

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

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

# We delivered

## FY 2016 Outlook

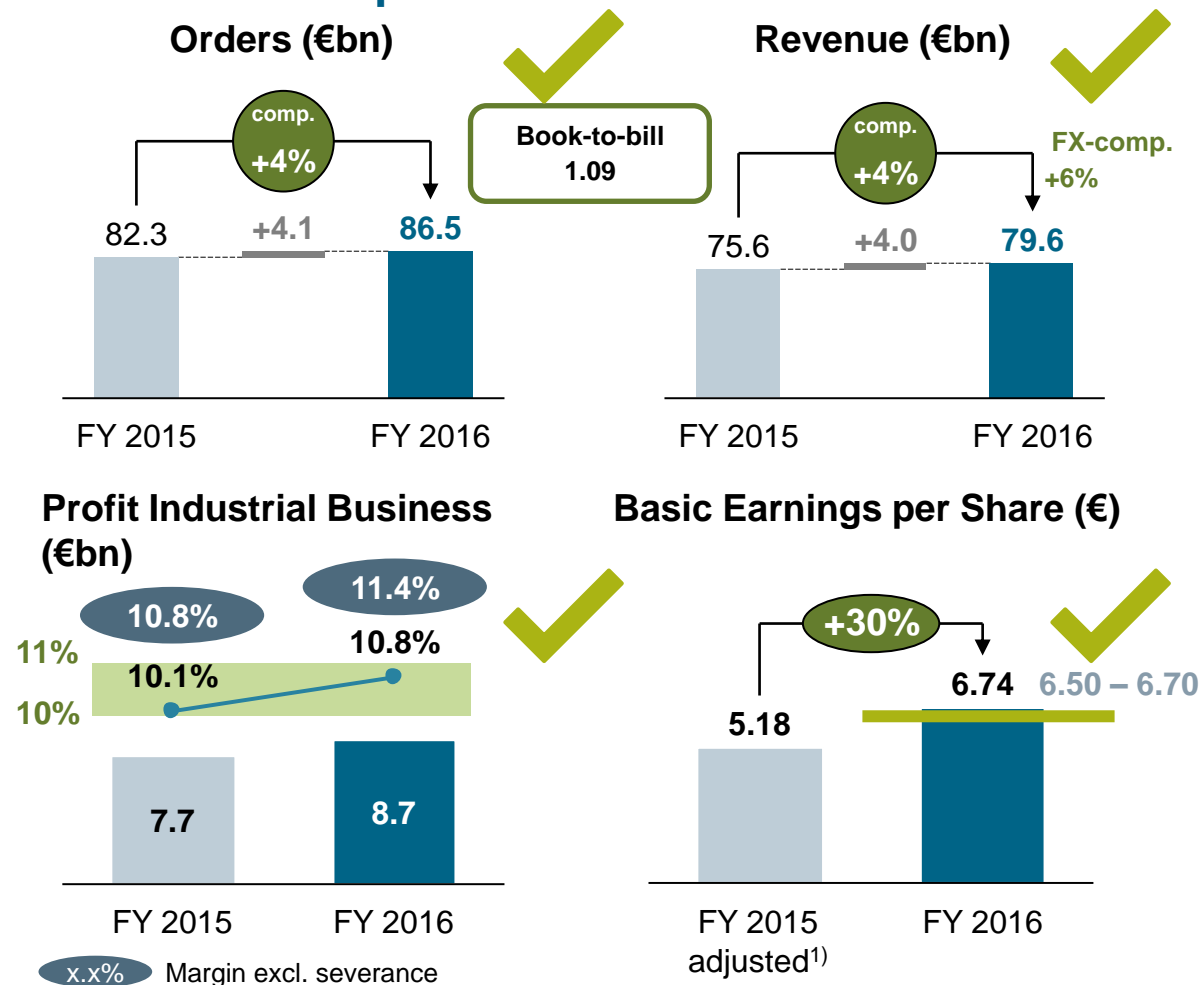
We raise our previous expectation for basic EPS from net income in the range of €6.00 to €6.40 to the range of €6.50 to €6.70.

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.

