

# Siemens Energy – The company of choice

**Dr. Michael Suess**  
CEO Energy Sector

Capital Market Day Siemens Energy  
Charlotte, December 11, 2012



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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.

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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.

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## **Siemens Energy – The company of choice**

**1**

**Great market and growth in our strongholds**

**2**

**Footprint focus in growing regional sweet spots**

**3**

**Unique portfolio with superior business model**

**4**

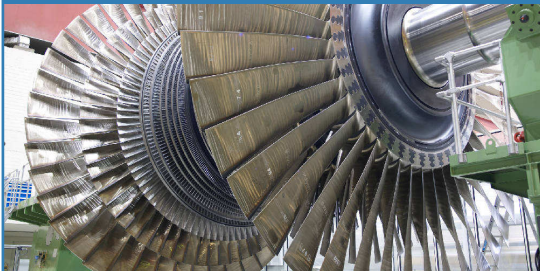
**"Energy 2014" to bring performance to the next level**

**5**

**World class performance: We do it!**

## R&D investments pay off

**#1 in steam power plants (GW) via JV with SEC and licensee BHEL**

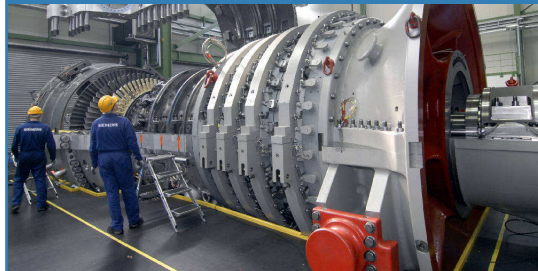


**Innovation highlight:**



**47%**  
Highly efficient coal-fired power plants

**#1 in advanced gas turbines (units)**



**Innovation highlight:**



**>60%**  
World record in combined cycle power plants

