

SIEMENS

Annual Shareholders' Meeting
of Siemens AG on January 26, 2006

Dr. Klaus Kleinfeld
President and Chief Executive Officer of Siemens AG

Ladies and Gentlemen,

It is a pleasure for me to report to you, our shareholders, for the first time as President and Chief Executive Officer of Siemens AG at our company's Annual Shareholders' Meeting. And I'm happy to have this opportunity to personally lead you, so to speak, through our company's past fiscal year and to explain our company's perspectives.

Looking at the size of this audience though, "personally" probably falls short in this case. I'm deeply pleased and impressed that so many of you have come here today. And above all, it's a tremendous sign of how great your interest in Siemens is.

Many of you may know it: Today is not only the date of our Annual Shareholders' Meeting; it's also the birthday of our Supervisory Board Chairman.

The entire Managing Board and I want to wish you, Dr. v. Pierer, all the best on your 65th birthday!

For me as President and CEO, today is like a birthday as well. For one year now, I've headed this company as CEO. These past twelve months were exciting and filled with a wealth of experiences. During the past months I:

- visited with more than 500 customers in many countries;
- held in-depth talks with numerous employees in Germany and around the world;
- discussed business developments in detail with numerous analysts and investors;

- met with political figures and heads of state in key countries;
- visited many countries, some a number of times—including China, India, the U.S., Russia and the major European countries, to name just a few;
- and I naturally also held comprehensive talks with representatives of the media.

In each case, I not only saw and heard a high degree of interest in our company and its development, but also noted a feeling of great confidence and trust in Siemens, as well as acceptance and respect for us as a partner. And of course, that's bound with the highest expectations of our strengths in meeting and mastering challenges ahead.

There were quite a few challenges during the past year. And we still need time to master some of them completely. But the most obvious message is that we made solid progress in many areas. Not only that, but it is also clear that our systematic path to sustainable profitable growth is increasingly being understood outside the company.

Check against delivery.

Ladies and gentlemen, you are all familiar with last year's figures, so I don't need to go into great detail here today. Instead, let me limit my remarks to the six main messages for the year:

First message:

Outstanding growth—medium-term targets already reached!

We booked around €84 billion in new orders for the year—an increase of 11 percent—thereby continuing the positive trend in new business. This growth is a reliable indicator that we're prevailing in the international business arena—and that our customers trust us.

I am particularly pleased that we generated this growth primarily in new orders, derived from our own strength, with more than one half of orders for the year being organically grown.

Business growth in the Regions was quite notable. In Europe, we maintained an orders volume at the prior year's high level. The situation in Germany was especially pleasing. There, new orders grew by 8 percent. This development fuels our optimism. And we really look good particularly in those countries with high economic growth:

- For example: North and South America, where we posted a gain of 19 percent in orders. Our infrastructure solutions business was particularly strong in the United States. Today, our plants generate power to meet around one-third of all America's electricity needs. And 90 percent of America's mail today is sorted by Siemens postal automation systems. In this sector, we landed a major €460 million contract from the U.S. Postal Service.

- We also achieved above-average growth in the Asia-Pacific region, where new orders climbed 23 percent to nearly €12 billion. China really stood out: We increased our new order volume there by 40 percent. And we also posted above-average new order growth of 28 percent in India, where we won a number of major infrastructure orders such as the modernization of rapid transit trains in Mumbai—a project valued in the triple-digit million-euro range.

Second message:

We have stabilized our profits!

Group profit from Operations was nearly €4.7 billion before interest and taxes. One should note here that we had to cope with a negative earnings swing of nearly €1 billion in the Com and SBS Groups.

The company's income from continuing operations was approximately €3.1 billion, roughly equal to the prior year's total. In fiscal 2004, we posted income from continuing operations of €3.4 billion. This total included substantial special effects, such as a pre-tax gain of €590 million and a reversal of €246 million in deferred tax liabilities—both related to the sale of Infineon shares—as well as a goodwill impairment of €433 million. Excluding these effects, comparable income in fiscal 2004 was over €3 billion, nearly at the same level as 2005.

