



Press Conference
Second quarter, Fiscal 2012

Speech of Peter Löscher
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Check against delivery.

Siemens achieves broad-based growth

Let me start with the news that's probably most important to you: We are lowering our profit forecast for fiscal 2012. For us, it's just as important that we are on track to achieve our targets for revenue and new orders over the fiscal year as a whole. Let's turn to the second-quarter results: As expected, it was not an easy quarter. The global economy seems to be stabilizing, but at a considerably lower level. In Europe, the debate on the sovereign debt crisis has calmed down a bit since the beginning of the year, but economists still forecast a light recession. Growth of the emerging countries continues to be dynamic, but the pace is slower than two years ago – this also applies to China. A slight election-year upswing is expected in the USA.

In this rather muted economic environment, our new order volume declined by 13 percent to about 18 billion euros – mainly because fewer major orders were received than in the previous year's quarter. Our revenue developed satisfactorily, growing nine percent year-over-year to roughly 19 billion euros. However, income from continuing operations, at about one billion euros, came in below our expectations. Two items had the biggest negative impact on profit. For one, we had to book an equity investment loss of 640 million euros for NSN in the second quarter. For another, burdens at the Power Transmission Division again had an adverse effect; in the second quarter, this amounted to 278 million euros. Delays in North Sea platform projects for the transmission of power to Germany are the main reason for this.

Pioneering projects in the North Sea

These platforms are five times as far from the mainland, have twice the capacity, and weigh five times as much as the platforms erected off the coast of the United Kingdom. The German North Sea projects are extremely demanding because of the nature and scale of the challenges we face – for example, the weather conditions at sea and the complex administrative approval processes. Every single weld seam of a transmission platform must be thoroughly documented and inspected.

The regulatory authorities are venturing into uncharted waters as well. For example, a final decision still has not been reached on whether platforms of this size should be governed by regulations for ships or for oil platforms. Nevertheless, we have a fairly clear picture of the

situation, and we're in the process of solving the problems. Project adjustments of such magnitude are painful. However, they are typical of pioneering projects, of ventures into uncharted territory. Throughout our 165-year history, we have dared to do that time and again. Ultimately, it is precisely projects like these that distinguish true pioneers. The situation in our transformer and high-voltage switchgear businesses is also difficult, but for completely different reasons. Aggressive competition from Asia has subjected the market to high price pressure. To secure our strong position in this business in the future, we will quickly and rigorously take action wherever we see structural challenges.

Broad-based Sector setup proves its value again

The performance of all the other businesses of the Energy Sector ranges from good to very good. The Sector is robust and intact. Business at the Wind Power Division is back on track and profitable. Despite the more intense competition, the Division was able to assert itself in the market with its outstanding portfolio of products and through its leading position in the offshore segment. Fossil Power was once again the most profitable Division of the entire company. Highlights in the past quarter include major orders for advanced combined cycle power plant projects in South Korea and Saudi Arabia. Our pioneering work in the development of the H-frame gas turbine is clearly paying off! It will be deployed in South Korea. Also, the project in Saudi Arabia is being supported by the Export-Import Bank of the United States – a success attributable to our engagement and positioning in the USA.

Revenue development at the Infrastructure and Cities Sector was moderate in the past quarter. Due to the decline in the number of new major orders in the rail business, new order volume dipped slightly. However, revenue and income rose. We've opened two new factories in the Indian state of Goa to manufacture products for the construction and expansion of power distribution grids. This marks further progress in the development of the new Sector. As part of a major contract to supply the Olympic city of Sochi with regional trains, the Rail Systems Division shipped the first Desiro RUS train. This underscores Siemens' position as the biggest supplier of rail technology in the strategic growth market Russia.

The performance of our Industry Sector's short-cycle businesses remains robust. We are very pleased about the opening of the Hanover Fair yesterday and today. It was very positive for us. The ever more aggressive international competition and rising raw material costs are

fueling demand for solutions that increase productivity and lower energy consumption. By acquiring RuggedCom and IBS, the Sector strengthened its position in the industrial software and IT market.

The Healthcare Sector has maintained its leading position in the field of medical technology. Both revenue and new orders rose. However, profit declined slightly year-over-year due to bookings related to "Agenda 2013." The new MAGNETOM Spectra, a magnetic resonance imaging system with excellent image quality and top speed, proves once again that Siemens has the capability to bring first-class innovations into the global market for clinical products quickly and at a competitive price. We developed this system as a SMART product and produce it in China. This shows that our innovation strategy is paying off. We are well prepared for the future. For the second year in a row, Siemens is the European patent champion – with more European patent applications in 2011 than any other company.

To summarize: The global market environment remains muted. While our revenue rose considerably, new orders did not attain the previous year's level because large project business declined. As far as the fiscal year as a whole is concerned, we are on track to achieve our targets for revenue and new orders. Due to burdens from energy transmission projects in Germany, second-quarter income did not meet our expectations. We are systematically tackling these problems. Overall, the company is well prepared for the future. The broad setup of the Sectors is proving itself. On balance, our innovation power is paying off.

Revised outlook for fiscal 2012

I now turn to our outlook: We confirm our expectation that organic revenue growth will be moderate and that new orders will exceed revenue. We anticipate that most of our businesses, including the short-cycle businesses of the Industry Sector, will deliver strong earnings performances. Due to the challenges mainly at Power Transmission, we now expect income from continuing operations to be 600 to 800 million euros lower than our original forecast of 6 billion euros.