



Annual Shareholders' Meeting of Siemens AG

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Check against delivery

Since its founding, Siemens has been a company that has been open to the world, that has sought and found its success in the world and that has shaped the world. That has been – and still is – our aspiration. This aspiration arises from the system of values that was established by our company's founder, Werner von Siemens, and that remains the foundation of our thoughts and actions. These values can be summarized in three statements. We are innovative by setting the trends in technology – by delivering reliable, high-quality products and services for the benefit of our customers. We act responsibly wherever we operate and we are excellent in meeting our business objectives, always upholding the standards and virtues of an honorable merchant.

Casino mentality in some areas of the financial world

However, all of us would agree that the world today stands in stark contrast to our values: Our world is in a deep crisis. In some areas of the financial world, a casino mentality proliferated and a sense of moderation and measure was lost. Unsecured risks were taken, and irresponsible behavior mushroomed. All that led to a dead end, and the only way out was massive government intervention. This past year, the world experienced a further grave disappointment: the inability of the international community to make a clear commitment to joint action at the Climate Conference in Copenhagen. After this year, we must recognize that we are harming ourselves and harming nature. Mankind currently consumes 1.3 times more resources than our planet provides, which means we are diminishing its substance. We are overdoing it. We are overburdening our natural environment and our civilization and depriving future generations of their development opportunities. We cannot accept that. We intend to make the world a better place – especially now at such a significant turning point. The author Peter Scholl-Latour speaks of the end of the era of western predominance. In his latest book, he says that others will shape the future in terms of demographics, economics, and political power.

At Siemens, the world was never limited to Europe or the industrialized countries. Thanks to our engineering skills, we are at home in 190 countries. This "art of engineering" is inseparably linked to our home country, Germany, and the good quality associated with "Made in Germany." But at the same time, Siemens has always moved toward the world's centers of gravity. Already in the mid-19th century to Great Britain and Russia. Shortly thereafter to India and China. Then to Brazil and the United States, the Gulf Region, South Africa, Australia, and then almost every country in the world. We have always crossed boundaries. And we will continue to blaze new trails as we always have – as pioneers of real progress. To be pioneers – that remains our aspiration. And that's what I want to focus on in my dialogue with you.

The crisis mercilessly taught us what the world needs: The world and all of us in it need a sustainable civilization. We need a sustainable civilization in the financial sector and in the real economy, in politics and in society. We need a sustainable civilization particularly in light of the growing populations of the developing and emerging countries. And we need a sustainable civilization everywhere in the world for the sake of the younger generations that follow us – in other words, our children and their children. A sustainable civilization raises the requirements for many and in many areas. In laws and regulations, in technology and business, in our sense of responsibility and integrity. Siemens with its 700,000 shareholders, 400,000 employees and a few hundred thousand customers is only a small part of the world. But we can shape the world wherever we hold responsibility. Measured against the global community, this is a small section. But it is a lever we can use to set things in motion and bring about change: With technology that is key to conserving resources and keeping people healthy, with integrity as our code of conduct both in our internal cooperation and in our dealings with external business partners, with an ethic of success that holistically takes into account the interests of shareholders, customers, and employees and that is based on transparency in what is given and what is received and with social responsibility, which we practice and stand for in 190 countries.

Siemens proves to be robust in the crisis

I would now like to briefly report on the past fiscal year. Then I will turn to how we are preparing ourselves for the near and more distant future. Let's turn first to last fiscal year. From today's point of view, we look back on a year of crisis in the global economy in which Siemens proved to be very robust. The steep decline of the global economy seems to have bottomed out. Since mid-2009, the key economic indicators have stabilized. Still, as we look to the near-term future, we are not fooling ourselves or the public. 2010 will be at least as difficult for us as 2009. And looking farther ahead, we expect several years to pass before last year's recession is overcome. Beyond that, we know that the world after the crisis will be very different from the world before the crisis.

I have two remarks to add to that. First: Total worldwide economic output has fallen for the first time since the Second World War. But there were differences. The industrialized countries have been much harder hit than the emerging countries, which have proven to be far more resistant. That applies particularly to Brazil, India, and China – as well as the Gulf Region. Experts predict that these countries alone will generate half of global economic growth until 2015. That's how growth will develop in the coming years. The other aspect is that the largest volumes of our business over the next few years will continue to come from the industrialized countries, above all the United States, Germany, and Western European countries. We must take both of these facts into account: growth in emerging countries, volume in industrialized countries. My second remark is this: At the G20 summit in London in the spring of 2009, governments averted the collapse of the global financial system just in time. More than two trillion Euros were provided to stabilize the financial system and stimulate the economy. I have a great respect for the determination with which governments all over the world intervened. However, one obvious consequence of this is that government influence on economic activities has increased; and governments are aggressively asserting national interests. To a certain extent, that's understandable, after all billions of taxpayer Euros and

government debts are at stake. But it's also dangerous if it allows isolationism and new forms of protectionism to creep in. That would more likely worsen rather than solve the crisis.

