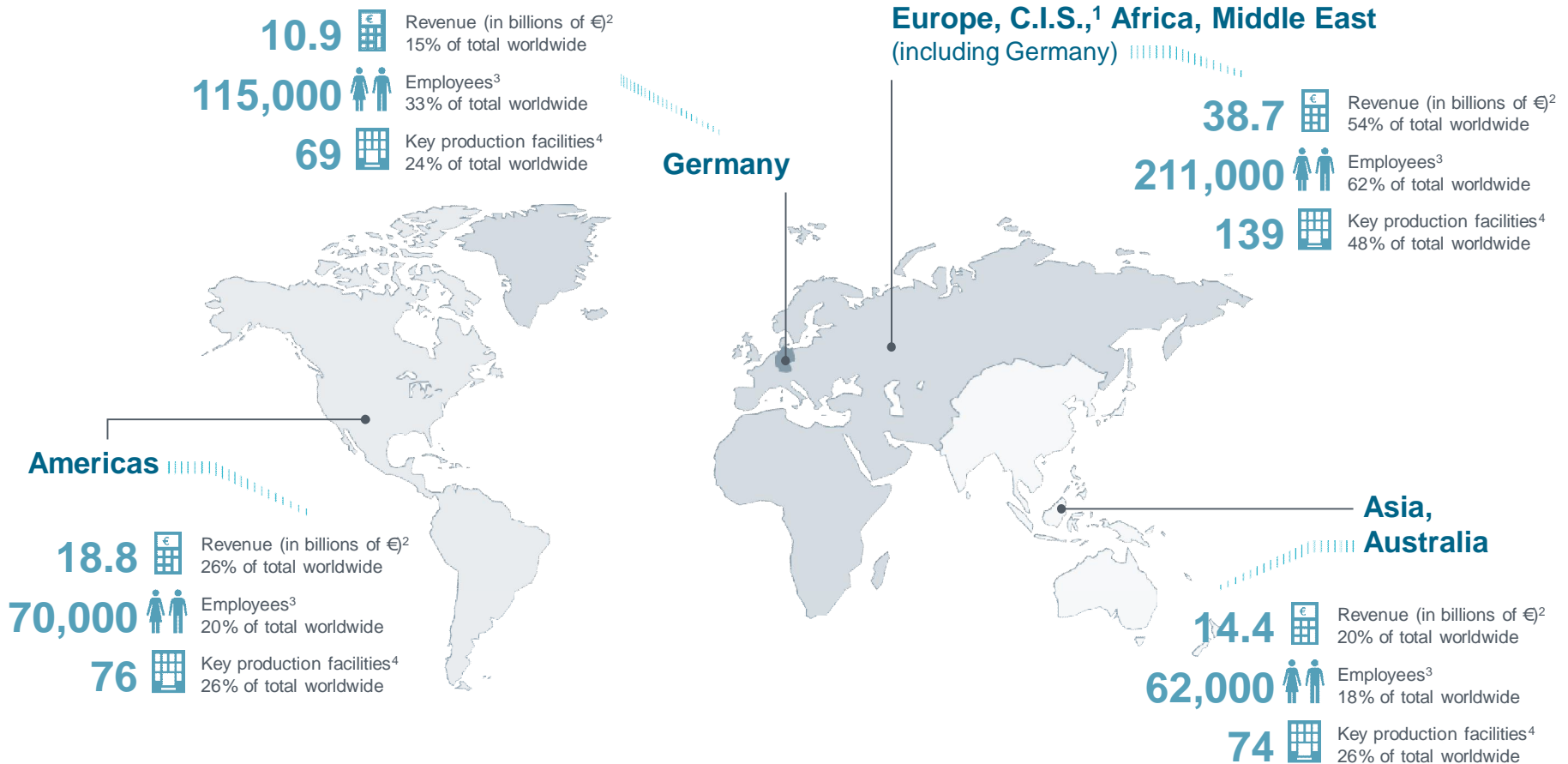


Stefanie Silvia Weber, March 18th, 2015

Supply Chain Finance Program for capital efficiency optimization at Siemens

Siemens` Global presence

Close to customers all over the world



All figures refer to continuing operations.

