Shaping the future of TS
with Innovation and Quality

Hans M. Schabert, Group President

Transportation Systems
Financial Market Day, February 17, 2004
### Key figures

#### Performance

<table>
<thead>
<tr>
<th>Highlights in FY03</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Siemens Management System in TS</td>
<td></td>
</tr>
<tr>
<td>• Innovation</td>
<td></td>
</tr>
<tr>
<td>• Customer Focus</td>
<td></td>
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<tr>
<td>• Global Competitiveness</td>
<td></td>
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</tbody>
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#### Summary

<table>
<thead>
<tr>
<th>New orders</th>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>Q1 FY04</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in billions of euros)</td>
<td>5.6</td>
<td>5.2</td>
<td>4.7</td>
<td>1.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sales</th>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>Q1 FY04</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in billions of euros)</td>
<td>4.0</td>
<td>4.4</td>
<td>4.7</td>
<td>1.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group profit</th>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>Q1 FY04</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions of euros)</td>
<td>186</td>
<td>247</td>
<td>284</td>
<td>32</td>
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</table>

<table>
<thead>
<tr>
<th>Group profit margin</th>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>Q1 FY04</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in %)</td>
<td>4.6</td>
<td>5.7</td>
<td>6.0</td>
<td>3.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employees</th>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>Q1 FY04</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td>14</td>
<td>17</td>
<td>18</td>
<td>18</td>
</tr>
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</table>

Order backlog: EUR 11.2 billion
Combino: Mileage- and route-dependent problems with fatigue strength in parts of the car body

Solution:

• Set up a taskforce, analyze the situation, assess possible solutions
• Test improvement measures
• Verify improvement measures (calculations, tests, trials)

Next steps:

• Test of re-engineered design
• Conduct ongoing reviews of delivered vehicles
• Repair work immediately following completion of test
• Further build-up of warranty provisions over the next quarters
### Performance

**Highlights in FY03**

- **First Group and Keolis order 56 trains for railway network in Northern England (EUR 500 million), including service**

- **In Nanjing, China TS underscores leading position in mass transit automation**

- **Transrapid achieved top speed of 501 km/h (311mph) on Shanghai track: Ready for commercial operation**

- **TS lands key contract from Swiss Railway for 35 double track trains (EUR 320 million)**

- **Passenger Announcements / Customer Information Systems for New York Metro**
Market development by segment and region

**Segments**

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Automation &amp; Power</td>
<td>9.3</td>
<td>+3.0</td>
<td>11.1</td>
<td>+2.6</td>
</tr>
<tr>
<td>Rolling Stock</td>
<td>15.4</td>
<td>+3.9</td>
<td>18.0</td>
<td>+3.6</td>
</tr>
<tr>
<td>Integrated Services</td>
<td>14.0</td>
<td></td>
<td>17.6</td>
<td></td>
</tr>
<tr>
<td>Turnkey Systems</td>
<td>2.5</td>
<td>+6.8</td>
<td>3.7</td>
<td></td>
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**Regions**

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Asia/ Australia</td>
<td>11.9</td>
<td>+3.6</td>
<td>9.5</td>
<td>+2.4</td>
</tr>
<tr>
<td>America</td>
<td>7.3</td>
<td></td>
<td>17.4</td>
<td></td>
</tr>
<tr>
<td>Europe without Germany</td>
<td>15.1</td>
<td></td>
<td>4.1</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>3.5</td>
<td>+2.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>14.7</td>
<td></td>
<td>1.0</td>
<td></td>
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</tbody>
</table>

*) averaged over 5 respectively 6 years
TS initiatives cover all elements of the Siemens Management System (SMS)

**Performance**

**Highlights in FY03**

**Market**

**Siemens Management System in TS**

- **Innovation**
  - Platform strategies
    - driven by Group Technology
  - Trendsetting technologies
    - Innovation benchmarking
    - Innovation processes
    - Intellectual property
    - driven by Group Technology

- **Customer focus**
  - Winning new customers
    - account.management@ts
  - Cross-selling initiative
    - Cross-selling among Groups
    - Cross-selling among Divisions
    - account.management@ts

- **Global competitiveness**
  - Software initiative
    - Pilot in Rail Automation
  - Project management@Siemens
    - PM@TS
  - Worldwide manufacturing concept
    - Pilot in Trains
  - Shared services
  - top* / TSwins Program
    - Asset management
    - top* / TSwins Program
  - Service initiative
    - driven by Integrated Services
  - Quality and process initiative
    - driven by top* / TSwins and Group Quality Management
Fully automated solutions for cargo and ultra-high-speed service

**CargoMover**

- Fully automatic mode of transport for tomorrow’s freight traffic
- Technology platform for automatic obstacle detection with microwave radar sensors, laser scanners and video
- Possible pilot projects:
  - Volkswagen AG (Logistics Center)
  - IKEA Germany

**Transrapid**

- Official revenue service expected in April 2004
- More than 200,000 paying passengers on board
- Top speed: 501 km/h
- Expanding projects from Shanghai (e.g. Hangzhou) still pending
Higher performance through automation of mass transit and main line services

Rubin Project

• First automatically guided and driverless metro system in Germany to operate in ‘mixed traffic’
• High-frequency transponder system for detecting dangerous situations
• ‘Intelligent’ door sensors

European Train Control System (ETCS)

