

Hannes Apitzsch | CFO Infrastructure & Cities Sector

Financial Performance and Priorities

Capital Market Day
London, December 5, 2013

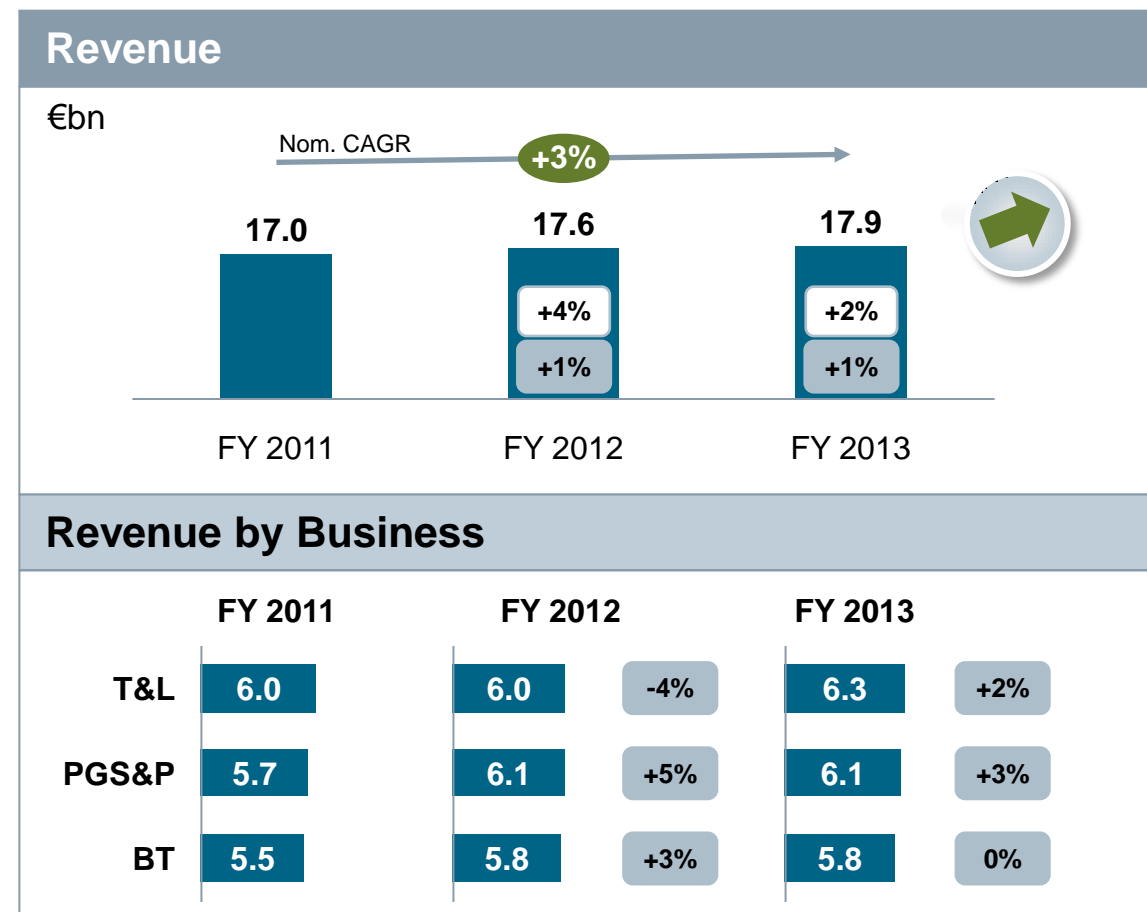
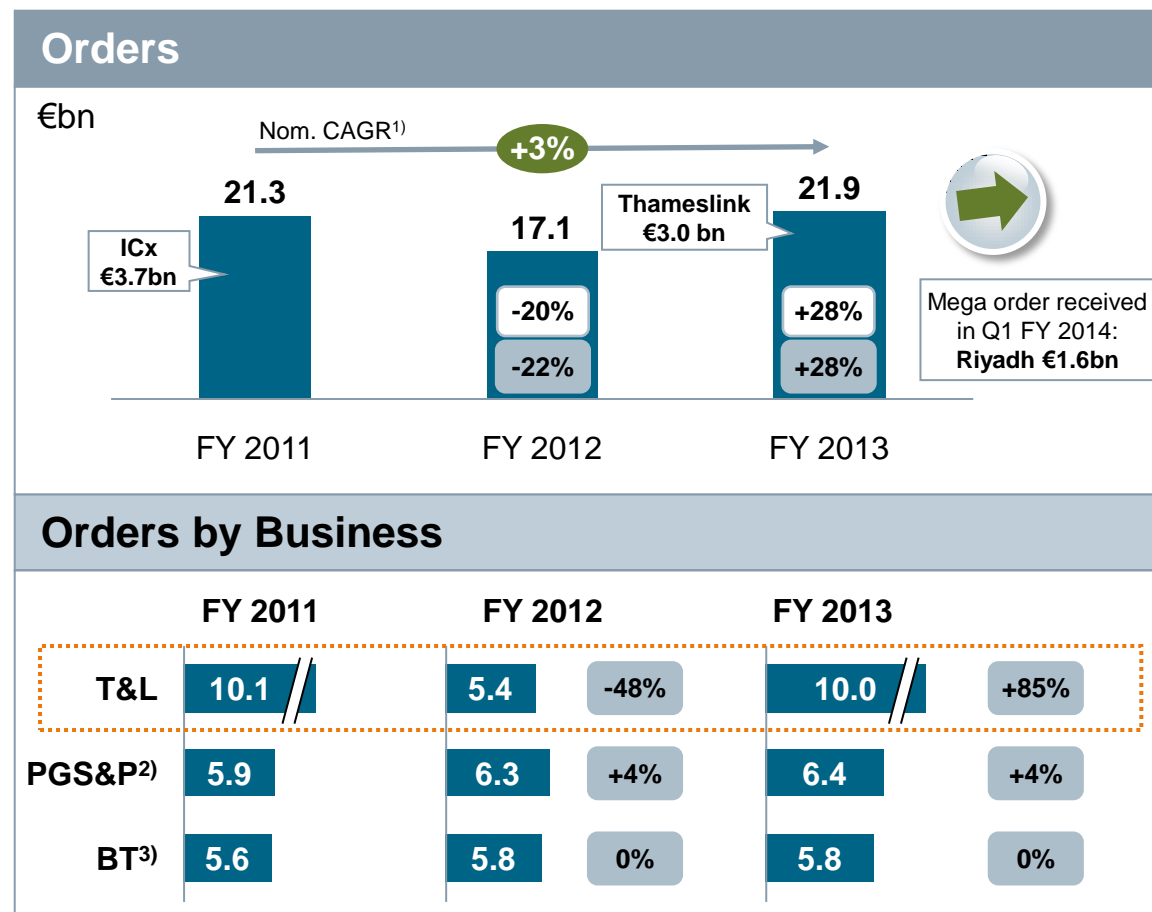
Safe Harbour Statement

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 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.

