

The background of the slide is a photograph of a modern office interior. It features a large glass wall on the right side, through which an 'EXIT' sign is visible. Several people in business attire are walking through the space, which includes a curved glass structure. The Siemens logo is positioned in the top left corner.

**SIEMENS**

Joe Kaeser, CFO & Member of the Managing Board

# **SIEMENS in China – More than a 'BRIC - Fashion'**

Morgan Stanley Industrial Summit  
Beijing, May 30, 2013

# Safe Harbour Statement

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: Key information—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.

All underlying margins are calculated by adjusting margins for the effects reported for the respective businesses in the relevant period. These effects are provided to assist in the analysis of the businesses’ results year-over-year and may vary from period to period. Underlying margins are not necessarily indicative of future performance. Other companies may calculate similar measures differently.

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.

# Why to buy Siemens?

Climate change

Urbanization

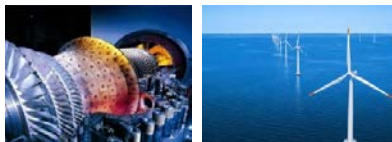
Globalization

Demographic  
change

Attractive markets driven by megatrends

Siemens is strong in markets with secular growth dynamics (examples)

## Energy



- **Efficient, clean power generation** and grid infrastructure
- **Dual home markets** and **strong presence** in emerging markets

## Infrastructure & Cities



- Lasting **energy savings** by **building automation**
- **Optimizing traffic flows** through **automated rail infrastructure** and **intelligent traffic solutions**

## Industry



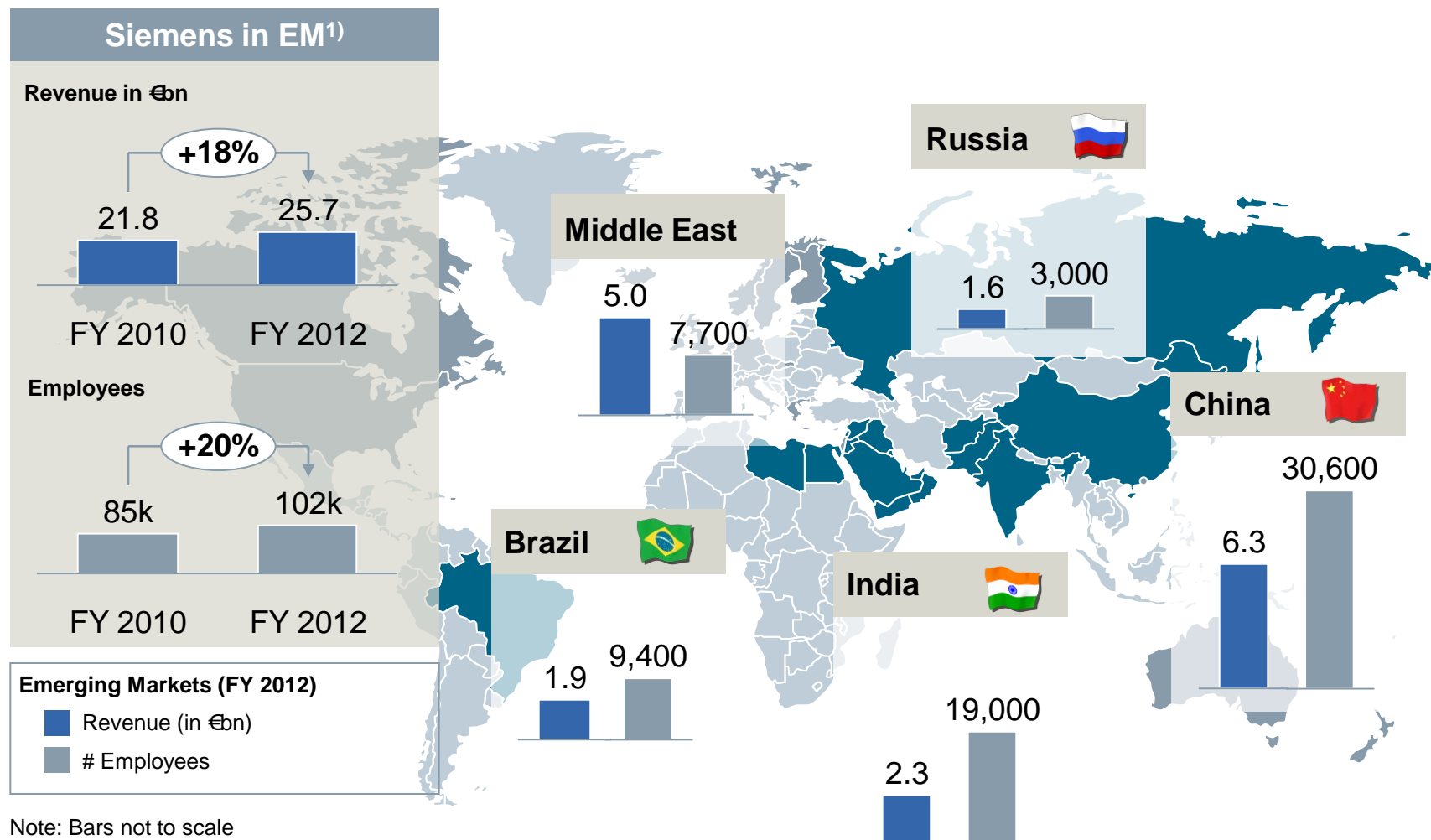
- **Integration** of the **entire product development** and **production processes** with innovative **software**
- **Competitiveness** through **resource efficiency** and **increased productivity**

