

# Q2 – Continuing growth in orders, revenue and profitability

Joe Kaeser, President and CEO | Ralf P. Thomas, CFO

Q2 FY 2016 Press Conference Call | London, May 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.

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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.

# Hannover Fair 2016 – Not only for golfers! “Ingenuity for life – Driving the Digital Enterprise“

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# Executing Vision 2020

## Capital allocation along strategic imperatives continues

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April 16

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

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- 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

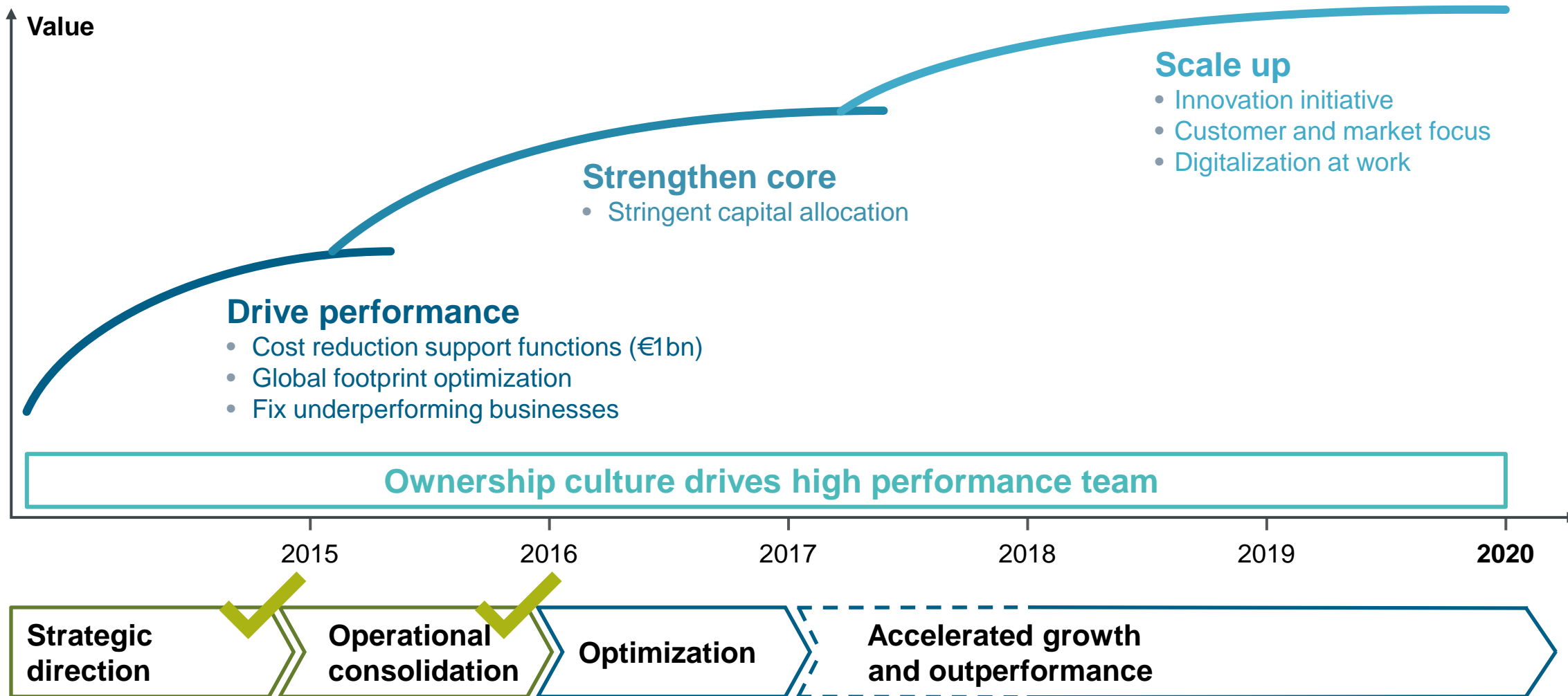
Closing divestment of remaining assets to EQT for €300m

Strategic asset combination

Valeo SIEMENS

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

# Siemens Vision 2020 – Stringent execution delivers results



## Q2 FY 2016 – Continuing growth in orders, revenue and profitability

- **Execution of Vision 2020 fully on track**
- **Further portfolio optimization and cost savings acceleration**
- **Clear order increase of 7% to €22.3bn (excl. FX +10%)**
- Record backlog of €115bn, book-to-bill at excellent 1.17x
- Accelerated revenue growth of 5% (excluding FX +7%)
- Industrial Business margin expansion to 10.9% (up 190bps), supported by a positive effect of 60 bps related to Iran business
- Net Income of €1.5bn; Earnings per share of €1.78
- Strong Free Cash Flow of €0.8bn

## Convinced customers – Reliable partner – Good business

### Megadeals in Egypt – execution on track

- **€3.1bn orders for Burullus and New Capital** power plants incl. long-term service contract
  - Fast track projects for 9.6 GW (16 H-class turbines)
  - Financial close in March 2016
- **Project execution of Beni Suef – 4 out of 8 H-class** turbines shipped
- **Comprehensive transmission network study** ongoing
- Contract for **six substations signed**
- **Training of 600 engineers and technicians** has started



### Major offshore order in Wind Power



**7 MW Turbine (SWT-7.0-154)**

### East Anglia ONE project

- **Customer:** ScottishPower Renewables
- **714MW** total capacity
- **Largest order** to date for **7MW** direct drive **turbine**
- **Five years service contract**
- **Order volume ~€1.2bn**
- Start of **commercial operation in 2020**
- **Delivery** out of new **Hull and Cuxhaven factories in 2019**

## Q2 FY 2016 – Continuing growth in orders, revenue and profitability

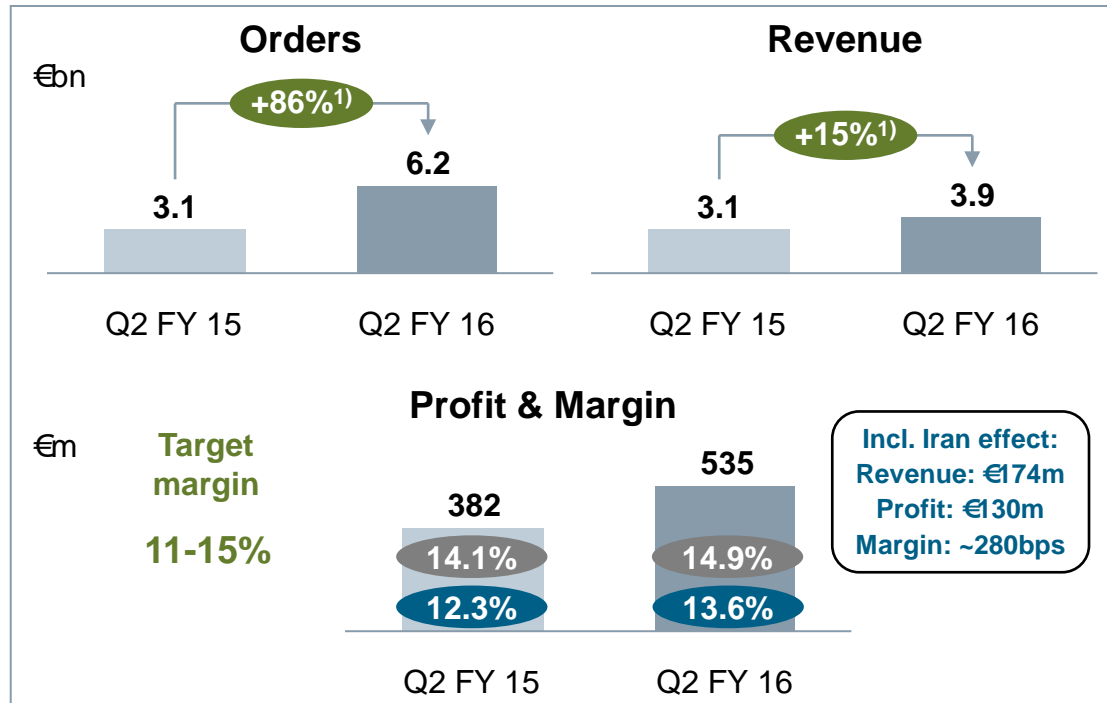
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# PG: Great performance in a challenging market environment

