

**Q2 FY 2017**

**Another strong quarter – profitable growth continuing**

Ralf P. Thomas, CFO

Q2 FY 2017 Analyst Call | Munich, May 4, 2017

# 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.

## Q2 FY 2017

### Another strong quarter – profitable growth continuing



- **Successful closing of Siemens Gamesa merger and Mentor acquisition**
- **Orders +1% at €22.6bn despite tough comps - excluding €3.1bn Egypt orders up +17%  
Substantial volume from large orders and base orders clearly up**
- **Accelerated revenue growth to +5% supported by all Divisions; book-to-bill at 1.12x**
- **Strong quarter with 8 out of 9 Divisions in or above target range**
- **Industrial Business margin expansion to 12.1% (+120bps) driven by strong operational execution**
- **Net income stable at €1.5bn impacted by higher tax rate – EPS at 1.79€**
- **Strong Industrial Business free cash flow of €2.0bn, up 32% y-o-y**

# Major orders around the world secure further growth



## Energy Management (EM)



**HVDC solution example**

### HVDC link India

- India's first HVDC link in VSC<sup>1)</sup> technology to support government's vision of 24x7 power for all
- Combined order volume ~\$520m for Siemens and Sumitomo Electric

1) VSC: Voltage Sourced Converter

## Power & Gas (PG)



**SGT-A65 TR gas turbine**

### 12 industrial gas turbines for Argentina

- Four turnkey industrial power plants
- Combined capacity of ~690 MW
- Order volume ~\$570m incl. long-term service contract

## Wind Power and Renewables (WP)



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

### EnBW Hohe See, Germany

- 497 MW complete offshore wind power plant solution
- Delivery out of new Hull and Cuxhaven factories
- Grid connection in 2019
- Order volume ~€1.4bn

## Mobility (MO)



**Mireo mass transit platform**

### Rhine Valley network, Germany

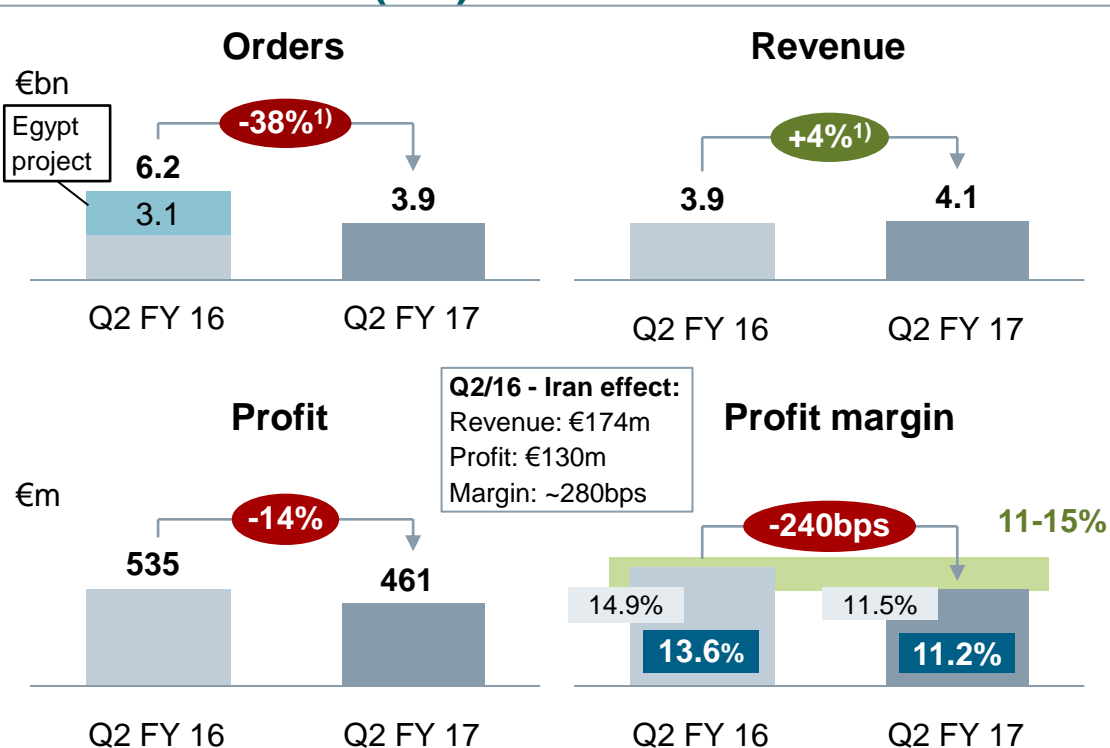
- First order for 24 trains based on the new Mireo platform
- 15 double-decker trainsets from the proven Desiro family
- Customer Deutsche Bahn

# PG: Stringent execution in a difficult global market environment

## WP: Capturing growth – excellent margin ahead of merger

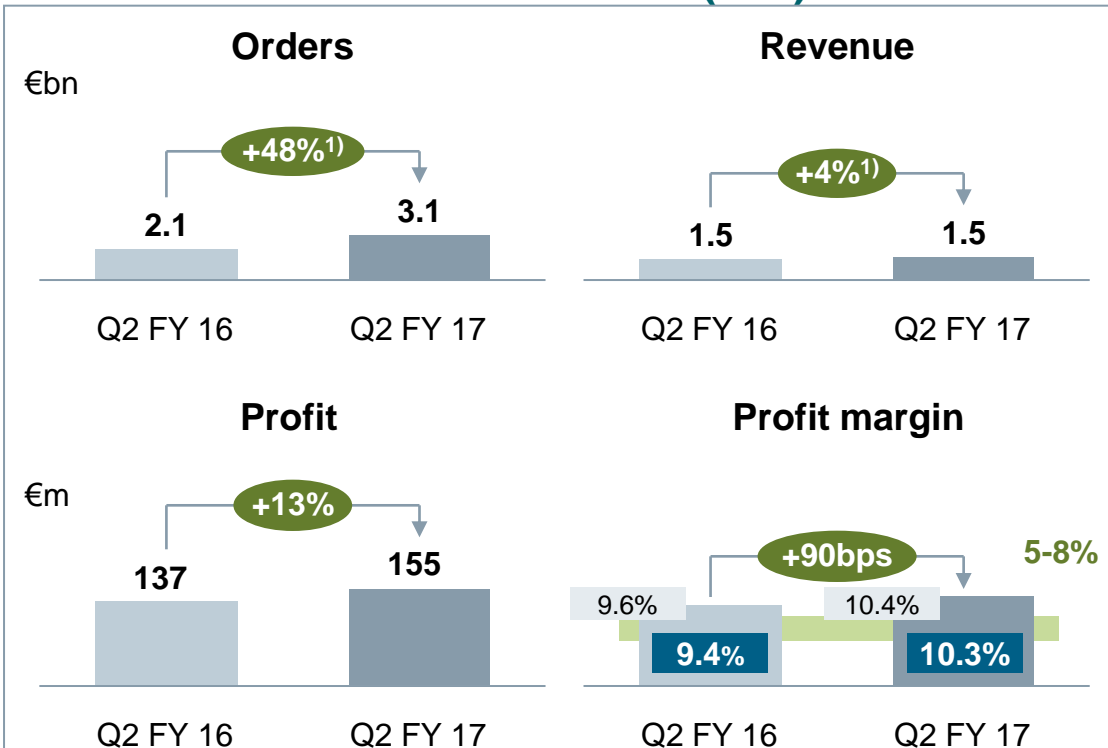


### Power and Gas (PG)



- Orders down due to tough comparables
- Revenue growth driven by rapid backlog conversion
- Strong execution & high service contribution

### Wind Power and Renewables (WP)



- Sharply higher volume from large orders
- Revenue growth in onshore and service
- Higher productivity & capacity utilization, strong execution

