

Targets achieved – another outstanding year for Siemens

Joe Kaeser, President and CEO | Ralf P. Thomas, CFO
Q4 FY 2017 Analyst Call | Munich, November 9, 2017

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.

All information is preliminary.



FY 2017: Again a record year – we delivered what we promised



Vision 2020: Fully on track – significant progress achieved

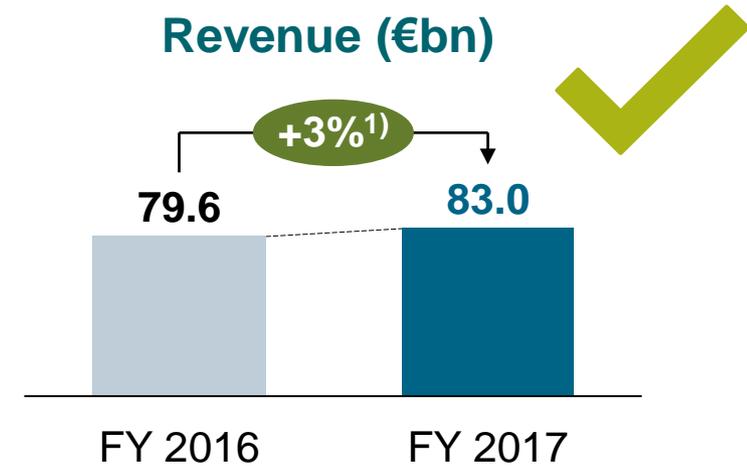
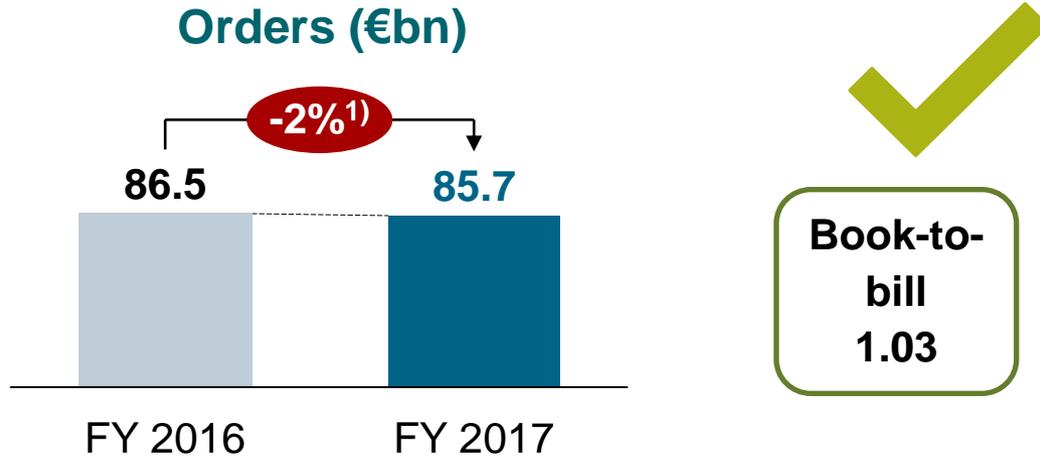


FY 2018: Set direction for further value creation – development of “Vision 2020+”



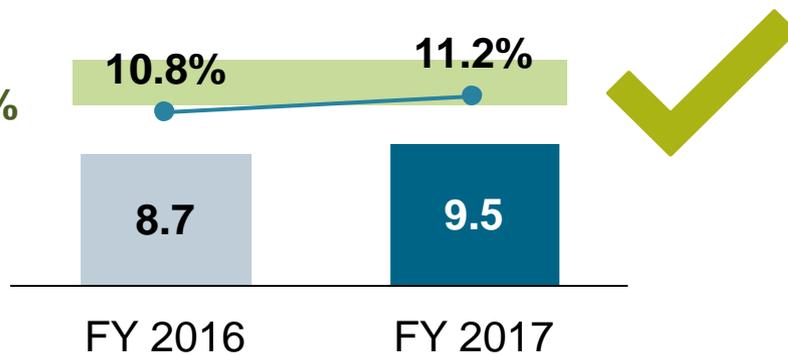
Guidance FY 2018: Another ambitious year ahead

Targets achieved – another outstanding year for Siemens



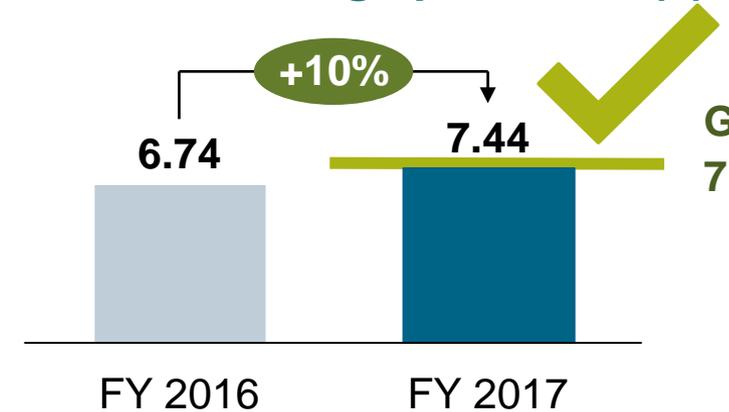
Profit Industrial Business (€bn)

Guidance:
11.0% – 12.0%



Basic Earnings per Share (€)

Guidance:
7.20 – 7.70



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

Q4 FY 2017 – Order boom boosts backlog



- **Strategic direction set to create a European Mobility champion - Alstom MoU signed**
- **Strong organic order growth +16% supported by all Divisions**
- **Revenue up 1% organic on broad based growth compensating PG decline**
- **Underlying IB margin at 10.5%¹⁾ - Strong operational performance at DF, HC, BT, MO and EM affected by structural challenges at PG and SGRE**
- **Net income of €1.3bn and EPS at 1.57€ - up 10% y-o-y**
- **Dividend of €3.70 proposed, up 3%**

1) excl. severance

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



SIEMENS

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



Stake of 17.34% sold



Merger closed
Siemens 59% share



IPO plan for H1
CY 18 announced



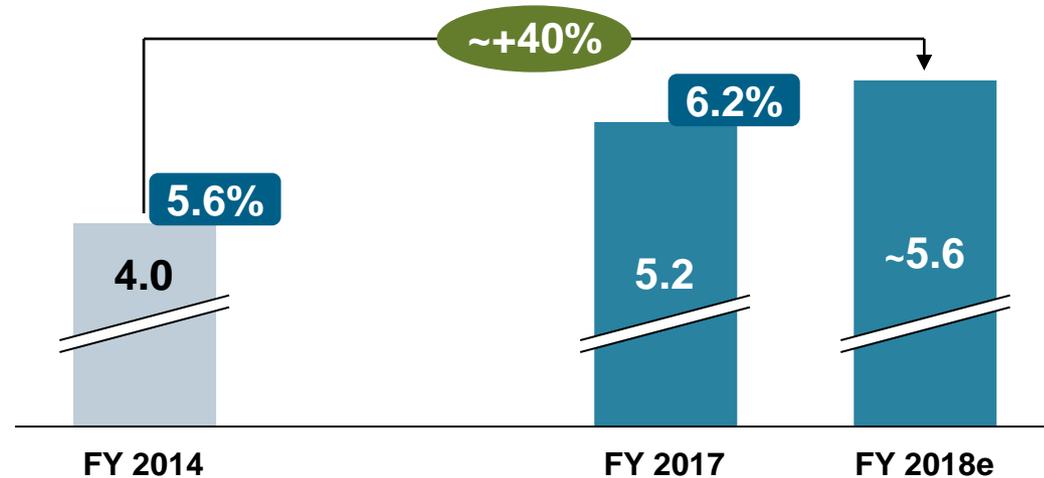
MoU signed, expected
closing end of CY 18

Executing Vision 2020

Push for innovation drives competitiveness and customer value

Higher R&D intensity continues...

R&D expenses in €bn (% of revenue)



- Core technology fields, e. g. Artificial Intelligence
- IoT operating system MindSphere
- Digital applications and services across all businesses
- Innovative Healthineers' Imaging platforms
- Decentralized energy systems

... and delivers impressive outcomes



Healthineers

- **Magnetom Terra** – first 7 Tesla MRI scanner for **clinical use**
- **Unmatched visualisation** of neurological disease states



Digital Factory

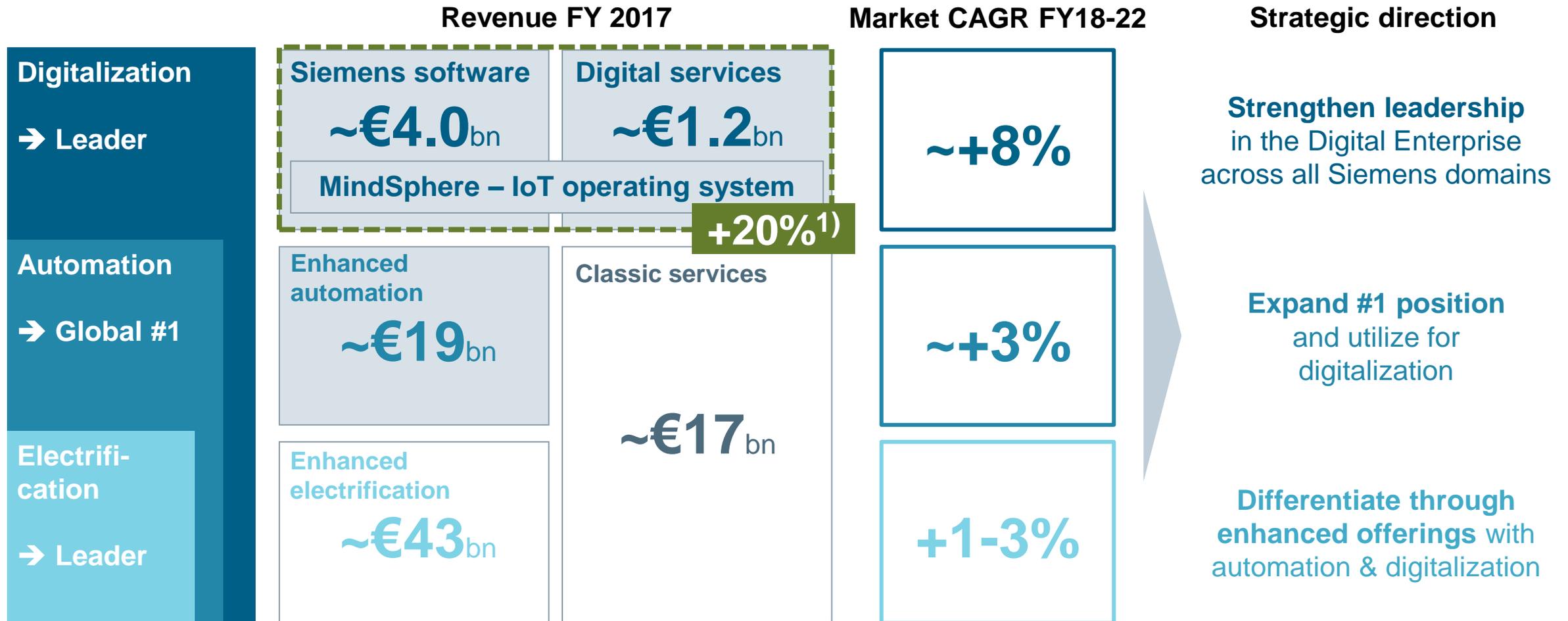
- **Expand portfolio** with **NX-Software** for **Additive Manufacturing**
- **One system** for **whole model driven workflow**



Power and Gas

- **HL-Class gas turbine** derived from proven **H-Class design**
- **>63% efficiency** in **CCPP mode** with **clear roadmap to 65%**

Leadership in Digital Enterprise strengthened Siemens further gaining market share



