

# Targets achieved – another outstanding year for Siemens

Joe Kaeser, President and CEO | Ralf P. Thomas, CFO  
Q4 FY 2017 Analyst Call | Munich, November 9, 2017

# 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.

All information is preliminary.



**FY 2017: Again a record year – we delivered what we promised**



**Vision 2020: Fully on track – significant progress achieved**

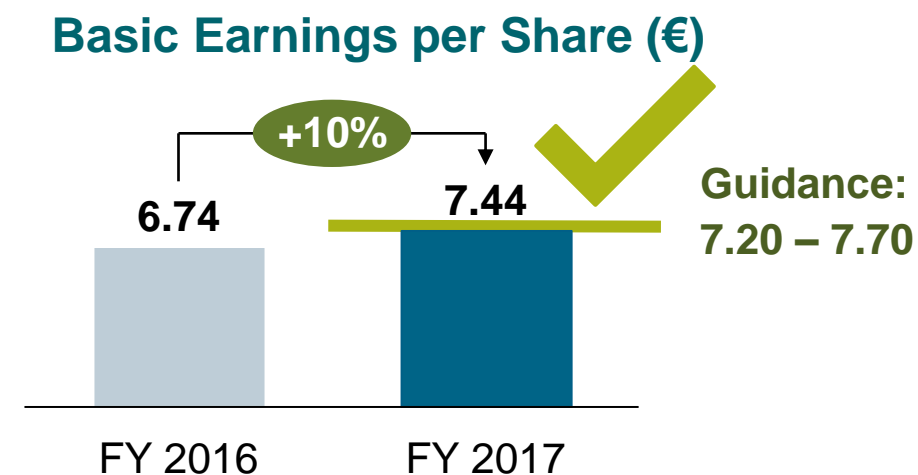
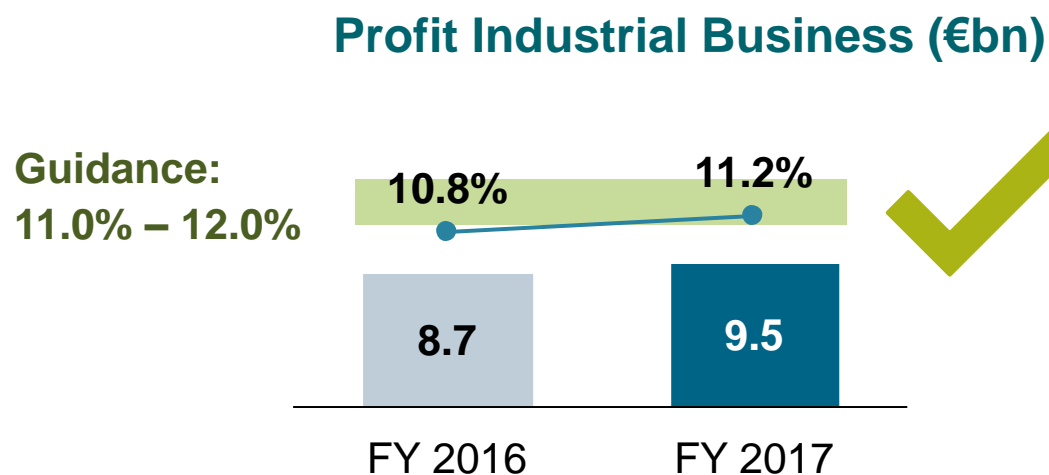
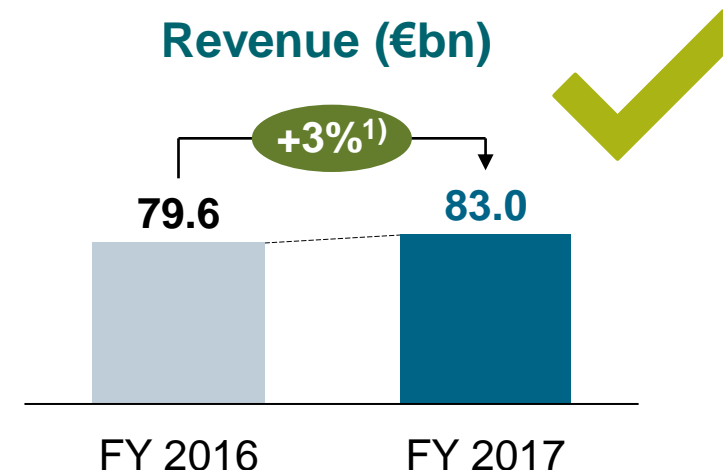
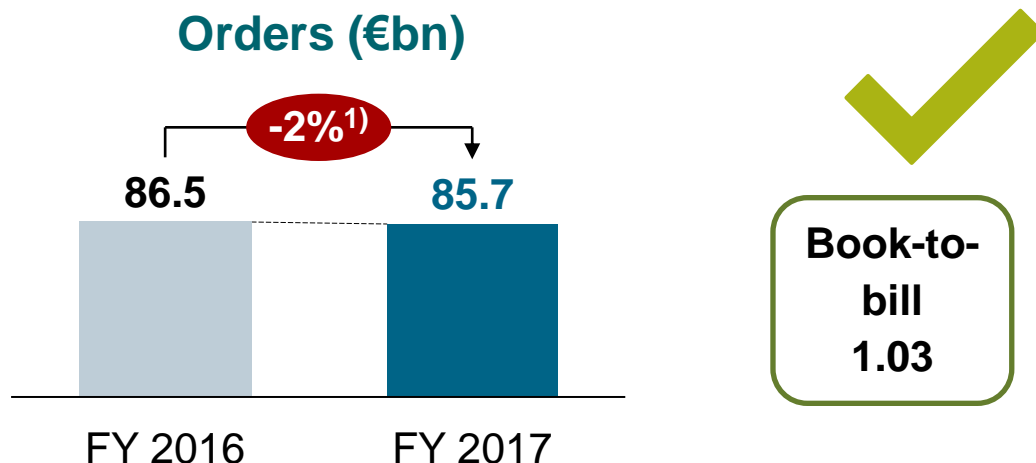


**FY 2018: Set direction for further value creation – development of “Vision 2020+”**



**Guidance FY 2018: Another ambitious year ahead**

# Targets achieved – another outstanding year for Siemens



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

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## Q4 FY 2017 – Order boom boosts backlog



- **Strategic direction set to create a European Mobility champion - Alstom MoU signed**
- **Strong organic order growth +16% supported by all Divisions**
- **Revenue up 1% organic on broad based growth compensating PG decline**
- **Underlying IB margin at 10.5%<sup>1)</sup> - Strong operational performance at DF, HC, BT, MO and EM affected by structural challenges at PG and SGRE**
- **Net income of €1.3bn and EPS at 1.57€ - up 10% y-o-y**
- **Dividend of €3.70 proposed, up 3%**

1) excl. severance

# Setting the course for renewable energy, mobility and healthcare businesses for long-term value creation

**SIEMENS**  
*Ingenuity for life*



## SIEMENS

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

**OSRAM**

Stake of 17.34% sold



**SIEMENS Gamesa**  
RENEWABLE ENERGY

Merger closed  
Siemens 59% share

**SIEMENS**  
**Healthineers**

IPO plan for H1  
CY 18 announced

**SIEMENS ALSTOM**

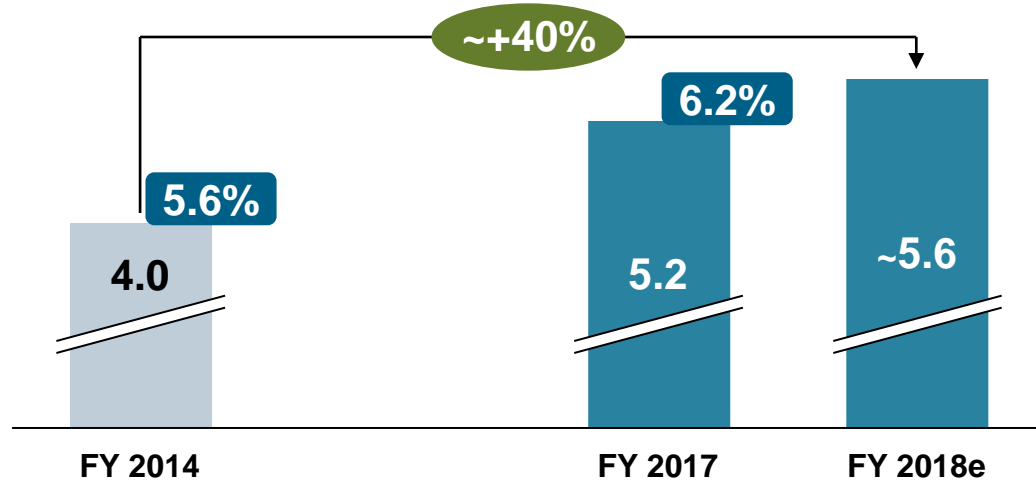
MoU signed, expected  
closing end of CY 18

# Executing Vision 2020

## Push for innovation drives competitiveness and customer value

### Higher R&D intensity continues...

R&D expenses in €bn (% of revenue)



- Core technology fields, e. g. Artificial Intelligence
- IoT operating system MindSphere
- Digital applications and services across all businesses
- Innovative Healthineers' Imaging platforms
- Decentralized energy systems

### ... and delivers impressive outcomes



#### Healthineers

- **Magnetom Terra** – first 7 Tesla MRI scanner for **clinical use**
- **Unmatched visualisation** of neurological disease states



#### Digital Factory

- **Expand portfolio** with **NX-Software** for **Additive Manufacturing**
- **One system** for **whole model driven workflow**



#### Power and Gas

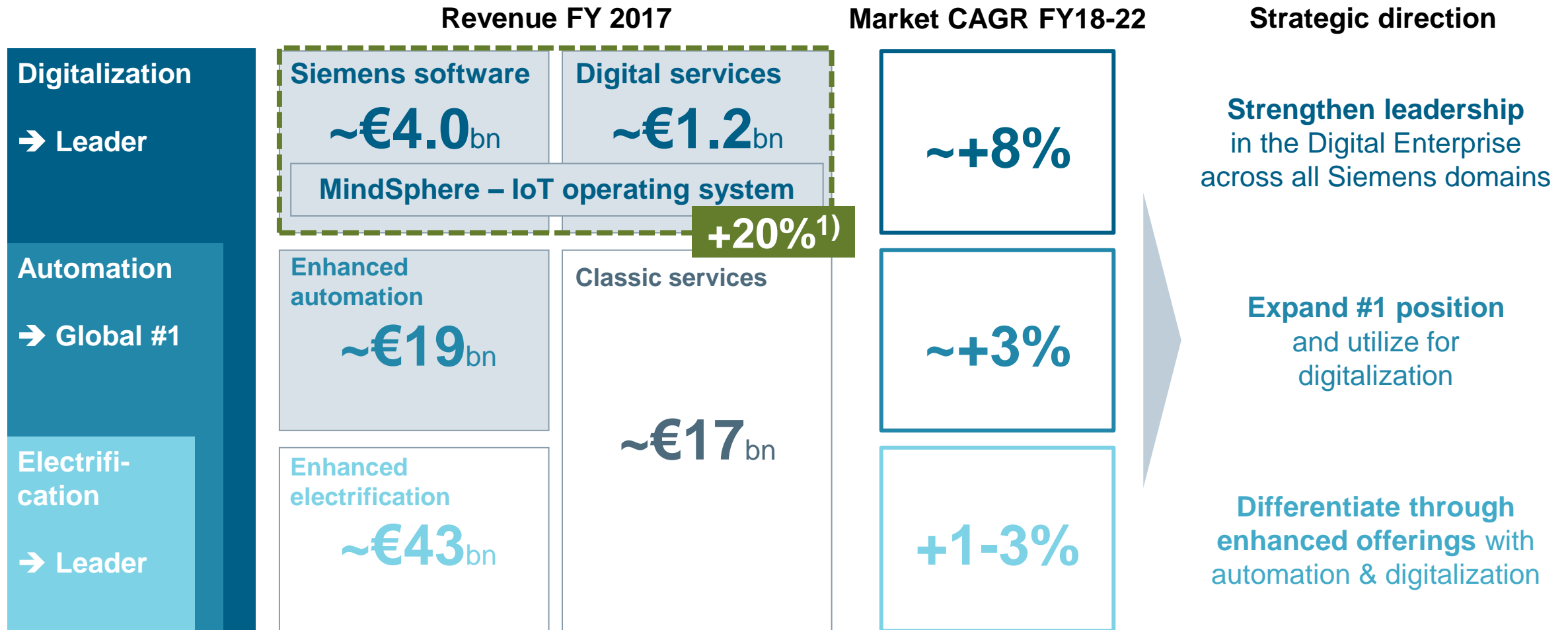
- **HL-Class gas turbine** derived from proven **H-Class design**
- **>63% efficiency** in CCPP mode with **clear roadmap to 65%**

# Leadership in Digital Enterprise strengthened Siemens further gaining market share

Scale up

**SIEMENS**

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Note: Figures based on Industrial Business; SGRE incl. as of Apr 2017