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, 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, and on the SEC’s website, www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results, performance or achievements of Siemens may vary materially from those described in the relevant forward-looking statement as being expected, anticipated, intended, planned, believed, sought, estimated or projected. Siemens neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Orders strongly driven by Transportation & Logistics (T&L) mega orders



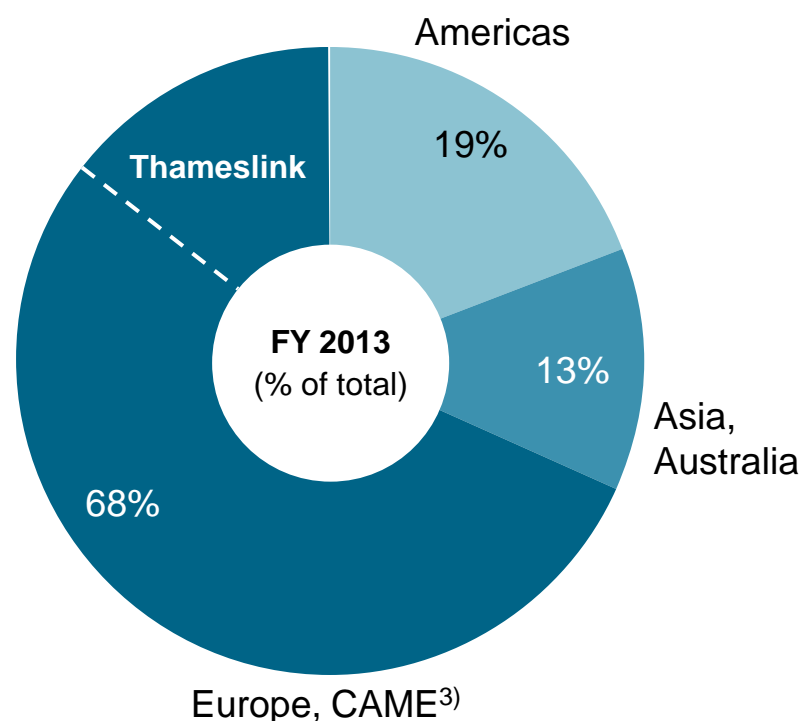
x% Nominal growth x% Comparable growth adjusted for currency translation and portfolio effects

1) Excluding ICx (€3.7bn in FY 2011) and Thameslink (€3.0bn in FY 2013)

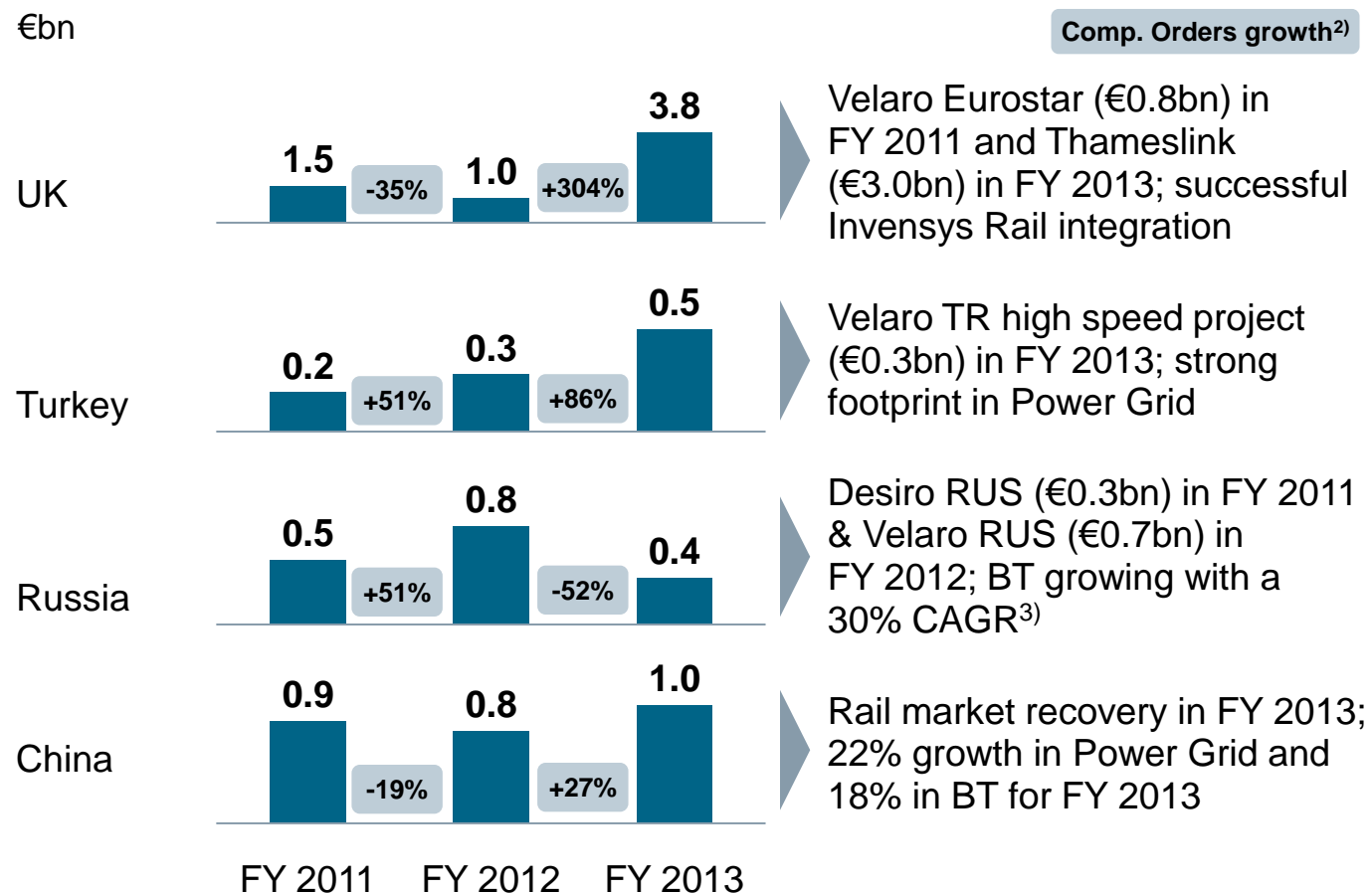
2) Power Grid Solutions & Products (Power Grid) 3) Building Technologies

Strong Orders in Europe due to major projects awarded in UK and Germany

Orders¹⁾ by Region FY 2013



Orders¹⁾ development in selected countries



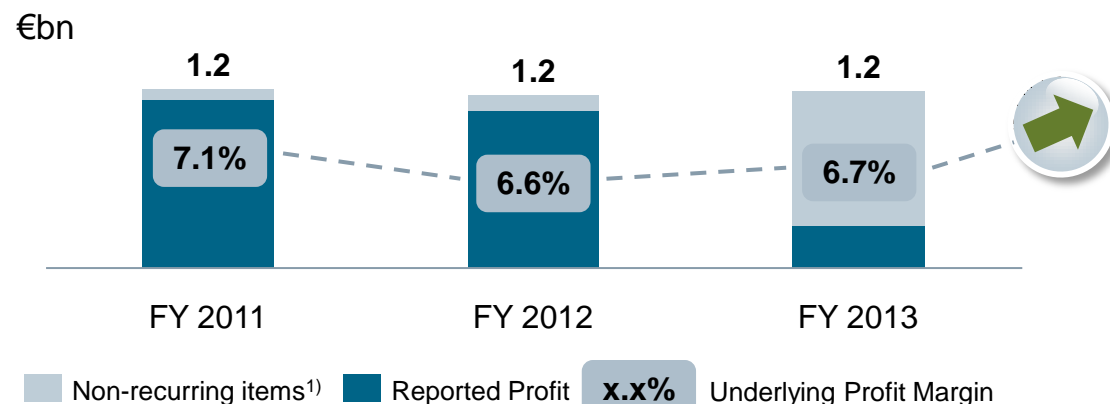
1) Denotes Orders with third parties according to customer location, not including intersegment business 2) Growth adjusted for currency translation effects