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

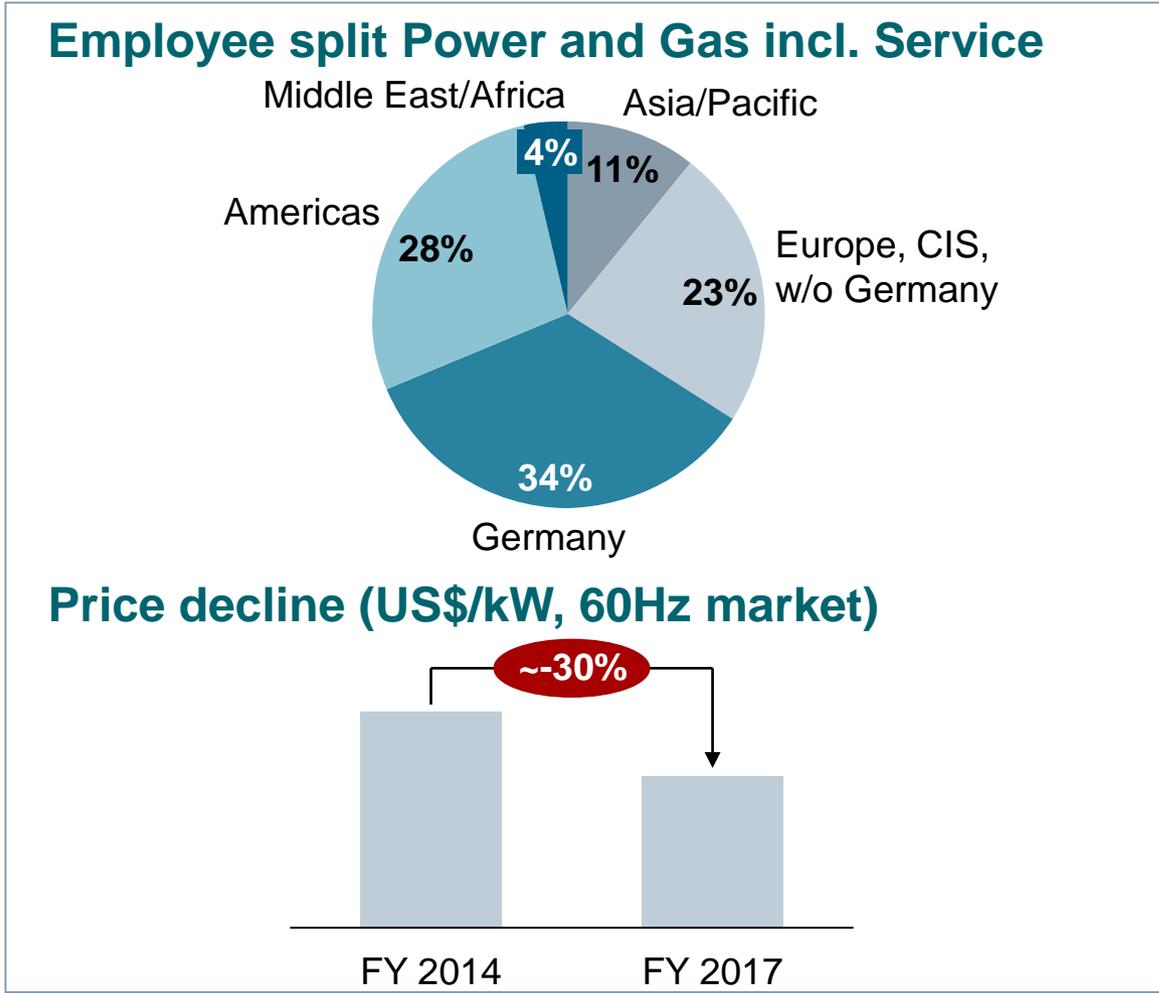
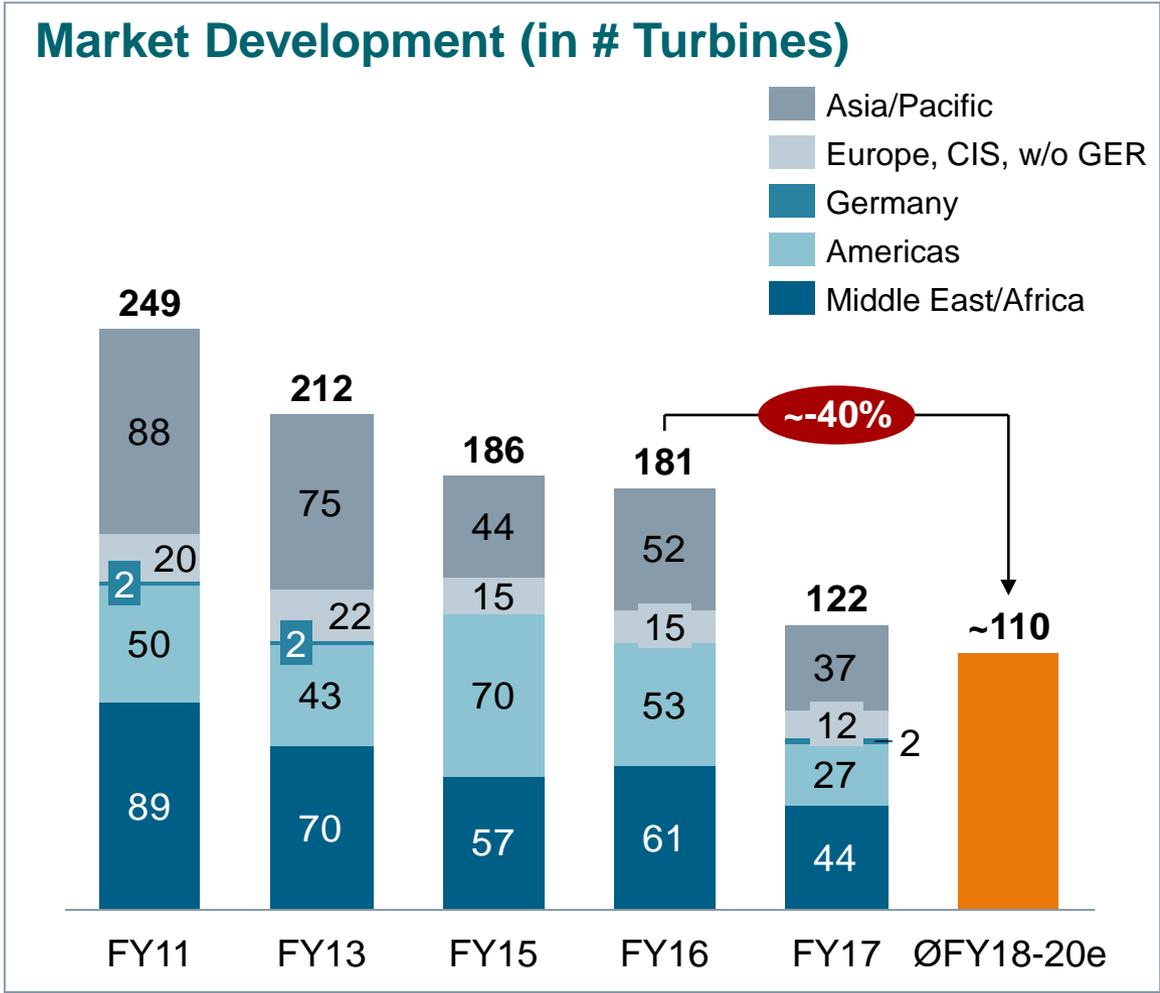
1) Nominal growth FY16 to FY17, rebased

Note: 9% growth for Siemens Software excl. Mentor

© Siemens AG 2017

PG - Structural market decline requires decisive adjustments

Example: Large Gas Turbine business (>100MW)

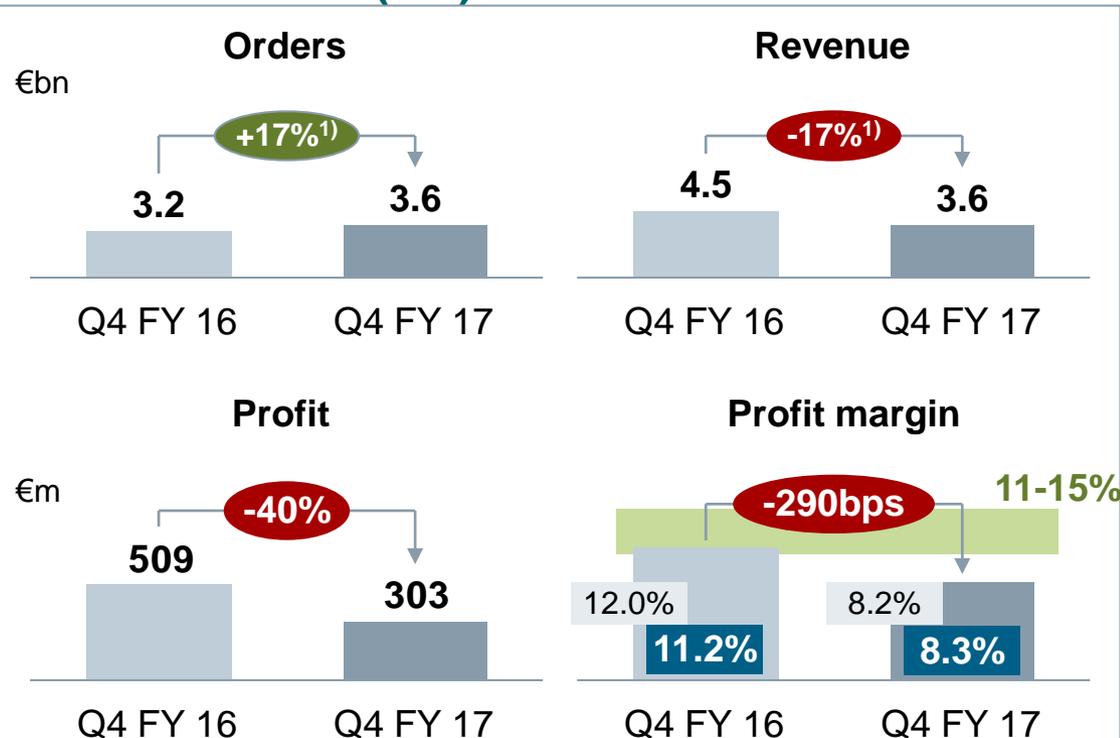


PG: Market contraction impacts top and bottom line

EM: Performance improvement on track

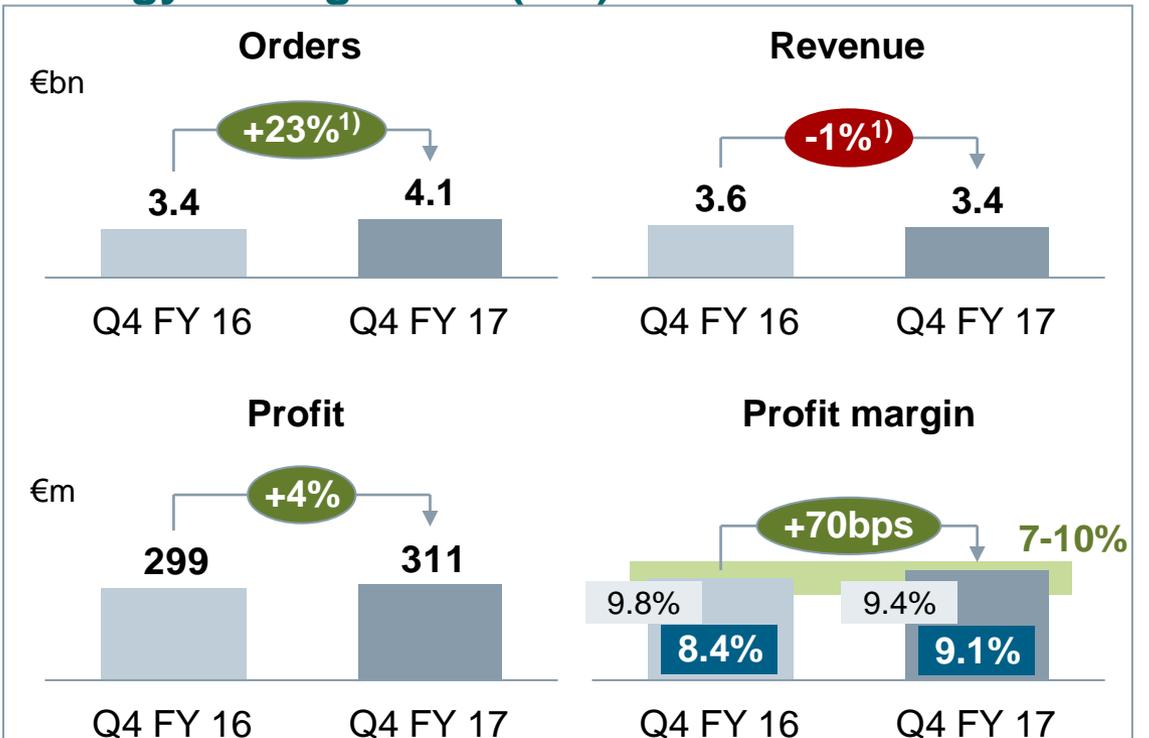


Power and Gas (PG)



- Order growth driven by service, declining new-unit business
- Revenue decline, lower capacity utilization and price pressure weigh on margin

Energy Management (EM)



- Large order wins e.g. DolWin6 project
- Profitability improvement across most businesses

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

x.x%

Margin as reported

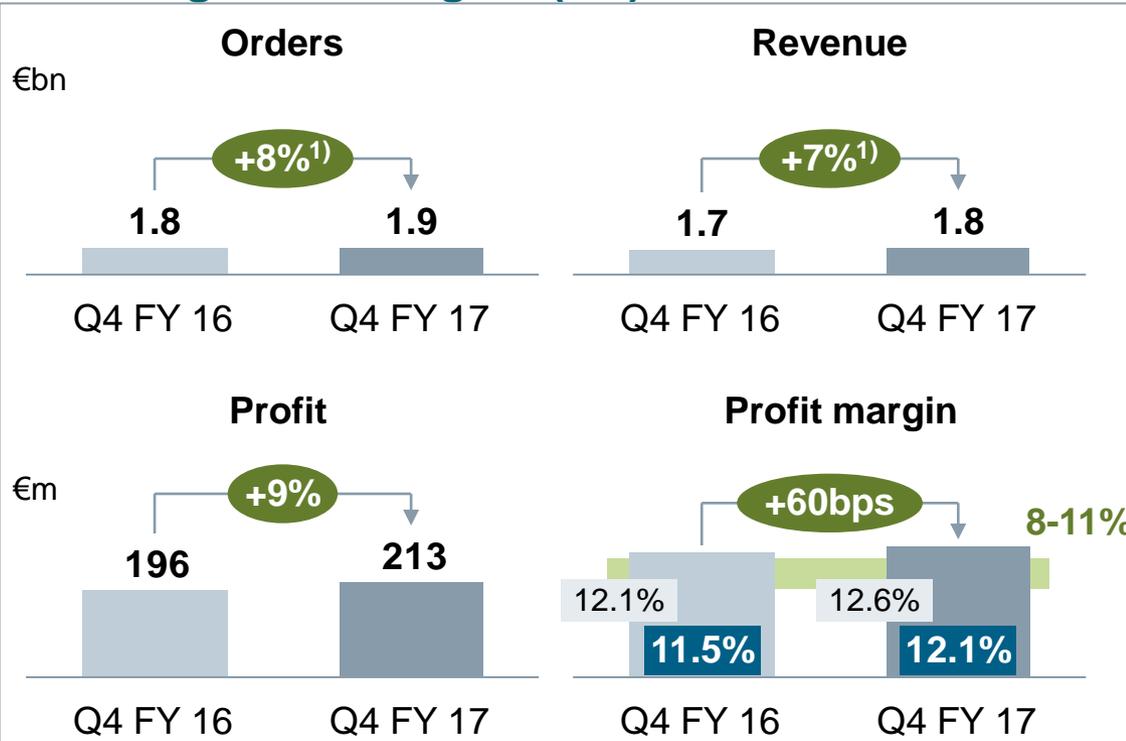
x.x%

Margin excl. severance (and excl. integration costs D-R for PG only)

