I warmly welcome you, Siemens shareholders and ladies and gentlemen, to the Annual Shareholders’ Meeting of Siemens AG!

I’d especially like to welcome the Siemens family and all former and active employees of our company.

July 2016 marked the 30th anniversary of the assassination of Professor Karl Heinz Beckurts. We will always remember and honor his name here at Siemens.

I’d also like to commemorate an outstanding individual who has given me so much over the years. Last year, Siemens lost one of its most formative and important personalities, Dr. Hermann Franz.

I fondly recall so many meetings with him at our headquarters at Wittelsbacherplatz. In one of our talks – it was in the summer of 2014 – we discussed the “Vision 2020” strategy program and his personal experiences during the company’s reorganization in 1989. Drawing on his lifetime of experience, he said to me: “You’re really undertaking quite a bit. Will all of that be possible at Siemens?” And he added: “The most important thing is: You must convince the employees that you are serious about handing over a better Siemens to the next generation!”

Indeed, we’ve undertaken a lot with our Vision 2020. Today – two fiscal years following the launch of Vision 2020 – we could say to Mr. Franz: Yes, all that is possible at Siemens!

Vision 2020 works – and works very well. It’s a success because our employees throughout the world are working hard to make it a success – for satisfied customers, for innovative products, for high quality, for reliable projects and thus for profitable growth.

Fiscal 2016 was a strong year: We delivered everything we promised. And even more important: We’ve left our competitors behind us in nearly every important parameter: in share price performance, in growth and in increasing profitability.
This isn’t achieved every year. We also know that there’s still a lot to be done. However, we’re humbly pleased with the success – and are turning our sights on the many tasks that lie ahead. Today, however, we’d like to give you – our shareholders – an accounting of fiscal 2016. I’d like to start off with our share price performance for 2016.

**Siemens share main driver of DAX**

In the past calendar year, the DAX increased 6.9 percent and the Siemens share climbed 30 percent. With an increase of nearly €22 billion in market capitalization, Siemens was the main driver behind growth in the DAX. In fact, some 85 percent of the net increase of all 30 DAX companies was attributable to Siemens. Our share also substantially outperformed the average of our competitors. Today, the price of the Siemens share is the highest it has been for 16 years.

Solid profits aren’t an end in itself, but rather a basic prerequisite for investments in the future and also for growing value. In fiscal 2016, we increased basic earnings per share to €6.74. That marks a 30-percent increase year-over-year when one excludes the one-time gains from the sale of our hearing aid business and our stake in Bosch und Siemens Hausgeräte GmbH in the prior year.

This positive development rests on a broad foundation: All Siemens Divisions – with the exception of Process Industries and Drives – increased their profits.

**Profitable and sustainable growth**

Looking at the company as a whole, orders grew by six percent, excluding currency translation effects. On the same basis, revenue also increased by six percent. This means that we’re growing again – and faster than our competitors. Even more important: We’re growing profitably and we’re growing sustainably!
35,000 new employees in fiscal 2016
Growth encourages and inspires us. Growth gives us confidence. And growth secures and creates jobs. In fiscal 2016, a total of 35,000 people joined Siemens and some 4,600 of them were here in Germany. That’s more than 150 new hires per work day. We now also employ some 21,000 software engineers – a number that is certain to continue growing.

One of the top priorities of Vision 2020 was to get closer to our customers again. We wanted to better understand them and more intensively advise them – and thereby help them to be successful themselves. Customer satisfaction and customer trust are a great asset.

Our yardstick for customer satisfaction – the so-called recommendation rate – has sharply improved since 2014. It has grown by 27 percent. Satisfied customers are the very basis for growth and market success. Above all, satisfied customers enable us to prevail in a difficult business environment and to seize market opportunities.

Cost savings of one billion euros
With the realignment of Siemens launched on October 1, 2014, we eliminated organizational levels and merged businesses. The supervision of the company has become more stringent. As a result, we laid the basis for substantial cost reductions.

