

INTERNATIONAL EDITION

SiemensWorld

The Employee Magazine

First Quarter 2005



Change at the top

TSUNAMI

Help from Siemens employees

COMPANY HISTORY

157 years of success

Sealed with a handshake



GERHARD VILSMEIER
Editor in Chief

THE BEST JOB EVER

What makes a company successful over the long run? Many management experts look to Siemens for help in answering this question. After all, our company has succeeded in growing from a small ten-man workshop to one of the largest corporate groups in the electrical industry. The secret of Siemens' success becomes clear if we take a look at the company's history. In the past 157 years we've managed again and again to promptly identify the challenges facing the company and react accordingly, even though this sometimes involved difficult processes of adjustment. But the body of principles on which our actions were based – in effect, our company's identity – has always remained the same: customer-oriented innovation, financial stability and a global orientation. So it comes as no surprise that Klaus Kleinfeld is only the 11th man to head up Siemens. After all, companies with a tradition of success stand out because they have had only a few CEOs in their long history, and these CEOs are almost always recruited from within the company.

When Heinrich v. Pierer speaks of "the best job in German industry," he's talking about his former position as President and CEO of Siemens. And he performed this job outstandingly, right down to his very last day in office, the day of the Annual Shareholders' Meeting. He did confess a touch of nostalgia to the assembled shareholders, who gave him a rousing sendoff. They had not forgotten that Siemens is in a better position today than it was at the beginning of the "Pierer era." And they appreciated the fact that in his farewell speech Pierer offered them not only success stories but also an overview of the challenges the company is now working to master. As a tennis player, Pierer favored the motto "Game, set and match" – but for Kleinfeld, who is a marathon runner, it's "Ready, set, go!" With Kleinfeld leading the field, we are continuing the race that Siemens started more than 150 years ago. It was also a race against time for us here at *SiemensWorld* as we prepared our special edition. That's because we wanted to introduce our new boss Klaus Kleinfeld just in time for Siemens employees' lunch break in more than 50 countries. In the case of Asia, that left us with only a few hours of time. "Most of our employees were looking forward to seeing what the new boss looks like," said Hubert Gorski, of the communications department in Poland. And that curiosity is the reason why this edition of *SiemensWorld* is devoted to the changing of the guard at Siemens.

Another change at the top was the departure of Karl-Hermann Baumann, who stepped down as Chairman of the Supervisory Board after seven years in the position and 35 years of service to Siemens. Heinrich v. Pierer took over as his successor that very evening, after the Annual Shareholders' Meeting.

A handwritten signature in black ink, which appears to read "Gerhard Vilsmeier". The signature is fluid and cursive, with a large initial 'G' and 'V'.

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SERBIA-MONTENEGRO

New location in Belgrade

More than 250 guests from the ranks of government, business and science attended the opening of the new building of Siemens Serbia and Montenegro in Belgrade. All Siemens companies currently located in Belgrade will be moved into this building in the near future. The facility also contains a separate show-room for company fairs and exhibitions, as well as a SiemensForum. In the photo (right to left): Obrad Spremić, CEO of Siemens Serbia and Montenegro, Serbian Crown Prince Aleksandar Karadordević and Slobodan Milosavljević, president of the Chamber of Commerce.



Earlier this year in Beijing, Heinrich v. Pierer introduced his successor Klaus Kleinfeld during a festive dinner with important Chinese government representatives and customers. Alluding to the 2008 Olympic Games in Beijing and the Olympic Torch, Pierer remarked that he is passing the torch "to a strong runner." And he noted that for China the change in top management would mean "new faces but old friends."

QUOTE

"I wish the Chairman and every one of our colleagues and shareholders all the best and every success!"

Karl-Hermann Baumann at the Annual Shareholders' Meeting

RUSSIA

A family affair

A town meeting in Moscow brought together more than 700 members of the Siemens Russia family to celebrate the excellent results from 2004. Henryk Fry-

tacki, new President and CEO of Siemens Russia, thanked employees for their contribution to the company's impressive sales in 2004 of more than €1.15 billion. Rudi Lamprecht, member of the Corporate Executive Committee, encouraged employees to keep up the good work as they strive to continuously improve the results with the help of our "Profit and Growth" strategy and the Siemens Management System. Jürgen Lippert, CFO of Siemens Russia, presented the details of the financial results. The high point of the evening was the award ceremony in which the 15 top employees of the year 2004 were honored. The celebration ended with an appeal for donations to help the victims of the tsunami disaster in Asia.



ZOOM

CHINA

New faces – old friends

Earlier this year in Beijing, Heinrich v. Pierer introduced his successor Klaus Kleinfeld during a festive dinner with important Chinese government representatives and customers. Alluding to the 2008 Olympic Games in Beijing and the Olympic Torch, Pierer remarked that he is passing the torch "to a strong runner." And he noted that for China the change in top management would mean "new faces but old friends."



A farewell and a welcoming visit to China: Heinrich v. Pierer with Klaus Kleinfeld and Richard Hausmann, CEO of Siemens China

own welcoming address, Kleinfeld emphasized that China is playing an increasingly important role in Siemens' global business activities.

ADVERTISING

Ronaldo advertises for Siemens



Siemens has signed a contract with soccer star Ronaldo for a period of two years. He will advertise for the company in commercials and advertisements until the end of the 2006 soccer season. In addition, Siemens has extended its sponsoring activities to Real Madrid's men's basketball team and is supporting the technical implementation of Real Madrid TV, which will be broadcast digitally worldwide. This year and next, Siemens can use the star striker Ronaldo

in its PR and advertising. A Ronaldo mobile phone, to be sold on the Brazilian market, is also planned.

PURCHASING

Staying competitive through internationalization

The corporate Global Sourcing project is designed to substantially reduce the present cost of purchased materials and services – €37 billion – through selective internationalization. Following a thorough selection process throughout the company, a total of 34 countries/regions are now on the list of emerging procurement markets, including China, India, Eastern Europe and Mexico. The goal is, over the next two years, to double the purchasing volume in those countries and make a significant contribution to bolstering the company's operating result through the ensuing cost advantages. The project's activities are coordinated by experts in the corporate Global Procurement und Logistics (GPL) Department in close collaboration with strategic purchasing in the Groups and Regions.

HEALTHCARE

RFID solution honored

In New York City's Jacobi Medical Center, patients are wearing their medical history on their wrists – in a bracelet equipped with an RFID (Radio Frequency Identification) chip. The chip gives physicians and other healthcare professionals online access to a secure database with details regarding the patient's history and prescribed medications. The project was launched last summer and became a permanent practice at the end of 2004. The new technology has improved patient care and safety. For instance, it has reduced errors in administering prescription drugs. Now the right patient gets the right medication at



The patient's chart is always at hand, thanks to the RFID chip

the right time in the right dosage. At a recent innovation conference in Washington, D.C., Siemens Business Services and the medical center were honored for their joint contributions to this solution.

KUWAIT

Delegation visits Munich

A high-level delegation from Kuwait recently visited our corporate headquarters. Bilateral business relations were discussed at a luncheon with Siemens CEO Klaus Kleinfeld, Supervisory Board Chairman Heinrich v. Pierer and Managing Board member Rudi Lamprecht (sixth from right in the photo). German Chancellor Gerhard Schröder had invited the delegation, headed by Ali Alghanim, president of Kuwait's Chamber of Commerce, to a three-day visit to Germany, starting in Munich. The



Chancellor's planned visit to Kuwait, slated for the end of February 2005, underscores Kuwait's importance as a partner to German industry.

BUSINESS AND STRATEGY**VA TECH TAKEOVER SUCCESSFUL**

Statements of acceptance for 13,951,949 VA TECH shares were submitted after the February 9, 2005 deadline for accepting the Siemens takeover offer. These statements represent 90.94% of the VA TECH capital stock. This fulfills an essential stipulation of the modified takeover offer made by Siemens on January 26, 2005. The stipulation stated that at least 90% of the VA TECH shares had to be delivered. The merger between Siemens Austria and VA TECH is now subject to approval by the antitrust authorities, in particular the EU Commission.

PRODUCT OF THE MONTH

Clean water for Southeast Asia

Water: a delicious, precious and scarce resource. Particularly in the regions of Southeast Asia that were devastated by the tsunami, there is currently a shortage of potable water. The Siemens company USFilter has provided seven Memcor water treatment systems (photo) to aid the worst-hit areas. One of these systems had already been assembled in Bangkok before the tsunami and was made available for immediate use in the disaster area. Six more units were



assembled in record time at the USFilter plant in Windsor, Australia, and shipped to Thailand by the end of January. Each system produces 100 cubic meters (over 26,000 gallons) of water per day. High-tech filters within these systems remove contaminants to produce potable water.

MEDICAL SOLUTIONS

12 magnetic resonance tomographs for Mexico

It was the biggest order ever for magnetic resonance tomography (MR) units in Mexico: Medical Solutions (Med) delivered 12 MAGNETOM Symphony 1.5 Tesla devices and a SOMATOM Emotion 6 unit to 12 hospitals around the country, making Med the number one provider of such devices on Mexico's MR market. Valued at



Staff members at the hospital in Leon Guanajuato City are proud of their new MAGNETOM Symphony

more than \$13 million, the order was also the biggest ever received for a single customer by Med's MR division in Erlangen, Germany. All 12 systems were delivered in record time.



Delivery of an MR unit to a hospital in Mexico City

BUDAPEST

Metro modernization

Budapest's transport authorities (BKV Rt) have commissioned Transportation Systems (TS) to supply the M2 metro line with a new train control and signaling

system. The M2 line in Budapest is over ten kilometers long and serves 11 stations. Modernization work is being performed without interrupting train schedules or impairing passenger service. This is extremely important for the 500,000 passengers who use the line daily. The 26 trains running on the M2 line will be equipped with the Siemens CBTC (Communications-Based Train Control) solution. Siemens is also responsible for designing and installing the data communications system. The project involves Siemens colleagues from Germany, France and Hungary.

CANNES

3GSM World Congress

The 3GSM World Congress in Cannes, which took place February 14-17, is the world's most important telecommunications event. More than 28,000 representatives from over 170 countries took part. Siemens Communications (Com) showcased powerful new products and solutions for mobile providers at the congress. "Convergent Charging" from Siemens, for example,



enables a customer to receive only one telephone bill – clearly structured on the basis of wireline telephone, Internet and mobile handset usage, regardless of whether he's using a pre-paid card or is a regular subscriber. Faster mobile Internet access, attractive services and an efficient payment system is the recipe for success for higher revenues. Siemens offers products for this in anticipation of the major trend in the telecom industry – network convergence. Continuing the annual tradition, the Siemens ship Corsica Victoria was anchored in the Cannes harbor.

BUSINESS TRAVEL

In flight e-mail or intranet

Via a satellite connection, Siemens employees can send and receive e-mail with attachments, or set up a secure data connection to their company's own intranet and mail server via a virtual private network (VPN). Currently the following airlines are introducing this service: Lufthansa, All Nippon

Airways, China Airlines, Japan Airlines, Scandinavian Airline System, and Singapore Airlines. Lufthansa plans to expand its offering on all 80 airplanes of the types Airbus A340, A330 and Boeing 747-400 by the spring of 2006.

What benefits does this service offering bring to Siemens? If ten business travelers take an average of six flights per year and work only three hours during a 12-hour roundtrip flight, the company will save one person month per year.

FUTURE

Horizons2020 at the Annual Shareholders' Meeting

Shareholders crowded around the company's stand at this year's Annual Shareholders' Meeting in Munich's Olympia Hall. After all, it's not every day that a shareholder gets to talk to an award-winning Siemens inventor, or gain first-hand information about the household of the future. The company began the practice of staging an exhibition at the Annual Shareholders' Meeting two years ago. This year's presentation, with the motto "The Future Begins Today," featured a demonstration of the company's technological prowess in conjunction with its social responsibility. The topical areas of the presentation were E-Health, Smart Home and Youth Are Our Future. The overall framework for the exhibition was provided by the Horizons2020 study, which examines how our lives may change in the future.



HEIDELBERG

First Siemens particle therapy solution in Europe

Siemens Medical Solutions (Med) has announced the upcoming installation at the University Clinic Heidelberg (Germany) of the first Siemens particle therapy solution in Europe. The system, which will be capable of treating tumors with both carbon ions and protons, is expected to begin treating patients in 2007.

"With this step, we have met the important technical prerequisites that allow us to begin treating patients with tumors that up to now have been considered to be incurable," explained Irmtraud Gürkan, administrative director at the University Clinic Heidelberg. "By using different particle therapies, a wider variety of tumor sites can be treated." The facility is expected to treat at least 1,000 patients each year, mostly on an outpatient basis. The primary treatments will be tumors located in the brain and prostate, as well as soft tissue sarcomas.



Pricing is based on the scheduled length of the flight ranging between \$15 and \$30. Travel

Management has negotiated a rebate with best price guarantee for Siemens: 15 percent rebate per flight when using the WLAN service. All Siemens employees receive this discount automatically as soon as they register with the provider "Connexion by Boeing."

Registration requires the Siemens AG promotion code, available at: https://intranet.cms.siemens.com/travel_flug_cbb_en.

SETTING THE PACE

INTERVIEW Recently, through our online magazine *Siemens today*, we gave Siemens employees around the world the chance to ask our new CEO Klaus Kleinfeld questions. Here's a compilation of Klaus' answers.



SiemensWorld: What are your strategic priorities during your first several weeks as CEO?

KLEINFELD: Siemens' customers and our employees. You can never focus too much on your customer. After all, it's our customers who pay our salary. It's essential to understand their processes, their costs and how they create value for their customers. Once we know this, we can much better understand how new technologies, solutions or services can create value for them. In essence we need to have a feel for how we can reduce our customers' costs or how we can enhance their performance to enable them to sell more or charge more. Only then can we best target our products and solutions. And none of this is possible without Siemens employees who are highly capable, motivated and committed to excellence and service. This applies to every one of us. And that's why another one of my priorities is our employees. During the next months I will visit more than 100 top accounts worldwide and take a "back to the roots" tour to the Siemens sites where I've worked throughout my career with this company. I've had the great pleasure to work with many really excellent people over the years who've made a big impact on me – and who continue to make an impact on the success of Siemens.

SiemensWorld: What's your company strategy?

KLEINFELD: Profit and growth is Siemens' credo, and that won't change. Add to that people excellence – our employees are the key to success – and operational excellence. Our Siemens Management System focuses on the right priorities: *Innovation, Customer focus* and *Global competitiveness*. The foundation in each and every one of our businesses is our business excellence program *top+*. It provides the complete toolkit we need to improve and harmonize our processes. It's something we must all be passionate about. Only by ensuring that our processes are always the best they can be – throughout the entire company – can we offer real, tangible value for our customers and in turn boost our sales and profitability. We need to make operational excellence the foundation of world class products and customer solutions.

SiemensWorld: In your first email to Siemens employees around the world, the English text precedes the German. Does this signal a move to English as the preferred company language throughout Siemens?

KLEINFELD: Actually, English has been one of the two official business languages of Siemens worldwide for quite a while. It's clear that Siemens is a global company, with a rich German heritage.

So, as our business grows and expands all over the world, it makes sense that I use both languages in my letters to employees. I believe it needs to be handled naturally. It would be strange to speak English even in meetings where everyone is a native German.

SiemensWorld: What's your attitude concerning our responsibility to society?

KLEINFELD: We're all citizens of the communities in which we work. We can't simply say: 'We have factories here, but we don't owe the local community a thing.' I believe that people actually get a kick out of contributing to their communities. And it's a fulfilling way to bond with people as well. I experienced this earlier in my career at Siemens Management Consulting, when our team built a large playground from the ground up, literally with our bare hands, in a neighborhood in Munich called Hasenberg. We had a plan, we secured sponsors, we did it all. Financially, it didn't take much to complete. The real commitment was in our hearts. If you ask anyone on our team about it today, I bet they'll tell you that this was probably one of the most rewarding experiences they've had.

SiemensWorld: Where are we going with *top+* and the Siemens Management System?

KLEINFELD: The *top+* toolbox is just as valid today as when we first introduced it. I'm personally committed to *top+* because I've seen it work in so many of our businesses all over the world. It's an extremely valuable tool. And exactly the same applies to the Siemens Management System, and its *Customer focus, Global competitiveness* and *Innovation* platforms.

Customer focus: A powerful way to enhance our customer value proposition is Siemens One. It is a coordinated, market-oriented approach to meeting our customers' needs. Because it also gives us a tremendous opportunity to win new orders and customers, it is a valuable competitive advantage for Siemens.

Innovation: Siemens is one of the world's most innovative companies, ranking first in German

patent statistics, second in the number of patents in Europe and in the top ten in the U.S. But today's fast-paced market demands that we accelerate our innovation processes. The needs of our customers dictate that we focus on commercially viable, pace-setting innovations. We need to anticipate the market needs, get products to market faster and devise ways to apply our innovations across our industry groups.

Global competitiveness: Because Siemens is present in over 190 countries we have a strong competitive advantage that we can tap into. We invest in local manufacturing close to our markets and in low cost regions where we can source products and software. We gain efficiencies and savings by consolidating non-core functions across our groups into shared services. And we share best practices from global centers of competency in every major business area.

SiemensWorld: Why is it so important to be globally competitive?

KLEINFELD: We must be close to our customers. That means maintaining our presence in markets all over the world, especially in emerging markets. Today, Siemens generates 12 percent of its sales in Asia-Pacific, 23 percent in The Americas, the same in Germany and 34 percent throughout Europe (excluding Germany). Siemens is growing in regions like China, India, Russia and Eastern Europe. So it makes sense that we invest in pro-

cesses and structures in those regions. This may mean we invest in local manufacturing, but it also includes software development and applying shared services, for example. Because we have a significant amount of business in high cost countries, we need ways to always be faster and more innovative than our low cost competitors.

SiemensWorld: What's your leadership style?

KLEINFELD: My motto is "work hard, play hard." This means I try my best to put my full energy and commitment into getting the job done right. And, when you have achieved a certain success, you should celebrate it with the members that contributed to it. Teamwork is also key for me – working in teams that have excellent contributions from each and every member. I think my style is also marked by openness and trust, and a strong belief in two-way communications. I want to know what employees are thinking, and I plan to make sure we have all the right communication channels in place for that.

SiemensWorld: The phrase we've been hearing over the past several weeks has been "continuity and change." So, what will remain the same and what will change?

KLEINFELD: Continuity and change has always been a theme for Siemens, and not only when there's been a change at the top. If you look at the tenure of Heinrich v. Pierer, you'll see that a lot has changed during his 12 years. He altered his approach to address changing circumstances – both internally and in the economy and marketplace.

This is absolutely the right approach. But regardless of who is at the top, or the influencing factors, an orga-

nization must have excellent communication. Communication is literally about bringing people together, convincing them, inspiring them. That way, when change occurs, employees, customers and shareholders understand why. I think that Heinrich v. Pierer has done an outstanding job of doing just that, and I will do my very best to continue motivating our employees to achieve excellence in everything they do.

