One Siemens –
our path to sustainable value creation

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To be a pioneer – that’s our guiding principle and our aim now and in the future. As a pioneer in electrical engineering, Siemens played a key role during industrialization. And our company has flourished in its role as a pioneer. Today, we’re determined to continue blazing new trails.

Our overriding aim is to continuously improve our performance and to create sustainable value for all stakeholders in the coming years.
One Siemens gives us a framework for creating value. At the same time, focus areas specify concrete topics to be addressed in the years ahead.

If we relentlessly pursue what we call our strategic directions – focusing on innovation-driven growth markets, acting as a strong, reliable local partner for our customers and teaming up to use the power of Siemens – we’ll succeed.

One Siemens: Each and every one of our employees can contribute to the success of our company – with their knowledge, commitment and pioneering spirit. Their efforts will enable us to create long-term value and to provide answers to the most pressing challenges of our time.

Peter Löscher, President and CEO of Siemens AG
Vision

Siemens – The pioneer in
> Energy efficiency
> Industrial productivity
> Affordable and personalized healthcare
> Intelligent infrastructure solutions

For us, being a pioneer means more than promoting new technologies and fostering innovation. We’re determined to break new ground, launching cutting-edge products that can be integrated into proven solutions. And our employees are pursuing this aim with great conviction and passion. The kind of teamwork that enables all players to give their best, shoulder their responsibilities and leverage their strengths is what brings forth true pioneering achievements, whether in 1847 – the year Siemens was founded – or today. And our pioneering spirit ensures that we’ll continue providing answers to the questions of the day well into the future.

www.siemens.com/vision
Strategy

Our vision is to be a pioneer of our times – and this vision is reflected in our company strategy, which shows us how to turn our vision into reality. First of all, we’re aiming to be a market and technology leader in our businesses; this will, in turn, position us to achieve sustainable, profitable growth and to outpace our competitors. As an integrated technology company, we intend to profit from the megatrends of demographic change, urbanization, climate change and globalization.

In short, our strategy comprises what we call our three strategic directions:

> Focus on innovation-driven growth markets
> Get closer to our customers
> Use the power of Siemens
One Siemens

Siemens is a leading player all over the world. In the last few years, we’ve transformed our organization and continuously strengthened our global competitiveness through our company programs. Our portfolio is geared to attractive growth markets. In terms of profitability, we’ve closed the gap to our competitors or overtaken them. As an integrated technology company, we’re a market leader in many of our businesses.

It’s from this position of strength that we’re approaching the future. With a financial target system and the goal of continuous improvement relative to the market and our competitors, One Siemens is providing the framework.
One Siemens

Framework for value creation

A–C
Strategic directions

a–i
Focus areas
Framework for sustainable value creation

Our actions are geared to the dynamics of our markets. We measure our performance against our best competitors. Our goal and our aspiration is to consistently outperform our competitors and set standards for leadership – in financial performance as well as operational strength.

Our financial target system defines indicators for revenue growth, for capital efficiency and profitability, and for the optimization of our capital structure. These indicators play a key role in driving the value of our company.
Revenue growth
The most important driver for increasing the value of our company over the long term is profitable revenue growth. Our goal is to grow faster than our most relevant competitors. We’ll track our performance by comparing our revenue growth with the average growth of the most relevant competitors. And we’ll set hurdle rates for acquisitions.

Capital efficiency and profitability
Our aim is to remain profitable and to work as efficiently as possible with the capital of our shareholders and lenders. We monitor our capital efficiency and have included it in our financial reporting since fiscal 2007. Return on capital employed (ROCE) is defined as income before interest and after taxes divided by the average capital employed. We’ve set ourselves an ambitious target at company level.

We intend to maintain and further extend our leading position with respect to the profitability of our businesses. Our goal is to permanently achieve top margins compared to the best companies in our industries – throughout business cycles.

