

# Siemens Vision 2020 – Focus on profitable growth

Mariel von Schumann, Head of Governance and Markets  
Commerzbank German Investment Seminar | New York, January 10, 2017

# Important information about the transaction

## Forward Looking-statements and other notes



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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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.

### Additional Information and Where to Find It

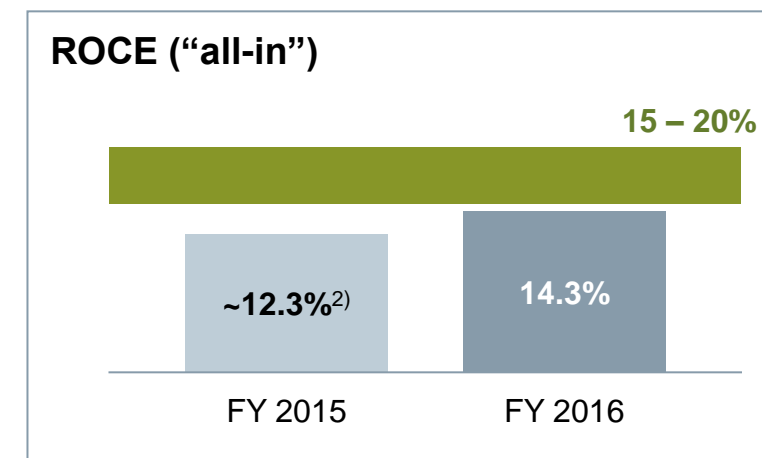
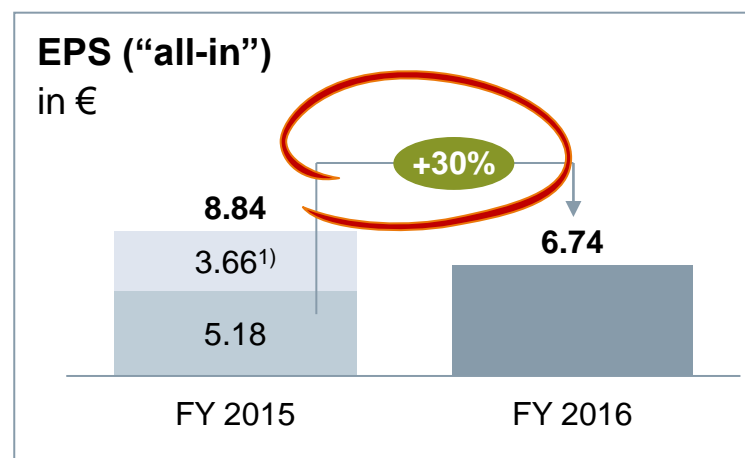
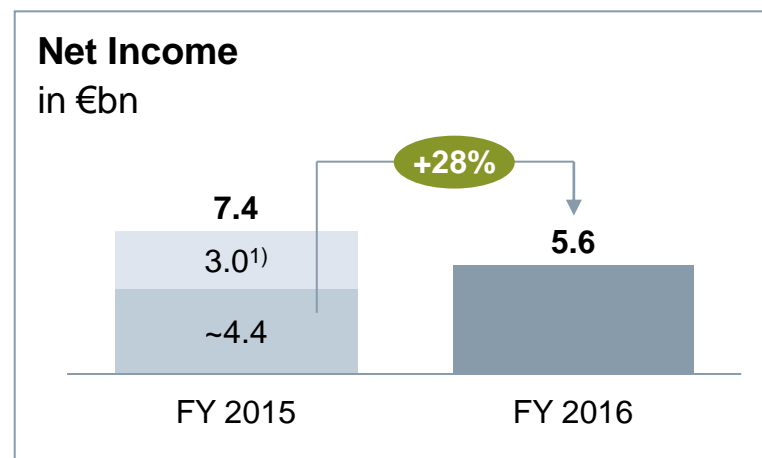
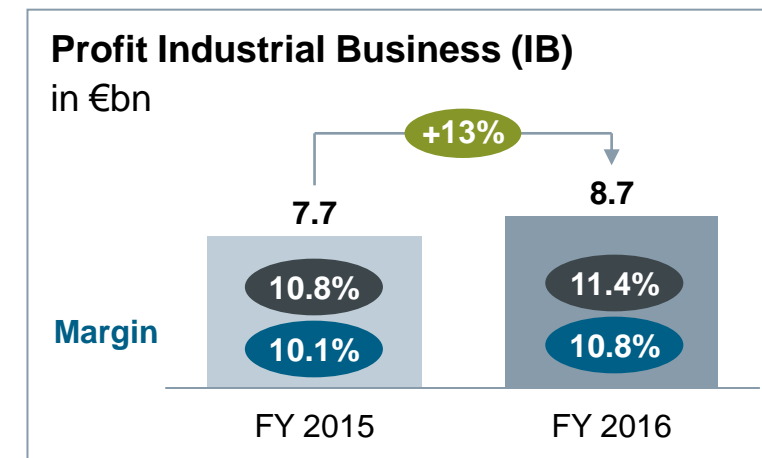
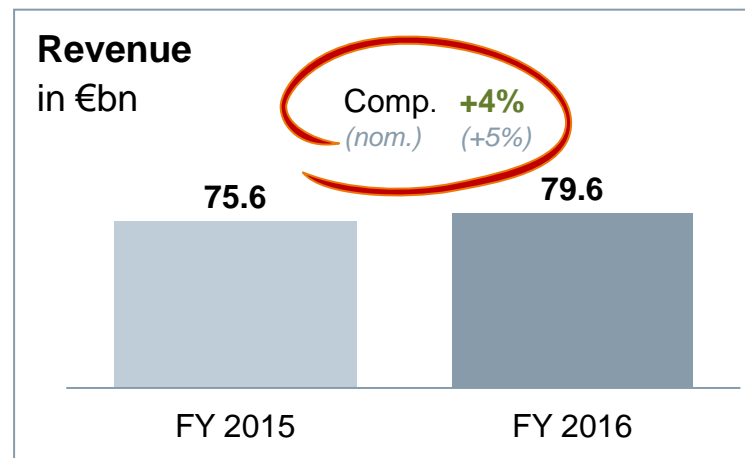
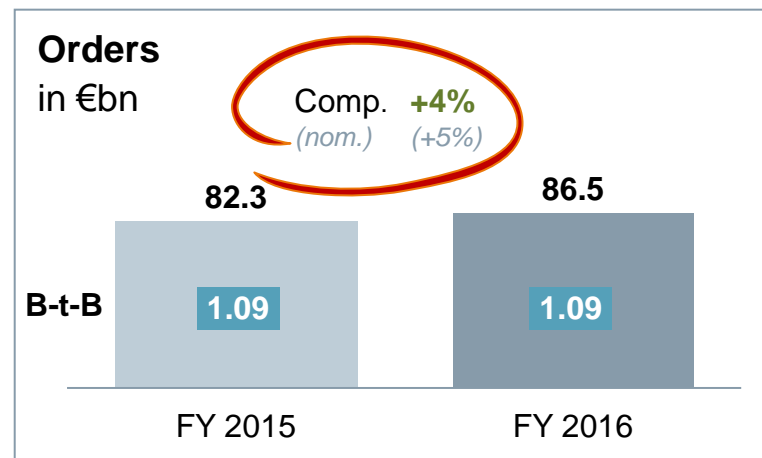
In connection with the proposed transaction, Mentor Graphics Corporation (the “Company”) will file with the U.S. Securities and Exchange Commission (the “SEC”) a Current Report on Form 8-K, which will contain, among other things, a copy of the merger agreement, and will file with the SEC and mail or otherwise provide to its stockholders a proxy statement regarding the proposed transaction. **BEFORE MAKING ANY VOTING DECISION, THE COMPANY’S STOCKHOLDERS ARE URGED TO READ THE PROXY STATEMENT IN ITS ENTIRETY WHEN IT BECOMES AVAILABLE AND ANY OTHER DOCUMENTS FILED WITH THE SEC IN CONNECTION WITH THE PROPOSED MERGER OR INCORPORATED BY REFERENCE THEREIN BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION AND THE PARTIES TO THE PROPOSED TRANSACTION.** Investors and security holders may obtain a free copy of the proxy statement and other documents that the Company files with the SEC (when available) from the SEC’s website at [www.sec.gov](http://www.sec.gov) and the Company’s website at [www.mentor.com](http://www.mentor.com). In addition, the proxy statement and other documents filed by the Company with the SEC (when available) may be obtained from the Company free of charge by directing a request to Mentor Graphics Corporation, Investor Relations, 8005 SW Boeckman Rd., Wilsonville, OR 97070, 1-503-685-1462.

### Participants in Solicitation

The Company and its directors, executive officers and certain employees may be deemed, and Siemens Industry, Inc. and its managing board, officers and employees may be deemed, under SEC rules, to be participants in the solicitation of proxies from the Company’s shareholders with respect to the proposed acquisition of the Company by Siemens Industry, Inc. With respect to Siemens Industry, Inc. and its managing board, officers and employees, certain additional information is available and has been prepared in accordance with the German Commercial Code. Information concerning the ownership of the Company’s securities by the Company’s directors and executive officers is included in their SEC filings on Forms 3, 4 and 5, and additional information regarding the names, affiliations and interests of such individuals is available in the Company’s Annual Report on Form 10-K for the fiscal year ended January 31, 2016 and its definitive proxy statement for the 2016 annual meeting of shareholders filed with the SEC on May 18, 2016. Information regarding the Company’s directors, executive officers and certain other employees who may be deemed, under SEC rules, to be participants in the solicitation of proxies from the Company’s shareholders with respect to the proposed acquisition of the Company by Siemens Industry, Inc., including their respective interests by security holdings or otherwise, also will be included in the proxy statement relating to such acquisition when it is filed with the SEC. These documents will be available free of charge from the SEC’s website at [www.sec.gov](http://www.sec.gov) and the Company’s website at [www.mentor.com](http://www.mentor.com).

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# Siemens by the numbers



1) Portfolio gains from the divestments of the hearing aid business and our stake in BSH

2) Net Income and Capital Employed adjusted for hearing aid business and BSH

Note: Divisional details – see page 29-32

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## Why to own Siemens shares?