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

x.x%

Margin as reported

x.x%

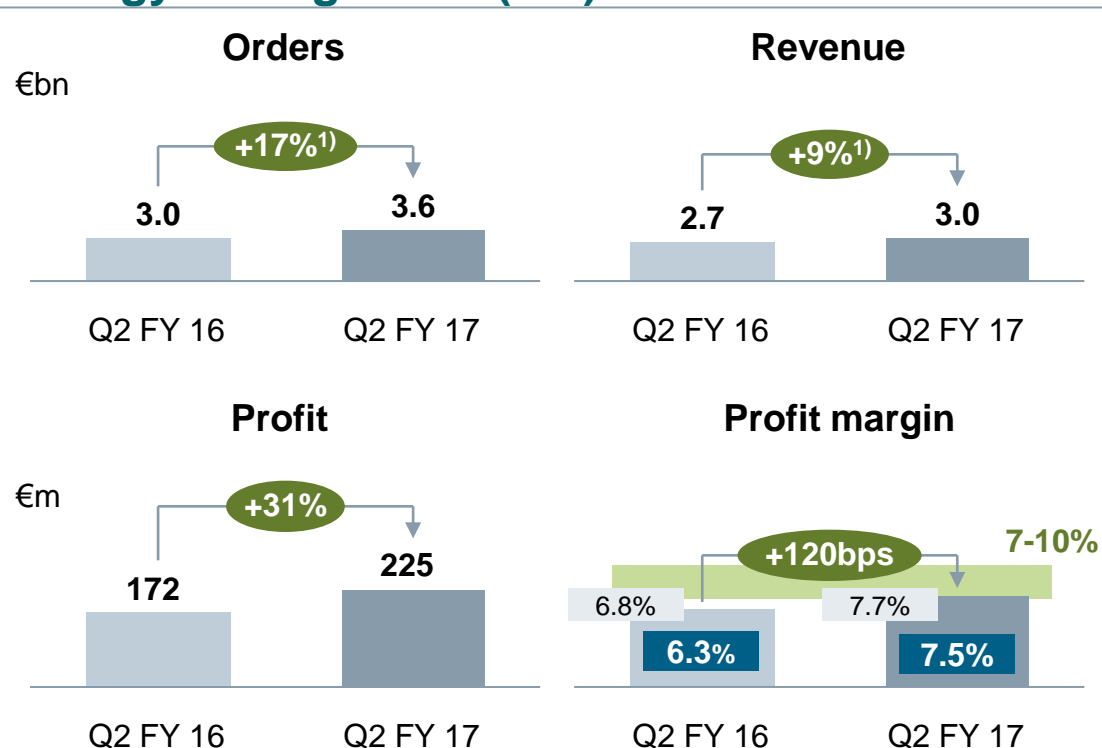
Margin excl. severance (and excl. integration cost D-R for PG only)

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# EM: Growth acceleration and margin expansion

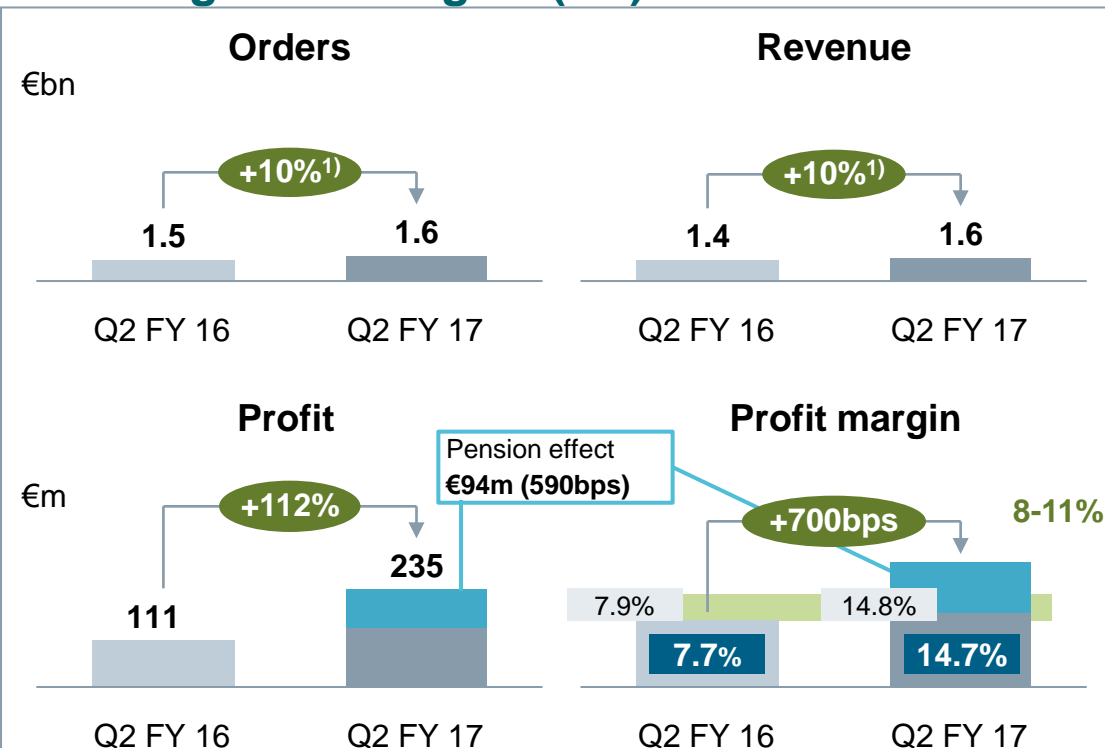
## BT: Continued outstanding performance across all metrics

### Energy Management (EM)



- High volume of large orders
- Global revenue growth, led by transmission
- Profitability up broad based, led by High Voltage Products

