Annual Shareholders’ Meeting
Siemens AG

Report on the State of the Company
Peter Löscher, President and CEO
Munich, January 24, 2008
For the last 160 years, Siemens has been answering the toughest questions with technological innovation.

Highest performance based on the highest ethical standards

**Our Values**

- **Responsible**: We are committed to ethical and responsible actions.
- **Excellent**: We are committed to highest performance and best results.
- **Innovative**: We are innovative to create sustainable value.
Fiscal 2007* –
Record operating profit, growth targets exceeded again

- New orders increased 12 percent to €83.9 billion
- Revenues rose 9 percent to €72.4 billion
- Group earnings jumped 70 percent to €6.6 billion
- Income from continuing operations up 48 percent to €3.9 billion

All Groups increase profit and margins and achieve margin ranges

* Compared to fiscal 2006
Stock price increased by more than 40% in fiscal 2007 and outperformed main stock indexes

Stock price development in comparison to October 1, 2006

* Based on market close of September 29, 2006 and September 28, 2007
Source: Datastream
First quarter of fiscal 2008* – Growth and profit on track

- New orders climbed 9 percent to €24.2 billion
- Revenues grew 10 percent to €18.4 billion, with organic revenue growth accounting for 8 percent
- Group profit from operations improved 16 percent to €1.7 billion
- Income from continuing operations grew 74 percent to €1.1 billion

Profit is growing twice as fast as organic revenues

* Compared to first quarter of fiscal 2007
Our aspiration

1. Focus on attractive, global growth markets

2. Leading positions in all our businesses

3. Close the profitability gap to our best competitors
Leading positions further expanded

**Healthcare**
First global, completely integrated diagnostics company

**Energy**
Leading global provider of comprehensive solutions along the entire chain of energy conversion

**Industry**
Expanding the innovation leadership in industrial automation through the “Intelligent Factory”
We are executing our strategy – Focus on three Sectors

Three Sectors

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Cross-Sector Businesses</th>
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<tr>
<td>Industry</td>
<td>■ Automation and Drives</td>
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<td>■ Industrial Services and Solutions</td>
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<td>■ Transportation Systems</td>
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<td>■ Osram</td>
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<td>Energy</td>
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<td>■ Power Transmission &amp; Distribution</td>
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<td>Healthcare</td>
<td>■ Medical Solutions</td>
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Stronger focus

■ Customer focus
■ Growth markets
■ Reduced complexity
■ Synergies
We are executing our strategy – Ambitious Fit4 2010 margin ranges for Sectors

### Three Sectors

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<tr>
<td>Industry</td>
<td>Margin range (new) 9 – 13 %</td>
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<tr>
<td>Energy</td>
<td>Margin range (new) 11 – 15 %</td>
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<tr>
<td>Healthcare</td>
<td>Margin range (since 11/07) 14 – 17 %</td>
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### Stronger focus

- Customer focus
- Growth markets
- Reduced complexity
- Synergies
Outlook – positive business development continues in 2008

<table>
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<th>Global economy</th>
<th>Siemens’ structural strengths</th>
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<td>■ Foreseeable flattening of U.S. economic growth due to the real estate and finance crisis</td>
<td>■ Broad and strong international footprint</td>
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<td>■ High oil price</td>
<td>■ Infrastructure businesses based on long economic cycles</td>
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<td>■ Weakness of U.S. Dollar</td>
<td>■ High value creation volume in U.S. Dollar sphere</td>
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<td>Slowdown of global economic growth expected</td>
<td>■ Strong market presence secures large share of investment boom in the Gulf Region and Russia</td>
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<td></td>
<td>■ Strong order backlog</td>
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A great company

Responsible
We are committed to ethical and responsible actions

Excellent
We are committed to highest performance and best results

Innovative
We are innovative to create sustainable value
All figures are preliminary and unaudited. Reconciliation and Definitions of our Non-GAAP Measures are available on our Investor Relations website under www.siemens.com/ir, Financial Publications, Quarterly Reports.

