

Twice-raised guidance exceeded – historic success through strong team performance

Joe Kaeser, President and CEO | Ralf P. Thomas, CFO
Q4 FY 2016 Analyst Call | Munich, November 10, 2016

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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.

Our agenda for today



Strong performance in Q4 2016 despite tough comps



Convincing team effort beats improved FY 2016-guidance twice



Stringent progress in executing Vision 2020



Clear ambition for FY 2017 continues to create value

Raised FY 2016 guidance fully achieved

FY 2016 Outlook

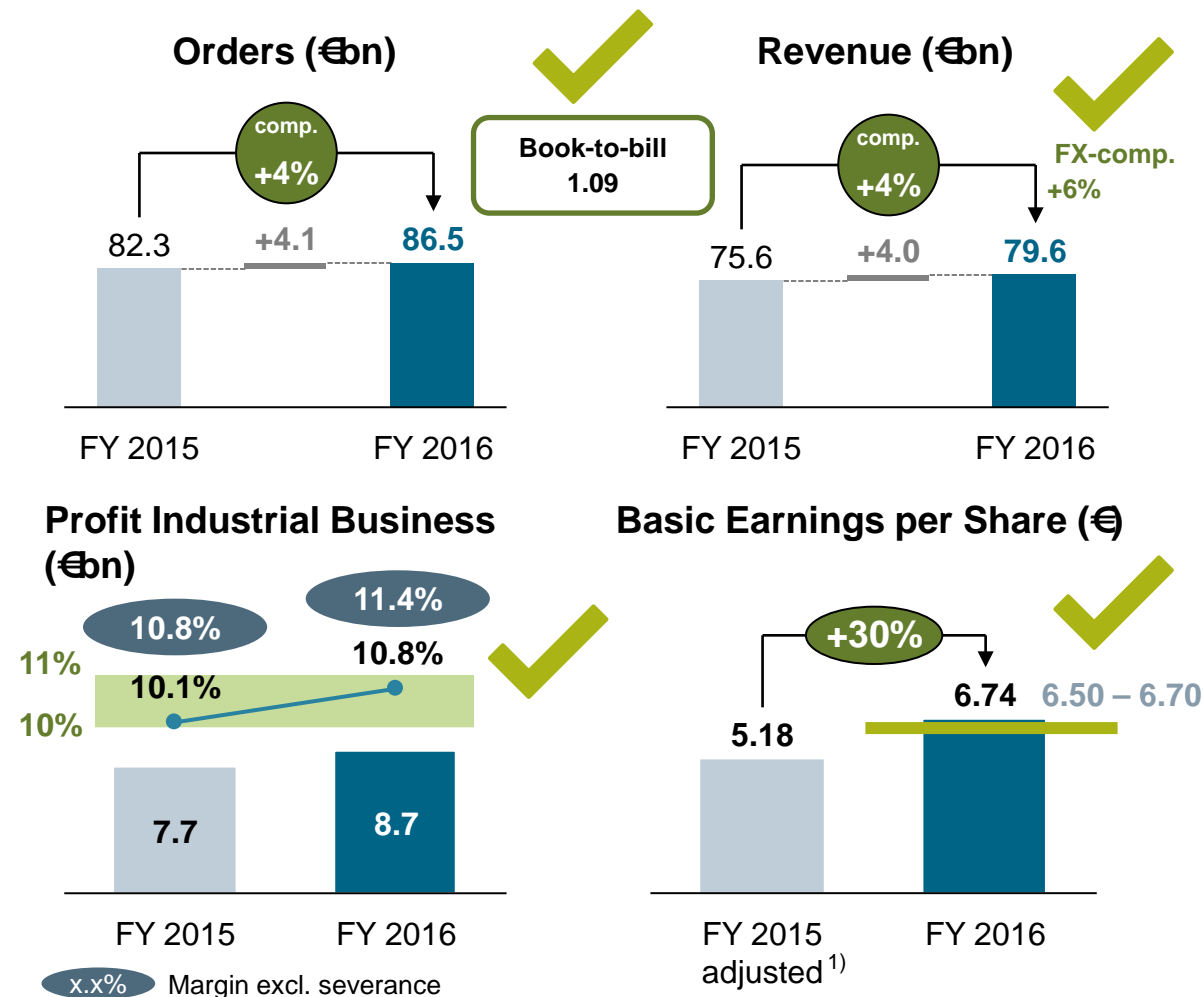
We **raise** our previous **expectation** for **basic EPS** from **net income** in the range of €6.00 to €6.40 to the range of **€6.50 to €6.70**.

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%.

FY 2016 Actual performance

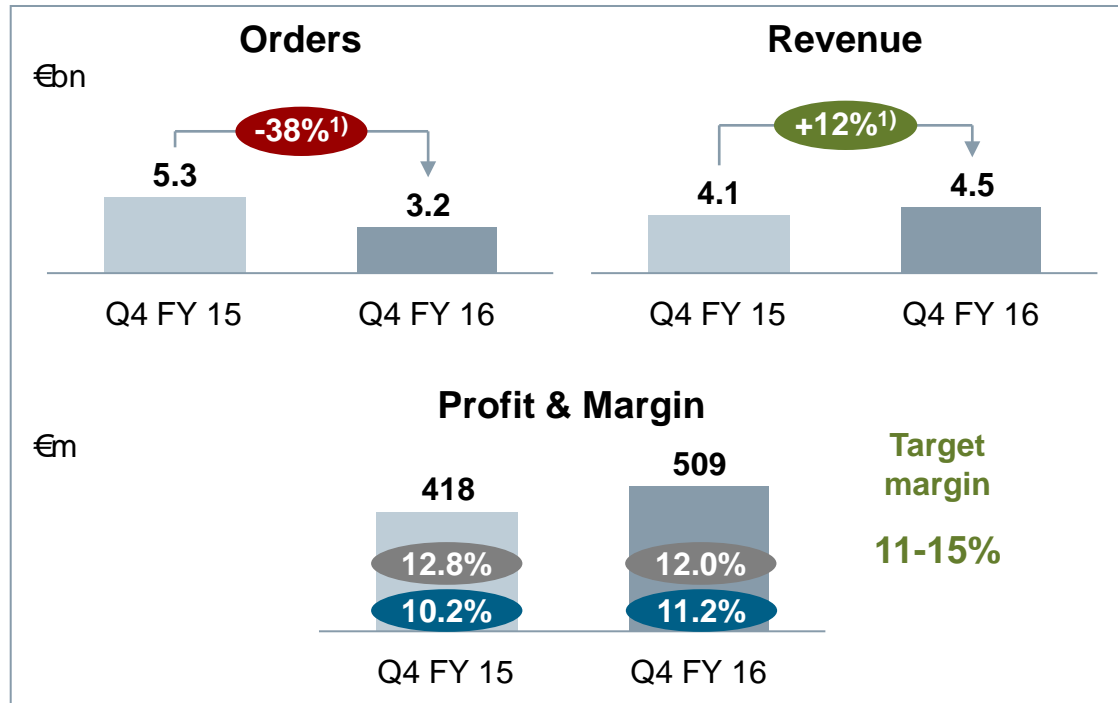


1) Excluding €3.66 per share in portfolio gains from the divestments of the hearing aid business and our stake in BSH

PG: Revenue growth driven mostly by Egypt, tough environment remains WP: Impressive turnaround achieved and sustainable performance delivered

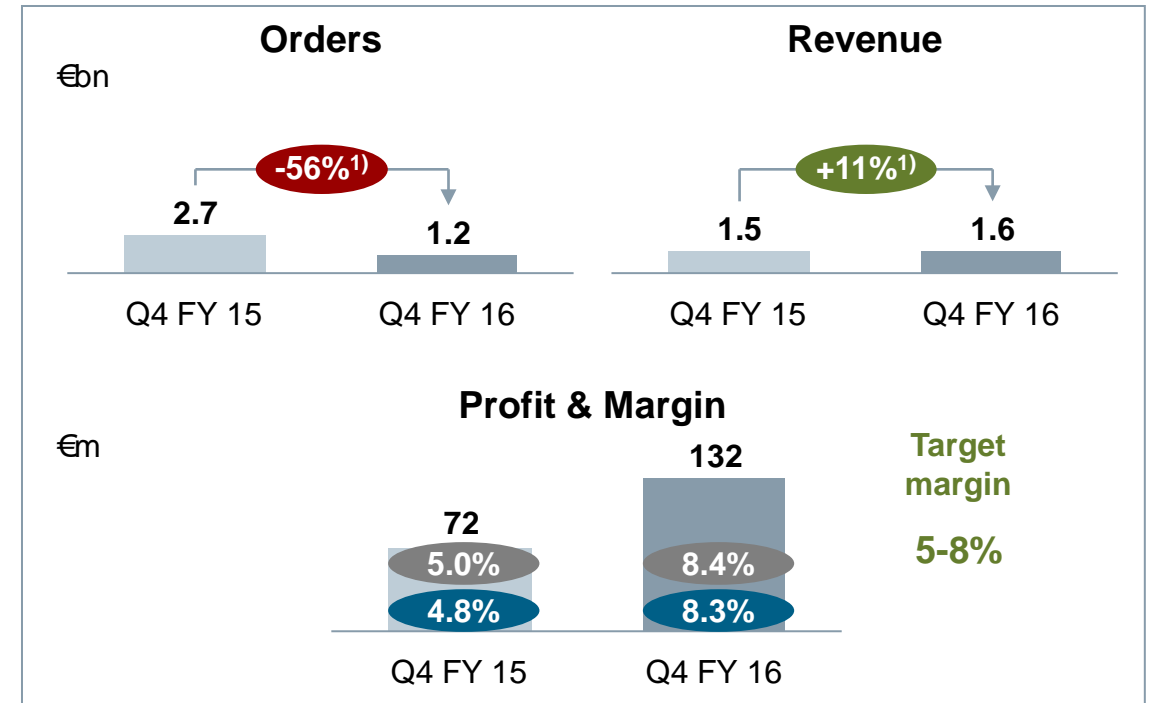
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Power and Gas (PG)



- Significantly lower volume from large orders y-o-y
- 16 Large Gas Turbines delivered

Wind Power and Renewables (WP)



- Lower volume from large orders y-o-y
- Strong offshore backlog conversion
- Significant operational improvements

