

# **TAP: Focus on Execution – Delivering in 2009**

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Dresdner Kleinwort – German Investment Seminar  
New York, January 13, 2009

## Safe Harbour Statement

This document contains forward-looking statements and information – that is, statements related to future, not past, events. These statements may be identified by words such as “expects,” “looks forward to,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “will,” “project” or words of similar meaning. Such statements are based on our current expectations and certain assumptions, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Siemens’ control, affect our operations, performance, business strategy and results and could cause the actual results, performance or achievements of Siemens to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For us, particular uncertainties arise, among others, from changes in general economic and business conditions (including margin developments in major business areas); the behavior of financial markets, including fluctuations in interest and exchange rates, commodity and equity prices, debt prices (credit spreads) and financial assets generally; continued volatility and further deterioration of the capital markets; the commercial credit environment and, in particular, additional uncertainties arising out of the subprime, financial market and liquidity crises; future financial performance of major industries that we serve, including, without limitation, the Sectors Industry, Energy and Healthcare; the challenges of integrating major acquisitions and implementing joint ventures and other significant portfolio measures; introduction of competing products or technologies by other companies; lack of acceptance of new products or services by customers targeted by Siemens; changes in business strategy; the outcome of pending investigations and legal proceedings, especially the corruption investigations we are currently subject to in Germany, the United States and elsewhere; the potential impact of such investigations and proceedings on our ongoing business including our relationships with governments and other customers; the potential impact of such matters on our financial statements; as well as various other factors. More detailed information about certain of these factors is contained throughout this report and in our other filings with the SEC, which are available on the Siemens website, [www.siemens.com](http://www.siemens.com), and on the SEC’s website, [www.sec.gov](http://www.sec.gov). Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Siemens does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.

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Earnings before interest and taxes, or EBIT (adjusted); Earnings before interest, taxes, depreciation and amortization, or EBITDA (adjusted); Return on capital employed (ROCE); Return on equity (ROE); Free cash flow; and Cash conversion rate are non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to measures of our financial condition, results of operations or cash flows as presented in accordance with IFRS in our Consolidated Financial Statements. Information for a reconciliation of these amounts to the most directly comparable IFRS financial measures is available on our Investor Relations website under [www.siemens.com/ir](http://www.siemens.com/ir) → Financial Publications. “Profit Total Sectors” is reconciled to “Income from continuing operations before income taxes” in the table “Segment Information.”

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## FY 2008 – Year of massive transition

€m	Q4 FY 2007	Q4 FY 2008	% Change		FY 2007	FY 2008	% Change	
			Actual	Ad- justed <sup>1)</sup>			Actual	Ad- justed <sup>1)</sup>
New orders (Cont. Op.)	21,328	22,205	4%	6%	83,916	93,495	11%	13%
Sales (Cont. Op.)	20,201	21,651	7%	9%	72,448	77,327	7%	9%
Profit Total Sectors	1,992	1,485	-25%		6,662	6,520	-2%	
Income from Cont. Op.	1,394	-1,259	n.a.		3,909	1,859	-52%	
Net income ("all-in")	-74	-2,420	n.a.		4,038	5,886	46%	
Free Cash Flow (Total Sectors)	2,983	3,291	10%		7,235	7,892	9%	
Net Debt	n.a.	n.a.	n.a.		11,299	9,034	-20%	

Incl. ~€1.1bn project charges (Q1, Q2), €325m transformation costs in Q4, €110m Fossil PG charge in Q4

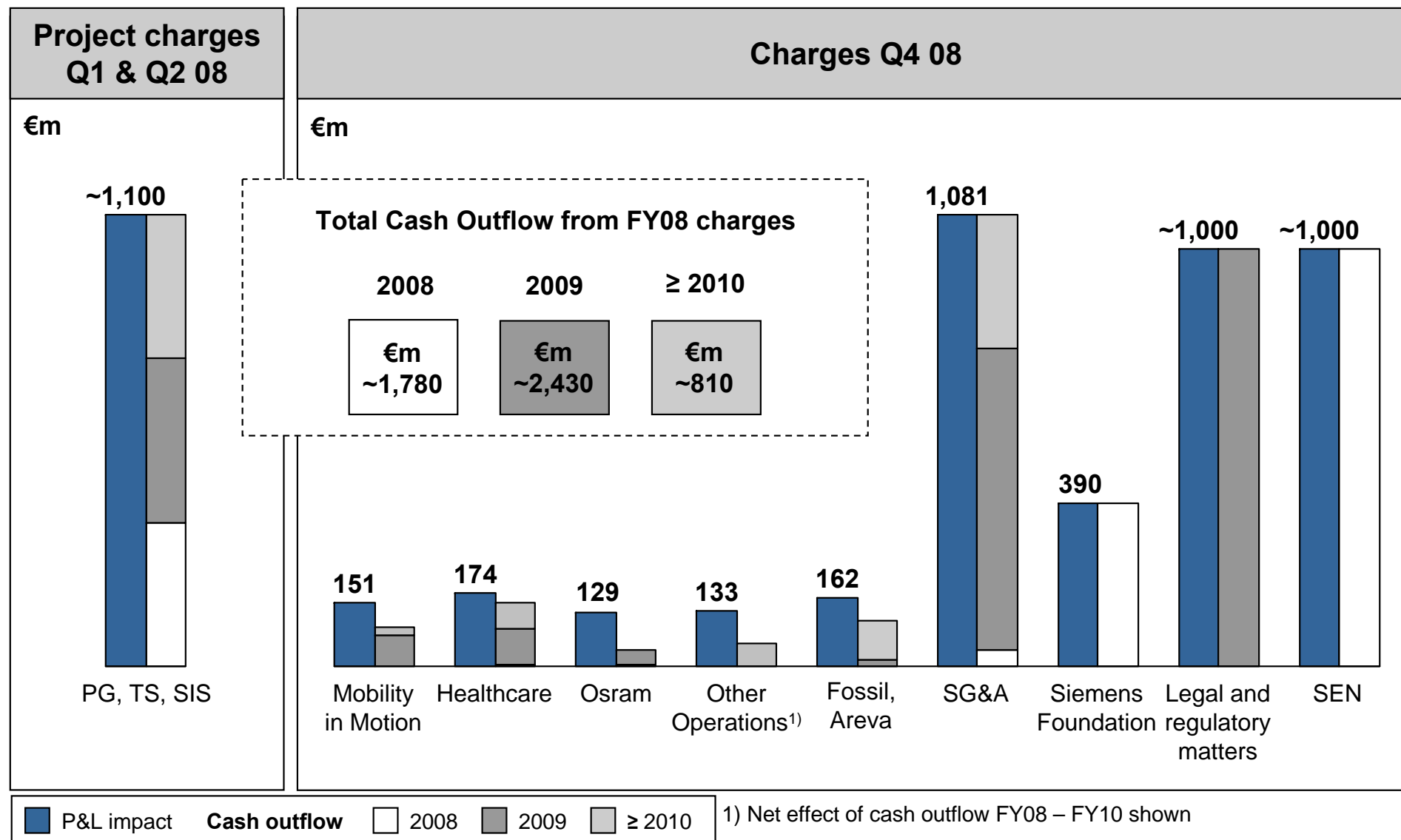
Incl. €390m Siemens Foundation in Q4, ~€1.5bn transformation costs in Q4<sup>2)</sup>, ~€1bn legal & regulatory matters in Q4<sup>2)</sup>

