Q1 FY 2017 – Siemens continues on road to success – earnings outlook raised

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Q1 FY 2017 Analyst Call | Munich, February 1, 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.

Q1 FY 2017 – Strong execution of Vision 2020 drives profitability

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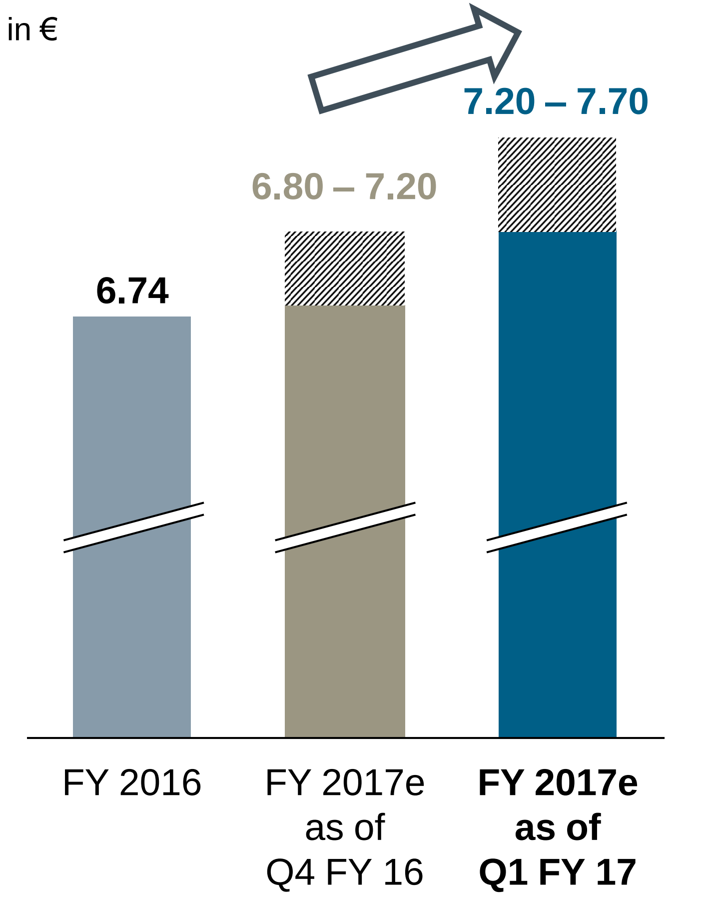
- **Egypt megaproject milestone achieved**
- **Orders -14% to €19.6bn due to fewer large orders; base orders stable**
- **Continued moderate revenue growth +3% supported by most divisions**
- **Strong quarter with 8 out of 9 Divisions in or at target range**
- **Gross margin up 90bps y-o-y to 31.4%**
- **Industrial Business margin expansion to 13.0% (+260bps) – strong operational execution and eCar JV gain (90bps)**
- **Net income up 25% y-o-y at €1.9bn – drives EPS to €2.35 and ROCE to 18.9%**
- **Strong free cash flow of €0.7bn**

Note: Order and Revenue growth rate comparable, i.e. adjusted for currency translation and portfolio effects

Guidance FY 2017 – Earnings outlook raised

EPS ("all-in")



Guidance

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

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

After a strong start into the fiscal year, we raise our previous expectation for profit and EPS for fiscal 2017. We raise our previous expectation for the profit margin of our **Industrial Business** in the range of **10.5% to 11.5%** to the range of **11.0% to 12.0%**.

Furthermore, we raise our previous expectation for **basic EPS from net income** in the **range** of **€6.80 to €7.20** to the range of **€7.20 to €7.70.**

This outlook assumes **continuing 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.

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

PG: Stringent execution, however market remains tough
WP: Excellent performance ahead of planned merger

