



Jochen Eickholt | CEO Rail Systems Division

# On track to target achievement

Capital Market Day

London, December 5, 2013

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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 shareholders 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.

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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.



# Rail Systems Division

Intelligent Rail Systems as a pillar of intelligent infrastructure

## Infrastructure & Cities

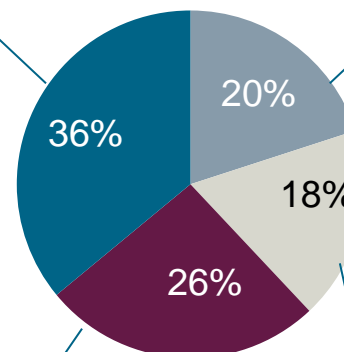
### Rail Systems

**FY 2013**

Orders: €6.8bn  
Revenue: €3.1bn  
Employees: approx. 11,500



Revenue distribution<sup>1)</sup>



Locomotives and Components



Customer Services

Rail Automation



Rail Electrification



Turnkey Solutions



**Additional partnerships with other Sectors: Industry (e.g. Drive Technologies), Energy (e.g. Power Transmission) and Siemens Financial Services (e.g. Financing Models)**

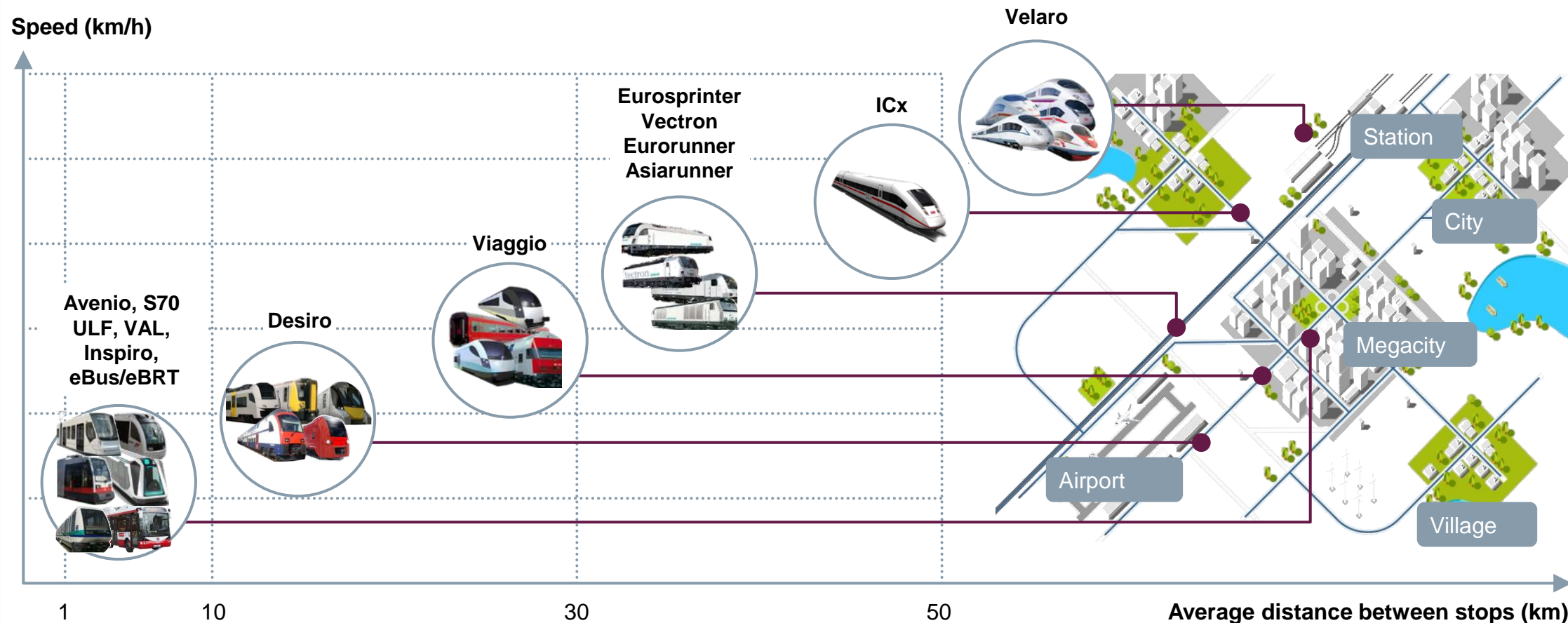
**Together with our partners in the IC Sector and Siemens-wide, we are the powerhouse of intelligent mobility for the rail market – from infrastructure and automation to rolling stock and service**

