

Siemens Vision 2020 – Continuing progress and results

Dr. Ralf P. Thomas, CFO

Bank of America Merrill Lynch Conference, London, March 22, 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.

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This document includes – in the applicable financial reporting framework not clearly defined – supplemental financial measures that are or may be alternative performance measures (non-GAAP-measures). These supplemental financial measures should not be viewed in isolation or as alternatives to measures of Siemens’ net assets and financial positions or results of operations as presented in accordance with the applicable financial reporting framework in its Consolidated Financial Statements. Other companies that report or describe similarly titled alternative performance measures may calculate them differently.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

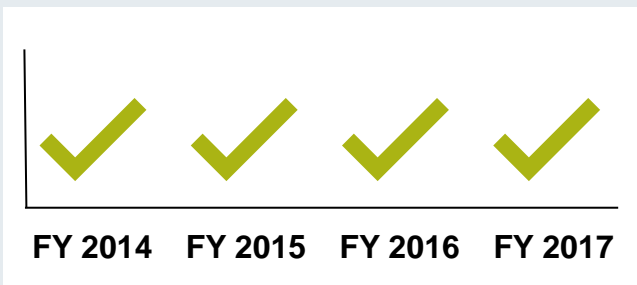
We have done well since 2014...



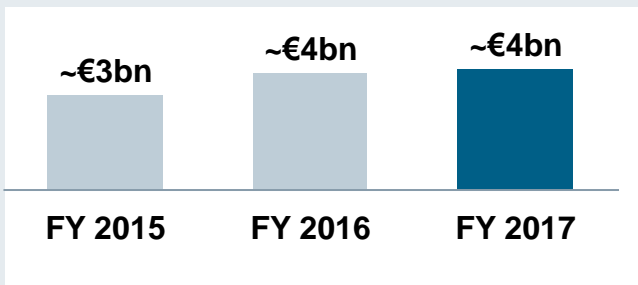
Vision 2020



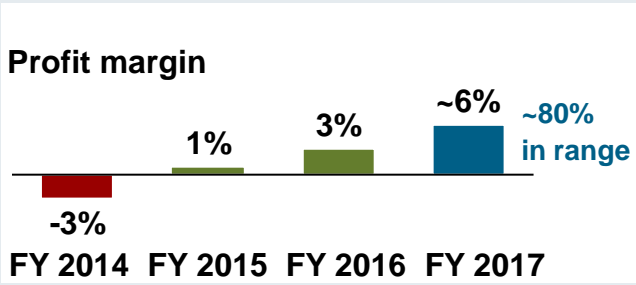
Guidance to market



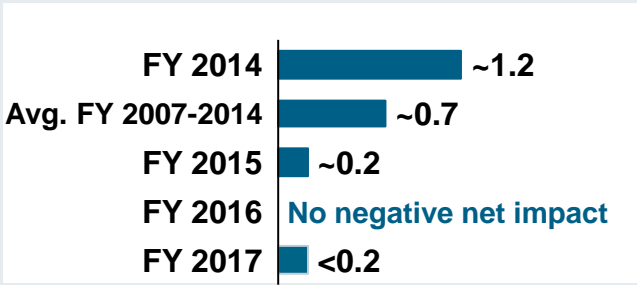
Ongoing cost productivity



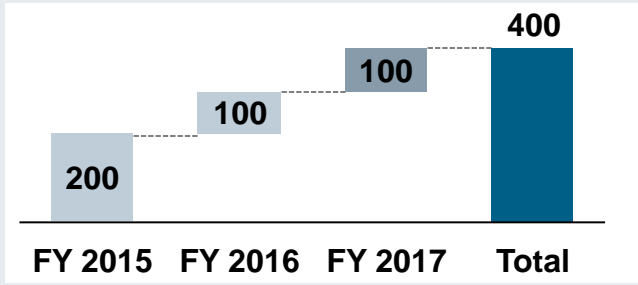
Underperforming businesses



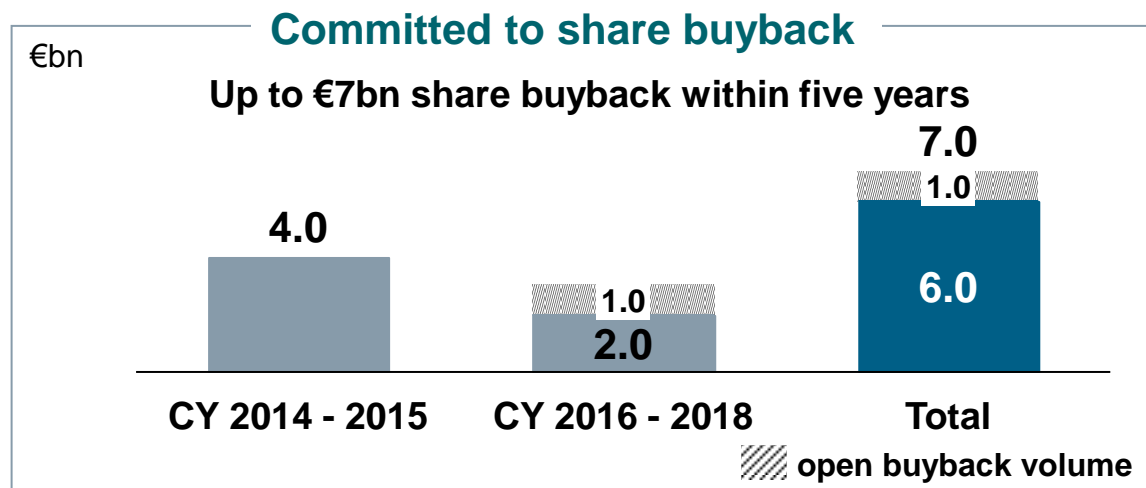
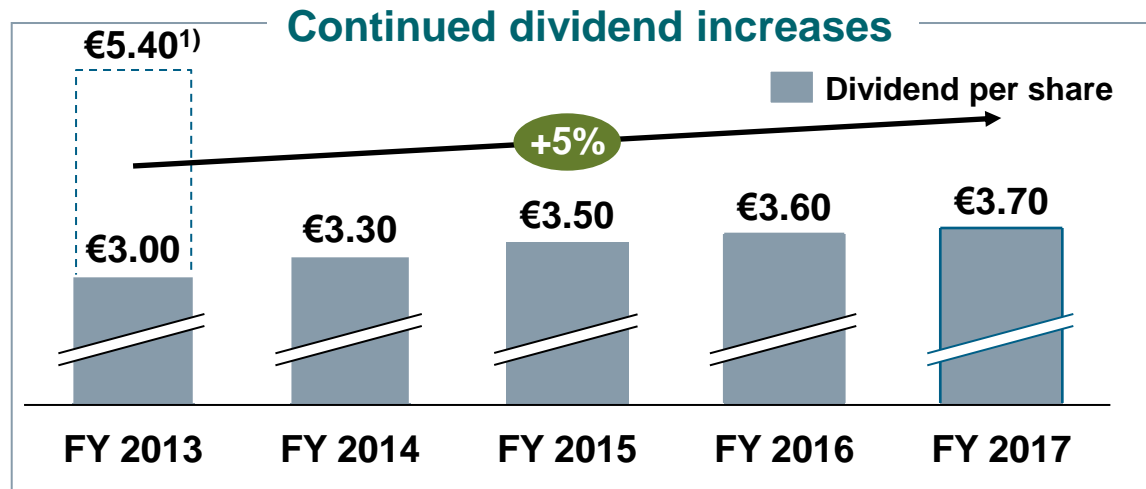
Project charges (€bn)



Employee profit sharing (€m)



... and so have our shareholders



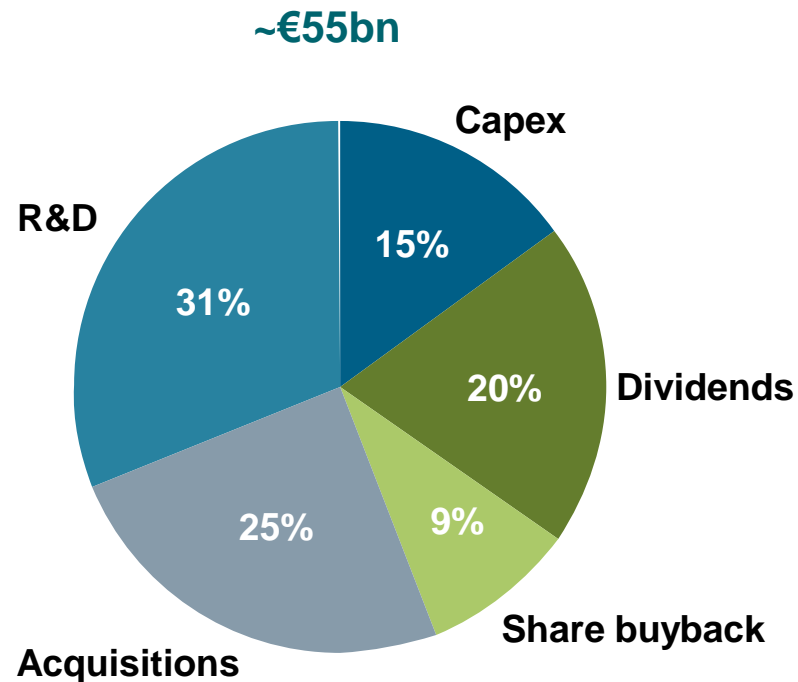
1) Effect of OSRAM stock distribution to shareholders of €2.40 per share

2) Total return includes reinvest of dividend payments

Disciplined capital allocation – More than €16bn returned to our shareholders over last four years



Capital allocation (FY14 – FY17)



Note: Acquisitions of businesses net of cash acquired

1

Focused investments will drive organic growth

- Capex and R&D up by ~30% since 2014
- Higher R&D intensity continues, delivering outcomes

2

Strong and sustainable shareholder return

- €11bn dividend paid, continued dividend increases
- €6bn share buyback executed since FY 2014; current €3bn program still ongoing

3

Disciplined acquisitions along E-A-D

- Leading Digital Enterprise offering strengthened with CD-adapco and Mentor Graphics

Setting the course for renewable energy, mobility and healthcare businesses for long-term value creation

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Mentor[®]
A Siemens Business

SIEMENS

- 1| Areas of growth?
- 2| Potential profit pool?
- 3| Why Siemens?
- 4| Synergetic value?
- 5| Paradigm shifts?