Dynamic growth – More than 2x global GDP

in millions of euros	FY 05	Δ (FY 04–05)
New orders continuing operations	83,791	+11%
Sales continuing operations	75,445	+7%

Comparable earnings level achieved

in millions of euros	FY 05	FY 04
Group profit from Operations continuing operations	4,687	5,136
Income continuing operations	3,058	3,450 -403*
Earnings per share , in euros continuing operations	3.43	3.87
Dividend , in euros proposed	1.35	1.25

* Effects related to Infineon share sale and a goodwill impairment (Pretax gain of €590 million on sale of Infineon shares plus related €246 million reversal of deferred tax liability, less a goodwill impairment of €433 million)

For fiscal 2005, we had basic earnings per share—on the basis of continuing operations—of €3.43.

The Managing and Supervisory Boards propose a dividend of €1.35 per share and ask for your approval. I believe the 10-cent increase over the prior year clearly reflects our confidence in the medium-term earnings trend.

Net cash in operating and investing activities was a negative €2.7 billion, after a positive €3.3 billion in the previous year. This development reflects our intensive acquisition program: We used €3.1 billion for purchases during the fiscal year. Moreover, cash flow was impacted by an additional need for capital in growth sectors, charges related to the sale of the mobile phone business, and a supplemental cash contribution to secure the pension plans.

Third message:

Our Groups are making solid progress!

Eleven out of 13 Groups, including Siemens Financial Services, have reached their margin targets, or are closing in. From my viewpoint, we are heading in the right direction. And naturally we are sticking to our margin targets. After all, the margins achieved by the best competitors in the respective industry played an important role in deriving our own targets. As we well know: to earn money sustainably in the global market, you need to be in leading positions. High investments in innovation are possible only in leading positions. This is the only way we can actively participate in the changes and consolidations taking place in our industries.

11 of 13 Groups – have reached margin targets or are closing in

Groups	Group profit (in millions of euros)	Profit margin (in %)	Target (in %)	Status
Com	454	3.5	8–11	⚡
SBS	-690	-12.8	5–6	⚡
A&D	1,210	12.3	11–13	✓
I&S	139	2.6	4–6	➔
L&A	69	4.7	7–9	➔
SBT	181	4.1	7–9	➔
PG	951	11.8	10–13	✓
PTD	212	5.0	5–7	✓
TS	45	1.1	5–7	➔
SV	630	6.6	5–6	✓
Med	976	12.8	11–13	✓
Osram	465	10.8	10–11	✓
SFS	319*	32**	18–22	✓

* Income before income tax (IBIT) ** Return on equity

Fourth message:

We have decisively strengthened our portfolio!

In fiscal 2005, we paid—as I said—a total of €3.1 billion for acquisitions in order to play an even greater role in growth markets. And we undertook these portfolio measures across the breadth of our business activities:

- For example, in the medical business area with the takeover of CTI Molecular Imaging. With this move, we've positioned ourselves well in the decisive future market for molecular diagnostics.
- In the power business area, we strengthened our position with the acquisition of Bonus Energy, one of the world's leading manufacturers of wind power plants. The gear-manufacturer Flender complements this business technologically. Plus, we added Austria's VA Technologie AG to the list. This acquisition substantially improves our power portfolio.
- In automation technology, we moved into the U.S. market for industrial drives technology with the acquisition of Robicon. And with the products of Flender and Robicon, we expanded our portfolio in the direction of complete drives systems.

- Or in the industry Groups. By integrating the metallurgy business of VA Technologie AG into Industrial Solutions and Services (I&S), we completed the Group's portfolio in plant construction and our regional presence, particularly in the growth markets of Southeast Europe and the Middle East. And with our purchase of Photoscan, specialists in video monitoring systems, we have expanded our offerings in security systems solutions at Siemens Building Technologies (SBT).