Capital structure
Sustainable profit and revenue growth can only be achieved on the basis of a healthy capital structure. In addition to our operating indicators, we’ve also defined an indicator focused on the management of our capital structure. This metric reflects the ratio of adjusted industrial net debt to EBITDA. We want to further optimize this ratio so that we can better manage our debt-equity ratio while ensuring both unrestricted access to debt financing instruments in the capital markets and our ability to meet scheduled debt service obligations. The capital structure target selected will enable us to maintain our rating.

The interaction of the target indicators for growth, capital efficiency and profitability, and capital structure creates a balanced system that we will use as the basis for sustainable value creation.
Continuous improvement
The aspiration behind One Siemens is to continuously improve our performance relative to the market and our competitors, thereby sustainably enhancing the value of our company. That's how we intend to fully exploit our potential as an integrated technology company.

Our strategy geared to value creation will help us achieve that goal. The path is defined by what we call our three strategic directions: focus on innovation-driven growth markets; get closer to our customers; and use the power of Siemens. These strategic directions are broken down into nine concrete focus areas which specify the main points of emphasis for our activities in the coming years.
Focus on innovation-driven growth markets

Our pioneering spirit is the basis of our success: we break new ground and forge ahead into growth markets while thinking globally and examining every challenge from various perspectives. Our activities are focused on establishing leading positions in innovation-driven markets and markets with long-term growth potential. We want to play a leading role in these markets. To this end, we’ve formulated three focus areas:

> Be a pioneer in technology-driven markets
> Strengthen our portfolio
> Provide a leading environmental portfolio
Be a pioneer in technology-driven markets

The challenges of the future demand new and visionary answers. It’s not enough to simply invent new technologies or question existing technologies. What does this mean in practice?

We’re focusing on innovation- and technology-driven growth markets that will comprise the basis of Siemens’ core businesses in the future. This approach is opening new avenues to increase our revenue from »green« products and solutions – such as delivering technologies for a sustainable energy infrastructure. One prime example here is our commitment to the Dii industrial consortium, which is known by the name of DESERTEC. The declared aim of this concept is to supply 15 to 20 percent of Europe’s power needs from renewable energies produced in the desert regions of North Africa.

We’ve resolved to channel more of our expertise as a provider of integrated infrastructures into major projects of this kind. The world’s cities have a growing need for intelligent and sustainable infrastructures – and Siemens is better positioned than any other company to satisfy an increasing share of this demand. We intend to capitalize on this potential.

The DESERTEC concept –
A model for sustainable energy.

Geothermal  Biomass  Hydro  Solar  Photovoltaic  Wind
A key prerequisite for long-term, profitable growth is to focus our portfolio on attractive future markets. That’s why we’re actively and systematically managing our portfolio.

At the heart of our portfolio policy is the principle of achieving or maintaining a No. 1 or No. 2 position in all our current and future markets. Essential to profitability and growth, these leadership positions enable us to steadily increase our company value. The past has shown that size alone is not enough for long-term success. To enhance our success over time, we must also be in the vanguard of technology.

This principle guides the evolution of the Siemens portfolio. For instance, the acquisition of Solel Solar Systems in early fiscal 2010 made us a technology leader in the field of solar thermal energy. The depth of our internal value creation for solar thermal plants rose to over 70 percent. We expect this to propel Siemens further into the high-growth solar thermal market and strengthen our position as a »green« pioneer.
Siemens already plays a unique role in the world today with its Environmental Portfolio – and the sales figures of recent years are just one testimony to this success.

In 2010 we generated about €28 billion in revenue from the Environmental Portfolio.

We’re setting ourselves even more ambitious targets for the future.

Our Environmental Portfolio does more than enhance company revenue; it also makes a significant contribution to climate protection. Thanks to our ecofriendly products and solutions, our customers lowered their worldwide carbon emissions by a total of 267 million metric tons in fiscal 2010.

