

Extensive Reorientation of Siemens Enterprise Communications

Press Conference

Joe Kaeser
Siegfried Russwurm

February 26, 2008

The market is shifting from hardware to software

From hardware-dominated solutions ...

2000

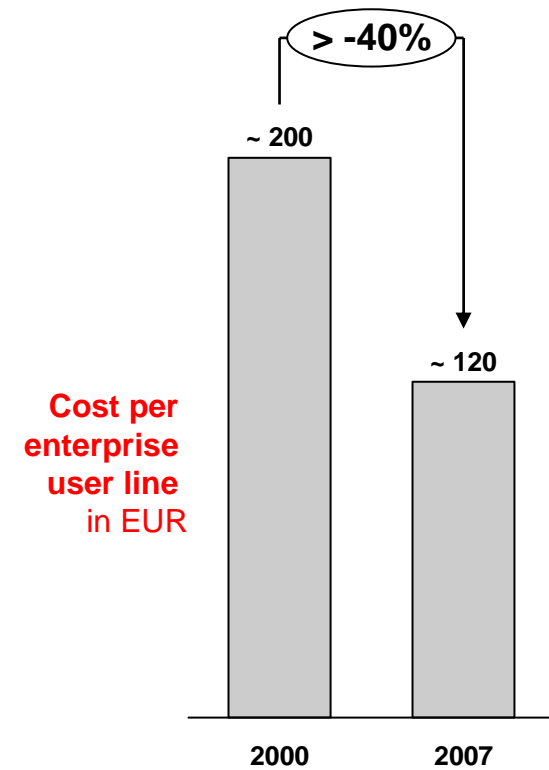


... to software solutions

Today

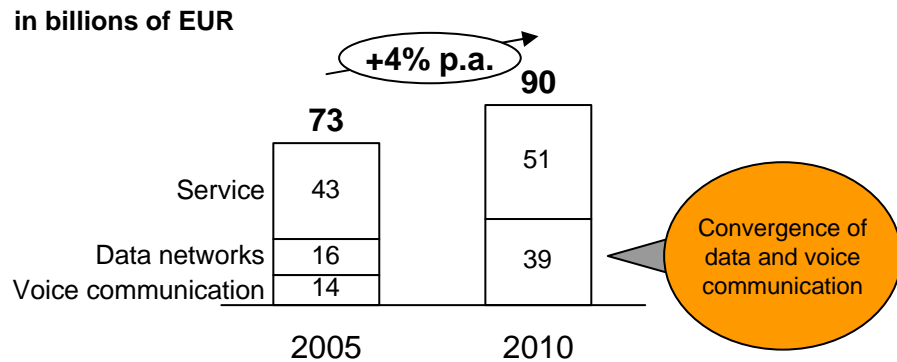


Dramatic price erosion

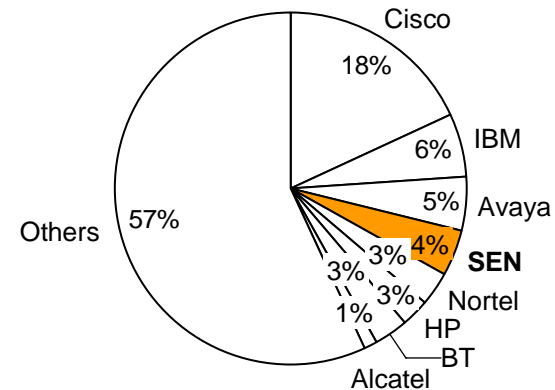


The enterprise IT and communications market is fundamentally changing and is dominated by a strong market leader

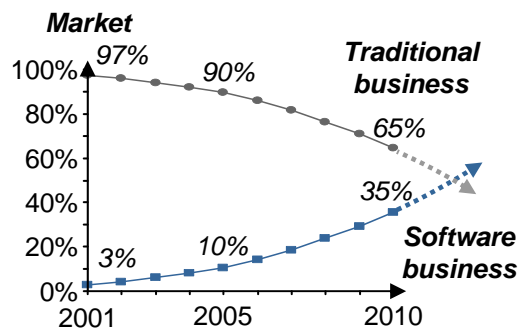
Development of ITC market*



Market shares of SEN and competitors 2007



Changes of traditional vs. software business in voice communication



- **Cisco dominates the entire market** on basis of its market position in the data network sector
- **All traditional** voice communication providers under massive **pressure**
- **Intensified competition**, such as with systems integrators, software houses and data equipment manufacturers
- **SEN overall market share** has declined from 4.9% (in 2005) to 4%
- **Market consolidation expected**

* ITC market = market for enterprise IT / telecommunications solutions; excluding security market segment

