Siemens continues on road to success – earnings outlook raised

Joe Kaeser, Ralf P. Thomas, Lisa Davis, Klaus Helmrich

Press conference Q1, fiscal 2017 |
Munich, February 1, 2017

Notes and forward-looking statements

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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.

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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.

Selected highlights of Q1 2017

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- Net income up 25 percent with solid revenue growth
- 8 out of 9 Divisions in or at target range; good progress at Process Industries and Drives
- Broad-based profitability: nearly all Divisions post higher profit
- Strong free cash flow
- Positive feedback to Innovation Day; successful launch of next47


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THE GLOBAL 100

"Siemens tops Corporate Knights' 2017 Global 100 ranking, with scores above 90 percent in several categories pertaining to energy, innovation and human resources."

Corporate Knights

The Magazine for Clean Capitalism,
Siemens company profile

Employee shareholders

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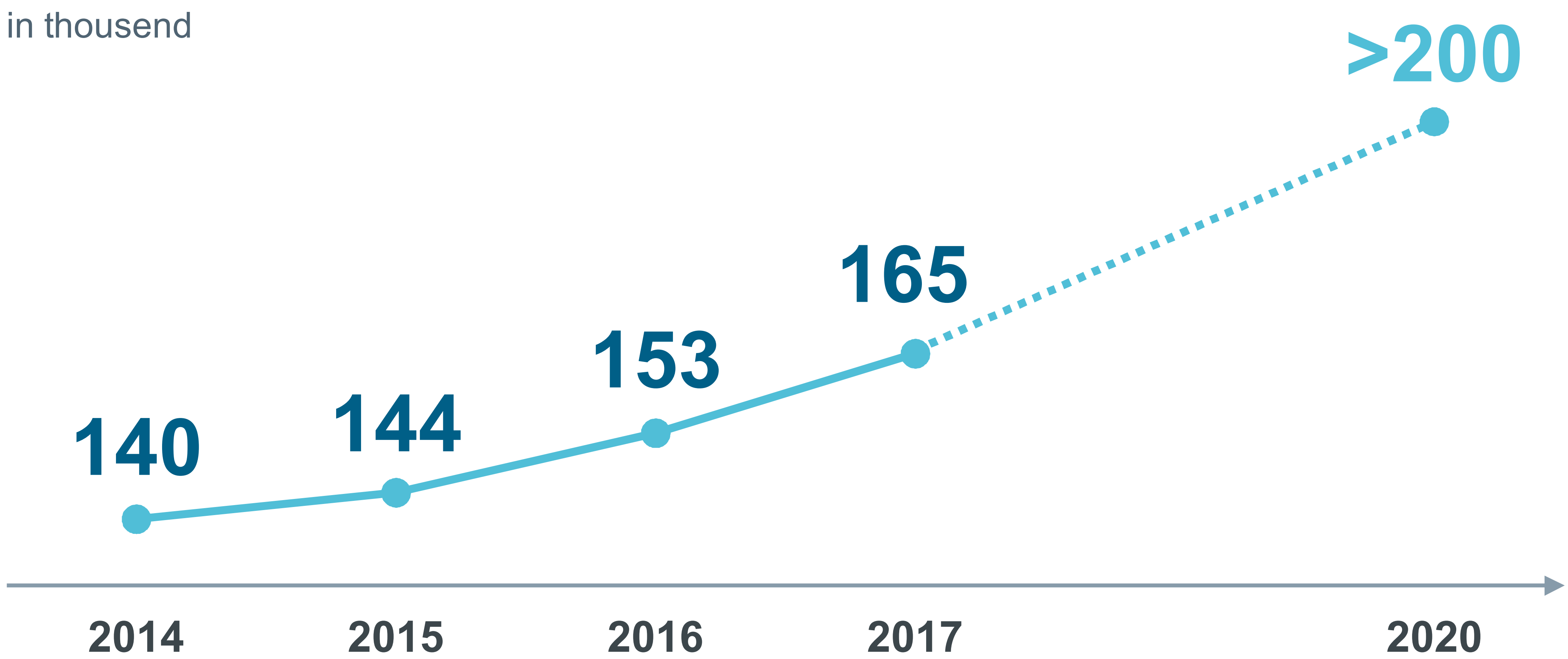

Egypt Megaproject –
Delivering a new world record in size and speed

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Siemens delivers on promise

- 4.8 GW of power generation capacity now connected to the grid
- 14.4 GW to be delivered in total
- First power to grid in 18 months from signing of the contract
- Excellent cooperation with local partners and authorities
- More than 55m hours worked and 1.8m tons of materials handled

