

# Power Transmission - Transform to Win

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CEO  
Power Transmission Division

Capital Market Day Siemens Energy  
Charlotte, December 11, 2012



## 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.

## New Division set-up with sharpened business focus

Power Transmission		
Products		Solutions
 <b>High Voltage</b>	 <b>Transformers</b>	 <b>Transmission Solutions</b>
<b>Technology leader</b>	<b>Total cost of ownership</b>	<b>Comprehensive solutions</b>
<ul style="list-style-type: none"> <li>▪ AC circuit breakers</li> <li>▪ Instrument transformers</li> <li>▪ Bushings</li> <li>▪ Coils</li> <li>▪ Surge arresters</li> <li>▪ Gas-insulated switchgear</li> </ul>	<ul style="list-style-type: none"> <li>▪ Power transformers</li> <li>▪ HVDC transformers</li> <li>▪ Distribution transformers</li> <li>▪ Traction transformers</li> <li>▪ Phase shifters</li> </ul>	<ul style="list-style-type: none"> <li>▪ High-voltage, direct current transmission (HVDC)</li> <li>▪ Reactive power compensation / FACTS</li> <li>▪ Gas- and air insulated substations</li> </ul>
<b># 1</b>	<b># 2</b>	<b># 2</b>

## Grid access projects & aggressive competition made a challenging 2012



### Grid access projects German North Sea



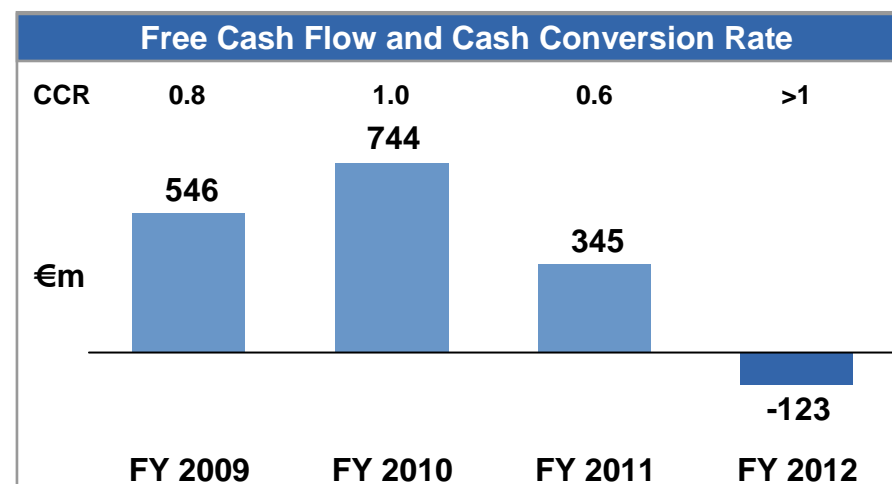
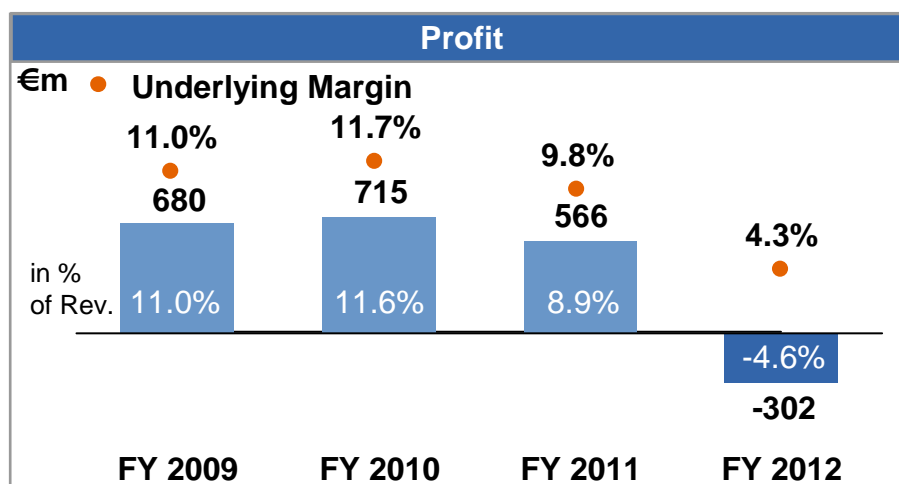
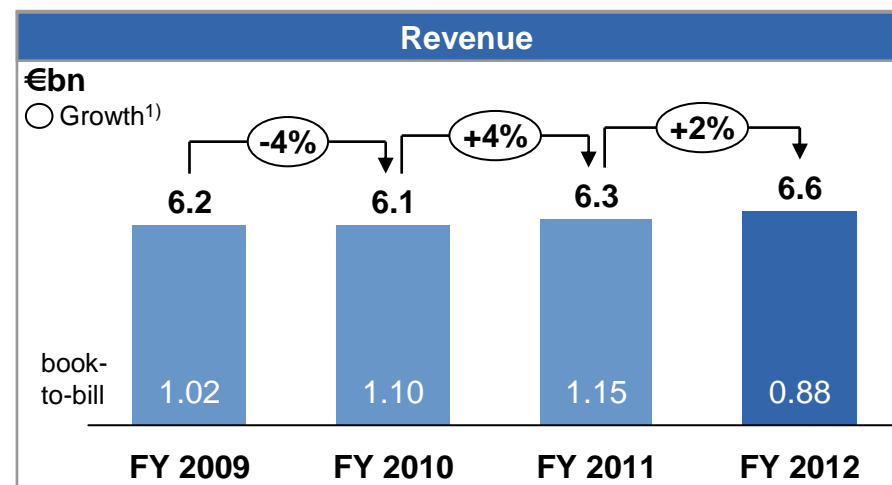
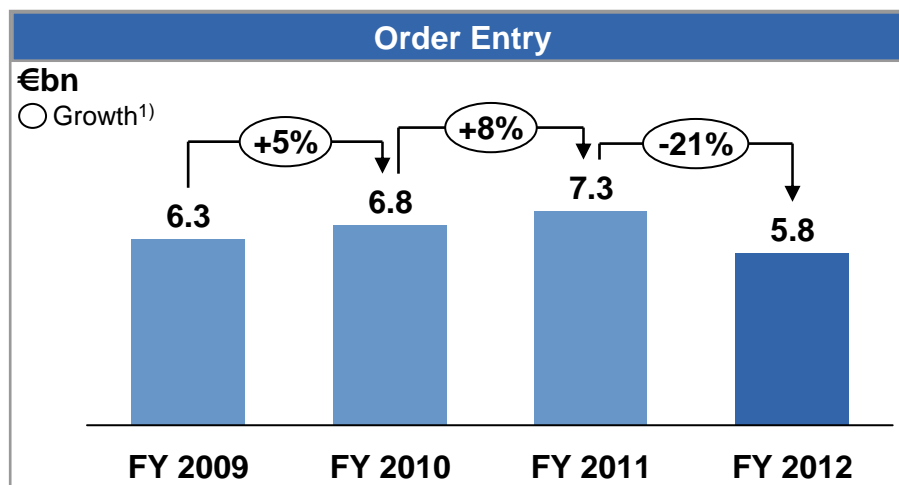
- €570m project charges in FY 12
- Four orders for innovative HVDC platforms
- Underestimated complexity, delivery times, environmental conditions, missing policies