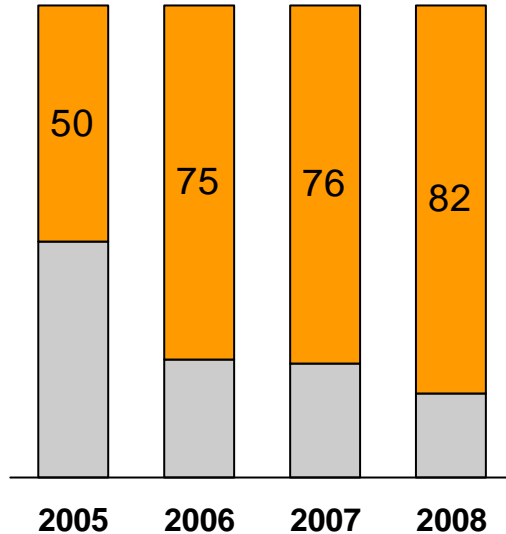
We have invested massively in software technology and hold a leading technology position in the Unified Communications market

Focus on "Open IT Communications"

R&D investments (in percent)
Siemens Enterprise Communications

New solutions
for software, IP

Traditional
products



Drive growth & invest in innovations

CeBIT 2008

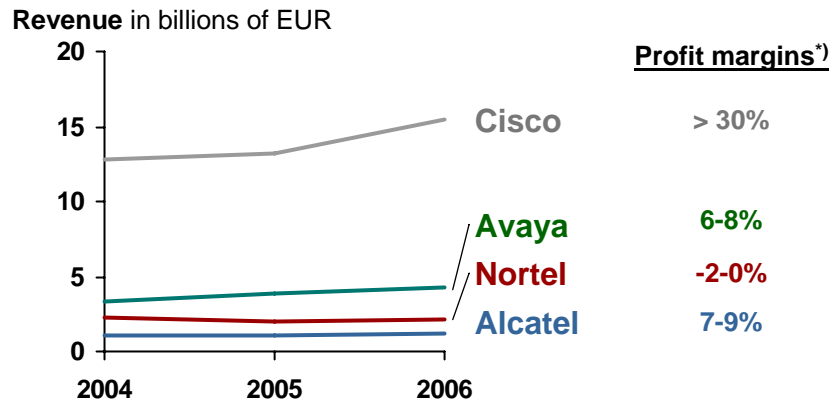
Innovative business pushed → leader in Unified Communications market

- Next-generation platform (HiPath 8000)
- Applications / Unified Communications (Open Scope)



SEN has a strong installed base but cannot escape the competitive pressure

Revenue / margins of competitors



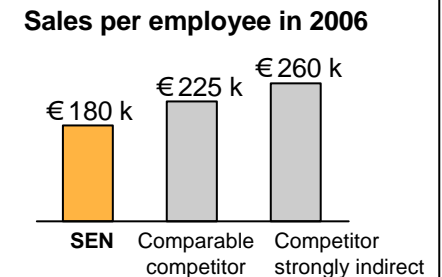
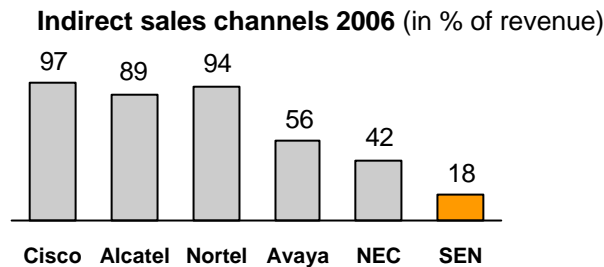
Key figures for SEN

in millions of EUR

	FY 2006	FY 2007
Revenue	~ €3,500	~ €3,200
Group profit before tax (discontinued operations)	(€418)	(€602)