## WP: Exceptionally strong

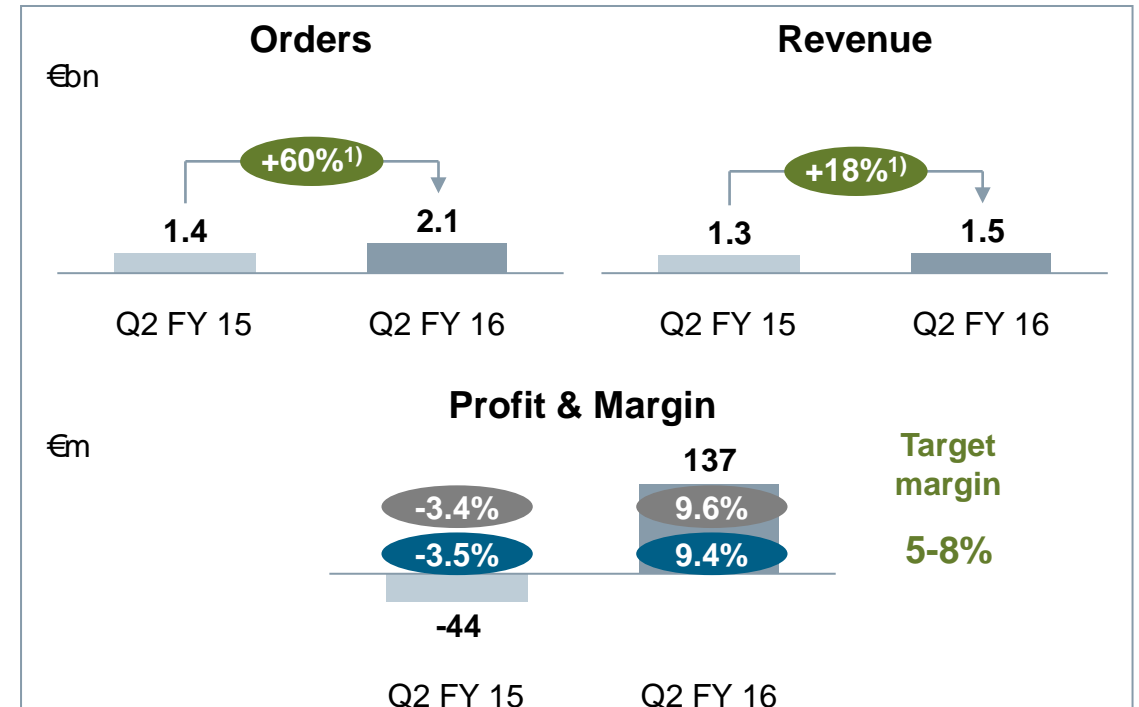
### Power and Gas (PG)



- Ramp up of Egypt orders drive revenue; 16 LGTs shipped
- Positive revenue and profit effects driven by ending or easing of Iran sanctions

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

### Wind Power and Renewables (WP)



- Major offshore order in UK incl. service of ~€1.2bn
- Significant revenue increase on high backlog conversion
- Improved operations drive margin

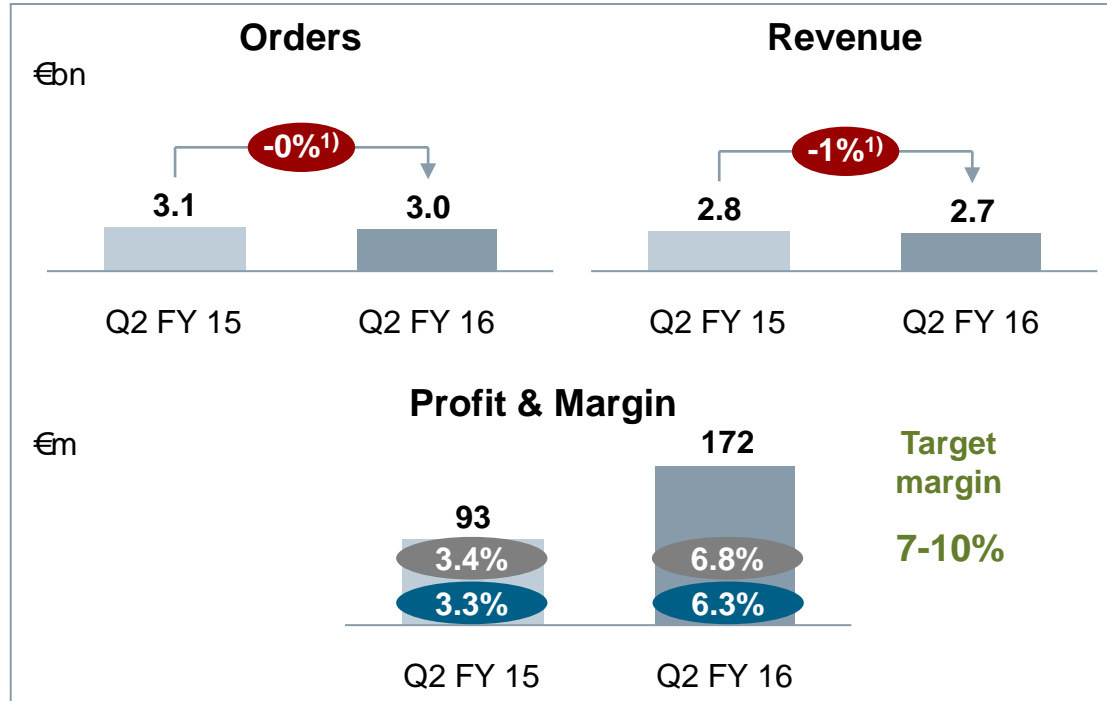
x.x% Margin as reported

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

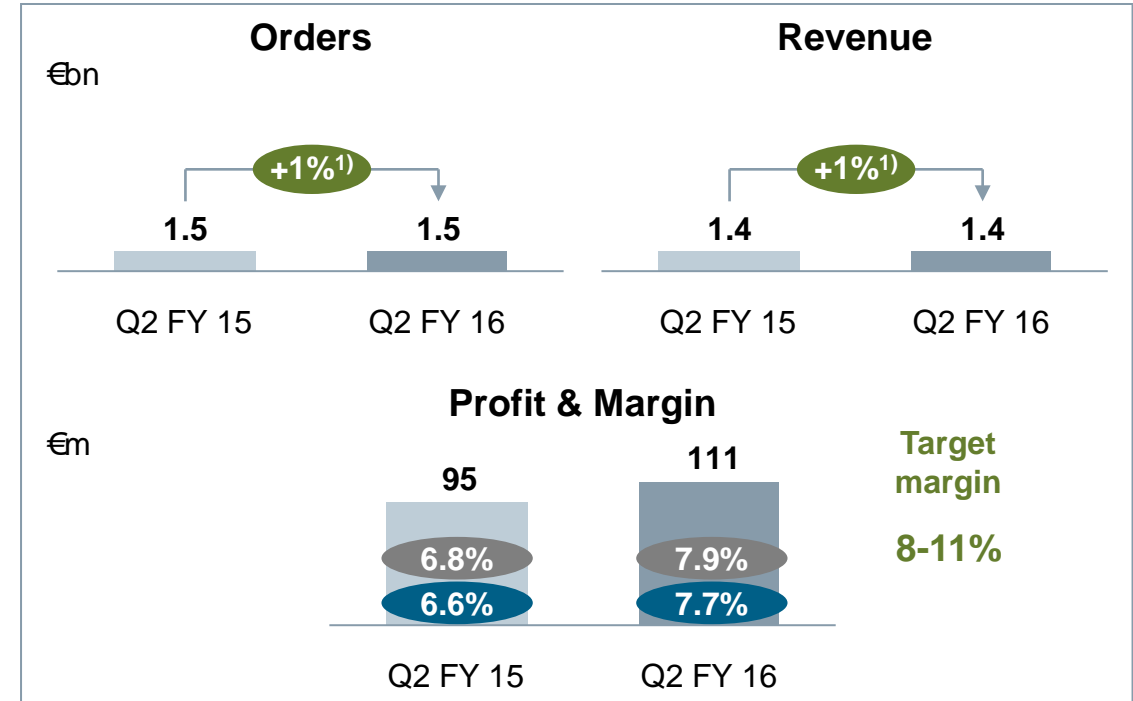
# EM: Impressive turnaround through stringent execution

## BT: Solid performance and great leadership

### Energy Management (EM)



### Building Technologies (BT)



- Double digit order growth in Europe/CAME and Asia/ Australia offset by Americas due to tough comparables
- Profitability improvements in solutions, transformer and high voltage products

- Order growth in Germany and Middle East, weaker demand from China
- Larger share of high margin product and service business