### Aggressive competitors in transformers and switchgears



- Attractive market with strong Asian competition
- Overcapacity of 30-40%
- From 2009 to 2012, ~6% p.a. price erosion in transformers order intake, now slowing down

## Focus is on return to Profit



1) Year-on-year on a comparable basis, i.e. excluding currency translation and portfolio effects

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CEO Power Transmission Division

## Clear path to growth and profits

### Transform to Win

1. Stronger with offshore experience
2. Significant cost reduction
3. Competitiveness through innovation
4. Global presence for customer value
5. Profitable growth

**2015**

Cost savings  
of **30%**

Profitability  
at **8%**

Grow  
**faster than  
the market**

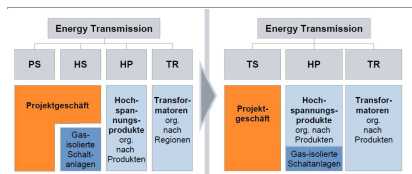


## Fast start – accelerated recovery since May 2012

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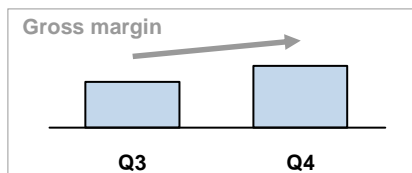
- North Sea grid access projects stabilized
- Project and risk management strengthened



- New management in place
- New organizational structure:  
1 solution, 2 product business units



- Global 30% cost reduction target implemented
- Headcount reduction initiated
- Cost savings increased by €50m to €330m in FY 12

