Annual Shareholders’ Meeting of Siemens AG

Speech by Peter Löscher, President and Chief Executive Officer of Siemens AG
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President and CEO
of Siemens AG
In addition, a growing number of shareholders follow this meeting online. I welcome them as well. I’m also very pleased and we are very proud that a good share of Siemens employees are Siemens shareholders. 148,000 employees now take part in our employee stock program. That number is unmatched worldwide.

This is the sixth Annual Shareholders’ Meeting at which I have reported to you. For me, it is also the first at which Siemens is not under the compliance supervision of U.S. authorities! That is a remarkable success and a good occasion to make two comments. First, integrity is a fundamental requirement that we impose on ourselves. Everywhere and always, without exception!

Second, on behalf of the Managing Board and the employees of the company, I extend our sincere gratitude to Dr. Waigel. His term as Compliance Monitor of Siemens ended on December 15 of last year. Dr. Waigel, you exercised the duties of this office with greatest earnestness, greatest skill and greatest persuasiveness. You built trust and confidence wherever you performed your tasks. We are deeply indebted to you. Yet, we thank you not out of a sense of obligation, but sincerely from our hearts!

Leading position in the global market
To me, the fact that so many of you attend the Annual Shareholders’ Meeting of our company, year after year, above all is evidence of two things: Your long-term commitment and the continuity of your interest. Both of these qualities are very important to the Managing Board: in our efforts to constantly make Siemens an ever stronger company and increase its value in the long term; and in regard to the changes that are needed to prepare Siemens for new market developments; and to further strengthen our company’s leading position in the global market.

What that takes was articulated by Ernst von Siemens, speaking at the Siemens Annual Shareholders’ Meeting in 1967. In his time, he merged the three principal Siemens companies Halske, Schuckert and Reiniger into Siemens AG, and so was responsible for one of the most radical changes in the history of our company. He said, quote: “In the technology race of our age, we only need to make sure that we continue to be world-class in those fields which we consider to represent the main focus of our work.” Changing to remain world-class – that has always been a guiding principle of our company. And that is something that will not change.
Our Annual Shareholders’ Meeting is the one occasion every year when the Supervisory Board and Managing Board can engage in a face-to-face conversation with shareholders – with you. Throughout the year, that conversation takes place primarily between the Managing Board and Supervisory Board, as the Supervisory Board members you elected and the employee representatives on the Supervisory Board closely consult with the Managing Board.

The current term of office of our Supervisory Board ends today. Therefore, I wish to take this opportunity to thank all members of the Supervisory Board for supporting our work in the last five years. I extend special thanks to Dr. Cromme, as the Chairman of the Supervisory Board, for his judicious leadership, for our intensive consultations and for our trustful collaboration.

I also want to bring those members of the Supervisory Board to your attention who will be leaving the board when the current term of office ends: Mr. Jean-Louis Beffa; Mr. Håkan Samuelsson, who unfortunately is unable to attend today; Lord Iain Vallance of Tummel; and the employee representative Mr. Werner Mönius.

I thank you for supporting the work of the Managing Board and for your impressive and judicious work in the committees. Attached to that is the wish that you keep in touch with us and remain favorably disposed to us. Your advice and support are always welcome!

A good, but not completely satisfactory fiscal year

As every year, I wish to begin with a report on the state of the company. Fiscal 2012 was a good year, but not a completely satisfactory year for us. The uncertainties associated with the considerable instability of the global economy continued to have an impact on Siemens. The economy was increasingly hampered by the sovereign debt and financial crises. The original hopes of economic experts for a gradual recovery of the global economy did not materialize in 2012. Above all, there were no economic tailwinds in our home market of Europe.