Leaner structures - Siemens switches to offense

Siemens has done very well in the midst of the global upheaval. We have systematically used our internal crisis to improve our structures in a way that makes us considerably stronger in the external crisis than many of our competitors. We have simplified our organization and made it more transparent. That has made us faster and more capable. Where we used to have a Managing Board without operational responsibility, we now have a Managing Board with clearly defined operational responsibility. Where we previously had nine operational Groups, which were organized according to technological criteria, we now we have three Sectors that are clearly aligned with worldwide megatrends. Where we used to have duplicates of the Siemens corporate organization in many countries, we now have 17 Regional Clusters. Where we used to have a host of decentralized procurement activities, we now have one centrally controlled procurement organization. And where we used to pursue a broad range of issues and initiatives, we have now clearly focused our strategy, our profile, and our image.

We switched to offense in 2009. Today Siemens is a stronger company than it was three years ago! Our financial figures reflect that. In the crisis-ridden economic environment of 2009, our revenue remained stable, Profit Total Sectors climbed 13 percent, nine out of 14 Divisions achieved the target margins of our Fit₄2010 Program, net income from continuing operations rose by one third and earnings per share from continuing operations were 69 euro cents higher than in the previous year. So, we are able to maintain the dividend at last year's level of 1.60 euros.

There's hardly any other company that was able to hold its own like Siemens in the crisis year 2009. This is made evident not only by the financial figures for the fiscal year that just ended but also in our strategy and investments. Here are some examples of that: We consolidated our position as the world market leader in medical imaging systems. We are the undisputed No. 1 in offshore wind energy. Early January, a consortium, of which we are a member, was commissioned to develop a project plan for the construction of a 4 Gigawatt wind park on the coast of Great Britain. This project is slated to be implemented by 2020 and has an order volume of 4 billion euros. In the area of power grids, our 800 kilovolt transformer has given us the technological lead. We are the first company that will transmit 5 Gigawatts of power over a distance of 1,400 kilometers at minimum loss. This system, which connects the hydropower plants in the west Chinese province of Yunnan to the Guangdong industrial area, will go into operation in middle of this year and save about 30 million tons of CO₂ each year. In the area of high-speed rail, we have the most innovative technology on the market. Just yesterday Deutsche Bahn decided to enter into exclusive final negotiations with Siemens over the next generation of ICE 1 and ICE 2 trains as well as IC/EC trains. This is the largest investment order in the history of Deutsche Bahn and comprises up to 300 trains worth several billion euros. All this shows that: We are setting the trends in technology. We are technology leaders.

And that this is a prerequisite for lasting success in our business. Successes don't just come out of the blue. Usually they have more than one father. At Siemens, they have many fathers and, increasingly, many mothers as well. So, at this point, on behalf of the Managing Board and also, I am sure, on your behalf as well, let me sincerely thank our employees all over the world for their great dedication.

Settlement with former members of the Supervisory Board and Managing Board

A summary of our achievements last year must also include the settlements with former members of the Managing Board and Supervisory Board. One year ago, I stood before you and said (and I quote): “We want to bring peace to our company – to make peace with our recent past, and to make peace with those individuals who stand not just for darker aspects, but also for major accomplishments and important strategic decisions.” End of quote. Today, the Managing Board and Supervisory Board are submitting for approval settlements with most of the former members of both of these boards. That we have come this far at the earliest possible time permitted by law is to a great extent owed to Dr. Cromme's determination, diligence and consistency. On behalf of the Managing Board, I would like to thank Dr. Cromme for this outstanding effort. Without it, we would not be in the position today to bring the burdensome issues of the past years to a close. I would also like to expressly thank the members of the Chairman's Committee, the entire Supervisory Board and all those whose efforts made this result possible.

This gratitude also includes respect for and recognition of the individuals who agreed to settlements with the company: Professor Dr. Heinrich v. Pierer, Dr. Klaus Kleinfeld, Dr. Karl Hermann Baumann, Professor Johannes Feldmayer, Professor Dr. Edward Krubasik, Mr. Rudi Lamprecht, Dr. Jürgen Radomski, Dr. Uriel Sharef as well as Professor Dr. Klaus Wucherer. These decisions were not easy for anyone, including us. At the same time, these decisions set standards and represent a great service to the company. So, I sincerely thank each individual involved. Now it's up to you – the owners – to come to a decision on the settlements. This provides the opportunity to close one of the darkest chapters in the history of our company. We have dealt with the past. And we have learned our lessons. Now the wounds can and must heal.