3) CAME = CIS, Africa, and Middle East 4) FY 2011 to FY 2013

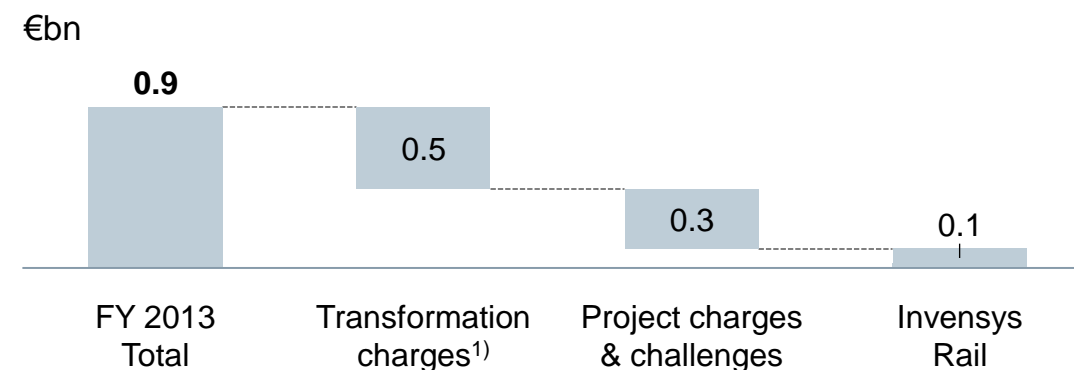
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Bottom line affected by Transportation & Logistics – Good progress at Power Grid and Building Technologies

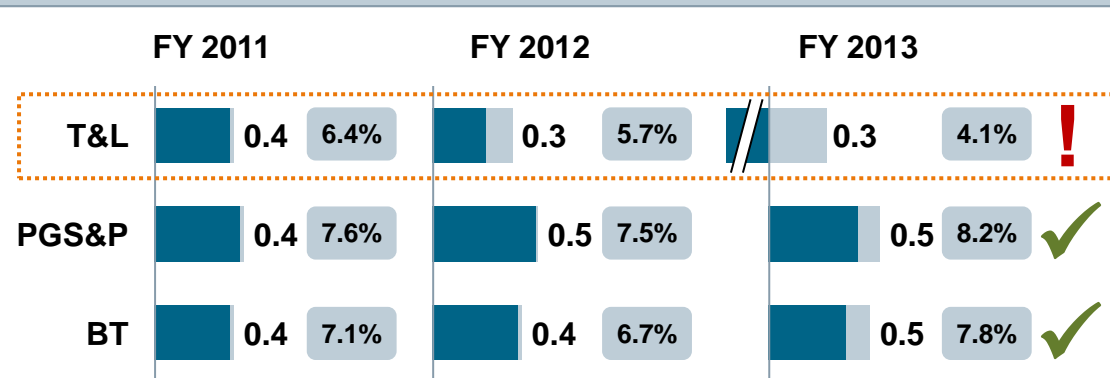
Underlying Profit



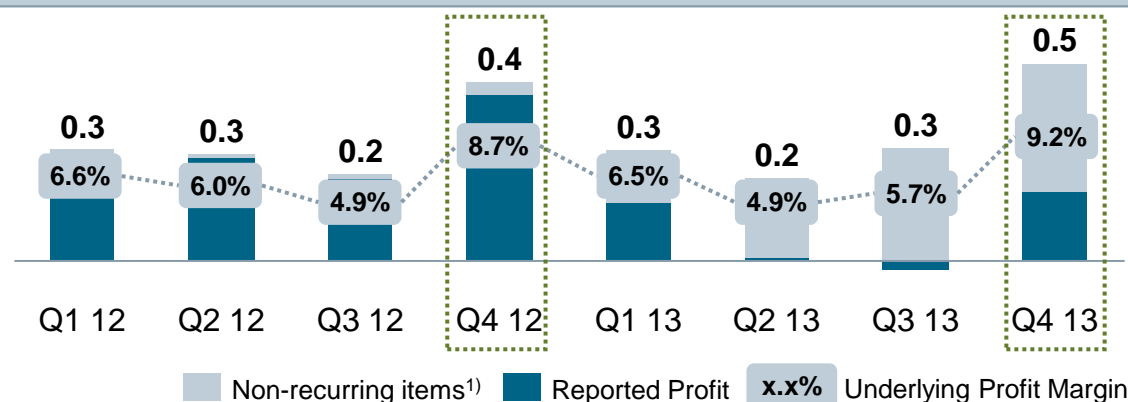
Non-recurring items (Underlying)



Underlying Profit by Business



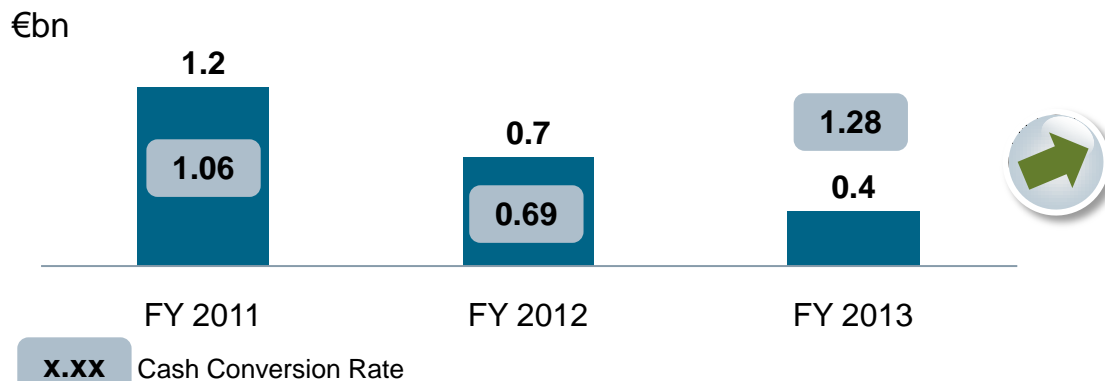
Underlying Profit by Quarter



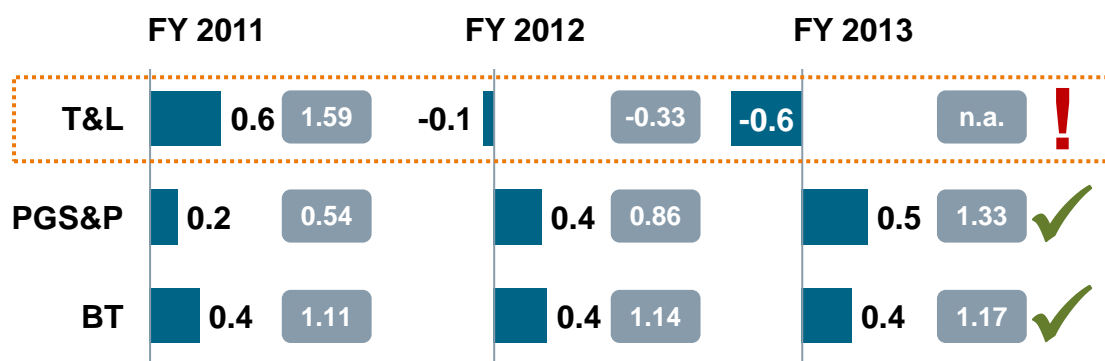
1) Included goodwill impairment of €46m related to the Postal & Baggage Handling business and impairments of long-lived assets totaling €30m in PGS&P

Transportation & Logistics overshadows Sector cash flow performance – Positive cash conversion at Power Grid and Building Technologies