**#1 in offshore wind (GW)**



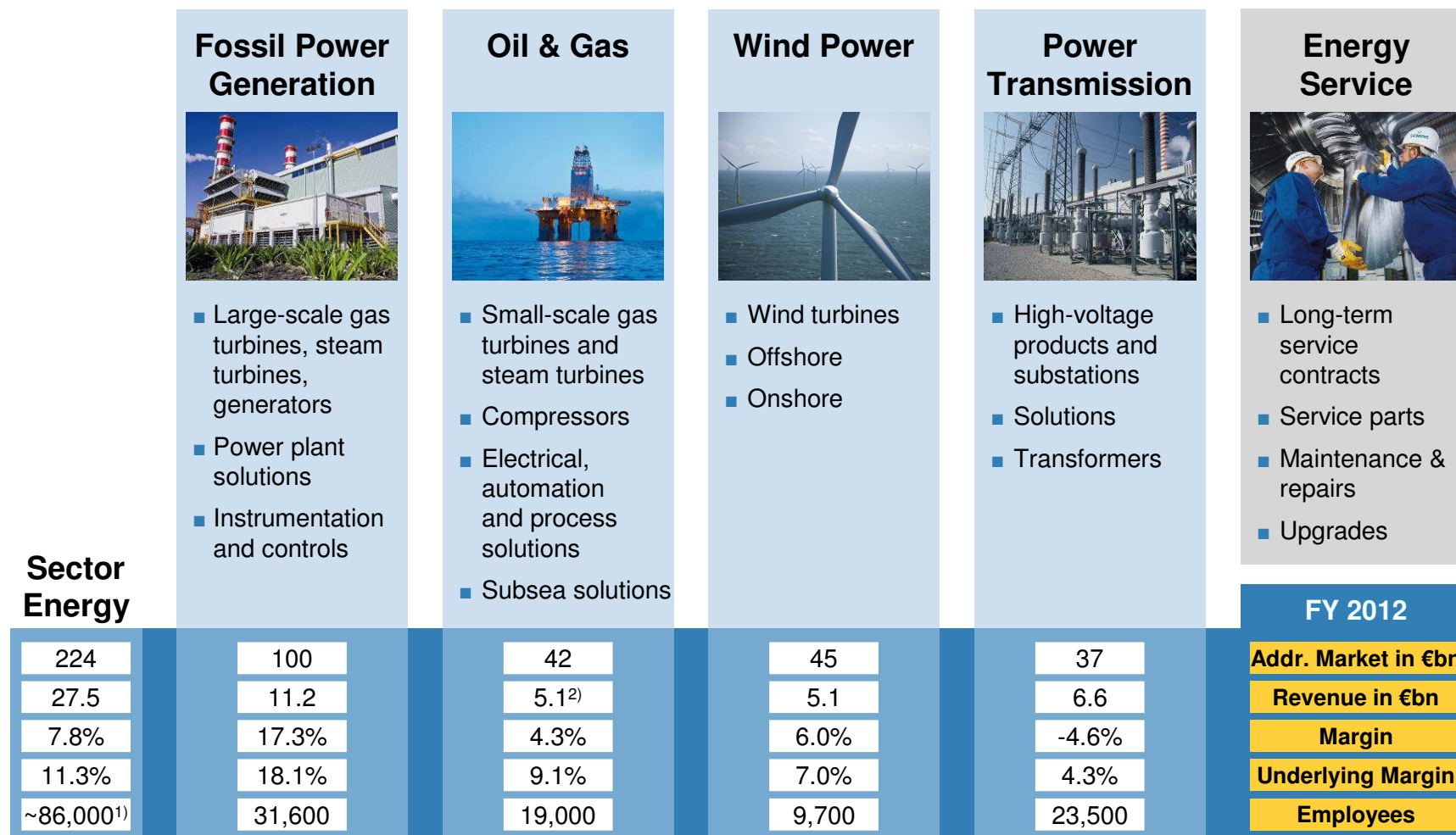
**Innovation highlight:**



**6 MW**  
New performance dimensions for wind turbines



# Siemens Energy is structured along 5 Divisions



1) Including central functions

2) Underlying Revenue €5.4bn

**Focused and highly experienced Energy team**



Michael Suess

**Energy Sector**  
**Revenue FY 2012: €27.5bn**  
**Profit FY 2012: €2.2bn**

**3,500 patent filings, 10,900 granted patents**  
**160 locations in 90 countries**



Michael Becker  
 represents CFO  
 Ralf Guntermann

**Fossil Power  
 Generation**



Roland Fischer

**Oil & Gas**



Adil Toubia

**Wind Power**



Felix Ferlemann

**Power  
 Transmission**



Karlheinz Springer

**Energy  
 Service**



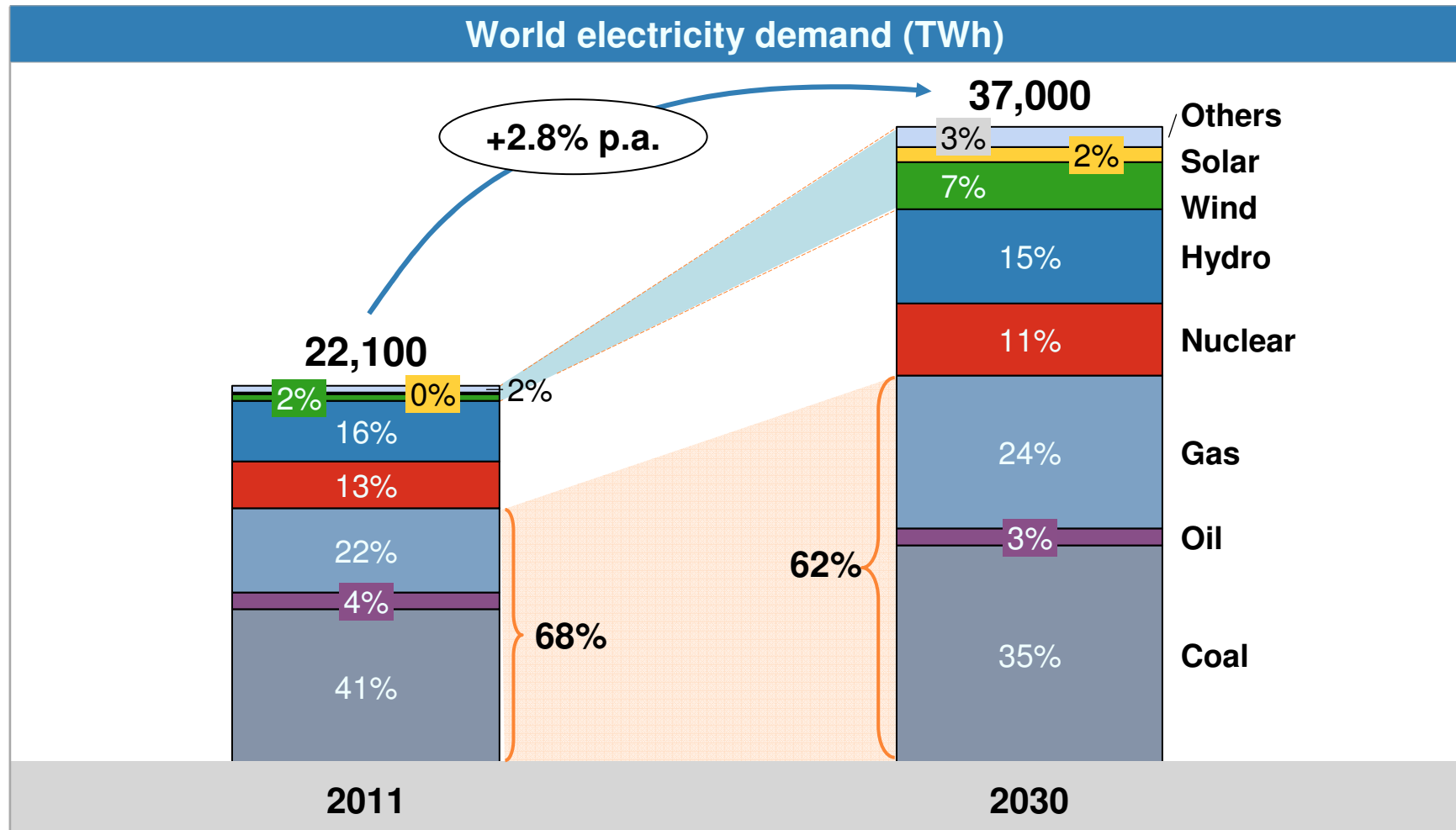
Randy Zwirn

**~ 86,000 employees form a strong Energy team**

## **Siemens Energy – The company of choice**

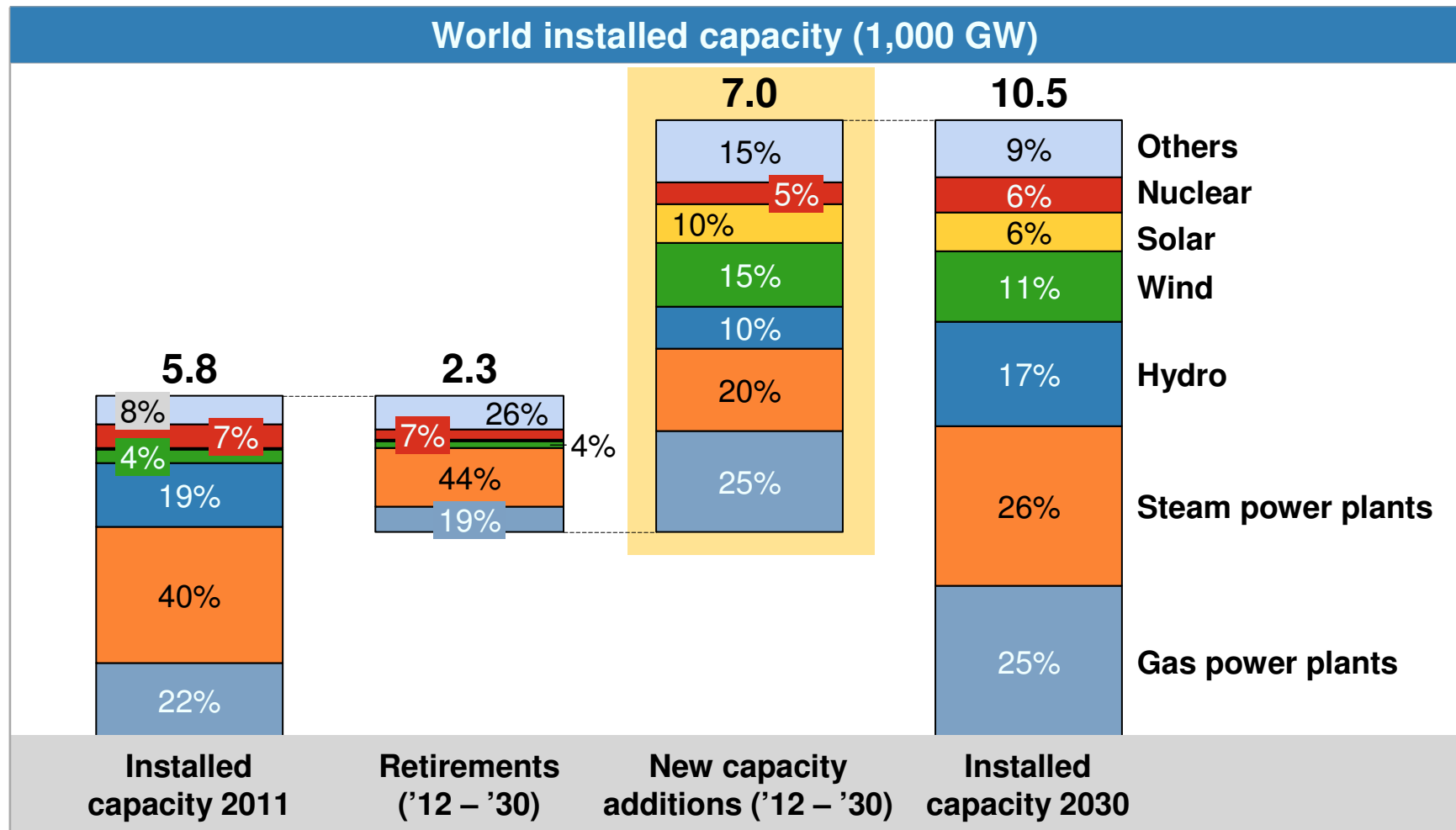
**1****Great market and growth in our strongholds****2****Footprint focus in growing regional sweet spots****3****Unique portfolio with superior business model****4****"Energy 2014" to bring performance to the next level****5****World class performance: We do it!**

