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

**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

Revenue split

Business activities

$$\text{FY 2015} \quad \% \text{ of total}$$

- Transmission
  - HV Products and Systems
  - Transmission solutions
- Distribution
  - Transformer Products
  - LV/MV Systems
- LV/MV Products
- Digital Grid

Business type

$$\text{FY 2015} \quad \% \text{ of total}$$

- System
- Product
- Solution
- Software and Service

Geography

$$\text{FY 2015} \quad \% \text{ of total}$$

- Europe\(^1\)
- Americas
- Asia, Australia
- Africa/ME


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Stringent execution –
Solid foundation for profitable growth built

Financials (in €bn)

Orders

Growth target: ~3 – 5% p.a.

<table>
<thead>
<tr>
<th>Year</th>
<th>FY14</th>
<th>FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>11.2</td>
<td>13.0</td>
</tr>
<tr>
<td>% growth</td>
<td>+9%</td>
<td>+5%</td>
</tr>
</tbody>
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Profit margin

<table>
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<tr>
<th>Year</th>
<th>FY14</th>
<th>FY15</th>
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<tr>
<td>Profit margin</td>
<td>-0.8%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Target range</td>
<td>7-10%</td>
<td>6.5%</td>
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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

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Critical projects fixed – Competitive operating platform established

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)

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

Streamlining organization
Overhead cost reduction (HQ functions)
- FY14
- FY15

Reduced complexity in Business Units/Segments
- FY14
- FY15

Improving business performance
- Double digit
- 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

Simplified customer oriented sales

Dedicated Software/IT sales
Direct sales and Agents
EPCs/Contractors
OEMs/Panelbuilders
Distributors

Expansion through Indirect Channels

Dedicated Account Management (Examples)

Customers

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Further momentum from three leading growth engines

Connecting Grids
Efficient power transmission
Interconnection of national transmission grids and integration of renewables

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

Agility in Energy
Maximize intelligence of energy networks to cope with increasing complexity

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

**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**

- Inelfe (operational 2015) >€300m
- Western Link (operational 2017) €350m
- Ultranet (operational 2019) €900m

<table>
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<tr>
<th>Innovative new “Full Bridge” technology</th>
<th>&gt;30% tenders won</th>
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<td>97% of temporary faults manageable</td>
<td></td>
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**Example: UK Offshore Grid Access**

- London Array (operational 2013) €128m
- Dudgeon (operational 2016) >€100m
- Beatrice (operational 2019) >€200m
- Innovate Grid Access with OTM and DRUs

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<th>Innovative Grid Access with OTM and DRUs</th>
<th>30% lower cost of ownership</th>
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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

- 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

- Ensure secure operations of a large customer production asset
Integrated Siemens approach (switchgear, transformer and local service) guarantees uninterrupted operations

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

### Distribution Automation
- **Netze BW**: Grid monitoring and fault management devices
- **Wake Electric**: Automatic restoration system at a critical customer and service area

### Operational Monitoring and Control Centers
- **Shanghai Electric**: Monitoring of 11,000 km
- **amprion**: Monitoring of (CN) 420,000 m² to be powered

### Smart Metering
- **conEdison**: MDM for 5.2m consumers (electric and gas)
- **SAP**: Selects EnergyIP as the MDM System for Utility ERP

### Microgrids and Virtual Power Plants
- **aps**: Integration of 2,000 distributed PV sites + storage pilots
- **Énergie NB Power**: 10-year frame contract and VPP pilot operations

MDM: Meter Data Management
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

Outgrown market: >5% growth since FY14

Three leading growth engines
Connecting Grids
Totally Integrated Power
Agility in Energy

Broaden the base

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Agility in Energy
## Energy Management – Leading positions across entire electricity chain

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

### Transmission Solutions
- HVDC\(^1\) solutions
- FACTS\(^2\)
- 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

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

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

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

Addressed market (FY 15 – 21e) (in €bn)
- CAGR +2-3% ~125
- FY 2015 110
- FY 2018e
- FY 2021e
- Industries & Infrastructure
- Power Generation
- TSO & DSO

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

Financials (in €bn)

Orders
- FY14 11.2
- FY15 13.0
- H1 15 6.2
- H1 16 6.5

Revenue
- FY14 10.7
- FY15 11.9
- H1 15
- H1 16 5.5

Profit and margin
- FY14 -0.8%
- FY15 5.5%
- H1 15 3.8%
- H1 16 6.7%

Free Cash Flow
- FY14 -105
- FY15 691
- H1 15
- H1 16 -303

Profit and margin as reported
- H1 15 3.7%
- H1 16 6.5%

Profit margin excl. severance

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