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Siemens strengthens energy business in Russia with new partnerships

Strategic cooperation in power grid modernization and joint venture for compressors

Siemens AG has concluded two groundbreaking agreements with Russian partners and thereby strengthened its business in Russia, a key growth market. Siemens has launched a strategic cooperation with the grid operator Federal Grid Company (FGC) to upgrade Russian power grids through the use of energy-efficient power highways and smart grid technologies. To strengthen Siemens' position in Russia's natural gas market, the joint venture LCC Russian Turbo Machinery has been established with the Russian partner ZAO Iskra-Avigaz. Siemens is the majority shareholder in the joint venture. The two partners are investing a total of about €60 million. As part of the joint venture, plans call for producing compressors for gas pipelines in the Russian city of Perm. The first compressors, which are intended primarily for the major customer Gazprom, are scheduled for delivery as early as 2011. Both partnerships underscore the Russian energy market's major strategic significance for Siemens.

Siemens intends to expand its presence in Russia's energy market. To achieve this goal, the company is also building additional production facilities in the country. For example, Siemens is building a new transformer production plant in Russia's Voronezh region. Plans also call for launching the production of components for high-voltage switchgear by Siemens High Voltage Products at the same location. In March, Siemens fully acquired this former joint venture in order to substantially expand its high-voltage switchgear business in the Russian market.

The products from these Siemens production facilities in Russia can be used to upgrade Russia's high-voltage grid. FGC, which owns the roughly 118,000-kilometer-long Russian power grid, has announced that it intends to invest some €12 billion by 2012 in order to upgrade the Russian grid.

Russia is not only the world's fourth-largest power market; it is also the country with the world's largest reserves of natural gas. Nearly a third of the world's natural gas deposits are in Russia. With the new joint venture, Russian Turbo Machinery, Siemens is investing in a local production

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facility for gas pipeline compressors. These devices, also called turbo compressors, increase the density of natural gas so that it can be efficiently transported via long-distance pipelines.

Since the agreement between Russian President Medvedev and German Chancellor Angela Merkel in October 2008 to establish a technology partnership in the area of energy efficiency, attention has increasingly focused on this topic. Against this backdrop, Siemens produced, among other things, in cooperation with the Russian Ministry of Energy, an energy efficiency study for Yekaterinburg, Russia's fourth-largest city. Numerous ways in which cutting-edge technologies could be used to substantially reduce energy consumption in this pilot city were identified in the first project phase.

Siemens has been active in Russia for more than 155 years. As a provider of complete solutions for upgrading the key sectors of the Russian economy, Siemens supplies the entire country with products and services from its portfolio. In fiscal 2009 (ended September 30), revenue from customers in Russia came to nearly €1.3 billion. New orders totaled more than €1 billion. Siemens currently has over 3,100 employees in the country.

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, generating €23 billion – nearly one-third of its total revenue – from green products and solutions. In fiscal 2009, which ended on September 30, 2009, revenue totaled €76.7 billion and net income €2.5 billion. At the end of September 2009, Siemens had around 405,000 employees worldwide. Further information is available on the Internet at:

www.siemens.com.

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