Making matters worse, we were not as successful in some of our own projects as both we and our customers had expected. To name two examples: The North Sea platforms and specifically, the project delays in connecting the offshore wind farms to Germany’s power grid. And the delay of the delivery of ICE trains to Deutsche Bahn. The images of the shipyard in Wismar where these platforms are built give you an idea of the magnitude of the offshore grid connection projects in the North Sea, and the scope of the technology, engineering and project management requirements. In this shipyard, as in the installation on the high seas, we have broken new ground. This really has been a pioneering feat, not so much in terms of the technical requirements individual project components had to meet, but more in terms of the scale and integration of the entire project – and all of that in a completely new regulatory environment.

With regard to the second topic, the ICE trains for Deutsche Bahn, we certainly regret the delivery delays that have occurred. We do share part of the responsibility for that. But we will not let down Deutsche Bahn and its customers. That’s why we offered extensive support to Deutsche Bahn to ensure the availability of its existing ICE fleet during the winter months, including a rapid response team of 100 service technicians. I also wish to bring your attention to what Deutsche Bahn CEO Grube said at a public event in Berlin. He expressly called for a fundamental revision and simplification of
the certification procedures for railcars in Germany. Unlike automobiles and aircraft, he said, every single train unit must be certified individually by the Federal Railway Office. Like Deutsche Bahn, we would be very pleased if manufacturers, the railway operator Deutsche Bahn, the Federal Railway Office and government officials could agree on simpler, faster and more modern certification rules.

In this context, it’s worth noting that just last month, we successfully completed the certification process for our Desiro trains, together with the Russian State Railway, four months ahead of schedule, and that the Russian Railway officially inaugurated these trains today – about one year before the start of the Winter Olympics in Sochi, where they will be in use.

I’d also like to mention that our Velaro high-speed trains are operating with the highest level of availability and a 99 percent on-time performance in the harsh Russian winter on the St. Petersburg-Moscow route. By the way, Siemens alone is responsible for servicing those trains, unlike here in Germany. And our Velaro Trains have been similarly successful also in Spain.

So, the negative impression created in Germany is due to the special situation here. Unfortunately, this has overshadowed the reputation and success of our global rail business and the outstanding reliability of our trains throughout the world.

Of course, serious difficulties in completing our projects are a burden and a disappointment for the customers involved, as well as for you, the shareholders, and for us. I can assure you that we have learned from our mistakes and drawn the consequences. But I also want make it very clear that I personally and the entire Managing Board will always stand up for our teams, expressly and publicly, that we will support them with all our might, and that we will urge them to solve the problems, particularly in difficult situations.

Even though not everything we did last year was crowned by success, the 370,000 employees of Siemens did much good and did much right! In a competitive environment that on the whole was very challenging, they delivered an impressive performance. That’s why my heartfelt thanks go to the employees of the business units involved and all the employees of our company for their excellent work and unwavering dedication in the past year.

Positive long-term development

In the past fiscal year, we were able to increase revenue by more than 7 percent to €78.3 billion. And despite all the difficulties, we earned a very good profit of €5.2 billion in fiscal 2012; that’s the second-highest operating profit in the history of Siemens. Considering the long-term development over the last few years, it is undeniable that Siemens stands on a very solid financial base, and that over the last ten years, we have been able to substantially improve the quality of the results.

In 2003, our earnings per share were still only €2.80; today, we are proud to report earnings per share of €5.09, after a record result of more than €7 per share in fiscal 2011. That represents an increase of over 80 percent over the last ten years. And it’s proof that our company’s performance has steadily improved over this period. Financially, Siemens has always been a rock-solid company. Today we can say: Besides being a solid company, Siemens is also a highly profitable company!
We want you, the shareholders, to benefit from this consistently positive development. That’s why we will again propose a dividend of €3 per share. The dividend yield will then be 3.6 percent. In the past five years alone, we have increased the dividend from €1.60 to €3. That’s an increase of 88 percent.

The value of your Siemens shares has also been positively affected by the share buy-back of nearly €3 billion last autumn. We financed the buy-back mostly through bond issues – for which we paid the lowest interest rate yet recorded in the European capital market. This step further improved Siemens’ capital structure. The share buy-back met with an extraordinarily positive response in the financial markets and was even adopted by leading U.S. companies, such as Intel, as a model for optimizing long-term financing.

