



SIEMENS

Roland Busch | CEO Infrastructure & Cities Sector

# Siemens Infrastructure & Cities Sector - The powerhouse for intelligent infrastructure

Capital Market Day  
London, December 5, 2013

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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.

- 1 | We have a powerful portfolio of businesses serving very attractive markets with high profit pools**
- 2 | We made major steps in transforming the Sector towards higher profitability**
- 3 | We are driving project execution with discipline and focus**
- 4 | We will rapidly drive the margins to competitive levels...**
- 5 | ...while growing faster than our competitors in most areas**

# The powerhouse for intelligent infrastructure

## Infrastructure & Cities Sector in FY 2013

**Revenue:** €17.9bn   **Employees:** approx. 89,500   **Profit Margin:** 1.6% (Underlying: 6.7%)   **EBITDA Margin:** 3.7% (Underlying: 8.2%)

### Transportation & Logistics (T&L)

Revenue: €6.3bn  
Underlying EBITDA Margin: 5.0%

#### Rail Systems (RL)

Revenue: €3.1bn  
Employees: ~11,500

#### Mobility and Logistics (MOL)

Revenue: €3.2bn  
Employees: ~17,500



### Power Grid Solutions & Prod. (PGS&P)

Revenue: €6.1bn  
Underlying EBITDA Margin: 9.9%

#### Smart Grid (SG)

Revenue: €2.1bn  
Employees: ~9,500

#### Low & Medium Voltage (LMV)

Revenue: €4.0bn  
Employees: ~22,000



### Building Technologies (BT)

Revenue: €5.8bn  
Underlying EBITDA Margin: 9.7%  
Employees: ~28,000

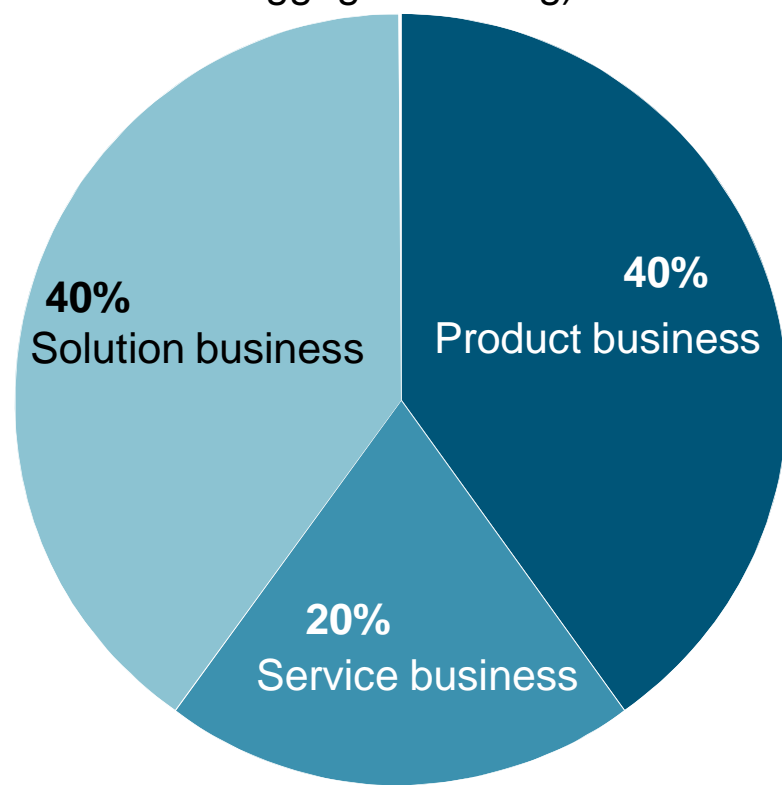


# Solution business pulls products and service business

## Our business mix

**FY 2013**

Business mix (incl. a full year of Invensys Rail, excl. Postal & Baggage Handling)



### Products

- Locomotives
- Train signals, traffic lights, sensors
- Circuit breakers, measuring and monitoring devices
- Fire detectors, room controllers, valves

### Service

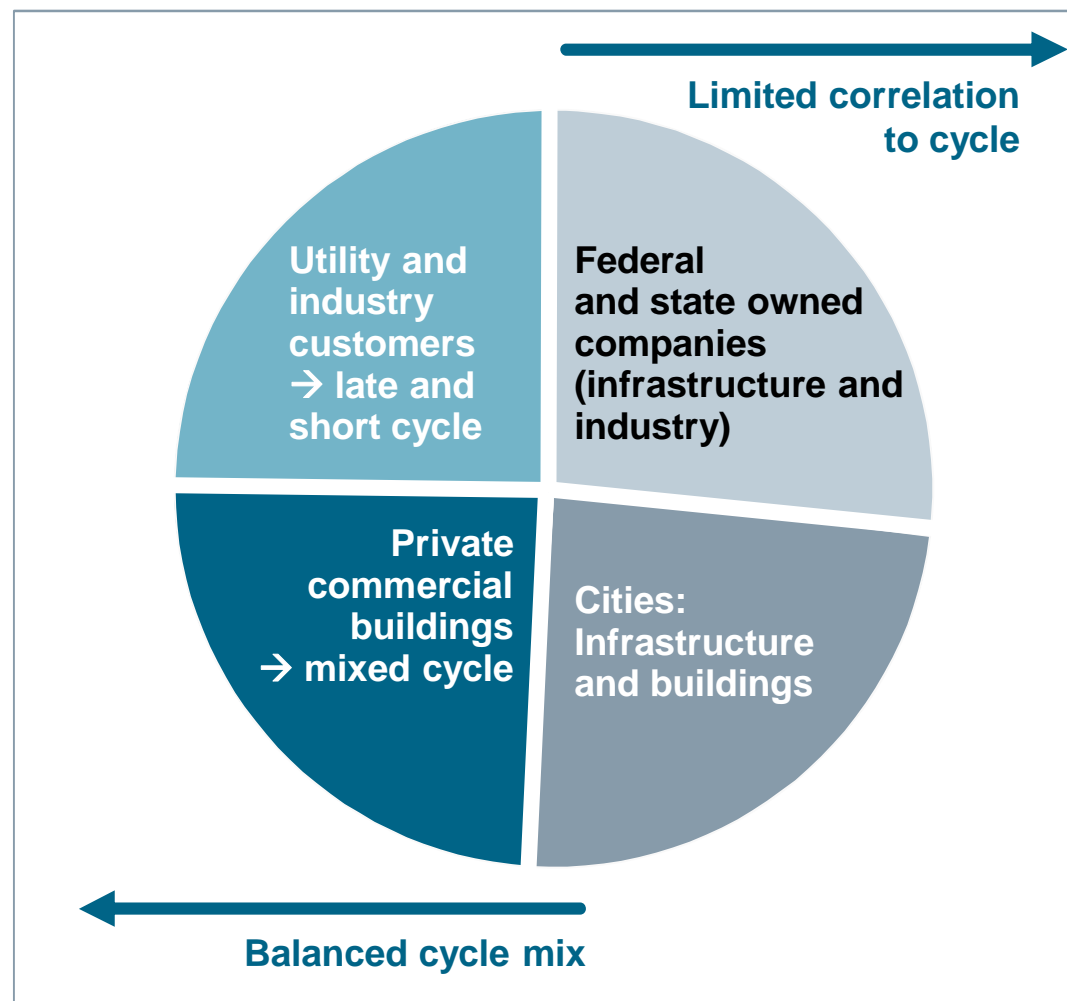
- Maintenance of installed base (e.g. trains, fire detection systems)
- Remote monitoring (e.g. substations, buildings, trains)

### Solutions

- Trains
- Traffic control centers/tolling systems
- Battery storage systems, switchgear installations
- Building automation systems, fire detection systems