## Healthcare



- **Access** to a **basic healthcare** system in **emerging countries**
- **Increasing value** of **diagnostics** in **preventive care** and **therapy guidance**

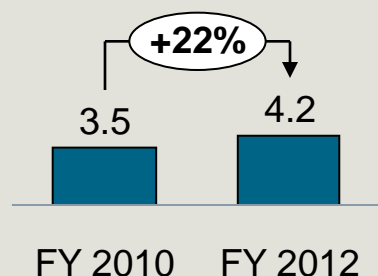
# Significant local investments drive value creation in Emerging Markets



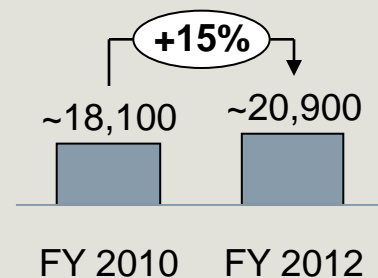
# 'Second Wave' of Emerging Economies offer huge opportunities for Siemens

## 9 Emerging Economies build the 'Second Wave'

Revenue (in €bn)

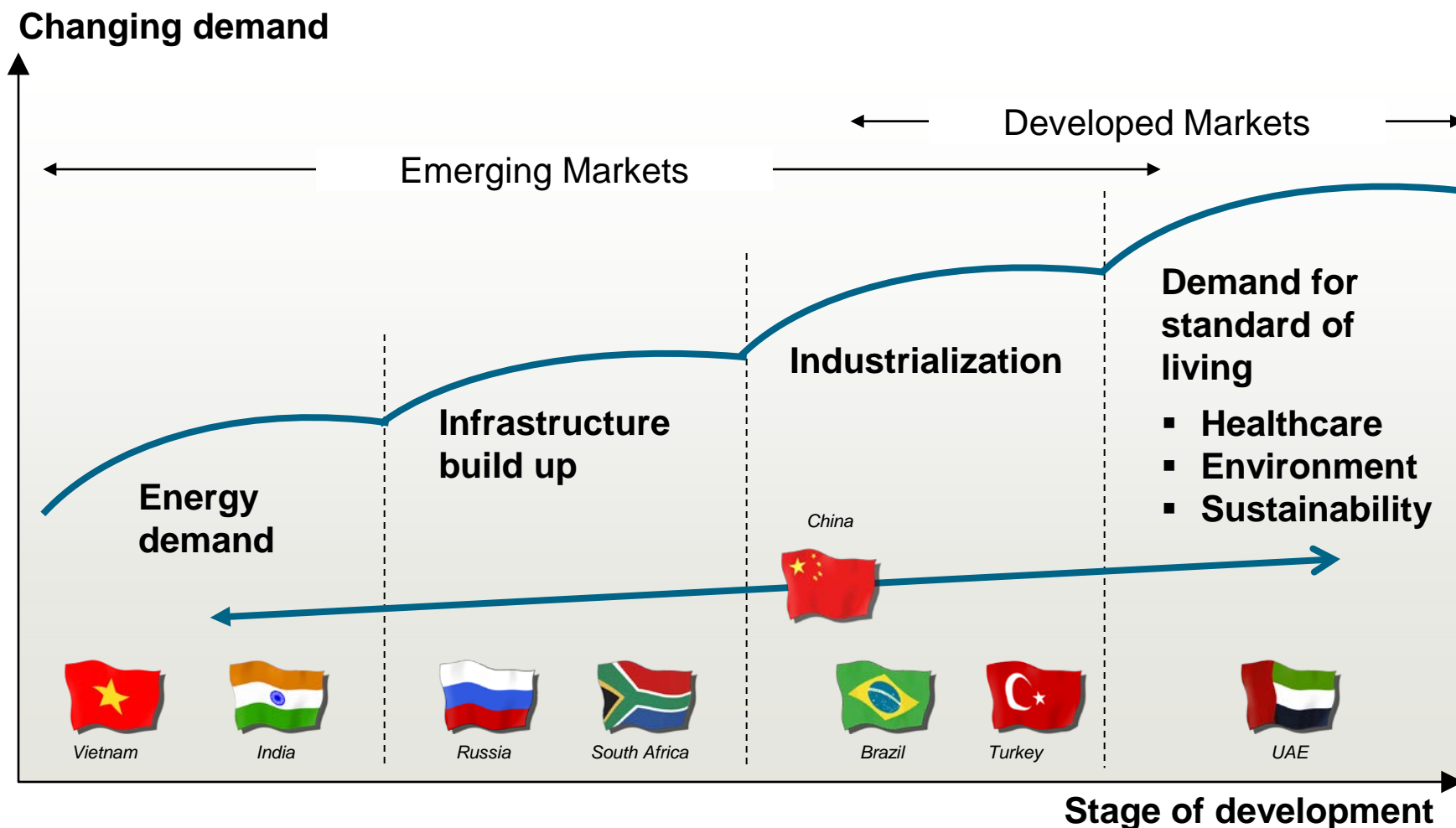


Employees



■ Developed Markets   ■ Emerging Markets   ■ 'Second wave' countries

# Economic development of nations usually evolves in stages ... from basic needs to societal aspiration



Note: Country selection exemplary

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## Siemens is an established industrial partner in China

### Siemens China key facts in FY 12

- Total **revenue of €6.3bn**, thereof
  - 44% Industry
  - 21% Energy
  - 18% Healthcare
  - 17% Infrastructure & Cities
- **73 Joint Ventures & wholly owned enterprises**
- **65 regional sales offices**
- **30,600 employees**
- China is the **2nd largest** Siemens overseas market



Mr. Loescher co-chairs the China Development Forum and meets Premier Li Keqiang



China CEO Cheng meets Wang Yang, then Party Secretary of Guangdong & now member of the PB of the CPC's Central Committee & Vice Prime Minister

**First multinational company (since 1985) with comprehensive cooperation with National Development and Reform Commission (NDRC) of China**

# With China's leadership transition completed, we expect reliable execution on the 12<sup>th</sup> Five Year Plan

## Recent Key Developments

### China Leadership transition done

- Shift towards market-driven economy affirmed
- Shift from quantity to quality GDP growth of >7%

### Siemens markets remain top priority

- Clean energy, emission reduction ➡ Energy
- Drive urbanization, mobility & quality of living ➡ IC
- Quality and productivity in production ➡ Industry
- Affordable healthcare ➡ Healthcare

### Yet, China is not immune to global uncertainties

- Sovereign debt crisis in Europe
- Slow US recovery
- Foreign relation tensions with neighboring countries

## Examples of Siemens leadership positions



Gas Power Generation



HVDC Power Transmission



Rail



Advanced Manufacturing



Healthcare

**Siemens is very well positioned to capture most 12<sup>th</sup> Five Year Plan opportunities**



# Siemens is perfectly positioned for effective energy management in China

## Power Generation



Gas Turbine