# Growth in global electricity demand

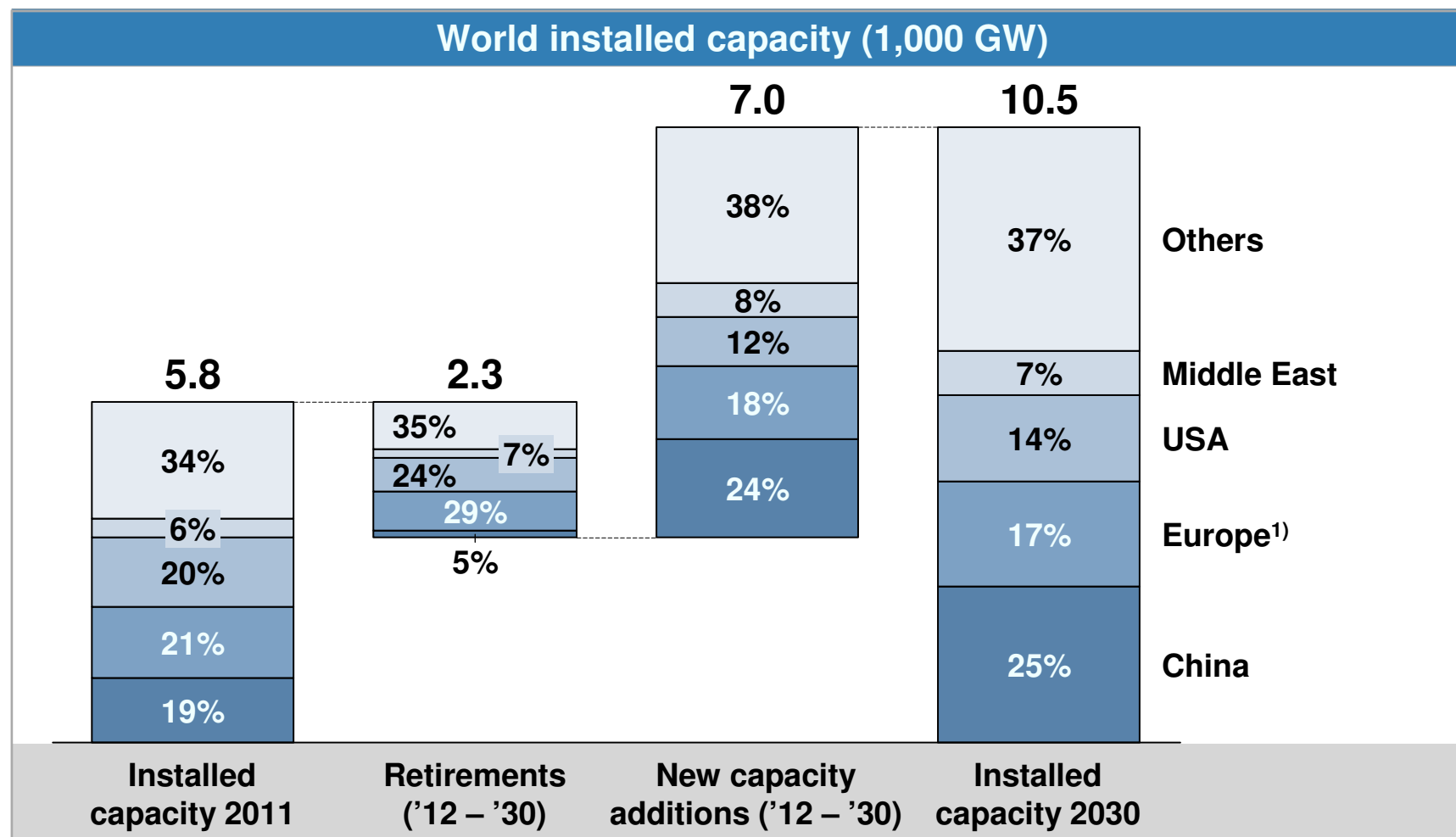




**~7,000 GW new capacity within the next 20 years**



## 62% of capacity additions in our focus markets



1) Germany, North West Europe, South West Europe, Central Eastern Europe

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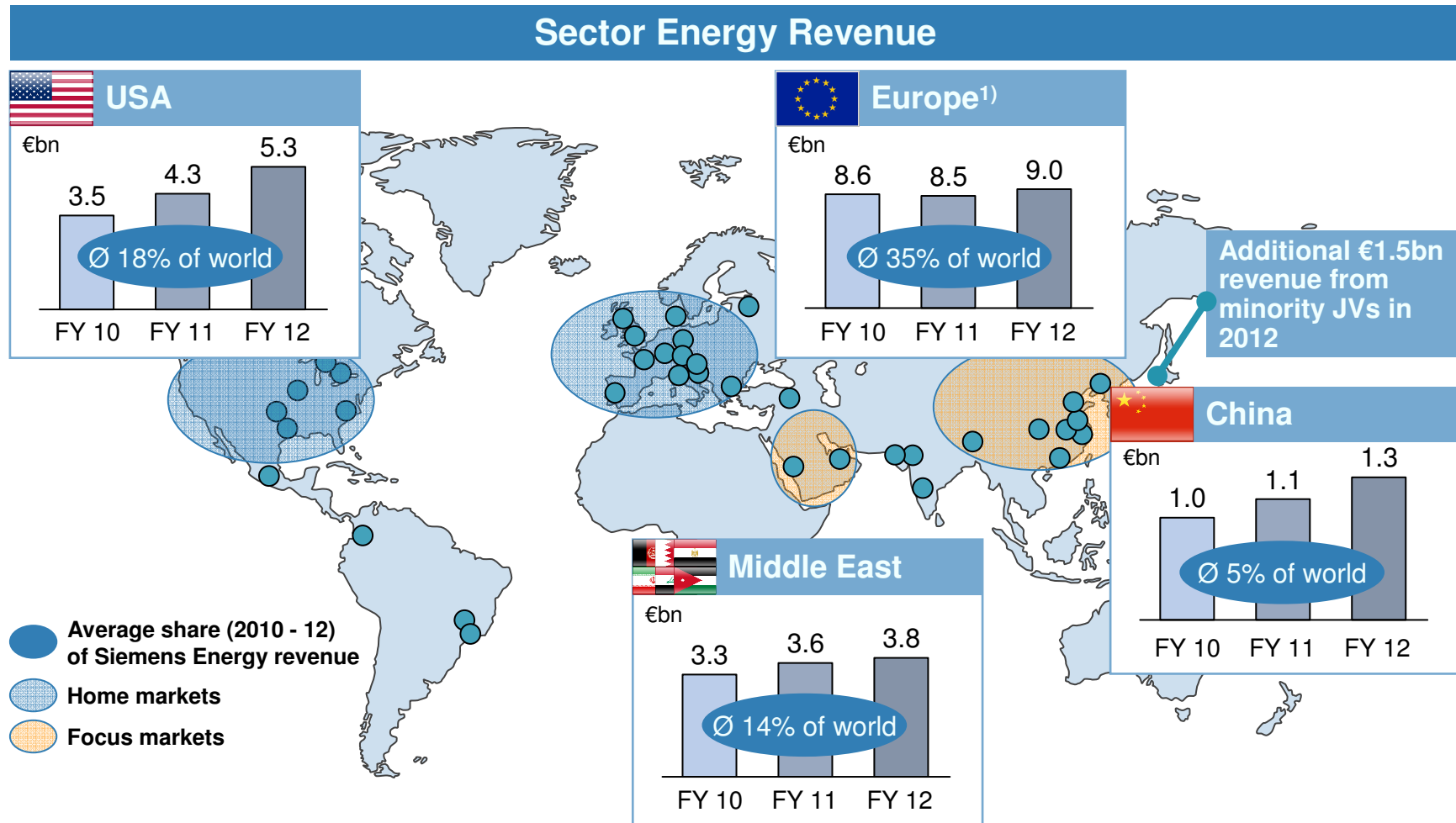
**"Energy 2014" to bring performance to the next level**

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**World class performance: We do it!**