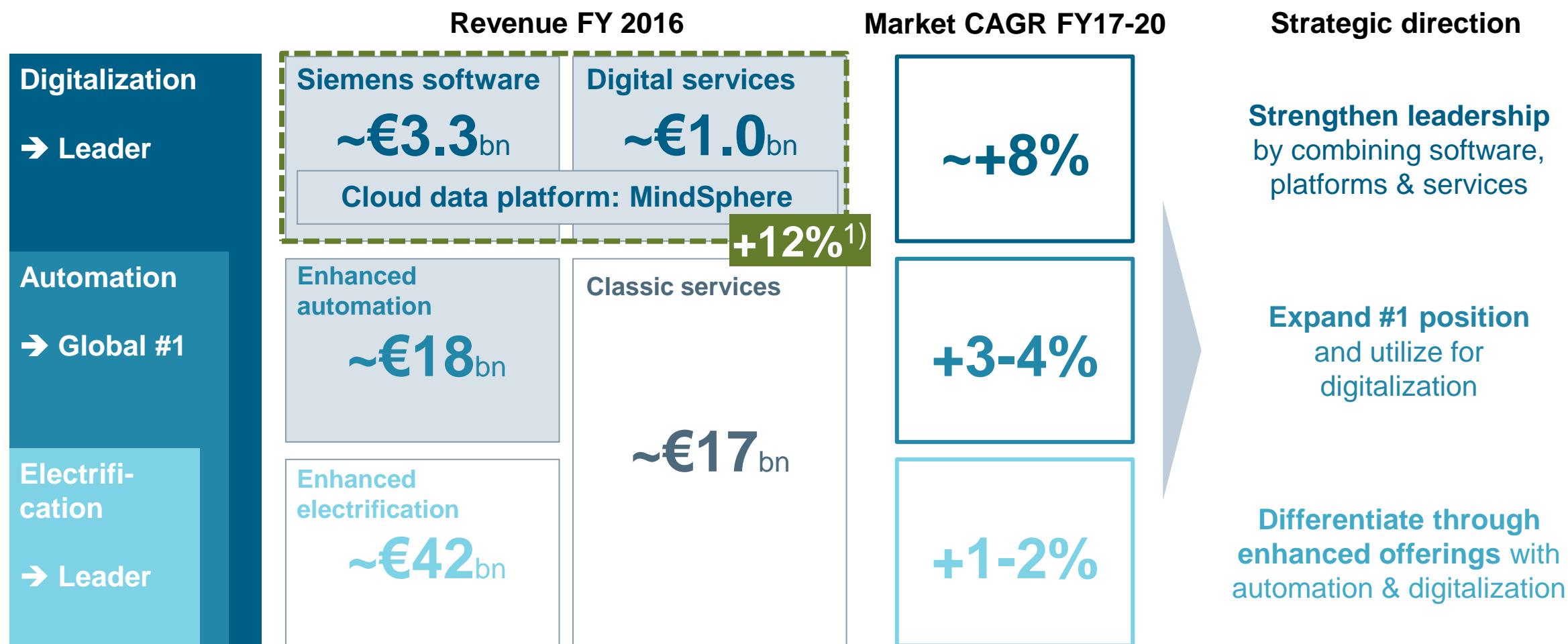
For our Industrial Business, we continue to expect a profit margin of 10% to 11%.

## 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

# Our focus is E-A-D – and there is strong growth in “D”



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

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## Cooperation with Argentina intensifies



Image copyright: "Presidencia de la Nacion" (Argentina)

- Focus on energy, transport, intelligent cities
- Potential financing and investment of up to €5 billion
- Up to 10,000 direct and indirect jobs



# Mega project Egypt on track



- 12 H-class gas turbines delivered
- 4.4 GW to be connected to grid by December 2016
- 14.4 GW in combined cycle to be connected to grid by May 2018