- **#1 in Gas turbines** with **43% market share** over the last 3 years
- **Partnership with SEC** (Cold parts in minority JV SEPG<sup>1)</sup>, blades and vanes in majority JV SGTP<sup>2)</sup>)
- **Local R&D, Engineering & Service**



Steam Turbine

- **#1 in large advanced Steam Turbines** ( $\geq 660\text{MW}$ ) with **50% market share** in China
- **Partnership with SEC** (minority JV SEPG<sup>1)</sup> and Licensing of Technology)



Wind Power

- **Largest global wind market**
- Market entry in **offshore**
- **Partnership with SEC**
- China as **supply base** for **APAC**, establish strong **local supply chain**

## Transmission / Distribution



Trans-mission

- **Improved competitiveness** through **localization** of portfolio
- Expansion of **local footprint and solution competence**
- **>€150m HVDC wins** in H1 13 (incl. breakthrough win at **State Grid**)



Medium Voltage<sup>3)</sup>

- Solid R&D & production footprint - **strong localization competence**
- **Regionalization of sales** to push market coverage & market share
- Additional focus on **industrial & infrastructure** customers

1) SEPG = Shanghai Electric Power Generation Equipment  
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2) SGTP = Siemens Gas Turbine Parts

3) Part of IC Sector

# Rail Systems has been the Pioneer of transforming 'Global to local' into 'Local for Global' in China

RAIL

## We contributed effectively to changing market dynamics



### Expansion of Local China Portfolio

- Developing CRH 3G for high-speed <sup>1)</sup>
- Adapting commuter train platform
- Introducing light rail platform



### Intensifying local setup

- Strengthening of local electrical and mechanical engineering



### Leverage China-Tech for Global Markets

- Pursue opportunities in Asia and South America

## Recent Success Stories

- **Successful roll-out** of prototype of **CRH 3G** in 02/2013
- **First commuter rail order** for pearl river delta: 128 cars for Dongguan-Huizhou
- First **light rail delivery agreement** for 80 boogies sets and 25 propulsion systems
- Established successful **export business**, e.g.,
  - Ankara
  - Kuala Lumpur
  - New Delhi

## Underlying China market dynamics

**Super High-speed to bounce back**

**Investment shift to inter-city, commuter & light rail**

**Localization opportunities increase**

**Local champions go global**

<sup>1)</sup> up to 250 km/h

# Siemens Industry Sector is leading the way for advanced manufacturing in China

ADVANCED MANUFACTURING

Pushing to new levels of productivity, efficiency and product quality in China  
within Siemens ...

