

# Stringent execution of Vision 2020

Joe Kaeser, President and CEO

Bank of America Merrill Lynch Conference, London, March 18, 2016

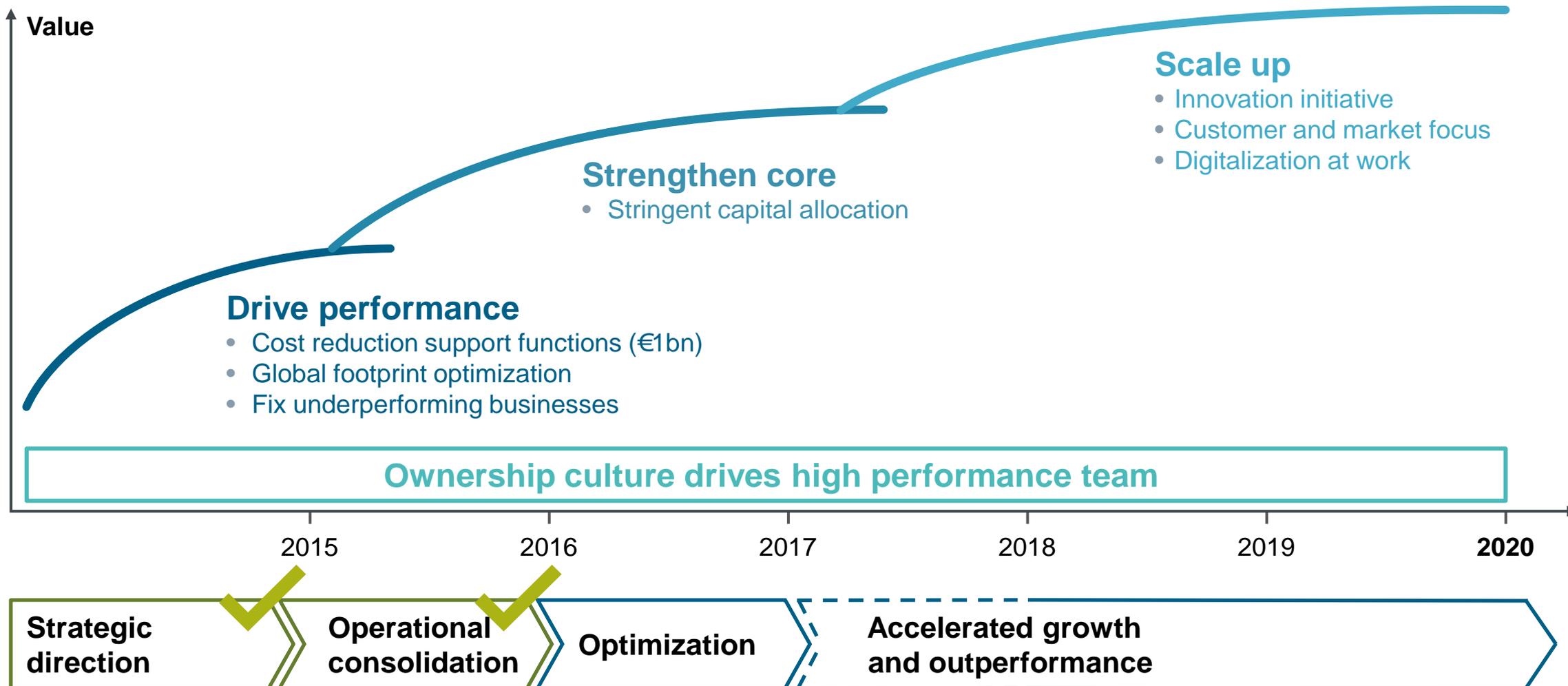
## Notes and forward-looking statements

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 IFRS not clearly defined – supplemental financial measures that are or may be non-GAAP financial 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 IFRS in its Consolidated Financial Statements. Other companies that report or describe similarly titled financial 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.

