

Annual Shareholders' Meeting of Siemens AG on January 25, 2007

Report by President and CEO of Siemens AG Dr. Klaus Kleinfeld Under Item 2 of the Agenda: "To receive and adopt the Annual Financial Statements and the Consolidated Financial Statements, as approved by the Supervisory Board, together with Management's Discussion and Analysis of Siemens AG and the consolidated group for the fiscal year ended September 30, 2006"

(Slide 1)

Ladies and Gentlemen:

I welcome you to the Annual Shareholders' Meeting of your company. It's a privilege to report to you, especially in these times of change. We are looking back at a year with two faces. The expression on the first face is joyful; on the second face it is grim.

The grim expression results from the serious accusations and suspicions that individual active and former Siemens employees broke the law. Your reaction to this news was probably a lot like mine. When I heard the news, I was shocked!

I think it's because we associate integrity and honesty with Siemens; we see Siemens as a role model. And that's how the general public sees Siemens as well. This explains why the general public has been so outraged.

Ladies and gentlemen, I am very grateful to Mr. v. Pierer and Mr. Cromme for being so explicit in making their position clear. Obviously, the Managing Board fully supports their statements. On behalf of the Managing Board and all Siemens employees, I would like to sincerely thank Mr. Cromme and Mr. v. Pierer for their active support and assistance. Their advice is of great value to us.

Assumptions, speculations, accusations and defamations dominate the current situation — and, unfortunately, some of them will turn out to be based on fact. The authorities are currently conducting investigations. No one knows what the outcome of these investigations will be. And it's not appropriate to fuel speculations. However, I can assure you that we are doing everything we can to clear up these incidents completely and comprehensively.

For this reason, the Managing Board contacted companies that have had to deal with similar issues in the past. We did this immediately after searches were conducted by public prosecutor's offices on November 15 last year. We wanted to benefit from the experience of

these companies. And doing this gave us a clear picture of what specific measures make sense and really show traction in the current situation. Doing this also enabled us to estimate how many internal and external resources are needed to cope with the situation.

We then drafted a proposal on how we intended to proceed and coordinated this proposal with the authorities. In this process, further measures were defined. All measures have naturally been closely coordinated with the Chairman of the Supervisory Board and the Chairman of the Audit Committee. The Audit Committee plays a very special role here.

We've put together an excellent team of outstanding experts. To some extent, Mr. v. Pierer and Mr. Cromme already mentioned this, so I'd like to comment just briefly on selected measures: We've appointed Daniel Noa as our new Chief Compliance Officer. Until recently, Mr. Noa was a senior public prosecutor in Stuttgart, and he has many years of experience in prosecuting white-collar crime. Mr. Noa worked for the German Federal Prosecutor's Office, and he established and then headed the compliance department of the Trust Agency in Berlin.

On November 17, just two days after the searches at Siemens, we established the position of an independent external ombudsman. We were able to recruit Attorney Jordan of the Nuremberg law firm Beckstein for this task.

The Audit Committee retained the internationally renowned law firm Debevoise & Plimpton to independently conduct a complete and comprehensive investigation. Mr. Cromme already described this mandate in his comments.

We also engaged Michael J. Hershman as the external compliance advisor to the Managing Board and the Audit Committee. Mr. Hershman is a co-founder of Transparency International. He has been the anti-corruption advisor to the General Secretary of Interpol for six years. Michael Hershman was a leading member of the Watergate Committee of the U.S. Senate and the Deputy Inspector General of the U.S. Agency for International Development. These experts started work before Christmas, and continued working during the holidays, almost without a break.

A comprehensive action program was developed. For example, teams were sent to 16 countries in which we operate in order to review compliance guidelines. These teams are evaluating compliance guidelines and processes in countries identified as risk countries in

the Transparency International Index.