**Our aspiration is to be world-class**

Let us now look forward and discuss the prospects of your company in the future. As we do that, let’s bear in mind the aspiration proclaimed by Ernst von Siemens, the aspiration to be world-class. Every member of the Managing Board, including me, is committed to fulfilling this aspiration. Being a second-rate company – that is something we will never be satisfied with; nor would it meet your expectations, as the owners of our company. Our aspiration is to set new standards, to shape markets and to push boundaries – in order to secure the lasting success of Siemens as a company and to promote progress and improve quality of life for all people.

Allow me to cite a compelling example of how Siemens has set new standards, pushed boundaries and paved the way for human progress through innovation power and rigorous implementation. I am referring to an invention that at the end of 2012 received the most prestigious award for inventors in Germany, the German Future Prize. Torsten Niederdränk, who works for Corporate Technology here in Munich, won this very award, together with his research colleagues at Oldenburg University. Mr. Niederdränk is present today at the Annual Shareholders’ Meeting. Welcome, Mr. Niederdränk! Congratulations from all of us!

Thanks to your invention, hearing aid devices in both ears can communicate with each other wirelessly for the first time ever. It’s an invention that hearing aid engineers throughout the world admire. But above all, it’s an invention that does great things for those who use it. Using this dual-ear hearing aid system, hearing-impaired people can for the first time experience three-dimensional sound, much like people with normal hearing. And this enables them to take part in everyday life – at home with their families, at work, in public places, in nature, at concert halls, not to mention at parties.

Mr. Niederdränk’s invention is a small technological miracle and a tremendous accomplishment particularly for hearing-impaired people, whose numbers will continue to grow in the future. Inventions like these uphold a tradition of world-class innovation that is deeply rooted in our company.

We have also been more successful than all others with respect to European patent applications. Currently, Siemens leads the ranking with more patent applications filed than any other company in Europe. Siemens is the European champion of innovation! If Siemens were a European country, it would rank among the top ten countries in patent applications – between Belgium and Sweden!

For a company like ours, being world-class, being better than the rest, always has at least two dimensions: superior technology and greater profitability! For one, we want our innovations to set new standards, especially in the areas of energy and resource efficiency. At the same time, we want Siemens
to be at least as profitable in the future as it has been in its best years to date; this is what you are entitled to expect. And we want to be as profitable as our best competitors. We want our performance to be measured against these two goals – being a leader in profitability and achieving sustainable growth in technology-driven markets.

In terms of growth, we did well in the past year – both compared to the preceding year and also compared with our competitors. Unfortunately, this was not the case as far as the profitability of our business activities was concerned. The profit margins of the Energy and Infrastructure & Cities Sectors were below the defined target corridors, and the profit margin of the Industry Sector was within the target corridor, but lower than before. By contrast, the Healthcare Sector improved its profit margin. Here, Agenda 2013, the program the Sector presented a year ago, has already begun to yield positive results. The Healthcare Sector increased both profit and revenue; and even registered an increase in new orders. Besides setting a good example in profitable and capital-efficient growth, Healthcare has shown that hard work and rigorous focus pay off.

**Maximizing our strengths**

We intend to achieve a similar success with the “Siemens 2014” program introduced in November of last year, by bringing the profit margins of the other Sectors back to a level of at least 12 percent. This program adds force to our target system “One Siemens.” And it will reward the trust and confidence placed in our company by our customers, the markets and our business partners.

The year 2013 marks the halfway point of our Siemens 2014 program. Accordingly, our full attention is focused on the implementation of this program. For 2013, we expect to generate moderate growth in new orders, revenue at nearly the same level as that achieved in fiscal 2012 on a comparable basis, and income from continuing operations in a range of €4.5 to €5 billion. We do not expect the global economy to provide any tailwinds. The developments in the first quarter confirm this assessment. We were able to get fiscal 2013 off to a solid start. Total Sector profit increased by 4 percent.

