

SIEMENS

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International Trade Press Conference
on June 25, 2009 in Erlangen

Productivity in Motion – Siemens at the EMO 2009

- The spoken word applies -

Dear ladies and gentlemen,

I would like to welcome you to our press conference here in Erlangen. I am very happy that you have accepted our invitation! In advance of the EMO 2009, we would like to inform you today concerning the market situation, development tendencies and the highlights of our business unit.

EMO 2009 – Trendsetting for machine tool construction and application

For the machine tool industry, the EMO in Milan is the climax of the 2009 trade show year. With more than 100,000 m² occupied trade show floor area and more than 1,200 registered exhibitors, it is the largest trade show world-wide for metal machining and automation. The EMO has its fixed place in the schedule of the Siemens Motion Control Systems business unit. This documents the capabilities of the machine construction and current trends. At this year's EMO, however, we also expect important new impulses for the constructive handling of the effects of the current global financial and economic crisis. We will also provide such important impulses.

Even more than in the past, it is nowadays our concern to increase the productivity of our customers and partners, and so guarantee their long-term competitiveness. Technological innovations and the improvement of the energy efficiency of machines offer concrete concepts here.

For those of you who are our guests for the first time, I would first like to present briefly the basic orientation of our business unit. We will consider the currently very challenging situation in the machine construction industry.

In the second part, we consider the perspectives that the current situation offers our business unit – and how machine manufacturers and automation partners can counter the effects of the financial and economic crisis, and how we can counter the challenges.

Finally, Uwe Häberer, our Machine Tools business unit manager, will explain all significant aspects of our product strategy for machine tool manufacturers and end users. Furthermore, we will present several highlights that we will present for the first time publicly at the EMO 2009.

Siemens I DT Motion Control Systems

Within the Siemens Drive Technologies Division, we concern ourselves with motion control solutions – not only for machine tools and production machines in various industries, but also for hoisting gear and cranes that require an intelligent and sophisticated motion control.

Fundamental for our business orientation is the "innovation and customer orientation" main idea. Every innovation from our company is aimed at the apparent and long-term improvement of the productivity and competitiveness of machine manufacturers and operating companies. This characterizes our portfolio and our engagement on the market: We consider us to be a competent, reliable and active partner of the machine construction and the operating companies – and as trendsetting innovation leader in automation and drive technology.

To ensure that we can also perform this role in the future, we invest long-term and worldwide in training and the establishing of technology know-how. This begins, for example, for turning and milling on suitable machines, and extends to a unique international competency in applied mechatronics. But even our innovative systems and solutions continually optimized with practical and technology know-how help achieve higher productivity and competitiveness in the machine construction and the processing industry. Also the cooperation with partners and customers is fruitful here. This allows technology-oriented requirements from practice to be incorporated directly in the development of hardware or functionality. Our innovative systems and solutions are so continually further-developed with regard to usability or functionality.

But also our comprehensive offering for the product life-cycle management helps the cost optimization and improvement of the technical and operating processes of our customers. An enormous potential that lies hidden here ensures time-to-market and low life-cycle cost. Siemens is currently the only partner on the market that can represent the complete process and value-added chain from a single source.

An application-oriented innovation has always been one of our most important strengths; as the latest ARC study that has been conducted several times in the USA shows, the market correctly sees us as innovation leader.

As evidence, I show here several milestones that Siemens has set in the machine tool automation area – and which also permit the milestones of the innovation in machine tool construction:

1960 – The first NC worldwide

1976 – The first CNC with microprocessors

1985 – The first CNC-controlled plain milling

1996 – The first CNC-integrated safety solution

2000 – High-speed machining with up to 248 axes

2008 – CNC-supported life-cycle management for machines and products

2009 – the latest milestone

Fundamental for the productivity-improving potential of our automation solutions is the technical integration, robustness and openness of our system solutions on the complete market for electrotechnical machine equipment. For universal usability in a wide range of industries, we make our products and systems modular and scalable within large limits. The ease-of-use in all phases of the machine construction and the application at the end user is a central concern for us. The inclusion of our systems in a gap-free CAD/CAM/CNC chain in design and operation allows us to attain productivity progress already in the product design and in the preparation of the manufacturing.

Our universally usable Sinumerik and Simotion automation systems with the common Sinamics drive platform guarantee short implementation times, because the time-to-market ever more often decides on the success of the machine idea in the international competition. In addition, a close cooperation between machine manufacturers and automation partners strengthens the capability of the machine manufacturer to bring innovations quickly to market maturity. This is a cooperation form in which we have been engaged continually for a long time.

