

Q3 – Strong execution drives growth and profitability – earnings outlook raised

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

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 IFRS not clearly defined – supplemental financial measures that are or may be non-GAAP financial 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 IFRS in its Consolidated Financial Statements. Other companies that report or describe similarly titled financial 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.

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



January 16

Closing divestment of remaining assets to EQT for €300m

Strategic asset combination



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

next47 will have a significant funding volume of approx. €1 billion

next47

App. **€1 billion**
in funds over
5 years



Funding will be primarily used for investing in, partnering and founding start-ups in selected innovation fields¹⁾



Distributed
electrification



Artificial
intelligence



Connected
(e-)mobility



Block-chain
applications



Autonomous
machines

...



eAircraft

¹⁾ Subject to constant review

Large orders continue to drive order growth

Wind Power and Renewables

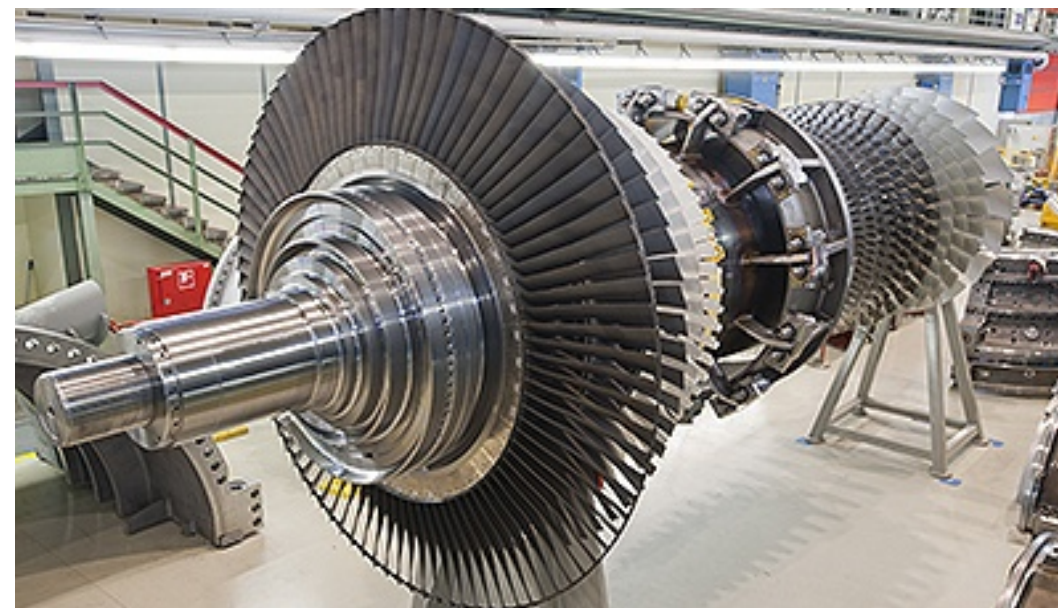
Beatrice offshore project, Scotland



- **Customer:** Beatrice Offshore Windfarm Ltd.
- **588 MW** total capacity
- First project with **new offshore grid access solution**
- Long-term service contract for **15 years**
- **Order value: €1.4 billion**

Power and Gas

Lordstown Energy Center, Ohio



- **H-class Flex-Plant™** combined cycle
- Total installed capacity of **940 MW** to power approximately **800,000 households**
- **SFS provides 27% of overall equity investment**
- **Order value: €0.7 billion**

Q3 FY 2016 – Strong momentum despite continuing market uncertainty

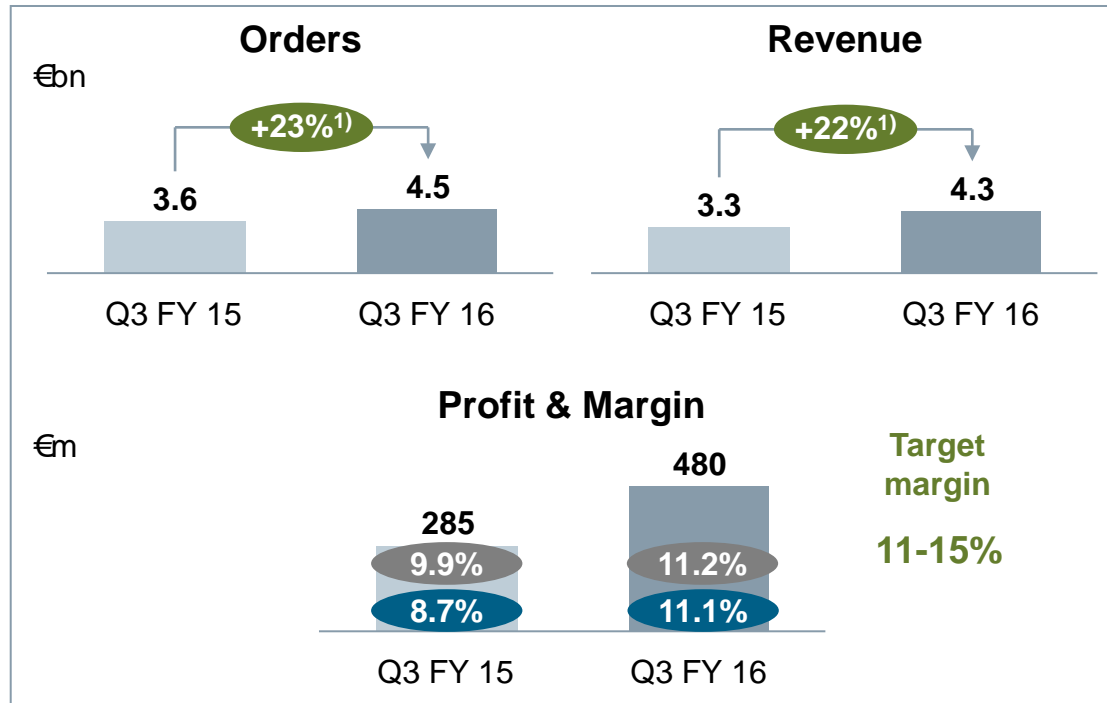
- **Further portfolio optimization and cost savings acceleration**
- **All time high backlog of €116 billion, book-to-bill at 1.06x**
- **Clear order increase excl. FX of 10% to €21.1 billion**
- **Clear revenue growth excl. FX of +9% to €19.8 billion**
- **Industrial business margin expansion to 10.8%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

