

# Setting the standard for industry – Profit, growth and innovation

The background of the slide is a photograph of an industrial environment. In the foreground, a hand holds a tablet displaying a 3D CAD model of a mechanical part. In the background, two men are working with industrial machinery. One man is standing and interacting with a control panel, while the other is crouching and working on a large, complex machine. The scene is brightly lit, suggesting a modern manufacturing facility.

**Siegfried Russwurm**  
**CEO Industry Sector**

Capital Market Day Siemens Industry  
Hanover, April 11, 2013

# Safe Harbour Statement

This document includes supplemental financial measures that are or may be non-GAAP financial measures. New orders and order backlog; adjusted or organic growth rates of revenue and new orders; book-to-bill ratio; Total Sectors profit; return on equity (after tax), or ROE (after tax); return on capital employed (adjusted), or ROCE (adjusted); Free cash flow, or FCF; cash conversion rate, or CCR; adjusted EBITDA; adjusted EBIT; adjusted EBITDA margins, earnings effects from purchase price allocation, or PPA effects; net debt and adjusted industrial net debt are or may be such non-GAAP financial measures. These supplemental financial measures should not be viewed in isolation as alternatives to measures of Siemens' financial condition, results of operations or cash flows as presented in accordance with IFRS in its Consolidated Financial Statements. Other companies that report or describe similarly titled financial measures may calculate them differently. Definitions of these supplemental financial measures, a discussion of the most directly comparable IFRS financial measures, information regarding the usefulness of Siemens' supplemental financial measures, the limitations associated with these measures and reconciliations to the most comparable IFRS financial measures are available on Siemens' Investor Relations website at [www.siemens.com/nonGAAP](http://www.siemens.com/nonGAAP). For additional information, see supplemental financial measures and the related discussion in Siemens' most recent annual report on Form 20-F, which can be found on our Investor Relations website or via the EDGAR system on the website of the United States Securities and Exchange Commission.

This document contains statements related to our future business and financial performance and future events or developments involving Siemens that may constitute forward-looking statements. 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. We may also make forward-looking statements in other reports, in presentations, in material delivered to stockholders and in press releases. In addition, our representatives may from time to time make oral forward-looking statements. Such statements are based on the current expectations and certain assumptions of Siemens' management, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Siemens' control, affect Siemens' 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 or anticipated on the basis of historical trends. These factors include in particular, but are not limited to, the matters described in Item 3: Risk factors of our most recent annual report on Form 20-F filed with the SEC, in the chapter "Risks" of our most recent annual report prepared in accordance with the German Commercial Code, and in the chapter "Report on risks and opportunities" of our most recent interim report.

Further information about risks and uncertainties affecting Siemens is included throughout our most recent annual and interim reports, as well as our most recent earnings release, which are available on the Siemens website, [www.siemens.com](http://www.siemens.com), and throughout our most recent annual report on Form 20-F 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, performance or achievements of Siemens may vary materially from those described in the relevant forward-looking statement as being expected, anticipated, intended, planned, believed, sought, estimated or projected. Siemens neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

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.

# 2013 Hanover Fair

Siemens sets the pace in innovation and technology

**SIEMENS**



The background image shows a Siemens exhibition stand at the 2013 Hanover Fair. The stand features the Siemens logo and the tagline "Connecting Productivity and Efficiency". It is divided into sections labeled "Engineering" and "Execution".

**NX viewer on iPad**  
Computer-aided design, engineering and manufacturing

**Tecnomatix 10**  
Simulation and optimization of robotized production plants

**TIA Portal V12**  
One engineering tool for the whole range of automation tasks

**SIMATIC S7-1500**  
The ultimate boost to power and efficiency

**Integrated Drive Systems (IDS)**  
All components of drive train combined into an efficient, integrated complete solution

**Showcasing technology leadership for industrial customers**



# Building long-lasting, 'sticky' business relationships

## Typical transaction is 'over the counter' Order intake today, delivery tomorrow

- Number of orders per day: >10,000
- Average order volume: €3,500
- Number of online orders: >3,000
- Strong distribution network
  - Including leading global distributors like Sonepar and Rexel
- > 50% of total business volume in China via distributors



## Typical customer decision making is 'contract for model lifetime'

- Oerlikon Barmag 'Wings' fiber spinning machine
  - SIMOTION D425 (49 motion controllers)
  - SINAMICS S120 + SIMOTICS (336 axis)
  - SCADA-System SIMATIC WinCC



**>80% of our business is recurring product and system business**

# A multitude of strategic business partnerships

## Deep and long-lasting mutual commitment

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### Long-term partnership with BMW

- First automotive customer for TIA Portal <sup>1)</sup>
- In all plants worldwide until 2027
- For efficient BMW production standard development
- SIMATIC products and solutions

