Annual Shareholders’ Meeting of Siemens AG
Joe Kaeser, President and CEO
Munich, January 26, 2016
Joe Kaeser  President and CEO of Siemens AG
Shareholders of Siemens, Ladies and Gentlemen,

I warmly welcome you to the Annual Shareholders’ Meeting of Siemens AG!

2016 will be a year of special anniversaries for our company. Fifty years ago, three companies were merged to form what we now know as Siemens AG. So we can say our Annual Shareholders’ Meeting is celebrating a jubilee birthday today.

On this special occasion, I’d especially like to welcome: The Siemens family, our former Chairman of the Supervisory Board, Dr. Hermann Franz, and the former employees of our company. Mrs. Christiane Kaske, whose husband stands for the company’s major realignment in 1989. Mr. Kaske set the course for an era of success. Mrs. Ina Beckurts, the widow of our former Managing Board member and head of Corporate Research. At Siemens, his name stands like few others for innovation and a technological awakening. And Dr. Theo Waigel, who prudently supported us through difficult times.

150 years ago, Werner von Siemens discovered the dynamo-electric principle – a revolution in electrical engineering at the time and one that provided the basis for many Siemens businesses – right up to the present day. And 200 years ago, Werner von Siemens was born in a small village near Hanover. He was a founder, visionary, inventor and socially committed, family-based entrepreneur. He was far ahead of his time and continues to inspire us to this day.

Number of employee shareholders on the rise
Werner von Siemens was the first employee and – together with his partners – one of the first owners. And today there are many employees who are also company owners. Since our Annual Shareholders’ Meeting one year ago, the number of employee shareholders has again climbed – from 144,000 to 153,000.

Nearly one in two employees now holds Siemens shares. Fellow Siemens employees, I am extremely pleased with your growing participation. It’s an expression of your commitment and a visible sign of a vibrant ownership culture in our company.

Guidance for fiscal 2015 met on all points
I’m glad you have joined us today to review the past fiscal year and to talk about the future of Siemens.
We can look back at a busy and demanding year. So I’d like to preface my remarks by thanking all those who have made Siemens a stronger and more flexible company with their work, their engagement and their support.

Many thanks to our customers! We see your loyalty and your trust as both praise and an incentive! Many thanks as well to the shareholders for their loyalty to the company! And I’d like to thank you, Dr. Cromme, and all members of the Supervisory Board for the always constructive as well as critical support throughout the fiscal year and in rigorously implementing our Vision 2020!

And my warmest thanks to all Siemens employees for their great commitment and efforts in the past fiscal year!

It certainly paid off! We reached all our goals and met our guidance for the year at all points. We did what we said we would do!

And this, despite the biggest reorganization of the company in the last 25 years and despite the biggest geopolitical, economic and technological changes since the Second World War. In this respect as well, we can look back to a successful year.

**Global changes are accelerating**

The pace of change is fast and will increase even more in the future. And change is affecting every aspect of our lives.

Cars are now driving on their own – in Silicon Valley, but also in Ingolstadt, in Munich, in Stuttgart and elsewhere.

Today, civilian rockets not only fly into space, but can also land again where they were launched. Despite a few setbacks, the U.S. businessmen Jeff Bezos and Elon Musk have proven that this is possible.

Countries that were cut off from developments over decades – such as Iran and Cuba – are once again rejoining the global economy.

China, following many years of a booming economy, now has to cope with lower growth rates, a development the country calls “The New Normal.”

And conflicts like the civil war in Syria are unleashing floods of refugees that are confronting the global community, especially Europe, with major challenges.

Geopolitical upheavals are impacting the global economy to an unprecedented degree, and the spread of digitalization is speeding the pace of change.

We Europeans in particular shouldn’t let ourselves be divided by these developments. On the contrary: Our response can only be integration. Our goal must be to strengthen the world’s biggest economic zone – and thus form it into a true community.
In these turbulent times, reliability is a precious asset. And Siemens now stands for reliability even more than before. In 2015 – as in 2014 – we kept our promise – that is, we met our original guidance for the year. Not every competitor can say that! We delivered what we promised!

**Strong start for fiscal 2016**
And we plan to do it again this year, too. In fact, we plan to do even more. After a strong start in the first quarter, we are raising our earnings outlook for the entire fiscal year. We now expect basic earnings per share from net income to total between €6.00 and €6.40. The original target was between €5.90 and €6.20.

