Strong order growth highlights successful first quarter

Joe Kaeser, President and CEO | Ralf P. Thomas, CFO
Q1 FY 2018 Analyst Call | Munich, January 31, 2018
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Q1 FY 2018
Strong order growth highlights successful quarter

- Clear organic order growth +7% stands out
- Compelling book-to-bill at 1.13x
- Like for like revenues up 1% despite significant decline in Power businesses
- Solid IB margin at 11.0% despite significant FX headwinds and PG decline
- Net income up 12% to €2.2bn supported by one-off gains
- EPS at €2.68, up +11%
- Strong Free Cash Flow up 22% to €0.9bn highlights earnings quality
PG: Further market contraction impacts top and bottom line
EM: Solid project execution stands out

<table>
<thead>
<tr>
<th>Power and Gas (PG)</th>
<th>Energy Management (EM)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Orders</strong> (€bn)</td>
<td><strong>Orders</strong> (€bn)</td>
</tr>
<tr>
<td>Q1 FY 17: 3.3</td>
<td>Q1 FY 17: 3.0</td>
</tr>
<tr>
<td>Q1 FY 18: 3.1</td>
<td>Q1 FY 18: 2.8</td>
</tr>
<tr>
<td><strong>Revenue</strong> (€bn)</td>
<td><strong>Revenue</strong> (€bn)</td>
</tr>
<tr>
<td>Q1 FY 17: 3.9</td>
<td>Q1 FY 17: 2.8</td>
</tr>
<tr>
<td>Q1 FY 18: 3.2</td>
<td>Q1 FY 18: 2.8</td>
</tr>
<tr>
<td><strong>Profit</strong> (€m)</td>
<td><strong>Profit</strong> (€m)</td>
</tr>
<tr>
<td>Q1 FY 17: 471</td>
<td>Q1 FY 17: 189</td>
</tr>
<tr>
<td>Q1 FY 18: 238</td>
<td>Q1 FY 18: 187</td>
</tr>
<tr>
<td><strong>Profit margin</strong></td>
<td></td>
</tr>
<tr>
<td>Q1 FY 17: 12.1%</td>
<td>Q1 FY 17: 7.2%</td>
</tr>
<tr>
<td>Q1 FY 18: 12.0%</td>
<td>Q1 FY 18: 6.7%</td>
</tr>
</tbody>
</table>

- Declining new unit business and ongoing price pressure
- Service remains a stable contributor
- Solid revenue growth driven by LV & MV product biz
- Adverse FX holds back earnings conversion

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

Margin as reported x.x% Margin excl. severance

Q1 FY 2018 Analyst Call
## Building Technologies (BT)

<table>
<thead>
<tr>
<th>Orders (€bn)</th>
<th>Revenue (€bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 FY 17</td>
<td>Q1 FY 18</td>
</tr>
<tr>
<td>1.8</td>
<td>1.7</td>
</tr>
<tr>
<td>+5%&lt;sup&gt;1)&lt;/sup&gt;</td>
<td></td>
</tr>
</tbody>
</table>

| Q1 FY 17     | Q1 FY 18      |
| 1.6          | 1.6           |

### Profit (€m)

| Q1 FY 17     | Q1 FY 18      |
| 170          | 151           |
| -11%         |

### Profit margin (x.x%)

| Q1 FY 17     | Q1 FY 18      |
| 11.2%        | 9.8%          |

- Digitalization opportunities materializing
- Strong profitability impacted by cost overruns in ME

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

## Mobility (MO)

<table>
<thead>
<tr>
<th>Orders (€bn)</th>
<th>Revenue (€bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 FY 17</td>
<td>Q1 FY 18</td>
</tr>
<tr>
<td>2.2</td>
<td>3.2</td>
</tr>
<tr>
<td>+24%&lt;sup&gt;1)&lt;/sup&gt;</td>
<td></td>
</tr>
</tbody>
</table>

| Q1 FY 17     | Q1 FY 18      |
| 1.8          | 2.2           |

### Profit (€m)

| Q1 FY 17     | Q1 FY 18      |
| 163          | 226           |

### Profit margin (x.x%)

| Q1 FY 17     | Q1 FY 18      |
| 9.3%         | 10.4%         |

- Substantial large order wins across all businesses
- Excellent performance on all levels

1) Margin as reported x.x% Margin excl. severance
DF: Digital powerhouse with further market share gains on top and bottom line. MindSphere effect ~-130bps; Mentor effects ~-80bps.

PD: Order growth and margin expansion highlights in recovery, with Process Automation business driving profit and order growth recovery in commodity related markets.