Free Cash Flow



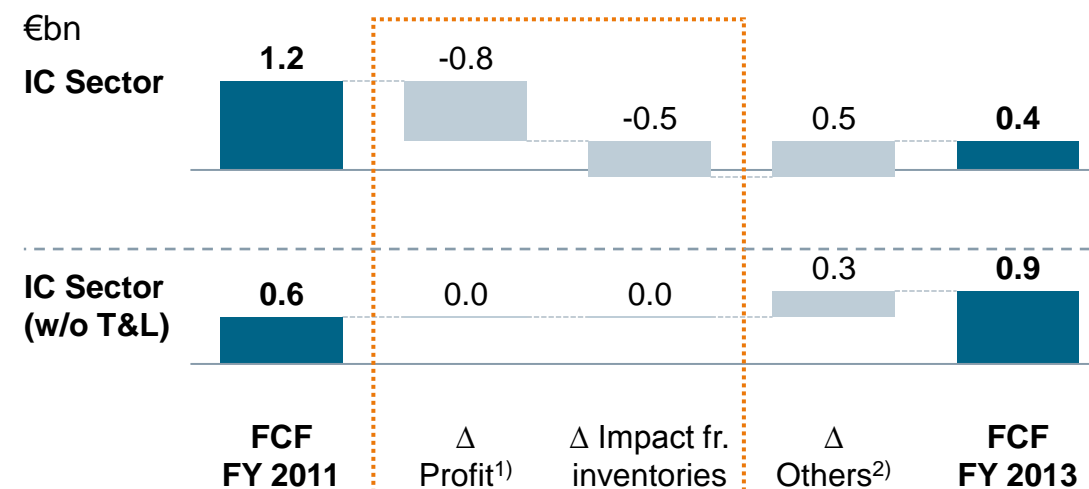
Free Cash Flow by Business



Sector cash performance strongly impacted by T&L

- **Project performance** delays customer payments
- Required **build up of inventory** for mega-projects
- Worsening **prepayment terms/conditions** in the industry

Free Cash Flow Bridge



1) Δ Profit includes non-recurring items 2) Others includes adv. payments, accounts payables, accounts receivables and miscellaneous

Financial priorities are clear...

- 1 Tighten project risk management – close out project issues**
- 2 Ensure reliable project execution**
- 3 Leverage power of €29bn backlog**
- 4 Accelerate productivity, cost improvements and cash performance**
- 5 Strengthen business mix and portfolio – resource allocation**

IC Businesses will be among profit leaders in their industries

Tighter project selection process – Strict focus on project execution

1 Management focus and accountability

- Strengthened management commitment and focus on accountability
- **Key personnel replaced** following comprehensive management screening process
- Brought **management closer to (critical) projects**

2 Selective order intake

Ensuring margin quality and robustness of project execution

- **Minimum profit and cash flow requirements, service share**
- **Risk evaluation process** including:
 - Product and execution complexity
 - Technical feasibility and deadlines management
 - Early involvement of suppliers and customers
 - Tightened project approval process

3 Managing existing order backlog

Focused management oversight on project execution

- Introduced "**early warning system**" and project monitoring
- Corrective and proactive measures based on **root-cause analyses**
- **Tight management review process for critical projects**
- **> 30% of order backlog** as of Sep 30 were **independently reviewed**

**> €5bn
projects
turned down
in FY 2013**

Proj. ID	Project Name	Size	Region	Start	End	Current Status	Next Review	Responsible	Comments
1001
1002
1003
1004
1005
1006
1007
1008
1009
1010
1011
1012
1013
1014
1015
1016
1017
1018
1019
1020

Early identification of challenging projects as a result of an active portfolio risk management

Early risk detection

- **Trend analysis** of projects and business relevant KPIs
- Early identification of **risk patterns**
- Analysis of **root causes** and conclusion of key learnings

Risk management tool framework

No.	Org. Unit	Project Name	Cat.	PM Phase milestones completed										EWS Results								
				PM1000	PM1000	PM1000	PM1000	PM1000	PM1000	PM1000	PM1000	PM1000	PM1000	Σ Scoring Actual Quarter	Development FY 2013				EWS Watchlist [as per EWS Algorithm]	Shortlist Division	proposal for Shortlist Division	
															Q1	Q2	Q3	Q4				Trend
BU A																						
1	BU AA	Project 1	B												500					NO	NO	NO
2	BU AA	Project 2	B												485					NO	NO	NO
3	BU AA	Project 3	A												470					NO	NO	NO
4	BU AA	Project 4	B												455					NO	NO	NO
5	BU AA	Project 5	A												440	-	-	-	-	NO	NO	NO
6	BU AA	Project 6	C												425					NO	NO	NO
7	BU AA	Project 7	B												410	-	-	-	-	NO	NO	NO
8	BU AA	Project 8	B												395	-	-	-	-	NO	NO	NO
9	BU AA	Project 9	B												380					NO	NO	NO
10	BU AA	Project 10	B												365					NO	NO	NO
11	BU AA	Project 11	B												350	-	-	-	-	NO	NO	NO
12	BU AA	Project 12	B												335	-	-	-	-	NO	NO	NO
13	BU AA	Project 13	B												766	-	-	-	-	NO	NO	NO
14	BU AA	Project 14	C												716	-	-	-	-	NO	NO	NO

Example: MOL portfolio risk management

- **65 risk parameters** for each single project
- **5 risk dimensions**
- **10 project performance KPIs**
- **4 risk classes** (low, medium, high, major)

Accurate risk overview of MOL project portfolio

Risk mitigation

- **Top management attention: monthly reviews** of critical projects on Division and/or Business Unit level
- Assure **highest project management standards**
- Identification and analysis of **key learnings**
- Definition of response measures and **action items**

Learnings applied to high profile pipeline

ICx

New intercity platform for Deutsche Bahn > €3.7bn

- Fundamentally different approach to **homologation** compared to previous projects
- **Automated Train Protection (ATP) system** provided by Siemens' Rail Automation Business Unit vs. external sources in Velaro projects



Riyadh

Complete turnkey system for two driverless metro lines in Saudi Arabia's capital city of Riyadh €1.6bn

- Thorough independent **reviews of entire project structure**, building on experience from Energy Sector
- **Earliest appointment of designated project management team**



Thameslink

1,140 Desiro trains, depot construction and maintenance worth €3.0bn

- **Pilot production** to verify and optimize design and supply chain (Significantly reduce non conformance costs)
- **No cross border traffic** resulting in simplified homologation process and technical requirements (e.g. Automated Train Protection system)



SFS financial expertise: A competitive advantage

Siemens Financial Services (SFS)

- **Captive financing arm**
- **Strong global presence**
- **Outstanding relations with global financing community**

Dedicated support for our business

- **Team of dedicated financing professionals**
- **Fully integrated** into Sector's business processes
- **In-depth know-how** of IC's businesses

Unique selling proposition

- Integrating **best in class technological capabilities**
- Powerful **Siemens Financing expertise and capabilities**

Examples

RL: Thameslink project

- **PPP¹⁾** for design, manufacture, maintenance and financing of commuter trains



SFS contribution:

- put together the **equity sponsor group**
- provided **strong security package**
- arranged **debt financing and funded depots**

BT: Energy Savings Contracting

- Attractive combination of financing and guaranteed customer energy savings
- **Full amortization through energy savings**
- Current financing volume approx. €50m p.a.



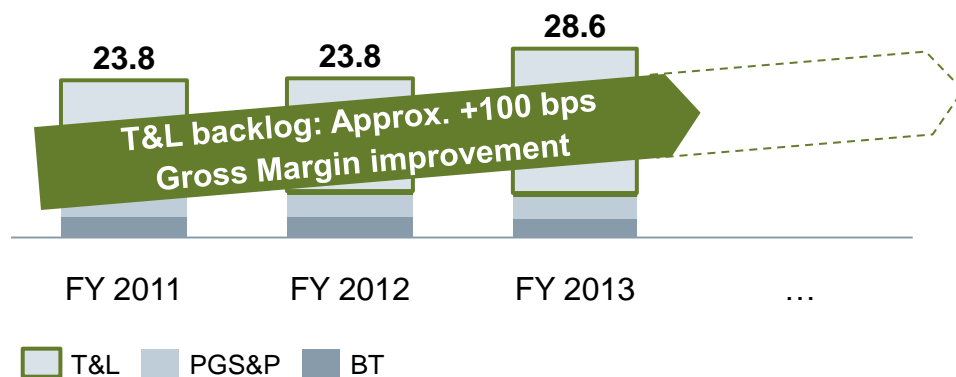
1) PPP = Public-Private-Partnership

Driving our backlog to generate added value – Positive effects of selective order entry coming through

