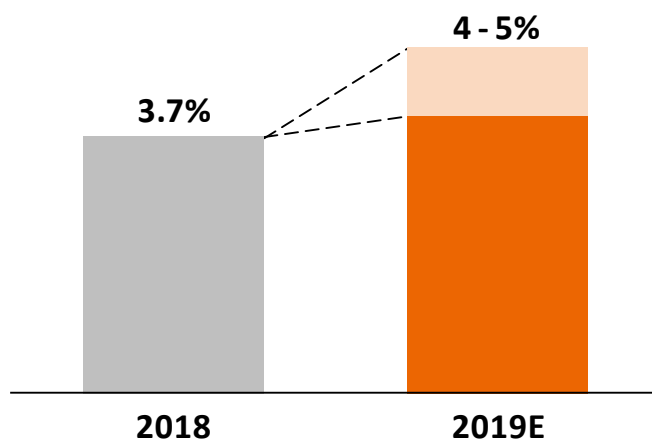
2) Revenue coverage: orderbacklog (€) for FY 19 activity divided by the average point of FY 19 revenue guidance range: €10bn - €11bn.

# Q4 FY18 Profit Bridge from SHS disclosure to SAG disclosure

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

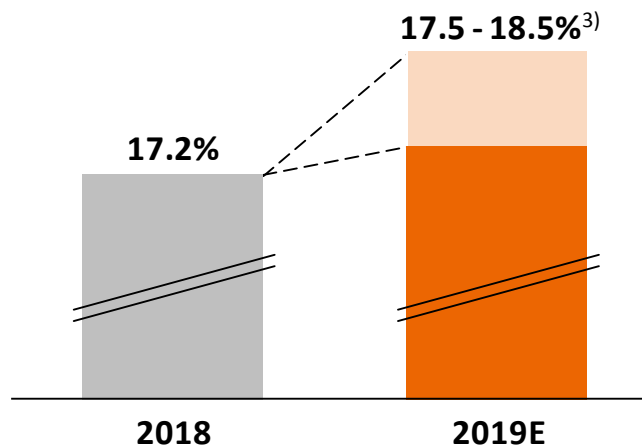


### Comparable revenue growth<sup>1)</sup>



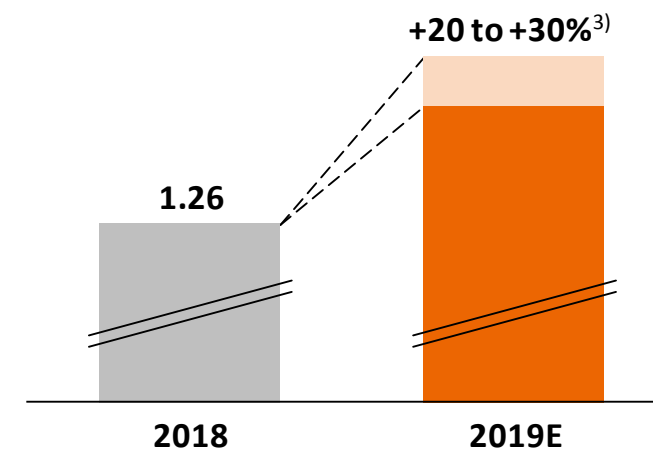
- Continued strong growth in Imaging and Advanced Therapies
- Successful Atellica Solution launch improving Diagnostics growth dynamics

### Adj. Profit margin<sup>2)</sup>



- Execution on cost-savings program
- Diagnostics profiting from operational leverage

### Earnings per share (in €)



- Tax rate: 28 - 30%

1) Comparable growth excluding currency translation and portfolio effects

2) Adjusted for severance charges and IPO costs

3) This outlook assumes that current foreign exchange rates persist for all of fiscal 2019

# Financial calendar

## November 2018

**November 8, 2018**

Q4 Earnings Release

**November 8 - 9, 2018**

Roadshow UK (London)

**November 9, 2018**

Roadshow Germany (Frankfurt)

**November 19 - 20, 2018**

Roadshow US (Boston, New York)

**November 20, 2018**

Roadshow France (Paris)

## January 2019

**January 15, 2019**

Commerzbank German Investment Seminar (New York)

**January 30, 2019**

Q1 Earnings Release and AGM



# Investor Relations contacts



## Investor Relations

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