Digital Industries

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Siemens Capital Market Day | Munich, May 8, 2019

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Notes and forward-looking statements

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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, should decisions, assessments or requirements of regulatory authorities deviate from our expectations, 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.

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Customer needs drive our business – We support them in leveraging unique growth and profit opportunities

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Flexibility

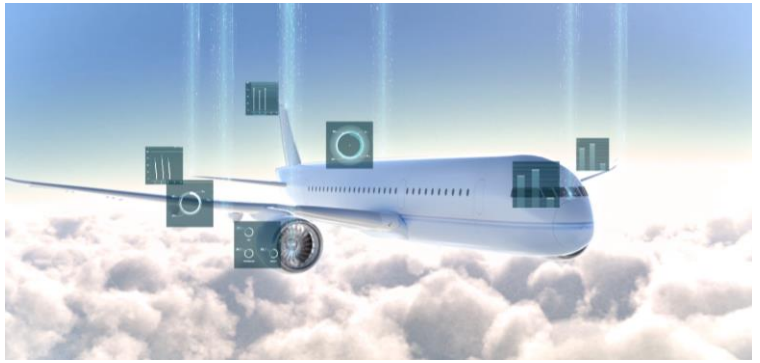
Time to market

Productivity

Our comprehensive end-to-end portfolio meets core customer demands

Example Chemicals

Individualized color batches of 100 liters instead of 5,000+ liters



Example Aerospace

2.5 instead of six years development time for airplanes

Example Machine Building

Up to 25 percent shorter machine commissioning times

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Market-leading Business Units focus on customer needs – with software, automation and services

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Software (industrial)

#1 market position

- Integrated portfolio of industrial software
- Cloud-based, open IoT operating system
- Rapid application development platforms

Factory Automation

#1 market position

- Automation products
- Engineering software
- SCADA software
- Systems for production machines
- Industrial Edge

Motion Control

#1 market position

- Drives
- Motors
- Machine Tool Systems
- Additive Manufacturing
- Digitalization and Edge Computing for machine tools and drive technology

Process Automation

#3 market position

- Automation systems & software for process industries
- Process instrumentation & analytics
- Industrial communication & identification
- Power supply systems

Customer Services

- Lifecycle services
- Digital services
- Digital Enterprise consulting and integration

Solutions for focus Industry Verticals

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Digital Enterprise offering integrates virtual and real worlds – leading to unique competitive advantage of our customers

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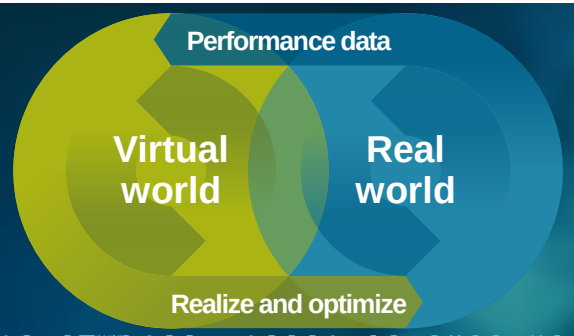
Digital Enterprise

Digital end-to-end solutions for industry



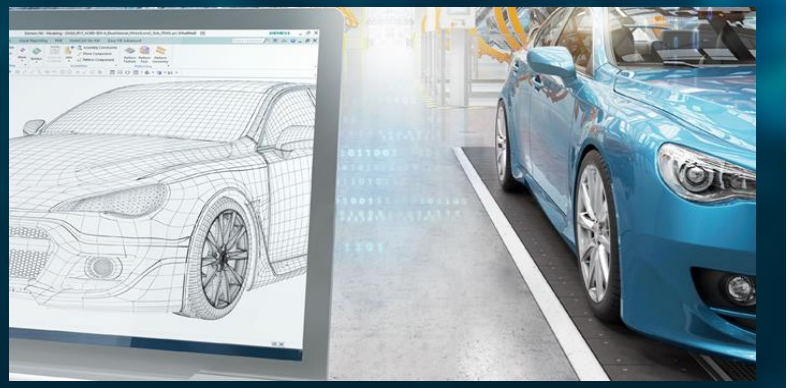
MindSphere

Automation and industrial software for process and discrete industries

Industrial communication

Industrial security

Industrial services



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Digital Industries is uniquely positioned – with automation and software driving digital transformation

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1	Loyal and constantly growing customer base	180,000+ customers 7,500 partners
2	Strong market position of our businesses	#1 in industrial software, factory automation & motion control
3	Ever-expanding global installed base	>10,000 PLCs shipped per day
4	Growing industrial software business	>60% recurring share in software revenue
5	Unique end-to-end portfolio in software and automation	>10bn M&A executed >10% R&D investment
6	Global network of domain experts	>12,000 industrial software engineers >20,000 automation engineers

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Dedicated sales channel approach has widened customer reach from small and medium enterprises to global corporations

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Close to customers around the globe

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Revenue[1] **€15.6bn** Employees **~75,000**

Americas

2.4	Revenue (in €bn)[1]
16%	of total employees
20%	of total R&D headcount
5	Key production facilities
25,000+	Customers served[3]

Europe, C.I.S.[2], Africa, Middle East
(including Germany)

8.7	Revenue (in €bn)[1]
60%	of total employees
35%	of total R&D headcount
16	Key production facilities
105,000+	Customers served[3]

Asia, Australia

4.5	Revenue (in €bn)[1]
24%	of total employees
45%	of total R&D headcount
7	Key production facilities
50,000+	Customers served[3]

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Focused on fast-growing end-markets

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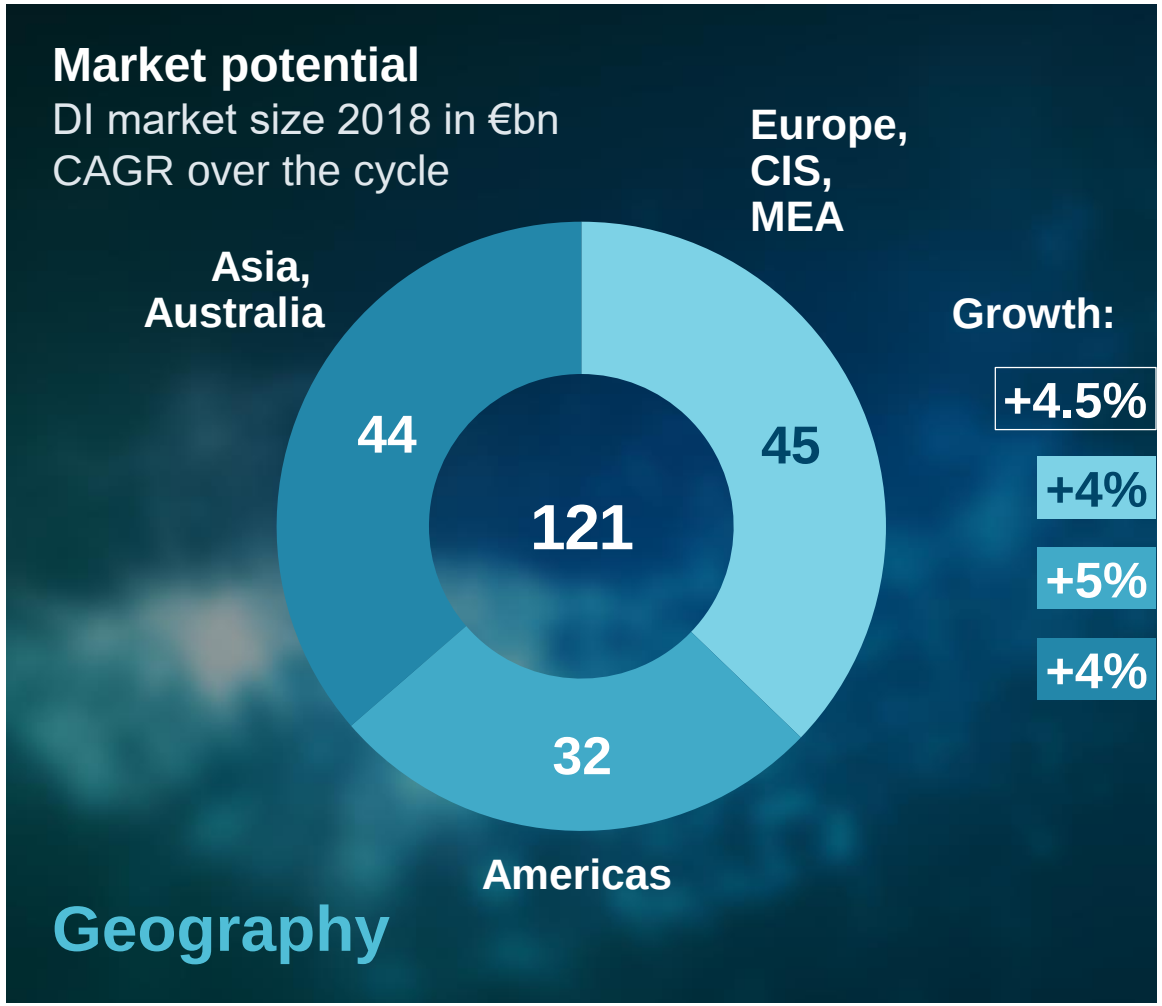

