SIEMENS

Press

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Annual Press Conference – Fiscal 2017

Targets achieved –
Another outstanding year for Siemens

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[Joe Kaeser]

Good morning, ladies and gentlemen, and welcome to our Annual Press Conference. I'm happy to see all of you here today and would also like to extend a very warm welcome to those of you who've dialed in.
Exactly one year ago, Donald Trump won the presidential election in the U.S. You may remember that I congratulated Mr. Trump on his election at our Annual Press Conference, which was being held at that time.

Even though not much of what we'd heard earlier has been implemented, quite a lot has changed in the world over these past twelve months – above all, the rhetoric.

This, too, is further marginalizing parts of the middle of society. These days, political and social risks clearly outweigh the economic ones. Think of the escalation of the situation in North Korea, the developments in Catalonia, or the results of the parliamentary elections in Germany.

These developments will be further shaped by the major challenges of our time: climate change, global migration, the rise of short-term thinking in the markets, the resurgence of populism and nationalism and, in particular, the digital transformation.

These challenges will demand answers from all of us – including multinationals like Siemens. To ensure that these answers are convincing, an important prerequisite must be fulfilled: the long-term economic strength of our businesses must be maintained in the face of more sharply defined and faster global competition.

After a very successful fiscal 2016, we've achieved another record year for operations in 2017.

- Revenue rose four percent to €83 billion. On a comparable basis – that is, excluding currency translation and portfolio effects – it increased three percent. The growth trend in revenue is continuing as promised.
- Industrial Business profit reached €9.5 billion – a plus of eight percent. In particular, a look back at fiscal 2013 – the starting point for our Vision 2020 strategy – shows how much the level has changed.
- We achieved net income of €6.2 billion. Basic earnings per share (for net income) were thus €7.44. Here we can say: Siemens is growing profitably.

Therefore, despite increasingly adverse conditions in the power generation market, we've achieved our guidance, which we'd raised twice during the year, in every respect.
This means we can make four green check marks! Again in 2017, we've delivered what we promised – for the fourth year in a row.

That's a great achievement on the part of our global team of more than 380,000 colleagues *[including our trainees]* who've delivered excellent results in fiscal 2017 – results that surpass even last year's historic success.

Most of our businesses are stronger than ever and fit for the digital age. On behalf of the entire management team, I'd like to express my sincere thanks to all Siemens employees for their great commitment and their good work!

Nevertheless, we have to master structural market changes in some businesses. There's a lot of work ahead of us in fiscal 2018.

We'll take advantage of our opportunities in the market and deal with challenges carefully, responsibly and rigorously.

Over the past twelve months, we've announced and implemented strategic decisions of vital importance for the Siemens of the next generation. Three of these relate to the future fields of renewable energies, mobility and healthcare.

Regarding renewables: With an installed base totaling 83 gigawatts, Siemens Gamesa Renewable Energy (SGRE) is the world's leading company for renewable energies.

The wealth of data and information provided by an installed base offers a company that's optimally poised for digitalization's outstanding opportunities to create new service models and possibly new business models, too.

We've already talked about our somewhat bumpy start and made corrections where there were internal shortcomings here and there.

However, abrupt market changes in India, for example, or the consequences of the somewhat impulsive approach to climate change being taken by individual governments are developments that will be felt by the entire industry, which will, accordingly, have to make structural adjustments.
As you know, SGRE has set a "minimal target" of leveraging synergies of €230 million annually, starting in the third rather than the fourth year after the merger. This task remains.

Mobility: Siemens has the most profitable mobility business in the industry. This was not always the case and is an achievement of the Division's strong management team. We want to secure this success over the long term, which is why we're merging the mobility businesses of Siemens and Alstom. This move will enable us to create a leader in mobility solutions with a higher degree of vertical integration and digitalization than any other company: a player that can prevail against the dominant competition from Asia even in the long term, thereby providing customers with reliable alternatives around the world.