1 Commonwealth of Independent States. 2 By customer location. 3 As of September 30, 2014. 4 Fifteen employees or more.

Building Technologies

World leader in building technologies headquartered in Zug

The division Building Technologies is the world's leading provider of safe, secure, energy-efficient and eco-friendly buildings and infrastructures. As a technology partner, consultant, service provider, systems integrator and product vendor, we have offerings for fire safety, security, building automation, heating, ventilation, air conditioning and energy management.



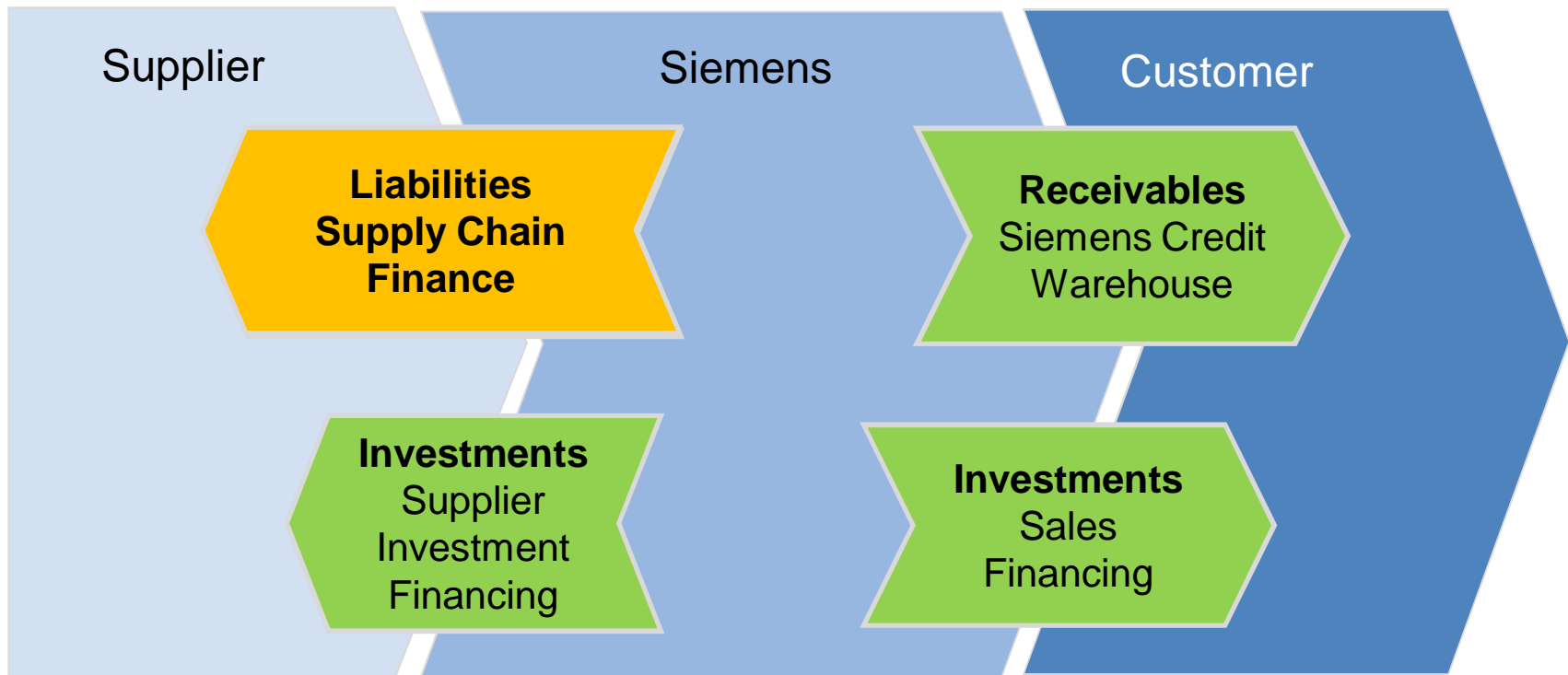
		FY 2014	FY 2013
Orders	in millions of €	5,587	5,769
Revenue	in millions of €	5,569	5,754
Employees (as of September 30)	in thousands	27	28