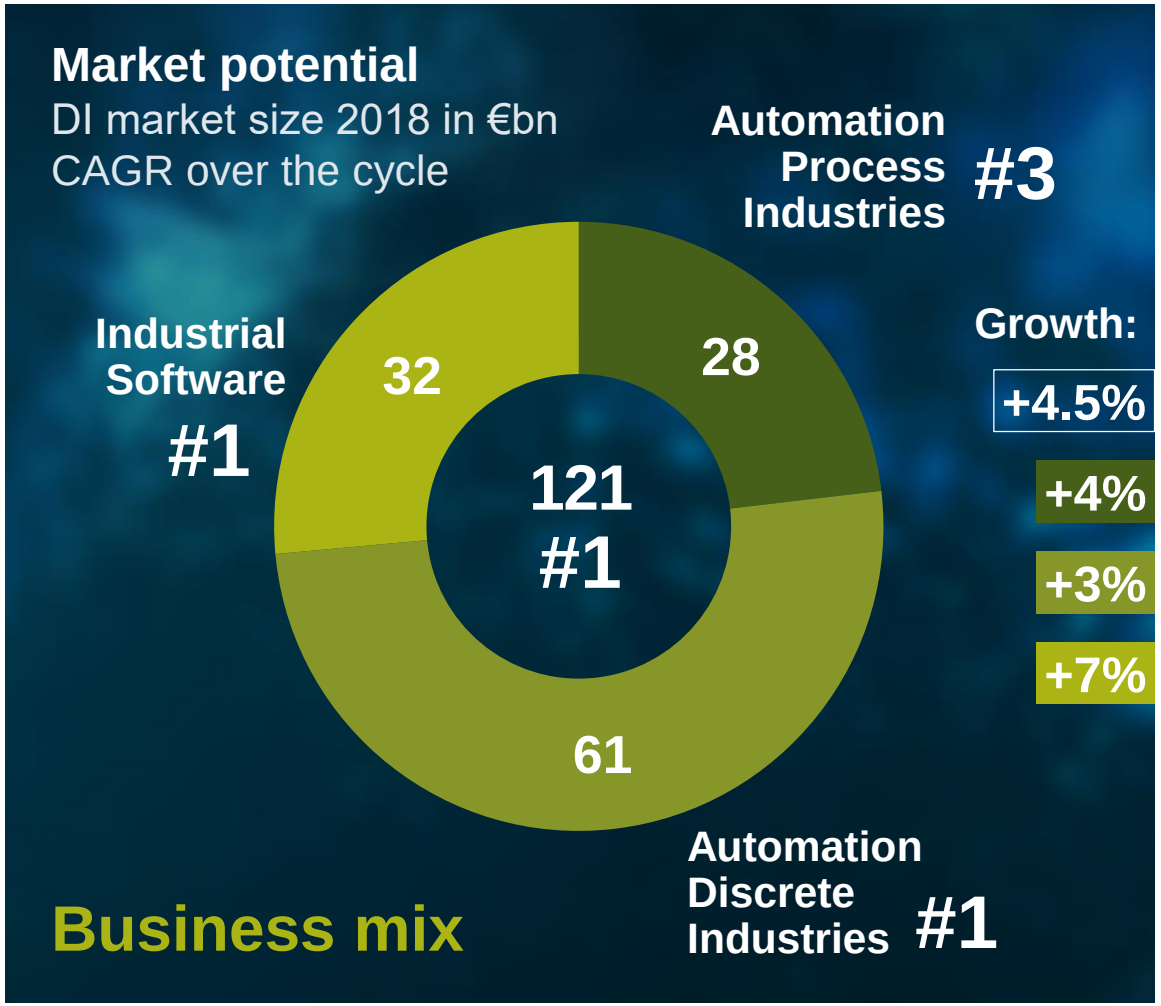

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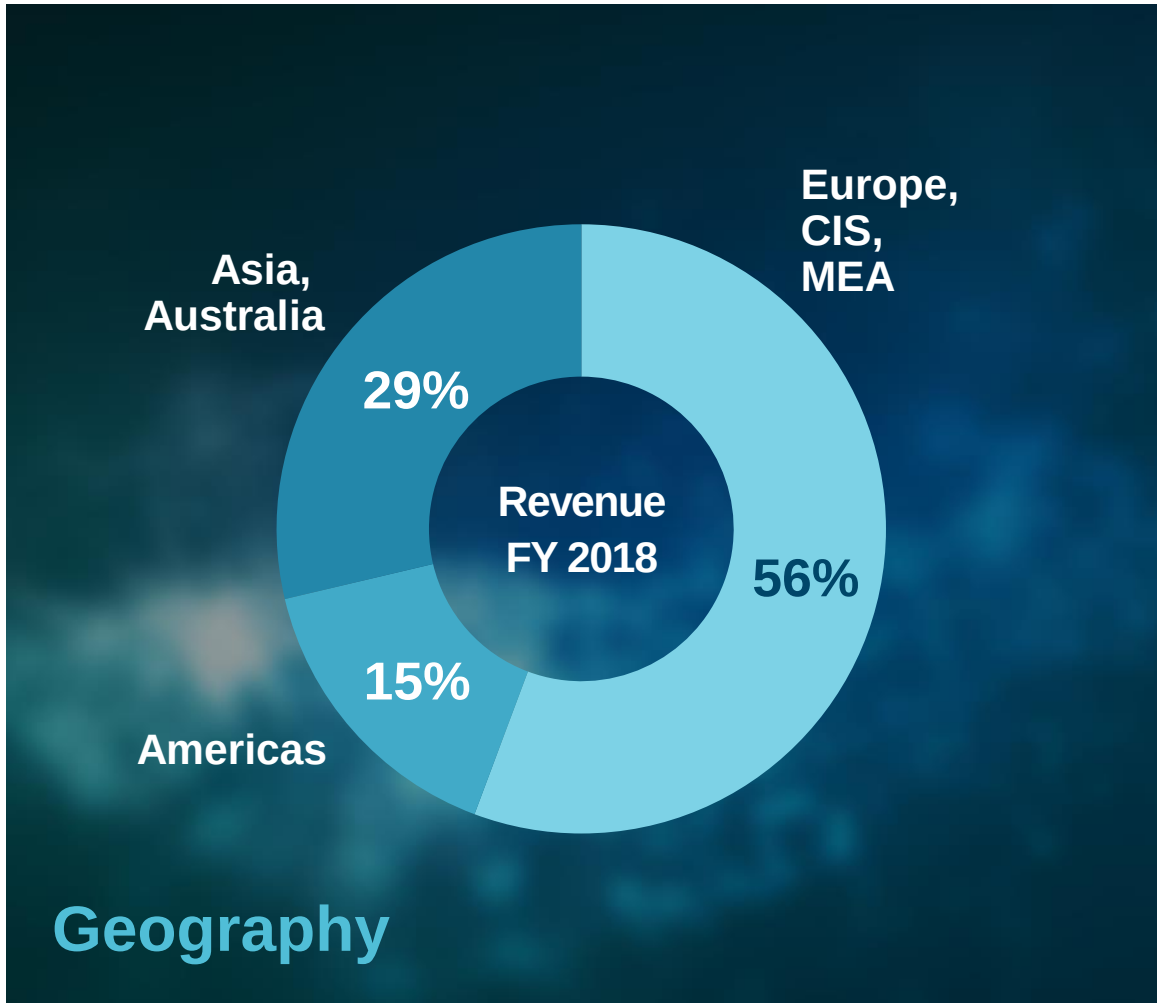
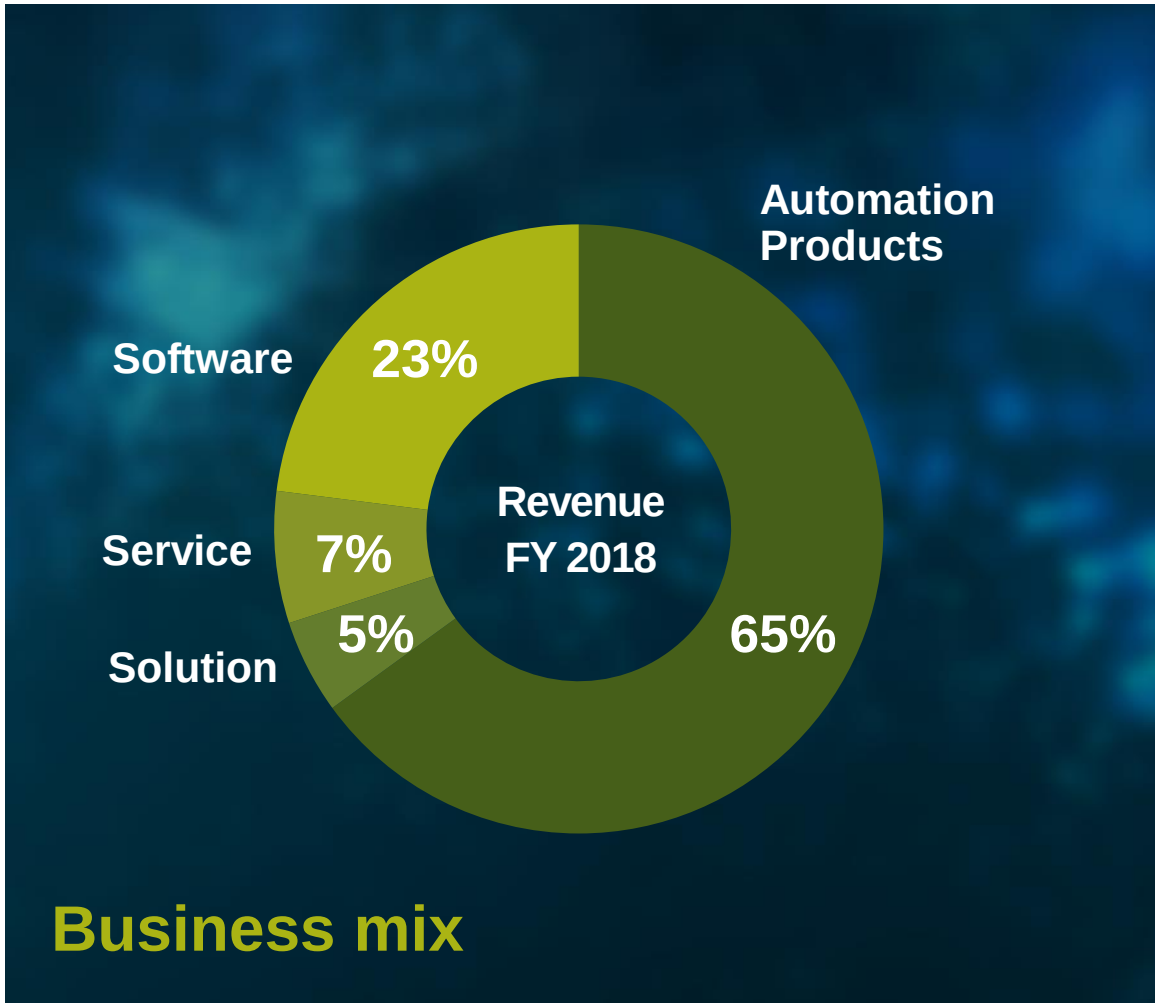
Achieve growth across businesses and regions to further increase resilience





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DI Q2 results show continued proven financial performance

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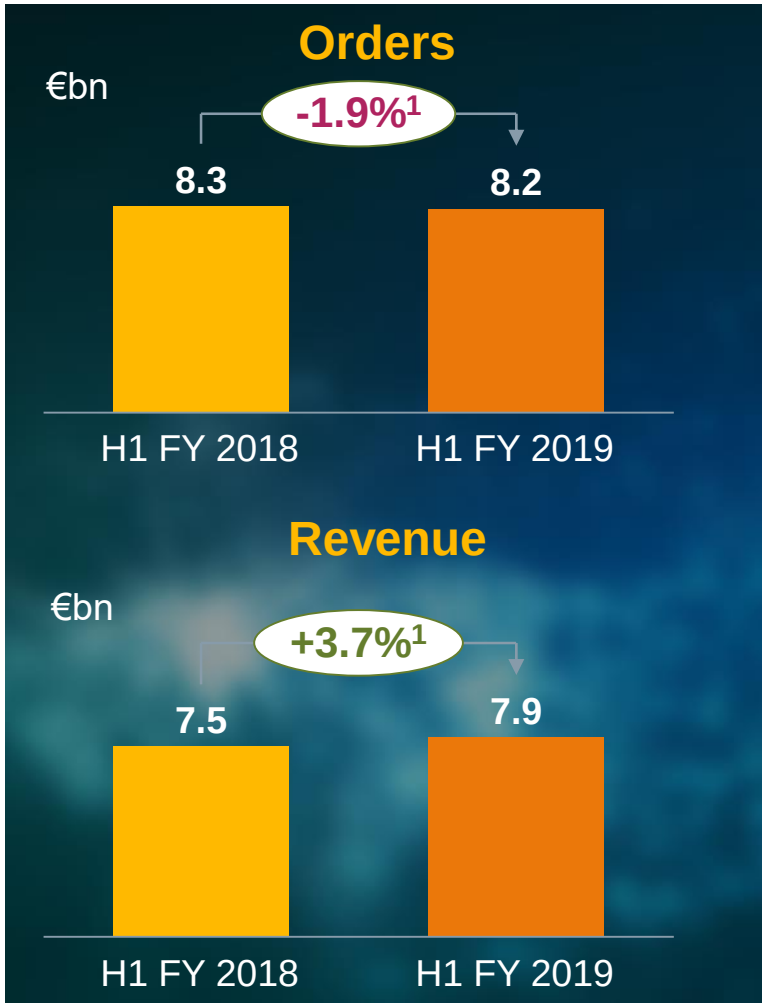

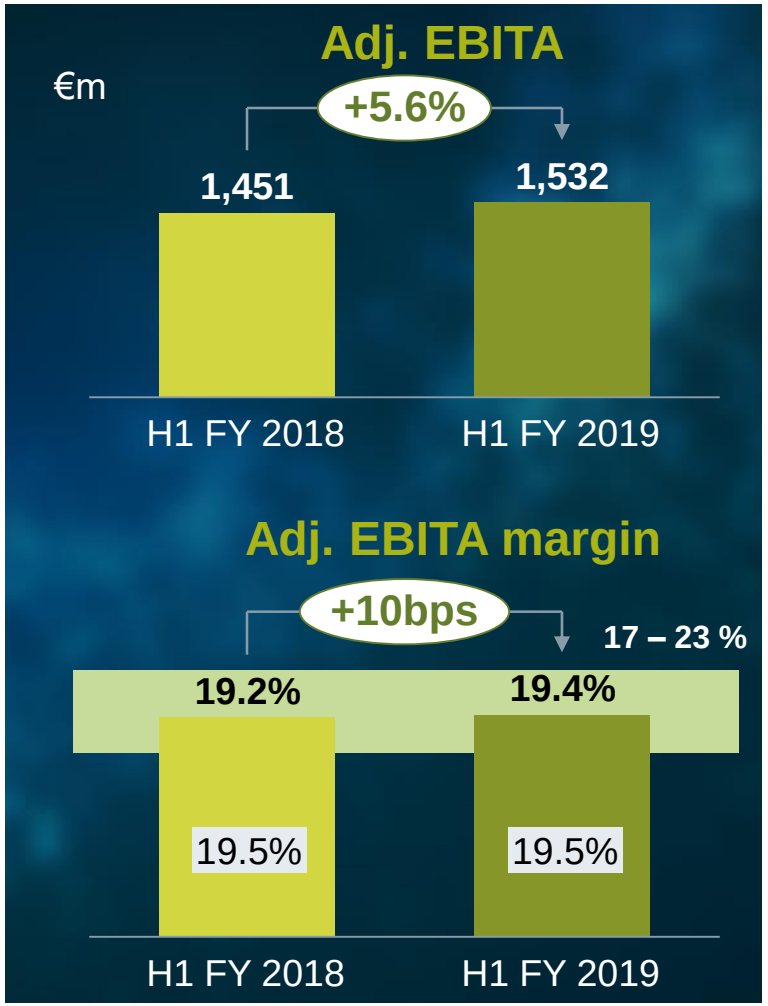

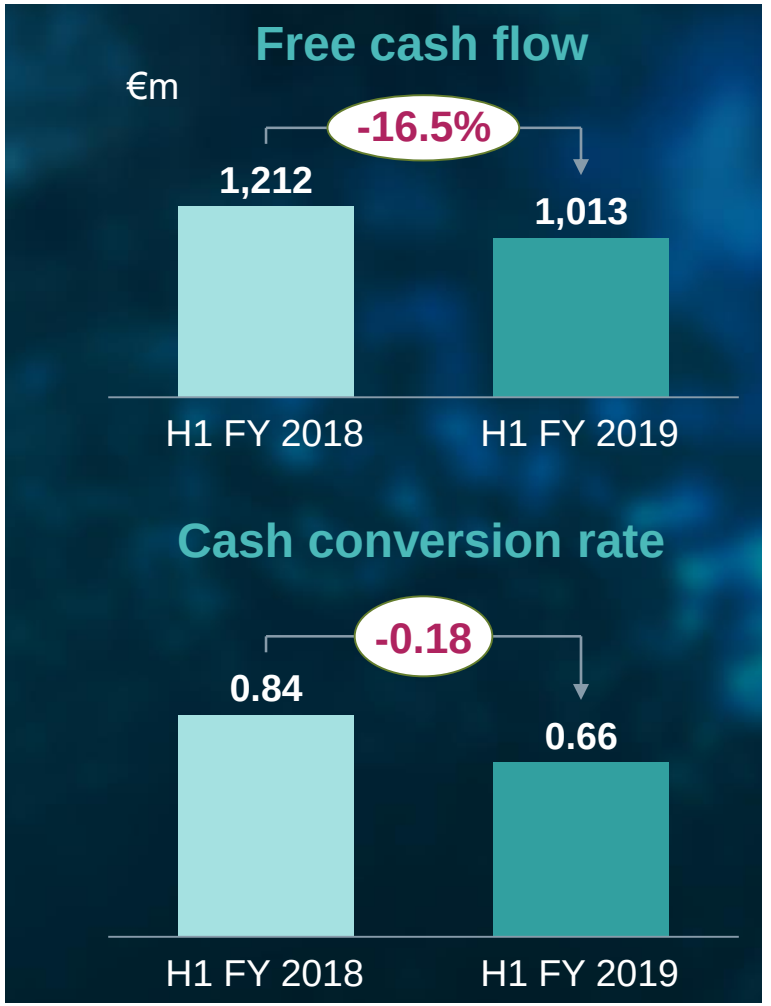

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1 Comparable

x.x% Profit margin excl. severance

Vision2020+ fosters entrepreneurial focus to maximize customer value and profitable growth for DI