Crisis not overcome yet

Let me turn from the looking back to the look ahead – first at the current fiscal year. The challenges of the economic environment this year are not lesser than they were last year. We are still far away from having overcome the crisis. It will take quite some time for the gradual recovery of the world economy to arrive in industry. Until then, times will be tough, and long-cycle businesses in particular will first have to cross a deep valley. This applies to us as well, for two reasons: First, because all over the world the industries in which our customers operate have suffered a much more serious decline than global economic output. While the global economy as a whole contracted by a total of 2 percent, the industrial sector contracted by 9 percent. Over the last 12 months, worldwide revenue of industries developed as follows: machine building – down 14 percent, automotive – down 9 percent, metal & mining – down 4 percent and petroleum – down 10 percent. The situation is worsened by the fact that our customers in these industries are operating far under full capacity. That portends that years will pass before extensive investments are again made in expansion.

In addition, we are already seeing a significant shift in demand. At the beginning of my speech, I said that half of the economic growth in coming years will come from the emerging countries and the Middle East. The regional distribution of demand will change accordingly. The second reason is that the economic downturn has arrived in many areas of the energy sector. This corresponds to long cycles in this sector. Due to these factors, we expect an organic decline in volume in the middle single-digit percentage range. We also expect competition to intensify, and that will manifest itself mainly in greater price pressure.

The Q1 financial figures, which we published this morning, already reflect this general trend. New orders were down by 11 percent year-on-year. Revenue fell 8 percent. The book-to-bill ration was greater than one. That means that our order backlog continues to grow. It currently stands at 83 billion euros, and in absolute

figures that's more than one year's revenue. Profit Total Sectors is 11 percent higher than the first quarter of last fiscal year. We expected the decrease in business volume. We are prepared for it. That's why made great efforts to improve our cost position. In fiscal 2007, we had committed to reducing our sales, general and administrative costs by 1.2 billion euros by the end of 2010.

At the end of fiscal 2009, we achieved a cost reduction of 2 billion euros on a comparable basis thanks to resolute cost cutting in information technology and other material costs. In other words, we exceeded our goal, and did so one year earlier than planned! I mentioned the further development of our procurement activities earlier. One of our procurement organization's achievements last year was a substantial contribution to profit. Since the business environment remains very difficult, we will continue to keep a close watch on how our markets and costs develop.

I have repeatedly said that there is no need for another company-wide cost-saving program. However, situations differ from one business to another. Where there are options to bridge periods of low demand, we will choose these options. Here, measures such as the short-time work program of the German federal government help. But the situation is different in businesses where there are lasting structural changes in markets and the competitive environment. In these cases, adjustments are unavoidable. Under certain circumstances, this applies to specific businesses at individual locations. Here, we will continue to proceed judiciously and engage in an open dialogue with employee representatives, unions and those directly affected. But we will be resolute in our actions and will not close our eyes to what needs to be done.

Siemens is charting the course for the future

I now turn to the third part of report, the medium-term outlook. Even if the business climate gets rougher this fiscal year, we will not concentrate only on the immediate challenges. Rather, we are now charting the course for the future. We have three main levers for doing this: Our unmatched innovation power, our broad international footprint and our commitment to responsible and sustainable action. These levers are the DNA of our company. And against backdrop of the global changes I just outlined, they give us the opportunity to emerge from the global economic crisis and its structural upheavals stronger than before.

Let me start with the first lever: innovation. Werner von Siemens initiated a new era with his groundbreaking inventions in communications technology and industrial power generation. As a pioneer in electrical engineering, he gave industrialization a new direction. We see him as a role model. We see the image of a pioneer in technology. We emulate his entrepreneurial vision, his drive, and his sense of responsibility. And it is this role model that guides our efforts to advance new ideas in our time. Today, more than ever before our world needs pioneering efforts – pioneering efforts like the Desertec project. Calculations show that a solar power plant with an area equivalent to 0.3 percent of the Sahara desert is enough to meet the entire world's annual demand for electricity.

By the middle of this century, 15 percent of Europe's energy demand is to be generated by solar power plants in North Africa and the Middle East and transmitted to Europe over ultra-efficient power highways. If this project is politically desired and economically feasible, WE are the key technology partner of the 21st century's Apollo Project. Aside from Siemens, there is no other company covers the entire energy conversion chain, from power generation, power transmission and power distribution all the way to energy consumption. The Desertec Project reveals the full potential of a sustainable civilization: The African countries gain access to their own renewable sources of energy, which can, for example, be used to power desalination systems.