# IC has a stable and balanced customer mix leading to high resilience

Customer split by Revenue

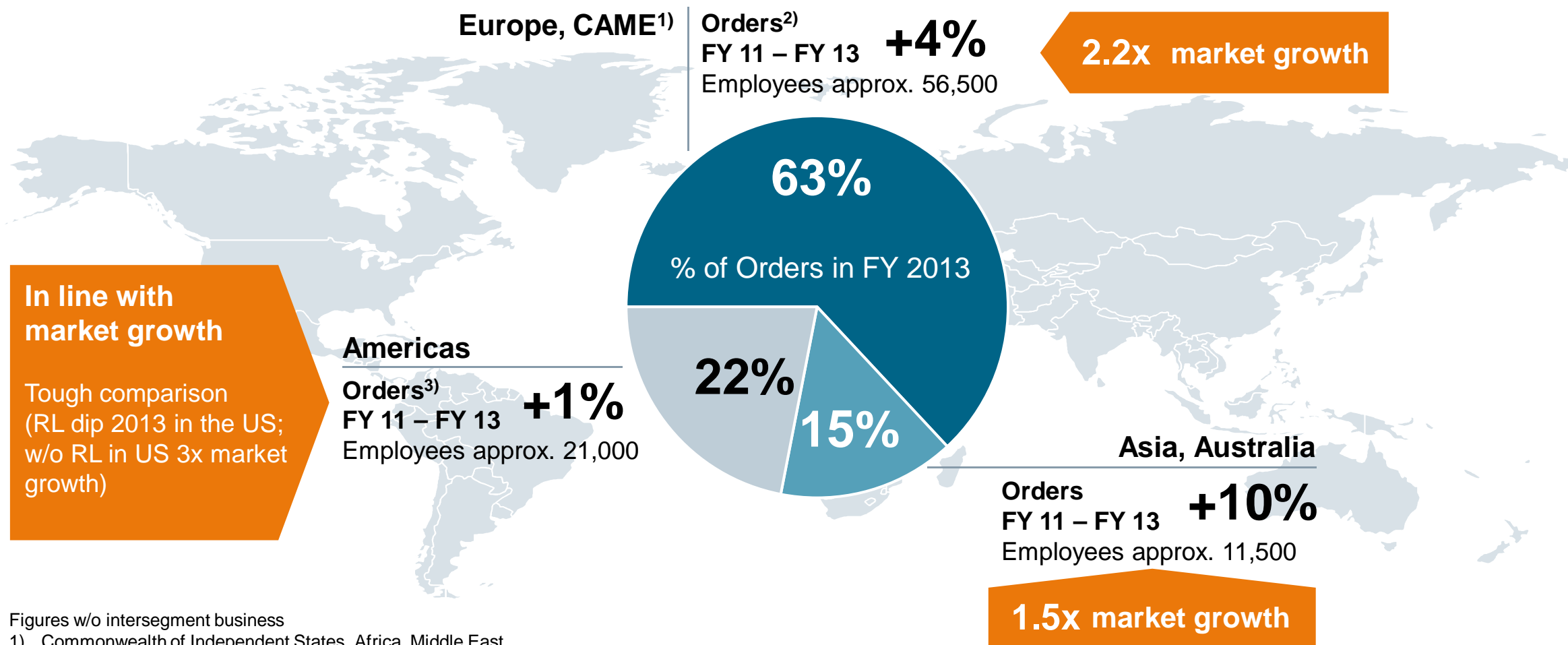


Significant share of business with limited cyclicity.

Existing cyclicity evenly split across short and late cycle business.

# More than 75% of our business significantly outgrew the market

## Regional split of Orders and market growth (CAGR FY 2011 to FY 2013)



Figures w/o intersegment business

1) Commonwealth of Independent States, Africa, Middle East

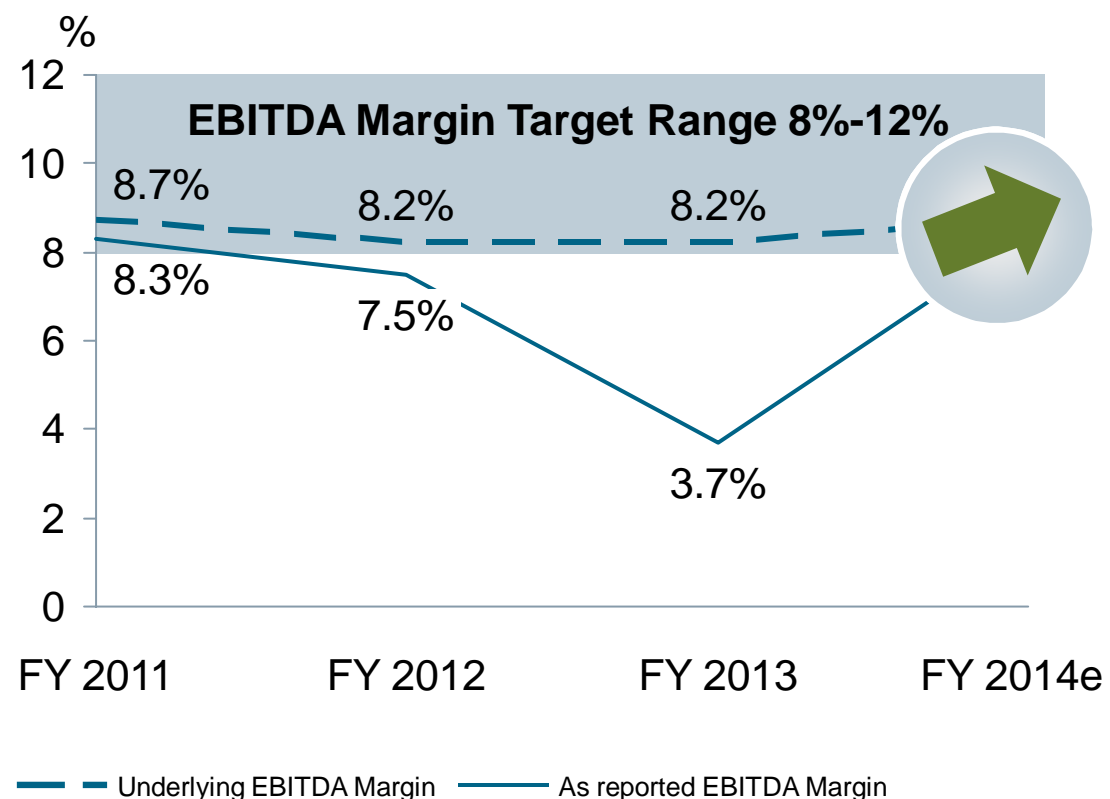
2) Without ICx (2011), Thameslink (2013)

3) Figures w/o actively ramped down BT US business

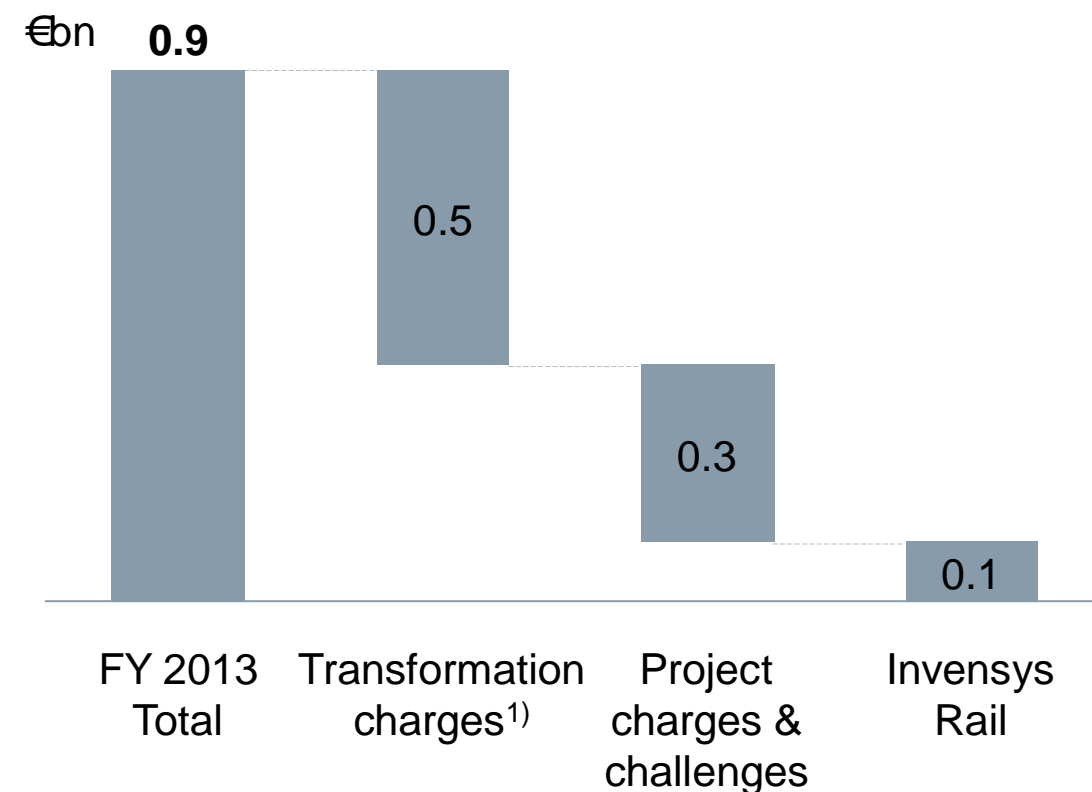
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## IC performance affected by significant one-time charges in FY 2013