SiemensWorld: Do you envision a change in our corporate culture?

KLEINFELD: Siemens has a rich and varied culture around the world; one of our biggest strengths is that while we are global in reach, we have strong and vibrant local companies no matter where we're located. I wouldn't change that. Rather, I'd seek to enhance it with a few "cultural imperatives" across all of Siemens. For instance, a commitment to skills development and learning, open and frequent performance dialogue and feedback between employee and manager, and more commitment to working together across organizational and geographic boundaries. I believe all of these elements can only make our Siemens culture stronger for the long term.

SiemensWorld: What is your vision for Siemens?

KLEINFELD: I think about this one a lot, because I believe having a vision of the future – of what could be – is truly motivating. And we're lucky because at Siemens, I believe we have all of the tools we need to achieve our vision. For me as well as for my colleagues in the Managing Board, what counts are the five points stated very well by former Chairman of the Supervisory Board, Karl-Hermann Baumann at the Siemens Business Conference 2004 in Berlin: Siemens is and will remain one of the biggest companies in the electrical engineering and electronics field and will be No.1 or No.2 in all its businesses. Siemens is the technology leader in the world's electrical industry. Siemens will reach a market capitalization that is comparable to the world's most demanded stock companies. Siemens is a company that attracts the best and brightest throughout the world. Siemens is committed to a demanding code of values and principles distinguished by humanity, free of discrimination and observant of strict ethical standards in business transactions. To summarize: a company where our employees are proud to be part of the family. ■

WHAT MAKES HIM TICK

PORTRAIT In many large companies the true personality and character of the CEO can be a mystery to most employees. At Siemens that isn't the case. Former CEO Heinrich v. Pierer's frequent visits to locations around the globe, town hall meetings and letters to employees helped them understand his personality and what made him tick. And as Klaus Kleinfeld's employee letter on his first day as company head showed, he also doesn't intend to be a mystery to Siemens employees.

BY ESRA OZER AND JACK BERGEN



WHILE KLEINFELD may be an open book – open and communicative – he is also a bundle of contradictions. He's a true believer in teamwork, yet he also competes in one of the most solitary sports, marathon running. He's a hard-driving executive who is often still answering e-mails at midnight, yet he is a voracious reader and passionate lover of music who sits on the board of the world-famous Metropolitan Opera.

true not only for the cooperation within the leadership team. In Kleinfeld's opinion everyone can and should make a difference and should therefore have the chance to manifest their suggestions.

When he travels, Kleinfeld makes it a priority to find time for "listening roundtables" to find out first-hand what's on employees' and managers' minds. Acknowledging how much he owes those who helped him in his career, he's showing that gratitude by first visiting those businesses where he worked in the early part of his Siemens career – a "Back to the Roots Tour."

him," he continues, "because Klaus is brave in the sense that he's not hesitant to put forward ideas that may initially be perceived as unconventional."

Employees at SMC found Kleinfeld to be extremely focused and direct, while also very human. Alexander Gisdakis remembers an early meeting where Kleinfeld asked insightful, fact-based questions and then probed Gisdakis for his personal perspective. Recalling the exchange, Gisdakis says, "The intense curiosity and directness of Klaus' feedback, always looking me straight in the eye, made me feel uncomfortable at the beginning. It wasn't typical of my experience at Siemens. Later it inspired me and left the feeling of having a special relationship and loyalty to him as a leader."

It was also at SMC that Kleinfeld's life-long attitude, "work hard, play hard," displayed itself again. He encouraged his consultants to form a soccer team and to compete with other local consulting firms. SMS has won the tournament trophy for five of the past six years. He also believes in giving back to society and serving the commu-



Klaus Kleinfeld at work ... and at play. Scenes from a community project for Munich youth and a marathon runner in the home stretch

His favorite business book is *Tough-Minded Management* and he demands the highest level of performance from himself and his staff, yet he is committed to his family, and warm and friendly in his relationships with employees.

One clue to de-coding the Kleinfeld enigma is to understand his extraordinary energy, sharp intellect and insatiable curiosity. He has the stamina to put in 18-hour workdays, meet customers in three countries on two continents in the same week and run a marathon over the weekend. He has the intellect to read quickly, absorb large amounts of data and make sound decisions. Yet despite all of this, he's keenly aware of just how much he doesn't know and is always asking questions, seeking to learn.

Kleinfeld strongly believes in the power of teamwork – typified in his often quoted phrases, "Nobody is perfect, but a team can be." This is

UNCONVENTIONAL IDEAS

One important step in Kleinfeld's career was at the helm of Siemens Management Consulting (SMC), which he and his team built from an eight employee corporate staff function to a hands-on, full-for-profit consulting company with 130 employees. SMC consultants are mobilized around the world as internal troubleshooters to help Groups innovate, fix problems and reengineer their businesses. Kleinfeld's approach to consulting and service has always been, "anything really worth having doesn't come cheap." In fact, a head of a Regional Unit remembers when Kleinfeld paid a sales call on behalf of SMC to propose a project for the Regional Company. "The fees Kleinfeld was talking about were extraordinarily high, and what ensued between us can only be described as a very heated, very loud discussion. I wasn't happy, but I had to admire

him; he formed a project team that constructed a playground for a local neighborhood – a project that formed the basis for Siemens Caring Hands and which stresses local involvement in communities where Siemens employees live and work.

A GOOD LISTENER

When Kleinfeld left SMC to head the AX (angiography and fluoroscopy) business at Siemens Medical he faced challenges similar to those he addressed as a consultant. Now it was his responsibility to turn around a business with low morale and products that weren't competing well in the marketplace. Emphasizing to AX employees that "without customers there is no business, no jobs." Before he even started his new position, he served as an intern in two major hospitals, one in Germany and one in the USA, to experience first hand applications and customer processes. Fur-

thermore, he met with a wide range of customers to find out how AX could provide them maximum customer value. Even though AX was the most mature business in Med, he applied innovation strategies to make the product line more competitive. Those who worked with Kleinfeld at AX remember his persistence in tackling tough problems and his tremendous energy which galvanized those around him. "Kleinfeld listens closely, comes up with excellent solutions and is always ready to learn from others," offers Werner Moenius, spokesperson for the Works Council at MED. In the year 2000 he became a member of the Med Managing Board. In this position he was strongly involved in two major strategic acquisitions – namely Acuson and Shared Medical Systems.

Kleinfeld's success in the AX turnaround made him the prime candidate to take on one of the company's major challenges, Siemens USA. The U.S. region comprised more than 80 businesses, several of them recently acquired and quite a few of them struggling. There was very little commu-

of the global Groups and the U.S. Operating Company heads to work together to fix, close or sell the 24 U. S. businesses that were unprofitable – they managed that with 70 percent of the businesses. Within two years, the U.S. had a \$1.4 billion swing in EVA.

top⁺ IN ACTION

During the U.S. turnaround, Kleinfeld had the advantage of being able to apply the top⁺ program, which he developed during the late 1990s under Pierer. Marion Horstmann, head of the Global top⁺ office, recalls, "Klaus was able to use the U.S. as the testing ground for top⁺, applying all of the top⁺ tools to drive performance improvement across the region." For example, he formed a Shared Services unit that yielded \$130 million in savings in its first year. And he established a top⁺ best practices competition to identify models for other businesses to emulate.

Kleinfeld also brought his team-building skills to the U. S., creating a culture of collaboration among U.S. Operating Companies that had little

experience working together. To increase regional revenue he formed a unit called Siemens One that drove cross-selling throughout the Operating Companies. Helmut Gierse, Group President of Siemens A&D, recalls brainstorming with Kleinfeld about how Siemens' Groups could benefit from each others' expertise. "We took a look at the healthcare and automation fields

and asked ourselves what production processes Med could apply from A&D, and conversely how A&D could apply the methodology of platforms like syngo," says Gierse. "We uncovered so many examples of cross-Siemens platforms and came up with some really creative solutions. And all of that benefits our customers in the end." As Ken Cornelius, CEO of Siemens One in the U.S., remembers, "Making Siemens One a reality was a great test of Klaus' persuasion skills. He had to sell skeptical Siemens executives – and then customer CEOs – on the concept." Kleinfeld and his team went out in the field and hunted for the first big deals, and they came in much faster than expected. Siemens One proved to be a great success, growing within less than three years to more than \$1 billion in additional sales for the U.S. Operating Companies. Now the model is being applied in Siemens operations in about 40 countries. ■

ALWAYS ONE STEP AHEAD

In many ways, Kleinfeld's game plan for his new role as CEO of Siemens AG builds on previous, proven successes. It is intended to keep Siemens customers "one step ahead" and is guided by the following imperatives:

Portfolio and Performance. He is working with a high performance team that is charged with achieving world-class results and expanding Siemens' global market share. Constantly assessing Siemens' strategic direction, the team will be managing the company's portfolio of businesses to continuously create value for customers and shareholders.

Operational Excellence. By applying tried and true top⁺ processes within the Siemens Management System (SMS) framework – *Innovation, Customer focus and Global competitiveness* – Kleinfeld is convinced that Siemens can sustain our innovation leadership and deliver world class products and customer solutions while maximizing profit.

People Excellence. Recognizing that Siemens employees are the key to the company's success, Kleinfeld is determined to recruit, identify and develop the best and brightest people worldwide. To enable every individual to consistently deliver top performance for the company and our customers, leaders will be challenged to provide the training, knowledge and encouragement to work in high-performance teams across organizational boundaries.

Corporate Responsibility. The Siemens principles define the fundamental values of the company and its employees. The company's businesses thrive and grow when the societies in which we live and work are healthy and self-sustaining. Good corporate citizenship is a bedrock value and employees are encouraged to join the company in reaching out to local communities.

As Kleinfeld settles into his new job as CEO of Siemens AG, we can expect that he'll maintain the balance between work, family and community, the commitment to performance excellence and a determination to continue a winning track record. All those who know him have full confidence that he will succeed. But perhaps the greatest vote of confidence came from Jack Welch, the former CEO of Siemens' arch competitor,

General Electric, who admitted, "I bought Siemens stock when Kleinfeld was named CEO."



<http://intranet.siemens.com/ceo-corner>
<http://siemenstoday.cc.siemens.com>



nication among the businesses and the Siemens brand was virtually unknown. Not surprisingly, when the economy declined at the end of 2000, six Siemens Groups suffered losses in the U.S. Kleinfeld developed and – together with the heads of the U.S. Operating Companies – implemented a strategy for addressing the problem – the top⁺ U.S. Business Initiative. He drew on his prior relationships to help him. For example, he and Eduardo Montes (President of Siemens Spain) have consulted informally with one another regularly for the past three years, particularly on the Siemens One topic. Montes says, "while we never worked together while Klaus was head of SMC, the best practice sharing and consulting that we share now is just as valuable. And it's a direct result of the admiration and friendship we have for one another." Kleinfeld also scheduled regular "performance dialogues" with the leaders

SHARED SUCCESS OVER 157 YEARS

COMPANY HISTORY How does a company achieve lasting success? To answer this question many management experts look to Siemens: Over the past 157 years, our company has developed from a small ten-man workshop to one of the largest companies in the annals of electrical engineering. The secret of this success lies in Siemens' history.



BY WILFRIED FELDENKIRCHEN



DURING THIS TIME, many other large companies such as AEG, Westinghouse or ITT have either disappeared completely or else are no longer major players. The question as to how to lead a company successfully over a long period has occupied researchers for many years. In the 1920s and 1930s, a number of factors were identified as critical: An innova-

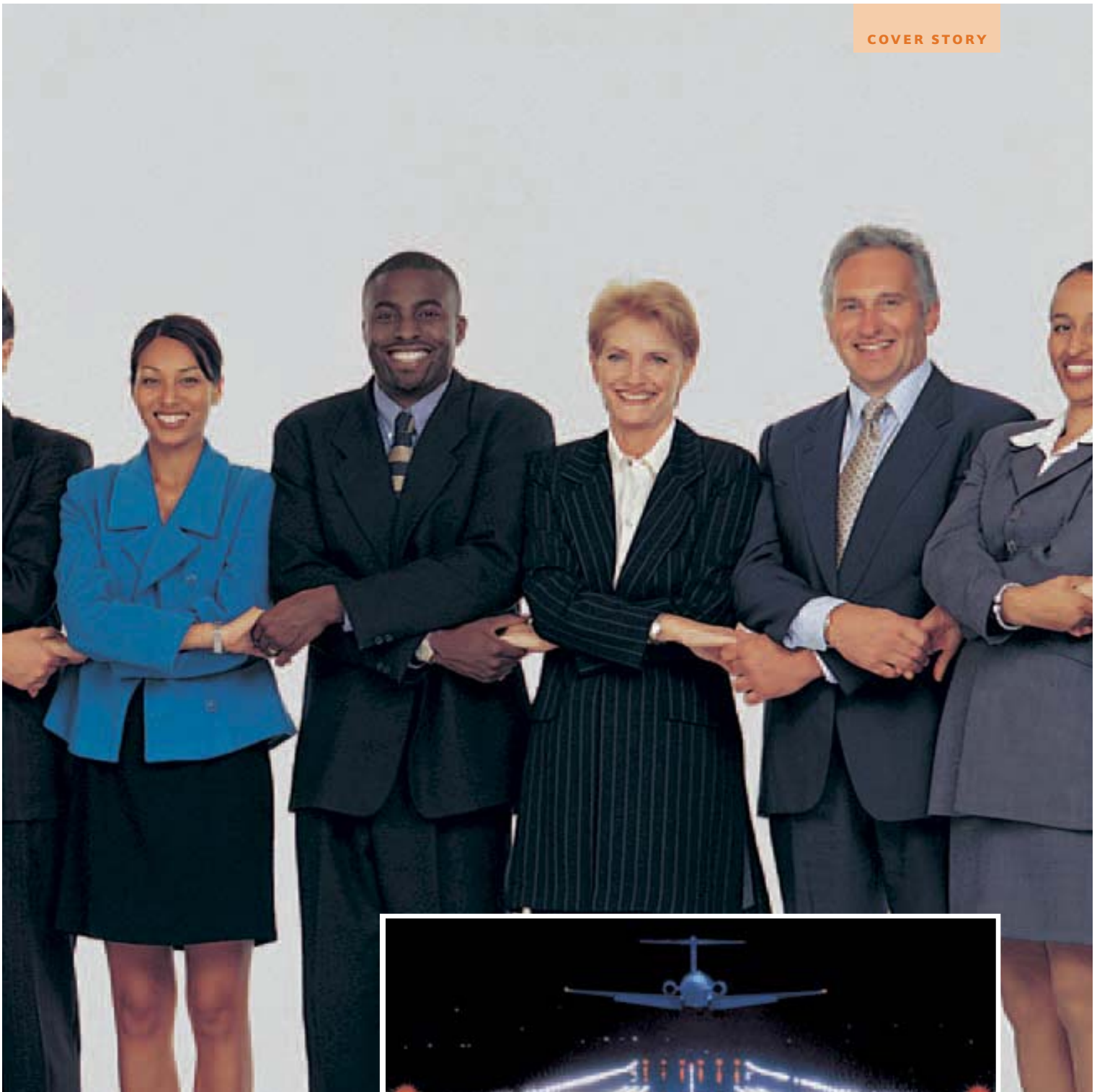
tive entrepreneur is a must, along with mastery of specific product and manufacturing technologies as well as patent rights and a solid equity base. After 1945, American scientists in particular emphasized "professional management methods" as the key to success.

These days it is agreed that, in addition to the above-mentioned "hard" criteria, "soft" elements such as corporate culture play a central role. The strong corporate culture that reflects the character and identity of an organization and outlasts market cycles and technical inno-

ventions is a central characteristic of the enduring company. Successful companies adhere to their fundamental values while at the same time being receptive to dynamic development. A strong consensus on shared corporate standards and values, combined with a sense of identity or team spirit, are essential factors if a company is to flourish over the long term.

DISTINCTIVE CORPORATE CULTURE

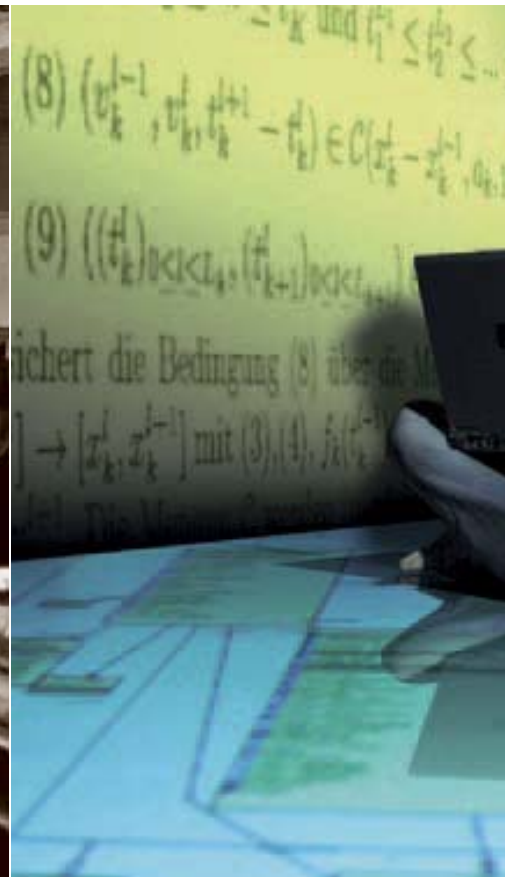
Siemens has a distinctive corporate culture, shaped in part by many historical factors: the



compelling personality of the founder Werner von Siemens, the unbroken presence of the family within the company, strong technical skills and a willingness to innovate, along with customer orientation. Add to that the long-established international presence, a financial policy focused on the long term and a modern social policy in human resources and internal company matters. In its product and portfolio policy, Siemens adhered for decades to the

Siemens One Project: Bangkok airport





Technology - then and now

proven principle: "Everything to do with electrical engineering, and nothing but electrical engineering."

After Werner von Siemens died in 1892, the company continued to follow his credo of capitalizing on market opportunities through technical inspiration and continuous development. Lighting, medical engineering, wireless communication and in the 1920s household appliances are early examples, followed by others after World War II, such as components, data technology, automotive technology and semi-

conductors. Even when the premise of covering all aspects of electrical and electronic technology was abandoned in 1970, Siemens' product range and that of its consolidated associated companies remained very broad.

STRENGTH THROUGH SYNERGIES

It is the synergies created thereby which differentiates Siemens from competitors who are active only in one or a few sectors. It is these synergies that give Siemens its broad-based solutions competency.