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1	Closer alignment and integration of regional organization	**Volume growth**
2	Integrate lean and business-focused setup in regions, headquarters, and corporate functions	**Cost efficiency and adaptability**
3	Shared platforms for discrete, process, and hybrid industries	**Focus on innovation**
4	Global responsibility of Business Units	**Accountability and speed**

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Consumer demands and technological development increase challenges for industries

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Example automotive

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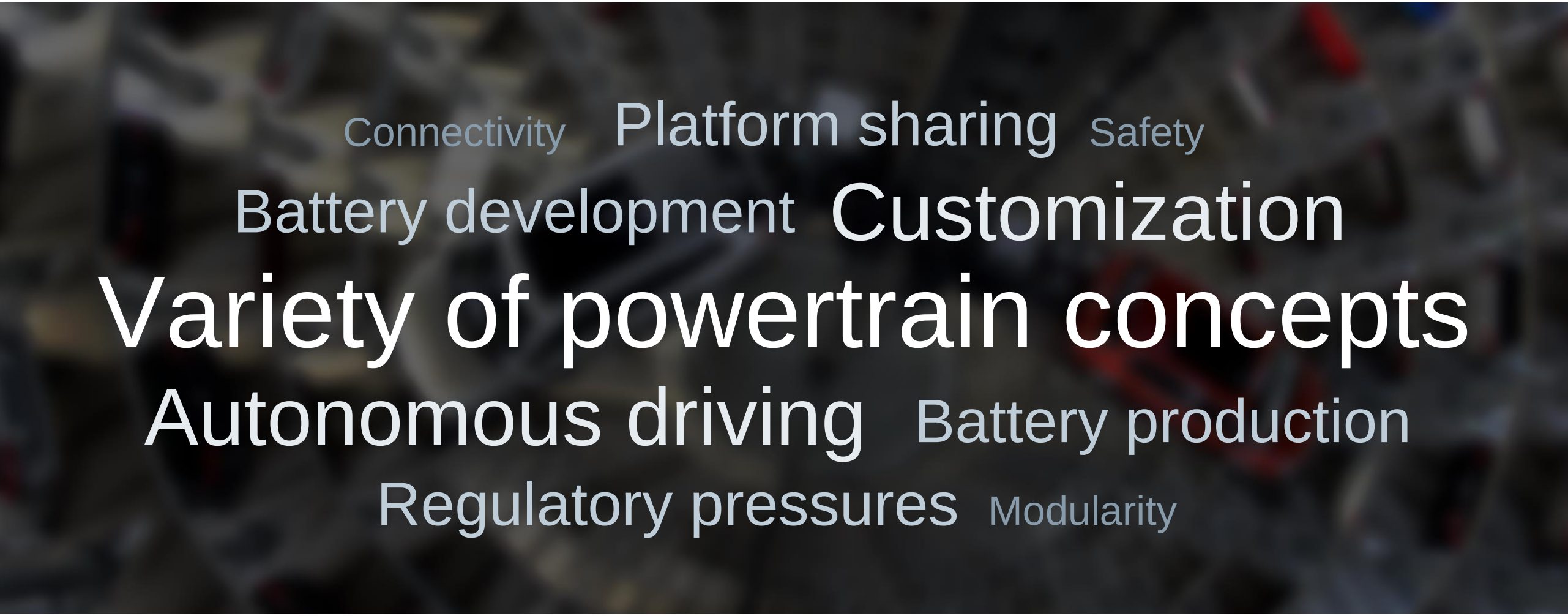
Example automotive



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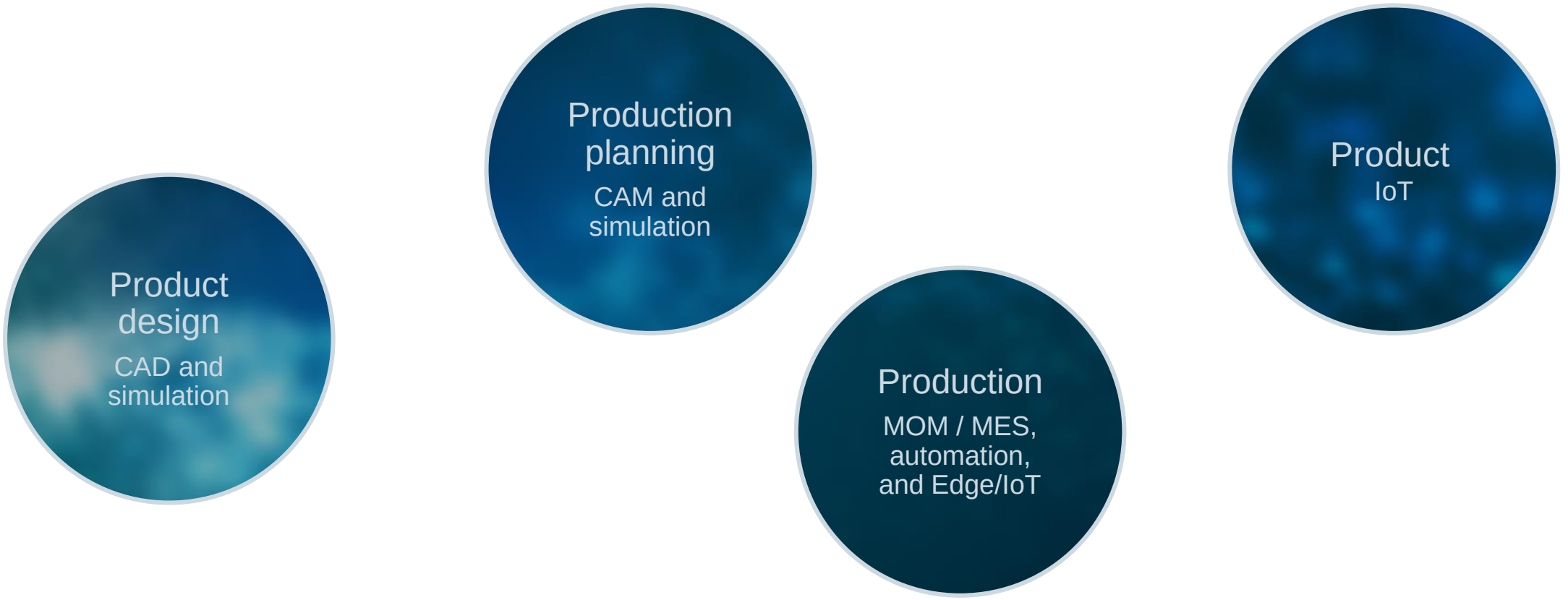
Powerful automation platforms and industrial software already provide first-level benefits



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Maximum benefit of Digital Enterprise is leveraged only through integration of the entire value chain

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Digital Enterprise provides unique competitive advantage to customers by integrating virtual and real worlds

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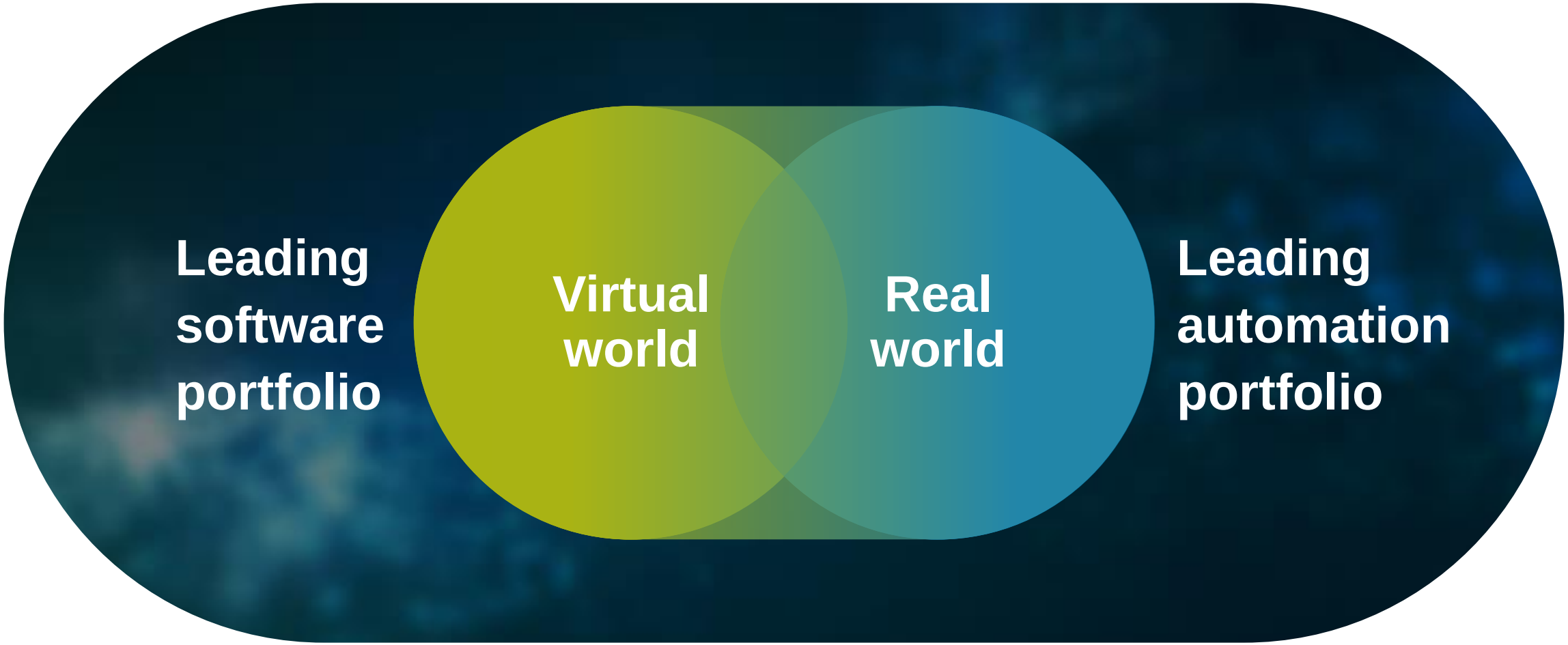

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Systematic expansion of our portfolio: >€10bn invested in M&A since 2007

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1 Cooperation

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Innovations through integration of software and automation, based on deep domain know-how

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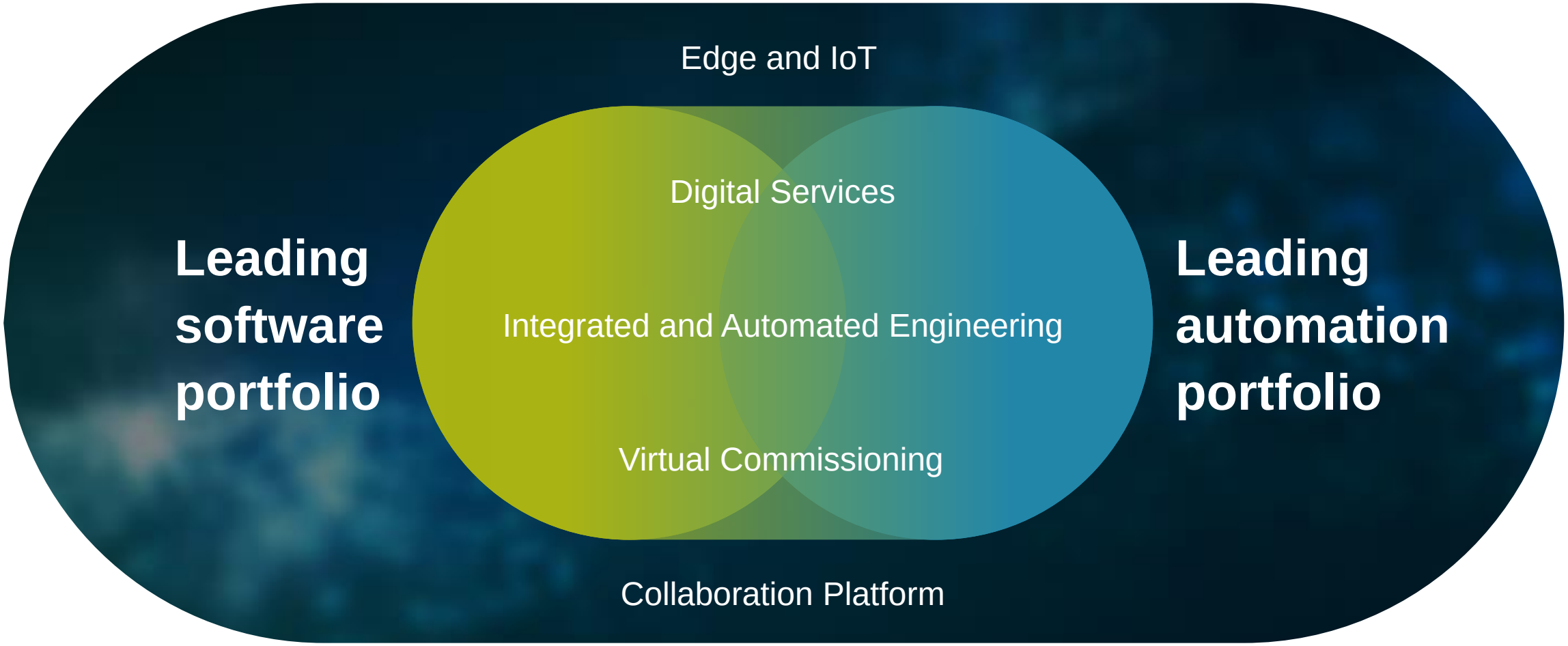

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The Digital Twin of the product reduces time to market

