

At the core of the energy system

Ralf Christian, CEO Energy Management
Capital Market Day – Energy and Oil & Gas | Houston, June 29, 2016

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Energy Management: Exciting times at the core of the energy system



Central power



TSOs



DSOs/
Muni.



Distributed generation



Oil & Gas,
heavy industries



Discrete Manufacturing



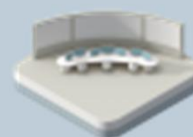
Infrastructure &
Data Center



Construction/
Buildings

Digitalization & Automation

Digital Grid (#1)



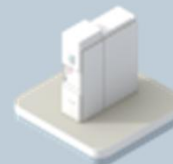
Service

Electrification

Transmission Solutions (#1)



Low and Medium Voltage Systems (#3)



Transformer Products (#2)



High Voltage Products (#1)



Low and Medium Voltage Products (#3)



Energy Management FY 2015

€13bn orders – €12bn revenues – ~52k employees

Exciting €110bn market – 2-3% CAGR (2015 – 2021)

- **2-3% CAGR Electrification**
 - Refurbishment/upgrades of ageing infrastructure
 - Urbanization and electrification
- **4-5% CAGR Digitalization & Automation**
 - Decentralized and renewable energy
 - Balancing generation and prosumers

EM target setting

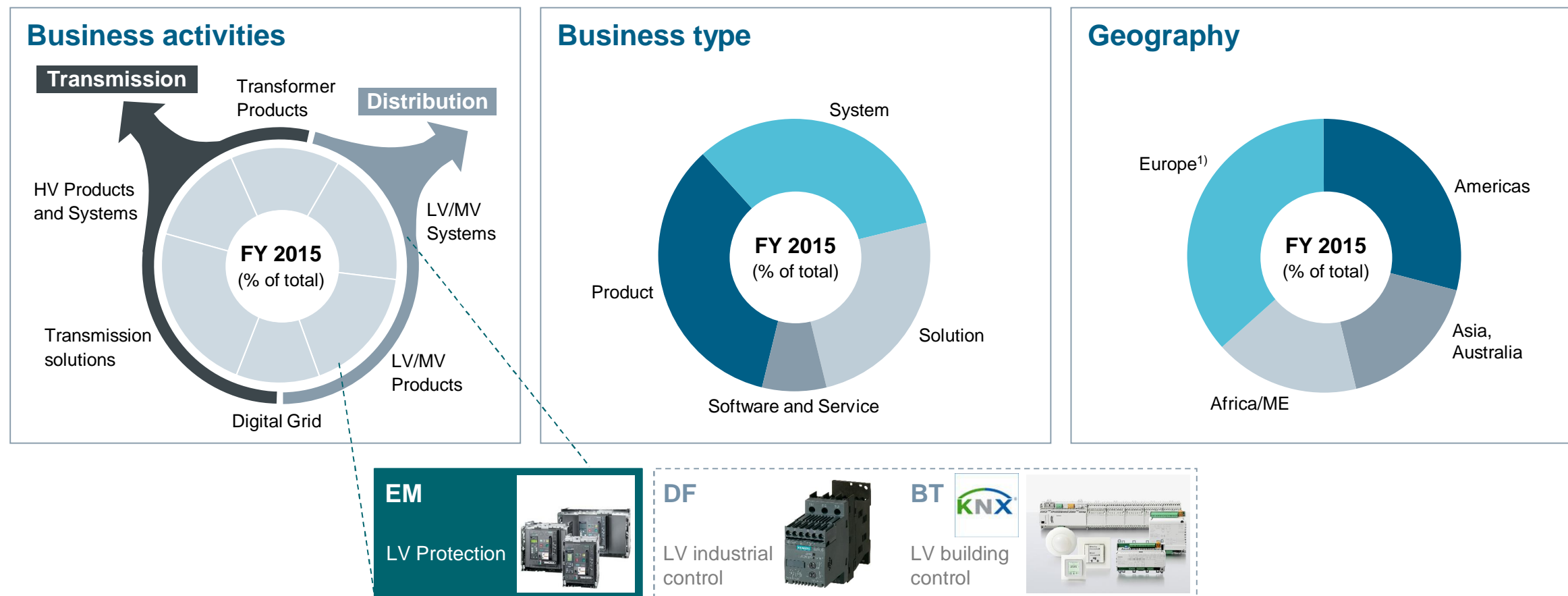
- **Growth target: ~3 – 5% p.a.**
- **Profitability** in target range by 2017: **7-10%**