We’ve achieved the planned savings of €1 billion earlier than originally anticipated. Credit for this accomplishment goes to the entire organization that cooperated so effectively in this sensitive topic.

The project we call “1by16” was prudently and rigorously managed and implemented by our finance function, most notably Mr. Thomas.

But is this why we’ve also become faster, more flexible and less complex? Compared to our own past, yes we have – but compared to the standards set by the best companies in the world, we still have quite a bit of work ahead of us.

This is also true for our underperforming businesses. In fiscal 2014, we had businesses that produced revenue of nearly €15 billion yet didn’t earn any money and even posted slight losses. We improved the margins step by step. In fiscal 2016, these businesses already achieved an average profit margin of three percent. That’s right on schedule and is a satisfactory interim goal.

Our goal is to have these businesses reach a profit margin of 6 percent by 2017. In most of the cases we’ll achieve this: only a few segments will need somewhat longer. And we’ll fix these underperforming businesses ourselves! We’ll do so by relying on the hard – often difficult – and good work of our employees and the prudent management of my colleagues on the Managing Board.
Good progress in risk management and project execution

One major, often embarrassing and above all expensive monster at Siemens was the constant project charges that devoured billions in resources. Here, too, we’ve made visible progress.

In the past fiscal year, we continued making solid progress in our risk management and project execution. I remember all too well that in the years from 2007 to 2014, project charges averaged around €700 million a fiscal year, and in some years even exceeded €1 billion. By fiscal 2015, we had managed to reduce these charges to €200 million. In fiscal 2016, we reported no net negative effects from project charges. This shows that the measures we’ve introduced have taken hold and are sustainable.

Even though we don’t always get everything right and there are risks lurking everywhere, we’ve clearly improved.

In uncertain times, strong and reliable partners are more important than ever. That’s why it was so important to make sure our project execution is as reliable as we are in every other respect – reliability for which our company stands.

In June 2015, we gave our word to Egyptian President el-Sisi. We promised that we would support his country in developing a reliable energy system. We committed to the Egyptian government that we would, among other things, deliver 14.4 gigawatts of new gas-fired power plant capacity. And we said that 4.4 gigawatts of this capacity would be available just 18 months after the contract was signed – a record schedule for a record project with a record volume of €8 billion.

Today – 18 months later – we’re at 4.8 gigawatts! In short: ten percent more generating capacity than originally promised. Never before has the energy system of an entire country been developed so fast!
And we’re not letting up. We expect that the last of the 24 high-performance turbines will leave our Berlin plant this summer on their way to Egypt. We already shipped the first of a total of twelve steam turbines from Mülheim last December. So we’re making very good progress in building the other power plant blocks as well.

The megaproject is bringing concrete improvements to the lives of millions of Egyptians – through a reliable, affordable and sustainable power supply. The order is not only bringing growth and thus stability to the Middle East, but has also secured jobs here in Germany.

Siemens’ rail technology is also setting standards – positive standards these days. The ICE 4 order – worth €5.3 billion – is the biggest rail contract we’ve ever won. We’re keeping to the jointly agreed time schedule and are delivering without delays. In 2016, we turned over the first ICE 4 to Deutsche Bahn right on time. The trains are currently undergoing tests under real operating conditions and are scheduled to punctually enter regular service in December as planned.

**Operationally, best year in company’s history**

We’ll also be punctually paying our shareholders their share of our profit from the past year. It has increased every year since 2014. Operationally, fiscal 2016 was the best year in our company’s history. Actually, I’m not a great fan of such statements. They can seem rather boastful, and unseemingly diminish the achievements of past generations. But this time the moment coincides with another historical event. I think we’ve given Werner von Siemens the most beautiful and appropriate present on the two-hundredth anniversary of his birth.

We’re proposing a dividend of three euros and sixty cents. Siemens thus remains an attractive dividend stock and a worthwhile investment. We’ve steadily raised the dividend for the past three years and this year are distributing more than ever before.