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

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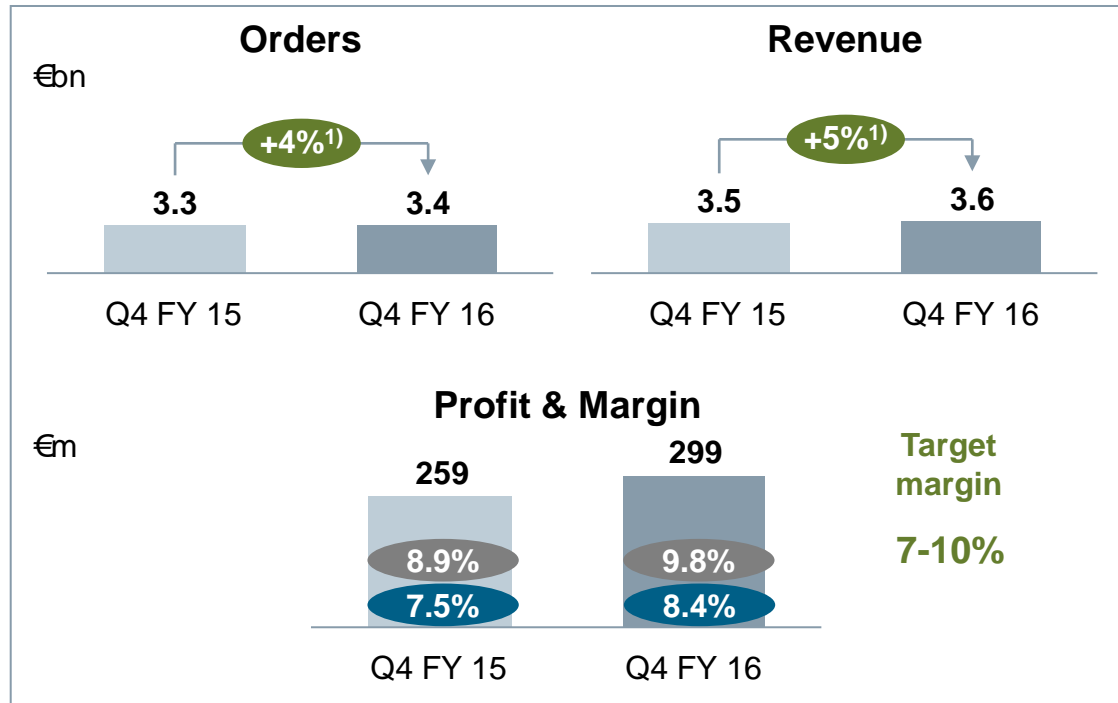
x.x% Margin as reported

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

EM: Consistent improvement across all metrics BT: Strong team drives digital transformation

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Energy Management (EM)

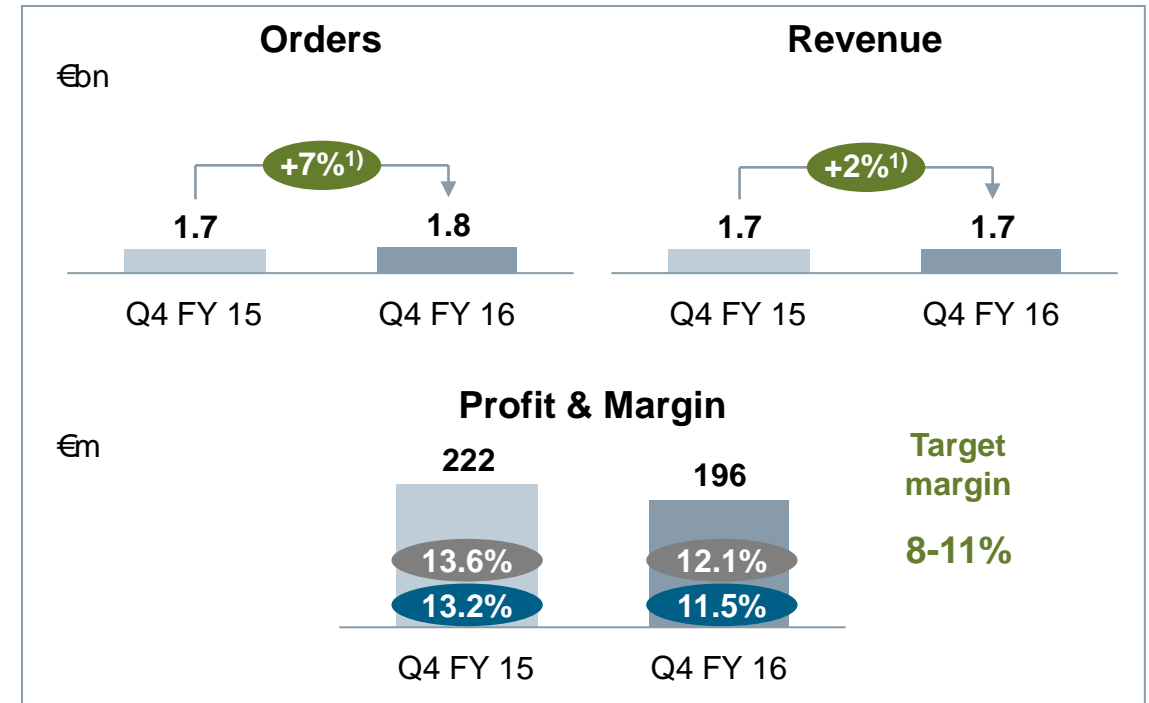


- Order strength in High Voltage Products and Digital Grid
- Broad based regional revenue growth
- Solutions and High Voltage Products with continued improvements

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

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Building Technologies (BT)



- Clear order growth driven by solution business in the U.S.
- Seasonally strong profitability on tough comps

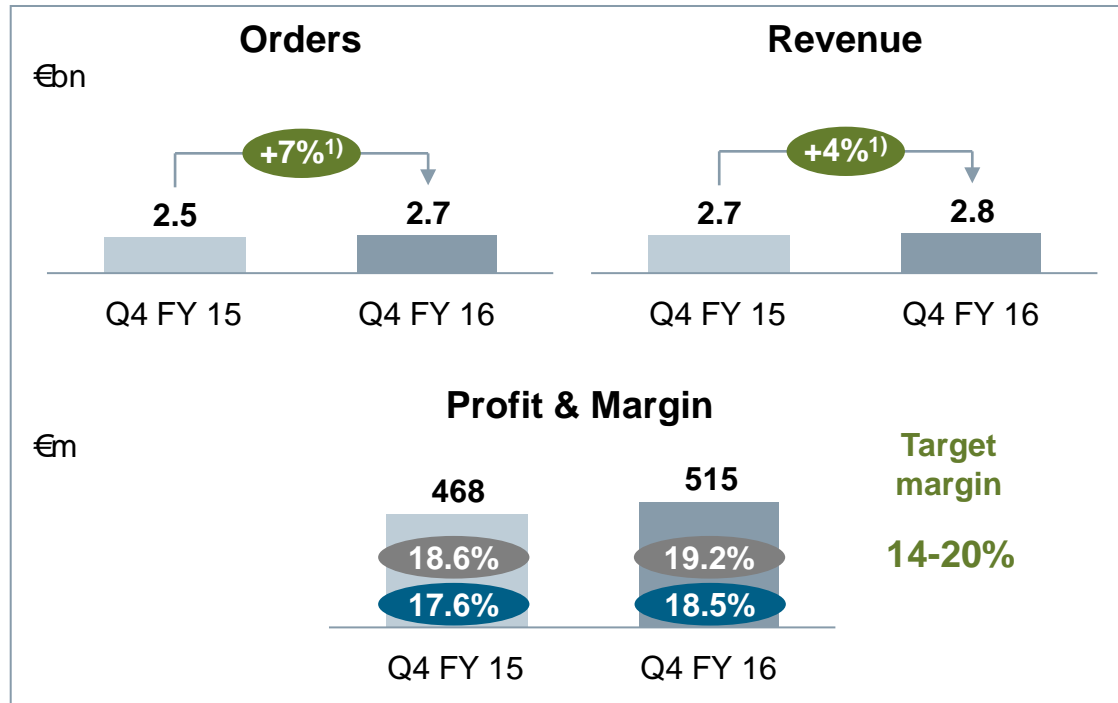
x.x% Margin as reported

x.x% Margin excl. severance

DF: Industry leading top line growth drives margin expansion PD: Realignment to tackle structural challenges continues

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Digital Factory (DF)

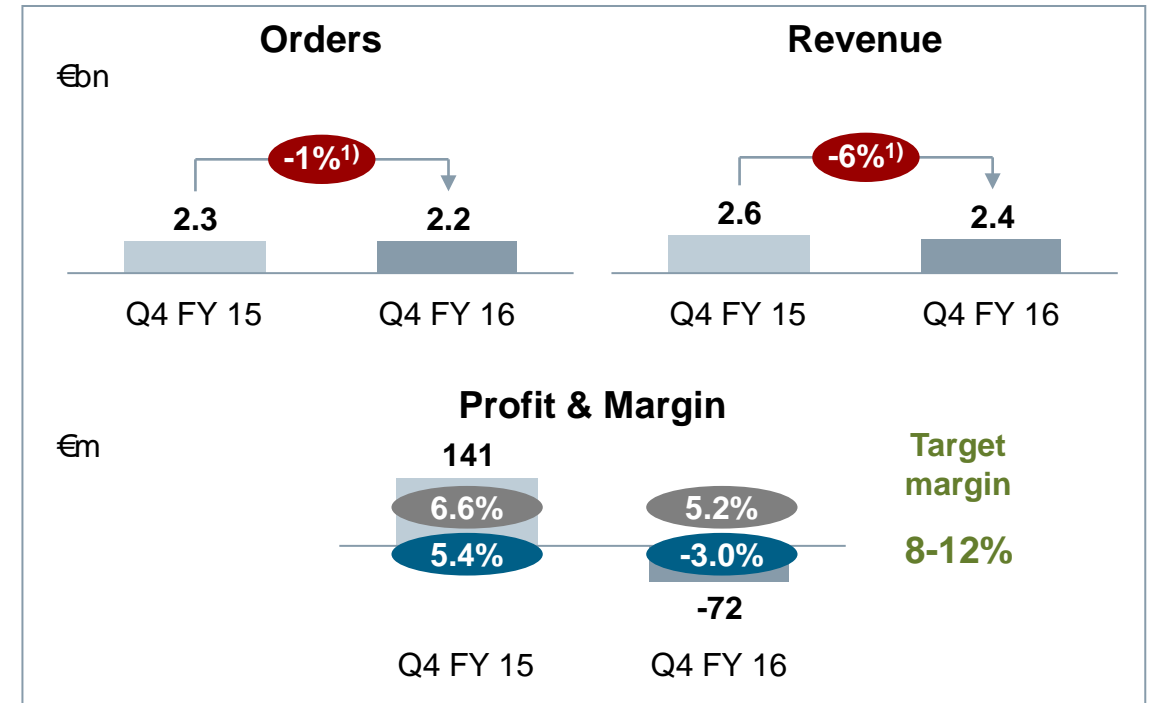


- Broad based order and revenue growth with strength in most product lines
- Integration of CD-adapco into a strong PLM-business ahead of plan

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

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Process Industries and Drives (PD)