<sup>1)</sup> Including internal business

# Rail Systems

A backbone of intelligent infrastructure

## Moving people and goods in and between cities



### Velaro D

- All **technical adjustments completed**
- Trains have run over **400,000 test kilometers**
- **Monthly meetings** with **Deutsche Bahn** as well as the **German Federal Railway Authority** and **Ministry of Transport**
- **First delivery** to Deutsche Bahn in **11/2013** for **training purposes**



### Velaro Eurostar

- **Assembly of 4<sup>th</sup> train completed**
- **Test runs** in Belgium are very promising
- **Commercial service** to be entered **in the course of 2015**
- The **timeline** is still **challenging** due to the **large number of involved parties** (SNCF<sup>1</sup>; Eurostar<sup>2</sup>; Homologation authorities in France, the UK, Belgium; international suppliers)



1) Société nationale des chemins de fer français    2) Eurostar International Limited

# Velaros Projects

## Fix them

What went wrong?	Looking forward ...	Time-frame	Homologation environment
<b>Project complexity</b>	<ul style="list-style-type: none"> <li>Stringent project selection</li> <li>Front-loading (e.g. requirements, supplier involvement, simulations)</li> </ul>	<ul style="list-style-type: none"> <li>Implemented</li> <li>Implemented / Short-term</li> </ul>	<div> <p><b>Electrification</b></p> <ul style="list-style-type: none"> <li>Non-electrified</li> <li>3 kV DC/25 kV, 50 Hz</li> <li>15 kV, 16 2/3 Hz</li> <li>1.5 kV DC</li> <li>25 kV, 50 Hz</li> <li>DC conductor rail</li> <li>3 kV DC</li> </ul> </div> <div> <p><b>Train Control System</b></p> <p>Train Control Systems (TCS)</p> </div> <div> <p><b>Velaro D</b></p> <p>B: TBL1.2 F: TVM 1.2 D: LZB 5.2 EU: ETCS</p> </div>
<b>PLM<sup>1)</sup> &amp; SCM<sup>2)</sup> process weakness</b>	<ul style="list-style-type: none"> <li>Platform orientation</li> <li>Tightened supplier management</li> </ul>	<ul style="list-style-type: none"> <li>Short to mid-term</li> <li>Implemented / Short-term</li> </ul>	
<b>People</b>	<ul style="list-style-type: none"> <li>50% of level 1&amp;2 management exchanged</li> <li>Dedicated project teams</li> </ul>	<ul style="list-style-type: none"> <li>Implemented</li> <li>Implemented</li> </ul>	
<b>Homologation process</b>	<ul style="list-style-type: none"> <li>Requirements freeze</li> <li>Monthly joint team meetings: Siemens, customer, assessor</li> </ul>	<ul style="list-style-type: none"> <li>Short-term</li> <li>Implemented</li> </ul>	

1) Product Lifecycle Management 2) Supply Chain Management

## Our way forward

Three pillars to target performance

We are driving **bottom-line performance** by making our **project execution** more **robust** and **driving down costs**.

We are in a **very attractive market** and are **driving top-line growth** through **selected projects** to sustain our **strong market share**.

We **serve our customers** with an **excellent portfolio** of **intelligent high-value products and services** which we are strengthening further through our **platform strategy**.