1) Nominal growth FY16 to FY17, rebased

Note: 9% growth for Siemens Software excl. Mentor

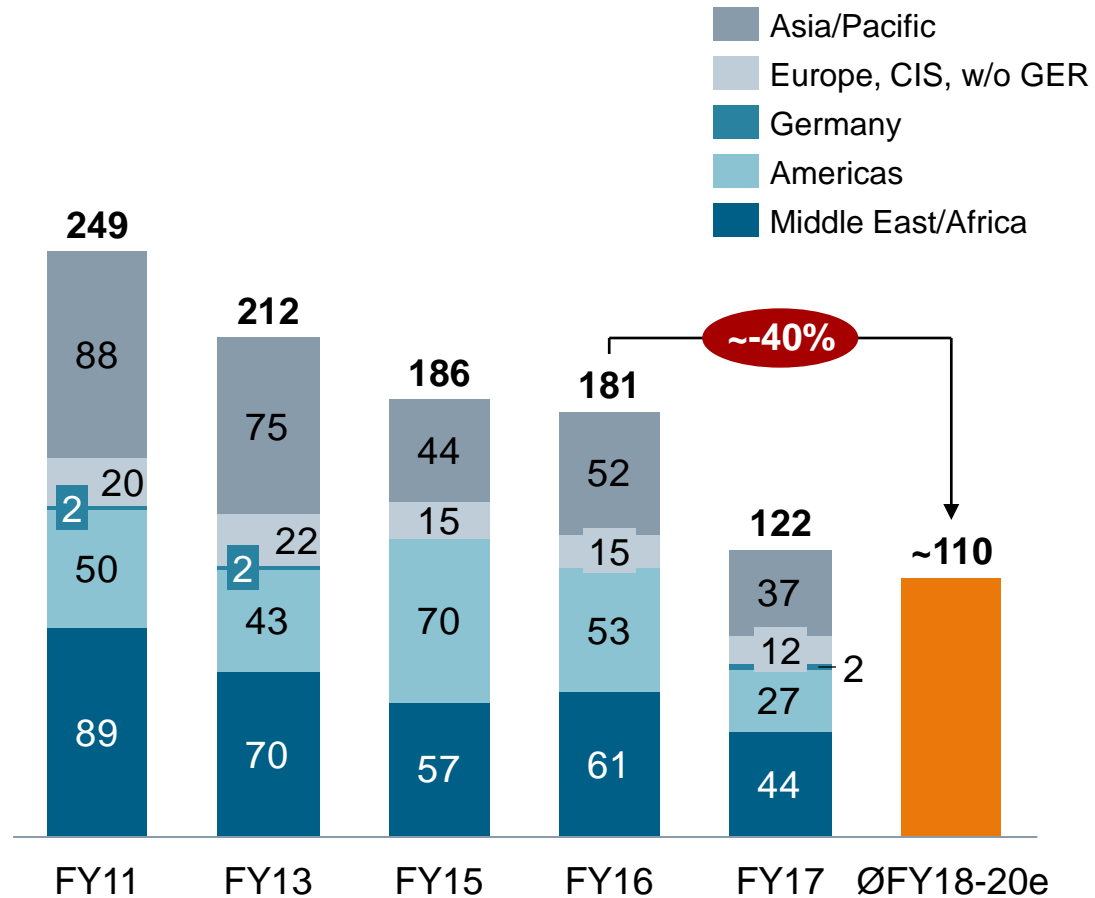
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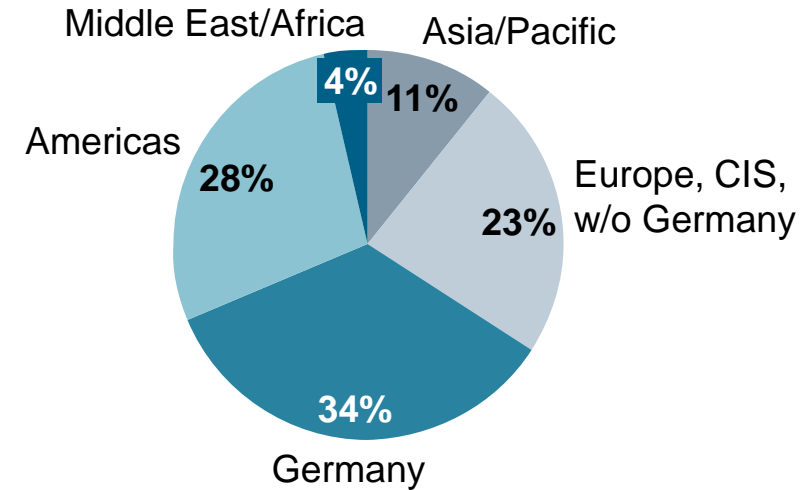
# PG - Structural market decline requires decisive adjustments

## Example: Large Gas Turbine business (>100MW)

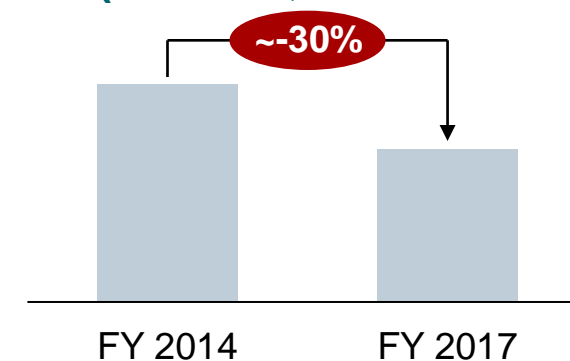
### Market Development (in # Turbines)



### Employee split Power and Gas incl. Service



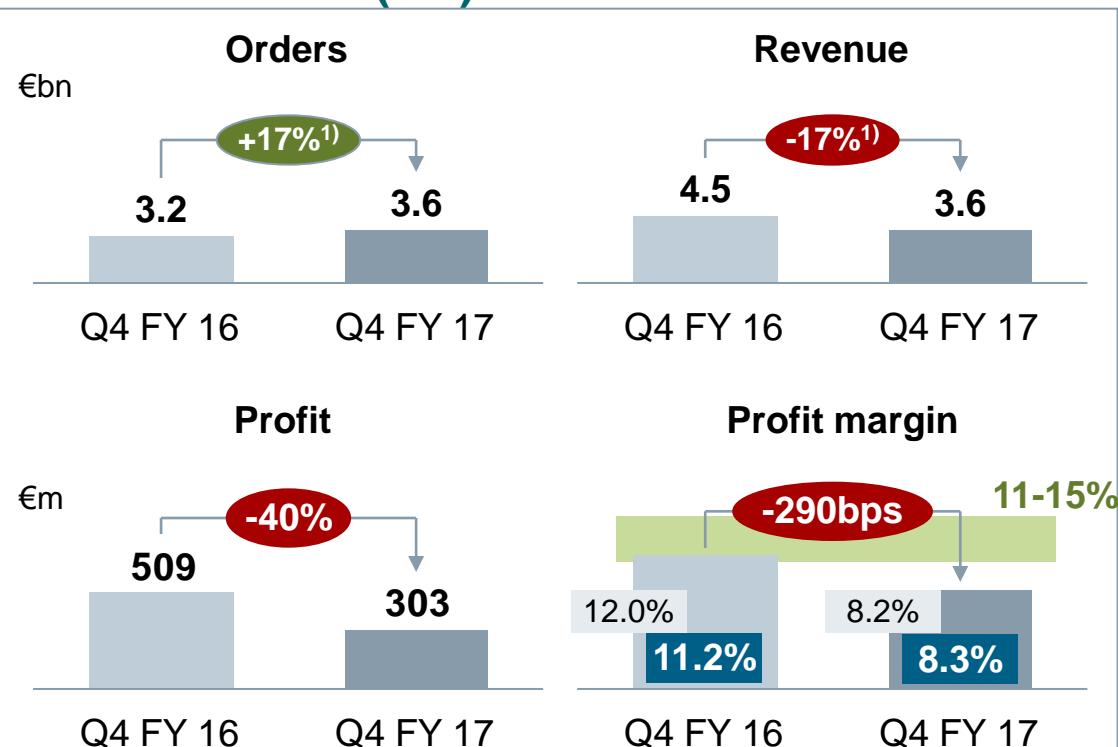
### Price decline (US\$/kW, 60Hz market)



# PG: Market contraction impacts top and bottom line

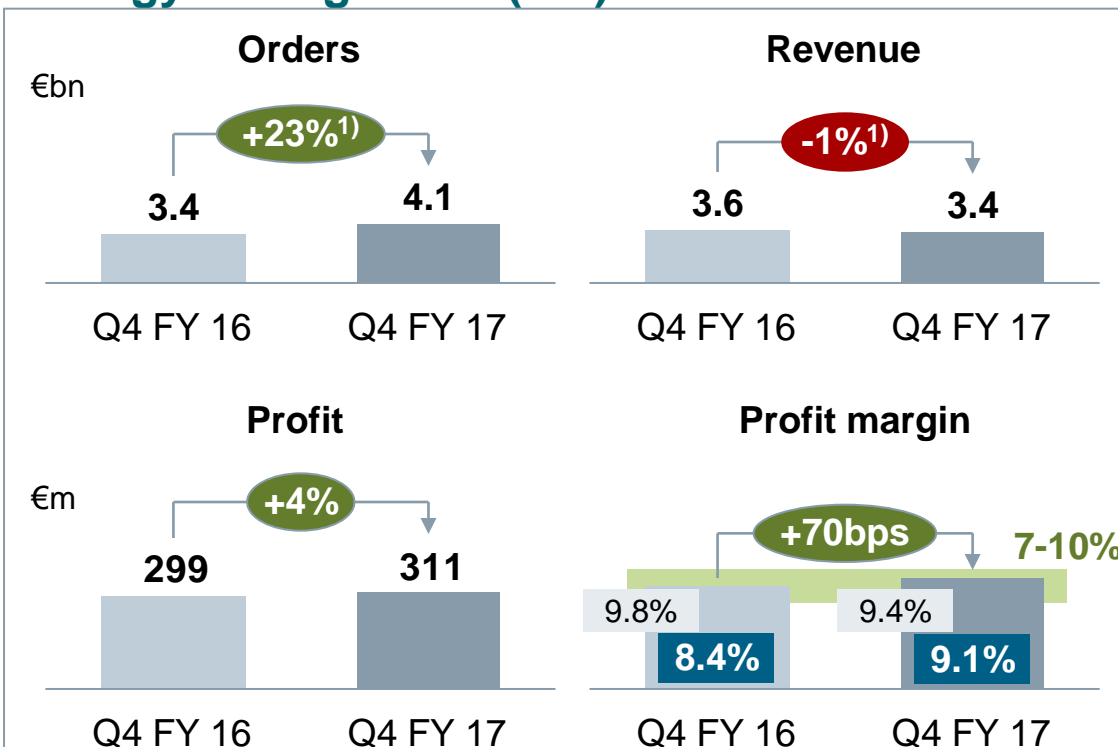
## EM: Performance improvement on track

### Power and Gas (PG)



- Order growth driven by service, declining new-unit business
- Revenue decline, lower capacity utilization and price pressure weigh on margin

### Energy Management (EM)



- Large order wins e.g. DolWin6 project
- Profitability improvement across most businesses

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

x.x%

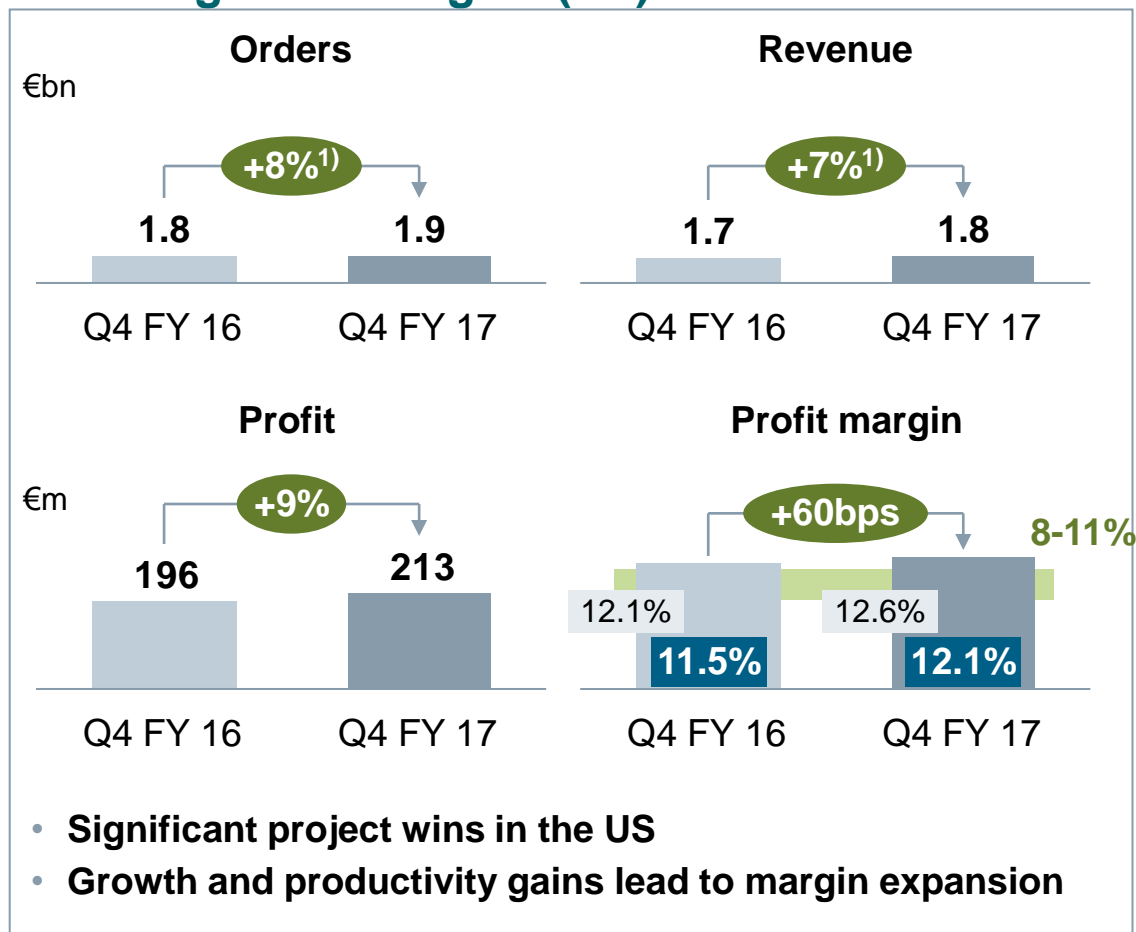
Margin as reported x.x% Margin excl. severance (and excl. integration costs D-R for PG only)

