Sustainable value generation
delivering attractive shareholder returns

Ralf P. Thomas, Siemens CFO
Siemens Capital Market Day | Munich, May 8, 2019
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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.
Sustainable value generation delivering attractive shareholder returns

Disciplined capital allocation along our strategic imperatives

Profitable growth

Leverage innovation strength in dedicated growth fields and rigorous focus on productivity

Capital allocation

Cash generation

Drive working capital improvement and cash performance

Improve capital efficiency while maintaining strong rating and strategic flexibility

Sustainable value generation

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Leverage innovation strength in dedicated growth fields and rigorous focus on productivity

Capital allocation

Cash generation

Drive working capital improvement and cash performance

Improve capital efficiency while maintaining strong rating and strategic flexibility

Sustainable value generation
### Vision 2020+
Clear aspiration for accelerated growth and margin expansion

<table>
<thead>
<tr>
<th>After significant investments …</th>
<th>… we raise the bar to a new level</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2014 - 2018</td>
<td></td>
</tr>
<tr>
<td>+39%</td>
<td>Accelerate revenue growth</td>
</tr>
<tr>
<td>Research and development</td>
<td>and gain in market shares</td>
</tr>
<tr>
<td>+47%</td>
<td>+ 2 ppts CAGR</td>
</tr>
<tr>
<td>CAPEX</td>
<td>Ambitious Industrial Business</td>
</tr>
<tr>
<td>+22%</td>
<td>margin expansion</td>
</tr>
<tr>
<td>€14bn</td>
<td>+ 2 ppts</td>
</tr>
<tr>
<td>Sales expenditures</td>
<td>Drive EPS growth</td>
</tr>
<tr>
<td>Cash spent on M&amp;A</td>
<td>&gt; Revenue growth</td>
</tr>
<tr>
<td>€14bn</td>
<td></td>
</tr>
</tbody>
</table>

- Revenue growth: +39%
- Research and development: +47%
- CAPEX: +22%
- Sales expenditures: €14bn
- Cash spent on M&A: €14bn

+2 ppts CAGR
+2 ppts
> Revenue growth
Ambitious targets of Vision 2020+ reflected in updated Financial Framework

Siemens (targets over the cycle)

**Growth Siemens**
comparable revenue growth
4 – 5%

**Capital efficiency**
ROCE\(^1\)
15 – 20\(^2\)

**Industrial Businesses margin\(^3\)**
11 – 15%

**Cash conversion (CCR)**
FCF IB / Adj. EBITA IB
CCR = 1 – comp. growth rate

**Capital structure**
Industrial net debt/EBITDA
up to 1.0x

**Dividend payout ratio**
40 – 60\(^4\)

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**Operating Companies**

<table>
<thead>
<tr>
<th>Adj. EBITA margin ranges(^3)</th>
<th>Digital Industries 17 – 23%</th>
<th>Smart Infrastructure 10 – 15%</th>
<th>Gas and Power 8 – 12%</th>
</tr>
</thead>
</table>

**Strategic Companies**

<table>
<thead>
<tr>
<th>Adj. EBITA margin ranges(^3)</th>
<th>Mobility 9 – 12%</th>
<th>Siemens Healthineers 17 – 21%</th>
<th>Siemens Gamesa R. E. 7 – 11%</th>
</tr>
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</table>

**Service Company**

<table>
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<tr>
<th>RoE(^5)</th>
<th>Financial Services 17 – 22%</th>
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</table>

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1) Based on continuing and discontinued operations; 2) Long-term goal; currently ROCE burdened by significant M&A; 3) EBITA adjusted for operating financial income, net and amortization of intangible assets not acquired in business combinations; margin ranges for Siemens Healthineers and Siemens Gamesa R. E. reflect Siemens expectation; 4) Of net income attributable to Siemens shareholders excluding exceptional non-cash items; 5) Return on equity after tax

Update as of May 2019
Leverage key drivers for profitable and capital efficient growth

Customer focus
- Digitalization
- Innovation
- Efficiency

Risk management
- Continue with stringent risk management
- Use of corporate memory business specific
- Limits of authority

Cost efficiency
- Regular base productivity target 3-5% p.a.¹
- Additional cost optimization
- Lean and effective governance

¹ In % of total cost base (sum of cost of sales, R&D and SG&A expenses)
Significant cost measures as base for ambitious margin expansion

Customer value generation

Risk management

Cost efficiency

Cost optimization
Operating Companies

Digital Industries

~ €320\text{m}
by FY 2023
(50% by 2021)

Restru. cost ~ €300m

Smart Infrastructure

~ €300\text{m}
by FY 2023
(50% by 2021)

Restru. cost ~ €300m

Gas and Power

~ €1,000\text{m}^{1)}
by FY 2023
(70% by 2021)

Restru. cost tbd

Digital Industries

~ €90\text{m} by FY 2021

Restru. cost ~ €70m

Gas and Power

~ €500\text{m} by FY 2023 (60% by 2021)

Restru. cost ~ €400m

1) Includes ~ €500m savings from current program PG2020; ~ €370m severance charges booked in FY 2018

Lean and effective governance

Global Business Services efficiency

Customer value generation

Risk management

Cost efficiency

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Cash generation impacted by investments and market developments, but …