### Building Technologies (BT)



- Excellent top-line growth across all regions drove profitability

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

x.x%

Margin as reported

x.x%

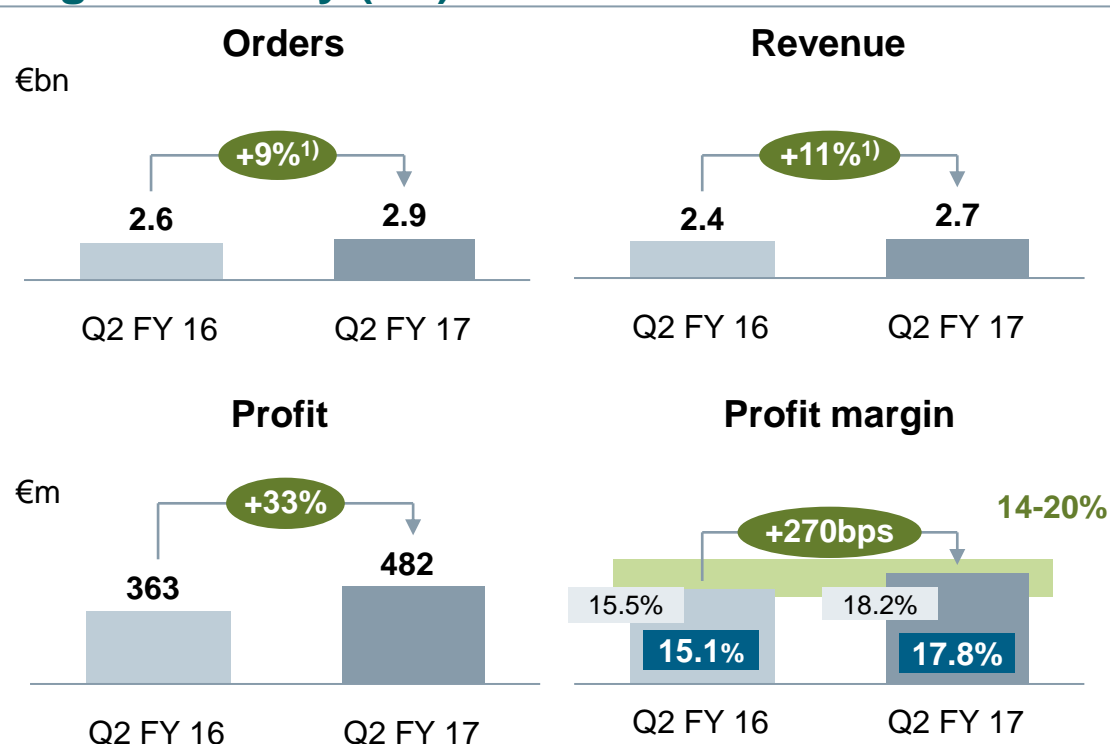
Margin excl. severance

# DF: Very strong short cycle momentum - clear market share gains

## PD: Operational progress - realignment continues

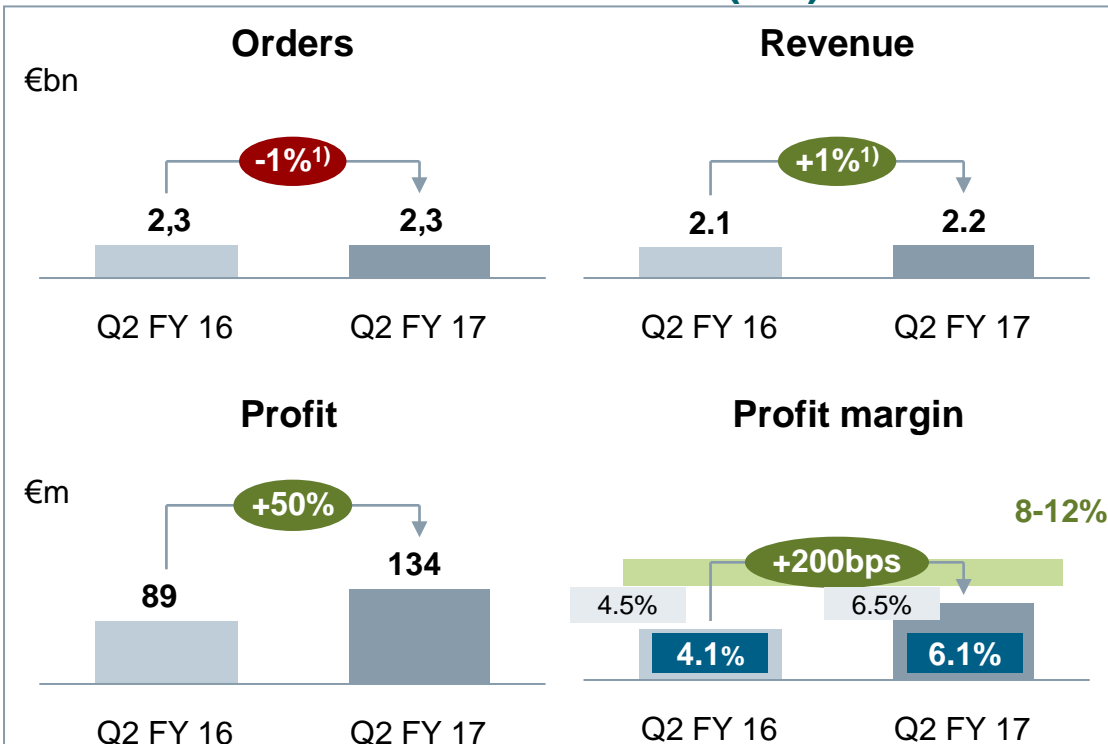


### Digital Factory (DF)



- Strong top-line growth and margin expansion driven by short cycle demand from automotive & machine building
- Top-line growth particularly in China and Europe

### Process Industries and Drives (PD)



- Growth in Process Automation offset by decline in commodity related businesses
- Higher margin Process Automation drives profitability

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

x.x%

Margin as reported

x.x%

Margin excl. severance

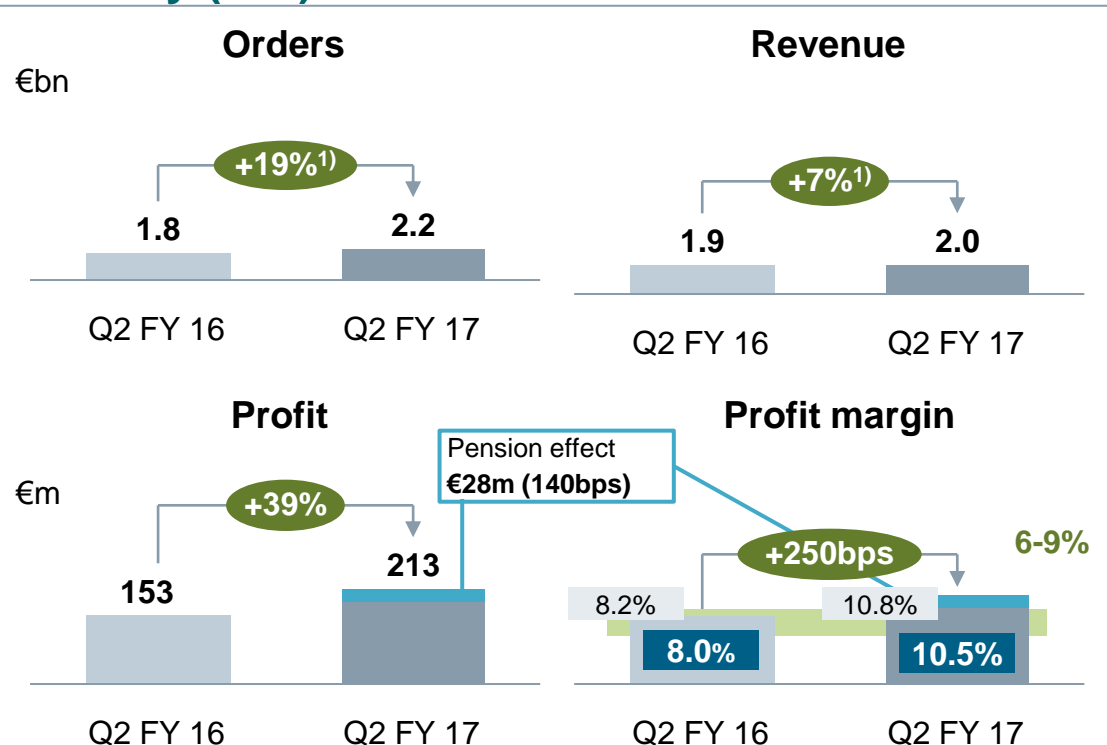
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# MO: Stringent execution and resumption of top line growth

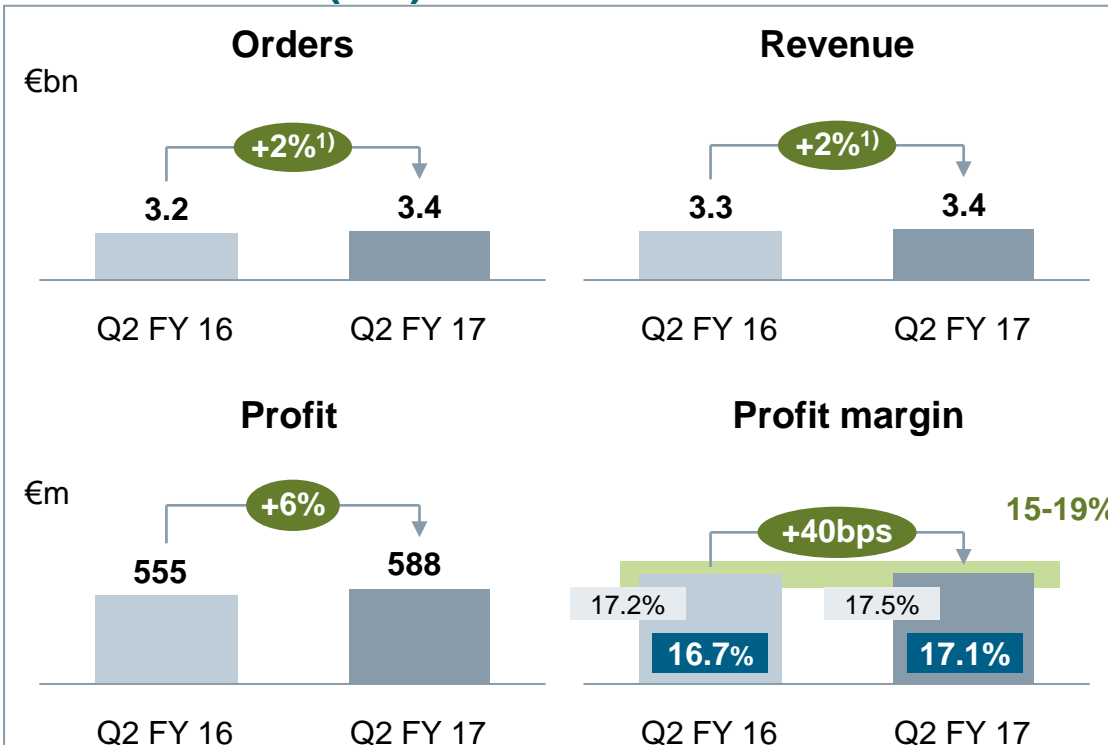
## HC: Solid performance with strength in Asia

### Mobility (MO)



- Broad based order growth with strong U.S. contribution
- Profit up on increased revenue and larger share from high margin rail infrastructure business

### Healthineers (HC)



- Double digit order growth in China
- Revenue growth driven by Diagnostic Imaging
- Final U.S. FDA clearance for Atellica™ Solution

