SIEMENS

Speech for Press Conference

Fiscal Year 2020

"Excellent Performance in Remarkable Times"

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Check against delivery.

[Joe Kaeser]

Good morning ladies and gentlemen and thank you for joining our virtual conference today to discuss our results for the fourth quarter in times that I'd call remarkable. As you can see, we have a lot on our agenda today. So let's get started.

I'm sure that we can all agree that we're in the midst of interesting times. This is true for the political environment, for geo-economic factors and for the technological and socio-economic developments that are driving change. On top of all this, it's hard to predict how the emerging second wave of COVID-19 will impact global value chains. Needless to say, the cocktail of all these issues demands the utmost attention on the part of corporate leadership.

These times will determine the future of industries and companies. They'll turn intact sectors into structurally challenged businesses, enable new sectors to emerge at a faster rate and accelerate the digital transformation in all areas of the economy. And these times will reward those companies that handle the crisis well, learn from their experience, and prepare themselves now for the time after the pandemic. In any case, these are times that demand the highest levels of leadership, focus and attention.

The ability to quickly organize ecosystems that operate efficiently will be among the factors that determine the winners and losers in the post-pandemic global environment. For these reasons, I'm extremely glad that we've achieved the most important milestones of our Vision 2020+ strategy concept just in time.

With three strong companies operating in their respective sectors, we've laid the groundwork for emerging stronger from the crisis. This is also the case because we're focusing on the areas, and operating in the sectors, that offer especially attractive opportunities for us due to global and societal trends. Siemens Healthineers, Siemens Energy, and "new Siemens AG" are well positioned to come out of the crisis successfully and strengthened and to actively shape the future of their respective sectors.

Of course, relentless focus, efficient innovation, and reliable execution of appropriate measures and plans will remain the decisive success factors for creating value in the future.

In March 2018, we successfully went public with Siemens Healthineers. With the listing of Siemens Energy in September 2020, we completed Siemens' structural realignment phase and established a powerful ecosystem. This was a major step toward – and a prerequisite for – creating sustainable value in the years to come.

While we're aware that much work remains to be done, we're convinced that we've clearly set the course for a successful future for the Siemens brand. With three focused, entrepreneurially driven and increasingly independent companies united by the strong Siemens brand, we have the right setup for the future.

Another important step for streamlining our portfolio was the pending sale of Flender, the world's leading supplier of mechanical and electrical drive systems, to Carlyle. Here, we secured attractive conditions and considerable proceeds. Our "POC concept" for fixing the businesses by introducing the structures of mid-sized companies has proved to be an effective tool for generating sustainable value.

In addition, Siemens Healthineers is well on track to complete the acquisition of the radiotherapy market leader Varian in the first half of calendar 2021. Siemens Healthineers successfully increased its capital, raising €2.7 billion. With this first step, Siemens' stake was reduced to 79 percent from 85 percent. This move has already led to a meaningful increase in the free float.

Ralf Thomas and Roland Busch will provide additional details about our medium-term competitiveness programs.

After a spin-off process that was exemplary in terms of content and timing and that took place under unprecedented conditions, we listed Siemens Energy on the stock exchange on September 28. This step continued the rerating of the "new Siemens AG" that had already begun after the spin-off was approved at the Extraordinary Shareholders' Meeting in July.

Not unexpectedly, the listing of Siemens Energy was a tremendous catalyst. What was unexpected, however, was the speed and intensity of the form it took. It lifted Siemens AG's share price more than nine percent and increased its market capitalization by roughly €7 billion on this single day. In the days that followed, the Siemens AG share gained further ground and reached its pre-spin-off levels two weeks after the listing. And this rerating process has since continued. From our perspective, this development impressively underscores the validity of the strategic direction that management has taken. This rerating is above all the result of focusing the spectrum more sharply and reducing execution risks.

These successes were doubtlessly the highlights of our fourth quarter and of fiscal 2020 overall, during which we outperformed both Germany's DAX stock-market index and the MSCI World Industrials Index.

Beyond the strategic results, our operating performance in the fourth quarter was also very satisfactory under the circumstances.