In cooperation with the team of experts, the Managing Board has also approved a number of immediate actions. Here are just a few examples: The attitude of employees toward the issue of compliance and how they practice it will become a mandatory part of the annual performance evaluation of employees. We will expand compliance training courses for Siemens employees worldwide. We are setting up a compliance hotline — available 24 hours a day, seven days a week. The hotline has two functions: first, any Siemens employee worldwide can call the hotline to report a suspected irregularity. Second, employees can seek advice for specific cases. And, in the future, we will apply the same strict standards of conduct used at Siemens to our suppliers as well. We will also further centralize the processing of monetary transactions in the company.

Ladies and Gentlemen,

In the past weeks, my colleagues on the Managing Board and I have discussed the situation and our measures in numerous meetings with employees. Here, too, I'd like to add several examples of specific measures we have taken.

At the end of November, Mr. v. Pierer and I sent a joint letter to all Siemens employees and made our position on compliance clear beyond a shadow of a doubt. The compliance issue occupied plenty of space in my annual meeting with Siemens' top managers in Erlangen and in Munich, also at the end of November.

On December 18 in Feldafing, the Corporate Executive Committee and Mr. v. Pierer held a special meeting with the top management and the heads of the major Siemens Regional Companies. We discussed the compliance issue extensively at this meeting.

In my New Year's letter to all Siemens employees worldwide, I again addressed the issue. And our employee magazine SiemensWorld covered the issue of compliance extensively in its last two issues.

Last week, we invited employees in Munich and in Erlangen to town hall meetings. At these well-attended meetings, I provided detailed information and took part in intense question and answer sessions. My speech was recorded on video and made available on the Siemens intranet so that all employees worldwide have access to it. There will be further meetings of this kind, and the next one will be in the United States.

Ladies and gentlemen, today we cannot see exactly what lies ahead of us in the area of compliance. But one thing is absolutely clear: There is no room in our company for crooked business practices! And this rule is not negotiable!

But I also firmly believe that every crisis offers an opportunity. We want to — and we will — accept the opportunity this crisis offers. Our goal is to be a role model for others in the area of compliance — just as we are in many other areas.

Ladies and Gentlemen,
now let's look at the second face, the joyful face.

(Slide 2)

From a business point of view, fiscal 2006 was very successful. Strong growth, solid profit and a substantial expansion of our portfolio were the hallmarks of this last fiscal year. Let's look at the financial results.

New orders grew 15 percent year-over-year, and sales climbed 16 percent year-over-year. In absolute numbers, this increase amounts to about €12 billion. Just to give you an equivalent order of magnitude: Twelve billion euros roughly matches the business volume of a medium-size company listed on the German stock exchange (DAX), for example, the Henkel company.

What is especially gratifying about this growth is that half of it is organic, which means that is driven by our own power to innovate. Our customers know that with our products, systems, solutions and services they can offer *their* customers added value. That's why they choose us — again and again.

We had set ambitious growth targets: We wanted to grow twice as fast as the world economy in the medium term while achieving sustainable and improved profitability. The world economy in 2006 grew about four percent. Our business volume grew 16 percent. So, we exceeded our targets by more than a factor of two. And we gained market share against our competitors. And I'm also very happy about our profit development.

(Slide 3)

Earnings from operations rose by 12 percent — to €5.3 billion. Income from continuing operations jumped 35 percent to €3 billion, even though fiscal 2006 was a year marked by restructuring. Restructuring costs for the year amounted to €900 million.

A closer look at this growth reveals that it is sustained by a broad base.

(Slide 4)

First a look at the Groups – the diagram is on the left side of the slide. All Groups grew last year, and in some Groups, growth was very strong.

Siemens Business Services (SBS) was the only exception. Here we have consciously decided to be selective in accepting projects. So, the decline in volume resulted from the course we ourselves have chosen.

I'd like to give you just a few examples of impressive volume growth in fiscal 2006.

