



JP Morgan China Summit

Siemens in China

Lothar Herrmann, President and CEO Siemens China

Beijing, June 4, 2015

Notes and forward-looking statements

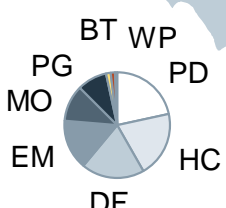
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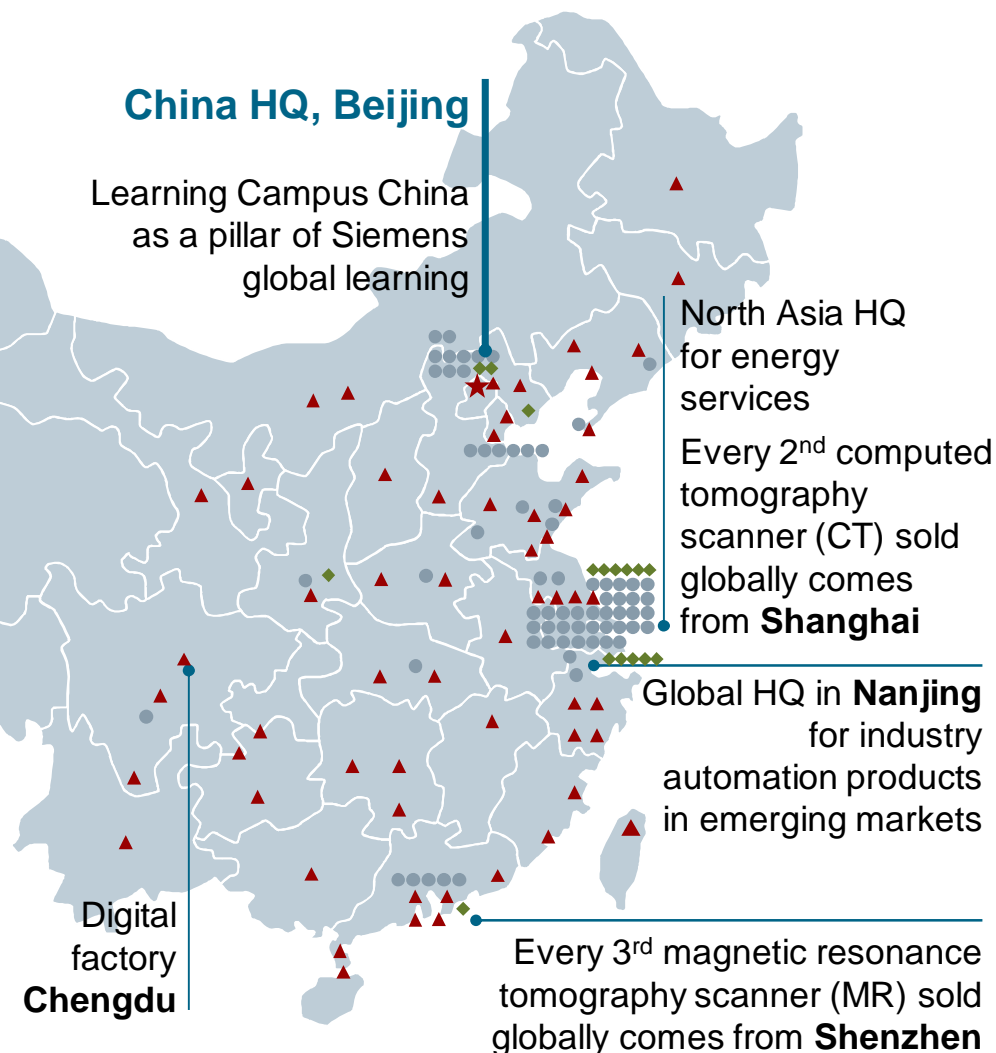
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Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Siemens has established a strong footprint in China

Siemens China Key Facts

- Sales of **€6.6bn in FY14** (+14%)¹⁾
- **76** Joint Ventures & wholly owned enterprises
- **~33,300** employees in total, including
 - **11,200** employees in **44** factories¹⁾
 - **4,500** sales staff in **>60** sales offices
 - **>4,500** R&D experts & engineers
 - **20** R&D hubs
- **Balanced business mix**

- China is the **2nd largest** Siemens overseas market
- **Orders: tough comps** H1 FY15 vs. prior year. Pick up in H2 FY 15 expected



1) vs. FY13, portfolio & FX comparable 2) Majority-owned factories, excl. 50:50 / minority-owned

Chinese economy faces “formidable challenges”; government to accelerate structural reforms