Active backlog management

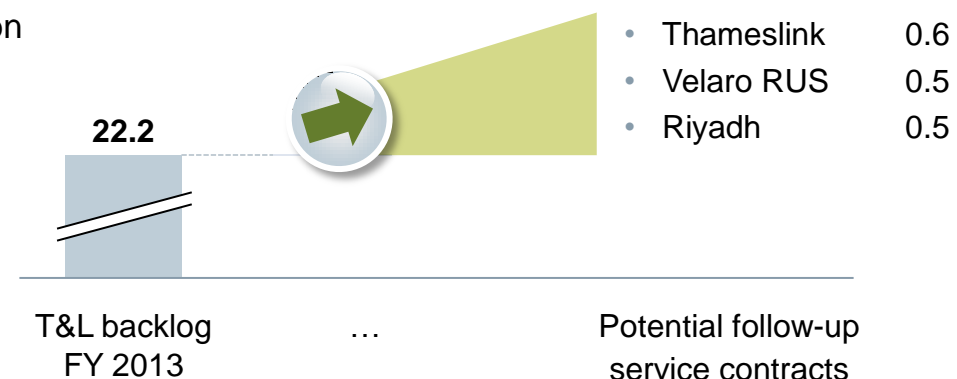
€bn

- 1 Selective Order intake:**
 - Strict project approval processes installed
 - Projects worth > €5bn actively turned down in FY 2013
- 2 Ongoing margin improvement initiatives:**
 - Claim management
 - Design-to-cost
 - Procurement
 - Capacity utilization
- 3 Increase service portion in backlog:**
 - 400 bps increase from FY 2011 to FY 2013
 - Drive further increase

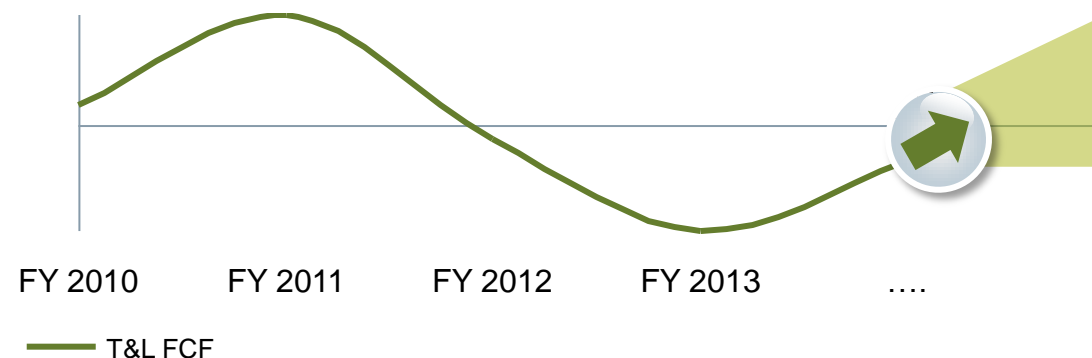


High potential for closing large service contracts

€bn

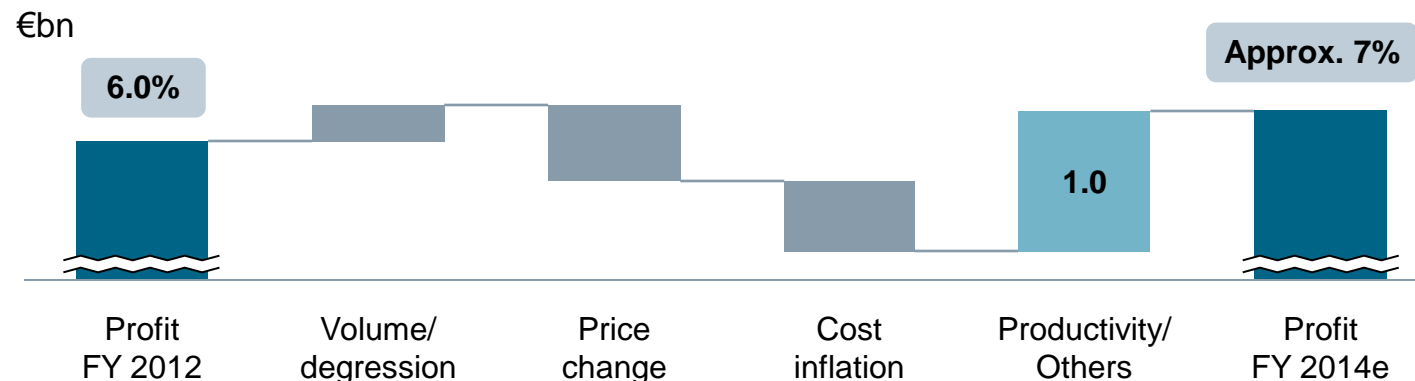


Free Cash Flow on the turning point

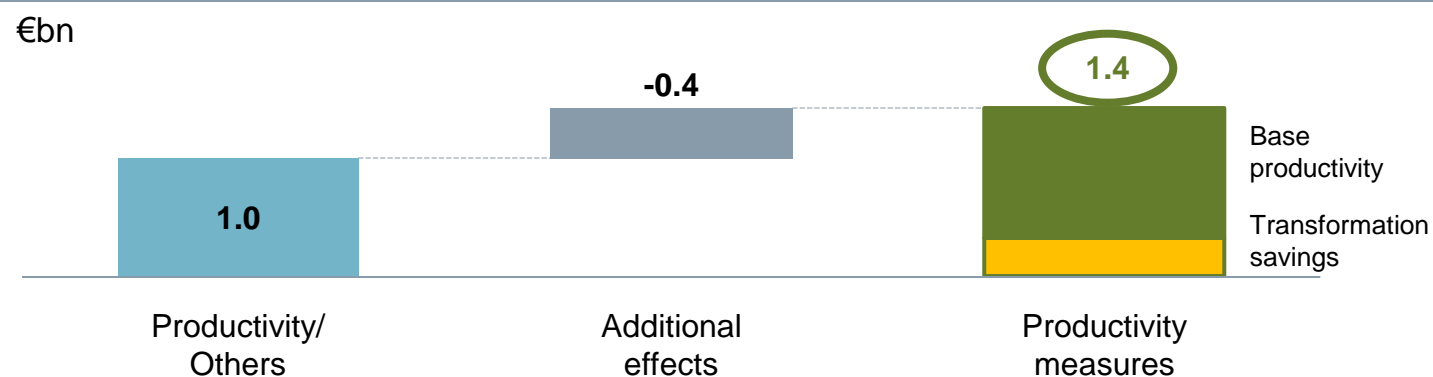


Delivering around €1.0bn in Productivity/Others between FY 2012 and FY 2014

Profit transition



Elements of Productivity/Others



x.x% Profit margin

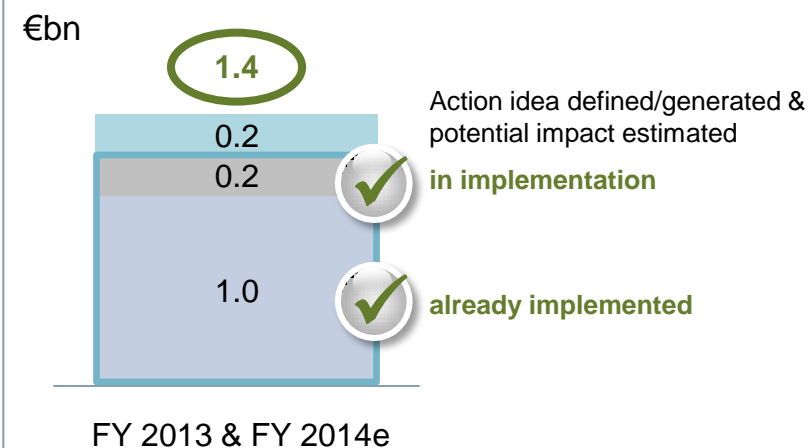
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Productivity measures on track