First, our Power Transmission and Distribution Group (PTD): PTD was the unmatched growth leader among Siemens Groups in fiscal 2006 with growth of over 50 percent. The strong increase in profit makes this accomplishment even more gratifying.

Industrial Solutions and Services (I&S) gained nearly 40 percent. At Transportation Systems (TS), development of new orders was also outstanding with a plus of 34 percent. And good news about Automation and Drives (A&D), Osram, and Medical Solutions (Med) has almost become a tradition you have become accustomed to hear. So much for my quick tour of the Siemens Groups. Now a word about business development in the Regions, shown on the right side of the slide. When you look at the chart, it quickly becomes obvious that we achieved more than two times GDP growth everywhere.

Of particular interest is the development in the Middle East and Russia. These countries are profiting greatly from the high oil and gas prices, and this, in turn, is causing an enormous redistribution of wealth worldwide. But in contrast to the past, these countries are now massively investing in the expansion of their infrastructure. And this development also results in orders for us. New orders from these regions climbed 35 percent, while sales grew 33 percent.

Furthermore, we continue to participate strongly in the economic growth of Asia. In China, we posted nearly 40 percent higher revenues in the past fiscal year, and in India it was

almost 50 percent. Our business also developed in a positive way in the industrialized countries. Sales in the Americas, that is North and South America combined, rose 20 percent; in the U.S., we had 18 percent higher revenues.

It's also very encouraging that we are growing again in Germany. German economic growth in 2006 reached 2.5 percent; our sales in Germany rose about 4 percent. And we've also won market share in our home market. So much for the review of the fiscal 2006 figures.

This morning, we announced the results of the first quarter of this fiscal year. But before I present these results, I'd like to make one comment: The EU Commission has been conducting investigations in regard to cartel practices in the gas-insulated switchgear systems market since May 2004, in other words, for almost three years. The Commission alleges that numerous companies participated in cartel practices, and the legal proceeding refers to a period from 1988 to 2004. Yesterday afternoon, the Commission served us notices of antitrust penalties that amount to a total of €423 million. That this happened just before the Annual Shareholders' Meeting is pure coincidence. Still, we had to take this into account in the first quarter results.

We do not understand the argumentation of the Commission. We completely disagree with the magnitude of the penalty. And we are firmly resolved to take legal action after a thorough review of the findings.

Unfortunately, taking legal action against the judgment does not defer its financial impact on the quarter's results. However, this special effect cannot distract us from the fact that we've made strong advances in our operations – as this chart shows:

(Slide 5)

The best news first: All our Groups are profitable. Nine of the eleven Groups increased their profit over the previous year's quarter. In operations, we see a profit increase of over 50 percent compared to the previous year's quarter, to 1.631 billion. Net income does not reflect this outstanding development for the reasons I just mentioned. Here we felt the full impact of the special effect of the EU penalty. And that's why net income amounted to only €788 million. Sales increased by six percent to €19.068 billion, and new orders rose four percent to €24.582 billion.

Let me comment on the size of our workforce as well. At December 31, 2006, we employed 480,000 people worldwide. This number includes 162,000 employees in Germany, 1,000 more than at September 30, 2006.

I'd like to conclude my comments regarding the development of our business with a look at our target margins.

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In fiscal 2006, seven Groups met or exceeded their target margins. Four Groups have made clear progress or are well on track to reach their target margins. In the first quarter of the current fiscal year, we see a further overall improvement.

Our Power Generation Group (PG) remained outside its profit margin range in the first quarter as a result of special effects. We firmly believe, however, that by the end of this quarter all Groups will have reached their profit margin range. What is particularly important to us in this context is sustainability; that is, we must keep these margins in the target range over the long term. Ideally they will be the jumping-off point for a further increase!

Ladies and gentlemen, our numbers speak a clear language. We are obviously on the right track. These numbers are the result of the many changes we have made. I am happy to have the opportunity today to explain our course of action in greater detail.