### EBITDA Margin



### Non-recurring items (Underlying)





1) Including goodwill impairment of €46m related to the Postal & Baggage Handling business and impairments of long-lived assets totaling €30m in PGS&P  
 Note: All figures incl. Invensys Rail (5 months in FY 2013) and Postal & Baggage Handling

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## Rail Systems: critical projects have stabilized

### Status of legacy projects

Project	Status
<b>Velaro D</b> 	<ul style="list-style-type: none"><li>• Project execution according to project plan agreed with customer</li><li>• Delivery to Deutsche Bahn for training purposes in 11/2013</li></ul>
<b>Velaro Eurostar</b> 	<ul style="list-style-type: none"><li>• Timeline still challenging</li><li>• Project execution according to plan</li><li>• Commercial service in 2015 according to project plan agreed with customer</li><li>• Regulatory matters need resolution</li></ul>

## Reliable project execution is key to success

Implemented improvement levers

Stringent project selection

Front-loaded engineering (platform, pre-tender)

Supplier management: Reduced specifications and early engagement

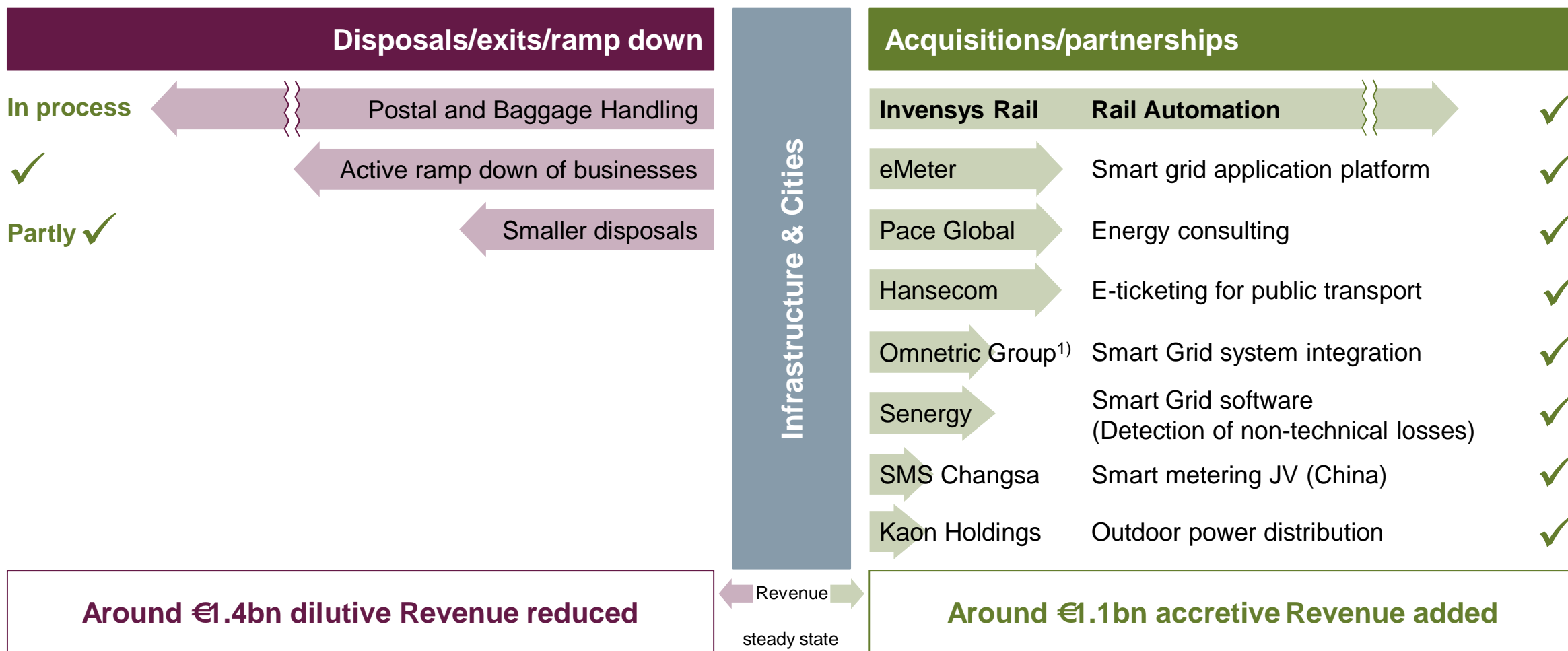
Monthly joint team meetings: Siemens, customer and assessor

Homologation requirements freeze

**De-layering of organization – top management close to project execution**

# IC is focusing its portfolio to strengthen its core and reduce its complexity

## Overview of disposals and acquisitions



1) Transaction not yet closed ✓ = closed acquisitions or completed disposals/exits/ramp downs

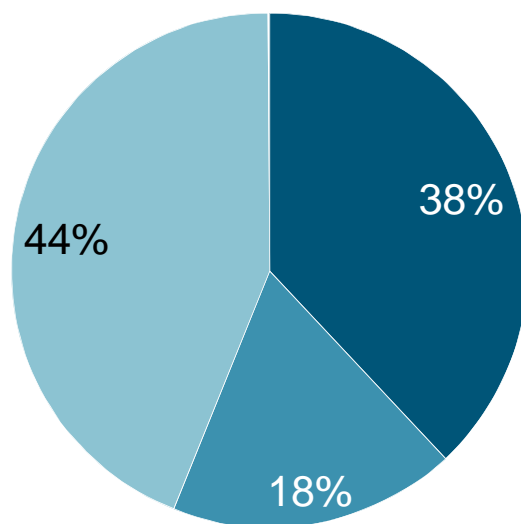
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# We manage our business mix towards higher product and service content

## Optimization of our business mix

### FY 2011

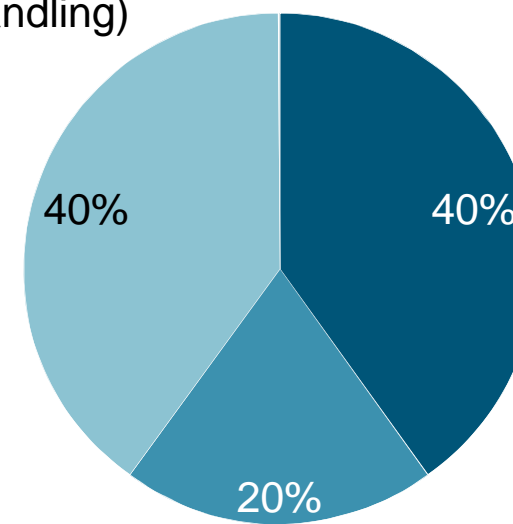
#### Business mix



■ Solution ■ Service ■ Product

### FY 2013

#### Business mix (incl. a full year of Invensys Rail, excl. Postal & Baggage Handling)



■ Solution ■ Service ■ Product

- We increased the products/services share from 56% in FY 2011 to 60% by end of FY 2013
- Solution business pulls products and service business and opens growth markets
- Service portions grow in all Divisions

## Greater emphasis on selection criteria for solution business

Attractive ROCE and profitable growth with low risk

### Benefits of solution business

- Is a competitive edge for us
- Pulls product and service business (e.g. BT fire, Rail Systems)
- Opens up growth markets, e.g. Middle East and Asia
- Customer proximity
- Generates high ROCE



