

# Strong start into the fiscal year – earnings outlook raised

Analyst Call | Munich, January 26, 2016

Joe Kaeser, President and CEO  
Ralf P. Thomas, CFO

# 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.

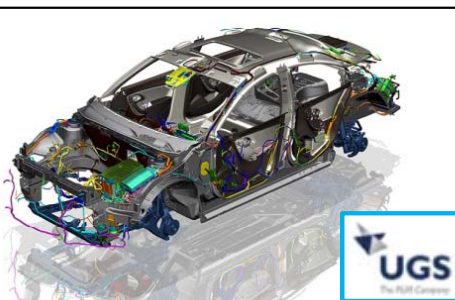
# Pursuing our industrial software strategy

## Unmatched offering for design, simulation & testing

Year of  
acquisition

2007

3D Design



### CAD Software NX Design, Nastran and PLM Software Teamcenter

- Streamlines and accelerates the **product development** process in a **collaborative environment**
- Includes a modern, **multi-discipline CAE** environment
- Teamcenter as collaboration platform enables **consistent data management** throughout the whole value chain

2012

Closed loop Performance analysis

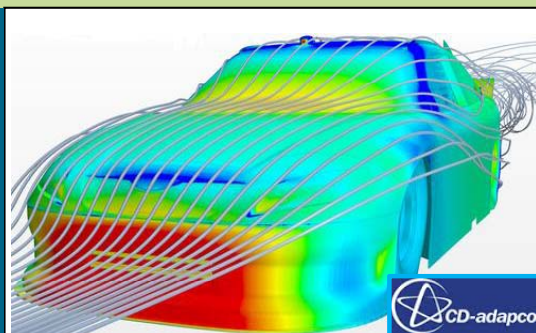


### Simulation & Testing: LMS Virtual.Lab, Imagine.Lab, Test.Lab

- Behavioral simulation:** 1D cross-discipline simulation, like mechanical and electrics, e.g. fuel economy & range simulation for hybrid vehicles
- 3D mechanical simulation:** e.g. stiffness, noise, vibration
- Testing:** Solutions for prototype testing (stationary & mobile)

2016

Leading Portfolio



### Multidisciplinary Design Exploration: STAR-CCM+ and others

- Multidisciplinary Engineering Simulation:** primarily **computational fluid dynamics (CFD)** for analysis of fluid flow, heat transfer, and fluid-structure interaction
- Design Exploration:** Engineering simulation workflows and design optimization algorithms to automatically drive product design, e.g. for reduction of weight & cost

# CD-adapco – acquisition of a software technology leader in a fast growing industry

## Company description and strategic rationale

- **CD-adapco** is a leading provider of **Computational Fluid Dynamics (CFD) simulation software**, a sub-market of CAE, reducing time-to-market by up to 35%
- **Fast growing market; CD-adapco grew revenues by >12% CAGR** (constant currency) over last three years
- **Profitability is SW-typical double digit**
- **Modern SW-architecture and strong customer base**
- **Founder-led and privately held, established 1980, headquarters in Melville, NY, US**

## Key figures

|                  |                                     |
|------------------|-------------------------------------|
| Enterprise Value | \$970m                              |
| Revenues         | ~\$200m<br>(thereof >80% recurring) |
| Synergies        | Mid-double digit €m in year 5       |
| Employees        | ~900 (therein ~280 in R&D)          |
| Customers        | ~3,200                              |
| Users            | ~19,000                             |
| Expected closing | H2 FY 2016                          |

## Key customer industries (% of billings FY 2015)

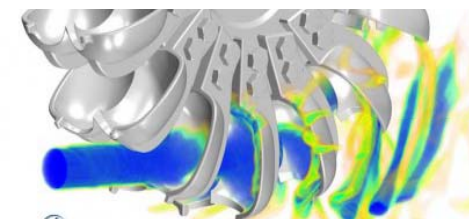
**Ground Transportation**  
(52%)

*14 of top 15<sup>1)</sup>*



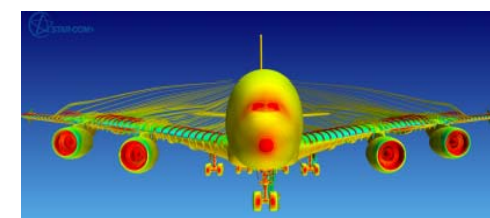
**Energy**  
(9%)

*9 of top 10<sup>1)</sup>*



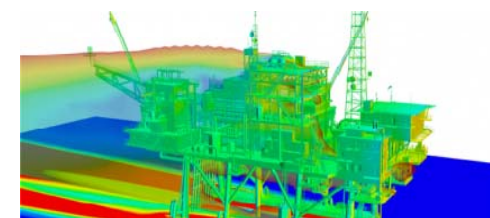
**Aerospace & Defence**  
(9%)