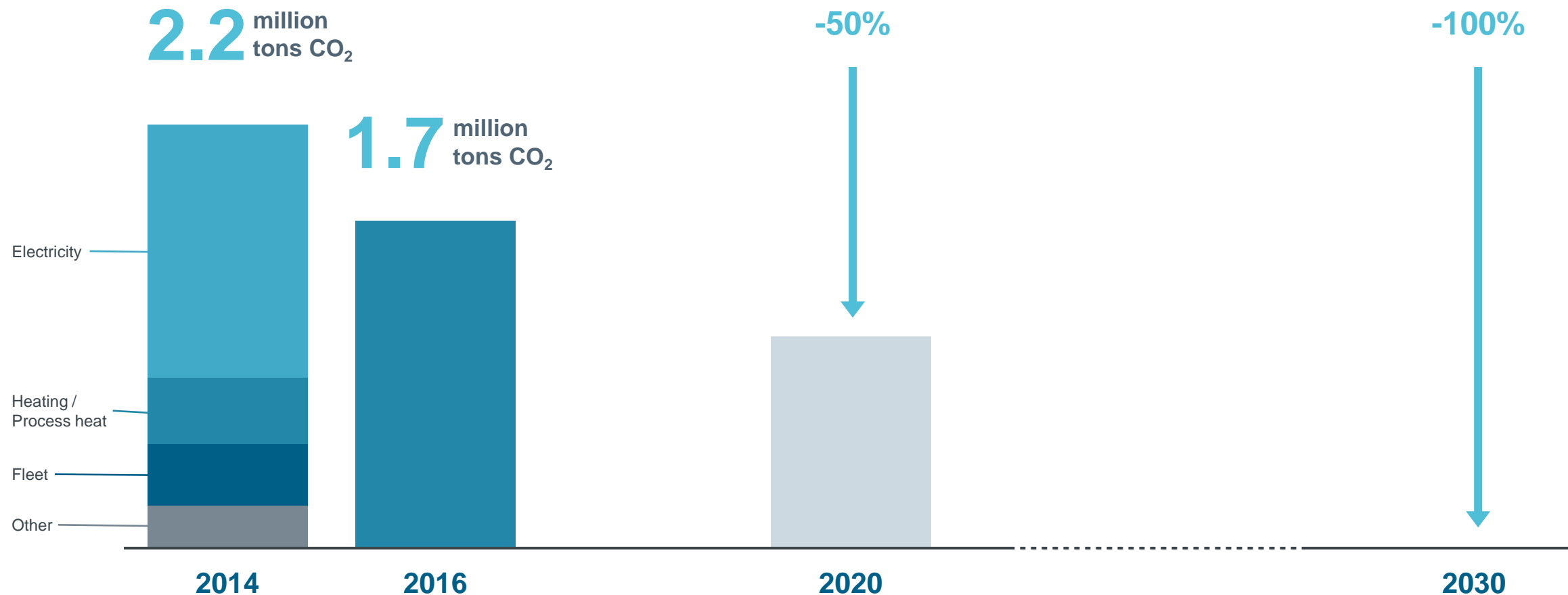


# World premiere of ICE 4



- €5.3 bn: Biggest rail order in Siemens history
- Stringent project execution
- More comfort; lower energy consumption
- Regular service from December 2017

# We're reducing our carbon footprint faster than expected





## Q4 2016 – Siemens

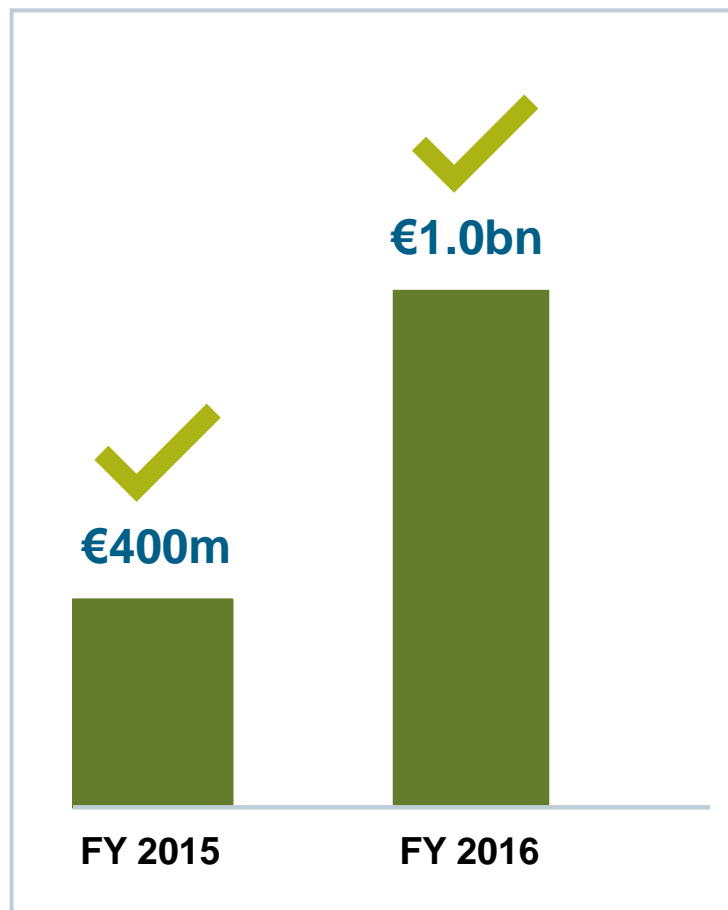
- Double-digit increases in Net income and basic EPS
- Profit increases in most Divisions
- 8 out of 9 divisions in or above profit margin range
- Revenue up by 5% on a comparable basis
- Orders decrease due to lower volume from large orders, particularly in PG and WP; excluding change in large order volume, orders grew moderately

## Q4 2016 – Divisions

- PG: revenue growth driven by large Egypt orders; market environment continues to be challenging
- WP: new-unit business at Offshore prospering, increase in revenue, continued high profitability
- EM: volume and profit growth; profitability improvement at a majority of businesses
- BT: again strong order growth, strong year-end quarter
- DF: software business drives volume growth, profit on record level
- PD: ongoing weakness in commodity-related markets burdens volume and profit; profit impact from previously announced capacity adjustment measures
- MO: solid project execution, strong profit margin
- Healthineers: strong revenue and profit development in diagnostic imaging