... and for our customers

## Example: Chengdu Digital Factory

Amberg  ↔ Chengdu 

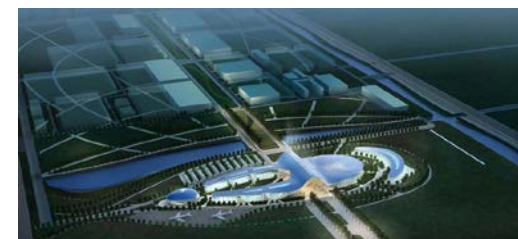
- Chengdu factory modeled after Amberg
- Most modern Siemens **digital factory** in China
- Twin operations ensure security of supply
- Automation for China & the world
- €50m investment in phase I



## Siemens Footprint

- ~18,800 production headcount
- 73 joint-ventures & wholly-owned enterprises – many with high-tech status

## Example: COMAC C919 large civil airplane



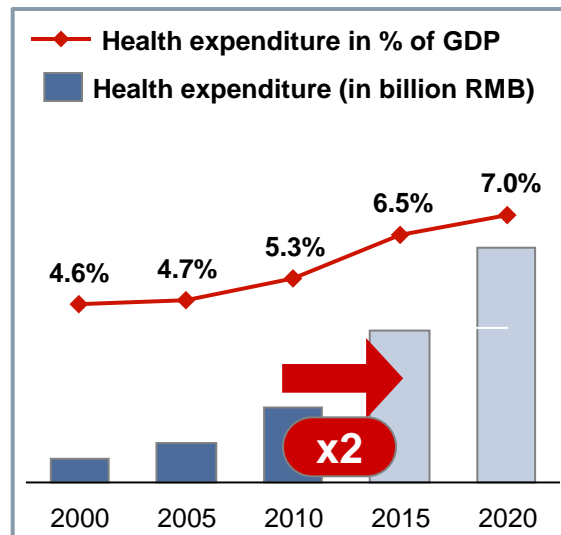
- Siemens is the **total automation solution supplier**
- Around 60 new machine tools with Siemens Sinumerik
- Siemens automation solution was chosen in 4 assembly lines

**We are continuously expanding our footprint in China**  
Between FY 11-14, Siemens plans to invest over €500m in manufacturing in China

# Portfolio and local presence fuel strong growth in China

## HEALTHCARE

### Government health expenditure in China



### Footprint in China

- Highly competitive in entry-level market
- Production and R&D for CT, MR, X-Ray and Components
- Added headcount of +500 to a total of 4,300 in FY 12 (vs. FY 11)
- Therein >600 R&D experts

SSMR<sup>1)</sup>



SSME<sup>2)</sup>



### Healthcare offerings in China

#### High-end

Somatom Definition Flash (CT)



Magnetom Skyra (MRI)



#### Local-for-local

Magnetom Essenza (MRI)

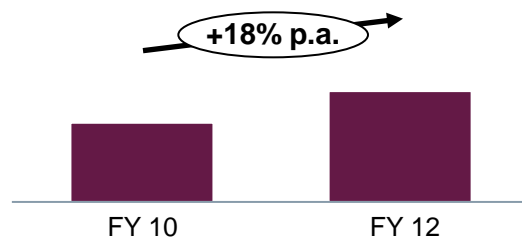


Multix Select DR (X-Ray)



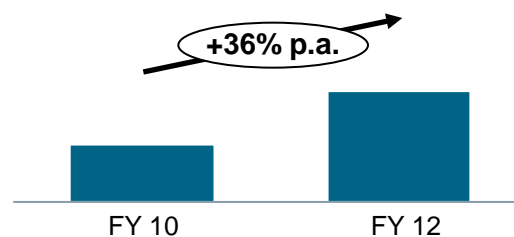
### Market Imaging Equipment

Orders, in local currency



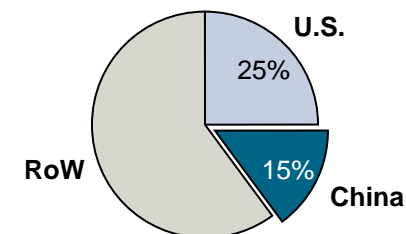
### Siemens Imaging Equipment

Orders, currency adjusted



### Imaging Equipment share of China

in % of total Imaging Equipment Orders (FY 12)