Last year I presented our Fit4More program to you. At the time, we had already worked on the implementation of program measures for a good eight months. To refresh your memory, I'll show the slide once again.

(Slide 7)

Our top goal is sustainable and profitable growth. What was the situation when the Fit4More program was launched? The situation in the I&C business area made reorientation unavoidable. We are talking about a volume of €20 billion here. It was still unclear exactly what the solutions would be. In any case, there was the risk of losing significant business volume and thus making ourselves more vulnerable.

We therefore decided on a two-pronged strategy. One part of this strategy involved the reorientation of the I&C business area. At the same time, we massively invested in growth.

In doing so, we stayed true to the fundamental principle of our growth strategy: Strengthening ourselves in our areas of strength. This two-pronged strategy was the basis of our actions, and it produced good results for us.

I'd like to talk about some of the milestones in our rebuilding process in greater detail. I'll start with the necessary reorientation of the business area I&C:

First, at this time and place, I'd like to talk to the employees of BenQ. I sincerely regret that you and your families have had to endure so much in the last months. Ladies and gentlemen, something really went wrong here. The bankruptcy of BenQ Germany in September 2006 stunned and deeply distressed us. As late as the end of August – just four weeks before the bankruptcy – BenQ had made a clear and public commitment to the mobile phone business in Germany.

We provided our former employees with quick and unbureaucratic help in the form of a whole array of measures. Here are just two examples: We took on all 88 trainees so that they can complete their training programs with us. On October 19, we launched the Siemens job exchange. Applicants to this job exchange are treated like internal Siemens employees. As of today, we have received over 1,600 applications; about 700 job interviews were held, and as of January 22, some 160 former BenQ employees have been hired at Siemens.

We have established a solid financial footing for the job placement company – thanks, among other things, to our close cooperation with the bankruptcy trustee Mr. Prager, the labor union IG-Metall, the State of Bavaria and the State of North-Rhine Westphalia, and the German Federal Employment Agency. The job placement company was launched on January 1, 2007, with 2,450 employees. A further indication of our successful work in recent months is the fact that of the 3,300 employees initially affected by the bankruptcy, over 800 have already found a new job.

I am convinced that, together with the other members of the roundtable addressing this situation, we have taken the right measures to make the consequences of the bankruptcy as endurable as possible.

The second challenge in the I&C business area was the strategic reorganization of the Carrier business.

(Slide 8)

First a brief description of the initial situation: The entire carrier sector is currently undergoing a fundamental transformation. The primary driver of this transformation is a technical revolution. Telecommunications is increasingly being replaced by IT applications. In addition, convergence is happening on several levels. First, fixed and mobile networks are converging. Second, content such as voice, data and entertainment is converging. At the same time, new and extremely aggressive Asian competitors are emerging in the global market – and not just in the Far East, but here in Europe as well.

The consequence of this development is a process of comprehensive consolidation among customers and vendors. Alcatel and Lucent as well as Ericsson and Marconi are just two examples of large mergers. The pressure on us and the other competitors, including Nokia, was growing – especially given the fact that critical mass is a key success factor in this industry.

The 50:50 joint venture Nokia Siemens Networks is a very good solution. We are creating a powerful player in the telecom world with a realistic chance to climb to the top position. The positive responses we have had from customers and employees confirm the correctness of our decision. As to the current status, the antitrust authorities in the key countries have given their approval. The integration is proceeding as planned.

In light of the current compliance issues, we are conducting an independent review prior to closing, also involving an independent firm commissioned by Nokia. In addition, there is a clear agreement in the U.S. with the SEC and the U.S. Department of Justice. The joint venture contract has been modified in light of the compliance issues. We anticipate that closing will take place in the current quarter.

Now, I'd like to comment on the third component of the I&C business area, the Enterprise business. In basic terms, what is important here is to create value. For that reason, we began with improving operations in this business. At the same time we initiated a number of measures related to business strategy. One of the measures, for example, was to strengthen new IP-based products and to grow the service business. Another was the change from direct to indirect sales channels. This is the homework that we are doing to get EN back on track. At the same time we are open to a strategic partnership to lastingly strengthen the business. However, we do not want to rush into this.