*All top 10<sup>1)</sup>*



**Marine**  
(7%)

*9 of top 10<sup>1)</sup>*



1) Number of industry leaders using CD-adapco software



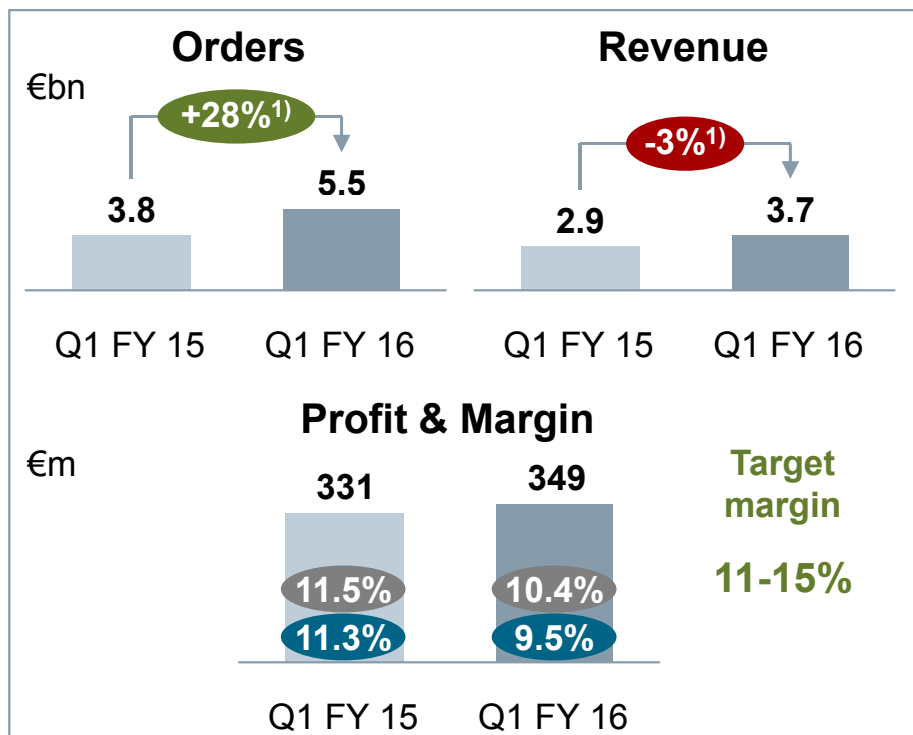
## Q1 – Strong start into the fiscal year

- **Stringent execution of Vision 2020 and further portfolio optimization**
  - **Acquisition of CD-adapco announced**
  - **Closing of Unify and disposal of Sivantos assets in January**
- **Strong order increase of 27% to €22.8bn (excluding FX up by 22%)**
- **Backlog at €114bn; book to bill at healthy 1.21x**
- **Revenue up 8% at €18.9bn (excluding FX 4% higher)**
- **Solid Industrial Business margin of 10.4% (up 20bps)**
- **Net Income of €1.6bn (+42%)**

# PG: Strong orders point to market wins

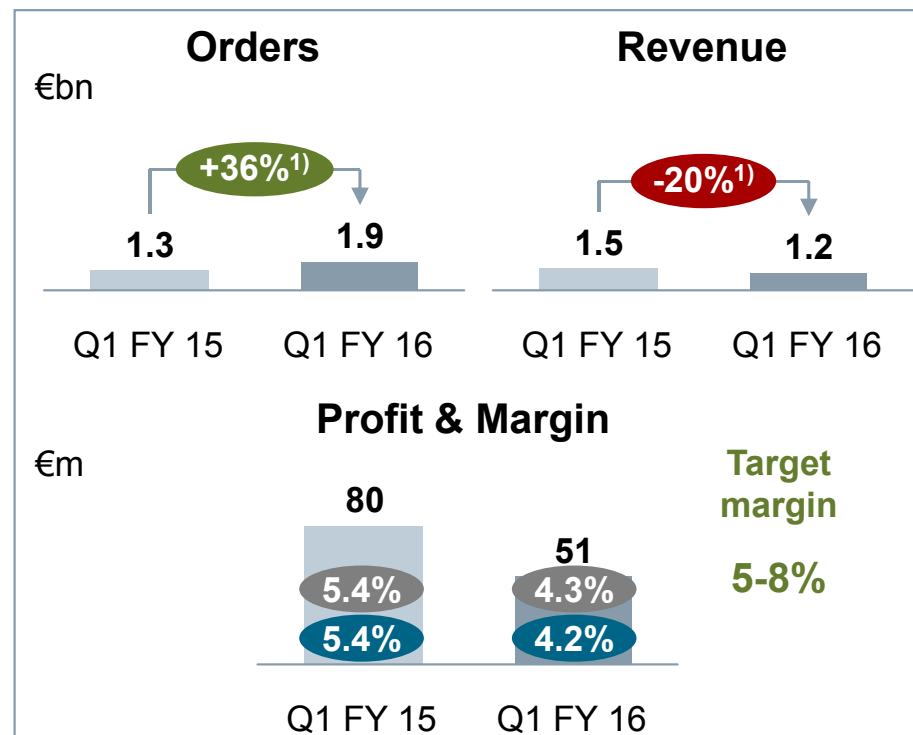
## WP: Strong orders boost backlog

### Power and Gas (PG)



- 20 Large Gas Turbines booked; €1.6bn Egypt order incl. service
- Margin decline on weaker solution and distributed generation business, strong service contribution

### Wind Power and Renewables (WP)



- Major offshore order incl. service in UK
- Revenue down due to timing effects related to project execution