As long ago as the 1920s, Carl Friedrich von Siemens, the company founder's youngest son, was following a policy of active portfolio management. In accordance with his father's guiding principle, he played a decisive role in shaping the corporate culture under the banner "The House of Siemens" – symbolizing the unity of the whole despite the diversity of the individual companies. These days, this culture is being given a contemporary interpretation under the label of Siemens One. Siemens was and remains a living organism, adapting to business demands, making

The Chief Executives of Siemens

PORTRAITS Enduringly successful companies are characterized by the fact that over a protracted period they have only a small number of Chief Executives, and these are almost invariably recruited from within. In our case, for many years these leaders came from the founding family. Later, they were cultivated within the company through succession planning. Over the years they have been able to solve the challenges facing Siemens in line with the times.



Werner von Siemens: Creation and development of the company

Werner von Siemens (1816–1892) made important contributions to the then fledgling electrical engineering

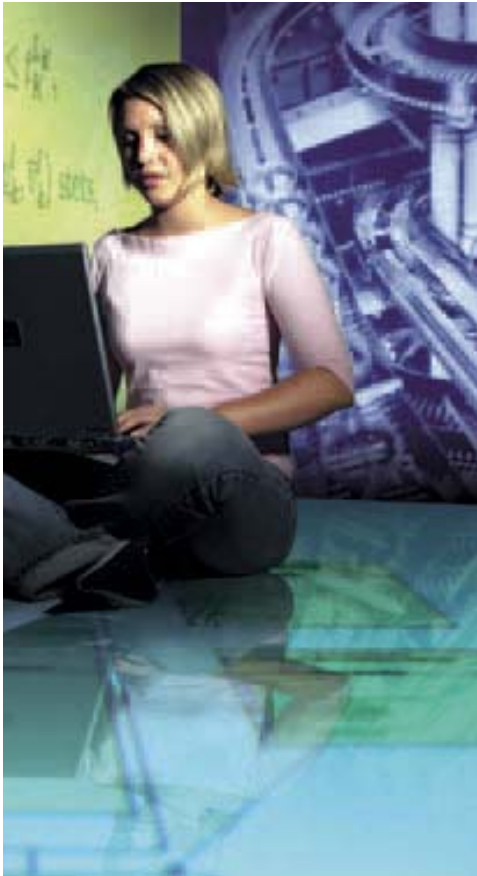
industry as an inventor and visionary entrepreneur in the second half of the 19th century. With the construction of his pointer telegraph, he laid the foundation for the "Telegraphen-Bauanstalt von Siemens & Halske," founded in 1847 and which rapidly developed into a company with international operations. In 1866 he discovered the dynamo-electrical principle. In recognition of his distinguished services, he was ennobled in 1888 by Emperor Friedrich III.



Carl von Siemens: Internationalization and going public

Carl von Siemens (1829–1906), the younger brother of the company's founder, made a name for him-

self first and foremost through his work in Russia. In 1855, under his leadership, the Russian business became a subsidiary. In 1869 Carl went to England where for more than a decade he supported the business of his brother Sir William. In 1890 Carl took over the role of senior manager of Siemens & Halske; in this position he led the transformation of the business into a stock company. In 1895 he was ennobled by Nicholas II.



weak business sectors stronger or exiting them entirely and investing in promising new growth areas. Examples of this are: the complete break made with the components sectors, with the flotation of Epcos and Infineon; the sale of the electromechanical components businesses to Tyco and the acquisitions of Elektrowatt, Westinghouse and Atecs Mannesmann.

A PIONEER IN ELECTRICAL ENGINEERING

Pioneering inventions and innovative products have been at the heart of the company's suc-

cess since the outset. Werner von Siemens laid the cornerstone with the construction of the pointer telegraph in 1847 and the construction of the telegraph line from Frankfurt am Main to Berlin. At the time, this was Europe's longest telegraph line. When Werner Siemens – Werner von Siemens from 1888 onward – discovered the dynamo-electrical principle, he already had a vision of areas where it might be applied. Driven by Siemens' innovations, high voltage technology developed at a breathtaking pace: in 1879 the first electric railway and the first elec-

tric street lighting, 1880 the first electric elevator and in 1881 the world's first electric tram.

SETTING TRENDS

In all areas, innovations were the foundation for future growth and crucial to success in a competitive environment. Nowadays, Siemens perceives itself as a "global network of innovation." Trendsetting technologies and cross-Group technology platforms are the two key initiatives in the company's *Innovation* program. Innovations are not things that happen

INNOVATION

Werner von Siemens – inventor and engineer

Werner von Siemens was one of the pioneers in industrialization. While still in the military service in 1842 he discovered an electrolytic process for gold and silver, which brought him his first inventor's patent. In late 1847, together with the mechanical engineer Johannes Georg Halske, he founded the "Telegraphen-Bauanstalt von Siemens & Halske," the cradle of our present-day company. Soon the company was known throughout Europe. The Great Exhibition of 1851 in London earned Werner von Siemens the first international award for his pointer telegraph. Developments such as the seamless insulation of copper wiring using gutta-percha, railway signal technology or the improvement of Morse's telegraph complemented Siemens & Halske's expertise. The inventor celebrated the greatest technical triumph of his life with the dynamo machine. This marked the advent of modern electrical engineering. This was the way in which, as our company founder himself expressed it "electrical current of unlimited power could be produced cheaply and conveniently." About a dozen years later, high voltage technology began its rise to supremacy: Electric street lighting (1878), the world's first electric railway at the Berlin industrial exhibition of 1879, the first electric elevator (1880) and more. The conventional sectors of telegraphy, measurement technology, signal installations, cables and wiring as well as telephones were now joined by lighting and power generation. In 1873 Emperor Kaiser Wilhelm I appointed Werner a member of the Prussian Academy of Sciences; he was the first engineer to serve on this forum. And 15 years later Werner Siemens was ennobled in recognition of his achievements.



Wilhelm von Siemens: Began systematic R&D

Wilhelm von Siemens (1855–1919), the second son of Werner von Siemens, joined Siemens

& Halske in 1879 after studying natural sciences. In 1884 he became a co-owner and from 1890 a general partner. Wilhelm soon took on a dominant role in leading the expanding company. At his initiative, for example, Siemens-Schuckertwerke and Telefunken were founded in 1903. Among his technical milestones are the metal filament light bulb and the construction of the first high-speed telegraph.



Carl Friedrich von Siemens: Return to the world market and unity of Siemens.

Carl Friedrich von Siemens (1872–1941), the third and young-

est son of the company founder, took over the leadership of the company after the interlude of World War I and the death of his two brothers Arnold and Wilhelm. As head of Siemens, he shaped the development of the company during the difficult political and economic environment of the Weimar Republic and National Socialism. His strategic decisions were consistently driven by the principle of maintaining and strengthening the "Unity of Siemens."



Hermann von Siemens: War and a new beginning

Hermann von Siemens (1885–1986), a grandson of Werner von Siemens, joined

the company in 1918 as a technician. In 1928 he was appointed to the Managing Board of Siemens & Halske. As the successor to his uncle, Carl Friedrich, he led the company from 1941 until 1956. He made an important contribution to rebuilding the company after World War II. In particular, Hermann von Siemens dedicated himself to promoting scientific and technical research both inside and outside the company.

by coincidence even if coincidences often play an important role. Today, enough experience has been collected that we now know what distinguishes innovative companies from less successful ones. In addition to structural prerequisites – Siemens spends more than €5 billion on research and development and files some 4,700 patents annually – it is essentially the capabilities and the behavior of the right, motivated employees that makes the difference.

EMPLOYEES AS THE FOCAL POINT

Nowadays, the enduring success of a company depends on the knowledge and motivation of its employees and managers. A focus on employees is therefore closely linked to performance and the ability to maintain a lead in global competition. Already in his day, Werner von Siemens did much to promote and recognize his employees – including the establishment of a pension fund (1872) and later a profit-sharing system. What he aimed to accomplish through his progressive company social policy was a keen sense of loyalty on the part of his employees. "Healthy egoism" is what he himself once termed this mix of entrepreneurial considerations and patriarchal responsibility. His maxim was to combine the interests of the employees with the objectives of the company.

The expansion of social welfare programs on the part of the government at the close of the 19th century also changed the profile of social policies within the company – without ever jeopardizing the fair balancing of interests. Siemens places particular importance on good training programs at all levels of the organization.



The Siemens booth at CeBIT



Ernst von Siemens: Reconstruction and founding of Siemens AG

Ernst Albrecht von Siemens was born in 1903 in Kingston (UK), the son of Carl

Friedrich. He studied physics in Munich and began work with Siemens in the Werner Plant for Telecommunications in Berlin. He played a decisive role in rebuilding the company after World War II. In particular, by reinvigorating the foreign businesses, he laid the necessary groundwork for the company's successful return to the world markets. In 1966, under his leadership, the unification that created today's Siemens AG was accomplished. He died in December 1990.



Gerd Tacke: Estab- lishing Siemens AG's "Basic Corporate Principles"

Gerd Tacke (1906–1997) began his career with Siemens in 1932. During the

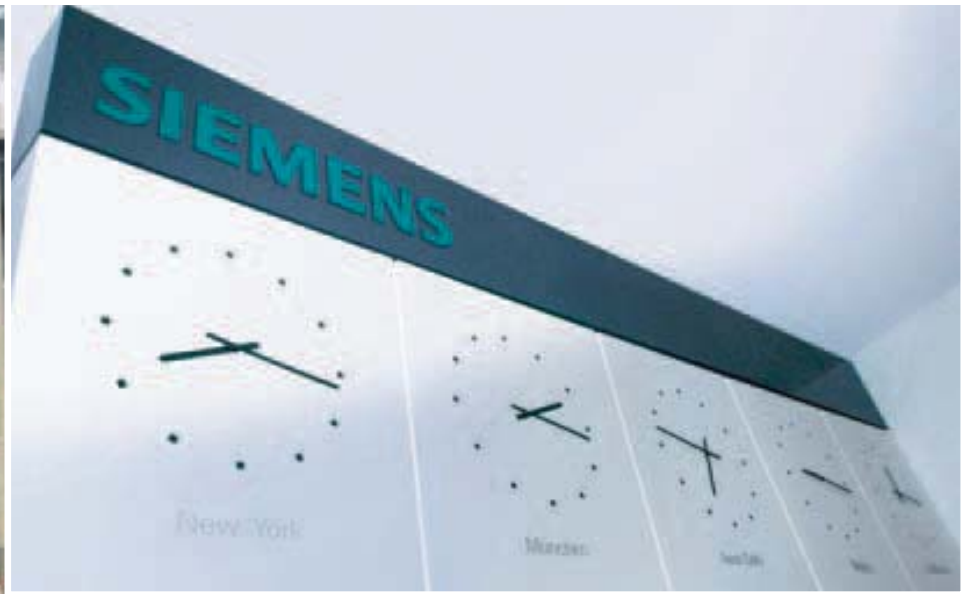
postwar period he assumed responsibility for the sales organization in Germany and abroad, the Central Advertising Department and the Central Personnel Department. In 1951 he became deputy member of the Managing Board of both parent companies. Tacke, popularly dubbed "The Foreign Minister of Siemens," lent vital support to Ernst von Siemens in reviving the foreign business and reorganizing the company. Gerd Tacke was head of Siemens from 1968 to 1972.



Bernhard Plettner: New markets and fields of business

Bernhard Plettner (1914–1997) studied electrical engineering at the Technical University in Darmstadt after attending a second-

ary school with a focus on the humanities. In 1937 he spent one university semester working at Siemens as an intern. After completing his degree he returned to Siemens in Berlin. When the war ended he was able to put his professional experience to work in rebuilding the export business. For example, he was responsible for building the iron and steel works in Rourkela in India, the first major export project for Germany's postwar industry. From 1971 to 1981 Bernhard Plettner was President and Chief Executive Officer of Siemens.



Siemens – a global player

A focus on employees in a global organization takes on an ever-increasing multicultural character. Worldwide collaboration can only function if there is an understanding of cultural differences and at the same time a force holding people together – such as the Siemens culture.

WORLDWIDE BUSINESS ACTIVITY

Already in his day, Werner von Siemens was thinking beyond national boundaries. With his strong entrepreneurial flair for new, international markets, he was far ahead of his time. In the early 1850s, Siemens & Halske penetrated the international market and had more employees working abroad than in Germany, as the still young company ran major projects in Russia and England.

The Indo-European telegraph line, and the laying of the cable between Europe and the New World, had a lasting effect on the company's reputation. Throughout the years, Siemens has always adhered to its international business objectives. All Siemens entre-



Karlheinz Kaske: Microelectronics and reorganization

Karlheinz Kaske (1928-1998) studied physics, joining Siemens in 1950 as a development engineer. In 1967 he

was delegated to the partner company Fuji Denki in Tokyo, and subsequently took on roles of increasing responsibility in the company's Power Engineering Group. From January 1981 to September 1992, as President and Chief Executive Officer of Siemens, Kaske drove the technological transformation of the company from electrical engineering to electronics, further developed the business outside Germany and reorganized the company, giving the operating units considerably greater autonomy.



Heinrich v. Pierer: Deregulation and globalization

Heinrich v. Pierer (born 1941) studied law and economics at the University of Erlangen-Nurem-

berg. He joined Siemens in 1969, beginning his career in the legal department. His era saw the transformation of the company culture from one focused predominantly on public sector customers in regulated markets to a company engaged in global competition. Under his management, far-reaching programs were developed and implemented, leading to this transformation and later to today's "Siemens Management System."



Klaus Kleinfeld: Continuity and change

Klaus Kleinfeld (47) has led our company since January 27 of this year. He became a member of the Managing Board in December 2002, and in January 2004 was

appointed to the Corporate Executive Committee. Before that he headed up Siemens USA, an organization that had, at that time, some 65,000 employees and sales of about \$17 billion. Kleinfeld began his career with Siemens in 1987 in what was then the Corporate Sales and Marketing department (ZVW). He earned a Master's degree in Business Administration/Economics from the University of Goettingen (Germany) in 1982, followed by a Ph.D. in Strategic Management from the University of Wuerzburg (Germany) in 1992.

preneurs have had one distinguishing characteristic in common: Even in the most difficult of situations, they never lost faith in their own future, while also never turning a blind eye to reality. Crises and problems were perceived not primarily as a danger but as an opportunity for the future.

ON THE ROAD TO BECOMING A GLOBAL PLAYER

Characteristic of the company's internationally focused business policies, maintained in the face of all setbacks, is Carl Friedrich von Siemens' remark at the height of the world economic crisis in 1931: "The era of national isolation is over. We have to recognize that in today's world we have become mutually dependent."

As early as 1948 a group of experts began to plan how Siemens could regain its position as a player in the global marketplace. In the

CUSTOMER FOCUS

Werner von Siemens – working closely with the customer

Already in his day, our company's founder put his customers at the center of everything he did. When Siemens & Halske won its first major order in 1848, Werner von Siemens did everything in his power to complete the construction of the telegraph line from Berlin to Frankfurt am Main on time and thus satisfy his customer. Success took hold. On March 26, 1849, news of the election of the Prussian king as hereditary emperor of Germany was transmitted from Frankfurt's St. Paul's Church to Berlin. Business deals with Russia and England fuelled new growth. In those days, for an entrepreneur, a personal commitment was crucial to close customer relations: To land the Russian deal, Werner von Siemens traveled in person to St. Petersburg using fast coaches and sleighs. On his arrival, the negotiations with the manager of the telegraph authority made good progress. Measles were rife in the city, however, and Werner did not escape the epidemic. This was followed by a serious kidney infection which confined him to his sick bed for several months. In 1853 Siemens & Haske began work on the construction of the Russian telegraph network stretching from Finland to the Crimea and covering some 10,000 kilometers. The service business was also flourishing even then: Maintenance contracts for the entire line were concluded with the Russian government.



A networked business spanning the globe

decade from 1952 to 1962 Siemens companies, agencies or liaison offices were reestablished in 30 countries, and by the late 1960s almost 40 percent of sales were being generated abroad. Siemens was on its way to becoming a global player. Siemens as a truly global company was born in the 1990s with the forging of a global network of all links within the value creation chain: the research and development of hardware and software, purchasing, manufacturing, service and sales.

"I WILL NOT SELL THE FUTURE FOR A MOMENTARY PROFIT"

A comparatively cautious financial and investment policy, based on conservative principles and cost-conscious behavior, extends all the way back to the company's founder. His watchword was: "I will not sell the future for a momentary profit." Werner von Siemens made his financial decisions based on the maxims of security, liquidity and independence. Thus, for many years, Siemens' development was characterized by a financial policy focused less on profitability than on security. The 1934 balance sheet commentary in the *Deutscher*



Volkswirt, the predecessor of today's *Wirtschaftswoche* magazine, was the first time the phrase "a bank with an electrical department attached" was used to describe Siemens. It was supposed to characterize the traditionally restrained dividend policy whose only other par-



GLOBAL COMPETITIVENESS

Werner von Siemens – the international entrepreneur

From the outset, Werner von Siemens placed great emphasis on having a flourishing foreign business. The first successful business contacts to be cultivated were in Russia. In 1852 he traveled to St. Petersburg to negotiate the development of a telegraph network with the government of the tsar. Three years later a branch office, led by Carl von Siemens, was established in St. Petersburg. As early as 1858 there was a branch in London. Seven years later the company was reorganized as "Siemens Brothers." For many years, Siemens Brothers employed more people than Siemens & Halske in Berlin. The brothers Werner, Wilhelm and Carl achieved worldwide renown with the construction of the Indo-European telegraph line from London to Calcutta. By the time the first telegram arrived on April 12, 1870 after two years of construction, Siemens had become a company of multinational importance. As the 1870s drew to a close, there were autonomous companies with their own production facilities in St. Petersburg, London, Paris and Vienna. The attempt to gain a foothold in the USA led to the founding in Chicago of the Siemens & Halske Electric Company of America in 1892, which was, however, not initially successful.

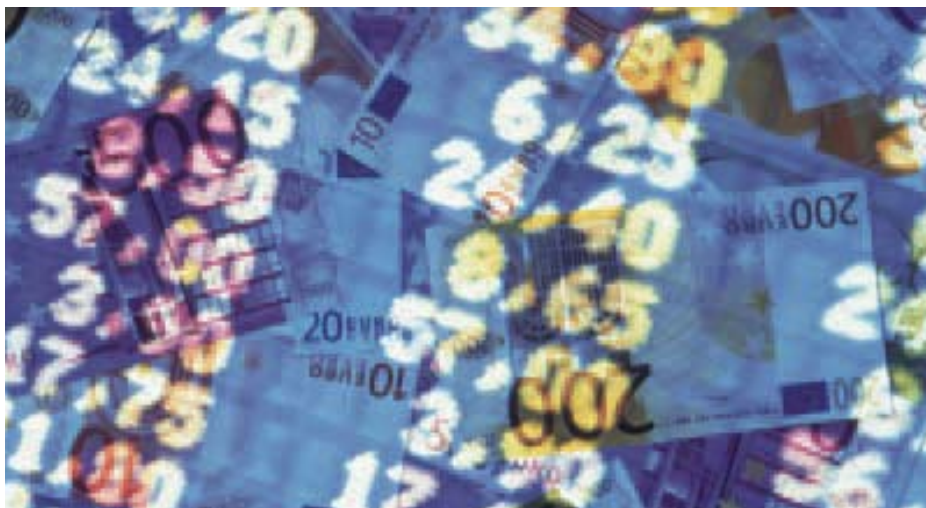
War I and the economic collapse after World War II.

