THIRD QUARTER, FISCAL 2018

PRESS AND ANALYST CONFERENCE

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Check against delivery.

Ladies and gentlemen,

Also a warm welcome from my side. Let's have a look at our third quarter's performance.

The economic conditions continued to be robust on a global level.

However, we see some potential clouding on investment dynamics, due to geopolitical tensions. In particular, threats to free trade by tariffs are an area of concern.

The global supply chains are deeply interconnected, and it is of utmost importance to have reliable frame conditions to foster confidence and economic growth.

Against this background our global Siemens team delivered another excellent quarter with outstanding order intake and strong operational performance across most of our businesses.

Let me walk you through some highlights of the quarter:

- We were very pleased with a strong book-to-bill ratio at 1.11x and a new record backlog of 133 billion Euros in the Industrial Business. Also, gross margin quality showed solid development.
- Comparable orders were substantially up by 21 percent on strong growth in almost all divisions.
  We had a number of large order wins, especially at Power and Gas, Mobility and Siemens Gamesa.
  Organic revenue was overall flat with solid growth in most Divisions, driven by an excellent short cycle performance, offsetting weakness in Power and Gas and Siemens Gamesa.

- Industrial Business profit margin was at 10.7 percent, supported by another outstanding performance at Digital Factory and operational improvement by many Divisions.
  Six out of eight Divisions were in or even above the targeted range.
  As already indicated, currency effects had a significant negative margin impact of 60 basis points. We expect the negative FX headwind to continue in Q4.
- Net income came in at 1.2 billion Euros, a decrease of 14 percent compared to Q3 last year, which benefited from positive effects in CMPA, and from a lower tax rate.
- Free cash flow from Industrial Business increased significantly by 29% to 1.8 billion Euros, driven by better working capital management at SGRE.
- Our pension deficit was reduced to 7.6 billion Euros, supported by an extraordinary funding to our US plans in the amount of approximately 400 million Euros.

Let me now walk you through the divisional highlights:

At Power and Gas competition for orders continues to be very challenging.

Despite this tough environment, we were successful in winning several large orders, leading to a strong book-to-bill of 1.25x.

Most notably, we booked an order in the UK for the first deployment of our 50 Hertz HL-turbine.

In total we sold 5 large gas turbines during the quarter.

We are very proud that we completed the world’s largest combined cycle power plants in Egypt in record time.

Total capacity adds up to 14.4 gigawatts, supplying over 40 million people with reliable electricity.

However, as expected, profit margin decreased to 5.4 percent on lower revenue, price declines and reduced capacity utilization.

Therefore, the PG team is working hard on a large number of cost and restructuring initiatives.

On the positive side, the Service business continues to hold up well. It also benefitted this quarter from a divestment gain of 80 million Euros.

Service continues to show resilience on top and bottom line, also for the foreseeable future of 12 to 18 months.

What do we expect in the future?

In particular in the large gas turbine market we see the volatile market environment to continue over the next few years with potentially further declining turbine volumes, compared to 2018, with corresponding negative impact on top- and bottom line.

As a consequence, we expect the PG margin excluding severance to be rather in the mid-single digit area in fiscal 2018, with a low-to-mid single digit performance excluding severance in fiscal 2019.

Energy Management saw weaker large orders, due to some push-outs of HVDC solution projects into fiscal 2019 and beyond.

The short cycle low voltage product business drove margin up despite material FX headwinds of 100 basis points.

The Building Technologies team again delivered excellent operational performance, with further margin expansion to 11 percent.

Continued expansion of advanced digital offerings for smart buildings drove margins to the upper end of the margin corridor.

Mobility showed strong order momentum and booked Siemens' largest-ever rail infrastructure order in Norway, with approximately 700 million Euros.

Profit margin was temporarily lower, partly because of focused expenses related to innovation and digitalization. Furthermore, margin was impacted by mix effects such as the phasing of large rail projects.

We expect the profit margin for the full year on a similar level as we saw it for the first nine months year to date.

Digital Factory delivered again a world class performance, winning further market share by outperforming the industry.

Looking at our short cycle business we achieved remarkable revenue growth:

- China was up 18 percent, driven by governmental programs, new customers, and restocking effects
- Italy delivered significant 15 percent growth
- Germany was up 4 percent
- Also, demand remained very strong in the Machine Building industries, while Automotive saw some moderation, particularly in the US.

Given short term visibility of this business, from today's perspective we expect also a positive trend in the fourth quarter.

However, growth rates will ease, particularly in China into fiscal 2019, due to tougher comps and moderation of the extraordinary business dynamics.

We were very pleased, that also the PLM software business grew mid-teens organically, fueled by significant contract wins at Mentor.

As indicated before, profitability at Digital Factory is impacted by ongoing investment in MindSphere, and integration cost for Mentor.

The impact was around 145 basis points, and 30 basis points, respectively.

Hence, the underlying margin excluding severance was again outstandingly strong close to 23%.

Process Industries and Drives seems to have reached the trough, with increasing revenue in Q3.

Bottom line was impacted by material currency headwind of 110 basis points.

The team is well on its way, to execute its restructuring program.

As a majority shareholder, we are very pleased with the positive development of Siemens Healthineers since the listing on March 16.

Solid financials for the third quarter were already released a few days ago, with 5 percent revenue growth and 15.6 percent margin, despite heavy currency headwind of 140 base points.

Not much to mention about Siemens Gamesa, as they reported their results already last Friday. We were pleased with a strong book-to-bill of 1.54.

Needless to say, that the team is working hard to execute on its improvement program, to bring up margins in a very competitive industry.

Let me briefly touch on what to expect below Industrial Business in Q4:

As indicated, we continue to expect volatility in CMPA, with a negative impact due to carve-out related topics.

We expect Corporate Items to incur significantly higher costs in Q4 compared to prior year. This is in particular related to central innovation invest and restructuring cost related to IT transformation.

As already mentioned, Q4 tax rate will be negatively impacted by material effects from the carve-out of Mobility.

For the full year, we continue to expect the tax rate to be within a 24 to 29 percent range.

For fiscal 2018 we see no change in expectations and can confirm our guidance.

With that, I hand over to Joe, to give you the strategic update of Siemens Vision 2020+.