# The "Rail on Track" program – examples of implemented measures

We are making our projects more robust and their execution more stringent



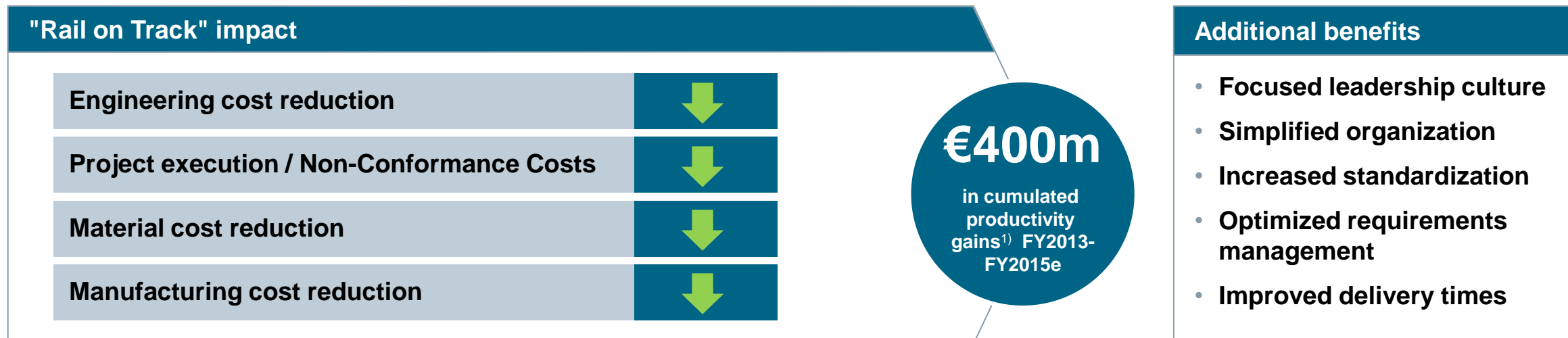
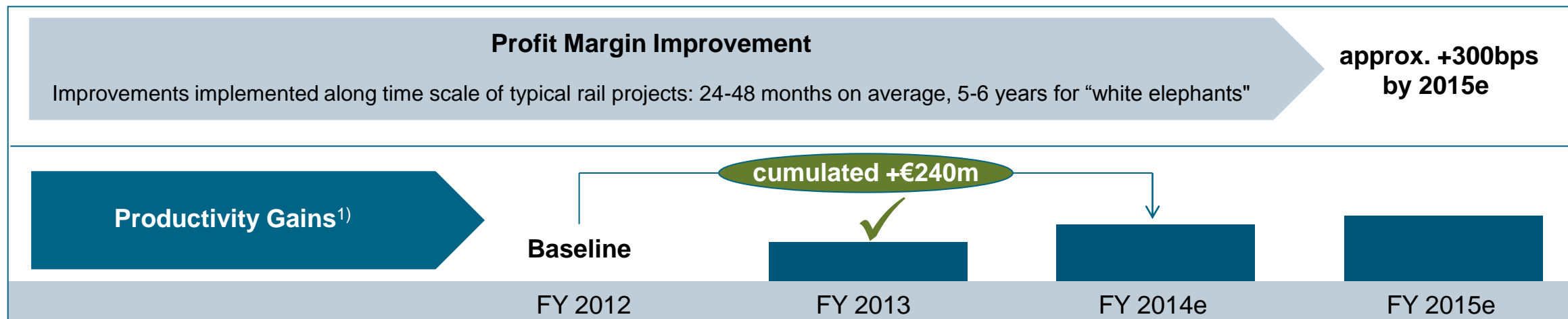
- Simplified project organization with clear principles of accountability and stringent project execution ✓
- Entire engineering organization restructured along streamlined sub-systems ✓
- Advanced requirements engineering tools implemented ✓
- New simulation labs/dynamic testing (✓)

- New project milestones to integrate suppliers earlier ✓
- Reduction of up to 80% one-time design costs via platforms ✓
- Stronger KPI-based manufacturing controls ✓
- Further implementation of Siemens Production System (SPS) ✓



