



**Speech for Annual Press Conference
Fiscal 2011**

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Check against delivery.

Siemens achieves record operating results

2011 was an excellent year for Siemens. It was a year in which net income rose 55 percent to 6.3 billion euros and income from continuing operations reached an outstanding level of seven billion euros. And it was a year in which we achieved many great successes, for example: New order volume in Germany soared 62 percent, which is very gratifying.

This not only demonstrates how strong Siemens is in its home country but also how competitive German industry is in general. In 2011, we won our largest order ever in Russia. And one last example: In the emerging countries, our growth was especially strong: revenue increased twelve percent and new orders jumped 18 percent. Overall, emerging countries now account for 33 percent of our total revenue.

At the same time, 2011 was a year of unusually extreme peaks and valleys in the macroeconomic environment, especially in recent weeks. A rollercoaster ride in the Euro Zone – sometimes within the space of an hour. A debt situation in the USA that does not bode well for an upturn in the near future. And an accelerated shift of economic weight to the emerging countries – first the BRIC countries and the Middle East and then the so-called second wave countries, for example, Turkey, Mexico, Indonesia, Vietnam, and others.

Having been founded in the 19th century, Siemens can draw from a wealth of experience in dealing with challenging situations of all kinds. Second, Siemens, as a leading real economy company, has the advantage of indisputable financial independence, soundness and strength: Siemens is a safe bank – and not only a in the figurative sense! Third, Siemens has the advantage of a strong and balanced portfolio and greater customer proximity through its new four-Sector setup. And our perhaps greatest advantage is the breadth of our setup. In practically every emerging country, we have grown deep roots over decades.

These are all reasons why Siemens stands for consistency and confidence, even in turbulent times. This strength is unique, and Siemens employees all over the world on all levels of the organization deserve credit for that. I am proud of their performance and would like to take this opportunity to express my gratitude to all of them. We are well prepared to expand our

innovation power and basis for future growth in today's turbulent macroeconomic environment.

We achieved the targets we set for 2011. With over nine billion euro, we were able to break the Total Sectors Profit record for the third time in a row. We were able to boost revenue by seven percent and new orders by 16 percent. Our growth again by far exceeded that of the global economy; our growth rate was about twice that of the global GDP growth rate. In spite of one-time charges, we were able to boost income from continuing operations to seven billion euro, that's 65 percent more than last year. And earnings per share soared to 7.04 euro this year, from 4.49 euro last year. Based on these results, the Managing Board and the Supervisory Board propose a dividend of three euro to the Annual Shareholders' Meeting. That's an eleven-percent increase and a dividend payout ratio of 41 percent, which is right in the middle of the 30-to-50 percent corridor we defined. So, again, it is true: An investment in Siemens is safe, reliable, and attractive. And in these times in particular, this is a strong message that cannot necessarily be taken for granted.

Siemens proves operational strength in growth markets

A few brief comments on the individual Sectors: Our Industry and Energy Sectors delivered an especially strong performance this year. Both were able to grow new orders at a double-digit rate. The Industry Sector increased earnings by 36 percent to 3.6 billion euro. New order volume of the Sector is 24 percent higher than last year's and amounts to about 37.6 billion euro. The ICx order from Deutsche Bahn makes up a large share of this. It's the biggest order in the history of our company. However, the Divisions Industry Automation and Drive Technologies also had an extremely strong year and so contributed significantly to the success of the Sector. In both Divisions, revenue and new orders grew at a double-digit rate. Both are also very profitable. As far as Osram AG is concerned, preparations for an initial public offering at a later time continue as before.

The Energy Sector significantly increased new order volume as well – by 15 percent to about 34.8 billion euro. The again high earnings level of the Sector at 4.1 billion euro results largely from the excellent year of our Fossil Power Generation Division. The Ras Az Zawr power plant project in Saudi Arabia is an excellent example of the Sector's success: the order is

worth more than one billion US dollars. As far as renewable energy is concerned, our expectations have not yet been met in the area of solar thermal power because regulatory conditions have deteriorated and projects have been delayed. In the fourth quarter we wrote off 231 million euro.

However, the progress being made in the first Desertec projects shows this market does have a future. This year, our wind business won its first order for an offshore wind park in China. This is a milestone in our entry into the world's largest wind energy market. And in the previous quarter alone, we were able to book two further orders worth a total of nearly one billion euro for offshore wind parks off the coast of Germany.

With Fukushima and the fundamental change in energy policy it triggered in Germany, the year 2011 reset the parameters for the energy industry. This is a special challenge for us as a leading provider of technologies for fossil-based power generation, renewable energy, power grids, and of energy-efficient technologies of all kinds. Our technology competence and our Environmental Portfolio open up excellent opportunities for us. At the same time, the changes to the energy infrastructure aimed for by Germany require systematic monitoring and a high degree of circumspection in dealing with existing value chains and competitor constellations in the broader, international context.