Werner von Siemens liked to say: “I will not sell the future for instant profit.” Are we selling the future of our company for a short-term profit – that is, for a good year? I can assure you: No, we aren’t.
Investments in research and development, plants and sales

On the contrary: Roughly half of the profit remains in the company – and we will be investing more than ever. In customers, in innovation, in high-quality manufacturing facilities and in new factories – also in Germany!

We've significantly increased our investments in factories and equipment in recent years and expect to spend €2.7 billion here this year – an increase of 20 percent compared to 2014. Just one example: We're currently building a new wind power factory in Cuxhaven. We'll be creating up to 1,000 new jobs there in the future-oriented industry of renewable energies.

We've continually increased our outlays for sales since 2014, and are planning to invest €9.6 billion in the current fiscal year. We're thus investing in getting closer to our customers, not least by building up our digital sales channels.

And this year we'll be investing more than €5 billion in research and development. Since fiscal 2014, investments in research and development have thus grown by roughly 25 percent. A large share of the additional resources is earmarked for the areas of automation, digitalization and distributed energy systems. Innovation therefore remains a top priority.

What are we doing specifically? Here are a few examples from a variety of attractive business fields. One of the most exciting future-oriented fields is so-called additive manufacturing or, in short, 3D printing. I've brought something with me today to show you. It may seem rather insignificant – barely eight centimeters high – but it has to withstand extreme temperatures. It's a blade for a gas turbine. And it's about the most demanding thing that one can print!

Siemens is a pioneer in this field and has for the first time successfully tested printed gas turbine blades under full loads. Thanks to 3D printing, we no longer have to cast and machine these blades, but can print them from metal powder. In the past, it took two years to move from a computer design to production. Today it takes only two months. Two months instead of two years! That's true progress – thanks to new digital technologies.
Those who want to succeed in the digital age have to embark on new paths in training and innovation management. We need employees with digital skills.

That’s why we’re investing around €500 million a year in training and continuing education for our employees. We train electrical engineers, for example, in the field of robotics; service technicians in the digital analysis of operating data; production specialists learn how to understand digital twins. In short: Lifetime learning is a reality at Siemens.

Skills are one thing. But those who really want to set out on new paths in innovation must also create the right environment and the right culture in a company. On a smaller scale, we’re doing this with the innovation funds we’ve set up for employees in close cooperation with the employee representatives. We believe the best ideas come directly from our employees. And we’re supporting their creativity – with up to €100 million in the coming years.

On a larger scale – and as one of the first large companies – we’re moving in a new direction with innovation management, with next47. At the Annual Shareholders’ Meeting last year, I spoke of our plans to found an “Innovation AG.” In October 2016, the moment finally arrived. Our Innovation AG is called next47. “next” stands for the next step that we want to take. And it should be a big step! The “47” stands for the year our company was founded: 1847.

Our Managing Board member responsible for research, Siggi Russwurm, played a major role in setting up next47. Thanks, Siggi – and all the best wishes for your own personal next47!

With next47, we’re promoting a start-up culture at Siemens and opening up new paths and business models. I’m convinced this will further reinforce the innovative strength of Siemens as a whole. This way we’ll foster new ideas and new impulses and establish a robust innovation culture in our company.
Focus on electrification, automation and digitalization
As part of Vision 2020, we aligned our company’s strategy to the overall system E-A-D – that is, electrification, automation and digitalization. This was the right move.

In the fields of electrification and automation, Siemens has a traditionally strong base. We’re Number One worldwide in automation – whether it be in rail systems, in energy grids, in medical engineering or in factories throughout the world. Just think of our trains, turbines, circuit breakers, medical equipment, industry controllers and computers, and building systems.

For some time now, we’ve been equipping most of the products we manufacture with sensors and embedded software that control and optimize the functions of devices and systems.