Executing the roadmap –
To 65% combined cycle efficiency

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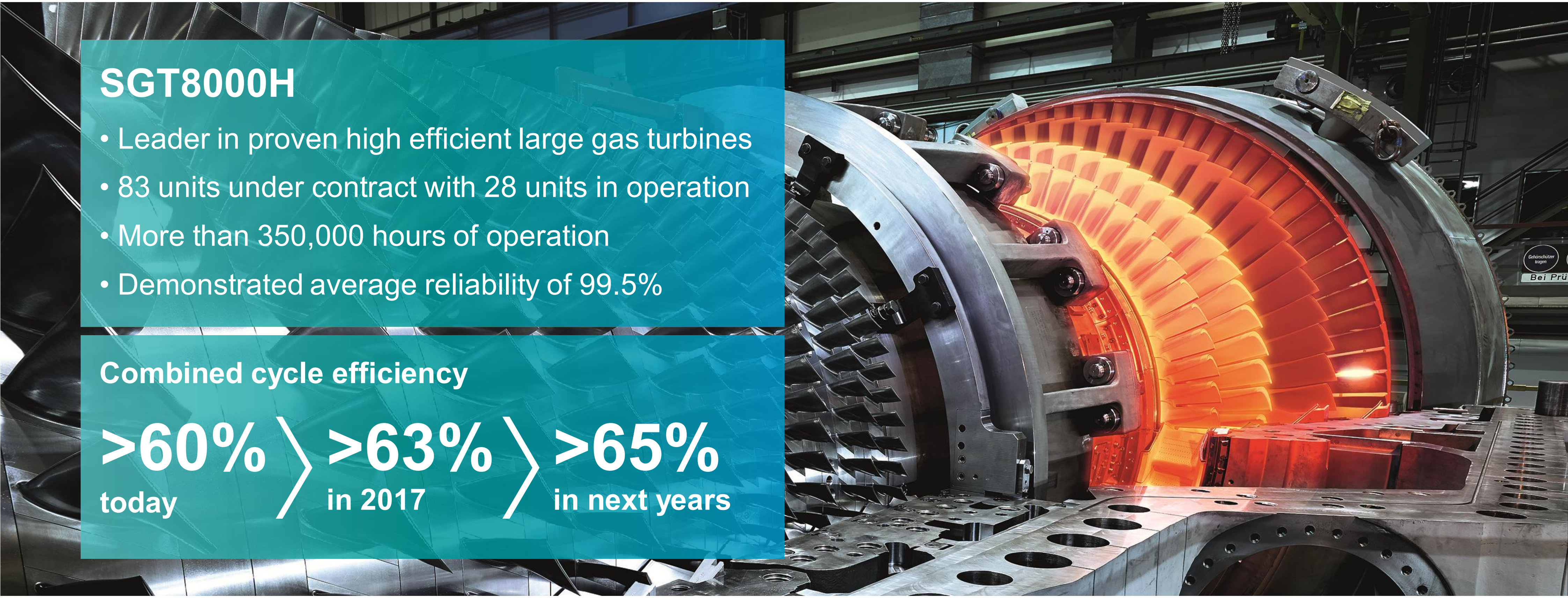

SGT8000H

- Leader in proven high efficient large gas turbines
- 83 units under contract with 28 units in operation
- More than 350,000 hours of operation
- Demonstrated average reliability of 99.5%

Combined cycle efficiency

>60% today 〉 **>63%** in 2017 〉 **>65%** in next years

Siemens Wind Power with Gamesa – Market leadership in customer value and growth

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Key figures (pro forma, LTM Sept 2016)

	Combined business[2]	Siemens WP	Gamesa
Installed base	**72 GW**	35 GW	37 GW
Backlog	**€20.4bn**	€15.0bn	€5.4bn
Revenue	**€10.3bn**	€6.0bn	€4.3bn
LTM recurrent EBIT[1]	**~€1bn**	€566m	€427m
LTM recurrent EBIT Margin[1]	**9.7%**	9.5%	9.9%
Synergies[3]	**~€230m EBIT**		
Employees	**24,000**	15,200	8,800

1 EBIT adjusted for normalization items(-€9m) and stand-alone effects (+€121m), excluding synergies
2 Excluding transaction adjustments (e.g. effects from purchase accounting)
3 Full impact in year four post closing

The Digital Factory Division achieved further increases in order volume and net income

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Main drivers: short-cycle businesses and China

Digital Enterprise used with success

Highlights

- Division **exceeded** expectations
- Demand remained high in **China** and the **U.S.**
- **Short-cycle businesses** posted strong **growth**
- **China** continued to demonstrate great demand in diverse industrial segments, i. e. **automotive**
- **Digital Enterprise** used with success at international customers – in the **automotive industry** and at food company **Ferrero**, for instance

Digitalization drivers

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We're using our position of leadership in automation to drive the digitalization of our business and of the entire industrial sector

