

# Siemens Industry: Building Technologies Division

Dr. Johannes Milde, CEO Building Technologies Division

Capital Market Days 'Industry'  
Munich, December 18, 2008

## Safe Harbour Statement





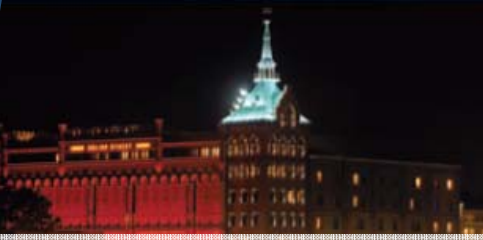




This document contains forward-looking statements and information – that is, statements related to future, not past, events. These statements may be identified by words such as “expects,” “looks forward to,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “will,” “project” or words of similar meaning. Such statements are based on our current expectations and certain assumptions, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Siemens’ control, affect our 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. For us, particular uncertainties arise, among others, from changes in general economic and business conditions (including margin developments in major business areas); the behavior of financial markets, including fluctuations in interest and exchange rates, commodity and equity prices, debt prices (credit spreads) and financial assets generally; continued volatility and further deterioration of the capital markets; the commercial credit environment and, in particular, additional uncertainties arising out of the subprime, financial market and liquidity crises; future financial performance of major industries that we serve, including, without limitation, the Sectors Industry, Energy and Healthcare; the challenges of integrating major acquisitions and implementing joint ventures and other significant portfolio measures; introduction of competing products or technologies by other companies; lack of acceptance of new products or services by customers targeted by Siemens; changes in business strategy; the outcome of pending investigations and legal proceedings, especially the corruption investigations we are currently subject to in Germany, the United States and elsewhere and actions resulting from the findings of these investigations; the potential impact of such investigations and proceedings on our ongoing business including our relationships with governments and other customers; the potential impact of such matters on our financial statements; as well as various other factors. More detailed information about certain of these factors is contained throughout this report and in our other filings with the SEC, which are available on the Siemens website, [www.siemens.com](http://www.siemens.com), and on the SEC’s website, [www.sec.gov](http://www.sec.gov). Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Siemens does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.

---

Earnings before interest and taxes, or EBIT (adjusted); Earnings before interest, taxes, depreciation and amortization, or EBITDA (adjusted); Return on capital employed (ROCE); Return on equity (ROE); Free cash flow; and Cash conversion rate are non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to measures of our financial condition, results of operations or cash flows as presented in accordance with IFRS in our Consolidated Financial Statements. Information for a reconciliation of these amounts to the most directly comparable IFRS financial measures is available on our Investor Relations website under [www.siemens.com/ir](http://www.siemens.com/ir) → Financial Publications. “Profit Total Sectors” is reconciled to “Income from continuing operations before income taxes” in the table “Segment Information.”

---

## Building Technologies Division – Who we are

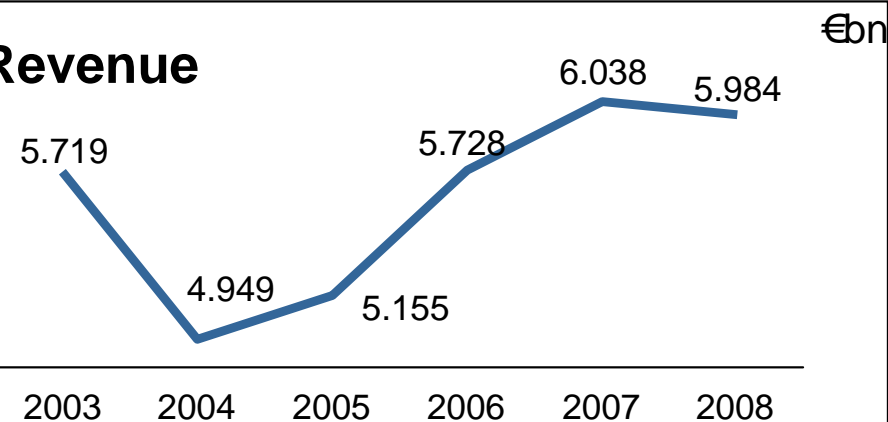
Our Offerings	Superior customer benefits	
<ul style="list-style-type: none"> <li>▪ Consult – plan – build</li> <li>▪ Operate and maintain</li> <li>▪ Modernize</li> <li>▪ Products and systems</li> </ul>	<p>(Energy) Efficiency</p> <p>Productivity</p> <p>Safety</p> <p>Security</p>	<h3>Wynn's Casino and Resort, Macau</h3>  <p>Fire protection system for 600 rooms and 23,000 m<sup>2</sup></p>
 Energy efficiency		<h3>Munich Airport</h3>  <p>100 million passengers protected to date by BT security system</p>
 Building automation/HVAC		<h3>Hilton Molino Stucky, Venice</h3>  <p>Highly efficient operation based on Total Building Solutions</p>
 EI. installation technology		<h3>St. Elisabeth Hospital, Youngstown, USA</h3>  <p>Building management system from BT cut energy consumption by 30%</p>
 Fire Safety		
 Security		