In addition, we also strengthened our portfolio in the past fiscal year in other fields such as automotive electronics and communications technology.

This overview of our acquisitions shows that we have strongly oriented our portfolio toward boosting our market positions. One goal stands out in each of these strategic moves: Not growth at any price, but **profitable** growth.

An active portfolio also means exiting from some businesses. That was the case in the recent past, such as with the Wincor Nixdorf Point of Sale systems. Or with the sale of a package of businesses to the private equity firm KKR consisting of parts from the Atecs Mannesmann takeover—the crane, gas springs and injection molding businesses—as well as Siemens activities including electricity meters and ceramics. The same was true for the carve-out of Epcos and Infineon. And we continued to prune our business portfolio in the past fiscal year as well. This involved reorganizing the Divisions of Logistics and Assembly Systems (L&A) and the dissolution of this Group. It also included the reorientation of Siemens Business Services (SBS) as well as the sale of the mobile phone business.

In particular, the sale of our mobile phone business to BenQ was much discussed in public. I take this very seriously: The sale of the mobile phone business was a painful decision for us as well.

At this point, I'd like to make a couple of points crystal clear. Over the years, ladies and gentlemen, we lost quite a lot of money from our mobile phones. And we all knew it could not go on like that. Naturally, we very seriously considered whether we should restructure this business on our own. And we examined this option very carefully. But seen realistically, it would have cost us additional billions of euros to bring this business into a truly leading position. And even more problematic: It would have tied up considerable management capacity for years to come.

We therefore decided to exit from this business. We then sought a solution that would satisfy the interests of our customers, our employees and our shareholders. In this quest, we succeeded with BenQ.

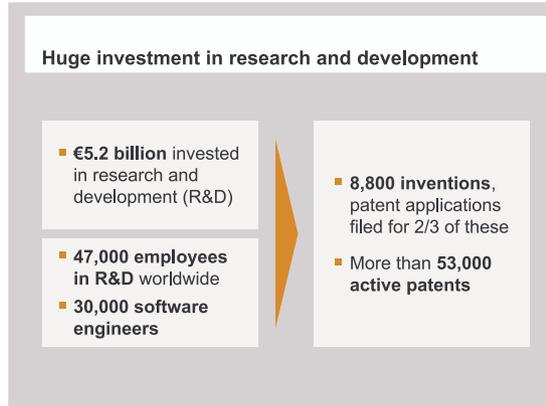
I'd like to turn now to my

fifth message:

We have further increased our investments in research and development!

One thing is clear: Our main engine for growth was, is, and always will be our power of innovation. That's what each of us stands for at Siemens. And we—myself included—are really proud of that fact.

We also spend quite a bit for our power of innovation. Last year, we invested €5.2 billion, or around 7 percent of sales, in research and development. Siemens has some 47,000 people working in R&D worldwide, including over 30,000 software developers. That's more than at Microsoft, by the way.



And we've proven that we can get the job done when it comes to inventions and patents. Here are the figures: In fiscal 2005 alone, our employees reported around 9,000 inventions and we applied for patents for some two-thirds of them. Worldwide, our patents numbers grew 10 percent in 2005, and today, we hold more than 53,000 active patents.

Two examples from the Siemens VDO Group—out of countless innovations throughout the company—that we introduced last year:

- First, the “Night Vision” system for enhancing the driver’s vision in the dark. We are the world’s only manufacturer to produce an infrared, heat-sensitive imaging system that projects the roadway ahead in a heads-up display directly onto the windshield. Only there can the driver easily identify objects like cyclists and pedestrians in the darkness ahead. The system has been enthusiastically received by our customers. Prototypes of this system are already in service.
- The second example is the “Park Mate” automatic parking assistant, which we presented at the International Motor Show (IAA) in Frankfurt last fall. The system is our vision of how parking a car could function in the future. The system automatically measures parked cars along the street and notifies the driver when its sensors have found a space

large enough for one’s car. Electronics then take over, steering to maneuver the car into the open space. “Park Mate” is part of an entire network of driver assistance systems that Siemens VDO is currently developing for the market. These new developments ensure safer and more efficient vehicles that are easier to operate and actively assist the driver in traffic that keeps getting denser.