COMPANY LEADERS RECRUITED FROM WITHIN

According to a study by Stanford University, one of the criteria which distinguish companies that are successful over a long period is the fact that there is infrequent turnover in the company leadership, and these top executives are nearly always recruited from within. In the case of Siemens, the role of head of the company was for a long time filled by Siemens family members. After a transitional period

Corporation Act. Starting with Werner von Siemens, his brother Carl, his sons Wilhelm and Carl Friedrich, his nephew Hermann and his grandson Ernst, and following the first company Chief Executives from outside the family circle – namely Gerd Tacke, Bernhard Plettner and Karlheinz Kaske – Heinrich v. Pierer was only the tenth person to head the company. This emphasizes the fact that, through targeted development and career advancement for employees, it is possible to continually recruit high caliber managers from within.

Over the course of the past 157 years, these ten company Chief Executives have consistently been able to evaluate and solve the challenges facing the company, in line with the changing times. Working closely with their colleagues and the workforce, they have driven specific Siemens traits such as a focus on electrical engineering, innovation, customer and employee focus, a global outlook, social responsibility and sound finances. Preserving the core and safeguarding the future in order to make Siemens an even better company – this was the philosophy that linked these personalities (see box for portraits).



Prudent financial management

allel in the German electrical engineering industry was Robert Bosch GmbH. However, this cautious financial policy, focused on long-term objectives, has been Siemens' salvation throughout many macroeconomic crises – such as the world economic crisis following World

linked to the founding of Siemens AG in 1966, the position of Chairman of the Managing Board (today, President and CEO) was established in accordance with the German Stock

LINKS

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http://w4.siemens.de/siemensforum/sf_muenchen/milestones_historie.htm
<http://www.siemens.com/index.jsp>
<http://w4.siemens.de/siemensforum/output.cgi>



THE BEST JOB OF ALL

RETROSPECTIVE On January 27 of this year, Heinrich v. Pierer was elected to the Supervisory Board, where he assumed the title of Chairman. For the past 13 years he has led our company, with great success. For him, credibility, honesty, reliability, quality and concern for others are more than just words. The *Financial Times* fittingly called him “a social romantic and a sober capitalist.”

BY WILFRIED FELDENKIRCHEN



WHEN Pierer was appointed President and CEO on October 1, 1992, Siemens was still very much preoccupied with “rebuilding the East” after the reunification of Germany. In the years that followed, he presided over the transformation of our company during the tumultuous era of globalization. Today Siemens generates 80 percent of its sales outside Germany and clearly perceives itself as a multicultural enterprise.

During Pierer’s first year as head of the company, Siemens generated annual sales of about €40 billion, 46 percent of it in Germany. Its consolidated net income was just under €1 billion.

The majority of the employees (238,000) worked in Germany, while about 153,000 were in other countries.

In 1992, Siemens took over 11 production facilities in the new eastern states of Germany and set up a number of sales offices. Although these activities tied up considerable management capacity, not to mention time and energy, Pierer and the other members of the Managing Board soon realized that they would also have to devote attention to the rapidly changing global markets. What would later become known as “globalization” had already begun, as national markets were deregulated and opened to competition. State enterprises that had long been customers of Siemens – such as Deutsche Bun-

despost (the German postal system), for example – were privatized and opened to competition. Driven especially by microelectronics, the pace of technological change accelerated dramatically and product cycles grew shorter and shorter.

FALLING PRICES

In the early 1990s, moreover, Siemens’ prices for its products and services began to experience significant erosion in key segments. In fact, in many cases prices fell 50 percent within just three or four years. Siemens responded to these challenges in the first phase of the Pierer era with a program known as *top* (time optimized processes), which was designed to institute faster and leaner processes throughout the company. The program had three main objectives: To boost productivity by speeding up processes and lowering costs, to promote innovation and to grow the company’s business, especially in the markets of Asia and North America. And yet it soon became clear that these three “hard factors” would not have the



1

1993

3

1994

1992



2

4

1. Succession in September 1992: Karlheinz Kaske (right) had led the company for nearly 12 years

2. Rebuilding eastern Germany: Helmut Kohl (then German Chancellor) is flanked by two apprentices and Heinrich v. Pierer at the Schwerin cable factory, as they make their way from the vocational training center to the cafeteria

3. Committed to social causes: Pierer played tennis with Klaus Kinkel (2nd from left, then German Foreign Minister) for a good cause: handicapped athletes

4. Pierer presented the Siemens Environment Prize personally. In 1997, first prizes were awarded to winners in Brazil, Malaysia and Germany

desired effect unless certain “soft factors” were introduced as well. What was needed was a fundamental change in behavior, a transformation of the corporate culture. The leadership decided that employees should play a more active role in the change process, contributing ideas of their own. A companywide labor-management agreement on *top* was signed, marking the first time in German industry that a productivity program had been the subject of such an agreement. The Central Works Council statement – “Without *top* we would have been finished!” – caused quite a stir at the time.

PROGRESS WITH *top*

Communication was needed to organize and implement the process of change. After all, to be successful, the new strategy would have to be embraced by employees, customers, investors, political leaders and the public at large. The *top* program produced impressive results. For a while, the company achieved double-digit productivity gains. Thanks to the innovation initiative, the company doubled its number of inventions and patent registrations. And the sought-after expansion of the business in the defined target regions made good progress

as well. But the company was still not quite “watertight.”

In fiscal 1998, Siemens found itself confronted with five major problems at once:

- The markets of Southeast Asia suffered a severe economic crisis; as a result, large-scale projects were halted and had to be written off.
- The railway engineering segment, which was just getting started, had bitten off more than it could chew. It could not fill the large number of orders, and had to set aside substantial provisions.
- In the segment of power plant engineering, the rapid pace of technological advances had resulted in higher and higher efficiency ratings for gas-fired turbines. The tough competition caused problems for all manufacturers of this equipment, and Siemens was no exception. As a result, the profits of this business fell.
- The mobile telephone business, which Siemens had only recently entered, was faced with declining sales and profits.
- And finally, the semiconductor market was going through a severe slump. Siemens could not adjust its capacities fast enough nor operate profitably at the low price levels. The most prominent “victim” of these developments was the semiconductor factory in Newcastle, north-west England, which had only recently been christened by the queen. This factory never went into production.

In the summer of 1998, Pierer responded to all these challenges with a set of measures that became known as the “Ten-Point Program.” This plan, which attracted a great deal of attention, defined both specific measures and fundamental policy changes.

CHANGES ON THREE LEVELS

The first level of change involved an active portfolio policy. In the long run, Siemens only wanted to be active in businesses where it had a chance of being the No. 1 or No. 2 player in global competition. The first logical consequence of the new policy was the decision to get out of the semiconductor business. Infineon (semiconductors) and Epcos (passive components) were spun off and taken public, while the Electromechanical Components business was sold. Other divestments followed.

The second level involved the management tools used by the company. The *top* program was reincarnated as *top+* with the slogan “Clear goals, concrete actions, definite consequences.” The Corporate Executive Committee instituted a policy of regular, quarterly meetings with Group Executive Management of all Groups. At these meetings, every Group – the worst-performing goes first – must submit a progress report, which forms the basis for a discussion of the necessary actions.

The third level of action involved financial reporting. In preparation for the listing of



1995



5



1996



6

1997

5. 150 Years of Siemens: Proud, happy faces at the celebration in Berlin (at right, Hermann Franz, Supervisory Board Chairman at the time)

6. Pierer always took care to cultivate good relations with the Works Councils and trade unions (here with the then Chairman of the Central Works Council, Alfons Graf, left, and the then IG-Metall trade union President Klaus Zwickel).

Siemens stock on the New York Stock Exchange, which was planned for the spring of 2001, the company converted its financial accounting system to US GAAP.

The Ten-Point Program was enthusiastically, even euphorically, greeted by the capital markets, and the Siemens share price rose sharply. The high point came when Siemens announced that it had generated an overall positive Economic Value Added (EVA) contribution for the first time in fiscal year 2000, one year earlier than planned.

REINFORCEMENT THROUGH ACQUISITIONS

Besides spinning off or selling off businesses, Siemens had also been busy acquiring new companies to strengthen its position. Some of the most prominent acquisitions were Westinghouse, in the sector of fossil fuel-fired power plant technology and – somewhat later – Alstom's industrial turbines business and the Danish wind power equipment manufacturer Bonus Energy. But there were many other acquisitions as well, including the industrial systems business of the Swiss company Elektrowatt to reinforce the building technologies business, along with ultrasound (Acuson) and Shared Medical Services to strengthen the Medical Engineering Group. Later, the industrial business of Atecs Mannesmann, with the automotive technology business of VDO and the logistical services provider Dematic, were acquired.

In the second half of the 1990s, financial analysts continually recommended that Siemens focus on information and communications technology and automation. According to these recommendations, Siemens should divest itself of many of its other businesses. But when the dot-com bubble burst in 2001, many companies that had concentrated their activities on the I&C sector suddenly found themselves in hot water. Perhaps the best example of this was the British company Marconi, which had emerged from General Electric Company (GEC). At its peak, Marconi's market capitalization was approximately £30 billion; but after the crash, its market cap had shrunk to only £1 billion. Many felt that Pierer's "stubbornness" (so *Business Week*) had saved Siemens from a similar fate.

top+ GAINS TRACTION

The "new and improved" top program, known as top+, proved to be highly successful. It had been developed by a team led by Klaus Kleinfeld, who had been put in charge of the newly created in-house consulting firm, Siemens Management Consulting (SMC). Promising young executives are assigned to this unit for a few years at a time to work on restructuring projects. Thereafter, they are assigned to operational positions to ensure that the company has highly professional management competence at all levels.

As fate would have it, the market in which the I&C Group was active, which had been growing at a torrid rate until that time, began to collapse on the very day that Siemens listed its stock on the New York Stock Exchange on March 12, 2001. On this day, in fact, trading of Ericsson shares was suspended. One competitor after another was hit by the effects of the dot-com meltdown. Lucent, Nortel and Alcatel had to lay off tens of thousands of workers and Siemens, too, had to eliminate a substantial number of jobs. In this situation, Pierer initiated "Operation 2003," which had five focal points:

- Restructuring the hard-hit business segments of I&C.
- Restructuring other business units that were suffering in the wake of the I&C disaster, and integrating the activities of Atecs Mannesmann.
- Permanently boosting the profitability of U.S. operations, which had become the company's largest regional business.
- Engaging in specific asset management measures to generate positive cash flow on a sustainable basis.
- Lowering costs at corporate and Group headquarters by €1 billion within three years.

All in all, "Operation 2003" was a big success.



1998



7. Pierer announced the Ten-Point Program at a press conference in The Hague



2000



8. "You are our future": Pierer's door was always open to vocational trainees at Siemens

9. Signals from Davos: Pierer at the 30th World Economic Forum, with ABB's CEO at the time, Göran Lindahl

SIEMENS MANAGEMENT SYSTEM

At the beginning of the 2004 fiscal year, Pierer introduced the Siemens Management System (SMS), designed as a comprehensive, systematic methodology to replace the earlier practice of adopting individual measures to address specific issues as they arise. The key elements of the new system are the three *top+* company programs: *Innovation*, *Customer focus* and *Global competitiveness*. These programs encompass more than ten initiatives, including Trendsetting technologies, Platform technologies, Customer loyalty, Global manufacturing concept, Quality management, Project management, Asset management and Process optimization.

In the final phase of his tenure as Siemens' top executive, Pierer increasingly emphasized the unity of Siemens, particularly with a view to being perceived by customers as a single entity: "Siemens One." In recent years, Klaus Kleinfeld had introduced and tested such a concept in the United States, with great success. A Siemens One unit was set up in the Corporate Development Department at the beginning of fiscal 2005. This unit actually generates business for

the company, besides providing support to the 40 Siemens One units that have been established in the regions.

WHERE DOES SIEMENS STAND TODAY?

The key figures for 2004, the last fiscal year in which Pierer led the company, provide solid evidence of the dramatic changes that have occurred since 1992. Today, Siemens generates annual sales of nearly €80 billion, 80 percent of it outside of Germany, and reported a consolidated net income after taxes of €3.4 billion. At the end of the fiscal year (September 30, 2004), Siemens had about 430,000 employees worldwide, including 164,000 in Germany and 266,000 outside of Germany. Today, Siemens clearly sees itself as a "global network of innovation," in which the specific strengths of its many different cultures are closely integrated.

Throughout his tenure as CEO, Pierer sought to practice himself what he expects from others. Sportsmanlike conduct and stamina are important qualities for him. As an enthusiastic tennis player, he knows that falling behind during a game is not the worst thing that can happen

because point deficits can be made up. But the last exchange decides the game. And he knows how important it is to observe one's opponent carefully, to learn their strengths and weaknesses.

HIGH HONORS

As Chairman of the Asia-Pacific Committee for German Business and as ambassador for industry's "Invest in Germany" program, Pierer is a tireless advocate for Germany as a place to do business. But he also serves on advisory councils to the French prime minister and the mayors of Beijing and Shanghai, and has been honored by numerous U.S. institutions as well. In the spring of 2004, he was invited to speak at the United Nations Security Council on the role that global corporations can play in promoting peace. It was the first time a corporate executive had addressed this body.

Throughout the years, Pierer has repeatedly said that he loved his job. At the most recent Siemens Business Conference (SBC) in Berlin, he said to his successor Klaus Kleinfeld: "As the Siemens CEO, you will have the best job in German industry." ■



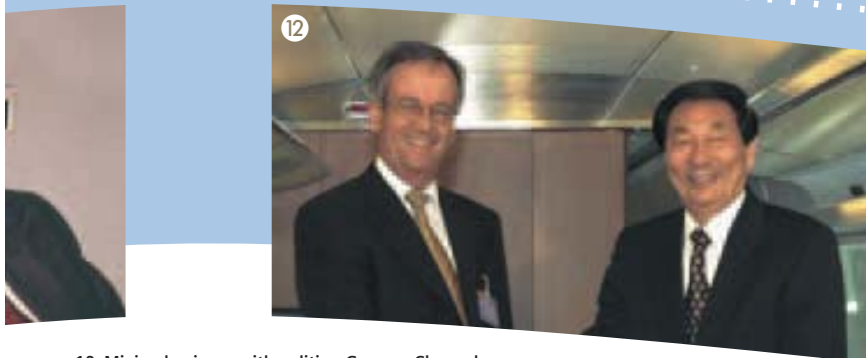
2001

2002



2003

2004



12

14



10. Mixing business with politics: German Chancellor Gerhard Schroeder dons 3-D glasses during a visit to the Siemens Research Center in Munich

11. Stock listing in New York 2001: Pierer with Karl-Hermann Baumann (right), CFO Heinz-Joachim Neubürger (3rd from right) and Klaus Kleinfeld (left), who was the Chief Operating Officer of Siemens USA at the time

12. New Year's Eve 2002: Pierer with Chinese Premier Zhu Rongji on the maiden voyage of the Transrapid in Shanghai

13. "Go for Profit and Growth!" was the slogan at the 2003 Siemens Business Conference in Berlin

14. Pierer was the first business leader to address the UN Security Council



► **WORLD SAILING CHAMPIONSHIP**

Dragon invasion in China

The dragons that appear in many forms in the art and literature of China could be seen first hand last year at a very special race in Shanghai-Qingpu. To be precise, what the spectators saw was not a horde of fire-breathing monsters but an impressive fleet of

the slim, fantastically decorated vessels known as dragon boats. At the fifth Dragon Boat World Championship race on Lake Dianshan, held under the auspices of the Chinese Minister of Sports, crews from 48 countries battled for the coveted prize. There are

Siemens spurred the German national youth-league team to victory at the World Dragon Boat Championship race

more than 50 million active dragon boaters worldwide. Working in teams of 18 to 20 oarsmen plus a helmsman and a drummer who sets the pace, they power their narrow fiberglass boats through the water. Once again, the German national youth league team participated in the race. They were equipped with special outfits donated by our SBS Group's Product Related Services (PRS) China: Not only the rowers but also the coaches and the support team donned brightly colored shirts, caps and backpacks bearing the Siemens logo. The German participants attracted a lot of attention for the company, and a Chinese television broadcaster filmed the team both during and between their races. This sponsorship event evidently boosted the team's spirits, for the German team turned in an outstanding performance, winning five World Championship medals.

► **HIPATH CONTINUING EDUCATION**

More than 700 certificates earned worldwide

Around the world, the Hipath certification program at Com has been running successfully since May 2002. Employees who complete the program are certified as having special qualifications and skills in this technology, which combines voice and data communication in corporate networks. Last summer, the 500th certificate was awarded in the program, leading organizers to declare an "Award 500" competition for the highest rankings in the exam. The three winners – Peter Tränkle from Stuttgart, Jose Bertoldi from São Paulo, Brazil, and Frank Haun from Berlin – were in for a pleasant surprise at the awards ceremony in Munich: In addition to their certificates, they were also presented with valuable laptops by Thomas



The three winners of "Award 500": Peter Tränkle, Frank Haun and Jose Bertoldi (left to right, with certificates) with Thomas Ganswindt (second from left), Günter Pruner (right) and Stefan Herrlich (second from right)

FAMILY

All in all, the event, to which PRS China had invited its top customers and partners, was a resounding success. "The Chinese market harbors tremendous potential for our services," says Gerald Voigt, who heads PRS China. "That's why it's important for us to promote good customer relations." Readers in Germany who are interested in watching or taking part in a dragon boat race this year won't even have to travel to China. There will be a dragon boat event on the Reitbahnsee in Neubrandenburg from June 3 to 5, with a tournament for company teams planned for June 4.

For further information, please contact Gerald Voigt, SBS REGION EMEA, Mch P (tel. +49 89 636-43376, e-mail: gerald.voigt@siemens.com) or Kristin Wichert, SBS PRS SPI, Paderborn (tel. +49 52 51 8-25825, e-mail: kristin.wichert@siemens.com).

Ganswindt, member of the Corporate Executive Committee.

Their success has evidently inspired others, as the international "certification race" continues at full speed. More than 700 employees at Siemens and its partner companies in 24 countries have now completed the program. What's more, the program, initiated by Günter Pruner (Com ESA CM), has become a benchmark – other Siemens Groups and departments are now adopting this concept and using the Com infrastructure.

For further information, contact Sylwia Szukajlo, Com ESA CM, Munich (tel. +49 89 722-41739, e-mail: sylwia.szukajlo@siemens.com).