With a combined order backlog of more than €60 billion and combined revenue of more than €15 billion, Siemens Alstom would be the clear No. 2 worldwide and the leader in Europe. We anticipate annual synergies of €470 million no later than in the fourth year after closing, which we're expecting for the end of 2018. We're convinced that Siemens Alstom will help shape the future of modern mobility.

Healthcare: To strengthen the healthcare business at Siemens, we're publicly listing Healthineers. We're right on schedule. My colleague Michael Sen presented the main features of the *Healthineers Strategy 2025* to you in our third-quarter reporting. We still assume that we'll be prepared for a listing in the first half of the coming calendar year and will then be able to react flexibly to market conditions.

We've done a great deal in the exogenous area of our portfolio, that is, with respect to mergers and acquisitions. However, we're investing more than ever in our customer relationships, in sales and in the modernization of our production facilities. We're also investing very heavily in innovation – and thus in the future of Siemens.

In fiscal 2017, we invested €5.2 billion in research and development. For 2018, we're assuming a figure of €5.6 billion, which is 40 percent more than in fiscal 2014. Part of this increase is attributable to greater R&D intensity in the software sector, such as at Mentor Graphics. Incidentally, more than €3 billion of our R&D expenditures were invested in Germany.

Regarding investments in production facilities and in property, plant and equipment, the figure was 34 percent of a total investment of €2.9 billion or around €1 billion.

Where do our R&D expenditures actually go? Siemens is focusing on defined innovation fields that are crucial for our customers and therefore for our company's success. This ensures that resource allocation creates value.

Examples include additive manufacturing – that is, 3D printing – artificial intelligence, blockchain applications and energy storage technologies. These are innovation fields in which Siemens cannot and will not fail! Because it's also a matter of securing our company's long-term future.

We'll present a more detailed overview of our research activities on December 15. That's when our – by now almost traditional – Innovation Day will take place here in Munich. I cordially invite you to attend.

Today, innovation and digitalization are inextricably linked and interact directly with one another across value chains. Innovation drives digitalization, and digitalization drives innovation.

We've further extended our lead in industrial digitalization, as the figures confirm. In fiscal 2017, our total revenue from software and digital services rose by one-fifth to €5.2 billion.

What many people don't know: Siemens is already one of the ten largest software companies in the world. And with nearly 23,000 software engineers, we also have an incredibly strong team.

We're making solid progress with the expansion of our digital platforms, applications and services. We expect that software and digital services will continue to drive our growth.

Let me give you a few examples:

- Our Digital Enterprise offering is unmatched worldwide. Customers around the world – from sports shoe manufacturers and carmakers to hidden champions, and small- to medium-sized companies aiming to master the global market – are using our software to accelerate production while enhancing their efficiency, flexibility and product quality.
- With targeted acquisitions such as Mentor Graphics, we've rounded out our offerings for industrial software. Today, we have the world's best portfolio for industry: none of our competitors can create entire factories in a virtual world.
- Nor can any of them virtually represent all production workflows and processes as a "digital twin" – from the initial idea for a product to its actual production and the related services. We're a clear leader in *Industrie 4.0*.

- 170,000 customers now use our PLM software, and the number is increasing very rapidly.
- 29 of the world's 30 largest carmakers use PLM software from Siemens.
- As do 18 of the 20 largest aerospace companies and all of the top 20 aircraft engine manufacturers. We're talking about industries in which the highest precision is required. And in these industries Siemens is in demand!
- And MindSphere – our cloud-based operating system for the Internet of Things – will make us even stronger. MindSphere enables customers to collect and analyze data from their systems and develop new business models. MindSphere has been well received by our customers! That's why we want to push the rollout this year, across all industries

Since we presented our Vision 2020 strategy in May 2014, we've worked very hard – all of us. In 2016 and now again in fiscal 2017, this was clearly reflected partly in the figures, but also by other indicators.