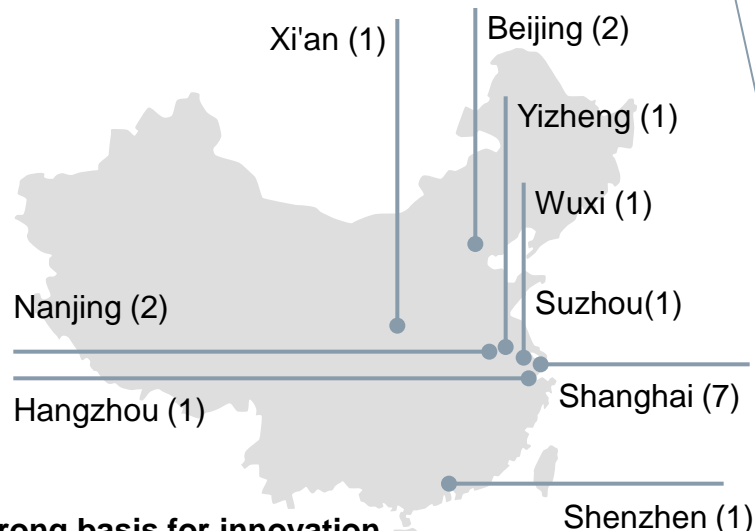


1) SSMR: Siemens Shenzhen Magnetic Resonance

2) SSME: Siemens Shanghai Medical Equipment

# Our local R&D hubs are a backbone of global product developments and create valuable IPR in China

## 17 R&D hubs...



### Strong basis for innovation

- >4.700 R&D experts and engineers
- >8.200 patents & patent applications
- 3 new patent applications every day

### Stringent patent strategy

- Patent protection for core technologies
- Build second line of defense with peripheral patents
- Continuous screening for patent infringements

## ... develop new products for all Sectors



Multix Select DR



Multix Fusion  
(VA20/30)



Luminos Select



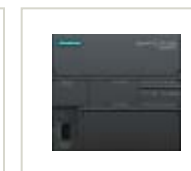
Luminos Fusion FD



SINUMERIK 808D



SMART LINE V2



S7-200  
SMART PLC



SINAMICS V20  
Inverter



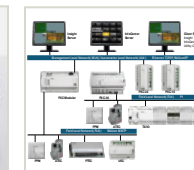
SMART Device



SIMOSEC



Ball valve



Apogee SYS



Transformers



SWT 2.5



SST-400

*Ongoing  
cost down  
for systems  
portfolio*

## Our Five Priorities for continued success in China

- Close strategic and operational **alignment to China's priorities**
- Further **localization of the entire value chain** (Product Management, R&D, Supply chain) for locally designed and marketed products
- **Enable China's high-end manufacturing expertise** and expand its base for global market penetration
- Optimize and expand sales and service **channels into suburban and rural geographies**
- Siemens is **The Employer of Choice** and an entrenched **part of the Chinese Industrial society**



## Questions and Answers

**Thank you for your attention –  
your questions, please!**

## Financial calendar

### May

**May 27 – 30, 2013**

Asia Roadshow

Morgan Stanley China Conference (Beijing)

### June

**June 13, 2013**

JP Morgan Conference (London)

**June 14, 2013**

Exane Conference (Paris)

**June 24 – Early July**

Osram Roadshow

### July

**July 2013**

Listing Osram

## Siemens Investor Relations contact data



**Marcel von Drathen** +49-89-636-33780

**Munich Office** +49-89-636-32474

**Fax:** +49-89-636-32830

**Internet:**

<http://www.siemens.com/investorrelations>

**Email:** [investorrelations@siemens.com](mailto:investorrelations@siemens.com)

# One Siemens financial framework sets the aspiration

## One Siemens

The integrated technology company

### Financial target system

#### Siemens

##### Outperforming revenue growth

Growth (nominal) > most relevant competitors

##### M&A hurdle rates

- 1) EVA accretive within 3 years after integration  
2) 15 percent cash return within 5 years after closing<sup>3)</sup>

##### Capital efficiency

ROCE (cont. ops.)<sup>1)</sup>

**15 - 20%**

SFS ROE <sup>2)</sup>

**15 - 20%**

##### Capital structure

Adjusted industrial net debt / EBITDA

**0.5 - 1.0x**

##### Payout ratio

(Dividend + Share buyback)