## BT – We deliver

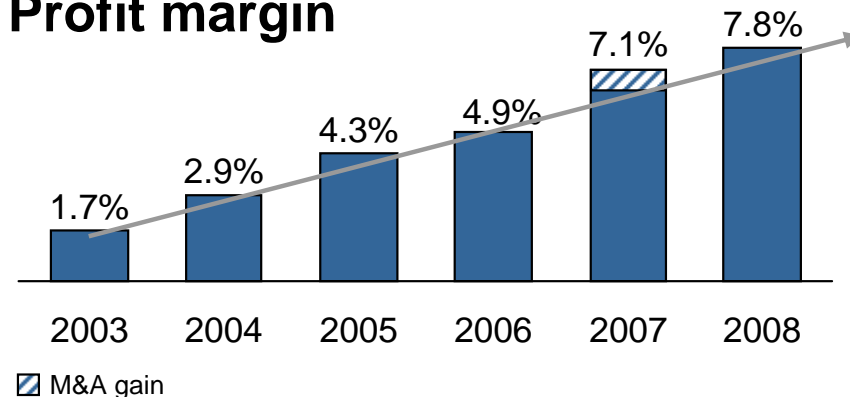
### How we did it !

- Portfolio measures
  - Business
    - Installation projects
    - Facility management
  - Regions (Andinas, etc.)
- Business mix (products up, service up)
- SG&A 2003-2007 (-15%)
- Processes
  - Project management (PM@Siemens)
  - Project selection
  - Standardized branch setup

### Revenue



### Profit margin



**BT has improved year-over-year profit every quarter since 2003.**

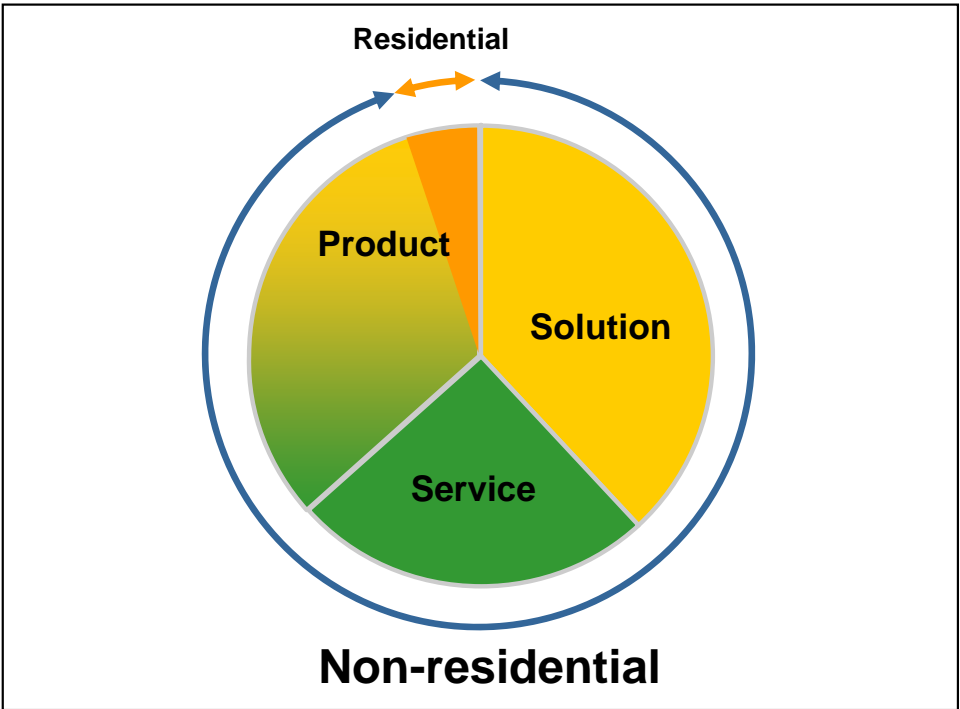
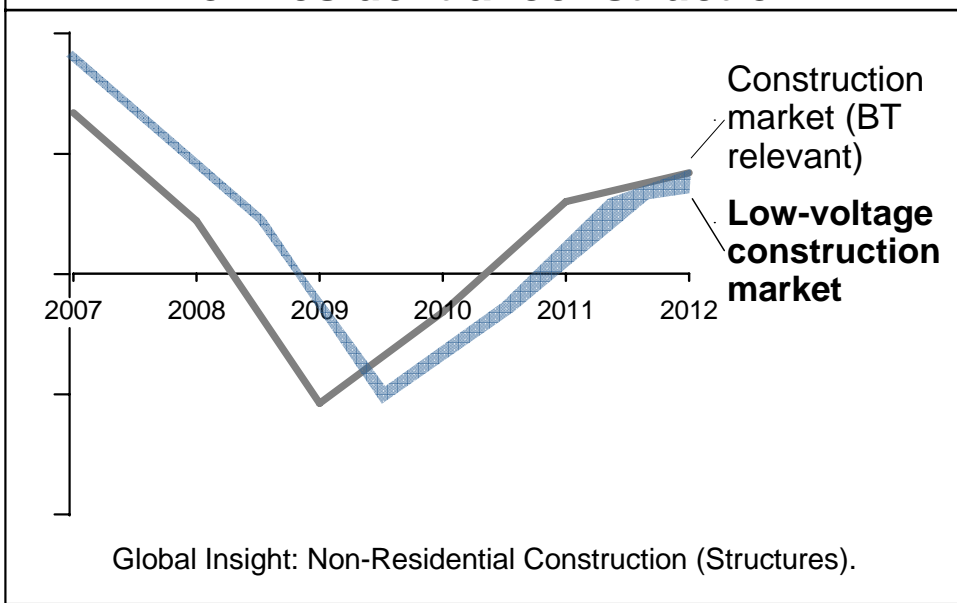
## BT financial performance

