

Check against delivery!

**Annual Shareholders' Meeting of Siemens AG
on January 27, 2005**

**Dr. Heinrich v. Pierer
President and Chief Executive Officer
Siemens AG**

It's an especially moving experience today to stand here and give an accounting to you, ladies and gentlemen, our shareholders. An accounting of what we have done and what we will continue doing to keep **our** company – **your** company – on a successful course. I have this job – or better said, this honor – in my capacity as President and Chief Executive Officer of Siemens AG for the thirteenth and last time today.

We are grateful that so many have again joined us here in Munich at our Annual Shareholders' Meeting in the Olympia Hall – or are following today's procedures on the Internet. We are especially pleased that you are involved in our company as investors. And we – that is, the management team as well as our employees around the world – know quite well that we have a duty to serve you.

And please believe me: That is not merely an empty phrase. My colleagues on the Managing Board and I are fully aware: Without the trust and support of the investors, our company could not exist. The investors' trust depends on both the success of the business and on whether the people who embody the company day in and day out do their jobs with dedication and motivation.

And both aspects belong together. Only a profitable company provides enough scope for research and development, and for investments in technology and jobs. And such preparations for the future, in turn, are a prerequisite for ensuring that employees see positive perspectives and dedicate their full powers to the company.

That's why I have always stressed that growing shareholder value and securing jobs are not conflicting ideas, but are two sides of the same coin.

And all this can work only when we fulfill the main purpose of our being – namely satisfying our customers and giving them competitive advantages with our products, systems and solutions. Ultimately, customers are the ones who pay our salaries – those of our employees in every corner of the company all the way up to the CEO. And our customers, in turn, form their image of us not only from concrete experiences in individual cases, but also from the overall impressions we make with our role in society. That's why our declared goal is to dedicate our full attention to all four target groups – investors, employees, customers and the general public.

I would like to thank the representatives of the media, who are here again in large numbers, for the attention they gave to us in the past year. Let me repeat what I have said so often in past years: We take the media seriously because the reports and commentaries appearing there are eminently important for helping us keep in constant contact with all of our target groups.

Ladies and gentlemen, in my report today I will first discuss the current situation at Siemens and the past fiscal year. Then, under the theme “continuity and change,” I would like to make a few remarks on the fundamental character of our company – because I am certain this is an important point at a time when there is a change at the helm of the company.

Review of fiscal 2004

We started out fiscal 2004 with the declared goal of again increasing both business volume and net income. We gave our people a clear directive: “Go for profit and growth!” And we delivered. You know the figures. Let me briefly summarize our performance for the year:

- New orders climbed eight percent to nearly 81 billion euros and sales increased one percent to more than 75 billion euros. Excluding consolidation and currency translation effects, orders rose nine percent and sales three percent.
- Net income grew 39 percent to 3.4 billion euros. Even excluding effects from the sale of shares of Infineon and a centrally booked goodwill impairment, net income still climbed 23 percent.

I believe these key data are quite respectable. This is particularly true when one that we continued to show a very positive trend in our cash flow – as in the four preceding years. On the basis of this performance, we propose today raising the dividend to 1.25 euros per share from 1.10 the prior year.

Worldwide, the number of employees climbed from 417,000 to 430,000. The greatest share of this growth came from the consolidation of new companies. Excluding the net effect of acquisitions and dispositions, the worldwide workforce increased by 2,000. This is the difference between the 4,000 decline in Germany to 164,000 and the 6,000 increase internationally to 266,000.

The decline in Germany is regrettable. But this development is far more moderate than it appeared in some media reports during the year. And the number is, by the way, a total sum derived from various individual movements. In the past fiscal year, for one, we hired 7,000 new employees in Germany to compensate primarily for retirements. And most of these new employees were young people who chose Siemens for starting out their professional careers after graduation.