# Siemens Vision 2020 – Delivered as promised up to now



# Siemens Vision 2020 – The “System” matters

Global trends

**Digital transformation**

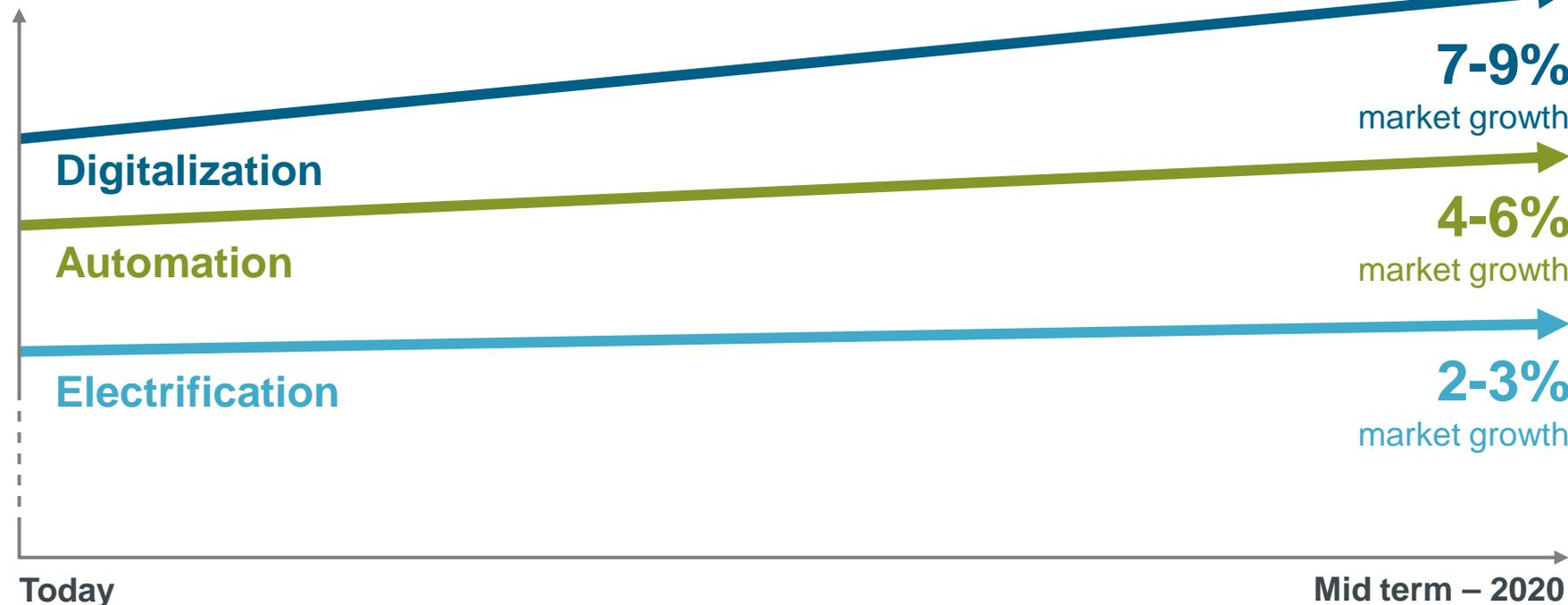
**Globalization**

**Urbanization**

**Demographic change**

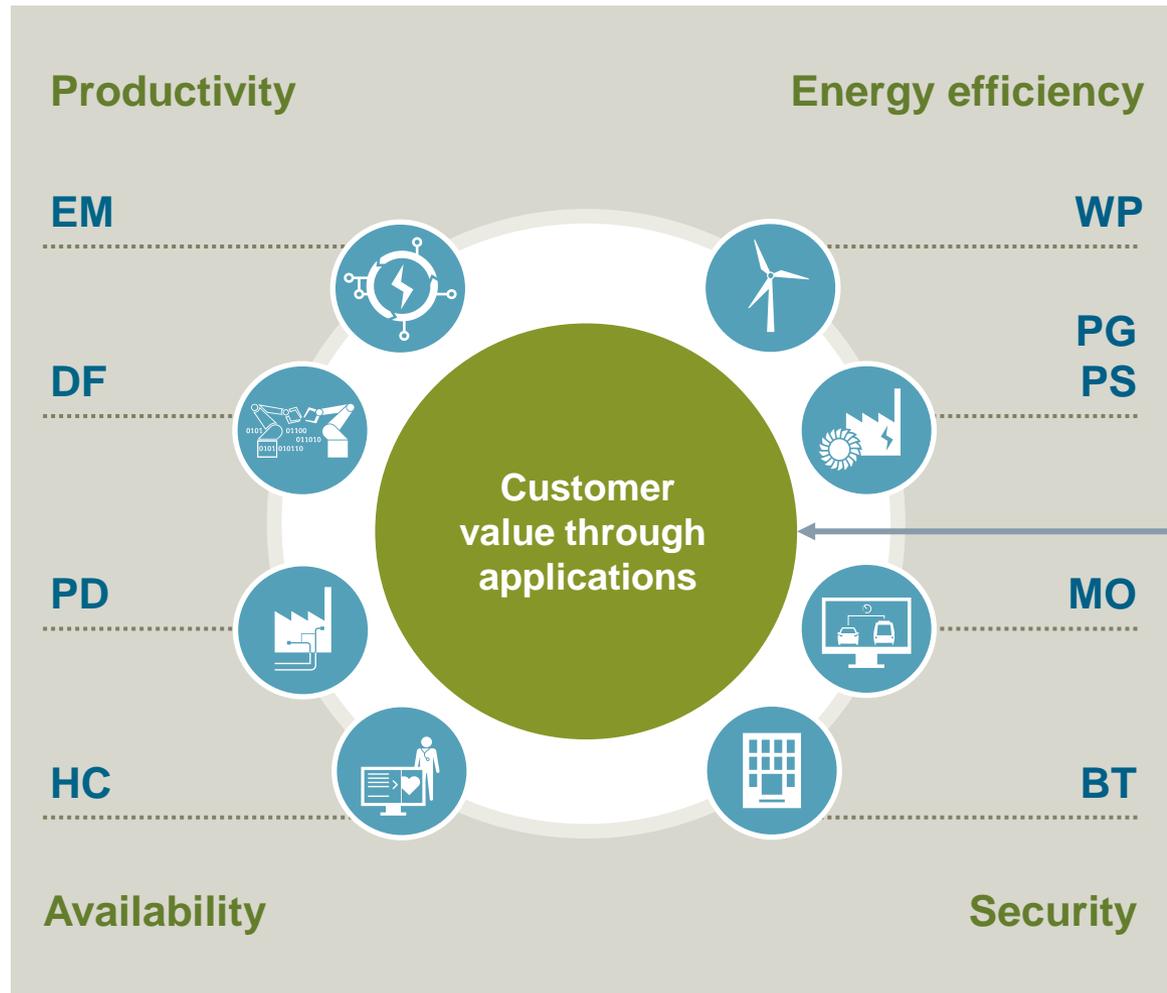
**Climate change**

Market development (illustrative)