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

x.x%

Margin as reported

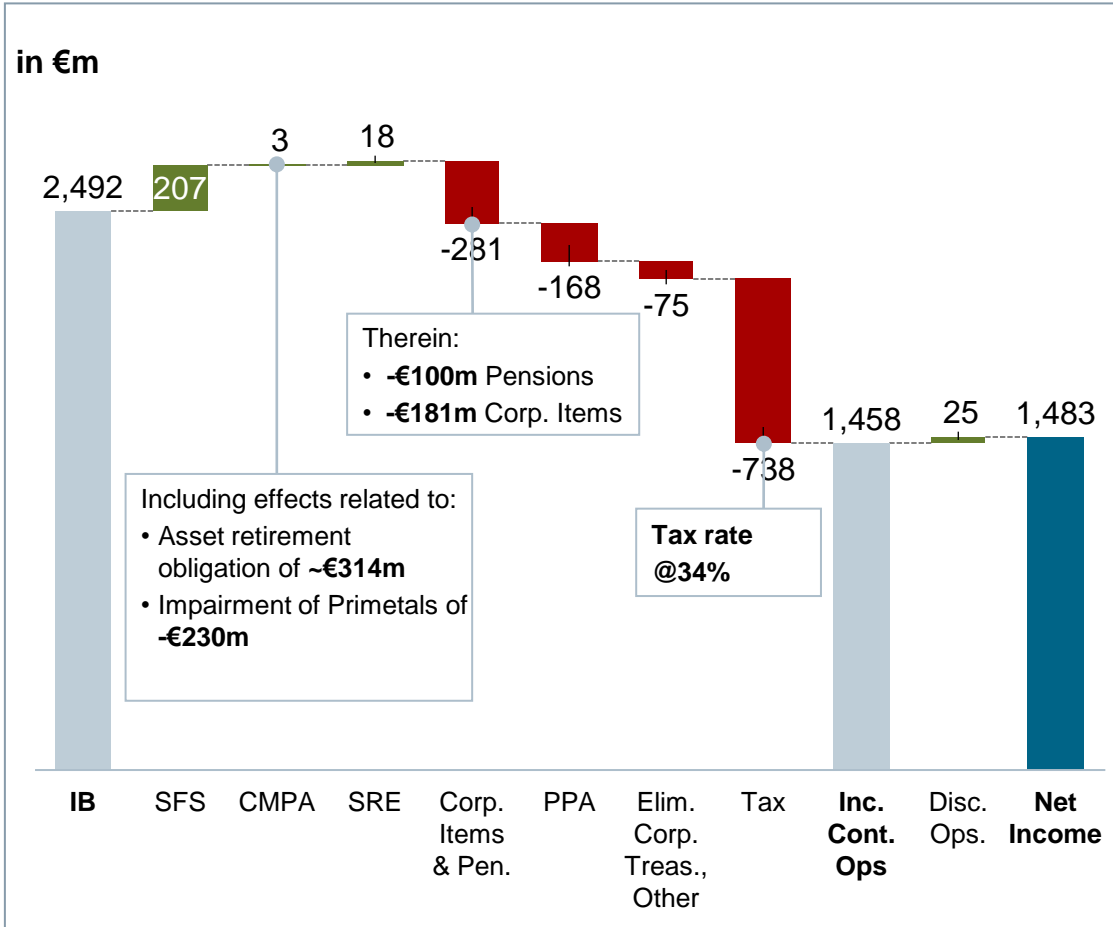
x.x%

Margin excl. severance



# Volatility at CMPA remains Mentor & Gamesa with additional PPA-effects in H2 FY 17

## Below Industrial Business – Q2 FY 2017

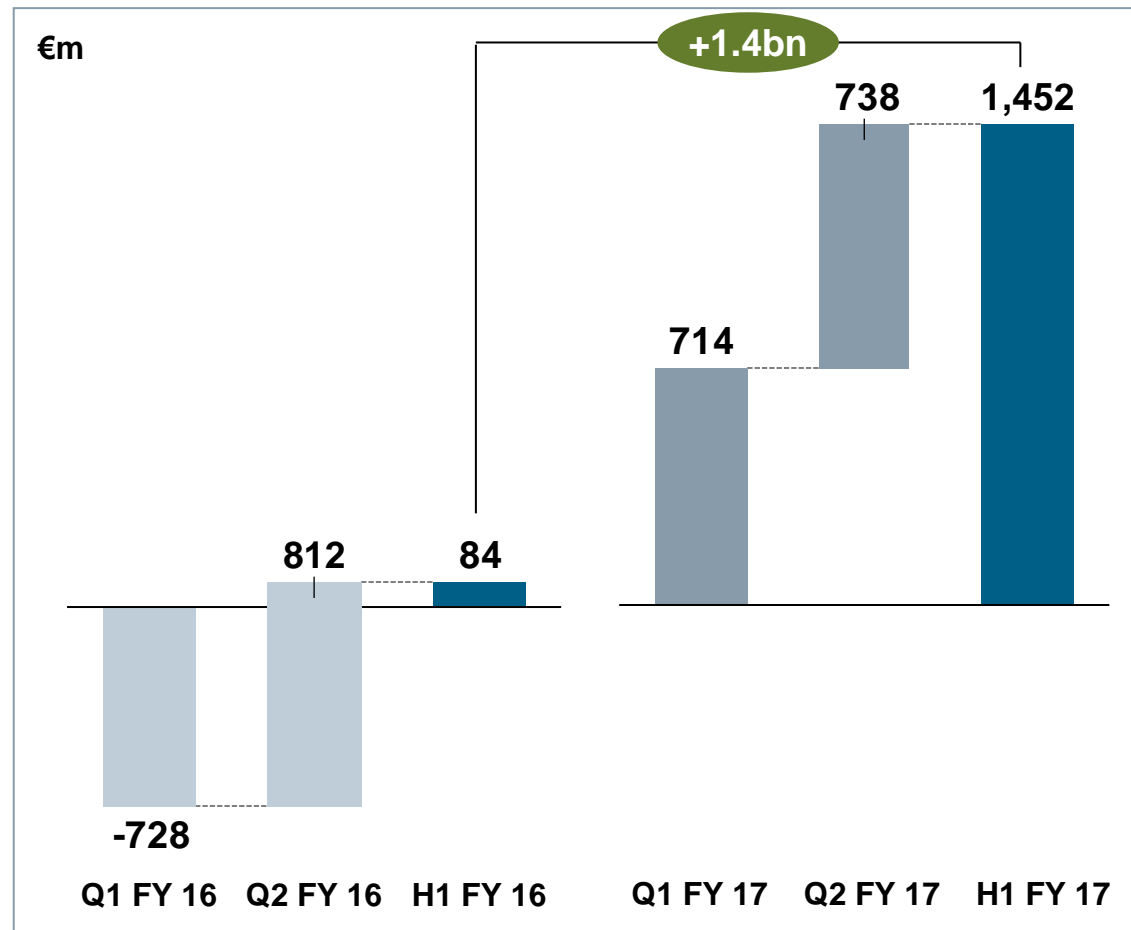


## Expectations for H2 FY 2017

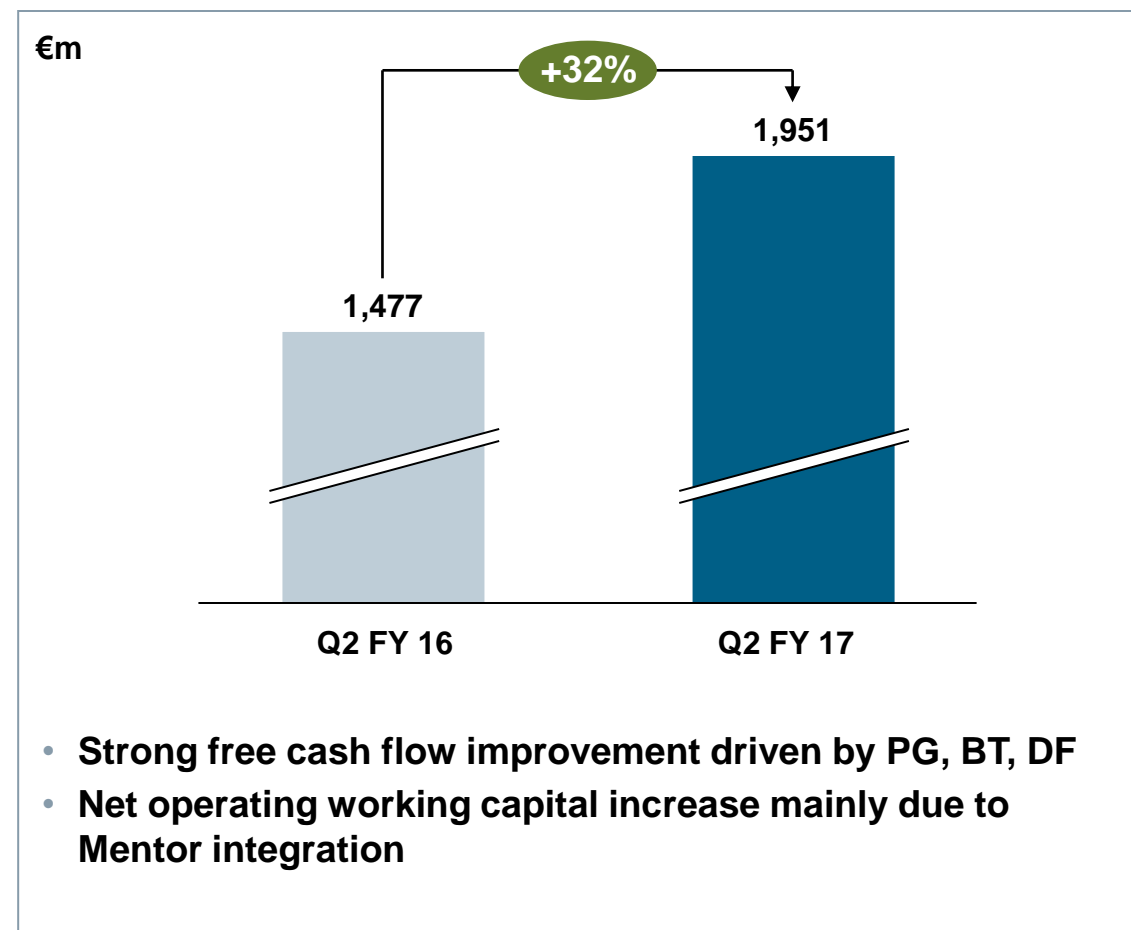
- **SFS:** H2 in line with prior year
- **CMPA:** includes other portfolio elements; volatility remains; H2 broadly in line with prior year
- **SRE:** H2 in line with prior year, dependent on disposal gains
- **Corporate Items:** H2 in line with prior year
- **Pension:** ~€125m per quarter
- **PPA:** in line with H1 FY 2017 plus additional effects of ~€0.3bn from Mentor and Gamesa
- **Elimination, Corporate Treasury, Other:** H2 in line with prior year, including higher interest expenses
- **Tax:** expect 26 – 30% for FY 2017