**Siemens is positioning itself in Electrification, Automation, Digitalization**
But back now to fiscal 2015: Orders from continuing operations climbed by 6 percent, primarily due to currency translation effects, to €82.3 billion. Revenue also grew six percent to €75.6 billion.

Despite substantial expenditures for structural realignment, our Industrial Business delivered a margin of 10.1 percent.

Net income for the Siemens Group climbed by 34 percent to €7.4 billion. This total, however, included the gains of €3 billion from the divestments of our hearing aid business and our stake in Bosch-Siemens Hausgeräte.

A lot happened in this first year of our new organization. We used the year to further focus our business and to position Siemens along the value chain of electrification, automation and, above all, digitalization.

Our business portfolio is continuing to develop at a very fast rate. For some within and outside the company, things are moving too fast, while for others they're moving too slowly. Yet we have embarked on a clear course.

Siemens is constantly reinventing itself: in the past ten years alone, around half our portfolio has changed.

We made solid progress with the integration of our acquisitions, in particular Dresser-Rand and Rolls-Royce’s aero-derivative – that is, aerospace-derived – gas turbine business. These businesses are good fits. In particular, they strengthen us in the field of decentralized energy systems – an important trend for the future. And the synergies here are even higher than we originally expected.

The general reorganization of our company is now largely concluded, and it has strengthened us. This can also be seen in the developments for the first quarter of fiscal 2016.

These developments are gratifying: We have become more open and more efficient. The awareness of continuous change is more pronounced than ever before. And that is good. Because change will substantially increase in both depth and speed throughout the world and especially in Germany.
Siemens is preparing for this future. In the past fiscal year, we hired a total of nearly 33,000 employees, including nearly 4,500 here in Germany. In the fall of 2015, 1,935 secondary school graduates began their vocational training or work-study programs at Siemens.

We hire employees where we see growth potential. But we also make adjustments where this potential is not or is no longer existent – regionally as well as in our businesses. In doing so, we always proceed prudently and seek the best solutions. The well-being of our company as a whole is always the main focus of our considerations. And precisely this determines how we prioritize the allocation of our resources.

**All Divisions in the black**

Let me turn now to our individual businesses: All Divisions were profitable in fiscal 2015, and six out of eight Divisions were able to increase their profit year-over-year.

The Energy Management Division and Wind Power and Renewables Division achieved turnarounds and moved back into the black. The future belongs to renewable energies. That’s why we will be making further investments in our wind business.

Healthcare, Digital Factory and Financial Services achieved world-class margins. Building Technologies and Mobility delivered gratifying results. The Power and Gas Division stabilized in a difficult business environment, thanks to the measures we introduced. And at Process Industries and Drives, a new leadership team under Jürgen Brandes took on the task of restoring the business to its former strength. This is hard work, because this Division, like Power and Gas, is having to struggle with substantial structural changes.

**Progress in fixing underperforming businesses**

We have also made progress with our less profitable businesses. We have developed clearly defined plans to fix these businesses and are implementing them step by step. This can’t be accomplished over night and will be demanding work. However, initial successes are already visible.

In fiscal 2015, these businesses in total reached the break-even point. That is not enough, of course, but it is a good start.

Our goal is clear: In fiscal 2017, these businesses will have to achieve in total at least a six percent margin so that they can also hold their ground in the company in the future.

We are also making progress compared to the competition. Siemens’ Industrial Business has been able to improve its margins over the last two years. We have halted the downward trend 2011-2013 and are once again drawing closer to our competitors.

There are many reasons for this relative improvement. One of them is a more efficient project and risk management system. Special charges have substantially declined. In our Industrial Business, project-related charges have declined from an average of €700 million in the past few years to roughly €200 million in fiscal 2015. We will work hard to ensure that this trend stabilizes and that we achieve further improvements.
Our nominal revenue growth last year already lay again above the average of our key competitors. However, we also profited from positive currency translation effects.

