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Siemens expects substantially more synergies in oil and gas business

- Strategic focus pays off despite downturn in the sector
- Synergies from the integration of Dresser-Rand and Rolls-Royce's former energy business expected to total about €365 million by fiscal 2019
- Leading market positions along the entire energy value chain
- Expanding installed base and customer services to ensure sustainable revenue growth
- Electrification, automation and digitalization in oil and gas to generate substantial productivity gains and new business models

Despite a material downturn in the sector, Siemens expects the acquisition of Dresser-Rand and Rolls-Royce's former energy business to generate considerably greater synergies than originally anticipated. At the Energy and Oil & Gas Capital Market Day in Houston, Texas, Siemens Managing Board member Lisa Davis explained that the integration of the two companies was expected to generate synergies of €365 million by fiscal 2019 – or €165 million above the planned figure. Rolls-Royce's former energy business would contribute synergies of €115 in fiscal 2019, up from the €50 million originally communicated at the Capital Market Day in December 2014. Annual synergies from Dresser-Rand are now expected to hit €250 million by fiscal 2019 – about €100 million more than planned in September 2014.

"Dresser-Rand and Rolls-Royce Energy are perfectly complementing our offerings in the oil and gas business. On the revenue side, we're realizing substantial synergy potential with our expanded product portfolio, cross-selling and services. On the cost side, we're achieving this primarily by consolidating R&D and procurement, and optimizing our footprint," said Lisa Davis.

The synergies are being generated to a large extent by a strong business portfolio seamlessly combining electrification, automation and digitalization that enables Siemens to uniquely offer complete solutions and services along the entire energy value chain. Siemens is the leader in power transmission as well as automation and drives, as well as having leading positions in the fields of oil and gas, fossil-fueled power plants and power distribution.

Through the planned merger of its wind power activities with Gamesa, Siemens also plans to become the world's leading supplier in the wind power business, thus achieving a further considerable expansion of its installed base. This is important for generating incremental customer value through economies of scale. The acquisition of Dresser-Rand and Rolls-Royce's former energy business already expanded the installed base of Siemens products in the energy business by around 100,000 units to more than 140,000 units in fiscal 2015. From the end of fiscal 2014 to the end of the first half of fiscal 2016, the order backlog at Power Generation Services had already grown 28 percent to €37 billion.

Along the entire energy value chain, Siemens is profiting from its undisputed strength in the digital enterprise. The company's new Sinalytics platform offers customers a technology that further enhances the reliability and efficiency of its products. Sinalytics connects and backs up installed Siemens systems worldwide, thus enabling remote systems monitoring and maintenance. Based on advanced data analytics, the platform can predict and prevent errors and identify possibilities for optimizing performance while also reducing energy consumption and cutting costs. At Siemens, Sinalytics processes an average of 550 gigabytes of data from more than 300,000 devices every day. The order backlog for long-term, flex contracts in the power generation services business already amounts to around €3 billion. Geared not to rigid service intervals but to customer requirements, flex service contracts focus on maximizing system reliability, availability, efficiency and flexibility. Advanced algorithms, sophisticated data analytics and machine-learning technology are the basis for intelligent systems that are continuously fed fleet- and unit-specific operation and maintenance data.

This press release is available at www.siemens.com/press/PR2016060328COEN

For further information on the Capital Market Day, please see
www.siemens.com/cmd

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