1996

Totally Integrated Automation (TIA) /
No. 1 in automation

UGS PLM software

LMS 3D simulation

CD-adapco CAE software

Mentor Graphics EDA software

Comprehensive portfolio for *Industrie 4.0* with the **Digital Enterprise**

2017

Digital Enterprise

Industrie 4.0 from Siemens

- Industrial Software
- Industrial Communication
- Industrial Security
- Industrial Services
- MindSphere – the cloud-based, open operating system for the Internet of Things

Q1 FY 2017 – Strong execution of Vision 2020 drives profitability

- **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

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

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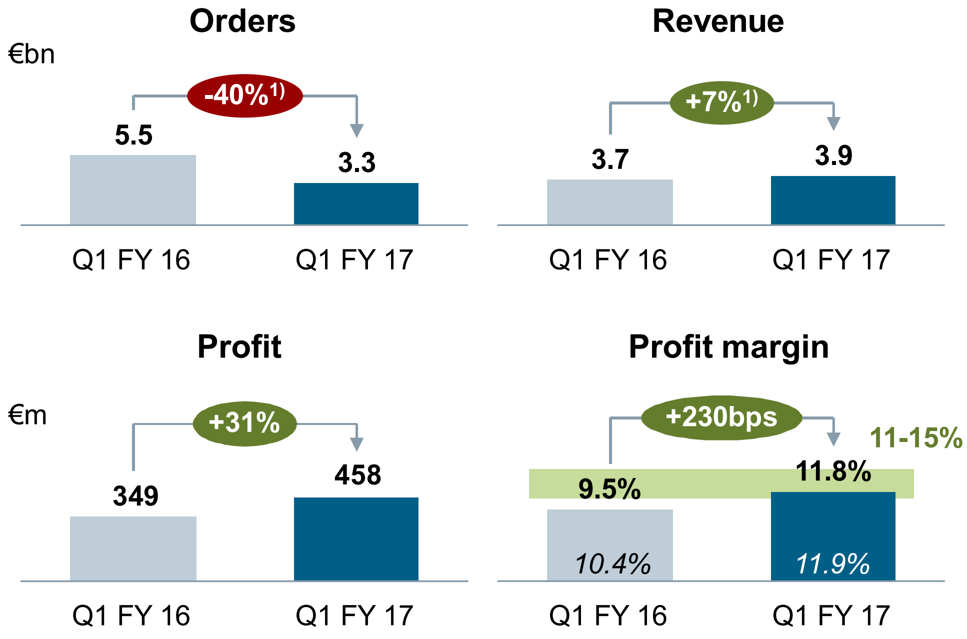
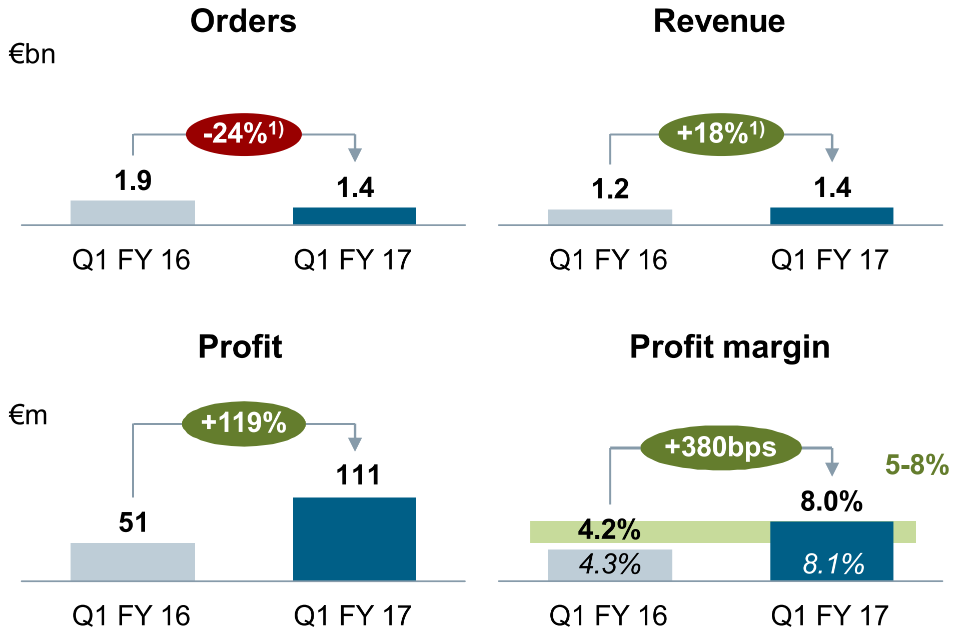
Power and Gas (PG)