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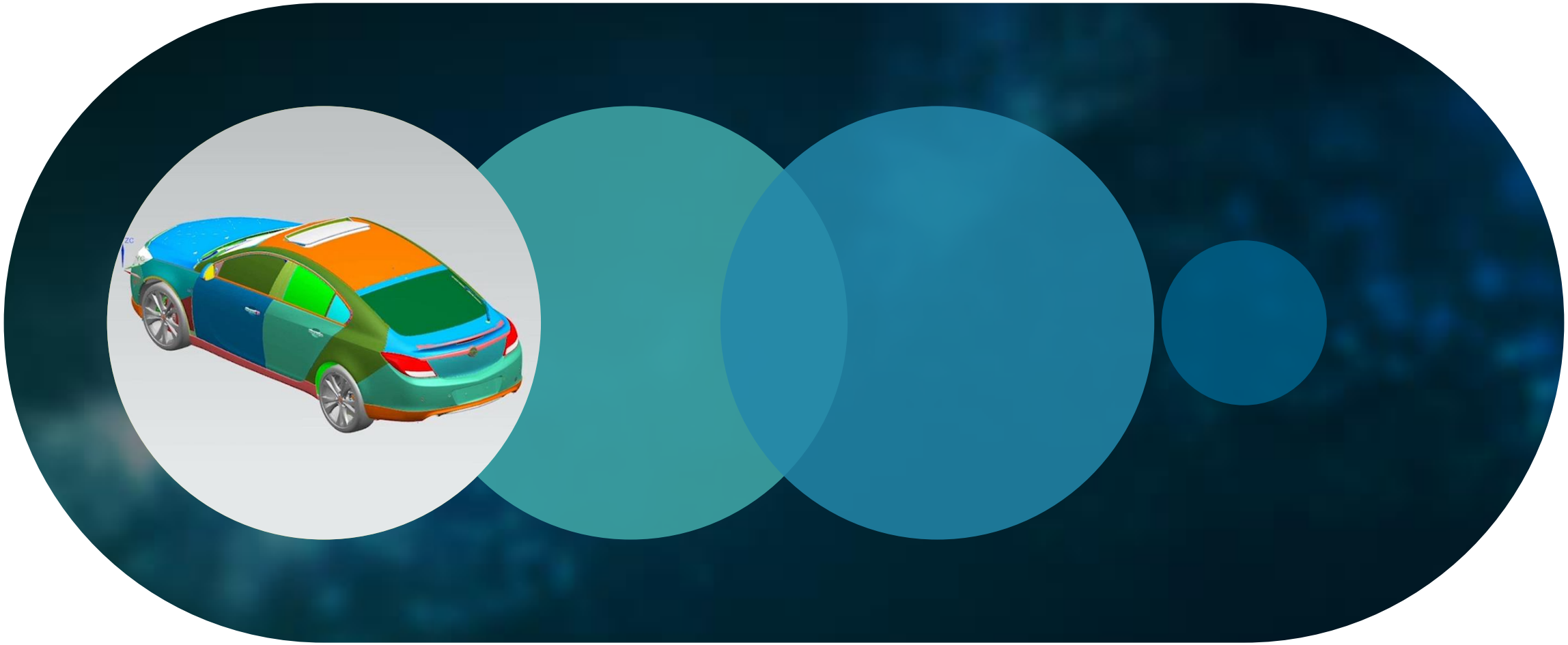

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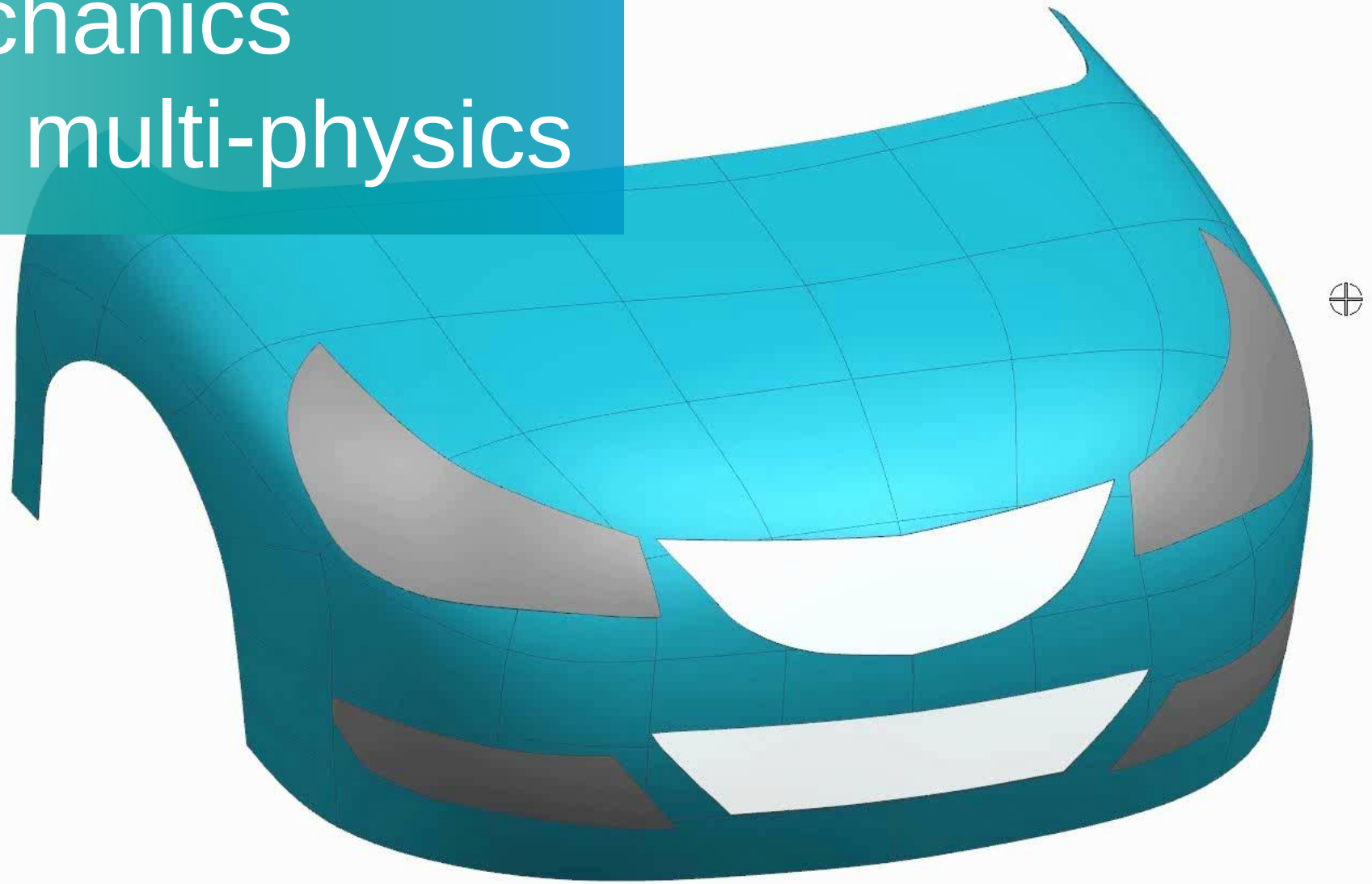
Mechanics and multi-physics



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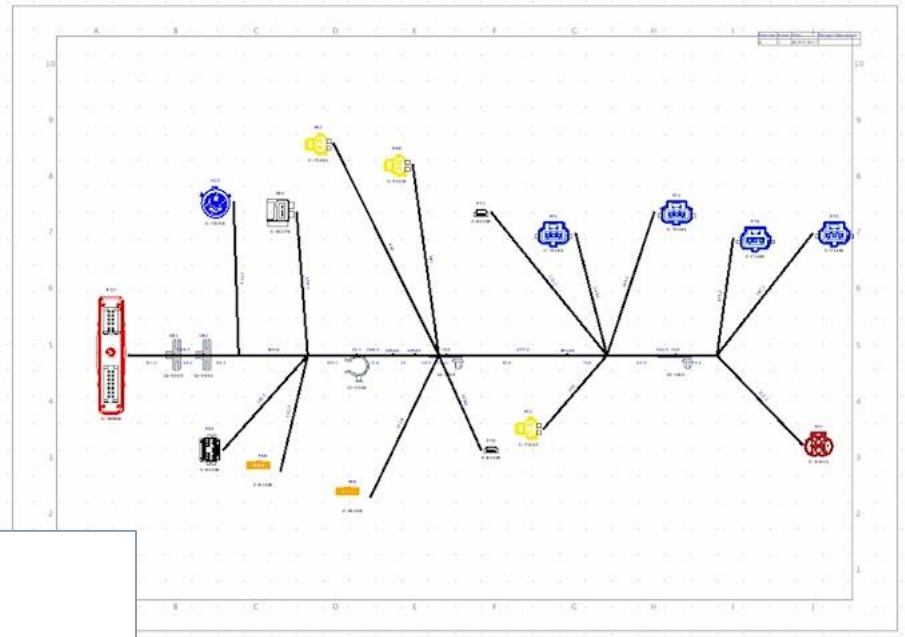
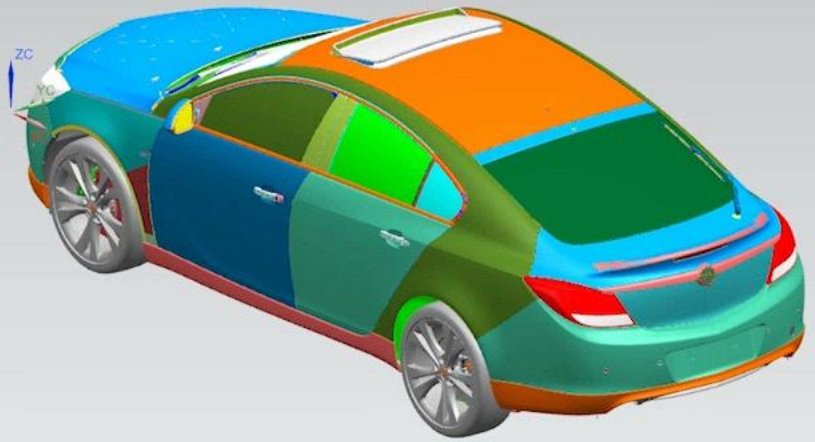
Electrical systems



Mentor®
A Siemens Business



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Embedded software

Teamcenter - 002052/A;1-DISPLAY UNIT DI007v1 Requirements

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Owner: Me Select Type

002052/A;1-DISPLAY UNIT DI007v1 Requirements

Display Information ...
REQ-000001
Revision: A

Overview | Viewer | Architecture | Attachments | History | Relations

Properties

ID: 002052
Revision: A
Revision Name: DISPLAY UNIT DI007v1 Requirements
Description:
Occurrence Name:
Type: Requirement Specification Revision
Sequence:

Release Status:
Date Released:
Effectivity:

Owner: Kevin Smith (kevin)
Group ID: Organization

Last Modifying User: Kevin Smith (kevin)
Parent:
Number Of Children: 1

Ratings

Your Rating:

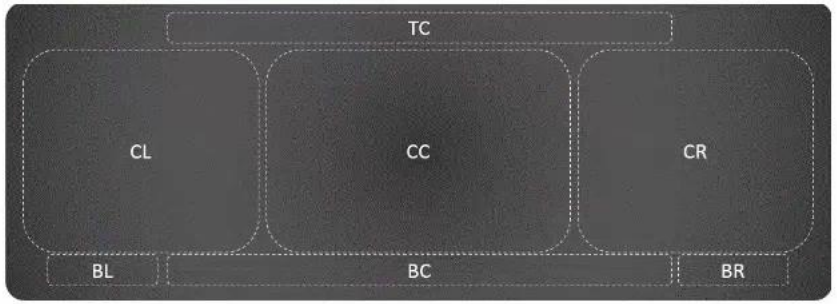
Average Ratings: 0.0

Classification Properties

Preview

DISPLAY UNIT DI007v1 Requirements
Display Information - DI007V1

Display unit shall show all the information needed for safe driving conditions to the customer. This shall include but not limited to the following information to the customer:
> Trip Data - Miles lapse, Time lapse
> Fuel gauge:
> Speedometer: MPH or KPH
> Tacometer:
> Odometer:
> Warnings: Engine, Oil, Seatbelt minder, Tire pressure, Lane Keeping
> Infotainment current information



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The Digital Twin of the production accelerates planning, setup, and optimization