# Significant operational free cash flow improvement – Overall more balanced development

## Free cash flow



## Industrial Business free cash flow



# Siemens Vision 2020

## A strong foundation to drive profitable growth

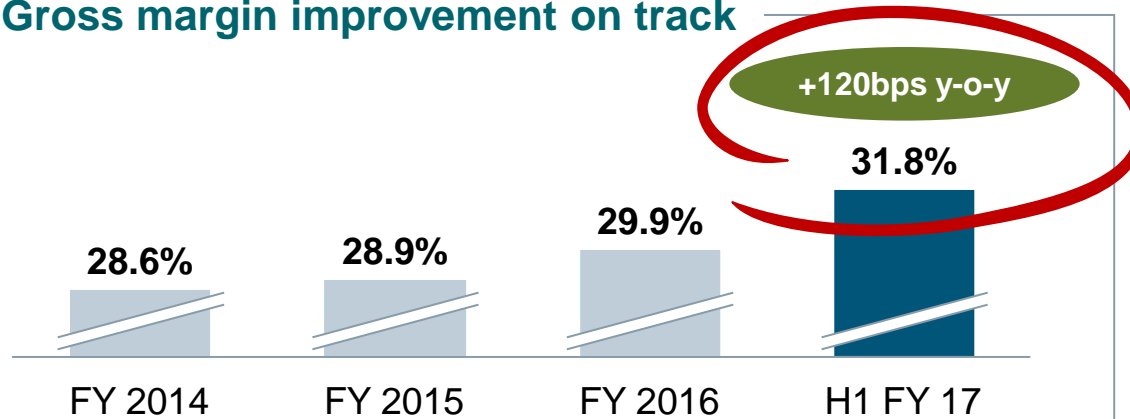
**SIEMENS**  
*Ingenuity for life*



# Continuous productivity drives operational performance – Siemens Operating Model key to ensure culture of adaptability

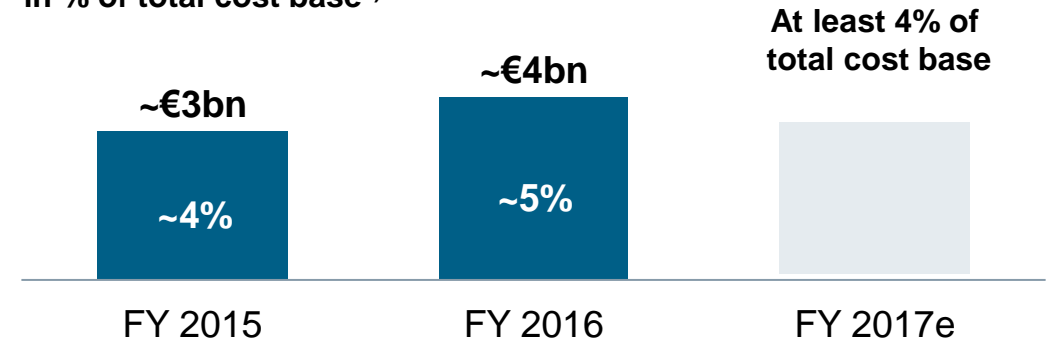


## Gross margin improvement on track



## Ongoing rigorous total cost productivity

in % of total cost base<sup>1)</sup>



Divisional productivity programs + Functional productivity initiatives

**Siemens Operating Model drives change towards a fast learning, innovative and agile company**



Sales  
Excellence



PLM and  
Innovation



Production  
and Logistics



Project  
Business



Service  
Business

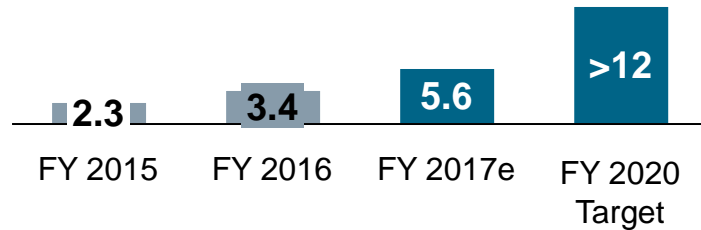
1) Total cost base: Sum of cost of sales, R&D and SG&A expenses

# Productivity deep dive: Supply chain management drives competitiveness

## SCM performance indicators

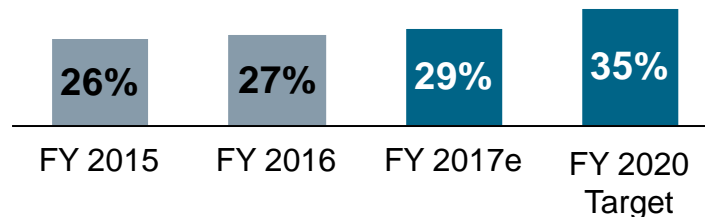
### Cost & Value Engineering (CVE)

in €bn



### Global Value Sourcing

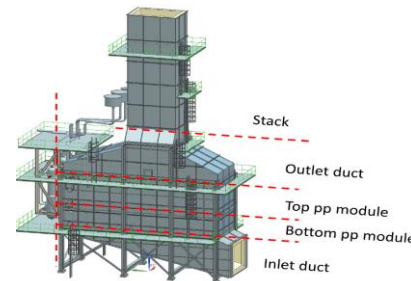
In % of procurement volume (~€40bn)



## Ramp up of Cost & Value Engineering on track

- **Cross functional** and **divisional** approach
- More than **200 CVE-experts operational**; >600 planned until 2020
- **Teamcenter Product Cost Management** software as backbone

### Example Power Generation



- **Project in Bolivia:** 22 Heat Recovery Steam Generators for SGT800 turbine
- Deep analysis of material & manufacturing process with suppliers and e-bidding
- **26% cost savings** versus initial offer

### Example Energy Management



- **Benchmark** of **internal factory** with external supplier
- Value flow optimization along lean principles
- **~30% savings potential** of manufacturing cost identified

# Siemens Software business strengthened by small bolt-on acquisition and partnership



## Mobility – Acquisition of HaCon



- **Implementation of Mobility digitalization strategy** to expand **intermodal digital offering**
- **Leading software provider** for **public transportation, mobility and logistics**
- **Trip planning software** used by more than **100 customers** in **~25 countries**
- **~300 employees**
- **Closing in first half of CY 2017 expected**

## Energy Management - Partnership with SAP



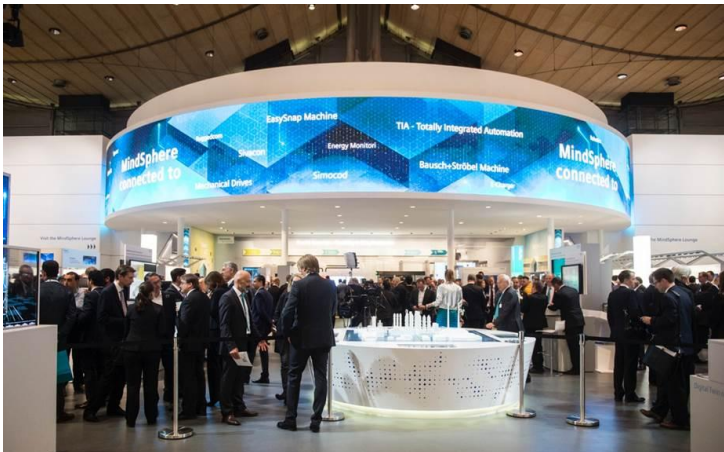
- **Global reseller agreement** between **SAP & Siemens**
- Siemens **Meter Data Management** solution **EnergyIP** combined with **SAP** for **utilities** solution
- Address **digital end-to-end scenarios** for utility customers in an increasingly **distributed energy landscape**
- Real-time processing of data will **change business models**