As a »green infrastructure pioneer« we are today, among other things, the market leader in advanced technologies such as offshore wind energy, the manufacturer of the most powerful gas turbine in the world, and a leading provider of effective and low-loss electricity networks.
Get closer to our customers

Whether in major metropolises or rural areas: Siemens is close to its customers throughout the world. Because proximity to the market is an important driver of sustainable growth. And we’ll ensure this in the future. Our focus areas are:

> Grow in emerging markets
> Expand our service business
> Intensify our customer focus

This will allow us to respond to new market demands faster and more effectively than many of our competitors.
Grow in emerging markets

Current forecasts suggest that between now and 2030 the economies of the emerging markets will grow twice as fast as those of the industrialized nations. The BRIC countries alone – Brazil, Russia, India and China – are actually expected to grow at three times the pace of their industrialized counterparts during this period.

That’s why we’ve made it our goal to achieve above-average revenue growth in the emerging markets year for year. The challenge for us lies in penetrating these markets more rigorously. We already lead in products for the M1 and M2 market segments, primarily for the industrialized countries. In the future, we’ll offer more products, solutions and services for the rapidly growing entry-level segments. These M3 and M4 market segments are more price sensitive and are mostly found in emerging markets. To ensure the success of our approach, we give our local companies the leeway they need to make their own decisions within the global network. It’s also becoming increasingly important to set up the entire value chain locally. That’s why Siemens has decided to shift more of the responsibilities – for product management, R&D, sourcing, manufacturing, for example – to the emerging markets.

The SOMATOM Spirit CT scanner is an example of how this works. Siemens runs this business directly in China instead of exporting to the country from Europe or the United States. Designed for entry-level markets, the SOMATOM Spirit is easy to use and offers basic functionality at a competitive price. The scanner was developed largely in Shanghai, with 90 percent of the components coming from the Chinese market. Manufactured entirely in China, the device is sold worldwide.
Expand our service business

The ambition to be a pioneer goes beyond mere technological innovation. Service is an important driver for implementing our growth strategy. The broad base of products and solutions at our client installations is the launching pad for business and growth opportunities in services for our entire company. Siemens has the world’s largest installed base of imaging products and systems such as MRT and CT scanners, for example. More than a third of the installed worldwide capacity of gas turbines is from Siemens. We’ll continue to steadily expand our service business in the future.

Services play a key role in profitability at Siemens, generating reliable income with high margins even while requiring less capital than other types of business. What’s more, long-term service agreements also render services less prone to economic fluctuations. We’re investing around the world to harness our enormous potential in the service sector. At the same time, we’re rigorously expanding our portfolio of high-end service technologies and innovative services.

We’re convinced that, especially as products become more and more standardized, services will be an important strategic factor that differentiates us from our competitors. Services bring Siemens closer to its customers – throughout the entire lifecycle of a product. As a service provider, we work with our customers to develop innovative products and solutions, demonstrating our pioneer spirit as we break new ground.
Intensify our customer focus

For us, uncompromising customer focus means that we’re continually strengthening and expanding our local presence in all our target markets to ensure we’re ready to respond quickly to changing market requirements. Because market proximity is based on customer proximity and local presence.

Siemens has long had a reputation for excellent customer proximity. At the heart of this focus is a deep understanding of our customers’ business processes – and of what their customers need. This understanding is the product of enduring – sometimes decades-long – relationships between our employees and our customers.

Most of our customers are small- to mid-sized organizations. We consider it our duty to provide them with direct local support – a duty we fulfill through a worldwide sales network managed by our Clusters and Regional Companies.

We also support major customers in our key markets through a key account management that represents all of our business areas that are relevant to our customers. We have over 2,000 key account managers providing Siemens’ largest customers with sustainable solutions, for example for airports, hotels, hospitals, and cities. These managers are supported by a dedicated organization that adapts our portfolio to the needs of our customers. Coordinated company-wide, these activities are rooted in our Regional Companies and Sectors. They are helping us outperform our competitors and maintain our lead over the long term.