**40 - 60% <sup>4)</sup>**

#### Sectors

##### Top EBITDA margins of respective markets throughout business cycles

Energy **10 – 15%**

Healthcare **15 – 20%**

Industry **11 – 17%**

Infrastructure & Cities **8 – 12%**

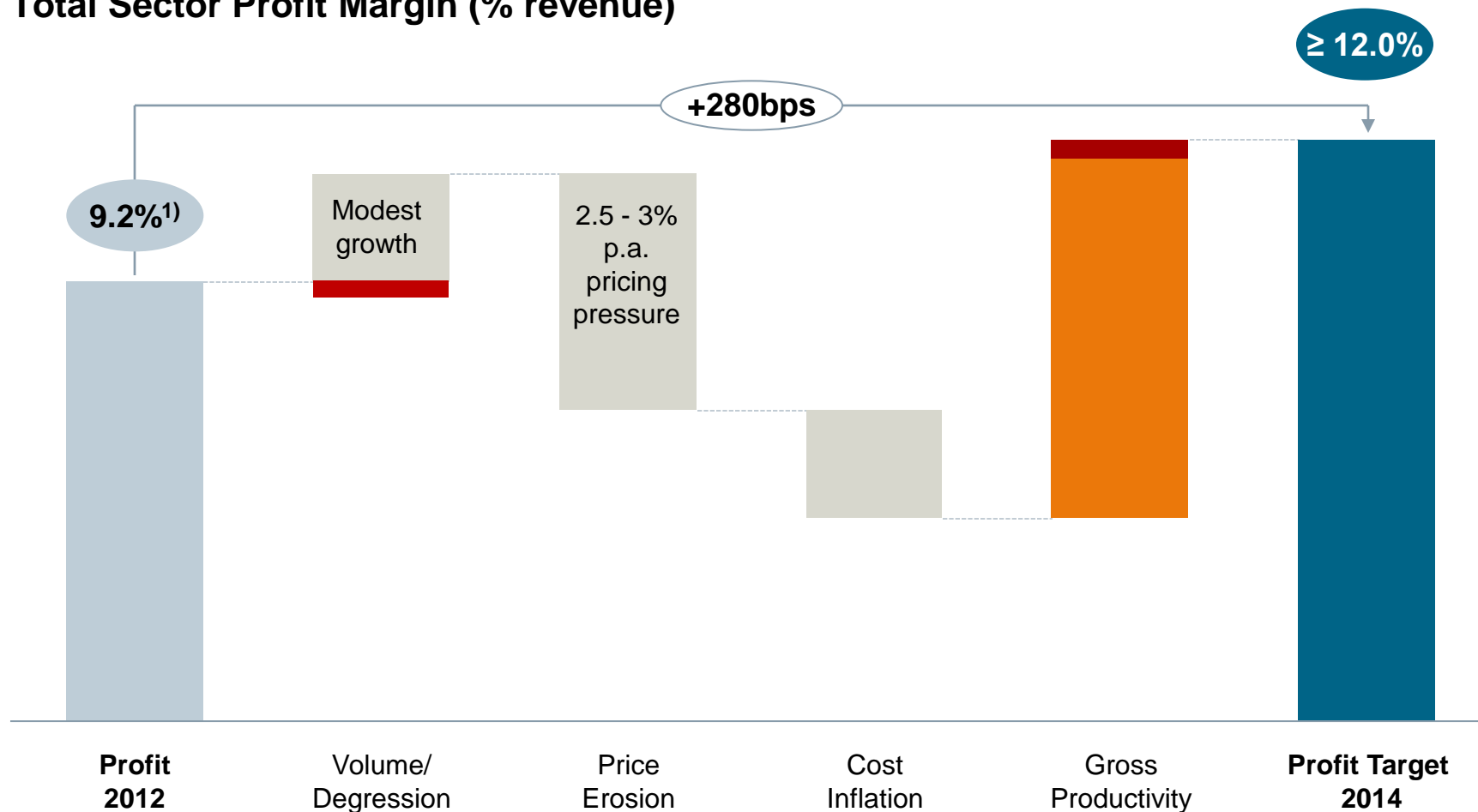
### Continuous improvement relative to market / competitors

1) After tax, adjusted primarily for SFS debt, pension plans and similar commitments, hedge accounting of bonds 2) After tax

3) Cash return: Free cash flow divided by average capital employed 4) Of net income excluding exceptional non-cash items

# Incremental savings of ~€300m targeted to compensate for adverse effect from more conservative growth expectation

## Total Sector Profit Margin (% revenue)



1) Incl. reclassification Solar

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# Key enabler 'Cost reduction' and 'Focus on core activities' with the highest impact expected

## ① Cost reduction

- ~ €3bn in procurement e.g. by stepping up **design-to-cost effectiveness** and **material productivity** of **operational key processes** (Engineering, Development and Manufacturing) by further integration of **SCM**
- ~ €1bn by **optimizing global capacity** and **footprint** (Manufacturing, Development)
- ~ €1bn by increasing systematically **process efficiency** and **quality**

## ② Strengthen core activities

- **Focus on core activities** – **strengthen leading businesses**, find **sustainable solutions** for underperforming businesses