► MOUNTAIN BIKE RACING

Siemens employee is top "Iron Biker"

The world's toughest triathlon race is the Iron Man in Hawaii. And the Iron Biker race held annually near Belo Horizonte in Brazil is an equally tough challenge for mountain bikers. One man who has lived to tell

year Happle, who is now 57, was the top biker in the over-55 age group.

The victory did not come easily. Although Happle had already biked 8,500 kilometers in training for the race, the worst was yet to come for him and the other participants – about 1,200 mountain bikers from all over North and South America and Europe. On two successive days, they had to bike 78 and 53 kilometers respectively at heights of approximately 2,500 meters at temperatures up to 45 °C. Worse yet, the course often led them through dense jungle or forced them to dismount in order to ford a stream or run their bikes through the underground galleries of an abandoned gold mine. With these strenuous conditions to cope with, the competitors derived little comfort from the 30,000 enthusiastic spectators, spectacular landscape surrounding the former colonial settlements of Ouro Preto and Mariana, or the fascinating historic race course, which led them along trails created by gold miners long ago.

When asked whether he expects to travel abroad to South America again this year to defend his title, Happle, who now lives near Heidelberg, merely laughs. "I don't



Foto: Angela Happle

After a tough race: Michael Happle reaches the finish line

the tale is Michael Happle, who has participated every year since 2002 in this, the most prestigious mountain bike race in Latin America. What's more, every year he has become more successful. The first time around, even though he was riding a bike without a suspension, he managed to place fourth. In 2003, despite a flat tire and a loose pedal, he came in second. And last



Foto: Cristiano Quintino

Riding and running to the finish line

really feel I'm traveling abroad when I go to South America, because I've worked for Siemens in Brazil for so long and know the continent so well," he says. He emigrated to Brazil in 1972 and shortly thereafter married a local woman. "After 32 years of marriage we're still a happy couple, and we have two grown children," he smiles. In 1974 he started working for Siemens, mostly in

Brazil but also for several years in Germany, where he served as a sales specialist for Latin America, Spain and Portugal. His work in this position and his 14 years in Brazil have kept his linguistic and cultural skills in top shape to match his prowess as a biker.

For further information, contact Michael Happle, tel. +49 6203 858 66, e-mail: michael.happle@siemens.com

► AWARD

Henri Dutilleux wins international music prize

Music enthusiasts from all over the world flock to Munich every summer for a top-ranking musical event: the awarding of the international Ernst von Siemens Music Prize. This year's winner is the French composer Henri Dutilleux. The prize, which is endowed with €150,000, will be presented to the composer on behalf of the Bavarian Academy of Fine Arts at a gala ceremony on June 3 at the home of the Munich Chamber Orchestra. Along with Olivier Messiaen and Pierre Boulez, Dutilleux is regarded as one of the leading personalities in French contemporary music. His works have been performed by world-famous conductors and musicians such as Daniel Barenboim, Isaac Stern and Simon Rattle.

In addition to the Music Prize, the foundation also awards prizes amounting to a total of €1.35 million to support up-and-coming composers, ensembles,

institutions, music publishers and international musical events in Germany, Austria, the UK, Greece, Switzerland and the Netherlands.

Further information is available at www.evs-musikstiftung.ch and from Hildegart Eichholz, CO EVS STIFTUNG, Mch W (tel. +49 89 636-32907, e-mail: hildegart.eichholz@siemens.com).



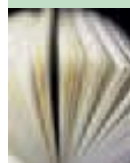
Winner of the Music Prize 2005: Henri Dutilleux

BOOK TIP

► HOW LITTLE THINGS CAN MAKE A BIG DIFFERENCE

The Tipping Point

BY MALCOLM GLADWELL



The author, who worked as a reporter for the *Washington Post* and now writes for the *New Yorker*, tells what *The Tipping Point* is about: "It's a book about change. It draws from psychology and sociology and epidemiology, and uses examples from the worlds of business and education and fashion and media. I spent a great deal of time in the book talking about the way our minds work – and the

peculiar and sometimes problematic ways in which our brains process information. Our intuitions, as humans, aren't always very good. Changes that happen really suddenly, on the strength of the most minor of input, can be deeply confusing. People who understand *The Tipping Point*, I think, have a way of decoding the world around them. If I had to draw an analogy to another book, I'd say it was like Daniel Goleman's *Emotional Intelligence*, in the sense that it takes theories and ideas from the social sciences and shows how they can have real relevance to our lives.

► SCHOOL EXPERIMENT

PG employee gives a lesson

As Marketing Manager at the Gas Turbine Services department of our Power Generation (PG) Group in Orlando, Florida, Micheal Smith has certainly seen a lot of the world. While on a business trip in Canada, he had a few hours to kill one morning before meeting with a customer in Orleans, Ontario. The customer was suddenly struck by an unusual idea. He arranged for Smith to visit one of the local schools to teach a class of second grade pupils all about electricity, using a book supplied by the teacher. Of course Smith jumped at the opportunity, especially when he found out that his task was not only to

provide the children with the necessary information, but also to put this knowledge into practice and conduct a small experiment. Using wires, a light bulb and a battery, they managed to build an electrical circuit. Smith then moved on to the topic of the large electricity network that supplies the classroom with energy and the important role that Siemens plays here. After the fun and excitement of this exceptional lesson, the children had plenty of questions to ask. For instance, they wanted to know if Homer Simpson – a popular cartoon figure on North American television who works at a power plant – works for Siemens.



Putting knowledge into practice: Micheal Smith and his pupils

► MOTOR SPORT

Beetle battles through the Sahara

Andre Helwig's love for the legendary VW Beetle goes far beyond the affection the average consumer feels for this "cultmo-



Inseparable threesome: Andre Helwig and co-driver Brigitte Bayer with their Rally Beetle

bile." Helwig, who works at SBS's Siemens Trust Center in Fürth, Germany, converted a Beetle into a "Cross-country Car Type 2" to compete in rallies. In his first outing, he placed 10th out of 25 in the Second Trail Germany Rally. He decided to follow that up with

the El Chott Rally through the Tunisian Sahara. "My girlfriend was the co-driver. The rally began in Genoa, Italy, with around 100 competitors," recalls Helwig. The pair had a flat tire at the start, but then sailed through the subsequent high-speed stage in good time. After arriving in Douz, the gateway to the Sahara, they entered the dunes, and on more than one occasion had to dig the car out when it got stuck in the desert sands. Minor and major repairs were par for the course, but in the end they unfortunately got the better of our intrepid duo. Sand got into the engine through a faulty carburetor pipe, crippling them after the mid-point of the rally, and resulting in their having to be towed back to the ferry in Tunis. "Despite this unexpected ending, we still managed to place 5th in the prototype class!" laughs Helwig, who dreams of one day competing in the famous Paris-Dakar Rally.

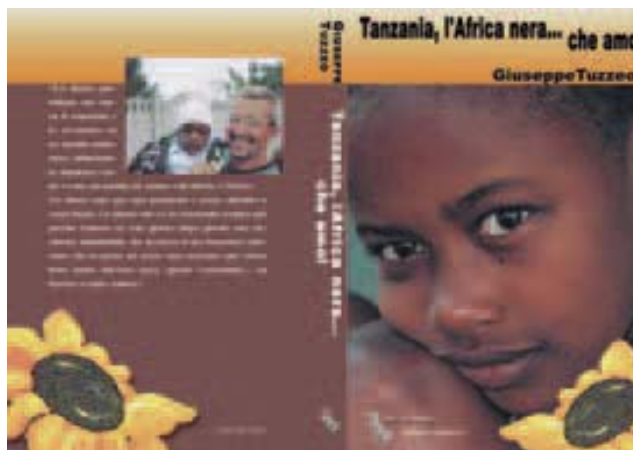
For further information contact Andre Helwig, tel. +49 911 978-3154, e-mail: andre.helwig@siemens.com

► CORPORATE CITIZENSHIP

Help for orphans in Tanzania

Our colleague Giuseppe Tuzzeo, employed by Siemens Business Services (SBS) in Milan, has been working as a volunteer in an orphanage for children living with AIDS in Tanzania since 2004. He enthusiastically lends a hand wherever he is needed – as a gardener, bricklayer, cook or even a cleaner. "And playing with the

children is part of it, too," laughs Tuzzeo, "which is, of course, great fun!" He says he has not only changed as a person, but also discovered a new talent as a writer. While in Africa, he kept a diary, which he has now edited and published: *Tanzania, l'Africa nera ... che amo!* It will be available around the beginning of May, and 8 percent of the proceeds will go to the orphanage. Since the end of December 2004, Tuzzeo has been on a leave of absence in order to help the orphans further.



Memories of Africa: Giuseppe Tuzzeo's new book

LOOKING AHEAD



ANNUAL SHAREHOLDERS' MEETING Changes at the top in Munich: more than 10,000 shareholders attended this year's meeting, at the end of which Klaus Kleinfeld took over from Heinrich v. Pierer as head of Siemens. Pierer succeeds Karl-Hermann Baumann, who stepped down as Chairman of the Supervisory Board at the end of the meeting.

"The message this year is the same: Go for profit and growth!"

Heinrich v. Pierer

BY MARTIN SIEBERT AND GERHARD VILSMEIER

THE ATMOSPHERE in the packed rows of the Olympiahalle in Munich was as tense and full of anticipation as might be expected when, at this year's Annual Shareholders' Meeting, Heinrich v. Pierer addressed Siemens shareholders for the last time as President and CEO. The report he delivered to them was a favorable one, summing up fiscal 2004 with the words: "We have

met the goals we set for ourselves under the banner 'Go for profit and growth!'" Once again, Siemens had succeeded in increasing both sales and profit – in fact, the percentage rise in profits was measured in double digits. This was reason

enough to propose increasing the dividend from €1.10 to €1.25 per share – a proposal that passed by a large majority.

THE WATCHWORD REMAINS THE SAME

When Heinrich v. Pierer gave his farewell speech he was clearly enjoying himself, though he did allow a bit of wistfulness to show through. And when he had finished saying good-bye, the shareholders were generous with their applause.



Heinrich v. Pierer addresses packed rows of Siemens shareholders for the last time as President and CEO

They were reacting positively to the fact that Pierer talked not only about the success stories, but also set out the challenges for which the company is still seeking solutions. He said that last year's credo, "Go for profit and growth!" should remain unchanged for the current fiscal year, with the stronger Groups building on their sound positions and the weaker ones putting their all into making solid, lasting progress and coming closer to their target margins. For

Pierer, the biggest success stories have been the Automation and Drives (A&D), Medical Solutions (Med), Power Generation (PG), Osram, Siemens VDO Automotive (SV), Power Transmission and Distribution (PTD) und Siemens Financial Services (SFS) Groups: "It is these Groups that are doing an exemplary job of implementing our corporate business excellence program, *top+*. And it is they who, time and again, distinguish themselves with ground-

breaking innovations. *top+* is a recipe for success, and that recipe consists of optimizing processes, keeping costs under control, developing new products and solutions and, in some cases, simply increasing one's market share." As for Siemens Building Technologies (SBT), Industrial Solutions and Services (I&S) and Logistics and Assembly Systems (L&A), he feels sure they are on the way back up, after hitting a low point: "We are expecting a further rise in profits

SiemensWorld Extra: Around the globe

January 28 was probably the first time ever that phrases such as “new CEO,” “SiemensWorld Extra” and “enjoy your meal” were all on people’s lips at once in Siemens cafeterias and offices around the world. But on that day, there is no doubt we were the main topic of conversation for Siemens employees.

Speaking of his colleagues, Hubert Gorski of Corporate Communications in Poland admitted, “Apart from anything else, people wanted to see what the new boss of Siemens looks like.”

Since the Annual Shareholders’ Meeting on Thursday, January 27, it is official: Klaus Kleinfeld is the new President and CEO of Siemens AG. And so that all our Siemens colleagues around the world could get first hand information about the meeting and the change of leadership as quickly as possible, we made sure an “Extra” edition of *SiemensWorld* was printed overnight in nearly 50 countries – quite an organizational challenge! Time differences around the world meant that people had to work overtime in quite a few countries. Our colleagues in Pakistan, for example, told us it was midnight when they finally sent the templates ▶



Hot off the presses: *SiemensWorld Extra* in South Africa (top), Germany (bottom) ...



Impressions of the ASM

for those Groups, too,” Pierer said. There was good news on the rail transportation front, too. After struggling with what were primarily quality-related problems with the Combino-type low-floor tram, Transportation Systems (TS), has had to set aside provisions of over €400 million. Initial repairs have been moving forward as part of a two-stage collaboration with the customer and are now almost complete, and the plans for the second stage are about to be presented to the relevant experts. Pierer reassured the shareholders that Siemens takes quality very seriously. “Because of the problems encountered with quality at TS and at a few other points within the company, we have completely reorganized quality management throughout. At both Group and Regional Company level, the quality managers now in place have genuinely effective powers of intervention.”

Pierer also expressed his thoughts on securing the future of the new Communications (Com) Group, and of Siemens Business Services, saying: “SBS may have a good reputation for taking over and running whole business processes for our

satisfactory solution for some time now, and we already have a road map in place that we’re working through with all speed – but not too much haste!”

FAREWELL

Heinrich v. Pierer also used the occasion of his final speech to shareholders after more than 12 years as President and CEO to take stock, departing from the subject of the current business and speaking at length on Siemens’ philosophy. Only the day before, in an e-mail sent to every employee in the company, he had said: “All in all, we can be satisfied with what we have achieved,

The former company leadership along with the new: (from left) Karl-Hermann Baumann, Klaus Kleinfeld and Heinrich v. Pierer



“I just hope that Klaus Kleinfeld will be able to motivate his employees to meet the challenges of globalization.”

Wolfgang Unruh, shareholder

customers, but it is having less success in the area of product-based services.” And as for Com, he believes that the company needs to take action in the area of their fixed network business, which is currently suffering as a result of the difficult climate it is operating in, including cost pressures, particularly in the area of mobile phones, where we have been suffering losses since last summer. “There is a great deal to be done: The Board has been working on finding a



even if it has involved huge effort and, at times, some unpleasant decisions," adding that it had been worth it. "Whereas other companies have clearly faltered, or even fallen by the wayside, we are still here – and in a stronger position than ever," he said.

Attributing the company's success to the fact that "we have, rightly in my view, always put our trust in what has made us unique over these past 150 years," Pierer then went on to name seven factors that have been at the root of Siemens' success thus far – and which will determine it in the future: Our broad business portfolio, our talent for innovation, our customer focus, our global presence, our concern for our employees, our prudent financial management and our acceptance of our responsibility

toward society. But while continuing to uphold these values, he said, Siemens will also always remain capable of accepting necessary change – indeed of welcoming it with open arms. The credo is, in other words, continuity of the fundamental principles, and change in the details. He is convinced that this will continue to apply even with the change at the top of the company, especially since Klaus Kleinfeld has played a considerable role in shaping the company in recent years. And then our President

"I hope that as a company, we at Siemens can remain at the top, but that it is not our employees who will have to pay."

Hans-Jürgen Beyer, shareholder

and CEO stepped down to tumultuous and lasting applause.

Heinrich v. Pierer will succeed Karl-Hermann Baumann as Chairman of the Supervisory Board, and so will continue to make a contribution to the company's development. In fact, with the departure of the Chairman of the Supervisory Board, another era came to an end that evening. Baumann worked for Siemens for 35 years – over ten of them as finance chief and/or member of the Board. The shareholders showed their appreciation for his service to the company with generous applause. Earlier in the day, numerous representatives of the shareholders had drawn attention to Baumann's achievements as Supervisory Board Chairman – especially in the areas of transparency and corporate governance. Shortly before 8 p.m., Karl-Hermann Baumann closed his last Annual Shareholders' Meeting with the words: "I wish the Managing Board and all the company's employees, as well as its shareholders, every success, and the very best for the future!" ■



► to the printers: "and by four in the morning, the first copies of the finished version were coming off the presses."

But for Saima Peerwani of Corporate Communications in Karachi, Pakistan, it did not matter: "It was great to know that in almost 50 countries around the world our colleagues were doing the same thing as us, that we were all working together. Now I know how it feels to be global."



... Pakistan ...

In almost all countries, the translation and printing were done locally, making the exact number of copies printed hard to estimate. But according to the information received so far by project leader Alexander Chavez of CC Internal in Munich, it was around 300,000 worldwide. "In some countries, though," he says, "Siemens World Extra was also distributed by e-mail, and you could download it from the *Siemens today* intranet site, too. In any case, I'm sure we reached every single employee." He is obviously very pleased with the project's success. One thing is certain: *SiemensWorld Extra*



... and Spain

was translated into many languages. And the editions in Greek, Marathi (India), Portuguese, Polish and Slovakian, to name but a few, are just further evidence of Siemens' globality.

IN THE MEDIA SPOTLIGHT

PRESS RESPONSE Weeks before January 27, the international press was devoting countless inches of column space, including lead stories, to the change at the top at Siemens. At the Annual Shareholders' Meeting in Munich's Olympiahalle, however, the focus was on the business. And last year it was good, if we look at the company's key data, with both sales and profits up. Below are a few press clippings on the Annual Shareholders' Meeting and the topics it covered.

THE MAIN HEADLINE in the *Tagesspiegel* on January 28 read: "Standing ovation for Pierer." The piece continued: "With copious praise followed by thunderous applause, the 11,000 Siemens shareholders who attended the company's ASM in Munich on Wednesday said farewell to their President and CEO, Heinrich v. Pierer – the man responsible not only for making Siemens a more global, competitive and profitable enterprise but also for the considerable rise in its share price. (...) "I'd like to award you the highest grade on your graduation certificate – a grade of 'a plus,'" quipped Daniela Bergdolt of DSW, the German society for the protection of securities holders. Pierer was leaving his successor, Klaus Kleinfeld, who was taking over as chief executive at the end of the ASM, 'a well-appointed house.' It is only normal that a company with 13 Operating Groups would always have problems somewhere. "We can face the future with quiet confidence," added Henning Gephard, from DWS."

LEAVING ON A HIGH NOTE

On the day after the ASM, with the headline "Leaving on a high note" – which presumably

referred to Pierer's departure from the company after its announcement of a record jump in profits, the *Berliner Zeitung* wrote: "A smile, a hint of a bow – that was all the new Siemens chief executive, Klaus Kleinfeld, had to offer the shareholders of his company at its ASM in Munich's Olympiahalle on Thursday. No big entrance, no inaugural speech. The change at the top of the company, from Heinrich v. Pierer to Kleinfeld, was dispatched as if it were nothing more than everyday business. Supervisory Board Chairman Karl-Hermann Baumann wished the new Siemens boss 'every success.' The 47-year-old, he said, faces 'great challenges,' and will be 'bearing a great responsibility.'" *La Tribune*, on January 28: "35,000 were invited, 11,500 shareholders ultimately attended. 'Just five years ago, the patience of shareholders was at an end. Today, Siemens is a model company, and that is your doing,' said the representative of DWS, an association that looks after the interests of small shareholders in Germany."

