Siemens in China

Lothar Herrmann, President and CEO Siemens China

Beijing, June 4, 2015
Notes and forward-looking statements

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 “expect,” “look forward to,” “anticipate” “intend,” “plan,” “believe,” “seek,” “estimate,” “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, of which many are beyond Siemens’ control. These are subject to a number of risks, uncertainties and factors, including, but not limited to those described in disclosures, in particular in the chapter Risks in the Annual Report. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of Siemens may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. Siemens neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

This document includes – in IFRS not clearly defined – supplemental financial measures that are or may be non-GAAP financial measures. These supplemental financial measures should not be viewed in isolation or as alternatives to measures of Siemens' net assets and financial positions or results of operations 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.

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.
Siemens has established a strong footprint in China

**Siemens China Key Facts**

- **Sales of €6.6bn in FY14 (+14%)**

- **76** Joint Ventures & wholly owned enterprises

- **~33,300** employees in total, including
  - **11,200** employees in **44 factories**
  - **4,500** sales staff in **>60 sales offices**
  - **>4,500** R&D experts & engineers
  - **20** R&D hubs

- **Balanced business mix**

- **China is the 2nd largest Siemens overseas market**

- **Orders: tough comps** H1 FY15 vs. prior year. Pick up in H2 FY 15 expected

---

1) vs. FY13, portfolio & FX comparable  
2) Majority-owned factories, excl. 50:50 / minority-owned
Chinese economy faces “formidable challenges”; government to accelerate structural reforms

<table>
<thead>
<tr>
<th>Reason for economic slowdown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overcapacity</td>
</tr>
<tr>
<td>More focused infra. investment</td>
</tr>
<tr>
<td>Export markets under pressure</td>
</tr>
<tr>
<td>Slowing-down real estate investment</td>
</tr>
<tr>
<td>China debt and “grey” lending</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Structural changes in GDP composition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>GDP Growth</td>
</tr>
<tr>
<td>46.8%</td>
</tr>
<tr>
<td>43.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Government focus: manage “the new normal”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural change of growth model</td>
</tr>
<tr>
<td>Premier Li Keqiang:</td>
</tr>
<tr>
<td>Difficulties ahead may be more formidable than last years</td>
</tr>
<tr>
<td>2015 GDP growth target reduced to ~7%</td>
</tr>
<tr>
<td>Adapt to “New Normal” of growth (weakest in 25 years)</td>
</tr>
<tr>
<td>Maintain economic stability</td>
</tr>
<tr>
<td>Foster social harmony</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Siemens relevant investment focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intelligent manufacturing</td>
</tr>
<tr>
<td>Clean energy</td>
</tr>
<tr>
<td>Urbanization &amp; infrastructure</td>
</tr>
<tr>
<td>Affordable Healthcare</td>
</tr>
<tr>
<td>Going global of CN companies</td>
</tr>
</tbody>
</table>

Source: Siemens China, IHS Global Insight, National Bureau of Statistics
Leading portfolio and a strong local footprint to capitalize on “intelligent manufacturing” trend

Intelligent Manufacturing is a focus topic in China

- **Intelligent manufacturing equipment** highlighted as Strategic Emerging Industry in 12th FYP

- **MIIT 1) launched “Intelligent manufacturing” pilot project**

Leverage global portfolio for China market

- **Digital Enterprise Software Suite:** PLM (Teamcenter / NX), MES (Simatic IT), TIA (Simatic, Sinumerik)

- **Project examples for intelligent manufacturing**

  - JIER Machine-Tool Group
  - CITIC Dicastal
  - Chery Automotive

Local setup and SMART development

- Leading by example: **Electronic Works Chengdu**

- Continuously leverage **SMART products**

  - Simatic PM207
  - IPC 3000 SMART
  - SINUMERIK 808D
  - SMART LINE V2

Invest in sales

- Enhance regional coverage/ new office

---

1) Ministry of Industry and Information Technology
We leverage expertise and customer relationship to drive our digital business opportunities

Digital business opportunities (examples)

<table>
<thead>
<tr>
<th>A</th>
<th>Software / vertical IT solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design &amp; simulation SW (dual reality)</td>
<td>Vertical IT mgmt. solutions</td>
</tr>
<tr>
<td>Monitoring SW</td>
<td>Control SW</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B</th>
<th>Data-driven services &amp; business analytics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Condition monitoring / predictive maintenance</td>
<td>Resource usage benchmarking</td>
</tr>
<tr>
<td>Cyber security</td>
<td>Performance optimization</td>
</tr>
</tbody>
</table>

Output prediction / perform. guarantees  
Digital infra./ platforms

Move into local applications

<table>
<thead>
<tr>
<th>C</th>
<th>Digitally enhanced electrification &amp; Automation portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smart sensors</td>
<td>Connectivity &amp; ind. com.</td>
</tr>
<tr>
<td>Self-learning</td>
<td></td>
</tr>
</tbody>
</table>

