2021 Annual Shareholders’ Meeting
of Siemens AG
“A company in transformation –
What matters most”

Joe Kaeser
President and CEO
Munich, February 3, 2021

Check against delivery.
Thank you, Jim, for those gracious and appreciative words. Let me return my warmest thanks for your exceptional support in the many topics of the last year.

Esteemed shareholders, ladies and gentlemen,

I’m pleased that you’re taking part in today’s virtual Annual Shareholders’ Meeting of Siemens AG, and I warmly welcome you. Under the present circumstances, holding a virtual event is the right thing to do. The health and safety of people have absolute priority. I hope it will be possible next year to meet again in person.

If not, one will certainly have to find legally binding solutions for an interactive dialogue. Since this is necessary. For both sides.

Today we’re concentrating on what’s possible and what matters most. What matters most to us at Siemens? What drives us?

We’ve stated as our purpose that we want to create value for all stakeholders – for all those involved with the company. For our shareholders, our customers, our employees and for society as a whole. The pandemic has made it clear to all of us that companies are not only part of the economy, but also key pillars of society.

The goal of our long-term Vision 2020+ strategy concept is to optimize this value creation. But this couldn’t happen overnight. The company first had to be prepared. Along with a much stronger focus for our activities, our primary aim was to proactively initiate the transformation in the company’s healthcare, energy and industrial infrastructure sectors.

This strategy concept is working. Particularly under the most difficult conditions, in times of a global pandemic, we’re seeing how robust the setup of our Siemens companies is and how efficient these companies are. Both fiscal 2020 as well as the excellent first quarter of fiscal 2021 clearly show this – also in comparison with our competitors.

- The Siemens AG share price has reached a new all-time high.
- The Siemens Energy share price has risen by around 60 percent since the company’s public listing at the end of September 2020.
- And the stock market value of Siemens Healthineers is in the range of other global companies like Bayer or BMW.
This is the result, above all, of hard and dependable work by a great team. In the past few years, our colleagues at Siemens have rigorously executed Vision 2020+ – in every part of the company.

They’ve implemented what the Managing Board outlined, and the company’s supervisory bodies constructively supported. I am very, very grateful to everyone for this. And the entire global team can be proud of what they’ve achieved.

We’ve thus made the Siemens companies ready for the future and have sustainably increased the upside value potential of the Siemens businesses.

The Siemens ecosystem now comprises three strong and independent companies, based on a respected global brand and shared values: Siemens AG, Siemens Energy and Siemens Healthineers. Each of these companies can now concentrate on the specific requirements of its respective markets and quickly respond to changes.

With our realignment, we’ve given our businesses the entrepreneurial freedom they need to pursue their development in their respective markets – but also the entrepreneurial responsibility to prevail against their competitors and create value for their shareholders. The chances of achieving these goals have increased significantly with the realignment. As have the risks of the consequences of underperformance.

In March 2018, we successfully listed Siemens Healthineers. Since then, Healthineers’ value has increased from €28 billion to nearly €50 billion, or by nearly 80 percent.

With this move, the company has been able to increase its capital at attractive conditions. And with its takeover of Varian – the market leader in the field of radiation therapy for fighting cancer – it’s initiated a transformational step. With this acquisition, the stake of Siemens AG in Siemens Healthineers dropped to 79 percent from the original 85 percent. Such an important transformational step wouldn’t have been possible as a division in a conglomerate.

On September 28, 2020 – following a separation process that was exemplary in terms of content and timing and took place under unprecedented conditions – we spun off and listed Siemens Energy on the stock market. After initial selling pressure due primarily to technical effects, the share developed well and increased the company’s market value from around €15 billion to – at the peak – nearly €25 billion. Admission to the MDAX on December 21, 2020, was thus only a logical consequence.

Much more crucial, however, was the question of what impact the spin-off would have on Siemens AG. Would the often-hoped-for re-rating of the share actually happen? It did, and it came faster and stronger than we’d hoped. The spin-off acted like a turbo on the share price of Siemens AG.
The share price rose by more than nine percent on this one day and thus increased our market capitalization by roughly €7 billion.