The headline in the *Financial Times Deutschland* on January 28 referred to the actual business: "Siemens promises upward trend will continue." Then, quoting Pierer: "I see an opportu-

nity here to further increase company profits, although success will also depend on how the exchange rate develops. (...) Our profitable Groups will continue to be successful." The *Berliner Zeitung* reported on the same day: "In the first quarter of fiscal 2005 Siemens achieved net profits of €1 billion, representing a year-on-year percentage improvement of 38 percent. (...) This good start was rewarded with a rising share price on stock exchanges around the world."

QUICK REMEDY SOUGHT

Under the headline "Siemens fights for mobile future," the *Börsen-Zeitung* on January 28 had this to say: "Siemens is seeking a solution to the crisis in the information and communications sector 'with all speed - but not too much haste,' (...) departing President and CEO Heinrich v. Pierer told shareholders, and that 'there is a real need for strategic reorientation here.' The Siemens Mobile Phones Division announced losses of €143 million for the first quarter (ended 12/31/2004) (...)." On the day after the ASM, there was plenty of speculation in the media about what measures Siemens



would take to get Com back on an even keel. The international press, too, picked up the Economic Committee's announcement. On January 28, the International *Herald Tribune* wrote: "Siemens, the German engineering company, said Friday that it planned to eliminate 1,250 jobs in its fixed line network business as it restructures the unit."

GOOD PREPARATION

A great many portraits of the new Siemens boss, Klaus Kleinfeld, appeared in the months and weeks leading up to the ASM – in publications as diverse as *Manager Magazin* and *Business Week*. On January 24, and under the headline: "Klaus Kleinfeld: Warm but hard," the *Financial Times Deutschland* commented: "He mingles with the crowd, presses the flesh, tells anecdotes. (...) But Siemens employees will learn that there is another side to him. The new man will (...) come down very hard on areas of the business that allow their yields to drop. (...) For six months now, Kleinfeld and his mentor [Pierer] have been visiting important customers, partners and politicians – Chancellor Schröder, French President Jacques Chirac and, above all, the leaders in China. Pierer has some important contacts in Asia, and Kleinfeld will be just as dependent on them."

"A new boss is like a new coach for the national team," *Welt am Sonntag* wrote on January 19: "He puts a new spring into the team's

step, cuts out old wood and wants to prove himself to everyone. (...) But his starting conditions are not unfavorable: 'A new man at the top gets laurels in advance,' said Thomas Kirchmaier from the London School of Economics. (...) And managers with international experience are coming into top positions." The paper named Siemens as an example, pointing to the fact that Klaus Kleinfeld successfully headed up the business in the U.S.

Business Week also devoted its cover story on January 24 to "Siemens' New Boss," speculating on whether Klaus Kleinfeld could deliver world class profits. It writes: "Kleinfeld was one of the main inventors of One Siemens, a program designed to get the company units to cooperate better to win business. He got a chance to put theory into practice when Siemens sent him to the U.S. in January of 2001, first as Chief Operating Officer and then, a year later, as CEO of New York-based Siemens Corp. Under Kleinfeld, units including Medical Solutions and Power

Transmission & Distribution joined together to supply diagnostic equipment, software, telecommunications and power to a new hospital being built in Temple, Texas, for Scott & White Healthcare System. Siemens used the same approach to play a major role in the construction of Houston's Reliant Stadium. Such solidarity works: Kleinfeld inherited a roughly \$500 million loss when he arrived in the U.S., according to the company. By the time he left at the end of 2002, Siemens' U.S. operations were \$500 million in the black, on sales of \$20 billion. Now Siemens is rolling out Siemens One worldwide."

The *Financial Times Deutschland*, too, was keen to stress that "Kleinfeld did what none of his predecessors had succeeded in doing: In three years, he turned a \$500 million loss into a \$500 million dollar profit." Even former GE boss, Jack Welch, enthused over Kleinfeld recently, in an interview with the FT: "Kleinfeld is a fantastic guy," he said. ■

QUARTERLY REPORT

OCTOBER 1 TO DECEMBER 31, 2004. For the first quarter of fiscal 2005, ended December 31, 2004, Siemens reported net income of €1.001 billion, up 38% compared to the same quarter of fiscal 2004. Group profit from Operations rose 5%, to €1.433 billion, including a gain from the sale of a portion of shares held in Juniper Networks, Inc. First-quarter orders rose 5% for Siemens worldwide, to €21.537 billion. International orders were up 7% year-over-year, compared to a 3% decline in orders in Germany. Sales for Siemens worldwide were €18.167 billion for the quarter, down 1% year-over-year. International sales were level with the prior year, compared to a 5% decline in Germany.

INFORMATION AND COMMUNICATIONS

COM COMMUNICATIONS

Figures show need for action

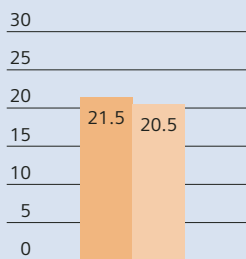
At the beginning of the first quarter of fiscal 2005, Siemens combined its Information and Communication Networks (ICN) and Information and Communication Mobile (ICM) Groups into a single Group, called Communications (Com). Prior-year results have been recast into the new structure for purposes of comparison. In the first quarter, Com had sales of €4.243 billion and orders of €4.670 billion compared to €4.567 billion and €4.779 billion, respectively, a year earlier. Group profit of €240 million at Com was due primarily to a gain of €208 million from sales of a portion of its shares in Juniper Networks, Inc. The Mobile Devices



Two new weighing modules expand the product range of Siemens A&D for automated weighing tasks. Siwarex FTA (Flexible Technology Automatic Scale) is suitable for scale types such as mixing, filling, bagging, receiving and loading scales. Siwarex CS (Compact Scale) is the first electronic scale in the world to communicate via Profinet

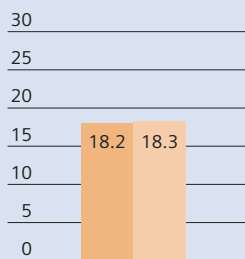
1ST QUARTER FY 2005 (10/1/2004 – 12/31/2004)

Orders
(in billions of €)

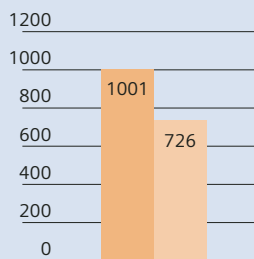


■ FY 2005 ■ FY 2004

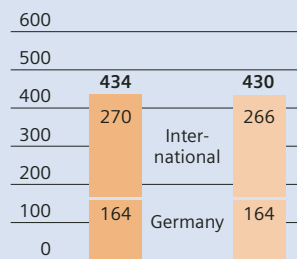
Sales
(in billions of €)



Net income
(in millions of €)



Employees
(in thousands)



■ 12/31/2004 ■ 9/30/2004

business (formerly Mobile Phones) saw sales drop to €1.170 billion from €1.486 billion year-over-year, and lost €143 million compared to a profit of €64 million a year earlier. Unit volume in the Christmas quarter was 13.5 million handsets, down from 15.2 million in the prior-year period, and average selling price also declined year-over-year, from €98 to €86.

SBS SIEMENS BUSINESS SERVICES

Quarterly loss despite rise in new orders

SBS took in sharply higher orders of €1.850 billion in the first quarter, primarily due to long-term outsourcing contracts partly involving acquisitions. Sales of €1.256 billion for the quarter included a new outsourcing contract with the BBC in the U.K. The change in Group profit year-over-year was due primarily to an unfavorable revenue mix, and severance charges.

AUTOMATION AND CONTROL

A&D AUTOMATION AND DRIVES

Leading the pack

A&D led all Groups with €262 million in first-quarter Group profit. Sales increased 5% to €2.157 billion. Sales growth was broad-based among A&D's divisions and also balanced between the Group's domestic and international markets. First-quarter orders rose 11% to €2.433 billion, as A&D continued to augment its established business in Europe and the U.S. with fast growth in the Asia-Pacific region.

I&S INDUSTRIAL SOLUTIONS AND SERVICES

Positive effect from USFilter

I&S posted first-quarter Group profit of €20 million, up from €15 million a year earlier.



Piezo technology from Siemens VDO leads to better fuel efficiency and makes diesel engines quieter and cleaner

Earnings in the current period benefited from the Group's entry into the water systems market via its USFilter acquisition in the fourth quarter of fiscal 2004. The acquisition also enabled I&S to show substantial increases in first-quarter sales and orders, which rose to €1.183 billion and €1.466 billion, respectively.

L&A LOGISTICS AND ASSEMBLY SYSTEMS

Increased sales

L&A's first-quarter orders were €592 million, below the level of the prior-year period, which included a large order in the Middle East. First-quarter sales rose 7%, to €579 million. Group profit of €38 million included significant positive effects from foreign exchange derivatives not qualifying for hedge accounting. The Group anticipates offsetting effects in coming quarters. For comparison, the prior-year quarter included €33 million in contract charges.

SBT SIEMENS BUILDING TECHNOLOGIES

New orders and sales stagnating

SBT posted Group profit of €49 million, up from €39 million in the first quarter a year earlier, due to a gain on the sale of an investment and improvements in the Group's cost position. Sales and orders of €1.010 billion and €1.088 billion, respectively, were stable year-over-year on a comparable basis.

POWER

PG POWER GENERATION

Major orders in first quarter

Orders at PG were €2.485 billion, including a major order in Bahrain and the first large order for PG's new Wind Power Division following its acquisition of Bonus Energy A/S. A year earlier, first-quarter orders included an exceptionally large order in Finland. Sales of €1.578 billion in the first quarter came in lower than prior-year sales of €1.902 billion. PG's Group profit of €214 million included €29 million in cancellation gains and a significant earnings contribution from its services business. For comparison, Group profit a year earlier was €245 million.

PTD POWER TRANSMISSION AND DISTRIBUTION

Trench acquisition helps business

PTD posted Group profit of €52 million in the first quarter, including a positive contribution from the Group's acquisition of Trench Electric Holding between the periods under review. This acquisition also positively influenced sales and orders, which rose to €834 million and €1.093 billion, respectively.

1ST QUARTER FY 2005 (10/1/2004 – 12/31/2004)

Operations Groups		Orders (in millions of €)		Sales (in millions of €)		Group Earnings ⁽¹⁾ (in millions of €)	
		2005	2004	2005	2004	2005	2004
Com	Communications	4,670	4,779	4,243	4,567	240	174
SBS	Siemens Business Services	1,850	1,399	1,256	1,210	-25	44
A&D	Automation and Drives	2,433	2,200	2,157	2,050	262	221
I&S	Industrial Solutions and Services	1,466	1,129	1,183	997	20	15
L&A	Logistics and Assembly Systems	592	861	579	542	38	-37
SBT	Siemens Building Technologies	1,088	1,105	1,010	1,040	49	39
PG	Power Generation	2,485	2,676	1,578	1,902	214	245
PTD	Power Transmission and Distribution	1,093	1,020	834	820	52	51
TS	Transportation Systems	1,230	1,020	1,014	1,049	20	32
SV	Siemens VDO Automotive	2,294	2,039	2,285	2,039	144	100
Med	Medical Solutions	2,030	1,891	1,656	1,648	215	327
Osram	Osram GmbH	1,083	1,073	1,083	1,073	120	109

Financial Services and Real Estate Business		Sales (in millions of €)		Group Earnings ⁽¹⁾ (in millions of €)		Total assets (in millions of €)	
		2005	2004	2005	2004	12/31/2004	9/30/2004
SFS	Siemens Financial Services	384	385	99	57	9,109	9,055
SRE	Siemens Real Estate			38	54	3,504	3,455

⁽¹⁾The Group earnings of the Groups' Operations represent the earnings before interest, certain pension expenses and income tax

SV
SIEMENS VDO AUTOMOTIVE

Markedly improved results

SV's first-quarter sales and orders reached €2.285 billion and €2.294 billion, respectively. Growth was driven by acquisitions, primarily an automotive electronics unit in the U.S. With a larger revenue base and more favorable revenue mix, SV was able to increase Group profit to €144 million from €100 million in the same period a year earlier.

MEDICAL

MED
MEDICAL SOLUTIONS

Top results despite negative currency effects

Med delivered Group profit of €215 million, up slightly year-over-year excluding portfolio transactions that added €116 million to first-quarter Group profit a year earlier. Sales were level year-over-year while orders rose 7%, to €2.030 billion, on strength in Med's imaging systems business. Both business volume and earnings were adversely affected by currency effects.

TRANSPORTATION

TS
TRANSPORTATION SYSTEMS

Strong international business

TS posted Group profit of €20 million in the first quarter compared to €32 million in the same period a year earlier. Both periods included charges in the Group's rolling stock business, at a significantly lower level than in intervening quarters. Sales of €1.014 billion came in lower than in the first quarter a year earlier, due primarily to sharply reduced investment in rail projects in Germany. TS responded by winning significant new orders internationally, including major contracts in China, the U.K., and Vietnam. As a result, first-quarter orders rose 21% year-over-year, to €1.230 billion.



The new Magnetom Espree offers more space for patients and captures high-field quality diagnostic images

LIGHTING

OSRAM

Sustained growth outside Germany

Osram increased first-quarter Group profit 10%, to €120 million, as higher capacity utilization helped raise the Group's earnings margin nearly a full percentage point year-over-year. Osram continued to expand internationally, particularly in Asia-Pacific, increasing first-quarter revenues to €1.083 billion.

FINANCING AND REAL ESTATE

SFS

SIEMENS FINANCIAL SERVICES

Sharp upturn in results

Income before income taxes at SFS was €99 million compared to €57 million in the first quarter a year earlier, including higher earnings in the Group's Equipment and Sales Financing Division and a gain on the sale of an investment. In contrast, SFS took higher provisions against receivables in the first quarter a year earlier. Assets

rose slightly compared to the end of fiscal 2004, despite negative currency translation effects.

SRE

SIEMENS REAL ESTATE

Vacant properties impact results

Income before income taxes at SRE was €38 million compared to €54 million in the first quarter a year earlier, due in part to lower occupancy rates. ■

Economic Report

The global economy is set for another year of above-average growth, even if the business climate is cooling a little. After a growth rate of 3.9 percent last year, the highest real rate of expansion since 1989, 3.3 percent remains a possibility for this year. The most powerful impetus stems once again from the USA and the developing countries of Asia – primarily China and India.

BY ECKHARD PAGEL

GLOBAL ECONOMY COOLING, BUT STILL IN ROBUST SHAPE

In the USA, the diminishing effects of fiscal and monetary policy are being mitigated by traditionally strong consumption. China, too, is set to stay firmly on an expansion course despite monetary measures aimed at slowing things down. In Japan, though, the pace of growth has slackened once more, though a renewed slide into recession should be prevented by stronger domestic demand. Latin America, like the CIS, is benefiting from the booming oil and raw materials markets. The prospects for Central and Eastern Europe remain favorable, with the EU accession countries in particular still working to make up ground and complete the process of integration. Only in the euro zone is the economy - held back by structural problems - failing to make real progress. In light of the high level of the euro, the economic impetus from export business could start to lag.

UPTURN IN GERMANY ALREADY AT AN END?

Domestic demand in Germany is still too low to offset faltering progress on the export front due to the persistent weakness of the

dollar. As past export successes (2004: + 8.2 percent) are unlikely to be repeated this year, there is reason to fear that the upturn will flounder before it has really gotten under way. We are thus reckoning on 2005 bringing real economic growth of 1.2 percent, following an already mediocre 1.7 percent during the previous year.

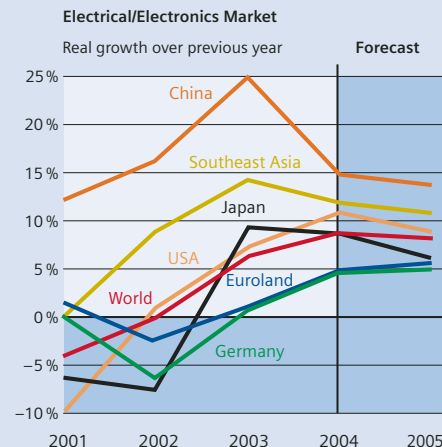
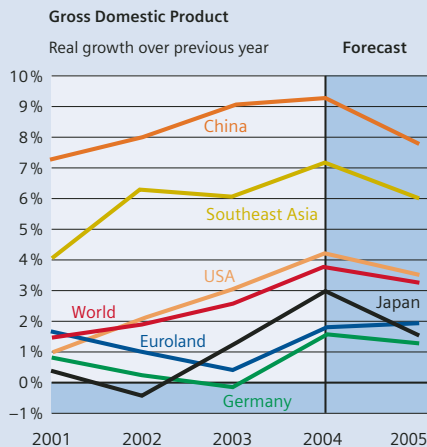
RISK FROM EXCHANGE RATE TURMOIL AND OIL PRICE HIKES

The results for Germany would be even less favorable if the global economy were to grow even more slowly than forecast in 2005. This danger stems from the marked worsening of imbalances in the global economy over the last year. The USA, whose record budget and balance of trade deficits continue to put pressure on the U.S. currency, is responsible for this unfortunate situation. Any uncontrolled dollar freefall would worsen tensions in the international currency markets, and could lead to turmoil in the credit markets, with consequences of a recessionary nature. The price of oil remains an issue, too, with limited production capacity coupled with growing

demand for energy (particularly from China and the USA) pushing prices over US\$40 per barrel. Terrorist attacks, natural disasters and speculative purchases could drive oil prices even higher in the short term.

ELECTRICAL ENGINEERING AND ELECTRONICS MARKET WEAKENS TOO

In line with the slowing world economy in 2005, the pace of growth in the global electrical engineering and electronics market is set to slacken somewhat, too. However at a provisional figure of 7.5 percent (2004: approx. 9 percent) it will still lie within the long-term growth trend. The markets will be revived by new technologies and an ever-increasing range of applications for electronics. After three years in crisis, the I&C sector will once more become the driving force behind economic progress. On the computers and software front, the investment logjam is slowly easing. For telecommunications, the impetus stems from mobile radio and from the rapid spread of high-speed internet access. After the commercial launch of UMTS, demand for multimedia services should be stimulated.





STRONG TOGETHER

SHARED SERVICES The aspiration is as lofty as it gets: Siemens wants to homogenize and standardize its entire IT landscape. The buildup to this is the pilot project running in the TS and L&A Groups since January, soon to be joined by SV. It is the latest and probably one of the most comprehensive projects on our road to shared services. The same principle applies to both Siemens and its competitors: To remain competitive, all parts of the company – as with a formation of skydivers – have to function perfectly and in concert. That is why shared services have become a necessity, from an economic as well as from a quality standpoint.