The principal levers of our company program are an ambitious increase in our productivity and the further strengthening and focusing of the Siemens portfolio. We will align our activities even more closely to dynamic global business opportunities and fast-growing markets. That will enable us to make the most of Siemens’ strengths as a global company. In this context, we are analyzing every business in our portfolio to determine whether it pursues a clear strategy, whether it has global market potential and synergistic advantages for other Siemens business activities, and whether it offers technologically advanced products and services; whether it holds a leading market position, which can be expanded or at least easily defended; whether its growth and profitability will contribute in the long term to increasing the value of Siemens and create opportunities for sustainable profitability.

Businesses that do not fulfill these criteria will be subject to questions, including the question whether Siemens is the best possible home for such activities in the long term. Obviously, we know that such questions can cause anxiety in the business units involved – especially when restructuring measures are required and jobs are affected. What I said when the program was introduced last November applies here. We will always exercise prudence. In addition, we intend to streamline and strengthen our portfolio through targeted acquisitions. We always seek to maintain and expand our leading technology positions in the future, to secure value creation for our company, and so to achieve sustainable growth of the company’s value.
These goals can be illustrated by three measures that we have already implemented in the last few months:

> First, the steps taken to strengthen our software and IT capabilities, particularly in the Industry Sector;
> Second, our Environmental Portfolio;
> And third, the steps taken to sharpen the profile of our Infrastructure & Cities Sector.

**Great opportunities in the vertical IT market**

First, let’s turn to our software and IT capabilities. Let me emphasize that it’s not our goal to target the mass market with all kinds of horizontal applications, such as conventional e-mail programs or search engines. Rather, our focus is on vertical IT – that is, software solutions that are designed to perfectly meet the specific needs of certain sectors. In other words, our focus is on markets in which our industry-specific competencies and experience are a decisive advantage in meeting customer requirements. For example, the software used to operate a fully automated subway system like the one in Nuremberg poses entirely different demands than the software used to control production in an automobile factory or the software used in diagnostic systems in hospitals. Standard software cannot provide suitable answers for these completely different application areas. But we can. And we are well positioned to be a leader in this market.

> First, our experience and knowledge in a number of industrial sectors is unrivaled.
> Second, vertical IT is a field in which the existing relationships between industrial equipment makers like ourselves and industrial companies are an ideal starting point for close cooperation.
> And third, Siemens is one of the world’s biggest software companies, with 17,500 software engineers today.

At roughly 8 percent per year, this market is growing twice as fast as conventional markets; and the segment of this market that we can address is estimated to reach a volume of €100 billion in 2016.

In the past fiscal year, our Industry Sector has strengthened its capabilities in this area by making a number of acquisitions and investments:

> For example, the acquisition of the U.S. company Vistagy, which develops software for the design and processing of carbon fibers.
> We invested more than €20 million in the construction of a new Industry Software Center in Genoa, where we will bundle our IT competencies in control systems for entire manufacturing facilities.
> And last fall, we acquired the Belgian industrial software company LMS, a leading provider of software solutions for the mechatronic simulation and testing of complex products.

By focusing on vertical IT, we will bolster our leading position as an industrial equipment maker. And we are ramping up competencies that will enable us to maximize our extensive industry experience; that will give us a clear competitive advantage versus conventional IT companies like Oracle, IBM and SAP. A spectacular example of our capabilities in a pioneering area of vertical software comes from the aerospace industry and one of its pioneering organizations, the National Aeronautics and Space Administration of the United States. When NASA developed the Mars rover “Curiosity,” it used software from Siemens.
Sustainability creates opportunities

Second, I would like to talk about our Environmental Portfolio. Here I’d like to comment on our decision to part with our water treatment and solar energy business activities. Chemical water treatment requires expertise primarily in the area of process engineering and therefore offers few synergies with our other business activities. In the area of solar thermal energy, there are no realistic prospects for a successful global business in the foreseeable future due to the radical changes in the regulatory conditions in southern Europe, the United States and northern Africa, as well as the aggressive market strategy of Asian photovoltaic suppliers.

