

SIEMENS

Klaus Helmrich

Siemens Industry Sector

CEO Drive Technologies Division

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- Check against delivery -

Ladies and Gentlemen,

It is my great pleasure to welcome you to our international press conference here in Düsseldorf. We are pleased to see so many of you who have come here from at home and abroad to attend the conference. At this annual press conference which has become something of a tradition, we have the opportunity to discuss the highlights, concepts and innovations of Siemens to be presented at the Hanover Fair 2009.

As world market leader in drives and automation technologies we enable our customers to achieve productivity gains and secure innovations. We attach great importance to these factors, particularly in times of rapidly changing economic conditions. Such times cry out for innovation; innovation with the power to realize cost cutting potential in the short term while providing much needed investment security.

Still only last autumn, Global Insight was forecasting a very moderate downturn in the world economy. Now we are anticipating a worldwide recession, with GDP shrinking by 1.2 per cent, and a downturn as high as 2.5 per cent forecast in the industrial nations. With times of change comes the opportunity for improvement – both for us and for our customers.

Our own approach, the approach taken by Siemens Industry Automation and Drive Technologies, has always been to lose as little volume as possible during periods of poor market performance and to gain market share, so allowing us to emerge in a stronger position than our competitors in years of economic growth. This strategy has always stood us in good stead over past years.

How have we achieved this?

Our customers have always been able to rely on our innovative power. The steady stream of innovations has been targeted towards one primary aim: To increase productivity for our customers – not just in the immediate present, but in the medium and long-term too. Our products and systems provide a reliable return on investment. We are not in the business of short term gain, but of providing stability and reliability in the innovation process.

In view of this, the innovations we will be unveiling to you today are particularly significant against the backdrop of three major aspects:

1. We supply answers to address the cost-cutting pressure so many of our customers are faced with. We will be showing you ways in which our innovations can address pressing cost issues and increase productivity in the short term.
2. We will also be revealing how we intend to support customers in resolving an issue of importance also for the long term, namely that of energy efficiency. The efficient use of energy is already a decisive factor when it comes to the cost position and consequently the competitive potential of our customers. It is also decisive when it comes to providing future-proof products, systems and solutions.
3. We will be demonstrating the reliability, quality and the ease of future upgrading which characterize our products and systems.

These three issues are key to enhancing productivity, flexibility and efficiency for our customers. Our aim now must be to use the time to increase our own competitiveness.

On January 1, 2008, the business activities of Siemens AG were grouped in three Sectors: Industry, Energy and Healthcare.

With a workforce of around 222,000 and revenue of 38 billion Euros, the Industry Sector is the world's leading supplier of production, transport, building and lighting technologies. It comprises the Drive Technologies, Industry Automation, Building Technologies, Mobility, Osram and Industry Solutions Divisions. This presence makes the Industry Sector an optimized partner to the relevant market segments and their customers. The evidence is in the outstanding market presence enjoyed by the individual Divisions: In many areas, the Industry Divisions occupy either the number 1 or 2 position in their respective fields.

One of the decisive reasons for their success: The innovative power pushing each individual Division. This slide illustrates just some of the highlights to emerge from the Sector's top innovations, testifying to our leadership not only

in terms of volume but in terms of innovation too – which will now make a decisive difference.

I would like to now take a closer look at the two Divisions Industry Automation and Drive Technologies. Both these Divisions will be exhibiting on the Siemens stand in Hall 9 at the upcoming Hanover Fair.

The two Divisions enjoy a worldwide presence and, with a total of 70 factories around the world, benefit from a globally balanced value-adding structure.

In 2008, the Asia-Pacific region remained the driving force for our business growth. We have continuously invested in this region in recent years. In 2008, Industrial Automation generated 15 per cent of its revenue in Asia, Drive Technologies 23 per cent. Today, we are as much a 'local player' in Asia as in Europe. The share of revenue generated in North, Central and South America was 18 per cent for Industry Automation and 13 per cent for Drive Technologies. In Europe, the share was 67 per cent for Industry Automation and 64 per cent for Drive Technologies.

We have also succeeded in increasing our market share in the various industries. Industrial Automation holds a share of 70 per cent in the manufacturing industry and 30 per cent in the process industry. Drive Technologies holds a 40 per cent share in the manufacturing industry, a 30 per cent share in the process industry and 30 per cent in the infrastructure segment.