		Comment	Outlook									
Revenue <i>BtB-ratio</i>	<p>€bn</p> <table border="1"> <tr> <th>Year</th> <th>Revenue (€bn)</th> <th>BtB-ratio</th> </tr> <tr> <td>2007</td> <td>6.0</td> <td>1.05</td> </tr> <tr> <td>2008</td> <td>6.0</td> <td>1.06</td> </tr> </table>	Year	Revenue (€bn)	BtB-ratio	2007	6.0	1.05	2008	6.0	1.06	<ul style="list-style-type: none"> <li>Strongly influenced by FX Comparable growth: 3%</li> <li>Good growth in US, CN, RU...</li> <li><b>Focus on profitable projects with price premium</b></li> </ul>	<p><b>Win market share</b></p> <ul style="list-style-type: none"> <li>Very good backlog</li> <li>Good business mix</li> <li>Lower cost base</li> </ul>
Year	Revenue (€bn)	BtB-ratio										
2007	6.0	1.05										
2008	6.0	1.06										
Profit <i>Margin</i>	<p>€m</p> <table border="1"> <tr> <th>Year</th> <th>Profit (€m)</th> <th>Margin</th> </tr> <tr> <td>2007</td> <td>429</td> <td>7.1%</td> </tr> <tr> <td>2008</td> <td>466</td> <td>7.8%</td> </tr> </table>	Year	Profit (€m)	Margin	2007	429	7.1%	2008	466	7.8%	<ul style="list-style-type: none"> <li>Strong improvements in Fire Safety and Building Automation</li> <li>Very good results in most regions: DE, US, CH, CN, KR...</li> <li><b>In Q4 first time 10% margin</b></li> </ul>	<p><b>Further improve margin</b></p> <ul style="list-style-type: none"> <li>Good backlog margin</li> <li>More low-cost content</li> </ul>
Year	Profit (€m)	Margin										
2007	429	7.1%										
2008	466	7.8%										
Cash con- version rate	<table border="1"> <tr> <th>Year</th> <th>Cash conversion rate</th> </tr> <tr> <td>2007</td> <td>1.03</td> </tr> <tr> <td>2008</td> <td>0.86</td> </tr> </table>	Year	Cash conversion rate	2007	1.03	2008	0.86	<ul style="list-style-type: none"> <li><b>Cash not satisfactory, but</b> <ul style="list-style-type: none"> <li>Strong improvement in some regions: US...</li> <li>M&amp;A diluted results</li> </ul> </li> </ul>	<p><b>Improve cash</b></p> <ul style="list-style-type: none"> <li>Cash awareness</li> <li>Better processes</li> <li>Fast integration of M&amp;A targets</li> </ul>			
Year	Cash conversion rate											
2007	1.03											
2008	0.86											