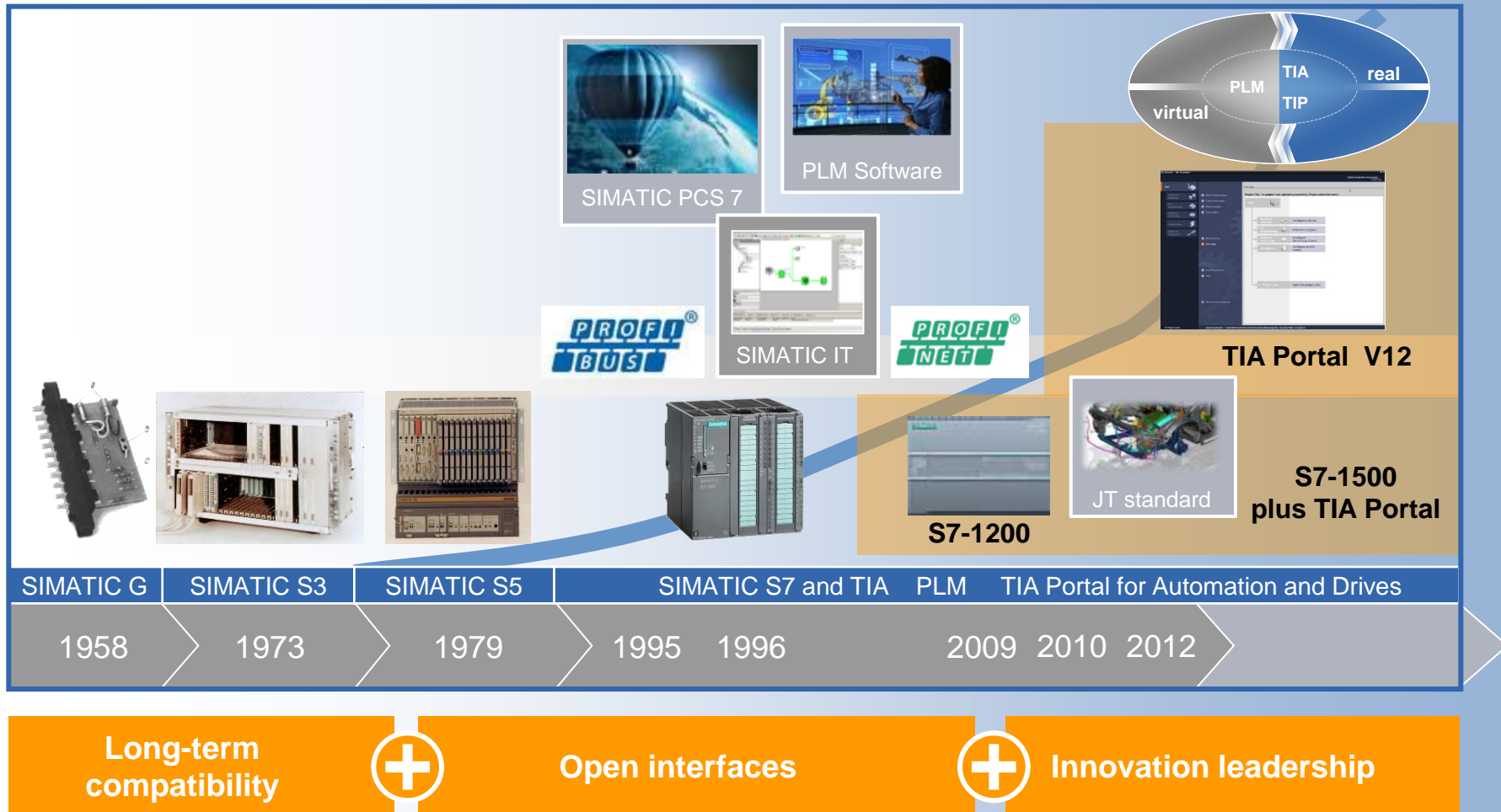


**BMW commits to Siemens for 15 years as single preferred supplier of new automation technology – globally**

1) TIA = Totally Integrated Automation

# Our approach to increasing our customers' confidence and trust

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# Industry Sector

Focused organization expanding market leadership

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## Industry Sector

### Industry Automation



**Revenue 2012: €9.6bn**

**40,000 employees <sup>2)</sup>**

- #1 PLCs
- #1 Industrial switching technology
- #2 Industry software

### Drive Technologies



**Revenue 2012: €9.6bn**

**39,000 employees <sup>2)</sup>**

- #1 Inverters
- #2 CNC controllers
- #1 Wind turbine gear units

### Customer Services



**17,000 employees <sup>2)</sup>**

- #2 Maintenance outsourcing
- #2 Repair network for motors & drives
- #1 Global service footprint for machine tool suppliers

### Metals Technologies <sup>1)</sup>



**7,000 employees <sup>2)</sup>**

- #1 Continuous casting lines
- #2 Steel mills
- #2 Rolling mills

# One

**global sales and service delivery organization  
common development platform  
joint innovation roadmap**

**More than 100,000 employees generate a revenue of over €20bn**

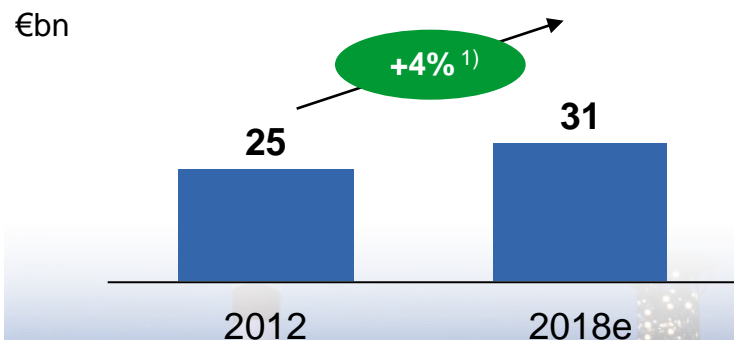
1) Sector-led Business Unit; 2) As of Dec. 31, 2012; IA, DT and MT excl. CS employees;

# Sector-led Business Unit Metals Technologies

## Good product pull-through for Siemens Industry

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### Market growth



### Characteristics

- EPC (Engineering, Procurement, Construction) for iron and steel production
- 1,300 customers worldwide
- 8 of 10 top steel makers are our customers
- Leading market position in all segments
- Strong service business

**Metal Technologies' business model supports Sector's capital efficiency**

1) CAGR

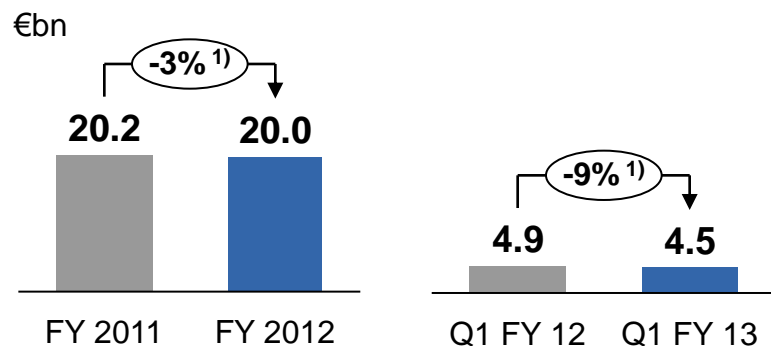


# Industry FY 2012 and Q1 FY 2013

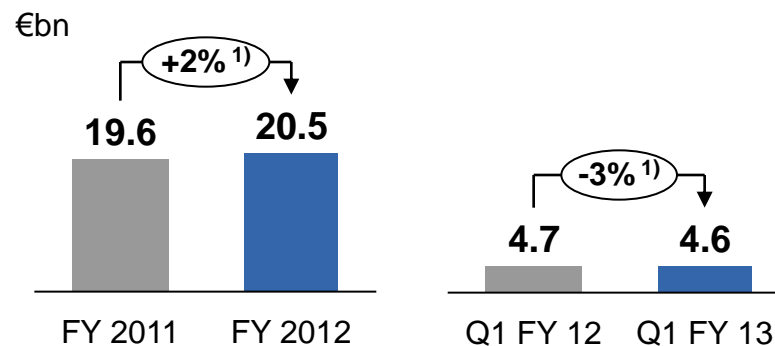
## Financials affected by slow market demand

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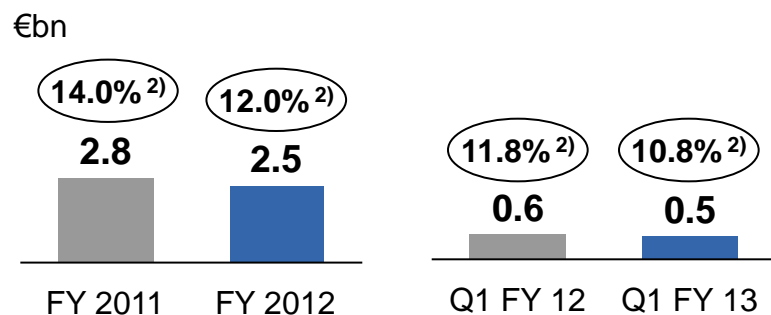
### New Orders



