

**Press Conference
Second Quarter, Fiscal 2013**

**Speech of Peter Löscher
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Check against delivery.

Development of the economy

It's half-time in our fiscal year, and it's evident that the economic situation is not developing as originally expected by experts. In particular, there still is no momentum from China. And a number of countries in the euro zone are in a recession. Since we generate about one third of our revenue in Europe, that is having an impact on us as well. In addition to that, we again incurred special charges that affected profit.

At this fiscal year's half-time, we are specifying our forecast for the year in more detail. For new orders, we confirm our expectations for the fiscal year and expect moderate growth on an organic basis. For revenue, we expect to see a moderate decline year-over-year on an organic basis. The reason for this is the difficult market environment for our short-cycle businesses. As for profit, we expect charges related to the Siemens 2014 program to total up to 900 million euros in the Sectors in the full fiscal year.

In view of this development and the results of the first half-year, we expect income from continuing operations in fiscal 2013 to move closer to the lower end of our original expectations of 4.5 billion euros. Please note that this outlook excludes the effects of legal and regulatory issues as well as significant portfolio measures. We expect these measures, primarily those related to the solar business, to lower profit by up to 500 million euros.

So much on our outlook. I would like to add that we expect earnings per share this year to reach a level at least as high as last year's.

Siemens 2014

When growth momentum is lacking in the global economy and our markets, the levers we ourselves can apply gain importance. For us, that is Siemens 2014. The goal of Siemens 2014 hasn't changed: a profit margin of 12 percent or higher in 2014.

In the meantime, we have defined some 20,000 measures and already implemented many of them. Savings achieved so far already total 900 million euros. This shows that we are on the right path. However, the longer stretch of the path is still ahead of us. A large part of our measures, whether already initiated or still planned, will not have a positive impact on profit until next year.

Key figures 2nd Quarter 2013

Influenced by the restrained investment climate in past quarters, revenue declined 7 percent to 18 billion euros, Income from continuing operations remained unchanged at just around 1 billion euros. Total Sectors profit dropped 29 percent year-over-year to 1.4 billion euros.

Orders improved substantially. They climbed one-fifth to 21.5 billion euros primarily thanks to a number of major orders received at our Energy and Infrastructure & Cities Sectors. More good news: Our book-to-bill ratio is again above 1 – as it previously was in nine of the last twelve quarters. For two quarters now, our orders have been above our revenue, and in the second quarter, our order backlog climbed to over 100 billion euros – which is just slightly below our all-time record.

We are also very pleased about how our free cash flow is developing. Compared to the same quarter last year, it grew 158 percent to 1.4 billion euros. That is a strong foundation for the future.

Development of the Sectors

In the Energy Sector, we posted a 46-percent increase in orders. That is excellent! Energy's Wind Power Division was able to book two major orders in Europe. First, an order from Dong Energy. We will install 166 wind turbines of the 6-megawatt class at the Hornsea Wind Farm off England's North Sea coast – that's the first major order for these new turbines.

And a second major order in Germany's North Sea. We received an order from the wdp Group in Bremen to deliver and install 80 wind turbines. The contract is worth over 700 million euros. The order also includes a ten-year service contract. That is the longest-term service contract for offshore wind power Siemens has ever received. These two major orders reinforce our position as the world's Number One provider in the offshore wind business!

Revenue of our Energy Sector declined 9 percent in the quarter to 6.3 billion euros; with its total profit of 551 million euros, the Sector made a major contribution to the company's overall performance. The Sector's income was reduced by charges of 84 million euros from offshore grid connection projects in the North Sea.

Let me briefly comment on the solar business, which I already mentioned earlier. We no longer consider a sale by the end of the year "highly probable." We have therefore reclassified it into our Sector structure as an Energy Sector business. However, of course, this does not change our intention to exit from this business.

Let me turn now to our Healthcare Sector. Here, revenue slipped slightly by 2 percent to 3.3 billion euros. In contrast to that, orders climbed a moderate 3 percent to 3.3 billion euros. The Sector's profit grew 21 million euros to 445 million euros. The figures show that the positive trend in the Healthcare Sector continued in the last quarter.

The Sector's strategy of banking on attractive entry-level devices is paying off. Our Magnetom Essenza magnetic resonance imaging (MRI) system is such a device, and today it's one of the most frequently sold MRI systems worldwide. We're very pleased about that in every respect. In addition, the strengths of the Healthcare Sector also rest on the Sector program Agenda 2013 that is being very successfully implemented by the Sector's management team.

And now to the Industry Sector – which in particular is feeling the restrained development of the economy. The short-cycle industry businesses in the U.S. and Germany weakened, and growth in China was also weaker than hoped.

Thus, valuable growth impulses were lacking. As a result, the Sector's orders also declined by 10 percent to 4.6 billion euros. Revenue dropped by 9 percent to 4.6 billion euros. And the Sector's profit declined to 350 million euros.

