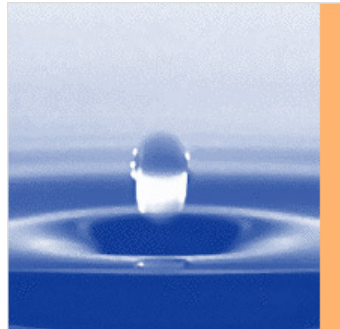
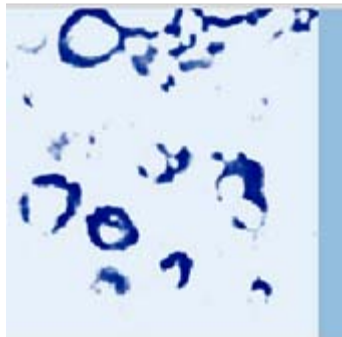


Siemens Venture Capital – Drivers and Strategy on Water Technology Investments



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Guideline

- **Water – a scarce commodity**
- **Market overview and trendsetting technologies**
- **Venture Capital activities in the water space**
- **Water- The next capital markets hype?**
- **Conclusion**

Water – A scarce commodity

How much of the Earth's water is salt water? 97.2%

And of the drinkable water, how much is inaccessible in glaciers and permafrost? 68.9%

The primary user of water? Agriculture (70%)



How much water does it take to manufacture:

1 can of cola?	40 Liters
1 kg of steel?	50 Liters
1 kg of sugar?	120 Liters
1 kg of paper?	280 Liters
1 automobile?	300,000 Liters

Water – A world divided

Daily per capita water consumption

Up to 500 l
in industrialized countries



1.2 billion people have no access to potable water

2.4 billion people are not connected to sewage systems



20 l in developing countries

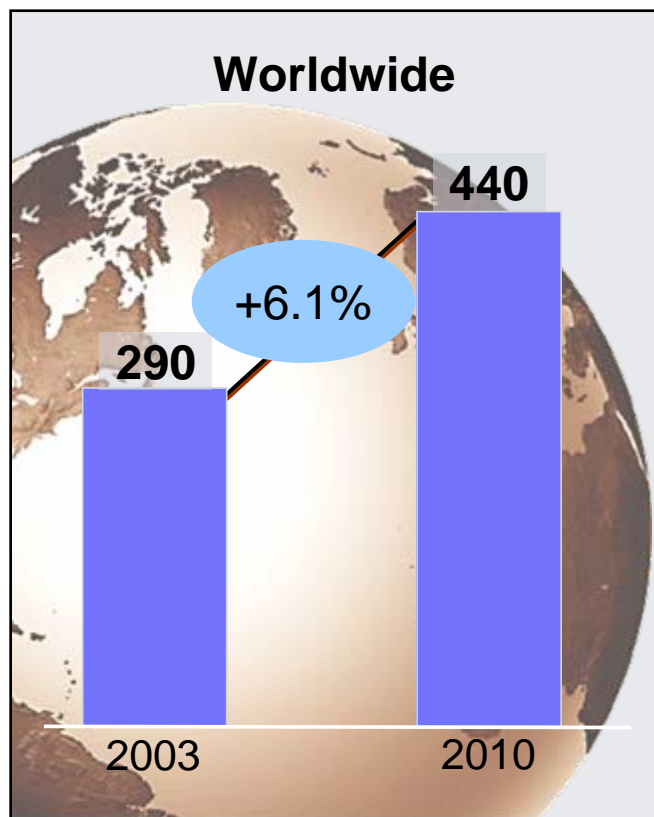
Future Water Market (?)