# BT: Great performance completes best year ever

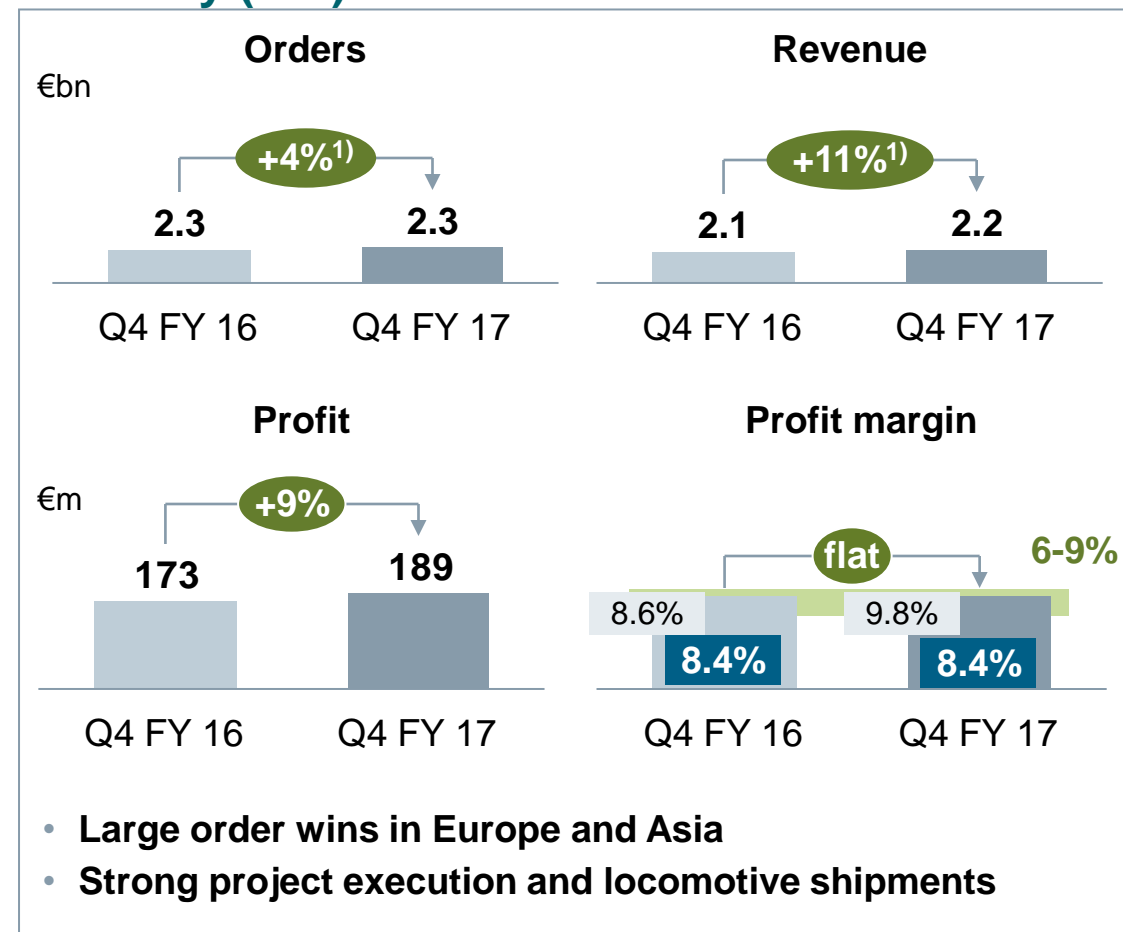
## MO: All-time revenue high – automation business drives profit



### Building Technologies (BT)



### Mobility (MO)



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

x.x%

Margin as reported

x.x%

Margin excl. severance

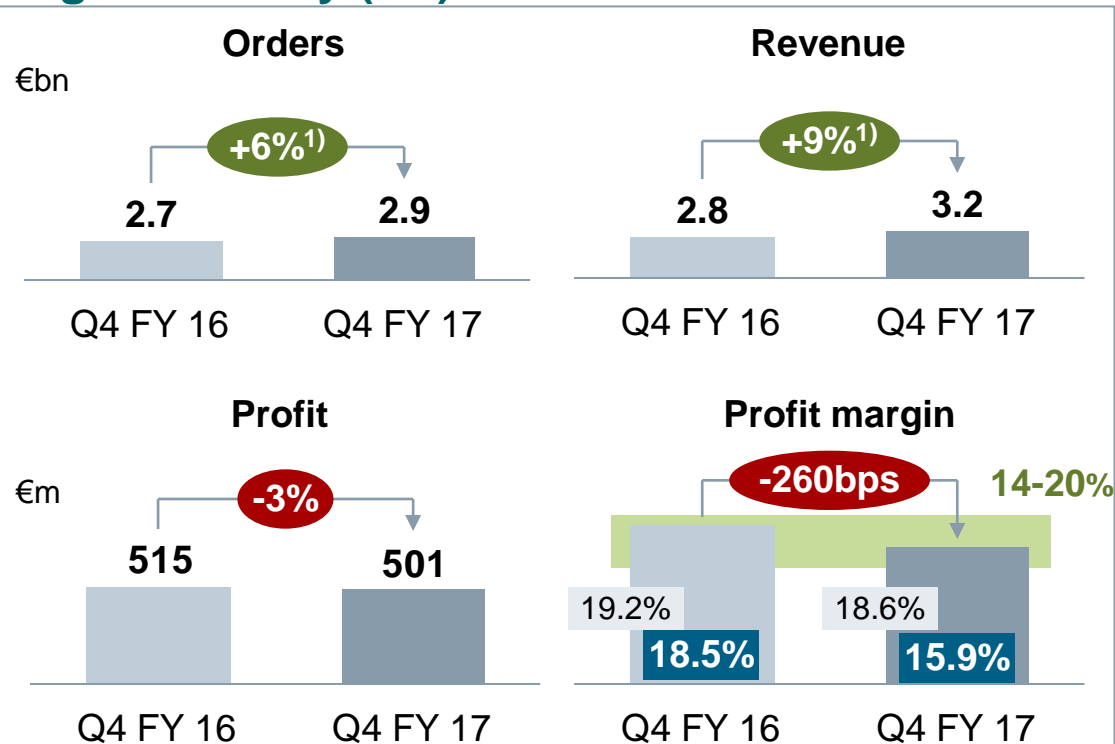
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# DF: Excellent short-cycle continues – further market share gains

## PD: Trough reached, gradual improvement ahead

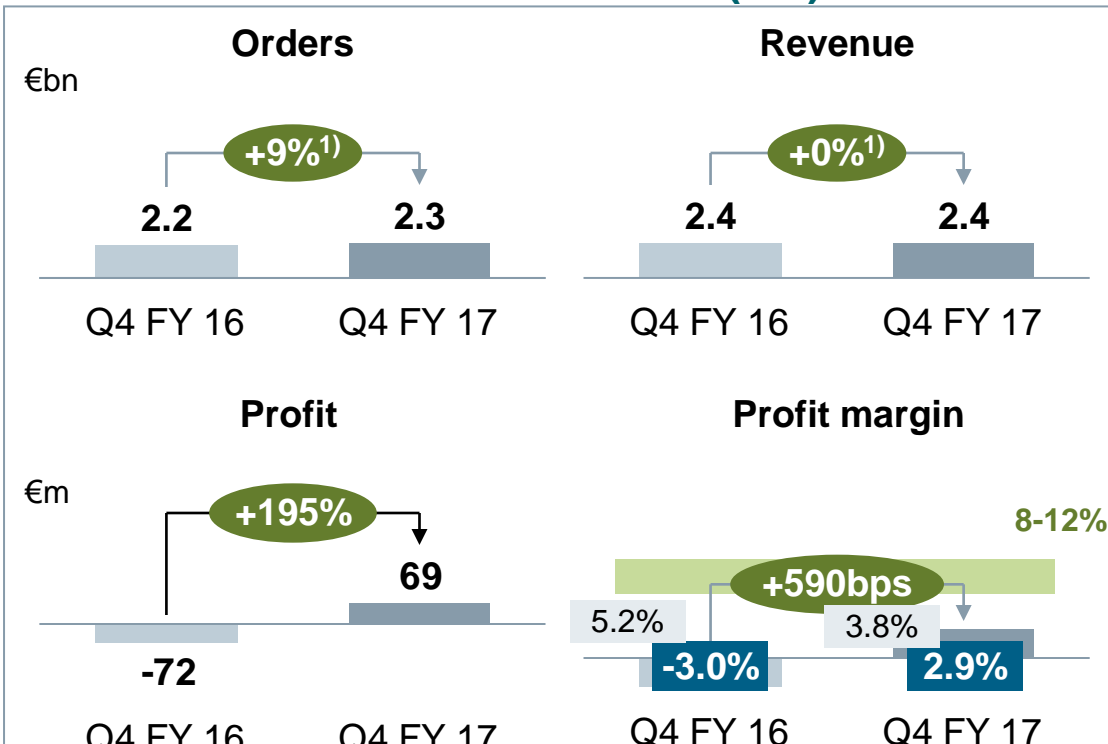


### Digital Factory (DF)



- Substantial double digit revenue growth in China
- Mentor effects ~-40bps & MindSphere ~-150bps

### Process Industries and Drives (PD)



- Strong order growth in China
- Large drives operational challenges remain
- Charges related to capacity adjustments ~-280bps

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

x.x%

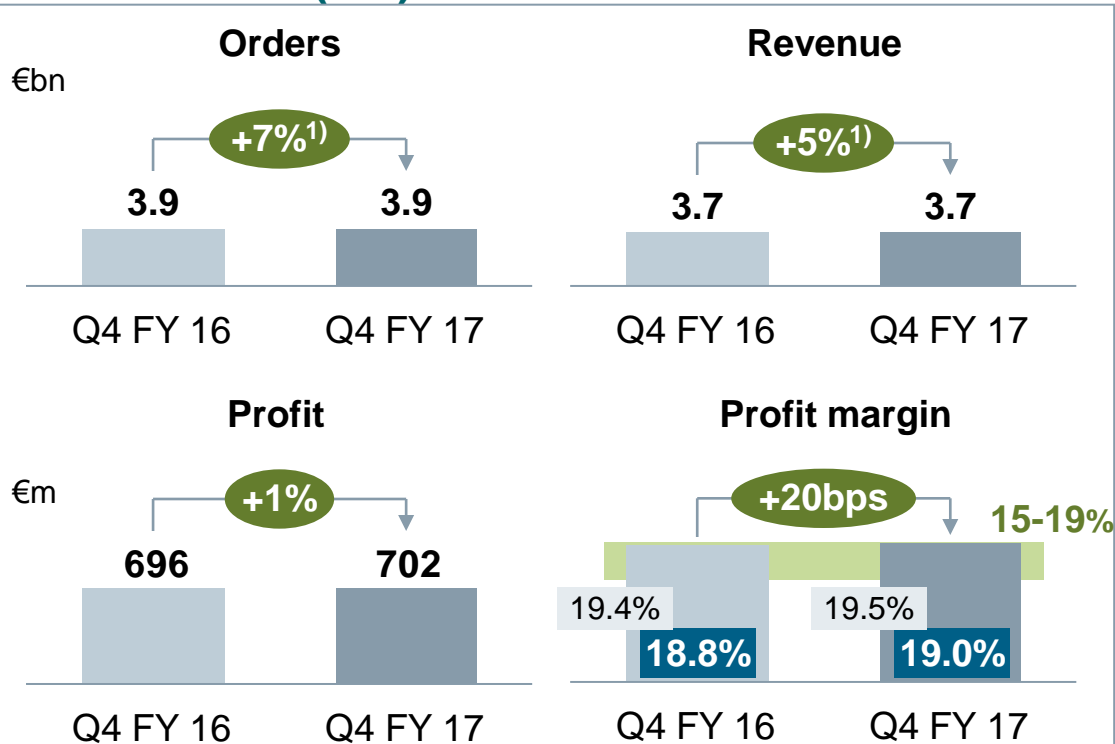
Margin as reported x.x% Margin excl. severance

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# HC: Capturing growth – excellent margin

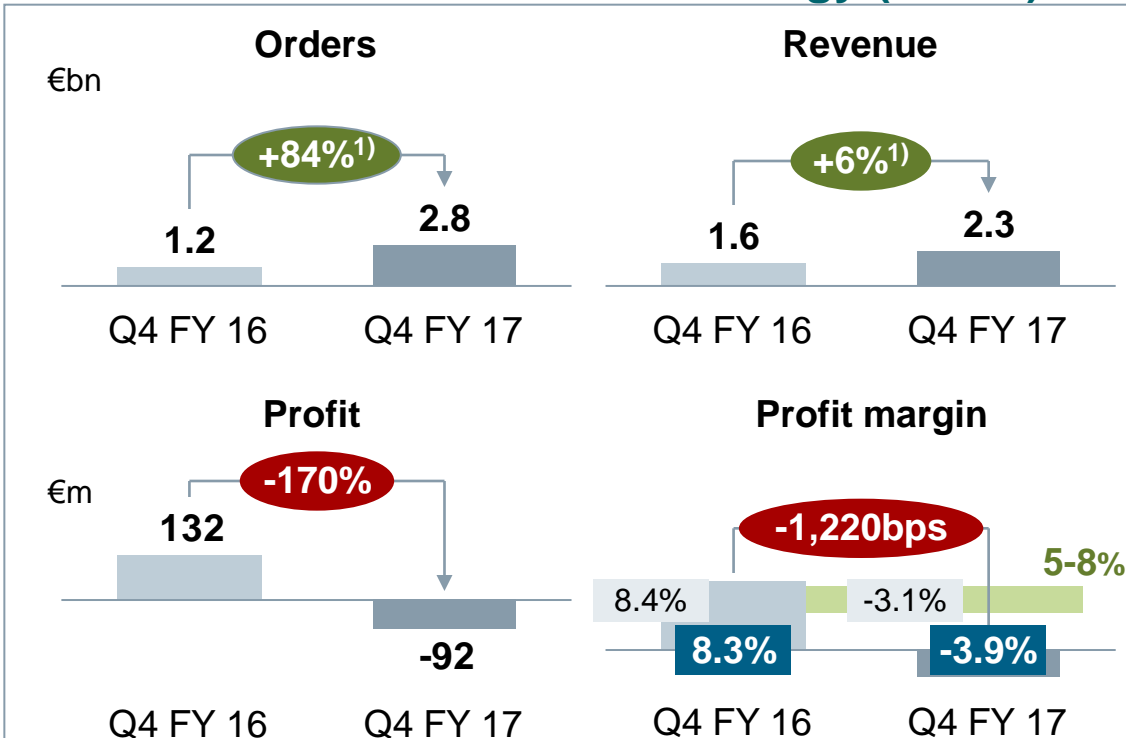
## SGRE: Strong order wins and challenges in operations

### Healthineers (HC)



- Top line growth driven by Europe and China
- Strong profitability due to Diagnostic Imaging

### Siemens Gamesa Renewable Energy (SGRE)



- Large order wins, e.g. Borssele
- Profit impacted by write downs of inventories (-€134m), integration and capacity adjustments (-€67m)