This strategy of focusing according to regions and industrial sectors continues to be rewarded by customers worldwide: Fiscal 2007/2008 saw a 17 per cent year-on-year rise in income for Drive technologies to 8.866 billion Euros and an income of 1.2 billion Euros. Industry Automation increased its year-on-year revenue by 12 per cent to 8.699 billion Euros and generated an income of 1.606 billion Euros.

We too started to feel the effects of the global economic downturn in the first quarter of our fiscal year. The Drive Technologies Division succeeded in defending its leading market position in the first quarter of 2009 despite a marked drop in demand in mechanical engineering and pick-and-place systems for electronic manufacturing. Thanks to a large number of new

orders, the Division saw revenues increase by 8 per cent to 2.123 billion Euros. At 233 million Euros, the result came in at the bottom end of the 11-16 per cent target corridor for the Division.

The Industry Automation Division was unable to sustain the growth rate of previous years during the 1st quarter. Year-on-year revenues for the quarter fell by four per cent to 1,977 billion Euros. Income remained within the 12-17 per cent target corridor at 255 million Euros, corresponding to a 12.9 per cent margin.

For many years, our system approach of Totally Integrated Automation (TIA) has very successfully shaped both automation and drive technologies. TIA is the conceptual framework which determines the portfolio of Industry Automation and Drive Technologies. Both Divisions will continue to pursue this approach in close cooperation and between joint development teams. Allow me to present TIA and the portfolio that goes with it.

On the Drives side, the portfolio ranges from standard to large drives, gearboxes, gearmotors, frequency converters and motion control solutions and on the Industry Automation side from the simple sensor to low-voltage switchgear, automation systems, process control systems through to complete Manufacturing Execution Systems. With this integrated product and system portfolio we are able to provide our customers with an enormous potential for increasing their productivity.

It is particularly when faced with the present economic situation that both machine manufacturers and machine users need to look both at improving cost efficiency in their operations and also at making changes to ensure a future-proof and competitive product portfolio. To meet these needs and challenges, as an automation partner we offer a cohesive portfolio of products, systems and solutions both to OEMs and users which will not only help to achieve short-term cost-cutting goals, but also provide future security through the deployment of innovative technologies and sector-specific concepts.

In this way, Industry Automation and Drive Technologies offer their customers a single TIA portfolio:

- From the machine or plant concept through simulation, engineering, programming and implementation
- for optimization of the relevant drive and automation systems with safety functions, condition monitoring and suitable maintenance and service concepts right through to retrofitting.

By continuously expanding the integration level existing in particular in the field of drives in our product portfolio, we have generated real customer benefit. Starting with the first Combimaster, in which we integrated both motor and drive, and continuing with Simotion and Sinamics, we have raised our product portfolio by endogenous means onto a higher plane and integrated it on the product level. We expanded our technological base by exogenous means such as the acquisitions of Robicon and Flender.

We are about to now take what we consider to be the next logical step, an additional “S curve” towards an interface-free automation platform which comprehensively also includes simulation. At the same time, we are concerned with solutions involving a totally integrated power train, in other words integrated mechanics, drives and control systems.

Allow me to illustrate what TIA is already able to achieve by quoting a case study: One of the world’s biggest and most modern baggage handling systems has been implemented in Peking by Siemens Industry – with TIA forming a focal basis for the project. Siemens Industry makes use of common technological platforms whose use is now being stepped up across all Industry units following the repositioning of the Sector.

The result of cooperation based on these platforms is impressive – particularly so in the case of Peking airport. The system is capable of sorting and transporting up to 19,200 items of baggage per hour. This has meant more than a doubling of capacity from 30 to 66.5 million passengers per year. 330 check-in desks are linked to a high-speed tray handling system with a total length of around 68 kilometers. Of sight of the passengers, the baggage handling system works on several levels within the airport. Baggage is transported from the check-in desks through a 2.2 km long tunnel at a speed of 36 kilometers per hour. The system uses a combination of high-speed tray

sorters and tray handling technology, belt conveyors and tilt-tray sorters, controlled by a complex material flow computer system.