### Digital Factory (DF)

- **Orders**: €bn
  - Q1 FY 17: 2.7
  - Q1 FY 18: 3.5
  - Growth: +17%\(^1\)
- **Revenue**: €bn
  - Q1 FY 17: 2.6
  - Q1 FY 18: 3.0
  - Growth: +7%\(^1\)
- **Profit**: €m
  - Q1 FY 17: 692
  - Q1 FY 18: 606
  - Margin: 14-20%
  - Car gain: €172m (670bps)

### Process Industries and Drives (PD)

- **Orders**: €bn
  - Q1 FY 17: 2.1
  - Q1 FY 18: 2.3
  - Growth: +10%\(^1\)
- **Revenue**: €bn
  - Q1 FY 17: 2.1
  - Q1 FY 18: 2.0
  - Margin: 8-12%
- **Profit**: €m
  - Q1 FY 17: 135
  - Q1 FY 18: 148
  - Margin excl. severance: 6.7% (6.4%) and 7.5% (7.3%)

**Notes**:
- \(^{1}\) Comparable, i.e. adjusted for currency translation and portfolio effects.
- Margin as reported x.x% Margin excl. severance

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Q1 FY 2018 Analyst Call
HC: FX headwind and mix weigh on good execution
SGRE: Integration ongoing – right decisions taken

### Healthineers (HC)

- **Orders**
  - Q1 FY 17: €3.5bn
  - Q1 FY 18: €3.4bn (down 1%)

- **Revenue**
  - Q1 FY 17: €3.3bn
  - Q1 FY 18: €3.2bn (down 1%)

- **Profit**
  - Q1 FY 17: €638m
  - Q1 FY 18: €541m (down 15%)

- **Profit margin**
  - Q1 FY 17: 19.5%
  - Q1 FY 18: 17.4%

- **IPO process well on its way**
- **Successful Capital Market Day**

### Siemens Gamesa Renewable Energy (SGRE)

- **Orders**
  - Q1 FY 17: €1.4bn
  - Q1 FY 18: €2.9bn (up 10%)

- **Revenue**
  - Q1 FY 17: €1.4bn
  - Q1 FY 18: €2.1bn (up 15%)

- **Profit**
  - Q1 FY 17: €111m
  - Q1 FY 18: €110m (down 1%)

- **Profit margin**
  - Q1 FY 17: 8.1%
  - Q1 FY 18: 5.3%

- **Large offshore and onshore order wins**
- **Profitability reflects continued onshore price pressure**
Below IB benefits from Osram gain and U. S. tax reform

Below Industrial Business – Q1 FY 2018

In €m

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,208</td>
<td>173</td>
<td>605</td>
<td>48</td>
<td>-255</td>
<td>-298</td>
<td>-136</td>
<td>-147</td>
<td>2,199</td>
<td>12</td>
<td>2,211</td>
</tr>
</tbody>
</table>

Therein:
- €655m gain Osram disposal
- €82m Pensions
- €174m Corp. Items

Tax rate@6%
€437m impact from U. S. tax reform

€22m Attributable to non controlling interest

Attributable to non controlling interest
Guidance FY 2018 confirmed

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.

Note: FY 2017 weighted average number of shares of ~812.2m
One Siemens Financial Framework
Clear targets to measure success and accountability

Siemens

Growth:
Siemens > most relevant competitors\(^1\)
(Comparable revenue growth)

Capital efficiency
(ROCE\(^2\))
15 – 20%

Total cost productivity\(^3\)
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%
- SFS\(^6\): 15 – 20%
- SGRE: 5 – 8%
- BT: 8 – 11%
- DF: 14 – 20%
- HC: 15 – 19%
- PD: 8 – 12%
- SFS\(^6\): 15 – 20%

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 advanced
FY 2018 – Setting direction for next strategic level

Ownership culture driving leadership and people development

Drive performance
- Secure competitiveness in PG, PD and SGRE
- Agility and continuous productivity improvement
- Stringent project execution

Strengthen core
- Healthcare IPO
- Setting up Siemens Alstom
- Successful integration of acquisitions

Scale up
- Customer and market focus
- Digitalization at work
- Innovation push

“Vision 2020+”

Accelerated growth and outperformance
## Siemens Vision 2020 - Execution well underway, most targets already achieved by FY 2017

<table>
<thead>
<tr>
<th>GOAL</th>
<th>INTENT</th>
<th>KPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Implement stringent company governance with effective support functions</td>
<td>Live lean governance and drive continuous optimization</td>
</tr>
<tr>
<td>2</td>
<td>Strengthen portfolio</td>
<td>Sharpen our business focus in electrification, automation, and digitalization</td>
</tr>
<tr>
<td>3</td>
<td>Execute financial target system</td>
<td>Grow our company value</td>
</tr>
<tr>
<td>4</td>
<td>Expand global management</td>
<td>Get closer to our customers and markets</td>
</tr>
<tr>
<td>5</td>
<td>Be a partner of choice for our customers</td>
<td>Foster an intimate and trusting partnership with our customers</td>
</tr>
<tr>
<td>6</td>
<td>Be an employer of choice</td>
<td>Unleash the full potential of our people</td>
</tr>
<tr>
<td>7</td>
<td>Foster Ownership Culture</td>
<td>Ignite pride and passion for Siemens, through a new mindset and equity ownership</td>
</tr>
</tbody>
</table>
Financial cockpit – Q1 FY 2018