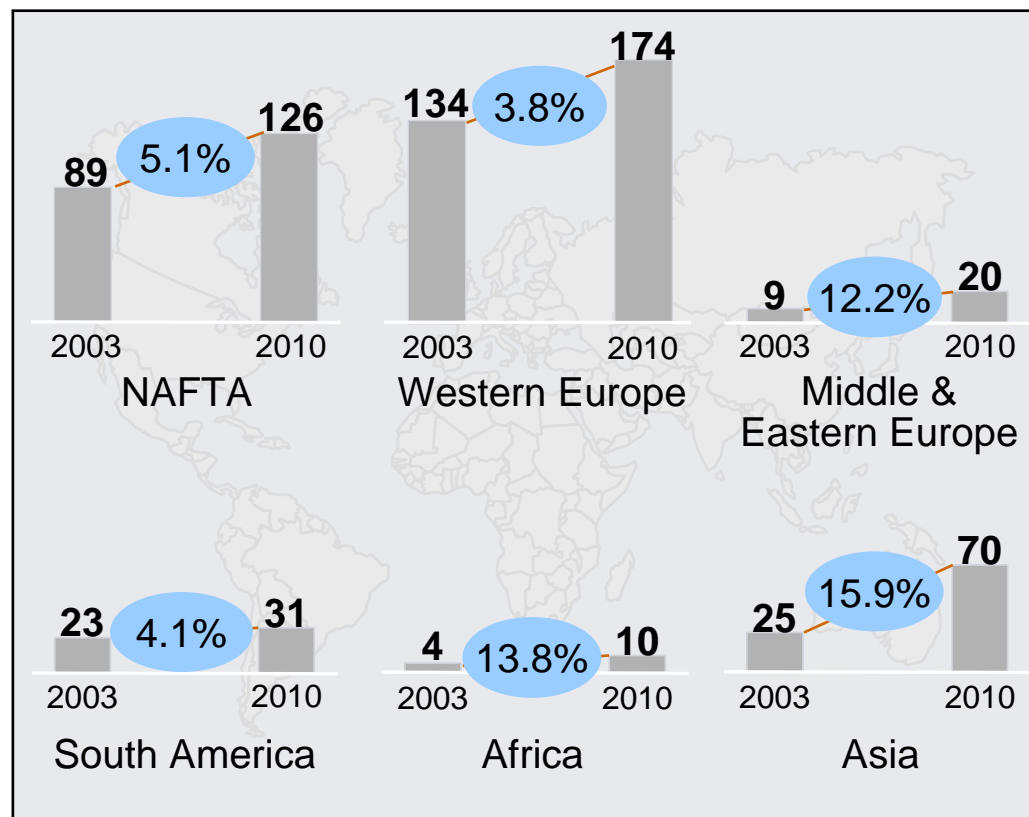
Source: China Daily June 11-12, 2005 edition; Zhang Yaoning.