And the situation with our apprenticeships is also generally gratifying. In the past year, Siemens again took on over 2,000 new apprentices in Germany. This was once again more than we need for our own purposes. We again created 100 additional apprenticeships in eastern Germany. Another point – and one that unfortunately hasn't been sufficiently honored in the media: We have given the green light for a further 400 apprenticeships in the framework of our new

Regional Organization Germany, which has merged our sales and service operations nationwide. I believe this shows how seriously we take our social responsibility.

We have by no means “written off” Germany as a place to do business. But there is no doubt that we, as a global player, naturally must also distribute our value chain around the world. We have to be close to our customers in every part of the world. And this is particularly true for the regions in which we have targeted strong growth. These regions currently include the U.S., China, India and Russia, as well as Central and Eastern Europe. When we build up local value added in such countries, this ends up helping Germany. A rule of thumb states that by creating four jobs abroad, we create or preserve one job in Germany – because our work abroad also secures supplies from Germany.

We can once again point to a number of outstanding performers among our Groups last year. These include Automation and Drives, Medical Solutions, Power Generation, Osram, Siemens VDO Automotive, Power Transmission and Distribution, and Siemens Financial Services. These Groups have optimally implemented our *top⁺* company programs. And these Groups also continually stand out with their pacesetting innovations. Their *top⁺* recipe for success is based on optimizing processes, controlling costs, developing new products and solutions, and growing with the markets or even gaining market share.

Other Groups, which had encountered difficulties in past years, are now back on the right track upward. These include Siemens Building Technologies, Industrial Solutions and Services, as well as Logistics and Assembly Systems. We expect further growth in earnings.

And even our problem child, rail systems or Transportation Systems, has gotten past its worst moments. The Group was heavily hit by quality problems with the Combino low-floor tram. We set aside provisions totaling over 400 million euros to cover the resulting costs. In agreement with our customers, modifications to the trams are being carried out in a two-stage process: first temporary repairs and then permanent modifications.

The temporary repairs have largely been completed. For the permanent modifications – the second stage – we have been testing a specially equipped tram in Erfurt, Germany. In the coming days, we will hand over the final reports to the responsible experts.

As a result of quality deficiencies at Transportation Systems and at other isolated locations, we have reorganized our quality management system throughout the company. Quality managers have been installed in each Group and in the Regional Companies and have been given special authority to intervene in operations if necessary. They closely monitor the development process and the implementation of projects. And, if necessary, they can define and implement corrective measures at an early stage so expensive corrections are not required after the project has been completed.

We take quality very seriously. The name Siemens has always stood for quality. And we won't tolerate threats to this reputation!

Our Information and Communications business area is currently a special case with a mixed performance record. This business area embraces Siemens Business Services (SBS) and the new Communications Group, which was formed by the merger of the previously separate IC Networks and IC Mobile Groups on October 1, 2004.

- Siemens Business Services has a good reputation for business process outsourcing – where we take over the management of entire business processes for customers. SBS has achieved remarkable successes here. I am thinking, for example, of the contract the Group signed with the BBC in the United Kingdom. The order has a volume of 2.7 billion euros and will be carried out over ten years. Because of its importance, the project will be closely monitored by the Managing Board.

But Siemens Business Services has had difficulty in the area of product-related services. There are fundamental changes in the market that

require appropriate adjustments in the Group.

- The major strengths of the Communications Group lie in mobile networks, enterprise networks, and cordless phones.

In the mobile networks sector – which handles infrastructure for mobile phone systems – we were already successful in developing GSM networks. And now we are well in the forefront with installing Third Generation networks, above all, for UMTS networks. We already have 30 contracts worldwide in our books.

Enterprise networks are company telecom networks for major customers. We have a leading position in this sector and can also offer state-of-the-art solutions that make possible phoning over the Internet – or Voice over IP.

We are also traditionally strong in the market for household cordless phones.

In contrast, the Group is having problems with its fixed network business due to the weak markets worldwide. The various business segments in this sector have their respective and specific challenges. Last week, the Group Executive Management discussed this theme in the Committee for Economic Policy, and this discussion will be continued tomorrow in another meeting of the Committee.