# The "Rail on Track" program

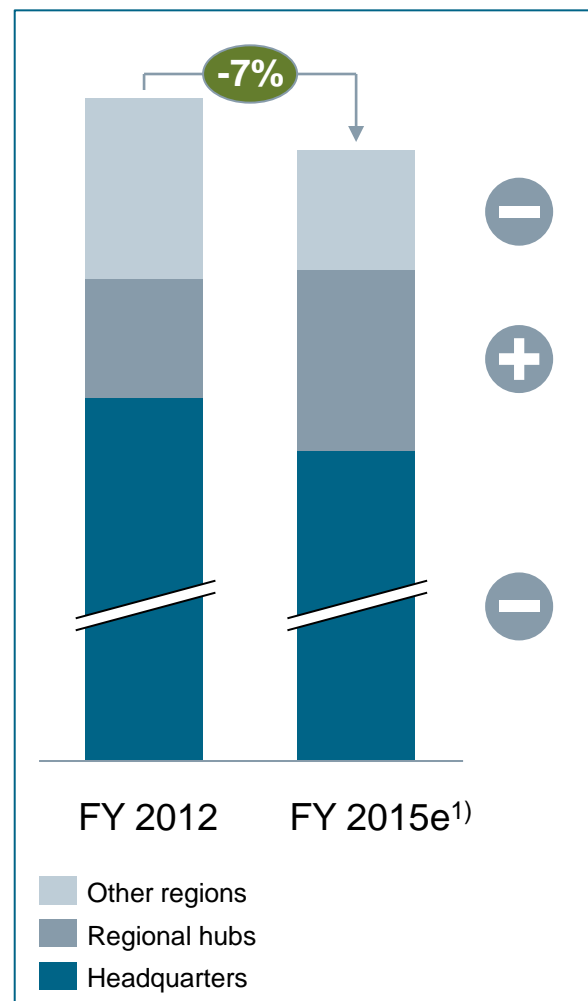
The management team drives margin improvement through various cost-down levers



1) Base productivity and Transformation program

# The "Rail on Track" program

We are reducing headcount by 7%<sup>1)</sup> and focusing our regional setup



## Examples of manpower adjustments in selected locations



**Germany**  
Berlin, Erlangen,  
Munich, Krefeld



**Austria**  
Vienna, Graz



**USA**  
Sacramento



**United Kingdom**  
London,  
Northampton



**China**



**Russia**  
Yekaterinburg



**Brazil**  
Cabreuva



**Other Regions**  
e.g. Australia,  
Spain, Algeria



1) Measures agreed as part of 'Siemens 2014'

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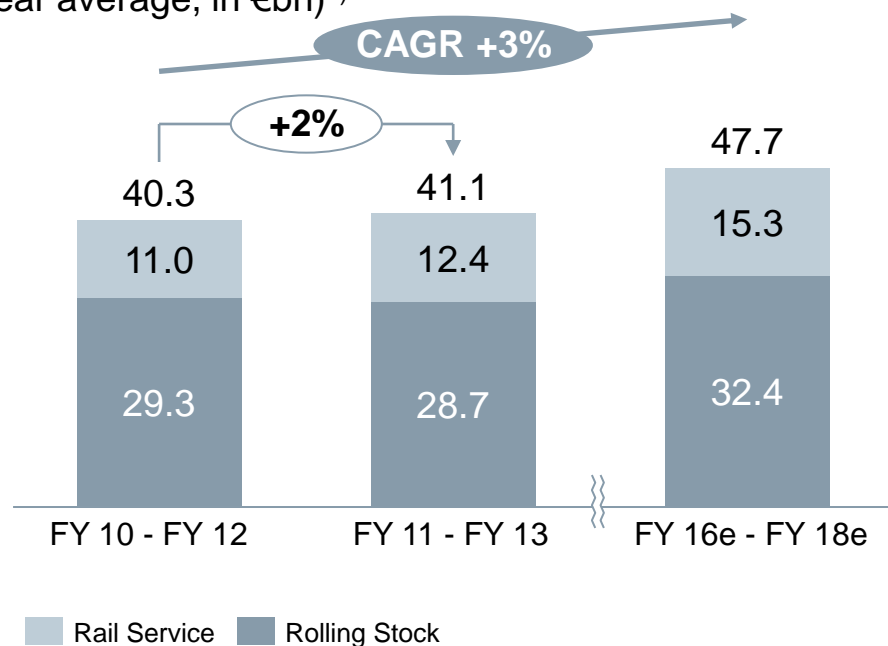
We **serve our customers** with an **excellent portfolio** of **intelligent high-value products and services** which we are strengthening further through our **platform strategy**.



