

**SIEMENS**

**Annual Press Conference 2010**

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Check against delivery.

## Siemens' growth gains momentum

We have just completed a very successful fiscal year. We are emerging from the crisis in full swing. Our growth is gaining momentum. Our operating performance has, for the second time, broken a record. And this positive momentum is wind in our sails as we begin our new fiscal year. During the first part of my talk, I will look back on the past fiscal year, which was both eventful and successful. Today we can say that Siemens is now where we belong: in the Champion's League. At the same time we have also kept Siemens on a steady and stable course during the worst global economic crisis in many generations. I am very proud of this, as are the more than 400,000 Siemens employees worldwide. During the second part, I will discuss our new target system, "One Siemens", as well as the successful conclusion of our Fit 4 2010 transformation program. With "One Siemens", Siemens is going in a direction that is completely new in the history of the company, the transformation of Siemens is now nearly complete. We are a normal company, playing in the Champion's League. From now on, we're only playing offense.

## World economy has stabilized

The global economic playing field is, however, very differentiated. During the past months, the global economy has recovered from the financial crisis faster than many people expected. For 2010, experts predicted global growth of 3.8 percent. Slightly slowing momentum is, however, expected in the coming year, namely global economic growth of 3.5 percent on average. This is, however, only an average. There are significant regional differences. This is true within the industrialized nations: there are uncertainties regarding developments in the US. In Germany expectations are significantly more positive. When one compares the industrialized nations with emerging economies, these differences become even more pronounced. Growth continues to take place at two very different speeds. In contrast to the industrialized nations, emerging economies are demonstrating much higher dynamism. This applies particularly to the BRIC countries Brazil, Russia, India, and China. Siemens is benefiting from the opportunities this offers. Last year our new orders in Russia increased by almost 140 percent, while our new orders in Brazil were up by almost 50 percent.

## Total Sectors profit at record level for second year in a row

This brings me to the results of this past fiscal year. All Sectors and Regions saw new orders and revenue increase during the fourth quarter. Overall, our performance in new orders has increased noticeably over the course of the year, bringing our total new orders for the year well above those of the previous year. Revenue stabilized on a fiscal year basis, a trend similar to what we saw last year. Our operating performance has reached an all-time high. Profit Total Sectors is 7.8 billion euros. This exceeds our record profit for 2009. Without the write-downs in the Healthcare Sector, profit would actually be almost nine billion euros. And the bottom line for net income is that Siemens has kept its word and made major improvements. At 4.1 billion euros we are 63 percent above last year's level.

Of our three Sectors, the one that made the greatest profit contribution was Energy. The Energy Sector accounted for the greatest share of our order backlog of 87 billion euros. That's six billion euros more than a year ago. Top-quality energy technology products are in demand around the world. Many new power plants and wind farms in Asia, the United States, and Europe carry the Siemens name. Our Fossil Power Generation and Renewable Energy Divisions have been awarded many contracts over the past few quarters. The success story of our Renewable Energy Division continues. It received more new orders this year than any other Division. Its order backlog also exceeded the ten billion euro mark for the first time. And it is still on a growth curve: we recently signed a major contract with Enel Green Power for the delivery of 260 wind turbines.

The Industry Sector is clearly feeling the upswing, its short-cycle business segments have been doing particularly well again for several quarters. Almost all Divisions had increases in new orders and revenue, most clearly in the fourth quarter. Osram is at the head of the pack: Its profit rose more than six-fold during the fiscal year just past. Demand by the automotive sector for ultramodern LED technology is still very robust.

The Healthcare Sector remains stable. The greatest growth is coming from Asia. The Sector is benefiting from a strong year for the Imaging & IT Division, whose earnings increased more than 20 percent. Imaging & IT is second only to the Fossil Power Division in contributing the most income to Siemens, and has been able to strongly demonstrate its global leadership.

