

SIEMENS

Transportation Systems

Financial Market Days, May 12, 2003



Welcome on Board

The „new“ TS-Members of the Board **SIEMENS**



Friedrich Smaxwil
Group Vice President

Hans M. Schabert
Group President

Hans-Dieter Bott
Group Vice President
& CFO

- Fit for the Future -

Business Overview

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Highlights in FY 02/03

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Innovation Strategy

Summary

May 2003

Rail Automation



Electrification



Turnkey Systems



Integrated Services



Locomotives



Light Rail



Trains



Heavy Rail



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We are acting globally and constantly intensifying our **market performance.**



Our **innovativeness** gives us the competitive edge.



We increase **economic value added** and **market value** for our customers and ourselves over the long term.



We are a technology driver and assure the **competitiveness of rail operators** through innovative, cost-effective products, systems and services
➔ More traffic by rail

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TS in Spain Madrid – Barcelona



Time: 1 minute

Excellent market prospects for mass transit and main line systems

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- By 2015 passenger traffic will have increased by 30% and freight traffic by 70%.
- 50% of the world's population today live in urban areas. By 2020 this proportion will have increased to 60% (in Europe it is already 75%)
 - ➔ Strong need for mass transit systems
- High-speed rail traffic in Europe has tripled in the last ten years
- For travel times of less than 4 hours, high speed trains are more frequently used than airlines
 - ➔ Boosting high-speed service in Europe



Market development by competencies and regions (1)

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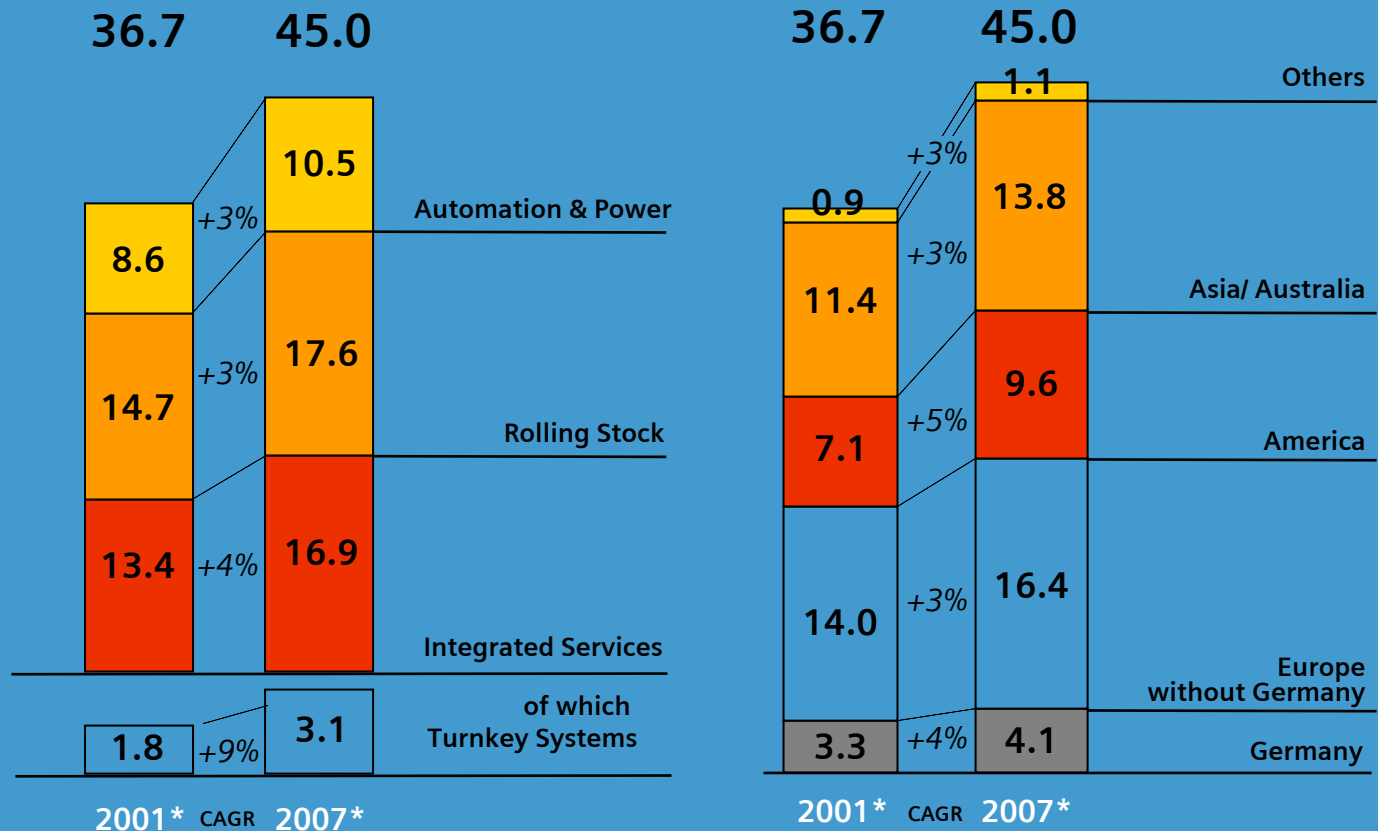
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Constant growth (3-4%) for the next 5 years