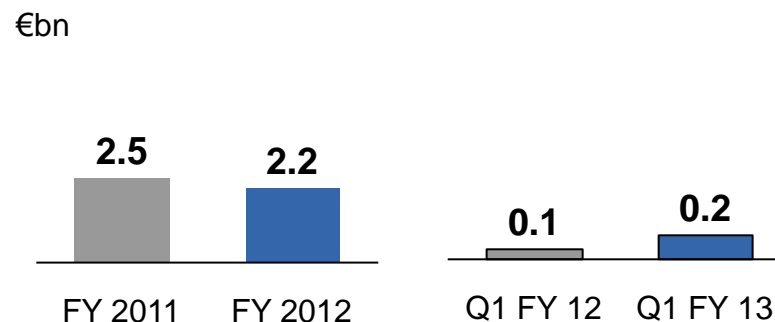
### Revenue



### Profit

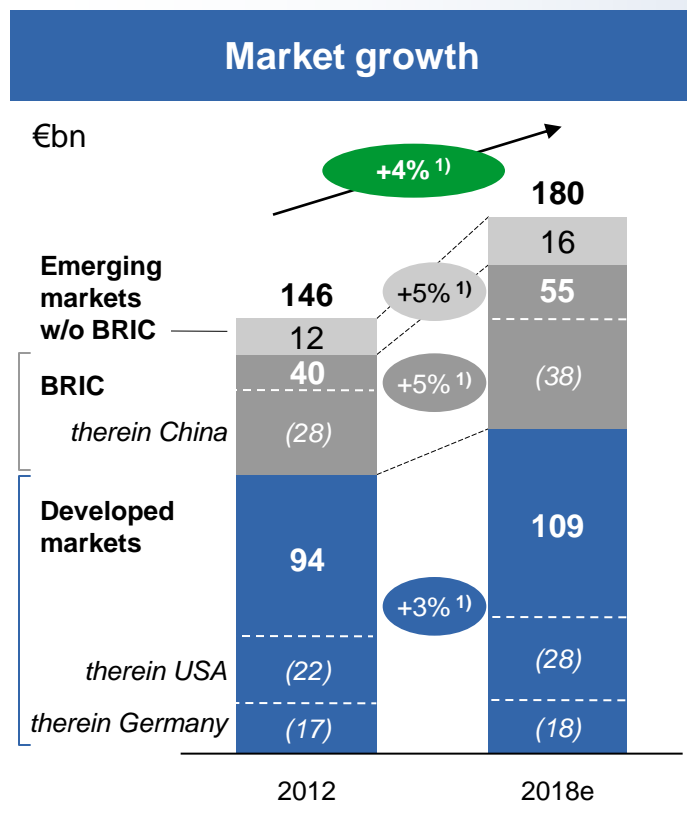


### Free cash flow



1) Comparable, i.e. adjusted for currency translation and portfolio effects; 2) Profit margin

# Mid-term growth in the global economy is expected to remain uneven and volatile



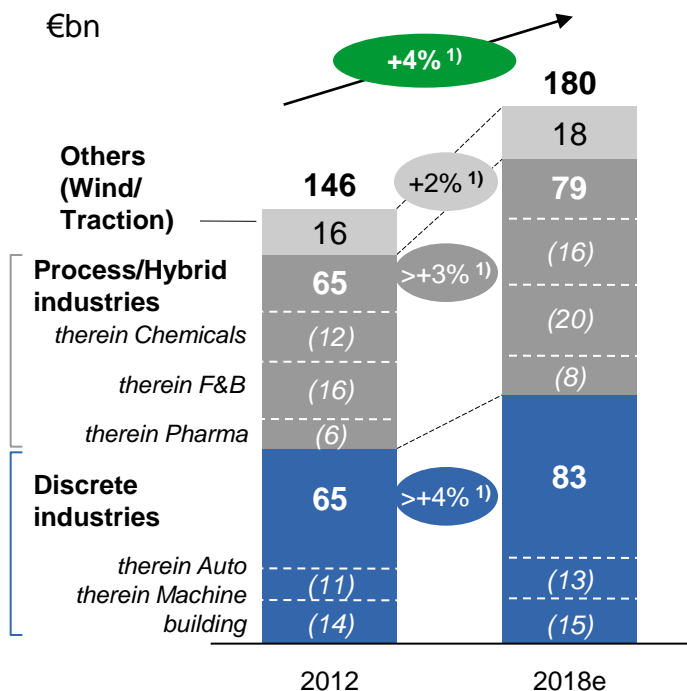
Growth perspectives		
	Short/Mid-term	Long-term CAGR <sup>2)</sup>
	<ul style="list-style-type: none"> <li>Industrial markets seem to be stabilizing</li> <li>China remains global growth driver but expectations are less enthusiastic than in the past</li> </ul>	Importance of high-end production <b>+5%</b>
	<ul style="list-style-type: none"> <li>Current industrial growth fueled by unconventional Oil &amp; Gas</li> <li>Limited visibility, even short-term</li> </ul>	'Manufacturing Renaissance' <b>+4%</b>
	<ul style="list-style-type: none"> <li>Lower demand within Europe</li> <li>Continued strong global exports</li> <li>MNCs acquire German 'hidden champions' for technological expertise</li> </ul>	Continuous investment in innovation <b>+1%</b>

**Flexible footprint to cope with higher demand volatility**

1) CAGR 2) Growth rate 2012-2018e

## Attractive vertical growth markets

### Market growth by industries



### Customer demand and growth by verticals

- |                            |   |
|----------------------------|---|
| <b>Chemicals</b>           | <ul style="list-style-type: none"> <li>▪ Growth in emerging markets (petro &amp; basic) and modernization in developed countries</li> <li>▪ Minimize engineering efforts for automation in globally distributed projects</li> </ul> |
| <b>Food &amp; Beverage</b> | <ul style="list-style-type: none"> <li>▪ Highest growth in emerging countries</li> <li>▪ Plant-wide integration, covering process &amp; discrete production</li> </ul>  |
| <b>Pharma</b>              | <ul style="list-style-type: none"> <li>▪ Growth in production of active ingredients</li> <li>▪ Integrated Engineering ensuring quality</li> </ul>   |
| <b>Auto-motive</b>         | <ul style="list-style-type: none"> <li>▪ Growth of main vehicle manufacturers and suppliers in BRIC countries and in the US</li> <li>▪ Efficiency &amp; productivity along entire industry value chain</li> </ul>                   |
| <b>Machine Building</b>    | <ul style="list-style-type: none"> <li>▪ High export orientation</li> <li>▪ Seamless integration of product design &amp; production lifecycle</li> </ul>  |

**Leveraging our vertical expertise**

1) CAGR

# The pace of change in manufacturing has never been faster

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**We are well prepared to make our customers more competitive**



## Energy- and resource-efficiency are decisive cost factors

Energy is often **the single biggest cost factor** in energy-intensive industries