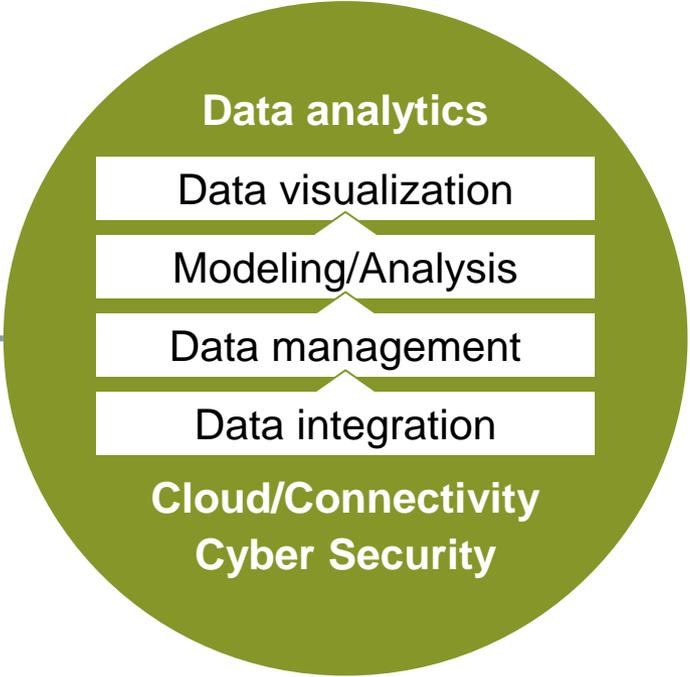


# Platforms lead products

## Sinalytics connects more than 300,000 devices



### Sinalytics Common technology platforms



Example please see page 11

# The E-A-D system

## Vertical Software and Digital Services key drivers for profitable growth



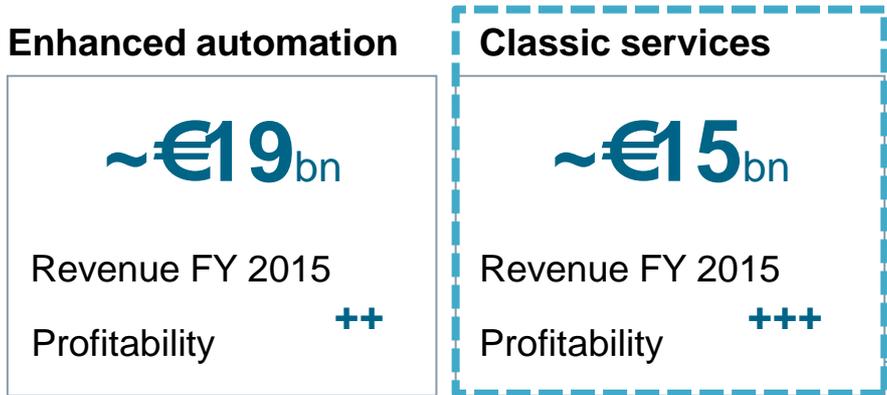
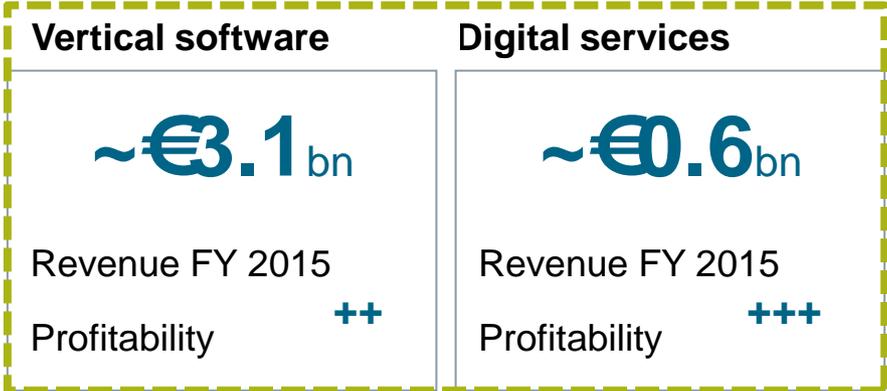
**Digitalization**



**Automation**



**Electrification**



**Enhanced electrification (~€39bn)**

**+~16%**

- Build on deep domain know-how
- Leverage M&A and R&D invest
- Roll-out of cross-divisional Sinalytics platform
- >300k connected devices; 17 Terabytes of data per month

**+~9%**

Note: Figures based on Industrial Business (Growth FY 2015 vs. FY 2014 rebased)

# Siemens unique digital value proposition in Oil & Gas – Applying E-A-D competence and experience

SIEMENS

## Domain know-how



## Application know-how



## Analytics know-how



## Unique Digital O&G Value Proposition



Driving Increased  
HSSE<sup>1)</sup> Requirements



Increased  
Productivity



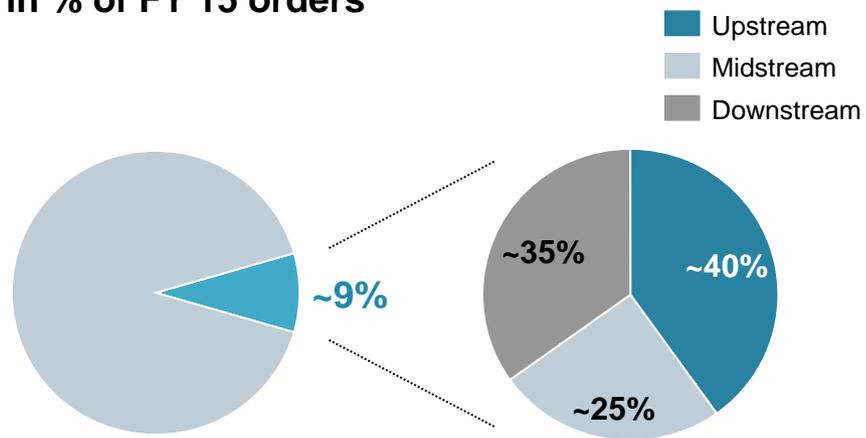
Improved Value for  
Capital Expenditure

1) HSSE – Health, Safety, Security and Environment

# Siemens creates customer value by providing efficient solutions

## Siemens Oil & Gas exposure

in % of FY 15 orders



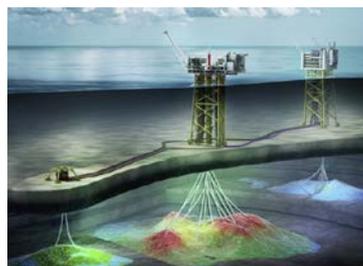
### Priorities

- **Footprint optimization** across all Oil & Gas related businesses
- **Focused invest** in enhancing digitalization & automation offering



## Chevron El Segundo Refinery

- **Operations intelligence platform XHQ**
- **Real-time management** of operations
- **8% reduction** in operating expenses
- **18% less** environmental incidents

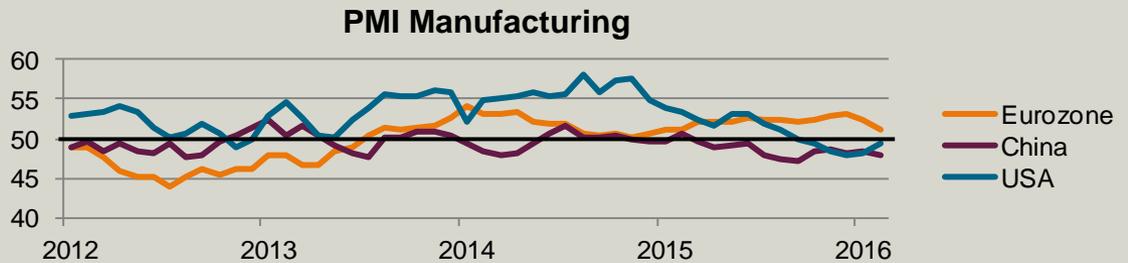


## Det Norske Ivar Asen offshore platform

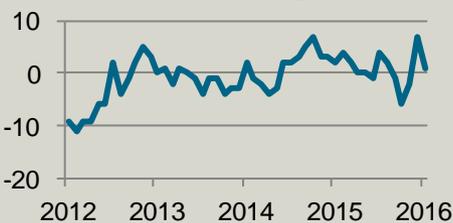
- **Operating offshore platform real time** from onshore
- **Integrated E-A-D solution**
- **Maximize production** with **60 – 70% less** offshore operators required

# Balanced end market exposure supports growth ambition in a difficult macro and geopolitical environment

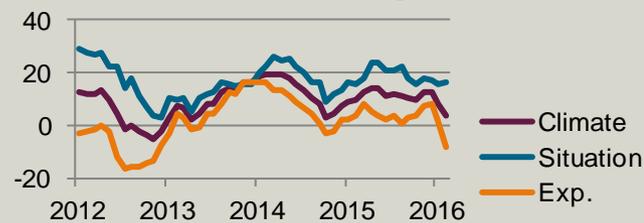
## Sluggish development in global manufacturing



