

For the business and financial press
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Siemens: Annual Shareholders' Meeting 2008

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For the current fiscal year, Siemens has set the goal to grow its revenue twice as fast as the global economy and to increase its profit at twice the rate of revenue growth. The company reached these goals in the first quarter. "The first quarter of fiscal 2008 meets our expectations: Business volume developed positively. We booked 9 percent more orders compared to the prior-year quarter, and revenue grew 10 percent to €18.4 billion," said Peter Löscher, President and CEO of Siemens AG, as he summarized the first quarter of the current fiscal year. Group profit from Operations rose 16 percent to €1.7 billion in the first quarter.

Share price climbs over 40 percent in fiscal 2007

The overall positive business development in fiscal 2007 was also reflected in the company's value: "During fiscal 2007 – that is, between October 1, 2006 and September 30, 2007 – our share price increased by over 40 percent. Further increasing the Siemens share price is very important to us," stressed the CEO. One contribution here is the share buyback program. This coming Monday, Siemens will launch the program with an initial tranche of about €2 billion, said Löscher.

New company structure: Evolution, not revolution

“In regard to our performance, we can and must continue to improve. So we must deal with the changes in our economic environment.” Löscher thus emphasized once again the need for comprehensive further organizational development of the company. At the same time, he stressed that it was not about a revolution, but rather – as in the past – an evolution. Siemens would remain an integrated technology company, would hold to its broad international organization, and would follow the strategic course set three years ago: concentrate on activities in global growth markets, attain a No. 1 or No. 2 market position in each business, and measure its profitability against the best respective competitor. “Profitability and innovation power are the pillars for both sustainable success and thus for secure jobs as well,” he declared.

Target margin ranges raised – catching up with best competitors

Siemens is demonstrating its confidence in the future success of its new organization by setting higher target margin ranges for its operations. For the Healthcare Sector, the higher target range of 14 to 17 percent has applied since November 2007. For the Industry Sector, the target range will be raised to 9 to 13 percent as of the current second quarter, and the target range for the Energy Sector raised to 11 to 15 percent. For the two latter Sectors, this means that the upper targets of the ranges were increased by two percentage points, respectively. “We want to catch up with our best competitors in profitability,” declared Löscher. To reach these targets, the company will also leverage efficiency potential within its organization. Siemens intends to reduce its selling, general and administrative expenses 10 to 20 percent in the next three years. Preliminary results will be reported at mid-year.

Outlook: Company holds to year’s targets

“We assume that the U.S. real estate crisis will not directly affect our business. We have a strong order backlog. Last year, the ratio of new orders to revenue – the so-called book-to-bill ratio – was 1.2 to one. In the first quarter of this year, the ratio even reached 1.3 to one,” said Löscher. “In addition, since the majority of our business activities are determined by long cycles, a drop in spending would only be noticeable at a later point, if at all.”

While the high oil prices increase costs on the one hand, the company also sees a positive effect: Through its strong market position in infrastructure projects in the financially strong Gulf Region and Russia, and through its strategic participation in the Russian power plant manufacturer Power Machines, Siemens is in a very good position for winning further orders. Moreover, Siemens has an excellent portfolio of products and solutions for the efficient generation, transmission, distribution and use of energy – and thus targeted at energy saving. “In addition, the market for renewable energy is booming. Our biggest challenge in the wind power business is to expand our production capacity fast enough,” said Löscher. Siemens can effectively offset economic declines in individual countries through its traditionally strong international presence and its continuing solid business developments in Asia, in particular China and India.

To drive sustainable growth in Asia, Siemens is currently expanding its position in the middle market segment, in addition to the high-end segment. “This middle segment represents between 30 and 50 percent of the respective market, and is growing particularly fast.” In order to be successful in this segment, Siemens intends to further build up its local value creation and procurement, such as working more closely with Asian suppliers. “All in all, we believe that in the current year we will be able to maintain the strong growth of the previous year,” said Löscher.

Compliance: Clean business everywhere and always

Löscher once again stressed: “What counts for me is clean business everywhere and always, and highest performance meeting the highest ethical standards. The two are not contradictory, but in conjunction are the basis for sustainable success.”

Compliance costs to date now amount to about €1.1 billion. In addition, one must also consider around €520 million in tax liabilities and sanctions, whose scope cannot be estimated, and the thousands of employee-hours spent on clarifying the cases. To date, the determined volume of non-tax-deductible expenditures for the years from 2000 to 2006 totals around €1.3 billion. “Intangible damage is much harder to measure – the loss of reputation and trust in the general public,” Löscher continued. “We cannot undo this. But we are conducting a comprehensive clarification of the facts and are acting on the basis of those facts. Whoever is proven to be responsible will be held accountable. This also

involves taking precautionary measures on behalf of the company to maintain possible damage claims in the future.”

Siemens has introduced a number of measures to uncover misconduct and sharpen the awareness of its employees. The amnesty program launched in November gives employees the possibility of reporting compliance-relevant incidents, without being personally subject to damages or dismissal. Over 30 employees have made use of this possibility to date. Moreover, the company has established a disciplinary committee to determine appropriate disciplinary measures and enforce them in cases where suspected misconduct or violations of law or the company’s guidelines have been substantiated.

Cromme: SEC and Dept. of Justice – concrete settlement talks soon

“Fiscal 2007 was probably one of the most difficult years ever in the history of Siemens AG with allegations of corruption, proven cases of misconduct, and more than just isolated cases of so-called slush funds,” said Gerhard Cromme, Chairman of the Supervisory Board, in his speech at the Annual Shareholders’ Meeting. Yet the company is on the right path. Cromme continued: “We are making progress. This is evident from the tangible progress made in clarifying past wrongdoing, from the response of the general public to our actions, and from the recognition we are receiving from experts and government authorities.”

In particular, talks with U.S. authorities have shown favorable progress, said Cromme. Both U.S. supervisory authorities – the Securities Exchange Commission (SEC) and the Department of Justice – have signaled that they would soon begin discussions with us aimed at reaching a comprehensive and fair settlement. These talks could begin as early as February. “Of course, both the investigations by U.S. authorities and by Debevoise will continue as these talks take place,” said the Chairman. “They are most likely to last several months, and we do not know how soon a settlement can be reached. Everyone involved knows that this is a unique, precedent-setting case, so talks are likely to take some time.”

Siemens AG (Berlin and Munich) is a global powerhouse in electronics and electrical engineering, operating in the industry, energy and healthcare sectors. The company has around 400,000 employees (in continuing operations) working to develop and manufacture products, design and install complex systems and projects, and tailor a wide range of solutions for individual requirements. For over 160 years, Siemens has stood for technical achievements, innovation, quality, reliability and internationality. In fiscal 2007, Siemens had revenue of €72.4 billion and income from continuing operations of €3.9 billion (IFRS). Further information is available on the Internet at: www.siemens.com.

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