- **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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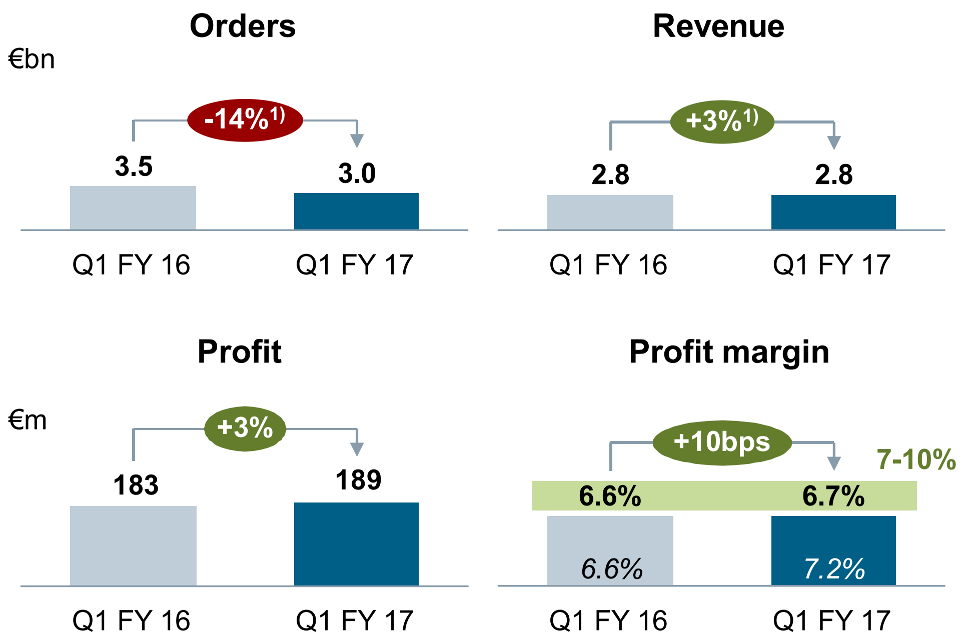
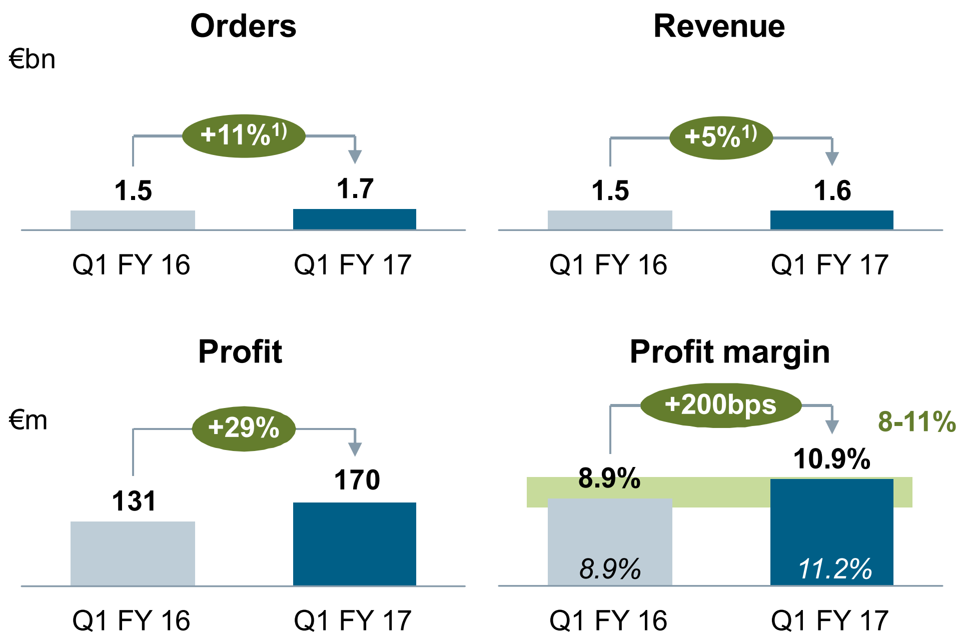
Energy Management (EM)



