Speech by Joe Kaeser, President and CEO
(Check against delivery)
Dear Shareholders of Siemens, Ladies and Gentlemen,

I warmly welcome you to our 2015 Annual Shareholders’ Meeting – my second as President and CEO of our company.

We, the owners of the company, meet every year in January to review the past year – but above all to look forward. Each owner is different. Some hold only a few shares; some are shareholders and employees alike – like me; and others represent the interests of major financial institutions.

Ownership grants rights – and ownership obligates – to create lasting value and to act responsibly. This has always distinguished the Siemens company as well as the Siemens family. And I think this bond will continue be secure in the future. For Nathalie von Siemens, the great-great granddaughter of our company’s founder and current head of the Siemens Stiftung, is a candidate for the Supervisory Board.

I also extend a heartfelt greeting to Reinhard Hahn, the Siemens representative at IG Metall, who has already been appointed by court order to the Supervisory Board. Further, I warmly welcome Norbert Reithofer, whom you certainly know as the CEO of BMW. He, too, is a candidate for our Supervisory Board.

And I’d like to convey most cordial greetings to four individuals who have especially close ties to Siemens: former Chairman of the Supervisory Board, Dr. Hermann Franz, our former Compliance Monitor, Dr. Theo Waigel, Mrs. Christiane Kaske, widow of our former President and Chief Executive Officer, and Mrs. Ina Beckurts, widow of our former Managing Board member and head of Corporate Research. Mrs. Beckurts, Mrs. Kaske, Mr. Franz, Mr. Waigel – we are especially pleased that you have joined us this year!
Profit target exceeded – an incentive and obligation alike

As owners, we expect our company – Siemens – to create value. And that’s exactly what we achieved in fiscal 2014. Orders from continuing operations grew, on a comparable basis, by 1% to €78.4 billion. Revenue, also on a comparable basis, rose 1% to €71.9 billion. Most importantly, we were able to increase net income by 25% to €5.5 billion. And we accomplished all this in a year marked by the biggest structural realignment of our company since 1989. In the past fiscal year, we hired more than 33,000 new employees, and as of December 31, we had nearly 6,000 open positions.

With these results, we met the targets of our outlook for the year and even significantly exceeded our profit target. The last time we accomplished that was three years ago, and that is both an incentive and obligation for us to dependably meet our declared targets.

We were able to achieve good successes this past fiscal year. We booked attractive major orders: Like the biggest order ever awarded for onshore wind power – 448 wind turbines with a total capacity of more than 1,000 megawatts in the U.S. state of Iowa. Including the service contract, the order has a volume of nearly €1 billion. Or the order to deliver light rail vehicles worth about €500 million to San Francisco. And San Francisco just sweetened the order by announcing its intention to order 40 vehicles in addition to the original 175. We made substantial progress with the installation of the HVDC platforms in the North Sea and were able to leverage our past experience there to win new orders with significantly improved conditions, such as the Borwin 3 project with an order volume of nearly €1 billion for the consortium in which Siemens is a partner.

And for the third consecutive time, we were ranked the most sustainable industrial company across seven industries in the Dow Jones Sustainability Index. Sustainability is a respectable asset, particularly when it is generated by innovation and is reflected in robust profitability.

We got our infrastructure and cities business – which cynics had labeled our “junk store” – into shape with concentrated, hard and determined work. The businesses of the Infrastructure & Cities Sector continuously and materially improved under the leadership of Roland Busch. This shows that we can fix things ourselves – and that – with the right team, with perseverance, and with hard, disciplined work – even difficult tasks can be mastered.
Our dividend policy – long-term and attractive
The good overall earnings development enables us to propose a dividend of €3.30 per share today, a plus of 10% compared with the previous year. The dividend payout ratio is 49% and falls roughly in the middle of our target corridor of 40 to 60%. We see this substantial increase of the dividend as a sign of decisiveness as well as confidence that we can continue to create value for shareholders and sustainably grow profit in the future. It’s worth investing in Siemens. Our dividend policy is oriented to the long term and, with a yield of over 3%, it’s attractive. This policy is reinforced by our ongoing stock buy-back plan with a volume of up to €4 billion. We have already bought back stock worth nearly €1.9 billion.