PG: Top line growth driven by strong execution in the market place

WP: Excellent team drives impressive turnaround on all levels

SIEMENS

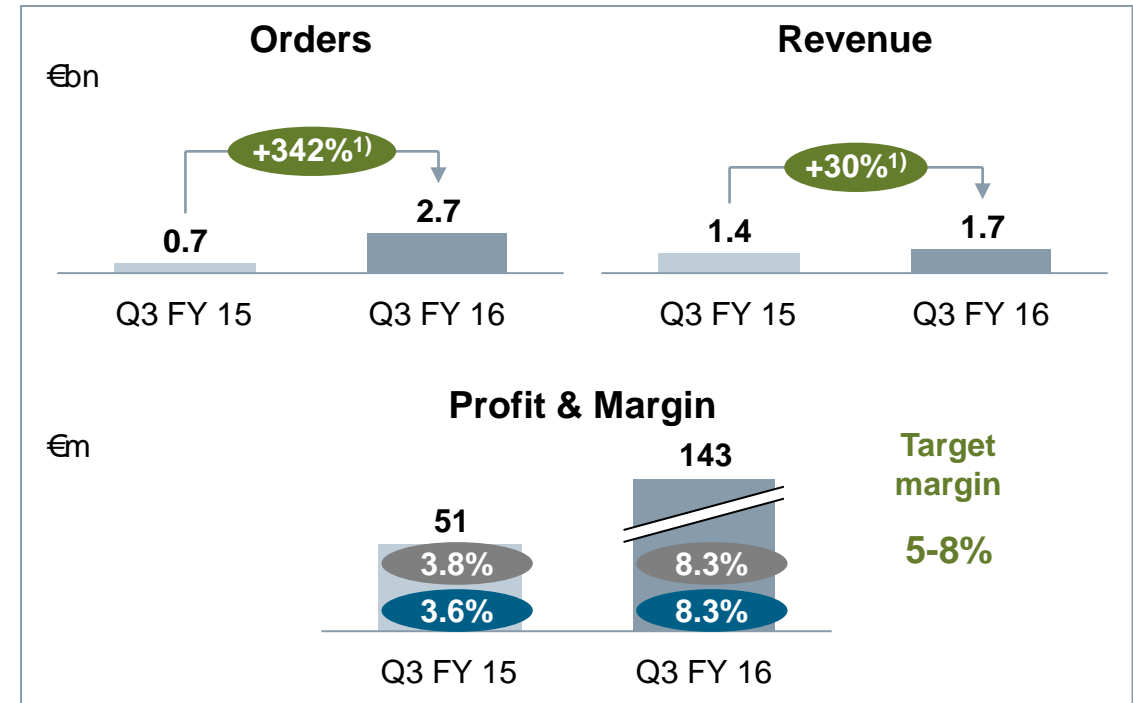
Power and Gas (PG)



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

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

Wind Power and Renewables (WP)



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

x.x% Margin as reported

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

Energy Management to deliver converter transformers for world's largest HVDC project in China

SIEMENS

- 1,100 kV converter transformers for world's largest HVDC¹⁾-transmission project
- World's first project with 1,100 kV converter transformers
- 3,284 km transmission line between Changji and Guquan