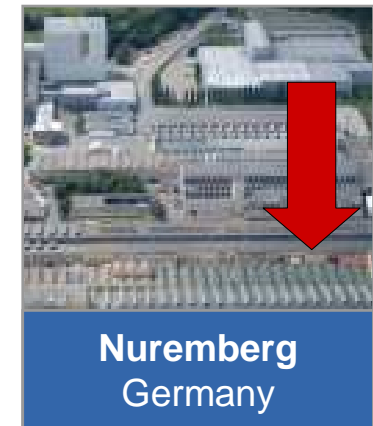
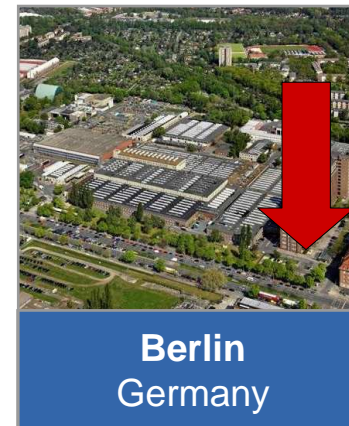
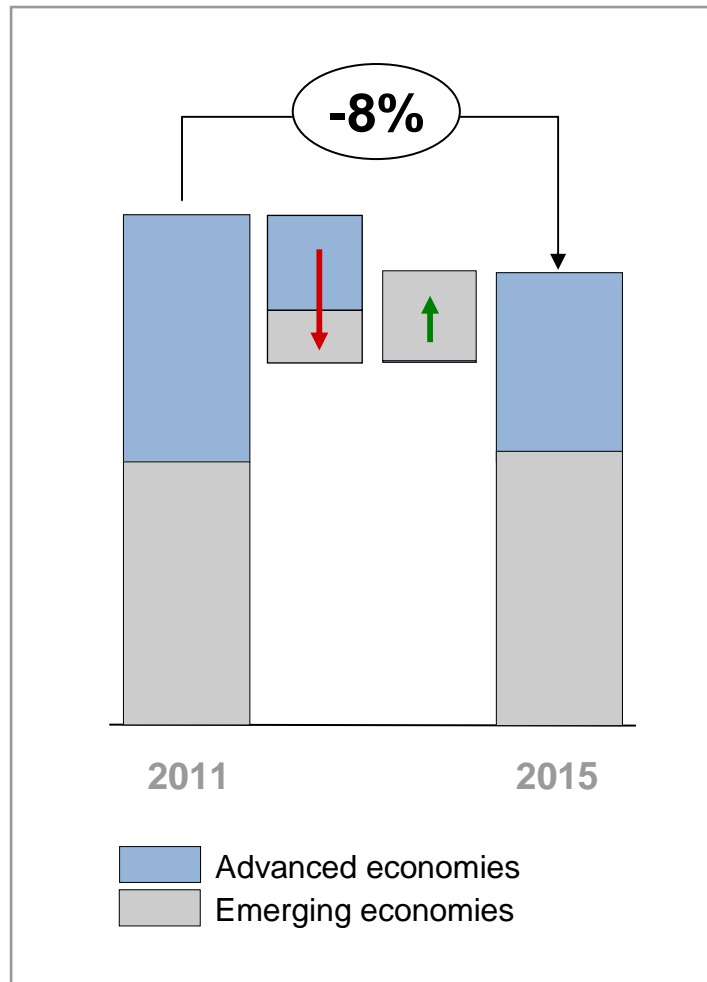


- New orders quality in Q4 improved

**Turnaround is well under way**

# Headcount reduction by 8% and shift to low-cost countries

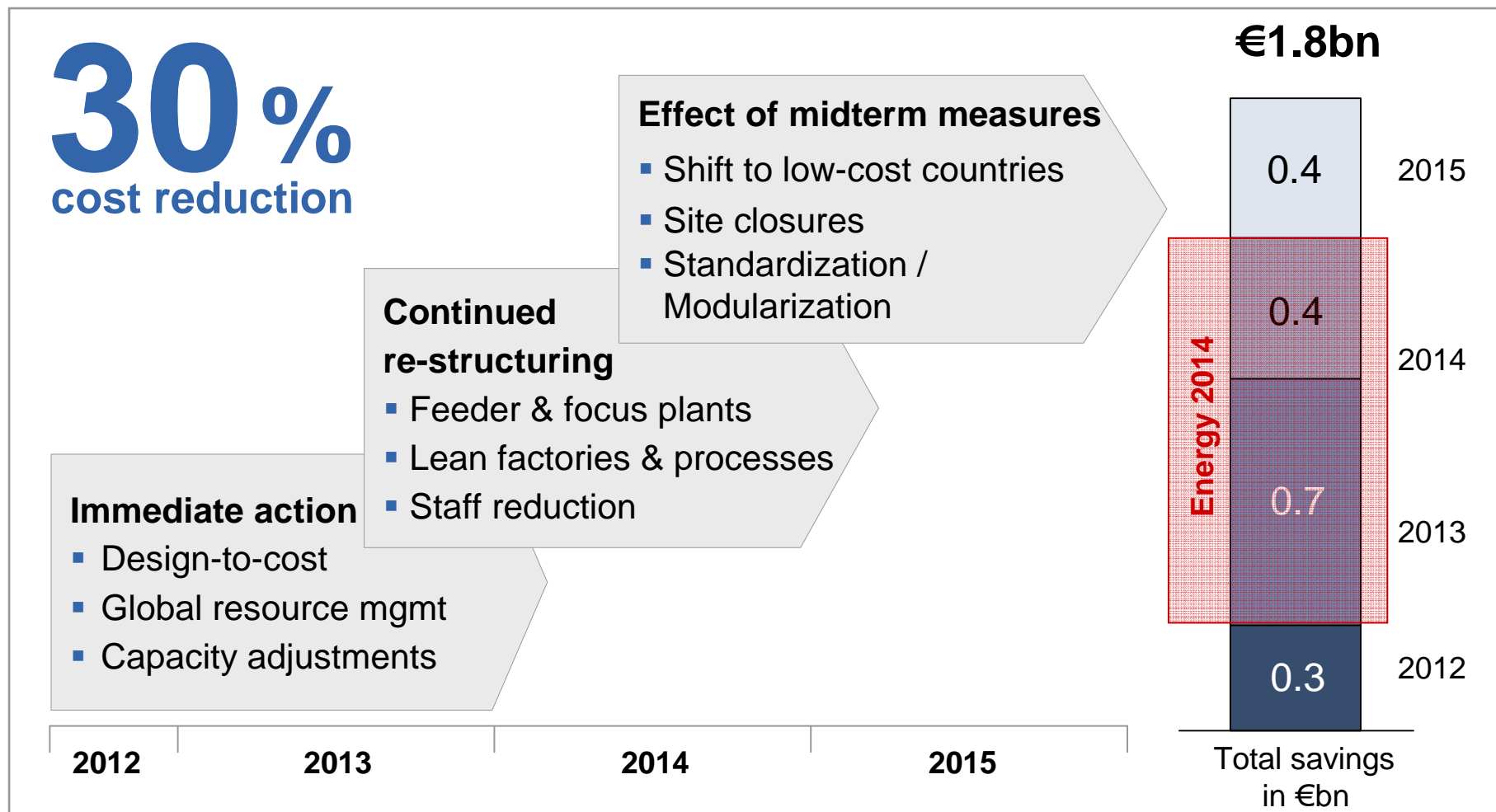
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## Ambitious target – 30% total cost reduction