BY MARTIN SIEBERT

JUST HOW EFFICIENT a comprehensive shared services concept can be has been demonstrated for years by “Spiridon”, a global program with harmonized processes for order processing, including service, running on a standardized IT platform with a shared application, consolidated data centers and a Shared Accounting Service for the Spiridon companies (see box at right). There have been a number of similar activities in other business units within the company for some time now – such as in the USA and the UK. Taken as a whole, however, there is still room for improvement within Siemens, in support processes as well as in the already-existing shared services. One reason for this is our distinct vertical organization which, for all its advantages, still allows for the creation of some extremely varied support processes in the Groups and Regions. At a time of increasing globalization and constant cost pressure, these support activities are now coming under even greater scrutiny. After all, they also contribute to Siemens’ efficiency and profitability. Christoph Urban, head of our *top+* Shared Services Initiative emphasizes the point: “A company must be good throughout all

stages of value creation. If, for example, you are excellent at development but bad on support tasks, then the final result is only average.”

And Siemens, of all companies, with its size and worldwide presence, cannot in the long run afford to ignore the cost and productivity potential this represents and thereby put itself at a competitive disadvantage. Just one example: The trigger for the above-mentioned IT shared services pilot was a benchmarking exercise showing our IT and communication expenditure to be significantly above the industry average. Reason enough, therefore, to launch an initiative of our own to systematically tackle the entire topic of shared services as part of the SMS company program of *Global competitiveness*. And with considerable success, as program leader Ulrich Stock reported at the Siemens Business Conference in Berlin in October 2004: “So far, the initiative has identified potential savings exceeding €600 million up to 2007, €490 million of which are already backed up with concrete projects.”

In the process, Siemens is concentrating on processes in the four disciplines: Finance & Accounting, Human Resources, Information Technology and Purchasing & Logistics. In order to ensure that shared services really do deliver cost reductions, on the one hand the processes in the various units need to be sufficiently similar for them to be standardized, and

on the other hand they need to occur with sufficient frequency for economies of scale to come into play. Classic examples of this include payroll, travel booking and particularly IT services. But achieving savings is only one argument for setting up a Shared Services unit. It also relieves pressure on the units using the services and allows them to concentrate on their core business. And finally

it also allows the quality of the services themselves to be further improved: “A Shared Services unit makes its core business those exact same processes which were not previously core in the business units and which as a result were often not optimized with the same rigor as the actual core processes,” explains

“Shared services relieve pressure on the business managers who are then able to concentrate fully on their core business.”

Christoph Urban



Johannes Feldmayer, the corporate program's sponsor on the CEC. "The unit then builds the appropriate know-how, develops employees in a deliberate manner and monitors and optimizes the services through measures such as targeted surveys and Service Level Agreements with the customers. That is the way it has to be – because if a business unit is to relinquish its support processes it must be confident that this will generate significant productivity benefits."

What are the next objectives? "We are building on the numerous organizations worldwide that already exist and work well," says Markus Nicolaus, project leader for Siemens Manage-

ment Consulting, which is providing strategic support for the initiative. "In the next phase we want to combine as many functions as possible within Shared Services units. The emphasis is therefore currently on further consolidating and harmonizing processes." For example, in 2004 the Shared Accounting Services UK unit, which has been responsible since 1997 for keeping the accounts for our Siemens UK, handed over its accounts payable functions to the new Shared Accounting Service Center (SASC) in Prague, set up just over a year ago by Corporate Finance (CF), in order to take advantage of further potential savings. This now brings the total

of SASC Prague's new customers within the company to nine (see also article on page 40-41).

An increasing number of units are also consolidating their Human Resources services. A very successful example of this is Siemens Spain: As far back as 1996 it had begun merging and harmonizing the extremely disparate processes and systems of eight different HR departments using shared services. Today there are two HR departments with a joint strategy, consistent processes and the same technology. As a result, payroll costs, for example, were slashed by more than half between 1996 and

SPIRIDON

The idea of pooling non-core support tasks in one location was discussed in Asia some ten years ago in the "Tiger Club," founded by ten Chief Financial Officers to provide mutual assistance for support processes and to exchange best practices. This idea was put on a formal footing in the late 1990s at the initiative and under the leadership of Corporate Finance (CF). The goal was to achieve substantial quality improvements and time savings, along with significant cost reductions in IT rollouts and operations.

The Regional Companies in Singapore and China started the ball rolling in the summer of 2001 with shared, harmonized processes installed on the common "Spiridon" IT platform. Thus, the introduction of "Spiridon" in a region is frequently the catalyst for deploying Shared IT Services that are being initiated through the establishment of Appli-



cation Management Centers (AMC) and central Data Centers (DC).

"Spiridon" is not just an IT system. It supports the activities of a Regional Company operating a product, system and project business as well as supporting the management of service, leasing and maintenance services, including the entire accounting function. It serves as a catalyst for the introduction of regional Data Centers with a common Application Management and thereby paves the way for shared services. Today

"Spiridon" has become an established feature of the IT landscape not just in Asia. It serves 12,000 users in 68 companies in regions ranging from the U.S. to Latin America, North- and Southwest Europe and Australia. During this fiscal year we have launched additional implementations in the U.S. and the Region Germany.

"Through its shared network, standardized procedures and harmonized processes, "Spiridon" lays the foundation for vertical shared service initiatives within the company (IT, HR, Accounting and Purchasing & Logistics)," explains Alan Feeley, Spiridon Program Director. "Shared Services is not merely a concept that exists because we say it does. It is much more a new order of things, with rules, procedures and standards which have to be constantly refreshed and maintained," he continued.

"The savings and the productivity improvements we have achieved prove that we can reduce costs and increase quality through "Spiridon's" overarching shared services concept," says Hans-Joachim Ender of CF Spiridon. Next on the agenda is the creation of shared accounting activities in Europe and the U.S. as well as further process harmonization in Europe. Regional Change Control Boards will ensure that best practices are exchanged.

2004. The same is now happening here: Since early 2005, the Personnel Services (PS) unit has been handling the personnel accounting and administration for approximately 170,000 employees in Germany. PS has set itself the objective of cutting costs by between 30 and 35 percent within the next two years, according to Bernhard Grunow, head of PS and responsible for Human Resources Shared Services.

It is now a commonly accepted fact that the principle of shared services also works on a larger scale. Shared Services USA (SSL) is a good example of a service provider that has assumed responsibility for a wide range of completely cross-Group functions across a large economic area. Today, all Siemens units in the U.S. use one or more of the 17 services that SSL currently offers. Travel management as well as the handling of import and export transactions is already the sole responsibility of SSL as is virtually all of fleet management and payroll. This has enabled SSL, whose approximately 1,000 employees in the U.S. are concentrated in four locations, to realize benefits of more than €300 million over the last three years. SSL constantly monitors and improves the quality of its services using balanced scorecards, which have made it possible, for example, to increase customer satisfaction with the handling of the payroll function from 68 to more than 85 percent within three years.

Considerable potential also exists within Purchasing and Logistics. True, in this area there are already special services and organizations in numerous countries and organizations. For example, for the last 15 years all the transport services of 15 different units have been bundled and handled by the North American Traffic Council. In 2003, among other distinctions, the Council's successful work won it the U.S. *top*⁺ Star award in the "cost effectiveness" category.

Estimated annual savings of €220 million could be realized by pooling the purchasing of consumables, IT, office supplies and logistics not just regionally but globally. Also promising is the harmonization of the IT landscape and services in Germany and Europe now underway within the "Shared Services IT" project.

What would the ideal Siemens Shared Services organization look like in the long run? Urban sees it as being consolidated units, each providing a one-stop shop for all relevant functions for a region of the world such as Europe. The organization in Latin America has made considerable progress in this direction, with SSLA (Shared Services Latin America) already assuming responsibility for support processes in numerous countries. Urban: "It is only logical to apply the Siemens One philosophy to internal customers as well." ■



SUCCESSFUL YEAR

PRAGUE About one year ago Corporate Finance (CF) set up the Shared Accounting Services Center (SASC) in Prague.

BY MARTIN SIEBERT

WHAT PROMPTED the move, among other reasons, was the large number of disparate accounting systems in use within Siemens – 80 in Germany alone – as well as the correspondingly varied processes. "By concentrating numerous accounting activities from different

Groups and Regions here in Prague, we are able to consolidate and harmonize processes, share best practices and ultimately reduce costs," says Thomas Krug, responsible for Corporate Finance's (CF) Shared Accounting activities.

In less than a year, this has allowed SASC to not only significantly expand its service offer-

Under One Roof

LATIN AMERICA The Shared Services Latin America (SSLA) organization was launched in October 2003, promising "improved quality coupled with lower transaction costs."

BY FRANK ORDOSCH

SSLA ASSEMBLED the necessary service package for all Siemens Latin American units, across all regions. "The comprehensive service offering, the large number of different organizations and countries as well as the fact that all services are being provided under one roof and therefore by one responsible party – that is currently unique within Siemens," SSLA boss Jürgen Brunowsky was pleased to announce. "We are

proud of it and want to establish ourselves as the very best Shared Services organization."

Today, SSLA is present in virtually every Latin American country and its more than 400 employees offer some 20 different services in the fields of Accounting & Finance, Purchasing & Logistics, Information Technology, Internal Audit and Human Resources. Established in October 2003 as an autonomous and specialist organization, it is contributing to a reduction of at least 15% in the transaction costs for business support functions while at the same time improving quality. In addition, SSLA was instrumental in reducing costs, especially in the Purchasing & Logistics sector, with the result that cost savings in excess of €50 million are being targeted by September 2005.

CROSS-REGIONAL ONE-STOP SHOP

The comprehensive offering of all shared services across several regions has already brought SSLA a number of successes: In the Information Technology sector, a helpdesk for all internal users throughout Latin America



Prague - Metropolis at the heart of Europe (large picture); Thomas Krug (l.) and Ralf Wilcken (r.) with Veronika Kahraman, Fixed Assets team leader at Prague's SASC

ings but also increase the number of its clients. Today it offers services such as managing accounts payable and accounts receivable, accounting for fixed assets, allocating invoices internally and administering bank accounts. Customers utilizing one or more of these services include Com, SBS, SFS, SRE, GPL and Siemens UK as well as a number of smaller units who draw on the Prague service indirectly via Accounting Services Munich (SASM).

provides assistance with PC, network or printer problems. An efficient Application Management Center for SAP users has also been put in place. By September 2004, savings of almost €20 million had been achieved in the Purchasing & Logistics area. And SSLA and the regional units will soon be setting up a purchasing platform for Latin America to identify further potential.

On the Internal Audit front, all auditors were placed under the same management a year ago. This means that, in addition to fostering more knowledge and expertise sharing, capacity bottlenecks in the region can be handled more effectively. A first in the Human Resources sector is a common "employee dialog" across all of Latin America, facilitating a personal discussion between employees and managers. This process has already been completed and will be introduced shortly. The first SSLA-wide employee survey was held in November 2004 and yielded good results.



CONFIDENCE - BUT STILL MORE TO BE DONE

To make it to the top and stay there still requires some work; it is precisely the integration of many different countries which is proving to be a challenge. Brunowsky agrees: "Our organization straddles national boundaries and naturally we first have to overcome language barriers as well as cultural differences. This means that for many of our employees, interpersonal topics are very important and have great impact." The task now, he says, is to conduct an open dialog with employees and clients alike and to ensure fair treatment. Only in this way can good ideas be exchanged as part of best practice sharing. "We should never lose sight of the fact that service business is people business," he says. However, an employee survey carried out in November 2004 confirms the confidence felt by colleagues. Even if results vary between individual topic areas and differ markedly from

are keen to work for a global company like Siemens and are motivated accordingly. That's why we have next to no staff turnover," says Wilcken.

In many cases it was even possible to improve on the SASC service quality criteria agreed to with the clients. "This is the added value of shared services, because services for different clients are provided under one roof, thus enabling clients to make direct comparisons and improve things by sharing best practices. Such a comparison was not possible before," Krug explains. For example, Klára Al-Hamidova, deputy team leader of the group that has been handling the accounts payable function for Siemens UK since October 2003, described how instead of the agreed level of 98% of invoices being correctly posted in the financial year 2004, the level actually achieved was 99.75%.

What are the next steps? "We are of course continuing to work on harmonizing processes and systems because it is here that we can realize the greatest potential savings – by far. The crucial step toward standardization and harmonization will have been taken when all clients have migrated to a common IT platform, namely Spiridon," says Krug. "With that goal in mind, we want to further expand our portfolio, to include, for example, master data administration and internal payment transactions. And finally we want to acquire even more clients." ■



Shared Services Latin America (SSLA) has a presence in Brazil, too – pictured here is São Paulo

country to country, the answers speak for themselves, with 80% "always satisfied" or "largely satisfied." SSLA's management will address potential improvements that have come to light and implement them shortly.

A NEW ELEMENT

DISCUSSION In an e-mail to all employees, the new Siemens CEO, Klaus Kleinfeld, reminded us that it's not the company that pays our salaries at the end of the month; it's our customers. This means the company must continually improve its customer focus – and Siemens One is ready to provide more help than ever before with this challenge.

BY THOMAS RUHNKE AND MARTIN SIEBERT

WHAT CAN Siemens One achieve, and what can it not achieve? Where are we today, and where do we want to be tomorrow? Some 120 employees and managers posed these and other questions to four high-level Siemens executives at the first *management CIRCLE* discussion in the Siemens Forum in Munich (see box on page 43). Participants also didn't hesitate to point out what they believe to be weaknesses within the company, and to talk about problems that have yet to be solved.

With Siemens One, the company is methodically acting on the idea that the whole is more than the sum of its parts – and that our business benefits from this. Siemens One projects are currently running in more than 40 countries, in some cases for quite some time now.

Thomas Frischmuth, head of the newly established Siemens One unit at Corporate Development, said that Siemens One – designed to develop holistic solutions – is really nothing new. It's just that we haven't actively promoted it over the last few years. What is new, however, is that we are now taking a more structured approach, and providing the sales units with extensive support in this regard.

This was confirmed by Siemens' chief strategist, Joe Kaeser: "What we have to do now is combine the product spectrum of all the Groups and offer customers solutions that provide them

with real added value. That's why Siemens One has now become an official program, one designed to act as a catalyst for taking ideas and information that the sales units have gathered from customers and rapidly implementing them into corresponding solutions."

Josef Winter, head of the new Region Germany unit, stressed that the Siemens One concept has met with a positive response throughout the organization. Commenting on his experiences during visits to various business locations, Winter said, "You can see how everyone is really putting the idea into practice – they're looking beyond their conventional horizons. For example, A&D sales representatives are taking a look at industrial customers' telephone systems and then passing on the information to I&C." Winter also reported that employees are being encouraged to interact more with one another and that the Groups are now conducting training sessions where they present themselves and their products. He also mentioned other efforts designed to make the



On the podium (from left) Josef Winter, Joe Kaeser, Ursula Heller (moderator), Thomas Frischmuth and Heinrich Hiesinger

SIEMENS ONE

Customer focus is one of the keys to successful business and is thus one of the three *top+* company programs within the Siemens Management System (SMS). The program addresses all issues relating to the maximization of the customer base and market coverage, including cross-selling, which enables us to offer customers our entire

product portfolio from a single source. The Siemens One organization at Corporate Development is making a big contribution to implementing this initiative by supporting the Groups in their cross-selling activities. It will also combine all cross-selling approaches within the company over the long term.

The clock is running: time measurement at a ski race sponsored by Siemens

Siemens One approach in Germany a concrete part of everyday life. We have to create a systematic foundation to support this interaction that is today primarily based on personal relationships among colleagues, Winter added. If these measures are successful, Siemens will have a tremendous opportunity to clearly distinguish ourselves from the competition.

Many of the participants in the discussion said that this is exactly the point where we need to get things moving quickly. For one thing, we have to create communication channels that employees can use to pass on the information and suggestions they get from customers. They also need to be able to find out if their information is actually being received, in order to avoid making empty promises to their customers. Another point that has yet to be clarified is the issue of appropriate bonuses for cross-selling activities. If employees are to accept the program over the long term, they will have to know that their commitment and their successes will be rewarded. As one participant pointed out, this is especially true in Germany, where the new supplemental collective bargaining agreement for the service and sales sectors has led to an increase in the variable portion of salaries and a reduction in the fixed portion.

Heinrich Hiesinger, head of SBT, said employees in his Group have a generally positive attitude toward Siemens One. He pointed out, how-

So what's the new element in Siemens One – the factor that goes beyond a simple cross-selling approach? "It's about finding ways to be the only one able to offer a solution," said Kaeser. "The key issue in the end is to succeed in positioning ourselves in a way that makes us unique to customers. That's the new element in Siemens One. Now we have to systematically combine the Groups' product spectrum and then provide customers with highly innovative solutions for specific sectors, such as oil and gas, or health-care."

Combining the spectrum is not sufficient in itself, though; the important thing is to create added value for the customer. This is what the Sector Development Boards (SDB) are all about. Frischmuth described their mission as follows: "The Boards bring representatives from the Groups together to draw up cross-selling strategies for certain sectors, and also to develop corresponding sector-specific solutions." Ten SDBs already exist – for sectors such as healthcare, automotive, food & beverage, and airports – and discussions are underway regarding the establishment of another nine. "The Sector Development Boards will provide sales units with exactly the type of solutions that would normally be put together individually and at great expense at a particular location. This means our supply of innovative solutions will continually grow." One participant in the discussion then said that

MANAGEMENT CIRCLE

The *management CIRCLE* is a new event designed to intensify dialogue between managers and top executives and subsequently enhance the dialogue between the managers, their colleagues and employees. Plans call for three to four *management CIRCLES* to be held every year, each addressing a key strategic topic at the company. Management participants for each *management CIRCLE* are specially selected on the basis of the issue at hand, in order to ensure the most productive discussions.

also examining possibilities for new approaches to providing sector-based solutions. We'll be offering assistance here through methodological approaches, and we will continue to support the Groups in their analyses of sectors and customers. We'll also be helping them to work together, and we will mediate any conflicts that may arise."

Hiesinger also has high hopes for the SDBs, but he believes that if they are to function well, "only those Groups should be involved that are truly convinced they have something to gain through a particular project. Only then will they be willing to provide the necessary resources and



Lively discussions took place both during and after the event

ever, that employees shouldn't get the impression that "everything must simply now be taken care of by Siemens One." People have to be aware of the fact that the Siemens One concept isn't suitable for certain customer groups and business areas – for example, for inexpensive commodity items. "Siemens One involves the expansion of our sales opportunities," Hiesinger said. "This approach will create new growth opportunities that we otherwise wouldn't have had."

in each case a firm decision will have to be made as to which of the participating Groups should be the leader, since the new approach can only function properly if that point is clarified. And, as another participant put it: "If I talk to the customer and I don't know who is backing me up, then I've got a problem." Frischmuth believes that the SDBs are one of the most important elements at the new Siemens One unit: "We want to bring the Groups closer together as they attempt to define sector-specific solutions. We're

make the required investment. Moreover, the Boards will lose their acceptance if such commitment isn't demonstrated."

