

# Strong execution drives growth and profitability – earnings outlook raised

Joe Kaeser, President and CEO | Ralf P. Thomas, CFO  
Q3 FY 2016 Analyst Call | Munich, August 4, 2016

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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, 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.

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Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

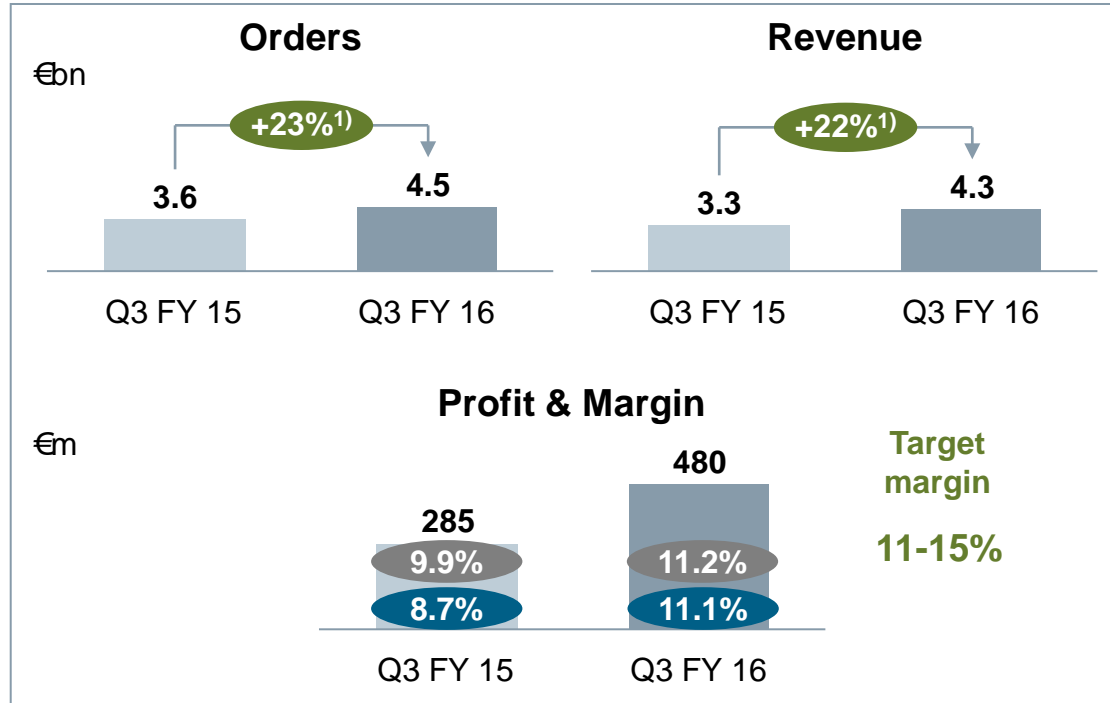
## Q3 FY 2016 – Strong momentum despite continuing market uncertainty

- **Further portfolio optimization and cost savings acceleration**
- **Clear order increase excl. FX of 10% to €21.1bn**
- **All-time high backlog of €116bn, book-to-bill at 1.06x**
- **Clear revenue growth excl. FX of +9% to €19.8bn**
- **Industrial Business margin expansion to 10.8% (up 130bps)**
- **8 out of 9 Divisions in the target margin range**
- **Net income of €1.4bn; earnings per share of €1.64**
- **Strong free cash flow of €1.8bn**

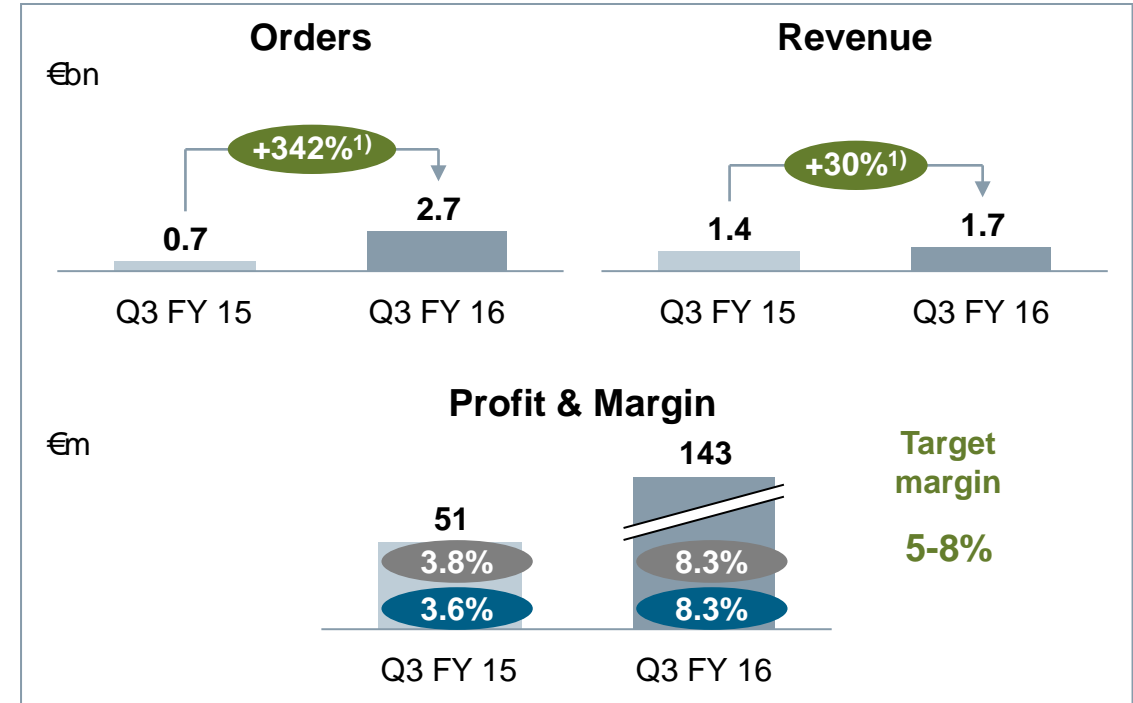
**PG: Top line growth driven by strong execution in the market place**  
**WP: Excellent team drives impressive turnaround on all levels**