## ③ Go-to-market

- **Optimize business specific go-to-market approach** (e.g. key account vs. mass market, direct vs. indirect channels)
- Improve **local sales** and **service setup** of **countries** based on current and future **market potential**

## ④ Optimized infrastructure

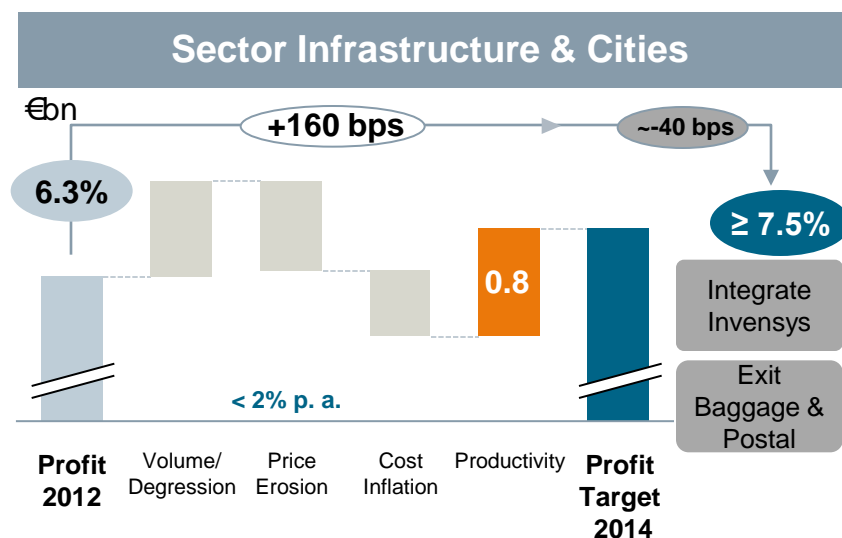
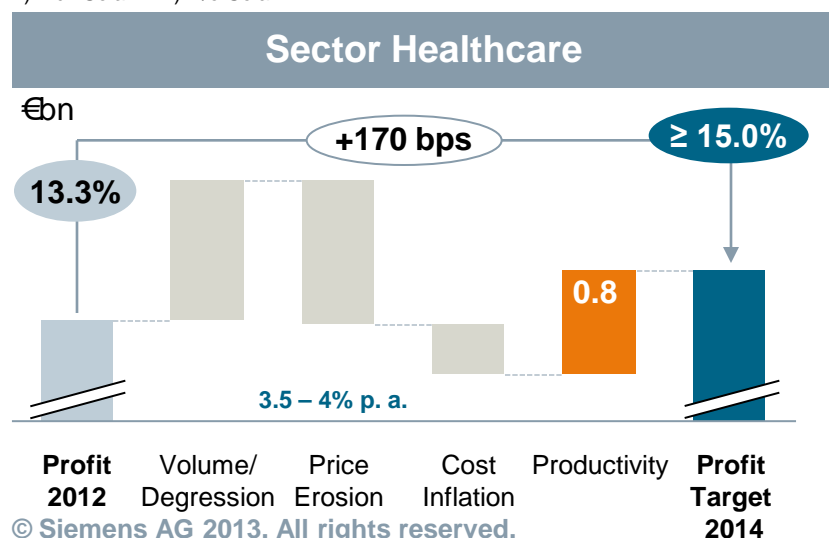
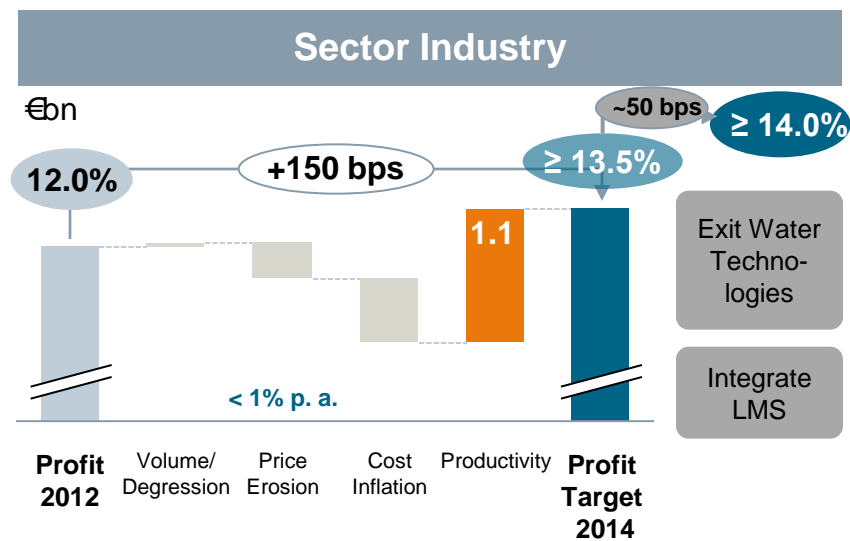
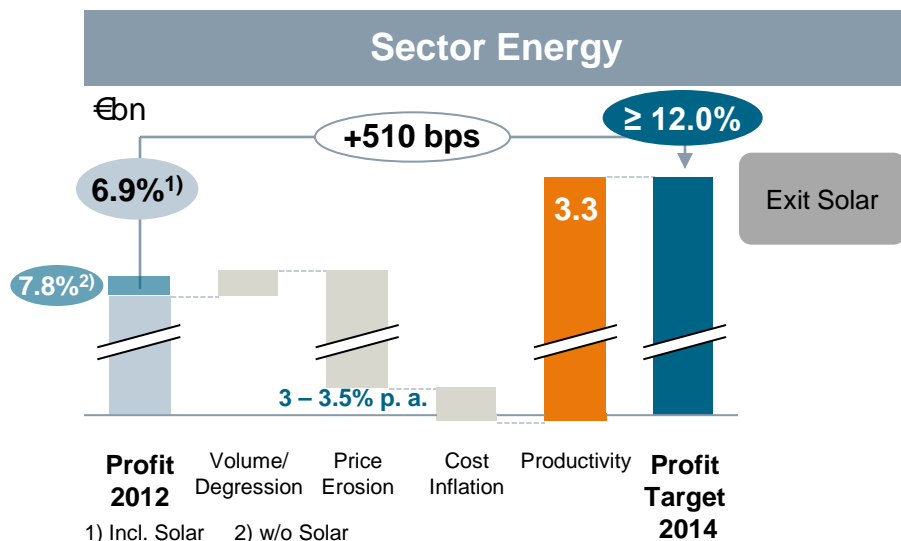
- **Optimize set-up of regional support functions in accordance with #3**, leverage **global shared services** and **infrastructure hubs**
- **Optimize regional SRE set-up** by moving closer to the 'internal' customer (REady)