* Figures in billions of EUR, averaged over 5 respectively 6 years

Market development is characterized by low volatility

Market development by competencies and regions (2)

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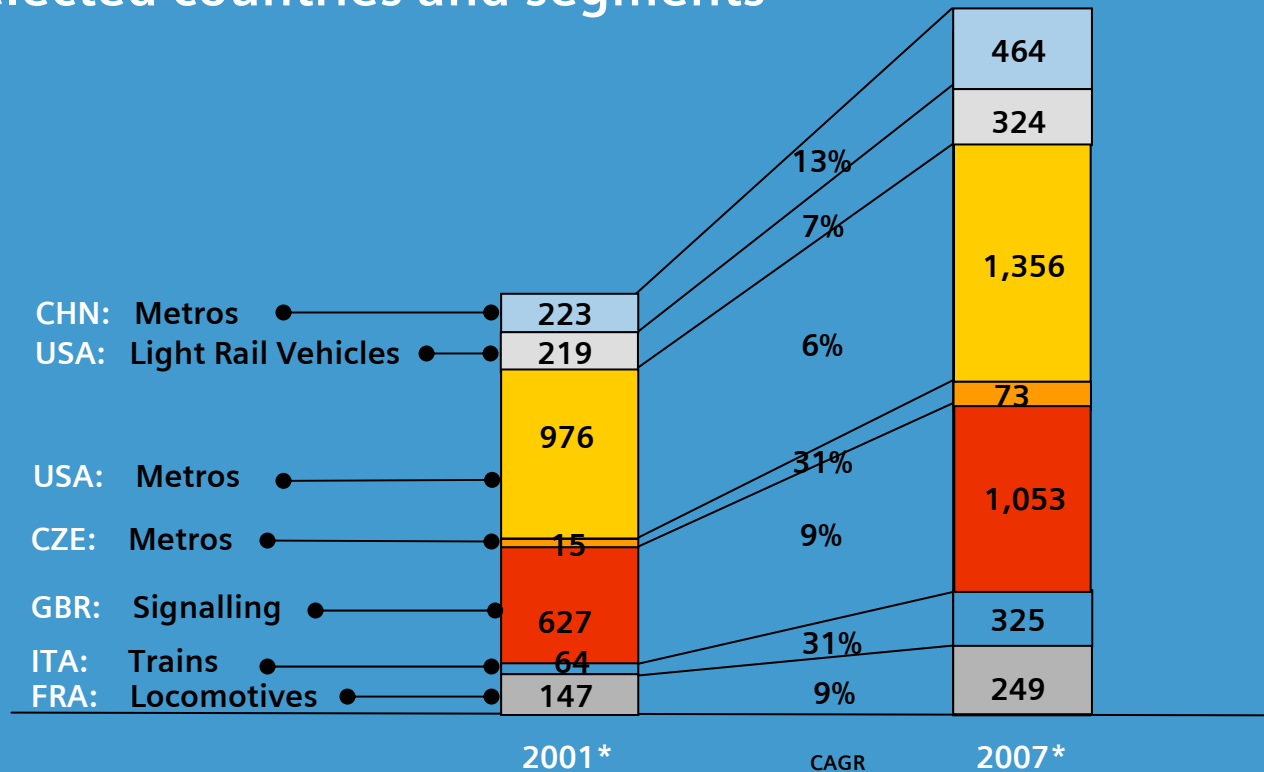
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Above-average growth in selected countries and segments