**Indicators show limited risk to revenue for fiscal 2009**

**» Impact is delayed (6 months) and expected for fiscal 2010**

**BT Market growth indicator:  
'Non-residential construction'**



**BT is active in commercial and industrial buildings with service and refurbishment projects less exposed to weakening economy**

## BT offers integrated solutions and lifecycle service to end customers

Security



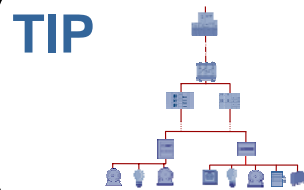
Fire Safety



Building Automation and Energy Efficiency



Electrical Installation Technology



Integrated solutions



Lifecycle / Cost of Ownership

# BT offers highly innovative products and systems to indirect channels



Security



Fire Safety



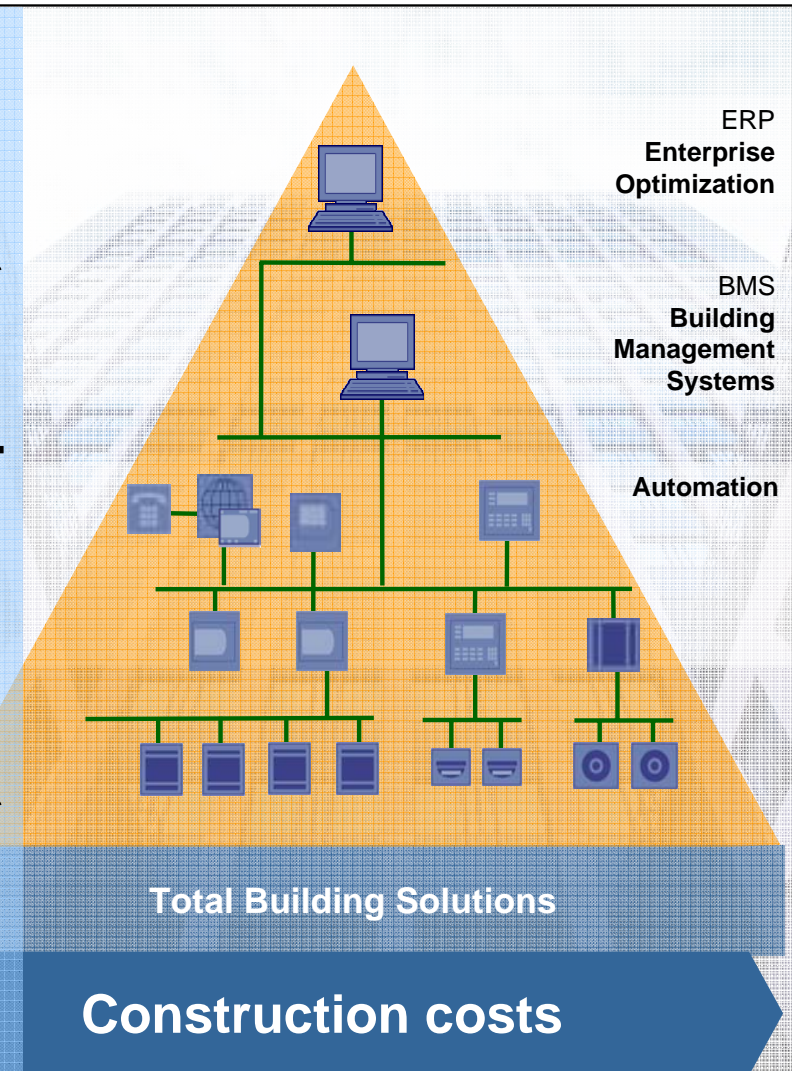
Building Automation



Electrical Installation Technology



Indirect channels / Distribution contractor, value-added partner, installer





## BT addresses markets with two go-to-market models



**Solutions & Services**

**Customer requirements**

- Consulting
- Lifecycle service
- 24/7 service

**BT response**

- Integration capability
- Center of Competencies
- Local branch network

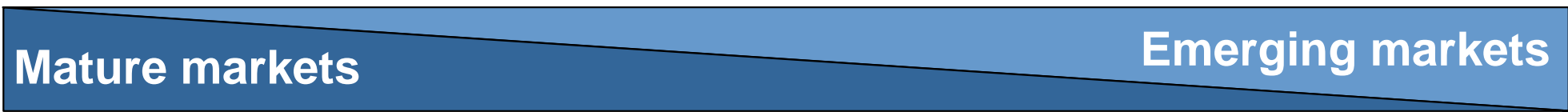
**Products & Systems**

**Customer requirements**

- Low investment cost
- Technology only
- Fast delivery

**BT response**

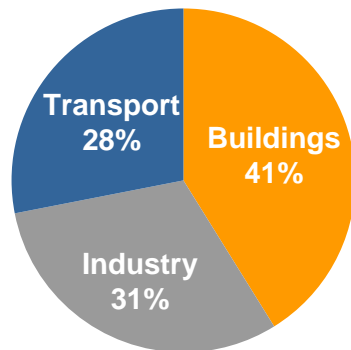
- Siemens logistics network
- Value-added partner network
- Innovative technology
- Interoperability



