Siemens Smart Infrastructure – Creating environments that care

Cedrik Neike CEO, Matthias Rebellius COO, Axel Meier 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.
Decarbonization and decentralization

2x electricity consumption by 2050

>50% renewable annual energy by 2035
Urbanization and sustainability

70% of global population will live in cities by 2050

36% of energy consumed by buildings
Core market for Smart Infrastructure

~€150bn

with ~3% CAGR

2018–2024
High growth fields at the grid edge
Market CAGR 2018–2024 in %

~10% Distributed Energy Systems (DES)

>10% Energy Storage

>30% eMobility Infrastructure
Vision 2020+
Unique position to shape our market

Focus — on market opportunities
Accountability — business driven setup
Adaptability — flexibility to drive new topics
Smart Infrastructure
Strengths coming together

- Building Technologies
  - Lean setup
- End customer proximity
- Service excellence
- Industry leadership
- Strong product and system base
- Grid leadership
- Energy Management
- Control Products

Lean setup
End customer proximity
Service excellence
Industry leadership
Strong product and system base
Grid leadership
Energy Management
Control Products
Smart Infrastructure
Combine synergistic assets

Control Products
from Digital Factory

Regional Solutions and Services
Building Products
from Building Technologies

Low-Voltage Products
Distribution Systems
Digital Grid
from Energy Management

Revenue FY 2018

47%

45%

8%

Strong track record
CMD 2014 promises

Building Technologies

Growth – Above market

Profitability – Profit margin in target range (8 to 11%)

Value – ROCE above Siemens target range (15 to 20%)

Energy Management

Low Voltage, Medium Voltage and Digital Grid

Growth target – 100 bps above market growth

Profitability – in target by FY17 (7 to 10%)
<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue in FY 2018</td>
<td>€14.4bn</td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>10.9%</td>
</tr>
<tr>
<td>Employees</td>
<td>71k</td>
</tr>
</tbody>
</table>
Smart Infrastructure
Balanced business mix increases resilience

Characteristics

Products¹)
- Continuous strong growth
- Good cash conversion
- Double-digit adj. EBITA margin

Systems and Software²)
- #1 with Digital Grid
- High growth, pulling additional product growth

Solutions and Services
- #2 in the market
- ~50/50 Solutions and Services
- Large installed base

1 Unconsolidated aggregation of Building Products, Control Products and Low Voltage Products, unconsolidated share of products on consolidated revenues ~37% (FY 2018)
2 Unconsolidated aggregation of Distribution Systems and Digital Grid
Smart Infrastructure
Strong footprint in Europe, upside potential in Asia

**Characteristics**

### Asia, Australia
- Employees: 12k
- Small base with high growth
- China with upside potential

### Americas
- Employees: 19k
- High customer proximity with Solution and Services
- Strength in North America

### Europe, Middle East & Africa
- Employees: 40k *(17k in Germany)*
- Most businesses #1 or #2 position
- Stronghold Germany
Smart Infrastructure
Financial performance

**Orders (€bn)**
- H1 FY 2018: 7.4
- H1 FY 2019: 7.9
- Growth: +5%

**Revenue (€bn)**
- H1 FY 2018: 6.8
- H1 FY 2019: 7.1
- Growth: +3%

**Adj. EBITA (€m)**
- H1 FY 2018: 684
- H1 FY 2019: 588
- Margin: -14%

**Adj. EBITA margin excl. severance (%)**
- H1 FY 2018: 10.0%
- H1 FY 2019: 8.2%
- Decline: -180bps

**Free cash flow (€m)**
- H1 FY 2018: 312
- H1 FY 2019: 391
- Growth: +25%

**Cash conversion rate (%)**
- H1 FY 2018: 0.46
- H1 FY 2019: 0.67
- Improvement: +0.21
Smart Infrastructure
Strategy moving forward

Secure  Leverage  Expand
Smart Infrastructure
Strategy moving forward

• Further grow product business
• Continue focus on Asia
Secure
Strong product business

~ 1/3
of our market is product business

> €5bn
product business in FY 2018

Double-digit
adj. EBITA margin
Secure
Strong product business

Project reference
Zhongyeda, China
Successful collaboration with large, traditional distributor increased channel coverage

Our strengths
• Profitable, high growth in recent years
• Strong position in EMEA and North America
• Innovative portfolio