This document contains forward-looking statements and information – that is, statements related to future, not past, events. These statements may be identified by words such as "expects," "looks forward to," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "will," "project" or words of similar meaning. Such statements are based on our current expectations and certain assumptions, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Siemens' control, affect our operations, performance, business strategy and results and could cause the actual results, performance or achievements of Siemens to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For us, particular uncertainties arise, among others, from changes in general economic and business conditions (including margin developments in major business areas); the challenges of integrating major acquisitions and implementing joint ventures and other significant portfolio measures; changes in currency exchange rates and interest rates; introduction of competing products or technologies by other companies; lack of acceptance of new products or services by customers targeted by Siemens; changes in business strategy; the outcome of pending investigations and legal proceedings, especially the corruption investigation we are currently subject to in Germany, the United States and elsewhere; the potential impact of such investigations and proceedings on our ongoing business including our relationships with governments and other customers; the potential impact of such matters on our financial statements; as well as various other factors. More detailed information about certain of these factors is contained throughout this report and in our other filings with the SEC, which are available on the Siemens website, www.siemens.com, and on the SEC's website, www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Siemens does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.
Reconciliation and Definitions for Non-GAAP Measures (I)

**Group profit from Operations** is reconciled to Income before income taxes of Operations under Reconciliation to financial statements on the table Segment Information. See our Financial Publications at our Investor Relations website under [www.siemens.com/ir](http://www.siemens.com/ir).

**Earnings before interest and taxes (EBIT)(adjusted)** is Income from continuing operations before income taxes less Financial income (expense), net and Income (loss) from investments accounted for using the equity method, net.

**Earnings before interest, taxes, depreciation and amortization (EBITDA) (adjusted)** is EBIT before Depreciation and Amortization, defined as amortization and impairments of intangible assets depreciation and impairments of property, plant and equipment.

Group profit is reconciled to EBIT and EBITDA on the table Segment Information Analysis (II). See our Financial Publications at our Investor Relations website under [www.siemens.com/ir](http://www.siemens.com/ir).

**Return on Capital Employed (ROCE)** is a measure of how capital invested in the Company or the Group yields competitive returns.

For the Company, ROCE is calculated as Net income (before interest) divided by average Capital employed (CE). Net income (before interest) is defined as Net income excluding Other interest income (expense), net and excluding taxes on Other interest income (expense), net. Taxes on Other interest income (expense), net are calculated in simplified form by applying the current tax rate which can be derived from the Consolidated Statements of Income, to Other interest income (expense), net. CE is defined as Total equity plus Long-term debt plus Short-term debt and current maturities of long-term debt minus Cash and cash equivalents.

Because Siemens reports discontinued operations, Siemens also calculates ROCE on a continuing operations basis, using Income from continuing operations rather than Net income. For purposes of this calculation, CE is adjusted by the net figure for Assets classified as held for disposal included in discontinued operations less Liabilities associated with assets classified as held for disposal included in discontinued operations.

For the Operations Groups, ROCE is calculated as Group profit divided by average Net capital employed (NCE). Group profit for the Operations Groups is principally defined as earnings before financing interest, certain pension costs and income taxes. Group profit excludes various categories of items which are not allocated to the Groups since the Managing Board does not regard such items as indicative of the Groups’ performance. NCE for the Operations Groups is defined as total assets less tax assets, provisions and non-interest bearing liabilities other than tax liabilities.

Average (Net) Capital employed for the fiscal year is calculated as a “five-point average” obtained by averaging the (Net) Capital employed at the beginning of the first quarter plus the final figures for all four quarters of the fiscal year. For the calculation of the average during for the quarters, see below:
Reconciliation and Definitions for Non-GAAP Measures (II)

Average calculation for CE*:

| Year-to-Date | 2 Point average: (CE ending Q4 Prior year + CE ending Q1) / 2  
| Q1           | 3 Point average: (CE ending Q4 Prior year + CE ending Q1 + CE ending Q2) / 3  
| Q2           | 4 Point average: (CE ending Q4 Prior year + CE ending Q1 + CE ending Q2 + CE ending Q3) / 4  

| Quarter-to-Date | 2 Point average: (CE ending Q4 Prior year + CE ending Q1) / 2  
| Q1             | 2 Point average: (CE ending Q1 + CE ending Q2) / 2  
| Q2             | 2 Point average: (CE ending Q2 + CE ending Q3) / 2  
| Q3             | 2 Point average: (CE ending Q3 + CE ending Q4) / 2  

* NCE for Operations Groups.