- Ongoing weak demand in commodity related industries with signs of finding a bottom
- Execution of structural measures to realign capacities

x.x% Margin as reported

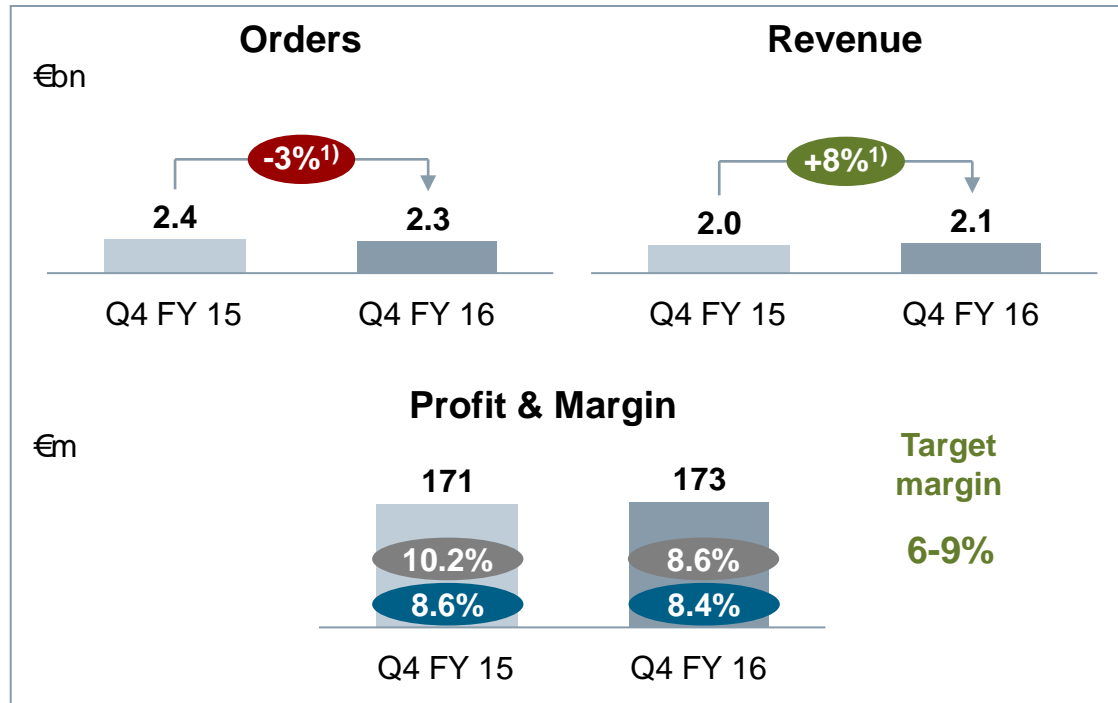
x.x% Margin excl. severance

MO: Stringent execution drives sustainable high margins

HC: Continued strength in Diagnostic Imaging

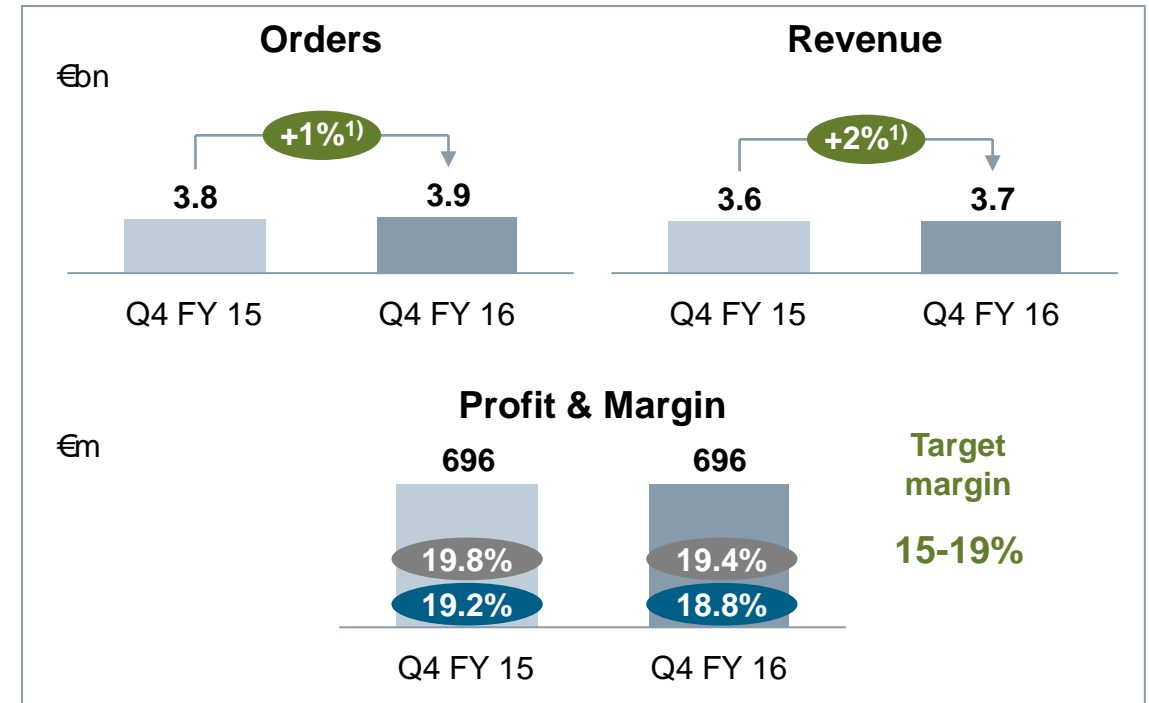
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Mobility (MO)



- Solid project execution secures leading margins
- Major milestone achieved: homologation of ICE4
- Aggressive pricing on rolling stock continues in the market

Healthineers (HC)



- Revenue increase and strong profit due to Diagnostic Imaging business, softness in Laboratory Diagnostics
- Continued investment in innovation and go-to-market

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

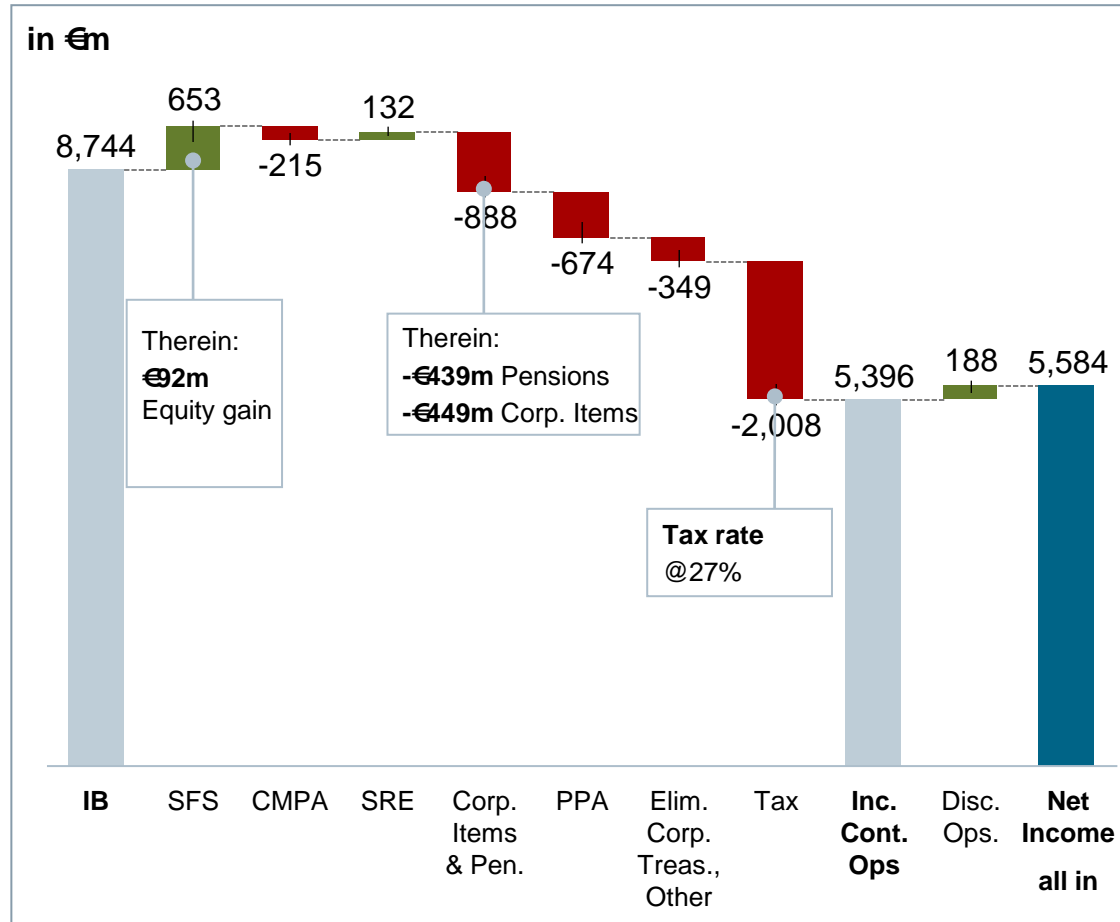
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x.x% Margin as reported

x.x% Margin excl. severance

Below the line volatility continues in all aspects Favourable one-off impact in D/O affects EPS in FY 2016