- 1 We execute and deliver**
- 2 We are attractively valued**
- 3 We offer good return**
- 4 We have a compelling strategy**
- 5 We have a strong ownership culture**

# 1. We execute and deliver

## Vision 2020 Milestones



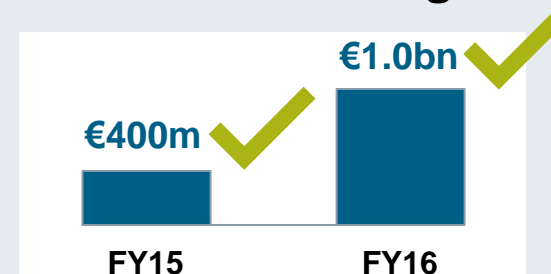
More details on pg. 12/13

## Guidance to market



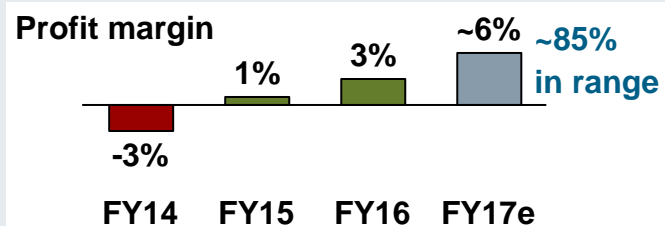
More details on FY 2017 pg. 14/15

## €1bn cost savings



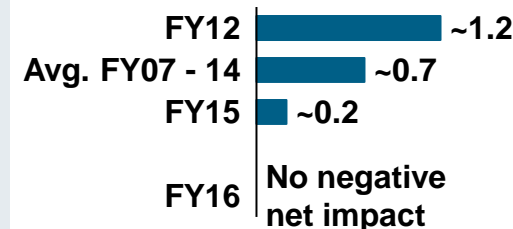
More details on pg. 16

## Underperforming businesses (€14.5bn rev.)



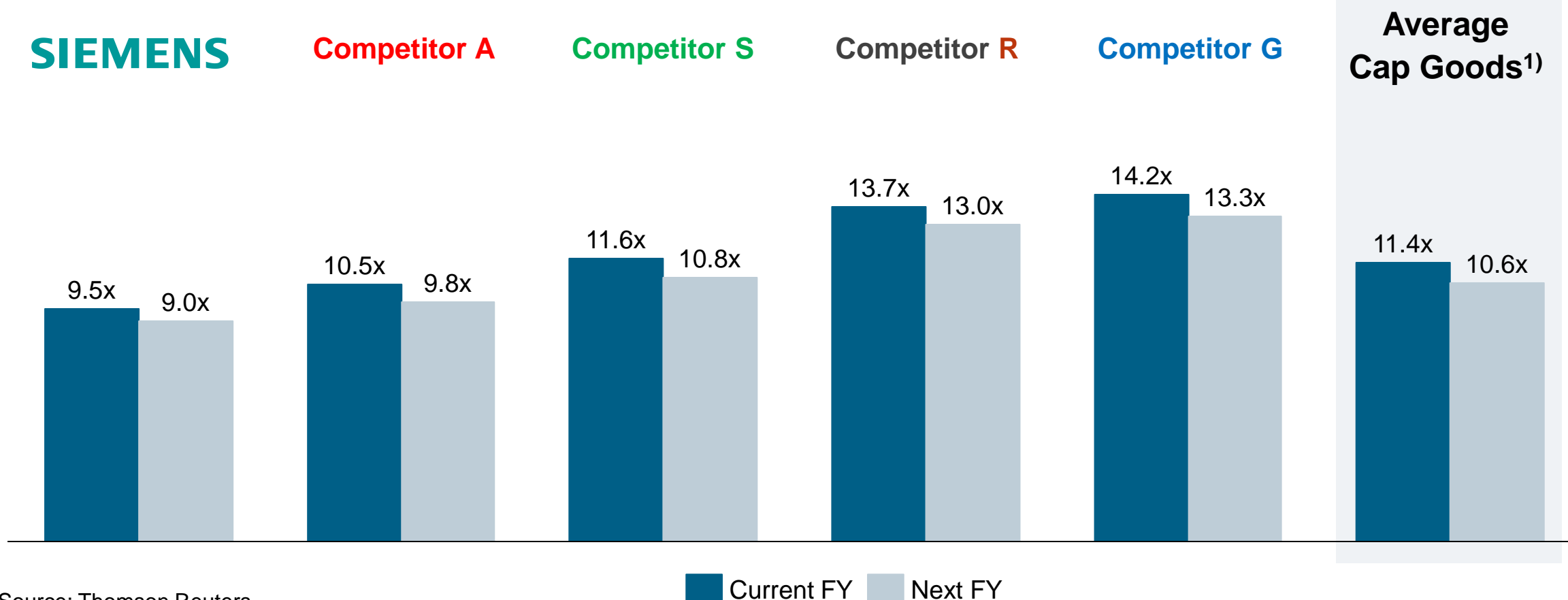
More details on pg. 17

## Project charges (€bn)



## 2. We are attractively valued

### Multiple (EV / EBITDA) as of December 31, 2016

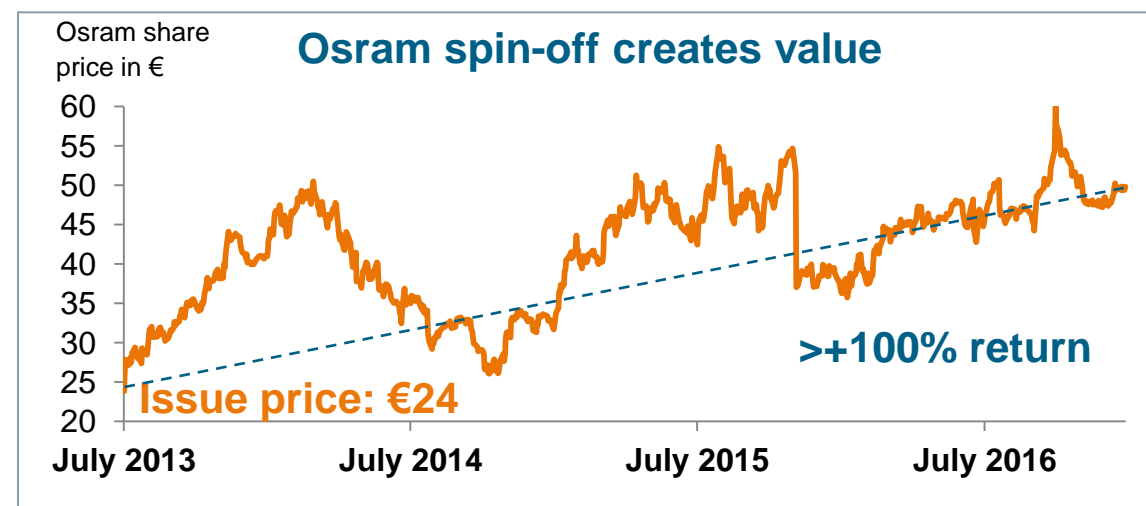
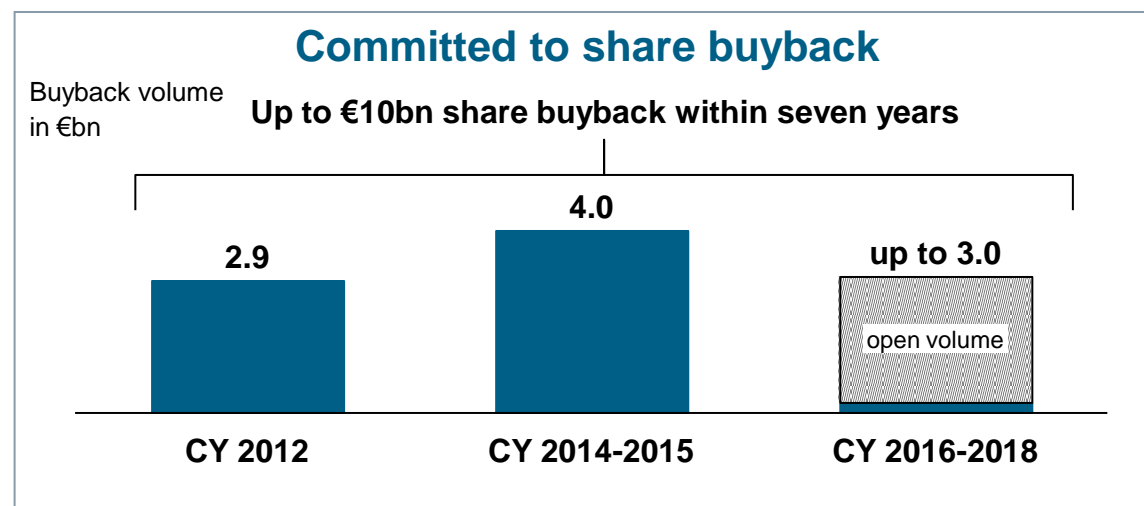
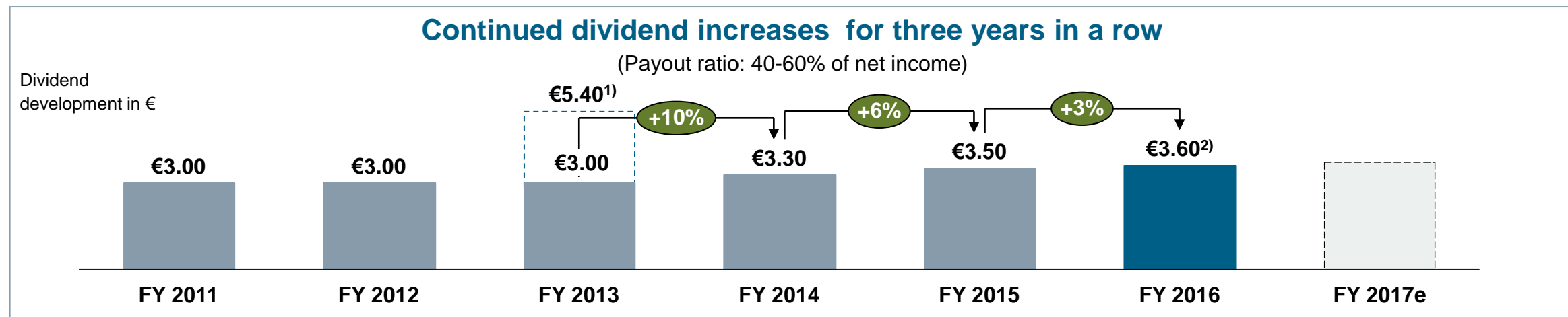


Source: Thomson Reuters

1) Average Cap Goods contains GE, ABB, Rockwell, Schneider, Toshiba, Alstom, Philips, Bombardier, Dassault Systèmes, Emerson, Honeywell, Roche and Vestas