* Figures in millions of euros, averaged over 5 respectively 6 years

Focusing on these target markets

Profitable Growth in favorable markets

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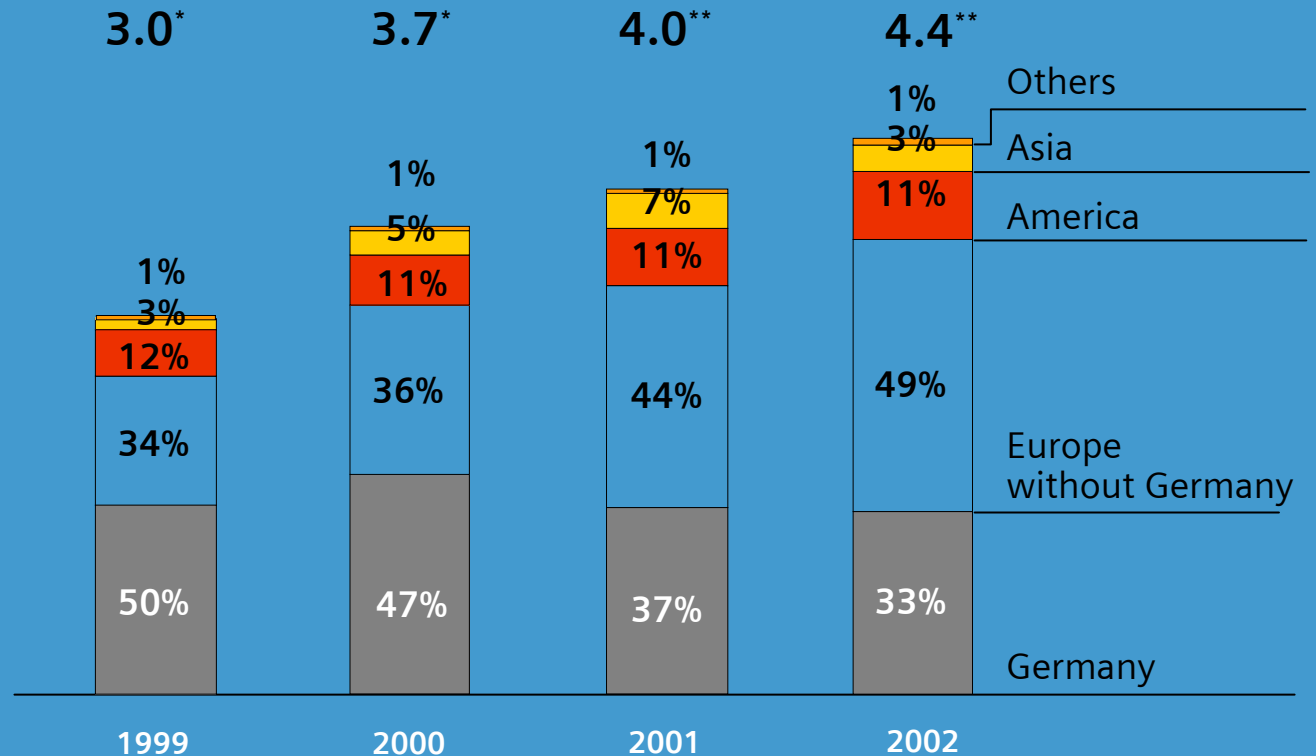
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Sales in billions of euros



*According to HGB

**According to US GAAP

Boosting international business

Global Forces and Customer Requirements on the Global Market

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Global forces

- Privatization
- Cost Pressure
- Customers' great awareness of technology
- Innovation



Customers requirements

- Interoperability
- Availability
- Environmental sustainability
- Service Solutions
- Reliable partnership (customer/ rail industry)

The market demands tailor-made offers for special requirements.