# Global profile without equal: Two home markets and a strong presence in Middle East and China

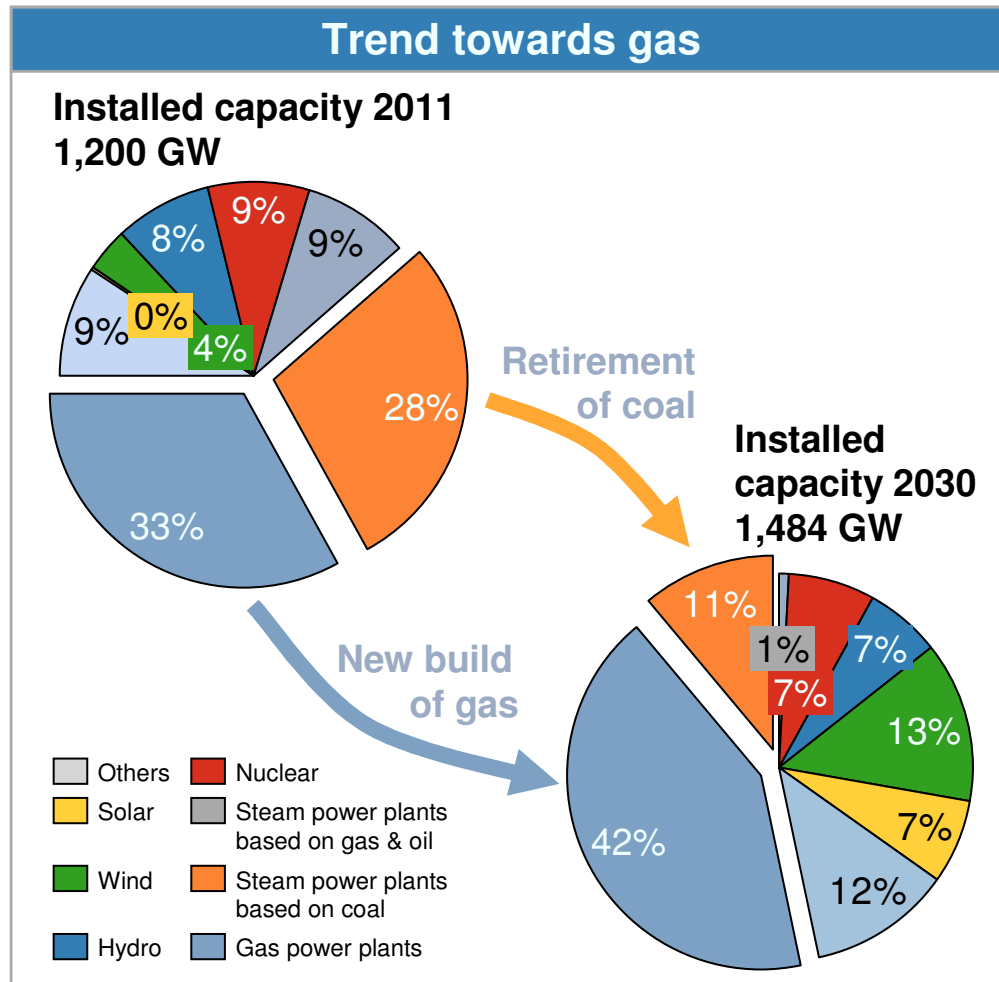
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1) Germany, North West Europe, South West Europe, Central Eastern Europe

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## USA: Trend towards gas plays to our strength



### Our strength

**Gas turbine factory in Charlotte**

(after full ramp up from 27 to 48 gas turbines per year)

**Successful market entry with H-class**

9 x H-class, combined cycle in 2 years  
(Cape Canaveral, Riviera Beach, Port Everglade)



## Europe: #1 player under difficult market conditions

### Despite uncertain investment environment ...

- Economic crisis ongoing
  - No comprehensive energy policy in place
    - No integrated European energy internal market
  - High regulatory uncertainty regarding subsidies for renewables and lack of capacity mechanisms
  - Current CO<sub>2</sub> Emission Trading Scheme not functional
- **Market significantly down**
- **Future market design still unclear**
- **"Wait & see" attitude of investors**
- **Midterm demand increase**

### ... we continue to be Europe's #1 player



- Next efficiency world record for CCPP
  - Lausward: 595 MW, >60% efficiency (>84% with energy extraction for district heating)



- >30 wind projects in UK since 2009
- Close partnership with Dong
  - e.g. framework agreement to supply 300 \* 6 MW DD turbines for UK Round 3



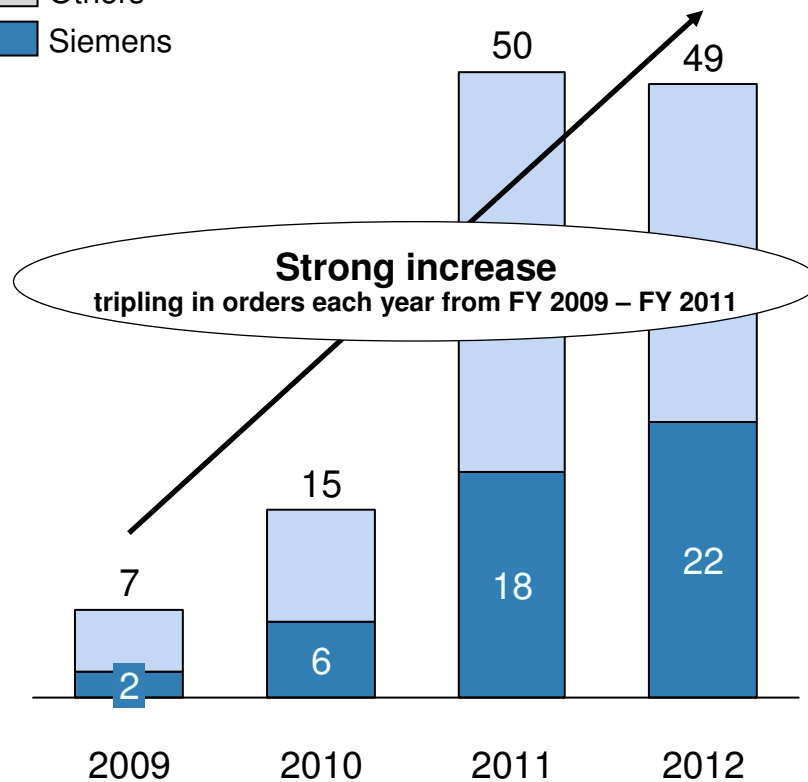
- Strong in HVDC, recent projects:
  - Submarine 600 kV HVDC line England – Scotland
  - Submarine 250 KV HVDC line Palma de Mallorca – mainland

## Saudi Arabia: Very successful market entry

### We are a top gas player in recent years ...

# of large gas turbines sold

Others  
Siemens



### ... with upside potential ahead

- ✓ Electricity demand projected to double within 15 years
- ✓ Oil export preference to drive domestic gas-fired power generation
- ✓ Efficiency to play a bigger role in power generation
- ✓ Combined-cycle upgrade potential of simple-cycle fleet

# China: Capturing the single biggest market via our joint ventures with SEC

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## Our market position



### #1 in steam turbines

- >40%<sup>1)</sup> market share in supercritical
- 39%<sup>1)</sup> market share over all



**>50% market share in gas turbines**  
in China in the last 3 years



**Market entry** in China offshore and profitable onshore



### #1 partner for HVDC

Fully localized value chain with strong footprint

## Our philosophy






- We act as Chinese company in the Chinese market
- We protect our technology via IPR
- We build up supply chain in China

**In total nearly €3bn revenue in FY 2012 (including minority JVs)**

<sup>1)</sup> Market share is based on MW

## Medium-term market drivers fully intact

	Power generation	Oil & Gas	Transmission
			
Market size 2012 (€bn)	~145	~42	~37
Market growth 2012 – 15	+6% p.a.	+6% p.a.	+4% p.a.
Market driver	<ul style="list-style-type: none"> <li>▪ High electricity demand</li> <li>▪ Replacements</li> <li>▪ Growth in renewables and fossil</li> </ul>	<ul style="list-style-type: none"> <li>▪ Growth in primary energy demand</li> <li>▪ Depletion of oil fields</li> <li>▪ Shale gas</li> </ul>	<ul style="list-style-type: none"> <li>▪ Infrastructure investments</li> <li>▪ Replacement</li> <li>▪ Renewable integration</li> </ul>