The system is fitted with over 9,000 Siemens motors, controlled by 109 Simatic S7 PLCs. Using TIA, Siemens ensured that all components – from the completely reliable handling equipment to a fine-tuned automation technology and software system – interact seamlessly to achieve the required high throughput. This has reduced connecting times between two flights to a mere 25 minutes.

I would like to now take a closer look at the Drive Technologies Division. We are a partner to the machine and plant engineering sector, a partner able to supply drive solutions adjusted in line with the special needs and requirements of a branch of industry which offers integral systems and services for OEMs and end users, and whose product portfolio joins to create a seamless power train. The very fact that we are the only supplier with the capability to control the entire seamless power train ourselves is what gives us the right to claim to be an all-encompassing partner with competence in every area. Our focus here is clearly on solutions for three segments: The manufacturing industry, the process industry and energy/infrastructure, with each of these accounting for around one third of our business.

As a drives supplier which aspires to provide products, systems, solutions, and services with an outstanding degree of customer benefit, we work in close cooperation with machine manufacturers and plant designers. We are firmly convinced that in the face of increasing global competitive pressure, long-term success can only be achieved in close partnership, with a high degree of application and industry expertise and in working closely with our local customers. It is only in this way that we can achieve decisive benefits and cuts in time-to-market cycles, support our customers in implementing their productivity and cost objectives and implement our technical innovations together with our customers. This degree of customer proximity allows us to fulfil the current stringent demands of our target market segments: Productivity, energy efficiency and reliability.

The best prospects for success lie of course first and foremost in a high-quality product portfolio, but also in the ability to combine these products to create efficient systems and solutions, and so generate superior customer benefits in the long term. We maintain our expertise by entering into a systematic and continuous exchange with our customers, which we cultivate within the framework of our innovation strategy. Through this means, industry-specific expertise flows directly into our projects, systems and solutions. This process is imperative if we are to be in a position to offer our customers a fine-tuned modular and specifically integrated range of products and services to survive the entire life cycle of their various activities.

One result of this approach is our endeavour to supply the complete, seamless power train: an achievement which offers us a unique competitive advantage as a supplier.

An idea of which customer benefits arise from the combination of a seamless power train with a sector-specific focus is provided by a case study from the raw material industry. A cement mill which uses systems from all levels of our portfolio: Motor, converter, gearbox, as well as control system including a condition monitoring system. And there are plenty of other sectors in which the seamless power train is used, for instance in the *infrastructure industry*, as *is the case with trains*, or also in a variety of logistics applications.

Throughout every segment, the same principle applies: This comprehensive and perfectly inter-coordinated range of products and systems can reduce maintenance input and increase availability, and permit solutions to be implemented with an overall lower operating cost. Furthermore, we are making considerable energy cost savings too – an issue which as I mentioned earlier is growing in importance. Allow me to take a closer look at this aspect.

By 2025, the consumption of electrical energy will have almost doubled compared to the present level. The premium prices today commanded by raw materials and energy are underscoring the need for more efficient technologies in power generation, water treatment, mining, manufacturing and transportation. And despite the current low market price of energy and oil, efficiency remains a central concern for all three of the sectors we have been

focusing on. In the expectation of rising energy prices, companies have attempted to hedge any increases by contractually binding themselves to earlier price levels. At the same time, taxation accounts for a considerable proportion of the costs, something which applies in particular to Germany. And last but not least, the energy requirement of different industries remains at a high level.

In the manufacturing as well as the process industry, electrical drives play a dominating role when it comes to energy consumption. Electric motors account for two thirds of all drive systems. Motors are responsible for 70 per cent of energy consumption in this context. In the manufacturing as well as the process industry, electrical drives consequently play a dominating role when it comes to energy consumption. We estimate that the savings that could be made worldwide through the use of variable-speed drives and highly efficient motors, could amount to 120 terra-watt hours.

The objective now must be to raise this potential. Already today, the Drive Technologies Division has all the products it takes: energy-efficient drive technologies such as regenerative converters or our energy-saving NEMA and IEC series motors. As regards the NEMA series, we may claim that our motors have already achieved standards only required of them from 2010 onwards. Investment in energy-efficient drives is generally recouped within just 18 months and often even less. And we are expanding our technological leadership in the drive segment, consistently pursuing a course towards energy-efficient products.