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

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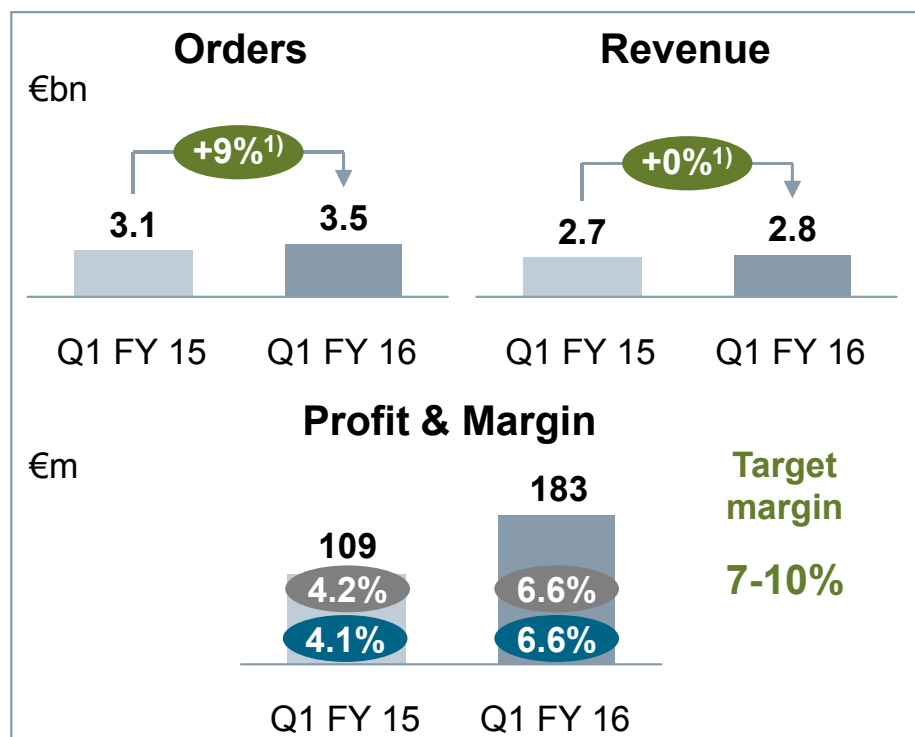
x.x% Margin as reported

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

# EM: Turnaround continues – margins up

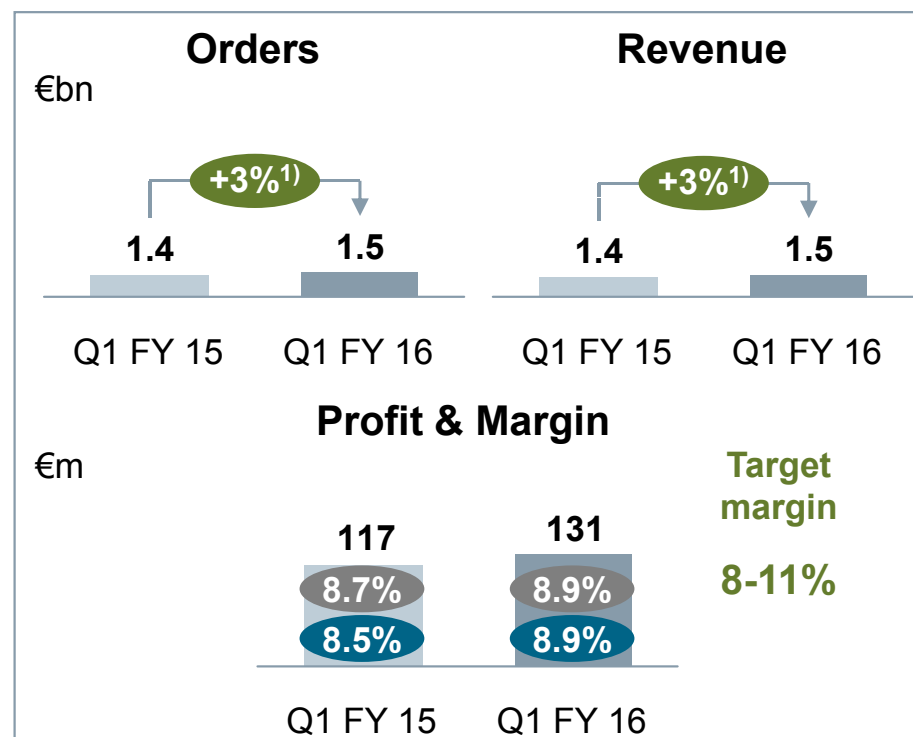
## BT: Accelerated growth supports strong profitability

### Energy Management (EM)



- Large orders in solution business driven by HVDC project in Africa
- Strong profit contribution from high voltage products and transmission solution business

### Building Technologies (BT)



- Order and revenue growth driven mainly by the Americas
- Larger share from higher margin service business