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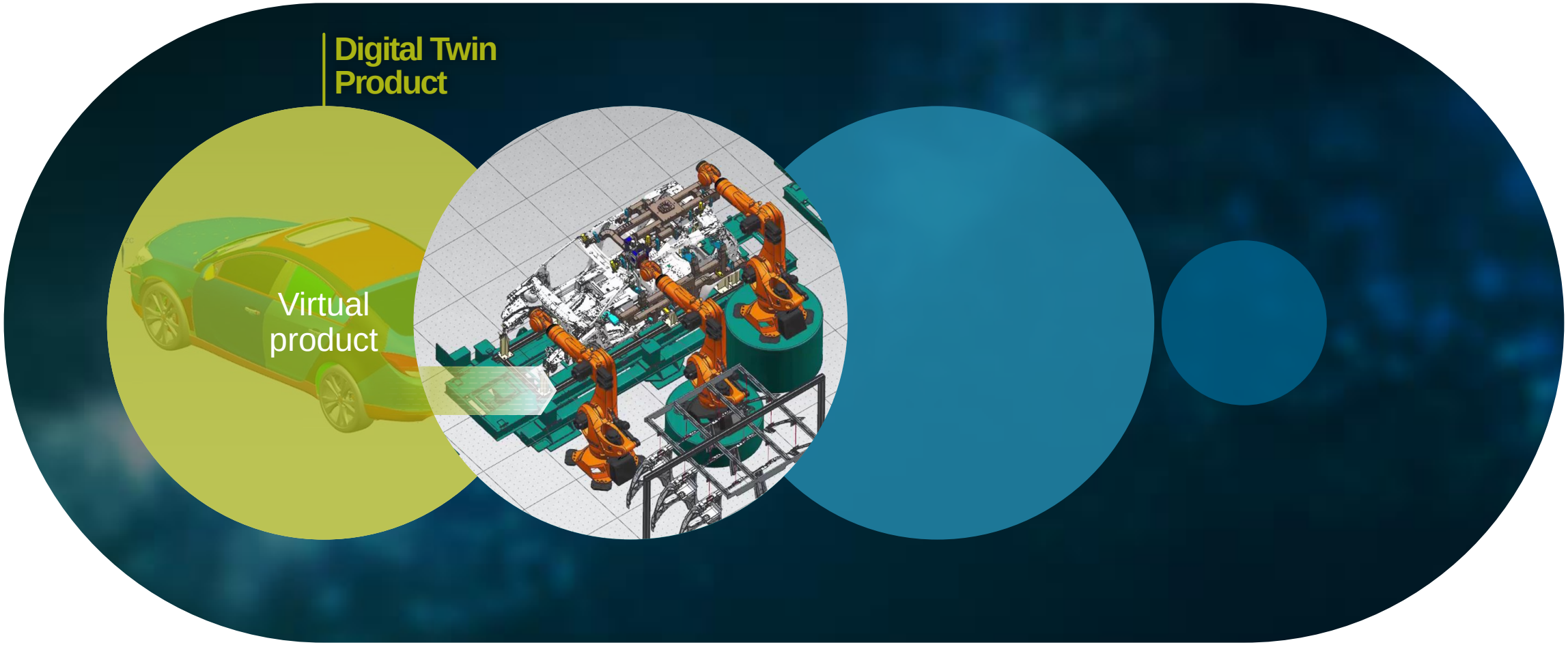

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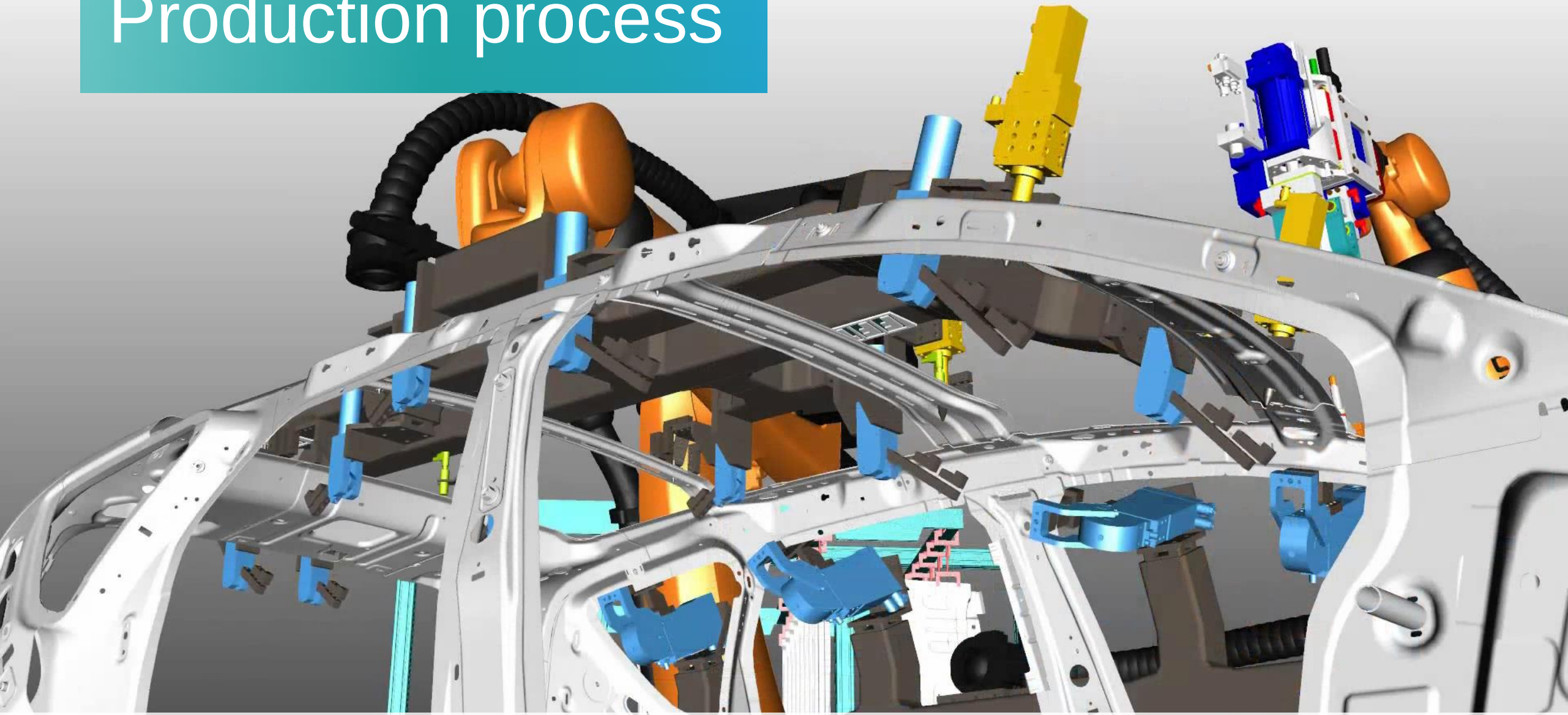
Production process



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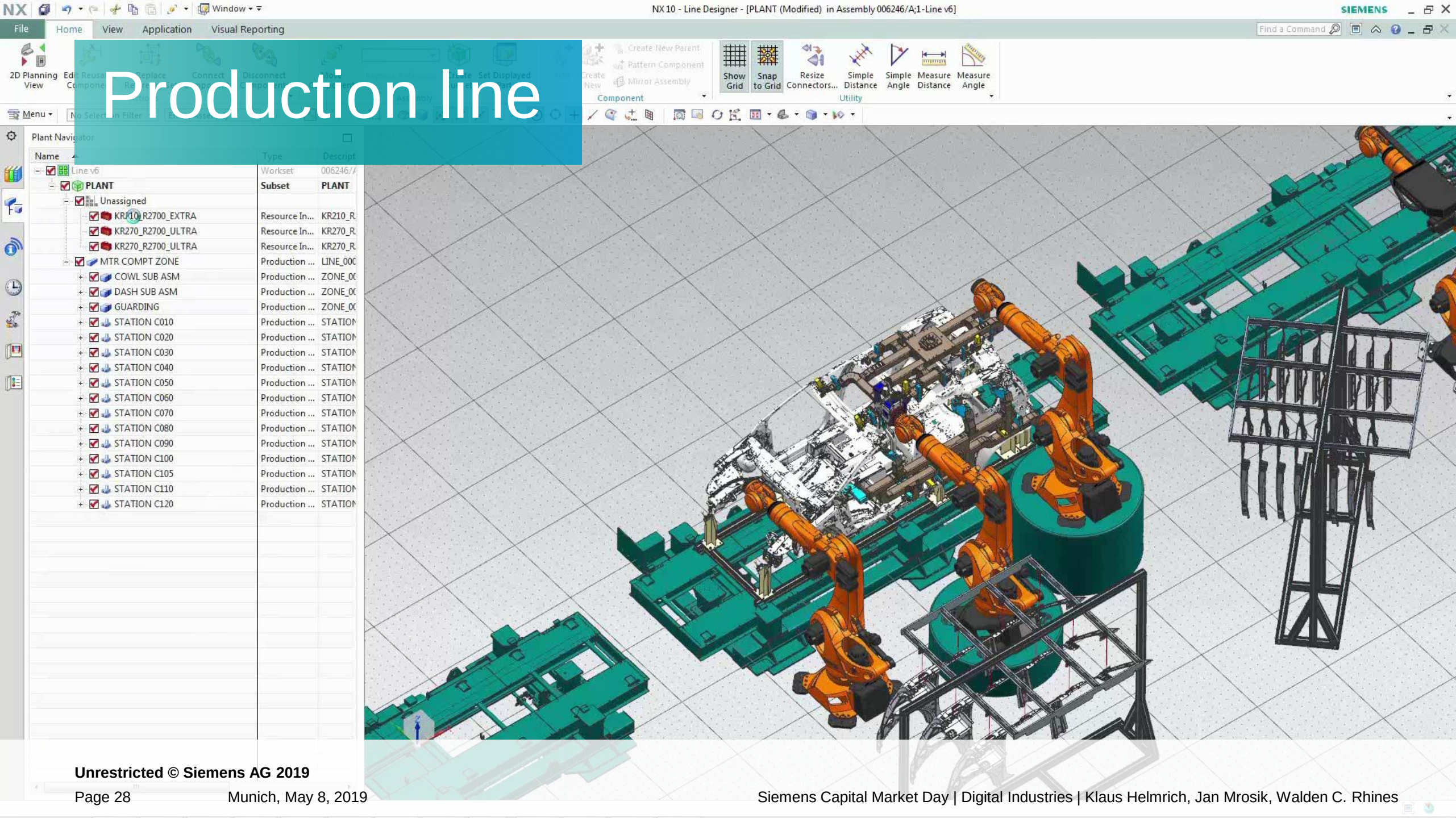
Production line



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Entire factory

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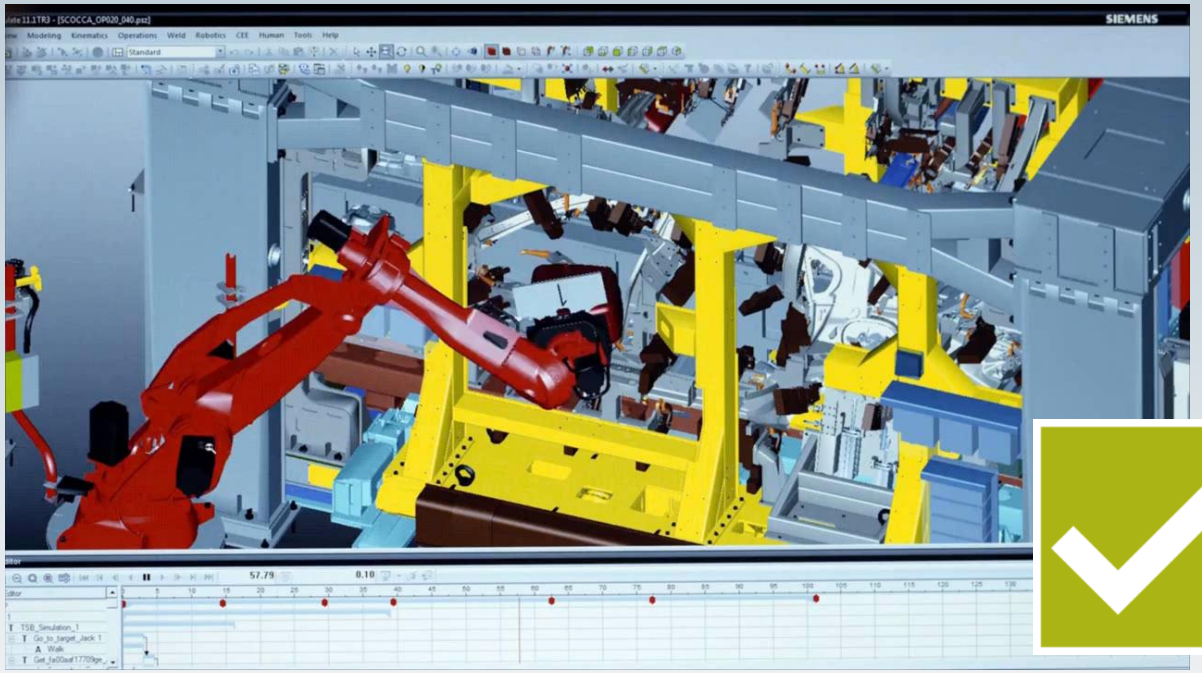

Digital Twin of SIMATIC S7-1500

Virtual Commissioning

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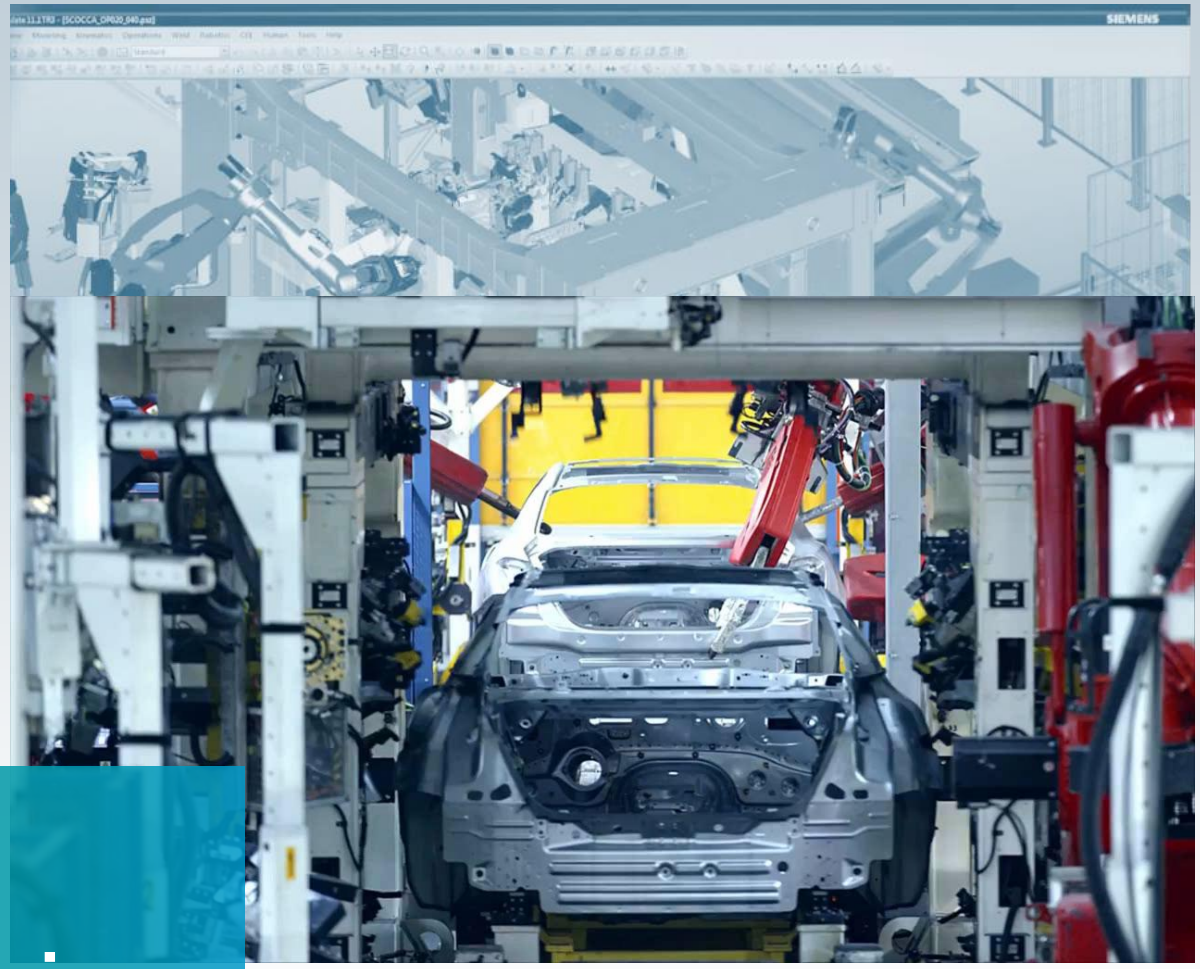