The problems with mobile phones, as everyone knows, are especially extensive. We have been showing a loss in this sector since last summer. There is a major need to take action here. The Managing Board has been dealing intensively with this issue for some time in order to find a satisfactory solution. We have a good development team, excellent production facilities and a good market name. We must preserve these strengths.

Prior to today's Annual Shareholders' Meeting, it was speculated that we

would present a concrete solution for the mobile phone business here at the Meeting. That is not the case – or not yet the case. But it is naturally quite clear to us that there is a need for quick action here – and for a strategic reorientation. We have set a schedule that we – as you expect from us – will work out quickly but without undue haste. In all of the steps we take we will consider the responsibility to our customers as well as to our employees.

First quarter of fiscal 2005

Ladies and gentlemen, early this morning we released the figures for the first quarter of fiscal 2005 – covering the period October 1 to December 31, 2004.

- New orders reached 21.5 billion euros, up five percent year-over-year. Sales were 18.2 billion euros and nearly level with the first quarter a year earlier. The upcoming billing of major projects in the next quarters will generate growth here.
- Net income rose 38% compared to the first quarter last year, reaching 1.0 billion euros. Our operating Groups again improved their performance and generated a pre-tax Group profit of over 1.4 billion euros.
- The company's workforce grew by 4,000 to 434,000. This growth was primarily attributable to consolidation effects and occurred in our operations outside of Germany. The company's domestic workforce remained stable.

At our annual press conference in November we were not yet in a position to provide an outlook for the full 2005 fiscal year. This was due to the fact that we hadn't yet approved a concrete budget for the new Communications Group, which generates around one-quarter of our company sales. The Managing Board has now made clear target agreements with the Group.

And what can we say today?

- To begin with: The strongly profitable Groups are continuing on their successful paths.
- And next: We expect the Groups which have overcome their profit dips to continue making solid progress. This, by the way, also applies to our rail systems business, which is back in the black.
- The Information and Communications business area is a special case. I have already talked about the need for taking action here. The related impact on earnings cannot yet be calculated in detail.

On the bottom line, however, we see chances of improving our net income again – on a comparable basis – in the current fiscal year. At any rate, we are focusing all our efforts on achieving this. And we expect sales for the full year to show a bigger increase than last year. In certain cases, however, this depends on how the currency exchange rates develop.

Continuity and change

Ladies and gentlemen, I said in my opening that the change in the company's top leadership is a suitable occasion to take a closer look at just what Siemens stands for. In addition to taking care of our daily business, we frequently ask ourselves what distinguishes Siemens, what makes it a special company, which fundamental and enduring values do we have, and where do we want to drive change. In other words, we ask how we can combine continuity and change.

And this involves seven points:

- First: the composition of our business portfolio
- Second: the way in which we drive innovation
- Third: the way we work with our customers
- Fourth: our global presence
- Fifth: our employee orientation

- Sixth: our financial management
- And seventh: our position in society.

Business portfolio

As far as our business portfolio is concerned, we long ago decided to focus on the field of electrical engineering and electronics. In the earliest years of our history, the guiding principle was: “Only electrical engineering, but all of electrical engineering!” We have long since given up this ambition or claim to cover the entire field of electrical engineering, simply because of the sheer scope of the field today. But we continue to hold true to the old German saying “Cobbler, stick to your trade!” – and have no intentions of expanding our activities into completely unfamiliar territory.

Electrical engineering and electronics is a technologically demanding field. We continue to see enormous growth opportunities and attractive possibilities for entrepreneurial action. I don’t want to rehash details of the discussion that took place largely in the late 90s. Back then, one advised us – or rather urgently recommended – that we “focus” only on specific segments within the field of electrical engineering and electronics and divest others or at least no longer invest in them. Medical engineering, automotive electronics, power generation and also Osram would have been affected.

Their recommendation was to concentrate completely on information and communications technology – which at the time seemed to be destined for endless growth. In the interest of our shareholders, we didn’t follow this advice. Because we were convinced that it is always good to keep your eggs in more than one basket – in many different fields that are subject to different cycles. And we were also certain that we have a number of technical, sales and other synergies in our broad spectrum of activities that give us advantages over competitors who set everything on one card.