- **Implementation on track**
- > 13k **productivity** actions initiated, approx. 8k already implemented in FY 2013
- 74% of savings are generated in Lead countries
- **Benchmarking** factor > 80%
- **Lean concept:** Implemented in 52% (FY 2012) to 76% (FY 2013) of manufacturing locations

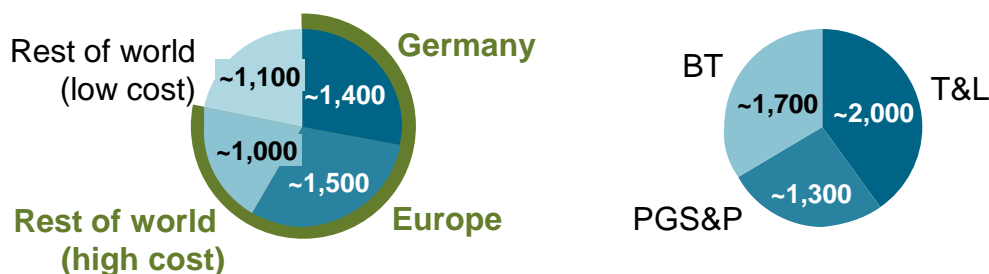


Investment in ambitious Transformation Program brings sustained, structural efficiencies to Sector

Headcount reduction

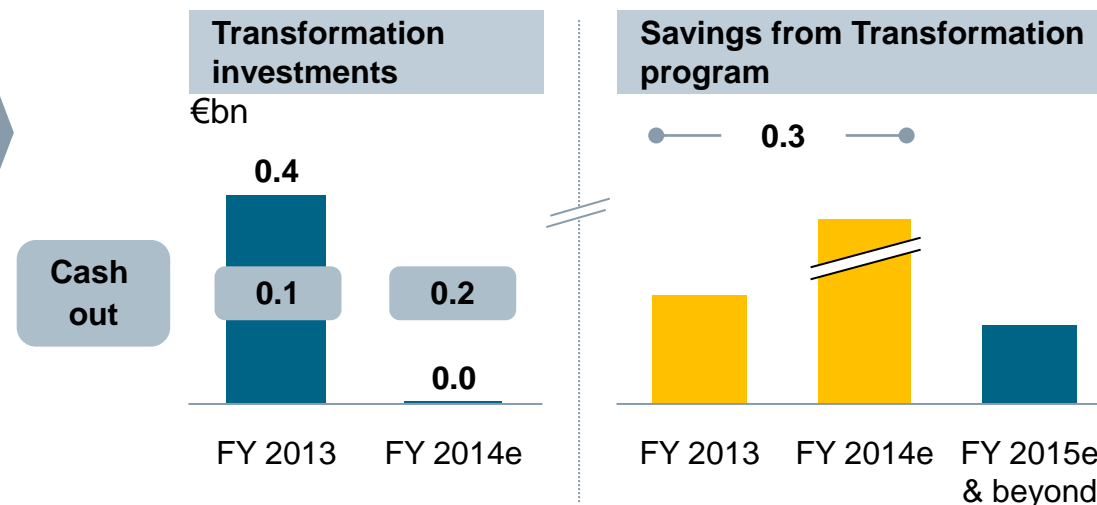


Headcount reduction by region and Business



Transformation investments

- Transformation charges of €0.5bn in FY 2013 thereof €0.1bn impairment related and €0.4bn transformation investments
- Implementation significantly ahead of schedule
- Management identified and carried out measures across entire global organization



→ Full payback of transformation investments by FY 2015

1) Headcount development largely driven by portfolio transactions (therein mainly Invensys Rail) → backward comparability

Two areas pace productivity gains

Material costs

Approx. €700m¹⁾

Increased material productivity through...

Commercial levers

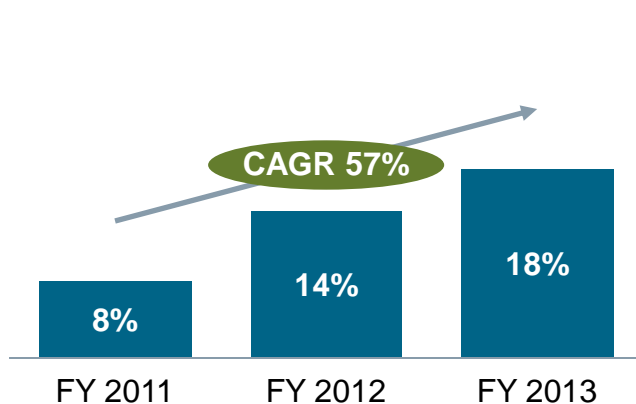
- Enforced demand bundling (on all levels)
- (Re-)negotiations of whole supplier base
- Early supplier involvement, supplier days



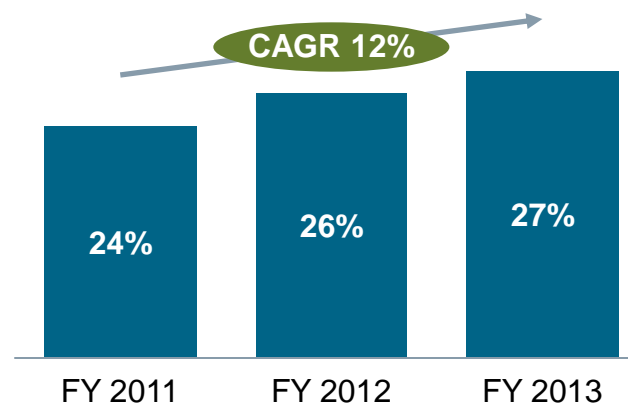
Technical levers

- Selective make-or-buy decisions
- Push for standardization/modularization
- Cost & Value Engineering Initiative

Increased use of eBidding



Increased Global Value Sourcing



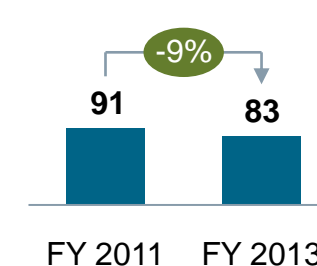
Processes

Approx. €700m¹⁾

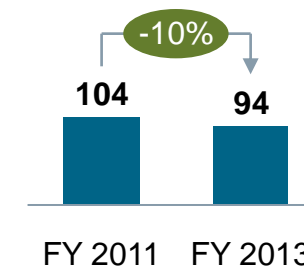
Value added measures through...

• Optimization of footprint

Manufacturing locations



R&D locations



• Increased overall sales efficiency (go-to-market)

→ **Savings:** approx. €150m

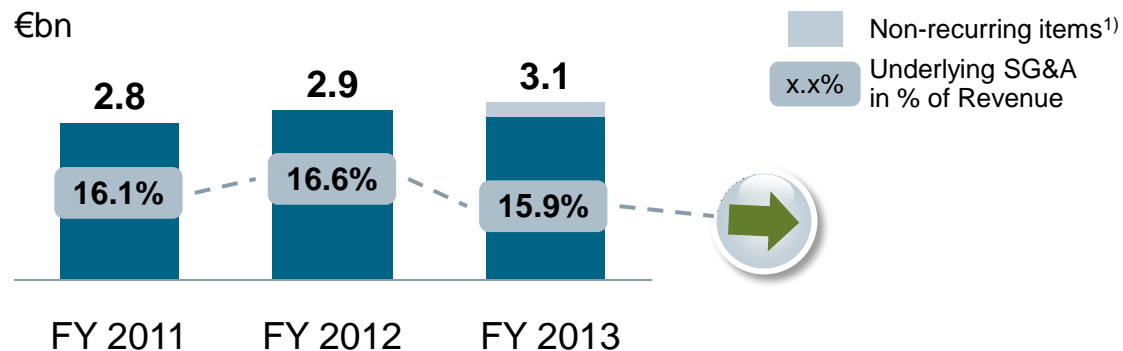
• Right-sizing of regional set-up and optimizing of road and city mobility portfolio