My sixth and last message: Our workforce has grown again!

Our global presence is the basis of our competitiveness. The development of our workforce—which totaled some 461,000 employees at the end of the past fiscal year—reflects how we have expanded our international footprint and further enhanced our global value chain.

The size of our workforce naturally depends on our growth, including external growth. In the past fiscal year, we added around 37,000 people to our payroll worldwide. In particular, the number of employees outside Germany grew sharply: The total is now 296,000. In India alone, we increased the number of employees by more than 20 percent to 12,000 at present. In China, we now have more than 36,000 employees.

It is particularly notable, however, that the number of employees in Germany—now at 165,000—grew in the past year. In 2005, we hired a total of around 8,300 new employees in Germany in order to compensate for fluctuations and retirements.

In addition, we still have many open positions in the company—currently some 2,400. Around 1,200 of them are publicly announced job openings for external hires. And we have the same number of positions open internally. In our Power Generation Group, for example, we have been looking for hires to fill 600 positions for months now. In particular, engineers, but also project managers, skilled workers and assemblers for our various projects. And we're looking for these people throughout Germany—for our locations in Erlangen and Nuremberg, also in Mülheim, Duisburg and Berlin, as well as in Offenbach, Görlitz, Erfurt and Essen.

These facts clearly prove that the frequently circulated horror stories of the “decimation” at Siemens in Germany have no basis in reality.

Quite the contrary: The agreements reached last year to secure company locations in Nuremberg and Würzburg are a clear commitment by Siemens to Germany as a place to do business. It's also a clear commitment to education and vocational training in Germany which continues to enjoy a high reputation throughout the world.

With 10,000 apprentices, we are Germany's biggest industrial trainer. That's a tradition at Siemens. It's a tradition we're proud of, and one that we will hold on to in the future. In the past year alone, a total of 2,400 young people began their vocational training at Siemens here in Germany.

As in every year, the Corporate Executive Committee give considerable thought as to how we can best develop our training program. We decided to maintain our high trainee quota.

This means that we will continue to offer more apprenticeships in Germany than we actually need to cover our own requirements.

We have also made good progress with our training programs outside of Germany. In the meantime, we now have 4,000 young people engaged in vocational training throughout the world.

So much, ladies and gentlemen, for my six messages regarding the past fiscal year. This morning, we released the figures for the first quarter in the new fiscal year. These figures are available, as usual, online.

Three points stand out for me:

- First of all, we were again able to win quite a number of outstanding orders. For example, the delivery of 60 high-speed trains to China—a contract worth around €670 million. Or the delivery of transformers to Qatar worth €500 million. Or, the order from O2 for radio relay equipment to be used throughout Germany. This contract, worth €250 million, instantly made us Europe's biggest supplier of this technology.
- Second, we introduced many innovations to the marketplace in the course of the first quarter. Especially impressive: the Somatom Definition, our new computed tomography system that Mr. Reinhardt and I presented to the public in New York last December. For me, this system is unique proof of our power of innovation to serve people. Our new CT can scan the human heart in six seconds and the entire body in 20 seconds. A matter of seconds and a precise diagnosis can mean the difference between life and death, particularly in emergency situations. Thanks to two recording sources, the Somatom Definition can even take high-resolution images of the heart between beats, even at a high pulse rate. This means that the patient doesn't have to take a beta-blocker or other medication beforehand.

The X-ray tube used in this system was nominated for the Future Prize of the German President. Our customers have also shown great interest in the Somatom Definition. In the coming months, we will be delivering the first 10 such systems to research institutions and university clinics throughout the world. The first system, by the way, will be located right here in Munich. Last October, we installed the first Somatom Definition at the University of Erlangen for pre-clinical testing.