In 2014, we set seven goals. They include everything from implementing stringent corporate governance to strengthening our portfolio to fostering aspects of our corporate culture – and, in particular, our Ownership Culture. These goals include very concrete targets.

Today, we can say that we've either achieved or are on the way to achieving most of our Vision 2020 goals. And for specific, difficult structural topics, such as the power generation business, we know what has to be done.

This overall successful development is also reflected in our stock market performance. As some of you will remember, on July 25, 2013, the day of our last profit warning, the price of the Siemens share was €78.62.

By September 30, 2017, our share price had increased by 52 percent – and our market capitalization by more than €30 billion. A share price is, of course, a monetary yardstick measuring the success and credibility of a company's strategy. But it actually reflects something more: a company's reputation worldwide.

This means that, as a company, we serve society everywhere we do business – with a long-term approach that's performance-oriented, responsible and sustainable.

How do you find the world's most highly respected company? *Forbes Magazine* tackled this question.

Forbes asked 15,000 people from 60 countries to make a selection from its list of 2,000 companies, the Global 2000 companies. The criteria were trustworthiness and honesty; social commitment; reputation as an employer; and the performance of the company's products or services. Siemens ranked No. 1 on the list of the Top Regarded Companies worldwide.

As I'm sure you can imagine, I'm pleased and very proud of my global team.

Trustworthiness and transparency are especially necessary when things are not going so well.

Our Power and Gas Division has been struggling with a very difficult market environment and structural challenges for quite some time. We've already communicated this on various occasions.

If the business is to have a future, we have to take action. We have to adjust capacities, even if this means painful cuts.

At Power and Gas, we're experiencing a rapid shift in the market from conventionals to renewables and from centralized to decentralized energy systems.

To give you a feeling for the pace and magnitude of the changes, I'd like to discuss market developments in the area of large gas turbines, meaning those with a capacity of more than 100 megawatts. These include turbines like the H-class models that we delivered to Egypt.

In 2010, everyone was forecasting a future market of 300 large gas turbines. In 2013, 212 were ordered worldwide. Then things went downhill: to just 122 in 2017. According to forecasts, the market is projected to remain at a volume of roughly 110.

In other words, while market volume has declined by nearly half, overcapacities nevertheless remain dramatic. And that has grave consequences for our production and for our service business.

Siemens Power and Gas, including Power Services, currently has 47,000 employees worldwide, including 16,000 in Germany.

How many large gas turbines do you think have been ordered in Germany in the past three years? I'll tell you: a total of two! [*Berlin Lichterfelde and Berlin Marzahn*].

We're convinced that there will continue to be a global market for large gas turbines. However, it will be considerably smaller, and demand will shift toward Asia, Latin America and Africa.

That's why we must act now, adjust our capacities and invest in innovative future technologies.

And with that, I'd like to turn the floor over to our Chief Human Resources Officer and Labor Director, Janina Kugel, who'll give you an overview of how we – in consultation with the employee representatives – will approach the next steps and what the overall employment situation at Siemens currently looks like.

[Janina Kugel]

As we just saw, our company is on the right track overall. But this success hasn't just happened – it's the result of hard work.

For one thing, we've been rigorously orienting our activities toward growth markets over the past few years. For another thing, we've systematically tackled problems, even when it's meant significant cuts in some cases.

For several years, the market for large turbines has presented us with particular challenges.

To stay competitive in this business – and that's our goal – we initiated the PG2020 program in 2015. In the action areas of customer proximity, innovation, costs and organizational efficiency, we've made good progress over the past two years:

- Despite tough competition, we've regained a footprint in the Chinese market.
- A good year and a half from now, the next turbine generation – the HL class – will be tested and validated under real-life conditions at one of the largest power utilities in the U.S. – Duke Energy.
- We've massively reduced the product costs for large gas turbines – and have already made moderate capacity adjustments along the way.

All these measures have helped us. Unfortunately, however, they aren't enough to address the industry's structural – that is, long-term – transformation.

