We bring Power to the People

Willi Meixner, CEO Power & Gas
Capital Market Day – Energy and Oil & Gas | Houston, June 29, 2016
Notes and forward-looking statements

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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.
## Key figures FY 2015:
- €15.7bn Orders
- €13.4bn Revenue
- 10.5% Profit margin
- 50.3k Employees
- 11 to 15% Margin target

### Position

<table>
<thead>
<tr>
<th>2015</th>
<th>Large Gas Turbines</th>
<th>Small/Medium/ Aero Gas Turbines</th>
<th>Large Steam Turbines</th>
<th>Small Steam Turbines</th>
<th>Compressors</th>
<th>Distributed Control Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Position</strong></td>
<td>#2</td>
<td>#2</td>
<td>#3</td>
<td>#1</td>
<td>#2</td>
<td>#1</td>
</tr>
<tr>
<td><strong>Units¹)</strong></td>
<td>#46</td>
<td>#82</td>
<td>#27</td>
<td>#533</td>
<td>#366</td>
<td>#217</td>
</tr>
<tr>
<td><strong>Market share</strong></td>
<td>25%</td>
<td>11%</td>
<td>10%</td>
<td>30%</td>
<td>14%</td>
<td>15%</td>
</tr>
</tbody>
</table>

### Power & Gas

#### Power Industry
- 25% Market share

#### Oil & Gas
- 11% Market share

**Note:** Values including D-R business and Service  ¹) For compressors: D-R share based on CY15; for DCS: Additions to installed fleet in CY15

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Page 3  Houston, June 29, 2016
Robust business model with high service share – Improved global revenue spread

Revenue split and order backlog

Business Unit

- Distributed Control Systems
- Compression
- Steam
- Small/Medium/Aero Gas

FY 2015 (% of total)

Large Gas

Geography

- Americas
- Asia, Australia
- Middle East/Africa
- Europe/CIS

FY 2015 (% of total)

Business mix

- Solution
- Service
- Product

FY 2015 (% of total)

Order Backlog in €bn

- Q4 FY15: 41.8
- Q2 FY16: 45.3

+9%

Note: Values including D-R business and Service

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Good growth momentum in 2016, committed to deliver competitive margins

Grow volume

Go-to-Market
• Early market development
• One Division Sales
• Flexible scopes, partnering

Technology
• Next generation gas turbine @ 63%+ efficiency
• Agile and fast development
• Digitalization – PG 4.0

Revenues in €bn

<table>
<thead>
<tr>
<th></th>
<th>H1 FY15</th>
<th>H1 FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.0</td>
<td>7.6</td>
</tr>
<tr>
<td>+6%1)</td>
<td></td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Profit in €m

<table>
<thead>
<tr>
<th></th>
<th>H1 FY15</th>
<th>H1 FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>713</td>
<td>884</td>
</tr>
<tr>
<td>+24%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Values including D-R business (H1 FY16) and Service
1) Comparable, i.e. adjusted for currency translation and portfolio effects
2) Revenue effect Iran H1/16: €174m

Capture profits

Productivity
• 4% achieved in FY15
• New target: 4%++ p.a.
• 20 core revenue carriers in focus

Footprint
• Headcount reduction >3,000 (as announced)
• Localization in growth countries

Operational excellence
• Risk management in projects
• Lead time/ Fast Power

Operating profit margin as reported
x.x% Profit margin excl. severance / D-R integration
x.x% Profit margin excl. severance / DR- integration & Iran effect
We know how to win around the globe

1. Early market development
2. Localization/Partnerships
3. Integration competence
4. Fast-track capability
5. Financing

Selected regional “sweet spots”

- Egypt
- United Arab Emirates
- Indonesia
- Nigeria
- Bolivia
- Mozambique
We offer flexible scopes to address all customer needs

**Power Train**
- >100 EPCs across the globe
- Product business – OEM scope

**Power Island/Block**
- Local know how through partner
- Design/integration know how

**Turnkey**
- Selective, in known territory
- OEM + solution (single interface)

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**Execution of Egypt projects on track**
- Senior Project Leader in country reporting to Davis/Meixner
- Strong local consortium partners
- Senior staffing of entire project and site execution team
- Regular project reviews on Division level

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1) Including consortium business
H-class market leader with >240,000 operating hours

Worldwide leader in H-class technology

- Commercial operating time: >240,000 hours
- Turbines in commercial operation: 24 units
- Worldwide sold to: 11 countries

Fortuna Düsseldorf – Our most efficient and environmentally friendly power plant

- Power output: 603.8 MW(e)
- Plant net efficiency: 61.5%
- Steam extraction district heating: 300 MW(th)
We have a relentless focus on productivity

