

SIEMENS

Klaus Helmrich

Siemens Industry Sector

CEO Drive Technologies Division

on the occasion of a press conference held in Nuremberg on March 16, 2010

“Sustainable value based on
profound application expertise,
innovative products and
a broad service offering”

- Check against delivery -

Ladies and Gentlemen,

it is my great pleasure to welcome you to our international press conference here in Nuremberg, home to our two Siemens Divisions Industry Automation and Drive Technologies. We are pleased to see so many of you who have come here from home and abroad to attend the conference. At this traditional annual press conference, we have the opportunity to discuss the highlights, concepts and innovations of Siemens to be presented at the Hanover Fair 2010.

At its central joint booth in Hall 9, Siemens will be presenting the company's overarching expertise to the world of industry. For a week, this booth will therefore be the main attraction for all those interested in automation and drive systems: Almost all Industry Sector Divisions will be contributing exhibits. Besides the two Industry Automation and Drive Technologies Divisions, the Siemens booth will also be host to the Building Technologies and Industry Solutions Divisions.

The innovative design of our booth clearly reflects the theme of our exhibition this year. With the theme "Create sustainable value", we will be demonstrating how Siemens is doing just this for its customers – also by exhibiting in the special area dedicated to "Energy efficiency": To help our customers meet what is a highly relevant challenge today, we have developed a unique and comprehensive offering which bundles all the competences of the whole company. At Siemens Drive Technologies, we achieve this objective by making best use of our profound application expertise, our innovative products and our broad service portfolio. Allow me to explain what I mean in a little more detail.

The Drive Technologies Division is part of the Siemens Industry Sector and a partner to machine builders and plant engineers. A workforce of approximately 36,000 employees in this Division is active in developing and manufacturing control and drive solutions for our customers, adapted to the special needs and requirements of their respective industries. Here we are

focused on three industry segments: The manufacturing industry, the process industry and energy/infrastructure. Each segment accounts for about one third of our business volume.

The very fact that we are the only supplier to offer seamless technological control over the entire drive train frequently gives our customers a decisive leading edge. In most cases it is the right combination of drive train elements that provides the key to an optimum technological solution: In a range of 100 watts to 100 megawatts, our mastery over the ins and outs of drive technology makes us an expert partner to our customers and enables us to offer benefits such as enormous savings in terms of engineering. In combination with the profound application expertise of our engineers, we ensure the utmost productivity, efficiency and reliability.

In our business, we are focused on products and systems as well as applications and services. We are the recognized world market leader as a supplier not only of complete drive trains but also in individual segments such as CNC systems, large drives and wind gears. In spite of the adverse economic conditions prevailing in 2009, we were able to further advance all these market positions. Although the market relevant for Drive Technologies contracted by 12 percent in 2009, the Division's revenue dropped by only slightly less at 11 percent. One percentage point may not seem much. In cash terms this equates to a revenue of around 84 million euro which we managed to generate against the market trend, and hence against our competitors.

Due to weak capacity utilization, the Division's profit declined markedly as against the previous year, namely 35 percent. This decline, however, must be seen in light of the fact that 2008 was a particularly good business year for Drive Technologies. With an EBIT of 836 million euro or 11 percent of revenue, Drive Technologies remained within the target margin corridor which, to my mind, is an acceptable result in view of the difficult 2009 financial year.

2009 was without doubt a challenging year both for us and for our customers. Output in machine building fell by 20 percent, new orders by 43 percent. This

industry, having enjoyed continually excellent growth rates during the last five years, had to cope with poor market performance. The same also applies to the manufacturers of electric drives. For 2009, ZVEI reported a drop in the value of production output of 2.9 billion euro or 27 percent compared with the previous year. Utilization of industrial capacities in Germany dropped to 71 percent of the previous year's level, leaving the market flooded with overcapacities which will not be worked off any time soon. Let me therefore emphasize at this point: The Drive Technologies market environment was hard hit by the economic crisis.

However, there was also another face to the year 2009: We have found that our customers continue to invest in productivity and energy efficiency. In addition, it was mainly in BRIC countries experiencing continued growth that we were able to benefit. Stimulus programs around the globe were already starting to produce positive effects in 2009, and the long-term mega trends of urbanization, demographic change, climate change and globalization continue with unflinching force. As these factors continue to generate the tailwind pushing Siemens and the Drive Technologies business, we envisage great opportunities for the future in spite of the economic situation.