**BT goal: No. 1 or No. 2 in selected countries**

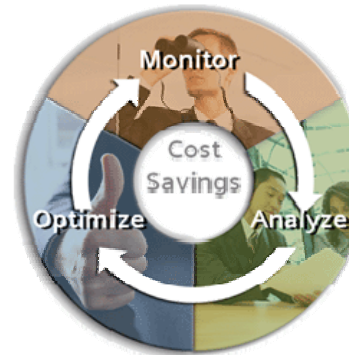
# Energy efficiency: Operational cost savings for customers

## Trends



- Buildings account for 41% of global energy consumption and 21% of CO<sub>2</sub> emissions
- 40% of operational costs related to energy

## Our offerings and activities



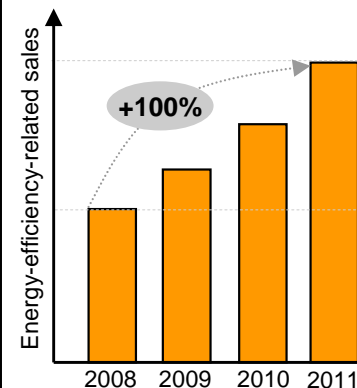
- Energy efficiency consulting and energy audit management
- Innovation: Green Building Monitor
- Performance contracting for energy savings

## Reference



- More than 1,500 energy projects and 7,500 updates since 1994
- €1.5 bn total savings achieved for customers
- CO<sub>2</sub> emissions cut by 700,000 tons annually

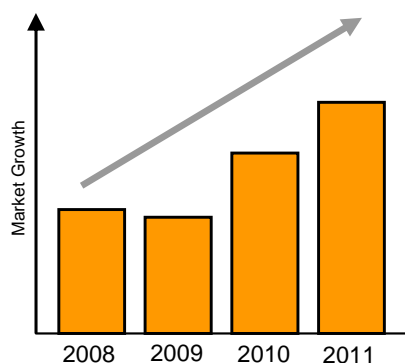
## What we want to achieve



- Double sales related to energy efficiency within four years
- Continue cutting CO<sub>2</sub> emissions and energy costs
- Make BT the leader in energy saving in industry

## Security solutions remains a fast-growing market

### Trends



- Security market will keep growing over next years even during economic downturn
- Continuous demand for protecting people, processes and assets

### Our offerings and activities



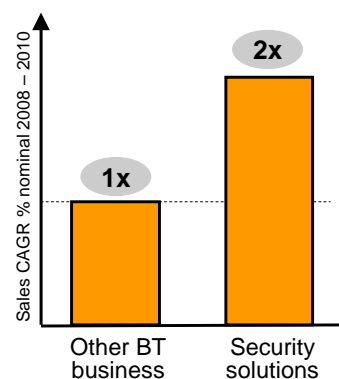
- Integrated security platform
- Enhanced security portfolio
- Consulting services and alarm centers

### Reference



- Siveillance™ SiteIQ controls outdoor area and protects more than 1.4 million passengers per year at Bodø Airport, Norway

### What we want to achieve



- Become market leader in intelligent security solutions and services
- Achieve targeted profit range
- Grow twice as fast as the other BT business

# Services business – Less affected by economic downturn

## Trends



- Continuously growing demand for energy-efficiency services
- Need for business continuity supports demand for service offerings

## Our offerings and activities



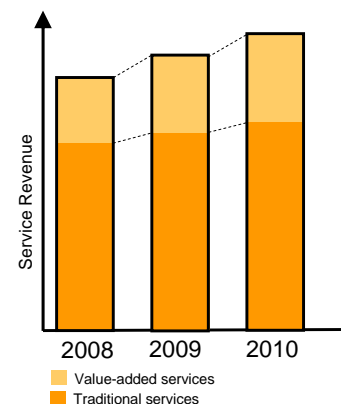
- Maintenance, modernization and extension over whole lifecycle
- Value-added service, e.g. managed security service, energy efficiency

