

Siemens Financial Services

London, August 7, 2008

One year on: how is UK plc coping with the financial market crisis?

A quarter of UK firms see cost of credit rise, but a further fifth expect to be unaffected, says new survey conducted by Siemens Financial Services Ltd.

A new survey from Siemens Financial Services Limited (Siemens) in the UK has found that the credit squeeze is now affecting a substantial proportion of British companies, with pressure set to mount further in the second half of 2008. A similar proportion of the business community, however, feels they will be largely unaffected by the financial market crisis.

Research amongst 736 broadly representative UK firms reveals that a quarter (25.3%) of British firms have seen their cost of borrowing rise since the international financial markets crisis in 2007, with a further 15% of companies having been told by their bank that interest rate increases are on the way. Around half (7%) of those receiving notices of credit cost increases have already experienced a rise, with the other half (8%) facing credit cost increases for the first time. 16% expect their credit limits to be capped or revised downwards in the next six months. As a result, many firms are actively exploring alternative means of accessing and managing working capital, such as asset finance.

The IT & Telecoms sector, manufacturing and the financial services industry itself are being hardest hit by the financial market crisis, both in terms of rising costs now, and in terms of outlook for the rest of 2008. A fifth of the IT & Telecoms sector (22.4%) is actively increasing its use of asset finance to manage the effects of the credit crunch – this is almost twice the national average of 13.4%.

Overall, compared with the national average, more large firms have seen credit cost rises, more medium sized firms have received notice of rises from their bank, and more small firms expect a combination of credit cost rises and credit limit caps in the second half of 2008. This contrasts with some 20% of companies that believe they

will be largely unaffected by the current credit squeeze, indicating a polarisation of British business in their exposure to the tightening credit climate.

Derek Ryan, Sales Director, Siemens Financial Services Limited, comments, "This survey clearly shows the ongoing crisis in the financial markets is filtering through to the real economy in the UK. Yet most commentators believe the economy will continue to grow this year. Our survey tends to suggest that there is one slice of the business community that is suffering greatly, but another which feels cheerfully unaffected by the credit squeeze. Nevertheless, if those adversely affected are to soften the blow, and if the British business community as a whole is to avoid a prolonged recession, then UK plc's cash flow, supported by access to liquidity at a realistic and reasonable cost, has to be maintained."

"Recent years have seen easy access to credit at low cost. Now times have changed radically and rapidly, emphasizing that cash is a scarce resource and that consistently successful businesses are those that treat cash as a scarce resource even when it is not."

"There is no magic solution for firms that are genuinely over-stretched. However, improved working capital management in these circumstances will help a wide range of companies to remain cash flow positive and to access re-investment capital. Our survey clearly shows that one in six is actively seeking alternative financing tools such as asset finance."

"More dynamic activity is required from corporates in the search for alternative financing, along with greater efforts by the financial services industry to make additional forms of affordable financing available; if the country is to successfully ride out the current storm."

(ends)

Notes to Editors

Methodology

736 UK companies participated in an online survey during June 2008. Respondents, all senior decision makers, were asked about the impact of the credit crunch on their firms, their industry and the British economy as a whole. Fieldwork was conducted by Ciao Surveys, part of the Greenfield Online Group (NASDAQ: SRVY)

The Data

(Sample base: 736 companies, broadly representative of firms with 50+ employees)

% Agreeing with the Statement										
	TOTAL	Manufacturing & Hi-tech Engineering	Construction & Property	Financial Services	Media, Marketing & Consultancy	Hospitality & Catering	Transport & Communications	IT & Telecoms	Retail & Wholesale	Chemicals & Pharmaceuticals
My firm's cost of borrowing has risen since the credit crisis first hit the financial markets last year	25.3%	27.3%	15.8%	31.0%	16.0%	25.0%	22.7%	29.6%	20.3%	8.3%
My firm's bank(s) has been in touch to indicate that cost of credit may rise in 2008/2009	15.0%	11.4%	0.0%	13.8%	0.0%	2.8%	9.1%	27.8%	8.5%	16.7%
I expect the cost of credit for companies in my sector to rise in 2008	33.0%	31.8%	36.8%	37.9%	44.0%	19.4%	31.8%	38.9%	44.1%	25.0%
I expect the cost of credit for UK companies as a whole to rise in 2008	38.3%	38.6%	63.2%	51.7%	48.0%	30.6%	44.3%	44.4%	40.7%	25.0%
My firm's bank has adjusted one or some of our credit limit(s) downward since the credit crisis first hit the financial markets	8.7%	4.5%	0.0%	5.2%	24.0%	2.8%	11.4%	18.5%	10.2%	8.3%
I expect credit limits for companies in my sector to be capped or revised downwards in 2008	16.0%	15.9%	15.8%	17.2%	20.0%	11.1%	15.9%	16.7%	20.3%	8.3%
My company, and companies like ours, are actively exploring alternative financing tools (other than straight lines of credit)	17.6%	13.6%	26.3%	24.1%	8.0%	22.2%	18.2%	14.8%	16.9%	8.3%
I expect my company's use of asset finance (acquiring new equipment and/or plant through a finance plan) to increase in 2008	13.4%	13.6%	5.3%	12.1%	8.0%	5.6%	8.0%	22.2%	18.6%	8.3%
The impact that the credit crunch will have on my business is of great concern, but I am unsure as to its precise form	26.3%	36.4%	31.6%	32.8%	36.0%	22.2%	25.0%	25.9%	35.6%	25.0%
No effect, or marginal effect on my business	22.5%	15.9%	5.3%	19.0%	12.0%	36.1%	22.7%	14.8%	16.9%	50.0%