Below Industrial Business - FY 2016

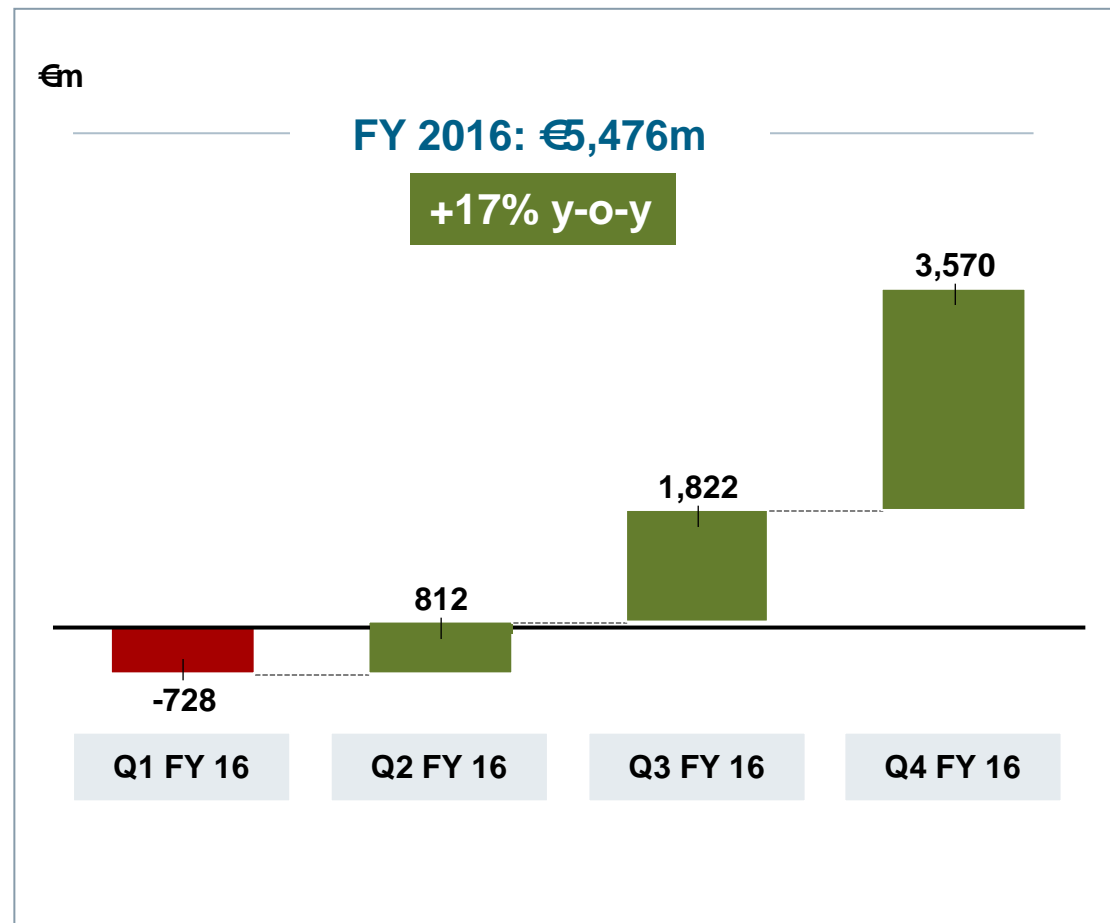


Expectations for FY 2017

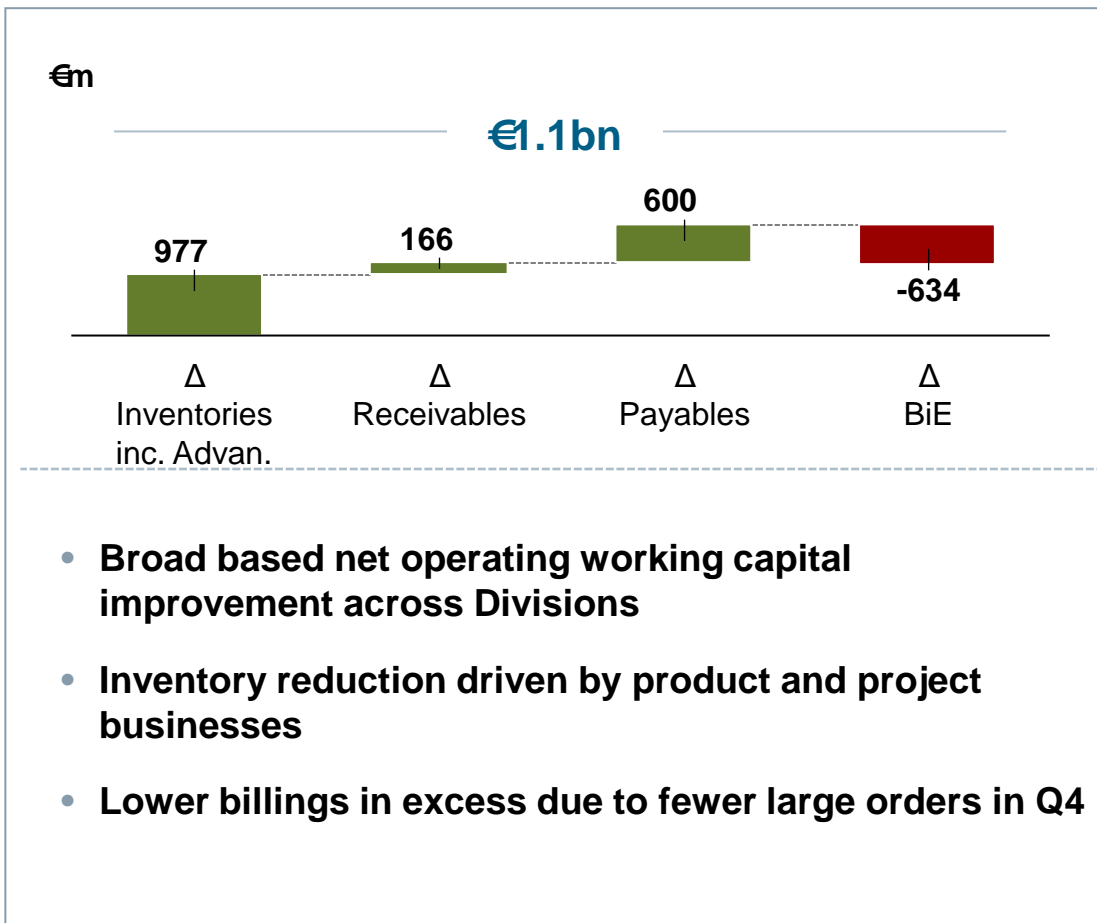
- **SFS**: “operationally” in line with FY 2016
- **CMPA**: includes other portfolio elements; volatility remains in FY 2017
- **SRE**: in line with prior year, dependent on disposal gains
- **Corporate Items**: ~€150m per quarter on higher central innovation invest; H2>H1
- **Pension**: ~€125m per quarter
- **PPA**: in line with FY 2016
- **Elimination, Corporate Treasury, Other**: in line with FY 2016
- **Tax**: expect 26 – 30%
- **Discontinued Operations**: immaterial

Strong finish with significant full year improvement

Quarterly free cash flow ("all-in")



Key drivers free cash flow Q4 FY 16 (cont. ops.)

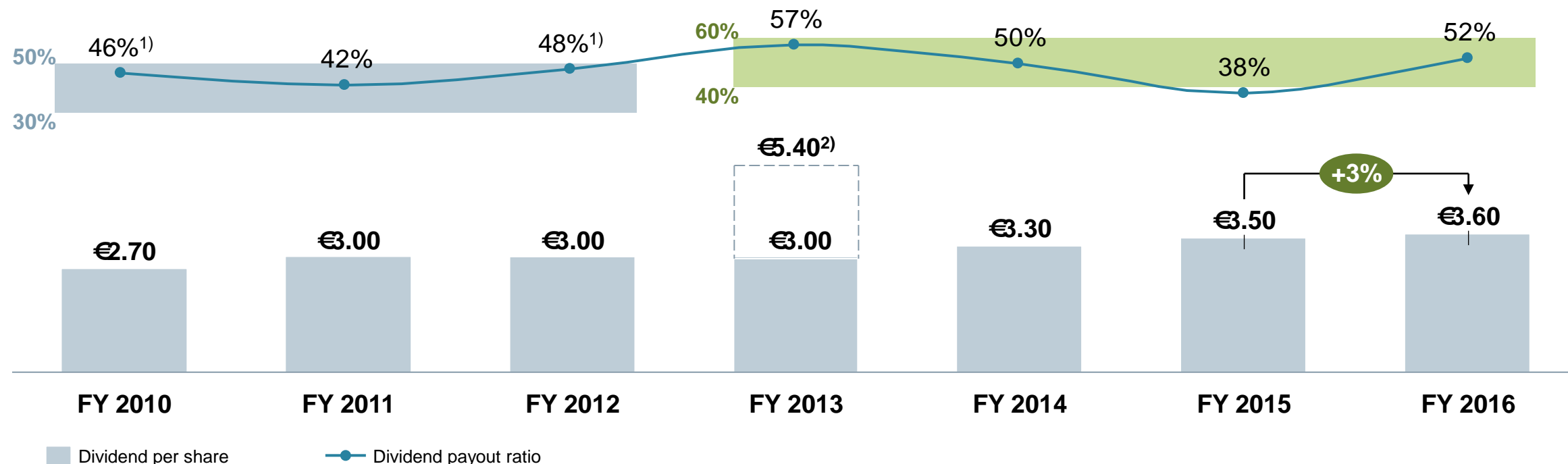


Clear execution on pay-out ratio commitment of 40 – 60%

Dividend yield of 3.5%

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Dividend development



Second endowment to Siemens Profit Sharing Pool of €100m

Ongoing share buyback execution of up to €3bn over up to 36 months (until November 2018)

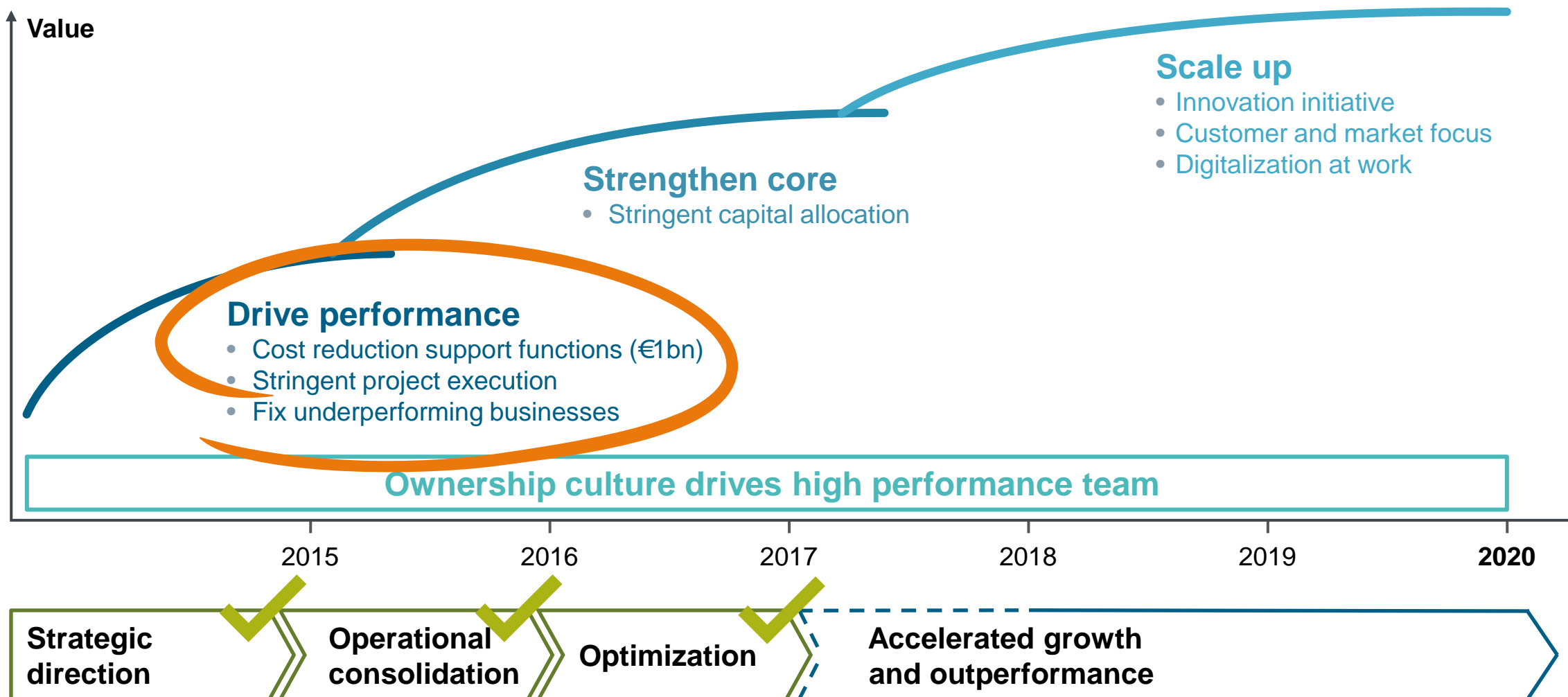
1) Adjusted for exceptional non-cash items: 2010: impairments at DX; 2012: impairments at Solar and NSN restructuring