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

x.x% Margin as reported

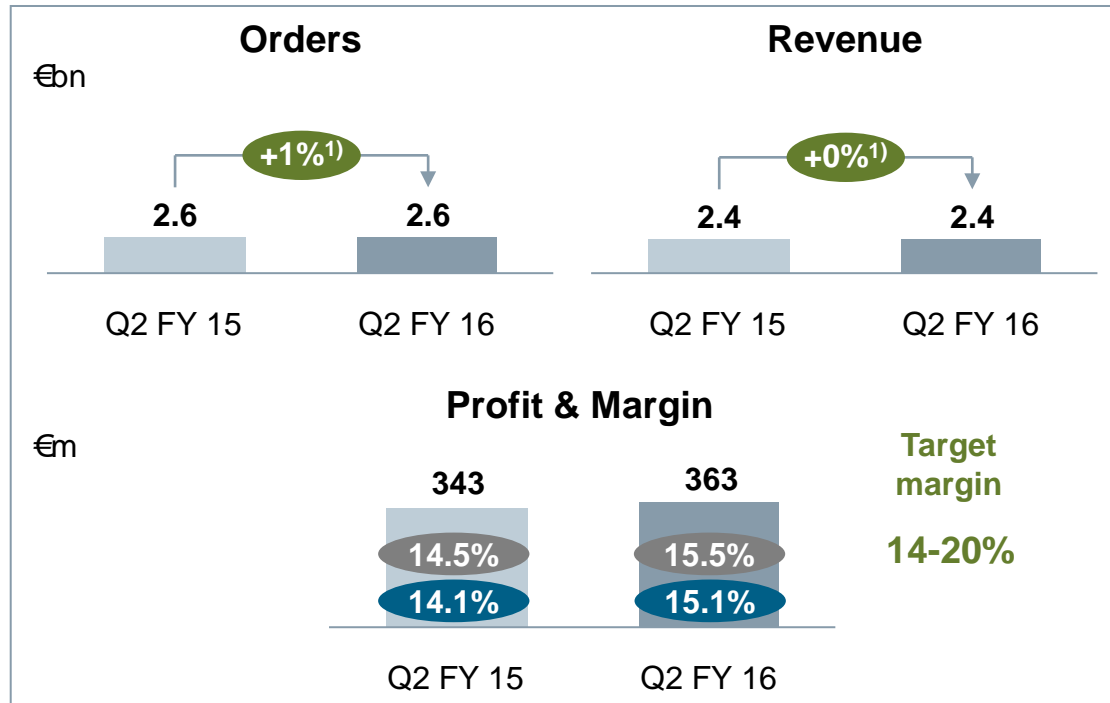
x.x% Margin excl. severance

# DF: Top line flat – Bottom line top

## PD: Structural challenges addressed for long term recovery

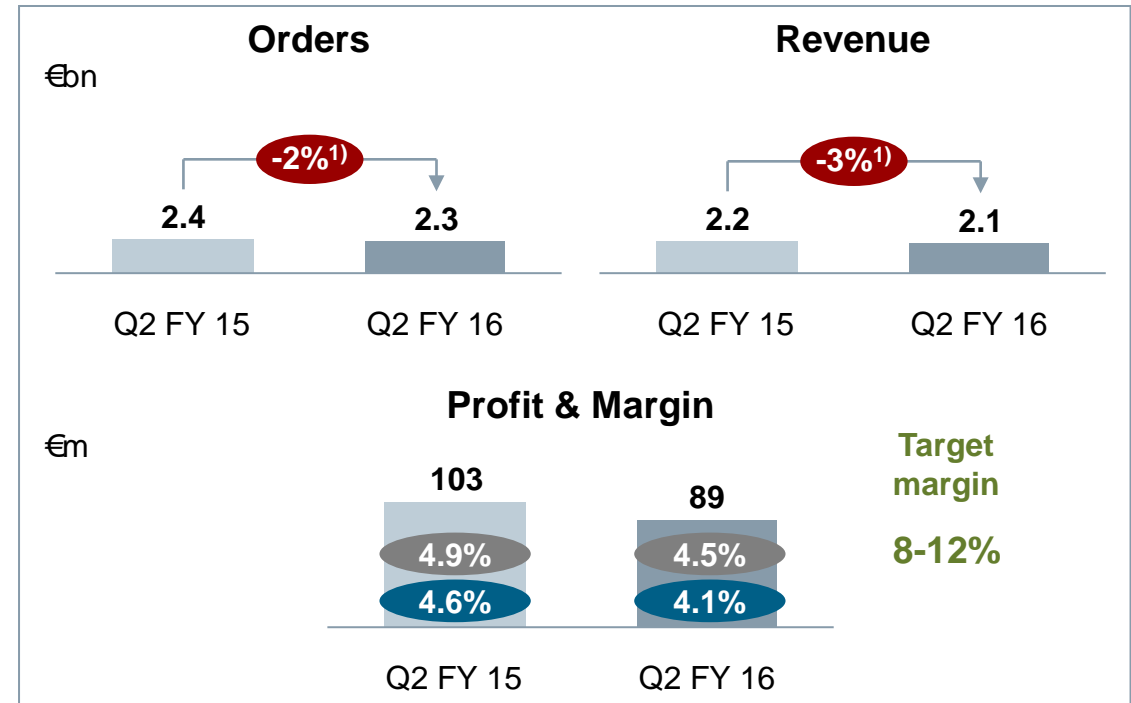


### Digital Factory (DF)



- Top line growth in the U. S. more than offset by lower volume in China and Germany
- Profit increase mainly driven by Factory Automation

### Process Industries and Drives (PD)



- Ongoing weak demand in commodity-related industries
- Growth in wind power component business
- Structural challenges weigh on profit