Incl. ~€5.4bn disposal of VDO in Q1, ~€1.0bn loss from disposal of Enterprise Networks in Q4

1) Adjusted for portfolio and currency translation effects

2) Pre-tax

# Charges imply significant cash-outflow in 2009



## Fit<sub>4</sub>2010 TAP program – on schedule to first committed milestones

Focused organization and strong leadership team in place



**SG&A program** on schedule – majority of **restructuring charges booked** in Q4



**Capital allocation** – In order to achieve the capital structure target ratio Siemens returned €4bn to shareholders in 2008; **share buyback program up to €10bn until 2010**



**Streamlining of non-core assets** well ahead of schedule

- Majority of Other Operations completed (including **SHC**)
- JV for Siemens Enterprise Communications (**SEN**)
- Sale of 50% equity stake in **FSC** to Fujitsu



New compensation system in place to align management and owners of the company



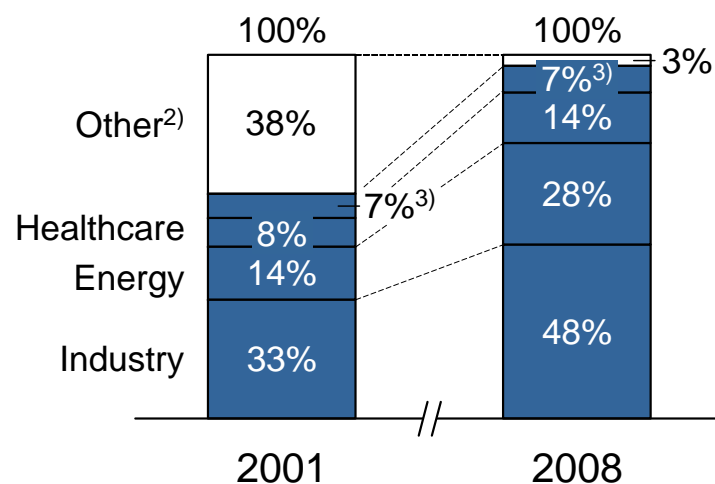
**Legal proceedings** arising from allegations of bribing public officials in the US and Germany **concluded** – total fines and penalties of about **€1bn**



# Focused portfolio increased resilience and visibility

## Increased resilience of portfolio

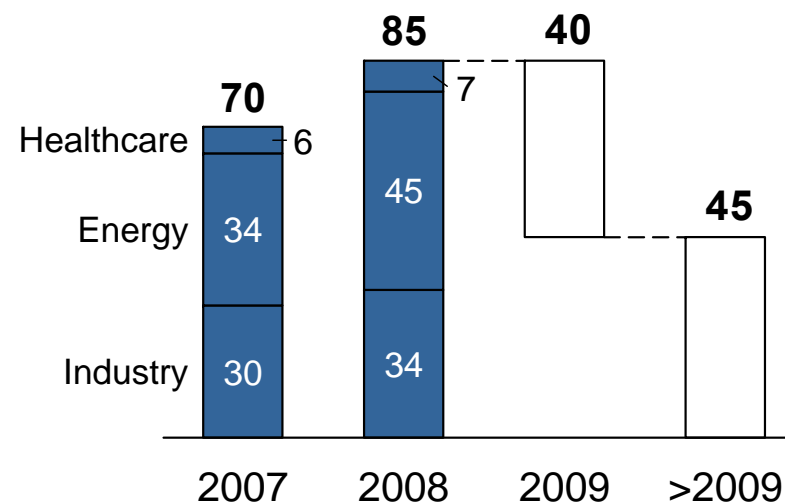
Siemens portfolio (% of sales<sup>1)</sup>)