Reason for economic slowdown

Overcapacity

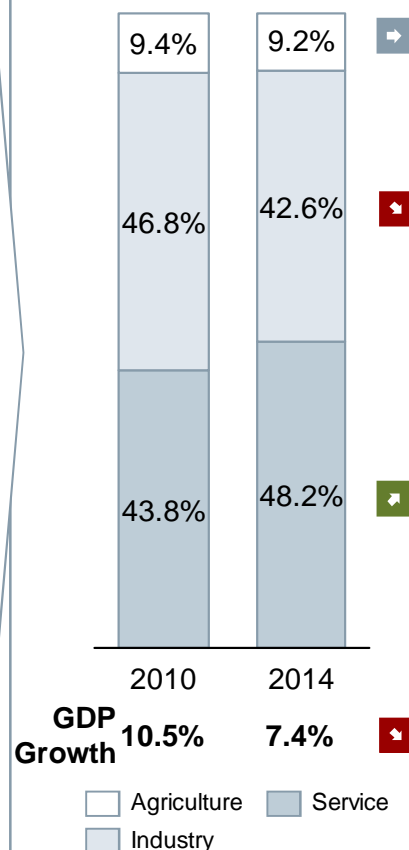
More focused infra. investment

Export markets under pressure

Slowing-down real estate investment

China debt and “grey” lending

Structural changes in GDP composition



Government focus: manage “the new normal”



Premier Li Keqiang:

Difficulties ahead may be more **formidable** than last years

2015 GDP growth target reduced to ~7%

Adapt to “**New Normal**” of growth (weakest in 25 years)

Structural change of growth model

Maintain economic stability

Foster social harmony

Siemens relevant investment focus

Intelligent manufacturing

Clean energy

Urbanization & infrastructure

Affordable Healthcare

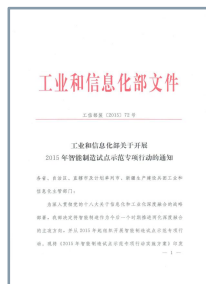
Going global of CN companies

Source: Siemens China, IHS Global Insight, National Bureau of Statistics

Leading portfolio and a strong local footprint to capitalize on “intelligent manufacturing” trend

Intelligent Manufacturing is a focus topic in China

- **Intelligent manufacturing equipment** highlighted as Strategic Emerging Industry in 12th FYP
- **MIIT ¹⁾ launched “Intelligent manufacturing” pilot project**



MIIT Action Plan for “Intelligent manufacturing pilot project”
March 9, 2015

Leverage global portfolio for China market

- **Digital Enterprise Software Suite:**
PLM (Teamcenter / NX), MES (Simatic IT), TIA (Simatic, Sinumerik)
- **Project examples for intelligent manufacturing**



JIER Machine-Tool Group



CITIC Dicastal



Chery Automotive

Local setup and SMART development

- Leading by example:
Electronic Works Chengdu
- Continuously leverage **SMART products**