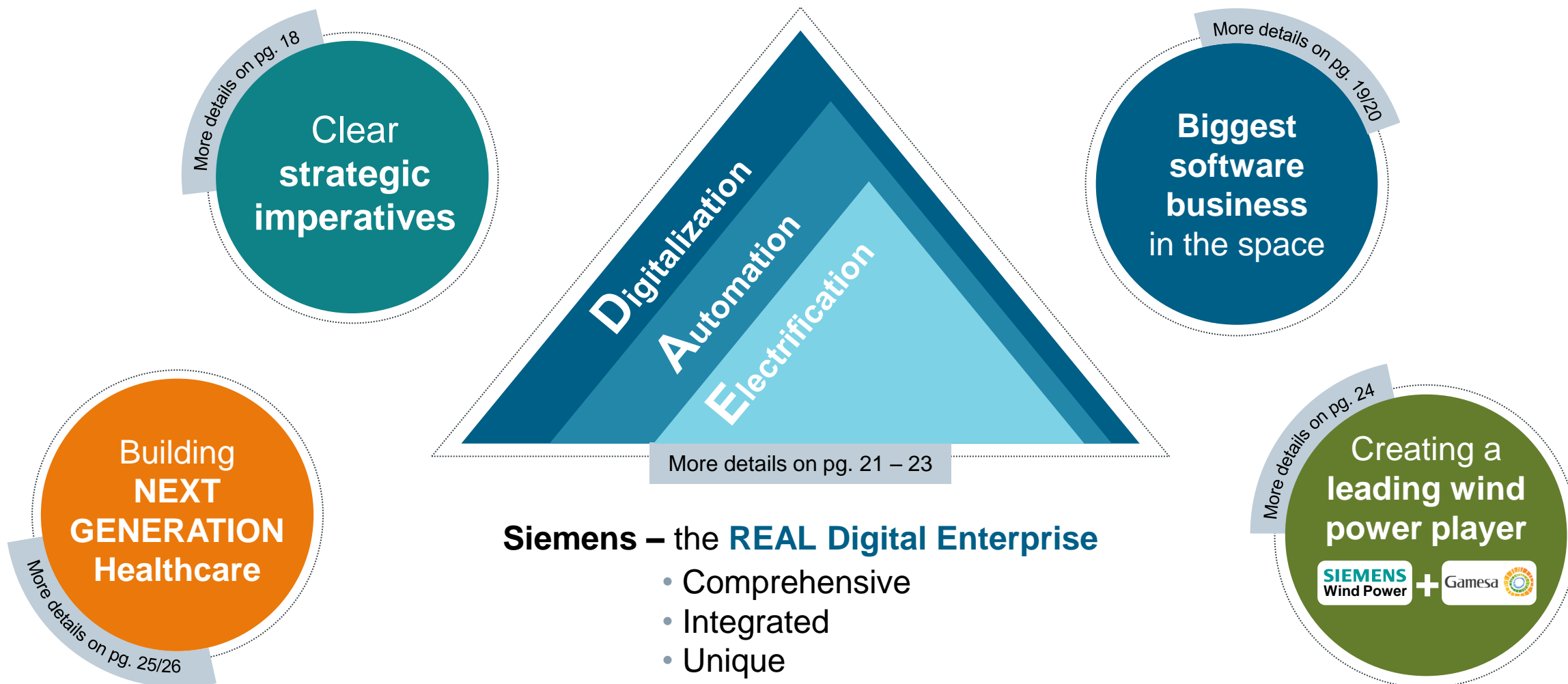
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### 3. We offer good return



1) Effect of OSRAM stock distribution to shareholders of €2.40 per share 2) Proposed dividend for approval at Annual Shareholders' Meeting on February 1, 2017

## 4. We have a compelling strategy





## 5. We have a strong ownership culture



- >153,000 employees own Siemens shares
- Mandatory share ownership for Top Management
- Attractive share matching for employees
- Compelling management incentive plan fully aligned with capital market forces
- “Open” performance reviews based on WHAT and HOW including 360° feedback

**“Always act as if it was your own company”**

More details on page 27

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# Questions & Answers



# Siemens Vision 2020

## Clear intents for our seven overarching goals

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

# Siemens Vision 2020 delivers results as planned

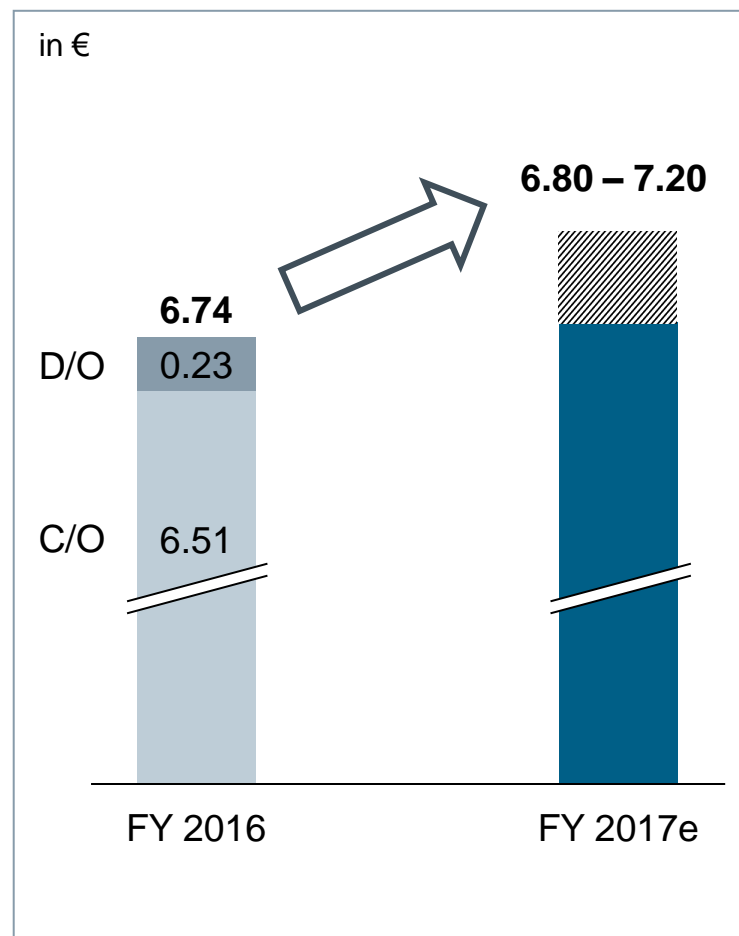
## Priorities for FY 2017 clearly identified

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Timing	Execution milestones	
FY 2015	New and simplified organization implemented	✓
	Portfolio optimization along strategic imperatives (acquisitions & divestments)	✓
FY 2016	Cost reduction target of €1bn achieved	✓
	Improvement of underperforming businesses to 3% profit margin	✓
FY 2017	Fix underperforming businesses	
	Strengthen core e. g. through merger with Gamesa	
	Leadership of Digital Enterprise extended	
	Continue profitable growth - 8 out of 9 Divisions in target margin range	

# Guidance FY 2017

## EPS (“all-in”)



Note: FY 2016 weighted average number of shares of 809m

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## Guidance

We continue to **anticipate headwinds** for **macroeconomic growth** and **investment sentiment** in **our markets** due to the **complex geopolitical environment**.

Therefore, we expect **modest growth in revenue**, **net of effects** from **currency translation** and **portfolio transactions**. We further anticipate that **orders will exceed revenue** for a **book-to-bill ratio above 1**.

For our **Industrial Business**, we expect a **profit margin** of **10.5% to 11.5%**.

We expect **basic EPS from net income** in the **range** of **€6.80 to €7.20**, compared to €6.74 in fiscal 2016 which included €0.23 from discontinued operations.

This outlook assumes **stabilization** in the **market environment** for our **high-margin short-cycle businesses**.

It further excludes charges related to legal and regulatory matters as well as potential burdens associated with pending portfolio matters.

## Assumptions for FY 2017 as basis for guidance

### Macroeconomic environment

- Continued geopolitical tension and weak global investment demand

### Pricing

- Pricing pressure around 2.5% of revenue

### Personnel cost inflation

- 3 – 4% increase

### Productivity

- Mid range of 3 – 5% total cost productivity target

### Opex

- Continued additional invest in R&D and sales of ~€500m

### Capex

- Moderate increase over FY 2016 levels

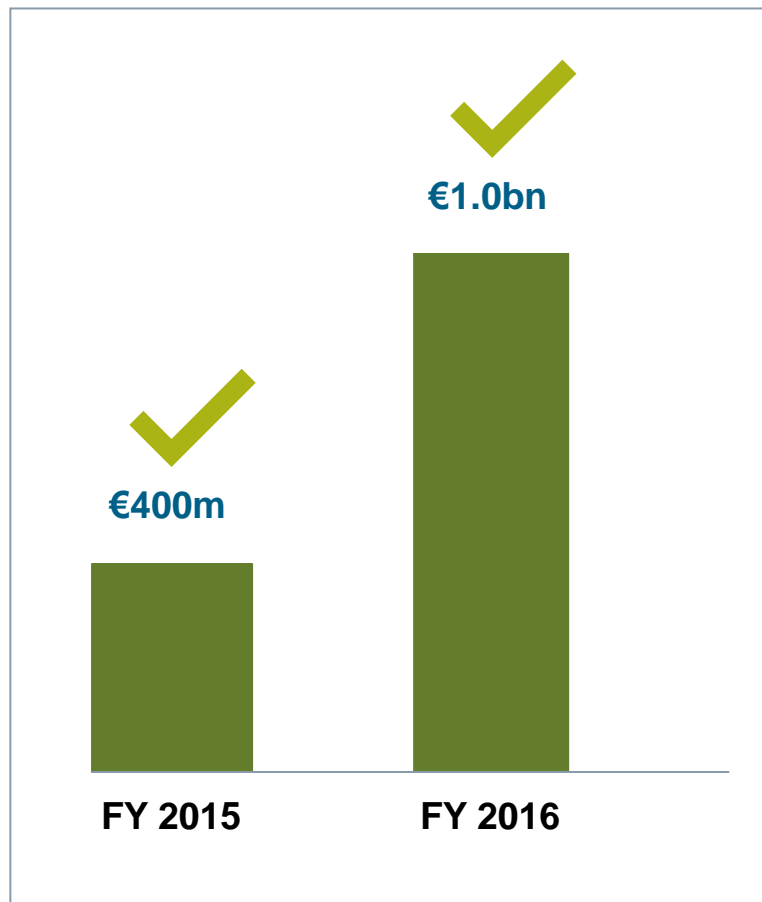
### Foreign exchange

- Modest negative top line impact based on current exchange rates

# €1bn cost savings achieved ahead of plan Continuous productivity drives operational performance

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## Cumulated savings achieved