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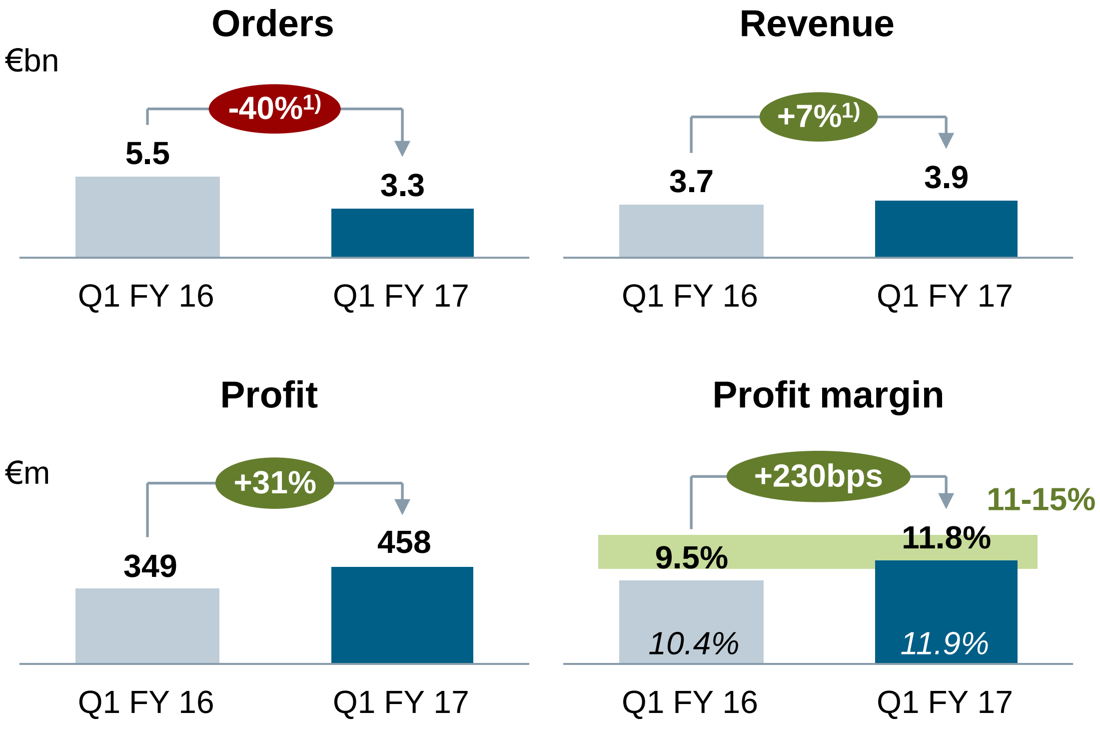
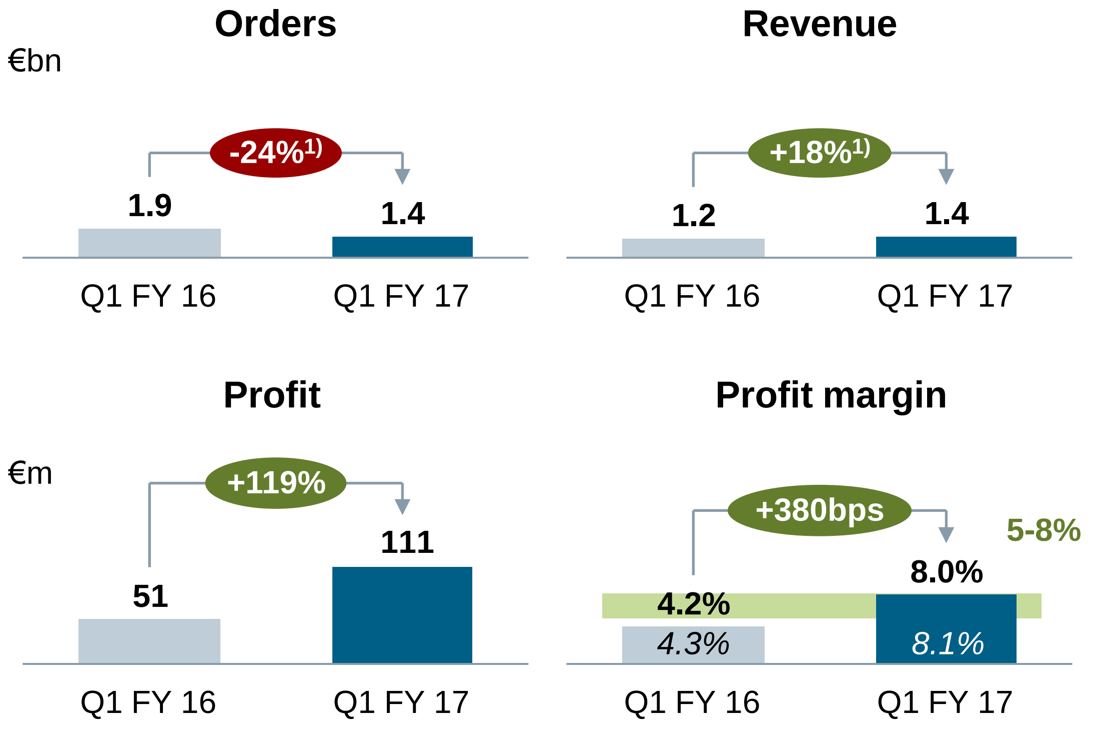
Power and Gas (PG)



- **Orders down on tough comps**
- **Revenue driven by strong backlog conversion**
- **Stringent project execution & strong service contribution**

Wind Power and Renewables (WP)



- **Lower volume from large orders**