Strong growth in Sensors & Communication business since 2010

Project examples

- Project with key automotive production supplier
- Traffic Management System project

ITS: Intelligent Traffic Systems; BEMS: Building Energy Management System
We are compensating headwind from the market with increased localization and flexibility

China Power markets in the “new normal”

- Wind market with growth momentum in off-shore
- Delays in O&G projects
- GT market still slow
- De-central power market develops, but slow
- Declining power demand growth

Siemens response

- Built closer cooperation with key customers, e.g. via MoUs
- Continue localization to enhance competitiveness
- Leverage Rolls-Royce portfolio for de-central power, compressor & pipeline
- Increase flexibility of local business and partnership
- Ramping up local competency on engineering and service

Key wins since H2 FY 14

Ulanhot ASU project
Continuous wind power projects from Longyuan
Three Gorges Xiangshui wind power project
HPI gas turbine service contract

1) China Statistics Bureau
Local products, innovation and customer proximity to benefit on China’s urbanization opportunities

China infrastructure markets in “new normal”
- Air pollution & increasing Environment protection as market driver
- Power T&D: lower growth rates; attractive size
- Rolling stock: peak in FY14 & further solid investment
- Real Estate Investment growth is slowing down

YoY Growth

<table>
<thead>
<tr>
<th>Years</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
<th>04/15</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>20%</td>
<td>40%</td>
<td>Full Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Real Estate Development Investment Growth YoY (in %) ¹

Siemens response
- Strengthened joint go-to-market and City 100 Roadshow
- Continuous enhancement of local portfolio
- Built Center of Competence in BSCE ², with >100 R&D experts
- Realize opportunities from environment protection / air-pollution
- Local solutions for e-Car drivetrain and e-bus
- Drive urban transportation potential (signaling, propulsion)
- Wuhan Innovation Center for intelligent traffic management
- Strengthen engineering, project mgmt & operational excellence

Key wins since H2 FY 14
- Ningdong HVDC
- SGCC central bidding
- Signaling projects
- Rolling Stock projects

1) China Statistics Bureau  2) Beijing Siemens Cerberus Electronics Ltd
We are leveraging the full value-chain in China to turn market challenges into competitiveness

**Market dynamics**
- **Market shift** toward entry-level/county-level healthcare continues
- Clinical Products and Diagnostics market with **constant growth**, albeit at lower levels than before
- Overall: **price erosion**
- Anti-corruption measures by government lead to **delay in customer investment decisions**

**Siemens response**
- **Leverage strong value chain** in SSME & SSMR
- **Local product development** & innovation for global market:
  - Artis one
  - SOMATOM Scope
  - MAGNETOM Essenza 800 +
  - Multix Select DR, Multix Fusion

- **Further develop tailored local portfolio**
- Invest in **Go-2-Market**
  - Move **sales closer to the customer**:
    - >175 cities with sales residence – shift towards non-provincial capital cities
  - Optimize **business partner management** & established **dedicated channel setup** for CP
- **Tight cost control**

Add. cities with Siemens HC sales since Nov. 2014
Support the international expansion of our Chinese customers with our global footprint

Key Actions
- Dedicated Key Account Mgt.
- Continuous ramp-up of local competences
- Focused China EPC approach
- Signed MoU with key EPCs

Selected Key Wins FY14
- Sinomach: Gas turbines
  - Venezuela
- Power China: IGCC project
  - Saudi Arabia
- CSR: Rapid Metro Gurgaon projects
  - India

Selected Key Wins FY15
- Power China: Steam Turbines
  - Philippines
- State Grid: HVDC
  - Brazil
- SNPTC: Steam Turbines
  - Brazil
- CMC: Gas Turbines
  - Bangladesh

Growth of order intake from China key accounts
+100% p.a.

FY 2012 - FY 2014

1) Integrated Gasification Combined Cycle 2) State Nuclear Power Technology Corporation 3) China National Machinery Import & Export Corporation
The new normal: We have adapted to seize our opportunities in a changing market environment

<table>
<thead>
<tr>
<th>Siemens relevant investment focus of China</th>
<th>Key actions to drive profitable growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intelligent manufacturing</td>
<td>Leveraging our <strong>leading portfolio and a strong local footprint</strong> to capitalize on “intelligent manufacturing” trend</td>
</tr>
<tr>
<td>Clean energy</td>
<td>Compensating headwind from the market with <strong>increased localization and flexibility</strong> in power</td>
</tr>
<tr>
<td>Urbanization &amp; infrastructure</td>
<td>Participating in China infrastructure investments via <strong>local products, innovation and customer proximity</strong></td>
</tr>
<tr>
<td>Affordable Healthcare</td>
<td>Leveraging the <strong>full value-chain in China</strong> to turn market challenges into competitiveness in healthcare</td>
</tr>
<tr>
<td>International expansion</td>
<td>Support the <strong>international expansion of our Chinese customers</strong> with our global footprint</td>
</tr>
</tbody>
</table>