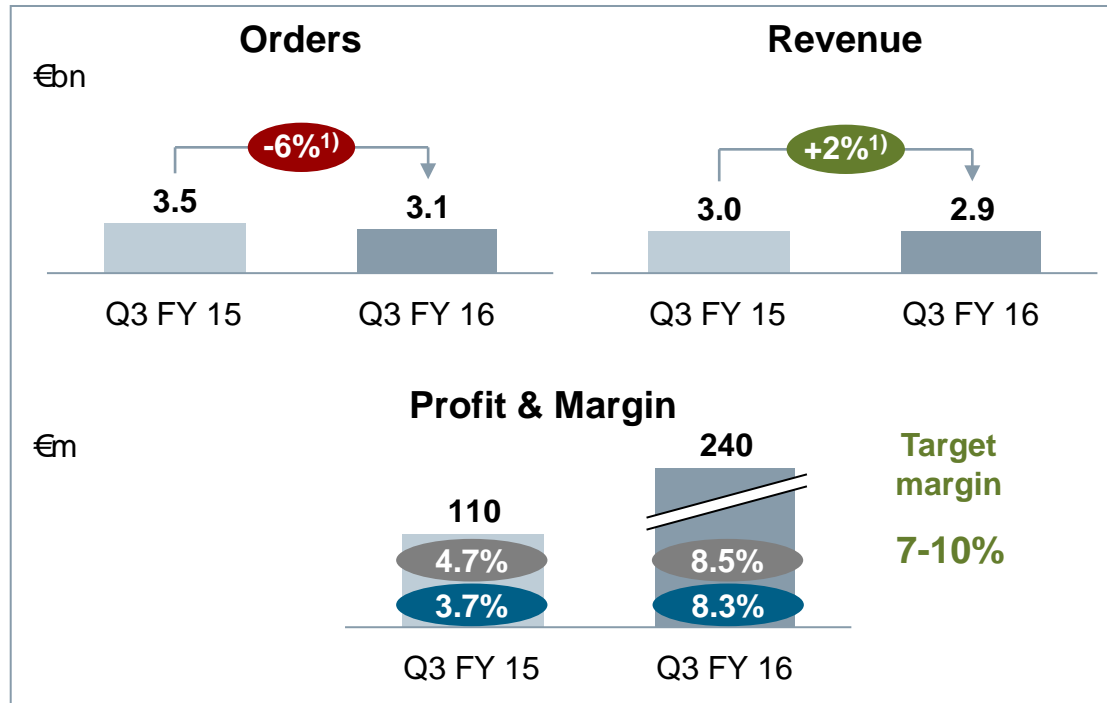
¹⁾ High-voltage direct current

● Location 1,100kV transformers — HVDC projects with Siemens technology

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

SIEMENS

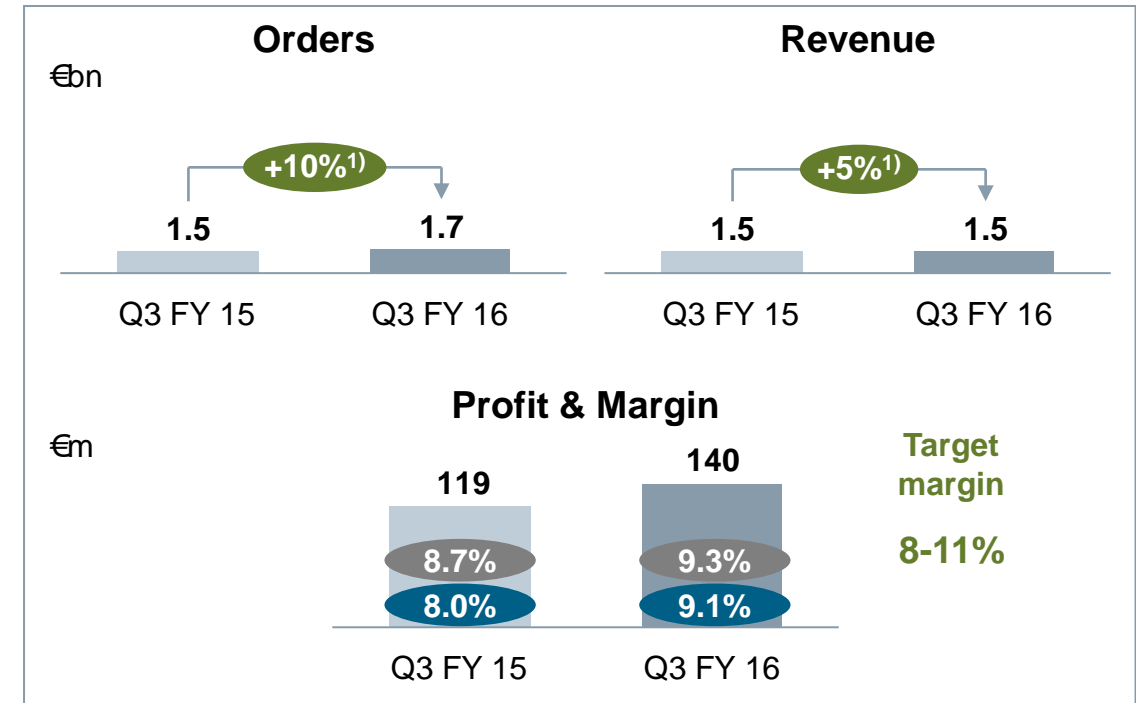
Energy Management (EM)



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

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

Building Technologies (BT)