- **Productivity and operational excellence drive margin**

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

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

EM: Consistent improvement continues
BT: Outstanding performance across all metrics

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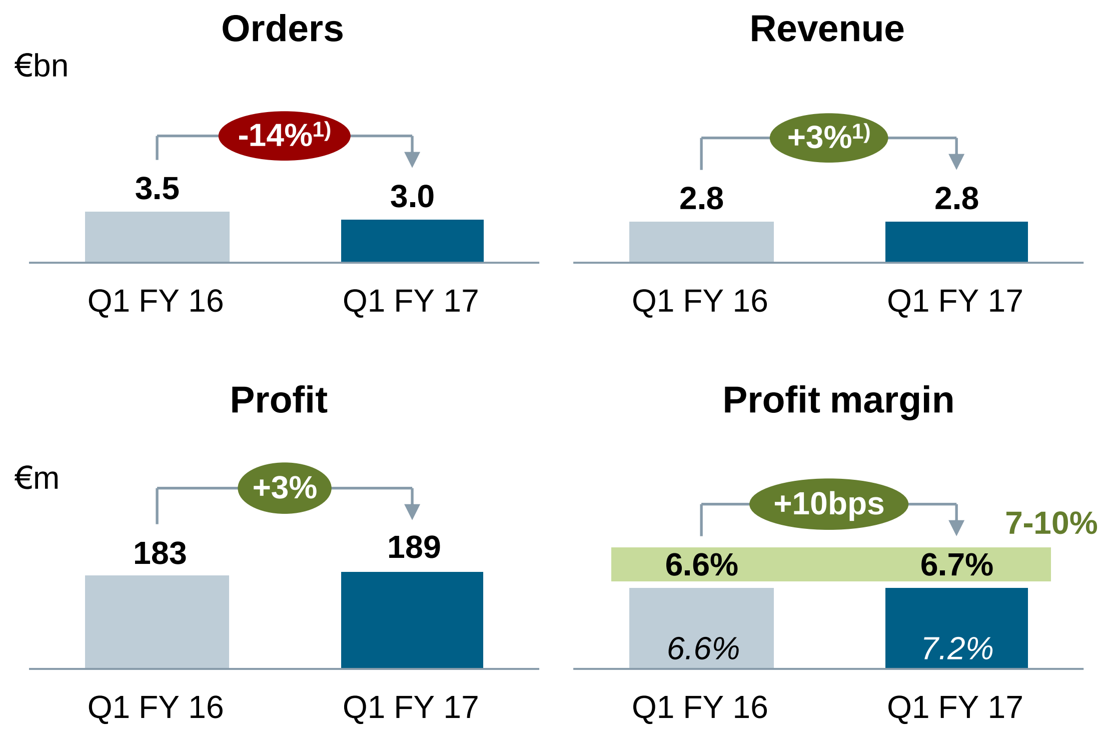
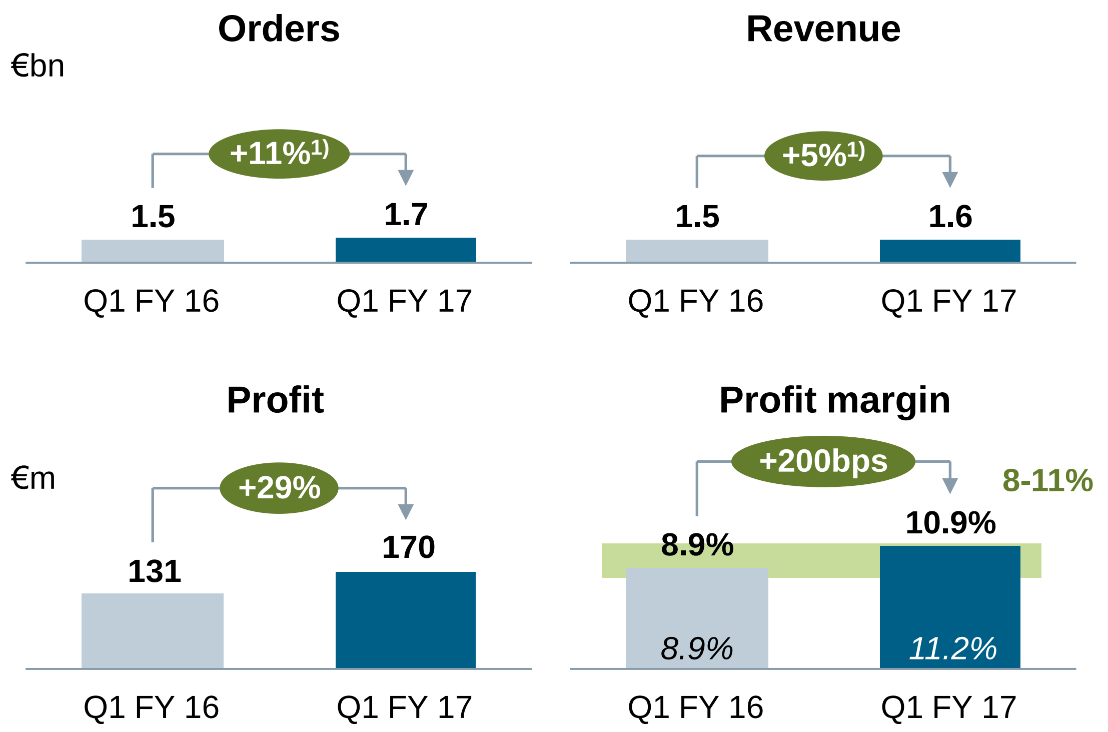
Energy Management (EM)