Our global team has done an outstanding job in dealing with the pandemic and closed out fiscal 2020 with a strong performance. We'll recognize this dedication with a bonus payment to all employees beneath the senior management level.

Orders came to €15.6 billion. On a comparable basis, that's an increase of two percent. China was the main driver in this regard, contributing growth of 22 percent compared to the fourth quarter of fiscal 2019. Compared to the third quarter of fiscal 2020, we grew another seven percent in China on a nominal basis. As expected, revenue declined moderately in most regions except China. On a comparable basis, revenue came to €15.3 billion, which represents a three percent decrease year-over-year.

In terms of operating profitability, the adjusted EBITA of our Industrial Businesses rose ten percent to €2.6 billion. This figure also includes a material valuation gain for our stake in Bentley and a divestment gain at Smart Infrastructure. As a result, we had an excellent margin of 18.7 percent, which is 270 basis points higher than in fiscal 2019. It proved to be a good idea for Siemens to invest in this software company at an early stage. Now we can participate in the increase in its value.

We're very satisfied with the development of our free cash flow. The inflow of €3.8 billion in the fourth quarter enabled us to increase this important factor by ten percent to €6.4 billion for the full fiscal year.

Our strong finish in the fourth quarter helped us meet our forecast. Although – (for the first time) after six years in a row without revisions during the year – it had to be revised, due to the COVID-19 pandemic.

Despite the turbulent times, Siemens has closed out its fiscal year in a strong position, with an excellent cash flow and a further validation of our Vision 2020+ strategic concept. We carried out the listing of our energy business exactly as we had planned prior to COVID-19. Vision 2020+ has turned Siemens into a far more focused company.

All in all, we've delivered a truly good and especially reliable streak of successes over the years. The team is focused on continuing to do this – even though the persistent uncertainties associated with the second wave of COVID-19 haven't made it easier to offer a meaningful forecast for fiscal 2021.

And so the question is: What does the period between our last profit warning at the end of July 2013 and the end of fiscal 2020 mean for our shareholders? Aside from the fact that Siemens is a reliable company? One important metric here is total shareholder return, which nearly reached 100 percent over this period, clearly outperforming the DAX index.

Could it have been better? Absolutely! But it also could have been worse – much worse. Other examples make that point clear. The transition from being a hard-to-predict and untransparent conglomerate to becoming a focused and more transparent company with a clear structure of responsibility and accountability was urgently needed.

With the three Siemens companies Siemens Healthineers, Siemens Energy, and the new “industrial” Siemens AG, we’ve set the stage for mastering the greatest disruptive transformation of our time. While Siemens Healthineers has a head start, the two other Siemens companies have a clear course and clear priorities – both for their strategies and for the execution of these strategies. The foundation has been laid. Now we can begin to create value at a higher level – through even sharper focus and forward-looking transformation.

I’m very grateful that numerous stakeholders, so many people, and particularly close allies, like my companion Ralf Thomas and others, have enabled me to achieve so much with their support. It could have been more – and maybe even should have been more. But it takes patience and a willingness to compromise to balance the desirable with the doable.

Under these circumstances, I’m especially proud of what the entire Siemens team has accomplished in the last few years. With that, I’ll hand over to Ralf Thomas. He’ll now explain the results of the fourth quarter to you in more detail.

[Ralf P. Thomas]

Ladies and gentlemen, good morning to all of you who’ve joined us online this morning. I hope you’re all healthy and well. Let’s begin with a detailed look at Siemens AG’s businesses.

As usual, you’ll find the results of all our businesses in our Earnings Release. I won’t go into the figures for Siemens Healthineers since they’re already available. Siemens Energy, which has been publicly listed since the end of September, presented its results separately for the first time two days ago.

So, let’s take a look now at Digital Industries, Smart Infrastructure and Mobility. Revenue and orders at all our Industrial Businesses were negatively impacted in the fourth quarter by currency effects due to the strong euro.

Despite the challenging environment, Digital Industries (DI) managed a successful year-end spurt, backed by high demand in China and a number of larger contract wins in the software business. The rigorous implementation of structural and COVID-19 related cost-cutting programs also paid off in the fourth quarter.