- Exit of businesses which were non-core, underperforming or in weak market positions
- Leading in core sectors with #1 / #2 market positions in all major businesses
- Reduced exposure to volatile markets

## Order backlog provides visibility

€bn Order backlog<sup>4)</sup>



- Strong Energy backlog provides good visibility for 2009
- Visibility for IA / DT of ~1–2 quarters
- Majority of Healthcare backlog related to Imaging and IT

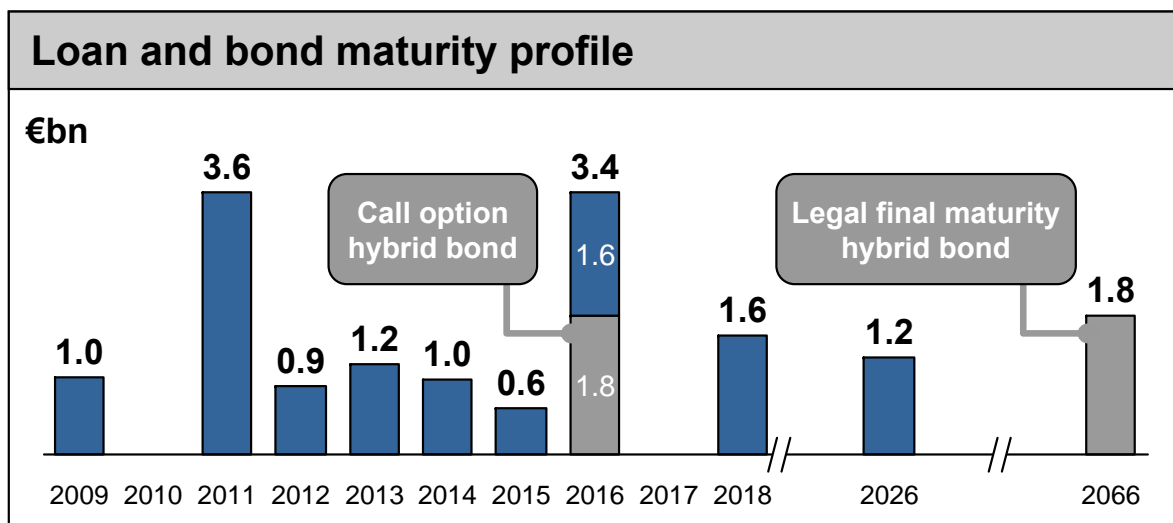
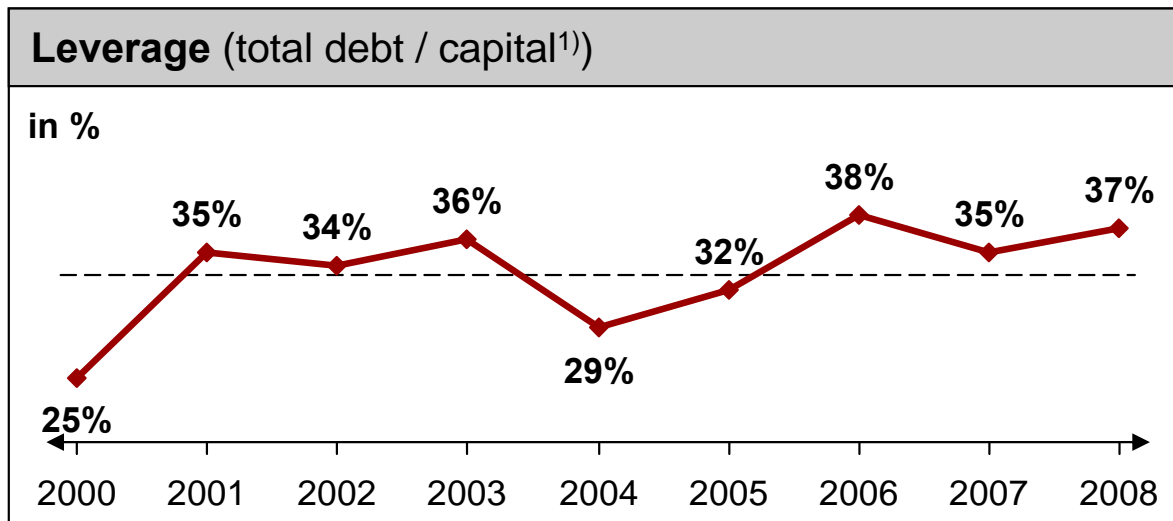
1) as reported, not including consolidation effects

