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Siegfried Russwurm | Member of the Managing Board and CTO

# Driving value in a digital world

Siemens Capital Market Day | Berlin, December 9, 2014

# 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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All underlying margins are calculated by adjusting margins for the effects reported for the respective businesses in the relevant period. These effects are provided to assist in the analysis of the businesses’ results year-over-year and may vary from period to period. Underlying margins are not necessarily indicative of future performance. Other companies may calculate similar measures differently.

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.

# Combining the physical and virtual world

## Virtual world



Analytics

Autonomous fault recovery

Traffic management

CAX

Imaging software

Fleet management

Smart grids

e-Tolling

Digital Factory

Image-guided therapy

Embedded software

Meter Data Management

PLM

Collaboration in the cloud

MES

Decision support

Neural networks

Efficient buildings

280k  
connected  
devices

# SIEMENS

Insights from 16TB+  
operations data per  
month



## Physical world – Siemens installed base

# Siemens leverages digitalization technologies to create new business opportunities

## Major digitalization technologies ...

-  **Mobile and collaboration**
-  **Connectivity and Internet of Things**
-  **Cloud technologies**
-  **Big data and analytics**



## ... leveraged along our entire portfolio ...

<b>Digitalization</b>	
<b>Automation</b>	
<b>Electrification</b>	

## ... to create attractive business opportunities

<b>Vertical software</b>	<b>Digital services</b>
<ul style="list-style-type: none"> <li>• <b>Attractive business of industry applications</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Profitable growth</b></li> <li>• <b>Analytics based/ remote</b></li> </ul>
<b>+ Pull-through of E&amp;A business</b>	<b>+ Reduced cost of delivery of classic service business</b>
<b>Enhanced Electrification &amp; Automation (E&amp;A)</b>	
<ul style="list-style-type: none"> <li>• <b>Digitally differentiated core</b> <ul style="list-style-type: none"> <li>– Embedded software for increased autonomy and performance</li> <li>– Self-learning automation algorithms</li> </ul> </li> </ul>	
<b>+ Large installed base and deep know-how as base for digital business</b>	