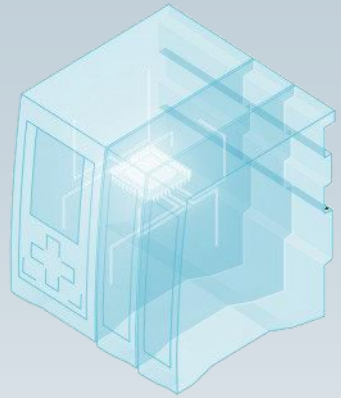

SIMATIC
S7-1500

Real Commissioning

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Holistic automation portfolio increases productivity on the shop floor

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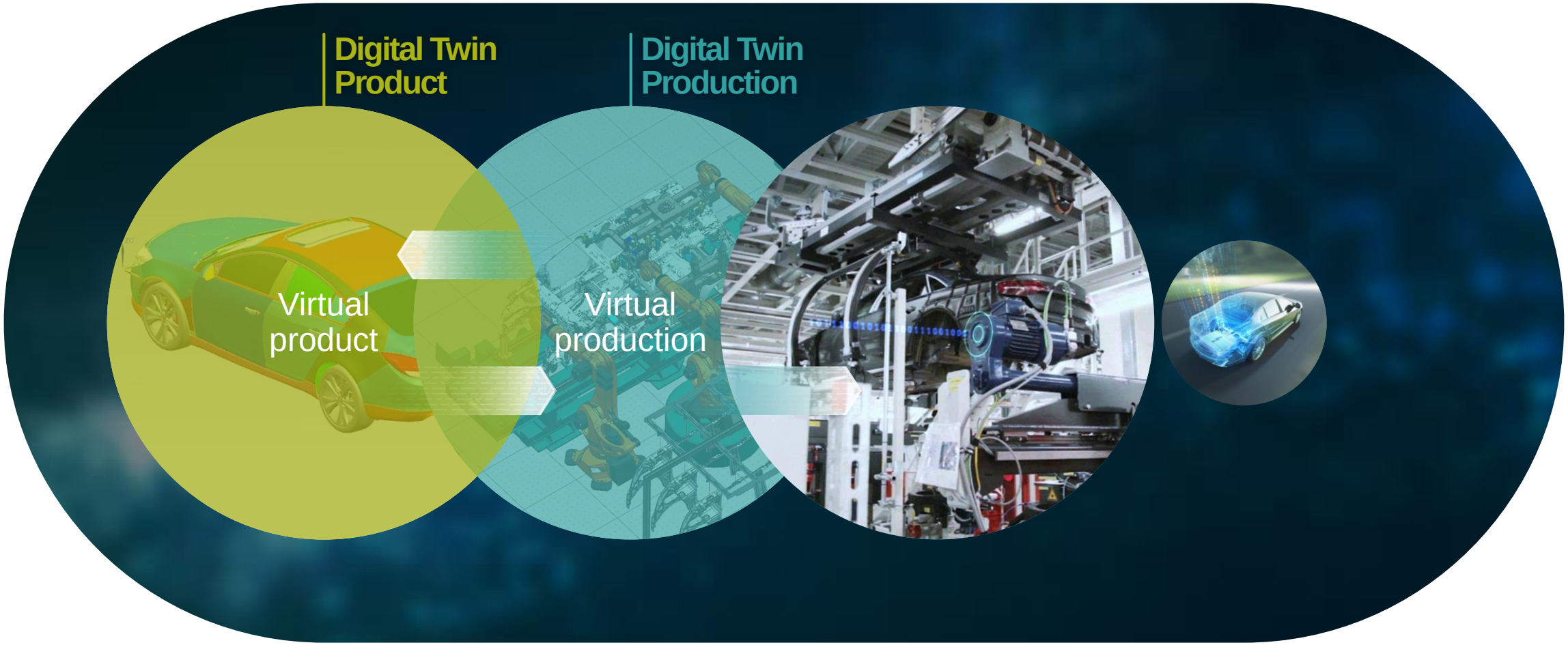

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Real production

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The Digital Twin of the performance enables continuous analysis of both product and production

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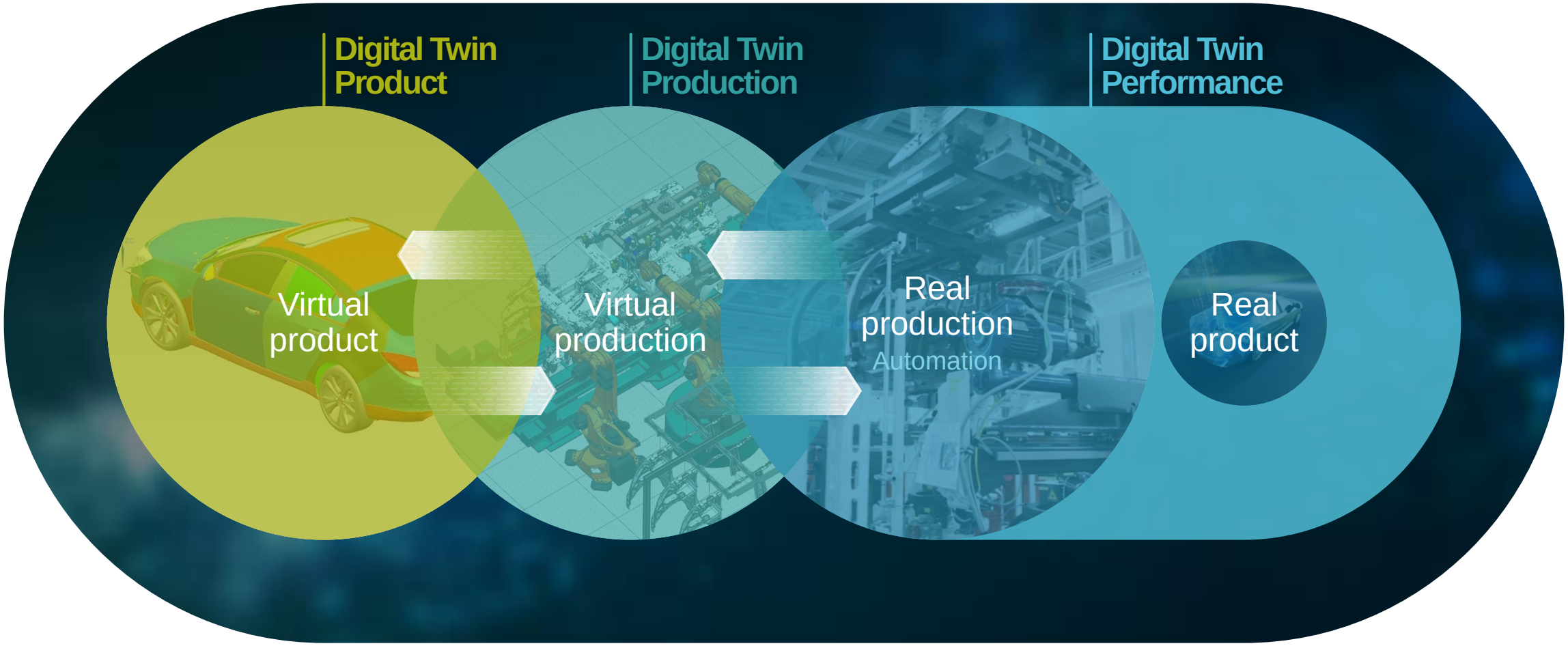

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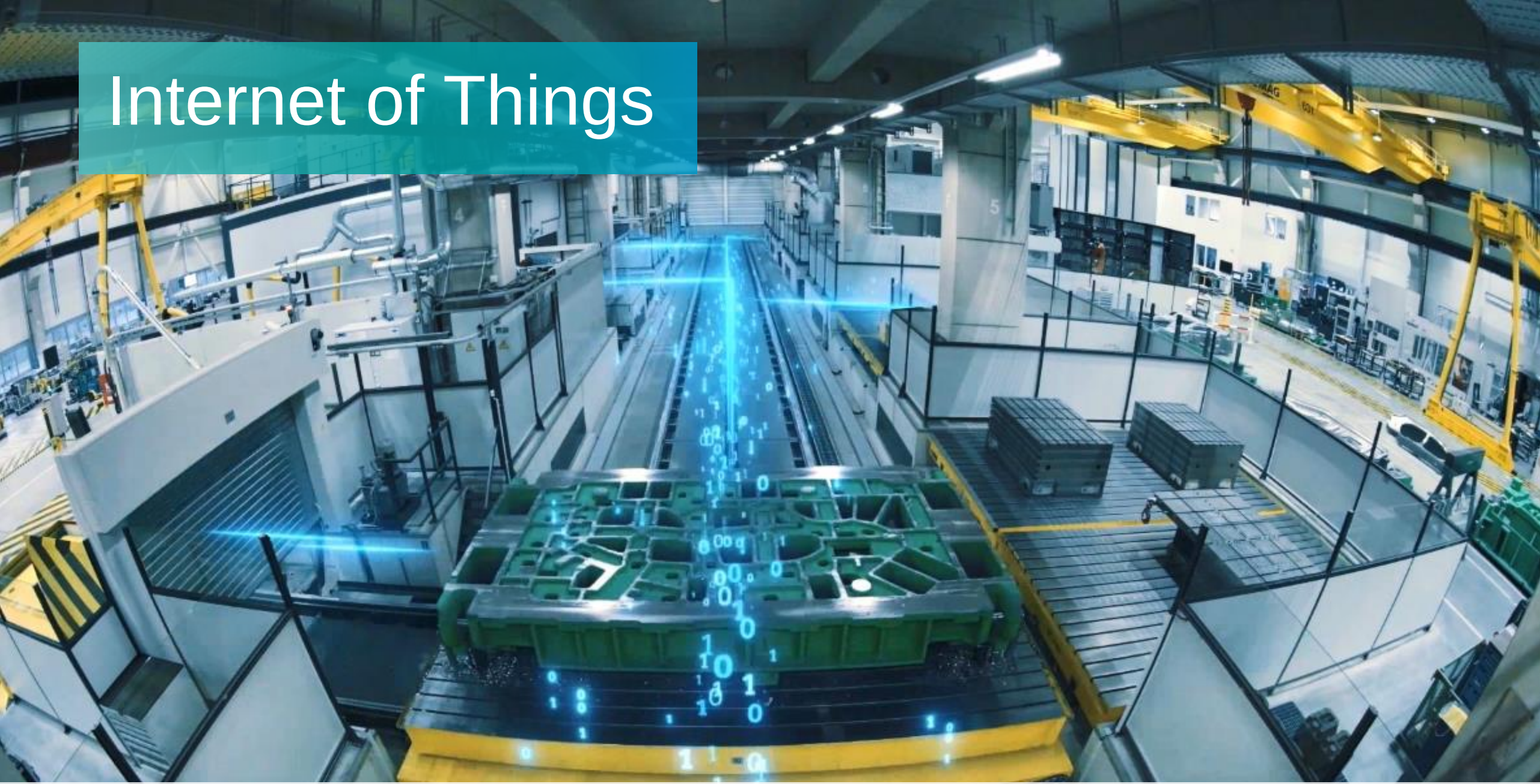
Internet of Things



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Feeding back insights enables continuous optimization of product and production

