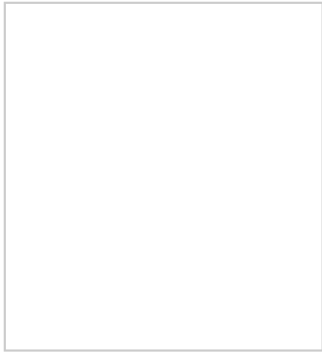


We Can Do That!

Siemens AG



"I think Siemens' basic principles are so universal that they can be readily transmitted and embraced at any location."

—Dr. Heinrich von Pierer, President and CEO, Siemens AG

Siemens AG powers the world—and as president and chief executive officer since 1992, Dr. Heinrich von Pierer has been a powerful force behind the company's global ascendancy.

Deeply committed to the integrity of the Siemens brand, Dr. Pierer has served as the catalyst for Siemens' Top program, which focuses on streamlining the company's internal processes, emphasizing continuous innovation, entering vital new markets and fortifying corporate culture. Under his direction, Siemens has anchored its presence in Eastern Europe and is rapidly building its position in the dynamic North American and Asian markets.

Dr. Pierer has characterized Siemens as "increasingly evolving into an innovative, global network." In his letter to shareholders in the company's 1997 annual report, Dr. Pierer stated that Siemens is "a network of people committed to using their electrical engineering and electronics knowledge to benefit customers around the world."

A native of Erlangen, Germany, Dr. Pierer earned both a doctorate of law in 1968 and a degree in economics in 1969 from the Friederich Alexander University of Erlangen/Nuremberg. Prior to ascending to the company's top post, he headed up Kraftwerk Union AG (KWU) and the Power Generation Group, two Siemens operating groups in the energy segment.

Dr. Pierer is Chairman of the Asia-Pacific Committee of German Business and is a member of Technologierat, former German Chancellor Helmut Kohl's advisory committee on technology.

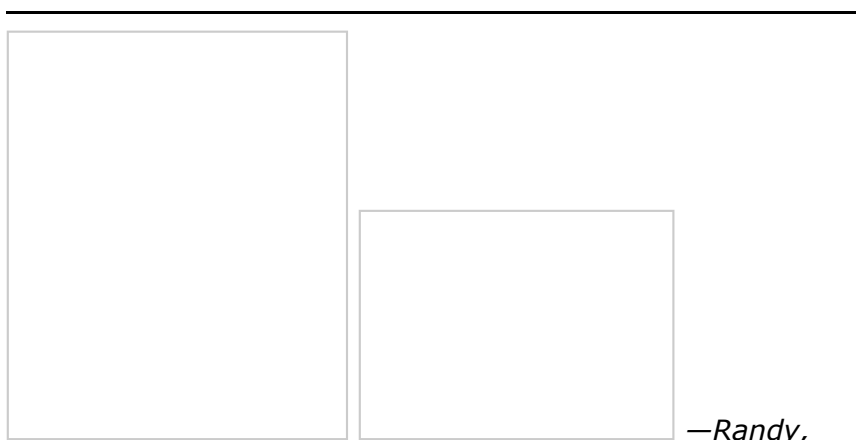
Your company celebrated its 150th anniversary last year. When did you first implement a globalization strategy and how did that strategy take shape?

When Siemens was established in Berlin in 1847, our founder Werner von Siemens moved quickly to fulfill his vision of building a worldwide enterprise. Only five years later we were installing Russia's first telegraph network, and in 1855 we opened a subsidiary in St. Petersburg. By the 1870s, the company had set up so many foreign manufacturing companies and was exporting so extensively that it was truly international in scope. In 1890, nearly half of the 4,500 Siemens employees worked outside Germany. So you can really say our globalization strategy was born with the company and has been pursued and refined ever since. In the '50s and '60s, for example, we focused on rebuilding our position in Europe and South America. In the '70s and '80s, we turned

our attention to the United States, and in the '90s we pushed into Asian markets with renewed vigor. Today we have operations in more than 190 countries and over half of our 400,000 employees work outside Germany.

Corporate longevity demands that a company be capable of learning and changing and yet still maintain continuity. How does Siemens maintain that balance?

As one of the world's oldest industrial companies, Siemens is a paragon of corporate longevity. Our survival alone proves we can learn and adapt to constantly changing market conditions without losing sight of our identity. All these years we have perpetuated the core values defined by our founder Werner von Siemens. I'd say that these values—being sensitive to change and responding to it, giving our people a strong sense of community, welcoming new ideas and experimentation, and maintaining a strong financial base to keep our independence—have been the backbone of our corporate culture. They have helped us survive enormous adversities, expand our operations around the globe, and remain a leading mover and shaper of our industry for generation after generation. At the same time, these values both allow and encourage us to adapt our culture periodically, as we are doing right now to master the challenges of market deregulation, liberalization and globalization. Put simply: our culture guarantees the balance between continuity and change.



—Randy,

Calcutta: *"It's the company that literally makes the world work."*

How would you define what you call your "balanced, global value-added network"?