- Double digit revenue growth in Asia, Australia
- Higher profit in majority of businesses led by High Voltage Products and Transmission Solutions

Building Technologies (BT)



- Strong order growth across all regions
- Profit driven by revenue growth and productivity gains

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

x.x%: Profit margin excluding severance

DF: Excellence across all businesses, short cycle a key driver
PD: Realignment continues

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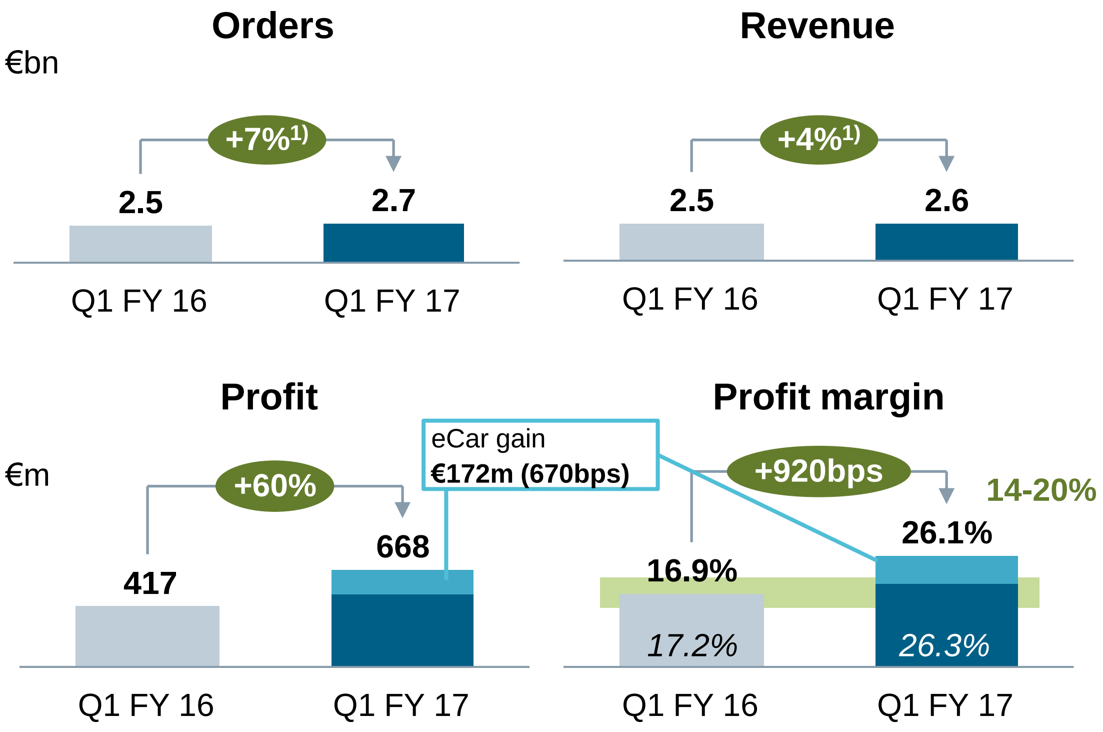
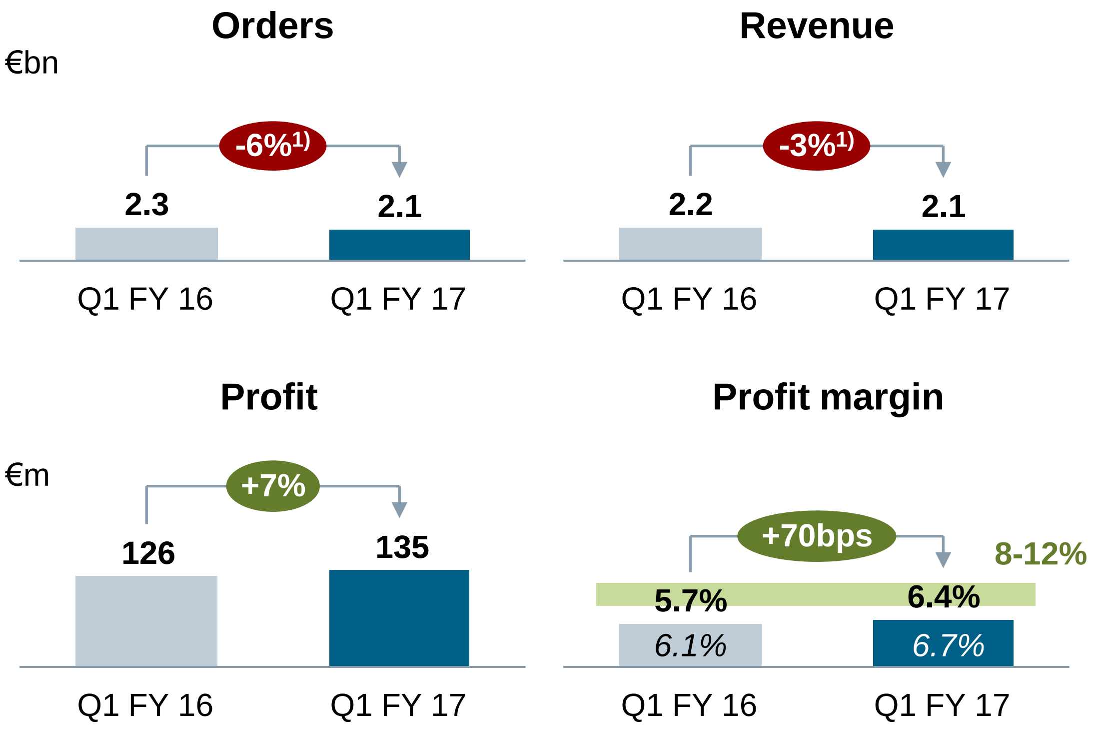
Digital Factory (DF)