In the following days, the Siemens AG share gained further ground and regained its pre-spin-off level just two weeks after the public listing. This re-rating has continued ever since.

With the spin-off and public listing of Siemens Energy, we’ve completed the last major step in our company’s structural transformation.

The creation of financial value has been clearly visible right from the start. The foundations for optimizing value creation – the third wave of Vision 2020+ – have been laid.

But we also clearly formulated our company’s socio-economic orientation in Vision 2020+.

Our aim is to create value for all stakeholders.

This marks a rejection of the doctrine first advocated by economist Milton Friedman 50 years ago in a sensational article published in the *New York Times*. The headline: “Corporate social responsibility is to maximize profit.”

This marked the beginning of the triumphant trend favoring shareholder value. Shareholder value became the measure of a company’s success: “The business of business is business.”

This maxim is still deeply embedded in the minds of many today.

In everyday life – and sometimes as good advice offered to CEOs on Twitter – one hears the old saying: “Cobbler, stick to your last.”

Actually, we should have above all known long ago that the short-term maximizing of profit alone can’t be the meaning and purpose of a company.

All relevant stakeholders are entitled to profit from a company’s activities.

Over 150 years ago, Werner von Siemens spoke of an “inventive spirit” – that should be employed for the benefit of people and as a “higher law” in the “interest of the whole” – that is, society. Today we call this “purpose.”

It’s best to start with the customer. When it comes to the question of whether Siemens creates value for its customers, the best people to ask are the customers themselves. And this is exactly what we do to determine our so-called Net Promoter Score, a measure of customer satisfaction. Using this well-known method, we regularly ask customers if they would recommend us to others.

Over the past few years, we’ve steadily increased our Net Promoter Score by a total of 72 percent. That’s a significant and encouraging improvement. Because satisfied customers come back to us.

To bring them back, however, we need competitive products and solutions. Innovation is
what we do to create value for customers. And leading technologies are an important tool here.

That’s why we’ve continuously increased our spending on research and development in recent years. In fiscal 2020, these expenditures amounted to €4.6 billion, an increase of 35 percent over 2013. Over 40,000 employees worldwide work in research and development at Siemens. In fiscal 2020, they came up with 5,120 inventions and filed 2,740 patent applications.

Today, we concentrate our research and development on future-oriented fields like the Internet of Things, artificial intelligence, digital twins and distributed energy systems.

Customer satisfaction and innovation are the natural prerequisites for growth. A long-term comparison is worthwhile here. Viewed historically, Siemens’ revenue grew fastest in the era of Heinrich v. Pierer. Also because he recognized the potential of the Asian market, especially China, early on. Even though a dark chapter in the company’s history occurred late in his term of office, it’s still fitting to expressly acknowledge his lifetime achievement.

After several years of stagnation, we were able to stimulate growth again beginning in 2014 with Vision 2020 and accelerated growth in the subsequent years. Growth creates opportunities, in particular, also for employees. For example, when it comes to jobs.

- Since 2013, the comparable number of employees has grown by a net 19,000.
- Today, around 293,000 people work for Siemens AG and about 93,000 for Siemens Energy.
- At the end of fiscal 2020, 245,000 employees were Siemens shareholders. Hardly any other company boasts so many employee shareholders.
- What few people know: between 2015 and 2020, Siemens hired 222,000 new employees. This figure naturally includes replacements, but these, too, reflect a conscious decision for the future.

We not only create jobs, we also offer our employees attractive opportunities for the future.

- For employees in structurally weak regions, we’ve set up a Fund for the Future that earmarks €100 million for measures such as continuing education and qualification.
- Not including Siemens Energy, Siemens AG invests more than €300 million annually in employee training and continuing education.

We also do this because we want and need expert and motivated colleagues. Employee satisfaction is a valuable asset. That’s why we regularly ask our employees for their opinions. Over 160,000 employees took part in the last employee survey conducted in November 2020.
– a participation rate of 67 percent. This response alone testifies to our employees’ high level of commitment.