Drive Technologies has taken a clear stand in favour of consistently leveraging these opportunities; in the same vein, the Division has adapted its own technological and business advances to the market requirements of the future. In our view there are three major requirements driving our customers and markets: Energy efficiency, productivity gains, and an increase in reliability. Answers to these three requirements will also be shown at our booth in Hanover as these are precisely the factors that shape our business.

1. Producing in an energy efficient environment reduces operational expenditures, i.e. manufacturing costs. This means reducing the cost of energy, CO₂ emissions or their prevention, as well as expenditure for environmental protection. Our technology provides suitable and sustainable answers to these challenges.

2. Productivity remains the order of the day – especially in the widest definition of the term. Optimizing life cycle costs, reducing time-to-market whilst increasing flexibility, calls for carefully considered platforms: Here, Drive Technologies relies on a seamless data transfer from the CAD program to the machine control system, based on our concept of Totally Integrated Automation (TIA). Inverters and motors are integral to this concept which we intend to advance in cooperation with our sister division, Industry Automation. For many years, our Totally Integrated Automation (TIA) concept has very successfully shaped the world of industry automation and drive technologies and will continue to do so in the future.

3. We are also demonstrating the reliability and quality which characterize our products and systems. In other words: We provide investment security for our customers which encompasses not only the high quality of our products and processes but also our worldwide support services and the sustainability of our innovations.

You will be able to experience all this in Hanover and gain a detailed first-hand impression at our booth.

First I would like to discuss energy efficiency: As this issue plays an eminent role in our industry, energy efficiency also features prominently on the main Siemens booth at what is the world's leading trade fair aimed at industry. Siemens sees energy efficiency as an all-encompassing issue: It includes the visualization of energy flows in existing production systems, the identification of energy-saving potential, analyses of results and the all-important application of highly efficient systems and components and their commissioning.

To identify and visualize energy flows, Siemens provides a number of tools: Simatic powerrate is an add-on to the WinCC process control system which makes energy consumption transparent from infeed to load. Energy data is continuously recorded, archived and processed. A detailed analysis of the consumption profile enables identification of potential savings and the economical purchase of energy, thus reducing the cost of energy. Monitoring

the contractual power limit will not only help avoid paying unnecessarily high demand charges and/or penalties but also make full use of the set power limit. As a result of full integration into Simatic WinCC, all the WinCC standard interfaces or standard functionalities can be used without any problem.

Evaluation and assessment of recorded data are also facilitated by software tools. Calculating how quickly an investment in an energy-saving motor or a frequency inverter will pay back is an easy job for the SinaSave software tool. Based on existing plant characteristics and indicators, the program works out the energy savings in any specific application. Monthly total savings and the purchasing cost of a motor or frequency converter are used to work out the payback period of either the converter or motor. In many cases this period is only a few months. The fact that this tool came at the right time to meet the demands of the market is also reflected in a large number of customer projects. The experts share our judgment. Only recently SinaSave won the innovation award at the easyfairs trade fair for drive technology and maintenance.

A clear picture of energy flows and saving potentials is essential to any overall energy management approach. Then it is time to turn possibilities into reality and to leverage the enormous potential waiting to be harnessed from the energy consumption of electric drives. Motors account for 70 percent of energy consumption in industrial plants. Siemens offers a wide range of possibilities to leverage all this potential in line with customer requirements. One easy and quick way, for instance, is to cut off unused loads. Here the new ProfiEnergy Protocol comes into play, or a two-step element is used.

The use of variable speed drives harbors significantly greater saving potential. Let me illustrate this using the example of a chiller with a nominal rating of 10 kW: If the chilling job is handled in part load at a fixed speed fed from a 50 Hertz grid, the waste heat produced alone will amount to some 15 kW. 3.86 kW will be utterly wasted. In this case, the efficiency will be 23 percent. The chilling task is handled much more efficiently by a variable speed drive. With 6.5 kW waste heat, only 0.93 kW of power will be wasted. In this case,

efficiency will be 38 percent. This corresponds to an increase of efficiency of 65 percent.