## Reference



- Managed security service connections to more than 460 SpareBank1 branches
- Increased speed of response at reduced cost

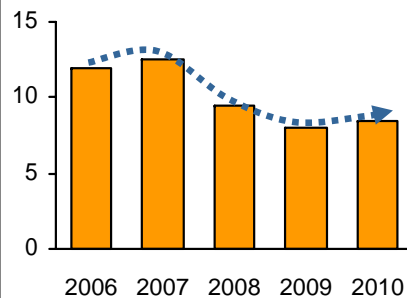
## What we want to achieve



- Leverage installed base through market transparency
- Increase share of value-added services, particularly in security and energy

## Emerging markets – Less affected by economic downturn

### Trends



Real GDP Growth China

- Market growth still strong despite global economic downturn
- **Continuous demand for new construction and retrofit**

### Our offerings and activities



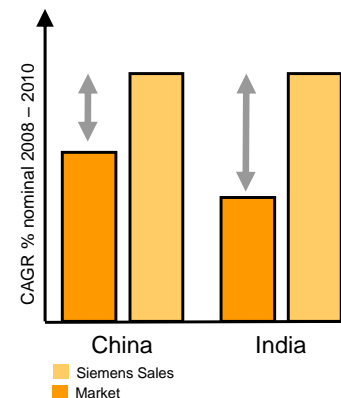
- Push BT technology into premium market
- Add local developed and manufactured products for the volume market
- Solutions for energy and security issues

### Reference



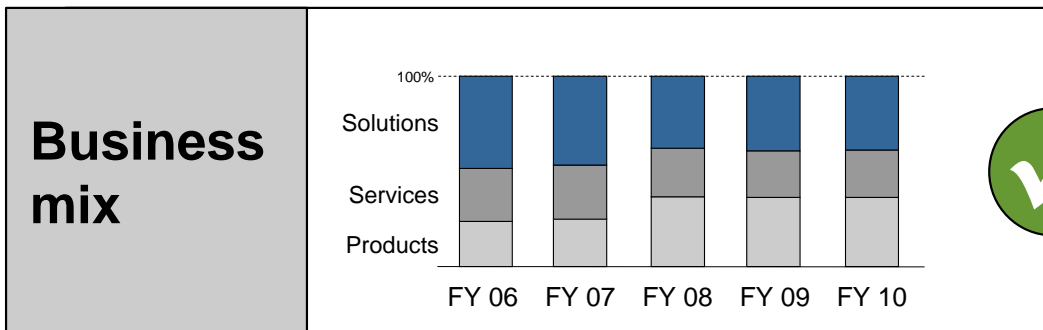
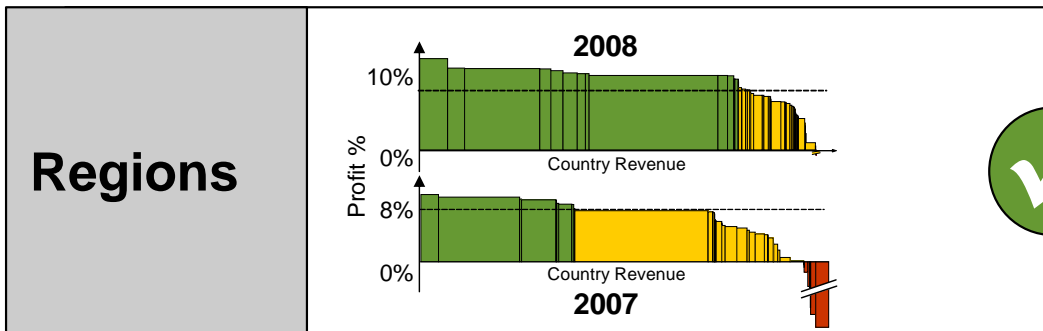
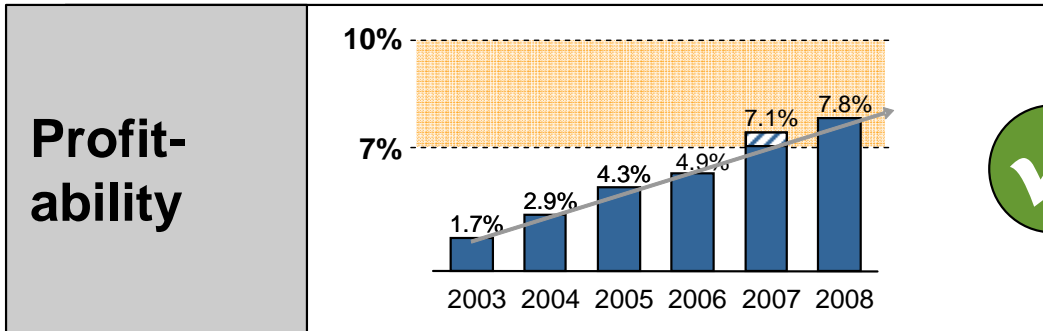
- New Orders and revenue in China grew by 30%
- 40% growth in Russia
- Achieved market leadership in India