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

x.x%

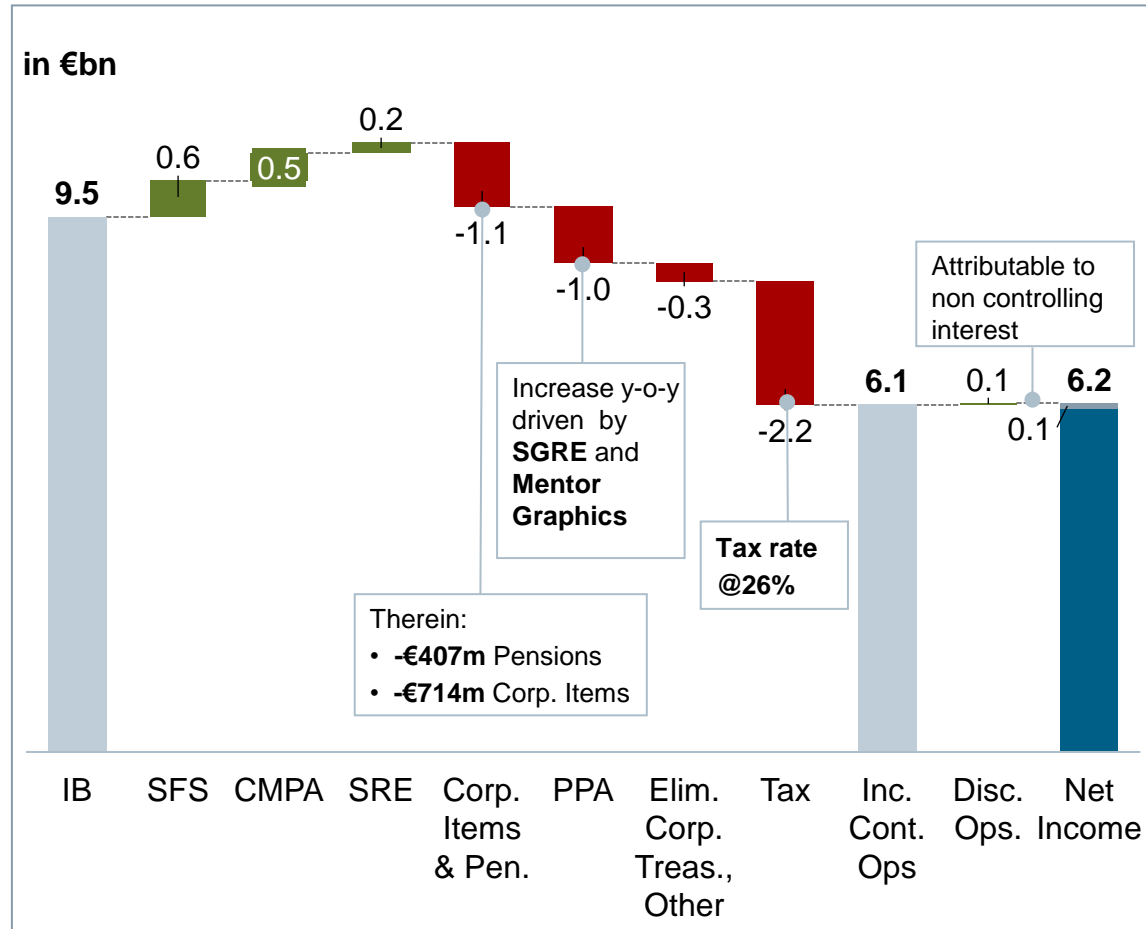
Margin as reported

x.x%

Margin excl. severance

# Below Industrial Business FY18 remains volatile

## Below Industrial Business – FY 2017



## Expectations for FY 2018<sup>1)</sup>

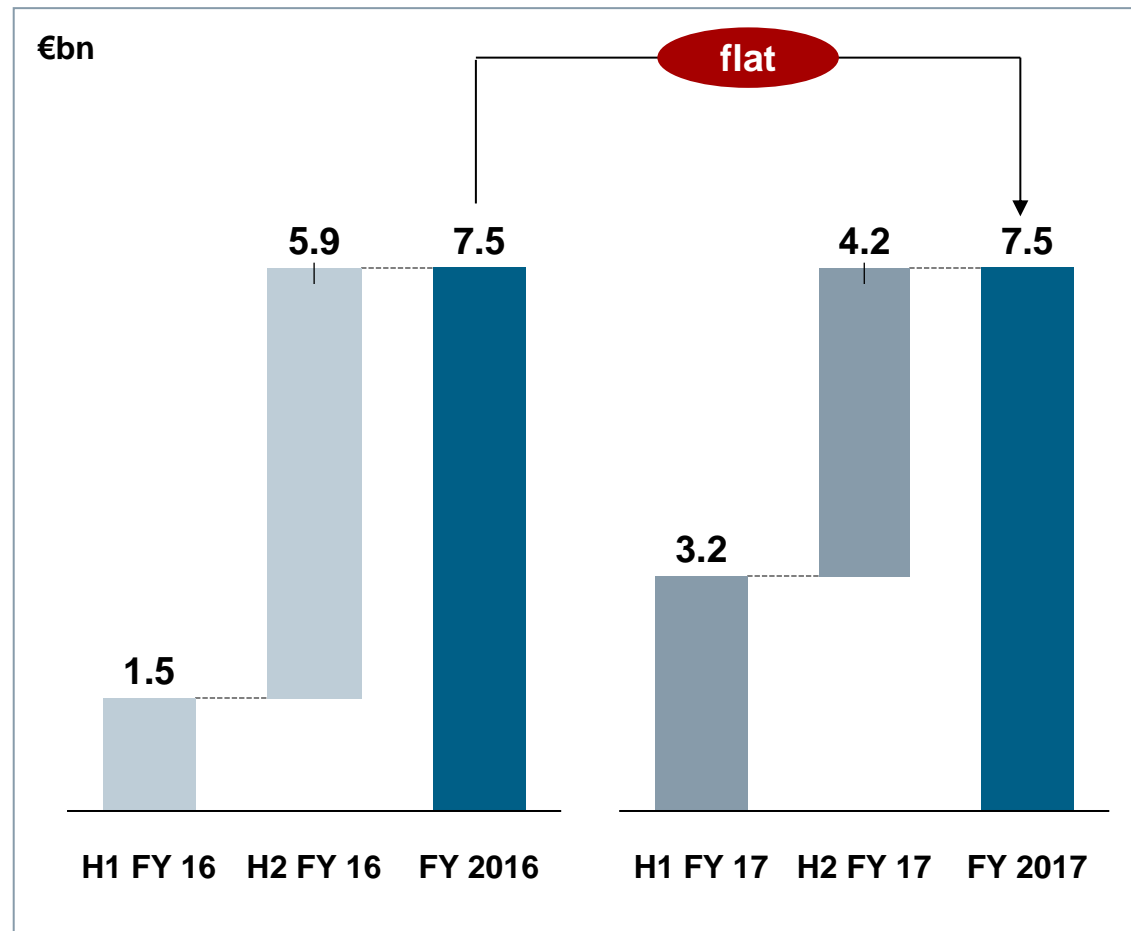
- **SFS:** in line with FY 2017
- **CMPA:** positive due to portfolio gains, volatility remains
- **SRE:** in line with FY 2017, dependent on disposal gains
- **Corporate Items:** ~€150m per quarter on high central innovation invest
- **Pension:** in line with FY 2017, ~€100m per quarter
- **PPA:** ~€300m per quarter; increase due to Mentor and Gamesa
- **Eliminations, Corporate Treasury, Others:** ~€100m higher than in FY 2017 due to higher interest expenses
- **Tax rate:** expect 27% – 33%
- **Discontinued Operations:** immaterial

1) Expectations exclude severance charges

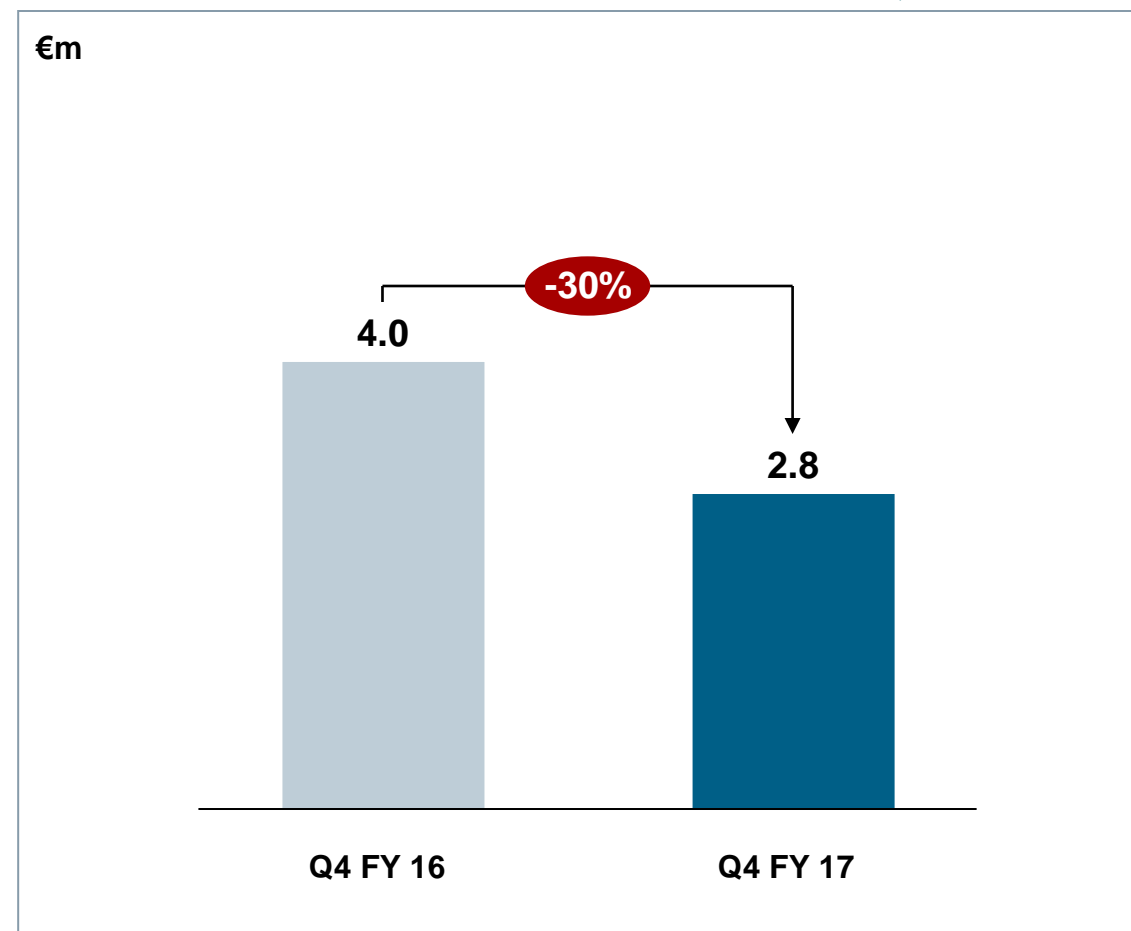
# Strong cash conversion across most divisions

## PG and SGRE weigh on free cash flow in Q4

### Industrial business free cash flow – FY 2017



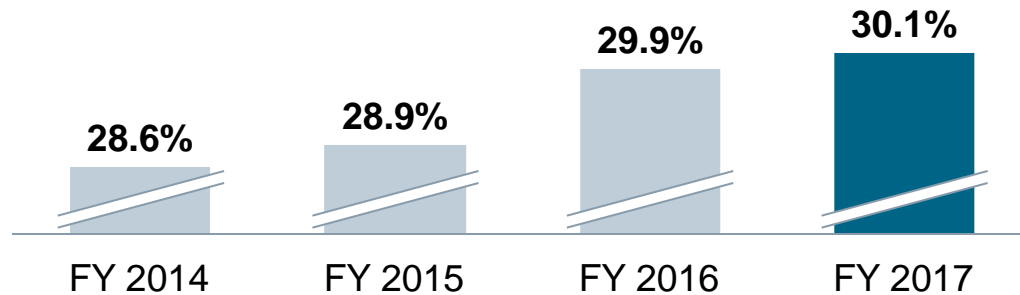
### Industrial business free cash flow – Q4 FY 2017



# Executing Vision 2020

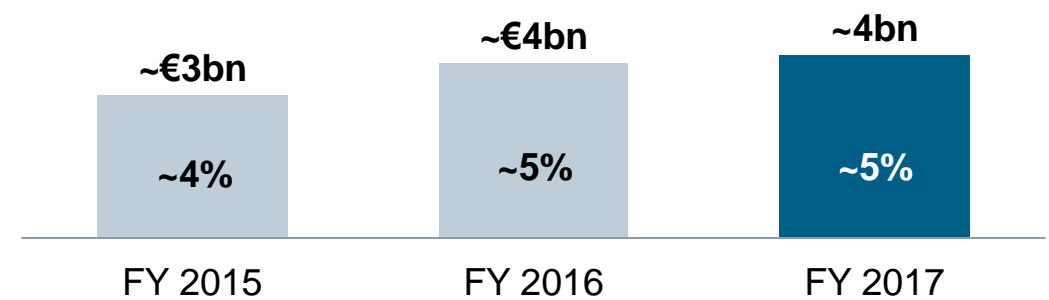
## Continuous productivity drives operational performance

### Gross margin improvement on track



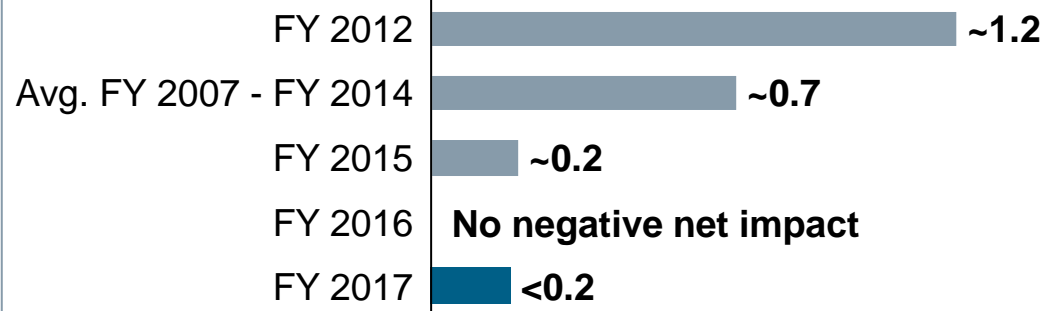
### Ongoing rigorous total cost productivity

in % of total cost base<sup>1)</sup>



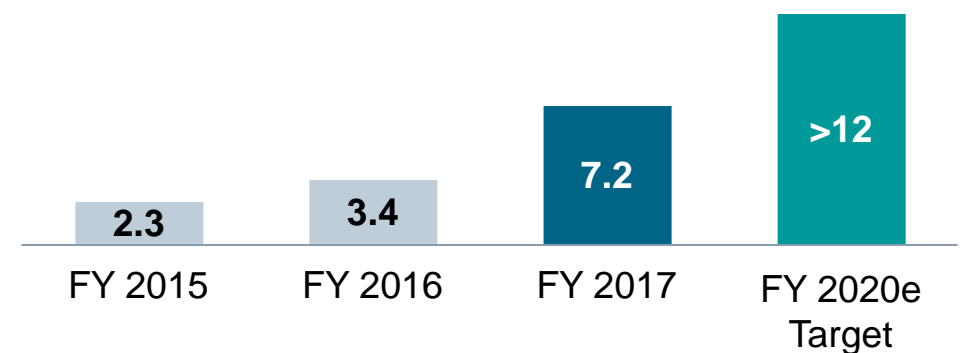
### Stringent project execution continues