Revenue declined across all DI businesses, most notably in its automation businesses. At the same time, we’re seeing the first signs of stabilization among the short-cycle automation businesses in important end markets and regions – although the situation remains uncertain due to rising infection rates and lockdowns.

In the fourth quarter, Digital Industries again achieved solid results and a robust adjusted EBITA margin within its target range, even without the considerable contribution to earnings from the revaluation of our stake in Bentley Systems after Bentley’s public listing in September.

Smart Infrastructure (SI) delivered a solid fourth quarter in a market that was still contracting but showed positive trends in specific industries.

Orders in the products business rose at a comparable year-over-year rate. Compared to the strong prior-year quarter, however, we landed fewer major orders in the solutions and service business. On a comparable basis, Smart Infrastructure reported a six-percent decline in orders overall, while revenue declined two percent on a comparable basis.

The team at Smart Infrastructure continues to make good progress with its ongoing competitiveness-enhancement program. The associated expenses had a negative impact on earnings in the fourth quarter. At Smart Infrastructure – as at Digital Industries – the adjusted EBITA margin was supported by cost-reduction programs and cost savings related to COVID-19. The €159 million gain from the sale of a non-strategic business also had a positive effect on adjusted EBITA. Without this effect, SI’s adjusted EBITA margin – also including severance charges – was 11 percent. A solid result within SI’s margin range.

Let’s turn now to Mobility, which – compared to its competitors – also turned in a strong and convincing performance at the end of the fiscal year.

Mobility’s market environment remained difficult: volume development was hampered by the effects of the corona pandemic, above all in the rail infrastructure and service business.

Nevertheless, orders grew by a strong 17 percent on a comparable basis, thanks to a number of major orders that Roland Busch will highlight. In line with the information we provided this summer, Mobility has returned to the target range for its adjusted EBITA margin.

Let’s move on now to the influences on results outside our Industrial Businesses.

I’ll begin with Siemens Financial Services (SFS). As is the case throughout the financial services industry, the corona pandemic’s impact was clearly noticeable here, too. The pandemic also had a considerable negative impact on earnings before taxes in the fourth quarter. This impact resulted in a return on equity of one percent. For the full fiscal year, Siemens Financial Services achieved a return on equity of 11.9 percent, which is a remarkably solid result compared to the industry average.

Compared to the prior-year quarter, continuing high uncertainty in SFS’s markets resulted in an increase in provisions. Actual loan defaults, however, remained at a relatively low level. The equity business also had a negative impact on SFS’s results, due primarily to an impairment of an equity investment in the U.S. The decrease in total assets was, however, due mainly to negative currency translation effects.

We’ll continue for a moment with developments outside the Industrial Businesses, some of which I’d like to point out here.

Within the Portfolio Companies, the fully consolidated companies delivered a noteworthy operating performance. Flender, in particular, stood out. However, we had to recognize an impairment of €453 million on our stake in the Valeo Siemens joint venture. Even though this joint venture has been successful in winning orders from prominent automobile manufacturers for quite some time now, the company has posted losses ever since its establishment in 2016. We assume that – even over the medium term – this situation will not change.

With regard to discontinued operations, in particular, it should be mentioned that the pre-tax gain from the spin-off of Siemens Energy amounted to €1.2 billion. As we informed you last year, this gain covers costs, tax expenses and severance charges associated with the spin-off.

Our rigorous and focused working capital management also bore fruit across all businesses in the fourth quarter. Our outstanding cash flow is one of the highlights – not just in the fourth quarter, but for all of fiscal 2020.

By reducing current assets, we achieved about €500 million in free cash flow in the Industrial Businesses this quarter alone. At Group level, the Portfolio Companies also made a positive contribution here, as in the third quarter. “All in,” we achieved outstanding free cash flow of €6.4 billion in fiscal 2020, which is the best result in the past ten years.

We’d like to take this opportunity to warmly thank all our colleagues who’ve worked so hard on our free cash flow over the past few months. This was a particularly valuable achievement, especially in the times of the corona pandemic.