In addition, these countries can use the proceeds from energy exports to advance their economic development and Europe can move a step away from its reliance on fossil fuels. And worldwide CO₂ emissions can be reduced by more than 400 million metric tons.

Electromobility is a further pioneering effort. Allow me to remind you that the first German electric car, the "Electric Victoria," drove through the streets of Berlin more than 100 years ago. And we developed that electric car. I'm sure you saw the Stormster shown here at the entrance of the Olympia Halle. This car's electrical components are also based on our technology. Intelligent power grids – so-called smart grids – are one prerequisite for tomorrow's electric cars. With this technology, power can be fed in and supplied at every point in the grid. The European Union's Energy Action Plan calls for the expansion of such power grids by 2014. In a few weeks, along with another partner, we will launch an extraordinary pilot project for building a country's electromobility infrastructure. We will demonstrate that today's technology has come a long way. By doing this, we will prove that a sustainable civilization is anything but a vision; rather, it is a very real possibility. And it is also clear where the battle for a sustainable civilization and against climate change will be decided: ultimately not in conference centers, like the one in Copenhagen, but in the real-world projects of large cities and megacities.

Cities cover only one percent of the earth's surface, but consume 75 percent of the energy produced worldwide and account for 80 percent of the greenhouse gas emissions. That's why we must do everything in our power to make the infrastructures of cities more environmentally friendly – by curbing pollution, by reducing consumption of resources, and by improving quality of life for citizens. To do that, buildings must become more energy-efficient, power generation must become less emission-intensive, and traffic must become more eco-friendly. All these tasks are business opportunities for Siemens. We are happy that Munich, Bavaria's capital, is setting a good example in this area under the leadership of Mayor Ude: The city's medium-term goal is to make CO₂-free electricity available to all its residents – and in

a second stage to businesses. I'm also speaking of pioneering efforts in healthcare technology. Here we will provide solutions for personalized treatment. It will be our technical solutions that will help to detect diseases at the molecular level and treat them with personalized medication. It will be our IT solutions that bring the efficiency and precision of industrial processes to the healthcare system and so reduce costs.

When we say that no other company in the world has a more comprehensive "green" portfolio, then this is not an advertising slogan but the result of decades of research and development in this area. Last fiscal year, we sold "green" products worth 23 billion euros. That was 11 percent more than in fiscal 2008. That made our "green" business an important stabilizing factor for our portfolio as a whole. And what's good for us is good for the environment: By using our products, our customers cut their CO₂ emissions by 210 million metric tons. That is roughly equal to the combined annual emissions of New York, Tokyo, London, Berlin, and Rome.

Some months ago, Germany's President Köhler said that a green industrial revolution was needed. We want to lead this revolution. For one, by developing products that save energy and produce fewer emissions. For another, by systematically expanding our portfolio in the area of renewable energy sources. Last year, in spite of the crisis, we spent almost four billion euros on research and development – three percent more than in the previous year. We spent more than one billion euros just on the research and development of "green" products. In the last fiscal year alone, our employees came up with 7,700 inventions – that's 35 per working day. And of these inventions, 4,200 became patent applications. We currently hold a total of 56,000 active patents. More than 16,000 of these relate to "green" products.

Siemens leads in wind and solar technologies

We also made further progress in expanding our portfolio of renewable energy products. Many of you will recall that we entered the wind energy market in 2004 by acquiring the Danish company Bonus Energy. That was exactly when the market was gaining momentum. When we acquired Bonus Energy, it employed about 1,200 people and generated revenue of around 370 million euros. Today, this business employs more than 5,000 employees, and its revenue exceeds 2.5 billion euros. The order backlog amounts to nearly 7 billion euros.

We are expanding our leadership position in this dynamic market. For example, by offering the world's first fully floating wind turbine, which we are currently testing off the Norwegian coast. With this technology, we are significantly expanding the options for generating power from wind. Until now, wind turbines could only be deployed in shallow water near the coast, but in the future we'll be able to build wind farms in water with a depth of up to 200 meters.

In the area of solar technology as well, we have been a major supplier of steam turbines, electrotechnology, control systems, generators, and cooling systems for solar power plants for years now. This market is also extremely attractive: It will grow by almost 20 percent annually through 2020, reaching a market volume of some 23 billion euros! In the spring of 2009, we acquired about 30 percent of the Italian company Archimede Solar. That secured our access to tomorrow's key solar technologies. By acquiring Solel Solar last fall, we have now taken a decisive step forward in becoming a single-source provider and technology leader in this industry. These are excellent preconditions for growing our solar business as we grew our wind business.

