

Process Industries and Drives – Reshape to unleash the power of Digital Enterprise

Juergen Brandes, CEO Process Industries and Drives
Capital Market Day – Energy and Oil & Gas | Houston, June 29, 2016

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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. 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.

Reshaping PD – Drive margin improvement and position for growth

Key figures FY 2015: €9.1bn Orders | €9.6bn Revenue | 6.9% Profit margin¹⁾ | 46,000 Employees | 8 to 12 % Margin target



Process Automation (PA)

Plant engineering software, DCS²⁾, process instrumentation and analytics, industrial communication



DCS for Power Generation and Industry

#1 Gas analytics
#3 DCS



Process Solutions (SLN)

Power and propulsion systems, solutions and systems for dedicated verticals



Consolidation of solution and engineering capabilities

#1 Marine drives



Large Drives (LD)

Motors, drives, inverters and traction solutions including rail, hybrid drives and Wind generators



Misfit of footprint and demand
Turnaround in execution

#1 Medium voltage drives
#2 Drives



Mechanical Drives (MD)

Gears for industrial applications and wind, couplings



Turnaround on track
Continue to execute measures

#1 Gearboxes

Digital Enterprise

Chemical, Pharma, Water, O&G Downstream

O&G Mid/Upstream, Mining, Metals, Fiber, Cement, Marine

Wind and various industrial applications

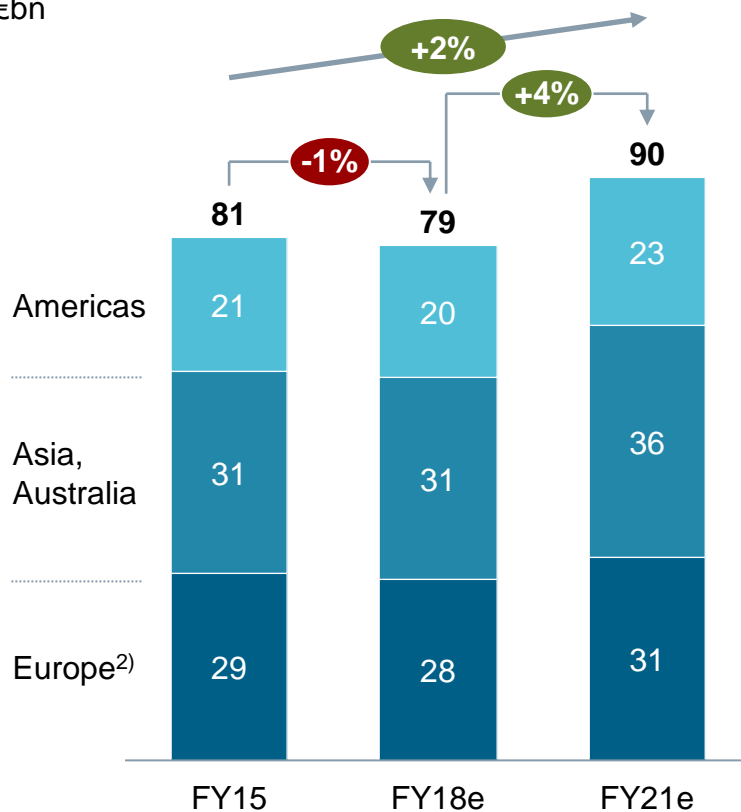
1) Profit margin excl. severance 2) Distributed Control System

Well balanced revenue streams – Well positioned to tap growth markets midterm

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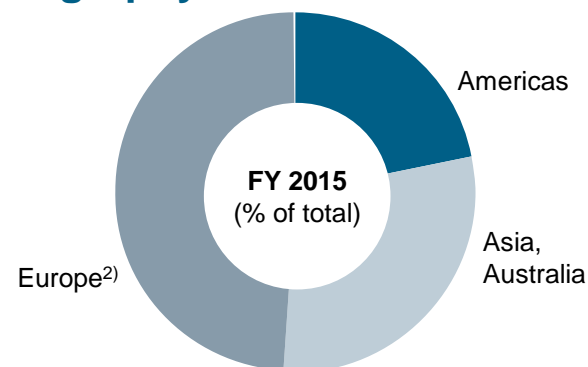
Addressed market (FY 2015 – 2021e)