Simatic PM207



IPC 3000 SMART



SINUMERIK
808D



SMART
LINE V2

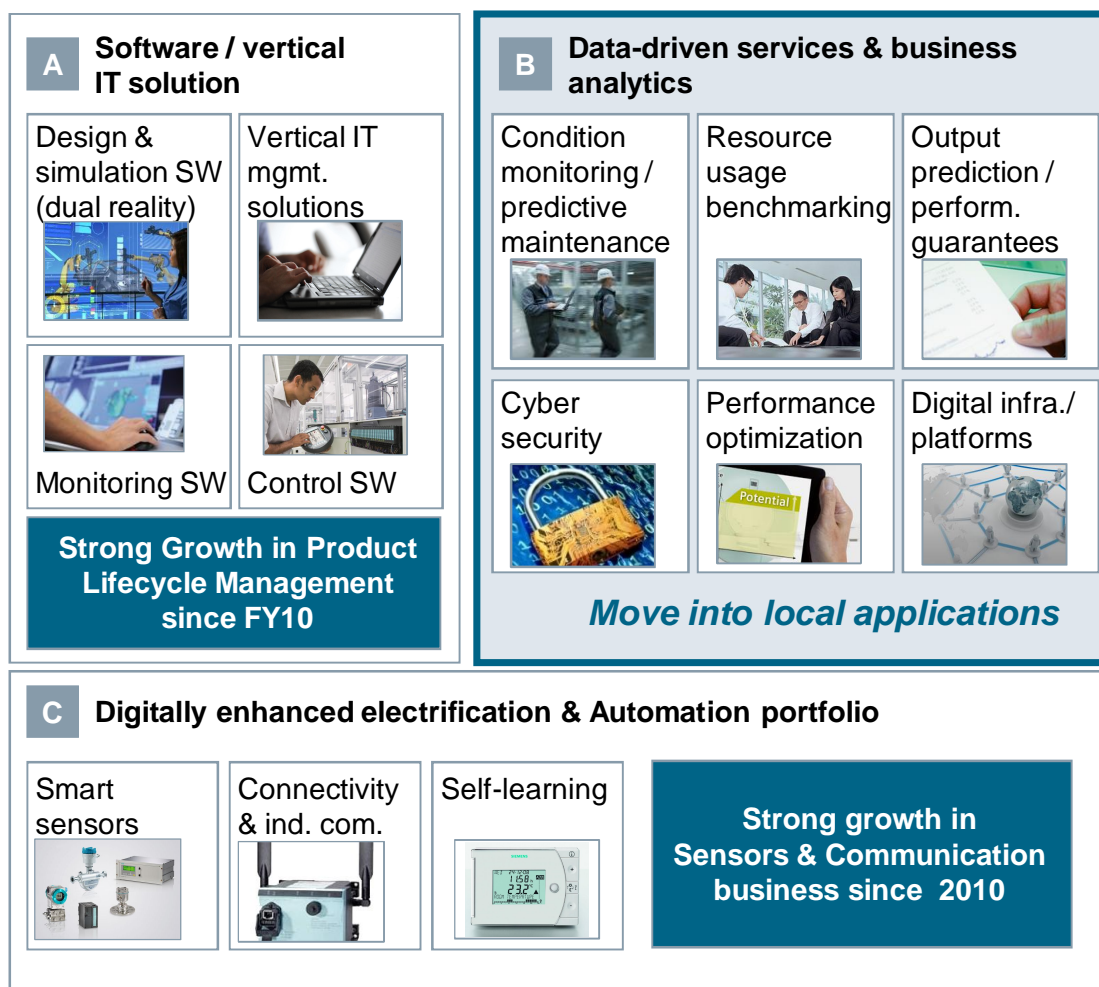
Invest in sales

- Enhance regional coverage/ new office

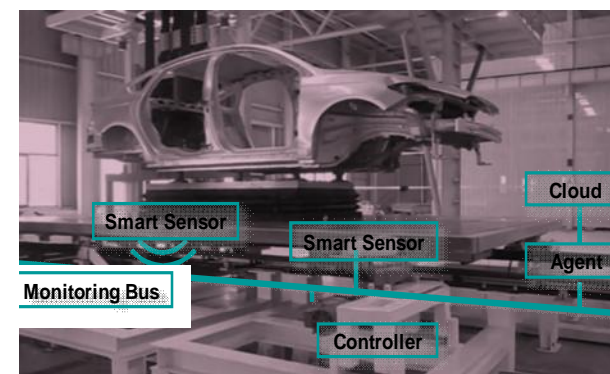
1) Ministry of Industry and Information Technology

We leverage expertise and customer relationship to drive our digital business opportunities

Digital business opportunities (examples)



Project examples



Project with key automotive production supplier

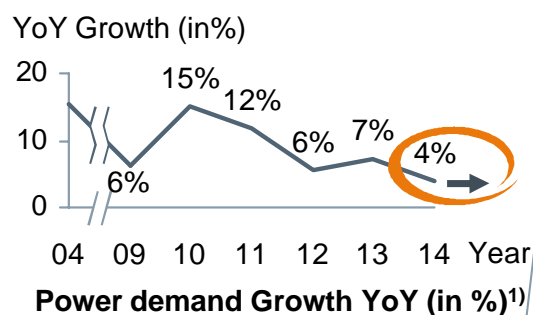


Traffic Management System project

We are compensating headwind from the market with increased localization and flexibility

China Power markets in the “new normal”

- **Wind market with growth momentum in off-shore**
- **Delays** in O&G projects
- **GT market still slow**
- **De-central power** market develops, but slow
- **Declining** power demand growth



1) China Statistics Bureau

Siemens response

- Built **closer cooperation** with key customers, e.g. via MoUs



- **Continue localization** to enhance competitiveness
- **Leverage Rolls-Royce portfolio** for de-central power, compressor & pipeline
- Increase **flexibility** of local business and partnership
- Ramping up **local competency** on engineering and service