We can normally compensate for economic fluctuations in individual businesses. However, when structural changes occur – such as those we're seeing at PG – we have to take appropriate action. Cool-headedly, cautiously and fairly – but also quickly and decisively.

Subsidizing loss-making businesses over the long term would be irresponsible. Sooner or later, this would harm our entire company – and all our employees worldwide.

That's why we've been forced to consider further steps, and on a global level. And since we're aware that such decisions have a far-reaching impact, we're examining all options with the necessary care before informing the employee representatives and our employees.

And that's how we've always handled such matters in the past.

In our Radolfzell II agreement, company representatives, the Central Works Council and the IG Metall trade union agreed that, when possible, no locations were to be closed or transferred and there were not to be any layoffs due to operational requirements. However, it's also true that Radolfzell II enables the parties to the agreement to implement clearly defined processes if the framework conditions change materially.

What does this mean for the current situation at PG?

Two weeks ago, we convened an extraordinary meeting of the Committee for Economic Policy. In this committee, we inform our employee representatives about our company's business situation.

At this meeting, we did exactly that: We pointed out in detail that we're still in the process of developing a concept for the specific steps we want to implement in order to deal with market changes.

We assume that we'll be able to inform the employee representatives about our concrete plans at another extraordinary meeting of the committee on November 16.

After that, we'll inform the employees at the affected locations. And only then will we inform the general public.

After taking these steps, we'll begin consultations and negotiations with the employee representatives. We'd like to initiate this phase as soon as possible.

Now I'd like to return to the big picture. After all, most businesses at Siemens are developing well – or even very well.

This is also reflected in the size of our workforce, which rose to 372,000 in fiscal 2017. Acquisitions such as Mentor Graphics played a role here, but not the only role. We had 115,000 employees in Germany – a small increase.

And with 39,000 hires worldwide, we're at our highest level in years. So a lot of good things are happening.

In addition, we're continuing to invest heavily in young talents. In Germany – where we have about 8,800 trainees and university students in work-study programs – we're still one of the companies with the largest training programs nationwide.

And with a total of 11,400 trainees and university students in work-study programs worldwide, we're doing a great deal to get Siemens fit for the future around the globe. All in all, we invest more than half a billion euros each year in the training and continuing education of our employees – and thus in our company's future.

With that, I'll hand you over to our CFO, Ralf Thomas, who will walk you through the figures for the fiscal year and for the Divisions. Ralf, the floor is yours.

[Ralf P. Thomas]

From my perspective as CFO, fiscal 2017 was also quite satisfactory overall. We adjusted our guidance upward twice in the course of the fiscal year and still delivered in full.

You can find the figures for the fourth quarter in our Earnings Release. Let me just say this much: We showed strong growth in orders, namely across all business fields, while revenue was up slightly. Strong operational performances at Digital Factory, Healthineers, Building Technologies, Mobility and Energy Management contrasted with sharply lower margins at Power and Gas, and Siemens Gamesa.

Let me turn now to details of the full fiscal year, which offered predominantly positive moments with only a few exceptions.

Industrial Business profit rose to €9.5 billion, with double-digit growth at Building Technologies, Digital Factory, Mobility and Process Industries and Drives – and this despite weak developments at Power and Gas as well as Siemens Gamesa.

Six of our eight Industrial Business Divisions increased their profit year-over-year, securing profitability on a broad basis.
And now to the individual Divisions. Here you can see their respective profit margins compared to the prior year – and also compared to the margin ranges we set for each business based on the best competitors.

Janina and Joe have already explained in detail how difficult the market environment is for Power and Gas. In fiscal 2017, the Division achieved a profit margin of slightly

over ten percent, a noteworthy result in view of the conditions. The challenges we face are reflected in the business volumes. The Egypt project only postponed the market impact somewhat. In the fourth quarter, revenue declined by 17 percent on a comparable basis and orders for the full fiscal year actually dropped 30 percent.