BT: Great performance completes best year ever
MO: All-time revenue high – automation business drives profit

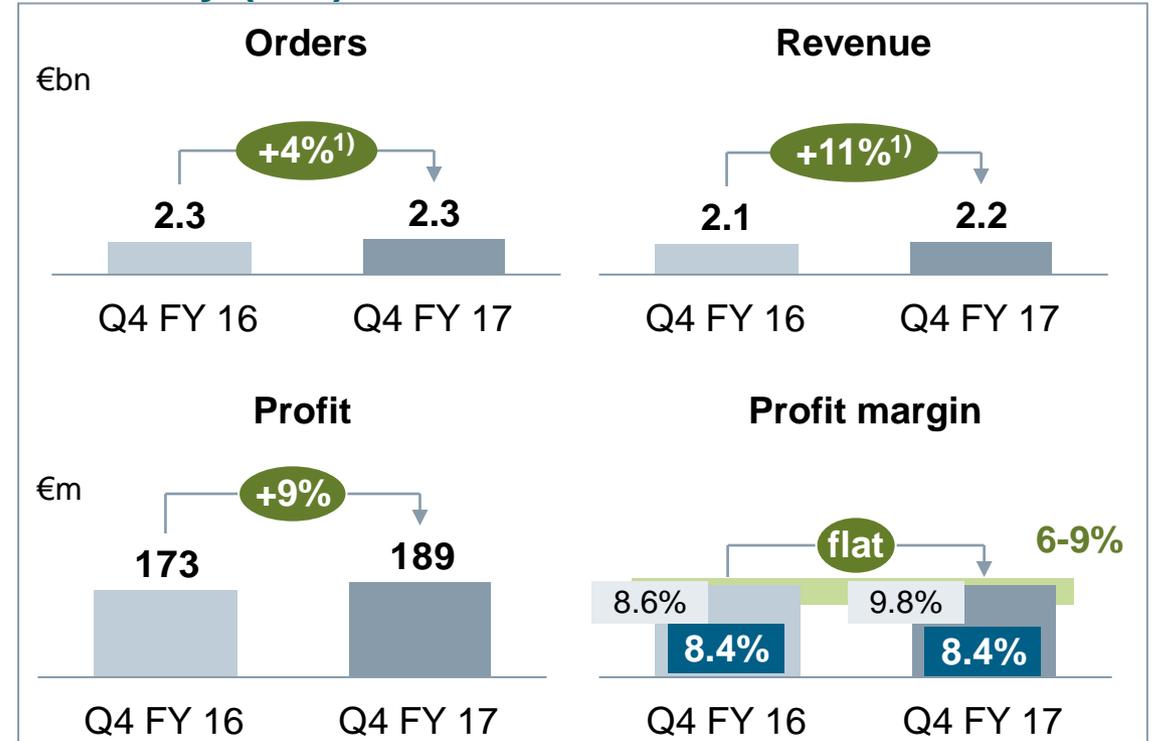


Building Technologies (BT)



- Significant project wins in the US
- Growth and productivity gains lead to margin expansion

Mobility (MO)



- Large order wins in Europe and Asia
- Strong project execution and locomotive shipments

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

x.x%

Margin as reported

x.x%

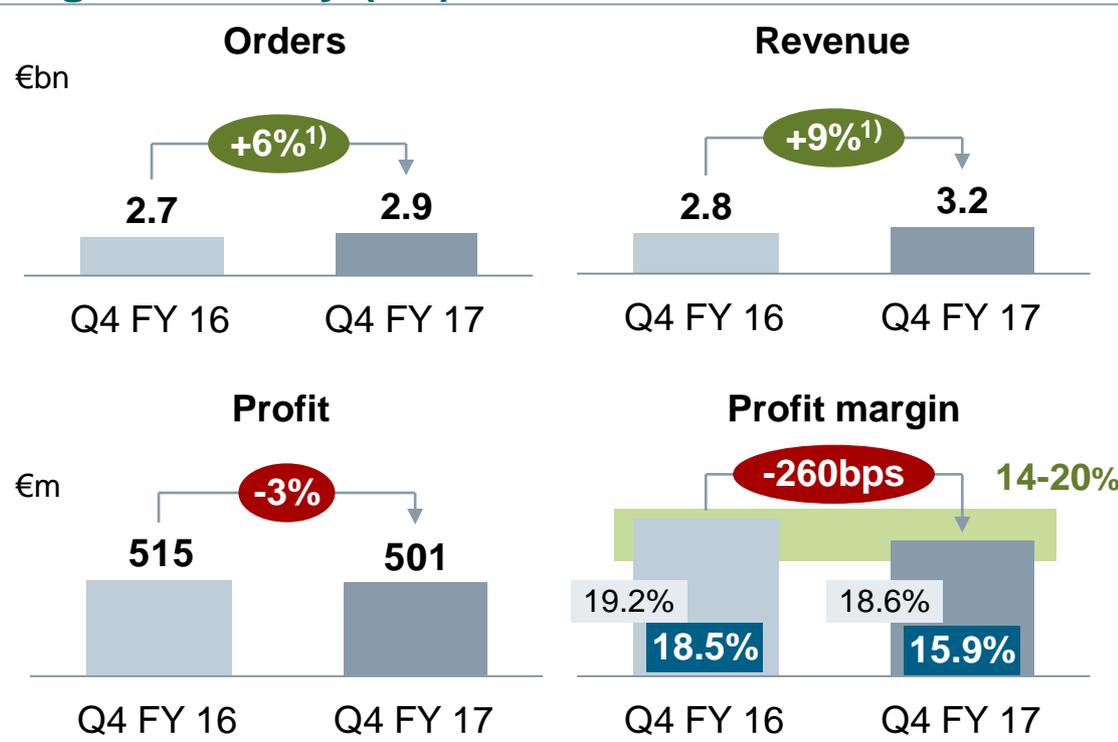
Margin excl. severance

DF: Excellent short-cycle continues – further market share gains

PD: Trough reached, gradual improvement ahead

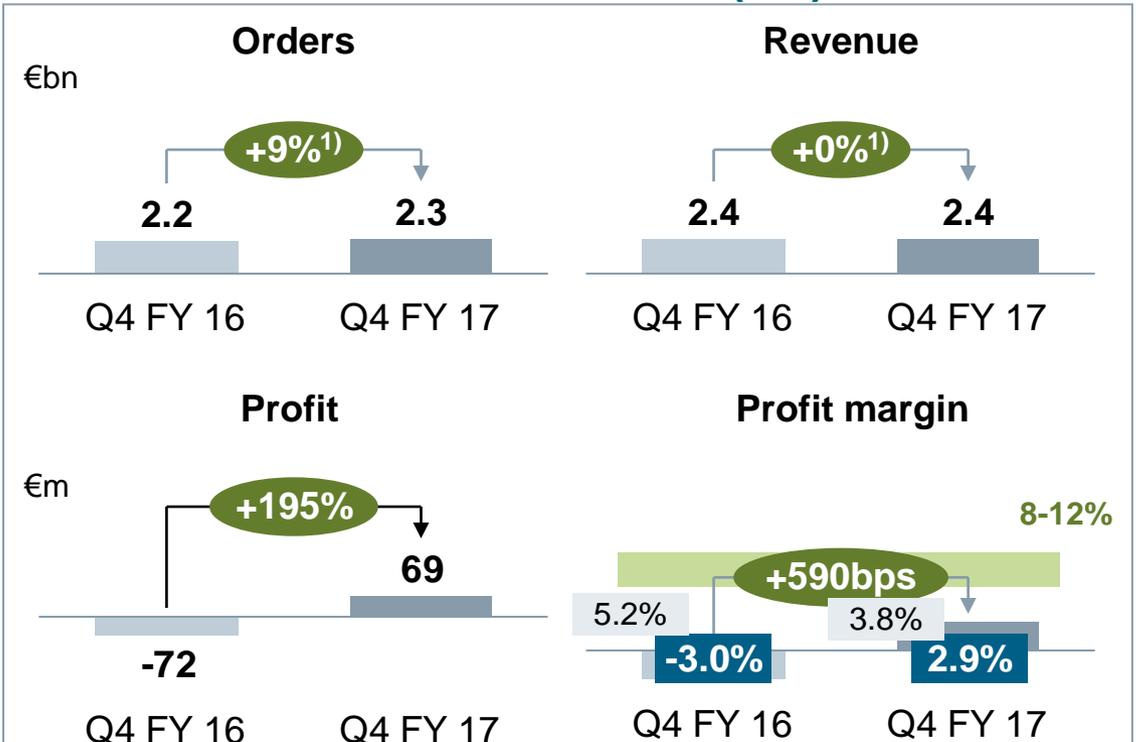


Digital Factory (DF)



- Substantial double digit revenue growth in China
- Mentor effects ~-40bps & MindSphere ~-150bps

Process Industries and Drives (PD)



- Strong order growth in China
- Large drives operational challenges remain
- Charges related to capacity adjustments ~-280bps

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

x.x%

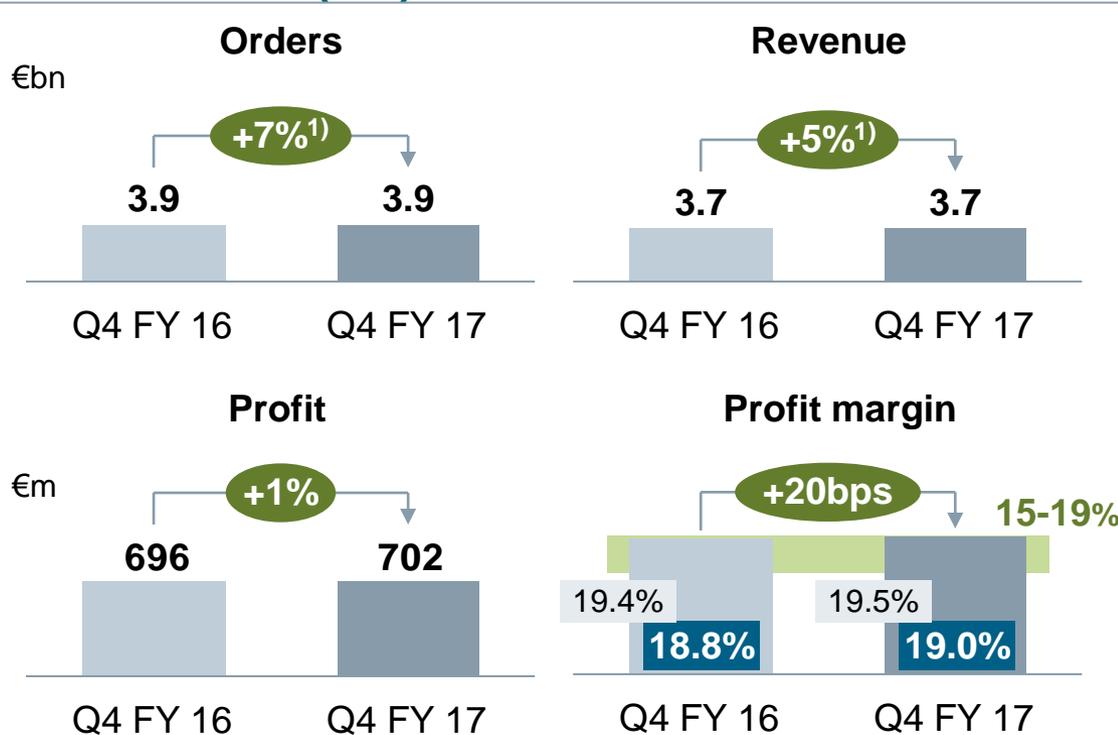
Margin as reported x.x% Margin excl. severance

HC: Capturing growth – excellent margin

SGRE: Strong order wins and challenges in operations

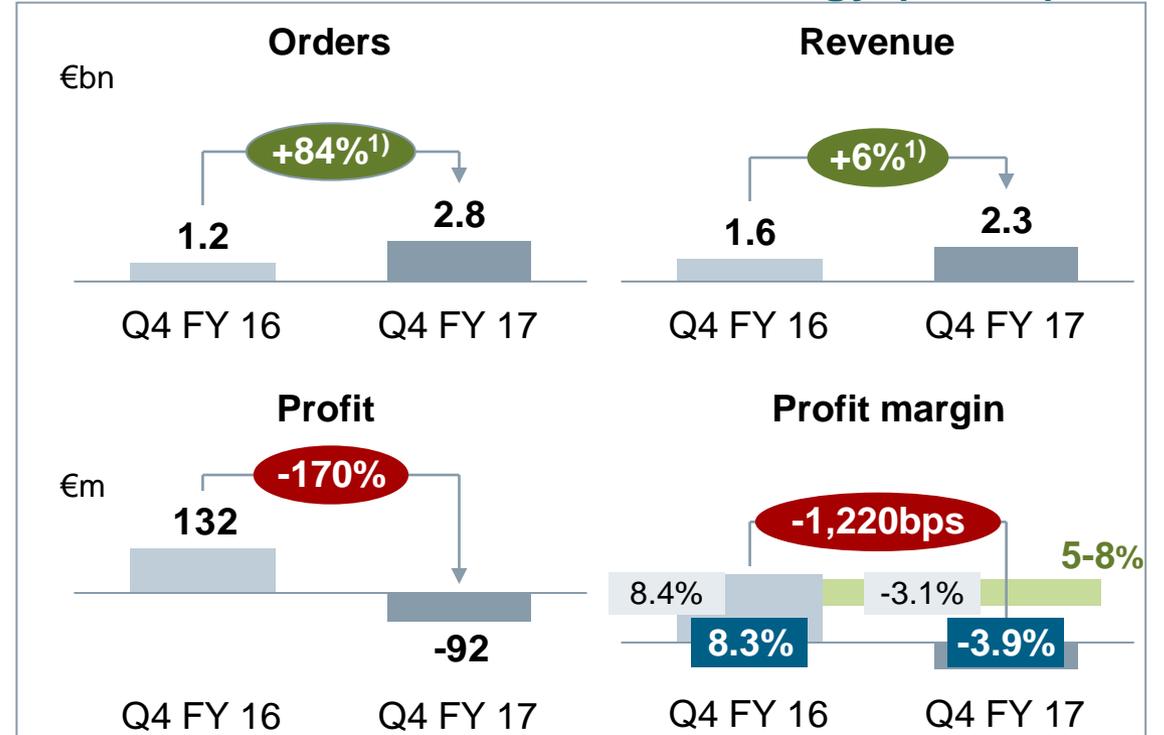


Healthineers (HC)