- **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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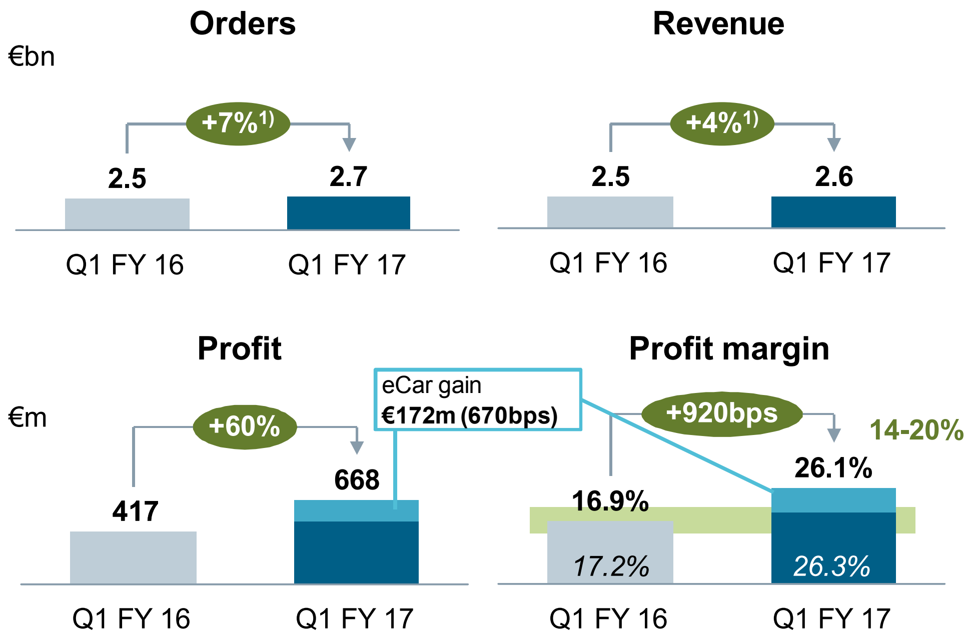
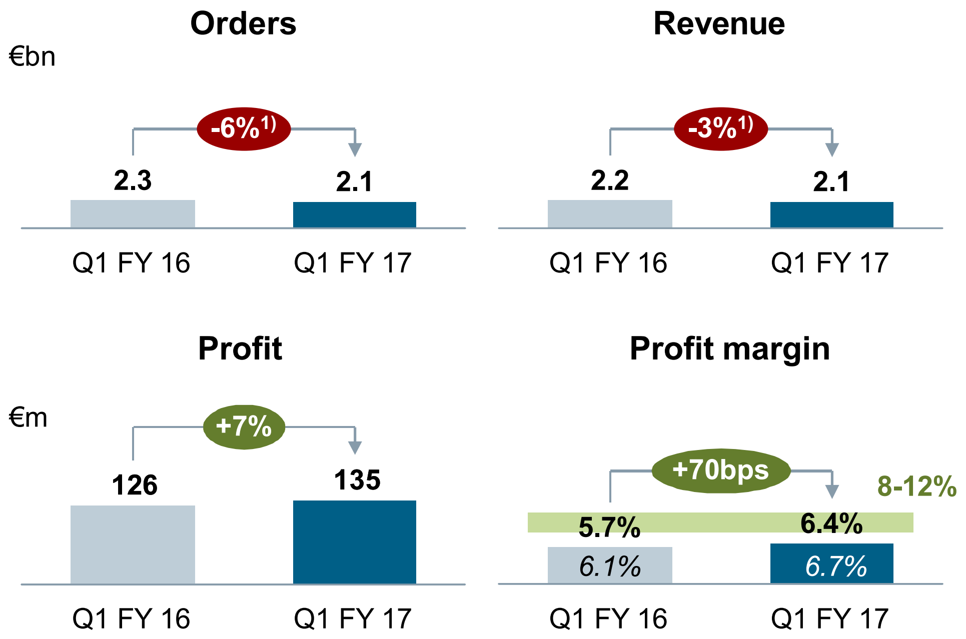
Digital Factory (DF)