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

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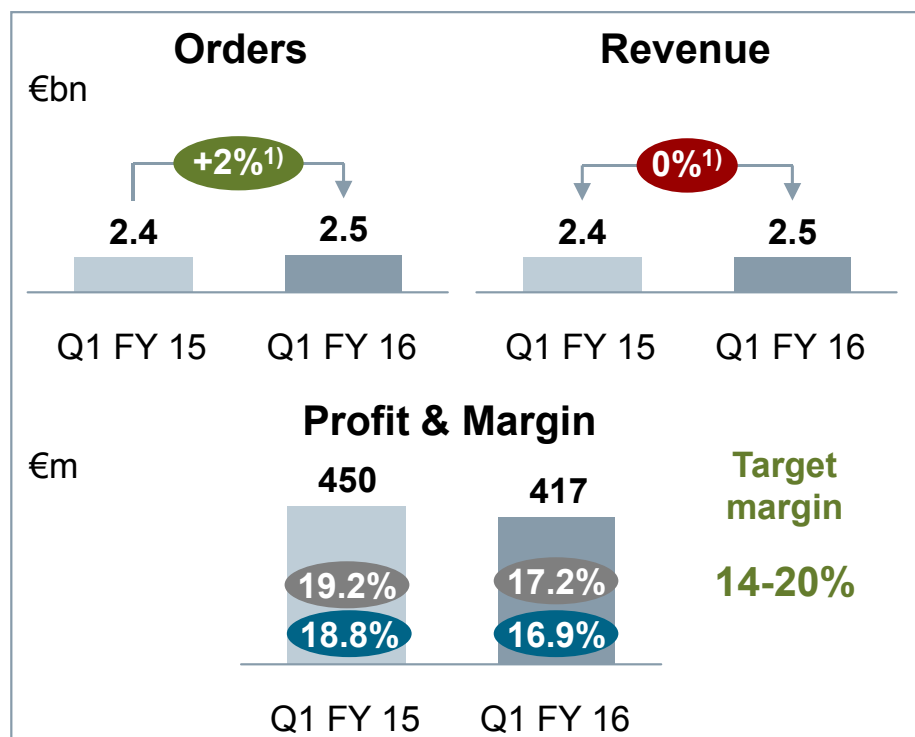
x.x% Margin as reported

x.x% Margin excl. severance

# DF: Software shines - short cycle biz slow

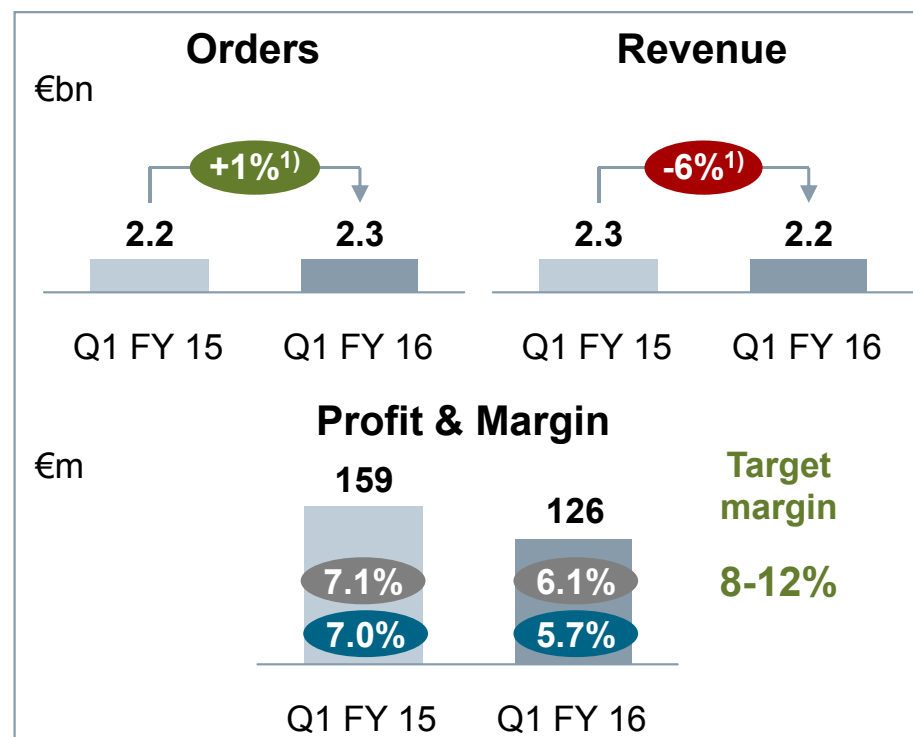
## PD: Structural weakness impacts business

### Digital Factory (DF)



- Strong orders in Europe offset weak demand in China
- Strong volume growth and profit contribution from PLM Software

### Process Industries and Drives (PD)



- Strength in wind power-related business offset by continued weak demand in commodity-related industries
- Structural challenges weigh on profit