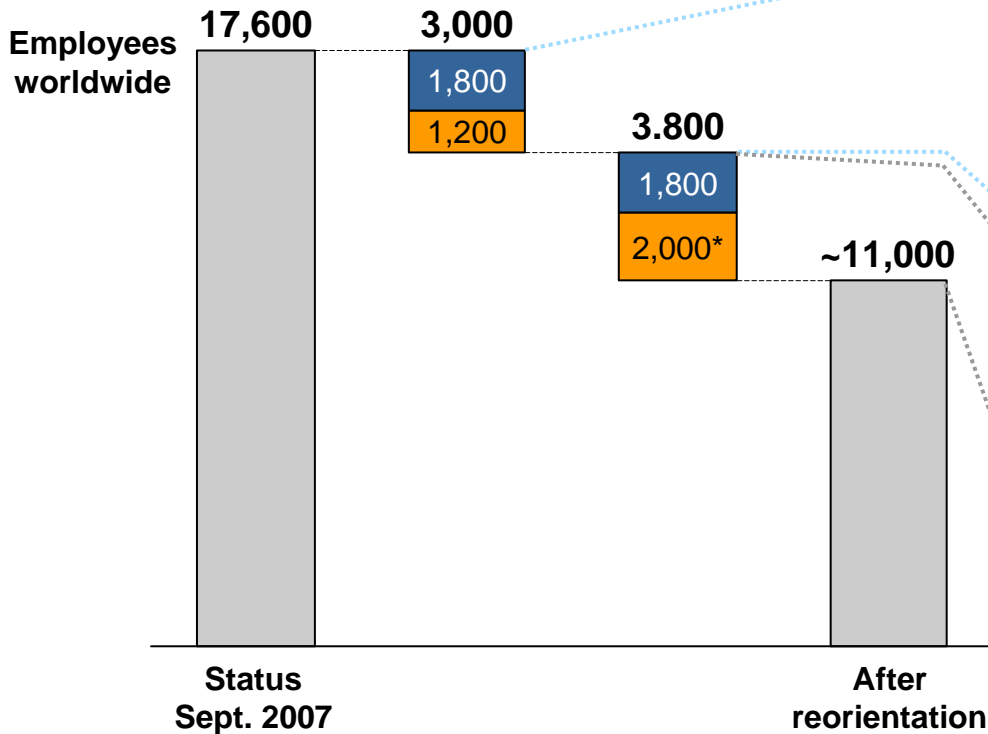
SEN has strong installed base but low revenue share via indirect sales channels and lower per-employee revenue

- Installed base (per no. of lines)**
1. **Nortel**
 2. **SEN**
 3. **Avaya**
 4. **NEC**
 5. **Alcatel**



Secure as many jobs as possible through a sale or third-party solutions

Siemens Enterprise Communications



First measure:

Sale or third-party solutions

- Concentration on future core competencies
- Clear focus on customer requirements in the segment of small and medium systems

Second measure:

Personnel reductions

- Further personnel adjustments in the course of restructuring / reorientation unavoidable
- Socially compatible reductions

■ International
 ■ Germany

* Includes job cut of 600 announced last summer

Secure jobs through a sale or third-party solutions

- Concentration on future **core competencies**
- Optimization of **value-added structures**
- Clear focus on **customer needs** in segment for **small and medium systems**

First measure: Sale and third-party solutions

- Employees affected worldwide: **3,000** including **1,200** in Germany
- Concrete measures for **plants**:
 - **Sale or third-party solutions** for international production (locations in Brazil and Greece) and for the plant in **Leipzig**, Germany, (with the goal of securing location)
 - Sale of SEN-operated **international call centers**
 - **Partnership with IT provider** strengthens **direct sales and service** of small and medium systems in Germany

Personnel cuts to secure SEN's competitiveness

Productivity gains

- Processes
- Portfolio
- Obsolescence of work content
- Change in competence profile

Second measure: Personnel adjustments

- Further **personnel adjustments** in the course of restructuring and reorientation are **unavoidable**
 - Up to **3,800 employees** worldwide, including **2,000** in Germany
 - Includes workforce reduction of 600 in Germany announced last summer
- **Socially compatible** personnel adjustments
 - Talks begun with employee representatives
 - Goal: Reach fair settlement as quickly as possible and **form a transfer company (beE – organizationally independent unit)**

Positive experience with previous transfer companies

- **Positive experience** with forming **transfer companies** since 2003
- To date **>5,000 employees** assisted – average **placement rate** of **80%**
- **Placement profiles** (sales, project manager, service technician, expert, assistant, industrial worker, unskilled worker)

Good framework conditions

- **Good opportunities on the job market** through strong basic qualifications and experience of Siemens employees
- **Internal placement:**
 - **3,300 open jobs** at Siemens in Germany
- **External placement**
 - Contacts and networking with **4,000 companies**
- **Retraining** at our Siemens Professional Education unit is being considered

Sustainable safeguarding of the business requires a strategic reorientation and improvements in operations

- **Strategic reorientation with the goal of reaching Number 2 ranking**
 - Through a strategic alliance
 - Indirect through a reliable and experienced financial investor with orientation to operations
 - **Compensation of competitive disadvantages in operations**
 - Cost position along the entire value chain with focus on headquarters and other support functions
 - Build up indirect sales channels
 - **Clearer focus on strengths**
 - Innovative software products with HiPath 8000, OpenOffice und OpenScape Unified Communication Server
 - Clear migration strategy and investment security for our customers (HiPath 4000 / HiPath 8000)
 - Direct sales for key customers and global accounts
 - Strong market positions in Europe and South America
 - **Sustainable restructuring and future orientation, including a long-term and business-oriented partner or buyer, are at the forefront of all considerations**
 - **Socially compatible restructuring using proven models in the company**
- ➔ **SEN remains a reliable partner for its customers**