WWW.SIEMENS.COM/AR/BUILDING-TECHNOLOGIES



Collaborative Financial Supply Chain Management

Exemplary collaboration in the supply chain



Siemens DPO in a competitors' Benchmark

Working Capital Benchmark : Study Results

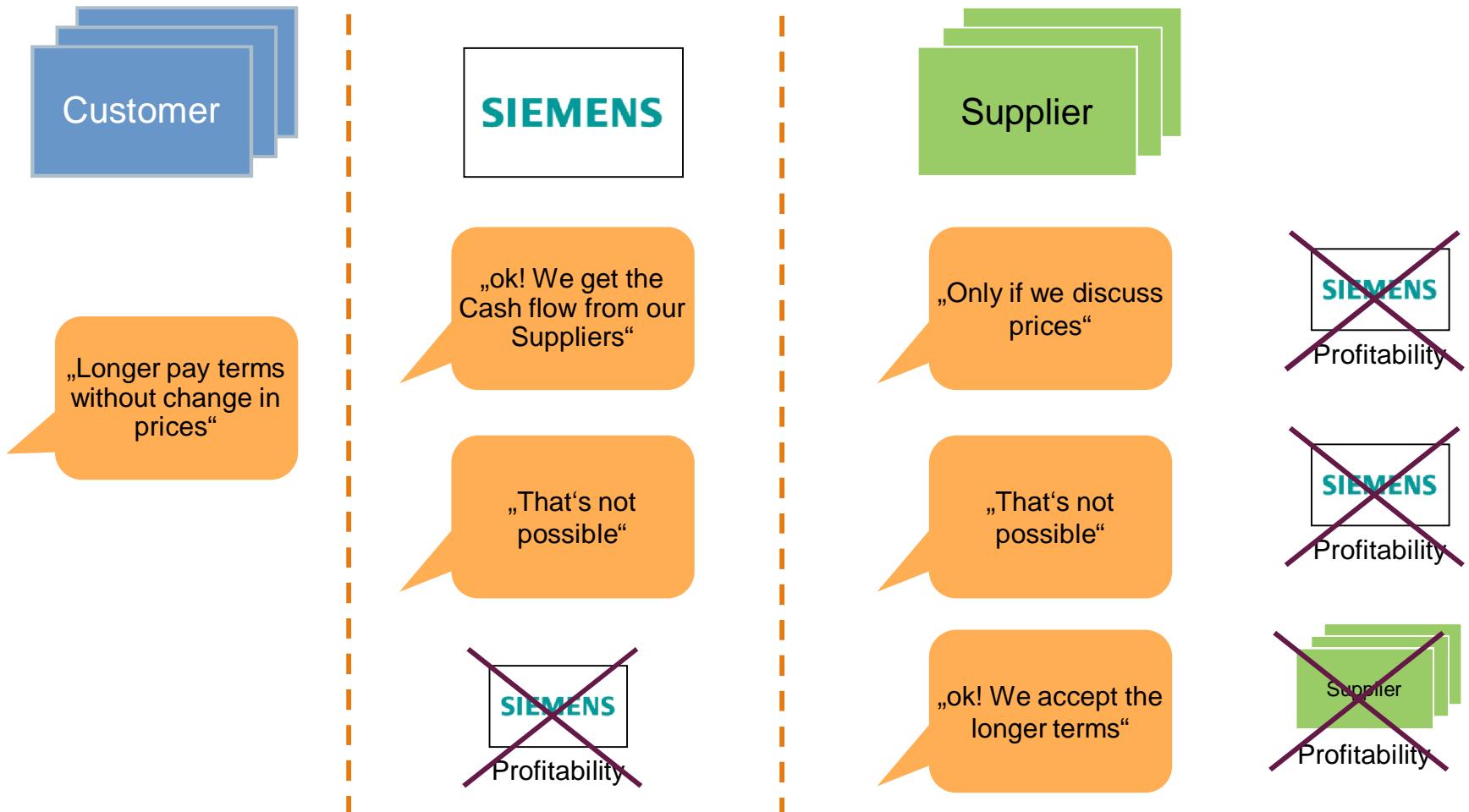
Benchmark Comparison	DSO Comparison				DPO Comparison				DIO Comparison				Cash Conversion Cycle			
	4th	3rd	2nd	1st	4th	3rd	2nd	1st	4th	3rd	2nd	1st	4th	3rd	2nd	1st
Median	68				45				46				70			
Siemens			68		36				67				99			
General Electric				58				69			44					33
ABB	101						59		52				94			
Philips				58		45				46					59	
Schneider		71					51			50				70		
Emerson			63		34							32			61	
Honeywell		70				43					43			70		

Source: The Hackett Group 2010 REL working capital
Medians are based on industry segment

DSO = days sales outstanding
DPO = days payables outstanding
DIO = days inventory outstanding
Cash Conversion Cycle = DSO + DIO - DPO

Lagging ■ ■ ■ ■ Leading

Motivation to establish a SCF-Programme



Supply Chain Finance@Siemens

Siemens SCF Program makes use of a technology platform that links Siemens and its Suppliers of goods or services with a 3rd party financier. This solution allows the suppliers to benefit from early payments at very low cost.