However, these decisions have no effect whatsoever on the commercial and strategic focus of our Environmental Portfolio, of which our solar activities accounted for less than one percent. Our Environmental Portfolio is growing at a much faster rate than our other business activities: last year alone, it grew 10 percent, and its average growth rate over the last five years was 14 percent.

Technologies that increase energy and resource efficiency – that is, products that consume much less electricity and other resources than preceding generations of products – by far account for the largest share of our Environmental Portfolio. Thus, our Environmental Portfolio provides answers to one of the greatest challenges of our time – climate change and the depletion of natural resources.

Last year, we increased the total revenue generated with our Environmental Portfolio to €33 billion. In addition to that, OSRAM’s environmental portfolio generated revenue of €3.9 billion.

Our environmental portfolio contributes substantially to real sustainability, for the benefit of future generations and for the protection and preservation of our natural environment. Our employees develop technologies and manufacture products that save electricity and reduce emissions in regular, everyday use and that make manufacturing processes and operations less resource-intensive. Technologies and products

- That efficiently generate electricity from both fossil fuels and renewable energy sources;
- That transport electricity efficiently, for example, smart grids;
- That use electricity efficiently, for example, intelligent building technologies and solutions for industrial production and private households.

Here are three examples of such technologies:

- Our industrial motors, together with variable-speed technology, can reduce energy consumption by up to 70 percent;
- Or, our highly efficient gas turbines: in combination with a steam turbine, they achieve an efficiency rating of more than 60 percent. In contrast to that, the average efficiency rating of gas turbines is currently only 50 percent and that of the installed power plants in most countries of the world is much lower;
- Or, take our gearless 6-megawatt wind turbines with a rotor diameter of up to 154 meters, which nearly equals the height of Cologne Cathedral. A single wind turbine of this size can generate enough electricity to power 6,000 households.
We are very proud of the technologies in our Environmental Portfolio. Their value can be expressed in numbers. Our environmental technologies enabled customers to reduce CO₂ emissions by 332 megatons worldwide in the past fiscal year alone; that’s equivalent to the total annual CO₂ emissions of Spain.

From an entrepreneurial perspective, focusing on this portfolio makes sense as well because it enables us to address an especially dynamic market. According to statistics published by the German Ministry for the Environment, the worldwide market for green technologies is currently worth about €2 trillion per year. And experts predict that its volume will double by the year 2020 – that’s just seven years from now.

This is how we generate sustainable growth and value for our company, how we create added benefits for our customers, and how we contribute significantly to social progress and quality of life throughout the world. We are also very proud of the fact that we were named the most sustainable industrial enterprise in the renowned Dow Jones Sustainability Index this year, and not only in our own sector, as in past years, but as the benchmark across nine different sectors.

**Innovative technologies for metropolitan areas**

Third, I’d like to outline the steps we are taking to sharpen the portfolio of our Infrastructure & Cities Sector. This Sector provides sustainable technologies for metropolitan areas and their infrastructures. Everywhere in the world, metropolitan areas are growing. By the year 2050, about 70 percent of the world’s population will live in cities; that’s 2.5 billion more people than now!

Throughout the world, urban infrastructures are reaching their limits and cities are facing immense challenges. As a consequence, urban planners and regional governments everywhere need strong and technologically competent partners: partners whose technologies help them create functioning, clean and secure urban living spaces and so help to preserve and enhance quality of life for city dwellers. Siemens is a leading partner for cities – a partner with a great tradition and deep roots in the metropolitan areas of the world, a partner with an unrivaled wealth of experience, and a partner who has always been a trailblazer of the modern age.