Net impact in €bn



### Cost and Value Engineering ahead of plan

in €bn, total production cost



1) Total cost base: Sum of cost of sales, R&D and SG&A expenses



# Executing Vision 2020

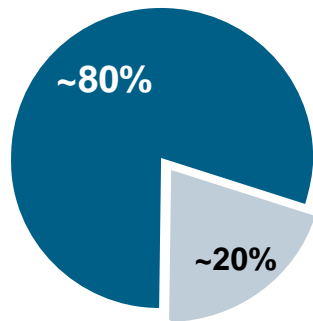
## Underperforming businesses show clear progress

### Underperforming businesses (~€15bn revenue in FY 2017)

| Fiscal Year   | 2013 | 2014 | 2015 | 2016 | 2017 | 2020e |
|---------------|------|------|------|------|------|-------|
| Profit Margin | -4%  | -3%  | +1%  | +3%  | ~6%  | >8%   |



Fiscal 2017 achievement



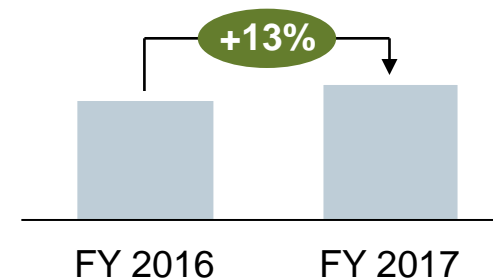
In 6% range

Under special management attention

### Example: Intelligent Traffic Systems Business



Order growth (organic)

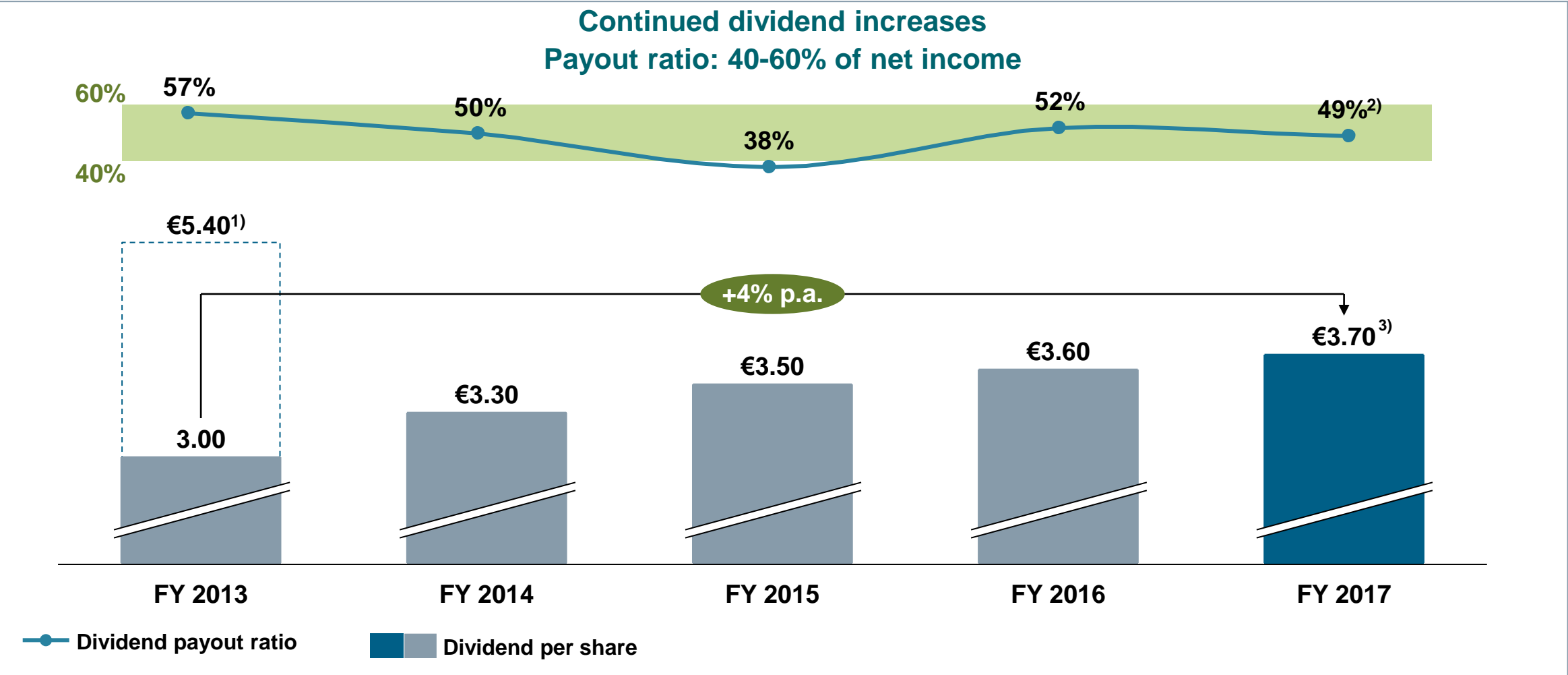


Profit margin



# Delivering sustainable shareholder returns

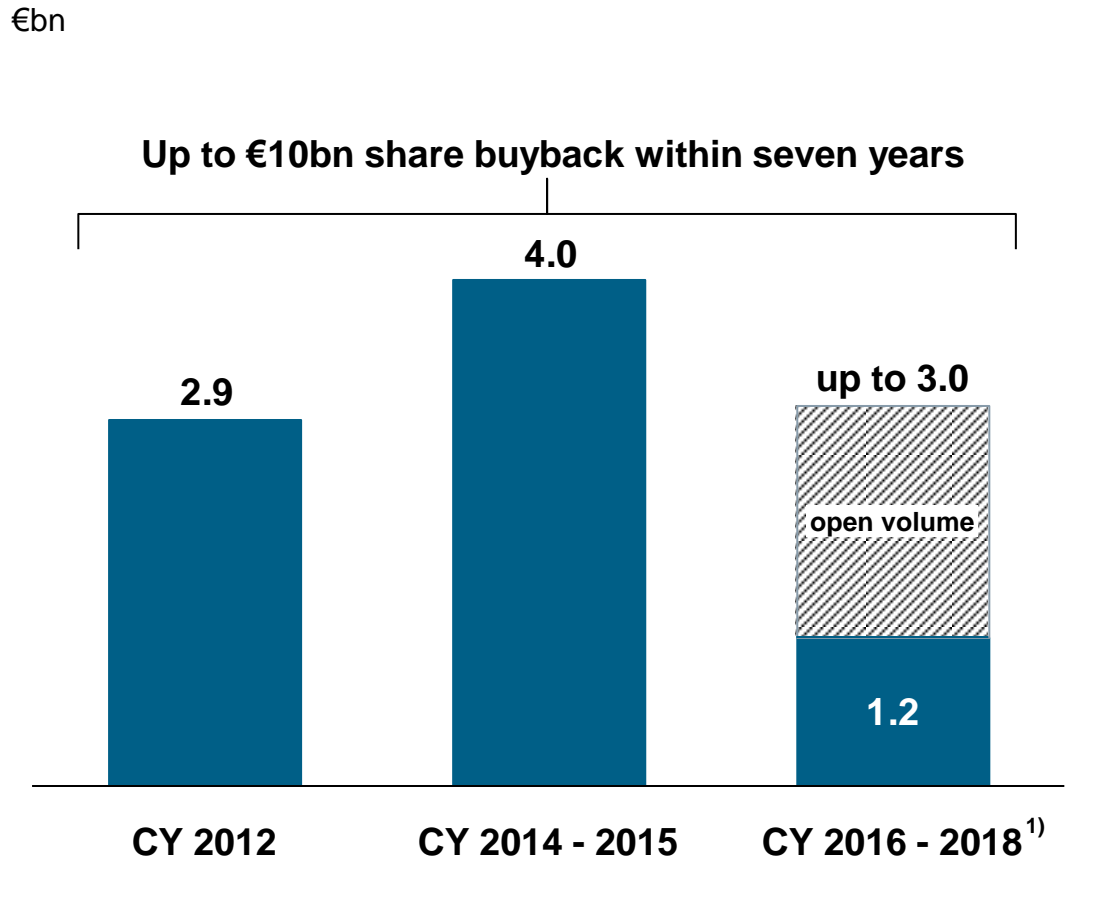
## Dividend yield of 3.1%



1) Effect of OSRAM stock distribution to shareholders of €2.40 per share; not reflected in dividend payout ratio  
2) Payout ratio assumes 817m shares outstanding at Jan 31, 2018 3) Proposed dividend pending on annual shareholder meeting approval in Jan 2018

# Value creation for all stakeholders

## Committed to share buyback

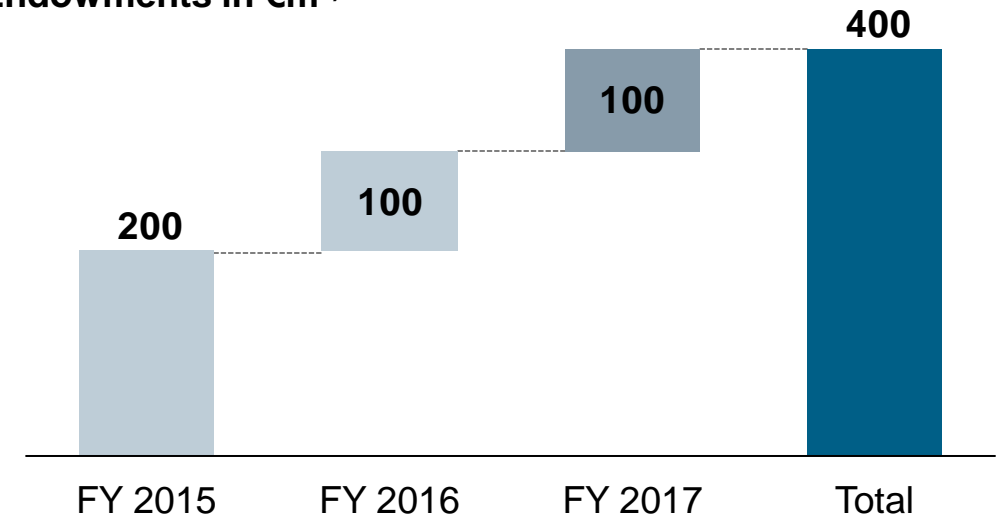


1) Status by Sep 30 2017

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## Siemens profit sharing

Endowments in €m<sup>2)</sup>



- Strengthen ownership culture through share distribution
- Target group: Employees excluding management
- Significant increase of global employee shareholders to achieve goal of 200,000