We also offer ourselves to the machine operator with a comprehensive cooperation and service offering as partner. This allows us to obtain the required information from manufacturers and users in the various target industries. We can so early recognize or initiate important trends in the machine construction, and so profile our products, solutions and services market-oriented and future-proof.

Even for new developments of our customers, we can actively contribute to high project assurance, high engineering efficiency and fast market introduction. We perform not only an important function here, but, if required, also concrete responsibility for the success of joint projects. A worldwide support, technology and application centers in all regions of the world and a comprehensive service offering contribute to this self-obligation. The high personal engagement of our employees ensures that every partnership-based cooperation lives and provides benefits.

All this increases the competitiveness of both our direct customers and the end users. This requires the linking of the competencies in machine construction, the production and manufacturing companies with our competency as automation partner – and so the joint innovation power.

This completes the overview of the fundamental positioning of our business unit. We now address the current economic situation and its worldwide effects on the machine construction.

World business cycle and situation of the machine construction

Irrespective whether manufacturing equipment, production machines, printing machines, packaging machines or cranes are involved: Overall, the consequences of the international financial crisis currently characterize the international machine market. They dampen to a previously unknown extent and at enormous speed the sales expectation at the target markets of the producing companies – and so the willingness to invest in almost all industry sectors relevant for the worldwide machine construction.

In parallel, it can be observed that the center-of-gravity of the global economy is progressively moving to Asia. Even in the current world economic situation, this region characterizes itself with a comparatively high dynamic. In particular, Asia remains an important target region for the European investment goods industry and thus for the machine construction, as do also Brazil and Russia.

The currently shrinking market will undeniably lead short and mid-term to a survival and displacement fight in the international machine construction. This will be even more true because the production and manufacturing companies will not invest immediately with an improving business cycle. The massive production capacity established during the boom of the previous years will now represent a productivity overhang of previously unknown size. This makes it currently impossible to predict how strongly and with which delay a reviving of the business cycle will arrive at the machine market.

An intensive competition has developed for the remaining investment budget and machine construction orders. Even when this is actually a fight about the price: it cannot be won alone.

European, and in particular German, machine manufacturers can gain points with functional and technologically superior solutions, which in addition to higher productivity, offer low life-cycle costs and minimized total costs of ownership. Because: Technologically and strategically, most European machine construction companies have done their homework in the previous years. The optimization of the procurement and production processes has been pursued throughout the industry sector. In the knowledge that the know-how leadership is the most important weapon in a largely price-oriented international competition, targeted investment has been made in research and development. This also shows the self-image of the machine constructors. According to a questionnaire made by the "Mannheimer Innovationspanel", innovation is a central topic for more than three-quarters of all German machine manufacturers.

Nowadays, all these investments of the German and European machine construction in technology, know-how leadership and the efficiency of operational processes, contribute to a comparatively favorable starting position on the path through the hard times.

The technological innovation that the machine manufacturer offers the machine purchaser as added value, must provide economic and strategic advantage, must be characterized with particularly high productivity and fast availability. The offered solutions must be flexible with regard to changes to the end product and usable for many different products. They must be characterized by consistently minimized life-cycle costs, which practically always also include high energy efficiency. For a view beyond the actual problem situation, the offered solutions must permit and make attractive the inclusion of other monetary synergies. They must support the investor's aim in achieving an improved, or at least better protected, competitive position. Briefly: This requires preparing convincing productivity and cost advantages for the machine operating company that act both short- and long-term. In addition to an attractive price, a clear, monetary added-value based on technological competency and know-how leadership must be offered.

As such, our customers expect from us innovative solutions with high flexibility and scalability so they can adapt their manufacturing to the current requirements and conditions. The efficient and targeted application of their production resources opens further cost-reduction potentials. Especially now, the investment protection is also more important than in the past. Good product and service quality, a high reliability and products with a long service life allow us to retain the investment readiness of our customers and also convince their customers long-term of the capabilities of our systems.

This means strengthen the foundation of our partnership and establish additional potential long-term as result of the entry in new markets or new industries, as Mr Häberer will also show using a new product. The protection of the sales and the competitiveness are essential for us and our customers or partners. Neither we nor the European machine manufacturers are lacking in further ideas. Together, we prepare concepts for new, innovative machines, modules or procedures.

Every crisis always also offers a chance for change.

So, in addition to the product innovation, the process innovation remains in the focus of the machine construction industry. Cost reduction and shorter throughput times are important means for the actual purpose: namely, the innovation power, the know-

how leadership and the central competence in the machine construction essential for survival must be retained.

Siemens IDT MC and MT situation

As stated previously, we use important foundations for the path through the crisis while simultaneously setting new impulses. New impulses for successfully exploiting new markets, for optimizing the processes and the productivity, flexible systems for adaption to the changed situation and for protecting the competitiveness of our customers.