- Third: We have rigorously continued the reorientation of SBS. The major move here was the sale of the Product Related Services (PRS) Division to Fujitsu Siemens Computers (FSC). This business is expected to be transferred to FSC on April 1, 2006, at the beginning of our partner's fiscal year. PRS carries out product-related IT maintenance and services and generates sales of €1.3 billion with around 5,000 employees.

This business faced a tough situation within SBS. And also in view of the fiercely competitive market, which is characterized by many "Ich-AGs" (so-called "Me Companies" founded by single entrepreneurs under a government program to reduce unemployment) and their extremely competitive cost structures. I am convinced that FSC was the best possible partner for this business. Because our joint venture FSC can now, as planned, bundle its products and services on the market. Our SBS technicians know FSC products like the back of their hand. In this way, we also ensure the necessary continuity for our customers. In turn, SBS can concentrate on its core business—providing high-value services—and above all, focus on building up its IT outsourcing and innovative IT solutions businesses and improving their profitability.



Last year, we announced that we would be restructuring the SBS Group. We are now carrying this out step-by-step and aren't letting ourselves be distracted by speculation. By the way, this applies to all of our plans. The reorientation of SBS is only part of a bundle of measures that we have consolidated under our Fit4More work program.

We presented this medium-term program last April and are rigorously implementing it. The program rests on four main pillars.

The first pillar is titled "Performance and Portfolio" and covers all of the measures we've defined to place the company on a path of profitable growth. And we are making good progress here:

- Our goal is to ensure that every one of our Groups reaches its margin targets by 2007. Eleven out of 13 Groups already achieved this in the past fiscal year, or are at least closing in. I have already discussed this.
- With regard to the necessary strategic reorientation of the I&C Groups and the L&A Group, we can check off major points. The integration of L&A into the Automation and Drives (A&D) and I&S Groups has been successfully completed. And the sale of the mobile phone business as well as our carve-out of Sinitec and PRS from SBS have marked important steps taken within our I&C business area. But it should also be quite clear: We've not yet reached the end of the road.

- In fiscal 2005, we already achieved our goal to grow twice as fast as global GDP. Naturally, we don't want to rest on our laurels since that growth pace is our target for every year.

The second pillar in our work program is titled "Operational Excellence." This is all about rigorously executing our *top+* Siemens Management System. *top+* gives us the right instruments for improving our business operations. And many successful examples in the Groups and Regions prove that the rigorous use of this toolbox is the right way to reach our goals.

A key component of *top+* Siemens Management System includes our company programs Innovation, Customer Focus and Global Competitiveness. In our Innovation initiative, we are focusing our efforts on developing trendsetting technologies and cross-Group platforms. Among other items, our Customer Focus drive concentrates on strategically building up our Siemens One marketing approach. And the Global Competitiveness initiatives aim at even better leveraging the advantages of our global presence along the entire value chain.

The third focal point of the Fit4More program is "People Excellence." The basis for our company's sustainable success lies in our people: excellent employees with the ability to work well in teams. We want to attract, develop and retain the best and brightest people worldwide. And we want these people to form the best teams worldwide. That's because in our ever more closely networked world, international teamwork often is the only sustainable competitive advantage. We have introduced a wide variety of measures to promote People Excellence at Siemens.

- One of these is a new training concept for our managers that we have successfully launched across all levels of the company hierarchy. This is important for us: At Siemens, we train our own young management talent. Such work can't be delegated.
- A second example is a new model for the special development of expert careers. Our focus here is on emphasizing technical competency. We want to target the development of the best experts.

The fourth pillar of the Fit4More program—Corporate Responsibility—involves various types of entrepreneurial responsibility. One is corporate governance, or ensuring responsible and transparent company management and controls.