# Hanover Fair 2017

## Siemens is the frontrunner for the Digital Enterprise



(Copyright: adidas AG)



### Key highlights

Digital twin across the entire value chain –  
for products, for production and complete plants

R&D collaboration to digitalize the adidas  
SPEEDFACTORY

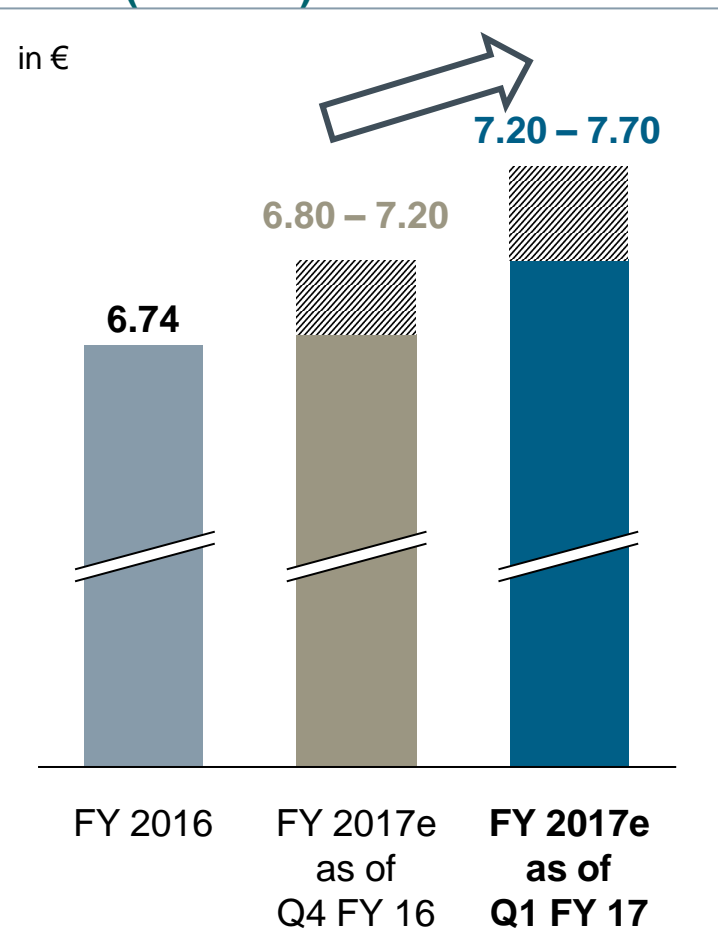
Rapid expansion of MindSphere ecosystem  
Around 70 million assets and connected sensors

Siemens part manufacturing platform for additive  
manufacturing announced



# Guidance FY 2017

## EPS (“all-in”)



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

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## Guidance Update

We **confirm our expectations** for **fiscal 2017** presented with our results for Q1 FY 2017.

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

We expect the **profit margin** of our **Industrial Business** in the **range of 11.0% to 12.0%**, and **basic EPS from net income** in the **range of €7.20 to €7.70**.

This outlook now **includes portfolio changes already closed by the middle of fiscal 2017**, particularly the **acquisition of Mentor Graphics** and the **Gamesa merger**, which are **expected to burden Industrial Business profit margin and basic EPS from net income in fiscal 2017**.

The outlook continues to exclude charges related to legal and regulatory matters as well as potential burdens associated with pending portfolio matters.

# Appendix



# 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>

**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

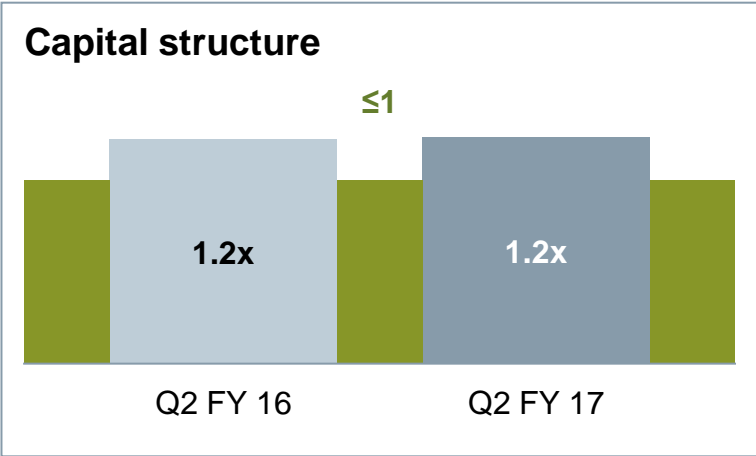
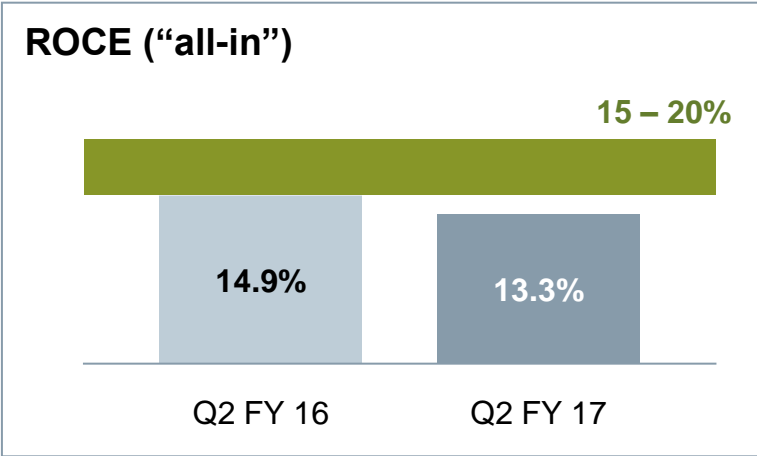
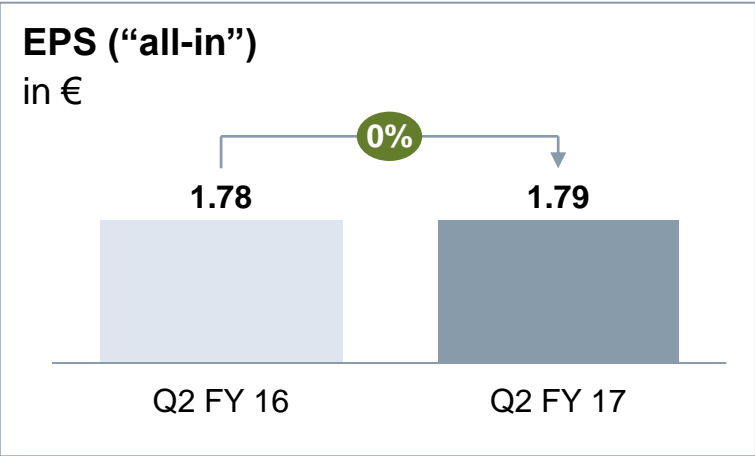
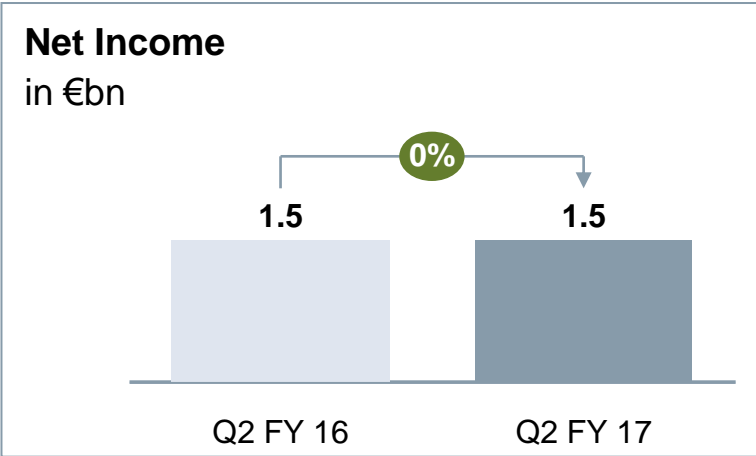
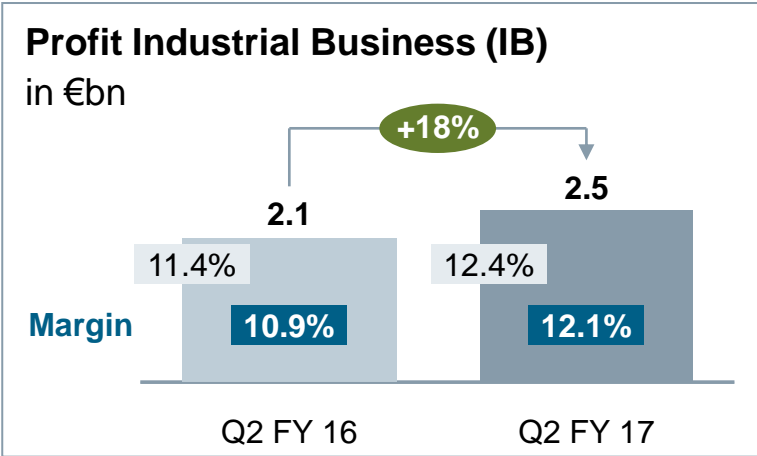
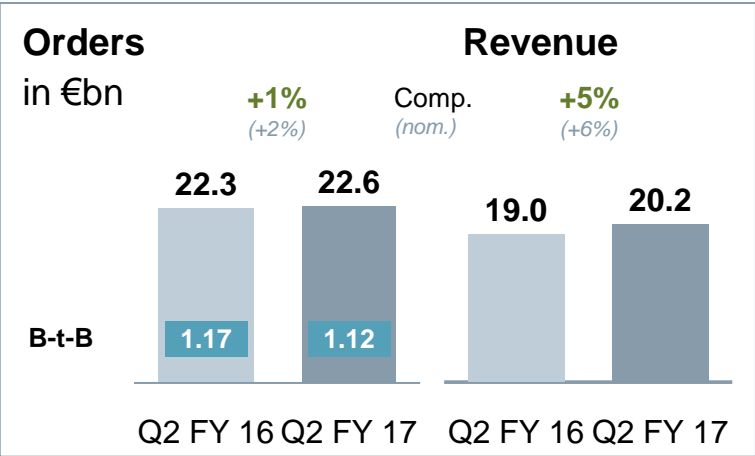
# Siemens Vision 2020