2) Effect of OSRAM stock distribution to shareholders of €2.40 per share; not reflected in dividend payout ratio

Note: Payout ratio assumes 808m shares outstanding at AGM, Dividend yield based on share price Sept. 30, 2016 of €104.20

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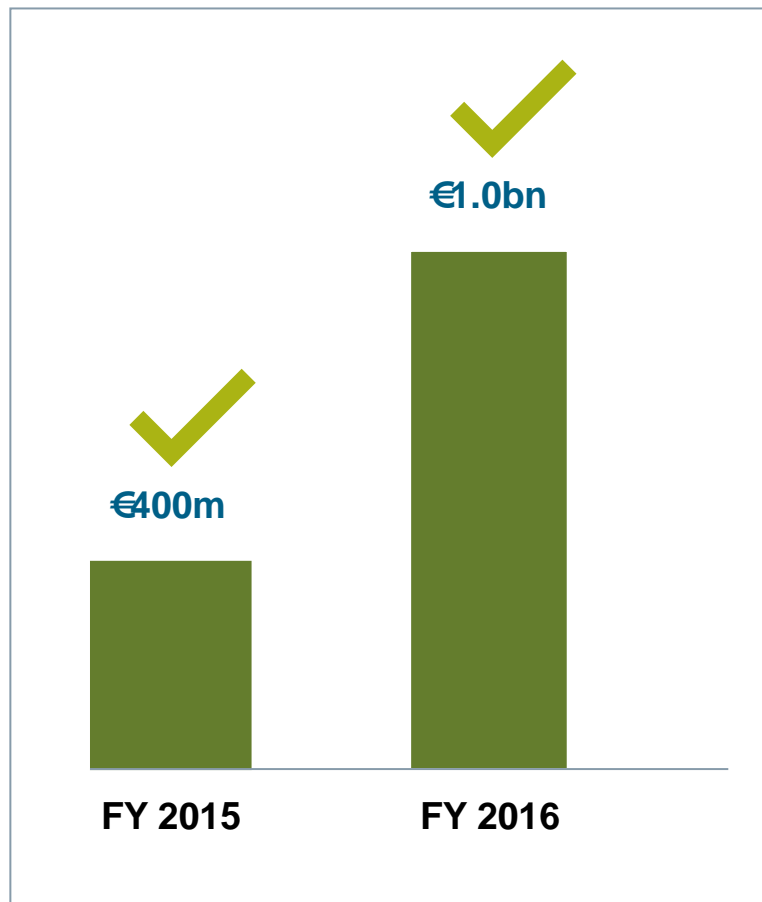
Siemens Vision 2020 – A strong foundation to drive profitable growth



€1bn cost savings achieved ahead of plan Continuous productivity drives operational performance

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Cumulated savings achieved

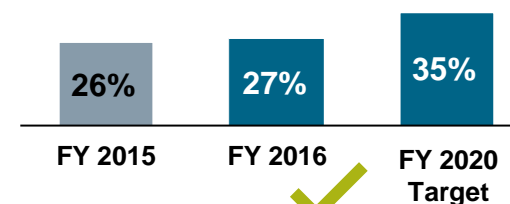


Total cost productivity of 3-5% on track

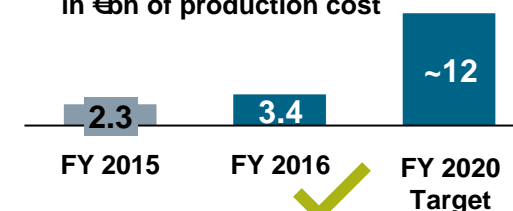
Key value driver SCM



Global Value Sourcing



Cost & Value Engineering in €bn of production cost



- **Digitalization:** target electronic connection with suppliers for >80% of all transactions & integrate with key business processes
- **Innovation:** leverage global suppliers' R&D potential

Key value driver IT



- **Own software offerings** to reduce time to market by 30 - 50%
- Implement **attractive working environment leveraging mobile and cloud** with savings of ~€100m (FY15-17)
- **New B2B platform** to support **customer centricity, sales efficiency and effectiveness**

Project execution – focus on operational excellence continues

Mobility – Progress as planned

Velaro Eurostar



- **Successful start of passenger service** between London and Paris
- **10 train units** handed over to Eurostar

ICE4



- **World premier for first train** in Sep 2016
- **Homologation in Germany received** as planned
- **Beginning of trial operation** with two trains

Thameslink



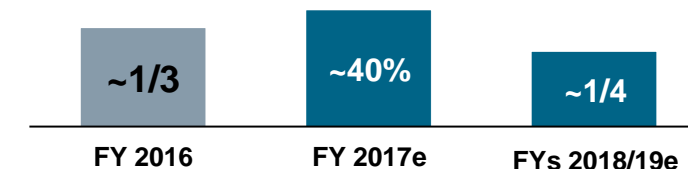
- **Passenger service** started in **June 2016**
- **Delivery of 115 trains** until **end of 2018**
- **Two new depots** opened

Egypt megaproject on track



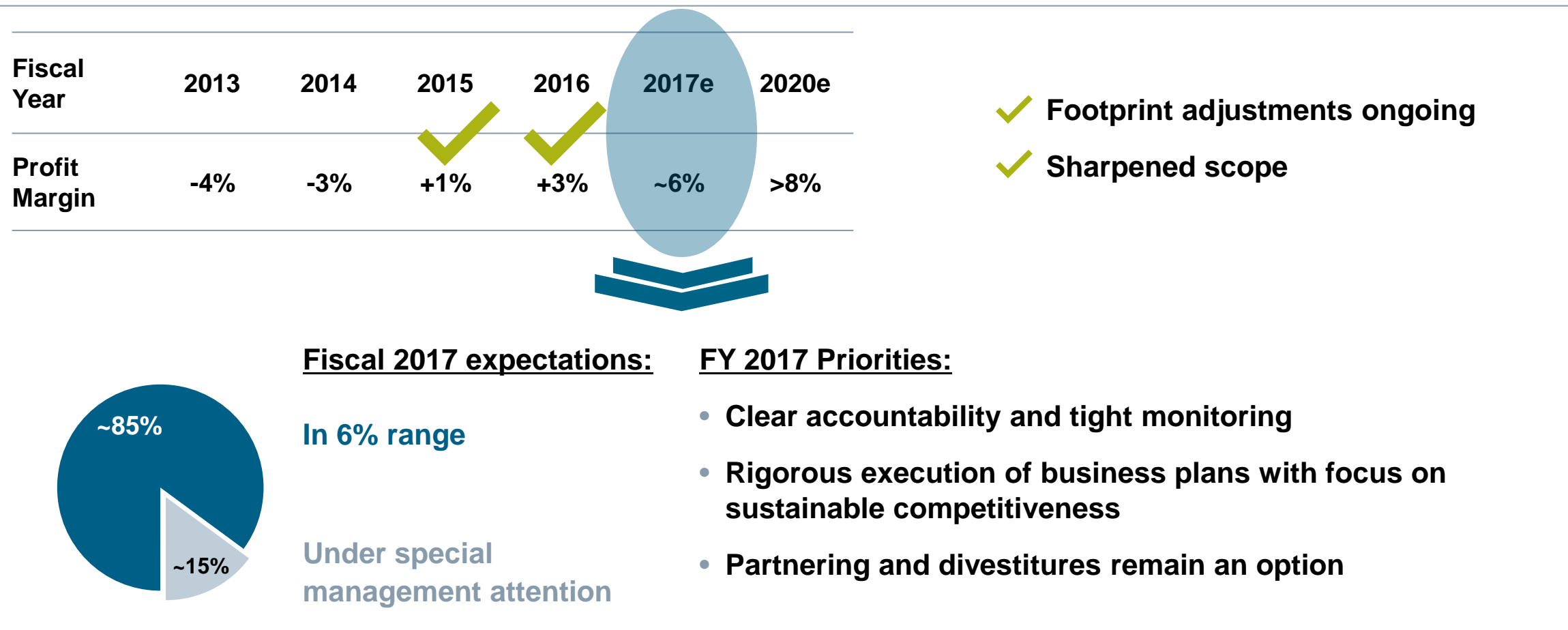
- **June 2015:** Signing of contracts for megaproject
- **December 2015/March 2016:** Financial closing of combined cycle power plants (CCPP 14.4 GW)
- **October 2016:** Twelve gas turbines on foundation
- **December 2016:** 4.4 GW open cycle connected to grid
- **Until May 2018:** 14.4 GW in combined cycle connected to grid

Revenue split
of CCPP order
(€3.6bn)