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

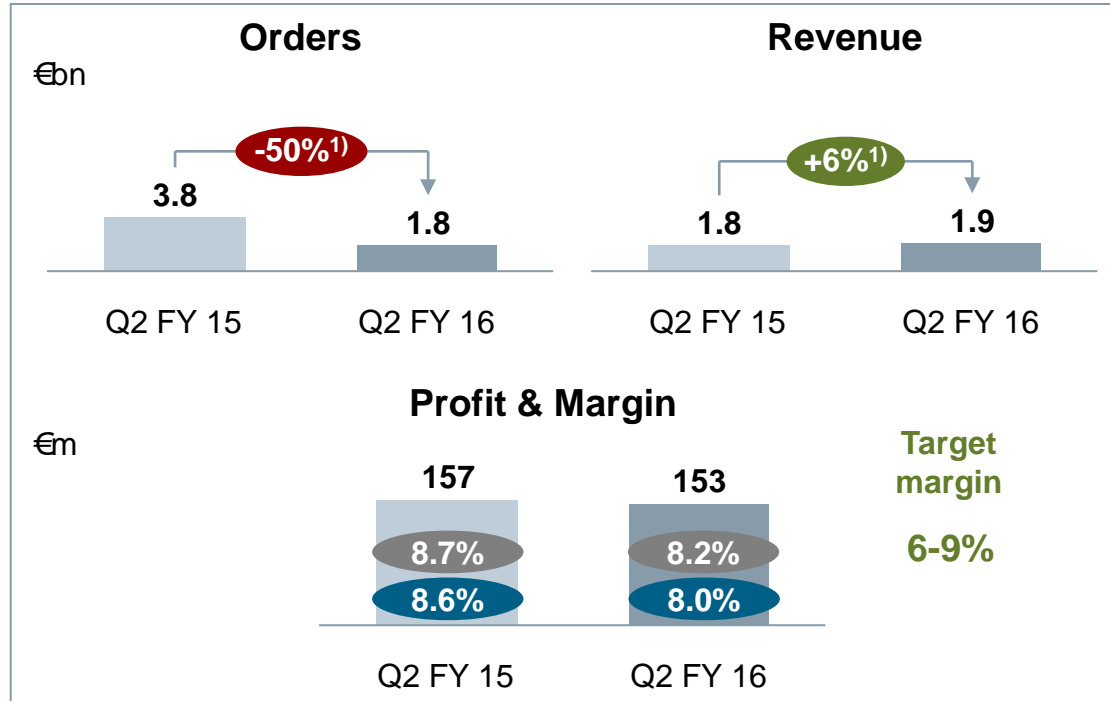
x.x% Margin as reported

x.x% Margin excl. severance

# MO: Stringent execution secures leading margins in the sector

## HC: Consistently strong performer in the market

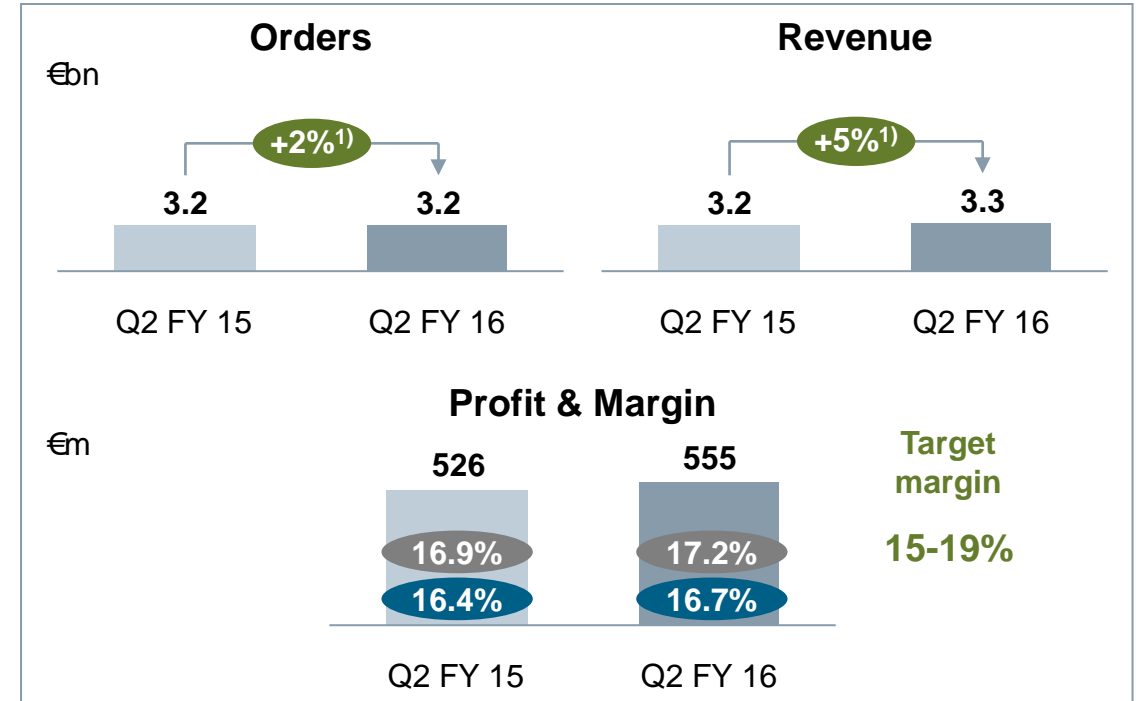
### Mobility (MO)



- Orders down on tough comparables
- Profitable revenue growth driven by stringent backlog execution of large projects

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

### Healthcare (HC)



- Clear order and revenue growth in the U.S.
- Revenue increase and strong earnings mainly driven by Diagnostic Imaging

x.x% Margin as reported

x.x% Margin excl. severance

## Guidance FY 2016 – Outlook confirmed

We confirm our financial guidance for fiscal 2016, although the market environment for our high margin short cycle business may not pick up materially in the second half.

We still anticipate further softening in the macroeconomic environment and continuing complexity in the geopolitical environment in fiscal 2016.

Nevertheless, we expect moderate revenue growth, net of effects from currency translation. We anticipate that orders will materially exceed revenue for a book-to-bill ratio clearly above 1.

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

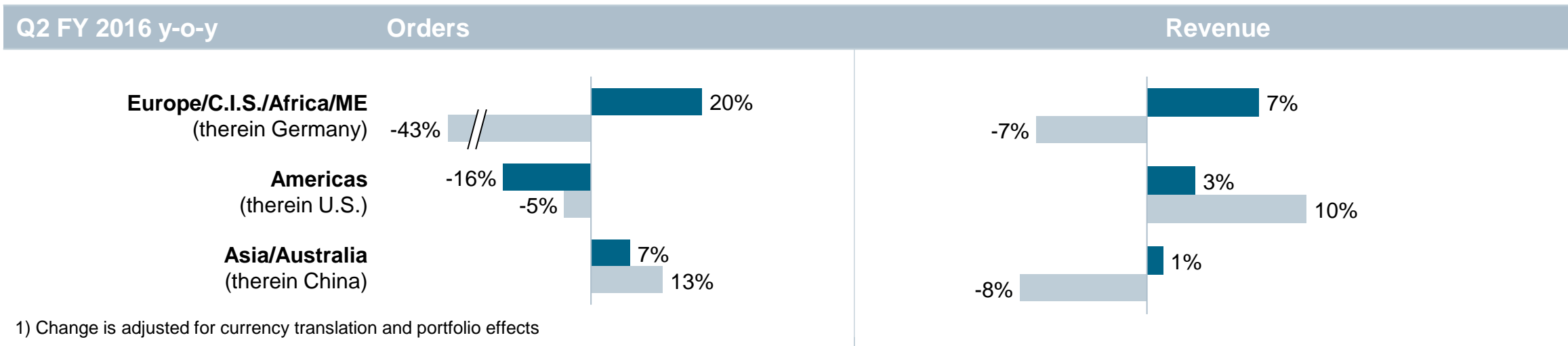
We expect basic EPS from net income in the range of €6.00 to €6.40.

Additionally, it excludes charges related to legal and regulatory matters.





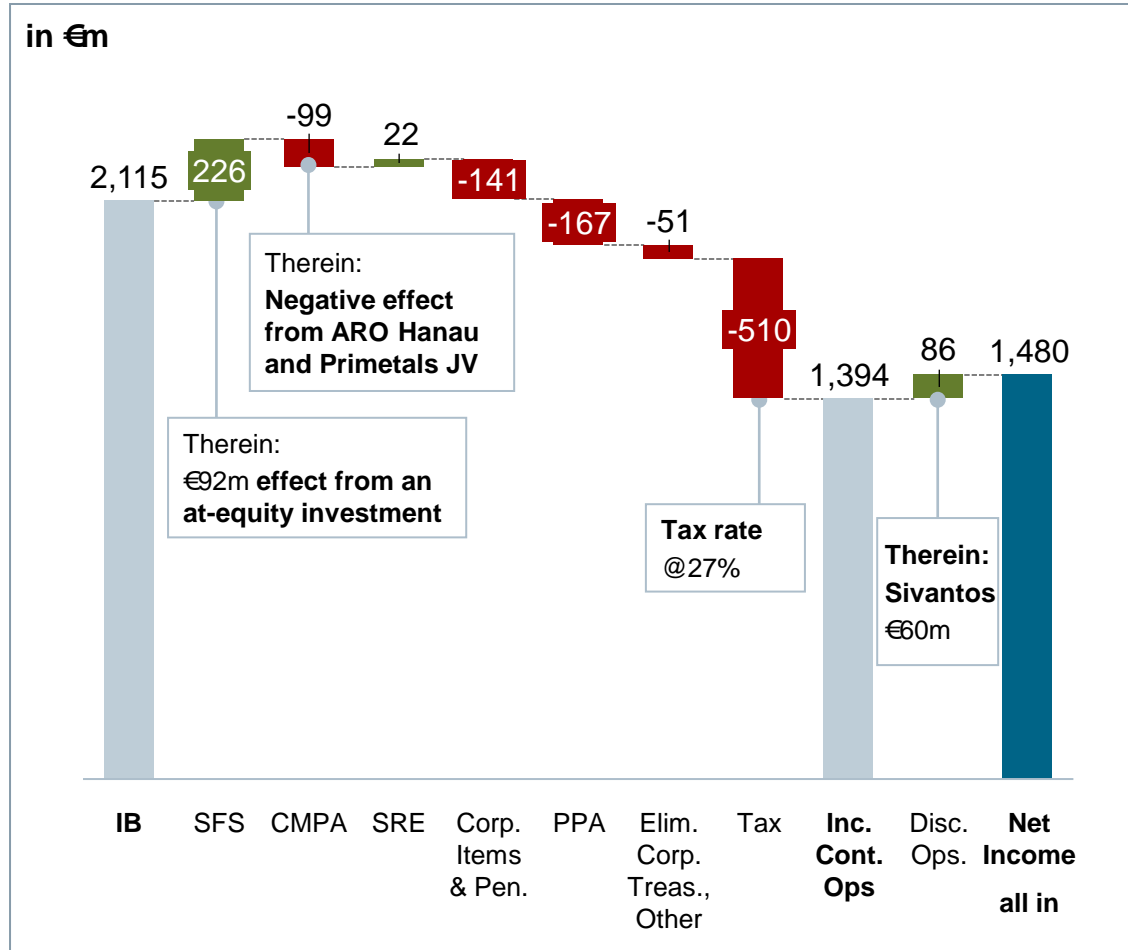
# Major bookings in Egypt and Europe



	Orders	Revenue
<b>Europe, MEA, CIS</b>	<ul style="list-style-type: none"> <li>UK &amp; Africa benefitting from large Energy orders</li> <li>Short cycle in Germany slow</li> </ul>	<ul style="list-style-type: none"> <li>UK, Netherlands, Turkey with substantial growth</li> <li>Energy related projects drive growth in Middle East</li> </ul>
<b>Americas</b>	<ul style="list-style-type: none"> <li>Lower large project volume</li> <li>Brazil with continued weakness</li> </ul>	<ul style="list-style-type: none"> <li>Broad based growth in the U.S. despite weak Oil &amp; Gas demand</li> </ul>
<b>Asia, Australia</b>	<ul style="list-style-type: none"> <li>China orders up mainly on EM</li> <li>Industrial demand in China still sluggish</li> </ul>	<ul style="list-style-type: none"> <li>India with substantial growth driven by PG</li> </ul>

