

SIEMENS

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“Create sustainable value”

- Check against delivery -

Facts and figures / How the crisis hit the business of Industry Automation

Ladies and Gentlemen, before discussing the new products we are going to launch at this year's Hanover Fair, let me take a brief look back on the fiscal year 2009. 2009 was much more difficult than we – and many others – had expected or feared at the beginning of the financial crisis in the autumn of 2008.

We were hardest hit by the crisis in late 2008/early 2009. Between the first and the second quarter of our fiscal year, we suffered around a 30-percent loss of new orders. Whilst in previous years, economic slumps occurring in individual regions could be compensated by growth enjoyed in other regions, the worldwide recession now exerted a massive impact on all regions.

The economic downturn in the Industry Automation Division first hit mainly our factory automation business. Because of the general market situation and the associated low number of new orders for our customers, we clearly felt the effects of cuts in terms of capital expenditure and orders in this short-cyclical industry business. As a result, our capacity utilization dropped and forced us to significantly adjust our resources.

We had to respond swiftly and introduce counter-measures such as short-time work and reduced working hours, working off overtime accounts or relocations between factories operating at different utilization rates in order to secure employment. The objective of short-time work was to secure as many jobs as possible.

Moreover we had to make more significant savings, also in the fields of sales and marketing, and to cut or delay capital expenditure.

During the last fiscal year (2009), new orders dropped by 24 percent year-on-year for Industry Automation to 5.571 billion euro. Revenue was 5.763 billion euro (-19%) and profit 682 million euro (-57%).

We do not expect our sales markets to return to the record sales figures of 2008 in the foreseeable future.

In spite of the dramatic decline in earnings, we have adjusted our research and development budget only moderately in an effort to avoid decelerating our innovation initiative. We continue to invest in the future and keep our focus in particular on technological advances irrespective of economic cycles. Our power of innovation and

innovation leadership will be manifested again at the Hanover Fair. We have excellent products which earn our customers a rapid return on investment, in particular in relation to energy savings and sustained utilization of resources – a cogent selling point in a tough competitive environment. Moreover, we provide a well matched and integrated portfolio which is unique in the world, ranging from automation to PLM (product lifecycle management) software.

Business dynamics developed differently in our two targeted segments of industry. End-user industries in both manufacturing and process automation have now reached a turning point. Forecasts show that manufacturing automation is higher on the upward curve than process automation, which serves industries such as chemicals or oil & gas.

Business development in end-user markets

Our Division is active and well positioned in three business areas. With our core product Simatic PLC (Programmable Logic Controller), we are the clear market leader in factory automation. As the leading supplier, we are setting the pace in this field.

Process automation featuring our PCS 7 key product is a major field of growth for us. Here, we provide three different segments of industry, i.e. petrochemicals & chemicals, pharmaceuticals & bioscience, food & beverage with complete solutions. In comparison to its competitors worldwide, Siemens boasts the most comprehensive product portfolio and extensive industry-specific and expert knowledge. Our complete portfolio with its guaranteed interoperability also helps us meet the most complex requirements imposed on automation solutions both swiftly and cost-effectively.

By acquiring UGS, Innotec and, most recently, the French company Elan Software Systems SA, we have significantly strengthened our position in the field of industry software. Here we are now a strong number 2. Our leading PLM offering, including the CAD/CAE product NX and cPDM product Teamcenter, help our customers significantly shorten the time-to-market for their products. Innovative and high-quality software solutions help our customers to increase both the flexibility and transparency of both their product design and manufacturing processes, thus contributing towards raising productivity and competitiveness and opening up new sales opportunities. Mention should also be made of the fact that regulatory requirements in terms of product design and production mean ever growing expenditure which could hardly be economically justified without far-reaching IT support.

Our customers appreciate our wide range of integrated products and systems with open interfaces. Our industry-specific solutions, tailored to meet the specific requirements of each process, provide customers with an added benefit which is unique in the world. This is where our VMM (Vertical Market Management) boasts its added value. In this way we ensure a systematic and ongoing exchange with our customers. VMM also covers industry-specific expertise which makes VMM an important source of practical ideas feeding our innovation strategy.

Industry Automation's technology supports the entire production workflow

Our objective is to provide our customers with a fully integrated automation offering which covers products, systems and solutions that work across the entire production process, from inbound logistics and the actual production or primary process to the downstream or secondary process and outbound logistics.

Automated inbound and outbound logistics are dominated by PLC technology. Automation of primary processes is dominated by DCS systems (Distributed Control System) in the process industry, whereas PLC controllers are often used in manufacturing in combination with CNC (Computerized Numerical Control) systems. In automated downstream processes involving such tasks as packaging or filling, motion control technology is used in combination with PLC technology.

The driving force behind any highly flexible automation system is, first and foremost, the ever more specific requirement profile of our end-users. This leads to an increasing product diversity which again requires more flexible production plants. Added to this is growing price pressure which is accelerated by globalization. The increasing density of rules and regulations adds another dimension to the requirements placed on modern automation engineering.

These general conditions force every manufacturer to introduce continuous and sustainable productivity improvements with a view to enabling generation of the expected return on investments. Here, automation makes an ever more valuable contribution.

Industry Automation's portfolio addresses the key priorities of industry today

Besides the drives presented by Herr Helmrich, our Siemens Totally Integrated Automation (TIA) portfolio ranges from industrial control systems through industrial communication, process control systems and MES (Manufacturing Execution Systems) to PLM.

TIA helps perform complex and large-scale automation tasks in a swift and cost-effective way. Reduced technological complexity cuts maintenance costs across the entire life cycle of the plant. TIA's open architecture sets standards and affords the customer full flexibility in integrating legacy products and third-party components.