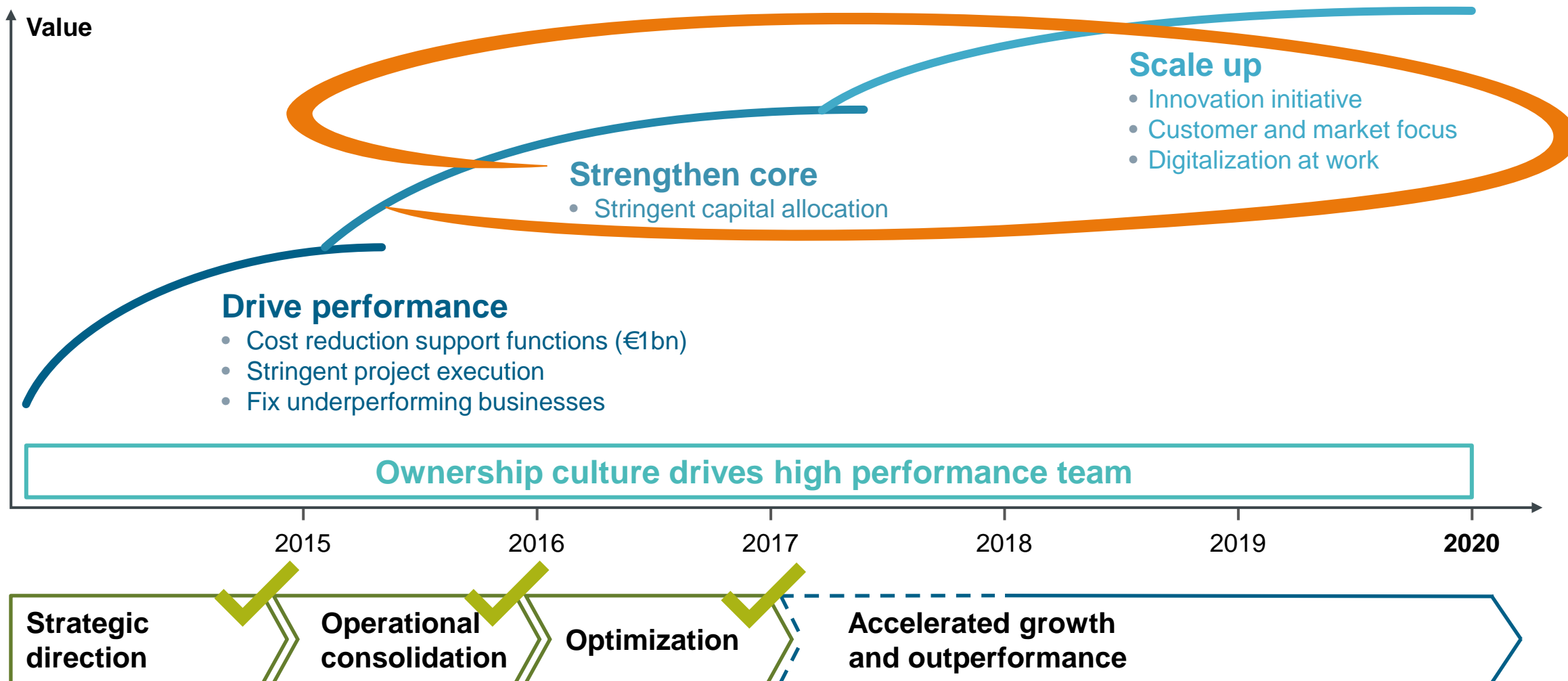


Underperforming businesses on clear improvement trajectory

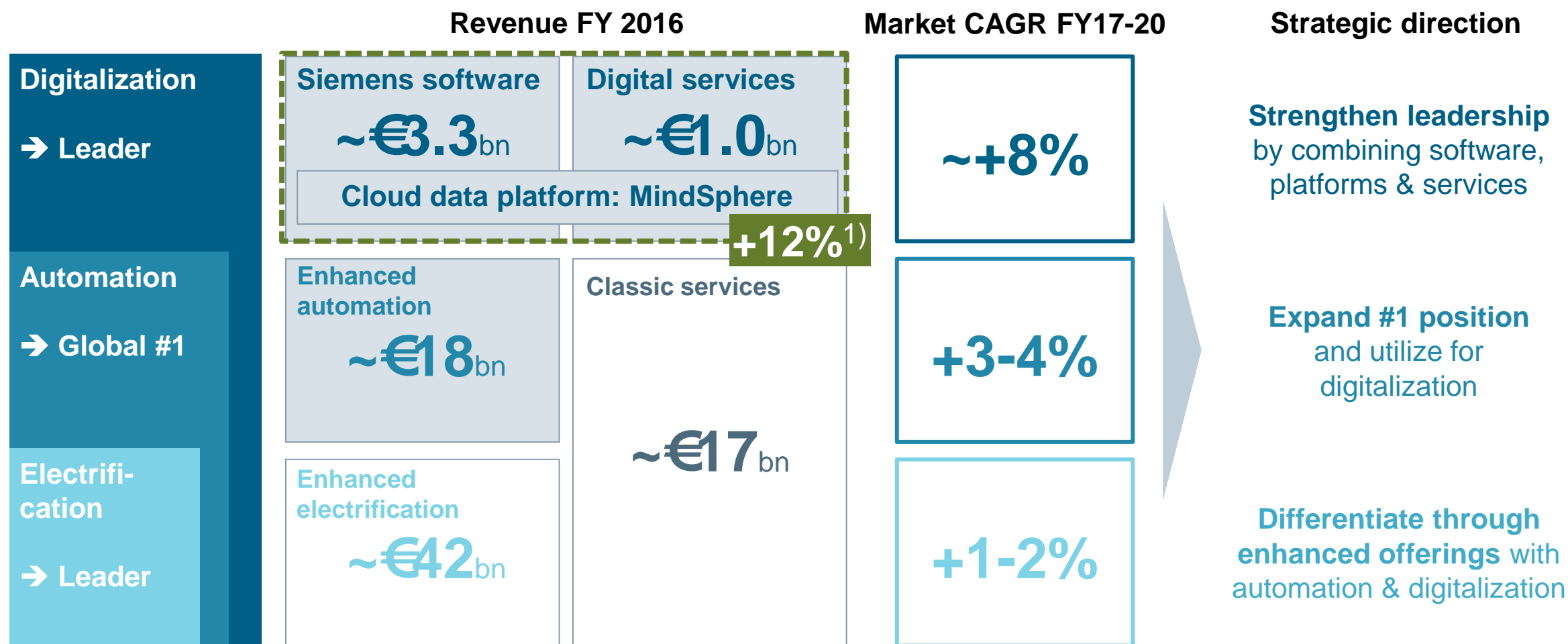
Underperforming businesses (~€14.5 bn revenue in FY 2016)



Siemens Vision 2020 – A strong foundation to drive profitable growth



Early focus on digitalization drives value and growth



Note: Figures based on Industrial Business 1) Growth FY15 to FY16, rebased

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Executing Vision 2020: Portfolio optimization continues along our strategic imperatives

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April 16



Closing of acquisition of CD-adapco

Merger of Siemens Wind Power with Gamesa announced
Siemens 59% / Gamesa 41%
Gamesa AGM approval with 99.75%

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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



January 16



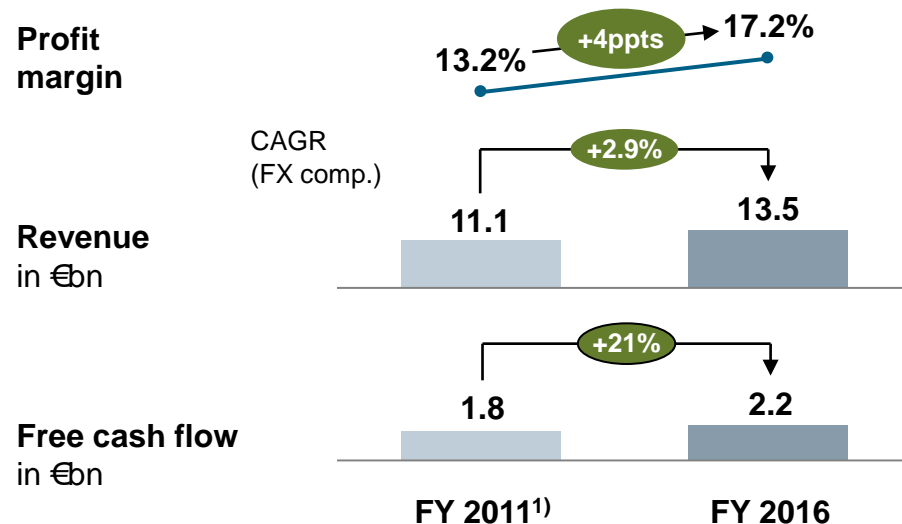
Closing divestment of remaining assets to EQT



Listing preparation announced

Siemens Healthineers: From Good – to Great – to Fascinating

Leading position in key markets and resilient performance



1) FY2011 financials excluding Audiology and Hospital Information Systems business

Distinct trends at work

Transformation of Healthcare providers continues:

Industrialization
Consolidation
Health management

Providers today seek relevant suppliers/partners

- that understand challenges in a changing Healthcare market and
- are able to address broad issues in multi-hospital provider systems

Growth fields: We will further strengthen our attractive business

Molecular Diagnostics

Build up molecular diagnostics portfolio utilizing our global presence and strong customer partnerships

Advanced Therapies

Grow rapidly into therapy: build upon our expertise in hybrid ORs and core imaging

Services

Build new services portfolio to solve system wide hospital challenges incl. clinical data analytics capabilities

Strengthen our leading position by preparing listing of Siemens Healthineers

Transformation in the healthcare market continues...

- **Paradigm shifts visible: Transition** from
 - (i) **product business to solving hospital system wide challenges**
 - (ii) **fee for service to managing outcome based health**
- **Race for customer relevance intensified**
- **Competitor & provider consolidation ongoing**
- **Investments required to respond to paradigm shifts**

... listing best suited to manage transition

- **Strengthen and build position in identified growth fields**
- **High strategic flexibility and capital allocation in light of changing healthcare market**
- **Focus on key success factors continues**



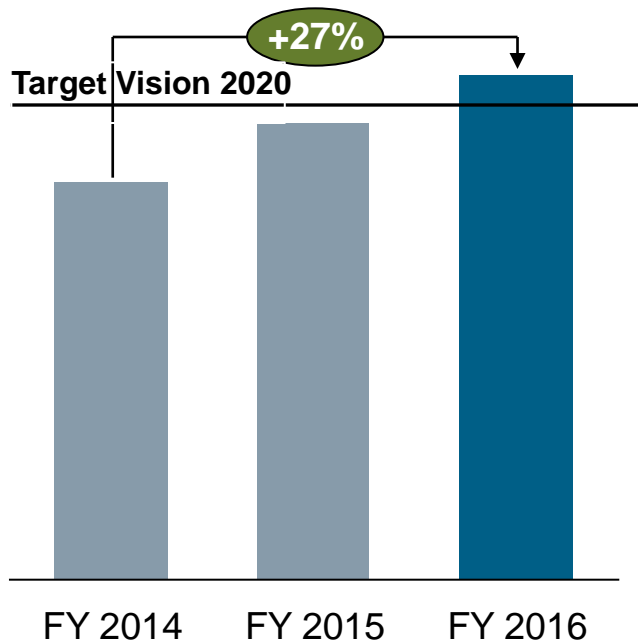
**STRENGTHEN THE HEALTHINEERS BUSINESS
IN SIEMENS**

Renewed customer focus shows results

Customer satisfaction up significantly – top line growth outpaces market

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Siemens Net Promoter Score



- **Broad based improvement** across all Regions & Divisions
- **Vision 2020 target** of at least 20% improvement **achieved**

Selected Growth Initiatives

India



- **Strong public sector investments** driving growth
- **Siemens portfolio** well aligned with **government thrust areas**

Digital Sales



- ~€7bn of sales via **digital sales channels**
- **New B2B-platform** under development
- **Strong company presence in social media**

Food & Beverages

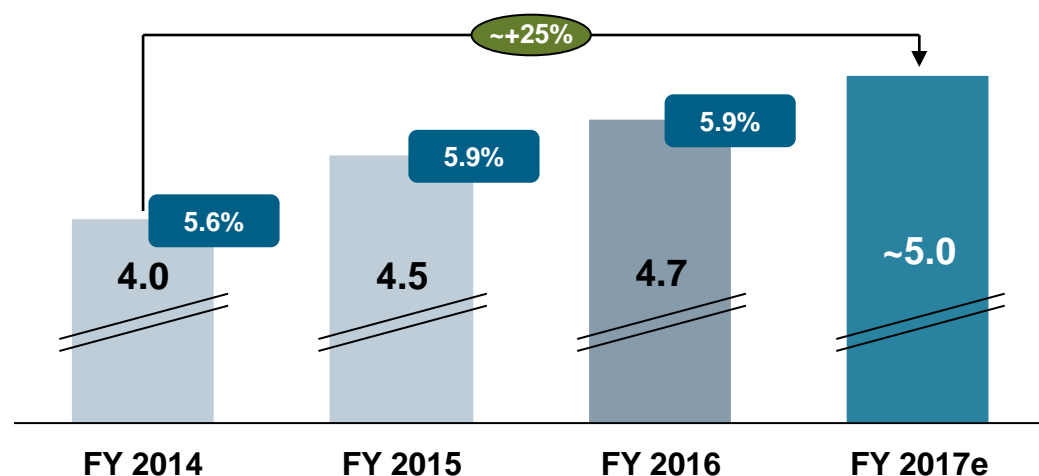


- **Grow market share**, e.g. at end-customers & lead OEMs
- **Leverage dedicated regional F&B set-ups**
- **Shape digitalization in F&B industry**