Water – A growing market

Market volume in billions of €

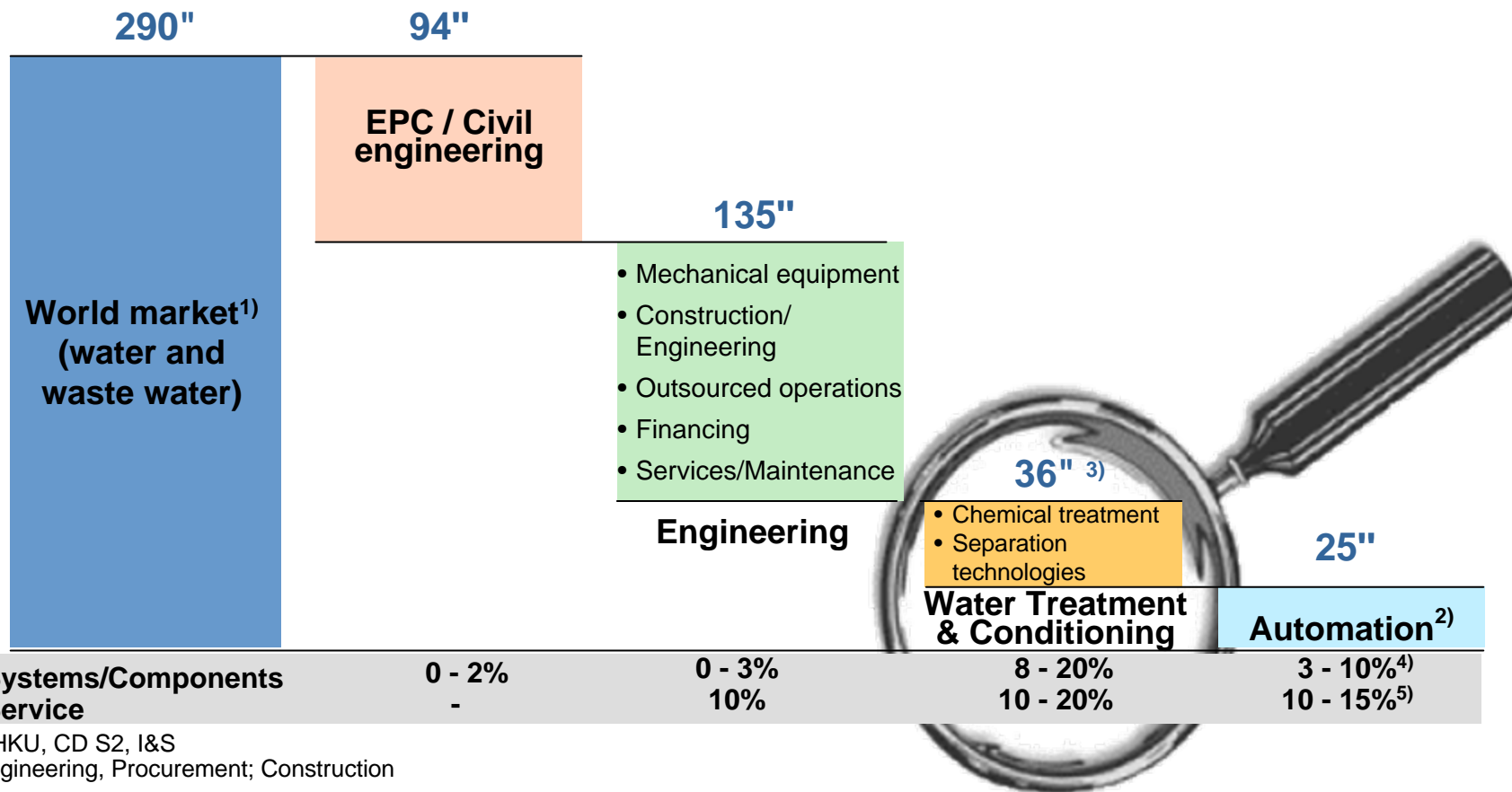


% Average annual growth rates