3) IT service business (SIS) established in 1995

2) E.g. telecommunication, automotive

4) Total sectors, excl. SIS; non-audited figures

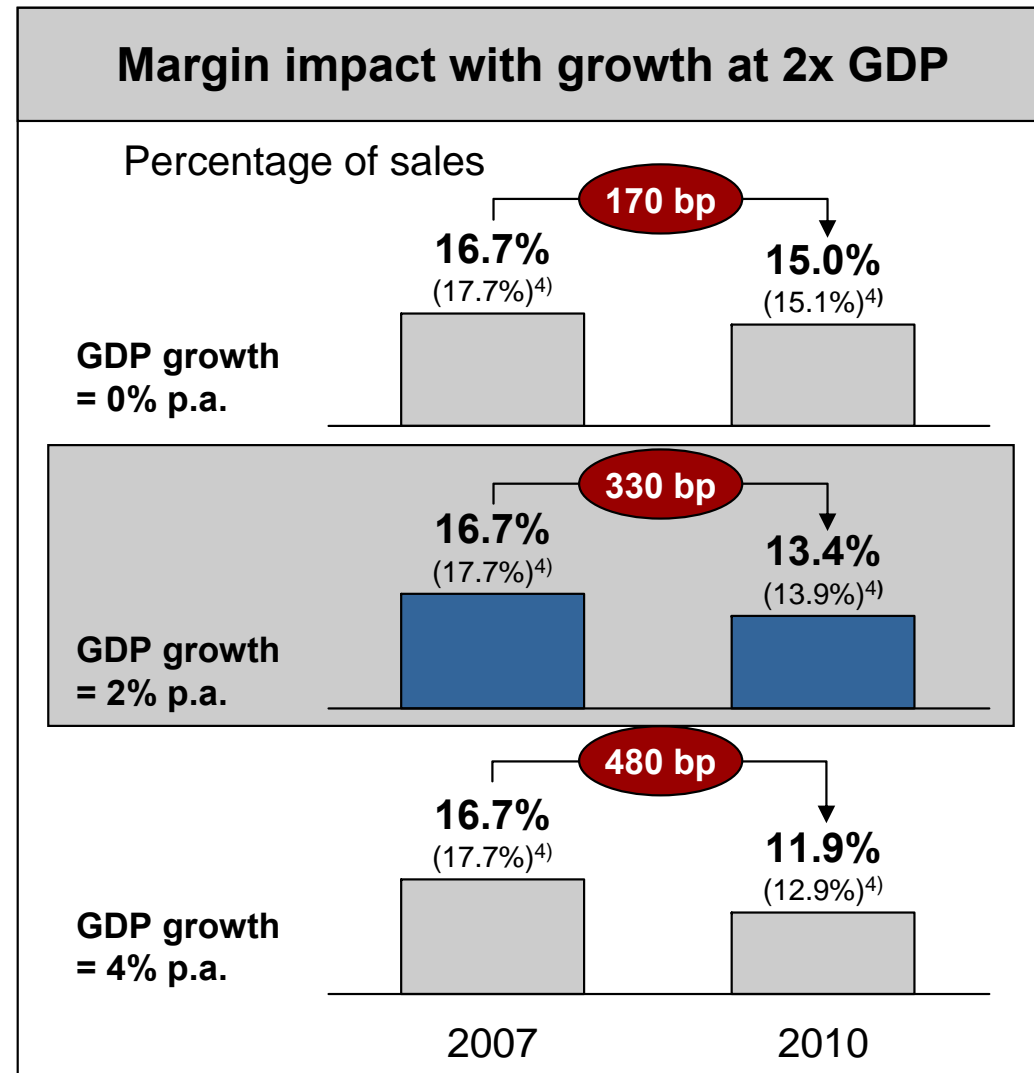
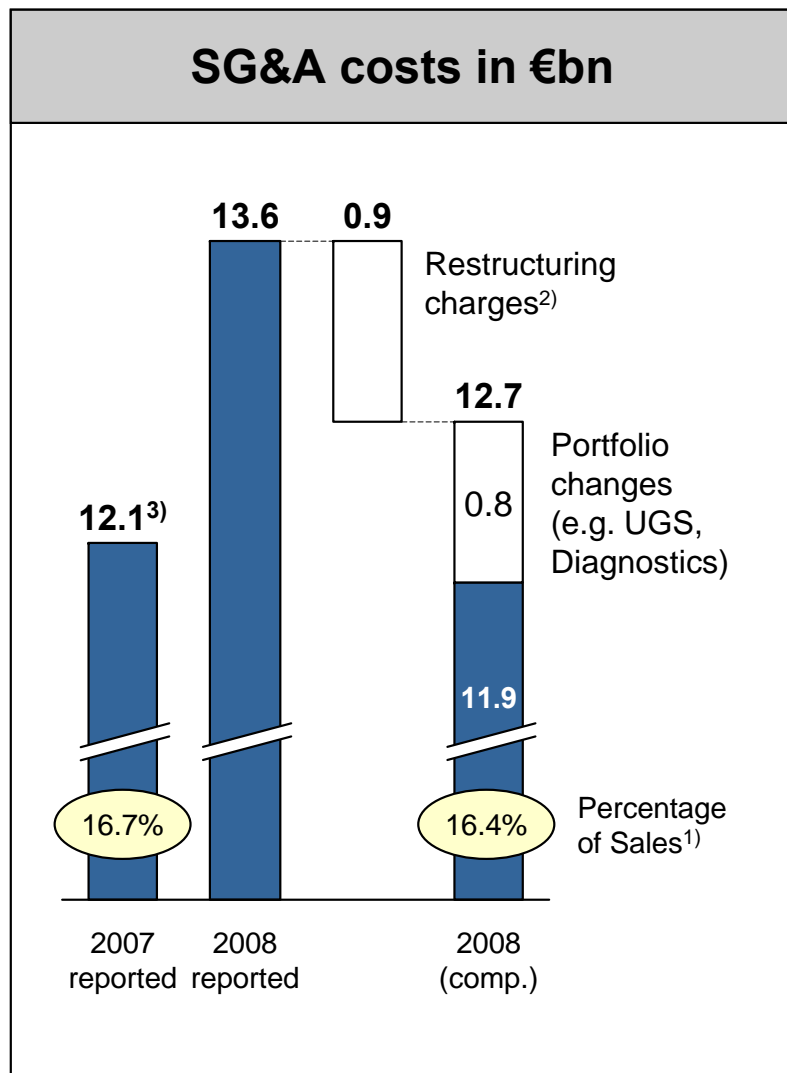
# Strong balance sheet and adequate maturity profile