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

x.x% Margin as reported

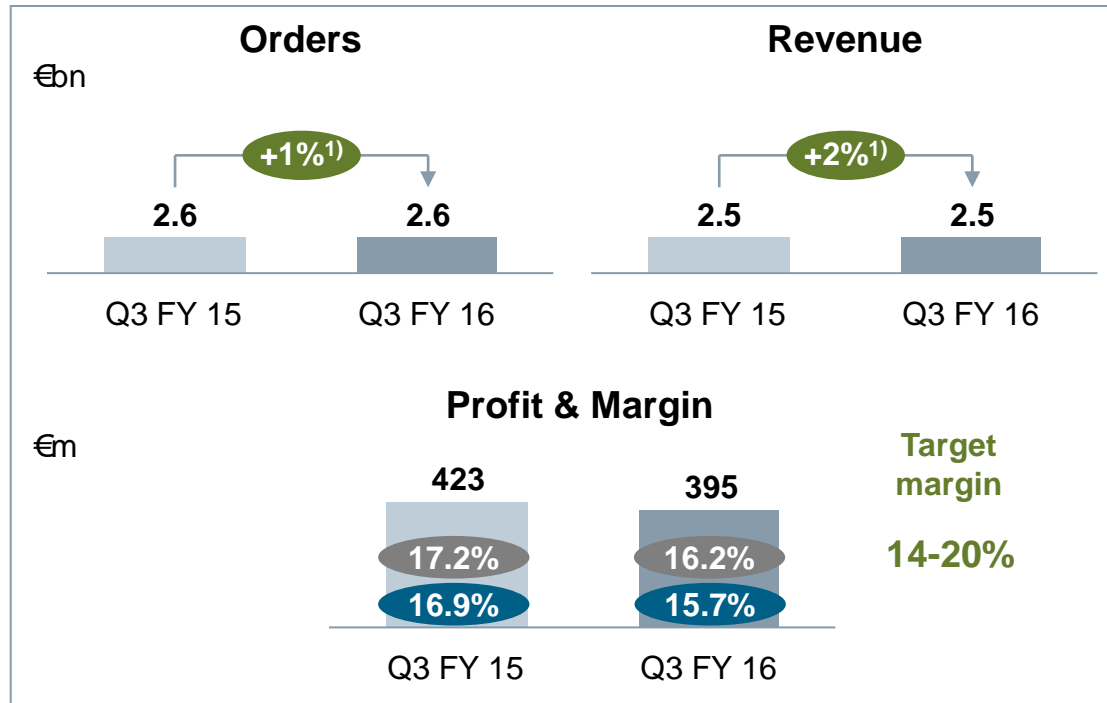
x.x% Margin excl. severance

DF: Strong top line relative to market driven by digital software

PD: Cyclical and structural challenges need appropriate response

SIEMENS

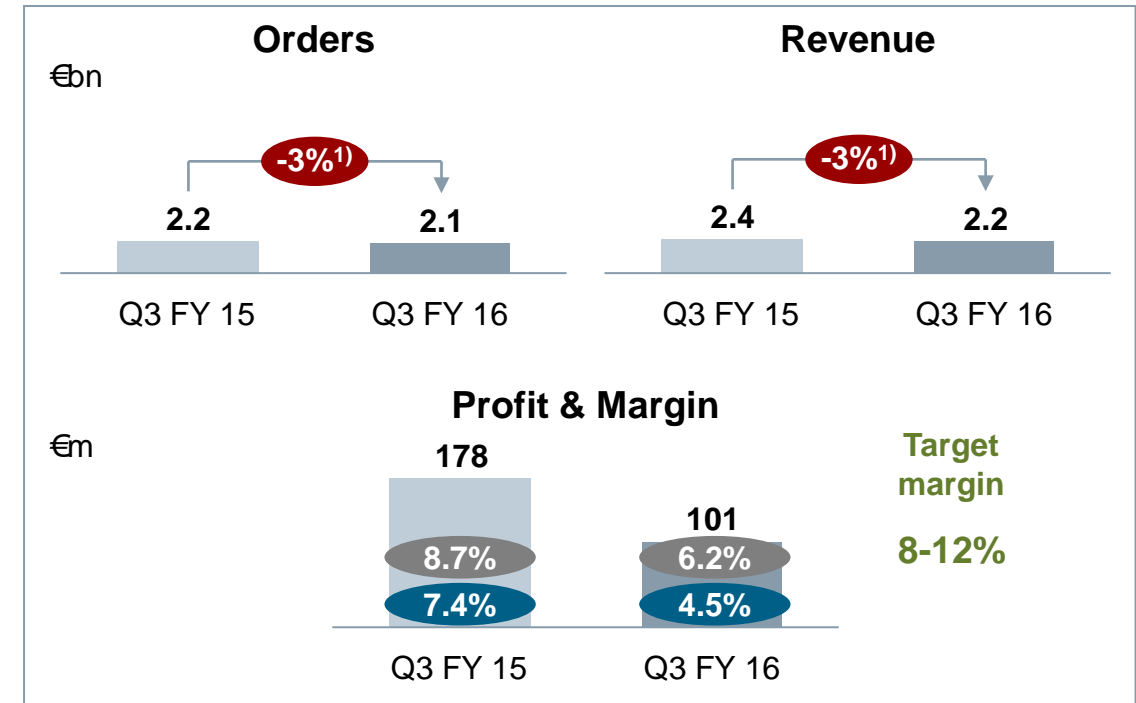
Digital Factory (DF)



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

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

Process Industries and Drives (PD)