### Selection criteria

- High product and service share
- Limited risks
- Platforms/re-use
- High ROCE/Cash profile
- Experienced project managers

# Clear selection criteria for bid or no-bid decisions

Turnkey projects within IC

## Successful turnkey projects

### Example Metro Riyadh



- Order of €1.6bn, no civil works included in our scope!
- Accretive in Profit with adequate risk contingency
- IC supplies metro vehicles, rail automation, rail electrification and system integration
- Offer based on proven and mature platforms
- Core project team members identified already in the quotation phase

## No-bid decision

### Example Crossrail (Rolling Stock)



#### Seemingly attractive...

- Order value >£2bn
- 60 trains, 1 depot
- 32 years maintenance contract

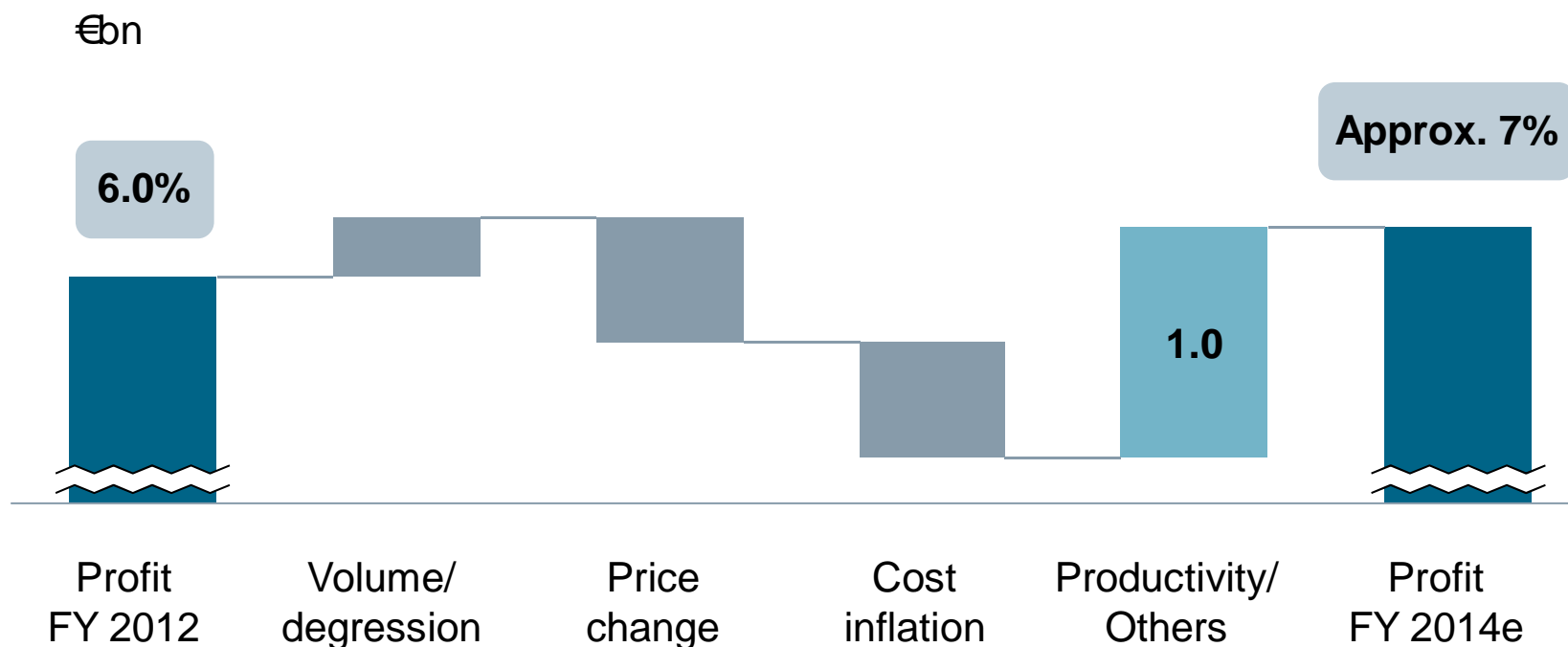
#### ... but no-bid decision

- Capacity constraints
- No re-use/platform
- Challenging timeline

But we are delivering signaling and communications / control systems, Orders of €110m.

# Transformation clears the way to our EBITDA Margin Target Range

Impact of productivity program



## Productivity program

### Gross Margin improvements

- Pricing power
- Manufacturing
- Purchasing

### OPEX improvements

- R&D
- Sales
- G&A

**Our transformation process will lead us to the low end of our EBITDA Margin Target Range in FY 2014**

## Improving pricing quality is a focus matter

Strict pricing governance	Doubled price enforcement for standard low voltage products in Germany
Advance analytics	+ \$10m Profit impact on LMV Low Voltage & Products in US by transforming cherry pickers into volume customers
Tool based deal making	Target +50bps in Gross Margin for BT product business by tool supported negotiation and avoidance of price rebate stacking
Dual branding	SG: Acquired brand “Reyrolle” maintained as <b>economical solution</b> for distribution and industrial customers
Sales force	<ul style="list-style-type: none"><li>• Sales competence management</li><li>• Introduction of <b>sales incentives</b> on price quality</li></ul>

Pricing pressure

< 2%

## **Leaner and focused sales approach leads to savings of approx. €150m**

Focused investments into sales

### **Focused approach of investments into growth regions and right-sizing of others**

Right-size in 36 countries; closing 22 divisional sales setups in non profitable countries

Growth in 38 countries

Adjusted portfolio offerings to match market demands and local capabilities

Strengthened distributor network; e.g. BT Products in China: 12 distributors newly entered the top 25 customers

