Execution according to plan –
More to come
Markus Tacke, CEO Wind Power and Renewables
Capital Market Day – Energy and Oil & Gas | Houston, June 29, 2016
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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.
Wind Power and Renewables is a crucial pillar of the Siemens energy portfolio – High mutual benefits with other Siemens businesses

| Key figures FY 2015: €6.1bn Orders | €5.7bn Revenues | 2.8% Margin | 12,800 Employees | 5 to 8% Margin target |

<table>
<thead>
<tr>
<th>Wind Power and Renewables Division</th>
<th>Mutual benefits within Siemens AG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onshore</td>
<td>• Full-fledged energy solutions for customers e.g. Egypt deal together with Power &amp; Gas and Energy Management</td>
</tr>
<tr>
<td></td>
<td>• Financing solutions e.g. participation of Siemens Financial Services in Gemini offshore project</td>
</tr>
<tr>
<td></td>
<td>• Joint R&amp;D efforts e.g. new offshore grid access solutions with Energy Management</td>
</tr>
<tr>
<td></td>
<td>• Utilization of wide array of internal suppliers e.g. gearboxes from Winergy, generators from Process Industries and Drives</td>
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</table>

**Onshore**
- ~15,000 turbines or 27GW installed until H1 FY16
- 37 years of experience in onshore wind
- 56% of Revenue H1 FY16

**Offshore**
- ~2,100 turbines or 7GW installed until H1 FY16
- 25 years of experience in offshore wind, clear #1 with 58% of global capacity installed
- 44% of Revenue H1 FY16

**Order backlog** H1 FY16: €15bn (largest ever)
- ~34GW installed base by H1 FY16 – ~160% growth since FY11

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Renewables gaining momentum worldwide – Policy changes and declining costs making wind power more attractive

**Wind Power market (FY15 – FY21e)**

Orders (in GW)

<table>
<thead>
<tr>
<th>CAGR</th>
<th>Offshore</th>
<th>Onshore</th>
</tr>
</thead>
<tbody>
<tr>
<td>4%</td>
<td>30</td>
<td>38</td>
</tr>
<tr>
<td>38</td>
<td>FY15</td>
<td>FY18e</td>
</tr>
<tr>
<td>38</td>
<td>FY21e</td>
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</table>

**Market development**

**Renewables as affordable mainstream energy**

- COP21 setting ambitious targets towards climate change and decarbonization
- Levelized Cost of Energy (LCoE) of wind decreased by ~25% since 2010
- Global renewable power investments growing in 2015 to a new record of US$329bn, nearly six times its 2004 total
- World’s largest nations driving further renewable deployment through policy: e.g. China: 15% non-fossil energy by 2020, USA: PTC/ITC extension, India: Renewable target: 175GW by 2022
- Increasing number of emerging countries starting to deploy renewable policy, e.g. Egypt, Mexico

**Stable wind market, selected pockets of growth**

- After record year in 2015 (incl. >30GW new installation in China), onshore market will remain stable
- Three main growth pillars: Offshore, emerging markets and service

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1) Excluding China – served through license partner  
2) Bloomberg New Energy Finance – onshore wind LCoE  
3) BNEF
Wind2020 program launched in 2015 – Execution according to plan

**Wind2020**
Sustainable return to target range

**Priority topics**
- Product Portfolio
- Supplier Quality
- Leadership @ Wind
- Cost Competitiveness

**Financial performance**

<table>
<thead>
<tr>
<th></th>
<th>Orders (in €bn)</th>
<th>Profit (in €bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY15</td>
<td>2.7</td>
<td>37</td>
</tr>
<tr>
<td>FY16</td>
<td>4.0</td>
<td>188</td>
</tr>
</tbody>
</table>

*Profit margin as reported*

H1 15-16:
- H1 15: 2.7
- H1 16: 4.0
- H1 15: 37
- H1 16: 188

Stabilize Grow
Significant progress on quality visible in better margins – High focus on next generation products

Quality measures
- Established effective quality organization
- Introduction of quality mgmt. practices from automotive industry
- Supplier quality improvement initiatives e.g. through early involvement
- Digitalization of new product development by introducing Teamcenter

Clear evidence of success
- Significant decrease of quality costs in project execution
  - FY14
  - FY15
  - FY16 target
  -15%
  -20%
- Leading Edge Protection (LEP) solution developed successfully
- Continuous improvement of supply chain quality

By effectively dealing with our quality issues we are well equipped to launch our next generation products
Stringent execution of cost out measures; >5% total cost productivity p.a. – Major footprint changes underway

Cost measures
- Product cost reduction based on market driven targets
- Optimization of project execution
- Reduction of structural cost and overhead
- Adaptation of global footprint – including shift to low cost locations and cost reduction in logistics

Clear evidence of success
- Stringent target costing approach introduced with early involvement of supplier
- Introduction of 24hrs workflow for I&C¹ of one offshore turbine (>50% OF time reduction²)
- Savings through execution of 1by16
- Capacity of China blade factory being doubled; groundwork for Morocco blade factory started

Total Cost Productivity of 5% achieved in FY15 – Target for FY16: >5%

¹) Installation and commissioning  ²) Condition apply – Achieved through smart logistic concepts and shift of offshore work to land
Complete product portfolio overhaul underway –
Main impact starting from FY18