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

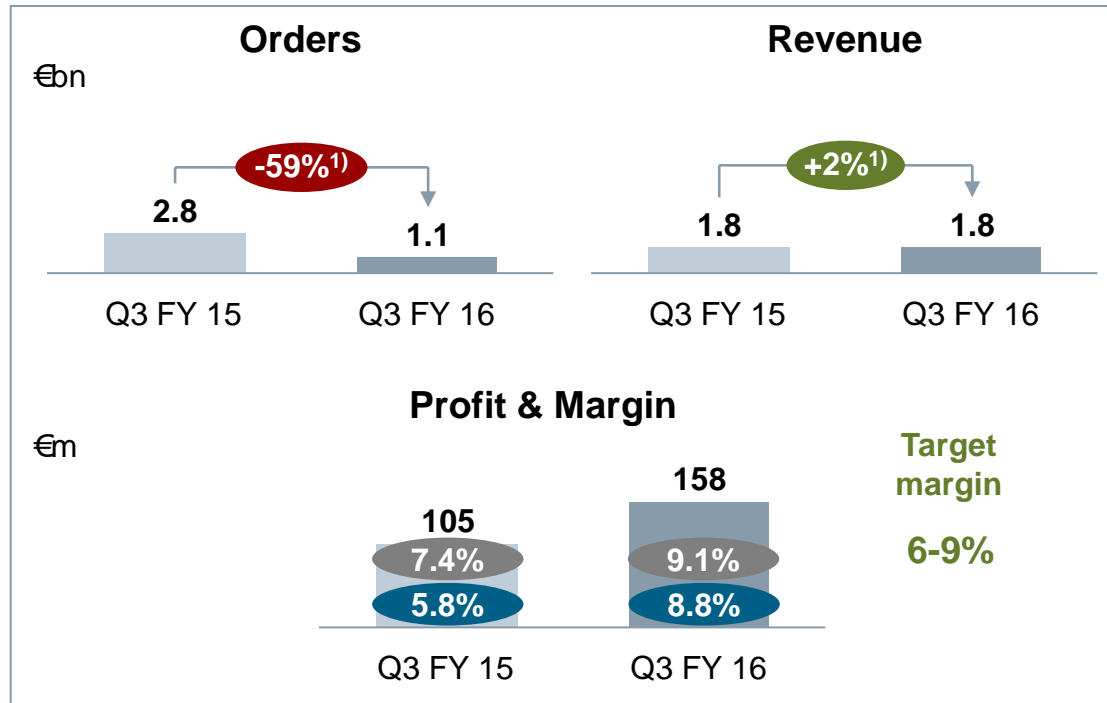
x.x% Margin as reported

x.x% Margin excl. severance

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

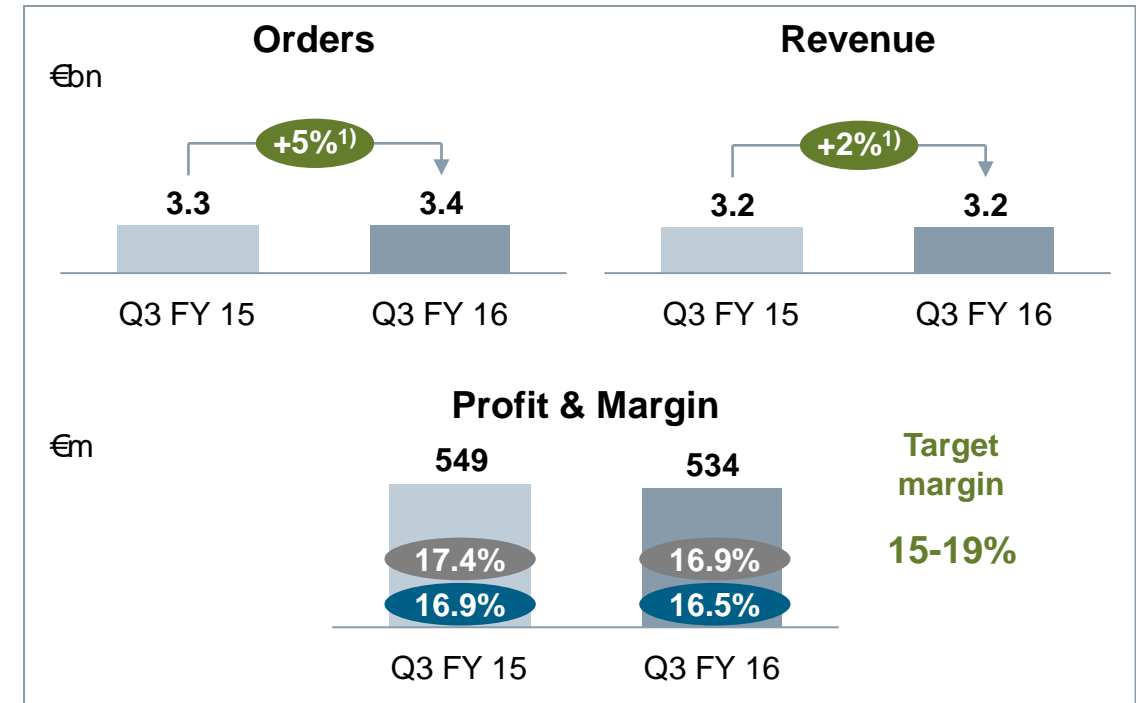
SIEMENS

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.

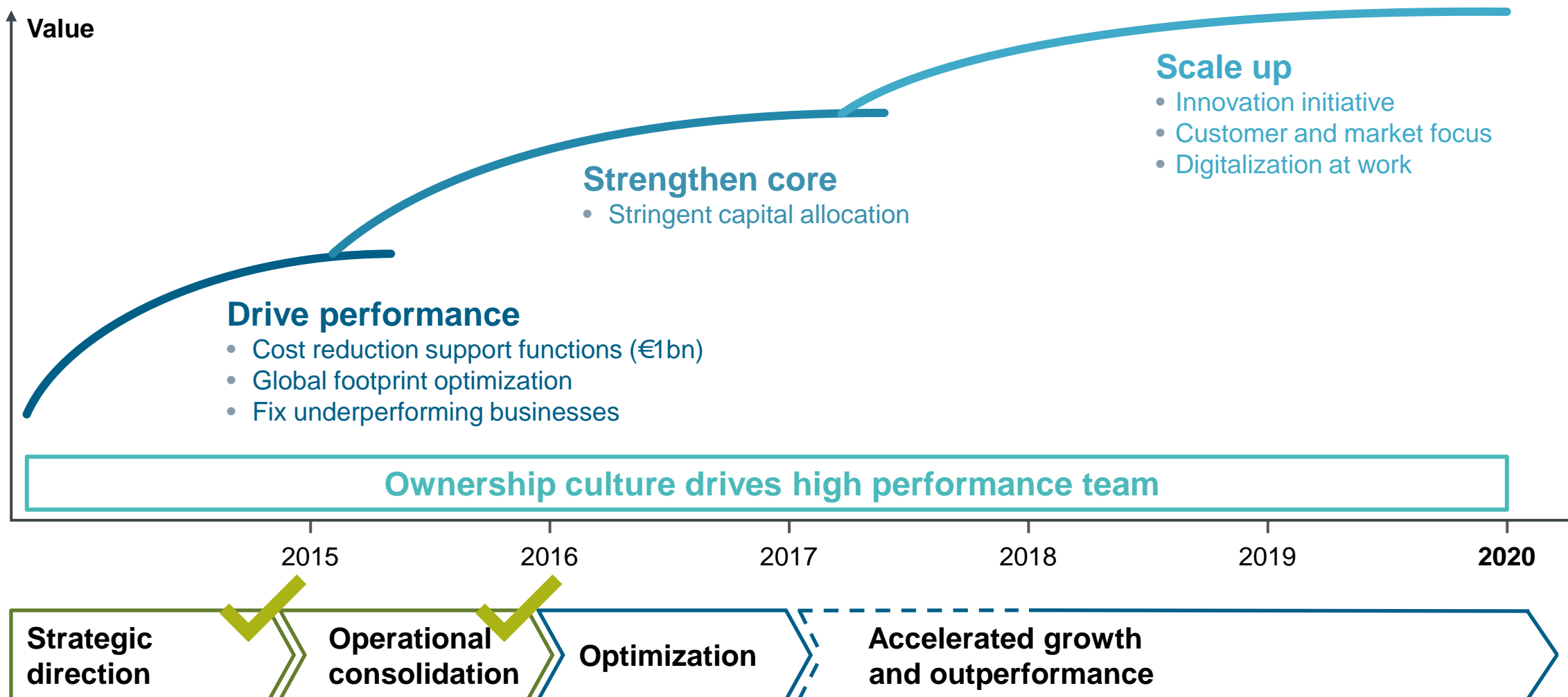
We **continue** to anticipate that **orders** will materially exceed revenue for a **book-to-bill** ratio clearly above 1.

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



One Siemens Financial Framework

Clear targets to measure success and accountability

SIEMENS

One Siemens Financial Framework

Siemens

Growth:
**Siemens > most
relevant competitors¹⁾**

(Comparable revenue growth)

Capital efficiency
(ROCE²⁾)

15 – 20%

Total cost productivity³⁾
3 – 5% p.a.