Our Business Conduct Guidelines, or the strict upholding of an exacting set of ethical values, are another aspect of responsibility. We take this topic very seriously and have absolutely clear, unequivocal rules and regulations. Each individual at Siemens must be aware of what harm he or she could cause to him or herself personally and to our company by violating these regulations. All of our company's managers and I agree: Violations will not be accepted!

The term responsibility traditionally has had a broader meaning at Siemens. It isn't limited merely to abiding by the "rules of the game." It also includes a special responsibility to society as a whole—and not only when it comes to providing aid following catastrophes, such as Asia's tsunami.

We also work in the everyday world, such as part of the "Side by Side" project in Erlangen, in which Siemens apprentices volunteer to organize a day of special experiences for handicapped children and young people.

We enjoy an excellent national and international reputation for our engagement in the field of education and for supporting the sciences.

The responsibility of the company, ladies and gentlemen, is not only directed to the outside world—to society—but is also oriented inward. To our employees.

In his Christmas address to the nation, German President Horst Köhler called for having employees participate in the success of their companies. We can only underscore and support this. We have been practicing this for many years. Not only as part of the compensation for all employees in Germany, whether they are blue or white collar workers, but above all in the form of our employee stock program.

Since introducing the program in 1969, our employees have acquired around 20 percent of the company's capital. To date, the accumulated costs for the company total more than €2 billion. Our stock program is very popular with employees and around 70 percent of them participate each year, in part, of course, because employees see this as a way to build up a supplemental financial reserve for their retirement. And one that is quite respectable in size.

A wage-earning Siemens worker who has been participating in this program since 1969 would now have company stock worth over €150,000 today, after personally investing only a relatively small amount of €3,100. Using the standard annuitization formula—20 years to maturity and five-percent interest—this would mean a supplementary monthly income of roughly €1,000.

I think the employee stock program is therefore an important company contribution to securing the future of its employees.

So much, ladies and gentlemen, for the action fields of the Fit4More program. Fit4More is a medium-term work program. In this program, we describe what must be done in the company in order to be “fit for more.” We want to make all parts of the company fit for the future and thereby also secure our entrepreneurial freedom.

And entrepreneurial freedom is what we need in a dramatically changing world. These changes can be seen in two megatrends. For one, the world's growing population. For another, accelerating urbanization. Cities are becoming ever more important as huge population centers and economic zones. Before I turn to the consequences of these megatrends for our company, I would like to briefly describe them.

Megatrend: Demographic change

Demographic developments in the world vary from region to region. On the one hand, there is a population explosion in developing countries and emerging markets. On the other hand, there is increasing population stagnation or even decline in industrial nations. Apart from these two opposing trends, life expectancy is increasing **everywhere**.

Over the next 50 years, the percentage of children in the overall population will continue to decline. In the year 2050, for the first time in history, there will be just as many people in the world who are older than 60 as there are people under 14.

Megatrend: Urbanization

Urbanization is growing dramatically worldwide. Only 18 months from now, more people will be living in cities than in rural areas for the first time in human history. And this growth is especially spectacular in so-called megacities, urban conglomerations with populations of more than 10 million inhabitants each. Today, around 280 million people live in megacities. In ten years, the number will increase to 350 million.

Megacities are already the motor of the world's economy. Tokyo, for example, is the world's biggest city with 35 million residents, generating around 40 percent of Japan's entire economic output. Or take Los Angeles: With 16 million inhabitants, the city contributes 11 percent of the American economy. Or Shanghai, with 13 million inhabitants. It provides 11 percent of the total Chinese economic output. Or Paris, with a population of 10 million, accounting for 30 percent of France's gross domestic product.

The remarkable fact is—according to United Nations estimates—that there will be only three megacities within today's industrial nations by 2015, out of the 15 biggest. And not one of them will be in Europe!