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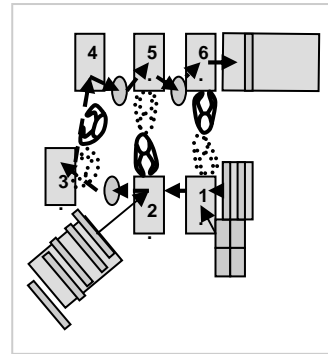
## €1.1bn cost reduction contribution to "Energy 2014"

### Standardized modules of SVC PLUS



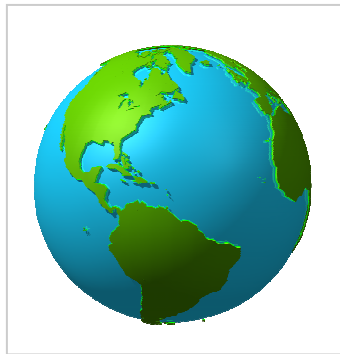
- Less engineering effort
- Reduced material cost
- **>€100m cost reduction**

### Global lean factory initiative



- Less idle time
- Higher delivery reliability
- **>€30m cost reduction**

### Footprint and rightsizing



- Reduction of overcapacities
- Optimization of footprint
- **>€100m cost reduction**

### New GIS 8DN8



- Reduced material cost
- Smaller in size & weight
- Less installation space (lower civil works cost)
- **30% cost reduction**