- Top line growth driven by Europe and China
- Strong profitability due to Diagnostic Imaging

Siemens Gamesa Renewable Energy (SGRE)



- Large order wins, e.g. Borssele
- Profit impacted by write downs of inventories (-€134m), integration and capacity adjustments (-€67m)

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

x.x%

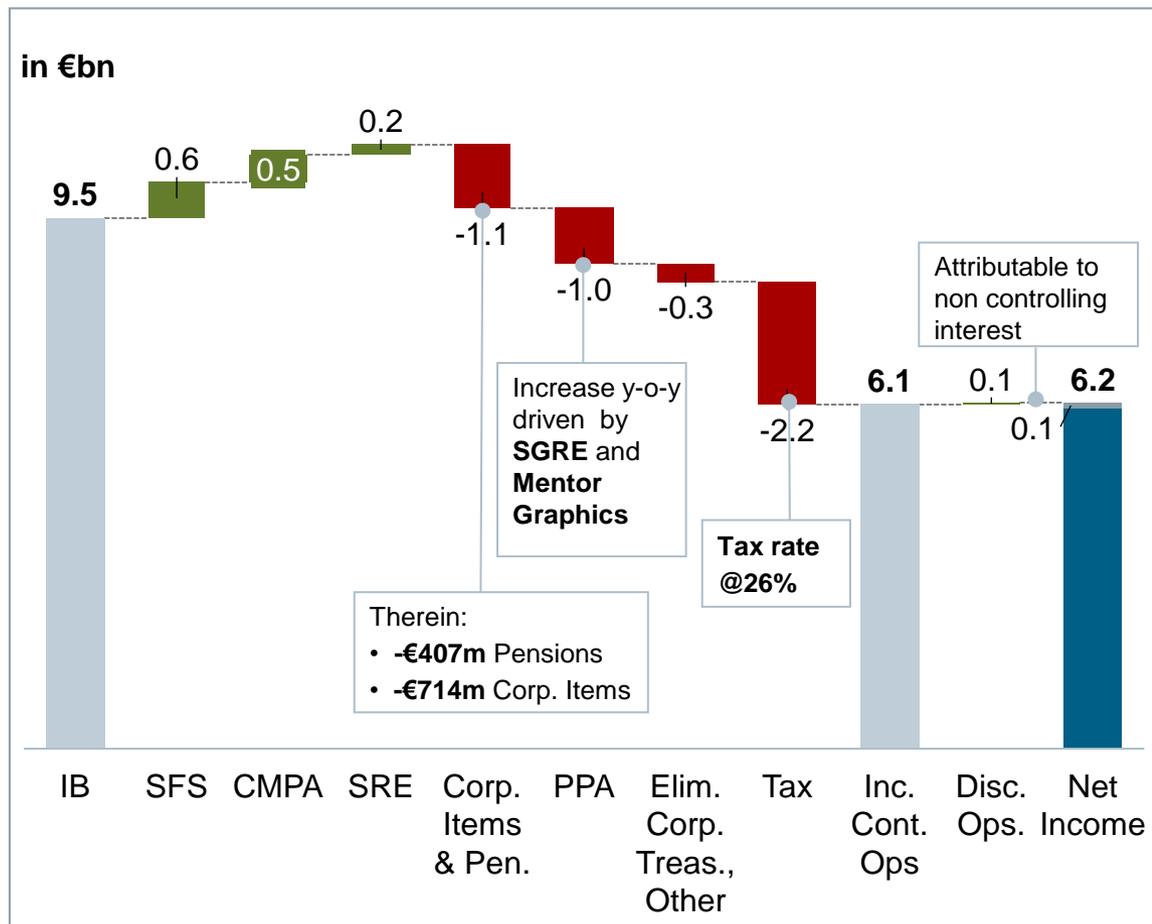
Margin as reported

x.x%

Margin excl. severance

Below Industrial Business FY18 remains volatile

Below Industrial Business – FY 2017



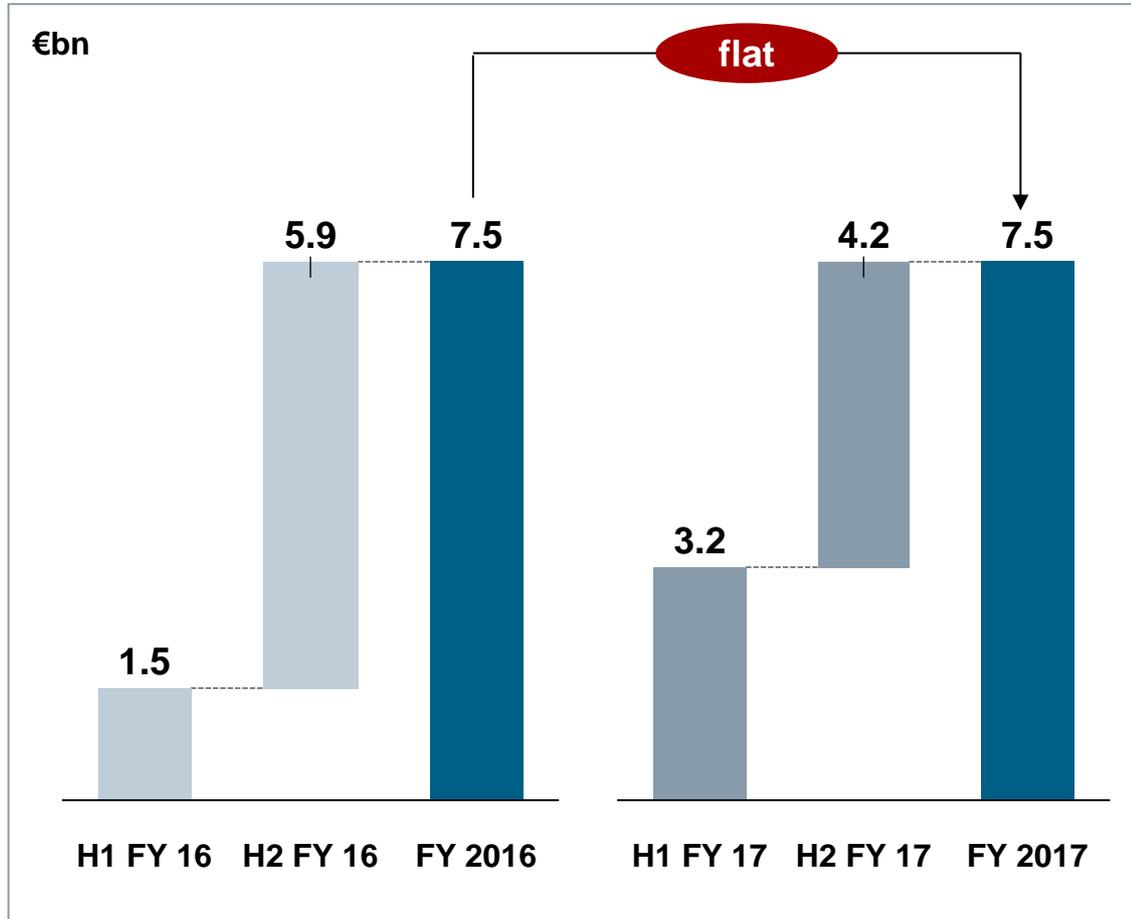
Expectations for FY 2018¹⁾

- **SFS:** in line with FY 2017
- **CMPA:** positive due to portfolio gains, volatility remains
- **SRE:** in line with FY 2017, dependent on disposal gains
- **Corporate Items:** ~€150m per quarter on high central innovation invest
- **Pension:** in line with FY 2017, ~€100m per quarter
- **PPA:** ~€300m per quarter; increase due to Mentor and Gamesa
- **Eliminations, Corporate Treasury, Others:** ~€100m higher than in FY 2017 due to higher interest expenses
- **Tax rate:** expect 27% – 33%
- **Discontinued Operations:** immaterial

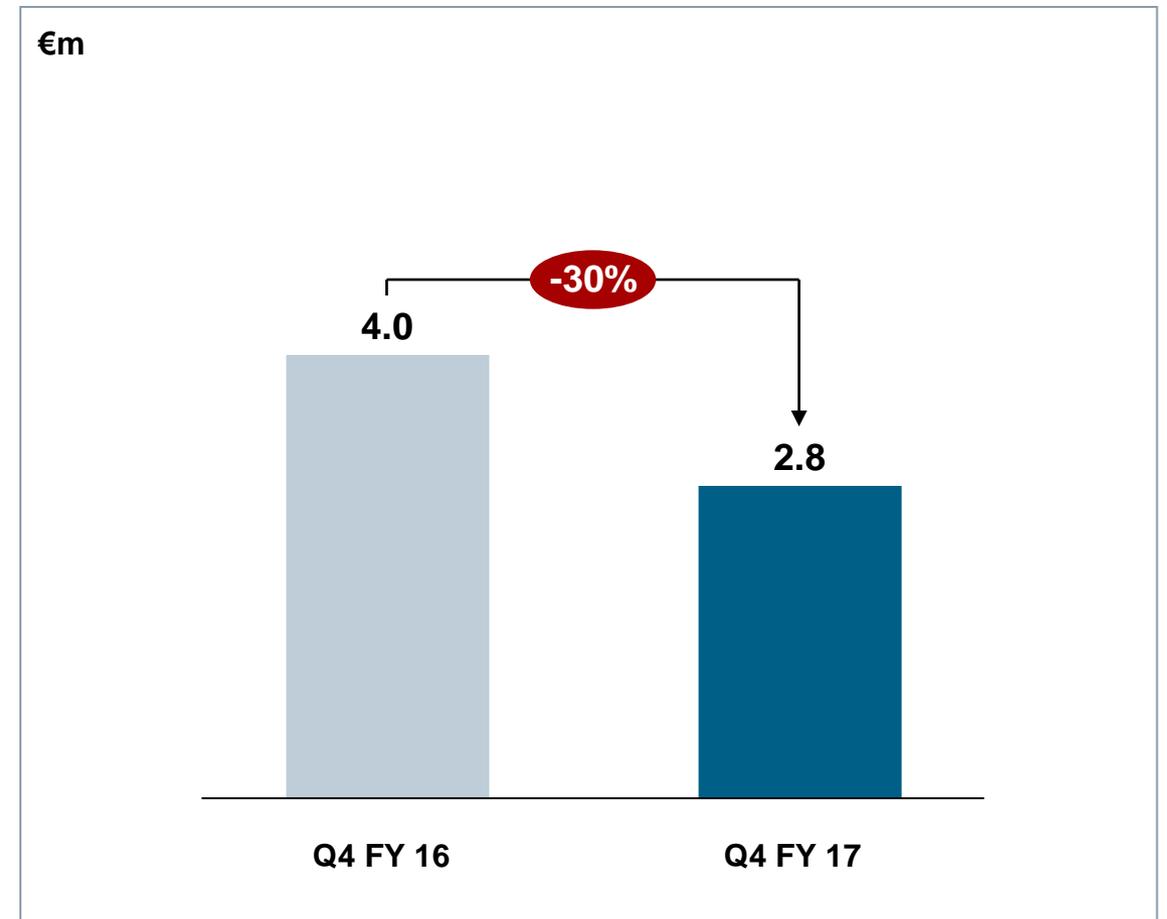
1) Expectations exclude severance charges

Strong cash conversion across most divisions PG and SGRE weigh on free cash flow in Q4

Industrial business free cash flow – FY 2017



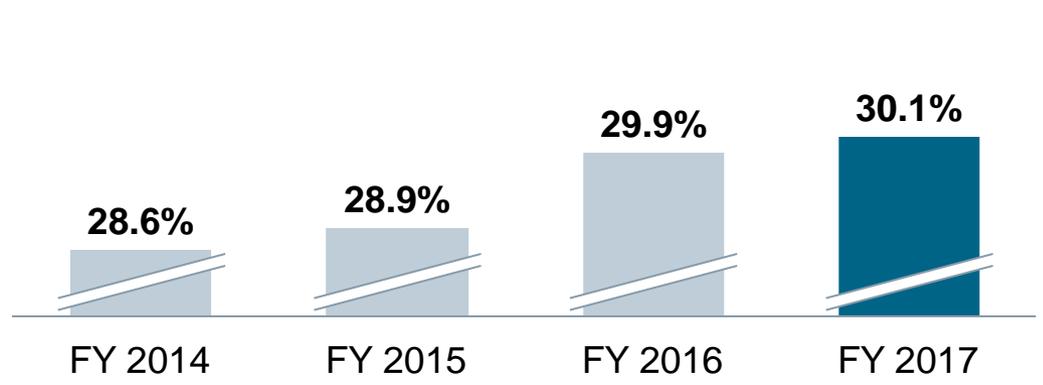
Industrial business free cash flow – Q4 FY 2017