**Power and Gas (PG)**



**Wind Power and Renewables (WP)**



- Large orders from U. S. and Bolivia drive order growth
- 16 Large Gas Turbines delivered
- Strong profit contribution from service including positive inventory measurement effect

- Major offshore orders in UK (€1.4bn) & Germany (€0.5bn)
- Strong backlog conversion drives revenue and profit

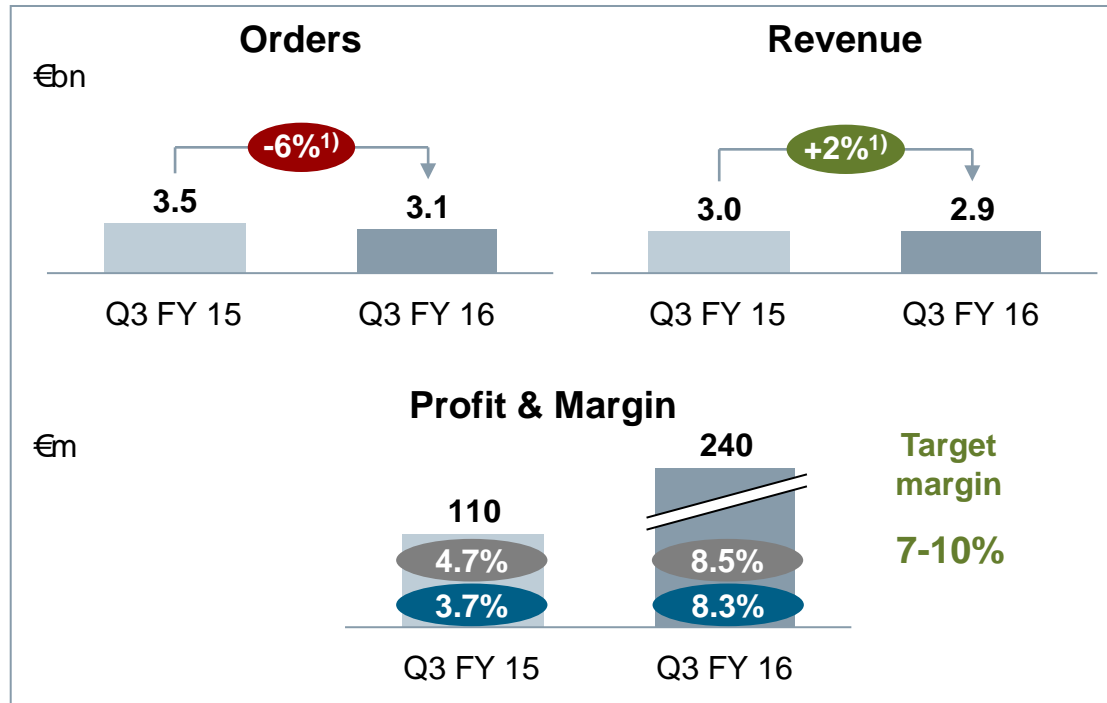
1) Comparable, i.e. adjusted for currency translation and portfolio effects

**x.x%** Margin as reported

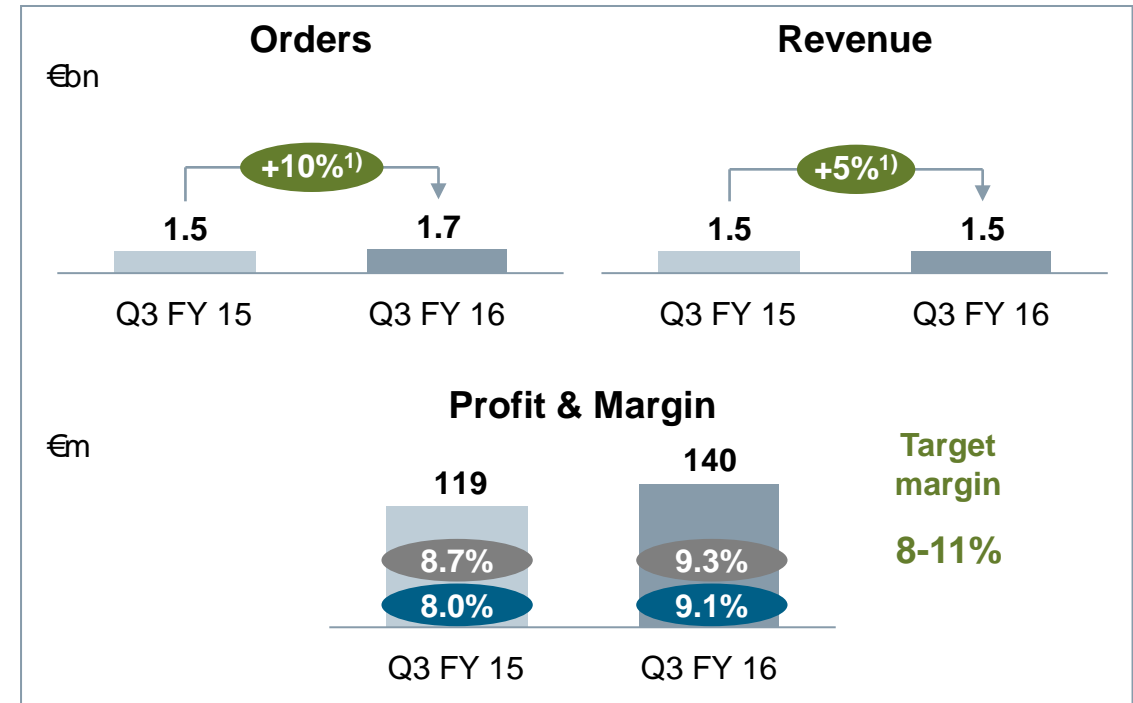
**x.x%** Margin excl. severance (and excl. integration cost D-R for PG only)

# EM: Target margin corridor reached – poised to stay in BT: All eyes on the market with a clear vision for future value creation