Capital structure
(Industrial net debt/EBITDA)

up to 1.0x

Dividend payout ratio
40 – 60%⁴⁾

Profit Margin ranges of businesses (excl. PPA)⁵⁾

PG
11 – 15%

EM
7 – 10%

MO
6 – 9%

PD
8 – 12%

SFS⁶⁾
15 – 20%

WP
5 – 8%

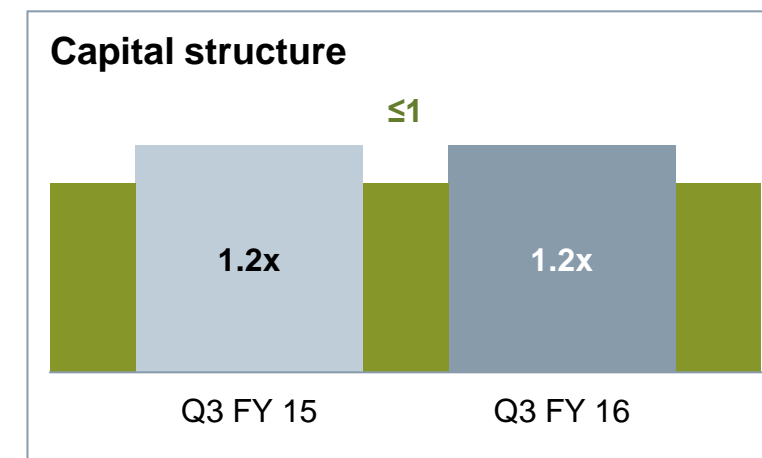
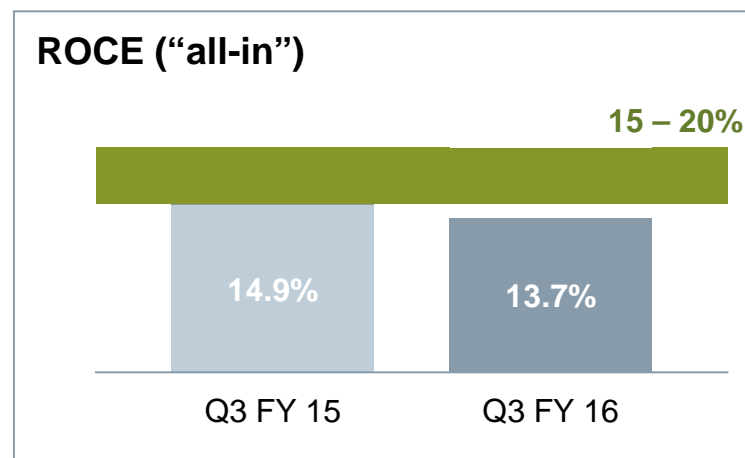
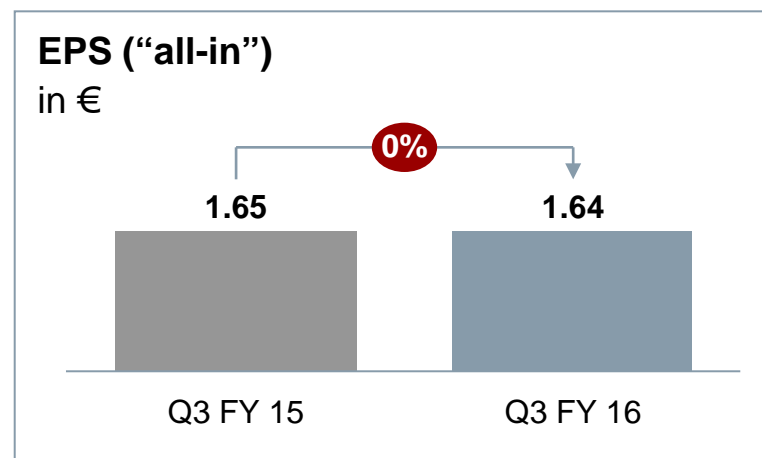
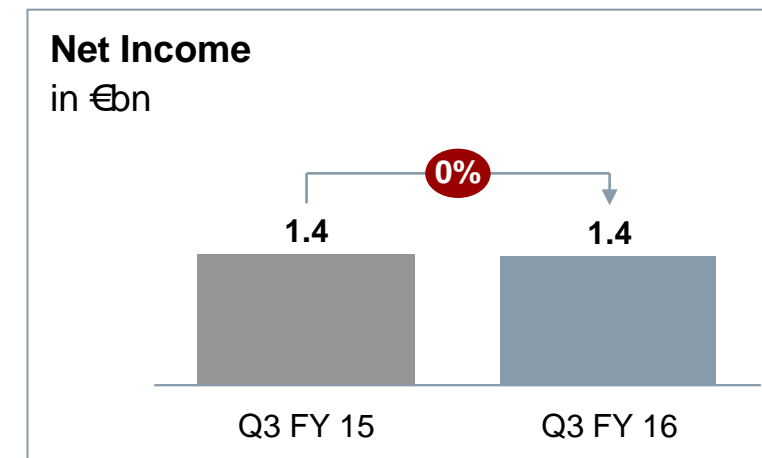
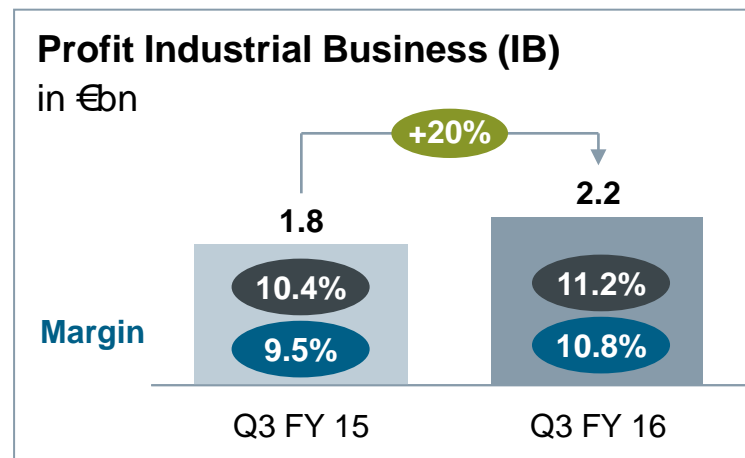
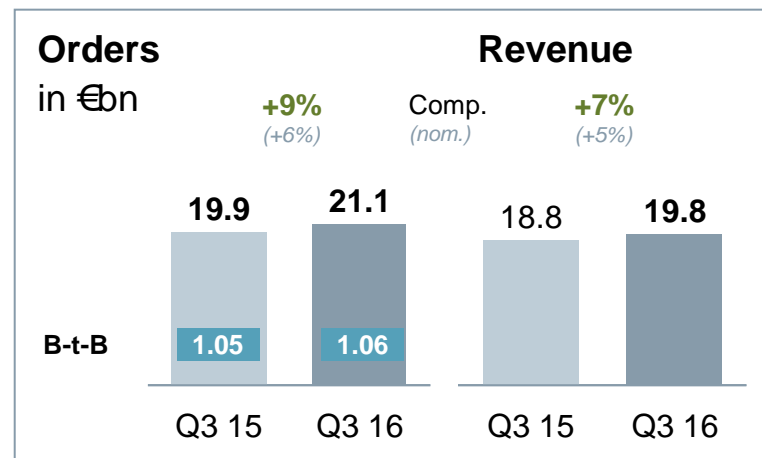
BT
8 – 11%