# Siemens leverages digitalization technologies to create new business opportunities

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-  **Mobile and collaboration**
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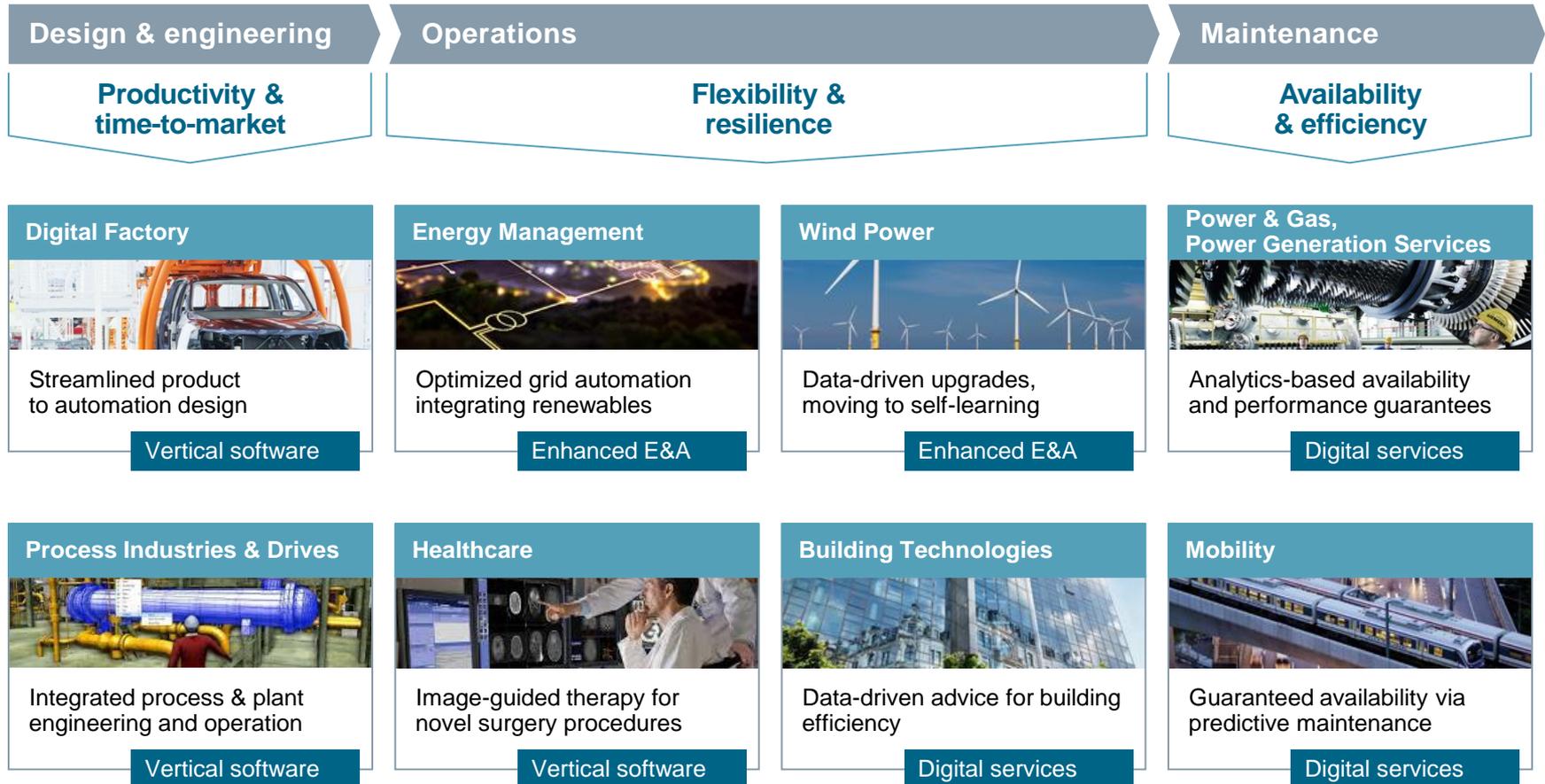
<b>Digitalization</b>	
<b>Automation</b>	
<b>Electrification</b>	

## ... to create attractive business opportunities

<b>Vertical software</b>	<b>Digital services</b>
<b>€2.4<sup>bn</sup></b> Revenue FY 2014	<b>€0.5<sup>bn</sup></b> Revenue FY 2014
Profitability <b>++</b>	Profitability <b>+++</b>
<b>+9%</b> Market growth	<b>+15%</b> Market growth
<b>Enhanced Electrification &amp; Automation (E&amp;A)</b>	
<b>#1 automation player in ...</b>	
<b>... Industry</b>	<b>... Power plants</b>
<b>... Buildings</b>	<b>... Grid ... Rail</b>

# Customers rely on our specialized domain know-how and support to realize value from digitalization

Customer value chain



# Digital enhancements drive competitiveness of our **Electrification & Automation** portfolio

## Strong proof points established

### Driverless trains



- Sensors, IP-comms, advanced automation
- 50% capacity increase, 15% energy savings
- ~€1.6bn Riyadh order

Mobility

### Smart distribution



- Automated distribution grids for 19 cities in India
- Up to 50% loss reduction

Energy Management

### Self-learning wind turbines



- Data-driven automation upgrades, up to 5% rise in energy output
- Next step: Self learning turbines, up to 1-3% additional energy output

Wind Power

## Example Energy Management

Smart distribution ...

... drives customer benefit ...