## Energy Management (EM)



## Building Technologies (BT)



- Lower orders in Middle East on tough comps; large UHVDC-Transformer order in China
- Continued profitability improvements in particular in the Solutions and High Voltage Products business

- Order growth across all regions
- Strong profit conversion and higher margins in product business

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

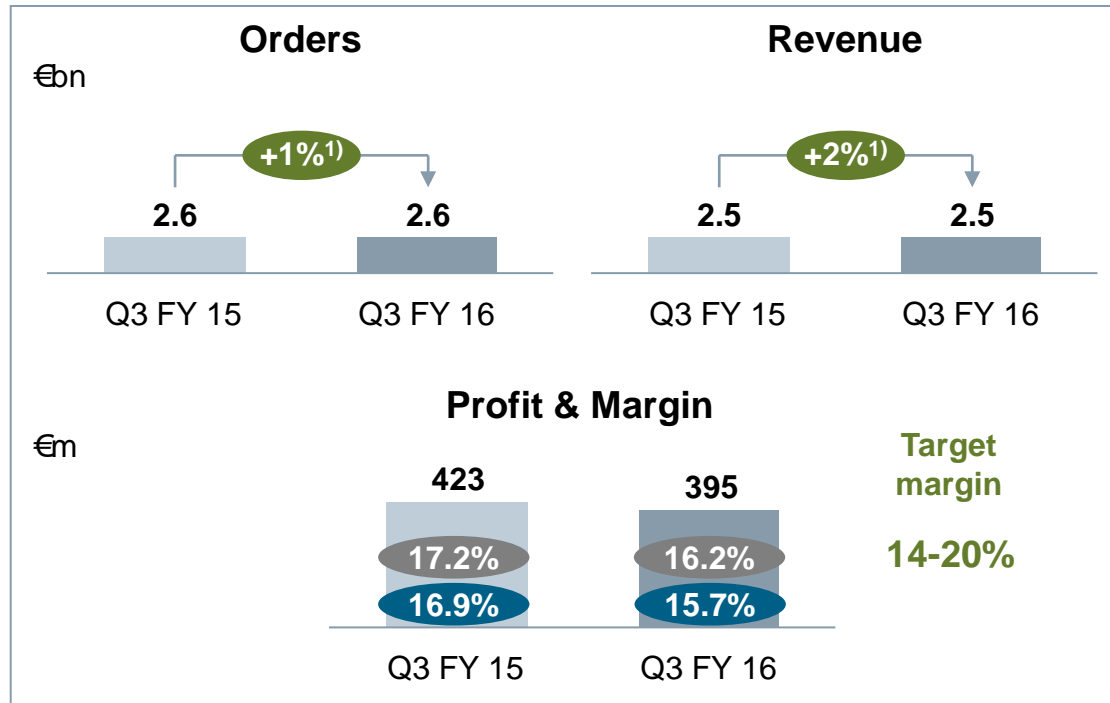
x.x% Margin as reported

x.x% Margin excl. severance

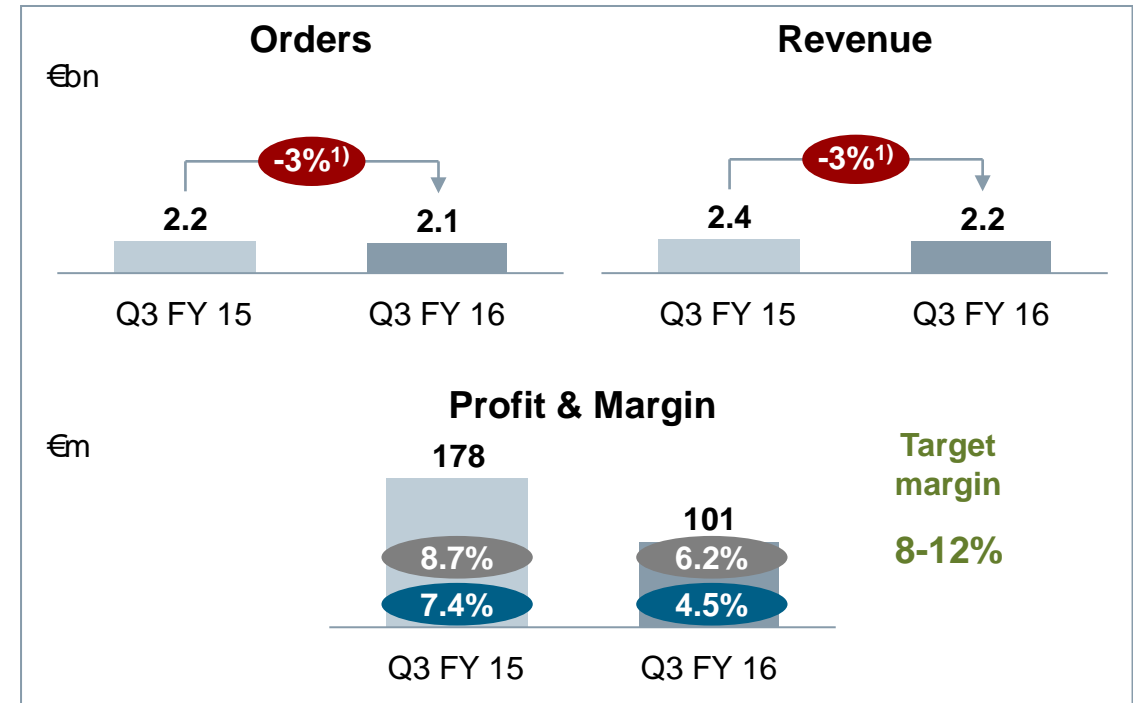
**DF: Strong top line relative to market driven by digital software**  
**PD: Cyclical and structural challenges need appropriate response**



**Digital Factory (DF)**



**Process Industries and Drives (PD)**



- Short cycle volume near prior year level with China and U. S. still weak
- CD-adapco integration well underway, causing special effects

- Ongoing weak demand in commodity related industries
- Structural challenges take down profit