## Competitive advantage for our customers through innovation

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### FITformer REG



- Ideal for intermittent renewables infeed
- De-central and municipal grids

### 1<sup>st</sup> European onshore HVDC

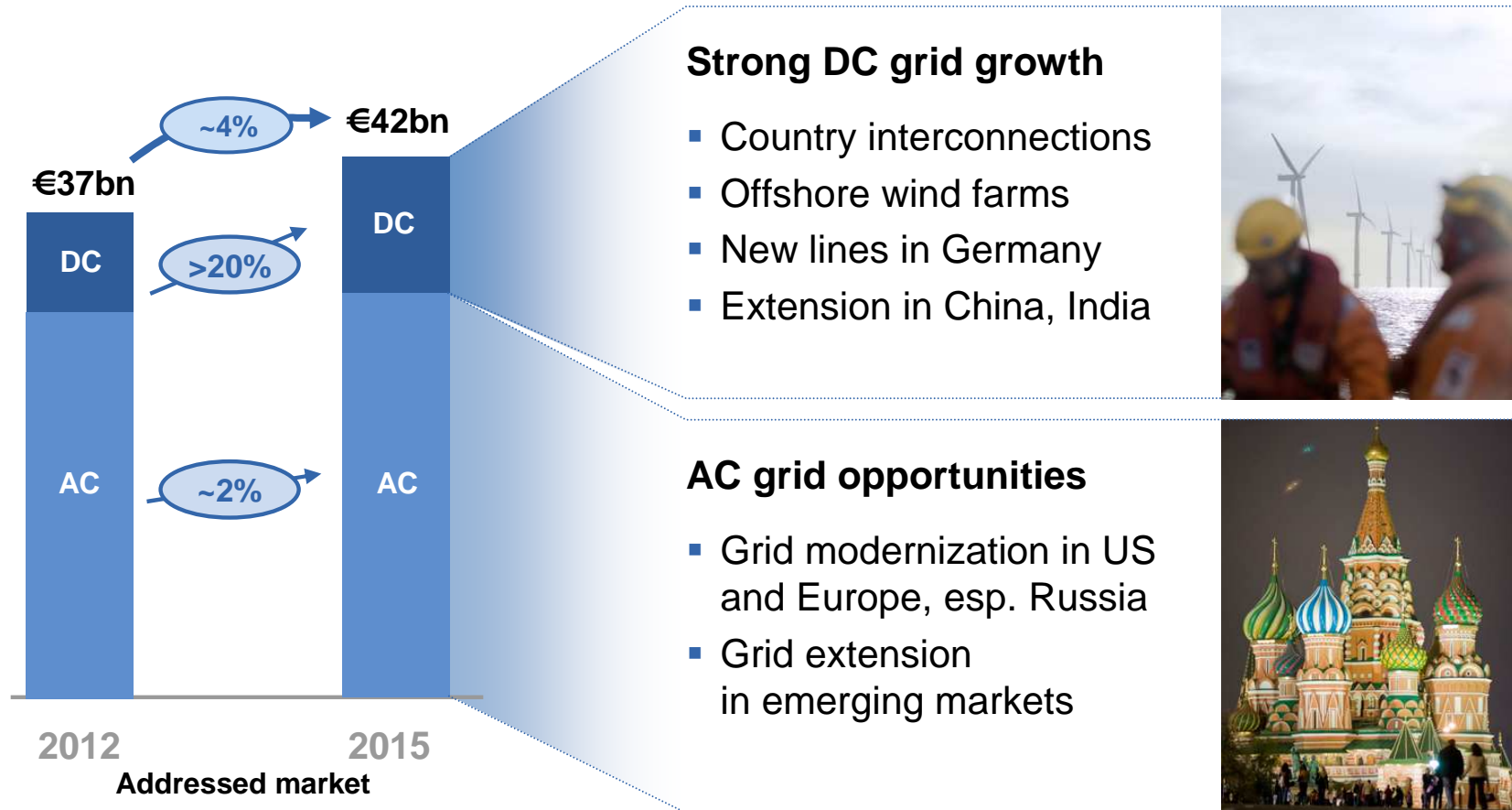


- 2,000 MW HVDC
- Low environmental impact
- Most advanced converter technology

### Strong R&D focus

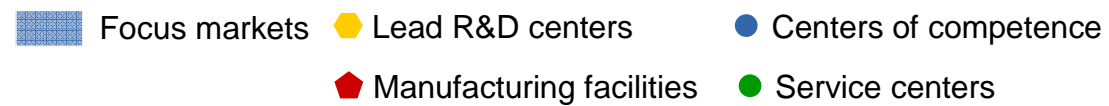
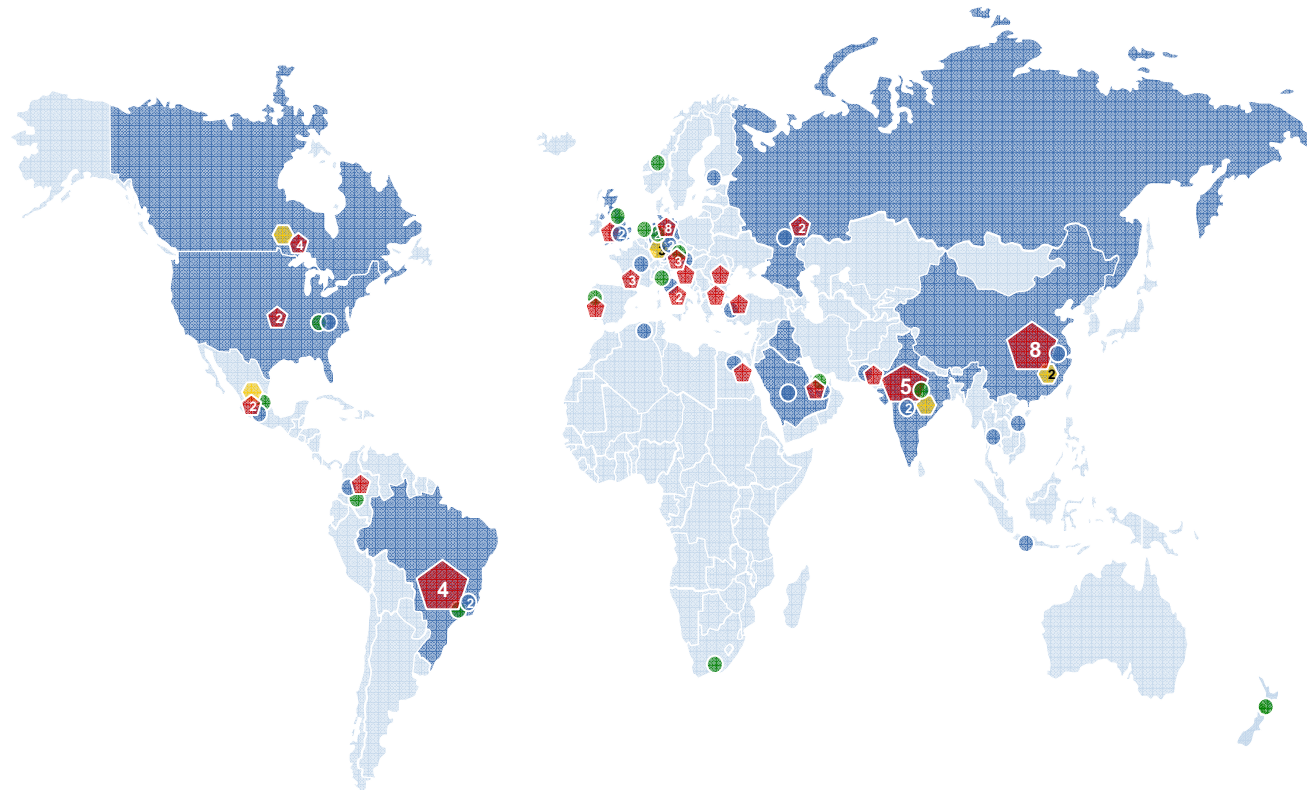
- Continuous increase in R&D investment
- 8 global lead centers
- 2,200 active patents
- All products younger than 5 years