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

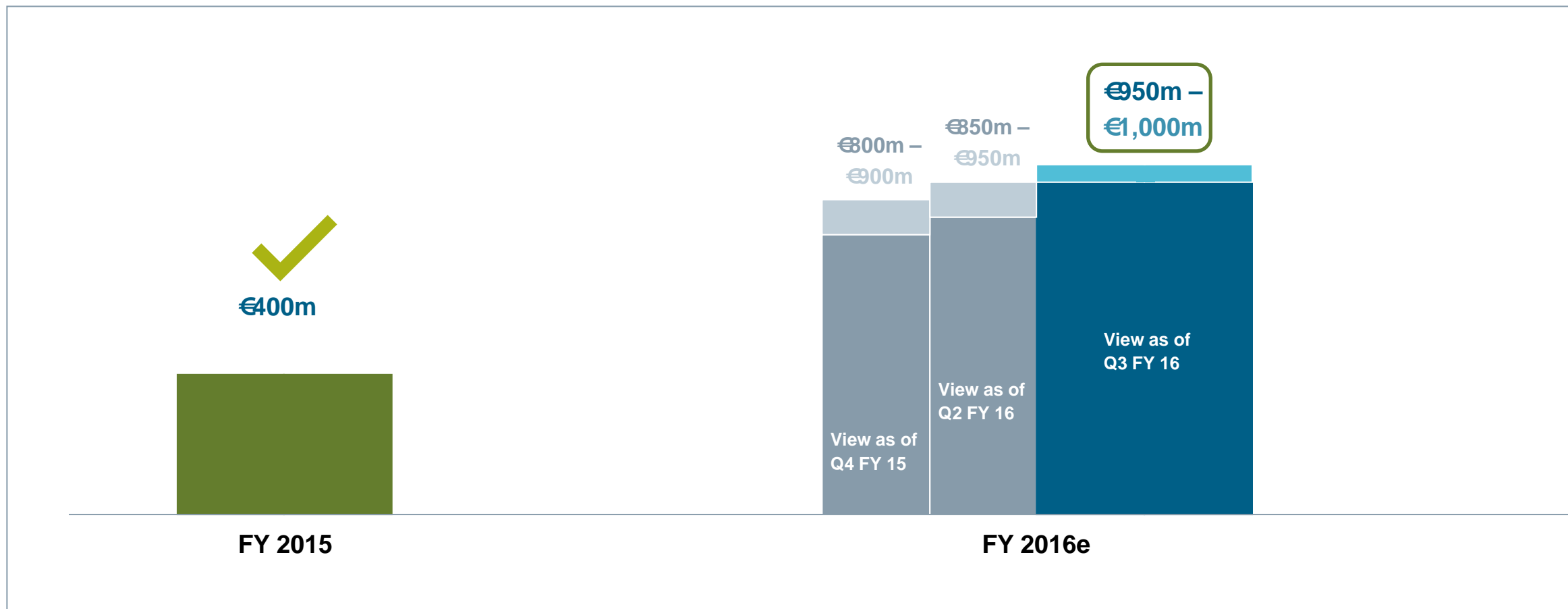
Financial Cockpit – Q3 FY 2016



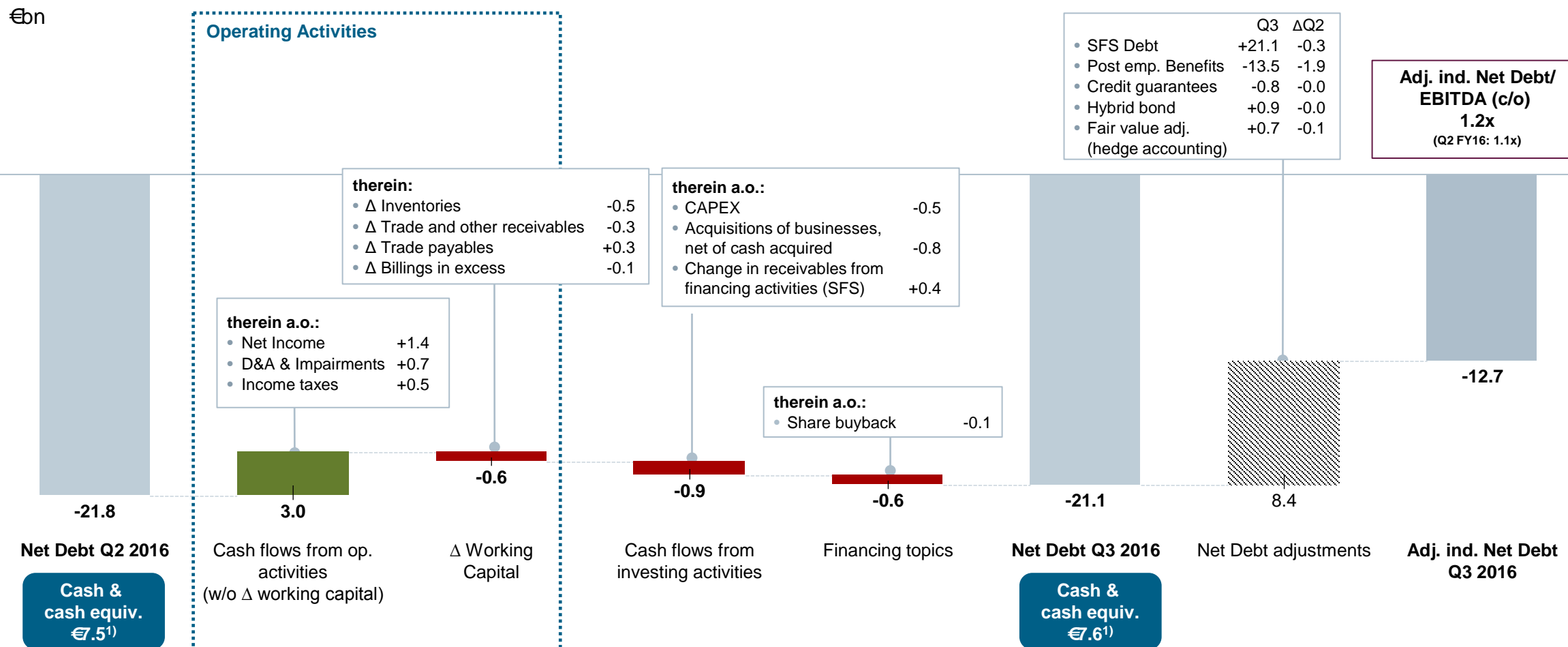
x.x% Margin as reported x.x% Margin excl. severance