#### Fit 4 2010 Company program successfully completed

On the whole, we ended fiscal year 2010 very successfully. At the same time, we successfully concluded our Fit 4 2010 transformation program. The aim of Fit 4 2010 was to return Siemens to the top class global company. To achieve this, we set ourselves clear targets for profitability, growth, and liquidity. We have reached those targets and in some cases clearly exceeded them. Therefore, today we can say: "Mission accomplished."

In spite of a shrinking global economy, Siemens has grown twice as much as global gross domestic product. Where profitability is concerned, the Sectors have achieved their margins and are right where they belong: at the top. That was helped considerably by two additional initiatives that we launched after the program was introduced: The absolute reduction in SG&A costs by around two billion euros, which was completed one year earlier than originally planned. Our supply chain initiative, which began approximately two years ago, also had a significant effect on profit. We previously announced that we wanted to play our cards close to our chest in this area. Our positive results confirm that our decision to proceed in this way was the right one.

Where liquidity is concerned, we met our targets for the cash conversion rate and deliberately stayed below our target for capital structure. The stability of Siemens during these two difficult years underscores the wisdom and the value of our conservative financial policies. The company's transformation over the past years goes well beyond achieving financial targets. Evolution not revolution, but with determination and speed. That was and remains my credo! And this has guided us. Our portfolio has now been systematically oriented to the fields of the future. We have become stronger in important areas and made our final exit from areas like telecommunications.

We have done a lot to promote the diversity of our management. The percentage of women managers has more than doubled in recent years. The Managing Board has also changed considerably. Thanks to Barbara Kux and Brigitte Ederer, we have finally moved beyond the era of the all-male team. We are also a good example of internationalization. Passports are irrelevant at Siemens. We embody diversity!

Business activities have been newly bundled into Sectors and Divisions. With the introduction of the CEO principle, we now practice management accountability in a completely new way. We have redefined our management culture. Our employees throughout the company today work with a self-awareness characterized by transparency and integrity. And we have totally repositioned Siemens. Today we are perceived worldwide as the green infrastructure pioneer. A pioneer who has helped to overcome conflicts between economic and ecological priorities. A pioneer who transforms German engineering excellence, resource conservation, and sustainability into innovative and value-creating solutions for customers. Thereby, we serve both the environment and society.

Independent studies confirm that Siemens is set up in a sustainable and future-oriented way. For two years running, we have been leaders in the Dow Jones Sustainability Index. In important categories like Compliance, we achieved a perfect score, and serve as worldwide role models. Who would have predicted that 24 months ago? As the economic crisis was shattering global markets, we guided this company back to the top. This is now the time for us to say thank you. I would like to say a word of thanks to all employees for their priceless dedication, which has made this success possible. As an expression of this gratitude, employees worldwide will be receiving a special, one-time payment. We have made a total of 310 million euros available for this. Details were provided to you yesterday.

#### Siemens aims at new dividend level

The 120,000 Siemens employees who have been participating in our employee stock ownership program will also benefit from our success in their role as owners of the company. The Supervisory Board and Managing Board are proposing that a dividend of 2.70 euros be paid to our owners for 2010. That would be an increase of almost 70 percent from last year. The payout rate is therefore at 46 percent. With this dividend proposal, we are defining a new level for Siemens, and beginning a new chapter for Siemens and for its owners. What's also new is a clear dividend policy as part of a new target system. In the future, between 30 and 50 percent of net income, excluding exceptional noncash items, is to be distributed to our shareholders. With this new dividend policy, we are offering long-term investors a further incentive to invest in Siemens. Our message to customers, employees and shareholders is clear: Siemens is a company that creates value and increases its own value on a sustained basis.

## One Siemens – Framework for sustainable value creation

The sustained increase in the value of Siemens will be based on our new target system, “One Siemens”. The core element of this system is continuous improvement relative to markets and competitors. This target system puts capital-efficient growth at its center. It will enable us to further develop our peak level for profitability. Three financial target variables will be used to guide the company. First: growth. We want to grow more quickly than our competitors. That is why we will specify our growth rates in direct comparison with our competitors. Second: capital efficiency. With a ROCE target range of 15-20 percent we will set a new standard for capital efficiency. Internally, our businesses will compete for capital. Third: capital structure. A healthy capital structure is the foundation for sustained development of the company. The broader target range of 0.5 to one will give our shareholders and creditors clear criteria for creditworthiness and capital allocation.