## Market trends play into our hands



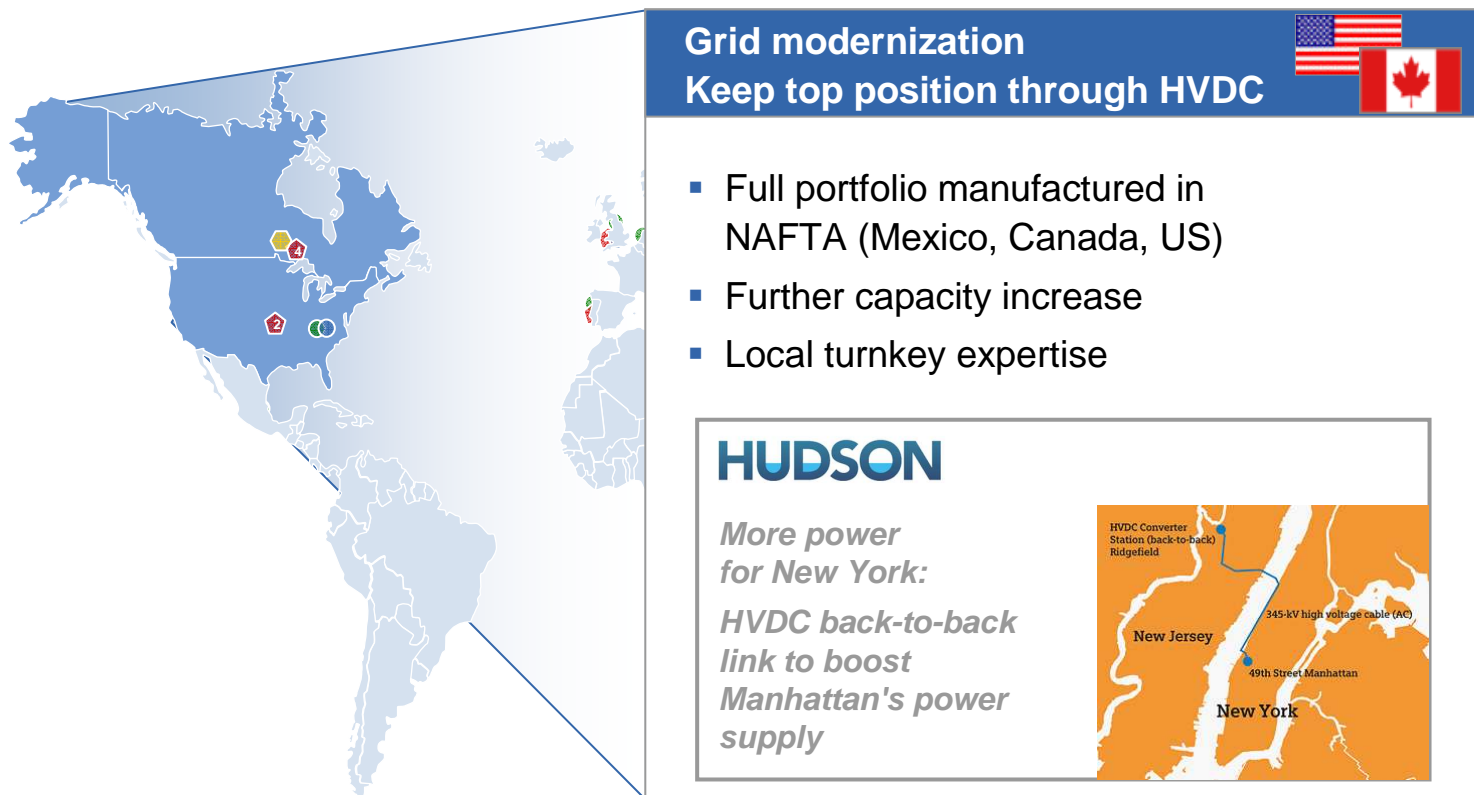
One third of grid investment is for grid modernization