Alstom – the power to act
One topic in the past year cost us about six weeks of hard work. I’m talking about Alstom – or as it was referred to in some places, the “battle for Alstom.” We did not enter into a battle. Rather, we protected the interests of our company – which are also your interests – and represented them with focus and prudence. Of course I know that discussions of the possibility of creating a “European rail champion” together with Alstom raised concerns among employees. We had to risk that because one thing is clear: Siemens as a whole must stand above individual interests – especially when our company’s future is concerned. We held to this principle and will continue to do so in the future.

We can live with the fact that we ultimately lost the bid for Alstom – even though the structure of our bid was objectively better. We proved that Siemens has the power to act – in any situation, at any time and in any way. We influenced the transaction for our competitor in no small way. And at no time did we allow ourselves to be drawn into a “death match” between bidders.

First quarter performance as expected
In the first quarter, we were able to continue the development as planned. Revenue rose moderately, on a comparable basis, to €17.4 billion. As expected, orders were lower than in the first quarter of the previous year because a number of large orders were booked at that time, for example, the Riyadh metro order. Net income dropped, mainly due to non-operational effects outside our industrial business. As a consequence, our overall outlook for 2015 remains unchanged, even though the challenges for our businesses have grown, particularly in the field of fossil fuel production and power generation.
For fiscal 2015, we continue to expect revenue on an organic basis to remain flat year-over-year, but we assume that net income will climb significantly as a result of the measures being taken to strengthen our portfolio. Basic earnings per share from net income should increase by at least 15%. In the summer of 2014 we already warned about the adverse effects of geopolitical risks, and we continue to believe conditions will remain complex in 2015.

As a result, we can’t expect tailwinds from the global economy, although the lower costs for oil should have a positive impact overall.

For Siemens, Europe remains the center of innovation. In addition, we have a strong customer base here. That’s why stable economic and, above all, political conditions in Europe are important to us. This includes a moderate assessment of the economic redistribution potential in Germany in the upcoming tariff negotiations.

Asia remains a strong growth region, with China as the key market. In China, for example, we were able to increase our revenue in 2014, on a comparable basis, by 12% compared to the previous year. China is currently working to strengthen its economy with the help of structural reforms. This process will take time, however, since it will require changes to the economic system that are painful, at least in part. But we expect a strengthened China to emerge from these reforms.

America, however, will remain the strongest and most attractive economic region in the near future. The reindustrialization of the U.S. and the country’s superior energy policy offer growth opportunities. And those who believed that the U.S. was in decline a few years ago were certainly on the wrong track.

In strategic assessments, the geopolitical stability of the United States is often overlooked. In any event, this is an important aspect in our acquisition policy.

**Learning from mistakes – improvements initiated**

In the past fiscal year, we presented a convincing medium-term strategy, and have since delivered many successes. But there is also clearly room for further improvement in some areas. I am referring in particular to the high charges from our so-called legacy projects that continued to trouble us last year as well. Making mistakes is human, and certainly so when breaking new ground. But what really counts is that we learn from our mistakes – and do things better the next time around. We call this “Corporate Memory.” That involves making our entire knowledge transparent for everyone in our company and comprehensively applying this knowledge throughout Siemens.

We must again dare to make bold entrepreneurial decisions. But this also includes sharpening our awareness of opportunities and risks. You will see clear improvements here during the course of this fiscal year. And our more efficient risk management is already showing traction.
**Peace and tolerance – assuming responsibility**
Permit me to make some personal comments on developments in recent months. In our immediate neighborhood, right here in Europe, we are seeing how societies are threatening to split apart. Is this democracy in the year 2015? Do we want a society that lacks social cohesion, in which conflicts and intolerance take priority over cooperation and integration? In which everything from discrimination to terror becomes commonplace? No, we certainly do not want that.

We want people from different cultures to live together in peace and tolerance; we want people to be free to express their opinions; and we want them not to be discriminated against or attacked because of their origin, culture or religion.

Human dignity may not be violated. That applies universally, and to us Germans in particular. On this day seventy years ago, the Auschwitz concentration camp was liberated by soldiers of the Soviet Army. In Germany, we always observe January 27th as the memorial day for the victims of National Socialism. We deeply regret that people were forced to work for us in that period. History is part of our heritage – as citizens and as a company – and history is an obligation to be open-minded and tolerant now and in the future.

These days, many people, including many Siemens employees, are standing up for solidarity and democratic values. By doing so, they are contributing to a better society and preserving peace. I think we can recognize this engagement at our Annual Shareholders’ Meeting with a round of applause – a big round of applause.