- **Broad based order and revenue growth with particular strength in China**
- **High margin short cycle businesses drive margin**

Process Industries and Drives (PD)



- **Ongoing weak demand in commodity related industries, strong demand for wind power components**
- **Continued execution of structural measures**

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

x.x%: Profit margin excluding severance

MO: Stringent execution drives best in class margins
HC: Excellent top and bottom line performance

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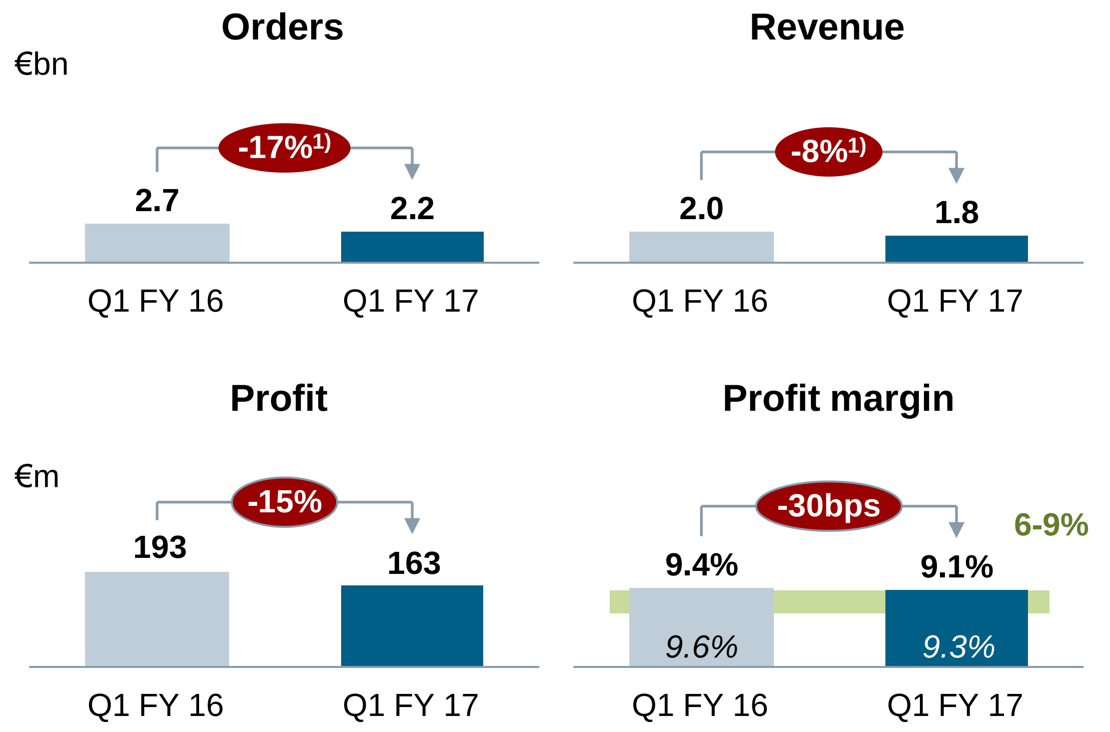
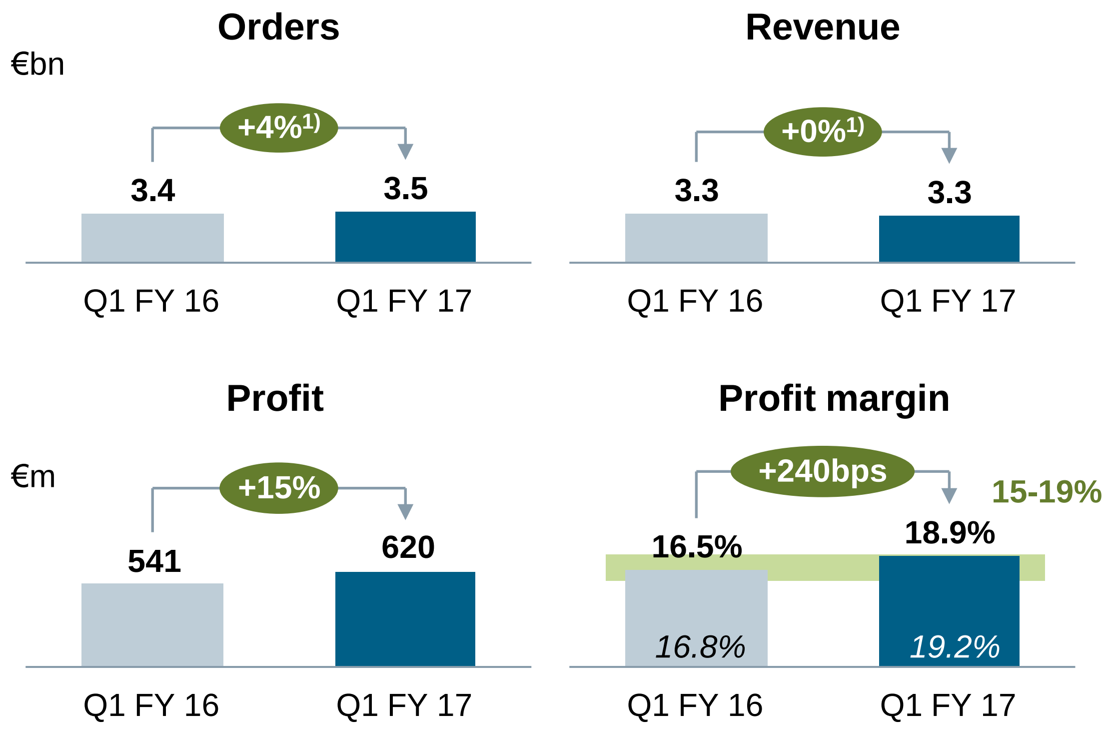
Mobility (MO)