OSRAM

Stake of 17.34% sold

HaCon **MRX** TECHNOLOGIES
tass international infolytica corporation

SIEMENS Gamesa
RENEWABLE ENERGY

Merger closed
Siemens 59% share

SIEMENS
Healthineers

Successful IPO achieved
Siemens 85% share

SIEMENS ALSTOM

MoU signed

Successful IPO of Siemens Healthineers

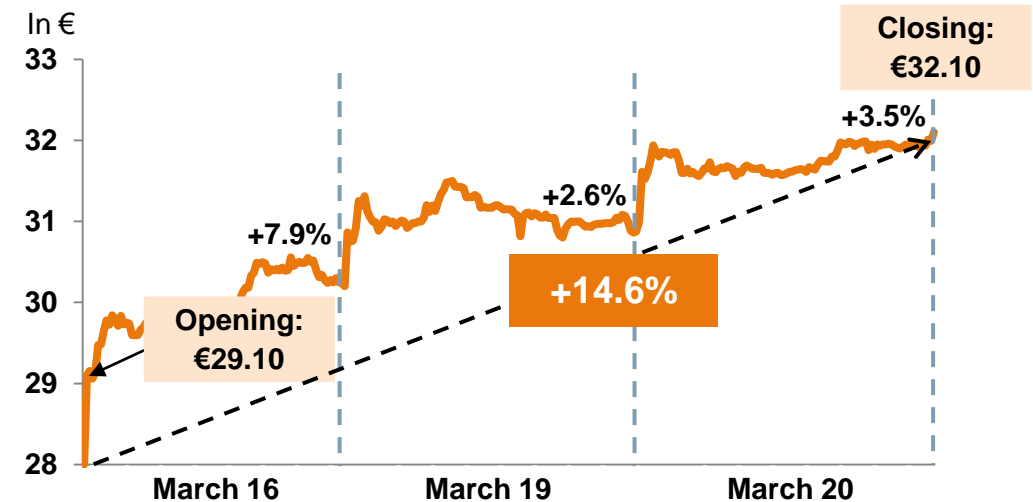


Healthineers listed on March 16, 2018



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

Strong share price performance

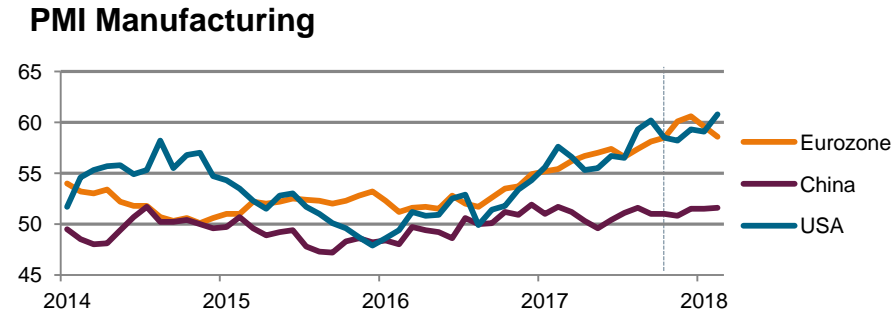


- ❑ Entrepreneurial flexibility
- ❑ Strategy 2025 on track for growth and margin expansion
- ❑ Expand leading role to shape delivery of healthcare

Strength in short cycle markets continues - structural headwinds in Power and Gas and geopolitical tensions



Favorable industrial sentiment



Sources: IHS Markit, ISM

Macroeconomic environment



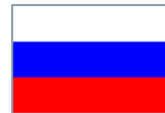
Broad based growth across most sectors; **fiscal** policy an **upside - uncertainty** around **free trade**



Robust domestic and export demand; ambiguity due to **Brexit** & future **EU-development** remains



Continued tailwinds for **short cycle businesses**
Some **growth moderation** due to **reform efforts**



Russia: Upside from **infrastructure demand**

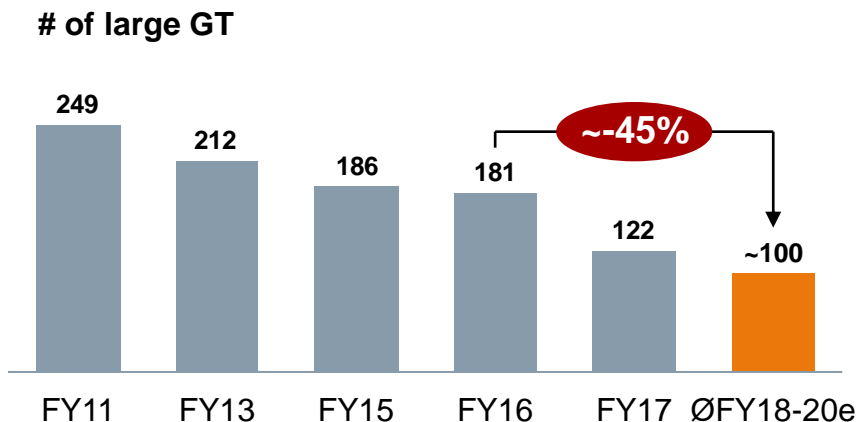


Brazil: Initial **recovery signals** visible



India: **reform agenda** supports **investment activity**

Significant decline of large GT-market



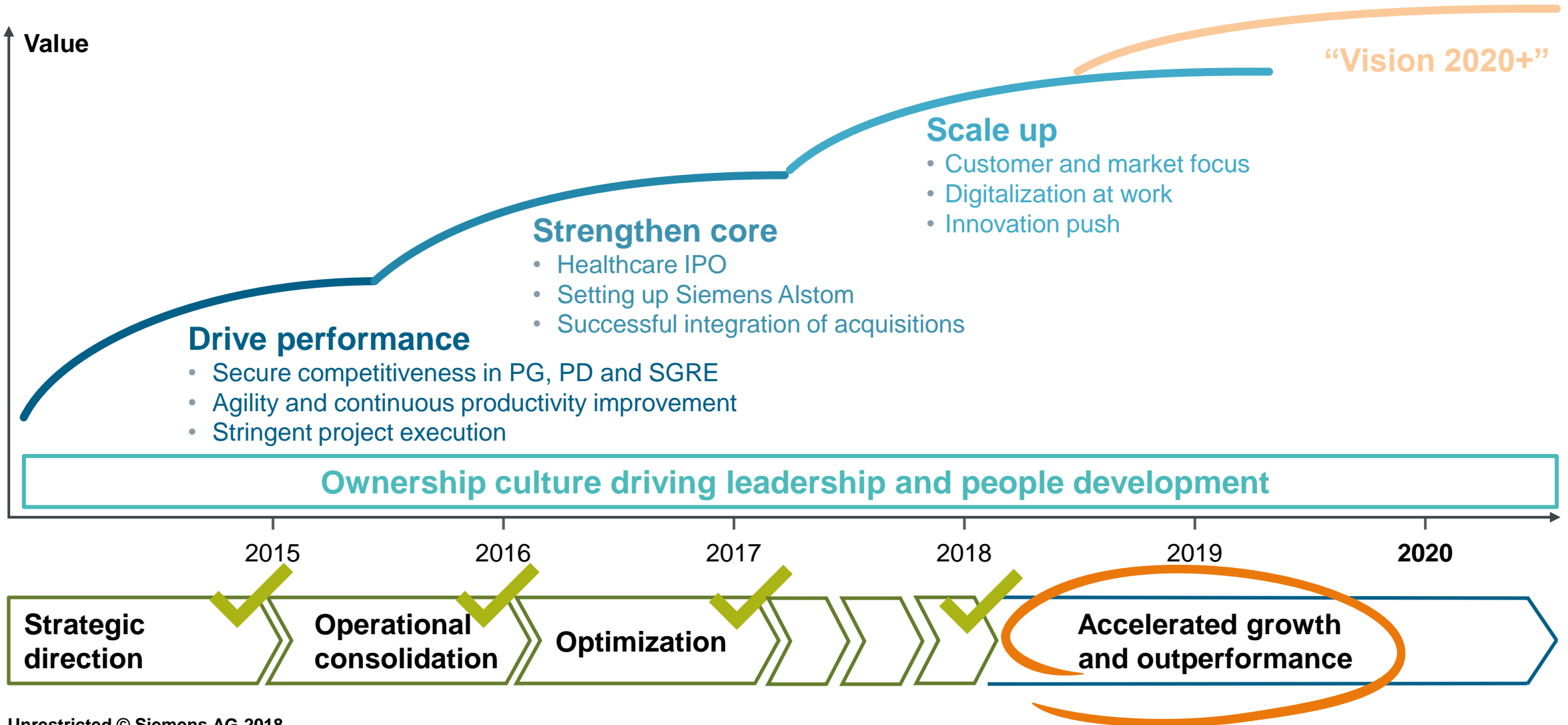
Appendix



Siemens Vision 2020 execution well advanced

FY 2018 – Setting direction for next strategic level

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One Siemens Financial Framework

Clear targets to measure success and accountability



One Siemens Financial Framework

Siemens

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

(Comparable revenue growth)

Capital efficiency
(ROCE²⁾)

15 – 20%

Total cost productivity³⁾
3 – 5% p.a.