# €1bn cost savings achieved ahead of plan

## Cumulated savings achieved

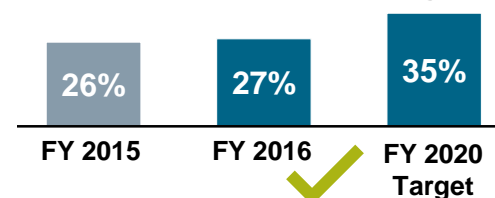


## Total cost productivity of 3–5% on track

### Key value driver SCM

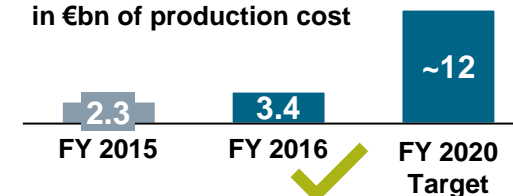


#### Global Value Sourcing



#### Cost and Value Engineering

in €bn of production cost



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

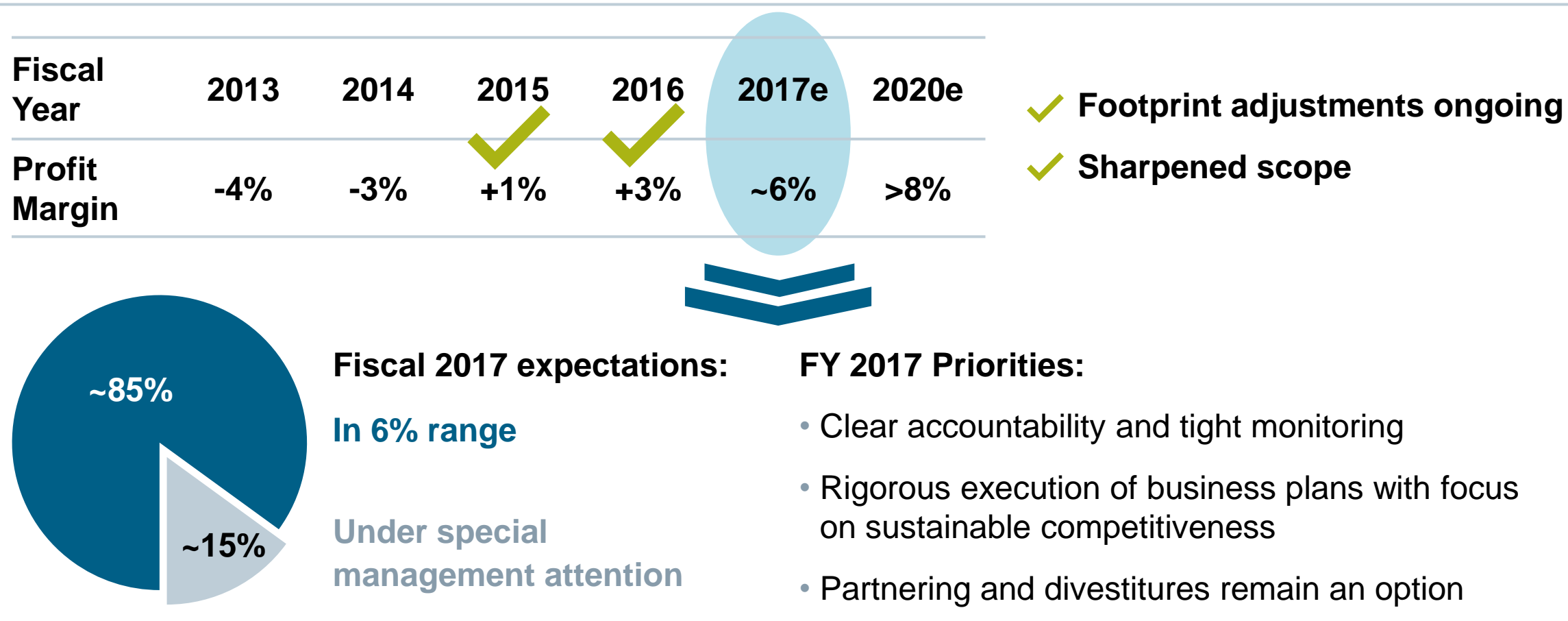
### Key value driver IT



- **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**