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

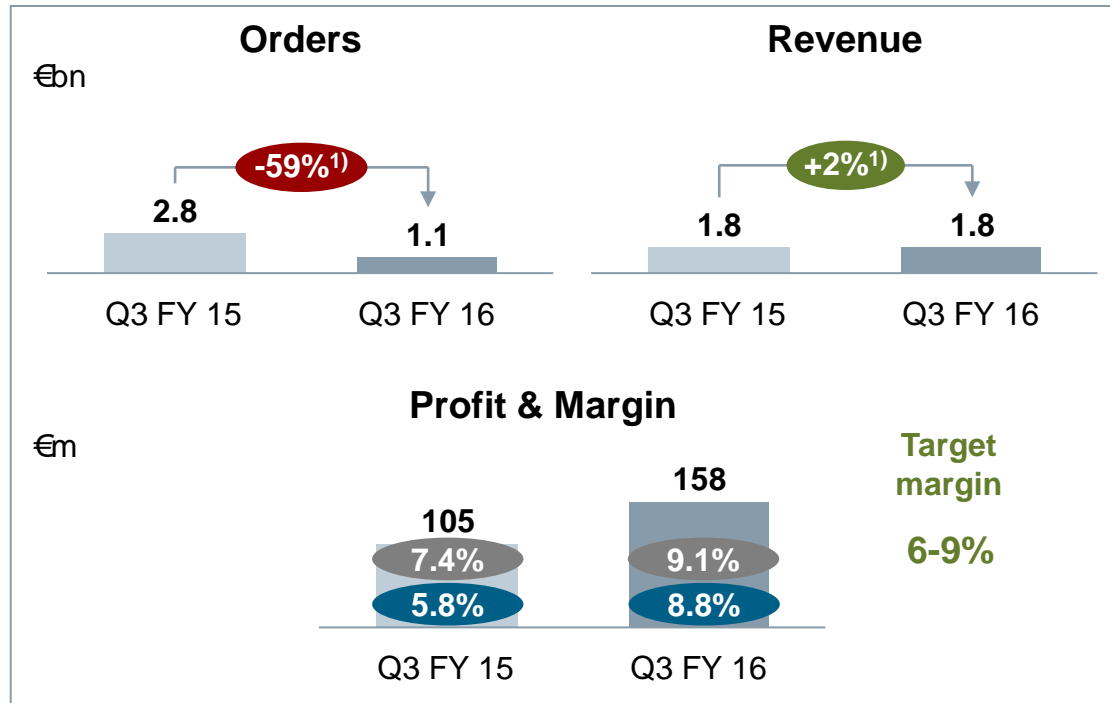
x.x% Margin as reported

x.x% Margin excl. severance

# MO: Great execution drives industry leading margins HC: Continued growth – innovation push curbs margins

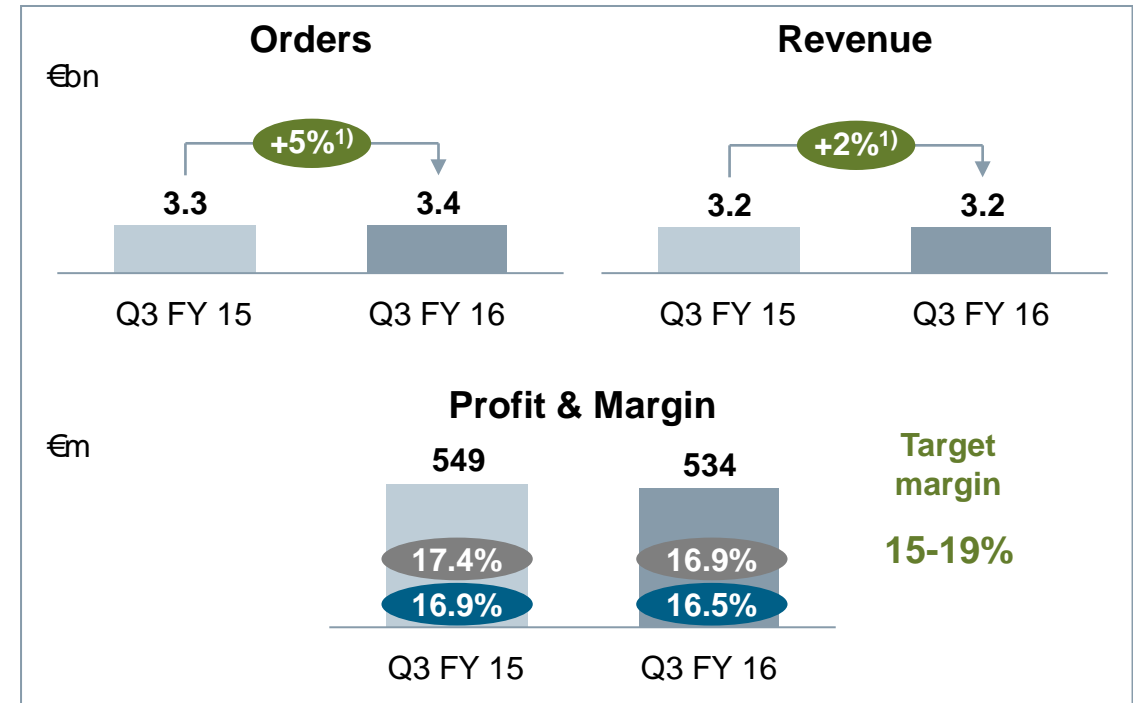


## Mobility (MO)



- Revenue growth from large rolling stock projects, weaker revenue from rail infrastructure business
- Profit up on positive effects from larger projects

## Healthineers (HC)



- Order strength in Asia, particularly in China
- Revenue increase and strong profit again driven by Diagnostic Imaging business

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

x.x% Margin as reported

x.x% Margin excl. severance



## Guidance FY 2016 – earnings outlook raised

We **raise** our previous **expectation** for **basic EPS** from **net income** in the range of €6.00 to €6.40 to the **range of €6.50 to €6.70**.

We **continue** to expect for **fiscal 2016 moderate revenue growth, net of effects from currency translation**.