In keeping with our long-standing dividend policy, Siemens is proposing to the Annual Shareholders’ Meeting a dividend of €3.00 plus an additional 50 cents per share – for a total dividend of €3.50 per share. This represents a stable dividend yield compared to last year’s €3.90, adjusted for the ten percent market value of the Siemens Energy spin-off.

With the regular dividend proposal of €3.00 per share, which corresponds to a 60 percent payout, we’re at the upper end of the 40 percent to 60 percent range established for the distribution of net income. The additional 50 cents per share is due to the realignment of our share buyback program following the rerating of our share that began with the spin-off of Siemens Energy and was readily apparent on the day of the initial listing.

Even in these exceptional times – and particularly in these times – with the ongoing uncertainties due to COVID-19, we consider it important to set clear priorities and provide a highly attractive total shareholder return for our investors.

As part of the current program, we’ve already realized €2.4 billion of the overall amount of up to €3 billion. In fiscal 2020 alone, we bought back shares worth €1.4 billion at very favorable conditions.

With a dividend yield of 3.2 percent, which is clearly above the industry average, as well as €1.4 billion in share buybacks, and a rerating effect of €7 billion on the day that the spin-off of Siemens Energy took effect, the Siemens share was an extremely attractive investment for our investors in fiscal 2020, too.

This brings me to the underlying assumptions for our outlook. You’ll find a detailed explanation of the outlook in our Earnings Release.

For our outlook for fiscal 2021, we assume that the COVID-19 pandemic will not have a long-lasting impact on the world economy. Given this condition, we expect a fairly robust return to global GDP growth.

We anticipate that customer industries that are important for us will continue to face challenges related to the pandemic and industry-specific structural changes, and that this will cause growth in global investments in the area of capital goods to lag behind GDP growth.

Nonetheless, we expect improving conditions, particularly for our short-cycle businesses, especially in the second half of fiscal 2021.

We further anticipate that negative currency effects will strongly burden both nominal growth rates in volume and adjusted EBITA for our Industrial Businesses in fiscal 2021.

Now to the assumptions for our activities outside the Industrial Businesses in fiscal 2021:

For our net income guidance, we assume that the divestment gain related to the announced divestment of Flender will be largely offset by burdens related to Siemens Energy.

For the results of our 35 percent equity investment in Siemens Energy, we expect a €0.3 billion impact from amortization of assets in addition to our participation in its profit after tax. We also expect expenses remaining from the spin-off transaction.

Let’s take a look now at our expectations for the individual businesses and our outlook at Group level. Revenue growth year-over-year has been calculated on a comparable basis. Our expectations for fiscal 2021 are as follows:

For Digital Industries, we assume modest revenue growth and an adjusted EBITA margin between 17 percent and 18 percent. At Smart Infrastructure, we expect moderate revenue growth and an adjusted EBITA margin between 10 percent and 11 percent. For Mobility, due mainly to executing its large order backlog, we expect that revenue will rise by a percentage amount in the mid-single digits and that the adjusted EBITA margin will be between 9.5 percent and 10.5 percent.

At the Group level, we’re targeting moderate revenue growth and a book-to-bill ratio above 1.

Please note that we decided to switch our guidance from earnings per share to net income. In fiscal 2021, net income gives better transparency because it won’t be affected by dilution effects due to equity issuances by Siemens Healthineers.

Assuming the expectations described above are fulfilled during fiscal 2021, we anticipate net income to increase moderately from €4.2 billion in fiscal 2020 despite the strong currency headwinds.

As usual, excluded from this outlook are burdens from legal and regulatory issues and effects in connection with Siemens Healthineers' planned acquisition of Varian which is expected to close in the first half of calendar 2021.

And with that, I'd like to turn the floor over to Roland Busch, who'll present our strategic priorities for fiscal 2021 as well as an update on Mobility.

[Roland Busch]

Good morning, ladies and gentlemen, and a warm welcome on my part as well!