## Clear intents for our seven overarching goals



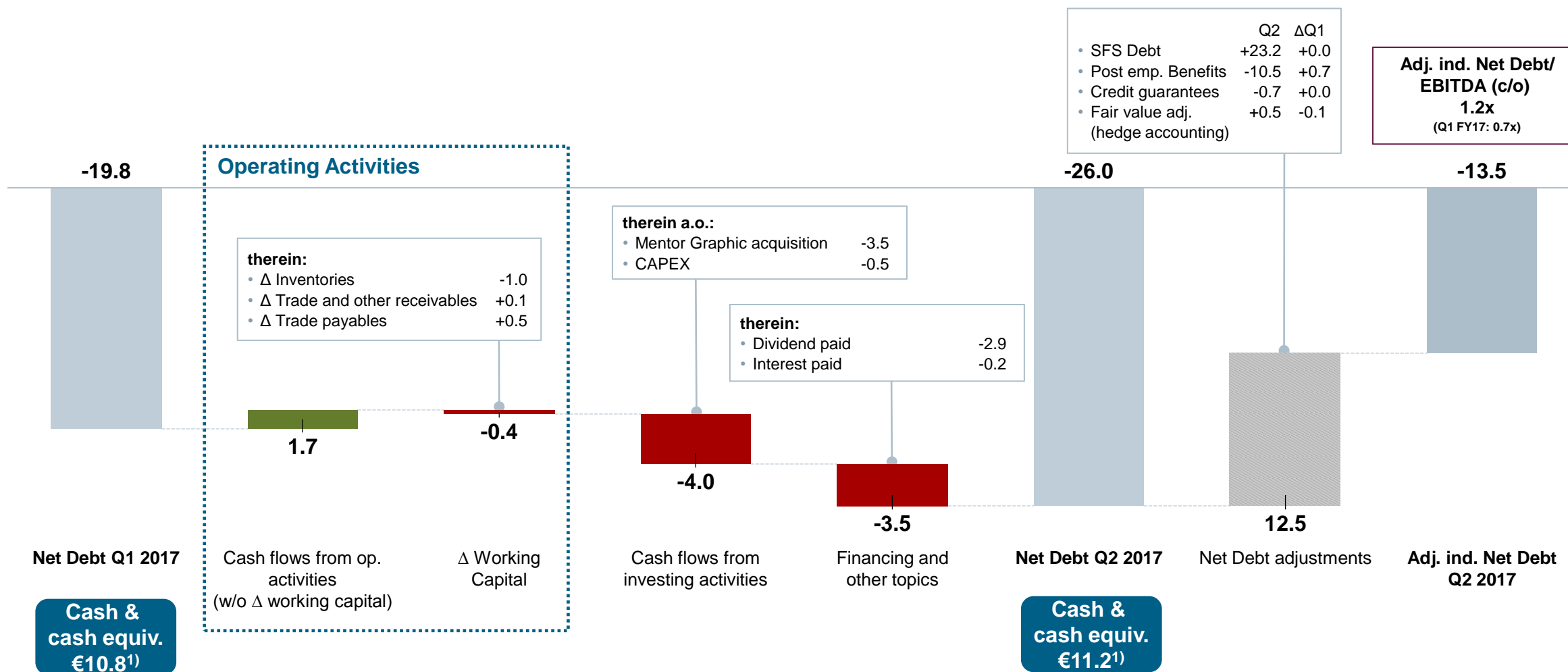
GOAL	INTENT	KPI
<b>1</b> Implement stringent company governance with effective support functions	Live lean governance and drive continuous optimization	 €1bn cost savings by FY 2016 achieved Continued productivity of 3-5%
<b>2</b> Strengthen portfolio	Sharpen our business focus in electrification, automation, and digitalization	 Tap growth fields > 8% margin in underperforming businesses
<b>3</b> Execute financial target system	Grow our company value	 15-20% ROCE Growth > most relevant competitors
<b>4</b> Expand global management	Get closer to our customers and markets	 > 30% of Division and BU management outside Germany
<b>5</b> Be a partner of choice for our customers	Foster an intimate and trusting partnership with our customers	 ≥ 20% improvement in Net Promoter Score
<b>6</b> Be an employer of choice	Unleash the full potential of our people	 > 75% approval rating in leadership and diversity in SGES
<b>7</b> Foster Ownership Culture	Ignite pride and passion for Siemens, through a new mindset and equity ownership	 ≥ 50% increase in number of employee shareholders

