Semi-annual Press Conference

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Check against delivery!

Let me make the two most important statements of my speech right at the outset: The crisis has arrived at Siemens; but Siemens is not in crisis! What does this mean in detail?

<u>World Economic Crisis has also arrived at Siemens</u>

Last July, when we established our targets for 2009, the global economy was still projected to grow by three percent. When we last got together in January, experts were predicting that 2009 would see the global economy contract by 0.5 percent. This was in late January. Twelve weeks later, -0.5 turned into -2.5 percent. Over the timeframe of the past nine months, the economic outlook has gone from three percent growth to 2.5 percent contraction!

What we're now experiencing is not a normal economic downturn, but the worst collapse of the global economy since the Great Depression.

Europe and Germany are being hit especially hard. A 3.8 percent drop is currently being forecast for the euro zone. And the 2009 forecast for Germany has now been revised to a decline of nearly five percent. At the beginning of the year it stood at -2.2 percent. The IMF is even predicting a 5.6 percent decline for Germany!

The massive and coordinated interventions being taken by governments and central banks are the right steps for countering this international crisis. I have a high regard for the measures being taken here in Berlin and elsewhere, as well as the results of the G20 Summit four weeks ago. Together, these measures will help to contain the global wildfire – but none of us should expect miracles.

It will take time for these measures to affect the real economy, and for confidence to return. The crisis will continue to determine the course of events during this coming year. And the global economy will stabilize at a drastically reduced level. We would all be well advised to plan accordingly and to remain realistic.

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Second Quarter: Siemens is not in crisis

After a very good first quarter, we can now report on a solid second quarter. Especially when compared to our competitors, we are in good shape.

New orders were lower year-over-year. However, it's important to note that the second quarter of 2008 was one of the best quarters in our entire history for new orders. So, the basis of comparison is extremely high.

Revenue climbed five percent. Here we continued to profit from our high backlog of orders. And thanks to our conservative booking practices, we have seen no significant order cancellations to date.

Our book-to-bill ratio – that is, the ratio of new orders to revenue in the reporting period – remains above one. Our total order backlog grew once again by approximately €2 billion, and now stands at €87 billion.

Profit Total Sectors jumped 43 percent. This dramatic increase can, however, be traced back to a basis effect in the same quarter of the prior year. As you will recall, we had booked charges totaling approximately €770 million for our three Sectors in Q2 of 2008. Nine of 14 Divisions saw results that were within their margin ranges. The Divisions Building Technologies as well as Oil & Gas came in only slightly below.

Net income stood at more than €1 billion, and earnings per share climbed by 69 euro-cents to €1.11.

Free cash flow, at €1.9 billion, remained at the same level as the previous year. Measured against the first quarter, we increased our cash flow almost four-fold! The motto "cash is king!" is one we have certainly taken to heart. And we have made major progress, both in reducing capital tied up and in improving our management of receivables.

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Business Development at Sector Level

Let me begin with the Sector Industry, which has been hit hardest by the economic developments. As expected, the decline in new orders and revenue was widely felt across the Sector. The exceptions were the Mobility and Industrial Solutions Divisions, which are both primarily active in project business. Particularly hard hit were the Divisions in short-cycle businesses: Industry Automation, Drive Technologies, and Osram. We remain in very good shape, however, when compared with our competitors. Yet we have to acknowledge that market conditions have dramatically worsened.

The Industry Sector has implemented a series of measures to safeguard its business volume and profitability.

First example: We are intensifying our sales activities. The Hannover Industry Fair just ended. And numerous talks with our customers confirmed that the core benefit of our products is now in greater demand than ever before. Especially in times like these, production must be made more efficient in order to increase productivity and reduce costs. Our customers know very well that those who succeed at doing this will survive the crisis and will be in a position of strength moving forward. Nonetheless, our customers are now finding it more difficult to commit to supplier contracts than during normal times.

Also last week, our entire Managing Board was in Brazil. After a broad range of meetings with customers in Russia in February, we have now gone to yet another high-potential country, shown our colors, and met with a large number of customers.

Second example: We are continuing to take decisive steps to reduce sales, general and administrative costs. We are not only on track with this program, we are making progress much more quickly than we'd originally anticipated.

Third example: We have reduced our inventories and improved our receivables management. In large measure, our positive cash flow is attributable to the Industry Sector.

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In the Sector Energy, overall business developments have proven to be very robust. Revenue for the quarter jumped 28 percent, to €6.4 billion. New orders declined for two reasons: In industrial energy-related businesses the cyclical collapse of demand is being felt by customers. At the Fossil Power Generation Division, there's a baseline effect on new orders. During the second quarter of 2008, this Division's volume of new orders was the highest in recent years.

The book-to-bill ratio in the Energy Sector was 1.3, indicating a growing order backlog. Nonetheless, are not letting ourselves be lulled into a false sense of security. We assume that the longer the economic crisis lasts, the greater the number of energy infrastructure projects that will be stretched out over time.

The Healthcare Sector saw new orders increase to nearly €3 billion, despite the difficult market conditions. Revenue grew four percent, also to just under €3 billion. During this past quarter, we finished well ahead of our U.S. competitor – in business volume, in growth and in profitability! With these results, we are now the world market leader in medical technology.

Business Development at Regional Level

Here the picture is mixed. As expected, it is the industrialized nations who are most reticent to place new orders. In contrast, new orders in emerging markets have increased. Yet here, a very large order from China must be taken into account, which had the biggest effect on the bottom line.

Revenue increased in all Regions. And the declines in Southern Europe and in Germany were more than offset by higher revenue in other countries in the Region.