**Increased sales productivity**

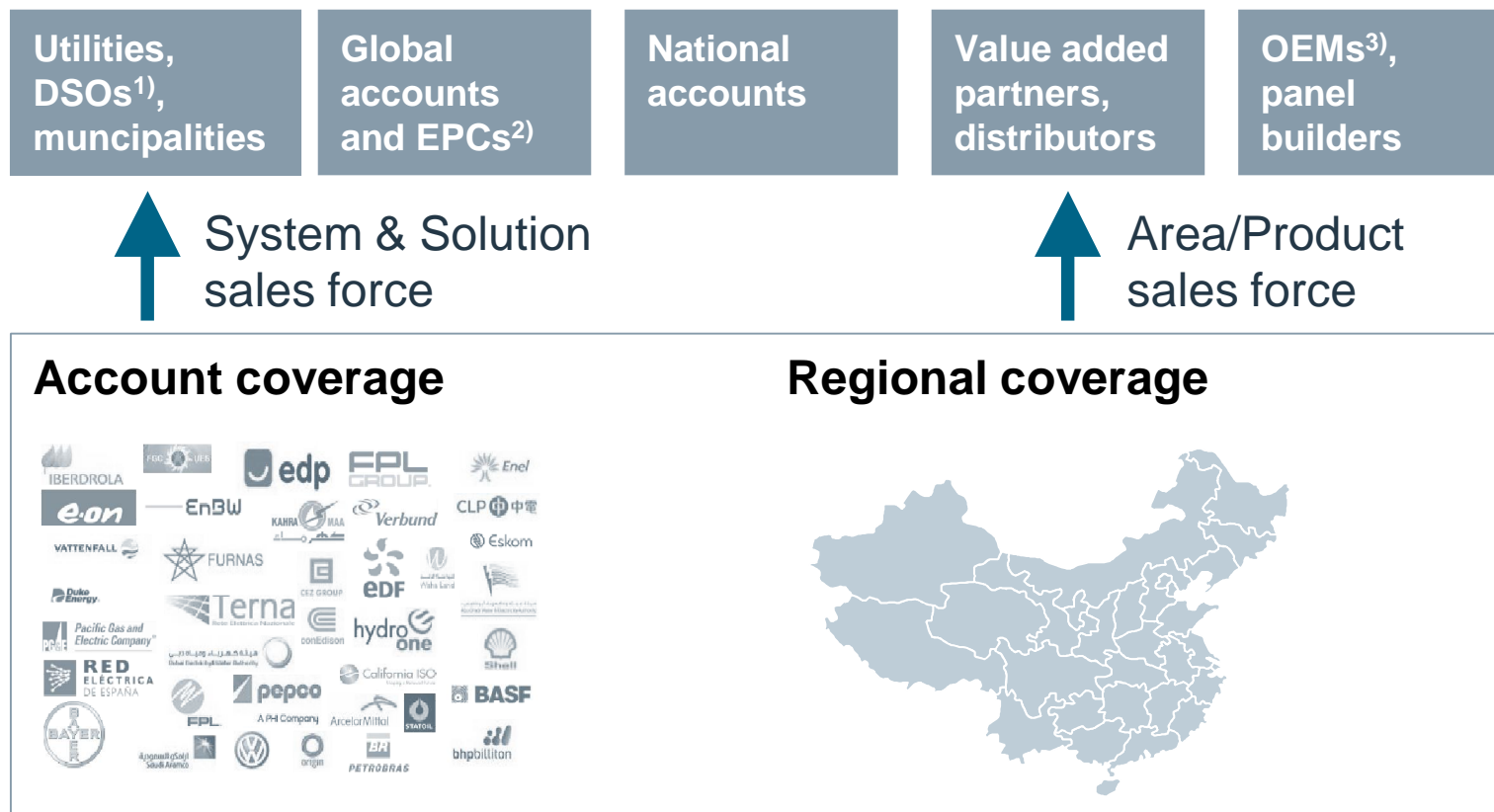
**+14%**

**Permanent savings**

**approx.  
€150m**

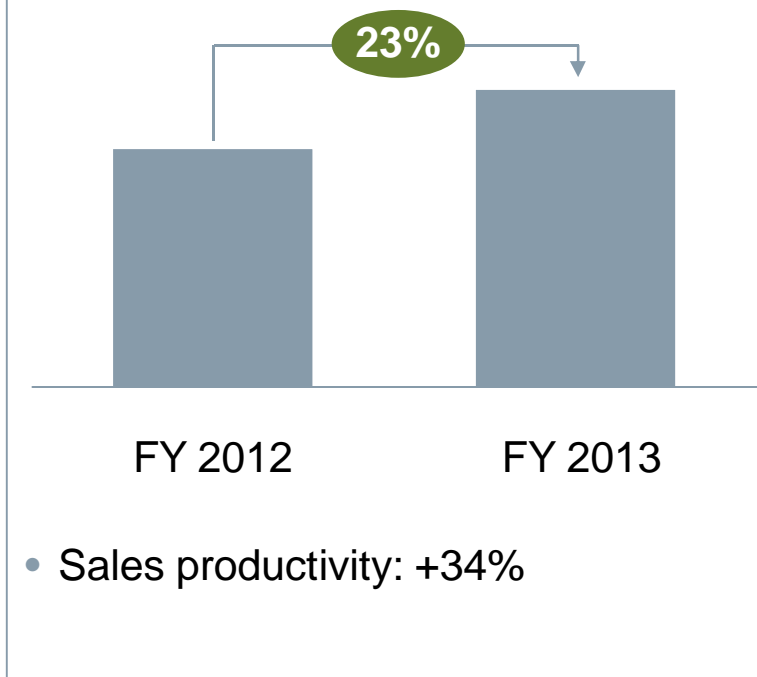
## We invest in our sales set-up

New sales set-up of LMV and BT products, SG to join in FY 2014



### Example China

Orders (LMV and BT products)



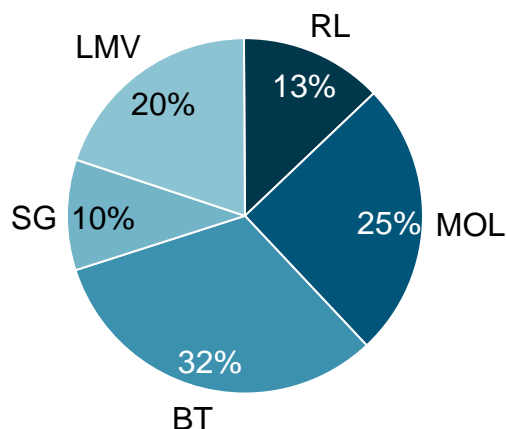
**LMV and BT clearly outperformed the market by focusing their product sales on the construction market and the associated distributor / partner channels.**

1) Distribution System Operator 2) Engineering, Procurement, Construction 3) Original Equipment Manufacturer

# City account management is USP channel for IC Sector

Key successes in FY 2012 and FY 2013 in focus cities

More than 200 top leads, most cross-divisional



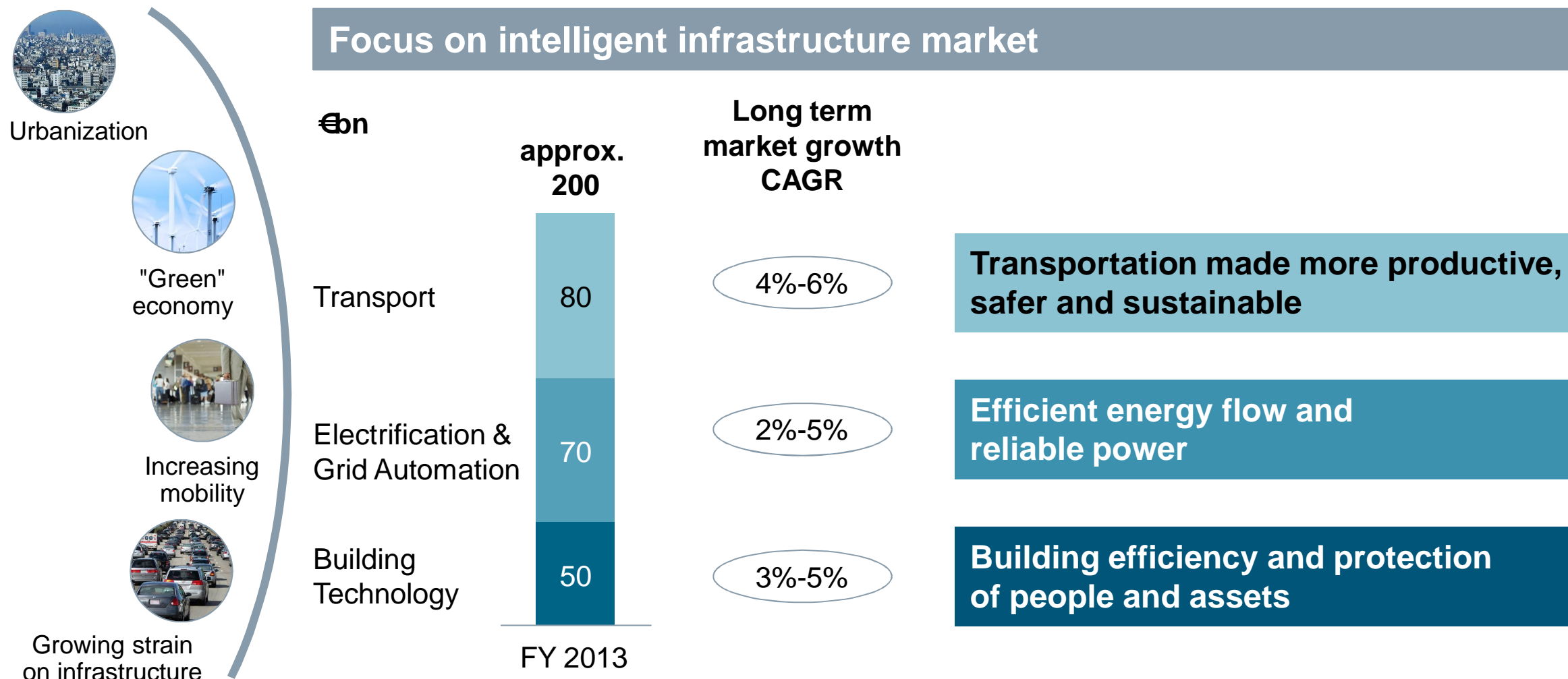
Asia	Americas	Europe
 <b>Hong Kong</b> <ul style="list-style-type: none"> <li>MTR Shatin Central Link – Control &amp; Signaling, IT &amp; Communication Orders: €110m (MOL)</li> </ul>	 <b>Charlotte</b> <ul style="list-style-type: none"> <li>Charlotte LightRail Orders: €64m (RL)</li> </ul>	 <b>London</b> <ul style="list-style-type: none"> <li>Crossrail Signaling and Communication Control equipment Orders: €110m (MOL)</li> </ul>
 <b>Guangzhou</b> <ul style="list-style-type: none"> <li>Canton Fair Complex Orders: €1.6m (BT, SFS<sup>1)</sup>) Pot.<sup>2)</sup>: €1.0m (MOL)</li> <li>Guangzhou Knowledge City Orders: €0.2m (LMV) Pot.<sup>2)</sup>: €22m (BT, LMV, SG)</li> </ul>	 <b>Bogotá</b> <ul style="list-style-type: none"> <li>Replacement of Protection devices Orders: €9m (LMV, SG)</li> </ul>	 <b>Munich</b> <ul style="list-style-type: none"> <li>8 Avenio for MVG Orders: €29m (RL)</li> </ul>
 <b>Delhi</b> <ul style="list-style-type: none"> <li>Metro Electrification phase 3 Orders: €75m (SG)</li> <li>Connaught Place redevelopment Orders: €2.6m (LMV)</li> </ul>	 <b>Toronto</b> <ul style="list-style-type: none"> <li>Pan/ParaPan American Games Orders: €5m (BT, LMV)</li> </ul>	 <b>Vienna</b> <ul style="list-style-type: none"> <li>Wiener Linien signaling Orders: €15m (MOL)</li> </ul>