Capital structure
(Industrial net debt/EBITDA)

up to 1.0x

Dividend payout ratio
40 – 60%⁴⁾

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

PG
11 – 15%

EM
7 – 10%

MO
6 – 9%

PD
8 – 12%

SFS⁶⁾
15 – 20%

SGRE
5 – 8%

BT
8 – 11%

DF
14 – 20%

HC
15 – 19%

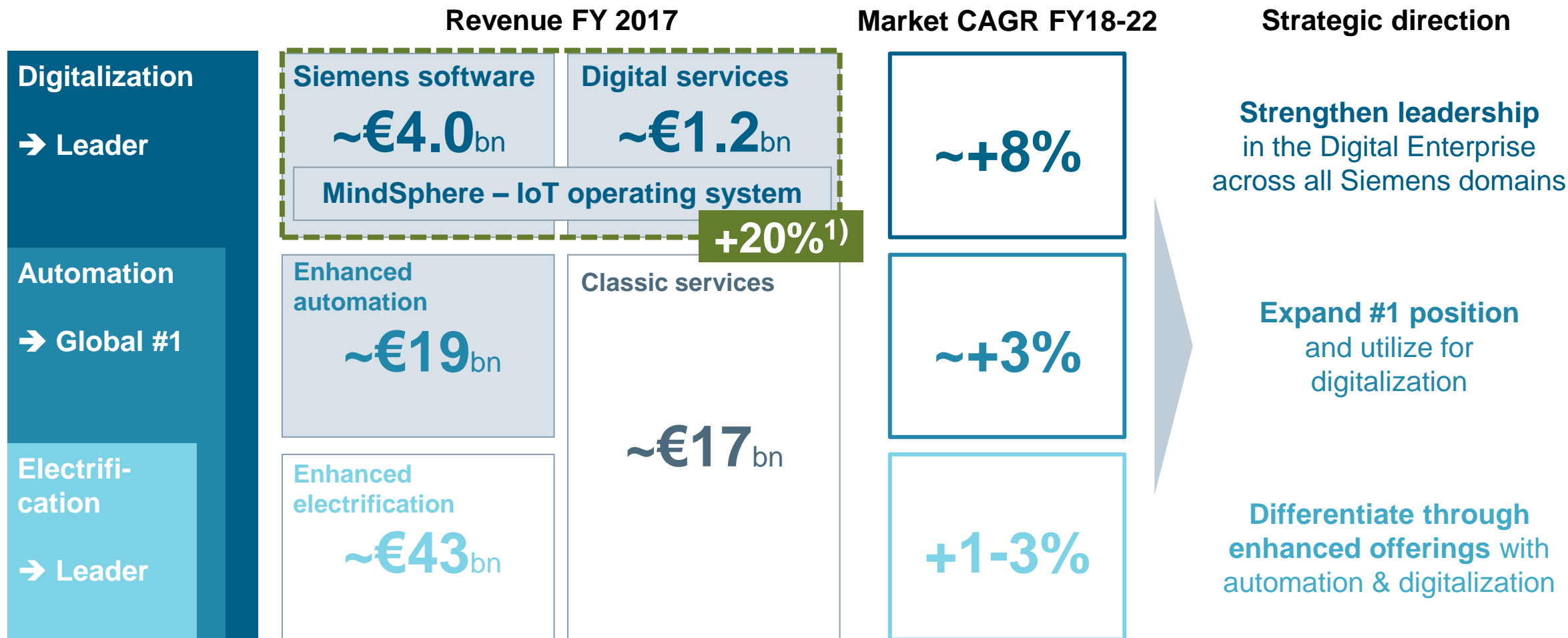
1) ABB, GE, Schneider, MHI, Eaton, weighted; 2) Based on continuing and discontinued operations; 3) Productivity measures divided by functional costs (cost of sales, R&D, SG&A expenses) of the group; 4) Of net income excluding exceptional non-cash items; 5) Excl. acquisition related amortization on intangibles;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

Leadership in Digital Enterprise strengthened Siemens further gaining market share

Scale up

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Note: Figures based on Industrial Business; SGRE incl. as of Apr 2017

1) Nominal growth FY16 to FY17, rebased

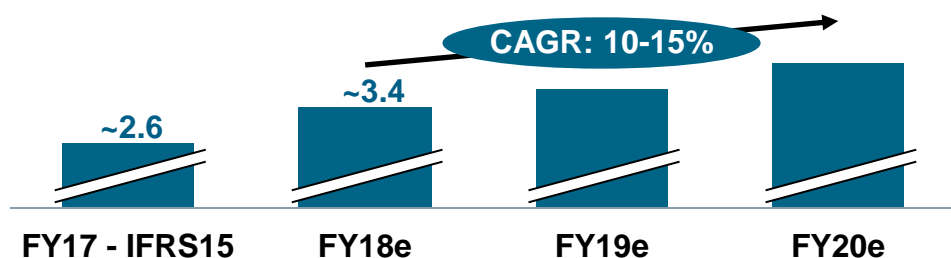
Note: 9% growth for Siemens Software excl. Mentor

Unrestricted © Siemens AG 2018

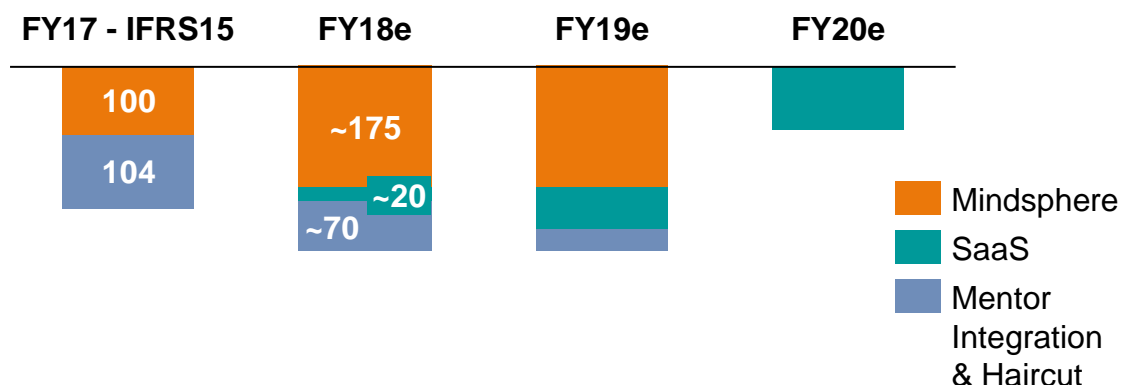
Invest in cloud-based business models will be overcompensated by strong execution of traditional software business

Software business within Digital Factory

Revenue (in €bn)



Profit impact from investments & Mentor Graphics (in €m)



Note: FY17 including Mentor from Q3 onwards

Unrestricted © Siemens AG 2018

MindSphere

- ❑ Current 'Platform as a Service' business plan with focus on partners in industrial IoT market
- ❑ Extension of business case towards applications and digital services will lead to additional potential for Siemens
- ❑ Break-even planned in FY 2020

'Software as a Service' (SaaS)

- ❑ Initial focus to capture growth potential in small and medium size business market
- ❑ Slower adoption in larger companies
- ❑ Seamless introduction in a five years investment mode

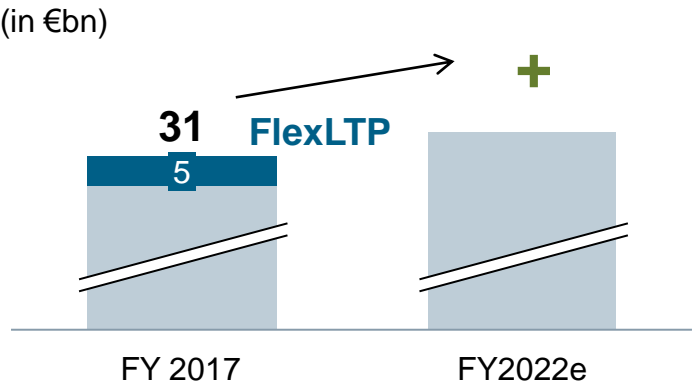
Cloud-based business (MindSphere + SaaS)

- ❑ Cloud-based revenue expected to exceed ~€1bn latest in FY 2022

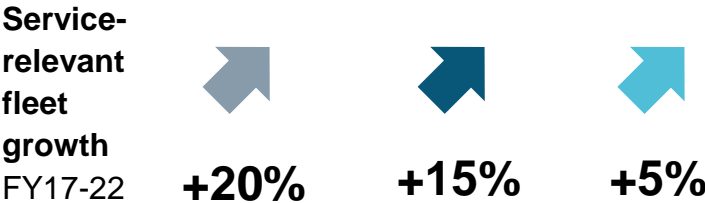
The Siemens Power Service business is resilient



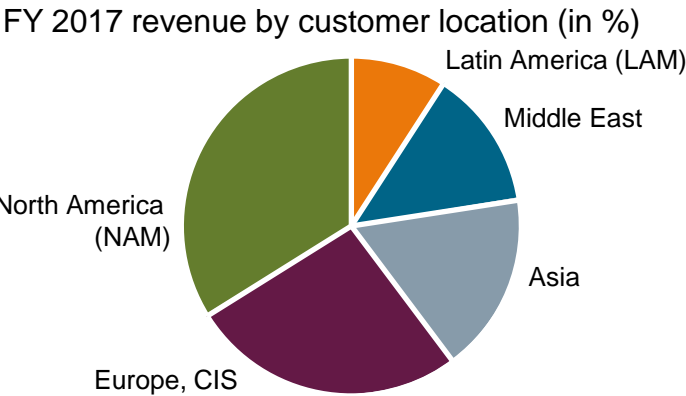
Increasing backlog...



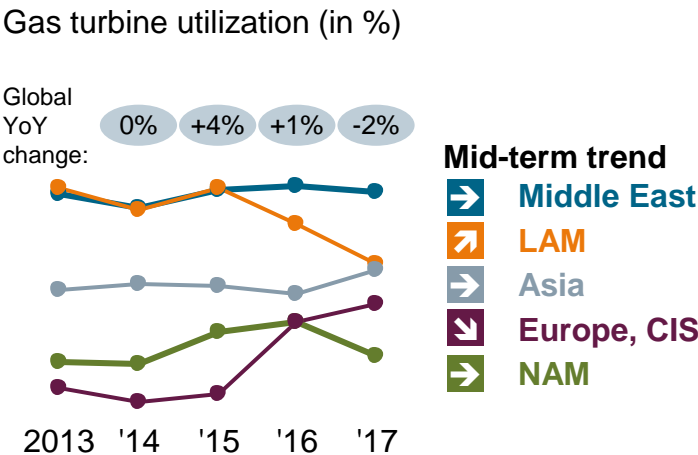
... from still growing fleet



Globalized operations ...



... to tackle fluctuations



Infusing technologies ...