Ladies and gentlemen, these two trends—demographic change and urbanization—are spawning a great spectrum of new needs, and as a result, strongly growing markets especially for us, as an infrastructure solutions provider. Just imagine the demands that will be made by populations in megacities and major urban centers when it comes to power and water supplies, mobility and communications, logistics and industrial products, functioning healthcare systems as well as other infrastructure sectors.

These demands and markets clearly fall into Siemens' domain—a domain in which we are already successful. And they are growth markets that we want to shape on a sustainable basis with our innovations. I'd like to illustrate this in greater detail using two examples: healthcare and power supply.

Example: Healthcare

The fact that our life expectancy is increasing is good news at first. But we can only enjoy older age if we are healthy—and stay healthy. To ensure this, the healthcare system must function well. The challenges to Germany's healthcare system are already enormous today. Healthcare is also a matter of costs. How can we keep our healthcare affordable? And how can we manage to cut costs while simultaneously increasing quality? One solution is to optimize processes. Most of you are already familiar with this topic as a result of the current public discussion on electronic patient data.

We are the world's leading provider of this technology. And we have already gathered extensive experience in pilot projects in Italy and Austria. For example in the Italian province of Lombardy, we have issued an electronic "citizen's card"—a multifunction card for public administration—to nine million citizens. One of this card's features is the electronic patient file. Some one million citizens have already decided to activate this feature. And in view of the advantages offered by the card, we expect the number to increase to two million by the end of this year. What are the advantages?

The patient receives better quality healthcare. The card guarantees faster and safer help in case of an emergency. It ensures that the correct medication is always prescribed. Superfluous double examinations are avoided. And the patient saves waiting time and unnecessary travel. Physicians benefit as well: They have considerably more time for their patients.

And the healthcare system itself also benefits when it comes to costs. Lombardy, which runs the healthcare system, saves around 1 to 2 percent of its costs, or roughly €240 million. Through a smaller bureaucracy. By avoiding unnecessary examinations. And through considerably faster processes.

The electronic healthcare card is only one example of the great variety of possibilities offered by information technology and digitization. For optimizing processes and cutting costs for patients. Another example is the fully digitized hospital in which all data is digitized and quickly shows the facility management where optimization is possible and where unnecessary costs can be eliminated. And we are also a pioneer with digital hospitals.

We have by no means exploited all the possibilities—particularly here in Germany. The costs for our healthcare system now total around €140 billion annually. According to an estimate by Germany's Ministry for Health, around 20 percent of these costs alone could be saved through process optimization and digitization. That would mean savings of up to €28 billion a year.

The latest diagnostics systems combined with individualized medication therapy also offer considerable savings potential. We are currently in the midst of a true revolution in the way patients are treated. For example, today there are medications that can heal cancer—yet only in 20 to 30 percent of patient cases. It still isn't known why these patients differ from the others. But with a closely coordinated combination of medication therapy and imaging diagnostics, the responsible doctor can see within 24 hours whether the anti-cancer medication is working or not. And the doctor sees this in the images taken with our PET scanner. If necessary, he can then opt immediately for a different therapy. This saves time and costs. Our innovations not only reduce costs in the healthcare system, but save or prolong lives.

Example: Power supply

Ladies and gentlemen, power supply, like healthcare, is a topic that everyone is concerned about these days. In academic circles, the debate centers on how to conserve energy resources worldwide, or how to develop alternative sources of energy. Or simply at the everyday level, energy becomes an issue when one pulls into a gas station and sees gasoline prices increasing as a result of soaring oil and natural gas prices. And this topic will continue to be part of our lives.

The fact is we expect to see a doubling of demand for electricity by the year 2020—and not just because of megacities. Without power, virtually nothing works in today's world. Electricity is the driving force behind our technologically-oriented civilization, our industries and our homes. A victim of the floods in New Orleans put it quite succinctly: "When the power comes back on, life will come back." The soaring demand for power comes from markets in the Middle East or Latin America, but especially from Asia. In order to satisfy this growing demand, major investments will be needed. In power plants. In conventional and alternative forms of power generation. And naturally, also in systems to transmit and distribute energy. In other words: Investments in our own spectrum of products, solutions and services.

