



**Press Conference
First quarter, Fiscal 2012**

**Speech of Peter Löscher
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Check against delivery.

Siemens grows in uncertain environment

Over the past months, Mr. Kaeser and I repeatedly communicated two assessments: first, the real economy is much more robust than the extremely volatile financial markets. Second, there is absolutely no doubt that the effects of the debt crisis and the turbulences in the financial markets will spread to the real economy. Both assessments were true and remain true. And that's why the economic environment is much more difficult for industry this year than last year. Some of our competitors were considerably more optimistic than we were a couple of months ago, especially in regard to Europe. Unfortunately, the developments over the past months confirm our assessments rather than those of the optimists.

Global economy pausing after period of high growth

The real economy cannot escape the effects of the volatility of the financial markets. Public budgets are increasingly strained. Anxiety about credit bottlenecks is dampening willingness to invest. And the global economic growth is levelling off. As expected, these macroeconomic developments had an impact on our first-quarter figures. New orders slipped five percent year-over-year to 20 billion euros. Our revenue continues to grow, and we achieved a two-percent plus. Here, we profited from our outstanding order backlog of currently over 100 billion euros. At roughly 1.4 billion euros, profit came in below the prior-year level. Here, negative effects included delays in projects, above all in conjunction with approval processes for the connection of offshore wind farms to power grids and the postponed delivery of the Velaro D to Deutsche Bahn.

Sectors' broad-based setup cushioning negative impacts

The first-quarter results of the Sectors present a mixed picture. In the Energy Sector, the Fossil Power Generation Division delivered outstanding results. However, as just mentioned, charges arising from project delays in Germany had an adverse effect in our Power Transmission Division. An intensive dialogue is being held on this subject with political decision-makers, including Germany's federal government. Expedient administrative processes also play an important role in successfully managing the energy turnaround, the "Energiewende". In the area of renewable energy, our expansion into the highly competitive wind market drove up R&D and sales costs. In addition, the revenue mix could be more favorable and price

pressure has increased. These factors led to losses in the wind business. However, we expect business to continue to grow and to be profitable in the coming quarters.

In the new Infrastructure & Cities Sector, delays in the certification of the Velaro D had a special effect. The delays were caused by the known difficulties a foreign supplier is having in delivering key components needed to ensure the compatibility of the Velaro D with both German and French rail systems.

In the Industry Sector, new orders were virtually stable, and we were able to achieve moderate growth in revenue. A less favorable product mix and higher operating costs due to investments in growth affected the bottom line. Short-cycle products, on the other hand, held their own in spite of an unstable market environment.

And in the Healthcare Sector, revenue, new orders and profit remained stable. The Sector is on schedule in implementing its Agenda 2013.

Expanding our strengths

Economic forecasts for the second half of 2012 indicate an easing of global economic tensions. We expect the economic environment to remain difficult in the second quarter and to gradually improve after that. But even if recovery does happen in the second half of the year, we will have to work hard to meet our targets. Here, we will benefit from our ample order backlog and a number of strengths. First, our financial position is very solid. Here, our conservative financial planning of the past is paying off. Cash remains king! And this applies all the more in unsettled times. Because it enables us to continue investing in innovation and growth and to flexibly respond to business opportunities that open up. This includes continuity and a partial ramp-up of our R&D activities.

Second: We have a broad portfolio that comprises both long- and short-cycle businesses. This balance gives us stability in uncertain times and enables us to profit from growth when the economy picks up.

And third: we rely on our global footprint. Where there is growth, Siemens is there. And where growth is especially dynamic, we profit from it – particularly in the emerging countries, which will continue to be the growth engines of the global economy this year. We are vigorously expanding our activities in these countries: Such as in Russia, where in December

we won a follow-up order worth over 600 million euros for an additional eight Velaro high-speed trains. Russia is traditionally a strategic market for Siemens, a key market in which we will be investing one billion euros in the next three years and doubling our workforce. We are also relying on our strong base in the established industrial nations. In our home market Germany, we expect business to be stable in fiscal 2012. In the U.S., we officially inaugurated our new gas turbine plant in Charlotte last November. We invested 350 million euros there and created 700 new jobs. These investments are paying off. Just recently, we won a major order for Saudi Arabia financed by the Export-Import-Bank of the United States. This makes evident that localization is the right strategy. The gas industry in the U.S. is growing in importance. Many experts expect the gas resources there to become an engine for the reindustrialization of America. And we are ideally positioned in this area with our highly efficient H-frame turbines.

To summarize: We are sticking to the targets we set for 2012. Yet, they have become more ambitious in view of the most recent economic developments. We expect the economic environment to remain difficult in the second quarter. Economic forecasts indicate a slight improvement and gradual recovery of the global economy in the second half of the year. For us, this means that 2012 will not be easy. Even if recovery occurs in the second half of the year, we will have to work hard to meet our targets. But Siemens is robust and well prepared for an economic upturn – both in industrial and emerging countries. Especially in uncertain times like these, our order backlog of over 100 billion euros, our strong portfolio, and our solid financial foundation make us a partner of trust for customers and for shareholders.