The New Economy bubble and hype quickly burst in 2001. And we know today that the collapse of this field was far more profound and enduring than originally

feared. The massive structural changes in this field still haven't been mastered. All traditional telecommunication suppliers, and not only Siemens, are suffering from this situation. In contrast: Today we generate the largest share of our profits in those very businesses we were advised to give up.

Still, we do not see our business portfolio as static – and are certainly not dogmatic about it. We regard it as a living organism which we want to – and must – systematically prune and nurture. This is why, for example, we began to build up automotive electronics as a new business focal point in the late 80s. Today, Siemens VDO Automotive is our second largest Group and has gained an outstanding position in global competition.

We have also put our building technology business in a leading position, and the same is true for logistics systems. We have built up our service business. And we have invested in new growth fields such as water processing and wind power. Our strategy is to combine organic growth with strengthening through acquisitions.

But we also want to keep our reputation as a company that doesn't pay fantasy prices for a business. This also applies, by the way, to Austria's VA Technologie AG. We are firmly convinced that there are outstanding perspectives in the global markets for this company when its employees are integrated into the Siemens family. It wasn't easy for us to increase our takeover offer to 65 euros from 55 euros per share. But this proposal should quickly lead to a closing of the deal. It is in everyone's interest – and especially in the interest of VA Tech – to clarify the situation as quickly as possible.

Acquisitions are one option. And we will continue with such moves. But we can also let go of a business and exit from activities when there are good reasons. The components Groups – later Infineon and Epcos – are the most prominent examples of this solution. We also continually check to see where we are strong enough to proceed alone or where we must take a new strategic orientation. Good examples here are our joint ventures with Fujitsu in the computer sector, with Framatome in the field of nuclear power generation, or with Voith in the

hydro power generation sector. We have no fundamental problems when, in one or the other case, Siemens does not hold the majority stake in such ventures. And I can imagine there will be further such examples in the future.

The power of innovation

The second point is our power of innovation. Innovation was in the cradle of our company and has been the foundation for our success over generations. It is our lifeblood. I can underscore this by pointing out that our corporate-level research activities will be celebrating their centennial in 2005. Back in 1905, chemist Werner Bolton, the inventor of the first incandescent lamp using a metallic filament (the so-called tantalum lamp), was named director of the first central laboratory of Siemens & Halske – the forerunner of our Corporate Technology department headed by Professor Weyrich.

As I said, Siemens operates in a technically demanding field. And a key success factor is the ability to get to market fastest with a solution that gives customers competitive advantages through new technologies.

When we began in the early 90s to deal with the consequences of the deregulation of our markets, the privatization of our customers, and globalization, the theme of accelerating innovation also stood in the forefront. It was one of the pillars in our original *top* program in 1993. Even then, we were performing well in this area and were reporting somewhat over 2,000 inventions a year.

Yet despite this, we launched a comprehensive innovation offensive. And today I can say it has led to remarkable results. In the past fiscal year, we generated some 8,200 invention reports and applied for patents for two-thirds of them.

We hold leading positions in patent statistics. This is also true, by the way, for the U.S., where we number among the Top Ten. And last year we received more patents in the U.S. than our most prominent competitor, which is at home there. Overall, we hold 48,000 patents today, an impressive number. And we

not only stress the quantity, but also the quality of our patents, which we utilize to seize new market opportunities.

Innovation is one of the three programs of the Siemens Management System which we have been employing since last year to focus and advance our activities. We are developing trendsetting technologies and defining platform strategies even more systematically than in the past in order to create cross-Group synergies. And just to make sure this all doesn't sound too abstract, let me briefly cite a few examples from the catalog of innovation successes at Siemens:

- As everyone knows, our medical engineering is especially innovative. Experts know, for example, that our Somatom Sensation 64 is the world's fastest and most precise computed tomography system on the market. The images of the body's interior produced by this system are truly impressive. And our Magnetom Avanto Tim full-body-scanning tomography system last week won the Innovation Prize of German Business in the large company category. And of course we weren't just helped to this success by the images that swimmer Hannah Stockbauer provided as an "imaging object."