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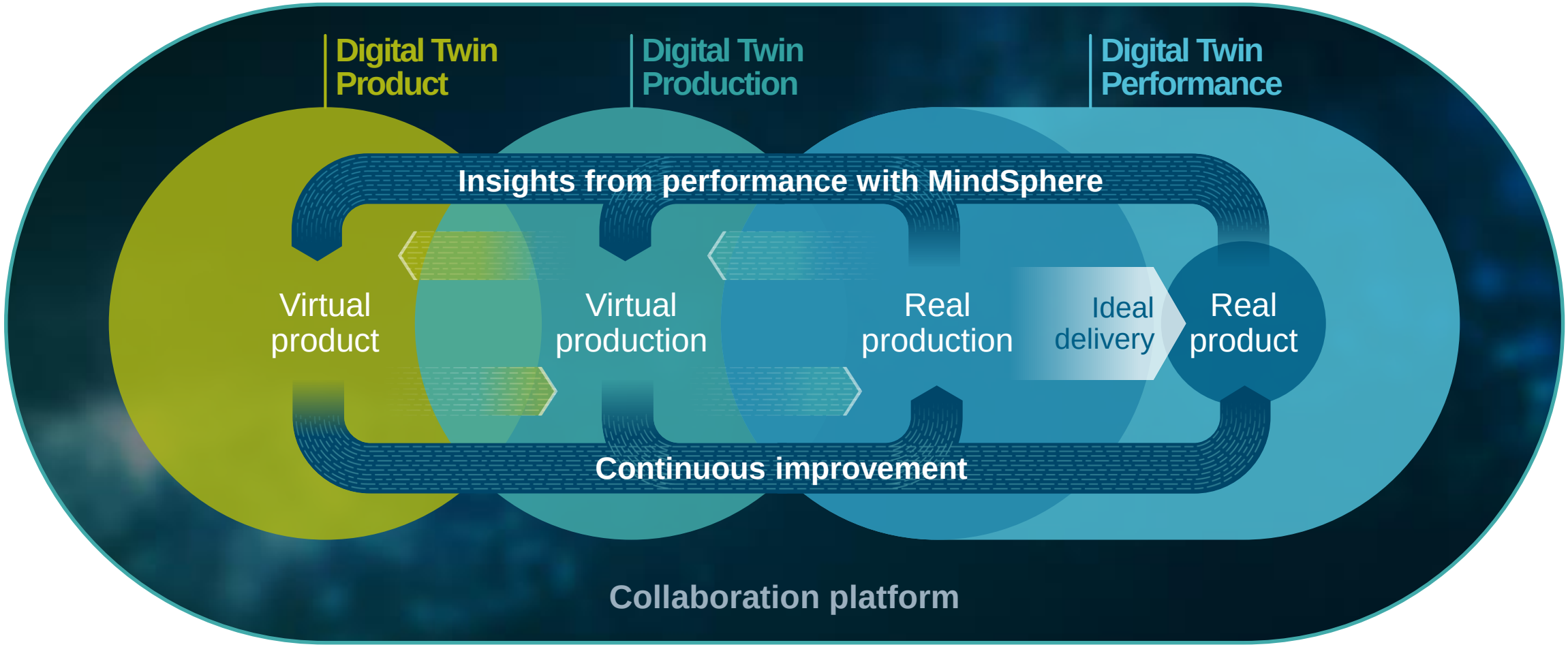

Industrial Security

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Mentor, a pioneer in Electronic Design Automation and a natural expansion for Siemens Digital Industries Software

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Critical design software is used to create the world's electronic systems.

Comprehensive product portfolios address all levels – from integrated circuit to electronic systems.

- One of top 3 Electronic Design Automation companies
- Global footprint as part of Siemens organization
- 6,500 employees worldwide

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Mentor integration brings synergies to existing customers and opens opportunities to create value for new customers

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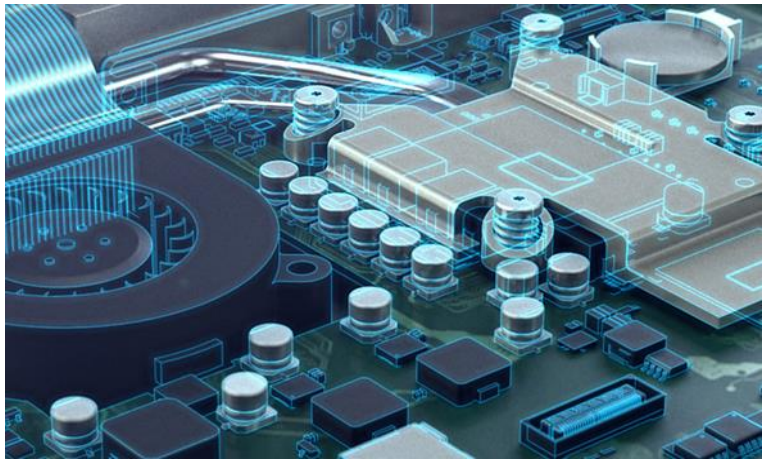
Integrated Systems Design

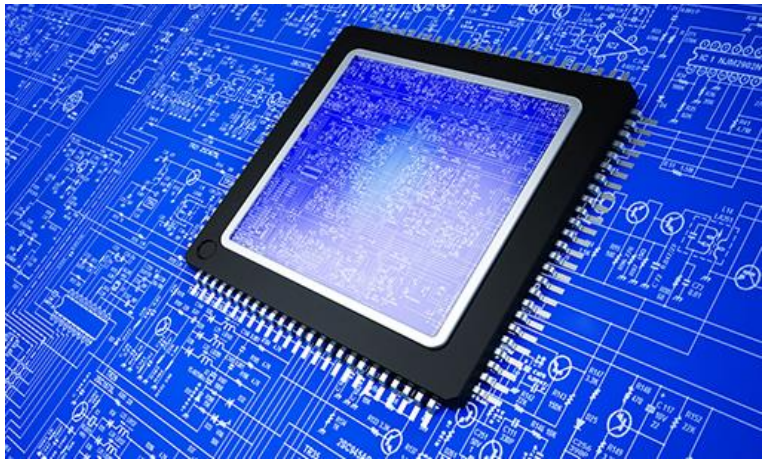
Best-in-class interoperability for integrating electrical assemblies into mechanical environments.

Electronic Systems Design



Product integration of Mentor Xpedition and Siemens NX and Teamcenter executed in active sales campaign.

Integrated Circuit Design



Cypress Semiconductor demonstrates value of using Mentor verification & Siemens ALM software together.

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Mentor's expertise in integrated circuit design and verification adds significant value to Siemens' software offering

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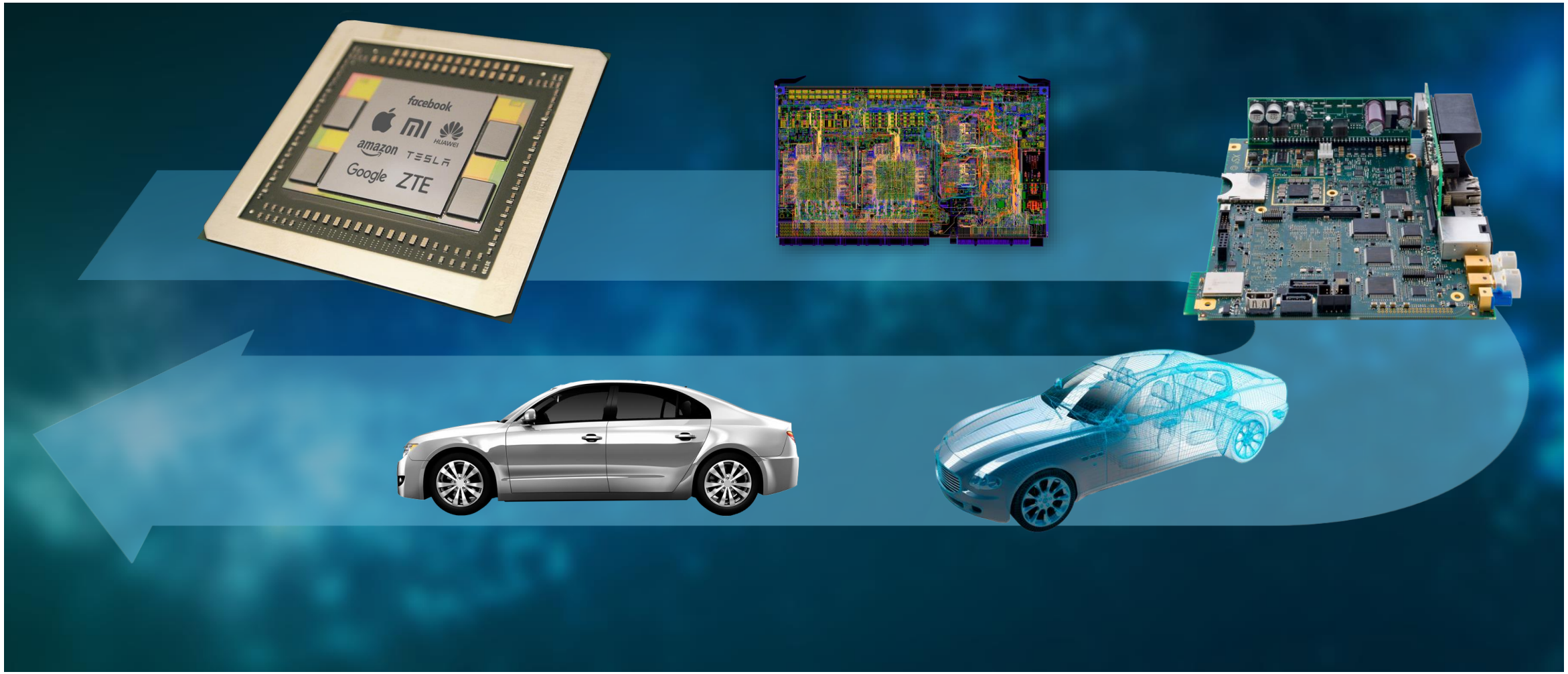

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Siemens follows through on initial investment commitments, and our customers react positively

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1	Increase in top 10 contract renewals as per Q2 FY19	**Double digit growth**
2	Revenue growth YoY in FY18	**Double-digit growth**
3	Continuing with further acquisitions	**+5 companies**
4	Continuing innovation	**+17 product launches**

Growing employee base and high retention of key people

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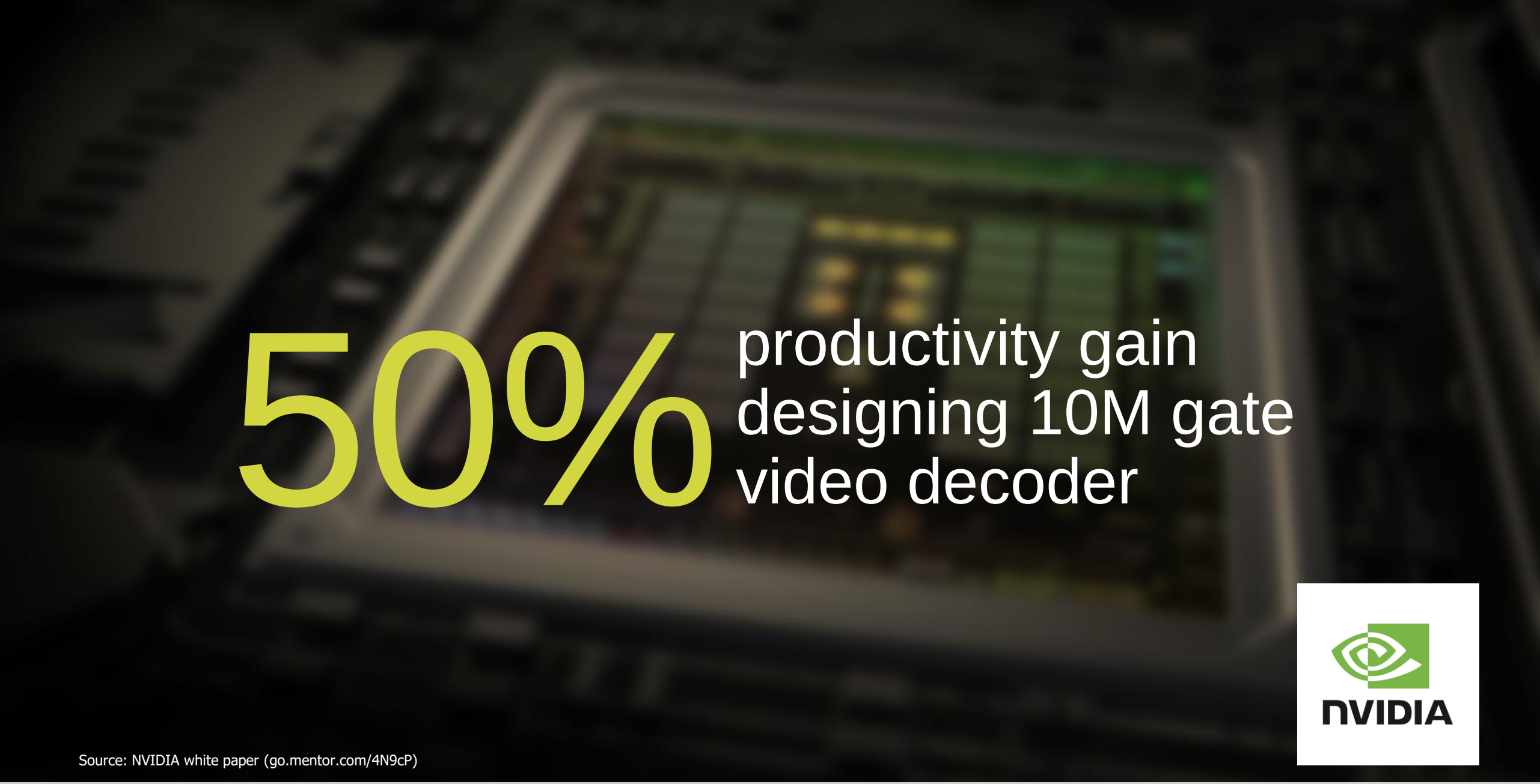

Source: NVIDIA white paper (go.mentor.com/4N9cP)

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Fewer re-spins and improved quality through automated system synchronization

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We achieve a totally new level of output, quality, and performance. None of this would be possible without a digitalized and digitally controlled workflow in the factory.