Co-creation of digital services



Innovation, e. g. 3D printing, virtual reality



... for top- & bottom-line

Performance optimization & cyber security



4D outage planning leads to faster remote outages



Q1 FY 2018

Strong order growth highlights successful quarter



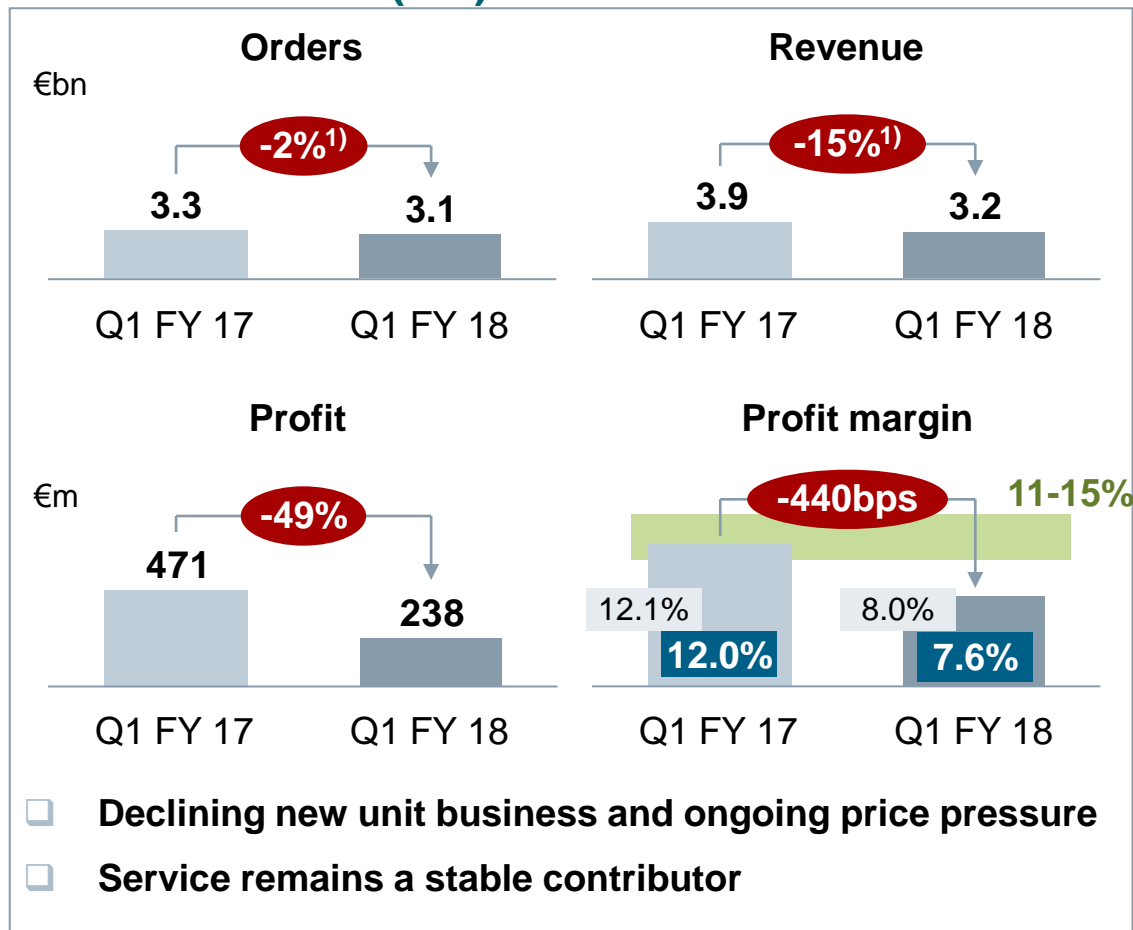
- ☐ **Clear organic order growth +7% stands out**
- ☐ **Compelling book-to-bill at 1.13x**
- ☐ **Like for like revenues up 1% despite significant decline in Power businesses**
- ☐ **Solid IB margin at 11.0% despite significant FX headwinds and PG decline**
- ☐ **Net income up 12% to €2.2bn supported by one-off gains**
- ☐ **EPS at €2.68, up +11%**
- ☐ **Strong Free Cash Flow up 22% to €0.9bn highlights earnings quality**

PG: Further market contraction impacts top and bottom line

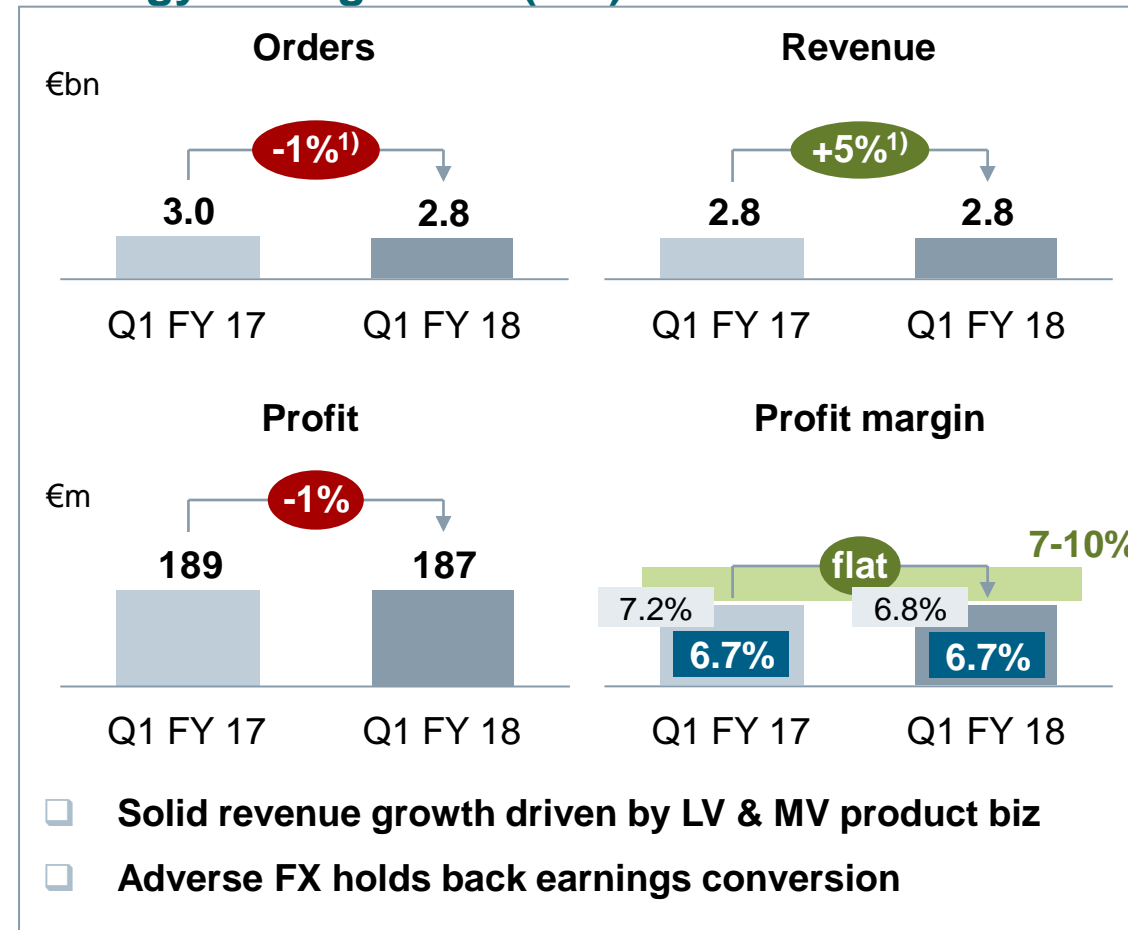
EM: Solid project execution stands out



Power and Gas (PG)



Energy Management (EM)



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

x.x%

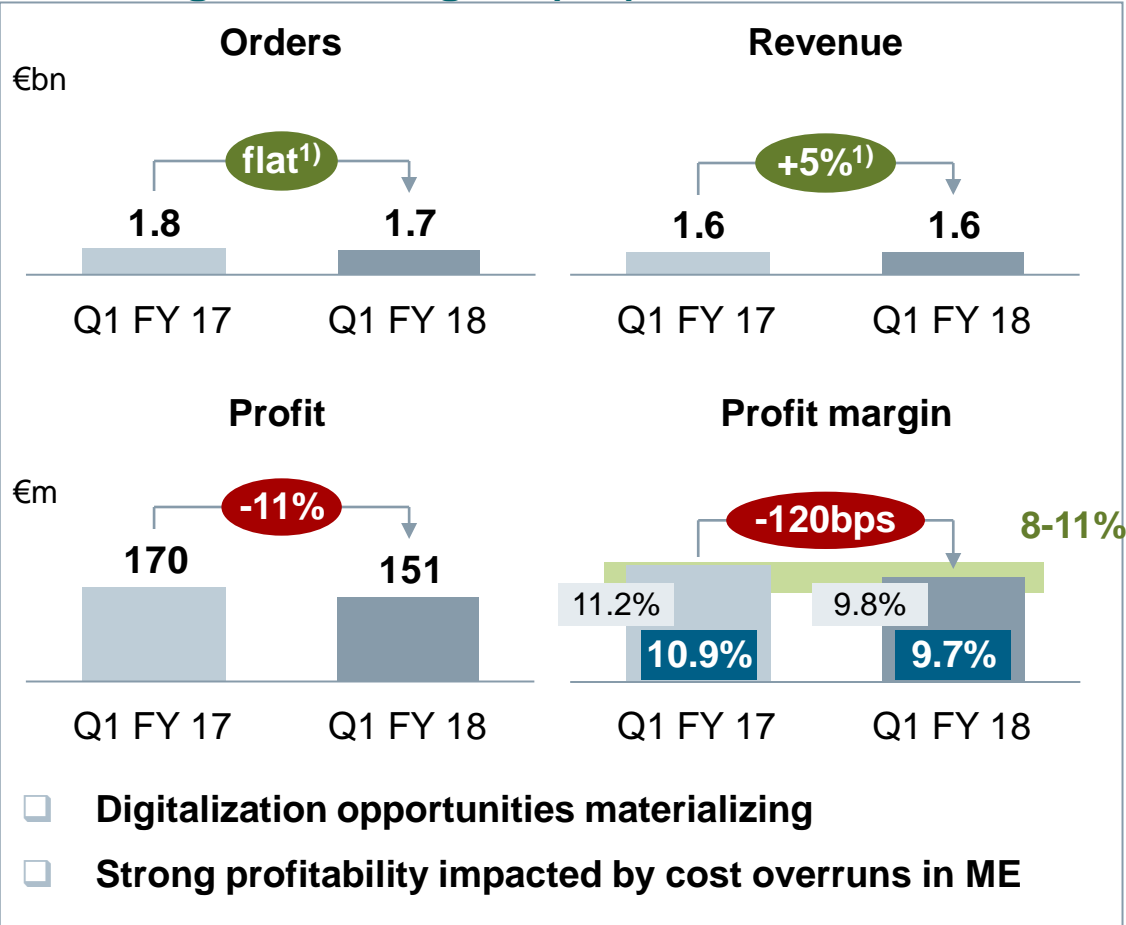
Margin as reported x.x% Margin excl. severance