% Agreeing with Statement	TOTAL	200-		
		50-199	1999	2000+
My firm's cost of borrowing has risen since the credit crisis first hit the financial markets last year	25.3%	22.8%	24.0%	28.2%
My firm's bank(s) has been in touch to indicate that cost of credit may rise in 2008/2009	15.0%	15.7%	17.9%	11.8%
I expect the cost of credit for companies in my sector to rise in 2008	33.0%	38.1%	26.7%	35.4%
I expect the cost of credit for UK companies as a whole to rise in 2008	38.3%	40.6%	34.0%	40.7%
My firm's bank has adjusted one or some of our credit limit(s) downward since the credit crisis first hit the financial	8.7%	7.6%	10.7%	7.5%
I expect credit limits for companies in my sector to be capped or revised downwards in 2008	16.0%	17.3%	16.0%	15.0%
My company, and companies like ours, are actively exploring alternative financing tools (other than straight lines of credit)	17.6%	14.7%	19.8%	17.5%
I expect my company's use of asset finance (acquiring new equipment and/or plant through a finance plan) to increase in 2008	13.4%	14.2%	12.2%	13.9%
The impact that the credit crunch will have on my business is of great concern, but I am unsure as to its precise form	26.3%	23.9%	24.4%	29.6%
No effect, or marginal effect on my business	22.5%	23.9%	19.8%	23.9%

About Siemens Financial Services Limited

Siemens Financial Services Limited is a leading provider of innovative finance solutions to UK businesses and public sector organisations. With more than 250,000 customers Siemens has arranged finance for 90 of the current FTSE 100 companies and more than 50% of NHS trusts and local authorities. Siemens' unique heritage enables it to offer its customers a compelling combination of industrial, technological and financial expertise.

The business provides solutions ranging from £1,000 to many millions for a diverse range of financing needs, including equipment and asset finance, treasury services and working capital finance. It is active in a wide range of markets including healthcare, public sector, professions, IT, telecoms, office equipment and vehicles amongst many others. For many years the company has run highly sophisticated vendor finance programmes, underpinned by ease-lease, its highly innovative online lease tool.

With offices throughout the UK, Siemens Financial Services Limited has more than 230 employees and is headquartered in Stoke Poges, Buckinghamshire. The company's global headquarters is in Munich, Germany and it is present in more than 30 countries. For more information please visit www.siemens.co.uk/financialservices

About Siemens Financial Services

Siemens Financial Services (SFS) is an international provider of financial solutions in the business-to-business area. With about 1,900 employees and an international network of financial companies coordinated by Siemens Financial Services GmbH, Munich, we support Siemens as well as non-affiliated companies, focusing on the three sectors of energy, industry and healthcare. We finance infrastructure, equipment and working capital and act as a competent manager of financial risks within Siemens. By leveraging our financing expertise and our industrial know-how we create value for our customers and help them strengthen their competitiveness. For more information see:

www.siemens.com/finance.

About Siemens in the UK

Siemens was established in the United Kingdom 165 years ago. The company employs 20,387 people in the UK, including about 6,000 in the manufacturing sector. Last year's revenues were £3.6 billion, including exports of £873 million, and it spent almost £70 million on research and development. As a leading global engineering company, Siemens provides innovative solutions to help tackle the world's major challenges, across the key industrial sectors of energy, industry and healthcare. Siemens has offices and factories throughout the UK, with its headquarters in Frimley, Surrey. The company's global headquarters is in Munich, Germany. For more information, visit www.siemens.co.uk

For further information please contact

Siemens Financial Services Ltd

Andy Brown
Corporate Communications Manager
T. +44 (0) 1753 434046
M. +44 (0) 7721 513777
E. a.brown@siemens.com

Mayflower PR

Cathy May/Jason Hesse
T. +44 (0) 20 7087 8050
E. cathy.may@mayflowerpr.com /
Jason.hesse@mayflowerpr.com