Finally, in our Infrastructure and Cities Sector, orders grew by a strong 34 percent to 5.2 billion euros. We were especially pleased to win two major orders with the Rail Systems Division: For one, a follow-up contract from Deutsche Bahn for the ICx, whose interior will now be even more comfortable, spacious and modern. In addition, the trains will be longer. For another, in January, Österreichische Bundesbahnen ordered 100 regional trains with a total value of 550 million euros. This is the first order of a framework contract signed with Siemens in 2010 that comprises 200 trains. The Sector's revenue declined in the last quarter by 5 percent to 4.1 billion euros. Sector profit amounted to 27 million euros.

Here, project charges of 161 million euros were painful for us as they reduced profit. These charges resulted from delays in the delivery of the Velaro Germany and the Velaro Eurostar.

Regarding the carve-out of OSRAM, it can be said that we're on track. Munich's Higher Regional Court has decided that the lawsuits filed by individual shareholders are not an obstacle to registration in the commercial registry. This means that we will push the carve-out. We now plan to publicly list OSRAM in early July.

Invensys Rail

I'd like to conclude my review of the Sectors with the good news that we are now in the process of wrapping up the closing for our acquisition of Invensys Rail. This move decisively strengthens our global leadership position in software-based signal and control systems for rail transport and supplements our activities in this field in an outstanding way. At the same time, this business will be a real heavyweight in the portfolio of our Infrastructure & Cities Sector and will add 1 billion euros of revenue to our green portfolio. The dynamic growth in new orders we were able to achieve in the second quarter is very pleasing.

Progress with Siemens 2014

While the initial results of the Siemens 2014 program have been gratifying, we must remain resolute and not relax our efforts.

We have always said that workforce adjustments would be made in the course of Siemens 2014. However, we have also said that job cuts are not our main focus. Rather, the overall objective of the program is to reduce costs and boost productivity. The company management and employee representatives completely agree that no targets should be set for job reduction, but that we will hold appropriate talks regarding individual measures and come to an agreement. That is how we will proceed. We will adhere to that. And that is why there will be no total number of jobs eliminated to communicate in advance.

Once the Committee for Economic Policy concludes consultations on individual topics in Germany and Siemens 2014 as a whole is in the process of being implemented throughout the company, we will, of course, have a clearer picture and review the results. We are in agreement that we will have reached that point by the fourth quarter.

To avoid any misunderstanding, I would like to make it clear that this applies to measures associated with Siemens 2014. There will always be purely organizational changes within the company, and they have nothing to do with the program. Incidentally, we do not expect the total number of employees at Siemens at the end of the fiscal year to significantly vary from the total at its beginning.

As far as costs and productivity are concerned, the Sectors are making proposals for reducing costs, boosting competitiveness and becoming faster and less bureaucratic. Our cost-savings target is a minimum of 6 billion euros. In detail, this means: The Energy Sector will save 3.3 billion euros. At the Healthcare Sector, it will be 800 million euros. The Industry Sector will lower costs by 1.1 billion euros. And the Infrastructure and Cities Sector is also aiming for cost savings of 800 million euros.

While we've had to lower our growth forecasts for this fiscal year due to the economic situation, we intend to maintain our profit targets. We expect that productivity increases amounting to 300 million euros will be needed to achieve that. Here, the main impetus will come from lower commodity prices – also due to the economic situation.

The implementation of Siemens 2014 will generate transformation costs – about 150 million euros to date. The bulk of these costs will accrue in the coming months, and we expect them to total 900 million euros for the full fiscal year.

We're off to a good start with our company program. Now we are picking up speed. I'd like to give you some concrete examples of what we have already achieved – and what we intend to achieve in the future.

Our progress to date with procurement is impressive. We will probably exceed our savings target of 1.5 billion euros this year. Here we are cutting costs where it makes sense: For example, by increasingly utilizing electronic auctions for procurements. Savings in the double-digit percentage range are not unusual with this highly innovative bidding process. Or by increasing our purchases in emerging countries. We already conduct a good 25 percent of our procurement in these countries.

We already outlined our general objective of integrating procurement and product development to a greater extent – in other words, design-to-cost. This is the rationale for transferring our procurement activities to the Sectors. In the future, Professor Russwurm will be the Managing Board Member responsible for coordination tasks on the corporate level. Other examples come from a field in which we are traditionally strong: technological innovation.

In the future, the towers for our wind turbines will not be made of large single pieces. Instead, they will be constructed by assembling smaller sections, like a modular building kit. Or, take our low-voltage motor Simotics FD that will deliver 30 percent more output. To achieve that, we've developed a new, modular platform. Together with our innovative converters, it provides an optimally configured drive system that enables customers to dramatically boost efficiency.

Let me summarize my comments: Results for the second quarter show a mixed picture. While we were able to clearly increase orders, we still have challenges regarding revenue and profit. Even more we're focusing on the factors that lie in our own hands: we're rigorously executing our company-wide Siemens 2014 program.