We **continue** to anticipate that **orders will materially exceed revenue** for a **book-to-bill ratio clearly above 1**.

For our **Industrial Business**, we **continue to expect a profit margin of 10% to 11%**.

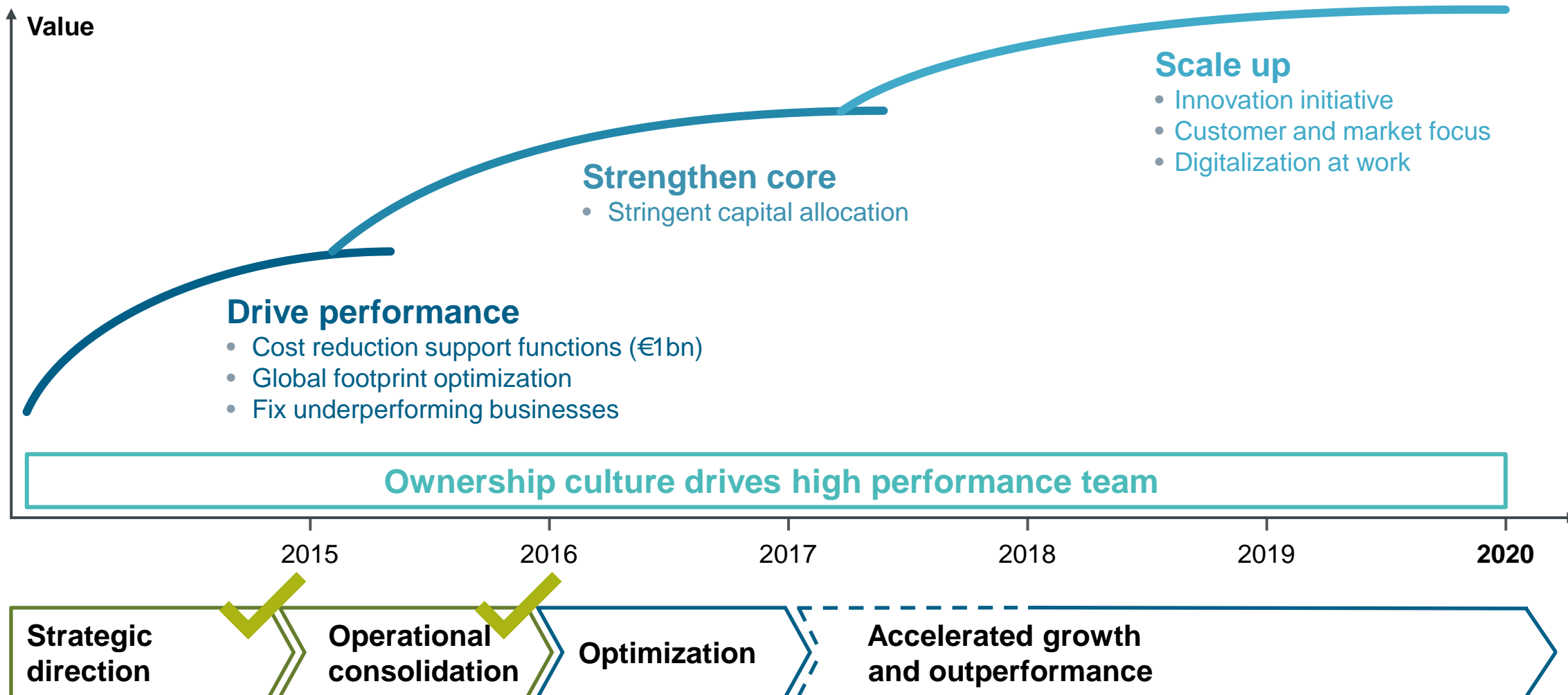
This outlook excludes charges related to legal and regulatory matters.







# Siemens Vision 2020 – Stringent execution delivers results



# Executing Vision 2020

## Capital allocation along strategic imperatives

SIEMENS



April 16

Closing of acquisition of CD-adapco for \$970m to pursue industrial software strategy

Merger of Siemens Wind Power with Gamesa announced to create a leading wind power player  
Siemens ownership 59%