### VDMA machinery orders<sup>1)</sup>



### IFO Manufacturing



1) German machinery manufacturing, new orders, 3 Month Rolling Change Y/Y, constant prices in %

## Opportunities in selected Siemens end markets, e. g.



Automotive



Construction



Healthcare



Rail



- **Moderate market growth** driven by **construction, automotive** and **consumption**
- **Wind** benefitting from **five year PTC extension**
- Ongoing **weakness** in **commodities** and **export driven industries**



- **Export industry** supported by weak Euro and consumption benefitting from low oil prices
- **Continued risks** due to **“Brexit” concerns** and refugee situation



- Ongoing **economic reform/restructuring** weighs on growth
- Selected **infrastructure investments**



- **Soft demand** from **oil exporting emerging countries, weakness** in **Russia & Brazil**



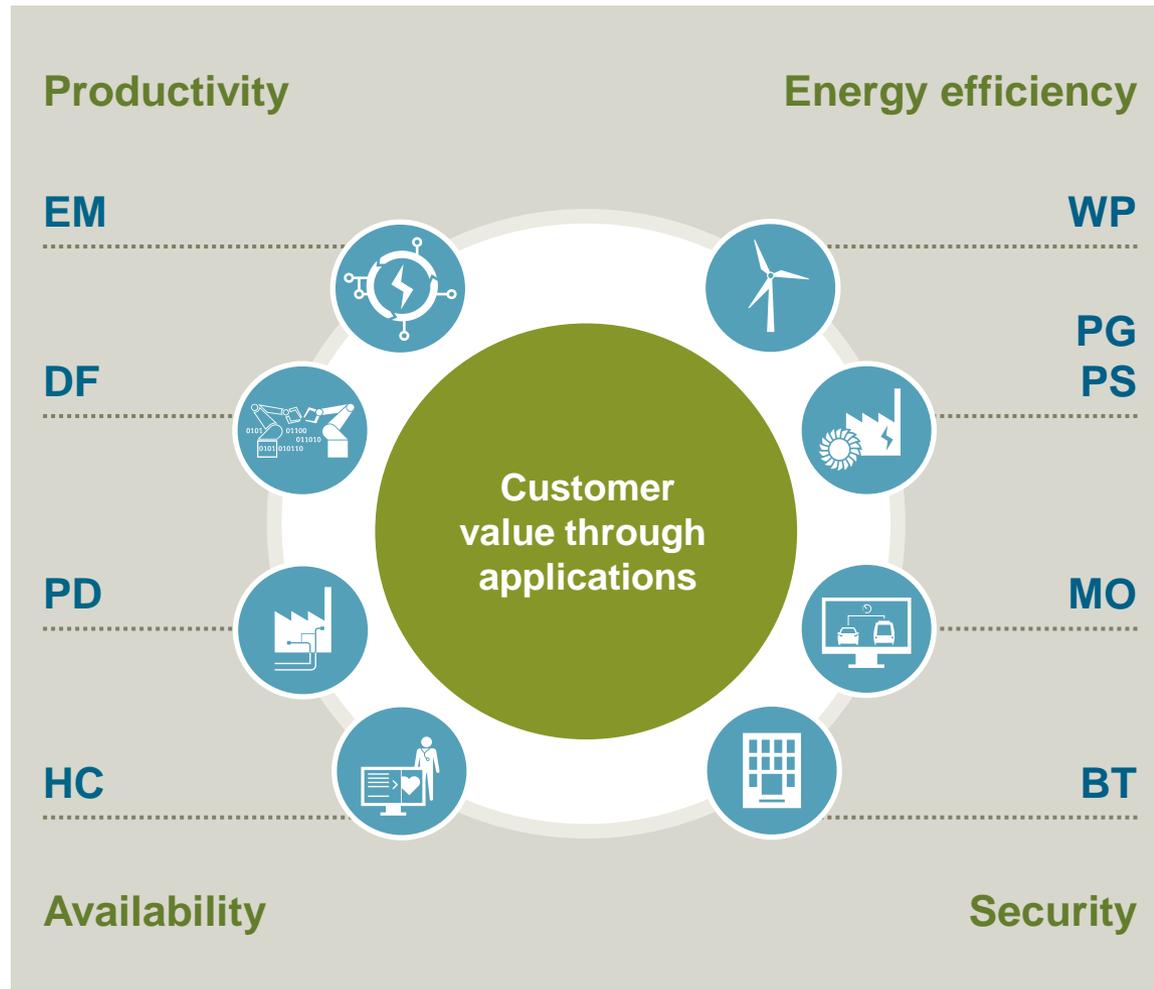
- **India** – strongest GDP-growth of all BRIC ~7%, **reform agenda** and **lower commodity bill** will drive **infrastructure investments**



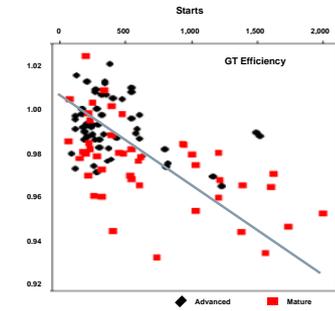
- **Iran** with **significant investment needs** for **infrastructure and energy**



# Digital Services powered by Sinalytics provide customer value and attractive business cases



## Power Generation Digital Services



Remote diagnostics and prediction of service needs

Fleet statistics, benchmarking

Spare parts analytics and additive manufacturing

**Asset availability and flexibility**

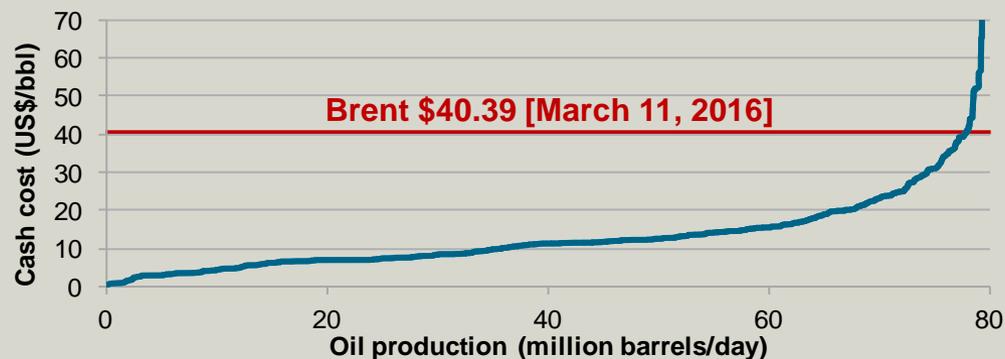
**Operating efficiency**

**Optimized service delivery**

- **> 40 Flex LTP-contracts** sold
- **Attractive customer value** from performance based contracts
- **Delivery and life cycle optimization**