### Free cash flow (all-in)

<table>
<thead>
<tr>
<th>€bn</th>
<th>FY</th>
</tr>
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<tbody>
<tr>
<td>5.2</td>
<td>2014</td>
</tr>
<tr>
<td>4.7</td>
<td>2015</td>
</tr>
<tr>
<td>5.5</td>
<td>2016</td>
</tr>
<tr>
<td>4.8</td>
<td>2017</td>
</tr>
<tr>
<td>5.8</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>2019e</td>
</tr>
</tbody>
</table>

### Impacts on cash flow

- High level of **dedicated investments**
  (e.g. Capex Ratio >130% in FY 2016 – 2018)

- Continuing market trend of **lower advance payments** in project business
  (mainly PG -0.7bn in FY 2018 vs. FY 2015)

- Ongoing **contraction in PG markets**
  (~50% market decline for large gas turbines in FY 2018 vs. FY 2015)
... operational cash conversion not yet satisfying

Cash conversion rate (Ind. Bus.)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CCR 0.99</td>
<td>1.01</td>
<td>0.96</td>
<td>0.97</td>
<td>0.98</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CCR (as rep.) 0.97</td>
<td>0.96</td>
<td>0.86</td>
<td>0.79</td>
<td>0.80</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key levers for improvement

Dedicated programs for working capital management on all levels (up to €1bn improvement until end of FY 2019)

Strengthening awareness throughout the organization – senior management incentivized for 1/3 on CCR

Top management monitoring

<table>
<thead>
<tr>
<th>Sector</th>
<th>CCR ≥ '1-growth'</th>
<th>CCR</th>
<th>FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Industries</td>
<td>✔ ✔ ✔</td>
<td>0.92, 0.92</td>
<td>2017, 2018, 2019e</td>
</tr>
<tr>
<td>Smart Infrastructure</td>
<td>✔ ✗ ✔</td>
<td>0.97, 0.72</td>
<td>2017, 2018, 2019e</td>
</tr>
<tr>
<td>Gas and Power</td>
<td>✗ ✗ ✗</td>
<td>0.46, 0.42</td>
<td>2017, 2018, 2019e</td>
</tr>
<tr>
<td>Mobility</td>
<td>✔ ✔ ❌</td>
<td>1.36, 1.04</td>
<td>2017, 2018, 2019e</td>
</tr>
<tr>
<td>Siemens Healthineers</td>
<td>❌ ❌</td>
<td>0.89, 0.75</td>
<td>2017, 2018</td>
</tr>
<tr>
<td>Siemens Gamesa</td>
<td>❌ ❌</td>
<td>&lt;0</td>
<td>2017, 2018</td>
</tr>
</tbody>
</table>

DI, SI and MO target to reach CCR '1-growth' in FY 2019, GP by FY 2021
Acquisitions and structural GP challenges weighing on ROCE – GP portfolio measure drives return to target range by 2021

ROCE development and major impacts

- 2015: 19.6%
- 2016: 14.3%
- 2017: 13.5%
- 2018: 12.7%
- 2021e: 15-20%

Key levers for improvement

- Increase operational profitability
- Reduce capital employed by stringent working capital management
- Continue to deliver on business plans of acquisitions for digital leadership
- Execute on Operating and Strategic Company plans
- Active portfolio management incl. divestments

Improving capital efficiency while maintaining strong investment grade rating and strategic flexibility
Capital allocation balancing investments and shareholder returns

Strategic imperatives
1) Areas of growth?
2) Potential profit pool?
3) Why Siemens?
4) Synergetic value?
5) Paradigm shifts?

FY 2014 - 2018

- R&D: €25bn (34%)
- Acquisitions: €14bn (19%)
- Capex: €13bn (18%)
- Dividends: €7bn (9%)
- Share buyback: €73bn (100%)

Strong and sustainable shareholder return
Siemens dividend policy and share performance offering sustainable shareholder returns

3.3% average dividend yield

<table>
<thead>
<tr>
<th>Dividend yield</th>
<th>2.4%</th>
<th>3.0%</th>
<th>4.0%</th>
<th>3.7%</th>
<th>3.0%</th>
<th>3.3%</th>
<th>3.9%</th>
<th>2.9%</th>
<th>3.0%</th>
<th>3.8%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend</td>
<td>€1.60</td>
<td>€2.70</td>
<td>€3.00</td>
<td>€3.00</td>
<td>€3.00</td>
<td>€3.30</td>
<td>€3.50</td>
<td>€3.60</td>
<td>€3.70</td>
<td>€3.80</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>34%</td>
<td>46%</td>
<td>42%</td>
<td>51%</td>
<td>57%</td>
<td>50%</td>
<td>38%</td>
<td>52%</td>
<td>49%</td>
<td>53%</td>
</tr>
</tbody>
</table>

Share buyback continued

Share price development

Unrestricted © Siemens 2019

1) Jul. 25, 2013 – May 2, 2019
2) Dividend / XETRA closing price at day of AGM
3) Effect of OSRAM stock distribution to shareholders of €2.40 per share; not reflected in dividend payout ratio

Siemens Capital Market Day | Siemens CFO | Ralf P. Thomas
We are fully committed to sustainable value generation

1. Deliver on our promises on profitable growth
2. Drive working capital improvement and cash performance
3. Improving capital efficiency
4. Continue stringent capital allocation