### SIEMENS

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

UNIFY

January 16

Closing of divestment to AtoS

sivantos  
the hearing company

January 16

Closing divestment of remaining assets to EQT for €300m

Strategic asset combination

Valeo SIEMENS

50/50 joint venture for powertrain in E-cars announced

# One Siemens Financial Framework

## Clear targets to measure success and accountability

**SIEMENS**

### 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%**

**WP**  
**5 – 8%**

**BT**  
**8 – 11%**

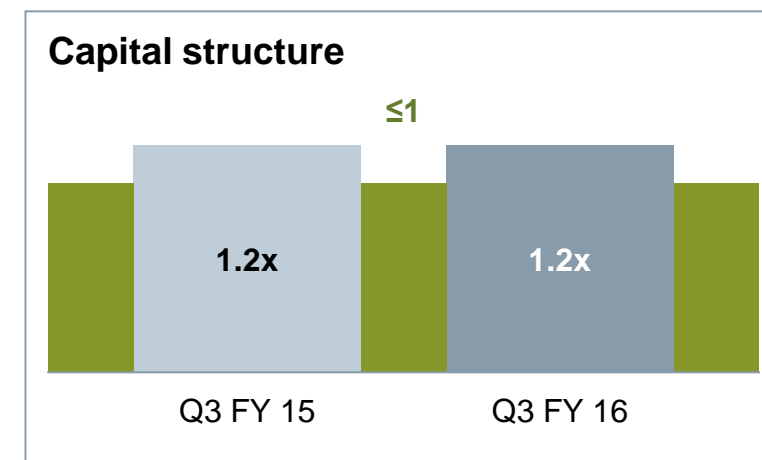
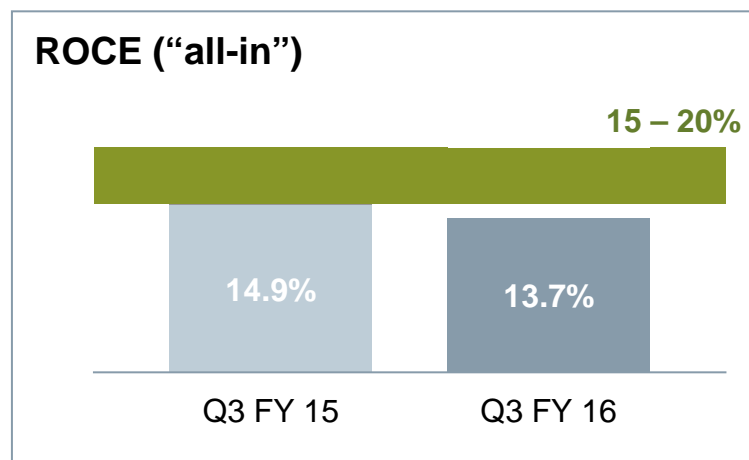
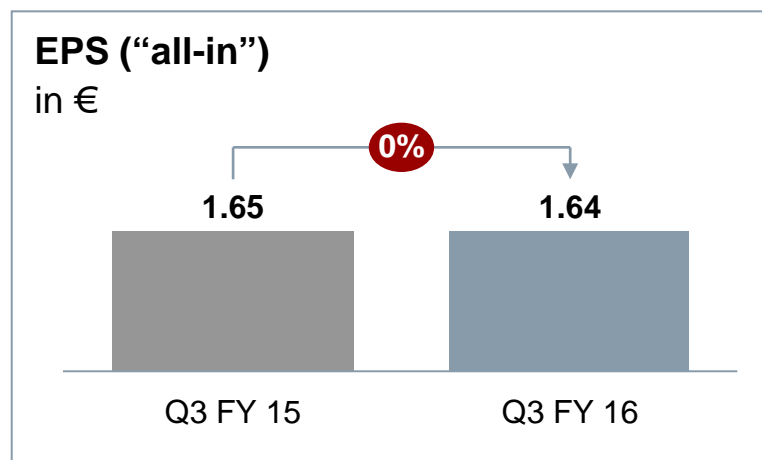
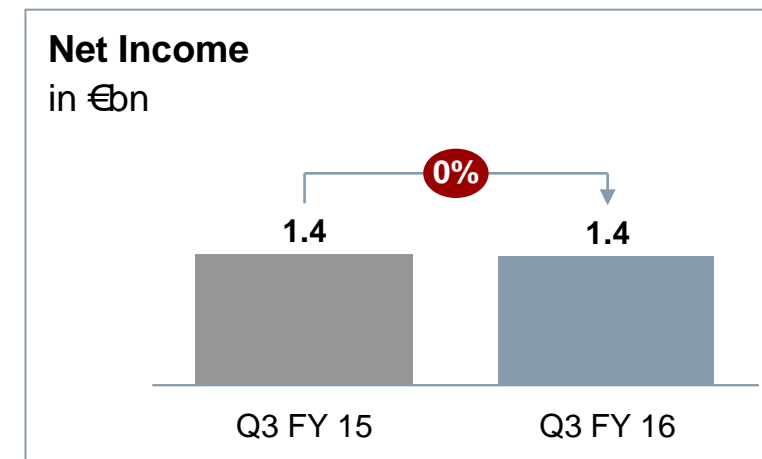
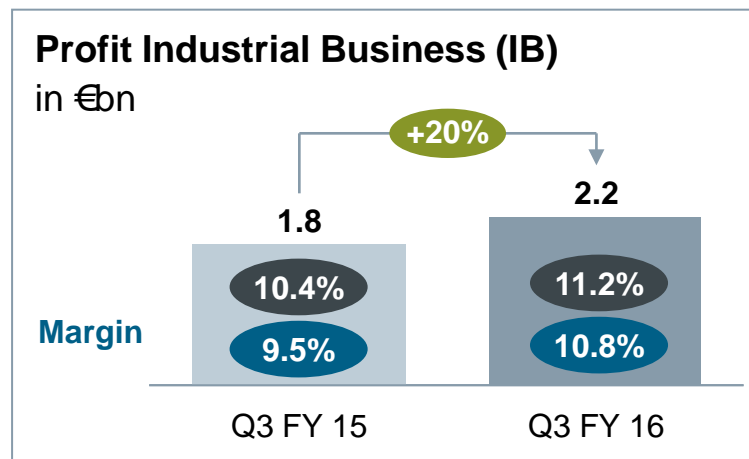
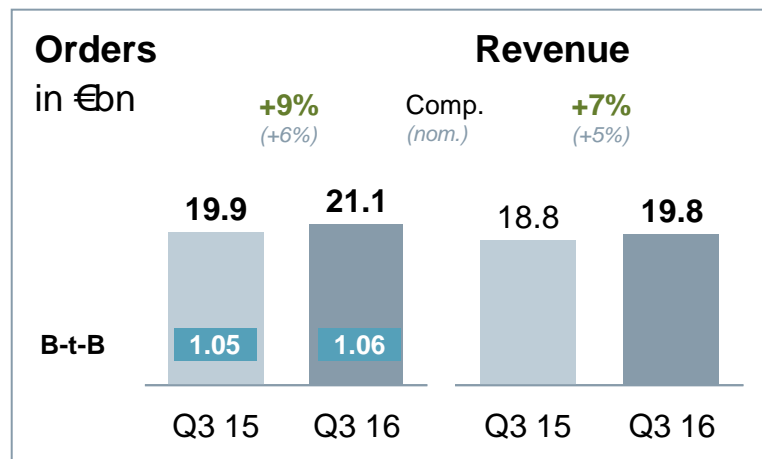
**DF**  
**14 – 20%**

**HC**  
**15 – 19%**

1) ABB, GE, Rockwell, Schneider, Toshiba, 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