Orders in €bn
- B-t-B
  - Q1 FY 17: 19.7
  - Q1 FY 18: 19.2

Revenue
- Comp. (nom.)
  - Q1 FY 17: 22.5
  - Q1 FY 18: 19.8

Profit Industrial Business (IB) in €bn
- Q1 FY 17: 2.6
- Q1 FY 18: 2.2

ROCE (“all-in”) 15 – 20%
- Q1 FY 17: 19.2%
- Q1 FY 18: 17.9%

Net Income in €bn
- Q1 FY 17: 2.0
- Q1 FY 18: 2.2

EPS in €
- Q1 FY 17: 2.41
- Q1 FY 18: 2.76

Capital structure
- Q1 FY 17: 0.7x
- Q1 FY 18: 0.8x

- x.xx: EPS excl. severance
- x.x%: as reported
- x.x%: excl. severance

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Operating Activities

<table>
<thead>
<tr>
<th>Change in Item</th>
<th>Q1 FY 18</th>
<th>ΔQ4 FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>SFS Debt</td>
<td>+22.5</td>
<td>+0.0</td>
</tr>
<tr>
<td>Post emp. Benefits</td>
<td>-9.7</td>
<td>-0.1</td>
</tr>
<tr>
<td>Credit guarantees</td>
<td>-0.4</td>
<td>+0.2</td>
</tr>
<tr>
<td>Fair value adj. (hedge accounting)</td>
<td>+0.4</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Net Debt Bridge – Q1 FY 2018

Net Debt Q4 2017

-22.6

Cash & cash equiv. €9.6

Net Debt Q1 2018

-20.8

Adj. ind. Net Debt/EBITDA (c/o)

0.8x (Q4 FY17: 0.9x)

Adj. ind. Net Debt Q1 2018

-7.9

Net debt bridge – Q1 FY 2018

1) Including current available-for-sale financial assets
Provisions increased slightly, mainly due to decrease in discount rate assumptions, almost compensated by strong return on plan assets

**Q1 FY 2018 Key financials – Pensions and similar obligations**

<table>
<thead>
<tr>
<th>in €bn(^1)</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>Q1 FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit obligation (DBO)(^2)</td>
<td>(36.8)</td>
<td>(42.2)</td>
<td>(36.9)</td>
<td>(36.9)</td>
</tr>
<tr>
<td>Fair value of plan assets(^2)</td>
<td>27.1</td>
<td>28.7</td>
<td>27.6</td>
<td>27.7</td>
</tr>
<tr>
<td>Provisions for pensions and similar obligations</td>
<td>(9.8)</td>
<td>(13.7)</td>
<td>(9.6)</td>
<td>(9.7)</td>
</tr>
<tr>
<td>Discount rate</td>
<td>3.0%</td>
<td>1.7%</td>
<td>2.4%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Interest Income</td>
<td>0.8</td>
<td>0.8</td>
<td>0.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>0.6</td>
<td>3.3</td>
<td>0.3</td>
<td>0.7</td>
</tr>
</tbody>
</table>

\(^1\) All figures are reported on a continuing basis.

\(^2\) Fair value of plan assets including effects from asset ceiling (Q1 2018: €-0.1bn); difference between DBO and fair value of plan assets additionally resulted in net defined benefit assets (Q1 FY 2018: €+0.4bn); Defined Benefit Obligation (DBO), including other post-employment benefit plans (OPEB) of ~€0.5bn
Q1 FY18 Profit Bridge from SGRE disclosure to SAG Profit disclosure
Explanation of different profit definitions at SGRE and SAG to be considered in models

Q1 FY18 Profit Bridge (in €m)

<table>
<thead>
<tr>
<th></th>
<th>SGRE disclosure (as of Jan 30, 2018)</th>
<th>SAG disclosure (as of Jan 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2,127</td>
<td>2,127</td>
</tr>
<tr>
<td>Margin</td>
<td>1.6%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Integration &amp; Restructuring Cost</td>
<td>35</td>
<td>15</td>
</tr>
<tr>
<td>PPA effects</td>
<td>83</td>
<td>-15</td>
</tr>
<tr>
<td>Integration &amp; Restructuring Cost (underl. EBIT)</td>
<td>133</td>
<td>-10</td>
</tr>
<tr>
<td>Financial Income</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Intercompany Consolidation</td>
<td></td>
<td>110</td>
</tr>
<tr>
<td>SGRE Profit (as reported)</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Severance</td>
<td></td>
<td>113</td>
</tr>
<tr>
<td>SGRE Profit (excl. severance)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Financial calendar

January

January 31, 2018
Annual General Meeting + Q1 Analyst call (Munich, Germany)

February

February 21, 2018
Roadshow UK (Edinburgh)
February 22, 2018
Roadshow Switzerland (Zurich)

March

March 21/22, 2018
Bank of America Merrill Lynch Conference (London)
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