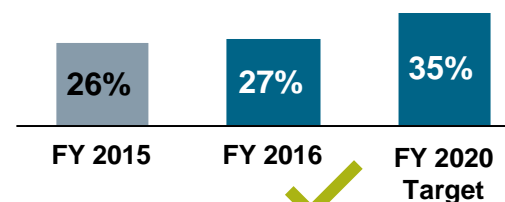


## Total cost productivity of 3-5% on track

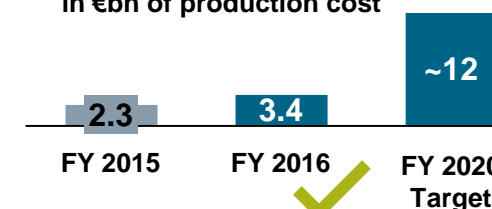
### Key value driver SCM



### Global Value Sourcing



### Cost & Value Engineering in €bn of production cost



- **Digitalization:** target electronic connection with suppliers for >80% of all transactions & integrate with key business processes
- **Innovation:** leverage global suppliers' R&D potential

### Key value driver IT



- **Own software offerings** to reduce time to market by 30 - 50%
- Implement **attractive working environment leveraging mobile and cloud** with savings of ~€100m (FY15-17)
- **New B2B platform** to support **customer centricity, sales efficiency and effectiveness**



# Executing Vision 2020

## Underperforming businesses on clear improvement trajectory

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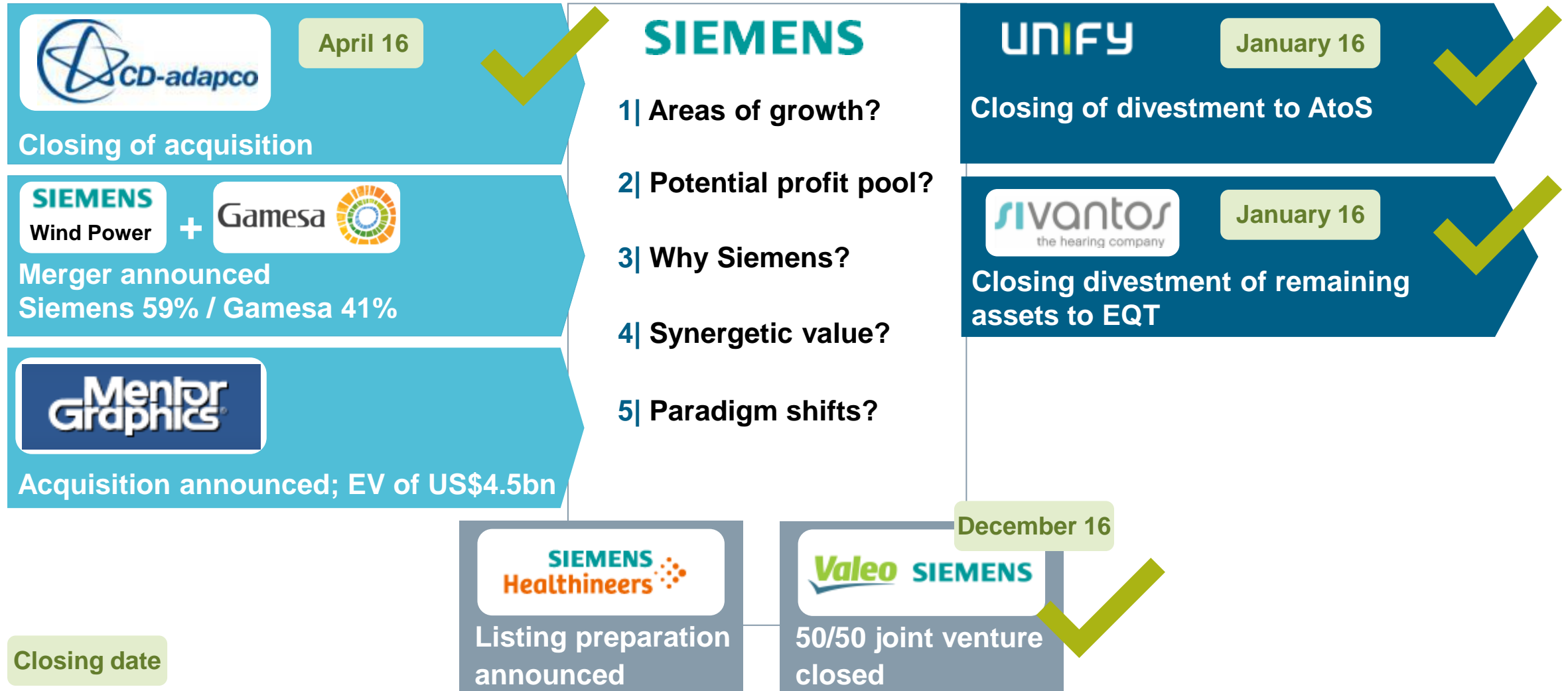
### Underperforming businesses (~€14.5bn revenue in FY 2016)



# Executing Vision 2020

## Strengthening of portfolio continues along our strategic imperatives

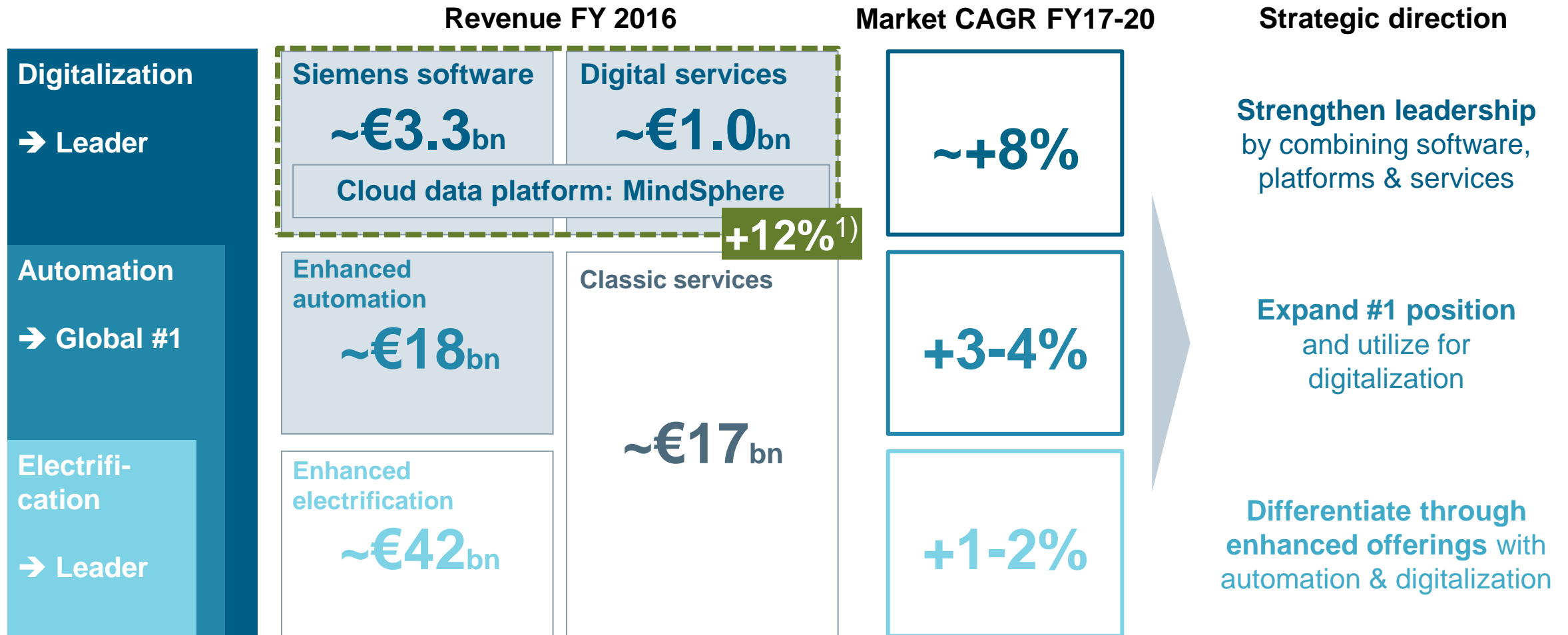
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# Executing Vision 2020

## Early focus on digitalization drives value and growth

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Note: Figures based on Industrial Business 1) Growth FY15 to FY16, rebased

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# Siemens will be the first provider of a fully integrated Digital Enterprise Suite

## Acquisitions

2007



Bringing together the **virtual world** of product development with the **real world** of production automation

2012

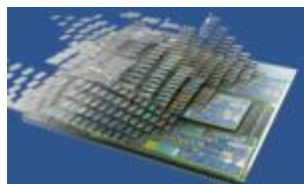


Integrating **3D simulation** and **test** to create the **digital twin** of products to **predict performance**

2016



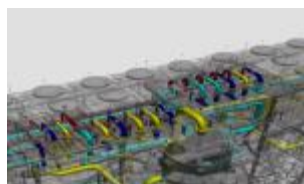
**Simulating** all the **physics** for a more precise **digital twin** of products



Creating the “**System of Systems**” view of the **Digital Enterprise** with **Electronic Design Automation** and **Embedded Software**