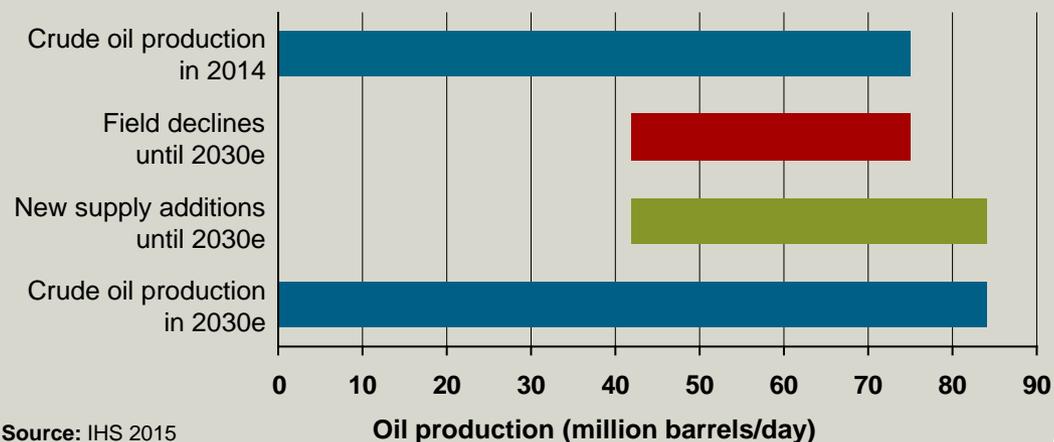
# Customers focus on efficiency and productivity in a low oil price world

## Cash costs mostly covered by current oil price



Source: Wood Mackenzie

## Significant investment need until 2030



Source: IHS 2015

## Main customer requirements in Oil & Gas industry



- Higher productivity
- Improved reliability and availability
- Increased recovery rates



- Optimized capital efficiency
- Modularization & standardization
- Faster time to production



- Increased health, safety and security requirements
- Strict environmental standards

## Structural changes at Process Industries and Drives require adjustments

### Structural and technological changes in Process Industries and Drives

- **Increasing competitive intensity** in the Oil & Gas, Metals and Mining sectors
- **Significantly lower demand** in commodity related markets resulting in overcapacity



### Industrial transformation

- **Realignment of capacities in Large Drives and Process Solutions business**
- **~2,500 jobs**, thereof **~2,000 in Germany affected**
- **Consolidation and bundling of activities at individual manufacturing locations**
- **Optimize size of European manufacturing footprint**

**Material investment in R&D, sales and productivity to drive digital transformation**

## Guidance FY 2016

We anticipate **further softening** in the **macroeconomic environment** and **continuing complexity** in the **geopolitical environment** in **fiscal 2016**.

Nevertheless, we expect **moderate revenue growth**, net of effects from **currency translation**. We anticipate that **orders will materially exceed revenue** for a **book-to-bill ratio clearly above 1**.

For our **Industrial Business**, we expect a **profit margin of 10% to 11%**. **After a strong start** into the **fiscal year**, we **raise** our previous expectation for **basic EPS from net income** in the range of **€5.90 to €6.20 to the range of €6.00 to €6.40**.

This outlook assumes that **momentum in the market environment** for our **high-margin short-cycle businesses** will **pick up** in the **second half of fiscal 2016**.

Additionally, it excludes charges related to legal and regulatory matters.