Customer requirements: Interoperability in Europe

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Demand

- Fast, cross-border rail transportation from the North Cape to Sicily
- Overcoming historical barriers between systems
- At present in Europe:
 - 3 track gauges
 - 4 voltage systems
 - 22 train control systems

Available Solution

- European Train Control System (ETCS)
- European Electric Locomotive
- European Highspeed platform Velaro [ICE 3]

Customer requirements: Availability

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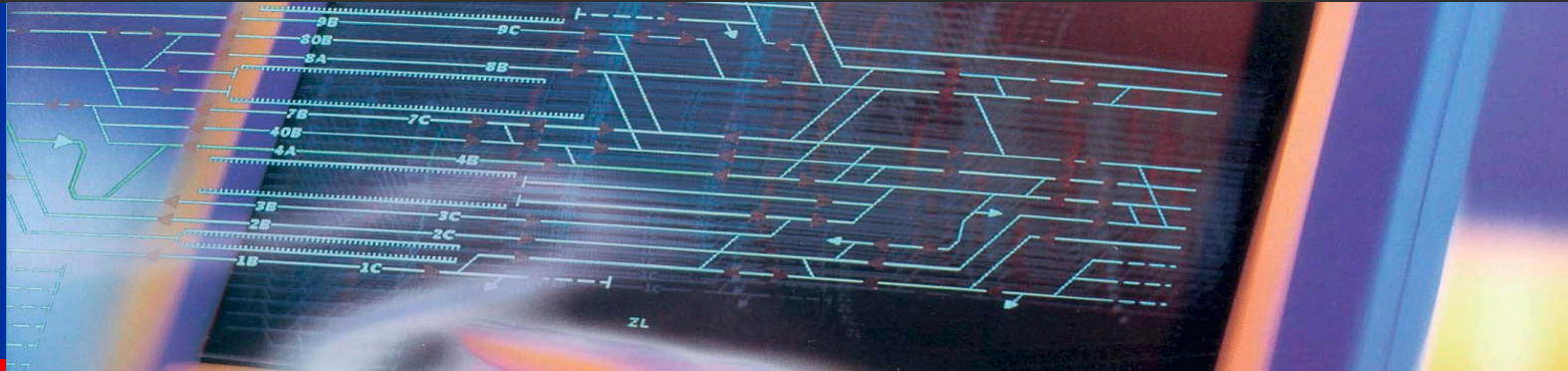
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Demand

- Reliable vehicles
- Lower maintenance costs
- Fewer system failures
- On-time operation
- Growing automation of operational processes

Available Solution

- Redundant microcomputer interlocking systems
- Platformconcepts in Rail Automation and Rolling Stock
- Wildenrath/ Brunswick Test Center
- Designed to availability

Customer requirements: Environmental sustainability

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Demand

- Further optimization of personnel deployment
- Further increase in energy efficiency
- Minimizing use of valuable resources
- Reducing emissions

Available Solution

- Transrapid
 - low noise emission,
 - low CO₂ emissions,
 - less follow-up costs
- Velaro [ICE 3]
 - low noise level by optimization of pantograph and aerodynamic design
- Energy storage systems

Customer requirements: Service concepts

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Demand

- Cost and performance pressure at the operator end results in a greater focus on core competencies and optimization of secondary services.
- Demand for new business models with risk and value added transfer
- Solutions for excess personnel and workshop capacities



Available solution

- Rail Mall
- Charter Rail
- Scalable, 5-level service concept from spare parts supply to full-service contracts
- Financial models for Turnkey Systems

Customer requirements: Reliable Partnership

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Demand

- Long-term supplier commitment in system technology
- Reliability in operational service
- Supplier with reliable financial strength