- Book-to-bill clearly above 1 despite lower large orders
- Revenue decline due to timing factors of large projects
- Solid execution on high profitability

Healthineers (HC)



- Clear order growth in Asia, Australia, particularly China
- Broad based profitability improvement

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

x.x%: Profit margin excluding severance

Appendix

One Siemens Financial Framework
Clear targets to measure success and accountability

One Siemens Financial Framework

Siemens

Growth:	Capital efficiency	Capital structure
Siemens > most relevant competitors[1]	(ROCE[2])	(Industrial net debt/EBITDA)
(Comparable revenue growth)	**15 – 20%**	**up to 1.0x**
	Total cost productivity[3]	**Dividend payout ratio**
	3 – 5% p.a.	**40 – 60%[4]**

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

PG 11 – 15%	**EM** 7 – 10%	**MO** 6 – 9%	**PD** 8 – 12%	**SFS[6]** 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

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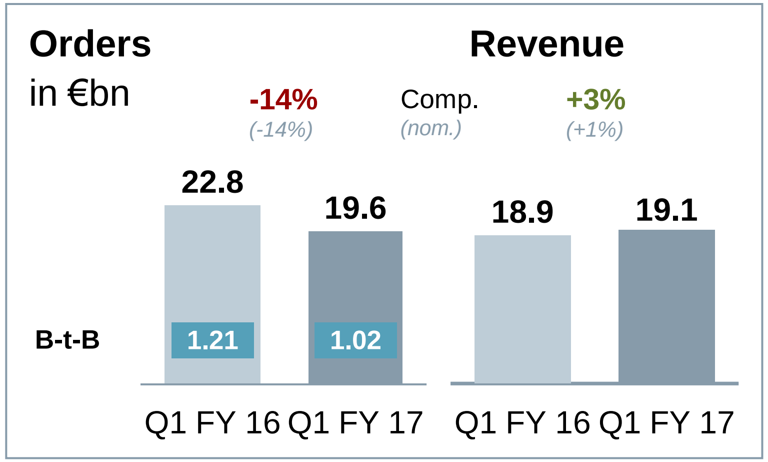
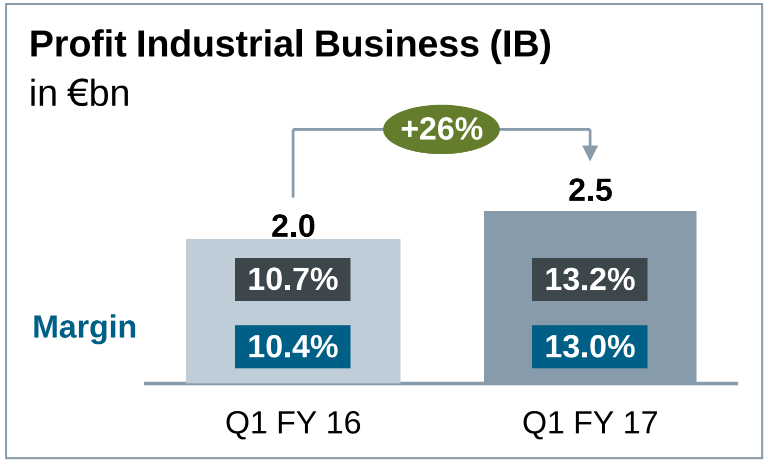
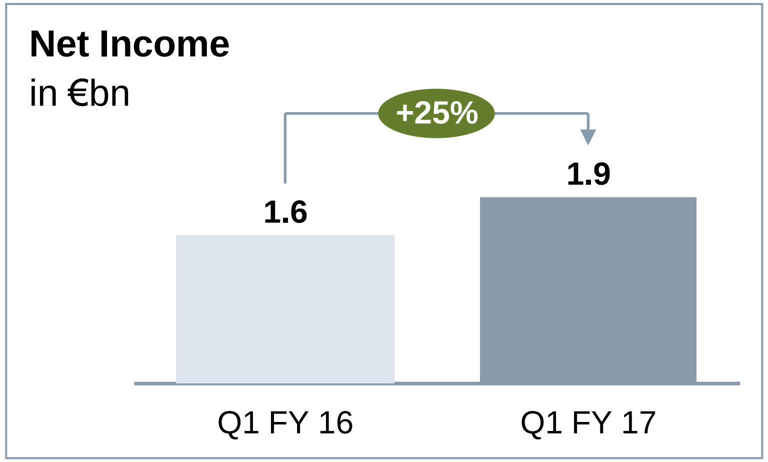
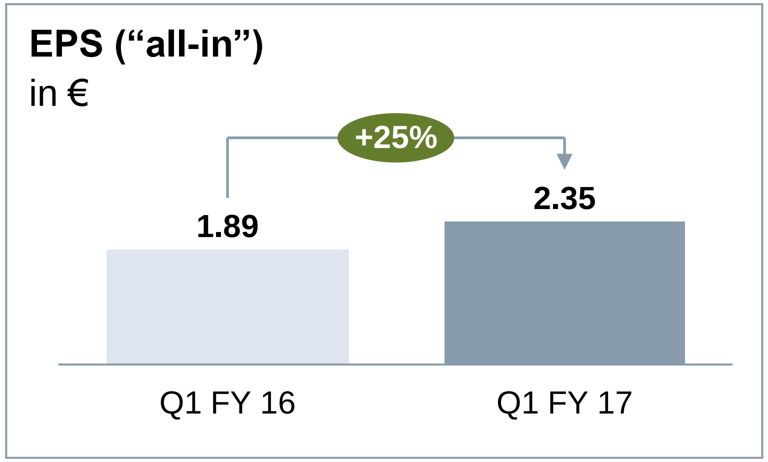
	GOAL	INTENT	KPI
1	**Implement stringent company governance with effective support functions**	Live lean governance and drive continuous optimization	€1bn cost savings by FY 2016 achieved Continued productivity of 3-5%
2	**Strengthen portfolio**	Sharpen our business focus in electrification, automation,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

