Vision 2020+
Shaping the future Siemens
Joe Kaeser, President and CEO
Press and Analyst Conference | Munich, August 2, 2018
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 the applicable financial reporting framework not clearly defined – supplemental financial measures that are or may be alternative performance measures (non-GAAP-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 the applicable financial reporting framework in its Consolidated Financial Statements. Other companies that report or describe similarly titled alternative performance 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+

Why now?

Goals of Vision 2020 have been largely achieved – Siemens in a strong position

The best time to reinvent yourself is when you’re strong

Adaptability is a key prerequisite in the digital age
Siemens Vision 2020
We delivered on what we promised, execution ahead of time

Ownership culture: >300,000 employee shareholders

Value


Drive performance
Strengthen core
Scale up

“Vision 2020+”

Strategic direction
Operational consolidation
Optimization
Accelerated growth and outperformance
Drive Performance:
Profitable growth and significant investment in innovation

<table>
<thead>
<tr>
<th>Revenue (€bn)</th>
<th>FY 2013</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>75.9</td>
<td>83.0</td>
<td></td>
</tr>
</tbody>
</table>

+9%

<table>
<thead>
<tr>
<th>Net Income (€bn)</th>
<th>FY 2013</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.4</td>
<td>6.2</td>
<td></td>
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</tbody>
</table>

+40%

<table>
<thead>
<tr>
<th>Order Backlog (€bn)</th>
<th>FY 2013</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>126</td>
<td></td>
</tr>
</tbody>
</table>

+26%

<table>
<thead>
<tr>
<th>Gross Margin</th>
<th>FY 2013</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>27.4%</td>
<td>30.1%</td>
<td></td>
</tr>
</tbody>
</table>

+270bps

<table>
<thead>
<tr>
<th>R&amp;D (€bn)</th>
<th>FY 2013</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.3</td>
<td>5.2</td>
<td></td>
</tr>
</tbody>
</table>

+20%
Strengthen Core: Setting the course for renewable energy, mobility and healthcare businesses for long-term value creation

SIEMENS

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

Stake of 17.34% sold

Siemens 59% share

Successful IPO achieved Siemens 85% share

BCA signed AGM approved merger

Note: AGM – Annual General Meeting, BCA – Business Combination Agreement; Pending regulatory approval
Scale up: Strengthen leadership in Industrial Digitalization across domains

- **Continued value creation** through market outperformance and margin expansion mostly in Digital Factory
- **Holistic digital twin** along the value chain (Design / Production / Service)
- **MindSphere** as the leading open IoT operating system
- **50+ MindSphere Application Centers** globally
- Shaping industrial **Cyber Security** with Charter of Trust

Rapid growth of digital business

€bn

<table>
<thead>
<tr>
<th>Siemens Software</th>
<th>FY 2014</th>
<th>FY 2017</th>
<th>FY 2018 (e)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>~2.9</td>
<td>~5.2</td>
<td>~6.5</td>
</tr>
</tbody>
</table>

- **~+80%**
- **~+25%**
- **~+25%**
mendix is uniquely positioned to boost our digital offerings

**mendix at a glance**

**Company:** Leading low-code platform
- Rapid Application Development allows apps created 10x faster based on low-code
- Founded 2005, >400 Employees

**Customer:** >90% recurring revenues; ~80% Gross Margin

**Ecosystem:**
- 500+ customers, 50,000+ developers and 100+ solution partners

**Siemens Transaction figures**
- Purchase price €0.6bn
- Multiples in line with comparable deals
- EPS accretive in year 4
- Closing expected in Q1 FY2019¹

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**Attractive market growth …**

- CAGR >40%
- 2017: 3 In €bn
- 2022: 18 In €bn

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**…with strong opportunities**

- Expand MindSphere with market proven platform components from mendix
- Accelerate Siemens cloud offerings
- Build cloud-native team and competence