Our colleagues naturally are also quite proud of the German Future Prize that the German President presented to a team in which Dr. Gumbrecht from Siemens Corporate Technology was a member. The prize winner was the quicklab project – a molecular diagnostic system the size of a credit card. It will be brought to market by our Medical Solutions Group. Using it, doctors will be able to quickly and reliably distinguish between, say, a harmless cold and a dangerous flu virus. We have prepared a small display here in the Olympic Hall so you can take a closer look at this product.

- Our Information and Communications business area is especially research-intensive. I'd like to cite HiPath OpenScape as just one example of the many innovations in this field. OpenScape provides the basis for

converging fixed networks, mobile networks and the Internet for all enterprise phone system users. It integrates various terminals – like fixed-network telephones, mobile phones, e-mail devices and fax machines – and their respective transmission technologies, even, if wished, this equipment is from different manufacturers.

OpenScape was developed by an international project team comprised of Siemens employees in Germany, Switzerland, the UK and the U.S., and is now being piloted in more than 80 companies around the world.

- I'd also like to point out the pacesetting role our Automation and Control, and Power business areas are playing in the application of remote diagnosis and maintenance, or what we call remote services. Using such systems, Siemens experts can access via computer the real-time operating data of our customers' plants – such as the control rooms of power plants – regardless of where these plants are located in the world. This enables us to spot operational disturbances quickly and without major effort – in real time – and take care of them.

There are naturally a great many examples from our other businesses, such as railway systems, automotive electronics and lighting – i.e. Osram. These are all highly innovative Siemens Groups. But my time is limited, and I'll have to leave it at these few examples.

Our strong focus on innovation embodies the idea of continuity at Siemens. Yet change is also part of innovation: We must continually accelerate the pace of our innovation processes. We must pick up and understand signals from the market faster than ever before – signals that indicate where promising innovation fields are opening up. And we must integrate the innovative ideas of foreign cultures more closely than before into our global network of innovation.

Siemens has more than 45,000 employees working in R&D worldwide today, and highly effective research and development centers – primarily in Germany, the U.S. and the UK. As part of our internationalization strategy, we are

currently building up R&D centers in China, India and Russia. And here, too, I want to stress that these moves do not weaken our commitment to Germany. We are supplementing our domestic competencies with those we find outside our own country. Our vision is to have the best and brightest from every culture. Only then can we create advantages for our customers everywhere in the world.

Innovation – and this is one of my deep personal convictions – is something that concerns our entire country. Germany will find its way back to its traditional and well-earned strength only if we create a different climate. A climate in which biotechnology and gene technology are not banned, in which nuclear technology can reassume its indispensable role, and in which the Conference of Cultural Ministers focuses on necessary reforms in our education system, and not on the spelling reform.

Customer focus

Back to my third point: customer focus. It is part of our tradition to see our customers as partners. Partners who gain something from working with us. Partners who can depend on us. This is continuity.

Change here is that we want to make even greater efforts to understand our customers better. In a sense, we must get inside our customers' heads and define their wishes and needs – if possible even before they are able to do so. This is particularly true for the development of future-oriented products which incorporate the wishes of our customers from the very outset.

We have launched a special approach to customer focus with our Siemens One initiative. In the framework of this initiative, our operating Groups put one face to a customer in important customer segments. This is being done, for example, for hospitals, sports venues, hotels and specific industry sectors.

The basic idea is simple but convincing: A hospital, for instance, needs not only excellent medical equipment, but state-of-the-art information and communications systems, intelligent building technologies, reliable power

supplies and innovative lighting solutions. We can offer all of this in a single package, and often combine this with financing and facility operation. The Group with the closest contact with the customers – in the case of a hospital it would naturally be Medical Solutions – opens the door to the other Groups and makes certain that they also can offer their services.

In the meantime, we have established Siemens One organizations in 40 regions. In addition, we have set up a Siemens One unit in our Corporate Development department at headquarters. This unit reports directly to the CEO. The new team helps the Groups and Regional Companies develop their own local organizations and makes certain that, in cross-Group business, customers get the optimal solution.