- **Strong balance sheet:** Low leverage ~33% even during last recession
- **Conservative financial policy:**
  - **Long-term loan and bond maturity profile**
- **High investment grade credit rating:**
  - **S&P:**  
AA- / neg. outlook / A-1 +
  - **Moody's:**  
A1 / stable outlook / P-1

1) Capital = Total debt + equity

## Original SG&A program on schedule

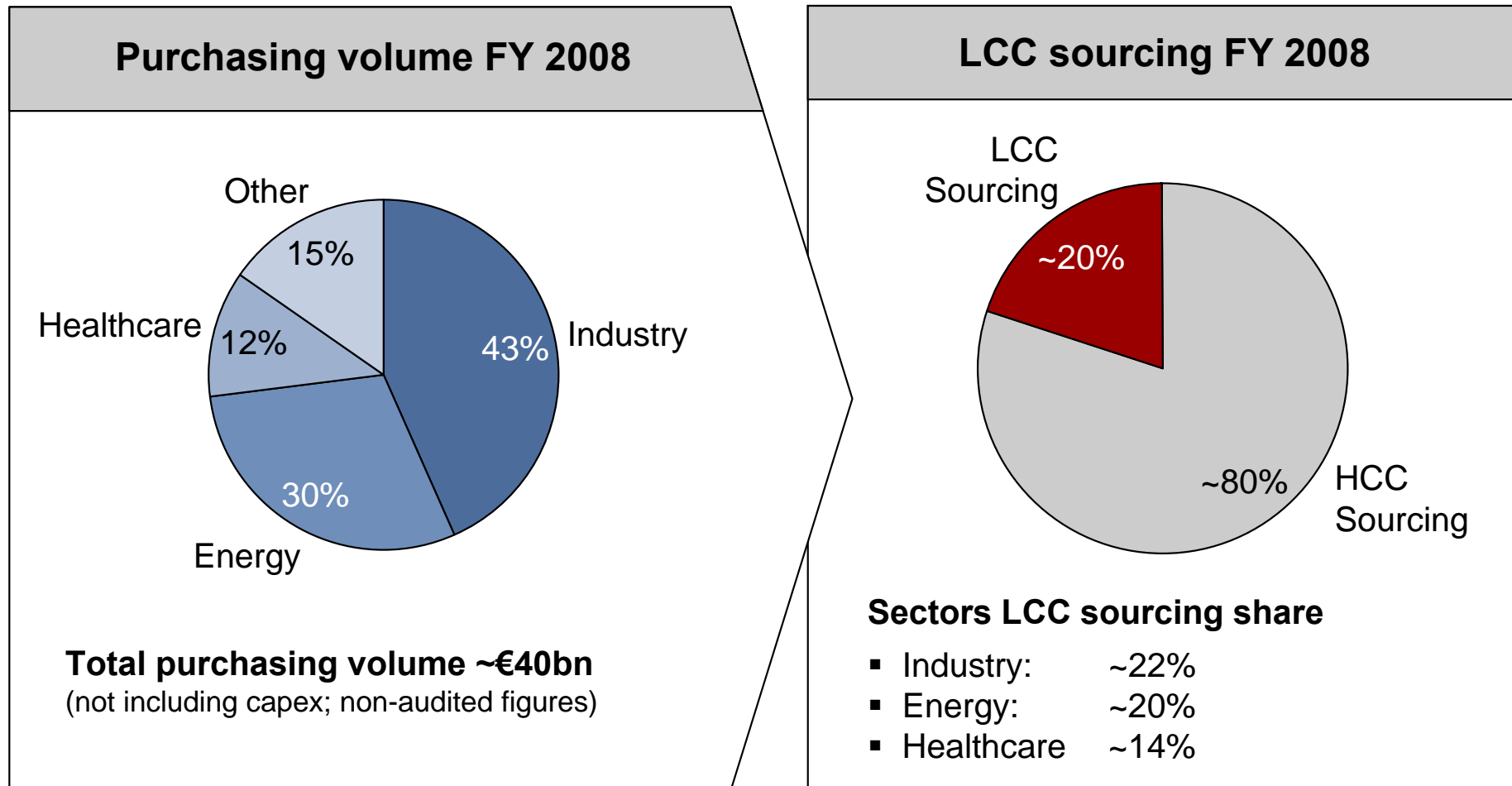


1) Sales 2007 €72.4bn, 2008 €77.3bn sales (as reported)  
 2) Personnel restructuring charges booked as SG&A in Q4 2008  
 3) SG&A costs 2007 adjusted for portfolio changes €12.8bn

4) Sales 2009 and 2010 extrapolated from 2008 based on 2x GDP;  
 SG&A costs adjusted for portfolio changes; savings €1.2bn 2007-2010



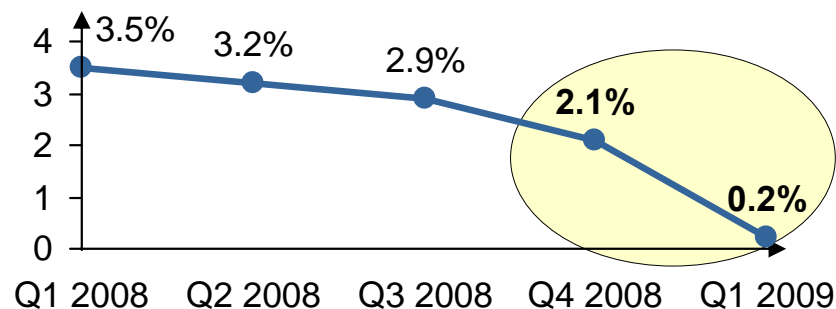
# Supply Chain – Key driver for securing 2010 targets