For Siemens, October 1 marked not only the start of a new fiscal year, but also the beginning of a new chapter in our company's history. By rigorously executing Vision 2020+, we've turned a conglomerate into a focused technology company.

We're enabling our customers in industry, infrastructure and mobility to transform their sectors – sectors that form the backbone of economies and provide the basis for growth – and to remain relevant in the future, too. We're driving and shaping this transformation. We're acting as ONE company – because that's the only way we can play to our strengths. We're convinced that we're transforming the everyday for billions of people.

To achieve these aims, we've defined priorities that I'd like to explain to you today in greater detail. And I'd also like to give you a strategic update on Siemens Mobility.

The digital transformation is continuing to accelerate due to the corona crisis. While our customers are asking less and less for products, they're asking more and more for the industrial applications and solutions that will increase their competitiveness and boost their productivity. They want help with their transformation. And we can make them concrete offers in this respect because Siemens can connect the digital and physical worlds like no other technology company.

We can do this because:

- We're leaders in the digitalization of our industries
- We rely on the right technologies
- Our business units offer deep domain knowhow
- And our strong ecosystem includes expert partners.

Each of our businesses focuses on the specific requirements of its customers and markets. Our aim is to become a leader in all the industries we serve – both today and in the future.

Innovation leadership is a key prerequisite for achieving this goal. That's why, as a technology company, we're intensifying our investments in research and development. In fiscal 2020, we spent more than eight percent of our revenue on R&D. In fiscal 2019, this figure was 6.5 percent, including Siemens Energy. In the current fiscal year, we expect to make R&D investments of roughly €4.9 billion. We'll focus these investments even more intensively on digitalization – particularly, on software and on the Internet of Things, or IoT. This is where we see the greatest potential for growth – growth from which we intend to benefit.

In addition to investments in our own activities, we're focusing on an ecosystem with strong partners – such as SAP. Our collaboration with SAP is enabling us to expand our approach as a comprehensive digital company. We plan to further integrate our products across the entire value chain. Such integration will help our customers break down traditional silos, drive digitalization and provide a comprehensive solution for the fourth industrial revolution: Industrie 4.0.

Our strategic partnership with Salesforce is another example. Together with Salesforce, we offer innovative solutions that help our customers enable their employees to return to the workplace while upholding all the necessary hygiene regulations and social distancing guidelines. These solutions include space planning, updating guidelines, the tracking of infection chains and many other functions.

Our recently concluded joint venture with Macquarie is yet another example of a successful collaboration. The aim of this joint venture is to address the dynamically growing market of decentralized energy systems – the energy-as-a-service sector – through an attractive business model. The joint venture establishes and operates an infrastructure consisting of renewable energy and battery storage for its customers – therefore also contributing to sustainability.

By partnering with GlaxoSmithKline – the global leader in vaccines – Siemens has created a digital twin for vaccine production. With the aid of trials and tests, this digital twin can reduce the time it takes to develop a vaccine by around 25 percent. As a result, yield and quality are also increased with around ten percent less waste.

All these examples show how we're leveraging our advantages in digitalization for the benefit of our own organic growth. We aim to grow by four percent to five percent a year.

Along with growth, we're keeping our eye on costs in order to further enhance our operational excellence and thus our competitiveness. Specifically: we expect Siemens AG to achieve cumulative savings of €1.240 billion by fiscal 2023 – €420 million from Digital Industries and €370 million from Smart Infrastructure. We achieved nearly €300 million of the total figure in fiscal 2020.

The figure includes savings of €450 million from our program for a lean and more effective management, which we're rigorously implementing. Our entire team has been doing an excellent job in all these endeavors. Together, we'll continue to work hard to keep our structures lean.

Along with cost discipline, we're focusing on cash conversion, as was impressively demonstrated by the €6.4 billion in free cash flow that we achieved in fiscal 2020. We want to build on this achievement in fiscal 2021 as well.

And we're not only making a conscious effort to focus on finances, we've also set ambitious targets in the area of environmental, social and governance or ESG. For fiscal 2020, we assume that we've already reduced our emissions by 50 percent since launching our carbon-neutral program. We'll continue to intensify our efforts regarding sustainability.