# Underperforming businesses on clear improvement trajectory

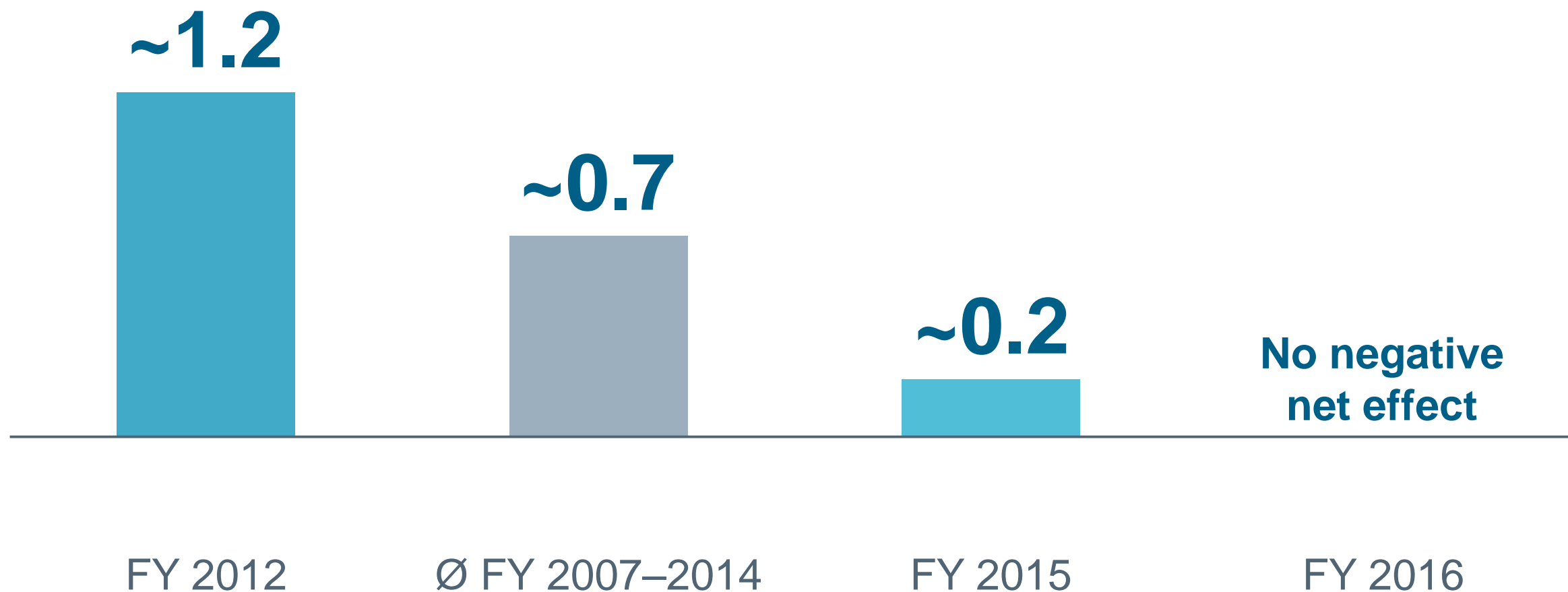
## Underperforming businesses (~€14.5bn revenue in FY 2016)





## Project charges have continuously Declined

Project charges in Industrial Business in billions of €



# Vision 2020 is on track



# 125 years of training at Siemens

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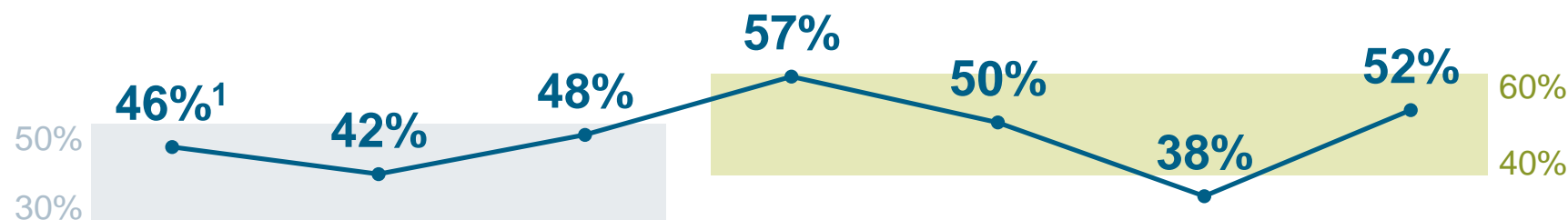