¹ subject to regulatory approvals
## Goals of Vision 2020 largely achieved

<table>
<thead>
<tr>
<th>Goal</th>
<th>KPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Implement stringent corporate governance</td>
<td>€1 billion in cost savings achieved by FY 2016</td>
</tr>
<tr>
<td>2 Strengthen portfolio</td>
<td>Tap growth fields &gt; 8% margin in underperforming businesses</td>
</tr>
<tr>
<td>3 Execute financial target system</td>
<td>ROCE 15-20% Growth &gt; most-relevant competitors</td>
</tr>
<tr>
<td>4 Expand global management</td>
<td>&gt; 30% of Division and Business Unit management outside Germany</td>
</tr>
<tr>
<td>5 Be a partner of choice for our customers</td>
<td>≥ 20% improvement in Net Promoter Score</td>
</tr>
<tr>
<td>6 Be an employer of choice</td>
<td>&gt; 75% approval rating in “leadership” and “diversity” areas in global employee survey</td>
</tr>
<tr>
<td>7 Strengthen Ownership Culture</td>
<td>≥ 50% increase in number of employee shareholders</td>
</tr>
</tbody>
</table>
Global megatrends shaping our future markets

**Demographic Change**
- >20% of global population over the age of 60 in 2050
- 0.9bn (12%) in 2015, 2.1bn (21%) in 2050

**Urbanization**
- ~70% of global population will live in cities by 2050
- 30% rural population, 70% urban population in 2050

**Digitalization**
- 50bn IoT devices connected by 2020
- 9bn in 2012, 23bn in 2016, 50bn in 2020

**Globalization**
- Global trade will increase 4-fold until 2050
- 2018 to 2050

**Climate Change**
- Solar & wind power generation will increase six-fold until 2050 strongly driving electrification
- 2018 to 2050

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Paradigm shifts create mostly opportunities for growth

- Overcapacities in central power
- Resilience from Power Service business
- Trend towards smart and decentralized energy systems, incl. storage
- E-mobility infrastructure/charging
- Connected assets
- Autonomous handling systems incl. robots
- Continuously strong trend towards Automation and Digitalization across verticals, incl. PaaS

Market €bn

- SHS: ~50
- Siemens Alstom1): ~70
- SGRE: ~70
- PG/PS: ~50
- BT: ~60
- EM: ~110
- PD: ~80
- DF: ~80
- SFS: ~80

1) Pending regulatory approval
A fast growing and attractive IoT integration services market is emerging to realize the IoT world

IoT integration services are essential in convergence of IT and OT

- **IT**
  - Consulting: 15-20%
  - Implementation: ~15%
  - Operations: 5-20%
  - IT software: 30+%

- **OT**
  - Consulting: 0-10%
  - Implementation: 5-8%
  - Operations: 3-9%
  - Products / Systems: 5-25%
  - Lifetime services: 20-25%

- **IT/SW players**

Large, high growth market emerging

- **IoT integration services market**
  - 2017: ~20
  - 2025: ~50-60

- **Profit margins**
  - Typical operating profit margin:
    - Siemens D stronghold: 20-25%
    - Current Siemens E&A stronghold: ~12-15%

- **Market drivers**
  - High growth market driven by consulting, design & prototyping and implementation
  - Holistic offering essential to realize IoT
  - Attractive profit pool of 12-18%

1) Source: Gartner
Siemens is expanding its IoT platform offering: Integration Services to support the digital transformation of our customers

Customer value: Holistic digital platform offering

- Design
- Operate
- Service

Siemens offering

- IoT: Consulting & Integration
  - Siemens Software
  - Siemens Digital Services
  - mendix – application development platform
  - MindSphere – the IoT operating system
  - Digitally optimized electrification & automation

Siemens well positioned to leverage IoT integration services as growth engine

Dedicated unit for IoT integration services and digital transformation:

- Global customer access, installed base and vertical domain know-how
- Proven consulting expertise from Siemens Management Consulting Team
- State-of-the-art capabilities, e.g. AI, cyber security
- Holistic offering: consulting, design & prototyping, implementation
Vision 2020+:
Technology is the enabler – the purpose makes the difference

Science and Technology

Future Scenarios

Socio-economic Factors

Vision 2020+

Business to Society
Sustainable value creation for all stakeholders

Enterprise of the Future
Decentralized set-up

Ownership Culture

Future of Work
Re-skilling of labor force

Dynamic Healthcare Delivery
Connected and intermodal e-mobility

Industry on the verge of radical digital transformation
Connecting assets with IoT

Transition from central to decentral energy systems

Source: Frank Diana, Managing Partner, Futurist, TCS USA, 2016

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Operating model based on purpose and ownership culture