Moreover, we offer our customers a structured approach to energy efficiency solutions. Starting from the energy efficient products and systems we have just talked about, we supply energy monitoring solutions designed to detect saving potential in plants and integrating that onto the MES level.

Simultaneously, Industry Solutions offers services to analyze and optimize energy consumption of entire plants. This applies to both retrofitting and new plant projects.

All this can be achieved by linking real industry-specific know-how with technology expertise and product and system knowledge. All of this is part

and parcel of our well structured approach to increasing energy efficiency. Only recently, auditors from Price Waterhouse Cooper certified that Drive Technologies products and systems make a substantial contribution to the Siemens environmental portfolio and help save millions of tons of CO₂ emissions.

Allow me to use a concrete case study to explain the energy-saving potential released by our industry-specific expertise used in combination with an optimum product portfolio.

Overall, it takes between 700 and 1000 kWh of electrical energy to produce a car during the primary manufacturing processes, not counting logistical elements. The paint shop is a central component of car manufacture. Because of the low speed of processing, this type of paint shop places stringent demands in terms of a consistently high and continuous power supply. At the same time, due to the pumps, fans and compressors integrated in a plant for ventilation purposes, there is considerable potential to be found here for savings using speed-controlled systems.

In conventional paint shops, the energy consumption per car is normally stated to be up to 320 kWh, i.e. 30 to 50 per cent of the total energy expenditure. By using energy saving motors and variable-speed fans, our Automotive Competence Center succeeded in saving over 70 per cent of energy expenditure compared to conventional solutions. The key lies in our well structured approach to energy efficiency.

This example clearly shows the possibilities that exist in saving energy in an industrial environment and the significant contribution we can make towards increasing competitiveness for our customers. They provide the assurance of a sustainably profitable and future-proof investment, which also conserves environmental resources.

Other demands made on us as an automation partner by our customers are quality, reliability and ease of future upgrading. This entails the use of modular concepts in drive and automation technology; concepts which can effortlessly and flexibly adjusted to changing production conditions. It also entails a high degree of plant and machine availability.

Allow me to use a wind turbine to illustrate what I mean: High plant availability is of the essence here. Thanks to our optimized drive train, availability was raised from 95 to 97 per cent, which equates to an increase in income by approximately 320,000 Euros per year. This is what productivity gain is about.

We supply products and solutions to the very highest standard of quality, thereby improving plant availability, as was illustrated in the wind turbine example.

It is this approach – our striving to achieve productivity, energy efficiency and reliability – which forms the basis for a continuous flow of products and systems, which you too will have the opportunity to appraise at this year's Hanover Fair. This gives you an idea of the innovations we will be showing in April – here is a breakdown of new features from the Drive Technologies Division. We will be showcasing innovations on every level of the power train. For details, please refer to the different press releases you will find in your press folder.

This also applies to the innovations due to be presented by our Sister Division, Industry Automation. They too will address every one of our customers' main requirements along the TIA pyramid. I would like to draw your attention to one of these innovations in particular: The new Simatic S7 1200 which represents another important step in the expansion of our portfolio along the TIA concept. Mr. Franke will be providing you with a more detailed insight into this development in a moment. But this much I can tell you: This is another innovation designed to fit into our joint Industry Sector concept, and more specifically is a product of the close cooperation between the Drive Technologies and Industry Automation Divisions.

Allow me to summarize:

Particularly in times of change, industrial companies expect systematic solutions to the issue of cost reduction coupled with the assurance of investment security. As a leading industrial supplier, we pursue a conscious strategy to provide energy-efficient and cost-efficient innovations which allow our customers to achieve a fast return on investment. This applies to plant

extensions, plant improvements, upgrades and installation of new plant and machines.

Consequently:

We supply innovations which offer investment security and **fast, effective cost reductions**.

We provide the assurance of sustainable **productivity gains** all along the seamless power train by using its sector-specific expertise and technologies.

We consistently extend our **Totally Integrated Automation** product portfolio.

We stand up to the challenges of climate change and provide the utmost degree of **energy efficiency** with our products and systems.

Thank you very much for your kind attention.