→ **Savings:** €21m (FY 2014)

1) Productivity gains through FY 2013 and FY 2014e combined

Tight SG&A management and focused R&D

SG&A expenses



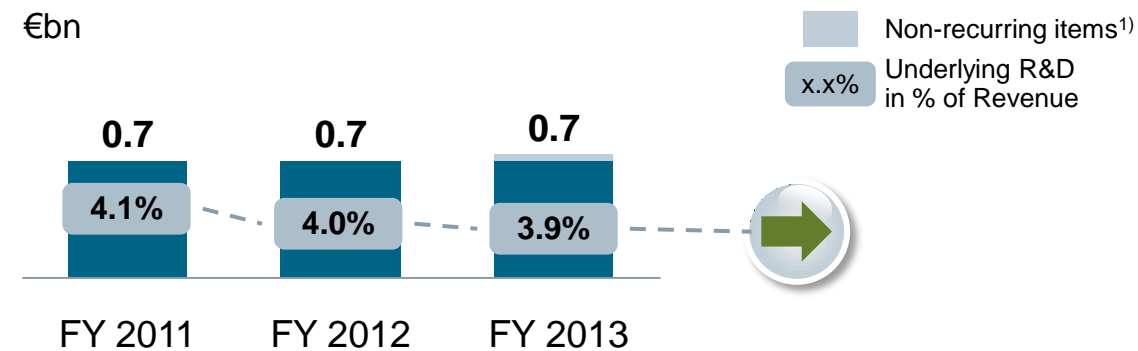
Rigid control on costs

- Compensate for merit increase through productivity measures
- Key support functions flat

Effects

- Growth initiatives
- Portfolio effects from Invensys Rail acquisition
- BT Division: Savings from restructuring

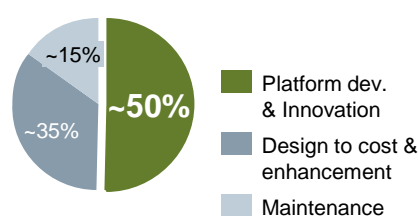
R&D expenses



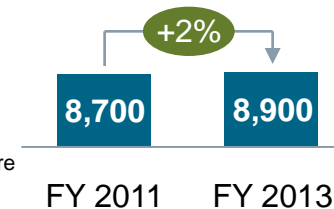
Focus area examples

- Consolidate multiple product lines to consistent portfolio
- Enhance platform re-use/modularization

R&D spending²)

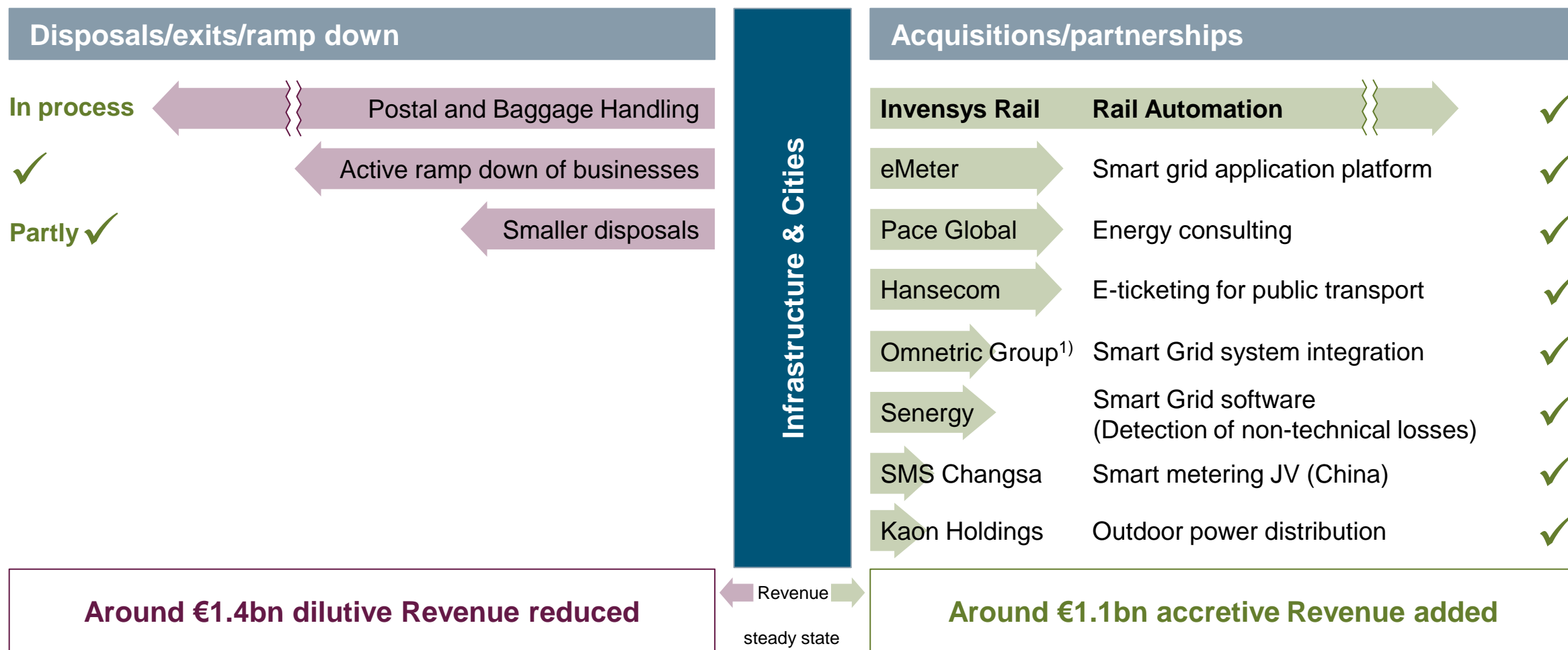


Patents listed



1) Items include transformation, project and portfolio move related charges 2) Estimated numbers

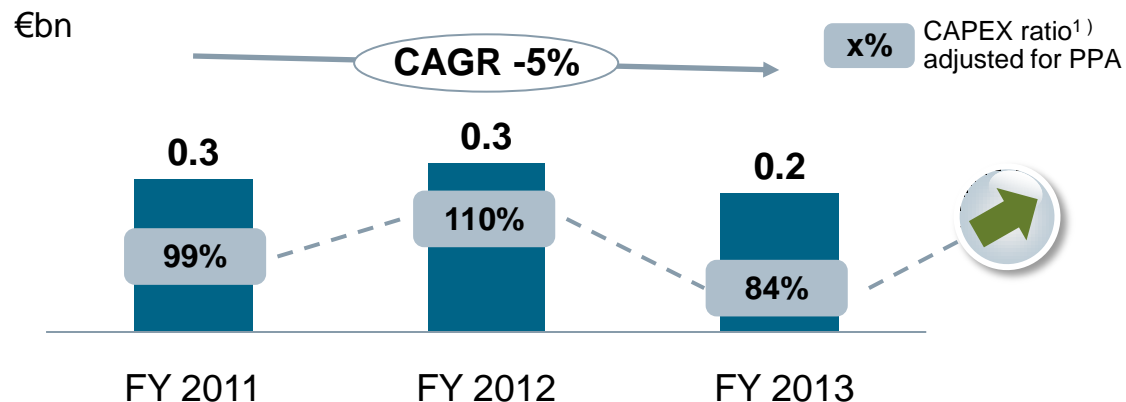
Focusing portfolio to strengthen core and reduce operational complexity