### What we want to achieve



- Outgrow market with locally developed and manufactured products sold through our branches and partners
- Selectively grow profitable solutions business

# BT is already well prepared to outgrow market – and will do more



## Four growth drivers

- Energy efficiency
- Security solutions
- Services business
- Emerging markets

## Siemens' SG&A program enables further growth

- Lean structures for a successful branch business
- Even more competitive
- Stronger product sales force

**Summary:****Stability and flexibility → We will manage the downturn****Short term**

» **We will maintain business at the existing level in fiscal 2009 (but expect a decline in New Orders).**

**Downturn has a six-month time lag**

**Medium term**

» **We are prepared to stay within our target margin during the downturn.**

**BT prepared for downturn in 2010**

**BT has great long-term opportunities!**

## Reconciliation and Definitions for Non-GAAP Measures (I)

---

**Profit Total Sectors** is reconciled to “Income from continuing operations before income taxes” under “Reconciliation to consolidated financial statements” in the table “Segment Information.” See our Financial Publications at our Investor Relations website under [www.siemens.com/ir](http://www.siemens.com/ir).

---

**Earnings before interest and taxes, or EBIT (adjusted)** is Income from continuing operations before income taxes less Financial income (expense), net and Income (loss) from investments accounted for using the equity method, net.

---

**Earnings before interest, taxes, depreciation and amortization, or EBITDA (adjusted)** is EBIT before Depreciation and Amortization, defined as depreciation and impairments of property, plant and equipment and amortization and impairments of intangible assets other than goodwill.

---

Profit is reconciled to EBIT and EBITDA on the table Segment Information Analysis (II). See our Financial Publications at our Investor Relations website under [www.siemens.com/ir](http://www.siemens.com/ir).

---

**Return on Capital Employed (ROCE)** is a measure of how capital invested in the Company or the Sectors yields competitive returns.

For the **Company**, **ROCE** is calculated as Net income (before interest) divided by average Capital employed (CE). Net income (before interest) is defined as Net income excluding Other interest income (expense), net and excluding taxes on Other interest income (expense), net. Taxes on Other interest income (expense), net are calculated in simplified form by applying the current tax rate which can be derived from the Consolidated Statements of Income, to Other interest income (expense), net. CE is defined as Total equity plus Long-term debt plus Short-term debt and current maturities of long-term debt minus Cash and cash equivalents.

Because Siemens reports discontinued operations, Siemens also calculates ROCE on a continuing operations basis, using Income from continuing operations rather than Net income. For purposes of this calculation, CE is adjusted by the net figure for Assets classified as held for disposal included in discontinued operations less Liabilities associated with assets classified as held for disposal included in discontinued operations.

For the **Sectors**, **ROCE** is calculated as Profit divided by average Assets. Profit for the Sectors is principally defined as earnings before financing interest, certain pension costs and income taxes, whereas certain other items not considered performance indicative by Management may be excluded. Assets for the Sectors is defined as total assets primarily less intragroup financing receivables and investments, less income tax assets, less non-interest bearing liabilities/provisions other than tax liabilities.

---



# Reconciliation and Definitions for Non-GAAP Measures (II)

Average Capital employed and average Assets for the fiscal year is calculated as a “five-point average” obtained by averaging Capital employed and Assets at the beginning of the first quarter plus the final figures for all four quarters of the fiscal year. For the calculation of the average during for the quarters, see below:

Average calculation for CE<sup>1)</sup>:

Year-to-Date	
Q1	2 Point average: (CE ending Q4 Prior year + CE ending Q1) / 2
Q2	3 Point average: (CE ending Q4 Prior year + CE ending Q1 + CE ending Q2) / 3
Q3	4 Point average: (CE ending Q4 Prior year + CE ending Q1 + CE ending Q2 + CE ending Q3) / 4
Q4	5 Point average: (CE ending Q4 Prior year + CE ending Q1 + CE ending Q2 + CE ending Q3 + CE ending Q4) / 5
Quarter-to-Date	
Q1	2 Point average: (CE ending Q4 Prior year + CE ending Q1) / 2
Q2	2 Point average: (CE ending Q1 + CE ending Q2) / 2
Q3	2 Point average: (CE ending Q2 + CE ending Q3) / 2
Q4	2 Point average: (CE ending Q3 + CE ending Q4) / 2

Our cash target is based on the **Cash Conversion Rate (CCR)**, which serves as a target indicator for the Company’s or the Sector’s cash flow. For the Company, CCR is defined as the ratio of Free cash flow to Net income, where **Free cash flow (FCF)** equals the Net cash provided by (used in) operating activities less Additions to intangible assets and property, plant and equipment.