**57%**

Aluminum



**47%**

Cement



**36%**

Steel



**29%**

Paper



**27%**

Basic chemicals

In Europe, industry accounts for about

**25% of end energy usage**

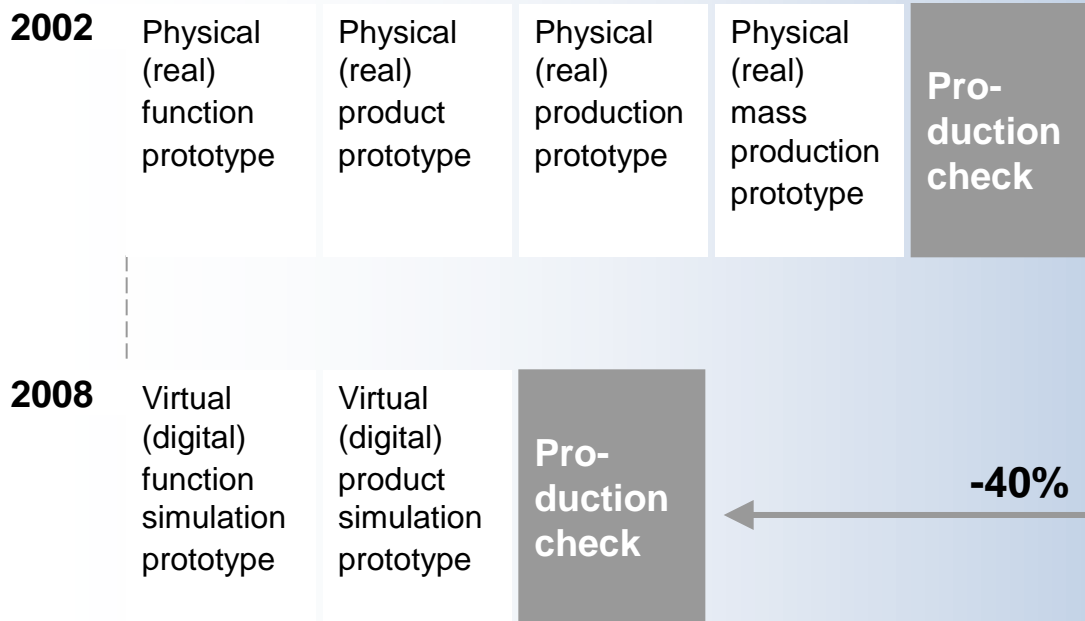
Energy prices for industry expected to rise some

**70% by 2030**

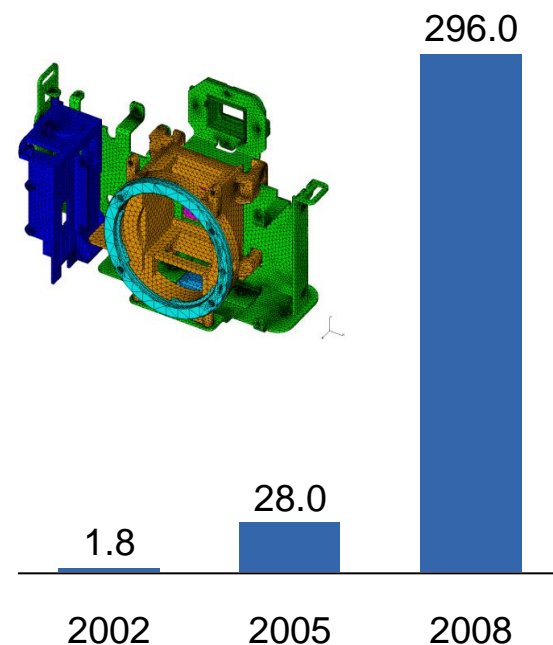
**Our comprehensive portfolio offers an competitive advantage in the field of energy and resource efficiency**

# Reduced time-to-market through simulation of product development and production process

## Product development process with physical prototypes vs. virtual prototypes



## Product data in terabytes (TB) <sup>1)</sup>



**Simulated prototypes reduce costs and time without compromising product quality**

1) Considered Data types: Image Data, ASIC, CAD, PDM, Animation Data

## Enhanced flexibility through use of industrial IT and industry software

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### Complete Ford F-150 program

Trim Line	6	6
Cab	3	18
Drive	2	36
Box	4	144
Engines	3	432
Transmission	3	1,296
Rear Axle Ratio	7	9,072
Wheel	9	81,648
Tires	8	653,184
Seats	18	11,757,312
Power Seats	2	23,514,624
Radios	5	117,573,120
Running Boards	4	470,292,480
Rear Window	3	1,410,877,440
Colors	12	16,930,529,280
Trim Colors	3	50,791,587,840
16 Individual Options	12,870	<b>653,687,735,500,800</b>



**Thousands**  
of marketable combinations

**Millions**  
of buildable combinations

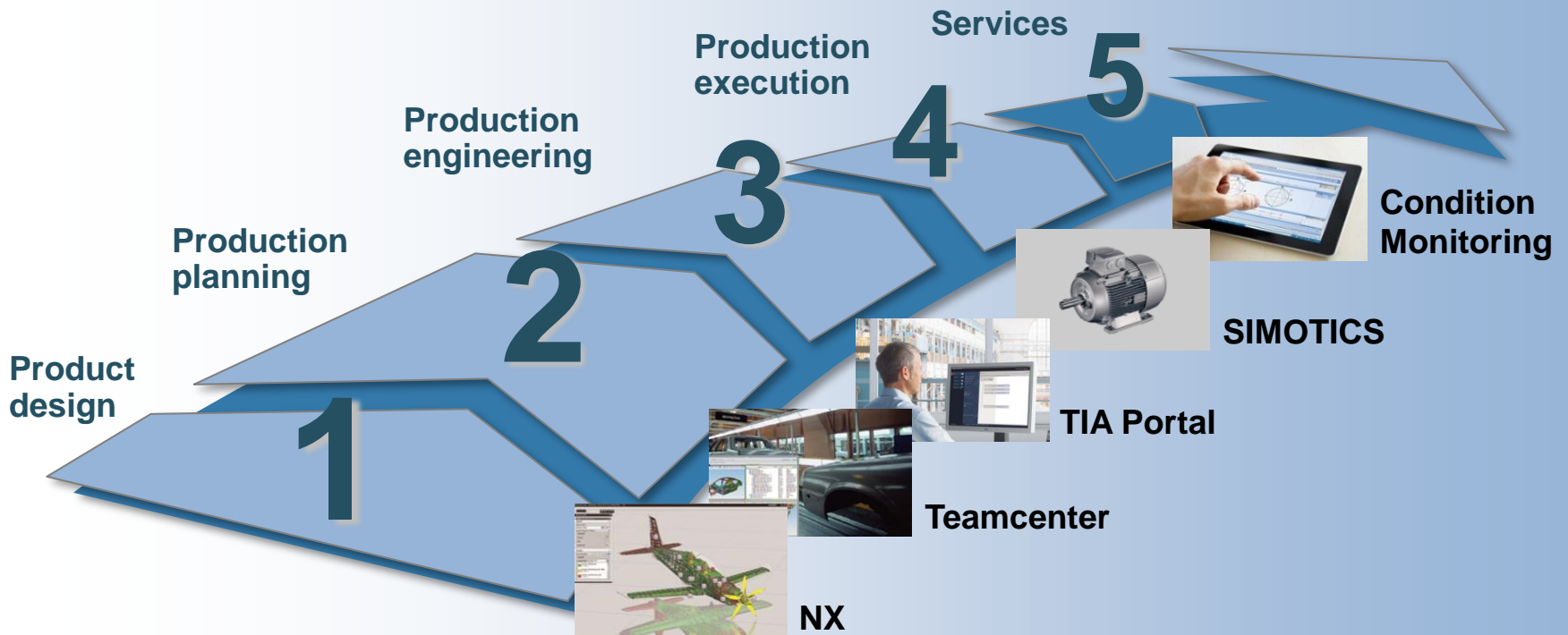
**Trillions**  
of theoretically possible combinations