In €bn



Revenue split

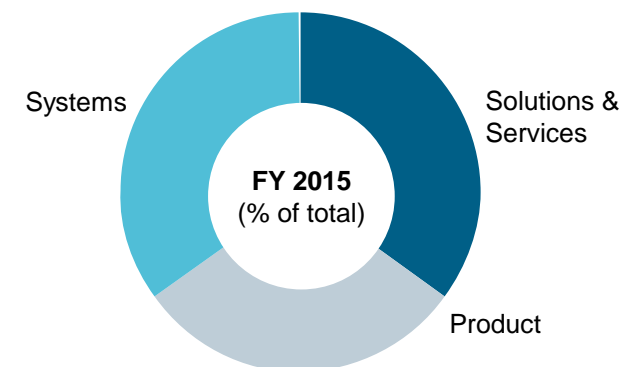
Geography¹⁾



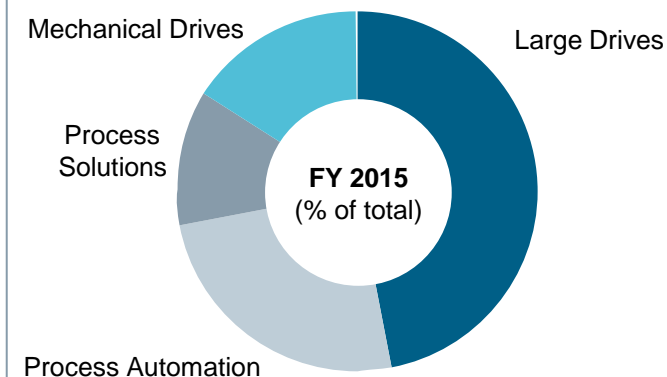
Verticals

- Oil & Gas (~20%)
- Chemicals
- Pharma
- Water & Wastewater
- Fiber
- Marine
- Mining
- Cement
- Wind
- Power
- Infrastructure
- Food & Beverages
- Others

Business mix



Business Unit



1) Int' business volume 2) Europe/C.I.S./Africa/ME

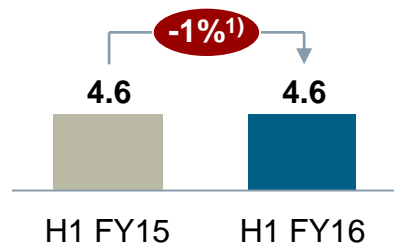
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Market downturn continues to heavily impact PD's business – Restructuring measures initiated and execution started

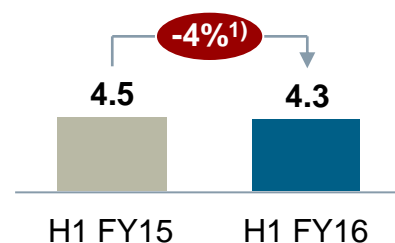
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Financials

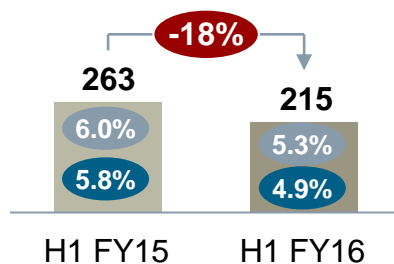
Orders
in €bn



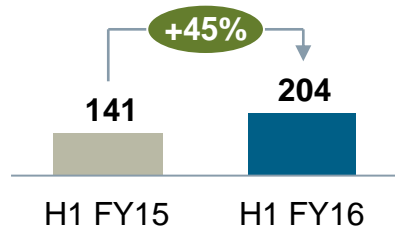
Revenue



Profit and margin
in €m



Free Cash Flow



Financial impact of restructuring measures

Faced further weak demand from commodity-related industries

- 1 Restructuring program to adjust capacities and align footprint on demand structures
- 2 ~2,500 FTE affected
- 3 Expected severance charges of €250m to €300m impacting Q4 FY16

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

x.x% Profit margin as reported **x.x%** Profit margin excl. severance

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Ongoing stringent execution of Mechanical Drives program pays off – Excellent blueprint for Large Drives and Process Solutions

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MD turnaround (Nearly completed)

Adapted footprint to market demand

- Closure of Herne and Vreden in Germany
- Closure of parts manufacturing in Elgin in USA
- Restructuring in India
- Shift from Germany and USA to China and India

Capacity adjustment

- Headcount in Germany reduced by ~200 FTE and further adaption ongoing

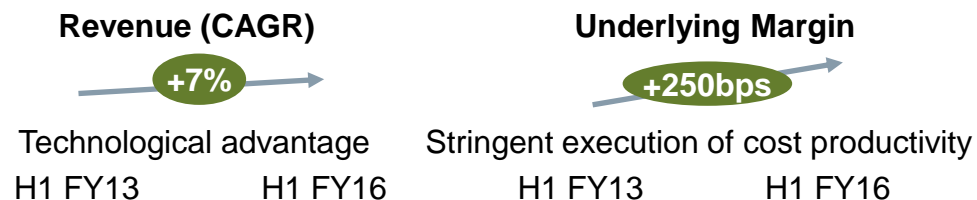
Focus on core competencies

- Foundry in Wittgensdorf sold (~600 FTE)