**Customer satisfaction on the rise**

When we developed our Vision 2020 in the fall of 2013, one of the most important questions was: How can we advise 150,000 customers in more than 200 countries even better and support them more effectively? We have made substantial improvements here, and this can be measured in hard numbers. Our survey of 20,000 customers revealed that the index for customer satisfaction – the so-called Net Promoter Score – had risen by a strong five percentage points from 2014 to 2015. The growing trust of our customers is also reflected in business successes in the market.

**Growing market share for “large gas turbines”**

From 2014 to 2015, our global market share for large gas turbines grew from 20 percent to 25 percent, and will continue to grow in 2016. There are, for example, more Siemens H-Class gas turbines in commercial operation today than those of all our competitors combined.

**Mobility Division is a growth driver**

The trust of our customers can also be seen in the order for the Rhine-Ruhr Express, or RRX, that Siemens won in 2015. Siemens will be delivering 82 trains for urban transport in the Rhine-Ruhr metropolitan region, Germany’s largest conurbation. We are proud that we also won a maintenance contract for the trains – all the way up to the year 2050!

The fact is, our Mobility business – whose future viability has been the subject of considerable speculation – is in excellent condition today. This is primarily because we have evolved in the last few years from a manufacturer of trains and locomotives into a provider of digital mobility solutions.

Mobility has a substantial order backlog and will be one of the growth drivers at Siemens in fiscal 2016. We are also proud that we landed the order for Berlin’s light rail system. Together with Stadler, our consortium partner, we won a framework contract to deliver up to 1,380 rail vehicles.

So you see, we stand out not only when it comes to major rail orders, but above all by the fact that we will now successfully execute these orders and deliver on time!

**Daimler relies on Siemens Software**

Another success in the past fiscal year was Daimler’s introduction of our product development software Siemens NX. NX is now Daimler’s standard digital platform for developing automobiles, buses, trucks and commercial vans. The software is used at more than 20 Daimler locations worldwide and by the company’s most important suppliers.

One of the biggest and strongest carmakers also depends on Siemens, as do other successful premium manufacturers – in Bavaria and everywhere in the world. We are proud of the trust that is being placed in us! And it is justified. Those who depend on us are not left on their own, but have a strong and reliable partner at their side!
Largest order in the company’s history
That applies as well to the biggest order in our company’s history. To modernize its energy system, Egypt is depending on Siemens technology. In the coming years, we will be delivering the three biggest gas-fired power plants in the world and wind farms with a total capacity of 16.4 gigawatts as well as 500-kilovolt substations for the Egyptian energy system. With these projects, we will be increasing Egypt’s power generation capacity by more than half and improving the quality of life for 82 million people – without running any unnecessary risks. We are confident that this order will have positive effects for us well beyond Egypt’s borders – in the Middle East as well as in other regions throughout the world.

Like no other supplier in the world, we can, after all, build and modernize the energy system of an entire country from scratch. This capability enables us to deliver the basis for the sustainable development of entire national economies. Day after day, in Egypt and around the world, we are earning the trust of our customers. Thanks above all to our employees. Only an engaged and committed team can always deliver strong performances.

Strengthened ownership culture
That’s why we are fostering an ownership culture at Siemens. The guiding principle of this culture is: “Always act as if it were your own company.” Last year, we conducted a worldwide survey of our employees. Some 260,000 of our colleagues participated. An overwhelming majority of them, 92 percent, stated that they wanted to engage themselves for Siemens to a far greater extent than normal. This number impressively underscores the strength and energy found in this company.

We want to unleash this energy! And we are doing so with increasing success with our ownership culture. We are creating an environment of openness, transparency and personal responsibility – and the effects are beginning to show. Even though we can’t be satisfied yet in some fields, we are on the right track.

Siemens shares are a worthwhile investment
Ownership also has to pay off for investors. This brings me to the dividend payout. This year, we are proposing to the Annual Shareholders’ Meeting a dividend of €3.50 per share. This amount currently corresponds to a dividend yield of over four percent. This makes Siemens a rewarding dividend stock with attractive potential for appreciation. The stock buy-back program for over €4 billion that we concluded in the past fiscal year, as planned, also contributed to this.

In a comparison with our key competitors, the Siemens share is doing quite well. From the end of July 2013 to the end of calendar year 2015, the Siemens share price increased by 14.3 percent. In contrast, the shares of our five most important competitors declined by an average of 6.5 percent in the same period. In a comparison of the individual values, we are in second place.