**Success rests on many shoulders – special thanks**
I thank our employees not only for their social engagement, but also for their loyalty in this year of change and for their service to our company, often above and beyond what is expected.

I’d also like to thank our customers and business partners for their loyalty and closeness to our company.

And I want to thank our Supervisory Board under the chairmanship of Dr. Gerhard Cromme for the outstanding support and close cooperation in shaping the strategic realignment of our company. My gratitude applies to a special degree to the employee representatives. They have been – and are – especially challenged by the global structural changes. Ms. Birgit Steinborn, this is your first Annual Shareholders’ Meeting as head of the Central Works Council. I look forward to working with you in the future.

Three members will be stepping down from the Supervisory Board this year. Mr. Berthold Huber, I warmly thank you for having served the interests of the employees and for always keeping an eye on the welfare of our company as a whole. It wasn’t always easy with you – but there was always a solution that one could rely on.
My thanks also go to you, Professor Peter Gruss, for your highly valued expertise, but also for continuing to stand by our side as Chairman of the Siemens Technology & Innovation Council (STIC).

My thanks also include Mr. Gerd von Brandenstein, representative of the Siemens family on the Supervisory Board over the past six years. A total of 43 years with Siemens, Mr. von Brandenstein, that certainly deserves our respect!

There are not only changes in the Supervisory Board; the Managing Board is changing as well. Dr. Cromme commented on this earlier.

I’d like warmly thank Hermann Requardt for the excellent cooperation and for his service to Siemens. Hermann, you and your team can be proud of the past, highly successful years.

Siegfried Russwurm will act as Managing Board partner for the operational management of the separately managed healthcare business – in addition to his regional responsibility for Commonwealth of Independent States and the Middle East as well as his role as Chief Technology Officer.

And, Janina Kugel will join the Managing Board and assume Mr. Russwurm’s responsibility for Human Resources. I wish Ms. Kugel and Mr. Russwurm much success in their new roles on the Managing Board.

Lisa Davis has strengthened our Managing Board for half a year. She is just beginning her career at Siemens. A warm welcome to you, Lisa! It’s great to have you on our management team! Lisa Davis is responsible for the Americas Region and for our structurally demanding power generation business – a business that currently faces major challenges, yet one that also offers us enormous opportunities over the medium and long term. There is no other business in our company today in which the need for action is so great – in part because conclusions were not sufficiently drawn from the signs of the time.

**Turnaround achieved – profitability raised**

In fiscal 2014, we succeeded in reaching a very important milestone: We were able to reverse the downward trend of our profitability in recent quarters and reduce the gap to our competitors. At the same time, we laid the foundation for the long-term development of Siemens with Vision 2020. We stand at the beginning of a long but clearly described path. We still have a lot of work ahead of us. Siemens must grow again – and grow profitably, sustainably, and above all with a clear focus. This is one of our most important tasks in the coming years.

Such growth comes from innovation, quality, and close, trusting and long-term customer relationships, relationships established by highly qualified and motivated people – our employees, who give their very best day by day, month by month and year by year.
And that closes the circle of innovation, customer proximity, growth and business success, which is prerequisite and result in equal measure. In this respect, the question of people rather than profitability never arises, because motivated and competent people are the prerequisite for success, and, in turn, profitability on par with industry benchmarks is the prerequisite for secure jobs and investments. These are the main pillars of our Vision 2020, Siemens’ concept for the future.

Vision 2020 sets our strategic direction. It describes clear priorities for improving our company’s operations over the coming five years. It defines our future growth fields. And it formulates our aspiration to be one of the best companies in the world.

**A lived ownership culture – the foundation for the New Siemens**

Vision 2020 is based on a strong foundation. And that is our company culture! A culture of personal responsibility, of tolerance, of discipline, and of integrity. That’s how we are building the New Siemens – a strong, proud and open-minded company. Good enterprises don’t wait. They see opportunities where others see problems. They change and constantly improve. They make real what matters – rigorously and responsibly.

And good owners don’t shirk responsibility; they accept it. We treat what we own with care. I like to sum up this mind set in one sentence: “Always act as if it were your own company!”