Last year, we made a number of important decisions to improve the setup and focus of the Infrastructure & Cities Sector. To begin with, we intend to acquire the railway automation division of the British company Invensys, which will substantially expand our core competence in the railway automation business. At the same time, we decided to sell the business that provides baggage handling, letter sorting and package sorting systems. Due to its high proportion of mechanical engineering, this business provides only minor synergies with our other activities.

And finally, last September, we opened our new customer center for urban infrastructure, known as “The Crystal,” in London.

The Crystal has already become a popular attraction in London, drawing more than 30,000 visitors since its inauguration in September. And that is not only because of its striking architecture and prominent location, but also because it’s one of the world’s most energy-efficient buildings. Besides being the place where our urban planners and technology experts develop the infrastructure solutions of tomorrow, it is also a platform for the exchange of information among decision makers and our experts, a platform that will facilitate networking, the exploration of solutions, and the generation of leads for future business.
OSRAM – an attractive investment

I’d now like to outline another important measure, one which we have been preparing in the last few months, and which we are asking you to approve today: the proposed spin-off and IPO of our lighting subsidiary OSRAM. The aspiration to be world-class and to hold a leading market position of course applies to OSRAM as well. Therefore, we asked ourselves: What can we do to successfully defend and further expand OSRAM’s outstanding position in the lighting market? The global lighting market is undergoing a fundamental technological transformation as it makes the transition to LED technology, that is, semiconductor-based light. It’s a transformation that is nearly as far-reaching as the transition from kerosene lamps to the electric light bulb. And it is profoundly changing the lighting business. There are:

> New challenges in development and production;
> New conditions for sales;
> Completely new application areas;
> And, arising from that, new growth opportunities we can tap only by making the right strategic decisions for OSRAM.

The Managing Board and Supervisory Board of Siemens believe that the proposal presented to you today is the right decision as it will enable OSRAM to achieve the best possible development in this highly attractive market. Given the changed conditions specific to the lighting industry, we are convinced that OSRAM will be able to operate more quickly and flexibly and ultimately more successfully as an independent company with a setup marked by short decision-making processes.

As a publicly listed company, OSRAM will have direct access to the capital market, as well as the opportunity to sharpen its profile in the market. After the spin-off, both the Siemens share and the OSRAM share will present a sharper investment and risk profile. Siemens will not lose any significant synergistic potential as a result of the OSRAM spin-off. OSRAM and Siemens will continue to work together in the future, for which purpose we have entered into a strategic agreement.

We are firmly convinced that OSRAM is well prepared for its IPO for the following reasons:

> In preparation for today’s proposal, we have taken steps to ensure that OSRAM is endowed with a solid capital base;
> We anticipate that its company program will elevate OSRAM to a sustainably competitive level of profitability in the coming years, a level that takes into account the changes in the lighting market;
> Already today, the company has set up its business activities to seamlessly cover every stage of the value chain – from components to lighting solutions and lighting management systems;
> And, as a renowned, independent lighting brand with more than a century’s experience and tradition OSRAM has a strong brand identity and a broad, independent customer base.

Here in Munich, you will soon be able to experience a showcase of the lighting solutions of the future: the completely LED-based lighting concept in the Lenbachhaus.

For all these reasons, we believe that OSRAM is an attractive, separately tradable investment for you, the shareholders of Siemens. And you will be able to participate in the capital appreciation potential of this investment in the coming years.
Today, we propose a spin-off of our OSRAM activities that will give you one OSRAM share for every ten Siemens shares. You, the shareholders of Siemens, will hold an 80.5 percent interest in the future OSRAM Licht AG. Siemens AG will initially hold a 19.5 percent interest in OSRAM, of which it will contribute 2.5 percent to the Siemens Pension Trust soon after the transaction is completed.

We ask you to approve this proposal. In our opinion, it combines two advantages. It is conducive to the success of both OSRAM Licht AG and Siemens. And thus, it has the potential to increase the value of your stock portfolio because it will reflect the success of both companies – Siemens and OSRAM.