## Cooperation

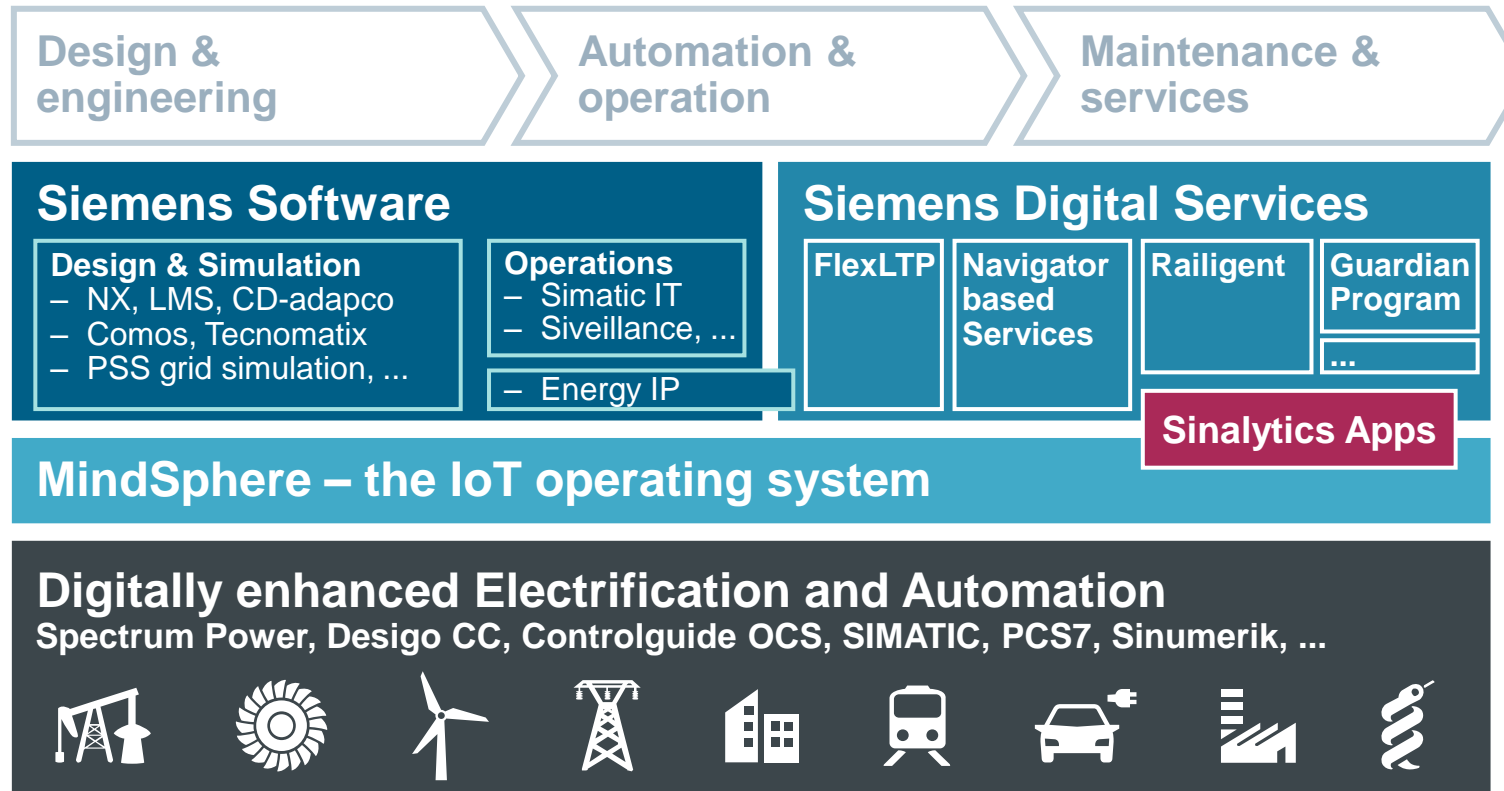
2016



**Complementing 3D-modelling Software** for planning, construction and operation of **infrastructure facilities**

# Electrification – Automation – Digitalization: a strong and complete offering for our customers

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# MindSphere – the cloud-based, open IoT operating system from Siemens

## MindApps

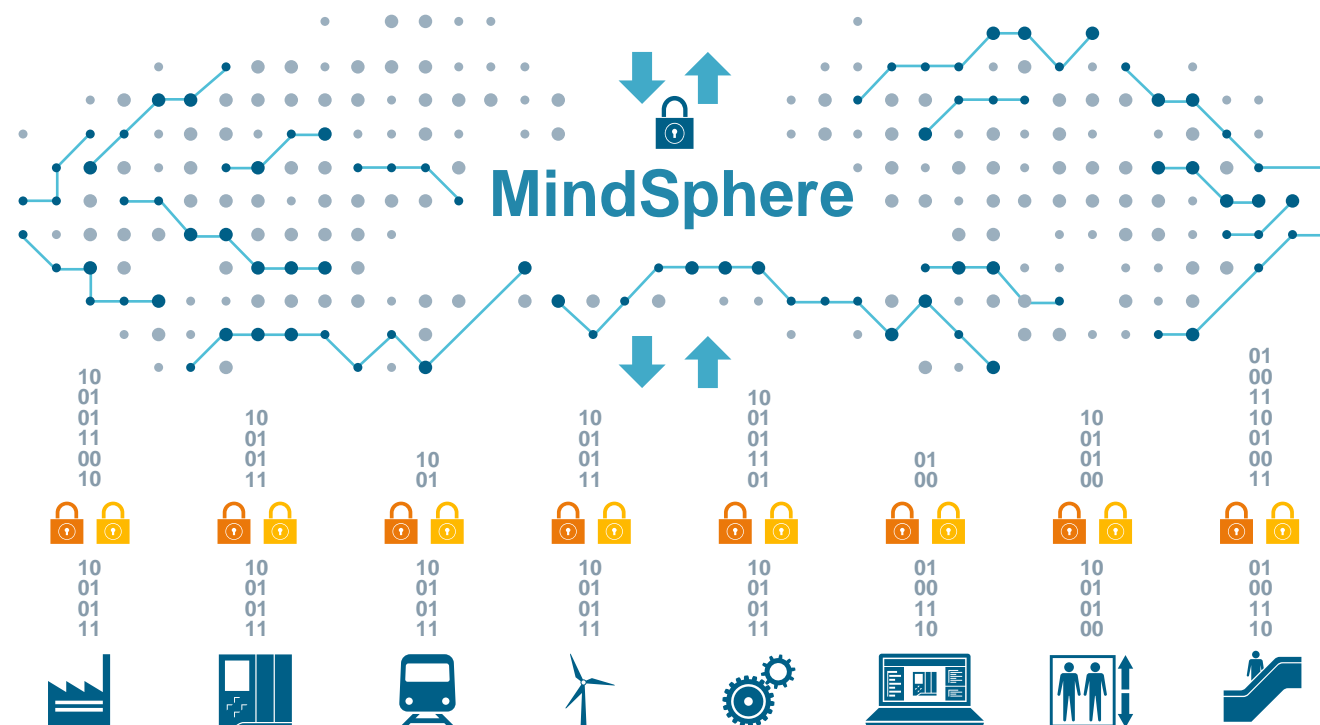
Developed by Siemens, OEMs, end customers and App developers



Optimized performance of assets, energy and resource consumption, maintenance, services ...

## MindSphere

Various cloud infrastructures: Public, private or on-premise



## MindConnect

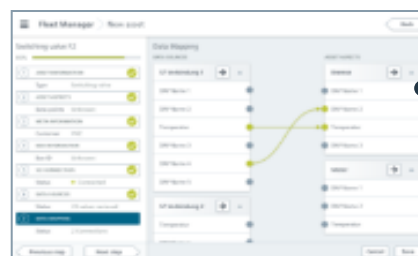
Secure plug and play connection of Siemens products

# Data-driven services based on MindSphere enable new business

**MindSphere –  
The cloud-based, open  
IoT operating system**

Virtual World

Real World

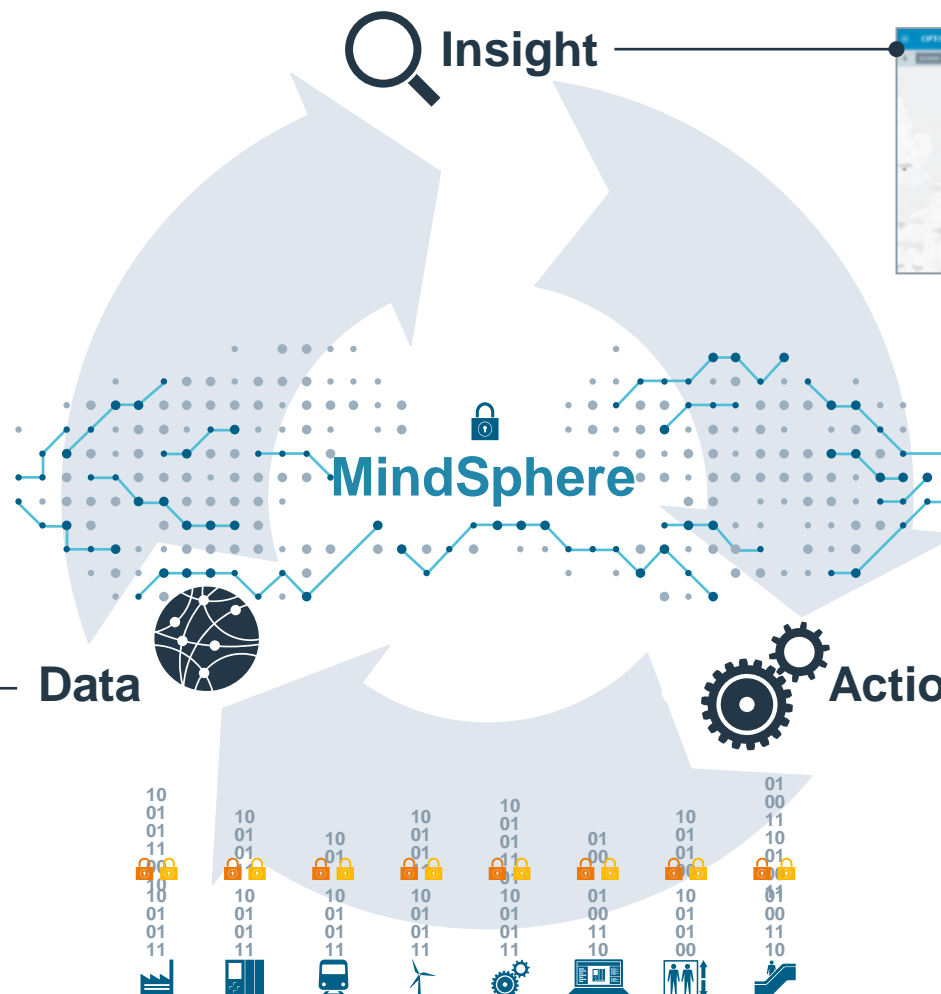


Configure data collection as well as **connectivity** quickly and easily

Insight



Gain immediate **insights** on whole fleet as well as individual assets using own, Siemens or partner apps



Data

Action

TIME	MESSAGE	MESSAGE ID	MESSAGE DESCRIPTION	ACTION	ASSIGNED TO
25.11.2015 14:38:45	Card 1	High consumption of card confirmed	Clearing of card immediately requested to avoid machine failure	Pharmulizer GmbH	
25.11.2015 14:39:12	Card 2	Energy consumption exceeds upper limit -> potential high consumption	Confirmation of immediate clearing necessary through data analysis	Pharmulizer GmbH	
25.11.2015 14:38:45	Card 3	Energy consumption exceeds lower limit -> high consumption	Clearing of card is recommended to optimize energy consumption	Pharmulizer GmbH	

Transform insights into actionable results to **increase uptime and efficiency**

Message card: Card 1

Alert level: High consumption of card confirmed

Action: Clearing of card immediately requested to avoid machine failure

Assign to: Pharmulizer GmbH

Priority: Urgent

Assigned to: Request 8

Author: Optima O&M Expert

Buttons: Cancel, Create report

# Merger of Siemens WP with Gamesa: Creating a leading wind player with substantial growth potential and highly complementary strength