On the subject of Regions, I'd also like to inform you that we've made a number of minor adjustments to our Cluster organization. Cluster Africa now corresponds to the African continent. The Cluster Central Eastern Europe has been expanded to include Turkey and Israel. The countries Pakistan, Afghanistan, Iran and Iraq have been assigned to the Cluster Middle East.

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Business Outlook 2009

We consider the results at the halfway point of our fiscal year quite satisfactory. But we know the direction this year is taking – for everyone including us. And this direction is marked by a sign that reads: “Decline in orders, revenue und profit.”

Because of the ongoing crisis, we are preparing for a leveling off during the coming quarters. During the remainder of this year, we will come in below the targets we set in July of 2008. At that time we said very clearly that we expected a normal economic decline. This is the scenario upon which we based our plans and our outlook. No one could anticipate or plan for the crisis that has gripped the world since late autumn.

At our Annual Press Conference in November, we said that we would evaluate from quarter to quarter the effects the financial crisis on the real economy and on our company. In January, our Profit Total Sectors stood at €2 billion, exactly on target with our business outlook. In April, however, a very different picture emerged: fundamental changes have become evident and the entire business climate has worsened.

We took steps early on to safeguard our profitability. The optimization of our sales, general and administrative costs has already given us additional competitive advantages. Our procurement initiative provides us with yet another lever. We continue to expect Profit Total Sectors to exceed last year’s figure of €6.6 billion.

Measures taken

Over the course of 160 years we have learned to evaluate economic developments with a broad and balanced perspective. As a result, you will not see us making rash, short-term decisions or over-emphasizing the negative. What's important to us is long-term strength, strength based on innovation leadership and creative power in all our fields of endeavor.

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Our goal is to make Siemens a more productive, more efficient, and more competitive company step by step. And that is exactly what we are doing! The first step was realigning our business activities with the global megatrends. The second step was making our organization faster, more transparent, and more focused.

The third step was to reduce our administrative costs. Approximately nine months ago we approved this program, together with the employee representatives. Where do we stand today? Our goal was to lower our sales, general and administrative expenses by €1.2 billion by the end of the next fiscal year. At the halfway point of 2009, we have already reached the €1 billion mark. All in all, we are making good progress. And this progress is spurring us to intensify our efforts. After the successful efforts of the past months, we are now confident that we will surpass the target that we set for ourselves.

The fourth step for strengthening our company's competitiveness is optimizing our procurement. Last fall we succeeded in recruiting Barbara Kux for this job. She will now give you details on our procurement program.

Green Recovery: Siemens in a strong position

Even though we are currently going through a downturn, of one thing we can all be certain: namely that things will pick up again! Of course we must continue to do our homework. But part of this homework is to look ahead and to shape our own future. This is exactly what we're doing, and we see ourselves in an extremely strong position and on the right track.

In his fourth Berlin speech at the end of March, German President Horst Köhler called for an "*ecological industrial revolution*." Technological revolutions have always been our home turf. Therefore, no one is better qualified than Siemens to lead this green revolution.

This green revolution is not just a topic for speeches. This revolution is already happening. In the final communiqué released at the G20 summit in early April, participants pledged to work together for a "*resilient, green and sustainable recovery*."

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And they have backed their commitment to “*clean, innovative, resource-efficient, low carbon technologies and infrastructure*” with an impressive contribution toward such projects. In the coming years, government stimulus packages will allocate a total of US$ 430 billion to more efficient and climate-friendly infrastructure.

As the world leader in environmental technologies, we are in an extremely advantageous position. Today we already generate revenue of €19 billion from our portfolio of environmentally-friendly technologies.

One of the pillars of our Environmental Portfolio is our Renewable Energy Division, which has increased its new orders year-over-year by 75 percent. Two large contracts for wind projects in recent weeks have contributed to this increase: 500 offshore wind power systems with a total capacity of 1,800 megawatts for the Danish energy company DONG Energy. And 88 wind turbines for the offshore wind park Sheringham Shoal in Great Britain being built by the Norwegian energy companies StatoilHydro and Statkraft.

We are also strengthening our solar power business through further acquisitions. For example, with our stake in the Italian company Archimede Solar. This is one more step for us on the way to become the leading provider of solutions for solar-thermal power plants. We are the market leader in steam turbines for solar thermal power plants. By combining our technologies with those of Archimede Solar, we will be able to increase the efficiency of such plants and further reduce the production costs for solar power. And that’s just one example of how we are working to increase our technological and innovation leadership in the field of energy efficiency.

We are continuing to enhance our position as the leading Green Infrastructure Giant, and we are developing this focus in our conversations with customers. In March we released a study using Munich as an example, which demonstrated how sustainable and energy-efficient infrastructure solutions can contribute to a largely CO_2-free future for cities. At present, we are working together with the Russian Energy Ministry on a similar project for comprehensive improvements in energy efficiency for the city of Yekaterinburg.

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Compared with our competitors Siemens is in good shape

During this crisis, Siemens is demonstrating its robustness. During the second quarter, both new orders and revenue increased. During the remainder of this fiscal year, we expect declining business volumes and that we will not meet our July 2008 targets. However, when compared with our competitors we are in good shape.

We took early steps to safeguard our profitability, and have since taken a number of additional measures. Therefore, we continue to believe that our Profit Total Sectors will exceed last year's total.

Even during this crisis, we are continuing to pursue our long-term goal of strengthening our competitiveness. Our Environmental Portfolio makes us the world market leader in environmental technology, and we are working to quickly increase this lead.

The government stimulus packages are largely aimed at renewing infrastructure and production facilities. The move toward a green economy is an enormous opportunity for us.

Our position as the world's leading Green Infrastructure Giant, together with our experience, technological expertise and solid financial position, make us an effective and reliable partner throughout the world.

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