Global presence

Siemens, ladies and gentlemen, has stood for international orientation – our next point – from the very beginning. As early as the end of the 19th century, our operations in St. Petersburg and London were bigger in volume than the activities conducted by the parent company in Berlin. Today, around 80 percent of our sales are generated by customers outside of Germany. It is a fundamental principle of our company philosophy to be close to our customers everywhere in the world.

Internationality is part of our birthright. But true global presence means far more than just having a worldwide sales organization. It requires that all parts of the value chain be globally networked: research and development – which I have already discussed – procurement, manufacturing and maintenance and services. The sweeping changes in the world's geopolitical makeup that began in the late 80s opened up new possibilities for further expanding our global reach.

The development in China, for example, is one good example. The country began its transformation twenty years ago and passed a milestone with its accession to the World Trade Organization. China is not only the world's most

dynamic market at present, but is assuming ever greater importance as a location for research and development, for manufacturing and services, as well as for the procurement of materials and primary products.

There are often public discussions about the economic risks of doing business in China. But I have visited the country regularly over the years and can only repeat my firm conviction: The risk of not being in China is greater than the risk of doing business in the country. In recent years, we have invested around one billion euros in China. Over 30,000 Chinese work for us in the country. We have a business volume of roughly four billion euros. And most important: We are profitable.

This is also true for India, where we generate a business volume of approximately one billion euros and have nearly 10,000 employees. We have launched a growth initiative here as well, and are making solid progress.

New opportunities are also opening up in Russia. We are currently working to give the company a bigger and stronger footprint in this growing market. And this also increasingly involves having our own local value added.

Fundamental changes have taken place in particular in the countries of Central, Eastern and Southeastern Europe. As a result of the eastward expansion of the European Union, our opportunities in the region are now especially promising. We have utilized these opportunities effectively to date. And in the future our activities in the region will grow even more, under the umbrella of Austria's VA Tech.

All in all, one can say that the global map and its specific regional strengths look completely different than they did a few years ago. We must take this fact into account and secure our true globality.

Naturally every job in Germany is also important to us. We are fighting for them. I find it encouraging that there seems to be a trend toward allowing and

accepting flexible, location-specific solutions in the country – and for differentiating among manufacturing, sales and service activities.

Employee orientation

This brings me to my next point: employee orientation. And this, too, has a long tradition at Siemens. But the answer to what employee orientation means in concrete terms, and how the concept can be filled with life, has changed over time.

Today, employee orientation includes, above all, good education and training – and at every level of the hierarchy. Learning – throughout an entire professional career – is just as important for skilled workers as for managers. That was always the case, but the contents have in the meantime changed. This applies to the new career profiles for skilled workers as well as to the management tools made available to our managers.

Reflecting these changes, we have introduced a process to orient – and continually adapt – our training and continuing education contents to themes that are vitally important for the company. In the course of doing so, there were misunderstandings. So let me say once again: This is not about a reduction in our offerings, but about ensuring greater efficiency in our continuing education measures – also, and especially, in the interest of our employees.

Employee orientation long since also includes procedures for the targeted and systematic development of high potentials. Our annual employee dialogues and management reviews have created a good basis for this. We introduced the system of management reviews seven years ago. In this procedure, the CEO and the head of Corporate Personnel meet with the Group Presidents and heads of the Regional Companies and systematically check to see if there is a sufficient number of high potential candidates for a generation change in key functions. The names of the high potentials are then compiled and designated for special development programs, and the individuals are subsequently coached in their further development.

Mr. Kleinfeld will also make this job one of his personal priorities, as he has already announced. He will place special emphasis on making sure we identify our high potentials at the earliest age possible – and quickly follow through with their development.

Employee orientation in a global company naturally has a multicultural character. Our worldwide networking functions only if we understand and accept cultural differences. Only if we learn to utilize and integrate the strengths of all cultures. And only if we also further internationalize our cross-Regional management team. We have made notable progress here in recent years, especially in our Regional Companies. But we must continue on this course.