Solution (e.g. DESIRO UK)

- Contract-based
 - on excellent performance capability/reliability at Heathrow Express
 - Building up of infrastructural conditions at Siemens' Wildenrath Test Center (additional capital investment of 15.0 millions of euros)
- Adherence to delivery dates
- Quality, operational safety, original British network conditions

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- Completing high-speed line Cologne – Frankfurt/M.
- Strategically important order placed by Canadian National for operations control system
- TS lands key contract in the USA: Boston orders metro vehicles
- Transrapid VIP-run at Dec. 31, 2002 in Shanghai
- First driverless metro in Barcelona and Nuremberg
- Breakthrough for high-speed system Velaro in Spain (Madrid – Barcelona); presenting of new high-speed platform Velaro
- First Group and TS launch joint development program for high-speed trains in UK
- Presentation of CargoMover at Wildenrath Test Center
- Fully automated, driverless Metro (VAL) in Rennes (France)



Key projects strengthen worldwide market position

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Development of markets with strong national focus

France: Avanto (Paris)
 UK: Signaling (Dorset)
 Traction power supply (Wessex Area)
 Desiro
 China: Metro (Shanghai), signaling and control systems (Nanjing, Shenzhen)

Interoperability

European locomotive (Class 189)
 Velaro [ICE 3]
 ETCS (European Train Control System)

Successful completion of turnkey projects

Malaysia: Express Rail Link Kuala Lumpur – Airport
 Germany: New ICE line Cologne – Rhine/Main

Innovation and Migration

Shanghai: Transrapid
 Nuremberg: fully automated Metro
 The Netherlands: Modernisation of electronic interlockings
 Dual Mode Combino (Nordhausen)
 Charter Rail



Sustainable performance in challenging times

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According to HGB

According to US GAAP

	98 FY	99 FY	00 FY	01 FY	02 FY	03 HY
New Orders (in billions of euros)	2.6	3.1	3.7	5.6	5.2	2.5
Sales (in billions of euros)	2.7	3.0	3.7	4.0	4.4	2.2
Group profit (in millions of euros)	(388)	(63)	75	186	247	132
Group profit margin (in %)	(14.4)	(2.1)	2.0	4.6	5.7	6.1
Employees (in thousands)	14	14	14	14	17	17

Operation 2003 - Target: Group profit margin: 5 – 7%

Order backlog:
€ 11.6 bn

Asset Management: Measures to strengthen cash flow

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- Optimization of purchase processes regarding commodity management and supplier management
- Reduction of accounts receivables through assignments of receivables “hunters” with technical and financial background
- Professional financial engineering to optimize project financing requirements, down payments and interim installments
- Consequent divestment policy
- New capital expenditures are carefully scrutinized



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May 2003

- Project -/ Risk Management and Risk assessment
(99 projects reviewed by TS board in 2002, 80 projects to be reviewed by TS board in 2003)



- Monthly performance reviews of all divisions
- Incentives based on EVA and cash flow
- Quality gate system

**Today: Leading earnings position
in the industry**

Turnaround in 15 months based on TS Initiative Program

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top 1st step: "Profit before volume"

**Restructure core business with
productivity programs**

- Restructuring
- Cost savings
- Process optimization

**World-class
cost position**

top 2nd step: "Profit and volume"

**Value benchmarking and
identification of leverage**

- Sales improvement program
- Innovation initiative
- e-business
- Portfolio adjustment