Unrestricted © Siemens AG 2018

BT: Strong performance on tough comps
MO: Impressive top-line growth at industry leading margins



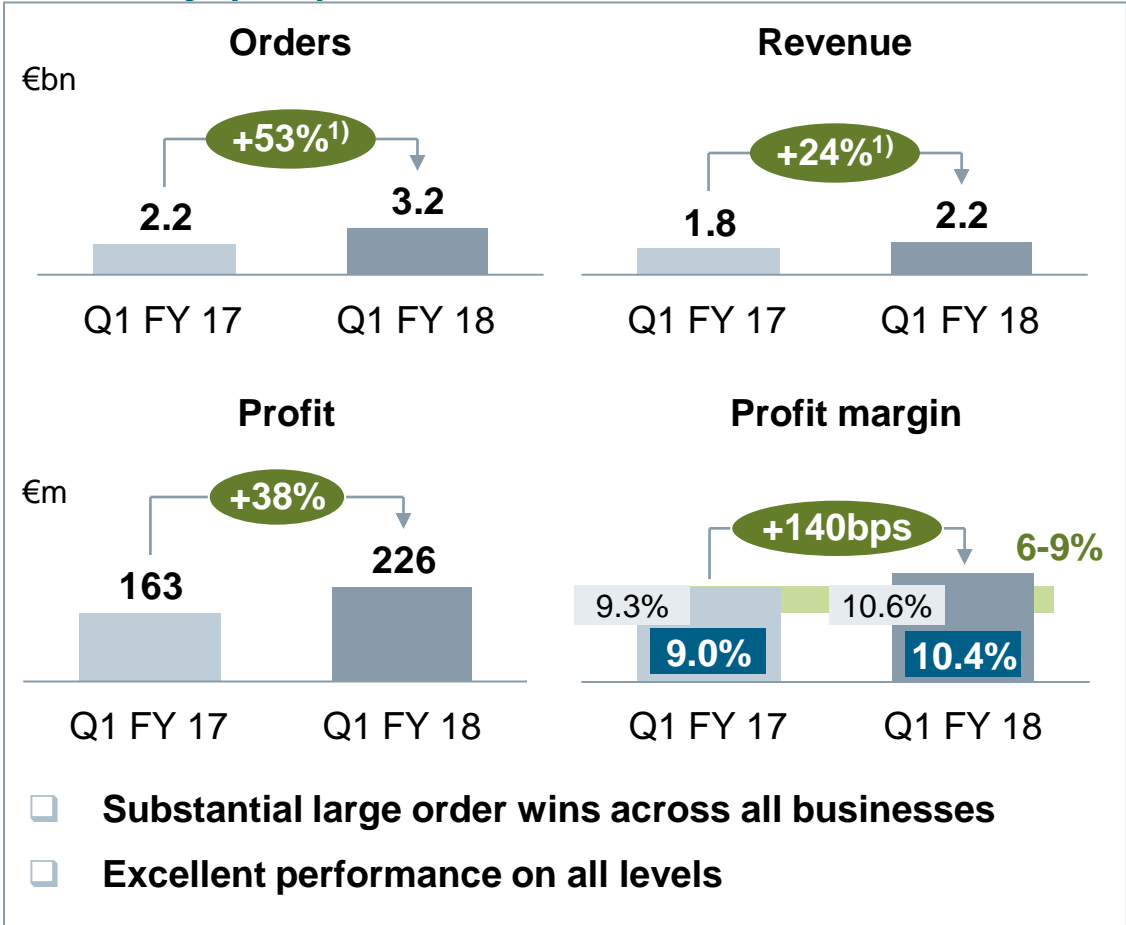
Building Technologies (BT)



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

x.x% Margin as reported x.x% Margin excl. severance

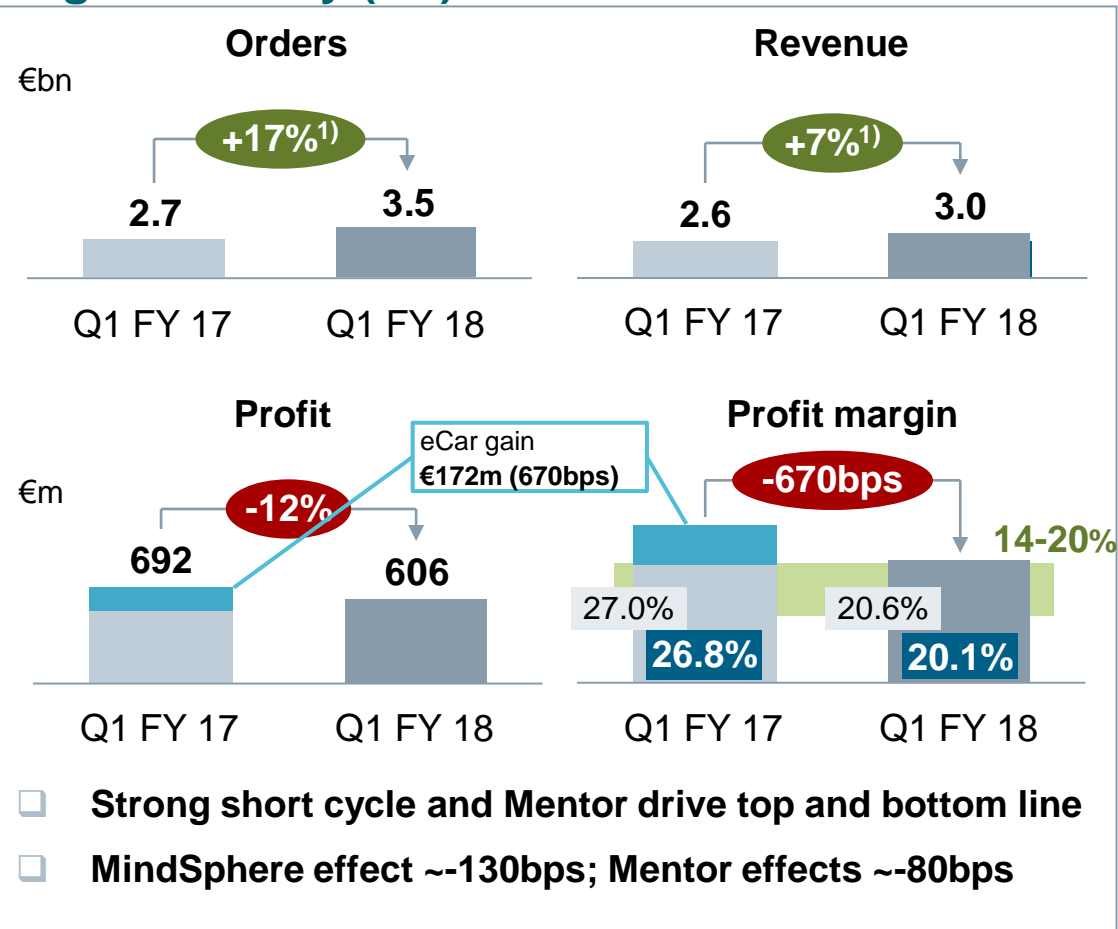
Mobility (MO)



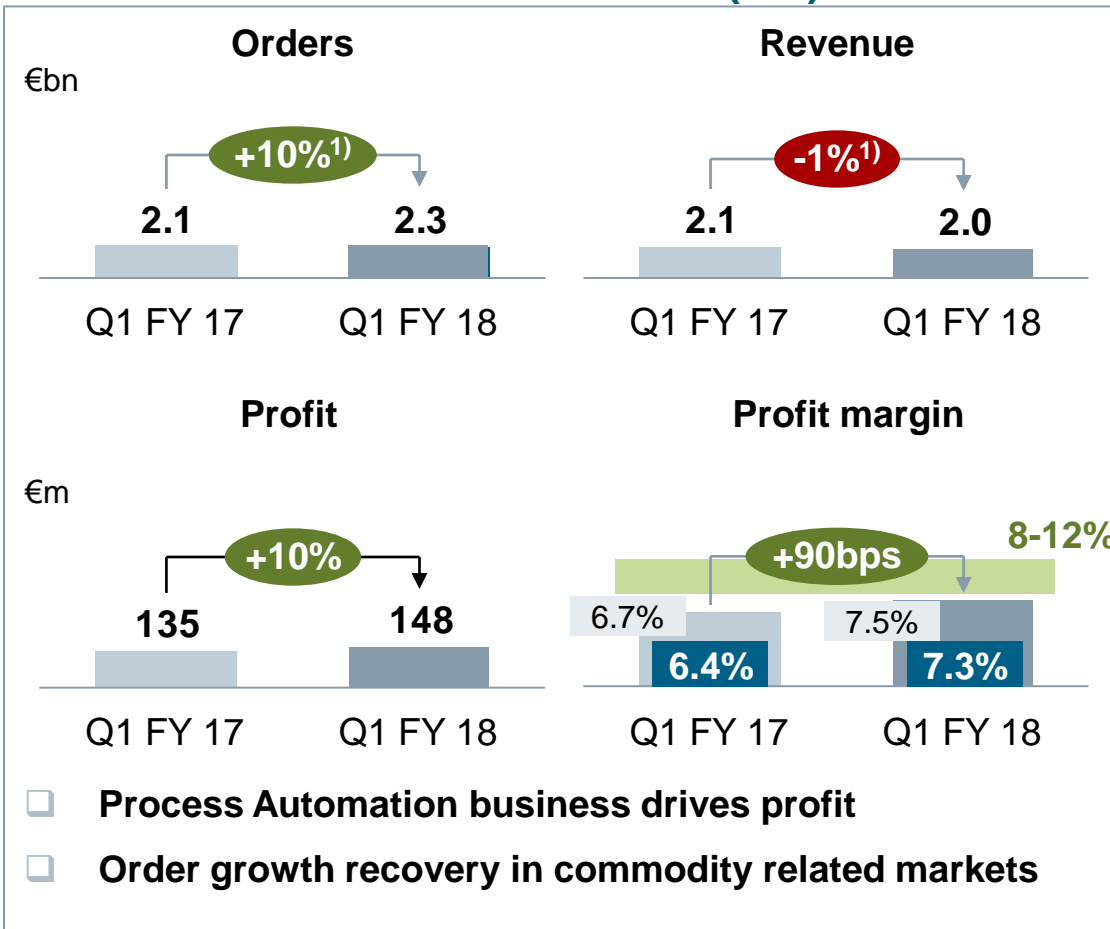
DF: Digital powerhouse with further market share gains