# One Siemens Financial Framework

## Clear targets to measure success and accountability



### 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

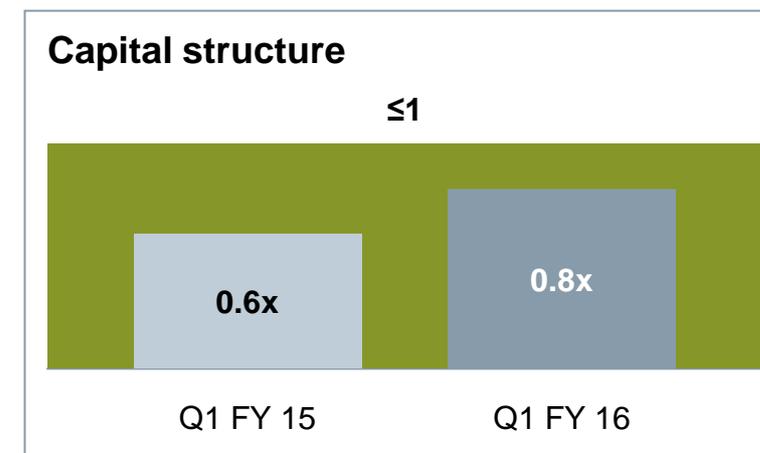
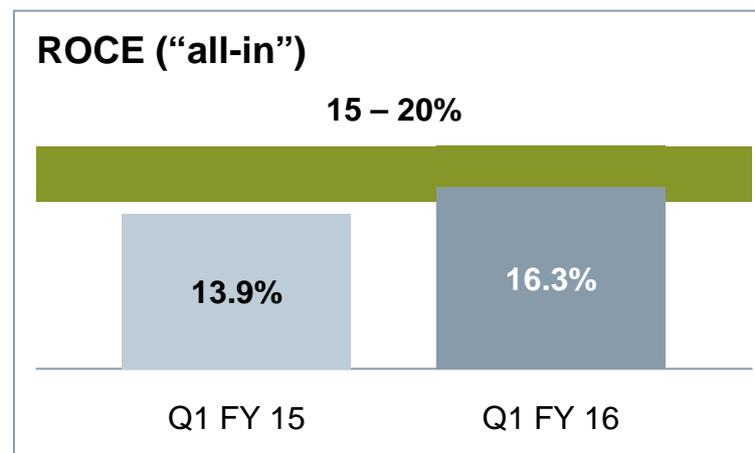
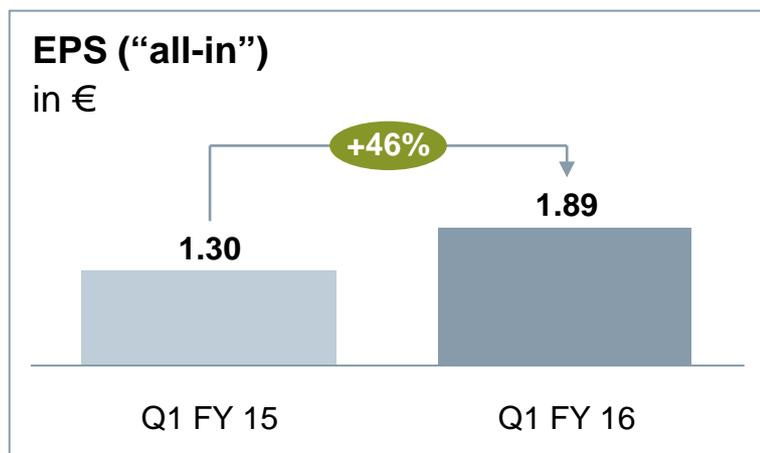
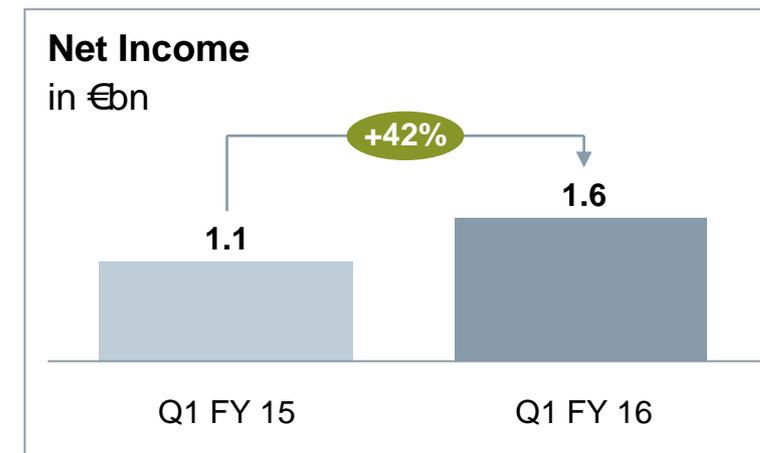
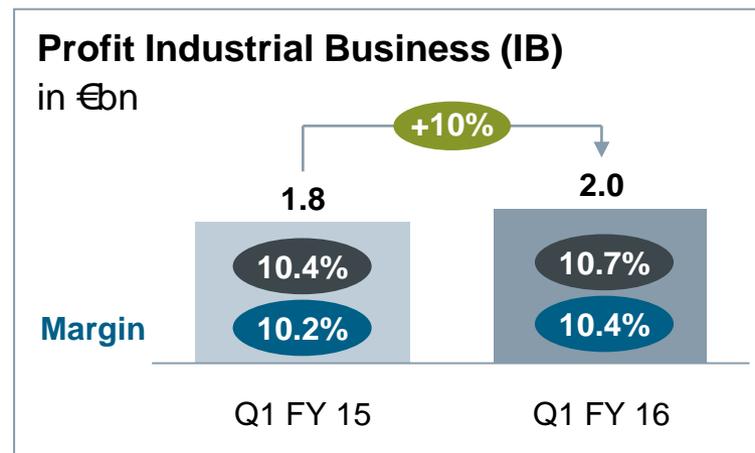
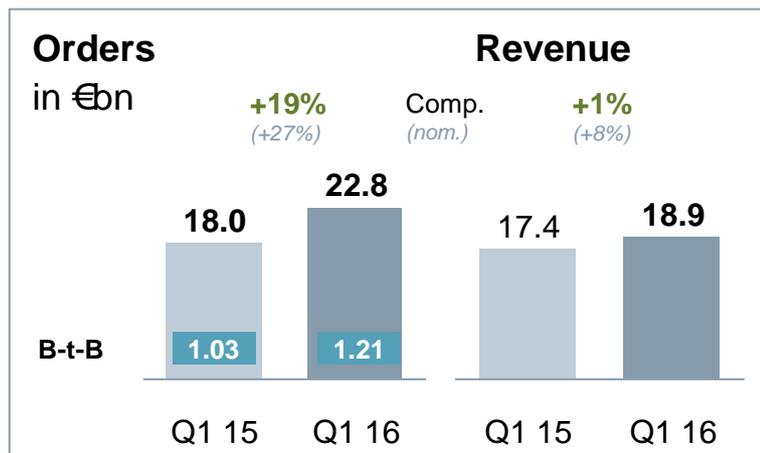
**Dividend payout ratio**  
 40 – 60%<sup>4)</sup>

Profit Margin ranges of businesses (excl. PPA)<sup>5)</sup>

<b>PG</b> 11 – 15%	<b>EM</b> 7 – 10%	<b>MO</b> 6 – 9%	<b>PD</b> 8 – 12%	<b>SFS<sup>6)</sup></b> 15 – 20%
<b>WP</b> 5 – 8%	<b>BT</b> 8 – 11%	<b>DF</b> 14 – 20%	<b>HC</b> 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