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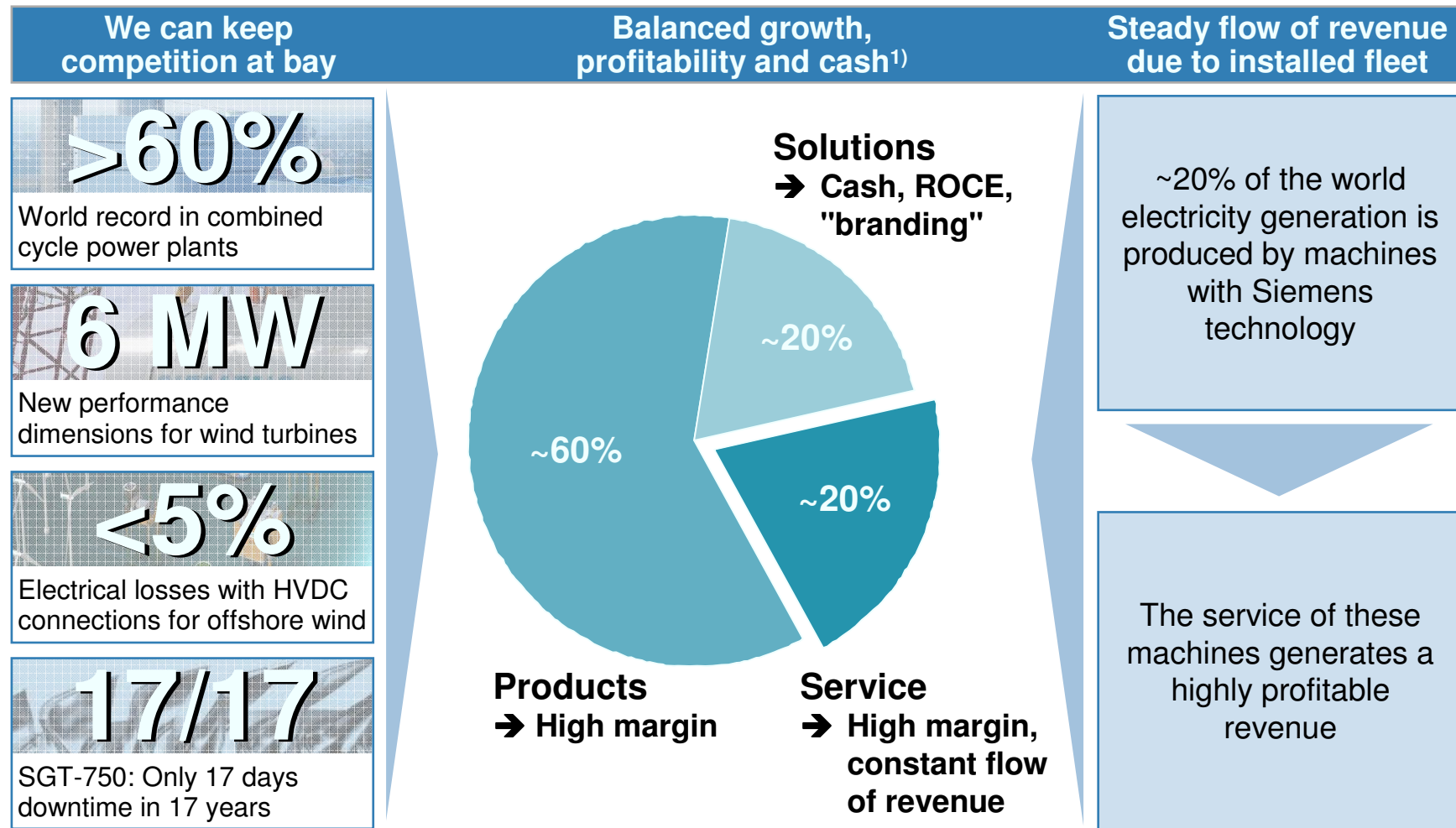
**"Energy 2014" to bring performance to the next level**

**5**

**World class performance: We do it!**



## Unique portfolio with superior business model



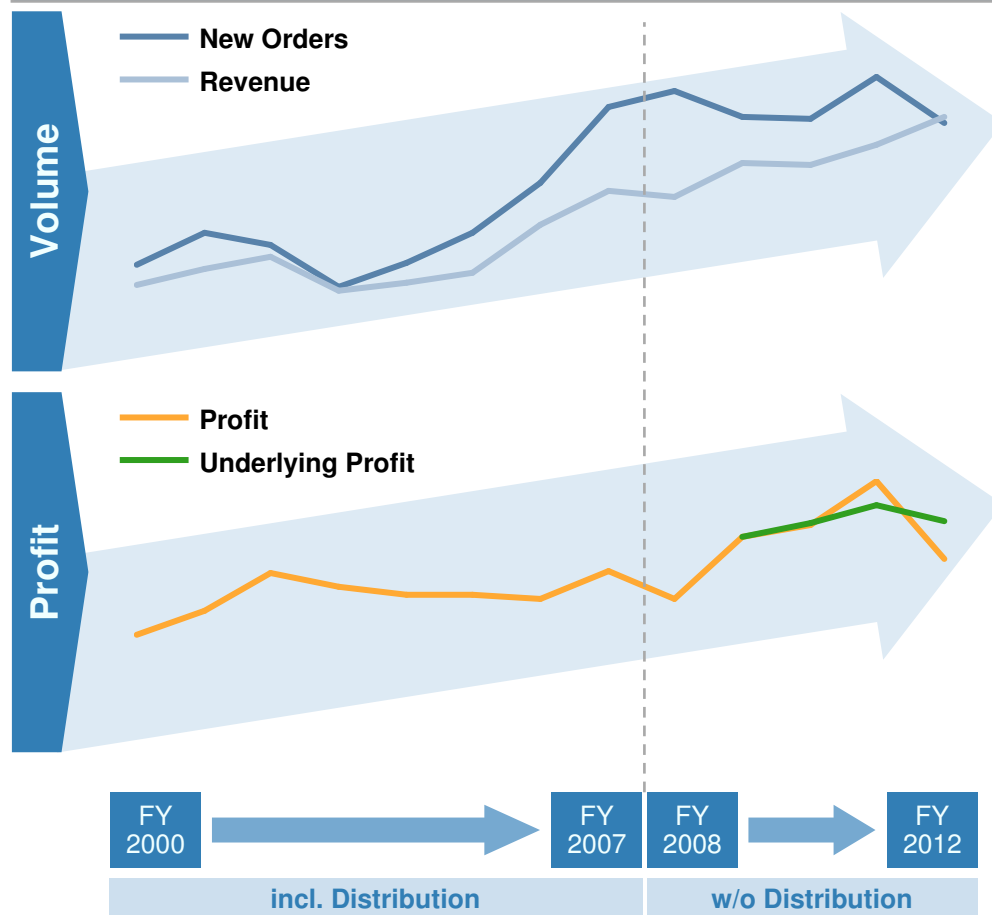
1) Split based on revenue

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# Performance: The trend is our friend

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## Long-term performance



## Performance of Divisions in 2012

Fossil Power Generation	++
Oil & Gas	(+)
Wind Power	+
Transmission	-
Service	++

due to regulatory impact

# Fossil Power: Best-in-class player in advanced gas

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## Innovation leadership

- >60%** World record in combined cycle power plants
- >84%** Comb. heat & power efficiency
- 30 min** Advanced FACY<sup>1)</sup> (start-up time)
- 47%** Steam power plant efficiency

## More customer value

### Florida

**+33%  
efficiency  
gain<sup>2)</sup>**

6+3 x H-class, combined cycle

**NextEra Energy**

### Korea

**Ramp-up  
time  
30 min**

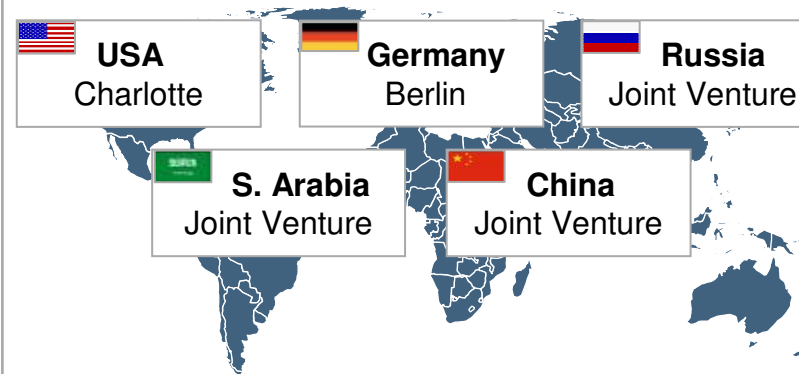
F-class, combined cycle

**Korea Southern Power**

## Cost competitiveness

- Stringent cost management
- H-class (best life-cycle costs)
- F-class (lowest €/kW)
- #1 in power plant solutions (GW)

## The only true global player



1) FACY: Fast Cycling and rapid start-up 2) vs. former oil-fired steam power plant (replacement)