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## Transaction description & rationale

- **Merger** of the entire **Siemens Wind** business incl. Service with **Gamesa** to create a **leading wind player**
- Combination of two major, **highly complementary global wind players** with a **well balanced geographic footprint**
- **Ownership:**
  - **Siemens 59%**
  - Iberdrola ~8%, free float ~33%
- **Global HQ and listing in Spain;** onshore HQ in Spain, offshore HQ in Hamburg (Germany) / Vejle (Denmark)
- Siemens to **fully consolidate** the combined and listed entity
- **Key achievements since deal announcement:**
  - **Gamesa shareholder approval** obtained in Extraordinary General Meeting with **99.75% of votes**
  - Spanish Stock Market Regulator **CNMV granted waiver from mandatory offer**



## Key figures (pro forma, LTM Sept 2016)

	<b>Combined business<sup>2)</sup></b>	<b>Siemens WP scope</b>	<b>Gamesa</b>
Installed Base	<b>72 GW</b>	35 GW	37 GW
Backlog	<b>€20.4bn</b>	€15.0bn	€5.4bn
Revenue	<b>€10.3bn</b>	€6.0bn	€4.3bn
LTM recurrent EBIT <sup>1)</sup>	<b>~€1bn</b>	€566m	€427m
LTM recurrent EBIT Margin <sup>1)</sup>	<b>9.7%</b>	9.5%	9.9%
Synergies	<b>~€230m EBIT full impact in year 4 post closing</b>		
Employees	<b>24,000</b>	15,200	8,800

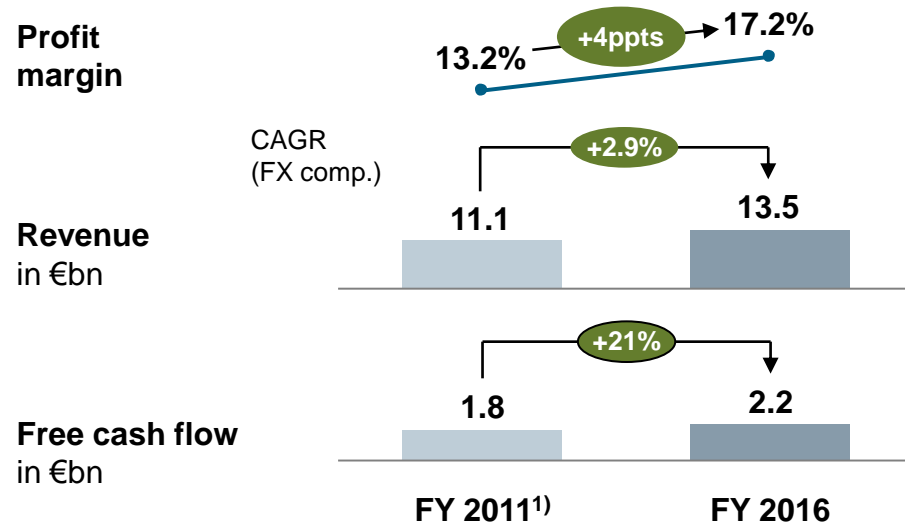
1) EBIT adjusted for normalization items (-€9m) and stand-alone effects (+€121m), excluding synergies

2) Excluding transaction adjustments (e.g. effects from purchase accounting)



# Siemens Healthineers: From Good – to Great – to Fascinating

## Leading position in key markets and resilient performance



1) FY2011 financials excluding Audiology and Hospital Information Systems business

## Distinct trends at work

Transformation of Healthcare providers continues:

Industrialization

Consolidation

Health management

Providers today seek relevant suppliers/partners

- that understand challenges in a changing Healthcare market and
- are able to address broad issues in multi-hospital provider systems

## Growth fields: We will further strengthen our attractive business

### Molecular Diagnostics

Build up molecular diagnostics portfolio utilizing our global presence and strong customer partnerships

### Advanced Therapies

Grow rapidly into therapy: build upon our expertise in hybrid ORs and core imaging

### Services

Build new services portfolio to solve system wide hospital challenges incl. clinical data analytics capabilities

# Strengthen our leading position by preparing listing of Siemens Healthineers

## Transformation in the healthcare market continues...

- **Paradigm shifts visible: Transition** from
  - (i) **product business to solving hospital system wide challenges**
  - (ii) **fee for service to managing outcome based health**
- **Race for customer relevance intensified**
- **Competitor & provider consolidation ongoing**
- **Investments required to respond to paradigm shifts**

## ... listing best suited to manage transition

- **Strengthen and build position in identified growth fields**
- **High strategic flexibility and capital allocation in light of changing healthcare market**
- **Focus on key success factors continues**



**STRENGTHEN THE HEALTHINEERS BUSINESS  
IN SIEMENS**

# Ownership Culture is the cornerstone for performance management and it is reflected in our incentive system

## Ownership culture embedded in performance management

### WHAT targets

- **WHAT was achieved**
- **Considers target achievements**, overall results, a person's contribution to the company's performance

### HOW expectations

- **HOW were the results accomplished**
- **Considers to what extent the expectations are met**, a person's impact on others, feedback from those being affected by the person's HOW behavior

## Incentive System – Transparency through simplicity

1/3

Base compensation  
(Cash)

1/3

Variable compensation  
(Bonus in cash)

1/3

ROCE

1/3

Earnings  
per share

1/3

Individual  
targets

1/3

Long-term  
stock-based compensation  
(Siemens Stock Awards)

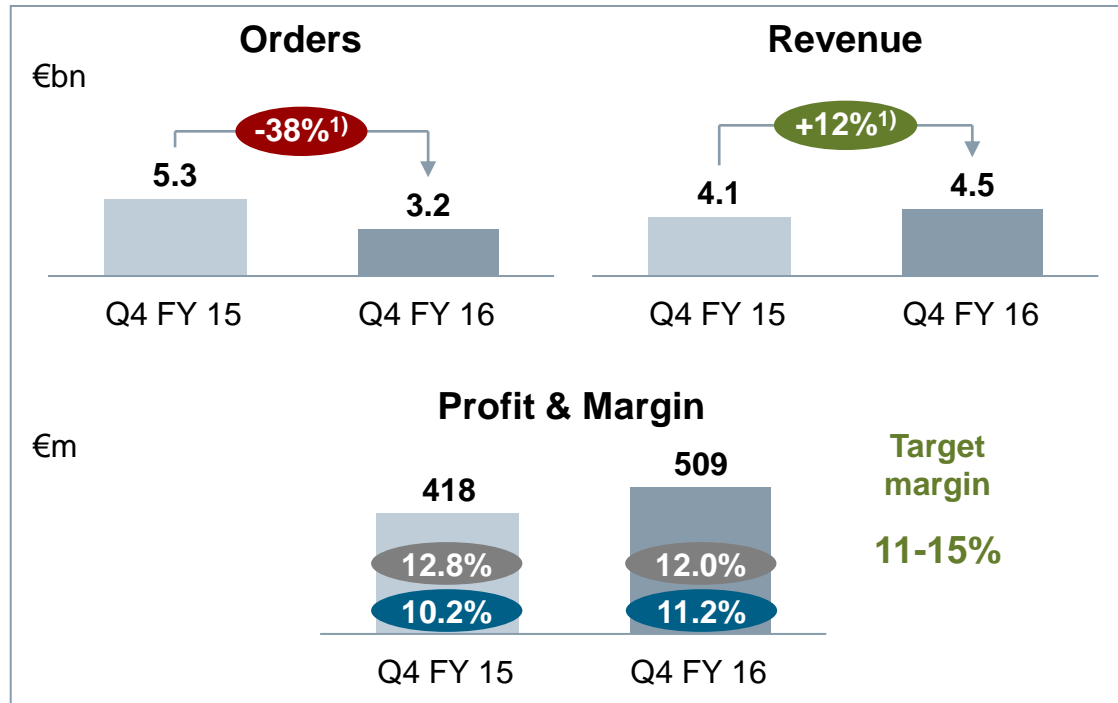
Performance of Siemens stock  
compared to 5 competitors

**Plus share ownership guidelines – e.g. for President and CEO: 3 times base compensation**

# PG: Revenue growth driven mostly by Egypt, tough environment remains WP: Impressive turnaround achieved and sustainable performance delivered

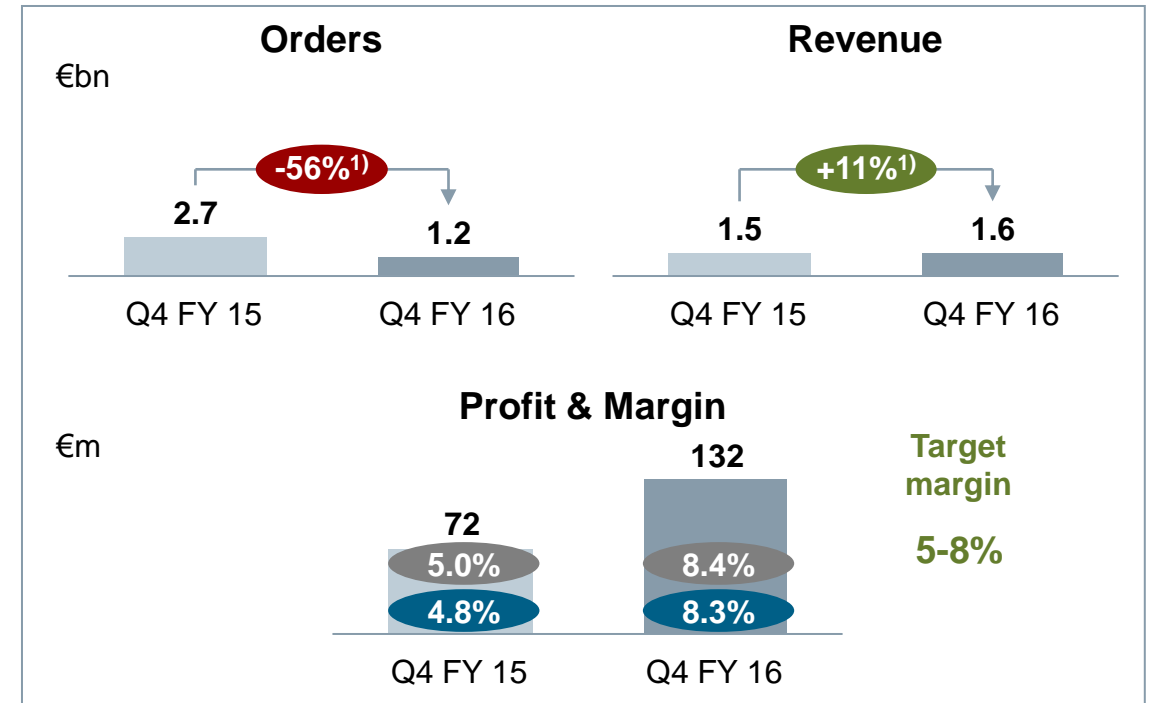
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## Power and Gas (PG)