**World-class
competitive
position**

Transition from TS Initiative to *TS wins* powered by top*

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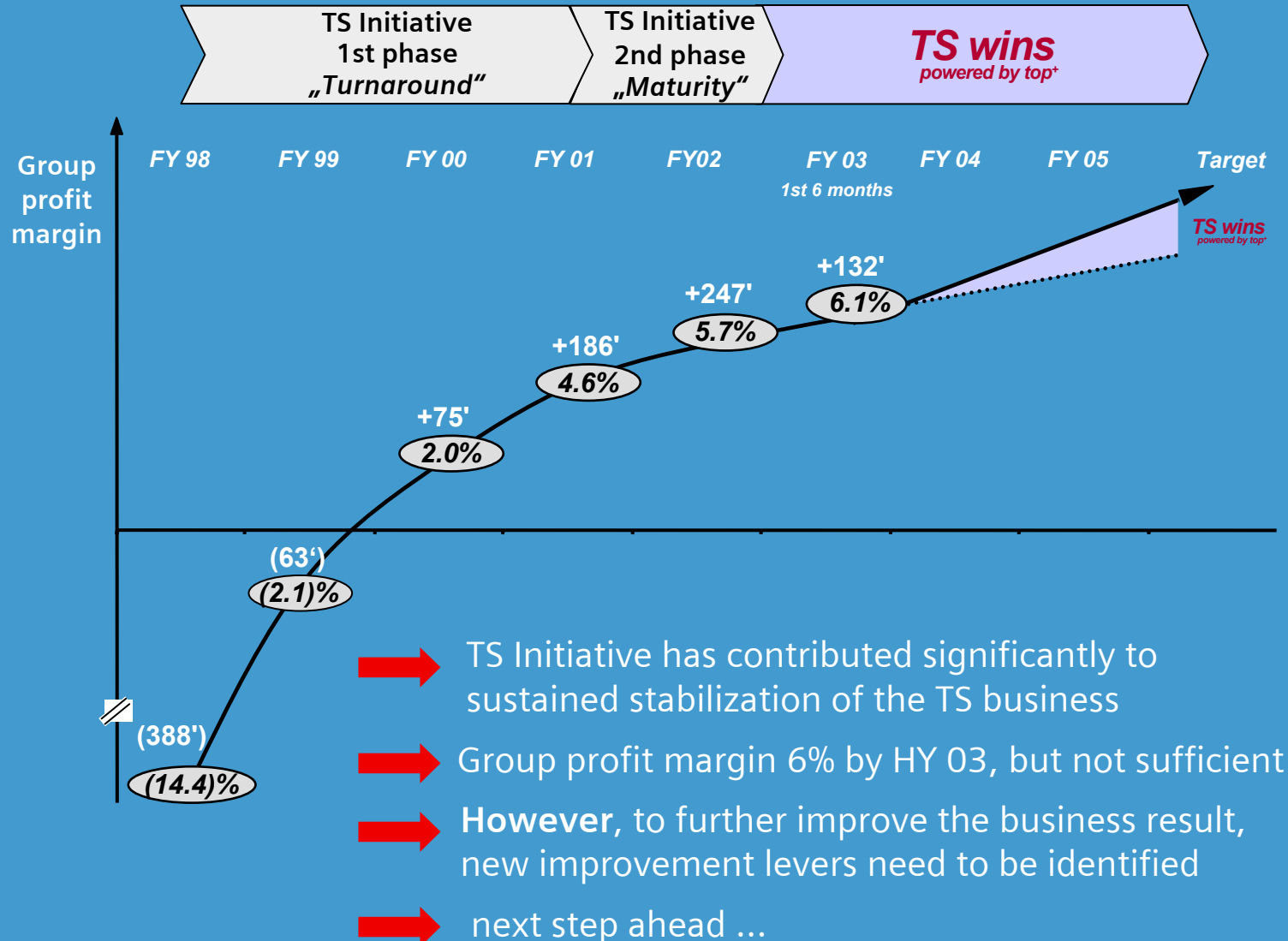
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builds on the successes of the TS Initiative and points the way to best-of-best Company

top+ 3rd step



Sustainable and higher profitability

Focus on standardization by modular systems and platform-based concepts

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- Trams "Combino" 593 units sold to 16 customers*
- Commuter Trains "Desiro" 688 units sold to 14 customers*
- Locomotives "EuroSprinter" 951 units sold to 13 customers*
- Electronic Interlockings Mainline 55000 units sold to 25 customers*
- Mass Transit 6000 units sold to 30 customers*

Advantages:

- Reduced engineering work
- Reduction of assembly time by 80%
- Shorter delivery and commissioning
- Throughput times shortened by fault-free modules
- Enhanced reliability through service-proven standard modules
- Reduced number of subsuppliers - thus long-term partnerships possible

*cumulated until May 2003

Wildenrath Test Center for Rolling Stock Brunswick Test Center for Rail Automation **SIEMENS**

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- World's most advanced test center managed by the industry
- Increased safety and reliability
- Reduced commissioning times
- Shorter innovation cycles due to unlimited test capabilities



- Simulation for commissioning with the wheels rolling
- Time / cost savings for operators
- Rail Academy



→ Clear focus on quality

Innovation Strategy

Anticipation of the future (1)

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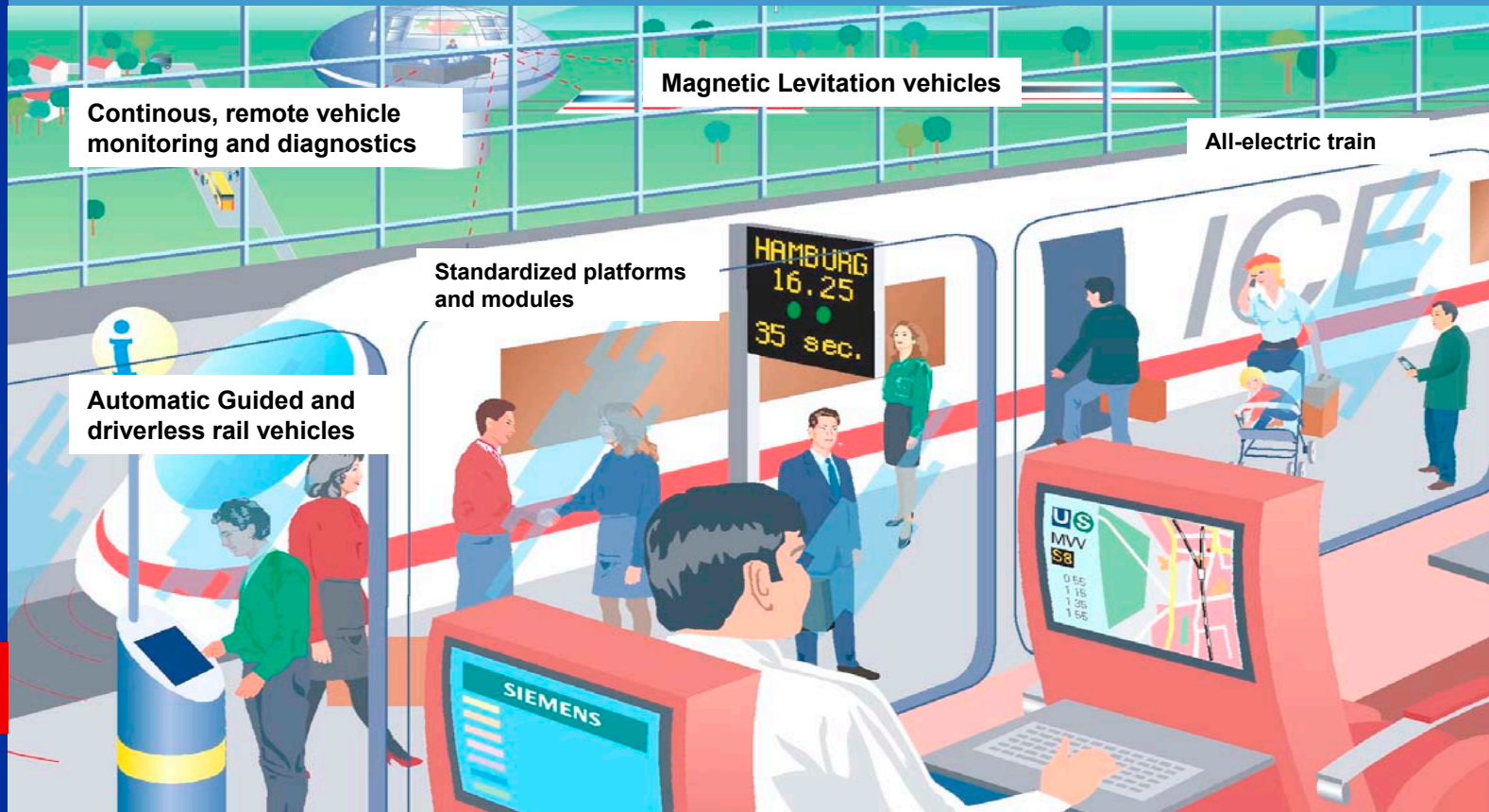
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Transportation in 2025