**With 69 focus cities we cover Orders in FY 2013 of €1.9bn, growth of 11% compared to FY 2012**  
**3 City CoCs<sup>3)</sup> worldwide, HQ in London "The Crystal": >115,000 visitors, >14,000 business visitors<sup>4)</sup>**

1) SFS = Siemens Financial Services 2) Estimated 3) CoC = Center of Competence 4) in a 12 months period

# IC is active in attractive markets

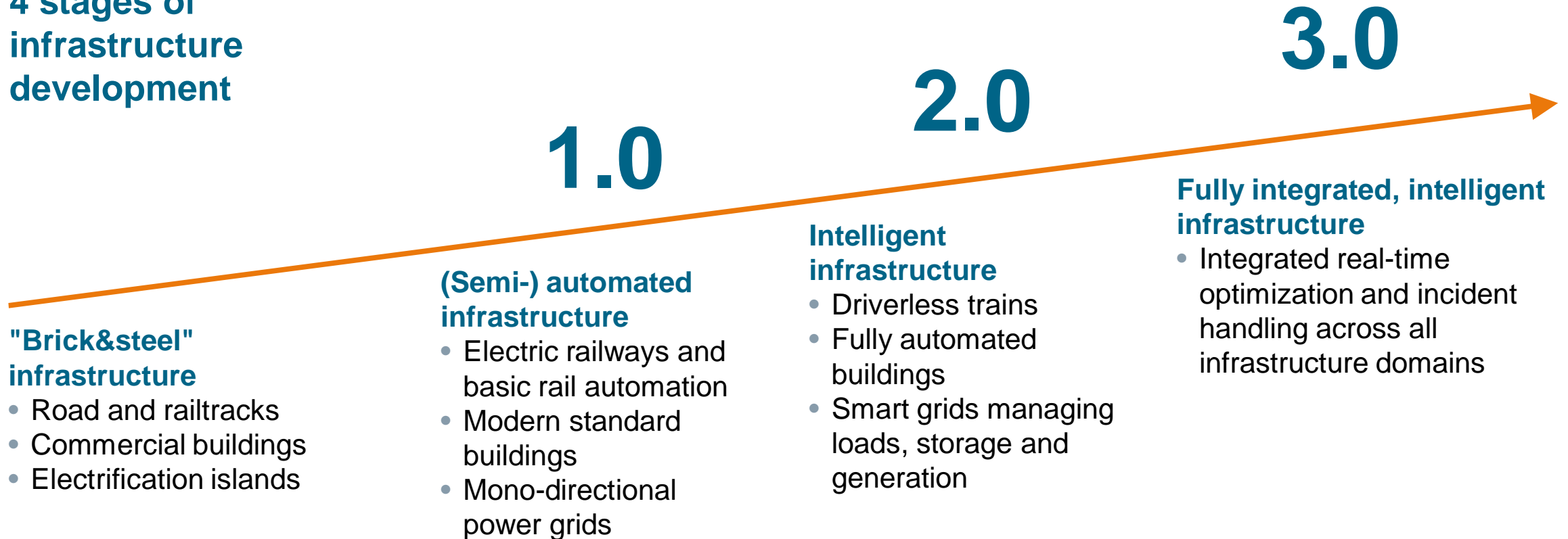
All IC markets grow at least with world GDP



# IC drives the market towards increased intelligent infrastructure

Further growth for decades to come – Four stages of infrastructure development

## 4 stages of infrastructure development



**Incremental investments drive increase in productivity, efficiency, capacity and resilience**

# IC is the market leader in intelligent infrastructure automation

## Infrastructure & Cities portfolio examples

Examples	Rolling stock	Road and rail	Power and utility grids	Buildings incl. data centers
Management level	<ul style="list-style-type: none"> <li>Intelligent remote services</li> </ul>	<ul style="list-style-type: none"> <li>Rail IT</li> <li>E-ticketing</li> </ul>	<ul style="list-style-type: none"> <li>Meter data management (eMeter)</li> <li>Control center</li> </ul>	<ul style="list-style-type: none"> <li>Building performance and sustainability</li> <li>Enterprise security</li> <li>DCIM<sup>2)</sup></li> </ul>
	Driverless trains Driver assistance systems			
Automation	<b>Train automation<sup>1)</sup></b> <b>#2</b>	<b>Rail and traffic automation</b> <b>#1</b>	<b>Utility grid automation</b> <b>#1</b>	<b>Total building automation</b> <b>#1</b>
Field devices	<ul style="list-style-type: none"> <li>Propulsion</li> <li>Train sensors (e.g. for remote services)</li> </ul>	<ul style="list-style-type: none"> <li>Signals</li> <li>Crossings</li> <li>Traffic lights</li> </ul>	<ul style="list-style-type: none"> <li>Grid protection devices</li> <li>Meters</li> </ul>	<ul style="list-style-type: none"> <li>Sensors/actuators</li> <li>Fire detectors</li> <li>Room controllers</li> </ul>
Power supply products & solutions	<ul style="list-style-type: none"> <li>Circuit breakers</li> <li>Gas and air insulated switchgear</li> <li>Battery storage solutions</li> </ul>			

 Market positions in automation

1) Including traction and control systems (synergies with other Siemens Sectors); 2) DCIM = Data Center Infrastructure Mgmt.

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# The intelligence of infrastructure yields significant and quantifiable benefits for our customers...



**Rolling stock**



**Road and rail**



**Power and utility grids**



**Buildings**

## Impact of intelligence

**20-30%** capacity increase with driverless trains

Safe up to **30%** life cycle cost

Approx. **20%** increase in city traffic speed

**30%** energy savings

Integration of renewables: **25-40%** lower investment (compared to traditional grid expansion)

**20-30%** less energy consumption  
**3-5** years payback

## Additional benefits

**Higher resilience** and quicker **outage/failure detection** through real-time monitoring

Automatic and highly reliable **safety and security** features

No additional **land use** and **shorter permission and construction** process

# ... which are captured in our customer projects

## Intelligent infrastructure examples

### Rail



Driverless metro in Nuremberg enables **50% capacity** increase with **15% energy savings**.

### Road



London: **20% less traffic**, **17% reduction in commuter times**, **150,000t less CO<sub>2</sub> annually** through congestion charging.

### Power and utility grids



India: Improved availability of distribution grid and **loss<sup>1)</sup> reduction from 30% to 15%**.

### Buildings



Building automation in Taipei 101 lead to **18% energy efficiency** gains.