# Rail Systems is growing slightly stronger than the market and is #1 in Orders in FY 2011 and FY 2013

## Market growth

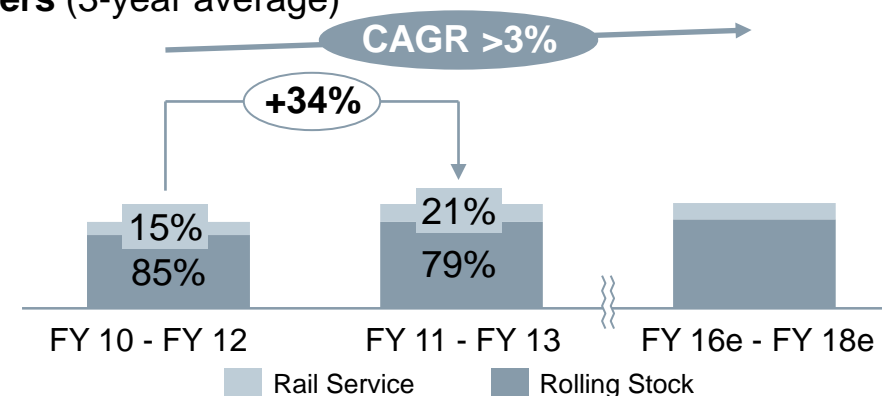
(3-year average, in €bn)<sup>1)</sup>



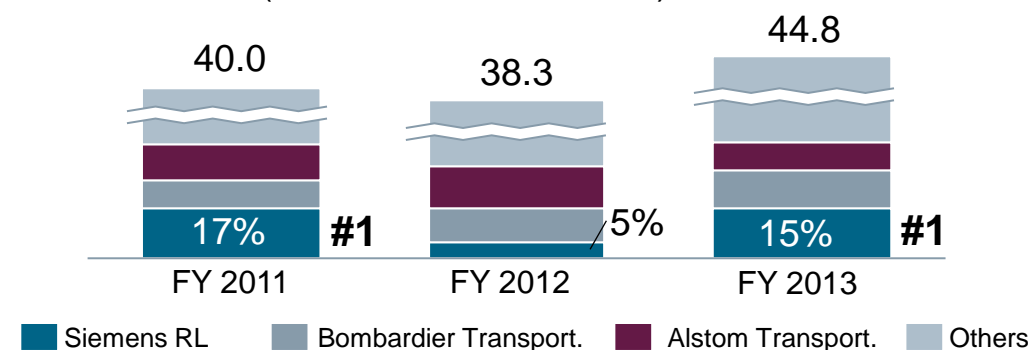
- Rail Systems market shows sustainable growth
- Service with long term growth trend

## Growing Orders and market share

Orders (3-year average)



Market share<sup>2)</sup> (contract awards, in €bn)



1) Total Rolling Stock & Service market excludes shunters, freight wagons and operator own service market (approx. €20bn p.a.)

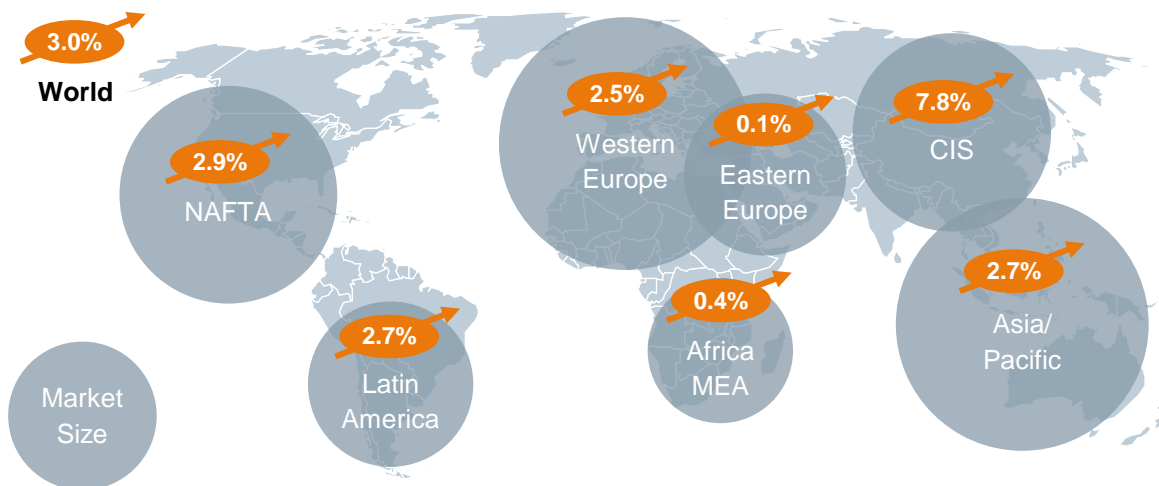
2) Market shares based on published project awards