This commitment is also reflected in the most important questions, such as whether our employees have “a positive future at Siemens” Or do they see opportunities? The result: 76 percent of those questioned answered positively. That’s an improvement of 14 percentage points compared to the previous survey. Some 47 percent of our employees said they’d recommend Siemens to a friend as a good place to work.

And what personally pleases me most: 86 percent of our employees believe they can be successful at all levels of Siemens “regardless of gender, ethnicity, age, sexual orientation or disability.” Despite this score, we have work to do here with the remaining 14 percent.

Esteemed shareholders,

we also create dependable value for you. And that wasn’t always the case. One of the most important benchmarks is total shareholder return – that is, the increase in the value of your investment from reinvested dividends over a longer period of time.

From the end of July 2013 to January 25, 2021, the value of the Siemens share climbed by more than 136 percent! In contrast, the total return on the DAX 30 in the same period was only 64 percent. With an investment in our former main competitor, one would even have had a negative return of nearly 44 percent.

That wasn’t always the case either. One important reason for this development is that we’ve been able to stabilize profitability over the years and then significantly increase it.

First of all, however, we had to stop the worrying decline in our EBITDA margin compared to our competitors.

In a second phase, from 2014 to 2016, we were able to stabilize the margin. Closing the gap from 2017 onwards went hand-in-hand with the Vision 2020 strategy concept gaining traction. In the fourth quarter of fiscal 2020, we were able to further increase the lead over our competitors, with an achieved EBITDA margin of 17.7 percent. And we see that Siemens continued to develop very positively in the first quarter of fiscal 2021.

This relative operational strength was also evident overall in fiscal 2020. Compared to others, we held our own under historically difficult conditions.

- Cutbacks in new orders from our customers, a decline of 7 percent, was clearly noticeable.
- Revenue remained virtually flat at €57.1 billion. The decline of two percent was far less than was initially feared in the pandemic.
• The book-to-bill ratio of 1.05 also shows that overall demand remains structurally intact.

• At our Industrial Businesses, Adjusted EBITA – that is, earnings before interest, taxes and amortization of intangible assets – dipped slightly to €7.6 billion. The margin of 14.3 percent virtually matched the prior-year level.

• Net income of €4.2 billion was impacted by charges for the realignment, among other things.

Free cash flow developed particularly well. In fiscal 2020, we saw a gratifying ten percent increase here to €6.4 billion. This marks the highest value reached in the past decade and is a strong signal of the company’s robustness and reliability, particularly in times of crisis.

For fiscal 2020, we’re proposing a dividend of €3.50 per share to the Annual Shareholders’ Meeting. This corresponds to a payout ratio of 70 percent of net income and is thus above the target corridor of 40 percent to 60 percent.

Excluding the ten percent market value of Siemens Energy, the dividend actually corresponds to the €3.90 dividend distributed in the previous year.

Increasing share prices are also fed by credibility. And credibility is reinforced, in turn, by the reliability of a company’s guidance.

Our guidance for the past fiscal year was a moderate decline in comparable revenue, an increase in orders, and a book-to-bill ratio greater than 1.

Due to the pandemic, we – like all other companies – had to adjust our annual guidance. We fulfilled this adjusted guidance. Fiscal 2020 thus marks the seventh year in a row in which we’ve reliably met our guidance. Although it must be admitted that the quality of target fulfillment in 2020 was lower.

Times of crisis are times of management. Crisis management cannot be delegated. We set two priorities at Siemens:

• The first priority was to protect the health and safety of our employees and our partners at all times.

• The second was to responsibly maintain our operations in order to give our customers and suppliers the best possible support.

Backed by a company-wide crisis taskforce that was immediately convened, we were able to reliably meet both priorities and get through the first wave of the pandemic in good shape. What we learned during this time enabled us to master the far more drastic second wave without any noteworthy impairments so far.
This is a remarkable achievement by our global team, which is dealing carefully and effectively with the different regional conditions.