We must – and will – react to these structural challenges.

Energy Management has continually improved and booked moderate growth in orders and revenue over the course of the year.

The Division is, accordingly, making solid progress and is well positioned to make decisive contributions toward shaping the future of energy – keyword: Energy Transition 2.0. This is particularly true for the offshore grid connections in Germany. With the latest DolWin6 order, we've been able to win six of nine offshore contracts.

The development at Building Technologies continues to be highly satisfying, and the Division posted its best fiscal year to date.

Orders and revenue climbed in all business sectors and in all Regions. They were especially strong in the U.S. Coupled with additional productivity gains, this growth led to a gratifyingly high margin of 12 percent.

BT is successfully driving the automation and digitalization of its businesses, a fact also highly appreciated by our customers.

Mobility won a number of noteworthy large orders in Europe and Asia. Revenue and orders developed well. Mobility even turned in a record performance in the fourth quarter, posting revenue of €2.2 billion. The Division's continuing solid project execution secured a notable margin of 9.2 percent in fiscal 2017, a level that is clearly above the industry average.

The Division has now remained within its target margin range for four consecutive years and is steadily expanding its digital business.

So Mobility is quite well prepared for a common future with Alstom.

In the field of digital manufacturing, there is no getting around Siemens. The Digital Factory Division once again delivered an excellent fiscal year. The short-cycle business, in particular, showed strong growth – such as a 27 percent increase in China in the fourth quarter.

As previously announced, special effects related to the acquisition of Mentor Graphics burdened the Division's profit by a total of €104 million in fiscal 2017. Yet

with its reported profit margin of 18.8 percent, DF still had the highest margin of the Siemens Divisions for the year.

The Process Industries and Drives Division is on a strenuous course, but the right one. Orders and profit grew in the fourth quarter as well as for the full fiscal year. The initiated measures are clearly beginning to take hold.

It's still too early, however, to sound the all-clear: The challenges, particularly in the large drives business, remain – along with the necessity to rigorously continue with structural adjustments.

We'll also have to keep a close eye on general developments in the extractive industries.

And now to Healthineers. Our healthcare business is continuing its impressively successful course, posting double-digit revenue growth in China, Europe, Russia and the Middle East.

The diagnostic imaging business as well as favorable currency translation effects contributed to Healthineers' impressively strong profitability. With a profit of €2.5 billion, the business delivered the highest contribution to earnings of all Divisions.

In fiscal 2017, the strong team at Financial Services again provided excellent support to our businesses, generating a pre-tax profit of €639 million.

And finally, let's turn to Siemens Gamesa Renewable Energy. You're familiar with the situation here. On the one hand, we're seeing a gratifying number of major orders, such as in the U.S. and the Borssele 1 and 2 offshore projects in the North Sea.

However, weaker contributions from the U.S. and India, high inventory write-downs and anticipated higher integration costs substantially burdened profitability.

Siemens Gamesa has clearly not lived up to its potential so far. Our expectations here are quite clear: a leading competitive position in the global market as well as a sustainable increase in the value of our stake. So there's still plenty to do!

And now to free cash flow at our Industrial Business. We more or less maintained the prior-year level of €7.5 billion. However, developments at Power and Gas and Siemens Gamesa burdened an otherwise gratifying year.

It is absolutely crucial for Siemens' success that we continue concentrating on

stringent project execution and keep an eye on our productivity targets.

And we did a good job of this in fiscal 2017. You may recall that we still had project charges of €1.2 billion in fiscal 2012. In contrast, the project charges were well below €200 million in the past fiscal year.

Intensifying risk management has obviously paid off!

Specifically, this means that we select projects more stringently during the bidding phase by subjecting the tenders to a highly detailed and comprehensive risk analysis. This applies in particular to projects where we're entering uncharted technological territory or are working with partners.