## Local strength is our competitive edge



# North America – Grid modernization and new builds

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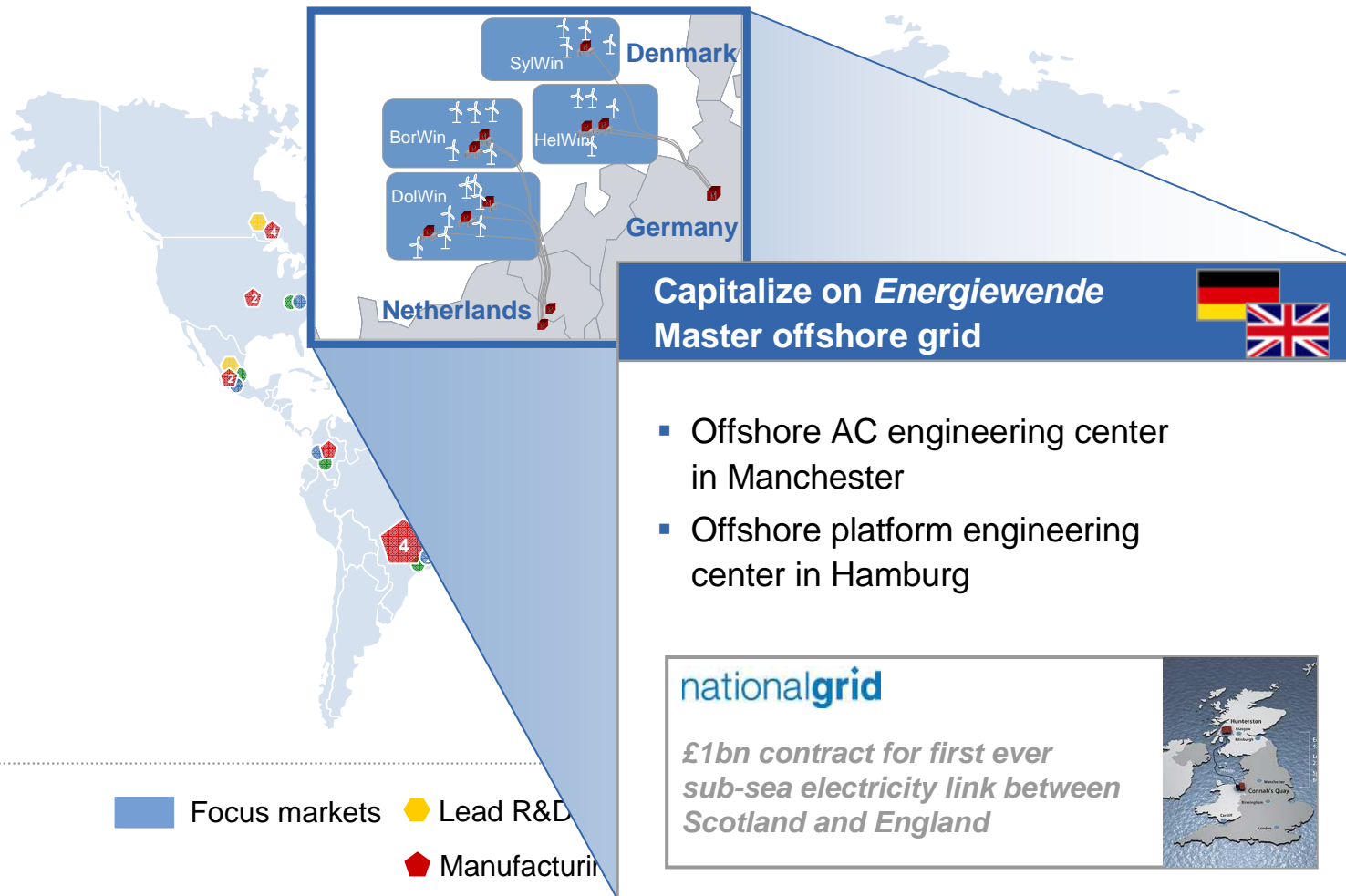


- Focus markets
 ■ Lead R&D centers
 ● Centers of competence
 ■ Manufacturing facilities
 ● Service centers