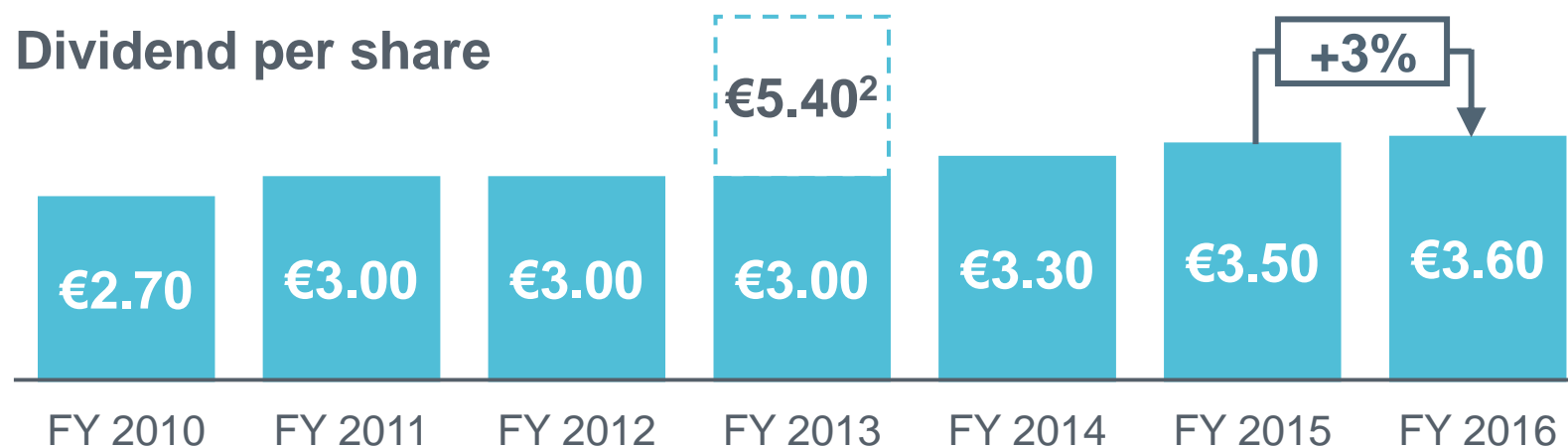
## We'll be proposing an attractive dividend

Pay-out ratio commitment of 40-60% / Dividend yield of 3.5%

### Dividend payout ratio



### Dividend per share



- 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)

<sup>1</sup> Adjusted for exceptional non-cash items: 2010: impairments at DX; 2012: impairments at Solar and NSN restructuring

<sup>2</sup> Effect of OSRAM stock distribution to shareholders of €2.40 per share; not reflected in dividend payout ratio