**Productivity targets**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>Mid-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material/Design</td>
<td>4%</td>
<td>++</td>
</tr>
<tr>
<td>Procurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Own value add</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Cost Value Engineering**
- Deep analysis of material and manufacturing process
- Target costing, cross-functional collaboration with supplier

*Example: Heat recovery steam generator Bolivia*

**Smart bundling over multiple projects**
- Early involvement of the Supply Chain organization
- Scale effects through volumes, e.g. Egypt, Mexico

*Example: Fuel Gas Manifolds*

**Footprint optimization**
- Capacity adjustments
- Core vs. non core

*Example: Insourcing of combustion manufacturing*
## Well balanced R&D creating customer value

### R&D allocation – New Unit

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost-out</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>New development/ upgrades</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>Advanced technologies</td>
<td>35%</td>
<td></td>
</tr>
</tbody>
</table>

### Examples

<table>
<thead>
<tr>
<th>Example</th>
<th>Percentage</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhanced platform steam turbines</td>
<td></td>
<td>~20% cost savings</td>
</tr>
<tr>
<td>Industrialization aeros</td>
<td></td>
<td>Casing savings: ~50%</td>
</tr>
<tr>
<td>Cost Value Engineering</td>
<td></td>
<td>Generator Cooler design: ~60% savings</td>
</tr>
<tr>
<td>Next generation gas turbine</td>
<td></td>
<td>63%+ efficiency</td>
</tr>
<tr>
<td>SGT-4000 F upgrade</td>
<td></td>
<td>Optimized for hot ambient conditions</td>
</tr>
<tr>
<td>SGT-800 upgrade</td>
<td></td>
<td>56%+ efficiency</td>
</tr>
<tr>
<td>New materials</td>
<td></td>
<td>Turbine Inlet Temperature &gt;1600°C</td>
</tr>
<tr>
<td>Advanced design and engineering tools</td>
<td></td>
<td>~25% gains in productivity</td>
</tr>
<tr>
<td>Advanced manufacturing/ rapid prototyping</td>
<td></td>
<td>~50% faster</td>
</tr>
</tbody>
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We digitalize our value chain to speed-up and increase efficiency

One technology core

Integrated design system (Gas Turbine)
25% productivity gains in engineering and faster time-to-market

Digital value chain – PG 4.0

3D simulation and modeling (Görlitz)
40% cost reduction in bearing casing and 25% cost reduction for blade machining

New business models

Additive manufacturing (Finspång, Berlin)
>50% faster prototype development and 5 times faster manufacturing

Fluid integration of digital technologies into our manufacturing and production network
Summary: We deliver on our commitments

Key takeaways

Go-to-Market

- One Division Sales
- Mega-deals, e.g. Egypt, Bolivia
- SGT-800 China, Partnering Iran

Technology

- Proven H-class with >240.000 operating hours
- "Baukasten", platform concepts
- 3D Competence Center

Productivity

- Division Procurement Officer, Sourcing Boards
- Cost Value Engineering
- Focus on 20 core revenue carriers

Footprint

- Mt. Vernon, Oberhausen
- Value add structure, core/non core
- Localization

Operational excellence

- Egypt projects on track
- Quality cost in manufacturing <1%
- Close monitoring of quality hotspots

€13.4bn + revenues

63%+ efficiency

>3,000 HC reduction (as announced)

Flawless execution

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### Central Power Generation

- **Large gas turbines**
  - (100 MW to 400 MW)

- **Generators**
  - (25 MVA to 2,235 MVA)

- **Utility steam turbines**
  - (90 MW to 1,900 MW)

- **Power plant solutions**
  - Gas turbine power plant solutions
  - Combined cycle power plants (CCPP)
    - Single-shaft and multi-shaft configuration
    - Integrated solar combined cycle power plants
  - Integrated gasification combined cycle
  - Combined heat and power (CHP)

- **Instrumentation & Controls**

### Industrial/Decentral Power Generation

- **Aeroderivative gas turbines**
  - (4 MW to 66 MW)

- **Industrial gas turbines**
  - (5 MW to 53 MW)

- **Pre-designed and industrial steam turbines**
  - (45 kW to 250 MW)

- **Industrial power plant solutions (IPPS)**

- **Instrumentation & Controls**

- **Diesel and gas engines up to 1.5 MW**
PG product portfolio and offering (2/2)

### Oil and Gas

**Most extensive range of compression equipment**
- Vertically and horizontally split centrifugal and axial flow compressors for oil and gas and other applications
- Versatile integrally geared turbomachinery for air separation and chemicals
- Gas field and process reciprocating compressors applied throughout the oil and gas value stream

**Industrial and aeroderivative gas turbines**
(up to 100 MW)

**Steam turbines**
(up to 250 MW)

**Diesel and gas engines**
(up to 1.5 MW)