**Purpose**
Business to Society
Value creation for all stakeholders
We make real what matters

**Governance** sets the frame

**Ownership Culture** connects and leads our actions

**Businesses**
drive our purpose

**Regions**
are part of the business

**Services**
enable and support

**Corporate Development**
holds us together
Siemens Industrial Businesses
Focus drives value creation

Operating Companies

Gas and Power
Smart Infrastructure
Digital Industries

Strategic Companies

SIEMENS ALSTOM
1) Pending regulatory approval

SIEMENS Gamesa

SIEMENS Healthineers

IPO

PG
EM
BT
DF
PD
MO
WP
HC

Divisions
Gas and Power
Managing for value in a low growth environment

Gas and Power (GP)
- Power Generation Operations
- Power Generation
- Oil & Gas
- HV Transmission Products
- EPC Projects
- Service & Digital

FY 2017: Revenue: ~€21bn | Profit margin: ~9% | Employees: ~71 thousand

- Key target verticals: Utilities, IPPs, TSOs, O&G and Industrial Power
- Sharper focus on go-to-market and customers through localization
- Technology leadership and innovation to drive customer value
- Better leverages competence and capabilities
- Enables a support structure that fits business needs
- Right-sizing and optimization delivers competitive financial performance

Note: IPPs: Independent Power Producers, TSOs: Transmission System Operators

Press and Analyst Conference
Smart Infrastructure
Accelerating growth building on a strong core

FY 2017: Revenue: ~€14bn | Profit margin: ~11% | Employees: ~71 thousand

Fast-growing infrastructure markets at intersection of smart buildings & grids

Merge of physical and digital offerings required

Balanced revenue mix

- Services & Digital ~20%
- Solutions ~20%
- Systems ~20%
- Products ~40%
Digital Industries
Driving the digital transformation of discrete and process industries

FY 2017: Revenue ~€14bn | Profit margin ~16% | Employees ~78 thousand

1) Motion Control new: DF Motion Control + PD Large Drives Products and Cranes business

End-to-end portfolio for digital transformation across the entire value chain

1) Motion Control new: DF Motion Control + PD Large Drives Products and Cranes business
Strategic companies already with full entrepreneurial flexibility
Siemens governing with an industrial mindset & creating optionality

- Clear roadmap to drive profitable growth with L3AD2020 program
- Build on 84GW installed base for enhanced service offerings
- Creation of a global mobility champion
- Merger control clearance ongoing

1) Pending regulatory approval

Share price (%)

<table>
<thead>
<tr>
<th>Siemens Healthineers AG</th>
<th>TecDAX</th>
</tr>
</thead>
</table>

Market share 2017 (in GW)

- Siemens Healthineers AG
- Gamesa
- GE
- Other

Combined financials (Sep 30, 2017)

- Backlog (€bn): 59.3
- Revenue (€bn): 15.6
- Adj. EBIT (€bn): 1.2
- Adj. EBIT margin: 7.6%
- Employees: ~65,000

Source: MAKE

Enterprise Value ~€42bn (+~36% since listing in March 2018)
Strategy 2025 on track for growth and margin expansion
Small and Medium Enterprises will be managed for value creation

Strategic direction

- Medium-sized business setup
- Dedicated target setting
- Accountability
- Increased strategic flexibility

- Strong ramp up with Valeo in a growing e-mobility market
- Other investments operate in challenging market environments

Equity investments
Valeo Siemens (50%)
Primetals (49%)
EthosEnergy (49%)
Voith Hydro (35%)
...

<table>
<thead>
<tr>
<th>Small and Medium Enterprises SME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Siemens Postal, Parcel &amp; Airport Logistics (SPPAL)</td>
</tr>
<tr>
<td>PD Mechanical Drives (Flender)</td>
</tr>
<tr>
<td>PD Solutions</td>
</tr>
<tr>
<td>PD Large Drives (partially)</td>
</tr>
<tr>
<td>EM Subsea Business</td>
</tr>
</tbody>
</table>

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Vision 2020+
Focus and growth drive value creation

Drivers

• Core markets: business focus leads to market share gains
• Adjacent markets: tapping growth fields driving structural growth
• Enhancing business mix drives margin quality
• Operating Companies drive support function optimization
• New performance levels at Strategic Companies
• Fix SME businesses
• Optimization of Service Companies
• Corporate Development will be impact-driven
• Lean Corporate governance sets the frame