The fourth major issue in the business area I&C was the strategic reorientation of SBS, which we have now concluded.

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In fiscal 2006 we made good progress in restructuring this Group. This involved a combination of strategic measures, such as selling the Product Related Services unit to Fujitsu Siemens Computers and concentrating on high-end services and solutions, as well as operational measures, such as a €1.5 billion productivity program running through the end of 2007. An important milestone here was the conclusion of the Supplementary Collective Bargaining Agreement in Germany. This was a vital step for SBS to regain financial health on its own. And this created the basis for a solution for the future. We are bundling our worldwide software and IT service expertise. After all, it is quite clear that our IT expertise is the key to our success.

On January 15, 2007, we created the new Group “Siemens IT Solutions & Services” (SIS). SIS has a business volume of more than €5 billion and a workforce of some 43,000 people, and is managed from Munich and Vienna. Another important location is Erlangen — the proximity to a number of Siemens Groups is key here. SIS integrates our worldwide software expertise. In concrete terms, the following units are incorporated in SIS: Siemens Business Services, Program and System Engineering (PSE) of Austria, the Indian unit Siemens Information Systems Ltd. (SISL), the Business Innovation Center (BIC) in Switzerland and Development Innovation and Projects (DIP) of Greece. The focus of the business strategy of SIS lies on the Siemens industries, and its strategic focal points are industrial and power utility companies, the healthcare and automobile arenas as well as the public sector.

SIS works in dovetailed fashion with the other Siemens Groups and has a joint presence with them in the marketplace. The SIS business model has three levers that will ensure its future success. First: boosting volume by concentrating on Siemens industries. Second: joint market presence and penetration. And third: price. The unparalleled depth of SIS expertise differentiates its performance from that of the competition.

Moreover, the integrated units have a strong presence in China, India and Eastern Europe. A total of 20 percent of the company’s employees are located in these countries. Thanks to a worldwide development network, we attain a competitive mix. We are certain that, by bundling and focusing our IT activities, we will achieve greater market strength.

And we had an outstanding win in the first quarter to celebrate the company's launch: the HERKULES order from the German military. This order involves the modernization of the entire non-military IT infrastructure. The project is to run ten years. We are implementing it together with IBM. The order volume totals €7.1 billion. This concludes my description of the reorientation of the I&C businesses. As you see, this topic alone could fill an entire evening.

In light of the unbalanced situation caused by a major loss of business volume, you can perhaps now better understand our concern. In this situation we had to find a counterbalance, and we found it by expanding our strengths.

Given the challenges facing us around the world, we are fortunate to have a very attractive portfolio. It enables us to ride the tailwind of global megatrends and take advantage of the opportunities they create for us. Here are a few concrete examples of how we can profit from the consequences of these megatrends. Clean power generation is a MUST for the future. More efficient industrial production is THE challenge for a growing population. Functioning infrastructures – here is an area in which the rapidly growing cities of industrializing countries have to act quickly. A growing and aging population is creating immense demand in the healthcare sector.

These consequences represent business opportunities for us, and we want to make use of them. Our first response to these consequences is to boost our innovative strength. In the final analysis, innovation is the life-blood of Siemens. And that is why we dramatically increased our innovation activities. Last fiscal year we increased our investment in research and development by €500 million to €5.7 billion.

And to show you what results our R&D activities are producing, I have again brought along three examples.

My first example is an efficient power generation solution that shows how we are responding to the hunger for energy and climate change.

