

Siemens Financial Services Siemens Industrial Solutions and Services

For the business and trade press
Munich/Stockholm, August 15, 2007

Siemens: The water sector needs better conditions to attract investments and ensure sustainable supplies

Worldwide water consumption must be more efficiently managed and wastewater treatment expanded to guarantee supplies for people and continued economic development. "The market is growing strongly. Open questions and uncertainties about financing water-treatment technology are blocking efforts to raise private capital," Johannes Schmidt, member of the management board of the Siemens division Siemens Financial Services, told representatives of global governments and non-governmental organizations during the World Water Week in Stockholm. Unlike other infrastructure areas, private investors have shown little interest in putting their funds into the water business. The conditions for investments and the risk-return profile for investments in the water market must be improved if they are to compete for capital against projects in energy distribution, healthcare and transport.

Water consumption is constantly rising, fueled by global population growth and industrial expansion. At the same time, uncontrolled water use and pollution around the world are endangering ground-water supplies and their availability as sources of potable water.

"State of the art water and wastewater treatment and the reuse of water are increasing becoming a pre-condition for and the only way of securing future supplies," said Roger

Radke, CEO of Siemens Water Technologies. Today, Siemens offers solutions for every single step of the water- treatment process, Radke said.

In addition to technical solutions, though, he said increasing amounts of capital and know-how must be made available to reduce water shortages faced by cities and industry. "We all have to get used to the idea that significantly more money must be invested in water supply and distribution instead of putting it into the construction of amusement parks and highways or personal lifestyles," Radke said.

Water shortages offer companies, cities and industrial parks the opportunity of improving their competitive positions through efficient processes, innovative solutions and partnerships with investors. "We must increasingly unite our technology and know-how with potential investors and partners in the area of water supply and distribution in order to guarantee future supplies," Radke urged.

Despite the growing need, only a few investors are moving into the future market of "equity financing of water treatment and reuse." Still, successful projects in other industrial areas have shown Siemens that equity of 20 million to 100 million euros is sufficient to carry out projects valued at 100 million to 1 billion euros, Radke said.

"Equity models in the water area are always associated with high risks," Johannes Schmidt said. The financial expert cited four reasons for the investment risk: the lack of long-range planning horizons (up to 20 years), the unfavorable risk-return profile in comparison with other infrastructure investments, the unpredictability of political and social conditions and, finally, legal uncertainty.

Financing water and waste-water projects will have a future if investors think they can make a profit. Schmidt said that for extensive facility investments with equity, "effective risk management will be needed in terms of construction and product delivery" to take advantage of opportunities that arise. At the same time, this includes the highest possible use rate for a respective project in order to avoid disproportionately high procurement costs. Another requirement of financial institutions for investments in water supply

and distribution projects is long-range planning horizons. In addition, government officials and managers should create competition among their projects and guarantee that “suppliers and providers are offered profitable opportunities,” Schmidt said.

Water preparation and reuse are two of the most promising investment issues. But equity investments involve many challenges. “We have a great opportunity to support Siemens Water Technologies by offering flexible municipal and industrial financing solutions and, above all, effective risk management in this area. The opportunity of creating new water-sector solutions to meet growing demand can be created only if a win-win perspective for all partners in the water business is created.”

With its roughly 1,800 employees and an international network of financial companies coordinated by Siemens Financial Services, Munich, the Siemens Financial Services (SFS) Group offers a broad range of financial services. This covers everything from sales and investment financing to treasury services, fund management and insurance brokerage. SFS's key customers are above all internationally active industrial and services companies, as well as public-sector operators. For more information see: www.siemens.com/finance.

Siemens Water Technologies delivers cost-effective, reliable water and wastewater treatment systems and services to municipal, industrial, commercial and institutional customers worldwide. The division "Water Technologies" is part of Siemens' Industrial Solutions and Services Group (I&S) which is a system and solution provider for industrial and infrastructure facilities and global service provider for the plant and projects business covering planning, installation, operation and the entire life cycle. In fiscal 2006 (to September 30), I&S employed a total of 36,200 people worldwide and achieved total sales of EUR 8.819 billion, according U.S. GAAP. More information and downloads under: <http://www.siemens.com/water>

Press contacts

Siemens Financial Services

Markus Wierl
SFS SCDC
D – 80200 Munich
Tel: +49(0)89/636 - 31565
Fax: +49(0)89/636 - 35485
markus.wierl@siemens.com

Industrial Solutions and Services

Simon Wieland
P.O. Box 3240
D – 91050 Erlangen
Tel.: +49(0)9131 7-46169
Fax: +49(0)9131 7-25074
wieland.simon@siemens.com