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

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x.x% Margin as reported

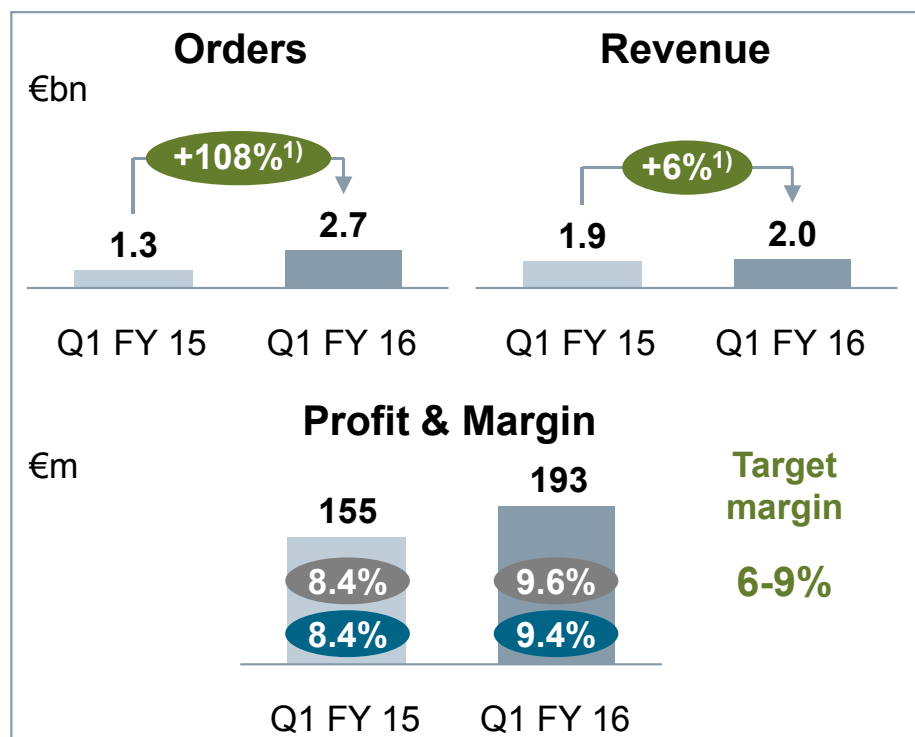
x.x% Margin excl. severance



# MO: Excellent performance driven by Infrastructure

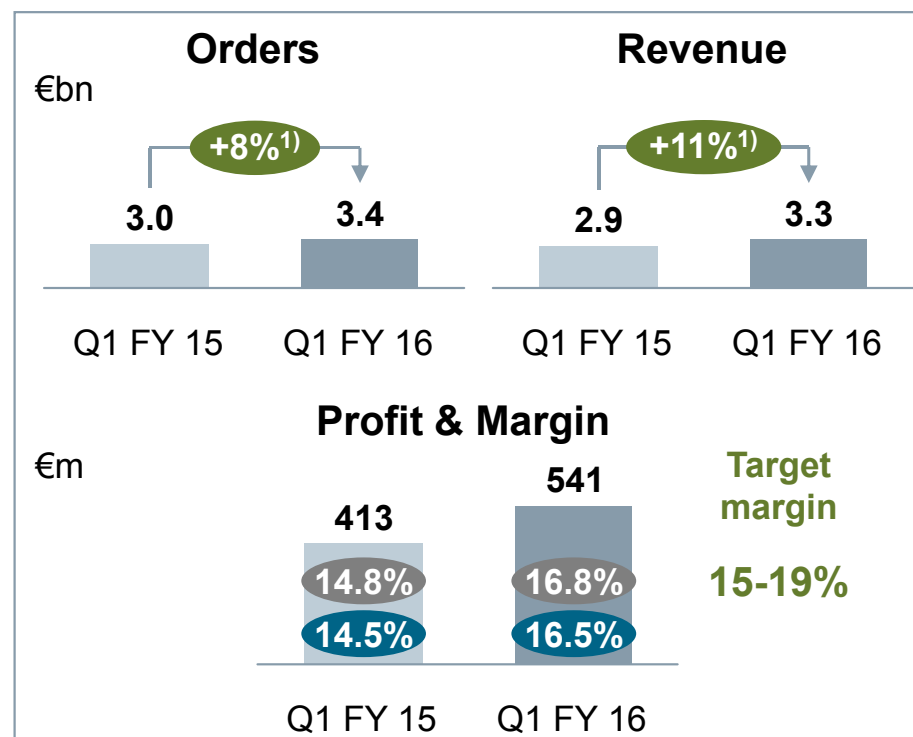
## HC: Margin expansion on exceptional growth

### Mobility (MO)



- Big projects boost orders
- Broad based revenue increase
- Strong profit contribution from infrastructure business

### Healthcare (HC)



- Strong order and revenue increase in China on easy comps
- Diagnostic imaging business drives volume and profitability

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

## Guidance FY 2016 – earnings outlook raised

We anticipate **further softening** in the **macroeconomic environment** and **continuing complexity** in the **geopolitical environment** in **fiscal 2016**.

Nevertheless, we expect **moderate revenue growth, net of effects from currency translation**. We anticipate that **orders will materially exceed revenue** for a **book-to-bill ratio clearly above 1**.

For our **Industrial Business**, we expect a **profit margin of 10% to 11%**. **After a strong start** into the **fiscal year**, we **raise** our previous expectation for **basic EPS from net income** in the range of **€5.90 to €6.20 to the range of €6.00 to €6.40**.

This outlook assumes that **momentum in the market environment for our high-margin short-cycle businesses will pick up** in the **second half of fiscal 2016**.

Additionally, it excludes charges related to legal and regulatory matters.



