SIEMENS

Press Presse Press Presse

Munich, Germany, December 3, 2009

Siemens demonstrates operational strength in a difficult environment in fiscal 2009
President and CEO Peter Löscher: “Market environment will remain challenging in 2010.”

Siemens demonstrated operational strength in a difficult economic environment in fiscal 2009. Growth and profit targets were met and, in part, substantially exceeded. The company continued to push its focus on its core businesses, and further expanded its Environmental Portfolio, one of the important growth drivers at Siemens. The procurement initiative and the program to reduce selling, general and administrative (SG&A) expenses further strengthened Siemens’ competitiveness. “In a very difficult environment, Siemens has performed very well in 2009 compared to its key competitors. Supported by our Energy and Healthcare Sectors, we can look back with pride on our stable revenue development and our robust profit on an operational basis,” said Peter Löscher, President and Chief Executive Officer of Siemens AG. “With new energy we started in fiscal 2010 and have strengthened our portfolio by the addition of Solel. We see substantial further potential worldwide in the area of environmental technology. To ensure the sustainable viability of businesses that have been particularly affected by the crisis, we are continuing to rigorously implement all necessary measures. The overall market environment will remain challenging in 2010.”

In fiscal 2009, ended on September 30, 2009, Siemens generated revenue of €76.7 billion compared to €77.3 billion in the prior year. On a comparable basis, excluding portfolio and currency translation effects, revenue was nearly unchanged year-over-year. In the case of an economic recession, Siemens had set the goal of seeing its revenue decline at less than half the rate of the global economy. The global GDP is expected to contract by 2.1 percent in 2009.

Revenue profited considerably from a high order backlog that slipped only slightly in fiscal 2009 to €81.2 billion from €83.1 billion a year earlier. New orders for fiscal 2009 came in at €79 billion. On an organic basis, excluding currency translation and portfolio effects, the order level was 14 percent lower than in the previous year.

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Despite difficult market conditions, both the Energy and Healthcare Sectors proved their competitive strength and posted higher revenues than in the previous year. This growth was largely offset by a decline in revenue at the Industry Sector, which was especially hard hit by the economic downturn. On a geographic basis, revenue grew in the Americas, Asia and Australia, while declining in Europe, the Commonwealth of Independent States, Africa and the Middle East. Overall, the Environmental Portfolio – comprised of products and solutions from throughout the company – had a stabilizing effect on business. The portfolio generated revenue of €23 billion in fiscal 2009, an 11-percent increase year-over-year.

Total Sectors profit grows substantially

Total Sectors profit, the key indicator of how company operations are developing, climbed 13 percent in fiscal 2009 to €7.5 billion from €6.6 billion a year earlier. Siemens had set the goal of at least exceeding the previous year's result. Profit rose in the Energy and Healthcare Sectors, while falling in the Industry Sector.

Income from continuing operations climbed 32 percent to €2.5 billion, from the prior-year €1.9 billion. Siemens also considerably exceeded its target of showing stronger growth here than growth in Total Sectors profit. Net income for the fiscal year was €2.5 billion. The prior-year's net income of €5.9 billion included a gain of around €5.5 billion related in particular to the sale of Siemens VDO Automotive.

Cost reduction target reached earlier than planned – Portfolio oriented toward growth

The global program for reducing selling, general and administrative (SG&A) expenses was successfully concluded one year earlier than originally planned. Over the past two years, Siemens reduced its SG&A costs, as planned, by a total of €1.2 billion – from €12.1 billion in fiscal 2007 to €10.9 billion.

Parallel to improving efficiency in the company, Siemens continued to rigorously orient its business to future growth. Even during the crisis, the company maintained its level of investments in research and development in order to stimulate organic growth. Expenditures for research and development climbed 3 percent to €3.9 billion in fiscal 2009. In addition, Siemens further strengthened its core businesses with portfolio adjustments and expanded its Environmental Portfolio.

With its acquisition of Solel Solar Systems and a 28-percent stake in Archimede Solar, Siemens has now taken technology leadership in the field of solar thermal energy. Moreover, the company

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has further expanded its know-how in the area of intelligent power grids (Smart Grids) by acquiring a 60-percent stake in Energy4U. At the same time, Siemens continued to drive its focus on core businesses. These efforts included selling the 50-percent stake in Fujitsu Siemens Computers and the Airfield Lighting and Wireless Modules businesses, as well as exiting from majority holdings in the remaining telecommunications business. The elimination of Other Operations was successfully completed in fiscal 2009, as announced.

Siemens is well prepared for the future – Outlook for fiscal 2010

Siemens has set its course for sustainable and profitable growth and is in a very good position to play a leading role in growth fields of the future. Overall, however, the market environment will remain challenging in fiscal 2010. Following a double-digit decline in orders in fiscal 2009, Siemens expects only a mid-single-digit percentage decline in organic revenue in fiscal 2010. The company expects Total Sectors profit between €6.0 billion and €6.5 billion and an increase of approximately 20 percent in income from continuing operations compared to €2.457 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 fiscal 2010 from restructuring, portfolio transactions, impairments, and legal and regulatory matters.

Notice: The Annual Press Conference of Siemens AG with President and CEO Peter Löscher, CFO Joe Kaeser and member of the Managing Board Barbara Kux will be broadcast live in the Internet beginning at 9:00 a.m. (CET) at: www.siemens.com/pressekonferenz. The slide presentation can also be seen and a video of the conference is also available later. The conference for analysts and investors (in English) with Peter Löscher, Joe Kaeser and Barbara Kux can also be followed live beginning at 4:30 p.m. (CET) at: www.siemens.com/analystconference.

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