Source: Latest UNIFE World Rail Market Study published in September 2012

# We follow a selective market approach

Focus on high-value regions, strong local partnerships  
and cost-optimized sales structures

## Market volume and growth 2012/2014 – 2015/2017<sup>1)</sup>



## Key market highlights

- **Western Europe:** Remains largest market volume
- **CIS:** Unprecedented modernization plans
  - Up to 3,000 new Metro Moscow cars until 2020
  - Up to 1,000 new 3-module trams until 2022
- **Asia/Pacific:** Recovery of Chinese high-speed market started (component supply for 141 trains won)
- **General:** Liberalization trend/changed operator landscape

## Selective global footprint and cost-optimized sales structure footprint

Manufacturing	Service	Permanent sales structures	Temporary project support	Exit
<ul style="list-style-type: none"><li>• Germany</li><li>• Austria</li><li>• USA</li><li>• China</li><li>• India</li><li>• Russia</li></ul>	<ul style="list-style-type: none"><li>• Strong partnerships in 44 Countries</li></ul>	<ul style="list-style-type: none"><li>• Strong liaisons in 16 countries</li></ul>	<ul style="list-style-type: none"><li>• Strong project execution in 20 additional countries</li></ul>	<ul style="list-style-type: none"><li>• Cost-optimized exit in 6 sales and 10 service locations</li></ul>

1) Source: Latest UNIFE World Rail Market Study published in September 2012 – Comparable IC RL Portfolio

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# Rail Systems has secured the projects of choice to focus on sustainable growth

## Selected Orders in the last 15 months have moved Rail Systems to the #1 market position



**Desiro City Thameslink** for  
Cross London Trains (XLT)  
**1,140 cars**



**Desiro ÖBB first option** for  
ÖBB Personenverkehr AG  
**300 cars**



**ICx change request** for  
DB AG



**Velaro TCDD** for  
Turkish State Railways  
**6+1 trains**



**Metro Riyadh** for  
Arriyadh Development Authority (ADA)  
**238 cars**



**NEOVAL Rennes B** for  
SEMTCAR  
**38 cars**



**Metro Kuala Lumpur** for  
Syarikat Prasarana  
**232 cars**



**Vectron**  
Projects with numerous customers  
**Approx. 120 locomotives + options**



## Our way forward

### Three pillars to target performance

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# The RL portfolio – platform concepts as a basis for 95% of our business

Superior performance in capacity, reliability and life-cycle costs for our customers

## Moving away from individual solutions to platform based products

### Platforms are...

- **Variability** where needed to drive **customer return on investment**
- **Very high levels of part and system re-use** for all projects in one product line
- **Modularized systems** to allow for „plug and play“ designs
- **Up to 80% reduction of project-specific engineering costs** per product line



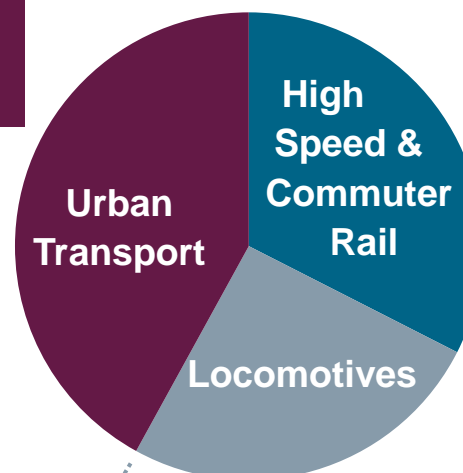
Avenio



Inspiro



Viaggio



Velaro



Desiro



Vectron

# Smart innovations

Superior performance in capacity, reliability and life-cycle costs for our customers