1) Technical and commercial losses

# China a success: Cross-Divisional focus leading to strong, margin-accretive growth

## Leverage synergies in go-to-market

- Joint LMV/BT/SG sales force

## Enter into new markets

- Example: Commuter rail and light rail vehicle

## Build performance and execution oriented culture

- Sales performance based incentive
- Elimination of sales low performers (13% separated)

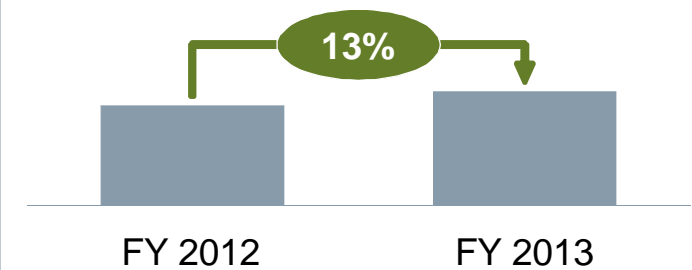
## IC China business progress



## Push cost optimization

- Improving SCM<sup>1)</sup> and manufacturing performance

## Productivity achievements



## Drive organizational efficiency

- Combined management/administrative positions across units

1) Supply Chain Management

## India and Thailand: High profile project wins

### India

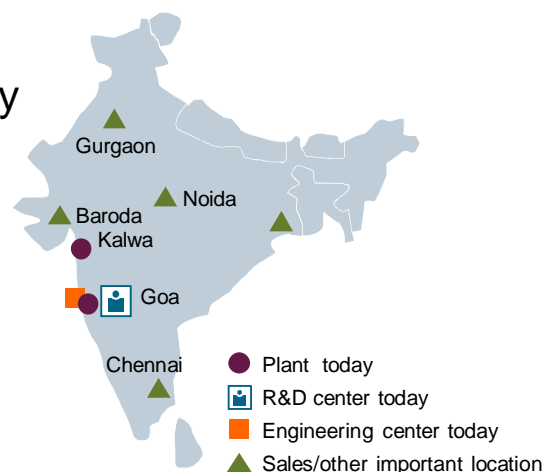
#### Broad IC SG footprint secures project wins

##### IC SG with broad footprint in India:

- **Value chain completely localized** – from R&D to sales including manufacturing

##### Recent project wins:

- Maharashtra State Electricity Distribution Company Limited (Mumbai)
- Delhi Metro electrification phase 3



**Orders increased > 40% (CAGR FY 11 – FY 13)**

1) MRTA = Metropolitan Rapid Transport Authorities; 2) BTS = Bangkok Skytrain

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### Bangkok

#### Urban transport systems MRTA<sup>1)</sup> and BTS<sup>2)</sup>



- **> 700k** passengers/day
- **54** train sets
- Delivery of **rolling stock and rail infrastructure** including electrification
- **Complete maintenance service** for rolling stock and rail infrastructure
- Highest availability: **> 99%** punctuality
- Continuous operation, even **during flooding** in 2011

**Since FY 2011 Revenues increased by 18%**

## RL is well positioned in the Russian market

### Current market coverage

#### High Speed



8 plus 8 Sapsan (Velaro RUS) high speed trainsets

#### Commuter



1,254 Lastochka (Desiro RUS) cars

#### Coaches



200 RIC (Viaggio Classic) sleeping coaches

#### Locomotives



221 E-Locos 2ES10

#### Service



Full maintenance for Sapsan (30 years) and Desiro RUS (43 years)

### Unprecedented modernization plans of Moscow

- Metro: up to 3,000 cars until 2020
- Light rail vehicles: up to 1,000 trams next 10 years

### RZD plans extensive investments

- Renovation of E-Locomotive fleet
- Tenders for high speed (before FIFA 2018)

### Set-up

- Localization of up to 90% in Russia
- Strong partners

### Products

- Most RL platforms already run in Russia

### Track record

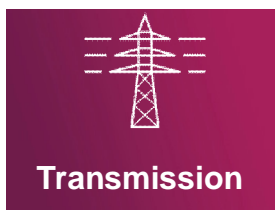
- Highest availability of products
- Delivery before contract dates

**Since FY 2011 Revenues increased by > €500m**

## Smart Grid: Bringing automation to electrical distribution

### Strong foundation in transmission automation

- **Market CAGR<sup>1)</sup>: Approx. 5%**
- Degree of automation 2012: 95%
- Small number of customers, **proven sales set up** via direct and in-direct channels:
  - Other Siemens units
  - Value added resellers, EPCs



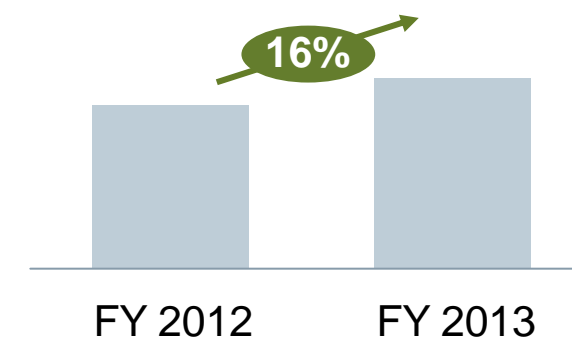
### Emphasis on distribution automation

- **Market CAGR<sup>1)</sup>: > 10%**
- Degree of automation 2012: < 20%
- High number of customers → **new sales team founded** in 2012:
  - 81 focus accounts in ten countries
  - 34 focus accounts in five cities



### Achievements

- **PGS&P Order increase in distribution automation market**

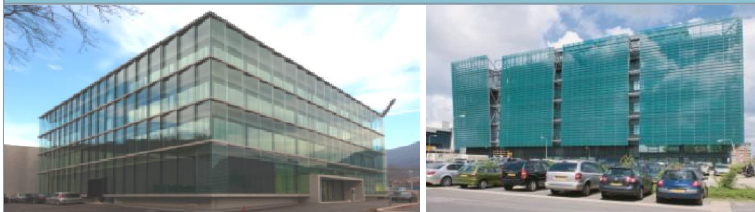


1) Source: Navigant Research; Market size of 2012 and CAGR for 2012-2018

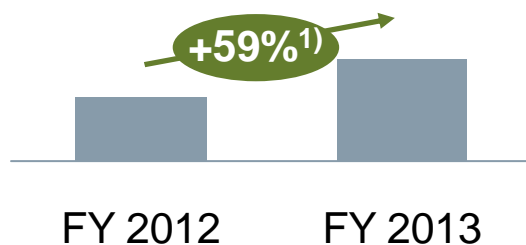
# Critical Power: Strong performance in attractive growth markets

## Example LMV

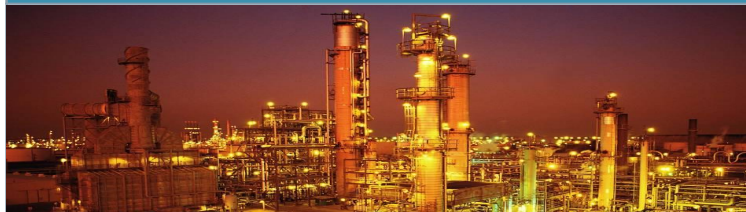
### Data Center



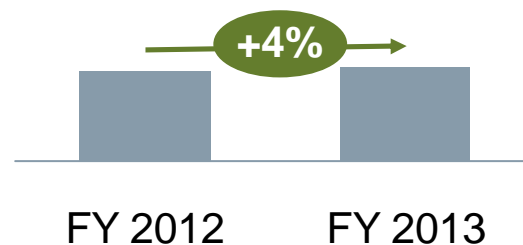
Orders



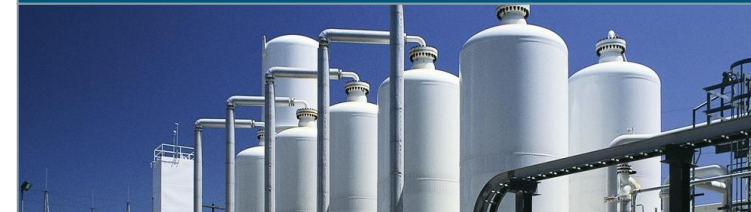
### Oil & Gas



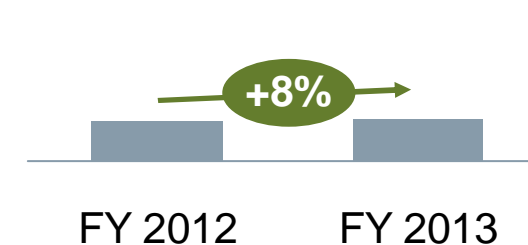
Orders



### Chemical



Orders



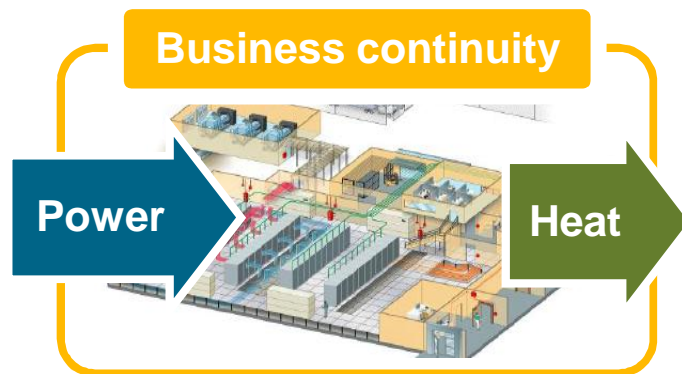
1) Direct Order growth from data center customers, combined for BT and LMV