# Below Industrial Business: Strong results from SFS, D/O-gain from sale of remaining financial assets from hearing aid business

## Below Industrial Business (Q2 FY 2016)



## Expectations for H2 FY 2016

- **SFS:** H2 in line with prior year
- **CMPA:** Negative impact H2 smaller than prior year, however, volatility remains
- **SRE:** H2 in line with prior year dependent on disposal gains
- **Corporate Items:** H2 in line with prior year
- **Pension:** ~-€125m per quarter
- **PPA:** H2 in line with H1
- **Elimination, Corporate Treasury, Other:** H2 in line with prior year, including higher interest expenses
- **Tax:** Expect 26 - 30% for FY 2016
- **Discont. Operations:** Limited impact in H2

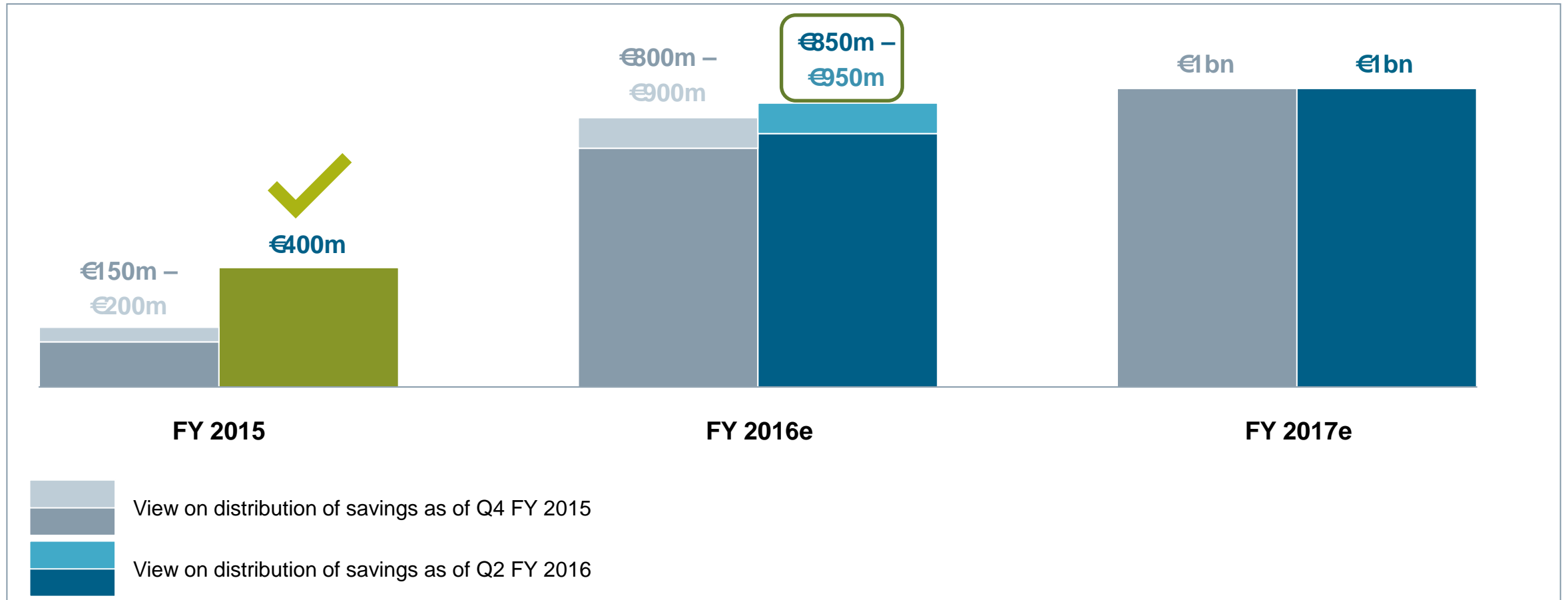


# Accelerated execution of cost reduction measures

## Target achievement of ~€1bn well on track



### Cumulated effects of savings



# Measures for ongoing productivity improvement of 3 - 5% per annum

## Example: Supply chain management

### Supply chain management - BOLD moves program 2020

#### 'Traditional' procurement levers

- Contract management & pooling
- Negotiations excellence
- Digitalization – analytics & process optimization
- **Global value sourcing (GVS)**

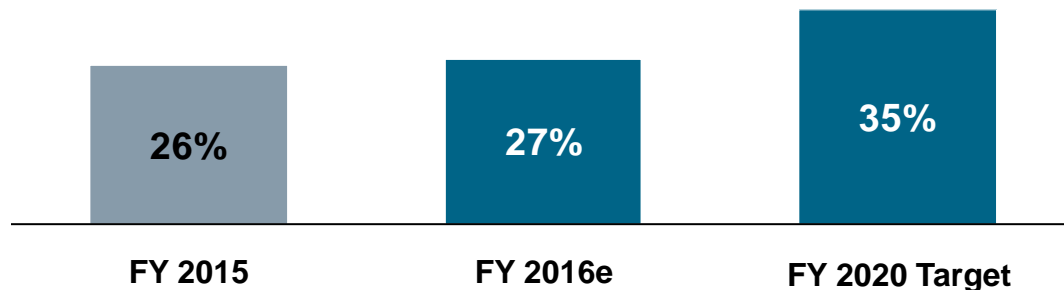


#### Cross-functional levers

- Demand/spend management
- Core/non-core and footprint
- Supplier innovation & optimization
- **Cost & value engineering<sup>1)</sup> (CVE)** incl. design-to-cost

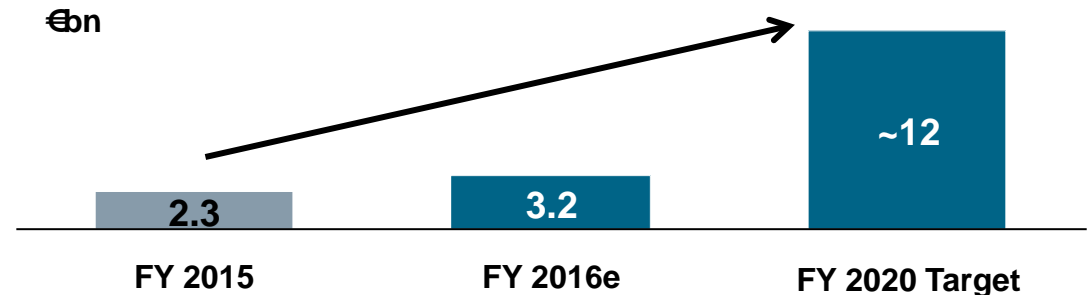
#### GVS share of total purchasing volume (~€39bn)