We're also right on track with our productivity gains. As in fiscal 2016, we achieved a gain of five percent in cost productivity and thus lie at the upper end of our target range.

The ambitious productivity targets we set every year are not an end in themselves, but the basis for sustaining and, where possible, even improving our competitiveness.

Now let me turn to the current developments at our underperforming businesses.

While the average margin for these businesses was still a negative four percent in fiscal 2013, we've continually and clearly improved since then.

In the past fiscal year, 80 percent of these businesses generated profit margins in the range of a positive six percent. The remaining 20 percent will continue to require close management attention.

So although we're making somewhat slower progress here than planned, we can still be generally satisfied with the interim results.

The ultimate goal, of course, is to develop these businesses to ensure they're stable and sustainably on an equal footing with their respective competitors. And we haven't yet reached that point. Our target margin for 2020 is still at least eight percent.

Performance should pay off for everyone – including our shareholders.

This brings me to the dividend. Against the backdrop of our strong fiscal 2017, we'll propose a dividend of €3.70 at the next Annual Shareholders' Meeting on January 31, 2018.

This marks an increase of ten euro cents over the previous year and corresponds to

a payout ratio of 49 percent.

Our dividend policy is geared to high profitability, long-term orientation and reliability. Siemens is – and will remain – a rewarding investment for its shareholders.

Siemens employees should also directly profit from the company's success. To this end, we established so-called Siemens Profit Sharing in fiscal 2015. In especially good years, Siemens endows a specific sum to a specially created pool.

When this pool reaches €400 million, it can be distributed to employees below the senior management level.

And the time has now come. The Managing Board decided yesterday to add €100 million to the €300 million already accumulated in the pool. With this contribution, we've reached the defined target sum and the money in the profit sharing pool is "ripe" for distribution.

This means that a total of €400 million will be distributed in March 2018 to our employees below the senior management level – primarily in the form of Siemens shares.

This is our way of saying thank you to our colleagues around the world for their engagement and commitment. And it's also our way of strengthening their ties with the company – as co-owners of Siemens!

Currently, some 165,000 Siemens employees are shareholders in our company as well. We want this number to grow to over 200,000 by 2020. By distributing the pool's shares in March 2018, we'll be taking a big step in this direction.

Let me turn now to the outlook for fiscal 2018.

We expect a mixed picture in our market environment, ranging from strong markets for our short-cycle businesses to unfavorable dynamics in our energy generation markets, as well as geopolitical uncertainties that may restrict investment sentiment.

For fiscal 2018, we expect modest growth in revenue, net of effects from currency translation and portfolio transactions, and anticipate that orders will exceed revenue for a book-to-bill ratio above one.

So what does this mean for the earnings situation at Siemens?

As we've already said, some businesses are operating in very difficult market environments.

As a consequence, we'll be encountering some strong headwinds:

- First, we expect a negative impact on the margin due to a weaker new equipment business at Power and Gas.
- Second, business with lower margins will account for a larger share of volume and depress the profit margin at Siemens Gamesa.

  The market environment here is also challenging.

  Against this backdrop, you may have seen Siemens Gamesa's announcement of a restructuring plan on Monday evening. All in all, we anticipate substantial severance charges in fiscal 2018.
- And third, on the basis of present currency exchange rates, we expect a significant negative impact on our profit in the mid-triple-digit million-euro range.

That covers the challenges. On the other hand, most of our businesses – such as Mobility, Building Technologies, Energy Management, Healthineers and Digital Factory are doing very well.

Much will depend on our performance, for we have set ambitious targets considering the challenges and expected headwinds.

We expect a profit margin of 11.0 to 12.0 percent for our Industrial Business.

We've excluded severance charges here because we can't reliably say at this point how high these charges will be.

We expect a basic EPS from net income in the range of €7.20 to €7.70. Here as well, we're being consistent and excluding severance charges.

I'd like to explain the context for the outlook regarding our earnings per share.