# Appendix

# One Siemens Financial Framework – Clear targets to measure success & 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%**

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**Total cost productivity<sup>3)</sup>**  
**3-5% p.a.**

**Capital structure**  
 (Industrial net debt/EBITDA)  
**up to 1.0x**

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**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%**

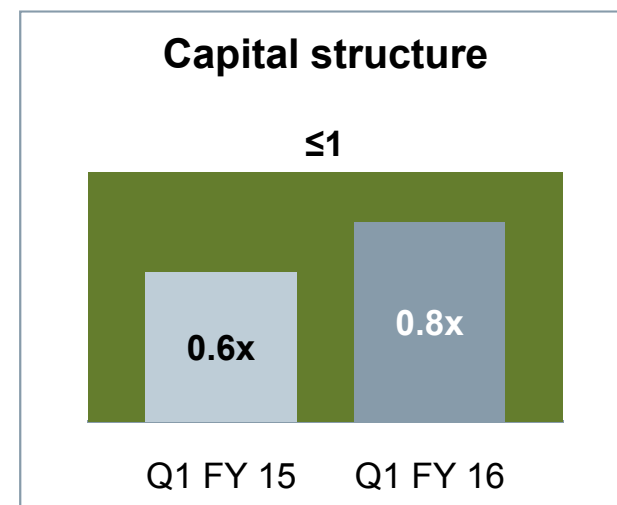
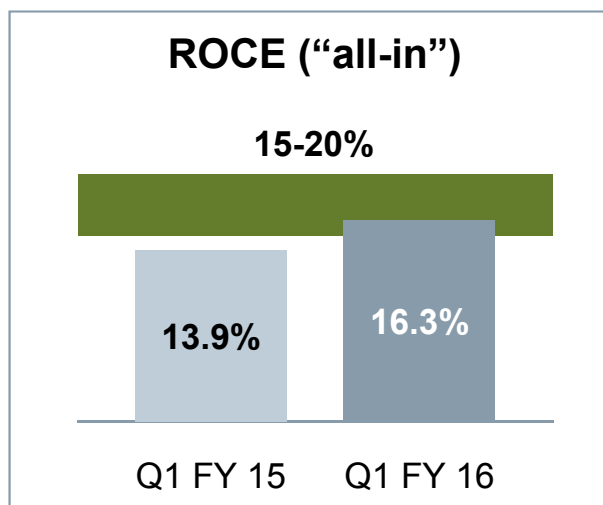
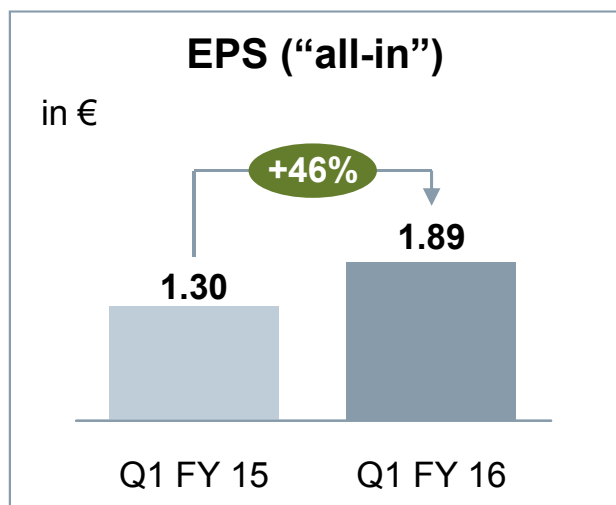
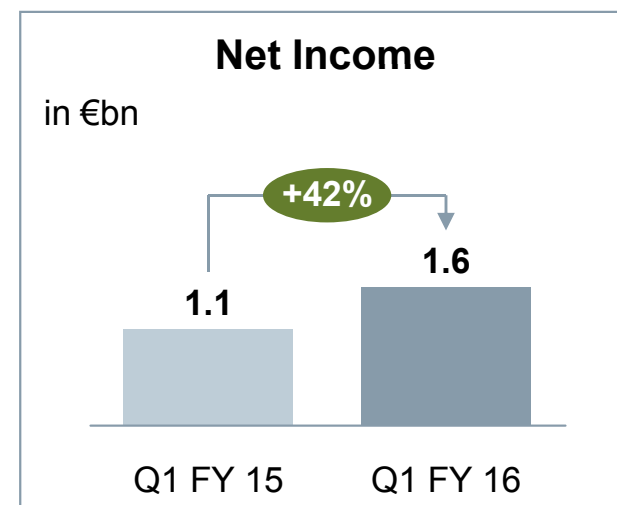
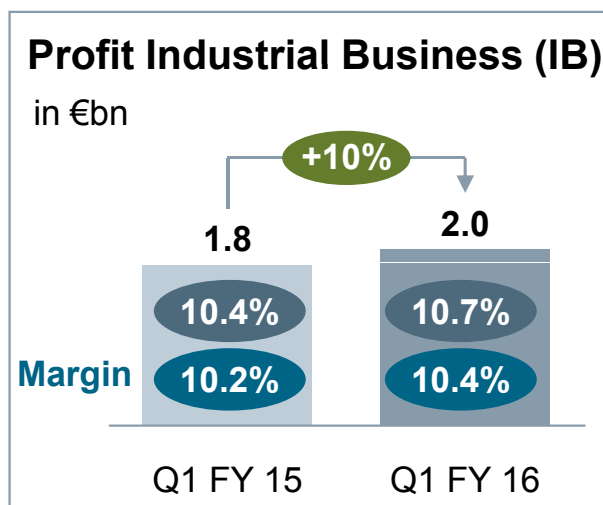
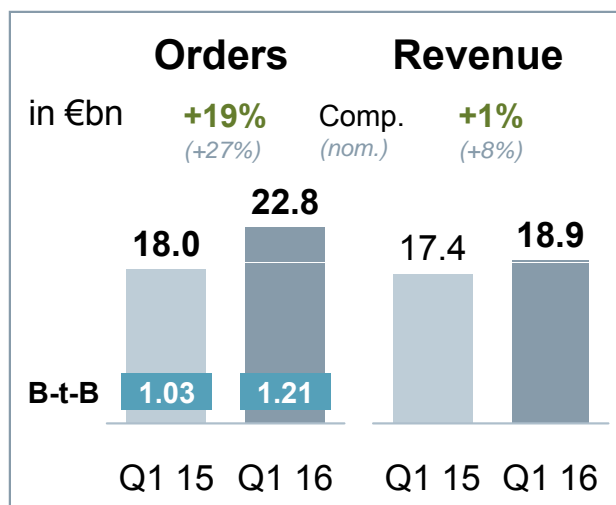
**BT**  
**8-11%**