TSO = Transmission System Operator; DSO = Distribution System Operator; Muni = Municipalities; # = Market position

Attractive resilient business mix – Balanced global presence – World market leader in LV-MV-HV protection

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Revenue split

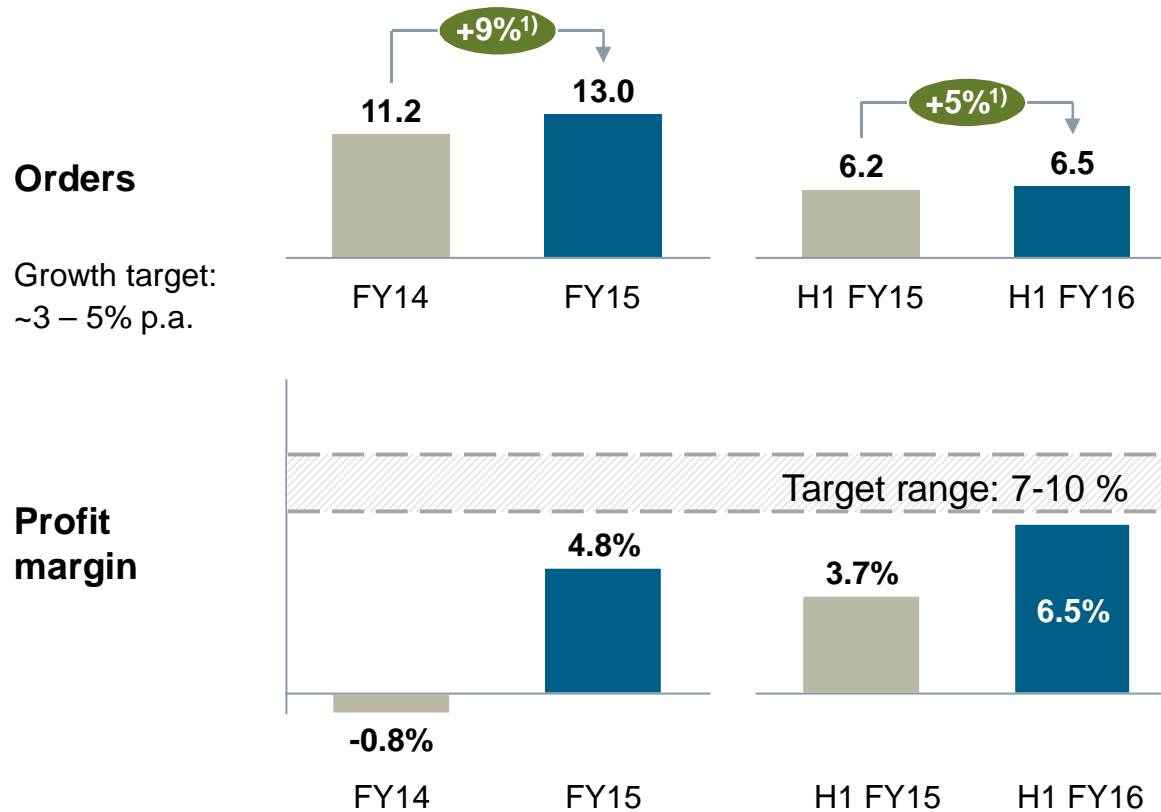


1) Europe/C.I.S.; HV: High Voltage; MV: Medium Voltage; LV: Low Voltage; EM: Energy Management; DF: Digital Factory; BT: Building Technologies

Stringent execution – Solid foundation for profitable growth built

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Financials (in €bn)



Key Priorities

Fix and optimize

- Strengthen project execution
- Improve profitability of product business

Broaden the base

- Strengthened Go-to-market
 - Dedicated vertical sales
 - Utilize all channels
- Comprehensive service offering
- Expand technological leadership

Develop new businesses

- Smart grid and Software and IT
- Distribution automation and decentral electrification

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

Critical projects fixed – Competitive operating platform established

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Fixing Critical Projects



- 6 Grid Access/HVDC in commercial operation
- 1 in execution – on track for FY17