New profit-sharing pool for employees
Siemens employees below the management level will also have a greater share in our company’s success, so that more of them than ever before will become owners of Siemens.
After especially successful years, part of our profit can be transferred into a new profit sharing pool. If this pool reaches €400 million, the sum will be paid out in whole or in part to employees worldwide, preferably in the form of Siemens shares. To give it a solid start, we contributed €200 million to the pool in its very first year.

**2016 is the year of optimization**

2014 was the year of strategic realignment at Siemens. In fiscal 2015, we consolidated our company’s operations. 2016 is a year of optimization. What does this mean exactly? Well, to begin with, it means that we want to get better. And that means further increasing profitability and productivity, and growing.

In this connection, we made a very good start in the first quarter. We turned in a very strong performance and – as I mentioned at the beginning – we are raising our profit forecast for fiscal 2016, despite a difficult macroeconomic and geopolitical environment.

**Siemens is investing an addition €1 billion in growth**

But growth doesn’t come on its own! It must be carefully developed and planned, often over a number of years. That’s why we are making targeted investments in three areas:

> First, in our sales – that is, our access to markets and customers.
> Second, in property, plant and equipment and intangible assets – that is, primarily in productivity.
> And third, in research and development – that is, our innovative strength. This also means investments in the vocational training and continuing education of employees.

All in all, we will be investing €17 billion in these three areas in fiscal 2016. That is €1 billion more than in fiscal 2015 – and marks our clear commitment to strengthening Siemens.

**Investments in markets and customers**

Let me turn first to sales. We are planning to increase our outlay for sales this year by more than 10 percent compared to 2014, to a total of around €9.2 billion.

> We are strengthening our approach to customers, for example, by preparing digital platforms for distributors. Because we expect that the purchasing behavior of customers will continue to change.
> And we are continuing to build up our footprint in growth markets like India, China and the Middle East.

**Investments in manufacturing facilities and in property, plant and equipment**

In addition to making these investments in sales, we are also increasing our investments in factories, equipment and software to €2.8 billion or by around 30 percent compared to 2014. These investments will make a decisive contribution to a productivity improvement of three percent to five percent of our annual cost base.
We are building new factories and company facilities like the one in Cuxhaven, Germany, where we are investing around €200 million in a new factory for wind turbines that will create up to 1,000 jobs. This is a clear commitment to Germany as a business location and a huge opportunity for northern Germany and for Siemens!

Incidentally, 35 percent of our investments in property, plant and equipment last year were made in Germany.

**Investments in innovation**

In particular, our investments are also further building up the innovative strength of Siemens. They include, above all, investments in research and development, which we plan to increase to €4.8 billion this fiscal year. This marks a 20 percent increase over the level in 2014.

Innovations are also being made in traditional businesses. One example here is in the field of power transmission. We have found a solution that enables the reliable and virtually uninterrupted transmission of large amounts of electricity over great distances.

Thanks to so-called full bridge technology, the system can automatically restart a power line in only 450 milliseconds – that is, in less than half a second – even after a lightning strike, ensuring grid stabilization and contributing to the future of energy supply, a development that we call **Energiewende 2.0**.

**Targeted strengthening in industry software**

Siemens is also making targeted investments in future-oriented fields. One example here is vertical software. And just what is vertical software? It is software that is specially tailored to the needs of specific industries like the food and beverage and automotive sectors. For years now, we have been making focused and substantial investments in this field because we see major growth potential there.

> The foundation was laid early on: In 2007, we acquired UGS, a company specializing in 3D designs for product development.
> In 2012, we fortified our position in the field by acquiring LMS, a company that specializes in simulation software.
> And yesterday we announced that we will be acquiring CD-adapco.

Software developed by this closely held U.S. company can simulate and analyze fluid and gas flows – for example, airflows along an airplane wing or an automobile body. The findings from this analysis help optimize design and development, and eliminate the need for extensive testing on full-scale models. One saves money and, more importantly, a considerable amount of time.

Thanks to the acquisition of CD-adapco, our Digital Factory Division will be able to offer customers in numerous key industries like automotive and aerospace a unique solution for design, simulation and testing.
This step will further reinforce our position as a thought leader and trailblazer for the Fourth Industrial Revolution, also known as Industrie 4.0.