Our second lever for success is our international footprint. Today no other industrial enterprise has the international footprint we have. And that has been the case for a long, long time. We will be celebrating several anniversaries this year: 150-year

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anniversary of founding day in South Africa 130 years in Sweden and 120 years in Hungary. We are a respected local business partner all over the world. Our strong presence throughout the world is the best prerequisite for profiting from the strong growth in the emerging countries. Capturing new local markets goes hand in hand with venturing into new market segments. The market segment that is growing fastest in China and India is the mid-priced segment. Here we have gained a fair amount of ground in past years. I would just like to mention our Somatom Spirit CT scanner. This model was developed in China – originally exclusively for the Chinese market. Today it is exported from China to more than 60 countries – including Germany, where this model is protecting jobs in the service business. Or take our halogen lamps from OSRAM. They made us No. 1 in the Chinese market within two years while boosting our profit margin at the same time. Or take our “Simoprime” medium-voltage switchgear. It uses standard components that are available all over the world, and that ensures both maximum reliability and lower maintenance and installation costs throughout the entire product lifecycle. These examples show that we can prevail against ever stiffer local competition if we rigorously leverage our international footprint.

Sustainability leads to success

Sustainability is the third lever for our success. Long before the term sustainability became fashionable, Werner von Siemens had already expressed its spirit. It was he who said: “I will not sell the future of the company for short-term gain!” And he and his successors acted accordingly. And it is their spirit and actions that guide us as well: Reducing our company's ecological footprint in relation to our own value creation is part of our sustainability program. We made further progress last year in achieving these objectives: In early April 2009, we inaugurated Turkey's most modern factory near Istanbul. Compared with our previous production, it uses 50 percent less water and 25 percent less power and produces 75 percent less waste. In May, we opened a new hall for the production of turbine blades in Berlin. The building fulfills all EU requirements for environmentally friendly buildings. Its energy consumption is

25 percent lower than required by law. That will reduce annual emissions by almost 2,000 metric tons of CO₂. In Bogotá, we opened Colombia's most modern and environmentally friendly factory in early October.

These are only three examples that show that our good intentions are always followed by good deeds. These good deeds are also recognized by the outside world. The renowned Dow Jones Sustainability Index has recognized us as the leader in our industry. I would also like to mention that we received the maximum number of points in the categories compliance and risk management, which makes us the global benchmark. We also founded the Siemens Stiftung, the largest foundation in Bavaria in 2008, and endowed it with funds amounting to close to 400 million euros. The foundation started operating last year. In addition to taking over activities in the areas of education, the arts and social responsibility that were previously managed by the company, the foundation is strategically expanding its international activities, currently with a strong focus on Africa. Most recently, the Siemens Stiftung and the company launched relief actions for the victims of the earthquake in Haiti. We immediately provided portable ultrasound devices for emergency medical care, filter systems for water treatment, as well as generators. We have also encouraged employees to make donations and are matching each euro they donate. So far, we have been able to contribute one million euros.

Siemens is Germany's largest industrial provider of training and education

For us, long-term thinking and sustainable action are inseparable. And our employees are the focal point of that mind set. All over the world: They develop the innovations on which our international reputation is based. They help our customers to be successful in the market. They make Siemens the company that provides answers to the challenges of our time. Our employees are the real foundation of our success, and we are constantly strengthening and expanding this foundation through our training and education activities. Here in Germany, we are the largest industrial provider of training and education. We are currently training 10,000 young people,

500 of which were considered difficult to employ due to their social background. And on an international level, our training and education programs garner much attention and recognition as well. We want to give all of our employees equal opportunity. That is the nucleus of our Diversity Program. For every job at Siemens, we want to identify, promote, and retain the best person for that job. We need diversity in our teams, and we need diversity in our management. Ultimately, the challenges of a diverse environment require diverse answers!

We serve a company and bear responsibility in a company that like no other is linked in the public's perception with thinking and acting beyond the present day. Competence and experience are strengths we apply for the benefit of customers. Circumspection and prudence are values that build trust and signal financial soundness. Clean business everywhere and always – that is how we define integrity. And that's what we stand for. Siemens contributes to a sustainable civilization. Our aspiration is: Progress for people and progress for the societies in which we operate. Compatibility with the natural basis of life everywhere in the world and for the generations to come. That is our understanding of sustainability – sustainability that serves: our customers, our employees, the public and, not least, you, our owners!