(First film clip)

The film shows the production of gas turbines at our global turbine facility in Berlin. Every blade you see incorporates some of the most advanced technology available in the world today. The force acting on every square centimeter of every single blade equals the force generated by the weight of a mid-sized automobile. If you divide the total output of a single

turbine by the number of blades, the output of each blade equals that of ten Turbo Porsches. These turbine blades are exposed to temperatures of nearly 1,500 degrees centigrade – temperatures at which metal normally melts. One of our innovations – a metal alloy combined with a special nano-coating – keeps the blades from warping at these temperatures.

The turbine being built here is the most powerful device of its kind in the world. We're constructing it for our customer E.ON in Irsching, near Ingolstadt, Germany. The turbine is 13 meters long and five meters high, and weighs more than 440 tons. By comparison, an Airbus A380 weighs "only" 290 tons.

In combined cycle operation, this turbine achieves a world-record efficiency rating of 60 percent and produces 530 megawatts of electricity, enough power to meet the needs of a city the size of Hamburg with 620,000 three-person households. By increasing the efficiency, 40,000 fewer tons of CO₂ are emitted annually compared to today's best combined cycle power plants. This is the amount of CO₂ emitted by 9,500 mid-sized cars over a distance of 20,000 kilometers. In my view, this is a prime example of German engineering prowess, of climate protection through advanced technology and of the excellence of high-tech production and labor in Germany.

My second example shows one of our solutions helping to ensure affordable, high-quality, healthcare. You can improve healthcare quality AND lower healthcare costs at the same time. But you can't do it with over-regulation that stymies progress. What we need instead is innovation across the board. Innovation for which we and this country are famous.

Now to my next example:

(Second film clip)

Here you see pictures produced by overlaying images generated by a positron emission tomography (PET) system and a computed tomography (CT) scanner. First, I would like to explain how PET works:

PET recognizes diseased cells or cell structures, those produced, for example, by cancer or Alzheimer's. In the case of the first patient shown in the film, they are the yellow-red spots; yellow stands for very active and red for less active tumor cells. The weak point of the PET-image is that it does not indicate the exact location of tumor cells in the body. For that, you

need a CT scanner. CT provides exact images of the body's anatomy.

The combination of a PET and a CT in an integrated system can precisely identify and locate diseased structures. This technology has only been on the market for a few years. The second film sequence shows a female patient having a check-up with a PET/CT system after chemotherapy – and there are no clearly defined metastases or tumors visible. Continuously improving the resolution of PET/CT devices is making better diagnoses possible. However, to use PET/CT to diagnose other diseases, it will be absolutely necessary to develop new, disease-specific biomarkers. Research is now at the beginning of a very promising development to identify serious illnesses in their earliest possible stages. For example, colon cancer has a 90 percent cure rate when diagnosed early enough.

The third film clip shows the brain as you have probably never seen it before. Not only the familiar gray cells, but also the brain's neuron structures – shown here at the high resolution possible with magnetic resonance (MR) tomography technology. The different colors of this MR image not only indicate different brain activities, but also show the various directions in which the nerve paths go. The precision of the image is absolutely outstanding.

Just as in the previous example, combining MR with PET makes it possible to identify neurological disease processes at the cellular level. We are currently developing a combined MR/PET system for the head. This will help us identify brain diseases like Alzheimer's at the earliest possible stage – thereby increasing the cure rate, improving the quality of life and cutting costs. The goal is quite clear: *Better to diagnosis and cure early on than alleviate suffering later and at higher cost.*

My third example reflects the growing demands on industrial production, which must now become more efficient and reliable and consume fewer resources. With our SIMATIC automation system, we're both an innovation and market leader. We're also the clear number one in the world's future factory: China. So-called digital factories are the future of industrial automation: production processes and automation are now planned virtually and optimized before they even exist. I'd like to show you a short film clip about this.

(Third film clip)

The film shows an automobile plant that, before it is even built, is 100 percent digitally simulated, digitally planned and digitally optimized. This reduces development and

production start-up times by up to 30 percent, an enormous benefit for car makers, for example.