**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

# Financial Cockpit

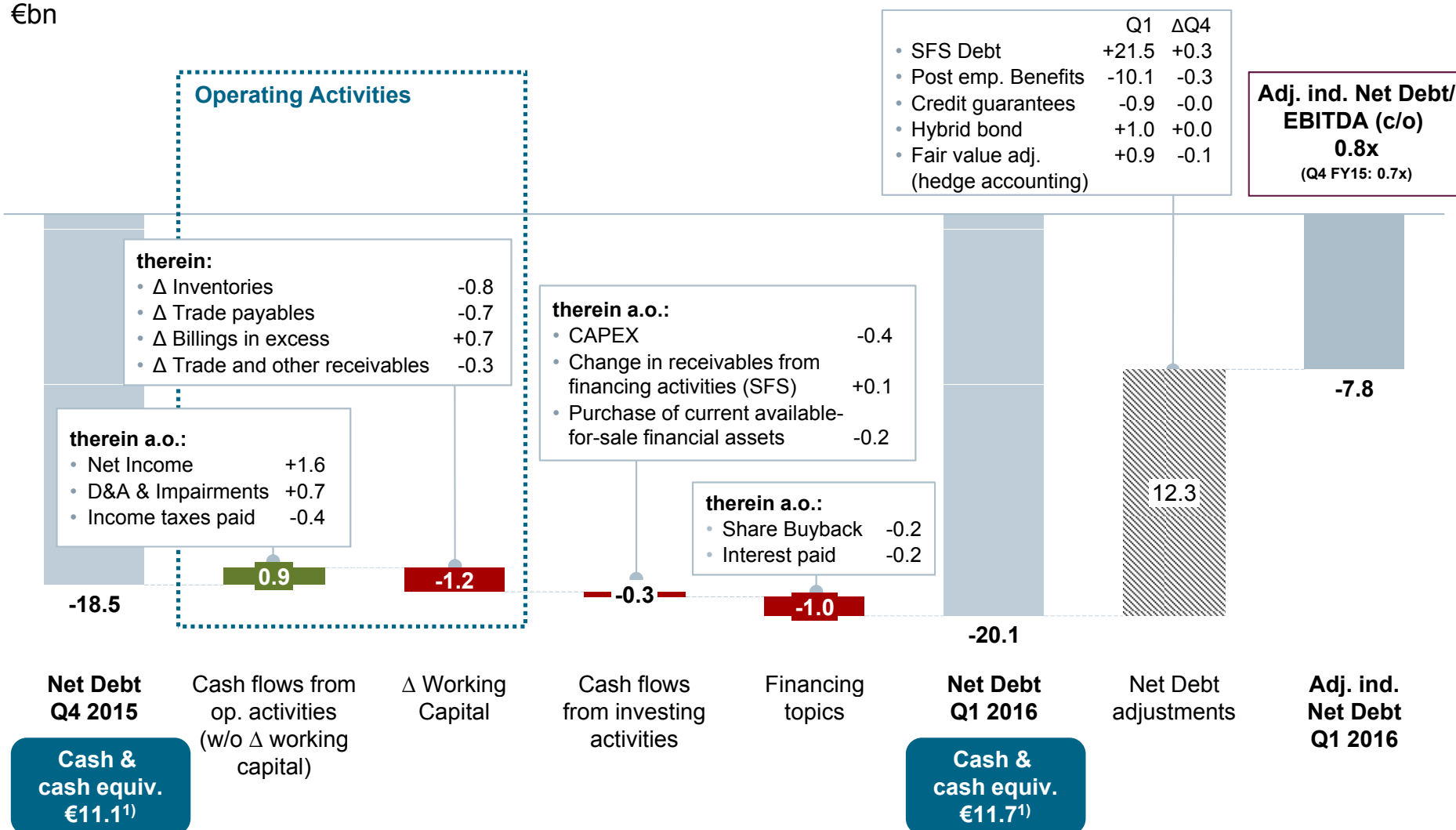


x.x% Margin as reported

x.x% Margin excl. severance

# Net Debt Bridge as of Q1 FY 2016

€bn



1) Including current available-for-sale financial assets



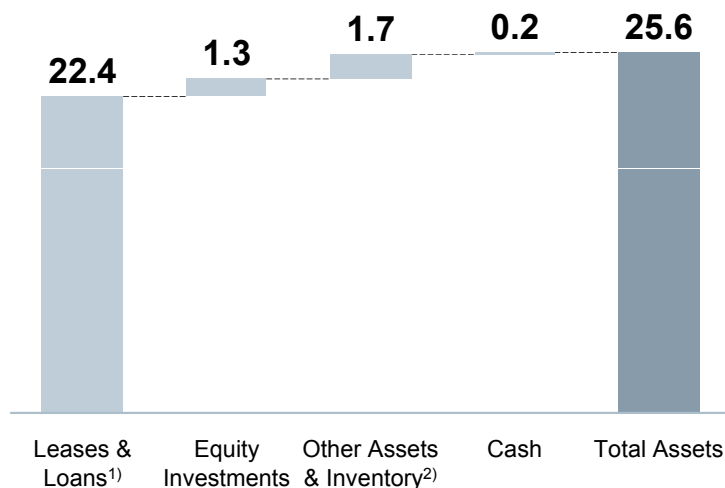
# SFS Key Figures Q1 FY 2016

## Key Financial Data SFS

|  |         |
|--|---------|
| • <b>Assets</b>                            | €25.6bn |
| • <b>Income before income taxes</b>        | €168m   |
| • <b>Return on Equity after tax</b>        | 21,9%   |
| • <b>Operating and Investing Cash Flow</b> | €445m   |

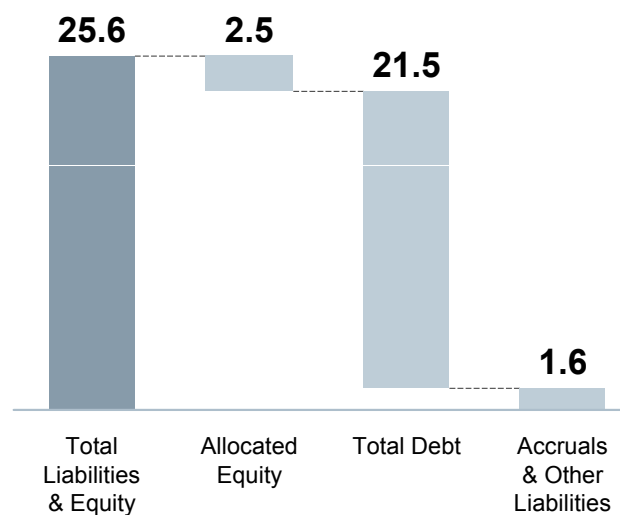
## Assets

€bn



## Liabilities and Equity

€bn



1) Operating and finance leases, loans, asset-based lending loans, factoring and forfeiting 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 -€9.3bn in Q1

**Funding deficit for Siemens' pension plans increased in Q1, mainly due to slightly decreased discount rate assumption**

| in €bn <sup>1)</sup>  | FY 2013      | FY 2014      | FY 2015      | Q1<br>FY 16  |
|---|--------------|--------------|--------------|--------------|
| <b>Defined benefit obligation (DBO) on pension benefit plans</b>    | (32.6)       | (35.0)       | (36.3)       | (36.7)       |
| <b>Fair value of plan assets</b>                                    | 24.1         | 26.5         | 27.3         | 27.4         |
| <b>Funded status of pension plans</b>                               | <b>(8.5)</b> | <b>(8.5)</b> | <b>(9.0)</b> | <b>(9.3)</b> |
| <b>DBO on other post-employment benefit plans (mainly unfunded)</b> | 0.6          | 0.5          | 0.5          | 0.5          |
| <b>Discount rate<sup>2)</sup></b>                                   | 3.4%         | 3.0%         | 3.0%         | 3.0%         |
| <b>Interest Income<sup>2)</sup></b>                                 | 0.8          | 0.8          | 0.8          | 0.2          |