# Financial Cockpit

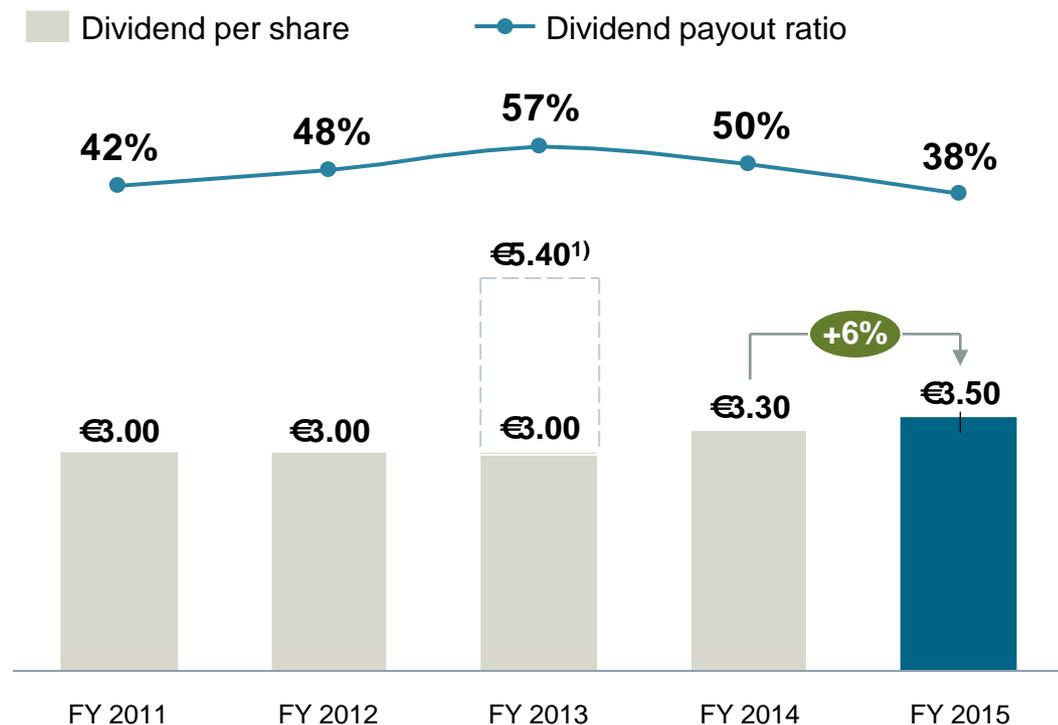


x.x% Margin as reported

x.x% Margin excl. severance

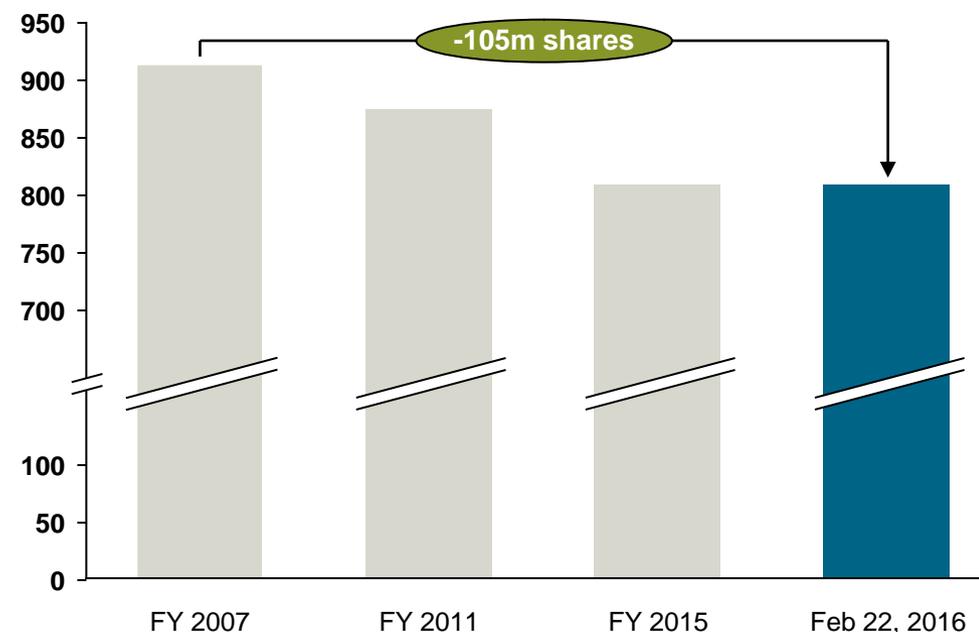
# Substantial shareholder return through dividends and share buybacks

## Dividend and payout ratio



**Attractive dividend yield of 3.9% in FY 2015**

## Outstanding shares (in million)



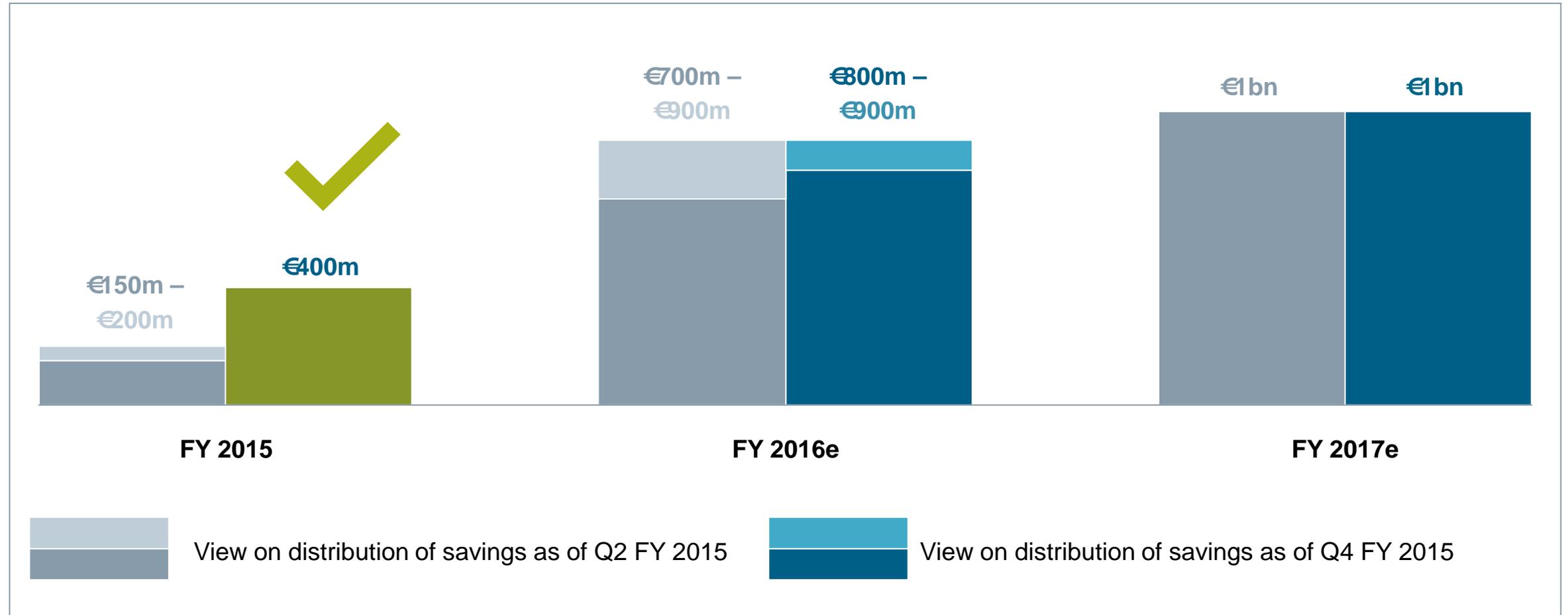
**€11bn share buybacks since 2008, up to €14bn until 2018**