Siegfried Altmann
CEO Rosendahl Nextrom GmbH

ROSENDAHL NEXTROM
KNILL GRUPPE

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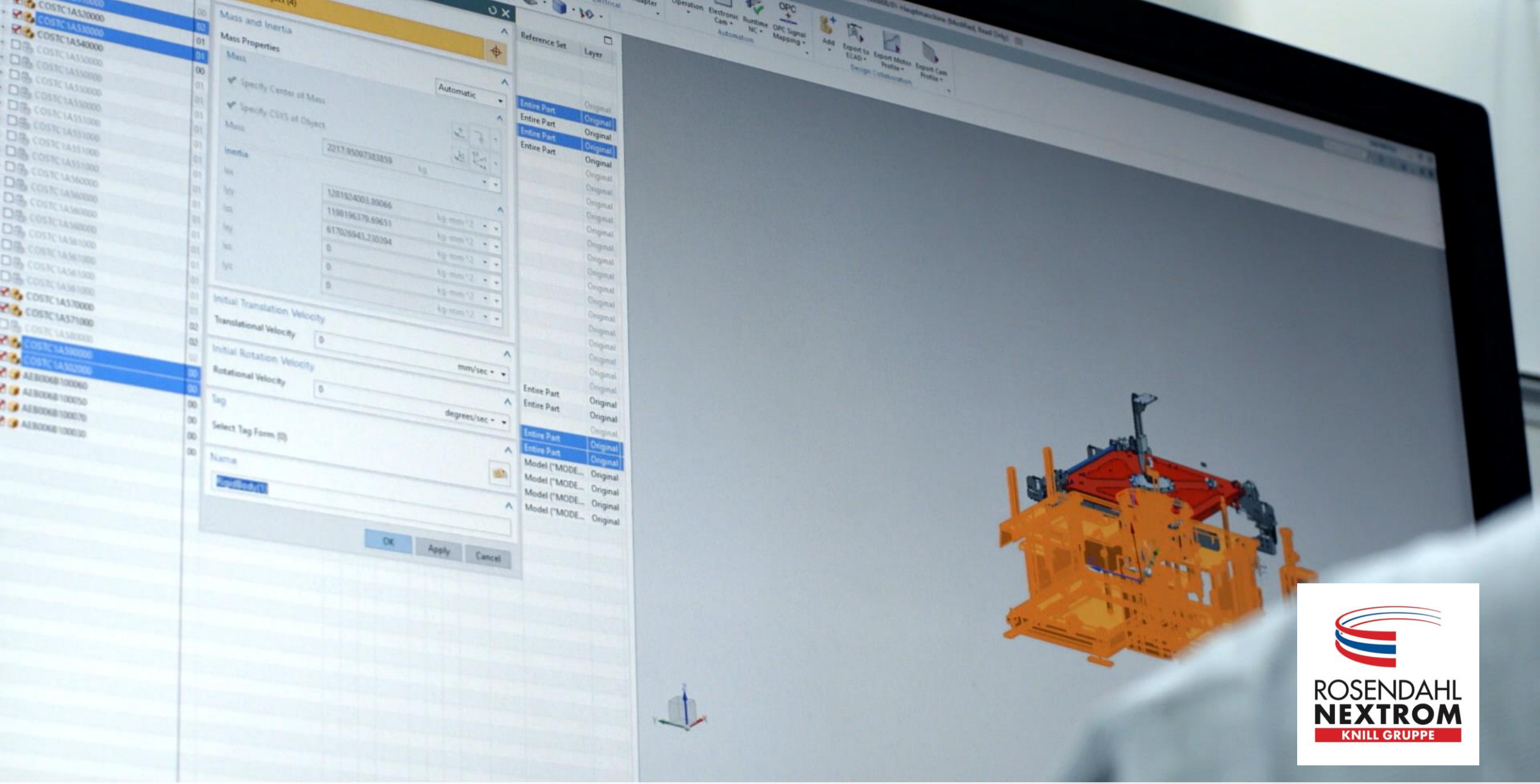

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Reduced engineering time by

>1/3

Reduced commissioning times by

>50%

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>50%

less time from testing to paint production

8x

faster production process

Reduced batch size from **5,000 l** to **100 l**

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Examples from Siemens factories – automation and digitalization lead to greater flexibility and productivity

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More flexible automation (Erlangen)

Fully automated electronics production line with handling robots

Reduction of manual efforts by 80%

Artificial intelligence (Karlsruhe)

Intelligent planning: asset optimization and greater delivery reliability

>50% more accurate demand forecasting

Edge Computing (Amberg)

Quality control via algorithm: higher output

30% reduction in x-ray inspection for PCBs

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Our IoT operating system MindSphere – enhanced by Edge and Mendix low code app development

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Applications
Powerful industry solutions with advanced analytics

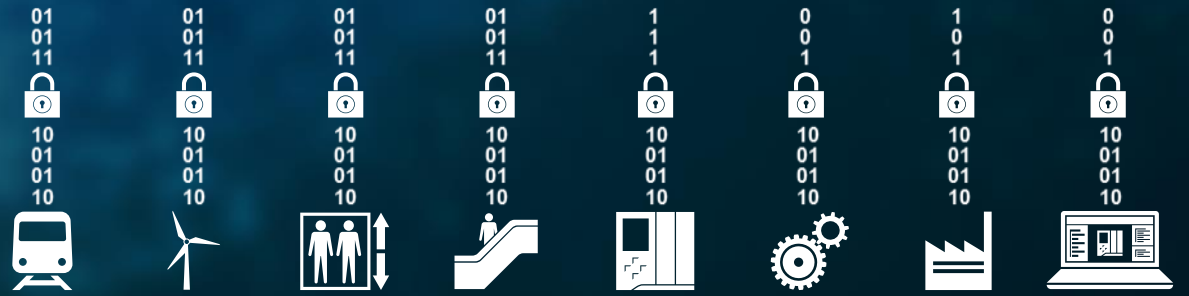
mx mendix
the app platform

Open PaaS
Develop robust industrial IoT solutions faster with global scalability

MindSphere

Edge Management
Edge Device Management, Edge App Management, and Edge App Store

Connectivity
Connect products, plants, systems, machines and enterprise applications



Edge Apps
Applications for intelligent data use

Edge Devices
Secure, future-proof basis for running edge applications

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Using our track record to expand end-to-end domain reach

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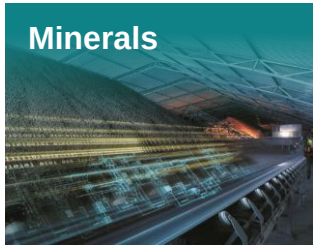
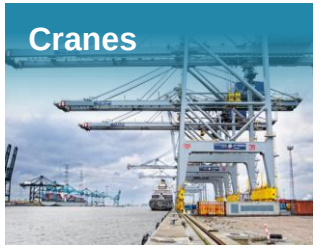
Process Industries — Hybrid Industries — Discrete Industries





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Profitable growth sustained by cost optimization program of €320m in addition to base productivity

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Main levers

Integration synergies from Vision 2020+ — €40m

- Two Divisions merged into one Operating Company
- Corporate functions shifted to Digital Industries
- BU software synergies from integration

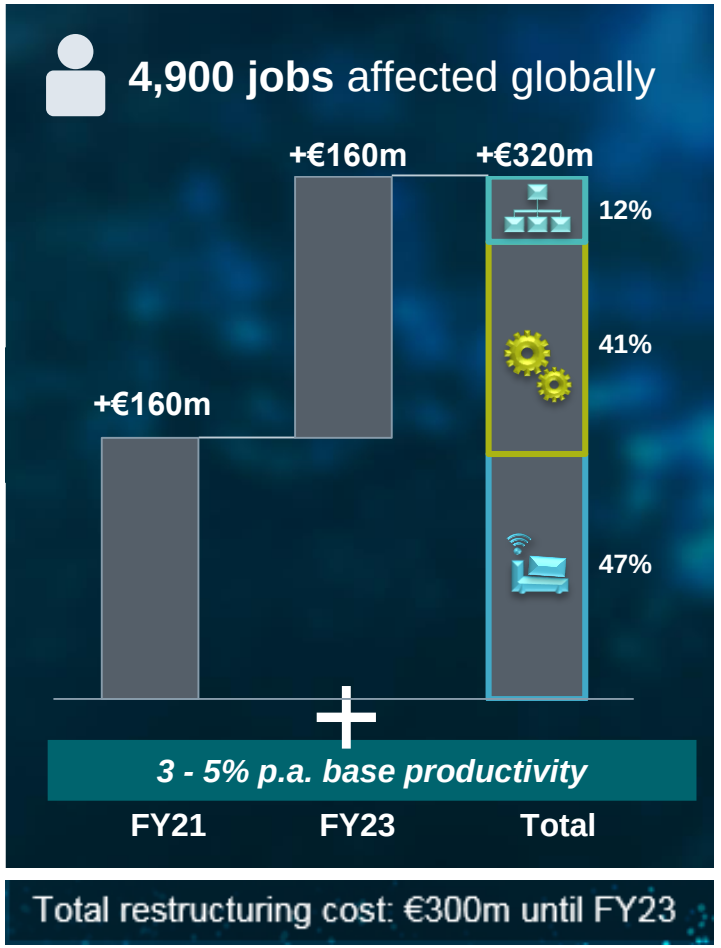
DI internal process improvements — €130m

- Optimization of internal regional structure
- Optimization of order management, logistics and controlling processes
- Structural optimization across Digital Industries

Internal digitalization — €150m

- Leveraging industrial software and automation methodologies to drive additional efficiency by utilizing Digital Enterprise
  - Increased and optimized degree of automation in factories
  - Comprehensively digitalized end-to-end PLM processes
  - Comprehensive and optimized use of MindSphere

Gross headcount addition of ~12,000 until FY23 to support volume growth over the cycle



Total restructuring cost: €300m until FY23

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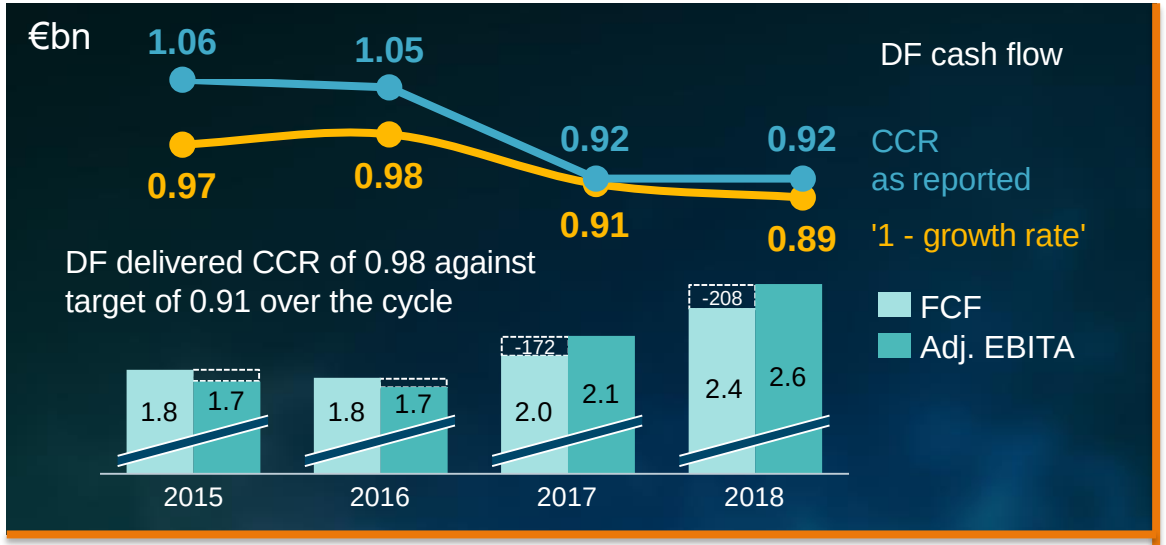
Cash Management initiative ensures cash conversion rate of 1 – growth rate over the cycle



Key measures

- 33% of DI senior management bonus linked to DI CCR
- Measures in execution to address central and region-specific optimization
- Continuous improvement of turns up to 0.2 in operating working capital planned

Total supply chain (inventory reduction 2% to 5% p.a)

Drop Shipment piloted in the US, creating leaner supply chain and resulting in reduction of local inventories by 20%; further rollout planned

Digital Inventory Management improves inventory efficiency in Source and Deliver through data analytics

Order to Cash

Continued focus on Overdue Receivables to remain at a very low level(> 90 days <4%)

Implementing digital twin of order management process will further optimize days sales outstanding (DSO)

Purchase to pay (improve turn rate 5% p.a)

Extending payment terms of suppliers, e.g. using external Financing solutions without recourse to Siemens

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Driving a high-performance culture ensures profitable growth

Passion for industry and high performance culture	• DI targets cascaded to all senior managers • Frequent employee engagement pulse checks • 50% of employees with company for 10+ years
New competencies and new way of thinking through Mergers & Acquisitions	• 7,500 people successfully integrated over last three years • 98% talent retention after acquisitions
Systematic succession planning for key functions with focus on diversity	• Continuous pipelining for level 1+2 leadership • Pool of >1,000 participants from selective leadership excellence and development programs

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We deliver flexibility and productivity, resulting in customer wins and awards

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Recent customer wins*

verizon
中泰化学 ZHONGTAI CHEMICAL
Volkswagen
TRONRUD ENGINEERING
HUSKY®
CATHAY INDUSTRIAL BIOTECH

Awards

- FROST & SULLIVAN – COMPANY OF THE YEAR AWARD 2018
- WACKER – SUPPLIER-AWARD 2018 in the category "Best Global Partnership"
- GEELY – OUTSTANDING IT VENDOR AWARD 2016
- ROI – INDUSTRIE 4.0 INNOVATION AWARD 2017
- DAIMLER – SUPPLIER AWARD 2018 Quality
- GAME CHANGER AWARD 2017 Product & Service Innovation
- Computable – VENDOR OF THE YEAR 2018
- SUPPLIER INNOVATION AWARD 2016 Productivity

Hannover Messe 2019

- Biggest single booth at 4,000 m²
- 100,000+ visitors
- ~100 delegations
- 8,400+ leads

* Exemplary selection

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DI global management team kickoff
Munich, March 11-12, 2019

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Commitment of global leadership team

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1 Our target is to grow 25% faster than the market.

2 We commit to sustain Adj. EBITA margin of 17-23% over the cycle.

3 We deliver a CCR of 1 – growth rate over the cycle.

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