Next level
Keep focus on Asian growth markets:
• Joint go-to-market addressing all channels
• Continue to invest in sales and localization

Revenue impact
2x market growth in Asia
Smart Infrastructure Strategy moving forward

- Grow with focus on verticals
- Extend service scope

Secure

Leverage

Expand
Leverage Joint approach to vertical markets

Strong growth in specific verticals

2x rack density in data centers by 2023

>20% CAGR order intake growth for data centers since FY 2012
Leverage
Joint approach to vertical markets

Our strengths
• Joint electrification and building account management
• Deep customer insights
• Global delivery and standards

Next level
Replicate approach
• Pharma / Life Sciences
• Food & Beverage
• Airports
• Healthcare

Project reference – data center
Leading U.S. internet player
Early involvement and strong execution led to repeat business across several sites

Double digit growth in focus verticals
Leverage
Resilient, profitable service business

80% of total building lifecycle cost in operations phase

10,000 service technicians for buildings

6x €6 service business generated per €1 spend in solutions
Leverage

Service innovation drives efficiency and customer value

Digitalization / Connectivity

Customer Data capture

- iBase
- Assets
- Performance

Productization of services

Software tool enables optimal field service management

- Transparency
- New digital services
- Remote operation
- Productivity gains

50% fewer

45 min faster
Leverage Resilient, profitable service business

Our strengths
• “Land and Expand” capability
• Large and highly efficient service organization
• Broad installed base

Next level
• Extend service beyond buildings to electrification
• Use complementary footprint for regional expansion
• Increase connectivity to offer new data-driven services

Project reference
Southern Methodist University, U.S.
Initial project demonstrated significant savings potential and led to largest contract in history

Additional €400m by FY 2023
Smart Infrastructure
Strategy – moving forward

Expand

- Energy & performance services including distributed energy systems
- Grid edge portfolio including eMobility, storage, power electronics

Secure

Leverage
Distributed energy systems fuel growth

- €3.4bn energy savings contracted
- 14m tons CO₂ savings enabled
- ~10% market growth in distributed energy systems
Innovative grid edge portfolio

Innovation eMobility portfolio

>40k chargers sold

Acquisition Power electronics

10GW installed capacity

Partnering Energy storage JV

#1 in energy storage

KACO

Fluence
Scaling into new growth markets

Our strengths
- Leading in energy and asset efficiency
- Strong delivery capabilities and customer access
- Innovative grid edge portfolio

Next level
- Regional expansion
- Additional innovative services and financing
- Scale up in utilities and commercial & industrial

Project reference
Gewobag, Germany
Cooperation agreement for energy, mobility and virtual & physical infrastructure

Revenue impact
Additional €1bn by FY 2023
Smart Infrastructure
Strategy moving forward

- Secure
- Leverage
- Expand
Competitiveness
Program launched to finance growth

Cornerstones
Mid- and long-term EBITA increase
All business areas in scope
Both cost and top-line optimization

Key axes
Business mix ~25%
Product and system business ~75%
Lean setup

Annual adj. EBITA improvement on top of base productivity

- €200m by FY 2021
- €400m by FY 2023

Base productivity 3-5%
Business mix
Example – optimize business mix

Status

Portfolio

Way forward
Fix, sell or discontinue – focus on €2bn less synergetic or low margin portfolio

Service

€400m additional service by FY 2023 to drive long-term bottom-line improvement

Target – accumulated yearly impact

€100m

€40m

by FY 2021

by FY 2023
Product / systems business
Example – optimize manufacturing value chain depth

Status
79 factory and assembly sites today

Way forward
Streamline footprint in manufacturing landscape
- Outsource to optimize depth of value chain
- Transfer operations to partners with complementary strengths
- Consolidate subcritical factories and assemblies

Target – accumulated yearly impact
€20m by FY 2021
€60m by FY 2023
Lean setup
Example – optimize support functions

Way forward
Streamlined processes and setup

- Lean culture – replicate BT empowerment with accountability
- Bundle resources and offshore to low-cost countries
- Digitalize heavy processes with robotic process automation

Status (headcount)

<table>
<thead>
<tr>
<th>71k</th>
<th>Classical support functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>10k</td>
<td>Engineering support and sales support</td>
</tr>
<tr>
<td>4k</td>
<td></td>
</tr>
</tbody>
</table>