<table>
<thead>
<tr>
<th>Development measures</th>
<th>Clear evidence of success</th>
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<tr>
<td><strong>ON geared platform, e.g. SWT-2.3-120</strong></td>
<td></td>
</tr>
<tr>
<td>• Longer blades</td>
<td></td>
</tr>
<tr>
<td>• New gearbox</td>
<td></td>
</tr>
<tr>
<td>• Upgraded bedframe</td>
<td></td>
</tr>
<tr>
<td>• Build on proven design</td>
<td></td>
</tr>
<tr>
<td>• Re-use of components</td>
<td></td>
</tr>
<tr>
<td><strong>ON direct drive platform, e.g. SWT-3.3-130</strong></td>
<td></td>
</tr>
<tr>
<td>• Longer blades</td>
<td></td>
</tr>
<tr>
<td>• Upgraded Generator</td>
<td></td>
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<tr>
<td>• New cooling system</td>
<td></td>
</tr>
<tr>
<td>• Upgrade of all critical elements</td>
<td></td>
</tr>
<tr>
<td><strong>OF direct drive platform, e.g. SWT-7.0-154</strong></td>
<td></td>
</tr>
<tr>
<td>• New Converter</td>
<td></td>
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<tr>
<td>• Upgraded transformers</td>
<td></td>
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<tr>
<td>• Stronger magnets</td>
<td></td>
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<tr>
<td>• Re-use of established supply chain</td>
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</tbody>
</table>

Further developments ongoing – Communication expected still in 2016 | In FY18 ~80% of deliveries will be new developments

• +9% more energy output  
• Optimal rotor giving strong capacity factor to fill US customer demand

• +10% more energy output  
• First order for Finland in Q4 FY15

• +10% more energy output  
• First order for UK in Q4 FY15, largest order with 102 units in Q2 FY16  
• Certificate received 8 months earlier than planned
Onshore to stay successful in traditional strongholds and to tap into new growth markets

Selected examples

- Large frame contract with SH-Wind for new D3 platform
- Joint energy solution together with PG and EM with 2 GW wind frame contract
- Introduction of new G2 platform (2.3-120) and new concrete tower solution
- Preferred supplier for 850 MW e.g. Midelt, together with EGP. New blade factory for local market and export
- Support developers to optimize financial arrangements
- Hub-based sales, e.g. in South Africa to efficiently serve small markets like Kenya and Ghana
- Drive partial localization with local partners
- Further expand local setup and capabilities – maintain #1 position
- First mover with 61 MW at Siahpoush Wind farm

Ensure success in largest markets

Capture growth in upcoming markets

Efficiently serve small/opportunistic markets

Orders Split FY15

- EMEA
- APAC
- AM

1) Excluding Service  Market development

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Page 9 Houston, June 29, 2016
Siemens as Offshore leader drives innovations to further reduce costs

**Offshore Leader**
- Largest OF park ever built (London Array 630 MW)
- ~2,100 Turbines
- 25 years of experience
- 51% Market share in CY15 - clear #1

**Innovation on turbine**
- Innovative turbine: SWT-7.0-154
  - Built on proven 6.0-154
  - 10% more AEP vs. 6 MW
  - Leverage existing supply chain
  - Further expansion to 8 MW planned

- Innovative diagnostics
  - 200 Gigabyte of data per day
  - Detecting damage before it occurs
  - Remotely fixing the problems

**... and beyond**
- Industrialized jacket foundation
  - ~40% cost reduction compared to traditional concepts

- Innovative grid access
  - E.g. new HVAC solution requires no separated platform
  - 40% cost reduction

Siemens WP has been the Offshore market leader for years and benefits from its unchallenged experience.
Offshore to maintain market leadership –
Along with partners paving the way towards <€10ct LCoE target

Target of €9.5ct by 2020 to be achieved

LCoE in €ct/kWh based on reference case¹)

<table>
<thead>
<tr>
<th></th>
<th>Baseline 2014</th>
<th>Implemented Measures²)</th>
<th>Identified levers</th>
<th>Target 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14.5</td>
<td>28%</td>
<td>72%</td>
<td>9.5</td>
</tr>
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</table>

¹) Based on the SWT-7.0-154 turbine; Offshore project 1 GW, 50m water depth, 114 km from shore
²) Levers include measures in relation to the WTG, Grid, OPEX and AEP and financial levers
³) Preferred Supplier
⁴) Capacity factor

... major recent wins

- **East Anglia One**
  (UK – 714 MW – ScottishPower Renewables)
- **Hohe See³)**
  (GER – 407 MW – EnBW)
- **Arkona Becken**
  (GER – 360 MW – E.ON)
- **Formosa 1**
  (Taiwan – 8 MW – Formosa)

... and leadership to be sustained

- **Unmatched #1 position**
  ~2,100 turbines installed offshore
- **Best performing wind farms**
  London Array recorded highest output in Dec 2015 (CF⁴): 79%
- **Best performing turbines**
  SWT-7.0-154 awarded Turbine of the Year by WPM in 2015
- **Best sold turbine in China OF**
  SWT 4.0-130 through license agreement (>70% MS)

Siemens fully supports and leads the way to the offshore industry commitment below €8ct LCoE in 2025

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Execution according to plan – More to come

Key takeaways

- **Growing Market**: Solid business in growing market
- **Wind 2020**: Turnaround program established and well on track
- **Growth Path**: Launch of new products supports the profitable growth – in ON and OF

1) Excluding China – served through license partner
2) H1 2016