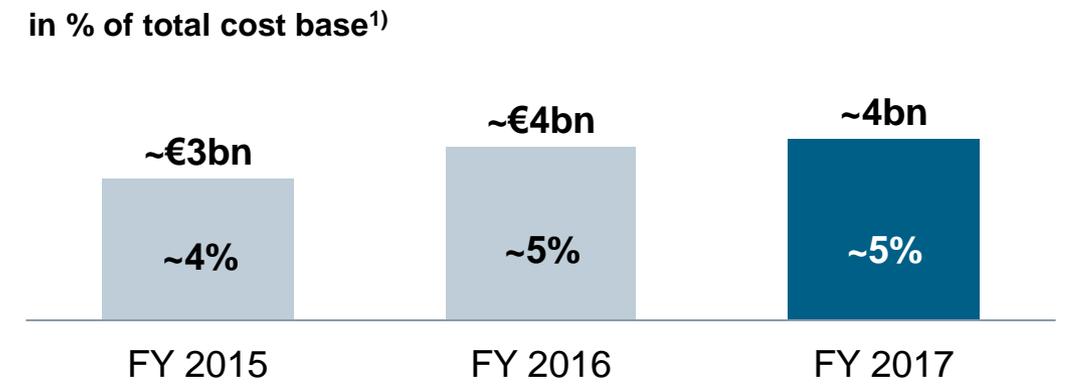
Executing Vision 2020

Continuous productivity drives operational performance

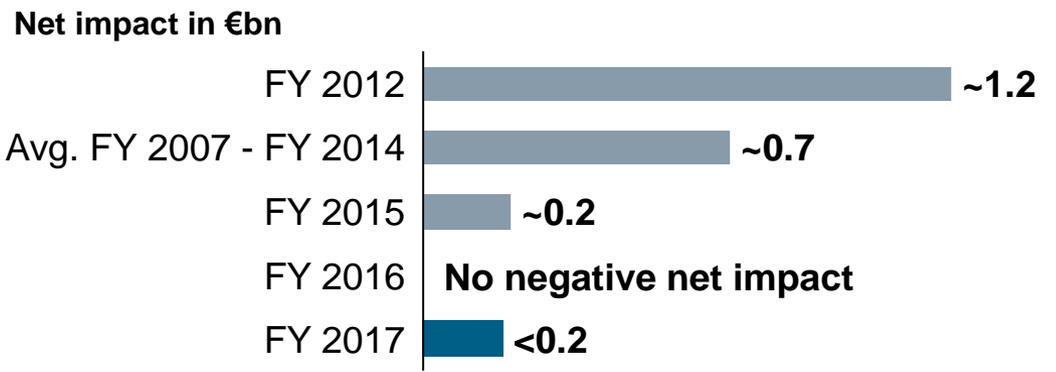
Gross margin improvement on track



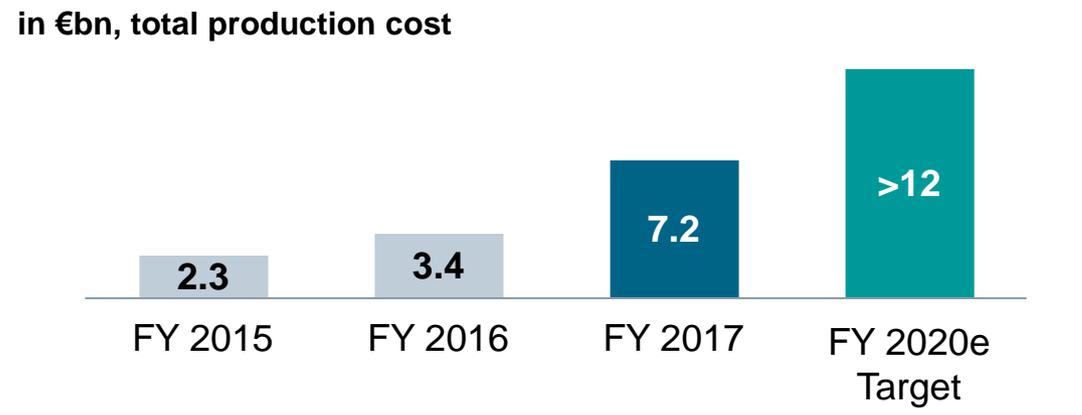
Ongoing rigorous total cost productivity



Stringent project execution continues



Cost and Value Engineering ahead of plan



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

Executing Vision 2020

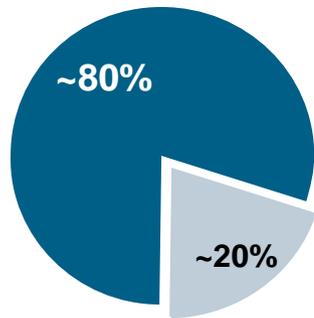
Underperforming businesses show clear progress

Underperforming businesses (~€15bn revenue in FY 2017)

Fiscal Year	2013	2014	2015	2016	2017	2020e
Profit Margin	-4%	-3%	+1%	+3%	~6%	>8%



Fiscal 2017 achievement



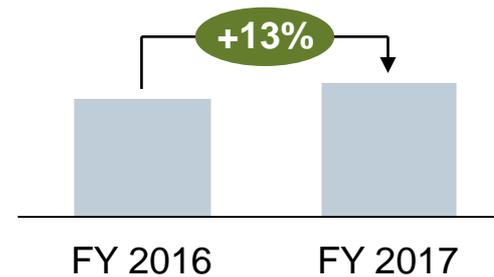
In 6% range

Under special management attention

Example: Intelligent Traffic Systems Business



Order growth (organic)

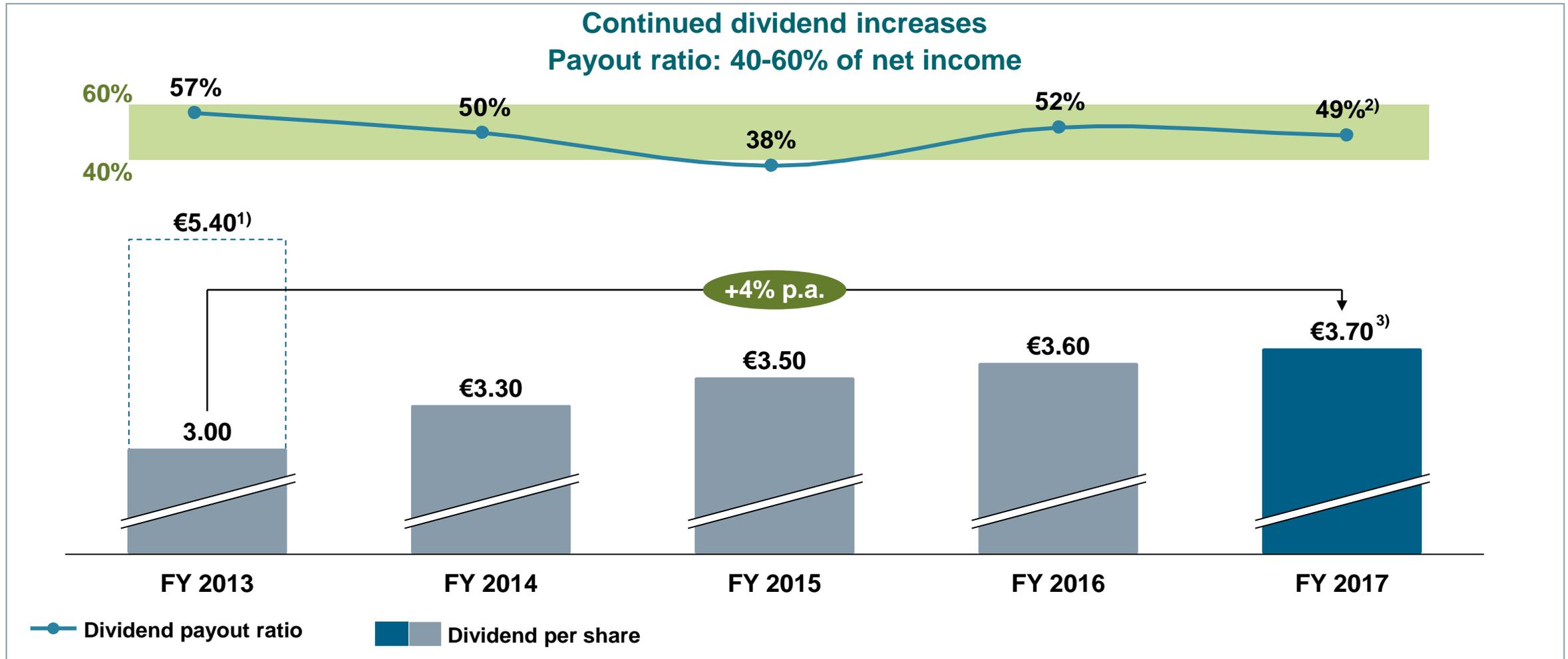


Profit margin



Delivering sustainable shareholder returns

Dividend yield of 3.1%

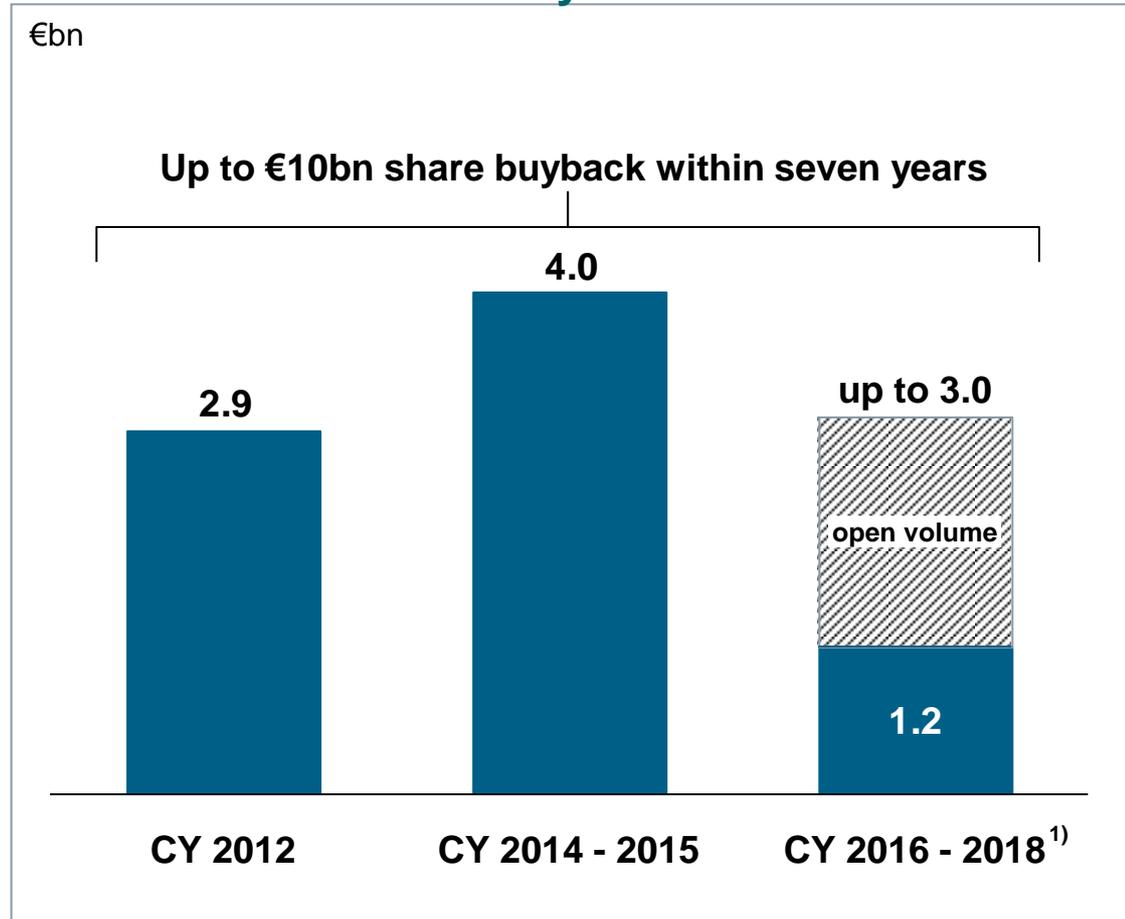


1) Effect of OSRAM stock distribution to shareholders of €2.40 per share; not reflected in dividend payout ratio

2) Payout ratio assumes 817m shares outstanding at Jan 31, 2018 3) Proposed dividend pending on annual shareholder meeting approval in Jan 2018