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



# From good to great to fascinating



Good



Great



Fascinating



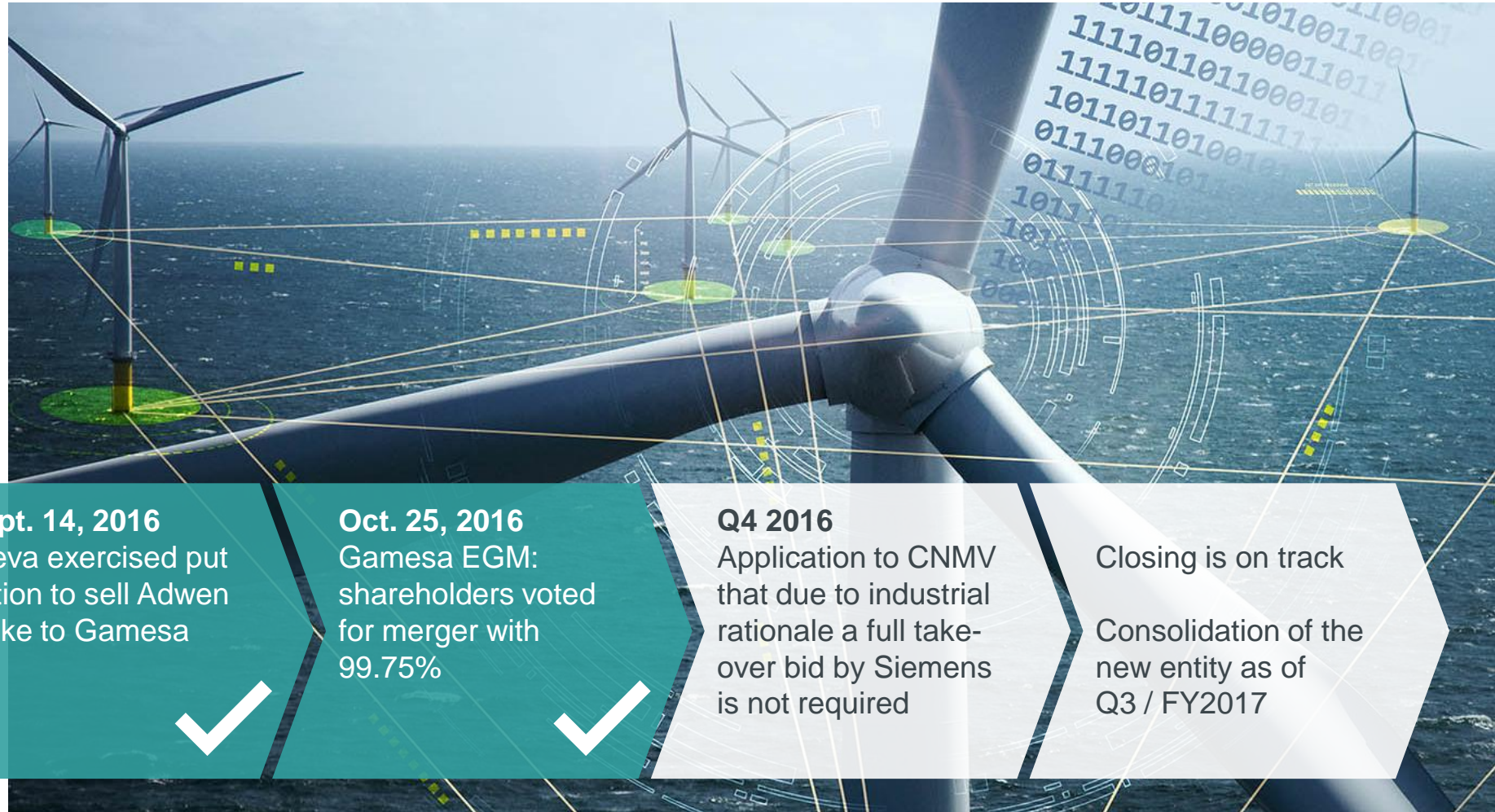
Listing under  
preparation



# Merger of Siemens Wind Power with Gamesa will create a leading wind industry player

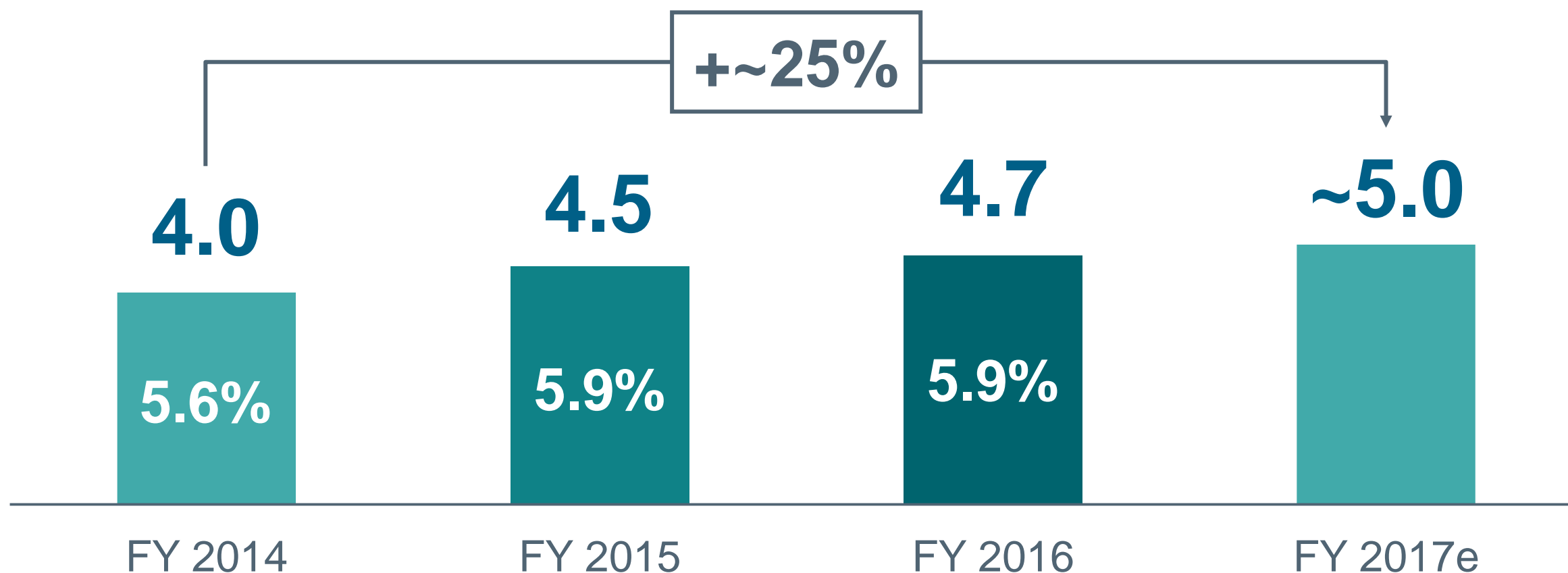
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- Well diversified between offshore and onshore
- Balanced geographical footprint
- Transaction website: [windpowerpioneer.com](http://windpowerpioneer.com)