Ultimately, our success depends on customer satisfaction. We use an internationally recognized methodology to measure this satisfaction in order to objectively assess how customers accept our products and solutions and the extent to which we’re recommended to others. The results provide valuable insights that help us optimize our targeted activities.
Use the power of Siemens

We’ll continue to leverage our global orientation, size and structure for the benefit of our customers, suppliers and employees. Already today, cooperation across our Sectors and Divisions and our external partnerships are enabling us to offer our customers a uniquely diverse portfolio – not least of all thanks to our outstanding and innovative employees, who are one of our greatest strengths. The focus areas that will help us use the power of Siemens even more fully are the following:

> Encourage lifelong learning and development
> Empower our diverse and engaged people worldwide
> Stand for integrity
Encourage lifelong learning and development

Innovation is the basis of sustainable growth. But it doesn’t arise in a vacuum: it’s generated by the innovative ideas of our employees. To sustain this spirit of innovation, we invest continually in expanding the expertise of our people through demanding training and education programs. Focused on strategically vital knowhow and skills, these programs ensure that expertise in key functions is uniformly communicated worldwide – and along entire career paths. Our Siemens Leadership Excellence programs are preparing our managers for their future responsibilities.

To ensure that Siemens keeps making history as a pioneer, we must enable our employees to unfold their full potential. And here our managers also have a role to play, laying the foundation for our people’s development through constant dialogue and the regular exchange of ideas.

We foster our employees worldwide by identifying talent and offering challenging tasks. Uniform criteria for aligning employee expertise and potential with the requirements of each new position are providing the groundwork, while the new Siemens Leadership Framework (SLF) gives us the tools we need.

Lifelong learning and development – this is what we require of our employees, so that they can advance personally and professionally, and Siemens can strengthen its position as an attractive employer in the increasingly competitive global market for talent.
Empower our diverse and engaged people worldwide

Global presence is our trademark. That’s why diversity throughout our company is vitally important to us and something we want to develop. The enormous potential of our employees’ skills, experience and qualifications gives us a huge competitive advantage in global markets. Their diversity drives innovation and helps us cooperate successfully in worldwide networks.

Our Diversity Initiative is generating even greater awareness among our people of the benefits that our multicultural workforce provides. It’s helping us build excellent teams with broad-based skills and experience while promoting the strengths of individuals in diverse environments.

The initiative is also helping ensure that our executives have an international background, including comprehensive expertise and broad experience.

Our leading position in the marketplace depends not only on the expertise of our employees but also on our business processes. That’s why we’re continuously improving our core processes – for example, in project management and software development.

To ensure that Siemens’ pioneering history continues unbroken, we want to fully leverage our employees’ creative potential. Active, motivating leadership fosters their engagement.
Siemens’ corporate culture sets high standards of conduct for its managers and employees. We’re a community of individuals committed to integrity and to clear and binding principles of conduct. Our company values – responsible, excellent and innovative – are the basis of our understanding of integrity, our thinking and our actions.

We’ve formulated clear and binding principles of conduct that cover all aspects of our entrepreneurial activities, define a uniform ethical framework for our company and establish clear responsibilities Siemens-wide. Action areas include fighting corruption, ensuring occupational safety, health management and environmental protection.

We know that natural resources must be used responsibly. As a result, we not only aim to provide customers with energy-efficient and ecofriendly technologies; we’re also striving to become even greener ourselves. By establishing our own environmental protection program with clear management guidelines, we’ve sent an unmistakable signal of our position.

We expect our employees to act in accordance with clear principles of integrity. And we expect our partners and suppliers to do the same. Energy efficiency programs and sustainability audits are just two examples of the measures we’ve introduced to reach these goals. Upholding human rights, respecting the rights of workers and complying with environmental protection, occupational safety and anti-corruption regulations are the basic prerequisites for corporate responsibility and the foundation of a lived culture of integrity.

**Our values – Reflecting our understanding of integrity**

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**Responsible.** Committed to ethical and responsible actions.

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**Excellent.** Achieving high performance and excellent results.

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**Innovative.** Being innovative to create sustainable value.
Further information

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November 2010
Order number: A19100-F-P166-X-7600