# Financial cockpit – Q2 FY 2017



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

# Net debt bridge – Q2 FY 2017



1) Including current available-for-sale financial assets

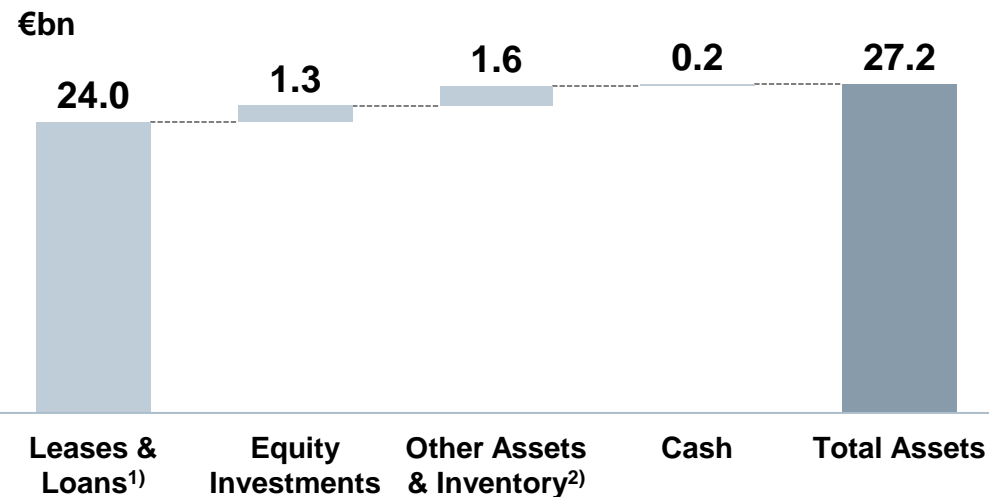
# SFS Key figures – Q2 FY 2017



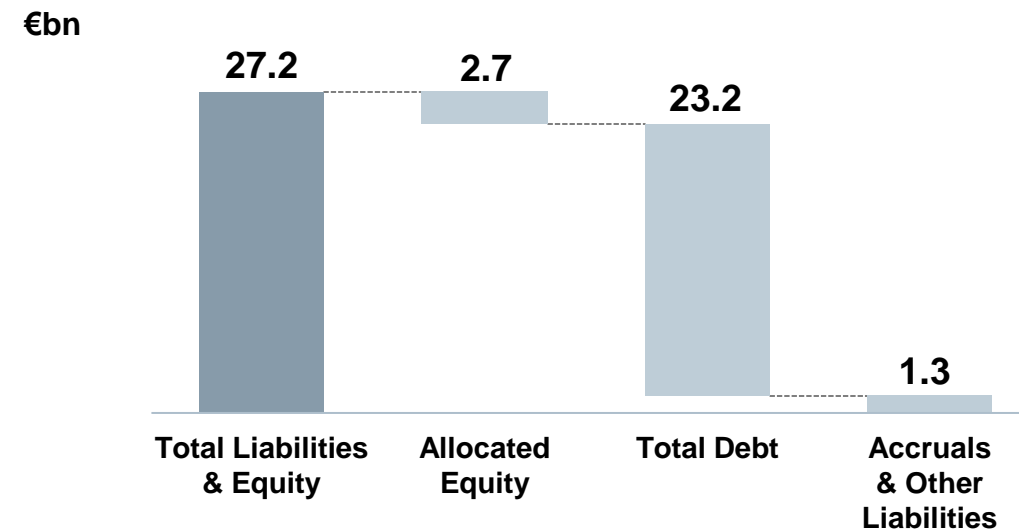
## Key financials SFS

• Assets	€27.2bn
• Income before income taxes	€207m
• Return on Equity after tax	26.3%
• Operating and Investing Cash Flow	€171m

## 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



# Provisions decreased in Q2, mainly due to slightly increased discount rate assumptions and strong equity performance



## Q2 FY 2017 Key financials – Pension and similar obligations

in €bn <sup>1)</sup>	FY 2014	FY 2015	FY 2016	Q1 FY 2017	Q2 FY 2017
<b>Defined benefit obligation (DBO)<sup>2)</sup></b>	(35.6)	(36.8)	(42.2)	(39.0)	(38.4)
<b>Fair value of plan assets<sup>2)</sup></b>	26.3	27.1	28.7	28.1	28.1
<b>Provisions for pensions and similar obligations</b>	<b>(9.3)</b>	<b>(9.8)</b>	<b>(13.7)</b>	<b>(11.1)</b>	<b>(10.5)</b>
<b>Discount rate</b>	3.0%	3.0%	1.7%	2.3%	2.3%
<b>Interest Income</b>	0.8	0.8	0.8	0.1	0.1
<b>Actual return on plan assets</b>	2.9	0.5	3.3	-0.5	0.3

1) All figures are reported on a continuing basis.

2) Fair value of plan assets including effects from asset ceiling (Q2 2017: €-0.1bn); difference between DBO and fair value of plan assets additionally resulted in net defined benefit assets (Q2 FY 2017: €+0.2bn); Defined Benefit Obligation (DBO), including other post-employment benefit plans (OPEB)

**Note:** Beginning with fiscal 2017, we report 'provisions for pensions and similar obligations' as presented in the Consolidated Statements of Financial Position, which also include Siemens' underfunding of other post-employment benefit plans. Prior years are presented on a comparable basis.

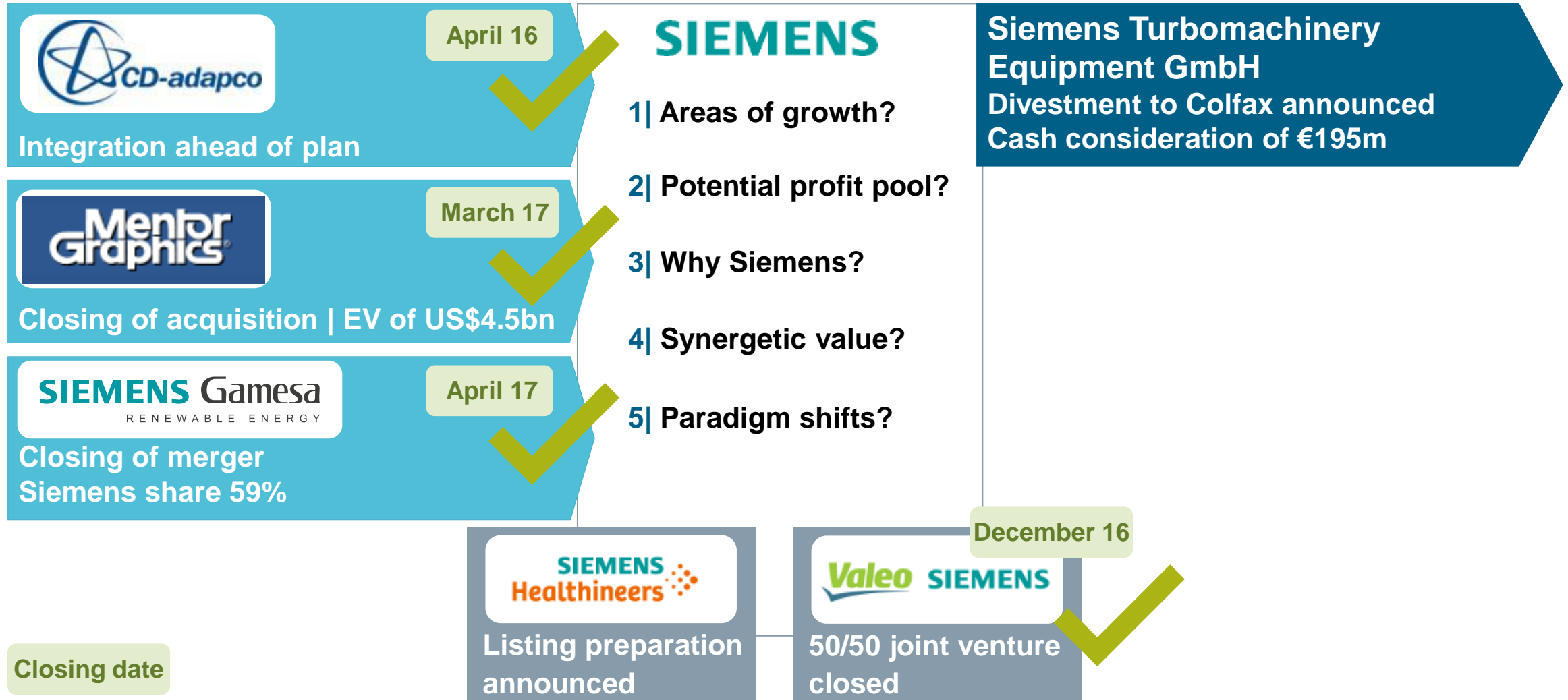
# Executing Vision 2020

## Underperforming businesses on track to meet FY 17 expectations

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



# Executing Vision 2020 – Portfolio strengthening continues along our strategic imperatives




# Merger of Siemens Wind Power and Gamesa closed as planned



## Transaction description & rationale

- **Merger** of the entire **Siemens Wind Power** business incl. Service with **Gamesa** closed on **April 3, 2017**
- Creation of a global **leader in the wind power industry** with a **well balanced geographic footprint** and a **large installed base**
- **New management team appointed** with **Ignacio Martín** as **CEO** for the transition phase and **Andrew Hall** as **CFO**
- **Announcement of Rosa García** as **non-executive Chairwoman** of the combined company's Board of Directors
- **New company brand** reflects strenghts of united company
- **Ownership: Siemens 59%**, Iberdrola ~8%, free float ~33%
- **Global HQ and listing in Spain**
- Siemens to **fully consolidate** the combined and listed entity **as of Q3 FY17**

## Key figures (pro forma, LTM Dec 2016; source prospectus)

	 <b>Combined business<sup>1)</sup></b>
Installed Base	<b>75 GW</b>
Backlog	<b>€21bn</b>
Revenue	<b>€11bn</b>
LTM recurrent EBIT	<b>€1.1bn</b>
LTM recurrent EBIT Margin	<b>9.7%</b>
Synergies	<b>€230m EBIT</b> full impact in year 4 post closing

1) Excluding transaction adjustments (e.g. effects from purchase accounting), incl. Adwen; EBIT adjusted for normalization items (-€6m) and stand-alone effects (+€121m), excluding synergies

# Financial calendar

## May

**May 4-5, 2017**

Roadshow UK (London)

**May 8, 2017**

Roadshow Germany (Frankfurt)

**May 15, 2017**

Healthineers Teach-In call (Webcast)

**May 31, 2017**

Roadshow Canada (Toronto) and U. S. (New York)

## June

**June 16, 2017**

JP Morgan European Capital Goods CEO Conference (London)

## August

**August 3, 2017**

Q3 Earnings Release





## Investor Relations

**Internet:** [www.siemens.com/investorrelations](http://www.siemens.com/investorrelations)

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