So the foundation has been laid, and as one participant said, "We've created certain expectations among both employees and customers with everything we've initiated – and now they're waiting for these things to happen."

LINK

http://intranet.cc.siemens.com/one_siemens_portal/index.html

SETTING THE BAR STILL HIGHER

SIEMENS USA The land of opportunity is our biggest and most important market. "Our job now is to make sure that it is also our best market," Corporate Executive Committee member Uriel Sharef told the participants in the 4th Best Practice Sharing Event in Boca Raton, Florida, as he egged them on to achieve even more. And with his resounding praise for the *top*⁺ US Business Initiative (USBI) program for improving the bottom line of Siemens USA, he confirmed that the cards are looking good. Siemens USA remains on a growth course!

BY SHELLEY BROWN

SHAREF DELIGHTED the audience when he opened the meeting by rolling an ostrich egg onto the stage. He then proceeded to relate the tale of a farmer who rolled an ostrich egg into a henhouse to encourage the hens to aim for loftier targets. The message was clear: Despite its success, Siemens USA faces new challenges. "We still have a long way to go to reach the profit levels of true-world class companies!" he said. Siemens USA must redouble its efforts across the board. Sharef, who is the Corporate Executive Committee member responsible for the Americas, also told the 300 attendees of the *top*⁺ event that expectations are high for both the U.S. market and Siemens USA. "I expect the U.S. Operating Companies to grow both their top line and bottom line in this fiscal year – and to exceed their fiscal 2005 budget commitments," he said, thereby raising the bar still higher. He also predicted that Siemens would be a \$25 billion company in the United States by 2007.

INNOVATION IS IN OUR GENETIC CODE

Klaus Kleinfeld, who was preparing to assume his new role as CEO of Siemens AG, took time out of his busy schedule to travel to the event. The former head of Siemens USA emphasized that the U.S. region would remain a major focus for Siemens. "When you look at the coming years, you hear a lot about growth in Asia, in China. I just want to tell you that the U.S. has 35 percent of the total world market (of electrical capital goods). The U.S. will continue to be the largest market for many years to come. You can be certain I will not forget it." Kleinfeld told the *top*⁺ audience that Siemens needed to push itself harder on all fronts to remain competitive and be a global player. The company has been a leader in innovation for 157 years, he noted, but some of the business units need to rekindle the creative process. "Innovation is in our genetic code, but we have to bring it out again. We don't have this spirit in all of our business units." Siemens Corporation President and CEO George Nolen agreed, saying that one of his priorities was developing

a leadership culture within Siemens USA that would drive growth and improve the bottom-line performance. "Our return on profit is not good enough. We all need to hustle here to go to the next level for world-class profit."

THE SMS: ENGINE FOR GROWTH

The event also highlighted the Siemens Management System (SMS) with individual sessions moderated by SOC presidents and the leaders of the three SMS pillars: *Customer*

AND THE WINNERS ARE ...

Eleven winning teams received the Grand Prize Star Awards. The award-winning projects ranged from centralized purchasing for indirect materials (Siemens VDO) and a new Daylight(tm) line of light bulbs (OSRAM SYLVANIA) to the migration of 12,000 Acuson ultrasound systems to new Siemens software platforms (Siemens Med) and a complete business unit turnaround (Siemens Power Transmission & Distribution). And the winners are . . .

SALES STIMULATION:

Team: MED (Ultrasound)
Project: Gold Standard Bridge Program
Team: OSRAM SYLVANIA
Project: Daylight Product Launch
Team: SWPC
Project: TransAlta Corporation Generation Fleet Optimization Program

focus, Global competitiveness and Innovation. "We must show select customers not only what they want, but what they might want from us." Ken Cornelius, President and CEO of Siemens One, introduced the *Customer focus* session with some advice about winning new customers through cross-selling. Working together, with Siemens One as facilitator, SOCs booked more than \$1 billion in fiscal 2004 in incremental business. Prashant Ranade, President and CEO of Siemens Logistics & Assembly Systems, urged participants to find inspiration for innovation through their customers. "We have to get close to customers," he said. "Their needs are the seeds for sales growth. Innovation fertilizes those seeds, and training will

provide us with a bumper crop." Session leader Randy Zwirn, President and CEO of SWPC, kicked off the *Global competitiveness* session with a discussion about the importance of focusing on productivity in order to ensure profitability. John Sanderson, President and CEO of Siemens VDO, introduced the PM@Siemens USA program, which was formed to help stop the loss of money from projects that are not handled well. "Without good project management, technology and innovation are just a dream," he said. Denice Kronau, President and CEO of Siemens Shared Services (SSL), urged participants to search for new ways to become more competitive by bundling non-core services under the SSL umbrella. And

Keith Cheatham, President and CEO of Siemens Real Estate (SRE), described the company's U.S. consolidation initiative that has saved Siemens \$44 million by reducing space and consolidating offices and warehouses. Leading the *Innovation* session were Norbert Gaus, President and CEO of Siemens Corporate Research (SCR), and Tom McCausland, President and CEO of Siemens Med. McCausland noted that the most innovative companies tend to be the most profitable. Overall the discussions revealed that SMS is a good motor for increased growth. And Siemens needs that, also in the U.S., as Nolen emphasized in his closing remarks: "We have to be a major contributor to Siemens." ■

Team: Siemens Communications - Carrier Networks
Project: System Care Plans/SummerSizzler ULTRA

COST EFFECTIVENESS:

Team: Siemens VDO Automotive
Project: Control Valve Body Yield Improvement
Team: Siemens VDO Automotive
Project: Centralization of Purchasing for Indirect Materials and Services at Siemens VDO in North America

TOTAL BUSINESS IMPROVEMENT:

Team: SPT&D
Project: PTD EMIS Turnaround
Team: SWPC
Project: Next-Generation Generator Auxiliaries and Beyond: A Roadmap to World-Class Services



George Nolen, Uriel Sharef and Klaus Kleinfeld (l. to r.) at the 4th Best Practice Sharing Event in Boca Raton; Picture on right: One of the 11 winning teams who received the Grand Prize Star Award from Uriel Sharef



ASSET MANAGEMENT:

Team: OSRAM SYLVANIA
Project: See Assets in a New Light
Special awards for innovation and EVA contri-

bution were presented to teams from SWPC and Com - Enterprise Networks. The "Inventor of the Year Award 2004" went to Osman Ahmed (SBT) and Dorin Comanicu (SCR).

TSUNAMI AND AFTER.....



INDIA A young girl lights a candle in a London church as she, like all of us, mourns the victims of the tsunami disaster. Nearly 300,000 people died in the catastrophe in Southeast Asia. Many others lost everything. The disaster touched off a tremendous wave of contributions – including from Siemens employees in India who collected nearly €150,000 within just a few days. In addition, they mobilized emergency supplies and traveled to the affected areas to distribute relief materials. Vipul Bondal from Corporate Communications traveled with the team of volunteers and served as our *SiemensWorld* correspondent.

BY VIPUL BONDAL

ON **DECEMBER 26**, a powerful earthquake in the Indian Ocean triggered deadly tsunami waves that devastated several Asian countries. In India, the situation was particularly severe in the state of Tamil Nadu and the Andaman & Nicobar Islands. Over 10,000 people died and hundreds more are missing. Over 160,000 homes were destroyed, and close to 65,000 boats damaged. More than 2.7 million people

have been affected. Hundreds are now homeless and thousands have no means of livelihood. The worst affected are the fishing communities, as well as the women and children.

RAPID OUTREACH

After the initial shock, Siemens India responded immediately. In a quick joint effort, the company's employees provided relief to about 5,000 persons, working with the Indian Red Cross Society to distribute materials to four

villages in the Tamil Nadu's Villupuram district, about 160 km south of Chennai.

People had lost their homes to the deadly waves and were in need of basic essentials. They had no roof, no beds, no clothes. We made up 'family kits' for easy distribution, including such items as mattresses, bed sheets, towels and sets of new clothes for every family, as well as cooking stoves, pots & pans, dishes, glasses and water containers. For this initial relief, Siemens contributed approxi-



mately €50,000; many colleagues donated clothes, medicine and drinking water in addition to their subsequent cash contributions.

Some 21 employees from our Chennai office traveled by truck with Red Cross Society representatives and government officials to deliver the goods. Dr. Juergen Schubert of Siemens India was on hand for the send-off.

To reach Villupuram, we took the East Coast Road, which runs parallel to the shore. On the way, we passed several ruined, deserted villages

and fields. The villagers had either fallen prey to the tsunami waves or had escaped to refugee camps. The temple town of Mammalapuram, usually full of weekend tourists, resembled a ghost-town. In some villages, we found seawater in fields located almost a kilometer from the shore. We came across a refugee camp, where the conditions were unfathomable. Several families were huddled in a tent, with little food and water. Many of the injured were being treated in an open, makeshift first aid camp.

After four hours of travel, our team reached Mudaliar Kuppam, a small hamlet in the remote interior, with around 300 families in a local school building that had been converted into a temporary camp. People queued up to receive the material. We learned that several children were not able to attend school, as their studying materials had been destroyed in the tsunami. We later sent a second consignment that included items for schoolchildren. Within one day, we provided relief material to around 5,000 affected persons (approximately 1,000 families) in four villages – Mudaliar Kuppam (300 families), Pudukuppam (70 families), Anichang Kuppam (350 families) and Kilputta (refugee camp with 251 families).

Wherever the Siemens team visited, we saw a glimmer of hope on the villagers' faces. One of the volunteers reports, "The first village we went to was completely washed away by the killer waves. We were handing out household items to families, when we came across an old lady. She had lost everyone and everything she could call her own in this world. The tears trickling down her cheeks strengthened our resolve to work together and do whatever we can to help alleviate the problems of these poor souls, at least in the days to come."

Gautam Ghosh, in charge of Chennai and Southern regional head of I&S, led this team of volunteers. He sums up the experience: "In one of the villages, I stumbled on a young girl's photo in a frame, lying unclaimed in the corner of a shattered hut. I looked around, but couldn't find anyone. That's when it occurred to me – all the residents of that house were dead. The unclaimed photograph was symbolic – a mute, helpless spectator to nature's fury."

Bhagi Mahadevan of SRE, who coordinated procurement efforts and provided back-office support to the relief operation, says, "It was pathetic to see images of the affected victims on TV. When the company decided to undertake this relief exercise, I participated wholeheartedly."

This effort by the Siemens volunteers was indeed laudable. They endured long periods without food and water, carrying out the relief distribution under a hot sun. However, this did not dampen their spirits or their enthusiasm. G. Vasanthi from Indirect Taxation was in the



Shortly after the tsunami, Siemens India helped organize aid convoys. 21 employees volunteered to go along. Jürgen Schubert (center photo, center), head of Siemens India, coordinated the relief efforts throughout the entire region

forefront of the relief work. She says, "Helping needy persons is a great thing, but doing that by donating your time is even greater. I feel satisfied that my time and energy were utilized for such a noble cause."

Sunder and Nandini Medur, a husband-wife duo from PTD, said, "We had seen the waves



A medical team provides first aid in Sri Lanka

approaching the shore (on December 26) and the exodus of people. Later when we went to the villages to distribute relief material, we saw so many needy people – some elderly persons, some pregnant women, some sick and helpless – all had come to receive the material. It was very touching indeed, and we felt grateful for having the opportunity to serve the needy.” P. Ramachandran of Med says, “For me personally, the relief distribution was an opportunity to render whatever help was possible. Needless to say, a lot more has to be done for their long-term rehabilitation, especially to give them a source of income.”

It isn't surprising that, with committed people like Ghosh, Vasanthi, the Medurs, Ramachandran and Bhagi, the relief distribution was carried out with great efficiency. Other employees back in Mumbai also pitched in. Experience from the last disaster spurred them into immediate action, gathering items and planning the first leg of the relief operation in a matter of just hours.

In Sri Lanka, our partner, Dimo Ltd, undertook a similar effort. About 40 employees of Dimo visited 13 refugee camps both on the East and West Coast of Sri Lanka. They provided relief material such as food, clothes, drinking water and medicine to about 3,000 affected persons. A team of doctors also accompanied the volunteers. In the second round of relief, toys, books and uniforms were provided to the children. This was a joint effort by the employees and the company.

LOOKING AHEAD - REBUILDING LIVES

With the immediate relief work completed, emphasis is now on helping people rebuild their lives. Siemens is working closely with the

German Business Community, the German Consulate and the Indo-German Chamber of Commerce to assist in this. Siemens employees in India have already generously donated about €150,000 (approximately €15 per employee).

Mr. Schubert, the top coordinator for the relief operations in the region, outlines the agenda for Siemens' medium and long-term efforts both in India and Sri Lanka: “The worst affected were the poor, especially the fishing community. They have lost everything. It will



Massive Response

CORPORATE CITIZENSHIP In a massive response to the call for help, employees – current as well as retired – had donated some €2 million by mid-February. Siemens is matching these funds, raising the total to €4 million.

In January, Heinrich v. Pierer, past CEO of Siemens and now Chairman of the Supervisory Board, sent an e-mail to all employees worldwide informing them of the company's match. Responses came back from around

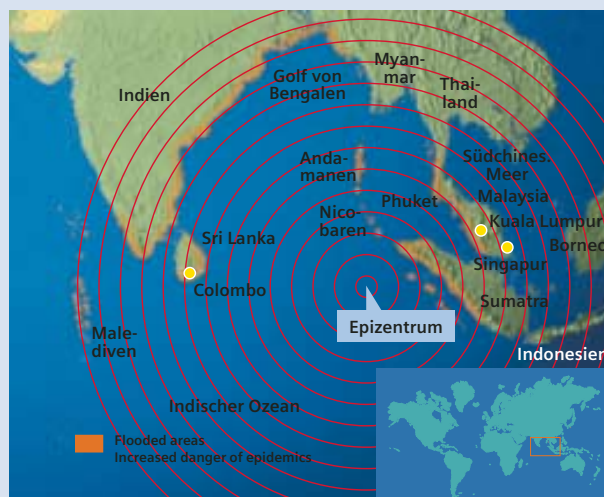
the world, including Australia, Ecuador, Guatemala, Finland, Mexico and South Africa. Many of the letters expressed gratitude and pride. For example, one employee wrote: “It fills my heart with joy and pride to be part of

take years to overcome this, unless someone steps in to support them. Our next priority is to provide them with a means of livelihood. Many families have lost their main bread-winner, leaving the women and children fending for themselves." He continued, "But the most important aspect is to help them rebuild their lives and give them a stable future. Depending upon the funds we raise, our goal is to adopt a few villages where we will undertake complete development activities – including housing, healthcare, education, livelihood opportunities, welfare and community services. Our goal is to raise 80% of the people in the adopted villages above the poverty line in the next five to six years."

Siemens is committed to being a good corporate citizen. It's not about simply writing a check; it's about reaching out. Employees from SISL Bangalore have also been engaged in relief work over the last four weekends. The tsunami brought out the human face of the company and its employees who acted spontaneously in the hour of need. In the days ahead, as our interim and long-term involvement crystallizes, our employees will work jointly with social workers in the villages to collectively achieve the goals. ■

HELP FROM AROUND THE WORLD AFTER THE CATASTROPHE

It was a subject that touched the hearts of many people. All in all, the "Siemens today" discussion forum (<http://siemenstoday.cc.siemens.com>) received almost 200 postings, including ideas, proposals and examples of the best way to help the victims of the disaster. A doctor told the tragic story of a colleague and suggested the increased use of telemedicine in catastrophes of this kind. Others encouraged people to continue traveling to the region in order to support the vital tourism industry. One employee wrote that his daughter, instead of asking for presents for her 18th birthday, had collected money for the victims. Her parents matched what she had collected, and the money then went to Siemens Caring Hands, where it was doubled once again, this time by Siemens.



Volunteers, along with donations of money and equipment, came from around the world to help Sri Lanka, Thailand, Malaysia and India (l. to r.)

this company. Our management and employees are setting an example by shouldering their responsibility to the rest of society and showing such compassion." In addition to the donations from employees around the world, there were also numerous examples of concrete assistance on the ground. Within a few days of the disaster, the Siemens Regional Companies in India, Indonesia, Malaysia and Thailand were all providing some form of technical support and had already started to deliver the funds they had collected (see pictures). For example, USFilter, part of I&S, sent six mobile water treatment plants to Thailand. And in Indonesia, just hours after the

tsunami had struck, Siemens technicians were already at work repairing telecommunications systems. Siemens also donated medical equipment and mobile phones. And Siemens Austria sent a mobile radio station to Banda Aceh in Indonesia to help the local police coordinate the cleanup and reconstruction work.

Many private initiatives were also organized by employees. For instance, Hans-Harald Kühlig and his wife, who comes from Sri Lanka, spontaneously transformed the vacation they had already planned to spend there in early January into a private relief campaign. Equipped with clothes, medicines and a siz-

able sum of money, they traveled to the island to help the survivors in a remote fishing village. Support also came from Dieter Knautz, chairman of the Gornel-Hilfe charity, which helps Chernobyl victims: "We collected, packaged and sent around €40,000 worth of bandages, plasters, surgical materials, drips and disinfectant." And the 40 students in the 2004 Siemens Bachelor Program were also determined to make a contribution, which they did in the form of a combined donation of €500. These are but a few examples of the many instances of help provided by Siemens employees worldwide.

LENDING A HELPING HAND

Elijah's Promise in New Brunswick, New Jersey, is a gathering place for the community's hungry and needy. At this soup kitchen, around 300 meals are distributed each day on average, and the recipients are provided with support to help them integrate themselves into society. With so many people to feed, the center was delighted to receive a few extra pairs of helping hands itself during the recent King Holiday – a week when many volunteers across the U.S. get involved in volunteer projects to commemorate the murdered civil rights activist and Nobel Peace Prize winner Martin

Luther King. The Siemens Caring Hands team busily set to work at Elijah's Promise, preparing over 70 hot meals, assisting the kitchen staff, serving food and making box lunches for needy people who were unable to come to the soup kitchen. This team consists of members of the African American Affinity Group, made up of employees from Siemens Corp. and Siemens Financial Services. Managing Director Lisanne Finston was thrilled by the team's support. "After all, many hands make light work," she smiles.



VALERIE FRANCOIS

wrote to tell us about the African American Affinity Group. She works in Internal Communications at Siemens Corp. in Iselin, New Jersey. She intends to donate her €100 prize to the Siemens Caring Hands Foundation to support the work of Elijah's Promise.

THE SIEMENS WORLD PHOTOGRAPHY COMPETITION: ENTER AND WIN!

Do you have a photograph from your professional or private life that depicts a particularly original connection with Siemens? If so, then send it to us, along with a brief explanatory text, a portrait photo of yourself and a description of your job responsibilities. For each issue, the editors choose the best photograph for publication and award a prize of €100 to the winner.

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