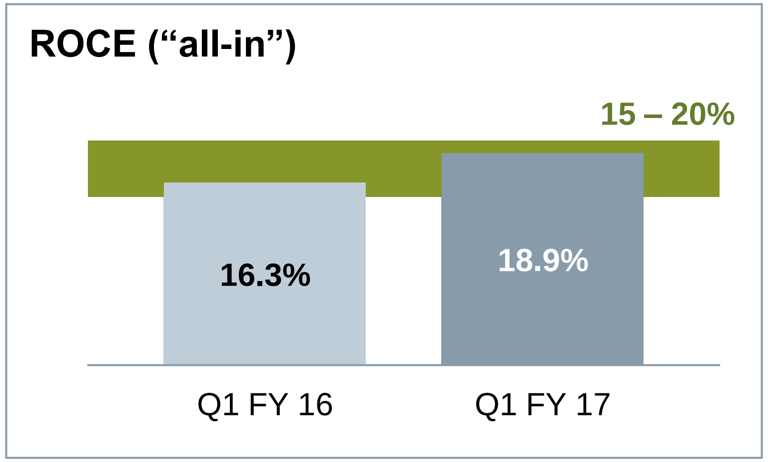
Financial cockpit – Q1 FY 2017

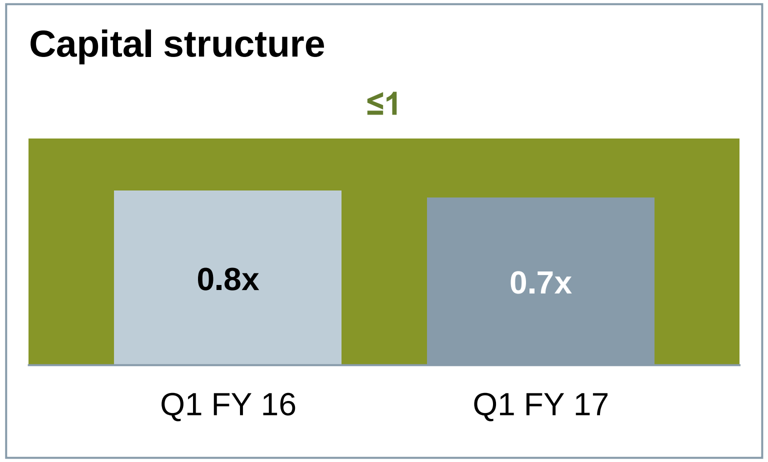








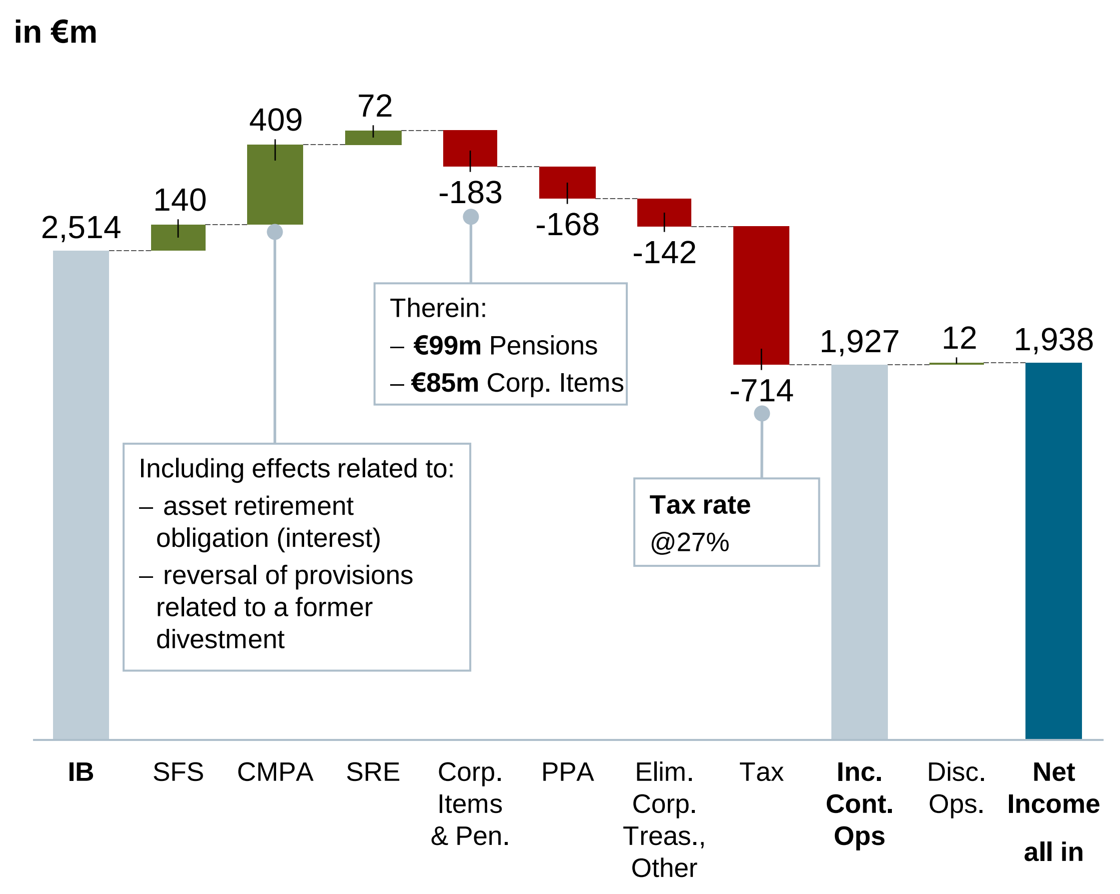




10.4% Margin as reported 10.7% Margin excl. severance

CMPA with profit of €0.4bn, high volatility as expected

Below Industrial Business – Q1 FY 2017



Expectations for FY 2017 unchanged

- **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

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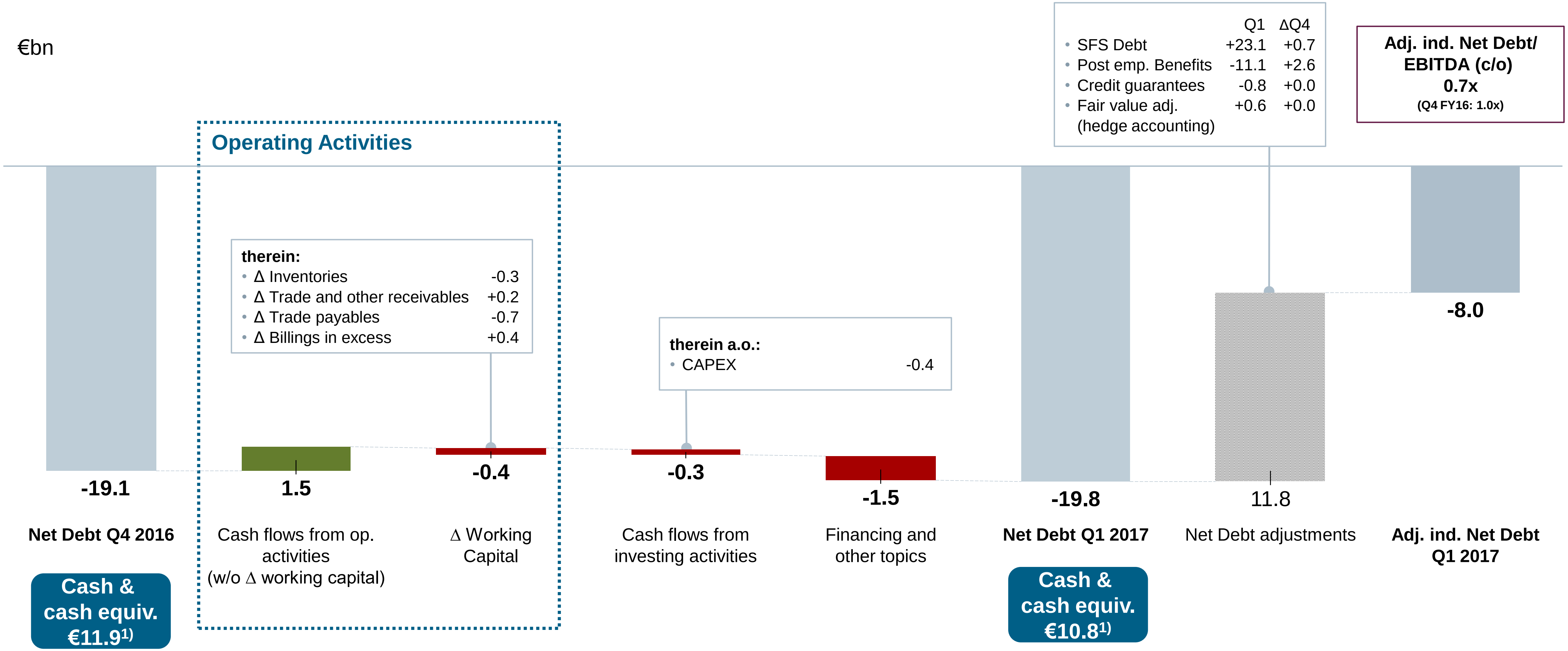
Net debt bridge – Q1 FY 2017



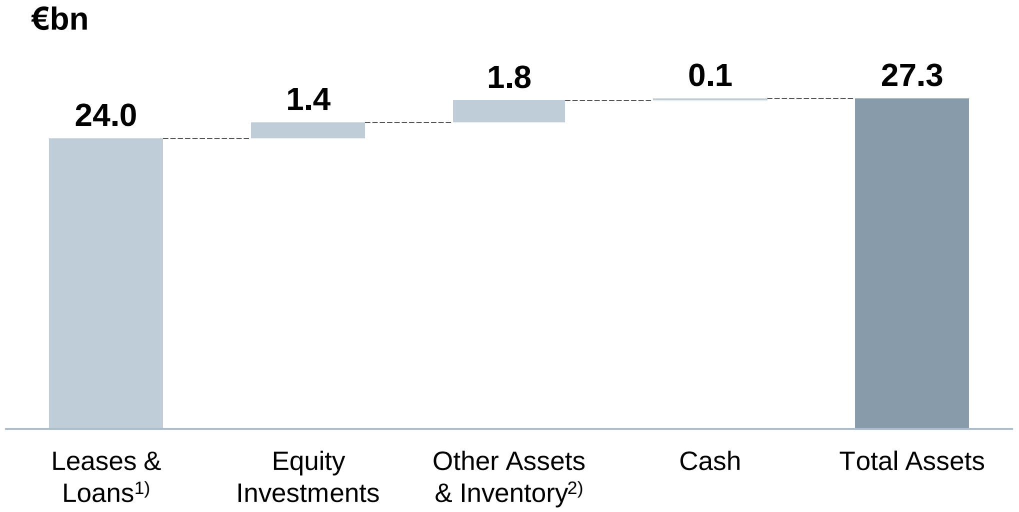
1) Including current available-for-sale financial assets