Target: GVS share >1/3



#### CVE coverage of total cost base

Target: Significant increase of CVE-Coverage

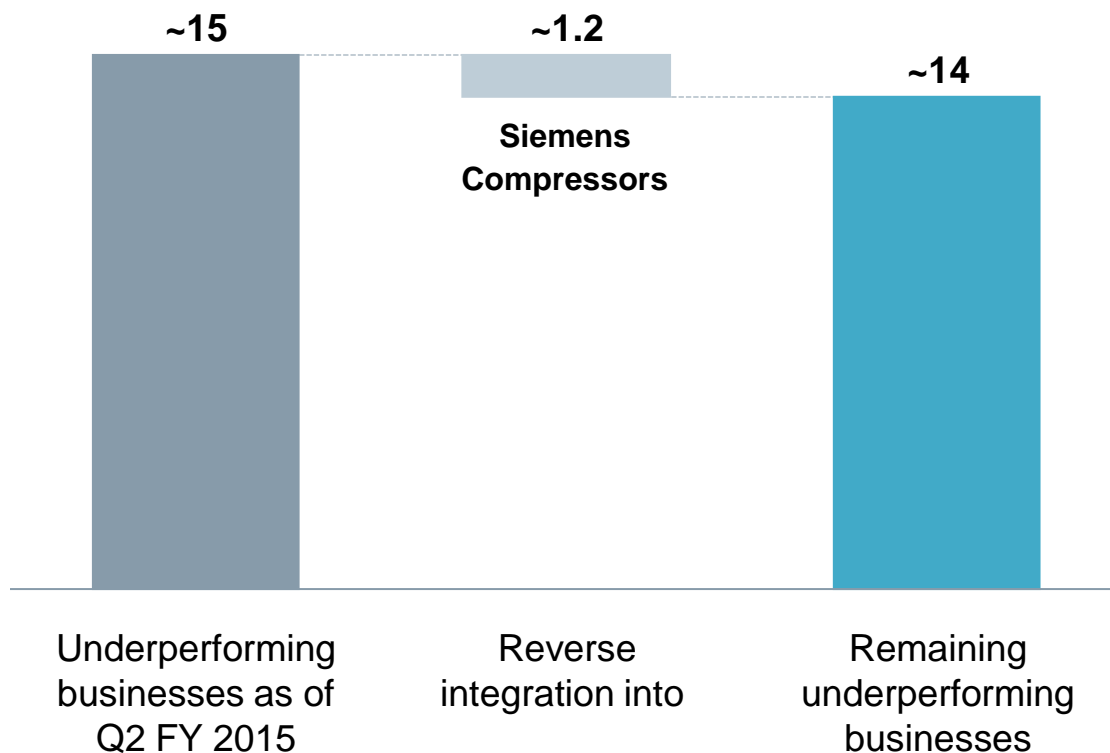


1) Cost and Value Engineering: Cost optimized design solutions in early phase including cost transparency along entire value chain

# Underperforming businesses show improvement

## Underperforming businesses

Unconsolidated Revenue FY 2015 in €bn



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

- Tight monitoring of business plans
- Footprint optimization
- Sharpening business scope
- Partnering and divestitures an option

# The future in mind

## Joining forces with Airbus for breakthrough innovation

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### Cooperation in field of Hybrid Electric Propulsion Systems

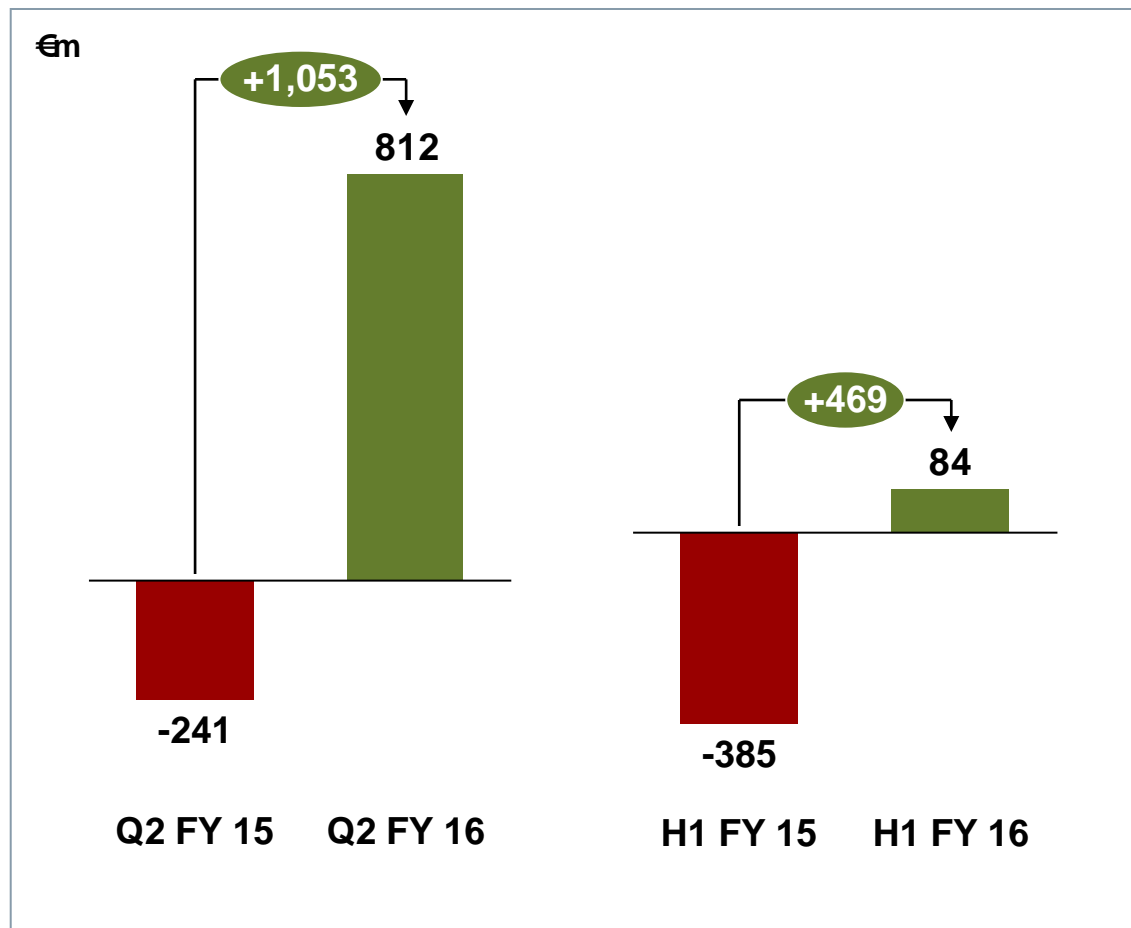
- Launch of joint long-term project to electrify aviation
- Demonstrate technical feasibility by 2020
- Develop prototypes for various propulsion systems & power classes
- Significant joint mid three digit €million R&D investment
- Joint development team of ~200 employees



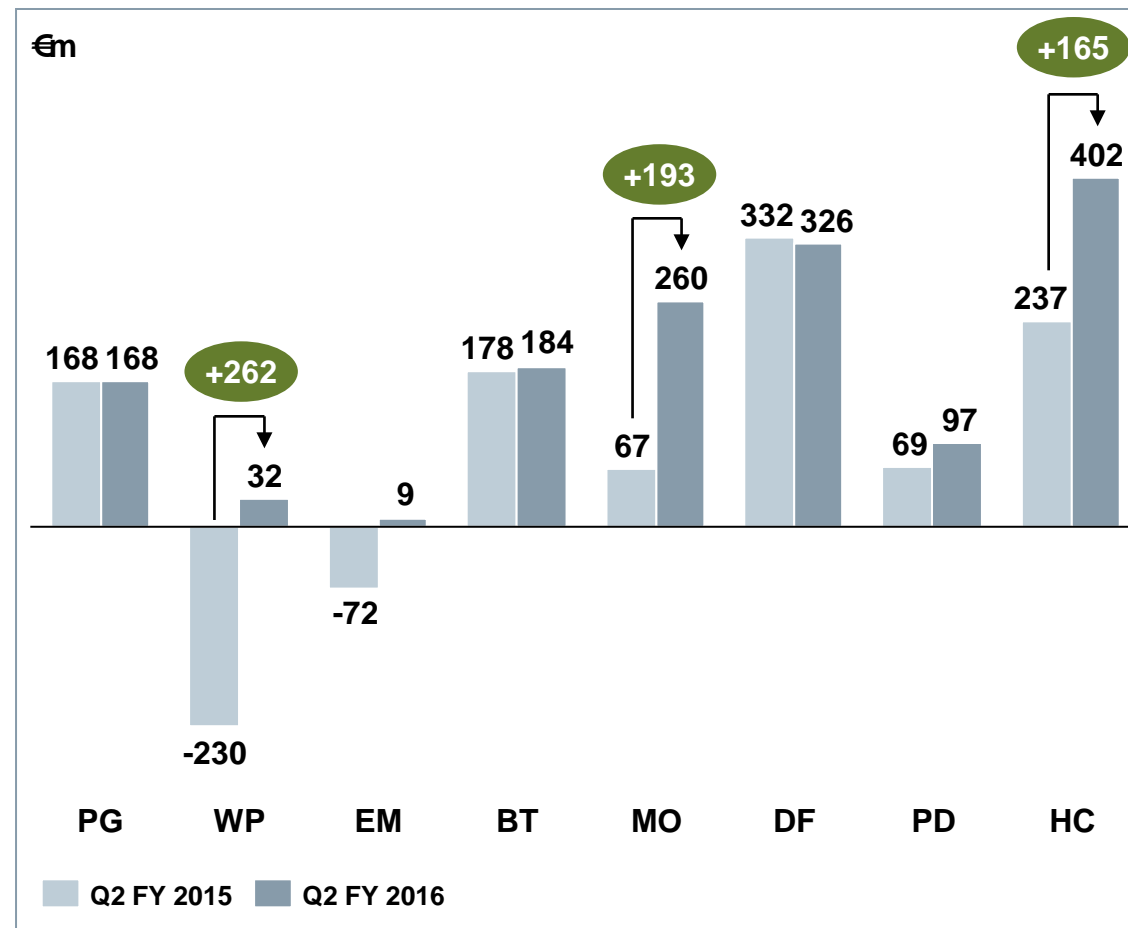
- Drastic reduction of CO<sub>2</sub>-emissions
- Establish hybrid electric propulsion systems as future business