Siemens Supply Chain Finance Program (SCF) is designed to give selected Siemens' suppliers access to cash at Siemens' financing rates to

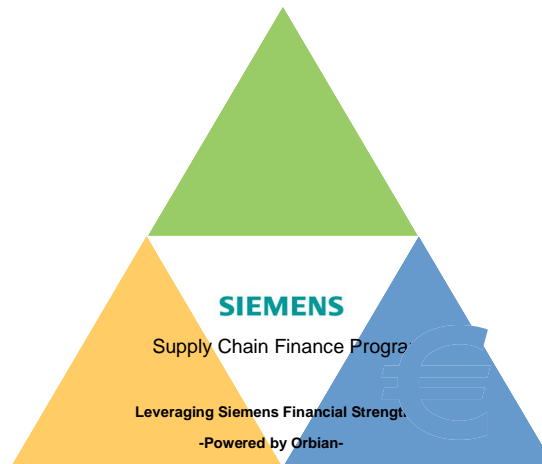
- **Increase suppliers' cash**
- **Reduce suppliers' cost of capital**



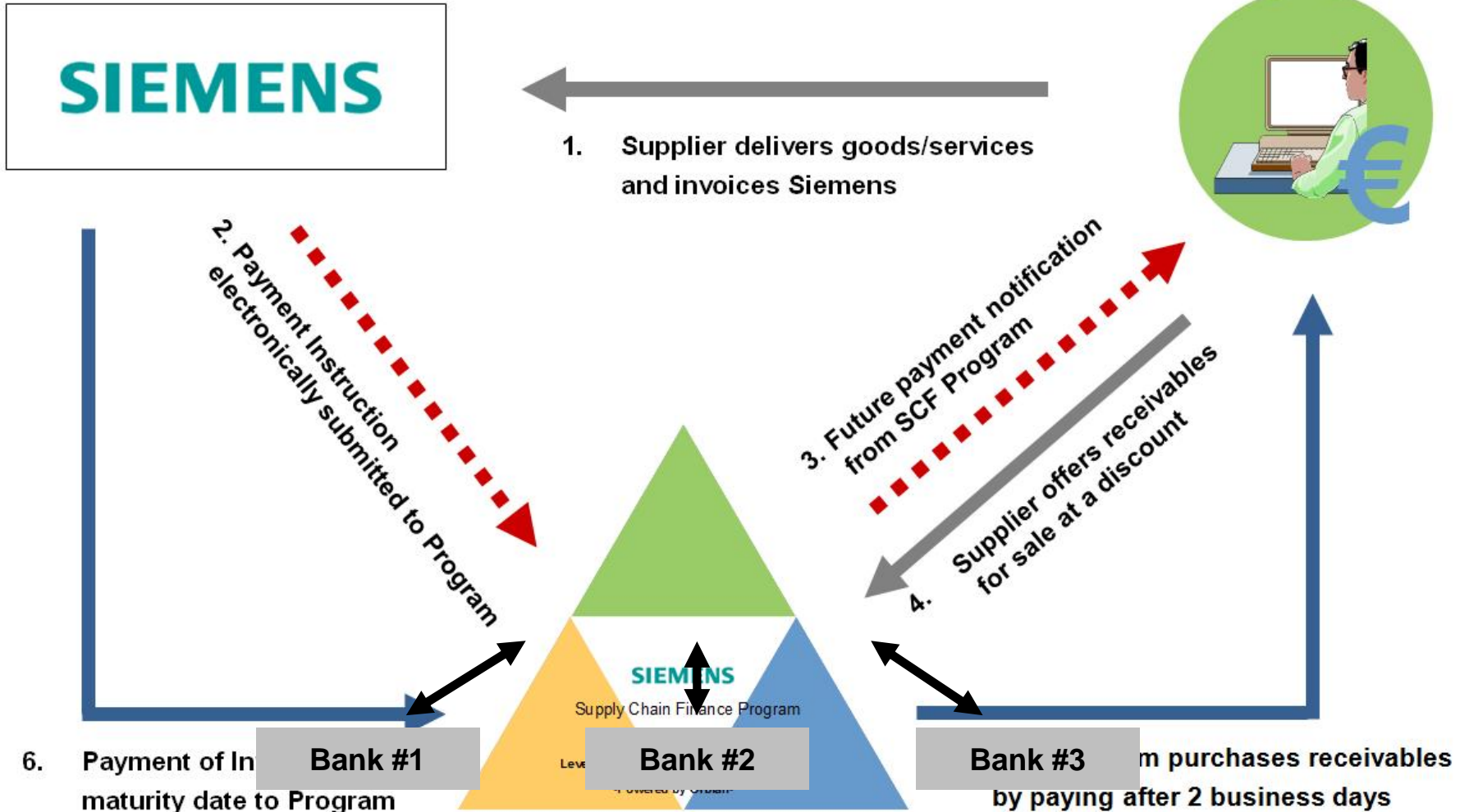
Supply Chain Finance@Siemens at work



1. Supplier delivers goods/services and invoices Siemens



Supply Chain Finance@Siemens at work



Standard Payment Term w/o Supply Chain Finance

Example: Supplier delivers goods or services today, worth 1,000,000 EUR to Siemens
And invoices Siemens, payable 90 days net.

Assumption: Cost of debt 5 % p.a.

Today	Delivery of goods or services	1,000,000 EUR
Due Date	Siemens pays Supplier	1,000,000 EUR
	Supplier pays interest to Bank $(5\% \times 90/360 \times 1\text{m€})$	-12,500 EUR
		<hr/>
		987,500 EUR
		<hr/>
	P&L – effect (from financing costs)	-12,500 EUR

Standard Payment Term with Supply Chain Finance

Assumption: All-in Program costs 1.5 % (LIBOR + 1,30%) p.a.

Today Delivery of goods or services 1,000,000 EUR

Day 8 Supplier offers to sell Siemens receivables to the SCF Program

Day 10 SCF Program buys and pays purchase price to Supplier
with discount 3.333 EUR (1.5% x 80/360 x 1m€) 996,667 EUR

Supplier pays interest to bank (5% x 10/360 x 1m€) -1,389 EUR

995,278 EUR

Due Date Siemens pays 1,000,000 EUR to SCF Program

Improvement

P&L - effect (from financing costs) -4,722 EUR **7,778 EUR**

Positive cash flow **221,481 EUR**
plus: Supplier is reliant on Bank for only 10 days.



Challenges of the Supply Chain Finance program

Accounting