SFS Key figures – Q1 FY 2017

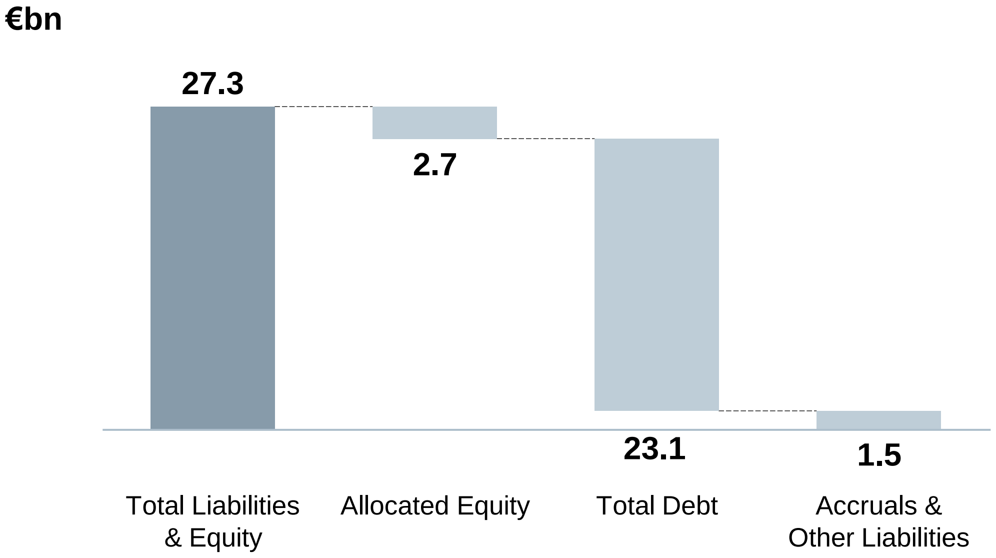
Key financials SFS

• Assets	€27.3bn
• Income before income taxes	€140m
• Return on Equity after tax	17.7%
• Operating and Investing Cash Flow	€347m

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 for pensions & similar obligations decreased in Q1, mainly due to increased discount rate assumptions

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Q1 FY 2017 Key financials – Pension and similar obligations

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

1) All figures are reported on a continuing basis.
2) Fair value of plan assets including effects from asset ceiling (Q1 2017: €-0.1bn); difference between DBO and fair value of plan assets additionally resulted in net defined benefit assets (Q1 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.

Financial calendar

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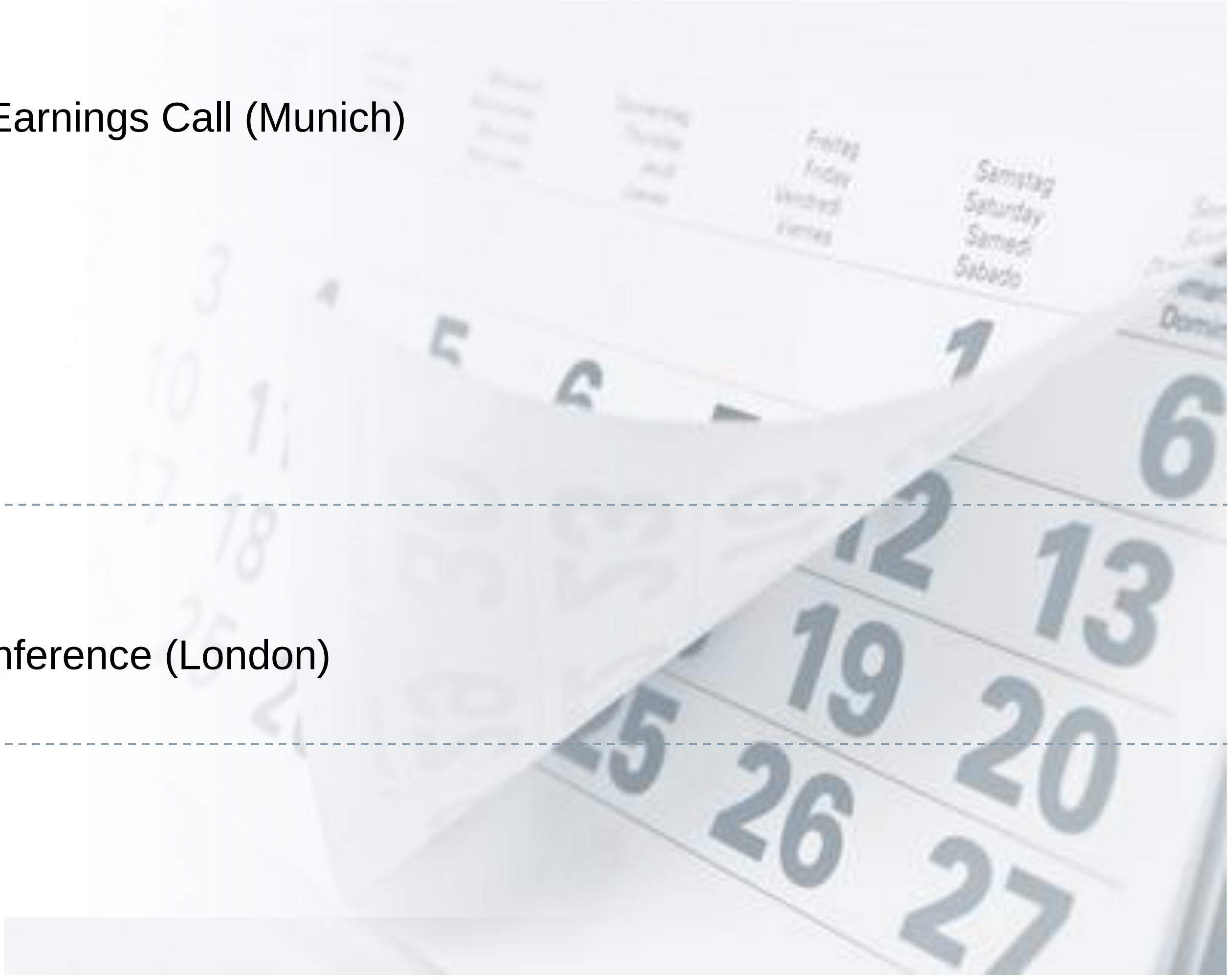

February	**February 1, 2017** Annual General Meeting and Q1 Earnings Call (Munich) **February 9, 2017** Roadshow Germany (Munich) **February 10, 2017** Roadshow Switzerland (Zurich) **February 13, 2017** Roadshow Germany (Frankfurt)
March	**March 22, 2017** Bank of America Merrill Lynch Conference (London)
May	**May 4, 2017** Q2 Earnings Release

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