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Siemens Highlights Alternative Financial Solutions to Support Infrastructure Modernization Initiatives

Public-private partnerships and value-based procurement enable cities to make improvements and help ensure long-term sustainability

For cities, implementing intelligent technology and infrastructure upgrades comes down to a question of affordability. But increasing access to private capital investment via public-private partnerships (P3s) and alternative financing models such as performance contracting have allowed cities to benefit from sharing project risks and fill gaps in funding in order to meet local public service obligations.

As a sponsor of 2017 Infrastructure Week, Siemens is highlighting the successful application of these methods to underscore the critical importance of investing in U.S. infrastructure. It is important not only to build better roads and rail systems, but also to build smarter, more secure, and agile networks comprised of buildings, power grids, and public utilities, employing intelligent technologies and digitalized systems that result in safer, cleaner, and more resilient urban environments.

Two-thirds of the country's population already lives in urban areas – a figure which is expected to only increase in the years ahead and with it, continued infrastructure challenges. Though state and local leaders in the U.S. may experience some relief because infrastructure is a priority of the current administration and Congress, they are also aware that federal funding alone cannot address 100 percent of the investment needed to modernize the current systems. Local governments are increasingly faced with limited available capital and resources to put towards infrastructure and sustainability goals, which can lead to a backlog of deferred maintenance.

“In collaborating with companies like Siemens, municipalities have access to not only a wealth of technical expertise, solutions, and services but also several financing options,” said Dave Hopping, President of Siemens’ North American-based Building Technologies Division.

Through its [Building Technologies](#) and [Financial Services](#) divisions, Siemens is working to provide the capital as well as innovation and expertise required to complete these much-needed infrastructure improvements in cities across the country.

Public-Private Partnerships (P3s)

P3s bring together the public and private sectors to develop critical improvements to our everyday infrastructure. The U.S. has the largest potential market for P3s in the world, and public support for infrastructure investment is at an all-time high.

Most P3s in the U.S. are solicited by public authorities through a structured procurement process. Successful global P3s have been carried out in various economic infrastructure projects such as airports, ports, roads, tunnels, bridges, rail, and parking, as well as in social infrastructure projects such as hospitals.

“There is growing P3 potential in the U.S., and we’re keen to see it develop further, consistent with success we’ve seen in other countries such as Australia, Turkey, India, and the United Kingdom,” said Anthony Casciano, CEO of Industry and Healthcare Finance, Siemens Financial Services.

As lead equity or debt investors in projects, such as [Thameslink railway](#) in the United Kingdom, [Elazig Integrated Health Campus](#) in Turkey and [Bangalore Airport](#) in India, Siemens Financial Services has had a firsthand view of some of these state-of-the-art P3 projects that were achieved in other regions of the world.

Although infrastructure projects are often so complex that potential investors think it is too risky to get involved, P3 contracts typically involve the private sector participant taking on additional project risks, such as design, construction, finance, and long-term operation.

Siemens can provide the financial and technical expertise to ensure projects are completed on time and on budget, manage risk as a trusted ally, and help produce the public service outcomes that were envisioned.

“Leveraging public-private partnerships is one way Siemens and other investors aim to help U.S. cities, states, and the federal government achieve their infrastructure improvement goals,” said Casciano.

With P3s, private sector investors such as Siemens Financial Services can provide the required capital for the project at a transparent rate of return over a long period of time, but share the project risk with the government by providing a portion of their investment as equity.

Siemens Financial Services has also provided capital to support several North American P3 projects. These include Indiana Toll Road, Connecticut Service Plazas, Millennium Garages in Illinois, and Auto route A25 in Canada through five - eight year credit facilities.

Performance Contracting

Performance contracting allows for improvement projects to be paid over long periods of time through the savings that are guaranteed by the upgraded systems, and with little to no upfront capital investment. Organizations typically have two sources of funds to pay for energy and infrastructure projects – capital and operating funds. In both the public and private sectors, Energy Service Companies (ESCOs), such as Siemens, offer an innovative financing option through performance contracting.

“Performance contracting is a proven, and cost-effective way for cities to make needed improvements that will reduce costs and improve sustainability without extensive impact to the budget,” said Hopping.

Performance contracting is a value-based procurement process that allows for the implementation of a variety of energy solutions that not only help reduce energy consumption, but also allow organizations to produce energy, procure energy more strategically, and protect that investment for the long term. ESCOs offer solutions on both

sides of the meter, complemented by continuous data analysis and support, to help ensure a comprehensive plan that meets today's strategic and technical goals, while also protecting and optimizing an organization's investment well into the future.

Once the improvements are made, they will deliver savings in the form of reduced utility consumption and operating expenses. These savings typically meet or exceed the cost of the project, essentially paying for today's improvements with tomorrow's savings.

Most recently, Siemens worked with [UMass Memorial Health Care](#) in Worcester (Mass.) on the second phase of a 10-year performance contract to implement a master energy plan and ensure long-term sustainability. New building technologies and capital improvements at the facility are designed to reduce energy use and save energy and operational costs. More than \$24 million in energy and operational cost savings are projected over the next 10 years, as a result of the combined project phases and other sustainability efforts.

Similarly, a performance contract with Siemens is allowing [Taylor, Texas](#) to address deferred maintenance projects and make facility modifications. The performance contract will allow the city to make such infrastructure improvements as LED lighting and HVAC system adjustments within its existing budget, and will use the more than \$1 million of projected energy savings to fund upgrades over the next 15 years.

Siemens has helped its customers realize more than \$2 billion in energy and operational savings over the past 10 years. The company has implemented more than 1,000 guaranteed performance contract projects for its customers, updating thousands of buildings with the latest energy savings technologies. Its energy services and solutions range from energy savings analysis, to implementation of facility improvement measures, to ongoing monitoring and verification.

About Siemens

[Siemens Corporation](#) is a U.S. subsidiary of Siemens AG, a global powerhouse focusing on the areas of electrification, automation and digitalization. One of the world's largest producers of energy-efficient, resource-saving technologies, Siemens is a leading supplier of systems for power generation and transmission as well as medical diagnosis. With approximately 351,000 employees in 190 countries, Siemens reported worldwide

revenue of \$88.1 billion in fiscal 2016. Siemens in the USA reported revenue of \$23.7 billion, including \$5.4 billion in exports, and employs approximately 50,000 people throughout all 50 states and Puerto Rico.

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Siemens Financial Services, Inc. is the U.S. arm of the global **Financial Services division of Siemens (SFS)**, which is an international provider of business-to-business financial solutions. SFS helps facilitate investments, providing commercial finance, project and structured finance with specific asset expertise in the energy, healthcare, industry, and infrastructure & cities markets. Employing more than 3,168 employees worldwide, SFS supports Siemens as well as other companies with their capital needs and acts as an expert manager of financial risks within the Siemens Company. By leveraging our financing expertise and our industrial know-how we create value for our customers and help them strengthen their competitiveness. Beyond that, financing is key in creating trust for technological solutions – and acts as a key enabler when it comes to the market launch. As of September 30, 2016, the total assets amounted to €26.4 billion. For more information, visit: www.usa.siemens.com/finance.

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