PD: Order growth and margin expansion highlights in recovery

Digital Factory (DF)



Process Industries and Drives (PD)



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

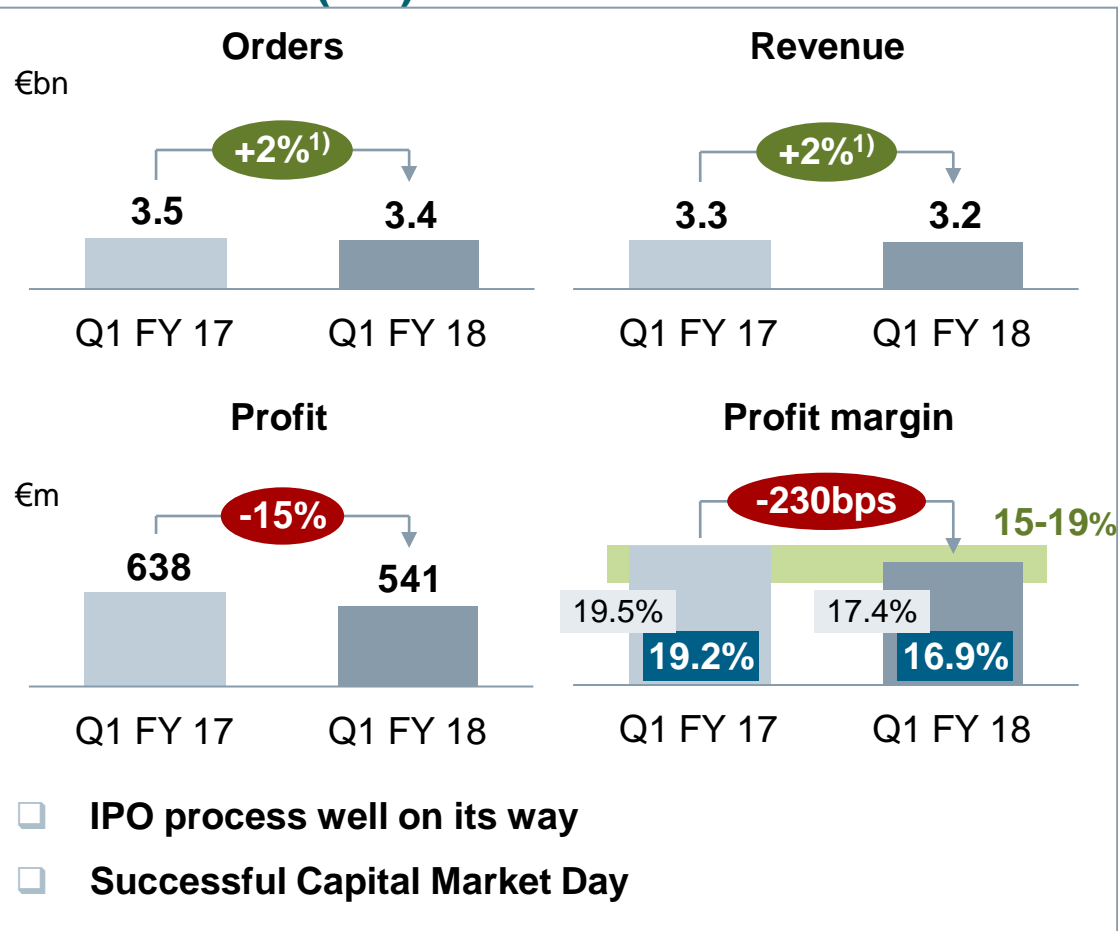
x.x%

Margin as reported x.x% Margin excl. severance

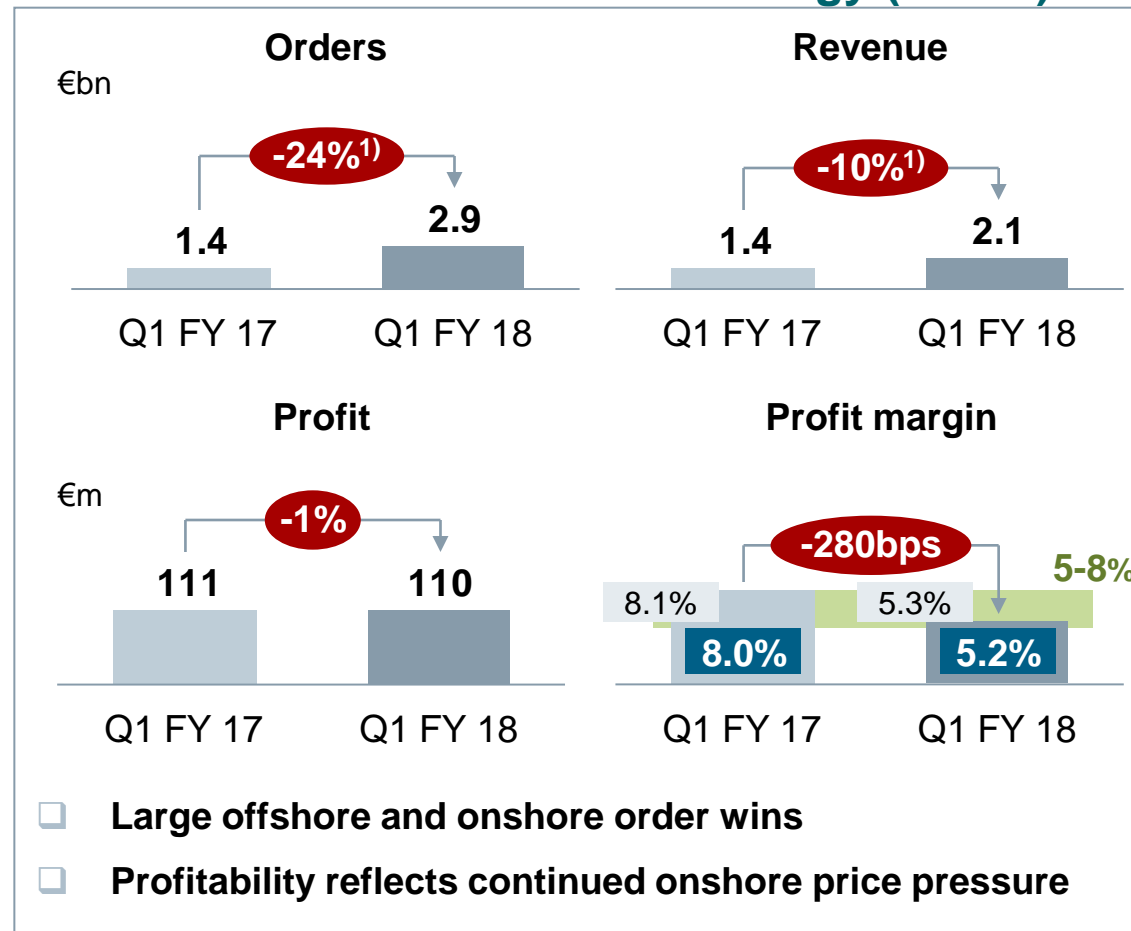
HC: FX headwind and mix weigh on good execution SGRE: Integration ongoing – right decisions taken



Healthineers (HC)



Siemens Gamesa Renewable Energy (SGRE)



