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Siemens to expand market share in emerging markets

Products for entry-level segment offering multifaceted growth opportunities

Siemens AG plans to expand its market share in emerging markets, with all Divisions growing faster than their markets in these countries over the next five years. Strong economic growth in the emerging markets is creating enormous demand for solutions in the areas of power generation and transmission, healthcare and sustainable urban and industrial infrastructures. To leverage these business opportunities, Siemens has considerably expanded its presence in the emerging markets. “The emerging markets are still the growth engines of the global economy. With its strong local presence and the right products, Siemens is excellently positioned to capture an above-average share of the growth taking place in these markets,” said Siemens Managing Board member Roland Busch at the Capital Market Day in Shanghai. “To expand our leading position, we’re driving the development of products for emerging markets and further expanding our local value creation,” he noted.

Siemens plans to drive growth primarily not only in Brazil, Russia, India and China (BRIC) and the Middle East, but also in countries like Chile, Indonesia, Mexico, Colombia, Poland, South Africa, Thailand, Turkey and Vietnam. “We’ve been active in many emerging countries for over 100 years and are highly respected there as a local business partner. This is a competitive advantage we’re going to exploit,” said Busch.

As a green infrastructure supplier, Siemens – with its Industry, Infrastructure & Cities (from October 1, 2011), Energy and Healthcare Sectors – offers the right portfolio to address demand in the emerging markets. For example, the Chinese government’s twelfth five-year plan calls, among other things, for massive investments in renewable energies, smart grids, electric mobility and improvements in the healthcare system. By 2020, India wants to be feeding an additional 200 gigawatts into its power grid in order to meet its enormous energy needs. To expand its rail network alone, Russia has announced investments of nearly €300 billion by 2030.

Over the last few years, Siemens has already achieved above-average growth in the emerging markets. Revenue from continuing operations more than doubled between fiscal 2005 and fiscal 2010 to some €22 billion – an average annual growth rate of 17 percent. By way of comparison, GDP in the emerging markets grew by an average of 6.1 percent during the same period. The share of Siemens' total revenue generated in the emerging markets rose from about 20 percent in fiscal 2005 to more than 30 percent in fiscal 2010.

Local value creation – encompassing not only sales and production but also research and development (R&D) activities and engineering – is a key success factor for business in emerging markets. In 2005, Siemens had about 46,000 employees in the emerging markets. By 2010, the figure had risen to 85,000. During the same period, the number of Siemens main production facilities increased from 64 to 117. To tailor products to the particular requirements of individual markets, R&D must be local. From 2005 to 2010, the number of Siemens' personnel employed in R&D and engineering in the emerging markets grew, accordingly, from 8,600 to around 15,500. A clear orientation toward customers in the emerging markets, where Siemens already has 27 percent of its sales employees, is a further lever. In this connection, the company has rigorously expanded its key account management organization in the emerging markets.

The market for products in the entry-level segment is an additional growth lever for Siemens in the emerging markets. Also called SMART products, these offerings are simple, maintenance-friendly, affordable, reliable and timely-to-market. They offer major growth potential in the entry-level segments that Siemens does not address with its high-end products. The market for entry-level products is growing worldwide at an annual rate of seven percent. In China and India, the rate is ten percent. By way of comparison, the volume that Siemens generates in the entry-level segment has increased by around 20 percent year-over-year to a current annual volume of some €10 billion. Today, Siemens is already marketing over 160 products in the entry-level segment. Another 90 products are currently being developed or are close to market launch.

Products already launched include, for example, the SST-600 steam turbine, which is produced in India. Increasing the turbine's local value-added from 30 percent to 100 percent within three years cut costs by around 40 percent. The CerberusECO fire alarm system – developed and produced entirely in China – is particularly easy for users to install. Since its market launch in 2009, more than 500,000 units have been sold.

Siemens developed the Essenza magnetic resonance imaging (MRI) scanner in China, Germany and the UK and produces it in China. The system is not only affordable; it is also extremely fast

and precise – thereby making it possible to examine considerably more patients. These features of the Essenza have enabled Siemens to tap the new market segment for small and municipal hospitals: more than 550 of the MRI systems have now been sold worldwide.

Siemens AG (Berlin and Munich) is a global powerhouse in electronics and electrical engineering, operating in the industry, energy and healthcare sectors. For over 160 years, Siemens has stood for technological excellence, innovation, quality, reliability and internationality. The company is the world's largest provider of environmental technologies. More than one-third of its total revenue stems from green products and solutions. In fiscal 2010, which ended on September 30, 2010, revenue from continuing operations (excluding Osram and Siemens IT Solutions and Services) totaled €69 billion and net income from continuing operations €4.3 billion. At the end of September 2010, Siemens had around 336,000 employees worldwide on the basis of continuing operations. Further information is available on the Internet at: www.siemens.com.

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