- Significantly lower volume from large orders y-o-y
- 16 Large Gas Turbines delivered

## Wind Power and Renewables (WP)



- Lower volume from large orders y-o-y
- Strong offshore backlog conversion
- Significant operational improvements

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

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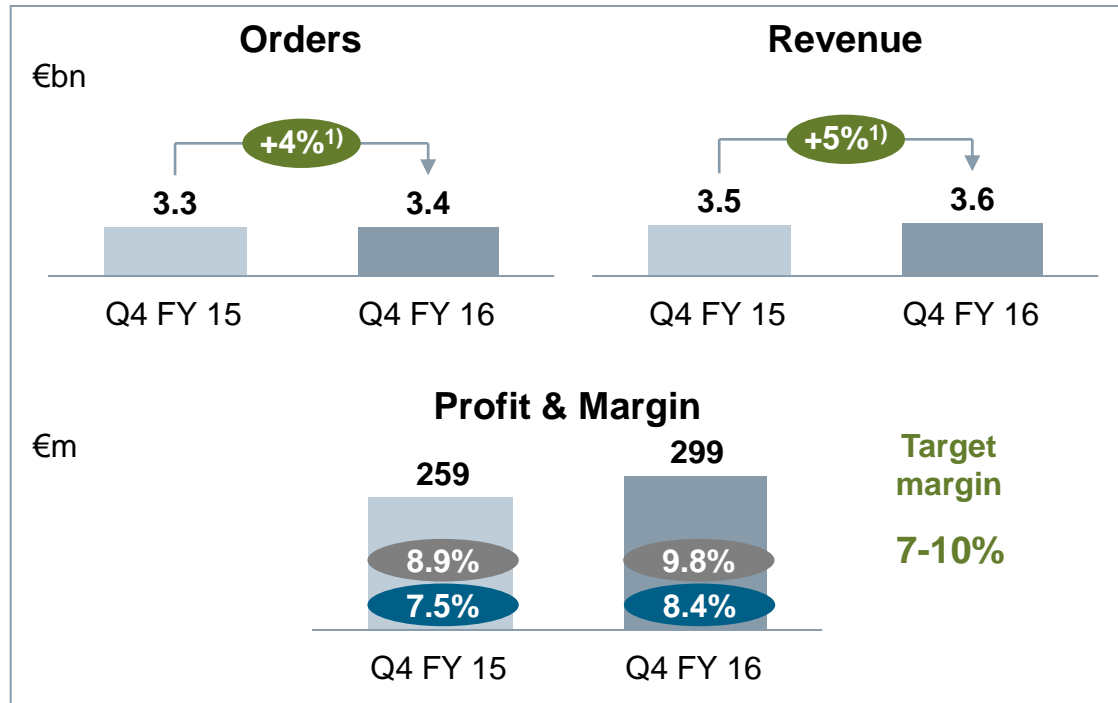
x.x% Margin as reported

x.x% Margin excl. severance (and excl. integration cost D-R for PG only)

# EM: Consistent improvement across all metrics BT: Strong team drives digital transformation

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## Energy Management (EM)

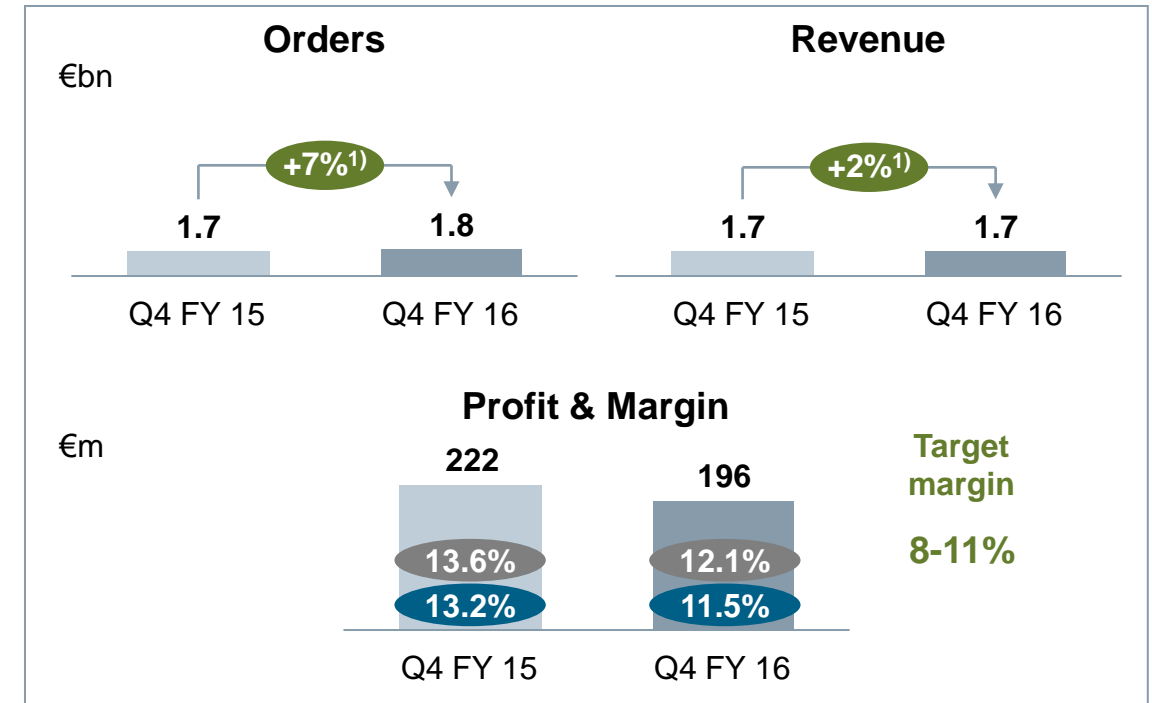


- Order strength in High Voltage Products and Digital Grid
- Broad based regional revenue growth
- Solutions and High Voltage Products with continued improvements

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

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## Building Technologies (BT)



- Clear order growth driven by solution business in the U.S.
- Seasonally strong profitability on tough comps

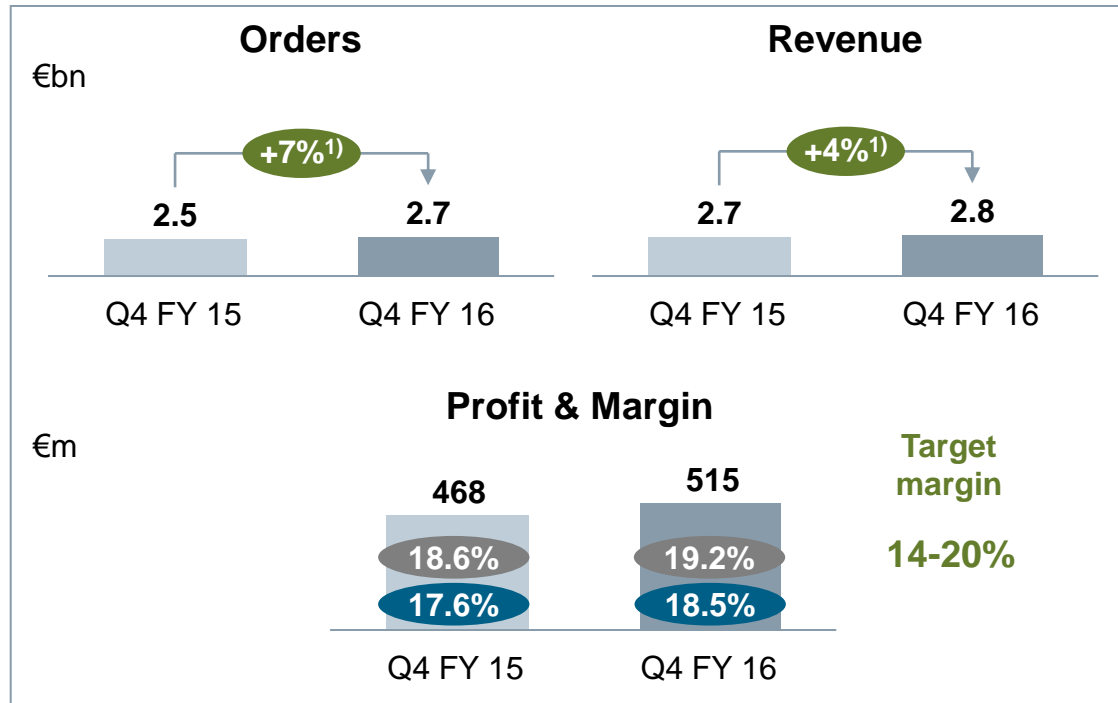
x.x% Margin as reported

x.x% Margin excl. severance

# DF: Industry leading top line growth drives margin expansion PD: Realignment to tackle structural challenges continues

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## Digital Factory (DF)

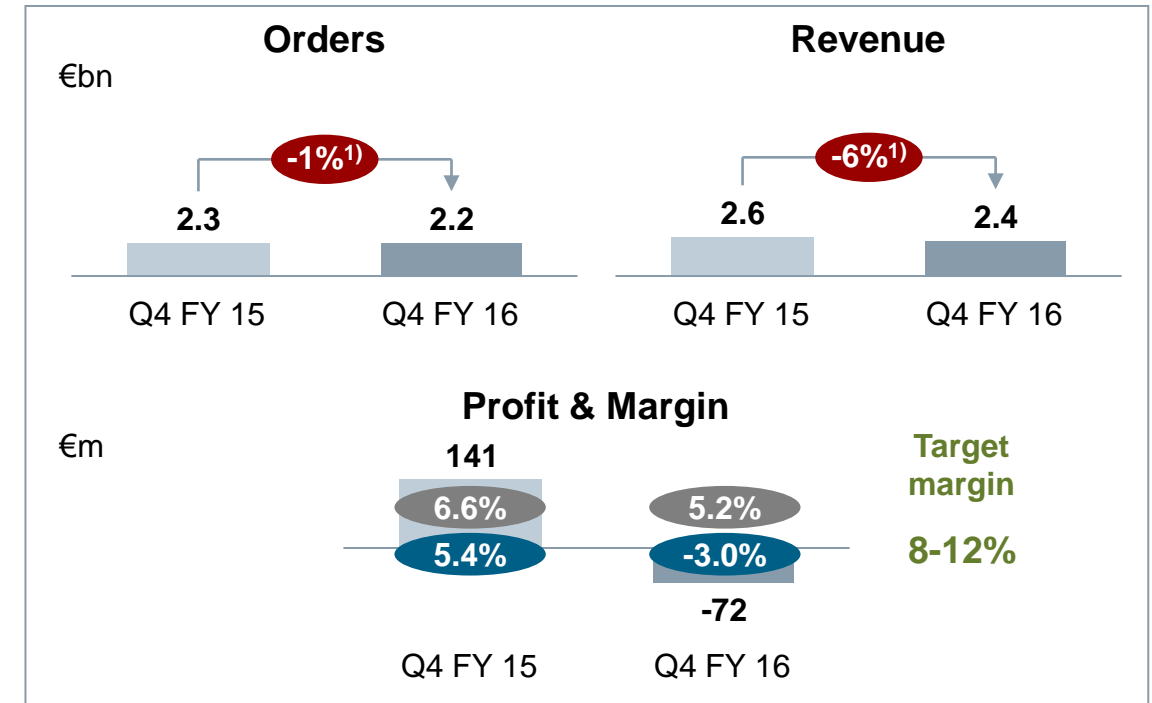


- Broad based order and revenue growth with strength in most product lines
- Integration of CD-adapco into a strong PLM-business ahead of plan