You see here on the chart a baseline of €7.09 for fiscal 2017. On this basis, we're calculating an increase of two to nine percent compared to the prior year.

And why is the comparative figure for 2017 lower than what we've reported to you today? First of all, the prior-year basis is lower for technical reasons. By this, I mean that the introduction of the new International Financial Reporting Standard for revenue recognition (IFRS 15) has resulted in an adjustment of the prior-year figures.

In addition, we haven't taken into account in our baseline the large positive special

effects you know from fiscal 2017, since they won't be repeated. The same applies to the severance charges incurred in 2017.

Otherwise, a comparison of the target we just presented – that is, excluding severance charges in 2018 – would not be possible.

Details provided on the back-up slide ensure that this is fully transparent and understandable.

This outlook, as always, excludes charges related to legal and regulatory matters, effects on EPS associated with minorities holding shares in Siemens Healthineers following the planned IPO, and potential effects which may follow the introduction of a new strategic program.

[Joe Kaeser]

We're keeping a close eye on our Vision 2020 goals.

We've strengthened Siemens substantially by implementing this long-term strategy concept. And when it comes to industrial digitalization, we're a force that has to be reckoned with.

We're a conglomerate that has understood the signs of the times and responded proactively.

Our stock performance also reflects these achievements. Other conglomerates have been less active in shaping their strategic transformation. This can also be seen in their share prices.

So we're the leader among the conglomerates. But is that enough when competing with specialized companies that, covering a significantly narrower spectrum, are faster and more focused?

Overall, Siemens is doing well and in some businesses very well. Nevertheless, the way that business is developing as well as market evaluations favor the focus players, the specialists.

Yet even their ability to perform isn't enough to enable them to keep up with those who are shaping the modern industrial world and profiting from the paradigm shift.

We're making very good progress in executing Vision 2020 and have already reached many goals and launched other initiatives. Now it's time to set a course that extends beyond the year 2020. What are the key considerations here?

First, our planning assumes that the biggest and most diversified companies won't be successful in the age of digital industry. Instead, it'll be the companies that best adapt to the rapidly changing market environment. And that's exactly what we intend to do.

Consequently, the next Siemens generation will focus primarily on achieving an optimal combination of three key elements: preserving the value of the "mega brand" Siemens; enabling our businesses to concentrate even more sharply on their respective and critical success factors; and ensuring that our governance is more flexible and efficient.

Few companies have a brand as strong as Siemens'. Our brand stands for innovation, quality, trust and stability. It opens doors around the globe. Today, Siemens has a better reputation than ever, one that's also been confirmed by a recent *Forbes* survey in which Siemens was selected as the world's top-regarded company.

How should Siemens' businesses be oriented in the future? That question brings us to our business focus. I'm convinced that our businesses clearly need a sharper focus.

They have to keep up with the specialists in their respective industries and be at least as good as their strongest competitors.

How should these Siemens businesses be managed? With as little administrative effort as possible and with as much administrative support as necessary. And with management models tailored to meet the needs of each business. Not with thousands of generally applicable internal regulations, but in a way that is specific and flexible, yet with clear rules.

In one area, we won't be making any cutbacks: compliance. Here, we'll enforce our policy of zero tolerance for illegal behavior.

These considerations are the basic principles upon which we intend to shape our company beyond the year 2020.

Relying on a program with the working title Vision 2020+, we'll make our company even stronger and ensure that it's fit for the digital age.

We'll be discussing this topic intensively with our management team, and reach results before the end of 2018.

The goal of Vision 2020+ is already clear today. We want to do an even better job of preparing Siemens for the future. We want to make even better use of the opportunities that industrial digitalization offers our customers, employees and shareholders.

And we've understood that old-fashioned conglomerates no longer have a future. So we'll be looking for a company structure that unites our brand's powerful ability to integrate with greater agility and one that's backed by flexible governance processes.

That's our task, and we won't be waiting until 2020 to tackle it.