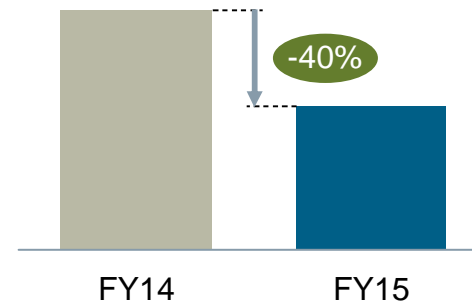
Learning: Solve root causes

- Selective bidding
- Risk optimized approach e.g. consortia
 - Focus on electrical core competence
 - Active partner management (e.g. civil)

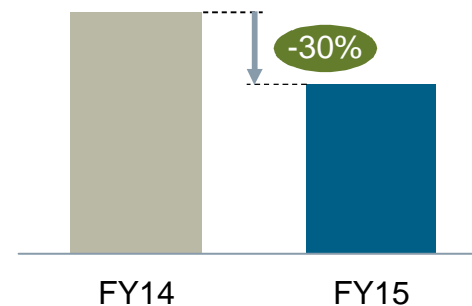
+330bps
Increased gross margin
in order backlog
(FY14 – H1 FY16)

Streamlining organization

Overhead cost reduction (HQ functions)

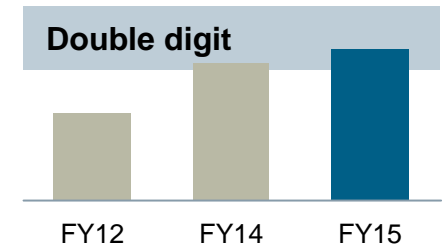


Reduced complexity in Business Units/Segments



Improving business performance

Successful
LV protection
turnaround



Increase profitability
of underperforming
businesses

~300bps¹⁾
(FY14 – H1 FY16)

Global footprint optimization

- 13 plants closed, others significantly downsized
- New low cost plants e.g. Mexico, India
- Low cost country sourcing: **42%**

1) w/o project charges

Established leading global sales setup

Unique vertical and account sales – Utilizing multiple channels

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Central power



TSOs



DSOs/
Muni.



Distributed generation



Oil & Gas,
heavy industries



Discrete Manufacturing



Infrastructure and Data Center



Construction/
Buildings

Simplified customer oriented sales

Dedicated Software/IT sales

Direct sales and Agents

EPCs/Contractors

OEMs/Panelbuilders

Distributors

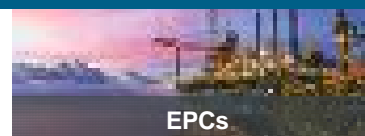
Dedicated Account Management (Examples)



Utilities



Industrials



EPCs



Expansion through Indirect Channels



OEM/Panelbuilder



Distributor and Partner Management



Distributors



Further momentum from three leading growth engines

Connecting Grids

Efficient power transmission

Interconnection of national transmission grids and integration of renewables



Agility in Energy



Maximize intelligence of energy networks to cope with increasing complexity

Totally Integrated Power

Critical power supply for industrial plants, infrastructure and buildings
reliable, safe and efficient



“Connecting Grids” – Leading position with innovative offers in transmission

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Global opportunities

Reinforcing national grids

- Replace aging assets (~35% of market)
- Increase capacity (~€20bn/a CN, IN, EU, US)

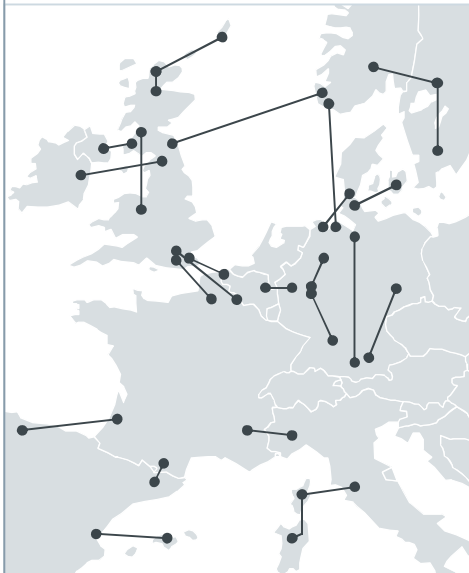
Connect large renewables

CN, IN, EU, US (~US\$5bn/year)

Interconnect national grids

- EU: €50bn until 2030 (ENTSO-E)
- Global: US\$20trn until 2050 (“One Belt and One Road”)