Value creation for all stakeholders

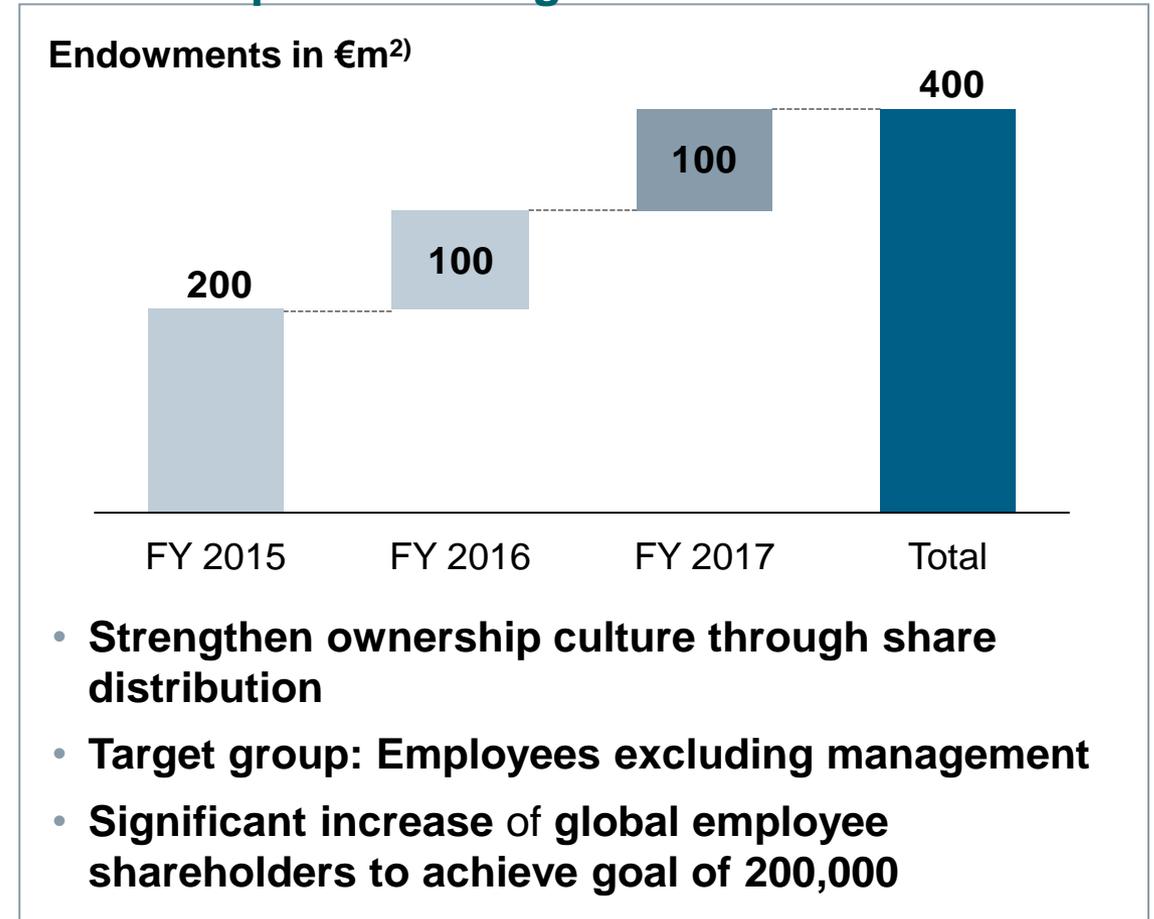
Committed to share buyback



1) Status by Sep 30 2017

© Siemens AG 2017

Siemens profit sharing



2) Does not reflect P&L-impact; related to performance in respective year

Assumptions for FY 2018 as basis for guidance

Macroeconomic environment

- Continued geopolitical tension, improving global investment demand

Pricing

- Pricing pressure around 2.5% of revenue

Personnel cost inflation

- 3 - 4% increase

Productivity

- In the range of 3 – 5% productivity target

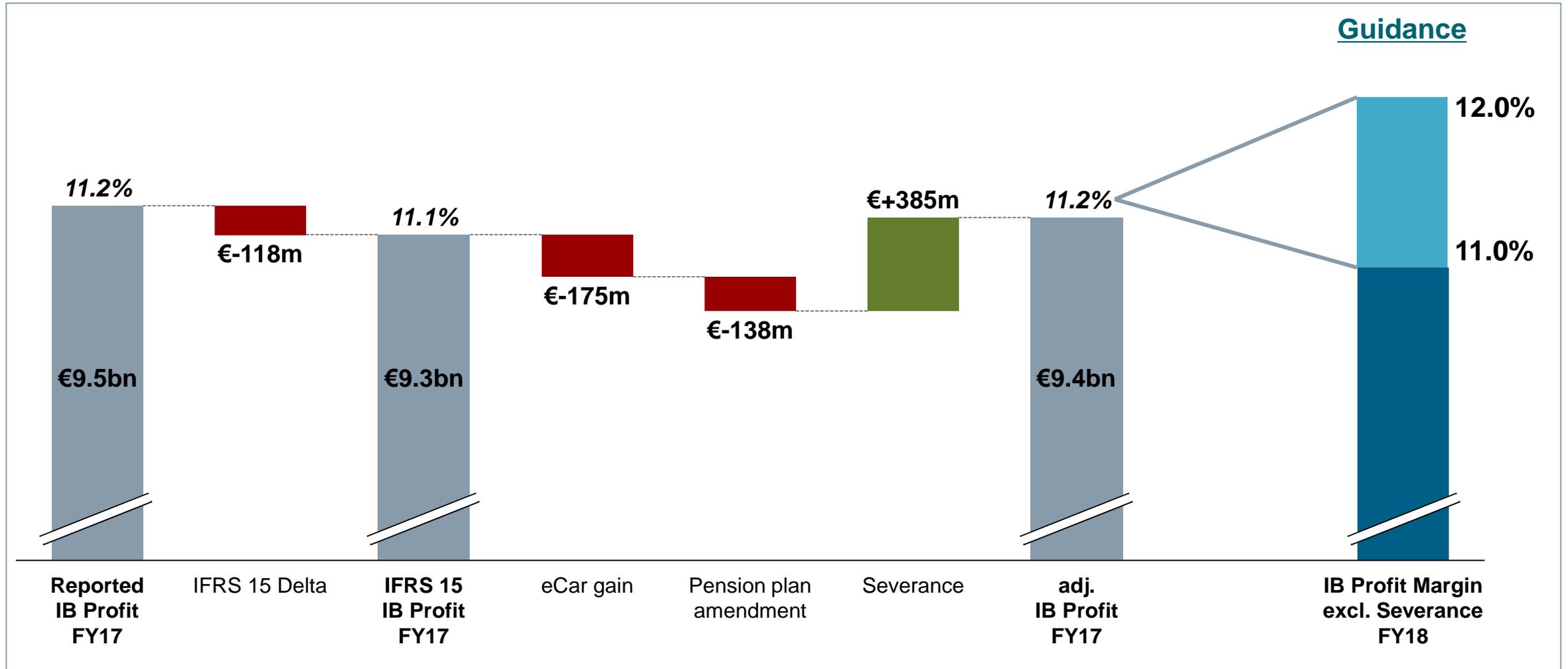
Capex

- Clear increase over FY 2017 levels

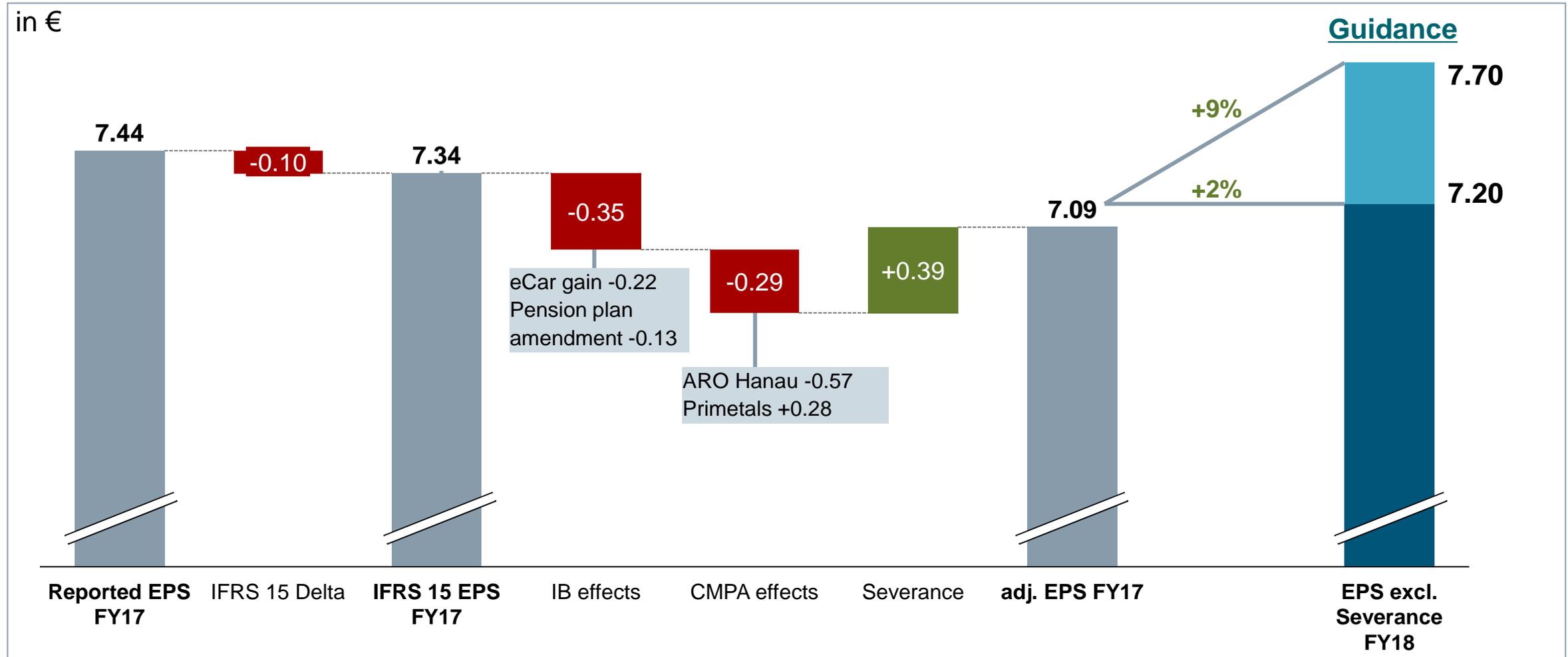
Foreign exchange

- Significant negative top & bottom line impact on current exchange rates

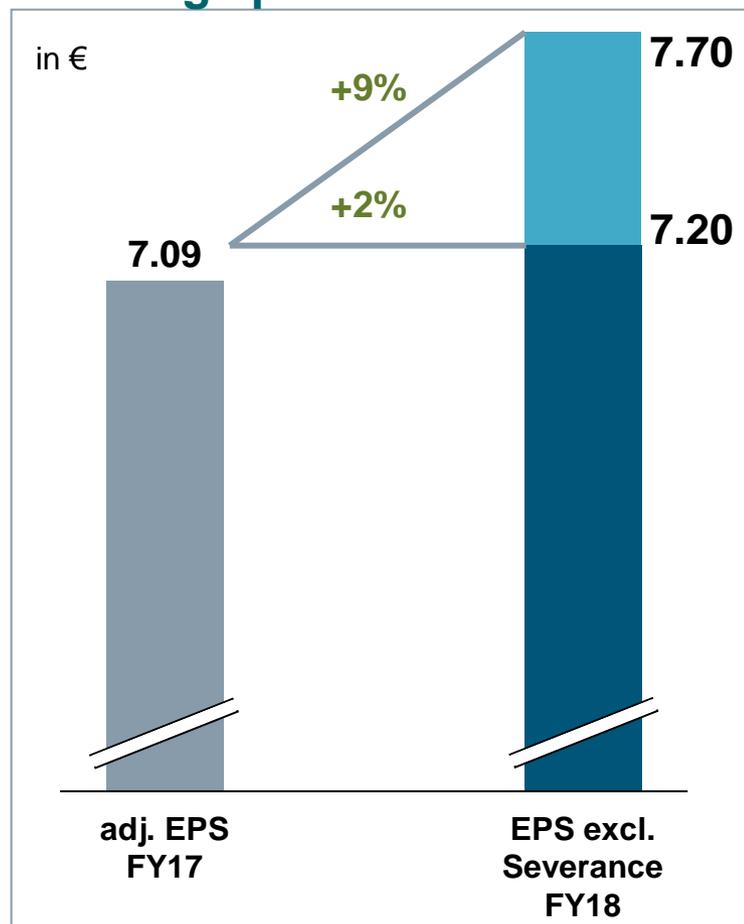
Industrial Business Profit Margin - Outlook FY 2018



Earnings per share - Outlook FY 2018



Earnings per share



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

© Siemens AG 2017

Outlook

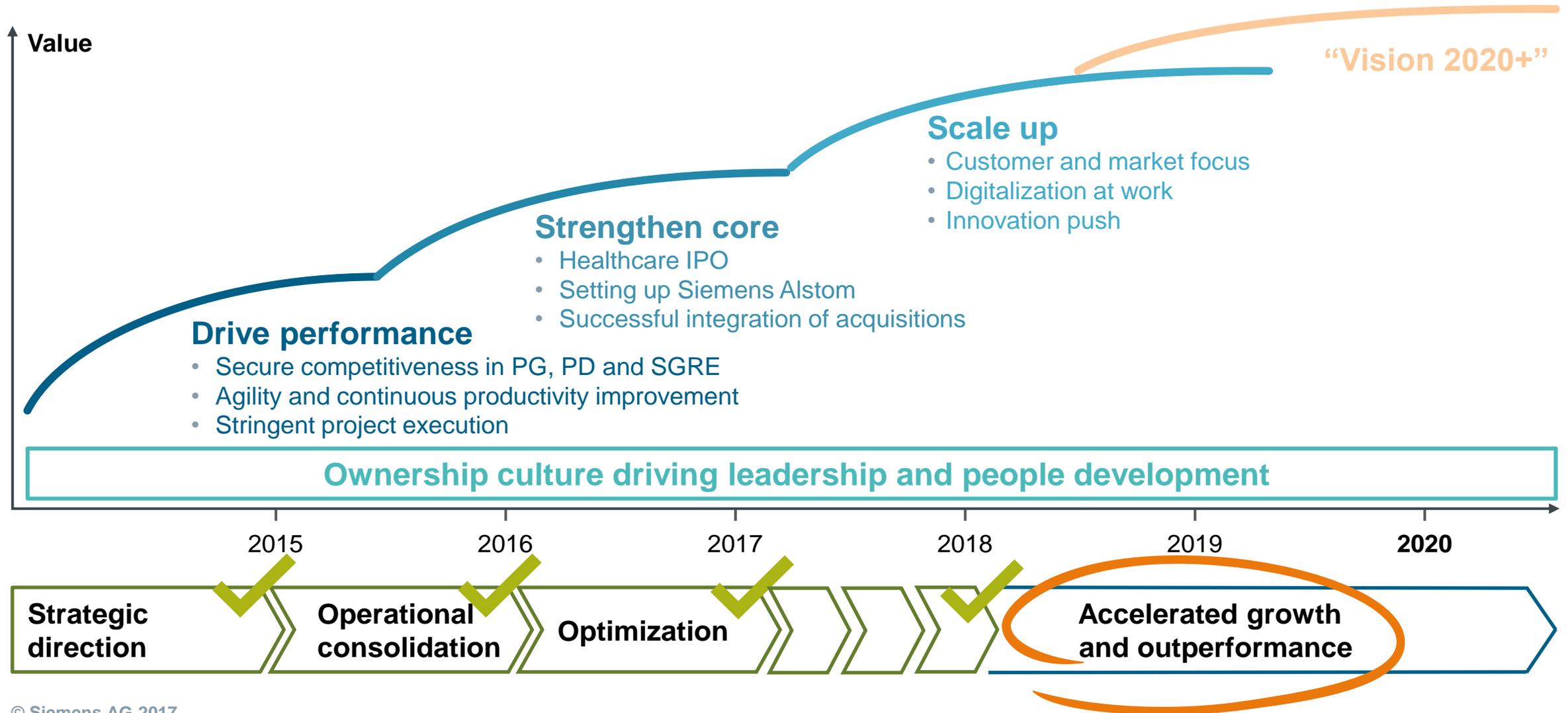
We expect a **mixed picture in our market environment** in fiscal 2018, ranging from **strong markets** for our **short-cycle businesses** to **unfavorable dynamics** in our **energy generation markets**, as well as **geopolitical uncertainties** that may restrict investment sentiment.