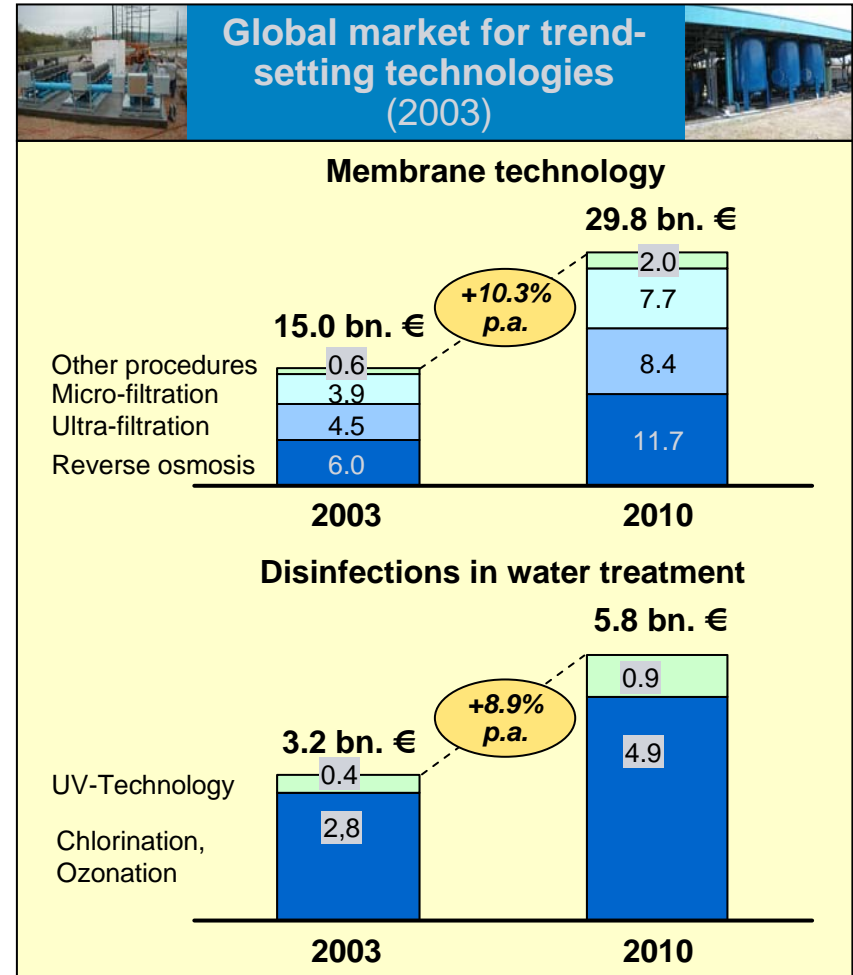
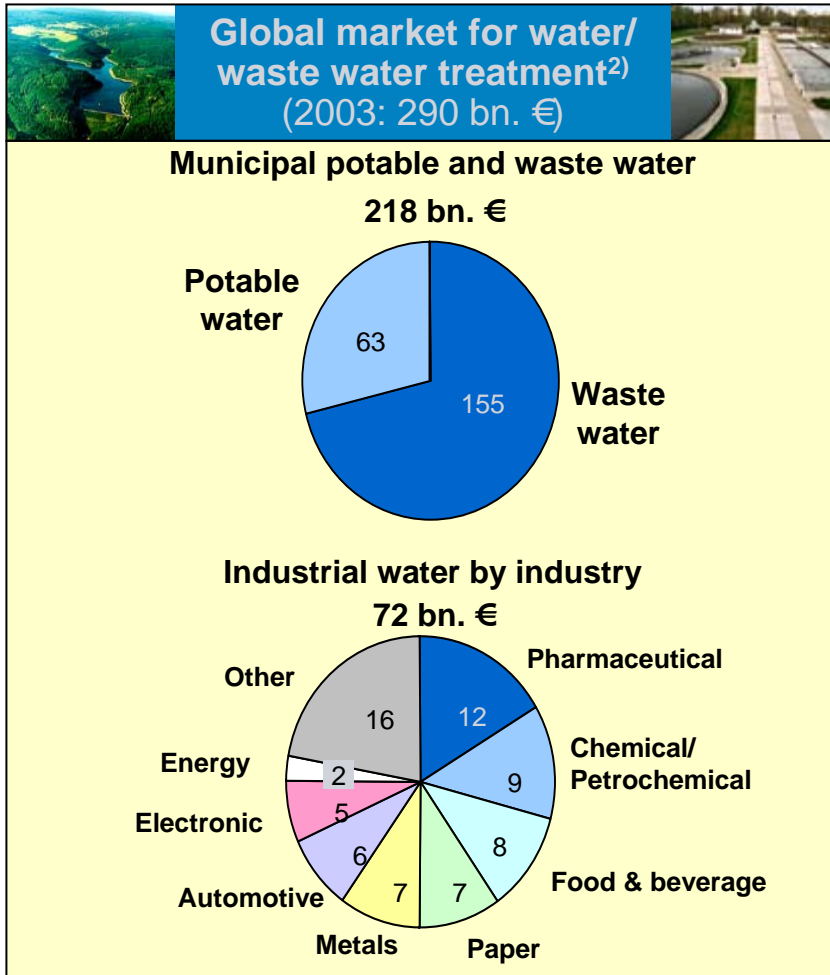
Source:
 HKU Study 2003, Mc Ivance Comp.,
 Siemens I&S, A.T. Kearney-Analyse