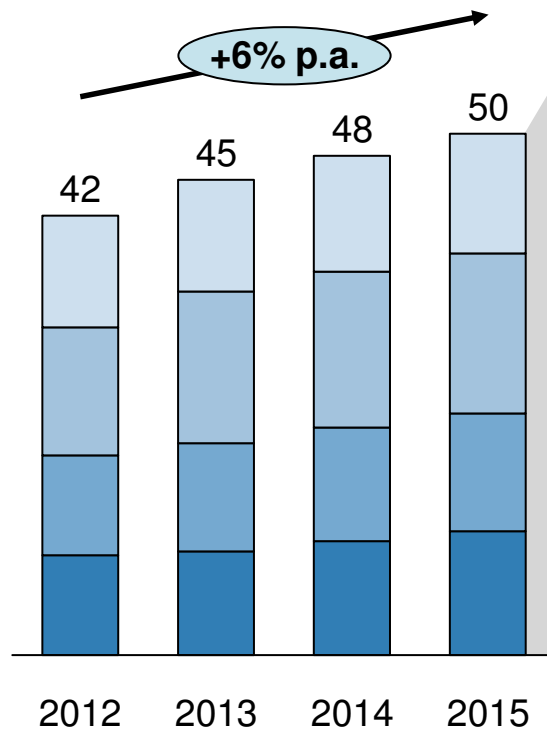
# Oil & Gas: Playing on our strength in focus segments

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## Addressed Oil & Gas market

€bn

	Service		Compression
	Solutions		Industrial Power



## Focus segments

Offshore production	<b>R</b>	<b>E</b>
Onshore production	<b>R</b>	<b>E</b>
Liquefied natural gas	<b>R</b>	<b>E</b>
Pipeline	<b>R</b>	<b>E</b>
Subsea		<b>E</b>
Combined / simple cycle	<b>R</b>	
Biomass / geothermal	<b>R</b>	

## Our strategy

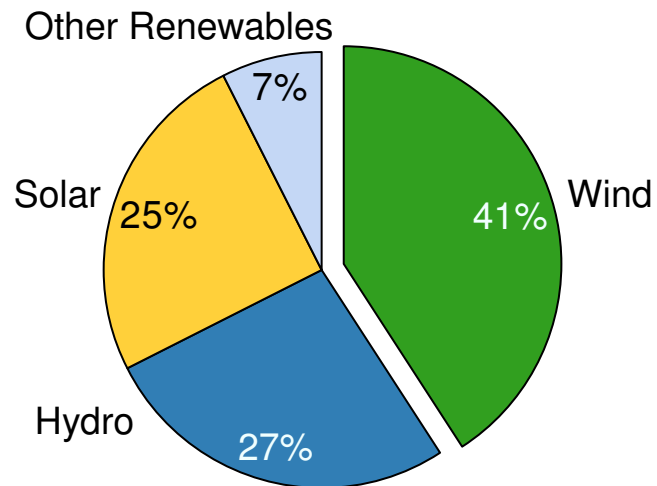
- R Rotating equipment:**
- ✓ Maintain #1 in industrial steam turbines
  - ✓ Grow organically small and medium gas turbines (keeping #2)
  - ✓ Focus compressor business
- E Electrification:**
- ✓ Growth in answering subsea electrification demands
  - ✓ Fill customer needs for “all electrical solutions”

# Wind Power: Performing in stormy weather

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## Wind is here to stay

New renewable capacity additions ('12 – '30)



Wind is outpacing all other renewable power generation sources.

## Build on leading performance

- ✓ High order backlog of >€11bn (incl. service)
- ✓ Growing service backlog
- ✓ High profit margin compared to competition (6.0% in FY 2012)
- ✓ Recent innovations: 6 MW DD turbine, 75 m blade
- ✓ > 50% market share in wind offshore

## Drive industrialization of wind



Cost reduction via multi-level approach

**Blades** – Automated blade manufacturing  
– Integral-Blade-Technology

**Nacelle** – Modular DD concept

**Tower** – Modular tower concept  
(bolted steel shell)



# Transmission: Clear path to growth and profitability

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## 1 Grid access projects stabilized



- ✓ Reinforced project management
- ✓ Project staff doubled
- ✓ Offshore competence center in Hamburg
- ✓ Partnerships in place
- ✓ Risk & Opportunity Management strengthened

## 2 Execution of competitiveness plan started

**Transform  
to win**

### Targets 2015:

- Cost savings of 30%
- Profitability at 8%
- Grow faster than the market

### Achievements:

- ✓ New, more efficient divisional structure in place and new management
- ✓ Production capacities adjusted and shifted
- ✓ Specific yearly cost savings pathway set
- ✓ Strong, underlying global demand

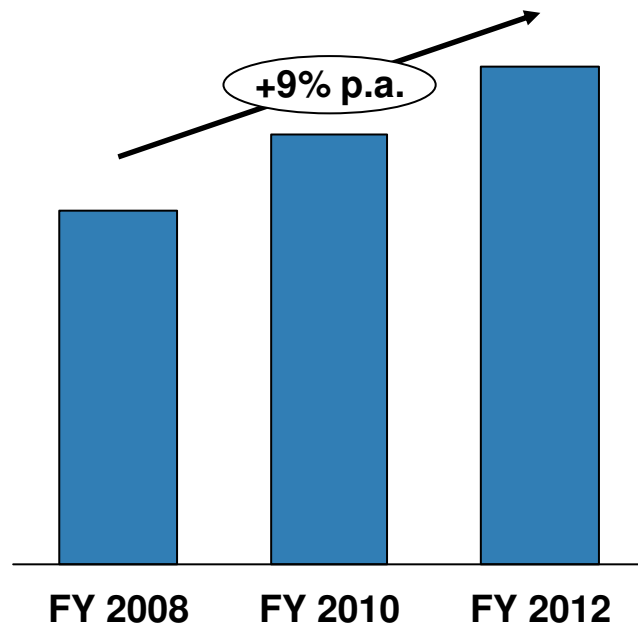
## Service: A reliable value driver

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### Steady flow of highly profitable revenue

#### Growing Service revenue

In €



#### One dedicated Service unit offers best-in-class service portfolio

- ▶ LTPs<sup>1)</sup> for 80% of new advanced frame gas turbines
- ▶ Strong fleet growth in medium gas turbines: 40% until 2016 with highly profitable service potential
- ▶ Transfer of business model to wind (almost half of wind service backlog from LTPs<sup>1)</sup> in 2016)