2) Does not reflect P&L-impact; related to performance in respective year

# Assumptions for FY 2018 as basis for guidance

## Macroeconomic environment

- Continued geopolitical tension, improving global investment demand

## Pricing

- Pricing pressure around 2.5% of revenue

## Personnel cost inflation

- 3 - 4% increase

## Productivity

- In the range of 3 – 5% productivity target

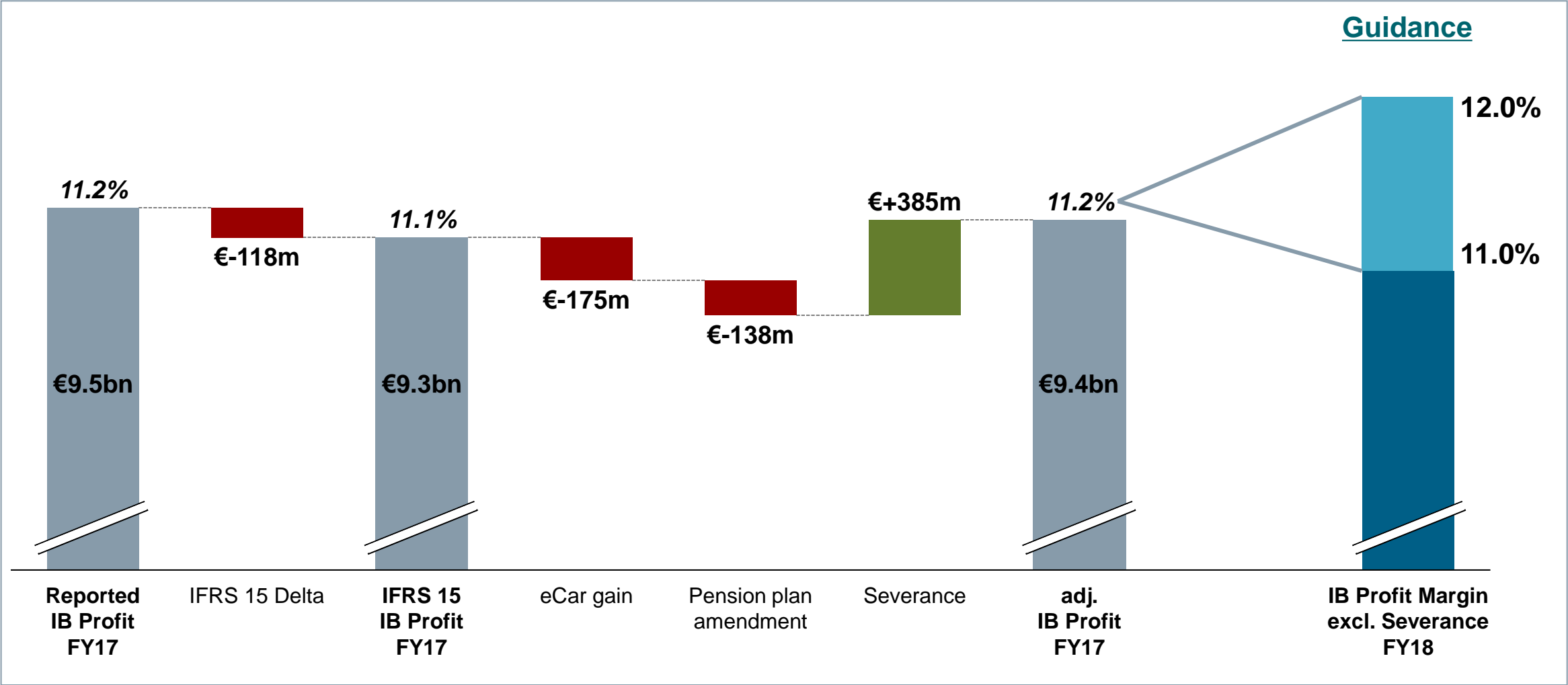
## Capex

- Clear increase over FY 2017 levels

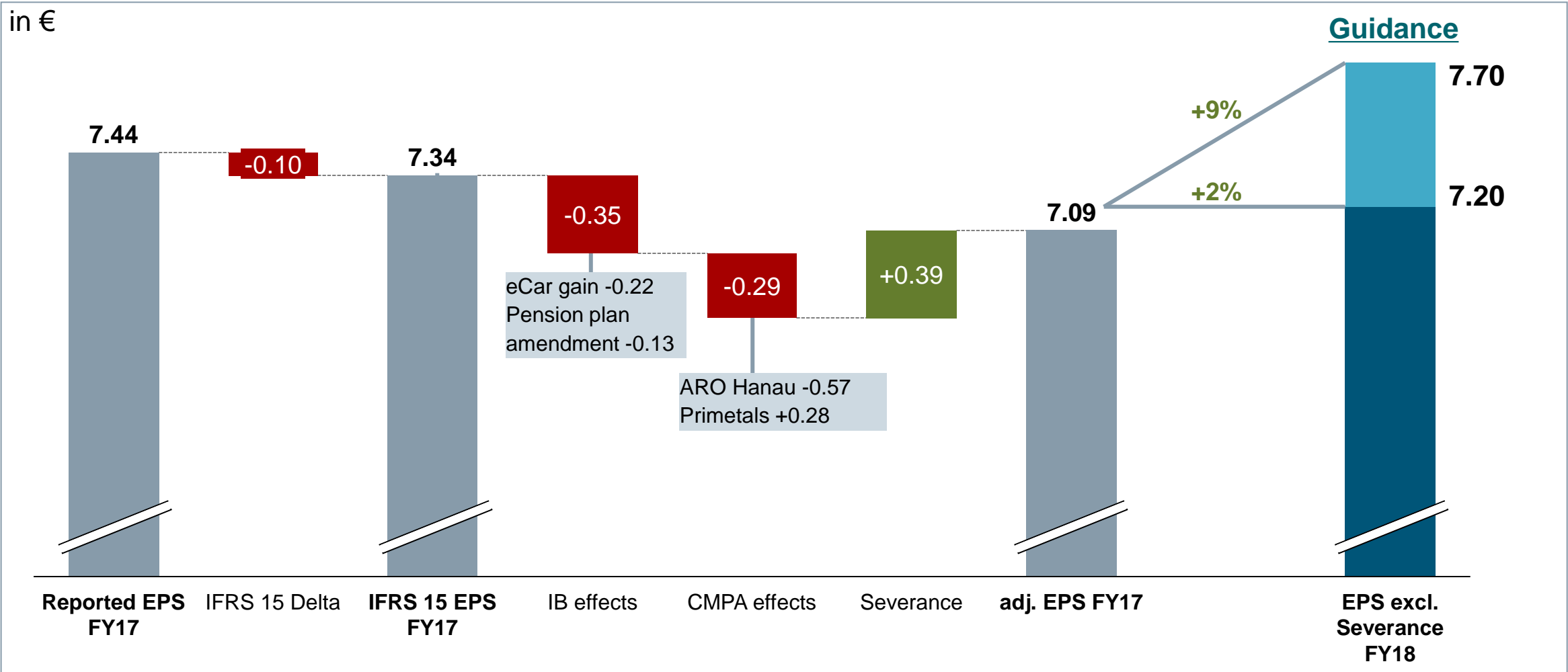
## Foreign exchange

- Significant negative top & bottom line impact on current exchange rates

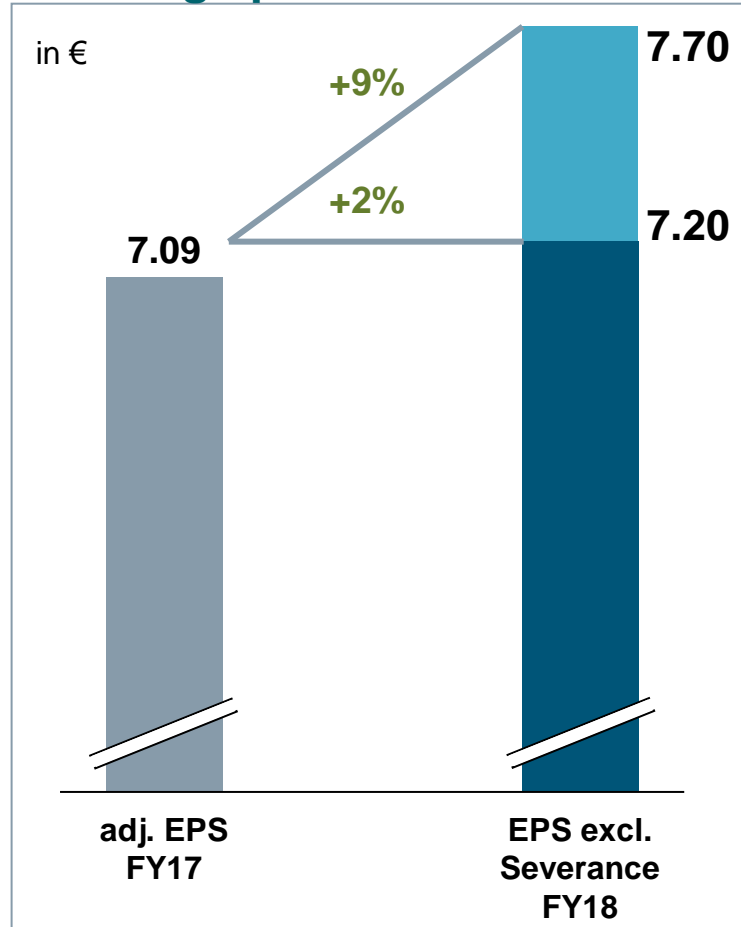
# Industrial Business Profit Margin - Outlook FY 2018



# Earnings per share - Outlook FY 2018



## Earnings per share



Note: FY 2017 weighted average number of shares of ~812.2m

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## Outlook

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**.

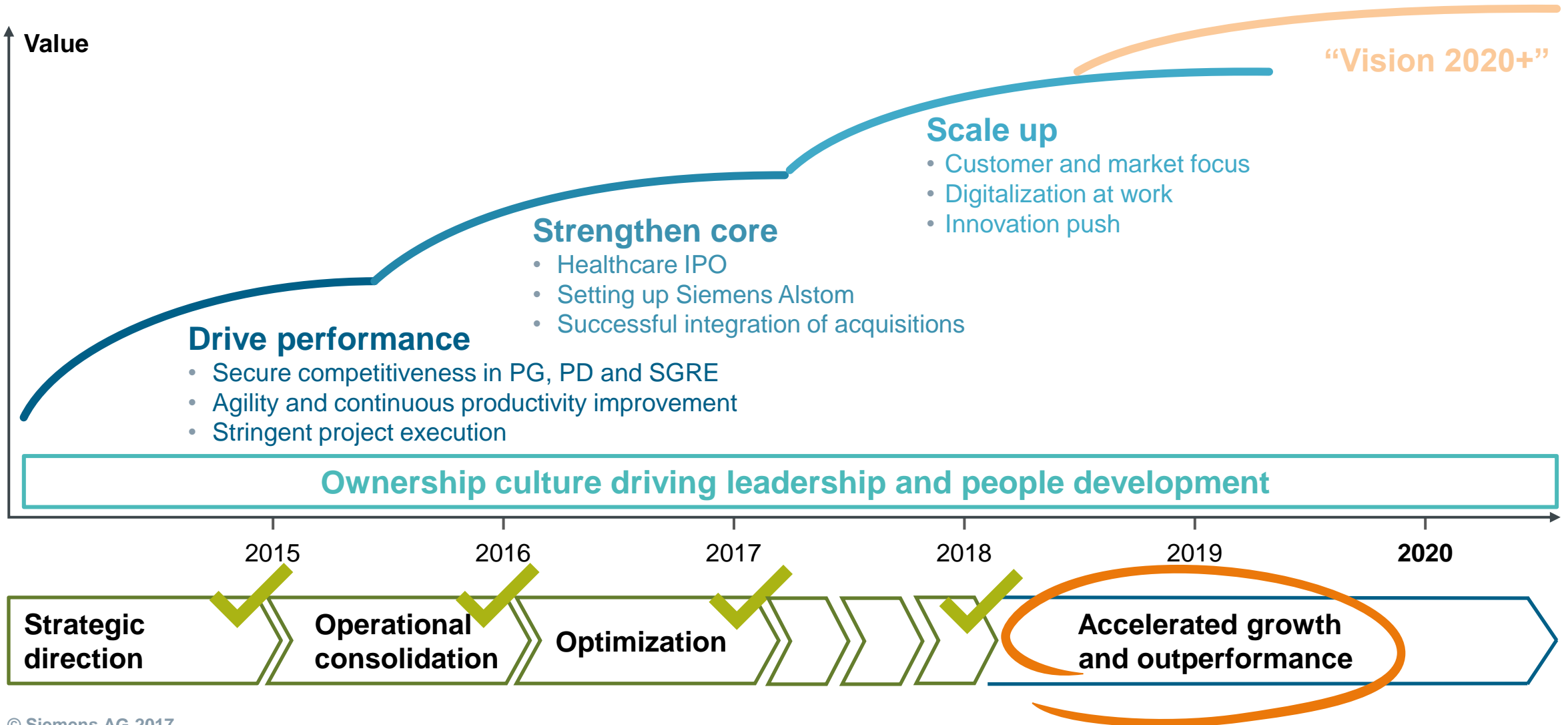
We expect a **profit margin of 11.0% to 12.0%** for our **Industrial Business** and **basic EPS from net income** in the **range of €7.20 to €7.70**, both **excluding severance charges**.

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**.

# Siemens Vision 2020 execution well advanced

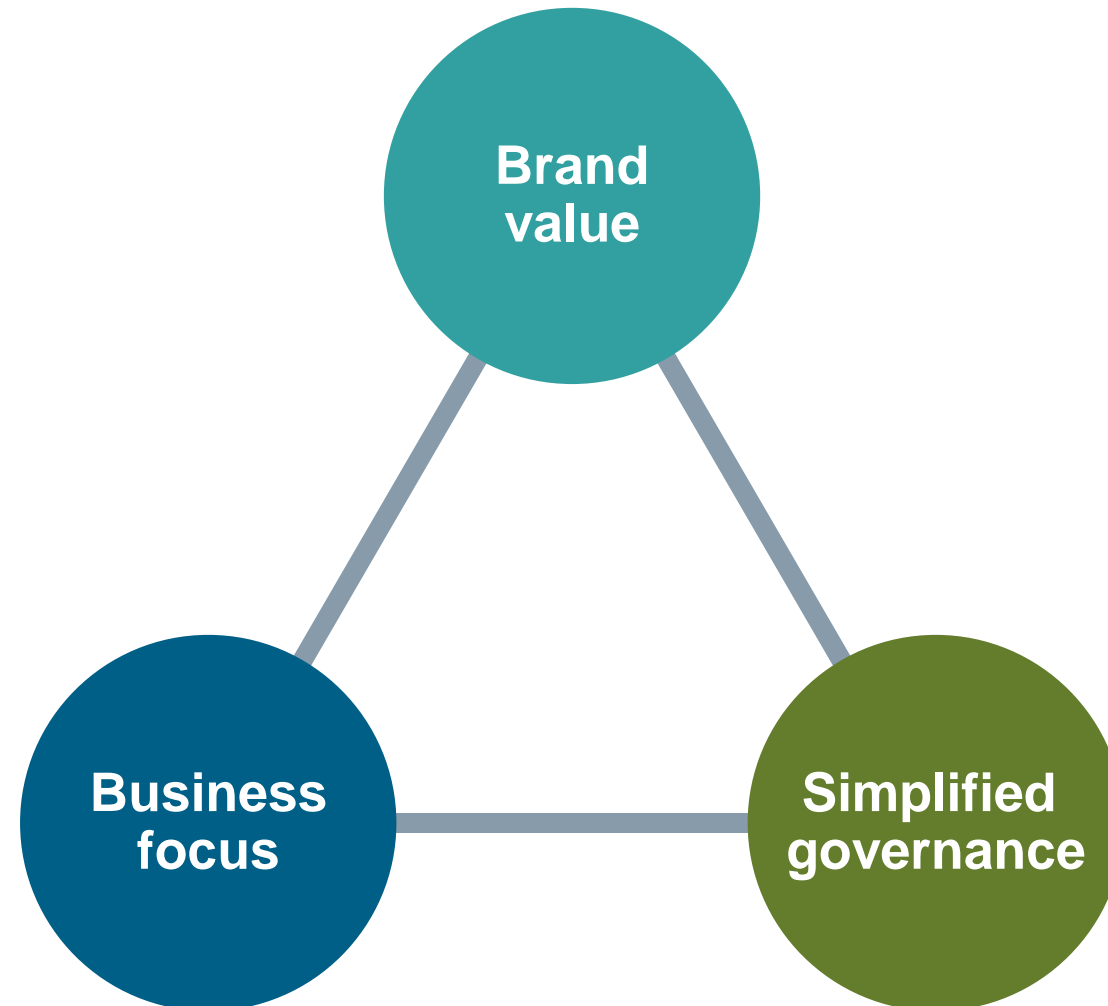
## FY 2018 – Setting direction for next strategic level

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## Key considerations for “Vision 2020+”



# Appendix



# One Siemens Financial Framework

## Clear targets to measure success and accountability



### One Siemens Financial Framework

#### Siemens

**Growth:**  
**Siemens > most  
relevant competitors<sup>1)</sup>**

(Comparable revenue growth)