- 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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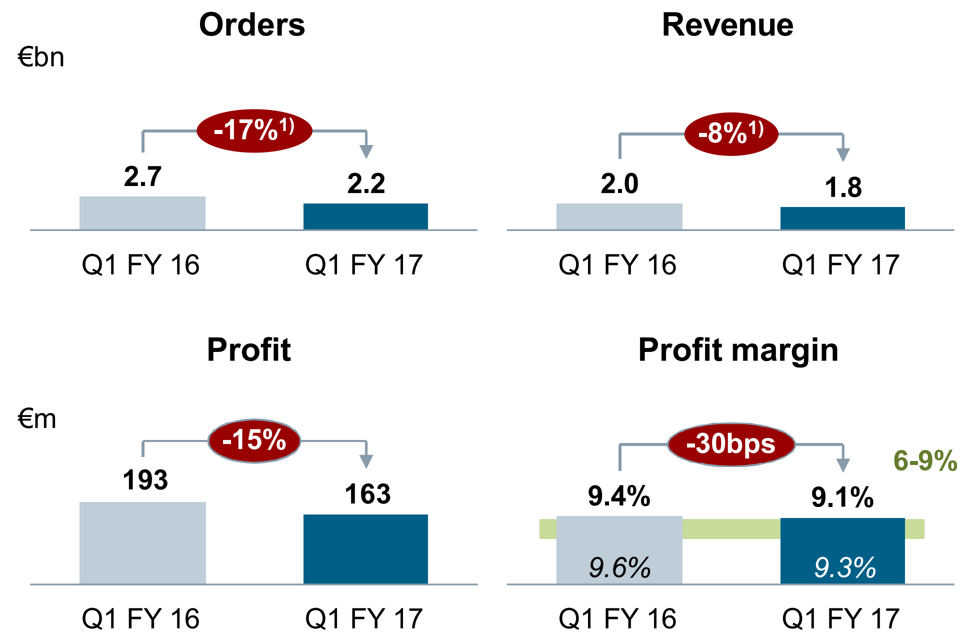
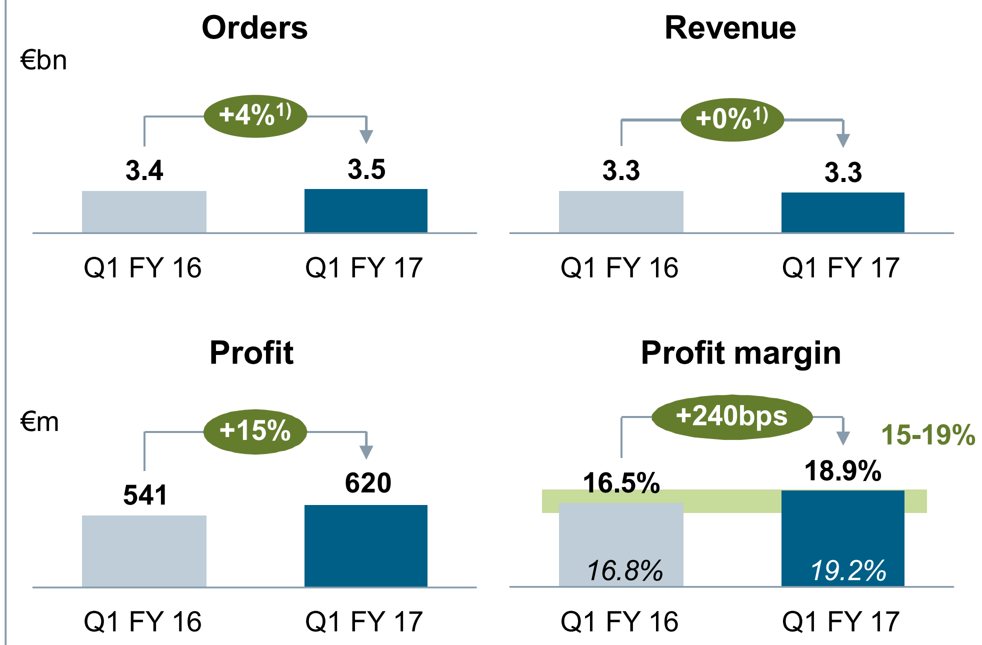
Mobility (MO)



- 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

Guidance FY 2017 – Earnings outlook raised

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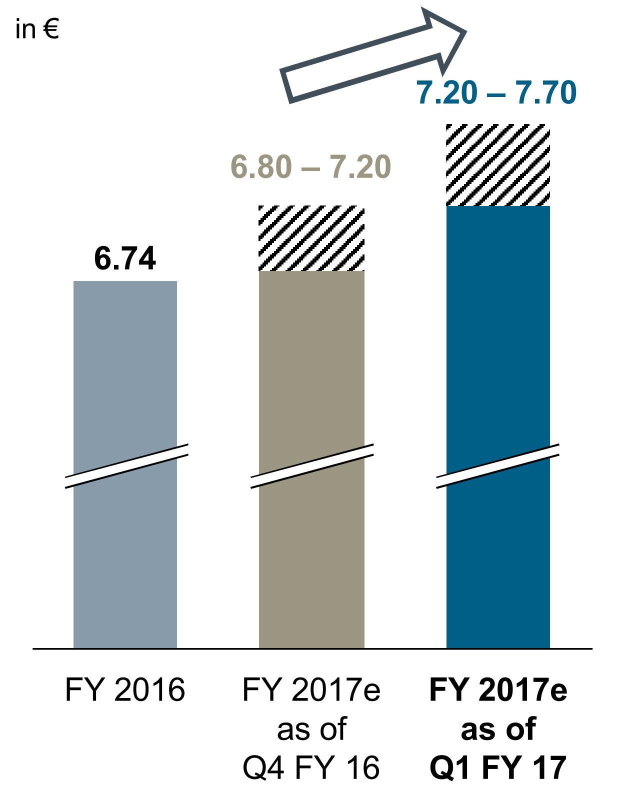
EPS ("all-in")



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

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.