Today, exports alone are not enough to secure competitive market shares. To remain viable, one must move into growth markets, form local partnerships with firms and customers, build plants, buy from local suppliers, provide vocational and managerial training, draw on local know-how, establish centers of competence—and integrate all of this into a global network. Such a network is the only way to achieve a sustainable competitive mix of optimized cost, quality, speed, pricing and flexibility. Our balanced network ensures that the Siemens name is a guarantee for innovative, high-quality, dependable and market-tailored products, systems and services—wherever they originate and wherever they are sold.

Is there a conscious effort to project a unified corporate brand image across all of Siemens' businesses? If so, how do you do it?

All eight of our core businesses—energy, industry, information and communications, transportation, health care, components and lighting—are in the fields of electrical engineering and electronics. This focus not only gives us unique strength in the industry, but offers valuable cross-business synergies, making us greater than the sum of our parts. We are a solutions business, providing everything from power plants and telephone networks to metro systems and hospital services from

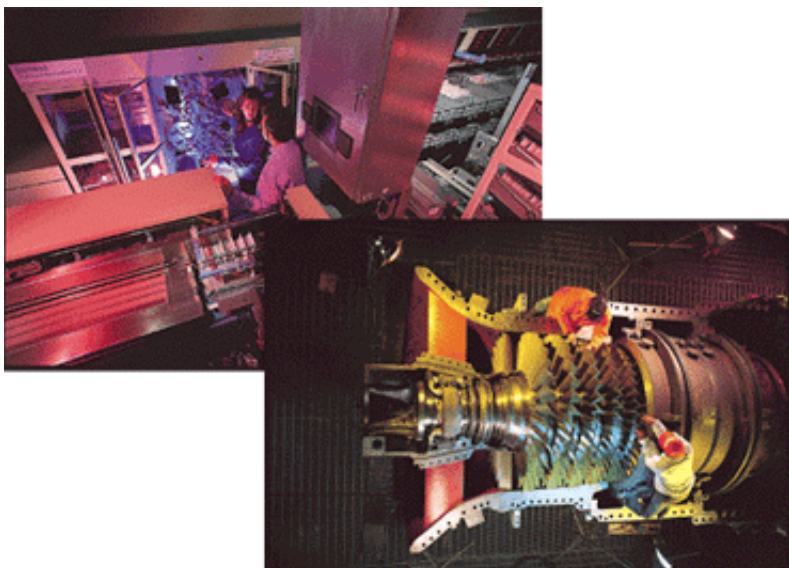
one source. The name Siemens is in itself a core attribute, a unifying image projected across everything we offer from chips to turnkey projects. Innovation, quality, experience and reliability are the common denominators behind our name in all of our businesses. One of the most important tools we have for maintaining this consistent brand image is a comprehensive, worldwide corporate design system with an extensive internal support group. We do not use outside consultants. It gives everything we do, from product design to advertising and collateral materials to building architecture, a highly distinctive look of quality—the visual counterpart to the exacting, consistent standards to which all of our businesses work. To our customers, the Siemens corporate design system also visually unites our diverse global businesses and clarifies their relationship with each other. Used consistently throughout each company and around the world, the system reminds customers who they are doing business with and why.

In what way does divestiture reflect your globalization strategy?

To remain competitive in a global environment, we must position each of our businesses in top world rankings. Strategic divestments free up resources that can then be channeled into strengthening core activities or exploring promising new fields. We see these moves as a process of consolidation aimed at making the best even better and generating ever more economic value added. This, in turn, can only have a positive impact on our global brand image.

In what way does acquisition reflect your globalization strategy and how will it affect your global brand image?

Acquisitions, like divestments, are part of our growth-oriented portfolio strategy that targets steadily improving profits. A third pillar of this strategy is building up new activities that have enormous potential. For example, Siemens Financial Services, formed in 1997 to unite and leverage our financial expertise across the whole of Siemens. All aspects of our portfolio strategy focus our global drive and ultimately enhance our global brand image. Siemens is fortunate to have one of the best-known company identities in the world. This powerful identity makes every Siemens product more visible and valuable in markets around the world. It instantly sets us apart from our competition. It speeds and enlarges the success of every Siemens venture, and allows each accomplishment to set the stage for even higher levels of achievement.



As your business becomes globalized, is it possible to maintain a consistent brand image everywhere you operate?

By definition, the process of globalization shifts a company's focus from its traditional home markets—in our case Europe—to other emerging growth markets. While our business in Germany and Europe will continue to expand, an ever greater percentage of the total will be generated in

the Americas and Asia-Pacific. Even though Asia is experiencing enormous difficulties right now, the region's long-term potential—particularly for the electrical and electronics industry—is staggering. As a global player, we must have an optimized regional mix to exploit this potential. So far as our brand image is concerned, our presence in many key countries for over one hundred years has given us a strong competitive edge. With our primary focus on capital goods, of course, we aren't exactly a household name everywhere we operate. But in all of our markets, the name Siemens has a clear and consistent image: we are an industry leader that delivers quality single-source solutions.