# Broad based improvements of free cash flow

## Free cash flow ("all-in")



## Divisional free cash flow in Q2 FY 16



# 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

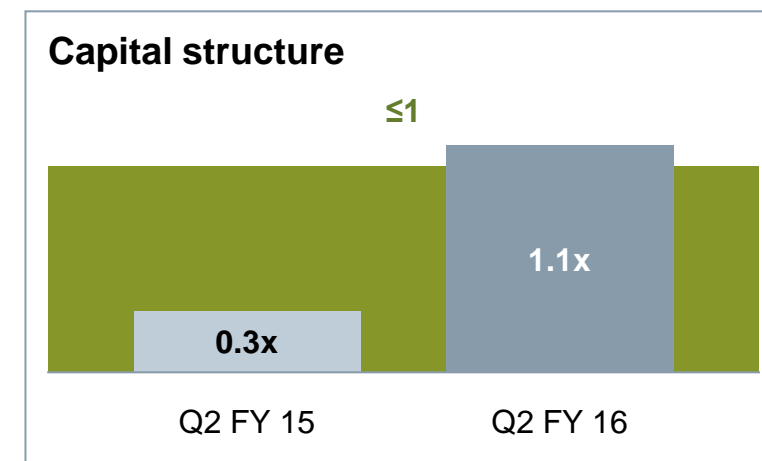
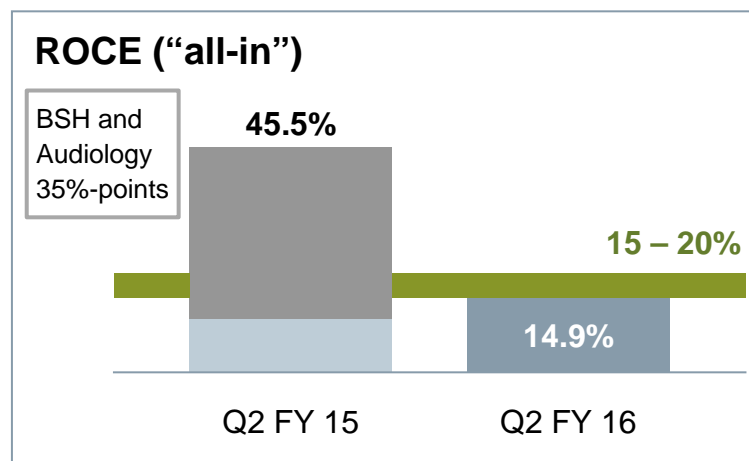
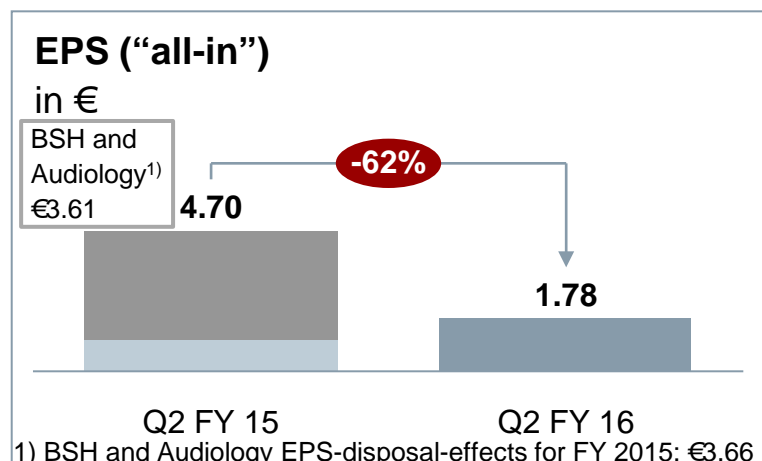
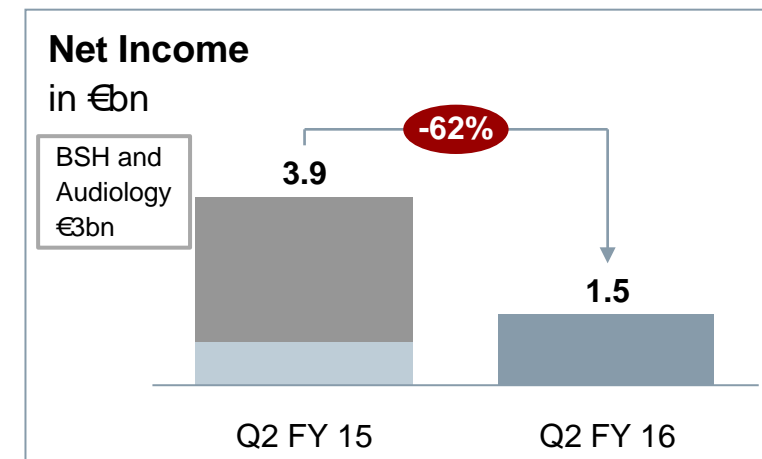
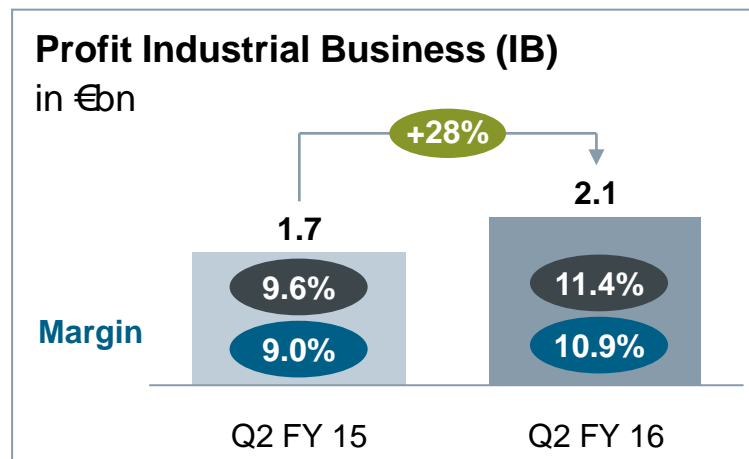
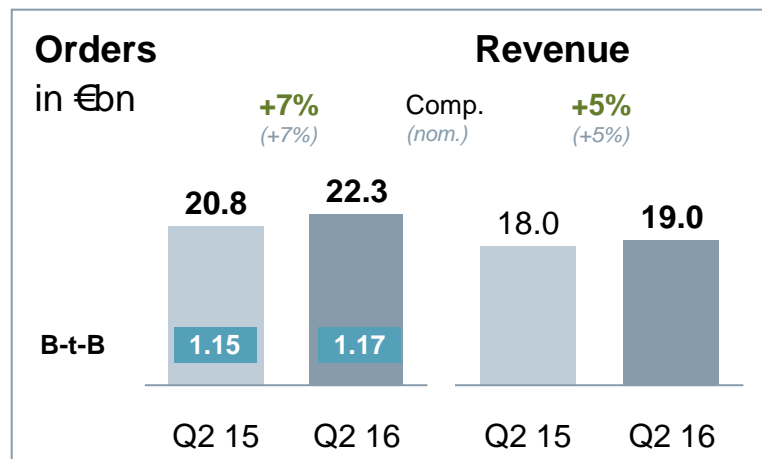
**Dividend payout ratio**  
 40 – 60%<sup>4)</sup>