Push for innovation drives competitiveness and customer value

Significant R&D investment continues

R&D expenses in €bn (% of revenue)



- Digital platform MindSphere
- Next47 – unique way of innovation management
- Expand Digital Enterprise Architecture
- Enhanced Process Control System
- Decentralized energy systems
- Upgrade Gas Turbine portfolio

Successful outcomes



BMW Supplier Innovation Award “Productivity” for DF

- Long-lasting **successful partnership**
- TIA Portal is important **step into digitalization and Industrie 4.0**



Healthineers:

- Unveiling of **Atellica™ Solution¹⁾**, a highly flexible immunoassay and clinical chemistry solution
- **Commercial launch** in the course of **FY 2017**

Siemens Vision 2020 delivers results as planned

Priorities for FY 2017 clearly identified

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Timing	Execution milestones	
FY 2015	New and simplified organization implemented	✓
	Portfolio optimization along strategic imperatives (acquisitions & divestments)	✓
FY 2016	Cost reduction target of €1bn achieved	✓
	Improvement of underperforming businesses to 3% profit margin	✓
FY 2017	Fix underperforming businesses	
	Strengthen core e. g. through merger with Gamesa	
	Leadership of Digital Enterprise extended	
	Continue profitable growth - 8 out of 9 Divisions in target margin range	

Assumptions for FY 2017 as basis for guidance

Macroeconomic environment

- Continued geopolitical tension and weak global investment demand

Pricing

- Pricing pressure around 2.5% of revenue

Personnel cost inflation

- 3 – 4% increase

Productivity

- Mid range of 3 – 5% total cost productivity target

Opex

- Continued additional invest in R&D and sales of ~€500m

Capex

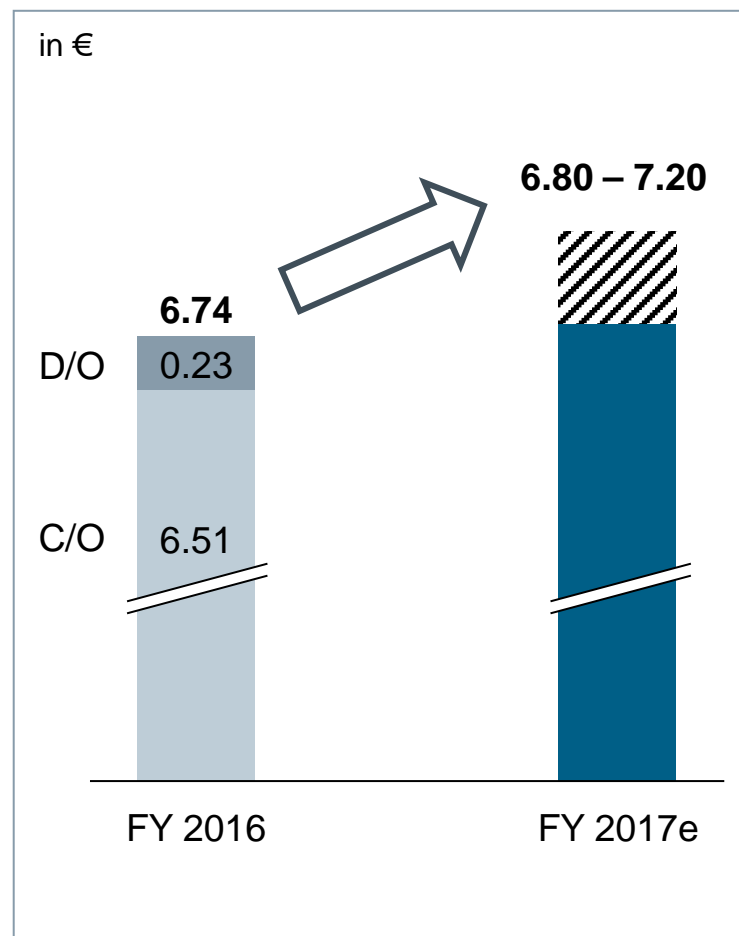
- Moderate increase over FY 2016 levels

Foreign exchange

- Modest negative top line impact based on current exchange rates

Guidance FY 2017

EPS (“all-in”)



Note: FY 2016 weighted average number of shares of 809m

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Guidance

We continue to **anticipate headwinds** for **macroeconomic growth** and **investment sentiment** in **our markets** due to the **complex geopolitical environment**.

Therefore, we expect **modest growth in revenue**, **net of effects** from **currency translation** and **portfolio transactions**. We further anticipate that **orders will exceed revenue** for a **book-to-bill ratio above 1**.

For our **Industrial Business**, we expect a **profit margin** of **10.5% to 11.5%**.

We expect **basic EPS from net income** in the **range** of **€6.80 to €7.20**, compared to €6.74 in fiscal 2016 which included €0.23 from discontinued operations.

This outlook assumes **stabilization** in the **market environment** for our **high-margin short-cycle businesses**.

It further excludes charges related to legal and regulatory matters as well as potential burdens associated with pending portfolio matters.

One Siemens Financial Framework

Clear targets to measure success and accountability

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One Siemens Financial Framework

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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%

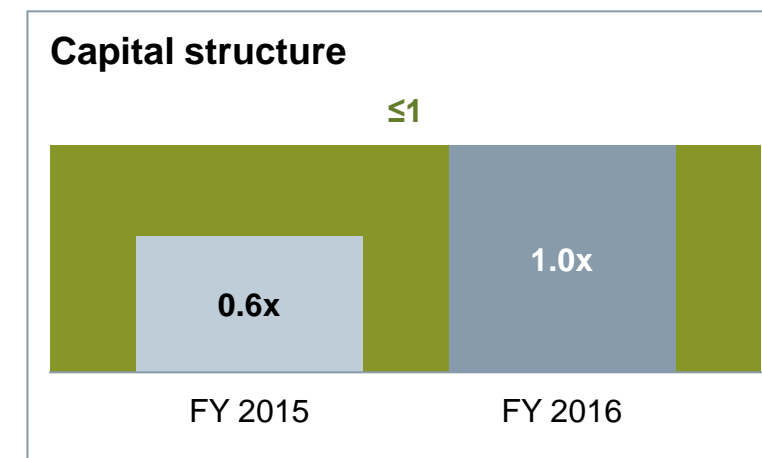
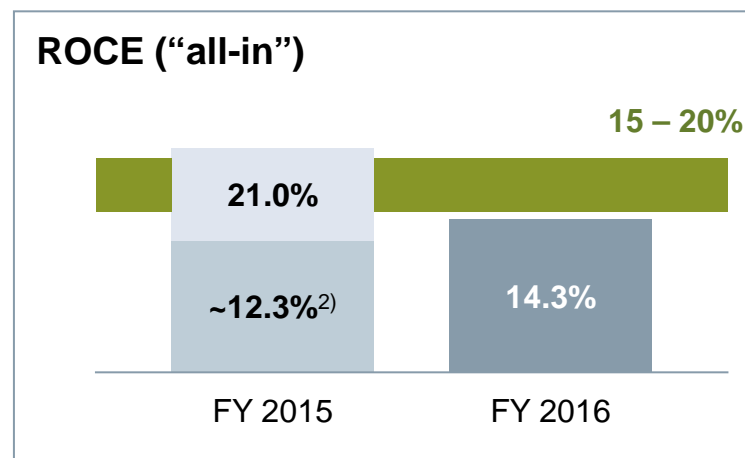
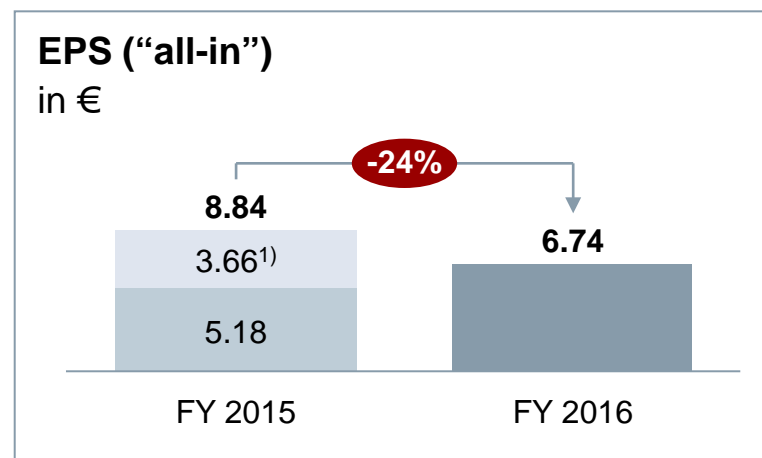
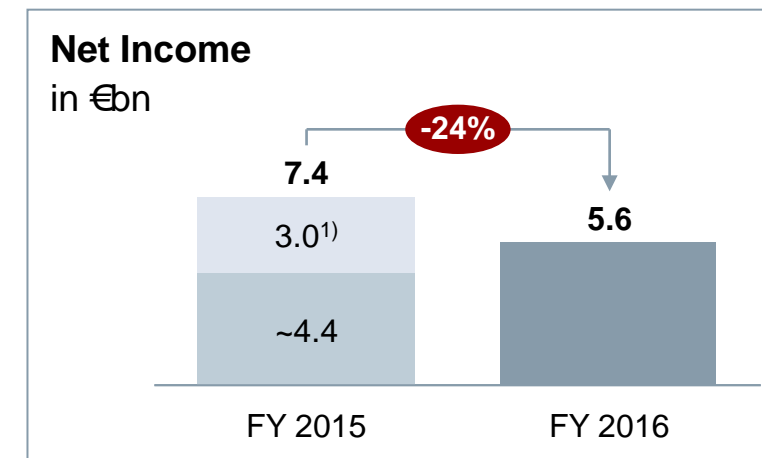
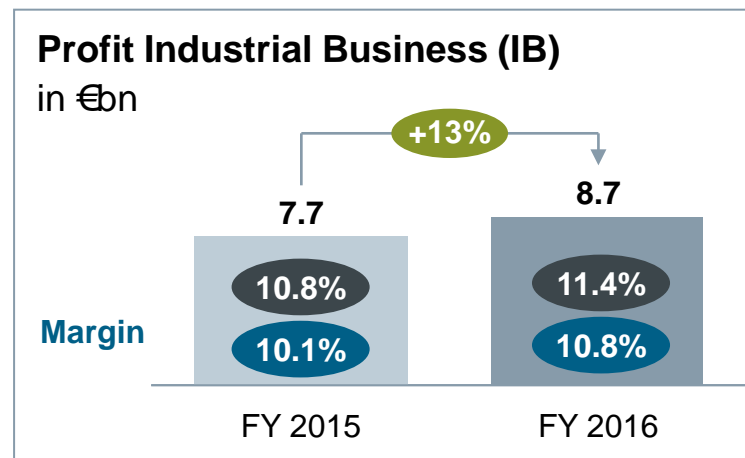
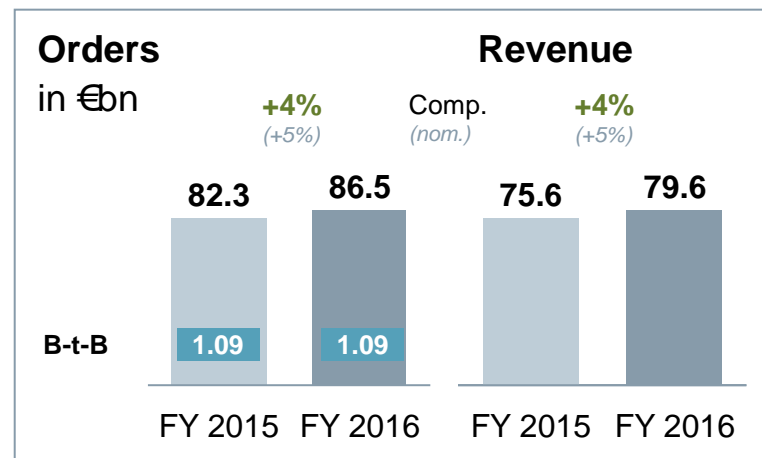
DF
14 – 20%