We call that ownership culture. It has the following five elements: Leadership, Behaviors, People orientation, Values and Equity. And it applies to everyone at Siemens, from Managing Board member to trainee. It’s clear that changes in a company’s culture don’t simply happen overnight. Changing attitudes and behaviors often typical of Siemens is a long and arduous process. I know that because I’ve been at Siemens for a long time. And that’s why I know this change is urgently needed if we want to be successful in the future.

**Focusing and prioritizing – expanding core business**

One year ago, I stood here at this place and sketched the future of Siemens. I spoke of restoring the internal order of the company and of leading it more stringently. I said that Siemens must once again come first at Siemens. I spoke of strategically evaluating our individual businesses and their operations, and then defining the focus of our portfolio and our growth fields. And I said that the value chain of electrification, automation and digitalization – abbreviated as E-A-D – will be decisive for the future course of Siemens. Above all, I emphasized that we once again have to be closer to our customers and our businesses – that we must eliminate unnecessary hierarchy levels and coordination functions.

Those who listened carefully could already see the rough outline of the New Siemens. And we delivered: In May 2014, we presented the finished concept. The Sectors have been eliminated. We’ve removed levels of hierarchy and reduced the number of Divisions from 16 to nine plus Healthcare. And we’ve substantially strengthened the Regions and our cross-Regional customer care, known better internationally as account management. We now again face customers as one company and one brand.
In this process, we carefully analyzed the value chain of electrification and our businesses. Based on that analysis, we defined growth fields that will be decisive for the future of Siemens. We are developing our core business accordingly. We are focusing and prioritizing.

Focusing also involves exiting from equity investments like our 50% stake in BSH Bosch und Siemens Hausgeräte GmbH (BSH). Since I have received numerous questions regarding BSH from employees, I’d like to make it quite clear: The Siemens brand will live on in kitchens and cellars!

And prioritizing means allocating our resources to our core business. We’re investing in the growth fields we’ve defined. One of these is decentralized power generation. The growing shift from a few large central power plants to millions of decentralized providers feeding electricity into the grid is setting off tectonic changes and challenges in the field of power generation. This is a worldwide trend and we are aligning our business accordingly.

Another medium- and long-term growth field is the global oil and gas business, even though there are short-term uncertainties in the oil business right now. With the takeover of Dresser-Rand in the U.S. and the acquisition of the aero-derivative gas turbine business of Rolls-Royce, we’ve closed gaps and strengthened our position in this growth market.

Whether in production, transport or processing, whether on land or at sea, we are supporting our customers by electrifying and automating the oil and gas value chain. This gives us long-term and enduring growth perspectives with a large share of attractive service business.

We believe the sharp decline in current oil prices is not structural. The cause of that is a supply surplus due to increasing production rather than declining demand. This will undoubtedly lead to a reduction of investments in the oil business in the short term. But it doesn’t substantially change the long-term fundamentals.

**Digitalization – quickly identifying and seizing opportunities**

We are getting our company ready for the future and the changes it holds. And the “paradigm shifter” par excellence is the growing digitalization of our world.

Let me share a story with you – one that had serious consequences for Siemens. At the end of the 1980s, a young man with a couple of colleagues and financers contacted our Munich headquarters. He represented a company that was developing technologies for Internet telephony. And he asked us if Siemens wanted to invest in his company. At the time, Siemens was the unchallenged world market leader in digital switching systems. And our people were convinced that Internet telephony simply couldn’t work. Otherwise, we would have invented it! The young
man wasn’t even welcomed properly. And no one was really interested in listening to him. The young man worked for Cisco – at the time a largely unknown startup in Silicon Valley. Today it’s one of the world’s biggest technology providers for data networks.

Back then, Siemens was big but had also become sluggish here and there. About one decade after that visit, Siemens began encountering serious difficulties in its telecommunications business and eventually gave it up. We are still dealing with the consequences today.

I learned a lesson from that experience: We must never again so seriously misjudge a paradigm shift of such consequence! That’s why it’s so important to me to identify trends as early as possible and use them to our advantage.

In the future, digitalization will shape our economy and our society much more than in the past. It has already brought about material changes. Just think of the music industry, photography, retail trade, the energy market or the print media. Major brands vanish. And companies that were completely unknown yesterday are suddenly global market leaders.

Those who don’t act in time run into acute difficulties. But those who anticipate and shape these changes and develop the right business models have every chance of emerging as true winners.