We are shaping the development of industrial digitalization and enhancing the competitiveness of our customers. Customers can bring products to market faster, with time savings of up to 35 percent. They can produce with greater flexibility, save energy and resources, and – in turn – offer their own customers higher quality and more favorable conditions. In short: customer value.

Siemens is a traditional company, nearly 170 years old. But as you see, it has also long been a software company – in fact, one of the strongest. We are already generating revenue of €3.7 billion a year from our digital services and industry-specific software. And the growth rates are in double-digits. Today, we employ more than 17,500 software engineers. I wouldn’t be surprised if this number doubles by the beginning of the next decade.

We are shaping the field of industrial digitalization, are the leader in Germany and in many of our markets around the world!

**Mindset determines company success**

Siemens is a technology company. Our driver is innovation. Innovation is the basis for our success. That was always true in the past and it is especially true today. That is **WHAT** we do.

But the question is also: **HOW** do we do it – and **HOW** do we do it best?

> In a major company with regulated processes, how do we create an environment that optimally fosters creativity, collegiality and personal responsibility?
> How do we create an environment that strengthens entrepreneurial spirit and sees fault tolerance as a positive value?
> How do we create an environment that understands change as opportunity and openly deals with the entire world as a market? Because in the end, adaptability to change determines the success or failure of companies – indeed, of entire economies!

The third question is: **WHY**? Why are we doing this? This is about the deeper meaning of our work – about the purpose of our actions and our motivations.

**WHAT, HOW, WHY** – we must answer these questions convincingly if we want to shape the future. Many who want to get a glimpse of the future these days like to look to California – specifically to Silicon Valley. The future appears to be at home there, and the Valley is the El Dorado of the 21st century.

Many people travel to Silicon Valley, visit startups and venture capitalists there and think they have understood it. This is often a superficial miscalculation. For Silicon Valley is far more than just a geographical location. Above all, it is a special mentality – one characterized by freedom and creativity, by competitiveness and the willingness to take risks – and by the absolute will to change the world.
It’s therefore important to recall that this mentality, this mindset, is not unknown to us in Europe. It is equally a part of our tradition and our history.

The generation of enterprise founders, which also included Werner von Siemens, created in Europe companies of global status. He and his contemporaries had the will to shape the present and the future. We have to rediscover that mindset. And we are already making progress here. The startup community in Europe is growing, and the continent’s mostly owner-managed small and mid-sized businesses are stronger than ever! If we continue to work toward this goal, then Europe can keep up in the digital age – and even more: it can secure and fortify its competitiveness!

**Taking new paths in innovation**

But innovation takes place differently now. It leverages:

- the broad inclusion of ideas from employees,
- the global networking of enterprises, science and thought leaders,
- and ecosystems within companies that combine the advantages of a startup culture and company resources.

That’s why we are embarking on new paths in these three areas, in particular.

**FIRST:** We want to encourage Siemens employees to contribute their ideas. To this end, we have established an innovation fund. This fund will exist for three years and contain a total of up to €100 million. The employee ideas worthy of support do not have to target new technologies or businesses; they can also focus on processes or improved customer service in sales.

**SECOND:** We consider the expertise of thought leaders, scientists and company founders to be especially important. Therefore, we established the Siemens Technology and Innovation Council (STIC) last year. This Council advises the Managing Board in the areas of technology and innovation. It primarily deals with developments and trends that will influence our businesses over the long term and that could open up new applications. The Council’s first meetings have already made it clear how valuable such a dialogue can be for our company.

**THIRD:** Our engagement for startups is already showing notable successes. We are maintaining contact with more than 1,000 startups worldwide, have founded over a dozen startups ourselves, and have invested over €800 million in stakes in startups. However, this is no longer enough for a modern, innovation-focused management. We therefore want to open up Siemens even more to startups and startup cultures in the future. This step will enable us to combine the advantages of a powerful major company with the advantages of creative and flexible startups.
What characterizes a successful large corporation? It continually improves its products; it has clout and a global footprint; and it is process-oriented. Startups, in contrast, are creative – often disruptively so – as well as extremely fast and very solution-oriented. Our goal is to combine the best of these two worlds – and at the same time keep the disadvantages to a minimum. This is a central task in the company. That’s why our Chief Technology Officer Siegfried Russwurm will personally supervise this topic at Siemens.