For example, we made it possible for 220,000 employees at Siemens AG and Siemens Energy to work on a mobile basis.

The pandemic is far from over, but trust in our company has also grown because we’ve mastered the crisis well so far and have helped society alleviate its impact.

Esteemed shareholders,

Along with ensuring profitability and reliability, the company’s strategic realignment has also created value. As a focused company, Siemens AG now has a higher rating. Since June 30, 2020, the value of your shares has grown by almost 36 percent, and even reached an all-time high of more than 40 percent. By contrast, the DAX rose only by around 11 percent in the same period. And we’re naturally very pleased also with the positive development of the Siemens Energy share.

For us, satisfied shareholders are also satisfied owners. For responsible owners and for us, the employees of Siemens, what also matters is the value the company creates for society.

This value is reflected in the creation and preservation of jobs. But it’s also reflected in how we honor our responsibility for our environment. The living space for future generations. How we fulfill our commitment to society. And also how we show ethical responsibility and long-term orientation with good corporate governance. Here as well, Siemens has clearly improved in recent years. Let’s start with the environment and a clear commitment: we support the United Nations’ Sustainable Development Goals and the Paris Climate Agreement.

Here are just a few examples of what I mean.

- The technologies of Siemens AG and Siemens Energy enable customers to make their production, their plants and their buildings more resource-efficient.

- With the help of our technologies, our customers abate more than 671 million tons of CO2 emissions every year. That’s more than the annual CO2 emissions of Indonesia.

Even before the Paris Climate Agreement was signed in December 2015, Siemens was the first major industrial company to commit on its own initiative to achieving carbon neutrality by 2030. And we’re honoring this commitment: since 2014, we’ve reduced our own emissions by more than 54 percent. And we’re continuing to rigorously focus our internal systems on achieving and maintaining sustainability.

We’ve learned lessons here from our unfortunate commitment to a coal mine in Australia. A
small order for locomotive signaling systems suddenly became the yardstick for our climate commitment.

In the future, our Sustainability Committee will, in relevant cases, meticulously review projects for their ecological, social and economic risks.

You can find a review of the entire range of our activities in this area and the related results in our annual Sustainability Report.

Social responsibility also means commitment, solidarity and helpfulness. Siemens employees have done an outstanding job during the pandemic:

- They’ve kept the company running – whether from home or in the field or, even, working directly in production.
- They’ve continued to deliver products and provide services to our customers under the most difficult circumstances – and thus helped stabilize supply chains and supplies for people.
- They’ve not only done so much for the company, they’ve also committed to society and made generous donations. Their donations to the COVID-19 aid fund – which Siemens matched – have helped people throughout the world.

Our Caring Hands initiative provided more than €15 million for aid projects. This shows how deeply social responsibility is anchored in Siemens employees. This social commitment and these actions by our employees should also be recognized and honored – not just with applause and appreciative words, but with an appropriate financial reward.

The Managing Board therefore decided that every employee below the Senior Management level would receive a COVID-19 bonus of up to €1,000. The total amount comes to €200 million. That’s a lot of money. But it’s also a strong message: we stick together in times of crisis. This is also the story behind the numbers you see here.

In the pandemic year 2020, profits, dividends and Managing Board compensation declined, the latter quite significantly. Research and development investments as well as the number of employees, on the contrary, remained the same.

We’re committed to solidarity. We’re firmly focused on the future. And we share our burdens without endangering the future or shifting the largest share of the burdens to the weaker. This is also a sign of modern social partnership in temporarily difficult times. However, this should not be confused with the need for structural corrections.

The development of our company in all categories is respected and recognized worldwide:

For five years in a row, the influential Fortune magazine has rated Siemens as the world’s
most admired company in its industry. This is a particularly gratifying success for a German company, especially coming from a highly regarded American publication.