Appendix

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Munich, February 1, 2017

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[1)] (Comparable revenue growth)	Capital efficiency (ROCE[2)]) 15 – 20%	Capital structure (Industrial net debt/EBITDA) up to 1.0x
	Total cost productivity[3)] 3 – 5% p.a.	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%	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

Financial cockpit – Q1 FY 2017

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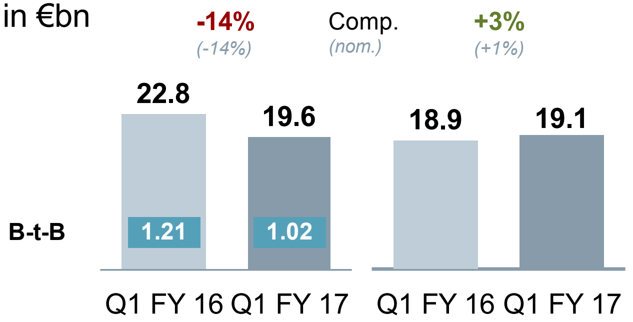
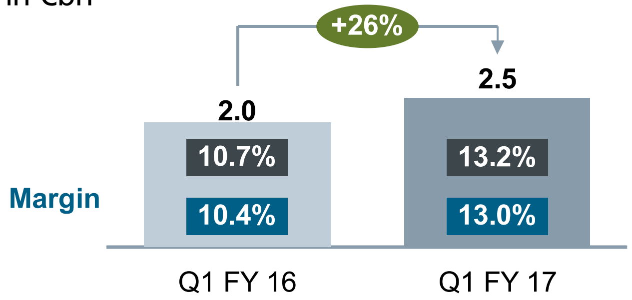
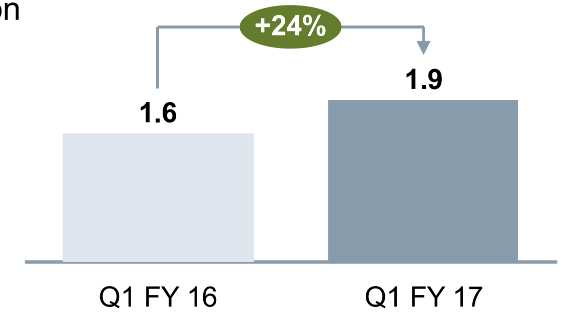
Orders / Revenue
in €bn



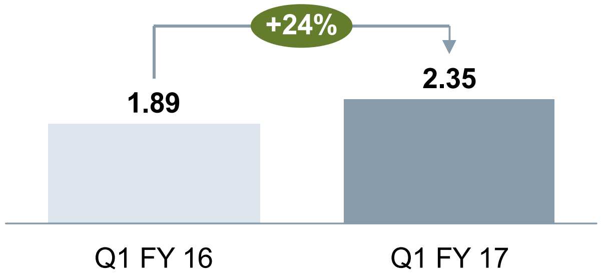
Profit Industrial Business (IB)
in €bn



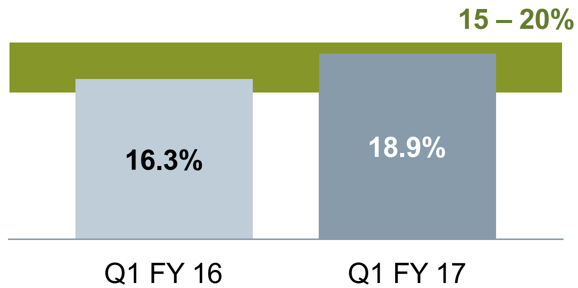
Net Income
in €bn



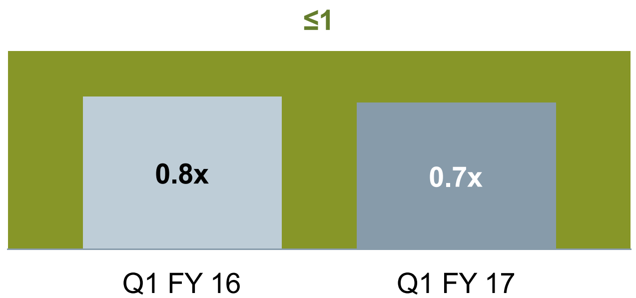
EPS (“all-in”)
in €



ROCE (“all-in”)



