SIEMENS

Press Presse Prensa

For the business press
Munich, April 26, 2007

New Siemens program to ensure sustained company development

In order to continue prevailing in global competition, Siemens is launching a new program designed to ensure sustained company development. The “Fit For 2010” program, presented at the company’s semiannual press conference, is based on the proven pillars of the successfully concluded “Fit*4*More” program. As in the past, key pillars in the new initiative will include the development of highly qualified employees, the ongoing strengthening of the company’s innovation leadership, and a continued strong focus on customers. Siemens will further boost its strengths in the fields of energy and environment, automation and control, industrial and public infrastructure, and healthcare. And the company intends to become an industry leader in the area of corporate responsibility.

“The “Fit For 2010” program is a seamless continuation of our successful “Fit*4*More” program. By setting new medium-term goals, we want to further enhance our competitiveness and our company value,” said Klaus Kleinfeld, President and CEO of Siemens AG.

The company is setting clear return and cash targets and is reinforcing its proviso of growing at double the rate of the global economy every year. With the newly introduced indicator Return on Capital Employed (ROCE), Siemens intends to show how capital invested in the company yields competitive returns. The ROCE is calculated at Siemens as net income (before interest) divided by capital employed. The medium-term “Fit for 2010” program targets a sustainable ROCE between 14% and 16%. The ROCE calculated for fiscal 2006 on the basis of continuing operations was 10%.

The Cash Conversion Rate (CCR) now serves as target indicator for the company’s cash flow. At Siemens, this indicator defines the ratio of the free cash flow to net income. In this equation, free cash flow equals the net cash provided by operating activities minus additions to intangible assets and property, plant and equipment. In the future, Siemens wants to achieve a CCR of at least 1 minus its growth rate. The inclusion of the growth rate is based on the fact that additional

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growth generally is accompanied by increasing capacities that, in turn, have to be financed. In fiscal 2006, the CCR for continuing operations was 0.64.

In addition to its defined company goals, Siemens will also maintain its margin ranges for the Groups. In setting these ranges, the company considered – among other factors – the Groups' business strategies as well as developments at key comparable competitors. In nine of eleven Groups, the margin ranges were adjusted. The following table provides an overview of the new and old margin ranges for the Siemens Groups.

	Margin ranges new	Margin ranges old	Margin Q2/2007
Siemens IT Solutions and Services [1]	5 – 7	5 – 6	5.2
Automation and Drives	12 – 15	11 – 13	14.2
Industrial Solutions and Services	5 – 7	4 – 6	4.6
Siemens Building Technologies	7 – 9	7 – 9	7.5
Power Generation	10 – 14	10 – 13	10.7
Power Transmission and Distribution	7 – 10	5 – 7	8.1
Transportation Systems	5 – 7	5 – 7	5.0
Siemens VDO Automotive	7 – 9	5 – 6	6.3
Medical Solutions	13 – 15	11 – 13	13.4
Osram	10 – 12	10 – 11	10.5
Siemens Financial Services [2]	20 – 23	18 – 22	52.6

[1] The old margin range and Q2/2007 margin was for the Siemens Business Services Group.

[2] Return on equity

In addition, Siemens aims to be a benchmark in transparency and compliance. “Thanks to our outstanding products, systems and solutions, we are convinced that Siemens can be competitive throughout the world with ethically correct operations. None of our employees, customers and shareholders can have any doubts here,“ said Kleinfeld. To this end, the company has anchored the implementation of a revamped ethics code in the new “Fit for 2010” program.

Earlier, under the “Fit*4*More” program launched in April 2005, Siemens defined clear goals, began the necessary steps for the company's reorientation, and created the basis for sustainable and profitable growth. “We significantly strengthened our strongest businesses, better aligned the company to take full advantage of global demographic and urbanization

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trends, and reached or exceeded our margin targets at all Groups. Together these accomplishments are enabling us to outgrow the economy at a higher level of profitability," said Kleinfeld.

More information on ROCE and CCR can be found on the Siemens press Internet page at: www.siemens.com/press.

Siemens AG (Berlin and Munich) is a global powerhouse in electrical engineering and electronics. The company has around 475,000 employees (incl. discontinued operations) working to develop and manufacture products, design and install complex systems and projects, and tailor a wide range of services for individual requirements. Siemens provides innovative technologies and comprehensive know-how to benefit customers in over 190 countries. Founded more than 155 years ago, the company focuses on the areas of Information and Communications, Automation and Control, Power, Transportation, Medical, and Lighting. In fiscal 2006 (ended September 30), Siemens had sales of €87.3 billion and net income of €3.033 billion, according to U.S. GAAP. Further information is available on the Internet at: www.siemens.com.

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