Anticipation of the future (2)

Core business impacts

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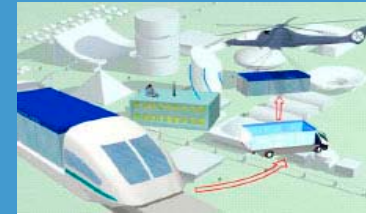
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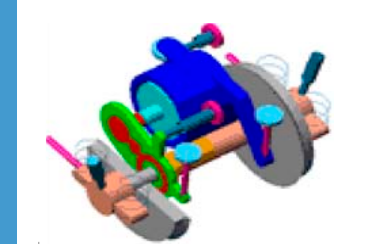
■ **Magnetic Levitation**

Substitute traditional rail and aircraft connections with new Magnetic Levitation routes



■ **All-electric train**

Substitute pneumatics, to speed up procedures and realize complex new functions



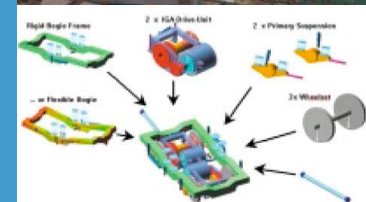
■ **Automatic-guided and driverless rail vehicles**

Realize a higher level of automation in rail transport



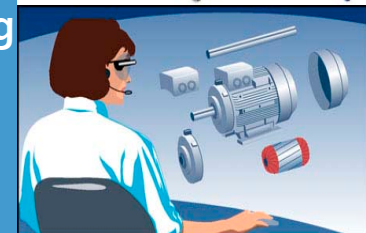
■ **Standardized platforms and modules**

Reduce life-cycle-costs for signalling and rolling stock



■ **Continuous, remote vehicles monitoring and diagnostics**

Change from corrective and preventive to a condition-based maintenance



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Examples for innovations: CargoMover

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Demand

- The transport capacity in freight traffic will increase **by 70 percent** until 2015.

Available Solution

- Transportation that makes better use of the available rail capacities, especially in regional freight traffic, and combines the system advantages of the road with the opportunities of the rail to form an integral solution.

**In other words:
a driverless truck on rails.**

Examples for innovations: European Train Control System (ETCS) SIEMENS

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- Uninterrupted cross-border traffic
- No stops at borders, no locomotive change, no train driver change necessary
- Increase of transport capacities

Available Solution

- One common system for all European railways
- Continuously available data about position, speed, and destination of rolling stock
- Significantly improved track utilization through shorter headways
- Increased safety through continuous train control
- Prerequisite for fully-automated rail transportation



TS - the market leader, shaping the future of tomorrow's railways

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1. We have geared our business to a world-class cost and competitive position
→ In competitive benchmarks, TS has the best return (target: sustainable profitable growth)
2. We strive for long-term and profitable growth
→ TSwins (top+ program) is geared to achieve higher returns through process improvements, quality, and modularization/standardization. High Margin Sales Stimulation Program supports internationalization plans
3. We will extend our technological leadership excellence
→ Innovations are a key driver and will continue to build performance and competitive position in all business segments.



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Group profit definition:

Group profit is defined as earnings before financing interest, certain pensions costs, income taxes and certain one-time items, which do not relate to the business performance of the Groups. See "Financial Reports/Fiscal 2003, Quarter 2/Financial Statements" at our Investor Relations website under www.siemens.com

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