Siemens is doing well in many ways today. Especially in terms of its reputation. But this wasn’t always the case. Many of you know this. Not all that long ago, Siemens made headlines like these: “Major raid at Siemens”, “200-million slush fund at Siemens”, “Siemens scandal alarms U.S. stock exchange authorities”

I personally experienced that period and had been in office as the new Chief Financial Officer for just a few months. On November 15, 2006, 200 police officers searched Siemens’ offices in Munich. It soon seemed likely that one was dealing with the largest known corruption scandal in Germany’s economic history.

Investigations followed in Germany and abroad. And the company faced enormous damages whose dimensions couldn’t yet be estimated. Above all, however, the trust of employees, customers and shareholders in the company was shaken. Siemens stood at the brink of disaster.

Thanks to many people at many levels of the company, the damage to the company was relatively small in the end, given the dimensions of the scandal, and the economic consequences were unusually manageable. But this is also thanks to my predecessor Peter Löscher and the former Chairman of the Supervisory Board, Gerhard Cromme. I’d like to take this opportunity to expressly pay tribute to their achievements in this matter.

And I would also like to take this opportunity to commemorate one person in particular: Heinz-Joachim Neubürger. According to the investigations’ files, he was the member of the former Corporate Executive Committee who pushed most strongly for adherence to the compliance regulations and for changing past practices. He tried to avert the disaster and, in the end, paid the highest price. With his life.

I mention this because I think it’s important for the future of this great company. Without the successes of the Vision 2020 restructuring concept and the strategic future orientation of Vision 2020+, our company would surely still exist. Yet certainly not with a share price of €130. Perhaps just at €10 and with half the employees. Just like other conglomerates on this and the other side of the Atlantic that failed to see the signs of the times.

But without clean, ethical and responsible corporate governance, the company would have lost its license to do business and thus its existence.

After working at Siemens AG for more than 40 years, today is the day I’m leaving the company. I’ve met so many great people and experienced fascinating things. Not everything has succeeded, yet many things have.
The question is: What remains? What will matter most in the future?

I believe the greatest achievement over the past seven years hasn’t been the new setup of our businesses and the resulting economic strength. But that we’ve succeeded in understanding ourselves as a fundamental part of a global and multilateral community of values.

- That one looks to Siemens when it comes to seeing what is needed for a better world, for a more sustainable planet.
- That we have the products and solutions that lead people out of poverty, heal diseases and improve the quality of life.

We know it’s in our own interest to stand up for our values in a multilateral world where the rules of the game vary widely from country to country.

We know it’s good for our company to champion openness, tolerance, diversity, respect, inclusion and equality. For when we do, we promote social cohesion, international cooperation and, ultimately, stable conditions that benefit society as well as our company.

In this respect, interests and values are in harmony.

But we also know that only companies that are economically strong can meet this greater responsibility. That’s why there’s no alternative to growth, innovation and robust profitability.

Inclusive capitalism is thus the successful integration of all stakeholder interests.

That’s why I say that the economy of the future needs a new interpretation of the business maxim. For our success in the pandemic clearly demonstrates that crisis-proof returns presuppose durable values. The maxim “The business of business is business” may still have its advocates. But I think: “The ultimate business of business is society.” Time will tell who’s right.

In fiscal 2020 and the first quarter of fiscal 2021, we made great strides toward reaching the goals of Vision 2020+. Yet there’s still a lot to do. Because the “plus” never ends.

But the time has come now for me to hand over the company to the next generation.

When I presented Vision 2020, I said to the public – and especially to you, our shareholders:

“I personally vouch for making sure that the next generation inherits a better company. That is my vision. That is my responsibility. That is my promise.”

I’ll leave it up to you to judge whether this promise has been kept. I believed it was especially important after more than 15 years to ensure an orderly and well-planned succession.

Because a strongly focused company also needs a suitable CEO.
In the age of Industrie 4.0, the “new” Siemens AG needs a person at its helm who has a profound grasp of digital technologies and platforms, and who has the ability to lead the company into this age.

This person is Roland Busch. And with that, I hand you over – in a double sense – to Roland Busch. Dear Roland, I’m especially pleased that you’re taking on this task, and I wish you and your team all the best and great success.