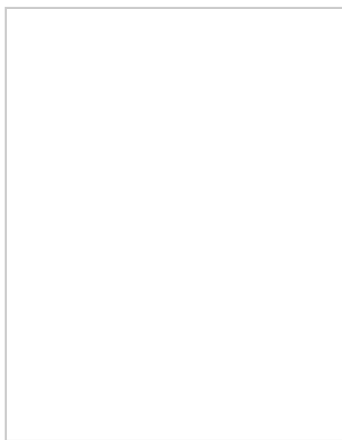
As you expand your operations across international boundaries, what effect does it have on your corporate culture and, ultimately, on your global brand?

As was customary for companies in the past, we generally relied on "exporting" our German-based culture. Today we are pushing true internationalization by embracing the diverse cultures that make up our workforce, shifting managers from region to region, building global project teams, stressing a global mindset. Ultimately we are aiming at creating a global corporate village and even a virtual company, where boundaries and time lose their traditional meanings.

Siemens has over 400,000 employees. How do you maintain a unified value system in such a large organization?

I think our basic principles are so universal that they can be readily transmitted and embraced at any location. We place our people first, stressing ongoing learning and open feedback; worldwide cooperation based on trust, personal integrity, mutual respect and open communication; good corporate citizenship; a climate of innovation; absolute focus on our customers; excellent leadership; and the drive for sustainable success. These clear guidelines enable our people to preserve the Siemens image yet respect local diversity.

In what way does Siemens promote innovation and what role does it play in building the global brand?



“Sempre digna de confiança, sempre inovadora. Essa é a Siemens.”
—Marta, Rio De Janeiro: “Always dependable, always innovative. That’s Siemens.”

Innovation is our lifeblood. To ensure we keep at the cutting edge in our industry, we dedicated more than \$4.8 billion to R&D last year, making us one of the industry's most research-intensive companies. More than 45,000 people work in R&D worldwide, and 70 percent of our sales are generated by products less than five years old. We are the top patent holder in Germany, number two in Europe, and among the top 25 in the U.S. Our innovation competition last year was conceived to tap our vast international pool of talent: more than 30,000 worldwide employees submitted over 6,000 entries. It not only highlighted our global resources and produced immediate marketable ideas, but also generated a keen sense of employee identity with the company and further boosted brand awareness in our markets.

We also bestow the Inventor of the Year Award and the annual Siemens Environment Prize. The 13 inventors honored in 1997 have over 350 patents and registrations to their credit. In last year's environment competition, employees in 25 countries entered 215 projects—again showing the broad international range of talent and interest. The impact of these initiatives is enormous. Our multifaceted global network is proving to be an unusually rich source of ideas we can draw on to enhance our competitive strength.

Does being active in the communications business help you in building your global brand? In what way?

Telecommunications has remained a core Siemens specialty and today contributes roughly 25 percent of our total sales. Yet unlike telecom companies, which customers everywhere perceive as part of their daily lives, we tend to remain in the background providing the basic equipment, systems and networks. In recent years, though, we have gained more widespread brand recognition with our business phone systems, mobile telephony networks and cell phones, and by expanding visibly high-growth markets. Yet it certainly isn't as easy to project a brand name for things like power grids, fiberoptic telecom networks and industrial automation systems as it is for cars, baby food or detergent. One of the things that is helping us build our global brand is our latest worldwide advertising campaign. Using the theme, "We're Siemens. We can do that.", the campaign positions Siemens as a dynamic, globally active, successful company whose capabilities, experience and technology make a huge impact on almost every walk of life, and a company which knows how to combine these abilities to produce a synergistic effect that benefits not only its customers, but the public in general.

Siemens espouses a "think global, act local" philosophy. how does this philosophy impact your marketing and brand-building efforts in new and emerging markets?

Our emphasis is on meeting local needs in new and emerging markets such as Eastern Europe and Asia. To be successful today, the market virtually demands that companies act locally. Our approach initially entails forming joint ventures with local companies. Once such partnerships have proven successful, Siemens generally enjoys a high degree of acceptance in the country, with brand recognition often a welcome side effect. When a national Siemens company is then established, customers are likely to be familiar with the Siemens name. We feel the "think global, act local" mentality not only best serves the interests of the emerging markets but also has a positive impact on our marketing and brand-building efforts.

How do you want the global marketplace to perceive the Siemens brand? What role do you, as CEO, take in shaping that perception?

We want people around the world to perceive Siemens as a provider of life technologies—products, systems, and entire infrastructures that are essential for people and societies everywhere. Whether you turn on a light, ride a commuter train, have an x-ray or pick up the phone—we want you to be aware of the company that improves the quality of your life. Having a strong brand identity is a valuable marketing asset. The way Siemens is perceived is really shaped by the actions of all our people, and by how well we serve our customers and ultimately the public. Everyone who works for Siemens has a responsibility to protect, maintain and further enhance the strength of this important asset.