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

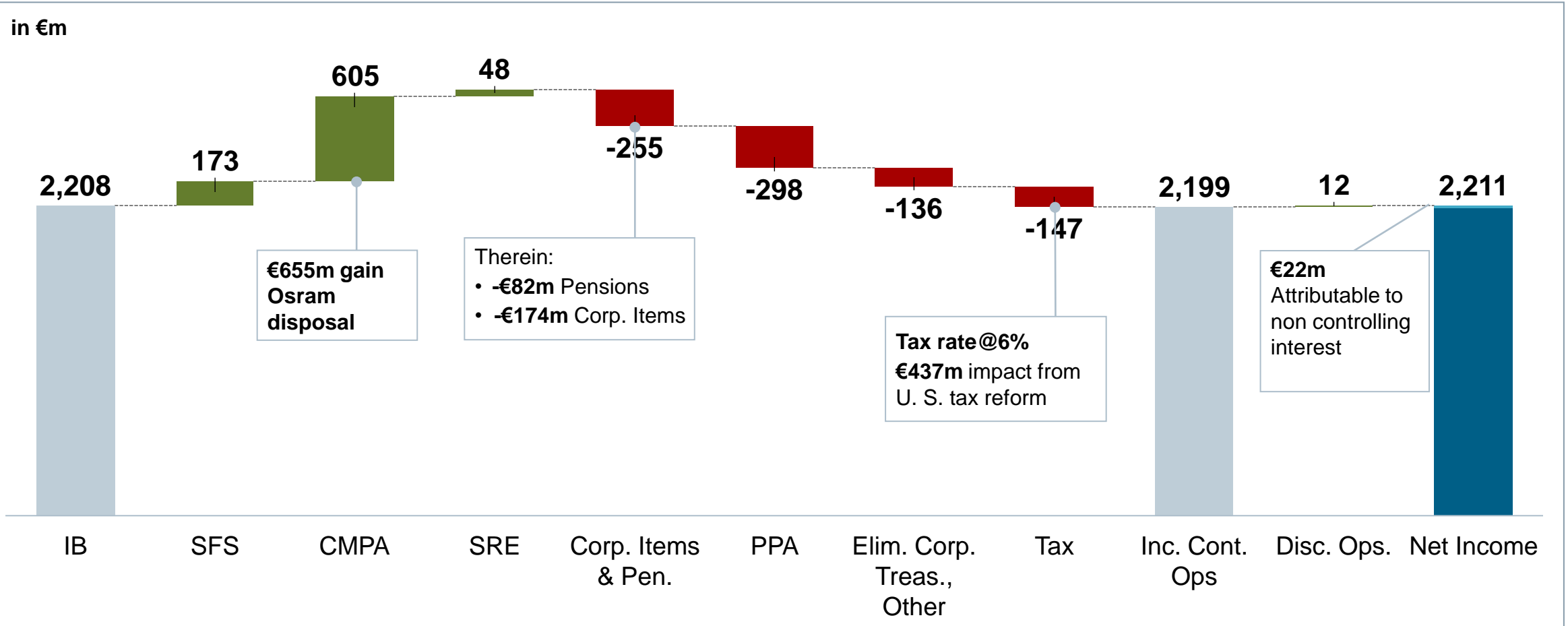
x.x%

Margin as reported x.x% Margin excl. severance

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Below IB benefits from Osram gain and U. S. tax reform

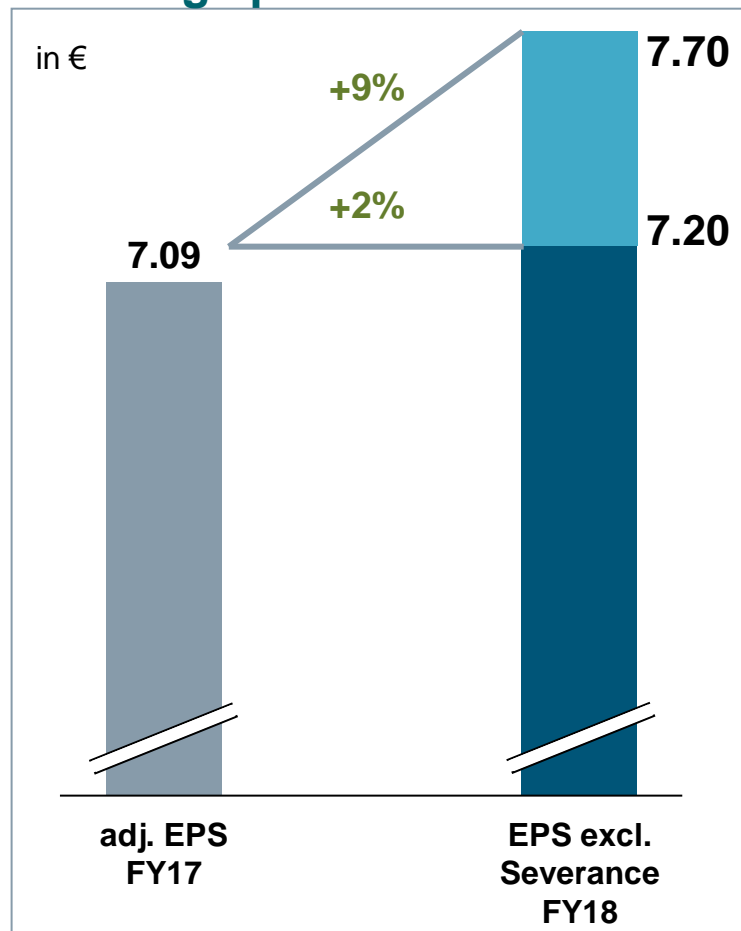
Below Industrial Business – Q1 FY 2018



Guidance FY 2018 confirmed



Earnings per share



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

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Outlook

We expect a **mixed picture in our market environment** in fiscal 2018, ranging from **strong markets** for our **short-cycle businesses** to **unfavorable dynamics** in our **energy generation markets**, as well as **geopolitical uncertainties** that may restrict investment sentiment.

For fiscal 2018 we expect **modest growth in revenue**, net of effects from currency translation and portfolio transactions, and anticipate that **orders will exceed revenue** for a **book-to-bill ratio above 1**.

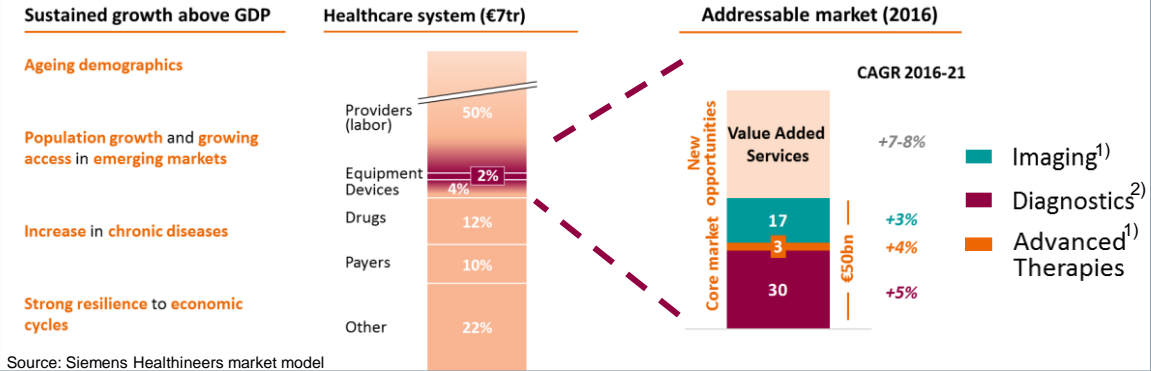
We expect a **profit margin of 11.0% to 12.0%** for our **Industrial Business** and **basic EPS from net income** in the **range of €7.20 to €7.70**, both **excluding severance charges**.

This outlook **excludes charges related to legal and regulatory matters**, **effects on EPS** associated with **minorities holding shares in Healthineers following the planned IPO**, and **potential effects** which may follow the introduction of a **new strategic program**.

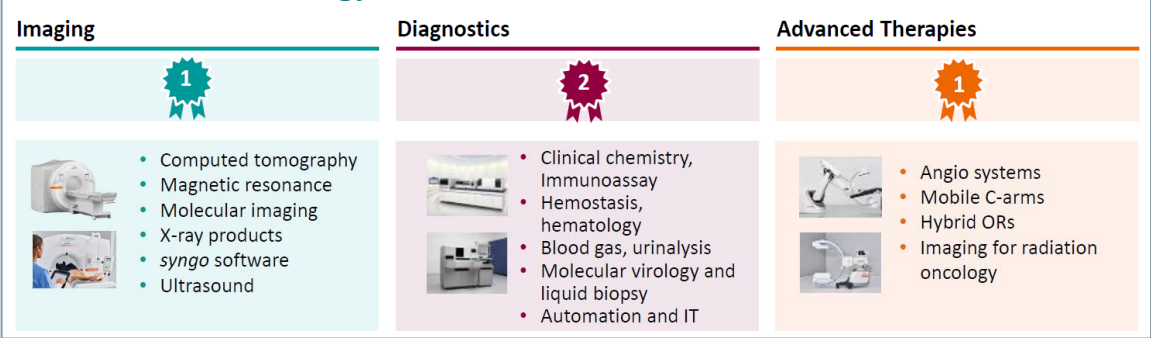
Siemens Healthineers (HC) - Facts and Figures



Market



Portfolio/ Technology



Main Competitors



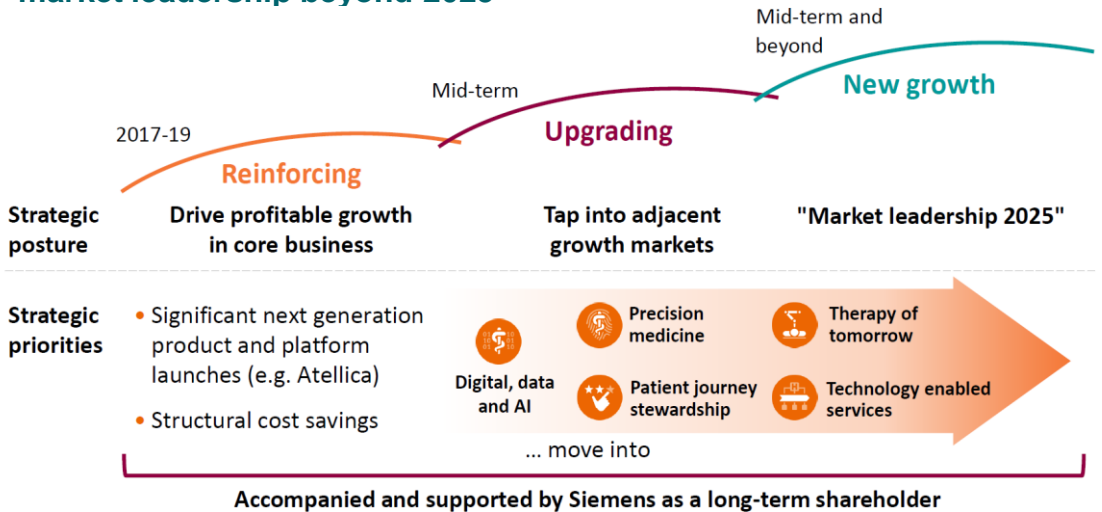
PHILIPS



1) Figures for Imaging and Advanced Therapies for equipment only. Service included in Value Added Services market.
2) Diagnostics market includes Lab Diagnostics, POC Diagnostics and Molecular Diagnostics.