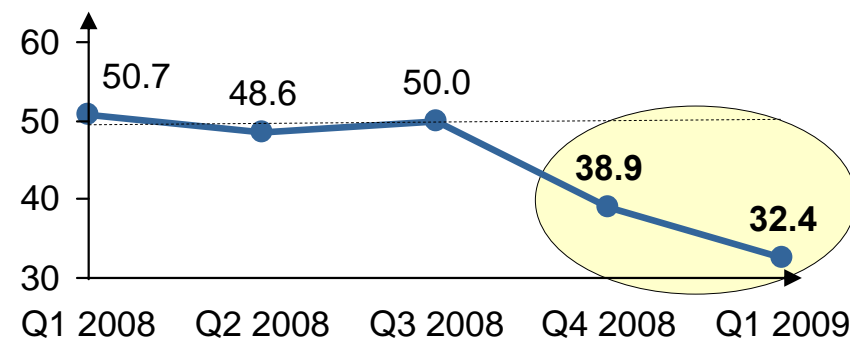
**▶ Targets and roadmap for supply chain improvements to be disclosed after Q2 2009**

# Macro environment deteriorates to historical lows

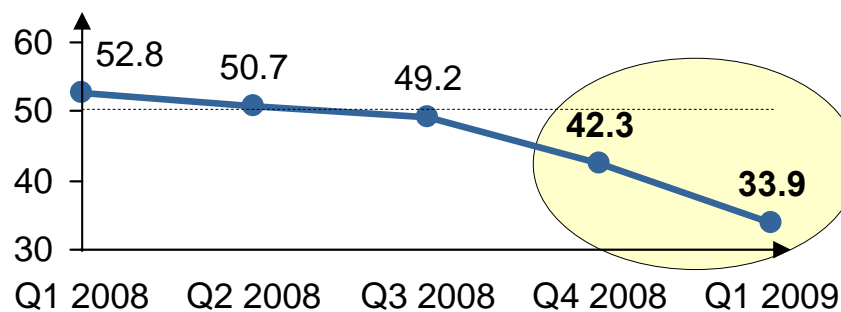
### Global GDP growth 2009E <sup>1)</sup>



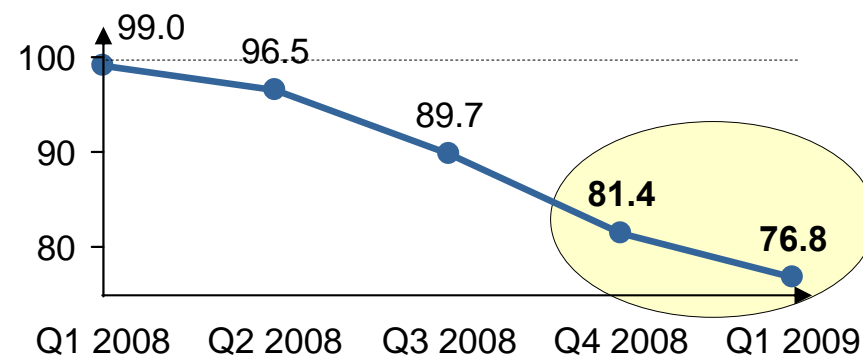
### ISM Purchasing Manager Index



### Euro-zone Manufacturing PMI



### IFO Business Expectations



1) Global insight, 2009 estimates

## CFO's take on sector developments

### Energy



- No major order cancelations, but push-outs likely
- Customers even more price sensitive focusing on TCO<sup>1)</sup>
- Continued volatility of Areva N.P. at equity income

### Industry



- IA: significant de-stocking in challenging environment; focus on defending margins
- DT: still resilience due to energy/infrastructure footprint
- IS: impacted by contracting Metals market, e.g. in China and CIS
- BT: holding up; main pressure expected in 2010
- Osram: continued softness; charges for capacity adjustments

### Healthcare



- Challenging financial environment affects the whole sector, especially in the U.S.
- US imaging market not at trough yet; global spill-over likely
- Additional charges for Particle therapy<sup>2)</sup> projects

1) Total Cost of ownership

2) Part of division Workflow Solutions

## Siemens' expectations frame for Q1 2009

### Bookings

- Q1 orders down year-on-year but still on level of prior quarter (as reported)

### Billings

- Q1 revenue up ~5% year-on-year (as reported)
- All sectors contribute to year-on-year growth

### Sector Profit

- Q1 profit Total Sectors up year-on-year and quarter-on-quarter (as reported)

### Free Cash Flow

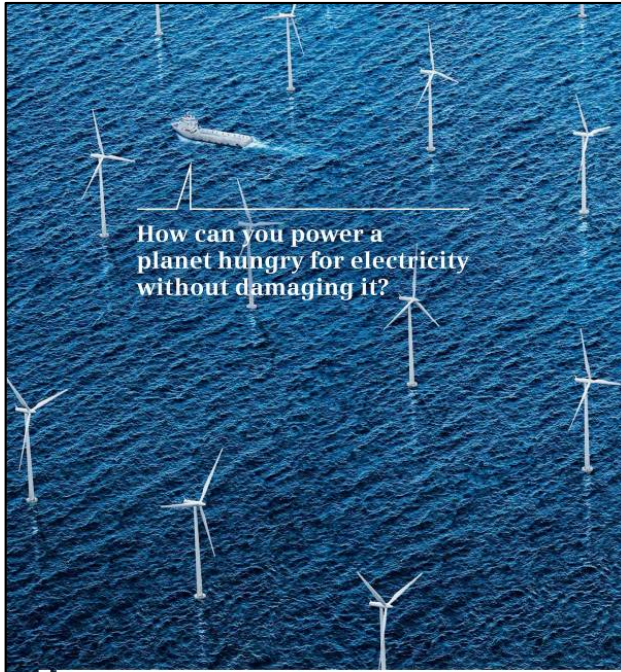
- Q1 traditionally weak – fiscal year end for most customers
- Cash out from charges taken in FY 2008 and annual bonus payout
- Impacted by fines and penalties of €395m (Germany) and US\$800m (U.S.), in particular