1) LTP = Long-term program

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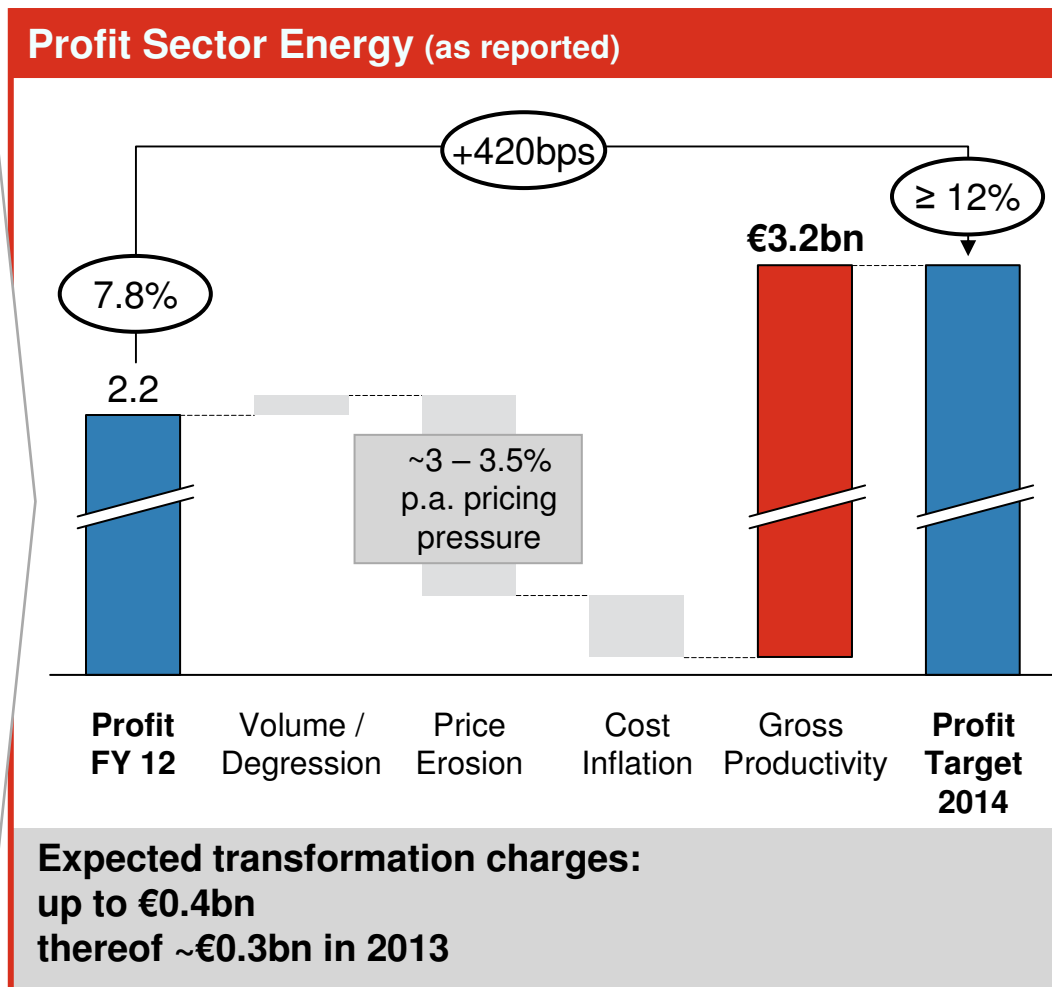
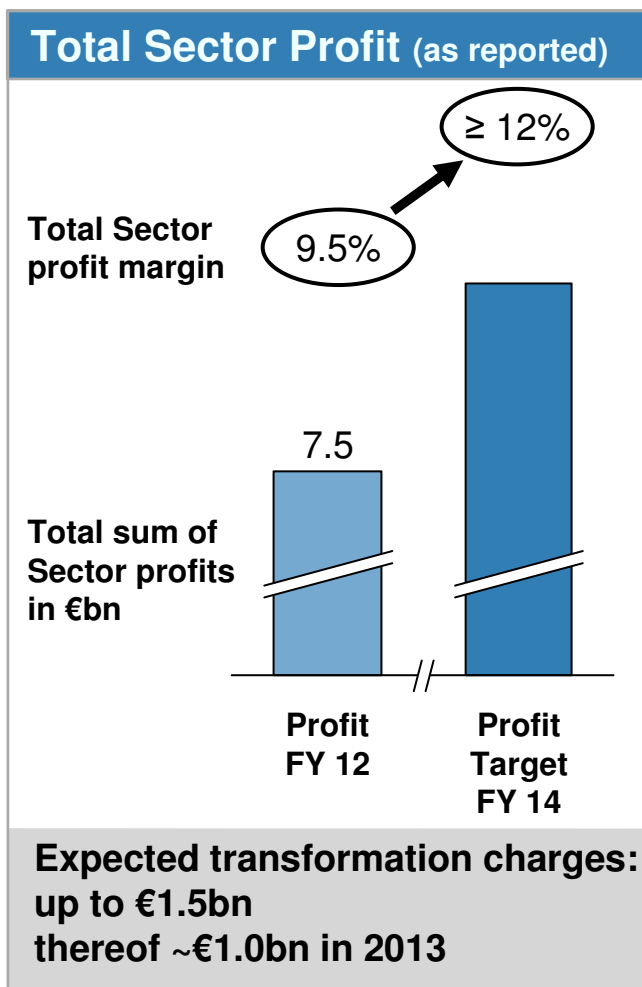
**"Energy 2014" to bring performance to the next level**

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**World class performance: We do it!**

# Profit target for Sector Energy is at least 12% in FY 2014


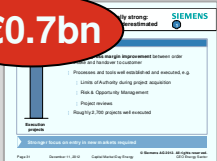
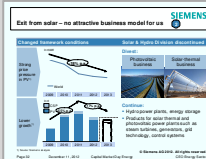
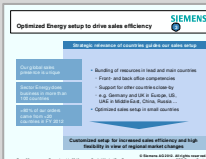
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CEO Energy Sector

# "Energy 2014" committed €3.2bn bottom-up savings – Enforcement top-down

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<p>1 Cost reduction</p>	<ul style="list-style-type: none"> <li>Design to cost</li> <li>Procurement</li> <li>Optimizing global footprint</li> </ul> <p>~€2.2bn</p>  <ul style="list-style-type: none"> <li>Execution of backlog according plan</li> </ul> <p>~€0.7bn</p> 
<p>2 Strengthen core activities</p>	<ul style="list-style-type: none"> <li>Focus on <b>rotating equipment, wind power, Transmission and Service</b></li> <li>Special actions for <b>conventional island, big steam and solution business</b></li> </ul> <ul style="list-style-type: none"> <li>Exit from solar business</li> </ul> 
<p>3 Go-to-market</p>	<ul style="list-style-type: none"> <li>Increase sales efficiency</li> <li>Sharpened <b>differentiation</b> between <b>lead, main and small countries</b></li> </ul> <ul style="list-style-type: none"> <li>Streamline market approach</li> </ul> 
<p>4 Optimized infrastructure</p>	<ul style="list-style-type: none"> <li>Optimize set-up of <b>regional support functions</b></li> <li><b>Global shared services</b> and <b>infrastructure hubs</b></li> </ul> <p>Together with Siemens Corporate</p>
<p>5 Simplified governance</p>	<ul style="list-style-type: none"> <li><b>Re-design</b> of <b>selected governance functions</b> and <b>processes</b></li> </ul> <p>Together with Siemens Corporate</p>

Sector Energy focus



## Cost reduction of €2.2bn: This is the top priority for my team

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1

### Cost reduction is part of our DNA ...

- ✓ We have an excellent track record in cost reduction
- ✓ We have the required tools already in place
- ✓ "Energy 2014" takes cost reduction to the next level
- ✓ We were able to compensate price pressure from the past
- ✓ We anticipate a price decline of ~3 – 3.5% p.a. (in revenue) until 2014

#### Cost reduction projects (Division examples)

- **fitnESs**
- Advantage in Cost and Time
- **PRIO<sup>+</sup>**
- Package4Future
- NExcellence
- ...



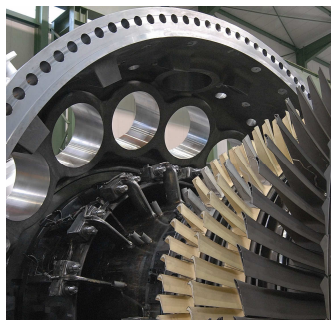
**... and we are committed to €2.2bn cost reduction over the next two years**

## Cost reduction of €2.2bn: Projects are identified and in execution

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### Cost reduction in Fossil: Design to cost in turbine frames



- **Standardization** of 50 and 60 Hz frames
- Acceleration of **feeder plant concept** (Hungary, Indonesia)
- **€250m productivity improvement** until 2014

### Cost reduction in Wind: Product cost reduction on SWT-3.0 DD nacelle



- **Total cost reduction** for small DD nacelle based on defined measures
- **€175m productivity improvement** until 2014

### Cost reduction in Oil & Gas: Enhanced platform for industrial steam turbines



Enhanced Platform

- Increased **operational flexibility, reduced start-up times, higher performance and efficiency**
- **€150m productivity improvement** over 5 years

### Cost reduction in Transmission: Transform To Win @ Transformers



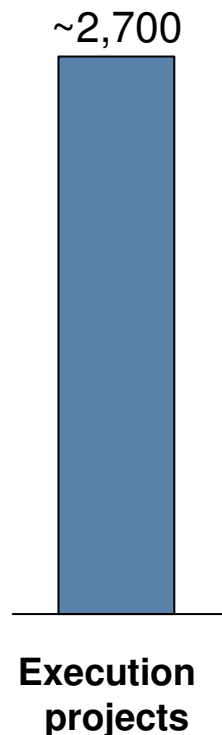
- **Design harmonization** from 7 designs to a global platform concept
- **Footprint restructuring** based on focused portfolio in factories and **feeder plant concept**
- **Benefit: €130m** until 2014