Key wins since H2 FY 14



Ulanhot ASU project



Continuous wind power projects from Longyuan



Three Gorges Xiangshui wind power project

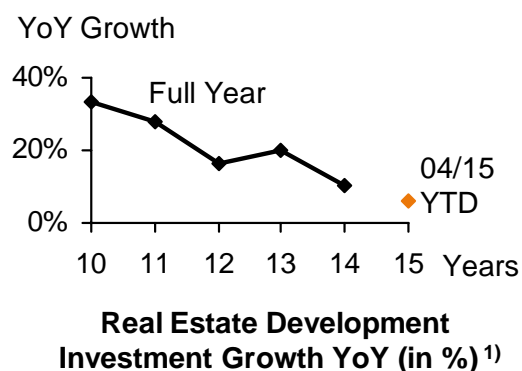


HPI gas turbine service contract

Local products, innovation and customer proximity to benefit on China's urbanization opportunities

China infrastructure markets in “new normal”

- **Air pollution & increasing Environment protection** as market driver
- **Power T&D: lower growth rates; attractive size**
- **Rolling stock: peak in FY14 & further solid investment**
- **Real Estate Investment growth is slowing down**



Siemens response

- Strengthened joint **go-to-market** and City 100 Roadshow
- Continuous enhancement of local portfolio



HP SMART DS



LP 5SN family



SMART butterfly valve & actuator



M3 Humidity & Temp. Sensor

- Built **Center of Competence** in BSCE ²⁾, with >100 R&D experts
- Realize opportunities from environment protection / air-pollution
 - Local **solutions for e-Car** drivetrain and **e-bus**
 - Drive **urban transportation** potential (signaling, propulsion)
 - Wuhan **Innovation Center** for intelligent traffic management
- Strengthen **engineering, project mgmt & operational excellence**

Key wins since H2 FY 14



Ningdong HVDC



SGCC central bidding



Signaling projects



Rolling Stock projects

1) China Statistics Bureau 2) Beijing Siemens Cerberus Electronics Ltd

We are leveraging the full value-chain in China to turn market challenges into competitiveness

Market dynamics

- **Market shift** toward entry-level / county-level healthcare continues
- Clinical Products and Diagnostics market with **constant growth**, albeit at lower levels than before
- Overall: **price erosion**
- Anti-corruption measures by government lead to **delay in customer investment decisions**



Siemens response

- **Leverage strong value chain** in SSME & SSMR
- **Local product development & innovation** for global market:



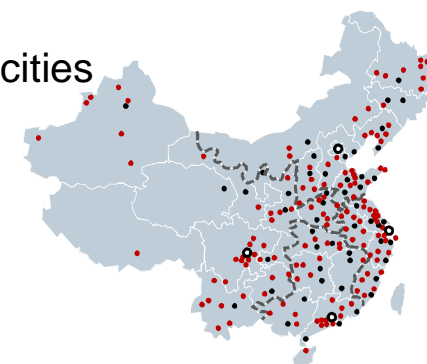
Artis one

SOMATOM
ScopeMAGNETOM
Essenza 800 +Multix Select DR,
Multix Fusion

- **Further develop tailored local portfolio**

Invest in **Go-2-Market**

- Move **sales closer to the customer**:
>175 cities with sales residence – shift towards non-provincial capital cities
- Optimize **business partner management** & established **dedicated channel setup** for CP
- **Tight cost control**



● Add. cities with Siemens HC sales since Nov. 2014

Support the international expansion of our Chinese customers with our global footprint

Key Actions

Dedicated Key Account Mgt.

Continuous ramp-up of local competences

Focused China EPC approach

Signed MoU with key EPCs



**China Power EPC
Forum, Beijing,
March 18 2015**

Selected Key Wins FY14

Sinomach:
Gas turbines
Venezuela

Power China
IGCC¹⁾ project
Saudi Arabia

CSR:
Rapid Metro
Gurgaon projects
India

Selected Key Wins FY15

Power China:
Steam Turbines
Philippines

State Grid:
HVDC
Brazil

SNPTC²⁾:
Steam Turbines
Brazil

CMC³⁾:
Gas Turbines
Bangladesh



1) Integrated Gasification Combined Cycle 2) State Nuclear Power Technology Corporation
3) China National Machinery Import & Export Corporation

The new normal: We have adapted to seize our opportunities in a changing market environment

Siemens relevant investment focus of China

Intelligent manufacturing

Clean energy

Urbanization & infrastructure

Affordable Healthcare

International expansion

Key actions to drive profitable growth

Leveraging our **leading portfolio and a strong local footprint** to capitalize on “intelligent manufacturing” trend



Compensating headwind from the market with **increased localization and flexibility** in power



Participating in China infrastructure investments via **local products, innovation** and **customer proximity**



Leveraging the **full value-chain in China** to turn market challenges into competitiveness in healthcare



Support the **international expansion of our Chinese customers** with our global footprint