**Further profitability improvements (e.g. COGS) started immediately**



## Thank you for your attention

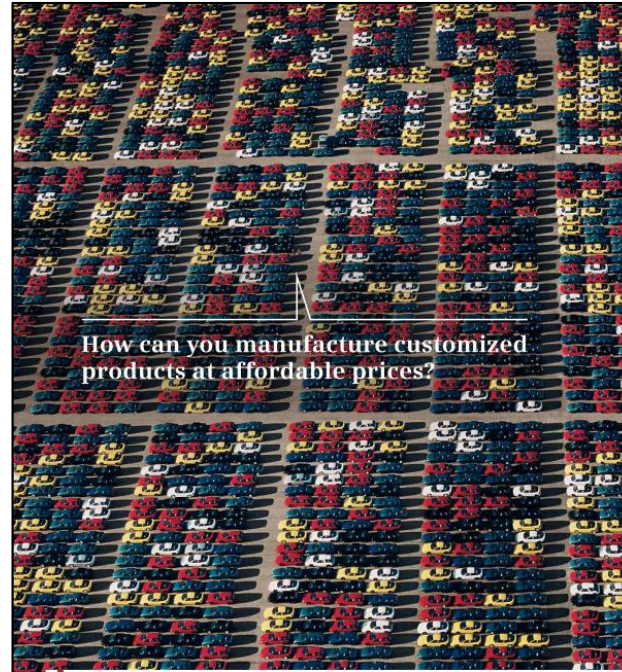



How can you power a planet hungry for electricity without damaging it?

The Siemens answer: Efficient energy supply.

Our innovations efficiently generate and distribute the power we need while at the same time drastically reducing CO<sub>2</sub> emissions.  
[www.siemens.com/answers](http://www.siemens.com/answers)

Answers for the environment.




How can you manufacture customized products at affordable prices?

The Siemens answer: The intelligent factory.

Our innovations combine virtual product planning with state-of-the-art factory automation for more flexible production. This also allows individual customer wishes to be realized cost efficiently.  
[www.siemens.com/answers](http://www.siemens.com/answers)

Answers for industry.



How can disease be detected before it strikes?

The Siemens answer: Early detection and prevention.

Our innovations combine state-of-the-art laboratory diagnosis, imaging technologies and IT for an earlier prevention and more specific diagnosis thus enhancing patient care.  
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Answers for life.



## Financial calendar

<p><b>January</b></p>	<p><b>January 27, 2009</b>          Q1 financial report and analyst conference call          Annual General Meeting</p>
<p><b>February</b></p>	<p><b>February 2009</b>          Post-Q1 roadshows with CEO / CFO (USA, London)</p>
<p><b>March</b></p>	<p>to be announced</p>
<p><b>April</b></p>	<p><b>April 29, 2009</b>          Q2 financial report and semiannual analyst conference</p>

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## Reconciliation and Definitions for Non-GAAP Measures (I)

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**Profit Total Sectors** is reconciled to "Income from continuing operations before income taxes" under "Reconciliation to consolidated financial statements" in the table "Segment Information." See our Financial Publications at our Investor Relations website under [www.siemens.com/ir](http://www.siemens.com/ir).

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**Earnings before interest and taxes, or EBIT (adjusted)** is Income from continuing operations before income taxes less Financial income (expense), net and Income (loss) from investments accounted for using the equity method, net.

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**Earnings before interest, taxes, depreciation and amortization, or EBITDA (adjusted)** is EBIT before Depreciation and Amortization, defined as depreciation and impairments of property, plant and equipment and amortization and impairments of intangible assets other than goodwill.

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Profit is reconciled to EBIT and EBITDA on the table Segment Information Analysis (II). See our Financial Publications at our Investor Relations website under [www.siemens.com/ir](http://www.siemens.com/ir).

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**Return on Capital Employed (ROCE)** is a measure of how capital invested in the Company or the Sectors yields competitive returns.

For the **Company**, **ROCE** is calculated as Net income (before interest) divided by average Capital employed (CE). Net income (before interest) is defined as Net income excluding Other interest income (expense), net and excluding taxes on Other interest income (expense), net. Taxes on Other interest income (expense), net are calculated in simplified form by applying the current tax rate which can be derived from the Consolidated Statements of Income, to Other interest income (expense), net. CE is defined as Total equity plus Long-term debt plus Short-term debt and current maturities of long-term debt minus Cash and cash equivalents.

Because Siemens reports discontinued operations, Siemens also calculates ROCE on a continuing operations basis, using Income from continuing operations rather than Net income. For purposes of this calculation, CE is adjusted by the net figure for Assets classified as held for disposal included in discontinued operations less Liabilities associated with assets classified as held for disposal included in discontinued operations.