Our offering addresses the key priorities of industry: Productivity, flexibility, and efficiency. Across the complete life cycle of a plant we provide our customers with a fast return on investment, we improve their competitiveness and shorten their time-to-market.

Manufacturing Automation: Success through innovation leadership

We owe our leading market position to our sustained power of innovation and the underlying strategy which continues to generate clearly identifiable added benefits for our customers. This fact is best illustrated by the two examples of Simatic S7-1200 and the *Sirius* family of products; the latter was completely re-engineered last year in the range up to 40 ampere.

The Simatic S7-1200 launched at the last Hanover Fair boasts perfect interaction with both Simatic HMI (Human Machine Interface) Basic Panels. The programming, project planning and commissioning software sets entirely new standards in engineering. Intuitive operation means that users work far more efficiently, which in turn drives increased productivity.

At this year's Hanover Fair, we will be showcasing further S7-1200 advances such as extended engineering, a converter for S7-200 Code or signal modules for simple temperature control and monitoring applications. In addition, there will be innovative add-ons and new features for S7 300 and 400: These range from technology CPUs for motion control applications, new Profinet functionalities for more safety and flexibility in communications to the first Profienergy products.

Process Automation: Continue growth path

It is particularly in the field of automation engineering within the process industry, with its often complex process sequences, that a balance must be struck between meeting stringent safety requirements and ensuring profitable operations. We have continuously extended the field instrumentation and analytics portfolio which is important to us. We have been able to gain market share in a difficult economic environment. With Simatic PCS 7 we have a process control system based on the tried and tested Simatic PLC which is highly reliable at a very good price/performance ratio. Its main applications are in the chemical and pharmaceutical industries, as well as in the food and beverage industry. The number of systems installed worldwide has now passed the 10.000 mark.

Our innovation offensive continues with new PCS 7 developments, as the new product launches at the Hanover Fair clearly demonstrate: They include the integration of a fieldbus solution using Fieldbus Foundation and a safety integrated functionality applied in process automation.

Innovations are essential for company success / shorter time-to-market

With our product portfolio, we are converging the real and the digital product and production environments.

Product design and manufacturing and/or manufacturing automation used to be two largely separate areas, at least in terms of interlinking IT. Now we are closing the gap: Product data can be digitally and seamlessly transmitted to the work floor and used there. In the future, this will considerably facilitate new product launches and upstream production planning; any inevitable modification in product design or manufacturing processes can be managed much more easily.

Not only do humans have a biography, products also have a life cycle: Starting as an idea in the minds of engineers and marketing experts, they then take shape on paper and in the computer. They first see the light of day during the production phase. And from then on the new products and solutions will rely on a long period of support; customer care and maintenance remain a manufacturer's duty for many years. If a product idea is proven in the marketplace, the cycle comes full circle - a new

generation completes a new cycle from idea to market launch. Here, it benefits from the experience gained during the previous model's life cycle.

However, this process can only work as long as the manufacturer has a systematic collection of all product data and integrates this data into a consistent system. The conventional product data management system (PDM) is mainly focused on information provided by design and development – for instance the administration of bills of material or documents. Innovative product life cycle management follows a broader approach: Besides PDM data, information from other areas is also integrated, including Supply Chain Management (SCM) and Customer Relationship Management (CRM). In short: The PLM approach covers the full life cycle of a product. PLM creates homogenous structures. Today, PLM is used in its advanced form mainly by globally operating companies in such industries as automotive engineering, aviation, aerospace, mechanical engineering or high-tech and electronics. The holistic approach opens up potential which will also benefit other industries in the future. Companies in the consumer goods and food & beverage industries are only just starting to come to grips with the subject of PLM.

Industry Software: Market leader with CAx and cPDM programs

In order to be competitive in the global market, companies operate their production facilities in geographically distributed locations. Their geographically distributed partners including suppliers and distributors, service providers such as product designers and engineering companies, as well as their customers form a complex network. As the seamless integration of different partners progresses, Siemens is set to establish itself as the preferred industry supplier. Today, Siemens is the only supplier to industry offering integrated hardware and software across the entire life cycle of products and production plants. By integrating the PLM portfolio, we are reducing the number of interfaces, thus increasing productivity. Isolated stand-alone solutions that used to be commonplace in product design, production and service software are increasingly changing and turning into an integrated system business.

In your press kits you will find further details about our software offering in this field, together with a list of interesting facts about our PLM Software business. These also include information about our "Teamcenter" cPDM system, the most frequently applied PLM system with over five million licences sold worldwide, which is naturally also earmarked as a global basis for all PLM processes within the whole of Siemens. Also included is information about NX, our CAD/CAE product featuring integrated

solutions for simulating functional characteristics. These systems allow product development times to be considerably cut and the need for physical prototypes reduced. In this way, NX can ensure considerably higher productivity in product development.

Industry Automation: Innovations at Hanover Fair

Ladies and gentlemen,

At the end of my presentation I would like to show you here an overview of all our innovations to be showcased at this year's Hanover Fair. Technical details are described in the press releases contained in your press kit. The innovations cover every level of the automation pyramid and our entire portfolio: from new position switches and industrial power supplies through diverse upgrades for industrial communication components, controllers and industrial PCs to process control systems, energy saving solutions and industry software.

As the world's leading industrial equipment manufacturer boasting an integrated portfolio covering all technological segments, we are on track for success. To create truly efficient automation solutions, we need to have complete mastery of all segments of technology: from product and project engineering to maintenance, from IT to control systems. With the integration of PLM software technologies, we are also opening up great productivity potential through digital engineering and data management for our customers. At the Hanover Fair 2010, we will be able to demonstrate yet again that we set the trends in automation at a global level. I am looking forward to seeing you again there.