

**SIEMENS**

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**President and CEO of Siemens AG**

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## **Siemens has an excellent start in fiscal 2009**

We got off to an excellent start this fiscal year: At plus 7 percent, our revenue growth was strong. New orders continued to exceed revenue. So the book-to-bill ratio was again positive at 1.13. At plus 20 percent, Total Sectors Profit substantially increased over last year's level. The profit margin of 2 of our 3 Sectors stayed within the 2010 target corridors. A year ago, only one Sector achieved that. And with the increase in revenue, we have been able to maintain the size of our workforce worldwide, as well as in Germany.

## **Global economic turndown - We are better prepared than others**

Again it is evident: We started early getting Siemens ready for stormy weather. We are staying on our course with self-confidence, strength and determination.

And we are doing so in an environment that has become even more challenging and that is marked by the impact of the financial crisis on the real economy. As recently as last November, independent economic analysts like Global Insight were still predicting that global GDP would increase by 2.1 percent in 2009. In the meantime, this forecast has been revised to a decline of 0.5 percent.

Of course, we are feeling the impact of this development as well. However, we are better prepared than others. The quarterly reports released in recent days make this evident. We're in a robust position. And we are convinced that we will emerge from the crisis as a winner.

## **Industry Sector with highest contribution to operating income**

Because of the short business cycles in many of its businesses, our Industry Sector has been most strongly affected by customers holding back on new orders. New orders dropped 11 percent. But revenue notched up two percent. The profit of our Industry Sector fell to €907 million.

We've made good progress in the restructuring of Osram. Developments in the Divisions Building Technologies and Mobility are very satisfactory – in terms of orders, revenue and profit.

In conjunction with our rail business, let me draw your attention to the order for 15 Velaro trains placed by Deutsche Bahn this past December. This is an order worth €500 million.

The Velaro is the successor of the ICE and already in operation in China, Spain and Russia – and soon in Germany as well. You will recall that not very long ago, the ICE was labeled an isolated

solution for Germany. Today we see a completely different picture. Of the last four international orders for high-speed trains, we won three.

A clear slowdown is visible in our Divisions Industry Automation, Drive Technologies and Industry Solutions. This follows the usual pattern of an economic downturn. So, the customers of these Divisions are now making large-scale inventory reductions. This is a typical stop-gap measure to quickly reduce costs and bound capital. However, it amplifies the downward trend for us. As soon as customers have adjusted their inventories, our new orders are likely to stabilize, albeit at an initially lower level.

The sharp decline in the steel industry is being felt by our Industry Solutions Division. And within the Drive Technologies Division, the market has significantly deteriorated for our placement machine business. After the carve-out of this business effective January 1, we must swiftly take further steps here to secure the future.

In general, we're concentrating on shoring up profit margin. In this context, the resolute execution of our SG&A program and of our procurement initiative, led by our new Managing Board office Supply Chain Management, has special relevance. To further adjust our costs to market conditions, we are utilizing the flexible structures and work hours of our manufacturing plants, which we developed together with employee representatives years ago.

### **Energy Sector's profit has doubled year over year – Healthcare Sector with excellent start**

The Energy Sector turned in a very good first quarter. Sector profit jumped 24 percent. All Divisions posted double-digit growth. Year over year, Sector profit more than doubled and hit a top mark of €756 million. The largest Division, Fossil Power Generation, significantly expanded its business. The relative year-over-year decline in orders in wind, transformers, oil, and gas results primarily from baseline effects from the previous year. The order backlog has continued to grow.

To give you just one example: In December we received an order from the Iraqi Ministry of Electricity to deliver highly efficient gas turbines, switchgear, transformers, and control systems. In addition to being a very large order, worth more than €1.5 billion, it was particularly rewarding to us that we could help normalize the living conditions in that country – at least to some extent. Please note that this order has not yet been included in the Sector's orders.

The Healthcare Sector also started the new fiscal year on a positive note. Even though the market continues to be demanding, orders increased 3 percent. Revenue even jumped 11 percent. And profit rose 3 percent.

### **Siemens sticks to income goals for fiscal 2009**

All in all, the first quarter results meet our expectations. Therefore we are sticking to our income goals for fiscal 2009. Even though reaching them has now become even more ambitious. We will carefully review these figures each quarter.

The times are tough for everyone right now. But we see no reason to join the chorus of those whose pessimism drags down the mood even further. Instead, we stand ready to meet the challenges of 2009 and the coming years with self-confidence, strength and determination.