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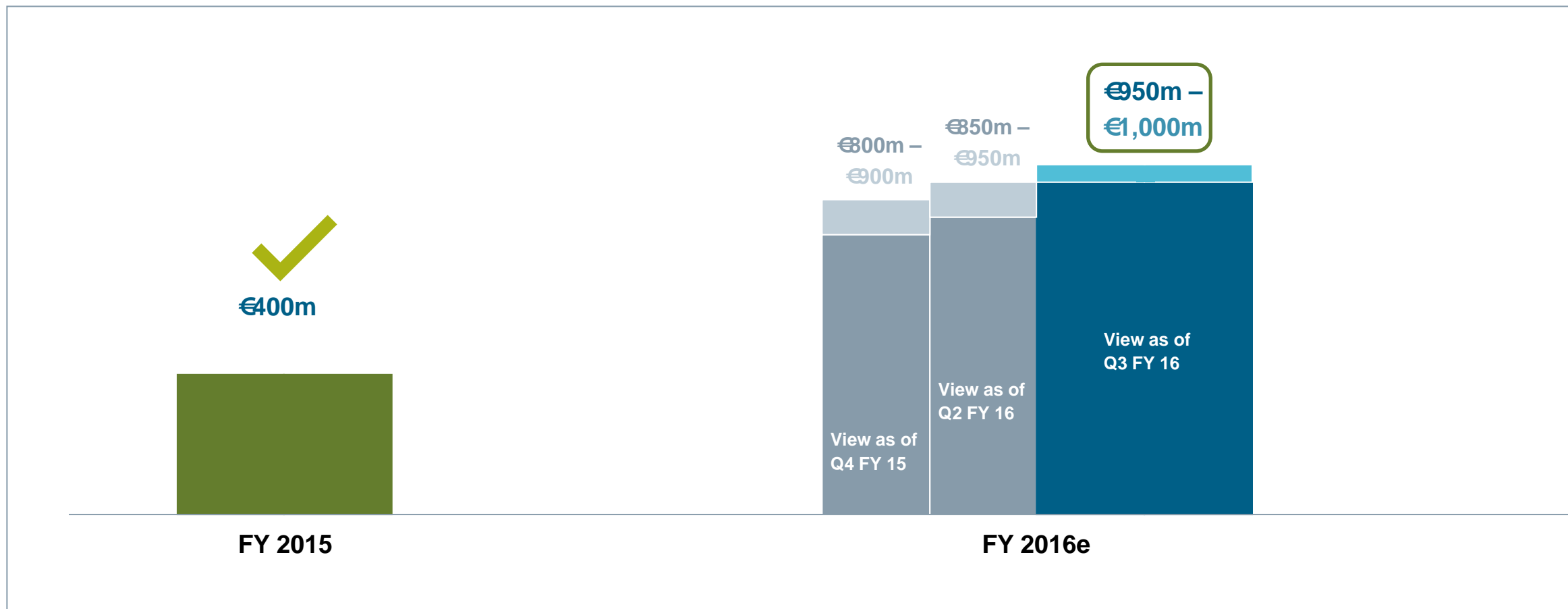
# Financial Cockpit – Q3 FY 2016



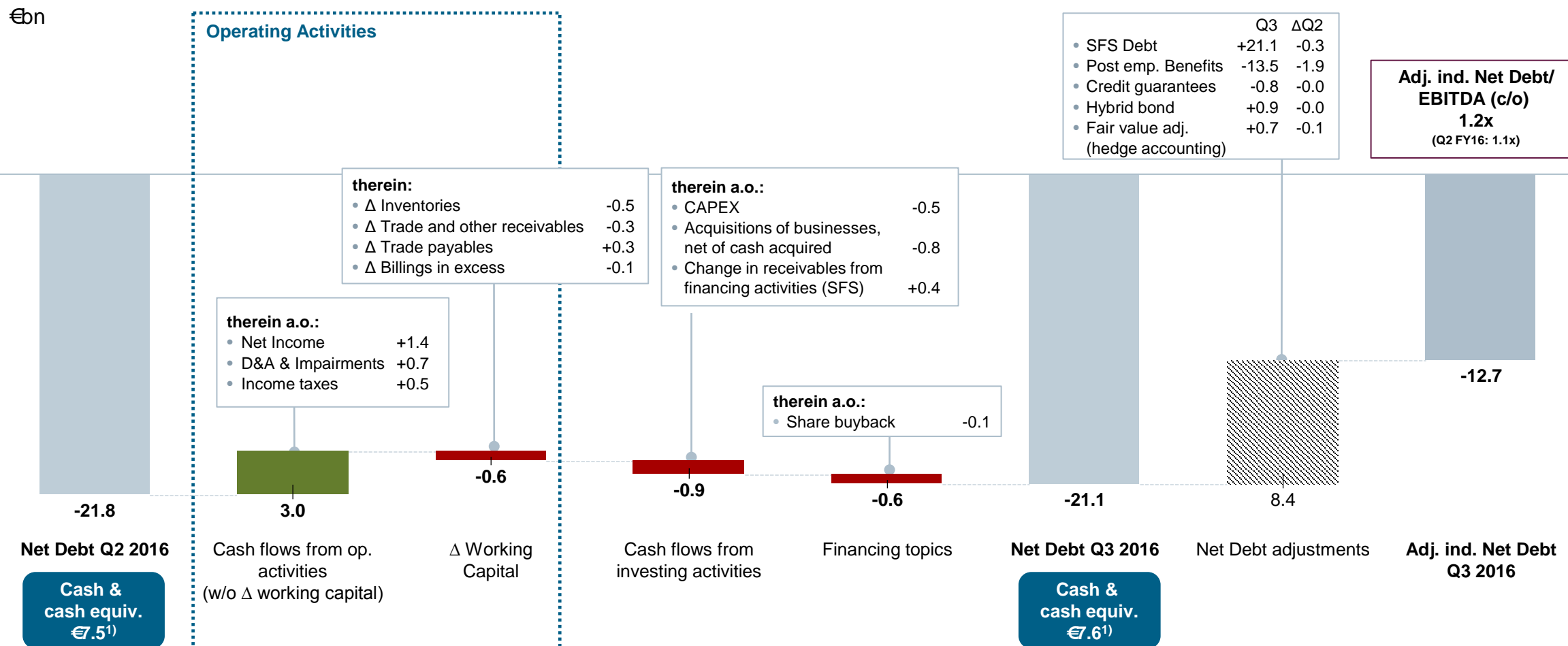
x.x% Margin as reported    x.x% Margin excl. severance