We are rigorously driving innovation in automation systems so we can fully support the possibilities of the digital factory. At the same time, the growing importance of software tools for the digital factory is a challenge for us as manufacturers of automation systems: We have to keep up with the pace of innovation. That's why we've decided, as we announced yesterday, to move into the field of software for product lifecycle management (PLM) – that is, the development and production of software tools for the digital factory. I'll come back to this subject in just a moment.

These are only a few examples of our power of innovation. Innovation is our lifeblood and I'm always thrilled by what the spirit of invention and the expertise of our employees can accomplish. I hope it's the same for you. We have also used another growth lever – acquisitions in the sectors where we are particularly strong.

(Slide 10)

Here's an overview of our recent acquisitions. We have systematically built our portfolio in the three application areas we identified as having the most future growth potential. These three areas are: first, energy and environmental care; second, industry automation and industrial and public infrastructures; and third, healthcare.

As I did before, when talking about innovation, I'll begin with energy. We have further strengthened our position in the area of clean energy production through acquisitions.

(Slide 11)

The U.S. company Wheelabrator manufactures filter systems for power plants. We continue to believe that coal-fired power plants will supply the lion's share of electricity in the foreseeable future. While oil and gas reserves are concentrated in a few locations, coal is widely available and supplies are assured for centuries to come.

Decisive factors for our customers are efficiency and environmental sustainability. This creates a worldwide demand for products and systems that keep the air clean.

Wheelabrator is the perfect fit for PG since we are now the leader in products to reduce emissions.

Another acquisition, Sustec, is in the same area: sustainable energy generation. Sustec is a small engineering firm with 50 top experts in coal gasification. This team generates half of the world's exports of coal gasification technology. By acquiring Sustec, we've also acquired a key technology for the low-emission power generation. This technology can also be used in the CO₂-free power plants of the future. Sustec is participating in a 50:50 Chinese joint venture with the Shenhua Ningxia Coal Group. This will give us another foothold in the world's fastest-growing energy market. As you probably know, coal is a major part of China's energy policy. And we are already witnessing a first success: on January 18 we received a €30 million contract to deliver components for coal gasification plants in China. Last year, I spoke at length about renewable energies and about our wind power activities, in particular. Just to note: we are now the market leader in offshore wind parks.

Now I'd like to turn to acquisitions in the area of healthcare.

(Slide 12)

In the last two years, we have made major investments in this field. In 2005, we expanded our molecular diagnostics activities through the acquisition of CTI. Our business with these products is going well. With the acquisition last year of Diagnostic Products Corp. and Bayer Diagnostics, we have entered the laboratory diagnostics market. This expertise is also decisive in the field of disease prevention. This is the fastest growing field of medical expertise. And it will greatly benefit all of us. Genetic testing, for example, will enable us to identify predispositions for diseases like diabetes. Adopting the right lifestyle can definitely delay or mitigate the onset of the disease and possibly prevent it all together.

With the acquisition of Diagnostic Products Corp. and Bayer Diagnostics, we captured a leading position in laboratory diagnostics and expanded our offerings in preventive medicine. We have also rounded out our offerings along the clinical chain and are today the first fully integrated diagnostics company in the world.

Just a footnote in this connection: last week, our U.S. competitor also strengthened its position by buying a laboratory diagnostics company. I congratulated its chairman via email for obviously sharing our vision of the healthcare business. As far as I am concerned, his answer – *"We don't want you to feel too lonely."* – fully validated our claim to be a trendsetter in the field.

Now I'd like to move to the third sector where we have undertaken strategic acquisitions: industrial automation. We strengthened our position here by acquiring the U.S. company Robicon. Robicon develops and produces medium-voltage converters for drives in heavy industry. The acquisition has made us the world leader in this sector. Robicon is the ideal technical and regional fit. The company is a leader in converter technology. And its acquisition is improving our access to the growth sectors oil and gas, water and wastewater and energy in the North American market. Sales in fiscal 2006 nearly doubled year-over-year.

