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Siemens' profit from operations up substantially in first quarter despite declining revenue

Löscher: "Our actions early on are cushioning us from the ongoing repercussions of the recession."

Siemens was again profitable in the first quarter of the new fiscal year. Despite declining revenue, nearly all the company's businesses reached their defined margin targets. Although the order situation stabilized, new orders remained at a significantly lower level than before the crisis due to continued weak demand worldwide. "Earnings for the first quarter provide a gratifying snapshot of our current situation. The actions we took at a very early stage are now cushioning us from the ongoing repercussions of the global recession," said Siemens President and CEO Peter Löscher. "We will continue to tackle all challenges decisively and in a responsible manner. Only such an approach can ensure Siemens' long-term success," he stated.

In the first quarter of fiscal 2010, which ended on December 31, 2009, Siemens generated revenue of €17.4 billion. Excluding currency translation and portfolio effects, this was an eight percent decline compared to revenue in the comparable prior-year period of €19.6 billion. Ongoing weak customer demand also impacted new orders, which fell 11 percent on an organic basis, from €22.2 billion in the prior-year period to €19.0 billion, but were slightly above the level of the immediately preceding fourth quarter of 2009. At the end of December, the order backlog was slightly above €83 billion, compared to some €81 billion at the end of September 2009.

Demand stabilization to date only in short-cycle business

The picture at Siemens' individual Sectors was mixed. While there were signs that demand was at least stabilizing in short-cycle businesses, other areas confronted ongoing challenges. The Industry Solutions and Drive Technologies Divisions reported the steepest declines. In the Industry Sector, organic revenue fell 11 percent overall in the first quarter and new orders 14 percent on an organic basis. In the Energy Sector, organic revenue was down seven percent and new orders 16 percent on an organic basis. In the Healthcare Sector, organic revenue remained broadly stable, rising one percent. Excluding currency translation and portfolio effects, new orders increased four percent.

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Profitability in operations

Despite declining revenue, Siemens proved the profitability of its operations. Total Sectors profit, the key indicator of the development in company operations, climbed 11 percent, from €2.0 billion in the prior-year period to €2.3 billion. The main drivers were good cost management and a favorable revenue mix with, for example, an increase in the proportion of service activities. At the same time, there was a substantial reduction primarily in sales and administrative costs. While Industry reported a profit decline of two percent, Energy increased its profit nine percent and Healthcare 53 percent.

Income from Siemens' continuing operations totaled €1.5 billion in the first quarter, a 21 percent increase over the prior-year period. At €1.5 billion, net income was nearly 25 percent above the prior-year figure of €1.3 billion.

Sustainable recovery in the world economy will not take hold for some time

Siemens anticipates that conditions in the manufacturing sector and world financial markets will remain challenging in fiscal 2010. Following a double-digit percentage decline in orders in fiscal 2009, the company expects only a mid-single-digit percentage decline in organic revenue in fiscal 2010 due to the stabilizing effect of its strong order backlog. Siemens expects Total Sectors profit between €6.0 billion and €6.5 billion in fiscal 2010, and an increase of approximately 20% in income from continuing operations compared to some €2.5 billion in the prior year. This outlook is conditional on no material deterioration in the company's pricing power during the fiscal year and on improving market conditions in the second half, particularly for shorter-cycle businesses. Furthermore, this outlook excludes major impacts that may arise during the fiscal year from restructuring, portfolio transactions, impairments, and legal and regulatory matters.

Siemens AG (Berlin and Munich) is a global powerhouse in electronics and electrical engineering, operating in the industry, energy and healthcare sectors. For over 160 years, Siemens has stood for technological excellence, innovation, quality, reliability and internationality. The company is the world's largest provider of environmental technologies, generating €23 billion – nearly one-third of its total revenue – from green products and solutions. In fiscal 2009, which ended on September 30, 2009, revenue totaled €76.7 billion and net income €2.5 billion. At the end of September 2009, Siemens had around 405,000 employees worldwide. Further information is available on the Internet at:

www.siemens.com.

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