# Further acceleration of cost-out program

## Cumulated effects of savings



# Net Debt Bridge – Q3 FY 2016



1) Including current available-for-sale financial assets

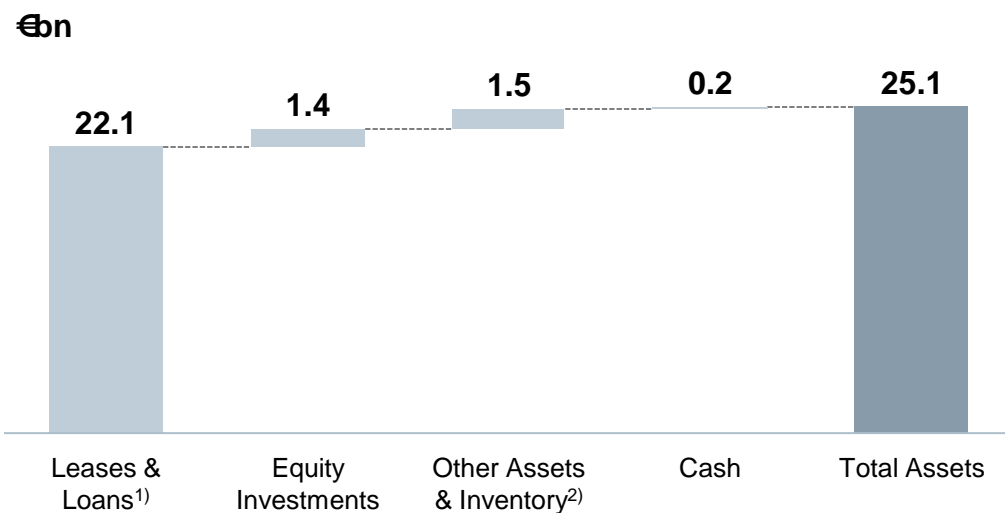


# SFS Key Figures – Q3 FY 2016

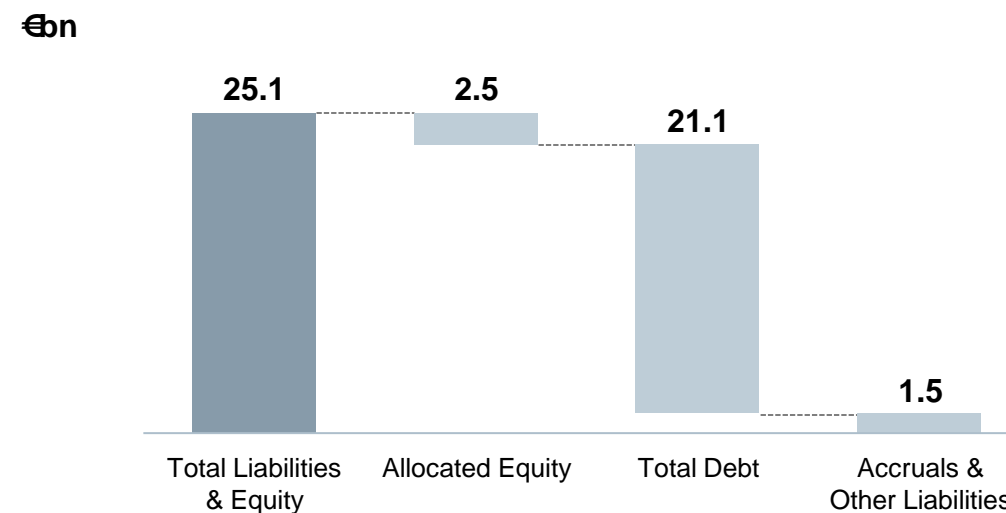
## Key Financial Data SFS

- **Assets** €25.1bn
- **Income before income taxes** €139m
- **Return on Equity after taxes** 17.4%
- **Operating and Investing Cash Flow** €517m

## Assets



## Liabilities and Equity



1) Operating and finance leases, loans, asset-based lending loans, factoring and forfeiting receivables

2) Intercompany receivables, securities, (positive) fair values of derivatives, tax receivables, fixed assets, intangible assets, land and building, prepaid expenses and inventories

# Underfunding for Siemens' pension plans increased to -€12.7bn in Q3 FY 2016

Funded status for Siemens' pension plans increased in Q3, mainly due to ongoing decreased discount rate assumption

in €bn <sup>1)</sup>	FY 2013	FY 2014	FY 2015	Q1 FY 2016	Q2 FY 2016	Q3 FY 2016
<b>Defined benefit obligation (DBO) on pension benefit plans</b>	(32.6)	(35.0)	(36.3)	(36.7)	(38.4)	(40.8)
<b>Fair value of plan assets</b>	24.1	26.5	27.3	27.4	27.5	28.1
<b>Funded status of pension plans</b>	<b>(8.5)</b>	<b>(8.5)</b>	<b>(9.0)</b>	<b>(9.3)</b>	<b>(10.9)</b>	<b>(12.7)</b>
<b>DBO on other post-employment benefit plans (mainly unfunded)</b>	0.6	0.5	0.5	0.5	0.5	0.6
<b>Discount rate<sup>2)</sup></b>	3.4%	3.0%	3.0%	3.0%	2.4%	1.9%
<b>Interest Income<sup>2)</sup></b>	0.8	0.8	0.8	0.2	0.2	0.2
<b>Actual return on plan assets<sup>2)</sup></b>	1.3	2.9	0.5	0.2	0.9	1.0

1) All figures are reported on a continuing basis and according to IAS 19 (revised 2011).

2) All figures are based on the post-employment benefits in total.

## Financial calendar

August

**August 4, 2016**  
Q3-Earnings Release

September

**September 9, 2016**  
Morgan Stanley Conference (London)  
**September 19, 2016**  
Goldman Sachs/Berenberg Conference (Munich)

## Siemens Investor Relations contacts



### Investor Relations

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