Training and continuing education are also an important ESG focus. Our employees are continuously provided with new training opportunities via an interactive platform. All our top managers are currently completing a comprehensive training program to make them fit for the IoT business.

We're also providing support outside of Siemens by offering training opportunities in the area of Industrie 4.0, allowing students to use our PLM software free of charge and providing an international work-study program modelled on the German dual system. In Egypt, for example, we've provided training for a total of 5,500 young people over four years, offering them the latest technical expertise – something which is highly significant for Egypt's industry.

Training and continuing education are the most important and most powerful levers for developing a sustainable society. For this reason, we'll continue to expand our programs in this area.

We've made good progress with our Portfolio Companies. Revenue for fiscal 2020 was €5.4 billion. Ralf Thomas has already mentioned the high cash flow. We've been rigorously implementing an SME approach and strategic plans for these companies. And we've set the margin target for fiscal 2022: at least five percent at the fully consolidated units. As you may recall, we posted losses at the Portfolio Companies in fiscal 2018.

As we announced at the end of October, we're going to sell Flender, the specialist for wind and industrial gear drives, to the strategic investor Carlyle for €2 billion. Our subsidiary Valeo Siemens will continue to implement its transformation program.

Let me turn now to my strategic update for Siemens Mobility. Of course, we're seeing the impact of the pandemic on the transportation market as well. But Siemens Mobility has still done extremely well – considerably better than our competitors. Times of crisis reveal both strengths and weaknesses, but, in our case, mostly strengths. According to current expectations, the market we can address will grow 25 percent by 2023 – a significant increase after the corona-related setback this year.

The reliable and sustainable transport of people and goods is a basic need of our societies. We want mobility – and we get traffic. To master this challenge, digitalization will also play a decisive role. This is exactly where Mobility's strategy comes in: we have all the digital solutions needed to transform the rail industry, and we cover the industry's entire value chain.

With our digital offerings, we're optimizing network utilization and enhancing capacities without laying new tracks. Our vehicle platforms increase comfort while significantly reducing maintenance costs and energy consumption. Decreases of 30 percent in maintenance costs and energy consumption are possible from one generation to the next by rigorously implementing digitalization in design and manufacturing.

Through the continuous transmission of vehicle data and of a digital twin, combined with analytics and artificial intelligence, we can set up predictive maintenance logistics to ensure that vehicles are 100-percent available.

We're supplementing conventional processes with technologies like augmented reality so that projects can be implemented virtually – for example, when systems are commissioned or vehicles delivered. In maintenance and customer service, this approach has also proven to be an advantage in the corona pandemic – an advantage we now intend to further consolidate.

We're also helping network all mobility offerings, thus boosting efficiency and providing greater convenience for mobility users. Driverless trains and trams are another trend we're pursuing. And we're leaders in this area as well.

Let’s take a closer look now at two examples. First, our customer Bane NOR, which operates Norway’s rail network, is taking a bold step. It’s commissioned Siemens to digitalize the country’s entire rail system. We’ll remove 330 separate interlockings and replace them with a single interlocking. There’ll no longer be a need for signals.

The second example is the Rhine-Ruhr Express, or RRX, the project of the century that will transform the transportation infrastructure in Germany’s Ruhr region. This is the largest order Siemens has ever received in regional rail transport in Germany. It includes train maintenance and repair, which we’ll manage until 2050. The trains will have an availability of almost 100 percent. We’ll be supported by a continuous digital twin and artificial intelligence. We can predict when parts will fail and replace them in good time. This capability will increase train availability and reduce fleet costs. The trains are up to 98.5 percent recyclable, and an intelligent driver assistance system makes their operation 5 percent to 15 percent more energy efficient.

The RRX offers passengers many advantages, including optimal mobile phone reception, more legroom, airy interiors and barrier-free access. These advantages also helped the RRX win the German Mobility Award 2020. The order shows we can sell more hardware in the real world by leveraging our strengths in the virtual world!