## Project management process generally strong: Offshore grid access complexity underestimated

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### Stable project execution



- **Proven gross margin improvement** between order intake and handover to customer
- Processes and tools well established and executed, e.g.
  - Limits of Authority during project acquisition
  - Risk & Opportunity Management
  - Project reviews
- Roughly 2,700 projects well executed

Stronger focus on entry in new markets required

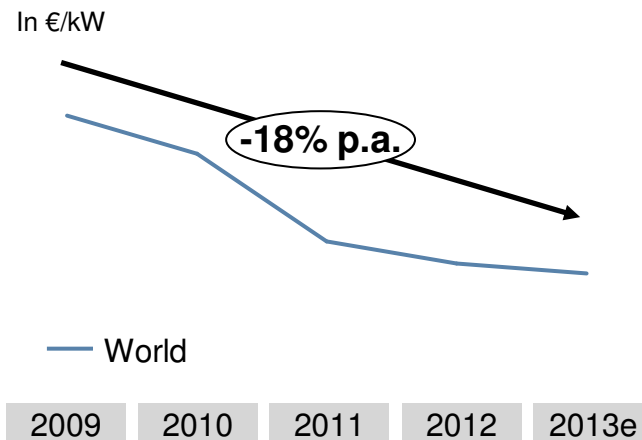
# Strengthen core activities: Exit from solar – no attractive business model for us

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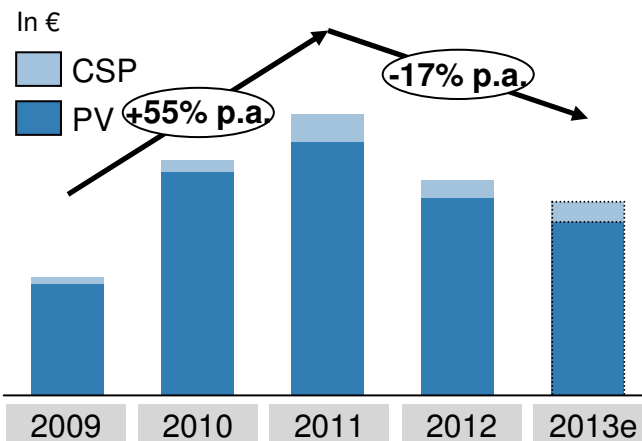
2

## Changed framework conditions

Strong price pressure in PV<sup>1)</sup>



Lower growth<sup>1)</sup>



1) Source: Siemens analysis

## Solar & Hydro Division discontinued

### Divest:

Photovoltaic business



Solar-thermal business



### Continue:

- Hydro power plants, energy storage
- Products for solar thermal and photovoltaic power plants such as steam turbines, generators, grid technology, control systems

## Go-to-market: Optimized Energy setup to drive sales efficiency

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### Strategic relevance of countries guides our sales setup

Our global sales presence is unique

Sector Energy does business in more than 100 countries

>80% of our orders came from <20 countries in FY 2012

- Bundling of resources in lead and main countries
  - Front- and back office competencies
  - Support for other countries close-by
  - e.g. Germany and UK in Europe, US, UAE in Middle East, China, Russia ...
- Optimized sales setup in small countries

**Customized setup for increased sales efficiency and high flexibility in view of regional market changes**

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**World class performance: We do it!**

**All Divisions with specific strategies  
to outperform the markets**

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**Fossil Power  
Generation**

**Maintain #1 in advanced gas turbine**

**Oil & Gas**

**Sustainable double digit profitability  
in growing market environment**

**Wind Power**

**Achieve industry leading margin  
by capturing growth opportunities**

**Power  
Transmission**

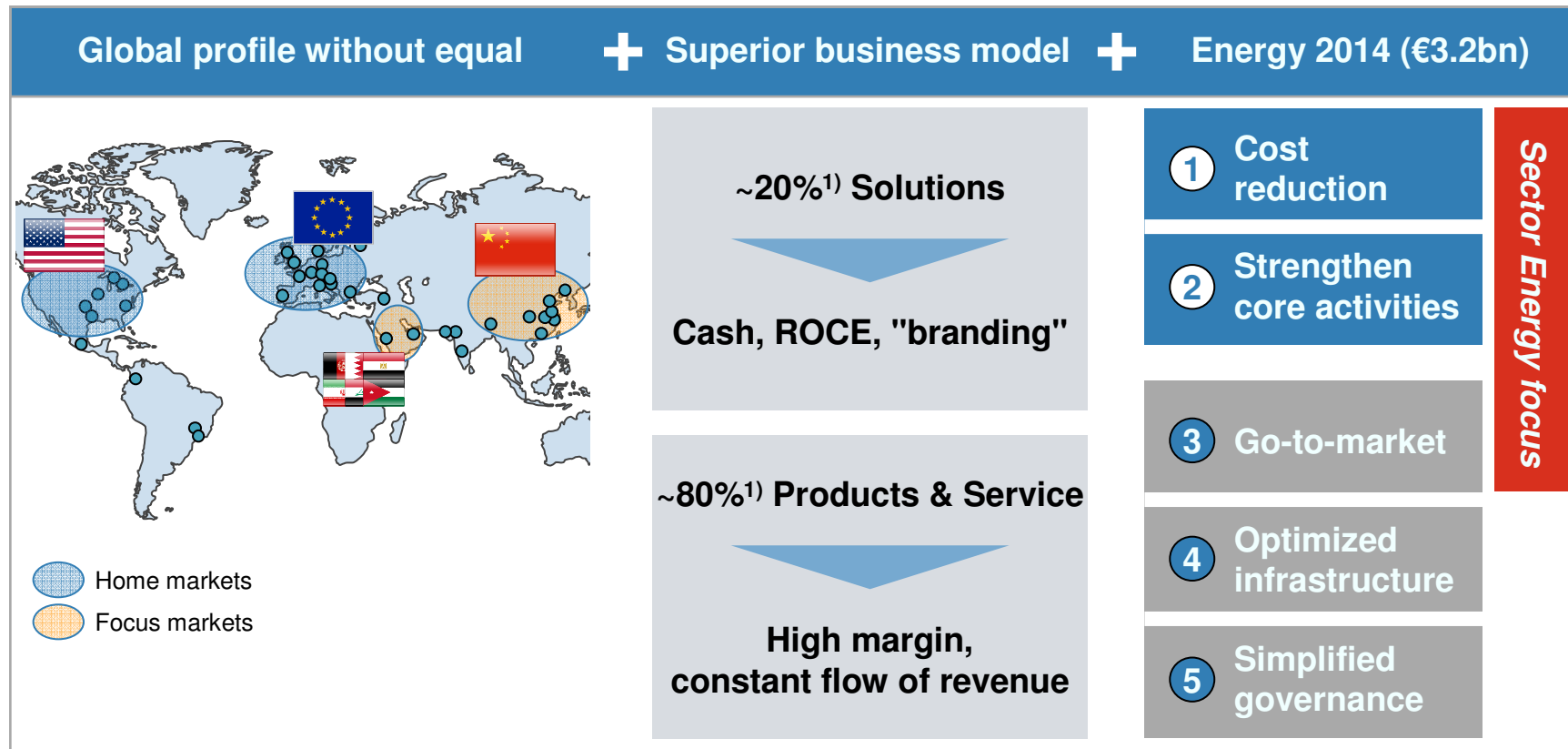
**Streamline portfolio and regain profitability**

**Energy  
Service**

**Constant flow of highly profitable revenue**



# Strong Sector Energy outlook



**We will continue our profitable growth path**  
**We will deliver a profit margin of at least 12% in FY 2014**

1) Split based on revenue

# Reconciliation and Definitions for Non-GAAP Measures



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