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Strategic priorities: Capture short-term potential and ensure market leadership beyond 2025



Key figures

(as reported in millions of € except where otherwise stated; before adoption of IFRS 15)

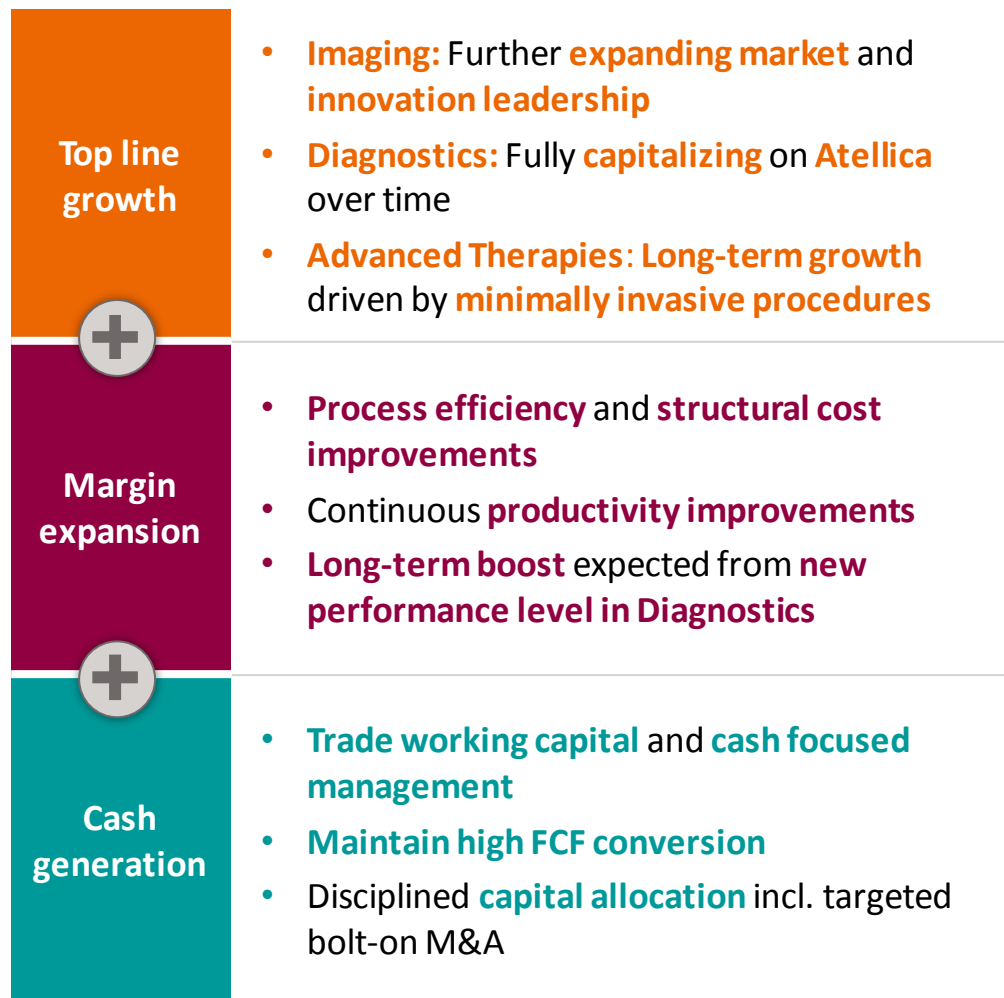
| | Fiscal 2017 | Fiscal 2016 | Comp. Change in % |
|-------------------------------------|-------------|-------------|-------------------|
| Orders | 14,218 | 13,830 | 4% |
| Revenue | 13,789 | 13,535 | 3% |
| Profit | 2,490 | 2,325 | |
| Profit Margin (Target Range 15-19%) | 18.1% | 17.2% | |
| Free cash flow | 2,153 | 2,154 | |
| Employees | 47,800 | 46,200 | |

Siemens Healthineers

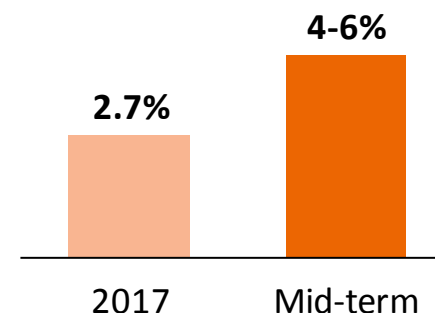
Clear agenda to drive earnings growth – mid-term goals

Healthineers CMD
January 16, 2018

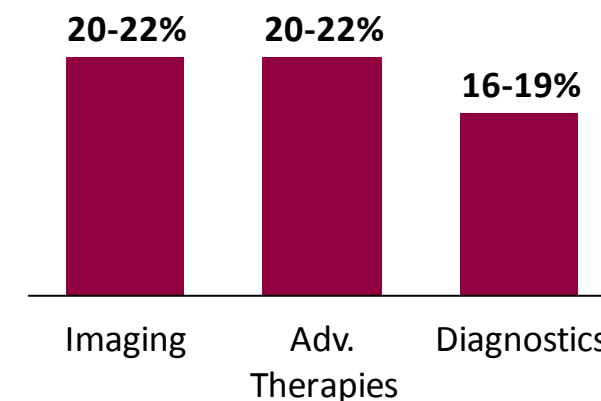
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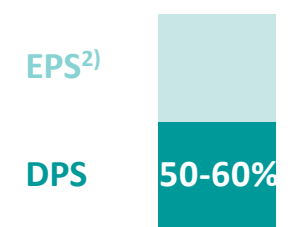
Mid-term comp. revenue growth target



Mid-term profitability¹⁾ targets



Dividend policy



Capital structure

Solid investment grade rating as a minimum

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

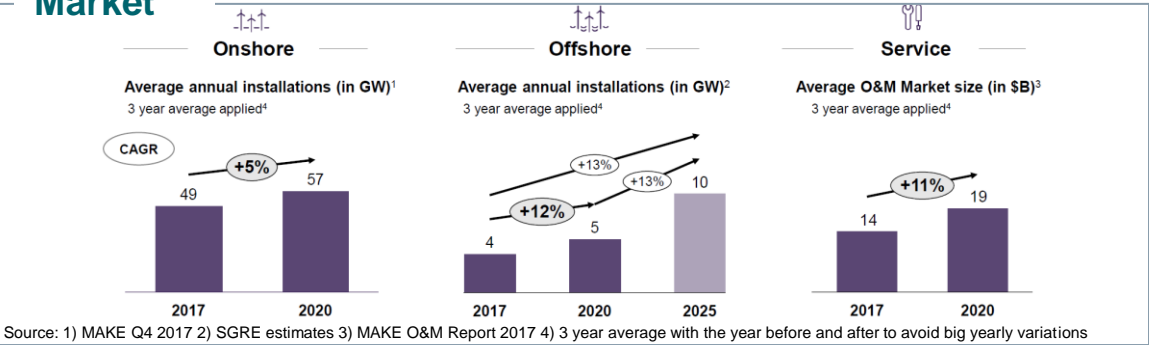
1) Margin of earnings before financing interest, certain pension costs, income taxes and amortization expenses of intangible assets acquired in business combinations, adj. for severance.

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

Siemens Gamesa Renewable Energy - Facts and Figures



Market



Portfolio/ Technology



Main Competitors



SGRE on track to global leadership



Key figures¹⁾

(as reported in millions of € except where otherwise stated; before adoption of IFRS 15)

| | Fiscal 2017 | Fiscal 2016 | Comp. Change in % |
|-----------------------------------|-------------|-------------|-------------------|
| Orders | 8,768 | 7,973 | (2)% |
| Revenue | 7,922 | 5,976 | 7% |
| Profit | 338 | 464 | |
| Profit Margin (Target Range 5-8%) | 4.3% | 7.8% | |
| Free cash flow | (279) | 330 | |

1) Figures as reported by Siemens AG; Fiscal 2017: October 2016 – September 2017; Comparable change in %: Throughout excluding currency translation and portfolio effects

SGRE has set clear profitable growth targets for 2020

SGRE CMD
February 15, 2018

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



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



CAPEX < 5% of sales



Positive cash flow generation every year



8-10% ROCE: enhance capital efficiency



25 % of net income as dividend policy

SGRE Guidance FY18

Explanation of different profit definitions at SGRE and SAG to be considered in models



FY18 Guidance (in €m)

SGRE disclosure (as of Jan 30, 2018)

| MM € | Q1 2018 | | FY 2018 |
|--|---------|---|-------------|
| Revenues | 2.127 | ✓ | 9,000-9,600 |
| EBIT (pre-PPA, restructuring and integration costs) | 133 | ✓ | c.700 |
| EBIT margin (pre-PPA, restructuring and integration costs) | 6,3% | ✓ | 7% to 8% |
| Working capital to Sales | -1,4% | ✓ | -3% to +3% |
| Capex | 83 | ✓ | 500 |

- C.80% coverage¹ of onshore volumes and c.100% coverage of offshore volumes at December 31, 2017
- Low double-digit onshore price deflation included in the FY18 guidance in line with market trends and Q4 order intake
- Synergies of 1.5% of revenues targeted by YE 2018 included in margin expectations
- Guidance range reflects regional market volatility including an earlier than expected recovery of India, and speed of synergies
- Estimated impact of PPA amortization of intangible fair value of €321 mn for FY 18: €83 mn in Q1 18
- Expected integration and restructuring costs of €160 mn in FY 2018: €15 mn in Q1 18
- All guidance at constant FX rates
- Quarterly seasonality: weaker H1 vs. stronger H2 driven by project timing and supported by cost optimization programs and expected synergy delivery in H2
- This outlook excludes charges related to legal and regulatory matters

Source: SGRE Q1 18 presentation

Financial calendar

March

March 22, 2018

Bank of America Merrill Lynch Conference (London)

March 27, 2018

Siemens U.S. Innovation Day (Chicago)

May

May 9, 2018

Q2 Earnings Release; Roadshow UK (London)

May 16, 2018

Roadshow Germany (Frankfurt)

May 29 - 30, 2018

Roadshow Canada and US; Bernstein Conference (New York)

June

June 12, 2018

Exane Conference (Paris)

June 15, 2018

JP Morgan Conference (London)



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