# Smart innovations

Reduced life-cycle costs via sustainable products

## Reductions in environmental impact result in cost savings for our customers

### Velaro



**-75%**  
Emissions<sup>1)</sup>

- Reduced energy use

### Eurorunner



**-50%**  
Noise

- -16% energy use
- -70% emissions<sup>1)</sup>

### Metro Oslo



**-25%**  
Energy use

- 95% recyclable
- ISO 14021 certified

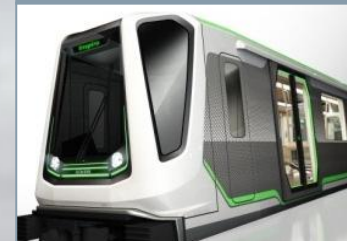
### ICx



**-5%**  
Weight

- -30% energy use
- Improved aerodynamics

### Inspiro



**95%**  
Recyclable

- Very efficient drive

### Desiro UK



**Water-based paint and solvent-free coatings**

- 97% recyclable

**Our innovative product portfolio offers a comprehensive competitive advantage to our customers**

<sup>1)</sup> Compared to air travel

## Smart innovations

Reliability of more than 99%

### Service for AVE S 102 in Spain



- 26 trainsets in daily operation
- Start of passenger service Madrid-Tarragona in 2007 and Madrid-Seville in 2008
- Train-based fault indication
- Reliability above 1.1 million km
- More than 65 million km in Revenue service since 2007

**Punctuality rate of AVE trains at 99.95%**

### Service for RZD Sapsan in Russia



- Start of passenger service in 2009
- Currently 8 trainsets in daily operation between St. Petersburg, Moscow and Nishni-Novgorod
- Delivery of further 8 trainsets starting
- Current daily mileage of approx. 13,000 km
- Maintenance together with customer RZD

**RZD Sapsan train reliability higher than 99%**

## High value products are complimented by intelligent services

### Recent service orders build on and strengthen long-term partnerships with our customers



**Full service Desiro City Thameslink** for  
First Capital Connect & Owner SPC  
**10 years**



**Eurostar** for  
Eurostar International Ltd. (EIL)  
**14 years**



**Velaro TCDD** for  
Turkish State Railways  
**7 years**



**Velaro RUS** for  
RZD  
**30 years**



**Desiro Sochi** for  
RZD  
**43 years**



**Locos Maintenance** for  
VLRD  
**2 years**

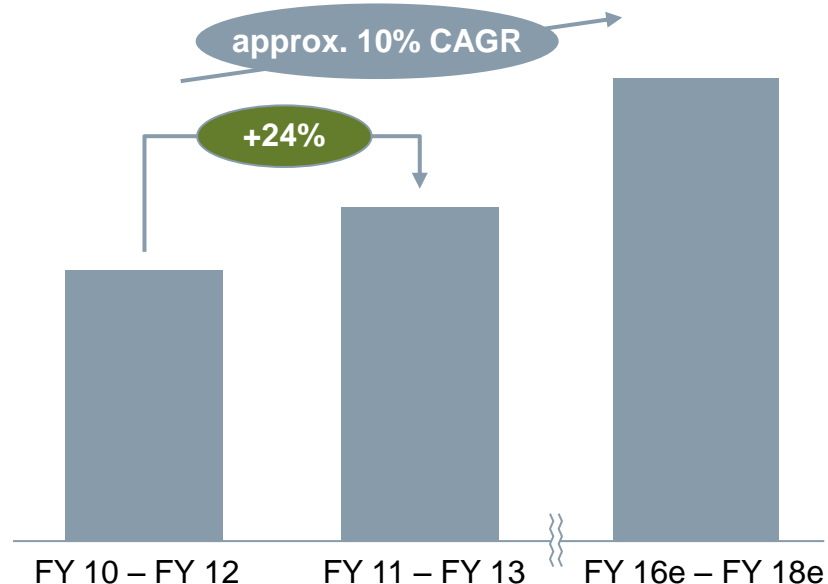
**Rail Systems currently has more than 50 service projects worldwide with individual contract durations up to 43 years**



# Growing our service business by adding intelligence

## Proportion of intelligent value-added services is increasing

### Service Revenue growth<sup>1)</sup>



Intelligent value-added services



Maintenance services



Spare parts services

## Our strategy

- Offer **integrated, innovative** and **intelligent** services
- **Use system data to optimize efficiency** of Rail Systems
- Reduce depot time based on **intelligent remote services**
- Gather field experience via **continuous system monitoring**
- **Become the "Amazon"** in **spare parts business** for Rail Systems



### Recent examples of intelligent value-added services

- **Rail remote services** at Desiro UK Class 444/450
- **Siemens Rail support center** for BoxXpress locomotives

## Our way forward

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## 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.