

For the daily and business press
London, June 24, 2008

Siemens CEO Löscher: Setup as integrated technology company creating sustainable value – Goal: Businesses in No. 1 or No. 2 positions

Siemens is intensifying its focus on – and targeting leading positions in – high-growth markets. “With our new setup, clear responsibilities worldwide and more efficient processes, we’ve laid the basis for reaching our goal,” said Siemens President and CEO Peter Löscher at the company’s Media Summit in London. Innovations are the company’s most important business drivers: “Leveraging our innovative technologies will enable us to grow twice as fast as global GDP and, at the same time, achieve a high level of profitability.” Since 2004, Siemens has invested more than €20 billion in order to capture and maintain top positions in high-growth markets and achieve a sustainable increase in company value.

Today, nearly two-thirds of the businesses in Siemens’ three Sectors Industry, Energy and Healthcare already hold leading positions in their markets. By 2010, the company aims to close the profitability gap to its key competitors and, in order to achieve this, significantly raised the target margins for its operations in January 2008. The company also wants to cut costs. With its new SG&A project, Siemens will reduce long-term administration and sales costs ten percent by 2010 – a reduction, in absolute terms, of €1.2 billion compared to fiscal 2007.

The company has identified the key challenges and trends in all its Sectors and oriented its portfolio toward the most attractive growth markets. Excellent employees, whose development Siemens systematically fosters with initiatives like the Siemens Leadership Excellence program, are vital for the company’s business success. “Creative and globally networked employees and efficient processes generate above-average opportunities for sustainable growth through innovation,” said Löscher. Siemens engineers turn out 38 inventions and submit 23 patent applications per workday.

Consistent innovation strategy ensures leading market positions

A consistent innovation strategy ensures that investments in research and development (fiscal 2007: €3.4 billion) are carried out systematically. This approach is enabling Siemens to further augment its existing strengths and generate profitable growth. “Today, we’re already investing three-quarters of our R&D budget in businesses with above-average margins,” said Hermann Requardt, Siemens’ Chief Technology Officer. “Our goal is to make our company a trendsetter in all its business fields and achieve competitive advantages through the rigorous development of our patent and technology positions. To boost R&D efficiency, it’s vital to master complexity,” he added. To make this happen, Siemens is focusing on technology platforms, company-wide patent sharing and learning from the best at all levels. Thinking and working in global networks is a key prerequisite for the development of innovative ideas and technologies. Siemens’ innovation strategy also targets customers in emerging markets: while high-end products are in great demand in industrialized countries, product development for emerging nations must meet the so-called SMART criterion (Simple, Maintenance friendly, Affordable, Reliable & robust, Timely to market) in order to generate new, additional business opportunities.

Energy Sector: Outstanding growth opportunities with renewable energies

Synergies across the integrated technology company are a key contributor to the Energy Sector’s leadership in sustainable growth markets. So, for example, the Sector’s control technologies for power plants and high-voltage direct-current lines incorporate Simatic process control systems developed by the Industry Sector. And the other way around, technologies from the Energy Sector boost value creation in the other Siemens Sectors. For instance, power transformers and other electrical equipment are used by the Mobility Division in trains for mass transit, regional and mainline systems. “The Energy Sector’s strong position along the entire energy conversion chain – from oil and gas production and power generation to power transmission and distribution – is creating outstanding opportunities for growth,” said Wolfgang Dehen, CEO of Siemens’ Energy Sector. “In these sustainable growth markets, nearly all the Divisions of the Energy Sector occupy No. 1 or No. 2 positions.”

Industry Sector: Leveraging synergies – Fostering customer competitiveness

The Industry Sector's market has a total volume of more than €420 billion – a figure that is expected to reach €480 billion by 2010. Some two-thirds of the Sector's businesses already occupy No. 1 or No. 2 positions. Heinrich Hiesinger, the CEO of the Industry Sector believes that the most important lever for expanding Siemens' leading position in the industry market is an even stronger differentiation in sales and a rigorous orientation of innovations toward customer value: "Our customers demand integrated technologies for more productivity, efficiency and flexibility. Therefore, as a technology trendsetter, we're orienting our products even more intensively on platforms in order to boost the success of our solutions business in the areas of production, mobility and buildings." Standardized core technologies like drives, controls, switching systems and RFID (Radio Frequency Identification) are also being used in the Energy and Healthcare Sectors. In major projects like the Bangalore Airport, technologies from across the entire company – for example, power supply systems, IT and communications systems, security solutions for passengers and luggage, fire protection systems, airfield lighting systems, baggage handling systems and building management – are bundled to create customized integrated solutions. Leveraging the IT-based integration of product planning and production has made Siemens the only company that can accelerate manufacturers' processes at every link in the value-adding chain. "Our approach can reduce the time to market for many products by as much as 50 percent – a new dimension in competitiveness," said Hiesinger.

Healthcare Sector: Integrated solutions are advancing patient care

As the world's population continues to grow and age, healthcare providers will face major challenges in the years to come: to ensure high-quality care, workflows and systems will have to become more efficient and more economical. "Siemens Healthcare is developing products and solutions to advance patient care. As the market leader in medical imaging and healthcare IT and laboratory diagnostics, we're helping our customers combine optimal healthcare services with cost-effectiveness," said Jim Reid-Anderson, the CEO of the Healthcare Sector. "With a unique product portfolio, we're enabling customers to continue providing their patients with high-quality and cost-efficient care," he added. Siemens' high investments in R&D are generating the innovations required to expand its leading position also in the future. Working together with the other Siemens Sectors, the new Workflow & Solutions Division supplies turnkey

solutions for hospital operators. Lisbon's Hospital da Luz is a prime example of an innovative healthcare facility combining a hospital, an assisted living facility and senior living apartments. The project is a joint venture by the Healthcare, Energy and Industry Sectors. Siemens has supplied not only the hospital's diagnostics equipment and healthcare IT system but also its lighting systems, an energy distribution system and a monitoring system equipped with 13,000 sensors for light, ventilation and temperature control.

Siemens AG (Berlin and Munich) is a global powerhouse in electronics and electrical engineering, operating in the industry, energy and healthcare sectors. The company has around 400,000 employees (in continuing operations) working to develop and manufacture products, design and install complex systems and projects, and tailor a wide range of solutions for individual requirements. For over 160 years, Siemens has stood for technological excellence, innovation, quality, reliability and internationality. In fiscal 2007, Siemens had revenue of €72.4 billion and income from continuing operations of €3.9 billion (IFRS). Further information is available on the Internet at: www.siemens.com.

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