**Since 1994 Ford has counted on hardware and software from Siemens Industry to meet market requirements**

# Our approach – Covering the entire product development and production process

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Intelligent networking



Use of most efficient technologies

Integrated product development and production processes  
increase productivity, efficiency and flexibility in modern manufacturing



**Our focus – Aim at high profitable growth areas  
while continuously improving our competitiveness**

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## **Strategic levers**

### **Vertical competence**

Exploit market potential in high-growth vertical markets

### **Industrial IT and industry software**

Take the leading position in the merging of virtual and real product development and production structures

### **Service business**

Strengthen and significantly expand technology-based service business

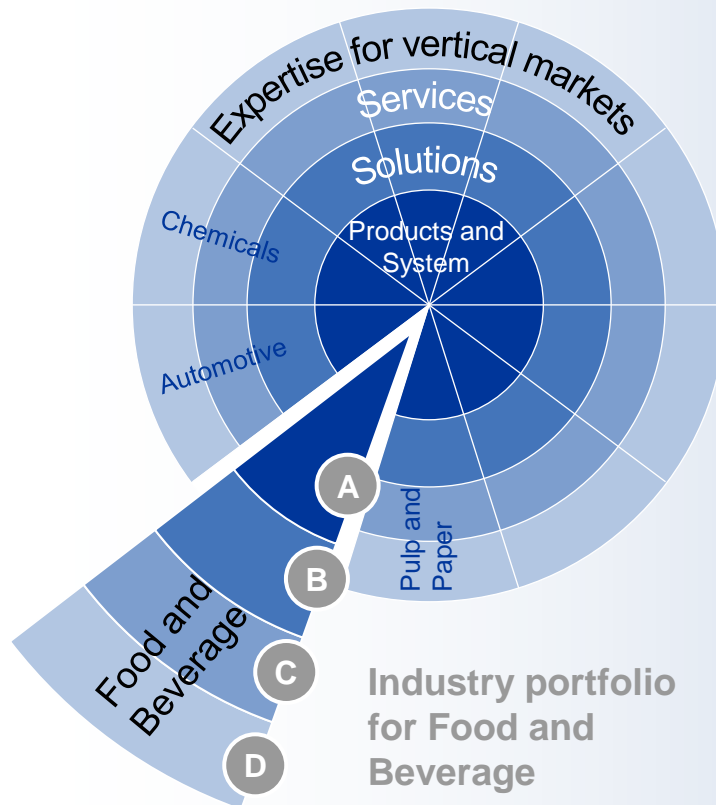
### **Emerging markets**

Identify and grasp regional growth opportunities

**Rigorous execution of our strategy**

# Realize economies of scale by using common product platforms in various applications and verticals

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## Industry offering: Food and Beverage

- A Product platforms**  
SIMATIC, SIRIUS, SIMOTICS, SINUMERIK, SIMOTION, Teamcenter, etc.
- B Solutions**  
Optimized packaging line; dairy functional toolset; advanced process functions
- C Services**  
Engineering and consulting for energy optimization; Lifecycle services
- D Vertical expertise**  
Dedicated vertical organization in 19 countries; F&B Engineering Hubs with specific industry expertise

**Vertical expertise creates industry-specific solutions and services based on common, proven and highly scalable product platforms**

# Fast ROI for customers

## 20% production rate increase at Coca-Cola Vietnam



### Customer and project

- 3 production plants with more than 1,200 employees
- Demand exceeds capacity
- Full automation hardware and software replacement of two filling and packaging lines
- 3rd party legacy systems replaced
- SIMATIC S7 introduction

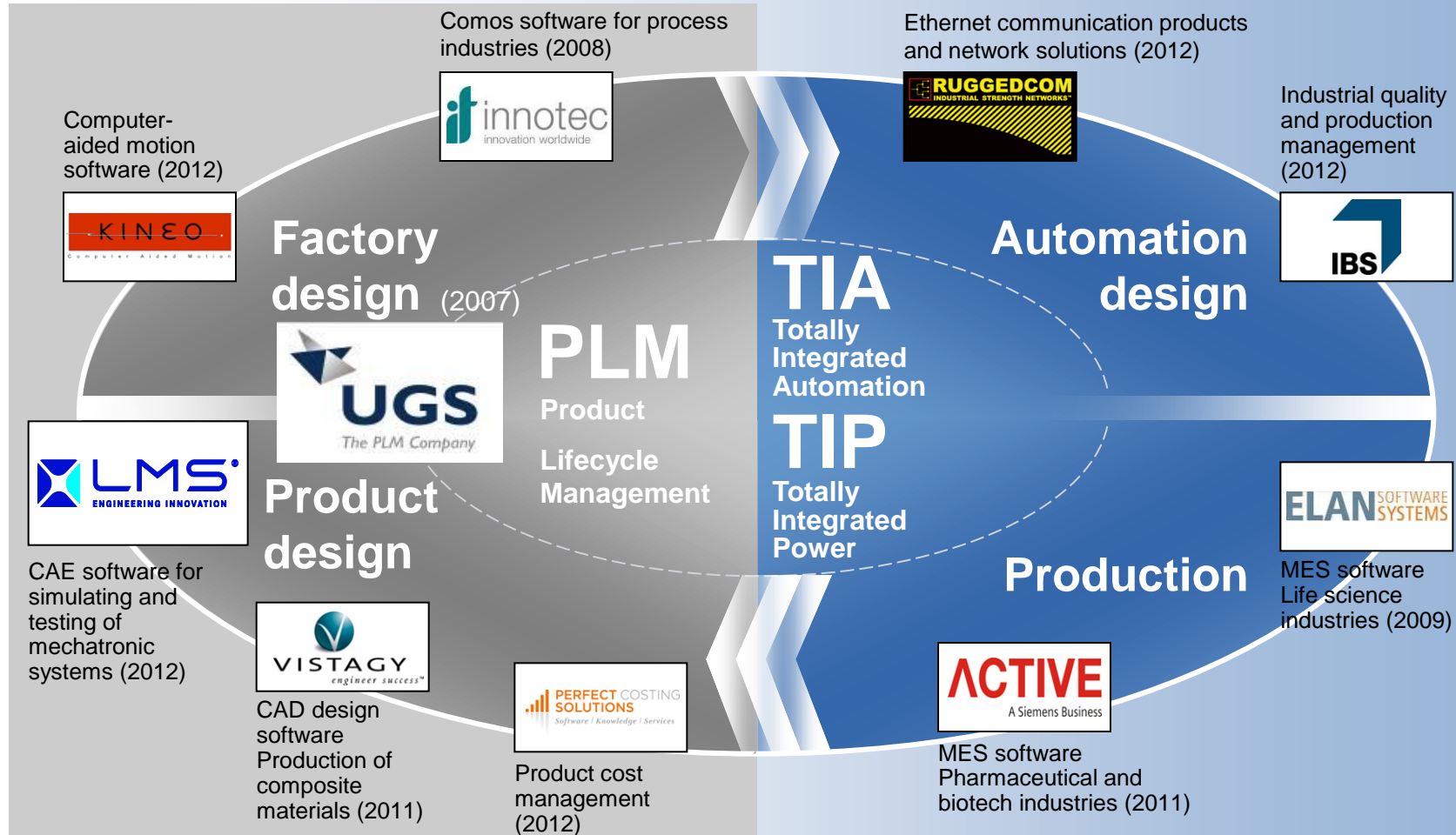
### Our offering

- SIMATIC S7 control technology
- Variable frequency drives
- Sensors
- Migration services
- Optimized Packaging Line concept