Further acceleration of cost out program

Cumulated effects of savings



Net Debt Bridge – Q3 FY 2016



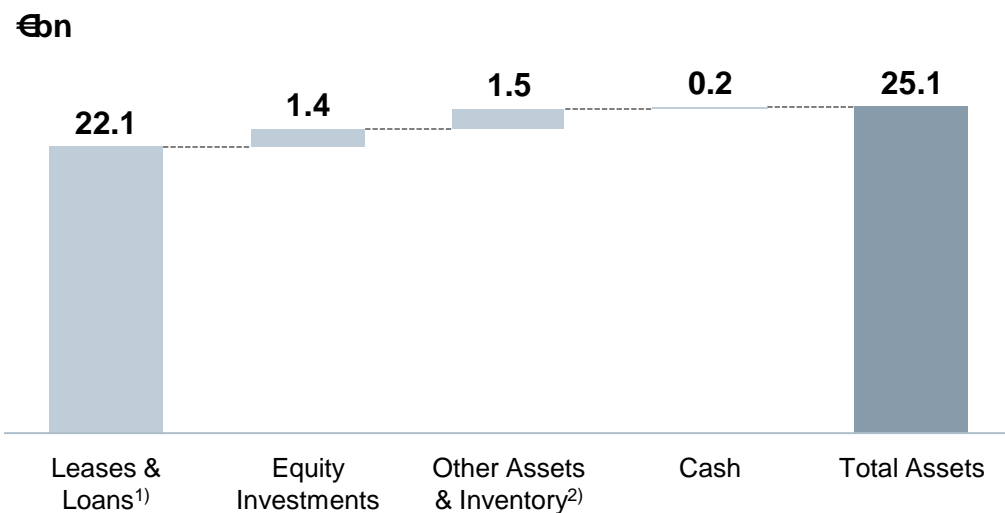
1) Including current available-for-sale financial assets

SFS Key Figures – Q3 FY 2016

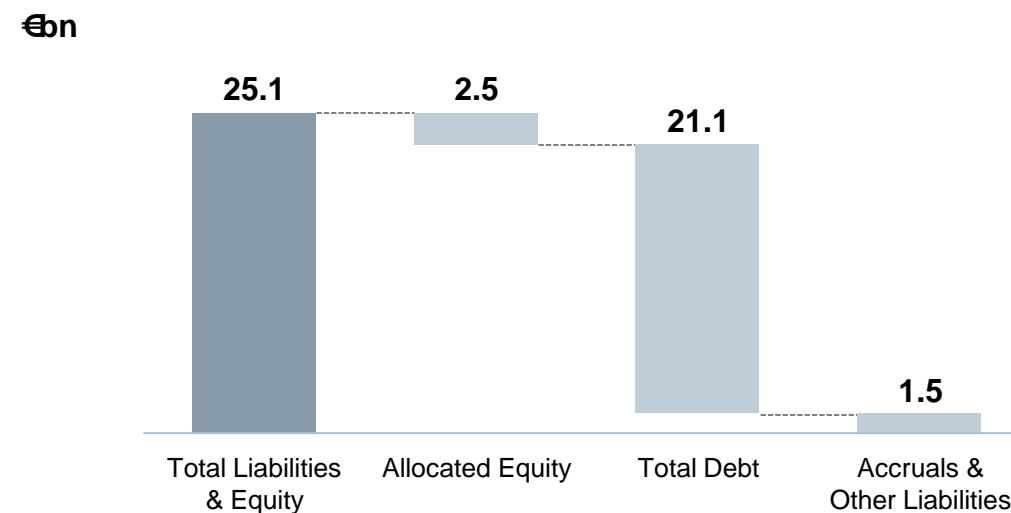
Key Financial Data SFS

- **Assets** €25.1bn
- **Income before income taxes** €139m
- **Return on Equity after tax** 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 ¹⁾	FY 2013	FY 2014	FY 2015	Q1 FY 2016	Q2 FY 2016	Q3 FY 2016
Defined benefit obligation (DBO) on pension benefit plans	(32.6)	(35.0)	(36.3)	(36.7)	(38.4)	(40.8)
Fair value of plan assets	24.1	26.5	27.3	27.4	27.5	28.1
Funded status of pension plans	(8.5)	(8.5)	(9.0)	(9.3)	(10.9)	(12.7)
DBO on other post-employment benefit plans (mainly unfunded)	0.6	0.5	0.5	0.5	0.5	0.6
Discount rate²⁾	3.4%	3.0%	3.0%	3.0%	2.4%	1.9%
Interest Income²⁾	0.8	0.8	0.8	0.2	0.2	0.2
Actual return on plan assets²⁾	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.

Siemens Press contacts

SIEMENS



Business and financial press

Dennis Hofmann	+49 89 636-22804
Alexander Becker	+49 89 636-36558
Yashar N. Azad	+49 89 636-37970
Richard Speich	+49 89 636-30017
Wolfram Trost	+49 89 636-34794

Internet:	www.siemens.com/press
E-mail:	press@siemens.com
Phone:	+49 89 636-33443
Fax:	+49 89 636-35260