The International Energy Agency estimates that €13 trillion will be needed over the next 25 years to modernize and expand infrastructure for supplying power throughout the world.

New power plant capacity of 600,000 megawatts will also be needed in Europe. That translates into more than 800 gas, steam or coal-fired power plants. And all this needs to be accomplished under conditions that seem irreconcilable at first glance. Why? Because power generation should be efficient, yet environmentally friendly at the same time. And, of course, electricity should also be affordable.

In other words, providing the world with adequate power supplies is by no means a simple task. In fact, it's a gigantic challenge that we, as the leading provider, must master—also with regard to the environment. The key to mastering this challenge lies in technology. And the answer is innovation.

We prove this day after day at Siemens. Recently, together with E.ON, we announced the construction of the biggest gas turbine in the world. It will generate 340 megawatts and will be the most powerful turbine of its kind with the power output of 13 jumbo jet engines. For the first time, we will achieve an efficiency rate of more than 60 percent in combined operation, which is two percent points higher than with other current technologies. This will enable our customers to achieve substantially higher power output as well as a major reduction in operating costs. Savings from the lower consumption of gas alone will contribute around €1 million a year—naturally, on the basis of today's prices. And the trend in gas prices, as we all know, is clearly headed upward. As a highly favorable environmental side effect, this two percent increase in efficiency also translates into a reduction of 40,000 tons of CO₂ emissions per year. Or, to put it another way: The amount of CO₂ produced by 9,500 cars like a VW Golf driven 20,000 kilometers a year.

But the topic of energy involves more than just the construction of new power plants. More efficient buildings also achieve astonishing energy savings—in power, lighting and water. According to a study, one could achieve 25 to 35 percent gains in efficiency alone in Western Europe by the year 2020. In Germany, the use of current technologies would bring savings of €60 billion, or half of today's total outlay.

We at Siemens, however, don't let matters rest with studies. We take action. And we implement these energy-saving measures for our customers. We call it "performance contracting." In this process, we analyze the energy efficiency of our customers' facilities such as industrial companies, hospitals, schools or military barracks. Then, we define concrete measures that would improve energy utilization and we even offer our customers tailored financing of the project. And in most cases, the savings that come out in the end are far higher than the original investment.

We have just done this, for example, with the public swimming pools in Berlin. Following our modernization, the energy balance of these pools is quite respectable. And the economic results equally impressive. The city's pools now save one-third of their energy costs. One part of the savings—around €330,000—is used to help reduce the city's budget deficit. The other part is used to amortize the investment of roughly €8 million. When the financing has been paid off in the year 2013, the entire annual savings can be used to reduce the city's budget. This will amount to a contribution of €1.63 million a year.

Ladies and gentlemen, these two examples of healthcare and energy should show that we are in an excellent position in global growth markets and are steadily working to further strengthen our position. Because we can offer tailored solutions for megatrends. And because we have strong market positions in the key growth regions of the world.

We will continue to rigorously develop our performance and company portfolio. The Managing Board, our managers and all our employees are committed to this goal. We are resolutely focused on success. And the path to success is clearly defined. We will carry out our set tasks regarding performance over the short- and medium-term. And at the same time, we will work hard to ensure the company's sustainable success for the future. We know what must be done. And we are doing it. With focus and rigor. And with pride in our company. In pursuing our goals, we are well aware of the great work of our founders and their successors.

We have a strong foundation. We are highly innovative. We are at home throughout the world. And we also feel like we belong to a family-owned company in the best sense of the term. Namely, in the spirit of being deeply rooted in tradition, of being personally aware of our responsibilities, and with the will to continue developing our respective business and the company.

We—and I—are not only bound to this tradition and these ideas, but are fully committed to them. Committed to the well-being of our customers, our employees and our shareholders.

I look forward to the discussion with you.

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