Target – accumulated yearly impact

€60m by FY 2021
€120m by FY 2023
Lean setup
Example – optimize support functions

Status (headcount)
- 71k Total
- 10k Classical support functions
- 4k Engineering support and sales support

Details on support functions

By function
- Classical support functions: ~20%
- Europe excl. GER: ~25%
- Most of World: ~55%

By region
- GER: ~20%
- Europe excl. GER: ~25%
- Most of World: ~55%

Natural attrition
- High single digit by 2023
- Double digit by 2023
Cash
Clear commitment to 1-growth cash conversion rate

Legacy

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Conversion Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY16</td>
<td>1.04</td>
</tr>
<tr>
<td>FY17</td>
<td>0.97</td>
</tr>
<tr>
<td>FY18</td>
<td>0.72</td>
</tr>
<tr>
<td>FC19e</td>
<td>0.72</td>
</tr>
</tbody>
</table>

Way forward

- Operating company-wide cash program launched
- Recovery 50% complete by Q2 FY 2019
- Immediate actions to improve inventory turns, recovery of overdue receivables
- Senior management incentivized 1/3 on cash

Target

Back to 1-growth cash conversion rate in 2019
Smart Infrastructure
Our commitment

Top-line annual revenue growth of 4-5%¹

Adj. EBITA margin 11-13% by FY 2021, 13-15% by FY 2023

Cash conversion rate 1 - growth in FY 2019

Secure
• Further grow product business
• Continue focus on Asia

Leverage
• Grow with focus on verticals
• Extend service scope

Expand
• Energy & performance services
• Grid edge portfolio

Annual adj. EBITA improvement

Business mix

Product and system business

Lean setup

~3,000 fewer headcount resulting from measures, restructuring cost €300m accumulated² by FY 2023

Accumulated headcount organic ramp-up of ~6,000 by FY 2023 (~3,000 by FY 2021)

¹ based on market growth of ~3% CAGR 18-24 ² excluding normal annual restructuring costs (€50m p.a.)

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Imagine the possibilities
Creating environments that care
Smart Infrastructure – our commitment

Top-line annual growth of 4-5%\(^1\)

Adj. EBITA margin 11-13% by FY 2021, 13-15% by FY 2023

Cash conversion rate equals 1- growth in FY 2019

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1 Based on market growth of ~3% CAGR18-24
Backup
Smart Infrastructure
Our broad offering

Key figures FY18: €14.4bn Revenue | 10.9% Adj. EBITA margin | 71k Employees

Control Products
- Contactors, overload relays and motor starter protectors
- Hybrid starting including soft starters
- Push buttons and pilot lights
- Functional relays, safety relays and monitoring devices

Low Voltage Products
- Low-voltage protection, switching, measuring and monitoring devices
- Low-voltage distribution boards and systems UL
- Medium-voltage vacuum circuit breakers
- Medium-voltage contactors and interrupters
- Electric vehicle charging and storage for residential

Building Products
- Integrated building management software
- Building automation and control systems
- Room automation and lighting control
- Sensors, valves & actuators
- HVAC1) OEM controls
- Fire safety products & systems
- Cloud applications and gateways

Distribution Systems
- Medium-voltage primary and secondary switchgear (in- & outdoor)
- Low-voltage switchboards, motor control center
- Distribution and traction transformers
- Energy storage systems
- PV2) inverter systems
- eMobility charging infrastructure
- Distribution solutions

Digital Grid
- Substation automation, protection, metering and communications
- Grid operation and control
- Smart grid applications, analytics / IoT offerings and managed services
- Grid planning and simulation
- Power system consulting and energy business advisory

Regional Solutions and Services
- Solutions and Services for building automation, fire safety, security and other domains
- Energy performance services, including digital services and distributed energy systems
- Vertical markets specific offerings (data centers, life sciences, smart spaces)

1 Heating, Ventilation, Air Conditioning  2 Photovoltaics

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Smart Infrastructure Strategy – moving forward

Secure

Secure the base business, continue to execute on successful strategies and defend strongholds in regions and businesses

Leverage

Leverage the combination of strengths for growth in regions, verticals and businesses, and improve competitive position

Expand

Expand in the high growth fields at the grid edge including storage or eMobility, building on our unique position combining supply and demand side