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**.

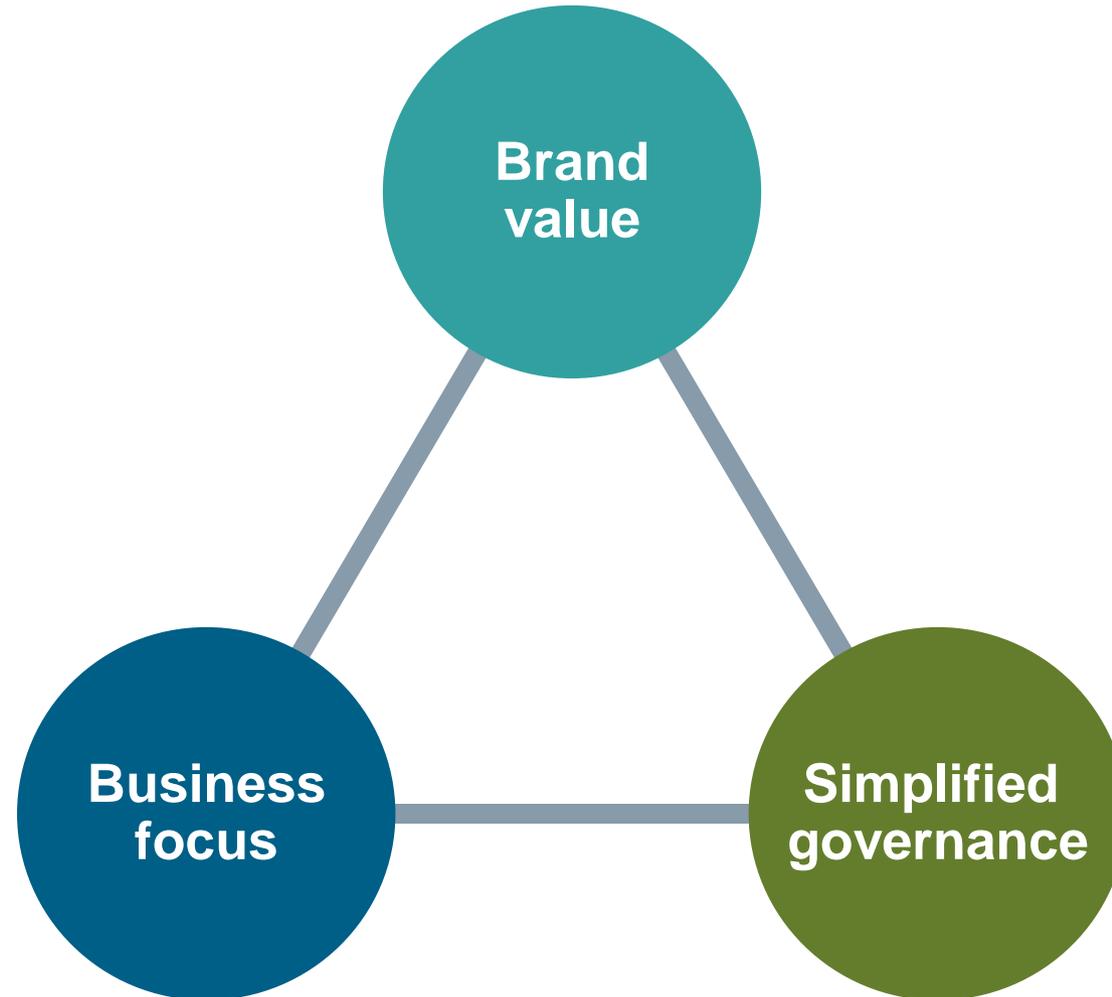
We expect a **profit margin of 11.0% to 12.0%** for our **Industrial Business** and **basic EPS from net income** in the **range of €7.20 to €7.70**, both **excluding severance charges**.

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 Vision 2020 execution well advanced FY 2018 – Setting direction for next strategic level



Key considerations for “Vision 2020+”



Appendix



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%

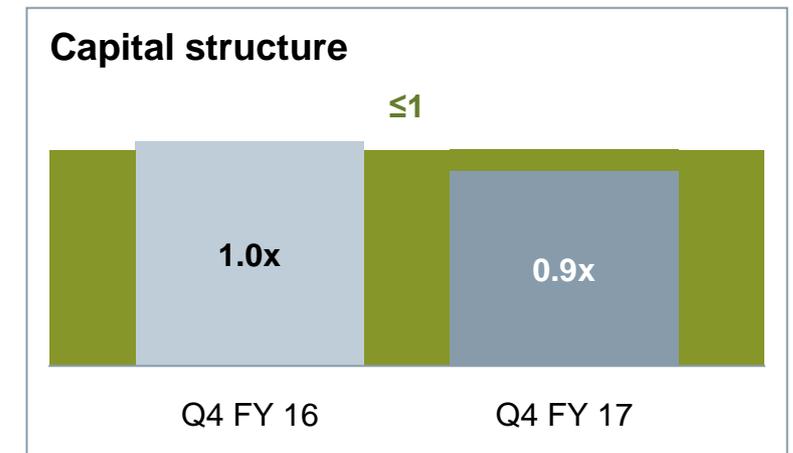
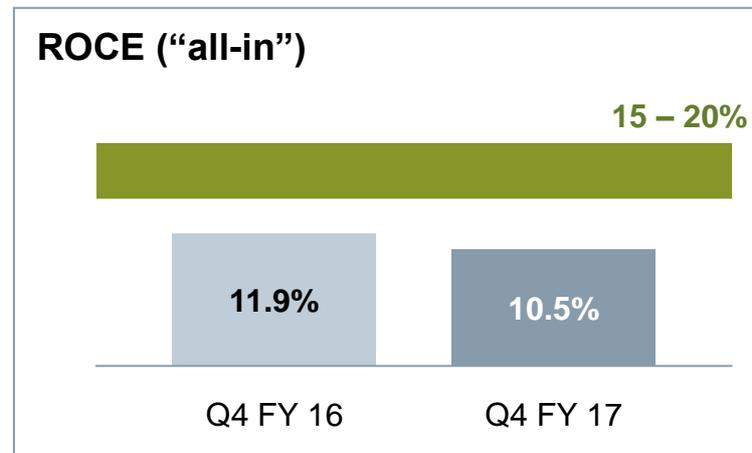
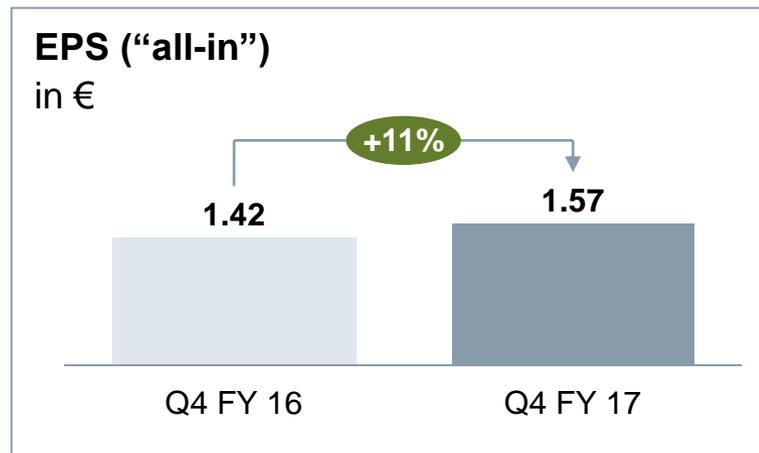
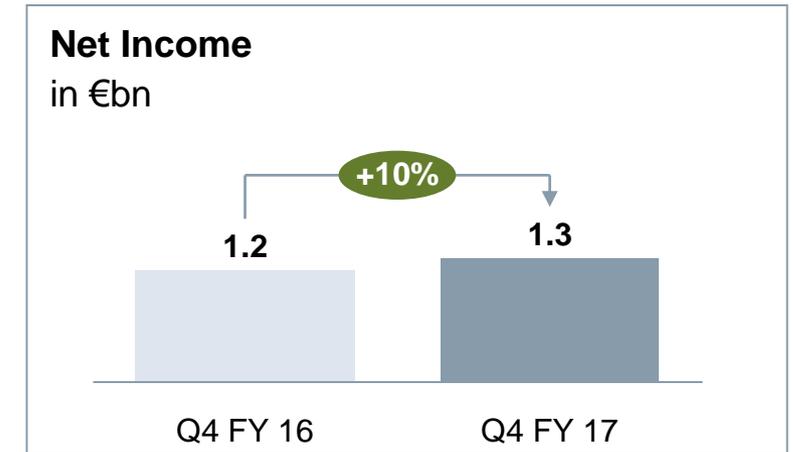
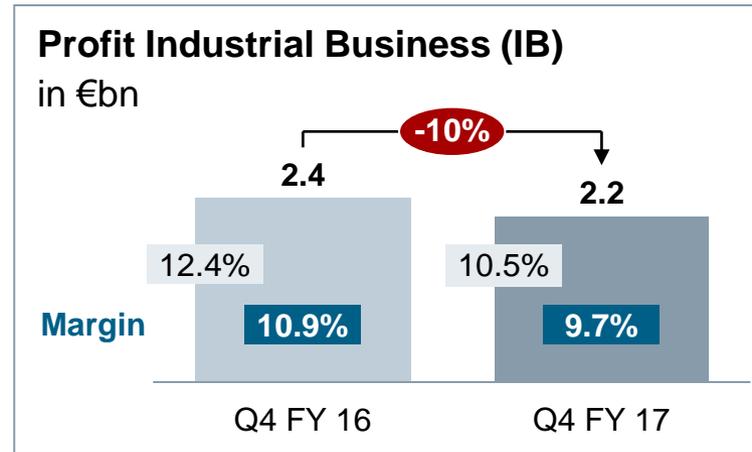
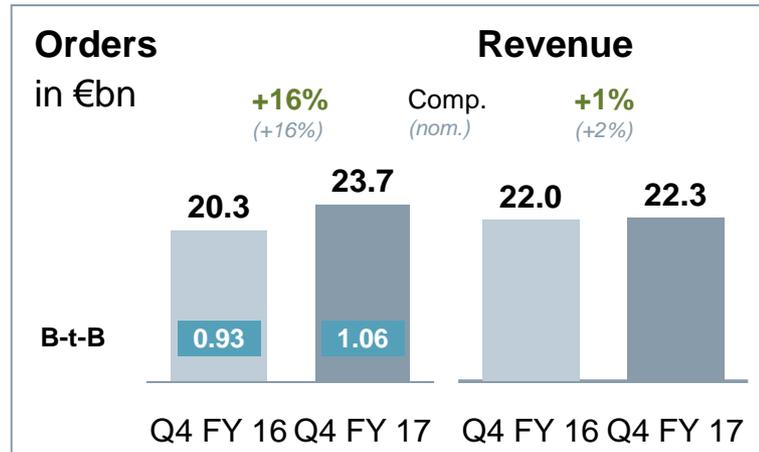
1) ABB, GE, Schneider, MHI, Eaton, weighted; 2) Based on continuing and discontinued operations; 3) Productivity measures divided by functional costs (cost of sales, R&D, SG&A expenses) of the group; 4) Of net income excluding exceptional non-cash items; 5) Excl. acquisition related amortization on intangibles;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

Siemens Vision 2020 - Execution well underway, most targets already achieved by FY 2017