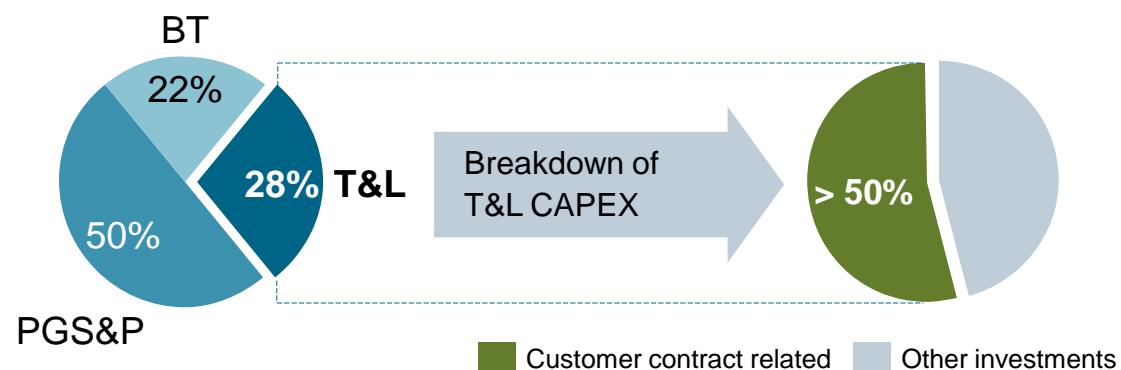
1) Transaction not yet closed ✓ = closed acquisitions or completed disposals/exits/ramp downs

IC has a low CAPEX requirement

CAPEX



FY 2013 CAPEX by Business



1) Addition to PPE & Intangibles/Depreciation to PPE & Intangibles

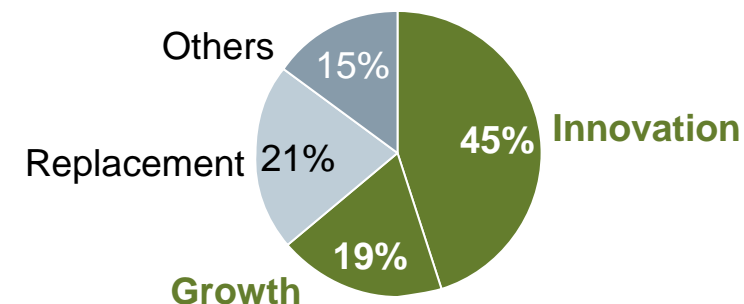
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FY 2013 CAPEX by investment area

2/3 of CAPEX investment in innovation and growth projects



Investments in innovation

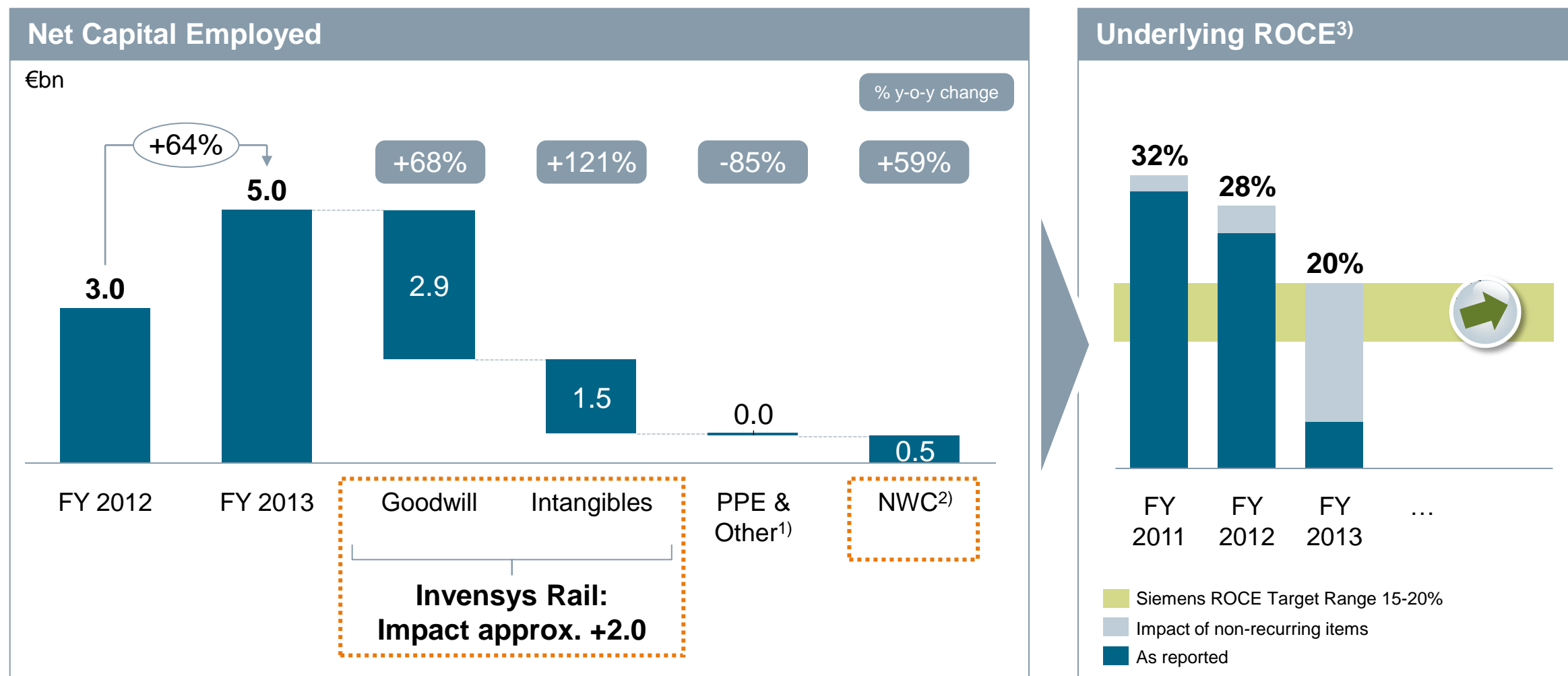
- Sentron nG
- Desigo
- EnergyIP



Investments for future growth

- Capacity increase at **RL light rail factory in Vienna**
- Set-up of a new **production facility in Goa, India** (SG, LMV)

IC will remain well in Siemens ROCE Target Range – Invensys Rail acquisition affects current level



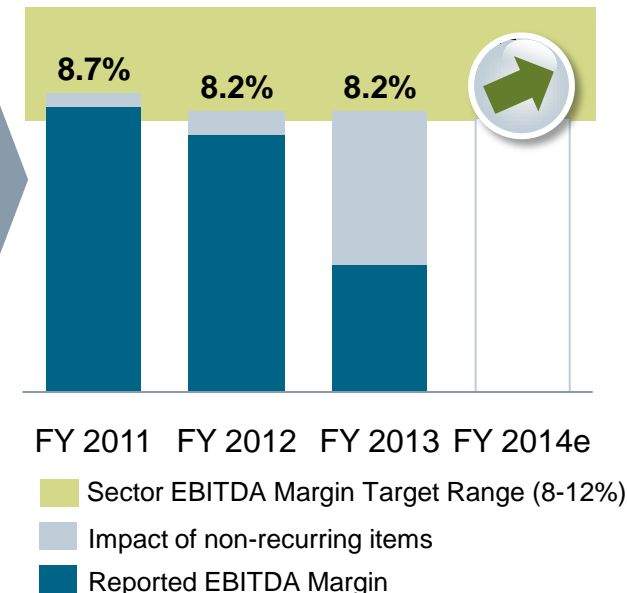
1) Includes other non-current assets as well as non-current liabilities 2) Net Working Capital 3) ROCE after tax, based on Underlying Profit

Financial priorities

- 1 Permanently strengthen risk and project management
- 2 Clean order backlog execution with increasing profitability
- 3 Effective management of productivity & capital efficiency
- 4 Further strengthen business mix and portfolio

Sector EBITDA Margin Target Range

will be reached



Focused resource allocation & accountability

Reliable, consistent financial performance

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. 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.