**Reduced lifecycle costs without investing in new greenfield lines  
and improved line production rate by 20%**

# Continuous track record of successfully integrated acquisitions in industrial IT and industry software

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# Daimler selected our CAD software NX as their platform for worldwide car and truck development

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## Extensive rollout of NX to Daimler and suppliers

**DAIMLER** 

- Move engineering work to one new consistent product development platform:
  - > 20 development centers
  - most important suppliers
- Increase flexibility and innovation:
  - representation of digital product information in one single worldwide information environment
  - based on NX and JT standard file format
- Start in first product series in 2012



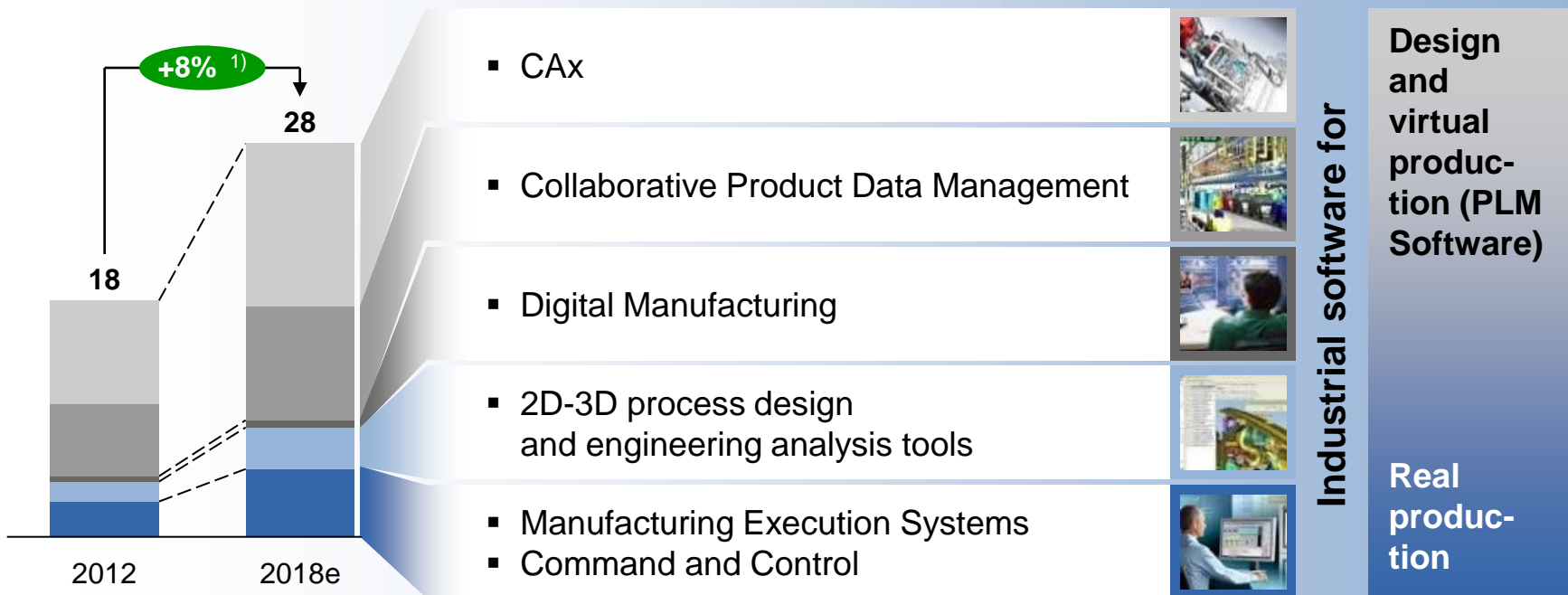
**Commitment to Siemens PLM Software and its products  
for mission critical processes**

# Growing importance of industrial IT and industry software – high growth and attractive margins

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Market for industrial IT and industry software growing about 8 percent per year

€bn



**Siemens Industry employs ~7,500 software engineers**  
**More than 70,000 customers with more than 7.5 million PLM licenses**

1) CAGR

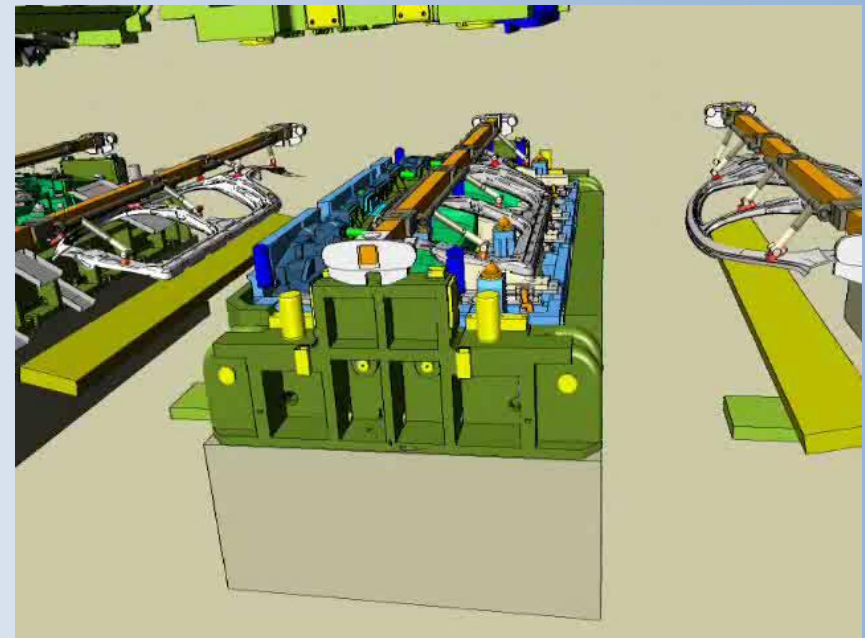
# Boost productivity in existing drive system through simulation

**SIEMENS**

## Press Line Simulation (PLS) for retrofit of a 17-year-old VW press line



- Complete control, drive and safety technology from Siemens Industry
- Virtual model simulating all mechanical, electrical and software components for motion control
- Combined use of SIMOTION and PLM software
- Direct data connection between PLS and press line controllers
- Energy savings of up to 40 percent together with a performance increase