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

# Accelerated execution of functional cost reduction measures

## Target achievement of ~€1bn is on track

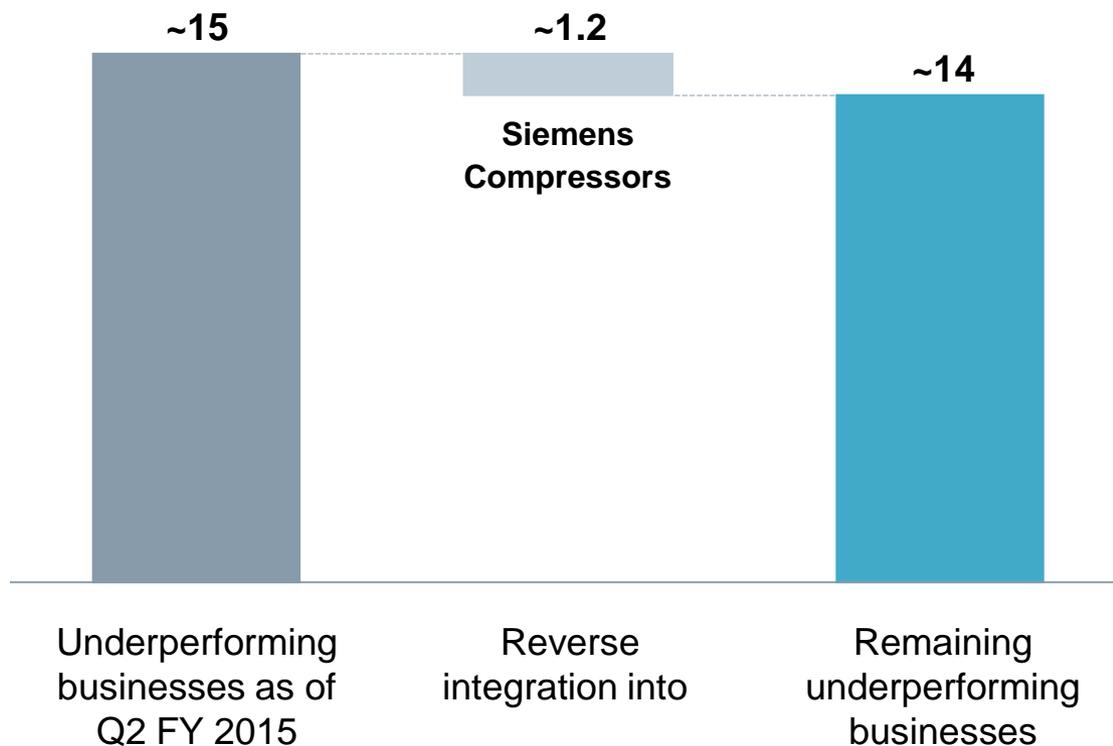
### Cumulated effects of savings



# Underperforming businesses show improvement

## Underperforming businesses

Unconsolidated Revenue FY 2015 in €bn



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

- Tight monitoring of business plans
- Footprint optimization
- Sharpening business scope
- Partnering and divestitures an option

# Pursuing our industrial software strategy

## Unmatched offering for design, simulation and testing

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### Year of acquisition

2007

#### 3D Design

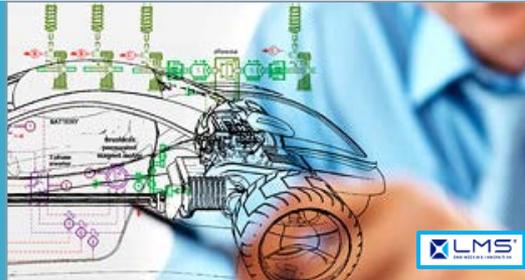


#### CAD Software NX Design, Nastran and PLM Software Teamcenter

- Streamlines and accelerates the **product development** process in a **collaborative environment**
- Includes a modern, **multi-discipline CAE** environment
- Teamcenter as collaboration platform enables **consistent data management throughout the whole value chain**

2012

#### Closed loop Performance analysis

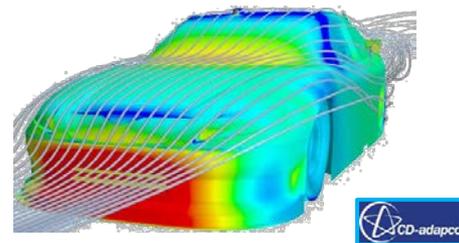


#### Simulation & Testing: LMS Virtual.Lab, Imagine.Lab, Test.Lab

- **Behavioral simulation:** 1D cross-discipline simulation, like mechanical and electrics, e.g. fuel economy & range simulation for hybrid vehicles
- **3D mechanical simulation:** E.g. stiffness, noise, vibration
- **Testing:** Solutions for prototype testing (stationary & mobile)

2016

#### Leading Portfolio



#### Multidisciplinary Design Exploration: STAR-CCM+ and others

- **Multidisciplinary Engineering Simulation:** Primarily **Computational Fluid Dynamics (CFD)** for analysis of fluid flow, heat transfer, and fluid-structure **interaction**
- **Design Exploration:** Engineering simulation workflows and design optimization algorithms to automatically drive product design, e.g. for reduction of weight and cost

# CD-adapco

## Acquisition of a software technology leader in a fast growing industry

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### Company description and strategic rationale

- CD-adapco is a leading provider of **Computational Fluid Dynamics (CFD) simulation software**, a sub-market of CAE, reducing time-to-market by up to 35%
- **Fast growing market; CD-adapco grew revenues by >12% CAGR** (constant currency) over last three years
- **Profitability is SW-typical double digit**
- **Modern SW-architecture and strong customer base**
- **Founder-led and privately held, established 1980, headquarters in Melville, NY, US**

### Key figures

Enterprise Value	\$970m
Revenues	~\$200m (thereof >80% recurring)
Synergies	Mid-double digit €m in year 5
Employees	~900 (therein ~280 in R&D)
Customers	~3,200
Users	~19,000
Expected closing	H2 FY 2016

1) Number of industry leaders using CD-adapco software

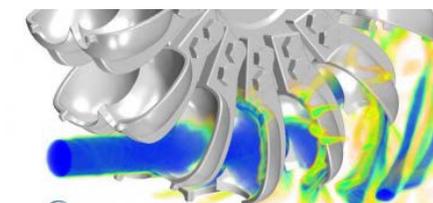
Unrestricted © Siemens AG 2016

### Key customer industries (% of billings FY 2015)

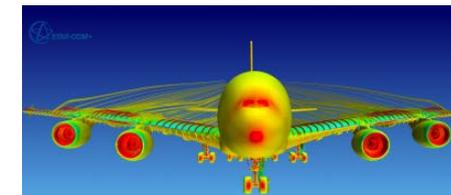
Ground  
Transportation  
(52%)  
**14 of top 15<sup>1)</sup>**



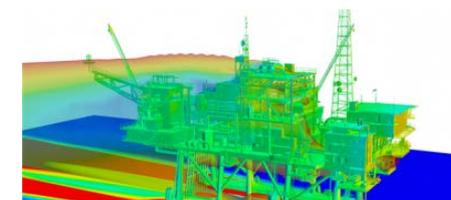
Energy  
(9%)  
**9 of top 10<sup>1)</sup>**



Aerospace &  
Defence  
(9%)  
**All top 10<sup>1)</sup>**



Marine  
(7%)  
**9 of top 10<sup>1)</sup>**



## Financial calendar

March

**March 18, 2016**

Bank of America Merrill Lynch Conference (London)

April

May

**May 4, 2016**

Q2-Earnings Release and Roadshow UK (London)

**May 9, 2016**

Roadshow Germany (Frankfurt)

## Siemens Investor Relations contacts



### Investor Relations

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