A gas turbine from Siemens, for example, contains over 1,500 sensors that help optimally control operations and plan maintenance cycles. Thanks to embedded software, many of our gas turbines today are also “smart” – for example, they learn on their own how to reduce emissions while maintaining efficiency.

Our strong base in electrification and automation is an advantage that many envy, also colleagues in the New World. We know what our customers need, and we know their markets and processes. In past years, we’ve built up our digital industrial business on this basis – that is, the “D” in E-A-D. In many of our company’s businesses, we’re already doing what many others are just talking about and touting.

Strengthening software and digital services
We’ve developed a unique software portfolio for various industries. For example, for optimizing power generation and power grids, and for ensuring efficient traffic and building management.

And we’re leaders in the Fourth Industrial Revolution – or Industrie 4.0 – when it comes to shaping the production systems of the future. Today, we’re already simulating products and factory systems well before they’re even built. This way, we provide major customer benefits such as lower development costs, faster market maturity, optimized and resource-friendly production and highest quality.
Along with our software business, we're also continually expanding our business with digital services. Today, there are already some 800,000 Siemens systems connected with our diagnostics and remote maintenance platforms. We monitor and optimize the operation of turbines for our customers. We centrally control the operation of wind farms throughout the world. We ensure highest quality in the operation of computed tomography systems, rail systems and tens of thousands of buildings.

That's a major added value for our customers. And it's good business for us. Our businesses with software and digital services generated around €4.3 billion in fiscal 2016, some 12 percent more than in the prior year. With Mentor Graphics in our portfolio, we'll clearly exceed the €5 billion mark.

We're in fact developing substantially faster than the market. And we expect that our digital businesses will also be the driver of our growth in the coming years.

**MindSphere – the operating system for Industrie 4.0 from Siemens**

One of the major contributors here will be MindSphere, which we've already presented. What exactly is MindSphere? Many of you have a smartphone using an operating system like iOS or Android. MindSphere is also an operating system. It is the operating system for Industrie 4.0 from Siemens. For those of you who are interested, here's the address in the Internet: siemens.com/mindsphere.

Siemens masters the overall system E-A-D like no other company. And this overall system is also the key to a resource-efficient economy. We also have the technologies needed for such an economy. We're using them for our customers and thus opening up new horizons for our own company.

**Service to society**

As I reported to you last year, Siemens is the first major industrial company worldwide to aim at being climate-neutral by 2030.

We're well underway here and making faster progress than originally planned. In the period from 2014 to 2016, we were already able to reduce our CO₂ emissions by 20 percent. We're thus doing our part to reach the global climate targets.

I call this serving society – and society also recognizes this and is honoring our efforts. We are, for example, ranked as the most sustainable company in the world in the prestigious “Global 100” listing (Corporate Knights). Our biggest competitor also made it into the top 100 – and ranks 99th.
World leading supplier of renewable energies
We're also driving our contributions to climate protection with good business. With the planned merger of our wind business with Spain's Gamesa, we're creating the world's leading supplier of renewable energies.

Siemens is the leader in offshore wind while Gamesa is strong in the onshore sector, and we also complement one another perfectly in our regional footprint. That's why two businesses that are already good will become an outstanding company in the wind industry. This will enable us to serve our customers even better through innovation and cost reductions.

Expand strengths in medical engineering
Siemens is also strong in the field of medical engineering. The new management has done an excellent job developing this business. Healthineers has a fantastic portfolio that we will further expand – turning a great business into a fascinating Siemens business. To achieve this, a larger entrepreneurial framework and greater flexibility are necessary. That's why we're planning the public listing of Healthineers. With this move, we'll also be doing here what we previously announced in our Vision 2020 strategy program.

Prudent and rigorous implementation of Vision 2020
As you can see, we're rigorously and sustainably implementing our strategy, but also prudently. We intend to follow this course in fiscal 2017. The first quarter of the new fiscal year marked a really strong start. And as you see, we aren't the only ones who are pleased with the figures. We're making solid progress and have achieved quite a lot. We're already further along in implementing the Vision 2020 strategy program than we originally planned. But there is still much to do.