Let's turn to the Healthcare Sector: Here, the picture is mixed. The strength of the imaging business, which has been able to maintain its leading market position, contrasts sharply with the operational challenges at the diagnostics business. In the pioneering area of particle therapy, we came to the conclusion that the time is not yet ripe for the broad commercial deployment of this highly innovative technology. Healthcare has launched an initiative called Agenda 2013 to boost its innovation power and its competitiveness in a market replete with both challenges and opportunities. Among other things, the program calls for selectively sharpening the Sector's particle therapy portfolio. It's likely that in the coming two years workforce adjustments will have to be made in this unit. But, in any case, we will be able to offer replacement jobs to the employees affected by this adjustment. Our continuing operations now employ a total of roughly 360,000 people worldwide. That's about 24,000 more than in the previous year and an increase of 6,000 jobs in Germany alone.

The global economy's growth is flattening

Where do we go from here? The macroeconomic environment continues to be highly volatile and difficult to assess. Over the past months, the forecasts of experts have become more and more cautious. However, even the most recent forecasts call for global GDP growth of three percent – in other words, growth roughly at last year's level.

It's clear that the global economy is moving at two speeds. The growth forecast for industrial countries is at 1.4 percent for 2012. The growth forecast for emerging countries is four times as high! It's 5.6 percent and even higher for the BRIC countries with 6.8 percent. Although capacity utilization is high, we currently see first signs of a slowdown – albeit at a high level – at customers of our short-cycle businesses and must realistically expect growth to level off after the gratifyingly vigorous upswing over the past one-and-a-half years.

Yet it is equally clear that we are also benefiting from the dynamic growth in emerging countries. There are many places in the world – from Istanbul to the metropolises of Asia and Latin America – where the daily news is not dominated by crisis summits and emergency measures but by growing self-confidence, by successes, and by rising expectations. And all these places are home to Siemens customers and to Siemens. Our growth rates there are above average. Against this backdrop, Siemens will continue to grow faster than the global economy as a whole.

Outlook for fiscal 2012

For fiscal 2012, we expect revenue to grow moderately and new order volume to remain significantly higher than revenue. We are aiming for income from continuing operations that matches the previous year's level; however, without the positive effect of the net gain of one billion euro from Areva.

In addition, we will use 2012 to further expand our innovation and growth basis for the years ahead: For example, by again increasing our R&D spending by 500 million euro. Or, to give you yet another example, we will launch our investment program in Russia that calls for in-

vesting one billion euro in Russia over the next three years and for doubling our workforce in this strategic market.

You're familiar with our medium-term target: Surpassing the 100-billion-euro mark. Our sights are firmly set on this target. Based on its own strategic planning, the largest share of the revenue increase – 45 percent – will come from our Energy Sector. However all other Sectors are on a growth course as well. Our record-level order backlog of 96 billion euro is a solid foundation for future growth. And our Environmental Portfolio and the growth of our business in emerging countries are key growth drivers.

Environmental Portfolio and emerging countries drive growth

Our Environmental Portfolio, with revenue of 29.9 billion euro in the fiscal year just ended, was again one of the pillars of our business. Demand for energy-efficient infrastructures and technologies that preserve resources is high and will remain high in view of the increasing world population. Just a few days ago, the seven-billionth human being was born. Technologies that simultaneously cope with population growth and protect our environment and climate have enormous potential. Siemens provides these technologies, and the further expansion of this part of our portfolio is a top priority for us.

We expect further growth momentum in emerging countries. We have consistently expanded our business over recent years and are ahead of our competitors in key segments. The figures for fiscal 2011 confirm that yet again: For example, new orders in the Asia-Pacific region climbed 25 percent. In the Middle East, they shot up 31 percent. Overall, we already generate one third of our revenue and new orders in the emerging countries, and 27 percent of our workforce is employed there.

Offering products that meet specific local requirements is key to further developing our business in these markets. Our so-called SMART products cover the low and middle price segments. This past fiscal year, we were able to significantly increase the number of SMART products, which are usually developed and manufactured in emerging countries. And we will systematically expand this part of our portfolio.

To summarize: An excellent year lies behind us. We will remain on a growth course in 2012. In a volatile environment, Siemens stands for confidence and sustainable, capital-efficient growth. Siemens is an excellent choice for customers and shareholders. Especially in these trying times. Our portfolio, our innovation power, our balanced global footprint are key to driving growth – and to topping the 100-billion-euro mark.