Mid-term impact

<table>
<thead>
<tr>
<th>Accelerated comp. revenue growth</th>
<th>+ 2 ppts CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin lift at Industrial Businesses</td>
<td>+ 2 ppts</td>
</tr>
<tr>
<td>EPS growth(^1)</td>
<td>&gt; revenue growth</td>
</tr>
</tbody>
</table>

1) on constant minority shareholdings
Siemens Financial Framework
Ambitious financial goals based on benchmarks

**Siemens (targets over the cycle)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Target Range</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growth Siemens</strong></td>
<td></td>
</tr>
<tr>
<td>Comparable revenue growth</td>
<td>4 – 5%</td>
</tr>
<tr>
<td><strong>Capital efficiency</strong></td>
<td></td>
</tr>
<tr>
<td>ROCE</td>
<td>15 – 20%²</td>
</tr>
<tr>
<td><strong>Industrial Businesses margin</strong></td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>11 – 15%</td>
</tr>
<tr>
<td><strong>Cash conversion</strong></td>
<td></td>
</tr>
<tr>
<td>Cash conversion rate (CCR)</td>
<td>CCR = 1 – growth rate ⁴</td>
</tr>
<tr>
<td><strong>Capital structure</strong></td>
<td></td>
</tr>
<tr>
<td>Industrial net debt/EBITDA</td>
<td>up to 1.0x</td>
</tr>
<tr>
<td><strong>Dividend payout ratio</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>40 – 60%⁵</td>
</tr>
</tbody>
</table>

**Operating Companies**

- **Adj. EBITA margin ranges³⁴**:
  - Gas and Power: 8 – 12%
  - Smart Infrastructure: 10 – 15%
  - Digital Industries: 17 – 23%

**Strategic Companies**

- **Adj. EBITA margin ranges³⁴ – Siemens expectation**:
  - Siemens Healthineers: 17 – 21%
  - Siemens Gamesa R. E.: 7 – 11%
  - Siemens Alstom⁶: 8 – 12%

**Service Company**

- **RoE⁷**:
  - Financial Services: 15 – 22%

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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; 4) Based on Industrial Businesses and comparable revenue growth; 5) Of net income attributable to Siemens shareholders excluding exceptional non-cash items; 6) Siemens Alstom closing pending; 7) Return on equity after tax.
## Tangible KPIs will define success

<table>
<thead>
<tr>
<th>GOAL</th>
<th>KPI</th>
</tr>
</thead>
</table>
| 1. Grow company value | • Margin lift at Industrial Businesses + 2 ppts  
• EPS growth > revenue growth<sup>1)</sup> |
| 2. Sharpen business focus in E-A-D | • Accelerated comparable revenue growth + 2 ppts CAGR |
| 3. Be a partner of choice for our customers | • > 20% improvement in customer satisfaction index |
| 4. Get closer to our markets | • > 50% of business HQs outside Germany |
| 5. Live lean governance and drive continuous optimization | • >20% efficiency improvement of support functions in scope  
• Global Business Services efficiency: +10-20% (fully operable) |
| 6. Be an employer of choice | • Approval rating in employee surveys for specific topics  
(e.g. diversity) |
| 7. Ignite pride and passion for Siemens through Ownership Culture | • Approval rating in employee surveys for specific topics  
(e.g. leadership) |

<sup>1)</sup> on constant minority shareholdings
Vision 2020+
Raising the bar

Transformation
Anticipate markets and trends

Ultimate value creation
Leading in all businesses

Focus
Scope over scale

Key: Foster Ownership Culture and strengthen entrepreneurial focus
Milestones for implementation

- Announcement of Vision 2020+ (Q3 FY 2018)
- Start transition to new organizational structure (October 1, 2018)
- New organization implemented (March 31, 2019)
- Capital Market Day (H1 FY 2019)
- SME break even FY 2020
- Support and services efficiency targets achieved until FY 2021
- IoT Integration Services revenues €1bn / 15% margin until FY 2022
### Reporting structure

#### Current reporting structure

<table>
<thead>
<tr>
<th>Industrial Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power and Gas</td>
</tr>
<tr>
<td>Energy Management</td>
</tr>
<tr>
<td>Building Technologies</td>
</tr>
<tr>
<td>Mobility</td>
</tr>
<tr>
<td>Digital Factory</td>
</tr>
<tr>
<td>Process Industries &amp; Drives</td>
</tr>
<tr>
<td>Siemens Healthineers</td>
</tr>
<tr>
<td>Siemens Gamesa</td>
</tr>
</tbody>
</table>