- Due Diligence to ensure that trade payables will not be reclassified to financial debt

Procurement

- Payment terms not equally in focus
- Abstract promise to pay = loss of rights
- General reluctance to discuss finance topics
- Multidivisional - suppliers

IT

- Modification of complex IT-environment
- Number of systems to be implemented
- Profit Center Accounting

Treasury

- Negative impact on buyer's credit line for the benefit of the supplier
- On-balance financing preferable?!

Legal

- Payment to new owner of receivables rather than to supplier

Supply Chain Finance fosters a win win situation in the supply chain

Siemens

Improve Cash Flow

Extend supplier pay terms (ex. New standard: 60 days net)

Reduce Supply Chain Risk

Inject cash into supply chain via low cost early payment

Strengthen Supplier Relationship

Differentiate from competitors and build supplier loyalty

Streamline Processes

Reduce number of payment terms and methods

Supplier

Improve Cash Flow

Get paid fast, 2 business days following Siemens' approval of the invoice

Optimize Working Capital

Non-recourse cash drastically reduces Days Sales Outstanding (DSO)

Enhance Debt Capacity

Reduced reliance on debt can improve overall cost of debt

Increased Transparency & Reduced Costs

Reduce processing and collection costs by viewing all the approved invoices

Where are we at Siemens with the Supply Chain Program today?

Eligible supplier countries and currencies

S'Corp Program



S'AG Program



Roll out status

Over 1500 supplier participating in the program



Continuously growing amount of transactions and volume





Zug / March 18th, 2015

Thank you for your attention