Financial management

There will be no change in our strong commitment to responsible financial management. Financial solidity – the sixth point – is the basis for our enduring success over one-and-a-half centuries.

Yet even if there must be no change in the fundamental principles behind our conservative financial management, there are continual changes in the way we work or in the individual instruments we use. In the latter half of the 90s, we introduced the principle of Economic Value Added. This move gave us new possibilities for more effectively controlling and guiding the company. And we also reaped praise from the capital markets.

We have also changed our internal controlling systems. We welcome the corporate governance discussion which has made solid progress in recent years, thanks to the efforts of Mr. Cromme. And we, too, are convinced of the importance of developing and implementing systems for responsible and transparent company management and controls. Mr. Baumann has already pointed out that we take this very seriously.

Since Siemens is also listed on the New York Stock Exchange, we are subject to specific American capital market laws and the regulations of the U.S. Securities and Exchange Commission, which controls the American stock markets. Since the Sarbanes-Oxley Act was passed in July 2002, numerous changes have been made in corporate governance regulations that also affect us. We basically have no problems with this development. But I want to say quite openly that I sometimes ask myself if we haven't gone too far – seeing the increase in bureaucracy and the associated financial burdens.

Social responsibility

Financial solidity and corporate governance – and this is my final point – also have something to do with social responsibility. In the narrower sense, it is all about correct behavior. It means, for example, strict adherence to our Business Conduct Guidelines – at corporate headquarters, in all operating units, and in all Regional Companies. I must admit that I am not entirely satisfied with our record when looking back over my years as CEO.

There were incidents and occurrences – thank God only a few – in which employees quite clearly acted against our regulations. Apparently it is rather difficult in such a large company to make certain that every last individual knows what damage he or she can cause to the company or him- or herself by violating our codes. The top management and I fully agree that we will never relent in our efforts to rid the company of such practices.

We also believe it is especially important to be considered a “good neighbor” wherever we operate throughout the world. One concrete example of this social commitment, I believe, is our response to the tsunami catastrophe in South and Southeast Asia. We quickly responded on two levels:

- On the one hand, we have appealed to our employees around the world to make personal donations. They can be made to special accounts we set up in the U.S. and Germany under the proven administration of the Siemens Caring Hands Organization. And we have pledged to match

every employee donation. These funds are earmarked for concrete projects in India, Sri Lanka, Thailand, Indonesia and Malaysia.

- On the other hand – and this is even more important for me – I would like to point out the personal help given – and still being provided – locally by our employees in the various countries. With the technical support of Siemens experts, the afflicted countries have begun to rebuild their destroyed infrastructure – electricity, water supplies and telecommunications. In addition, we have supplied medical equipment to hospitals as well as to facilities operated by the German armed forces.

The cash donations and donations in kind already total nearly three million euros. And the sum is growing day by day.

In my position as Chairman of the Asia-Pacific Committee for German Business, I have proposed that we establish Public Private Partnerships in order to mobilize locally available competencies and the capacities of German business – working together with the local ambassadors and consulates – for restoring infrastructure and rebuilding the region.

One of the advantages of global companies like Siemens is being right on the spot. We don't need to send out advance commandos to find out where a water supply system must be repaired, electricity is needed, hospitals have to be renovated, or schools and other educational institutions or orphanages need support. We are already there. And perhaps this kind of assistance will also help us convince critics and opponents of globalization that it also has a very human face if it is properly practiced.

I believe social responsibility also means that employees should be available to serve public offices. I myself served 18 years on the City Council of Erlangen. And I am convinced that it helps society when business know-how is available and used in communal bodies, in state parliaments and also in the German Parliament.

It is important, naturally, to have complete transparency here – regarding both the fact that someone is associated with a company and whether he or she continues to draw a salary from that company. For me, the latter can be accepted if the person still does work for the company in the framework of a part-time contract.