# Collaborative portfolio and account management generates profitable growth

## Data Centers

### Strong foundation

- Complete solution portfolio (power, HVAC<sup>1)</sup>, fire safety & security)
- Superior applications (e.g. Demand Flow, patented)
- Global solution and local expertise
- Advanced integration capabilities



### Emphasis on Data Centers

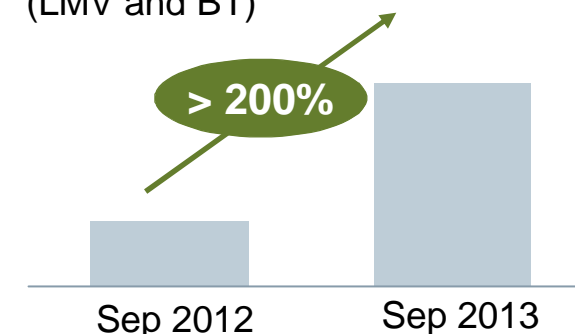
- Joint approach of BT and LMV provides key differentiating factors
- Setup of 3 Centers of Competence



- 20 key account managers serving 60 global accounts
- Siemens DCIM<sup>2)</sup> solution based on Siemens Industry's PLM<sup>3)</sup> software Teamcenter

### Achievements

- **Strong funnel ramp-up** (LMV and BT)



- **High hit-rate (> 40%)**
- Direct Orders from data center customers **roughly doubled** from FY 2011 to FY 2013
- Higher margins and **high service potential**

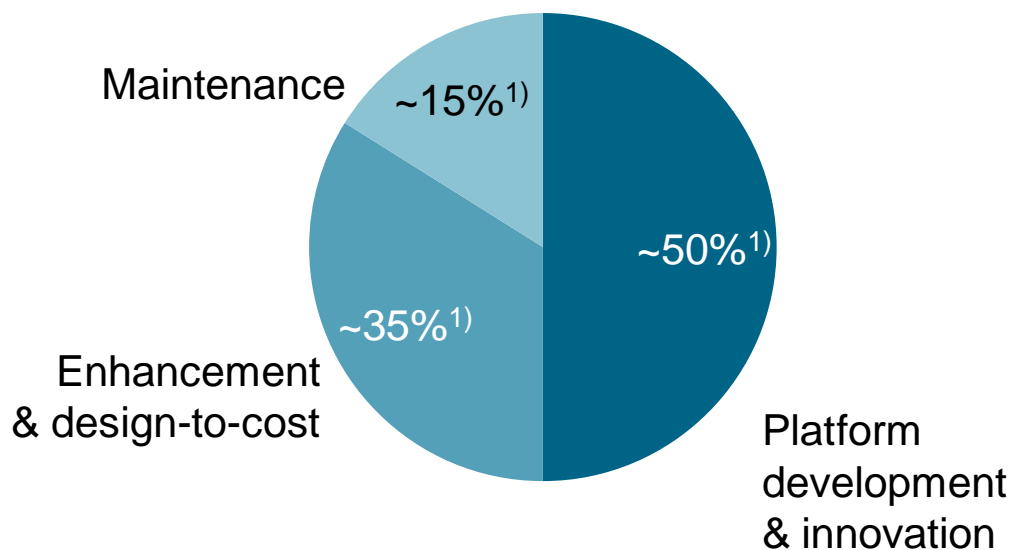
## IC quickly catching up in market position

1) HVAC = Heating, Ventilation and Air Conditioning 2) DCIM = Data Center Infrastructure Management; 2) PLM = Product Lifecycle Management;

# Innovations @ Infrastructure & Cities Sector

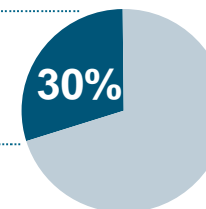
## Sustainable investment

We spent approx. **4%** of sales on R&D (> €700m) in FY 2013

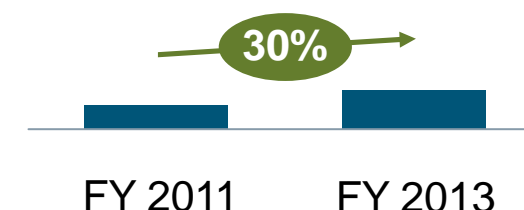


### Location of R&D resources in FY 2013

Low cost countries

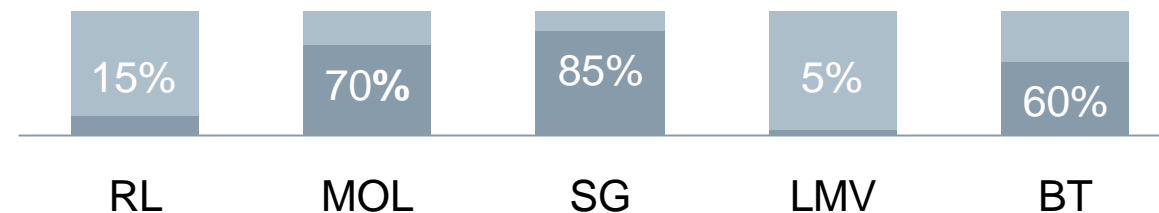


### Developm. of R&D resources in low cost countries



### Our business is heavily driven by software especially in MOL and SG

Share<sup>1)</sup> of R&D spent on software versus total R&D in FY 2013



**Well balanced R&D spending on innovations and improvements of offerings**

<sup>1)</sup> Estimated

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# Innovations @ Infrastructure & Cities Sector

## Improving market leader positions

### Managing the new energy age

#### Protection family: SIPROTEC 5

Lowest TCO<sup>1)</sup> in the market due to

- Modular hardware and software design
- Single tool for the entire life cycle
- Strong market leader position  
**with more than 1 million devices installed**



### Unattended train operation

#### Inspiro-Metro with Trainguard MT

- Highest level of automation, no attendant
- Train is driven fully automatically
- Light-weight and recyclable vehicle
- **50% throughput increase**  
with up to **30% energy savings**



### Products from China for domestic and world markets

#### Simosec World

- Gas insulated switchgear originally developed in Germany but optimized and manufactured in Wuxi, China
- Simple and cost-effective:  
**-25% manufacturing cost**



### Improved solution and product business

#### Fire Safety: Sinteso and Cerberus

- Covering all major standards
- Commissioning productivity +18%
- **Strong growth of > 10% p.a.**  
with partners



**Innovations addressing customer benefits as well as cost advantages for us**

1) Total cost of ownership

- 1 | We have a powerful portfolio of businesses serving very attractive markets with high profit pools**
- 2 | We made major steps in transforming the Sector towards higher profitability**
- 3 | We are driving project execution with discipline and focus**
- 4 | We will rapidly drive the margins to competitive levels...**
- 5 | ...while growing faster than our competitors in most areas**

## The right management team makes it happen



Left to right:

Ralf Christian, LMV Division

Johannes Milde, BT Division

Jan Mrosik, SG Division

Roland Busch, Sector CEO

Hannes Apitzsch, Sector CFO

Sami Atiya, MOL Division

Jochen Eickholt, RL Division

## 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; 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.