And that is exactly what we are striving to do, for example in the field of medical technology. Here we are very closely following future trends, such as in the field of molecular diagnostics, which enables earlier and more precise diagnoses of diseases, or in biotechnology, or in the operating room.

In all these areas and a number of others, there are signs of potential structural changes we want to be prepared for. And that’s why Siemens’ medical technology business needs greater freedom of action – incidentally for possible acquisitions as well. I want to make one thing clear here – and this is especially important to me: Healthcare is “also” Siemens and not “still” Siemens. But it will operate as a separately managed “company within a company” with greater freedom in its market development, its resource allocation and its strategic direction.

Digitalization is also changing other businesses. One of them is automation technology. The virtual world of the Internet and industry software is merging with the real world of engineering and production. In the industry, this is called Industrie 4.0 or the Fourth Industrial Revolution. And here we are setting the course with our new Digital Factory Division. We at Siemens don’t just talk about factories of the future; we equip them. And what counts here is not what is produced but how it’s produced!
At Siemens we have an outstanding example of the factory of the future: our Amberg Electronics Plant. At that facility we can already demonstrate what the integration of development and production looks like and just how flexible production can be – and we can do this at a quality rate that is unequaled anywhere in the world.

Our Vision 2020 has a clearly defined timeline. In 2014, we set our strategic direction and entrepreneurial priorities and adjusted our organization accordingly. And, in line with our strategic direction, we strengthened our portfolio substantially.

Innovation and growth – our focus in 2015

We thus created the prerequisites for the operative implementation of efficiency improvements in 2014, and paved the way for heavier investments in innovation and growth. These topics will be the focus of our work in 2015:

> We are beginning the implementation of our efficiency improvement program. Our goal is to reduce costs by €1 billion.
> We are agreeing on restructuring plans for our unprofitable businesses. Originally they accounted for roughly 18% of our revenue. Here, we’ve already made good progress in some areas in 2014. We will strategically evaluate the remaining businesses in February 2015 and will have developed solutions for them by May 2015.
> We will substantially reduce special charges compared to the past year.
> And, what is especially important to me, we will provide significantly more resources for innovation and growth in fiscal 2015.
> We have earmarked an additional €400 million for research and development, totaling €4.4 billion for the year.
> We plan to increase outlays for sales by €400 million as well, to a total of nearly €9 billion, in order to manage customers more intensively than before.
> And we are increasing expenditures for property, plant and equipment by €300 million, to a total of €2.2 billion.

This year we will invest over €1 billion more in growth, productivity and innovation than in the past year – and a substantial share of that will flow to Germany.

Investment and accelerated innovation are a prerequisite for profitable growth, growth that creates value.

In 2016, we want to achieve a noticeable increase in growth. In 2017, we want the gap to the competition to be closed.
Service – a business with growth potential
The service business is of particular importance to profitable growth. I’d like to give you three numbers that illustrate our growth potential here: 120,000 – 280,000 – 530,000. With Dresser-Rand and Rolls-Royce, we will reach a total of more than 120,000 turbines and compressors in operation for customers worldwide. That’s six times as many as before.

We manage and optimize more than 280,000 devices and systems for customers with our Remote Services via secure Internet links. And around 530,000 medical technology systems from Siemens are in service throughout the world. All these devices and systems constantly generate data. We use this data to run our service business more efficiently and to increase the customer benefit of our products.

Today, we have a broad installed base in all of our business fields. We know our customers and their operations and processes. And with 17,500 highly qualified software engineers, we are also a powerful software company.

So, we’re in an excellent position in the digital age. We have no reason to be afraid of anyone.

And we have a clear mission: We make real what matters!

When John F. Kennedy spoke in Houston, Texas, in 1962, the United States had fallen behind the Soviet Union in the space race. In only ten words, the U.S. president pledged the nation to win that race: “We choose to go to the moon in this decade.” Seven years later, Neil Armstrong was the first man to step onto the moon.

Now, we aren’t going to electrify the moon – or even Mars, although we made an important contribution to the Mars mission with our PLM software.

But our mission has ten words as well: We will prepare Siemens for the next generation of electrification. 2014 was the year we set our long-term strategic direction. In the current fiscal year, we will create the conditions for operational improvements and book substantial earnings by focusing our portfolio. We are on track with our plans and are implementing them prudently and consistently. We are working hard for our customers, providing orientation to employees, and creating sustainable value for shareholders and for society. That is our mission and that is our pledge!