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

<b>PG</b> 11 – 15%	<b>EM</b> 7 – 10%	<b>MO</b> 6 – 9%	<b>PD</b> 8 – 12%	<b>SFS<sup>6)</sup></b> 15 – 20%
<b>WP</b> 5 – 8%	<b>BT</b> 8 – 11%	<b>DF</b> 14 – 20%	<b>HC</b> 15 – 19%	

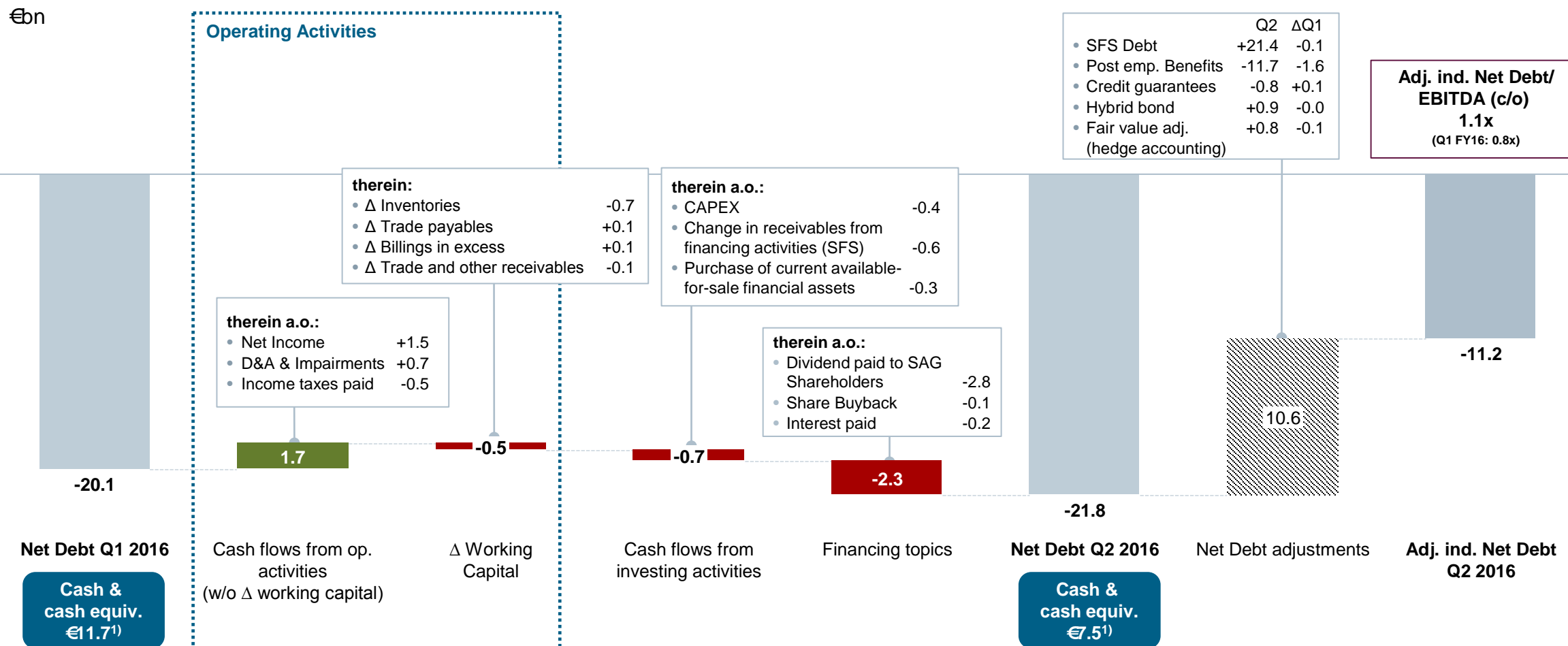
1) ABB, GE, Rockwell, Schneider, Toshiba, weighted; 2) Based on continuing and discontinued operations; 3) Productivity measures divided by functional costs (cost of sales, R&D, SG&A expenses) of the group; 4) Of net income excluding exceptional non-cash items; 5) Excl. acquisition related amortization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

# Financial Cockpit – Q2 FY 2016



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

# Net Debt Bridge – Q2 FY 2016



1) Including current available-for-sale financial assets

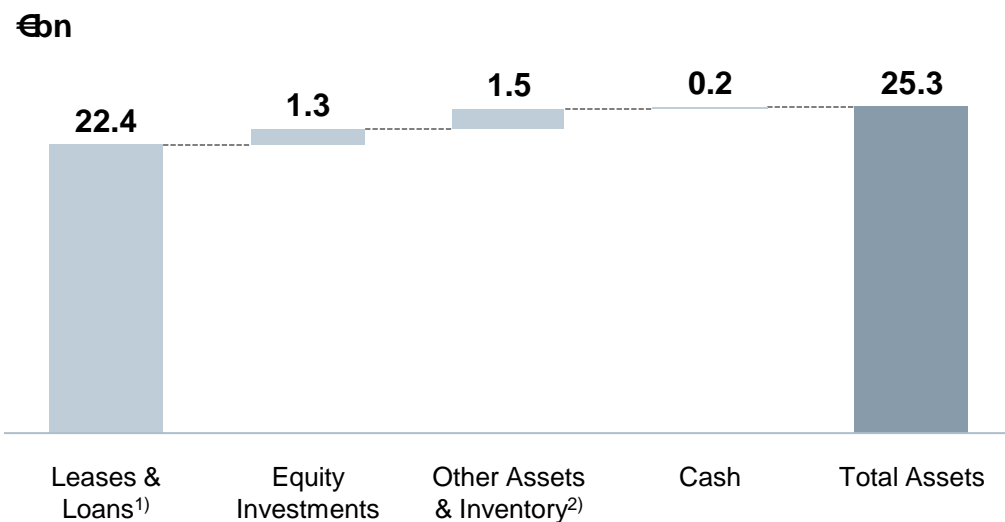


# SFS Key Figures – Q2 FY 2016

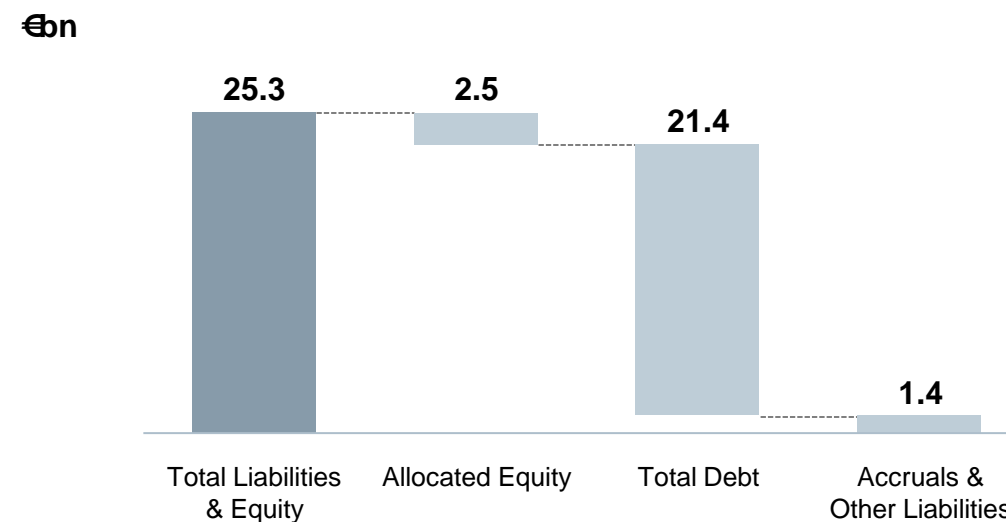
## Key Financial Data SFS

- **Assets** €25.3bn
- **Income before income taxes** €226m
- **Return on Equity after tax** 31,8%
- **Operating and Investing Cash Flow** - €678m

## 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 -€10.9bn in Q2 FY 2016

## Funded status for Siemens' pension plans increased in Q2, mainly due to decreased discount rate assumption

in €bn <sup>1)</sup>	FY 2013	FY 2014	FY 2015	Q1 FY 2016	Q2 FY 2016
<b>Defined benefit obligation (DBO) on pension benefit plans</b>	(32.6)	(35.0)	(36.3)	(36.7)	(38.4)
<b>Fair value of plan assets</b>	24.1	26.5	27.3	27.4	27.5
<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>DBO on other post-employment benefit plans (mainly unfunded)</b>	0.6	0.5	0.5	0.5	0.5
<b>Discount rate<sup>2)</sup></b>	3.4%	3.0%	3.0%	3.0%	2.4%
<b>Interest Income<sup>2)</sup></b>	0.8	0.8	0.8	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) 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.

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