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

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Financial Cockpit



1) Portfolio gains from the divestments of the hearing aid business and our stake in BSH

2) Net Income and Capital Employed adjusted for hearing aid business and BSH

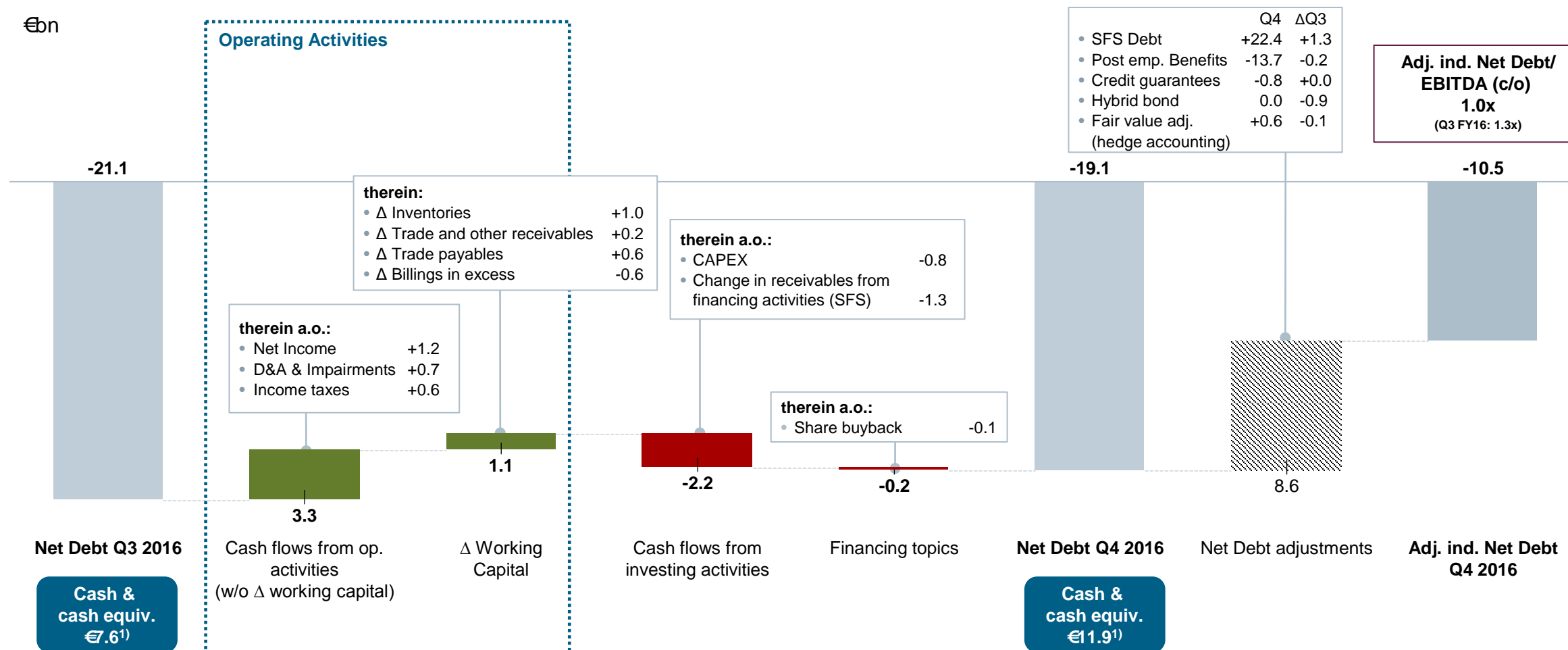
x.x%

Margin as reported

x.x%

Margin excl. severance

Net Debt Bridge – Q4 FY 2016



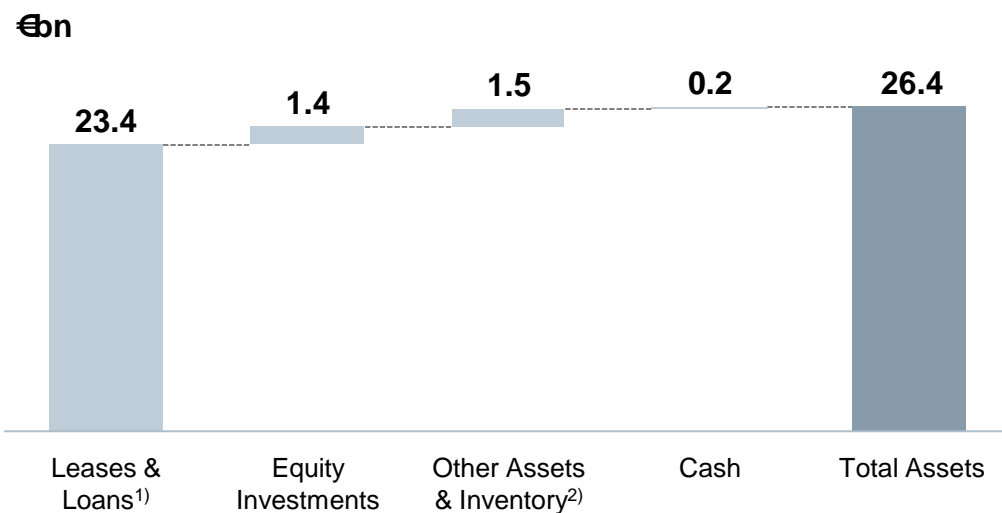
1) Including current available-for-sale financial assets

SFS Key Figures – Q4 FY 2016

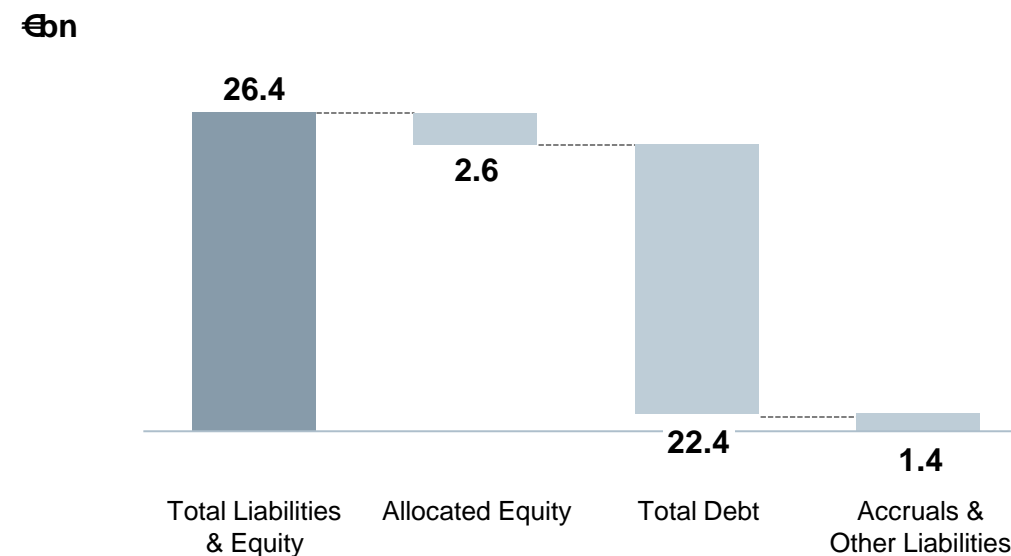
Key Financial Data SFS

- **Assets** €26.4bn
- **Income before income taxes** €121m
- **Return on Equity after tax** 15.5%
- **Operating and Investing Cash Flow** -€1.524m

Assets



Liabilities and Equity



1) Operating and finance leases, loans, asset-based lending loans, factoring and forfaiting 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 -€12.8bn in Q4 FY 2016

Funded status for Siemens' pension plans increased in Q4, mainly due to ongoing decreased discount rate assumption

in €bn ¹⁾	FY 2014	FY 2015	FY 2016	Q1 FY 2016	Q2 FY 2016	Q3 FY 2016	Q4 FY 2016
Defined benefit obligation (DBO) on pension benefit plans	(35.0)	(36.3)	(41.6)	(36.7)	(38.4)	(40.8)	(41.6)
Fair value of plan assets	26.5	27.3	28.8	27.4	27.5	28.1	28.8
Funded status of pension plans	(8.5)	(9.0)	(12.8)	(9.3)	(10.9)	(12.7)	(12.8)
DBO on other post-employment benefit plans (mainly unfunded)	0.5	0.5	0.6	0.5	0.5	0.6	0.6
Discount rate²⁾	3.0%	3.0%	1.7%	3.0%	2.4%	1.9%	1.7%
Interest Income²⁾	0.8	0.8	0.8	0.2	0.2	0.2	0.2
Actual return on plan assets²⁾	2.9	0.5	3.3	0.2	0.9	1.0	1.2

1) All figures are reported on a continuing basis.

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

Financial calendar

November

November 10, 2016

Q4-Earnings Release and Analyst Call

November 11, 2016

Roadshow London

November 15 – 16, 2016

Roadshow Frankfurt, Paris

November 15 – 16

Roadshow Boston, New York

December

December 7, 2016

Shaping Digitalization. Innovation at Siemens (Munich)

January

January 10, 2017

Commerzbank German Investment Seminar (New York)

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