Because Siemens reports discontinued operations, this measure is also shown on a continuing operations basis, using Income from continuing operations, Net cash provided by (used in) operating activities – continuing operations and Additions to intangible assets and property, plant and equipment for continuing operations for the calculation.

For the Sectors, CCR is defined as Free cash flow divided by Profit.

Values needed for the calculation of ROCE and CCR can be obtained from the Consolidated Financial Statements and Notes to Consolidated Financial Statements. Profit, Capital employed / Assets and Free cash flow for the Company and the Sectors for previous quarters and also for fiscal 2007 can be found on the Exhibits 99 (b,c,d) to the Siemens Report furnished on Form 6-K to the SEC on June 24, 2008. See our Financial Publications at our Investor Relations website under [www.siemens.com/ir](http://www.siemens.com/ir).

1) Assets for Sectors

## Reconciliation and Definitions for Non-GAAP Measures (III)

Our capital structure target is based on an **Adjusted industrial net debt** divided by EBITDA (adjusted). For the calculation of Adjusted industrial net debt, we subtract from Net debt (defined as Long-term debt plus Short-term debt and current maturities of long-term debt less Cash and cash equivalents less Available-for-sale financial assets (current)) (1) SFS debt excluding SFS internally purchased receivables and (2) 50% of the nominal amount of our hybrid bond; and add/subtract (3) Funded status of Pension benefits, (4) Funded status of Other post-employment benefits; and add (5) Credit guarantees. The components of Net debt are available on our Consolidated Balance Sheets, SFS debt less internally purchased receivables is available in our Management Discussion & Analysis under Segment information analysis – Siemens Financial Services (SFS). The Funded status of our principle pension plans and Other post-employment benefits, the amount of credit guarantees and the nominal amount of our Hybrid bond is available in the Notes to our Consolidated Financial Statements.

To measure Siemens' achievement of the **goal to grow at twice the rate of global GDP**, we use GDP on real basis (i.e. excluding inflation and currency translation effects) with data provided by Global Insight Inc. and compare those growth rates with growth rates of our revenue (adjusted for portfolio and currency translation effects). In accordance with IFRS, revenue numbers are not adjusted by inflation and currency translation effects.

**Return on equity (ROE)** margin for SFS was calculated as SFS' Income before income taxes of fiscal 2008 divided by average allocated equity for SFS. Average allocated equity for fiscal year 2008 is €911 million.

The allocated equity for SFS is determined and influenced by the size and quality of its portfolio of commercial finance assets (primarily leases) and equity investments. This allocation is designed to cover the risks of the underlying business and is in line with common credit risk management standards in banking. The actual risk profile of the SFS portfolio is evaluated and controlled monthly and is reflected in the quarterly (commercial finance) and annual (equity investments) adjustment of allocated equity.

Profit Total Sectors, EBIT (adjusted), EBITDA (adjusted), ROCE, ROE, CCR and Adjusted industrial net debt are or may be Non-GAAP financial measures as defined in relevant rules of the U.S. Securities and Exchange Commission. Our management takes these measures, among others, into account in its management of our business, and for this reason we believe that investors may find it useful to consider these measures in their evaluation of our performance. None of Profit Total Sectors, EBIT (adjusted), EBITDA (adjusted), ROCE and ROE should be viewed in isolation as an alternative to figures reported in our IFRS statement of income for purposes of evaluating our results of operations; CCR should not be viewed in isolation as an alternative to measures reported in our IFRS cash flow statement for purposes of evaluating our cash flows; and Adjusted industrial net debt should not be viewed in isolation as an alternative to liabilities reported in our IFRS balance sheet for purposes of evaluating our financial condition.

## Siemens investor relations contact data

---

Michael Sen +49-89-636-33780

---

Munich Office +49-89-636-32474

---

US Office +1-408-464-2004

---

---

Internet: <http://www.siemens.com/investorrelations>

---

Email: [investorrelations@siemens.com](mailto:investorrelations@siemens.com)

---

Fax: +49-89-636-32830

---