**Capital efficiency**  
(ROCE<sup>2)</sup>)

**15 – 20%**

**Total cost productivity<sup>3)</sup>**  
**3 – 5% p.a.**

**Capital structure**  
(Industrial net debt/EBITDA)

**up to 1.0x**

**Dividend payout ratio**  
**40 – 60%<sup>4)</sup>**

#### Profit Margin ranges of businesses (excl. PPA)<sup>5)</sup>

**PG**  
**11 – 15%**

**EM**  
**7 – 10%**

**MO**  
**6 – 9%**

**PD**  
**8 – 12%**

**SFS<sup>6)</sup>**  
**15 – 20%**

**SGRE**  
**5 – 8%**

**BT**  
**8 – 11%**

**DF**  
**14 – 20%**

**HC**  
**15 – 19%**

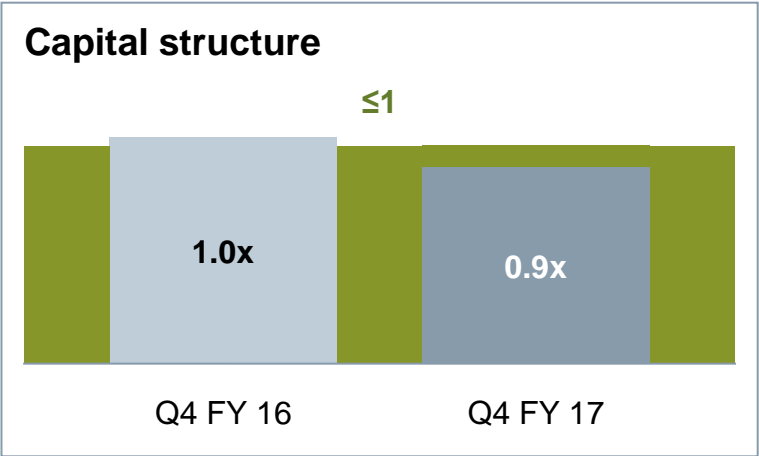
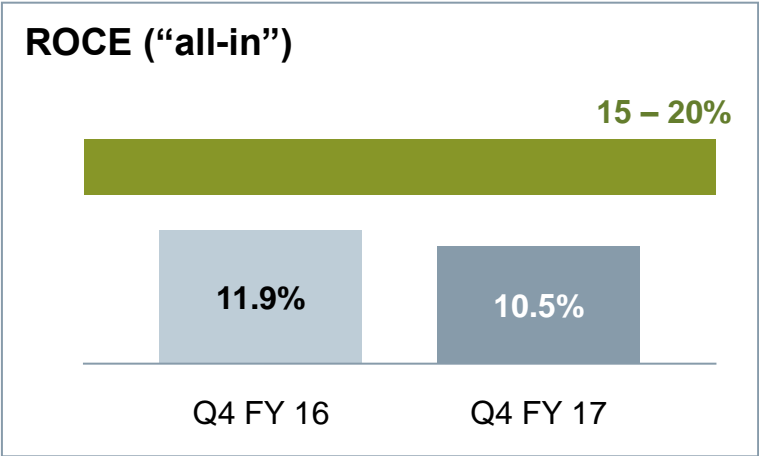
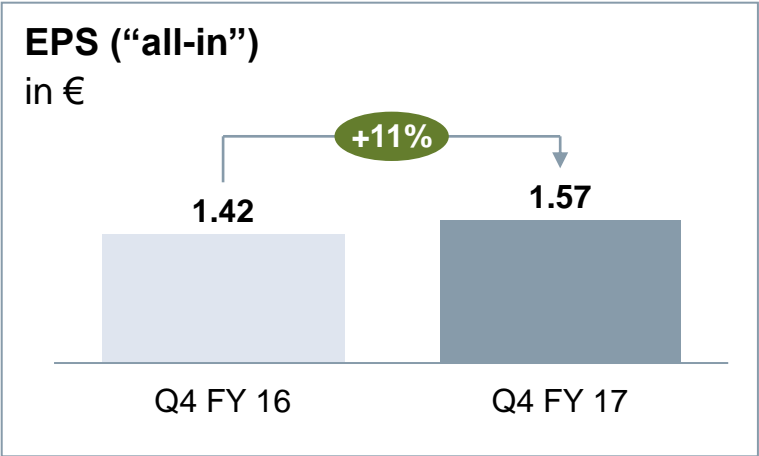
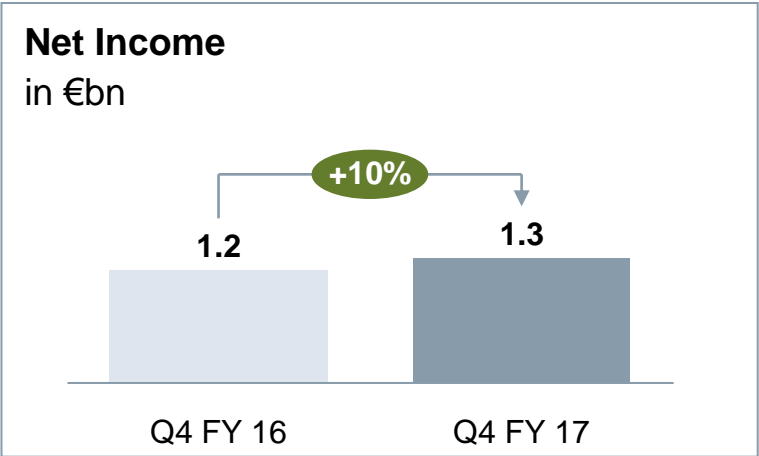
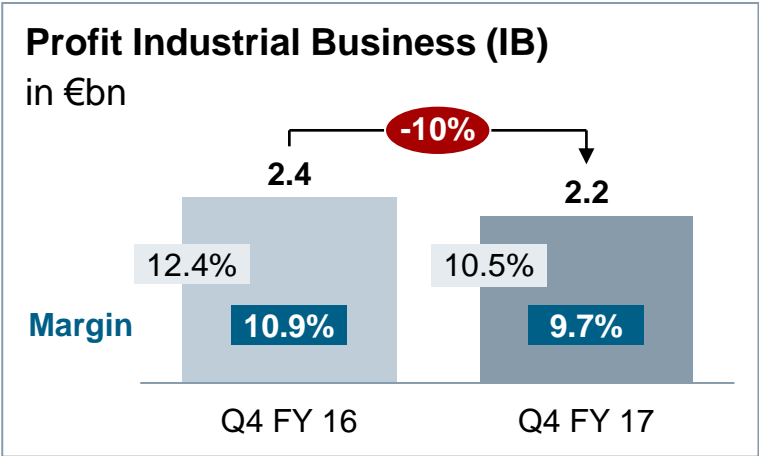
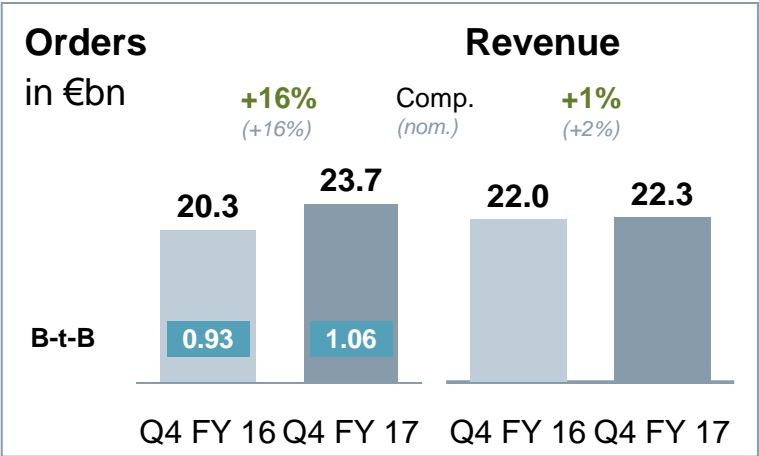
1) ABB, GE, Schneider, MHI, Eaton, weighted; 2) Based on continuing and discontinued operations; 3) Productivity measures divided by functional costs (cost of sales, R&D, SG&A expenses) of the group; 4) Of net income excluding exceptional non-cash items; 5) Excl. acquisition related amortization on intangibles; 6) SFS based on return on equity after tax

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



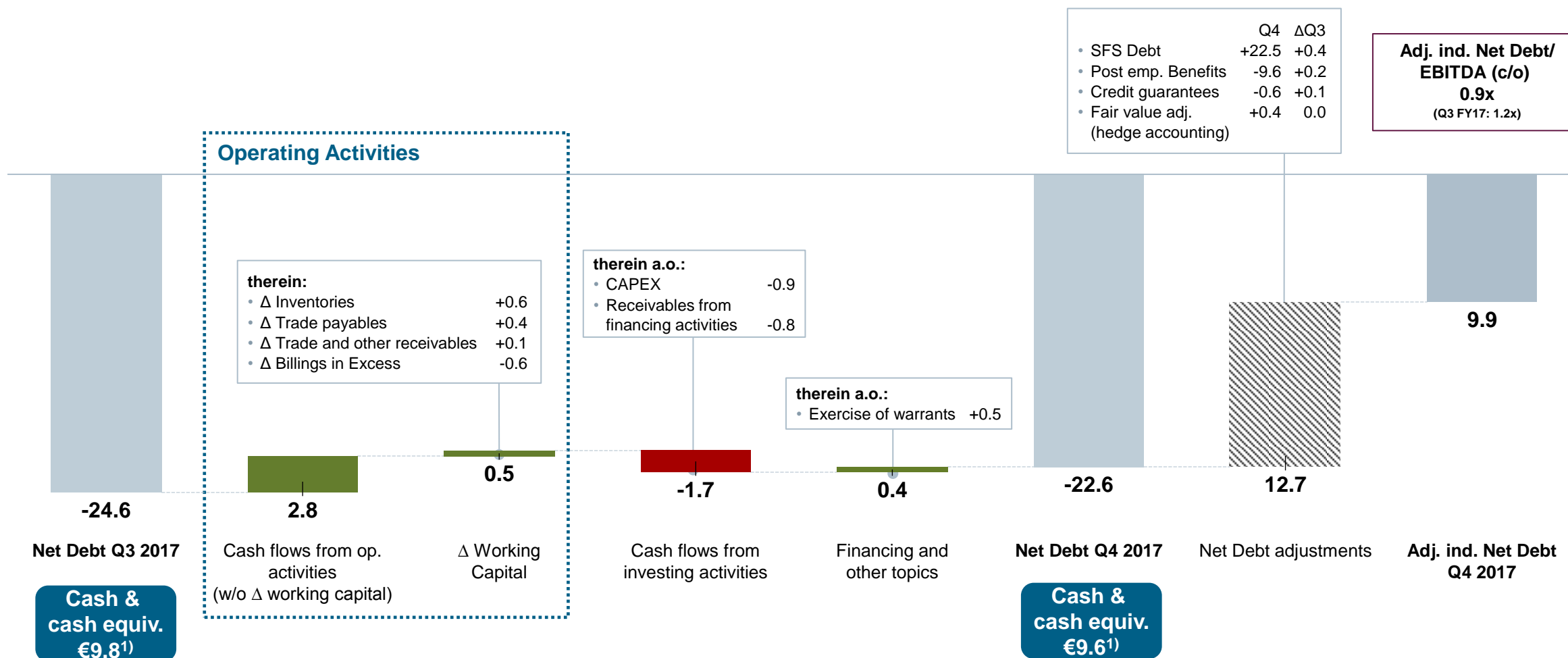
| GOAL   | INTENT   | KPI |   |
|--|--|-----|---|
| <b>1</b> Implement stringent company governance with effective support functions | Live lean governance and drive continuous optimization                           |     | €1bn cost savings by FY 2016 achieved ✓                                       |
| <b>2</b> Strengthen portfolio  | Sharpen our business focus in electrification, automation, and digitalization    |     | Tap growth fields<br>> 8% margin in underperforming businesses ✓              |
| <b>3</b> Execute financial target system   | Grow our company value   |     | 15-20% ROCE<br>Growth > most relevant competitors ✓                           |
| <b>4</b> Expand global management  | Get closer to our customers and markets  |     | > 30% of Division and Business Unit management outside Germany ✓              |
| <b>5</b> Be a partner of choice for our customers                                | Foster an intimate and trusting partnership with our customers                   |     | ≥ 20% improvement in Net Promoter Score ✓                                     |
| <b>6</b> Be an employer of choice  | Unleash the full potential of our people   |     | > 75% approval rating in leadership and diversity in global employee survey ✓ |
| <b>7</b> Foster Ownership Culture  | Ignite pride and passion for Siemens, through a new mindset and equity ownership |     | ≥ 50% increase in number of employee shareholders ✓                           |

# Financial cockpit – Q4 FY 2017



x.x% Margin as reported x.x% Margin excl. severance

# Net debt bridge – Q4 FY 2017



1) Including current available-for-sale financial assets

# Provisions decreased slightly in Q4 FY 17, mainly due to positive returns on plan assets



## Q4 FY 2017 Key financials – Pensions and similar obligations

| in €bn <sup>1)</sup>                                   | FY 2015      | FY 2016       | FY 2017      | Q1 FY 2017    | Q2 FY 2017    | Q3 FY 2017   | Q4 FY 2017   |
|--|--------------|---------------|--------------|---------------|---------------|--------------|--------------|
| <b>Defined benefit obligation (DBO)<sup>2)</sup></b>   | (36.8)       | (42.2)        | (36.9)       | (39.0)        | (38.4)        | (37.1)       | (36.9)       |
| <b>Fair value of plan assets<sup>2)</sup></b>          | 27.1         | 28.7          | 27.6         | 28.1          | 28.1          | 27.5         | 27.6         |
| <b>Provisions for pensions and similar obligations</b> | <b>(9.8)</b> | <b>(13.7)</b> | <b>(9.6)</b> | <b>(11.1)</b> | <b>(10.5)</b> | <b>(9.8)</b> | <b>(9.6)</b> |
| <b>Discount rate</b>                                   | 3.0%         | 1.7%          | 2.4%         | 2.3%          | 2.3%          | 2.4%         | 2.4%         |
| <b>Interest Income</b>                                 | 0.8          | 0.8           | 0.5          | 0.1           | 0.1           | 0.1          | 0.1          |
| <b>Actual return on plan assets</b>                    | 0.6          | 3.3           | 0.3          | -0.5          | 0.3           | 0.1          | 0.4          |