Example: Pan-European interconnection



>30% tenders won

Inelfe
(operational 2015)

>€300m

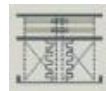
Western Link
(operational 2017)

€350m

Ultramet
(operational 2019)

€900m

Innovative new “Full Bridge” technology



97% of temporary faults manageable

Example: UK Offshore Grid Access



>50% tenders won

London Array
(operational 2013)

€128m

Dudgeon
(operational 2016)

>€100m

Beatrice
(operational 2019)

>€200m

Innovative Grid Access with OTM and DRUs



30% lower cost of ownership

Consulting, planning



Engineering



Installation, commissioning



Operations



Services, modernization



Source: IEA, Siemens internal assessments; OTM: Offshore Transformer Module; DRU: Diode Rectifier Unit

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“Totally Integrated Power” – Addressing critical power demand in Industries and Infrastructure

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Petrochemical



- Large customer asset >US\$0.8bn;
1h without electricity costs ~US\$18k
- Strong requirements for critical power
- Entire electrical system: **One** supplier
- **CAPEX/OPEX** optimization



Automotive



- Ensure secure operations of a large customer production asset

Integrated Siemens approach (switchgear, transformer and local service) guarantees **uninterrupted** operations



Data Center



- Data Center operating 24/7
- Power reliability is key
- 1 minute downtime costs ~US\$9k

Siemens systems ensures availability of **99.995%** (tier 4 standard)

Consulting, planning
support



Engineering
support



Installation,
commissioning



Operations
Support



Services,
modernization



“Agility in Energy” – Transforming the energy system with smart solutions

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Leading in
grid automation
and software
applications

Powered by
Sinalytics

Distribution Automation



Grid monitoring and fault
management devices



Automatic restoration
system at a critical
customer and service area



Operational Monitoring and Control Centers



(CN) 420.000 m²
to be powered



Monitoring of 11,000 km



Smart Metering



MDM for 5.2m consumers
(electric and gas)



selects EnergyIP as the
MDM System for Utility
ERP



Microgrids and Virtual Power Plants



Integration of 2,000
distributed PV sites
+ storage pilots



10-year frame contract
and VPP pilot operations



MDM: Meter Data Management

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Energy Management on track to execute its priorities

Key takeaways



Fix and Optimize

6 out of 7
critical
projects executed

- Projects handed over, last project well on track for FY17
- Root causes solved – learnings implemented
- Backlog profitability increased by 330 bps

730 bps
Profit increase
FY14 – H1 FY16

- Operating platform improved – continuous optimization
- Performance of underperforming businesses on track
- Reaching target margin range



Broaden the base

Outgrown market:
>5%
growth since FY14

Three leading growth engines

- Connecting Grids
- Totally Integrated Power
- Agility in Energy

Energy Management – Leading positions across entire electricity chain

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FY 2015: €13bn Orders | €11.9bn Revenues | 4.8% Profit margin | 52,000 Employees | 7% to 10% Margin target

Transmission

Distribution



Transmission Solutions

- HVDC¹⁾ solutions
- FACTS²⁾
- Grid access
- HV substations



High Voltage Products and Systems

- Air- and Gas-insulated HV switchgear
- Non-switching HV products



Transformer Products

- Power transformers
- Distribution transformers
- Special purpose transformer



Low and Medium Voltage Systems

- Air- and Gas-insulated MV switchgear
- LV switchgears and switchboards
- Active Power Systems



Low and Medium Voltage Products

- LV protection and switching
- LV measuring and monitoring
- MV vacuum circuit breakers, contactors and interrupters



Digital Grid

- Smart metering and communication
- Grid protection, automation and power quality
- Grid consulting

Service: Product and Operations related services – Value Added Services – Digital Services