The market segment for water treatment & conditioning is the most profitable element within the value chain.



1) Without grid, without utilities operations
 2) Power-, Automation- and IT incl. engineering, service & maintenance
 3) Chemical Treatment ca. 17" €(2003); achievable EBIT 12 - 25 % (McIvance Comp.2000)

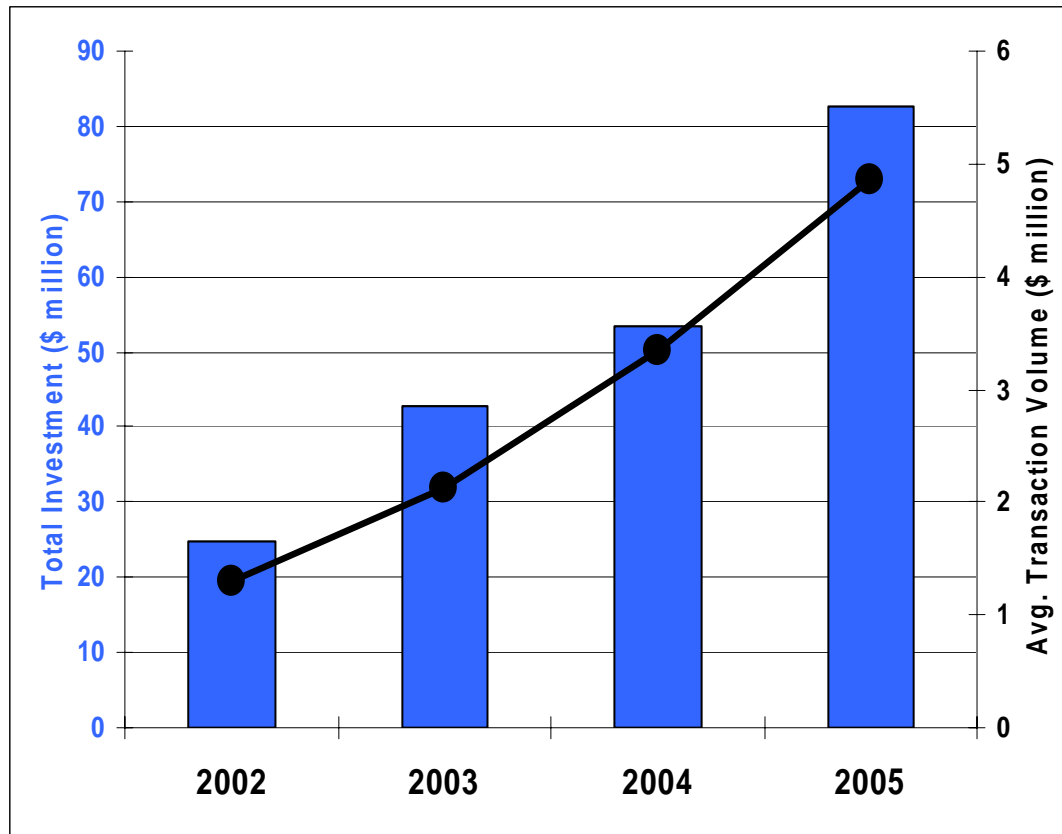
Trend-setting technologies¹⁾ contribute to growth substantially.



1) Membrane technology, disinfections
Source: HKU-Study, 2003, McIvance, ARC, I&S

2) Mechanical engineering/procedure, water treatment & conditioning, construction and e-technology w/o network (i.e. grid)

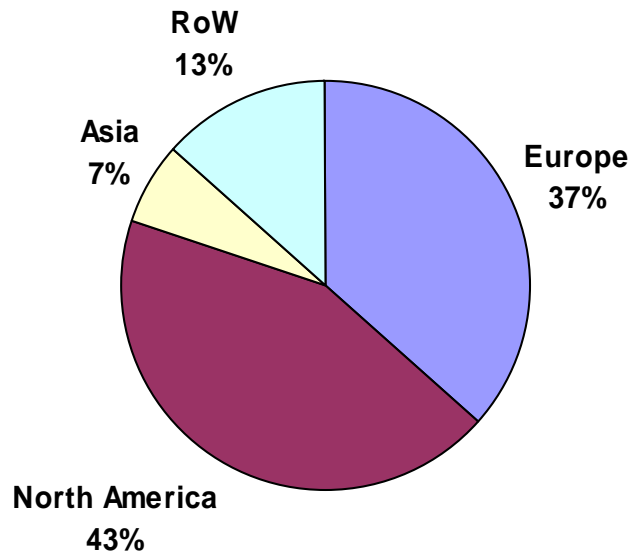
Increasing VC activity in the water space



Source: Siemens Venture Capital based on Data from VentureSource and Venture Expert

- Total water investments increased from \$24.6M in 2002 to \$82.6M in 2005 representing a CAGR of 50%.
- At the same time the number of funded companies fluctuated between 16-20.
- This constellation results in a growing avg. transaction volume from \$1.3M in 2002 to \$4.9M in 2005.

Most of the watertech startups are based in the US and Europe



Source: Siemens Venture Capital based on Data from VentureSource and Venture Expert

- Companies backed by VCs mostly located in the US (22).
- High investing activity in Scandinavia with Sweden (5), Norway (3), and Finland (2).
- RoW figure dominated by Australia (4).
- There were 4 VC water investments in Germany in the previous four years.

Water Technologies: The next hype?

- Basin Water Inc. (www.basinwater.com) – Initial Public Offering
- The Californian company designs and builds systems for the treatment of contaminated groundwater.
- In May 2006 Basin Water offered 6 million shares for \$12 raising \$72 million from the public market.
- The company turned a profit of \$563,000 on revenue of \$12 million in 2005, compared with a loss of \$556,000 on revenue of \$4.3 million in the previous year.
- With a enterprise value of ~\$225 million at the time of the IPO this results in a 2005 EV/sales multiple of 18.8x.

Conclusion

- **Water technology is a key area in Siemens' strategy**
- **SVC supports Siemens' innovation efforts with investments in water technology start-ups**