Leverage R&D and expertise

- Digital Gearbox

Structure as midsize company



LD/SLN turnaround (Measures in place)

Adapt footprint to market demand

- Bundling of production capabilities
- Optimizing of production processes
- Reduction of manufacturing sites

Capacity adjustment

- Headcount adaption in Germany and Austria by ~2,000 FTE

Focus on core competencies

- Transfer of solutions business to SLN (bundling of engineering capabilities; reduction of ~500 FTE)

Leverage R&D and expertise

- Smart products
- Reduction of portfolio complexity



Large Drives and Process Solutions – Vigorous productivity program in place and moving forward

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Adapt to new market realities

CNI ¹⁾
DTC ²⁾



Increase Material
cost productivity



-2

In Western Europe



-2,000

In Western Europe



9



Transfer of production lines



10

Product-
families

to 4

Product-
platforms



Increase
SG&A
productivity



-3

In Western Europe



-500

In Western Europe

→ Stringent execution of all measures

1) Contribution to Net Income 2) Design-to-cost
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We drive uptime and greater productivity for the world's process industries

World-class products

Comprehensive product portfolio
Partner of OEMs and system integrators

Industrial expertise

Global network – partner of global customers
Domain knowhow: Expert of Digital Enterprise

Execution capabilities

Global setup – superior qualified teams
Fast and reliable – exceeding expectations

Industrial services

Smart services for the process industries MindSphere – Siemens
Cloud for Industry powered by Sinalytics

Powered by
Sinalytics

Pharmaceuticals
industry



Food &
Beverage



Chemical
industry



Oil & Gas



XHQ – extended headquarter Software Solution for Multinational Companies

- Balancing local supply and demand
- Fast reactions through Global transparency
- Increase uptime via remote monitoring

-8%¹⁾
Operating
expenses

+10%¹⁾
Production ²⁾



1) Documented ROI has been shown at an end user implementing XHQ as the platform for a reliability-focused maintenance program at a refinery facility

2) of High-Value Product

From Integrated Engineering to Integrated Operations – Bringing the Digital Enterprise to reality

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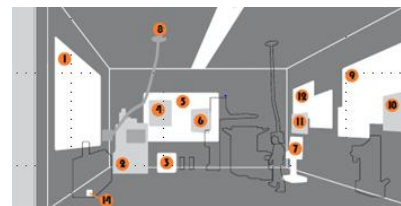
Strategic automation partner for GlaxoSmithKline

- Global partnership in manufacturing automation
- Preferred automation supplier for GSK sites
- Simplification and standardization of the automation space
- Preferred automation supplier for GSK production and R&D sites worldwide, including Vaccines



“One of our objectives is to simplify and standardize the automation space by identifying a small number of systems and suppliers and this is the first step on our journey to achieving this. This will create a real win-win situation, not just for today, but for the long term, for GSK, Siemens and most importantly our patients.”

Integrated Engineering



Integrated Operations



-13%¹⁾
Quality costs

-25%¹⁾
Scrap/rework

-70%¹⁾
Regulatory compliance costs

1) Referring to various customer references

Joined forces with Dresser Rand to leverage disruptive O&G opportunities

Dresser Rand Integration

Additional capabilities

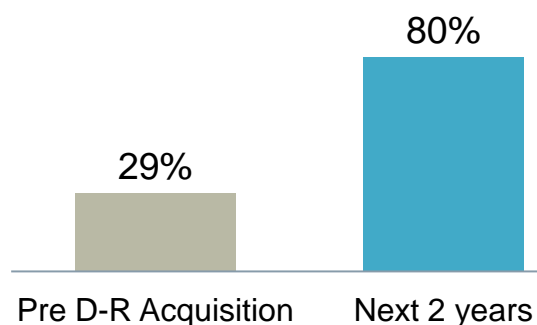
- Pipeline
- LNG ¹⁾
- CAES ²⁾
- Guascor
- ...

First roll-outs

- USA
- France
- India
- Germany
- ...