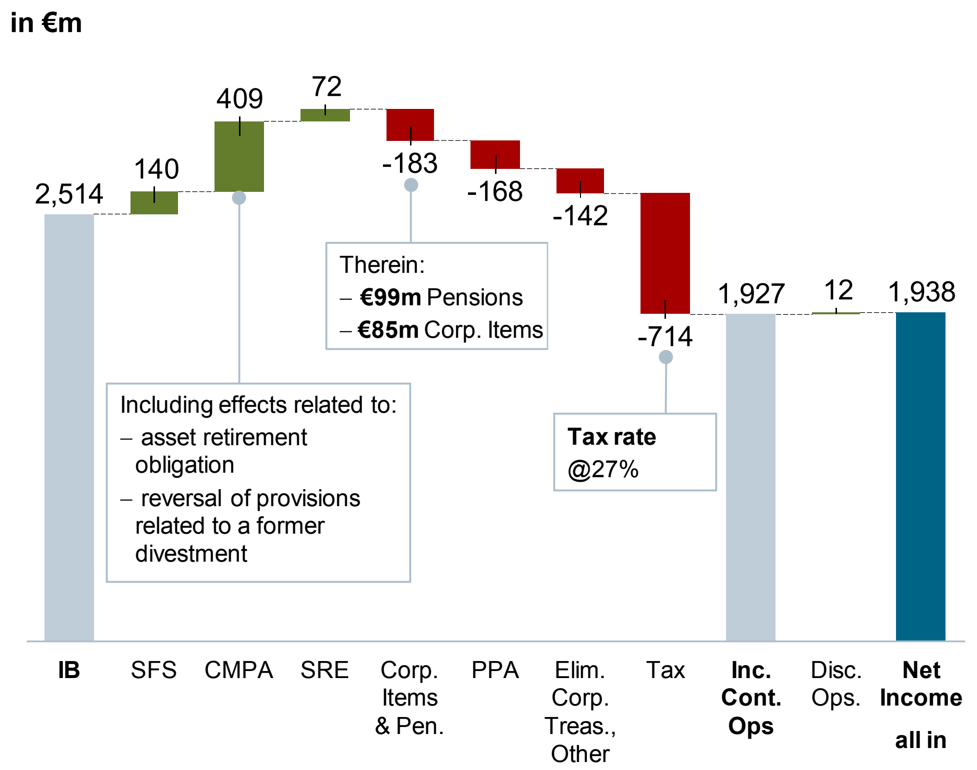
Capital structure



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

SFS Key figures – Q1 FY 2017

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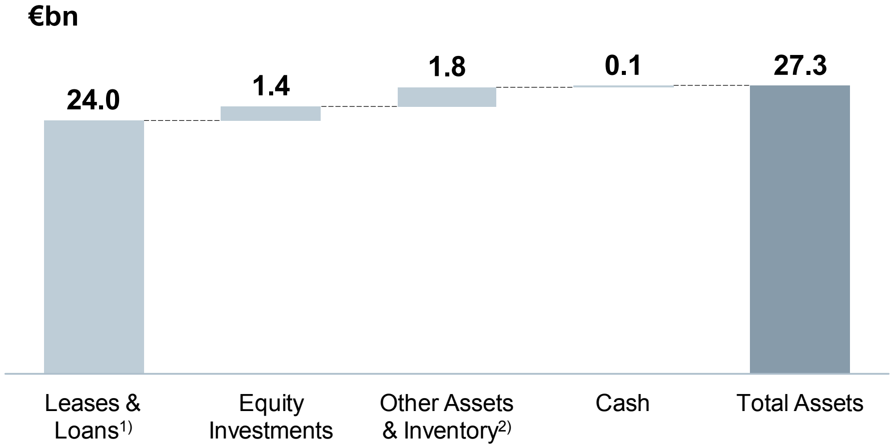
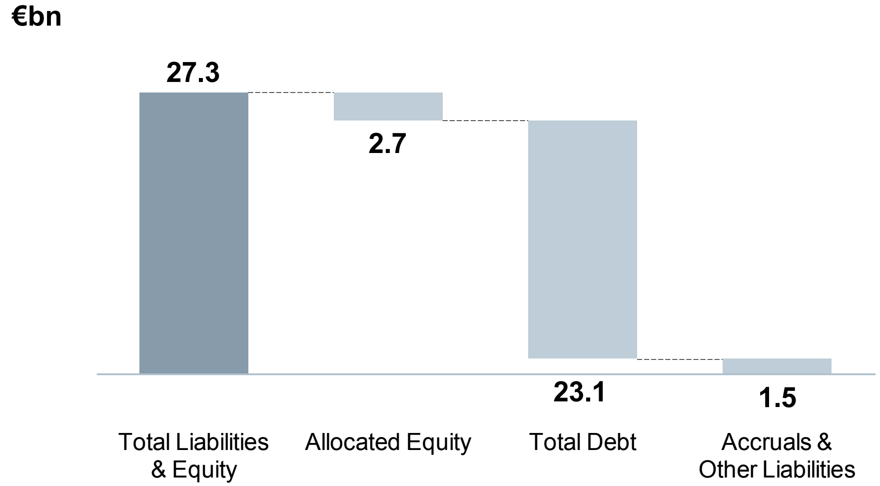
Key financials SFS

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.

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