On Monday, there was also more news about our second regional train – the single-level Mireo. You can now buy our Mireo trains “ready-made.” In the past, only locomotives could be bought as standard products. But now we’re offering this option for Mireo trains, too! The new three-car trainset shortens the time from order placement to service launch to 18 months at most. This approach practically rules out project delays. Sales are processed via a data sheet, with optimal equipment and on fixed terms. This offering, which is particularly attractive for small and medium-sized operators, also makes the Mireo Smart a viable alternative to fleet modernization.

Our offerings also include battery-, hydrogen- and fuel-powered trains. Our battery-powered trains are already running successfully! In this area, too, Siemens Mobility will become a pioneer in climate-friendly transport.

Mobility has leading key figures in its industry. The order situation at Mobility is very good: 30 new ICE trains for €1.1 billion, a framework agreement of roughly the same volume with DB Cargo for up to 400 locomotives, and the sale of the 1,000th Vectron locomotive in 2020. Mobility has also booked a large number of major orders for signaling systems – orders that have enabled us to clearly defend our leading position even during the corona pandemic.

With an order backlog of over €30 billion, solid growth and a margin that – despite the corona crisis – will fall within its target range in fiscal 2020, Mobility is a true global champion.

As a result, we're leaving our targets for Mobility unchanged: we're aiming at annual revenue growth of more than five percent and a medium-term margin of more than 11 percent. To achieve these targets, we'll be increasing our focus on higher-margin businesses – such as cloud-based signaling systems, vehicles based on platforms, digital services and components.

And as I mentioned in the second quarter, we intend to make portfolio optimizations at each and every business. We want to further align Mobility with the specific requirements of its markets. That's why we'll be carving out Intelligent Traffic Systems, or ITS, to form a separately managed company.

Within Mobility, ITS is already a largely separate business with its own customers, its own products and different business structures. ITS is a leading provider of innovative and intelligent mobility solutions for roads and urban areas. It's a healthy business with annual revenue of around €600 million and a compound annual growth rate in orders of eight percent in recent years. Around 600 cities rely on ITS traffic management systems. The unit is the only provider that masters all the major regional standards and offers all the necessary technologies.

Why the carve-out now? We intend to open up new opportunities for ITS – because its market environment features mainly medium-sized competitors with flexible structures and low-cost positions. In order to survive and prevail in this environment over the long term, the business needs greater freedom. As a separate company with a clear focus, ITS can better pursue its growth strategy, shape digitalization in its industry and actively drive market consolidation. We want to complete this step by the end of the current fiscal year.

While other competitors try to use their sheer size to gain success in a market characterized by a surplus of manufacturing capacities that are often fragmented, we, at Siemens Mobility, are taking a different tack. We're focusing on technology, digitalization and innovation. Because we're convinced that the real value for our customers is in providing them with cost-effective, sustainable and reliable transport capacities. And this is what Siemens Mobility promises – with its holistic, integrated approach across infrastructure and rolling stock, with its latest platform concepts and by connecting the real and digital worlds, something we master and further develop like no other company!

Our performance in recent years shows that we generate more value for our customers and thus more value for our shareholders, too.

Today marks another milestone in the new chapter for Siemens AG. We'll meet next time at the Annual Shareholders' Meeting on February 3, 2021. In May 2021, we want to give you a strategic update at our Capital Market Day.

Despite the restrictions and economic effects of the corona pandemic, I'm very optimistic about the future. Early in October, we explained to our employees how we want to proceed in our new management team. For us, four priorities are of key importance:

- First, we focus on customer impact. We want to anticipate what they need.
- Second, we empower customers and partners with our technologies. We empower our employees by asking more questions at Siemens, taking more risks and assuming more responsibility.
- Third, we build technologies with purpose. They're never an end in themselves, they help customers achieve more with less.
- And fourth, we have a growth mindset. We'll always continue to grow and learn. This requires curiosity, resilience, an eagerness to experiment and a willingness to constantly adapt to new situations.

These strategic priorities are the guiding principles of Siemens AG and a guarantee of further growth. As a technology company, our job is not to perpetuate what already exists. It's to shape the future. And we have what it takes to make that happen.