Finally, considerable savings potential also lies in the use of highly efficient IE2 or even IE3 class motors. On average, the efficiency of IE3 class motors is about 1.5 percent above the earlier level. Just as one percentage point translated into a huge revenue difference for Drive Technologies in business year 2009, the principle here is the same: We are talking here about millions of euros that could be saved simply by using efficient drive systems – and Drive Technologies has the latest and most attractive drive solutions in its portfolio.

The fact that these options are actually being applied at our customers' facilities to improve energy efficiency will also be demonstrated at our booth at the Hanover Fair. One example is the MGM Bellagio project in the hot desert city of Las Vegas where we achieved a huge improvement by replacing the existing facility chiller drives used for chilling the building. By using variable speed drives we halved energy consumption, corresponding to cost savings of 450,000 dollars per annum. For the customer, this solution payed back within a matter of nine months.

In Hanover, we will also be launching our latest high-efficiency motors which we are confident will prove invaluable in helping our customers cope with the changeover to new legally binding motor efficiency-classes in Europe. More and more customers of the Siemens Division Drive Technologies are aware of the great opportunities offered by this changeover and count on us when it comes to turning them into reality.

An example of our service offering rounds off the picture of our activities: One of our UK clients, Corus Strip Products, had our competent service units to replace their old systems with our variable speed drives. This meant that this customer was able to save 16,400 MWh of electricity or 450 tons CO₂ per annum which comes to an approximate energy cost reduction of 1 million euro per annum.

The services we provide to increase customer productivity will also be on show at our booth in Hanover. For a well-known car manufacturer here in Germany, for instance, our servo-press solution generated a productivity gain of ten percent compared with the previous solution.

Drive Technologies' technological competence across the entire process chain will be one of the highlights of a special exhibit at our joint booth: We will be showing a live demonstration of how an a-column is built, starting with the digital design of a molding for a press using the NX CAM CAD/CAM system, then machining the part using the Sinumerik 840D sl CNC control, and finally pressing the component in the press shop. The focus will be on a holistic approach to planning and implementing major manufacturing steps in close connection with the work piece concerned, the efficient use of resources as well as standardization of the process and its continuous optimization.

Another service example to close our line of reasoning about how to increase productivity: A retrofit project at our account Ormazabal in Krefeld reduces fitting and tool changing times by 75 percent. This again underpins the fact that increased productivity remains a deciding factor in our business and that this demand continues to determine the market.

The third decisive market demand is the need for reliability of components, products, systems, applications and services. This remains just as essential as the underlying necessity for reliable and proper business conduct. We have found again and again that customers around the globe attach extreme importance to this aspect of business. They are willing to invest a significantly larger amount in better service quality and competence of the service team. Dubai Port Authorities and Raysut Cement in Oman are examples of accounts who were well aware of this background and consciously made their investment decisions in favor of Siemens Drive Technologies.

Reliability is also built directly into our products and systems. At Hanover Fair, we will be showing an entirely new concept for vertical mill systems, the Flender EMPP. A clear-cut increase in availability has been designed into it. The concept prevents load surges arising from short power supply

interruptions and optimizes the transfer of forces between the drive and the mill. At the same time the number of components that may be susceptible to faults is reduced. This in turn increases plant availability, and enables the power range to be expanded to 15 MW

All these innovations to be launched at the Hanover Fair 2010 demonstrate that Drive Technologies is persevering in its mission to create sustainable value for our customers. We are ideally placed to fulfill our mission, since we have stood for innovation in drive systems for over one hundred years and will continue to do so in the future – with new products, systems, applications and services. Thanks to both the continued strength of our business figures and our sustained high investment in research and development, we will also remain an innovator in the field of drive and automation engineering in years to come. We will continue to meet the most important market requirements for more energy efficiency, increased productivity and improved reliability.

Allow me to summarize my presentation:

As a provider of complete drive trains, Drive Technologies is the undisputed world market leader.

In spite of the economic crisis Drive Technologies has been able to further advance its market leadership.

Drive Technologies has the right innovations to meet customer requirements of the future.

Customers acknowledge the innovation path followed by Drive Technologies in the direction of energy efficiency, productivity and reliability.

Drive Technologies creates sustainable value based on profound application expertise, innovative products and a broad service portfolio.

Thank you for your kind attention.