**Strengthen installed base with industry software from Siemens**

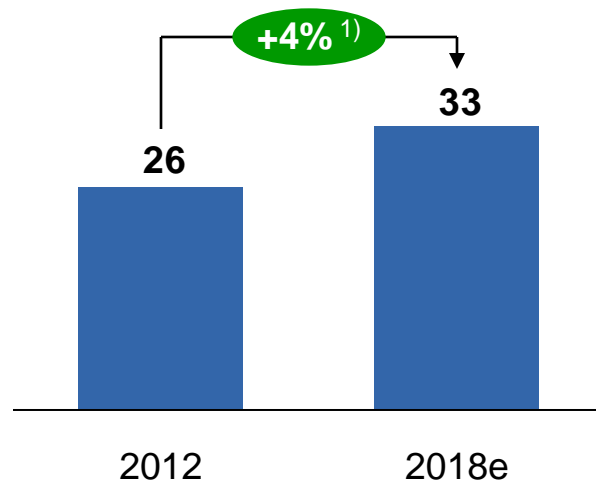
# Industrial service business

A better way to reach our huge installed base

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## Industrial service market

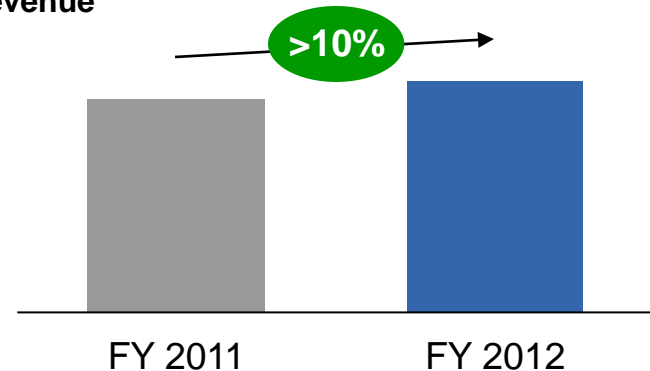
€bn



## Further expansion of service business

- Focus on technology-based service business
- Continuing reduction of low-margin service business and resources related to it
- Leverage vertical market expertise and footprint

Revenue



**Bundling competencies in dedicated Customer Services Division is paying off**

1) CAGR



# Proactive service approach allows customers to significantly enhance productivity and profitability

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## Customer and project

- Codelco – the world's biggest copper producer:
  - >18,000 people
  - Seven mines in Chile
- Guarantee performance excellence through:
  - Maintenance
  - Purchasing optimization

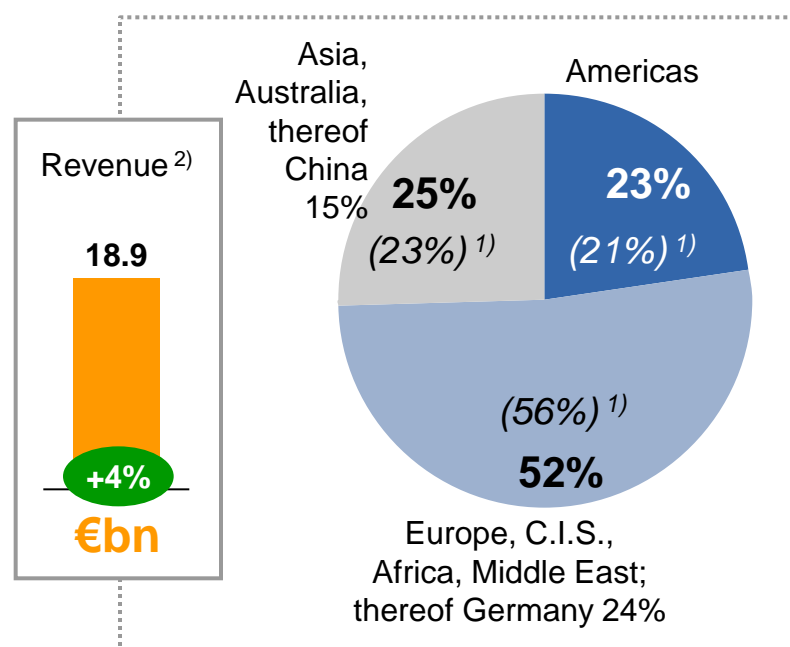
## Our offering

- SIMATIC PCS7 control technology
- 12 MW SIMINE mill gearless drives
- Overhaul of entire technical equipment
- Preventive and corrective maintenance

**Availability of >99% enables customer to meet productivity targets**

# Worldwide presence to tap global opportunities

## Revenue by Regions FY 2012



## We are where the market is – Network of competencies

### 78 factories worldwide: <sup>3)</sup>

- Asia: 17
- Americas: 17
- Europe: 44; thereof Germany 28

### 76 R&D Centers worldwide:

- Asia: 8
- Americas: 19
- Europe: 49

## Adapting our footprint to reflect the global growth pattern

1) FY 2009 (internal Siemens figures, unaudited) 2) External Revenue as reported 3) As of Sep. 30, 2012

