



**Phone Conference for the Press
Fiscal Year 2009 – third quarter**

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July 30, 2009**

Check against delivery

World economy

The most recent forecasts suggest that global GDP is stabilizing at a low level. Since May, experts have not adjusted their forecasts that the global economy will contract by 2.6 percent this year. In the coming year, the global economy is expected to grow by 2.0 percent.

But in the industrialized countries, we will have to adjust to an extended phase of below-average growth. In Germany, we can expect growth of 0.5 percent next year. Europe as a whole will likely grow slightly less than that. In the U.S. and Russia, growth is expected to stabilize at 1.5 percent in 2010.

The BRIC countries and the Middle East will emerge first from the downturn, and it is these countries that will achieve the highest growth rates in the future. Experts predict that China will grow by more than 8 percent next year, India 7 percent, Brazil 4 percent, the Middle East almost 4 percent.

Siemens has been deeply rooted in these countries for more than 100 years. As in many other countries, we are a strong local global player here. We are already generating approximately one third of our revenue in emerging countries. This share will continue to climb in the future.

Third quarter fiscal year 2009

At our Semiannual Press Conference we said that we were bracing ourselves for continued weakening of business in the second half of this fiscal year. Developments in the third quarter have been consistent with these expectations.

We particularly felt the weakening of demand in the short-cycle businesses in our Industry Sector. The Energy Sector remains stable. In the Healthcare Sector we held our own very well against our competitors.

Compared to the third quarter of last year, the figures for Siemens overall look like this: New orders decreased 27 percent, to 17.2 billion euros. Revenue was down only 4 percent to 18.3 billion euros. Profit Total Sectors in the third quarter was nearly 1.7 billion euros, a 21 percent decline against the same quarter last year. This is due primarily to declines in the Industry Sector. Net income decreased 7 percent, and earnings per share were down 10 euro cents from the same quarter last year.

Our third-quarter results demonstrate that we are entirely on track to achieve our targets for fiscal 2009. What is particularly decisive is that we are standing up to our competitors. It is this relative strength that counts at a time like this. And in this respect, we are doing well. As expected, the economic environment has had a substantial impact on new business. But we began early to prepare ourselves for that possibility.

Sector results

New orders in the Industry Sector dropped 42 percent against the third quarter of 2008, to 6.6 billion euros. This sharp decline resulted not just from the difficult business environment, but also from a baseline effect in the Mobility Division. In the third quarter of last fiscal year, we booked an order to deliver approximately 300 train sets to the Belgian national railway, for a total of 1.4 billion euros.

Revenue in the Industry Sector fell 14 percent to 8.1 billion euros. This decline in revenue primarily affected the businesses in the Industry Automation and Drive Technologies Divisions. The 534 million euro decline in profit is primarily related to these two Divisions, which previously delivered healthy profits.

The Energy Sector continues to hold its own quite well. Although new orders decreased 14 percent last quarter, the book-to-bill ratio still remained above 1. The Sectors' order backlog rose to a historic high of 48 billion euros. Worth mentioning is the Fossil Power Division, where new orders rose by 14 percent.

Revenue climbed 9 percent to just under 6.5 billion euros. We had double-digit growth rates in Europe, Asia and Australia. Profit jumped 40 percent, to 860 million euros. The sharp rise in profits resulted mostly from improved project management as well as a better business mix with a larger share of services.

The Healthcare Sector maintained its strong position, in spite of a business environment that remains difficult. As a result of low investment activity in the U.S., new orders were down 6 percent year over year, to 2.8 billion euros. Revenue climbed 2 percent to more than 2.9 billion euros. Sector Profit was down 17 percent, to slightly less than 270 million euros. This decrease resulted from provisions of nearly 130 million euros arising from several contracts related to particle therapy projects.

Its two large Divisions, Imaging & IT and Diagnostics, generated double-digit earnings gains against the same quarter last year, and also increased their margins.

Especially during this period of cost cuts, we see that integrated healthcare is the right strategy. This approach offers our customers solutions that help make their processes more efficient, thereby lowering costs and improving the quality of care.

Evaluation of results

All in all, we can be satisfied with the third quarter, especially in comparison to our competitors. We are making good progress in emerging from this crisis stronger than before.

On the cost side, we took the necessary steps at the right time. We are doing substantially better than we expected in reducing sales, general and administrative costs. Our target was to reduce these costs by 1.2 billion euros by the end of the next fiscal year, relative to fiscal 2007. Current figures indicate that three quarters into the current fiscal year, SG&A costs are 1.5 billion euros lower than in fiscal 2008. We are well on the way to surpass the target for our company – ahead of schedule!

We are also making very good progress in implementing our Supply Chain Management Initiative. For Siemens, we adopted the “60-25-20 Formula”. This means increasing centrally pooled purchasing volume to 60 percent by 2010. The share of goods we source from emerging countries is to expand from 20 to 25 percent in the medium term. And we want to reduce the number of suppliers by 20 percent. We will release an interim assessment at our Annual Press Conference on December 3rd.

Innovations in high end markets

On the revenue side, we are in an excellent position as a result of our innovation strength in high end markets. In this regard, three examples from our Sectors:

The first example is from our Industry Sector. It's the world's first streetcar with an energy storage, making operation without an overhead wire possible. This type of streetcar with hybrid energy storage can travel 2.5 kilometers without an overhead contact wire. Because they store and recycle brake energy, these streetcars require up to 30 percent less energy and produce up to 80 tons less CO₂ emissions than vehicles without energy storage. Travel without overhead wires is particularly well suited for locations in which the installation of overhead wires is difficult, for example tunnels or bridges. Operators that use wireless streetcars with energy storage can reduce electrification costs, and vehicles already in use can be easily and economically retrofitted.

The second example comes from the Energy Sector, and is known as the Irsching Turbine. This is the world's highest-performance gas turbine with an efficiency rating higher than 60 percent in combined-cycle operation. The 40,000 tons of CO₂ emissions that it saves each year are equivalent to the output of about 10,000 midsize cars driving 20,000 kilometers a year. And this is just one of our green portfolio's answers to the exploding worldwide demand for energy. Testing will be completed any day now. We are already in negotiations with international customers who are interested in this newly-developed gas turbine technology.

The third example, the Somatom Definition Flash, is from the Healthcare Sector. Its predecessor, the Somatom Definition, already set new industry standards worldwide. In 2005 it was the first CT scanner with two tubes, thereby enabling it to double its scanning speed and to half radiation doses. The Somatom Definition Flash is not only the world's fastest CT scanner; it also exposes patients to the lowest amount of radiation. Complete scans of the chest are possible in only 0.6 seconds. Patients are no longer required to hold their breath during the examination, as they were previously. This results in considerable advantages particularly for older patients, emergency patients, and intensive-care patients. The market potential is enormous. The Somatom Definition Flash is being delivered since the beginning of this month, and by the end of the year, we expect to have installed more than 100 devices. It is closely linked to the success of its predecessor, which was installed more than 500 times since its market launch.

Summary

Once again, Siemens is performing well in comparison with its main competitors. We are fully on track to achieve our targets for 2009. We were one of the first companies to adjust to the deteriorating market environment, and we did this before the crisis. Our innovation strength ensures us a leading position in the green technologies of the future. Now we can concentrate fully on our customers, and on the growing markets in the BRIC countries and the Middle East. We will approach the challenges ahead of us with diligence, and we will systematically implement our sustainable company strategy.