In the Sectors, we are orienting ourselves toward industry-specific business cycles. We intend to achieve top EBITDA-margins compared to our competitors across those cycles. Based on today’s level, our Sectors are at the higher end of their EBITDA ranges. That’s why we now have to focus more intensively on growth in order to increase absolute profits.

### Focus on key growth drivers

We will pursue profitable growth with efficient use of capital with three initiatives. First, with innovative products from our Environmental Portfolio. Second, through even greater activity in emerging markets. And third, by expanding our service business. In addition, the focus of our sales activities is increasingly turning to cities as customers for comprehensive infrastructure solutions.

Our Environmental Portfolio is based on our innovation strength. One out of every three euros that we invest in research and development goes into green technologies. This is a good investment. This is how we brought our Irsching Turbine, the SGT-8000-H, to market this year. And we have already received the first commercial contract for it in the US. Environmental technologies generated 28 billion euros in revenue in 2010, approximately 36 percent of our total revenue. And this figure will continue to grow. By 2014 we are counting on revenue of more than 40 billion euros. Siemens is getting greener and greener.

That brings me to the second lever, the emerging countries. More than 50 percent of global GDP growth over the next five years will take place in these countries. We will participate in that to a great extent. In 2005, our business in emerging countries amounted to 19 percent. Currently it stands at around 30 percent. And we project this figure to expand considerably. We are relying on a local presence and local products, as much as we rely on the high esteem in which German engineering expertise is held worldwide. Proximity to customers everywhere in the world ensures that we will have access to markets. No other industrial company is at home in more than 190 countries as we are, and in many cases for 100 years or more! Today, more than 300,000 of our employees work outside of Germany and more than 110,000 in emerging countries. Their contributions to our global business benefit both our German employees and our medium-sized partners. We also intend to further intensify what we can do for customers by offering additional services. Our broad installed base throughout the world offers a strong platform from which to do this.

Siemens will also sell more of its innovations where growth is directly taking wing, in cities. Annual infrastructure investments in cities currently total two trillion euros. Of this, the Siemens-relevant market amounts to approximately 300 billion euros annually for energy-efficient buildings, modern traffic systems, smart grids, or water supply systems. A look at Masdar in Abu Dhabi shows just how far this can take us. Masdar City will be the world's first CO<sub>2</sub>-free city. As the green infrastructure pioneer, Siemens has entered into a strategic partnership with Masdar, to help build this city of the future. We will be installing smart grids and combining them with the most modern building technologies. Siemens and Masdar are also closely collaborating in the area of CO<sub>2</sub> separation and storage.

#### Siemens is once again a normal company operating at the highest level

Throughout the global economic crisis, we have demonstrated a high level of revenue stability. For the second year in a row we have achieved a record operating profit. New orders are once again strongly on the upswing. We have successfully concluded all elements of our Fit 4 2010 program. After twelve years of transformation, Siemens is once again a normal company operating at the highest level. From this point onward, our new target system "One Siemens" will set the framework for continued improvement for our customers, our employees and our shareholders. Our new dividend policy provides long-term investors

with a reliable orientation. And with the dividend proposal of 2.70 euros that we will present to the Annual Shareholders Meeting in January we will set a new dividend standard.

In 2011 we expect organic order intake to increase, relative to 2010. We also see a return to moderate organic growth. We anticipate income from continuing operations to increase by at least 25 to 35 percent, thereby continuing the positive trend in profit growth. Ladies and gentlemen, we are pleased with what we have achieved. We have high aims. And with “One Siemens”, we are opening a new chapter, motivated, determined, and on the offense.