**Focus on growth regions**

I now turn the last point on the company program that I want to make. We want to adapt our regional setup to more flexibly satisfy regional conditions and take advantage of growth opportunities – especially in emerging countries. This is a great opportunity for us to make the most of our longstanding global presence and local roots.

We’ve been very successful doing that in the last few years. Since 2005, we have increased our revenue in the emerging countries from €10 to €26 billion, so that it now accounts for one third of Siemens’ global revenue.

“Second-wave” emerging countries like Mexico, Indonesia and Vietnam, are making an increasingly important contribution to this goal. Not to mention the larger countries. China, of course, stands out due to its size. China’s growth potential continues to be enormous: The yuan is being internationalized and the financial sector is being opened to a greater degree. The government intends to further develop the economic potential of its central and western provinces. Urbanization is accelerating; by the year 2030, China will have more than 230 cities with populations exceeding one million. And China’s domestic market as a whole still offers tremendous untapped growth potential.

Siemens has established excellent local networks in China. We are ideally positioned to operate successfully under the specific conditions of the Chinese market, and with highly skilled local workers, we have the capability to develop and manufacture products and solutions for the Chinese market. We have the products that China needs. And we have the expertise that China needs. For instance, in the healthcare market. As China’s population ages, the importance of this market is growing. The Chinese government is devoting considerable attention to healthcare. In particular, it is seeking to expand the healthcare system in rural areas.

For that purpose, China needs technologies that are both innovative and affordable. Our MRI scanner Magnetom Essenza is just such a product: It was specifically developed for broad deployment in hospitals that wish to achieve a high level of diagnostic quality with limited budgets. It is designed to scan up to 60 patients per day. Compared to other systems, customers can save up to 25 percent of the costs related to office space, electricity and construction. We manufacture this scanner in China and export it from there to customers all over the world. To date, more than 1,000 systems have been installed in more than 80 countries.
The annual volume of the China’s healthcare market will reach US$1 trillion by the year 2020. Already today, it’s the world’s second-largest healthcare market, after the United States and before Japan and Germany. And we have been able to step up our revenue in this market 30 percent per year over the last three years. The Magnetom Essenza shows why we have been able to do that: Because we have the answers that China needs.

The importance of emerging countries is growing fast. But the industrialized nations, above all the United States, remain powerful economic hubs and huge markets. In general, we are extraordinarily optimistic about the future development of the United States.

As for the current year, we believe in the ability of the country’s political leadership to be pragmatic and achieve compromises. And we expect continuity in public-sector budgets. If this expectation proves true, it will quickly have a positive impact on U.S. economic growth. The conditions for growth in the United States are very favorable today. The reason for that is the determination to use a new technology that makes it possible to extract oil and natural gas deposits from layers of shale rock – so-called shale gas and oil. As a result, the country will soon have access to much larger quantities of fossil fuels – and more importantly, at significantly lower prices. That will have two major consequences. First, energy will become more readily available and therefore less expensive in the United States. Experts predict that the United States will become the world’s biggest producer of natural gas by the year 2015 and the world’s biggest oil producer by the year 2017. In all probability, the United States will begin exporting natural gas by 2020 and oil by 2035. Second, the broad availability of inexpensive energy will spur a renaissance of U.S. manufacturing.

We are ideally positioned to benefit from these developments. We offer the solutions the United States needs to generate electricity from the resources now being produced and to make the use of these resources as efficient as possible. For example, the gas turbines we are producing in our factory in Charlotte, which opened just two years ago. These turbines are very efficient in generating electricity from shale gas.

Our turbines are a one-of-a-kind success story all over the world – both in terms of technology and business. Our H-class turbines are the most innovative systems available on the global market. Since their market introduction in 2009, we have already sold 20 of these machines, nine of them in the United States alone.

This leading technological position is not only due to know-how; it also results from the research and development done by highly innovative people. In 2012, we inducted one of these people, a person who has done outstanding research and development, into our company’s Innovators Hall of Fame. He is our Inventor of the Year – and he is here with us today. Welcome, Hans Maghon.