# Northern and Central Europe – Capitalize on transformation of the energy system

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## Russia – Strong entry in Russian market

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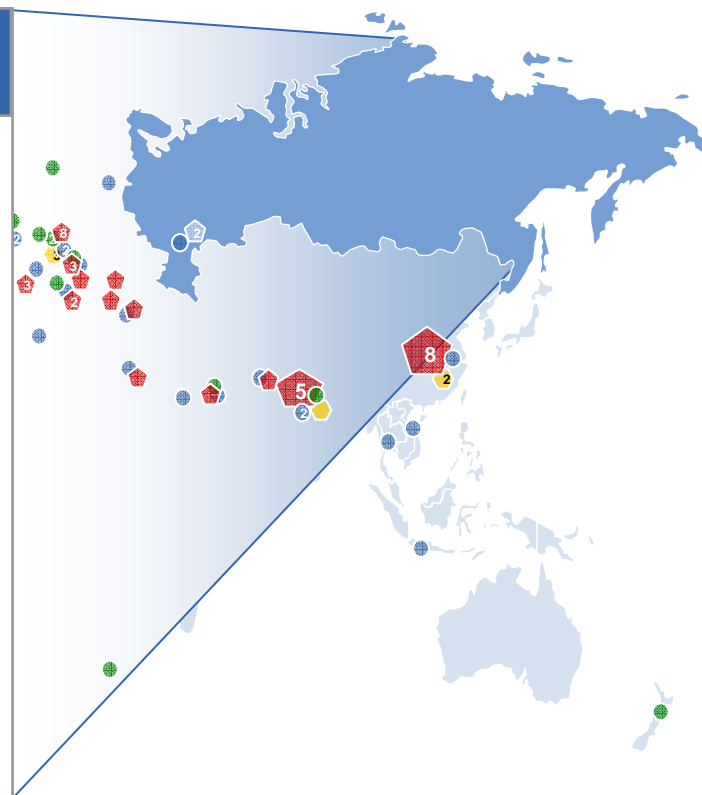
### National brand Grid modernization



- Voronezh: local factory ramp-up for HV products and transformers
- Partnership for large projects in place

Federal Grid Company of Unified Energy System

*Cooperation with  
Federal Grid for mass  
producing high-  
voltage equipment*



■ Focus markets    ● Lead R&D centers    ● Centers of competence  
■ Manufacturing facilities    ● Service centers

# Asia – Technology leader in HVDC

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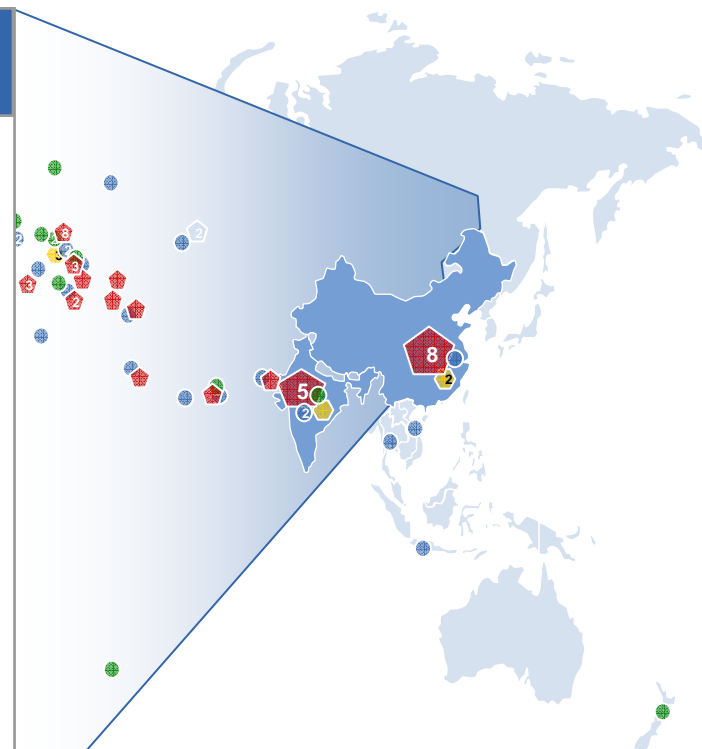
**Strengthen competitiveness  
Gain top position through UHV**



- Full portfolio manufactured in each country
- Further capacity increase
- Local R&D centers to develop products for local markets

**adani™**

*India's largest private HVDC  
transmission system  
commissioned*



- |                          |                  |                       |
|--------------------------|------------------|-----------------------|
| Focus markets            | Lead R&D centers | Centers of competence |
| Manufacturing facilities | Service centers  |                       |

**1**

**Grid access projects stabilized**

**2**

**30% cost reduction by 2015**

**3**

**Competitive advantages through innovation**

**4**

**Global footprint & expertise for profitable growth**

# Reconciliation and Definitions for Non-GAAP Measures



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