**HOW** can we combine these two worlds? Siemens has established an independent unit called “Innovation AG” that will provide the necessary freedom for experimentation, innovation and growth.

The unit will be exempt from the strong regulatory and hierarchical processes and structures of a large corporation, yet have every opportunity to utilize our company’s strengths. Strengths like our global customer base, our networking across industries, our financial clout, and our more than 200 patent lawyers for protecting copyrights and defending interests.

Innovation AG will be an advisor, supporter and a kind of venture capitalist for business or project ideas that should develop independently of our normal business activities – in short, under startup conditions.

By combining incentives from the employee innovation fund with the ideas and visions of the thought leaders in the Siemens Technology and Innovation Council along with the opportunities offered by Innovation AG, we are unleashing enormous potential. We look forward to embarking on new paths, and I am personally excited to see the results!

**Siemens in the year 2020**

By the year 2020, the real and virtual worlds will be far more converged than at present. Business models will have changed: they will be faster, more far-reaching, more aggressive and global than we can imagine today. It will be a healthier planet, but a different world.

And what will Siemens look like in the year 2020? Our company will be as we described it in our Vision 2020:

> Siemens will be a leading, high-performance and digital company that sets global standards for the total electrification, automation and digitalization system.
> Siemens will be even more open than before: open to changes, open across hierarchies, and at home everywhere in the world.
> And Siemens will serve society with its products and solutions, and thus create sustainable value.

That is our answer to the question: **WHY?** That is the purpose of our company and our work.
“Ingenuity for life” stands for service to society

This year we will be celebrating the 200th anniversary of the birth of Werner von Siemens. Like no one else, he combined ingenuity, an entrepreneurial spirit and social responsibility in one person. Werner von Siemens believed that a company should serve society. We are committed to his legacy, and we want to do justice to this commitment.

> We were the first industrial company worldwide to commit to becoming carbon-neutral by the year 2030. This will serve our society and at the same time be good for our businesses.
> We create value for customers – sustainable value.
> We employ 347,000 people worldwide.
> We engage ourselves – everywhere where we are active – for society. In Germany, for example, we help refugees by offering accommodations, German courses and training positions. Because the refugee issue concerns us all. I want to express my warmest thanks to all the Siemens employees who are making every effort to successfully and sustainably integrate refugees into our society.

Werner von Siemens spoke of “the spirit of invention” that was to be used to benefit mankind. He spoke of the “interest of the whole” as being a “higher law.”

We have captured the idea of serving the interest of the whole – that is, of society – in three words: “Ingenuity for life.” These three words will stand beneath the Siemens brand from this day forward. We have deliberately chosen the English language here to underscore the fact that Siemens is active worldwide, in more than 200 countries. In nearly every language, the word “ingenuity” is associated with inventiveness, brilliance and creativity. But at the same time, the word also evokes concepts like the art of engineering, genius, innovation and “unity,” or oneness and solidarity.

“For life” refers to our contribution to society, to the value that we create. We make real what matters. For employees and customers. And for society as a whole. Every day. Every month. Every year. For an entire lifetime. In other words: “for life.” This, ladies and gentlemen, is „Ingenuity for life.”

During his lifetime, Werner von Siemens experienced upheavals that were similar to those we are seeing today. He knew that people cannot predict the future. But we can do our best to change the world for the better with our work and our commitment.

We are following his example: We don’t confuse tradition with the past. Rather, we anticipate global changes and adapt to them. We command the complete system of electrification, automation and digitalization like no other company, and are seizing the enormous opportunities that it offers. And we act as good owners: creating value, focusing on sustainability, while thinking in the long term and with responsibility.
In this way, we are continuing to write new chapters to the success story that began in 1847 – with the founding of Siemens & Halske, with the building of the first power plant, and with the first electric train.

We are continuing the story with constant innovation: in energy and healthcare technology in industrial digitalization and with industry-leading solutions for sustainable infrastructure for urban centers and entire national economies.

We are continuing the story with our outstanding services for the benefit of society. And we are writing these chapters with a highly qualified, motivated and diverse workforce. And we are adding new chapters. We will pass on a better company to the next generation! This is our duty. And this is our vision.