Some 400 public servants in Germany currently come from Siemens. By far the majority of them serve in communal offices on an honorary basis. They do so primarily in their free time. And we are happy to give them the necessary freedom of action – such as through flexible working time. Twelve individuals have taken over full-time public jobs, including one in the German Parliament, four in state parliaments, and seven as full-time mayors. The contracts of all twelve with Siemens are currently suspended.

And in the future as well – we will continue to encourage our employees to take on political positions.

Summary

Ladies and gentlemen, in closing let me sum up the current status of our company and, above all, on what is to be done:

- First: The measures for permanently securing the future of our activities in the Information and Communications business area naturally have top priority.
- Second: The former troubled Groups have achieved their turnarounds and must rigorously continue on their course toward their margin targets. We have given them the necessary tools – as part of our *top⁺* company programs in the framework of the Siemens Management System – to achieve this.
- Third: The majority of our Groups are in outstanding shape. Thanks to *top⁺*, they have achieved a level of operational excellence. These Groups

are working on further reinforcing and permanently securing their strong positions.

- Fourth: We are heavily emphasizing growth. “Profit and growth” remains our current directive. This includes organic growth based on our own strengths, which is our preference. But there must also be further acquisitions in new and attractive growth fields. The continued development of our business portfolio will remain one of our most important tasks.
- And fifth: Another high priority on our list is the permanent work on the quality of our management. Leadership excellence is one key to success. Our top management worldwide already has a remarkable potential that we can be proud of. Identifying young people who are suited and prepared to seize and develop their potential and then grow into the top management with our support – is a personal commitment of the CEO, and the most important and satisfying of all.

Thanks

Ladies and gentlemen, I began my remarks today by saying I would be giving my last accounting as President and CEO at a Siemens Annual Shareholders’ Meeting. It doesn’t take any special powers of clairvoyance to predict that, by late this afternoon or early this evening when the voting takes place, only a fraction of the shareholders will still be present. That’s why I’d like to say thanks now.

- First, to Mr. Baumann for the close and trusting work together in the seven years that he served as Chairman of the Supervisory Board, and in the many years before in his function as Chief Financial Officer of Siemens. He gave the Managing Board the freedom of action it needed in order to meet its operational and strategic responsibilities. As an expert in our highly complex company, he was especially qualified to do what is demanded of a Supervisory Board Chairman – namely supervising and

giving advice. I personally – and the Managing Board as a whole – always enjoyed working with you. Mr. Baumann, we are deeply grateful to you.

- I thank my colleagues on the Managing Board. According to the German Corporation Act, you do not report to the President and CEO in disciplinary matters, but rather to the Supervisory Board. But you gave me outstanding support as team leader. I will miss the many talks, the constructive discussions and the more than 50 meetings of the Corporate Executive Committee every year. My warmest thanks.
- I thank the company's managers worldwide. I was able to personally express my gratitude to the more than 500 top managers from around the globe at the Siemens Business Conference in Berlin early in October last year. I am proud of this team.
- And I thank each of our more than 430,000 employees in over 190 countries. I sent all of you a farewell e-mail yesterday in which I expressed my personal feelings.
- I thank our partners and customers. With your orders, you give us every day an opportunity to prove our value and to serve you.
- And – last but not least – I thank you, ladies and gentlemen, our shareholders – for the commitment and trust you have always shown me over the years and especially in difficult times. I ask you to please extend this trust to the Managing Board team that will be led by Mr. Kleinfeld as of this evening.

I am often asked, ladies and gentlemen, what principles guide the actions of our company. My answer:

- Siemens is and will remain one of the biggest companies in the electrical engineering and electronics field and will be Number One or Number Two

in all its businesses.

- Siemens is the technology leader in the world's electrical industry.
- Siemens will reach a market capitalization that is comparable to the world's most demanded stock companies.
- Siemens is a company that attracts the best and brightest throughout the world, and whose employees are proud to be part of the family.
- Siemens is committed to a demanding code of values and principles distinguished by humanity, free of discrimination, and observant of strict ethical standards in business transactions.

This image of Siemens is in part reality and in part a vision – but it is not utopian. It can be achieved.