• Interoperable, Europe-wide train control system for seamless cross-border traffic on trans-European networks
• EUR 6 billion investment program for Europe (herein Germany EUR 2.5 billion)
• In 2030: elimination of all signals, one (1) European Train Control System
United Kingdom: Strong deregulation activities combined with major need for modernization

Prototype for entering into new markets:

• Automation and Power
  - Won access to electronic interlocking market for the next 10 years
  - First electronic interlocking ‘Dorset Coast Resignalling’ successfully commissioned
  - Framework contract together with AMEC SPIE to upgrade traction power supply in Wessex area

• Rolling Stock
  - Around 210 electrical and 50 diesel multiple units for express routes in Northern England ordered (EUR 1.6 billion) since FY 00
  - Follow-up orders for Heathrow Express
  - Agreement with First on a joint development program for high-speed trains

• Integrated Services
  - Since FY 00, service volume of EUR 740 million in the books
  - Depot in Southampton for Southwest Trains
  - New service depot in Manchester and York (Transpennine) (based on success of Heathrow Express)

Performance

Highlights in FY03

Market

Siemens Management System in TS

• Innovation

• Customer Focus

• Global Competitiveness

Summary

FEB-04
China: Opening market with strong growth potential; Olympic Games 2008 in Beijing will further boost investment

- Transfer of responsibility for metro business in China and Asia to China, including the transfer of selective competencies (e.g. engineering) to the Regional Company

- Implementation of local sourcing organization in China to support our global initiative

- Foundation of the ‘German High-Speed Initiative’ by Siemens, BWG and Pfleiderer. Establishment of a center of competence in China for high-speed projects (e.g. Guangzhou – Zhuhai high speed line)

- Enhancement of the cooperation with Zhuzhou Electric Locomotive Works (ZELW) in the locomotives sector

- Planned cooperation with Changchun Railcar Corporation (CRC) for intercity and high-speed projects
Russia: Opening market with extreme need for modernization; Rolling Stock the driving force for further market penetration

- **Intensify focus on Russia as a market of the future due to modernization and market liberalization**

- **Develop the Russian market, using a stage-by-stage approach and make use of reliable technology and good reputation of Siemens**

- **Explore possibilities of cooperation with local manufacturing partners**

- **Focus on electrical equipment and locomotives**
### Performance
- **Highlights in FY03**
  - About 50 key customers cover 90% of TS world market
  - Focus on valuable key customers in the United States, Western Europe and Asia
  - Effective use of cross-selling potential over divisions
  - Implementation of Siemens-wide approved key account management
  - Systematic approach and top management attention
- **Summary**
  - Success after 97 years without Siemens rolling stock: SBB awards contract for double-deck trains (EUR 320 million) and for freight-locos (EUR 64 million)
## Shared Services – Procurement and Logistics: Focusing on supplier management and global sourcing

### Performance

- **Consistent application of the supplier management process (selection – evaluation – development)**

- **Bundling of purchasing volumes and use of new technologies (e.g. e-bidding)**

- **Focusing on ‘Best-in-Class’ suppliers:**
  - Top quality utmost priority (Quality Gates system)
  - Lowest total costs
  - Reliability and on-time delivery performance
  - Early integration into the value-added chain
  - Global presence

- **Through ‘local content’ to global sourcing: Opening of new TS procurement office in Shanghai**

- **Key countries for localization and globalization: China, India and countries in Eastern Europe (e.g. rolling stock plant in Prague)**

### Highlights in FY03

- Siemens Management System in TS
- Innovation
- Customer Focus

### Market

- **Global Competitiveness**

- **Summary**
PM@TS: One success factor in the TS turnaround

Recommendations from PM@Siemens have been implemented in PM@TS:

- Establishment of PM@TS worldwide
  - Affecting 450 projects worldwide with a new order volume totaling about EUR 23 billion
  - 430 technical and commercial project managers trained in methodology and systematic approach
  
  **Goal: Enhanced planning reliability**

- Introduction of the new Siemens-wide milestone process

- Introduction of the Quality Gates system

- Siemens-wide best practice sharing with PM@Siemens

- Management attention at the highest level

- Project management coaches in Divisions and Regions support and monitor the implementation of PM@TS

Summary
Quality first!

TSwins Quality

‘Fire Fighting’
- Identification and documentation of top problems in each division
- Development and implementation of measures to solve these top problems
- Cross-divisional task forces, in some cases assisted by Siemens CT

‘Fire Prevention’
- Identification of the key causes of the top problems
- Implementation of product and process improvements to avoid future problems

‘Culture Change’
- Personal involvement of the top management
- Consistent introduction of variables and goals
- Regular tracking and reporting
- Regular quality benchmarking within Siemens and with the aviation and automotive industries

Solving current problems
Avoiding future problems
Consistency, effect, sustainability

Performance Highlights in FY03
Market Siemens Management System in TS
- Innovation
- Customer Focus

Global Competitiveness
Summary

FEB-04
Outlook

• Successful course will be continued while intensifying our focus on top quality

• Consistent account management ensures that we ‘go for profit and growth’

• The drivers and initiatives of SMS@TS underpin our strategic and financial future

TS sticks to its goals:

→ Expand our competitive position and, with sustained profitability, claim the No. 2 position in terms of technology leadership, growth and internationalization

→ Expand our No. 1 position in railway automation

→ Build the rolling stock and service business up to a stable and profitable No. 2 position
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