## We're increasing R&D spending

Research and development spending in billions of €  
in percent of revenue

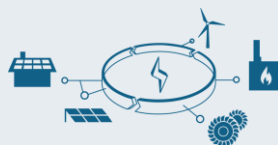


And we're disrupting

next 47

- Launched in October 2016
- Hubs in Berkeley, Munich, Tel Aviv, Shanghai
- Lak Ananth appointed as Managing Partner

€1 billion funding over 5 years. Investment in young, fast growing companies in selected innovation fields<sup>1</sup>



Distributed  
electrification



Artificial  
intelligence



Connected  
(e-)mobility



eAircraft



Autonomous  
machines



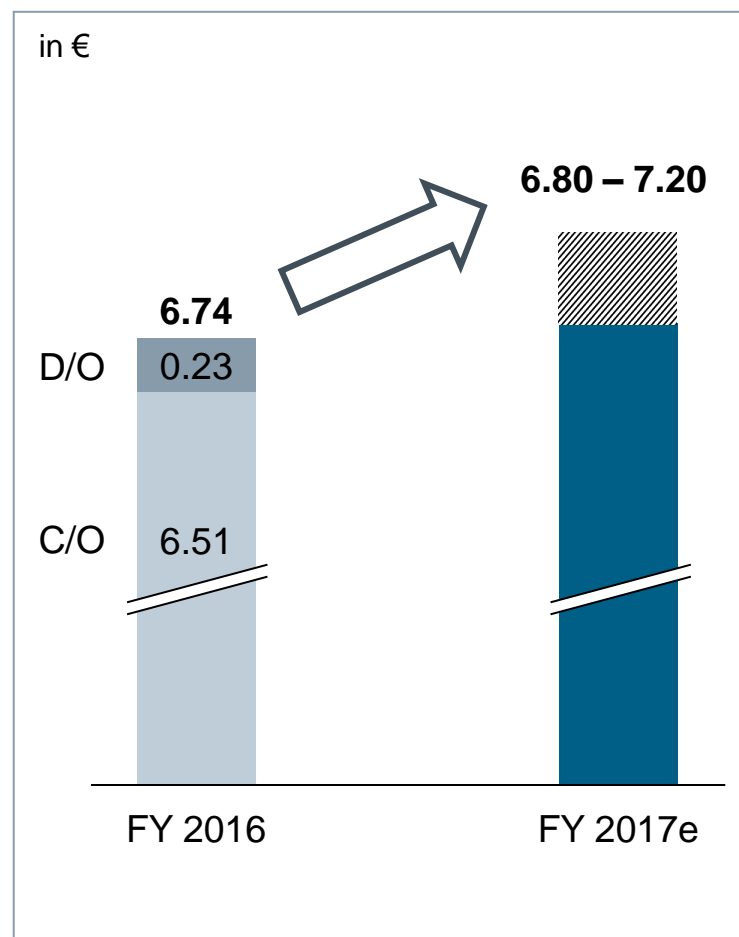
Block-chain  
applications

...



# Guidance Fiscal Year 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.

# Attachment

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# One Siemens Financial Framework

## Clear targets to measure success and accountability

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### 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

# Underfunding for Siemens' pension plans increased to -€12.8bn in Q4 FY 2016

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

in €bn <sup>1)</sup>	FY 2014	FY 2015	FY 2016	Q1 FY 2016	Q2 FY 2016	Q3 FY 2016	Q4 FY 2016
<b>Defined benefit obligation (DBO) on pension benefit plans</b>	(35.0)	(36.3)	(41.6)	(36.7)	(38.4)	(40.8)	(41.6)
<b>Fair value of plan assets</b>	26.5	27.3	28.8	27.4	27.5	28.1	28.8
<b>Funded status of pension plans</b>	<b>(8.5)</b>	<b>(9.0)</b>	<b>(12.8)</b>	<b>(9.3)</b>	<b>(10.9)</b>	<b>(12.7)</b>	<b>(12.8)</b>
<b>DBO on other post-employment benefit plans (mainly unfunded)</b>	0.5	0.5	0.6	0.5	0.5	0.6	0.6
<b>Discount rate<sup>2)</sup></b>	3.0%	3.0%	1.7%	3.0%	2.4%	1.9%	1.7%
<b>Interest Income<sup>2)</sup></b>	0.8	0.8	0.8	0.2	0.2	0.2	0.2
<b>Actual return on plan assets<sup>2)</sup></b>	2.9	0.5	3.3	0.2	0.9	1.0	1.2

1) All figures are reported on a continuing basis.

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

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