#### Future reporting structure

<table>
<thead>
<tr>
<th>Industrial Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas and Power</td>
</tr>
<tr>
<td>Smart Infrastructure</td>
</tr>
<tr>
<td>Digital Industries</td>
</tr>
<tr>
<td>Siemens Alstom (until closing: Mobility)</td>
</tr>
<tr>
<td>Siemens Healthineers</td>
</tr>
<tr>
<td>Siemens Gamesa</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconciliation to Consolidated Financial Statements</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Siemens</th>
</tr>
</thead>
</table>
# Market oriented set-up of Operating Companies

<table>
<thead>
<tr>
<th>Divisions</th>
<th>Old Structure</th>
<th>Operating Companies</th>
<th>New structure</th>
</tr>
</thead>
</table>
| **PG**    | Power Generation Products and Solutions  
Oil & Gas  
Power Generation Services | **GP** | Power Generation  
Oil & Gas  
Transmission  
EPC Projects  
Service & Digital |
| **EM**    | Transmission Solutions  
HV Products, Transformers\(^1\)  
Digital Grid  
Medium Voltage & Systems\(^2\), Low Voltage & Products | **SI** | Regional Solutions & Services  
Digital Grid  
Distribution Systems  
Low Voltage Products  
Control Products  
Building Products |
| **BT**    | Solution and Services  
Control Products and Systems | **DI** | Factory Automation  
Motion Control  
Process Automation  
Software  
Customer Services |
| **DF**    | Control Products  
Factory Automation, Motion Control  
Product Lifecycle Management  
Customer Services | | |
| **PD**    | Process Automation  
Large Drives\(^3\)  
Mechanical Drives  
Process Solutions | | |

1) Distribution Transformers to be transferred to SI  
2) Subsea to be transferred to SME  
3) Industrial Applications and Traction (excluding Rail Systems) to be transferred to SME
**Acquisition mendix**  
**Perfect fit to further expand leadership in IoT & Digital Enterprise**

<table>
<thead>
<tr>
<th>Rationale</th>
<th></th>
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<tbody>
<tr>
<td><strong>Area of growth</strong></td>
<td></td>
</tr>
<tr>
<td>• Highly attractive business for low-code development: CAGR &gt;40% until 2022</td>
<td>✔</td>
</tr>
<tr>
<td>• Large untapped market potential</td>
<td>✔</td>
</tr>
<tr>
<td><strong>Potential profit pool</strong></td>
<td></td>
</tr>
<tr>
<td>• Strong margin profile with gross margin ~80% - typical for software companies</td>
<td>✔</td>
</tr>
<tr>
<td>• Sustainability of earnings supported by high-value added engineering services and recurring business of &gt; 90%</td>
<td>✔</td>
</tr>
<tr>
<td><strong>Why Siemens</strong></td>
<td></td>
</tr>
<tr>
<td>• MindSphere integrated with mendix will accelerate ecosystem adoption</td>
<td>✔</td>
</tr>
<tr>
<td>• Enables Siemens &amp; customers to rapidly build applications with 50%+ shorter release time</td>
<td>✔</td>
</tr>
<tr>
<td><strong>Synergetic value</strong></td>
<td></td>
</tr>
<tr>
<td>• Faster expansion of MindSphere through ecosystem adoption and rapid app development</td>
<td>✔</td>
</tr>
<tr>
<td>• NPV of &gt; €0.5bn</td>
<td>✔</td>
</tr>
<tr>
<td>• Make use of Siemens global scale across industries &amp; leading IoT platform MindSphere</td>
<td>✔</td>
</tr>
<tr>
<td><strong>Paradigm shifts</strong></td>
<td></td>
</tr>
<tr>
<td>• Clear trend towards cloud enabled applications</td>
<td>✔</td>
</tr>
<tr>
<td>• Digitalization of businesses and industries becomes a fundamental necessity</td>
<td>✔</td>
</tr>
<tr>
<td>• Transformation from hardware to software driven business will continue</td>
<td>✔</td>
</tr>
</tbody>
</table>