# Balancing our resources according to market demand

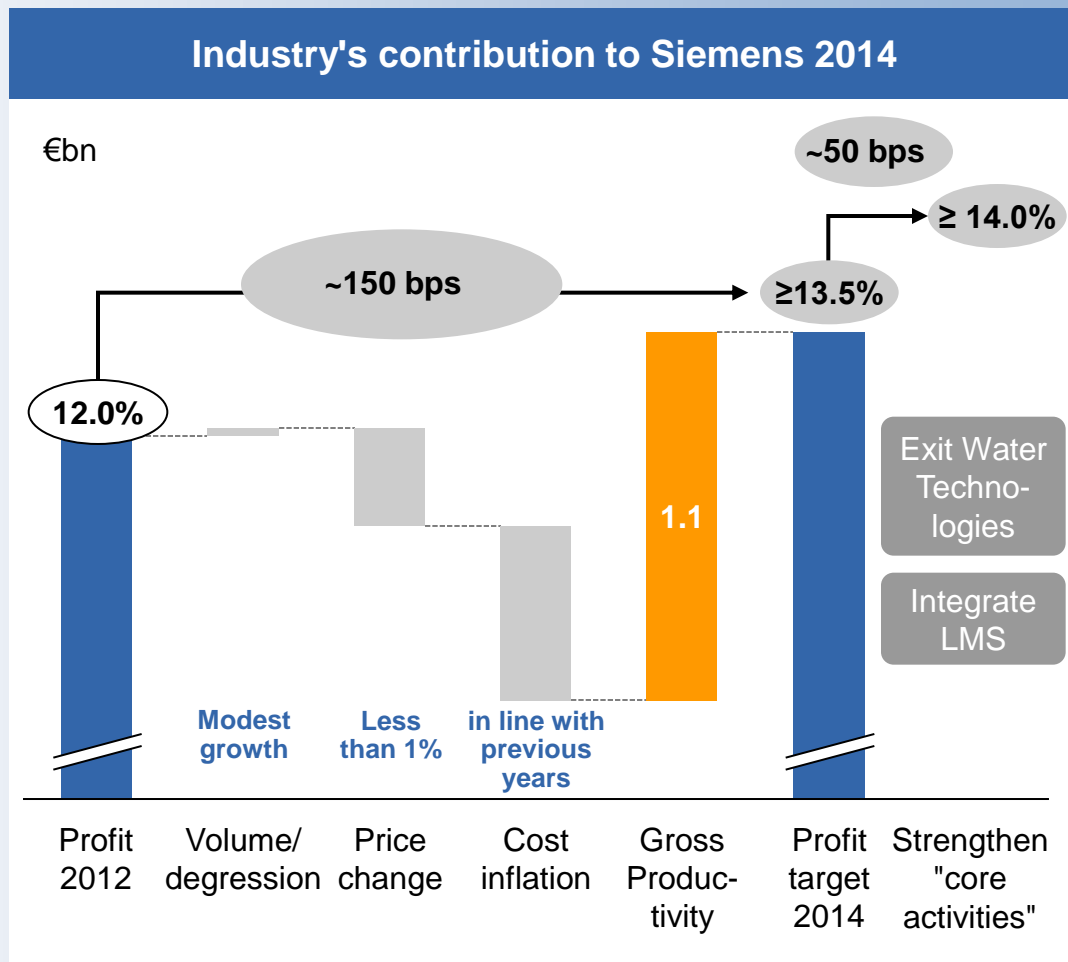
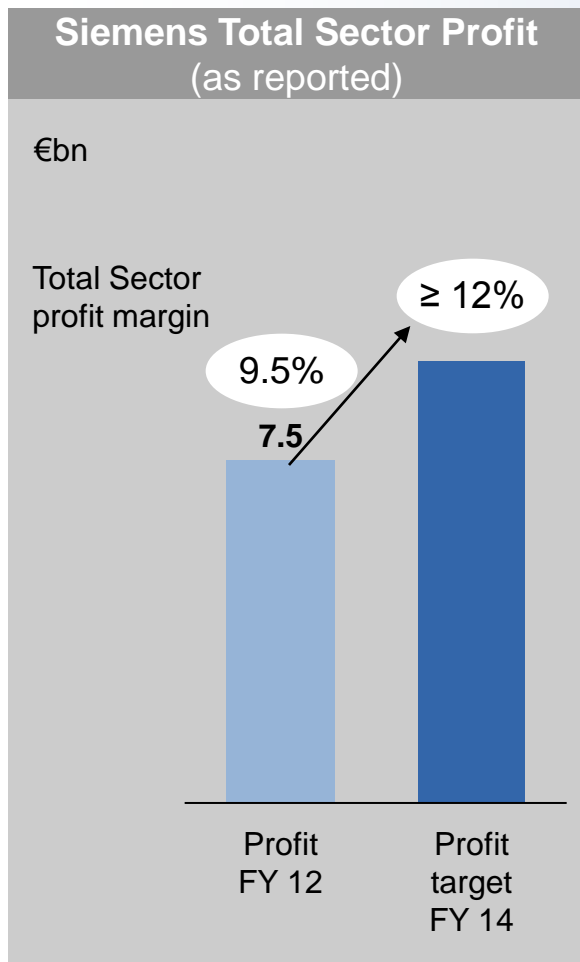
**SIEMENS**



# Industry 2014

€1.1bn productivity to support Siemens' profit target

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# Industry will deliver €1.1bn in savings by 2014

## Industry 2014 program well underway

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1	<b>Cost reduction</b>	<ul style="list-style-type: none"> <li>▪ Optimizing global footprint</li> <li>▪ Industry Process Optimization Project</li> <li>▪ Procurement &amp; Design to Cost</li> <li>▪ Increase R&amp;D efficiency</li> </ul>	
2	<b>Strengthen core activities</b>	<ul style="list-style-type: none"> <li>▪ Acquisition LMS</li> <li>▪ Exit water treatment business</li> <li>▪ Focus service business on technology based services</li> <li>▪ Ramp down: <ul style="list-style-type: none"> <li>▪ Solar Inverters</li> <li>▪ Electronic Design Manufacturing (contract design &amp; manuf.)</li> <li>▪ Mechanical Center Erlangen</li> </ul> </li> </ul>	
3	<b>Go-to-market</b>	<ul style="list-style-type: none"> <li>▪ 'Fitness program' for big regions</li> <li>▪ Lean go-to-market strategy for smaller countries</li> </ul>	
4	<b>Optimized infrastructure</b>	<ul style="list-style-type: none"> <li>▪ Lean Sector infrastructure</li> <li>▪ Optimized Regional Center of Competencies structure</li> </ul>	
5	<b>Simplified governance</b>	<ul style="list-style-type: none"> <li>▪ Simplified regional target setting and regional controlling</li> <li>▪ Lean process for offer approval ('Limits of Authority')</li> </ul>	



# Our way to execute Industry 2014

## Improving our cost structure sustainably



### Adjust manufacturing capacity

- Consolidation of manufacturing footprint:
  - Mechanical Drives in Germany from **4 to 2** factories → Reduction by **~500 FTE**
  - Standard motors from Germany to Czech Republic → Transfer of **~200 FTE**
- Reduce plant capacity in India **~140 FTE**
- Close plant in Pakistan **~170 FTE**
- Increase capacity in China, e.g. Chengdu

### PLM<sup>1)</sup> and DTC<sup>2)</sup> related savings

- Streamline 'Product Lifecycle Management' processes to cope with increasing innovation portfolio
- 'Design to cost': e.g. medium voltage drives:
  - 50%** engineering time
  - 30%** manufacturing time
- DTC and PLM contribute **25%** to total savings

### Increase productivity in SG&A

- Streamline headquarters
  - ➔ Reduction by **~500 FTE**
- Optimized Regional sales set up – smaller countries bundled into Regional hubs or served by channel partners
  - ➔ Reduction by **~1,700 FTE**

### Procurement related savings

- Balancing of purchasing volume (PVO):
  - 1/3** of PVO in global value sourcing countries
- Simplify value chain by shifting volume to less suppliers
- Buy more sub systems instead of single items
- Procurement bears **15%** of overall savings

1) Product Lifecycle Management processes 2) Design to cost

# Our way to execute Industry 2014

## Strengthening our core activities

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### Acquisitions

#### LMS

- **€190m Revenue** in FY 2012; **~1,200 FTE**
- Excellent growth track record
- Leading PLM software provider for testing and simulating of mechatronic systems
- Adds mechatronic simulation and testing software
- Affirms #2 position in overall PLM market
- Fosters long term profitable growth perspective



### Divestments / Ramp downs

#### ▪ Sell water treatment activities:

- ~€1bn revenue; **4,500 FTE**
- Foundry in Wittgensdorf made ready for sale; **~500 FTE**

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#### ▪ Ramp down of:

- Solar inverters
- Electronic Design and Manufacturing Services
- Mechanical Center Erlangen
- Low-margin product-related services
- Total of **~1,000 FTE**

# Driving top and bottom line performance at Siemens Industry Sector



Leverage industrial IT/industry software growth momentum for entire portfolio

Accelerate growth in technology-based services portfolio

€1.1bn gross productivity gains by 2014

Continued improvement in margin quality, profit margin of  $\geq 14.0\%$  by 2014 <sup>1)</sup>

**Expanding market leadership in industry for higher profit**

1) Including planned divestiture of Water treatment business

**We are committed to deliver**



## Industry Sector Management team



**Industry  
Automation**



**Drive  
Technologies**



**Customer  
Services**



# Reconciliation and Definitions for Non-GAAP Measures



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