For the **Sectors**, **ROCE** is calculated as Profit divided by average Assets. Profit for the Sectors is principally defined as earnings before financing interest, certain pension costs and income taxes, whereas certain other items not considered performance indicative by Management may be excluded. Assets for the Sectors is defined as total assets primarily less intragroup financing receivables and investments, less income tax assets, less non-interest bearing liabilities/provisions other than tax liabilities.

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# Reconciliation and Definitions for Non-GAAP Measures (II)

Average Capital employed and average Assets for the fiscal year is calculated as a "five-point average" obtained by averaging Capital employed and Assets at the beginning of the first quarter plus the final figures for all four quarters of the fiscal year. For the calculation of the average during for the quarters, see below:

Average calculation for CE<sup>1)</sup>:

Year-to-Date	
Q1	2 Point average: (CE ending Q4 Prior year + CE ending Q1) / 2
Q2	3 Point average: (CE ending Q4 Prior year + CE ending Q1 + CE ending Q2) / 3
Q3	4 Point average: (CE ending Q4 Prior year + CE ending Q1 + CE ending Q2 + CE ending Q3) / 4
Q4	5 Point average: (CE ending Q4 Prior year + CE ending Q1 + CE ending Q2 + CE ending Q3 + CE ending Q4) / 5
Quarter-to-Date	
Q1	2 Point average: (CE ending Q4 Prior year + CE ending Q1) / 2
Q2	2 Point average: (CE ending Q1 + CE ending Q2) / 2
Q3	2 Point average: (CE ending Q2 + CE ending Q3) / 2
Q4	2 Point average: (CE ending Q3 + CE ending Q4) / 2

Our cash target is based on the **Cash Conversion Rate (CCR)**, which serves as a target indicator for the Company's or the Sector's cash flow. For the Company, CCR is defined as the ratio of Free cash flow to Net income, where **Free cash flow (FCF)** equals the Net cash provided by (used in) operating activities less Additions to intangible assets and property, plant and equipment. Because Siemens reports discontinued operations, this measure is also shown on a continuing operations basis, using Income from continuing operations, Net cash provided by (used in) operating activities – continuing operations and Additions to intangible assets and property, plant and equipment for continuing operations for the calculation. For the Sectors, CCR is defined as Free cash flow divided by Profit.

Values needed for the calculation of ROCE and CCR can be obtained from the Consolidated Financial Statements and Notes to Consolidated Financial Statements. Profit, Capital employed / Assets and Free cash flow for the Company and the Sectors for previous quarters and also for fiscal 2007 can be found on the Exhibits 99 (b,c,d) to the Siemens Report furnished on Form 6-K to the SEC on June 24, 2008. See our Financial Publications at our Investor Relations website under [www.siemens.com/ir](http://www.siemens.com/ir).

1) Assets for Sectors

## Reconciliation and Definitions for Non-GAAP Measures (III)

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Our capital structure target is based on an **Adjusted industrial net debt** divided by EBITDA (adjusted). For the calculation of Adjusted industrial net debt, we subtract from Net debt (defined as Long-term debt plus Short-term debt and current maturities of long-term debt less Cash and cash equivalents less Available-for-sale financial assets (current)) (1) SFS debt excluding SFS internally purchased receivables and (2) 50% of the nominal amount of our hybrid bond; and add/subtract (3) Funded status of Pension benefits, (4) Funded status of Other post-employment benefits; and add (5) Credit guarantees. The components of Net debt are available on our Consolidated Balance Sheets, SFS debt less internally purchased receivables is available in our Management Discussion & Analysis under Segment information analysis – Siemens Financial Services (SFS). The Funded status of our principle pension plans and Other post-employment benefits, the amount of credit guarantees and the nominal amount of our Hybrid bond is available in the Notes to our Consolidated Financial Statements.

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To measure Siemens' achievement of the **goal to grow at twice the rate of global GDP**, we use GDP on real basis (i.e. excluding inflation and currency translation effects) with data provided by Global Insight Inc. and compare those growth rates with growth rates of our revenue (adjusted for portfolio and currency translation effects). In accordance with IFRS, revenue numbers are not adjusted by inflation and currency translation effects.

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**Return on equity (ROE)** margin for SFS was calculated as SFS' Income before income taxes of fiscal 2008 divided by average allocated equity for SFS. Average allocated equity for fiscal year 2008 is €911 million.

The allocated equity for SFS is determined and influenced by the size and quality of its portfolio of commercial finance assets (primarily leases) and equity investments. This allocation is designed to cover the risks of the underlying business and is in line with common credit risk management standards in banking. The actual risk profile of the SFS portfolio is evaluated and controlled monthly and is reflected in the quarterly (commercial finance) and annual (equity investments) adjustment of allocated equity.

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Profit Total Sectors, EBIT (adjusted), EBITDA (adjusted), ROCE, ROE, CCR and Adjusted industrial net debt are or may be Non-GAAP financial measures as defined in relevant rules of the U.S. Securities and Exchange Commission. Our management takes these measures, among others, into account in its management of our business, and for this reason we believe that investors may find it useful to consider these measures in their evaluation of our performance. None of Profit Total Sectors, EBIT (adjusted), EBITDA (adjusted), ROCE and ROE should be viewed in isolation as an alternative to figures reported in our IFRS statement of income for purposes of evaluating our results of operations; CCR should not be viewed in isolation as an alternative to measures reported in our IFRS cash flow statement for purposes of evaluating our cash flows; and Adjusted industrial net debt should not be viewed in isolation as an alternative to liabilities reported in our IFRS balance sheet for purposes of evaluating our financial condition.