PD products sold with D-R products



Digital Enterprise

Ivar Aasen, Norway

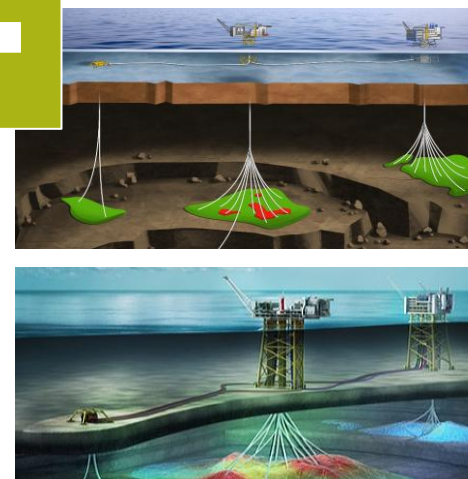
- First time remote operating offshore platform real time from onshore (1,000 km)
- Integrated E-A-D solution

-70%³⁾

Offshore operators

-30%³⁾

Personnel costs

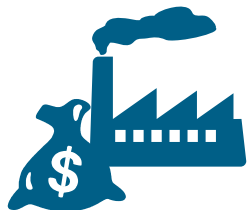


1) Liquefied Natural Gas 2) Compressed Air Energy Storage 3) Planned

Key takeaways

Reshape to unleash the power of the Digital Enterprise

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First priority: Cost out and reshape!



Western Europe
headcount

-2,500



**Close to the customer to address
demand for productivity and uptime**



Outgrow market
CAGR in the mid-term

+1%



Unleash the power of Digital Enterprise



Revenue
Digital offering

2 times

From Integrated Engineering to Integrated Operations – Bringing the Digital Enterprise to reality

SIEMENS

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Strategic automation partner for GlaxoSmithKline



“Over the last years, Siemens has built a comprehensive portfolio for the life sciences industry based on a combination of life sciences-specific software capabilities and the company’s well-proven Totally Integrated Automation concept/automation portfolio. With this, Siemens is well positioned to supply this industry with relatively future-proof solutions that can help companies remain successful through the use of novel technology approaches such as PAT (Process Analytical Technologies) and paperless manufacturing.”

“Both major players, such as GSK, and smaller companies, such as BioNtech, have entered into strategic partnerships with Siemens to deploy these types of solutions to help them comply with global regulations, increase efficiencies, be more competitive globally, and reduce costs.”



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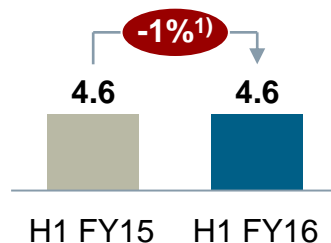
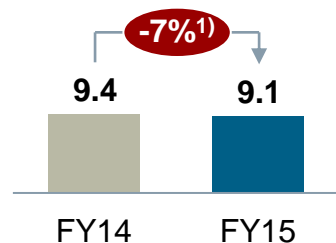
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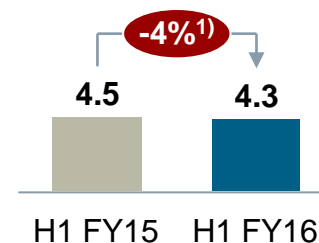
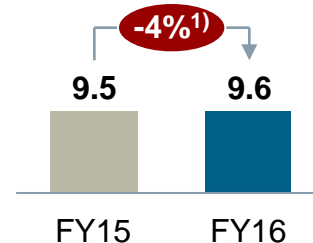
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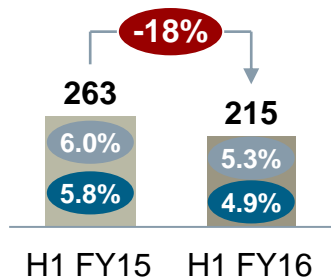
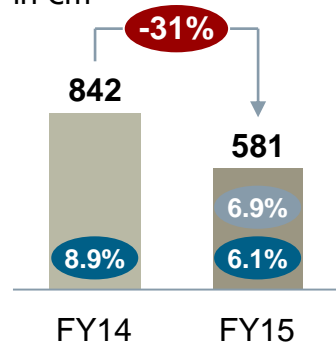
Orders in €bn



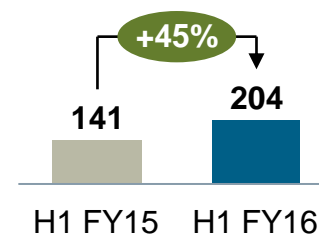
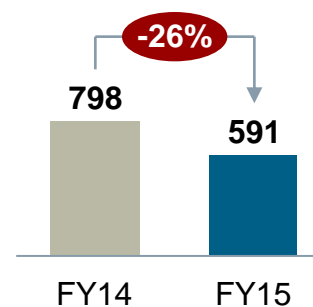
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