Mr. Maghon is responsible for the engineering of the rotating components of our gas turbines at our facility in Mülheim an der Ruhr. Again, my sincere congratulations to you, dear Mr. Maghon!

We look forward to the business opportunities that the re-industrialization of the United States will open up for us – not only for our Energy Sector, of course, but also for our business as an industrial equipment maker.
Challenges and opportunities of Germany’s “Energiewende”

At the same time, we should not fool ourselves. The availability and affordability of energy gives the United States a competitive advantage, and we can be sure that American companies will exploit that advantage. And that poses a major challenge for Germany, and indeed for all of Europe, as a manufacturing location. The challenge is to not only to make the transformation of Germany’s energy system technically feasible, but also affordable. And not primarily for the benefit of individual companies. But rather in the interest of preserving the country’s industrial base, as the backbone of employment and prosperity. The industrial base begins with primary production and ends with the numerous service providers in the industrial environment. The transformation of Germany’s energy system must be calibrated in such a way that the country’s competitiveness does not suffer! Achieving that is not fully guaranteed at this point.

We are convinced that the “Energiewende,” the transformation of Germany’s energy system, is technically feasible. The transformation will not fail for technical reasons because the solutions needed to make the country’s supply of electricity sustainable, safe and affordable are available today. As far as the implementation of the transformation is concerned, two points are especially important to me. First, sufficient consideration must be given to the larger context of Europe and the global economy. And second, we need an efficient, cost-effective approach. And that involves: lean planning and approval procedures; result-oriented subsidy policies that remain affordable and reward progress, instead of obstructing it for decades; broad public acceptance; close coordination of policies on federal, state and local levels; and effective cooperation between government and business. In this respect, the relationships among government, network operators and utility companies, as well as regulations play an especially prominent role.

If the transformation of Germany’s energy system is managed successfully, it can unleash a wave of innovation, create an exemplary electricity infrastructure and boost German exports of environmental technologies.

But we in Germany must work hard to make sure that the statement “Germany can be strengthened by the transformation” becomes a resounding “Germany is being strengthened by the transformation.” Today, it is still too early today to make this statement. But Siemens is doing its part to make that reality!

A strong industrial base is the backbone of sustainable growth

A strong industrial base is the secure and reliable backbone of sustainable growth. The global financial crisis and the European crisis have made leaders all over the world of aware of that in recent years. Today, the industrial sector is again receiving a great deal of attention both from government and the general public. Germany’s strong industrial base and the competitiveness of German industrial companies in the global arena are the main reasons why our country has done so well in the financial crisis and in Europe’s sovereign debt crisis. Another success factor has been the prudent and responsible cooperation among government, business and labor unions. We are proud of both. And Siemens has done its part to contribute to these success factors. For example, through our commitment to the training and education of young people and the investments we have made in this very important area.
Our training center in Berlin dates back to the year 1891; that makes it one of Germany’s oldest vocational schools. Currently, we are training about 1,200 young people there, including 320 for other companies. I’m very happy that one of the trainees, Patrick Sendel, and a group of trainees from southern Europe are taking part in the Annual Shareholders’ Meeting today. A warm welcome to you. By stepping up our vocational training activities in the countries of southern Europe, which are plagued by high youth unemployment rates, we offer young people a future and substantially enhance the economic and developmental prospects of both individuals and society.

Siemens – a trusted partner
Siemens is expected to be a trustworthy partner. The standard applied to us is especially high. That is an honor for us. Trust is our most valuable asset. Both the Managing Board and the employees of Siemens know that. And we are well aware of the responsibility that entails. We bear that responsibility with respect, but also with joy!

The imperative that guides us in living up to this responsibility is expressed in the statement by Ernst von Siemens, which I quoted at the beginning and with which I would also like to end: “In the technology race of our age, we only need to make sure that we continue to be world-class in those fields which we consider to represent the main focus of our work.” Going forward, that is exactly what we will do.