| <b>Actual return on plan assets<sup>2)</sup></b>                    | 1.3          | 2.9          | 0.5          | 0.2          |

1) All figures are reported on a continuing basis and according to IAS 19 (revised 2011).

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

# Strategic transaction rationale

## An attractive business in an attractive market

### Vision 2020

### Rationale for acquiring CD-adapco

#### Area of growth?

- **Attractive growth rates** in Computer Aided Engineering (CAE) and related disciplines (above PLM market growth of 8%)
- Only 3% of engineers worldwide use Computer Fluid Dynamics (CFD) today, **implying significant whitespace**



#### Potential profit pool?

- **Software-typical double-digit margin profile**
- Sustainability of earnings supported by **high-value added engineering services**
- **>80% of Revenues are recurring**



#### Why Siemens?

- Siemens setup allows for **global scale across industries**
- **Enhancing Siemens' mechanical simulation strength by fluid simulation**



#### Synergetic value?

- **Enhances existing Siemens PL portfolio (NX CAE, LMS)** with critical simulation capabilities for multi-domain optimization
- **Significant growth potential** fueled by integration of product design, engineering, simulation and test



#### Paradigm shift

- **Siemens driving digitalization** trends with its **Digital Enterprise** suite



# Financial calendar

## January

**January 26, 2016**

Q1 Earnings Release; Annual General Meeting

## February

**February 17, 2016**

Roadshow Germany (Munich)

**February 18, 2016**

Roadshow UK (Edinburgh)

**February 19, 2016**

Roadshow Switzerland (Zurich)

## March

**March 9, 2016**

Citi West Coast Symposium (San Francisco)

**March 18, 2016**

Bank of America Merrill Lynch Conference (London)

## Siemens Investor Relations contacts



### Investor Relations

|             |  |
|-------------|--|
| Internet:   | <a href="http://www.siemens.com/investorrelations">www.siemens.com/investorrelations</a> |
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