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

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## Process Industries and Drives (PD)



- Ongoing weak demand in commodity related industries with signs of finding a bottom
- Execution of structural measures to realign capacities

x.x% Margin as reported

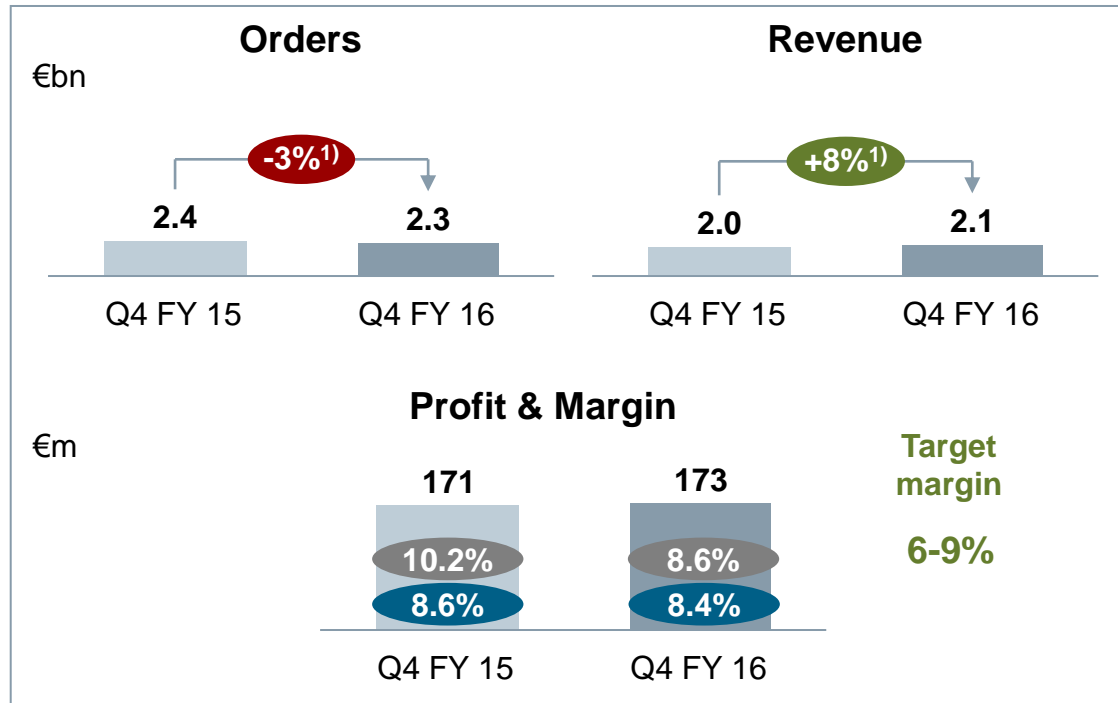
x.x% Margin excl. severance

# MO: Stringent execution drives sustainable high margins

## HC: Continued strength in Diagnostic Imaging

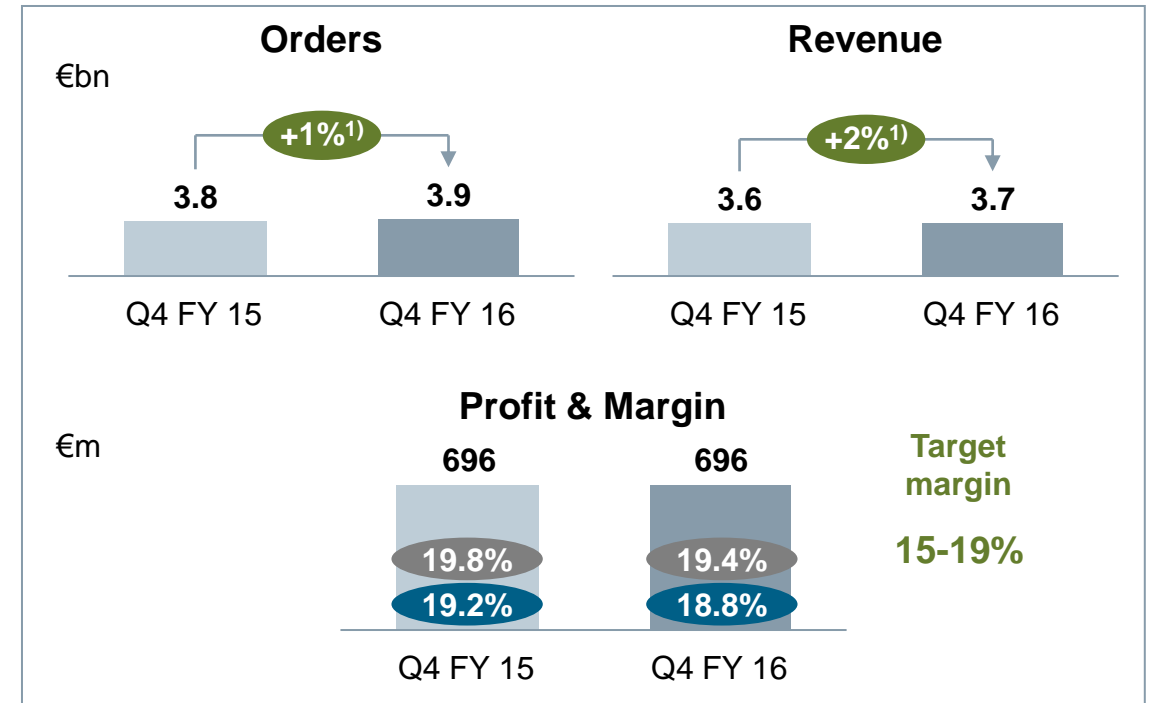
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### Mobility (MO)



- Solid project execution secures leading margins
- Major milestone achieved: homologation of ICE4
- Aggressive pricing on rolling stock continues in the market

### Healthineers (HC)



- Revenue increase and strong profit due to Diagnostic Imaging business, softness in Laboratory Diagnostics
- Continued investment in innovation and go-to-market

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

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x.x% Margin as reported

x.x% Margin excl. severance

# One Siemens Financial Framework

## Clear targets to measure success and accountability

**SIEMENS**

### 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, 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

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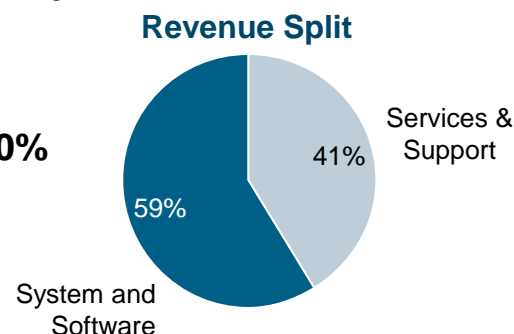
# Mentor Graphics will significantly increase our Siemens Software revenue

## Company description

- Leading provider and pioneer of EDA
- Product portfolio for electronics design software addresses all levels from components to systems
- Large, diverse customer base of systems and IC/semiconductors companies with ~14,000 accounts
- Established 1981, HQ in Wilsonville, US
- Nasdaq listed

### Mentor Graphics Key figures FY16

- Revenue: \$1.2bn
- EBIT margin adjusted<sup>1</sup>: 20%
- Employees: ~5,700



## Transaction structure

- Acquisition of 100% of Mentor Graphics shares outstanding
- Offer price of \$37.25 per share; 21% premium to Nov 11, 2016 close
- Enterprise Value \$4.5bn (~€4.2bn)
- Revenue multiple<sup>2</sup> 3.5x; EBITDA multiple<sup>2</sup> 14.5x
- Friendly transaction
- EPS accretive in year 3 post-closing
- Synergies of > €100m in year 4 post-closing
- Expected Closing Q3 FY17 (subject to Mentor Graphics shareholder approval and regulatory approvals)

Mentor Graphics FY16 ended 31-Jan-16; EUR/USD 1.09; (1) Mentor Graphics non-GAAP operating income as disclosed in SEC filings (2) based on FY18 Factset consensus

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# Perfect fit to expand our leadership in the Digital Enterprise

## Vision 2020

## Rationale for acquiring Mentor Graphics

### Area of growth

- **Fast growing EDA segment: CAGR 7.3% until 2020**
- **Unique combination of Electrical Design Automation software (EDA) and PLM** accelerate growth opportunities across multiple industries



### Potential profit pool

- **Software-typical double-digit margin profile**



### Why Siemens

- **Siemens will be the first company to provide a fully integrated design suite in PLM**
- **Offering mechanical, electrical and software design capabilities on a single integrated platform**



### Synergetic value

- **Offering a unique suite of integrated multi-domain capabilities across Siemens and Mentor Graphics customer segments**
- **Savings from G&A and aligned go-to-market & R&D**



### Paradigm shifts

- **Increasingly complex product design and seamless design adjustments of multi-functional products**
- **Unique customer value through simultaneous mechatronics design and engineering across all domains**



## Financial calendar

### January

**January 10, 2017**

Commerzbank German Investment Seminar (New York)

### February

**February 1, 2017**

Annual General Meeting and Q1 Earnings Call (Munich)

**February 10, 2017**

Roadshow Switzerland (Zurich)

**February 13, 2017**

Roadshow Germany (Frankfurt)

### March

**March 22, 2017**

Bank of America Merrill Lynch Conference (London)

## Siemens Investor Relations contacts



### Investor Relations

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