Our cash target is based on the Cash Conversion Rate (CCR), which serves as a target indicator for the Company’s or the Group’s cash flow. For the Company, CCR is defined as the ratio of Free cash flow to Net income, where Free cash flow equals the Net cash provided by (used in) operating activities less Additions to intangible assets and property, plant and equipment.

Because Siemens reports discontinued operations, this measure is also shown on a continuing operations basis, using Income from continuing operations, Net cash provided by (used in) operating activities – continuing operations and Additions to intangible assets and property, plant and equipment for continuing operations for the calculation.

For the Groups, CCR is defined as Free cash flow divided by Group profit.

All values needed for the calculation of ROCE and CCR can be obtained from the Consolidated Financial Statements and Notes to Consolidated Financial Statements.

Group profit, Net capital employed and Free cash flow for the Company and the Groups can be found on the table Segment information. Our Consolidated Financial Statements are available on our Investor Relations website under www.siemens.com/ir.

Siemens ties a portion of its executive incentive compensation to achieving economic value added (EVA) targets. EVA measures the profitability of a business (using Group profit for the Operating Groups and Income before income taxes for the Financing and Real estate businesses as a base) against the additional cost of capital used to run a business (using NCE for the Operating Groups and risk-adjusted equity for the Financing and Real estate businesses as a base). A positive EVA indicates that a business has earned more than its cost of capital, and is therefore defined as value-creating. A negative EVA indicates that a business is earning less than its cost of capital and is therefore defined as value-destroying. Other organizations that use EVA may define and calculate EVA differently.
Reconciliation and Definitions for Non-GAAP Measures (III)

Our capital structure target is based on an Adjusted industrial net debt divided by EBITDA (adjusted). For the calculation of Adjusted industrial net debt, we subtract from Net debt (defined as Long-term debt plus Short-term debt and current maturities of long-term debt less Cash and cash equivalents less Available-for-sale financial assets) (1) SFS debt excluding SFS internally purchased receivables and (2) 50% of the nominal amount of our hybrid bond; and add/subtract (3) Funded status of Pension benefits, (4) Funded status of Other post-employment benefits; and add (5) Credit guarantees. The components of Net debt are available on our Consolidated Balance Sheets, SFS debt less internally purchased receivables is available in our Management Discussion & Analysis under Capital Resources and Requirements. The Funded status of our principle pension plans and Other post-employment benefits, the amount of credit guarantees and the nominal amount of our Hybrid bond is available in the Notes to our Consolidated Financial Statements.

To measure Siemens’ achievement of the goal to grow at twice the rate of global GDP, we use GDP on real basis (i.e. excluding inflation and currency translation effects) with data provided by Global Insight Inc. and compare those growth rates with growth rates of our revenue (under IFRS). In accordance with IFRS, our revenue numbers are not adjusted by inflation and currency translation effects.

Return on equity (ROE) margin for SFS was calculated as SFS’ Income before income taxes divided by the allocated equity for SFS. Allocated equity for SFS for the financial year 2007 is €1.041 billion.

The allocated equity for SFS is determined and influenced by the respective credit ratings of the rating agencies and by the expected size and quality of its portfolio of leasing and factoring assets and equity investments and is determined annually. This allocation is designed to cover the risks of the underlying business and is in line with common credit risk management standards in banking. The actual risk profile of the SFS portfolio is monitored and controlled monthly and is evaluated against the allocated equity.

Group profit from Operations, EBIT (adjusted), EBITDA (adjusted), ROCE, CCR, EVA and Adjusted industrial net debt are or may be Non-GAAP financial measures as defined in relevant rules of the U.S. Securities and Exchange Commission. Our management takes these measures, among others, into account in its management of our business, and for this reason we believe that investors may find it useful to consider these measures in their evaluation of our performance. None of Group profit from Operations, EBIT (adjusted), EBITDA (adjusted), ROCE and EVA should be viewed in isolation as an alternative to IFRS net income for purposes of evaluating our results of operations; CCR should not be viewed in isolation as an alternative to measures reported in our IFRS cash flow statement for purposes of evaluating our cash flows; and Adjusted industrial net debt should not be viewed in isolation as an alternative to liabilities reported in our IFRS balance sheet for purposes of evaluating our financial condition.