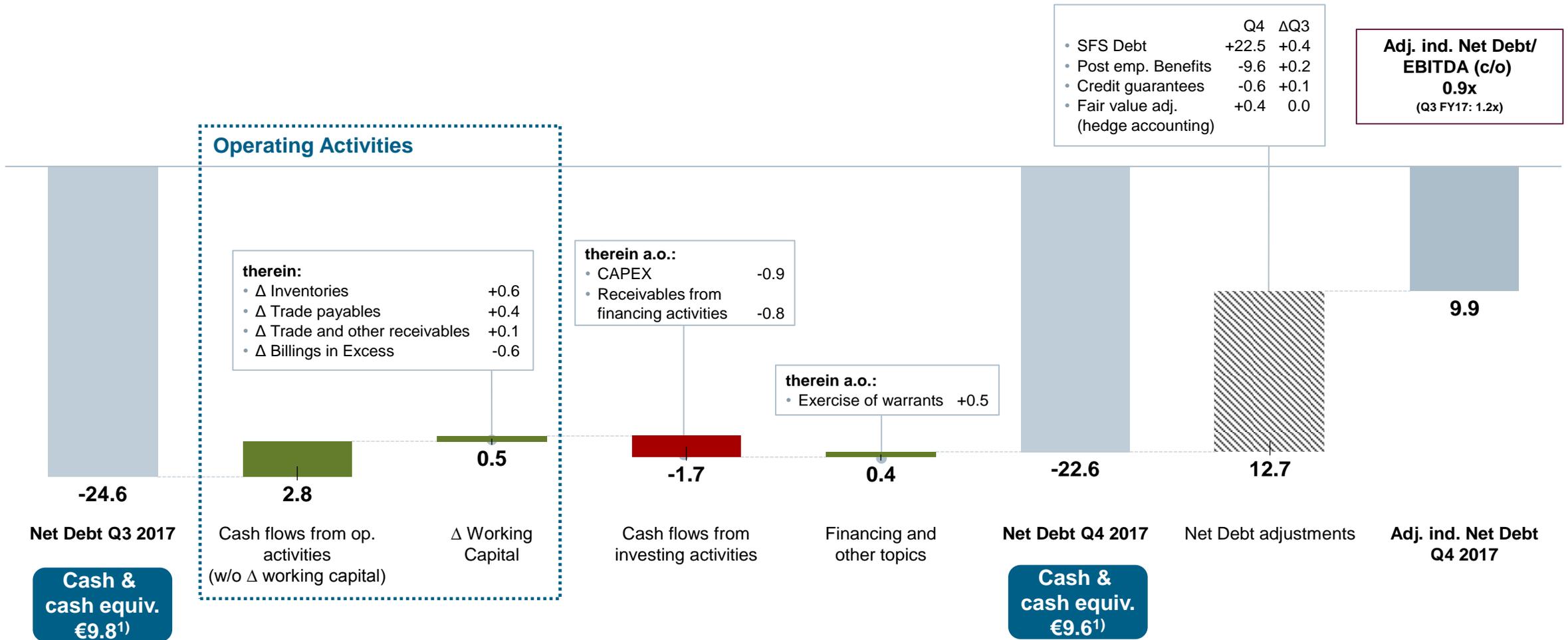
GOAL	INTENT	KPI	
1 Implement stringent company governance with effective support functions	Live lean governance and drive continuous optimization	KPI: €1bn cost savings by FY 2016 achieved	
2 Strengthen portfolio	Sharpen our business focus in electrification, automation, and digitalization	KPI: Tap growth fields > 8% margin in underperforming businesses	
3 Execute financial target system	Grow our company value	KPI: 15-20% ROCE Growth > most relevant competitors	
4 Expand global management	Get closer to our customers and markets	KPI: > 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	KPI: ≥ 20% improvement in Net Promoter Score	
6 Be an employer of choice	Unleash the full potential of our people	KPI: > 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	KPI: ≥ 50% increase in number of employee shareholders	

Financial cockpit – Q4 FY 2017



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

Net debt bridge – Q4 FY 2017



1) Including current available-for-sale financial assets

Provisions decreased slightly in Q4 FY 17, mainly due to positive returns on plan assets



Q4 FY 2017 Key financials – Pensions and similar obligations

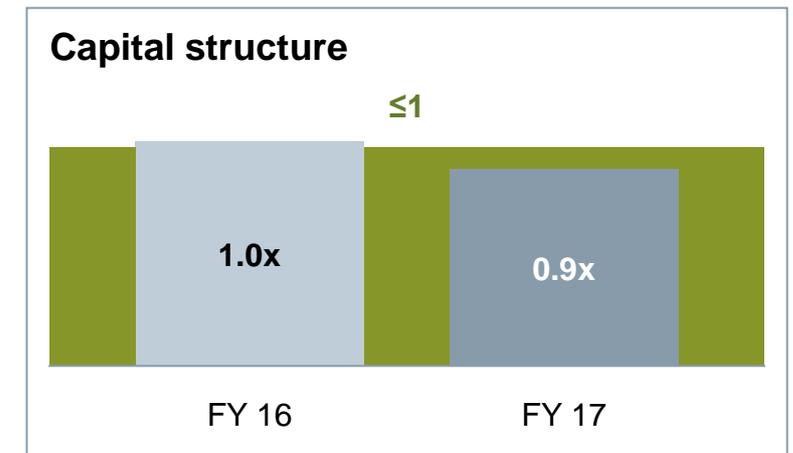
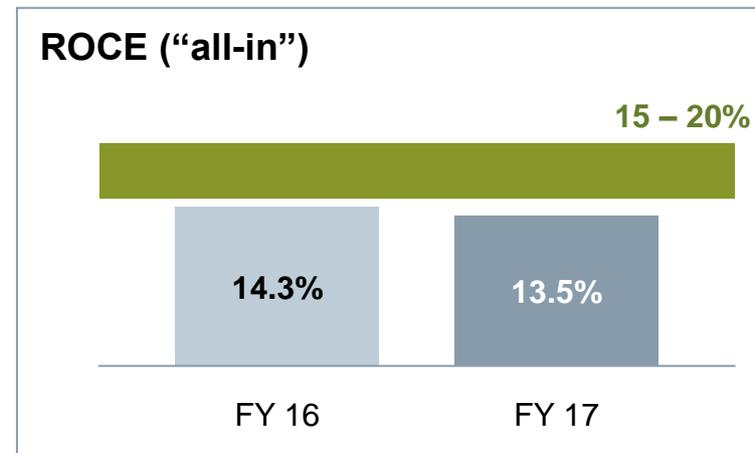
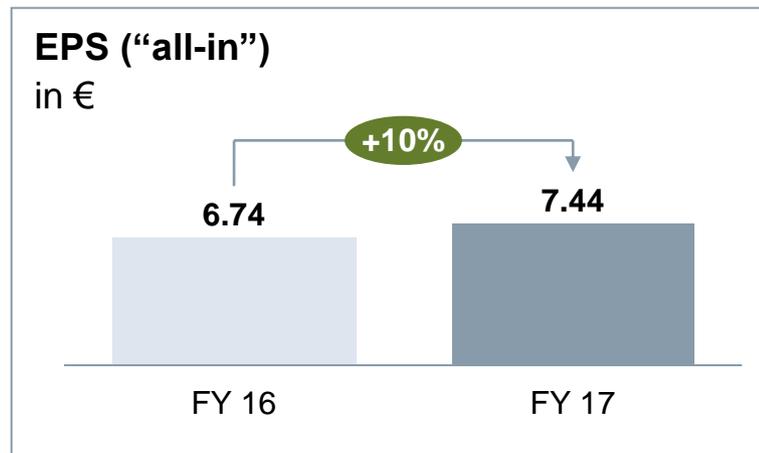
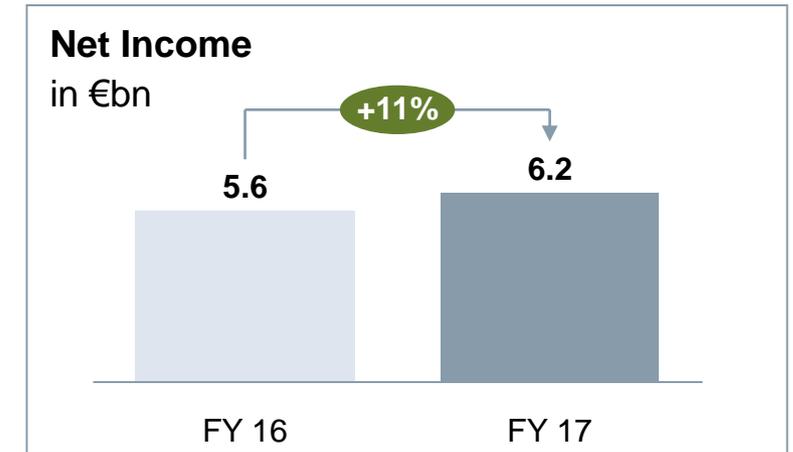
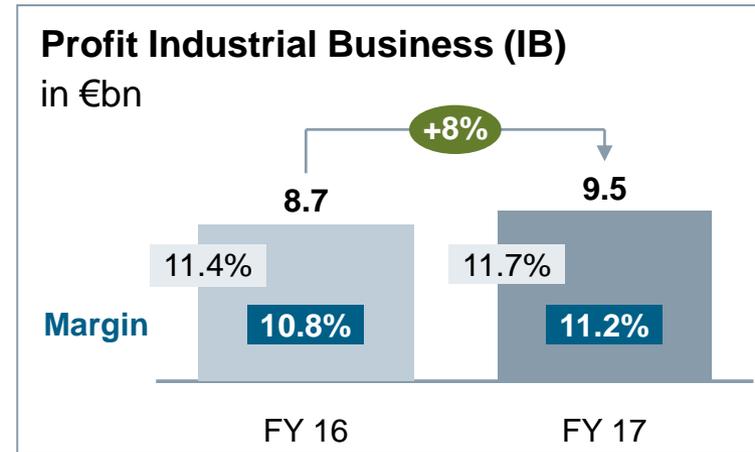
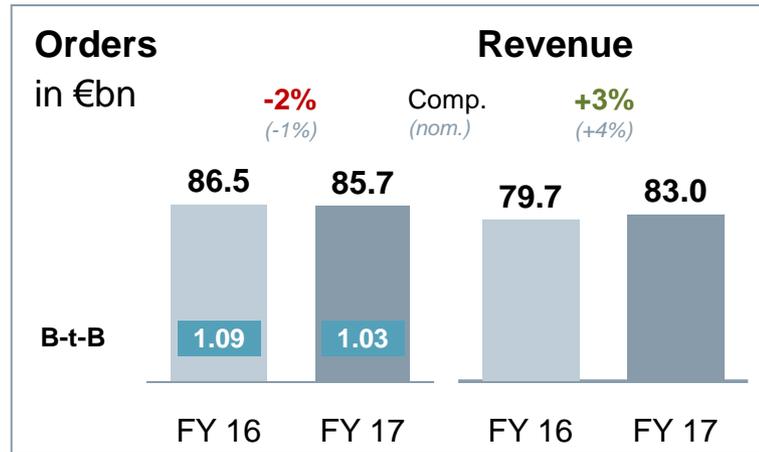
in €bn ¹⁾	FY 2015	FY 2016	FY 2017	Q1 FY 2017	Q2 FY 2017	Q3 FY 2017	Q4 FY 2017
Defined benefit obligation (DBO)²⁾	(36.8)	(42.2)	(36.9)	(39.0)	(38.4)	(37.1)	(36.9)
Fair value of plan assets²⁾	27.1	28.7	27.6	28.1	28.1	27.5	27.6
Provisions for pensions and similar obligations	(9.8)	(13.7)	(9.6)	(11.1)	(10.5)	(9.8)	(9.6)
Discount rate	3.0%	1.7%	2.4%	2.3%	2.3%	2.4%	2.4%
Interest Income	0.8	0.8	0.5	0.1	0.1	0.1	0.1
Actual return on plan assets	0.6	3.3	0.3	-0.5	0.3	0.1	0.4

1) All figures are reported on a continuing basis.

2) Fair value of plan assets including effects from asset ceiling (Q4 2017: €-0.1bn); difference between DBO and fair value of plan assets additionally resulted in net defined benefit assets (Q4 FY 2017: €+0.3bn); Defined Benefit Obligation (DBO), including other post-employment benefit plans (OPEB) of ~€0.5bn

Note: Beginning with fiscal 2017, we report 'provisions for pensions and similar obligations' as presented in the Consolidated Statements of Financial Position, which also include Siemens' underfunding of other post-employment benefit plans. Prior years are presented on a comparable basis.

Financial cockpit – FY 2017

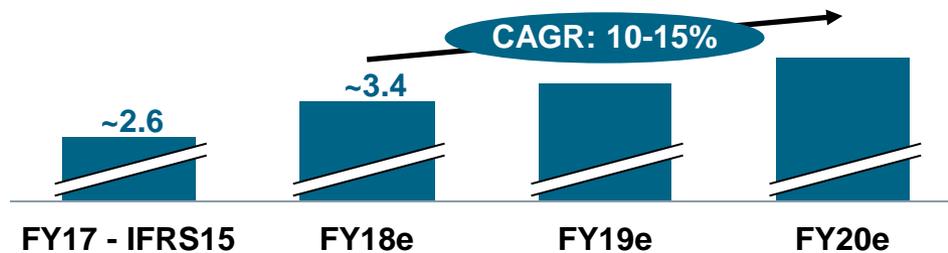


x.x% Margin as reported x.x% Margin excl. severance

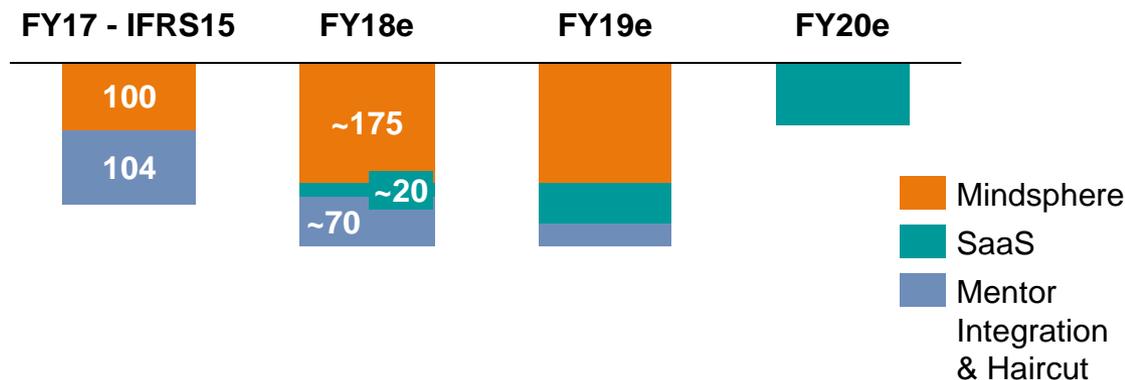
Invest in cloud-based business models will be overcompensated by strong execution of traditional software business

Software business within Digital Factory

Revenue (in €bn)



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



Note: FY17 including Mentor from Q3 onwards

© Siemens AG 2017

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

Financial calendar

November

November 9 – 10, 2017

Roadshow UK (London)

November 13, 2017

Roadshow France (Paris)

November 14, 2017

Roadshow Germany (Frankfurt)

November 14 – 15, 2017

Roadshow U.S. (Boston, New York)

December

December 15, 2017

Innovation Day (Munich, Germany)

January

January 9, 2018

Commerzbank conference (New York City)

January 31, 2018

Q1 Analyst call + Annual shareholder meeting (Munich, Germany)



Investor Relations

Internet: www.siemens.com/investorrelations

Email: investorrelations@siemens.com

IR-Hotline: +49 89 636-32474

Fax: +49 89 636-1332474