We at Siemens Motion Control Systems are closely associated with the machine construction industry. This is our market; here we often enter cooperation agreements and partnerships – in order to determine synergies and recognize or influence trends early.

A current example: the new 2006/42/EU machine regulation that comes into effect in December 2009. We at Siemens orientate ourselves not only rigorously on this new machine regulation and so simplify our customers' implementation of these specifications, but we also involve ourselves actively on the content of the new standards, norms and regulations, participate in committees and association activities – and take account of them very early for the continuing innovation of our own portfolio.

After all, it lies in our own vital interest to strengthen our customers and the owners of our solutions overall. Associated concepts are provided to us by the electrical machine equipment, starting with the electrical design and engineering, plant optimization, and service and maintenance, to name only some aspects.

In addition to integrated, modular and scalable automation systems that provide a high engineering efficiency, short time-to-market and low total costs-of-ownership, we are currently pursuing the engineering efficiency and product life-cycle management topics.

To utilize the energy saving potentials, we must include all energy sources that occur in a machine and its environment. As part of the Totally Integrated Automation, we

innovate our solutions not only in the "low energy consumption" direction, but also in the "optimum energy management" direction.

With justifiable pride, we can say: no other company has such a portfolio or a comparable competency in this breadth and depth. Worldwide, Siemens is the only provider with its systems that can serve the complete CAD/CAM/CNC integrated system and from a single source. This uniformity in the integrated system is the core component of an efficient product life-cycle management.

We see good chances and an increased value-added chain through optimized processes in the manufacturing, not least by a modern product life-cycle management such as that what we offer.

The use of integrated automation solutions, as they distinguish our unique portfolio throughout the world, supports the strategically important – possibly even decisive for survival in a crisis situation – concentration on core competencies. Helps to protect and use resources optimally. Helps to further streamline the processes in the development, design, manufacturing and assembly and increase the productivity. Improves through faster project management and favorable cost structures, the starting position for the acquisition of orders – and so helps to remain competitive and establish further potential. The know-how of the machine manufacturer and our know-how as automation partner augment themselves not only additively, but, considering the possible synergies, beyond this. This leads repeatedly to pioneering innovations in the machine construction and in the automation and drive technology, for example innovative technology cycles, as for the trochoidal or immersion drilling milling, which, depending on the application and material, permit a time saving of up to 50 percent.

Together, offer significantly more benefits than others – even today, this is the most important and promising strategy for mastering the current, crisis-influenced market situation.

Thanks to the consistent expansion of our strengths, innovation leadership, customer orientation, portfolio and worldwide presence, we do our part in ensuring that the European machine construction industry will leave the current difficult times with new strengths. After all, this time of large challenges, is also a very exciting time with

major chances. And our technological engagement in motion control solutions is fundamental for the successful and efficient implementation of many innovations in the machine construction.

Together, we will also master this crisis. It forces us all to become even better. This will succeed in the required scope, however, only for inter-company cooperation. This is true for us as Siemens Motion Control Systems and also for each machine construction company and their customers that confront us with the current challenges. And how we together with new products and systems exploit new markets.

Let us now specially address the machine tools market segment, which, because of the pending EMO, should attract our special attention today.

Thank you very much for your attention!

This press release contains future-oriented statements and information – namely, statements about activities that lie in the future rather than in the past. The future-oriented statements can be recognized through the use of formulations such as "expect", "anticipate", "plan", "believe", "pursue", "forecast", "will" or similar terms. Such predictive statements are based on our current expectations and certain assumptions. This means they contain a number of risks and unknowns. Many factors, many of which lie outside the Siemens area of influence, affect the business activities, the success, the business strategy and the Siemens profits. These factors can cause the actual profits, successes and services of the Siemens group to differ significantly from the details for profits, successes or services explicitly or implicitly contained in the future-oriented statements. Such unknowns result for us, in particular, in addition to others, because of the following factors: Changes of the general economic and business situation, changes to currency rates and interest rates, the introduction of competitive products or technologies by other companies, lack of acceptance of new products and services by the target customer groups of the Siemens group, changes in the business strategy and various other factors. More detailed information concerning some of these factors can be obtained from the reports that Siemens has presented to the American Stock Exchange Supervisory Authority, SEC, and that can be obtained from the Siemens Website at www.siemens.com and from the SEC Website at www.sec.gov. Should one or more of these risks or unknowns result or should it be proved that the base assumptions are incorrect, the actual profits can deviate both positively or negatively from those profits mentioned as anticipated, expected, estimated, planned or projected profits in the future-oriented statement. Siemens does not accept any obligation and does not plan to update these future-oriented statements or to correct them should a different development eventuate.