What we can accomplish on our own doesn't daunt us in the least – because we're a good team and have invested heavily in innovation and productivity. And also because we have outstanding employees and a good setup.
Five factors affect the world, the economy and Siemens
But the world in which we operate has become more complicated. And things aren’t improving everywhere. I see five factors in particular that will affect the world, the economy and our company:

▷ **First:** The rapid increase in populism that is fostering stronger nationalism and protectionism. This hinders free trade and international cooperation. And international cooperation and integration are just what we must have to master the major challenges that lie ahead of us.

▷ **Second:** Global migration. For a long time, it was thought that globalization was a one-way street – a one-way street in which Germany as an export nation was always in the passing lane. In the meantime, however, we know that this street can actually be traveled in both directions and is heavily trafficked. Today, over 60 million people are refugees worldwide – more than ever before. And many countries and societies are not yet prepared to cope with this enormous task.

▷ **Third:** Climate change. The effects are dramatic. If we want to give future generations a viable basis of life, we have to decarbonize the global economy. And this conversion will shape the 21st century. In Paris, the global community for the first time backed a binding agreement on climate protection. It would be fatal for humankind to depart from this historic course.

▷ **Fourth:** Short-term thinking and opportunism. In the financial markets – and not only there – too many are selling our future for instant profits. We need more courage again to counter this trend. We need a more sustainable approach in the management of companies as well as national economies.

▷ **Fifth:** The Fourth Industrial Revolution. With Industrie 4.0, we’re experiencing the full impact of the advent of digitalization in the industrial world. It’s changing everything – all areas of life, all industries, our society and the way we work.

Much will be improved, opening up great opportunities for humankind. But there are also questions: We still don’t know exactly how these five factors will affect our business environment.

One thing is certain, though: Change will be the only constant. The speed of change will increase. And the force of the effects will grow. We must prepare ourselves for these changes – as a society and as a company. It won’t be the biggest companies that survive – nor the fastest. The successful companies will be those that can best adapt their culture and values to these changes.
Living the Ownership Culture
This is what we want to achieve with our Ownership Culture. “Always act as if it were your own company” is our motto. It sums up our philosophy: All employees have the right as well as the obligation to move Siemens as a whole forward. This is what I understand as ownership. Both codetermination as well as self-determination – but above all co-responsibility. And it’s already widespread at Siemens.

And more and more employees are participating. In the meantime, around 165,000 employees in over 60 countries own Siemens shares – an increase of 12,000 over last year. Almost every second employee is thus a shareholder in our company.

Social Market Economy 2.0
It’s also about ownership and sharing values in our society. The social market economy lives from just this: from the sharing and involvement of all social partners. Great personalities like Ludwig Erhard helped shape this very spirit of social togetherness and solidarity within society.

The task now is to further develop the social market economy and reinterpret it for a new age – the digital age.

We as a company want to make our own contributions to the “Social Market Economy 2.0.” It stands for global societal integration, for solidarity and against the gap between above and below. Society must make possible adequate primary care for the elderly and be an advocate for the weakest.

But it must also create the right incentives to perform – that is, provide support and make demands. It must therefore formulate its conditions and be rigorous in their application. We all must act here.

Fiscal 2016 was a good year for Siemens and its shareholders. Many even say it was a very good year. We want to do even better in 2017. Our 170th company anniversary has also earned record profitability. As in the past, we’ll continue to work hard and humbly serve our customers, our company and society. We’ll also stand up for the weaker ones around us.

Not we, but our customers, you as our shareholders and society in general ultimately determine which league we play in – every day, every week, every year. We, the Managing Board, and our more than 350,000 colleagues will work hard and do our very best – and always keep our eye on long-term success. But we will also do what has to be done. And here, individual interests are subordinate to the overall interest of the company. That applies as well to individual regional interests.

Because Siemens is committed to the future! As it was in the past – and as it is today, in particular.