## ⑤ Simplified governance

- **Strengthen entrepreneurial responsibility** by driving a **risk focused governance** approach
- **Re-design of selected governance functions and processes**



# Assumptions and goals for 'Siemens 2014' are aligned and cascaded down into the Sectors



# Outlook

- In fiscal 2013, Siemens is implementing '**Siemens 2014**', a company-wide program **supporting** our **One Siemens framework** for sustainable value creation.
- The **goal** of the program is to raise our **Total Sectors profit** margin to **at least 12% by fiscal 2014**.
- For fiscal 2013, we confirm our expectations of **moderate organic order growth**.
- With continuing challenges for our businesses whose results react strongly to short-term changes in the economic environment, we now anticipate a **moderate decline in revenue** on an organic basis compared to the prior year.
- **Charges** associated with the '**Siemens 2014**' program in the Sectors are expected to total **up to €0.9 billion** for the **full fiscal year**.
- Given these developments and financial results for the first half, we expect **income from continuing operations** in **fiscal 2013 to approach the low end** of our original expectation, **€4.5 billion, before impacts** related to **legal** and **regulatory matters** and **significant portfolio effects** which we expect to **burden** income by **up to €0.5 billion** due primarily to the **solar business**.

# Reconciliation and Definitions for Non-GAAP Measures

This document includes supplemental financial measures that are or may be non-GAAP financial measures.

Orders and order backlog; adjusted or organic growth rates of revenue and 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. Revenue growth - Performance against competition

## Revenue growth - Performance against competition

To illustrate management's perspective on the Company's performance against competition, Siemens compares its own revenue growth rate with the weighted average revenue growth rate of its Sectors' most relevant competitors, including, among others, ABB, GE, Philips, Rockwell and Schneider. Revenue growth for Siemens and its competitors is calculated as the actual growth rate over a rolling four quarter period compared to the same period a year earlier. Siemens competitors revenue growth is derived as the weighted average growth rate of dedicated competitor baskets defined for each Siemens Sector. Each Sector basket's growth rate is based upon the most recent reported competitor revenues publicly available at the time of calculation. The Sector competitor baskets revenue growth rates are weighted by the revenue of the respective Siemens Sector.

This measure may provide useful information to investors with respect to management's view on Siemens' growth compared to competitor growth. However, we caution investors, that this measure is subject to certain limitations, which include the following: The metric is defined by Siemens and, as such, is not based on a generally accepted framework that is also relevant for other companies; accordingly, other companies may define a similarly titled measure differently. In calculating this measure, Siemens relies on data published by its competitors for which Siemens assumes no responsibility. In addition, the data may not be directly comparable as a result of differing presentation currencies and reporting standards being used by our competitors in the data's presentation. Furthermore, subject to limited exceptions, no adjustments are made for currency translation effects, portfolio changes and changes in reporting structure for either the Siemens or the competitor data. Because the public availability of relevant competitors' data at the time of calculation may not coincide with the availability of Siemens' data, some competitor data used may relate to a different time period than the Siemens data.