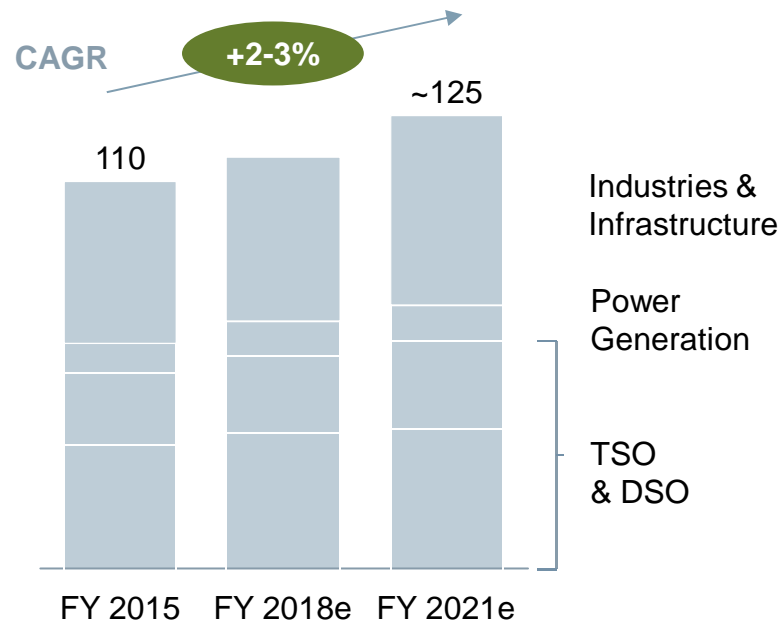
HV: High Voltage; MV: Medium Voltage; LV: Low Voltage

1) High Voltage Direct Current 2) Flexible Alternating Current Transmission System

Numbers in a nutshell – Resilient solid growth market and strong financials

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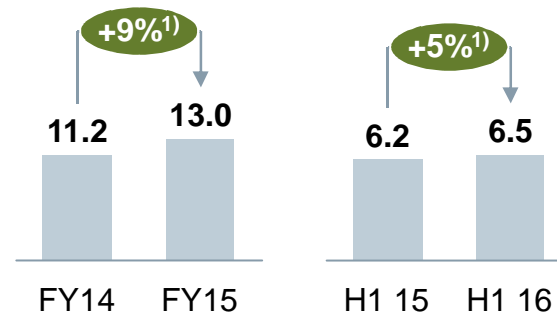
Addressed market (FY 15 – 21e) (in €bn)



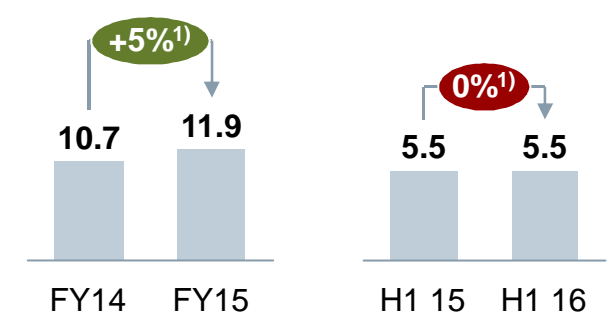
4 – 5% CAGR Digitalization & Automation
2 – 3% CAGR Electrification

Financials (in €bn)

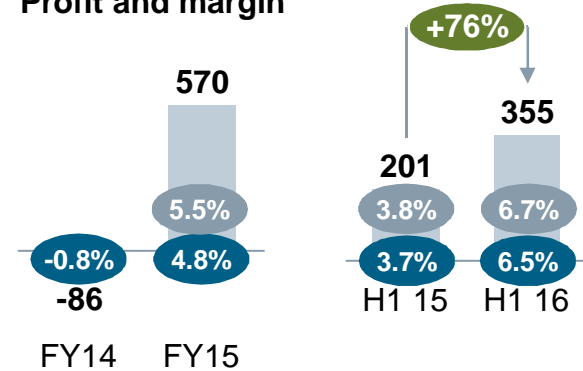
Orders



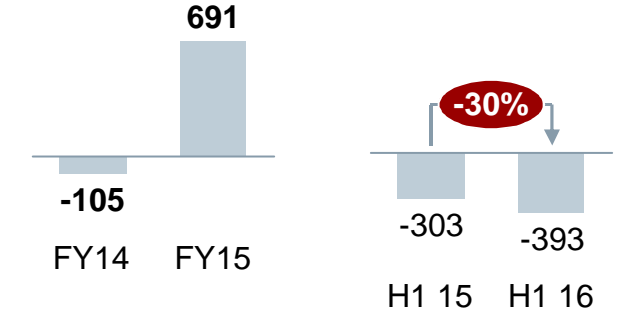
Revenue



Profit and margin



Free Cash Flow



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

x.x%

Profit margin as reported

x.x%

Profit margin excl. severance