... and value for Siemens

Autonomous fault recovery



Grid availability and resilience

Smart distribution automation



Improved grid operations

Meter-data based trafo simulation



Grid availability

- Strengthened competitiveness of our power distribution portfolio
- In multi-billion market
- Door opener for pull-through of conventional equipment

# Digital services deepen our customer relationships with differentiated offers and performance-based contracts

## Strong proof points established

### Availability guarantee for train service



- 26 trains for Renfe
- Flexible maintenance intervals, 24/7 service
- On-time rate of 99.9%

### Turbine performance guarantees



- Industrial customer
- Flexible Long Term Program
- 100% reliability with performance payments: 10% upside

### Building energy efficiency services



- Carlson Rezidor hotels
- Energy optimization and remote monitoring
- 25% energy savings

## Example Power Generation Services

**Performance guarantees ...**

**... drive customer benefit ...**

**... and value for Siemens**

Remote diagnostics  
Prediction of service needs



Asset availability and flexibility

Fleet statistics, benchmarking



Operating efficiency

Spare parts analytics  
Additive manufacturing for spare parts



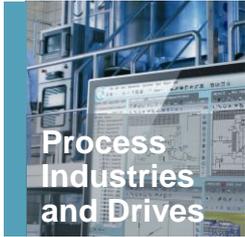
Optimized service delivery

- New analytics-based services expand our addressable market
- Attractive profit pool from performance-based contracts
- Decreased delivery cost drives service margin and lowers equipment life-cycle cost

# Market leading offerings of vertical software

## Strong proof points established

### Integrated engineering



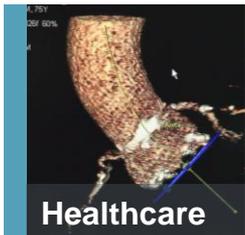
- Sanofi-Aventis
- Integrated engineering (COMOS with PCS7)
- -12% project time
- -9% project cost

### Integrated engineering



- INDEX Werke
- Simulation of parts machining
- Up to -80% setup time
- 500+ installations

### Planning of image-guided therapies



- Minimally invasive aortic valve implantation
- ~33%<sup>1)</sup> reduction of 2-year all cause mortality

## Example Digital Factory

**Integrated engineering ...**

**... drives customer benefit ...**

**... and value for Siemens**

Leading integrated PLM offering



Increased productivity in design

Integration of PLM with automation portfolio



Streamlined engineering process

Leveraging own PLM software



Shorter lead time

- Expanding our Tier 1 customer position and share of wallet
- Monetizing our engineering know-how via software
- Generating synergies via pull-through

1) Compared to medication based treatment; Source: PARTNER study

# Siemens digitalization ecosystem: World-class talent pools, technology platforms and partners

## Investing in innovation, people and skills

- Modern software development methods
- Digital skill pools expanded
- Leveraging external innovation



**17,500 software engineers**  
Pool of analytics, cloud, networks, security specialists

### Siemens Venture Capital

>180 projects incl. eMeter



Start-up partnerships via TTB<sup>1)</sup>



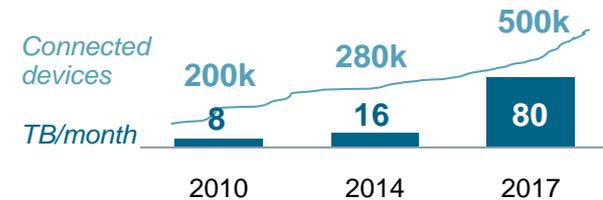
## Leveraging technology platforms

### Scale and speed from cross-divisional technology investments

- Smart data analytics
- Cloud
- Cyber security



**Common remote service platform**



## Expanding powerful IT partner ecosystem

- Strong IT partner ecosystem
- Complementary strengths



E.g.,



Strategic alliance



Industrial cyber security



Partnership for analytics



JV for smart grids



Alliance for Healthcare IT



Integration partner

1) Siemens Technology-to-Business

# Digitalization harnessing major value for Siemens, combining the physical and virtual world

## Vertical software



**€2.4**bn **+9%**

Revenue FY 2014 Market growth

**Largest offering among peers, continued M&A**



## Digital services



**€0.5**bn **+15%**

Revenue FY 2014 Market growth

**280k+ connected devices**  
**~30 digital service offers**

## Enhanced Electrification & Automation



**#1 Automation player in ...**  
**... Industry**    **... Power plants**  
**... Buildings**    **... Grid**    **... Rail**

**Differentiated by and basis for Digitalization**



**The trusted partner for critical processes**

**Large installed base and customer access**

**Deep vertical know-how**