The acquisition of the German company Flender has also been a resounding success. The new order situation is very good. We have a ongoing upswing in wind power turbines and in the area of process automation. The business growth over the last two years has far exceeded our expectations. Today, we are No. 1 in the market for industrial and wind turbines. With Flender's turbine technology, we can now optimize the entire power train at our customers' factories. Moreover, Flender is a further building block for expanding our expertise in process automation.

Yesterday we took another big step in strengthening our industry business:

(Slide 13)

With the approval of the Supervisory Board, we completed the \$3.5 billion acquisition of the U.S. company UGS. UGS is No. 1 in industrial software and lifecycle management. With around 7,000 employees, the company – which is based in Dallas, Texas – generated sales of \$1.2 billion in 2005. Its product portfolio includes software platforms for computer-aided design, engineering and manufacturing. With this acquisition, we have taken a big step toward achieving our goal of combining the digital factory with the real factory as you saw in the film clip. Once again, we are setting the trend.

Yesterday, we also announced another step —the IPO of Siemens VDO Automotive (SV). We're doing this to gain additional room for growth. For SV, there is a great opportunity for further growth, above all in Asia. We therefore want to be prepared for this and ready to act accordingly. But we don't want this to hamper the growth possibilities of our other Groups. I would like to emphasize, though, that the industrial leadership is to remain at Siemens.

Ladies and Gentlemen:

We are making progress and establishing ourselves at the forefront of global competition.

We offer solutions that meet our customers' most urgent needs. And we don't just meet the urgent needs of *individual* customers. We also address the urgent needs of the entire planet: energy, healthcare, and more and better products. We're helping our planet master the challenges it faces. And we didn't start just yesterday. We've been doing this for 160 years – and doing it successfully.

And this has a something to do with trust. Trust in the capabilities of this company and in the people who shape it. Trust in 480,000 people worldwide. Trust is good, but it's even better when it is supported by facts. In a survey last year of opinion leaders from 18 countries in Asia, the Americas and Europe, Siemens received marks for trust that were well above-average – 70 percent, in fact. The study states: *"Among all the competitors surveyed, Siemens enjoys the highest trust worldwide."*

In major countries, we were way ahead – with 93 percent in China and 87 percent in Russia, for example. Of all the technology companies covered in the survey – companies like Samsung and General Electric – we were No. 1. As the study also noted: *"Technology companies are the only businesses that enjoy widespread trust worldwide."*

This trust has deep roots. And they have something to do with our company's origin and its culture. With the influence of our founder, Werner von Siemens – an influence that is still felt today. With our focus on engineering expertise in Germany and our willingness to share this expertise with enthusiastic engineers and technicians all around the world. With maintaining our principles over the long term without sacrificing our ability to change. With checking undesirable developments whenever they occur. And with emerging from crises even stronger than we were before.

The role of Siemens in the world and the role of Siemens in Germany are closely tied together. And it's also worthwhile reviewing the facts again: We currently have 162,000 employees at locations in 140 German cities and communities. In fiscal 2006, we hired 9,100 people in Germany. Right now, we have 2,500 open positions in the country – positions that we'll need more time to fill. Germany lacks skilled labor. To help meet this need, we're now training 9,600 young people in Germany, including 2,500 young people from other companies who want to benefit from the high quality of our training programs. In the Corporate Executive Committee, we decided to provide 200 trainee positions more than Siemens needs — 100 of them in the new German states. We've done this in the past years, and I expect we will again train beyond demand in 2008 and 2009.

In Germany, we have 21,000 people engaged in research and development. These scientists and engineers generate on average some 20 inventions every working day. I mentioned earlier the €5.7 billion that we invested in research and development in fiscal 2007: 50 percent of that amount was invested in Germany.

Ladies and Gentlemen:

All these facts speak for themselves. They speak for your company. And they speak for a great company – a company with a great history and even greater future.

Thank you very much.