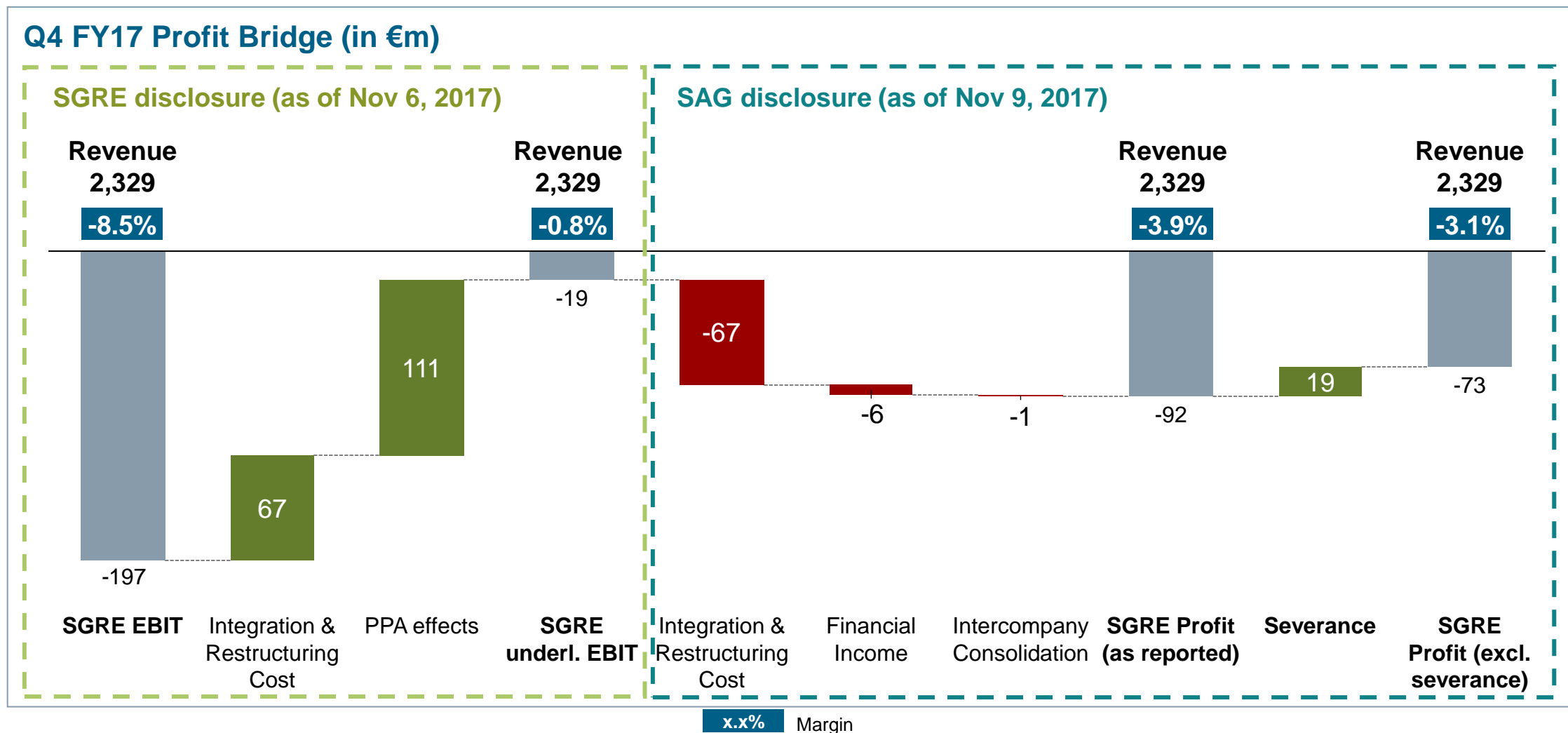
1) All figures are reported on a continuing basis.

2) Fair value of plan assets including effects from asset ceiling (Q4 2017: €-0.1bn); difference between DBO and fair value of plan assets additionally resulted in net defined benefit assets (Q4 FY 2017: €+0.3bn); Defined Benefit Obligation (DBO), including other post-employment benefit plans (OPEB) of ~€0.5bn

**Note:** Beginning with fiscal 2017, we report 'provisions for pensions and similar obligations' as presented in the Consolidated Statements of Financial Position, which also include Siemens' underfunding of other post-employment benefit plans. Prior years are presented on a comparable basis.

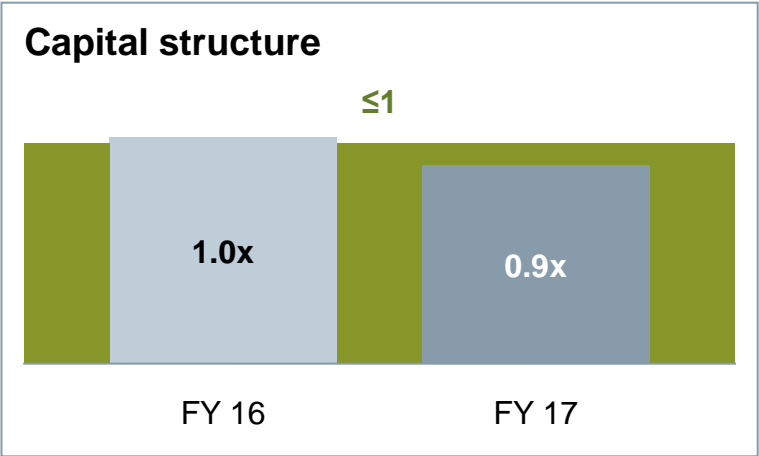
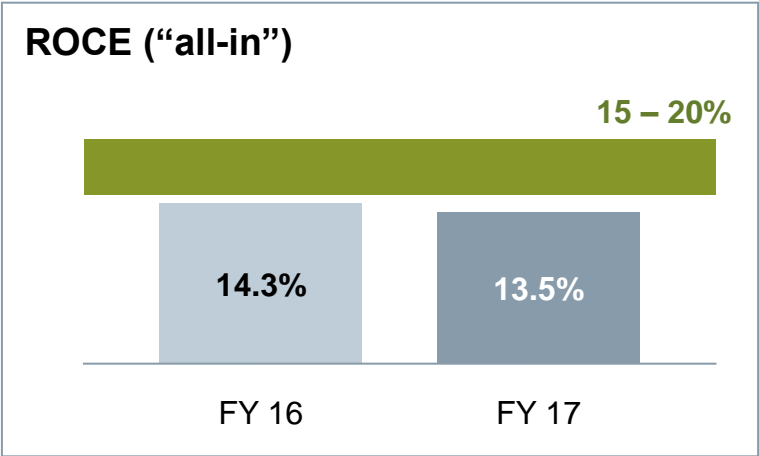
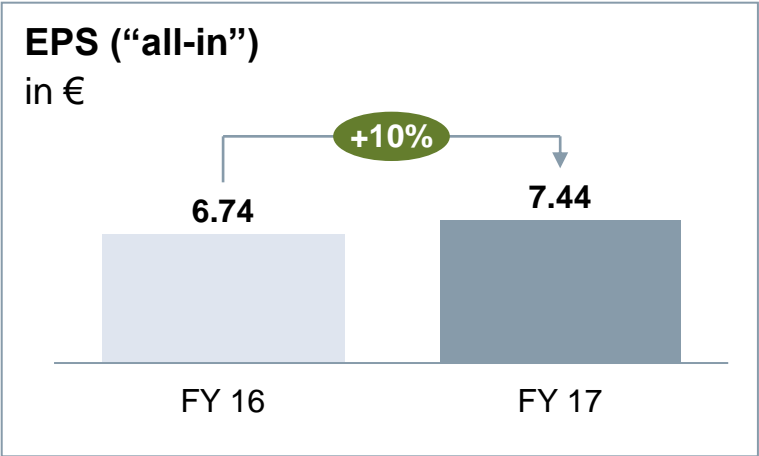
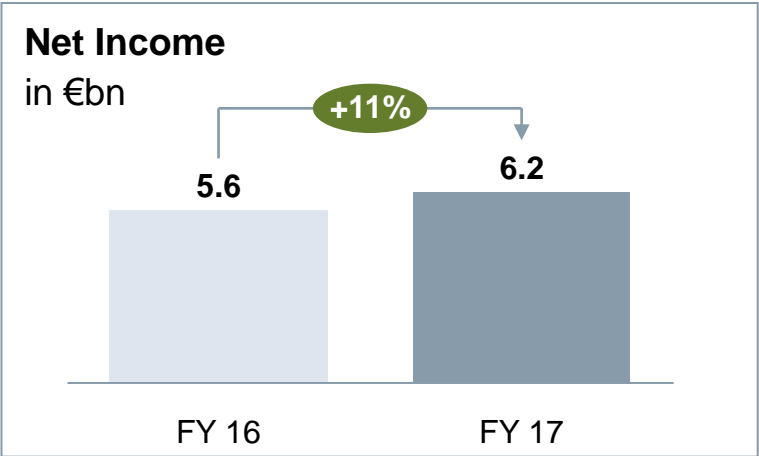
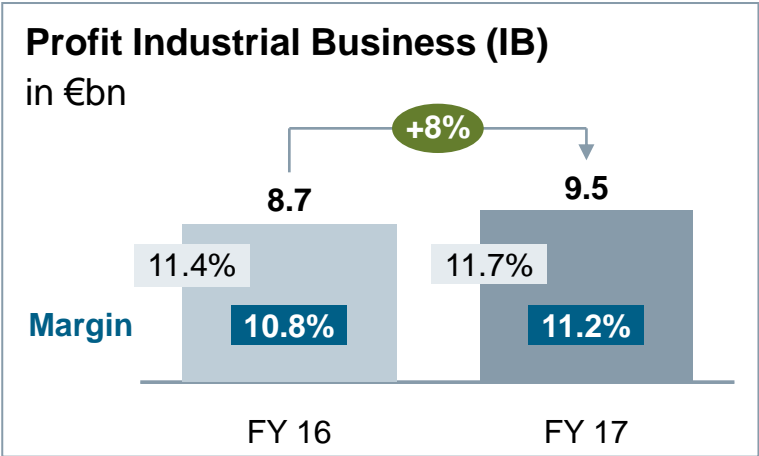
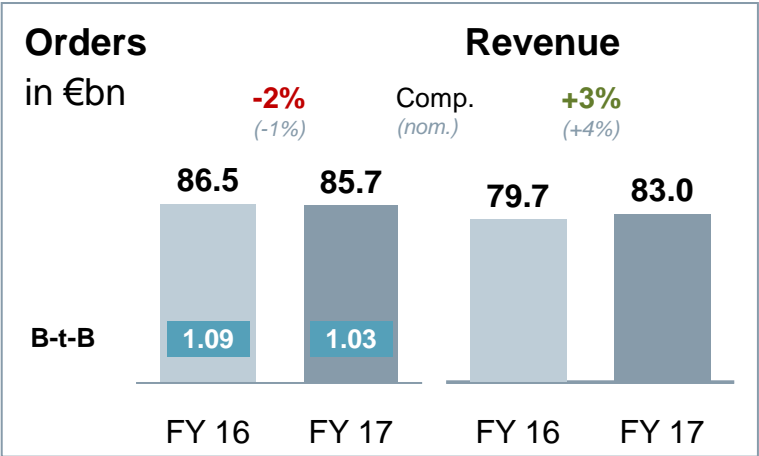
# Q4 FY17 Profit Bridge from SGRE disclosure to SAG Profit disclosure

Explanation of different profit definitions at SGRE and SAG to be considered in models





# Financial cockpit – FY 2017

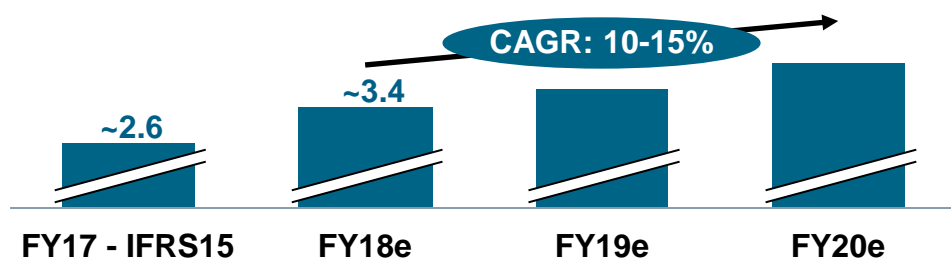


x.x% Margin as reported x.x% Margin excl. severance

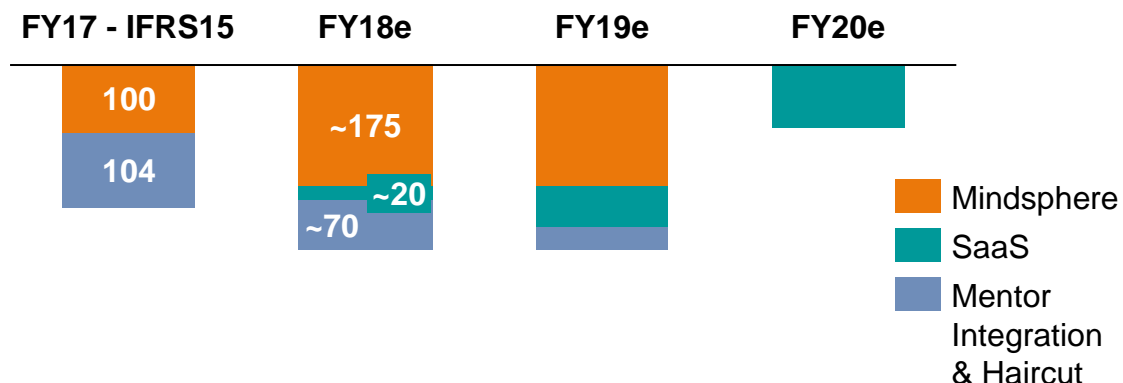
# Invest in cloud-based business models will be overcompensated by strong execution of traditional software business

## Software business within Digital Factory

Revenue (in €bn)



Profit impact from investments & Mentor Graphics (in €m)



Note: FY17 including Mentor from Q3 onwards

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### MindSphere

- Current 'Platform as a Service' business plan with focus on partners in industrial IoT market
- Extension of business case towards applications and digital services will lead to additional potential for Siemens
- Break-even planned in FY 2020

### 'Software as a Service' (SaaS)

- Initial focus to capture growth potential in small and medium size business market
- Slower adoption in larger companies
- Seamless introduction in a five years investment mode

### Cloud-based business (MindSphere + SaaS)

- Cloud-based revenue expected to exceed ~€1bn latest in FY 2022

# Financial calendar

## November

**November 9 – 10, 2017**

Roadshow UK (London)

**November 13, 2017**

Roadshow France (Paris)

**November 14, 2017**

Roadshow Germany (Frankfurt)

**November 14 – 15, 2017**

Roadshow U.S. (Boston, New York)

## December

**December 15, 2017**

Innovation Day (Munich, Germany)

## January

**January 9, 2018**

Commerzbank conference (New York City)

**January 31, 2018**

Q1 Analyst call + Annual shareholder meeting (Munich, Germany)



## Investor Relations

**Internet:** [www.siemens.com/investorrelations](http://www.siemens.com/investorrelations)

**Email:** [investorrelations@siemens.com](mailto:investorrelations@siemens.com)

**IR-Hotline:** +49 89 636-32474

**Fax:** +49 89 636-1332474